

Consolidated Financial Results for the Year Ended March 31, 2017
(JPGAAP)



May 12, 2017

Name of listed company: NISSAN CHEMICAL INDUSTRIES, LTD.

Stock Exchange: Tokyo

Code Number: 4021

URL: <http://www.nissanchem.co.jp/>

Representative: Kojiro Kinoshita, President

Inquiry to: Hironori Yoshida, Executive Officer and Director of Finance and Accounting Department Tel. +81 3 3296 8356

Scheduled date of annual shareholders' meeting : June 28, 2017 Scheduled dividend payment date : June 29, 2017

Scheduled date of submitting the Financial Statement : June 28, 2017

Supplemental information : Yes

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

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (% indicates the rate of increase/decrease year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year Ended March 31, 2017	180,289	1.9	31,438	9.9	31,713	7.4	24,026	7.5
Year Ended March 31, 2016	176,894	3.3	28,606	12.9	29,531	11.9	22,350	22.8

(Note) Comprehensive Income: Year Ended March 31, 2017 : 23,771 million yen 10.5%

Year Ended March 31, 2016 : 21,508 million yen (10.7)%

	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Shareholders' equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
Year Ended March 31, 2017	156.97	—	15.1	13.8	17.4
Year Ended March 31, 2016	143.37	—	14.6	13.1	16.2

(Reference) Equity in earnings of affiliates : Year Ended March 31, 2017: 701 million yen

: Year Ended March 31, 2016: 858 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2017	231,748	163,707	69.9	1,067.76
As of March 31, 2016	228,169	156,924	68.1	1,006.56

(Reference) Shareholders' equity: As of March 31, 2017: 162,041 million yen

As of March 31, 2016: 155,392 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and cash equivalents at the end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year Ended March 31, 2017	32,491	(13,152)	(19,042)	35,701
Year Ended March 31, 2016	29,989	(8,416)	(17,317)	35,335

2. Cash Dividends

	Cash Dividends per Share					Total Cash Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Net Assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year Ended March 31, 2016	—	18.00	—	26.00	44.00	6,813	30.7	4.5
Year Ended March 31, 2017	—	24.00	—	28.00	52.00	7,916	33.1	5.0
Year Ending March 31, 2018 (Forecast)	—	28.00	—	32.00	60.00		35.8	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six Months Ending March 31, 2018	87,700	3.8	15,000	1.8	15,100	6.2	11,500	8.5	76.36
Year Ending March 31, 2018	189,000	4.8	32,500	3.4	33,300	5.0	25,200	4.9	167.54

The above Net Income per share are calculated in consideration of share repurchase that will be implemented until July 31, 2017.

4. Notes

(1) Changes in significant consolidated subsidiaries
(changes in specified subsidiaries involving changes in scope of consolidation) : None

(2) Changes of accounting policies and accounting estimates, and restatement

1. Changes of accounting policies due to revisions of accounting standards : Yes

2. Changes of accounting policies other than the above : None

3. Changes in accounting estimates : None

4. Restatements : None

(Note) Please refer to (5) Notes to Consolidate Financial Statements, "Changes of Accounting Policies" on page 14 for details.

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

as of March 31, 2017 : 154,000,000 shares

as of March 31, 2016 : 156,000,000 shares

2. Number of treasury shares

as of March 31, 2017 : 2,242,017 shares

as of March 31, 2016 : 1,620,587 shares

3. Average number of shares outstanding over the year

as of March 31, 2017 : 153,058,176 shares

as of March 31, 2016 : 155,893,811 shares

* Presentation regarding implementation status of audit procedures

This financial release is not subject to audit procedures based on Financial Instruments and Exchange Law in Japan.

Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* Explanations regarding appropriate use of business forecasts and other special notes

The business forecast contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the forecast due to various factors.

The prerequisite information of actual forecast and other items are on page 3.

For supplemental information, please refer to our website.

Table of Contents for Attached Materials

1. Analysis of Business Performance and Financial Position	2
(1) Analysis of Business Performance	2
(2) Analysis of Financial Position	4
(3) Basic Policy on Distribution of Earnings and Dividends for current and next term	4
2. Management Policy	5
(1) Basic Management Policy	5
(2) Target Management Indicator	5
(3) Med-and Long-term Management Strategies and Issues to be addressed	5
3. Basic Approach to the Selection of Accounting Standards	6
4. Consolidated Financial Statements	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income and Statements of Comprehensive Income	9
(3) Consolidated Statements of Changes in Net Assets	11
(4) Consolidated Statements of Cash Flows	13
(5) Notes to Consolidated Financial Statements	14
(Notes on Assumption of Going Concern)	14
(Notes on Changes of Accounting Policies)	14
(Segment Information)	15
(Per Share Information)	18
(Significant Subsequent Events)	18

1. Analysis of Business performance and Financial Position

(1) Analysis of Business Performance

During the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017), the domestic economy has been slowly recovering due to the improvement of income environment and employment situation though the individual consumption seems weak. By contrast, the world economy has increased a sense of uncertain and foreign currency exchange and fuel prices have fluctuated.

In this situation, in our group business, the sales of Chemicals Segment strongly increased in both Basic Chemicals and Fine Chemicals. In the Performance Materials Segment, the Display Materials had healthy sales. In the Agricultural Chemicals Segment, the sales of Fluralaner (an active ingredient of veterinary pharmaceutical) increased. In the Pharmaceutical Segment, the domestic sales of "LIVALO" (anti-cholesterol drug) decreased due to expansion of generic products.

As a result of previously mentioned factors, the sales for this period were 180,289 million yen (an increase of 3,394 million yen from the same period of the previous year). Operating income was 31,438 million yen (an increase of 2,832 million yen). Ordinary income was 31,713 million yen (an increase of 2,181 million yen). Net income attributable to owners of parent was 24,026 million yen (an increase of 1,676 million yen).

We have achieved the highest Operating income and Ordinary income for three consecutive years and regarding Net income attributable to owners of parent, we have achieved it for four consecutive years.

Explanations by segments are as below.

Chemicals

In the Basic Chemicals, the export sales of MELAMINE (adhesive agent for particle board) strongly increased but the fixed cost increased due to the plant investment for fuel conversion to Ammonia. In the Fine Chemicals, the sales of "HI-LITE" (chlorinated isocyanuric acid for sterilizing) and "TEPIC" (special epoxy compound for sealant) increased.

As a result of these factors, the sales of this segment were 34,780 million yen (an increase of 433 million yen from the same period of the previous year). Operating income was 3,820 million yen (a decrease of 107 million yen).

Performance Materials

In the Display Materials, "SUNEVER" (polyimide for LCD / flat panel displays) for smartphone had healthy sales. In the Semiconductor Materials, multi-layer process materials ("Optistack®") were adversely affected by the lower capacity utilization ratio of some customers. In the Inorganic Materials, the sales of "SNOWTEX" (semiconductor polishing, hard coating, etc.) for non-polishing materials and ORGANOSILICASOL (various kinds of coating materials) decreased.

As a result of these factors, the sales of this segment were 52,809 million yen (an increase of 1,036million yen). Operating income was 12,533 million yen (an increase of 512 million yen).

*Optistack® are registered trade mark of Brewer Science, Inc.

Agricultural Chemicals

The sales of "ALTAIR" (paddy rice herbicide) increased in both of domestic and overseas. As a whole, the sales increased due to the expansion of "ROUNDUP" (non-selective herbicide) and the launch of "TREFANOCIDE" (herbicide for cereal, soybean etc.). Furthermore, the shipment of Fluralaner (the active substance of veterinary medical product) fairly expanded.

As a result of these factors, the sales of this segment were 51,952 million yen (an increase of 4,464 million yen). Operating income was 13,201 million yen (an increase of 2,369 million yen).

Pharmaceuticals

The shipment of "LIVALO" decreased in Japan due to expansion of generic products but increased in overseas. Also, "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) had healthy sales. Also, we entered into a joint research agreement concerning "novel drug candidates for autoimmune diseases" with Mitsubishi Tanabe Pharma Corporation and acquired incidental income. As a result of these factors, the sales of this segment were 7,992 million yen (a decrease of 676 million yen). Operating income was 1,656 million yen (a decrease of 349 million yen).

Trading

The sales of this segment were 55,198 million yen (a decrease of 445 million yen). Operating income was 1,697 million yen (a decrease of 115 million yen).

Others

The sales of this segment were 24,029 million yen (an increase of 3,150 million yen). Operating income was 966 million yen (an increase of 490 million yen).

(Forecast of business result for the next term)

(Billions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income attributable to Owners of Parent	Net Income per Share (Yen)
Next Term	189.0	32.5	33.3	25.2	167.54
Current Term	180.3	31.4	31.7	24.0	156.97

Segment Sales and Operating Income

(Billions of yen)

	Net Sales		Operating Income	
	Next Term	Current Term	Next Term	Current Term
Chemicals	35.5	34.8	3.6	3.8
Performance Materials	57.6	52.8	12.3	12.5
Agricultural Chemicals	56.3	52.0	15.6	13.2
Pharmaceuticals	6.9	8.0	0.9	1.7
Trading	61.5	55.2	2.0	1.7
Others	21.7	24.0	0.5	1.0
Adjustment	(50.5)	(46.5)	(2.4)	(2.5)
Total	189.0	180.3	32.5	31.4

We assume that critical situations will have continued to the next term due to the unpredictable economic trend in domestic and overseas.

As forecast of business result for the next term, we assume that Net Sales will be 189.0 billion yen, Operating income will be 32.5 billion yen, Ordinary income will be 33.3 billion yen and Net income attribute to owners of parent will be 25.2 billion yen. The above forecast is calculated on the assumption that the exchange rate will be 110 yen per dollar.

(2) Analysis of Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of March 31, 2017 were 231,748 million yen (an increase of 3,579 million yen from March 31, 2016). It is mainly due to the increase of notes and accounts receivable - trade.

Also, total liabilities as of March 31, 2017 were 68,041 million yen (a decrease of 3,203 million yen). It is mainly due to the decrease of long - term loans payable.

Net assets as of March 31, 2017 were 163,707 million yen (an increase of 6,782 million yen).

As a result of these factors, equity ratio was 69.9% (an increase of 1.8 point from March 31, 2016).

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the year ended March 31, 2017 were 32,491 million yen (29,989 million yen for the same period of the previous year).

Due to the proceeds from sales of investment securities and the investment on plant and equipment, net cash used in investing activities for the year ended March 31, 2017 were 13,152 million yen (8,416 million yen).

Due to the share repurchase, payment for dividends and payments of long-term loans payable, net cash used in financing activities for the year ended March 31, 2017 were 19,042 million yen (17,317 million yen).

As a result of these factors, cash and cash equivalents at the end of this period were 35,701 million yen (35,335 million yen), reflecting 94 million yen effect of exchange rate changes and 25 million yen decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation. It increased by 365 million yen from March 31, 2016.

<Reference> The transit of Cash Flow indices

	For the year Ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Shareholders' equity ratio (%)	63.0	65.7	66.9	68.1	69.9
Shareholders' equity ratio on market value basis (%)	93.1	119.5	175.4	196.2	212.2
Debt repayment ratio (year)	1.7	1.5	1.7	1.1	0.9
Interest coverage ratio (times)	62.0	82.6	91.5	154.1	208.0

Stockholders' equity ratio: stockholders' equity/total assets

Stockholders' equity ratio on market value basis: aggregate market value of common stock/total assets

Debt repayment ratio: interest-bearing liabilities/cash flows from operating activities

Interest coverage ratio: cash flows from operating activities/interest payments

*1: All indicators are calculated based on the consolidated financial figures.

*2: Aggregate market value of common stock is calculated by multiplying the market price at the end of each fiscal year by the number of outstanding shares, excluding treasury stock, at the end of each fiscal year.

*3: Cash flow represents operating cash flow.

*4: Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

(3) Basic policy on distribution of earnings and dividends for current and next term

The Company's basic policy of profit allocation is returning to shareholders by improving its value through increasing revenue in the medium and long terms.

We aim to realize dividend payout ratio to be 40% for the year ended March 31, 2019 and maintain total payout ratio to be 70% in medium-term business plan "Vista2021" launched from April 2016.

In line with our basic policy of profit allocation, the year-ended dividend is scheduled to be 28.00 yen per share. Accordingly, the total annual dividend per share for the year ended March 31, 2017 will become 52.00 yen, which was 44.00 yen in the previous fiscal year.

The total annual dividend per share for the fiscal year ended March 31, 2018 is scheduled to be 60.00 yen (second quarter: 28.00 yen, year-end: 32.00 yen).

2. Management Policy

(1) Basic Management Policy

As a group growing with customers, we will strengthen the brand nurtured by our faithful corporate culture and maximize corporate value through productive activities for the society.

(2) Target Management Indicator

Our most important objectives are “Return on Equity (ROE)” which represents the efficiency of managing shareholders’ equity and “Operate Profit Ratio to Sales” which leads to a high-value added company. We will expand our business to increase our revenue.

(3) Mid-and Long-term Management Strategies and Issues to be addressed

The Nissan Chemical Group has identified that “foray into new business domains”, “development of new products that match market trends”, and “enhancing R&D capability” as our tasks for realizing our vision, “cultivate the sustainable growth that will yield a brighter world for everyone”. To overcome these challenges and secure growth, we launched “Progress 2030”, a long-term business plan for the period to 2030 and “Vista 2021”, a six-year medium-term business plan showing our ideal situation of 2021, in April 2016. Under this circumstance, we adopted new business model called “Future-Creating Enterprise that responds to social needs with unique, innovative technologies.” We will aim to grow continuously in synergy with society by helping to solve social issues such as global warming, energy problems and food shortages.

We have set up the following three basic strategies on Stage I, the first three years (2016 to 2018) of medium-term business plan “Vista 2021”.

1) Maximize the profit from existing products

Boost the market shares of products for growing fields, expand overseas business and reduce costs.

2) Improve marketing capability

Identify market needs by reducing the distance between customers and obtain information about advanced materials.

3) Enhance research and development capability

Advance existing technologies and establishing new technologies by open innovation.

Regarding the first strategy “Maximize the profit from existing products”, veterinary medicinal product “BRAVECTO”, made from our invention Fluralaner (ingredients), has been sold more than 80 countries all over the world as a chewable tablet for dogs. In addition to this, a chewable tablet for cats has been launched from last year. We are increasing the capacity to meet the high demands. We try to expand the spread area and sales channels by increasing the lineup of “ALTAIR” (paddy rice herbicide) and “ROUNDUP” (non-selective herbicide). We try to expand the sales by increasing the share of existing customers and acquiring new customers of “SUNEVER” (LCD alignment coating).

Regarding the second strategy “Improve marketing capability”, we opened a new office in Santa Clara, located in Silicon Valley district of California State (the United States of America). We will acquire not only new technology and materials but also collect and evaluate information of advanced materials and unprecedented business model, which will lead to a new business . We think this activity will be useful to

train resources who could be a key person to create new products. In June 2016, we established a local corporation “Nissan Chemical Do Brasil” in Brazil. We try to grasp the need of world largest pesticide market as well as enforcing sales, improving technical service and aiming to expand in remarkable growing countries such as Argentina and Chile. In addition to this, we are planning to establish a new corporation in India, aiming to spread pesticide, support development and investigate local information. A new R&D center is also planned to establish in China, aiming to fulfill customer support in expanding display market.

Regarding the third strategy “Enhance research and development capability”, we have purchased patents and expertise related organic LED materials from Solvay, which is a company in Belgium. As coating-type organic LED material market is about to launch, we will accelerate the development. Comprehensive Collaboration with Kyushu University from 2006 started as “Biological material creating collaboration” from last year and we began to research material of regenerative medicine and transdermal DDS.

We have established CSR committee in April 2017. This will encourage improving transparency of management, compliance with laws and social imperative, contribution to environment and society under the Corporate Philosophy, “Nissan Chemical Industries, Ltd. contributes to society with superior technology, products, and services, while striving for harmony with the environment”. We will raise the collective effort to become a group trusted by all of our stakeholders.

3. Basic approach to the selection of Accounting Standards

The Company will research on trend of IFRS in the country and overseas and correspond properly when applying IFRS.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	35,335	35,701
Notes and accounts receivable - trade	57,606	60,075
Merchandise and finished goods	30,198	28,602
Work in process	43	64
Raw materials and supplies	8,266	7,778
Accounts receivable - other	4,726	2,379
Short-term loans receivable	1,039	1,065
Deferred tax assets	2,968	2,708
Other	2,030	2,221
Allowance for doubtful accounts	(34)	(33)
Total current assets	142,181	140,564
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,662	62,253
Accumulated depreciation and impairment loss	(37,027)	(38,428)
Buildings and structures, net	22,635	23,824
Machinery, equipment and vehicles	116,267	120,540
Accumulated depreciation and impairment loss	(107,181)	(109,038)
Machinery, equipment and vehicles, net	9,086	11,502
Tools, furniture and fixtures	33,828	35,717
Accumulated depreciation and impairment loss	(28,819)	(30,880)
Tools, furniture and fixtures, net	5,008	4,837
Land	9,195	9,198
Leased assets	116	103
Accumulated depreciation	(87)	(90)
Leased assets, net	28	12
Construction in progress	1,506	2,594
Total property, plant and equipment	47,461	51,969
Intangible assets		
Software	476	610
Other	426	966
Total intangible assets	903	1,577
Investments and other assets		
Investment securities	33,251	32,465
Deferred tax assets	99	125
Net defined benefit asset	2,086	1,987
Other	2,354	3,156
Allowance for doubtful accounts	(167)	(98)
Total investments and other assets	37,623	37,636
Total non-current assets	85,988	91,183
Total assets	228,169	231,748

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,350	14,943
Short-term loans payable	22,938	23,155
Current portion of long-term loans payable	3,060	3,070
Income taxes payable	4,576	3,288
Provision for bonuses	1,874	1,920
Provision for directors' bonuses	21	28
Provision for environmental measures	350	-
Other	9,765	11,259
Total current liabilities	57,937	57,665
Non-current liabilities		
Long-term loans payable	7,100	4,580
Deferred tax liabilities	3,095	2,649
Provision for business structure improvement	680	594
Provision for loss on business of subsidiaries and associates	309	309
Net defined benefit liability	102	101
Other	2,020	2,141
Total non-current liabilities	13,307	10,376
Total liabilities	71,244	68,041
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	115,878	126,370
Treasury shares	(4,281)	(7,587)
Total Shareholders' equity	144,151	151,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,515	10,079
Foreign currency translation adjustment	171	243
Remeasurements of defined benefit plans	554	380
Total Accumulated other comprehensive income	11,241	10,703
Non-controlling interests	1,531	1,666
Total net assets	156,924	163,707
Total liabilities and net assets	228,169	231,748

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income
- Consolidated Statements of Income

(Millions of Yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net sales	176,894	180,289
Cost of sales	106,146	105,916
Gross profit	70,748	74,372
Selling, general and administrative expenses	42,142	42,934
Operating income	28,606	31,438
Non-operating income		
Interest income	16	20
Dividend income	580	726
Share of profit of entities accounted for using equity method	858	701
Other	1,022	805
Total Non-operating income	2,478	2,253
Non-operating expenses		
Interest expenses	194	156
Loss on disposal of non-current assets	319	601
Plant stop losses	327	274
Product compensation expenses	211	-
Impairment loss	-	220
Foreign exchange losses	165	314
Other	334	411
Total Non-operating expenses	1,552	1,978
Ordinary income	29,531	31,713
Extraordinary income		
Gain on sales of investment securities	3,081	-
Total Extraordinary income	3,081	-
Extraordinary losses		
Impairment loss	3,941	-
Loss on business of subsidiaries and associates	311	-
Total Extraordinary losses	4,253	-
Income before income taxes and non-controlling interests	28,360	31,713
Income taxes - current	7,955	7,439
Income taxes - deferred	(2,151)	81
Total income taxes	5,804	7,520
Net income	22,556	24,192
Net income attributable to non-controlling interests	206	166
Net income attributable to owners of parent	22,350	24,026

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net income	22,556	24,192
Other comprehensive income		
Valuation difference on available-for-sale securities	(159)	(436)
Foreign currency translation adjustment	(800)	188
Remeasurements of defined benefit plans, net of tax	(84)	(174)
Share of other comprehensive income of entities accounted for using equity method	(1)	1
Total other comprehensive income	(1,047)	(420)
Comprehensive income	21,508	23,771
(Comprehensive income attribute to)		
Comprehensive income attributable to owners of parent	21,380	23,584
Comprehensive income attributable to non-controlling interests	127	186

(3) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,611	105,602	(584)	137,572
Changes of items during period					
Dividends of surplus			(6,269)		(6,269)
Net income attributable to owners of parent			22,350		22,350
Change of scope of consolidation			(500)		(500)
Share repurchase				(9,001)	(9,001)
Disposal of treasury shares		0		0	0
Cancellation of treasury shares		(0)	(5,304)	5,304	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	10,276	(3,696)	6,579
Balance at end of current period	18,942	13,611	115,878	(4,281)	144,151

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,676	894	639	12,210	1,481	151,263
Changes of items during period						
Dividends of surplus						(6,269)
Net income attributable to owners of parent						22,350
Change of scope of consolidation						(500)
Share repurchase						(9,001)
Disposal of treasury shares						0
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(161)	(722)	(84)	(969)	50	(918)
Total changes of items during period	(161)	(722)	(84)	(969)	50	5,660
Balance at end of current period	10,515	171	554	11,241	1,531	156,924

For the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,611	115,878	(4,281)	144,151
Changes of items during period					
Dividends of surplus			(7,680)		(7,680)
Net income attributable to owners of parent			24,026		24,026
Change of scope of consolidation			(157)		(157)
Share repurchase				(9,002)	(9,002)
Disposal of treasury shares		0		0	0
Cancellation of treasury shares		(0)	(5,695)	5,695	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	10,492	(3,305)	7,186
Balance at end of current period	18,942	13,611	126,370	(7,587)	151,337

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,515	171	554	11,241	1,531	156,924
Changes of items during period						
Dividends of surplus						(7,680)
Net income attributable to owners of parent						24,026
Change of scope of consolidation						(157)
Share repurchase						(9,002)
Disposal of treasury shares						0
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(435)	72	(174)	(537)	134	(403)
Total changes of items during period	(435)	72	(174)	(537)	134	6,782
Balance at end of current period	10,079	243	380	10,703	1,666	163,707

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Cash flows from operating activities		
Income before income taxes and non-controlling interests	28,360	31,713
Depreciation	9,684	8,889
Impairment loss	3,941	220
Interest and dividend income	(597)	(746)
Interest expenses	194	156
Increase (decrease) in provision for business structure improvement	(23)	(86)
Increase (decrease) in provision for loss on business of subsidiaries and associates	309	-
Loss (gain) on sales of investment securities	(3,081)	-
Loss (gain) on disposal of non-current assets	319	601
Decrease (increase) in notes and accounts receivable - trade	143	(2,573)
Decrease (increase) in inventories	(2,716)	2,054
Increase (decrease) in notes and accounts payable - trade	352	(334)
Other	(514)	(474)
Subtotal	36,372	39,419
Interest and dividend income received	1,177	2,175
Interest expenses paid	(194)	(156)
Income taxes paid	(7,366)	(8,947)
Net cash provided by (used in) operating activities	29,989	32,491
Cash flows from investing activities		
Purchase of investment securities	(331)	(787)
Proceeds from sales of investment securities	2,206	2,988
Purchase of property, plant and equipment	(9,071)	(12,394)
Payments for retirement of property, plant and equipment	(262)	(477)
Purchase of intangible assets	(383)	(1,091)
Net decrease (increase) in short-term loans receivable	(216)	(12)
Purchase of long-term prepaid expenses	(844)	(834)
Other	485	(542)
Net cash provided by (used in) investing activities	(8,416)	(13,152)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	54	220
Proceeds from long-term loans payable	1,100	550
Repayments of long-term loans payable	(3,090)	(3,060)
Cash dividends paid	(6,269)	(7,680)
Dividends paid to non-controlling interests	(70)	(52)
Purchase of treasury shares	(9,001)	(9,002)
Other	(40)	(17)
Net cash provided by (used in) financing activities	(17,317)	(19,042)
Effect of exchange rate change on cash and cash equivalents	(324)	94
Net increase (decrease) in cash and cash equivalents	3,931	390
Cash and cash equivalents at the beginning of period	31,343	35,335
Increase in cash and cash equivalents from newly consolidated subsidiary	61	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(25)
Cash and cash equivalents at the end of period	35,335	35,701

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Effective from the beginning of the first quarter of current consolidated fiscal year, the Company adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issue Task Force (PITF) No.32, issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on Operating income, Ordinary income, and Income before income taxes and Non-controlling interests for the current consolidated fiscal year was immaterial.

(Segment and Related Information)

Segment Information

1. General Information about reportable segments

The Company's reportable segments are components of the Group that engage in business activities, whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.

Divisions by products and services are located in the headquarter, and each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

The Company consists of segments based on divisions as follows:

Segment	Main Products
Chemicals	Basic Chemicals (melamine, sulfuric acid, nitric acid, ammonia, etc.) Fine Chemicals (epoxy compound for LED sealants, solder resist and painting, flame retardant, chlorinated isocyanuric acid for sterilizing, etc.)
Performance Materials	Display Materials (LCD alignment coating, etc.) Semiconductor Materials (bottom anti-reflective coating for semiconductors, etc.) Inorganic Materials (hard coating materials, electronic information materials, polishing materials, etc.)
Agricultural Chemicals	Agricultural Chemicals (herbicide, insecticide, fungicide, fungicide and insecticide, plant growth regulator) active substance of veterinary medical product
Pharmaceuticals	LIVALO (anti-cholesterol drug), etc. Custom Chemicals (custom manufacturing and process services for pharmaceutical companies)
Trading	Trading, etc.
Others	transportation, landscaping, engineering, fertilizer, etc.

2. Basis of measurement of reported segment income or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and income (loss) are recognized based on current market prices.

3. Information Regarding Sales, Income (Loss), and Segment Assets of Reportable Segments

1) For the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Customers	25,159	45,840	43,695	8,668	43,014	10,516	176,894	—	176,894
Intersegment	9,187	5,932	3,792	—	12,630	10,362	41,905	(41,905)	—
Total Sales	34,347	51,773	47,487	8,668	55,644	20,879	218,800	(41,905)	176,894
Operating Income (loss)	3,927	12,021	10,831	2,006	1,813	475	31,075	(2,469)	28,606
Segment Assets	26,643	40,972	52,917	11,144	19,672	10,147	161,498	66,671	228,169
Other items									
Depreciation and amortization	1,427	5,124	1,411	818	57	386	9,226	403	9,629
Amortization of goodwill	—	51	—	—	2	—	54	—	54
Increase of property, plant and equipment and intangible assets	2,264	5,405	1,298	438	15	441	9,863	381	10,245

Notes 1. The adjustments are as follows:

(1) The (2,469) million yen adjustment in segment income includes (361) million yen in intersegment eliminations, and (2,107) million yen corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses which do not belong to segments.

(2) The 66,671 million yen adjustment in segment assets includes (11,172) million yen in intersegment eliminations and 77,843 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 403 million yen adjustment in depreciation and amortization is corporation expenses.

(4) The 381 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

2) For the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Customers	25,723	46,403	47,791	7,966	42,281	10,108	180,274	14	180,289
Intersegment	9,057	6,406	4,160	26	12,916	13,921	46,489	(46,489)	—
Total Sales	34,780	52,809	51,952	7,992	55,198	24,029	226,764	(46,474)	180,289
Operating Income (loss)	3,820	12,533	13,201	1,656	1,697	966	33,875	(2,437)	31,438
Segment Assets	26,113	48,028	55,588	10,182	19,782	10,731	170,426	61,322	231,748
Other items									
Depreciation and amortization	1,613	4,763	1,336	705	59	330	8,808	79	8,887
Amortization of goodwill	—	—	—	—	2	—	2	—	2
Increase of property, plant and equipment and intangible assets	2,000	8,404	2,416	903	46	299	14,070	229	14,299

Notes 1. The adjustments are as follows:

(1) The (2,437) million yen adjustment in segment income includes (285) million yen in intersegment eliminations, 14 million yen sales not attributable to any reporting segment, and (2,165) million yen corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses which do not belong to segments.

(2) The 61,322 million yen adjustment in segment assets includes (9,338) million yen in intersegment eliminations and 70,660 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 79 million yen adjustment in depreciation and amortization is corporation expenses.

(4) The 229 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

Related Information

For the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

Sales by region

(Millions of Yen)

Japan	Korea	Other Asia (except Japan, Korea)	Europe and the United States	Consolidated Total
104,032	18,401	34,398	20,062	176,894

Note: Sales are classified to either countries or regions based on customers are located.

For the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

Sales by region

(Millions of Yen)

Japan	Korea	Other Asia (except Japan, Korea)	Europe and the United States	Consolidated Total
103,077	15,513	39,286	22,412	180,289

Note: Sales are classified to either countries or regions based on customers are located.

Information regarding impairment loss on non-current assets by reportable segments

For the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharma- ceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Impairment loss	—	3,941	—	—	—	—	3,941	—	3,941

For the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharma- ceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Impairment loss	—	—	—	—	—	—	—	220	220

(Note) 220 million yen adjustment is impairment loss on our head office involved in head office relocation.

Information regarding amortization and unamortized balance on goodwill by reportable segments

For the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharma- ceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2016	—	—	—	—	2	—	2	—	2

For the Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharma- ceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2017	—	—	—	—	0	—	0	—	0

(Per Share Information)

(Yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net asset per share	1,006.56	1,067.76
Net income per share	143.37	156.97

Notes:

1. Since residual securities do not exist, diluted net income per share is not presented.

2. Net income per share is calculated on the following basis.

(Millions of Yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net income per share		
Profit attribute to owners of parent	22,350	24,026
Amounts not allocated to ordinary shares	—	—
Net income allocated to ordinary shares	22,350	24,026
Average number of ordinary shares outstanding during each year	155,893,811	153,058,176

3. Net asset per share is calculated on the following basis.

(Millions of Yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net asset	156,924	163,707
Amount deducted from net asset	1,531	1,666
(Non-controlling interest)	(1,531)	(1,666)
Net asset as of year end allocated to ordinary shares	155,392	162,041
Number of ordinary shares as of year end used to calculate net asset per share	154,379,413	151,757,983

(Significant Subsequent Events)

1. The Company, at the Board of Director's meeting held on April 25, 2017, has decided to cancel its own shares under Article 178 of the Japanese Corporation Act.

- (1) Class of shares to be cancelled : Common shares of company
(2) Number of shares to be cancelled : 2,000,000 shares
(1.30% of issued shares prior to cancellation)
(3) Scheduled date of cancellation : May 9, 2017

Reference

Number of issued shares subsequent to cancellation (including treasury shares) : 152,000,000 shares

2. The Company, at the Board of Director's meeting held on May 12, 2017, has decided to repurchase its shares in the market under Article 156 of the Japanese Corporation Act, as applied pursuant to Article 165, Paragraph 3 of the same Act.

(1) Purpose of repurchase

To facilitate flexible implementation of capital policy in response to changes in the business environment.

(2) Details of repurchase

- ① Class of shares: Common shares of the company
② Total number of shares: Up to 1,700,000 shares
(1.12% of issued shares prior to cancellation)
③ Total amount: Up to 5,000,000,000 yen
④ Period of repurchase: From May 15, 2017 to July 31, 2017