

Programs for Society, Safety, and the Environment

* The following are the programs from the fiscal year ended May 2007 (June 2006 — May 2007). For the programs from the fiscal year ended May 2008, please refer to the *Nippon Kayaku Group CSR Report 2008*, which we expect to issue January 2009.

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 ensuring a place for the “KAYAKU Spirit” — Good Products, Uninterrupted Progress, and Conscientious Cooperation — among all employees and in our business activities. Based on the concept of Responsible Care,* we are actively promoting business operations that are friendly to the environment and ensure safety and good 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-odd countries.

Social Activities

Asunaro House for Caregivers

As a company engaged in the pharmaceuticals business, Nippon Kayaku in December 1998 opened the “Asunaro House” in Saitama City, Saitama Prefecture. This facility is a special lodging facility for caregivers accompanying children being treated for intractable diseases such as cancer, or who are to undergo bone marrow transplants at a local medical center. In addition to its 10 private accommodations, there is also a shared kitchen, cafeteria, discussion corner, and children’s playroom to facilitate communication and mutual support among the caregivers.



Pink Ribbon Campaign

In addition to providing breast cancer image diagnosis and specialized study meetings aimed at medical professionals, we are also putting our efforts into awareness activities for the general public. 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. This website promotes to a wide audience the importance of the early detection, early diagnosis, and early treatment of breast cancer.

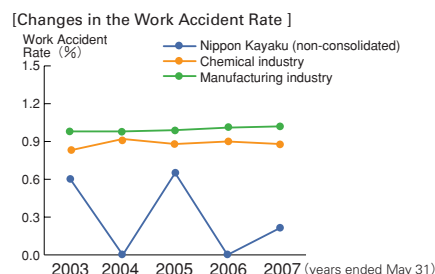


* Breast Cancer Info Navi: http://www.nyugan-infonavi.jp/n_navi/

Safe Operations

Work Accident Rate and Outside Award

The work accident rate (number of cases of suspension of work due to accidents per 1 million work hours) at Nippon Kayaku continues to be lower than the average for the manufacturing industry and chemical industry. In addition, Toshihide Nobuoka of the Explosives Manufacturing Section at the Asa Plant (now the Asa Plant Explosives Manufacturing Section of Kayaku Japan Co., Ltd.) received the “2006 Minister of Health, Labor and Welfare Achievement Award for Safety Excellence by a Foreman,” in recognition of his excellent safety leadership over many years.



Environmental Activities

Environmental Management System

As a global business, the Nippon Kayaku Group is working to efficiently carry out Responsible Care activities, 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. In Japan, this certification has been acquired by all six Nippon Kayaku plants and the Group companies Polatechno Co., Ltd. and Kayaku Akuzo Corporation. Overseas, this certification has been acquired by Indet Safety Systems a.s. in the Czech Republic, and by Kayaku Chemical (Wuxi) Co., Ltd. (KCW) and Wuxi Polatechno Optics Co., Ltd. (WPLC) in China. In July 2007, ISO14001 certification was also acquired by Wuxi Advanced Kayaku Chemical Co., Ltd. (WAC).

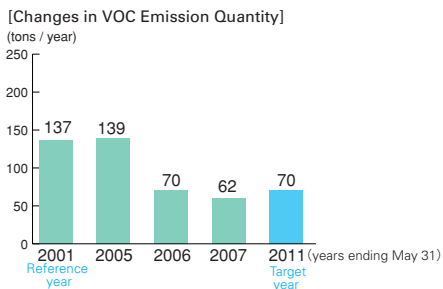
Environmental Master Plan and its Progress

Nippon Kayaku has set three special mid-term objective items for the fiscal year ending May 2011, namely reduction of chemical emissions, reduction of waste products, and prevention of global warming, and we are conducting our business activities in accordance with this master plan.

Reduction of Chemical Emissions

Objective: By the fiscal year ending May 2011, reduce the amount of VOC (volatile organic carbon) emitted into the atmosphere by 50% from the level of the fiscal year ended May 2001, to 70 tons or less.

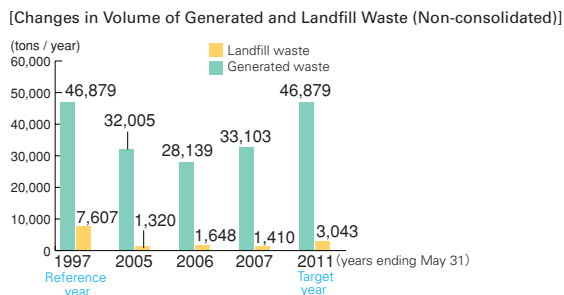
Result: In the fiscal year ended May 2007, we achieved our objective of reducing emissions by 7 tons from the previous year. In the fiscal year ended May 2006, we installed exhaust gas treatment equipment on the new optical functional film production equipment at the Fukuyama Plant in order to reduce VOC emissions. This treatment equipment began operating during the fiscal year ended May 2007.



Reduction of Waste Products

Objective: In the fiscal year ending May 2011, keep the amount of waste products generated to the same level as in the fiscal year ended May 1997.

Results from this fiscal year: While we achieved our objective in the fiscal year ended May 2007, an increase in product demand resulted in greater amounts of waste generated and an increase from the previous year. We will continue with measures aimed at reducing waste products.

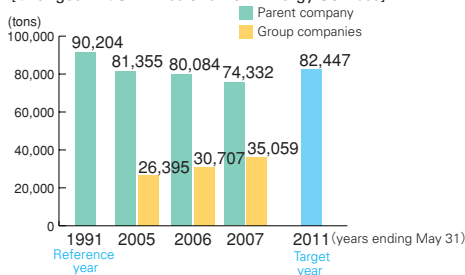


Prevention of Global Warming

Objective: In the fiscal year ending May 2011, reduce CO₂ emissions resulting from energy use by 8.6% from the level of the fiscal year ended May 1991

Results from this fiscal year: We continued during this year to carry out production process improvements, introduce co-generation (heat and power generation), and other measures. While these allowed us to temporarily achieve our objective, increased production and an expansion of our business range are expected to result in an increase in CO₂ emissions, and we will therefore continue to enact energy-conserving measures.

[Changes in CO₂ Emissions from Energy Sources]



The primary measures taken during this fiscal year for the prevention of global warming were the following:

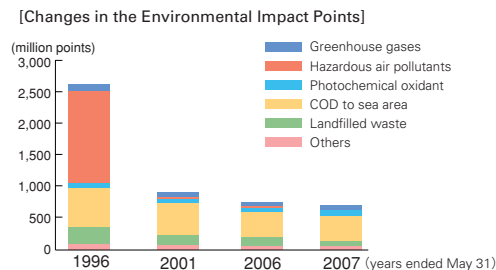
- The boiler fuel at the Fukuyama Plant was changed from A-type heavy oil to natural gas.
- Energy-saving boilers were introduced at the Asa Plant, and the fuel was changed from C-type heavy oil to A-type heavy oil, which contains less sulfur.

In addition, under the Revised Energy Conservation Law which took effect in April 2006, Nippon Kayaku was designated as a specific cargo owner. As a result, we are systematically working to reduce CO₂ emissions in our distribution system by enacting modal shifts and other means.

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 index, when a comparison is made between the fiscal year ended May 1996 (when our Responsible Care activities first began) and the current fiscal year, we can see that our efforts to reduce hazardous air pollutants and waste products have contributed to a reduction of our overall environmental impact. 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.



Environmental Accounting

During this fiscal year, Nippon Kayaku programs included the introduction of exhaust gas treatment equipment, wastewater treatment equipment, and energy-saving boilers. The total environmental protection cost for these efforts was 2.58271 billion yen (369.14 million yen more than the previous fiscal year). The environmental protection effects were 115.28 million yen (33.67 million yen more than the previous fiscal year).