NIPPON SHOKUBAI

2010 ANNUAL REPORT

"Providing affluence and comfort to people and society, with our unique technology"

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 "TechnoAmenitiy", which means providing affluence and comfort to people and society, with our unique technology, and the following management philosophy :

Management Philosophy

1. We will conduct all of our corporate activities based upon a deep respect for humanity.
2. We will aim at coexisting with society, and working in harmony with the environment.
3. We will pursue innovative technology.
4. We will operate on the global stage.

Business Fields

Since the establishment in 1941, we have been striving for technical innovation and contributing to society through a broad product range.

Our major products are 1) Basic Chemicals, such as acrylic acid, acrylates, ethylene oxide, ethanol amine, and higher alcohol surfactants, etc., 2) Functional Chemicals, such as superabsorbent polymers, polymers for concrete admixture, resins for paints / adhesives and electronic and information materials, etc., and 3) Environmental Systems and Catalysts, such as automotive catalysts, process catalysts, De-NOx catalysts and dioxin decomposition / elimination equipments, etc.

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

We will continue to pursue further potentials of technology, while supporting people's livelihood and also providing affluence.

Contents

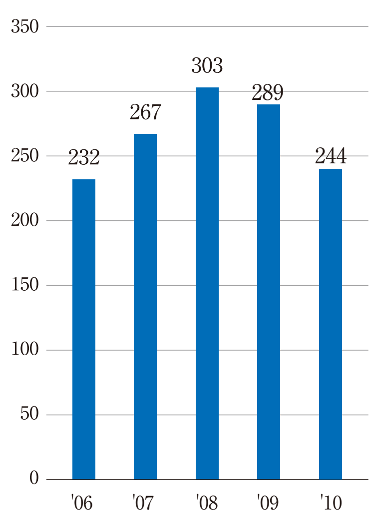
Financial Highlights

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

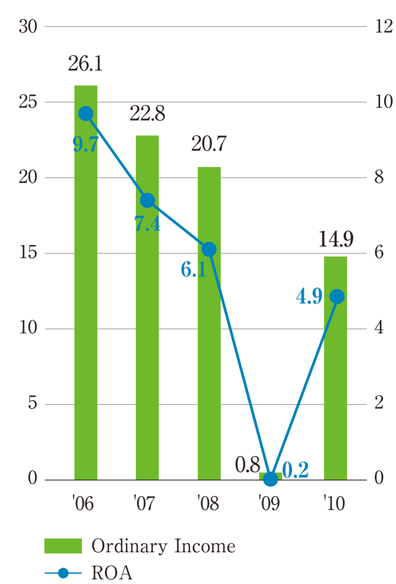
	Year ended March 31, 2010	2009	2010
	(Millions of Yen)		(Thousands of U.S. dollars)
Net sales	¥ 244,317	¥289,102	US$ 2,625.935
Operating Income	13,881	622	149.194
Ordinary Income	14,934	757	160.512
Net Income(loss)	10,832	(5,307)	116.423
At Year End			
Total Assets	¥ 310,946	¥ 302,948	US$ 3,342.068
Total Net Assets	163,781	151,662	1,760.329
	Yen		U.S. dollars
Per Share Amounts			
Net Income	¥ 60.85	¥ (29.61)	US$ 0.65
Cash Dividends	14.00	15.50	0.15

Foreign Exchange Rate: US$ 1.00 = ¥93.04

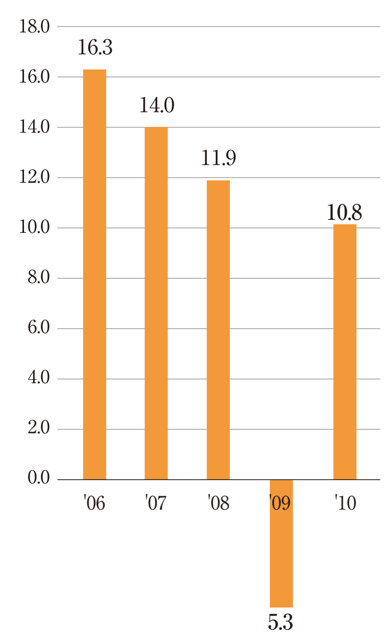
Net Sales (Billions of yen)



Ordinary Income (Billions of yen)
ROA (%)



Net Income (Billions of yen)



To Our Shareholders

It gives me pleasure to report on the performance of NIPPON SHOKUBAI GROUP(the "Company") for the fiscal year ended March 31, 2010.

Overview

The Japanese economy in the fiscal year under review showed some signs of a pick up in production due to a recovery in exports, but the outlook remained uncertain due to harsh employment conditions, and sluggish capital investment and personal consumption.

In the chemicals industry, demand continued to recover in China and other emerging markets, but the business environment remained harsh overall due to the yen's appreciation, stagnant domestic demand, and rising raw materials prices.

In this business environment, the Group's consolidated net sales declined 15.5% year-over-year to 244,317 million yen(−44,786 million yen) in the fiscal year under review.

The sales volumes of most products increased, but product prices declined due to a decrease in raw materials prices and slack in the supply-demand balance among other factors.

As for profits, operating income increased 13,260 million yen year-over-year to 13,881 million yen in the fiscal year under review. Despite a narrowing of spreads (product prices fell by more than raw materials prices) , profitability improved due to cost reductions and an increase in production and sales volumes among other factors. Also, large inventory valuation losses booked last fiscal year were absent in the fiscal year under review.

Ordinary income increased 14,177 million yen year-over-year to 14,934 million yen in the fiscal year under review as net of non-operating income/expenses rose 918 million yen due to a decline in foreign exchange losses and an increase in earnings from equity-method investments among other factors. Net income increased 16,139 million yen year-over-year to 10,832 million yen in the fiscal year under review, moving back into the black, as extraordinary income/loss improved 6,001 million yen due to a decline in loss on valuation of investment securities among other factors.

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

June 2010

近藤忠夫

Tadao Kondo, President

Performance Highlights

(million yen)

	Year endrd March 31,		Change	
	2010	2009	Amount	%
Net sales	244,317	289,102	(44,786)	(15.5%)
Operating income	13,881	622	13,260	–
Ordinary income	14,934	757	14,177	–
Net Income(loss)	10,832	(5,307)	16,139	–
Net income per share	¥ 60.85	(¥ 29.61)	¥ 90.46	–
ROA	4.9%	0.2%		4.7points
ROE	7.0%	(3.3%)		10.3points
Exchanging rate	$=¥92.88 EUR=¥131.14	$ =¥100.58 EUR=¥143.66	(¥7.70) (¥12.52)	
Naphtha price	¥41,200/kl	¥ 58,900/kl	(¥ 17,700/kl)	

Review of Operations

Performance by Business Segment

Basic Chemicals

Sales of acrylic acid, acrylates, ethylene oxide, and higher alcohol decreased, despite an increase in sales volumes, due to a decline in selling prices from lower raw materials prices among other factors.

Sales of ethylene glycol decreased, despite an increase in sales volumes, due to a decline in selling prices from slack in the supply-demand balance among other factors.

Sales of ethanolamine decreased due to a decline in sales volumes and selling prices on stagnant demand.

In summary, sales in the basic chemicals segment decreased 15.8% year-over-year to 99,329 million yen.

Operating income increased 3,739 million yen year-over-year to 5,328 million yen, despite a narrowing of spreads, due to greater production and sales volumes, various cost reductions, and the absence of inventory valuation losses.

Paints (Acrylates)

Synthetic Detergents(SOFTANOL)

Functional Chemicals

Sales of superabsorbent polymers decreased, despite an increase in sales volumes, due to a decline in selling prices from lower raw materials prices among other factors.

Sales of polymers for concrete admixtures, maleic anhydride, raw materials for detergents, and resins for adhesive/paints decreased due to a decline in sales volumes and a decline in selling prices from lower raw materials prices among other factors.

Sales of processed adhesive products stood at the same level of the previous fiscal year.

Sales of specialty acrylates and resin modifiers increased, despite a decline in selling prices from lower raw materials prices among other factors, as exports drove an increase in sales volumes.

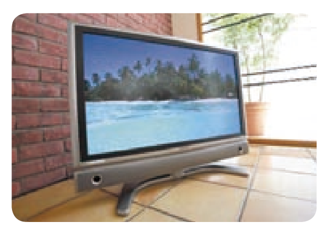
Sales of electronic and information materials increased due to an increase in sales volumes of optical film materials and other products.

Sales of iodine compounds increased due to an increase in sales volumes.

In summary, sales in the functional chemicals segment decreased 6.0% year-over-year to 131,514 million yen.

Operating income increased 11,056 million yen year-over-year to 9,161 million yen, moving back into the black, despite a decline in the profitability of polymers for concrete admixtures from lower production and sales volumes, due to various cost reductions, greater production and sales volumes of superabsorbent polymers and electronic and information materials, and the absence of inventory valuation losses.

Diapers(Superabsorbent polymer)



Flat Panel Display(Electronic Information associated Materials)

Performance by Business Segment

(unit : million of yen)

(Year ended March 31.)	2010			2009			Change		
Business Segment	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts
Net Sales	99,329	131,514	13,473	117,902	139,862	31,338	(18,573)	(8,348)	(17,865)
Operating income(loss)	5,328	9,161	(645)	1,589	(1,895)	1,222	3,739	11,056	(1,867)

Environment & Catalysts

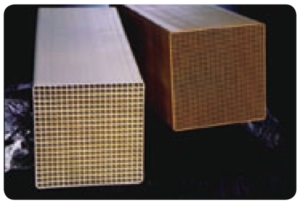
Sales of automotive catalysts decreased sharply due to a decline in sales volumes and a decline in selling prices on falling precious metal prices.

Sales of process catalysts, De-NOx catalysts, and emission detoxification catalysts decreased due to a decline in sales volumes.

Sales of dioxin decomposition catalysts and equipment increased due to a rise in new projects.

In summary, sales in the environment & catalysts segment decreased 57.0% year-over-year to 13,473 million yen in the current fiscal year.

Operating income decreased 1,867 million yen year-over-year to a loss of 645 million yen due to a large impact from the decline in production and sales volumes of process catalysts.


Automotive Catalysts

Performance by Regions

Japan

Sales in Japan decreased 18.3% year-over-year to 173,912 million yen, despite an increase in sales volumes on a gradual recovery in demand, due to a large impact from a decline in product prices on lower raw materials prices among other factors.

Operating income increased 10,317 million yen year-over-year to 11,091 million yen, despite a narrowing of spreads, due to improved profitability from cost reductions and greater production and sales volumes, and the absence of inventory valuation losses.

Europe

Sales in Europe decreased 4.5% year-over-year to 32,407 million yen, despite an increase in sales volumes of superabsorbent polymers, due to a decline in selling prices from lower raw materials prices among other factors.

Operating income returned to the black, rising to 942 million yen, as widening spreads and greater production and sales volumes improved profitability.

Asia

Sales in Asia decreased 8.8% year-over-year to 24,091 million yen, despite higher sales volumes of polymers for concrete admixtures, superabsorbent polymers, acrylic acid and acrylates, due to a decline in selling prices from lower raw materials prices among other factors.

Operating income returned to the black, rising to 901 million yen, despite a narrowing of spreads, due to a large impact from greater production and sales volumes among other factors.

Other regions

Sales in other regions decreased 13.0% year-over-year to 13,906 million yen, despite an increase in sales volumes of superabsorbent polymers, due to a decline in sales volumes of polymers for concrete admixtures and raw materials for detergents, and a decline in selling prices from lower raw materials prices among other factors.

Operating income returned to the black, rising to 127 million yen, despite a decline in the profitability of polymers for concrete admixtures and raw materials for detergents, due to a wider spread and greater production and sales volumes of superabsorbent polymers.

Performance by regions

(unit : million of yen)

(Year ended March 31,)	2010				2009				Change			
Region	Japan	Europe	Asia	Other Regions	Japan	Europe	Asia	Other Regions	Japan	Europe	Asia	Other Regions
Net Sales	173,912	32,407	24,091	13,906	212,782	33,924	26,406	15,991	(38,870)	(1,516)	(2,316)	(2,084)
Operating income(loss)	11,091	942	901	127	774	(460)	(64)	(1,058)	10,317	1,402	965	1,185

Medium- and Long-term Business Plans

Challenges, Long-term Business Strategies, and Performance Targets

The NIPPON SHOKUBAI Group launched in FY3/07 its five-year long-term business plan "TechnoAmenity V3" targeting growth through the expansion of its new electronic and information ("E&I") materials business. However, the Company produced its first loss ever in FY3/09 as rising raw materials prices weighed on profitability and economies around the globe fell into recession from the second half of 2008. Also, the Company is far from reaching its targets for new products in terms of both sales and the ratio to overall sales.

In light of these conditions, the Company decided to create new business targets one year ahead of schedule. It has therefore formulated a new long-term business plan "TechnoAmenity 2015" which sets out a long-term management vision, coupled with a medium-term business plan which provides a concrete action plan to realize the long-term business plan. It will strive under these plans for a rapid recovery and improvement in earnings.

The new long-term business plan is firmly rooted in the Company's long-standing corporate philosophy of "TechnoAmenity: providing value and comfort to people and society, with our unique technology." Under a management philosophy of

1) respecting human nature,
2) coexisting with society and working in harmony with the environment,
3) creating innovative technology, and
4) acting on the global stage, the Company seeks to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world.

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

a. The slogan of the Company's long-term business plan is "Challenge to the future, make dreams come true". The vision, targets, and goal of the plan are to realize an ambitious future for the Group. This is a challenger's declaration with an eye on the future, with returning to its founding spirit and resolving to continue fighting to achieve results no matter how difficult the path.

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

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c. The Company's vision and target (its ideal) for 2025 is "a chemical company providing new values through innovative technologies," and also it sets level to attain in 2015. The following is its basic business strategy for achieving these;

・Make the E&I materials business an earnings pillar by strengthening and enriching the product lineup in markets the Company has already entered, and accelerating the launch of products in new markets.

・As for new businesses, the Company aims to establish a firm position for itself as a fuel cell materials manufacturer in the field of new energy, and bring to market new materials for new fuel-related products. It also aims to develop green chemistry technologies such as biomass-related materials.

In the health and medical fields, it will obtain a certain product group to maintain future development.

・As for existing businesses, the Company aims to strengthen the competitiveness of its business of acrylic acids, ethylene oxide, and their derivatives by developing innovative processes and lowering costs; further expand the possibilities for derivatives; and bring about a recovery and improvement in profitability.

2) Outline of the Medium-term Business Plan

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

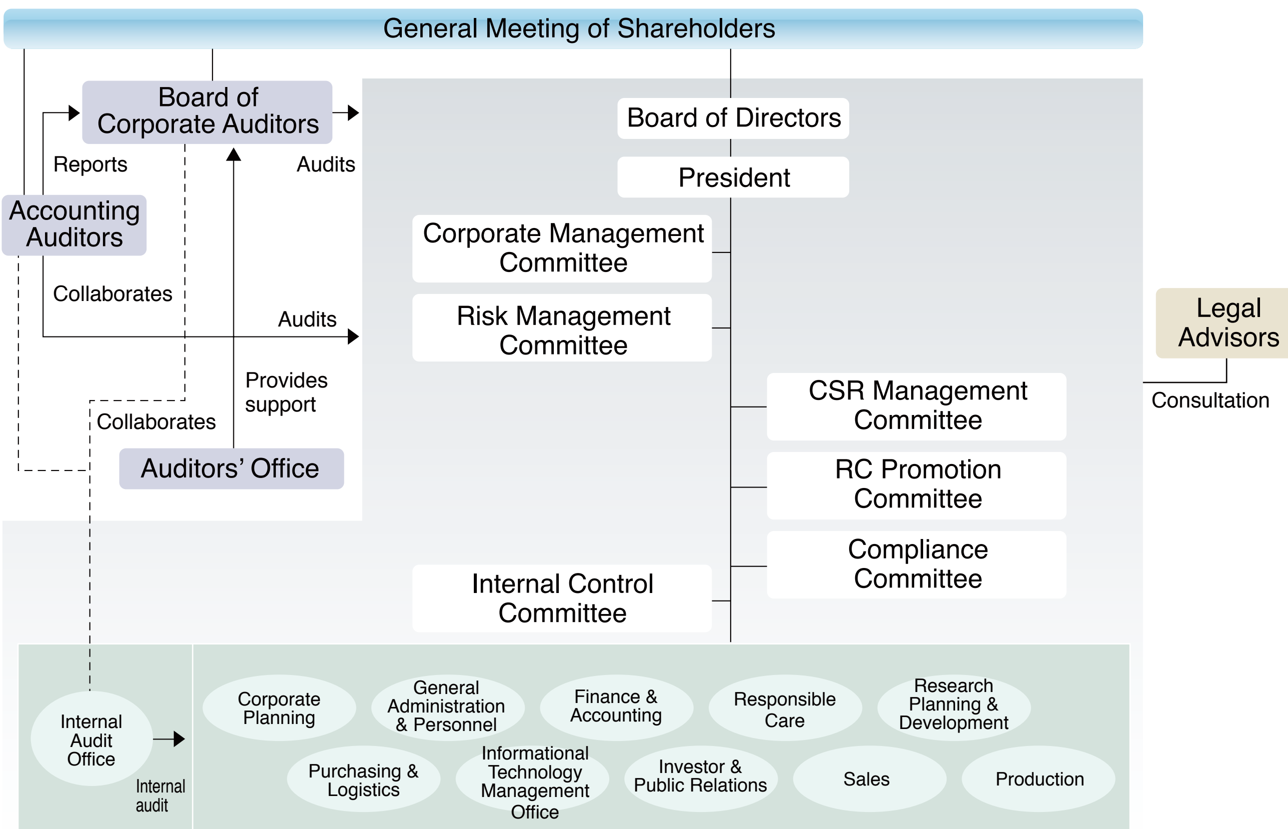
The Group also places the promotion of corporate social responsibility (CSR) at the foundation of its management to engage in corporate activities based on compliance and selfresponsibility, and intends to ensure thoroughness in corporate ethics, to promote 'responsible care' regarding the environment,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

Lastly, the Company steadfastly carries out its role and mission while ensuring safe operations based on the principle, 'safety takes precedence over production.' We would like to ask all our shareholders for your continued support for the future.

Corporate Governance

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, 2010)



The Board, comprised of 9 members of the board including 1 from outside as of June 22, 2010, deliberates and resolves the matter relating to the execution of business operations, and supervises the execution of operation that the Board decided. In principal, the Board convenes once a month, chaired by the president, at which four corporate auditors, including two from outside, are in attendance. The corporate auditors present statement when deemed necessary.

For the purpose of further speeding decision-making involving management and reinforcing the management supervisory role of the Board, the Company started to utilize the corporate officer system from June 22, 2010. This system separates the role of reaching decisions involving management and supervising management, and the role of executing business operations. The number of corporate officers is 16 (7 of those who serve as the director concurrently).

Corporate Management Committee, as an advisory organ to the president, deliberates basic management policies, the matters related to the execution of important business operations. Agenda items that come up to

this Committee and are regarded as important will be forwarded to the Board for deliberation.
The members of the Corporate Management Committee are the president and corporate officers nominated by the president. In principal, the Committee convenes twice a month.

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 corporate officers' operation, receive reports from the accounting auditors, corporate officers and others, and put forward an audit opinion following due consultation.
The two current Corporate Auditors from outside have no personal or any other relationship through investments that could create a conflict of interest in the performance of their duties.

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

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

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. The Committee established the "7th(for FY 2010 to 2012) Medium-term RC Promotion Basic Plan" to reinforce our RC more active. Moreover, Responsible Care Office implements plans and internal audits on responsible care activities in each division.

Compliance Committee, chaired by the president, discusses and decides measures to enhance our companywide compliance management.

The Internal Control Committee concerning financial reporting, chaired by the president, discusses and prepares for the highly efficient Internal Control System enforced by Financial Instruments and Exchange Law as of April 1st 2008, not only aim to ensure the reliability of the company's financial reporting, but also to ensure the effectiveness and efficiency of the company's business activities.

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 it to make decisions on accounting issues. None of the Accounting Auditors is involved in the management of the Company.

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

Topics

To reduce energy consumption and CO_2 emissions

The supply of steam to ten neighboring factories in Kawasaki Chidori and Yako industrial complex by Kawasaki Steam Net Ltd.("Kawasaki Steam") was begun on February 1, 2010.

Kawasaki Steam was established by Tokyo Electric Power Company("TEPCO"), ASAHI KASEI CHEMICALS CORPORATION, and NIPPON SHOKUBAI, and has been aimed at installation, operation and maintenance of the steam supply pipe lines that connect to each factory in the industrial complex, and at promotion of the energy-saving through the steam supply.

Ethylene oxide production equipment

Kawasaki Steam supplies steam of 300,000 tons a year that is generated by TEPCO's No.1 thermal power plant at its operation.

As a result, it is expected to reduce 11,000 kiloliters of crude oil and 25,000 tons of CO_2 annual in total compared with the current process of generating steam with boilers.

Converting it into the ordinary family, it is expected to reduce about 9,500 households' worth of an energy consumption-volumes and about 4,700 households' worth of carbon-dioxide emissions annual.

Development of "Nippon Shokubai Headwater Forest"

The activity of 2010 has begun in "Nippon Shokubai Headwater Forest" in Akazai valler, Shino City, Hyogo Prefecture since May 22, 2010.

Though the damage of the typhoon in August 2009 remained in the forest, the employee volunteer worked while hoping to reproduce the forest as soon as possible.

We try to maintain the forest of diversity that brings up a lot of lives through "Activity to defend forest."

Management Indices

(1) Consolidated Management Indices

Year ended March 31	2006	2007	2008	2009	2010
					(Millions of yen)
Net Sales	232,441	266,513	302,669	289,102	244,317
Ordinary Income	26,148	22,754	20,745	757	14,934
Net Income(loss)	16,257	13,988	11,875	(5,307)	10,832
Total Assets	291,564	323,675	352,783	302,948	310,946
Total Shareholders' Equity	164,631	−	−	154,900	163,244
Total Net Assets	168,704	179,368	175,634	151,662	163,781
					(Yen)
Net Assets per Share	875.00	948.34	947.34	831.11	898.33
Net Income(loss) per Share	85.89	74.92	64.91	(29.61)	60.85
Fully Diluted Net Income per Share	−	−	−	−	−
Capital Ratio(%)	56.5	54.1	48.6	48.8	51.4
Return on Equity(%)	10.5	8.2	6.9	(3.3)	7.0
Price Earning Ratio(times)	16.3	17.0	10.2	−	−
					(Thousands of U.S. dollars)
Cash Flow from Operating Activities	17,468	16,087	20,219	17,613	44,346
Cash Flow from Investing Activities	(20,663)	(23,109)	(33,100)	(16,675)	(23,850)
Cash Flow from Financing Activities	(2,562)	4,037	17,495	8,099	(21,772)
Cash and Cash Equivalents at Year-end	19,856	16,991	21,371	29,450	28,234
Number of Employees	2,806	2,841	3,290	3,415	3,430

Note 1 : Net Sales do not include consumption taxes.

Note 2 : Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Note 3 : Fully diluted Net Income per Share is not recorded because no dilutive shares exist.
Diluted Earnings per Share for the fiscal year 2008 ended Mar. 31, 2009 is not disclosed because of the net loss in the consolidated results, and the anti-dilutive effect.

Note 4 : Price Earnings Ratio for the fiscal year ended Mar. 31, 2009 is not disclosed because of the net loss in the consolidated results.

Nippon Shokubai Co., Ltd.
Consolidated Financial Statements

Years ended March 31, 2010 and 2009
with Report of Independent Auditors

Contents

Consolidated Financial Statements

Ernst & Young ShinNihon LLC

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, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, 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, 2010 and 2009, 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, 2010 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 22, 2010

Ernst & Young ShinNihon LLC

Consolidated Balance Sheets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	¥28,234	¥29,450	$ 303,461
Time deposits (Notes 3 and 7)	170	475	1,827
Notes and accounts receivable (Note 3):			
Unconsolidated subsidiaries and affiliates	5,505	6,761	59,168
Trade	57,581	46,143	618,884
Allowance for doubtful receivables	(227)	(251)	(2,440)
Inventories (Note 5)	37,357	42,361	401,516
Deferred income taxes(Note 9)	3,380	4,618	36,328
Other current assets	6,214	8,343	66,789
Total current assets	138,214	137,900	1,485,533
Property, plant and equipment, at cost (Notes 6 and 7):			
Land	30,710	30,753	330,073
Buildings and structures	79,119	76,701	850,376
Machinery and equipment	276,851	263,634	2,975,613
Construction in progress	16,436	12,529	176,655
Leased assets	630	612	6,771
Accumulated depreciation	(283,291)	(267,775)	(3,044,830)
Property, plant and equipment, net	120,455	116,454	1,294,658
Investments and other assets:			
Investments in securities (Notes 3 and 4)	20,047	15,562	215,466
Investments in unconsolidated subsidiaries and affiliates	17,687	16,514	190,101
Deferred income taxes (Note 9)	3,201	4,335	34,405
Prepaid pension cost (Note 8)	3,399	3,948	36,533
Other assets (Notes 7 and 10)	7,943	8,235	85,372
Total investments and other assets	52,277	48,594	561,877
Total assets	¥310,946	¥302,948	$3,342,068

Consolidated Balance Sheets (continued)

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Liabilities and Net Assets			
Current liabilities :			
Short-term bank loans (Notes 3 and 7)	¥ 26,587	¥ 28,950	$ 285,759
Current portion of long-term debt(Notes 3 and 7)	7,631	17,614	82,018
Notes and accounts payable (Note 3) :			
Unconsolidated subsidiaries and affiliates	4,449	3,141	47,818
Trade	34,042	20,055	365,886
Construction	12	8	129
Lease obligations	34	26	365
Accrued bonuses to employees	2,405	2,235	25,849
Accrued bonuses to directors and corporate auditors	146	15	1,569
Reserve for periodic repairs	2,526	1,914	27,150
Accrued income taxes(Note 9)	2,476	405	26,612
Other current liabilities	8,710	12,479	93,616
Total current liabilities	89,018	86,842	956,771
Long-term liabilities :			
Long-term debt(Notes 3 and 7)	47,257	53,775	507,921
Lease obligations	272	294	2,923
Accrued retirement benefits for employees (Note 8)	8,770	8,465	94,261
Deferred income taxes(Note 9)	356	275	3,826
Other	1,492	1,635	16,037
Total long-term liabilities	58,147	64,444	624,968
Contingent liabilities (Note 14)			
Net assets :			
Shareholders' equity (Note 11) :			
Common stock :			
Authorized – 424,000,000 shares ;			
Issued – 187,000,000 shares in 2010 and 2009	16,529	16,529	177,655
Capital surplus	13,574	13,562	145,894
Retained earnings	141,118	132,778	1,516,745
Less treasury stock, at cost	(7,977)	(7,969)	(85,737)
Total shareholders' equity	163,244	154,900	1,754,557
Valuation and translation adjustments :			
Net unrealized holding gain on securities	2,615	41	28,106
Translation adjustments	(5,901)	(6,841)	(63,424)
Net unrealized deferred loss on hedges	(35)	(155)	(376)
Total valuation and translation adjustments	(3,321)	(6,955)	(35,694)
Minority interests	3,858	3,717	41,466
Total net assets	163,781	151,662	1,760,329
Total liabilities and net assets	¥ 310,946	¥ 302,948	$3,342,068

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Net sales (Note 17)	¥ 244,317	¥ 289,102	$ 2,625,935
Cost of sales (Note 12)	196,066	250,891	2,107,330
Gross profit	48,251	38,211	518,605
Selling, general and administrative expenses (Note 12)	34,370	37,589	369,411
Operating income (Note 17)	13,881	622	149,194
Other income (expenses) :			
Interest and dividend income	641	1,108	6,890
Interest expense	(1,222)	(1,456)	(13,134)
Royalty income	391	723	4,202
Equity in earnings of an unconsolidated subsidiary and affiliates	1,037	374	11,146
Foreign exchange loss	(312)	(1,921)	(3,353)
Loss on devaluation of investments in securities	–	(3,886)	–
Loss on impairment of property, plant and equipment (Note 6)	(704)	(2,011)	(7,567)
Rent income from real estate	1,237	1,000	13,295
Loss on discontinued operations	–	(46)	–
Loss on disposal of property, plant and equipment	(248)	(923)	(2,666)
Loss on claims	–	(246)	–
Other, net	(574)	611	(6,169)
Income (loss) before income taxes and minority interests	14,127	(6,051)	151,838
Income taxes (Note 9) :			
Current	2,332	166	25,065
Deferred	821	(1,009)	8,824
	3,153	(843)	33,889
Income (loss) before minority interests	10,974	(5,208)	117,949
Minority interests in earnings of consolidated subsidiaries	(142)	(99)	(1,526)
Net income (loss) (Note 15)	¥10,832	¥ (5,307)	$ 116,423

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
			(Millions of yen)		
Balance at March 31, 2008	¥ 16,529	¥ 13,567	¥148,955	¥ (13,552)	¥165,499
Decrease due to changes in accounting policies applied to overseas subsidiaries			(231)		(231)
Changes during the year :					
Cash dividends	–	–	(2,970)	–	(2,970)
Net loss	–	–	(5,307)	–	(5,307)
Purchases of treasury stock	–	–	–	(2,100)	(2,100)
Disposition of treasury stock	–	(0)	(5)	14	9
Retirement of shares of common stock held in treasury	–	(5)	(7,664)	7,669	–
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	(5)	(15,946)	5,583	(10,368)
Balance at March 31, 2009	¥ 16,529	¥ 13,562	¥132,778	¥ (7,969)	¥154,900

	Valuation and translation adjustments					
	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred loss on hedges	Total valuation and translation adjustment	Minority interests	Total net assets
			(Millions of yen)			
Balance at March 31, 2008	¥ 2,644	¥ 3,368	¥ (22)	¥ 5,990	¥ 4,145	¥175,634
Decrease due to changes in accounting policies applied to overseas subsidiaries	–	–	–	–	–	(231)
Changes during the year :						
Cash dividends	–	–	–	–	–	(2,970)
Net loss	–	–	–	–	–	(5,307)
Purchases of treasury stock	–	–	–	–	–	(2,100)
Disposition of treasury stock	–	–	–	–	–	9
Retirement of shares of common stock held in treasury	–	–	–	–	–	–
Net changes in items other than shareholders' equity	(2,603)	(10,209)	(133)	(12,945)	(428)	(13,373)
Total changes during the year	(2,603)	(10,209)	(133)	(12,945)	(428)	(23,741)
Balance at March 31, 2009	¥ 41	¥ (6,841)	¥ (155)	¥ (6,955)	¥ 3,717	¥ 151,662

Consolidated Statements of Changes in Net Asset (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
			(Millions of yen)		
Balance at March 31, 2009	¥16,529	¥13,562	¥132,778	¥(7,969)	¥154,900
Changes during the year:					
Cash dividends	–	–	(2,492)	–	(2,492)
Net income	–	–	10,832	–	10,832
Purchases of treasury stock	–	–	–	(16)	(16)
Disposition of treasury stock	–	12	–	8	20
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	12	8,340	(8)	8,344
Balance at March 31, 2010	¥ 16,529	¥ 13,574	¥ 141,118	¥ (7,977)	¥ 163,244

	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred loss on hedges	Total valuation and translation adjustments	Minority interests	Total net assets
			(Millions of yen)			
Balance at March 31, 2009	¥41	¥(6,841)	¥(155)	¥(6,955)	¥3,717	¥151,662
Changes during the year:						
Cash dividends	–	–	–	–	–	(2,492)
Net income	–	–	–	–	–	10,832
Purchases of treasury stock	–	–	–	–	–	(16)
Disposition of treasury stock	–	–	–	–	–	20
Net changes in items other than shareholders' equity	2,574	940	120	3,634	141	3,775
Total changes during the year	2,574	940	120	3,634	141	12,119
Balance at March 31, 2010	¥2,615	¥(5,901)	¥(35)	¥(3,321)	¥3,858	¥163,781

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note2)				
Balance at March 31, 2009	$177,655	$145,765	$1,427,106	$ (85,651)	$1,664,875
Changes during the year :					
Cash dividends	–	–	(26,784)	–	(26,784)
Net income	–	–	116,423	–	116,423
Purchases of treasury stock	–	–	–	(172)	(172)
Disposition of treasury stock	–	129	–	86	215
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	129	89,639	(86)	89,682
Balance at March 31, 2010	$177,655	$145,894	$1,516,745	$ (85,737)	$1,754,557

	Valuation and translation adjustments					
	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred loss on hedges	Total valuation and translation adjustments	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note2)					
Balance at March 31, 2009	$440	$ (73,527)	$ (1,666)	$ (74,753)	$39,951	$1,630,073
Changes during the year :						
Cash dividendsNet income	–	–	–	–	–	(26,784)
Purchases of treasury stock	–	–	–	–	–	116,423
Disposition of treasury stock	–	–	–	–	–	(172)
Net changes in items other than	–	–	–	–	–	215
shareholders' equity	27,666	10,103	1,290	39,059	1,515	40,574
Total changes during the year	27,666	10,103	1,290	39,059	1,515	130,256
Balance at March 31, 2010	$ 28,106	$ (63,424)	$ (376)	$ (35,694)	$ 41,466	$ 1,760,329

Consolidated Statements of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Operating activities:			
Income (loss) before income taxes and minority interests	¥ 14,127	¥(6,051)	$151,838
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	16,234	17,958	174,484
Loss on discontinued operations	–	46	–
Loss on impairment of property, plant and equipment	704	2,011	7,567
Loss on devaluation of investments in other securities	–	3,886	–
Loss on claims	–	246	–
Increase in accrued retirement benefits for employees	305	324	3,278
Interest and dividend income	(641)	(1,108)	(6,890)
Interest expense	1,222	1,456	13,134
Equity in earnings of an unconsolidated subsidiary and affiliates	(1,037)	(374)	(11,146)
Loss on disposal of property, plant and equipment	248	923	2,666
Other, net	1,690	(486)	18,164
Changes in operating assets and liabilities:			
Notes and accounts receivable	(10,021)	25,990	(107,706)
Inventories	5,227	8,993	56,180
Notes and accounts payable	14,954	(30,832)	160,727
Other current liabilities	185	(5)	1,988
Subtotal	43,197	22,977	464,284
Interest and dividends received	1,105	2,025	11,877
Interest paid	(1,368)	(1,367)	(14,703)
Payment related to shutdown of a plant	–	(1,060)	–
Payment related to discontinued operations	–	(222)	–
Payment related to claims	–	(246)	–
Refund (payment) of income taxes	1,412	(4,494)	15,176
Net cash provided by operating activities	44,346	17,613	476,634
Investing activities:			
Purchases of property, plant and equipment	(24,025)	(17,757)	(258,222)
Proceeds from sales of property, plant and equipment	108	444	1,161
Purchases of short-term investments and investments in securities	(1,261)	(750)	(13,553)
Proceeds from sales of short-term investments and investments in securities	516	826	5,546
Proceeds from redemption of investments in securities	400	–	4,299
Payments for purchases of shares of affiliates	(8)	(8)	(86)
Collection of loans receivable	686	900	7,373
Other, net	(266)	(331)	(2,859)
Net cash used in investing activities	¥(23,850)	¥(16,676)	$(256,341)

Consolidated Statements of Cash Flows (continued)

	Year ended March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Financing activities:			
(Decrease) increase in short-term bank loans, net	¥(2,707)	¥ 2,675	$(29,095)
Proceeds from long-term debt	1,100	17,355	11,823
Repayment of long-term debt	(12,642)	(6,832)	(135,878)
Cash dividends paid	(2,492)	(2,970)	(26,784)
Repayments of bonds	(5,000)	–	(53,740)
Purchases of treasury stock	(15)	(2,100)	(161)
Other, net	(16)	(29)	(172)
Net cash (used in) provided by financing activities	(21,772)	8,099	(234,007)
Effect of exchange rate changes on cash and cash equivalents	60	(957)	644
(Decrease) increase in cash and cash equivalents	(1,216)	8,079	(13,070)
Cash and cash equivalents at beginning of year	29,450	21,371	316,531
Cash and cash equivalents at end of year	¥28,234	¥29,450	$303,461

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries　March 31, 2010

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Nippon Shokubai Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. Its overseas subsidiaries maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

(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, a date 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 end 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. Goodwill and negative goodwill arising from the difference of cost and underlying net assets at the date of acquisition are amortized over a period of five years on a straight-line basis, except that immaterial amounts are charged or credited to income as incurred.

(Change in accounting policy)

Effective the year ended March 31, 2009, the Company and its overseas subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18 issued on May 17, 2006). The impact on operating income and loss before income taxes and minority interests was immaterial. The effect of this change on segment information has not been disclosed because it was also immaterial.

(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 net assets excluding minority interests 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 (loss) but are reported as translation adjustments and minority interests the accompanying consolidated balance sheets at March 31, 2010 and 2009.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange 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 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) Allowance for doubtful receivables

The Company and its consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(f) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the moving average method.

(Change in accounting policy)

Up to the year ended March 31, 2008, inventories of the Company and its domestic consolidated subsidiaries were valued at the lower of cost or market, cost being determined by the moving average method.

Effective the year ended March 31, 2009, as "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories of the Company and its domestic consolidated subsidiaries are stated at the lower of cost or net selling value, cost being determined primarily by the moving average method. As a result of this change, operating income increased by ¥266 million, and loss before income taxes and minority interests decreased by ¥311 million for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous method. The impact on segment information is outlined in Note 17.

(g) Property, plant and equipment

Property, plant and equipment are 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.

(Supplementary information)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed their useful lives for depreciation of machinery and equipment. This change was made based on an amendment to the Corporation Tax Law. As a result of this change, operating income increased by ¥429 million, and loss before income taxes and minority interests decreased by ¥429 million for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous useful lives. The impact on segment information is outlined in Note 17.

(h) Leases

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

For finance lease transactions that do not transfer ownership to the lessee, those that started on or before March 31, 2008 continue to be accounted for as operating lease transactions.

(Change in accounting policy)

Up to the year ended March 31, 2008, finance lease transactions that do not transfer ownership to the lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) have been applied. Lease transactions of the Company and its domestic consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. The impact of the adoption of this standard on operating income and loss before income taxes and minority interests was immaterial. The effect of this change on segment information has not been disclosed because it was also immaterial.

(i) Short-term investments and 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 credited and 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 net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(j) 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 respective estimated useful lives, generally a period of 5 years.

(k) 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 tax-deductible amounts in the future. The calculation of deferred income tax assets and liabilities is based on the enacted tax laws.

(l) Hedge accounting

Gain or loss on derivatives positions designated as hedges is deferred until the loss or gain on the respective underlying hedged items is recognized. Interest rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.

Forward foreign currency exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates ("Allocation method").

(m) Accrued bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which is charged to income in the current year.

(n) Accrued bonuses to directors and corporate auditors

Accrued bonuses to 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.

(o) Reserve for periodic repairs

The Company provides a reserve for the cost of periodic repairs to production facilities at plants based on their estimates of the future cost of such repairs.

(p) Retirement benefits

Accrued retirement benefits for employees have been provided 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 a period of 5 years, which is 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 a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

(Change in accounting policy)

Effective the year ended March 31, 2009, the Company has early adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008). There was no impact on the retirement benefit obligation as a result of this change.

(Supplementary information)

During the year ended March 31, 2009, one domestic consolidated subsidiary has changed its pension plan from a tax-qualified pension plan to a defined contribution plan. Upon transition, "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1 issued on January 31, 2002) has been applied. The impact on operating income and loss before income taxes and minority interests was immaterial. The effect of this change on segment information has not been disclosed because it was also immaterial.

(q) Distribution of retained earnings

Under the Corporation Law of Japan, the distribution 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 distributions (see Note 19).

(r) Recognition of contract revenue and cost

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

(Change in accounting policy)

Up to the year ended March 31, 2009, the completed-contract method has been applied for revenue recognition of long-term construction contracts. However, effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15 issued on December 27, 2007) and "Implementation Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 issued on December 27, 2007).

Under the new accounting standard and guidance, revenue from, and related cost of, construction contracts that commenced on or after April 1, 2009, are mainly recognized by the percentage-of-completion method.

As a result of the adoption, the impact on operating income and income before income taxes and minority interests was immaterial. The effect of this change on segment information has not been disclosed because it was also immaterial.

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 ¥93.04 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2010. 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.

3. Financial Instruments

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries (the "Group") have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on March 10, 2008) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on March 10, 2008.)

(1) Current status of financial instruments

1) Policy for fnancial instruments

The Group manages temporary surplus funds through short-term bank deposits. The Group raises funds through bank loans. The Group uses derivatives for the purpose of reducing foreign currency exchange rate fluctuation risk or interest rate fluctuation risk, and does not enter into derivatives for speculative or trading purposes.

2) Types of financial instruments and related risk

Notes and accounts receivable-trade are exposed to credit risk in relation to customers. Trade receivables in foreign currencies, arising from export transactions for the global business, are exposed to foreign currency exchange rate fluctuation risk, which are hedged by forward foreign exchange contracts.

Investments in securities are composed of the shares of common stock of other companies with which the Group has business or capital relationships, which are also exposed to market price volatility risk.

Substantially all trade notes and accounts payables have payment due dates within six months, which are also hedged by forward foreign currency exchange contracts. The loans are taken out principally for the purpose of making capital expenditures. The loans with variable interest rates are exposed to interest rate fluctuation risk. However, the interest rate fluctuation risk is covered by interest rate swap transactions.

Regarding derivatives, the Group enters into forward foreign currency exchange transactions to avoid foreign currency exchange rate fluctuation risk related to trade receivables and trade payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to avoid interest rate fluctuation risk related to the loans.

Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in Note 16.

3) Risk management for financial instruments

i) Monitoring for credit risk (the risk that customers or counterparties may default)

With respect to trade receivables, each related division of the Company monitors the conditions of their main customers periodically, monitors due dates and outstanding balances of individual customers, and evaluates credit worthiness of their main customers semiannually. The consolidated subsidiaries also monitor trade receivables in a same manner.

The Group only acquires corporate bonds or other securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

ii) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and trade payables in foreign currencies, the Group enters into forward foreign currency exchange contracts.

For investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

For derivative transactions, the finance department of the Company enters into and manages transactions. Results of derivative transactions are reported to the director in charge monthly.

iii) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)

Based on reports from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

4) Supplementary explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in the following table are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Fair value of financial instruments

Carrying value, fair value, and unrealized loss on financial instruments at March 31, 2010 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	(Millions of yen)			Thousands of U.S. dollars		
	2010			2010		
	Carrying value	Fair value	Unrealized loss	Carrying value	Fair value	Unrealized loss
Assets :						
i) Cash and cash equivalents, and time deposits	¥28,404	¥28,404	¥–	$305,288	$305,288	$–
ii) Notes and accounts receivable	63,086	63,086	–	678,052	678,052	–
iii) Investments in securities :						
Other securities	18,902	18,902	–	203,160	203,160	–
Total assets	¥110,392	¥110,392	¥–	$1,186,500	$1,186,500	$–
Liabilities :						
iv) Notes and accounts payable	¥38,491	¥38,491	¥–	$413,704	$413,704	$–
v) Short-term bank loans	26,587	26,587	–	285,759	285,759	–
vi) Current portion of long-term debt	7,631	7,690	59	82,018	82,652	634
vii) Long-term debt	32,257	32,488	231	346,700	349,183	2,483
Total liabilities	¥104,966	¥105,256	¥290	$1,128,181	$1,131,298	$3,117
Derivatives	¥(7)	¥(7)	¥–	$(75)	$(75)	$–

1) Calculation method of fair value of financial instruments, securities, and derivatives are as follows:

Assets :

i) Cash and cash equivalents, time deposits, and ii) notes and accounts receivable

Since these items are settled in a short period of time, their carrying values approximate the fair value.

iii) Investments in securities

The fair value of equity securities is based on quoted market prices. For information on securities classified as other securities, please refer to Note 4.

Liabilities :

iv) Notes and accounts payable, and v) short-term bank loans

Since these items are settled in a short period of time, their carrying values approximate the fair value.

vi) Current portion of long-term debt, and vii) long-term debt

The fair value of long-term debt represents present value of the total interest and principal amount discounted at interest rates applicable to new loans. With respect to long-term debt with variable interest rates, because interest rate swap agreements are accounted applying swap rates to underlying long-term debt, their fair value is included in that of long-term debt and represents present value of the total interest and principal amount discounted at reasonable interest rates applicable to loans made under similar circumstances.

Derivatives transactions :

Please refer to Note 16.

2) **Financial instruments for which it is extremely difficult to determine the fair value:**
Other securities whose market value was not determinable at March 31, 2010 and 2009 are presented as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Unlisted securities and other	¥ 1,145	¥ 1,146	$ 12,307

Since there is no market price for unlisted securities and it is difficult to determine the fair value, they are not included in the above iii), "Investments in securities" in the preceding table "(2) Fair value of financial instruments."

3) **Calculation method of fair value of financial instruments is as follows:**

The redemption schedule for monetary assets and securities classified as held-to-maturity debt securities with maturity dates as of March 31, 2010 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
	2010		2010	
	Due within one year	Due after one year through five years	Due within one year	Due after one year through five years
Cash and cash equivalents, and time deposits	¥ 28,404	¥ –	$ 305,288	$ –
Notes and accounts receivable	63,086	–	678,052	–
Investments in securities:				
Held-to-maturity debt securities	–	400	–	4,229
(unlisted foreign debt securities)	¥ 91,490	¥400	$ 983,340	$ 4,229

4. Short-Term Investments and Investments in Securities

Marketable securities classified as other securities at March 31, 2010 and 2009 are summarized as follows:

	2010			2009		
	(Millions of yen)					
	Book value (fair market value)	Cost	Unrealized gain (loss)	Book value (fair market value)	Cost	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:						
Equity securities	¥12,403	¥7,518	¥4,885	¥5,797	¥3,232	¥2,565
Subtotal	12,403	7,518	4,885	5,797	3,232	2,565
Securities whose cost exceeds their fair market value:						
Equity securities	6,499	7,664	(1,165)	8,619	11,648	(3,029)
Subtotal	6,499	7,664	(1,165)	8,619	11,648	(3,029)
Total	¥18,902	¥15,182	¥3,720	¥14,416	¥14,880	¥(464)

	2010		
	(Thousands of U.S. dollars)		
	Book value (fair market value)	Cost	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:			
Equity securities	$ 133,308	$ 80,804	$ 52,504
Subtotal	133,308	80,804	52,504
Securities whose cost exceeds their fair market value:			
Equity securities	69,852	82,373	(12,521)
Subtotal	69,852	82,373	(12,521)
Total	$ 203,160	$ 163,177	$ 39,983

Sales of other securities for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Proceeds	¥ 8	¥ 600	$ 86
Gross realized gain	¥ 3	¥ 92	$ 32
Gross realized loss	¥ –	¥ 5	$ –

5. Inventories

Inventories at March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished goods	¥ 21,256	¥ 21,363	$ 228,461
Raw materials	7,930	11,155	85,232
Work in process	5,044	7,068	54,213
Supplies	3,127	2,775	33,610
Total	¥ 37,357	¥ 42,361	$ 401,516

6. Loss on Impairment of Property, Plant and Equipment

The recoverable amounts of the assets other than machines that produce super absorbent polymer and assets leased to others were determined based on their respective estimated sales prices or value in use, which was calculated as the sum of the anticipated future cash flows discounted at annual rates of 2.7% in 2009. Machines that produce super absorbent polymer are not anticipated to be utilized in the future as they are obsolete and their carrying values have been reduced to ¥1. The net recoverable amounts of assets leased to others were measured at net selling value based on appraisals issued by professional real estate appraisers.

Details of the loss on impairment of property, plant and equipment for the years ended March 31, 2010 and 2009 are summarized as follows :

2010

Company	Application	Classification	(Millions of yen)	(Thousands of U.S. dollars)
NA Industries, Inc.	Machines that produce polymers for concrete admixture and emulsions for damping materials	Buildings and structures, machinery and equipment and automotive equipment	¥ 704	$ 7,567
Total			¥ 704	$ 7,567

2009

Company	Application	Classification	(Millions of yen)
NA Industries, Inc.	Machines that produce super absorbent polymer	Land, buildings and structures, machinery and equipment, automotive equipment and software	¥ 1,413
Nippon Shokubai Co., Ltd.	Assets leased to others, machines that produce vinyl pyrrolidone and fluoroaromatic compounds	Land, buildings and structures, machinery and equipment and automotive equipment	598
Total			¥ 2,011

7. 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, 2010 and 2009 were 0.72% and 1.74% respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Unsecured bonds payable in yen, at rates from 1.45% to 1.66%, due through 2014	¥ 15,000	¥ 20,000	$ 161,221
Unsecured loans from banks and insurance companies, payable in yen, at rates from 0.75% to 2.03%, due through 2014	37,640	46,615	404,557
Unsecured loans from banks, payable in U.S. dollars, at rates from 1.16% to 1.46%, due through 2012	1,741	2,267	18,712
Unsecured loans from banks, payable in Euro, at rates from 2.55% to 3.17%, due through 2009	–	691	–
Secured loans from banks and insurance companies, payable in yen, at rates from 1.50% to 2.32%, due through 2014	507	1,634	5,449
Secured loans from banks, payable in U.S. dollars, at rates from 3.60% to 5.83%, due through 2009	–	182	–
Subtotal	54,888	71,389	589,939
Less current portion	(7,631)	(17,614)	(82,018)
Total	¥ 47,257	¥ 53,775	$507,921

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized below:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 7,631	$ 82,018
2012	4,925	52,934
2013	14,508	155,933
2014	13,690	147,141
2015 and thereafter	14,134	151,913
	¥ 54,888	$ 589,939

Assets pledged as collateral for short-term bank loans, long-term debt, including the current portion thereof, and notes and accounts payable at March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Time deposits	¥ 8	¥ 8	$ 86
Land	293	293	3,149
Buildings and structures	167	157	1,795
Machinery and equipment	292	226	3,138
Other assets	5	5	54
Total	¥ 765	¥ 689	$ 8,222

8. 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.

The following table sets forth the funded and accrued status of the pension plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 for the Company's and the consolidated subsidiaries' defined benefit pension plans :

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation at end of year	¥(31,999)	¥(31,739)	$(343,928)
Fair value of plan assets at end of year	20,328	17,400	218,487
Unfunded retirement benefit obligation	(11,671)	(14,339)	(125,441)
Unrecognized actuarial loss	6,276	10,020	67,455
Unrecognized prior service cost	24	(198)	258
Net retirement benefit obligation	(5,371)	(4,517)	(57,728)
Prepaid pension cost	3,399	3,948	36,533
Accrued retirement benefits	¥(8,770)	¥(8,465)	$ (94,261)

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows :

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,314	¥1,678	$ 14,123
Interest cost	549	543	5,901
Expected return on plan assets	(449)	(550)	(4,826)
Amortization :			
Prior service cost	(59)	(186)	(634)
Actuarial loss	1,535	978	16,498
Retirement benefit expenses	¥ 2,890	¥ 2,463	$ 31,062

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2010 and 2009 were as follows :

	2010	2009
Discount rate	Principally 1.9%	Principally 1.9%
Expected rate of return on plan assets	Principally 3.0%	Principally 3.0%

The following table sets forth the status of the multi-employer pension plan at March 31, 2009, the most recent date on which such data was available.

	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at fair value	¥ 325,177	$ 3,495,024
Benefit obligation used in the calculation of pension financing	502,794	5,404,063
Difference	¥ (177,617)	$ (1,909,039)

9. 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, 2010 and 2009 was, in the aggregate, approximately 40.6%.

The effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2010 differed from the above statutory tax rate for the following reasons:

	2010
Statutory tax rate	40.6 %
Effect of:	
Valuation allowance	(5.3)
Different tax rate applicable to income of subsidiaries	(3.6)
Tax credit for research and development costs	(3.5)
Equity in earnings of an unconsolidated subsidiary and affiliates	(3.0)
Foreign tax credit	(1.1)
Other, net	(1.8)
Effective tax rate	22.3 %

A reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2009 has not been presented because loss before income taxes and minority interests was recorded.

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, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 2,303	¥ 1,950	$ 24,753
Intercompany profit on inventories and property, plant and equipment	958	970	10,297
Tax loss carryforwards	2,378	4,227	25,559
Reserve for periodic repairs	1,025	768	11,017
Depreciation and amortization (including impairment loss)	2,004	1,763	21,539
Loss on impairment of land	1,265	1,267	13,596
Accrued bonuses to employees	935	875	10,049
Impairment of investments insecurities and other	2,313	3,446	24,860
Other	891	2,225	9,577
Gross deferred tax assets	14,072	17,491	151,247
Less: Valuation allowance	(5,904)	(6,646)	(63,457)
Total deferred tax assets	8,168	10,845	87,790
Deferred tax liabilities:			
Equity in earnings of an overseas affiliate	(995)	(1,089)	(10,694)
Depreciation and amortization	(376)	(400)	(4,041)
Deferred capital gain on property	(375)	(380)	(4,030)
Reserve for depreciation for tax purposes	(5)	(59)	(54)
Other	(192)	(239)	(2,064)
Total deferred tax liabilities	(1,943)	(2,167)	(20,883)
Net deferred tax assets	¥ 6,225	¥ 8,678	$ 66,907

10. Goodwill and Negative Goodwill

Goodwill and negative goodwill are netted against each other. Goodwill and negative goodwill as of March 31, 2009 are summarized as follows:

	2009
	(Millions of yen)
Goodwill	¥ 1,979
Negative goodwill	(131)
Goodwill, net	¥ 1,848

Since negative goodwill was fully amortized during the year ended March 31, 2010, the above information at March 31, 2010 has been omitted. Goodwill of ¥1,405 million ($15,101 thousand) at March 31, 2010 was included in other assets in the accompanying consolidated balance sheet at March 31, 2010.

11. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥3,920 million ($42,132 thousand) and \3,920 million at March 31, 2010 and 2009, respectively.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2010 and 2009 are summarized as follows:

	2010			
	Number of shares (Thousands)			
	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	187,000	–	–	187,000
Treasury stock	8,991	19	34	8,976

	2009			
	Number of shares (Thousands)			
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	194,881	–	7,881	187,000
Treasury stock	13,859	3,029	7,897	8,991

12. 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, 2010 and 2009 totaled \10,753 million ($115,574 thousand) and \12,082 million, respectively.

13. Leases

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of property leased to the Company and its domestic consolidated subsidiaries at March 31, 2010 and 2009 which would have been reflected in the accompanying consolidated balance sheets if finance leases, other than those which transfer the ownership of the leased assets to the Company or its domestic consolidated subsidiaries, that started on or before March 31, 2008 (which are currently accounted for as operating leases) had been capitalized:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Service costMachinery and equipment and software:			
Acquisition costs	¥ 936	¥ 1,115	$ 10,060
Accumulated depreciation/amortization	(389)	(409)	(4,181)
Net book value	¥ 547	¥ 706	$ 5,879

Lease payments of the Company and its domestic consolidated subsidiaries relating to finance leases amounted to \160 million ($1,720 thousand) and \177 million for the years ended March 31, 2010 and 2009, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to \160 million ($1,720 thousand) and \177 million for the years ended March 31, 2010 and 2009, respectively, if it had been reflected in the accompanying consolidated balance sheets.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2010 under finance lease transactions, other than those which transfer the ownership of the leased assets to the Company or its domestic consolidated subsidiaries, that were entered into on or before March 31, 2008 are summarized as follows :

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 123	$ 1,322
2012 and thereafter	424	4,557
	¥ 547	$ 5,879

14. Contingent Liabilities

At March 31, 2010, the Company and one consolidated subsidiary were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥2,049 million ($22,023 thousand).

In addition, at March 31, 2010, two consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed in the aggregate amount of \309 million ($3,321 thousand).

15. Amounts per Share

	2010	2009	2010
	(yen)		*(Thousands of U.S. dollars)*
Net income (loss)	¥ 60.85	¥ (29.61)	$ 0.65
Cash dividends	14.00	15.50	0.15
Net assets	898.33	831.11	9.66

Net income (loss) per share has been computed based on the net income (loss) available to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income (loss) per share has not been presented for the years ended March 31, 2010 and 2009 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2010 and 2009.

The amounts per share of net assets have been computed based on 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 (loss) per share for the years ended March 31, 2010 and 2009 is summarized as follows:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income (loss)	¥ 10,832	¥ (5,307)	$ 116,423
Deductions from net income (loss)	–	–	–
Adjusted net income (loss) available to shareholders of common stock	¥ 10,832	¥ (5,307)	$ 116,423
Weighted-average number of shares of common stock outstanding during the year (thousands of shares)	178,008	179,244	178,008

16. Derivatives

Derivative transactions to which hedge accounting is applied

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting as of March 31, 2010 is summarized as follows :

Currency-related transactions

			(Millions of yen)		
			2010		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts	Accounts payable, trade	¥ 232	¥ 112	¥ (7)
	Forward foreign currency exchange contracts				
Allocation method	Sell :	Accounts receivable, trade	7,187	–	(*)
	Buy :	Accounts payable, trade	19	–	(*)

			(Thousands of U.S. dollars)		
			2010		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts	Accounts payable, trade	$ 2,494	$ 1,204	$ 75
	Forward foreign currency exchange contracts				
Allocation method	Sell :	Accounts receivable, trade	77,246	–	(*)
	Buy :	Accounts payable, trade	204	–	(*)

Fair value of forward foreign currency exchange contracts is computed using prices provided by counterparty financial institutions.

(*) Fair value of forward foreign currency exchange contracts under the allocation method is included in accounts receivable, trade or accounts payable, trade.

Interest-rate related transactions

			(Millions of yen)		
			2010		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Notional amount	More than one year	Fair value
Swap rates applied to underlying debt	Interest rate swaps Receive / floating and pay / fixed	Long-term debt	¥600	¥ 300	(*)

			(Thousands of U.S. dollars)		
			2010		
			Contract value		
Method of hedge accounting	Transaction	Major hedged item	Maturing within one year	Maturing after one year	Fair value
Swap rates applied to underlying debt	Interest rate swaps Receive / floating and pay / fixed	Long-term debt	$ 6,449	$ 3,224	(*)

(*) Because interest rate swap agreements are accounted applying swap rates to underlying long-term debt, their fair value is included in that of the long-term debt disclosed in Note 3.

Derivative transactions to which hedge accounting are applied as of March 31, 2009 are not disclosed because of their immateriality.

17. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale 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, 2010 and 2009 is outlined as follows :

Year ended March 31, 2010 (Millions of yen)

	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Eliminations or corporate	Consolidated
I. Sales and operating income :						
Sales to third parties	¥ 99,330	¥ 131,514	¥ 13,473	¥ 244,317	¥ –	¥ 244,317
Intragroup sales and transfers	22,330	1,359	1,259	24,948	(24,948)	–
Net sales	121,660	132,873	14,732	269,265	(24,948)	244,317
Operating expenses	116,333	123,712	15,377	255,422	(24,986)	230,436
Operating income (loss)	¥ 5,327	¥ 9,161	¥ (645)	¥ 13,843	¥ 38	¥ 13,881
II. Total assets, depreciation and amortization, loss on impairment of property, plant and equipment and capital expenditures :						
Total assets	¥ 132,981	¥ 140,470	¥ 15,363	¥ 288,814	¥ 22,132	¥ 310,946
Depreciation and amortization	7,048	9,345	396	16,789	–	16,789
Loss on impairment of property, plant and equipment	–	704	–	704	–	704
Capital expenditures	14,888	6,510	471	21,869	–	21,869

Year ended March 31, 2010 (Millions of yen)

	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Eliminations or corporate	Consolidated
I. Sales and operating income :						
Sales to third parties	¥ 117,902	¥ 139,862	¥ 31,338	¥ 289,102	¥ –	¥ 289,102
Intragroup sales and transfers	31,735	1,624	1,656	35,015	(35,015)	–
Net sales	149,637	141,486	32,994	324,117	(35,015)	289,102
Operating expenses	148,048	143,381	31,772	323,201	(34,721)	288,480
Operating income	¥ 1,589	¥ (1,895)	¥ 1,222	¥ 916	¥ (294)	¥ 622
II. Total assets, depreciation and amortization and capital expenditures :						
Total assets	¥ 117,680	¥ 141,205	¥ 25,462	¥ 284,347	¥ 18,601	¥ 302,948
Depreciation and amortization	7,687	10,737	485	18,909	–	18,909
Loss on impairment of property, plant and equipment	–	2,011	–	2,011	–	2,011
Capital expenditures	12,728	7,434	452	20,614	–	20,614

Year ended March 31, 2010 (Thousands of U.S. dollars)

	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Eliminations or corporate	Consolidated
I. Sales and operating income :						
Sales to third parties	$ 1,067,606	$ 1,413,521	$ 144,808	$ 2,625,935	$ –	$ 2,625,935
Intragroup sales and transfers	240,004	14,607	13,532	268,143	(268,143)	–
Net sales	1,307,610	1,428,128	158,340	2,894,078	(268,143)	2,625,935
Operating expenses	1,250,355	1,329,665	165,273	2,745,293	(268,552)	2,476,741
Operating income (loss)	$ 57,255	$ 98,463	$ (6,933)	$ 148,785	$ 409	$ 149,194
II. Total assets, depreciation and amortization, loss on impairment of property, plant and equipment and capital expenditures :						
Total assets	$ 1,429,288	$ 1,509,781	$ 165,123	$ 3,104,192	$ 237,876	$ 3,342,068
Depreciation and amortization	75,752	100,441	4,256	180,449	–	180,449
Loss on impairment of property, plant and equipment	–	7,567	–	7,567	–	7,567
Capital expenditures	160,017	69,970	5,062	235,049	–	235,049

As mentioned in Note 1(f), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the method of valuation of inventories. As a result of this change, operating income decreased by ¥50 million in the basic chemicals business segment and increased by ¥441 million in the environment and catalysts business segment and operating loss increased by ¥125 million in the functional chemicals business segment for the year ended March 31, 2009 as compared to the corresponding amounts which would have been recorded under the previous method.

As mentioned in Note 1(g), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed their useful lives for depreciation of machinery and equipment. As a result of this change, operating income increased by ¥305 million in the basic chemicals business segment and by ¥3 million in the environment and catalysts business segment and operating loss decreased by ¥121 million in the functional chemicals business segment for the year ended March 31, 2009 as compared to the corresponding amounts which would have been recorded under the previous useful lives.

Geographical Segments

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 is outlined as follows:

Year ended March 31, 2010 *(Millions of yen)*

	Japan	Europe	Asia	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss):							
Sales to third parties	¥173,912	¥32,408	¥24,091	¥13,906	¥244,317	¥–	¥244,317
Intragroup sales and transfers	24,903	99	99	807	25,908	(25,908)	–
Net sales	198,815	32,507	24,190	14,713	270,225	(25,908)	244,317
Operating expenses	187,723	31,565	23,289	14,586	257,163	(26,727)	230,436
Operating income (loss)	¥11,092	¥942	¥901	¥127	¥13,062	¥819	¥13,881
II. Total assets	¥248,096	¥15,476	¥26,447	¥10,057	¥300,076	¥10,870	¥310,946

Year ended March 31, 2010 *(Millions of yen)*

	Japan	Europe	Asia	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss):							
Sales to third parties	¥212,781	¥33,924	¥26,406	¥15,991	¥289,102	¥–	¥289,102
Intragroup sales and transfers	29,602	95	1,289	190	31,176	(31,176)	–
Net sales	242,383	34,019	27,695	16,181	320,278	(31,176)	289,102
Operating expenses	241,609	34,479	27,759	17,239	321,086	(32,606)	288,480
Operating income (loss)	¥774	¥(460)	¥(64)	¥(1,058)	¥ (808)	¥1,430	¥622
II. Total assets	¥243,696	¥16,940	¥25,113	¥8,819	¥294,568	¥8,380	¥302,948

Year ended March 31, 2010 *(Thousands of U.S. dollars)*

	Japan	Europe	Asia	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss):							
Sales to third parties	$1,869,218	$348,323	$258,932	$149,462	$2,625,935	$–	$2,625,935
Intragroup sales and transfers	267,659	1,064	1,064	8,674	278,461	(278,461)	–
Net sales	2,136,877	349,387	259,996	158,136	2,904,396	(278,461)	2,625,935
Operating expenses	2,017,659	339,263	250,312	156,771	2,764,005	(287,264)	2,476,741
Operating income (loss)	$119,218	$10,124	$9,684	$1,365	$140,391	$8,803	$149,194
II. Total assets	$2,666,552	$166,337	$284,254	$108,093	$3,225,236	$116,832	$3,342,068

As mentioned in Note 1(f), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed the method of valuation of inventories. As a result of this change, operating income in the Japan segment increased by ¥266 million for the year ended March 31, 2009 from the corresponding amount which would have been recorded under the previous method.

As mentioned in Note 1(g), effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have changed their useful lives for depreciation of machinery and equipment. As a result of this change, operating income in the Japan segment increased by ¥429 million for the year ended March 31, 2009 from the corresponding amount which would have been recorded under the previous useful lives.

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, 2010 and 2009 are summarized as follows:

	Year ended March 31, 2010				
	Asia	Europe	America	Other	Total
	(Millions of yen)				
Overseas sales	¥ 43,118	¥ 37,228	¥ 21,019	¥ 13,233	¥114,598
Overseas sales as a percentage of consolidated net sales	17.7%	15.2%	8.6%	5.4%	46.9%

	Year ended March 31, 2009				
	Asia	Europe	America	Other	Total
	(Millions of yen)				
Overseas sales	¥46,398	¥ 39,109	¥22,643	¥17,150	¥125,300
Overseas sales as a percentage of consolidated net sales	16.1%	13.5%	7.8%	5.9%	43.3%

	Year ended March 31, 2010				
	Asia	Europe	America	Other	Total
	(Thousands of U.S. dollars)				
Overseas sales	$ 463,435	$ 400,129	$ 225,914	$ 142,229	$1,231,707

18. Related Party Transactions

(a) Principal transactions between the Company and its related parties for the years ended March 31, 2010 and 2009 are summarized as follows:

	2010	2008	2010
	(Millions of yen)		(Thousands of U.S. dollars)
ICT Co., Ltd.:			
Sales of finished goods	¥8,109	¥ 24,246	$ 87,156
Purchases of raw materials	2,519	21,997	27,074
Yatagai Real Estate Co., Ltd.:			
Rental expense of buildings	18	18	193

The prices for the above related party transactions were determined in reference to market value.

The balances due from and to its related parties at March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
ICT Co., Ltd.:			
Notes and accounts receivable	¥ 3,438	¥ 4,557	$ 36,952
Notes and accounts payable	1,773	308	19,056

The prices for the above related party transactions were determined in reference to market value.

The balances due from and to its related parties at March 31, 2010 and 2009 were as follows:

(b) Principal transactions between the consolidated subsidiaries and related parties for the years ended March 31, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
ICT Co., Ltd.:			
Transportation of finished goods	¥ –	¥ 100	$ –
Yatagai Real Estate Co., Ltd.:			
Rental expense of buildings	¥ 26	¥ 28	$ 279

The prices for the above related party transactions were determined in reference to market value.

The balances due from and to related parties at March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
ICT Co., Ltd.:			
Notes and accounts receivable	¥ –	¥ 12	$ –

ICT Co., Ltd. is a related company in which the Company owns 50% of the shares of common stock.

A director of the Company and his family wholly own the shares of common stock of Yatagai Real Estate Co., Ltd.

19. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at a shareholders' meeting held on June 22, 2010:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥7.00 = $0.075 per share)	¥ 1,246	$ 13,392

Coporate Data

NIPPON SHOKUBAI CO., LTD.

Incorporated	August 21, 1941
Common Stock	Authorized: 424,000,000
	Issued : 187,000,000
Capital	¥16,529,413,238
Number of Employees	Consolidated: 3,430
	Non-consolitated: 1,899
Stock Listings	First Section, Tokyo Stock Exchange
	First Section, Osaka Stock Exchange

Transfer Agent

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

(as of March 31, 2010)

Organization

Division / Department

Board of Directors — President

Corporate Management Committee

- Internal Audit Office
- Corporate Planning
- General Administration & Personnel
- Purchasing & Logistics
- Finance & Accounting
- Informational Technology Managment Office
- Investor & Public Relations
- Responsible Care
- Production
- Engineering
- Research
- Research Planning & Development
- Ethylene Oxide Business
- Acrylic Business
- Fine & Perfotmance Chemicals Business
- E&I Materials Business *
- Catalysts & Green Energy Materials Business
- Kawasaki Plant
- Himeji Plant
- Suita Plant
- Taipei Office

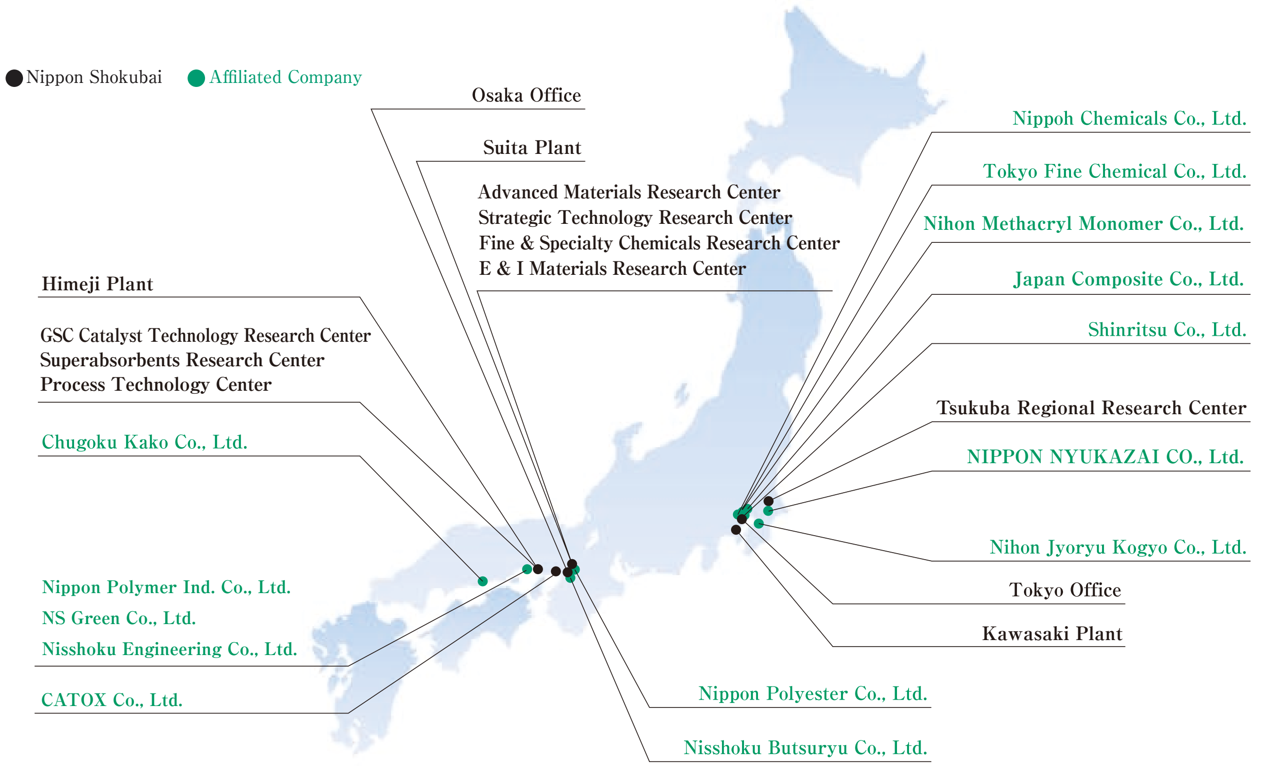
Board of Corporate Auditors

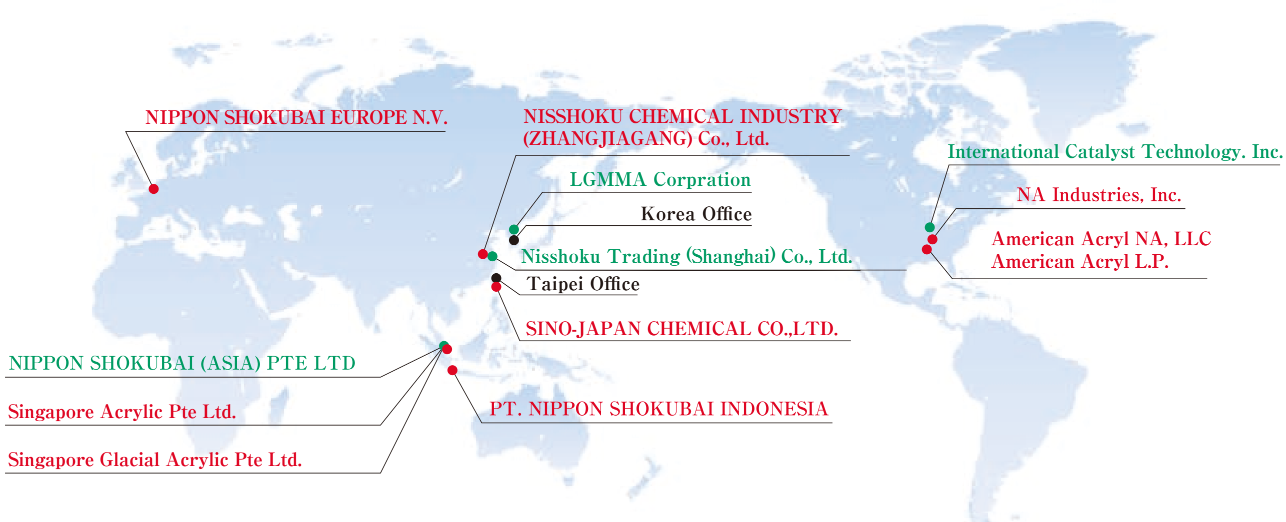
Corporate Auditors — Auditors' Office

* E&I : Electronic & Information

Coporate Data

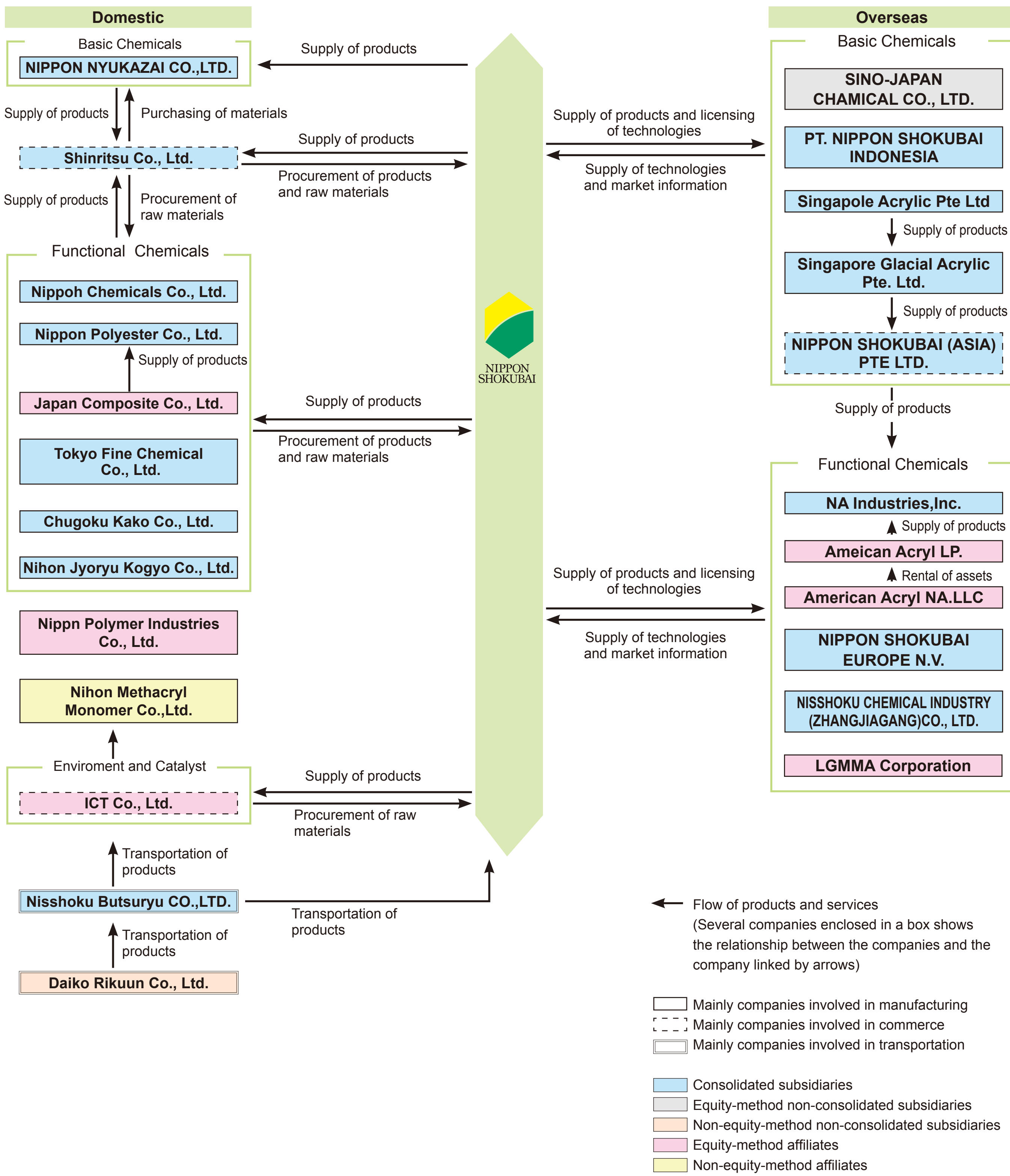
Offices, Plants Consolidated Subsidiaries and Affiliates





Coporate Data

Situation of Consolidated Group



Note: Shinritsu Co., Ltd. and Nisshoku Butsuryu Co., Ltd. belong in the several business segments.

Coporate Data

Consolidated Subsidiaries and Affiliates

Name	Principle Business	President
Nippoh Chemicals Co., Ltd. *	Manufacture and sale of iodine, natural gas, intermediates for API and agro-chemicals and photo/electro chemicals	Shinichi Nagase
Nippon Polyester Co., Ltd. *	Manufacture and sale of synthetic resins and related additives	Shigeo Yasumoto
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	Tadashi Kawai
Nihon Jyoryu Kogyo Co., Ltd. *	Manufacture and sale of authraquinone, carbozole, and their derivatives	Yoshinori Yokoyama
Shinritsu Co., Ltd. *	Sale of chemical products	Masayoshi Sugimoto
NIPPON NYUKAZAI CO., LTD. *	Manufacture and sale of organic chemicals such as surfactant	Tsukasa Tanihara
NA Industries, Inc. *	Manufacture and sale of superabsorbent polymers, polymers for concrete admixture and water soluble polymers Technical Liaison and business development	Hidetaka Yatagai
NIPPON SHOKUBAI (ASIA) PTE LTD *	Sale of chemical products	Hisakazu Fujita
NIPPON SHOKUBAI EUROPE N.V. *	Manufacture and sale of superabsorbent polymers	Hideki Sogabe
PT. NIPPON SHOKUBAI INDONESIA *	Manufacture and sale of acrylic acid and acrylic esters	Masakazu Tanaka
Singapore Acrylic Pte Ltd *	Manufacture and sale of crude acrylic acid	Koichiro Yamada
Singapore Glacial Acrylic Pte. Ltd. *	Manufacture and sale of glacial acrylic acid	Koichiro Yamada
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. *	Manufacture and sale of superabsorbent polymers and polymers for concrete admixture	Susumu Takase
ICT Co., Ltd.	Sale of automobile exhaust catalyst	Yojiro Takahashi
Nihon Polymer Industries Co., Ltd.	Manufacture and sale of acrylic emulsions	Hideyuki Tahara
Japan Composite Co., Ltd.	Manufacture and sale of unsaturated polyeters resin and plastic molded materials	Tetsuyuki Matsubara
LGMMA Corp.	Manufacture and sale of MMA and PMMA	Dae Hyun Jun
SINO-JAPAN CHEMICAL CO., LTD.	Manufacture and sale of organic chemicals such as surfactant	Hajime Uchida

* Included in consolidation

(as of June 30 2009)

Coporate Data

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

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

LABORATORIES

Advanced Materials Research Center
5-8, Nishi Otabi-cho, Suita, Osaka
564-0034, Japan

Strategic Technology Research Center
5-8, Nishi Otabi-cho, Suita, Osaka
564-0034, Japan

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

Performance Chemicals Research Center
5-8, Nishi Otabi-cho, Suita, Osaka
564-0034, Japan

E&I Materials Research Center
5-8, Nishi Otabi-cho, Suita, Osaka
564-0034, Japan

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

OVERSEAS OFFICES

Korea Office
4F Turbotek Building, 16-6 Sunae-Dong,
Bungdang-Gu, Sungnamu-Si, Gyeonggi-Do,
Korea 463-825
Telephone: 82-31-718-9111
Facsimile : 82-31-718-9693

Taipei Office
14Fl, 99, Sec. 2, JenAiRd.
Taipei, Taiwan
Telephone: 886-2-2396-6223 ext 215
Facsimile : 886-2-2396-9076

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URL http //www.shokubai.co.jp

NIPPON
SHOKUBAI