

For the Third 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 Third Quarter of the Fiscal Year Ending March 31, 2020 [IFRS]
(Nine Months Ended December 31, 2019)

February 4, 2020

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (First Section)
 Code number: 4114 URL: <https://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: February 12, 2020
 Scheduled date of dividend payment: -
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: Yes (for securities analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 (here after FY2019) (from April 1, 2019 to December 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	%
Nine months ended Dec. 31, 2019	227,105	-12.3	10,630	-48.9	13,766	-46.2	9,720	-49.5	9,350	-50.6	8,153	-46.1
Nine months ended Dec. 31, 2018	258,903	—	20,822	—	25,592	—	19,260	—	18,942	—	15,133	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2019	234.47	—
Nine months ended Dec. 31, 2018	475.00	—

(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 Dec. 31, 2019	483,815	329,935	323,738	66.9	8,118.45
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	—	90.00	—		
FY 2019 (forecast)				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
Full year	305,000	-10.0	11,000	-58.0	14,500	-54.9	9,500	-60.2	238.23

Note: Revisions to consolidated earnings forecast during the period: Yes

Please refer to “Notice of Revisions to Earnings Forecast” announced today (February 4, 2020) for revisions to consolidated financial forecast.

※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)

Dec. 31, 2019: 40,800,000 shares Mar. 31, 2019: 40,800,000 shares

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

Dec. 31, 2019: 923,194 shares Mar. 31, 2019: 922,347 shares

3) Average number of shares outstanding during the period

Nine months ended Nine months ended
Dec. 31, 2019: 39,877,291 shares Dec. 31, 2018: 39,878,563 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 nine months ended December 31, 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.

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

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Unit: Millions of yen)

	FY2018 As of Mar. 31, 2019	3Q-FY2019 As of Dec. 31, 2019
Assets		
Current assets		
Cash and cash equivalents	47,434	46,224
Trade receivables	81,158	73,420
Inventories	59,266	62,184
Other financial assets	8,945	9,422
Other current assets	4,768	4,421
Total current assets	201,571	195,670
Non-current assets		
Property, plant and equipment	193,632	200,996
Goodwill	4,360	4,239
Intangible assets	9,200	9,955
Investments accounted for using equity method	21,773	18,887
Other financial assets	38,296	41,324
Retirement benefit asset	8,149	8,095
Deferred tax assets	2,736	2,763
Other non-current assets	1,951	1,887
Total non-current assets	280,097	288,145
Total assets	481,668	483,815

	FY2018 As of Mar. 31, 2019	3Q-FY2019 As of Dec. 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	51,866	51,083
Bonds and borrowings	20,851	14,783
Other financial liabilities	7,818	11,311
Income taxes payable	3,850	1,117
Provisions	5,178	2,937
Other current liabilities	4,464	4,129
Total current liabilities	94,028	85,361
Non-current liabilities		
Bonds and borrowings	34,902	37,904
Other financial liabilities	1,501	6,988
Retirement benefit liability	14,119	14,354
Provisions	1,896	1,910
Deferred tax liabilities	5,995	7,363
Total non-current liabilities	58,413	68,519
Total liabilities	152,441	153,880
Equity		
Share capital	25,038	25,038
Capital surplus	22,472	22,472
Treasury shares	-6,274	-6,280
Retained earnings	276,934	279,090
Other components of equity	4,838	3,418
Total equity attributable to owners of parent	323,008	323,738
Non-controlling interests	6,219	6,197
Total equity	329,227	329,935
Total liabilities and equity	481,668	483,815

(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)

	3Q-FY 2018 Apr. 1, 2018 to Dec. 31, 2018	3Q-FY 2019 Apr. 1, 2019 to Dec. 31, 2019
Revenue	258,903	227,105
Cost of sales	207,974	186,168
Gross profit	50,930	40,937
Selling, general and administrative expenses	30,809	31,551
Other operating income	1,509	2,072
Other operating expenses	808	828
Operating profit	20,822	10,630
Finance income	1,408	1,456
Finance costs	671	660
Share of profit of investments accounted for using equity method	4,034	2,340
Profit before tax	25,592	13,766
Income tax expense	6,332	4,046
Profit	19,260	9,720
Profit attributable to		
Owners of parent	18,942	9,350
Non-controlling interests	318	370
Profit	19,260	9,720
Earnings per share		
Basic earnings per share (Yen)	475.00	234.47
Diluted earnings per share (Yen)	—	—

Condensed Quarterly Consolidated Statements of Comprehensive Income

	(Unit: Millions of yen)	
	3Q-FY 2018 Apr. 1, 2018 to Dec. 31, 2018	3Q-FY 2019 Apr. 1, 2019 to Dec. 31, 2019
Profit	19,260	9,720
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	-4,356	1,590
Share of other comprehensive income of investments accounted for using equity method	-9	10
Total of items that will not be reclassified to profit or loss	-4,365	1,601
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	787	-1,926
Effective portion of cash flow hedges	-3	—
Share of other comprehensive income of investments accounted for using equity method	-546	-1,242
Total of items that may be reclassified to profit or loss	238	-3,168
Other comprehensive income	-4,127	-1,567
Comprehensive income	15,133	8,153
Comprehensive income attributable to		
Owners of parent	14,814	7,914
Non-controlling interests	319	239
Comprehensive income	15,133	8,153

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended Dec. 31, 2018 (Apr. 1, 2018 to Dec. 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	22,400	-6,263	258,117	8,072	—
Profit	—	—	—	18,942	—	—
Other comprehensive income	—	—	—	—	-4,353	-9
Comprehensive income	—	—	—	18,942	-4,353	-9
Purchase of treasury shares	—	—	-10	—	—	—
Dividends	—	—	—	-6,580	—	—
Increase (decrease) in non-controlling interests	—	55	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	7	-16	9
Total transactions with owners	—	55	-10	-6,573	-16	9
Balance at end of period	25,038	22,455	-6,273	270,486	3,704	—

	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	—	—	—	18,942	318	19,260
Other comprehensive income	-3	236	-4,128	-4,128	1	-4,127
Comprehensive income	-3	236	-4,128	14,814	319	15,133
Purchase of treasury shares	—	—	—	-10	—	-10
Dividends	—	—	—	-6,580	-355	-6,935
Increase (decrease) in non-controlling interests	—	—	—	55	-656	-601
Transfer from other components of equity to retained earnings	—	—	-7	—	—	—
Total transactions with owners	—	—	-7	-6,535	-1,012	-7,547
Balance at end of period	—	1,941	5,645	317,352	6,422	323,774

Nine months ended Dec. 31, 2019 (Apr. 1, 2019 to Dec. 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	22,472	-6,274	276,934	3,942	—
Profit	—	—	—	9,350	—	—
Other comprehensive income	—	—	—	—	1,591	10
Comprehensive income	—	—	—	9,350	1,591	10
Purchase of treasury shares	—	—	-6	—	—	—
Dividends	—	—	—	-7,178	—	—
Increase (decrease) in non-controlling interests	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	-16	27	-10
Total transactions with owners	—	—	-6	-7,194	27	-10
Balance at end of period	25,038	22,472	-6,280	279,090	5,559	—

	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	—	—	—	9,350	370	9,720
Other comprehensive income	—	-3,038	-1,437	-1,437	-131	-1,567
Comprehensive income	—	-3,038	-1,437	7,914	239	8,153
Purchase of treasury shares	—	—	—	-6	—	-6
Dividends	—	—	—	-7,178	-261	-7,439
Increase (decrease) in non-controlling interests	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	16	—	—	—
Total transactions with owners	—	—	16	-7,184	-261	-7,445
Balance at end of period	—	-2,142	3,418	323,738	6,197	329,935

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	3Q-FY 2018 Apr. 1, 2018 to Dec. 31, 2018	3Q-FY 2019 Apr. 1, 2019 to Dec. 31, 2019
Cash flows from operating activities		
Profit before tax	25,592	13,766
Depreciation and amortization	18,966	21,175
Decrease (increase) in retirement benefit asset	28	54
Increase (decrease) in retirement benefit liability	123	261
Interest and dividend income	-1,406	-1,453
Interest expenses	422	401
Share of loss (profit) of investments accounted for using equity method	-4,034	-2,340
Decrease (increase) in trade receivables	-4,730	7,355
Decrease (increase) in inventories	-2,542	-3,258
Increase (decrease) in trade payables	-3,065	-573
Other	471	-437
Subtotal	29,825	34,951
Interest and dividends received	4,050	5,293
Interest paid	-496	-357
Income taxes paid	-8,897	-6,105
Net cash provided by (used in) operating activities	24,481	33,781
Cash flows from investing activities		
Purchase of property, plant and equipment	-21,385	-20,721
Purchase of intangible assets	-108	-1,279
Purchase of investments	-3,149	-3,515
Proceeds from sale and redemption of investments	3,460	3,262
Acquisition of shares of subsidiaries and affiliates	—	-443
Other	480	-808
Net cash provided by (used in) investing activities	-20,702	-23,503
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	756	534
Proceeds from long-term borrowings	800	8,771
Repayments of long-term borrowings	-4,370	-11,834
Repayments of lease liabilities	-80	-1,263
Purchase of treasury shares	-10	-6
Dividends paid	-6,580	-7,178
Dividends paid to non-controlling interests	-355	-261
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	-601	—
Net cash provided by (used in) financing activities	-10,441	-11,238
Effect of exchange rate changes on cash and cash equivalents	255	-249
Net increase (decrease) in cash and cash equivalents	-6,406	-1,210
Cash and cash equivalents at beginning of period	52,635	47,434
Cash and cash equivalents at end of period	46,229	46,224