** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with the International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.*

Summary of Consolidated Financial Results
For the Fiscal Year Ended March 31, 2019

June 20, 2019

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (First Section)
Code number: 4114 URL: http://www.shokubai.co.jp/
Representative: Yujiro Goto, President and Representative Member of the Board
Contact for inquiries: Atsushi Tabata, General Manager of General Affairs Dept. Phone: +81-6-6223-9111

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (here after FY2018) (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results (cumulative) (Percentages represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2018	338,869	7.9	26,170	2.2	32,119	7.8	24,352	5.1	23,849	5.3	20,870	-22.5
FY 2017	313,939	–	25,610	–	29,805	–	23,167	–	22,641	–	26,928	–

	Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to owners of parent	Ratio of profit before tax to total assets	Operating profit to revenue
	Yen	Yen	%	%	%
FY 2018	598.05	–	7.5	6.7	7.7
FY 2017	567.71	–	7.6	6.4	8.2

Reference: Share of profit of investments accounted for using equity method (millions of yen): FY 2018: 5,101
FY 2017: 3,680

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Rate of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2019	481,668	329,227	323,008	67.1	8,099.97
As of Mar. 31, 2018	480,316	316,188	309,073	64.3	7,750.24

(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 2018	35,918	-31,316	-9,982	47,434
FY 2017	44,206	-31,563	-10,601	52,635

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity attributable to owners of parent (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2017	–	75.00	–	85.00	160.00	6,381	28.2	2.1
FY 2018	–	80.00	–	90.00	170.00	6,779	28.4	2.1
FY 2019 (forecast)	–	90.00	–	90.00	180.00		29.9	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	170,000	–	13,000	–	16,000	–	12,000	–	300.92
Full year	345,000	1.8	26,500	1.3	32,000	-0.4	24,000	0.6	601.84

※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
1) Changes in accounting policies required by IFRS: None
2) Other changes in accounting policies: None
3) Changes in accounting estimates: 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, 2019: 40,800,000 shares Mar. 31, 2018: 40,800,000 shares
2) Number of treasury stock at the end of the period
Mar. 31, 2019: 922,347 shares Mar. 31, 2018: 920,844 shares
3) Average number of shares outstanding during the period
FY2018: 39,878,368 shares FY2017: 39,880,159 shares

※ This financial results report is exempt from the audit procedures by certified public accountants or an audit corporation.

※ Appropriate use of business forecasts; other special items

1. The Company has voluntarily applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements provided in the annual securities report for FY 2018 onward. Among the items described in the securities report, this document is to voluntarily disclose major financial information based on IFRS. The Company published the financial statements for FY 2018 based on JGAAP on May 8, 2019.

2. The above financial forecasts reflect the Company's plans and expectations based on the information available as of the date of announcement of this document. These forward-looking statements involve risks, uncertainties and other factors in the future that may cause our actual results and achievements to differ from the forecasts in these statements.

1. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Unit: Millions of yen)

	Date of transition As of Apr. 1, 2017	FY2017 As of Mar. 31, 2018	FY2018 As of Mar. 31, 2019
Assets			
Current assets			
Cash and cash equivalents	50,122	52,635	47,434
Trade receivables	66,490	79,338	81,158
Inventories	52,639	56,388	59,266
Other financial assets	11,429	9,300	8,945
Other current assets	5,235	4,701	4,768
Total current assets	185,915	202,362	201,571
Non-current assets			
Property, plant and equipment	177,853	187,906	193,632
Goodwill	4,406	4,406	4,360
Intangible assets	10,374	9,763	9,200
Investments accounted for using equity method	17,385	20,232	21,773
Other financial assets	40,063	44,332	38,296
Retirement benefit asset	7,298	6,160	8,149
Deferred tax assets	2,605	2,926	2,736
Other non-current assets	1,270	2,228	1,951
Total non-current assets	261,254	277,954	280,097
Total assets	447,169	480,316	481,668

(Unit: Millions of yen)

	Date of transition As of Apr. 1, 2017	FY2017 As of Mar. 31, 2018	FY2018 As of Mar. 31, 2019
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	44,811	58,811	51,866
Bonds and borrowings	21,424	12,683	20,851
Income taxes payable	3,722	5,583	3,850
Provisions	4,536	4,802	5,178
Other financial liabilities	9,255	7,920	7,818
Other current liabilities	5,300	4,714	4,464
Total current liabilities	89,049	94,513	94,028
Non-current liabilities			
Bonds and borrowings	40,213	45,302	34,902
Other financial liabilities	1,229	1,157	1,501
Retirement benefit liability	12,829	14,282	14,119
Provisions	248	1,925	1,896
Deferred tax liabilities	7,779	6,948	5,995
Total non-current liabilities	62,297	69,614	58,413
Total liabilities	151,346	164,128	152,441
Equity			
Share capital	25,038	25,038	25,038
Capital surplus	22,396	22,400	22,472
Treasury shares	-6,249	-6,263	-6,274
Retained earnings	242,059	258,117	276,934
Other components of equity	5,526	9,780	4,838
Total equity attributable to owners of parent	288,770	309,073	323,008
Non-controlling interests	7,052	7,115	6,219
Total equity	295,822	316,188	329,227
Total liabilities and equity	447,169	480,316	481,668

(2) Consolidated Statements of Profit or Loss and Statements of Comprehensive Income Consolidated Statements of Profit or Loss

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Revenue	313,939	338,869
Cost of sales	246,395	272,292
Gross profit	67,544	66,577
Selling, general and administrative expenses	41,835	40,923
Other operating income	2,170	2,193
Other operating expenses	2,269	1,677
Operating profit	25,610	26,170
Finance income	1,420	1,771
Finance costs	904	923
Share of profit of investments accounted for using equity method	3,680	5,101
Profit before tax	29,805	32,119
Income tax expense	6,638	7,767
Profit	23,167	24,352
Profit attributable to		
Owners of parent	22,641	23,849
Non-controlling interests	527	503
Profit	23,167	24,352
Earnings per share		
Basic earnings per share (Yen)	567.71	598.05
Diluted earnings per share (Yen)	–	–

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Profit	23,167	24,352
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	2,922	-4,102
Remeasurements of defined benefit plans	-972	1,593
Share of other comprehensive income of investments accounted for using equity method	27	-63
Total of items that will not be reclassified to profit or loss	1,977	-2,572
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	628	85
Effective portion of cash flow hedges	-3	-3
Share of other comprehensive income of investments accounted for using equity method	1,159	-992
Total of items that may be reclassified to profit or loss	1,784	-910
Other comprehensive income	3,761	-3,482
Comprehensive income	26,928	20,870
Comprehensive income attributable to		
Owners of parent	26,294	20,455
Non-controlling interests	634	415
Comprehensive income	26,928	20,870

(3) Consolidated Statements of Changes in Equity

Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,396	-6,249	242,059	5,520	–
Profit	–	–	–	22,641	–	–
Other comprehensive income	–	–	–	–	2,921	-968
Comprehensive income	–	–	–	22,641	2,921	-968
Purchase of treasury shares	–	–	-14	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	-5,982	–	–
Increase (decrease) in non-controlling interests	–	4	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	-600	-369	968
Total transactions with owners	–	4	-14	-6,582	-369	968
Balance at end of period	25,038	22,400	-6,263	258,117	8,072	–

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Effective portion of cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	6	–	5,526	288,770	7,052	295,822
Profit	–	–	–	22,641	527	23,167
Other comprehensive income	-3	1,705	3,654	3,654	107	3,761
Comprehensive income	-3	1,705	3,654	26,294	634	26,928
Purchase of treasury shares	–	–	–	-14	–	-14
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	–	-5,982	-564	-6,546
Increase (decrease) in non-controlling interests	–	–	–	4	-7	-3
Transfer from other components of equity to retained earnings	–	–	600	–	–	–
Total transactions with owners	–	–	600	-5,992	-571	-6,563
Balance at end of period	3	1,705	9,780	309,073	7,115	316,188

Fiscal year ended Mar. 31, 2019 (Apr. 1, 2018 to Mar. 31, 2019)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,400	-6,263	258,117	8,072	–
Profit	–	–	–	23,849	–	–
Other comprehensive income	–	–	–	–	-4,099	1,516
Comprehensive income	–	–	–	23,849	-4,099	1,516
Purchase of treasury shares	–	–	-12	–	–	–
Disposal of treasury shares	–	–	–	–	–	–
Dividends	–	–	–	-6,580	–	–
Increase (decrease) in non-controlling interests	–	72	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	1,548	-31	-1,516
Total transactions with owners	–	72	-12	-5,032	-31	-1,516
Balance at end of period	25,038	22,472	-6,274	276,934	3,942	–

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Effective portion of cash flow hedges	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	3	1,705	9,780	309,073	7,115	316,188
Profit	–	–	–	23,849	503	24,352
Other comprehensive income	-3	-808	-3,394	-3,394	-87	-3,482
Comprehensive income	-3	-808	-3,394	20,455	415	20,870
Purchase of treasury shares	–	–	–	-12	–	-12
Disposal of treasury shares	–	–	–	–	–	–
Dividends	–	–	–	-6,580	-355	-6,935
Increase (decrease) in non-controlling interests	–	–	–	72	-956	-884
Transfer from other components of equity to retained earnings	–	–	-1,548	–	–	–
Total transactions with owners	–	–	-1,548	-6,520	-1,311	-7,831
Balance at end of period	–	896	4,838	323,008	6,219	329,227

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Cash flows from operating activities		
Profit before tax	29,805	32,119
Depreciation and amortization	22,918	25,626
Decrease (increase) in retirement benefit asset	-50	32
Increase (decrease) in retirement benefit liability	1,234	110
Interest and dividend income	-1,411	-1,769
Interest expenses	431	582
Share of loss (profit) of investments accounted for using equity method	-3,680	-5,101
Decrease (increase) in trade receivables	-13,049	-1,653
Decrease (increase) in inventories	-3,622	-2,933
Increase (decrease) in trade payables	13,814	-6,928
Other	2,388	1,212
Subtotal	48,777	41,298
Interest and dividends received	2,577	4,378
Interest paid	-445	-584
Income taxes paid	-6,704	-9,175
Net cash provided by (used in) operating activities	44,206	35,918
Cash flows from investing activities		
Purchase of property, plant and equipment	-32,750	-32,432
Proceeds from sale of property, plant and equipment	59	225
Purchase of intangible assets	-242	-243
Purchase of investments	-4,807	-4,944
Proceeds from sale and redemption of investments	5,223	4,937
Other	954	1,140
Net cash provided by (used in) investing activities	-31,563	-31,316
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-1,905	-518
Proceeds from long-term borrowings	8,787	3,043
Repayments of long-term borrowings	-10,829	-4,556
Payments for purchase of treasury shares	-14	-12
Dividends paid	-5,982	-6,580
Dividends paid to non-controlling interests	-564	-355
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	-3	-884
Other	-92	-121
Net cash provided by (used in) financing activities	-10,601	-9,982
Effect of exchange rate changes on cash and cash equivalents	471	179
Net increase (decrease) in cash and cash equivalents	2,513	-5,202
Cash and cash equivalents at beginning of period	50,122	52,635
Cash and cash equivalents at end of period	52,635	47,434

5) Notes Concerning Consolidated Financial Statements

【Going Concern Assumption】

Not applicable.

【Segment Information】

1. Outline of Reportable Segments

The Company's reportable segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors of the Company in order to allocate management resources and assess performance of operations.

The Company's main business lines are divided based on similarities of function and nature and the Company prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line.

Accordingly, the Company is comprised of reporting segments classified by type of products based on each business line and does not aggregate its operating results. The three reporting segments of the Company are Basic chemicals, Functional chemicals, and Environment and catalysts.

Basic chemicals segment is engaged in manufacturing and sales of acrylic acids, acrylates, ethylene oxide, ethylene glycol, ethanolamine, secondary alcohol ethoxylates and glycol ether. Functional chemicals segment is engaged in manufacturing and sales of superabsorbent polymers, special acrylates, pharmaceutical intermediates, polymers for concrete admixture, electronic information material, iodine, maleic anhydride, resins for adhesives and paints, and adhesive products. Environment and catalysts segment is engaged in manufacturing and sales of automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, process catalysts, waste gas treatment catalysts and fuel cell materials.

2. Calculation Method of Amounts of Revenue, Income or Loss, Assets, and Other Items

The accounting method for business segments reported is substantially the same as the accounting method adopted for preparing the consolidated financial statements. Intergroup revenue and transfers are mainly based on market price and cost of manufacturing. Segment income corresponds to operating profit.

3. Information Concerning Amounts of Revenue, Income or Loss, Assets, and Other Items

Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018) (Unit: Millions of yen)

	Reportable segments				Adjustment (Notes 1 and 2)	Total
	Basic chemicals	Functional chemicals	Environment & catalysts	Total		
Revenue						
(1) Revenue to third parties	131,084	173,274	9,581	313,939	–	313,939
(2) Intergroup revenue and transfers	34,974	6,181	2,012	43,167	-43,167	–
Total	166,058	179,455	11,593	357,106	-43,167	313,939
Segment Income	13,558	11,529	219	25,306	303	25,610
Finance Income	–	–	–	–	–	1,420
Finance Costs	–	–	–	–	–	904
Share of Profit of Investments Accounted for Using Equity Method	–	–	–	–	–	3,680
Profit Before Tax	–	–	–	–	–	29,805
Segment Assets	140,734	250,097	32,184	423,015	57,301	480,316
Other Items						
Depreciation and amortization	10,005	12,169	744	22,918	–	22,918
Impairment loss	–	465	–	465	–	465
Increase in property, plant and equipment and intangible assets	8,900	23,922	1,109	33,931	–	33,931

Notes: 1. The "Segment Income" adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 303 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 57,301 million yen.

Fiscal year ended Mar. 31, 2019 (Apr. 1, 2018 to Mar. 31, 2019) (Unit: Millions of yen)

	Reportable segments				Adjustment (Notes 1 and 2)	Total
	Basic chemicals	Functional chemicals	Environment & catalysts	Total		
Revenue						
(1) Revenue to third parties	139,210	189,642	10,017	338,869	–	338,869
(2) Intergroup revenue and transfers	39,041	7,518	1,089	47,648	-47,648	–
Total	178,251	197,159	11,106	386,516	-47,648	338,869
Segment Income	10,709	13,394	916	25,019	1,151	26,170
Finance Income	–	–	–	–	–	1,771
Finance Costs	–	–	–	–	–	923
Share of Profit of Investments Accounted for Using Equity Method	–	–	–	–	–	5,101
Profit Before Tax	–	–	–	–	–	32,119
Segment Assets	145,633	261,664	28,956	436,253	45,414	481,668
Other Items						
Depreciation and amortization	10,429	14,226	971	25,626	–	25,626
Impairment loss	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets	11,547	21,414	722	33,683	–	33,683

Notes: 1. The "Segment Income" adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 1,151 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 45,414 million yen.

4. Information by Product and Service

Please refer to "3. Information Concerning Amounts of Revenue, Income or Loss, Assets, and Other Items."

5. Information by Area

(1) Revenue
Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018) (Unit: Millions of yen)

	Japan	Asia	Europe	North America	Others	Total
Basic chemicals	85,382	39,254	2,356	2,239	1,853	131,084
Functional chemicals	56,423	40,342	38,764	26,452	11,293	173,274
Environment & catalysts	6,307	1,312	284	1,677	–	9,581
Total	148,111	80,908	41,404	30,368	13,146	313,939

Fiscal year ended Mar. 31, 2019 (Apr. 1, 2018 to Mar. 31, 2019) (Unit: Millions of yen)

	Japan	Asia	Europe	North America	Others	Total
Basic chemicals	91,278	41,483	2,132	2,536	1,782	139,210
Functional chemicals	60,116	48,287	40,368	22,059	18,812	189,642
Environment & catalysts	5,140	2,250	567	2,060	–	10,017
Total	156,535	92,019	43,067	26,655	20,593	338,869

Notes: 1. Revenue is based on customer location and 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

(2) Non-current assets

(Unit: Millions of yen)

	Date of transition (April 1, 2017)	FY 2017 ended Mar. 31, 2018 (as of Mar. 31, 2018)	FY 2018 ended Mar. 31, 2019 (as of Mar. 31, 2019)
Japan	114,684	111,245	115,167
Indonesia	26,679	22,991	25,279
Other Asia	4,271	5,537	5,665
Belgium	27,882	46,131	45,901
North America	20,386	18,399	17,130
Total	193,903	204,303	209,143

Note: Non-current assets are based on asset location and do not include financial instruments, deferred tax assets and retirement benefit asset, etc.

6. Information Concerning Major Customers

There are no customers accounting for 10% or more of the revenue from external customers.

【Per Share Information】

Profit per share and the basis for calculation are as follows.
Diluted profit per share is not shown since there are no potential common stocks with dilutive effects.

	FY 2017 ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)	FY 2018 ended Mar. 31, 2019 (Apr. 1, 2018 to Mar. 31, 2019)
Profit attributable to owners of parent (Millions of yen)	22,641	23,849
Averages number of shares of common stock during the period (Thousands of shares)	39,880	39,878
Basic earnings per share (Yen)	567.71	598.05

Significant Subsequent Event

(Notice Regarding the Execution of a Basic Agreement Concerning the Consideration of Business Integration between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd.)

Nippon Shokubai Co., Ltd. (“Nippon Shokubai”) and Sanyo Chemical Industries, Ltd. (“Sanyo Chemical”) (each, a “Company,” and collectively, the “Companies”) hereby announce that, based on resolutions adopted at extraordinary meetings of their boards of directors held today, the Companies have entered into a basic agreement (the “Basic Agreement”) to move ahead with the consideration toward the integration of their businesses (the “Business Integration”) based on an equal footing.

The Companies will carry out detailed examinations and discussions concerning the Business Integration based on the spirit of mutual trust and equality, with the aim of concluding the final agreement on the Business Integration (the “Final Agreement”) around December 2019.

1. Purpose of the Business Integration and others

(1) Purpose of the Business Integration

With the group mission “*TechnoAmenity - Providing affluence and comfort to people and society, with our unique technology*,” Nippon Shokubai, guided by its core catalyst, polymer and organic synthesis technology, has been engaged in the manufacturing of basic chemicals, including acrylic acid and ethylene oxide, as well as the development, manufacture and sale of high-performance functional chemicals and environmental and catalyst products using these basic chemicals as raw materials.

Guided by its company motto “*Let us contribute to building a better society through our corporate activities*,” Sanyo Chemical, with its core surface activity control technology, has developed, manufactured and marketed approximately 3,000 types of sophisticated performance chemicals in order to meet the diversified needs of a wide range of industries.

In recent years, the business environment surrounding the chemical industry has become increasingly severe. In Japan, domestic demand for chemicals is expected to decline due to changing social structure such as a decline and aging of the population, causing intense competition between chemical manufacturers. In emerging countries, there is an increase in demand for chemicals due to rising population and income levels, but the rise of manufacturers of emerging countries and increasing scale disparity with European and American chemical giants are resulting in the Japanese chemical industry being less competitive. Moreover, although superabsorbent polymers (SAP), one of the core businesses of both Companies, can expect continuing and stable demand growth given the growing world population, the outlook is worsening due to a downturn in profitability with changes in the business environment such as oversupply in the emerging countries, where new players are entering the market. Meanwhile, the Sustainable Development Goals (SDGs) adopted at the United Nations summit held in September 2015 set 17 goals ranging from the end of poverty to the revitalization of the global partnership, and it is expected that companies take steps towards such SDGs as a stakeholder of society. We believe that we can contribute in connection with such 17 goals in many ways using the technical capabilities and problem-solving skills that the Companies have cultivated over the years.

In order to respond to these rapidly changing external circumstances, the Companies have formulated their respective medium-term management plans and are working on changes to create new value. Nippon Shokubai has set its vision for 2025 to be “*an innovative chemical company that provides new value for people’s lives*” and started executing the 2nd medium-term business plan *Reborn Nippon Shokubai 2020 NEXT* (see the 2nd Medium-Term Business Plan disclosed on May 9, 2017) in fiscal year 2017. Meanwhile, Sanyo Chemical has set “*We have grown to be a unique, global, and highly profitable company, in which all our employees take pride and find meaning in their work, and contribute to society*” as what it would like to be in ten years, and formulated the medium-term management plan “*New Sanyo for 2027*” (see the 10th Medium-Term Management Plan “New Sanyo for 2027” disclosed on May 8, 2018) which covers the three-year period from fiscal year 2018. In the medium-term management plans, the Companies have set forth “create value and contribute to society through corporate activities,” "put profitability ahead of sales," "shift resources to new growth fields (e.g., life science, new energy, electronics)," "accelerate overseas expansion," and "commit to safety, environment and quality" as management policies.

As described above, each Company has set their respective medium-term management plans and has been working on countermeasures to deal with the changes in the external circumstances, but in the course of discussing the respective management challenges between the Companies, which had a business relationship of trading chemical raw materials from the past, Nippon Shokubai, which holds a group mission, "*TechnoAmenity - Providing affluence and comfort to people and society, with our unique technology*," and Sanyo Chemical, which holds a company motto, "*Let us contribute to building a better society through our corporate activities*," came to recognize not only the affinity level of their group mission and management motto, which is to contribute to society through corporate activities, is high, but the strengths and business challenges of the respective Companies are in a mutual complementary relationship. Specifically, Nippon Shokubai has its strength in having a value chain of in-house-manufacturing process of basic chemicals and functional chemicals, but on the other hand, is facing a challenge to create new businesses that meets users' needs. Sanyo Chemical, on the other hand, has its strength in manufacturing and marketing performance chemicals, whose scope of variation extends to approximately 3,000 types, as part of its solution business that addresses customers' challenges. At the same time, Sanyo Chemical has been facing the issue of its dependence on procurement of raw materials from external suppliers, including Nippon Shokubai. With such recognition, the Companies were exchanging opinions on various options including a business integration, and have reached an understanding that executing a business integration with each other is the best way to make use of the Companies' strengths, solve the business challenges and create a synergy effect. Consequently, the Companies came to agree to move ahead with the consideration of a business integration by the Companies and entered into the Basic Agreement concerning the consideration of a business integration today.

In the event that a final agreement concerning the Business Integration is reached and the Business Integration is executed, the Companies consider that they will be able to become a chemical manufacturer with both significant presence as well as multiple businesses with strengths, by bringing together their respective strengths in sales, manufacturing, research and other capabilities, concentrating management resources and expanding the operating base, and utilizing their respectively cultivated corporate cultures and management strategies at the same time as realizing further changes in business and enhancement of competitiveness. In that light, we will work to create a sustainable society and solve social problems, thereby providing affluence and comfort to people and society, through the creation of products and services to meet people's wishes for "something more…."

Nippon Shokubai and Sanyo Chemical will make their utmost efforts to realize the Business Integration based on the spirit of mutual trust and equality.

(2) Basic Strategies for Post-Business Integration

In the Business Integration, the integrated holding company after the Business Integration (the "Integrated Holding Company") will be in charge of operation and management of the entire cooperate group, consisting of the two Companies and their subsidiaries (the "Integrated Group").

Our basic policy is that, when the Business Integration takes effect, the Companies' corporate planning, finance and accounting, legal, general affairs, HR, IR/PR, internal audit, corporate research, RC (responsible care) and other back-office sections will be integrated into the Integrated Holding Company.

The Integrated Group's basic strategies will include the following items, and the Companies will discuss and determine the details before the execution of the Final Agreement.

(i) Strengthening of business base: Achieve the effects of integration in terms of technology and cost through the integration of the Companies' management base. For the SAP business in particular, improve quality and reduce cost by uniting the two Companies' production technologies and research and development capabilities, with the aim of sound development.

(ii) Strengthening of competitiveness and profitability through scale expansion: Achieve further growth of existing businesses by pursuing cost cutting and the like, while harnessing demand for chemicals in emerging countries.

(iii) Diversification of portfolio: Realize diversification of businesses by combining the Companies' businesses. Meanwhile, constantly examine such diversified businesses from the perspective of selection and concentration and cultivate multiple highly-profitable businesses with strengths.

(iv) Acceleration of development of new business: Aim to contribute to profitability at an early stage by concentrating the two Companies' management resources in focus areas.

(3) Effect of the Business Integration

We will examine measures to generate the effects of integration by the time of the execution of the Final Agreement. In order to achieve the effects of integration as soon as possible, we will carry out discussion to build future structure such as an early integration of the Companies' back–office sections and a merger in two years' time.

2. Summary of the Business Integration

(1) Method of the Business Integration

The basic policy for the Business Integration is that it will be carried out through the two Companies conducting a joint share transfer (the "Share Transfer"), establishing the Integrated Holding Company, their wholly owning parent company, and making the two Companies the wholly owned subsidiaries of the Integrated Holding Company. The details of the Business Integration will continue to be discussed and examined by the Companies in good faith and will be set out in the Final Agreement.

Further, the Companies have the basic policy of carrying out a merger between them by around the second anniversary of when the Business Integration takes effect, but the specific policies therefor will be determined through discussions between the Companies in light of business practicality.

(2) Business Integration Schedule

The basic schedule of the Business Integration is as follows. The schedule will be determined through discussions between the Companies in light of the progress of the business combination review of the Business Integration by the Fair Trade Commission and other preparations for the Business Integration.

Resolutions Adopted at the Companies' Extraordinary Meetings of Boards of Directors	May 29, 2019 (today)
Execution of the Basic Agreement	May 29, 2019 (today)
Execution of the Final Agreement	December 2019 (scheduled)
Annual meetings of shareholders of Nippon Shokubai and Sanyo Chemical ("Annual Shareholders Meetings")	June 2020 (scheduled)
Effective date of the Share Transfer (Establishment date of the Integrated Holding Company)	October 1, 2020 (scheduled)

* The joint share transfer plan concerning the Share Transfer will be prepared before the Annual Shareholders Meetings of the Companies to be held in June 2020 (scheduled).

(3) Items Regarding the Listing of the Companies' Shares after the Business Integration

The basic policy concerning the method of the Business Integration is that it will be carried out through a joint share transfer. In the event that the Companies ultimately agree that it will be carried out by a joint share transfer, the Companies will submit a new listing application for listing the shares of the Integrated Holding Company on the First Section of the Tokyo Stock Exchange (technical listing). The date of listing is planned to be October 1, 2020, which is the effective date of the Share Transfer. Nippon Shokubai and Sanyo Chemical will become wholly owned subsidiaries of the Integrated Holding Company when the Share Transfer takes place, so the Companies will be delisted prior to the effective date of the Share Transfer. However, in the event that the listing of the shares of the Integrated Holding Company is approved, the shareholders of the respective Companies will be able to trade the shares of the Integrated Holding Company, which will be distributed upon the execution of the Share Transfer, on the Tokyo Stock Exchange.

(4) System to Implement the Business Integration

In order to smoothly consider the Business Integration, promptly after the execution of the Basic Agreement, the Companies will establish an integration preparatory committee, with the president of each Company acting as co-chairs, and have discussions necessary for the Business Integration.

3. Post-Business Integration Status

(1) Trade Name

The trade name of the Integrated Holding Company has not been determined yet. It will be determined through discussions between the Companies based on the basic policy that it is different from either Company's trade name and is appropriate in light of the purpose of the Business Integration.

(2) Location of Head Offices

It is contemplated that the Integrated Holding Company will have its head office functions in the City of Osaka and in the 23-ward area of Tokyo, and that the following will be the case as of the effective date of the Business Integration. However, the Companies will continue discussing and examining the location of the head office functions.

Osaka Head Office	4-1-1 Koraibashi, Chuo-ku, Osaka
Tokyo Head Office	1-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo

(3) Location of the Registered Head Office

It is contemplated that the registered head office of the Integrated Holding Company will be located as follows.

Registered Head Office	11-1, Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto

(4) Policy for Distributions to Shareholders

The Integrated Holding Company will have the basic policy of paying dividends with due consideration to an appropriate internal reserve level and aiming to increase the level of dividends in the medium to long term.

(5) Organizations and Directors, Audit & Supervisory Board Members and Executive Officers

In order to smoothly carry out and achieve the purpose of the Business Integration and to contribute to maximizing the effects of integration, the basic policy is that the organization and officers of the Integrated Holding Company will be as follows.

(i) Organizations

The Integrated Holding Company will be a company with an audit & supervisory board, and will voluntarily establish, as an advisory body to the Board of Directors, a Nomination and Remuneration Committee.

(ii) Representative Directors

The Integrated Holding Company will have two representative directors, a Chairman and Representative Director and a President and Representative Director. The President and Representative Director will serve as the chair of meetings of shareholders and the board of directors of the Integrated Holding Company. The initial representative directors of the Integrated Holding Company will be as follows.

Chairman and Representative Director	President & CEO of Sanyo Chemical
President and Representative Director	President and Representative Director of Nippon Shokubai

(iii) Directors and Audit & Supervisory Board Members

The number and structure of directors and audit & supervisory board members of the Integrated Holding Company will continue to be discussed and examined between the Companies in good faith and set out in the Final Agreement with a high regard of the Corporate Governance Code of the Tokyo Stock Exchange and based on the principle of placing the right people in the right jobs.

(iv) Executive Officers

Executive officers of the Integrated Holding Company will continue to be discussed and examined between the Companies in good faith with the basic policy of placing the right people in the right jobs and fair and equitable staffing.

(6) Staffing and Treatment of Employees

In order to smoothly carry out and achieve the purpose of the Business Integration as well as to contribute to maximizing the effects of integration, in terms of staffing and treating employees of the Integrated Group, the Companies will treat employees based on the principle of placing the right people in the right jobs and in a fair and equitable manner without regard to their origin, and will not unfairly treat any employee of the Integrated Group based on that employee’s origin or other factors.

Further, the Companies will have the following basic policies with respect to staffing and treatment of employees of the Integrated Group:

(i) After the Business Integration takes effect, employees will be recruited by the Integrated Holding Company.

(ii) No personnel reductions will be made due to the Business Integration.

(iii) No disadvantageous changes will be made with respect to employee treatment for several years after the execution of Business Integration. In the future, with the basic policy of maintain work conditions under the Companies’ existing systems, the Companies aim to integrate those existing systems into a new system incorporating the merits of each system to a maximum extent.

(7) Share Transfer Ratio

The Companies have the basic policy of discussing and examining in good faith, and setting out, in the Final Agreement, the share transfer ratio of the Share Transfer.

4. Outline of the Companies (as of March 31, 2019)

(1)	Name	Nippon Shokubai Co., Ltd.		Sanyo Chemical Industries, Ltd.	
(2)	Location	4-1-1 Koraibashi, Chuo-ku, Osaka		11-1, Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto	
(3)	Title and name of representative	Yujiro Goto, President and Representative Director		Takao Ando, President & CEO	
(4)	Description of business	Manufacturing and sales of chemicals, etc.		Manufacturing and sales of performance chemicals, etc.	
(5)	Capital	25,038 million yen		13,051 million yen	
(6)	Incorporated on	August 21, 1941		November 1, 1949	
(7)	No. of issued shares	Common stock 40,800,000 shares		Common stock 23,534,752 shares	
(8)	Fiscal year end	March 31		March 31	
(9)	No. of employees	4,276 (consolidated)		2,078 (consolidated)	
(10)	Major shareholders and their shareholding ratio	Sumitomo Chemical Co., Ltd.	6.84%	Toyota Tsusho Corporation	19.38%
		Japan Trustee Services Bank, Ltd. (Trust Account)	5.91%	Toray Industries, Inc.	17.30%
		JXTG Holdings, Inc.	5.33%	NIPPON SHOKUBAI CO., LTD.	5.00%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	4.79%	JXTG Holdings, Inc.	4.80%
		National Mutual Insurance Federation of Agricultural Cooperatives	4.03%	Japan Trustee Services Bank, Ltd. (Trust Account)	4.79%
(11)	Relationship between the Companies				
Capital ties		Nippon Shokubai holds 5.00% (1,105 thousand shares) of the total number of issued shares of Sanyo Chemical. Sanyo Chemical holds 3.17% (1,267 thousand shares) of the total number of issued shares			

	of Nippon Shokubai.
Personnel ties	None
Trade ties	Nippon Shokubai and Sanyo Chemical engage in business transactions, such as the purchase and sale of chemicals, with each other.
Status applicable to the parties	None

(12) Results of operations and financial conditions for the past three years (Unit: million yen)

	Nippon Shokubai (consolidated)			Sanyo Chemical (consolidated)		
Settlement of account	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019
Consolidated net assets	292,275	310,762	325,371	127,651	136,270	132,623
Consolidated total assets	433,610	467,386	471,050	186,863	199,179	193,630
Consolidated net assets per share (yen)	7,238.33	7,705.05	8,089.98	5,515.51	5,901.23	5,868.58
Consolidated sales	293,970	322,801	349,678	150,166	161,692	161,599
Consolidated operating profit	21,151	26,727	26,110	13,647	11,999	12,919
Consolidated ordinary profit	24,664	32,293	33,101	15,341	13,866	15,205
Profit attributable to owners of parent	19,361	24,280	25,012	10,192	9,272	5,345
Consolidated net profit per share (yen)	478.36	608.84	627.20	462.28	420.57	242.50
Cash dividend per share (yen)	150.00	160.00	170.00	100.00	110.00	125.00

Notes:
1. Treasury shares are not taken into account in the list of shareholders. Also, the shareholding ratio is calculated excluding treasury shares.
2. Sales of the Companies do not include consumption tax and other taxes.
3. The Companies started the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) for fiscal year ended March 2018 onward and changed the presentation method, so the total assets for fiscal year ended March 2018 are the figures revised retroactively to reflect the change in that presentation method.
4. Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares of common stock on October 1, 2016. In connection with this, the consolidated net assets per share and consolidated net profit per share figures are based on the hypothetical assumption that Sanyo Chemical conducted the reverse stock split at the beginning of the fiscal year ended March 2017. Further, figures for the dividends per share for the fiscal year ended March 2017 are amounts that take into account the reverse stock split.

5. Impact on consolidated financial statements

The impact of the business integration on consolidated financial statements has not been determined.

2. Notes Concerning Transition to IFRS

The Group has disclosed consolidated financial statements prepared in accordance with IFRS from the current fiscal year. The latest consolidated financial statements in accordance with accounting principles under Japanese GAAP (JGAAP) were those pertaining to the fiscal year ended March 31, 2018. The transition date to IFRS was April 1, 2017.

(1) IFRS 1 Exemptions

Under IFRS, entities that adopt IFRS for the first time are in principle required to retroactively apply standards required by IFRS. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” allows for the application of voluntary exemptions in some of the standards required by IFRS. The main exemptions applied by the Group are as follows. The effects of applying these exemptions are adjusted in retained earnings or other components of equity on the date of transition to IFRS.

1) Business combinations

IFRS 1 permits an entity not to apply IFRS 3 “Business Combinations” retroactively to business combinations that occurred prior to the date of transition. The Group applied this exemption and elected not to retroactively apply IFRS 3 to business combinations that occurred prior to the date of transition. As a result, business combinations that took place prior to the date of transition have not been restated.

2) Exchange differences on translation of foreign operations

IFRS 1 permits an entity to elect to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the date of transition. The Group applied this exemption and elected to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the date of transition.

3) Leases

IFRS 1 permits an entity to judge whether or not there is a lease included in a contract as of the date of transition. The Group applied this exemption and judged whether or not there is a lease included in a contract based on facts and circumstances that existed as of the date of transition.

4) Designation of financial instruments recognized prior to date of transition

IFRS 1 permits an entity to designate changes in the fair value of equity instruments as financial assets measured through other comprehensive income based on facts and circumstances that existed as of the date of transition.
The Group made judgements based on facts and circumstances that existed as of the date of transition and designates certain equity instruments it owns as financial assets measured through other comprehensive income.

(2) Mandatory Exception Under IFRS 1

IFRS 1 prohibits an entity from retroactively applying IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “classification and measurement of financial assets,” “hedge accounting,” and “non-controlling interests.” The Group prospectively applies IFRS to these items from the date of transition.

(3) Reconciliations from JGAAP to IFRS

The reconciliations required for the first-time adoption of IFRS are as follows. In the reconciliations below, "reclassification" includes items that do not affect retained earnings and comprehensive income, while "differences in recognition and measurement" includes items that affect retained earnings and comprehensive income.

1) Reconciliations of equity as of the date of transition (April 1, 2017)

(Unit: Millions of yen)

Accounting items under JGAAP	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounting items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	56,139	-4,439	-1,578	50,122	(a), (b)	Cash and cash equivalents
Notes and accounts receivable - trade	64,201	-11	2,300	66,490	(a), (b), (c)	Trade receivables
Merchandise and finished goods	28,162	-28,162	–	–		
Work in process	6,315	-6,315	–	–		
Raw materials and supplies	16,632	-16,632	–	–		
	–	51,109	1,530	52,639	(a), (b), (c)	Inventories
Deferred tax assets	3,154	-3,154	–	–		
Other	9,916	-1,782	3,295	11,429	(a), (b)	Other financial assets
	–	3,293	1,941	5,235	(a), (b)	Other current assets
Allowance for doubtful accounts	-11	11	–	–		
Total current assets	184,509	-6,082	7,488	185,915		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	163,160	2,928	11,764	177,853	(a), (b), (c), (d)	Property, plant and equipment
	–	–	4,406	4,406	(a)	Goodwill
Intangible assets	3,877	–	6,497	10,374	(a), (b)	Intangible assets
Investments and other assets						
Investment securities	65,760	-44,518	-3,857	17,385	(a), (b)	Investments accounted for using equity method
Investments in capital	3,265	-3,265	–	–		
Long-term loans receivable	1,172	49,238	-10,347	40,063	(a), (b)	Other financial assets
Deferred tax assets	1,868	3,154	-2,417	2,605	(a), (b), (e)	Deferred tax assets
Net defined benefit asset	7,298	–	–	7,298		Retirement benefit asset
Other	2,767	-1,522	24	1,270	(a), (b)	Other non-current assets
Allowance for doubtful accounts	-66	66	–	–		
Total non-current assets	249,101	6,082	6,071	261,254		Total non-current assets
Total assets	433,610	–	13,559	447,169		Total assets

(Unit: Millions of yen)

Accounting items under JGAAP	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounting items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	44,615	–	197	44,811	(a), (b)	Trade payables
Short-term loans payable	9,976	11,583	-134	21,424	(a), (b)	Bonds and borrowings
Current portion of long-term loans payable	11,583	-11,583	–	–		
Lease obligations	25	-25	–	–		
Income taxes payable	3,378	–	345	3,722	(a), (b)	Income taxes payable
Provision	5,750	–	-1,214	4,536	(b), (f)	Provisions
Other	11,520	-2,895	630	9,255	(a), (b)	Other financial liabilities
	–	2,919	2,380	5,300	(a), (b), (g)	Other current liabilities
Total current liabilities	86,845	–	2,204	89,049		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	10,000	-10,000	–	–		
Long-term loans payable	26,374	10,000	3,839	40,213	(a), (b)	Bonds and borrowings
Lease obligations	83	738	408	1,229	(a), (b)	Other financial liabilities
Deferred tax liabilities	4,971	–	2,807	7,779	(a), (b), (e)	Deferred tax liabilities
Net defined benefit liability	12,072	–	758	12,829	(a), (b)	Retirement benefit liability
	–	248	–	248	(b)	Provisions
Other	989	-986	-4	–		
Total non-current liabilities	54,489	–	7,808	62,297		Total non-current liabilities
Total liabilities	141,335	–	10,012	151,346		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	25,038	–	–	25,038		Share capital
Capital surplus	22,396	–	–	22,396		Capital surplus
Retained earnings	229,092	–	12,967	242,059	(h)	Retained earnings
Treasury shares	-6,249	–	–	-6,249		Treasury shares
	–	18,395	-12,868	5,526	(a), (b), (i)	Other components of equity
Total shareholders' equity	270,277	18,395	99	288,770		Total equity attributable to owners of parent
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	12,247	-12,247	–	–		
Deferred gains or losses on hedges	11	-11	–	–		
Foreign currency translation adjustment	6,153	-6,153	–	–		
Remeasurements of defined benefit plans	-16	16	–	–		
Total accumulated other comprehensive income	18,395	-18,395	–	–		
Non-controlling interests	3,604	–	3,448	7,052	(a), (b)	Non-controlling interests
Total net assets	292,275	–	3,547	295,822		Total equity
Total liabilities and net assets	433,610	–	13,559	447,169		Total liabilities and equity

2) Reconciliations of equity as of March 31, 2018

(Unit: Millions of yen)

Accounting items under JGAAP	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounting items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	55,920	-4,308	1,024	52,635	(a)	Cash and cash equivalents
Notes and accounts receivable - trade	78,038	-9	1,309	79,338	(a), (c)	Trade receivables
Merchandise and finished goods	31,414	-31,414	–	–		
Work in process	5,437	-5,437	–	–		
Raw materials and supplies	20,163	-20,163	–	–		
	–	57,015	-627	56,388	(a), (c)	Inventories
Other	7,440	-1,581	3,441	9,300	(a)	Other financial assets
	–	3,100	1,601	4,701	(a)	Other current assets
Allowance for doubtful accounts	-9	9	–	–		
Total current assets	198,403	-2,789	6,748	202,362		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	175,241	2,789	9,875	187,906	(a), (c), (d)	Property, plant and equipment
	–	–	4,406	4,406	(a)	Goodwill
Intangible assets	3,531	–	6,233	9,763	(a)	Intangible assets
Investments and other assets						
Investment securities	74,707	-50,643	-3,832	20,232	(a)	Investments accounted for using equity method
Investments in capital	2,354	-2,354	–	–		
Long-term loans receivable	931	54,292	-10,891	44,332	(a)	Other financial assets
Deferred tax assets	2,652	–	275	2,926	(a), (e)	Deferred tax assets
Net defined benefit asset	6,160	–	–	6,160		Retirement benefit asset
Other	3,474	-1,361	115	2,228	(a)	Other non-current assets
Allowance for doubtful accounts	-66	66	–	–		
Total non-current assets	268,983	2,789	6,182	277,954		Total non-current assets
Total assets	467,386	–	12,929	480,316		Total assets

(Unit: Millions of yen)

Accounting items under JGAAP	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounting items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	58,066	–	745	58,811	(a)	Trade payables
Short-term loans payable	8,244	4,438	1	12,683	(a)	Bonds and borrowings
Current portion of long-term loans payable	4,438	-4,438	–	–		
Lease obligations	28	-28	–	–		
Income taxes payable	5,489	–	94	5,583	(a)	Income taxes payable
Provision	6,020	–	-1,218	4,802	(f)	Provisions
Other	10,351	-2,528	97	7,920	(a)	Other financial liabilities
	–	2,556	2,158	4,714	(a), (g)	Other current liabilities
Total current liabilities	92,636	–	1,878	94,513		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	10,000	-10,000	–	–		
Long-term loans payable	35,301	10,000	1	45,302	(a)	Bonds and borrowings
Lease obligations	52	733	371	1,157	(a)	Other financial liabilities
Deferred tax liabilities	2,370	–	4,577	6,948	(a), (e)	Deferred tax liabilities
Net defined benefit liability	13,607	–	676	14,282	(a)	Retirement benefit liability
	–	1,925	–	1,925		Provisions
Other	2,658	-2,658	–	–		
Total non-current liabilities	63,989	–	5,626	69,614		Total non-current liabilities
Total liabilities	156,624	–	7,503	164,128		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	25,038	–	–	25,038		Share capital
Capital surplus	22,400	–	0	22,400		Capital surplus
Retained earnings	248,158	–	9,959	258,117	(h)	Retained earnings
Treasury shares	-6,263	–	–	-6,263		Treasury shares
	–	17,937	-8,158	9,780	(a), (i)	Other components of equity
Total shareholders' equity	289,334	17,937	1,802	309,073		Total equity attributable to owners of parent
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	14,786	-14,786	–	–		
Deferred gains or losses on hedges	3	-3	–	–		
Foreign currency translation adjustment	4,868	-4,868	–	–		
Remeasurements of defined benefit plans	-1,719	1,719	–	–		
Total accumulated other comprehensive income	17,937	-17,937	–	–		
Non-controlling interests	3,491	–	3,624	7,115	(a)	Non-controlling interests
Total net assets	310,762	–	5,426	316,188		Total equity
Total liabilities and net assets	467,386	–	12,929	480,316		Total liabilities and equity

Notes Concerning Reconciliations of Equity

(a) Revision to scope of consolidation

Under JGAAP, subsidiaries of little importance were excluded from the scope of consolidation, however, under IFRS, such subsidiaries are included in the scope of consolidation.

(b) Changes in accounting period

Under JGAAP, for consolidated subsidiaries with account closing dates that differ from the Company, adjustments have been made on consolidation for material transactions that occurred between the account closing dates of such subsidiaries (based on financial statements as of the account closing dates of the consolidated subsidiaries) and the Company's account closing date. However, under IFRS, excluding those cases where it is practically impossible, the account closing dates of the consolidated subsidiaries are either aligned with that of the Company, or provisional accounting is made on the Company's account closing date. In this way, consolidated subsidiaries' financial statements are reported on the same date as the Company's account closing date for consolidation.

(c) Reconciliation of trade receivables and inventories

Under JGAAP, revenues from certain sales transactions of goods were recognized upon shipment. Under IFRS, this was changed to a method in which revenue is recognized upon delivery of the goods to the customer. As a result of this change, "trade receivables" and "inventories" have been reconciled.

Under JGAAP, replacement parts, spare equipment, and maintenance parts were posted under "raw materials and supplies" under inventories. Under IFRS, however, important replacement parts, spare equipment, and maintenance parts are recognized as "property, plant and equipment."

(d) Reconciliation of property, plant and equipment

Under JGAAP, provisions were allocated for large-scale periodic repair expenses. Under IFRS, such expenses incurred on the condition of continuing operations are recognized in the carrying amount of the property, plant and equipment, and amortized over the estimated period until the large-scale periodic repairs scheduled in the future. As a result, "property, plant and equipment" has been reconciled.

IFRS does not permit reduction entries due to factors other than state subsidies; therefore, the amounts recorded by direct reduction method under JGAAP have been canceled and are recognized as one-time revenue.

Certain transactions that were recognized as expenses under JGAAP have been recorded under assets as finance leases under IFRS based on the substance of the agreement. As a result, "property, plant and equipment" has increased.

(e) Reconciliation of deferred tax assets and deferred tax liabilities

In line with the application of IFRS, "deferred tax assets" and "deferred tax liabilities" have increased or decreased on account of occurrence of temporary differences and the reconsideration of the recoverability of all deferred tax assets. In addition, for tax effects due to the elimination of unrealized gains or losses, under JGAAP, the tax rate of the seller was used, but under IFRS, the calculation is made using the tax rate of the buyer.

Under JGAAP, deferred tax assets and deferred tax liabilities were offset separately in current and non-current categories, respectively. Under IFRS, however, due to deferred tax assets and deferred tax liabilities being categorized as non-current in their entirety, the offset amount increases, and as a result, "deferred tax assets" and "deferred tax liabilities" have declined.

(f) Reconciliation of provisions

Under JGAAP, expenses in anticipation of future large-scale periodic repairs were recognized as provision for repairs. Under IFRS, however, these have been reversed as the recognition requirements for provisions are not satisfied. As a result, "provisions" have declined.

Unused paid leaves of employees that are not required to be recognized as liabilities under JGAAP are required to be recognized as liabilities under IFRS. As a result, “provisions” have increased.

(g) Reconciliation of other current liabilities

Levies that are not required to be recognized as liabilities under JGAAP are required to be recognized as liabilities under IFRS. As a result, “other current liabilities” have increased.

(h) Reconciliation of retained earnings

The effects of reconciliations on retained earnings upon application of IFRS are as follows. Amounts after adjusting for related tax effect and non-controlling interests are shown below.

(Unit: Millions of yen)

Reconciliation item	Notes	Date of transition As of Apr. 1, 2017	FY2017 As of Mar. 31, 2018
Revision of the scope of consolidation	(a)	70	356
Reconciliation of trade receivables and inventories	(c)	-215	-185
Reconciliation of property, plant and equipment	(d)	2,701	2,505
Reconciliation of provisions	(f)	910	848
Transfer related to equity instrument	(i)	6,728	6,670
Transfer of cumulative amount of exchange differences on translation of foreign operations	(i)	3,326	3,326
Reconciliation related to employee benefits	(i)	244	-1,515
Other		-797	-2,045
Total reconciliations of retained earnings		12,967	9,959

(i) Reconciliation of other components of equity

Under JGAAP, impairment losses on equity instruments were recognized in retained earnings through profit or loss. Under IFRS, the changes in fair value of equity instruments are permitted to be recognized as other comprehensive income. In that case, the impairment loss of such equity instruments is recognized as other components of equity through other comprehensive income. In line with this change, the amount of impairment loss recognized prior to the transition date is reclassified from retained earnings to other components of equity.

Under JGAAP, actuarial gains and losses and past service costs were recognized in other comprehensive income when they were incurred, and amortized over a certain period within the average remaining service period of employees. Under IFRS, remeasurements of defined benefit plans, including the actuarial gains and losses, are recognized in other comprehensive income when they were incurred and immediately reclassified to retained earnings. Past service costs are recognized in profit or loss in a lump sum when they were incurred.

The Group applies the exemption under IFRS 1 and has transferred all the cumulative amount of exchange differences on translation of foreign operations to retained earnings as of the transition date.

(j) Reclassifications

In addition to the above, the Group made reclassifications to comply with IFRS provisions, of which the principal items are as follows:

- Under JGAAP, the Group included time deposits with deposit terms exceeding three months in “cash and deposits,” but under IFRS these are reclassified and presented in “other financial assets” (current assets).
- Deferred tax assets recorded as a current portion under JGAAP are reclassified to a non-current portion in IFRS.
- Charged catalysts that had been included in “other” of current assets under JGAAP have been reclassified and presented in “property, plant and equipment” under IFRS.
- Under JGAAP, “investment securities,” “investments in capital,” and “long-term loans receivable” were separately presented, but under IFRS these are reclassified and presented as “other financial assets” (non-current assets). Under JGAAP, the Group included investments in affiliates accounted for using equity method in “investment securities” and “investments in capital,” but under IFRS these are separately presented as “investments accounted for using equity method.”

3) Reconciliations to profit or loss and comprehensive income for FY 2017 (Apr. 1, 2017 to Mar. 31, 2018)

(Unit: Millions of yen)

Accounting items under JGAAP	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounting items under IFRS
Net sales	322,801	–	-8,862	313,939	(a), (b)	Revenue
Cost of sales	256,664	–	-10,269	246,395	(a), (b)	Cost of sales
Gross profit	66,137	–	1,407	67,544		Gross profit
Selling, general and administrative expenses	39,409	–	2,425	41,835	(a)	Selling, general and administrative expenses
	–	2,148	22	2,170	(a)	Other operating income
	–	2,251	18	2,269	(a)	Other operating expenses
Operating profit	26,727	-103	-1,015	25,610		Operating profit
Non-operating income	7,906	-5,927	-559	1,420	(a), (c)	Finance income
Non-operating expenses	2,341	-1,545	109	904	(a)	Finance costs
	–	4,405	-724	3,680	(a)	Share of profit of investments accounted for using equity method
Extraordinary income	626	-626	–	–		
Extraordinary losses	706	-706	–	–		
Profit before income taxes	32,212	–	-2,407	29,805		Profit before tax
Total income taxes	7,888	–	-1,250	6,638	(a), (c)	Income tax expense
Profit	24,325	–	-1,157	23,167		Profit

(Unit: Millions of yen)

Accounting items under JGAAP	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Accounting items under IFRS
Profit	24,325	–	-1,157	23,167		Profit
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	2,538	–	384	2,922	(d)	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	-1,765	–	793	-972	(a), (d)	Remeasurements of defined benefit plans
Foreign currency translation adjustment	-2,537	–	3,165	628	(a), (d)	Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	-8	–	4	-3		Effective portion of cash flow hedges
Share of other comprehensive income of entities accounted for using equity method	1,170	–	16	1,186	(a)	Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	-602	–	4,363	3,761		Other comprehensive income
Comprehensive income	23,723	–	3,205	26,928		Comprehensive income

Notes Concerning Reconciliations of Profit or Loss and Comprehensive Income

(a) Revision to scope of consolidation

Under JGAAP, subsidiaries of little importance were excluded from the scope of consolidation, however, under IFRS, such subsidiaries are included in the scope of consolidation.

(b) Reconciliation of revenue

Under JGAAP, revenues from certain sales transactions of goods were recognized upon shipment. Under IFRS, this was changed to a method in which revenue is recognized upon delivery of the goods to the customer. As a result of this change, “revenue” and “cost of sales” have been reconciled.

Under JGAAP, transactions undertaken as an agency were presented on a gross basis as “net sales” and “cost of sales,” but under IFRS, these transactions are presented on a net basis. As a result, “revenue” and “cost of sales” decreased.

(c) Reconciliation of finance income and income tax expenses

Under JGAAP, the Group recognized gains and losses on the sale of equity instruments, as well as income taxes associated with such sales as profit or loss. Under IFRS, as for equity instruments designated as measured at fair value through other comprehensive income, the amount of changes in fair value is recognized as other comprehensive income, and immediately reclassified to retained earnings at the time of sale. Accordingly, “finance income” and “income taxes” decreased.

(d) Reconciliation of other comprehensive income

Under JGAAP, gains or losses on sales of equity instruments and income taxes on such gains or losses on sales were recognized as profit or loss. Under IFRS, those equity instruments are designated as financial assets measured at fair value through other comprehensive income, and based on the above, are recognized as other comprehensive income. As a result, “net change in fair value of equity instruments designated as measured at fair value through other comprehensive income” increased.

Under JGAAP, actuarial gains and losses were recognized in other comprehensive income when incurred, and were recognized in profit or loss by amortization method over a certain period within the average remaining service period of employees. Under IFRS, however, remeasurements of defined benefit plans including actuarial gains and losses are recognized as other comprehensive income when incurred and are not recognized in profit or loss by amortization. As a result, “remeasurements of defined benefit plans” increased.

Under JGAAP, the exchange rate at the end of reporting periods was used to translate into Japanese yen revenue and costs at foreign operations that are using functional currencies different from presentation currencies. Under IFRS, these are translated to Japanese yen using the average exchange rate during the reporting period. In line with this change, “exchange differences on translation of foreign operations” increased.

(e) Reclassifications

Of the items presented in non-operating income, non-operating expenses, extraordinary income, and extraordinary losses under JGAAP, those related to finance are reclassified and presented in “finance income” or “finance expenses” while other items are reclassified and presented in “other operating income,” “other operating expenses,” or “share of profit of investments accounted for using equity method.”

4) Reconciliations of cash flows for FY 2017 (Apr. 1, 2017 to Mar. 31, 2018)

There are no significant differences between the consolidated statements of cash flows based on JGAAP and those based on IFRS.

3. Supplementary Material

Trend of Results and Key Management Indicators, and Features of FY 2019

1) Consolidated financial results

(Billions of yen)		FY 2017 Results	FY 2018 Results	Change	FY 2018 Results	FY 2019 Forecast	Change
Revenue		313.9	338.9	<7.9%> 24.9	338.9	345.0	<1.8%> 6.1
Operating profit		8.2% 25.6	7.7% 26.2	<2.2%> 0.6	7.7% 26.2	7.7% 26.5	<1.3%> 0.3
Profit before tax		9.5% 29.8	9.5% 32.1	<7.8%> 2.3	9.5% 32.1	9.3% 32.0	<-0.4%> -0.1
Profit attributable to owners of parent		7.2% 22.6	7.0% 23.8	<5.3%> 1.2	7.0% 23.8	7.0% 24.0	<0.6%> 0.2
Basic earnings per share		567.71 yen	598.05 yen	30.34 yen	598.05 yen	601.84 yen	3.79 yen
ROA (Ratio of profit before tax to total assets)		6.4%	6.7%	0.3 point	6.7%	6.5%	-0.2 point
ROE (Ratio of profit to equity attributable to owners of parent)		7.6%	7.5%	-0.1 point	7.5%	7.2%	-0.3 point
Domestic naphtha price	yen/kL	41,900	49,400	7,500	49,400	42,000	-7,400
Exchange rate	yen/USD	110.82	110.92	0.10	110.92	110.00	-0.92
	yen/EUR	129.70	128.39	-1.31	128.39	125.00	-3.39

2) Other consolidated indicators

(Billions of yen)	FY 2017 Results	FY 2018 Results	Change	FY 2018 Results	FY 2019 Forecast	Change
Dividend per share	160.00 yen	170.00 yen	10.00 yen	170.00 yen	(180.00 yen)	10.00 yen
Payout ratio	28.2%	28.4%	0.2 point	28.4%	(29.9%)	1.5 point
Total assets	480.3	481.7	1.4	481.7	496.0	14.3
Interest-bearing liabilities	58.5	56.6	-1.8	56.6	65.8	9.1
D/E ratio	0.19 times	0.18 times	-0.01 times	0.18 times	0.19 times	0.01 times
Equity attributable to owners of parent	309.1	323.0	13.9	323.0	339.8	16.8
Rate of equity attributable to owners of parent	64.3%	67.1%	2.8 point	67.1%	68.5%	1.4 point
Equity attributable to owners of parent per share	7,750.24 yen	8,099.97 yen	349.73 yen	8,099.97 yen	8,521.81 yen	421.84 yen
Capital investments	30.4	29.9	-0.4	29.9	31.0	1.1
Depreciation	22.9	25.6	2.7	25.6	28.0	2.4
R&D expenses	14.3	14.0	-0.3	14.0	16.2	2.2
Number of consolidated subsidiaries	16	16	0	16	16	0
Number of entities accounted for using equity method	11	11	0	11	11	0
Number of persons in employment	4,394	4,454	60	4,454	4,542	88

Features of FY 2019 (forecast) and Comparison with FY 2018

Revenue up, operating profit up:

Sales volume is projected to grow mainly in functional chemicals, and revenue is projected to increase. Profits are forecast to increase due to the effect of higher production and sales volume, although fixed costs such as selling, general, and administrative expenses and depreciation expense will increase.

		Major components
Revenue	+6.1 bil. yen YoY	• Increase in sales of functional chemicals to exceed decrease in sales of basic chemicals and environment and catalyst segment • Revenue is projected to increase as sales volume is forecast to increase centered on functional chemicals, despite lower selling prices in line with lower costs of raw materials
Operating profit	+0.3 bil. yen YoY	• Increase in production and sales volume to exceed increase in selling, general, and administrative expenses and processing costs
Profit before tax	-0.1 bil. yen YoY	• Decrease in share of profit of entities accounted for using equity method
Profit attributable to owners of parent	+0.2 bil. yen YoY	

** This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.*