

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 15, 2020

Company name: Nippon Chemical Industrial CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4092 URL <http://www.nippon-chem.co.jp/>
 Representative: President Hirota Tanahashi
 Inquiries: General Manager, Accounting Department Manabu Sato TEL 03-3636-8038
 Scheduled date of ordinary general meeting of shareholders: June 25, 2020
 Scheduled date to file Securities Report: June 25, 2020
 Scheduled date to commence dividend payments: June 26, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-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	%
Year ended March 31, 2020	36,243	0.2	2,481	(19.6)	2,545	(16.7)	1,857	(13.8)
Year ended March 31, 2019	36,157	(1.7)	3,084	(24.5)	3,057	(23.7)	2,154	(22.4)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	211.21	—	5.2	3.9	6.8
Year ended March 31, 2019	244.90	—	6.2	4.8	8.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	65,950	35,768	54.2	4,066.52
As of March 31, 2019	65,497	35,497	54.2	4,035.61

(3) Consolidated 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
Year ended March 31, 2020	4,776	(5,503)	842	9,315
Year ended March 31, 2019	2,632	(3,966)	1,445	9,041

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	—	40.00	—	30.00	70.00	615	28.6	1.8
Year ended March 31, 2020	—	35.00	—	35.00	70.00	615	33.1	1.7
Year ending March 31, 2021 (Forecast)	—	—	—	—	—	—	—	—

3. Forecast for the Consolidated Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Forecasts for the fiscal year ending March 31, 2021 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.

※ Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	8,922,775 shares	As of March 31, 2019	8,922,775 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	126,963 shares	As of March 31, 2019	126,667 shares
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Average number of shares during the period

Year ended March 31, 2020	8,795,936 shares	Year ended March 31, 2019	8,796,152 shares
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*This financial results report is exempt from audit by certified public accountants or accounting firm.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	9,051	9,392
Notes and accounts receivable - trade	10,861	10,820
Merchandise and finished goods	4,712	4,474
Work in process	2,310	2,196
Raw materials and supplies	3,342	2,170
Consumption taxes receivable	4	–
Other	532	665
Allowance for doubtful accounts	(20)	(24)
Total current assets	30,794	29,696
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,721	34,487
Accumulated depreciation	(21,631)	(22,320)
Buildings and structures, net	11,090	12,166
Machinery, equipment and vehicles	9,307	13,135
Accumulated depreciation	(4,470)	(6,058)
Machinery, equipment and vehicles, net	4,836	7,076
Land	7,730	7,730
Construction in progress	2,567	1,381
Other	6,303	6,553
Accumulated depreciation	(5,513)	(5,630)
Other, net	789	923
Total property, plant and equipment	27,014	29,279
Intangible assets		
Goodwill	62	47
Other	257	597
Total intangible assets	319	644
Investments and other assets		
Investment securities	6,597	5,735
Long-term loans receivable	37	22
Deferred tax assets	141	153
Retirement benefit asset	165	–
Other	450	441
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	7,368	6,329
Total non-current assets	34,703	36,254
Total assets	65,497	65,950

(Millions of yen)

As of March 31, 2019 As of March 31, 2020

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,617	3,194
Short-term borrowings	9,143	7,825
Income taxes payable	346	296
Accrued consumption taxes	24	363
Provision for bonuses	432	416
Accounts payable - facilities	2,361	1,904
Other	2,000	1,928
Total current liabilities	18,925	15,930
Non-current liabilities		
Long-term borrowings	5,422	8,161
Deferred tax liabilities	2,118	1,706
Retirement benefit liability	1,299	1,999
Other	2,233	2,384
Total non-current liabilities	11,073	14,251
Total liabilities	29,999	30,181
Net assets		
Shareholders' equity		
Share capital	5,757	5,757
Capital surplus	2,269	2,269
Retained earnings	24,840	26,126
Treasury shares	(353)	(354)
Total shareholders' equity	32,514	33,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,792	2,467
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	11	20
Remeasurements of defined benefit plans	179	(519)
Total accumulated other comprehensive income	2,983	1,968
Total net assets	35,497	35,768
Total liabilities and net assets	65,497	65,950

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	36,157	36,243
Cost of sales	28,073	28,457
Gross profit	8,084	7,785
Selling, general and administrative expenses	4,999	5,304
Operating profit	3,084	2,481
Non-operating income		
Interest and dividend income	129	134
Share of profit of entities accounted for using equity method	40	44
Other	156	114
Total non-operating income	326	293
Non-operating expenses		
Interest expenses	74	76
Environmental expenses	148	51
Commission expenses	91	38
Other	39	62
Total non-operating expenses	354	229
Ordinary profit	3,057	2,545
Extraordinary income		
Gain on sales of investment securities	55	194
Total extraordinary income	55	194
Extraordinary losses		
Loss on retirement of non-current assets	156	216
Loss on valuation of investment securities	–	12
Total extraordinary losses	156	228
Profit before income taxes	2,956	2,511
Income taxes - current	746	624
Income taxes - deferred	56	29
Total income taxes	802	654
Profit	2,154	1,857
Profit attributable to owners of parent	2,154	1,857

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	2,154	1,857
Other comprehensive income		
Valuation difference on available-for-sale securities	(86)	(325)
Deferred gains or losses on hedges	2	(0)
Foreign currency translation adjustment	–	9
Remeasurements of defined benefit plans, net of tax	(470)	(698)
Share of other comprehensive income of entities accounted for using equity method	(4)	–
Total other comprehensive income	(559)	(1,014)
Comprehensive income	1,595	843
Comprehensive income attributable to Comprehensive income attributable to owners of parent	1,595	843

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,757	2,269	23,302	(352)	30,976
Changes during period					
Dividends of surplus			(615)		(615)
Profit attributable to owners of parent			2,154		2,154
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,538	(0)	1,537
Balance at end of period	5,757	2,269	24,840	(353)	32,514

	Accumulated other comprehensive income					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 period	2,879	(2)	15	649	3,542	34,518
Changes during period						
Dividends of surplus						(615)
Profit attributable to owners of parent						2,154
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	(86)	2	(4)	(470)	(559)	(559)
Total changes during period	(86)	2	(4)	(470)	(559)	978
Balance at end of period	2,792	0	11	179	2,983	35,497

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,757	2,269	24,840	(353)	32,514
Changes during period					
Dividends of surplus			(571)		(571)
Profit attributable to owners of parent			1,857		1,857
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,286	(0)	1,285
Balance at end of period	5,757	2,269	26,126	(354)	33,799

	Accumulated other comprehensive income					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 period	2,792	0	11	179	2,983	35,497
Changes during period						
Dividends of surplus						(571)
Profit attributable to owners of parent						1,857
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	(325)	(0)	9	(698)	(1,014)	(1,014)
Total changes during period	(325)	(0)	9	(698)	(1,014)	270
Balance at end of period	2,467	0	20	(519)	1,968	35,768

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,956	2,511
Depreciation	2,155	2,657
Amortization of goodwill	11	14
Increase (decrease) in allowance for doubtful accounts	5	0
Increase (decrease) in provision for bonuses	14	(16)
Increase (decrease) in retirement benefit liability	3	(21)
Interest and dividend income	(129)	(134)
Share of loss (profit) of entities accounted for using equity method	(40)	(44)
Interest expenses	74	76
Foreign exchange losses (gains)	(2)	3
Loss (gain) on sales of investment securities	(55)	(194)
Loss on retirement of non-current assets	156	216
Decrease (increase) in trade receivables	400	101
Decrease (increase) in inventories	(2,148)	1,523
Increase (decrease) in trade payables	654	(1,763)
Increase (decrease) in accrued consumption taxes	(126)	343
Other, net	(116)	116
Subtotal	3,814	5,392
Interest and dividends received	129	134
Interest paid	(73)	(74)
Income taxes paid	(1,241)	(675)
Income taxes refund	3	–
Net cash provided by (used in) operating activities	2,632	4,776
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,949)	(5,397)
Proceeds from sales of property, plant and equipment	16	14
Purchase of intangible assets	(32)	(411)
Purchase of investment securities	(5)	(3)
Proceeds from sales of investment securities	122	348
Loan advances	(1)	(0)
Collection of loans receivable	31	23
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(67)	–
Other, net	(79)	(76)
Net cash provided by (used in) investing activities	(3,966)	(5,503)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	970	(140)
Proceeds from long-term borrowings	2,100	4,200
Repayments of long-term borrowings	(1,002)	(2,637)
Repayments of finance lease obligations	(7)	(8)
Purchase of treasury shares	(0)	(0)
Dividends paid	(614)	(570)
Net cash provided by (used in) financing activities	1,445	842
Effect of exchange rate change on cash and cash equivalents	2	(5)
Net increase (decrease) in cash and cash equivalents	113	109
Cash and cash equivalents at beginning of period	8,927	9,041
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	165
Cash and cash equivalents at end of period	9,041	9,315