

Consolidated Financial Results for the Year Ended March 31, 2019

(All financial information has been prepared in accordance with Generally Accepted Accounting Principles in Japan)

May 9, 2019

Company name	: DAICEL CORPORATION
Stock Exchange on which the shares are listed	: Tokyo Stock Exchange in Japan
Code number	: 4202
URL	: https://www.daicel.com
Representative	: Misao Fudaba, President and CEO
Contact person	: Masahiko Hirokawa, General Manager–Investor Relations & Corporate Communications Phone +81-3-6711-8121
Scheduled date of the general meeting of shareholders	: June 21, 2019
Scheduled date for submitting financial statements	: June 24, 2019
Scheduled date for dividend payment	: June 24, 2019
The additional materials of the Financial Results	: Yes
The briefing session of the Financial Results	: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended March 31, 2019 (Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2019	464,859	0.4	51,171	(13.2)	53,433	(12.5)	35,301	(4.8)
Year ended Mar. 31, 2018	462,956	5.2	58,932	(8.4)	61,093	(7.7)	37,062	(14.2)

(Note) Comprehensive income: 38,968 millions of yen [(11.9%)] for the Year ended March 31, 2019 and 44,214 millions of yen [(14.9%)] for the Year ended March 31, 2018

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2019	105.38	-	9.1	8.3	11.0
Year ended Mar. 31, 2018	107.81	-	9.8	9.9	12.7

(Reference) Share of profit of entities accounted for using equity method: 1,762 millions of yen for the Year ended March 31, 2019 and 1,336 millions of yen for the Year ended March 31, 2018

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2019	654,791	423,243	60.1	1,198.77
Year ended Mar. 31, 2018	640,284	413,541	60.1	1,136.32

(Reference) Shareholders' equity: 393,597 millions of yen as of March 31, 2019 and 384,876 millions of yen as of March 31, 2018

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended Mar. 31, 2019	58,523	(41,095)	(25,636)	120,016
Year ended Mar. 31, 2018	66,888	(33,189)	(1,962)	128,290

2. Dividends

(Reference data)	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (Consolidated basis)	Dividends to net assets (Consolidated basis)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended Mar. 31, 2018	-	16.00	-	16.00	32.00	10,953	29.7	2.9
Year ended Mar. 31, 2019	-	16.00	-	16.00	32.00	10,615	30.4	2.7
Year ending Mar. 31, 2020 (Forecast)	-	16.00	-	16.00	32.00		39.6	

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2020

(% of change from same period of previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2019	226,000	(3.9)	20,000	(32.2)	20,500	(36.4)	10,500	(53.1)	31.98
Year ending Mar. 31, 2020	461,000	(0.8)	43,000	(16.0)	45,000	(15.8)	26,500	(24.9)	80.71

*Notes

(1) Changes in significant subsidiaries during the Year ended Mar. 31, 2019: Not applicable

(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation

(2) Changes in accounting policies, changes in accounting estimates and restatements

i Changes in accounting policies due to revisions of accounting standards: Not applicable

ii Changes in accounting policies other than (2)-i: Not applicable

iii Changes in accounting estimates: Not applicable

iv Retrospective restatements: Not applicable

(3) Number of shares issued (common share)

i Number of shares issued at the end of each period (Including treasury shares)	As of Mar. 31, 2019	331,942,682 shares	As of Mar. 31, 2018	349,942,682 shares
ii Number of treasury shares at the end of each period	As of Mar. 31, 2019	3,609,174 shares	As of Mar. 31, 2018	11,239,478 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Year ended Mar. 31, 2019	334,988,060 shares	Year ended Mar. 31, 2018	343,761,655 shares

(Reference) Overview of the Unconsolidated Financial Results

Unconsolidated Financial Results for the Year Ended March 31, 2019

(Amounts are rounded down to the nearest million)

(1) Unconsolidated Operating Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2019	233,345	(2.6)	12,496	(43.4)	24,851	(34.0)	18,065	(33.3)
Year ended Mar. 31, 2018	239,638	4.4	22,075	(20.3)	37,675	(2.4)	27,079	(17.1)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2019	53.93	-
Year ended Mar. 31, 2018	78.77	-

(2) Unconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2019	443,191	273,419	61.7	832.75
Year ended Mar. 31, 2018	454,253	283,295	62.4	836.41

(Reference) Shareholders' equity: 273,419 millions of yen as of March 31, 2019 and 283,295 millions of yen as of March 31, 2018

*This Financial Results report is not subject to audit.

*Explanations or other special matters to appropriate use of the forecast of consolidated financial results

The forecast of consolidated financial results and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections.

4. Overview of the operating results

(1) Overview of operating results for the fiscal year under review

Overview of the operating results for the period under review

Looking at the world trends during the fiscal year ended March 2019, the global economy continued to gradual recover, mainly in the United States, despite a slowdown in China during the second half of the fiscal year. The Japanese economy remained on a moderate recovery track. On the other hand, the outlook remained uncertain due to the deepening trade friction between the United States and China.

In such circumstances, the Daicel Group has been working hard to improve business performance by expanding sales volume while continuously reducing costs. However, rising raw fuel procurement costs, a weakening market and changes in the product mix for some flagship products have had an effect. These factors have resulted in higher revenue in the consolidated fiscal year, but lower profits.

As a result, sales revenue for the consolidated fiscal year under review totaled ¥464,859 million (up 0.4% year-on-year). On the income front, operating income amounted to ¥51,171 million (down 13.2% year-on-year), ordinary income was ¥53,433 million (down 12.5% year-on-year) and net income attributable to owners of the parent was ¥35,301 million (down 4.8% year-on-year).

(Unit: Million Yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent
Year ended March 31, 2019	464,859	51,171	53,433	35,301
Year ended March 31, 2018	462,956	58,932	61,093	37,062
Change from previous year	1,903	-7,761	-7,660	-1,761
% of change	0.4	-13.2	-12.5	-4.8

Capital investment for the fiscal year under review

(Unit: Million Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(USD/JPY)
Year ended March 31, 2019	42,590	2,103	44,694	28,304	1,740	30,044	20,749	111
Year ended March 31, 2018	29,327	1,491	30,819	30,042	1,677	31,720	18,843	111
Change from previous year	13,263	612	13,875	-1,738	63	-1,676	1,906	-
% of change	45.2	41.0	45.0	-5.8	3.8	-5.3	10.1	-

(Note) Depreciation and amortization do not include amortization of goodwill.

Information by Segment is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate decreased due to decreases in sales volume for LCD film applications and cigarette filter applications.

As for acetate tow for cigarette filters, amid the worldwide glut, sales revenue posted a decline due primarily to the softening of the market, although flat sales volumes were mitigated by our efforts to strengthen relationships with main customers and find new customers.

Consequently, sales revenue in this segment was ¥83,241 million (down 6.5% year-on-year) and operating income was ¥16,006 million (down 17.3% year-on-year) due mainly to factors such as rising raw material and fuel prices and the softening of the market on acetate tow for cigarette filters.

[Organic Chemicals]

Sales revenue of acetic acid, our key product, increased due to strong demand and an upward trend in the market.

Sales revenue of organic chemicals also increased due to a rise in market prices, despite a decrease in sales volume.

Sales revenue of performance chemicals increased due to recovery from the fire at the peracetic acid plant in the previous fiscal year, revisions to selling prices due to rising raw material and fuel prices, and strong demand for the products in cosmetics / healthcare.

Sales revenue of chiral separation businesses, such as optical resolution separation columns, increased due to higher sales of columns and chiral stationary phases (CSPs) and growth of new business in India.

Consequently, sales revenue in this segment was ¥89,515 million (up 9.1% year-on-year), and operating income was ¥14,391 million (up 81.8% year-on-year), due mainly to factors such as an increase in sales volume and revisions to selling prices due to rising raw material and fuel prices.

[Plastics]

Sales revenue of engineering plastics, such as polyacetal (POM), polybutylene terephthalate (PBT), and liquid crystal polymers (LCP) increased, despite the impact of the economic slowdown in China during the second half of the fiscal year, due to greater demand for automobile parts and progress in new parts adoption, as well as price revisions accompanying higher raw material and fuel prices and other costs.

Sales revenue in the plastic compound business, centering on ABS resin and engineering plastic alloy resin, remained flat due to revisions to selling prices due to rising raw material and fuel prices, despite a decrease in sales volume.

Sales revenue in the plastic processing business, such as sheets, molded containers and films, increased mainly due to an increase in film sales.

Consequently, sales revenue in this segment was ¥175,855 million (up 4.5% year-on-year), and operating income was ¥20,622 million (down 11.3% year-on-year), due mainly to factors such as rising raw material and fuel prices, despite an increase in sales volume.

[Pyrotechnic Devices]

In the automobile airbag inflator (gas-generating device) and other automobile safety parts business, sales volume of inflators increased, but sales revenue declined due mainly to changes in sales product mix.

Sales revenue of the aerospace & defense business, which cover defense-related products, increased due to an increase in sales volume.

Consequently, sales revenue in this segment was ¥107,882 million (down 7.9% year-on-year) and operating income was ¥15,593 million (down 29.7% year-on-year) due to changes in the product mix and other factors.

[Other Businesses]

Sales revenue of membrane business, including membrane modules for water treatment, increased due to an increase in some products.

Sales revenue in other businesses including warehousing business increased.

Consequently, sales revenue in this segment was ¥8,364 million (up 30.8% year-on-year) and operating income was ¥589 million (down 21.8% year-on-year).

(2) Overview of financial position for the fiscal year under review

Total assets as of March 31, 2019 were ¥654,791 million, an increase of ¥14,507 million from March 31, 2018, due primarily to increases in inventories, property, plant and equipment and intangible assets despite decreases in cash and deposits and investment securities.

Total liabilities were ¥231,547 million, an increase of ¥4,805 million from March 31, 2018 due primarily to an increase in long-term loans payable, despite decreases in bonds payable and deferred tax liabilities.

Total net assets were ¥ 423,243 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥393,597 million. Shareholders' equity ratio was 60.1%.

(3) Overview of cash flow for the fiscal year under review

Cash flow from operating activities

Cash flow from operating activities during the consolidated fiscal year under review was ¥58,523 million (vs. ¥66,888 million in the previous fiscal year). The increases in cash flow were mainly attributable to ¥53,734 million of net income before income taxes and ¥30,442 million of depreciation and amortization. Meanwhile, the main factor for the decreases in cash flow was a payment of ¥14,623 million for corporate income taxes.

Cash flow from investment activities

Cash flow from investment activities during the consolidated fiscal year under review was -¥41,095 million (vs. -¥33,189 million in the previous fiscal year). The main factors for the decrease in cash flow were expenditures of ¥41,647 million for the purchase of property, plant, and equipment.

Cash flow from financing activities

Cash flow from financing activities during the consolidated fiscal year under review was -¥25,636 million (vs. -¥1,962 million in the previous fiscal year). The increases in cash flow were mainly attributable to ¥17,755 million of long-term loans payable. Meanwhile, the main factors accounting for the decrease in cash flow were ¥10,000 million of repayment of bonds, an expenditure of ¥12,998 million for acquisition of treasury stock, ¥10,783 million in dividend payments and ¥5,679 million in dividends paid to non-controlling interests.

As a result of the above, cash and cash equivalents on March 31, 2019 totaled ¥120,016 million.

Reference: Trends in cash flow indicators

	March 2016	March 2017	March 2018	March 2019
Shareholders' equity per total assets (%)	60.2	61.6	60.1	60.1
Shareholders' equity per total assets on market value basis (%)	95.9	77.4	61.5	60.3
Ratio of interest-bearing liabilities to cash flow (year)	1.1	0.8	1.5	1.8
Interest coverage ratio (times)	56.3	88.7	56.2	48.9

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Market capitalization/Total assets

Ratio of interest-bearing debts to cash flow: Interest-bearing debts/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expenses

1. Each indicator is calculated based on consolidated financial results.

2. Market capitalization is calculated by multiplying the closing price at year-end by the number of outstanding shares at year-end (excluding treasury stocks).

3. Cash flow from operating activities is the net cash reported on the consolidated statement of cash flow.

Interest-bearing debts include all consolidated balance sheet-reported liabilities on which interest is paid. For interest expenses, the amount of interest payment reported on the consolidated statement of cash flow is used.

(4) Outlook

Although China's economic growth is slowing, the global economy is expected to remain firm against the backdrop of improved global employment conditions, with solid consumer spending and capital investment in the United States and other developed countries. At the same time, there are still concerns over economic prospects, such as the impact of trade friction between the United States and China and the process of Brexit, and an environment of uncertainty is expected to continue.

Amid these circumstances, regarding the Daicel Group's business forecast for the fiscal year ending March 31, 2020, a decrease in sales volume of cellulose acetate for cigarette filter applications, a decrease in sales volume and changes in sales product mix of the automobile airbag inflators (gas-generating devices) and an increase in R & D expenditure are anticipated.

Our anticipated earnings for the fiscal year ending March 31, 2020 are as follows.

Consolidated Earnings Estimates

Sales revenue	¥461.0 billion	(down 0.8% year-on-year)
Operating income	¥43.0 billion	(down 16.0% year-on-year)
Ordinary income	¥45.0 billion	(down 15.8% year-on-year)
Net income attributable to owners of the parent	¥26.5 billion	(down 24.9% year-on-year)

For these forecasts, we assume an exchange rate of ¥110/US dollar, (Asian spot) methanol price of US\$320/ton, Dubai crude oil price of US\$60/bbl and domestic naphtha price of ¥40,000/kl.

The forecasts above are based on currently available information. Actual results may differ from these forecasts due to a number of factors.

Outlook for the fiscal year ending March 31, 2019

(Unit: Million Yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent
Year ending March 31, 2020	461,000	43,000	45,000	26,500
Year ended March 31, 2019	464,859	51,171	53,433	35,301
Change from previous year	-3,859	-8,171	-8,433	-8,801
% change	-0.8	-16.0	-15.8	-24.9

Outlook for sales by segment

(Unit: Million Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Other Businesses
Year ending March 31, 2020	82,000	90,000	186,500	91,000	11,500
Year ended March 31, 2019	83,241	89,515	175,855	107,882	8,364
Change from previous year	-1,241	485	10,645	-16,882	3,136
% change	-1.5	0.5	6.1	-15.6	37.5

Outlook for operating income by segment

(Unit: Million Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Corporate & Eliminations
Year ending March 31, 2020	13,500	15,500	23,500	7,000	500	-17,000
Year ended March 31, 2019	16,006	14,391	20,622	15,593	589	-16,031
Change from previous year	-2,506	1,109	2,878	-8,593	-89	-969
% change	-15.7	7.7	14.0	-55.1	-15.1	-6.0

Outlook for capital investment, etc.

(Unit: Million Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(USD/JPY)
Year ending March 31, 2020	57,000	2,000	59,000	27,500	2,000	29,500	23,000	110
Year ended March 31, 2019	42,590	2,103	44,694	28,304	1,740	30,044	20,749	111
Change from previous year	14,410	-103	14,306	-804	260	-544	2,251	-
% change	33.8	-4.9	32.0	-2.8	14.9	-1.8	10.8	-

Note: Depreciation and amortization do not include amortization of goodwill.

(5) Progress on the mid-term management plan and achievement of target management benchmarks

The Daicel Group has implemented the 3D-III mid-term plan, a three-year plan that extends to FY2019 (ending March 2020), as the final step toward achieving our long-term “Grand Vision 2020.”

In the consolidated fiscal year under review—the second year of the mid-term plan—we steadily increased sales toward the 3D-III targets (sales of ¥500 billion and operating income of ¥70 billion, while striving to keep ROE at 10% or above in FY2019), but operating income dropped due to a softening market for acetate tow for cigarette filters and changes in sales product mix of the automobile airbag inflators (gas-generating devices).

Although it is still difficult to achieve our targets for the final year of the 3D-III mid-term plan, Daicel Group will continue to implement the specific measures outlined in the 3D-III. We plan to adopt “open innovation” methods in the growth fields of medical/health care and electronics to accelerate the creation of new business units.

(6) Basic policy regarding profit distribution and dividends for the current and next fiscal years

Daicel’s basic dividend policy is to distribute profits in a balanced manner, taking fully into consideration a shareholder return that is in line with the Company’s consolidated financial results in each fiscal year, as well as the need to build internal reserves in order to improve medium-to-long-term shareholder value based on a more robust revenue base. The Company will also buy back its treasury stocks in an agile manner as another form of shareholder return intended to complement dividend payments.

As for the number of dividend payments in each fiscal year, we pay dividends twice a year based on the date of record: at the end of the second quarter and at the end of the year.

Internal reserves will be applied to investment in business expansion and reinforcement of highly-profitable business structures, such as R&D for new business development and strengthening of existing businesses, new construction and expansion of facilities, and efficiency improvement measures. Through future business development, we will ensure growing benefits to our shareholders.

In our 3D-III mid-term plan, a three-year plan that started in FY2017 (ended March 2018), we set a target dividend ratio of 30%, and aim to acquire treasury stock in an agile manner.

Based on the policy outlined above, we will hold discussions on the payment of an ordinary year-end dividend of ¥16 per share at the 153rd Annual General Meeting of Shareholders to be held on June 21, 2019. This, together with the interim dividend of ¥16 per share that was already paid in December 2018, will achieve an annual dividend of ¥32 per share for a dividend payout ratio of 30.4% for the year under review.

Meanwhile, the Company acquired 8.5 million shares of treasury stock worth approximately ¥10 billion between May 2018 and December 2018. In addition, in February 2019, we began to repurchase 8.5 million shares of treasury stock for a maximum of ¥10 billion. As of the end of March 2019, we had purchased approximately 2.5 million shares worth ¥3 billion.

For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥32 per share (including an interim dividend of ¥16).

5. Management Policy

(1) Basic policy on corporate management

(2) Mid-to-long-term corporate management strategies and target management indices

These sections are omitted since there are no significant changes in the information disclosed in the Consolidated Financial Results for the year ended March 31, 2017 (released on May 10, 2017).

The above-mentioned Consolidated Financial Results are available at the following URL.

Daicel's website:

<https://www.daicel.com/en/ir/library.html>

(3) Issues for the company to address

While maintaining safe operations and assuring product safety and quality as our top priorities—fundamental for any manufacturer—the Daicel Group has worked out a three-year mid-term plan (3D-III) covering FY2017 (ended March 2018) to FY2019 (ending March 2020) to help us achieve “Grand Vision 2020,” our long-term goals.

Under this mid-term plan, we will further expand our initiatives to become a “best solutions” company as set up by the 3D-I and 3D-II plans. We will accelerate the growth of existing businesses along with the creation of new business units through proactive investments, including M&A. In creating new business units, we seek to build businesses that will become pillars of future growth. We will do this by utilizing open innovation to incorporate a broad range of ideas from customers, universities and others outside the Group.

6. Basic concept regarding the selection of accounting standards

The Daicel Group will continue to prepare consolidated financial statements in accordance with Japanese standards, while taking into account the need to compare consolidated financial statements across different accounting periods and companies.

The Daicel Group will adopt International Accounting Standards, as appropriate, in consideration of circumstances in Japan and overseas.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2018	As of Mar. 31, 2019
Assets		
Current assets		
Cash and deposits	125,358	114,044
Notes and accounts receivable – trade	93,256	90,173
Securities	3,929	6,230
Inventories	109,295	126,153
Other	17,418	17,504
Allowance for doubtful accounts	(44)	(67)
Total current assets	349,214	354,038
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,320	60,387
Machinery, equipment and vehicles, net	79,607	72,920
Tools, furniture and fixtures, net	5,305	5,561
Land	26,754	26,931
Construction in progress	14,053	31,630
Total property, plant and equipment	184,041	197,432
Intangible assets		
Goodwill	1,894	3,832
Other	6,694	8,835
Total intangible assets	8,589	12,668
Investments and other assets		
Investment securities	76,390	68,018
Deferred tax assets	2,662	2,701
Net defined benefit asset	5,321	6,110
Other	14,241	13,990
Allowance for doubtful accounts	(174)	(167)
Total investments and other assets	98,440	90,652
Total non-current assets	291,070	300,753
Total assets	640,284	654,791

(Unit: Millions of Yen)

	As of Mar. 31, 2018	As of Mar. 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	56,213	53,933
Short-term loans payable	10,117	9,965
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	3,733	8,285
Income taxes payable	4,271	4,008
Provision for repairs	37	2,828
Other	33,806	36,487
Total current liabilities	118,181	125,509
Non-current liabilities		
Bonds payable	50,000	40,000
Long-term loans payable	25,884	36,043
Deferred tax liabilities	11,069	7,673
Net defined benefit liability	12,279	12,430
Provision for directors' retirement benefits	39	55
Provision for repairs	869	13
Provision for environmental measures	4,000	5,265
Asset retirement obligations	1,238	1,256
Other	3,180	3,298
Total non-current liabilities	108,561	106,038
Total liabilities	226,742	231,547
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,642	31,692
Retained earnings	292,104	294,149
Treasury shares	(14,004)	(4,344)
Total shareholders' equity	346,017	357,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,410	29,024
Deferred gains or losses on hedges	58	13
Foreign currency translation adjustment	4,805	4,968
Remeasurements of defined benefit plans	583	1,817
Total accumulated other comprehensive income	38,858	35,825
Non-controlling interests	28,665	29,645
Total net assets	413,541	423,243
Total liabilities and net assets	640,284	654,791

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2018	Year ended Mar. 31, 2019
Net sales	462,956	464,859
Cost of sales	325,754	331,086
Gross profit	137,201	133,773
Selling, general and administrative expenses	78,269	82,602
Operating income	58,932	51,171
Non-operating income		
Interest income	269	380
Dividend income	1,500	1,885
Share of profit of entities accounted for using equity method	1,336	1,762
Rent income on non-current assets	530	504
Subsidy income	609	296
Miscellaneous income	587	1,240
Total non-operating income	4,834	6,071
Non-operating expenses		
Interest expenses	1,203	1,185
Foreign exchange losses	730	73
Provision for environmental measures	-	1,298
Miscellaneous expenses	738	1,251
Total non-operating expenses	2,672	3,808
Ordinary income	61,093	53,433
Extraordinary income		
Gain on disposal of non-current assets	391	12
Gain on sales of investment securities	3,914	5,767
Gain on sales of investments in capital of subsidiaries and associates	-	290
Insurance income	854	2,005
Total extraordinary income	5,159	8,076
Extraordinary losses		
Loss on retirement of non-current assets	2,260	1,715
Claim compensation expenses	85	-
Impairment loss	-	1,783
Loss on disaster	677	967
Provision for environmental measures	4,000	-
Loss on revision of retirement benefit plan	-	3,308
Total extraordinary losses	7,023	7,775
Income before income taxes	59,229	53,734
Income taxes		
Income taxes - current	14,537	13,910
Income taxes - deferred	225	(2,106)
Total income taxes	14,763	11,804
Net income	44,466	41,930
Net income attributable to non-controlling interests	7,404	6,628
Net income attributable to owners of parent	37,062	35,301

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2018	Year ended Mar. 31, 2019
Net income	44,466	41,930
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,563)	(4,439)
Deferred gains or losses on hedges	113	(67)
Foreign currency translation adjustment	91	431
Remeasurements of defined benefit plans, net of tax	869	1,291
Share of other comprehensive income of entities accounted for using equity method	236	(178)
Total other comprehensive income	(252)	(2,961)
Comprehensive income	44,214	38,968
Comprehensive income attributable to		
owners of parent	36,880	32,267
non-controlling interests	7,334	6,700

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2018	Year ended Mar. 31, 2019
Cash flows from operating activities		
Income before income taxes	59,229	53,734
Depreciation	32,229	30,442
Impairment loss	–	1,783
Amortization of goodwill	727	608
Increase (decrease) in provision for environmental measures	4,000	1,265
Interest and dividend income	(1,770)	(2,266)
Insurance income	(854)	(2,005)
Interest expenses	1,203	1,185
Share of loss (profit) of entities accounted for using equity method	(1,336)	(1,762)
Loss (gain) on disposal of non-current assets	(391)	(12)
Loss on retirement of non-current assets	2,260	1,715
Loss (gain) on sales of investment securities	(3,914)	(5,767)
Loss (gain) on sales of investments in capital of subsidiaries and associates	–	(290)
Decrease (increase) in notes and accounts receivable – trade	(5,243)	4,140
Decrease (increase) in inventories	(8,624)	(16,149)
Increase (decrease) in notes and accounts payable – trade	9,952	(3,049)
Other, net	(6,336)	5,080
Subtotal	81,132	68,652
Interest and dividend income received	2,697	3,753
Proceeds from insurance income	854	1,938
Interest expenses paid	(1,190)	(1,196)
Income taxes paid	(16,607)	(14,623)
Net cash provided by (used in) operating activities	66,888	58,523
Cash flows from investing activities		
Net decrease (increase) in time deposits	241	(157)
Net decrease (increase) in short-term investment securities	(575)	900
Purchase of property, plant and equipment	(32,110)	(41,647)
Proceeds from sales of property, plant and equipment	415	22
Purchase of intangible assets	(1,322)	(1,932)
Purchase of investment securities	(5,103)	(167)
Proceeds from sales and redemption of investment securities	6,641	8,076
Purchase of investments in capital of subsidiaries and associates	–	(4,103)
Proceeds from sales of investments in capital of subsidiaries and associates	–	431
Payments of loans receivable	(499)	(56)
Collection of loans receivable	73	127
Other, net	(948)	(2,587)
Net cash provided by (used in) investing activities	(33,189)	(41,095)

(Unit: Millions of Yen)

	Year ended Mar. 31, 2018	Year ended Mar. 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,268	(121)
Proceeds from long-term loans payable	513	17,755
Repayments of long-term loans payable	(4,499)	(3,809)
Redemption of bonds	-	(10,000)
Proceeds from issuance of bonds	29,849	-
Purchase of treasury shares	(9,979)	(12,998)
Proceeds from sales of treasury shares	0	0
Cash dividends paid	(11,412)	(10,783)
Dividends paid to non-controlling interests	(8,153)	(5,679)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(549)	(0)
Net cash provided by (used in) financing activities	(1,962)	(25,636)
Effect of exchange rate change on cash and cash equivalents	278	(64)
Net increase (decrease) in cash and cash equivalents	32,014	(8,273)
Cash and cash equivalents at beginning of period	96,275	128,290
Cash and cash equivalents at the end of period	128,290	120,016

(5) Changes in Presentation

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been adopted from the beginning of the consolidated fiscal year ended March 31, 2019, whereby Deferred tax assets are presented under Investments and other assets, while Deferred tax liabilities are presented under Non-current liabilities. As a result, in the balance sheet as of March 31, 2018, Deferred tax assets under Current assets decreased by ¥5,353 million and Deferred tax assets under Investments and other assets increased by ¥1,560 million. Moreover, Deferred tax liabilities under Current liabilities decreased by ¥228 million and Deferred tax liabilities under Non-current liabilities decreased by ¥3,565 million. In addition, as a result of offsetting Deferred tax assets against Deferred tax liabilities with regard to the same taxable entities, Total assets decreased by ¥3,794 million.

8. Segment Information

Year ended Mar. 31, 2018

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	89,071	82,043	168,260	117,186	6,394	462,956	-	462,956
Intersegment sales	2,136	17,735	8	-	10,605	30,486	(30,486)	-
Total	91,207	99,779	168,269	117,186	17,000	493,442	(30,486)	462,956
Operating income	19,354	7,918	23,253	22,173	753	73,452	(14,520)	58,932
Assets	107,392	75,909	159,933	112,894	7,392	463,522	176,762	640,284
Other								
Depreciation	9,545	7,098	4,887	8,453	340	30,326	1,394	31,720
Amortization of goodwill	-	-	233	493	-	727	-	727
Investment in equity method investees	7,201	141	2,718	-	-	10,061	-	10,061
Capital expenditure	4,475	7,815	4,732	11,342	923	29,289	1,529	30,819

Year ended Mar. 31, 2019

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	83,241	89,515	175,855	107,882	8,364	464,859	-	464,859
Intersegment sales	2,726	19,873	15	-	11,031	33,647	(33,647)	-
Total	85,968	109,389	175,870	107,882	19,395	498,507	(33,647)	464,859
Operating income	16,006	14,391	20,622	15,593	589	67,202	(16,031)	51,171
Assets	104,879	92,468	169,193	117,251	11,552	495,346	159,444	654,791
Other								
Depreciation	8,338	6,003	4,991	8,793	426	28,554	1,489	30,044
Amortization of goodwill	-	12	-	494	101	608	-	608
Investment in equity method investees	7,282	144	2,793	-	-	10,220	-	10,220
Capital expenditure	2,890	22,069	6,106	10,790	634	42,491	2,202	44,694

9. Related Information

(1) Product and Service Information

Year ended Mar. 31, 2019

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total
Net sales to outside customers	83,241	89,515	175,855	107,882	8,364	464,859

(2) Geographic Information

(i) Net sales

Year ended Mar. 31, 2019

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
223,532	73,467	89,249	78,609	464,859

(ii) Property, plant and equipment

Year ended Mar. 31, 2019

(Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
129,800	21,784	15,282	12,683	17,881	197,432

10. Information on Impairment Loss of Non-Current Assets by Reportable Segment

Year ended Mar. 31, 2019

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Corporate and eliminations	Total
Impairment loss	-	-	-	1,783	-	-	1,783

11. Information on Amortization of Goodwill and Unamortized Balances by Reportable Segment

Year ended Mar. 31, 2019

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Corporate and eliminations	Total
Amortization	-	12	-	494	101	-	608
Ending balance	-	476	-	1,484	1,871	-	3,832