

Summary of Consolidated Financial Results [Japanese GAAP] For the Fiscal Year Ended March 31, 2019

May 10, 2019

Listed company: Nippon Kayaku Co., Ltd. (URL <https://www.nipponkayaku.co.jp/english/>)
Listed stock exchange: First Section, Tokyo Stock Exchange
Code No.: 4272

Representative (name, position): Masanobu Suzuki, President
Director in charge of inquiries: Tomoo Shibuya, Managing Director & Head of Financial Group
Scheduled date of the Annual Shareholders Meeting: June 25, 2019
Scheduled date for start of dividend payments: June 26, 2019
Filing date of securities report: June 25, 2019
Preparation of supplementary materials for financial results: Yes
Financial results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018–March 31, 2019)

(Figures shown are rounded down to the nearest million yen.)

(1) Consolidated Operating Results

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2019	172,639	2.8	19,939	(11.8)	21,608	(3.9)	14,851	(4.1)
Fiscal year ended March 31, 2018	167,888	5.5	22,615	15.1	22,480	12.7	15,488	(0.9)

Note: Comprehensive income Fiscal year ended March 31, 2019: 13,788 million yen ((32.9)%)
Fiscal year ended March 31, 2018: 20,557 million yen (50.4%)

	Profit attributable to owners of parent per share—primary	Profit attributable to owners of parent per share—diluted	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2019	85.77	85.75	7.0	7.5	11.6
Fiscal year ended March 31, 2018	89.45	89.44	7.7	8.1	13.5

Reference: Equity in earnings of affiliates
Fiscal year ended March 31, 2019: 253 million yen
Fiscal year ended March 31, 2018: 339 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	293,571	229,043	73.6	1,247.75
As of March 31, 2018	285,600	220,619	72.9	1,203.23

Reference: Equity As of March 31, 2019: 216,041 million yen
As of March 31, 2018: 208,334 million yen

The provisional accounting treatment of the corporate combination that occurred during the third quarter of the fiscal year ended March 31, 2019 has been finalized and the amount of the impact from retrospective adjustments is reflected in the figures for the fiscal year ended March 31, 2018.

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(3) Status of 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 year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2019	26,803	(17,694)	(6,437)	52,697
Fiscal year ended March 31, 2018	20,121	(16,171)	(6,241)	50,532

2. Status of Dividends

	Dividend amount per share					Total dividend payment (year)	Dividend payout ratio (consolidated)	Dividend payout to net assets ratio (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	Year			
	Yen							
Fiscal year ended March 31, 2018	–	15.00	–	15.00	30.00	5,194	33.5	2.6
Fiscal year ended March 31, 2019	–	15.00	–	15.00	30.00	5,194	35.0	2.4
Fiscal year ending March 31, 2020 (forecast)	–	15.00	–	15.00	30.00		40.6	

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 2020 (April 1, 2019–March 31, 2020)
(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	89,000	4.9	8,700	(8.9)	9,200	(16.6)	6,000	(19.4)	34.65
Full year	186,000	7.7	18,000	(9.7)	19,000	(12.1)	12,800	(13.8)	73.93

Notes

- (1) Significant changes in subsidiaries during the fiscal period (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Changes to accounting policies and estimates and restatements
 - [1] Changes to accounting policies associated with revision of accounting standards or similar items: None
 - [2] Changes other than [1]: None
 - [3] Changes to accounting estimates: None
 - [4] Restatements: None
- (3) Number of shares issued (common stock)
 - [1] Number of shares issued at end of the fiscal period (including treasury stock)
 - As of March 31, 2019: 182,503,570 shares
 - As of March 31, 2018: 182,503,570 shares
 - [2] Number of treasury stock at end of the fiscal period
 - As of March 31, 2019: 9,358,749 shares
 - As of March 31, 2018: 9,357,742 shares
 - [3] Average number of shares during the fiscal period
 - Fiscal year ended March 31, 2019: 173,145,331 shares
 - Fiscal year ended March 31, 2018: 173,149,627 shares

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Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018–March 31, 2019)

(1) Non-consolidated Operating Results

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2019	103,440	1.3	8,614	(22.6)	12,989	(20.0)
Fiscal year ended March 31, 2018	102,150	2.7	11,135	35.3	16,228	44.7

	Net income		Net income per share		Diluted net income per share	
	Million yen	%	Yen		Yen	
Fiscal year ended March 31, 2019	10,421	(17.7)	60.19		–	
Fiscal year ended March 31, 2018	12,655	17.0	73.09		–	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	208,017	161,744	77.8	934.13
As of March 31, 2018	205,361	156,777	76.3	905.43

Reference: Equity As of March 31, 2019: 161,744 million yen

As of March 31, 2018: 156,777 million yen

* Summary financial statements are not subject to audit by a certified public accountant or audit firm.

* Analysis related to appropriate use of the business results forecasts, and other notes

(Disclaimer concerning forward-looking statements)

The information in this report constitutes forward-looking statements regarding future events and performance. This information is based on the beliefs and assumptions of management in light of information currently available to it at the time of announcement and subject to a number of uncertainties that may affect future results. Actual business results may differ substantially from the forecasts herein due to various factors. For matters pertaining to business forecasts, please refer to “1. Overview of Operating Results, Financial Position, and Future Outlook, (4) Future Outlook” on page 4 of the Supplementary Information.

Supplementary Information

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1. Overview of Operating Results, Financial Position, and Future Outlook

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2019

In the consolidated fiscal year under review (April 1, 2018 to March 31, 2019), the global economy as a whole continued to rebound gradually. Despite the deceleration in the pace of growth, the U.S. and Europe saw a gradual rebound on the back of steady consumer spending reflecting improvement of employment and income environment. In China, the pace of growth in industrial production, capital investment, and other areas decelerated, owing to concerns over trade friction. The Japanese economy staged a gradual rebound on the back of firm personal consumption, capital investments, and other aspects of domestic demand.

In the functional chemicals industry, which encompasses functional materials, the need is increasing for high-performance materials for use in next-generation high-speed (5G) communication devices in the information and communication fields and for various kinds of color materials for digital printing in the printing industry. The global trends in energy and resource conservation are also creating demand for high-strength, lightweight materials and high-performance catalysts for chemical reactions.

In the pharmaceuticals industry, there is need to both maintain Japan's national health insurance system and promote innovations that will deliver drugs with superior therapeutic efficacy to patients with intractable conditions. The generic drugs and biosimilars markets are experiencing high growth amid healthcare system reforms that take the costs of social security and medical care into consideration and efforts to maintain healthcare costs at a reasonable level. Domestic manufacturing of biomedicines and biosimilars is promising from the perspective of industry development.

In the automotive industry, growth in the automotive market slowed under the impact of the decelerating rate of economic growth in China and the introduction of the Worldwide harmonized Light vehicles Test Procedure in Europe.

Amid these conditions, the Nippon Kayaku Group continued to work to implement the key themes and resolve the mid- and long-term key issues outlined in "*Take a New Step 2016*," the mid-term business plan launched in the fiscal year ended March 31, 2017, during the current fiscal year, which marks the final year of the plan. We worked to cut costs further to reinforce our profit structure, in addition to focusing on strengthening R&D, optimal allocation of business resources into core businesses, and expanding our overseas business.

The above factors led to growth in consolidated net sales to 172,639 million yen for the fiscal year ended March 31, 2019, an increase of 4,750 million yen (2.8%) year-on-year. This growth resulted from sales growth in the functional chemicals business and safety systems business, despite a decline in sales in the pharmaceuticals business.

Consolidated operating income was 19,939 million yen, a decrease of 2,675 million yen (11.8%) year-on-year. This decline resulted from underperformance of the functional chemicals and pharmaceuticals businesses compared with the previous fiscal year, despite year-on-year growth in the safety systems business.

Consolidated ordinary income was 21,608 million yen, a decrease of 872 million yen (3.9%) from the previous fiscal year.

Profit attributable to owners of parent was 14,851 million yen, a decline of 637 million yen (4.1%) year-on-year.

Performance by business segment is as described below.

[1] Functional Chemicals Business

Sales stood at 69,688 million yen, an increase of 2,024 million yen (3.0%) year-on-year.

The functional materials business outperformed the previous fiscal year on the back of strong exports of epoxy resins for semiconductor encapsulation, which resulted from the growth in demand for IoT and advanced electrification of vehicles.

Sales outperformed the previous fiscal year in the color materials business. This was the result of growth in digital printing, which led to growth in sales of colorants for inkjet printers in industrial applications, and firm sales of dyes for textiles in the Chinese market.

Catalyst business sales outpaced last fiscal year due to strong sales in Japan and strong exports.

In the Polatechno Group, sales of components for X-ray analysis systems were strong, but sluggish sales of dye-type polarizing films resulted in underperformance of the Polatechno Group as a whole, compared with the previous fiscal year.

Segment profit was 7,728 million yen, a decrease of 890 million yen (10.3%) year-on-year.

[2] Pharmaceuticals Business

Sales stood at 46,231 million yen, a decrease of 1,254 million yen (2.6%) year-on-year.

Pharmaceuticals in Japan recorded growth in sales for the biosimilar, INFLIXIMAB BS for I.V. Infusion (an

antibody drug), and the new product TEMOZOLOMIDE Tab. (anti-cancer drug). Sales of pharmaceuticals in Japan underperformed the previous fiscal year overall, due to the impact from drug price revisions for generic anti-cancer drugs and long-listed products.

Exports saw a year-on-year decline in sales.

Sales of active pharmaceutical ingredients and contracted production for the Japanese domestic market increased year-on-year.

Sales of diagnostic agents decreased year-on-year.

Segment profit totaled 4,061 million yen, a decrease of 2,340 million yen (36.6%) year-on-year.

[3] Safety Systems Business

Sales stood at 47,218 million yen, an increase of 3,280 million yen (7.5%) year-on-year.

Business in Japan outperformed the previous fiscal year due to firm sales of both airbag inflators and micro gas generators for seatbelt pretensioners.

Despite a decline in the pace of growth in the European and Chinese markets, the overseas business was steady in general due to an increase in the automotive safety component installation rate and other factors. Air bag inflators, micro gas generators for seatbelt pretensioners, and squibs all outperformed the same period last year.

Segment profit was 7,091 million yen, an increase of 169 million yen (2.5%) year-on-year.

[4] Other

Sales totaled 9,500 million yen, an increase of 699 million yen (8.0%) compared to the previous fiscal year.

The agrochemicals business saw year-on-year growth in both domestic sales and exports.

Sales in real estate and other business decreased compared to the previous fiscal year.

Segment profit totaled 1,588 million yen, an increase of 413 million yen (35.2%) year-on-year.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2019

Total assets were 293,571 million yen, an increase of 7,971 million yen from the end of the previous fiscal year. The main increases were in property, plant and equipment, an increase of 4,017 million yen; inventories, an increase of 3,360 million yen; securities, an increase of 2,189 million yen; and investment securities, an increase of 780 million yen. The main decrease was in advance payments, a decrease of 2,267 million yen (included in other, current assets).

Liabilities were 64,528 million yen, a decline of 452 million yen compared to the end of the previous fiscal year. The main decreases were in short-term loans payable, a decrease of 1,242 million yen; deposits received, a decrease of 739 million yen (included in other, current liabilities); and notes and accounts payable-trade, a decrease of 661 million yen. The main increases were in income taxes payable, an increase of 1,208 million yen; and long-term loans payable, an increase of 1,201 million yen.

Net assets were 229,043 million yen, an increase of 8,423 million year compared to the end of the previous fiscal year. The main increase was in profit attributable to owners of parent, an increase of 14,851 million yen. The main decreases were in dividends paid, a decrease of 5,194 million yen; translation adjustments, a decrease of 1,624 million yen.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2019

	Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)	Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)	Comparative change
	Million yen		
Cash flows from operating activities	20,121	26,803	6,681
Cash flows from investing activities	(16,171)	(17,694)	(1,523)
Cash flows from financing activities	(6,241)	(6,437)	(196)
Cash and cash equivalents at end of the year	50,532	52,697	2,165

Net cash provided by operating activities amounted to 26,803 million yen (versus a cash inflow of 20,121 million yen in the previous fiscal year). The positive cash flow was primarily generated from profit before income tax of 21,283 million yen, depreciation and amortization of 11,969 million yen, and a reduction in advance payments of 2,257 million yen. The above factors more than compensated for income tax paid of 4,510 million yen, an increase in inventories of 3,759 million yen.

Net cash used in investing activities totaled 17,694 million yen (versus a cash outflow of 16,171 million yen in

the previous fiscal year). The net outflow was mainly due to expenditures of 15,224 million yen for the purchase of property, plant and equipment and expenditures of 1,397 million yen for the purchase of investment securities.

Net cash used in financing activities amounted to 6,437 million yen (versus a cash outflow of 6,241 million yen in the previous fiscal year). This was mainly due to expenditures for repayment of long-term loans of 5,467 million yen, dividends paid of 5,182 million yen, and expenditures for repayment of the construction cooperation fund of 748 million yen, despite a cash inflow of 5,574 million yen in proceeds from long-term loans payable.

Reflecting the above cash flow performance, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2019 was 52,697 million yen, an increase of 2,165 million yen from the end of the previous fiscal year.

Reference: Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity ratio (%)	70.4	69.3	71.1	72.9	73.6
Market-value-based equity ratio (%)	103.0	73.0	95.8	78.7	77.1
Ratio of cash flow to interest-bearing liabilities (years)	0.8	1.1	0.5	0.7	0.5
Interest coverage ratio	100.9	143.3	249.2	125.7	146.6

Equity ratio: Equity divided by total assets

Market-value-based equity ratio: Total market value of shares divided by total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing debt divided by operating cash flows

Interest coverage ratio: Operating cash flows divided by interest payments

Notes 1: Each indicator is calculated using consolidated financial figures.

2: The total market value of shares is calculated on the number of total shares outstanding (less treasury stock) at end of year.

3: Operating cash flows makes use of the cash flows from operating activities.

4: Interest-bearing debt includes all liabilities declared in the Consolidated Balance Sheets on which interest is paid.

(4) Future Outlook

We foresee a recovery in the U.S. and are concerned about an economic downswing in Europe due to increased geopolitical risk as factors affecting the future business environment surrounding the Nippon Kayaku Group. The Chinese economy is expected to improve, due in part to various government policies which will underpin growth. Although a continued rebound in the Japanese economy is expected as employment and income environment continues to improve and also due to support from various government policies, we need to keep a cautious eye on the impact that a downswing in the global economy would have.

Under these conditions, the Nippon Kayaku Group aims to respond flexibly to changes in the business environment and pursue optimal use of operating capital to increase the shareholder value. We will also expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and work to enhance profits.

- In the functional chemicals business, we will work on development of distinctive products such as high-performance resins for printed circuit boards for next-generation high-speed (5G) communications in the information and communications fields, colorants for inkjet printers for digital printing, materials for thermal paper, and high yield catalysts for the manufacture of acrylic acid and methacrylic acid, which contribute to energy and resource conservation, and epoxy resins used in carbon fiber-reinforced plastics.
- In the pharmaceuticals business, we will move forward with clinical trials of polymeric micelle anti-cancer drugs and will work to achieve further advancements in related technology. We will also work on the key issues of securing our position in the biosimilar market and expanding our product line-up in cancer-related areas, including distinctive generic drugs.
- In the safety systems business, we will work to develop new products in airbag inflators, micro gas generators for seatbelt pretensioners, squibs, actuators for vehicle hood-raising devices to protect pedestrians, and other products. We will also focus on developing new automotive safety components for rapidly evolving automated driving technologies.

In the fiscal year ending March 31, 2020, Nippon Kayaku forecasts net sales of 186,000 million yen, an increase of 7.7% year-on-year, operating income of 18,000 million yen, a decrease of 9.7%, ordinary income of 19,000 million yen, a decrease of 12.1%, and profit attributable to owners of parent of 12,800 million yen, a decrease of 13.8%.

The exchange rate assumption for the fiscal year is JPY110/USD.

(5) Basic Policy Concerning Profit Dividends and Dividends for the Fiscal Year Ended March 31, 2019 and Fiscal Year Ending March 31, 2020

The Nippon Kayaku Group focuses heavily on returning profits to shareholders. A medium-term payout ratio has been set at roughly 40% of profit attributable to owners of parent. This takes into account stable and consistent profit returns and the level of retained earnings. Retained earnings are to be allocated for capital investment and R&D investment in growing businesses to enhance the value of the Nippon Kayaku Group.

The year-end dividend for the fiscal year ended March 31, 2019 is expected to be 15.0 yen per share. Combined with the dividend paid at the end of the second-quarter, total dividends per share for the full year will be 30 yen.

We expect to maintain the same dividend level for the fiscal year ending March 31, 2020: 15 yen per share for the second-quarter dividend and 15 yen per share for the year-end dividend, for a total annual dividend of 30 yen per share.

2. Basic Stance on Selection of Accounting Principles

The Nippon Kayaku Group, for the time being, employs generally accepted accounting principles in Japan to prepare its consolidated financial statements. This decision takes into account comparability of different fiscal periods in the consolidated financial statements and with industry peers.

It should be noted that the Company plans to adopt the use of the International Financial Reporting Standards (IFRS) in a timely and adequate fashion should certain circumstances in Japan and abroad give rise to this need.

3. Consolidated Financial Statements and Notes to Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2018	As of March 31, 2019
	Million yen	
Assets		
Current assets		
Cash and deposits	42,411	42,432
Notes and accounts receivable-trade	53,313	52,917
Electronically recorded monetary claims-operating	1,762	2,000
Securities	8,584	10,773
Merchandise and finished goods	25,574	27,251
Work in process	1,933	1,719
Raw materials and stores	18,782	20,680
Other	5,487	4,211
Allowance for doubtful accounts	(34)	(29)
Total current assets	157,814	161,958
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,124	39,800
Machinery, equipment and vehicles, net	25,090	25,194
Land	9,076	9,061
Construction in progress	6,560	9,894
Other, net	3,377	3,296
Total property, plant and equipment	83,228	87,246
Intangible assets		
Goodwill	1,074	1,000
Other	2,508	2,492
Total intangible assets	3,582	3,493
Investments and other assets		
Investment securities	34,645	35,426
Long-term loans receivable	15	0
Long-term prepaid expenses	326	365
Net defined benefit asset	3,247	2,448
Deferred tax assets	730	667
Other	1,978	1,969
Allowance for doubtful accounts	(28)	(25)
Total investments and other assets	40,915	40,852
Total non-current assets	127,727	131,592
Deferred assets		
Start-up costs	58	21
Total deferred assets	58	21
Total assets	285,600	293,571

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	As of March 31, 2018	As of March 31, 2019
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,236	15,575
Short-term loans payable	6,714	5,472
Accounts payable-other	10,568	10,670
Accrued expenses	5,194	4,924
Income taxes payable	1,334	2,542
Provision for sales returns	31	30
Provision for sales rebates	374	371
Provision for directors' bonuses	257	258
Notes payable-facilities	60	78
Other	1,974	1,487
Total current liabilities	42,746	41,412
Non-current liabilities		
Long-term loans payable	7,577	8,778
Deferred tax liabilities	8,557	8,647
Provision for directors' retirement benefits	46	26
Provision for repairs	191	106
Net defined benefit liability	496	418
Long-term deposits received	4,227	4,227
Other	1,137	911
Total non-current liabilities	22,234	23,116
Total liabilities	64,980	64,528
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	17,596	17,596
Retained earnings	172,476	182,133
Treasury stock	(10,489)	(10,490)
Total shareholders' equity	194,516	204,171
Accumulated other comprehensive income		
Unrealized holding gains on other securities	11,730	11,374
Translation adjustments	2,252	627
Remeasurements of defined benefit plans	(165)	(133)
Total accumulated other comprehensive income	13,817	11,869
Non-controlling interests	12,284	13,002
Total net assets	220,619	229,043
Total liabilities and net assets	285,600	293,571

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Million yen	
Net sales	167,888	172,639
Cost of sales	102,475	109,461
Gross profit on sales	65,413	63,177
Reversal of provision for sales returns	25	31
Provision for sales returns	31	30
Net gross profit	65,407	63,178
Selling, general and administrative expenses		
Selling expenses	19,824	19,615
General and administrative expenses	22,967	23,622
Total selling, general, and administrative expenses	42,791	43,238
Operating income	22,615	19,939
Non-operating income		
Interest income	102	208
Dividend income	646	707
Equity in earnings of affiliates	339	253
Foreign exchange gains	-	293
Insurance dividends received	136	222
Other	687	631
Total non-operating income	1,912	2,317
Non-operating expenses		
Interest expense	161	194
Foreign exchange losses	1,033	-
Provision for environmental measures	415	-
Expenses from under-utilized real estate	68	75
Amortization of business commencement expenses	35	36
Other losses	333	343
Total non-operating expenses	2,048	649
Ordinary income	22,480	21,608
Extraordinary income		
Gain on sale of non-current assets	2	352
Gain on sales of investment securities	-	8
Total extraordinary income	2	361
Extraordinary loss		
Loss on disposal of non-current assets	421	409
Loss on valuation of investment securities	-	276
Total extraordinary loss	421	686
Profit before income taxes	22,061	21,283
Income taxes-current	4,871	5,304
Income taxes-deferred	979	298
Total income taxes	5,851	5,602
Profit	16,210	15,681
Profit attributable to non-controlling interests	721	829
Profit attributable to owners of parent	15,488	14,851

Consolidated Statements of Comprehensive Income

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Million yen	
Profit	16,210	15,681
Other comprehensive income		
Unrealized holding gains on other securities	72	(349)
Translation adjustments	2,734	(1,576)
Remeasurements of defined benefit plans	1,552	31
Share of other comprehensive income of companies accounted for by the equity-method	(12)	1
Total other comprehensive income	4,346	(1,892)
Comprehensive income	20,557	13,788
Comprehensive income attributable to:		
Owners of parent	19,908	12,902
Non-controlling interests	648	885

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	17,587	162,615	(10,471)	184,664
Changes during the fiscal year					
Dividends paid			(5,627)		(5,627)
Profit attributable to owners of parent			15,488		15,488
Purchase of treasury stock				(18)	(18)
Disposal of treasury stock		0		0	0
Change in treasury stocks of parent arising from transactions with non-controlling shareholders		9			9
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	9	9,860	(18)	9,852
Balance at end of the fiscal year	14,932	17,596	172,476	(10,489)	194,516

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	11,652	(566)	(1,688)	9,397	11,803	205,866
Changes during the fiscal year						
Dividends paid				–		(5,627)
Profit attributable to owners of parent				–		15,488
Purchase of treasury stock				–		(18)
Disposal of treasury stock				–		0
Change in treasury stocks of parent arising from transactions with non-controlling shareholders						9
Net change in items other than shareholders' equity	77	2,819	1,522	4,419	481	4,900
Total changes during the fiscal year	77	2,819	1,522	4,419	481	14,753
Balance at end of the fiscal year	11,730	2,252	(165)	13,817	12,284	220,619

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2019

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	17,596	172,476	(10,489)	194,516
Changes during the fiscal year					
Dividends paid			(5,194)		(5,194)
Profit attributable to owners of parent			14,851		14,851
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock					–
Change in treasury stocks of parent arising from transactions with non-controlling shareholders		(0)			(0)
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	(0)	9,656	(1)	9,655
Balance at end of the fiscal year	14,932	17,596	182,133	(10,490)	204,171

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	11,730	2,252	(165)	13,817	12,284	220,619
Changes during the fiscal year						
Dividends paid				–		(5,194)
Profit attributable to owners of parent				–		14,851
Purchase of treasury stock				–		(1)
Disposal of treasury stock				–		–
Change in treasury stocks of parent arising from transactions with non-controlling shareholders						(0)
Net change in items other than shareholders' equity	(356)	(1,624)	32	(1,948)	717	(1,231)
Total changes during the fiscal year	(356)	(1,624)	32	(1,948)	717	8,423
Balance at end of the fiscal year	11,374	627	(133)	11,869	13,002	229,043

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(4) Consolidated Statements of Cash Flows

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Million yen		
Cash flows from operating activities		
Profit before income taxes	22,061	21,283
Depreciation and amortization	11,673	11,969
Increase (decrease) in provision for environmental measures	(1,540)	-
Increase (decrease) in other provisions	(174)	(114)
Interest and dividend income	(749)	(916)
Interest expense	161	194
Foreign exchange losses (gains)	(643)	136
Equity in (earnings) losses of affiliates	(339)	(253)
Gain on sales of property, plant and equipment	(2)	(352)
Loss (gain) on disposal of property, plant and equipment	421	408
Loss (gain) on sales of intangible assets	-	1
Loss (gain) on valuation of investment securities	-	276
Loss (gain) on sales of investment securities	-	(8)
(Increase) decrease in notes and accounts receivable-trade	(6,697)	(369)
(Increase) decrease in inventories	(682)	(3,759)
(Increase) decrease in prepaid expenses	2	(5)
(Increase) decrease in accounts receivable-other	(347)	(563)
(Increase) decrease in advance payments	(94)	2,257
Increase (decrease) in notes and accounts payable-trade	2,269	(641)
Increase (decrease) in notes and accounts payable-other	(1,817)	(806)
Increase (decrease) in accrued expenses	448	(280)
Increase (decrease) in net defined benefit liability	8	(49)
(Increase) decrease in net defined benefit asset	645	814
Other	524	919
Subtotal	25,128	30,142
Interest and dividends received	1,042	1,124
Interest paid	(160)	(182)
Income tax paid	(5,907)	(4,510)
Income tax refund	18	229
Net cash provided by operating activities	20,121	26,803
Cash flows from investing activities		
Net decrease (increase) in time deposits	(379)	(217)
Proceeds from withdrawal of time deposits	374	210
Purchase of property, plant and equipment	(12,203)	(15,224)
Proceeds from sales of property, plant and equipment	12	376
Purchase of intangible assets	(339)	(526)
Purchase of investment securities	(2,289)	(1,397)
Proceeds from sales of investment securities	712	33
Payments of long-term loans receivable	(3)	-
Collection of long-term loans receivable	13	15
Payments for long-term prepaid expenses	(161)	(206)
Payment for retirement of property, plant and equipment	(402)	(322)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,473)	(180)
Decrease (increase) in short-term loans receivable	-	(180)
Payments for other investments	(31)	(17)
Other	1	(58)
Net cash used in investing activities	(16,171)	(17,694)

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2019

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Million yen	
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	242	(182)
Proceeds from long-term loans payable	5,000	5,574
Repayment of long-term loans	(5,380)	(5,467)
Repayment of construction cooperation fund	(748)	(748)
Proceeds from sales and leasebacks	566	-
Payment for purchase of treasury stock by the consolidated subsidiary	(51)	(77)
Purchase of treasury stock	(18)	(1)
Dividends paid	(5,614)	(5,182)
Dividends paid to non-controlling interests	(213)	(215)
Other	(21)	(136)
Net cash provided by financing activities	(6,241)	(6,437)
Effect of exchange rate change on cash and cash equivalents	1,037	(505)
Increase (decrease) in cash and cash equivalents	(1,252)	2,165
Cash and cash equivalents at beginning of the year	51,785	50,532
Cash and cash equivalents at end of the year	50,532	52,697

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(5) Notes to Consolidated Financial Statements
Notes Regarding Assumptions for the Going Concern
No items to report

Business Combinations, etc.

The business combination with RaySpec Limited, which occurred on December 26, 2017, was accounted for provisionally in the previous consolidated fiscal year and was finalized in the fiscal year ended March 31, 2019.

The finalization of the provisional accounting estimate resulted in a material revision to the initial amount allocated for the acquisition cost. This is reflected in the comparative information included in quarterly consolidated financial statements for the third quarter of the fiscal year ended March 31, 2019. This mainly involved the allocation of 778 million yen to “Other” under “Intangible assets” and 135 million yen to “Deferred tax liabilities,” and resulted in a decrease in goodwill of 637 million yen from the provisional calculation of 1,298 million yen, to 661 million yen.

Segment Information

[1] Summary of reportable segments

The reportable segments of the Nippon Kayaku Group are structural units of the Group for which separate financial information can be acquired. These segments are subject to be examined periodically by the Board of Directors in order to evaluate business results and make decisions on the allocation of business resources.

Business groups are established by product for each reportable segment within the Nippon Kayaku Group. Each group develops comprehensive domestic and overseas strategies for the products it handles, and introduces business activities accordingly.

In light of this, the Nippon Kayaku Group primarily consists of product- and service-specific segments that are based on business divisions. “Functional chemicals business,” “Pharmaceuticals business,” and “Safety systems business” are three reportable segments.

The types of primary products and services provided by the reportable segments are shown in the table below.

Reportable segment	Sales segment	Primary products
Functional chemicals business	Functional materials	Epoxy resins, Epoxy resin hardeners, Reactive flame retardants, UV-curable resins, Polyamide resins, Functional films, Liquid crystal sealants, Resist for MEMS, Adhesives for touch panels
	Color materials	Colorants for inkjet printers, Dyes for inkjet textile printing, Materials for thermal paper, Dyes for paper, Dyes for textiles, Functional chemicals for textiles and paper, Special dyes for non-textile applications, Functional colorants
	Catalysts	Catalysts for the production of acrylic acid and methacrylic acid, Plant licensing business
	Polatechno Group	Components for LCD displays, LCD projector components, Components for X-ray analysis systems
Pharmaceuticals business		Anti-cancer drugs, Biological drugs, Cardiovascular agents, Vitamin compounds and other metabolic agents, Diagnostic drugs, Embolization materials, Pharmaceutical API and intermediates, Food and food additives, Preservatives for food quality
Safety systems business		Airbag inflators, Micro gas generators for seatbelt pretensioners, Squibs

[2] Methods for calculating the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

The profit reported in each reportable segment is operating profit. Intersegment sales and transfers are calculated based primarily on market prices and manufacturing costs.

[3] Information concerning the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2018 (April 1, 2017–March 31, 2018)

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Million yen								
Sales								
Sales to third parties	67,664	47,485	43,937	159,088	8,800	167,888	–	167,888
Intersegment sales and transfers	192	0	0	192	111	304	(304)	–
Total	67,856	47,485	43,937	159,280	8,912	168,192	(304)	167,888
Segment profit	8,619	6,401	6,921	21,942	1,175	23,117	(502)	22,615
Segment assets	93,701	60,137	61,993	215,832	20,627	236,459	49,140	285,600
Other items								
Depreciation and amortization	4,260	2,385	3,976	10,622	637	11,259	418	11,677
Amortization of goodwill	90	–	–	90	30	120	–	120
Impairment loss	–	–	–	–	–	–	–	–
Changes in the amount of property, plant and equipment and intangible assets	3,371	1,290	8,995	13,657	389	14,046	395	14,441

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The amounts of adjustments are as shown below.

(1) The 502 million yen downward adjustment to segment profit reflects a negative 563 million yen in corporate expense not allocable to the reportable segments and 61 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

(2) The 49,140 million yen adjustment to segment assets factors in 49,206 million yen in corporate assets not allocable to reportable segments and a negative 65 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 418 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 395 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Million yen								
Sales								
Sales to third parties	69,688	46,231	47,218	163,138	9,500	172,639	–	172,639
Intersegment sales and transfers	179	0	–	179	107	286	(286)	–
Total	69,868	46,231	47,218	163,318	9,608	172,926	(286)	172,639
Segment profit	7,728	4,061	7,091	18,881	1,588	20,470	(530)	19,939
Segment assets	99,957	56,618	67,625	224,202	20,214	244,416	49,155	293,571
Other items								
Depreciation and amortization	4,254	2,148	4,527	10,930	620	11,550	419	11,969
Amortization of goodwill	190	–	–	190	30	220	–	220
Impairment loss	–	–	–	–	–	–	–	–
Changes in the amount of property, plant and equipment and intangible assets	5,588	1,254	9,177	16,020	365	16,385	568	16,954

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The amounts of adjustments are as shown below.

(1) The 530 million yen downward adjustment to segment profit reflects a negative 599 million yen in corporate expense not allocable to the reportable segments and 68 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

(2) The 49,155 million yen adjustment to segment assets factors in 49,246 million yen in corporate assets not allocable to reportable segments and a negative 90 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 419 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 568 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

Significant Subsequent Events

Cancellation of Treasury Shares

At the meeting of the Board of Directors held on May 10, 2019, Nippon Kayaku resolved the cancellation of treasury shares based on the provisions of Article 178 of the Companies Act.

1. Type of shares to be cancelled: Common shares of the Company
2. Number of shares to be cancelled: 5,000,000 shares (2.74% of total number of issued shares prior to cancellation)
3. Scheduled date of cancellation: May 20, 2019

(Reference)

After cancellation of these shares, the total number of issued shares (including treasury stock) will be 177,503,570 shares.