

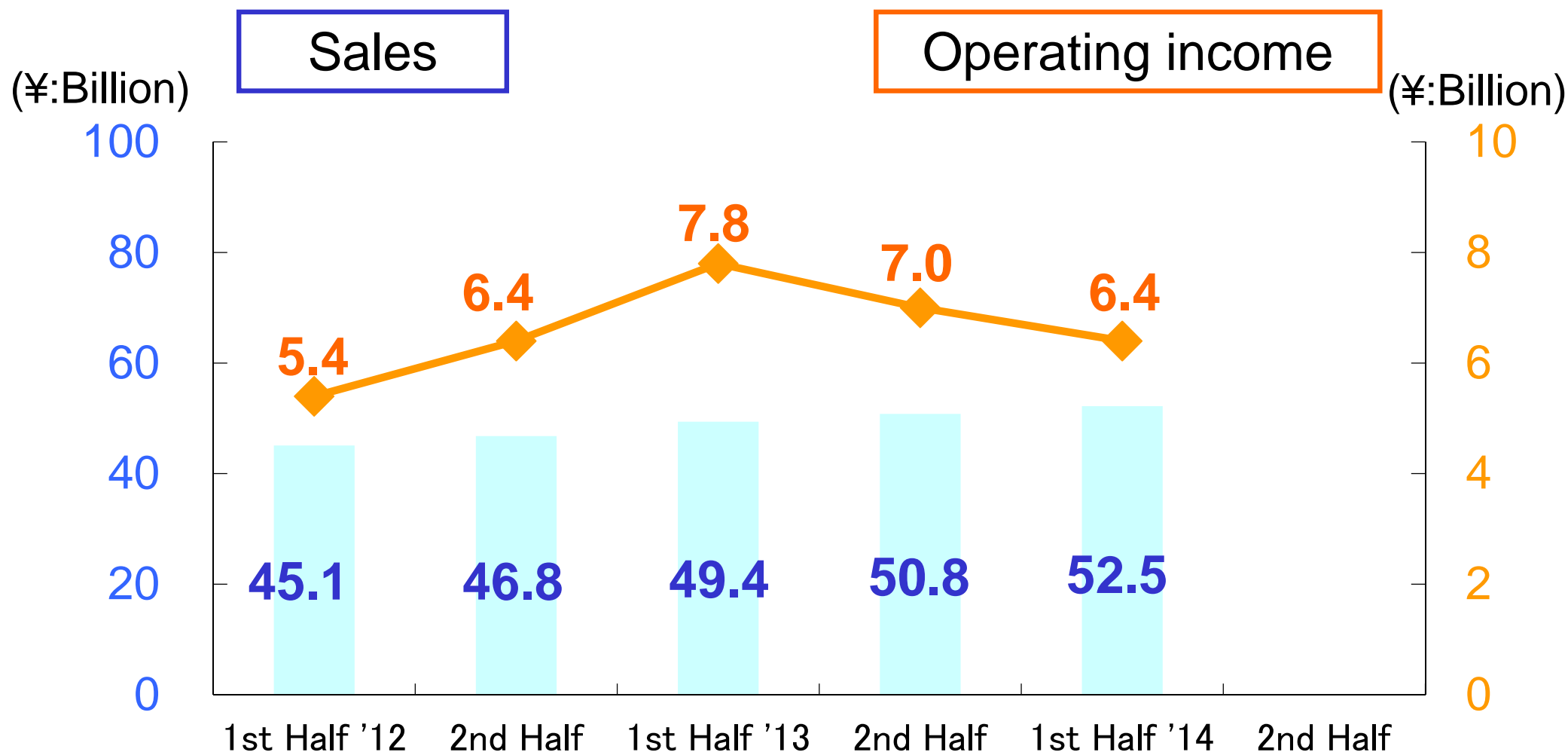
Financial Results for 1st Half of FY2014

November 26, 2014

The Nippon Synthetic Chemical Industry Co., Ltd.

Results of 1st Half and Forecasts of FY2014

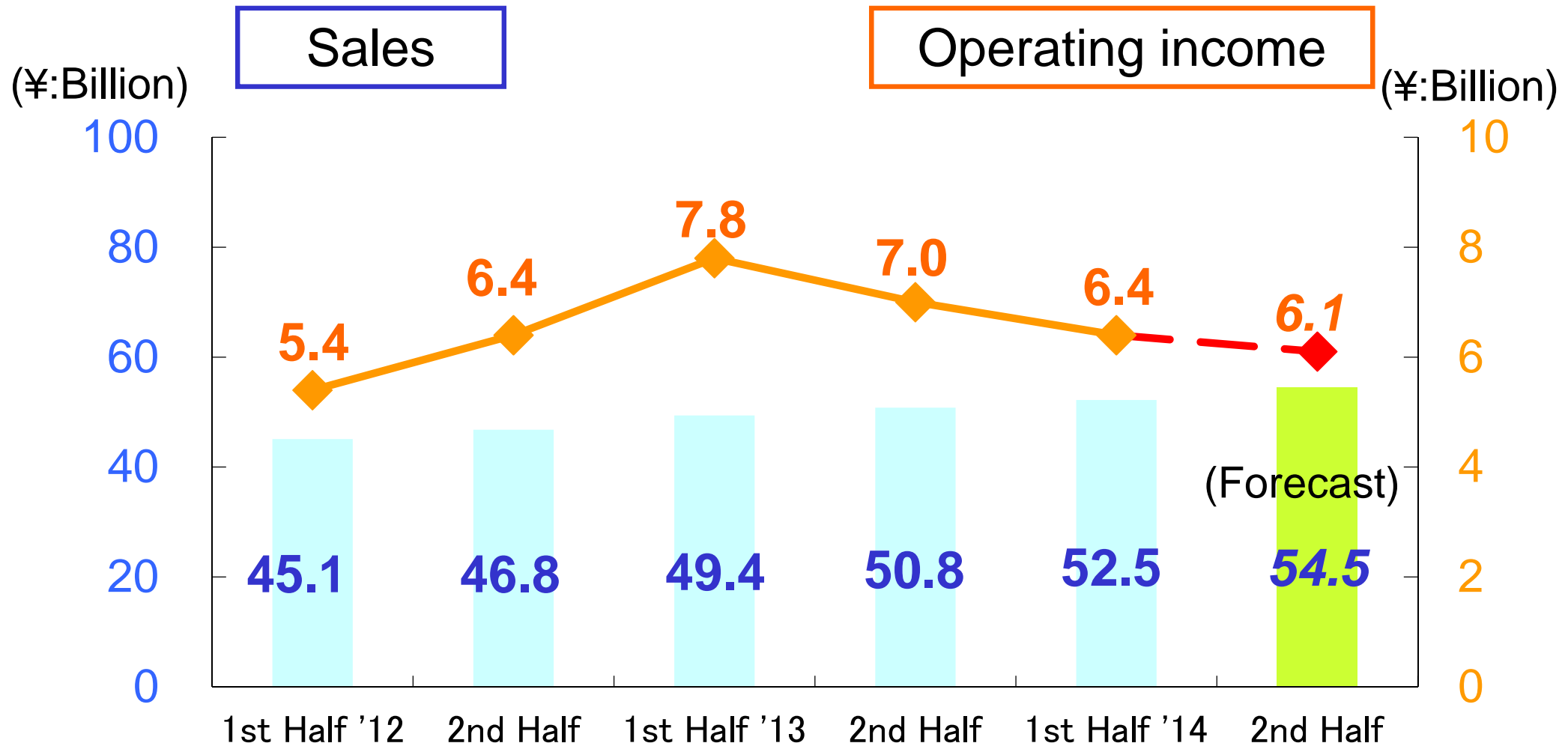
Summary of 1st Half and Business Environment



A steep price rise in “Soarnol” raw material in Europe and a delay in the sixth line of “OPL Film” decreased our total year-on-year profit despite an increase in our year-on-year sales.

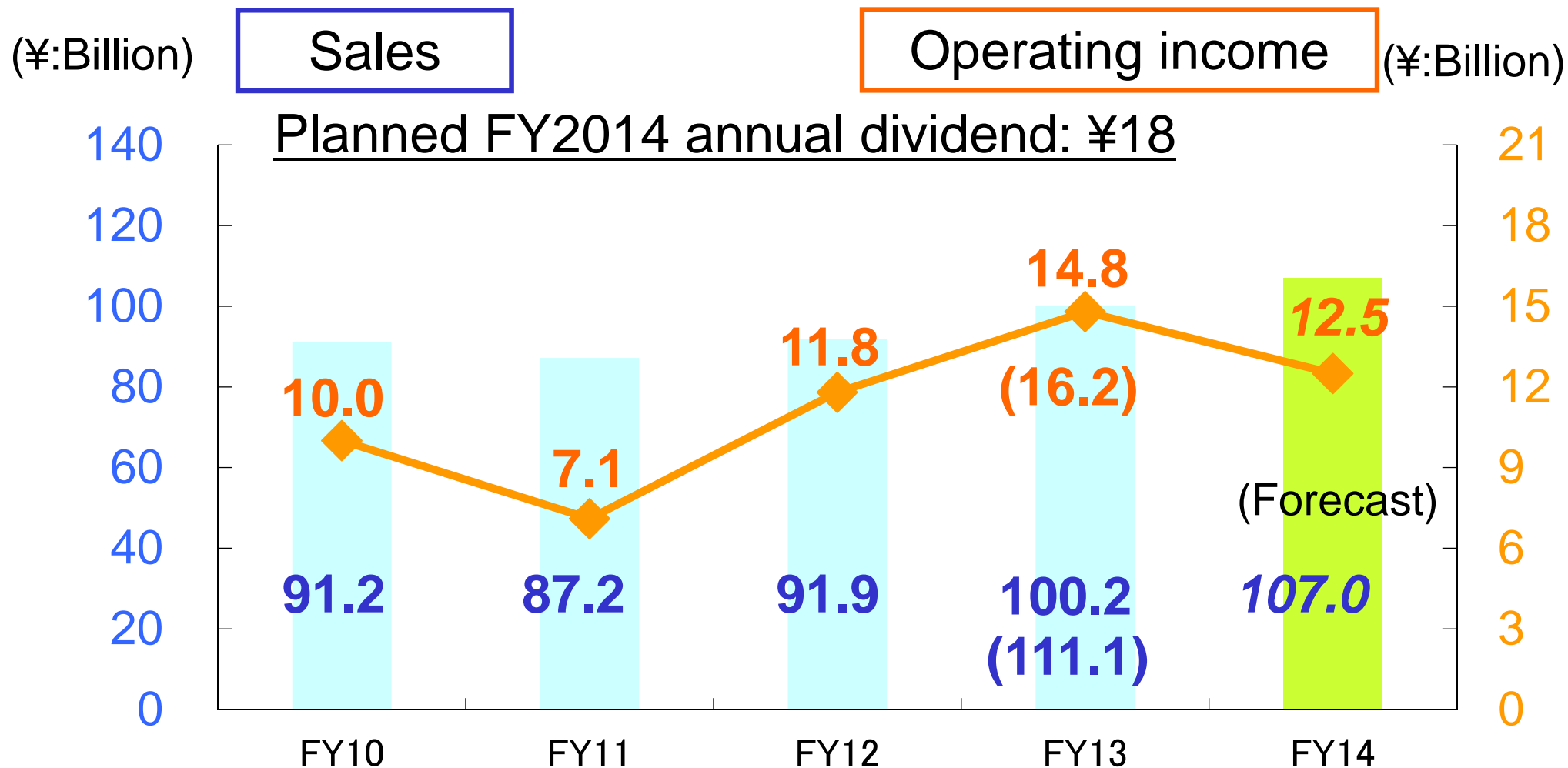
Note: The numeric values of fiscal 2013 were obtained by excluding the impact of the fiscal term change of consolidated subsidiaries to the company.

Forecasts of 2nd Half and Business Environment forecasts



Despite the sixth line of “OPL Film” in the second-half term, our total year-on-year profit would be decreased due to a steep price rise in “Soarnol” raw material in Europe.

Note: The numeric values of fiscal 2013 were obtained by excluding the impact of the fiscal term change of consolidated subsidiaries to the company.



A decrease in profit despite an increase in year-on-year sales on a 12-month comparison basis.

Note: Figures in parentheses include the impact of main consolidated subsidiaries as a result of the fiscal term change

Mid-Term Management Plan
“Double 15” Fourth Year

“Double 15” (1)

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 products' development

3. Competitive advantage

4. Overseas expansion

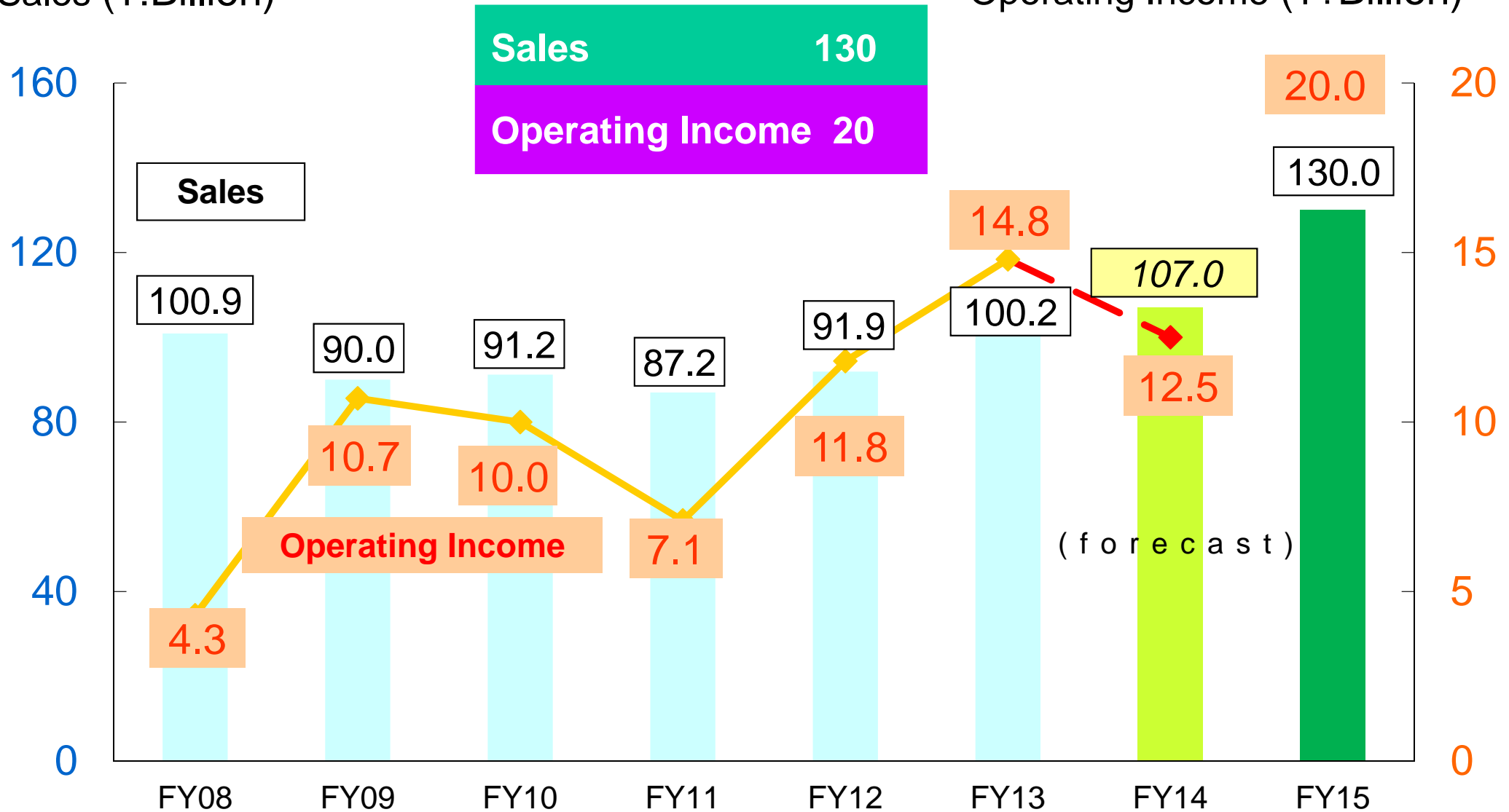
5. Assurance of Safety, Quality, Environment, and Compliance

Mid-Term Management Plan

“Double 15” (2)

Sales (¥: Billion)

Operating Income (¥: Billion)



(Note) Figures of FY2013 are based on the condition that the settlement of 12-month accounts is made, and figures of FY2014 are earnings forecasted

Expansion of core businesses

Production capacity increase

“OPL Film”: The 6th Line (18 million m² / year)

Completed in the Kumamoto Plant

Qualified by customers in August

Came into operation in November though it took time in quality stabilization

“Soarnol”: New Line (15,000 tonnes/ year)

Under construction at NOLTEX (U.S.A.)

Scheduled to come into operation in the first-quarter of FY 2015.

Promoting business development by taking advantage of high cost competitiveness in the U.S.A.

Establishment of the third pillar and strengthening of new products' development

Production capacity increase

“Coponyl”: Adding a new line to the Ogaki Plant.

- Responding to a demand expansion in applications of electronic and optical components.
- The total production capacity will increase approximately 1.5 times of the current capacity after its completion.
- Capital expenditures: 2.6 billion yen
- Scheduled to come into operation in the first-quarter of FY2016.

“Hi-Selon”: Establishing a new line at the Kumamoto Plant.

- Responding to a demand expansion in applications of transfer printing film and unit packaging materials.
- The total production capacity will increase approximately 2.0 times of the current capacity after its completion.
- Capital expenditures: 2.9 billion yen
- Scheduled to come into operation from the fourth-quarter of FY 2015.

Establishment of the third pillar and strengthening of new products' development

“Nichigo G-Polymer”

Developing planning to meet practical application demands is making progress by taking advantage of the biodegradability, melt-moldability, gas barrier properties, readily solubility, and chemical resistance of the products. Focusing on the adoption in the food packaging, hygiene material, and environmental energy fields.

“ORGA”

Continuing to find needs for thick-film products in excess of 2 mm in thickness, appealing users with the ease of workability and weight reduction of the products, thus differentiating the products from glass.

Enhancement of research and development

Newly establishing an “advanced research building” at the Central Research Laboratory (in Ibaraki, Osaka Prefecture).

Scheduled to be completed in the fourth-quarter of FY 2014.

Streamlining business for MCHC group synergies

Emulsion Business

Integrated the manufacturing sector into Japan Coating Resin (formerly called Chuo Rika Kogyo), an emulsion business company of the MCHC Group in October.

Research, development, and sales activities are conducted in a conventional manner.



Business Results of 1st Half FY2014

Synthetic Resins

“OPL Film”

Unfavorable factors, such as a delay in the operation of the sixth line, caused a slight year-on-year sales decrease.

“Soarnol”

The quantity of production remained about the same in level as that of the previous year. Due to a steep price rise in the raw material (vinyl acetate monomer) in Europe, there was a reduction in the spread of sales.

Pressure sensitive adhesive copolymer

There was a year-on-year increase volume as a result of the sales recovery of “Coponyl.”

Consolidated Business Results

(¥:Billion)

	1 st Half FY13	1 st Half FY14	Diff.
Sales	49.4	52.5	+3.0 (+ 6.3%)
Operating income	7.8	6.4	▲1.3 (+17.1%)
Operating income ratio	15.8%	12.3%	▲ 3.5%
Ordinary income	8.1	6.5	▲1.5 (▲19.4%)
Net profit	5.2	4.1	▲1.0 (▲20.5%)

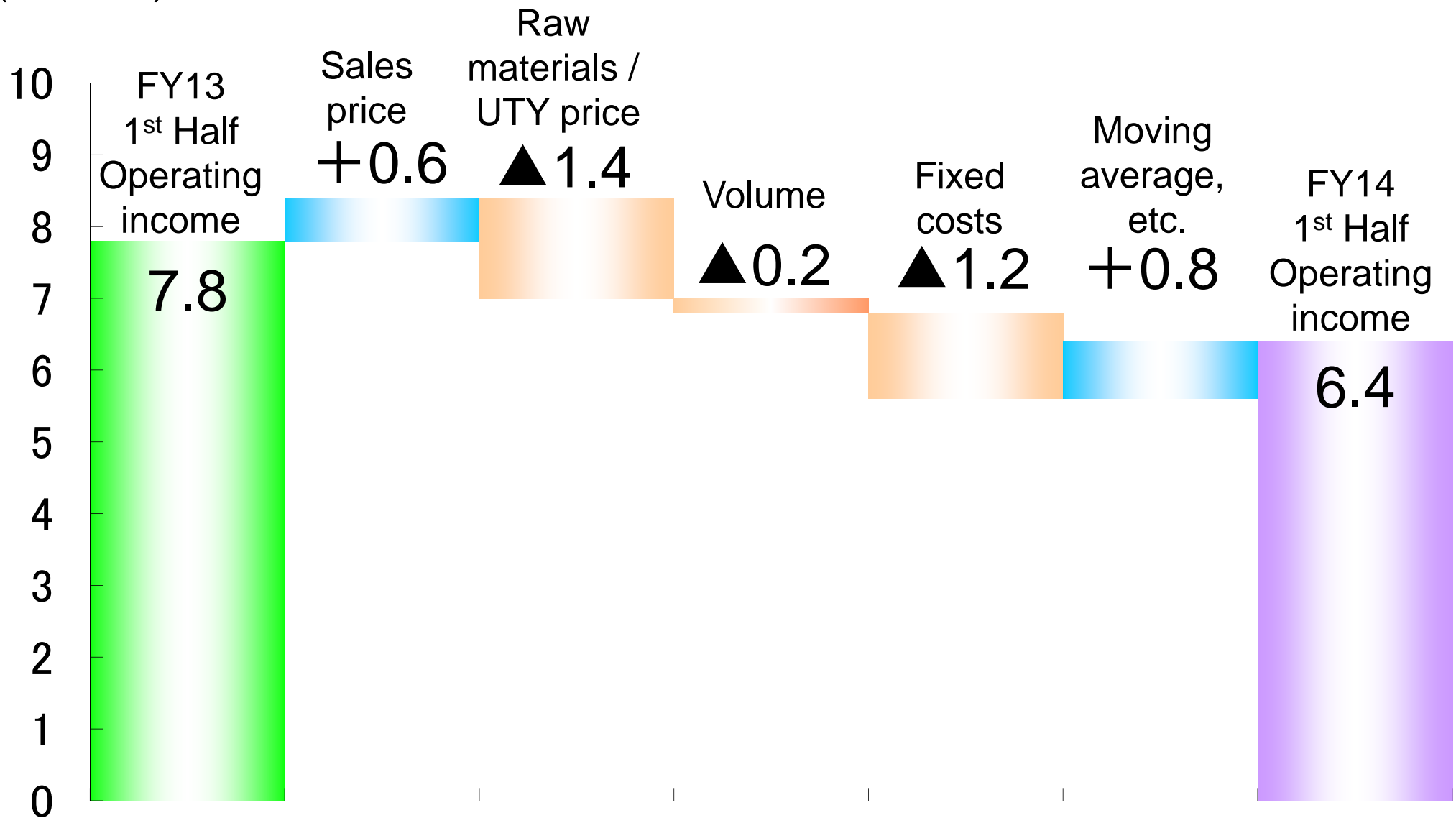
Consolidated Business Results by Segment

(¥:Billion)

	Sales			Operating income		
	1 st Half FY13	1 st Half FY14	Diff.	1 st Half FY13	1 st Half FY14	Diff.
Synthetic Resins	37.3	38.7	+1.3	7.8	6.5	▲1.3
Acetyl & Fine Chemicals	10.1	11.8	+1.7	0.0	0.0	0.0
Chemical Products	47.5	50.6	+3.1	7.9	6.5	▲1.3
Others	1.9	1.9	0.0	0.1	0.1	0.0
Common Cost	—	—	—	▲0.2	▲0.2	0.0
Total	49.4	52.5	+3.0	7.8	6.4	▲1.3

Analysis of Operating Income

(¥:Billion)



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

(¥:Billion)

	1 st Half FY13	1 st Half FY14	Diff.
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CAPEX	6.6	7.7	+1.1
Depreciation	3.1	3.2	+0.1
R&D Expenses	1.8	1.7	▲0.1

※ CAPEX on acceptance basis

JPY/US\$	99	103	+4
JPY/EURO	130	138	+8

※ Average rate

Naphtha price (JPY/KL)	64,700	70,400	+5,700
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※ Average price

Balance Sheet

End of FY13	End of 1 st Half FY14	Diff.
Assets		
130.1	140.1	+10.0
Current assets		
56.9	61.5	+4.6
Fixed assets		
73.2	78.5	+5.3

End of FY13	End of 1 st Half FY14	Diff.
Liabilities and shareholder's equity		
130.1	140.1	+10.0
Liabilities		
53.3	59.3	+6.0
Net assets		
76.7	80.7	+3.9

Retained earnings +3.0

Period end exchange rate for Overseas subsidiaries (yen)		
	End of Mar. 2014	End of Sep. 2013
US\$	103	109
€	142	139

	End of FY2013	End of 1 st Half FY2014	Diff.
Equity	76.7	80.7	+3.9
Equity Ratio	59.0%	57.6%	▲1.4%
Debt	14.7	21.7	+7.0
D/E Ratio	0.19	0.27	+0.08

* Exchange rate effect is ¥1.5 billion of total asset increase.

Cash Flow

	1 st Half FY13	1 st Half FY14	(¥:Billion)
Cash Flow from operating activities	5.5	5.1	
Cash Flow from investing activities	▲ 5.8	▲ 7.8	Fixed assets ▲ 1.0
Free Cash Flow	▲ 0.3	▲ 2.6	
Cash Flow from financial activities	▲ 0.8	+ 5.3	
Net increase (decrease) in cash and cash equivalents	▲ 0.4	+ 2.8	
Cash and cash equivalents at end of period	8.2	8.5	



Business Forecasts of FY2014

1.Exchange rate

	1 st Half Ave.	2 nd Half	Diff
JPY/US\$	103	106	+3
JPY/€	139	136	▲3

2.Naphtha price (JPY / KL)

	1 st Half Ave.	2 nd Half	Diff
Naphtha	70,400	67,000	▲3,400

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

(¥:Billion)

	FY13	FY14	Diff.
CAPEX	20.2	13.8	▲6.4
Depreciation	7.0	7.2	+0.2
R&D Expenses	3.7	4.0	+0.3

※ CAPEX on acceptance basis

JPY/US\$	100	105	+5
JPY/EURO	134	137	+3

※ Average rate

Naphtha price (JPY/KL)	67,300	68,700	+1,400
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※ Average price

Synthetic Resins

- ◆ “OPL Film”
The quality of the 6th line has become stable, and the line will come into operation in November.
- ◆ “Soarnol”
The price of the raw material (vinyl acetate monomer) has been still high in Europe.
- ◆ Pressure-sensitive adhesive, functional coatings
Continuously expanding the sales of “Coponyl” and “Shikoh” for applications of electronic and optical materials.

Consolidated Business Forecasts of FY2014

				(¥:Billion)	
	FY14 1 st Half	FY14 2 nd Half	FY14 Forecast	FY13 Actual	FY12 Actual
Sales	52.5	54.5	107.0	100.2 (111.1)	91.9
Operating income	6.4	6.1	12.5	14.8 (16.2)	11.8
Operating income ratio	12.3%	11.2%	11.7%	14.8%	12.9%
Ordinary income	6.5	6.1	12.6	15.3 (16.7)	12.3
Net Profit	4.1	3.9	8.0	7.0 (8.0)	8.1
Net Profit per share (yen)	43.01	39.12	82.13	72.23	83.75
Cash dividends per share (yen)	9	9	18	18	15

Figures in parenthesis include the impact of main consolidated subsidiaries as a result of the fiscal term change

Consolidated Business Forecasts of FY2014 by Segment

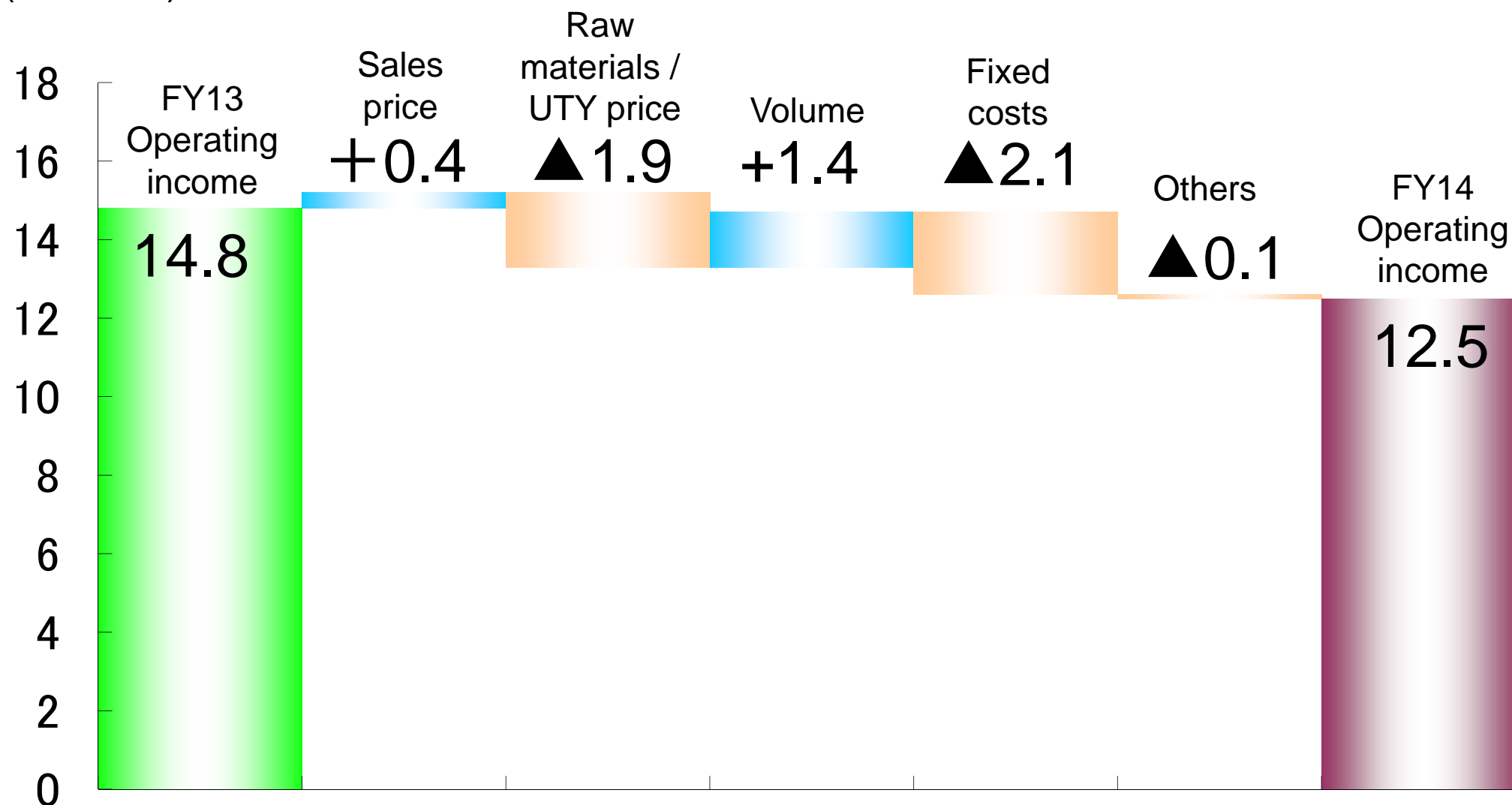
(¥:Billion)

	Sales			Operating income		
	FY13 results	FY14 forecast	Diff.	FY13 results	FY14 forecast	Diff.
Synthetic Resins	75.0	78.7	+3.7	15.0	12.7	▲2.3
Acetyl & Fine Chemicals	21.3	24.6	+3.3	0.0	0.1	+0.1
Chemical Products	96.3	103.3	+7.0	15.0	12.8	▲2.2
Others	3.8	3.7	▲0.1	0.2	0.2	0.0
Common Cost	—	—	—	▲0.4	▲0.5	▲0.1
Total	100.2	107.0	+6.8	14.8	12.5	▲2.3

Figures of FY2013 are based on the condition that the settlement of 12-month accounts is made.

Analysis of Operating Income

(¥:Billion)



Figures of FY2013 are based on the condition that the settlement of 12-month accounts is made.

Solution by Chemistry

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

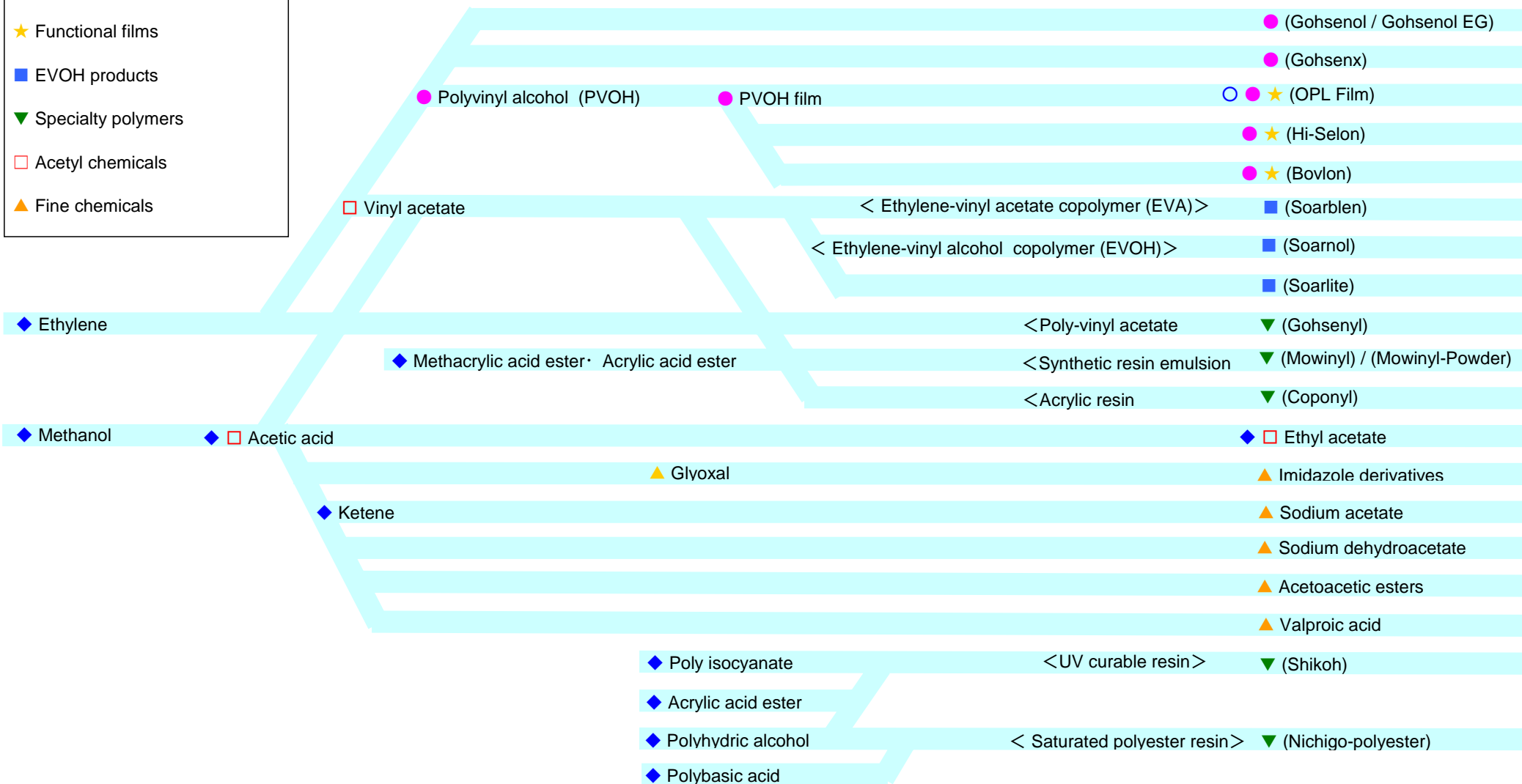
Further, the cumulative six months of the first and second quarters are the first half, and the cumulative six months of the third and fourth quarters are the second half.

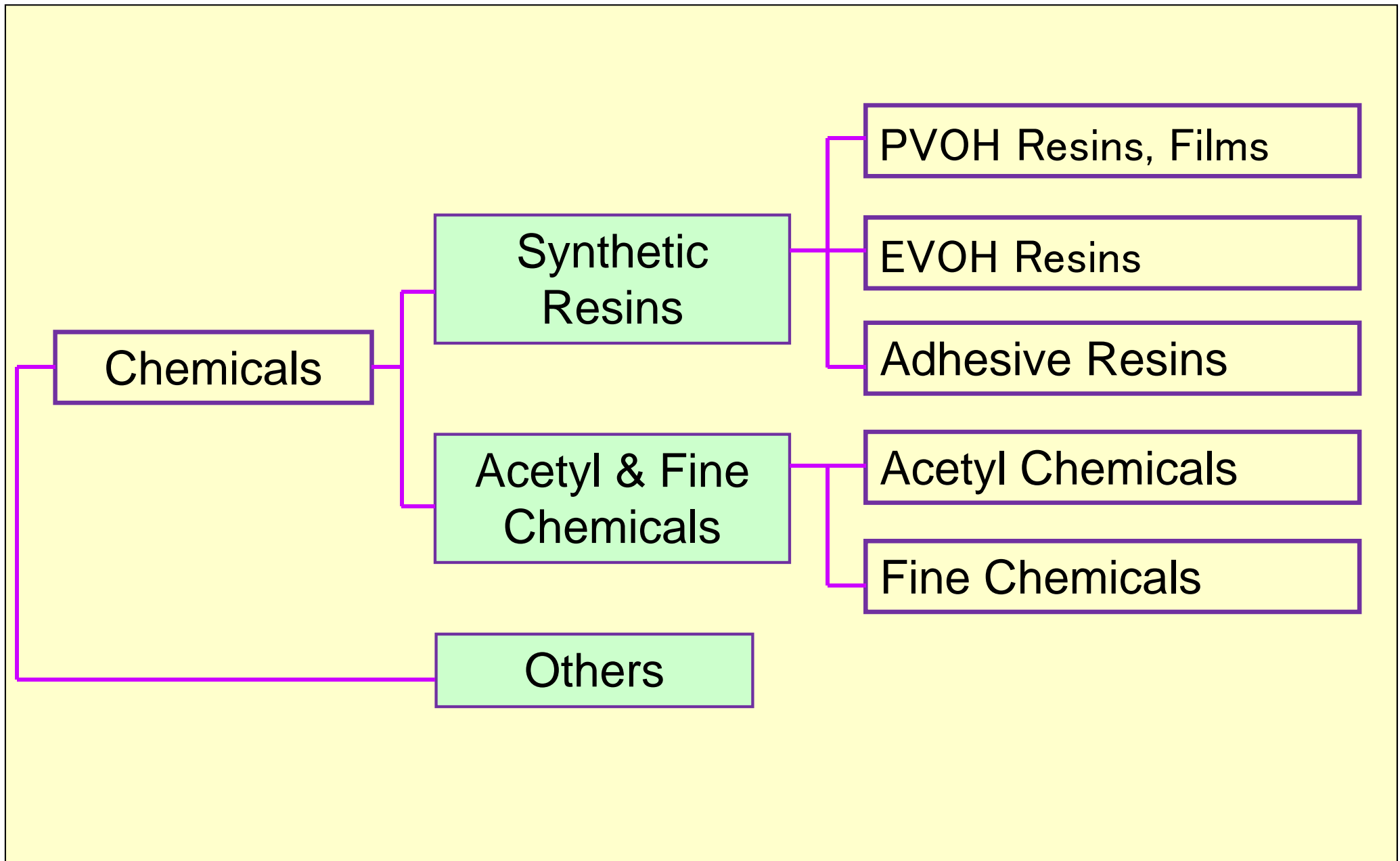
The business forecast and predictions in this report are calculated based on the information available at the time of writing. It is possible that the actual results may differ due to a variety of factors.

Appendix

Products List

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

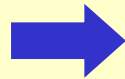
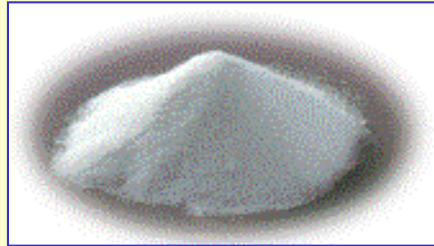




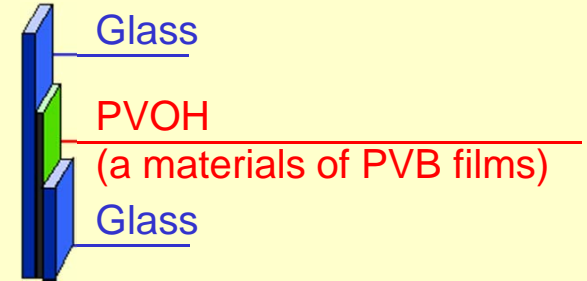
◆What is "Gohsenol™"?

Feature

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



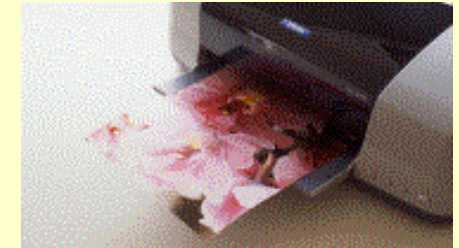
◆Main Application



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

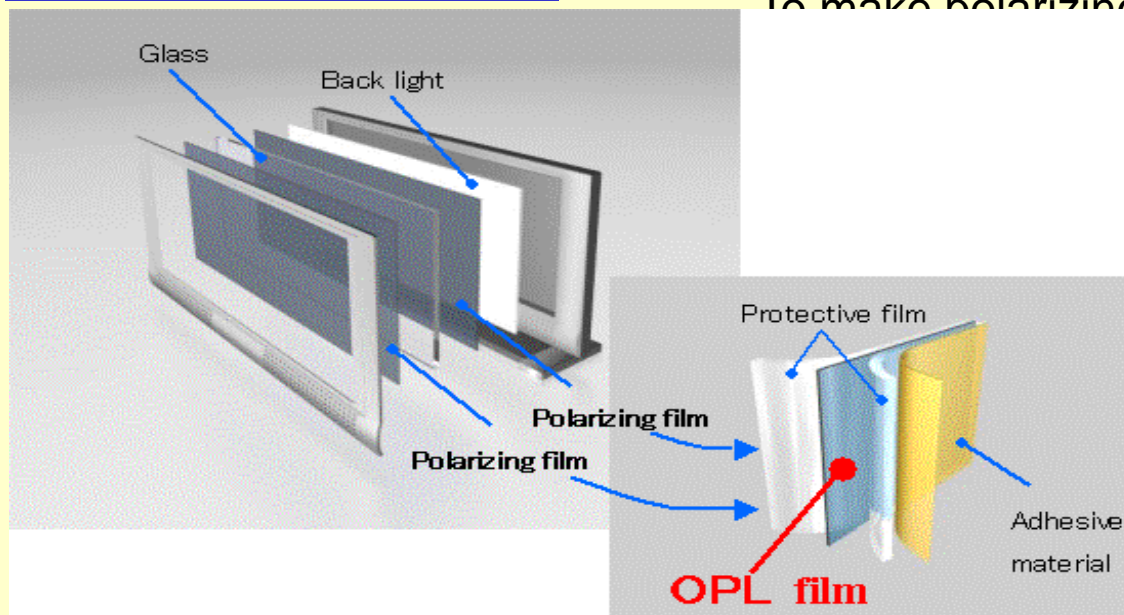
- optical polarized PVOH film, etc.



◆"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 layers of protective film called TAC film, and is used to affix to LCD panel.



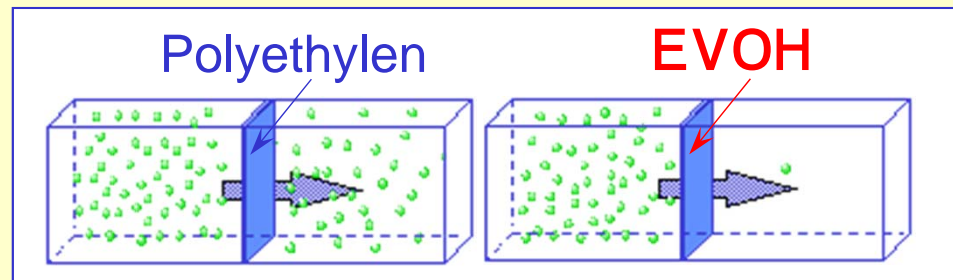
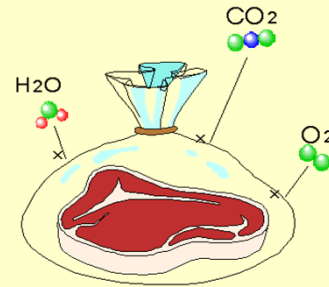
◆OPL Film™ Production capacities

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

◆What is EVOH ?

Feature

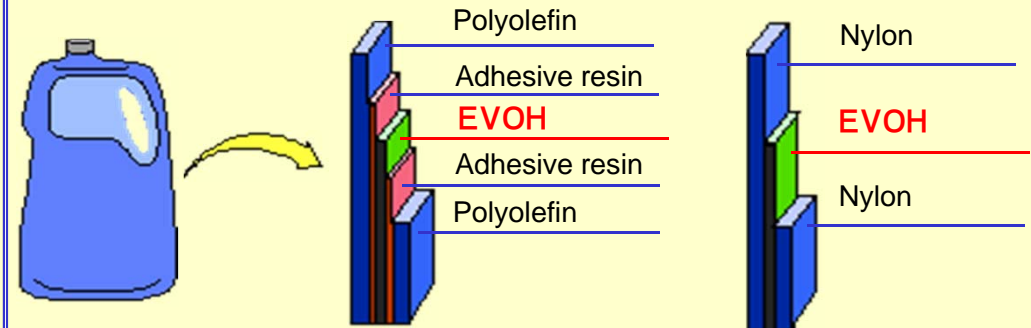
- High gas barrier
- Fragrance preservation
- Transparency, etc.



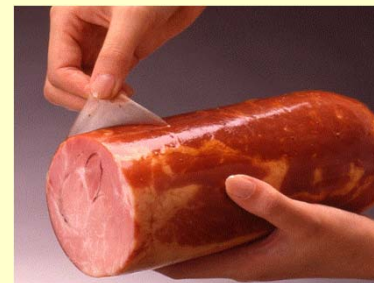
◆Soarnol™ Production capacities

The Mizushima Plant	10,000 tonnes / y
NOLTEX (U.S.A.)	23,000 tonnes / y
<u>NIPPON GOHSEI UK</u>	<u>18,000 tonnes / y</u>
Total	51,000 tonnes / y
FY2015 1Q	NOLTEX +15,000 tonnes / y

◆Main application

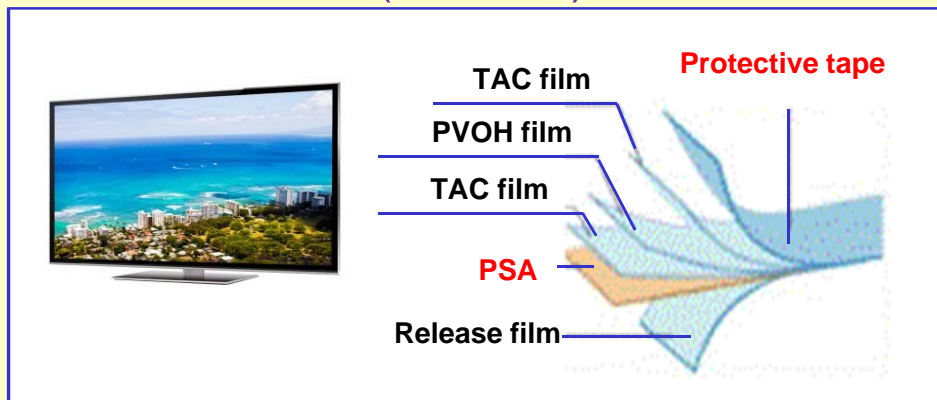


Soarnol™ is a package for preserving flavor and freshness.



Pressure Sensitive Adhesives and Functional Coatings

◆ COPONYL™ (for LCD)



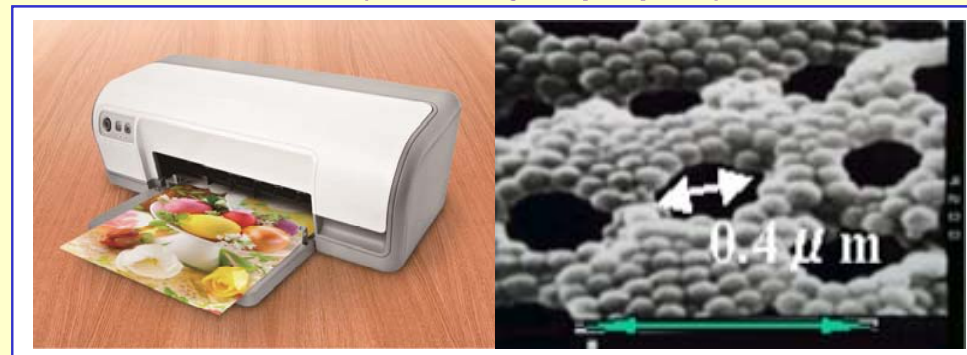
- PSA for LCD polarizing plate
- High durability

◆ SHIKOH™ (for functional coating)



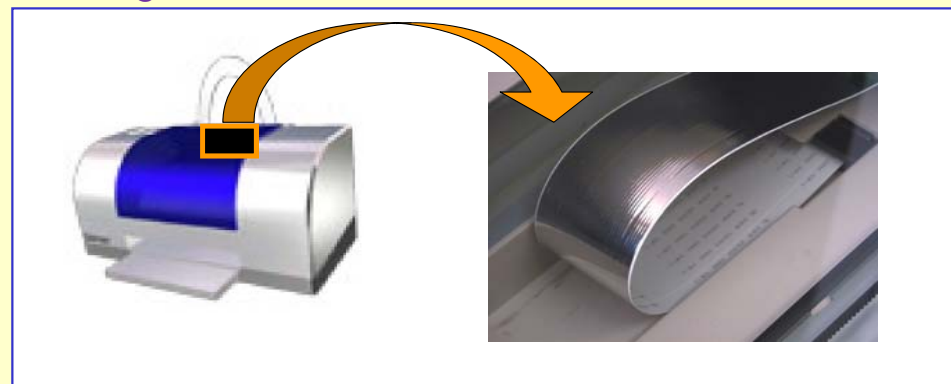
- Hard coating for plastics, optical films
- Good adhesion and hardness

◆ MOWINYL™ (for inkjet paper)



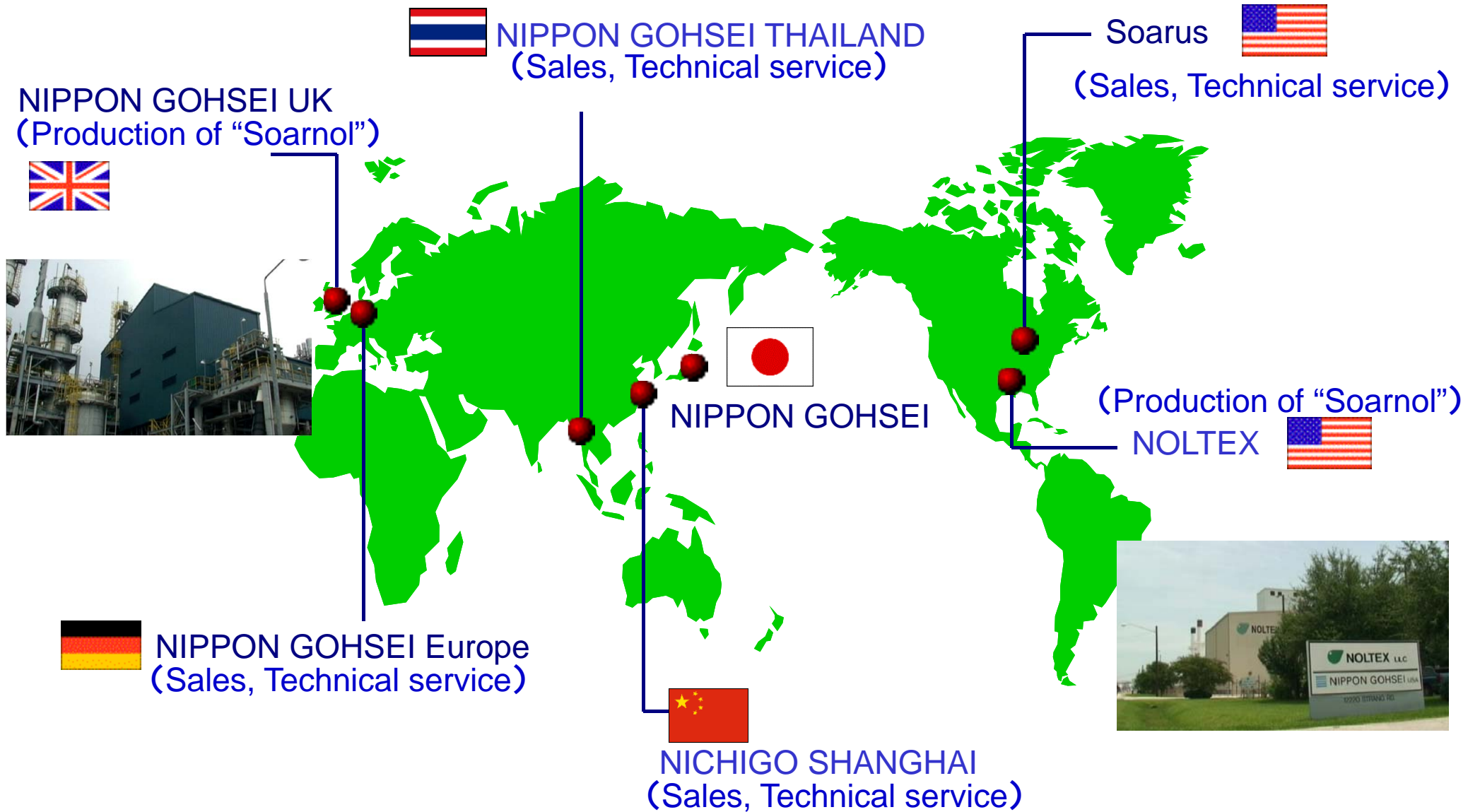
- A porous film is formed by incorporating colloidal silica
- Improved in ink-receiving, image clarity and chromogenic properties

◆ Nichigo-POLYESTER™ for adhesive



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

Overseas Sites



Review of Operation

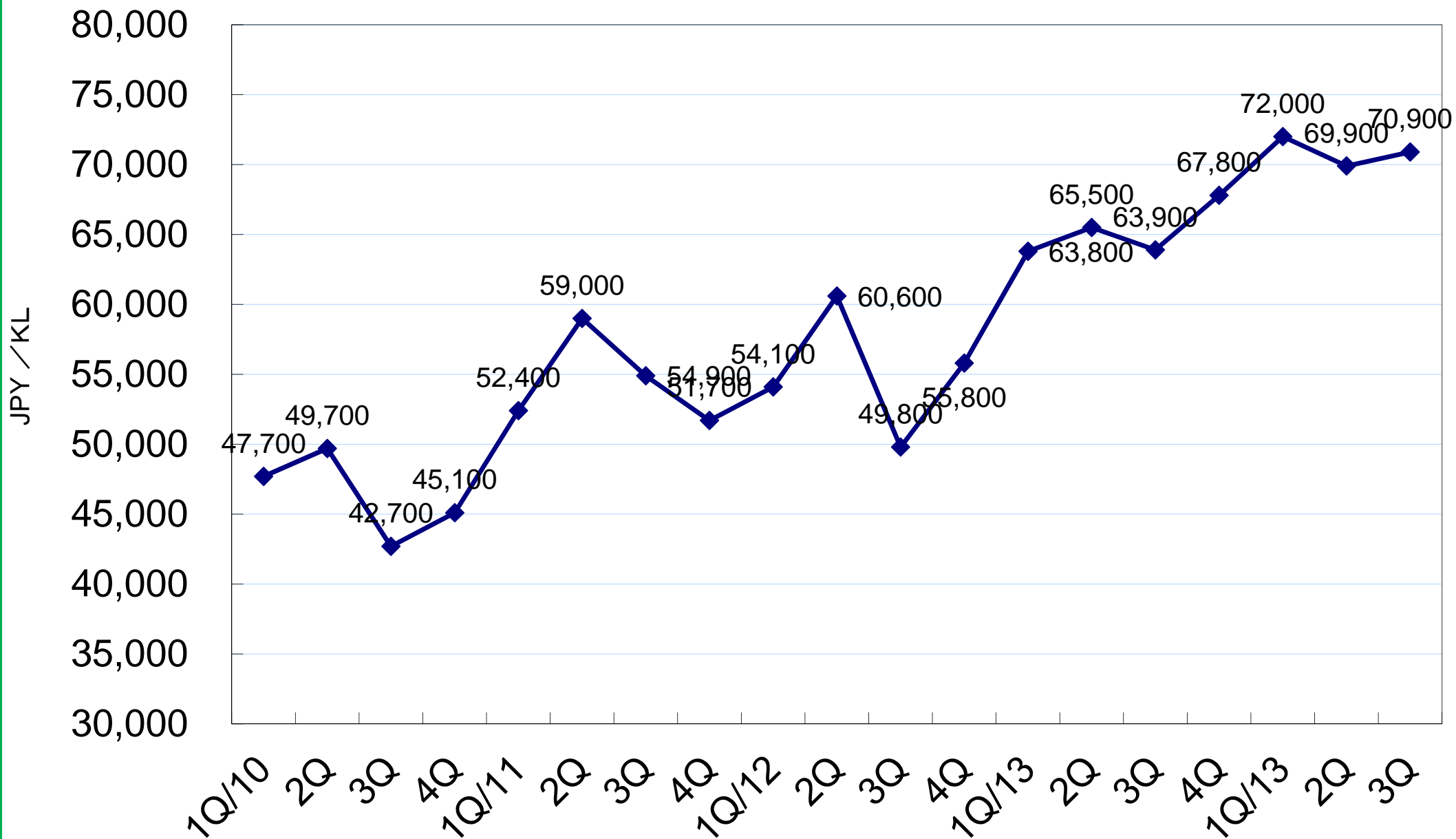
Financial Highlights

¥: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
(Others)	0.0	0.2	0.2	0.2	2
(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	7.0
Net income profit per Share ¥	59.06	62.94	32.38	83.75	82.32
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

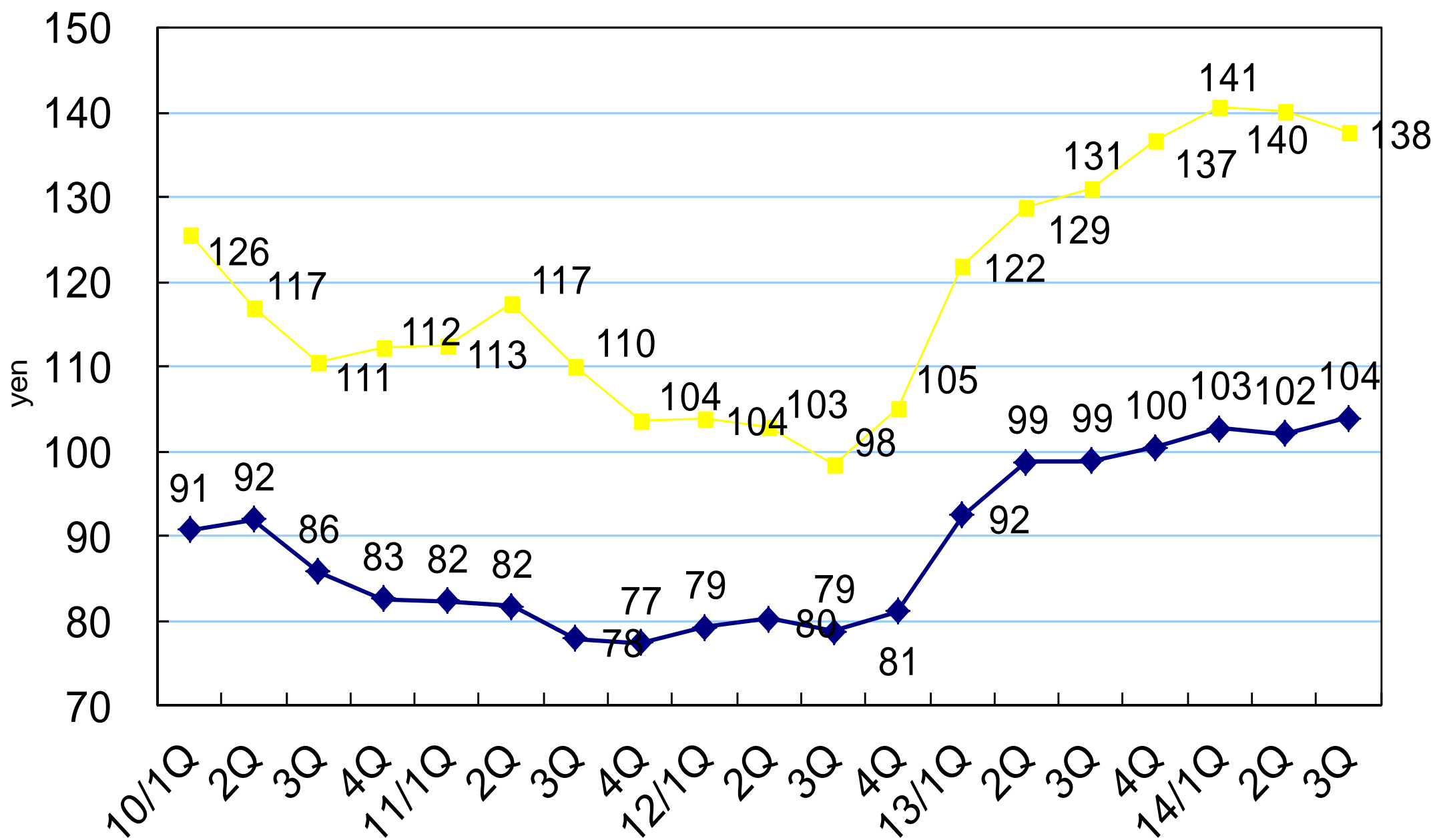
¥	FY09	FY10	FY11	FY12	FY13
1\$	92.9	85.7	79.1	83.2	100.2
1€	131.2	113.1	108.8	107.1	134.4
Naphtha Average	41,175	47,450	54,900	57,500	67,300

Naphtha Price (1Q/2010~3Q/2014)



Exchange rate (1Q/2010~3Q/2014)

¥ / \$, ¥ / €



Stock information

(as of September 30, 2014)

Composition of Shareholders

Authorized Shares 154,944,000

Outstanding Shares 97,401,007

(except 968,179 shares held by NIPPON GOHSEI)

Number of Shareholders 5,137

Rank	Shareholder's Name	Rate
1.	Mitsubishi Chemical Corporation	50.9%
2.	State Street Bank and Trust Company	3.5%
3.	The Master Trust Bank of Japan, LTD. (Trust Account)	2.5%
4.	Japan Trustee Services Bank, LTD. (Trust Account)	2.3%
5.	NORTHEN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENT	1.8%
6.	THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMUNIBUS ACCOUNT	1.2%
7.	Mizuho Bank, LTD.	1.2%
8.	Marubeni Corporation	1.0%
9.	Resona Bank, LTD.	0.9%
10.	Japan Trustee Services Bank, LTD. (Trust Account 4)	0.8%