

# Financial Results for FY2013

---

May 20, 2014

The Nippon Synthetic Chemical Industry Co., Ltd.

---

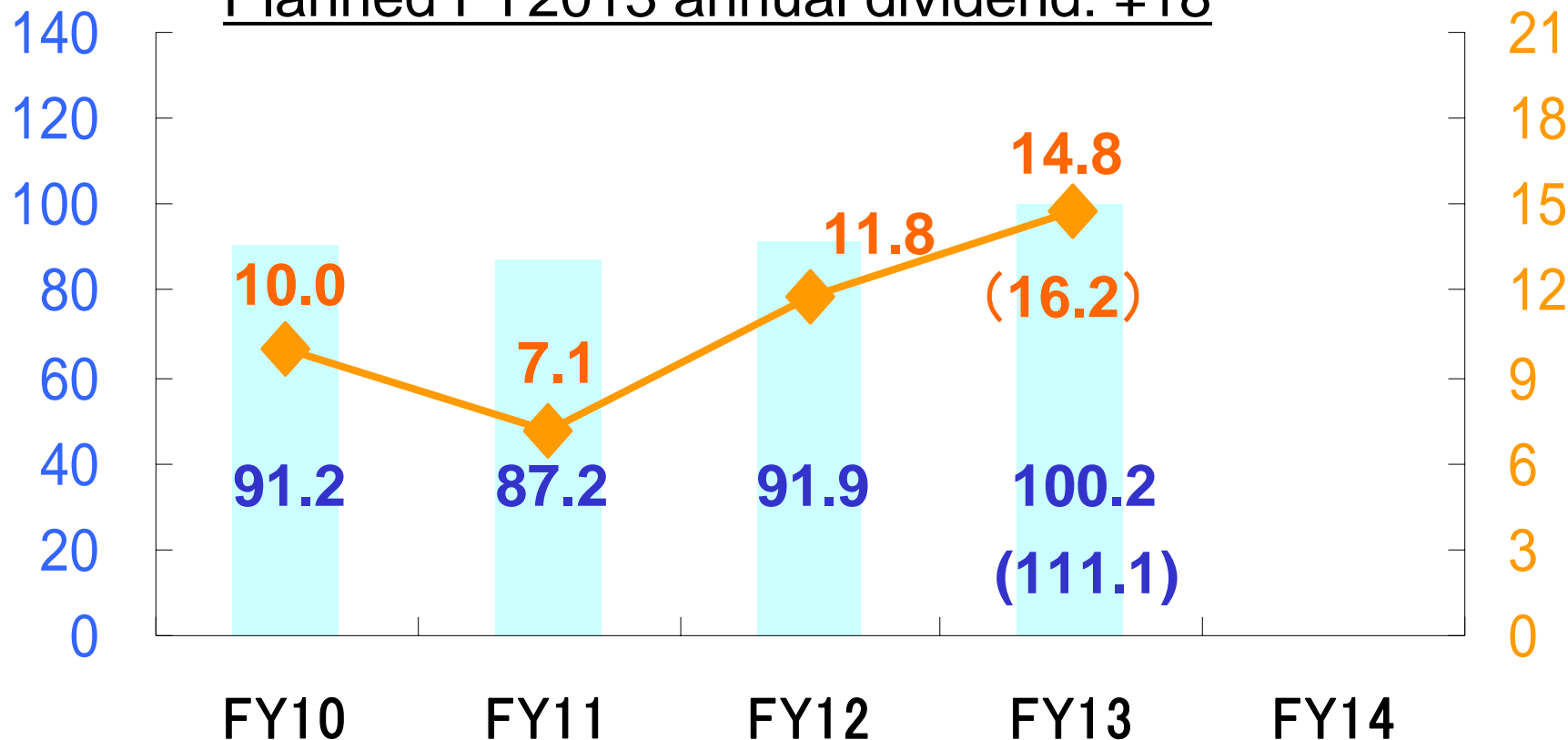


# Results of FY2013 and Forecasts of FY2014

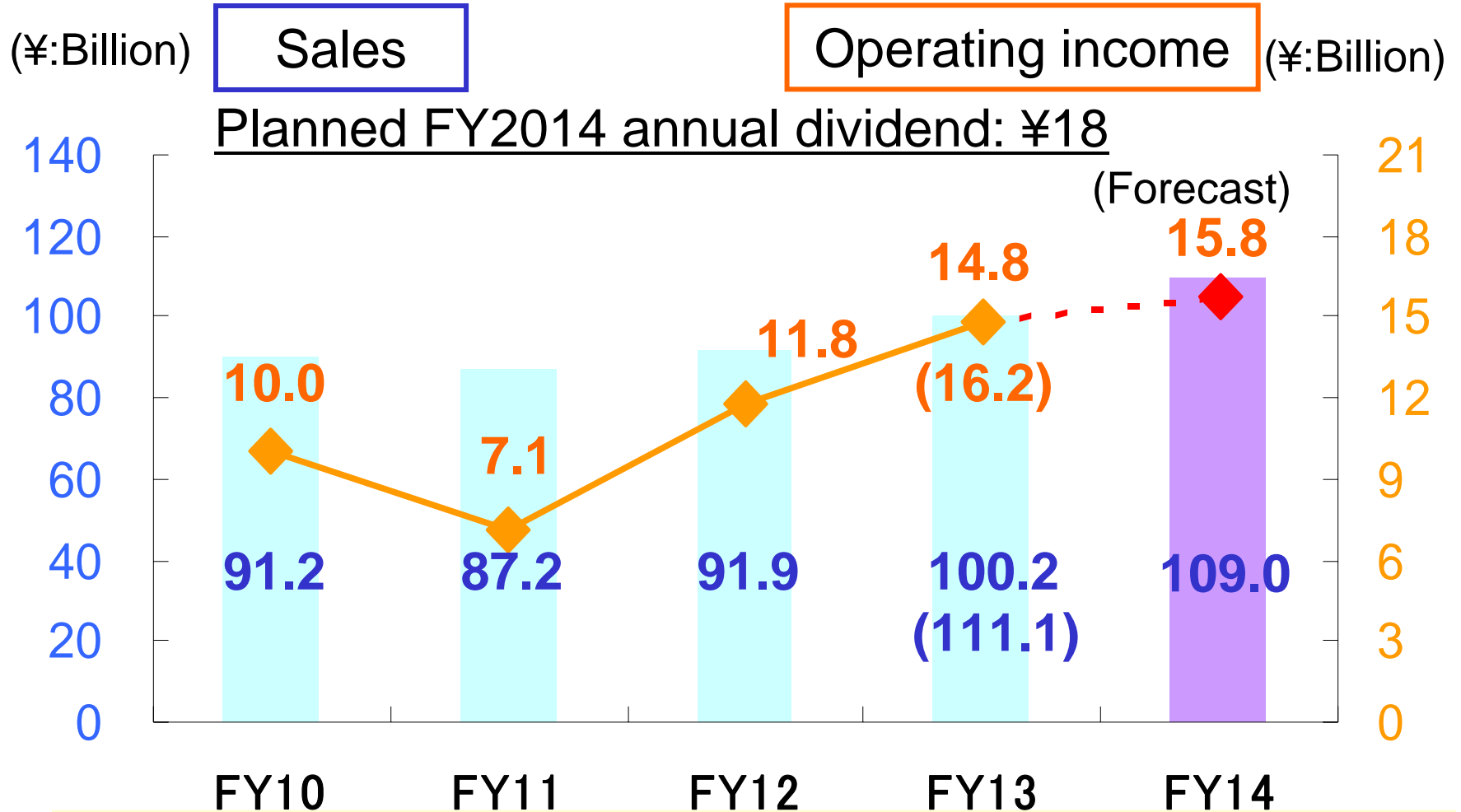
---

(¥:Billion) **Sales** **Operating income** (¥:Billion)

Planned FY2013 annual dividend: ¥18



The sales, operating income, and ordinary income reached record high. The figure in the parentheses includes the impact of a change in the accounting period of the consolidated subsidiaries.



A sales and profit increase in the case of comparison on a 12-month basis

Mid-Term Management Plan  
*“Double 15” Fourth Year*

---

## *“Double 15”*

### Target of FY2015

- |                           |                 |
|---------------------------|-----------------|
| 1) Sales                  | JPY 130 Billion |
| 2) Operating Income       | JPY 20 Billion  |
| 3) Operating Income Ratio | More than 15%   |

1. Expansion of core businesses

2. Establishment of the third pillar and strengthening of new product development

3. Competitive advantage

4. Overseas expansion

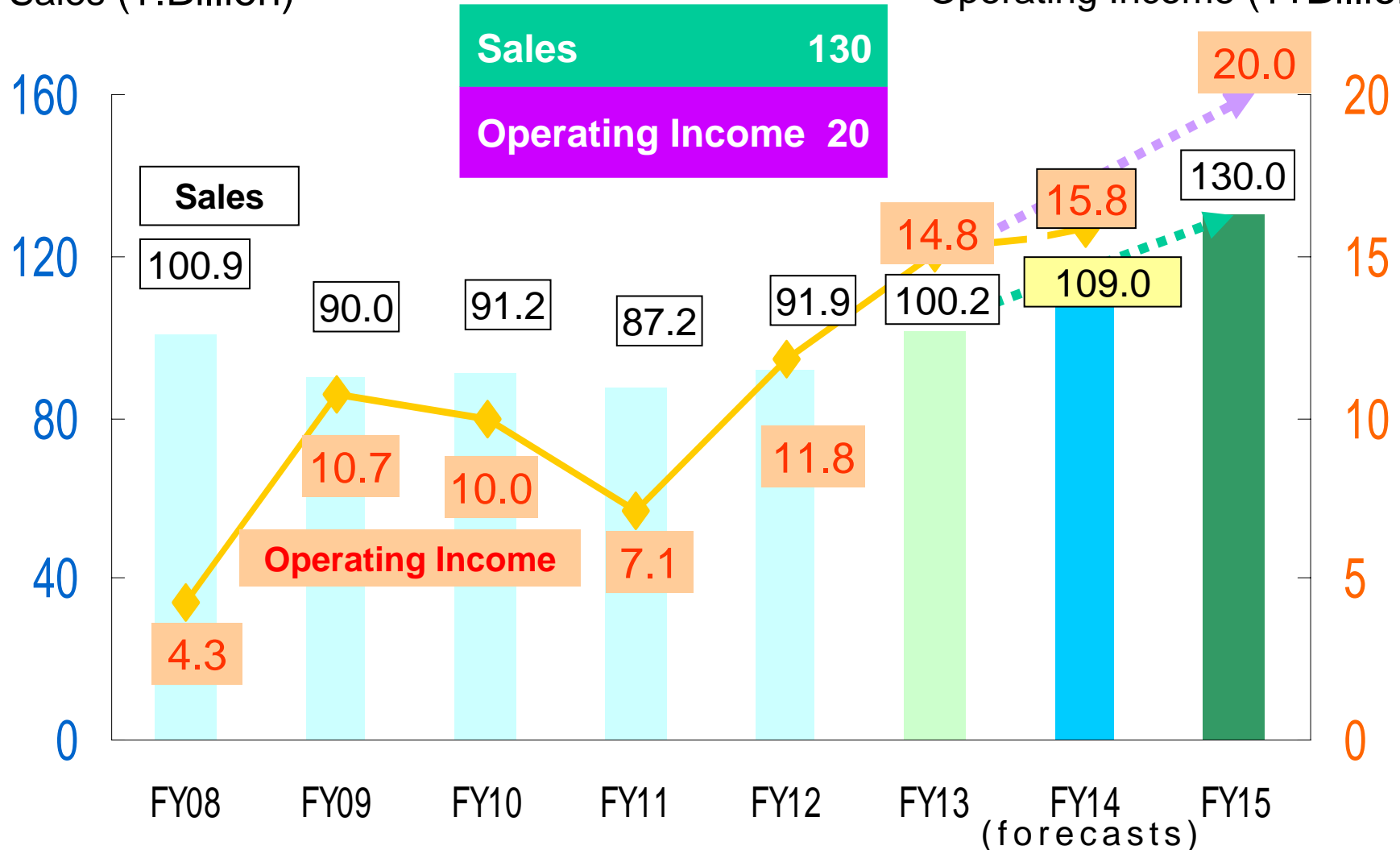
5. Assurance of Safety, Quality, Environment, and Compliance

# Mid-Term Management Plan

## “Double 15”

Sales (¥:Billion)

Operating Income (¥:Billion)



**Note:** The figures of FY13 exclude the impact of a change in the accounting period of the consolidated subsidiaries. The figures of FY14 are predicted figures.

“Soarnol” : EVOH (Ethylene-vinyl alcohol copolymer)

## Results until FY2013

Completion of an increase in production capacities

U.S.A. 20→23 thousand tonnes

U.K. 15→18 thousand tonnes

Total 45→51 thousand tonnes  
(+13%)

Functions of Processing-technique development center enhanced.

Sales expansion with a meticulous technology follow-up and the development of new applications, such as retort packaging applications

## In and after FY2014 measures

Establishment of new production facilities in the United States  
+15 thousand tonnes (4Q, FY2014)

<Post-establishment production capacity>

U.S.A. 23→38 thousand tonnes

Total 51→66 thousand tonnes  
(+29%)

Sales expansion with a reinforced meticulous technology follow-up, the start of marketing retort packaging applications, focusing on agricultural material applications



## “OPL Film”: Optical PVOH (Polyvinyl Alcohol) Film

### Results until FY2013

Construction of new wide-film production plant completed.  
The 5<sup>th</sup> line +15 million m<sup>2</sup>  
(July 2012, Kumamoto)

Putting 30- $\mu$  (thin film) products into practical use



### In and after FY2014 measures

Construction of new wide-film production plant completed.  
The 6<sup>th</sup> line +18 million m<sup>2</sup>  
(1Q, FY2014, Kumamoto)

<Present production capacity>

Regular-width film	55 million m <sup>2</sup>
Wide film	15→33 million m <sup>2</sup>
total	70→88 million m <sup>2</sup> (+26%)

Continued quality improvements with the development of 20- to 15- $\mu$  (thin film) products

Pressure Sensitive Adhesive: “Coponyl”,  
UV Curable resin: “Shikoh”, Emulsion: “Mowinyl”, etc.

## Results until FY2013

### “Coponyl”

Steady sales expansion of LCD applications

### “Shikoh”

A demand increase in optical applications, the development of UV pressure sensitive adhesive (PSA) and highly-functional products, sales expansion,

### “Mowinyl”

Shifted to value-added applications such as cosmetic products.

## In and after FY2014 measures

The achievement of sales in the Asian market, and the development of highly-functional products and a facility expansion

Expansion to smartphones and tablets, the further development of UV PSA and highly-functional products, and sales expansion

Local OEM production in China and the integration of the manufacturing department with Chuo Rika Kogyo Corporation to create synergy effects

## “Nichigo G-polymer”

### Results until FY2013

Water-soluble non-woven fabric applications, jointly developed with SHINWA Corporation

Development to take advantage of biodegradability, melt-moldability, gas barrier properties, easy solubility, and chemical resistance



### Measures in and after FY2014

Putting food packaging and other materials into practical use in the energy field and others by making use of the unique features of such materials

## “ORGA”: Optical Plastic Sheet

Installation of a series of mass-production facilities  
The adoption of ORGA for parts of iris authentication systems



Development of thick-film optical panel and touch panel applications by taking advantage of the unique features

## New product development

### In and after FY2014 measures



Constructing a leading-edge research building in the Central Research Laboratory, the completion of which will be expected in 4Q, FY2014

Accelerating new product development with a clean room expansion, research space expansion, development efficiency increase, and the introduction of state-of-the-art equipment

Environmental responses (CO2 emission reduction, energy saving, cost reduction)

## Results until FY2013

- Ogaki Plant  
A town gas boiler newly installed
- Kumamoto Plant  
A biomass boiler newly installed  
Installation of solar power generation equipment

## In and after FY2014 measures

Continued efforts toward the solution of resource-saving and energy-saving problems, and an increase in cost competitiveness

## Disposal of unprofitable businesses

Withdrew from businesses such as some of diketene derivatives, glyoxal derivatives and resin for gum base.

Concentration and selection



# Business Results of FY2013

## 1. Change in depreciation method

Depreciation method used by our company and some of our domestic consolidated subsidiaries was integrated into straight-line method  
Depreciation cost: Decrease of 0.9 billion yen

## 2. Change in accounting period of significant consolidated subsidiaries

Impact of the fiscal year-end change of the six major domestic and overseas consolidated subsidiaries (End of December to end of March)  
Sales: Increase of 10.9 billion yen, Operating income: Increase of 1.4 billion yen

## 3. Account for estimation of income taxes for prior period

Estimated amount under transfer pricing taxation: Approximately 2.6 billion yen  
(Content of transaction) Technology licensing fees with US and UK “Soarnol” manufacturing subsidiaries  
(Future plan) The petition of Implementing bilateral consultation procedures and elimination of double taxation

# Consolidated Business Results

(¥:Billion)

	FY12	FY13	Diff.
Sales	91.9	111.1	+19.1 (+20.8%)
Operating income	11.8	16.2	+ 4.3 (+36.9%)
Operating income ratio	12.9%	14.6%	+ 1.7%
Ordinary income	12.3	16.7	+ 4.3 (+35.0%)
Net profit	8.1	8.0	▲ 0.1 (▲ 1.7%)

Note: The figures of FY13 include the impact of a change in the accounting period of the consolidated subsidiaries.



# Business Summary by Segment (1)

(¥:Billion)

	Sales			Operating income		
	FY12	FY13	Diff.	FY12	FY13	Diff.
Synthetic Resin	67.1	83.5	+16.4	11.8	16.4	+4.5
Acetyl & Fine Chemicals	20.6	23.7	+3.1	0.1	0.0	▲0.1
Chemical Products	87.7	107.3	+19.5	12.0	16.4	+4.4
Others	4.2	3.8	▲0.3	0.2	0.2	0.0
Common Cost	—	—	—	▲0.3	▲0.4	▲0.1
Total	91.9	111.1	+19.1	11.8	16.2	+4.3

**Note:** The figures of FY13 include the impact of a change in the accounting period of the consolidated subsidiaries.

## Synthetic Resin

### ◆ “OPL Film”

Year-on-year increase, including a net increase in fifth-line products (broad-width product)

### ◆ “Soarnol”

The quantity was about the same as that in the previous year, but the sales increased as a result of a weaker yen.

### ◆ Pressure-sensitive adhesive, functional coatings

The sales of “Shikoh” are steady while the sales of “Coponyl” showed a year-on-year decrease.

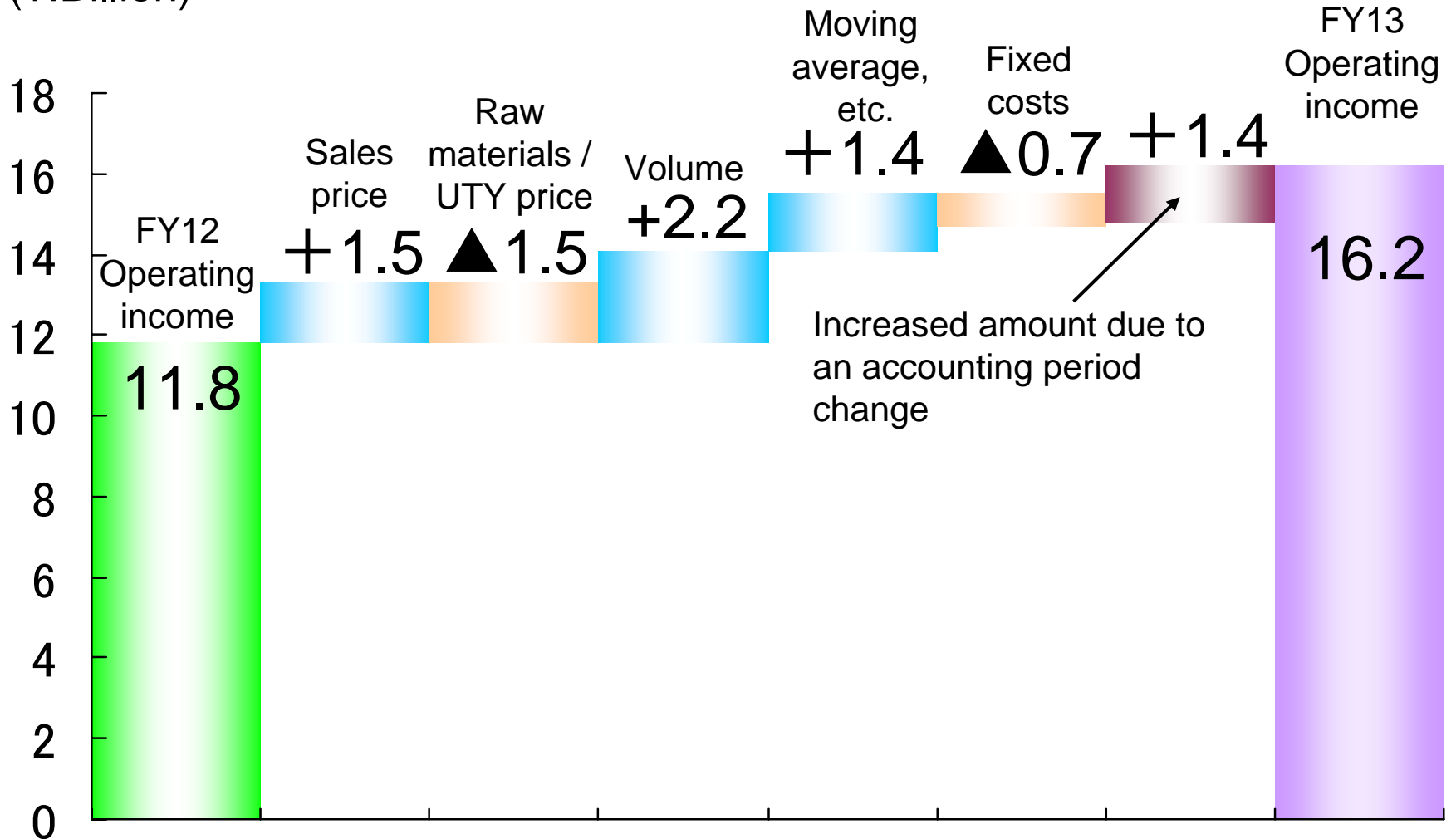
## Acetyl and Fine Chemicals

### ◆ Acetyl Chemicals

The profit-and-loss ratio became worse due to the worsening of price spread.

# Analysis of Operating Income

(¥:Billion)



# CAPEX, Depreciation, R&D Expenses Exchange rate, and Naphtha price

(¥:Billion)

	FY12	FY13	Diff.
CAPEX	10.4	20.2	+9.7
Depreciation	6.9	7.0	+0.1
R&D Expenses	3.6	3.7	+0.1

※ CAPEX on acceptance basis

JPY/US\$	83	100	+17
JPY/EURO	107	134	+27

※ Average rate

Naphtha price (JPY/KL)	57,500	67,300	+9,800
---------------------------	--------	--------	--------

※ Average price

# Balance Sheet

(¥:Billion)

End of FY12	End of FY13	Diff.
<b>Assets</b>		
112.1	1,301	+17.9
<b>Current assets</b>		
57.0	56.9	▲0.1
<b>Fixed assets</b>		
55.1	73.2	+18.0

End of FY12	End of FY13	Diff.
<b>Liabilities and shareholder's equity</b>		
112.1	130.1	+17.9
<b>Liabilities</b>		
46.7	53.3	+6.5
<b>Net assets</b>		
65.4	76.7	+11.3

**Retained earnings +6.2**

Period end exchange rate for Overseas subsidiaries (yen)		
	End of Dec. 2012	End of Mar. 2014
US\$	87	103
€	115	142

	End of FY2012	End of FY2013	Diff.
Equity	65.4	76.7	+11.3
Equity Ratio	58.3%	59.0%	+0.7%
Debt	10.0	14.7	+4.7
D/E Ratio	0.15	0.19	+0.04

\* Exchange rate effect is ¥ 7.9 billion of total asset increase.

# Cash Flow

	FY12	FY13	(¥:Billion)
Cash Flow from operating activities	16.3	14.1	Difference in pre-tax profit: +3.4 amount of corporate and other taxes paid: ▲3.6
Cash Flow from investing activities	▲10.5	▲20.0	Acquisition of fixed assets : ▲9.4
Free Cash Flow	5.8	▲5.8	
Cash Flow from financial activities	▲3.3	+1.9	
Net increase (decrease) in Cash and cash equivalents	+2.9	▲2.9	
Cash and cash equivalents at end of period	8.6	5.7	



# Business Forecasts of FY2014

---

# CAPEX, Depreciation, R&D Expenses Exchange rate, and Naphtha price

	FY13	FY14	(¥:Billion) Diff.
CAPEX	20.2	13.8	▲6.4
Depreciation	7.1	7.9	+0.8
R&D Expenses	3.7	4.0	+0.3

※ CAPEX on acceptance basis

JPY/US\$	100	105	+5
JPY/EURO	134	142	+5

※ Average rate

Naphtha price (JPY/KL)	67,300	72,000	+4,700
---------------------------	--------	--------	--------

※ Average price



# Consolidated Business Forecast of FY2014

(¥:Billion)

	<i>1st Half FY14</i>	<i>2nd Half FY14</i>	<i>FY14</i>	FY13 Actual	FY12 Actual
Sales	53.0	56.0	109.0	100.2 (111.1)	91.9
Operating income	7.5	8.3	15.8	14.8 (16.2)	11.8
Operating income ratio	14.2%	14.8%	14.5%	14.8%	12.9%
Ordinary income	7.6	8.4	16.0	15.3 (16.7)	12.3
Net Profit	4.8	5.4	10.2	7.0 (8.0)	8.1
Net Profit per share (yen)	49.28	55.44	104.72	72.23	83.75
Cash dividends per share (yen)	9	9	18	18	15

Figures in parenthesis of FY13 include the impact of a change in the accounting period of the consolidated subsidiaries.

# Consolidated Business Forecasts of FY2014 by Segment

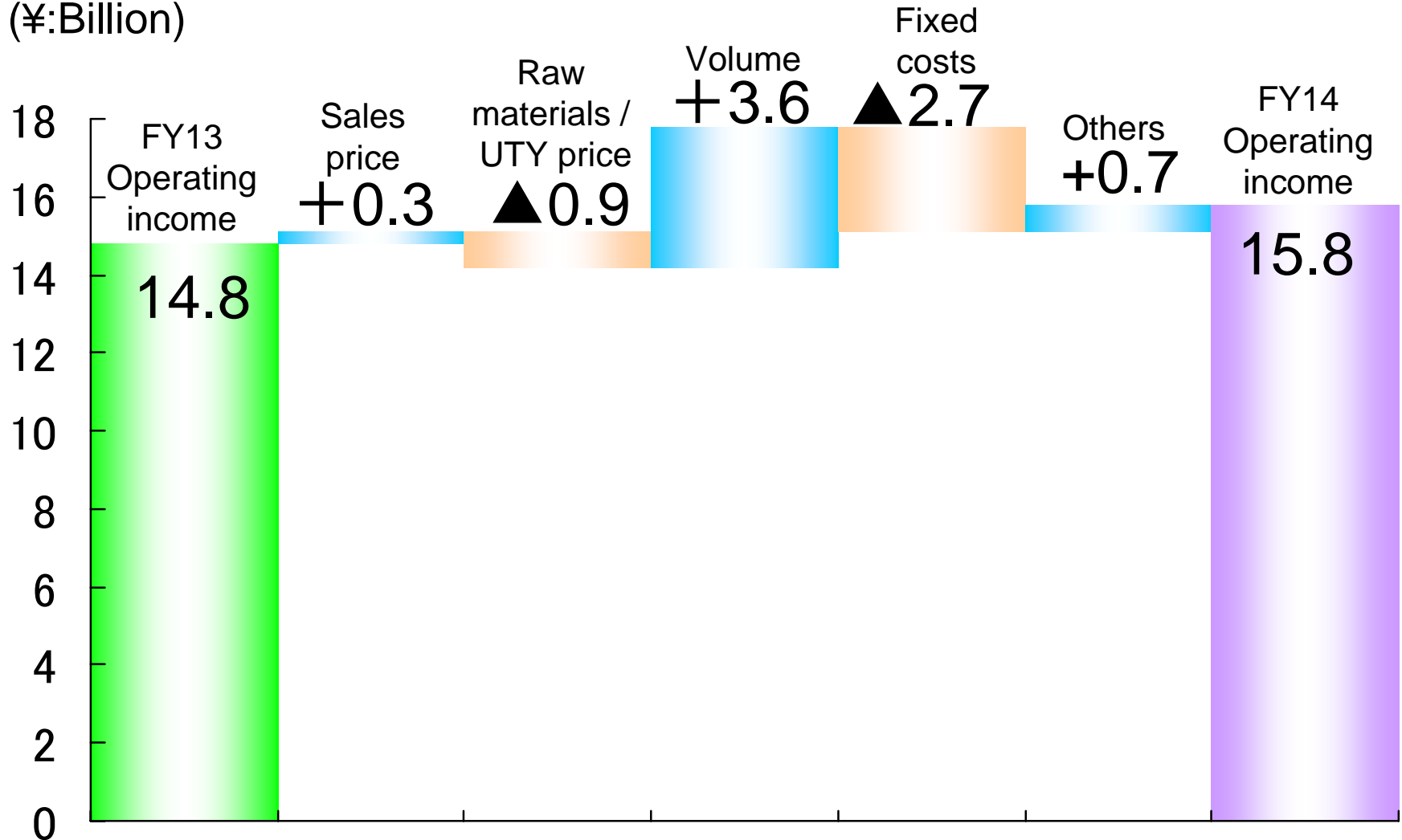
(¥:Billion)

	Sales			Operating income		
	FY13 results	FY14 forecast	Diff.	FY13 results	FY14 forecast	Diff.
Synthetic Resin	75.0	81.2	+6.2	15.0	16.1	+1.1
Acetyl & Fine Chemicals	21.3	24.1	+2.8	0.0	0.0	0.0
Chemical Products	96.3	105.3	▲9.0	15.0	16.1	+1.1
Others	3.8	3.6	▲0.2	0.2	0.1	▲0.1
Common Cost	—	—	—	▲0.4	▲0.4	0.0
Total	100.2	109.0	+8.8	14.8	15.8	+1.0

The figures of FY13 exclude the impact of a change in the accounting period of the consolidated subsidiaries.

# Analysis of Operating Income

(¥:Billion)



The figures of FY13 exclude the impact of a change in the accounting period of the consolidated subsidiaries.

Pressure Sensitive Adhesive for Optical applications

Development of

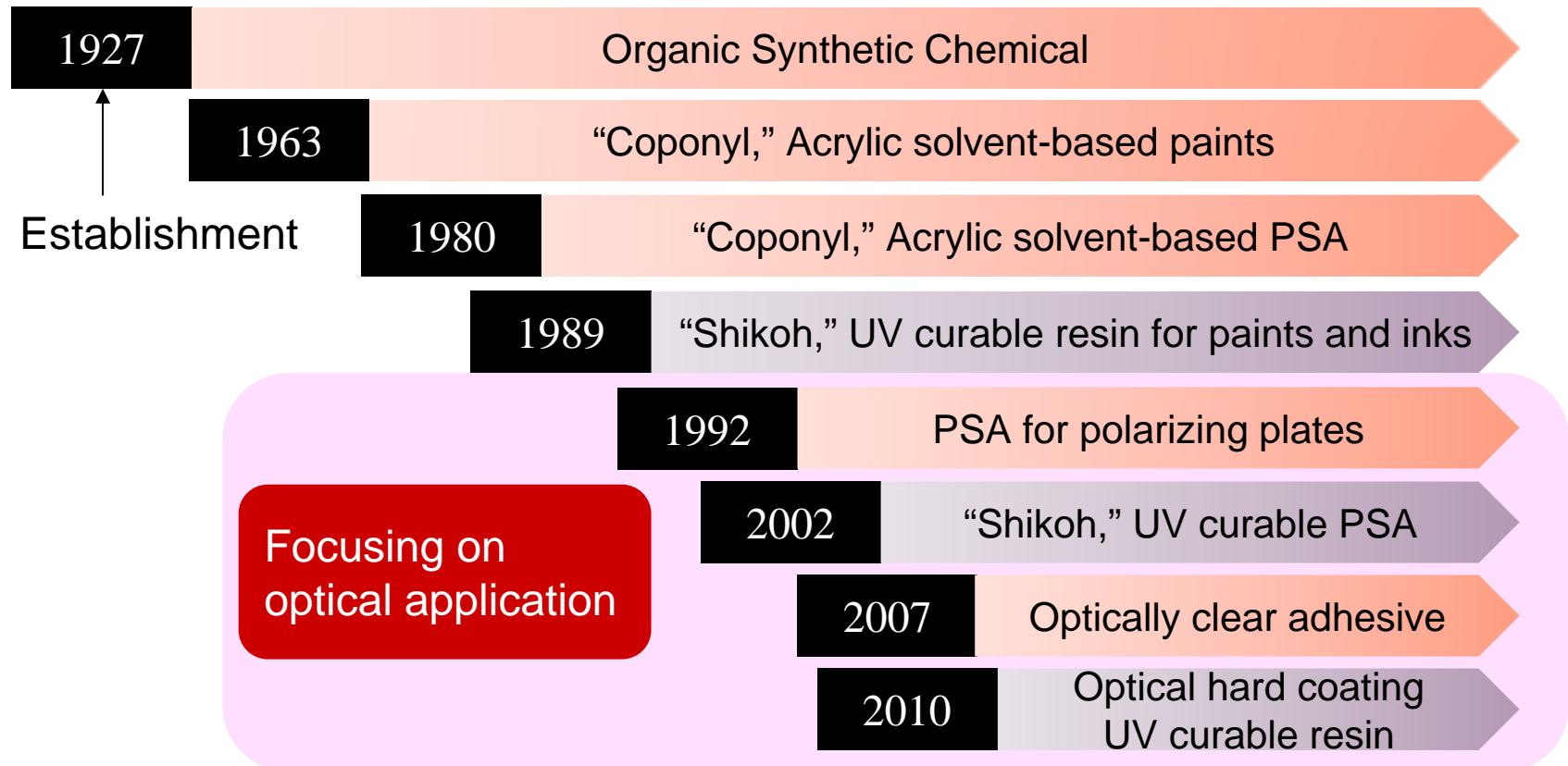
"COPONYL™" & "SHIKOH™"

*Specialty Materials Segment  
Specialty Polymers (SPP) Department*

1. Positioning and strategy of Specialty Polymers Department
2. Introduction of strategic products
  - “COPONYL™” (Acrylic solvent-based PSA)
  - “SHIKOH™” (UV curable resin)
3. Research and development case examples
  - Dielectric constant controlled PSA
  - Optical elasticity UV curable PSA
4. Summary

## Transition of our acrylic PSA and UV technologies

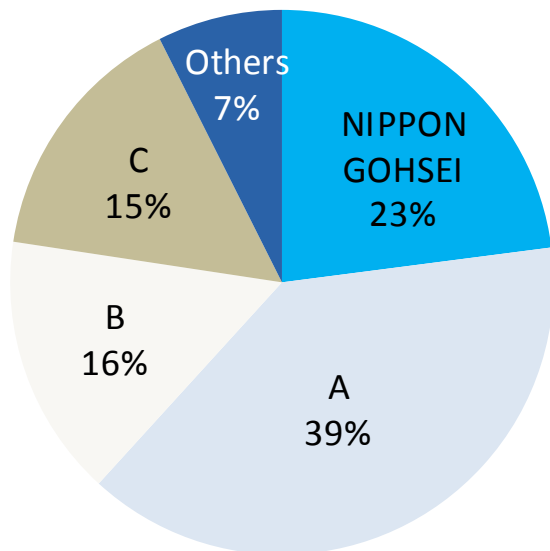
We have been researching and developing acrylic solvent-based and UV curing technologies based on the fundamental technology of synthetic organic chemistry. In recent years, we started focusing on products for optical applications, which have been widely adopted in Japan and overseas.



# 1. Positioning and strategy of SPP Department NIPPON GOHSEI

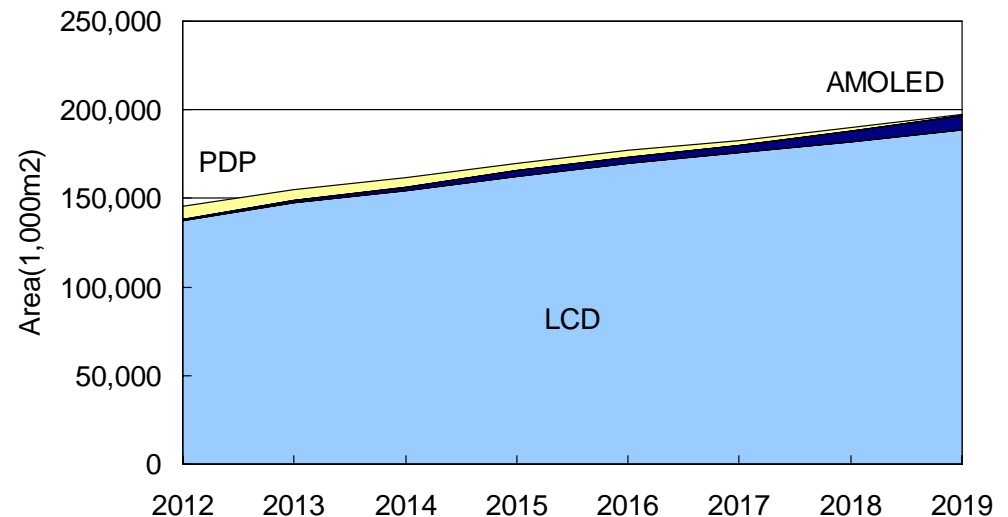
NIPPON GOHSEI has a long record of accomplishment on the production of optical-use PSA for polarizing plates to be incorporated into flat panel displays (FPDs) used for TV and PC monitors, and is **the world's second largest supplier of optical-use PSA for polarizing plates**. Furthermore, an expanding demand for optical-use PSA for polarizing plates will be expected in the future.

Optical-use PSA for polarizing



\*Our estimation

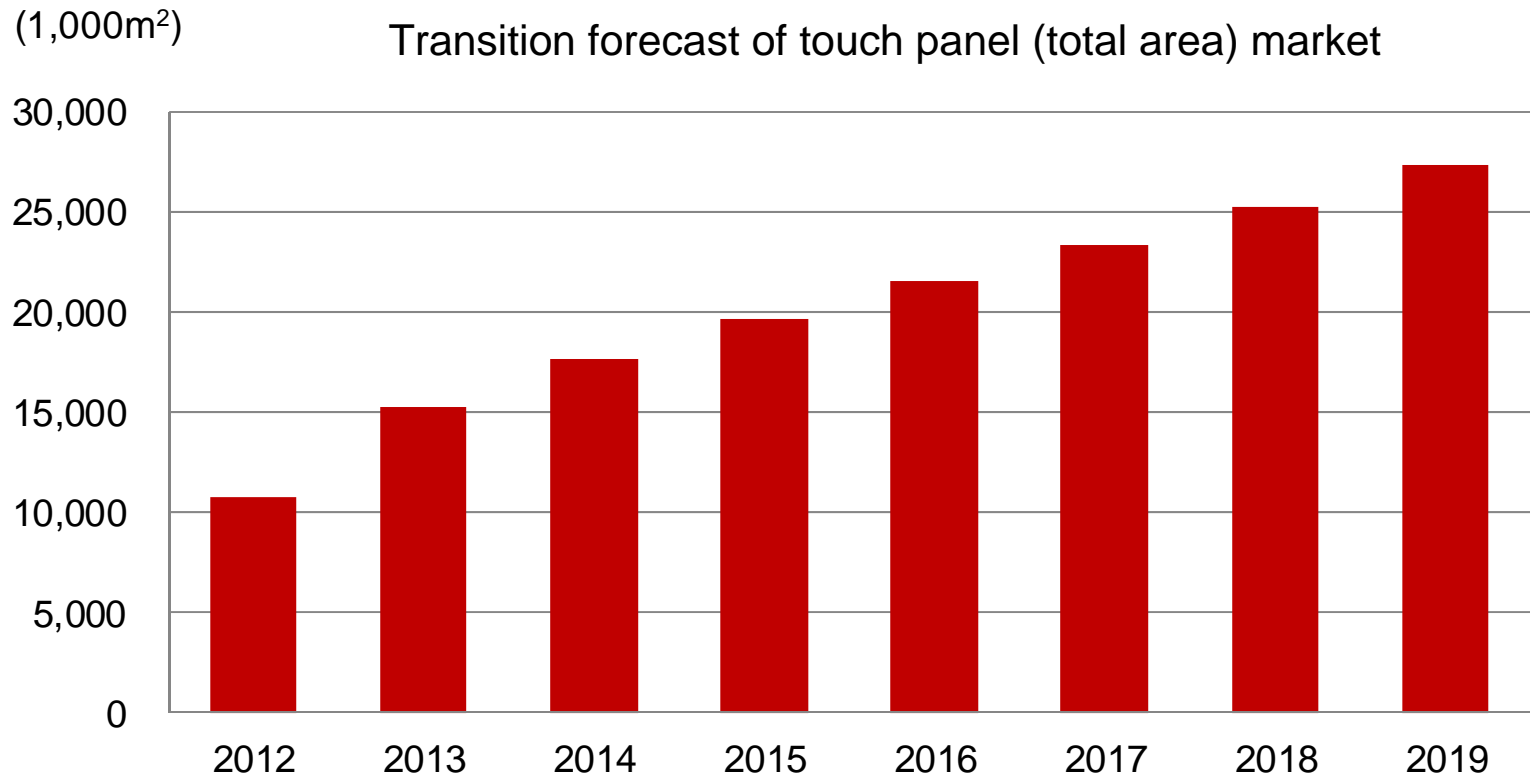
Demand forecast of the polarizing plate (area)



Source: Present Status and Future Prospects of Display-related Markets 2013 (Fuji Chimera Research Institute, Inc.)

## 2. Introduction of strategic products

Specialty Polymers Department has been applying the technology and record of accomplishment and focusing on the development and sales of materials for **optically clear adhesive used to bond touch panel materials**, for which there has been an expanding demand in recent years.



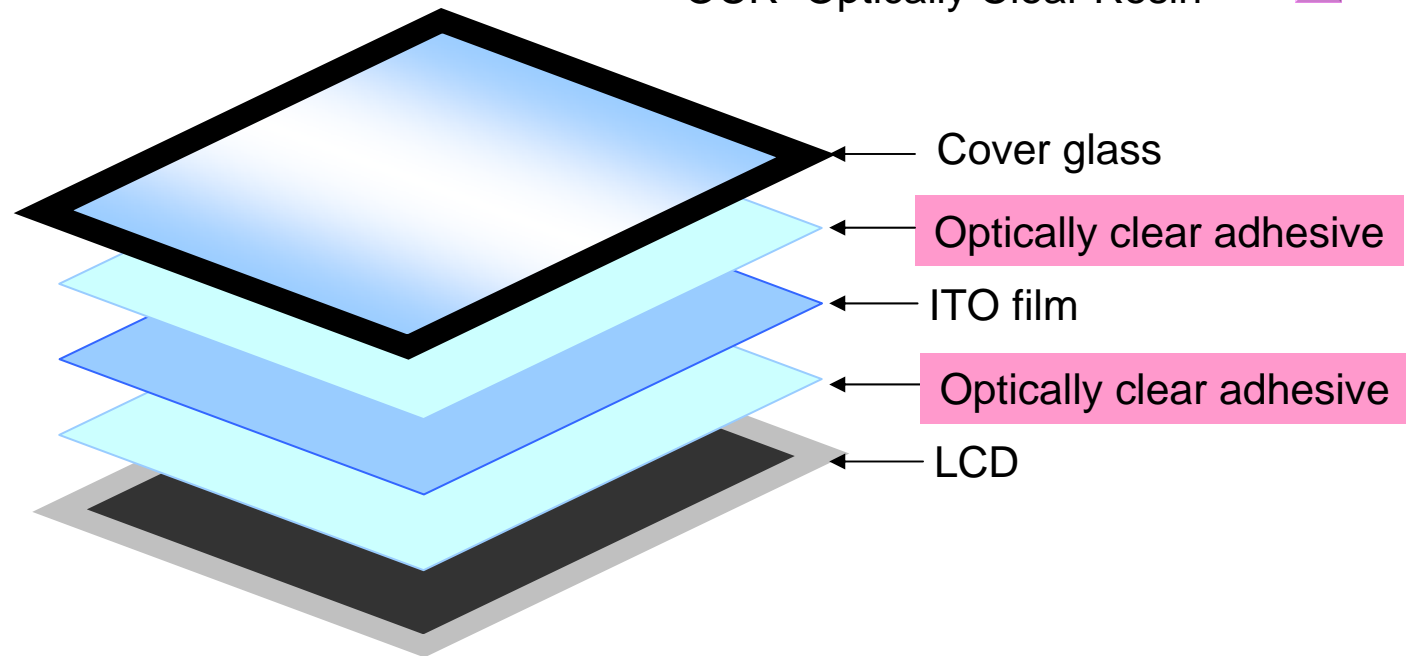
Source: Present Status and Future Prospects of Display-related Markets 2013 (Fuji Chimera Research Institute, Inc.)



Touch panels used for applications represented by smartphones and tablets are of multi-layer structure and bonded with “COPONYL™” or “SHIKOH™” as **Optically clear adhesive (i.e., OCA or OCR)**.

Representative example: Out-cell type

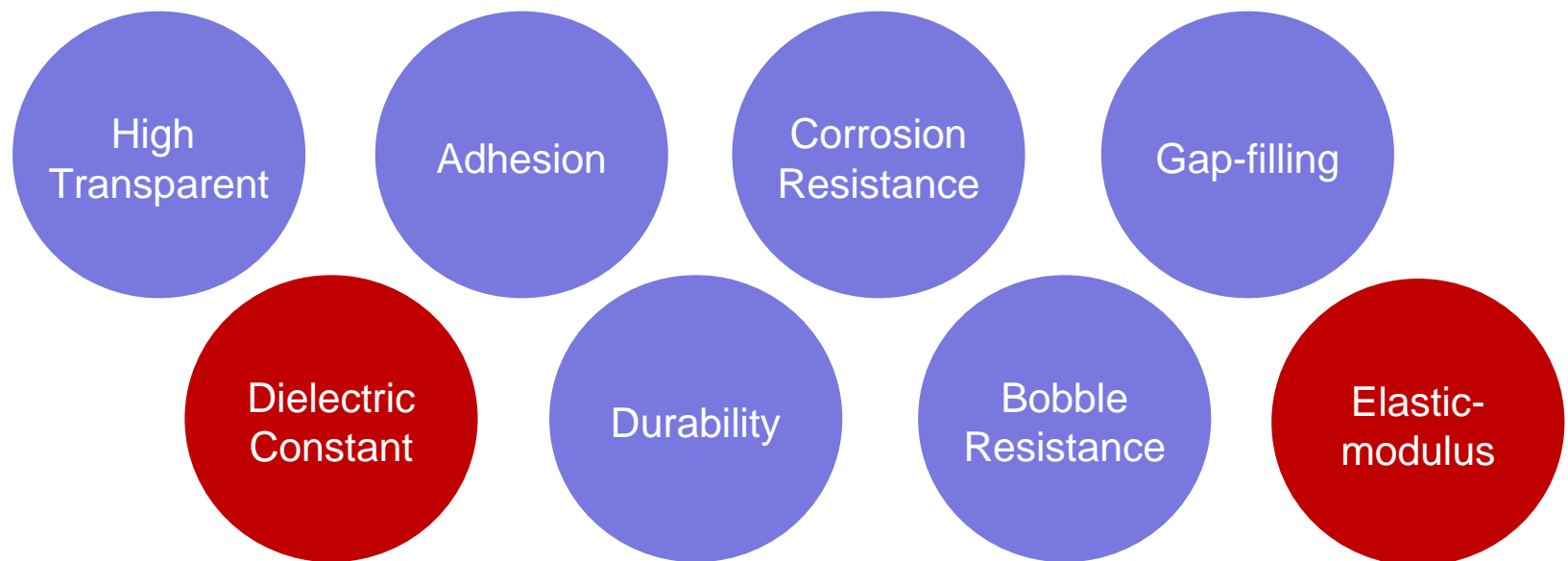
OCA=Optically Clear Adhesive  
OCR=Optically Clear Resin



## 2. Introduction of strategic products

The development of touch panel displays is remarkable, and they are expected to evolve continuously to meet consumers' demand.

The required performance of **optically clear adhesive** is expected to be more sophisticated with component and structure evolution.





## Dielectric constant controlled PSA

-Preventing the malfunctioning of touch panels with PSA-

- Thin-film technique of PSA as a result of **the profile reduction of devices**
- A simple thin-film technique of PSA makes a capacitance value change and cause operational malfunctions. Therefore, **a low-dielectric constant** is required from PSA.
- We use proprietary technology in **flexible control of the dielectric constant** of PSA. Furthermore, we have been developing and providing PSA with excellent optical properties that are required from optically clear adhesive applied to touch panels.



\*Dielectric constant : A material constant that represents the extent to which the dielectric polarization occurs in dielectric material.

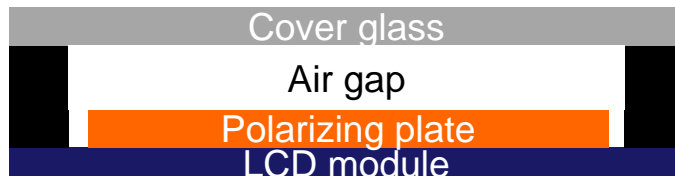


## Optical Elasticity UV curable PSA

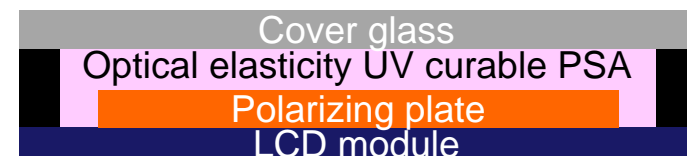
-Thinner and performance improvement of touch panel displays-

- Optical elasticity UV curable resin has **elasticity\*** and absorbs impact imposed on the display. Therefore, the profile of the display is reduced in comparison with that of air gap type to **contribute to improvements in the strength of the panel.**
- Furthermore, **high visibility and contrast** are realized by filling the air gap with optical elasticity UV curable PSA.
- NIPPON GOHSEI uses its technology **to control the elastic-modulus** to suit customer needs.

【Air gap structure】



【Optical elasticity UV curable PSA】



\* Elasticity = The nature of material to change its shape when external force is applied to the material and return to its original shape when the external force is removed.

Specialty Polymers Department has been providing a variety of products, including

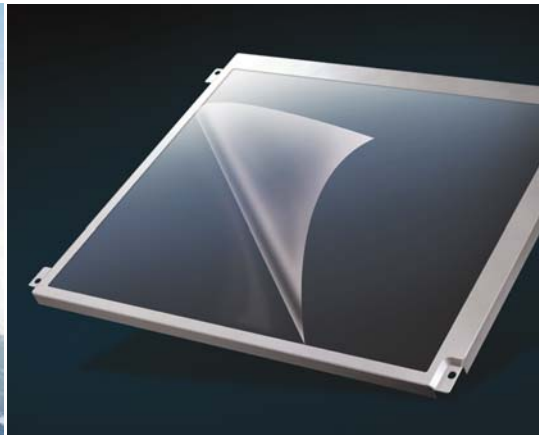
- Water vapor barrier PSA, “COPONYL” “SHIKOH”
- Heat-resistant masking PSA, “COPONYL”
- Bendability UV hard coating resin, “SHIKOH”

in the optical field, and developing products tailored to the trend.

【Usage example】



Water vapor barrier PSA  
“Solar panels”



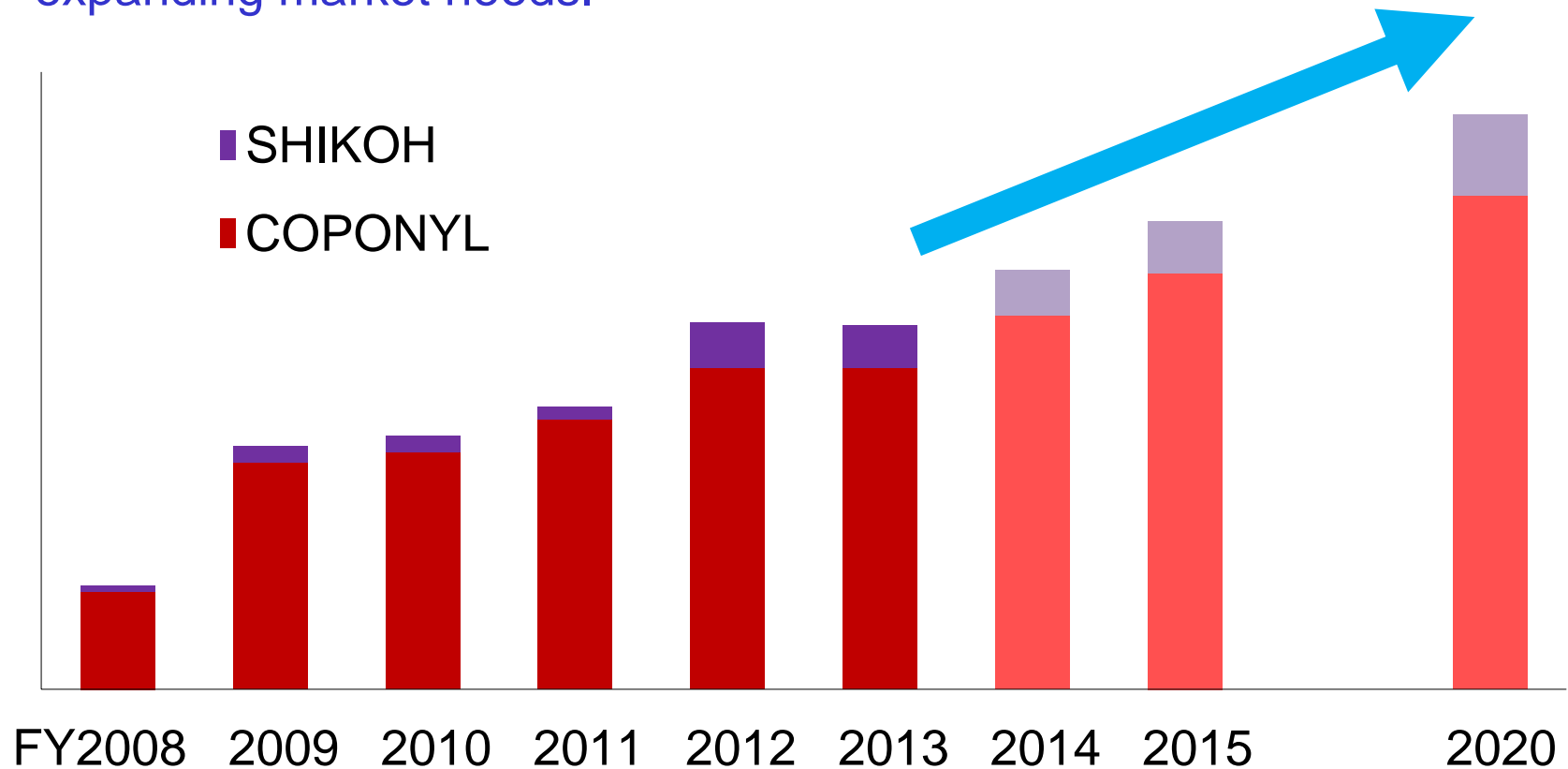
Heat-resistant masking PSA  
“Masking film for polarizing plates”



Bendability UV hard coating resin  
“Flexible electronic paper”

# Transition and sales target of “COPONYL” and “SHIKOH” as pressure sensitive adhesive (PSA)

We are planning a facility expansion in accordance with the expanding market needs.



## Glossary

**OCA**=Optically Clear Adhesive

Generally, OCA tape is manufactured from acrylic solvent-based PSA (**COPONYL**).

**OCR** = Optically Clear Resin

(Called LOCA = Liquid Optically Clear Adhesive)

Generally, OCR (LOCA) is manufactured from UV curable resin (**SHIKOH**) blended with various types of UV curable resin (**SHIKOH**).

# Solution by Chemistry

The amounts in this report are rounded down when less than a unit; percentages, etc. are round off.

Further, the cumulative six months of the first and second quarters are the first half, and the cumulative six months of the third and fourth quarters are the second half.

The business forecast and predictions in this report are calculated based on the information available at the time of writing. It is possible that the actual results may differ due to a variety of factors.



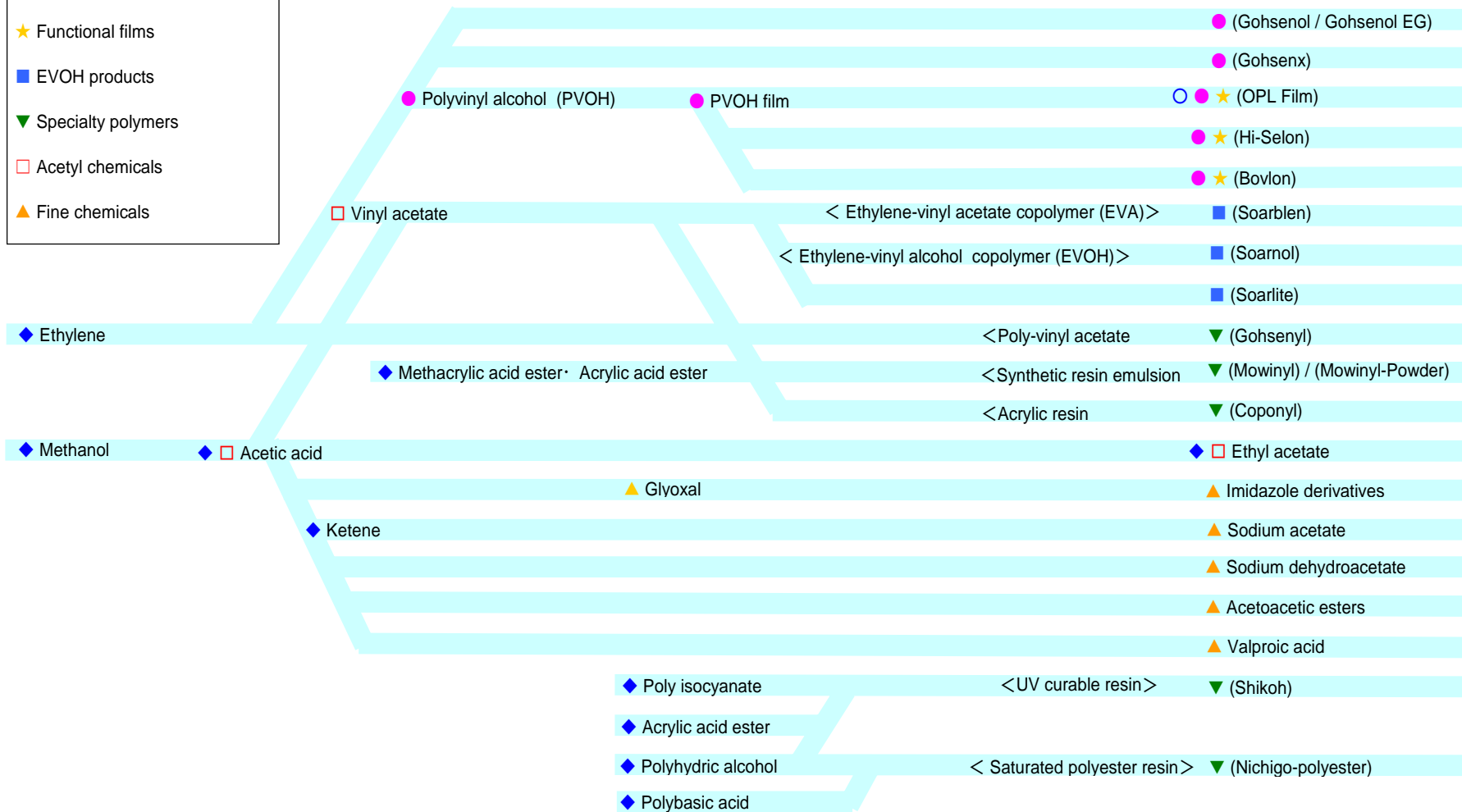
---

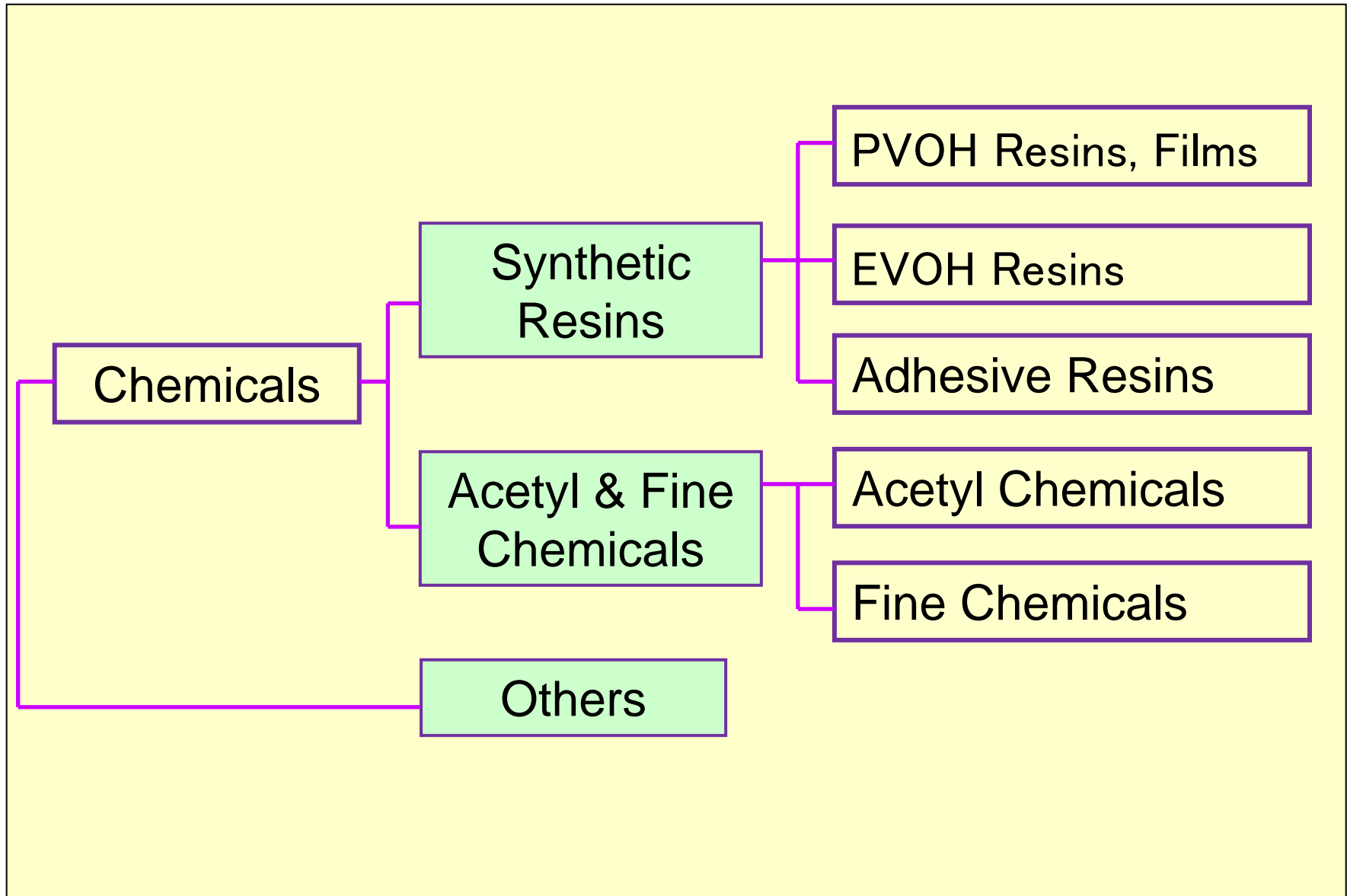
# Appendix

---

# Products List

- PVOH products
- IT's and electronic products
- ★ Functional films
- EVOH products
- ▼ Specialty polymers
- Acetyl chemicals
- ▲ Fine chemicals

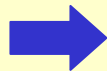




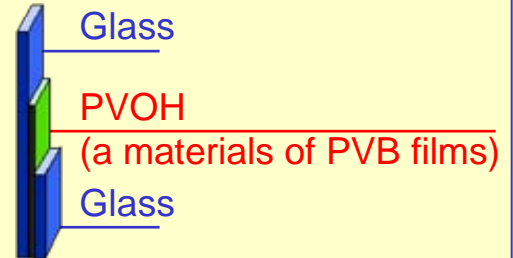
## ◆What is “Gohsenol™”?

### Feature

- Water solubility
- adherence
- Film forming properties, etc.



## ◆Main Application



Used as raw material for the bonding middle layer in safety glass for windshields

Used as a surface coating agent for information industrial paper

- heat sensitive paper
- ink jet recording paper, etc.



Used as raw material for PVOH films

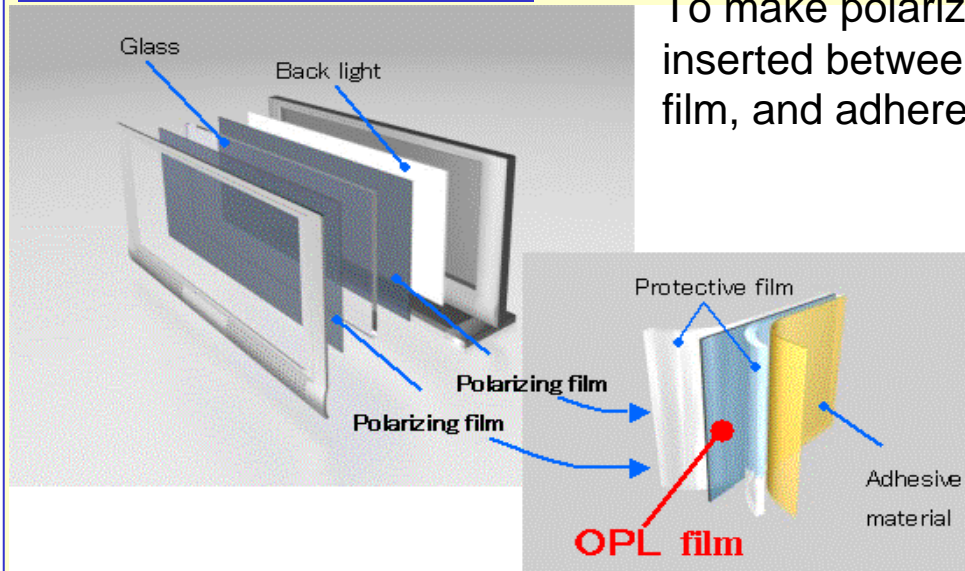
- optical polarized PVOH film, etc.



## ◆“Gohsenol™” Production capacities

The Mizushima Plant	40,000 tonnes / y
The Kumamoto Plant	30,000 tonnes / y
Total	70,000 tonnes / y

## ◆What is OPL Film™ ?



To make polarizing film, OPL Film™ for polarizer is inserted between two layers of protective film called TAC film, and adherently processed to affix to LCD panel.



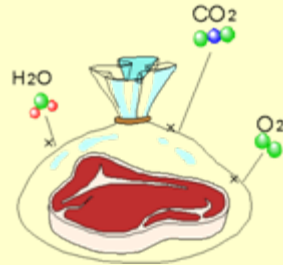
## ◆OPL Film™ Production capacities

2003	12 million m <sup>2</sup> / y	The Ogaki Plant
2005	13 million m <sup>2</sup> / y	The Ogaki Plant
2008	15 million m <sup>2</sup> / y	The Kumamoto Plant
2009	15 million m <sup>2</sup> / y	The Kumamoto Plant
2012	15 million m <sup>2</sup> / y	The Kumamoto Plant (Ultra-wide film)
2014	18 million m <sup>2</sup> / y	The Kumamoto Plant (Ultra-wide film)
total	88 million m <sup>2</sup> / y	

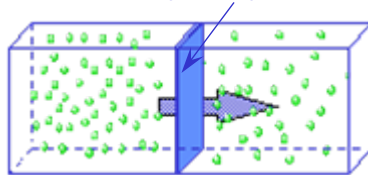
## ◆What is EVOH ?

### Feature

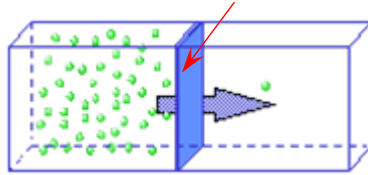
- High gas barrier
- Fragrance preservation
- Transparency, etc.



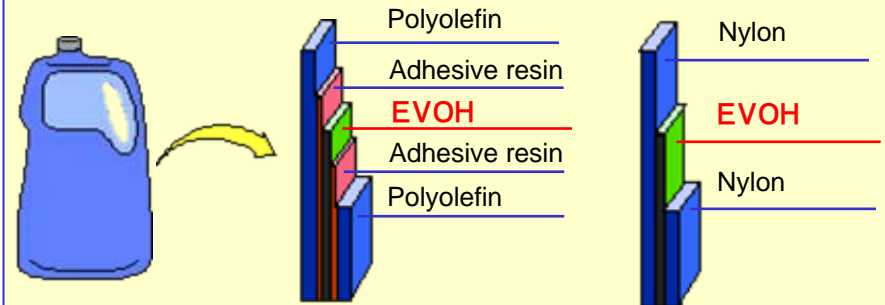
### Polyethylene



### EVOH



## ◆Main application



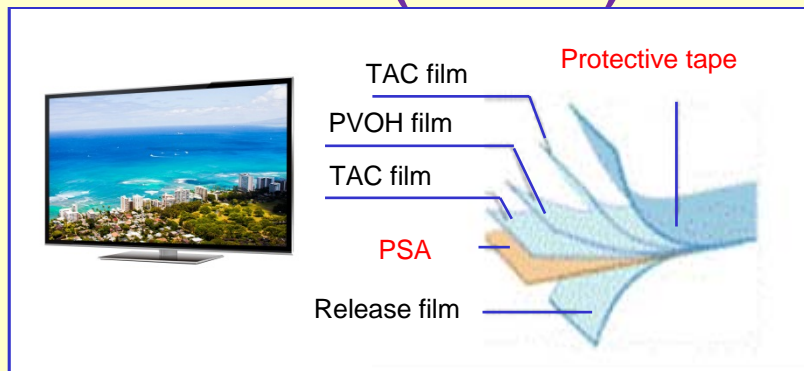
Soarnol™ is a package for preserving flavor and freshness.

## ◆Soarnol™ Production capacities

The Mizushima Plant	10,000 tonnes / y
NOLTEX (U.S.A.)	23,000 tonnes / y
NIPPON GOHSEI UK	18,000 tonnes / y
<b>Total</b>	<b>51,000 tonnes / y</b>
FY2014 4Q NOLTEX	+15,000 tonnes / y



## ◆ COPONYL™ (for LCD)



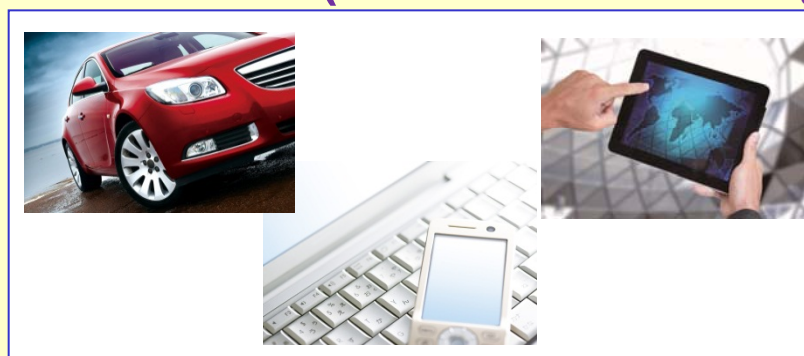
- PSA for LCD polarizing plate
- High durability

## ◆ MOWINYL™ (for inkjet paper)



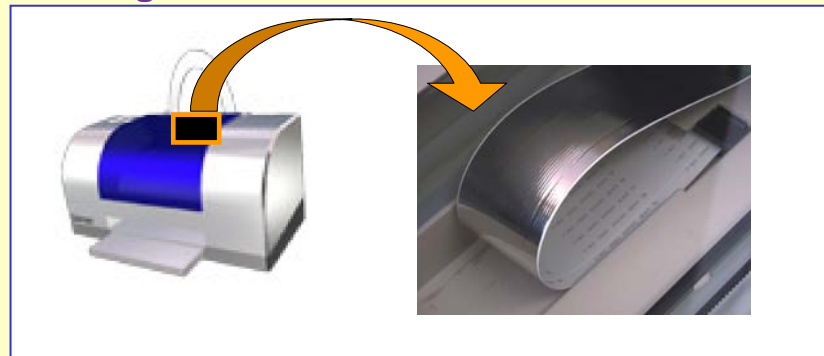
- A porous film is formed by incorporating colloidal silica
- Improved in ink-receiving, image clarity and chromogenic properties

## ◆ SHIKOH™ (for functional coating)



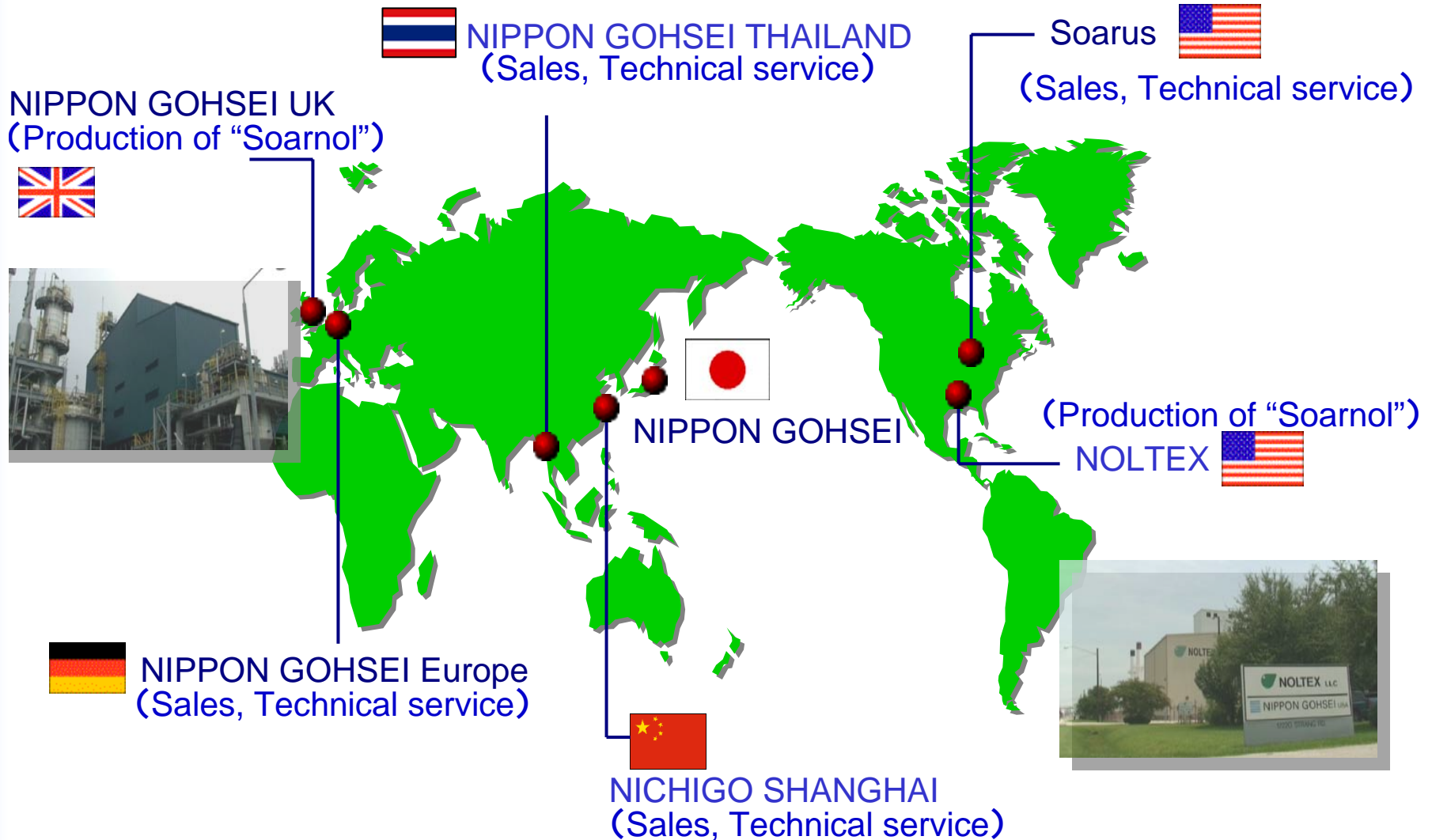
- Hard coating for plastics, optical films
- Good adhesion and hardness

## ◆ Nichigo-POLYESTER™ for adhesive



- Adhesive for FFC (flexible flat cable)
- Good adhesion and heat resistance

# Overseas Sites





# Review of Operation

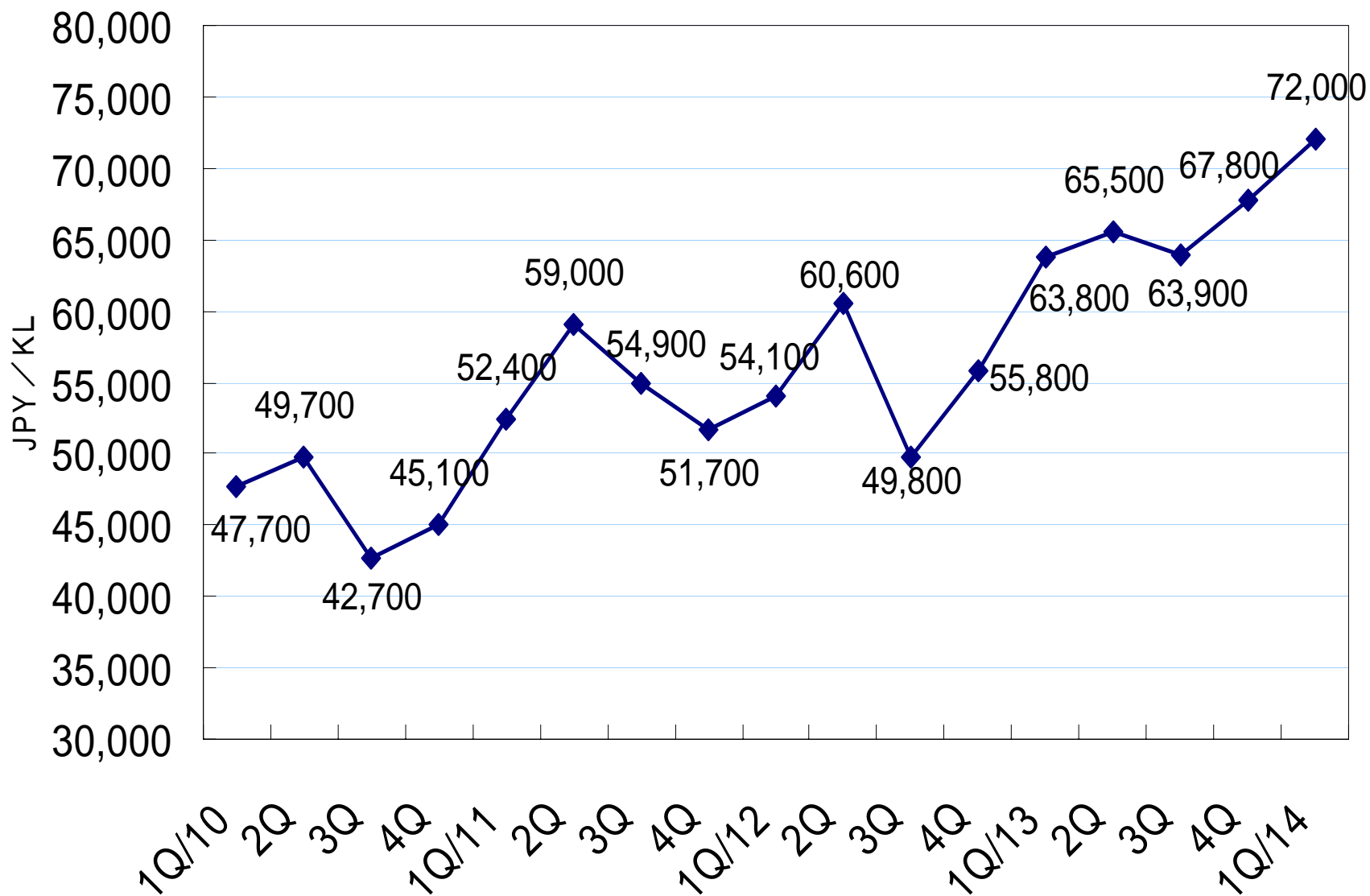
## Financial Highlights

¥:Billion	FY09	FY10	FY11	FY12	FY13
Sales	90.0	91.2	87.2	91.9	111.1
(Synthetic resins)	65.0	64.9	61.5	67.1	83.5
(Acetyl and Fine chemicals)	22.7	22.9	22.0	20.6	23.7
(Others)	2.2	3.3	3.6	4.2	3.8
Operating income	10.7	10.0	7.1	11.8	16.2
(Synthetic resins)	10.7	10.2	7.2	11.8	16.4
(Acetyl and Fine chemicals)	0.2	△0.1	0.0	0.1	0.4
(Others)	0.0	0.2	0.2	0.2	2.0
(Common costs)	△0.2	△0.2	△0.3	△0.3	△0.4
Net profits	5.7	6.1	3.1	8.1	8.0
Total Assets	106.6	97.8	99.7	112.1	130.1
Debt	22.7	13.5	11.9	10.0	14.7
Net Assets	53.9	54.9	55.9	65.4	76.7
CAPEX	5.1	6.7	9.7	10.4	20.2
Depreciation	6.7	6.5	6.4	6.9	7.1
Net income profit per Share ¥	59.06	62.94	32.38	83.75	82.33
Net Assets per Share ¥	538.54	564.07	574.83	671.84	788.11
Cash dividends per Share ¥	10.0	12.0	12.0	15.0	18.0
Stock price per Share ¥ (March 31)	643	513	509	839	741

## Exchange rate, Naphtha price

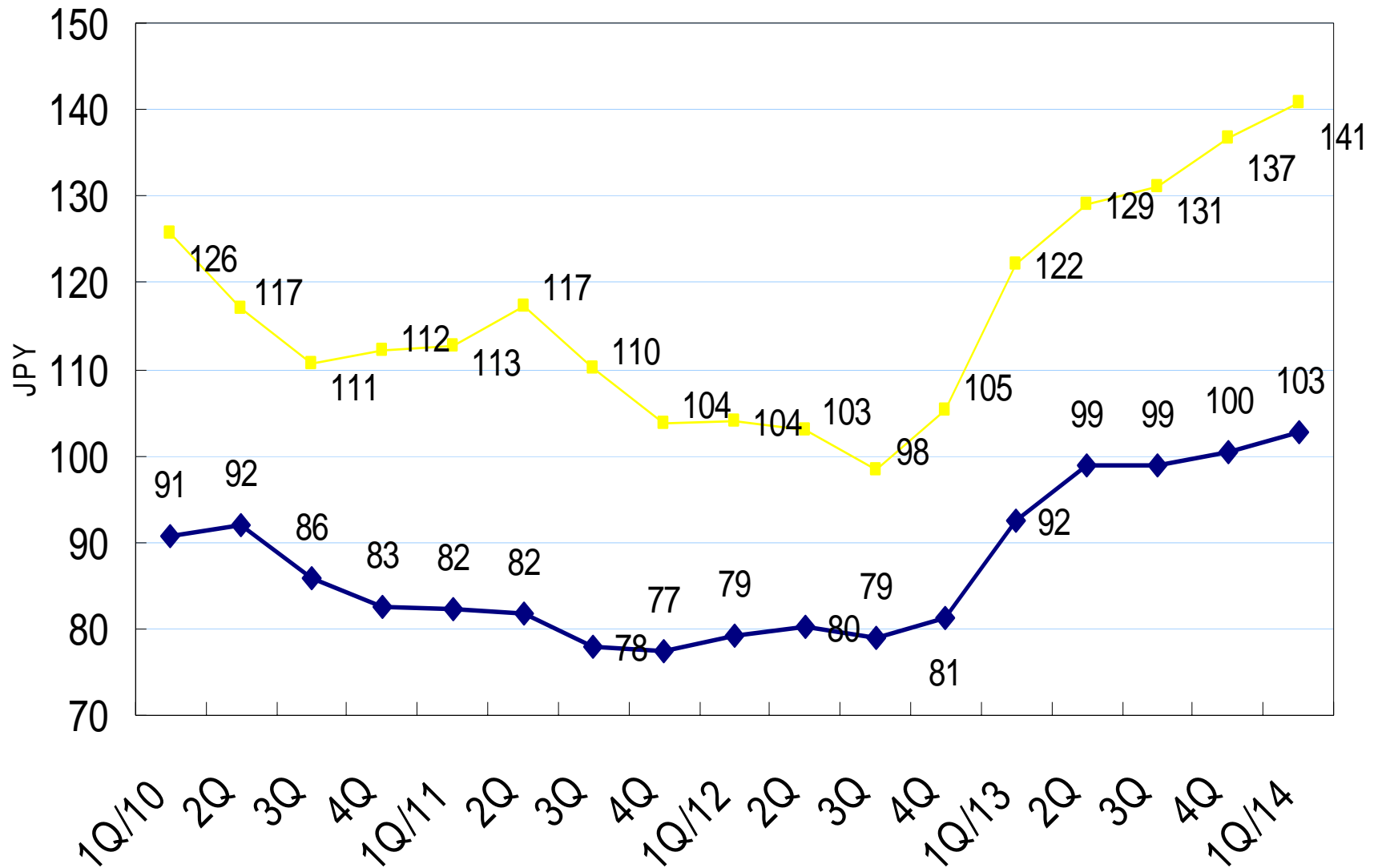
¥	FY09	FY10	FY11	FY12	FY13
1\$	92.9	85.7	79.1	83.2	100.2
1€	131.2	113.1	108.8	107.1	134.3
Naphtha Average	41,100	47,475	54,925	57,500	67,300

# Naphtha Price (1Q/2010~1Q/2014)



# Exchange rate (1Q/2010~1Q/2014)

¥ / \$, ¥ / €



## Composition of Shareholders

Authorized Shares 154,944,000

Outstanding Shares 97,403,112 (except 966,074 shares held by NIPPON GOHSEI)

Number of Shareholders 5,120

Rank	Shareholder's Name	Rate
1.	Mitsubishi Chemical Corporation	50.9%
2.	State Street Bank and Trust Company	3.6%
3.	The Master Trust Bank of Japan, LTD. (Trust Account)	2.6%
4.	NORTHEN TRUST CO. (AVFC) SUB A/C NON TREATY	1.3%
5.	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1.3%
6.	Japan Trustee Services Bank, LTD. (Trust Account)	1.2%
7.	Mizuho Bank, LTD.	1.2%
8.	Marubeni Corporation	1.0%
9.	Resona Bank, LTD.	0.9%
10.	Employee shareholding association	0.8%