

Directors, Audit & Supervisory Board Members, and Executive Directors (As of October 1, 2020)

Board of Directors



1 Atsuhiko Wakumoto
Member of the Board
President
Representative Director

1979 Joined the Company
2008 General Manager of Global Business Division, Safety Systems Group
2010 General Manager of Marketing Division, Safety Systems Group
2016 Member of the Board
2018 Member of the Board, Head of Safety Systems Group
2019 President, Representative Director (current)

2 Yukio Tachibana
Member of the Board
Executive Vice President
Representative Director

2007 Joined the Company
2008 General Manager of Catalysts Division, Functional Chemicals Group
2014 Member of the Board, Head of Functional Chemicals Group
2018 Representative Director, Head of Functional Chemicals Group
2020 Executive Vice President, Representative Director, Head of the Functional Chemicals Group, Head of the Agrochemicals Division (current)

3 Tomoo Shibuya
Member of the Board
Managing Director

1980 Joined the Company
2005 General Manager of Public Relations & Investor Relations Division, Strategic Corporate Planning Group
2006 General Manager of Corporate Planning Division, Strategic Corporate Planning Group
2007 Vice President of LifeSpark Inc.
2010 General Manager of Corporate Planning Division, Strategic Corporate Planning Group
2017 Member of the Board, Head of Strategic Corporate Planning Group, Head of Research & Development Group, Head of Agrochemicals Division
2018 Member of the Board, Head of Financial Group, General Manager of Finance & Accounting Division
2019 Member of the Board, Head of Financial Group (current)

4 Masaru Oizumi
Member of the Board
Managing Director

1980 Joined the Company
2008 General Manager of Electronic Materials Division
2013 General Manager of Digital Printing Materials Division
2015 General Manager of Color Materials Division
2018 Member of the Board, Head of Strategic Corporate Planning Group, Head of Research & Development Group, Head of Agrochemicals Division
2020 Member of the Board, Head of Strategic Corporate Planning Group, Head of Agrochemicals Division
Member of the Board, Head of Strategic Corporate Planning Group (current)

5 Hiroshi Mikami
Member of the Board
Managing Director

1981 Joined the Company
2012 General Manager of Human Resources Management Division, Manager of Personnel & Payroll Dept.
2017 General Manager of Human Resources Management Division
2018 Member of the Board, Head of Administration Group, General Manager of Human Resources Management Division
2020 Member of the Board, Head of Administration Group (current)

6 Yoshitsugu Ishida
Member of the Board
Managing Director

1981 Joined the Company
2010 General Manager of Planning & Coordination Division, Safety Systems Group
2018 General Manager of Strategic Planning Division, Safety Systems Group
2019 Member of the Board, Head of Safety Systems Group (current)

7 Kazuto Koizumi
Member of the Board
Managing Director

1982 Joined the Company
2012 General Manager of Takasaki Plant
2015 General Manager of Quality & Pharmacovigilance Division, Pharmaceuticals Group
2019 Member of the Board, Head of Pharmaceuticals Group (current)

8 Yo Ota
Member of the Board
Outside Director

1993 Registered lawyer. Joined Nishimura Tokiwa Law office
2001 Registered lawyer in New York State, USA
2004 Outside Audit & Supervisory Board Member of the Company
2005 Outside Director, Denki Kogyo Co., Ltd. (current)
2007 Partner of Nishimura Asahi Law office (current)
2016 Member of the Board, Outside Director (current)
2017 Outside Audit & Supervisory Board, Ricoh Co., Ltd. (current)

9 Yasuyuki Fujishima
Member of the Board
Outside Director

1969 Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)
1997 Representative of the Economic Planning Agency to the Policy Board of Bank of Japan
1998 Japan Ambassador Extraordinary and Plenipotentiary to Panama, Ministry of Foreign Affairs
2002 Outside Director, Wacom Co., Ltd.
2005 Representative Director and Senior Managing Executive Officer, Sojitz Corp.
2010 President & Representative Director, Mutual Service Aid Guarantee Corporation
2016 Member of the Board, Outside Director (current)
2017 President & Representative Director, Ceremonial Occasions Research Institute, Inc.
2018 Director, Human Resources Development & Employment Organization (current)

10 Seiji Fusamura
Member of the Board
Outside Director

1971 Assistant judge of Kyoto District Court
1998 General Manager of Judicial Research Department, Ministry of Justice
2001 Director-General of the Civil Affairs Bureau, Ministry of Justice
2006 Chief of Saitama District Court
2009 Chief of Sendai High Court
2011 Chief of Nagoya High Court
2012 Outside Audit & Supervisory Board, Nippon Paper Industries Co., Ltd. (current)
Lawyer registration
2013 Chairman of Public Security Examination Commission (current)
Chairman of Tokyo Metropolitan Labor Relations Commission
2016 Outside Audit & Supervisory Board, The Bank of Yokohama, Ltd. (current)

Audit & Supervisory Board Members



1 Akihiro Kojima
Standing Audit & Supervisory Board Member

1982 Joined the Company
2007 General Manager of Secretarial Division, Strategic Corporate Planning Group
2017 General Manager of Internal Control Management Division
2018 General Manager of Audit Division
2019 Audit & Supervisory Board Member (current)

2 Itsuro Shimohigashi
Full-time Audit & Supervisory Board Member

1979 Joined the Company
2012 General Manager of Specialty Chemicals & International Division, Pharmaceutical Group
2015 General Manager of Specialty Chemicals, International & IVD Division, Pharmaceutical Group
2017 Audit & Supervisory Board Member (current)

3 Katsuji Higashi
Outside Audit & Supervisory Board Member

1981 Registered as certified public accountant and joined Ohta Tetsuzo Auditing Company Office
2001 Representative Partner of Shinnihon Auditing Company (currently Ernst & Young ShinNihon LLC.)
2014 Established accounting firm (current)
2016 Audit & Supervisory Board Member of the Company (current)

4 Yasuhiro Osaki
Outside Audit & Supervisory Board Member

1985 Assistant Professor, School of Law, Waseda University
1992 Professor, School of Law, Waseda University (current)
2010 Outside Director, NBC Meshtec Inc.
2016 Audit & Supervisory Board Member of the Company (current)

5 Toshihiko Yamashita
Outside Audit & Supervisory Board Member

1979 Joined Meiji Life Insurance Company (currently Meiji Yasuda Life Insurance Company)
2016 Member of the Board and Deputy President of Meiji Yasuda Life Insurance Company, Outside Audit & Supervisory Board of Talanx AG
2018 Audit & Supervisory Board Member of the Company (current)
2019 Representative Director and Chairman of Meiji Yasuda Asset Management Company (current)

Executive Directors

Atsuhiko Wakumoto
President

Hiroshi Mikami
Managing Director
Head of Administration Group

Katsuhiko Sakitama
Managing Director
Head of Technical Operation Group

Takao Izawa
Director
General Manager of Takasaki Plant

Toshiro Sogawa
Director
General Manager of Business Development Division, Pharmaceuticals Group

Yukio Tachibana
Executive Vice President
Head of Functional Chemicals Group, Head of Agrochemicals Division

Yoshitsugu Ishida
Managing Director
Head of Safety Systems Group

Tsuneharu Hiramatsu
Director
US General Manager

Osamu Hiroshige
Director
General Manager of Legal & General Affairs Division, Administration Group

Shinji Inoue
Director
General Manager of Color Materials Division, Functional Chemicals Group

Tomoo Shibuya
Managing Director
Head of Financial Group

Kazuto Koizumi
Managing Director
Head of Pharmaceuticals Group

Yoshinori Hatabe
Director
General Manager of Pharmaceuticals Marketing Division, Pharmaceuticals Group

Takashi Masuko
Director
General Manager of Information Systems Division, Financial Group

Sigeyuki Kawamura
Director
General Manager of Strategic Planning Division, Safety Systems Group

Masaru Oizumi
Managing Director
Head of Strategic Corporate Planning Group

Yoshimi Inoue
Managing Director
Head of Research & Development Group

Masatomi Akezuma
Director
General Manager of Polatechno Division, Functional Chemicals Group

Hiroo Koyanagi
Director
General Manager of Catalysts Division, Functional Chemicals Group

Tsutomu Kawamura
Director
General Manager of Finance & Accounting Division, Financial Group

FINANCIAL SECTION

Management’s Discussion and Analysis

Consolidated Results of Operations

Overview

The global economy continued to see a gradual rebound in the consolidated fiscal year under review (April 1, 2019 to March 31, 2020), however the impact from the spread of the novel coronavirus (COVID-19) from January 2020 onward has suppressed economic activity in China, Europe, and the U.S., resulting in a deceleration in the pace of growth of the global economy. While the Japanese economy showed signs of a gradual rebound on the back of an improved employment and income environment, signs of weakness in consumer spending and other areas have appeared due to the infectious disease and the future outlook remains uncertain.

In the functional chemicals industry, which encompasses functional materials, the need is increasing for high-performance materials for use in next-generation high-speed (5G) communication devices in the information and communication fields and for various kinds of color materials for digital printing in the printing industry. The global trends in energy and resource conservation are also creating demand for high-strength, lightweight materials and high-performance catalysts for chemical reactions. In the pharmaceuticals industry, there is need to both maintain Japan's national health insurance system and promote innovations that will deliver drugs with superior therapeutic efficacy to patients with intractable conditions. The generic drugs and biosimilars markets are experiencing high growth amid health-care system reforms that take the costs of social security and medical care into consideration and efforts to maintain health-care costs at a reasonable level. Domestic manufacturing of biomedicines and biosimilars is promising from the perspective of industry development.

In the automotive industry, the automotive market shrank under the added strain of the spread of COVID-19 on top of the deceleration in economic growth in China and softening of growth in the European market stemming from changes of testing methods for gas emissions, etc.

Amid these conditions, the Nippon Kayaku Group worked to implement the key themes and resolve the mid- and long-term key issues outlined in “**KAYAKU Next Stage**,” the mid-term business plan launched this fiscal year. We worked to cut costs further to reinforce our profit structure, in addition to focusing on strengthening R&D, optimal allocation of business resources into core businesses, and expanding our overseas business.

Net Sales

Net sales for the fiscal year ended March 31, 2020 totaled 175,123 million yen, an increase of 2,484 million yen (1.4%) year-on-year. This growth resulted from a year-on-year sales growth in the functional chemicals business and pharmaceuticals business, despite a year-on-year decline in sales in the safety systems business.

Consolidated net sales were 1.64 times that of the parent company.

Gross Profit

Gross profit on sales decreased by 5,114 million yen (8.1%) to 58,063 million yen, due to increase in costs of raw materials caused by China's environmental regulations in the functional chemicals business, impact of drug price revisions in the pharmaceuticals business, and other factors.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were 40,578 million yen, a decrease of 2,659 million yen (6.1%) year-on-year.

Operating Income

Consolidated operating income was 17,485 million yen, a decrease of 2,454 million yen (12.3%) year-on-year. This decline resulted from underperformance of the functional chemicals and safety systems businesses compared with the previous fiscal year, despite year-on-year growth in the pharmaceuticals business. The operating income to net sales ratio was 10.0%, a decline of 1.6 percentage points year on year.

Other Income (Expenses), Profit before Income Taxes

Net value of other income (expenses) was income of 655 million yen.
As a result, profit before income taxes was 18,141 million yen, a decrease of 3,142 million yen (14.8%) year-on-year.

Income Taxes (including Deferred Income Taxes), Profit Attributable to Non-Controlling Interests, Profit Attributable to Owners of Parent

Income taxes were 5,262 million yen, a decrease of 340 million yen year-on-year. The effective tax rate reflected in the consolidated statements of income decreased to 29.01% from 26.32% in the previous fiscal year.
Profit attributable to non-controlling interests came to 63 million yen, a decrease of 766 million yen year-on-year. Profit attributable to owners of parent was 12,815 million yen, a decrease of 2,035 million yen (13.7%) in contrast with the previous fiscal year. Profit attributable to owners of parent was 1.20 times net income of the parent company.

Operating Performance by Business Segment

Operating performance by business segment is as described below.

[1] Functional Chemicals Business

Sales stood at 71,540 million yen, an increase of 1,851 million yen (2.7%) year-on-year.
The functional materials business as a whole outperformed the previous fiscal year. The outperformance came from strong sales of epoxy resins used in semiconductor encapsulation due to the proliferation of high-speed (5G) communications devices and IoT and the increasingly sophisticated electronic equipment

in vehicles, which more than compensated for a decline in sales of other products.

The color materials business outperformed the previous fiscal year despite year-on-year underperformance of colorants for inkjet printers for consumer use. The growth in sales resulted from strong growth in colorants for inkjet printers for industrial applications due to the growth of digital printing.

The catalyst business outperformed the previous fiscal year, both in Japan and overseas.

In the Polatechno Group, sales of components for X-ray analysis systems were strong, but sluggish sales of dye-type polarizing films resulted in underperformance of the Polatechno Group as a whole, compared with the previous fiscal year.

The slump in the Chinese market in the color materials business and the decline in sales of the Polatechno Group result in a 1,525 million yen (19.7%) decline in segment profit from the previous fiscal year to 6,202 million yen.

[2] Pharmaceuticals Business

Sales stood at 47,774 million yen, an increase of 1,543 million yen (3.3%) year-on-year.

Pharmaceuticals in Japan were impacted by drug price revisions accompanying the increase in the consumption tax rate, but the segment outperformed the previous fiscal year as growth in sales contributed to performance due to the switch to biosimilars and generic drugs, and growth in the antibody biosimilars, TRASTUZUMAB BS and INFLIXIMAB BS, in particular.

Although sales of active pharmaceutical ingredients and contract production for the Japanese domestic market underperformed the previous fiscal year, exports and diagnostic agents outperformed the previous fiscal year.

Segment profit was totaled 4,135 million yen, an increase of 74 million yen (1.8%) year-on-year.

[3] Safety Systems Business

Sales stood at 46,990 million yen, a decrease of 228 million yen (0.5%) year-on-year.

Business in Japan outperformed the previous fiscal year as firm sales of airbag inflators more than compensated for underperformance in sales of micro gas generators for seatbelt pretensioners compared to the previous fiscal year.

The overseas business saw sales decline from the previous year due to the slump in the automotive market. Sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs all underperformed the previous fiscal year.

A decline in sales in overseas business led to segment profit of 6,191 million yen, a decrease of 899 million yen (12.7%) from the previous fiscal year.

[4] Other

Sales stood at 8,817 million yen, a decrease of 682 million yen (7.2%) year-on-year.

The agrochemicals business underperformed the previous fiscal year in both domestic sales and exports.

Sales in real estate and other business decreased compared to the previous fiscal year.

Segment profit totaled 1,543 million yen, a decrease of 45 million yen (2.9%) year-on-year.

Consolidated Financial Position

Assets, Liabilities, and Net Assets
Total assets were 278,496 million yen, a decrease of 15,074 million yen from the end of the previous fiscal year. The main decreases were in securities, a decrease of 6,641 million yen; raw materials and stores, a decrease of 5,691 million yen; and investment securities, a decrease of 4,764 million yen. The main increase was in merchandise and finished goods, an increase of 3,735 million yen.

Liabilities were 68,477 million yen, an increase of 3,948 million yen compared to the end of the previous consolidated fiscal year. The main increase was in bonds payable, an increase of 12,000 million yen. The main decreases were in long-term loans payable, a decrease of 2,596 million yen; and deferred tax liabilities, a decrease of 2,488 million yen.

Net assets were 210,019 million yen, a decrease of 19,023 million yen compared to the end of the previous consolidated fiscal year. The main decreases were in non-controlling interests, a decrease of 12,327 million yen; translation adjustments, a decrease of 5,217 million yen; and unrealized holding gains on other securities, a decrease of 3,518 million yen. The main increase was in treasury stock, an increase of 2,619 million yen.

Consolidated Cash Flows

Net cash provided by operating activities amounted to 27,281 million yen (versus a cash inflow of 26,803 million yen in the previous fiscal year). The positive cash flow was primarily generated from profit before income taxes of 18,141 million yen, and depreciation and amortization of 12,384 million yen. The above factors more than compensated for income tax paid of 6,140 million yen, and gain on sales of investment securities of 676 million yen.

Net cash used in investing activities totaled 17,543 million yen (versus a cash outflow of 17,694 million yen in the previous fiscal year). The net outflow was mainly due to expenditures of 15,276 million yen for the purchase of property, plant and equipment and expenditures of 813 million yen for the purchase of intangible assets.

Net cash used in financing activities amounted to 13,894 million yen (versus a cash outflow of 6,437 million yen in the previous fiscal year). This was mainly due to expenditures for acquisition of equity in subsidiaries that did not accompany a change in the scope of consolidation of 13,808 million yen, dividends paid of 5,181 million yen, expenditures for repayment of long-term loans of 4,315 million yen, and payment for purchase of treasury stock of 2,987 million yen, despite a cash inflow of 12,000 million yen in proceeds from issuance of corporate bonds.

Reflecting the above cash flow performance, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2020 was 46,663 million yen, a decrease of 6,034 million yen from the end of the previous fiscal year.

CONSOLIDATED BALANCE SHEET

Nippon Kayaku Co., Ltd.
Year ended March 31, 2020

As of March 31, 2020	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets			
Current assets:			
Cash on hand and in banks (Note 18).....	¥ 42,702	¥ 41,973	\$ 392,373
Time deposits (Note 18).....	520	459	4,778
Trade receivables (Note 18).....	53,787	54,918	494,229
Allowance for doubtful receivables.....	(39)	(29)	(358)
Marketable securities (Note 18).....	4,132	10,773	37,967
Inventories (Note 4).....	47,615	49,651	437,517
Other current assets (Note 18).....	4,384	4,211	40,283
Total current assets	153,102	161,958	1,406,799
 Property, plant and equipment (Notes 5 and 21):.....	 279,959	 275,545	 2,572,443
Accumulated depreciation (Including accumulated impairment loss)	(193,999)	(188,298)	(1,782,587)
Property, plant and equipment, net	85,960	87,246	789,855
 Investments and other assets:			
Investment securities (Notes 6, 18 and 19)	30,661	35,426	281,732
Goodwill (Notes 6).....	748	1,000	6,873
Net defined benefit asset (Note 8).....	1,291	2,448	11,862
Deferred tax assets (Note 13).....	707	667	6,496
Other assets.....	6,024	4,824	55,352
Total investments and other assets	39,433	44,366	362,335
 Total assets	 ¥ 278,496	 ¥293,571	 \$2,559,000

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars (Note 3)
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Notes 7 and 18)	¥ 922	¥ 1,148	\$ 8,471
Current portion of long-term debt (Notes 7 and 18).....	3,437	4,323	31,581
Payables:			
Trade (Note 18).....	15,857	15,472	145,704
Unconsolidated subsidiaries and affiliates (Note 18)	57	102	523
Facilities	3,597	4,522	33,051
Other	5,279	6,046	48,506
Accrued expenses	5,409	5,585	49,701
Accrued income taxes.....	2,646	2,542	24,313
Other current liabilities (Notes 13, 18 and 20).....	1,592	1,667	14,628
Total current liabilities	38,800	41,412	356,519
 Non-current liabilities:			
Bonds payable	12,000	–	110,263
Long-term debt, less current portion (Notes 7 and 18).....	6,182	8,778	56,804
Provision for directors' retirement benefits	33	26	303
Net defined benefit liability (Note 8).....	426	418	3,914
Other non-current liabilities (Note 18)	4,875	5,245	44,794
Deferred tax liabilities (Note 13).....	6,159	8,647	56,592
Total non-current liabilities	29,676	23,116	272,682
Total liabilities	68,477	64,528	629,210
 Contingent liabilities (Note 16)			
 Net assets (Note 17):			
Shareholders' equity			
Common stock:			
Authorized – 700,000,000 shares			
Issued – 177,503,570 shares.....	14,932	14,932	137,204
Additional paid-in capital.....	15,757	17,596	144,785
Retained earnings	184,156	182,133	1,692,143
Treasury stock, at cost	(7,871)	(10,490)	(72,323)
Total shareholders' equity	206,975	204,171	1,901,819
 Accumulated other comprehensive income			
Unrealized holding gain (loss) on other securities.....	7,856	11,374	72,185
Translation adjustments.....	(4,589)	627	(42,166)
Remeasurements of defined benefit plans.....	(897)	(133)	(8,242)
Total accumulated other comprehensive income	2,369	11,869	21,767
 Non-controlling interests	 675	 13,002	 6,202
Total net assets	210,019	229,043	1,929,789
Total liabilities and net assets	¥278,496	¥293,571	\$2,559,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Nippon Kayaku Co., Ltd.
Year ended March 31, 2020

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars (Note 3)
Net sales	¥175,123	¥172,639	\$1,609,142
Cost of sales (Notes 5, 8, 11 and 21)	117,059	109,461	1,075,613
Gross profit	58,063	63,177	533,520
Selling, general and administrative expenses (Notes 5, 8, 10, 11 and 21)	40,578	43,237	372,856
Operating income	17,485	19,939	160,663
Other income (expenses):			
Interest and dividend income	1,006	916	9,243
Interest expense.....	(165)	(194)	(1,516)
Other, net (Note 21)	(184)	622	(1,690)
	655	1,343	6,018
Profit before income taxes	18,141	21,283	166,691
Income taxes (Note 13):			
Current	6,059	5,304	55,673
Deferred	(797)	298	(7,323)
	5,262	5,602	48,350
Profit	12,879	15,681	118,340
Profit attributable to:			
Non-controlling interests	63	829	578
Owners of parent (Note 17).....	¥ 12,815	¥ 14,851	\$ 117,752

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nippon Kayaku Co., Ltd.
Year ended March 31, 2020

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars (Note 3)
Profit	¥12,879	¥15,681	\$118,340
Other comprehensive income (Note 14):			
Unrealized holding gain (loss) on other securities	(3,511)	(349)	(32,261)
Translation adjustments.....	(5,444)	(1,576)	(50,022)
Remeasurements of defined benefit plans.....	(753)	31	(6,919)
Share of other comprehensive income of companies accounted for by the equity method.....	(12)	1	(110)
Total other comprehensive income	(9,721)	(1,892)	(89,322)
Comprehensive income (Note 14).....	¥ 3,157	¥13,788	\$ 29,008
Total comprehensive income attributable to:			
Owners of parent	¥ 3,316	¥12,902	\$ 30,469
Non-controlling interests.....	¥ (158)	¥ 885	\$ (1,451)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Nippon Kayaku Co., Ltd.
Year ended March 31, 2020

For the Year Ended March 31, 2020	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of the year	¥14,932	¥17,596	¥182,133	¥(10,490)	¥204,171	¥11,374	¥ 627	¥(133)	¥11,869	¥13,002	¥229,043
Cash dividends paid.....			(5,194)		(5,194)						(5,194)
Profit (loss) attributable to owners of parent for the period.....			12,815		12,815				-		12,815
Purchases of treasury stock				(2,987)	(2,987)				-		(2,987)
Cancellation of treasury shares..		(7)	(5,599)	5,606	-				-		-
Disposal of treasury stock											
Change in ownership interest of parent due to transactions with non-controlling interests.....		(1,830)			(1,830)						(1,830)
Net changes in items other than shareholders' equity						(3,518)	(5,217)	(763)	(9,499)	(12,327)	(21,826)
Total movements during the year ..	-	(1,838)	2,022	2,619	2,803	(3,518)	(5,217)	(763)	(9,499)	(12,327)	(19,023)
Balance at the end of the year ..	¥14,932	¥15,757	¥184,156	¥ (7,871)	¥206,975	¥ 7,856	¥(4,589)	¥(897)	¥ 2,369	¥ 675	¥210,019

For the year ended March 31, 2020	Thousands of U.S. dollars										
	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of the year	\$137,204	\$161,683	\$1,673,555	\$(96,388)	\$1,876,054	\$104,511	\$ 5,761	\$(1,222)	\$109,060	\$119,470	\$2,104,594
Cash dividends paid.....			(47,725)		(47,725)						(47,725)
Profit (loss) attributable to owners of parent for the period.....			117,752		117,752						117,752
Purchases of treasury stock				(27,446)	(27,446)						(27,446)
Cancellation of treasury shares..		(64)	(51,447)	51,511	-						-
Change in ownership interest of parent due to transactions with non-controlling interests.....		(16,815)			(16,815)						(16,815)
Net changes in items other than shareholders' equity						(32,325)	(47,937)	(7,010)	(87,282)	(113,268)	(200,551)
Total movements during the year ..	-	(16,888)	18,579	24,065	25,755	(32,325)	(47,937)	(7,010)	(87,282)	(113,268)	(174,795)
Balance at the end of the year...	\$137,204	\$144,785	\$1,692,143	\$(72,323)	\$1,901,819	\$ 72,185	\$(42,166)	\$(8,242)	\$ 21,767	\$ 6,202	\$1,929,789

For the year ended March 31, 2019	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain (loss) on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of the year	¥14,932	¥17,596	¥172,476	¥(10,489)	¥194,516	¥11,730	¥2,252	¥(165)	¥ 13,817	¥12,284	¥220,619
Cash dividends paid.....			(5,194)		(5,194)						(5,194)
Profit (loss) attributable to owners of parent for the period.....			14,851		14,851						14,851
Purchases of treasury stock				(1)	(1)						(1)
Cancellation of treasury shares ..											
Change in ownership interest of parent due to transactions with non-controlling interests.....		(0)			(0)						(0)
Net changes in items other than shareholders' equity						(356)	(1,624)	32	(1,948)	717	(1,231)
Total movements during the year ..	-	(0)	9,656	(1)	9,655	(356)	(1,624)	32	(1,948)	717	8,423
Balance at the end of the year...	¥14,932	¥17,596	¥182,133	¥(10,490)	¥204,171	¥11,374	¥ 627	¥(133)	¥ 11,869	¥13,002	¥229,043

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nippon Kayaku Co., Ltd.
Year ended March 31, 2020

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars (Note 4)
Cash flows from operating activities			
Profit before income taxes.....	¥ 18,141	¥ 21,283	\$ 166,691
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization.....	12,384	11,969	113,792
Impairment loss.....	273	-	2,508
Increase (decrease) in other provisions	17	(114)	156
Interest and dividend income	(1,006)	(916)	(9,243)
Interest expense.....	165	194	1,516
Equity in earnings of affiliates	(34)	(253)	(312)
(Gain) loss on disposal or sales of property, plant and equipment, net.....	162	55	1,488
Loss on revaluation of investment securities	125	276	1,148
(Increase) decrease in notes and accounts receivable – trade	88	(369)	808
(Increase) decrease in inventories.....	789	(3,759)	7,249
Increase (decrease) in notes and accounts payable – trade	768	(641)	7,056
Increase (decrease) in payables – other	(496)	(806)	(4,557)
(Increase) decrease in net defined benefit asset	112	814	1,029
Other	869	2,408	7,984
Subtotal	32,361	30,142	297,353
Interest and dividends received	1,186	1,124	10,897
Interest paid	(179)	(182)	(1,644)
Income taxes paid.....	(6,140)	(4,510)	(56,418)
Income taxes refund	53	229	486
Net cash provided by operating activities	27,281	26,803	250,675
Cash flows from investing activities			
Increase (decrease) in time deposits, net.....	(93)	(6)	(854)
Purchases of property, plant and equipment.....	(15,276)	(15,224)	(140,365)
Proceeds from sales of property, plant and equipment.....	395	376	3,629
Acquisition of goodwill and other intangible assets.....	(813)	(526)	(7,470)
Purchases of investment securities.....	(809)	(1,397)	(7,433)
Proceeds from sales of investment securities.....	961	33	8,830
Proceeds from redemption of investment securities.....	181	-	1,663
Payment for retirement of property, plant and equipment	(363)	(322)	(3,335)
Purchase of shares of subsidiaries and associates.....	(100)	(180)	(918)
Net increase(decrease) short-term loan	(280)	(180)	(2,572)
Increase in other investment	(72)	(17)	(661)
Other.....	(1,272)	(249)	(11,687)
Net cash used in investing activities	(17,543)	(17,694)	(161,196)
Cash flows from financing activities			
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.....	(13,808)	-	(126,876)
Net (decrease) increase in short-term bank loans	(167)	(182)	(1,534)
Proceeds from long-term bank loans	1,000	5,574	9,188
Repayment of long-term bank loans	(4,315)	(5,467)	(39,648)
Repayment of construction cooperation fund.....	-	(748)	-
Proceeds from issuance of bonds	12,000	-	110,263
Decrease (increase) in treasury stock	(2,987)	(1)	(27,446)
Cash dividends paid	(5,181)	(5,182)	(47,606)
Other	(434)	(429)	(3,987)
Net cash used in financing activities	(13,894)	(6,437)	(127,667)
Effect of exchange rate changes on cash and cash equivalents.....	(1,878)	(505)	(17,256)
Increase (decrease) in cash and cash equivalents, net	(6,034)	2,165	(55,444)
Cash and cash equivalents at beginning of the year.....	52,697	50,532	484,213
Cash and cash equivalents at end of the year.....	¥ 46,663	¥ 52,697	\$ 428,769

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 1
Summary of
Significant
Accounting
Policies

a. Basis of Presentation

The accompanying consolidated financial statements of NIPPON KAYAKU CO., LTD. (the “Company”) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

b. Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries controlled directly or indirectly by the Company (the “Companies”). Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements based on the equity method of accounting.

The Company applies the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24). In accordance with these PITFs, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including amortization of goodwill, actuarial differences and capitalized development costs. As of March 31, 2020, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 27 and 4 (27 and 4 in 2019). 11 subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are generally stated at cost or less. Where there has been a permanent decline in the value of such investments, the investments have been written down to fair value.

Goodwill represents the difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method and have been amortized by the straight-line method over five to ten years. However, immaterial amounts of goodwill and negative goodwill are charged or credited to profit in the year of acquisition.

c. Foreign Currency Translation

The accounts of foreign consolidated subsidiaries, except for the components of shareholders' equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Revenues and expenses are translated at the average rate of exchange in effect during the year. Translation differences arising from the translation of the financial statements of the foreign consolidated subsidiaries are presented as translation adjustments.

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated into yen at the current rates.

Gains and losses arising from exchange differences are credited or charged to income in the year incurred.

Note 1
Summary of
Significant
Accounting
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(continued)

d. Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

e. Inventories

Inventories are stated principally at cost, using the average method. (The figures shown in the balance sheet have been calculated in accordance with the write-down approach based on decline in profitability.)

f. Securities

Securities are classified as other securities. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

g. Property, Plant and Equipment

Depreciation is mainly computed by the declining-balance method, except that the straight-line method is applied to the buildings which were acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 based on the estimated useful lives of the respective assets.

h. Leases

Leased property under finance leases which do not transfer ownership of the leased property are depreciated by the straight-line method over the lease terms assuming no residual value.

i. Provision for Directors' Retirement Benefits

In certain consolidated subsidiaries, provision for retirement benefits for directors and corporate auditors is recorded at the amount required if all directors and corporate auditors retired at the balance sheet date in accordance with the subsidiaries' internal regulations.

j. Retirement Benefits

- Method of attributing expected retirement benefits to periods
Benefit formula method is used for attributing expected retirement benefits to periods in calculating retirement benefit obligations.
- Recognition of actuarial gains or losses and prior service cost
Actuarial gains and losses are amortized in the following year in which the gain or loss is recognized primarily by the straight-line method over periods (10 years), which are shorter than the average remaining years of service of the employees. Prior service cost is amortized as incurred by the straight-line method over periods (10 years), which are shorter than the average remaining years of service of the employees.
- Adoption of the simplified method by small-scale firms
Certain consolidated subsidiaries apply the simplified method under which the total lump sum benefits at the balance sheet date are used as the retirement benefit obligation for the calculation of liability for retirement benefits and retirement benefit expenses.

k. Derivative Financial Instruments

The Company has entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. Derivatives are carried at fair value with changes in unrealized gains or losses charged or credited to income.

l. Accounting Standards Issued but Not Yet Effective

Accounting Standard and Implementation Guidance on Revenue Recognition
On March 31, 2020, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 1
Summary of
Significant
Accounting
Policies
(continued)

(1) Overview
This is comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

Accounting Standard for Fair Value Measurement and Related Implementation Guidance
On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement " (ASBJ Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement " (ASBJ Guidance No. 31), along with related updates to "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, revised 2019), and "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised 2019), and on March 31, 2020, also issued"Application Guidelines for Disclosure of Fair Value, etc. of Financial Instruments" (ASBJ Guidance No. 19).

(1) Overview
The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

(2) Scheduled date of adoption
The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adoption of revised accounting standard and related implementation guidance
The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections
On March 31, 2020 ASBJ issued " Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24)

Note 1
Summary of
Significant
Accounting
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(continued)

(1) Overview
The ASBJ has developed an " Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections", which provide an overview of the accounting principles and procedures adopted when the relevant accounting standards are not clear.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard from the end of the fiscal year ending March 2021.

Accounting Standard for Disclosure of Accounting Estimates
On March 31, 2020, ASBJ issued "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31).

(1) Overview
The ASBJ has developed an "Accounting Standard for Disclosure of Accounting Estimates", which disclose contributing information in order to let Financial statement users understand the details of the accounting estimates for items that have a risk of having a significant impact on the financial statements for the following year out of the amounts estimated by accounting for the financial statements for the current year.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard from the end of the fiscal year ending March 2021.

m. Additional Information

Accounting estimates of the impact of the spread of the novel Coronavirus infections (COVID-19)
The Company makes accounting estimates such as impairment accounting of fixed assets and recoverability of deferred tax assets based on information available from inside and outside the company when preparing consolidated financial statements. Although the impact and extent of the spread of the novel Coronavirus will vary depending on the business, there is concern that a declaration of an emergency will be issued and a major economic slowdown due to the stagnation of economic activity is expected to affect the performance of the Group.

For businesses that are concerned about the impact of a decrease in operating revenue, while recognizing that the outlook for when the spread of infection has ended is uncertain, in making judgments on the recoverability of deferred tax assets and recognizing impairment losses, we make accounting estimates based on the assumption that the spread of novel Coronavirus infection will hit the bottom from April to June 2020, and after that recover gradually toward the end of March, 2021. However, there are many uncertainties regarding the impact of the spread of the novel Coronavirus, which could affect the financial condition and operating results of the Group for the next consolidated fiscal year.

(1) Change in accounting policies
Not applicable.

(2) Change in presentation
Not applicable

Note 2
Accounting
Changes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 3
U.S. Dollar
Amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥108.83 = U.S. \$1, the approximate rate of exchange prevailing at March 31, 2020 . This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

Note 4
Inventories

Inventories at March 31, 2020 and 2019 were as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Merchandise and finished products	¥30,987	¥27,251	\$284,728
Work in progress	1,640	1,719	15,069
Raw materials and supplies	14,988	20,680	137,719
	¥47,615	¥49,651	\$437,517

Note 5
Property,
Plant and
Equipment

The following table sets forth the acquisition costs and related accumulated depreciation of certain property, plant and equipment at March 31, 2020 and 2019

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Buildings and structures	¥ 104,906	102,560	963,943
Machinery equipment and vehicles	132,647	130,225	1,218,845
Other.....	42,405	42,758	389,644
	279,959	275,545	2,572,443
Accumulated depreciation.....	(193,999)	(188,298)	(1,782,587)
	¥ 85,960	¥ 87,246	\$ 789,855

Depreciation of property, plant and equipment for the years ended March 31, 2020 and 2019 was as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Depreciation.....	¥11,808	¥11,410	\$108,500

Accumulated depreciation of property, plant and equipment amounted to ¥(64,656) million (\$(594,100) thousand) and ¥(62,760) million as of March 31, 2020 and 2019 , respectively.
As of March 31 2020 and 2019 , machinery, equipment and vehicles included certain items in the amount of ¥(107,898) million (\$(991,436) thousand) and ¥(105,031) million, respectively, leased to others under lease agreements.

Note 6
Investments and
Other Assets

Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2020 and 2019 amounted to ¥5,418 million (\$49,784 thousand) and ¥5,261 million, respectively.

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2020 and 2019 also included investments in stock of jointly controlled companies in the amounts of ¥3,000 million (\$27,565 thousand) and ¥2,854 million, respectively.
As of March 31, 2020 and 2019 , goodwill included in Intangible assets amounted to ¥302 million (\$2,774 thousand) and ¥382 million, respectively.

Note 7
Short-Term Bank
Loans and Long-
Term Debt

Short-term bank loans are unsecured and are generally represented by 60-day notes. The weighted average interest rates at March 31, 2020 and 2019 were approximately 2.49% and 2.79%, respectively.
The average interest rates applicable to the long-term borrowings (except for current portion) at March 31, 2020 and 2019 were approximately 0.77% and 1.01%, respectively.

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Collateralized loans from banks, insurance companies, government agencies and other financial institutions, due through 2019	¥ -	¥ -	\$ -
Loans without collateral.....	9,619	13,101	88,385
	9,619	13,101	88,385
Less current portion	(3,437)	(4,323)	(31,581)
	¥ 6,182	¥ 8,778	\$ 56,804

The aggregate annual maturities of long-term debt subsequent to March 31, 2020 and 2019 are as follows:

Year ending March 31,	2020	2020
	Millions of yen	Thousands of U.S. dollars
2021	¥3,437	\$31,581
2022	2,437	22,392
2023	2,291	21,051
2024 and thereafter	1,453	13,351
	¥9,619	\$88,385

Year ending March 31,	2019
	Millions of yen
2020	¥ 4,323
2021	3,298
2022	2,298
2023 and thereafter	3,180
	¥13,101

Assets pledged as collateral for long-term debt, other non-current liabilities and payables-trade at March 31, 2020 and 2019 are summarized as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Investment securities.....	¥ 165	¥ 196	\$ 1,516
Property, plant and equipment, at net book value	3,039	4,468	27,924
	¥3,204	¥4,664	\$29,440

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 8

Retirement Benefit Plans

The Company and domestic consolidated subsidiaries have defined benefit plans and lump-sum retirement payment plans. In some cases, additional retirement benefits are paid on retirement of employees. Certain consolidated foreign subsidiaries have defined contribution plans.

In addition, the liability for retirement benefits and retirement benefit expenses are calculated by the simplified method regarding the defined benefit plans and the lump-sum retirement payment plans of certain consolidated subsidiaries.

The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2019 are as follows (excluding the plans based on the simplified method):

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Balance at the beginning of the year	¥32,791	¥31,797	\$301,304
Service cost	1,768	1,672	16,245
Interest cost	38	37	349
Actuarial gain or loss	(91)	95	(836)
Retirement benefits paid	(2,091)	(2,100)	(19,213)
Effect from simplified method to principle method	—	1,249	—
Other	84	39	771
Balance at the end of the year	¥32,498	¥32,791	\$298,612

The changes in plan assets during the years ended March 31, 2020 and 2019 are as follows (excluding the plans based on the simplified method):

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Balance at the beginning of the year	¥34,960	¥34,474	\$321,234
Expected return on plan assets	728	729	6,689
Actuarial gain	(1,300)	(357)	(11,945)
Contributions by the Company	1,173	1,132	10,778
Retirement benefits paid	(2,055)	(2,072)	(18,882)
Effect from simplified method to principle method	—	1,053	—
Balance at the end of the year	¥33,506	¥34,960	\$307,874

The changes in the net defined benefit liability and asset based on the simplified method during the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Net defined benefit liability and asset based on the simplified method at the beginning of the year	¥138	¥ (72)	\$1,268
Retirement benefit expenses	53	90	486
Retirement benefits paid	(1)	(9)	(9)
Contributions to the plans	(38)	(73)	(349)
Effect from simplified method to principle method	—	210	—
Other	(9)	(5)	(82)
Net defined benefit liability and asset based on the simplified method at the end of the year	¥142	¥138	\$1,304

Note 8

Retirement Benefit Plans (continued)

The following table sets forth the funded status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans including the plans based on the simplified method:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Funded retirement benefit obligation	¥ 32,984	¥ 33,254	\$ 303,078
Plan assets at fair value	(34,073)	(35,501)	(313,084)
	(1,089)	(2,246)	(10,006)
Unfunded retirement benefit obligation	224	216	2,058
Net liability and asset for retirement benefits in the balance sheet	(865)	(2,030)	(7,948)
Net defined benefit liability	426	418	3,914
Net defined benefit asset	(1,291)	(2,448)	(11,862)
Net liability and asset for retirement benefits in the balance sheet	¥ (865)	¥ (2,030)	\$ (7,948)

The components of retirement benefit expenses for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Service cost	¥1,768	¥1,672	\$16,245
Interest cost	38	37	349
Expected return on plan assets	(728)	(729)	(6,689)
Amortization of actuarial loss	198	493	1,819
Amortization of prior service cost	5	5	45
Retirement benefit expenses calculated based on the simplified method	53	90	486
Effect from simplified method to principle method	—	406	—
Total	¥1,334	¥1,976	\$12,257

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Prior service cost	¥ 5	¥ 5	\$ 45
Actuarial gain and loss	(1,010)	40	(9,280)
Total	¥ (1,005)	¥ 45	\$ (9,234)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 are as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Unrecognized prior service cost	¥ 18	¥ 23	\$ 165
Unrecognized actuarial gain and loss	1,257	246	11,550
Total	¥1,276	¥270	\$11,724

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 8

Retirement Benefit Plans
(continued)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 are as follows:

	2020	2019
Bonds	37%	34%
Stocks	23%	24%
General account	20%	20%
Other	20%	22%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2020	2019
Discount rates	0.1% – 0.3%	0.1% – 0.3%
Expected rates of return on plan assets	1.5% – 2.1%	1.6% – 2.1%

Contributions to the defined contribution plan amounted to ¥234 million (\$2,150 thousand) and ¥218 million for the years ended March 31, 2020 and 2019, respectively.

Note 9

Asset Retirement Obligations

Omitted because the total amount of asset retirement obligations is immaterial.

Note 10

Stock Options

Stock option expense that is included in “Selling, general and administrative expenses” on the consolidated statement of income for the year ended March 31, 2020 amounted to ¥2 million (\$18 thousand).

The stock options outstanding as of March 31, 2020 are as follows:

Overview, number and changes

1. Overview

Company Name	MOXTEK, Inc.
Date of resolution	February 3, 2010
Persons granted	1 director of the Company, 15 executives of the Company, 6 others
Number of stock options granted by class of stock (Notes)	Common stock 104,500 shares
Date of grant	February 3, 2010
Vesting conditions	Continuous service from the date of grant (February 3, 2010) to the vesting date (February 3, 2010), or, not exceeding 30 days after termination.
Service period	No service period is specified
Exercise period	From February 3, 2010 to February 2, 2020

Note: The above common stock does not carry voting rights.
Note: The number of options is presented after conversion into the number of shares.

Note 10

Stock Options
(continued)

Company Name	MOXTEK, Inc.
Date of resolution	February 17, 2011
Persons granted	1 director of the Company, 6 executives of the Company, 20 others
Number of stock options granted by class of stock (Notes)	Common stock 96,000 shares
Date of grant	February 17, 2011
Vesting conditions	Continuous service from the date of grant (February 17, 2011) to the vesting date (February 17, 2011), or, not exceeding 60 days after termination.
Service period	No service period is specified
Exercise period	From February 17, 2011 to February 16, 2021

Company Name	MOXTEK, Inc.
Date of resolution	February 2, 2012
Persons granted	5 directors of the Company, 3 executives of the Company, 28 others
Number of stock options granted by class of stock (Notes)	Common stock 72,800 shares
Date of grant	February 2, 2012
Vesting conditions	Continuous service from the date of grant (February 2, 2012) to the vesting date (February 2, 2012), or, not exceeding 60 days after termination.
Service period	No service period is specified
Exercise period	From February 2, 2012 to February 2, 2022

Company Name	MOXTEK, Inc.
Date of resolution	February 8, 2013
Persons granted	5 directors of the Company, 4 executives of the Company, 28 others
Number of stock options granted by class of stock (Notes)	Common stock 76,200 shares
Date of grant	February 8, 2013
Vesting conditions	Continuous service from the date of grant (February 8, 2013) to the vesting date (February 8, 2013), or, not exceeding 60 days after termination.
Service period	No service period is specified
Exercise period	From February 8, 2013 to February 8, 2023

Company Name	MOXTEK, Inc.
Date of resolution	February 12, 2015
Persons granted	7 directors of the Company, 4 executives of the Company, 27 others
Number of stock options granted by class of stock (Notes)	Common stock 62,250 shares
Date of grant	February 12, 2015
Vesting conditions	Continuous service from the date of grant (February 12, 2015) to the vesting date (February 12, 2015), or, not exceeding 60 days after termination.
Service period	No service period is specified
Exercise period	From February 12, 2015 to February 12, 2025

Note: The above common stock does not carry voting rights.
Note: The number of options is presented after conversion into the number of shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 10
Stock Options
(continued)

2. Number and changes in stock options

a. Number of stock options					
Company Name	MOXTEK, Inc.	MOXTEK, Inc.	MOXTEK, Inc.	MOXTEK, Inc.	MOXTEK, Inc.
Date of resolution	February 3, 2010	February 17, 2011	February 2, 2012	February 8, 2013	February 12, 2015
Prior to vesting					
Beginning of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Unvested	—	—	—	—	—
After vesting					
Beginning of period	18,205	37,825	43,300	52,000	51,000
Vested	—	—	—	—	—
Exercised	8,621	6,271	1,500	—	—
Forfeited	—	4,765	8,600	10,200	7,650
Outstanding	9,584	26,789	33,200	41,800	43,350
b. Unit price information (In U.S. dollars)					
Company Name	MOXTEK, Inc.	MOXTEK, Inc.	MOXTEK, Inc.	MOXTEK, Inc.	MOXTEK, Inc.
Date of resolution	February 3, 2010	February 17, 2011	February 2, 2012	February 8, 2013	February 12, 2015
Exercise price	17.84	23.58	28.55	30.28	32.83
Average stock market price at exercise	33.37	33.37	33.37	—	—
Fair value unit price at grant date	—	23.58	28.55	30.28	32.83

Note 11
Research and Development Expenses

Research and development expenses amounted to ¥11,057 million (\$101,598 thousand) and ¥12,549 million for the years ended March 31, 2020 and 2019, respectively.

Note 12
Impairment Loss

During the current consolidated fiscal year, the Group recorded impairment loss for the following asset groups.

Location	Purpose	Type	2020	2020
			Millions of yen	Thousands of U.S. dollars
Arnhem, the Netherlands	Business assets	Machinery and vehicles	¥267	\$2,453
Arnhem, the Netherlands	Business assets	Tools, furniture and fixtures	¥ 5	\$ 45

The Group categorizes business assets based on management accounting classification. However, regarding leased assets and idle assets, we are aware of each individual asset unit. In the current consolidated fiscal year, the profitability of Dejima Tech B.V., a consolidated subsidiary of the Company, declined due to the deterioration of the business environment. Impairment loss was recorded as an extraordinary loss.
(Calculation method of recoverable amount)
The recoverable amount of this asset group is measured by the net selling price, and is calculated by the appraisal value.

Note 13
Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in statutory tax rates of 30.62% in 2020 and 30.62% in 2019. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2020 and 2019 differ from the statutory tax rate for the following reasons:

	2020	2019
Statutory tax rate	30.62%	30.62%
Effect of:		
Expenses not deductible for income tax purposes	0.40	0.38
Dividend income deductible for income tax purposes.....	(8.62)	(5.73)
Tax deductions for research and development expenses	(3.09)	(3.82)
Investment tax credit	2.94	—
Taxation on per capita basis	0.49	0.44
Intercompany dividends	8.35	5.72
Retained earnings of affiliated companies	2.18	3.12
Increase (decrease) in valuation allowance	(2.53)	0.00
Different tax rates applied to subsidiaries	(3.47)	(3.94)
Other, net	1.72	(0.47)
Subtotal	(1.61)	(4.30)
Effective tax rate	29.01%	26.32%

The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Deferred tax assets:			
Net defined benefit liability	¥ 881	¥ 771	\$ 8,095
Accrued bonuses	815	832	7,488
Accrued enterprise tax	209	242	1,920
Allowance for sales rebates.....	133	113	1,222
Loss on impairment of fixed assets	280	225	2,572
Loss on revaluation of inventories	174	185	1,598
Other	2,639	2,436	24,248
Total deferred tax assets.....	5,133	4,808	47,165
Valuation allowance.....	(1,164)	(546)	(10,695)
	3,969	4,261	36,469
Deferred tax liabilities:			
Net defined benefit asset.....	(1,205)	(1,391)	(11,072)
Adjustment of acquisition costs of fixed assets	(2,319)	(2,444)	(21,308)
Unrealized holding gain (loss) on other securities	(3,306)	(4,829)	(30,377)
Adjustments to book value relating to land of consolidated subsidiaries	(586)	(586)	(5,384)
Depreciation	(951)	(802)	(8,738)
Other	(2,538)	(2,187)	(23,320)
Total deferred tax liabilities	(10,908)	(12,241)	(100,229)
Net deferred tax assets (liabilities)	¥ (6,938)	¥ (7,980)	\$ (63,750)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 14

Other
Comprehensive
Income

The following table presents reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2019:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥(4,473)	¥ (764)	\$ (41,100)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	(550)	261	(5,053)
Amount before tax effect	(5,023)	(502)	(46,154)
Tax effect	1,512	152	13,893
Unrealized holding gain (loss) on other securities.....	(3,511)	(349)	(32,261)
Translation adjustments:			
Amount arising during the year	(5,444)	(1,576)	(50,022)
Remeasurements of defined benefit plans:			
Amount arising during the year	(1,209)	(453)	(11,109)
Reclassification adjustments for gains and losses included in profit (loss) attributable to owners of parent	203	498	1,865
Amount before tax effect	(1,005)	45	(9,234)
Tax effect	252	(13)	2,315
Remeasurements of defined benefit plans	(753)	31	(6,919)
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	(12)	1	(110)
Total other comprehensive income	¥(9,721)	¥(1,892)	\$ (89,322)

Note 15

Lease
Transactions

a. Finance lease transaction
(Borrower side)
Finance lease transactions that do not transfer ownership
(1) Details of leased assets
Machinery equipment for production
(2) Depreciation method for leased assets
The straight-line method is used, where the lease period is the useful life and the residual value is zero.

b. Operating lease transaction
(Borrower side)
Future minimum lease payments subsequent to March 31, 2020 for non-cancellable operating lease transactions

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Within a year.....	¥ 687	¥524	\$ 6,312
Over a year.....	2,762	333	25,379
Total.....	¥3,449	¥858	\$31,691

(Lender side)
Future minimum lease income subsequent to March 31, 2020 for non-cancellable operating lease transactions on the lessor side

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Within a year.....	¥1,022	¥28	\$ 9,390
Over a year.....	8,240	–	75,714
Total.....	¥9,263	¥28	\$85,114

Note 16

Commitments
and
Contingencies

Contingent liabilities of the Companies at March 31, 2020 and 2019 were as follows:

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Guarantees of loans of employees	¥851	¥976	\$7,819

The Company have entered into loan commitment agreements amounting to ¥11,000 million (\$101,075 thousand) with banks.

Note 17

Amounts Per
Share

	2020	2019	2020
	Yen		U.S. dollars
For the years ended March 31, 2020 and 2019:			
Profit attributable to owners of parent:			
Basic	¥ 74.25	¥ 85.77	\$ 0.68
Diluted.....	74.23	85.75	0.68
Cash dividends.....	30.00	30.00	0.27
At March 31, 2020 and 2019			
Net assets	¥1,225.71	1,247.75	\$11.26

Note 18

Financial
Instruments

Status of financial instruments

1) Policy for financial instruments
The Company and consolidated subsidiaries have a fund management policy, which stipulates that fund management activities shall be restricted to safe and secure financial assets such as cash and deposits. Also, it stipulates that fund-raising activities shall be done mainly by bank loans.

2) Types of financial instruments and related risk and risk management for financial instruments
The Company and consolidated subsidiaries plan to reduce customer risks associated with operating receivables such as acceptances receivable and accounts receivable-trade, by following our internal credit administration policy, which requires Finance & Accounting Division and concerned divisions to monitor customers' business conditions on a regular basis. Regarding marketable securities and investment securities, their market values and the issuers' financial conditions are checked on a quarterly basis.

Regarding bank loans, short-term borrowings are mainly for working capital, and long-term borrowings are for capital investment. Long-term borrowings are mainly procured with fixed interest rate.

The Company and consolidated subsidiaries do not use derivatives trading for speculation purposes based on the internal control policy. It stipulates that derivatives trading shall be restricted to exchange contracts, which are limited to risks associated with actual demand.

3) Supplementary explanation of the estimated fair value of financial instruments
The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

4) Estimated fair value of financial instruments
Carrying value of financial instruments on the consolidated balance sheet and estimated fair value as of March 31, 2020 and 2019 are shown in the following table.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 18
Financial
Instruments
(continued)

	March 31, 2020					
	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
1) Cash on hand and in banks	¥ 43,222	¥ 43,222	¥ –	\$ 397,151	\$ 397,151	\$ –
2) Trade receivables	53,787	53,787	–	494,229	494,229	–
3) Held-to-maturity debt securities	1,137	1,165	27	10,450	10,705	248
4) Marketable securities and investment securities	26,791	26,791	–	246,174	246,174	–
Total Assets	¥124,938	¥124,966	¥ 27	\$1,148,010	\$1,148,267	\$ 248
1) Trade payables	15,914	15,914	–	146,228	146,228	–
2) Short-term bank loans	922	922	–	8,471	8,471	–
3) Bonds payable	12,000	11,944	(55)	110,263	109,749	(505)
4) Long-term debt *1	9,619	9,649	29	88,385	88,661	266
5) Long-term deposits payable *1	3,976	3,976	–	36,534	36,534	–
Total Liabilities	¥ 42,432	¥ 42,406	¥(26)	\$ 389,892	\$ 389,653	\$(238)
Derivatives	¥ –	¥ –	¥ –	\$ –	\$ –	\$ –

*1 Current portion of long-term debt and long-term deposits payable are included in "Long-term debt" and "Long-term deposits payable."

	March 31, 2019		
	Millions of yen		
	Carrying amount	Fair value	Difference
1) Cash on hand and in banks	¥ 42,432	¥ 42,432	¥ –
2) Trade receivables	54,918	54,918	–
3) Held-to-maturity debt securities	1,229	1,250	21
4) Marketable securities and investment securities	38,835	38,835	–
Total Assets	¥137,415	¥137,437	¥21
1) Trade payables	¥ 15,575	¥ 15,575	¥ –
2) Short-term bank loans	1,148	1,148	–
3) Bonds payable	–	–	–
4) Long-term debt *1	13,102	13,145	43
5) Long-term deposits payable *1	4,227	4,227	–
Total Liabilities	¥ 34,053	¥ 34,096	¥43
Derivatives	¥ (6)	¥ (6)	¥ –

*1 Current portion of long-term debt and long-term deposits payable are included in "Long-term debt" and "Long-term deposits payable."

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

1) Cash on hand and in banks and 2) Trade receivables
Since these items are settled in a short period of time, their carrying value approximates fair value.

3) Marketable securities and investment securities

The fair value of stocks is based on quoted market prices.

Since commercial paper is redeemed in short period of time, its carrying value approximates fair value.

Note 18
Financial
Instruments
(continued)

Liabilities

1) Trade payables and 2) Short-term bank loans

Since these items are settled in a short period of time, their carrying value approximates fair value.

3) Long-term debt and 4) Long-term deposits payable

The fair value of long-term debt and long-term deposits payable is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans and deposits were entered into.

For the fair value of long-term debt with floating interest rates, since those interest rates are updated to reflect the market interest rate within a short period of time, its carrying value approximates fair value.

Derivative Transactions

Please refer to Note 16, Derivative Transactions, of the notes to consolidated financial statements.

2. Financial instruments for which it is extremely difficult to determine the fair value

Because no quoted market price is available and it is extremely difficult to determine the fair value, the financial instruments below as of March 31, 2020 and 2019 are not included in the above table.

	2020	2019	2020
	Millions of yen		Thousands of U.S. dollars
Unlisted stock	¥6,741	¥6,011	\$61,940
Other	124	123	1,139

3. Redemption schedule for receivables and marketable securities with maturities at March 31, 2020 and 2019

As of March 31,2020	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash on hand and in banks	¥43,215	¥ –	¥ –	¥–
Trade receivables	53,787	–	–	–
Held-to-maturity debt securities	171	731	180	–
Marketable securities and investment securities	3,960	–	–	–

As of March 31, 2020	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash on hand and in banks	\$397,087	\$ –	\$ –	\$–
Trade receivables	494,229	–	–	–
Held-to-maturity debt securities	1,571	6,716	1,653	–
Marketable securities and investment securities	36,387	–	–	–

As of March 31, 2019	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash on hand and in banks	¥42,425	¥ –	¥ –	¥–
Trade receivables	54,918	–	–	–
Held-to-maturity debt securities	186	748	230	–
Marketable securities and investment securities	10,588	–	–	–

4. Redemption schedule for long-term debt and long-term deposits payable at March 31, 2020 and 2019

As of March 31,2020	Millions of yen					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds payable	–	–	¥4,000	¥ –	¥8,000	¥–
Long-term debt	3,437	2,437	2,291	1,253	200	–
Long-term deposits payable						

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 18

Financial Instruments
(continued)

As of March 31, 2020	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds payable	\$ -	\$ -	\$36,754	\$ -	\$73,509	\$-
Long-term debt	31,581	22,392	21,051	11,513	1,837	-
Long-term deposits payable	-	-	-	-	-	-

As of March 31, 2019	Millions of yen					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term debt	¥4,323	¥3,298	¥2,298	¥2,114	¥1,066	¥-
Long-term deposits payable	-	-	-	-	-	-

Information regarding marketable securities classified as other securities as of March 31, 2020 and 2019 was as follows:

Marketable other securities

	March 31, 2020					
	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 5,859	¥17,689	¥11,829	\$ 53,836	\$162,537	\$108,692
Debt securities						
Other						
Subtotal	5,859	17,689	11,829	53,836	162,537	108,692
Securities whose carrying value does not exceed acquisition cost:						
Stock	5,923	5,141	(782)	54,424	47,238	(7,185)
Debt securities						
Other						
Subtotal	5,923	5,141	(782)	54,424	47,238	(7,185)
Total	¥11,783	¥22,830	¥11,047	\$108,269	\$209,776	\$101,506

	March 31, 2019		
	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥10,763	¥26,977	¥16,214
Debt securities	-	-	-
Other	-	-	-
Subtotal	10,763	26,977	16,214
Securities whose carrying value does not exceed acquisition cost:			
Stock	1,413	1,269	(144)
Debt securities	-	-	-
Other	-	-	-
Subtotal	1,413	1,269	(144)
Total	¥12,176	¥28,247	¥16,070

Note 19

Marketable and Investment Securities
(continued)

Sales of securities classified as other securities and the aggregate gain and loss

For the year ended March 31, 2020

Disclosure for the year ended March 31, 2020 is omitted due to immateriality in the amounts.

For the year ended March 31, 2019

Disclosure for the year ended March 31, 2019 is omitted due to immateriality in the amounts.

Impaired securities

For the year ended March 31, 2020

Loss on impairment of a security is ¥125 million (\$1,148 thousand).

For the year ended March 31, 2019

Loss on impairment of a security is ¥276 million.

Note 20

Derivative Transactions

As of March 31, 2020

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2020, for which hedged accounting has not been applied.

Currency-related transactions

Not applicable

As of March 31, 2019

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2019, for which hedged accounting has not been applied.

Currency-related transactions

As of March 31, 2019	Millions of yen			
	Notional Amount		Fair Value	Unrealized Gain (Loss)
	Maturing within one year	Maturing after one year		
Forward foreign exchange contracts				
Sell: MYR	61	-	(6)	(6)
Total	¥61	¥-	¥(6)	¥(6)

Note 21

Investment and Rental Properties

The Company and certain consolidated subsidiaries own commercial facilities and offices for earning rental revenue and for other purposes in Hiroshima and in other regions.

For the year ended March 31, 2020

Profit from rentals related to these properties (with main rental income recorded as net sales and other income, and main rental expense recorded as cost of sales, selling, general and administrative expenses and other expenses) in the current fiscal year totaled ¥749 million (\$6,882 thousand).

The carrying value in the consolidated balance sheet, net change during the fiscal year and corresponding fair value of those properties are as follows:

	2020	2020
	Millions of yen	Thousands of U.S. dollars
Amount shown on consolidated balance sheet		
Balance at the beginning of the year	¥ 6,382	\$ 58,641
Increase (decrease) during the fiscal year	(68)	(624)
Balance at the end of the year	6,314	58,017
Fair value as of current fiscal year-end	31,314	287,733
Difference	24,999	229,706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 21

Investment and
Rental Properties
(continued)

For the year ended March 31, 2019
Profit from rentals related to these properties (with main rental income recorded as net sales and other income, and main rental expense recorded as cost of sales, selling, general and administrative expenses and other expenses) in the current fiscal year totaled ¥885 million.

The carrying value in the consolidated balance sheet, net change during the fiscal year and corresponding fair value of those properties are as follows:

	2019
	Millions of yen
Amount shown on consolidated balance sheet	
Balance at the beginning of the year.....	¥ 6,658
Increase (decrease) during the fiscal year.....	(275)
Balance at the end of the year.....	6,382
Fair value as of current fiscal year-end	32,080
Difference	25,698

Note 22

Business
Combination

(Regarding acquisition of shares through tender offer)
Upon the resolution of the Board of Directors meeting held on August 27, 2019, the Company acquired minority interests of its consolidated subsidiary, POLATECHNO CO., LTD. (hereinafter “Polatechno”), by a tender offer based on the Financial Instruments and Exchange Act (the “Tender Offer”) ,but it's closed on October 10, 2019 and subsequently by a request for demand for sales of shares based on Article 179, Paragraph 1 of the Companies Act. As a result, Polatechno became a wholly owned subsidiary on November 12, 2019.

1. Overview of business combination
- (1) Name of company and business description
Name of company to be fully owned: POLATECHNO CO., LTD.
Business description: Manufacture and sale of liquid crystal display components, liquid crystal projector components, etc.
- (2) Date of business combination
Acquisition by tender offer October 18, 2019 (deemed acquisition date October 1, 2019)
Acquisition by request for share sale November 12, 2019 (Deemed acquisition date October 1, 2019)
- (3) Legal form of business combination
Acquisition of shares for cash
- (4) Name of the combined company
There is no change.
- (5) Shareholding ratio of subsidiary shares after additional acquisition
66.45% shareholding ratio before business combination
Share ownership ratio after the tender offer 99.20%
Shareholding ratio after the demand for stock sale is 100.00%
2. Breakdown by cost of acquisition and consideration for the additional acquired subsidiary shares (including those acquired by demand for sale of shares)
Consideration for acquisition: ¥13,808 million (\$126,876 thousand) in cash
Acquisition cost: ¥13,808 million (\$126,876 thousand)
3. Summary of accounting treatment
The Company made transactions under common control in accordance with "Accounting Standards for Business Combinations" (ASBJ Statement No. 21, January 16, 2019), "Accounting Standards for Business Combinations and Business Separation" and "Application Guidelines for Accounting Standards, etc." (ASBJ Statement Guideline No. 10, January 16, 2019).

Note 23

Segment
Information

The Companies operate principally in three reportable segments: functional chemicals, pharmaceuticals, safety systems and other businesses. The functional chemicals business involves the production and sales of functional materials, color materials, catalysts and Polatechno. Other involves the production and sales of agrochemicals and real estate leasing business.

Segment information for the Companies as of or for the years ended March 31, 2020 and 2019 is summarized as follows:

2020								
Millions of yen								
	Reportable segments			Subtotal	Other	Total	Adjustments and eliminations	Consolidated
	Functional chemicals business	Pharma-ceuticals business	Safety systems business					
I. Sales and operating income:								
Sales to third parties	¥ 71,540	¥47,774	¥46,990	¥166,305	¥ 8,817	¥175,123	¥ -	¥175,123
Intersegments	141	0	-	141	97	239	(239)	-
Total.....	¥ 71,682	¥47,774	¥46,990	¥166,447	¥ 8,915	¥175,363	¥ (239)	¥175,123
Segment profit.....	¥ 6,202	¥ 4,135	¥ 6,191	¥ 16,529	¥ 1,543	¥ 18,073	¥ (587)	¥ 17,485
Segment assets	¥102,337	¥51,707	¥63,272	¥217,316	¥19,472	¥236,788	¥41,707	¥278,496
II. Other items								
Depreciation and amortization...	¥ 4,418	¥ 2,026	¥ 4,795	¥ 11,240	¥ 633	¥ 11,874	¥ 510	¥ 12,384
Amortization of Goodwill	¥ 170	¥ -	¥ -	¥ 170	¥ 30	¥ 200	¥ -	¥ 200
Impairment loss	¥ 273	¥ -	¥ -	¥ 273	¥ -	¥ 273	¥ -	¥ 273
Capital expenditures.....	¥ 5,078	¥ 1,256	¥ 7,713	¥ 14,048	¥ 733	¥ 14,782	¥ 519	¥ 15,301

2020								
Thousands of U.S. dollars								
	Reportable segments			Subtotal	Other	Total	Adjustments and eliminations	Consolidated
	Functional chemicals business	Pharma-ceuticals business	Safety systems business					
I. Sales and operating income:								
Sales to third parties	\$657,355	\$438,978	\$431,774	\$1,528,117	\$ 81,016	\$1,609,142	\$ -	\$1,609,142
Intersegments	1,295	-	-	1,295	891	2,196	(2,196)	-
Total	\$658,660	\$438,978	\$431,774	\$1,529,422	\$ 81,916	\$1,611,347	\$ (2,196)	\$1,609,142
Segment profit.....	\$ 56,987	\$ 37,995	\$ 56,886	\$ 151,879	\$ 14,178	\$ 166,066	\$ (5,393)	\$ 160,663
Segment assets	\$940,338	\$475,117	\$581,383	\$1,996,839	\$178,921	\$2,175,760	\$383,230	\$2,559,000
II. Other items								
Depreciation and amortization ..	\$ 40,595	\$ 18,616	\$ 44,059	\$ 103,280	\$ 5,816	\$ 109,105	\$ 4,686	\$ 113,792
Amortization of Goodwill	\$ 1,562	\$ -	\$ -	\$ 1,562	\$ 275	\$ 1,837	\$ -	\$ 1,837
Impairment loss	\$ 2,508	\$ -	\$ -	\$ 2,508	\$ -	\$ 2,508	\$ -	\$ 2,508
Capital expenditures.....	\$ 46,659	\$ 11,540	\$ 70,872	\$ 129,082	\$ 6,735	\$ 135,826	\$ 4,768	\$ 140,595

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 23
Segment Information (continued)

Note:

1. The “Other” category is a business segment that is not included in the reportable segments, and includes the agro business and the real estate business.
2. The adjustment amount is as follows.
- (1) Adjustment of segment income of ¥(587) million (\$5,393) thousand) includes corporate expenses of ¥(612) million (\$5,623) thousand) not allocated to each reportable segment and elimination of intersegment transactions of ¥24 million (\$220 thousand). Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.
- (2) The segment assets adjustment of ¥41,707 million (\$383,230 thousand) includes corporate assets not allocated to reportable segments of ¥44,771 million (\$411,384 thousand) and elimination of intersegment transactions of ¥(3,064) million (\$28,154) thousand). Company-wide assets are mainly surplus operating funds (cash and securities) and long-term investment funds (investment securities, etc.) at the parent company.
- (3) The depreciation and amortization adjustment of ¥510 million (\$4,686 thousand) relates to corporate assets.
- (4) The adjustment amount of ¥519 million (\$4,768 thousand) for the increase in property, plant and equipment and intangible assets relates to the administrative department of the parent company’s head office.

3. Segment income is adjusted with operating income in the consolidated financial statements.

	2019							
	Millions of yen							
	Reportable segments			Subtotal	Other	Total	Adjustments and eliminations	Consolidated
	Functional chemicals business	Pharma-ceuticals business	Safety systems business					
I. Sales and operating income:								
Sales to third parties	¥69,688	¥46,231	¥47,218	¥163,138	¥ 9,500	¥172,639	¥ –	¥172,639
Intersegments	179	0	–	179	107	286	(286)	–
Total.....	¥69,868	¥46,231	¥47,218	¥163,318	¥ 9,608	¥172,926	¥ (286)	¥172,639
Segment profit.....	¥ 7,728	¥ 4,061	¥ 7,091	¥ 18,881	¥ 1,588	¥ 20,470	¥ (530)	¥ 19,939
Segment assets	¥99,957	¥56,618	¥67,625	¥224,202	¥20,214	¥244,416	¥49,155	¥293,571
II. Other items								
Depreciation and amortization ...	¥ 4,254	¥ 2,148	¥ 4,527	¥ 10,930	¥ 620	¥ 11,550	¥ 419	¥ 11,969
Amortization of Goodwill	¥ 190	¥ –	¥ –	¥ 190	¥ 30	¥ 220	¥ –	¥ 220
Impairment loss	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Capital expenditures	¥ 5,588	¥ 1,254	¥ 9,177	¥ 16,020	¥ 365	¥ 16,385	¥ 568	¥ 16,954

Note:

1. The “Other” category is a business segment that is not included in the reportable segments, and includes the agro business and the real estate business.
2. The adjustment amount is as follows.
- (1) The segment income adjustment of ¥(530) million includes corporate expenses of ¥(599) million not allocated to each reportable segment and intersegment transaction elimination of ¥68 million. Company-wide expenses are mainly general administrative expenses that do not belong to any reporting segment.
- (2) The segment assets adjustment of ¥49,155 million includes corporate assets not allocated to reportable segments of ¥49,246 million and elimination of intersegment transactions of ¥(90) million. Company-wide assets are mainly surplus operating funds (cash and securities) and long-term investment funds (investment securities, etc.) at the parent company.
- (3) The depreciation adjustment of ¥419 million relates to corporate assets.
- (4) The adjustment of ¥568 million for the increase in tangible fixed assets and intangible fixed assets relates to the administrative department of the parent company’s head office.

Note 24
Subsequent Events

3. Segment income is adjusted with operating income in the consolidated financial statements.

Cash dividends

The following appropriations of retained earnings of the Company were approved at the General Meeting of Shareholders held on June 25, 2020;

	Millions of yen	Thousands of U.S. dollars
2020 year-end cash dividends (¥15.0 = \$0.137 per share)	¥2,561	\$23,532

Company split with consolidated subsidiary (simple/abbreviated absorption-type split)

Upon the resolution of the Board of Directors meeting held on March 31, 2020, the Company will succeed the manufacturing and sales business of liquid crystal displays and parts materials of its consolidated subsidiary POLATECHNO Co., Ltd. (hereinafter referred to as “this business”) by absorption-type split (hereinafter referred to as “the absorption-type split”) which will be scheduled on October 1, 2020 as the effective date.

1. Transaction overview

- (1) Name of the company concerned or the business to be combined and the content of the business
Manufacturing and sales of liquid crystal display components and liquid crystal projector components for Polatechno, a wholly-owned subsidiary of the Company.
- (2) Date of business combination
Approval Date of the Absorption-type Company Split Agreement Resolution by the Board of Directors:
The Company (the successor company), on March 31, 2020
Polatechno (the splitting company), on March 27, 2020
Date of execution of this absorption-type split agreement: May 22, 2020
Effective date of this absorption-type split agreement: October 1, 2020 (planned)
Note:
This absorption-type split corresponds to the simplified split provided in Article 784, Paragraph 1 of the Companies Act for the splitting company (Polatechno) and the simplified split provided for in Article 796, Paragraph 2 of the Companies Act, for the successor company (the Company). Therefore, both companies are not required to obtain approvals of the absorption-type company split agreement by the shareholders' meeting.

- (3) Legal form of business combination
This is an absorption-type company split (simple absorption-type company split) with Polatechno as the splitting company and the Company as the succeeding company.

- (4) Name of the combined company
At this time, there are no plans to change the names of the companies involved, the location of the head office, the title and name of the representative, the capital, and the fiscal year end due to the absorption-type company split. However, the main business content of the splitting company after the absorption-type split will be changed to a land leasing business by the date of conclusion of the absorption-type split agreement.

- (5) Other matters regarding the outline of transactions
By incorporating it as a direct business division of the Company, it is possible to secure human resources, sales channels, production bases, and intellectual property of both companies. Both companies aim to improve the efficiency and expansion of the business by further effectively utilizing and optimally allocating management resources, streamlining and speeding up R&D by integrating the R&D systems of both companies, and strengthening governance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 24
Subsequent
Events
(continued)

2. Outline of accounting treatment
The Company will make transactions under common control in accordance with “Accounting Standards for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Application Guidelines for Accounting Standards for Business Combinations and Accounting Standards for Business Separation” (ASBJ Guidance No. 10, January 2019).

Transfer of business
Upon the resolution of the board meeting held on December 24, 2019, the Company and Henkel AG & Co. KGaA (Headquarters: Düsseldorf, Germany, hereafter “Henkel”) conducted a transfer of Henkel's LCD/semiconductor cleaner business. On the same day, a business transfer agreement was signed and the target business was subsequently transferred on April 1, 2020. The outline is as follows.

1. Overview of business combination
- (1) Reason for business transfer
LCD/semiconductor cleaners are always used in the process of cleaning substrates, developing processes in circuit formation and photoresist stripping processes when manufacturing LCDs and semiconductors, and a large amount of various cleaners are used. The Company has expanded the business area in the functional materials business, as a LCD and semiconductor material manufacturer by acquiring the target business in addition to existing epoxy resin for encapsulation materials, MEMS resist, acrylate for LCD sealant and solder resist, etc. It is in line with management strategy to grow and contribute to the achievement of the 2025 business goals.
- (2) Name of partner company
Henkel AG & Co.KGaA
- (3) Details of the transfer business
The Group acquired all the target businesses from Henkel, and the Company took over businesses in Japan and overseas businesses other than China, where is executed by KAYAKU CHEMICAL (WUXI) CO., LTD. (*1), and Taiwan, where is executed by Taiwan Nippon Kayaku Co., Ltd.(*2). With the policy of “Do the target business” and “ Going forward”, the Group will work to expand the target business through synergies such as sales expansion of products that utilize the channels of the Group and Henkel and promotion of new product development.
- *1: A consolidated subsidiary based in Wuxi, Jiangsu Province, China
*2: A consolidated subsidiary based in Taipei, Taiwan
- (4) Business transfer date
April 1, 2020
- (5) Legal form
Business transfer for cash consideration

2. Matters concerning acquisition cost calculation, etc.
- (1) Details of the acquisition cost of the transferred business and the type of consideration
¥6,501 million (\$59,735 thousand) in cash.
- (2) Contents and amount of major acquisition-related costs
Not determined at this time.
3. Matters concerning allocation of acquisition cost
- (1) Amount of goodwill, cause of occurrence, amortization method and amortization period
Not determined at this time.
- (2) Assets received and liabilities assumed on the day of business combination, and their main breakdown
Not determined at this time.

Note 25
Corporate Bond
Schedule

Millions of yen							
Company	Brand	Issue Date	At April 1, 2019	At March 31, 2020	Interest Rate (%)	Collateral	Redemption deadline
The Company	3rd unsecured bond	December 20, 2019	—	¥4,000 (—)	0.060 / Year	None	December 20, 2022
The Company	4th unsecured bonds	December 20, 2019	—	¥8,000 (—)	0.130 / Year	None	December 20, 2024
			—	¥12,000 (—)	—	—	—

Thousands of U.S. dollars							
Company	Brand	Issue Date	At April 1, 2019	At March 31, 2020	Interest Rate (%)	Collateral	Redemption deadline
The Company	Third unsecured bond	December 20, 2019	—	\$36,754 (—)	0.060 / Year	None	December 20, 2022
The Company	4th unsecured bonds	December 20, 2019	—	\$73,509 (—)	0.130 / Year	None	December 20, 2024
			—	\$110,263 (—)	—	—	—

Note:
1. The amount in () is the redemption schedule within one year
2. The annual redemption schedule within 5 years after the consolidated closing date is as follows.

Millions of yen					
Within a year	More than 1 year and less than 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years and less than 5 years	
—	—	¥4,000	—	¥8,000	

Thousands of U.S. dollars					
Within a year	More than 1 year and less than 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years and less than 5 years	
—	—	\$36,754	—	\$73,509	

Note 26
Debt Details
Table

	Millions of yen			
	At April 1, 2019	At March 31, 2020	Average interest rate (%)	Repayment deadline
Short-term debt	¥ 1,148	¥ 922	¥2.49	
Long-term loans payable within one year	4,323	3,437	0.87	
Lease obligations repayable within one year	166	166		
Long-term debt (excluding repayments due within one year)	8,778	6,182	0.77	From April, 2021 to October 2023
Lease liability (excluding repayments due within one year)	583	466		From April, 2021 to May, 2028
Other interest-bearing debt Transaction deposit	316	308	0.63	
	¥15,317	¥11,483		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Nippon Kayaku Co., Ltd.
March 31, 2020

Note 26
Debt Details
Table
(continued)

	Thousands of U.S. dollars			
	At April 1, 2019	At March 31, 2020	Average interest rate (%)	Repayment deadline
Short-term debt	\$ 10,548	\$ 8,471	2.49	
Long-term loans payable within one year	39,722	31,581	0.87	
Lease obligations repayable within one year	1,525	1,525		
Long-term debt (excluding repayments due within one year)	80,657	56,804	0.77	From April, 2021 to October 2023
Lease liability (excluding repayments due within one year)	5,356	4,281		From April, 2021 to May, 2028
Other interest-bearing debt Transaction deposit	2,903	2,830	0.63	
	\$ 140,742	\$ 105,513		

Note:
1. The average interest rate is calculated based on the weighted average of the balance of borrowings at the end of the term.
2. The average interest rate of lease obligations is not stated because the lease obligations are recorded on the consolidated balance sheet at the amount before deducting the interest equivalent amount included in the total lease payments.
3. The amount of long-term loans payable and lease obligations (excluding those payable within one year) within five years after the consolidated closing date is as follows.

Category	Millions of yen			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term debt.....	¥2,437	¥2,291	¥1,253	¥200
Lease obligation	¥ 163	¥ 148	¥ 38	¥ 29

Category	Millions of yen			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term debt.....	\$22,392	\$21,051	\$11,513	\$1,837
Lease obligation	\$ 1,497	\$ 1,359	\$ 349	\$ 266

Note 27
Asset Retirement
Obligation
Schedule

Description is omitted because the amount of asset retirement obligations at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year is 1/100 or less of the total amount of liabilities and net assets at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year.

REPORT OF INDEPENDENT AUDITORS

Independent Auditor’s Report

The Board of Directors
Nippon Kayaku Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nippon Kayaku Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s financial reporting process.

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REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 25, 2020

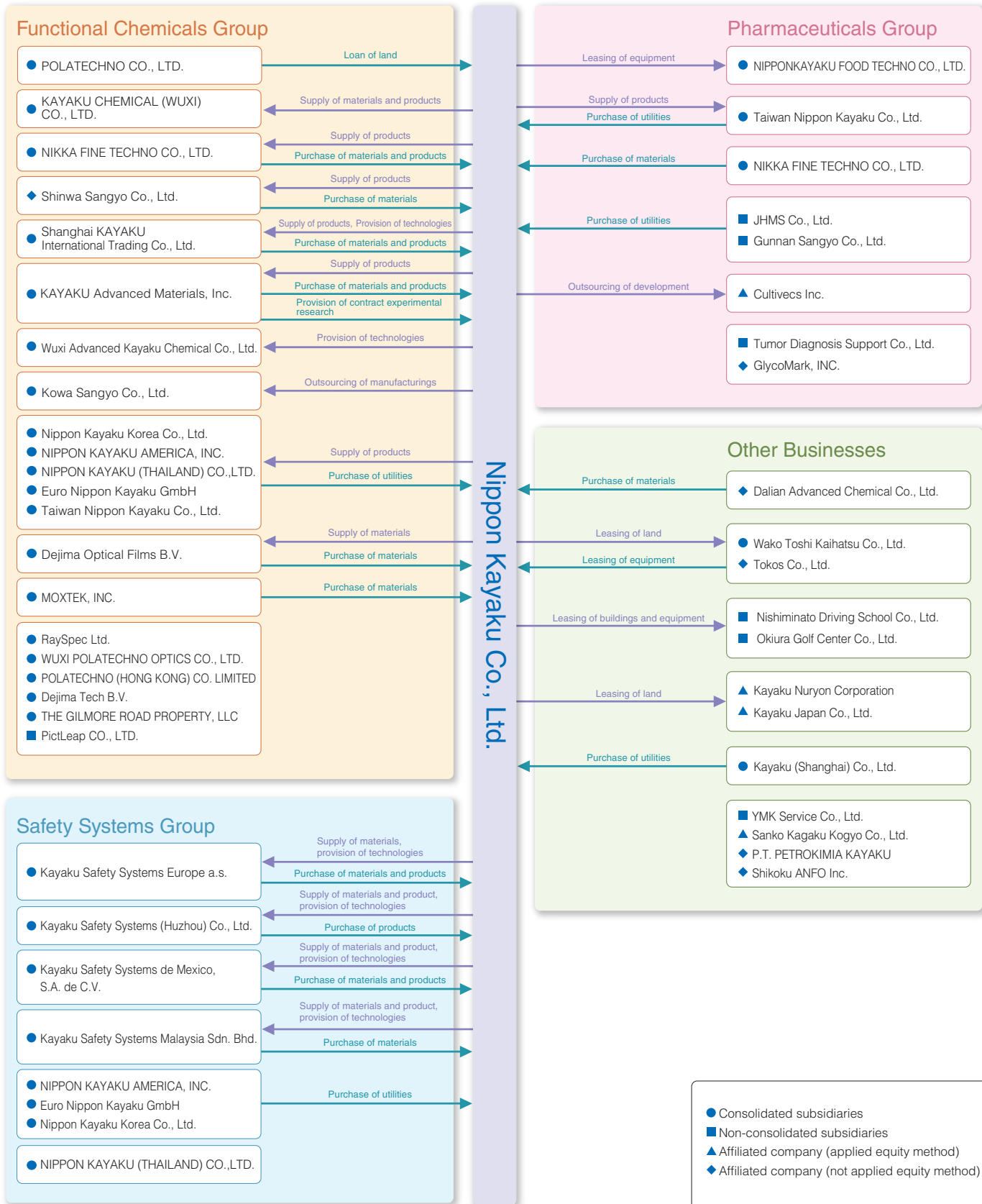

Satoshi Yamagishi
Designated Engagement Partner
Certified Public Accountant


Atsushi Sakai
Designated Engagement Partner
Certified Public Accountant

Nippon Kayaku Group Status

Group Company Diagram (As of October 1, 2020)

The Nippon Kayaku Group is comprised of Nippon Kayaku Co., Ltd., 33 subsidiaries, and 10 affiliated companies. Twenty-six of the subsidiaries are consolidated. The diagram below shows the position of each company in the business.



- Consolidated subsidiaries
- Non-consolidated subsidiaries
- ▲ Affiliated company (applied equity method)
- ◆ Affiliated company (not applied equity method)

Company Overview/Investor Information

Company Overview

Business Name	Nippon Kayaku Co., Ltd.	Number of Employees	2,069 (non-consolidated), 5,847 (consolidated) (as of March 31, 2020)
Representative	Atsuhiko Wakumoto, President	Banks of Accounts	Bank of Tokyo-Mitsubishi UFJ, Jyoy Bank, The Norinchukin Bank, Mizuho Bank
Foundation	June 5, 1916		
Head Office Address	Meiji Yasuda Seimei Bldg., 1-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan		

Investor Information (as of March 31, 2020)

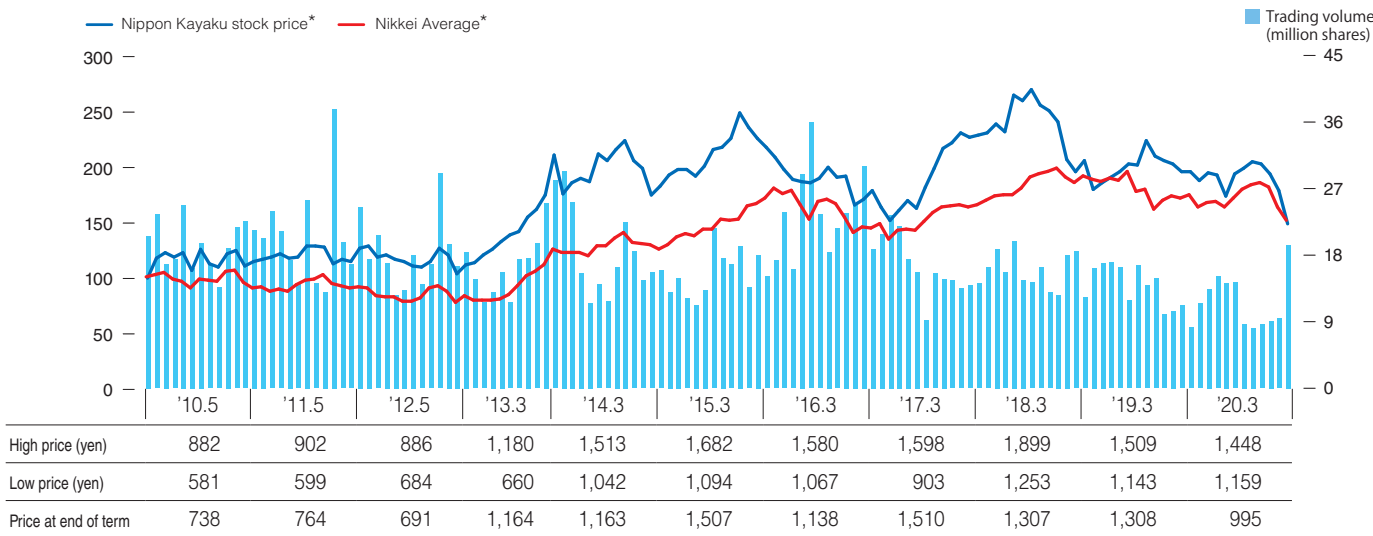
Fiscal Year	April 1 to March 31	Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Annual Shareholders Meeting	Normally held in June in Tokyo	Number of Common Stock	Authorized: 700,000,000 Issued: 177,503,570
Record Date	Voting rights at the Annual Shareholders Meeting: March 31 Year-end dividend: March 31 Second-quarter dividend: September 30	Paid-in Capital:	¥14,932,922,842
		Number of Shareholders:	13,659

Major Shareholders

Shareholders	Number of shares held (unit: thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	29,093	17.03
Japan Trustee Services Bank, Ltd. (trust account)	16,011	9.37
Kayavestor Club	5,586	3.27
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,310	3.10
National Mutual Insurance Federation of Agricultural Cooperatives	5,150	3.01
MUFG Bank, Ltd.*	5,090	2.98
The Jyoy Bank, Ltd.	5,089	2.97
Meiji Yasuda Life Insurance Company	4,843	2.83
Chugai Sangyo Corporation	3,390	1.98
JP MORGAN CHASE BANK 385151	3,117	1.82

Notes: 1. The Company owns 6,703,770 in treasury stock, but is not included among the shareholders listed above. Note that the shareholder ratio is calculated using the total number of shares, excluding treasury stock.
2. The Company acquired 2,350,000 treasury shares from the market for a total amount of 2,986 million yen between November 8, 2019 and March 23, 2020.

11-Year Trend in Stock Price and Trading Volume



* The stock prices of Nippon Kayaku and the Nikkei Average have been indexed to June 2009 = 100 for purposes of comparison.



Nippon Kayaku discloses financial results, press releases, and other information to shareholders and investors. This information can be found under Investor Relations tab on our corporate website.
IR information <https://www.nipponkayaku.co.jp/english/ir/>

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