

Chairman's Remarks at the Beginning of the Year 2012

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Happy New Year!

Last year proved to be a challenging year, not only for the chemical industry, but also for Japan as a whole. Ten months have already passed since the Great East Japan Earthquake struck the country in March. Meanwhile, our chemical industry is continuing to provide support to the nation and its people, as we continue to pray that our full recovery will soon come. Following the earthquake, 2011 also brought forth nuclear power generation issues, energy conservation concerns, damaging reports caused by rumors of radial rays, efforts to secure the supply chain, and a difficult settlement regarding the high yen.

To ease these challenges, at the end of the year, the government released a "Principles of Tax Reform" plan, which included a provision on the "Measures to Exempt Taxes on Raw Materials such as Naphtha," as well as a clause on the "Effective Tax Rate of Corporate Taxes," which has been reduced, although special corporate taxes for the recovery from the earthquake will be levied for three years.

Regarding the government's plan for the "Measures to Exempt Taxes on Raw Materials such as Naphtha," the issue has finally been settled, following three years of our continued activity, as well as the support and efforts provided by relevant organizations and people. Meanwhile, we believe that the established "Global Warming Tax" damages the equal footing of the business environment, as the overall outlook of our energy policy is still not clear.

Though we realize we cannot predict the future, this year we anticipate more issues to arise, as we foresee the drastically high yen continuing, the economic situations in Europe remaining insecure, and the developments in China unclear. Thus we understand that this year the chemical industry will also have to take on these issues and others decisively.

First and foremost, the New Year marks the International Year of Sustainable Energy for

All, an initiative declared by the United Nations, which will make it an important year for energy issues. In Japan, the nation's energy policy will be reviewed, targeting the summer for a completion date, and it will be essential for the chemical industry to promote its own contributions to avoid any unfair burden for energy matters and to secure the equal footing of the business environment as a whole.

It is also important to note that twenty years have passed since the United Nations Conference on Environment and Development (the Earth Summit) was held in 1992, though it is planned that the "Rio + 20," the United Nations Conference on Sustainable Development, will be held in June, and the Third International Conference on Chemical Management (ICCM-3) will take place in September. Therefore, we expect this year will be a momentous year for the management of chemicals, and it will become important to more aggressively focus on the safety of chemicals, not only regarding the activities and measures in Japan, but also looking at various countries around the globe.

This year, Japan's "resolution" will be examined in terms of its unified reform of social security and tax systems, as well as its participation in and negotiation at the Trans Pacific Partnership (TPP). The chemical industry will also be called upon to expeditiously develop and expand business at a time when international competition remains fierce.

The chemical industry is capable of bringing significant changes to the environment for the betterment of our future. Thus, we would like to make this year a year that the chemical industry creates new products and a new sense of community as one of the nation's leading industries.

It is my hope that this year will become a year of new opportunities and success for the chemical industry and beyond.

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