

# Summary of Consolidated Financial Results [Japanese GAAP] For the First Quarter of the Fiscal Year Ending March 31, 2020

July 31, 2019

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, General Manager of Finance & Accounting Division,  
Financial Group

Filing date of quarterly securities report: August 9, 2019

Scheduled date for start of dividend payments: –

Preparation of supplementary materials for quarterly financial results: None

Quarterly results presentation meeting: None

## 1. Consolidated Business Results for the First Quarter of Fiscal Year Ending March 31, 2020 (April 1, 2019– June 30, 2019)

(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	%
First quarter of fiscal year ending March 31, 2020	42,893	0.9	4,744	(11.9)	4,595	(27.1)	3,122	(29.9)
First quarter of fiscal year ended March 31, 2019	42,490	3.9	5,382	(13.7)	6,304	(4.1)	4,454	(1.6)

Note: Comprehensive income

First quarter of fiscal year ending March 31, 2020: 120 million yen ((97.5)%)

First quarter of fiscal year ended March 31, 2019: 4,798 million yen ((38.1)%)

	Profit attributable to owners of parent per share—primary	Profit attributable to owners of parent per share—diluted
	Yen	Yen
First quarter of fiscal year ending March 31, 2020	18.03	18.03
First quarter of fiscal year ended March 31, 2019	25.73	25.72

The provisional accounting treatment of the corporate combination that occurred during the third quarter of fiscal year ended March 31, 2019 has been finalized and the amount of the impact from retrospective adjustments is reflected in the figures for the first quarter of fiscal year ended March 31, 2019.

Nippon Kayaku Co., Ltd.  
Summary of Consolidated Financial Results [Japanese GAAP]  
For the First Quarter of the Fiscal Year Ending March 31, 2020

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	287,848	226,453	74.2
As of March 31, 2019	293,571	229,043	73.6

Reference: Equity As of June 30, 2019: 213,693 million yen  
As of March 31, 2019: 216,041 million yen

2. Status of Dividends

	Dividend amount per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Year
	Yen				
Fiscal year ended March 31, 2019	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (forecast)		15.00	–	15.00	30.00

Note: Changes to the most recent dividend forecast: None

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019–March 31, 2020)

(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	89,000	4.9	8,700	(8.9)	9,200	(16.6)	6,000	(19.4)	34.65
Full year	186,000	7.7	18,000	(9.7)	19,000	(12.1)	12,800	(13.8)	73.93

Note: Changes to the most recent forecast for consolidated business results: None

Notes

- (1) Significant changes in subsidiaries during the first quarter (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements: None
- (3) Changes to accounting policies and estimates and restatement
  - [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
- (4) Number of shares issued (common stock)
  - [1] Number of shares issued at end of the fiscal period (including treasury stock)
    - As of June 30, 2019: 177,503,570 shares
    - As of March 31, 2019: 182,503,570 shares
  - [2] Number of treasury stock at end of the fiscal period
    - As of June 30, 2019: 4,359,001 shares
    - As of March 31, 2019: 9,358,749 shares
  - [3] Average number of shares during the fiscal period (cumulative)
    - First quarter of fiscal year ending March 31, 2020: 173,144,631 shares
    - First quarter of fiscal year ended March 31, 2019: 173,145,728 shares

Nippon Kayaku Co., Ltd.  
Summary of Consolidated Financial Results [Japanese GAAP]  
For the First Quarter of the Fiscal Year Ending March 31, 2020

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

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

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 “(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts” on page 3 of the Supplementary Information.

## Supplementary Information

### Contents

1. Qualitative Information Concerning Results for the First Quarter	2
(1) Analysis of Operating Results	2
(2) Analysis of Financial Position	3
(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts	3
2. Quarterly Consolidated Financial Statements and Notes to Consolidated Financial Statements	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
Notes Regarding Assumptions for the Going Concern	8
Notes in Case of Significant Change in Shareholders' Equity	8
Segment Information and Other Items	8

## 1. Qualitative Information Concerning Results for the First Quarter

The figures in the provisional accounting for a business combination in the previous consolidated fiscal year have been confirmed, and the content confirmed in the provisional accounting is reflected in the figures for the first quarter of the previous consolidated fiscal year.

### (1) Analysis of Operating Results

The global economy continued to rebound gradually during the first quarter of this consolidated fiscal year (April 1 to June 30, 2019). Capital investment and consumer spending were firm in the U.S. and Europe saw a gradual rebound on the back of steady consumer spending reflecting improvement of employment and income environment. In China, the impact of trade friction with the U.S. brought improvement in the economy to a standstill. The Japanese economy staged a gradual rebound on the back of firm personal consumption, capital investment, and other positive factors.

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.

Owing to these actions, net sales for the first quarter of this consolidated fiscal year totaled 42,893 million yen, an increase of 403 million yen (0.9%) year-on-year. Sales in the functional chemicals business declined year-on-year while sales in the pharmaceuticals and the safety systems businesses outperformed.

Operating income totaled 4,744 million yen, a decrease of 638 million yen (11.9%) year-on-year.

Ordinary income totaled 4,595 million yen, a decrease of 1,708 million yen (27.1%) year-on-year due to an increase in exchange losses.

Profit attributable to owners of parent was 3,122 million yen, a decrease of 1,332 million yen (29.9%) year-on-year.

Performance by business segment is as described below.

#### [Functional Chemicals Business]

Sales stood at 16,974 million yen, a decrease of 169 million yen (1.0%) year-on-year.

The functional materials business underperformed the first quarter of the previous year owing to the deceleration in the pace of semiconductor market growth, despite strong sales of epoxy resins for smartphones.

The color materials business saw an increase in sales from the same period of the previous fiscal year. This resulted from strong performance of colorants for inkjet printers for consumer use and dyes for textiles.

The catalyst business underperformed the same period of the previous fiscal year.

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 same period of the previous fiscal year.

Segment profit was 1,274 million yen, a decrease of 737 million yen (36.7%) year-on-year.

#### [Pharmaceuticals Business]

Sales stood at 11,848 million yen, an increase of 373 million yen (3.3%) year-on-year.

Pharmaceuticals in Japan recorded growth in sales for the biosimilar, INFLIXIMAB BS for I.V. Infusion (an antibody drug). Overall sales of pharmaceuticals in Japan outperformed the first quarter of the previous fiscal year. While long-listed products underperformed the first quarter of the previous fiscal year, progress on the switch to generic drugs resulted in sales growth for OXALIPLATIN for I.V. Infusion NK (anti-cancer drug), TEMOZOLOMIDE Tab. (anti-cancer drug), and other generic anti-cancer drugs. Exports recorded year-on-year decline overall. ETOPOSIDES (anti-cancer drugs) and high potency active pharmaceutical ingredients outperformed, while BLEOs (anti-cancer drugs) underperformed the same period of the previous fiscal year.

Sales of active pharmaceutical ingredients and contracted production for the Japanese domestic market decreased year-on-year.

Growth in reagents for tumor marker screening boosted sales of diagnostic agents year-on-year.

Segment profit totaled 1,457 million yen, an increase of 416 million yen (40.0%) year-on-year.

#### [Safety Systems Business]

Sales stood at 11,945 million yen, an increase of 187 million yen (1.6%) year-on-year.

Business in Japan outperformed the same period of the previous fiscal year due to firm sales of both airbag inflators and micro gas generators for seatbelt pretensioners.

The overseas business saw an increase in the automotive safety component installation rate; however, the sluggish market in China caused air bag inflators, micro gas generators for seatbelt pretensioners, and squibs all to underperform the same period of the previous fiscal year.

Segment profit was 1,774 million yen, a decrease of 244 million yen (12.1%) year-on-year.

**[Other]**

Sales totaled 2,124 million yen, an increase of 11 million yen (0.5%) compared to the same period of the previous fiscal year.

The agrochemicals business overall saw year-on-year growth due to year-on-year growth in exports, which more than compensated for the year-on-year decline in domestic sales.

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

Segment profit totaled 329 million yen, a decrease of 23 million yen (6.7%) year-on-year.

**(2) Analysis of Financial Position**

**Status of Assets, Liabilities, and Net Assets**

Total assets were 287,848 million yen, a decrease of 5,723 million yen from the end of the previous consolidated fiscal year. The main decreases were in cash and deposits, a decline of 3,126 million yen; investment securities, a decline of 2,124 million yen; and securities, a decline of 556 million yen.

Liabilities were 61,394 million yen, a decline of 3,133 million yen compared to the end of the previous consolidated fiscal year. The main decreases were in income taxes payable, a decrease of 1,815 million yen; accounts payable-other, a decrease of 1,663 million yen; and long-term loans payable, a decrease of 1,089 million yen. The main increase was in deposits received, an increase of 1,262 million yen (included in other, current liabilities).

Net assets were 226,453 million yen, a decrease of 2,589 million yen compared to the end of the previous consolidated fiscal year. The main decreases were in dividends paid, a decrease of 2,597 million yen; unrealized holding gains on other securities, a decrease of 1,484 million yen; and translation adjustments, a decrease of 1,411 million yen. The main increase was in profit attributable to owners of parent, an increase of 3,122 million yen.

**(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts**

The global economy will benefit from the anticipated firmness of the U.S. and European economies, and this will affect the future business environment surrounding the Nippon Kayaku Group. However, there is concern over a downswing in the global economic environment due to increased uncertainty over the future caused by trade friction and the political climate. The Chinese economy is expected to improve, due in part to various government policies which will underpin growth. Although a continued rebound in the Japanese economy is expected as employment and income environment continues to improve and also due to support from various government policies, we need to keep a cautious eye on the impact that a downswing in the global economy would have.

Under these conditions, the Nippon Kayaku Group aims to construct a solid financial structure which flexibly adapts to changes in the business environment, as well as expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and enhance profits.

There has been no change in the forecasts announced on May 10, 2019 for the first half and full-year business results for the fiscal year ending March 2020.

## 2. Quarterly Consolidated Financial Statements and Notes to Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	As of March 31, 2019	As of June 30, 2019
	Million yen	
Assets		
Current assets		
Cash and deposits	42,432	39,306
Notes and accounts receivable-trade	52,917	52,592
Electronically recorded monetary claims-operating	2,000	2,303
Securities	10,773	10,217
Merchandise and finished goods	27,251	27,199
Work in process	1,719	1,865
Raw materials and stores	20,680	20,694
Other	4,211	4,462
Allowance for doubtful accounts	(29)	(22)
Total current assets	161,958	158,618
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,800	39,215
Machinery, equipment and vehicles, net	25,194	26,134
Other, net	22,252	21,670
Total property, plant and equipment	87,246	87,019
Intangible assets		
Goodwill	1,000	906
Other	2,492	2,580
Total intangible assets	3,493	3,486
Investments and other assets		
Investment securities	35,426	33,301
Net defined benefit asset	2,448	2,454
Other	3,003	2,981
Allowance for doubtful accounts	(25)	(25)
Total investments and other assets	40,852	38,711
Total non-current assets	131,592	129,218
Deferred assets	21	11
Total assets	293,571	287,848

Nippon Kayaku Co., Ltd.  
Summary of Consolidated Financial Results [Japanese GAAP]  
For the First Quarter of the Fiscal Year Ending March 31, 2020

	As of March 31, 2019	As of June 30, 2019
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,575	16,734
Short-term loans payable	5,472	5,432
Accounts payable-other	10,670	9,006
Income taxes payable	2,542	727
Other	7,151	7,733
Total current liabilities	41,412	39,634
Non-current liabilities		
Long-term loans payable	8,778	7,689
Net defined benefit liability	418	442
Other	13,919	13,627
Total non-current liabilities	23,116	21,760
Total liabilities	64,528	61,394
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	17,596	17,588
Retained earnings	182,133	177,059
Treasury stock	(10,490)	(4,884)
Total shareholders' equity	204,171	204,696
Accumulated other comprehensive income		
Unrealized holding gains on other securities	11,374	9,889
Translation adjustments	627	(783)
Remeasurements of defined benefit plans	(133)	(109)
Total accumulated other comprehensive income	11,869	8,996
Non-controlling interests	13,002	12,760
Total net assets	229,043	226,453
Total liabilities and net assets	293,571	287,848

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.



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

	First quarter of fiscal year ended March 31, 2019	First quarter of fiscal year ending March 31, 2020
	Million yen	
Net sales	42,490	42,893
Cost of sales	26,767	28,057
Gross profit on sales	15,722	14,836
Selling, general and administrative expenses	10,340	10,092
Operating income	5,382	4,744
Non-operating income		
Interest income	34	67
Dividend income	350	385
Equity in earnings of affiliates	81	143
Foreign exchange gains	509	—
Other	115	216
Total non-operating income	1,091	812
Non-operating expenses		
Interest expense	68	73
Foreign exchange losses	—	805
Other losses	101	82
Total non-operating expenses	169	961
Ordinary income	6,304	4,595
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on disposal of non-current assets	89	78
Loss on valuation of investment securities	—	88
Total extraordinary loss	89	166
Profit before income taxes	6,217	4,428
Income taxes-current	1,027	774
Income taxes-deferred	440	488
Total income taxes	1,468	1,263
Profit	4,748	3,165
Profit attributable to non-controlling interests	293	43
Profit attributable to owners of parent	4,454	3,122

Nippon Kayaku Co., Ltd.  
Summary of Consolidated Financial Results [Japanese GAAP]  
For the First Quarter of the Fiscal Year Ending March 31, 2020

Consolidated Statements of Comprehensive Income

	First quarter of fiscal year ended March 31, 2019	First quarter of fiscal year ending March 31, 2020
	Million yen	
Profit	4,748	3,165
Other comprehensive income		
Unrealized holding gains on other securities	949	(1,484)
Translation adjustments	(984)	(1,582)
Remeasurements of defined benefit plans	86	21
Share of other comprehensive income of companies accounted for by the equity-method	(1)	0
Total other comprehensive income	49	(3,045)
Comprehensive income	4,798	120
Comprehensive income attributable to:		
Owners of parent	4,424	249
Non-controlling interests	374	(129)

### (3) Notes to Quarterly Consolidated Financial Statements

#### Notes Regarding Assumptions for the Going Concern

No items to report

#### Notes in Case of Significant Change in Shareholders' Equity

Nippon Kayaku canceled 5,000,000 treasury shares on May 20, 2019, pursuant to the resolution passed by the Board of Directors on May 10, 2019. This consequently reduced additional paid-in capital by 7 million yen, retained earnings by 5,599 million yen, and treasury shares by 5,606 million yen during the first quarter of the consolidated fiscal year under review.

#### Segment Information and Other Items

First quarter of the fiscal year ended March 31, 2019 (April 1, 2018–June 30, 2018)

##### 1. Information on sales and profit (loss) by reportable segment

	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	17,144	11,474	11,757	40,376	2,113	42,490	–	42,490
Intersegment sales and transfers	45	0	–	45	28	73	(73)	–
Total	17,189	11,474	11,757	40,422	2,141	42,564	(73)	42,490
Segment profit	2,011	1,040	2,019	5,072	352	5,424	(42)	5,382

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 42 million yen downward adjustment to segment profit reflects a negative 111 million yen in corporate expense not allocable to the reportable segments and 69 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.

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

Note 4: The amount of the retroactive adjustment to the provisional accounting for a business combination confirmed in the third quarter of fiscal year ended March 31, 2019 is reflected in the figures for the first quarter of the previous consolidated fiscal year.

##### 2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment (Material change in the amount of goodwill)

The business combination with RaySpec Limited which was implemented on December 26, 2017, was subject to provisional accounting in fiscal year ended March 31, 2018 and confirmed during the previous consolidated fiscal year. This has resulted in a decrease in the amount of goodwill in the functional chemicals business segment.

First quarter of the fiscal year ending March 31, 2020 (April 1, 2019–June 30, 2019)

##### 1. Information on sales and profit (loss) by reportable segment

	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	16,974	11,848	11,945	40,768	2,124	42,893	–	42,893
Intersegment sales and transfers	25	0	–	25	24	50	(50)	–
Total	17,000	11,848	11,945	40,794	2,149	42,943	(50)	42,893
Segment profit	1,274	1,457	1,774	4,506	329	4,835	(91)	4,744

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 First Quarter of the Fiscal Year Ending March 31, 2020

- 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 91 million yen downward adjustment to segment profit reflects a negative 106 million yen in corporate expense not allocable to the reportable segments and 15 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.
- Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.