

Consolidated Financial Results for the Year Ended March 31, 2020
(JPGAAP)



May 15, 2020

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo
URL: <http://www.nissanchem.co.jp/>

Code Number: 4021

Representative: KINOSHITA Kojiro, President

Inquiry to: DAIMON Hideki, Executive Officer and Director of Finance and Accounting Department Tel. +81 3 4463 8404

Scheduled date of annual shareholders' meeting : June 25, 2020 Scheduled dividend payment date : June 26, 2020

Scheduled date of submitting the Annual Securities Report : June 25, 2020

Supplemental information : Yes

Financial results meeting : Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results (% indicates the rate of increase/decrease year on year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	206,837	0.9	38,647	4.2	40,003	2.3	30,779	4.8
Year ended March 31, 2019	204,896	6.0	37,091	6.0	39,098	7.9	29,372	8.2

(Note) Comprehensive income: Year ended March 31, 2020 : 26,726 million yen, 2.0%
Year ended March 31, 2019 : 26,203 million yen, (14.8%)

	Basic earnings per share	Diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Year ended March 31, 2020	Yen 210.09	Yen —	% 16.9	% 16.1	% 18.7
Year ended March 31, 2019	197.67	—	16.6	15.9	18.1

(Reference) Equity in earnings of affiliates : Year ended March 31, 2020 : 945 million yen
: Year ended March 31, 2019 : 970 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of March 31, 2020	Million yen 249,522	Million yen 185,528	% 73.7	Yen 1,264.23
As of March 31, 2019	246,990	182,074	73.0	1,220.35

(Reference) Shareholders' equity: As of March 31, 2020: 183,917 million yen
As of March 31, 2019: 180,345 million yen

(3) Consolidated 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
Year ended March 31, 2020	Million yen 35,550	Million yen (15,624)	Million yen (25,186)	Million yen 30,639
Year ended March 31, 2019	32,070	(10,884)	(22,563)	36,183

2. Cash Dividends

	Cash dividends per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
Year ended March 31, 2019	Yen —	Yen 40.00	Yen —	Yen 42.00	Yen 82.00	Million yen 12,146	% 41.5	% 6.9
Year ended March 31, 2020	—	42.00	—	48.00	90.00	13,144	42.8	7.2
Year ending March 31, 2021 (Outlook)	—	46.00	—	50.00	96.00		44.8	

3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2020	96,600	0.1	16,100	(10.7)	16,700	(10.4)	12,500	(13.9)	86.64
Year ending March 31, 2021	214,500	3.7	39,300	1.7	40,400	1.0	30,800	0.1	214.23

4. Notes

(1) Changes in significant consolidated subsidiaries

(Changes in specified subsidiaries involving changes in scope of consolidation) : None

(2) Changes of accounting policies and accounting estimates, and restatement

1. Changes of accounting policies due to revisions of accounting standards : None

2. Changes of accounting policies other than the above : None

3. Changes in accounting estimates : None

4. Restatements : None

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of March 31, 2020 : 146,000,000 shares

As of March 31, 2019 : 149,000,000 shares

2. Number of treasury shares

As of March 31, 2020 : 522,578 shares

As of March 31, 2019 : 1,217,872 shares

3. Average number of shares outstanding over the year

As of March 31, 2020 : 146,511,438 shares

As of March 31, 2019 : 148,593,042 shares

(Note) The Company has introduced "Board Benefit Trust (BBT)" from the second quarter of the consolidated fiscal year,

and repurchased its own shares based on the trust agreement. As a result, treasury shares increased by 799 million yen.

Also, the shares held by the Trust are included in the number of treasury shares at the end of the period,

and they are included in the number of treasury shares deducted in calculating the average number of shares outstanding over the year.

The number of shares held by the Trust (included in treasury shares) at the end of the period was 166,200 shares.

In addition, the average number of shares held by the Trust during the period was 103,875 shares.

This is not included in the average number of shares outstanding.

* Presentation regarding implementation status of audit procedures

This financial release is not subject to audit procedures based on Financial Instruments and Exchange Law in Japan.

Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* Explanations regarding appropriate use of business outlook and other special notes

The business outlook contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the outlook due to various factors.

The prerequisite information of outlook and other items are on page 3 to page 4.

For supplemental information, please refer to our website.

Financial results audio webcast will be released on our website as well.

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1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

The domestic economy continued to recover moderately in the current fiscal year (April 1, 2019 to March 31, 2020) against the backdrop of an improvement in the employment and income environment. However, in addition to the sluggish exports caused by the slowdown in the overseas economy, economic activity worldwide stagnated in the second half of the fiscal year due to the impacts of COVID-19. Under these circumstance, sales of Basic Chemicals decreased in the Chemicals Segment. In the Performance Materials Segment, Display Materials and Semiconductor Materials performed well. The Agricultural Chemicals Segment sales strongly increased. In the Pharmaceuticals Segment, although sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) increased, sales of drug discovery decreased.

As a result, operating and ordinary income achieved record highs for the sixth consecutive year and net income attributable to owners of parent for the seventh consecutive year, exceeding the earnings outlook announced in November.

(Million yen, amounts rounded down to the nearest million yen)

	FY2018 (Actual)	FY2019 (Actual)	Year-on-year change	FY2019 (Outlook)	Change from Outlook
Net sales	204,896	206,837	+1,941	209,000	△2,163
Operating income	37,091	38,647	+1,556	38,600	+47
Ordinary income	39,098	40,003	+905	39,700	+303
Net income attributable to owners of parent	29,372	30,779	+1,407	30,600	+179

Explanations by segments are as below.

The Chemicals Segment

In Basic Chemicals, although sales of high purity sulfuric acid (agent used for cleaning semiconductor) increased, sales of melamine (adhesives agent for particle board) declined due to market conditions. In the Fine Chemicals, sales of "TEPIC" for electrical materials (solder resist inks, LED-sealing materials, etc.) decreased, while sales for general use (powder coating agent for paint) increased.

As a result, sales of this segment were 34,336 million yen (a decrease of 1,314 million yen) and operating income was 1,372 million yen (a decrease 1,674 million yen). Compared to the outlook, net sales were below 3.0 billion yen and operating income was below 2.0 billion yen.

The Performance Materials Segment

In the Display Materials, sales of "SUNEVER" (LCD alignment coating) for both small-and medium-sized products such as smartphones and large-scale products such as TVs performed well. In Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®) increased, reflecting favorable operation by customers. In the Inorganic Materials, sales of "SNOWTEX" for polishing electronic materials decreased. Sales of Organo / Monomer sol (various kinds of coating materials, resin additive) and Oilfield materials (for enhancing oil recovery) also decreased.

As a result, sales of this segment were 65,460 million yen (an increase of 2,428 million yen) and operating income was 17,353 million yen (an increase of 2,386 million yen). Compared to the outlook, net sales were above 2.0 billion yen and operating income was above 2.3 billion yen.

*ARC® is a registered trade mark of Brewer Science, Inc.

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) decreased due to the impact of inventories of customers. In domestic agrochemicals market, sales of "GRACIA" (insecticide) launched in May in Japan were strong. "ROUNDUP" (non-selective leaf treatment herbicide) revenues increased from the previous year due to natural disasters in the first half of the previous fiscal year, and remained steady in the second half of this fiscal year. In overseas agrochemicals market, sales of "TARGA" (herbicide) decreased, but sales of "GRACIA" for the Korean market and "QUINTEC" (fungicide) acquired in the third quarter contributed to sales.

As a result, sales of this segment were 64,038 million yen (an increase of 1,313 million yen) and operating income was 19,303 million yen (an increase of 952 million yen). Compared to the outlook, net sales were below 0.3 billion yen and operating income was below 0.3 billion yen.

The Pharmaceuticals Segment

Sales of "LIVALO" (anti-cholesterol drug) decreased, as selling prices fell due to an increase in sales of generic drugs outside Japan, despite an increase in shipments in Japan. In "Custom Chemicals", sales of generic-active pharmaceutical ingredients increased steadily.

As a result, sales of this segment were 6,962 million yen (a decrease of 46 million yen) and operating income was 939 million yen (a decrease of 60 million yen). Compared to the outlook, net sales were the same and operating income was below 0.2 billion yen.

Trading

Sales of this segment were 67,907 million yen (an increase of 27 million yen), and operating income was 2,113 million yen (an increase of 75 million yen). Compared to the outlook, net sales were above 0.8 billion yen and operating income was the same.

Others

Sales of this segment were 22,394 million yen (a decrease of 2,215 million yen) and operating income was 693 million yen (a decrease of 229 million yen).

(Outlook of business result for the next term)

(Billion yen, amounts rounded to the nearest billion yen)

	FY2019 Actual (A)	FY2020 Outlook (B)	Increase or decrease (B-A)	Rate of change (%)
Net sales	206.8	214.5	+7.7	+4%
Operating income	38.6	39.3	+0.7	+2%
Ordinary income	40.0	40.4	+0.4	+1%
Net income attributable to owners of parent	30.8	30.8	+0.0	+0%
Basic earnings per share	210.09 yen	214.23 yen	+4.14 yen	+2%
Average U.S. dollar exchange rate	109 yen	108 yen	-	-

Segment Sales and Operating Income

(Billion yen, amounts rounded to the nearest billion yen)

	Net sales		Operating income (Note)	
	FY2019 Actual	FY2020 Outlook	FY2019 Actual	FY2020 Outlook
Chemicals	34.3	35.6	1.3	2.7
Performance Materials	65.5	70.1	17.0	18.1
Agricultural Chemicals	64.0	65.5	19.3	18.4
Pharmaceuticals	7.0	6.4	0.9	0.4
Trading	67.9	68.2	2.1	2.0
Other	22.4	25.0	0.7	0.7
Adjustment	△54.3	△56.3	△2.7	△3.0
Total	206.8	214.5	38.6	39.3

As outlook of business result for the next term, we assume net sales will be 214.5 billion yen, operating income will be 39.3 billion yen, ordinary income will be 40.4 billion yen and net income attributable to owners of parent will be 30.8 billion yen. The above outlook is calculated on the assumption that the exchange rate will be 108 yen per dollar.

The FY2020 outlook does not reflect the effects of the COVID-19 pandemic since they cannot be reasonably assessed at this time due to the uncertainty of its ongoing impact on our business.

(Note) From the FY2020, the Company will change the method of totaling operating income by segments. For the purpose of comparison, figures of the FY2019 have been calculated using the same method. Under the new method, consolidation adjustments (such as unrealized gains on inventories and non-current assets) previously allocated to individual segments are collectively processed with the adjustments for the entire company. The impact of this change is minor.

(2) Analysis of Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of March 31, 2020 were 249,522 million yen (an increase of 2,531 million yen from the previous year). It is mainly due to the increase of notes and accounts receivable-trade, merchandise and finished goods, and intangible assets.

Total liabilities as of March 31, 2020 were 63,993 million yen (a decrease of 922 million yen). It is mainly due to the decrease of loans payable.

Net assets as of March 31, 2020 were 185,528 million yen (an increase of 3,454 million yen).

As a result of these factors, equity ratio was 73.7% (an increase of 0.7% from March 31, 2019).

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss in working capital, net cash provided by operating activities for the consolidated fiscal year ended March 31, 2020 was 35,550 million yen (32,070 million yen for the previous year).

Due to investment on plant and equipment, net cash used in investing activities for the consolidated fiscal year ended March 31, 2020 was 15,624 million yen (10,884 million yen for the previous year).

Due to share repurchase, payment for dividends and of long-term loans payable, net cash used in financing activities for the consolidated fiscal year ended March 31, 2020 was 25,186 million yen (22,563 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2020 were 30,639 million yen (36,183 million yen for the previous year), reflecting exchange of 283 million yen. It decreased by 5,544 million yen compared to the previous year.

<Reference> The transit of Cash Flow indices

	For the year ended				
	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Shareholders' equity ratio (%)	68.1	69.9	71.0	73.0	73.7
Shareholders' equity ratio based on market value (%)	196.2	212.2	268.5	303.4	229.7
Debt repayment ratio (year)	1.1	0.9	0.8	0.8	0.7
Interest coverage ratio (times)	154.1	208.0	299.3	288.1	288.5

Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio based on market value: market capitalization/total assets

Debt repayment ratio: interest-bearing liabilities/cash flows from operating activities

Interest coverage ratio: cash flows from operating activities/interest payments

(Notes 1) All indicators are calculated based on consolidated financial figures.

(Notes 2) Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares.

(Notes 3) Cash flows represents operating cash flow.

(Notes 4) Interest-bearing liabilities refer to all liabilities recorded in the consolidated balance sheets that incur interest.

(3) Basic Policy on Distribution of Earnings and Dividends for current and next term

The Company's basic policy of profit allocation is returning to shareholders by improving company value through increasing revenue in the medium and long terms.

In medium-term business plan "Vista2021" Stage II launched from April 2019, the company aimed to realize dividend payout ratio to be 42.5% and total payout ratio to be 72.5% in FY2019, and we have achieved in FY2019. After FY2019, the company aims to realize dividend payout ratio to be 45% and total payout ratio to be 75%.

The year-end dividend is expected to be 48 yen per share. Accordingly, the total annual dividend per share for the current year ended March 31, 2020 will become 90 yen, which was 82 yen in the previous year.

Total annual dividends per share for the year ending March 31, 2021 is scheduled to be 96 yen (second quarter: 46 yen, year-end: 50 yen).

2. Management Policy

(1) Basic Management Policy

As a group growing with customers, we will strengthen the brand nurtured by our faithful corporate culture and maximize corporate value through productive activities for the society.

(2) Target Management Indicator

Our most important objectives are "Return on Equity (ROE)" which represents the efficiency of managing shareholders' equity and "Ratio of operating income to net sales" which leads to a high-value added company. We will expand our business to increase our revenue.

We aim to realize Return on Equity (ROE) to be above 16% in medium term business plan "Vista 2021" Stage II launched in April 2019. We have achieved it in FY2019.

(3) Mid-and Long-term Management Strategies and Issues to be addressed

In April 2019, we launched "Vista 2021" Stage II (FY2019 to FY2021) later three years of our medium-term business plan that sets out our vision for FY2021. In FY2019, the first year of the plan, we achieved our profit targets and record-high profits.

However, in the second half of the fiscal year, the business environments changed due to the impact of worldwide spread of COVID-19. In Japan, as a result of the announcement of an emergency situation, companies were forced to drastically revise their work styles in response to requests to refrain from going out without necessity. The global economy has been threatened by the economic downturn since the Great Depression.

Under these circumstances, on the premise that we will continue supplying products and services to our customers, we have taken measures such as maximizing telecommuting based on the Business Continuity Plan we have long formulated. Looking ahead, we must be prepared in advance for all possible risks that could threaten the survival of our business. And preparing for a global recession is a pressing issue.

Based on the above conditions, the following issues are to be addressed in the long, medium-and short-term.

1) Long-term issue

① Establish a stronger business portfolio

In our established businesses, we will further strengthen our business base by improving profitability of ammonia related chemicals business, rebuilding the Pharmaceuticals business, and promoting smart-agriculture initiatives. We consider entry into new business domains to be the most important issue and on April 1, 2020, we established the "Planning and Development Division" to accelerate development in the areas defined as our core businesses in the future and to clarify authority and responsibilities. We set up Life Sciences Materials Development Dept., Information & Communication Materials Development Dept., and Environment & Energy Materials Development Dept. under the division to make every effort to establish business domains through the creation of materials. By steadily promoting these initiatives, we aim to establish a stronger business portfolio that is less susceptible to changes in the business environment.

② Proactive promotion of CSR(Corporate Social Responsibility) management

Based on ESG (Environmental, Social and Governance) and SDGs (Sustainable Development Goals), we are addressing

materiality issues that must be addressed in order to contribute to the resolution of social issues and realize our corporate vision for FY2030. As for "Continuous improvement of responsible care activities," which is listed as materiality, we have worked to reduce greenhouse gas emissions in response to the mitigation of climate change, and achieved significant improvements in energy consumption per unit of production. In addition, recognizing that biodiversity is essential for the building of a sustainable society, we are also actively participating in the partnership for private participation in biodiversity. In the future, we will aim to conduct activities to conserve biotope (biological habitats) in all prefectures where our headquarters, factories, and research laboratories are located. Through these efforts, we will strive to realize our corporate vision "becoming a corporate group that contributes to human survival and development."

2) Medium-and short-term issues

①Maximizing profits and cash flows

Based on the basic strategies of the Medium-Term Management Plan, we will concentrate our management resources on the products that will be the source of our growth and the development of new products. At the same time, we will work to reduce assets by reducing costs, carefully examining and optimizing inventories, while revising research themes and reassessing personnel allocations with a view to the market.

②Responding to risks

In addition to natural disasters, we will analyze a wide range of risks related to the survival of our business, including risks associated with new pandemics, climate change, etc. We will then take measures to ensure that we can maintain a sound business system.

③Increased productivity

In order to respond to rapid changes in the business environment and to establish a competitive advantage, we will actively promote digital transformation that utilizes digital technologies. We aim to transform ourselves to the corporate group that shows high creativity applying the latest digital technologies to more stable operations, acceleration of R&D, and labor saving in routine work etc. In addition, we will strive to provide an environment where employees can maximize their strengths by verifying effects of telework which was conducted to reduce the infection risk of COVID-19, and other methods.

In FY2020, we will conduct our business activities under an economic environment that is even more difficult to predict than in the past. Nevertheless, in all phases of our business activities, we will appropriately identify changes in society and steadily implement measures to address various challenges in order to establish a more robust business base in accordance with our corporate philosophy "We contribute to society in harmony with the environment, based on our excellent technologies, products and services." We will make a concerted effort to become a corporate group that is trusted by all stakeholders by enhancing the soundness and transparency of business, ensuring thorough compliance, giving greater consideration to the environment, and promoting social contribution activities.

In confronting these and other challenges, we would like to ask our shareholders continued support and understanding.

3. Basic Approach to the Selection of Accounting Standards

The Company will research on trend of IFRS in the country and overseas and correspond properly when applying IFRS.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	36,183	30,639
Notes and accounts receivable - trade	69,193	72,509
Merchandise and finished goods	32,215	33,131
Work in process	41	153
Raw materials and supplies	9,742	10,590
Accounts receivable - other	2,207	2,765
Short-term loans receivable	512	2,045
Other	2,427	2,387
Allowance for doubtful accounts	(32)	(26)
Total current assets	152,490	154,196
Non-current assets		
Property, plant and equipment		
Buildings and structures	65,942	67,110
Accumulated depreciation and impairment loss	(40,690)	(42,260)
Buildings and structures, net	25,251	24,850
Machinery, equipment and vehicles	130,490	135,476
Accumulated depreciation and impairment loss	(117,523)	(123,035)
Machinery, equipment and vehicles, net	12,966	12,440
Tools, furniture and fixtures	38,458	39,625
Accumulated depreciation and impairment loss	(34,385)	(35,829)
Tools, furniture and fixtures, net	4,073	3,796
Land	9,059	8,995
Construction in progress	1,378	1,499
Total property, plant and equipment	52,729	51,581
Intangible assets		
Software	721	566
Other	796	6,812
Total intangible assets	1,517	7,379
Investments and other assets		
Investment securities	35,229	30,873
Deferred tax assets	110	721
Net defined benefit asset	2,089	1,609
Other	2,917	3,244
Allowance for doubtful accounts	(92)	(84)
Total investments and other assets	40,253	36,364
Total non-current assets	94,500	95,325
Total assets	246,990	249,522

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,809	16,876
Short-term loans payable	23,605	22,898
Current portion of long-term loans payable	1,860	640
Income taxes payable	4,330	6,167
Provision for bonuses	2,137	2,151
Provision for directors' bonuses	25	26
Other	10,430	11,254
Total current liabilities	60,198	60,015
Non-current liabilities		
Long-term loans payable	1,116	1,076
Deferred tax liabilities	823	76
Provision for business structure improvement	370	284
Provision for loss on business of subsidiaries and affiliates	309	309
Provision for share-based remuneration for directors (and other officers)	-	46
Net defined benefit liability	152	208
Other	1,945	1,976
Total non-current liabilities	4,717	3,978
Total liabilities	64,916	63,993
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	143,200	146,997
Treasury shares	(6,291)	(2,470)
Total shareholders' equity	169,464	177,082
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,634	7,782
Foreign currency translation adjustment	(11)	(896)
Remeasurements of defined benefit plans	258	(51)
Total accumulated other comprehensive income	10,880	6,834
Non-controlling interests	1,728	1,610
Total net assets	182,074	185,528
Total liabilities and net assets	246,990	249,522

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

- Consolidated Statements of Income

(Million yen)

	Year Ended March 31, 2019	Year Ended March 31, 2020
Net sales	204,896	206,837
Cost of sales	119,911	122,379
Gross profit	84,985	84,458
Selling, general and administrative expenses	47,893	45,810
Operating income	37,091	38,647
Non-operating income		
Interest income	31	26
Dividend income	981	785
Equity in earnings of affiliates	970	945
Other	1,142	852
Total non-operating income	3,126	2,609
Non-operating expenses		
Interest expenses	110	123
Loss on disposal of non-current assets	630	443
Plant stop losses	249	298
Foreign exchange losses	24	235
Other	104	151
Total non-operating expenses	1,119	1,252
Ordinary income	39,098	40,003
Extraordinary income		
Gain on sales of investment securities	-	1,834
Total extraordinary income	-	1,834
Extraordinary losses		
Licensing arrangement fee	-	834
Total extraordinary losses	-	834
Income before income taxes and non-controlling interests	39,098	41,003
Income taxes - current	8,690	10,102
Income taxes - deferred	893	36
Total income taxes	9,583	10,138
Net income	29,514	30,864
Net income attributable to non-controlling interests	141	84
Net income attributable to owners of parent	29,372	30,779

- Consolidated Statements of Comprehensive Income

(Million yen)

	Year Ended March 31, 2019	Year Ended March 31, 2020
Net income	29,514	30,864
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,018)	(2,851)
Foreign currency translation adjustment	(159)	(976)
Remeasurements of defined benefit plans, net of tax	(132)	(309)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(3,311)	(4,137)
Comprehensive income	26,203	26,726
(Comprehensive income attributable to)		
Owners of parent	26,083	26,733
Non-controlling interests	119	(6)

(3) Consolidated Statements of Changes in Net Assets
For the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,613	133,822	(5,962)	160,416
Changes of items during period					
Dividends of surplus			(11,320)		(11,320)
Net income attributable to owners of parent			29,372		29,372
Share repurchase				(9,004)	(9,004)
Cancellation of treasury shares			(8,674)	8,674	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	9,377	(329)	9,048
Balance at end of current period	18,942	13,613	143,200	(6,291)	169,464

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	13,653	125	390	14,170	1,778	176,364
Changes of items during period						
Dividends of surplus						(11,320)
Net income attributable to owners of parent						29,372
Share repurchase						(9,004)
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(3,019)	(137)	(132)	(3,289)	(49)	(3,338)
Total changes of items during period	(3,019)	(137)	(132)	(3,289)	(49)	5,709
Balance at end of current period	10,634	(11)	258	10,880	1,728	182,074

For the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,613	143,200	(6,291)	169,464
Changes of items during period					
Dividends of surplus			(12,360)		(12,360)
Net income attributable to owners of parent			30,779		30,779
Share repurchase				(10,801)	(10,801)
Disposal of treasury shares			(0)	0	0
Cancellation of treasury shares			(14,622)	14,622	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,797	3,821	7,618
Balance at end of current period	18,942	13,613	146,997	(2,470)	177,082

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,634	(11)	258	10,880	1,728	182,074
Changes of items during period						
Dividends of surplus						(12,360)
Net income attributable to owners of parent						30,779
Share repurchase						(10,801)
Disposal of treasury shares						0
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(2,851)	(884)	(309)	(4,046)	(117)	(4,164)
Total changes of items during period	(2,851)	(884)	(309)	(4,046)	(117)	3,454
Balance at end of current period	7,782	(896)	(51)	6,834	1,610	185,528

(4) Consolidated Statements of Cash Flows

(Million yen)

	Year Ended March 31, 2019	Year Ended March 31, 2020
Cash flows from operating activities		
Income before income taxes and non-controlling interests	39,098	41,003
Depreciation and amortization	10,915	10,516
Amortization of goodwill	-	28
Interest and dividend income	(1,013)	(811)
Loss (gain) on sales of investment securities	(296)	(1,834)
Interest expenses	110	123
Loss (gain) on disposal of non-current assets	630	443
Decrease (increase) in notes and accounts receivable - trade	(3,877)	(3,656)
Decrease (increase) in inventories	(4,304)	(2,352)
Increase (decrease) in notes and accounts payable - trade	(671)	(715)
Other	(617)	(263)
Subtotal	39,974	42,481
Interest and dividend income received	1,633	1,565
Interest expenses paid	(111)	(123)
Income taxes paid	(9,426)	(8,373)
Net cash provided by (used in) operating activities	32,070	35,550
Cash flows from investing activities		
Purchase of investment securities	(910)	(657)
Proceeds from sales of investment securities	450	3,206
Purchase of property, plant and equipment	(9,747)	(8,904)
Payments for retirement of property, plant and equipment	(525)	(391)
Purchase of intangible assets	(192)	(285)
Payments for transfer of business	-	(6,335)
Net decrease (increase) in short-term loans receivable	(2)	(1,538)
Purchase of long-term prepaid expenses	(46)	(645)
Other	90	(73)
Net cash provided by (used in) investing activities	(10,884)	(15,624)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(46)	(653)
Proceeds from long-term loans payable	530	600
Repayments of long-term loans payable	(2,554)	(1,860)
Cash dividends paid	(11,320)	(12,360)
Dividends paid to non-controlling interests	(167)	(111)
Share repurchase	(9,004)	(10,801)
Other	(0)	0
Net cash provided by (used in) financing activities	(22,563)	(25,186)
Effect of exchange rate change on cash and cash equivalents	(141)	(283)
Net increase (decrease) in cash and cash equivalents	(1,518)	(5,544)
Cash and cash equivalents at beginning of period	37,702	36,183
Cash and cash equivalents at end of period	36,183	30,639

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Segment and Related Information)

Segment Information

1. General Information about reportable segments

The Company's reportable segments are components of the Group that engage in business activities, whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.

Divisions by products and services are located in the headquarters, and each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

The Company consists of segments based on divisions as follows:

Segment	Main Products
Chemicals	Basic chemicals (melamine, sulfuric acid, nitric acid, ammonia, etc.) Fine chemicals (epoxy compound for LED sealants, solder resist and painting, flame retardants, chlorinated cyanuric acid for sterilizing, etc.)
Performance Materials	Display materials (LCD alignment coating, etc.) Semiconductor materials (bottom anti-reflective coating for semiconductors, etc.) Inorganic materials (hard coating materials, electronic information materials, polishing materials, etc.)
Agricultural Chemicals	Agrochemicals (herbicides, insecticides, fungicides, combination fungicide and insecticide, and plant growth regulators) Animal health products
Pharmaceuticals	LIVALO (anti-cholesterol drug), etc. Custom Chemicals (custom manufacturing and process researching services for pharmaceutical companies)
Trading	Trading, etc.
Others	Fertilizer, landscaping, transportation, engineering, etc.

2. Basis of measurement of reported segment income or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and income (loss) are recognized based on current market prices.

3. Information Regarding Sales, Income (Loss), and Segment Assets of Reportable Segments

1) For the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Customers	25,991	55,655	57,513	6,968	48,562	10,188	204,879	16	204,896
Intersegment	9,660	7,376	5,211	40	19,317	14,421	56,028	(56,028)	—
Total sales	35,651	63,031	62,724	7,009	67,880	24,610	260,908	(56,011)	204,896
Operating income (loss)	3,046	14,966	18,351	1,000	2,037	923	40,325	(3,234)	37,091
Segment assets	28,669	51,256	61,818	9,063	25,507	11,479	187,794	59,196	246,990
Other items									
Depreciation and amortization	1,805	6,059	1,680	645	49	322	10,563	350	10,913
Amortization of goodwill	1	—	—	—	—	—	1	—	1
Increase of property, plant and equipment and intangible assets	2,021	3,246	3,326	502	122	438	9,658	280	9,938

(Notes 1) The adjustments are as follows:

(1) The (3,234) million yen adjustment in segment income includes (405) million yen in intersegment eliminations, 16 million yen sales not attributable to any reporting segment, and (2,845) million yen corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(2) The 59,196 million yen adjustment in segment assets includes (11,968) million yen in intersegment eliminations and 71,165 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 350 million yen adjustment in depreciation and amortization is corporation expenses.

(4) The 280 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

2) For the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Customers	24,893	57,831	58,693	6,905	48,235	10,265	206,824	13	206,837
Intersegment	9,443	7,629	5,345	56	19,672	12,128	54,276	(54,276)	-
Total sales	34,336	65,460	64,038	6,962	67,907	22,394	261,100	(54,262)	206,837
Operating income (loss)	1,372	17,353	19,303	939	2,113	693	41,775	(3,127)	38,647
Segment assets	27,711	50,172	73,909	10,555	25,243	11,976	199,569	49,952	249,522
Other items									
Depreciation and amortization	1,865	5,069	2,197	591	85	360	10,171	345	10,516
Amortization of goodwill	1	—	27	—	—	—	28	—	28
Increase of property, plant and equipment and intangible assets	3,134	3,276	7,902	597	104	366	15,381	327	15,709

(Notes 1) The adjustments are as follows:

(1) The (3,127) million yen adjustment in segment income includes (230) million yen in intersegment eliminations, 13 million yen sales not attributable to any reporting segment, and (2,909) million yen corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(2) The 49,952 million yen adjustment in segment assets includes (11,924) million yen in intersegment eliminations and 61,877 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 345 million yen adjustment in depreciation and amortization is corporation expenses.

(4) The 327 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

Related Information

For the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

Sales by region

(Million yen)

Japan	Korea	Other Asia (except Japan and Korea)	Europe and the United States	Consolidated Total
107,131	22,341	43,354	32,068	204,896

Note: Sales are classified to either countries or regions based on customers are located.

For the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Sales by region

(Million yen)

Japan	China	Other Asia (except Japan and China)	Europe and the United States	Consolidated Total
109,217	22,840	44,224	30,554	206,837

Note: Sales are classified to either countries or regions based on customers are located.

Information regarding impairment loss on non-current assets by reportable segments

For the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

Not applicable.

For the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

Not applicable.

Information regarding amortization and unamortized balance on goodwill by reportable segments

For the Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharma- ceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2019	4	—	—	—	—	—	4	—	4

For the Year Ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharma- ceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2020	3	—	298	—	—	—	301	—	301

(Per Share Information)

(Yen)

	Year Ended March 31, 2019	Year Ended March 31, 2020
Net assets per share	1,220.35	1,264.23
Net income per share	197.67	210.09

Notes:

- Since residual securities do not exist, diluted net income per share is not presented.
- The Company has introduced "Board Benefit Trust (BBT)" from the second quarter of the consolidated fiscal year, and has recorded the shares held by the Trust as treasury shares in the consolidated financial statements. Accordingly, for the purpose of calculating net assets per share, the shares held by the Trust (included in treasury shares) are deducted from the number of shares outstanding at the end of the period. In addition, for the purpose of calculating net income per share, the shares held by the Trust are deducted in calculating the average number of shares outstanding during the period. The number of shares held by the Trust at the end of the period was 166,200 shares, and the average number of shares held by the Trust during the period was 103,875 shares.
- Net income per share is calculated on the following basis.

	Year Ended March 31, 2019	Year Ended March 31, 2020
Net income per share		
Net income attributable to owners of parent (Million yen)	29,372	30,779
Amounts not allocated to ordinary shares (Million yen)	—	—
Net income allocated to ordinary shares (Million yen)	29,372	30,779
Average number of ordinary shares outstanding during each year (shares)	148,593,042	146,511,438

- Net assets per share is calculated on the following basis.

	Year Ended March 31, 2019	Year Ended March 31, 2020
Net asset (Million yen)	182,074	185,528
Amount deducted from net asset (Million yen)	1,728	1,610
(Non-controlling interest) (Million yen)	(1,728)	(1,610)
Net asset as of year end allocated to ordinary shares (Million yen)	180,345	183,917
Number of ordinary shares as of year end used to calculate net asset per share	147,782,128	145,477,422

(Significant Subsequent Events)

The Company, at the Board of Director's meeting held on May 15, 2020, has decided to repurchase its shares in the market under Article 156 of the Japanese Corporation Act, as applied pursuant to Article 165, Paragraph 3 of the same Act.

(1) Purpose of repurchase

To facilitate flexible implementation of capital policy in response to changes in the business environment.

(2) Details of repurchase

- | | |
|---------------------------|---|
| ① Class of shares: | Common shares of the company |
| ② Total number of shares: | Up to 2,600,000 shares (Rate of the maximum shares to be acquired to the total outstanding shares: 1.79%) |
| ③ Total amount: | Up to 7,000,000,000 yen |
| ④ Period of repurchase: | From May 18, 2020 to September 23, 2020 |

Reference

Number of treasury shares as of March 31, 2020

Total number of shares issued (excluding treasury shares) : 145,643,622 shares

Number of treasury shares : 356,378 shares

* Not including 166,200 shares of treasury shares which the Board Benefit Trust (BBT) has hold.