

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the Fiscal Year Ended March 31, 2020
(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: Kenshi Terada, Representative Director, President and Chief Executive Officer
For inquiry: Yoshihiro Ueda, Lead Executive Officer, General Manager, Administration Division
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Scheduled date of general shareholders meeting: June 26, 2020
Scheduled date of commencement of dividend payment: June 10, 2020
Scheduled date of filing of securities report: June 29, 2020
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, 2020 | | March 31, 2019 | |
| | | | Change * | | Change * |
| Net sales | Millions of yen | 105,477 | (2.2)% | 107,874 | 6.6% |
| Operating income | Millions of yen | 9,698 | 2.2% | 9,488 | 29.7% |
| Ordinary income | Millions of yen | 10,321 | 2.7% | 10,053 | 34.3% |
| Net income attributable to owners of parent | Millions of yen | 6,506 | -4.2% | 6,793 | 42.2% |
| Comprehensive income | Millions of yen | 4,714 | 11.1% | 4,245 | (36.1)% |
| Net income per share | Yen | 276.14 | - | 297.10 | - |
| Diluted net income per share | Yen | 244.16 | - | 254.24 | - |
| Return on equity | % | 9.7 | - | 10.8 | - |
| Return on total assets | % | 9.2 | - | 8.8 | - |
| Operating income ratio | % | 9.2 | - | 8.8 | - |

Notes: Percent changes are year-on-year comparisons

(2) Financial Condition

| | | As of March 31, 2020 | As of March 31, 2019 |
|----------------------------|-----------------|----------------------|----------------------|
| Total assets | Millions of yen | 110,851 | 112,661 |
| Net assets | Millions of yen | 69,121 | 64,548 |
| Equity * | Millions of yen | 69,121 | 64,548 |
| Equity ratio | % | 62.4 | 57.3 |
| Net assets per share (Yen) | Yen | 2,912.98 | 2,795.62 |

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

(3)Cash Flows

| | | Year ended | |
|--|-----------------|----------------|----------------|
| | | March 31, 2020 | March 31, 2019 |
| Cash flows from operating activities | Millions of yen | 10,336 | 9,854 |
| Cash flows from investing activities | Millions of yen | (4,092) | (4,542) |
| Cash flows from financing activities | Millions of yen | (1,677) | (5,003) |
| Cash and cash equivalents at end of year | Millions of yen | 28,899 | 24,376 |

2. Dividends

| | | Year ending March 31, 2021 (Forecast) | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---------------------------------|-----------------|---|------------------------------|------------------------------|
| End of first quarter | Yen | - | - | |
| End of second quarter | Yen | 32.50 | 32.50 | 30.00 |
| End of third quarter | Yen | - | - | |
| End of fourth quarter | Yen | 32.50 | 32.50 | 35.00 |
| Full year | Yen | 65.00 | 65.00 | 65.00 |
| Payment of dividends | Millions of yen | - | 1,542 | 1,499 |
| Dividend payout ratio | % | 27.1 | 23.5 | 21.9 |
| Ratio of dividend to net assets | % | - | 2.3 | 2.4 |

Notes:

- (1) Dividend forecast has been revised from the forecast most recently announced.

3. Earnings Forecast for the fiscal year ending March 31, 2021

| | | End of second quarter | | Full-year | |
|--------------------|-----------------|-----------------------|---------|-----------|---------|
| | | | Change* | | Change* |
| Net sales | Millions of yen | 46,000 | (13.3)% | 96,000 | (9.0)% |
| Operating income | Millions of yen | 3,300 | (33.4)% | 8,000 | (17.5)% |
| Ordinary income | Millions of yen | 3,500 | (32.6)% | 8,400 | (18.6)% |
| Net income | Millions of yen | 2,400 | (24.8)% | 5,700 | (12.4)% |
| Earnings per share | Yen | 101.14 | - | 240.22 | - |

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.: None
 - 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, 2020: 26,731,415 Shares

As of March 31, 2019: 26,090,580 Shares

2) Number of treasury shares at the end of period

As of March 31, 2020: 3,002,722 Shares

As of March 31, 2019: 3,001,554 Shares

3) Average number of shares outstanding in each period

Year ended March 31, 2020: 23,563,486 Shares

Year ended March 31, 2019: 22,866,123 Shares

* Audit procedures

The financial results are not subject to the audit procedures performed by certified public accountants or an audit firm.

* Earnings forecasts and other 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. This translation is subject to change without notice. Osaka Soda Group shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes regard to this translation.

4. Results of Operations and Financial Condition

(1) Results of Operations

During the fiscal year ended March 31, 2020, the Japanese economy continued to recover moderately against the background of improved employment and income conditions. However, the outlook remains uncertain due to the prolonged trade friction between the U.S. and China, the slowdown in the Chinese economy, and the pandemic of a new type of coronavirus since January.

Under the circumstances, Osaka Soda Group has entered the second year of our medium-term management plan, "BRIGHT-2020," and we have continued to implement concrete measures based on the three basic policies of "Creating new growth engines", "Establishing a profitable global business", and "Completing business structural reforms".

As a result, net sales were ¥105,477 million, a decrease of 2.2% compared to the same fiscal period of 2018. Operating income was ¥9,698 million, an increase of 2.2% compared to the same period of fiscal 2018. Ordinary income was ¥10,321 million, an increase of 2.7% compared to the same period of fiscal 2018. Net income attributable to owners of the parent was ¥6,506 million, a decrease of 4.2% compared to the same period of fiscal 2018, due to the loss on valuation of investment securities

Basic Chemical Products

In *Chlor-Alkali*, net sales declined in the first half of the fiscal year due to a decline in demand for semiconductors and electronic materials, as well as for pulp and paper due to the impact of the economic slowdown in the second half of the fiscal year.

In *Epichlorohydrin*, net sales increased due to solid domestic sales and to the impact of stricter environmental and safety regulations in China.

As a result, net sales were ¥48,263 million, a decrease of 1.4% compared to the same period of fiscal 2018.

Functional Chemical Products

In *Allyl Ethers*, net sales increased due to increased overseas sales volume of silane coupling products for electronic materials and adhesives and paints.

In *Diallyl Phthalate Resin*, net sales were unchanged from the previous year, partly due to production adjustments by UV ink customers.

In *Synthetic Rubber*, *Epichlorohydrin Rubber* was affected by a decline in automobile production worldwide, however, we focused on developing new applications and new customers, and expanded the use of *Acrylic Rubber* in Japan and overseas.

The demand for *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)* expanded for use in diabetes treatment drugs in Europe and the United States.

In *Column and Analysis Systems for Liquid Chromatography*, sales of columns to South Korea and China were favorable.

In *Active Pharmaceutical Ingredients (API) and their Intermediates* business, sales of intermediates for anti-infective drugs, anti-tuberculosis drugs, and biopharmaceuticals increased in Japan, and sales of intermediates for diabetes-related drugs and vasodilators expanded overseas. In addition, the import and sales of generic API increased.

The sales of color resists and other liquid crystal-related products decreased due to a decrease in sales volume to LCD panels in China. Glass fiber sales declined due to a decrease in domestic sales volume for electronic materials.

As a result, net sales were ¥41,639 million, a decrease of 3.2% compared to the same period of fiscal 2018.

Housing Facilities and Others

The sales of life-related products were firm, but the sales of *Housing Facilities and Others* were ¥15,574 million, a decrease of 2.1% compared to the same period of fiscal 2018 due to a decline in sales of construction materials and other products.

(2) Financial Condition

Assets

Current assets were ¥69,871 million, an increase of 2.4% since March 31, 2019. The increase was due primarily to an increase of ¥3,223 million in *cash and deposits*, an increase of ¥1,799 million in *short term investment securities*, and a decrease of ¥3,627 million in *notes and accounts receivable-trade*.

Noncurrent assets were ¥40,980 million, a decrease of 7.8% since March 31, 2019. The decrease was due primarily to a decrease of ¥2,839 million in *investment securities*, a decrease of ¥311 million in *intangible assets*, and a decrease of ¥108 million in *property, plant and equipment*.

As a result, **Total assets** were ¥110,851 million, a decrease of 1.6% since March 31, 2019.

Liabilities

Current liabilities were ¥26,660 million, a decrease of 17.2% since March 31, 2019. The decrease was due primarily to a decrease of ¥2,427 million in *notes and accounts payable-trade*, a decrease of ¥1,464 million in *current portion of bonds with subscription rights to shares*, and a decrease of ¥1,001 million in *income taxes payable*.

Noncurrent liabilities were ¥15,069 million, a decrease of 5.3% since March 31, 2019. The decrease was due primarily to a decrease of ¥658 million in *deferred tax liabilities* and a decrease of ¥369 million in *provision for directors retirement benefits*.

As a result, **Total liabilities** were ¥41,730 million, a decrease of 13.3% since March 31, 2019.

Net assets

Net assets were ¥69,121 million, an increase of 7.1% since March 31, 2019.

(3) Cash flow

Cash and cash equivalents at the end of fiscal year were ¥28,899 million, an increase of ¥4,523 million compared to the previous fiscal period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥10,336 million, due primarily to ¥9,450 million in *income before income taxes* and ¥3,626 million in *depreciation*.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥4,092 million, due primarily to cash outflows of ¥3,472 million in *purchase of property, plant, and equipment*.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,677 million, due primarily to cash outflows of ¥1,579 million in *dividends paid* by parent company.

(4) Outlook

The economic outlook for the future is expected to remain extremely severe due to concerns over the long-term impact of the expansion of new type of coronavirus on economic activity.

Against this backdrop, in the final year of our sixth medium-term management plan, "BRIGHT-2020", we will step up our efforts to achieve the goals of our medium-term management plan and promote our strategy to become a company that creates new value through specialty chemicals, which is our group vision.

Creating new growth engines

We will accelerate the development of new products using advanced technologies and knowledge that we have accumulated over many years in our core businesses, from electrolysis to *AC & EP chains*. We will also continue to promote customer evaluations of EV and battery-related materials and electronic materials and accelerate the launch of these products.

We are accelerating the development of the environmentally friendly, non-phthalate allyl resin *RADPAR™* for UV ink applications in food packages.

We will continue to focus on developing new applications and cultivating new customers for *Acrylic Rubber*, which has been used extensively, and further increase sales volume, while developing new grades of Acrylic Rubber with improved heat resistance.

In downstream operations, we will focus on supplying rubber compounds using *Synthetic Rubber* and on the business of columns and equipment for liquid chromatography through Group companies.

In *Active Pharmaceutical Ingredients and their Intermediates*, we will expand sales of intermediates for diabetes-related drugs and anti-tuberculosis drugs by expanding production facilities and accelerate development in new business fields such as high pharmacologically active pharmaceuticals.

Establishing a profitable global business

By accelerating our global strategy for Global Niche Top products such as functional chemicals and pharmaceutical related products, which have a high overseas share, and by further improving our services for local customers and promoting growth strategies for each product. In addition, we will aggressively expand our specialty chemicals business and form business alliances in North America.

Completing business structural reforms

In the Kyushu region, we will integrate the production facilities of our Kokura Plant and other companies in the industry to strengthen cost competitiveness by streamlining production and further expand our business. We will promote operational reforms, such as strengthening the management of affiliated companies and overseas subsidiaries, building an agile organization, and improving business process and system efficiency. At the same time, we will launch a new cost reduction project and focus on cost reductions across the entire company.

The earnings forecast for fiscal 2020 will be ¥96,000 million in net sales, ¥8,000 million in operating income, ¥8,400 million in ordinary income, and ¥5,700 million in net income attributable to shareholders of the parent. The earnings forecast is based on assumption that the impact of new coronavirus infectious diseases will continue throughout the fiscal year, particularly in the first half of the fiscal year, and may fluctuate depending on the situation. We will continue careful assessment of the impact on our business performance and promptly notify you of any matters that should be disclosed in the future.

5. Accounting Standards

Osaka Soda Group prepares the consolidated financial statements in accordance with Japanese generally accepted accounting principles, taking into accounts the comparability between periods and companies. In adopting International Financial Reporting Standards, Osaka Soda Group intends to take appropriate measures, examining internal and external situation.

6. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

| | March 31, 2019 | March 31, 2020 |
|--|----------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,876 | 15,099 |
| Notes and accounts receivable-trade | 29,268 | 25,641 |
| Electronically recorded monetary claims | 3,508 | 3,096 |
| Short term investment securities | 12,499 | 14,299 |
| Merchandise and finished goods | 7,050 | 6,901 |
| Work in process | 1,643 | 1,368 |
| Raw materials and supplies | 1,827 | 2,268 |
| Other current assets | 685 | 1,296 |
| Less: Allowance for doubtful accounts | (140) | (100) |
| Total current assets | 68,219 | 69,871 |
| Noncurrent assets | | |
| Buildings and structures | 16,933 | 17,097 |
| Accumulated depreciation | (9,968) | (10,364) |
| Buildings and structures - Net | 6,964 | 6,732 |
| Machinery, equipment, and vehicles | 58,573 | 60,448 |
| Accumulated depreciation | (48,131) | (50,338) |
| Machinery, equipment, and vehicles - Net | 10,442 | 10,110 |
| Land | 2,305 | 2,305 |
| Lease assets-PPE | 1,026 | 1,026 |
| Accumulated depreciation | (149) | (221) |
| Lease assets, net-PPE | 877 | 805 |
| Construction in progress | 877 | 1,454 |
| Other | 4,012 | 4,051 |
| Accumulated depreciation | (3,517) | (3,605) |
| Other - Net | 495 | 445 |
| Total property, plant and equipment | 21,962 | 21,853 |
| Intangible assets | | |
| Goodwill | 864 | 681 |
| Software | 305 | 231 |
| Other | 169 | 115 |
| Total intangible assets | 1,338 | 1,027 |
| Investments and other assets | | |
| Investment securities | 19,642 | 16,803 |
| Long-term loans receivable | 34 | 29 |
| Deferred tax assets | 442 | 368 |
| Other, net | 1,027 | 903 |
| Less: Allowance for doubtful accounts | (6) | (6) |
| Total investment and other assets | 21,141 | 18,099 |

| | | |
|-------------------------|----------------|----------------|
| Total noncurrent assets | 44,442 | 40,980 |
| Total assets | 112,661 | 110,851 |

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

| | March 31, 2019 | March 31, 2020 |
|---|----------------|----------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable- trade | 15,586 | 13,159 |
| Short term loans payable | 7,767 | 7,767 |
| Income taxes payable | 2,280 | 1,278 |
| Provision for bonuses | 889 | 911 |
| Current portion of bonds with subscription rights to shares | 1,464 | - |
| Other current liabilities | 4,211 | 3,543 |
| Total current liabilities | 32,197 | 26,660 |
| Noncurrent liabilities | | |
| Bonds with subscription rights to shares | 10,000 | 10,000 |
| Lease obligations | 1,135 | 1,060 |
| Deferred tax liabilities | 1,094 | 436 |
| Provision for directors retirement benefits | 651 | 281 |
| Net defined benefit liability | 3,009 | 3,265 |
| Asset retirement obligations | 24 | 24 |
| Total noncurrent liabilities | 15,915 | 15,069 |
| Total liabilities | 48,113 | 41,730 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 15,150 | 15,870 |
| Capital surplus | 13,667 | 14,387 |
| Retained earnings | 36,942 | 41,870 |
| Treasury stock | (6,679) | (6,682) |
| Total shareholders' equity | 59,080 | 65,446 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,781 | 4,177 |
| Deferred gains or losses on hedges | 1 | 8 |
| Foreign currency translation adjustments | 11 | 7 |
| Re-measurements of defined benefit plans | (327) | (518) |
| Total accumulated other comprehensive income | 5,467 | 3,674 |
| Total net assets | 64,548 | 69,121 |
| Total net assets and liabilities | 112,661 | 110,851 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

| | Year Ended | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2020 |
| Net sales | 107,874 | 105,477 |
| Cost of sales | 84,783 | 82,941 |
| Gross profit | 23,090 | 22,536 |
| Selling, general, and administrative expenses | 13,601 | 12,837 |
| Operating income | 9,488 | 9,698 |
| <i>Non-operating income</i> | | |
| Interest income | 25 | 9 |
| Dividend income | 404 | 437 |
| Share of profit of entities accounted for using equity method | 42 | 33 |
| Foreign exchange gains | 198 | - |
| Subsidy income | 1 | 144 |
| Other | 131 | 197 |
| Total non-operating income | 804 | 821 |
| <i>Non-operating expenses</i> | | |
| Interest expenses | 109 | 94 |
| Foreign exchange losses | - | 75 |
| Other | 130 | 28 |
| Total non-operating expenses | 239 | 198 |
| Ordinary income | 10,053 | 10,321 |
| <i>Extraordinary income</i> | | |
| Gain on sales of noncurrent assets | 137 | 0 |
| Gain on sales of investment securities | 1 | 178 |
| Total extraordinary income | 139 | 179 |
| <i>Extraordinary loss</i> | | |
| Loss on retirement of noncurrent assets | 382 | 298 |
| Loss on valuation of investment securities | - | 503 |
| Loss on valuation of shares of subsidiaries and associates | - | 243 |
| Other | 4 | 3 |
| Total extraordinary loss | 387 | 1,049 |
| Income before income taxes | 9,805 | 9,450 |
| Income taxes - current | 3,133 | 2,741 |
| Income taxes - deferred | (121) | 202 |
| Total income taxes | 3,012 | 2,944 |
| Net income | 6,793 | 6,506 |
| Net income attributable to shareholders of the parent | 6,793 | 6,506 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

| | Year ended | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2020 |
| Net income | 6,793 | 6,506 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,549) | (1,603) |
| Deferred gains or losses on hedges | 41 | 6 |
| Foreign currency translation adjustments | (29) | (4) |
| Re-measurements of defined benefit plans | (10) | (190) |
| Re-measurements of defined benefit plans | (0) | (0) |
| Total other comprehensive income | (2,548) | (1,792) |
| Comprehensive income | 4,245 | 4,714 |
| Comprehensive income attributable to: | | |
| Shareholders of the parent | 4,245 | 4,714 |
| Minority interests | — | — |

STATEMENTS OF CHANGES IN NET ASSETS

(Millions of yen)

| | March 31, 2019 | March 31, 2020 |
|---|----------------|----------------|
| Shareholder's Equity | | |
| Capital Stock | | |
| Balance at beginning of current period | 13,970 | 15,150 |
| Changes during the fiscal year | | |
| Issuance of new shares | 1,180 | 720 |
| Total changes of items during the period | 1,180 | 720 |
| Balance at end of current period | 15,150 | 15,870 |
| Capital Surplus | | |
| Balance at beginning of current period | 12,487 | 13,667 |
| Changes during the fiscal year | | |
| Issuance of new shares | 1,180 | 720 |
| Total changes of items during the period | 1,180 | 720 |
| Balance at end of current period | 13,667 | 14,387 |
| Retained earnings | | |
| Balance at beginning of current period | 31,517 | 36,942 |
| Changes during the fiscal year | | |
| Dividends from surplus | (1,368) | (1,579) |
| Net income attributable to shareholders of the parent | 6,793 | 6,506 |
| Total changes of items during the period | 5,424 | 4,927 |
| Balance at end of current period | 36,942 | 41,870 |
| Treasury Stock | | |
| Balance at beginning of current period | (5,037) | (6,679) |
| Changes during the fiscal year | | |
| Purchase of treasury shares | (1,642) | (3) |
| Total changes of items during the period | (1,642) | (3) |
| Balance at end of current period | (6,679) | (6,682) |
| Total shareholders' equity | | |
| Balance at beginning of current period | 52,938 | 59,080 |
| Changes during the fiscal year | | |
| Issuance of new shares | 2,360 | 1,441 |
| Dividends from surplus | (1,368) | (1,579) |
| Net income attributable to shareholders of the parent | 6,793 | 6,506 |
| Purchase of treasury shares | (1,642) | (3) |
| Total changes of items during the period | 6,142 | 6,365 |
| Balance at end of current period | 59,080 | 65,446 |

STATEMENTS OF CHANGES IN NET ASSETS *(Continued)*

(Millions of yen)

| | March 31, 2019 | March 31, 2020 |
|---|----------------|----------------|
| Accumulated other comprehensive income | | |
| <i>Valuation difference on available-for-sale securities</i> | | |
| Balance at beginning of current period | 8,332 | 5,781 |
| Net changes of items other than shareholders' equity | (2,550) | (1,603) |
| Total changes of items during the period | (2,550) | (1,603) |
| Balance at end of current period | 5,781 | 4,177 |
| <i>Deferred gains or losses on hedges</i> | | |
| Balance at beginning of current period | (40) | 1 |
| Net changes of items other than shareholders' equity | 41 | 6 |
| Total changes of items during the period | 41 | 6 |
| Balance at end of current period | 1 | 8 |
| <i>Foreign currency translation adjustment</i> | | |
| Balance at beginning of current period | 41 | 11 |
| Net changes of items other than shareholders' equity | (29) | (4) |
| Total changes of items during the period | (29) | (4) |
| Balance at end of current period | 11 | 7 |
| <i>Re-measurements of defined benefit plans</i> | | |
| Balance at beginning of current period | (317) | (327) |
| Net changes of items other than shareholders' equity | (10) | (190) |
| Total changes of items during the period | (10) | (190) |
| Balance at end of current period | (327) | (518) |
| <i>Total accumulated other comprehensive income</i> | | |
| Balance at beginning of current period | 8,015 | 5,467 |
| Net changes of items other than shareholders' equity | (2,548) | (1,792) |
| Total changes of items during the period | (2,548) | (1,792) |
| Balance at end of current period | 5,467 | 3,674 |
| Total net assets | | |
| Balance at beginning of current period | 60,953 | 64,548 |
| Issuance of new shares | 2,360 | 1,441 |
| Dividends from surplus | (1,368) | (1,579) |
| Net income attributable to shareholders of the parent | 6,793 | 6,506 |
| Purchase of treasury shares | (1,642) | (3) |
| Net changes of items other than shareholders' equity | (2,548) | (1,792) |
| Total changes of items during the period | 3,594 | 4,573 |
| Balance at end of current period | 64,548 | 69,121 |

STATEMENTS OF CASH FLOWS

(Millions of yen)

| | March 31, 2019 | March 31, 2020 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Income before Income Taxes | 9,805 | 9,450 |
| Depreciation | 3,605 | 3,626 |
| Amortization of goodwill | 171 | 182 |
| Increase (decrease) in allowance for doubtful accounts | 138 | (39) |
| Increase (decrease) in provision for bonuses | 96 | 22 |
| Increase (decrease) in net defined benefit liability | 4 | 256 |
| Increase (decrease) in provision for directors' retirement benefits | 39 | (369) |
| Interest and dividend income | (430) | (446) |
| Interest expenses | 109 | 94 |
| Foreign exchange losses (gains) | (113) | 37 |
| Loss on retirement of non-current assets | 382 | 298 |
| Loss (gain) on sales of non-current assets | (134) | 2 |
| Subsidy income | - | (144) |
| Loss (gain) on sales of short-term and long-term investment securities | (0) | (178) |
| Loss on valuation of shares of subsidiaries and associates | - | 243 |
| Decrease (increase) in trade receivables | (1,295) | 4,027 |
| Decrease (increase) in inventories | (824) | (13) |
| Increase (decrease) in trade payables | 141 | (2,423) |
| Increase (decrease) in accrued consumption taxes | 474 | (342) |
| Loss (gain) on valuation of short-term and long-term investment securities | - | 503 |
| Share of loss (profit) of entities accounted for using equity method | (42) | (33) |
| Other, net | (278) | (909) |
| Sub total | 11,850 | 13,847 |
| Interest and dividend income received | 448 | 458 |
| Interest expenses paid | (110) | (100) |
| Income taxes paid | (2,333) | (3,868) |
| Net cash provided by operating activities | 9,854 | 10,336 |

STATEMENTS OF CASH FLOWS *(Continued)*

(Millions of yen)

| | March 31, 2019 | March 31, 2020 |
|---|----------------|----------------|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,627) | (3,474) |
| Proceeds from sales of property, plant and equipment | 142 | 17 |
| Purchase of intangible assets | (77) | (33) |
| Purchase of investment securities | - | (500) |
| Purchase of investment securities | (618) | (320) |
| Proceeds from sales of investment securities | 7 | 301 |
| Subsidies received | - | 144 |
| Other, net | (369) | (226) |
| Net cash used in investing activities | (4,542) | (4,092) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (1,113) | - |
| Repayments of long-term loans payable | (800) | - |
| Redemption of bonds | - | (23) |
| Purchase of treasury shares | (1,660) | (3) |
| Dividends paid | (1,367) | (1,579) |
| Other, net | (62) | (71) |
| Net cash provided by financing activities | (5,003) | (1,677) |
| Effect of exchange rate change on cash and cash equivalents | 74 | (43) |
| Net increase (decrease) in cash and cash equivalents | 382 | 4,523 |
| Cash and cash equivalents at beginning of period | 23,993 | 24,376 |
| Cash and cash equivalents at end of period | 24,376 | 28,899 |

7. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Segment information

Year ended March 31, 2019

(Millions of yen)

| | Basic Chemical Products | Functional Chemical Products | Housing Facilities and Others | Total | Adjustments*1 | Consolidated operating income *2 |
|---|-------------------------------|------------------------------------|-------------------------------------|---------|---------------|--|
| Net sales | | | | | | |
| External sales | 48,955 | 43,005 | 15,912 | 107,874 | — | 107,874 |
| Intersegment sales or reclassifications | 19 | 73 | 601 | 695 | (695) | — |
| Total | 48,975 | 43,079 | 16,514 | 108,569 | (695) | 107,874 |
| Segment income | 5,124 | 5,459 | 169 | 10,753 | (1,265) | 9,488 |
| Segment assets | 40,975 | 35,973 | 6,500 | 83,269 | 29,391 | 112,661 |
| Other items | | | | | | |
| Depreciation | 1,933 | 1,246 | 32 | 3,211 | 393 | 3,590 |
| Amortization of goodwill | 4 | 45 | — | 50 | 121 | 171 |
| Increase of current and noncurrent assets | 1,002 | 1,219 | 122 | 2,344 | 89 | 2,434 |

Notes:

- (1) Adjustments of segment income of ¥(1,256) 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.
- (2) Adjustments of segment assets of ¥29,391 million are corporate assets of ¥29,525 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.
- (3) Adjustments of Increase of current and noncurrent assets of ¥89 million are for administrative department and research and development department investment.
- (4) Segment income is adjusted to operating income of consolidated statement of income.

Year ended March 31, 2020

(Millions of yen)

| | Basic Chemical Products | Functional Chemical Products | Housing Facilities and Others | Total | Adjustments *1 | Consolidated operating income *2 |
|---|-------------------------------|------------------------------------|-------------------------------------|---------|----------------|--|
| Net sales | | | | | | |
| External sales | 48,263 | 41,639 | 15,574 | 105,477 | — | 105,477 |
| Intersegment sales or reclassifications | 21 | 96 | 716 | 835 | (835) | — |
| Total | 48,285 | 41,735 | 16,291 | 106,312 | (835) | 105,477 |
| Segment income | 4,854 | 5,537 | 475 | 10,867 | (1,168) | 9,698 |
| Segment assets | 37,737 | 35,119 | 5,479 | 78,336 | 32,514 | 110,851 |
| Other items | | | | | | |
| Depreciation | 2,025 | 1,196 | 58 | 3,279 | 347 | 3,626 |
| Amortization of goodwill | 4 | 56 | — | 61 | 121 | 182 |
| Increase of current and noncurrent assets | 1,599 | 2,000 | 106 | 3,706 | 134 | 3,840 |

Notes:

- (1) Adjustments of segment income of ¥(1,168) 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.
- (2) Adjustments of segment assets of ¥32,514 million are corporate assets of ¥32,641 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.
- (3) Adjustments of Increase of current and noncurrent assets of ¥134 million are for administrative department and research and development department investment.
- (4) Segment income is adjusted to operating income of consolidated statement of income.

(3) Per share information

| | | March 31, 2019 | March 31, 2020 |
|----------------------------|-----|----------------|----------------|
| Net assets per share | Yen | 2,795.62 | 2,912.98 |
| Earnings per share | Yen | 297.10 | 276.14 |
| Diluted earnings per share | Yen | 254.24 | 244.16 |

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

| | | March 31, 2019 | March 31, 2020 |
|--|---------------------|----------------|----------------|
| Earnings per share | | | |
| Net income | Millions of yen | 6,793 | 6,506 |
| Amount not attributable to owners of common stock | Millions of yen | — | — |
| Net income related to owner of common stock | Millions of yen | 6,793 | 6,506 |
| Weighted average number of common stock | Thousands of shares | 22,866 | 22,563 |
| Diluted earnings per share | | | |
| Adjustment to net income | Millions of yen | — | — |
| Increase of common stock | Thousands of shares | 3,854 | 3,086 |
| (Bonds with subscription rights to shares) | Thousands of shares | (3,854) | (3,086) |
| Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect | | — | — |

(4) Notes regarding subsequent events: Not applicable