NIPPON
SHOKUBAI

Annual Report 2012

TechnoAmenity

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

NIPPON SHOKUBAI CO., LTD.

Profile

Nippon Shokubai Co., Ltd. was founded in 1941. In the ensuing 71 years, the Company has built a solid operational foundation by developing products using original technologies and creating distinctive manufacturing technologies. Throughout our history, we have adhered to our corporate philosophy of "TechnoAmenity," which means using technology to provide affluence and comfort to people and society.

We have a four-part management philosophy as follows: (1) We will conduct all of our corporate activities based upon a deep respect for humanity; (2) We will aim to coexist with society and work in harmony with the environment; (3) We will pursue innovative technologies; and (4) We will operate on the global stage.

Under our management philosophy, we have built three main business segments: Basic Chemicals, including acrylic acids and ethylene oxide; Functional Chemicals, such as superabsorbent polymers and polymer for concrete admixture; and Environment & Catalysts, including automotive catalysts and fuel cell materials. The Company holds the top world market share for superabsorbent polymers.

The aforementioned three segments are spearheaded by five corporate divisions: Ethylene Oxide Business, Acrylic Business, Fine & Performance Chemicals Business, Electronic & Information Materials Business, and Catalyst & Green Energy Materials Business.

The Nippon Shokubai Group is currently implementing a long-term business plan entitled "TechnoAmenity 2015," which began in fiscal 2010. The plan embodies our vision for 2025 of becoming "a chemical company providing new value through innovative technologies." Under the plan, all Group employees stand united in their commitment to benefit society through renewed business advancement and appealing products and initiatives.

Contents

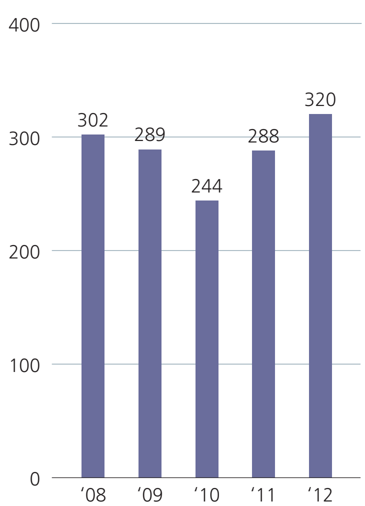
Financial Highlights

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

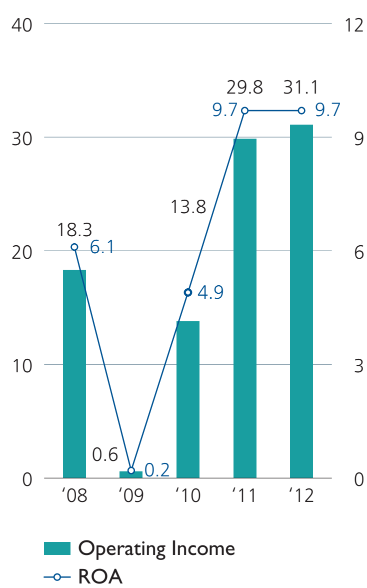
	Millions of Yen		Millions of U.S. Dollars
For the Years Ended March 31,	2011	**2012**	**2012**
Net Sales	¥288,345	**¥320,704**	**$3,901**
Operating Income	29,813	**31,100**	**378**
Net Income	21,119	**21,257**	**258**
At the Year End			
Total Assets	¥329,332	**¥356,407**	**$4,336**
Total Net Assets	194,266	**209,070**	**2,543**
Cash and Cash Equivalents	39,174	**50,812**	**618**
	Yen		U.S. Dollar
Per Share Amounts			
Net Income	¥ 110.30	**¥ 104.71**	**$ 1.27**
Cash Dividends	22.00	**22.00**	**0.27**
Net Assets	938.67	**1,006.48**	**12.25**

Foreign Exchange Rate : U.S. $1.00 =¥82.19

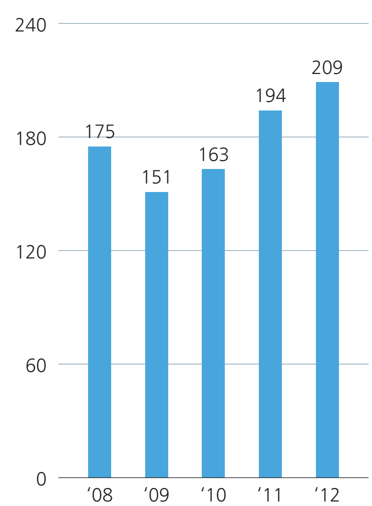
Net Sales
(Billions of Yen)



Operating Income
ROA
(Billions of Yen, %)



Total Net Assets
(Billions of Yen)



To Our Shareholders

Masanori Ikeda
President

Business Environment and Performance

In fiscal 2011, ended March 31, 2012, the Nippon Shokubai Group posted record-high results that significantly exceeded its projections made at the end of the previous fiscal year. We would like to this opportunity to thank customers, employees, shareholders, and all other stakeholders for their valuable support.

In the year under review, the Japanese economy faced difficult challenges. In addition to historically high yen values, these included the European sovereign debt crisis and concerns about global economic slowdown, including among emerging nations, as well as the impacts of the Great East Japan Earthquake of March 2011 and serious flooding in Thailand. Although there were signs during the period of moderate recovery in corporate production activities and personal consumption, the economic outlook remained cloudy in the wake of the strong yen and soaring raw materials prices.

Despite such challenges, the Group enjoyed firm demand from the manufacturing sector for some of its products. Consolidated net sales for the year amounted to ¥320,704 million, up 11.2% from the previous year. During the year, we strengthened our production capacity for superabsorbent polymers, which led to increases in expenditures and fixed costs. Nevertheless, this was outweighed by increases in sales volumes, as well as enhanced profitability for some products. Accordingly, operating income rose 4.3%, to ¥31,100 million, and net income was up 0.7%, to ¥21,257 million.

Management Philosophy; Medium- and Long-Term Business Plans

Since its foundation in 1941, the Group has been achieved self-sustaining growth based on a commitment to using original technologies to develop products and build manufacturing plants. To this end, demonstrating our responsibilities as a chemicals manufacturer, we have cited "Safety takes precedence over production" as our company motto. By always placing top priority on safe operating practices, we achieved a "zero accident" outcome in fiscal 2011.

In order to benefit society while generating long-term growth, we have a management philosophy and medium- and long-term business plans that are embraced by all employees, who are devoted to their business activities.

Corporate Philosophy and Management Philosophy

The Nippon Shokubai Group has a corporate philosophy of "TechnoAmenity," which means using technology to provide affluence and comfort to people and society. To realized this philosophy, we also have a four-part management philosophy as follows:

> We will conduct all of our corporate activities based upon a deep respect for humanity.
> We will aim to coexist with society and work in harmony with the environment.
> We will pursue innovative technologies.
> We will operate on the global stage.

Guided by the above philosophy, we will build a corporate foundation capable of addressing future global changes. At the same time, we will work to strengthen our international competitiveness and implement our medium- and long-term business plans.

Medium- and Long-Term Business Plans: Basic Policies

The Nippon Shokubai Group is targeting renewed growth and expansion of its income base through the implementation of its long-term business plan, "TechnoAmenity 2015" (April 2010 to March 2016), and its accompanying medium-term action plan (April 2010 to March 2013).

Our vision for 2025 is to become "a chemical company providing new value through innovative technologies." To this end, we are building a new business structure and are focusing on the following four business initiatives for achievement by 2015:

> Boost profitability of existing businesses, such as ethylene oxide and acrylic acid
> Create a new business in the health and medical materials field
> Grow the new electronic & information materials business into an earnings pillar
> Develop the new energy materials business into a core next-generation business

Our consolidated performance targets for fiscal 2015 (ending March 2016) under "TechnoAmenity 2015" are net sales of ¥400 billion and operating income of ¥30 billion. The plan also places particular emphasis on profitability, with a return on assets (ROA) target of 7.5%. Under the medium-term action plan, our consolidated targets for fiscal 2012 (ending March 2013) are net sales of ¥330 billion, operating income of ¥22 billion, and ROA of 6.3%.

Medium-Term Business Plan: Progress Status

Further strengthening existing businesses

In the superabsorbent polymers business, in June 2012 we upgraded our plant in the United States, which has a capacity of 60,000 tons/year, and in August 2013 we will launch operations at a plant in Indonesia, with a capacity of 90,000 tons/year. In July 2014, we also plan to expand our plant in China, which has a capacity of 30,000 tons/year. Through these scrap-and-build projects, we will increase our total production capacity for superabsorbent polymers from 470,000 tons/year (as of March 2012) to 590,000 tons/year by 2014. In the process, we will further solidify our position as the world's top supplier of superabsorbent polymers.

In the acrylic acid business, we plan to bolster our production capacity in Indonesia to 80,000 tons/year and at the Himeji Plant to 80,000 tons/year by August 2013. This will raise the Group's production capacity for acrylic acid to 780,000 tons/year.

Regarding ethylene oxide and derivatives, the Group expanded the production capacity for polymer for concrete admixture at its Kawasaki Plant in April 2012. We also plan to increase the production capacity for (meth) acrylic acid special ester at the same plant in 2013. Including the expansion of these derivatives, the Group aims to shift to non-EG (ethylene glycol) to establish an earnings foundation resistant to trends in market prices.

The Group's "Earnings Improvement Committee," whose mission is to improve the profitability of existing businesses, will review all processes—from raw materials procurement to manufacturing, inventory, and supplies to customers—regarding ethylene oxide and derivatives, acrylic acid and derivatives, and superabsorbent polymers. In these ways, we will cut costs while rigorously controlling profits margins by product and customer.

Fostering new businesses

In the electronic and information materials business, the Group is targeting sales of ¥30 billion in fiscal 2015, ending March 2016. To this end, we will seek to improve profitability by further boosting sales and raising capacity utilization, centering on optical acrylic materials.

In the new energy business, we are targeting sales of ¥5.0 billion in fiscal 2015. Here, we will expand facilities and boost sales, with particular emphasis on fuel cell materials. In addition, we will continue working to foster next-generation businesses, including by commercializing lithium-ion battery materials.

Re-energizing human resources and the organization

Going forward, the Group plans to bolster training programs for different employee levels, while promoting the widespread understanding of its corporate and management philosophies and implementing various measures to strengthen corporate governance. In these ways, we will strive to re-energize our human resources and organization in order to achieve the fiscal 2015 targets of our long-term business plan, "TechnoAmenity 2015."

The Group also intends to position corporate social responsibility (CSR) as a core management priority. Here, we will engage in corporate activities based on compliance and self-responsibility and adopt a rigorous approach to corporate ethics. At the same time, we will pursue responsible care activities covering the environment, safety, and quality, while promoting environmental protection and other social contribution initiatives.

Outlook

In fiscal 2012, ending March 2013, we have seen a recovery in corporate production activities in Japan. However, there are concerns about protraction of economic recession and delayed restoration of damage caused by the Great East Japan Earthquake. Overseas, we expect conditions to remain unclear, characterized by sluggish consumption caused by the European debt crisis, as well as the potential for volatile foreign exchange movements.

In the chemicals industry, there are concerns about geopolitical risk in Iran and elsewhere, as well as the possible impact that excess liquidity, stemming from global financial liberalization measures, may have on prices of crude oil and other resources and foreign exchange rates. There are also concerns about restrictions on power consumption associated with the closure of nuclear power generation plants.

Under these circumstances, we have formulated production and sales plans based on the following assumptions: exchange rate of ¥80.00 per U.S. dollar and ¥100.00 per euro, as well as a naphtha price of ¥60,000 per kiloliter. In addition, we forecast a year-on-year increase in sales volumes, especially for functional chemicals. We will also make upward revisions to selling prices in line with rising prices of raw materials. By contrast, we are concerned about softening of market conditions for our products and increasing prices of raw materials.

For fiscal 2012, we forecast consolidated net sales of ¥330.0 billion, up 2.9% from fiscal 2011. Despite expectations of an increase in sales volumes in the second half of the year, we forecast a 19.6% decline in operating income, to ¥25.0 billion. This is due to the significant impacts of declining international market prices of basic chemical products and contracting profit margins stemming from rising prices of raw materials. Our forecast for net income is ¥19.5 billion, down 8.3%.

Profit Appropriation Policy

Returning profits to shareholders is an important management priority. Our basic policy is to make consistent dividend payments over the medium and long terms based on comprehensive consideration of various factors, such as the need to expand our business and strengthen our financial base. At the same time, we will continue conducting share buybacks and working in other ways to increase our share price.

In order to underpin our international competitiveness and deliver continuous growth, we need to make active investments in capital equipment and research and development. We also recognize the importance of bolstering retained earnings to enable such investments, and will carefully consider the most appropriate balance of dividend payments and retained earnings accordingly.

Going forward, we will return profits to all shareholders while ensuring sound and robust advancement of our operations. We look forward to your ongoing understanding and cooperation in these endeavors.

Masanori Ikeda
President

Review of Operations

In the year under review, the Basic Chemicals segment posted sales of ¥136,562 million, accounting for 42.6% of consolidated net sales. Segment operating income amounted to ¥13,387 million, or 43.1% of consolidated operating income. The Functional Chemicals segment reported sales of ¥160,762 million, or 50.1% of net sales, and operating income of ¥16,526 million, or 53.1% of total operating income. The Environment & Catalysts segment recorded sales of ¥23,380 million, or 7.3% of net sales, and operating income of ¥1,671 million, or 5.4% of total operating income.

Description of Business

	Ethylene Oxide Business Division	Acrylic Business Division	Fine & Performance Chemicals Business Division	E&I Materials Business Division	Catalysts & Green Energy Materials Division
Basic Chemicals	•Ethylene oxide (EO) •Ethylene glycol •Ethanolamine •Higher alcohols	•Acrylic acid •Acrylates			
Functional Chemicals	•Polymers for concrete admixture •Water-soluble polymers	•Superabsorbent Polymers •Specialty acrylates •Specialty methacrylates	•Maleic anhydride & Derivatives •Polyethyleneimine •Intermediates for pharmaceuticals •Resins for paints & adhesives	•Acrylic resin for optical materials •Spherical fine particles •Functional dye	
Environment & Catalysts					•Zirconia sheets & cells •Automotive catalysts •Process catalysts •De-Nox & dioxins decomposition catalysts

Basic Chemicals

Sales of acrylic acids and acrylates remained mostly unchanged year-on-year in volume terms. However, sales in value terms increased significantly on the back of surging market prices stemming from global demand pressures, as well as rising export prices. Firm demand led to higher year-on-year sales volume of ethylene oxide, and sales in value terms also increased thanks to price hikes in response to rising prices of raw materials. The Company reported year-on-year growth in sales of ethylene glycol owing to higher sales volume, driven by exports, amid high market prices. Despite a decline in sales volumes of export products, we posted an increase in sales of higher alcohols, having revised selling prices upwards to reflect high raw materials prices. We also raised selling prices of ethanolamine in response to high raw materials prices, but sales of this product declined year-on-year in both volume and value terms.

As a result, sales of the Basic Chemicals segment increased 9.2%, to ¥136,562 million. However, segment operating income declined 4.3%, to ¥13,387 million, due to an increase in fixed costs to reflect reinforcement of the Company's production capacity, as well as higher selling, general and administrative (SG&A) expenses. This was despite the benefits of increased production, growth in sales, and strong market conditions for our products.

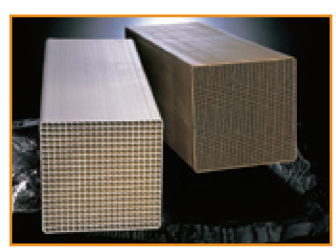
Functional Chemicals

We reported a significant year-on-year increase in volume sales of superabsorbent polymers, thanks to bolstering of production capacity amid healthy demand. Sales of raw materials for detergents, maleic anhydride, resin modifiers and resins for paints increased on the back of higher sales volumes. However, sales of polymer for concrete admixture and electronic and information materials decreased due to a decline in sales volumes. Despite a decrease in sales volumes, sales of specialty acrylates and iodine compounds increased due to upward revisions to selling prices.

Effective the year under review, Nippon Polymer Industries Co., Ltd., a producer of acrylic resins, became a consolidated subsidiary, thus providing a boost to segment sales.

As a result, sales of the Functional Chemicals segment rose 13.6%, to ¥160,762 million. Despite the effects of the strong yen and high raw materials prices, segment operating income climbed 24.0%, to ¥16,526 million, owing to expansion of production and sales volumes, we well as efforts to revise selling prices upwards.

Environment & Catalysts



Sales of automotive catalysts and process catalysts increased year-on-year, owing to a rise in sales volumes and an upward revisions to selling prices. Sales of wet oxidation catalysts and fuel cell materials were down due to declines in sales volumes.

As a result, sales of the Environment & Catalysts segment increased 7.5%, to ¥23,380 million. Despite a rise in sales of process catalysts, segment operating income fell 29.4%, to ¥1,671 million, partly due to the absence of a valuation gain on inventories posted in the previous fiscal year.

Governance System

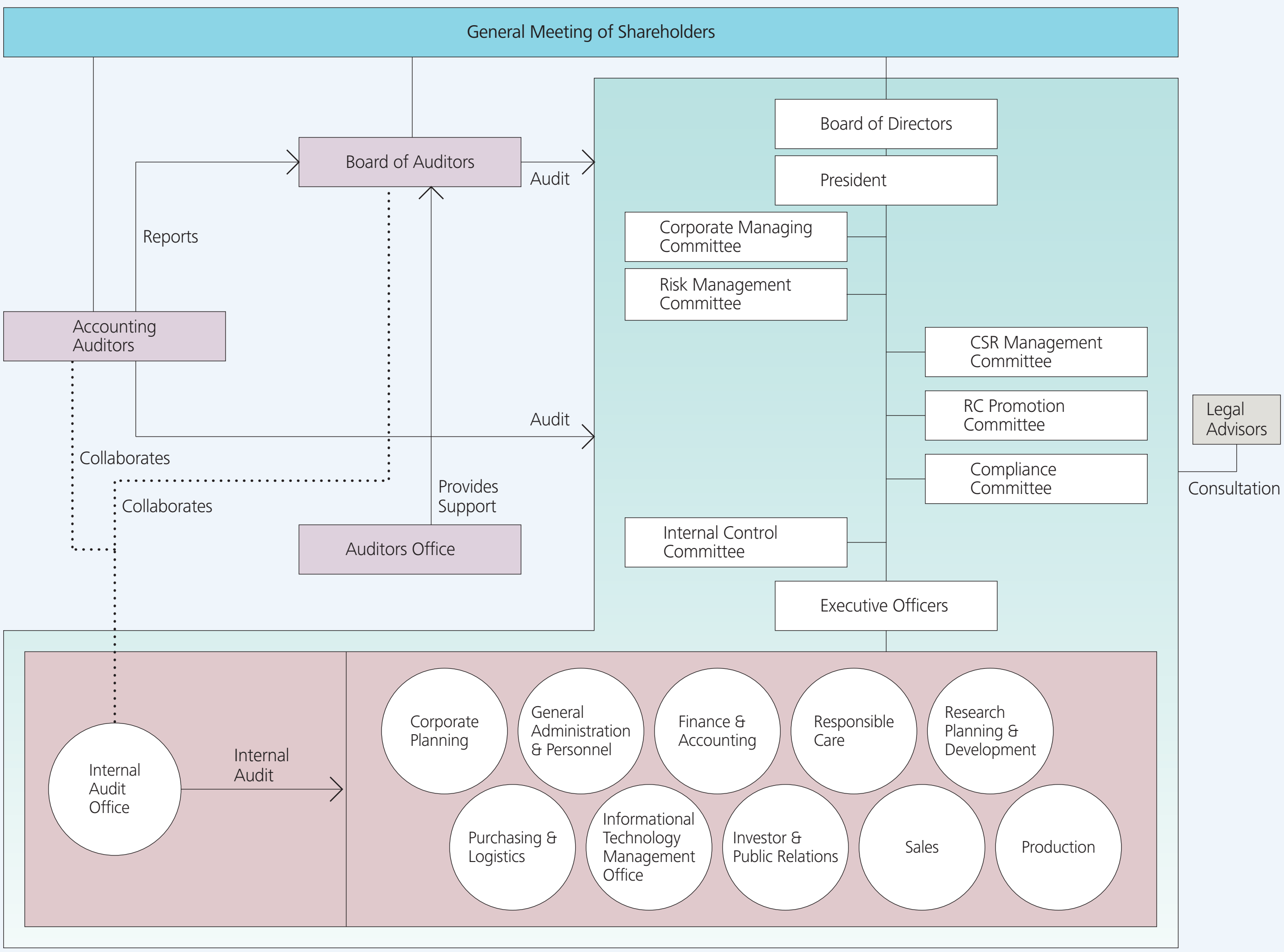
We are working to improve our corporate culture and strengthen our competitiveness in order to respond to global trends. Our approach to corporate governance therefore establishes our foundation. Using the system illustrated in the following diagram, we are taking steps to revitalize our board of directors,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

The Board, comprised of 9 members of the board Including one 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).

Our Corporate Governance System

(as of April 1, 2011)



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.

Financial Position

At March 31, 2012, the Group has total assets of ¥356,407 million, up ¥27,075 million from a year earlier. Within this amount, current assets rose ¥22,045 million, to ¥182,879 million. This was due mainly to increases in cash and cash equivalents and notes and accounts receivable–trade. Noncurrent assets rose ¥5,030 million, to ¥173,528 million. This was due to an increase in property, plant and equipment, stemming from capital expenditures, which outweighed a decrease in valuation of investments in securities.

Total liabilities increased ¥12,271 million, to ¥147,337 million. This was due to a rise in notes and accounts payable–trade, which offset declines in short-term bank loans and accrued income taxes.

Net assets climbed ¥14,804 million, to ¥209,070 million, due mainly to an increase in retained earnings. This was despite decreases in net unrealized holding gain on securities and translation adjustments. During the year, the Group cancelled 8,000 thousand shares of treasury stock. Accordingly, the year-end balance of treasury stock was ¥890 million, down ¥7,100 million from a year earlier.

As a result, the equity ratio edged down 0.6 point, from 57.9% to ¥57.3%. Net assets per share rose ¥67.81, to ¥1,006.48. Return on assets (ROA) remained unchanged, at 9.7%, and return on equity (ROE) declined 1.3 points, to 10.8%.

Cash Flows

At fiscal year-end, the Group had cash and cash equivalents of ¥50,812 million, up ¥11,638 million from a year earlier. This was because net cash provided by operating activities was higher than the sum of net cash used in investing activities (mainly capital expenditures) and net cash used in financing activities (mainly repayment of loans).

Net cash provided by operating activities amounted to ¥43,857 million, up from ¥31,706 million in the previous year. Major factors included increases in income before income taxes and notes and accounts payable–trade, as well as progress in collection of notes and accounts receivable. By contrast, there was an increase in income taxes paid.

Net cash used in investing activities totaled ¥21,747 million, up from ¥16,696 million in the previous year. Major factors included an increase in purchase of property, plant and equipment.

Net cash used in financing activities was ¥9,671 million, up from ¥3,050 million in the previous year. Main factors included the absence of proceeds from issuance of common stock (posted in the previous year) and an increase in cash dividends paid. By contrast, there was a decrease in repayment of short term loans payable.

Cash Dividends

For the year, the Company paid an interim dividend of ¥11.00 and a year-end dividend of ¥11.00, bringing total annual dividends to ¥22.00 per share, for a payout ratio of 21.0%. In the fiscal year ending March 2013, the Company plans to pay total annual dividends of ¥22.00 per share, consisting of an ¥11.00 interim dividend and an ¥11.00 year-end dividend.

Consolidated Financial Statements

Five-Year Summary

			Millions of Yen			Millions of U.S. Dollars
For the Years Ended March 31,	2008	2009	2010	2011	**2012**	**2012**
Net Sales	¥302,669	¥289,102	¥244,317	¥288,345	**¥ 320,704**	**$3,901**
Operating Income	18,379	662	13,881	29,813	**31,100**	**378**
Net Income (Loss)	11,875	(5,307)	10,832	21,119	**21,257**	**258**
Total Liabilities and net Assets	352,783	302,948	310,946	329,332	**356,407**	**4,336**
Total Shareholders' Equity	–	154,900	163,244	198,092	**214,672**	**2,611**
Total Net Assets	175,634	151,662	163,781	194,266	**209,070**	**2,543**
			Yen			U.S. Dollars
Net Assets per Share	¥ 947.34	¥ 831.11	¥ 898.33	¥ 938.67	**¥1,006.48**	**$12.25**
Net Income (Loss) per Share	64.91	(29.61)	60.85	110.30	**104.71**	**1.27**
Fully Diluted Net Income per Share	–	–	–	–	**–**	
Share Price	661	622	845	1,042	**959**	**11.66**
Capital Ratio (%)	48.6	48.8	51.4	57.9	**57.3**	**–**
Return on Equity (%)	6.9	(3.3)	7.0	12.1	**10.8**	**–**
Price Earnings Ratio (times)	10.2	–	13.9	9.4	**9.2**	**–**
			Millions of Yen			Millions of U.S. Dollars
Cash Flow from Operating Activities	¥ 20,129	¥ 17,613	¥ 44,346	¥ 31,706	**¥ 43,857**	**$ 533**
Cash Flow from Investing Activities	(33,100)	(16,675)	(23,850)	(16,696)	**(21,747)**	**(264)**
Cash Flow from Financing Activities	17,495	8,099	(21,772)	(3,050)	**(9,671)**	**(117)**
Cash and Cash Equivalents at Year-end	21,371	29,450	28,234	39,174	**50,812**	**618**
Numbers of Employees	3,290	3,415	3,430	3,576	**3,779**	**–**

Notes 1: Foreign Exchange Rate: U.S. $1.00 = ¥82.19
2: Net Sales do not include consumption taxes.
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.
4: Price Earnings Ratio for the fiscal year ended Mar. 31, 2009 is not disclosed because of the net loss in the consolidated results.

Consolidated Balance Sheets

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	March 31, 2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and cash equivalents *(Note 4)*	¥ 50,812	¥ 39,174	$ 618,226
Time deposits *(Notes 4 and 8)*	952	130	11,583
Notes and accounts receivable *(Note 4)*:			
Unconsolidated subsidiaries and affiliates	5,486	7,855	66,748
Trade	72,608	64,821	883,416
Allowance for doubtful receivables	(64)	(74)	(779)
Inventories *(Note 6)*	44,012	39,415	535,491
Deferred income taxes *(Note 10)*	3,753	3,707	45,662
Other current assets	5,320	5,807	64,729
Total current assets	182,879	160,835	2,225,076
Property, plant and equipment, at cost *(Notes 7, 8 and 20)*:			
Land	32,271	31,567	392,639
Buildings and structures	82,157	79,232	999,598
Machinery and equipment	298,591	289,323	3,632,937
Construction in progress	16,363	2,649	199,087
Leased assets	542	523	6,594
Accumulated depreciation	(307,198)	(287,501)	(3,737,656)
Property, plant and equipment, net	122,726	115,793	1,493,199
Investments and other assets:			
Investments in securities *(Notes 4 and 5)*	20,219	21,803	246,003
Investments in unconsolidated subsidiaries and affiliates	16,851	17,026	205,025
Deferred income taxes *(Note 10)*	4,617	3,517	56,175
Prepaid pension cost *(Note 9)*	3,168	3,158	38,545
Other assets *(Notes 7 and 8)*	5,947	7,200	72,356
Total investments and other assets	50,802	52,704	618,104
Total assets	¥ 356,407	¥ 329,332	$ 4,336,379

	March 31,		
	2012	2011	**2012**
Liabilities and Net Assets	*(Millions of yen)*		*(Thousands of U.S. dollars) (Note 2)*
Current liabilities:			
Short-term bank loans *(Notes 4 and 8)*	**¥ 14,373**	¥ 16,749	**$ 174,875**
Current portion of long-term debt *(Notes 4 and 8)*	**14,694**	4,884	**178,781**
Notes and accounts payable *(Note 4)*:			
Unconsolidated subsidiaries and affiliates	**4,571**	6,193	**55,615**
Trade	**48,566**	33,450	**590,899**
Lease obligations	**44**	30	**535**
Accrued bonuses to employees	**2,991**	2,798	**36,391**
Accrued bonuses to directors and corporate auditors	**193**	177	**2,348**
Reserve for periodic repairs	**2,359**	2,586	**28,702**
Reserve for loss on disaster	**104**	180	**1,266**
Accrued income taxes *(Note 10)*	**7,144**	7,639	**86,921**
Other current liabilities	**10,249**	7,113	**124,699**
Total current liabilities	**105,288**	81,799	**1,281,032**
Long-term liabilities:			
Long-term debt *(Notes 4 and 8)*	**30,224**	42,418	**367,733**
Lease obligations	**172**	198	**2,093**
Accrued retirement benefits for employees *(Note 9)*	**10,251**	9,079	**124,723**
Deferred income taxes *(Note 10)*	**260**	284	**3,163**
Other	**1,142**	1,288	**13,895**
Total long-term liabilities	**42,049**	53,267	**511,607**
Contingent liabilities *(Note 17)*			
Net assets:			
Shareholders' equity *(Note 11)*:			
Common stock:			
Authorized – 636,000,000 shares;			
Issued – 204,000,000 shares in 2012 and 212,000,000 shares in 2011	**25,038**	25,038	**304,636**
Capital surplus	**22,083**	22,083	**268,682**
Retained earnings	**168,441**	158,961	**2,049,410**
Less treasury stock, at cost	**(890)**	(7,990)	**(10,829)**
Total shareholders' equity	**214,672**	198,092	**2,611,899**
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities	**1,366**	2,367	**16,620**
Translation adjustments	**(11,721)**	(9,885)	**(142,609)**
Net unrealized deferred loss on hedges	**(2)**	(17)	**(24)**
Total accumulated other comprehensive loss, net	**(10,357)**	(7,535)	**(126,013)**
Minority interests	**4,755**	3,709	**57,854**
Total net assets	**209,070**	194,266	**2,543,740**
Total liabilities and net assets	**¥ 356,407**	¥ 329,332	**$ 4,336,379**

Consolidated Statements of Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Years ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales *(Note 20)*	**¥ 320,704**	¥ 288,345	**$ 3,901,983**
Cost of sales *(Note 12)*	**252,363**	221,796	**3,070,483**
Gross profit	**68,341**	66,549	**831,500**
Selling, general and administrative expenses *(Note 12)*	**37,241**	36,736	**453,108**
Operating income *(Note 20)*	**31,100**	29,813	**378,392**
Other income (expenses):			
Interest and dividend income	**958**	699	**11,656**
Interest expense	**(735)**	(874)	**(8,943)**
Royalty income	**584**	416	**7,105**
Equity in earnings of an unconsolidated subsidiary and affiliates	**2,353**	2,354	**28,629**
Foreign exchange loss	**(840)**	(938)	**(10,220)**
Loss on devaluation of investments in securities	**–**	(362)	**–**
Loss on impairment of property, plant and equipment *(Notes 7 and 20)*	**(280)**	(571)	**(3,407)**
Rent income from real estate	**1,157**	1,198	**14,077**
Gain on insurance claims *(Note 13)*	**1,105**	1,161	**13,444**
Gain on sales of property, plant and equipment	**–**	322	**–**
Government subsidies	**100**	138	**1,217**
Loss on reduction of property, plant and equipment	**(449)**	(402)	**(5,463)**
Loss on disposal of property, plant and equipment	**(264)**	(191)	**(3,212)**
Loss on discontinued operations	**(134)**	–	**(1,630)**
Other, net	**(1,328)**	(2,361)	**(16,158)**
Income before income taxes and minority interests	**33,327**	30,402	**405,487**
Income taxes *(Note 10)*:			
Current	**11,778**	9,992	**143,301**
Deferred	**(158)**	(1,004)	**(1,922)**
	11,620	8,988	**141,379**
Income before minority interests	**21,707**	21,414	**264,108**
Minority interests in earnings of consolidated subsidiaries	**(450)**	(295)	**(5,476)**
Net income	**¥ 21,257**	¥ 21,119	**$ 258,632**

Consolidated Statements of Comprehensive Income

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Years ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Income before minority interests	**¥ 21,707**	¥ 21,414	**$ 264,108**
Other comprehensive income (loss)			
Net unrealized holding loss on securities	**(1,002)**	(253)	**(12,191)**
Net unrealized deferred gain on hedges	**1**	1	**12**
Translation adjustments	**(1,544)**	(3,679)	**(18,786)**
Other comprehensive loss of equity method affiliates attributable to the Company	**(365)**	(514)	**(4,441)**
Total other comprehensive loss *(Note 14)*:	**(2,910)**	(4,445)	**(35,406)**
Comprehensive income	**¥ 18,797**	¥ 16,969	**$ 228,702**
Comprehensive income attributable to:			
Shareholders of the Company	**¥ 18,435**	¥ 16,905	**$ 224,298**
Minority interests	**362**	64	**4,404**

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 April 1, 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 April 1, 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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
	(Millions of yen)				
Balance at April 1, 2011	¥25,038	¥ 22,083	¥158,961	¥ (7,990)	¥ 198,092
Changes during the year:					
Cash dividends	–	–	(4,669)	–	(4,669)
Net income	–	–	21,257	–	21,257
Purchases of treasury stock	–	–	–	(9)	(9)
Disposition of treasury stock	–	0	(0)	1	1
Retirement of shares of common stock held in treasury	–	(0)	(7,108)	7,108	–
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	(0)	9,480	7,100	16,580
Balance at March 31, 2012	¥25,038	¥ 22,083	¥168,441	¥ (890)	¥ 214,672

	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 April 1, 2011	¥ 2,367	¥ (9,885)	¥ (17)	¥ (7,535)	¥ 3,709	¥194,266
Changes during the year:						
Cash dividends	–	–	–	–	–	(4,669)
Net income	–	–	–	–	–	21,257
Purchases of treasury stock	–	–	–	–	–	(9)
Disposition of treasury stock	–	–	–	–	–	1
Retirement of shares of common stock held in treasury	–	–	–	–	–	–
Net changes in items other than shareholders' equity	(1,001)	(1,836)	15	(2,822)	1,046	(1,776)
Total changes during the year	(1,001)	(1,836)	15	(2,822)	1,046	14,804
Balance at March 31, 2012	¥ 1,366	¥ (11,721)	¥ (2)	¥ (10,357)	¥ 4,755	¥ 209,070

	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 April 1, 2011	$ 304,636	$ 268,682	$ 1,934,068	$ (97,214)	$ 2,410,172
Changes during the year:					
Issuance of new stock	–	–	–	–	–
Cash dividends	–	–	(56,807)	–	(56,807)
Net income	–	–	258,632	–	258,632
Purchases of treasury stock	–	–	–	(110)	(110)
Disposition of treasury stock	–	0	(0)	12	12
Retirement of shares of common stock held in treasury	–	(0)	(86,483)	86,483	–
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	(0)	115,342	86,385	201,727
Balance at March 31, 2012	$ 304,636	$ 268,682	$ 2,049,410	$ (10,829)	$ 2,611,899

	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 April 1, 2011	$ 28,787	$ (120,271)	$ (194)	$ (91,678)	$ 45,127	$ 2,363,621
Changes during the year:						
Issuance of new stock	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	(56,807)
Net income	–	–	–	–	–	258,632
Purchases of treasury stock	–	–	–	–	–	(110)
Disposition of treasury stock	–	–	–	–	–	12
Retirement of shares of common stock held in treasury	–	–	–	–	–	–
Net changes in items other than shareholders' equity	(12,167)	(22,338)	170	(34,335)	12,727	(21,608)
Total changes during the year	(12,167)	(22,338)	170	(34,335)	12,727	180,119
Balance at March 31, 2012	$ 16,620	$ (142,609)	$ (24)	$ (126,013)	$ 57,854	$ 2,543,740

Consolidated Statements of Cash Flows

Nippon Shokubai Co., Ltd. and Consolidated Subsidiaries

	Years ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Operating activities:			
Income before income taxes and minority interests	**¥ 33,327**	¥ 30,402	**$ 405,487**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**16,767**	15,619	**204,003**
Loss on discontinued operations	**134**	–	**1,630**
Loss on impairment of property, plant and equipment	**280**	571	**3,407**
Loss on devaluation of investments in other securities	**–**	362	**–**
Increase in accrued retirement benefits for employees	**478**	317	**5,816**
Interest and dividend income	**(958)**	(699)	**(11,656)**
Interest expense	**735**	874	**8,943**
Equity in earnings of an unconsolidated subsidiary and affiliates	**(2,353)**	(2,354)	**(28,629)**
Loss on disposal of property, plant and equipment	**270**	172	**3,285**
Stock issuance cost	**–**	97	**–**
Fire damage to factory equipment	**–**	839	**–**
Loss on reduction of property, plant and equipment	**449**	402	**5,463**
Gain on insurance claims	**(1,105)**	(1,161)	**(13,444)**
Gain on sales of property, plant and equipment	**–**	(322)	**–**
Government subsidies	**(100)**	(138)	**(1,217)**
Other, net	**1,832**	1,902	**22,290**
Changes in operating assets and liabilities:			
Notes and accounts receivable	**(2,534)**	(10,910)	**(30,831)**
Inventories	**(4,395)**	(3,327)	**(53,474)**
Notes and accounts payable	**10,684**	3,080	**129,991**
Other current liabilities	**105**	(239)	**1,278**
Subtotal	**53,616**	35,487	**652,342**
Interest and dividends received	**2,022**	1,739	**24,602**
Interest paid	**(745)**	(884)	**(9,064)**
Proceeds from insurance claims	**1,226**	1,034	**14,917**
Proceeds from government subsidies	**100**	138	**1,217**
Payment of income taxes	**(12,362)**	(4,879)	**(150,409)**
Other, net	**–**	(929)	**–**
Net cash provided by operating activities	**43,857**	31,706	**533,605**
Investing activities:			
Purchases of property, plant and equipment	**(20,883)**	(15,301)	**(254,082)**
Proceeds from sales of property, plant and equipment	**4**	396	**49**
Purchases of short-term investments and investments in securities	**(451)**	(2,610)	**(5,487)**
Proceeds from sales of short-term investments and investments in securities	**193**	330	**2,348**
Proceeds from redemption of investments in securities	**200**	200	**2,433**
Payments for purchases of shares of affiliates	**(18)**	(177)	**(219)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation *(Note 15)*	**182**	–	**2,214**
Collection of loans receivable	**132**	134	**1,606**
Other, net	**(1,106)**	332	**(13,456)**
Net cash used in investing activities	**¥ (21,747)**	¥ (16,696)	**$ (264,594)**

	Years ended March 31,		
	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Financing activities:			
Decrease in short-term bank loans, net	**¥ (2,587)**	¥ (9,255)	**$ (31,476)**
Proceeds from long-term debt	**2,542**	210	**30,928**
Repayment of long-term debt	**(4,872)**	(7,585)	**(59,277)**
Cash dividends paid	**(4,669)**	(3,276)	**(56,807)**
Proceeds from issuance of common stock	**–**	17,018	**–**
Payments of stock issuance cost	**–**	(97)	**–**
Purchases of treasury stock	**(9)**	(15)	**(110)**
Other, net	**(76)**	(50)	**(924)**
Net cash used in financing activities	**(9,671)**	(3,050)	**(117,666)**
Effect of exchange rate changes on cash and cash equivalents	**(801)**	(1,020)	**(9,746)**
Increase in cash and cash equivalents	**11,638**	10,940	**141,599**
Cash and cash equivalents at beginning of year	**39,174**	28,234	**476,627**
Cash and cash equivalents at end of year	**¥ 50,812**	¥ 39,174	**$ 618,226**

See accompanying notes to consolidated financial statements.

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.

(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.

(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, 2012 and 2011.

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.

(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 22).

(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.

(Supplementary information)

(Application of accounting standard for accounting changes and error corrections)

Effective the year ended March 31, 2012, the Company and its domestic consolidated subsidiaries have applied “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No.24 issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 issued on December 4, 2009).

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 ¥82.19 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2012. 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. Notes Receivable and Notes Payable

The balance sheet date for the year ended March 31, 2012 fell on a bank holiday. Consequently, notes receivable, trade of ¥264 million ($3,212 thousand), notes payable, trade of ¥362 million ($4,404 thousand) and notes payable of ¥14 million ($170 thousand) related to the purchase of equipment included in other current liabilities with a maturity date of March 31, 2012 were included in the respective balances in the consolidated balance sheet at March 31, 2012 and were settled on the next business day.

4. Financial Instruments

(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 notes and accounts payable, trade 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 19.

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 acquires held-to-maturity debt securities such as corporate bonds or other securities, that have 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 derivative 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, 2012 and 2011 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.

	2012			2011		
	(Millions of yen)					
	Carrying value	Fair value	Unrealized loss	Carrying value	Fair value	Unrealized loss
Assets:						
i) Cash and cash equivalents, and time deposits	¥ 51,764	¥ 51,764	¥ –	¥ 39,304	¥ 39,304	¥ –
ii) Notes and accounts receivable	78,094	78,094	–	72,676	72,676	–
iii) Investments in securities:						
Other securities	19,332	19,332	–	20,648	20,648	–
Total assets	¥ 149,190	¥ 149,190	¥ –	¥ 132,628	¥ 132,628	¥ –
Liabilities:						
iv) Notes and accounts payable	¥ 53,137	¥ 53,137	¥ –	¥ 39,643	¥ 39,643	¥ –
v) Short-term bank loans	14,373	14,373	–	16,749	16,749	–
vi) Current portion of long-term loans	9,694	9,761	67	4,884	4,908	24
vii) Long-term loans	20,224	20,374	150	27,418	27,693	275
Total liabilities	¥ 97,428	¥ 97,645	¥ 217	¥ 88,694	¥ 88,993	¥ 299
Derivatives	¥ (3)	¥ (3)	¥ –	¥ (5)	¥ (5)	¥ –

	2012		
	(Thousands of U.S. dollars)		
	Carrying value	Fair value	Unrealized loss
Assets:			
i) Cash and cash equivalents, and time deposits	$ 629,809	$ 629,809	$ –
ii) Notes and accounts receivable	950,164	950,164	–
iii) Investments in securities:			
Other securities	235,211	235,211	–
Total assets	$ 1,815,184	$ 1,815,184	$ –
Liabilities:			
iv) Notes and accounts payable	$ 646,514	$ 646,514	$ –
v) Short-term bank loans	174,875	174,875	–
vi) Current portion of long-term loans	117,946	118,761	815
vii) Long-term loans	246,064	247,889	1,825
Total liabilities	$ 1,185,399	$ 1,188,039	$ 2,640
Derivatives	$ (37)	$ (37)	$ –

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.

Derivative transactions:

Please refer to Note 19.

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, 2012 and 2011 are presented as follows:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted securities and other	**¥ 887**	¥ 1,155	**$ 10,792**

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, 2012 and 2011 is as follows:

	2012		2011	
	(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	**¥ 51,764**	**¥ –**	¥ 39,304	¥ –
Notes and accounts receivable	**78,094**	**–**	72,676	–
Investments in securities:				
Held-to-maturity debt securities (unlisted foreign debt securities)	**–**	**200**	–	400
	¥ 129,858	**¥ 200**	¥ 111,980	¥ 400

	2012	
	(Thousands of U.S. dollars)	
	Due within one year	Due after one year through five years
Cash and cash equivalents, and time deposits	$ 629,809	$ –
Notes and accounts receivable	950,164	–
Investments in securities:		
Held-to-maturity debt securities (unlisted foreign debt securities)	–	2,433
	$ 1,579,973	$ 2,433

5. Short-Term Investments and Investments in Securities

Marketable securities classified as other securities at March 31, 2012 and 2011 are summarized as follows:

	2012			2011		
	(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	¥ 11,887	¥ 8,335	¥ 3,552	¥ 17,800	¥ 13,357	¥ 4,443
Subtotal	11,887	8,335	3,552	17,800	13,357	4,443
Securities whose cost exceeds their fair market value:						
Equity securities	7,445	8,917	(1,472)	2,848	3,555	(707)
Subtotal	7,445	8,917	(1,472)	2,848	3,555	(707)
Total	¥ 19,332	¥ 17,252	¥ 2,080	¥ 20,648	¥ 16,912	¥ 3,736

	2012		
	(Thousands of U.S. dollars)		
	Book value (fair market value)	Cost	Unrealized gain (loss)
Securities whose fair market value exceeds their cost:			
Equity securities	$ 144,628	$ 101,411	$ 43,217
Subtotal	144,628	101,411	43,217
Securities whose cost exceeds their fair market value:			
Equity securities	90,583	108,493	(17,910)
Subtotal	90,583	108,493	(17,910)
Total	$ 235,211	$ 209,904	$ 25,307

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 amounting to ¥362 million for marketable securities classified as other securities for the year ended March 31, 2011.

Sales of other securities for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Proceeds	¥ 193	¥ 5	$ 2,348
Gross realized gain	¥ 6	¥ –	$ 73

6. Inventories

Inventories at March 31, 2012 and 2011 were as follows:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 24,291	¥ 21,690	$ 295,547
Raw materials	9,732	8,787	118,408
Work in process	6,761	5,765	82,261
Supplies	3,228	3,173	39,275
Total	¥ 44,012	¥ 39,415	$ 535,491

7. 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.

For the year ended March 31, 2012, the Company determined to discontinue providing Company owned employee housing in Ibaraki prefecture and to sell its land, which had been used since 1987. Accordingly, the Company has written down such assets to their respective net recoverable amounts. The net recoverable amounts of these impaired assets were measured at net selling value based on the appraisal value determined by a real estate agent.

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 such 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, 2012 and 2011 are summarized as follows:

2012

Company	Application	Classification	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Nippon Shokubai Co., Ltd.	Land for company owned housing	Land, buildings and structures and other assets	¥ 280	$ 3,407
Total			¥ 280	$ 3,407

2011

Company	Application	Classification	*(Millions of yen)*
Nippon Shokubai Co., Ltd.	Machines that produce process adhesive products	Buildings and structures, machinery and equipment and automotive equipment	¥ 571
Total			¥ 571

8. 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, 2012 and 2011 were 0.80% and 0.68% respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unsecured bonds payable in Japanese yen, at rates from 1.45% to 1.66%, due through 2014	¥ 15,000	¥ 15,000	$ 182,504
Unsecured loans from banks and insurance companies, payable in Japanese yen, at rates from 0.40% to 2.03%, due through 2014	27,138	30,640	330,186
Unsecured loans from banks, payable in U.S. dollars, at rates from 0.77% to 0.86%, due through 2015	2,286	1,149	27,814
Unsecured loans from banks, payable in Chinese yuan, at rates from 5.99% to 6.40%, due through 2013	92	–	1,119
Secured loans from banks payable in Japanese yen, at rates from 1.41% to 1.68%, due through 2016	402	513	4,891
Subtotal	44,918	47,302	546,514
Less current portion	(14,694)	(4,884)	(178,781)
Total	¥ 30,224	¥ 42,418	$ 367,733

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized below:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2013	¥ 14,694	$ 178,781
2014	13,956	169,801
2015	15,246	185,497
2016	1,017	12,374
2017 and thereafter	5	61
	¥ 44,918	$ 546,514

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, 2012 and 2011 were as follows:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Time deposits	¥ 8	¥ –	$ 97
Land	533	293	6,485
Buildings and structures	129	150	1,570
Machinery and equipment	156	233	1,898
Other assets	5	13	61
Total	¥ 831	¥ 689	$ 10,111

9. Retirement Benefits

Employees of the Company and domestic consolidated subsidiaries are mainly covered by an employees' retirement benefit plan and an employees' pension plan. In addition, the Company and a domestic consolidated subsidiary have established a retirement benefits trust. The employees' retirement benefit plan provides for lump-sum payments determined by reference to their basic salary, years of service and certain other factors. These plans provide for lump-sum payments and/or annuity payments payable upon termination of employment.

Certain domestic consolidated subsidiaries have multi-employer pension plans or defined contribution pension plans.

Certain overseas consolidated subsidiaries have defined benefit/contribution pension plans.

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, 2012 and 2011 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation at end of year	¥ (33,456)	¥ (32,394)	$ (407,057)
Fair value of plan assets at end of year	21,577	21,204	262,526
Unfunded retirement benefit obligation	(11,879)	(11,190)	(144,531)
Unrecognized actuarial loss	4,779	5,249	58,146
Unrecognized prior service cost	17	20	207
Net retirement benefit obligation	(7,083)	(5,921)	(86,178)
Prepaid pension cost	3,168	3,158	38,545
Accrued retirement benefits	¥ (10,251)	¥ (9,079)	$ (124,723)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,484	¥ 1,429	$ 18,056
Interest cost	599	593	7,288
Expected return on plan assets	(578)	(536)	(7,032)
Amortization:			
Prior service cost	3	3	36
Actuarial loss	1,162	1,302	14,138
Retirement benefit expenses	¥ 2,670	¥ 2,791	$ 32,486

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
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, 2011, the most recent date on which such data was available. The contribution ratio of the Group to the multi-employer pension plan as of March 31, 2012 was 0.5%.

	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at fair value	¥ 408,249	$ 4,967,137
Benefit obligation used in the calculation of pension financing	454,863	5,534,286
Difference	¥ (46,614)	$ (567,149)

10. 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, 2012 and 2011 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, 2012 and 2011 differed from the above statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	40.6 %	40.6 %
Effect of:		
Valuation allowance	(1.3)	(5.5)
Different tax rate applicable to income of subsidiaries	(2.8)	(2.4)
Tax credit for research and development costs	(2.9)	(3.9)
Equity in earnings of an unconsolidated subsidiary and affiliates	(2.9)	(3.1)
Foreign tax credit	(0.1)	(0.1)
Decrease in deferred income tax assets resulting from change in the statutory tax rates	2.7	–
Other, net	1.6	4.0
Effective tax rates	34.9 %	29.6 %

Adjustment of deferred tax assets and liabilities due to change in the corporate tax rates

Due to the promulgation on December 2, 2011, of the “Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117 of 2011), the effective statutory tax rate used to measure deferred income tax assets and liabilities in the fiscal year ended March 31, 2012 changed from 40.6% to 35.6% in stages.

As a result of this change, deferred income tax assets, net of deferred income tax liabilities and net unrealized deferred loss on hedges decreased by ¥829 million ($10,086 thousand) and ¥0 million ($0 thousand), respectively, and income taxes-deferred and net unrealized holding gain on securities increased by ¥911 million ($11,084 thousand) and ¥82 million ($998 thousand), respectively, as of and for the year ended March 31, 2012.

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, 2012 and 2011 are summarized as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Depreciation and amortization (including loss on impairment)	¥ 3,177	¥ 2,651	$ 38,654
Accrued retirement benefits for employees	2,580	2,456	31,391
Tax loss carryforwards	2,071	2,232	25,198
Intercompany profit on inventories and property, plant and equipment	1,333	978	16,218
Accrued bonuses to employees	1,112	1,099	13,530
Loss on impairment of land	1,107	1,265	13,469
Reserve for periodic repairs	896	1,050	10,902
Impairment of investments in securities and other	727	840	8,845
Other	1,286	736	15,646
Gross deferred tax assets	14,289	13,307	173,853
Less: Valuation allowance	(3,952)	(4,278)	(48,083)
Total deferred tax assets	10,337	9,029	125,770
Deferred tax liabilities:			
Equity in earnings of an overseas affiliate	(908)	(896)	(11,048)
Deferred capital gain on property (in overseas subsidiaries)	(328)	(372)	(3,991)
Depreciation and amortization	(277)	(317)	(3,370)
Reserve for depreciation for tax purposes	(1)	(3)	(12)
Other	(713)	(501)	(8,675)
Total deferred tax liabilities	(2,227)	(2,089)	(27,096)
Net deferred tax assets	¥ 8,110	¥ 6,940	$ 98,674

11. Shareholders' Equity

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

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥3,920 million ($47,694 thousand) and ¥3,920 million at March 31, 2012 and 2011, respectively.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2012 and 2011 are summarized as follows:

	2012			
	Number of shares			
	(Thousands)			
	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock	**212,000**	**–**	**8,000**	**204,000**
Treasury stock	**8,992**	**9**	**8,000**	**1,001**

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

12. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2012 and 2011 totaled ¥11,938 million ($145,249 thousand) and ¥11,246 million, respectively.

13. Gain on Insurance Claims

During the year ended March 31, 2012, a domestic consolidated subsidiary received insurance proceeds related to a loss suffered due to the Great East Japan Earthquake in the amount of ¥716 million ($8,711 thousand) and an overseas consolidated subsidiary received insurance proceeds related to a loss suffered due to fire at a factory in the amount of ¥389 million ($4,733 thousand).

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.

14. Other Comprehensive Loss

The following table presents reclassification adjustments and tax effects of components of other comprehensive income (loss) for the year ended March 31, 2012:

	2012	2012
	(Millions of yen)	*(Thousands of U.S. dollars)*
Unrealized holding loss on securities:		
Amount arising during the year	¥ (1,576)	$ (19,175)
Reclassification adjustments	(6)	(73)
Before tax effects	(1,582)	(19,248)
Tax effects	580	7,057
Net unrealized holding loss on securities	(1,002)	(12,191)
Deferred gain on hedges:		
Amount arising during the year	2	24
Tax effects	(1)	(12)
Net deferred gain on hedges	1	12
Translation adjustments:		
Amount arising during the year	(1,544)	(18,786)
Other comprehensive loss of equity method affiliates attributable to the Company:		
Amount arising during the year	(365)	(4,441)
Total other comprehensive loss	¥ (2,910)	$ (35,406)

15. Supplemental Information to Consolidated Statements of Cash Flows

During the year ended March 31, 2012, the Company acquired shares of Nihon Polymer Industries Co., Ltd. and included it in the scope of consolidation. Assets acquired and liabilities assumed of this subsidiary at the date of commencement of consolidation, acquisition cost of shares and proceeds from purchase of shares are summarized as follows:

	2012	2012
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥ 4,421	$ 53,790
Property, plant and equipment	1,671	20,331
Negative goodwill	(8)	(97)
Current liabilities	(3,586)	(43,631)
Long-term liabilities	(721)	(8,772)
Minority interests	(713)	(8,675)
Acquisition cost of shares the Company purchased previously	(893)	(10,865)
Acquisition cost of shares of Nihon Polymer Industries Co., Ltd.	171	2,081
Cash and cash equivalents	353	4,295
Proceeds from purchase of investments Nihon Polymer Industries Co., Ltd.	¥ 182	$ 2,214

16. 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, 2012 and 2011 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:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Equipment and software:			
Acquisition costs	¥ 640	¥ 782	$ 7,787
Accumulated depreciation/amortization	(313)	(361)	(3,808)
Net book value	¥ 327	¥ 421	$ 3,979

Lease payments of the Company and its domestic consolidated subsidiaries relating to finance leases amounted to ¥94 million ($1,144 thousand) and ¥126 million for the years ended March 31, 2012 and 2011, respectively. Depreciation on these leased assets calculated by the straight-line method would have amounted to ¥94 million ($1,144 thousand) and ¥126 million for the years ended March 31, 2012 and 2011, 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, 2012 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)
2013	¥ 66	$ 803
2014 and thereafter	261	3,176
	¥ 327	$ 3,979

17. Contingent Liabilities

At March 31, 2012, the Company and one consolidated subsidiary were contingently liable as guarantors of indebtedness of an affiliate in the aggregate amount of ¥1,808 million ($21,998 thousand).

In addition, at March 31, 2012, two consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed in the aggregate amount of ¥549 million ($6,680 thousand).

18. Amounts per Share

	2012	2011	2012
	(Yen)		(U.S. dollars)
Net income	¥ 104.71	¥ 110.30	$ 1.27
Cash dividends	22.00	22.00	0.27
Net assets	1,006.48	938.67	12.25

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, 2012 and 2011 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2012 and 2011.

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, 2012 and 2011 is summarized as follows:

	2012	2011	2012
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	¥ 21,257	¥ 21,119	$ 258,632
Deductions from net income	–	–	–
Adjusted net income available to shareholders of common stock	¥ 21,257	¥ 21,119	$ 258,632
Weighted-average number of shares of common stock outstanding during the year *(thousands of shares)*	203,003	191,476	203,303

19. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Derivative transaction to which hedge accounting is not applied as of March 31, 2012 is summarized as follows:

		Millions of yen 2012			
		Contract value			
Class	Transaction	Maturing within one year	Maturing after one year	Fair value	Loss
Over-the-counter market	Forward foreign currency exchange contracts:				
	Sell	¥ 27	¥ –	¥ (0)	¥ (0)

		Thousands of U.S. dollars 2012			
		Contract value			
Class	Transaction	Maturing within one year	Maturing after one year	Fair value	Loss
Over-the-counter market	Forward foreign currency exchange contracts:				
	Sell	$ 329	$ –	$ (0)	$ (0)

(2) 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, 2012 and 2011 is summarized as follows:

Currency-related transactions

			Millions of yen 2012		
			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	¥ 56	¥ 37	¥ (3)
Allocation method	Forward foreign currency exchange contracts:				
	Sell	Accounts receivable, trade	8,278	–	(*)
	Buy	Accounts payable, trade	19	–	(*)

Method of hedge accounting	Transaction	Major hedged item	*Millions of yen* 2011 Contract value: Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts:				
	Buy	Accounts payable, trade	¥ 93	¥ 74	¥ (5)
Allocation method	Forward foreign currency exchange contracts:				
	Sell	Accounts receivable, trade	9,590	–	(*)
	Buy	Accounts payable, trade	19	–	(*)

Method of hedge accounting	Transaction	Major hedged item	*Thousands of U.S. dollars* 2012 Contract value: Maturing within one year	Maturing after one year	Fair value
Deferral hedge	Forward foreign currency exchange contracts				
	Buy	Accounts payable, trade	$ 681	$ 450	$ (37)
Allocation method	Forward foreign currency exchange contracts				
	Sell	Accounts receivable, trade	100,718	–	(*)
	Buy	Accounts payable, trade	231	–	(*)

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

Method of hedge accounting	Transaction	Major hedged item	*Millions of yen* 2012 Contract value: 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, including current portion	¥ 100	¥ –	(*)

Method of hedge accounting	Transaction	Major hedged item	*Millions of yen* 2011 Contract value: 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, including current portion	¥ 300	¥ 100	(*)

			Thousands of U.S. dollars		
			2012		
			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, including current portion	$ 1,217	$ –	(*)

(*) 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 4.

20. Segment Information

(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, 2012 and 2011 is outlined as follows:

	Year ended March 31, 2012					
	Basic chemicals	**Functional chemicals**	**Environment and catalysts**	**Total**	**Adjustments and eliminations**	**Consoli-dated**
	(Millions of yen)					
Sales and operating income:						
Sales to third parties	**¥ 136,562**	**¥ 160,762**	**¥ 23,380**	**¥ 320,704**	**¥ –**	**¥ 320,704**
Intragroup sales and transfers	**35,337**	**1,611**	**1,880**	**38,828**	**(38,828)**	**–**
Net sales	**171,899**	**162,373**	**25,260**	**359,532**	**(38,828)**	**320,704**
Segment income:	**¥ 13,387**	**¥ 16,526**	**¥ 1,671**	**¥ 31,584**	**¥ (484)**	**¥ 31,100**
Segment assets:	**137,775**	**159,104**	**23,657**	**320,536**	**35,871**	**356,407**
Other items:						
Depreciation and amortization	**¥ 9,398**	**¥ 7,554**	**¥ 504**	**¥ 17,456**	**¥ –**	**¥ 17,456**
Amortization of goodwill	**468**	**13**	**–**	**481**	**–**	**481**
Increases in property, plant and equipment and other assets	**8,129**	**14,247**	**1,664**	**24,040**	**–**	**24,040**

	Year ended March 31, 2011					
	Basic chemicals	**Functional chemicals**	**Environment and catalysts**	**Total**	**Adjustments and eliminations**	**Consoli-dated**
	(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, 2012					
	Basic chemicals	Functional chemicals	Environment and catalysts	Total	Adjustments and eliminations	Consoli-dated
	(Thousands of U.S. dollars)					
Sales and operating income:						
Sales to third parties	$ 1,661,540	$ 1,955,980	$ 284,463	$ 3,901,983	$ –	$ 3,901,983
Intragroup sales and transfers	429,943	19,601	22,874	472,418	(472,418)	–
Net sales	2,091,483	1,975,581	307,337	4,374,401	(472,418)	3,901,983
Segment income:	$ 162,879	$ 201,071	$ 20,331	$ 384,281	$ (5,889)	$ 378,392
Segment assets:	1,676,299	1,935,807	287,833	3,899,939	436,440	4,336,379
Other items:						
Depreciation and amortization	$ 114,345	$ 91,909	$ 6,132	$ 212,386	$ –	$ 212,386
Amortization of goodwill	5,694	158	–	5,852	–	5,852
Increases in property, plant and equipment and other assets	98,905	173,342	20,246	292,493	–	292,493

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.

4. Related information

Geographical information

(1) Sales

Sales categorized by countries and regions based on locations of customers of the Group for the years ended March 31, 2012 and 2011 are summarized as follows:

Millions of yen					
2012					
Japan	Asia	Europe	Americas	Other	Total
¥ 175,316	¥ 60,308	¥ 35,844	¥ 29,944	¥ 19,292	¥ 320,704

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					
2012					
Japan	Asia	Europe	Americas	Other	Total
$ 2,133,058	$ 733,763	$ 436,111	$ 364,327	$ 234,724	$ 3,901,983

“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

Property, plant and equipment categorized by countries and regions as of March 31, 2012 and 2011 is summarized as follow:

Millions of yen				
2012				
Japan	Asia	Europe	Other	Total
¥ 101,635	**¥ 9,945**	**¥ 3,928**	**¥ 7,218**	**¥ 122,726**

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

Thousands of U.S. dollars				
2012				
Japan	Asia	Europe	Other	Total
$ 1,236,586	**$ 121,000**	**$ 47,792**	**$ 87,821**	**$ 1,493,199**

5. Information of loss on impairment

	Millions of yen				
	2012				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Loss on impairment	**¥ –**	**¥ –**	**¥ –**	**¥ 280**	**¥ 280**

	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				
	2012				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Loss on impairment	**$ –**	**$ –**	**$ –**	**$ 3,407**	**$ 3,407**

6. Information of amortization and remaining balance of goodwill

	Millions of yen				
	2012				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Amortization during the year	**¥ 468**	**¥ 13**	**¥ –**	**¥ –**	**¥ 481**
Remaining balance	**¥ 468**	**¥ –**	**¥ –**	**¥ –**	**¥ 468**

	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				
	2012				
	Reporting segments				
	Basic chemicals	Functional chemicals	Environment and catalysis	Adjustments and eliminations	Total
Amortization during the year	**$ 5,694**	**$ 158**	**$ –**	**$ –**	**$ 5,852**
Remaining balance	**$ 5,694**	**$ –**	**$ –**	**$ –**	**$ 5,694**

21. Related Party Transactions

Principal transactions between the Company and its related party for the years ended March 31, 2012 and 2011 are summarized as follows:

	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
ICT Co., Ltd.:			
Sales of finished goods	**¥ 16,515**	¥ 14,168	**$ 200,937**
Purchases of raw materials	**14,265**	13,199	**173,561**

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

The balances due from and to its related party at March 31, 2012 and 2011 were as follows:

	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
ICT Co., Ltd.:			
Notes and accounts receivable	**¥ 5,102**	¥ 5,388	**$ 62,076**
Notes and accounts payable	**3,157**	3,480	**38,411**

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.

22. 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, 2012, was approved at a shareholders' meeting held on June 21, 2012:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥11.00 = $0.134 per share)	**¥ 2,233**	**$ 27,169**

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Nippon Shokubai Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Shokubai Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Shokubai Co., Ltd. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 21, 2012
Osaka, Japan

Ernst & Young ShinNihon LLP

Corporate Data

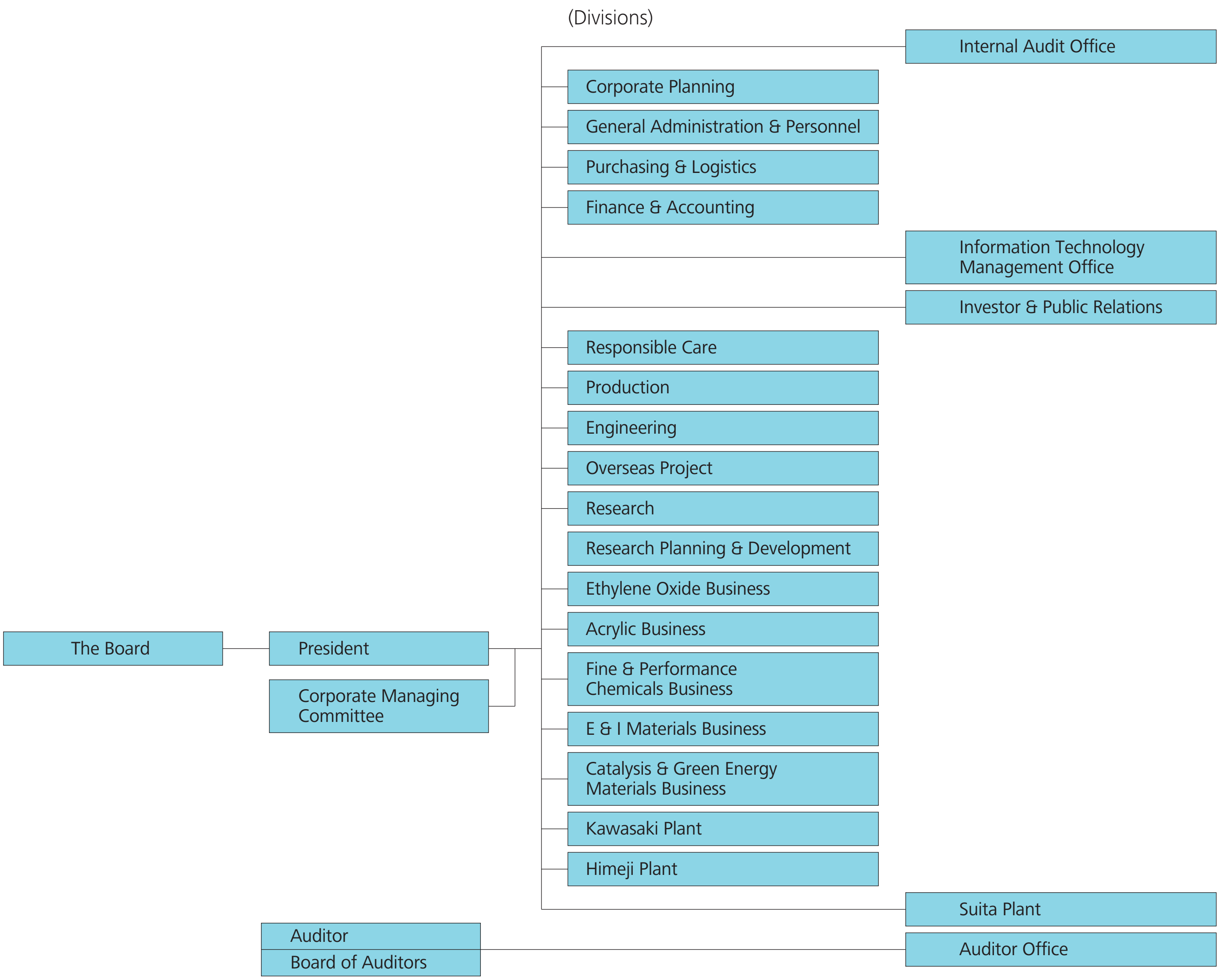
NIPPON SHOKUBAI CO., LTD.

(As of March 31, 2012)

Established	August 21, 1941
Common stock (Capital)	¥ 25,038 million Authorised: 636,000,000 Shares Issued: 204,000,000 Shares
Number of Employees	Consolidated: 3,779 Non-consolidated: 1,944
Stock Exchange	Tokyo, Osaka, and ADR
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi 1, Chiyodaku, Tokyo 100-8212, Japan

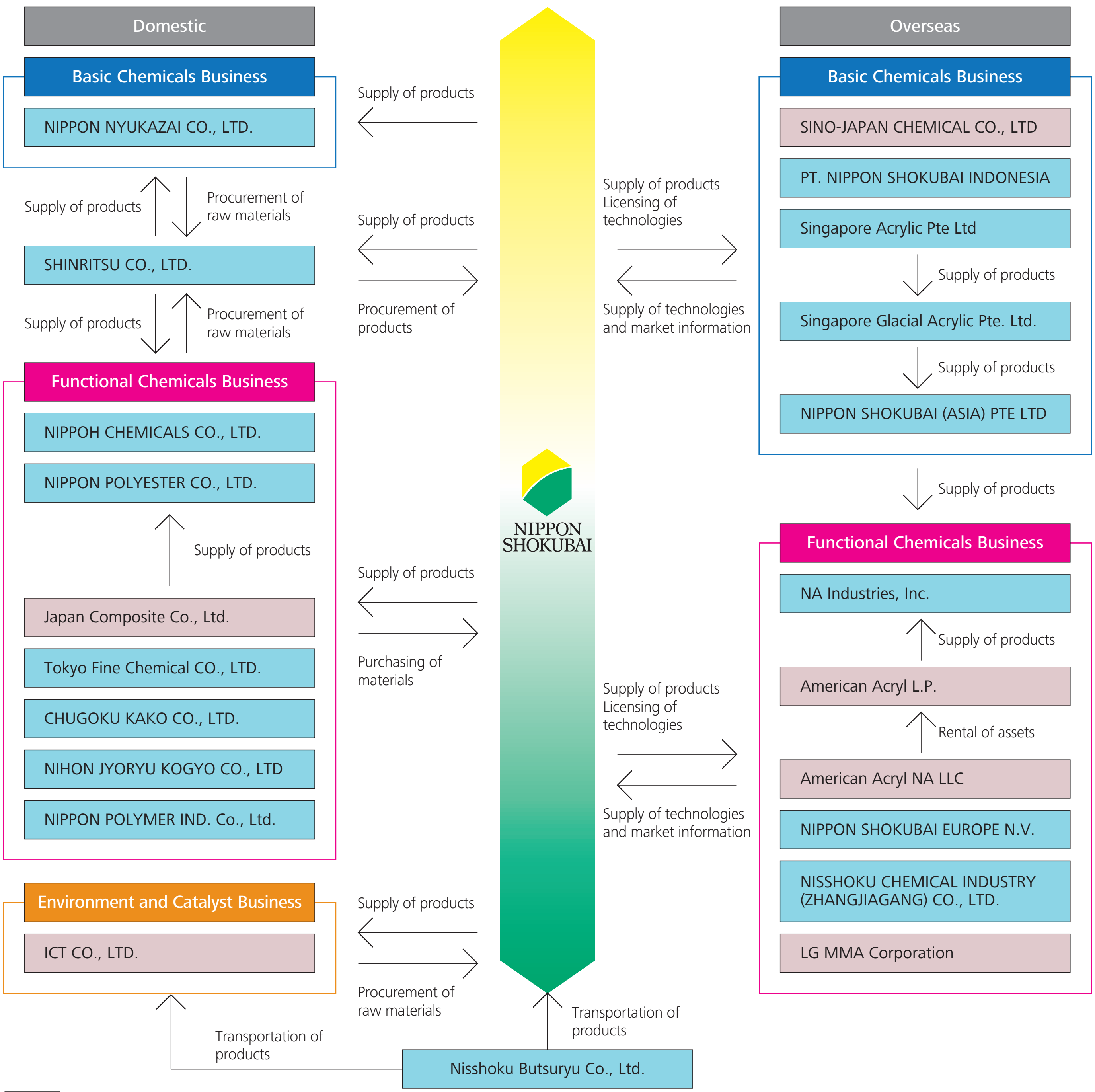
Organization Chart

(As of March 31, 2012)



Situation of Consolidated Group

(As of March 31, 2012)



Consolidated subsidiaries

Equity method affiliates

Note: SHINRITSU CO., LTD. and Nisshoku Butsuryu Co., Ltd. belong to multiple segments.

Consolidated Subsidiaries

(As of March 31, 2012)

Name	Principle Business
NIPPOH CHEMICALS CO., LTD.	Manufacture and sale of iodine, intermediates for API and agro-chemicals, and photo/electro chemicals
CHUGOKU KAKO CO., LTD.	Manufacture and sale of adhesive tape and fine sphere particles
Nisshoku Butsuryu Co., Ltd.	Logistics of chemicals
NIPPON NYUKAZAI CO., LTD.	Manufacture and sale of surfactant and other chemicals
NIPPON POLYESTER CO., LTD.	Manufacture and sale of plastic products for construction, housing, and so on
Tokyo Fine Chemical CO., LTD.	Manufacture and sale of stabilizer of vinyl chloride resin and anti-freeze
NIHON JYORYU KOGYO CO., LTD	Manufacture and sale of polycyclic aromatic hydrocarbons, (meth)acrylic acid derivatives and photo/electro chemicals
SHINRITSU CO., LTD.	Sale of chemical products
NIPPON POLYMER IND. Co., Ltd.	Manufacture and sale of acrylic emulsions
NA Industries, Inc.	Manufacture and sale of superabsorbent polymers, polymers for concrete admixture and water soluble polymers
Singapore Acrylic Pte Ltd	Manufacture and sale of crude acrylic acid
Singapore Glacial Acrylic Pte. Ltd.	Manufacture and sale of glacial acrylic acid
PT.NIPPON SHOKUBAI INDONESIA	Sale of chemical products
NIPPON SHOKUBAI (ASIA) PTE LTD	Sale of chemical products
NIPPON SHOKUBAI EUROPE N.V.	Manufacture and sale of superabsorbent polymers
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.	Manufacture and sale of superabsorbent polymers, polymers for concrete admixture

Equity Method Affiliates

(As of March 31, 2012)

Name	Principle Business
ICT CO., LTD.	Manufacture, R&D and sale of automotive catalysts
Japan Composite Co., Ltd.	Manufacture and sale of unsaturated polyester resins and plastic molded materials
SINO-JAPAN CHEMICAL CO., LTD	Manufacture and sale of surfactant and other chemicals
LG MMA Corporation	Manufacture and sale of MAA and PMMA
American Acryl NA LLC American Acryl L.P.	Manufacture and sale of acrylic acid

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Strategic Technology Research Center
(Suita, Himeji)

GSC Catalysts Technology Research Center
(Suita, Himeji, Kawasaki, Tsukuba)

Superabsorbents Research Center
(Himeji)

Fine & Specialty Chemicals Research Center
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