

Programs for Society, the Environment, and Safety

* The programs below were conducted during the fiscal year ended May 2006 (June 2005 – May 2006). For programs in the fiscal year ended May 2007, please refer to the Environmental & Safety / Sustainability Report 2007, which we expect to issue in December 2007.

Basic Approach to Sustainability

The Nippon Kayaku Group aims to fulfill its corporate social responsibilities and contribute to the creation of a sustainable society by becoming a corporate group that continually contributes to humanity through products and technologies that protect life and health and support a rich cultural lifestyle. Based on the concept of Responsible Care,* we are actively promoting business operations that are friendly to the environment, safety, and health, while engaging in social activities that make the best use of our business strengths.

* Responsible Care is the commitment by companies that manufacture or handle chemical substances to improving environmental, health, and safety measures in all processes involving chemical substances, from development, production, sales, and consumption to final waste disposal. Since its inception in Canada in 1985, Responsible Care has spread throughout the world and is currently practiced in 40 countries.

Social Activities

Asunaro House for Caregivers

Ten years ago, as a part of programs that commemorated Nippon Kayaku's 80th Anniversary, we envisioned a special lodging facility for caregivers accompanying children being treated for intractable diseases such as cancer, or who were to undergo bone marrow transplants at a local medical center. This facility, called the "Asunaro House," opened in Saitama City in Saitama Prefecture in 1998, and has now been operating for nine years. In addition to its 10 private accommodations, there are also a shared kitchen, cafeteria, discussion corner, and children's playroom to facilitate communication and mutual support among the caregivers. The number of families using this facility has continued to grow since it opened, and the facility was used 264 times during 2006.



Early Detection of Breast Cancer

While Nippon Kayaku already provides effective anti-cancer drugs and holds specialized study meetings for medical staff, we are also putting our efforts into awareness activities for citizens in general. In addition to actively participating in the Pink Ribbon campaign for breast cancer awareness in 2006 we also became a sponsor of the "Breast Cancer Info Navi" website, which promotes to a wide audience the importance of the early detection, early diagnosis, and early treatment of breast cancer.



Breast Cancer Info Navi:
http://www.nyugan-infonavi.jp/n_navi/

Environmental Activities

Environmental Management System

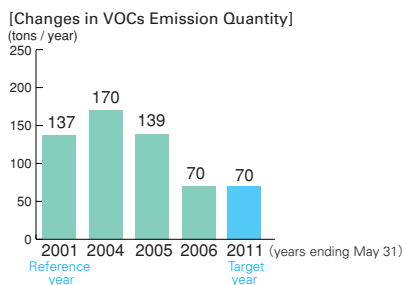
The Nippon Kayaku Group is working to carry out Responsible Care activities more efficiently, and also to continually raise the level of its environmental activities. For these purposes, we have acquired ISO14001 certification, the global standard for environmental management systems. All six Nippon Kayaku plants acquired this important certification by 2001. In addition, ISO14001 has also been obtained by the group companies Polatechno Co., Ltd., Indet Safety Systems a.s., Kayaku Chemical (Wuxi) Co., Ltd., and Wuxi Polatechno Optics Co., Ltd. (WPLC).

Environmental Master Plan Objectives and Progress

In the Environmental Master Plan, Nippon Kayaku has set three special mid-term objective items for the fiscal year ending May 2011, namely chemical substances, waste products, and prevention of global warming, and we are carrying out programs aimed at achieving them. We already achieved these objectives in the annual plan for the fiscal year ended May 2006, however this was due in part to the decrease in production activities caused by sluggish product demand in and after the fiscal year ended May 2001. Therefore we are working to carry out continued improvements.

• Reduction of Chemical Emissions

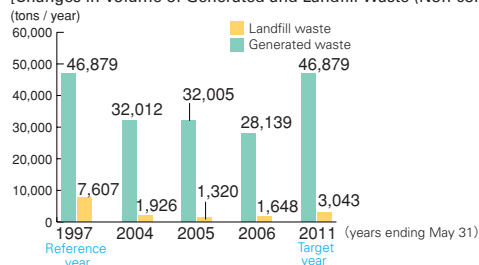
In the fiscal year ended May 2006, we successfully achieved the objective for the fiscal year ending May 2011 of "reducing the amount of VOC (volatile organic carbon) emissions to the atmosphere by 50% from the level of the fiscal year ended May 2001, to 70 tons or less." For the fiscal year ending May 2007, we have set VOC reduction objectives for each plant, and are making emission reduction plans.



• Reduction of Waste Products

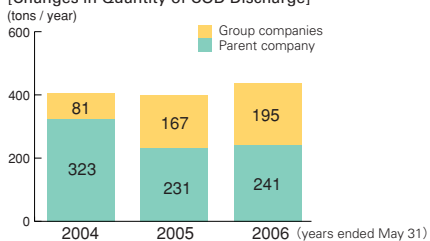
In the fiscal year ended May 2006, we successfully achieved the objective for the fiscal year ending May 2011 of “holding the amount of waste products generated to the same level as the fiscal year ended May 1997.” In the fiscal year ending May 2007, we are promoting recycling of waste materials and taking other steps to reduce waste.

[Changes in Volume of Generated and Landfill Waste (Non-consolidated)]



At the Tokyo Plant and Fukuyama Plant, which together manufacture color chemicals, the manufacturing process produces wastewater with a potentially high environmental impact (expressed as COD, or chemical oxygen demand). In order to reduce the damaging effects of this wastewater, it is treated by an active sludge treatment system and a decolorizing system that utilizes activated carbon and microorganisms to break down waste. Meanwhile, we are also researching more effective decolorization approaches.

[Changes in Quantity of COD Discharge]



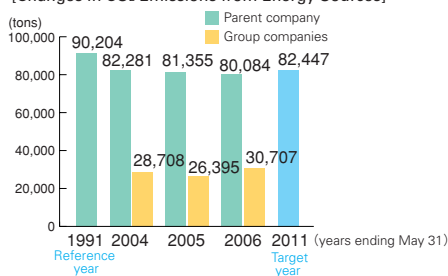
In June 2006, Nippon Kayaku became the first company in the Japan dye industry to begin offering a service for the collection and reuse of small-volume liquid dye containers (20 kg). This has helped to reduce the container disposal costs of our customers and also promotes the effective utilization of resources.

• Prevention of Global Warming

In the fiscal year ended May 2006, we have effectively achieved the objective for the fiscal year ending May 2011 of “reducing CO₂ emissions resulting from energy use by 8.6% from the level of May 1991.” However, with the recovery of product demand and the growing size of our business, an increase in CO₂ emissions is expected in the future. As a result, we are seeking to put in place further measures to save energy. During the fiscal

year ending May 2007, among other activities, we are changing the boiler fuel at the Fukuyama Plant to city-supplied gas.

[Changes in CO₂ Emissions from Energy Sources]

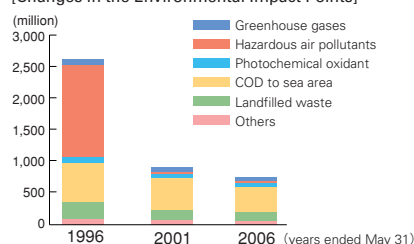


Changes in Environmental Impact Points

As an index to comprehensively assess the results of Nippon Kayaku environmental activities, we have calculated our environmental impact points using JEPIX.* Using this, when a comparison is made between the fiscal year ended May 1996 (when our Responsible Care activities first began), and the fiscal years ended May 2001 and May 2006, we see that the reduction of hazardous air pollutants – a top priority of our Responsible Care activities – contributed the greatest part to reducing the environmental impact of our business activities as a whole. We can also see that the second greatest contribution was a reduction in waste materials, for which we are carrying out activities under the Environmental Master Plan. By linking this sort of self evaluation to our future activities, we expect to further improve the effectiveness of our environmental programs.

*Japan Environmental Policy Index, which is a method for determining a manufacturer’s total burden on the environment. This method enables the environmental impact of business activities to be represented as a total by multiplying the eco-factor (environmental impact factor) for each substance by the amount of emissions of that substance, and totaling the results.

[Changes in the Environmental Impact Points]



Environmental Accounting

In the fiscal year ended May 2006, Nippon Kayaku installed exhaust gas treatment systems, wastewater treatment systems, energy-saving boilers, and a container recycling system. The total environmental protection cost for these efforts was 2.2136 billion yen, and the environmental protection effects were 81.61 million yen.