

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the Fiscal Year Ended March 31, 2016
(Prepared under Japan GAAP, unaudited)

Company name: Osaka Soda Co.,Ltd. Stock Exchange Listing: Tokyo
Securities code: 4046 URL: <http://www.osaka-soda.co.jp>
Representative: Tamotsu Sato, Representative Director, Chief Executive Officer
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Scheduled date of general shareholders meeting: June 29, 2016
Scheduled date of commencement of dividend payment: June 13, 2016
Scheduled date of filing of securities report: June 30, 2016
Supplementary materials prepared for the financial results: Yes
Annual financial results briefings: Yes

1. Consolidated Financial Results

(Amounts are rounded down to the nearest million yen)

(1) Results of Operations

		Year ended			
		March 31, 2016		March 31, 2015	
			Change *		Change *
Net sales	Millions of yen	102,125	0.7%	101,365	10.6%
Operating income	Millions of yen	6,443	24.6%	5,172	8.9%
Ordinary income	Millions of yen	6,439	12.0%	5,747	9.7%
Net income attributable to owners of parent	Millions of yen	3,606	4.5%	3,450	13.9%
Comprehensive income	Millions of yen	1,512	-78.0%	6,857	60.0%
Net income per share	Yen	34.23	-	32.75	-
Diluted net income per share	Yen	28.43	-	28.41	-
Return on equity	%	7.5	-	7.7	-
Return on total assets	%	6.5	-	6.2	-
Operating income ratio	%	6.3	-	5.1	-

Note: Percent changes are year-on-year comparisons.

(2) Financial Condition

		As of March 31, 2016	As of March 31, 2015
Total assets	Millions of yen	97,027	100,893
Net assets	Millions of yen	48,296	47,704
Equity *	Millions of yen	48,296	47,704
Equity ratio	%	49.8	47.3
Net assets per share (Yen)	Yen	458.43	452.78

Note: Equity = "Total net assets" minus "Subscription rights to shares"

(3) Cash Flows

		Year ended	
		March 31, 2016	March 31, 2015
Cash flows from operating activities	Millions of yen	5,031	7,460
Cash flows from investing activities	Millions of yen	(2,535)	(1,853)
Cash flows from financing activities	Millions of yen	(3,433)	5,954
Cash and cash equivalents at end of year	Millions of yen	19,036	20,095

2. Dividends

		Year ending March 31, 2017 (Forecast)	Year ended March 31, 2016	Year ended March 31, 2015
End of first quarter	Yen	-	-	
End of second quarter	Yen	5.00	5.00*	4.00
End of third quarter	Yen	-	-	
End of fourth quarter	Yen	5.00	5.00*	4.00
Full year	Yen	10.00	10.00	8.00
Payment of dividends	Millions of yen	-	-	842
Dividend payout ratio	%	24.5	29.2	24.4
Ratio of dividend to net assets	%	-	2.2	1.9

Note1: The dividend of ¥5.00 at the end of second quarter of year ended March 31, 2016 includes ordinary dividend of ¥4.00 and commemorative dividend of ¥1.00.

Note2: The dividend of ¥5.00 at the end of fourth quarter of year ended March 31, 2016 includes ordinary dividend of ¥4.00 and commemorative dividend of ¥1.00

3. Earnings Forecast for the fiscal year ending March 31, 2017

		End of second quarter		Full-year	
			Change*		Change*
Net sales	Millions of yen	50,400	0.1%	103,000	0.9%
Operating income	Millions of yen	3,100	0.6%	6,500	0.9%
Ordinary income	Millions of yen	3,260	0.1%	6,800	5.6%
Net income	Millions of yen	2,050	3.7%	4,300	19.2%
Earnings per share	Yen	19.46	-	40.82	-

Note: Percent changes are year-on-year comparisons.

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatements of revisions

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of March 31, 2016: 111,771,671 Shares

As of March 31, 2015: 111,771,671 Shares

2) Number of treasury shares at the end of period

As of March 31, 2016: 6,419,632 Shares

As of March 31, 2015: 6,411,660 Shares

3) Average number of shares outstanding in each period

Year ended March 31, 2016: 105,356,370 Shares

Year ended March 31, 2015: 105,353,139 Shares

* Status of audit procedure:

This financial results are not subject to the audit procedure in accordance with the Financial Instruments and Exchange Act. The audit procedure of consolidated financial statements has not been completed at the time of disclosure.

*Appropriate use of financial forecasts, other special notes

This material contains forward-looking statements such as earnings forecast about Osaka Soda Co., Ltd. and its group companies ("Osaka Soda Group"). These forward-looking statements are based on the current assumptions and beliefs of Osaka Soda Group in light of the information currently available to it, and contain known and unknown risks, uncertainties and other factors. Osaka Soda Group therefore wishes to caution readers that actual results could be materially different from any future results.

DISCLAIMER:

This is an English translation of the original Japanese document and is prepared for reference. Should there be any inconsistency between the translation and the Japanese original, the latter shall prevail.

4. Results of Operations and Financial Condition

(1) Results of Operations

During the fiscal year ended March 31, 2016, Japan's economy has continued to recover moderately as a trend, against the background of improvement in corporate profits due to the downfall in crude oil prices and movements of picking up in corporate fixed investments. The outlook remains uncertain due to the downside risks such as economic slowdown in both resource-rich countries and emerging countries including China, despite economic recovery in the United States.

Under the circumstance, Osaka Soda Group coped with business expansion and cost reduction in fiscal 2015 which is the second year of the 5th mid-term management plan "NEXT FRONTIER-100", focusing on four basic policies of this plan which are "Creation of new products and new businesses", "Expansion of global businesses", "Restructuring and reinforcement of existing businesses", and "Nurturing of the healthcare related businesses". Especially, we implemented the integration of sales base in Asia and consolidated our management resources at overseas affiliated companies to strengthen global sales capabilities.

With regard to the reporting segment, we have implemented the following things by business fields.

Basic Chemical Products

In *Chlor-Alkali*, we developed a close-to-market sales activities, strengthening supply system and logistics function by region.

In *Epichlorohydrin*, we focused on overseas sales expansion and cost reduction.

Functional Chemical Products

In *Diallyl Phthalate Resin* and *Epichlorohydrin Rubber* which are Global, Niche, and Top products, we expanded sales to Europe. In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)* and *Active Pharmaceutical Ingredients and their Intermediates*, we developed to acquire new customers.

Housing Facilities and Others

We strengthened the sales activity in *Household Materials and Components* and made efforts to get new projects of chemical plants in *Plant Engineering Services*.

As a result, net sales were ¥102,125 million, an increase of 0.7% compared to the same period of fiscal 2014. All income categories were at record highs, which is the same as previous fiscal year, due mainly to business expansion of Functional Chemical Products. Operating income was ¥6,443 million, an increase of 24.6% compared to the same period of fiscal 2014. Ordinary income was ¥6,439 million, an increase of 12.0% compared to the same period of fiscal 2014. Net income attributable to owners of parent was ¥3,660 million, an increase of 4.5% compared to the same period of fiscal 2014.

Basic Chemical Products

In *Chlor-Alkali*, net sales decreased due to the effect of market conditions.

In *Epichlorohydrin*, net sales decreased due to the downfall in raw fuel price despite volume growth of overseas sales.

As a result, net sales of Basic Chemical Products were ¥42,580 million, a decrease of 3.7% compared to the same period of fiscal 2014.

Functional Chemical Products

In *Epichlorohydrin Rubber*, net sales increased due to continued steady sales to other Asian countries for applications in automobiles despite the decrease of export sales to China by the effect of its economic slowdown.

In *Diallyl Phthalate Resin*, net sales increased due to continued steady domestic sales in UV printing inks as well as sales to Europe and America in UV printing inks.

In *Allyl Ethers*, net sales decreased due to the impact of stagnant economy in China.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased due to continued steady sales to Europe and America as well as an increase in sales to China and India for diabetic drug.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued steady sales in “Intermediate for Antiinfluenza Drug”, “Intermediate for Antituberculosis Drug”, “Intermediate for Anticancer Drug”, and new active pharmaceutical ingredients .

Electrodes achieved increase in net sales led by increased demand for electrodes used for electrolytic copper foil and electrolytic caustic soda.

As a result, net sales of Functional Chemical Products were ¥37,867 million, an increase of 5.7% compared to the same period of fiscal 2014.

Housing Facilities and Others

In *Plant Engineering Services*, net sales decreased due to a decline in large-scale construction projects in Japan and overseas.

Diallyl Phthalate Resin Decorative Laminate Boards and *Household Materials and Components* achieved steady sales growth respectively.

As a result, net sales of Housing Facilities and Others were ¥21,676 million, an increase of 1.7% compared to the same period of fiscal 2014.

Outlook

With regard to the outlook for fiscal 2016, Japan’s economy is expected to continue delivering solid growth through movements of picking up in private consumption against the background of improvement of employment and income situation. However, attention should be given to the downside risks of domestic economy affected by economic slowing down in both resource-rich countries and Asia’s emerging countries including China. The business environment in the chemical industries still remains unpredictable for us due to the problem arising from increased overcapacity in Asia.

Basic Chemical Products

In *Allyl Chloride* and *Epichlorohydrin*, we reduce cost and expand sales both inside and outside the country to strengthen competitiveness.

In *Chlor-Alkali* products, we develop a close-to-market sales activities, strengthening supply system and logistics function by region.

Functional Chemical Products

In derivative products based on *Allyl Chloride* and *Epichlorohydrin*, we aim for expanding the scale of our business, developing downstream business such as rubber compound, and increase product variety of *synthetic resin* and *synthetic rubber*.

In health-care-related business, we prioritize our management resources in this business to achieve the practical use of peripheral businesses and new technologies, positioned it as our group’s third pillar of profit.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, we make efforts to expand sales to Europe and America and emerging countries, expanding our production capacity in response to customer demand in a timely manner.

In *Active Pharmaceutical Ingredients and their Intermediates*, we actively develop new contract development projects, preparing well-equipped special reaction facilities.

Housing Facilities and Others

In Plant Engineering Services, we aim for order increase of chemical plant construction, including Chlor-Alkali that are our strengths, in domestic and overseas market.

Our outlook for fiscal 2016 is ¥103,000 million in net sales, ¥6,500 million in operating income, ¥6,800 million in ordinary income, and ¥4,300 million in net income attributable to shareholders of the parent.

(2) Financial Condition

Assets

Current assets were ¥57,137 million, a decrease of 2.2% since March 31, 2015. The decrease was due primarily to a decrease of ¥5,499 million in *short term investment securities*, an increase of ¥4,440 million in *cash and deposits*.

Noncurrent assets were ¥39,890 million, a decrease of 6.0% since March 31, 2015. The decrease was due primarily to a decrease of ¥2,298million in *investment securities*, a decrease of ¥2,280 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥97,027 million, a decrease of 3.8% since March 31, 2015.

Liabilities

Current liabilities were ¥30,669 million, a decrease of 4.9% since March 31, 2015. The decrease was due primarily to a decrease of ¥2,771 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥18,062 million, a decrease of 13.7% since March 31, 2015. The increase was due primarily to a decrease of ¥2,440 million in *long term loan payable*.

As a result, **Total liabilities** were ¥48,731 million, a decrease of 8.4% since March 31, 2015.

Net assets

Net assets were ¥48,296 million, an increase of 1.2% since March 31, 2015.

Cash flow

Cash and cash equivalents at the end of fiscal year were ¥19,036million, a decrease of ¥1,059 million compared to the previous fiscal period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥5,031 million, due primarily to ¥5,730 million in *income before income taxes* and ¥2,892 million in *depreciation*, a decrease of ¥2,991 million in *notes and accounts payable*.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥2,535million, due primarily to cash outflows of ¥1,888 million in *purchase of property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,433 million, due primarily to repayment of ¥2,480 million in *repayments of long term loan payable* and *cash dividend paid* of ¥948 million.

Cash flow ratios

		Year ended March 31,			
		2016	2015	2014	2013
Equity ratio	(%)	49.8	47.3	49.3	49.7
Equity ratio based on market price	(%)	44.6	43.9	45.6	39.1
Debt coverage	(%)	295.3	229.7	386.2	297.5
Interest coverage ratio	(times)	53.5	61.2	44.9	50.2

(3) Dividend policy

Osaka Soda Group focuses on rewarding shareholders by delivering increasing shareholder's return. Our basic dividend policy is to maintain stable dividend payments while securing sufficient internal reserves to ensure business performance on a continuous basis and future business investments.

Based on this policy, we announced ¥5.0 per share in dividend for this fiscal year end including ¥1.0 in a commemorative dividend for the 100th anniversary of the foundation, a total of ¥10.0 per share in annualized dividend adding the interim payment of ¥5.0 per share including ¥1.0 in a commemorative dividend for the 100th anniversary of the foundation, which is the increase of ¥2.0 compared to the previous fiscal year.

The dividend for fiscal 2017 is scheduled to pay ¥10.0 yen per share (interim payment of ¥5.0, year-end payment of ¥5.0).

(4) Risk factors

Osaka Soda Group copes with our business risks organizationally and systematically. The following discussion of "Risk factors" identifies the most significant factors that may adversely affect our business operations or financial position. Investors must recognize that events could significantly differ from our expectations.

Also, the following discussion of risks is not all inclusive, but is designed to highlight what we believe are important factors to consider when evaluating our expectations.

1) Competitive environment and market conditions

Osaka Soda Co., Ltd. develops commodity chemical business. There are many factors like economic conditions, fluctuations in market price by competition, changes in exchange rates, and interests, which are adversely impacted on our business results. In terms of economic conditions or competitive market, the nature of Basic Chemicals business, specifically *Chlor-Alkali* and *Epichlorohydrin*, could result in negative impact on sales price or purchase price of raw materials. The disruption of supply/demand balance by large increments of competitor's production facilities could negatively impact our results of operations.

2) Purchase of raw materials

The raw materials are purchased from multiple-source of suppliers to maintain stable purchase activities, however, shortage or suspension of supply caused by supplier's accidents, defects in quality, or bankruptcy could adversely impact our production activities and results of operations.

3) Quality of products

Osaka Soda Co., Ltd. structured to make sure the product quality and had insurance on product liability, however, defective products could negatively impact on results of operations, financial position, and evaluation of social responsibility.

4) Global business operations

Our global operations are subject to a number of risks including changes in laws and regulations, political and economic volatility, and social disruption such as acts of war or terrorism. These risks could negatively impact results of operations and financial condition.

5) Intellectual properties

Osaka Soda Group established a management system to protect intellectual properties which is important to overall business developments. In case that we are in dispute with competitors over intellectual properties or infringement on intellectual properties rights by other companies, our results of operations could be adversely impacted.

6) Legal matters

In case our customer or third parties take legal action against us regarding our business operations, our results of operations could be adversely impacted.

7) Natural disaster and accident

Osaka Soda Group's security and safety activities are thoroughly managed and periodic inspection are carried out at plant facilities. Any significant disruption of manufacturing, such as natural disasters, loss or impairments of key manufacturing sites, could interrupt product supply and, if not remedied, have an adverse impact on our business.

8) Environment and safety

Osaka Soda Group, through Responsible Care initiative, continues to protect the environment and uphold safety over the entire product life cycle from the development, manufacture, and distribution of chemical substances to their application, final consumption, and disposal. However, in case the environmental issues have happened, the legal costs for compensation or opportunity loss by suspension of production could be incurred and adversely impacted on our results of operations.

5. Osaka Soda Group

Osaka Soda Group consists of Osaka Soda Co., Ltd., twelve consolidated subsidiaries, and two nonconsolidated subsidiaries. The consolidated subsidiaries are as follows.

Daiso Chemical Co., Ltd.	Daiso Engineering Co., Ltd.	Sanyo Fine Co., Ltd.
JMR Co., Ltd.	Impex Co., Ltd.	DS Logistics Co., Ltd.
Okayama Chemicals Co., Ltd.	Daiso Chemical (Shanghai) Co., Ltd.	Taiwan Daiso Chemical Co., Ltd.
Daiso Fine Chem USA, Inc.	Daiso Fine Chem GmbH	Daiso Chemical(Thailand) Co., Ltd.

Basic Chemical Products

Osaka Soda Co., Ltd. manufactures and sells the following main products.

“Caustic Soda, Hydrochloric acid, Liquid Chlorine, Chlorine Gas, Sodium Hypochlorite, Sodium Chlorite, Sodium Chlorate, Caustic potash, Hydrogen Gas, Epichlorohydrin, Allyl Chloride”

Daiso Chemical Co., Ltd. which is a trading company sells painting materials and glue materials in addition to those products above. Osaka Soda Co., Ltd. purchases raw materials from this company.

DS Logistics Co., Ltd. deals with distribution of our company's products.

Okayama Chemicals Co., Ltd. manufactures *Caustic Soda, Chlorine Gas, Sodium Hypochlorite, Hydrogen Gas*. Osaka Soda Co., Ltd. purchases those products and raw materials from this company.

Functional Chemical Products

Osaka Soda Co., Ltd. manufactures and sells the following main products.

“Allyl Ethers, Epichlorohydrin Rubber, Diallyl Phthalate resin, Polysulfide Silane Coupling Agent, Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography), Optically Active Compounds, Active Pharmaceutical Ingredients and their Intermediates, Electrodes, Lens”

Daiso Chemical Co., Ltd. sells the merchandise such as *Photosensitive Resin, Color Resists for Liquid Crystal Display* along with the above products manufactured by our company.

Daiso Engineering Co., Ltd. manufactures and sells *Electrodes*.

Sanyo Fine Co., Ltd. manufactures and sells *Active Pharmaceutical Ingredients and their Intermediates*.

Impex Co., Ltd. sells *Glass-Fiber*. JMR Co., Ltd. does *Materials Recycling* business.

Daiso Fine Chem USA, Inc. sells *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*.

Daiso Fine Chem GmbH sells *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)* and *Active Pharmaceutical Ingredients and their Intermediates*.

Daiso Chemical (Shanghai) Co., Ltd. and Daiso Chemical(Thailand) Co., Ltd. sell *high water absorption resin*

for sanitary material and *non-woven fabric*.

Taiwan Daiso Chemical Co., Ltd. sells resists for *Color Resists for Liquid Crystal Display*.

Housing Facilities and Others

Osaka Soda Co., Ltd. manufactures, purchases, and sells *Diallyl Phthalate Resin Decorative Laminate Boards* and *Housing facilities*.

Daiso Engineering Co., Ltd. provides services for design, construction, and maintenance with chemical plants and environmental conservation facilities along with construction and maintenance of our company's facilities.

Osaka Soda Co., Ltd. provides agency service for material purchase of this company.

6. Management Policy

(1) Fundamental policy

Osaka Soda Group created a new group philosophy on April 1st in 2015.

"To realize an affluent society by developing innovative products through our aspirations for high standards."

Osaka Soda Group set "Be a company growing by business expansion of specialty chemicals" as group vision and push forward with a business strategy shifting to high value added chemical company.

Taking all possible measures to ensure the safety, we eager to reduce impact on global environment in an effort to conserve resource and energy.

(2) Management indicator

To realize our group vision, we aim to achieve that net sales of 130 billion yen, ordinary income of 10 billion yen, and 10% of ROE in 2018, in accordance with five-year management plan "NEXT FRONTIER - 100" launched in fiscal 2014.

(3) Management strategy over the medium to long term

Osaka Soda Group works on the creation of new business and products, the expansion of global business, and challenges higher profitability resulting from reorganization and reinforcement of existing business by bolstering the global competitiveness of basic chemical products and functional chemical products.

Specifically, Osaka Soda Group develops the growth of health-care related businesses focused on *Separation Media in Pharmaceuticals Industry (Silica Gel for Liquid Chromatography)* and *Active Pharmaceutical Ingredients and their Intermediates* as an anticipated main source of profit with aggressive capital spending.

(4) Key issues

In accordance with the guidelines of mid-term management plan "NEXT FRONTIER – 100", Osaka Soda Group works on the following issues.

1) Create new products and businesses

We integrate functions of sales, R&D, and manufacturing to accelerate R&D performance, and shorten the time to market for new "global, niche, top" products with global competitiveness, focusing on Healthcare related businesses, Energy, and Environment. We also increase product variety of synthetic resin and synthetic rubber, developing downstream business such as rubber compound.

We renovate R&D environment, constructing new research building, and actively develop in collaboration with customers. Those ensures that we achieve new product sales of 20% to net sales in 2018.

2) Expansion of global businesses

We further strengthen sales capabilities, developing commercial distribution and customer acquisition by integration of sales base in Asia, and achieve overseas sales of 30% to net sales in 2018 to promote collaboration with local customers and manufacturing companies, taking next step to establish manufacturing and R&D base in the future.

3) Restructuring and reinforcement of existing businesses

We strengthen competitiveness in *Chlor-Alkali*, *Allyl Chloride* and *Epichlorohydrin*, which are derived from electrolysis business that is our strengths, the origin of our company's business, and enables full in-house production from raw materials.

Also, we engage in establishment of stable and efficient manufacturing system for high-mix, small lot production, in response to diversification of customer needs, including convergence of Internet of Things.

4) Nurturing of the healthcare related businesses

We prioritize our management resources in this businesses to achieve the practical use of peripheral businesses and new technologies, positioned it as our group's third pillar of profit.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, we make efforts to expand sales to Europe and America and emerging countries, expanding our production capacity.

In *Active Pharmaceutical Ingredients and their Intermediates*, we reinforce sales and R&D structure, actively developed new contract development projects, preparing well-equipped special facilities to deal with ultra-low temperature reaction and production of substance having high pharmacological activity.

Osaka Soda Group looks ahead to become dynamic group companies that build sustainable growth along with highly profitable companies by disciplined execution on basic policies above.

7. Accounting Standards

Our consolidated financial statements are prepared under Japanese generally accepted accounting principles in terms of comparisons to period-on-period or company-to-company. We will adopt International Financial Reporting Standards by considering the internal and external situation in an appropriate manner.

8. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2015	March 31, 2016
Assets		
Current assets		
Cash and deposits	7,596	12,037
Notes and accounts receivable-trade	28,172	27,730
Short term investment securities	12,499	6,999
Merchandise and finished goods	5,669	6,163
Work in process	1,127	1,107
Raw materials and supplies	2,186	1,847
Deferred tax assets	657	735
Other current assets	545	516
Less: Allowance for doubtful accounts	(5)	(1)
Total current assets	58,450	57,137
Noncurrent assets		
Buildings and structures	13,482	13,395
Accumulated depreciation	(8,755)	(8,674)
Buildings and structures - Net	4,727	4,720
Machinery, equipment, and vehicles	53,791	52,235
Accumulated depreciation	(42,209)	(41,136)
Machinery, equipment, and vehicles - Net	11,581	11,098
Land	2,298	2,298
Construction in progress	1,649	1,912
Other	3,226	3,213
Accumulated depreciation	(2,896)	(2,885)
Other - Net	330	327
Total property, plant and equipment	20,586	20,357
Intangible assets		
Goodwill	902	923
Software	192	229
Other	64	39
Total intangible assets	1,159	1,192
Investments and other assets		
Investment securities	19,452	17,154
Long-term loans receivable	80	61
Deferred tax assets	121	132
Other, net	1,049	1,570
Less: Allowance for doubtful accounts	(6)	(578)
Total investment and other assets	20,697	18,339
Total noncurrent assets	42,443	39,890
Total assets	100,893	97,027

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2015	March 31, 2016
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	15,764	12,993
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,480	2,440
Income taxes payable	915	1,338
Provision for bonuses	720	709
Other current liabilities	3,497	4,307
Total current liabilities	32,258	30,669
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	10,000
Long term loans payable	5,400	2,960
Deferred tax liabilities	2,464	1,502
Provision for directors retirement benefits	615	533
Net defined benefit liability	2,447	3,063
Other noncurrent liabilities	3	2
Total noncurrent liabilities	20,930	18,062
Total liabilities	53,189	48,731
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,882
Capital surplus	9,399	9,399
Retained earnings	22,038	24,697
Treasury stock	(1,663)	(1,666)
Total shareholders' equity	40,657	43,312
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	6,900	5,500
Deferred gains or losses on hedges	7	(82)
Foreign currency translation adjustments	22	45
Re-measurements of defined benefit plans	118	(479)
Total accumulated other comprehensive income	7,047	4,983
Total net assets	47,704	48,296
Total net assets and liabilities	100,893	97,027

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Year Ended	
	March 31, 2015	March 31, 2016
Net sales	101,365	102,125
Cost of sales	85,642	84,357
Gross profit	15,723	17,767
Selling, general, and administrative expenses	10,550	11,324
Operating income	5,172	6,443
<i>Non-operating income</i>		
Interest income	21	23
Dividend income	273	313
Insurance income	34	231
Foreign exchange gain	411	-
Other	54	65
Total non-operating income	794	633
<i>Non-operating expenses</i>		
Interest expenses	121	92
Bond issuance costs	36	-
Foreign exchange loss	-	525
Other	63	18
Total non-operating expenses	220	637
Ordinary income	5,747	6,439
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	30	0
Gain on sales of investment securities	6	18
Subsidy income	1,234	-
Gain on reversal of subscription rights to shares	11	-
Total extraordinary income	1,282	18
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	420	451
Loss on reduction of non-current assets	1,199	-
Commemorative activities expense	-	275
Total extraordinary loss	1,620	727
Income before income taxes	5,409	5,730
Income taxes - current	1,712	2,029
Income taxes - deferred	247	94
Total income taxes	1,959	2,123
Net income	3,450	3,606
Net income attributable to shareholders of the parent	3,450	3,606

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Year ended	
	March 31, 2015	March 31, 2016
Net income	3,450	3,606
Other comprehensive income		
Valuation difference on available-for-sale securities	3,117	(1,399)
Deferred gains or losses on hedges	7	(89)
Foreign currency translation adjustments	12	(7)
Re-measurements of defined benefit plans	270	(597)
Total other comprehensive income	3,407	(2,094)
Comprehensive income	6,857	1,512
Comprehensive income attributable to:		
Shareholders of the parent	6,857	1,512
Minority interests	—	—

STATEMENTS OF CHANGES IN NET ASSETS

(Millions of yen)

	March 31, 2015	March 31, 2016
Shareholder's Equity		
Capital Stock		
Balance at beginning of current period	10,882	10,882
Balance at end of current period	10,882	10,882
Capital Surplus		
Balance at beginning of current period	9,394	9,399
Changes during the fiscal year		
Disposal of treasury stock	5	-
Total changes of items during the period	5	-
Balance at end of current period	9,399	9,399
Retained earnings		
Balance at beginning of current period	19,367	22,038
Changes during the fiscal year		
Dividends from surplus	(790)	(948)
Net income attributable to shareholders of the parent	3,450	3,606
Change of scope of consolidation	11	0
Total changes of items during the period	2,671	2,658
Balance at end of current period	22,038	24,697
Treasury Stock		
Balance at beginning of current period	(1,672)	(1,663)
Changes during the fiscal year		
Purchase of treasury shares	(2)	(3)
Disposal of treasury stock	11	-
Total changes of items during the period	8	(3)
Balance at end of current period	(1,663)	(1,666)
Total shareholders' equity		
Balance at beginning of current period	37,971	40,657
Changes during the fiscal year		
Dividends from surplus	(790)	(948)
Net income attributable to shareholders of the parent	3,450	3,606
Purchase of treasury shares	(2)	(3)
Disposal of treasury stock	16	-
Change of scope of consolidation	11	0
Total changes of items during the period	2,685	2,655
Balance at end of current period	40,657	43,312

STATEMENTS OF CHANGES IN NET ASSETS *(Continued)*

(Millions of yen)

	March 31, 2015	March 31, 2016
Accumulated other comprehensive income		
<i>Valuation difference on available-for-sale securities</i>		
Balance at beginning of current period	3,782	6,900
Net changes of items other than shareholders' equity	3,117	(1,399)
Total changes of items during the period	3,117	(1,399)
Balance at end of current period	6,900	5,500
<i>Deferred gains or losses on hedges</i>		
Balance at beginning of current period	(0)	7
Net changes of items other than shareholders' equity	7	7
Total changes of items during the period	7	(89)
Balance at end of current period	7	(89)
<i>Foreign currency translation adjustment</i>		
Balance at beginning of current period	—	22
Change of scope of consolidation	9	30
Net changes of items other than shareholders' equity	12	(7)
Total changes of items during the period	22	23
Balance at end of current period	22	45
<i>Re-measurements of defined benefit plans</i>		
Balance at beginning of current period	(152)	118
Net changes of items other than shareholders' equity	270	(597)
Total changes of items during the period	270	(597)
Balance at end of current period	118	(479)
<i>Total accumulated other comprehensive income</i>		
Balance at beginning of current period	3,629	7,047
Change of scope of consolidation	9	30
Net changes of items other than shareholders' equity	3,407	(2,094)
Total changes of items during the period	3,407	(2,063)
Balance at end of current period	7,047	4,983
<i>Subscription rights to shares</i>		
Balance at beginning of current period	14	-
Net changes of items other than shareholders' equity	(14)	-
Total changes of items during the period	(14)	-
Balance at end of current period	-	-

STATEMENTS OF CHANGES IN NET ASSETS *(Continued)*

(Millions of yen)

	<u>March 31, 2015</u>	<u>March 31, 2016</u>
Total net assets		
Balance at beginning of current period	41,615	47,704
Dividends from surplus	(790)	(948)
Net income attributable to shareholders of the parent	3,450	3,606
Purchase of treasury shares	(2)	(3)
Disposal of treasury stock	16	-
Change of scope of consolidation	21	31
Net changes of items other than shareholders' equity	3,393	(2,094)
Total changes of items during the period	<u>6,088</u>	<u>591</u>
Balance at end of current period	<u>47,704</u>	<u>48,296</u>

STATEMENTS OF CASH FLOWS

(Millions of yen)

	March 31, 2015	March 31, 2016
Cash flows from operating activities		
Income before Income Taxes	5,409	5,730
Depreciation	2,811	2,892
Amortization of goodwill	133	128
Increase (decrease) in allowance for doubtful accounts	0	563
Increase (decrease) in provision for bonuses	5	(11)
Increase (decrease) in net defined benefit liability	(317)	616
Increase (decrease) in provision for directors' retirement benefits	3	(82)
Interest and dividend income	(294)	(337)
Interest expenses	121	92
Foreign exchange gains	(256)	397
Loss on retirement of non-current assets	420	451
Loss (gain) on sales of non-current assets	(30)	(0)
Loss (gain) on sales of investment securities	(6)	(18)
Loss on reduction of non-current assets	1,199	-
Subsidy income	(1,234)	-
Bond issuance cost	36	-
Insurance income	(34)	(231)
Decrease (increase) in notes and accounts receivable - trade	(1,947)	(136)
Decrease (increase) in inventories	190	(37)
Increase (decrease) in notes and accounts payable - trade	2,073	(2,991)
Increase (decrease) in accrued consumption taxes	435	(185)
Other, net	530	(607)
Sub total	9,250	6,234
Interest and dividend income received	294	337
Interest expenses paid	(122)	(94)
Insurance income received	34	231
Income taxes paid	(1,996)	(1,677)
Net cash provided by operating activities	7,460	5,031

STATEMENTS OF CASH FLOWS *(Continued)*
(Millions of yen)

	<u>March 31, 2015</u>	<u>March 31, 2016</u>
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	400	-
Purchase of property, plant and equipment	(1,540)	(1,888)
Proceeds from sales of property, plant and equipment	157	0
Purchase of intangible assets	(152)	(231)
Purchase of investment securities	(1,157)	(42)
Proceeds from subsidy income	1,234	-
Purchase of shares of subsidiaries and associates	(455)	-
Other, net	(349)	(403)
Net cash used in investing activities	<u>(1,853)</u>	<u>(2,535)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(650)	-
Repayments of long-term loans payable	(2,580)	(2,480)
Proceeds from issuance of subscription rights to shares	9,963	-
Cash dividends paid	(790)	(948)
Other, net	10	(4)
Net cash provided by financing activities	<u>5,954</u>	<u>(3,433)</u>
Effect of exchange rate change on cash and cash equivalents	260	(423)
Net increase (decrease) in cash and cash equivalents	<u>11,822</u>	<u>(1,360)</u>
Cash and cash equivalents at beginning of period	<u>8,197</u>	<u>20,095</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	75	301
Cash and cash equivalents at end of period	<u>20,095</u>	<u>19,036</u>

9. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Changes in accounting policies

“Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Consolidation”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and related standards have been applied effective from the current fiscal year ended March 31, 2016.

Accordingly, any change in the company’s ownership interest in a subsidiary while the company retains control over the subsidiary is accounted for as capital surplus, and acquisition-related costs are expensed in the fiscal year in which the costs are incurred. For any business combinations on or after the beginning of the fiscal year, a revision of purchase price allocations for business combinations, due to a retroactive adjustment resulting from a change to the provisional amounts recognized in completing the initial accounting, is reflected in the consolidated financial statements for the current fiscal year that includes the date of business combination.

In addition, the presentation of net income was changed. In order to reflect the change of presentation, the consolidated financial statements have been reclassified retroactively for the previous fiscal year ended March 31, 2016.

The aforementioned accounting standards were adopted effective from the beginning of the current fiscal year and thereafter, in accordance with transitional treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidation, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect of these changes on the consolidated financial statements for the year ended March 31, 2016.

(3) Changes in presentation

“Insurance income”, which was previously included in “Income before income taxes” categorized as “Cash flows from operating activities”, is stated separately as “Insurance income” and “Insurance income received” from the current fiscal year, considering quantitative materiality. Consolidated financial statements for the previous fiscal year are reclassified to reflect this change in presentation.

As a result, the amount of ¥34 million stated as “Insurance income” included in “Income before income taxes” categorized as “Cash flows from operating activities” in the previous statement of cash flows, is reclassified as the amount of ¥34 million stated as “Insurance income” and the amount of ¥34 million stated as “Insurance income received”.

(4)Segment information

Year ended March 31, 2015

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	44,229	35,816	21,319	101,365	—	101,365
Intersegment sales or reclassifications	16	29	947	993	(993)	—
Total	44,245	35,845	22,267	102,358	(993)	101,365
Segment income	1,428	4,648	179	6,256	(1,083)	5,172
Segment assets	41,884	26,368	5,257	73,510	27,383	100,893
Other items						
Depreciation	1,669	989	22	2,681	130	2,811
Increase of current and noncurrent assets	932	946	6	1,885	130	2,015

Notes 1: Adjustments of segment income of ¥(1,083) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Notes 2: Adjustments of segment assets of ¥27,383 million are corporate assets of ¥27,571 million, which are not allocated to reportable segments. Corporate assets are mainly a parent company assets, those are surplus operating funds(cash and short term securities),long term investment capital(investment securities, etc.),and related to administrative, research and development departments.

Notes 3: Adjustments of Increase of current and noncurrent assets of ¥130 million are for administrative department and research and development department investment.

Notes 4: Segment income is adjusted to operating income of consolidated statement of income.

Year ended March 31, 2016

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	42,580	37,867	21,676	102,125	—	102,125
Intersegment sales or reclassifications	16	4	1,592	1,613	(1,613)	—
Total	42,596	37,872	23,269	103,738	(1,613)	102,125
Segment income	2,121	5,974	(676)	7,418	(975)	6,443
Segment assets	38,513	28,438	6,427	73,379	23,648	97,027
Other items						
Depreciation	1,888	884	23	2,796	96	2,892
Increase of current and noncurrent	1,635	966	39	2,640	220	2,861

assets					
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Notes 1: Adjustments of segment income of ¥(975) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Notes 2: Adjustments of segment assets of ¥23,648 million are corporate assets of ¥23,796 million, which are not allocated to reportable segments. Corporate assets are mainly a parent company assets, those are surplus operating funds(cash and short term securities), long term investment capital(investment securities, etc.), and related to administrative, research and development departments.

Notes 3: Adjustments of Increase of current and noncurrent assets of ¥220million are for administrative department and research and development department investment.

Notes 4: Segment income is adjusted to operating income of consolidated statement of income.

(5) Per share information

		March 31, 2015	March 31, 2016
Net assets per share	Yen	452.78	458.43
Earnings per share	Yen	32.75	34.23
Diluted earnings per share	Yen	28.41	28.43

Notes 1: The calculation of earnings per share and diluted earnings per share are as shown below.

		March 31, 2015	March 31, 2016
Earnings per share			
Net income	Millions of yen	3,450	3,606
Amount not attributable to owners of common stock	Millions of yen	—	—
Net income related to owner of common stock	Millions of yen	3,450	3,606
Weighted average number of common stock	Thousands of shares	105,353	105,356
Diluted earnings per share			
Adjustment to net income	Millions of yen	—	—
Increase of common stock	Thousands of shares	16,102	21,510
(Bonds with subscription rights to shares)	Thousands of shares	(16,094)	(21,510)
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect		—	—

(6) Notes regarding subsequent events: None