NIPPON
SHOKUBAI

2011
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

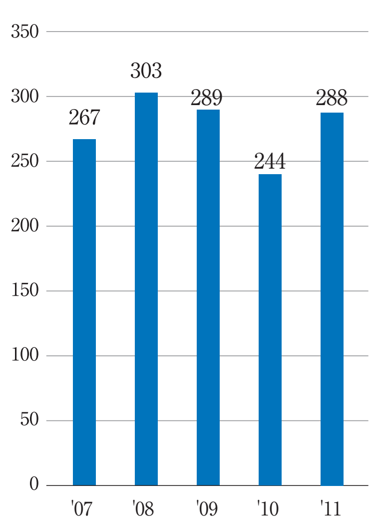
Financial Highlights

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

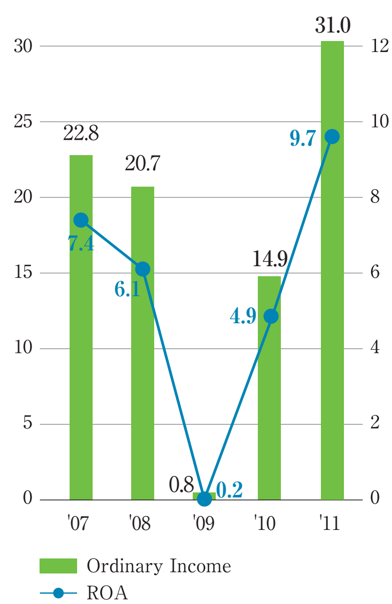
	Year ended March 31, 2011	2010	2011
	(Millions of Yen)		(Thousands of U.S. dollars)
Net sales	¥ 288,345	¥ 244,317	US$ 3,467.769
Operating Income	29,813	13,881	358.545
Ordinary Income	30,955	14,934	372.279
Net Income(loss)	21,119	10,832	253.987
At Year End			
Total Assets	¥ 329,332	¥ 310,946	US$ 3,960.698
Total Net Assets	194,266	163,781	2,336.332
	Yen		U.S. dollars
Per Share Amounts			
Net Income	¥ 110.30	¥ 60.85	US$ 1.33
Cash Dividends	22.00	14.00	0.26

Foreign Exchange Rate: US$ 1.00 = ¥83.15

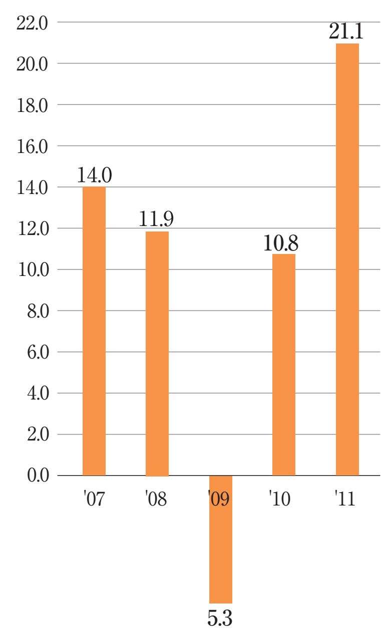
Net Sales (Billions of yen)



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, 2011.

Overview

The Japanese economy in fiscal 2010 showed some signs of a pickup in production due to a recovery in exports, but uncertainty heightened as natural resources prices continued to rise globally and the employment environment remained harsh.

In the chemicals industry, demand was firm in China and some other regions, but the business environment remained harsh overall due to the yen's appreciation, rising crude oil prices, and the start of operations at large plants in the Middle East and Asia.

In this business environment, the Nippon Shokubai Group's consolidated net sales rose 18.0% year-over-year to 288,345 million yen (+44,028 million yen) in the fiscal year under review. Yen appreciation reduced the value of repatriated sales, but sales volumes rose on firm demand,

and product prices rose due to elevated raw materials prices and tight supply-demand conditions.

As for profits, operating income increased 114.8% year-over-year to 29,813 million yen (+15,932 million yen) in the fiscal year under review. Although fixed costs increased due to the bolstering of production capacity for ethylene oxides, acrylic acids and superabsorbent polymers, profitability improved due to an increase in production and sales volumes and a widening of spreads for some products (product prices rose more than raw materials prices in the markets).

Ordinary income increased 107.3% year-over-year to 30,955 million yen (+16,021 million yen) in the fiscal year under review. Although foreign exchange losses and losses on retirement of noncurrent assets increased, non-operating income rose 89 million yen due to an increase in equity-method investment profits. Net income increased 95.0% year-over-year to 21,119 million yen (+10,288 million yen).

The Great East Japan Earthquake that occurred on March 11, 2011 did not have a significant impact on results of operations of the Group. No employees were injured and there was only minimal damage to the facilities of some subsidiaries.

We would like to ask all our shareholders for your continued support for the future.

June 2011

Masanori Ikeda, President

Performance Highlights

(million yen)

	Year endrd March 31,		Change	
	2011	2010	Amount	%
Net sales	¥ 288,345	244,317	44,028	18.0%
Operating income	29,813	13,881	15,932	114.8%
Ordinary income	30,955	14,934	16,021	107.3%
Net Income(loss)	21,119	10,832	10,288	95.0%
Net income per share	¥ 110.30	¥ 60.85	¥ 49.45	81.3%
ROA	9.7	4.9%	–	4.8 points
ROE	12.1	7.0%	–	5.1 points
Exchanging rate	$=¥85.72 EUR=¥113.15	$=¥92.88 EUR=¥131.14		(¥7.16) (¥17.99)
Naphtha price	¥47,500/kl	¥41,200/kl		¥6,300/kl

Review of Operations

Performance by Business Segment

Basic Chemicals

Sales of acrylic acids and acrylates increased sharply due to a significant increase in sales volumes on the back of firm demand, and an increase in export prices due to a surge in market prices driven by tight supply-demand conditions worldwide.

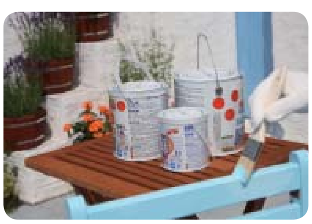
Sales of ethylene oxide also increased due to a rise in sales volumes on firm demand, and upward revisions to selling prices to reflect higher raw materials prices.

Sales of ethylene glycol increased as market prices remained high and domestic sales volumes rose.

Sales of higher alcohol increased due to a rise in sales volumes driven mainly by exports, and upward revisions to selling prices to reflect higher raw materials prices.

Sales of ethanolamine were roughly flat as upward revisions to selling prices to reflect higher raw materials prices offset lower export sales volumes.

In summary, sales in the basic chemicals segment increased 25.9% year-over-year to 125,052 million yen.


Paints (Acrylates)


Synthetic Detergents(SOFTANOL)

Functional Chemicals

Sales of superabsorbent polymers increased, despite a decline in selling prices from yen appreciation among other factors, as sales volumes significantly increased on firm demand and also thanks to the bolstering of production capacity.

Sales of specialty acrylates, maleic anhydride, and resin modifiers increased due to a rise in sales volumes and upward revisions to selling prices to reflect higher raw materials prices.

Sales of polymer for concrete admixture, electronic and information materials, and resins for paints increased due to a rise in sales volumes.

Sales of raw materials for detergents increased due to upward revisions to selling prices, despite a decline in sales volumes.

Sales of processed adhesive products and iodine compounds decreased due to a decline in sales volumes.

In summary, sales in the functional chemicals segment increased 7.6 % year-over-year to 141,553 million yen.


Diapers(Superabsorbent polymer)

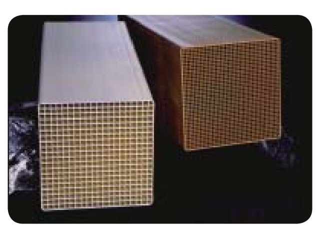

Flat Panel Display(Electronic Information associated Materials)

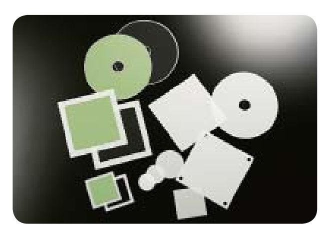
Environment & Catalysts

Sales of automotive catalysts, process catalysts, and fuel cell materials increased sharply due to a significant increase in sales volumes.

Sales of De-NOx catalysts, and dioxins decomposition catalysts decreased due to a decline in sales volumes.

In summary, sales in the environment & catalysts segment increased 61.4% year-over-year to 21,740 million yen.


Automotive Catalysts


Fuel-cell materials(Zirconia sheets, cells)

Performance by Business Segment

(unit : million of yen)

(Year ended March 31.)	2011			2010			Change		
Business Segment	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Basic Chemicals	Functional Chemicals	Environment & Catalysts
Net Sales	125,052	141,553	21,740	99,329	131,514	13,473	25,722	10,039	8,267
Operating income(loss)	13,986	13,323	2,366	5,328	9,161	(645)	8,658	4,162	3,011

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).

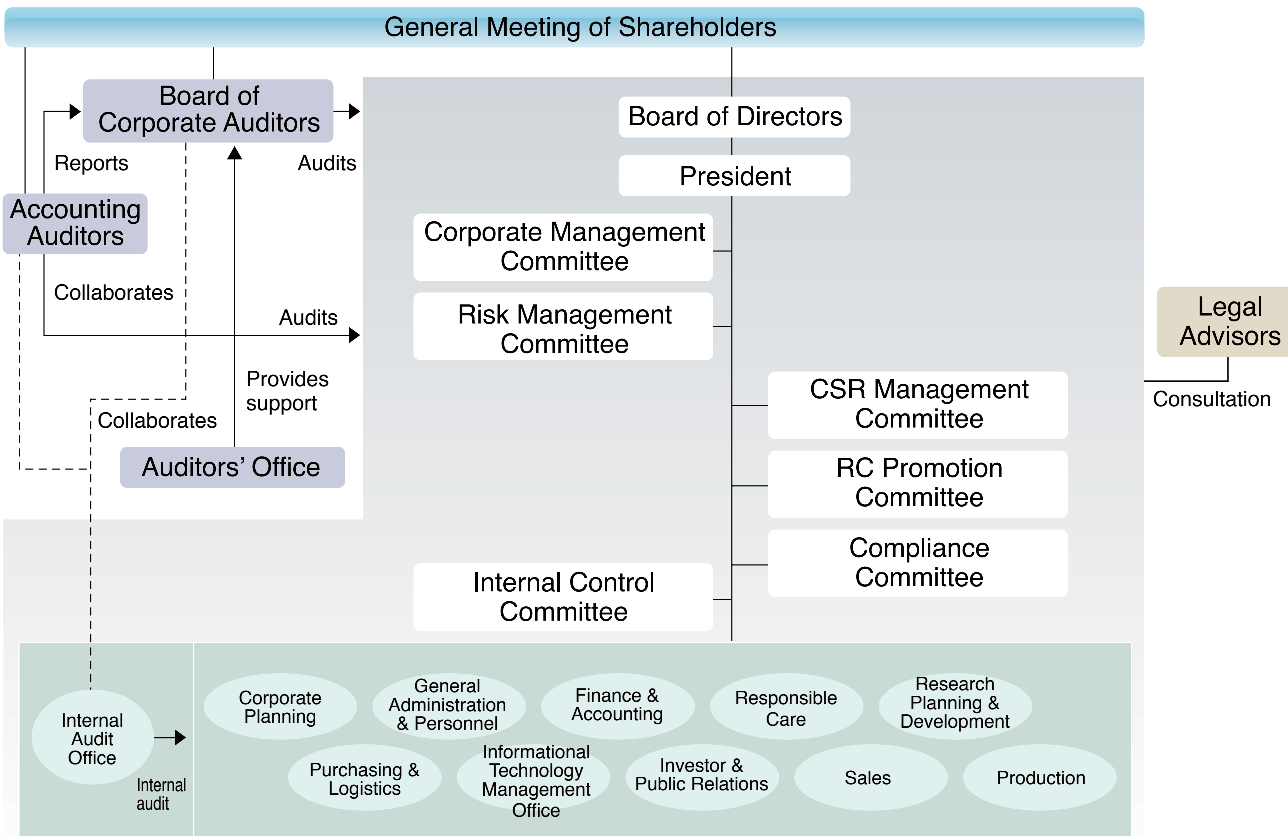
The Group also places the promotion of corporate social responsibility (CSR) at the foundation of its management to engage in corporate activities based on compliance and selfresponsibility, and intends to ensure thoroughness in corporate ethics, to promote 'responsible care' regarding the environment, 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.

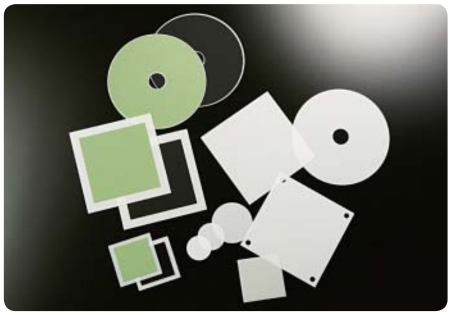
Accounting Auditors perform their services under the Commercial Code and Securities and Exchange Law of Japan, and provide their opinions when we call for it to make decisions on accounting issues. None of the Accounting Auditors is involved in the management of the Company.

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

Expansion of production capacity of zirconia sheets for fuel cells

We developed a mass-production technology of zirconia sheets, which are a key material of Solid Oxide Fuel Cells("SOFC"), and to meet the growing demand we established a production capacity of 3 million sheets per year in February 2011. We will expand our sales of zirconia sheets through satisfying users' requirements appropriately. We will develop our fuel cell materials that have high potential as a clean energy into one of our core businesses in the future.



Zirconia sheets & cells

The "Nippon Shokubai Wood of Water Resources" Development Activity

Forest maintenance activity was performed as a part of new employees training at "Nippon Shokubai Wood of Water Resources" in Akazai valley, Shisou City, Hyogo Prefecture on April 15. They reconfirmed the importance of environmental preservation through the group discussion after the training. We hope that they will grow up into businesspersons with a social viewpoint.

In addition, the activity of 2011 by the volunteer employees has begun since May 21, 2011. We try to maintain diversity of forest that brings up a lot of lives through "Activity to conserve forest."

Forest maintenance activity

New employees training (group discussion)

New employees training (thinning operation)

Management Indices

(1) Consolidated Management Indices

Year ended March 31	2007	2008	2009	2010	2011
					(Millions of yen)
Net Sales	266,513	302,669	289,102	244,317	288,345
Ordinary Income	22,754	20,745	757	14,934	30,955
Net Income(loss)	13,988	11,875	(5,307)	10,832	21,119
Total Assets	323,675	352,783	302,948	310,946	329,332
Total Shareholders' Equity	−	−	154,900	163,244	198,092
Total Net Assets	179,368	175,634	151,662	163,781	194,266
					(Yen)
Net Assets per Share	948.34	947.34	831.11	898.33	938.67
Net Income(loss) per Share	74.92	64.91	(29.61)	60.85	110.3
Fully Diluted Net Income per Share	−	−	−	−	−
Capital Ratio(%)	54.1	48.6	48.8	51.4	57.9
Return on Equity(%)	8.2	6.9	(3.3)	7.0	12.1
Price Earning Ratio(times)	17.0	10.2	−	13.9	9.4
					(Millions of yen)
Cash Flow from Operating Activities	16,087	20,129	17,613	44,346	31,706
Cash Flow from Investing Activities	(23,109)	(33,100)	(16,675)	(23,850)	(16,696)
Cash Flow from Financing Activities	4,037	17,495	8,099	(21,772)	(3,050)
Cash and Cash Equivalents at Year-end	16,991	21,371	29,450	28,234	39,174
Number of Employees	2,841	3,290	3,415	3,430	3,576

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, 2011 and 2010
with Report of Independent Auditors

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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, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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.

Supplemental Information

As described in Note 1(g) to the consolidated financial statements, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment (except for leased assets) from the declining-balance method to the straight-line method.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Osaka, Japan
June 21, 2011

Ernst & Young ShinNihon LLC

Consolidated Balance Sheets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31, 2011	March 31, 2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Assets			
Current assets :			
Cash and cash equivalents (Note 3)	¥ 39,174	¥ 28,234	$ 471,125
Time deposits (Notes 3 and 7)	130	170	1,563
Notes and accounts receivable (Note 3) :			
Unconsolidated subsidiaries and affiliates	7,855	5,505	94,468
Trade	64,821	57,581	779,567
Allowance for doubtful receivables	(74)	(227)	(890)
Inventories (Note 5)	39,415	37,357	474,023
Deferred income taxes (Note 9)	3,707	3,380	44,582
Other current assets	5,807	6,214	69,838
Total current assets	160,835	138,214	1,934,276
Property, plant and equipment, at cost (Notes 6 and 7) :			
Land	31,567	30,710	379,639
Buildings and structures	79,232	79,119	952,880
Machinery and equipment	289,323	276,851	3,479,531
Construction in progress	2,649	16,436	31,858
Leased assets	523	630	6,290
Accumulated depreciation	(287,501)	(283,291)	(3,457,618)
Property, plant and equipment, net	115,793	120,455	1,392,580
Investments and other assets :			
Investments in securities (Notes 3 and 4)	21,803	20,047	262,213
Investments in unconsolidated subsidiaries and affiliates	17,026	17,687	204,762
Deferred income taxes (Note 9)	3,517	3,201	42,297
Prepaid pension cost (Note 8)	3,158	3,399	37,980
Other assets (Notes 7)	7,200	7,943	86,590
Total investments and other assets	52,704	52,277	633,842
Total assets	¥ 329,332	¥ 310,946	$ 3,960,698

Consolidated Balance Sheets (continued)

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Liabilities and Net Assets			
Current liabilities :			
Short-term bank loans (Notes 3 and 7)	¥ 16,749	¥ 26,587	$ 201,431
Current portion of long-term debt (Notes 3 and 7)	4,884	7,631	58,737
Notes and accounts payable (Note 3) :			
Unconsolidated subsidiaries and affiliates	6,193	4,449	74,480
Trade	33,450	34,042	402,285
Construction	–	12	–
Lease obligations	30	34	361
Accrued bonuses to employees	2,798	2,405	33,650
Accrued bonuses to directors and corporate auditors	177	146	2,129
Reserve for periodic repairs	2,586	2,526	31,100
Reserve for loss on disaster	180	–	2,165
Accrued income taxes (Note 9)	7,639	2,476	91,870
Other current liabilities	7,113	8,710	85,544
Total current liabilities	81,799	89,018	983,752
Long-term liabilities :			
Long-term debt (Notes 3 and 7)	42,418	47,257	510,138
Lease obligations	198	272	2,381
Accrued retirement benefits for employees (Note 8)	9,079	8,770	109,188
Deferred income taxes (Note 9)	284	356	3,416
Other	1,288	1,492	15,491
Total long-term liabilities	53,267	58,147	640,614
Contingent liabilities (Note 15)			
Net assets :			
Shareholders' equity (Note 10) :			
Common stock :			
Authorized – 424,000,000 shares ;			
Issued – 212,000,000 shares in 2011 and 187,000,000 shares in 2010	25,038	16,529	301,118
Capital surplus	22,083	13,574	265,580
Retained earnings	158,961	141,118	1,911,738
Less treasury stock, at cost	(7,990)	(7,977)	(96,091)
Total shareholders' equity	198,092	163,244	2,382,345
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities	2,367	2,615	28,467
Translation adjustments	(9,885)	(5,901)	(118,882)
Net unrealized deferred loss on hedges	(17)	(35)	(204)
Total accumulated other comprehensive loss, net	(7,535)	(3,321)	(90,619)
Minority interests	3,709	3,858	44,606
Total net assets	194,266	163,781	2,336,332
Total liabilities and net assets	¥ 329,332	¥ 310,946	$ 3,960,698

Consolidated Statements of Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Years ended March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Net sales (Note 18)	¥ 288,345	¥ 244,317	$ 3,467,769
Cost of sales (Note 11)	221,796	196,066	2,667,420
Gross profit	66,549	48,251	800,349
Selling, general and administrative expenses (Note 11)	36,736	34,370	441,804
Operating income (Note 18)	29,813	13,881	358,545
Other income (expenses) :			
Interest and dividend income	699	641	8,406
Interest expense	(874)	(1,222)	(10,511)
Royalty income	416	391	5,003
Equity in earnings of an unconsolidated subsidiary and affiliates	2,354	1,037	28,310
Foreign exchange loss	(938)	(312)	(11,281)
Loss on devaluation of investments in securities	(362)	–	(4,354)
Loss on impairment of property, plant and equipment (Note 6)	(571)	(704)	(6,867)
Rent income from real estate	1,198	1,237	14,408
Gain on accident insurance claims (Note 12)	1,161	–	13,963
Gain on sales of property, plant and equipment	322	–	3,873
Government subsidies	138	–	1,660
Loss on reduction of property, plant and equipment	(402)	–	(4,835)
Loss on disposal of property, plant and equipment	(191)	(248)	(2,297)
Other, net	(2,361)	(574)	(28,395)
Income before income taxes and minority interests	30,402	14,127	365,628
Income taxes (Note 9) :			
Current	9,992	2,332	120,168
Deferred	(1,004)	821	(12,075)
	8,988	3,153	108,093
Income before minority interests	21,414	10,974	257,535
Minority interests in earnings of consolidated subsidiaries	(295)	(142)	(3,548)
Net income (Note 16)	¥ 21,119	¥ 10,832	$ 253,987

Consolidated Statement of Comprehensive Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31,	
	2011	2011
	(Millions of yen)	(Thousands of U.S. dollars) (Note2)
Income before minority interests	¥ 21,414	$ 257,535
Other comprehensive income (loss) :		
Net unrealized holding loss on securities	(253)	(3,043)
Net unrealized deferred gain on hedges	1	12
Translation adjustments	(3,679)	(44,245)
Other comprehensive loss of equity-method affiliates attributable to the Company	(514)	(6,182)
Total other comprehensive loss	(4,445)	(53,458)
Comprehensive income	¥16,969	$204,077
Comprehensive income attributable to :		
Shareholders of the Company	¥ 16,905	$ 203,307
Minority interests	64	770

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, 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

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred loss on hedges	Total accumulated other comprehensive loss, net	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
			(Millions of yen)		
Balance at March 31, 2010	¥ 16,529	¥ 13,574	¥ 141,118	¥ (7,977)	¥ 163,244
Changes during the year :					
Issuance of new stock	8,509	8,509	–	–	17,018
Cash dividends	–	–	(3,276)	–	(3,276)
Net income	–	–	21,119	–	21,119
Purchases of treasury stock	–	–	–	(15)	(15)
Disposition of treasury stock	–	0	–	2	2
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	8,509	8,509	17,843	(13)	34,848
Balance at March 31, 2011	¥ 25,038	¥ 22,083	¥ 158,961	¥ (7,990)	¥ 198,092

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred loss on hedges	Total accumulated other comprehensive loss, net	Minority interests	Total net assets
			(Millions of yen)			
Balance at March 31, 2010	¥ 2,615	¥ (5,901)	¥ (35)	¥ (3,321)	¥ 3,858	¥163,781
Changes during the year :						
Issuance of new stock	–	–	–	–	–	17,018
Cash dividends	–	–	–	–	–	(3,276)
Net income	–	–	–	–	–	21,119
Purchases of treasury stock	–	–	–	–	–	(15)
Disposition of treasury stock	–	–	–	–	–	2
Net changes in items other than shareholders' equity	(248)	(3,984)	18	(4,214)	(149)	(4,363)
Total changes during the year	(248)	(3,984)	18	(4,214)	(149)	30,485
Balance at March 31, 2011	¥ 2,367	¥ (9,885)	¥ (17)	¥ (7,535)	¥ 3,709	¥ 194,266

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) (Note 2)				
Balance at March 31, 2010	$ 198,785	$ 163,247	$ 1,697,150	$ (95,935)	$ 1,963,247
Changes during the year :					
Issuance of new stock	102,333	102,333	–	–	204,666
Cash dividends	–	–	(39,399)	–	(39,399)
Net income	–	–	253,987	–	253,987
Purchases of treasury stock	–	–	–	(180)	(180)
Disposition of treasury stock	–	0	–	24	24
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	102,333	102,333	214,588	(156)	419,098
Balance at March 31, 2011	$ 301,118	$ 265,580	$ 1,911,738	$ (96,091)	$ 2,382,345

	Accumulated other comprehensive income (loss)					
	Net unrealized holding gain on securities	Translation adjustments	Net unrealized deferred loss on hedges	Total accumulated other comprehensive loss, net	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 2)					
Balance at March 31, 2010	$ 31,449	$ (70,968)	$ (421)	$ (39,940)	$ 46,398	$ 1,969,705
Changes during the year :						
Issuance of new stock	–	–	–	–	–	204,666
Cash dividends	–	–	–	–	–	(39,399)
Net income	–	–	–	–	–	253,987
Purchases of treasury stock	–	–	–	–	–	(180)
Disposition of treasury stock	–	–	–	–	–	24
Net changes in items other than shareholders' equity	(2,982)	(47,914)	217	(50,679)	(1,792)	(52,471)
Total changes during the year	(2,982)	(47,914)	217	(50,679)	(1,792)	366,627
Balance at March 31, 2011	$ 28,467	$ (118,882)	$ (204)	$ (90,619)	$ 44,606	$ 2,336,332

Consolidated Statements of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Year ended March 31, 2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Operating activities :			
Income before income taxes and minority interests	¥ 30,402	¥ 14,127	$ 365,628
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities :			
Depreciation and amortization	15,619	16,234	187,841
Loss on impairment of property, plant and equipment	571	704	6,867
Loss on devaluation of investments in other securities	362	–	4,354
Increase in accrued retirement benefits for employees	317	305	3,812
Interest and dividend income	(699)	(641)	(8,406)
Interest expense	874	1,222	10,511
Equity in earnings of an unconsolidated subsidiary and affiliates	(2,354)	(1,037)	(28,310)
Loss on disposal of property, plant and equipment	172	248	2,069
Stock issuance cost	97	–	1,167
Fire damage to factory equipment	839	–	10,090
Loss on reduction of property, plant and equipment	402	–	4,835
Gain on accident insurance claims	(1,161)	–	(13,963)
Gain on sale of property, plant and equipment	(322)	–	(3,873)
Government subsidies	(138)	–	(1,660)
Other, net	1,902	1,690	22,875
Changes in operating assets and liabilities :			
Notes and accounts receivable	(10,910)	(10,021)	(131,209)
Inventories	(3,327)	5,227	(40,012)
Notes and accounts payable	3,080	14,954	37,041
Other current liabilities	(239)	185	(2,874)
Subtotal	35,487	43,197	426,783
Interest and dividends received	1,739	1,105	20,914
Interest paid	(884)	(1,368)	(10,631)
Proceeds from accident insurance claims	1,034	–	12,435
Proceeds from government subsidies	138	–	1,660
(Payment) refund of income taxes	(4,879)	1,412	(58,677)
Other, net	(929)	–	(11,173)
Net cash provided by operating activities	31,706	44,346	381,311
Investing activities :			
Purchases of property, plant and equipment	(15,301)	(24,025)	(184,017)
Proceeds from sales of property, plant and equipment	396	108	4,762
Purchases of short-term investments and investments in securities	(2,610)	(1,261)	(31,390)
Proceeds from sales of short-term investments and investments in securities	330	516	3,969
Proceeds from redemption of investments in securities	200	400	2,405
Payments for purchases of shares of affiliates	(177)	(8)	(2,129)
Collection of loans receivable	134	686	1,612
Other, net	332	(266)	3,993
Net cash used in investing activities	¥(16,696)	¥(23,850)	$(200,795)

Consolidated Statements of Cash Flows (continued)

	Year ended March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note2)
Financing activities:			
Decrease in short-term bank loans, net	¥(9,255)	¥ (2,707)	$(111,305)
Proceeds from long-term debt	210	1,100	2,526
Repayment of long-term debt	(7,585)	(12,642)	(91,221)
Cash dividends paid	(3,276)	(2,492)	(39,399)
Repayments of bonds	–	(5,000)	–
Proceeds from issuance of common stock	17,018	–	204,666
Payments of stock issuance cost	(97)	–	(1,167)
Purchases of treasury stock	(15)	(15)	(180)
Other, net	(50)	(16)	(601)
Net cash used in financing activities	(3,050)	(21,772)	(36,681)
Effect of exchange rate changes on cash and cash equivalents	(1,020)	60	(12,266)
Increase (decrease) in cash and cash equivalents	10,940	(1,216)	131,569
Cash and cash equivalents at beginning of year	28,234	29,450	339,556
Cash and cash equivalents at end of year	¥ 39,174	¥ 28,234	$ 471,125

Notes to Consolidated Financial Statements

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries March 31, 2011

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of Nippon Shokubai Co., Ltd. (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.

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No.25 issued on June 30, 2010). "Accumulated other comprehensive income" and "Total accumulated other comprehensive loss, net" in the accompanying consolidated balance sheet for the year ended March 31, 2010 were previously presented as "Valuation and translation adjustments" and "Total valuation and translation adjustments" in the prior years' consolidated balance sheets, respectively.

(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 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.

(Change in accounting policy)

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No.24 issued on March 10, 2008). There was no impact of the adoption of this standard and practical solution on operating income and income before income taxes and minority interests.

(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 but are reported as translation adjustments and minority interests in the accompanying consolidated balance sheets at March 31, 2011 and 2010.

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.

(g) Property, plant and equipment

Depreciation is computed principally by the straight-line method over the estimated useful lives of the respective assets except for leased assets.

(Changes in accounting policies)

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have changed their depreciation method from the declining-balance method to the straight-line method to reflect the current economic reality of property, plant and equipment. As a result of analyzing operating conditions and history of disposal and replacement of property, plant and equipment, it was ascertained that they operated stably over their useful lives with no sudden technical or economical obsolescence. As this situation is anticipated to continue in the future with major investments, the Company determined that the straight-line method better reflects the economic reality of property, plant and equipment usage. As a result of this change, gross profit increased by ¥5,173 million ($62,213 thousand), operating income increased by ¥5,410 million ($65,063 thousand) and income before income taxes and minority interests increased by ¥5,411 million ($65,075 thousand) for the year ended March 31, 2011 from the corresponding amounts which would have been recorded under the previous depreciation method. The impact on segment information is outlined in Note 18.

Effective April 1, 2010, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). There was no impact of the adoption of this standard and guidance on operating income and income before income taxes and minority interests for the year ended March 31, 2011.

(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.

(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 and certain consolidated subsidiaries provide 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) Reserve for loss on disaster

A domestic consolidated subsidiary has recorded a reserve for loss on disaster at the amount estimated to be necessary to provide for restoration of assets damaged by the Great East Japan Earthquake.

(q) 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.

(r) 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 20).

(s) 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 accounting standard and guidance outlined above, 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 ¥83.15 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2011. 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 financial 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 one year, 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 17.

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, 2011 and 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.

	2011			2010		
	(Millions of yen)					
	Carrying value	Fair value	Unrealized loss	Carrying value	Fair value	Unrealized loss
Assets :						
i) Cash and cash equivalents, and time deposits	¥ 39,304	¥ 39,304	¥ –	¥ 28,404	¥ 28,404	¥ –
ii) Notes and accounts receivable	72,676	72,676	–	63,086	63,086	–
iii) Investments in securities :						
Other securities	20,648	20,648	–	18,902	18,902	–
Total assets	¥ 132,628	¥ 132,628	¥ –	¥ 110,392	¥ 110,392	¥ –
Liabilities :						
iv) Notes and accounts payable	¥ 39,643	¥ 39,643	¥ –	¥ 38,491	¥ 38,491	¥ –
v) Short-term bank loans	16,749	16,749	–	26,587	26,587	–
vi) Current portion of long-term debt	4,884	4,908	24	7,631	7,690	59
vii) Long-term debt	27,418	27,693	275	32,257	32,488	231
Total liabilities	¥ 88,694	¥ 88,993	¥ 299	¥ 104,966	¥ 105,256	¥ 290
Derivatives	¥(5)	¥(5)	¥ –	¥(7)	¥(7)	¥ –

	2011 (Thousands of U.S. dollars)		
	Carrying value	Fair value	Unrealized loss
Assets :			
i) Cash and cash equivalents, and time deposits	$ 472,688	$ 472,688	$ –
ii) Notes and accounts receivable	874,035	874,035	–
iii) Investments in securities :			
Other securities	248,322	248,322	–
Total assets	$ 1,595,045	$ 1,595,045	$ –
Liabilities :			
iv) Notes and accounts payable	$ 476,765	$ 476,765	$ –
v) Short-term bank loans	201,431	201,431	–
vi) Current portion of long-term debt	58,737	59,026	289
vii) Long-term debt	329,741	333,049	3,308
Total liabilities	$ 1,066,674	$ 1,070,271	$ 3,597
Derivatives	$ (60)	$ (60)	$ –

(1) **Calculation methods 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

Please refer to Note 1(i).

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 is based on present value of the total amount including principal and interest, discounted by the expected interest rate in the case of new borrowings under the same conditions and in the same amount of the balance as of the end of the period. Long-term loans with floating interest rates were hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The estimated fair value of those long-term loans is reasonably based on the present value of the total of principals, interests and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to loans made under similar conditions.

Derivatives transactions:

Please refer to Note 17.

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, 2011 and 2010 are presented as follows:

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Unlisted securities and other	¥ 1,155	¥ 1,145	$ 13,891

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) The redemption schedule for monetary assets and securities classified as held-to-maturity debt securities with maturity dates as of March 31, 2011 and 2010 is as follows :

	2011		2010	
	(Millions of yen)			
	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	¥ 39,304	¥ –	¥ 28,404	¥ –
Notes and accounts receivable	72,676	–	63,086	–
Investments in securities :				
Held-to-maturity debt securities				
(unlisted foreign debt securities)	–	400	–	400
	¥ 111,980	¥ 400	¥ 91,490	¥ 400

	2011	
	(Thousands of U.S. dollars)	
	Due within one year	Due after one year through five years
Cash and cash equivalents, and time deposits	$ 472,688	$ –
Notes and accounts receivable	874,035	–
Investments in securities :		
Held-to-maturity debt securities		
(unlisted foreign debt securities)	–	4,811
	$ 1,346,723	$ 4,811

4. Short-Term Investments and Investments in Securities

Marketable securities classified as other securities at March 31, 2011 and 2010 are summarized as follows :

	2011			2010		
	(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	¥ 17,800	¥ 13,357	¥ 4,443	¥ 12,403	¥ 7,518	¥ 4,885
Subtotal	17,800	13,357	4,443	12,403	7,518	4,885
Securities whose cost exceeds their fair market value :						
Equity securities	2,848	3,555	(707)	6,499	7,664	(1,165)
Subtotal	2,848	3,555	(707)	6,499	7,664	(1,165)
Total	¥ 20,648	¥ 16,912	¥ 3,736	¥ 18,902	¥ 15,182	¥ 3,720

	2011		
	(Thousands of U.S. dollars)		
	Book value (fair market value)	Cost	Unrealized gain (loss)
Securities whose fair market value exceeds their cost :			
Equity securities	$ 214,071	$ 160,637	$ 53,434
Subtotal	214,071	160,637	53,434
Securities whose cost exceeds their fair market value :			
Equity securities	34,251	42,754	(8,503)
Subtotal	34,251	42,754	(8,503)
Total	$ 248,322	$ 203,391	$ 44,931

The above book value presents the amount after the recognition of loss on impairment. The Company and its consolidated subsidiaries recorded a loss on impairment amounted to ¥362 million ($4,354 thousand) for marketable securities classified as other securities for the year ended March 31, 2011.

Sales of other securities for the years ended March 31, 2011 and 2010 were as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Proceeds	¥ 5	¥ 8	$ 60
Gross realized gain	¥ –	¥ 3	$ –
Gross realized loss	¥ –	¥ –	$ –

5. Inventories

Inventories at March 31, 2011 and 2010 were as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished goods	¥ 21,690	¥ 21,256	$ 260,854
Raw materials	8,787	7,930	105,676
Work in process	5,765	5,044	69,333
Supplies	3,173	3,127	38,160
Total	¥ 39,415	¥ 37,357	$ 474,023

6. Loss on Impairment of Property, Plant and Equipment

Property, plant and equipment are primarily grouped based on the business segment categories designated for management control purposes. In addition, idle assets for which no immediate use is recognized are grouped individually.

For the year ended March 31, 2011, the Company determined that market expansion was unlikely, market prices would decrease and a loss on process adhesive products would continue. Accordingly, the Company has written down certain fixed assets to their respective net recoverable amounts.

For the year ended March 31, 2010, the Company anticipated that the markets for polymers for concrete admixture and emulsions for damping materials would not expand because of the stagnation of the U.S. economy. Accordingly, the Company has written down certain fixed assets to their respective net recoverable amounts.

The net recoverable amounts of assets impaired were measured at net selling value based on prices issued by the Japanese Ministry of Land, Infrastructure, Transport and Tourism.

Details of the loss on impairment of property, plant and equipment for the years ended March 31, 2011 and 2010 are summarized as follows :

2011

Company	Application	Classification	(Millions of yen)	(Thousands of U.S. dollars)
Nippon Shokubai Co., Ltd.	Machines that produce process adhesive products	Buildings and structures, machinery and equipment and automotive equipment	¥ 571	$ 6,867
Total			¥ 571	$ 6,867

2010

Company	Application	Classification	(Millions of yen)
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
Total			¥ 704

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, 2011 and 2010 were 0.68% and 0.72% respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following :

	2011	2010	2011
	(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	¥ 15,000	$ 180,397
Unsecured loans from banks and insurance companies, payable in yen, at rates from 0.64% to 2.03%, due through 2014	30,640	37,640	368,490
Unsecured loans from banks, payable in U.S. dollars, at rates from 0.46% to 0.68%, due through 2012	1,149	1,741	13,818
Secured loans from banks and insurance companies, payable in yen, at rates from 1.55% to 2.10%, due through 2015	513	507	6,170
Subtotal	47,302	54,888	568,875
Less current portion	(4,884)	(7,631)	(58,737)
Total	¥ 42,418	¥ 47,257	$ 510,138

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized below :

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 4,884	$ 58,737
2013	14,480	174,143
2014	13,732	165,147
2015	14,181	170,547
2016 and thereafter	25	301
	¥ 47,302	$ 568,875

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, 2011 and 2010 were as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Time deposits	¥ –	¥ 8	$ –
Land	293	293	3,524
Buildings and structures	150	167	1,804
Machinery and equipment	233	292	2,802
Other assets	13	5	156
Total	¥ 689	¥ 765	$ 8,286

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, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit pension plans :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation at end of year	¥(32,394)	¥(31,999)	$(389,585)
Fair value of plan assets at end of year	21,204	20,328	255,009
Unfunded retirement benefit obligation	(11,190)	(11,671)	(134,576)
Unrecognized actuarial loss	5,249	6,276	63,127
Unrecognized prior service cost	20	24	241
Net retirement benefit obligation	(5,921)	(5,371)	(71,208)
Prepaid pension cost	3,158	3,399	37,980
Accrued retirement benefits	¥(9,079)	¥(8,770)	$(109,188)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,429	¥ 1,314	$ 17,186
Interest cost	593	549	7,132
Expected return on plan assets	(536)	(449)	(6,446)
Amortization :			
Prior service cost	3	(59)	36
Actuarial loss	1,302	1,535	15,658
Retirement benefit expenses	¥ 2,791	¥ 2,890	$ 33,566

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2011 and 2010 were as follows :

	2011	2010
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, 2010, the most recent date on which such data was available.

	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at fair value	¥ 403,992	$ 4,858,593
Benefit obligation used in the calculation of pension financing	458,224	5,510,812
Difference	¥ (54,232)	$ (652,219)

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, 2011 and 2010 was, in the aggregate, approximately 40.6%.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 differed from the above statutory tax rate for the following reasons :

	2011	2010
Statutory tax rate	40.6 %	40.6 %
Effect of :		
Valuation allowance	(5.5)	(5.3)
Different tax rate applicable to income of subsidiaries	(2.4)	(3.6)
Tax credit for research and development costs	(3.9)	(3.5)
Equity in earnings of an unconsolidated subsidiary and affiliates	(3.1)	(3.0)
Foreign tax credit	(0.1)	(1.1)
Other, net	4.0	(1.8)
Effective tax rates	29.6 %	22.3 %

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, 2011 and 2010 are summarized as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets :			
Accrued retirement benefits for employees	¥ 2,456	¥ 2,303	$ 29,537
Intercompany profit on inventories and property, plant and equipment	978	958	11,762
Tax loss carryforwards	2,232	2,378	26,843
Reserve for periodic repairs	1,050	1,025	12,628
Depreciation and amortization (including loss on impairment)	2,651	2,004	31,882
Loss on impairment of land	1,265	1,265	15,213
Accrued bonuses to employees	1,099	935	13,217
Impairment of investments in securities and other	840	2,313	10,102
Other	736	891	8,852
Gross deferred tax assets	13,307	14,072	160,036
Less : Valuation allowance	(4,278)	(5,904)	(51,449)
Total deferred tax assets	9,029	8,168	108,587
Deferred tax liabilities :			
Equity in earnings of an overseas affiliate	(896)	(995)	(10,776)
Depreciation and amortization	(317)	(376)	(3,812)
Deferred capital gain on property	(372)	(375)	(4,474)
Reserve for depreciation for tax purposes	(3)	(5)	(36)
Other	(501)	(192)	(6,026)
Total deferred tax liabilities	(2,089)	(1,943)	(25,124)
Net deferred tax assets	¥ 6,940	¥6,225	$ 83,463

10. 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 ($47,144 thousand) and ¥3,920 million at March 31, 2011 and 2010, respectively.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2011 and 2010 are summarized as follows :

	2011			
	Number of shares *(Thousands)*			
	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock	187,000	25,000	–	212,000
Treasury stock	8,976	17	1	8,992

	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

11. 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, 2011 and 2010 totaled ¥11,246 million ($135,250 thousand) and ¥10,753 million, respectively.

12. Gain on Accident Insurance Claims

During the year ended March 31, 2011, an overseas consolidated subsidiary received insurance proceeds related to a loss suffered due to fire at a factory in the amount of ¥1,161 million ($13,963 thousand).

13. Other Comprehensive Income

The following tables present comprehensive income and other comprehensive income for the year ended March 31, 2010.

	(Millions of yen)
	2010
Unrealized gains on investments in securities	¥ 2,584
Deferred gains on hedges	44
Translation adjustments	561
Other comprehensive income of equity-method affiliates attributable to the Company	478
Total other comprehensive income	¥ 3,667
Total comprehensive income attributable to :	
Shareholders of the Company	¥ 14,466
Minority interests	175

14. 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, 2011 and 2010 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 :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery and equipment and software :			
Acquisition costs	¥ 782	¥ 936	$ 9,405
Accumulated depreciation/amortization	(361)	(389)	(4,342)
Net book value	¥ 421	¥ 547	$ 5,063

Lease payments of the Company and its domestic consolidated subsidiaries relating to finance leases amounted to ¥126 million ($1,515 thousand) and ¥160 million for the years ended March 31, 2011 and 2010, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥126 million ($1,515 thousand) and ¥160 million for the years ended March 31, 2011 and 2010, 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, 2011 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)
2012	¥ 94	$ 1,130
2013 and thereafter	327	3,933
	¥ 421	$ 5,063

15. Contingent Liabilities

At March 31, 2011, the Company and one consolidated subsidiary were contingently liable as guarantors of indebtedness of an affiliate in the aggregate amount of ¥1,829 million ($21,996 thousand).

In addition, at March 31, 2011, two consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed in the aggregate amount of ¥477 million ($5,737 thousand).

16. Amounts per Share

	2011	2010	2011
	(Yen)		(U.S. dollars)
Net income	¥ 110.30	¥ 60.85	$ 1.33
Cash dividends	22.00	14.00	0.26
Net assets	938.67	898.33	11.29

Net income per share has been computed based on the net income available to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented for the years ended March 31, 2011 and 2010 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2011 and 2010.

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 per share for the years ended March 31, 2011 and 2010 is summarized as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	¥ 21,119	¥ 10,832	$ 253,987
Deductions from net income	–	–	–
Adjusted net income available to shareholders of common stock	¥ 21,119	¥ 10,832	$ 253,987
Weighted-average number of shares of common stock outstanding during the year (thousands of shares)	191,476	178,008	191,476

17. 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, 2011 and 2010 is summarized as follows :

Currency-related transactions

(Millions of yen)

			2011		
			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				
	Buy	Accounts payable, trade	¥ 93	¥ 74	¥ (5)
	Forward foreign currency exchange contracts				
Allocation method	Sell	Accounts receivable, trade	9,590	–	(*)
	Buy	Accounts payable, trade	19	–	(*)

(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				
	Buy	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)		
			2011		
			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				
	Buy	Accounts payable, trade	$ 1,118	$ 890	$ (60)
	Forward foreign currency exchange contracts				
Allocation method	Sell	Accounts receivable, trade	115,334	–	(*)
	Buy	Accounts payable, trade	229	–	(*)

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)		
			2011		
			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	Long-term debt			
	Receive / floating and pay / fixed		¥ 300	¥ 100	(*)

			(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	Long-term debt			
	Receive / floating and pay / fixed		¥ 600	¥ 300	(*)

			(Thousands of U.S. dollars)		
			2011		
			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	$ 3,608	$ 1,203	(*)

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

18. Segment Information

Effective April 1, 2010, the Group adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued on March 21, 2008).

(a) Segment information for the year ended March 31, 2011

1. Outline of reporting segments

The Group's reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors meeting of the Company in order to allocate management resources and assess performance of operations.

The Group's main business lines are divided based on similarities of function and nature and the Company prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line.

Accordingly, the Group has three reporting segments based on product family: Basic chemicals, Functional chemicals, and Environment and catalysis.

Basic chemicals:

Acrylic acids, acrylic ester, ethylene oxides, ethylene glycols, ethanolamine, higher-alcohol and glycol ether

Functional chemicals:

Superabsorbent polymers, pharmaceutical intermediates, polymer for concrete admixture, electronic and information materials, iodine, maleic anhydride, resins for adhesives & paints, plastic molded products and process adhesive products

Environment & catalysts:

Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, industrial catalysts, exhaust gas treatment equipment and fuel cell material

2. Calculation methods used for sales, income or loss, assets, and other items on each reporting segment.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. Intersegment sales and transfers are recorded at the same prices used in transactions with third parties.

3. Information as to sales, income or loss, assets, and other items on each reporting segment

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2011 and 2010 is outlined as follows :

	Year ended March 31, 2011					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consolidated
			(Millions of yen)			
Sales and operating income :						
Sales to third parties	¥ 125,052	¥ 141,553	¥ 21,740	¥ 288,345	¥ –	¥ 288,345
Intragroup sales and transfers	28,730	1,664	1,717	32,111	(32,111)	–
Net sales	153,782	143,217	23,457	320,456	(32,111)	288,345
Segment income :	13,986	13,323	2,366	29,675	138	29,813
Segment assets :	137,256	147,191	19,573	304,020	25,312	329,332
Other items :						
Depreciation and amortization	¥ 8,296	¥ 7,576	¥ 381	¥ 16,253	¥ –	¥ 16,253
Amortization of goodwill	468	2	–	470	–	470
Increases in property, plant and equipment and other assets	5,036	9,664	525	15,225	–	15,225

	Year ended March 31, 2010					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consolidated
			(Millions of yen)			
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
Segment income (loss) :	5,327	9,161	(645)	13,843	38	13,881
Segment assets :	132,981	140,470	15,363	288,814	22,132	310,946
Other items :						
Depreciation and amortization	¥ 7,048	¥ 9,345	¥ 396	¥ 16,789	¥ –	¥ 16,789
Amortization of goodwill	574	3	–	577	–	577
Increases in property, plant and equipment and other assets	14,888	6,510	471	21,869	–	21,869

	Year ended March 31, 2011					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consolidated
			(Thousands of U.S. dollars)			
Sales and operating income :						
Sales to third parties	$ 1,503,933	$ 1,702,381	$ 261,455	$ 3,467,769	$ –	$ 3,467,769
Intragroup sales and transfers	345,520	20,012	20,650	386,182	(386,182)	–
Net sales	1,849,453	1,722,393	282,105	3,853,951	(386,182)	3,467,769
Segment income :	168,201	160,229	28,455	356,885	1,660	358,545
Segment assets :	1,650,704	1,770,186	235,394	3,656,284	304,414	3,960,698
Other items :						
Depreciation and amortization	$ 99,772	$ 91,112	$ 44,582	$ 195,466	$ –	$ 195,466
Amortization of goodwill	5,628	24	–	5,652	–	5,652
Increases in property, plant and equipment and other assets	60,565	116,224	6,314	183,103	–	183,103

Note: The adjustments in segment income are related to the elimination between inter segment transactions. The adjustments in segment assets consist of inter segment elimination and the common properties of the group. The common properties are the investments held by the Company, mainly cash and cash equivalents, and investments in securities.

Note: The amount of long-term prepaid expense and its amortized cost are included in increases in property, plant and equipment and other assets.

(Change in the method of depreciation of fixed assets)

As described in Note 1(g), the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment (except for leased assets) from the declining-balance method to the straight-line method. As a result of this change, segment income increased by ¥4,157 million ($49,994 thousand) in the basic chemicals business segment, by ¥1,184 million ($14,239 thousand) in the functional chemicals business segment and by ¥69 million ($830 thousand) in the environment and catalysts business segment for the year ended March 31, 2011 as compared to the corresponding amounts which would have been recorded under the previous method.

4. Related information

Geographical information

(1) Sales

Sales categorized by countries and regions based on locations of customers of the Group for the year ended March 31, 2011 are summarized as follows :

(Millions of yen)

2011					
Japan	Asia	Europe	Americas	Other	Total
¥ 153,096	¥ 57,774	¥ 38,504	¥ 27,146	¥ 11,825	¥ 288,345

(Thousands of U.S. dollars)

2011					
Japan	Asia	Europe	Americas	Other	Total
$ 1,841,202	$ 694,817	$ 463,067	$ 326,470	$ 142,213	$ 3,467,769

"Asia" includes east and south-east Asia. "Americas" includes U.S.A. and Canada. "Other" includes areas except for Asia, Europe, North America and Japan.

(2) Property, plant and equipment

(Millions of yen)

2011				
Japan	Asia	Europe	Other	Total
¥ 103,693	¥ 4,627	¥ 6,025	¥ 1,448	¥ 115,793

(Thousands of U.S. dollars)

2011				
Japan	Asia	Europe	Other	Total
$ 1,247,060	$ 55,647	$ 72,459	$ 17,414	$ 1,392,580

5. Information of loss on impairment

(Millions of yen)

	2011				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Loss on impairment	¥ –	¥ 571	¥ –	¥ –	¥ 571

(Thousands of U.S. dollars)

	2011				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Loss on impairment	$ –	$ 6,867	$ –	$ –	$ 6,867

6. Information of amortization of goodwill

(Millions of yen)

	2011				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Amortization during the year	¥ 468	¥ 2	¥ –	¥ –	¥ 470
Remaining balance	¥ 937	¥ –	¥ –	¥ –	¥ 937

(Thousands of U.S. dollars)

	2011				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Amortization during the year	$ 5,628	$ 24	$ –	$ –	$ 5,652
Remaining balance	$ 11,269	$ –	$ –	$ –	$ 11,269

(b) Segment information for the year ended March 31, 2010

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 year ended March 31, 2010 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 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 and other assets	–	704	–	704	–	704
Capital expenditures	14,888	6,510	471	21,869	–	21,869

Geographical Segments

The geographical segment information of the Company and its consolidated subsidiaries for the year ended March 31, 2010 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 :							
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	¥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

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 year ended March 31, 2010 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%

19. Related Party Transactions

(1) Principal transactions between the Company and its related parties for the years ended March 31, 2011 and 2010 are summarized as follows:

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
ICT Co., Ltd. :			
Sales of finished goods	¥ 14,168	¥ 8,109	$ 170,391
Purchases of raw materials	13,199	2,519	158,737
Yatagai Real Estate Co., Ltd. :			
Rental expense of buildings	–	18	–

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, 2011 and 2010 were as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
ICT Co., Ltd. :			
Notes and accounts receivable	¥ 5,388	¥ 3,438	$ 64,799
Notes and accounts payable	3,480	1,773	41,852

(2) Principal transactions between the consolidated subsidiaries and related parties for the years ended March 31, 2011 and 2010 are summarized as follows :

	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Yatagai Real Estate Co., Ltd. :			
Rental expense of buildings	¥ –	¥ 26	$ –

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

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.

20. 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, 2011, was approved at a shareholders' meeting held on June 21, 2011 :

	(Millions of yen)	(Thousands of U.S. dollars)
Cash dividends (¥12.00 = $0.144 per share)	¥ 2,436	$ 29,296

Coporate Data

NIPPON SHOKUBAI CO., LTD.

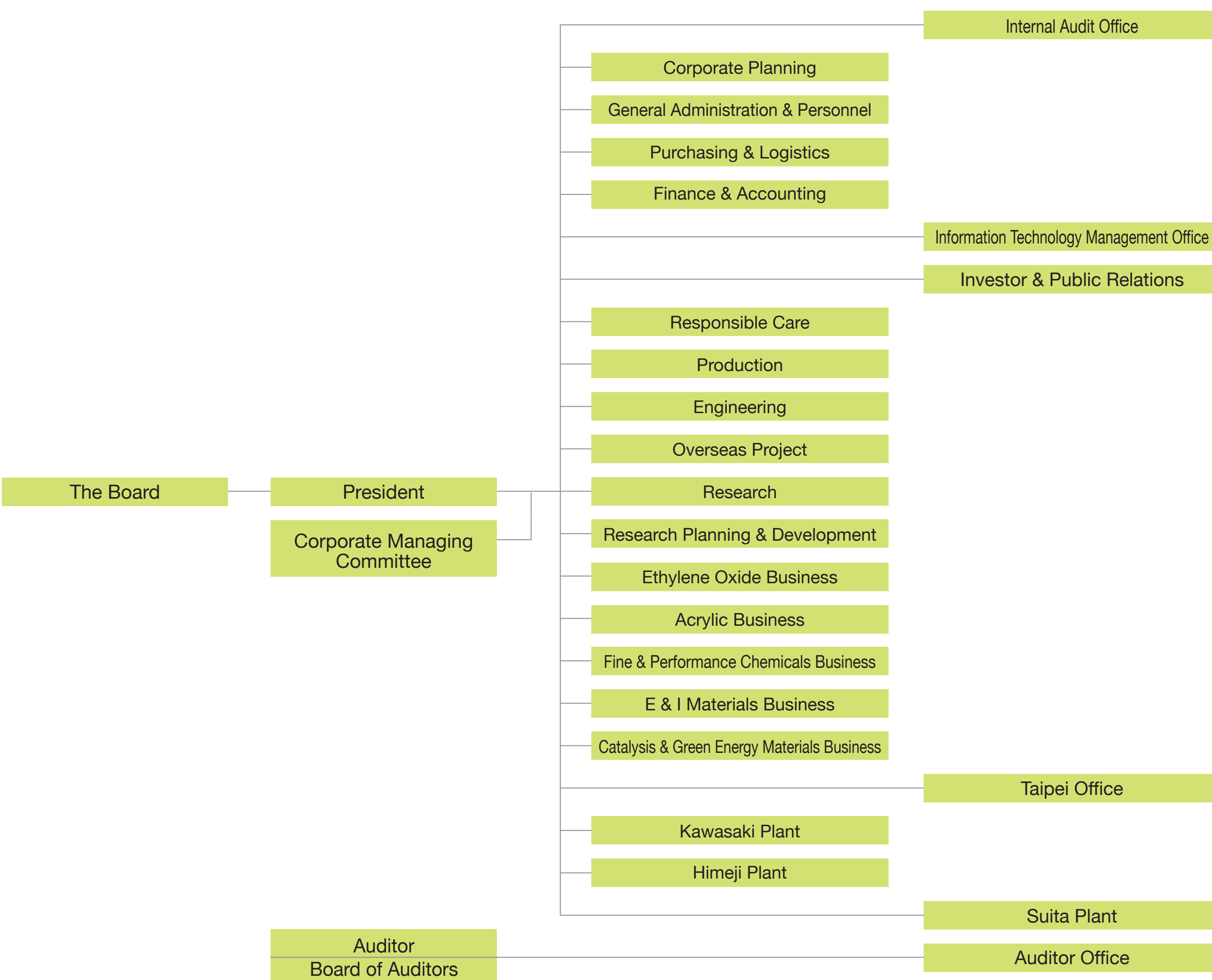
Incorporated	August 21, 1941
Common Stock	Authorised: 424,000,000
	Issued: 212,000,000
Capital	25,038 million yen
Number of Employees	Consolidated: 3,576
	Non-consolidated: 1,910
Stock Listings	First Section, Tokyo Stock Exchange
	First Section, Osaka Stock Exchange

Transfer Agent

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

(as of March 31, 2011)

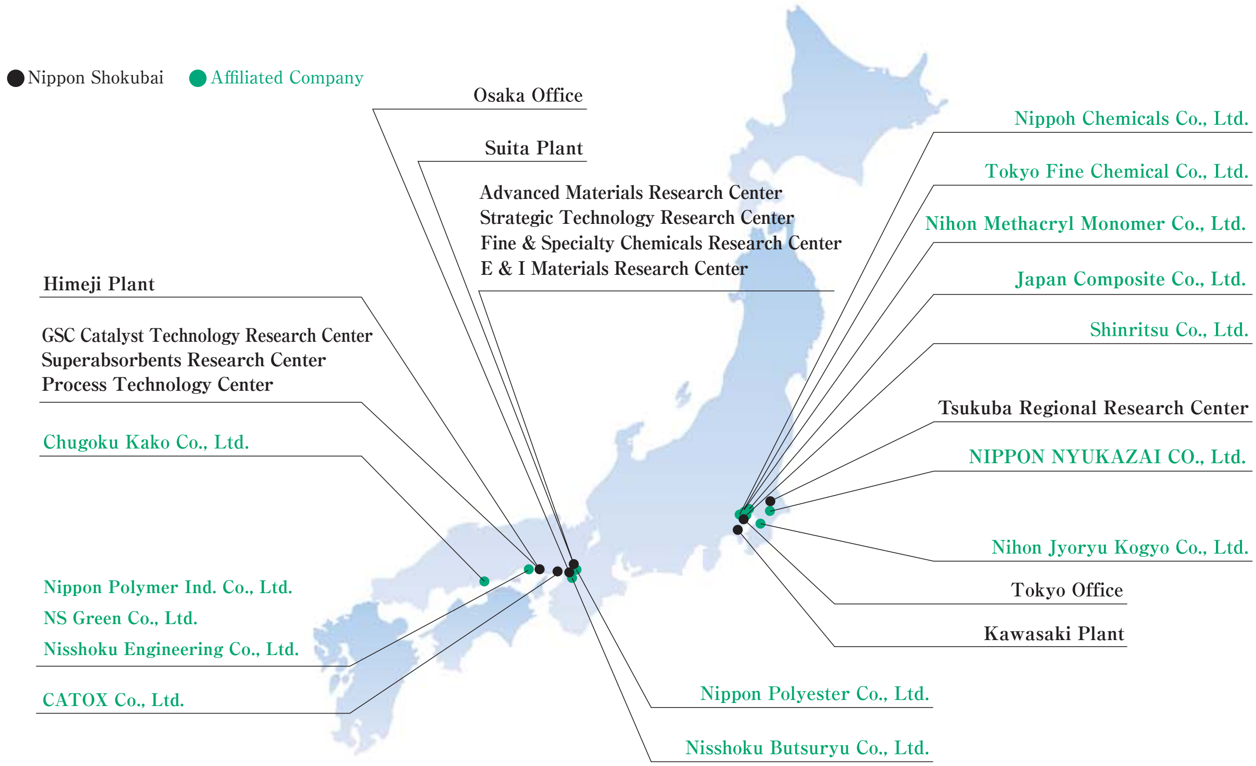
Organization

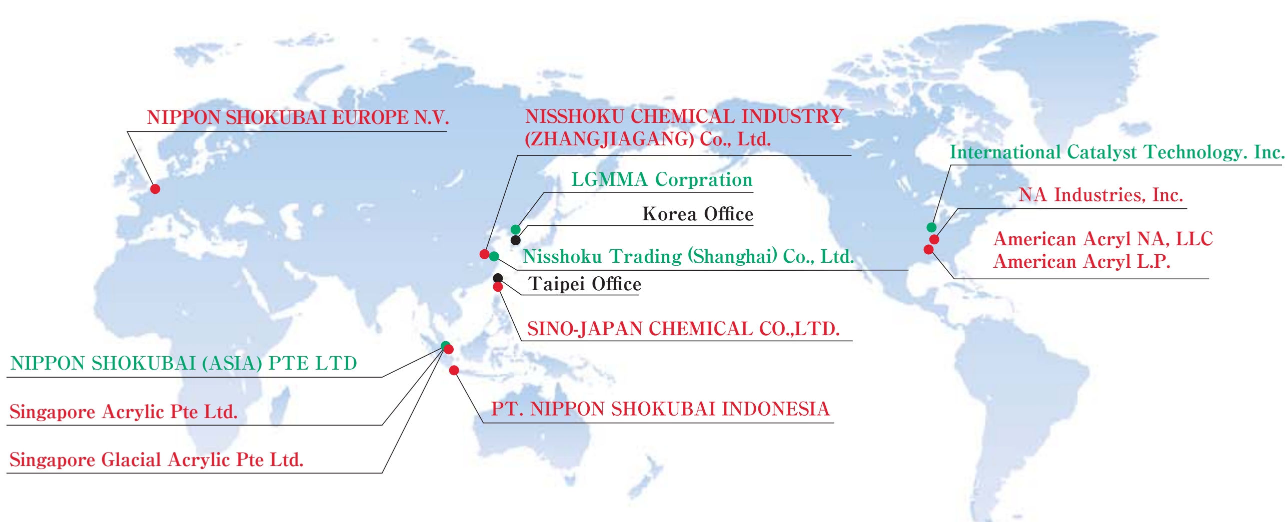


(as of April 1, 2011)

Coporate Data

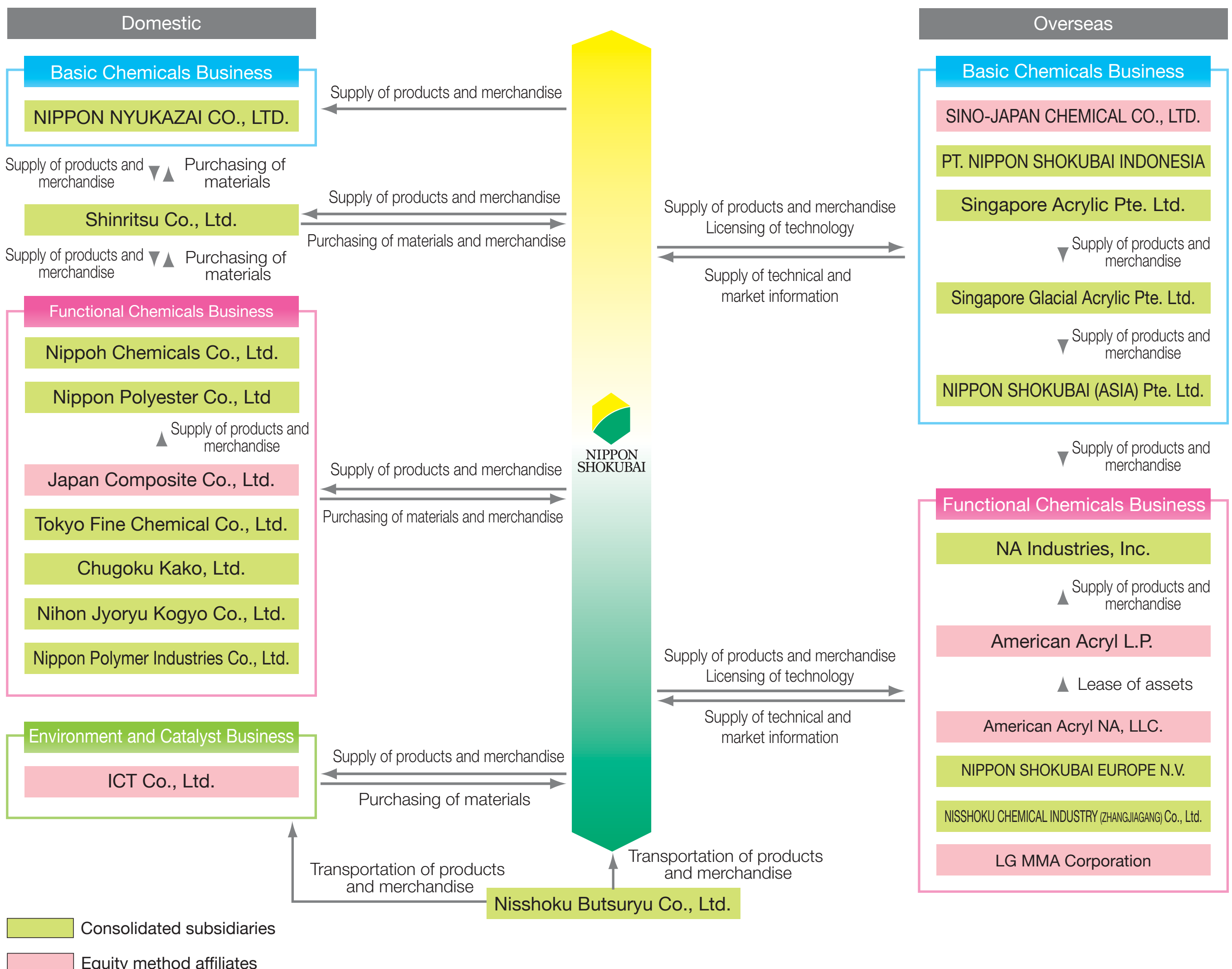
Offices, Plants Consolidated Subsidiaries and Affiliates





Coporate Data

Situation of Consolidated Group



Note: Shinritsu Co., Ltd. and Nisshoku Butsuryu Co., Ltd. belong to multiple segments.

(as of March 31, 2010)

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	Yoshinori Yokoyama
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	Katsunori Utsumi
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	Koichi Sakano
Shinritsu Co., Ltd. *	Sale of chemical products	Yoshinao Hirano
NIPPON NYUKAZAI CO., LTD. *	Manufacture and sale of organic chemicals such as surfactant	Itaru Murakami
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	Shinichi Nagase
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	Osamu Nakayama
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	Tatsuhito Matsuda

* Included in consolidation

(as of June 30, 2011)

Coporate Data

Directory

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1-2-2 Uchisaiwai-cho, Chiyoda-ku,
Tokyo 100-0011, Japan
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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
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Aboshi-ku, Himeji, Hyogo
671-1282, Japan

Performance Chemicals Research Center
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E&I Materials Research Center
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Taipei, Taiwan
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Facsimile : 886-2-2396-9076

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NIPPON
SHOKUBAI