

For the Fiscal Year Ended March 31, 2019

* This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

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

May 8, 2019

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (First Section)
 Code number: 4114 URL: <http://www.shokubai.co.jp/>
 Representative: Yujiro Goto, President and Representative Member of the Board
 Contact for inquiries: Atsushi Tabata, General Manager of General Affairs Dept. Phone: +81-6-6223-9111
 Scheduled date of the general shareholders' meeting: June 20, 2019
 Scheduled date of dividend payment: June 21, 2019
 Scheduled date of filing annual securities report: June 20, 2019
 Supplementary materials prepared: Yes
 Financial results information meeting held: Yes (for securities analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

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

(1) Consolidated operating results (cumulative)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2018	349,678	8.3	26,110	-2.3	33,101	2.5	25,012	3.0
FY 2017	322,801	9.8	26,727	26.4	32,293	30.9	24,280	25.4

Note: Comprehensive income (millions of yen): FY 2018: 22,094 -6.9%
 FY 2017: 23,723 10.2%

	Basic earnings per share	Diluted net income per share	Rate of return on equity	Ordinary profit on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY 2018	627.20	-	7.9	7.1	7.5
FY 2017	608.84	-	8.1	7.2	8.3

Reference: Share of profit of entities accounted for using equity method (millions of yen): FY 2018: 5,388
 FY 2017: 4,405

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2019	471,050	325,371	68.5	8,089.98
As of Mar. 31, 2018	467,386	310,762	65.7	7,705.05

Reference: Shareholders' equity (millions of yen): As of Mar. 31, 2019: 322,610
 As of Mar. 31, 2018: 307,271

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(3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2018	31,213	-27,143	-9,593	46,272
FY 2017	38,823	-27,498	-9,762	51,612

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2017	-	75.00	-	85.00	160.00	6,381	26.3	2.1
FY 2018	-	80.00	-	90.00	170.00	6,779	27.1	2.2
FY 2019 (forecast)	-	90.00	-	90.00	180.00		29.9	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020

(from April 1, 2019 to March 31, 2020)

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

	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	170,000	-	13,000	-	16,000	-	12,000	-	300.92
Full year	345,000	-	26,500	-	32,000	-	24,000	-	601.84

Note: The Company voluntarily applies the International Financial Reporting Standards (IFRS) for the consolidated financial statements to be provided in the annual securities report for FY 2018 onward. As the consolidated financial forecasts for FY 2019 have been prepared in accordance with the IFRS, percentage changes from the results for FY 2018, which were based on the accounting principles generally accepted in Japan, are not presented.

※Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates; restatements

1) Changes in accounting policies due to amendment of accounting standards: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)

Mar. 31, 2019: 40,800,000 shares Mar. 31, 2018: 40,800,000 shares

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

Mar. 31, 2019: 922,347 shares Mar. 31, 2018: 920,844 shares

3) Average number of shares outstanding during the period

FY2018: 39,878,368 shares FY2017: 39,880,159 shares

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(Reference) Non-consolidated Business Overview**1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2019****(from April 1, 2018 to March 31, 2019)****(1) Non-consolidated operating results**

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2018	232,222	2.4	17,356	-19.4	26,216	-8.4	20,371	-4.5
FY 2017	226,887	15.6	21,540	37.5	28,612	17.5	21,330	9.6

	Basic earnings per share	Diluted net income per share
	Yen	Yen
FY 2018	510.83	-
FY 2017	534.86	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2019	352,742	263,718	74.8	6,613.17
As of Mar. 31, 2018	353,831	253,933	71.8	6,367.56

Reference: Shareholders' equity (millions of yen): As of Mar. 31, 2019: 263,718

As of Mar. 31, 2018: 253,933

2. Non-consolidated Business Forecast for the Fiscal Year Ending March 31, 2020**(from April 1, 2019 to March 31, 2020)**

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

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	113,300	-2.3	10,300	19.5	17,000	16.9	14,000	20.3	351.07
Full year	228,700	-1.5	20,000	15.2	28,300	7.9	22,400	10.0	561.72

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

※Appropriate use of business forecasts; other special items

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

1. Overview of Business Results, etc.**(1) Overview of Business Results for FY 2018 (April 1, 2018 – March 31, 2019)**

The world economy in the current fiscal year saw the United States economy continuing to recover, the situation in Europe also recovering moderately, while the pickup trend coming to a standstill in China, and signs of weakness in certain emerging countries in Asia. Furthermore, the outlook remained unclear due mainly to the impact of trade friction between the United States and China, and the crude oil market trend.

As for the Japanese economy, the country saw a moderate recovery due primarily to an increase in capital investment and steady improvement in employment conditions.

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

1) Overview

(Unit: Millions of yen)

	FY 2017	FY 2018	Change	
			(Amount)	(% growth)
Net sales	322,801	349,678	26,877	8.3%
Operating profit	26,727	26,110	-618	-2.3%
Ordinary profit	32,293	33,101	809	2.5%
Profit attributable to owners of parent	24,280	25,012	731	3.0%
Basic earnings per share	608.84 yen	627.20 yen	18.36 yen	3.0%
ROA (Return on Assets)	7.2%	7.1%	-	-0.1 points
ROE (Return on Equity)	8.1%	7.9%	-	-0.2 points
Foreign exchange rates (\$ and EUR)	\$=¥110.82	\$=¥110.92	0.10 yen	
	EUR=¥129.70	EUR=¥128.39	-1.31 yen	
Naphtha price	41,900 yen/kl	49,400 yen/kl	7,500 yen/kl	

(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 current fiscal year. ROA for the previous fiscal year is calculated with figures after retrospectively applying the said accounting standard.

Under these conditions, the Group's consolidated net sales in the current fiscal year increased 8.3% year-on-year to 349,678 million yen, up 26,877 million yen. Contributing factors included a revision in sales prices on account of rising raw material costs and market conditions for products outside of Japan.

With regard to profits, in spite of the volume effects resulted from increased production and sales volume mainly in the functional chemicals segment, higher processing costs led to lower operating profit, which was down 618 million yen, or 2.3% year-on-year, to 26,110 million yen.

Non-operating income increased 1,426 million yen due to an increase in share of profit of entities accounted for using equity method. As a result, ordinary profit was up 2.5% to 33,101 million yen, 809 million yen higher than the previous fiscal year.

As a result, profit attributable to owners of parent rose 3.0% to 25,012 million yen, up 731 million yen.

2) Outline of Sales by Business Segment

(Unit: Millions of yen)

Basic Chemicals

	FY 2017	FY 2018	Change
Net sales	120,025	129,075	9,050
Operating profit	12,912	10,366	-2,546

Functional Chemicals

	FY 2017	FY 2018	Change
Net sales	173,965	190,808	16,843
Operating profit	13,935	14,499	565

Environment & Catalysts

	FY 2017	FY 2018	Change
Net sales	28,811	29,796	985
Operating profit	268	942	674

Basic Chemicals

Sales of acrylic acids and acrylates increased due to a revision in sales prices accompanying rising raw materials costs and market conditions for products outside of Japan, despite declined sales volume.

Sales of ethylene oxide increased due to a revision in sales prices accompanying higher raw materials costs and increased sales volume.

Sales of ethylene glycol decreased due to declined sales volume.

Sales of ethanolamine decreased due to declined sales volume, despite a revision in sales prices accompanying rising raw materials costs.

Sales of secondary alcohol ethoxylates increased due to increased sales volume and a revision in sales prices accompanying higher raw materials costs.

As a result of the above, net sales in the basic chemicals segment increased 7.5% year-on-year to 129,075 million yen.

Operating profit decreased 19.7% year-on-year, to 10,366 million yen. This was due to factors such as an increase in processing costs and selling, general, and administrative expenses, despite widening of the spread owing to an increase in sales prices in excess of a hike in raw material costs.

Functional Chemicals

Sales of superabsorbent polymers increased due to a revision in sales prices accompanying higher raw materials costs and increased sales volume.

Sales of polymers for concrete admixture, water-soluble polymers for raw materials of detergents, resins for paints, adhesive products and electronic information material increased due to higher sales volume.

Sales of special acrylates decreased due to decreased sales volume, despite a revision in sales prices accompanying rising raw materials costs and market conditions for products outside of Japan.

Sales of maleic anhydride and resin modifiers decreased due to decreased sales volume.

Sales of ethyleneimine derivatives and iodine compounds increased due to a change in the product mix, despite lower sales volume.

As a result, net sales in the functional chemicals segment rose 9.7% year-on-year to 190,808 million yen.

Operating profit increased 4.1% year-on-year to 14,499 million yen. This was due to factors such as increased production and sales volume and decreased selling, general, and administrative expenses, despite an increase in processing costs.

Environment & Catalysts

Sales of automotive catalysts decreased due to decreased sales volume, in spite of the appreciation of prices of precious metals.

Sales of fuel cell materials decreased due to a decline in sales prices, despite higher sales volume.

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Sales of process catalysts, wet oxidation catalysts and materials for lithium-ion batteries increased due to higher sales volume.

Sales of De-NO_x catalysts and waste gas treatment catalysts decreased due to lower sales volume.

As a result of the above, net sales in the environment & catalysts segment rose 3.4% year-on-year to 29,796 million yen.

Operating profit in the segment increased 674 million yen year-on-year to 942 million yen, on account of an increase in sales volume and a decrease in selling, general, and administrative expenses.

(2) Overview of Financial Position for FY 2018 (April 1, 2018 – March 31, 2019)

As 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 current fiscal year, year-on-year comparisons and analyses in the financial position are presented by using the figures after retrospectively applying the said accounting standard.

Total assets at the end of the current fiscal year increased 3,664 million yen from the end of the previous fiscal year to 471,050 million yen. Current assets increased 377 million yen compared to the end of the previous fiscal year. Although cash and deposits decreased, contributing factors included an increase in notes and accounts receivable – trade as a result of efforts to maintain sales prices despite a significant decline in raw material costs in the fourth quarter of the current fiscal year, which had been revised in line with rising raw material costs by the third quarter. Non-current assets were 3,287 million yen higher than at the end of the previous fiscal year. This was due to an increase in property, plant and equipment as a result of capital investment, although investment securities decreased on account of a decline in market values.

Liabilities decreased 10,945 million yen compared to the end of the previous fiscal year to 145,679 million yen. This was due to a decrease in notes and accounts payable – trade as a result of lower raw materials costs and repayments of loans payable.

Net assets increased 14,609 million yen compared to the end of the previous fiscal year to 325,371 million yen. This was due to increased retained earnings, despite a decrease in valuation difference on available-for-sale securities.

Shareholders’ equity ratio rose 2.8 percentage points, from 65.7% at the end of the previous fiscal year to 68.5%. Net assets per share increased 384.93 yen compared to the end of the previous fiscal year to 8,089.98 yen.

(3) Overview of Cash Flows for FY 2018

Cash and cash equivalents at the end of the current fiscal year amounted to 46,272 million yen, a decrease of 5,340 million yen from the end of the previous fiscal year, as cash flows provided by operating activities were outweighed by cash flows used in investing activities including capital investment and cash flows used in financing activities.

Cash flow from operating activities

Net cash provided by operating activities in the current fiscal year amounted to 31,213 million yen (38,823 million yen was provided in the previous fiscal year). Notes and accounts payable - trade at the end of the current fiscal year decreased due to a settlement of the previous fiscal year’s unsettled portion during the current fiscal year because the last day of the previous fiscal year fell on a bank holiday, as well as due to a significant decline in raw material costs in the fourth quarter of the current fiscal year, which had been on the rise from the previous fiscal year. Notes and accounts receivable - trade increased primarily due to efforts to maintain sales prices, while income taxes paid also increased, which led to decreased inflows of 7,610 million yen compared to the previous fiscal year.

Cash flow from investing activities

Net cash used in investing activities totaled 27,143 million yen (27,498 million yen was used in the previous fiscal year). Outflows decreased for the purchase of property, plant and equipment, which led to decreased outflows of 354 million yen compared to the previous fiscal year.

Cash flow from financing activities

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Net cash used in financing activities amounted to 9,593 million yen (9,762 million yen was used in the previous fiscal year). This was a decrease of 169 million yen in cash outflows compared to the previous fiscal year. Contributing factors included increases in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation and cash dividends paid, which were outweighed by a decrease in repayments of long-term loans payable.

(Reference) Condition of cash flow indicators

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Shareholders' equity ratio	63.2%	68.3%	66.6%	65.7%	68.5%
Shareholders' equity ratio at market base	85.3%	57.0%	69.7%	61.6%	61.1%
Cash flow to interest-bearing debt ratio	2.0 years	1.0 year	1.5 years	1.5 years	1.8 years
Interest coverage ratio	52.6	123.7	87.2	96.8	60.8

Shareholders' equity ratio = shareholders' equity/ total assets

Shareholders' equity ratio at market base = market capitalization/ total assets

Cash flow to interest-bearing debt ratio = interest-bearing debt/ operating cash flow

Interest coverage ratio = operating cash flow/ interest payments

- Notes:
- All indicators are calculated based on consolidated figures.
 - Market capitalization = closing share price at period end × outstanding shares at period end (after deducting treasury stock)
 - We use “net cash provided by operating activities” from the consolidated statements of cash flows for “operating cash flow.”
 - We have included all interest-bearing debts in the consolidated balance sheet for “interest-bearing debt.”
 - We use “interest expenses paid” from the consolidated statements of cash flows for “interest payments.”
 - 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 fiscal year ended March 31, 2019. Shareholders' equity ratio and shareholders' equity ratio at market base for fiscal year ended March 31, 2018 are calculated with figures after retrospectively applying the said accounting standard.

(4) Future Outlook

The Japanese economy is expected to see a continued improvement in the employment environment and an increase in capital investment. Meanwhile, it is predicted that the management environment surrounding the Group will be unpredictable, owing to factors such as the impact of trade frictions between the United States and China, trends in crude oil and uncertainty in the political situation in Europe.

Under such conditions, projected earnings in the next fiscal year are based on exchange rates of 110 yen to the U.S. dollar and 125 yen to the euro, and domestic naphtha prices of 42,000 yen/kl. We therefore forecast revenue of 345.0 billion yen (170.0 billion yen in the first half), operating profit of 26.5 billion yen (13.0 billion yen in the first half), profit before tax of 32.0 billion yen (16.0 billion yen in the first half), and profit attributable to owners of parent of 24.0 billion yen (12.0 billion yen in the first half).

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

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
First-half forecasts	68.5	5.5	97.0	6.9	4.5	0.2	0.4	170.0	13.0
Second-half forecasts	67.5	5.9	102.0	7.0	5.5	0.3	0.3	175.0	13.5
Full-year forecasts	136.0	11.4	199.0	13.9	10.0	0.5	0.7	345.0	26.5

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

The Company voluntarily applies the International Financial Reporting Standards (IFRS) for the consolidated financial statements to be provided in the annual securities report for FY 2018 onward. Therefore, the consolidated forecasts shown above have been prepared based on IFRS. For the information concerning comparison with the results for FY 2018, please see “7. Supplementary Material.”

(5) Basic Policy on the Distribution of Profits, and Dividends for FY 2018 and FY 2019

The Company has positioned the return of profits to shareholders as the most important management task, and, in consideration of the dividend payout ratio, etc., 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. In addition to dividend distributions, the Company intends to consider stock buybacks as one of the options to raise the value per share.

Meanwhile, aggressive investments in equipment, strategies, and R&D are also necessary for the maintenance of competitiveness and continued growth. As such, the Company regards retention of internal reserves also essential; therefore we will continue to distribute profits by carefully considering the balance of above factors.

The Company pays dividends twice a year, once at the end of the interim period and once at the end of the fiscal year.

Based on the above basic policy, the Company plans to pay a year-end dividend of 90 yen per share for FY 2018, taking into consideration the business environment, results and future prospects for business growth. As a result, annual dividends will total 170 yen per share, marking a record-high, for a consolidated payout ratio of 27.1%.

For FY 2019, based on the above basic policy, annual dividends are scheduled to be 180 yen (interim dividends of 90 yen and year-end dividends of 90 yen), taking into consideration the trends in profit and a payout ratio.

3. Management Policy

(1) Basic Management Policy

Based on Nippon Shokubai Group's mission of "TechnoAmenity: providing affluence and comfort to people and society, with our unique technology," we set the management commitment of 1) We conduct all of our corporate activities based upon a deep respect for humanity, 2) We aim at coexisting with society and working in harmony with the environment, 3) We pursue technologies that will create the future, and 4) We act on the global stage, and work on initiatives to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world.

(2) Challenges, Long-term Business Strategies, and Performance Targets

Under its mission, management commitment and its corporate credo, the Group is working on its long-term business Plan "Reborn Nippon Shokubai 2020" 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.

<p>Nippon Shokubai Group Mission TechnoAmenity Providing affluence and comfort to people and society, with our unique technology</p>	<p>Corporate Credo Safety takes priority over production.</p>
<p>Management Commitment</p> <ul style="list-style-type: none"> • We conduct all of our corporate activities based upon a deep respect for humanity. • We aim at coexisting with society, and working in harmony with the environment. • We pursue technologies that will create the future. • We act on the global stage. 	

[Outline of the long-term business plan "Reborn Nippon Shokubai 2020"]

We defined the long-term Vision for 2025 and we have set the Target for 2020 as a milestone for the Vision for 2025.

[The 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT"]

The 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT" is a specific action plan to achieve Vision for 2025 and Targets for 2020 that were set out in the long-term business plan "Reborn Nippon Shokubai 2020."

Toward realizing the Targets for 2020, "Reborn Nippon Shokubai 2020 NEXT" holds "Focusing on profitability over sales" and "Safe, reliable production activities" as business policies to achieve the priority challenges of "Survival of superabsorbent polymer business" and "Launch of new businesses in high-growth potential markets for our future key driver." To this end, all vectors will be concentrated on the basic posture of "Create products and services which market needs, and provide the products and the services when market needs" to accomplish the Group mission of "TechnoAmenity: providing affluence and comfort to people and society, with our unique technology."

Additionally, during execution of the plan, through all employees acting with a sense of impending crisis and consciousness ("think and act on your own") and achieving the goals set forth, the Company will work to realize "a company* that everybody can be proud of." Furthermore, during FY 2020, the final year of the 2nd medium-term business plan, the Company aims to be in a position to prospect further strong Group growth for next ten years.

- * A company that promotes work safety and peace of mind
 A company that rewards people who make their best efforts and achieve results
 A company that people can be proud to work for

◆ Vision for 2025

An innovative chemical company that provides new value for people's lives

We;

- Take on the challenge of creating new value by developing new products and business through our advanced technologies and our creativity
- Deliver the new values globally through our unique products and technologies
- Manufacture products that embody new value and feature the highest safety and productivity
- Create new value that contributes to the global environment
- Create new value by promoting dynamism and diversity in the workplace throughout all Group companies

Business Activities

- a) Reconfirmed: Existing businesses, such as EO (ethylene oxide and its derivatives), AA/SAP (acrylic acid and its derivatives including superabsorbent polymer) etc., will be strengthened more. Performance chemicals, new energy materials, health and medical materials and/or any other new businesses* will contribute more to corporate profit. As a result, these expected businesses will be expanded much more and be higher position in comparison to the existing businesses.

*New businesses: businesses in the market which we could not enter into yet, or businesses in the market which is not formed yet.

- b) Accelerate business development continuously throughout the global market
- c) Employ our competencies in R&D, production technologies and marketing and maximize the synergy from such activities

◆ Targets for 2020

The Targets for 2020 have been set as a milestone for the Vision for 2025.

Management Indexes and Numerical Targets (IFRS)

(Unit: Billion yen)

	Revenue	Profit before tax	ROA ²	Sales for new products ³ in existing businesses	Sales for new businesses
FY2020 target figures ¹	400	40	7.4%	39	38

1 The Company voluntarily applies the International Financial Reporting Standards (IFRS) for the consolidated financial statements to be provided in the annual securities report for FY 2018 onward. Therefore, management indexes and numerical targets have been prepared based on IFRS.

2. As the Company mainly uses large-scale production equipment, it has heretofore placed importance on profitability and asset efficiency, and the Company thus uses ROA, which consists of the ratio of ordinary profit to sales as well as total asset turnover ratio, as a KPI (Key Performance Indicator) that it works to improve. In line with the application of IFRS, this is replaced with the ratio of profit before tax to total assets.

3 Total sales of products launched within the last five years, excluding superabsorbent polymer.

◆ Strategies by Business area

In order to meet Targets for 2020, we have adopted the following basic strategies for each business area.

Basic Chemicals	Ethylene oxide (EO) business	We strengthen our competitiveness by structural reform of our EO plant such as partnership with other company.
	Acrylic business	We aim to be a leading global player through active sales and marketing.
Functional Chemicals	Superabsorbents business	We supply products with a high quality and competitive price to strategic-partner customers.
	Functional chemicals business	We expand sales of unique and functional products.
Environment & Catalysts	Catalysts & green energy materials business	We expand sales of various battery materials manufactured at competitive large-scale facility.
New businesses	Health and Medical business	We consistently support drug development in certain categories.
	New businesses	We establish a new business (model) in high-growth potential markets and genres by the use of our strengths.

◆ Investing in management resources

To strengthen existing businesses and launch new businesses in high-growth potential markets to realize our future key driver, investments will be made in the following management resources.

	Capital investment	Strategic investment	R&D expenses	Employees as of the end of FY2020
Fiscal 2017 to Fiscal 2020 Plan (4 years cumulative total)	90 billion yen	60 billion yen	57 billion yen	4,600

◆ Policies to priority challenge

To meet Targets for 2020, while steadily executing basic strategies in each business, investment in management resources are prioritized with focus on “Strengthen competitiveness of superabsorbent polymer business” and “Accelerate creation of new businesses and products” as measures toward the priority challenge.

(1) Strengthen competitiveness of superabsorbent polymer business

For the superabsorbent polymer business to survive, fundamental improvement in profitability and strengthening of competitiveness will be required, and as specific measures, all employees companywide advance the “SAP* Survival project,” which seeks large-scale cost reductions and gains in competitiveness through cost reductions across the entire supply chain and reduction of the amount of capital investment via new processes, and “strengthening development capability,” which focuses personnel assignment in research, technology, and manufacturing.

*SAP: Superabsorbent polymer

(2) Accelerate creation of new businesses and products

To accelerate creation of new businesses and products, further attention will be paid to market needs, and strategy is implemented to make shifts to new businesses in high-growth potential markets for our future key driver.

As specific measures, with the corporate philosophy and the Company’s reason for being at the core, the Company considered potential markets, familiarity, and social issues, chose three business sectors as our new business fields, namely, (1) ICT, (2) Life Sciences and (3) Energy and Environment and is working to acquire new technologies. Additionally, in addition to reorganizing the existing research system, efforts are being made to implement reforms to transition to an organizational structure that emphasizes business development, such as collaborative research with universities and alliances with other companies.

◆ Target to continuous growth

To strengthen the management foundation toward achieving continuous growth of the Group, the entire company is working toward the following issues.

(1) Develop an active corporate team and organization

As personnel strategy and in order to secure and develop personnel over the long term toward realizing Vision for 2025, the Company’s “personnel and organizational target” was defined. In addition, to secure human

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resources to support the Company's growth, various measures are implemented with the objectives such as reducing workloads. Furthermore, efforts continue in making reforms to create an organizational atmosphere that promotes active discussion and challenges.

(2) Enhance the confidence of stakeholders

Toward "regeneration into a chemical company that is trusted by society," while further strengthening internal structures such as safe and stable operation on the manufacturing plant floor and compliance, the Company exchanges views with various stakeholders to implement continuous CSR (corporate social responsibility) activities to increase corporate value.

(3) Strengthen Group management

By implementing selection and concentration in businesses and products and spreading knowledge of the Group mission, deeper ties are being made among the various group companies to make better use of the various management resources that each company has accumulated over time.

◆ Progress in FY2018

At NIPPON SHOKUBAI EUROPE N.V., our subsidiary in Belgium, a new production plant for acrylic acid with an annual production capacity of 100,000 tons, and a construction of an additional production plant for superabsorbent polymers with an annual production capacity of 100,000 tons were completed. Both commenced commercial operation in July 2018. The completion of these plants rose the worldwide annual production capacity of the Group to 880,000 tons for acrylic acids and 710,000 tons for superabsorbent polymers, retaining the world's top production capacity for superabsorbent polymers. In addition, to respond to an increase in demand for acrylic acid in Asian region, we decided to construct 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. 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. As part of this effort, we are removing bottlenecks to raise the production efficiency of existing manufacturing facilities, while commencing the introduction of pilot facilities to improve the current production processes.

Among new businesses, in the health and medical business, a construction of a facility for API synthesis at our Suita Research Center was completed and preparation is now underway for commercial operation. In conjunction with the laboratory for API synthesis established in September 2016, this establishes our contract synthesis system for APIs and INDs with one of the largest manufacturing scale in Japan, targeting peptide drugs and nucleic acid drugs where market growth is expected. In the cosmetics materials business, the Company signed a Memorandum of Understanding (MOU) on the collaboration with GREENTECH France in October 2018, with a plan to further a comprehensive collaboration. Moreover, the Company has signed co-development agreements with other several companies with a view to swift market entry through delivering materials that meet the needs.

Furthermore, as an effort to develop an active corporate team and organization, the "Workstyle innovation Committee" was established in July 2017. At this committee, initiatives such as workload reduction and active IT utilization have been developed in order to concentrate human resources on high-value-added operations for future growth.

4. Basic Policy of the Choice of Accounting Standards

With a view to improve international comparability of financial statements and to enhance the Group management by integrating the accounting treatment, the Company applies the International Financial Reporting Standards (IFRS) starting from the annual securities report for the fiscal year ended March 31, 2019.

5. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Unit: Millions of yen)

	FY2017 As of Mar. 31, 2018	FY2018 As of Mar. 31, 2019
Assets		
Current assets		
Cash and deposits	55,920	50,144
Notes and accounts receivable - trade	78,038	80,156
Merchandise and finished goods	31,414	35,119
Work in process	5,437	5,654
Raw materials and supplies	20,163	18,619
Other	7,440	9,095
Allowance for doubtful accounts	-9	-6
Total current assets	198,403	198,780
Non-current assets		
Property, plant and equipment		
Buildings and structures	106,516	115,458
Accumulated depreciation	-67,065	-70,217
Accumulated impairment loss	-1,361	-1,359
Buildings and structures, net	38,090	43,882
Machinery, equipment and vehicles	358,212	402,975
Accumulated depreciation	-298,461	-310,451
Accumulated impairment loss	-3,079	-3,105
Machinery, equipment and vehicles, net	56,672	89,419
Tools, furniture and fixtures	20,427	21,387
Accumulated depreciation	-17,051	-17,806
Accumulated impairment loss	-113	-112
Tools, furniture and fixtures, net	3,263	3,469
Land	32,609	32,517
Leased assets	615	1,750
Accumulated depreciation	-477	-545
Leased assets, net	138	1,204
Construction in progress	44,470	10,036
Total property, plant and equipment	175,241	180,527
Intangible assets	3,531	3,496
Investments and other assets		
Investment securities	74,707	71,416
Investments in capital	2,354	2,429
Long-term loans receivable	931	849
Deferred tax assets	2,652	2,516
Retirement benefit asset	6,160	8,149
Other	3,474	2,952
Allowance for doubtful accounts	-66	-63
Total investments and other assets	90,211	88,247
Total non-current assets	268,983	272,269
Total assets	467,386	471,050

(Unit: Millions of yen)

	FY2017 As of Mar. 31, 2018	FY2018 As of Mar. 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,066	51,132
Short-term loans payable	8,244	8,091
Current portion of long-term loans payable	4,438	12,759
Lease obligations	28	70
Income taxes payable	5,489	3,726
Provision for bonuses	3,405	3,676
Provision for bonuses for directors (and other officers)	172	180
Provision for repairs	2,442	2,513
Other	10,351	10,223
Total current liabilities	92,636	92,370
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	35,301	24,902
Lease obligations	52	442
Deferred tax liabilities	2,370	1,805
Retirement benefit liability	13,607	13,535
Other	2,658	2,625
Total non-current liabilities	63,989	53,309
Total liabilities	156,624	145,679
Net assets		
Shareholders' equity		
Capital stock	25,038	25,038
Capital surplus	22,400	22,467
Retained earnings	248,158	266,590
Treasury shares	-6,263	-6,274
Total shareholders' equity	289,334	307,821
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,786	10,729
Deferred gains or losses on hedges	3	—
Foreign currency translation adjustment	4,868	4,207
Remeasurements of defined benefit plans	-1,719	-147
Total accumulated other comprehensive income	17,937	14,789
Non-controlling interests	3,491	2,761
Total net assets	310,762	325,371
Total liabilities and net assets	467,386	471,050

For the Fiscal Year Ended March 31, 2019

(2) Consolidated Statements of Income and Statements of Comprehensive Income**Consolidated Statements of Income**

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Net sales	322,801	349,678
Cost of sales	256,664	284,467
Gross profit	66,137	65,212
Selling, general and administrative expenses	39,409	39,102
Operating profit	26,727	26,110
Non-operating income		
Interest income	180	271
Dividend income	1,204	1,476
Share of profit of entities accounted for using equity method	4,405	5,388
Real estate rent	1,174	1,232
Technical support fee	570	275
Miscellaneous income	373	634
Total non-operating income	7,906	9,277
Non-operating expenses		
Interest expenses	387	510
Foreign exchange losses	393	369
Taxes and dues	259	258
Loss on disposal of non-current assets	161	455
Miscellaneous loss	1,140	692
Total non-operating expenses	2,341	2,285
Ordinary profit	32,293	33,101
Extraordinary income		
State subsidy	36	590
Gain on sales of non-current assets	—	134
Insurance income	—	2
Gain on sales of investment securities	589	—
Total extraordinary income	626	727
Extraordinary losses		
Loss on reduction of non-current assets	36	590
Loss on disaster	—	203
Loss on sales of non-current assets	7	22
Impairment loss	465	—
Loss on removal of non-current assets	198	—
Total extraordinary losses	706	815
Profit before income taxes	32,212	33,013
Income taxes - current	8,322	7,244
Income taxes - deferred	-435	597
Total income taxes	7,888	7,841
Profit	24,325	25,173
Profit attributable to non-controlling interests	44	161
Profit attributable to owners of parent	24,280	25,012

For the Fiscal Year Ended March 31, 2019

Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Profit	24,325	25,173
Other comprehensive income		
Valuation difference on available-for-sale securities	2,538	-4,060
Deferred gains or losses on hedges	-8	-3
Foreign currency translation adjustment	-2,537	548
Remeasurements of defined benefit plans, net of tax	-1,765	1,573
Share of other comprehensive income of entities accounted for using equity method	1,170	-1,137
Total other comprehensive income	-602	-3,079
Comprehensive income	23,723	22,094
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,823	21,863
Comprehensive income attributable to non-controlling interests	-100	231

(3) Consolidated Statements of Changes in Equity

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

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,038	22,396	229,092	-6,249	270,277
Changes of items during period					
Dividends of surplus			-5,982		-5,982
Profit attributable to owners of parent			24,280		24,280
Purchase of treasury shares				-14	-14
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		4			4
Effect resulting from change of accounting period of consolidated subsidiaries			768		768
Net changes of items other than shareholders' equity					
Total changes of items during period	-	4	19,067	-14	19,057
Balance at end of current period	25,038	22,400	248,158	-6,263	289,334

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	12,247	11	6,153	-16	18,395	3,604	292,275
Changes of items during period							
Dividends of surplus							-5,982
Profit attributable to owners of parent							24,280
Purchase of treasury shares							-14
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests							4
Effect resulting from change of accounting period of consolidated subsidiaries							768
Net changes of items other than shareholders' equity	2,539	-8	-1,285	-1,703	-457	-113	-570
Total changes of items during period	2,539	-8	-1,285	-1,703	-457	-113	18,487
Balance at end of current period	14,786	3	4,868	-1,719	17,937	3,491	310,762

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

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,038	22,400	248,158	-6,263	289,334
Changes of items during period					
Dividends of surplus			-6,580		-6,580
Profit attributable to owners of parent			25,012		25,012
Purchase of treasury shares				-12	-12
Disposal of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		67			67
Effect resulting from change of accounting period of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	67	18,432	-12	18,487
Balance at end of current period	25,038	22,467	266,590	-6,274	307,821

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,786	3	4,868	-1,719	17,937	3,491	310,762
Changes of items during period							
Dividends of surplus							-6,580
Profit attributable to owners of parent							25,012
Purchase of treasury shares							-12
Disposal of treasury shares							—
Change in ownership interest of parent due to transactions with non-controlling interests							67
Effect resulting from change of accounting period of consolidated subsidiaries							—
Net changes of items other than shareholders' equity	-4,057	-3	-661	1,572	-3,149	-730	-3,879
Total changes of items during period	-4,057	-3	-661	1,572	-3,149	-730	14,609
Balance at end of current period	10,729	—	4,207	-147	14,789	2,761	325,371

For the Fiscal Year Ended March 31, 2019

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Cash flows from operating activities		
Profit before income taxes	32,212	33,013
Depreciation	16,997	19,539
Subsidy income	-36	-590
Loss (gain) on sales of non-current assets	7	-112
Insurance income	—	-2
Loss (gain) on sales of investment securities	-589	—
Loss on reduction of non-current assets	36	590
Loss on disaster	—	203
Impairment loss	465	—
Loss on removal of non-current assets	198	—
Decrease (increase) in net defined benefit asset	-1,060	-542
Increase (decrease) in net defined benefit liability	372	105
Interest and dividend income	-1,384	-1,747
Interest expenses	387	510
Share of loss (profit) of entities accounted for using equity method	-4,405	-5,388
Decrease (increase) in notes and accounts receivable - trade	-12,399	-1,851
Decrease (increase) in inventories	-3,339	-2,394
Increase (decrease) in notes and accounts payable - trade	12,412	-6,921
Increase (decrease) in accrued consumption taxes	590	-251
Other, net	1,988	1,229
Subtotal	42,452	35,392
Interest and dividend income received	3,159	4,734
Interest expenses paid	-401	-513
Proceeds from subsidy income	36	590
Income taxes paid	-6,423	-8,989
Net cash provided by (used in) operating activities	38,823	31,213
Cash flows from investing activities		
Purchase of property, plant and equipment	-27,126	-26,512
Proceeds from sales of property, plant and equipment	58	225
Purchase of intangible assets	-213	-187
Purchase of investment securities	-733	-57
Proceeds from sales of investment securities	867	52
Purchase of shares of subsidiaries and associates	-1,277	-1,111
Collection of investments in capital	686	0
Collection of loans receivable	119	122
Other, net	121	324
Net cash provided by (used in) investing activities	-27,498	-27,143

For the Fiscal Year Ended March 31, 2019

(Unit: Millions of yen)

	FY 2017 Apr. 1, 2017 to Mar. 31, 2018	FY 2018 Apr. 1, 2018 to Mar. 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,928	-516
Proceeds from long-term loans payable	8,826	3,043
Repayments of long-term loans payable	-10,631	-4,557
Purchase of treasury shares	-14	-12
Cash dividends paid	-5,982	-6,580
Dividends paid to non-controlling interests	-2	-9
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-3	-884
Other, net	-28	-78
Net cash provided by (used in) financing activities	-9,762	-9,593
Effect of exchange rate change on cash and cash equivalents	-238	183
Net increase (decrease) in cash and cash equivalents	1,326	-5,340
Cash and cash equivalents at beginning of period	51,700	51,612
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	-1,414	—
Cash and cash equivalents at end of period	51,612	46,272

5) Notes Concerning Consolidated Financial Statements

【Going Concern Assumption】

Not applicable.

【Changes in Presentation】

(Changes due to adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

As the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018), from the beginning of the current fiscal year, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

As a result, in the previous fiscal year’s consolidated balance sheet, 413 million yen of deferred tax assets totaling 3,129 million yen under current assets are included in 2,652 million yen of deferred tax assets under investments and other assets, while 2,716 million yen of deferred tax assets totaling 3,129 million yen under current assets are included in 2,370 million yen of deferred tax liabilities under non-current liabilities.

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

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

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidation (Note 2)
	Basic chemicals	Functional chemicals	Environment & catalysts	Total		
Net sales						
(1) Sales to third parties	120,025	173,965	28,811	322,801	—	322,801
(2) Intergroup sales and transfers	34,849	6,181	2,012	43,043	-43,043	—
Total	154,874	180,147	30,823	365,844	-43,043	322,801
Segment Income	12,912	13,935	268	27,115	-388	26,727
Segment Assets	133,664	244,248	31,987	409,900	57,487	467,386
Other Items (Note 3)						
Depreciation and amortization	8,205	8,742	666	17,613	—	17,613
Increase in property, plant and equipment and intangible assets	7,103	18,621	1,115	26,839	—	26,839

Notes: 1. Below is a description of adjustments.

- (1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to -388 million yen.
- (2) The “Segment Assets” adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 57,487 million yen.
2. Segment income is adjusted for operating profit described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in “Depreciation and amortization” and “Increase in property, plant and equipment and intangible assets.”
4. 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 fiscal year ended March 31, 2019. Segment assets are presented in figures after retrospectively applying the said accounting standard.

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

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidation (Note 2)
	Basic chemicals	Functional chemicals	Environment & catalysts	Total		
Net sales						
(1) Sales to third parties	129,075	190,808	29,796	349,678	—	349,678
(2) Intergroup sales and transfers	39,046	7,516	1,089	47,651	-47,651	—
Total	168,120	198,324	30,885	397,329	-47,651	349,678
Segment Income	10,366	14,499	942	25,807	303	26,110
Segment Assets	140,190	256,661	28,639	425,490	45,559	471,050
Other Items (Note 3)						
Depreciation and amortization	7,601	11,713	887	20,201	—	20,201
Increase in property, plant and equipment and intangible assets	9,401	16,612	728	26,741	—	26,741

Notes: 1. Below is a description of adjustments.

(1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to 303 million yen.

(2) The “Segment Assets” adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 45,559 million yen.

2. Segment income is adjusted for operating profit described in Consolidated Statements of Income.

3. Long-term prepaid expenses and its depreciation expenses are included in “Depreciation and amortization” and “Increase in property, plant and equipment and intangible assets.”

For the Fiscal Year Ended March 31, 2019

【Information Concerning Impairment Loss of Non-current Assets by Reporting Segment】**Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)**

(Unit: Millions of yen)

	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
Impairment loss	-	465	-	-	465

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

Not applicable.

【Supplementary Information】**Overseas Sales****Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)**

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	71,339	41,633	28,066	13,935	154,973
II. Consolidated sales					322,801
III. Overseas sales to consolidated sales	22.1%	12.9%	8.7%	4.3%	48.0%

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

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	83,682	42,750	27,152	19,397	172,982
II. Consolidated sales					349,678
III. Overseas sales to consolidated sales	24.0%	12.2%	7.8%	5.5%	49.5%

Notes:

- Geographical segments are classified according to geographical proximity.
- Specific countries of each area:
 - Asia: East and South East Asian countries
 - Europe: European countries
 - North America: North American countries
 - Others: Areas/countries except Asia, Europe, North America, and Japan
- “Overseas sales” means sales to outside Japan by NIPPON SHOKUBAI CO., LTD. and its consolidated subsidiaries.

For the Fiscal Year Ended March 31, 2019

【Per Share Information】

Net assets per share and the basis for calculation, and basic earnings per share and the basis for calculation are as follows.

	FY 2017 ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)		FY 2018 ended Mar. 31, 2019 (Apr. 1, 2018 to Mar. 31, 2019)
Net assets per share	7,705.05 yen	Net assets per share	8,089.98 yen
Basic earnings per share	608.84 yen	Basic earnings per share	627.20 yen

Notes:

1. Diluted earnings per share is not shown since there are no dilutive shares.
2. The basis for calculation of net assets per share is as follows.

	As of Mar. 31, 2018	As of Mar. 31, 2019
Total net assets (Millions of yen)	310,762	325,371
Deductions from net assets (Millions of yen)	3,491	2,761
[Non-controlling interests (Millions of yen)]	[3,491]	[2,761]
Net assets applicable to common stock (Millions of yen)	307,271	322,610
Number of shares of common stock used in calculation of net assets per share (Thousands of shares)	39,879	39,877

3. The basis for calculation of net income per share is as follows.

	FY 2017 ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)	FY 2018 ended Mar. 31, 2019 (Apr. 1, 2018 to Mar. 31, 2019)
Profit attributable to owners of parent (Millions of yen)	24,280	25,012
Amount not attributable to general shareholders (Millions of yen)	—	—
Net income applicable to common stock (Millions of yen)	24,280	25,012
Averages number of shares of common stock during the period (Thousands of shares)	39,880	39,878

【Significant Subsequent Events】

Not applicable

For the Fiscal Year Ended March 31, 2019

7. Supplementary Material

Trend of Results and Key Management Indicators, and Features of FY 2019 (Figures based on IFRS for FY 2018 are unaudited.)

1) Consolidate financial results

(Billions of yen)	FY 2017 Results (JGAAP)	FY 2018 Results (JGAAP)	Change	(Billions of yen)	FY 2018 Results (IFRS)	FY 2019 Forecast (IFRS)	Change
Net sales	322.8	349.7	<8.3%> 26.9	Revenue	338.9	345.0	<1.8%> 6.1
Operating profit	8.3% 26.7	7.5% 26.1	<-2.3%> -0.6	Operating profit	7.7% 26.2	7.7% 26.5	<1.3%> 0.3
Ordinary profit	10.0% 32.3	9.5% 33.1	<-2.5%> 0.8	Profit before tax	9.5% 32.1	9.3% 32.0	<-0.4%> -0.1
Profit attributable to owners of parent	7.5% 24.3	7.2% 25.0	<-3.0%> 0.7	Profit attributable to owners of parent	7.0% 23.8	7.0% 24.0	<-0.6%> 0.2
Basic earnings per share	608.84 yen	627.20 yen	18.36 yen	Basic earnings per share	598.05 yen	601.84 yen	3.79 yen
ROA	7.2%	7.1%	-0.1 point	ROA (Ratio of profit before tax to total assets)	6.7%	6.5%	-0.2 point
ROE	8.1%	7.9%	-0.2 point	ROE*	7.5%	7.2%	-0.3 point
Domestic naphtha price yen/kL	41,900	49,400	7,500	Domestic naphtha price yen/kL	49,400	42,000	-7,400
Exchange rate yen/USD	110.82	110.92	0.10	Exchange rate yen/USD	110.92	110.00	-0.92
Exchange rate yen/EUR	129.70	128.39	-1.31	Exchange rate yen/EUR	128.39	125.00	-3.39

* Ratio of profit to equity attributable to owners of parent

2) Other consolidated indicators

(Billions of yen)	FY 2017 Results (JGAAP)	FY 2018 Results (JGAAP)	Change	(Billions of yen)	FY 2018 Results (IFRS)	FY 2019 Forecast (IFRS)	Change
Dividend per share	160.00 yen	170.00 yen	10.00 yen	Dividend per share	170.00 yen	(180.00 yen)	10.00 yen
Payout ratio	26.3%	27.1%	0.8 point	Payout ratio	28.4%	(29.9%)	1.5 point
Total assets	467.4	171.0	3.7	Total assets	481.7	496.0	14.3
Interest-bearing debt	58.1	56.3	-1.8	Interest-bearing liabilities	56.6	65.8	9.1
D/E ratio	0.19 times	0.17 times	-0.02 times	D/E ratio	0.18 times	0.19 times	0.01 times
Shareholders' equity	307.3	322.6	15.3	Equity attributable to owners of parent	323.0	339.8	16.8
Shareholders' equity ratio	65.7%	68.5%	2.8 point	Rate of equity attributable to owners of parent	67.1%	68.5%	1.4 point
Net assets per share	7,705.05 yen	8,089.98 yen	384.93 yen	Equity attributable to owners of parent per share	8,099.97 yen	8,521.81 yen	421.84 yen
Capital investments	25.8	26.5	0.7	Capital investments	29.9	31.0	1.1
Depreciation	17.0	19.5	2.5	Depreciation	25.6	28.0	2.4
R&D expenses	13.3	12.9	-0.3	R&D expenses	14.0	16.2	2.2
Number of consolidated subsidiaries	14	14	0	Number of consolidated subsidiaries	16	16	0
Number of entities accounted for using equity method	12	12	0	Number of entities accounted for using equity method	11	11	0
Number of persons in employment	4,219	4,276	57	Number of persons in employment	4,454	4,542	88

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

Revenue up, operating profit up (IFRS):

Sales volume is projected to grow mainly in functional chemicals, and revenue goes up.

Profits are forecast to increase due to the effect of higher production and sales volume, although fixed costs such as selling, general, and administrative expenses and depreciation expense will increase.

		Major components
Revenue	+6.1 bil. yen YoY	<ul style="list-style-type: none"> • Increase in sales of functional chemicals to exceed decrease in sales of basic chemicals and environment and catalyst segment • Revenue is projected to increase as sales volume is forecast to increase, centered on functional chemicals, despite lower selling prices in line with lower costs of raw materials
Operating profit	+0.3 bil. yen YoY	<ul style="list-style-type: none"> • Increase in production and sales volume to exceed increase in selling, general, and administrative expenses and processing costs
Profit before tax	-0.1 bil. yen YoY	<ul style="list-style-type: none"> • Decrease in share of profit of entities accounted for using equity method
Profit attributable to owners of parent	+0.2 bil. yen YoY	

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*