

We have completed the first year of the six-year mid-term business plan that leads us toward our company's 100th Anniversary, and have achieved the highest levels of net sales and operating income in our history. We will continue to aim for further great advances in our functional chemical products (environment and energy conservation field), pharmaceuticals (health care field), and automobile safety systems (safety systems field) businesses.

### Overview of Phase I of the Mid-Term Business Plan (Fiscal Year Ended May 31, 2011–Fiscal Year Ending May 31, 2013)

The functional chemicals business and automobile safety systems business will be the driving forces behind our company's business, as we actively invest in R&D for the great advances expected in the pharmaceuticals business during Phase II.

The Nippon Kayaku Group will reach its 100th Anniversary in June 2016. The mid-term business plan, divided into Phase I and Phase II, was formulated by the Nippon Kayaku Group and each of its business groups as a strategy for growth as we advance toward this milestone.

During Phase I (fiscal year ended May 31, 2011–fiscal year ending May 31, 2013), our company will be driven by the functional chemicals business and automobile safety systems business as we conduct active R&D investment aimed at achieving the great advances that are expected in the pharmaceuticals business during Phase II.

In the functional chemicals business, we will reinforce our "growth driver" products that are the main force behind our current business, including epoxy resins, colors for inkjet printers, and catalysts for the production of acrylic acid, while also developing the "growth engine" products such as thermal developers and sealants that will drive our future business. In the automobile safety systems business, we will expand our operations in Europe (Czech Republic) and continue to carry out business in China and Mexico as we work to expand global operations centered on emerging-nation markets. In the pharmaceuticals business, as a specialty, generic & IVR (interventional radiology) pharmaceutical manufacturer for cancer-related fields, we will continue to invest actively in R&D aimed at marketing new products such as biosimilar antibody drugs and polymer micelle anti-cancer drugs.

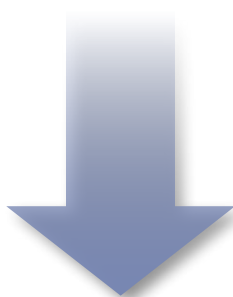
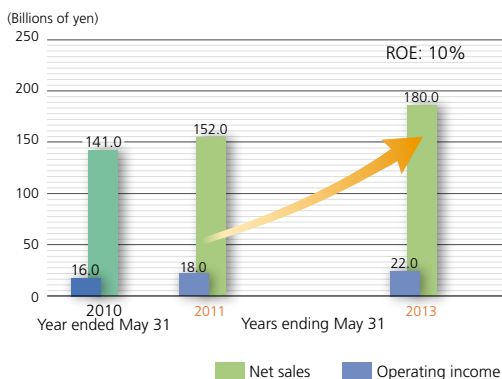
### Overview of the Fiscal Year Ended May 31, 2011–the First Year of the Mid-Term Business Plan

We have achieved the highest results in our history and revised the Phase I targets upward.

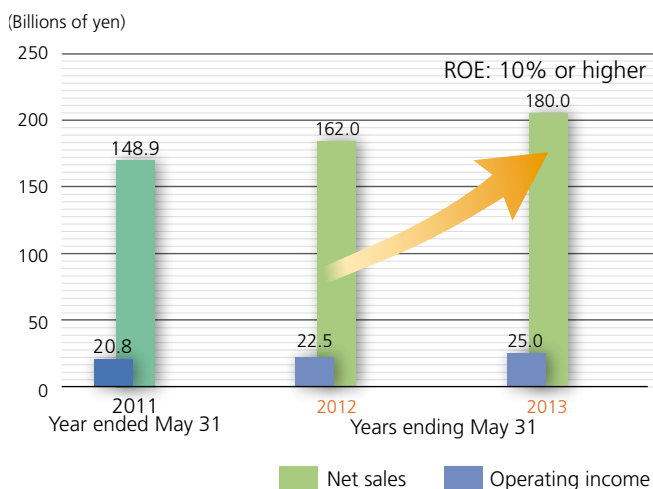
In addition to optimal allocation of business resources to key areas and reinforcement of overseas operations, during the fiscal year ended May 31, 2011, the Nippon Kayaku Group carried out further cost reductions, reorganized our product lineup, and worked to optimize our production facilities as we sought to strengthen our profit-earning structure. As a result, we achieved the highest levels of net sales, operating income, and net income in our history. Although our net sales result did not achieve the target for the first year of the mid-term business plan, the operating income result exceeded the plan target, producing an ROE of over 10%. The results in each business area show that both the functional chemicals business and automobile safety systems business delivered strong performance as a result of economic growth in China and emerging nations. The pharmaceuticals business also saw growth in sales of generic anti-cancer drugs, with both higher sales and higher profits achieved in all business areas. Our company was fortunate in not suffering injuries to personnel or damage to production facilities as a result of the Great East Japan Earthquake, and the disaster had only a limited effect on our business results.

Based on the results from the first year of the mid-term business plan, the Nippon Kayaku Group decided to revise the targets for Phase I upward, and is aiming to achieve net sales of 180 billion yen, operating income of 25 billion yen (previously 22 billion yen), and an ROE of 10% or higher (previously 10%) in the fiscal year ending May 31, 2013.

## Initial Targets for Phase I



## Revised Targets for Phase I



## Plan for Phase II of the Mid-Term Business Plan (Fiscal Year Ending May 31, 2014–Fiscal Year Ending May 31, 2016)

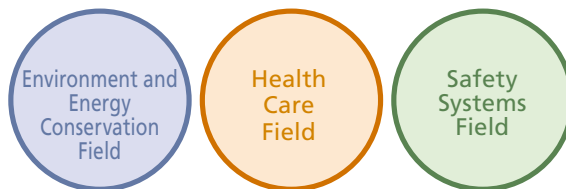
In addition to the functional chemicals business and automobile safety systems business, the pharmaceuticals business will also make a strong contribution to our business results, aiming for net sales of 250 billion yen as we approach our 100th Anniversary.

During Phase II (fiscal year ending May 31, 2014–fiscal year ending May 31, 2016), our R&D investment in the pharmaceuticals business will produce business results, and the pharmaceuticals business will join the functional chemicals business and automobile safety systems business as driving forces in our company. As a result, for the fiscal year ending May 31, 2016—the 100th Anniversary of our company—we are aiming for sales of 100 billion yen in the functional chemicals business, 100 billion yen in the pharmaceuticals business, 40 billion yen in the automobile safety systems business, and 10 billion yen in other businesses, for net sales in the Nippon Kayaku Group of 250 billion yen.

### Basic Strategy for the Mid-Term Business Plan

Utilize *our company's strongest technologies and business resources* to target *niche markets* and apply a *fusion of technologies* as a tool to achieve *rapid* execution of our business strategy.

#### Target Fields



- Our company's strongest technologies and business resources: Highly competitive products
- Niche markets: Markets where we can exercise our strengths and compete effectively
- Fusion of technologies: A breadth and diversity of technologies that no other company can match
- Rapid: Flexibility to adapt to changes