

For the First Quarter of the Fiscal Year Ending March 31, 2020

* 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 First Quarter of the Fiscal Year Ending March 31, 2020 [IFRS]
(Three Months Ended June 30, 2019)

August 2, 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
 Scheduled quarterly report filing date: August 9, 2019
 Scheduled date of dividend payment: -
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (here after FY2019) (from April 1, 2019 to June 30, 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	%
Three months ended Jun. 30, 2019	76,990	-9.6	3,686	-55.0	4,959	-50.1	3,385	-53.3	3,265	-54.3	1,022	-84.3
Three months ended Jun. 30, 2018	85,131	-	8,197	-	9,941	-	7,246	-	7,142	-	6,507	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2019	81.88	-
Three months ended Jun. 30, 2018	179.08	-

(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 Jun. 30, 2019	482,127	326,397	320,352	66.4	8,033.41
As of Mar. 31, 2019	481,668	329,227	323,008	67.1	8,099.97

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2018	–	80.00	–	90.00	170.00
FY 2019	–				
FY 2019 (forecast)		90.00	–	90.00	180.00

Note: Revisions to dividends forecast during the period: No

**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	155,000	–	7,500	–	9,000	–	7,000	–	175.54
Full year	325,000	-4.1	17,500	-33.1	21,000	-34.6	16,000	-32.9	401.23

Note: Revisions to consolidated earnings forecast during the period: No

※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: Yes

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

Note: Please refer to “Condensed Quarterly Consolidated Financial Statements and Related Notes (5) Notes to the Condensed Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” in the attached materials for details.

(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)

Jun. 30, 2019: 40,800,000 shares Mar. 31, 2019: 40,800,000 shares

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

Jun. 30, 2019: 922,511 shares Mar. 31, 2019: 922,347 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019: 39,877,553 shares Three months ended Jun. 30, 2018: 39,879,026 shares

※ Indication regarding execution of audit procedures

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

※ Appropriate use of business forecasts and other special items

(Application of IFRS)

The Company has applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements as of the end of the fiscal year ended March 31, 2019 (FY 2018) onward. In addition, figures for the three months ended June 30, 2018 have been prepared in accordance with IFRS.

(Note regarding forward-looking statements and other information)

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

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1. Qualitative Information on the Period under Review

(1) Operating Results

The world economy during the three months ended June 30, 2019 saw the United States economy continuing to recover, but it was accompanied by a weak note in Europe, the gradually decelerating economy in China, and signs of weakness in certain emerging countries in Asia. Furthermore, the outlook remained unclear due mainly to the impact of trade friction between the United States and China, and trends in the crude oil market.

As for the Japanese economy, the country saw a slowdown in economic sentiment mainly in the manufacturing industry with weakness in exports and production, despite steady improvement in employment conditions.

In the chemicals industry, although demand remained steady, outlook such as for the trends in raw material costs was unclear.

1) Overview

(Unit: Millions of yen)

	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2019	Change		FY2018
			(Amount)	(% growth)	
Revenue	85,131	76,990	-8,141	-9.6%	338,869
Operating profit	8,197	3,686	-4,511	-55.0%	26,170
Profit before tax	9,941	4,959	-4,982	-50.1%	32,119
Profit attributable to owners of parent	7,142	3,265	-3,877	-54.3%	23,849
Basic earnings per share	179.08 yen	81.88 yen	-97.20 yen	-54.3%	598.05 yen
ROA (Ratio of profit before tax to total assets)	8.3%	4.1%	-	-4.2 points	6.7%
ROE (Ratio of profit to equity attributable to owners of parent)	9.2%	4.1%	-	-5.1 points	7.5%
Foreign exchange rates (\$ and EUR)	\$=¥109.10 EUR=¥130.03	\$=¥109.90 EUR=¥123.50		0.80 yen -6.53 yen	\$=¥110.92 EUR=¥128.39
Naphtha price	48,800 yen/kl	45,400 yen/kl		-3,400 yen/kl	49,400 yen/kl

Note: The ROA and ROE figures shown for each three-month period are annualized.

Under these conditions, the Group's revenue in the three months ended June 30, 2019 decreased by 9.6% year-on-year to 76,990 million yen, down 8,141 million yen. Factors included a decline in sales prices caused by a fall in raw material costs and weak market conditions for products outside of Japan, and a decline in sales volume.

With regard to profits, operating profit decreased by 4,511 million yen, or 55.0% year-on-year, to 3,686 million yen due to a contraction in the spread caused by an increase in processing costs and a decline in sales volume, with the addition of a decrease in product prices sharper than in raw material costs.

Profit before tax decreased by 50.1% year-on-year to 4,959 million yen, down 4,982 million yen due to decreases in operating profit and share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent fell 54.3% year-on-year to 3,265 million yen, down 3,877 million yen.

2) Outline of Sales by Business Segment

Basic Chemicals

Sales of acrylic acids and acrylates decreased due to a decline in sales volume and lower sales prices accompanying a fall in raw materials costs and weak market conditions for products outside of Japan.

Sales of ethylene oxide decreased due to a decline in sales volume and lower sales prices accompanying a fall in raw materials costs.

Sales of ethylene glycol decreased due to lower sales prices accompanying weak market conditions for products outside of Japan, despite increased sales volume.

Sales of secondary alcohol ethoxylates decreased due to a decline in sales volume.

As a result of the above, revenue in the basic chemicals segment decreased by 9.3% year-on-year to 32,449 million yen.

Operating profit decreased by 42.8% year-on-year, to 2,262 million yen. This was due to factors such as a contraction in the spread in addition to an increase in processing costs and a decline in sales volume.

Functional Chemicals

Sales of superabsorbent polymers decreased due to a decline in sales volume and lower sales prices accompanying a fall in raw materials costs.

Sales of special acrylates decreased due to a decline in sales volume and lower sales prices accompanying weak market conditions for products outside of Japan and a fall in raw materials costs.

Sales of polymers for concrete admixture, electronic information material and maleic anhydride decreased due to a decline in sales volume.

Sales of water-soluble polymers for raw materials of detergents, iodine compounds, ethyleneimine derivatives and resins for paints increased due to a rise in sales volume.

As a result, revenue in the functional chemicals segment fell 10.2% year-on-year to 41,988 million yen.

Operating profit decreased by 72.9% year-on-year, to 1,083 million yen. This was due to factors such as a contraction in the spread and a decline in sales volume in addition to an increase in processing costs.

Environment & Catalysts

Sales of automotive catalysts and De-NOx catalysts decreased due to lower sales volume.

Sales of process catalysts, fuel cell materials and materials for lithium-ion batteries increased due to factors such as increased sales volume.

As a result, revenue in the environment & catalysts segment fell 1.4% year-on-year to 2,553 million yen.

Operating profit amounted to 92 million yen, up 101 million year-on-year. This was due to factors such as lower processing costs.

(2) Financial Position

1) Analysis of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased by 459 million yen from the end of the previous fiscal year to 482,127 million yen. Current assets decreased by 2,105 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in trade receivables as a result of lower sales prices in line with weak market conditions for products outside of Japan and a decline in sales volume despite an increase in cash and cash equivalents. Non-current assets were 2,564 million yen higher than at the end of the previous fiscal year. This was due to an increase in property, plant and equipment as a result of applying IFRS 16 *Leases*.

Total liabilities increased by 3,289 million yen compared to the end of the previous fiscal year to 155,730 million yen. This was due to an increase in other financial liabilities as a result of applying IFRS 16 *Leases*, despite repayments of borrowings and a decrease in income taxes payable.

Total equity decreased by 2,830 million yen compared to the end of the previous fiscal year to 326,397 million yen. This was due to a decrease in other components of equity as a result of a decrease in exchange differences on translation of foreign operations caused by fluctuations in exchange rates.

Ratio of profit to equity attributable to owners of parent fell 0.7 percentage points, from 67.1% at the end of the previous fiscal year to 66.4%. Equity attributable to owners of parent per share decreased by 66.56 yen compared to the end of the previous fiscal year to 8,033.41 yen.

2) Cash Flows

Cash and cash equivalents at the end of the three months ended June 30, 2019 amounted to 50,008 million yen, an increase of 2,574 million yen from the end of the previous fiscal year, as cash flows provided by operating activities exceeded cash flows used in investing activities including capital investment and cash flows used in financing activities.

Cash flow from operating activities

Net cash provided by operating activities in the three months ended June 30, 2019 amounted to 16,228 million yen (9,102 million yen was provided in the same period of the previous fiscal year). Despite a decrease in profit before tax, settlement of trade receivables made progress, which led to increased inflows of 7,126 million yen compared to the same period of the previous fiscal year.

Cash flow from investing activities

Net cash used in investing activities in the three months ended June 30, 2019 totaled 8,177 million yen (7,849 million yen was used in the same period of the previous fiscal year). Outflows increased for purchase of intangible assets including software, which led to increased outflows of 328 million yen compared to the same period of the previous fiscal year.

Cash flow from financing activities

Net cash used in financing activities in the three months ended June 30, 2019 amounted to 5,089 million yen (5,029 million yen was used in the same period of the previous fiscal year). Despite proceeds from long-term borrowings for capital investment, repayments of borrowings and an increase in dividends paid led to increased outflows of 61 million yen compared to the same period of the previous fiscal year.

(3) Consolidated Financial Forecasts and Other Forward-looking Statements

For the first-half of the current fiscal year, a contraction in the spread is foreseen due to the combination of raw material costs that are higher than expected and market conditions for products outside of Japan weaker than expected. Furthermore, sales volume is expected to underperform forecast due to a decrease in demand caused mainly by trade friction between the United States and China.

Under such conditions, financial forecasts of the Group for the first half of the current fiscal year announced on May 8, 2019 is revised downward, with revenue of 155.0 billion yen, operating profit of 7.5 billion yen, profit before tax of 9.0 billion yen and profit attributable to owners of parent of 7.0 billion yen.

Figures for the second quarter of the current fiscal year are based on exchange rates of 110 yen to the U.S. dollar and 120 yen to the euro, and domestic naphtha prices of 42,000 yen/kl.

In addition, full-year forecasts are revised downward from the previous forecasts announced on May 8, 2019, with revenue of 325.0 billion yen, operating profit of 17.5 billion yen, profit before tax of 21.0 billion yen and profit attributable to owners of parent of 16.0 billion yen, as the conditions in the first half are expected to continue in the second half.

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

[First-half]

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
Previous forecasts (May 8)	68.5	5.5	97.0	6.9	4.5	0.2	0.4	170.0	13.0
Revised forecasts (Jul. 31)	64.5	3.5	86.5	3.3	4.0	0.2	0.5	155.0	7.5
Difference	-4.0	-2.0	-10.5	-3.6	-0.5	0.0	0.1	-15.0	-5.5

Note: Segment profit adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments.

[Full-year]

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
Previous forecasts (May 8)	136.0	11.4	199.0	13.9	10.0	0.5	0.7	345.0	26.5
Revised forecasts (Jul. 31)	131.0	8.5	185.5	7.8	8.5	0.4	0.8	325.0	17.5
Difference	-5.0	-2.9	-13.5	-6.1	-1.5	-0.1	0.1	-20.0	-9.0

Note: Segment profit adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments.

2. Condensed Quarterly Consolidated Financial Statements and Related Notes**(1) Condensed Quarterly Consolidated Statements of Financial Position**

(Unit: Millions of yen)

	FY2018 As of Mar. 31, 2019	1Q-FY2019 As of Jun. 30, 2019
Assets		
Current assets		
Cash and cash equivalents	47,434	50,008
Trade receivables	81,158	74,833
Inventories	59,266	61,228
Other financial assets	8,945	9,053
Other current assets	4,768	4,345
Total current assets	201,571	199,466
Non-current assets		
Property, plant and equipment	193,632	198,450
Goodwill	4,360	4,359
Intangible assets	9,200	9,517
Investments accounted for using equity method	21,773	18,856
Other financial assets	38,296	38,454
Retirement benefit asset	8,149	8,131
Deferred tax assets	2,736	3,018
Other non-current assets	1,951	1,874
Total non-current assets	280,097	282,661
Total assets	481,668	482,127

(Unit: Millions of yen)

	FY2018 As of Mar. 31, 2019	1Q-FY2019 As of Jun. 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	51,866	50,889
Bonds and borrowings	20,851	17,116
Other financial liabilities	7,818	7,787
Income taxes payable	3,850	2,540
Provisions	5,178	6,962
Other current liabilities	4,464	4,433
Total current liabilities	94,028	89,727
Non-current liabilities		
Bonds and borrowings	34,902	37,107
Other financial liabilities	1,501	7,498
Retirement benefit liability	14,119	14,171
Provisions	1,896	1,879
Deferred tax liabilities	5,995	5,346
Total non-current liabilities	58,413	66,003
Total liabilities	152,441	155,730
Equity		
Share capital	25,038	25,038
Capital surplus	22,472	22,472
Treasury shares	-6,274	-6,276
Retained earnings	276,934	276,577
Other components of equity	4,838	2,541
Total equity attributable to owners of parent	323,008	320,352
Non-controlling interests	6,219	6,045
Total equity	329,227	326,397
Total liabilities and equity	481,668	482,127

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

(Unit: Millions of yen)

	1Q-FY 2018 Apr. 1, 2018 to Jun. 30, 2018	1Q-FY 2019 Apr. 1, 2019 to Jun. 30, 2019
Revenue	85,131	76,990
Cost of sales	66,724	62,937
Gross profit	18,407	14,053
Selling, general and administrative expenses	10,418	10,810
Other operating income	446	693
Other operating expenses	238	250
Operating profit	8,197	3,686
Finance income	641	682
Finance costs	204	371
Share of profit of investments accounted for using equity method	1,308	963
Profit before tax	9,941	4,959
Income tax expense	2,695	1,574
Profit	7,246	3,385
Profit attributable to		
Owners of parent	7,142	3,265
Non-controlling interests	105	120
Profit	7,246	3,385
Earnings per share		
Basic earnings per share (Yen)	179.08	81.88
Diluted earnings per share (Yen)	—	—

Condensed Quarterly Consolidated Statements of Comprehensive Income
Condensed Year to Quarter and Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	1Q-FY 2018 Apr. 1, 2018 to Jun. 30, 2018	1Q-FY 2019 Apr. 1, 2019 to Jun. 30, 2019
Profit	7,246	3,385
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	-396	191
Share of other comprehensive income of investments accounted for using equity method	-2	13
Total of items that will not be reclassified to profit or loss	-397	203
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	538	-2,307
Effective portion of cash flow hedges	1	-
Share of other comprehensive income of investments accounted for using equity method	-881	-259
Total of items that may be reclassified to profit or loss	-342	-2,566
Other comprehensive income	-740	-2,363
Comprehensive income	6,507	1,022
Comprehensive income attributable to		
Owners of parent	6,474	935
Non-controlling interests	33	87
Comprehensive income	6,507	1,022

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended Jun. 30, 2018 (Apr. 1, 2018 to Jun. 30, 2018)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net change in fair value of equity instruments designated as 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	-	-	-	7,142	-	-
Other comprehensive income	-	-	-	-	-394	-2
Comprehensive income	-	-	-	7,142	-394	-2
Purchase of treasury shares	-	-	-2	-	-	-
Dividends	-	-	-	-3,390	-	-
Transfer from other components of equity to retained earnings	-	-	-	-2	-0	2
Total transactions with owners	-	-	-2	-3,391	-0	2
Balance at end of period	25,038	22,400	-6,265	261,868	7,679	-

	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	-	-	-	7,142	105	7,246
Other comprehensive income	1	-273	-668	-668	-72	-740
Comprehensive income	1	-273	-668	6,474	33	6,507
Purchase of treasury shares	-	-	-	-2	-	-2
Dividends	-	-	-	-3,390	-355	-3,745
Transfer from other components of equity to retained earnings	-	-	2	-	-	-
Total transactions with owners	-	-	2	-3,392	-355	-3,747
Balance at end of period	4	1,432	9,114	312,155	6,792	318,948

Three months ended Jun. 30, 2019 (Apr. 1, 2019 to Jun. 30, 2019)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	-6,274	276,934	3,942	—
Profit	—	—	—	3,265	—	—
Other comprehensive income	—	—	—	—	192	13
Comprehensive income	—	—	—	3,265	192	13
Purchase of treasury shares	—	—	-1	—	—	—
Dividends	—	—	—	-3,589	—	—
Transfer from other components of equity to retained earnings	—	—	—	-33	46	-13
Total transactions with owners	—	—	-1	-3,622	46	-13
Balance at end of period	25,038	22,472	-6,276	276,577	4,180	—

	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	—	896	4,838	323,008	6,219	329,227
Profit	—	—	—	3,265	120	3,385
Other comprehensive income	—	-2,535	-2,330	-2,330	-33	-2,363
Comprehensive income	—	-2,535	-2,330	935	87	1,022
Purchase of treasury shares	—	—	—	-1	—	-1
Dividends	—	—	—	-3,589	-261	-3,850
Transfer from other components of equity to retained earnings	—	—	33	—	—	—
Total transactions with owners	—	—	33	-3,590	-261	-3,851
Balance at end of period	—	-1,639	2,541	320,352	6,045	326,397

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	1Q-FY 2018 Apr. 1, 2018 to Jun. 30, 2018	1Q-FY 2019 Apr. 1, 2019 to Jun. 30, 2019
Cash flows from operating activities		
Profit before tax	9,941	4,959
Depreciation and amortization	5,578	7,022
Decrease (increase) in retirement benefit asset	11	18
Increase (decrease) in retirement benefit liability	-135	68
Interest and dividend income	-640	-681
Interest expenses	118	154
Share of loss (profit) of investments accounted for using equity method	-1,308	-963
Decrease (increase) in trade receivables	-2,729	5,880
Decrease (increase) in inventories	-1,634	-2,439
Increase (decrease) in trade payables	188	-693
Other	1,794	2,583
Subtotal	11,183	15,908
Interest and dividends received	3,258	4,245
Interest paid	-145	-170
Income taxes paid	-5,195	-3,755
Net cash provided by (used in) operating activities	9,102	16,228
Cash flows from investing activities		
Purchase of property, plant and equipment	-7,697	-7,523
Purchase of intangible assets	-23	-585
Purchase of investments	-1,175	-1,433
Proceeds from sale and redemption of investments	1,093	1,229
Other	-46	135
Net cash provided by (used in) investing activities	-7,849	-8,177
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	299	-3,203
Proceeds from long-term borrowings	-	5,399
Repayments of long-term borrowings	-1,561	-3,009
Repayments of lease liabilities	-20	-425
Purchase of treasury shares	-2	-1
Dividends paid	-3,390	-3,589
Dividends paid to non-controlling interests	-355	-261
Net cash provided by (used in) financing activities	-5,029	-5,089
Effect of exchange rate changes on cash and cash equivalents	218	-388
Net increase (decrease) in cash and cash equivalents	-3,558	2,574
Cash and cash equivalents at beginning of period	52,635	47,434
Cash and cash equivalents at end of period	49,078	50,008

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements**【Going Concern Assumption】**

Not applicable.

【Changes in Accounting Policies】

The accounting policies applied in these condensed quarterly consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year with the exception of the following.

Income tax expense in the three months ended June 30, 2019 is calculated based on the estimated average annual effective tax rate.

The Group has applied the following standard from the first quarter ended June 30, 2019.

IFRS	Standard	Overview of introduction or revision
IFRS 16	Leases	Revised accounting treatment for leases

The Group has applied IFRS 16 *Leases* (issued in January 2016) (hereinafter, “IFRS 16”) from the first quarter ended June 30, 2019. In applying IFRS 16, the Group has adopted a method of recognizing the cumulative effects of applying this standard on the date of initial application, which is accepted as a transitional measure.

For the application of IFRS 16, the Group has chosen the practical expedient in paragraph C3 of IFRS 16 with regard to determining whether or not a contract contains a lease, and opted to retain the assessments provided under IAS 17 *Leases* (hereinafter, “IAS 17”) and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. From the date of initial application, determinations will be made based on the provisions of IFRS 16.

As for leases that the Group as lessee previously classified as operating leases by applying IAS 17, with the exception of short-term leases and leases of low-value assets, these leases were recognized as right-of-use assets or lease liabilities on the date of initial application. Lease payments for short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term. Lease liabilities are measured at the present value of the residual lease payments discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average of this incremental borrowing rate is 2.2%. Right-of-use assets are initially measured based on the initially measured amount of the lease liability adjusted for prepaid lease payments, etc.

With the application of IFRS 16, the Group has recognized right-of-use assets and lease liabilities amounting to 5,800 million yen and 5,789 million yen, respectively, as of the date of initial application.

Although lease payments for existing operating leases were previously included under cash flows from operating activities in the condensed quarterly consolidated statements of cash flows, with the application of IFRS 16, adjustments primarily related to the depreciation and amortization of right-of-use assets are included under cash flows from operating activities, and lease liabilities paid are included under cash flows from financing activities.

In addition, the difference between the total minimum lease payments of non-cancellable operating lease agreements disclosed under IAS 17 as of March 31, 2019 (discounted at the incremental borrowing rate) and lease liabilities recognized at the time of initial application of IFRS 16 amounts to 6,554 million yen. This is mainly due to recording 5,789 million yen in lease liabilities as a result of the reassessment of lease terms in applying IFRS 16.

The Group has adopted the following practical expedients in applying IFRS 16:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

【Segment Information, etc.】**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 reportable segments classified by type of products based on each business line and does not aggregate its operating results. The three reportable segments of the Company are Basic chemicals, Functional chemicals, and Environment & catalysts.

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

2. Information Concerning Revenue and Income or Loss by Reportable Segment

Three months ended Jun. 30, 2018 (Apr. 1, 2018 to Jun. 30, 2018)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note)	Total
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Total		
Revenue						
(1) Revenue to third parties	35,793	46,748	2,590	85,131	–	85,131
(2) Intergroup revenue and transfers	10,343	1,874	389	12,606	-12,606	–
Total	46,136	48,622	2,978	97,737	-12,606	85,131
Segment income (loss)	3,952	3,996	-9	7,939	258	8,197
Finance income	–	–	–	–	–	641
Finance costs	–	–	–	–	–	204
Share of profit of investments accounted for using equity method	–	–	–	–	–	1,308
Profit before tax	–	–	–	–	–	9,941

Notes: The “Segment income (loss)” adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 258 million yen.

Three months ended Jun. 30, 2019 (Apr. 1, 2019 to Jun. 30, 2019)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note)	Total
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Total		
Revenue						
(1) Revenue to third parties	32,449	41,988	2,553	76,990	–	76,990
(2) Intergroup revenue and transfers	8,753	1,343	301	10,396	-10,396	–
Total	41,201	43,331	2,854	87,386	-10,396	76,990
Segment income	2,262	1,083	92	3,437	249	3,686
Finance income	–	–	–	–	–	682
Finance costs	–	–	–	–	–	371
Share of profit of investments accounted for using equity method	–	–	–	–	–	963
Profit before tax	–	–	–	–	–	4,959

Notes: The “Segment income” adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 249 million yen.

3. Information Concerning Impairment Loss of Non-current Assets or Goodwill, etc. by Reportable Segment**Three months ended Jun. 30, 2018 (Apr. 1, 2018 to Jun. 30, 2018)**

Not applicable.

Three months ended Jun. 30, 2019 (Apr. 1, 2019 to Jun. 30, 2019)

Not applicable.

【Supplementary Information】**Overseas Revenue****Three months ended Jun. 30, 2018 (Apr. 1, 2018 to Jun. 30, 2018)**

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	20,910	11,809	7,616	3,080	43,415
II. Consolidated revenue					85,131
III. Overseas revenue to consolidated revenue	24.6%	13.9%	8.9%	3.6%	51.0%

Three months ended Jun. 30, 2019 (Apr. 1, 2019 to Jun. 30, 2019)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	21,568	10,082	5,258	4,415	41,323
II. Consolidated revenue					76,990
III. Overseas revenue to consolidated revenue	28.1%	13.1%	6.8%	5.7%	53.7%

Notes: 1. Geographical segments are classified according to geographical proximity.

2. Specific countries of each area:

(1) Asia: East and South East Asian countries

(2) Europe: European countries

(3) North America: North American countries

(4) Others: Areas/countries except Asia, Europe, North America, and Japan

3. "Overseas revenue" means revenue outside Japan by NIPPON SHOKUBAI CO., LTD. and its consolidated subsidiaries.