

For the Fiscal Year Ended March 31, 2014

Summary of Consolidated Financial Results For the Fiscal Year Ended March 31, 2014

May 8, 2014

Company name: Nippon Shokubai Co., Ltd. Listing: TSE (First Section)
 Code number: 4114 URL: <http://www.shokubai.co.jp/>
 Representative: Masanori Ikeda, President and Representative Member of the Board
 Contact for inquiries: Teruhisa Wada, General Manager of General Affairs Dept. Phone: +81-6-6223-9111
 Scheduled date of the general shareholders' meeting: June 20, 2014
 Scheduled date of dividend payment: June 23, 2014
 Scheduled date of filing annual securities report: June 20, 2014
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for the securities analysts and the institutional investors)
 (Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014

(from April 1, 2013 to March 31, 2014) (here after FY2013)

(1) Consolidated operating results (cumulative)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2013	302,136	12.1	13,752	37.0	16,647	20.4	10,503	25.0
FY 2012	269,520	-16.0	10,034	-67.7	13,824	-58.3	8,401	-60.5

Note: "FY 2012" stands for the Fiscal Year Ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

Comprehensive income (millions of yen): FY 2013 25,513 62.5%
 FY 2012 15,696 -16.5%

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income on assets	Operating income to net sales
	Yen	Yen	%	%	%
FY 2013	51.74	-	4.7	4.4	4.6
FY 2012	41.38	-	4.0	3.9	3.7

Reference: Equity in earnings (losses) of unconsolidated subsidiaries and affiliates (millions of yen): FY 2013 : 1,105
 FY 2012 : 1,371

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2014	398,396	242,193	59.3	1,164.10
As of Mar. 31, 2013	352,373	220,248	61.1	1,059.85

Reference: Shareholders' equity (millions of yen): As of Mar. 31, 2014: 236,274
 As of Mar. 31, 2013: 215,138

(3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2013	16,992	-25,141	-2,519	39,619
FY 2012	27,322	-31,878	81	47,801

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2012	-	11.00	-	5.00	16.00	3,248	38.7	1.5
FY 2013	-	8.00	-	8.00	16.00	3,248	30.9	1.4
FY 2014 (forecast)	-	11.00	-	11.00	22.00		22.3	

Note: "FY 2014" stands for the Fiscal Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages indicate rate of changes year-over-year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	170,000	29.5	9,500	204.2	10,500	100.9	7,000	113.5	34.49
Full year	360,000	19.2	26,000	89.1	28,500	71.2	20,000	90.4	98.54

※Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates; restatements

1) Changes in accounting policies due to amendment of accounting standards: Yes

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)

Mar. 31, 2014: 204,000,000 shares Mar. 31, 2013: 204,000,000 shares

2) Number of treasury stock at the end of the period

Mar. 31, 2014: 1,033,086 shares Mar. 31, 2013: 1,010,242 shares

3) Average number of shares outstanding during the period

Mar. 31, 2014: 202,981,301 shares Mar. 31, 2013: 202,995,126 shares

(Reference) Non-consolidated Business Overview

1. Non-consolidated Business Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Non-consolidated operating results

(Percentages indicate rate of changes year-over-year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2013	185,653	10.5	6,924	21.8	11,702	-6.1	8,349	-9.2
FY 2012	168,084	-27.0	5,685	-74.3	12,457	-51.8	9,190	-43.5

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY 2013	41.13	-
FY 2012	45.27	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2014	291,598	194,431	66.7	957.94
As of Mar. 31, 2013	272,417	187,158	68.7	922.01

Reference: Shareholders' equity (millions of yen): As of Mar. 31, 2014: 194,431

As of Mar. 31, 2013: 187,158

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2. Non-consolidated Business Forecast for the Fiscal Year Ending March 31, 2015
(April 1, 2014 to March 31, 2015)

(% indicate rate of changes year-over-year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	112,000	43.1	5,500	794.7	9,000	137.2	7,000	167.8	34.49
Full year	233,000	25.5	15,500	123.9	21,500	83.7	15,500	85.7	76.37

※Indication regarding execution of audit procedures

This financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

※Appropriate use of business forecasts; other special items

In this document, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*

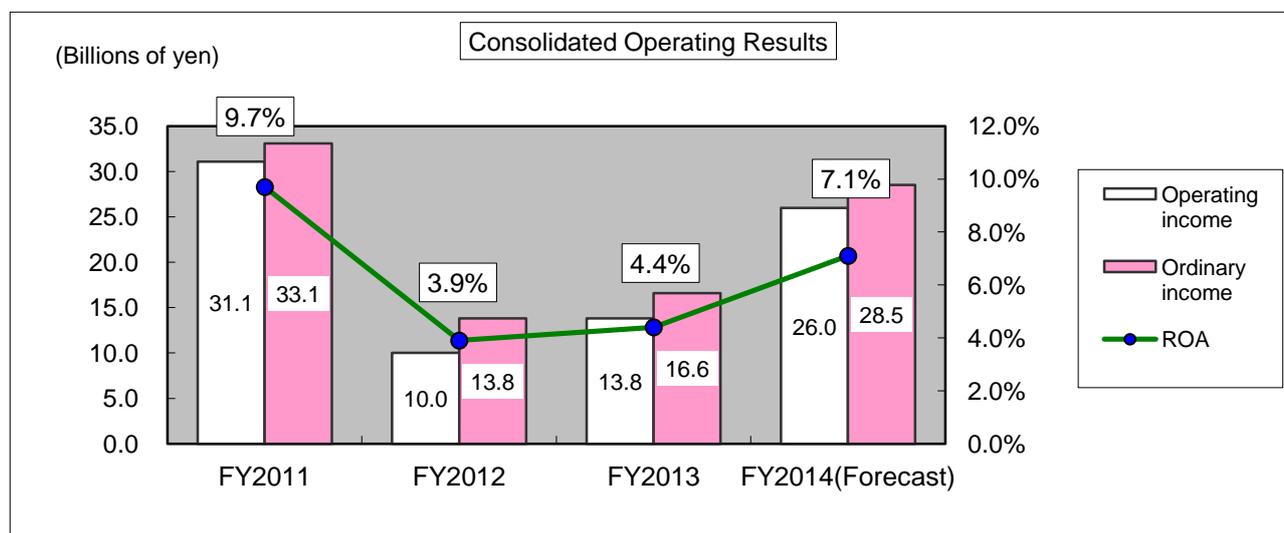
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Results Trend and Features

(Unit: Millions of yen)

	FY 2011		FY 2012		FY 2013		FY 2014 (Forecast)		Change	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY	FY2013- FY2012	FY2014- FY2013
Net sales	[1.39]		[1.60]		[1.63]		[1.55]			
Consolidated	320,704	11.2%	269,520	-16.0%	302,136	12.1%	360,000	19.2%	32,616	57,864
Non-consolidated	230,119	11.5%	168,084	-27.0%	185,653	10.5%	233,000	25.5%	17,569	47,347
Operating income	[1.40]		[1.77]		[1.99]		[1.68]			
Consolidated	31,100	4.3%	10,034	-67.7%	13,752	37.0%	26,000	89.1%	3,718	12,248
Non-consolidated	22,142	11.8%	5,685	-74.3%	6,924	21.8%	15,500	123.9%	1,239	8,576
Ordinary income	[1.28]		[1.11]		[1.42]		[1.33]			
Consolidated	33,114	7.0%	13,824	-58.3%	16,647	20.4%	28,500	71.2%	2,823	11,853
Non-consolidated	25,819	12.8%	12,457	-51.8%	11,702	-6.1%	21,500	83.7%	-755	9,798
Net income	[1.31]		[0.91]		[1.26]		[1.29]			
Consolidated	21,257	0.7%	8,401	-60.5%	10,503	25.0%	20,000	90.4%	2,102	9,497
Non-consolidated	16,277	-0.4%	9,190	-43.5%	8,349	-9.2%	15,500	85.7%	-842	7,151
Equity-method investment	2,353		1,371		1,105		973		-266	-132
Minority interests in income	450		159		363		431		204	68
Total assets	[1.20]		[1.29]		[1.37]		[1.40]			
Consolidated	356,407	8.2%	352,373	-1.1%	398,396	13.1%	405,000	1.7%	46,023	6,604
Non-consolidated	296,042	7.3%	272,417	-8.0%	291,598	7.0%	290,000	-0.5%	19,181	-1,598
Net assets	[1.16]		[1.18]		[1.25]		[1.26]			
Consolidated	209,070	7.6%	220,248	5.3%	242,193	10.0%	258,768	6.8%	21,945	16,575
Non-consolidated	181,010	6.2%	187,158	3.4%	194,431	3.9%	206,074	6.0%	7,273	11,644
ROA									Point	Point
Consolidated		9.7%		3.9%		4.4%		7.1%	0.5	2.7
Non-consolidated		9.0%		4.4%		4.1%		7.4%	-0.3	3.3

The figures in bracket represent the consolidated-parent ratio.



Comparison of FY 2013 with FY 2012

Sales up, profits up: sales increased on greater sales volumes accompanying additional capacity at overseas subsidiaries, in spite of a drop in domestic sales volume. Also, raising the selling price along increased costs of raw materials and the depreciation of the yen pushed up sales.

Profits rose due to higher production for recovering stock level and widening spreads.

		Major components
Net sales	+32.6 bil. yen YoY	<ul style="list-style-type: none"> • Sales increased across all segments • The recovery and resumption of operations at all Himeji plants that had ceased production as a result of the accident, and reinforced acrylic acid and superabsorbent polymers production facilities in Indonesia leading to the start of commercial production from October 2013. • The ongoing depreciation of the yen brought greater sales of export sales and sales of overseas subsidiaries as a result of foreign currency translation.
Operating income	+3.7 bil. yen YoY	<ul style="list-style-type: none"> • The effect of higher volumes and improved spreads > increased production expenses of new facilities and the recommencement of operations at Himeji Plants.
Ordinary income	+2.8 bil. yen YoY	<ul style="list-style-type: none"> • The lower technology licensing income and a decrease in equity earnings > improved foreign exchange income
Net income	+2.1 bil. yen YoY	<ul style="list-style-type: none"> • “Gain on insurance adjustment” and “Insurance income“ < Expenses such as “Loss on explosion and fire”, “Loss on liquidation of business” and “Income taxes”

Comparison of FY 2014 with FY 2013

Sales up, profits up: sales up mainly due to increase in sales volumes of acrylic acid, acrylates and superabsorbent polymers; profits up, thanks to greater benefits from higher sales volumes despite increased depreciation costs and processing costs due to facility enhancements in Indonesia, and increased selling, general and administrative expenses as sales volume increase

		Major components
Net sales	+57.9 bil. yen YoY	<ul style="list-style-type: none"> • Increase in sales of basic chemicals and functional chemicals as reinforced acrylic acid and superabsorbent polymers production facilities in Indonesia, and acrylic acid production facilities in Japan. • Decrease in sales of environment and catalyst segment due to the change portfolio of automobile catalyst and decline sales volume of wastewater treatment catalysts.
Operating income	+12.2 bil. yen YoY	<ul style="list-style-type: none"> • Increase in sales volume > Increase in processing costs and selling, general and administrative.
Ordinary income	+11.9 bil. yen YoY	<ul style="list-style-type: none"> • The lower non-operating income : Decrease in inflow of financial accounts and in equity earnings of affiliates > increase in technology licensing income
Net income	+9.5 bil. yen YoY	<ul style="list-style-type: none"> • Increase in income taxes

1. Business Results

I. Analysis of Business Results

(1) Business Results for FY 2013 (April 1, 2013 – March 31, 2014)

In the current fiscal year, Japan's economy entered into a gradual recovery, despite the impact of decelerating growth in China's economic expansion and concerns about a downward swing in economies outside of Japan due to the impact of financial problems associated with indebted countries in Europe and other factors. Further monetary easing and other economic and financial policies were the backdrop for a depreciating yen that led to signs of gradual increases in production and improvements to corporate earnings, and a return of growth in consumer consumption owing to higher stock prices. In addition, economic recovery trends in the United States gained momentum.

In the chemicals industry, the outlook remained unclear due to elevated raw materials costs on the back of high crude oil prices, a result of the tense situation in the Middle East, and other factors.

On September 29, 2012, an explosion and fire occurred at NIPPON SHOKUBAI's Himeji Plant. Accordingly, the Company had received orders from the relevant authority to suspend operation of all the facilities of hazardous materials in the Himeji Plant and the facilities of an affiliated company which was next to the Plant. Since November 1, 2012, the Company had received some lifts of restrictions for related facilities in the Plant from the relevant authority.

Accordingly, production of following items was started at facilities in the Plant: automotive catalysts and other catalysts, and resins for paints in November 2012; electronic information materials and resin modifiers in December 2012; maleic anhydride and polymer for concrete admixture in January 2013. Entering into the fiscal year 2013, the Company began a steady return to production. In June 2013, it once again began to produce acrylic acid and superabsorbent polymers, and in July 2013, it resumed production of special esters and water-soluble polymers for raw materials of detergents and then acrylates in August 2013.

On December 18, 2013, the Company received notification that all orders to suspend operations had been lifted. Subsequently, in February 2014, the acrylic acid plant, which had maintained the suspension until the final notification, went back online, marking the recovery and resumption of operations at all plants that had ceased production as a result of the accident.

1) Overview

(Unit: Millions of yen)

	FY 2012	FY 2013	Change	
			(Amount)	(% growth)
Net sales	269,520	302,136	32,616	12.1%
Operating income	10,034	13,752	3,718	37.0%
Ordinary income	13,824	16,647	2,823	20.4%
Net income	8,401	10,503	2,102	25.0%
Net income per share	41.38 yen	51.74 yen	10.36 yen	25.0%
ROA (Return on Assets)	3.9%	4.4%	-	0.5 points
ROE (Return on Equity)	4.0%	4.7%	-	0.7 points
Foreign exchange rates (\$ and EUR)	\$=83.09 yen	\$=100.21 yen	17.12 yen	
	EUR=107.06 yen	EUR=134.33 yen	27.27 yen	
Naphtha price	57,500 yen/kl	67,300 yen/kl	9,800 yen/kl	

Under these conditions, the Group's consolidated net sales rose 12.1% year-on-year, to 302,136 million yen (+32,616 million yen) in the current fiscal year. The above-mentioned accident did have an impact, but other factors contributing to this result included reinforced acrylic acid production facilities in Indonesia, which also added new facilities to produce superabsorbent polymers, leading to the start of commercial production from October 2013, as well as a return to production, from December 2012 to November 2013, of superabsorbent polymers facilities in the United States that had been suspended operation. These and other factors helped overseas-based Group companies contribute to tapering falling sales volumes. In addition, there was the ongoing depreciation of the yen and revisions to sales prices in line with the increased costs of raw materials.

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With regard to profits, operating income increased 37.0% year-on-year to 13,752 million yen (+3,718 million yen). Although the new facilities and the recommencement of operations mentioned above did lead to an increase in fixed costs, the effect of higher volumes, together with improved spreads, contributed to this result.

Ordinary income rose 20.4% year-on-year to 16,647 million yen (+2,823 million yen). This result was due to improved foreign exchange income as a result of the depreciation of the yen, and it comes despite a non-operating income decline of 894 million yen due to lower technology licensing income and a decrease in equity earnings of affiliates.

Extraordinary income and loss improved year-on-year by 384 million yen. This was the result of 11,512 million yen booked as insurance income related to the accident, while fixed costs during the plant's suspension were reclassified as "suspension fixed costs" and booked as an extraordinary loss of 12,177 million yen.

Net income rose 25.0% year-on-year to 10,503 million yen (+2,102 million yen).

2) Segment Summary

By business segment

(Unit: Millions of yen)

Basic Chemicals

	Full FY 2012	Full FY 2013	Change
Net sales	113,862	129,842	15,980
Operating income	2,097	3,250	1,153

Functional Chemicals

	Full FY 2012	Full FY 2013	Change
Net sales	137,012	146,857	9,845
Operating income	6,779	8,239	1,460

Environment & Catalysts

	Full FY 2012	Full FY 2013	Change
Net sales	18,646	25,436	6,790
Operating income	1,431	2,044	613

Basic Chemicals

Sales of acrylic acids and acrylates increased significantly, despite a slight decline in sales volume, due to the ongoing depreciation of the yen and sales prices that were revised upward in line with a rise in raw materials costs.

Sales of ethylene oxide and ethylene glycol increased substantially. In addition to higher sales volumes, this was the result of the ongoing depreciation of the yen and sales prices that were revised higher due to increased raw materials costs.

Sales of higher alcohol increased. This was on account of revisions to sales prices to reflect higher raw materials costs, despite sales volumes that were essentially flat.

Sales of ethanolamine fell due to lower sales volumes, despite sales prices that were revised upwards to keep track with higher raw materials costs.

As a result of the above, net sales in the basic chemicals segment increased 14.0% year-on-year to 129,842 million yen.

Operating income rose 55.0% year-on-year to 3,250 million yen. This was on account of an increase in sales volumes, as well as the impact of the depreciating yen and improved spreads, and it comes despite increased processing costs due to facility enhancements in Indonesia and other factors.

Functional Chemicals

Sales of superabsorbent polymers increased as the above-mentioned new facilities in Indonesia and resumption of suspended operations at a plant in the United States were able to recover to a certain extent, in terms of volume, from the impact of the suspended production that resulted from the accident at the Himeji Plant. Other contributing factors

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include the impact of the depreciating yen and sales prices that were revised upward in line with increased raw materials costs.

Sales of polymer for concrete admixture and special esters rose, despite reduced sales volumes on the impact of production suspension due to the Himeji Plant accident, on account of the effect of the depreciating yen and sales prices that were revised upward to reflect higher raw materials costs.

Sales of maleic anhydride, electronics information materials as well as processed adhesive products and resins for paints increased on the back of growing sales volumes.

Sales of ethyleneimine derivatives, resin modifiers and iodine compounds rose on revised sales prices, even though sales volumes decreased.

Sales of water-soluble polymers for raw materials of detergents fell due to a significant decline in sales volumes on account of the suspension of production after the accident at the Himeji Plant, though sales prices were tried to revise upward.

Sales of processed adhesive products declined because of lower sales volumes.

As a result of the above, net sales in the functional chemicals segment rose 7.2% year-on-year to 146,857 million yen.

Operating income increased 21.5% year-on-year to 8,239 million yen. Despite the increase in processing costs resulting from investment in the new facilities in Indonesia and the resumption of operations in the United States, mentioned above, there was the effect of increased production that resulted from these activities, as well as the depreciating yen and improved spreads.

Environment & Catalysts

Sales of process catalysts, wet oxidation catalysts, De-NOx catalysts, dioxins decomposition catalysts, fuel cell materials and polymer for lithium-ion batteries increased on higher sales volumes.

Sales of automotive catalysts rose due to increased sales volumes and sale prices that were set higher in line with rising precious metals costs.

As a result, sales in the environment and catalysts segment rose 36.4% year-on-year to 25,436 million yen.

Operating income increased 42.8% to 2,044 million yen year-on-year owing to growth in sales volumes.

(2) FY 2014 Forecast (April 1, 2014 – March 31, 2015)

Projected earnings in the next fiscal year are based on exchange rates of 100 yen to the U.S. dollar and 130 yen to the euro, and naphtha prices of 65,000 yen/kl. With all plants back on line and the full contributions of increased facilities at subsidiaries based outside of Japan, sales volumes are anticipated to increase, primarily in the functional chemicals segment. We therefore forecast consolidated net sales to increase 19.2% to 360,000 million yen (+57,864 million yen), with 170,000 million yen in the first half.

With regard to profits, the Company projects that anticipated higher sales volumes will lead to an increase in operating income by 89.1%, to 26,000 million yen (+12,248 million yen), with 9,500 million yen in the first half, along with growth in ordinary income of 71.2%, to 28,500 million yen (+11,853 million yen), with 10,500 million yen in the first half, and an increase in net income of 90.4%, to 20,000 million yen (+9,497 million yen), with 7,000 million yen in the first half.

Our full-year forecasts by business segment are as follows:

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
First-half forecasts	71.0	3.0	90.0	6.3	9.0	0.2
Second-half forecasts	72.0	5.0	105.0	10.2	13.0	1.3
Full-year forecasts	143.0	8.0	195.0	16.5	22.0	1.5

II. Qualitative Information on Financial Position

(1) Assets, liabilities and net assets

Total assets increased by 46,023 million yen over the end of the previous fiscal year to 398,396 million yen. Current assets increased by 27,292 million yen from the end of the previous fiscal year, on account of an increase in notes and accounts receivable-trade and inventories.

Inventories and net book value of noncurrent assets, along with repair expenses incurred during the current and previous fiscal years for damaged assets lost in the explosion and fire at the Himeji Plant on September 29, 2012, amounted to a total of 3,172 million yen, which was booked as a fire loss suspense account in the “other” category of current assets. In line with the property insurance payout received, however, this amount was reversed all.

Noncurrent assets were up by 18,731 million yen compared to the end of the previous consolidated fiscal year on account of an increase in property, plant and equipment due to capital expenditures, along with an increase in investment securities with rising market values.

Liabilities increased by 24,078 million yen over the end of the previous fiscal year to 156,203 million yen. This was on account of increases in notes and accounts payable-trade and income taxes payable.

Net assets increased by 21,945 million yen over the end of the previous fiscal year, to 242,193 million yen. This was due to increases in retained earnings, foreign currency translation adjustments, and other factors.

The shareholders' equity ratio declined 1.8 percentage points, from 61.1% at the end of the previous fiscal year, to 59.3%. Net assets per share rose by 104.25 yen compared to the end of the previous fiscal year, to 1,164.10 yen.

(2) Cash Flows

Cash and cash equivalents at the end of the current fiscal year decreased by 8,182 million yen over the end of the previous fiscal year to 39,619 million yen, as cash flow used in investing activities (capital investment, etc.) and the payment of dividends and other financing activities exceeded cash flow provided by operating activities and the effect of exchange rate change on cash and cash equivalents.

Cash flow from operating activities

Net cash provided by operating activities totaled 16,992 million yen (27,322 million yen provided in the previous fiscal year). This was due to a decline of 10,330 million yen from the previous fiscal year as a result of increased outlays associated with trade notes and accounts receivable, inventories, notes and accounts payable-trade, with accompanying the resumption of facility operations at the Himeji Plant and improved earnings before taxes, depreciation and amortization.

Cash flow from investing activities

Net cash used in investing activities totaled 25,141 million yen (31,878 million yen used in the previous fiscal year). This was due to a decline of 6,737 million yen in outlays for the purchase of property, plant and equipment.

Cash flow from financing activities

Net cash used in financing activities totaled 2,519 million yen (81 million yen provided in the previous fiscal year). Although there were the absenceno outlays for the redemption of bonds, lower proceeds from long-term loans payable resulted in a decline of 2,600 million yen.

Cash flow indicators

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Shareholders' equity ratio	51.4%	57.9%	57.3%	61.1%	59.3%
Shareholders' equity ratio at market base	48.4%	64.2%	54.6%	47.5%	62.1%
Cash flow to debt ratio	1.8 years	2.0 years	1.4 years	2.4 years	4.0 years
Interest coverage ratio	32.4	35.9	58.9	39.5	27.7

Shareholders' equity ratio = shareholders' equity/ total assets

Shareholders' equity ratio at market base = market capitalization/ total assets

Cash flow to debt ratio = interest-bearing debt/ operating cash flow

Interest coverage ratio = operating cash flow/ interest payments

Notes: 1. All indicators are calculated based on consolidated figures.

2. Market capitalization = closing share price at period end × outstanding shares at period end (after deducting treasury stock)
3. We use "net cash provided by operating activities" from the consolidated statements of cash flows for "operating cash flow."
4. We have included all interest-bearing debts in the consolidated balance sheet for "interest-bearing debt."
5. We use "interest expenses paid" from the consolidated statements of cash flows for "interest payments."

III. Basic Policy on the Distribution of Profits, and Dividends for FY 2013 and FY 2014

Nippon Shokubai has positioned the return of profits to shareholders as an important management theme, and, in consideration of the dividend payout ratio, distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure. In addition to dividend distributions, the Company intends to continue stock buybacks to raise the value per share.

The Company will continue to distribute profits by taking into careful consideration a balance between the critical need to maintain competitiveness and continue growth into the future by aggressively investing in equipment, R&D and other areas, with the need to accomplish these investments, recognizing the importance of keeping on hand a sufficient level of retained earnings.

The Company pays dividends twice a year, once at the end of the interim period and once at the end of the fiscal year.

Based on the above basic policy, the Company plans to pay a year-end dividend of 8 yen per share for FY 2013, taking into consideration the business environment, earnings results and future prospects for business growth. As a result, annual dividends will total 16 yen per share for a consolidated payout ratio of 30.9%.

For FY 2014, the Company plans annual dividends of 22 yen per share, consisting of interim and year-end dividends of 11 yen each, based on the above basic policy and taking into consideration progress in achieving its forecasted profits.

2. Corporate Group

(1) The NIPPON SHOKUBAI corporate group consists of 24 subsidiaries and 14 affiliates, and its mainstay business is the manufacture and sale of chemicals.

The table below shows the positioning and relationship of mainstay companies among the group's business segments.

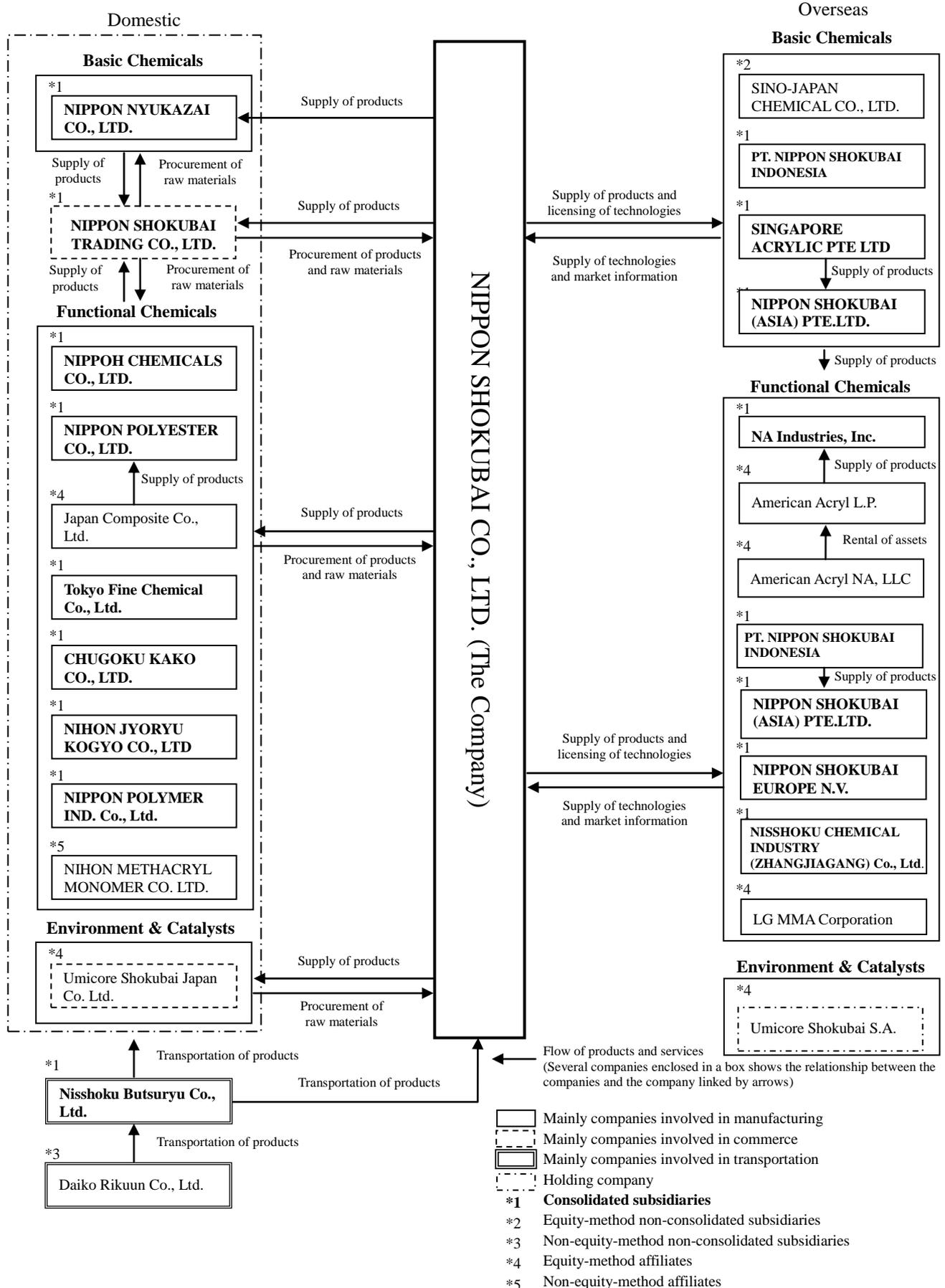
Business segments	Main products	Positioning of mainstay companies within the business
Basic Chemicals	Acrylic acid Acrylates Ethylene oxide Ethylene glycol Ethanolamine Higher alcohol Glycol ether	NIPPON SHOKUBAI ('the Company') manufactures and sells acrylic acids, acrylates, and other basic chemicals. NIPPON SHOKUBAI TRADING CO., LTD. procures mainly basic chemicals from the Company and sells them. It also procures products and raw materials to supply to the Company. PT. NIPPON SHOKUBAI INDONESIA manufactures and sells acrylic acids and acrylates. SINGAPORE ACRYLIC PTE LTD and NIPPON SHOKUBAI (ASIA) PTE.LTD. manufacture and sell acrylic acids, and NIPPON SHOKUBAI (ASIA) PTE.LTD. sells some of the products. NIPPON NYUKAZAI CO., LTD. manufactures and sells surfactants and chemical products such as glycol ether. It procures ethylene oxide and other raw materials for surfactants from the Company. SINO-JAPAN CHEMICAL CO., LTD. manufactures and sells surfactants and other industrial chemicals in Taiwan.
Functional Chemicals	Superabsorbent polymers Intermediates for pharmaceuticals Polymers for concrete admixtures Electronic and information materials Iodine compounds Maleic anhydride Resins for adhesives/paints Molded plastics Processed adhesive products	The Company manufactures and sells superabsorbent polymers, pharmaceutical intermediates, and other functional chemicals. NA Industries, Inc. manufactures and sells superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders in the US. It procures acrylic acid, the raw material of superabsorbent polymers, from American Acryl L.P. NIPPON SHOKUBAI EUROPE N.V. manufactures and sells superabsorbent polymers in Belgium. NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd. manufactures and sells superabsorbent polymers and polymers for concrete admixtures in China. PT. NIPPON SHOKUBAI INDONESIA manufactures and sells superabsorbent polymers in Indonesia. NIPPON SHOKUBAI (ASIA) PTE.LTD. procures superabsorbent polymers and other chemicals from the Company and PT. NIPPON SHOKUBAI INDONESIA and sells them. NIPPOH CHEMICALS CO., LTD. manufactures and sells iodine compounds, natural gas, and raw materials for pharmaceuticals, agricultural chemicals, and fragrances. Tokyo Fine Chemical Co., Ltd. manufactures and sells stabilizers, preservatives, and anti-freeze solutions. It procures ethylene glycol, the raw material of anti-freeze solutions, from the Company. NIHON JYORYU KOGYO CO., LTD manufactures and sells raw materials for dye agents among other products, and the Company sells some of these products. It also procures acrylic acids among other raw materials from the Company. NIPPON POLYESTER CO., LTD. procures unsaturated polyester resins from Japan Composite Co., Ltd., and manufactures and sells corrugated sheets and other molded plastics. CHUGOKU KAKO CO., LTD. procures adhesive resins and other raw materials from the Company, and manufactures and sells proceeded adhesives and other products. NIPPON POLYMER IND. Co., Ltd. procures acrylates among other raw materials from the Company, and manufactures resins for adhesives and paint; the Company sells some of these products. LG MMA Corporation manufactures and sells MMA monomers and polymers.
Environment & Catalysts	Automotive catalysts De-NOx catalysts Dioxins decomposition	The Company manufactures and sells automotive catalysts and other environment & catalyst products. Umicore Shokubai Japan Co. Ltd procures automotive catalysts from the Company

For the Fiscal Year Ended March 31, 2014

	catalysts Process catalysts Equipment for exhaust gas treatment Fuel cell materials	and sells them.
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Note: Nisshoku Butsuryu Co., Ltd. mainly transports the Company's manufactured and commercial products and is therefore involved in all business segments.

(2) The following is a diagram of the corporate group



Note: NIPPON SHOKUBAI TRADING CO., LTD., Nisshoku Butsuryu Co., Ltd., PT. NIPPON SHOKUBAI INDONESIA and NIPPON SHOKUBAI(ASIA) PTE LTD belong to some business segments. Umicore Shokubai S.A. is a holding company which controls automotive catalyst business executed five companies including Umicore Shokubai Japan Co. Ltd.

3. Management Policy

(1) Basic Management Policy

NIPPON SHOKUBAI Group mission is “TechnoAmenity: providing affluence and comfort to people and society, with our unique technology.” And it seeks, under a management commitment of 1) deep respect for humanity, 2) coexisting with society and working in harmony with the environment, 3) pursuing technologies that will create the future, and 4) acting on the global stage, to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world.

(2) Challenges, Long-term Business Strategies, and Performance Targets

The Group, in its medium-term business plan “TechnoAmenity 2015” launched in FY 2010, targeted FY 2015 consolidated net sales of 400 billion yen, ordinary income of 30 billion yen, and ROA (ordinary income/total assets) of 7.5%. However, in light of the recent accident, the Company planned to implement a single-year plan for FY 2013 to prioritize recovery from the accident, and formulated in FY 2013 a new long/medium-term business plan for FY 2014 onward.

Nippon Shokubai starts its new long-term business plan for the fiscal years 2014 to 2020, entitled “Reborn Nippon Shokubai 2020,” along with the medium-term business plan, which will specify an action plan for the initial three years of the period (fiscal 2014 to 2016).

We reconfirm our intention to follow our corporate credo: “Safety takes priority over production,” and we are making every effort to implement the preventive/corrective measures learned from the accident that occurred at the Himeji Plant in 2012. We believe that only through these actions, we will be able to regain the confidence of stake holders as a chemical company.

We will deliver the products and services that provide affluence and comfort to people and society, and we will strive as a team to achieve the “Reborn Nippon Shokubai”—
a company*⁾ that everybody can be proud of.

*⁾ A company that promotes work safety and peace of mind

A company that rewards people who make their best efforts and achieve results

A company that people can be proud to work for

[Mission, Management Commitment and Corporate Credo]

We repositioned “**TechnoAmenity**,” which was formerly our corporate mission, as the Group mission. This was done to ensure a greater focus on a coordinated group wide effort to execute the corporate social mission expressed by this Group Mission statement.

We reconfirmed “Safety takes priority over production” as our corporate credo, and we pledge to maintain an awareness of the lessons learned from the Himeji accident. With this emphasis on safety, we are now determined to ensure that a tragic accident such as the explosion and fire at the Himeji Plant never occurs again.

Mission/Management Commitment	Corporate Credo
<p>Nippon Shokubai Group Mission TechnoAmenity Providing affluence and comfort to people and society, with our unique technology</p> <p>Management Commitment We conduct all of our corporate activities based upon a deep respect for humanity. We aim at coexisting with society, and working in harmony with the environment. We pursue technologies that will create the future. We act on the global stage.</p>	<p>Safety takes priority over production.</p>

For the Fiscal Year Ended March 31, 2014

The entire Company is united in striving for measures to prevent the recurrence of such an accident with the aim of truly achieving “to regain the confidence of stake holders as chemical company”. In April 2013, we established our Safety Reinforcement Team led by the director of the Responsible Care Division with a cross-company membership drawn from specialist departments, including the Environmental Safety Department and the Production Engineering Department. The Safety Reinforcement Team is working to (1) develop measures to prevent the recurrence of such an accident (certain implementation of risk assessment/collection, sharing and utilization of information on safety technology and enhancement of education and training); (2) strengthen the culture of safety first; and (3) verify the implementation status of safety measures (in-house verification and third-party verification by outside experts) as it promotes measures to prevent a recurrence of the accident and verifies implementation of such measures.

[“Reborn Nippon Shokubai 2020,” the new long-term business plan]

We reassessed the long-term 2025 Vision outlined in the previous business plan and we have set the target 2020 as a milestone for the 2025 Vision.

“Reborn Nippon Shokubai 2020” is designed to ensure safe, reliable production activities. The plan also highlights profitability over sales, setting goals for strengthening existing and core businesses, establishing new businesses as soon as possible, and launching new products to the market quickly.

◆ Vision for 2025

An innovative chemical company that provides new value for people’s lives

We;

- Take on the challenge of creating new value by developing new products and business through our advanced technologies and our creativity
- Deliver the new values globally through our unique products and technologies
- Manufacture products that embody new value and feature the highest safety and productivity
- Create new value that contributes to the global environment
- Create new value by promoting dynamism and diversity in the workplace throughout all Group companies

Business Activities

- a) Positioning acrylic acid (AA) and superabsorbent polymers (SAP) as its main businesses, ethylene oxide (EO) and other existing businesses will be even stronger than today. Performance chemicals, new energy materials, and/or health and medical materials will be established as the next drivers of business expansion. We will also be germinating the seeds of new businesses continuously.
- b) Accelerate business development continuously throughout the global market
- c) Employ our competencies in R&D, production technologies and marketing and maximize the synergy from such activities

◆ Targets for 2020

The targets for 2020 have been set as a milestone for the 2025 Vision.

Management Indexes and Numerical Targets

(Unit: Billion yen)

	Sales	Ordinary income	ROA ¹	Sales for new products ²
FY2020 long-term target figures	500	50	9.5%	47
FY2016 medium-term target figures	393	34	8.5%	29

¹ Return of assets (ROA), ratio of ordinary income to total assets

2 Total sales of products launched within the last five years, excluding SAP

Assumptions: Domestic naphtha price 65,000 yen/kl, exchange rate 100 yen/US\$, 130 yen/EUR

◆ Strategies by Business area

In order to meet targets for 2020, we have adopted the following basic strategies for each business area.

(1) Acrylic business

We will work to maintain its top share of the global market and world-class technologies in the superabsorbent polymers business. We also aim to be a leading global player in the acrylic monomer business. We will focus on maintaining and strengthening our competitiveness—a strength that will make sustainable growth and global business development possible.

(2) Performance chemicals business

We aim to position ourselves as a top global supplier to explore new markets and access growth markets through our original products and technologies. We will focus on expanding our line of unique chemicals, using materials created in house, to form the next mainstay of corporate profits.

(3) Ethylene oxide business

For ethylene oxide and its derivatives, we will strengthen the foundation of this core business by changing the product portfolio and entering growth markets, thereby maintaining a steady cash flow.

(4) New energy materials/catalyst business

We will position new energy-related materials as one of our next core businesses by accelerating the development and marketing of these materials. We aim to develop a material that will become the de facto standard in the new energy markets.

(5) New businesses

We will add the health and medical materials sector as a new business area that will provide growth opportunities. We will establish a new business footprint by seeking out business partnerships and/or mergers and acquisitions.

In working to create our next new businesses, we will continuously survey changes in the business environment and customer needs in order to pursue potential business opportunities where we can utilize and apply our competencies.

◆ Capital and Strategic Investment

In order to further strengthen our core products and quickly develop new businesses, we will actively pursue the following investment strategies.

	Long-Term Business Plan	
	Medium-Term Business Plan FY2014-2016	FY2017-2020
Capital investment	60 billion yen	140 billion yen
Strategic investment	50 billion yen	

In the initial three years of our long-term business plan, we will concentrate on further boosting the competitiveness of existing products. During this period, we will focus on operating all plants at a high production rate, including the new facilities that were planned and completed under the previous business plan. At the same time, we will decide on our next expansion plans.

◆ Corporate-level challenges to be addressed for further growth

(1) Enhance the confidence of stakeholders

We will ensure that all of the safety measures are properly in place and operated effectively, and we will reinforce our operational capacity, making sure that appropriate resources are applied, promoting a safety mindset among employees, and securing a sustainable, environment-friendly supply chain. Furthermore, we recognize the importance of maintaining good communications with the stakeholders.

(2) Develop an active corporate team and organization

We believe that no sustainable growth can be made without having corporate management promote people's talent. We launched the Corporate Culture Renovation Committee in April, which will be responsible for implementing necessary actions to promote and accelerate the education of people and the renovation of corporate culture. Concurrently, we will reinforce the functions and responsibilities of each business unit, and cross-functional projects will be delegated at various work levels.

(3) Strengthen Group management

We recognize that it is even more important to strengthen the business foundations of Group companies that are operating under volatile business conditions, including increasing competition in worldwide markets. We will utilize the Group's core competencies in order to maximize the synergy of Group companies and boost corporate value.

(4) Accelerate R&D and new business development

We recognize that there can be no further growth without the development of new business and new products. Both long-term R&D, based on future needs, and short- and medium-term development focusing on commercial potential and marketability are necessary. We will always seek open innovation opportunities to cooperate with partners to develop and quickly launch new products.

The Group also intends to place the implementation of corporate social responsibility at the foundation of its management, to engage in corporate activities based on compliance and self-responsibility, to ensure thoroughness in corporate ethics, to promote 'responsible care' regarding the environment, safety, and quality, and to push forward with activities that contribute to society and environmental preservation activities in particular.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of Mar.31, 2013	As of Mar.31, 2014
Assets		
Current assets		
Cash and deposits	49,847	43,255
Notes and accounts receivable - trade	52,579	69,964
Merchandise and finished goods	21,468	35,455
Work in process	7,170	6,738
Raw materials and supplies	13,571	16,431
Deferred tax assets	2,918	4,377
Other	11,548	10,315
Allowance for doubtful accounts	-49	-192
Total current assets	159,051	186,343
Non-current assets		
Property, plant and equipment		
Buildings and structures	89,310	96,380
Accumulated depreciation	-59,174	-61,611
Accumulated impairment loss	-1,540	-1,770
Buildings and structures, net	28,595	33,000
Machinery, equipment and vehicles	298,046	341,305
Accumulated depreciation	-246,015	-262,950
Accumulated impairment loss	-2,672	-2,985
Machinery, equipment and vehicles, net	49,359	75,371
Tools, furniture and fixtures	18,261	18,746
Accumulated depreciation	-15,689	-16,301
Accumulated impairment loss	-13	-14
Tools, furniture and fixtures, net	2,559	2,431
Land	32,396	32,392
Leased assets	616	711
Accumulated depreciation	-346	-422
Leased assets, net	271	289
Construction in progress	25,321	8,657
Total property, plant and equipment	138,502	152,139
Intangible assets		
Other	2,227	3,002
Total intangible assets	2,227	3,002
Investments and other assets		
Investment securities	37,252	42,603
Investments in capital	3,704	4,336
Long-term loans receivable	1,286	2,011
Deferred tax assets	3,793	2,458
Prepaid pension cost	3,538	-
Net defined benefit asset	-	2,507
Other	3,131	3,131
Allowance for doubtful accounts	-111	-132
Total investments and other assets	52,593	56,912
Total noncurrent assets	193,322	212,053
Total assets	352,373	398,396

(Unit: Millions of yen)

	As of Mar.31, 2013	As of Mar.31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	39,415	52,767
Short-term loans payable	14,533	17,604
Current portion of long-term loans payable	14,080	8,028
Current portion of bonds	-	10,000
Lease obligations	36	30
Income taxes payable	751	3,917
Provision		
Provision for bonuses	2,597	2,639
Provision for directors' bonuses	23	125
Provision for repairs	2,680	2,845
Provision for loss on disaster	45	-
Total Provision	5,346	5,610
Other	10,047	13,182
Total current liabilities	84,208	111,137
Non-current liabilities		
Bonds payable	10,000	-
Long-term loans payable	26,060	32,716
Lease obligations	164	175
Deferred tax liabilities	222	284
Provision for retirement benefits	10,418	-
Net defined benefit liability	-	10,800
Other	1,053	1,091
Total non-current liabilities	47,917	45,066
Total liabilities	132,125	156,203
Net assets		
Shareholders' equity		
Capital stock	25,038	25,038
Capital surplus	22,083	22,083
Retained earnings	172,376	180,240
Treasury shares	-897	-924
Total shareholders' equity	218,599	226,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,846	4,454
Deferred gains or losses on hedges	1	9
Foreign currency translation adjustment	-6,309	6,344
Remeasurements of defined benefit plans	-	-970
Total accumulated other comprehensive income	-3,462	9,837
Minority interests	5,111	5,919
Total net assets	220,248	242,193
Total liabilities and net assets	352,373	398,396

For the Fiscal Year Ended March 31, 2014

(2) Consolidated Statements of Income and Statements of Comprehensive Income

Consolidated Statements of Income

(Unit: Millions of yen)

	FY 2012 ended Mar. 31, 2013 (Apr. 1, 2012 to Mar. 31, 2013)	FY 2013 ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014)
Net sales	269,520	302,136
Cost of sales	224,901	253,180
Gross profit	44,619	48,955
Selling, general and administrative expenses		
Transportation and warehousing expenses	10,096	10,904
Personnel expenses	7,662	7,774
Research and development expenses	10,606	10,308
Amortization of goodwill	469	-
Other	5,753	6,217
Total selling, general and administrative expenses	34,585	35,203
Operating income	10,034	13,752
Non-operating income		
Interest income	85	123
Dividend income	947	908
Share of profit of entities accounted for using equity method	1,371	1,105
Real estate rent	1,066	1,112
Foreign exchange gains	173	523
Technical support fee	1,291	369
Miscellaneous income	523	486
Total non-operating income	5,454	4,626
Non-operating expenses		
Interest expenses	674	599
Depreciation	336	377
Taxes and dues	259	241
Loss on disposal of non-current assets	108	173
Loss on retirement of non-current assets	20	64
Miscellaneous loss	268	276
Total non-operating expenses	1,664	1,731
Ordinary income	13,824	16,647
Extraordinary income		
Insurance income	8,231	9,179
Gain on insurance adjustment	-	2,275
Other	-	57
Total extraordinary income	8,231	11,512

(Unit: Millions of yen)

	FY 2012 ended Mar. 31, 2013 (Apr. 1, 2012 to Mar. 31, 2013)	FY 2013 ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014)
Extraordinary losses		
Loss on explosion and fire	8,882	8,323
Loss on reduction of non-current assets	47	2,128
Loss on liquidation of business	-	867
Loss on dissolution of securities to retirement benefit trust	-	414
Impairment loss	89	394
Loss on valuation of investments in capital of subsidiaries and associates	-	50
Loss on valuation of shares of subsidiaries and associates	264	-
Total extraordinary losses	9,280	12,177
Income before income taxes	12,775	15,982
Income taxes - current	3,343	5,488
Income taxes - deferred	872	-373
Total income taxes	4,215	5,116
Income before minority interests	8,560	10,866
Minority interests in income	159	363
Net income	8,401	10,503

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	FY 2012 ended Mar. 31, 2013 (Apr. 1, 2012 to Mar. 31, 2013)	FY 2013 ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014)
Income before minority interests	8,560	10,866
Other comprehensive income		
Valuation difference on available-for-sale securities	1,486	1,602
Deferred gains or losses on hedges	3	8
Foreign currency translation adjustment	3,911	10,736
Share of other comprehensive income of entities accounted for using equity method	1,736	2,301
Total other comprehensive income	7,136	14,647
Comprehensive income	15,696	25,513
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,296	24,663
Comprehensive income attributable to minority interests	399	850

(3) Consolidated Statements of Changes in Equity

Fiscal year ended Mar.31, 2013 (Apr.1, 2012 to Mar.31, 2013)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,038	22,083	168,441	-890	214,672
Changes of items during period					
Dividends of surplus			-4,466		-4,466
Net income			8,401		8,401
Purchase of treasury shares				-8	-8
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,935	-8	3,927
Balance at end of current period	25,038	22,083	172,376	-897	218,599

	Accumulated other comprehensive incomes					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,366	-2	-11,721	-	-10,357	4,755	209,070
Changes of items during period							
Dividends of surplus							-4,466
Net income							8,401
Purchase of treasury shares							-8
Disposal of treasury shares							-
Net changes of items other than shareholders' equity	1,480	4	5,412	-	6,896	356	7,252
Total changes of items during period	1,480	4	5,412	-	6,896	356	11,179
Balance at end of current period	2,846	1	-6,309	-	-3,462	5,111	220,248

Fiscal year ended Mar.31, 2014 (Apr.1, 2013 to Mar.31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,038	22,083	172,376	-897	218,599
Changes of items during period					
Dividends of surplus			-2,639		-2,639
Net income			10,503		10,503
Purchase of treasury shares				-29	-29
Disposal of treasury shares		0		3	3
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	7,864	-27	7,838
Balance at end of current period	25,038	22,083	180,240	-924	226,437

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,846	1	-6,309	-	-3,462	5,111	220,248
Changes of items during period							
Dividends of surplus							-2,639
Net income							10,503
Purchase of treasury shares							-29
Disposal of treasury shares							3
Net changes of items other than shareholders' equity	1,608	8	12,653	-970	13,298	809	14,107
Total changes of items during period	1,608	8	12,653	-970	13,298	809	21,945
Balance at end of current period	4,454	9	6,344	-970	9,837	5,919	242,193

(3) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY 2012 ended Mar. 31, 2013 (Apr. 1, 2012 to Mar. 31, 2013)	FY 2013 ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014)
Cash flows from operating activities		
Income before income taxes	12,775	15,982
Depreciation	15,402	16,995
Loss on valuation of investments in capital of subsidiaries and associates	-	50
Loss on valuation of shares of subsidiaries and associates	264	-
Impairment loss	89	394
Loss on liquidation of business	-	725
Loss on reduction of non-current assets	47	2,128
Insurance income	-8,231	-9,192
Gain on insurance claim	-	-2,275
Interest and dividend income	-1,032	-1,031
Interest expenses	674	599
Share of (profit) loss of entities accounted for using equity method	-1,371	-1,105
Decrease (increase) in notes and accounts receivable - trade	26,919	-16,215
Decrease (increase) in inventories	3,030	-14,393
Increase (decrease) in notes and accounts payable - trade	-14,869	12,386
Other, net	-5,631	-2,801
Subtotal	28,064	2,247
Interest and dividend income received	2,799	1,953
Interest expenses paid	-691	-614
Payment for liquidation of business	-	-6
Proceeds from insurance income	8,231	14,639
Income taxes (paid) refund	-11,080	-1,226
Cash flows from operating activities	27,322	16,992
Cash flows from investing activities		
Purchase of property, plant and equipment	-29,382	-22,395
Purchase of intangible assets	-239	-933
Purchase of investment securities	-307	-507
Purchase of shares of subsidiaries and associates	-984	-9
Payments of loans receivable	-1,299	-600
Other, net	332	-698
Cash flows from investing activities	-31,878	-25,141

(Unit: Millions of yen)

	FY 2012 ended Mar. 31, 2013 (Apr. 1, 2012 to Mar. 31, 2013)	FY 2013 ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-299	2,918
Proceeds from long-term loans payable	19,687	11,400
Repayments of long-term loans payable	-9,743	-14,100
Redemption of bonds	-5,000	-
Cash dividends paid	-4,466	-2,639
Cash dividends paid to minority shareholders	-44	-31
Proceeds from sales of treasury shares	-	3
Purchase of treasury shares	-8	-29
Other, net	-47	-41
Cash flows from financing activities	81	-2,519
Effect of exchange rate change on cash and cash equivalents	1,464	2,487
Net increase (decrease) in cash and cash equivalents	-3,012	-8,182
Cash and cash equivalents at beginning of period	50,812	47,801
Cash and cash equivalents at end of period	47,801	39,619

5) Notes Concerning Consolidated Financial Statements

【Going Concern Assumption】

Not applicable.

【Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements】

Changes in Accounting Policies

Starting from the current consolidated fiscal year, the Company has applied “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Statement [ASBJ] No. 26, issued May 17, 2012, hereafter “Accounting Standard for Retirement Benefits”) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued May 17, 2012, hereafter, “Guidance on Accounting Standard for Retirement Benefits”). (However, the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits have been excluded.)

The Company has adopted the method of deducting the amount of pension assets from the retirement benefit obligations and reporting the amount as net defined retirement benefit assets and retirement liabilities, and also reporting the unrecognized actuarial differences and unrecognized prior service costs as part of net defined retirement benefit assets and retirement liabilities.

In accordance with the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits, the Company applied the Accounting Standard for Retirement Benefits at the end of the consolidated current fiscal year, and the effect of the accounting change related to retirement benefits was reflected in other comprehensive income.

As a result, other comprehensive income at the end of the current fiscal year declined by 817 million yen.

【Segment Information】

Fiscal year ended Mar. 31, 2013(Apr. 1, 2012to Mar. 31, 2013

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment	Consolidation
Net sales						
(1) Sales to third parties	113,862	137,012	18,646	269,520	-	269,520
(2) Intergroup sales and transfers	20,132	1,263	1,649	23,044	-23,044	-
Total	133,994	138,274	20,295	292,564	-23,044	269,520
Segment Income	2,097	6,779	1,431	10,308	-273	10,034
Segment Assets	134,056	149,257	23,742	307,055	45,318	352,373
Other Items						
Depreciation and Amortization	8,633	6,920	556	16,110	-	16,110
Amortization of Goodwill	468	1	-	469	-	469
Increase in Tangible and Intangible Fixed Assets	13,334	15,858	350	29,542	-	29,542

Notes: 1. Below is a description of adjustments.

- (1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to -273 million yen.
- (2) The “Segment Assets” adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 45,318 million yen.
2. Segment income is adjusted for Operating Income described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in “Depreciation and Amortization” and “Increase in Tangible and Intangible Fixed Assets.”

For the Fiscal Year Ended March 31, 2014

Fiscal year ended Mar. 31, 2014(Apr. 1, 2013to Mar. 31, 2014)				(Unit: Millions of yen)		
	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment	Consolidation
Net sales						
(1) Sales to third parties	129,842	146,857	25,436	302,136	-	302,136
(2) Intergroup sales and transfers	24,632	2,980	626	28,238	-28,238	-
Total	154,474	149,837	26,063	330,374	-28,238	302,136
Segment Income	3,250	8,239	2,044	13,533	219	13,752
Segment Assets	149,880	189,052	26,010	364,942	33,454	398,396
Other Items						
Depreciation and Amortization	9,156	7,934	554	17,664	-	17,644
Amortization of Goodwill	-	-	-	-	-	-
Increase in Tangible and Intangible Fixed Assets	12,157	13,724	228	26,109	-	26,109

Notes: 1. Below is a description of adjustments.

- (1) The "Segment Income" adjustment refers to inter-segment transaction eliminations amounting to -219 million yen.
- (2) The "Segment Assets" adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 33,454 million yen.
2. Segment income is adjusted for Operating Income described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in "Depreciation and Amortization" and "Increase in Tangible and Intangible Fixed Assets."

【Information concerning impairment loss of noncurrent assets by reporting segment】

Fiscal year ended Mar. 31, 2013 (Apr. 1, 2012 to Mar. 31, 2013)				(Unit: Millions of yen)	
	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
impairment loss	-	-	-	89	89

Fiscal year ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014)				(Unit: Millions of yen)	
	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
impairment loss	-	394	-	-	394

【Supplementary Information】

Overseas Sales

Fiscal year ended Mar. 31, 2013(Apr. 1, 2012 to Mar. 31, 2013)						(Unit: Millions of yen)
	Asia	Europe	North America	Others	Total	
I. Overseas sales	54,519	39,038	21,376	10,412	125,344	
II. Consolidated sales					269,520	
III. Overseas sales to consolidated sales	20.2%	14.5%	7.9%	3.9%	46.5%	

Notes:

1. Geographical segments are classified according to geographical proximity.
2. Specific countries of each area:
 - (1) Asia: East and South East Asian countries
 - (2) Europe: European countries
 - (3) North America: North American countries
 - (4) Others: Areas/countries except Asia, Europe, North America, and Japan

3. "Overseas sales" means sales to outside Japan by Nippon Shokubai Co., Ltd. and its consolidated subsidiaries.

Fiscal year ended Mar. 31, 2014 (Apr. 1, 2013 to Mar. 31, 2014) (Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	62,328	35,659	28,277	16,662	142,925
II. Consolidated sales					302,136
III. Overseas sales to consolidated sales	20.6%	11.8%	9.4%	5.5%	47.3%

Notes:

1. Geographical segments are classified according to geographical proximity.
2. Specific countries of each area:
 - (1) Asia: East and South East Asian countries
 - (2) Europe: European countries
 - (3) North America: North American countries
 - (4) Others: Areas/countries except Asia, Europe, North America, and Japan
3. "Overseas sales" means sales to outside Japan by Nippon Shokubai Co., Ltd. and its consolidated subsidiaries.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*