

Summary of Consolidated Financial Results [Japanese GAAP] For the Fiscal Year Ended March 31, 2021

May 11, 2021

Listed company: Nippon Kayaku Co., Ltd. (URL <https://www.nipponkayaku.co.jp/english/>)

Listed stock exchange: First Section, Tokyo Stock Exchange

Code No.: 4272

Representative (name, position): Atsuhiro Wakumoto, President

Director in charge of inquiries: Tsutomu Kawamura, Executive Director, General Manager of Finance & Accounting Division, Financial Group

Scheduled date of the Annual Shareholders Meeting: June 25, 2021

Scheduled date for start of dividend payments: June 28, 2021

Filing date of securities report: June 25, 2021

Preparation of supplementary materials for financial results: Yes

Financial results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020–March 31, 2021)

(Figures shown are rounded down to the nearest million yen.)

(1) Consolidated Operating Results

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2021	173,381	(1.0)	15,194	(13.1)	16,538	(8.3)	12,574	(1.9)
Fiscal year ended March 31, 2020	175,123	1.4	17,485	(12.3)	18,026	(16.6)	12,815	(13.7)

Note: Comprehensive income Fiscal year ended March 31, 2021: 23,368 million yen (640.1%)

Fiscal year ended March 31, 2020: 3,157 million yen ((77.1)%)

	Profit attributable to owners of parent per share—primary	Profit attributable to owners of parent per share—diluted	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	73.62	73.61	5.8	5.8	8.8
Fiscal year ended March 31, 2020	74.25	74.23	6.0	6.3	10.0

Reference: Equity in earnings of affiliates

Fiscal year ended March 31, 2021: 263 million yen

Fiscal year ended March 31, 2020: 34 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	294,535	228,273	77.2	1,332.06
As of March 31, 2020	278,496	210,019	75.2	1,225.71

Reference: Equity As of March 31, 2021: 227,506 million yen

As of March 31, 2020: 209,344 million yen

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

(3) Status of Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2021	24,408	(17,606)	(8,402)	47,483
Fiscal year ended March 31, 2020	27,281	(17,543)	(13,894)	46,663

2. Status of Dividends

	Dividend amount per share					Total dividend payment (year)	Dividend payout ratio (consolidated)	Dividend payout to net assets ratio (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	Year			
	Yen					Million yen	%	%
Fiscal year ended March 31, 2020	–	15.00	–	15.00	30.00	5,159	40.4	2.4
Fiscal year ended March 31, 2021	–	15.00	–	15.00	30.00	5,123	40.7	2.3
Fiscal year ending March 31, 2022 (forecast)	–	15.00	–	15.00	30.00		50.7	

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021–March 31, 2022)

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	84,500	4.9	5,300	(24.0)	5,500	(25.1)	4,500	(7.9)	26.35
Full year	176,000	1.5	12,400	(18.4)	13,000	(21.4)	10,100	(19.7)	59.14

Notes

- (1) Significant changes in subsidiaries during the fiscal period (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Changes to accounting policies and estimates and restatements
 - [1] Changes to accounting policies associated with revision of accounting standards or similar items: None
 - [2] Changes other than [1]: None
 - [3] Changes to accounting estimates: None
 - [4] Restatements: None
- (3) Number of shares issued (common stock)
 - [1] Number of shares issued at end of the fiscal period (including treasury stock)
 - As of March 31, 2021: 177,503,570 shares
 - As of March 31, 2020: 177,503,570 shares
 - [2] Number of treasury stock at end of the fiscal period
 - As of March 31, 2021: 6,710,650 shares
 - As of March 31, 2020: 6,709,685 shares
 - [3] Average number of shares during the fiscal period
 - Fiscal year ended March 31, 2021: 170,793,371 shares
 - Fiscal year ended March 31, 2020: 172,597,255 shares

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020–March 31, 2021)

(1) Non-consolidated Operating Results

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2021	115,618	8.5	9,436	4.0	13,459	(0.3)
Fiscal year ended March 31, 2020	106,608	3.1	9,075	5.3	13,494	3.9

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
Fiscal year ended March 31, 2021	22,610	111.2	132.38	—
Fiscal year ended March 31, 2020	10,703	2.7	62.01	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	230,810	180,428	78.2	1,056.38
As of March 31, 2020	215,528	160,823	74.6	941.59

Reference: Equity As of March 31, 2021: 180,428 million yen

As of March 31, 2020: 160,823 million yen

* Summary financial statements are not subject to audit by a certified public accountant or audit firm.

* Analysis related to appropriate use of the business results forecasts, and other notes

(Disclaimer concerning forward-looking statements)

The information in this report constitutes forward-looking statements regarding future events and performance. This information is based on the beliefs and assumptions of management in light of information currently available to it at the time of announcement and subject to a number of uncertainties that may affect future results. Actual business results may differ substantially from the forecasts herein due to various factors. For matters pertaining to business forecasts, please refer to “1. Overview of Operating Results, Financial Position, and Future Outlook, (4) Future Outlook” on page 4 of the Supplementary Information.

(How to obtain the supplementary materials for financial results)

The Company plans to hold a teleconference for securities analysts and institutional investors on Wednesday, May 12, 2021. The supplementary materials for financial results for distribution at this teleconference will be posted on the Company's website.

Supplementary Information

Contents

1. Overview of Operating Results, Financial Position, and Future Outlook	2
(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2021	2
(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2021	3
(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2021	3
(4) Future Outlook	4
(5) Basic Policy Concerning Profit Dividends and Dividends for the Fiscal Year Ended March 31, 2021 and Fiscal Year Ending March 31, 2022	5
2. Basic Stance on Selection of Accounting Principles	5
3. Consolidated Financial Statements and Notes to Consolidated Financial Statements	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Changes in Net Assets	10
(4) Consolidated Statements of Cash Flows	12
(5) Notes to Consolidated Financial Statements	14
Notes Regarding Assumptions for the Going Concern	14
Business Combinations, etc.	14
Segment Information	16
Significant Subsequent Events	18

1. Overview of Operating Results, Financial Position, and Future Outlook

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2021

In this fiscal year (April 1, 2020 to March 31, 2021), a deceleration in the overall global economy occurred from restrictions on economic activity to prevent the spread of the novel coronavirus. The U.S. and Europe experienced rapid deterioration in their economies, but measures taken to combat the virus and economic measures implemented by each country provided underlying support and signs of a gradual rebound were seen in consumer spending and corporate revenues. In China, the economy continued to recover as economic activity resumed. In the Japanese economy, improvement in consumer spending and corporate revenues has been evident, but the unpredictability of the timing for bringing the pandemic under control has caused uncertainty over the future to persist.

In the functional chemicals industry, which encompasses functional materials, the need is increasing for high-performance materials for use in high-speed (5G) communication devices in the information and communication fields, for high-performance materials and optical materials for the increasingly sophisticated electronic equipment in vehicles, 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 healthcare system reforms that take the costs of social security and medical care into consideration and efforts to maintain healthcare costs at a reasonable level. Domestic manufacturing of biomedicines and biosimilars is promising from the perspective of industry development.

In the automotive industry, the global spread of the novel coronavirus caused a rapid decline in automobile production, but improvement began in the Chinese market and signs of a rebound were also seen in the European and U.S. markets from the latter half of the fiscal year. However, the timing for bringing the pandemic under control is still unpredictable, and the speed of the rebound in auto production has slowed.

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 in the fiscal year ended March 31, 2020, while also making active use of flexitime, telecommuting, and other systems to accommodate the restrictions on corporate activity. We took these steps to ensure the safety of employees working in the Company and at Group companies while also implementing a new lifestyle and promote efficient workstyles aimed at minimizing the impact on our business.

As a result, net sales for the fiscal year ended March 31, 2021 totaled 173,381 million yen, a decrease of 1,741 million yen (1.0%) year-on-year. Sales in the safety systems business declined, while sales in the functional chemicals and the pharmaceuticals businesses outperformed the previous fiscal year.

Consolidated operating income totaled 15,194 million yen, a decrease of 2,291 million yen (13.1%) 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.

Consolidated ordinary income was 16,538 million yen, a decline of 1,487 million yen (8.3%) from the previous year.

Profit attributable to owners of parent was 12,574 million yen, a decrease of 241 million yen (1.9%) year-on-year.

Performance by business segment is as described below.

[1] Functional Chemicals Business

Sales stood at 72,465 million yen, an increase of 924 million yen (1.3%) year-on-year.

The functional materials business as a whole outperformed the previous fiscal year. The outperformance resulted from strong sales of epoxy resins used in semiconductor encapsulation from increased demand for IT equipment due to teleworking in addition to the proliferation of high-speed (5G) communications devices and IoT, and the increasingly sophisticated electronic equipment in vehicles. The addition of the LCD and semiconductor cleaner business through a business acquisition contributed to segment performance.

The color materials business saw strong sales of colorants for inkjet printers for consumer use due to increased demand for printing while telecommuting from home. However, the color materials business as a whole underperformed the previous fiscal year due to sluggish sales of colorants for inkjet printers in industrial applications, developer for thermal paper, and dyes for textiles.

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

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

Segment profit totaled 7,317 million yen, a decrease of 766 million yen (9.5%) year-on-year. This decline resulted from a decline in sales in the color materials and Polatechno businesses, despite growth in sales in the catalyst business.

[2] Pharmaceuticals Business

Sales reached 50,441 million yen, an increase of 2,667 million yen (5.6%) year-on-year.

Pharmaceuticals in Japan were impacted by two drug price revisions since last fiscal year. Nevertheless, the segment outperformed the previous fiscal year as growth in sales contributed to performance due to market penetration of Portrazza[®], a new biomedicine, the switch to biosimilars, and growth in the antibody biosimilars, TRASTUZUMAB BS and INFLIXIMAB BS, in particular. The new drug, APREPITANT capsules, also contributed to sales.

Sales of contract production increased, but exports and diagnostic drugs underperformed the previous fiscal year due to the impact from the spread of the novel coronavirus.

Segment profit was totaled 7,443 million yen, an increase of 870 million yen (13.2%) year-on-year. This resulted from a decrease in sales-related expenses due to decreased sales activities as the novel coronavirus spread and growth in sales of antibody biosimilars.

[3] Safety Systems Business

Sales fell to 41,997 million yen, a decrease of 4,993 million yen (10.6%) year-on-year.

The spread of the novel coronavirus caused a substantial decline in auto production during the first half of the fiscal year, followed by a rapid rebound in the second half.

However, the slump in the automotive market in all regions outside of China caused sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs to underperform the previous fiscal year in both the domestic and overseas businesses.

The decline in sales led to segment profit of 5,439 million yen, a decrease of 2,001 million yen (26.9%) from the previous fiscal year.

[4] Other

Sales stood at 8,477 million yen, a decrease of 340 million yen (3.9%) year-on-year.

The agrochemicals business saw growth in domestic sales and a decline in exports compared to the previous fiscal year.

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

Segment profit totaled 1,821 million yen, a decrease of 170 million yen (8.6%) year-on-year.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2021

Total assets were 294,535 million yen, an increase of 16,038 million yen from the end of the previous fiscal year. The main increases were in securities, an increase of 10,678 million yen; notes and accounts receivable-trade, an increase of 4,952 million yen; and investment securities, an increase of 2,989 million yen. The main decrease was in cash and deposits, a decrease of 9,916 million yen.

Liabilities were 66,261 million yen, a decrease of 2,215 million yen compared to the end of the previous fiscal year. The main decreases were in long-term loans payable, a decrease of 2,411 million yen; and income taxes payable, a decrease of 1,774 million yen. The main increase was in deferred tax liabilities, an increase of 1,918 million yen.

Net assets were 228,273 million yen, an increase of 18,253 million yen compared to the end of the previous year. The main increases were in retained earnings, an increase of 7,450 million yen; translation adjustments, an increase of 6,283 million yen; and unrealized holding gains on other securities, an increase of 2,240 million yen.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2021

	Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020–March 31, 2021)	Comparative change
	Million yen		
Cash flows from operating activities	27,281	24,408	(2,873)
Cash flows from investing activities	(17,543)	(17,606)	(63)
Cash flows from financing activities	(13,894)	(8,402)	5,491
Cash and cash equivalents at end of the year	46,663	47,483	820

Net cash provided by operating activities amounted to 24,408 million yen (versus a cash inflow of 27,281 million yen in the previous fiscal year). The positive cash flow was primarily generated from profit before income taxes of 17,523 million yen and depreciation and amortization of 12,810 million yen. The above factors more than compensated for income tax paid of 5,878 million yen, and an increase in notes and accounts receivable-trade of 3,734 million yen.

Net cash used in investing activities totaled 17,606 million yen (versus a cash outflow of 17,543 million yen in the previous fiscal year). The net outflow was mainly due to expenditures of 12,827 million yen for the purchase of property, plant and equipment and expenditures of 5,512 million yen for payments for acquisition of businesses.

Net cash used in financing activities amounted to 8,402 million yen (versus a cash outflow of 13,894 million yen in the previous fiscal year). This was mainly due to expenditures for dividends paid of 5,110 million yen, and expenditures for repayment of long-term loans of 3,456 million yen, despite a net increase in 267 million yen in short-term loans payable.

Reflecting the above cash flow performance, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2021 was 47,483 million yen, an increase of 820 million yen from the end of the previous fiscal year.

Reference: Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Equity ratio (%)	71.1	72.9	73.6	75.2	77.2
Market-value-based equity ratio (%)	95.8	78.7	77.1	61.0	62.0
Ratio of cash flow to interest-bearing liabilities (years)	0.5	0.7	0.5	0.8	0.8
Interest coverage ratio	249.2	125.7	146.6	152.4	202.1

Equity ratio: Equity divided by total assets

Market-value-based equity ratio: Total market value of shares divided by total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing debt divided by operating cash flows

Interest coverage ratio: Operating cash flows divided by interest payments

Notes 1: Each indicator is calculated using consolidated financial figures.

2: The total market value of shares is calculated on the number of total shares outstanding (less treasury stock) at end of year.

3: Operating cash flows makes use of the cash flows from operating activities.

4: Interest-bearing debt includes all liabilities declared in the Consolidated Balance Sheets on which interest is paid.

(4) Future Outlook

The future business environment surrounding the Nippon Kayaku Group carries the risk of an economic downswing under the impact of the novel coronavirus and continued uncertainty of U.S.-China trade friction and other factors for both the domestic and overseas economies.

Under these conditions, the Nippon Kayaku Group will work to ascertain and respond globally to the persistently changing conditions. We will endeavor to keep our employees safe, while also continuing efforts to minimize the significant impact of this infectious disease on the operating results of the Nippon Kayaku Group. The Nippon Kayaku Group also aims to respond flexibly to changes in the business environment and pursue optimal use of operating capital to increase the shareholder value, as well as expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and enhance profits.

- In the functional chemicals business, we are developing unique products. In the functional materials business, the products being developed include high-performance resins for printed circuit boards used in proliferating high-speed (5G) communications in the information and communications fields and the increasingly sophisticated electronic equipment in vehicles, epoxy resins used in carbon fiber-reinforced plastics, and cleaners used for semiconductors. In the color materials business, such products include colorants for inkjet printers in industrial applications, materials for image sensors, and dichromatic colorants for light-controlled glass. In the catalyst business, products under development include high yield catalysts for the manufacture of acrylic acid and methacrylic acid, which contribute to energy and resource conservation, and catalysts for manufacturing completely green hydrogen using solar energy to contribute to the realization of a hydrogen-based society. In the Polatechno business, such products include durable polarizing films for head-up displays required for installation in vehicles and high-powered components for X-ray analysis systems.
- In the pharmaceuticals business, we will work to achieve market penetration of Portrazza®, a new biomedicine. We are also working on the key issues of achieving greater market penetration of the antibody biosimilars, TRASTUZUMAB BS and INFLIXIMAB BS, and expanding our product line-up in cancer-related areas, including distinctive generic drugs.
- In the safety systems business, we will work to develop new products in airbag inflators, micro gas generators for seatbelt pretensioners, squibs, actuators for vehicle hood-raising devices to protect pedestrians, and other products. We will also focus on developing new automotive safety components for rapidly evolving automated driving technologies.

In the fiscal year ending March 31, 2022, Nippon Kayaku forecasts net sales of 176,000 million yen, an increase of 1.5% year-on-year, operating income of 12,400 million yen, a decrease of 18.4% year-on-year, ordinary income of 13,000 million yen, a decrease of 21.4% year-on-year, and profit attributable to owners of parent of 10,100 million yen, a decrease of 19.7% year-on-year.

The exchange rate assumption for the fiscal year is JPY103/USD.

(5) Basic Policy Concerning Profit Dividends and Dividends for the Fiscal Year Ended March 31, 2021 and Fiscal Year Ending March 31, 2022

The Nippon Kayaku Group focuses heavily on returning profits to shareholders. A medium-term payout ratio has been set at roughly 40% of profit attributable to owners of parent. This takes into account stable and consistent profit returns and the level of retained earnings. Retained earnings are to be allocated for capital investment and R&D investment in growing businesses to enhance the value of the Nippon Kayaku Group.

The year-end dividend for the fiscal year ended March 31, 2021 is expected to be 15.0 yen per share. Combined with the dividend paid at the end of the second-quarter, total dividends per share for the full year will be 30 yen.

We plan to continue paying annual dividend of 30 yen per share next fiscal year, 15 yen per share as second quarter dividend and 15 yen per share as year-end dividend.

2. Basic Stance on Selection of Accounting Principles

The Nippon Kayaku Group, for the time being, employs generally accepted accounting principles in Japan to prepare its consolidated financial statements. This decision takes into account comparability of different fiscal periods in the consolidated financial statements and with industry peers.

It should be noted that the Company plans to adopt the use of the International Financial Reporting Standards (IFRS) in a timely and adequate fashion should certain circumstances in Japan and abroad give rise to this need.

3. Consolidated Financial Statements and Notes to Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2020	As of March 31, 2021
	Million yen	
Assets		
Current assets		
Cash and deposits	43,222	33,306
Notes and accounts receivable-trade	51,940	56,893
Electronically recorded monetary claims-operating	1,846	1,930
Securities	4,132	14,811
Merchandise and finished goods	30,987	28,996
Work in process	1,640	926
Raw materials and stores	14,988	15,305
Other	4,384	4,748
Allowance for doubtful accounts	(39)	(66)
Total current assets	153,102	156,852
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,249	42,925
Machinery, equipment and vehicles, net	24,748	27,405
Land	8,961	9,088
Construction in progress	8,521	6,057
Other, net	3,479	3,504
Total property, plant and equipment	85,960	88,980
Intangible assets		
Goodwill	748	2,543
Other	2,613	4,294
Total intangible assets	3,362	6,837
Investments and other assets		
Investment securities	30,661	33,651
Long-term loans receivable	632	632
Long-term prepaid expenses	804	842
Net defined benefit asset	1,291	4,246
Deferred tax assets	707	595
Other	1,996	1,920
Allowance for doubtful accounts	(22)	(23)
Total investments and other assets	36,071	41,864
Total non-current assets	125,393	137,683
Total assets	278,496	294,535

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

	As of March 31, 2020	As of March 31, 2021
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,914	17,631
Short-term loans payable	4,359	3,632
Accounts payable-other	8,917	8,115
Accrued expenses	4,698	5,059
Income taxes payable	2,646	871
Provision for sales returns	20	17
Provision for sales rebates	452	469
Provision for directors' bonuses	238	206
Notes payable-facilities	0	-
Other	1,551	1,488
Total current liabilities	38,800	37,491
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term loans payable	6,182	3,770
Deferred tax liabilities	6,159	8,078
Provision for directors' retirement benefits	33	14
Provision for repairs	53	53
Net defined benefit liability	426	419
Long-term deposits received	3,976	3,747
Other	845	685
Total non-current liabilities	29,676	28,769
Total liabilities	68,477	66,261
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	15,757	15,754
Retained earnings	184,156	191,606
Treasury stock	(7,871)	(7,872)
Total shareholders' equity	206,975	214,420
Accumulated other comprehensive income		
Unrealized holding gains on other securities	7,856	10,096
Translation adjustments	(4,589)	1,694
Remeasurements of defined benefit plans	(897)	1,294
Total accumulated other comprehensive income	2,369	13,085
Non-controlling interests	675	767
Total net assets	210,019	228,273
Total liabilities and net assets	278,496	294,535

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Million yen	
Net sales	175,123	173,381
Cost of sales	117,059	117,067
Gross profit on sales	58,063	56,314
Reversal of provision for sales returns	30	20
Provision for sales returns	20	17
Net gross profit	58,073	56,318
Selling, general and administrative expenses		
Selling expenses	18,428	18,187
General and administrative expenses	22,159	22,936
Total selling, general, and administrative expenses	40,587	41,124
Operating income	17,485	15,194
Non-operating income		
Interest income	266	169
Dividend income	740	707
Equity in earnings of affiliates	34	263
Insurance dividends received	113	124
Other	681	769
Total non-operating income	1,836	2,034
Non-operating expenses	165	105
Interest expense	541	248
Foreign exchange losses	63	66
Expenses from under-utilized real estate	524	269
Other losses	1,295	689
Total non-operating expenses	18,026	16,538
Ordinary income		
Extraordinary income		
Gain on sale of non-current assets	393	84
Gain on sales of investment securities	676	1,735
Total extraordinary income	1,069	1,819
Extraordinary loss		
Loss on disposal of non-current assets	555	441
Impairment loss	273	—
Loss on liquidation of subsidiaries and associates	—	393
Loss on valuation of investment securities	125	—
Total extraordinary loss	954	835
Profit before income taxes	18,141	17,523
Income taxes-current	6,059	3,703
Income taxes-deferred	(797)	1,229
Total income taxes	5,262	4,932
Profit	12,879	12,590
Profit attributable to non-controlling interests	63	16
Profit attributable to owners of parent	12,815	12,574

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

Consolidated Statements of Comprehensive Income

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Million yen	
Profit	12,879	12,590
Other comprehensive income		
Unrealized holding gains on other securities	(3,511)	2,241
Translation adjustments	(5,444)	6,346
Remeasurements of defined benefit plans	(753)	2,201
Share of other comprehensive income of companies accounted for by the equity-method	(12)	(10)
Total other comprehensive income	(9,721)	10,778
Comprehensive income	3,157	23,368
Comprehensive income attributable to:		
Owners of parent	3,316	23,290
Non-controlling interests	(158)	78

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	17,596	182,133	(10,490)	204,171
Changes during the fiscal year					
Dividends paid			(5,194)		(5,194)
Profit attributable to owners of parent			12,815		12,815
Purchase of treasury stock				(2,987)	(2,987)
Cancellation of treasury shares		(7)	(5,599)	5,606	–
Change in treasury stocks of parent arising from transactions with non-controlling shareholders		(1,830)			(1,830)
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	(1,838)	2,022	2,619	2,803
Balance at end of the fiscal year	14,932	15,757	184,156	(7,871)	206,975

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	11,374	627	(133)	11,869	13,002	229,043
Changes during the fiscal year						
Dividends paid				—		(5,194)
Profit attributable to owners of parent				—		12,815
Purchase of treasury stock				—		(2,987)
Cancellation of treasury shares						—
Change in treasury stocks of parent arising from transactions with non-controlling shareholders						(1,830)
Net change in items other than shareholders' equity	(3,518)	(5,217)	(763)	(9,499)	(12,327)	(21,826)
Total changes during the fiscal year	(3,518)	(5,217)	(763)	(9,499)	(12,327)	(19,023)
Balance at end of the fiscal year	7,856	(4,589)	(897)	2,369	675	210,019

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

Fiscal year ended March 31, 2021 (April 1, 2020–March 31, 2021)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	15,757	184,156	(7,871)	206,975
Changes during the fiscal year					
Dividends paid			(5,123)		(5,123)
Profit attributable to owners of parent			12,574		12,574
Purchase of treasury stock				(0)	(0)
Change in treasury stocks of parent arising from transactions with non-controlling shareholders		(3)			(3)
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	(3)	7,450	(0)	7,445
Balance at end of the fiscal year	14,932	15,754	191,606	(7,872)	214,420

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	7,856	(4,589)	(897)	2,369	675	210,019
Changes during the fiscal year						
Dividends paid				—		(5,123)
Profit attributable to owners of parent				—		12,574
Purchase of treasury stock				—		(0)
Change in treasury stocks of parent arising from transactions with non-controlling shareholders				—		(3)
Net change in items other than shareholders' equity	2,240	6,283	2,191	10,715	92	10,808
Total changes during the fiscal year	2,240	6,283	2,191	10,715	92	18,253
Balance at end of the fiscal year	10,096	1,694	1,294	13,085	767	228,273

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

(4) Consolidated Statements of Cash Flows

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Million yen	
Cash flows from operating activities		
Profit before income taxes	18,141	17,523
Depreciation and amortization	12,384	12,810
Impairment loss	273	–
Loss on liquidation of subsidiaries and associates	–	366
Amortization of goodwill	200	663
Increase (decrease) in other provisions	17	(12)
Interest and dividend income	(1,006)	(876)
Interest expense	165	105
Foreign exchange losses (gains)	1,288	(1,635)
Equity in (earnings) losses of affiliates	(34)	(263)
Gain on sales of property, plant and equipment	(393)	(84)
Loss (gain) on disposal of property, plant and equipment	555	441
Loss (gain) on valuation of investment securities	125	–
Loss (gain) on sales of investment securities	(676)	(1,735)
(Increase) decrease in notes and accounts receivable-trade	88	(3,734)
(Increase) decrease in inventories	789	3,542
(Increase) decrease in prepaid expenses	(34)	(140)
(Increase) decrease in accounts receivable-other	(36)	527
(Increase) decrease in advance payments	(33)	(44)
Increase (decrease) in notes and accounts payable-trade	768	1,214
Increase (decrease) in notes and accounts payable-other	(496)	(83)
Increase (decrease) in accrued expenses	(148)	258
Increase (decrease) in net defined benefit liability	46	42
(Increase) decrease in net defined benefit asset	112	147
Other	262	314
Subtotal	32,361	29,347
Interest and dividends received	1,186	1,043
Interest paid	(179)	(120)
Income tax paid	(6,140)	(5,878)
Income tax refund	53	17
Net cash provided by operating activities	27,281	24,408
Cash flows from investing activities		
Net decrease (increase) in time deposits	(471)	(124)
Proceeds from withdrawal of time deposits	378	248
Short-term loan advances	(280)	(226)
Purchase of property, plant and equipment	(15,276)	(12,827)
Proceeds from sales of property, plant and equipment	395	96
Purchase of intangible assets	(813)	(360)
Purchase of investment securities	(809)	(504)
Proceeds from sales of investment securities	961	2,229
Proceeds from redemption of investment securities	181	167
Purchase of shares of subsidiaries and associates	(100)	(146)
Payments of long-term loans receivable	(632)	–
Collection of long-term loans receivable	12	0
Payments for long-term prepaid expenses	(614)	(351)
Payment for retirement of property, plant and equipment	(363)	(336)
Payments for acquisition of businesses	–	(5,512)
Other	(110)	40
Net cash used in investing activities	(17,543)	(17,606)

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Million yen	
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(167)	267
Proceeds from long-term loans payable	1,000	–
Repayment of long-term loans	(4,315)	(3,456)
Proceeds from issuance of bonds	12,000	–
Purchase of treasury shares of subsidiaries	(48)	(11)
Purchase of treasury stock	(2,987)	(0)
Dividends paid	(5,181)	(5,110)
Dividends paid to non-controlling interests	(219)	(7)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(13,808)	–
Other	(167)	(82)
Net cash provided by financing activities	(13,894)	(8,402)
Effect of exchange rate change on cash and cash equivalents	(1,878)	2,421
Increase (decrease) in cash and cash equivalents	(6,034)	820
Cash and cash equivalents at beginning of the year	52,697	46,663
Cash and cash equivalents at end of the year	46,663	47,483

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

(5) Notes to Consolidated Financial Statements
(Notes Regarding Assumptions for the Going Concern)
No items to report

(Business Combinations, etc.)

(Business combination through acquisition)

The Company approved transfer of the LCD and semiconductor cleaner business operated by Henkel AG & Co. KGaA (Headquarters: Dusseldorf) to the Company at the Board of Directors meeting on December 24, 2019. The business transfer agreement was concluded on the same day, and the business was transferred on April 1, 2020. A summary of the transaction is provided below.

1. Summary of business combination

(1) Name of counterparty and description of the business acquired

Name of counterparty: Henkel AG & Co. KGaA

Description of the business acquired: LCD and semiconductor cleaner business

(2) Main reason for the business combination

LCD and semiconductor cleaners are always used to wash substrates and in the developing and photoresist stripping processes of circuit formation when manufacturing LCDs, semiconductors, and other products. Many different cleaners are used in large volumes. The Company has acquired the business as an addition to its existing epoxy resins for semiconductor encapsulation, MEMS resist, LCD sealants, acrylate for solder resist, and other products to expand and grow the business domain as manufacturer of materials for LCDs and semiconductors and contribute to the achievement of the business targets for 2025.

(3) Date of business combination

April 1, 2020

(4) Legal form of business combination

Business transfer for cash

(5) Name of company after business combination

No change.

(6) Basis for business acquisition

The Company purchased the business for cash.

2. Period of performance for the acquired business included in the consolidated financial statements

From April 1, 2020 to March 31, 2021

3. Breakdown of the cost of business acquisition and type of payment

Acquisition for cash: 5,512 million yen

Acquisition cost: 5,512 million yen

4. Description and amount of main acquisition costs

Advisory expenses, etc.: 86 million yen

5. Amount of goodwill recognized, reason for recognition, and amortization method and time period

(1) Amount of goodwill recognized

2,331 million yen

(2) Reason for recognition

Goodwill recognized for the additional future earning power anticipated from future business expansion

(3) Amortization method and time period

Straight-line amortization over eight years

6. Amounts and main breakdown of assets and liabilities assumed from the business combination

Non-current assets: 2,151 million yen

Total assets: 2,151 million yen

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

Note: The amount for assets does not include the amount of goodwill recognized, noted above in 5 (1).

7. Amount allocated to intangible assets other than goodwill, the main types, weighted average amortization period for the full amount and the main types

Type	Amount	Weighted average amortization period
Customer-related assets	1,707 million yen	12 years
Patent rights	443 million yen	8 years
Total	2,151 million yen	

(Transactions, etc. under common control)

At its Board of Directors meeting held on March 31, 2020, Nippon Kayaku passed the following resolution for the Company to take over the business of manufacturing and selling polarizing films for LCDs, polarizing films for projectors, and other precision-processed products (hereafter, “the business”) from its consolidated subsidiary, POLATECHNO CO., LTD. (hereafter, “Polatechno”), via an absorption-type split (hereafter, “the absorption-type split”), effective on October 1, 2020. Nippon Kayaku took over this business as scheduled on October 1, 2020.

1. Summary of transaction

- (1) Companies involved in the business combination and names and descriptions of the business

The business of Polatechno, a wholly-owned subsidiary, in manufacturing and selling polarizing films for LCDs, polarizing films for projectors, and other precision-processed products

- (2) Date of business combination

Date of Board of Directors resolution approving the absorption-type split agreement (Nippon Kayaku):
March 31, 2020

Date of Board of Directors resolution approving the absorption-type split agreement (Polatechno):
March 27, 2020

Conclusion date of absorption-type split agreement:
May 22, 2020

Date on which the absorption-type split agreement became effective:
October 1, 2020

Note: This absorption-type merger constitutes an abbreviated split under Article 784, Paragraph 1 of the Companies Act for Polatechno, the company splitting off the business; and as a simple split under Article 796, Paragraph 2 of the Companies Act for Nippon Kayaku, the succeeding company. Both companies therefore executed the absorption-type split agreement without obtaining approval from the Shareholders Meeting.

- (3) Legal form of business combination

The form is an absorption-type split (simple absorption-type split) in which Polatechno is the splitting company and Nippon Kayaku is the succeeding company.

- (4) Name of company after business combination

There are no changes to the names, location of headquarters, capital, and fiscal year-end of either company as a result of this absorption-type split. However, the description of the main business of the split company after the absorption-type split was changed to the land leasing business. The accompanying amendments to the Articles of Incorporation for the split company were approved at the Annual Shareholders Meeting held on June 24, 2020.

- (5) Other information concerning the summary of the transaction

Incorporating the business into the Company as a business division will enable more effective use and optimal allocation of the management resources possessed by both companies, such as human resources, sales channels, production locations, and intellectual property. The Company is aiming to improve the efficiency of and expand the business by integrating the R&D structures of both companies to improve the efficiency and speed of R&D, strengthen governance, and achieve other benefits.

2. Summary of accounting standards implemented

The Company accounted for the combination as a transaction under common control in accordance with ASBJ Statement No. 21, Accounting Standard for Business Combinations (January 16, 2019) and ASBJ Guidance No. 10, Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Business Divestitures (January 16, 2019). This absorption-type split was eliminated as an internal company transaction in the consolidated financial statements and it therefore had no impact on profit and loss.

(Segment Information)

[1] Summary of reportable segments

The reportable segments of the Nippon Kayaku Group are structural units of the Group for which separate financial information can be acquired. These segments are subject to be examined periodically by the Board of Directors in order to evaluate business results and make decisions on the allocation of business resources.

Business groups are established by product for each reportable segment within the Nippon Kayaku Group. Each group develops comprehensive domestic and overseas strategies for the products it handles, and introduces business activities accordingly.

In light of this, the Nippon Kayaku Group primarily consists of product- and service-specific segments that are based on business divisions. “Functional chemicals business,” “Pharmaceuticals business,” and “Safety systems business” are three reportable segments.

The types of primary products and services provided by the reportable segments are shown in the table below.

Reportable segment	Sales segment	Primary products
Functional chemicals business	Functional materials	Epoxy resins, maleimide resins, epoxy resin hardeners, reactive flame retardants, acrylic acid esters, UV-curable resins for resist, resist for MEMS, cleaners for LCDs and semiconductors, liquid crystal sealants, adhesives for touch panels
	Color materials	Functional colorants, colorants for inkjet printers, dyes for inkjet textile printing, disperse dyes, cationic dyes, acid dyes, reactive dyes, direct dyes, sulfur dyes, functional chemicals for textiles and paper, special dyes for non-textile applications, materials for thermal paper
	Catalysts	Catalysts for the production of acrylic acid and methacrylic acid, plant licensing business
	Polatechno Group	Components for LCD displays, LCD projector components, components for X-ray analysis systems
Pharmaceuticals business		Anti-cancer drugs, biological drugs, cardiovascular agents, vitamin compounds and other metabolic agents, diagnostic drugs, embolization materials, pharmaceutical API and intermediates, food and food additives, preservatives for food quality
Safety systems business		Airbag inflators, micro gas generators for seatbelt pretensioners, squibs

[2] Methods for calculating the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

The profit reported in each reportable segment is operating profit. Intersegment sales and transfers are calculated based primarily on market prices and manufacturing costs.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

[3] Information concerning the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
	Million yen							
Sales								
Sales to third parties	71,540	47,774	46,990	166,305	8,817	175,123	–	175,123
Intersegment sales and transfers	141	0	–	141	97	239	(239)	–
Total	71,682	47,774	46,990	166,447	8,915	175,363	(239)	175,123
Segment profit	8,084	6,573	7,440	22,098	1,992	24,090	(6,605)	17,485
Segment assets	102,337	51,707	63,272	217,316	19,472	236,788	41,707	278,496
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
Changes in the amount of property, plant and equipment and intangible assets	5,078	1,256	7,713	14,048	733	14,782	519	15,301

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The amounts of adjustments are as shown below.

(1) The 6,605 million yen downward adjustment to segment profit reflects a negative 6,630 million yen in corporate expense not allocable to the reportable segments and 24 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

(2) The 41,707 million yen adjustment to segment assets factors in 44,771 million yen in corporate assets not allocable to reportable segments and a negative 3,064 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 510 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 519 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2021

Fiscal year ended March 31, 2021 (April 1, 2020–March 31, 2021)

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
	Million yen							
Sales								
Sales to third parties	72,465	50,441	41,997	164,904	8,477	173,381	–	173,381
Intersegment sales and transfers	137	0	–	137	97	235	(235)	–
Total	72,602	50,442	41,997	165,041	8,575	173,616	(235)	173,381
Segment profit	7,317	7,443	5,439	20,201	1,821	22,023	(6,828)	15,194
Segment assets	94,223	54,296	68,920	217,440	19,705	237,146	57,389	294,535
Other items								
Depreciation and amortization	4,849	1,822	4,886	11,557	691	12,249	560	12,810
Amortization of goodwill	633	–	–	633	30	663	–	663
Impairment loss	–	–	–	–	–	–	–	–
Changes in the amount of property, plant and equipment and intangible assets	10,941	1,474	3,186	15,602	611	16,214	426	16,640

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The amounts of adjustments are as shown below.

(1) The 6,828 million yen downward adjustment to segment profit reflects a negative 6,825 million yen in corporate expense not allocable to the reportable segments and 3 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

(2) The 57,389 million yen adjustment to segment assets factors in 57,461 million yen in corporate assets not allocable to reportable segments and a negative 72 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 560 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 426 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

[4] Changes in reportable segments

(Revision of the method for allocation of corporate expenses)

From the consolidated fiscal year under review, the Company’s general and administrative expenses which has previously been allocated among the reportable segments, have been reclassified as corporate expenses. This was done to reflect the actual state of responsibility for management activities for the entire Group and to more accurately ascertain the performance of each reportable segment.

This has resulted in increases in segment profit in the consolidated fiscal year under review of 2,870 million yen in the functional chemicals business, 1,857 million yen in the pharmaceuticals business, 1,851 million yen in the safety systems business, and 359 million yen in the other businesses, and a decrease of 6,939 million yen in adjustments to segment profit compared calculations under the previous method.

The segment information provided for the previous fiscal year has been recalculated to show segment profit and loss after the revision.

(Significant Subsequent Events)

No items to report

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.