

Financial Section

Financial Review

Financial Review of the Year Ended March 31, 2017

Overview

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.

Operating Results

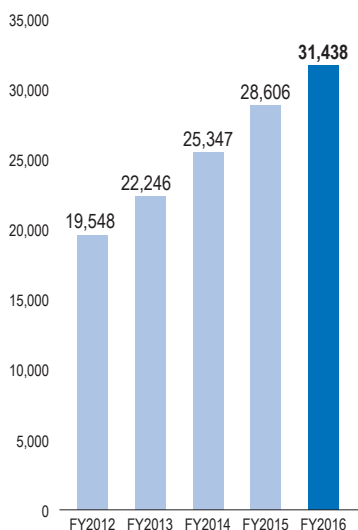
As a result of previously mentioned factors, the sales for this period were 180,289 million yen (an increase of 3,394 million yen from the same period of the previous year). Operating income was 31,438 million yen (an increase of 2,832 million yen). Ordinary income was 31,713 million yen (an increase 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.

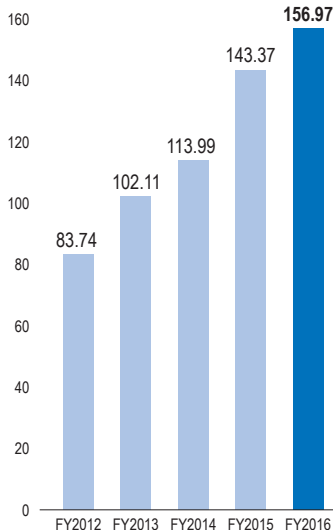
Financial Position

Total assets as of March 31, 2017 were 231,748 million yen (an

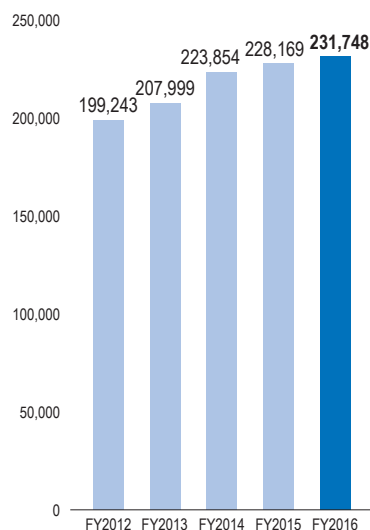
Operating Income (Millions of Yen)



Net Income per Share (Yen)



Total Assets (Millions of Yen)



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

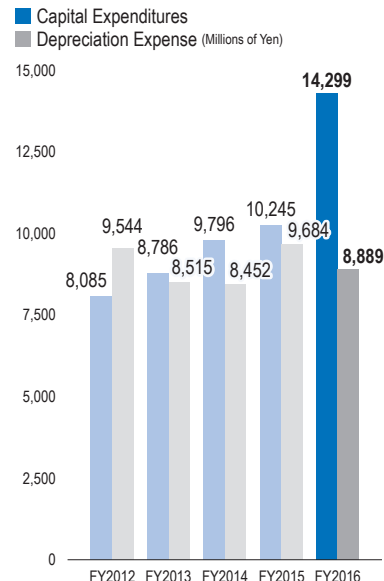
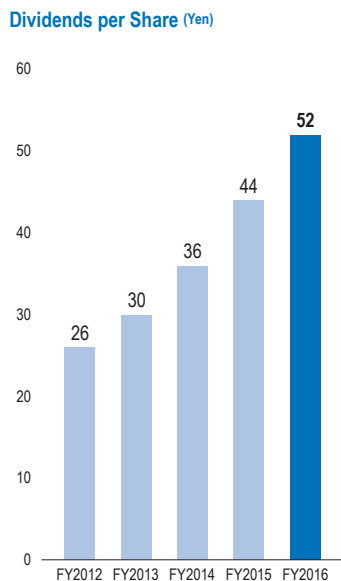
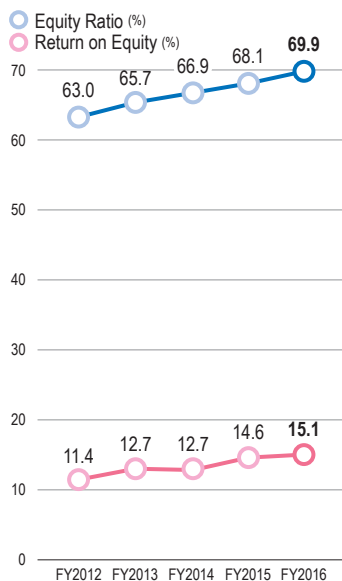
Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the year ended March 31, 2017 were 32,491 million yen (29,989 million yen for the

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 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.



Consolidated Balance Sheets

For FY2016 and FY2015

Assets	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2016	FY2015	FY2016
Current assets			
Cash and deposits	¥ 35,701	¥ 35,335	\$ 318,191
Notes and accounts receivable - trade	60,075	57,606	535,428
Merchandise and finished goods	28,602	30,198	254,920
Work in process	64	43	570
Raw materials and supplies	7,778	8,266	69,323
Accounts receivable - other	2,379	4,726	21,203
Short-term loans receivable	1,065	1,039	9,492
Deferred tax assets	2,708	2,968	24,135
Other	2,221	2,030	19,795
Allowance for doubtful accounts	(33)	(34)	(294)
Total current assets	140,564	142,181	1,252,799
Non-current assets			
Property, plant and equipment			
Buildings and structures	62,253	59,662	554,840
Accumulated depreciation and impairment loss	(38,428)	(37,027)	(342,496)
Buildings and structures, net	23,824	22,635	212,335
Machinery, equipment and vehicles	120,540	116,267	1,074,332
Accumulated depreciation and impairment loss	(109,038)	(107,181)	(971,818)
Machinery, equipment and vehicles, net	11,502	9,086	102,513
Tools, furniture and fixtures	35,717	33,828	318,333
Accumulated depreciation and impairment loss	(30,880)	(28,819)	(275,223)
Tools, furniture and fixtures, net	4,837	5,008	43,111
Land	9,198	9,195	81,979
Leased assets	103	116	918
Accumulated depreciation	(90)	(87)	(802)
Leased assets, net	12	28	107
Construction in progress	2,594	1,506	23,119
Total property, plant and equipment	51,969	47,461	463,182
Intangible assets			
Software	610	476	5,437
Other	966	426	8,610
Total intangible assets	1,577	903	14,055
Investments and other assets			
Investment securities	32,465	33,251	289,349
Deferred tax assets	125	99	1,114
Net defined benefit asset	1,987	2,086	17,709
Other	3,156	2,354	28,128
Allowance for doubtful accounts	(98)	(167)	(873)
Total investments and other assets	37,636	37,623	335,437
Total non-current assets	91,183	85,988	812,683
Total assets	¥ 231,748	¥ 228,169	\$ 2,065,490

Liabilities	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2016	FY2015	FY2016
Current liabilities			
Notes and accounts payable - trade	¥ 14,943	¥ 15,350	\$ 133,182
Short-term loans payable	23,155	22,938	206,373
Current portion of long-term loans payable	3,070	3,060	27,362
Income taxes payable	3,288	4,576	29,305
Provision for bonuses	1,920	1,874	17,112
Provision for directors' bonuses	28	21	250
Provision for environmental measures	—	350	—
Other	11,259	9,765	100,348
Total current liabilities	57,665	57,937	513,948
Non-current liabilities			
Long-term loans payable	4,580	7,100	40,820
Deferred tax liabilities	2,649	3,095	23,610
Provision for business structure improvement	594	680	5,294
Provision for loss on business of subsidiaries and affiliates	309	309	2,754
Net defined benefit liability	101	102	900
Other	2,141	2,020	19,082
Total non-current liabilities	10,376	13,307	92,478
Total liabilities	68,041	71,244	606,426
Net assets			
Shareholders' equity			
Capital stock	18,942	18,942	168,824
Capital surplus	13,611	13,611	121,310
Retained earnings	126,370	115,878	1,126,292
Treasury shares	(7,587)	(4,281)	(67,620)
Total Shareholders' equity	151,337	144,151	1,348,815
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,079	10,515	89,831
Foreign currency translation adjustment	243	171	2,166
Remeasurements of defined benefit plans	380	554	3,387
Total Accumulated other comprehensive income	10,703	11,241	95,392
Non-controlling interests	1,666	1,531	14,848
Total net assets	163,707	156,924	1,459,064
Total liabilities and net assets	¥ 231,748	¥ 228,169	\$ 2,065,490

Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

For FY2016 and FY2015

Consolidated Statements of Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2016	FY2015	FY2016
Net sales	¥ 180,289	¥ 176,894	\$ 1,606,854
Cost of sales	105,916	106,146	943,993
Gross profit	74,372	70,748	662,852
Selling, general and administrative expenses	42,934	42,142	382,656
Operating income	31,438	28,606	280,196
Non-operating income			
Interest income	20	16	178
Dividend income	726	580	6,471
Equity in earnings of affiliates	701	858	6,248
Other	805	1,022	7,175
Total non-operating income	2,253	2,478	20,080
Non-operating expenses			
Interest expenses	156	194	1,390
Loss on disposal of non-current assets	601	319	5,357
Plant stop losses	274	327	2,442
Product compensation expenses	—	211	—
Impairment loss	220	—	1,961
Foreign exchange losses	314	165	2,799
Other	411	334	3,663
Total non-operating expenses	1,978	1,552	17,629
Ordinary income	31,713	29,531	282,647
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 affiliates	—	311	—
Total extraordinary losses	—	4,253	—
Income before income taxes and non-controlling interests	31,713	28,360	282,647
Income taxes - current	7,439	7,955	66,301
Income taxes - deferred	81	(2,151)	722
Total income taxes	7,520	5,804	67,023
Net income	24,192	22,556	215,615
Net income attributable to non-controlling interests	166	206	1,480
Net income attributable to owners of parent	¥ 24,026	¥ 22,350	\$ 214,135

Consolidated Statements of Comprehensive Income

	(Millions of Yen)		(Thousands of U.S. Dollars)
	FY2016	FY2015	FY2016
Net income	¥ 24,192	¥ 22,556	\$ 215,615
Other comprehensive income			
Valuation difference on available-for-sale securities	(436)	(159)	(3,886)
Foreign currency translation adjustment	188	(800)	1,676
Remeasurements of defined benefit plans, net of tax	(174)	(84)	(1,551)
Share of other comprehensive income of affiliates accounted for using equity method	1	(1)	9
Total other comprehensive income	(420)	(1,047)	(3,743)
Comprehensive income	23,771	21,508	211,863
(Comprehensive income attribute to)			
Owners of parent	23,584	21,380	210,196
Non-controlling interests	¥ 186	¥ 127	\$ 1,658

Consolidated Statements of Changes in Net Assets

For FY2016

	(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 in 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					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Balance at beginning of current period	¥ 10,515	¥ 171	¥ 554	¥ 11,241	¥ 1,531
Changes of items during period						
Dividends of surplus						(7,680)
Net income attributable to owners of parent						24,026
Change in 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