

Daiso Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the Fiscal Year Ended March 31, 2015
(Prepared under Japan GAAP, unaudited)

Company name: Daiso Co.,Ltd. Stock Exchange Listing: Tokyo
 Securities code: 4046 URL: <http://www.daiso.co.jp>
 Representative: Tamotsu Sato, Representative Director, Chief Executive Officer
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Scheduled date of general shareholders meeting: June 26, 2015
 Scheduled date of commencement of dividend payment: June 10, 2015
 Scheduled date of filing of securities report: June 29, 2015
 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, 2015		March 31, 2014	
			Change *		Change *
Net sales	Millions of yen	101,365	10.6%	91,621	10.2%
Operating income	Millions of yen	5,172	8.9%	4,751	4.7%
Ordinary income	Millions of yen	5,747	9.7%	5,241	4.3%
Net income	Millions of yen	3,450	13.9%	3,029	4.9%
Comprehensive income	Millions of yen	6,857	60.0%	4,285	2.3%
Net income per share	Yen	32.75	-	28.76	-
Diluted net income per share	Yen	28.41	-	-	-
Return on equity	%	7.7	-	7.6	-
Return on total assets	%	6.2	-	6.5	-
Operating income ratio	%	5.1	-	5.2	-

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

(2) Financial Condition

		As of March 31, 2015	As of March 31, 2014
Total assets	Millions of yen	100,893	84,326
Net assets	Millions of yen	47,704	41,615
Equity *	Millions of yen	47,704	41,601
Equity ratio	%	47.3	49.3
Net assets per share (Yen)	Yen	452.78	394.99

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

(3) Cash Flows

		Year ended	
		March 31, 2015	March 31, 2014
Cash flows from operating activities	Millions of yen	7,460	5,177
Cash flows from investing activities	Millions of yen	(1,853)	(8,336)
Cash flows from financing activities	Millions of yen	5,954	5,233
Cash and cash equivalents at end of year	Millions of yen	20,095	8,197

2. Dividends

		Year ending March 31, 2016 (Forecast)	Year ended March 31, 2015	Year ended March 31, 2014
End of first quarter	Yen	-	-	
End of second quarter	Yen	5.00*	4.00	3.50
End of third quarter	Yen	-	-	
End of fourth quarter	Yen	5.00*	4.00	3.50
Full year	Yen	10.00	8.00	7.00
Payment of dividends	Millions of yen	-	842	737
Dividend payout ratio	%	27.7	24.4	24.3
Ratio of dividend to net assets	%	-	1.9	1.8

Note1: Forecasted dividend of ¥5.00 for the end of second quarter of year ending March 31, 2016 includes ordinary dividend of ¥4.00 and commemorative dividend of ¥1.00.

Note2: Forecasted dividend of ¥5.00 for the end of fourth quarter of year ending 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, 2016

		End of second quarter		Full-year	
			Change*		Change*
Net sales	Millions of yen	50,000	2.2%	105,000	3.6%
Operating income	Millions of yen	2,650	12.2%	6,000	16.0%
Ordinary income	Millions of yen	2,800	5.9%	6,300	9.6%
Net income	Millions of yen	1,650	4.8%	3,800	10.1%
Earnings per share	Yen	15.66	-	36.07	-

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, 2015: 111,771,671 shares

As of March 31, 2014: 111,771,671 shares

2) Number of treasury shares at the end of period

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

As of March 31, 2014: 6,448,680 shares

3) Average number of shares outstanding in each period

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

Year ended March 31, 2014: 105,329,293 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 Daiso Co., Ltd. and its group companies ("Daiso Group"). These forward-looking statements are based on the current assumptions and beliefs of Daiso Group in light of the information currently available to it, and contain known and unknown risks, uncertainties and other factors. Daiso 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, 2015, while Japan's economy has continued to recover moderately as a trend, due to the downside risks during the six months ended September 30, 2014 such as weakening in private consumption caused by deterioration of consumer sentiment and slowing down of overseas economies, the efforts toward overcoming deflation have still continued and the economic growth slowed almost to zero.

Under the circumstance, Daiso Group took a series of strategic steps in fiscal 2014 which is the first year of the 5th mid-term management plan "NEXT FRONTIER-100". In this plan, in order to drive business expansion and strength, we focused on "Creation of new products and new businesses" and "Expansion of global businesses", and formed teams namely "Facilitating Innovation-Driven Businesses" and "Advancing Growth of Global Businesses" to perform the project work. In response to changes in industrial structure, we also formed project team "Reforming Cost Structure" to take initiatives in reducing cost, thereby enhancing cost competitiveness.

With regard to the business fields, "Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)" and "Active Pharmaceutical Ingredients and their Intermediates" moved into the unitary form of organization to enhance the health care-related business capabilities. It permitted Daiso Group to concentrate on coordinating as a unit the performances of Sales and Research & Development activities, and to apply resources inherent in the integrated activities to achieving synergies between the two businesses. Also, Daiso Group invested money in INB Planning Co., Ltd. for the month of December 2014 to expand "Synthetic Rubbers" business whose main product is "Epichlorohydrin Rubber" to downstream and to enhance overseas business operations. We collaborated closely with INB Planning Co., Ltd. in enlarging the existing use and investigating a new usage for "Synthetic Rubbers" and "Gum compound". Both businesses enabled Daiso Group to form a gateway for developing global manufacturing operations.

As a result, net sales were ¥101,365 million, an increase of 10.6% compared to the same period of fiscal 2013. Over ¥100,000 million of net sales is targeted as our milestone of 100th anniversary. We actively operated business and achieved this target one year ahead of schedule. All income categories were at record highs due mainly to business expansion of Functional Chemical Products and cost reduction. Operating income was ¥5,172 million, an increase of 8.9% compared to the same period of fiscal 2013. Ordinary income was ¥5,747 million, an increase of 9.7% compared to the same period of fiscal 2013. Net income was ¥3,450 million, an increase of 13.9% compared to the same period of fiscal 2013.

Basic Chemical Products

In *Chlor-Alkali*, net sales increased due to sales price adjustments in response to increases in fuel and raw materials prices as well as steady increase in domestic demand.

In *Epichlorohydrin*, net sales increased due to steady export sales despite sluggish domestic demand of Epoxy Resins.

As a result, net sales of Basic Chemical Products were ¥44,229 million, an increase of 9.2% compared to the same period of fiscal 2013.

Functional Chemical Products

In *Allyl Ethers*, net sales increased due to continued favorable export sales to Europe, Americas, and Asia which is used as a raw material for Silane Coupling Agent.

In *Epichlorohydrin Rubber*, net sales increased due to continued favorable export sales by the positive effect in developing the emerging markets of China and Southeast, and backed by the increase of overseas motor vehicle production in Europe, Americas, and China.

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

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased due to continued favorable export sales to Asia, Europe, and United States.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued favorable sales in “Anti-Osteoporosis Drug”, “Active Pharmaceutical Ingredient for the Bloodstream Improvement Drug”, and “Medium Component for the Production of the Anti-body Drug”, and many other new projects such as “Intermediate for the Antiviral Agent”.

Electrodes achieved increase in net sales led by an increase in overseas and domestic demand for electro galvanized steel strip and an increase in orders for electrolytic pickling of steel strip.

Color Resists Liquid Crystal Display achieved increase in net sales led by steady demand for small and medium sized-display panel such as for smartphone.

Water Absorption Resin for sanitary materials and *Nonwoven Fabric* achieved sales growth led by an increase in China’s demand.

As a result, net sales of Functional Chemical Products were ¥35,816 million, an increase of 10.3% compared to the same period of fiscal 2013.

Housing Facilities and Others

Household Materials and Components achieved sales growth due to continued favorable sales in household materials, despite *Diallyl Phthalate Resin Decorative Laminate Boards* remain unchanged by the effects of a decline in the number of housing starts.

Plant Engineering Services achieved sales growth due to completion of replacing electrolysis plants construction, and expanding and replacing of chemical plants in overseas and domestic market.

As a result, net sales of Housing Facilities and Others were ¥21,319 million, an increase of 14.5% compared to the same period of fiscal 2013.

Outlook

With regard to the outlook, Japan’s economy is expected to continue delivering solid growth through Government’s economic revitalization, steady business investment, and an improvement of employment and income situation. However, concerning long-term prospects, attention should be given to the downside risks including the effects of ending FRB’s quantitative easing and Europe’s financial problem in addition to slowing down of emerging country’s economies.

Under the circumstance, Daiso Group continues to drive business expansion and strength focused on “Creation of new products and new businesses” and “Expansion of global businesses” as growth engine in fiscal 2015 which is the second year of the five-year mid-term management plan “NEXT FRONTIER-100”.

To accelerate R&D performance, we take an important step forward in the field of Life Science, Energy, Environment, Electronic Material that includes the area we have an advantage by strengthening R&D structures. In order to expand global business, we enhance both Basic Chemical Products and Functional Chemical Products which are core business and Daiso Chemical Co.,Ltd. which is the trading company of our group.

Our outlook for fiscal 2015 is ¥105,000 million in net sales, ¥6,000 million in operating income, ¥6,300 million in ordinary income, and ¥3,800 million in net income attributable to shareholders of the parent.

Daiso Co.,Ltd. celebrates the 100th anniversary of the foundation in October 2015. On this occasion our trade name is scheduled to change to “Osaka Soda Co.,Ltd.” as of October 1st, 2015 under the condition that an amendment of the articles of incorporation shall be approved at the 160th regular shareholders meeting that will be held in June 2015. We continue to develop innovative products through frontier spirit since our

company's foundation.

(2) Financial Condition

Assets

Current assets were ¥58,450 million, an increase of 30.1% since March 31, 2014. The increase was due primarily to an increase of ¥3,798 million in *cash and deposits*, an increase of ¥1,985 million in notes and accounts receivable-trade, and an increase of ¥8,099 million in *short term investment securities*.

Noncurrent assets were ¥42,443 million, an increase of 7.7% since March 31, 2014. The increase was due primarily to a decrease of ¥2,302 million in *property, plant, and equipment* and an increase of ¥5,918 million in *investment securities*

As a result, **Total assets** were ¥100,893 million, an increase of 19.6% since March 31, 2014.

Liabilities

Current liabilities were ¥32,258 million, an increase of 6.1% since March 31, 2014. The increase was due primarily to an increase of ¥2,164 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥20,930 million, an increase of 70.1% since March 31, 2014. The increase was due primarily to an increase of ¥10,000 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥53,189 million, an increase of 24.5% since March 31, 2014.

Net assets

Net assets were ¥47,704 million, an increase of 14.6% since March 31, 2014.

Cash flow

Cash and cash equivalents at the end of fiscal year were ¥11,897million, an increase of ¥20,095 million since March 31, 2014.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥7,460 million, due primarily to ¥5,409 million in income before income taxes and ¥2,811 million in depreciation.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,853million, due primarily to cash outflows ¥1,540 million in capital expenditures.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥5,954 million, due primarily to cash inflows ¥9,963 million in bond issuance and ¥2,580 million in repayment of long term loan

Cash flow ratios

		Year ended March 31,			
		2015	2014	2013	2012
Equity ratio	(%)	47.3	49.3	49.7	51.4
Equity ratio based on market price	(%)	43.9	45.6	39.1	41.4
Debt coverage	(%)	224.7	386.2	297.5	256.8
Interest coverage ratio	(times)	61.2	44.9	50.2	49.4

(3) Dividend policy

Daiso Group focus 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 ¥4.0 per share in dividend for this fiscal year end, a total of ¥8.0 per

share in annualized dividend including the interim payment of ¥4.0 per share.

The dividend for fiscal 2015 is scheduled to pay ¥10.0 yen per share.

Daiso Co.,Ltd. celebrates the 100th anniversary of the foundation in October 2015. To reward shareholders, we schedule to execute ¥1.0 in a special commemorative dividend and to pay a total of ¥5.0 per share including ¥4.0 per share in ordinary dividend for next fiscal 2015. As a result, our annualized dividend per share for fiscal 2015 is ¥10.0.

(4) Risk factors

Daiso Group cope 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

Economic conditions, and in certain industries in which we do business also impact sales prices and volume. As a result, fluctuations in market or changes in exchange rates and interests may adversely impact on 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

Daiso 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

Daiso 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

Daiso 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

Daiso 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. Daiso Group

Daiso Group consists of Daiso Co.,Ltd., eight consolidated subsidiaries, and six 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.	

Basic Chemical Products

Daiso Co.,Ltd. manufactures and sells the following main products.

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

Also, Daiso Chemical Co.,Ltd. which is a trading company sells painting materials and glue materials in addition to those products above.

Daiso Co.,Ltd. purchases raw materials from this company.

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

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

Functional Chemical Products

Daiso 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 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.

Housing Facilities and Others

Daiso Co.,Ltd. manufactures, purchases and sells *“Diallyl Phthalate Resin Decorative Laminate Boards, Housing facilities”*

Daiso Engineering Co.,Ltd. provides services for design, construction, and maintenance with chemical plants or facilities for environmental conservation including construction and maintenance of facilities of our company. Also, our company provides agency service for material purchase of this company.

6. Management Policy

(1) Fundamental policy

Daiso 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.”

Daiso Group set “Presence in specialty chemicals” as group vision and push forward with a business strategy shifting to high value added chemical group 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”.

(3) Management strategy over the medium to long term

Daiso group works on the creation of new business and products, and the expansion of global business in accordance with the mid-term management plan “NEXT FRONTIER – 100”.

Daiso group challenges higher profitability resulting from reorganization and reinforcement of existing business by bolstering the global competitiveness of basic chemicals and functional chemicals.

Specifically, Daiso group promote the growth of health-care related business focused on separation media in pharmaceuticals 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”, Daiso Group works on the following issues.

1) Create new products and businesses

To accelerate R&D performance, we take an important step forward in the field of Life Science, Energy, Environment, Electronic Material that includes the area we have an advantage by strengthening R&D structures.

Furthermore, establishing interdepartmental project to start new businesses, we target a 20% of new products to sales ratio in 2018 which is the last business year of “NEXT FRONTIER – 100”.

2) Expansion of global business

In order to expand global business, focused on both Basic Chemical and Functional Chemical as core business and Daiso Chemical which is the trading company of our group, we regard Asia which has potential for economic growth as our most important region.

3) Promote the growth of healthcare related business

Daiso Group positioned healthcare related business as our key area of focus, expanding the market share of separation media in pharmaceuticals and entering the market its peripheral materials by active investments, accelerating performance of development project in the field of active pharmaceutical ingredients and their intermediates.

Also, we promote the growth of healthcare related business as the third core business trailing basic chemicals and functional chemicals, focusing on new product development in the field of sterilization, bacteria elimination, and functional food ingredients.

4) Reorganization and reinforcement of existing business

To improve performance of existing business, we set up structural cost reform from the view point of production, purchase, distribution, and channels in a comprehensive manner.

In Basic Chemical, with a careful eye toward business environment, we take a step forward to reorganize by consolidation and closings of business on the basis of selection and concentration and by business alliances.

Specifically, in Epichlorohydrin, we expanded production capacity of Mizushima Plant to pursue market share expansion aggressively, making AC/EP chain more competitive globally by enhancing low-cost position.

In Functional Chemicals, we eager to expand business by bolstering application development of AC/EP derivatives and product development of new allyl resin and new rubber.

Daiso Group look ahead to build sustainable growth and to become dynamic group companies 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, 2014	March 31, 2015
Assets		
Current assets		
Cash and deposits	3,797	7,596
Notes and accounts receivable-trade	26,187	28,172
Short term investment securities	4,399	12,499
Merchandise and finished goods	6,014	5,669
Work in process	901	1,127
Raw materials and supplies	2,216	2,186
Deferred tax assets	748	657
Other current assets	668	545
Less: Allowance for doubtful accounts	(3)	(5)
Total current assets	44,932	58,450
Noncurrent assets		
Buildings and structures	13,557	13,482
Accumulated depreciation	(8,504)	(8,755)
Buildings and structures - Net	5,053	4,727
Machinery, equipment, and vehicles	53,037	53,791
Accumulated depreciation	(42,161)	(42,209)
Machinery, equipment, and vehicles - Net	10,875	11,581
Land	2,423	2,298
Construction in progress	4,233	1,649
Other	3,227	3,226
Accumulated depreciation	(2,924)	(2,896)
Other - Net	303	330
Total property, plant and equipment	22,889	20,586
Intangible assets		
Goodwill	1,035	902
Software	22	192
Other	219	64
Total intangible assets	1,278	1,159
Investments and other assets		
Investment securities	13,533	19,452
Long-term loans receivable	101	80
Deferred tax assets	216	121
Other, net	1,380	1,049
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	15,226	20,697
Total noncurrent assets	39,394	42,443
Total assets	84,326	100,893

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2014	March 31, 2015
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,600	15,764
Short term loans payable	9,530	8,880
Current portion of long term loans payable	2,580	2,480
Income taxes payable	1,192	915
Provision for bonuses	715	720
Other current liabilities	2,788	3,497
Total current liabilities	30,406	32,258
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	—	10,000
Long term loans payable	7,880	5,400
Deferred tax liabilities	1,042	2,464
Provision for directors retirement benefits	612	615
Net defined benefit liability	2,764	2,447
Other noncurrent liabilities	4	3
Total noncurrent liabilities	12,304	20,930
Total liabilities	42,710	53,189
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,882
Capital surplus	9,394	9,399
Retained earnings	19,367	22,038
Treasury stock	(1,672)	(1,663)
Total shareholders' equity	37,971	40,657
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	3,782	6,900
Deferred gains or losses on hedges	(0)	7
Foreign currency translation adjustments	—	22
Re-measurements of defined benefit plans	(152)	118
Total accumulated other comprehensive income	3,629	7,047
<i>Subscription rights to shares</i>	14	—
Total net assets	41,615	47,704
Total net assets and liabilities	84,326	100,893

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Year Ended	
	March 31, 2014	March 31, 2015
Net sales	91,621	101,365
Cost of sales	76,993	85,642
Gross profit	14,627	15,723
Selling, general, and administrative expenses	9,876	10,550
Operating income	4,751	5,172
<i>Non-operating income</i>		
Interest income	9	21
Dividend income	250	273
Insurance income	39	34
Foreign exchange gain	285	411
Other	97	54
Total non-operating income	681	794
<i>Non-operating expenses</i>		
Interest expenses	115	121
Bond issuance costs	—	36
Other	76	63
Total non-operating expenses	191	220
Ordinary income	5,241	5,747
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	505	30
Subsidy income	380	1,234
Gain on reversal of subscription rights to shares	22	11
Other	—	6
Total extraordinary income	909	1,282
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	560	420
Gain on sales of non-current assets	459	—
Loss on reduction of non-current assets	380	1,199
Total extraordinary loss	1,400	1,620
Income before income taxes	4,749	5,409
Income taxes - current	1,866	1,712
Income taxes - deferred	(146)	247
Total income taxes	1,720	1,959
Net income	3,029	3,450

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Year ended	
	March 31, 2014	March 31, 2015
Net income	3,029	3,450
Other comprehensive income		
Valuation difference on available-for-sale securities	1,254	3,117
Deferred gains or losses on hedges	0	7
Foreign currency translation adjustments	—	12
Re-measurements of defined benefit plans	—	270
Total other comprehensive income	1,255	3,407
Comprehensive income	4,285	6,857
Comprehensive income attributable to:		
Shareholders of the parent	4,285	6,857
Minority interests	—	—

STATEMENTS OF CHANGES IN NET ASSETS

(Millions of yen)

	March 31, 2014	March 31, 2015
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	9,394
Changes during the fiscal year		
Disposal of treasury stock	0	5
Total changes of items during the period	0	5
Balance at end of current period	9,394	9,399
Retained earnings		
Balance at beginning of current period	17,704	19,367
Changes during the fiscal year		
Dividends from surplus	(737)	(790)
Net income	3,029	3,450
Change of scope of consolidation	—	11
Total changes of items during the period	2,292	2,671
Balance at end of current period	19,367	22,038
Treasury Stock		
Balance at beginning of current period	(1,668)	(1,672)
Changes during the fiscal year		
Purchase of treasury shares	(4)	(2)
Disposal of treasury stock	0	11
Total changes of items during the period	(3)	8
Balance at end of current period	(1,672)	(1,663)
Total shareholders' equity		
Balance at beginning of current period	35,682	37,971
Changes during the fiscal year		
Dividends from surplus	(737)	(790)
Net income	3,029	3,450
Purchase of treasury shares	(4)	(2)
Disposal of treasury stock	0	16
Change of scope of consolidation	—	11
Total changes of items during the period	2,289	2,685
Balance at end of current period	37,971	40,657

STATEMENTS OF CHANGES IN NET ASSETS *(Continued)*

(Millions of yen)

	March 31, 2014	March 31, 2015
Accumulated other comprehensive income		
<i>Valuation difference on available-for-sale securities</i>		
Balance at beginning of current period	2,527	3,782
Net changes of items other than shareholders' equity	1,254	3,117
Total changes of items during the period	1,254	3,117
Balance at end of current period	3,782	6,900
<i>Deferred gains or losses on hedges</i>		
Balance at beginning of current period	(1)	(0)
Net changes of items other than shareholders' equity	0	7
Total changes of items during the period	0	7
Balance at end of current period	(0)	7
<i>Foreign currency translation adjustment</i>		
Balance at beginning of current period	—	—
Change of scope of consolidation	—	9
Net changes of items other than shareholders' equity	—	12
Total changes of items during the period	—	22
Balance at end of current period	—	22
<i>Re-measurements of defined benefit plans</i>		
Balance at beginning of current period	—	(152)
Net changes of items other than shareholders' equity	(152)	270
Total changes of items during the period	(152)	270
Balance at end of current period	(152)	118
<i>Subscription rights to shares</i>		
Balance at beginning of current period	37	14
Net changes of items other than shareholders' equity	(22)	(14)
Total changes of items during the period	(22)	(14)
Balance at end of current period	14	—
Total net assets		
Balance at beginning of current period	38,246	41,615
Dividends from surplus	(737)	(790)
Net income	3,029	3,450
Purchase of treasury shares	(4)	(2)
Disposal of treasury stock	0	16
Change of scope of consolidation	—	21
Net changes of items other than shareholders' equity	1,080	3,393
Total changes of items during the period	3,369	6,088
Balance at end of current period	41,615	47,704

STATEMENTS OF CASH FLOWS

(Millions of yen)

	March 31, 2014	March 31, 2015
Cash flows from operating activities		
Income before Income Taxes	4,749	5,409
Depreciation	2,510	2,811
Impairment loss	459	—
Amortization of goodwill	129	133
Increase (decrease) in allowance for doubtful accounts	(2)	0
Increase (decrease) in provision for bonuses	11	5
Increase (decrease) in provision for retirement benefits	(2,366)	—
Increase (decrease) in net defined benefit liability	2,764	(317)
Increase (decrease) in provision for directors' bonuses	43	3
Interest and dividend income	(259)	(294)
Interest expenses	115	121
Foreign exchange gains	(188)	(256)
Loss (gain) on sales of non-current assets	(505)	(30)
Loss on retirement of non-current assets	560	420
Loss on reduction of non-current assets	380	1,199
Subsidy income	(380)	(1,234)
Bond issuance cost	—	36
Decrease (increase) in notes and accounts receivable - trade	(724)	(1,947)
Decrease (increase) in inventories	(122)	190
Increase (decrease) in notes and accounts payable - trade	143	2,073
Increase (decrease) in accrued consumption taxes	(108)	435
Other, net	(741)	523
Sub total	6,469	9,284
Interest and dividend income received	259	294
Interest expenses paid	(115)	(122)
Income taxes paid	(1,436)	(1,996)
Net cash provided by operating activities	5,177	7,460

STATEMENTS OF CASH FLOWS *(Continued)*

(Millions of yen)

	<u>March 31, 2014</u>	<u>March 31, 2015</u>
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	400
Purchase of property, plant and equipment	(8,671)	(1,540)
Proceeds from sales of property, plant and equipment	527	157
Purchase of intangible assets	(98)	(152)
Purchase of investment securities	(19)	(1,157)
Proceeds from subsidy income	369	1,234
Purchase of shares of subsidiaries and associates	—	(455)
Other, net	(443)	(339)
Net cash used in investing activities	<u>(8,336)</u>	<u>(1,853)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200)	(650)
Proceeds from long-term loans payable	8,000	—
Repayments of long-term loans payable	(1,825)	(2,580)
Proceeds from issuance of subscription rights to shares	—	9,963
Cash dividends paid	(737)	(790)
Other, net	(3)	10
Net cash provided by financing activities	<u>5,233</u>	<u>5,954</u>
Effect of exchange rate change on cash and cash equivalents	188	260
Net increase (decrease) in cash and cash equivalents	<u>2,262</u>	<u>11,822</u>
Cash and cash equivalents at beginning of period	<u>5,934</u>	<u>8,197</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	—	75
Cash and cash equivalents at end of period	<u>8,197</u>	<u>20,095</u>

9. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Changes in accounting policies

Effective from three months ended June 30, 2014, the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, issued on May 17, 2012; hereafter "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, issued on May 17, 2012; hereafter "Guidance on Retirement Benefits") have been applied, in accordance with the provisions stipulated in Clause 35 of "Accounting Standard for Retirement Benefits" and in Clause 67 of "Guidance on Retirement Benefits". Accordingly, the method of calculation for retirement benefit liabilities and service costs have been reviewed, and the basis for determining the discount rate has been changed from the use of the period approximate to the expected average remaining working lives of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

As a result, this change has had no effect on net defined benefit liability and retained earnings at the beginning of this first quarter of fiscal 2014. In addition, no effect on operating income, ordinary income, and income before income taxes for the year ended March 31, 2015.

(3) Segment information

Year ended March 31, 2014

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	40,517	32,481	18,621	91,621	—	91,621
Intersegment sales or reclassifications	28	1	1,307	1,337	(1,337)	—
Total	40,545	32,483	19,928	92,958	(1,337)	91,621
Segment income	1,325	4,244	268	5,837	(1,086)	4,751
Segment assets	39,039	22,957	6,329	68,326	15,999	84,326
Other items						
Depreciation	1,336	956	30	2,353	157	2,510
Increase of current and noncurrent assets	5,164	430	39	5,634	197	5,832

Notes 1: Adjustments of segment income of ¥(1,086) 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 ¥15,999 million are corporate assets of ¥16,170 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 ¥197million 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, 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 ¥130million are for administrative department and research and development department investment.

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

(4) Per share information

		March 31, 2014	March 31, 2015
Net assets per share	Yen	394.99	452.78
Earnings per share	Yen	28.76	32.75
Diluted earnings per share	Yen	—	28.41

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

		March 31, 2014	March 31, 2015
Earnings per share			
Net income	Millions of yen	3,029	3,450
Amount not attributable to owners of common stock	Millions of yen	—	—
Net income related to owner of common stock	Millions of yen	3,029	3,450
Weighted average number of common stock	Thousands of shares	105,329	105,353
Diluted earnings per share			
Adjustment to net income	Millions of yen	—	—
Increase of common stock	Thousands of shares	—	16,102
(Bonds with subscription rights to shares)	Thousands of shares	(—)	(16,094)
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect		Subscription rights to shares June 27,2008 (272subscription rights to shares)	—

(5) Notes regarding subsequent events: None