A large, solid green curved shape on the left side of the slide, resembling a stylized 'C' or a partial circle.

Forecasts for the fiscal year ending March 31, 2021, and the new medium-term business plan are undisclosed due to inability to reasonably estimate business impact from the global COVID-19 pandemic. Forecasts will be promptly released as soon as conditions allow for reasonable estimates.



日本化学工業株式会社

For the year ended March 31, 2020

# Summary of Financial Results

**1 Summary of Consolidated Financial Results  
for the Year Ended March 31, 2020**

**2 Review of the Previous Medium-Term  
Business Plan  
(year ended March 31, 2018,  
to the year ended March 31, 2020)**

May 15, 2020

Nippon Chemical Industrial Co., Ltd. 4092

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# 1

## **Summary of Consolidated Financial Results for the Year Ended March 31, 2020**

# Consolidated financial results for the year ended March 31, 2020

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Change	Change rate
Net sales	36,157	36,243	85	0.2%
Operating profit	3,084	2,481	(603)	(19.6%)
Ordinary profit	3,057	2,545	(512)	(16.7%)
Profit	2,154	1,857	(296)	(13.8%)
ROE	6.2%	5.2%		

# Earnings for the year ended March 31, 2020, by Business

(Millions of yen)

		Year ended March 31, 2019	Year ended March 31, 2020	Change
Inorganic Chemicals	Net sales	15,584	15,509	(74)
	Operating profit	661	492	(169)
Specialty Chemicals	Net sales	14,849	15,470	620
	Operating profit	1,423	1,280	(143)
Leasing Business	Net sales	893	912	18
	Operating profit	548	532	(16)
Air-conditioning Business	Net sales	3,869	3,418	(451)
	Operating profit	350	139	(211)
Others	Net sales	959	931	(27)
	Operating profit	81	62	(19)
Total	Net sales	36,157	36,243	85
	Operating profit	3,084	2,481	(603)

## Inorganic Chemicals

Chromium Compounds	Decline for coat
Silicates and Silica	Growth for environmental-related
Inorganic Phosphorus Compounds	Weakness in optical glass and strongness in LCDs
Other Inorganic Chemicals	Weakness in lithium products and solidness in cuprous oxide

## Specialty Chemicals

Phosphine Derivatives	Large decline for overseas
Agrochemicals	Decline for major customers
Battery Materials	Solidness for major customers
Electronic Ceramic Materials	Large growth for automobile/communication
Circuit Materials	Solidness for major customers
Other Specialty Chemicals	Solidness in organic electronic materials

## Others

Leasing Business	Extension of AEON Town Koriyama
Air-conditioning Business	Weak demand for new designs, construction and maintenance
Book Store Operation	Flat over the same period the previous year
Others	Weakness in environmental measurement

# Consolidated balance sheet - Assets

(Millions of yen)

[Assets]	As of March 31, 2019	As of March 31, 2020	Change
Current assets	<b>30,794</b>	<b>29,696</b>	<b>(1,098)</b>
Cash and deposits	<b>9,051</b>	<b>9,392</b>	<b>341</b>
Notes and accounts receivable - trade	<b>10,861</b>	<b>10,820</b>	<b>(41)</b>
Inventories	<b>10,364</b>	<b>8,840</b>	<b>(1,524)</b>
Other	<b>518</b>	<b>644</b>	<b>126</b>
Non-current assets	<b>34,703</b>	<b>36,254</b>	<b>1,551</b>
Property, plant and equipment	<b>27,014</b>	<b>29,279</b>	<b>2,264</b>
Intangible assets	<b>319</b>	<b>644</b>	<b>325</b>
Investment securities	<b>6,597</b>	<b>5,735</b>	<b>(862)</b>
Other	<b>773</b>	<b>596</b>	<b>(177)</b>
Total assets	<b>65,497</b>	<b>65,950</b>	<b>452</b>

# Consolidated balance sheet - Liabilities & Net assets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020	Change
[Liabilities & Net assets]			
Current liabilities	18,925	15,930	(2,995)
Notes and accounts payable - trade	4,617	3,194	(1,423)
Short-term borrowings	9,143	7,825	(1,317)
Other	5,165	4,911	(254)
Non-current liabilities	11,073	14,251	3,178
Long-term borrowings	5,422	8,161	2,739
Retirement benefit liability	1,299	1,999	699
Deferred tax liabilities	2,118	1,706	(412)
Other	2,233	2,385	152
Total liabilities	29,999	30,181	182
[Net assets]			
Shareholders' equity	32,514	33,799	1,285
Accumulated other comprehensive income	2,983	1,968	(1,015)
Total net assets	35,497	35,768	270
Total liabilities and net assets	65,497	65,950	452

# Consolidated statements of income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Net sales	36,157	36,243	85
Cost of sales	28,073	28,457	384
Selling, general and administrative expenses	4,999	5,304	305
Operating profit	3,084	2,481	(603)
Non-operating income	326	293	(33)
Non-operating expenses	354	229	(125)
Ordinary profit	3,057	2,545	(512)
Extraordinary income	55	194	139
Extraordinary losses	156	228	72
Profit before income taxes	2,956	2,511	(445)
Income taxes - current	746	624	(122)
Income taxes - deferred	56	29	(27)
Profit	2,154	1,857	(296)

# Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
I Cash flows from operating activities	<b>2,632</b>	<b>4,776</b>
Profit before income taxes	<b>2,956</b>	<b>2,511</b>
Depereciation	<b>2,155</b>	<b>2,657</b>
Changes in inventories	<b>(2,148)</b>	<b>1,523</b>
Other	<b>(331)</b>	<b>(1,915)</b>
II Cash flows from investing activities	<b>(3,966)</b>	<b>(5,503)</b>
Capital expenditure	<b>(3,965)</b>	<b>(5,794)</b>
Other	<b>(1)</b>	<b>291</b>
III Cash flows from financing activities	<b>1,445</b>	<b>842</b>
Changes in loans payable	<b>2,068</b>	<b>1,423</b>
Cash dividends paid	<b>(614)</b>	<b>(570)</b>
Other	<b>(9)</b>	<b>(11)</b>
Effect of exchange rate change on cash and cash equivalents	<b>2</b>	<b>(5)</b>
Net increase (decrease) in cash and cash equivalents	<b>113</b>	<b>109</b>
Cash and cash equivalents at beginning of period	<b>8,927</b>	<b>9,041</b>
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	<b>-</b>	<b>165</b>
Cash and cash equivalents at end of period	<b>9,041</b>	<b>9,315</b>

# 2

## **Review of the Previous Medium-Term Business Plan (year ended March 31, 2018, to the year ended March 31, 2020)**

# Medium-term Business Plan policy

## Toward earning sustained and steady profits

(i) Concentrated investment in priority areas	(ii) Aggressive development of overseas strategies	(iii) Reinforcement of business foundation
Expand Specialty Chemicals business	Sell to non-Japan Asian markets aggressively	Regain business in existing domestic markets
Arrange for the construction of a new plant incorporating next-generation products	Reinforce the liaison between our international business sites	Utilize asset holdings effectively
Push forward with mergers and acquisitions (M&As)	Verify the proposed establishment of a South East Asian production base and implement it	Promote developing human resources

**Growth strategy**

**Structural reform and reinforcement**

# Review of the previous medium-term business plan

## Groundwork for realization of sustained and steady profits

Measures	Actual results
<b>Concentrated investment in priority areas</b>	<ul style="list-style-type: none"> <li>• Investments in electronic materials and organic products</li> <li>• Determination and ongoing implementation of construction of the new production building for electronic materials</li> <li>• Acquisition of Rockgate Corporation by the subsidiary Nippon Puretec Co., Ltd., resulted in covering physical and chemical appliances including cryogenic refrigerators for quantum computer</li> </ul>
<b>Aggressive development of overseas strategies</b>	<ul style="list-style-type: none"> <li>• Examination of overseas production of some products mainly in Southeast Asia</li> <li>• Promotion of overseas operations of our products</li> <li>• Strengthening of cooperation between overseas bases with the aim of expanding trade between the bases</li> </ul>
<b>Reinforcement of business foundation</b>	<ul style="list-style-type: none"> <li>• Effective use of holding assets: Completed redevelopment of the site for the former Nishi-yodogawa plant site</li> <li>• Further customer development/share expansion of existing products</li> <li>• Well-placed human resources and securing human resources through mid-career recruiting</li> </ul>

# Review of the previous medium-term business plan

The plan was achieved in net sales and profits until the second year, but it was unachieved for the third year.

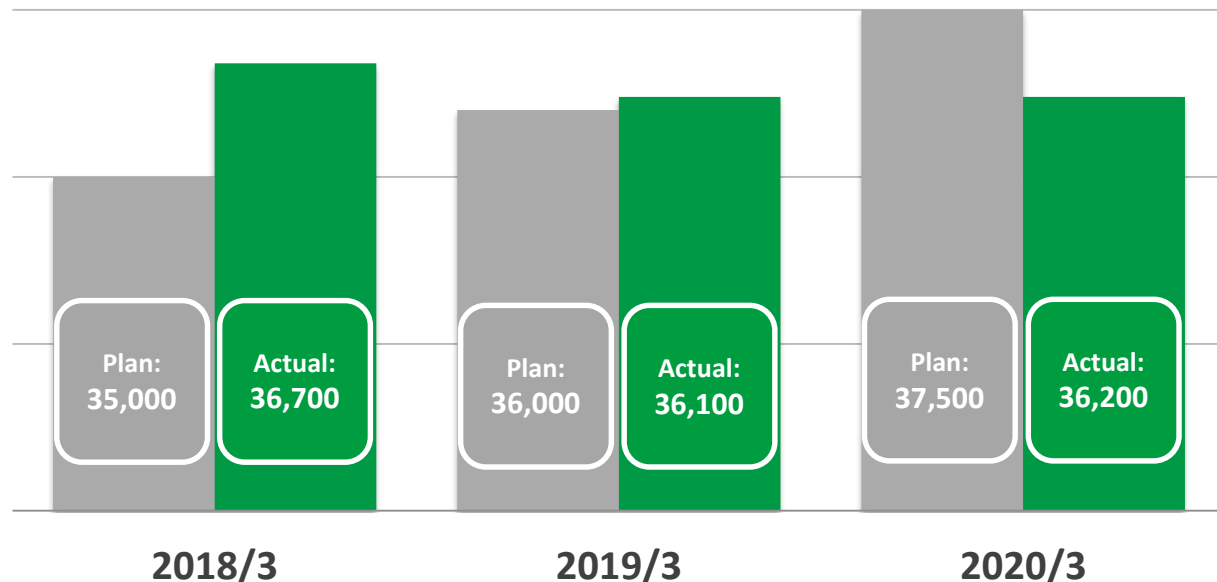
Promotion of aggressive investment increased depreciation, which squeezed profits.

(Millions of yen)

Operating  
profit

Plan: 2,500	Plan: 2,800	Plan: 2,900
Actual: 4,000	Actual: 3,000	Actual: 2,400

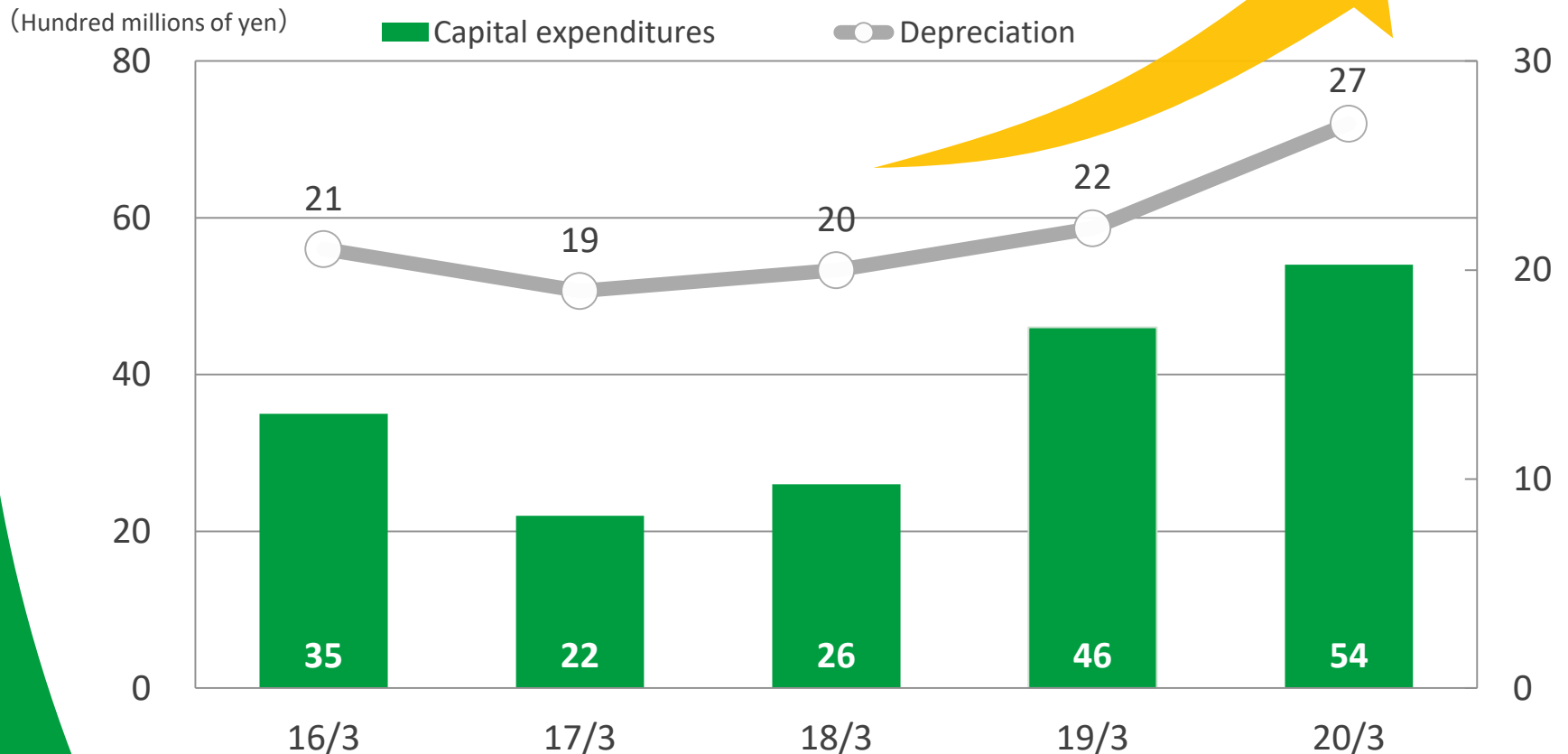
Net sales



# Review of the previous medium-term business plan

Proactive promotion of capital expenditures resulted in an upward tendency in depreciation

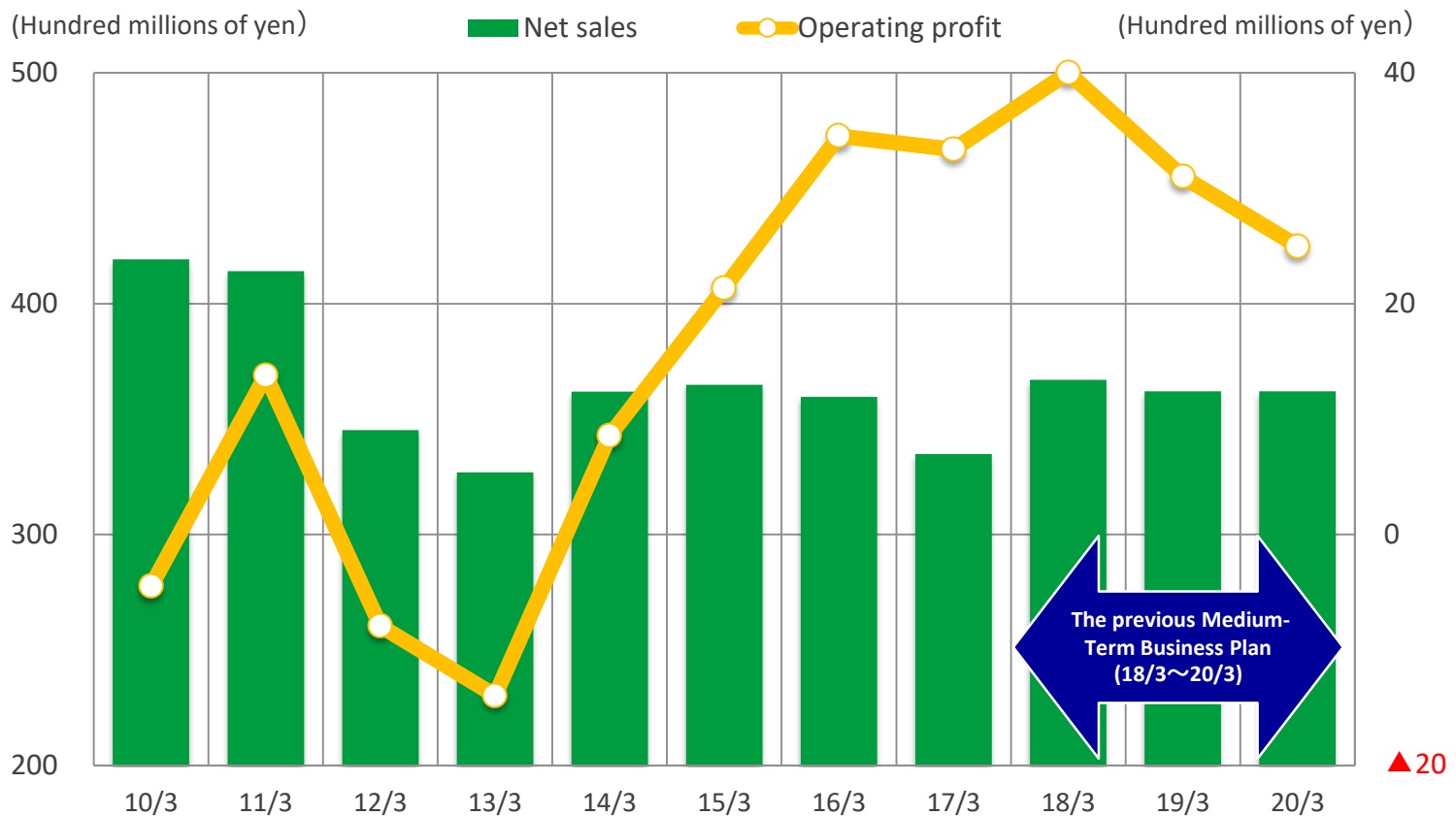
Developments in capital expenditures and depreciation



# Review of the previous medium-term business plan

Operating profit reached 4,000 million yen in the year ended March 31, 2018, and then it has shown a downward tendency.

Developments in net sales and operating profit for the last 10 years



# Review of the previous medium-term business plan

## Capital expenditures and net sales of new products

### Capital expenditures

Concentrated investment in electronic materials and organic products. For electronic materials, we increased the capacity of the existing Fukushima No.1 factory. Additionally, the construction of a new production building in Tokuyama factory was started with an eye toward the future. We will obtain expanding demand and stabilize supply through the above. We will also focus on the groundwork for long-term growth.

### Net sales of new products

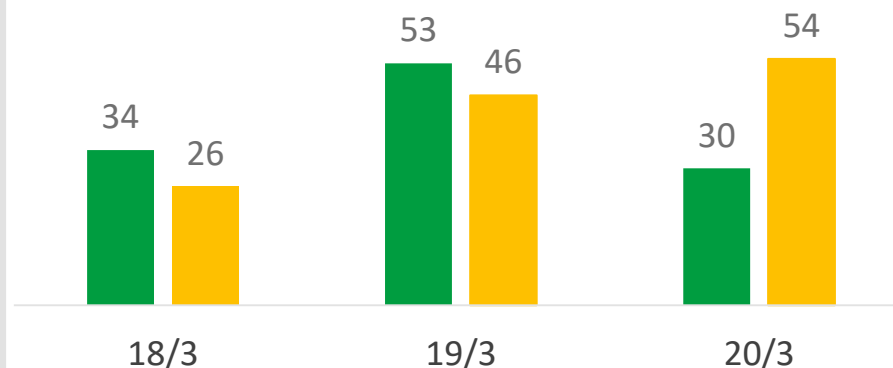
The plan was unachieved because of changes in demand developments caused changes in the new product development plan. We will develop new products using our core technology.

### Capital expenditures

(Hundred millions of yen)

■ Plan

■ Actual

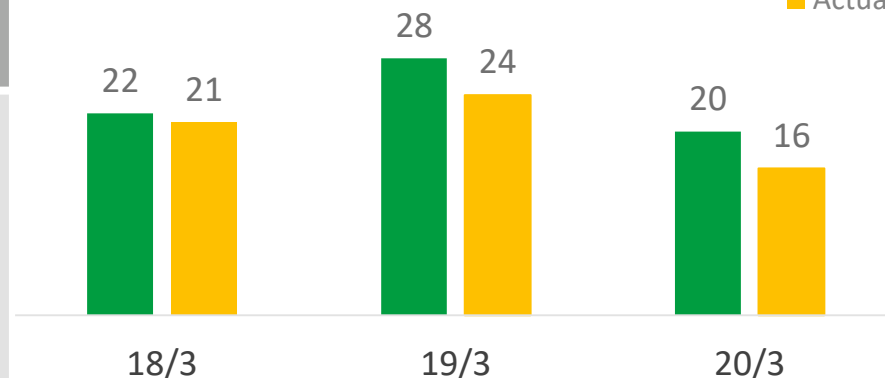


### Net sales of new products

(Hundred millions of yen)

■ Plan

■ Actual



\* A "new product" is defined as one that has been registered within the last three years, counting FY of registration as the first year.

# Future Outlook

## Continue to implement measures to realize sustainable and stable earnings despite undermined earnings estimates

Consolidated earnings estimates for the year ending March 31, 2021 are undisclosed because of the difficulty in reasonable estimation of the business impact from the global COVID-19 pandemic as of now.

We will continue to set **realization of sustained and steady profits** as the most important issue and implement the following key measures:

- (i) Maintain market shares in existing businesses and develop new customers by satisfying diversifying customer needs and providing differentiated products
- (ii) Develop high value-added products, using our core technologies of inorganic synthesis, crystalline/structure control, surface modification/coating, and phosphine derivatives
- (iii) Create new value by strengthening cooperation in the domestic and overseas group and sharing/analyzing information



**日本化学**