

This Convocation Notice is a translation of the Japanese language original “*Teiji Kabunushisoukai Shoushugotsuchi*,” and is provided in English for reference purposes only. In the event of any discrepancy, the Japanese language original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 4114

May 29, 2020

To Our Shareholders

Yujiro Goto
President and Representative Member
of the Board
NIPPON SHOKUBAI CO., LTD.
4-1-1 Koraibashi, Chuo-ku, Osaka

Convocation Notice of The 108th Ordinary General Meeting of Shareholders

NIPPON SHOKUBAI CO., LTD. (the “Company”) will be holding the 108th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

In order to prevent the infection and spread of the novel coronavirus, shareholders are kindly advised to refrain from attending the meeting in person on the day of the meeting, and the Company strongly recommends that you exercise your voting rights in advance in writing or via the Internet. Please review the “Reference Materials for the Ordinary General Meeting of Shareholders” set forth below and exercise your voting rights by indicating your intention to vote “for” or “against” each agenda item by returning the enclosed Voting Rights Exercise Form or accessing the Company website to exercise your voting rights at <https://evote.tr.mufg.jp/>. The Voting Rights Exercise Form must be received by 5:00 p.m. on June 18, 2020 (Thursday).

- 1. Date/Time:** June 19, 2020 (Friday) 10:00 a.m. (reception starts: 9:00 a.m.)
- 2. Venue:** Kogin Building 5F, 4-1-1 Koraibashi, Chuo-ku, Osaka
(Osaka Head Office of the Company)

3. Meeting Agenda:

[Matters to be Reported]

1. Business report, consolidated financial statements, and financial statements for the 108th Term (from April 1, 2019 to March 31, 2020)
2. Report on results of the audits conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 108th Term

[Matters to be Resolved]

- 1st Agenda: Appropriation of Retained Earnings
- 2nd Agenda: Election of Eight (8) Members of the Board
- 3rd Agenda: Election of One (1) Statutory Corporate Auditor
- 4th Agenda: Bonuses for Officers for the 108th Term

Measures to be taken against the novel coronavirus disease at this Ordinary General Meeting of Shareholders

The Company would like to inform you as follows regarding the measures to be taken by the Company to prevent the infection and spread of the novel coronavirus disease at this Ordinary General Meeting of Shareholders. We ask for the kind understanding and cooperation of shareholders in advance.

<Measures to be taken by the Company>

- The Company will cancel the distribution of souvenirs and the shareholders reception at this Ordinary General Meeting of Shareholders.
- The Company will measure the body temperature of participants at the reception desk using thermography (heat detection camera). Shareholders having a fever or appearing to be unwell may be called upon by staff and asked to refrain from entering the venue.
- We will allow sufficient space between shareholders' seats to prevent the infection and therefore may not be able to secure a sufficient number of seats. In such case, shareholders may not be able to enter the venue. We ask for your kind understanding in advance.
- To prevent the infection, the proceedings of this Ordinary General Meeting of Shareholders will be shorter than in past years. We may also limit the number of questions per shareholder.

<Requests to shareholders>

- In order to prevent the infection and spread of the virus, you are kindly requested to call off your attendance in person, and strongly recommended that you exercise your voting rights in advance as instructed on pages 3 and 4. Those who are not in good physical condition, and those who may be significantly affected in case of infection, such as these who are elderly, have underlying medical conditions or are pregnant, are particularly requested to call off your attendance in person.
- Shareholders attending the Ordinary General Meeting of Shareholders in person are requested to give due consideration to preventing the infection and spread of the virus by wearing face masks and other means.

In accordance with the state of the spread of the novel coronavirus on the day of Ordinary General Meeting of Shareholders, the Company will take additional necessary measures in addition to the above in order to prevent the spread of the virus.

Any material changes in the operation of the Ordinary General Meeting of Shareholders that may arise due to the situation hereafter will be posted on the Company's website (<https://www.shokubai.co.jp/ja/>).

Reference Materials for the Ordinary General Meeting of Shareholders

Agenda and Reference Matters:

Agenda Item No. 1: Appropriation of Retained Earnings

The Company distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure and, in consideration of the dividend payout ratio. Meanwhile, to maintain competitiveness and continue growth into the future, aggressive capital investment, strategic investment and R&D investment are essential. By taking into consideration a balance between dividends and internal reserves, appropriation of retained earnings of the Company for the fiscal year 2019 (ended March 31, 2020) is as follows.

1. Matters Concerning the Year-end Dividend

The Company proposes a year-end dividend of 90 yen per share for the fiscal year 2019, the same amount as the interim dividend. Together with the interim dividend, this would result in a record-high annual dividend of 180 yen per share, an increase of 10 yen from the 107th term.

- (1) Type of Dividend: Cash
- (2) Dividend Payment and Total Amount:
 - 90.00 yen per share of common stock of the Company
 - Total amount of dividends: 3,588,905,520 yen
- (3) Effective Date of Distribution of Retained Earnings: June 22, 2020

2. Matters Concerning Other Retained Earnings

- (1) Item and the amount of surplus to be increased:
 - General reserve: 7,000,000,000 yen
- (2) Item and amount of surplus to be decreased:
 - Retained earnings brought forward: 7,000,000,000 yen

Agenda Item No. 2: Election of Eight (8) Members of the Board

As the terms of office of all nine (9) Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders, we are submitting the following five (5) candidates for reelection and three (3) candidates for new election as Members of the Board.

The candidates for Member of the Board are as follows:

No.	Name	Positions	Responsibilities	Attendance at the Board meetings	Attribute		
1	Yujiro Goto	President and Representative Member of the Board	—	15/15	Reelection		
2	Koichiro Yamada	Member of the Board Managing Executive Officer	Sales, Marketing, Purchasing, Logistics, Basic Materials Business Division, Business Planning & Development Department	15/15	Reelection		
3	Jiro Iriguchi	Member of the Board Managing Executive Officer	Production & Technology, Production Division, Engineering Division, Indonesia Project, DX Promotion Team	15/15	Reelection		
4	Kazuhiro Noda	Executive Officer	Director of Superabsorbents Business Division	—	New election		
5	Kuniaki Takagi	Executive Officer	Director of General Affairs & HR Division	—	New election		
6	Shinji Hasebe	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
7	Tetsuo Setoguchi	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
8	Miyuki Sakurai	—	—	—	New election	Outside	Independent

Reelection	Candidate for reelection	New election	Candidate for new election	Outside	Candidate for Outside Member of the Board	Independent	Candidate for Independent Officer
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No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	Yujiro Goto (May 4, 1957) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1980 Joined the Company	5,100 shares
		June 2012 Executive Officer, Plant Manager of Kawasaki Plant	
		June 2015 Member of the Board and Managing Executive Officer	
		Apr. 2017 President and Representative Member of the Board (current)	
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Yujiro Goto has been playing a key role in the Company's management as Representative Member of the Board and has achievements in executing mid- to long-term business plans. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>		
2	Koichiro Yamada (Nov. 29, 1955) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1978 Joined the Company	2,300 shares
		Apr. 2007 Director of Ethylene Oxide Business Division	
		Apr. 2009 Director of Acrylic Business Division	
		June 2009 Member of the Board	
		June 2010 Executive Officer	
		June 2013 Managing Executive Officer	
		June 2018 Member of the Board and Managing Executive Officer (current)	
	<p>(Current responsibility in the Company) Sales, Marketing, Purchasing, Logistics, Basic Materials Business Division, and Business Planning & Development Department</p>		
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Koichiro Yamada has been engaging in sales & marketing divisions and overseas services for a long time and has achievements in strengthening the sales foundation and execution of the growth strategy of each business, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
3	Jiro Iriguchi (Oct. 28, 1958) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1984 Joined the Company	1,300 shares
		Apr. 2004 General Manager of Fine & Specialty Chemicals Production Department of Himeji Plant	
		Apr. 2009 General Manager of Chemicals Production Department of Himeji Plant	
		Apr. 2011 Deputy Plant Manager of Himeji Plant	
		June 2013 Director of NIPPOH CHEMICALS CO., LTD.	
		June 2018 Member of the Board and Managing Executive Officer (current)	
		(Current responsibility in the Company) Production & Technology, Production Division, Engineering Division, Indonesia Project and DX Promotion Team	
	<Reasons for nominating as a candidate for Member of the Board> Mr. Jiro Iriguchi has been engaging in production and technology divisions for a long time and has achievements in stably operating manufacturing sites and smoothly managing subsidiaries, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.		
4	Kazuhiro Noda (Jan. 21, 1963) New election	Apr. 1986 Joined the Company	1,900 shares
		Apr. 2005 General Manager of Superabsorbents Sales Department	
		Apr. 2011 General Manager of Corporate Planning Division	
		Apr. 2015 Deputy Director of Corporate Planning Division and General Manager of Group Management and Project Planning Department	
		Apr. 2017 Director of Superabsorbents Business Division (current)	
		June 2018 Executive Officer (current)	
	<Reasons for nominating as a candidate for Member of the Board> Mr. Kazuhiro Noda has been mostly engaging in corporate planning and sales & marketing divisions for a long time and has achievements in planning and promoting managerial measures and strengthening the competitiveness of the superabsorbent polymer business. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to serve as Member of the Board.		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
5	Kuniaki Takagi (May 19, 1963) New election	Apr. 1987 Joined Sumitomo Chemical Co., Ltd.	1,100
		Apr. 2019 Joined the Company as an entrusted worker	
		May 2019 Director of General Affairs & HR Division (current)	
		June 2019 Executive Officer (current)	
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Kuniaki Takagi has been mostly engaging in planning, administration and finance divisions and overseas services for a long time and has achievements in strengthening the corporate governance system and executing management strategies from a global perspective. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to serve as Member of the Board.</p>		
6	Shinji Hasebe (Aug. 27, 1953) Outside Member of the Board Independent Officer Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1993 Associate Professor of Faculty of Engineering, Kyoto University	
		Aug. 2003 Professor of Graduate School of Engineering, Kyoto University	
		June 2018 Outside Member of the Board at the Company (current)	
		Apr. 2019 Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University (current)	
	<p><Reasons for nominating as a candidate for Outside Member of the Board> The Company requests the reelection of Mr. Shinji Hasebe for him to serve as Outside Member of the Board based on the belief that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his expertise in chemical engineering and familiarity with the chemical industry, in addition to his past achievements as an Outside Member of the Board of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Hasebe will have been an Outside Member of the Board for two years.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
7	Tetsuo Setoguchi (Feb. 17, 1957) Outside Member of the Board Independent Officer Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1981 Joined Osaka Gas Co., Ltd. Apr. 2015 Representative Director Executive Vice President of Osaka Gas Co., Ltd. Apr. 2018 Director of Osaka Gas Co., Ltd. Chairman and Director of Gas and Power Co., Ltd. June 2018 Outside Member of the Board at the Company (current) Advisor to Osaka Gas Co., Ltd. (current) Apr. 2020 Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. (current)	-
	<p><Reasons for nominating as a candidate for Outside Member of the Board> The Company requests the reelection of Mr. Tetsuo Setoguchi for him to serve as Outside Member of the Board based on the belief that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his experience in corporate management in the manufacturing industry and at a company with high public utility properties, in addition to his past achievements as an Outside Member of the Board of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Setoguchi will have been an Outside Member of the Board for two years.</p>		
8	Miyuki Sakurai (Dec. 15, 1964) Outside Member of the Board Independent Officer New election	Apr. 1992 Registered as attorney-at-law Joined Nishimura Law and Accounting Office May 2003 Partner of Hanamizuki Law Office (current) Mar. 2015 Auditor of Nissay Life Foundation (current) Apr. 2016 Auditor of Osaka University (current) June 2017 External Director of Nippon Shinyaku Co., Ltd. (current)	-
	<p><Reasons for nominating as a candidate for Outside Member of the Board> The Company requests the election of Ms. Miyuki Sakurai for her to serve as Outside Member of the Board based on the belief that she will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on her highly professional expertise and a wealth of experience as attorney-at-law and achievements as External Director of other companies.</p>		

(Note 1) There are no special interests between each candidate and the Company.

(Note 2) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are candidates for Outside Members of the Board.

(Note 3) The Company has concluded liability limitation contracts with Mr. Shinji Hasebe and Mr. Tetsuo Setoguchi with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Hasebe and Mr. Setoguchi are reelected as Outside Members of the Board, the Company plans to extend the contract with them. In the event Ms. Miyuki Sakurai is elected as an Outside Member of the Board, the Company plans to conclude a liability limitation contract with the same contents with her.

(Note 4) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated

on page 12). The Company has reported to the Tokyo Stock Exchange that Mr. Hasebe and Mr. Setoguchi have been appointed as independent officers, and in the event Mr. Hasebe and Mr. Setoguchi are reelected, the Company plans to report to the Exchange that they will continue to be independent officers. In the event Ms. Miyuki Sakurai is elected, the Company plans to appoint her as an independent officer and report to the Exchange to that effect.

(Note 5) The Company has contributed funds for research activities to Kyoto University, at which Mr. Shinji Hasebe serves as a Program-Specific Professor. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 0.1% and not more than 10 million yen), and the Company has determined that it will have no impact on the independence of Mr. Hasebe.

(Note 6) The Company purchases gas from Osaka Gas Co., Ltd., at which Mr. Tetsuo Setoguchi serves as an Advisor. These and other sales transactions are for the procurement of goods essential to plant operations and the average trading amount in the recent three fiscal years is nominal (less than 0.3%) of the consolidated net sales of Osaka Gas, and, as there are no transactions between the Company and OSAKA GAS URBAN DEVELOPMENT Co., Ltd., at which he serves as Chairman and Director. The Company has therefore determined that there will be no impact on the independence of Mr. Setoguchi.

Agenda Item No. 3: Election of One (1) Statutory Corporate Auditor

As the term of office of Statutory Corporate Auditor Mr. Yoichiro Komatsu will expire at the conclusion of this Ordinary General Meeting of Shareholders, we are submitting the following one (1) candidate for election as Statutory Corporate Auditor.

The prior consent of the Auditors meeting has been obtained for the submission of this proposal.

The candidate for Statutory Corporate Auditor is as follows:

Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
Tsukasa Takahashi (Dec. 10, 1962) External Statutory Corporate Auditor Independent Officer New election	Apr. 1989 Registered as attorney-at-law Joined Katsube Law Office (at present, Katsube Takahashi Law Office)	-
	June 2008 Outside Director of Inaba Denki Sangyo Co., Ltd.	
	Apr. 2010 Deputy Chairman of the Osaka Bar Association	
	June 2010 External Auditor of NIPPONPAINT Co., Ltd.	
	July 2012 Representative of Katsube Takahashi Law Office (current)	
	Apr. 2013 Special Professor of Kyoto University Law School	
	May 2013 Non-Executive Auditor of AEON DELIGHT CO., LTD. (current)	
	Apr. 2018 Part-time Lecturer of Kyoto University Law School (current)	
Mar. 2019 Outside Corporate Auditor of Nippon Electric Glass Co. Ltd. (current)		
<p><Reasons for nominating as a candidate for External Statutory Corporate Auditor> The Company requests the election of Mr. Tsukasa Takahashi for him to serve as External Statutory Corporate Auditor based on the belief that he will contribute valuable opinions to the Board meeting and properly audit the legality of management execution, etc., based on his highly professional expertise and a wealth of experience as attorney-at-law and achievements as Outside Officers of other companies.</p>		

(Note 1) There are no special interests between Mr. Tsukasa Takahashi and the Company.

(Note 2) Mr. Tsukasa Takahashi is a candidate for External Statutory Corporate Auditor.

(Note 3) In the event Mr. Tsukasa Takahashi is elected as an External Statutory Corporate Auditor, the Company plans to conclude a liability limitation contract with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act.

(Note 4) Mr. Tsukasa Takahashi meets the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 12). In the event Mr. Takahashi is elected, the Company plans to appoint him as an independent officer and report to the Exchange to that effect.

(Note 5) The Company has contributed funds for research activities to Kyoto University, at which Mr. Tsukasa Takahashi serves as a Part-time Lecturer. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 0.1% and not more than 10 million yen), and the Company has determined that it will have no impact on the independence of Mr. Takahashi.

(Note 6) At AEON DELIGHT CO., LTD., at which Mr. Tsukasa Takahashi has served as Non-Executive Auditor since May 2013, it was found out in June 2019 that one of its consolidated subsidiaries had conducted an improper accounting treatment. Although he was unaware of the fact until the incident came to light, he had regularly provided his views on legal compliance at Board meetings, etc. After the incident was detected, he suggested that a Special Investigation Committee be organized, confirmed and took measures based on the Committee's investigation results, and was involved in discussion and decisions related to an action plan to prevent recurrence as required, thereby appropriately performing his duties.

(Reference)
Criteria of Independence

The Company has established criteria of independence for Outside Members of the Board and External Statutory Corporate Auditors (hereinafter referred to as "Outside Officers" along with candidates for these positions), and Outside Officers are judged to be sufficiently independent so long as they do not fall under any of the following categories.

1. An individual from the Company or a consolidated subsidiary (hereinafter "the Company Group") (Note 1)
2. A major shareholder of the Company (Note 2) or a business executive thereof
3. A business executive of any of the following corporations or other entities
 - (1) A major business partner of the Company Group (Note 3)
 - (2) A major lender of the Company Group (Note 4)
 - (3) A corporation or other entity whose stock the Company Group possesses 10% or more of based on voting rights
4. A certified public accountant belonging to the Company Group's Accounting Auditor or Auditing Firm
5. A consultant, accountant, tax counselor, attorney, judicial scrivener, patent attorney, or other professional who has received a large amount (Note 5) of monetary or other assets from the Company Group
6. An individual who has received a large amount of donations or grants from the Company Group (Note 6)
7. A business executive of another company whose position would constitute them as having an interlocking relationship (Note 7)
8. An individual whose spouse or relative within two degrees of kinship is an individual who falls under any of criteria 1 through 7 (however, this is limited to significant persons (Note 8))
9. An individual who has fallen under any of criteria 2 through 8 in the past five years
10. Any other individual who can be reasonably judged to have concerns of constant and substantial conflict of interest with the Company

(Note 1) Defined as a current executive Member of the Board, executive, executive officer, or other corresponding individual or employee (hereinafter "business executives" in these criteria) or a business executive who has belonged to the Company Group at least once in the past.

(Note 2) "Major shareholder" is defined as a shareholder with 10% or more of voting shares in their own name or a third party's name in average of the three most recent fiscal years.

(Note 3) "Major business partner" is defined as an entity which purchases the Company Group's products and which transactions with the Company Group exceeds 2% of the Company Group's consolidated net sales in average of the three most recent fiscal years, or a supplier of products to the Company Group whose transactions with the Company Group exceeds 2% of their consolidated net sales in average of the three most recent fiscal years.

(Note 4) "Principal lender" is defined as a financial or other institution that the Company Group receives loans from and whose average loan balance over the three most recent fiscal years exceeds 2% of the Company's consolidated total assets or 2% of that financial or other institution's consolidated total assets.

(Note 5) (i) In the event that the professional is providing services to the Company Group as an individual, an individual whose compensation received from the Company Group (excluding executive compensation) exceeds 10 million yen a year in average of the three most recent fiscal years.
(ii) In the event that the professional is providing services to the Company Group as a member of a legal entity, association, or other organization, an organization whose average compensation received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 6) Defined as an entity who has received more than 10 million yen in yearly donations or grants from the Company Group in average of the three most recent fiscal years. In the case that the recipient of these donations or grants is a legal entity, association, or other organization, an organization whose average amount received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 7) Defined as a relationship where a business executive of the Company Group is an Outside Officer of another company and where a business executive of said other company is an Outside Officer of the Company.

(Note 8) "Significant persons" is defined as a Member of the Board, executive, executive officer, and business executive of the rank of General Manager or above.

Agenda Item No. 4: Bonuses for Officers for the 108th Term

In recognition of the efforts made by Members of the Board, the Company proposes that a total of 110 million yen be paid as bonuses to six (6) of nine (9) Members of the Board (excluding Outside Members of the Board) as of the end of the current fiscal year in light of earnings and various other factors. The Company requests that determination of the amount to be paid to each of the Members of the Board be left to the discretion of the Board meeting.

Business Report

(April 1, 2019 through March 31, 2020)

I. Current Status of the Group

1. Progress and Results of Operations

(1) Outline of Business

The world economy in the current fiscal year saw the United States economy continuing to recover, but it was accompanied by a weak note in some countries in Europe, the 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, the crude oil market trend, and sluggish economic activity caused by the spread of the novel coronavirus infection.

As for the Japanese economy, the country saw a slowdown in economic sentiment mainly in the manufacturing industry with weakness in exports and a drop in production.

The chemicals industry has faced an increasingly harsh business environment with sluggish demand caused by a slowdown in the world economy.

Under these conditions, the Group's revenue in the current fiscal year decreased 10.8% year-on-year to 302,150 million yen, down 36,719 million yen. Contributing factors included a decline in sales prices on account of a fall in raw material costs and weak market conditions for products outside of Japan, and a decline in sales volume due mainly to sluggish demand resulting from a slowdown in the economy.

With regard to profits, narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials costs, as well as lower sales volume and increased processing costs such as depreciation associated with the introduction of additional facilities led to lower operating profit, which was down 12,992 million yen, or 49.6% year-on-year, to 13,178 million yen.

Profit before tax was down 16,372 million yen, or 51.0% year-on-year to 15,748 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 declined 53.5% year-on-year to 11,094 million yen, down 12,755 million yen.

(Note) Starting from the current fiscal year, the Company's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), pursuant to the provisions of Article 120, Paragraph 1 of Regulation on Corporate Accounting.

Consolidated revenue	302.2 billion yen (down 10.8% year-on-year)
Consolidated operating profit	13.2 billion yen (down 49.6% year-on-year)
Consolidated profit before tax	15.7 billion yen (down 51.0% year-on-year)
Profit attributable to owners of parent	11.1 billion yen (down 53.5% year-on-year)

Sales by business segment are as follows.

[Basic Chemicals]

Sales of acrylic acids and acrylates decreased due to lower propylene and other raw material costs accompanying a drop in crude oil prices and domestic naphtha prices, declined sales prices associated with falling market conditions for products outside of Japan as a result of sluggish demand stemming from the world economic slowdown caused by trade friction between the United States and China, and decreased sales volume.

Sales of ethylene oxide decreased due to a decline in sales volume with sluggish demand accompanying an economic slowdown, and lower sales prices owing to a drop in ethylene and other raw material costs.

Sales of ethylene glycol decreased due to a decline in sales prices accompanying lower market conditions for products outside of Japan, despite increased sales volume as a result of efforts to expand sales through exports.

Sales of secondary alcohol ethoxylates decreased due to lower sales volume with sluggish demand.

As a result of the above, revenue in the basic chemicals segment decreased 13.8% year-on-year to 120,068 million yen.

Operating profit decreased 41.7% year-on-year, to 6,248 million yen. This was due to factors such as decreased production and sales volume, narrowed spreads owing to a decline in product prices in excess of the decrease in raw material prices, and an increase in processing costs.

[Functional Chemicals]

Sales of superabsorbent polymers decreased due to lower sales prices as a result of falling propylene and other raw material costs and market conditions for products outside of Japan, and sluggish sales volume.

Sales of special acrylates decreased due to sluggish demand following the world economic slowdown caused by trade friction between the United States and China, resulting in a fall in market conditions for products outside of Japan.

Sales of electronic information material, polymers for concrete admixture, maleic anhydride, adhesive products, resin modifiers, and iodine compounds decreased due to decreased sales volume as a result of lower demand.

Sales of water-soluble polymers for raw materials of detergents and resins for paints increased due to higher sales volume as a result of efforts to expand sales.

Sales of ethyleneimine derivatives decreased due to lower sales prices and a decline in sales volume.

As a result, revenue in the functional chemicals segment decreased 10.2% year-on-year to 170,389 million yen.

Operating profit decreased 63.9% year-on-year to 4,839 million yen. This was due to factors such as narrowed spreads owing to a decline in product prices in excess of the decrease in raw material prices, in addition to increased processing costs such as depreciation associated with the introduction of additional facilities, and lower production and sales volume.

[Environment & Catalysts]

Sales of process catalysts decreased due to lower sales volume with the time for replacement of catalysts being suspended due to economic stagnation.

Sales of fuel cell materials, materials for lithium-ion batteries, De-NOx catalysts and waste gas treatment catalysts increased due mainly to higher sales volume as a result of efforts to expand sales.

As a result of the above, revenue in the environment & catalysts segment rose 16.7% year-on-year to 11,693 million yen.

Operating profit in the segment decreased 7.8% year-on-year to 844 million yen, on account of increased processing costs.

(Revenue by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)	Fiscal Year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Change
Basic Chemicals	139,210	120,068	-19,142
Functional Chemicals	189,642	170,389	-19,253
Environment & Catalysts	10,017	11,693	1,676

(Operating Profit by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)	Fiscal Year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Change
Basic Chemicals	10,709	6,248	-4,460
Functional Chemicals	13,394	4,839	-8,555
Environment & Catalysts	916	844	-72

(2) Capital Expenditures

The total amount of the Company's capital expenditures for FY 2019 was 30,440 million yen (on a construction basis), which was mainly the construction of production plant (PT. NIPPON SHOKUBAI INDONESIA) of acrylic acids.

(3) Fund Procurement

During FY 2019, the Company's requirements for funds included capital investment and repayment of borrowings, which were met by using internal resources and taking out loans from financial institutions.

Interest-bearing debt as of March 31, 2020 was 63,375 million yen, 6,742 million yen higher than the previous fiscal year primarily due to a response to increased demand for funds such as payment for capital expenditures, and an increase in lease liabilities associated with the application of IFRS 16 *Leases*, despite the progress in repayment of borrowings from financial institutions.

(4) Issues to Be Addressed

In recent years, the business environment surrounding the chemical industry has become increasingly severe. In Japan, demand for chemicals is expected to decrease, driving intense competition among chemical manufacturers. In emerging countries, demand for chemicals is growing, but combined with the rise of new manufacturers from emerging countries, the disparity in scale with European and American chemical manufacturing giants is widening, resulting in the Japanese chemical industry becoming less competitive.

On the other hand, with recent issues faced by the society, such as the advance in the aging of the population and environmental and energy problems, the role expected of the chemistry industry in resolving them has become increasingly important.

In order to respond to these rapidly changing external environment, under its mission, management commitment and its corporate credo, the Group is working on its long-term business Plan "Reborn Nippon Shokubai 2020" that started in April 2014 and the 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT," which is a specific action plan from FY 2017 onwards, towards achieving the long-term Vision "An innovative chemical company that provides new value for people's lives."

In particular, investment in management resources are prioritized with a focus on “Strengthening competitiveness of the superabsorbent polymer business” and “Accelerating creation of new businesses and products” as measures toward the priority challenge.

Also, to strengthen the management foundation toward achieving the continuous growth of the Group, the entire company is working toward three issues, namely, (1) Develop an active corporate team and organization, (2) Enhance the confidence of stakeholders and (3) Strengthen Group management.

Progress in the 2nd medium-term business plan during FY 2019 included commencement of the construction of an additional production plant for acrylic acid with an annual production capacity of 100,000 tons at PT. NIPPON SHOKUBAI INDONESIA, our subsidiary in Indonesia, with a plan for completion by the end of March 2021, in order to respond to an increase in demand for acrylic acid in Asian region. After the completion of the said production plant, the Group’s worldwide annual production capacity of acrylic acids will be 980,000 tons. Also, several cost cutting measures have been implemented under the “SAP Survival project” aimed at large-scale cost reductions and gains in competitiveness in the superabsorbent polymer business.

Among new businesses, in the health and medical business, the Company acquired the ownership of Rena Therapeutics Inc. which possesses innovative technology in the fields of oligonucleotide drugs in November 2019, in order to drive commercialization of oligonucleotide drugs. In the cosmetics ingredient business, the Company conducted co-development with several other companies and commenced the sale of products in April 2019. We continue our efforts to expand market share through delivering materials that meet customers’ needs.

As part of its efforts to enhance the confidence of stakeholders, the Company published the “TechnoAmenity Report” in August 2019. The Company strives to proactively disclose both financial and non-financial information such as ESG (environmental, social, and governance) activities to its stakeholders.

In November 2019, the Company and Sanyo Chemical Industries, Ltd. agreed to conduct a business integration by establishing Synfomix Co., Ltd. (the “Integrated Holding Company”) by way of joint share transfer, which shall become the parent company of the companies, and executed a final agreement.

As the recent global outbreak of the novel coronavirus (COVID-19) and the sharp decline in the oil and oil product markets, among other factors, have caused the performance and other aspects of the companies, as well as the financial, economic, market and other elements of the business environment, which served as bases for the agreement on the business integration, to become unpredictable, the companies decided to change the establishment date of the Integrated Holding Company from October 2020 to April 2021, and reassess the share transfer ratio. There are no significant changes to the terms of the final agreement except for the schedule of the business integration and the share transfer ratio.

The Synfomix Group after the business integration will aim to become a chemical manufacturer with both significant global presence as well as multiple businesses with strength by combining the Company’s value chain of competitive materials and Sanyo Chemical’s solution business that addresses customers’ challenges.

For details about the business integration, please see the news releases dated November 29, 2019 and April 13, 2020 posted on the Company’s website (<https://www.shokubai.co.jp/ja/>).

We would like to ask all our shareholders for your continued support for the future.

2. Financial Condition, Profit and Loss

Financial Condition, Profit and Loss of the Group

	105th Term (April 2016 - March 2017)	106th Term (April 2017 - March 2018)	107th Term (April 2018 - March 2019)	108th Term (April 2019 - March 2020)
Japanese GAAP (*)				
Net sales (¥ millions)	293,970	322,801	349,678	
Operating profit (¥ millions)	21,151	26,727	26,110	
Ordinary profit (¥ millions)	24,664	32,293	33,101	
Profit attributable to owners of parent (¥ millions)	19,361	24,280	25,012	
Basic earnings per share (¥)	478.36	608.84	627.20	
Total assets (¥ millions)	433,610	467,386	471,050	
Net assets (¥ millions)	292,275	310,762	325,371	
Net assets per share (¥)	7,238.33	7,705.05	8,089.98	
ROA (Return on Assets) (%)	5.9	7.2	7.1	
ROE (Return on Equity) (%)	6.8	8.1	7.9	
IFRS				
Revenue (¥ millions)			338,869	302,150
Operating profit (¥ millions)			26,170	13,178
Profit before tax (¥ millions)			32,119	15,748
Profit attributable to owners of parent (¥ millions)			23,849	11,094
Basic earnings per share (¥)			598.05	278.21
Total assets (¥ millions)			481,668	475,641
Total equity (¥ millions)			329,227	326,108
Equity attributable to owners of parent per share (¥)			8,099.97	8,017.17
ROA (Ratio of profit before tax to total assets) (%)			6.7	3.3
ROE (Ratio of profit to equity attributable to owners of parent) (%)			7.5	3.5

Note: The Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the beginning of the 107th Term. Key management indexes for the 106th Term are presented in figures after retrospectively applying the said accounting standard.

- (1) For the fiscal year ended March 31, 2017 (105th Term), net sales dropped due to drop in sales prices on account of declines in raw material prices and overseas market conditions and the effect of a stronger yen. With regard to profits, both operating profit and ordinary profit decreased as a result of narrowed spreads owing to a decline in market conditions for products in excess of the decrease in raw material costs, in spite of decreased processing costs and increased production and sales volume resulting in volume effects. Profit attributable to owners of parent decreased due to the recording of the loss on closing of laboratory and the absence of gain on sales of shares of subsidiaries and associates.

- (2) For the fiscal year ended March 31, 2018 (106th Term), net sales increased due to a revision in sales prices on account of rising raw material prices and market conditions for products outside of Japan, as well as increased sales volume. With regard to profits, in spite of narrowed spreads owing to a hike in raw material prices in excess of the increase in sales prices, increased production and sales volume resulting in volume effects led to higher operating profit and ordinary profit. Profit attributable to owners of parent rose due to the absence of loss on closing of laboratory.
- (3) For the fiscal year ended March 31, 2019 (107th Term), net sales increased due to a revision in sales prices on account of rising raw material prices and market conditions for products outside of Japan. With regard to profits, in spite of the volume effects resulting from increased production and sales volume, higher processing costs led to lower operating profit. Non-operating income increased due to an increase in share of profit of entities accounted for using equity method. As a result, profit attributable to owners of parent rose.
- (4) For information concerning the fiscal year ended March 31, 2020 (108th Term), please refer to “1. Progress and Results of Operation” above

(Reference) Financial Condition, Profit and Loss of the Company

	105th Term (April 2016 - March 2017)	106th Term (April 2017 - March 2018)	107th Term (April 2018 - March 2019)	108th Term (April 2019 - March 2020)
Net sales (¥ millions)	196,195	226,887	232,222	204,690
Operating profit (¥ millions)	15,661	21,540	17,356	10,178
Ordinary profit (¥ millions)	24,341	28,612	26,216	18,677
Profit (¥ millions)	19,467	21,330	20,371	14,776
Basic earnings per share (¥)	480.97	534.86	510.83	370.54
Total assets (¥ millions)	329,121	353,831	352,742	355,380
Net assets (¥ millions)	236,166	253,933	263,718	268,014
Net assets per share (¥)	5,921.77	6,367.56	6,613.17	6,721.06
ROA (Return on Assets) (%)	7.7	8.4	7.4	5.3
ROE (Return on Equity) (%)	8.5	8.7	7.9	5.6

The Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the beginning of the 107th Term. Key management indexes for the 106th Term are presented in figures after retrospectively applying the said accounting standard.

3. Significant Subsidiaries

Name	Capital (¥ millions, unless otherwise quoted)	Nippon Shokubai's Shareholding Percentage (%)	Major Businesses
Nippoh Chemicals Co., Ltd.,	517	84.47	Manufacture and sale of iodine, iodine compounds, raw materials for pharmaceuticals and agricultural chemicals, and natural gas
NIPPON NYUKAZAI CO., LTD.	1,000	100.00	Manufacture and sale of surfactants and chemical products
Nisshoku Butsuryu Co., Ltd.	100	100.00	General distribution of chemicals
Nippon Shokubai America Industries, Inc.	* (US\$ thousands) 100,000	100.00	Manufacture and sale of superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders
PT. NIPPON SHOKUBAI INDONESIA	(US\$ thousands) 120,000	99.99	Manufacture and sale of acrylic acids, acrylates, and superabsorbent polymers
NIPPON SHOKUBAI EUROPE N.V.	(€ thousands) 193,000	100.00	Manufacture of acrylic acids and manufacture and sale of superabsorbent polymers
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	(US\$ thousands) 52,820	100.00	Manufacture and sale of superabsorbent polymers and polymers for concrete admixtures
NIPPON SHOKUBAI (ASIA) PTE. LTD.	* (US\$ thousands) 4,175	100.00	Manufacture and sale of glacial acrylic acids and sale of other chemicals
Singapore Acrylic PTE LTD	(US\$ thousands) 27,007	79.42	Manufacture and sale of crude acrylic acids

(Note 1) Asterisk mark (*) in the above list means "paid-in capital".

(Note 2) Figures listed with respect to the Company's shareholding percentage in the above list are truncated.

4. Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Business	Principal Products
Basic Chemicals	Acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, secondary alcohol ethoxylates, glycol ether
Functional Chemicals	Superabsorbent polymers, special acrylates, intermediates for pharmaceuticals, polymers for concrete admixtures, electronic and information materials, iodine, maleic anhydride, resins for adhesives/paints, processed adhesive products
Environment & Catalysts	Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, process catalysts, equipment for waste gas treatment, and fuel cell materials

5. Principal Offices and Plants

(1) The Company

Office		Location
Head Offices	Osaka Office	Osaka, Osaka Prefecture
	Tokyo Office	Chiyoda-ku, Tokyo
Plants	Kawasaki Plant	Kawasaki, Kanagawa Prefecture
	Himeji Plant	Himeji, Hyogo Prefecture
Laboratories	Suita Research Center	Suita, Osaka Prefecture
	Himeji Research Center	Himeji, Hyogo Prefecture

(2) Subsidiaries

Company name	Location
Nippon Chemicals Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Isumi, Chiba Prefecture
NIPPON NYUKAZAI CO., LTD.	Head Office: Chuo-ku, Tokyo Plant: Kawasaki, Kanagawa Prefecture and Kamisu, Ibaraki Prefecture
Nisshoku Butsuryu Co., Ltd.	Head Office: Osaka, Osaka Prefecture
Nippon Shokubai America Industries, Inc.	Head Office & Plant: U.S.A.
PT. NIPPON SHOKUBAI INDONESIA	Head Office & Plant: Indonesia
NIPPON SHOKUBAI EUROPE N.V.	Head Office & Plant: Belgium
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	Head Office & Plant: China
NIPPON SHOKUBAI (ASIA) PTE. LTD.	Head Office & Plant: Singapore
Singapore Acrylic PTE LTD	Head Office & Plant: Singapore

6. Employees of the Company and Group Companies

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year
4,510	Increase of 56 persons

(Note 1) “Number of Employees” includes those who were reemployed.

(Note 2) Comparison is made based on the number of employees as of the end of the previous fiscal year that is converted pursuant to IFRS.

(Reference) Employees of the Company

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year	Average Age	Average Length of Service
2,353	Increase of 47 persons	38.3 years old	16.2 years

(Note 1) “Number of Employees” includes employees seconded from affiliates of the Company, but excludes employees seconded to affiliates of the Company and temporary employees.

(Note 2) “Number of Employees” includes those who were reemployed.

(Note 3) Average age and average length of service do not include reemployed employees.

7. Principal Lenders

(Millions of yen)

Name of Lender	Amount Outstanding
Resona Bank, Limited	12,017
Mizuho Bank, Ltd.	10,807
MUFG Bank, Ltd.	8,722
The Norinchukin Bank	4,854
Development Bank of Japan Inc.	2,180

(Note) Figures in “Amount Outstanding” above include figures from overseas local subsidiaries of each lender.

II. Matters Concerning the Company

1. Matters Concerning the Company's Shares as of March 31, 2020

- (1) Total Number of Authorized Shares: 127,200,000 (common stock)
(2) Total Number of Issued and Outstanding Shares: 40,800,000 (common stock)
(3) Number of Shareholders: 10,289
(4) Major Shareholders (Top 10 shareholders)

Name	Number of Shares Owned (thousand shares)	Ratio of Capital Contribution (%)
Sumitomo Chemical Company, Limited	2,727	6.84
JXTG Holdings, Inc.	2,129	5.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,712	4.29
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	1,627	4.08
National Mutual Insurance Federation of Agricultural Cooperatives	1,608	4.03
Resona Bank, Limited.	1,373	3.44
Sanyo Chemical Industries, Ltd.	1,267	3.17
Japan Trustee Services Bank, Ltd. (Trust Account)	1,172	2.94
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,099	2.75
Mizuho Bank, Ltd.	948	2.37

- (Note 1) In addition to the above, there are treasury shares of 923 thousand shares held by the Company.
- (Note 2) Treasury share is excluded from the calculation for "Shareholding Ratio of the Total Shares Outstanding" above.
- (Note 3) Figures in "Number of Shares Owned" and "Shareholding Ratio of the Total Shares Outstanding" are truncated.

2. Executives of the Company

(1) Members of the Board and Statutory Corporate Auditors of the Company

Position	Name	Responsibility in the Company and/or Important Positions Concurrently held at Other Companies
President and Representative Member of the Board	Yujiro Goto	
Representative Member of the Board, Senior Managing Executive Officer	Masao Yamamoto	Administration, HR, Finance, Accounting, Information Technology IT Management Office and ERP Innovation Project
Member of the Board, Senior Managing Executive Officer	Yojiro Takahashi	Innovation & Business Development Health & Medical Business Development Office Malonates Business Development Office and Cosmetics Business Office
Member of the Board, Managing Executive Officer	Koichiro Yamada	Sales, Marketing, Purchasing, Logistics Ethylene Oxide Business Division and Business Development & Marketing
Member of the Board, Managing Executive Officer	Jiro Iriguchi	Production & Technology, Production Division, Engineering Division, Indonesia Project and AI Promotion Team
Member of the Board, Executive Officer	Yukihiro Matsumoto	Director of Corporate Planning Division
Member of the Board	Kozo Arao	Attorney-at-law Corporate Auditor of Nankai Electric Railway Co., Ltd. External Director of the Board of The Japan Wool Textile Co., Ltd. Outside Audit & Supervisory Board Member of HOSOKAWA MICRON CORPORATION
Member of the Board	Shinji Hasebe	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Member of the Board	Tetsuo Setoguchi	Advisor to Osaka Gas Co., Ltd. Chairman and Director of Gas and Power Co., Ltd.
Statutory Corporate Auditor	Yoshihiro Arita	(Full-time)
Statutory Corporate Auditor	Teruhisa Wada	(Full-time)
Statutory Corporate Auditor	Yoichiro Komatsu	Attorney-at-law Patent attorney Director of Kansai University
Statutory Corporate Auditor	Yoritomo Wada	Certified public accountant

(Note 1) Mr. Taizo Maruo and Mr. Satoshi Taguchi resigned from Statutory Corporate Auditor at the conclusion of the 107th Ordinary General Meeting of Shareholders held on June 20, 2019 due to the expiration of their terms of office.

(Note 2) Mr. Kozo Arao, Mr. Shinji Hasebe and Mr. Tetsuo Setoguchi are Outside Members of the Board.

(Note 3) Mr. Yoichiro Komatsu and Mr. Yoritomo Wada are External Statutory Corporate Auditors.

- (Note 4) Statutory Corporate Auditor Mr. Yoritomo Wada has years of experience as a certified public accountant and possesses considerable knowledge in finance and accounting.
- (Note 5) Mr. Kozo Arai, Mr. Shinji Hasebe and Mr. Tetsuo Setoguchi, Outside Members of the Board, and Mr. Yoichiro Komatsu and Mr. Yoritomo Wada, External Statutory Corporate Auditors, are registered at Tokyo Stock Exchange Markets as independent officers.
- (Note 6) There was a change in positions, responsibilities in the Company and/or important positions concurrently held at other companies of Members of the Board and Statutory Corporate Auditors of the Company as follows:

As of April 1, 2020

Position	Name	Responsibility in the Company
Member of the Board, Managing Executive Officer	Koichiro Yamada	Sales, Marketing, Purchasing, Logistics Basic Materials Business Division and Business Planning & Development Department
Member of the Board, Managing Executive Officer	Jiro Iriguchi	Production & Technology, Production Division, Engineering Division, Indonesia Project and DX Promotion Team
Member of the Board	Tetsuo Setoguchi	Advisor to Osaka Gas Co., Ltd. Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd.

As of April 23, 2020

Position	Name	Responsibility in the Company
Statutory Corporate Auditor	Yoritomo Wada	Certified public accountant Outside Audit & Supervisory Board Member of Sekisui House, Ltd.

(Reference)

Executive officers, except individuals who are also Members of the Board, are as follows.

(As of April 1, 2020)

Position	Name	Responsibility in the Company
Managing Executive Officer	Kin-ya Nagasuna	Innovation & Business Development Division
Managing Executive Officer	Masaya Yoshida	Director of Energy & Electronics Solutions Division
Managing Executive Officer	Teruo Kamei	Plant Manager of Kawasaki Plant
Managing Executive Officer	Ren Hasebe	Industrial & Household Solutions Division
Executive Officer	Kazukiyo Arakawa	Plant Manager of Himeji Plant
Executive Officer	Gun Saito	Director of Responsible Care Division
Executive Officer	Katsunori Kajii	Director of Acrylic Business Division
Executive Officer	Masahiro Watanabe	Director of Purchasing & Logistics Division
Executive Officer	Kazuhiro Noda	Director of Superabsorbents Business Division
Executive Officer	Takashi Kobayashi	Director of Finance & Accounting Division
Executive Officer	Kuniaki Takagi	Director of General Affairs & HR Division

(2) Remuneration to Members of the Board and Statutory Corporate Auditors

1) Aggregate Amount of Remuneration to Members of the Board and Statutory Corporate Auditors

Title	Number of Persons (persons)	Aggregate Amount of Remuneration (¥ millions)
Members of the Board (Outside Members of the Board)	9 (3)	368 (34)
Statutory Corporate Auditors (External Statutory Corporate Auditors)	6 (3)	64 (17)

(Note 1) “Number of Persons” above includes two Statutory Corporate Auditors who stepped down during the fiscal year 2019.

(Note 2) The “Aggregate Amount of Remuneration” includes 110 million yen in bonuses for officers, which is scheduled for resolution at the 108th Ordinary General Meeting of Shareholders.

2) Policy for Determination of Remuneration for Members of the Board and Statutory Corporate Auditors

The remuneration, etc. for Members of the Board of the Company consists of “Basic remuneration” and “Bonuses.” “Basic remuneration” consists of fixed remuneration portion and performance-linked remuneration portion. The index used for performance-linked remuneration is “ROA (ratio of profit before tax to total assets).” The total amount of “Bonuses” is resolved and determined at the General Meeting of Shareholders each time the payment is made by taking into account the profit for the fiscal year and other circumstances. Outside Members of the Board and Statutory Corporate Auditors receive only “basic remuneration” (in principal, fixed remuneration) because remuneration linked to earnings is not appropriate for these individuals who oversee business operations from an independent standpoint.

Furthermore, the Company has established a voluntary Nomination and Remuneration Committee mainly composed of Independent Outside Members of the Board, from which the Company is to obtain advice on remuneration and bonuses for Members of the Board, thereby securing transparency and fairness.

(3) Matters Concerning the Company's Outside Members of the Board and Statutory Corporate Auditors

1) Important positions held concurrently such as executive Members of the Board (*gyoumu shikko torishimariyaku*) of other companies

Name	Important Positions Concurrently Held at Other Companies
Kozo Arao (Outside Member of the Board)	Attorney-at-law, Corporate Auditor of Nankai Electric Railway Co., Ltd., External Director of the Board of The Japan Wool Textile Co., Ltd., Outside Audit & Supervisory Board Member of HOSOKAWA MICRON CORPORATION
Shinji Hasebe (Outside Member of the Board)	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Tetsuo Setoguchi (Outside Member of the Board)	Advisor to Osaka Gas Co., Ltd., Chairman and Director of Gas and Power Co., Ltd.
Yoichiro Komatsu (External Statutory Corporate Auditor)	Attorney-at-law, patent attorney, Director of Kansai University
Yoritomo Wada (External Statutory Corporate Auditor)	Certified public accountant

(Note 1) There are no special interests between the Company and either of the entities referred to above.

(Note 2) Member of the Board Mr. Tetsuo Setoguchi retired from the post of Chairman and Director of Gas and Power Co., Ltd. on March 31, 2020 and assumed the office of Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. on April 1 of the same year.

(Note 3) Statutory Corporate Auditor Mr. Yoritomo Wada assumed the office of Outside Audit & Supervisory Board Member of Sekisui House, Ltd. on April 23, 2020.

2) Principal activities during the fiscal year 2019

Name	Principal Activities
Kozo Arao (Outside Member of the Board)	Mr. Kozo Arao attended 14 of the 15 Board meetings that were held during the fiscal year 2019. Based on his highly professional expertise and a wealth of experience as attorney-at-law and achievements as outside officers of other companies, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Shinji Hasebe (Outside Member of the Board)	Mr. Shinji Hasebe attended all of the 15 Board meetings that were held during the fiscal year 2019. From the perspective of a specialist in chemical engineering who is familiar with the chemical industry, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Tetsuo Setoguchi (Outside Member of the Board)	Mr. Tetsuo Setoguchi attended all of the 15 Board meetings that were held during the fiscal year 2019. Based on his wealth of experience in corporate management in the manufacturing industry and at a company with high public utility properties, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Yoichiro Komatsu (External Statutory Corporate Auditor)	Mr. Yoichiro Komatsu attended all of the 15 Board meetings that were held during the fiscal year 2019. At these meetings, he provides his views from the perspective of an attorney as required. Mr. Komatsu also attended all of the 13 Auditors meetings that were held during the fiscal year 2019, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.
Yoritomo Wada (External Statutory Corporate Auditor)	Mr. Yoritomo Wada attended all of the 11 Board meetings that were held during the fiscal year 2019 following his election as a Statutory Corporate Auditor. At these meetings, he provides his views from the perspective of an accounting expert as required. Mr. Wada also attended all of the 10 Auditors meetings that were held during the fiscal year 2019 following his election as a Statutory Corporate Auditor, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.

3) Summary of Contract for Limitation of Liability

The Company has signed liability limitation contracts with Outside Members of the Board and External Statutory Corporate Auditors concerning liability as prescribed in Article 423, Paragraph 1 of the Companies Act of Japan. The contracts limit liability to the total of the monetary amounts in all items of Article 425, Paragraph 1 of this act as long as Outside Members of the Board and External Statutory Corporate Auditors perform their duties in good conscience and without any gross negligence.

3. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration Paid to Accounting Auditor

Classification	Amount Paid
(1) Total amount payable by the Company to the Accounting Auditor	¥57 million
(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	¥73 million

(Note 1) Because no distinction is made between remuneration for audit services rendered pursuant to the Companies Act and remuneration for audit services rendered pursuant to the Financial Instruments and Exchange Act of Japan under the agreement between the Company and the Accounting Auditor, the amount of remuneration paid to the Accounting Auditor listed above in “(1) Total amount payable by the Company to the Accounting Auditor” is the sum of these two.

(Note 2) Among the significant subsidiaries of the Company, Nippon Shokubai America Industries, Inc., PT. NIPPON SHOKUBAI INDONESIA, NIPPON SHOKUBAI EUROPE N.V., NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd., NIPPON SHOKUBAI (ASIA) PTE. LTD. and Singapore Acrylic PTE LTD have been audited by auditing firms other than the Accounting Auditor of the Company.

(Note 3) After receiving an explanation of this fiscal year’s audit plan from the Accounting Auditor, the Auditors meeting considered risks that would require special consideration based on the Company’s risk approach as well as methods to deal with other auditing items of importance and the auditing time and personnel scheduling they would require, audit plans and results from years past, audit quality, audit time, and changes in auditor remuneration. Upon this consideration, the remuneration for this fiscal year’s Accounting Auditor was determined to be of an amount not in conflict with retaining audit quality and conducting more in-depth audits, and was thus approved.

(3) Content of Non-auditing Services

The Company pays a fee to the Accounting Auditor in consideration of financial due diligence services.

(4) Policies on Dismissal or Non-reappointment of the Accounting Auditor

In the event that the Auditors meeting determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Auditors meeting will dismiss the Accounting Auditor upon unanimous consent of the Statutory Corporate Auditors.

Additionally, if it is deemed that it is difficult for the Accounting Auditor to adequately execute its duties, or if it is determined that a change in Accounting Auditor would be appropriate in order to further increase auditing suitability, the Auditors meeting will determine an agenda item regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

III. Systems and Policies of the Company

1. Systems to Ensure Proper Business Activities

The Company's basic policy with respect to the development of internal control system is as follows:

The Company is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we have established the following fundamental policy for the creation of internal control systems. This policy reflects the understanding that the establishment and operation of a system for conducting business operations properly is vital to the continuous preservation and growth of corporate value.

- (1) Systems to ensure that Members of the Board and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation
 1. Establish the Corporate Ethics Committee and implement a system to comply with laws and regulations.
 2. Formulate the Code of Conduct and make it a norm for Members of the Board, executive officers and employees.
 3. Formulate the Corporate Code of Ethics and prevent the violation of laws and regulations.
 4. As an internal auditing division, establish the Internal Audit Office, which is to be independent from other executive sections.
 5. Establish the Internal Reporting System under which facts with respect to the violation of laws and regulations and other compliance-related matters will be reported internally.
- (2) Systems for storing and managing information concerning the execution of duties by the Members of the Board

Information concerning the execution of duties by Members of the Board shall be stored and managed, as the minutes of the Board meeting (*torishimariyakukai gijiroku*), internal memo to obtain approval (*ringisho*) and other documents, pursuant to the Regulations of the Board meeting (*torishimariyakukai kitei*), the Regulations of Approval (*ringi kitei*) and the Rules for Document Control (*bunsho kanri kisoku*).
- (3) Rules and systems with respect to the management of the risks of loss
 1. Establish the Risk Management Committee and implement a system to manage risks of loss.
 2. Formulate the Risk Management Regulations (*risuku kanri kitei*) to clarify risk recognition and risk management procedures, and prevent such risks from occurring.
 3. Upon the occurrence of an unexpected event, establish a special headquarters with the Company president as its head and take prompt and appropriate measures pursuant to the rules concerning measures for unexpected events.
- (4) Systems to ensure that Members of the Board execute their duties efficiently
 1. In order to deliberate and determine matters with respect to the execution of duties by Members of the Board, the Board meeting shall, in principle, be held once a month so that prompt decision-making may be carried out.
 2. The Board meeting shall select executive officers. The Board meeting is responsible for reaching decisions involving management and supervising business operations, and the executive officers are responsible for conducting business operations. Separating these functions increases the efficiency of management and clearly defines accountability.
 3. The Company shall have Outside Members of the Board for the purpose of ensuring the suitability of decisions and the oversight of business operations by the Board meeting.
 4. The Company shall conduct a corporate management meeting consisting of the Company president and executive officers named by the president. In principle, this committee shall meet twice each month (including one meeting attended by all executive officers) for the purpose of discussing subjects involving fundamental management policies and actions involving important matters.

- (5) Systems to ensure proper business activities by the Group, which consists of the Company and its subsidiaries
1. In order to achieve sound management of the group companies and overall development of the Group through mutual cooperation of each company, the Corporate Planning Division requests the group companies to have prior consultation with the Company on important matters. The Corporate Planning Division also requests the group companies to obtain approval for the important matters from the corporate management meeting and the Board meeting of the Company as needed.
 2. The group companies shall report the overview of business and status of profit and loss to the Corporate Planning Division. The Corporate Planning Division shall provide advice as needed.
 3. In order to properly understand the operational status of the group companies, the Corporate Planning Division shall promptly report managerial and other issues to the corporate management meeting and the Board meeting.
 4. In order to ensure proper business activities by the group companies, the Internal Audit Office and the Responsible Care Office shall audit each group company as appropriate.
 5. The Corporate Ethics Committee shall make effort to improve corporate ethics across the Group.
 6. The Risk Management Committee shall implement a system to manage risks of loss across the Group.
- (6) Matters concerning employees who are allocated to assist the Statutory Corporate Auditors, matters concerning the independence of these employees from the Members of the Board and matters concerning ensuring the effectiveness of instructions of the Statutory Corporate Auditors to the employees who assist the Statutory Corporate Auditors
1. The Auditor Office, which shall be established under the direct control of the Statutory Corporate Auditors of the Company, and the employees thereof shall assist the Statutory Corporate Auditors in their duties.
 2. The Auditor Office shall be independent from the Board meeting, and the employees assigned thereto shall, pursuant to the Business Segregation Rules (*gyoumu bunshou*) and instructions of the Statutory Corporate Auditors, perform their duties independent from the Board meeting, the respective Members of the Board and executive officers. The personnel affairs of the employees who belong to the Auditor Office shall be determined after obtaining the consent of the Statutory Corporate Auditors.
- (7) Systems for submitting reports from Members of the Board and employees to the Statutory Corporate Auditors, for posting other reports to Statutory Corporate Auditors and for ensuring effective of audits by the Statutory Corporate Auditors
1. In order to understand important decision-making processes and the status of executing operations executed/to be executed, the Statutory Corporate Auditors shall attend important meetings such as the corporate management meetings and budget meetings, in addition to the Board meetings.
 2. Members of the Board, executive officers, and employees shall report to Statutory Corporate Auditors important information associated with the status of the Company's and its group companies' internal audits, compliance, risk management and internal reporting.
 3. The director of each division shall report the status of executing operations in accordance with the audit plan (annual plan) prepared by Statutory Corporate Auditors.
 4. Members of the Board, Statutory Corporate Auditors and employees of the group companies shall immediately report to the Statutory Corporate Auditors when the Statutory Corporate Auditors request them to report matters concerning the execution of business, internal audit status, compliance, risk control and internal reporting.
 5. Those who reported to the Statutory Corporate Auditors shall not receive any disadvantageous treatment due to their reporting.

6. In the case that Statutory Corporate Auditors make claims to the Company regarding costs incurred during the execution of their duties, the Company shall bear those costs excluding cases where those costs are assessed as not necessary for the execution of the Statutory Corporate Auditor's duties.

(8) Basic policy on the elimination of anti-social forces

No relations, including those for business transactions, shall be had with anti-social forces that serve to disturb the order and safety of civil society and threaten wholesome corporate activities, and these anti-social forces shall be firmly dealt with in cooperation with outside specialists such as the police, etc.

Outline of the State of Operations of Internal Control Systems

(1) Legal Compliance

The Corporate Ethics Committee has implemented activities such as holding educational activities, corporate ethics training, as well as legal training on company newsletter and creating a legal compliance manual and a Corporate Ethics Guidebook, thereby strengthening the Company and group companies' legal compliance structures.

Additionally, steps in order to disseminate this information are being taken, such as printing the Code of Conduct and distributing it in the Corporate Ethics Guidebook and TechnoAmenity Report, and through database records and internal notices.

(2) Execution of Duties by Members of the Board

The Board meeting convened a total of 15 times throughout this fiscal year, and by reporting, deliberating, and deciding on items regarding to the execution of their duties, the Board meeting supervises the execution of its members' duties.

By separating the Board meeting, which is responsible for reaching decisions involving management and supervising business options, with executive officers, who are responsible for conducting business operations, attempts are being made to establish efficient management and clear definition of accountability.

Additionally, three Outside Members of the Board were elected, and through their opinions and proposals benefitting the Company's management based on their wealth of experience and specialized knowledge as managers, as well as their supervision from a position independent of management, the Board meeting decision-making process and the executive officers' appropriateness is being ensured.

During the fiscal year, the corporate management meeting convened 22 times to deliberate on matters regarding basic management policies and the execution of items of importance. Attempts are being made to realize more efficient business operations, and measures are being taken regarding the execution of important business duties.

(3) Management of Risks of Loss

The Risk Management Committee discovers Company and group companies' risks, evaluates them, and analyzes them, centrally managing risk information. Additionally, the Committee creates policies to minimize risks upon the results of this risk analysis such as by revising a business continuation plan.

In addition, regular comprehensive earthquake response drills and more are held so that a swift and appropriate response can be made in the case of an unexpected emergency by establishing a countermeasures headquarters.

(4) Ensuring Suitability of the Company Group's Business Activities

Group companies issue regular reports to the Corporate Planning Division on the overview of business and status of profit and loss, and the Corporate Planning Division provides advice as needed. Additionally, the Corporate Planning Division reports to the corporate management meeting and the Board meeting regarding managerial and other issues as necessary.

Also, the Internal Audit Office and the Responsible Care Office each audit group companies based on their auditing plans.

(5) Ensuring the Efficacy of Auditor Audits

The Auditors meeting convened a total of 13 times over the course of this fiscal year to report, deliberate, and decide on matters of importance related to audit.

Statutory Corporate Auditors also attend important meetings such as the corporate management meetings and budget meetings, in addition to the Board meeting in order to understand important decision-making processes and the status of executing operations, and also receive reports from the Accounting Auditor, Members of the Board, and other individuals in order to deliberate and present auditing opinions.

Also, Statutory Corporate Auditor interview locations are determined according to audit plans where Statutory Corporate Auditors receive reports on the execution of business duties from General Managers of each department as well as from management executives of subsidiary companies.

(6) The Elimination of Anti-Social Forces

Information is regularly gathered from the police and other external specialist agencies so that no relations are had with anti-social forces, and internal calls for caution are also made by preparing manual for responding to unreasonable demands. Additionally, contracts formed with major clients include items stating that no relations shall be had with anti-social forces.

2. Basic Policies Concerning Control of the Company

The Group is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we devise and execute management strategies and work on becoming more competitive and profitable in order to achieve the goal of being “An innovative chemical company that provides new value for people’s lives.” The objective of these activities is to increase corporate value and the common interests of shareholders.

When there is a proposal by a third party for a large-scale purchase of the Company’s stock, the Company believes that its shareholders at that time should be entrusted with reaching the final decision about whether or not to accept the proposed acquisition. However, it is assumed that, in large-scale purchases of the Company’s stock, there are those that may distort the Company’s mission and management strategies, such as these that solely in pursue the purchaser’s interests without concern for the corporate value and common interests of its shareholders, or these that may effectively force shareholders to sell their shares, or those that do not provide sufficient time and information for shareholders or the Board meeting to consider the terms of the large-scale purchase, or for the Board meeting to offer an alternative proposal, and ultimately impair the corporate value of the Company and the common interests of its shareholders.

For the benefit of common interests of shareholders by maintaining and increasing corporate value in a stable and consistent manner, the Company strives to request those who conducting or intending to conduct a large-scale purchase of the Company’s stock to provide sufficient information necessary for the shareholders to properly judge whether or not to accept such a large-scale purchase. In addition, the Company will disclose the opinions of its Board meeting and secure time and information to enable the shareholders’ examination, while taking appropriate measures pursuant to the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

Note: Unless otherwise noted in this business report, amounts and ratios are rounded off to the nearest unit.

Consolidated Statements of Financial Position

(As of March 31, 2020)

(Unit: Millions of yen)

[Assets]	
Current assets	194,759
Cash and cash equivalents	43,869
Trade receivables	74,570
Inventories	60,762
Other financial assets	9,894
Other current assets	5,663
Non-current assets	280,881
Property, plant and equipment	200,252
Goodwill	4,303
Intangible assets	10,239
Investments accounted for using equity method	19,823
Other financial assets	33,748
Retirement benefit asset	7,540
Deferred tax assets	3,179
Other non-current assets	1,796
Total assets	475,641

[Liabilities]	
Current liabilities	82,427
Trade payables	44,741
Bonds and borrowings	17,177
Other financial liabilities	8,289
Income taxes payable	2,370
Provisions	4,879
Other current liabilities	4,971
Non-current liabilities	67,105
Bonds and borrowings	38,854
Other financial liabilities	7,110
Retirement benefit liability	14,509
Provisions	1,929
Deferred tax liabilities	4,704
Total liabilities	149,532
[Equity]	
Total equity attributable to owners of parent	319,699
Share capital	25,038
Capital surplus	22,472
Treasury shares	-6,281
Retained earnings	280,555
Other components of equity	-2,086
Non-controlling interests	6,410
Total equity	326,108
Total liabilities and equity	475,641

Consolidated Statements of Profit or Loss
(April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

Revenue	302,150
Cost of sales	248,666
Gross profit	53,484
Selling, general and administrative expenses	41,903
Other operating income	3,080
Other operating expenses	1,483
Operating profit	13,178
Finance income	1,741
Finance costs	1,811
Share of profit of investments accounted for using equity method	2,640
Profit before tax	15,748
Income tax expense	4,157
Profit	11,590
Profit attributable to	
Owners of parent	11,094
Non-controlling interests	496
Profit	11,590

Consolidated Statements of Changes in Equity
(April 1, 2019 to March 31, 2020)

(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	—	—	—	11,094	—	—
Other comprehensive income	—	—	—	—	-3,642	-469
Comprehensive income	—	—	—	11,094	-3,642	-469
Purchase of treasury shares	—	—	-6	—	—	—
Dividends	—	—	—	-7,178	—	—
Transfer from other components of equity to retained earnings	—	—	—	-296	-173	469
Total transactions with owners	—	—	-6	-7,474	-173	469
Balance at end of period	25,038	22,472	-6,281	280,555	126	—

	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	—	—	—	11,094	496	11,590
Other comprehensive income	—	-3,108	-7,219	-7,219	-44	-7,264
Comprehensive income	—	-3,108	-7,219	3,875	452	4,327
Purchase of treasury shares	—	—	—	-6	—	-6
Dividends	—	—	—	-7,178	-261	-7,439
Transfer from other components of equity to retained earnings	—	—	296	—	—	—
Total transactions with owners	—	—	296	-7,184	-261	-7,445
Balance at end of period	—	-2,212	-2,086	319,699	6,410	326,108

(Reference)

Consolidated Statements of Cash Flows
(April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before tax	15,748
	Depreciation and amortization	28,653
	Decrease (increase) in retirement benefit asset	91
	Increase (decrease) in retirement benefit liability	180
	Interest and dividend income	-1,736
	Interest expenses	573
	Share of loss (profit) of investments accounted for using equity method	-2,640
	Decrease (increase) in trade receivables	6,056
	Decrease (increase) in inventories	-2,063
	Increase (decrease) in trade payables	-6,741
	Other	224
	Subtotal	38,343
	Interest and dividends received	5,558
	Interest paid	-432
	Income taxes paid	-5,970
	Net cash provided by (used in) operating activities	37,499
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-32,319
	Proceeds from sale of property, plant and equipment	2,517
	Purchase of intangible assets	-1,710
	Purchase of investments	-158
	Proceeds from sale and redemption of investments	677
	Acquisition of shares of subsidiaries and affiliates	-850
	Other	-962
	Net cash provided by (used in) investing activities	-32,806
III	Cash flows from financing activities	
	Net increase (decrease) in short-term borrowings	3,005
	Proceeds from long-term borrowings	10,934
	Repayments of long-term borrowings	-12,602
	Repayments of lease liabilities	-1,751
	Purchase of treasury shares	-6
	Dividends paid	-7,178
	Dividends paid to non-controlling interests	-261
	Net cash provided by (used in) financing activities	-7,859
IV	Effect of exchange rate changes on cash and cash equivalents	-399
V	Net increase (decrease) in cash and cash equivalents	-3,564
VI	Cash and cash equivalents at beginning of period	47,434
VII	Cash and cash equivalents at end of period	43,869

Notes to Consolidated Financial Statements

◆ Significant Accounting Policies

1. Basis of Preparation for Consolidated Financial Statements

Starting from the current fiscal year, the consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) are prepared in accordance with the International Financial Reporting Standards (hereinafter “IFRS”), pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. In compliance with the second sentence of the said Paragraph, certain disclosures and notes required by IFRS are omitted.

2. Scope of Consolidation

Consolidated subsidiaries are as follows:

(1) Number of consolidated subsidiaries: 16 companies (8 in Japan and 8 overseas)

(Japan) NIPPOH CHEMICALS CO., LTD.
Nisshoku Butsuryu Co., Ltd.
Tokyo Fine Chemical Co., Ltd.
CHUGOKU KAKO CO., LTD.
NIPPON SHOKUBAI TRADING CO., LTD.
NISSHOKU TECHNO FINE CHEMICAL CO., LTD.
NIPPON NYUKAZAI CO., LTD.
NIPPON POLYMER INDUSTRIES CO., LTD.

(Overseas) Nippon Shokubai America Industries, Inc.
NIPPON SHOKUBAI (ASIA) PTE. LTD.
PT. NIPPON SHOKUBAI INDONESIA
NIPPON SHOKUBAI EUROPE N.V.
SINGAPORE ACRYLIC PTE LTD
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.
SINO-JAPAN CHEMICAL CO., LTD.
SIRRUS Inc.

(2) Associates accounted for by the equity method: 11 companies

Name of the principal company: Umicore Shokubai S.A.

3. Accounting Policies

(1) Basis and methods of valuation of financial assets

1) Non-derivative financial assets

(i) Initial recognition and measurement and subsequent measurement

The Group initially recognizes trade receivables and other receivables on the date of occurrence. All other non-derivative financial assets are recognized at the transaction date, on which the Group becomes a party to the contract.

(a) Financial assets measured at amortized cost

Financial assets are classified as “financial assets measured at amortized cost” if they meet the following two conditions:

- The financial assets are held with a business model of the Group whose objective is to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value (including transaction cost directly attributable to the acquisition of such financial assets). These financial assets are subsequently measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss or other comprehensive income

Financial assets that fail to meet either of the above two conditions are classified as “financial assets measured at fair value through profit or loss” or “financial assets measured at fair value through other comprehensive income.” In addition, the Group has made an irrevocable decision and changes in fair value of equity financial instruments, such as shares held with the purpose to maintain and strengthen business relationships with investees, which are recognized through other comprehensive income instead of profit or loss.

Debt instruments are classified as “financial assets measured at fair value through other comprehensive income” when the following two conditions are met.

- The debt instruments are held with a business model of the Group whose objective is to both collect contractual cash flows and sell such instruments.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value. The Group includes in fair value any transaction costs directly attributable to the acquisition of such financial assets, with the exception of financial assets measured at fair value through profit or loss.

Regarding equity financial instruments measured at fair value through other comprehensive income, loss or gain attributable to changes in realized fair value is not reclassified to profit or loss. However, dividend income from such investments is recognized as “financial income” as a part of profit or loss, except in cases where it is clear that such dividends are the repayment of the investment principal.

(ii) Derecognition

When the rights to the cash flows from a financial asset expire or when a financial asset is transferred and substantially all of the risks and rewards of ownership of such financial asset are transferred, the Group derecognizes such financial asset.

(iii) Impairment of financial assets

When recognizing the impairment of financial assets measured at amortized cost, the Group evaluates whether or not credit risk associated with such financial assets has increased significantly since the initial recognition at the end of each reporting period.

When credit risk has increased significantly, the Group measures provisions for such financial assets at an amount equivalent to lifetime expected credit losses. When credit risk has not increased significantly, the Group measures provisions for such financial assets at an amount equivalent to the 12-month expected credit losses. However, the Group always measures provisions for trade receivables at an amount equivalent to lifetime expected credit losses. Furthermore, the Group measures expected credit losses of financial instruments by considering the time value of the difference between contractual cash flows and the expected cash flows and recognizes it in profit or loss.

The Group determines whether or not credit risk associated with such financial assets has increased significantly since the initial recognition by basing the judgment on changes in the risk of a default occurring. When determining such changes, the Group mainly considers past due information.

When measuring expected credit losses, the Group estimates in a way that reflects the following elements.

(a) Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes

- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

2) Derivatives and hedge accounting

The Group designates certain derivative instruments as cash flow hedges to hedge foreign exchange risk, interest rate risk, or other risks.

At the inception of a transaction, the Group documents the relationship between the hedging instrument and hedged item and the risk management objectives and strategies for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether derivatives used for hedge transactions can be highly effective in offsetting changes in cash flows of the hedged item. Furthermore, the Group verifies that such forecast transactions are highly probable to apply cash flow hedge accounting.

Changes in fair value of derivative instruments are recognized in profit or loss. The effective portion of changes in fair value of derivative instruments that are designated as cash flow hedges and meet the qualifying criteria is recognized in other components of equity. The ineffective portion is recognized in profit or loss in the consolidated statement of income.

Any amount incurred with respect to hedging instruments that is recognized in other components of equity is reclassified to profit or loss in the period when hedged items affect profit or loss. When hedged forecast transactions result in the recognition of non-financial assets, any amount that has been recognized in other comprehensive income is reclassified and included in the initial carrying amount of such assets.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting. Any amount incurred with respect to hedging instruments that have already been recognized in other components of equity is further recognized until forecast transactions are eventually recognized in profit or loss. When forecast transactions are no longer expected to occur, any amount incurred with respect to hedging instruments that has been recognized in other components of equity is immediately recognized in profit or loss.

(2) Basis and methods of valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is principally calculated based on the moving-average method. In addition, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

(3) Basis and methods of valuation of and methods of depreciation or amortization of property, plant and equipment, goodwill and intangible assets

1) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes cost directly attributable to the acquisition of assets, dismantling and removal costs, restoration costs, and borrowing costs that meet requirements for asset capitalization.

Each asset (excluding assets that are not subject to depreciation such as land) is depreciated using the straight-line method over its estimated useful life. The estimated useful lives of main asset items are as follows:

- Buildings and structures: 3 to 50 years
- Machinery and vehicles: 2 to 15 years

Estimated useful lives and the method of depreciation are reviewed at the end of each fiscal year. Any change in estimated useful lives and the depreciation method is accounted for on a prospective basis as a change in accounting estimate.

2) Goodwill and intangible assets

(i) Goodwill

The Group accounts for business combinations using the acquisition method. If the consideration exceeds the net of the fair value of identifiable assets acquired and liabilities assumed, the Group records it as goodwill in the consolidated statement of financial position.

The Group does not amortize goodwill but conducts impairment tests every fiscal year or whenever there is an indication of impairment. The impairment loss on goodwill is recognized in profit or loss and is not subsequently reversed.

Furthermore, goodwill is stated at cost less accumulated impairment losses in the consolidated statement of financial position.

(ii) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Individually acquired intangible assets are measured at a cost at the time of initial recognition, while intangible assets acquired through business combination are measured at fair value at the date of the acquisition. Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated useful lives of main asset items are as follows:

- Technology-related assets: 15 years
- Software: 5 years

3) Leases

Lease liabilities in lease transactions are measured at the discounted present value of the residual amount of total lease payments at the lease commencement date. Right-of-use assets are initially measured based on the initially measured amount of the lease liability adjusted for initial direct costs and prepaid lease payments, etc., and added costs such as obligations of restoration to original conditions requested by lease contracts. Right-of-use assets are depreciated regularly over the lease term.

The discount rate that shall be used in calculating the discounted present value of the residual amount of total lease payments is the interest rate implicit in the lease, if this is practicably possible, and if not, the lessee's incremental borrowing rate.

Lease payments are distributed between finance costs and repayment of lease liabilities so that interest rates will be constant on the remaining balance of the lease liability. Finance costs are presented separately from the depreciation and amortization of right-of-use assets in the consolidated statements of profit or loss.

Whether or not a contract is, or contains, a lease is determined based on the substance of a contract, even when it does not take the legal form of a lease.

Lease payments for leases that have a lease term of twelve months or less and leases for which the underlying assets are of low value are recognized as expenses on either a straight-line basis over the lease term or another systematic basis.

(4) Impairment of non-financial assets

Every fiscal year, the Group assesses non-financial assets for any indications of impairment. In case there is an indication of impairment or in case the impairment test is required every fiscal year, the recoverable amount of the asset is estimated. When the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit to which such assets are allocated is estimated. The Group conducts impairment tests of goodwill every fiscal year or whenever there is an indication of impairment. Goodwill is allocated to each cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the business combination.

(5) Method of providing major allowances and provisions

Provisions are recognized when the Group has present obligations (legal or constructive) as a result of past events, it is probable that the outflow of economic resources will be required to settle the obligations, and the amounts of the obligations can be reliably estimated.

1) Provision for bonuses

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

2) Asset retirement obligations

To provide for obligations to restore plant and equipment and premises that the Group uses and removal of hazardous materials, the Group records asset retirement obligations based on estimated amounts to be paid in the future based on past results. Although these expenses are estimated to be mainly paid after one year or more, they may be affected by future business plans.

(6) Method of accounting for post-employment benefits

Defined benefit plans

The Company and some of its subsidiaries have defined benefit pension plans and severance lump-sum payment plans as defined benefit plans. Under the defined benefit plans, the net present value of defined benefit obligations less the fair value of plan assets is recognized in assets or liabilities in the consolidated statement of financial position. The present value of defined benefit obligations is calculated using the projected unit credit method.

The difference in the remeasurement of net defined benefit assets or obligations is recognized in other comprehensive income in the fiscal year as incurred. Furthermore, past service cost is recognized in profit or loss in the fiscal year it is incurred.

Defined contribution plans

Some of the Company's subsidiaries have defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans, under which the employer pays a certain amount of contributions to another independent entity and will have no legal or constructive obligations to pay further contributions. Contributions to the defined contribution pension plans are expensed in the period in which employees render services.

(7) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach, except interest and dividend income under IFRS 9.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

The Group's main business includes manufacturing and sales of products in the Basic Chemicals, Functional Chemicals, and Environment & Catalysts businesses. The Group recognizes revenue from the sale of these products upon delivery of the products to the customer, since the performance obligation is fulfilled because the customer obtains control over such products upon delivery of the products. Revenue is measured at the amount obtained after deducting price reductions, rebates, and sales returns from the transaction price in the contract with the customer.

Meanwhile, as the performance obligation for the sale of equipment for waste gas treatment in the Environment & Catalysts business is satisfied over time, progress towards satisfaction is measured based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period).

(8) Foreign currency translation

1) Foreign currency transactions

The Group measures items included in the financial statements of each group company using the currency used in the main economic environment where each group company conducts its operating activities (functional currency).

Foreign currency transactions are converted into the functional currency using the exchange rates at the date of the transactions. When remeasuring items included in the financial statements, the Group converts them into the functional currency using the exchange rates at the date of the remeasurement. Exchange differences arising from the settlement of these transactions or the translation of monetary assets or liabilities in a foreign currency using the exchange rates at the date of the settlement are recognized in profit or loss. However, translation differences arising from equity financial instruments measured at fair value through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

2) Foreign operations

Regarding foreign operations using a functional currency that differs from the presentation currency, assets and liabilities (including goodwill arising from the acquisition and revision of fair value) are translated to Japanese yen using the exchange rates at the end of the reporting period, while income and expenses are translated to Japanese yen at the average rate during the period unless the exchange rates fluctuate significantly during that period.

Exchange differences arising from the translation of financial statements of a foreign operation are recognized in other comprehensive income. When a foreign operation is disposed of, the cumulative translation differences related to the foregoing operation are recognized in profit or loss at the time of the disposal.

(9) Consumption taxes and other local consumption taxes

Consumption taxes and other local consumption taxes are excluded from the sales and expense accounts.

◆ Changes in accounting policies

Starting from the current fiscal year, the Group applies IFRS 16 *Leases* (issued in January 2016, hereinafter, “IFRS 16”).

The Group’s accounting policies on leases pursuant to IFRS 16 are provided in “3. Accounting Policies (3) Basis and methods of valuation of and methods of depreciation or amortization of property, plant and equipment, goodwill and intangible assets 3) Leases.”

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 amounting to 5,800 million yen under property, plant and equipment, and lease liabilities amounting to 5,789 million yen under other financial liabilities, 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.

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.

◆ **Notes to Consolidated Statements of Financial Position**

(Unit: Millions of yen)

1.	Accumulated depreciation and accumulated impairment losses on property, plant and equipment:	433,815
2.	Collateral assets and secured liabilities:	
	Assets pledged as collateral:	288
	Cash and cash equivalents	8
	Property, plant and equipment:	280
	Obligations corresponding to the above items:	362
	Trade payables:	12
	Bonds and borrowings:	350
3.	Allowance for doubtful accounts directly deducted from assets	70
4.	Balance of guaranteed debt, etc.	
	Balance of guaranteed debt:	1,320
	Balance of guaranteed debt includes 660 million yen of debt that has been re-guaranteed by other companies.	

◆ **Notes to Consolidated Statements of Changes in Equity**

1. Number of issued and outstanding shares of the Company's stock at end of the fiscal year 2019

Common stock: 40,800,000 shares

2. Matters related to distribution of retained earnings

- (1) Dividend payment

Resolution	Class of Shares	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2019	Common Stock	3,589	90.00	March 31, 2019	June 21, 2019
The Board meeting held on November 6, 2019	Common Stock	3,589	90.00	September 30, 2019	December 5, 2019

- (2) Dividends with a record date in the fiscal year 2019 but an effective date in the following fiscal year

Resolution	Class of Shares	Source of Dividends	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 19, 2020	Common Stock	Retained Earnings	3,589	90.00	March 31, 2020	June 22, 2020

◆ Notes to Financial Instruments

1. Conditions of financial instruments

The Group's business activities may be affected by various risks, including market risk, credit risk, and liquidity risk. While recognizing the possibility of occurrence of such risks, the Group makes every possible effort to prevent their occurrence and to manage them if they occur. Furthermore, the Group has established the "Risk Management Committee" chaired by the President to implement company-wide measures as appropriate in response to its exposure to various risks.

(1) Market risk

1) Foreign exchange risk

As the Group operates its business globally, it owns trade receivables and payables denominated in foreign currencies. These trade receivables and payables are exposed to the risk of fluctuations of foreign exchange rates. The Group enters into forward exchange contracts to hedge the risk of the trade receivables and the payables denominated in foreign currencies.

2) Interest rate risk

The Group covers working capital and capital expenditures using its own capital, bonds, and borrowings. As certain interest rates on its borrowings are floating rates, the Group is exposed to the risk of changes in interest rates. The Group enters into interest rate swap contracts to reduce such risk as necessary.

The effect of changes in market interest rates on the Group's operating profit is immaterial.

3) Share price fluctuation risk

As the Group owns shares of business partners for reinforcing business collaboration or capital tie-ups, it is exposed to the risk of market price fluctuations. To reduce such risk, the Group periodically assesses the market value and financial condition of issuers (business partners) and continually reviews the shareholding status by considering its relationships with business partners.

4) Derivative transactions

The Group enters into forward exchange contracts to hedge the risk of fluctuation in foreign exchange rates pertaining to trade receivables and payables denominated in foreign currencies, and interest rate swap contracts to hedge the risk of fluctuation in interest rates related to borrowings. The Finance & Accounting Division, etc. is responsible for managing derivative contracts and report the status of such transactions to directors in charge every month.

(2) Credit risk

Credit risk is the risk of incurring losses where an obligor, an issuer of financial assets owned by the Group, fails to honor its obligations. With regard to trade receivables, each business division regularly monitors the condition of major business partners, manages due dates and balances for each business partner, and assesses the credit condition of major business partners every six months. The consolidated subsidiaries also manage their credit risk in accordance with the above-mentioned procedures.

With regard to derivative transactions, the Group judges that credit risk is minimal since the counterparties are financial institutions with high credit ratings.

There is no excessive concentration of the credit risk that requires special management.

The carrying amount of financial assets after deducting provisions for doubtful accounts in the consolidated statement of financial position is the maximum exposure to the credit risk of the Company's financial assets that does not take into account collateral held and other credit enhancements.

(3) Liquidity risk

Liquidity risk is the risk that the Group will be unable to perform its repayment obligations for financial liabilities on the due date. Each group company manages liquidity risk by preparing their funding plans in a timely manner.

2. Fair value of financial instruments

The carrying amount and fair value of financial assets and liabilities measured at amortized cost are as follows:

Financial assets whose carrying values approximate their fair values are not included in the table below.

(Unit: Millions of yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized		
Bonds and long-term borrowings	45,075	45,634
Total financial liabilities	45,075	45,634

The fair value of long-term borrowings is calculated by discounting the total amounts of principal and interest to the present value using the incremental borrowing rate.

The fair value of bonds is determined based on their market prices.

◆ Per Share Information

Equity attributable to owners of parent per share:	¥8,017.17
Basic earnings per share:	¥278.21

◆ Additional Information

(Material accounting estimates and judgement)

In preparing consolidated financial statements, the Group applies accounting policies, as well as judgement, estimates and assumptions that affect the reporting amounts of assets, liabilities, revenue and costs. In the current fiscal year, the Group has appropriately examined the uncertainties that the spread of novel coronavirus infection may pose to these estimates and assumptions. Despite these increasingly uncertain conditions, the Group judges that it is unlikely to require material revisions to the carrying amount of assets or liabilities and related revenue and costs in the following fiscal year.

◆ Notes to significant subsequent events

(Postponement of the business integration by way of joint share transfer between the Company and Sanyo Chemical Industries, Ltd. and the reassessment of the share transfer ratio)

As announced in “Notice Regarding the Execution of a Final Agreement Concerning the Business Integration by Way of Joint Share Transfer Between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd.” dated November 29, 2019, the Company and Sanyo Chemical Industries, Ltd. (collectively, the “Companies”) adopted a resolution in their respective extraordinary meeting of the Board of Directors on the same date to conduct a business integration (the “Business Integration”) by establishing Synfomix Co., Ltd. (the “Integrated Holding Company”) by way of joint share transfer (the “Share Transfer”), which shall become the parent company of the Companies, and executed a final agreement (the “Final Agreement”) between the Companies based on the spirit of equality.

It was scheduled under the Final Agreement that the establishment date of the Integrated Holding Company (the effective date of the Share Transfer) would be October 1, 2020. However, as the recent global outbreak of COVID-19 and the sharp decline in the oil and oil product markets, among other factors, have caused the performance and other aspects of the Companies, as well as the financial, economic, market and other elements of the business environment, which served as bases for the agreement on the Business Integration, to become unpredictable, the Companies adopted a resolution in their respective extraordinary meeting of the Board of Directors on April 13, 2020 to postpone the Business Integration and reassess the Share Transfer ratio agreed under the Final Agreement, and executed a Memorandum of Understanding Regarding the Final Agreement (the “MOU”).

It was agreed in the MOU that the establishment date of the Integrated Holding Company (the effective date of the Share Transfer) is now scheduled to take place on April 1, 2021, and that the share transfer ratio agreed under the Final Agreement will be reassessed. There are no significant changes to the terms of the Business Integration from the terms announced on November 29, 2019 except for the schedule of the Business Integration including the establishment date of the Integrated Holding Company and the Share Transfer ratio.

The changes to the schedule of the Business Integration as a result of the change to the establishment date of the Integrated Holding Company (the effective date of the Share Transfer) are as follows.

	Before change	After change
Resolutions on the execution of the Final Agreement at the Companies' extraordinary meetings of Board of Directors Execution of the Final Agreement	November 29, 2019	November 29, 2019
Resolutions on the content of the Share Transfer Plan at the Companies' extraordinary meetings of the Board of Directors Preparation of the Share Transfer Plan	Early May 2020 (scheduled)	TBD (to be separately agreed between the parties)
Approval of the Share Transfer Plan and other items necessary for the Share Transfer at the Companies' shareholders meeting	Mid-June 2020 (scheduled)	TBD (to be separately agreed between the parties)
Final trading date of the Companies' common stock	September 28, 2020 (scheduled)	March 29, 2021 (scheduled)
Delisting date of the Companies' common stock	September 29, 2020 (scheduled)	March 30, 2021 (scheduled)
Effective Date (establishment date of the Integrated Holding Company) Listing of the Integrated Holding Company's common stock	October 1, 2020 (scheduled)	April 1, 2021 (scheduled)

The result of the reassessment of the Share Transfer ratio and the schedule of the Business Integration will be announced as soon as it has been agreed between the Companies.

Nonconsolidated Financial Statements

(As of March 31, 2020)

(Unit: Millions of yen)

[Assets]	
Current assets	135,086
Cash and deposits	30,436
Notes receivable - trade	189
Accounts receivable - trade	57,539
Merchandise and finished goods	19,545
Work in process	3,880
Raw materials and supplies	13,780
Prepaid expenses	635
Short-term loans receivable from subsidiaries and associates	2,858
Accounts receivable - other	3,124
Other	3,101
Non-current assets	220,294
Property, plant and equipment	87,687
Buildings	17,845
Structures	8,854
Machinery and equipment	29,322
Vehicles	65
Tools, furniture and fixtures	2,590
Land	25,094
Construction in progress	6,568
Accumulated depreciation	-2,651
Intangible assets	2,251
Patent right	32
Leasehold right	120
Software	552
Telephone subscription right	16
Right of using facilities	9
Other	1,522
Investments and other assets	130,356
Investment securities	30,214
Shares of subsidiaries and associates	73,398
Investments in capital of subsidiaries and associates	5,646
Long-term loans receivable	43
Long-term loans receivable from employees	1
Long-term loans receivable from subsidiaries and associates	11,141
Long-term prepaid expenses	1,147
Deferred tax assets	342
Lease and guarantee deposits	457
Prepaid pension cost	7,777
Other	236
Allowance for doubtful accounts	-45
Total assets	355,380

	[Liabilities]	
Current liabilities		53,054
Accounts payable - trade		34,285
Short-term loans payable		4,700
Current portion of long-term loans payable		218
Accounts payable - other		5,522
Accrued expenses		1,035
Income taxes payable		1,668
Advances received		85
Deposits received		319
Provision for bonuses		2,126
Provision for directors' bonuses		110
Provision for repairs		2,782
Other		204
Non-current liabilities		34,312
Bonds payable		10,000
Long-term loans payable		15,101
Provision for retirement benefits		8,507
Other		705
Total liabilities		87,366
	[Net assets]	
Shareholders' equity		260,830
Capital stock		25,038
Capital surplus		22,072
Legal capital surplus		22,071
Other capital surplus		1
Retained earnings		220,000
Legal retained earnings		3,920
Other retained earnings		216,080
Reserve for dividends		760
Reserve for special depreciation		1
Reserve for advanced depreciation of non-current assets		486
General reserve		150,665
Retained earnings brought forward		64,168
Treasury shares		-6,281
Valuation and translation adjustments		7,184
Valuation difference on available-for-sale securities		7,184
Total net assets		268,014
Total liabilities and net assets		355,380

Nonconsolidated Statements of Income

(April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

Net sales	204,690
Cost of sales	164,279
Gross profit	40,411
Selling, general and administrative expenses	30,233
Operating profit	10,178
Non-operating income	10,720
Interest and dividend income	6,415
Miscellaneous income	4,305
Non-operating expenses	2,221
Interest expenses	350
Miscellaneous loss	1,872
Ordinary profit	18,677
Extraordinary income	733
Gain on sales of non-current assets	369
Gain on sales of investment securities	365
Extraordinary losses	747
Loss on valuation of shares of subsidiaries and associates	485
Loss on removal of non-current assets	203
Loss on abandonment of non-current assets	59
Profit before income taxes	18,664
Income taxes	3,888
Income taxes - current	3,556
Income taxes - deferred	332
Profit	14,776

Nonconsolidated Statements of Changes in Equity
(April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Shareholders' equity										
	Capital stock	Capital Surplus			Legal retained earnings	Retained earnings					Total Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other Retained earnings					
						Reserve for dividends	Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	25,038	22,071	1	22,072	3,920	760	7	487	140,665	66,563	212,402
Changes of items during period											
Dividends of surplus										-7,178	-7,178
Profit										14,776	14,776
Reversal of reserve for special depreciation							-6			6	—
Reversal of reserve for advanced depreciation of non-current assets								-1		1	—
Provision of general reserve									10,000	-10,000	—
Purchase of treasury shares											
Net changes of items other than shareholders' equity											
Total changes of items during period	—	—	—	—	—	—	-6	-1	10,000	-2,395	7,598
Balance at end of current period	25,038	22,071	1	22,072	3,920	760	1	486	150,665	64,168	220,000

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	-6,274	253,238	10,480	—	10,480	263,718
Changes of items during period						
Dividends of surplus		-7,178				-7,178
Profit		14,776				14,776
Reversal of reserve for special depreciation		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Provision of general reserve		—				—
Purchase of treasury shares	-6	-6				-6
Net changes of items other than shareholders' equity			-3,295	—	-3,295	-3,295
Total changes of items during period	-6	7,592	-3,295	—	-3,295	4,296
Balance at end of current period	-6,281	260,830	7,184	—	7,184	268,014

(Reference)

Nonconsolidated Statements of Cash Flows
(April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before income taxes	18,664
	Depreciation	9,745
	Loss (gain) on sales of non-current assets	-369
	Loss (gain) on sales of investment securities	-365
	Loss on valuation of shares of subsidiaries and associates	485
	Loss on removal of non-current assets	203
	Loss on abandonment of non-current assets	59
	Increase (decrease) in provision for retirement benefits	436
	Decrease (increase) in prepaid pension costs	-774
	Interest and dividend income	-6,415
	Interest expenses	350
	Decrease (increase) in notes and accounts receivable - trade	3,491
	Decrease (increase) in inventories	-3,965
	Increase (decrease) in notes and accounts payable - trade	-5,726
	Other, net	-211
	Subtotal	15,609
	Interest and dividend income received	6,358
	Interest expenses paid	-295
	Income taxes (paid) refund	-4,860
	Net cash provided by (used in) operating activities	16,812
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-11,506
	Proceeds from sales of property, plant and equipment	2,498
	Purchase of intangible assets	-1,623
	Purchase of shares of subsidiaries and associates	-1,932
	Payments of loans receivable	-14,804
	Collection of loans receivable	6,685
	Other, net	520
	Net cash provided by (used in) investing activities	-20,162
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	1,411
	Proceeds from long-term loans payable	9,662
	Repayments of long-term loans payable	-5,200
	Cash dividends paid	-7,178
	Other, net	-6
	Net cash provided by (used in) financing activities	-1,312
IV	Translation adjustments of cash and cash equivalents	-65
V	Net increase (decrease) in cash and cash equivalents	-4,726
VI	Cash and cash equivalents at beginning of period	35,076
VII	Cash and cash equivalents at end of period	30,350

Notes to Nonconsolidated Financial Statements

◆ Significant Accounting Policies

1. Basis and methods of valuation of assets

(1) Basis and methods of valuation of securities

1) Shares of subsidiaries and associates:

Stated at cost, determined by the moving- average method.

2) Other securities:

Marketable securities:

Carried at fair value, based on market prices at fiscal year-end. (Unrealized holding gain or loss, net of the applicable income taxes, is reported as a separate component of net assets. Cost of securities sold is primarily determined by the moving average method).

Nonmarketable securities:

Primarily stated at cost, determined mainly by the moving average method.

(2) Basis and methods of valuation of inventories:

Inventories held for sale in the ordinary course:

Valued at cost, determined by the moving-average method (The book values are written down due to decreased profitability).

2. Depreciation methods applicable to depreciable assets

(1) Property, plant and equipment:

By the straight-line method. Useful lives and residual values are calculated based on the same criteria as those stipulated under the Corporate Income Tax Law of Japan.

(2) Intangible assets:

By the straight-line method. Software (for internal use) is amortized by the straight-line method over the estimated useful life for internal use (five years).

3. Method of providing allowances and provisions

(1) Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company reserves an amount based on the historical write-off ratio for normal accounts and amounts projected to be unrecoverable based on assessments for specific doubtful accounts such as claims with default possibility.

(2) Provision for bonuses:

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

(3) Provision for directors' bonuses:

To provide for payment of bonuses to directors, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

(4) Provision for repairs:

The Company provides an allowance for the cost of periodic repairs to large-scale production equipment based on estimates of the future cost of such repairs.

(5) Provision for retirement benefits:

The Company provides an allowance for accrued retirement benefits to employees based on the retirement benefit obligation and the fair value of the pension plan assets as of the end of the fiscal year.

1) Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the way of attributing expected benefit to the periods up to this fiscal year-end.

2) Prior service cost is amortized by the straight-line method over a period (mostly over five years) which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is amortized and charged to income in the year following the year in which such gain or loss is recognized by the straight-line method over a period (mostly over ten years) which is within the estimated average remaining years of service of the eligible employees.

4. Standards for booking net sales and cost of sales of completed construction contracts

“Percentage of completion standard” (estimates of percentage of completion are based on the cost-to-cost method) is applied to the portion of contracted work deemed to have been completed by the end of the fiscal year, and the “construction completion standard” is applied to other contracted work.

5. Other significant matters pertaining to the preparation of the financial statements

(1) Provision for retirement benefits

Methods of accounting for unrecognized actuarial differences for retirement benefits and unrecognized prior service costs differ from those employed in the consolidated financial statements.

(2) Method of material hedge accounting

1) Hedging method:

Deferred hedge treatment is adopted.

2) Hedging instruments and risks hedged:

Hedging methods to which hedge accounting is applied and hedge targets are as follows.

a. Hedging instruments : Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

b. Hedging instruments : Interest rate swaps

Hedged risk: Borrowing

3) Hedging policy:

Our policy is to establish hedges for risks associated with movements in foreign exchange rates and interest rates. Derivatives are not used for more than the actual amount of the associated transactions and are never used for speculation.

4) Evaluation method for the effectiveness of hedges:

The Company evaluates the effectiveness of hedges by directly linking the hedging instruments with market changes in hedging methods or changes in cash flows.

(3) Consumption taxes:

Consumption taxes are excluded from the sales and expense accounts.

(4) Translation of assets and liabilities denominated in foreign currencies into Japanese Yen:

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate in effect at the consolidated balance sheet date, and any gains and losses resulting from the translation are credited or charged to income.

◆Notes to Nonconsolidated Balance Sheet

1. Monetary claims and liabilities relating to subsidiaries and associates	
Short-term monetary claims:	28,197 million yen
Long-term monetary claims:	11,152 million yen
Short-term monetary liabilities:	8,864 million yen
Long-term monetary liabilities:	17 million yen
2. Accumulated depreciation on property, plant and equipment:	286,231 million yen
3. Guarantee obligations and guarantee reservations and obligations	
Outstanding balance of guarantee obligations:	3,334 million yen
Outstanding balance of guarantee reservations and obligations:	2,869 million yen

With regard to 660 million yen within the guarantee obligations, reinsurance from another company has been secured.

◆Notes to Nonconsolidated Statements of Income

Balance of transactions with subsidiaries and associates	
Balance of operating transactions	
Net sales:	58,023 million yen
Total purchase of goods:	44,905 million yen
Balance of non-operating transactions:	7,969 million yen

◆Notes to Nonconsolidated Changes in Shareholder's Equity

Class and number of shares of treasury stock at end of current period	
Common stock:	923,272 shares

◆Notes to Tax Effect Accounting

Major factors for deferred tax assets and liabilities

Deferred tax assets	
Investment securities	2,707 million yen
Depreciation (including impairment loss)	996 million yen
Land	886 million yen
Provision for repairs	851 million yen
Provision for bonuses	651 million yen
Provision for retirement benefits	223 million yen
Other:	688 million yen
Deferred tax assets subtotal:	7,002 million yen
Valuation allowance:	-3,593 million yen
Total deferred tax assets:	3,409 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	-2,853 million yen
Reserve for advanced depreciation of non-current assets	-214 million yen
Reserve for special depreciation	-1 million yen
Total deferred tax liabilities	-3,068 million yen
Deferred tax assets, net	342 million yen

◆Notes with Regard to Business Partners

Subsidiaries and associates

Type	Subsidiary				Associates				
Name	Nippon Shokubai America Industries, Inc.		NIPPON SHOKUBAI EUROPE N.V.	PT. NIPPON SHOKUBAI INDONESIA		Umicore Shokubai Japan Co., Ltd.			
Location	Texas, United States of America		Antwerp, Kingdom of Belgium	Banten, Indonesia		Tokoname City, Aichi Prefecture, Japan			
Paid-in capital or equity stake	US\$100,000,000 (Note 1)		€193,000,000	US\$120,000,000		750 million yen			
Business description	Manufacturing of chemicals		Manufacturing of chemicals	Manufacturing of chemicals		Wholesale of chemicals			
Holding/held ratio of voting rights	Ownership Direct 100.0%		Ownership Direct 100.0%	Ownership Direct 99.9%		Ownership Indirect 40.0%			
Relationship	Guarantor of obligations Financial assistance Concurrent director (2 directors)		Guarantor of obligations Concurrent director (2 directors)	Guarantor of obligations Financial assistance Concurrent director (2 directors)		Supply of Nippon Shokubai Products (automotive catalysts) and related transactions Concurrent director (1 director)			
Transactions	Loans (Note 2)	Collection of loans	Contingent obligations (Note 3)	Contingent obligations (Note 4)	Loans (Note 2)		Contingent obligations (Note 5)	Sale of automotive catalysts (Note 6)	Procurement of raw materials (Note 6)
Amount (millions of yen)	4,312	5,751	1,320	2,869	9,662		2,013	16,845	16,274
Category	Short-term loans receivable from subsidiaries and associates		—	—	Short-term loans receivable from subsidiaries and associates	Long-term loans receivable from subsidiaries and associates	—	Accounts receivable-trade	Accounts payable-trade
Amount at end of term (millions of yen)	1,850		—	—	218	11,101	—	7,879	5,088

(Note 1) Paid-in capital.

(Note 2) Funding has been determined in light of market interest rates.

(Note 3) Debt guarantees have been made for loan obligations from financial institutions. With regard to 660 million yen within the loan guarantee amount, reinsurance from another company has been secured.

(Note 4) Debt guarantees have been made for loan obligations from financial institutions.

(Note 5) Debt guarantees have been made for loan obligations from financial institutions.

(Note 6) Sales of products and procurement of raw materials have been determined with negotiated prices in light of market prices and costs.

(Note 7) In the above amount, consumption tax and other taxes are not included in the transaction amount or loans at the end of the fiscal period. Consumption tax and other taxes are included in accounts receivable-trade and accounts payable-trade in the amount at the end of the fiscal period.

◆Notes with regard to information per share

Net assets per share: 6,721.06 yen

Basic earnings per share: 370.54 yen

◆Notes to significant subsequent events

(Postponement of the business integration by way of joint share transfer between the Company and Sanyo Chemical Industries, Ltd. and the reassessment of the share transfer ratio)

Description is omitted as its details are provided in “◆Notes to significant subsequent events” in Notes to Consolidated Financial Statements.