

# ANNUAL REPORT 2020

For the fiscal year ended March 31, 2020

Brilliance through  
Chemistry



**NIPPON SODA CO., LTD.**

# Creating new value through the power of chemistry

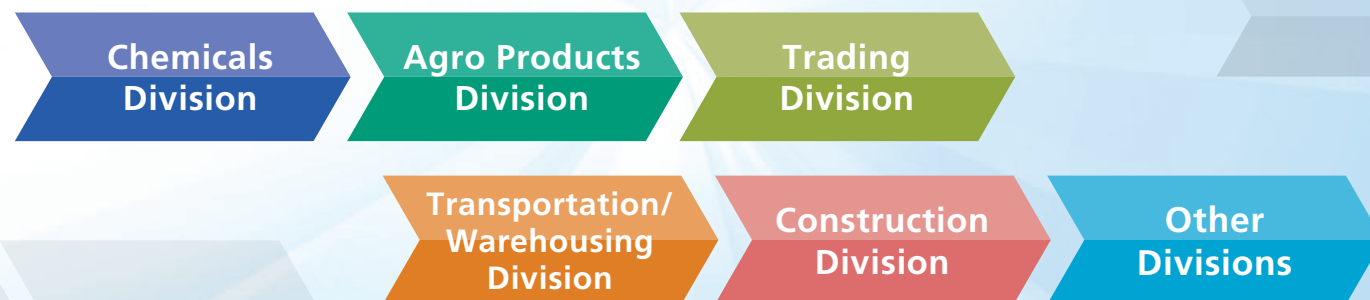
## Working on diverse themes to create new value through the power of chemistry

Since our founding in 1920, Nippon Soda has accumulated unique technologies and know-how, and provided highly functional and high-value-added chemical products in such diverse fields as agriculture, pharmaceuticals, and specialty chemicals.

Furthermore, as a company that handles chemical substances, we have always been mindful of the doctrine of responsible care and have driven business activities with attention to the environment, safety, and health.

Additionally, amid desires for environmental protection and a safe, comfortable lifestyle, we have responded to the varied needs of society as a trusted company.

Going forward, Nippon Soda will contribute to the building of a rich society that realizes the dreams of the next generation through innovative technologies and products.



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### Disclaimer regarding forward-looking statements

Statements made in this annual report with respect to Nippon Soda Co., Ltd.'s current plans, strategies and beliefs are not historical facts. Rather, they are forward-looking statements based on the Company's estimates and beliefs, which management formed through analysis of currently available information. Many factors could cause actual results to differ from these forward-looking statements. These factors include the potential risks and uncertainties of all business environments, as well as changing consumer preferences and demands, acceptance of our products and our ability to continue providing necessary services in the face of stiff competition in the Japanese chemical field, the Company's main line of business.

### Publication of the Integrated Report

From this year, CSR activities of Nippon Soda will be covered in the *Integrated Report* instead of the *CSR Report*. See the Nippon Soda website for more details.

## Top Message

We marked our 100th anniversary on February 1, 2020. We would like to express our sincere gratitude for the support of our shareholders, business partners, and other stakeholders.

**Akira Ishii** President



## Business environment and corporate performance for the fiscal year ended March 31, 2020 (FY 2020)

The outlook for the Japanese economy in the fiscal year ended March 2020 remained unpredictable. Despite a gradual recovery due to improvements in employment and consumer spending, unpredictability remained due to uncertain overseas markets, exchange rate fluctuations, and other factors caused by trade issues, including US-China trade friction. In addition, the global COVID-19 pandemic has further intensified the economic uncertainty.

Given this environment, the Nippon Soda Group worked at further increasing corporate value by pushing to improve profitability and to create new businesses, which are core themes in our medium-term business plan (from April 2017 to March 2020).

For the fiscal year under review, consolidated net sales were ¥144,739 million, roughly even with the previous fiscal year, while operating profit was up 2.9% year on year to ¥8,135 million. This was mainly

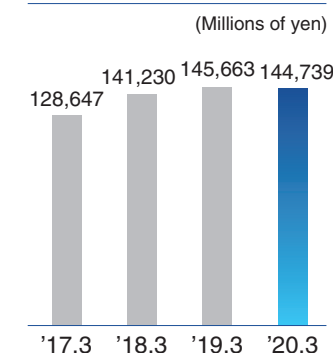
attributable to a decrease in sales in the Trading Division, despite an increase in plant construction-related sales in the Construction Division.

Ordinary profit rose 16.0% year on year to ¥10,312 million, mainly due to a reduction in the losses recorded in the previous fiscal year at the equity-method affiliate Novus International, Inc. and other factors. Profit attributable to owners of parent increased by 16.5% to ¥6,759 million.

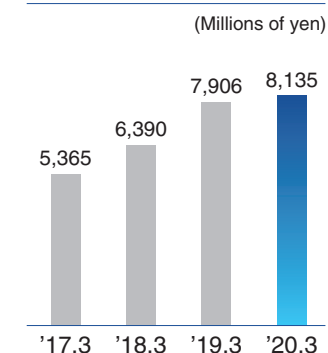
For shareholder returns, to express our gratitude for the support and cooperation of shareholders, we added a ¥20 dividend—marking the Group's centenary—to a regular dividend of ¥60, resulting in an annual dividend of ¥80 per share. As a result, the dividend payout ratio for the fiscal year ended March 2020 was 35.7%, and the total return ratio, which includes the purchase of treasury shares, was 49.4%.

## Consolidated Financial Highlights

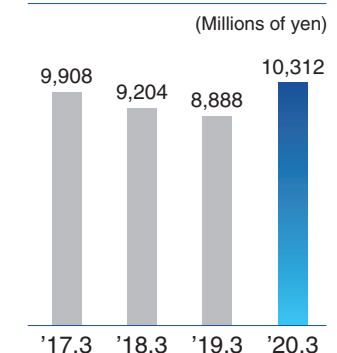
### Net sales



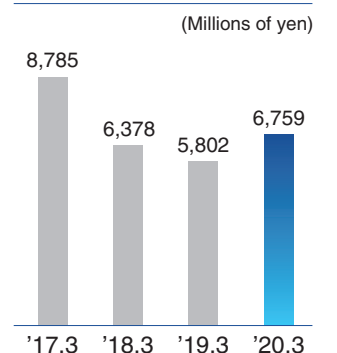
### Operating profit



### Ordinary profit



### Profit attributable to owners of parent



## Outlook for the future and issues to be addressed

For this fiscal year, we anticipate that the economy could be affected by COVID-19 for a long time, and the situation remains severe. With the highest priority on preventing the spread of the disease and ensuring the safety of our employees, the Group will quickly determine and implement responses to the directions and requests of the national government and municipalities. As well, we will preserve our financial strength and build a flexible workstyle to maintain stable management and business continuity.

The Group has formulated a long-term management vision (from April 2020 to March 2030) and a medium-term business plan (from April 2020 to March 2023) to follow on from the previous medium-

term business plan.

For pursuing “transformation into a highly efficient business structure,” which is the basic strategy of our long-term management vision, we will accelerate the growth of high-value-added businesses while liquidating unprofitable businesses, and we will encourage thorough management efficiency. We will transform our business portfolio into one that is resilient to changes in the business environment and that generates stable earnings.

In addition, while ensuring financial soundness, we will implement policies that emphasize the balance between investment in growth and shareholder returns, and we will aim to improve capital efficiency.

## Message to investors

The 21st century is called the “environmental century,” and we are directly facing issues worldwide including global warming, population growth, and resource depletion. On the other hand, there is concern in Japan over the large effects on the social system of problems including the aging population with declining birthrate and rising social welfare costs. In response to these conditions, the Nippon Soda Group is contributing, through our chemistry and related services, to the creation of a sustainable society in which individuals can live comfortably.

Our mission is to “Create new value with the power of chemicals and to increase corporate value by contributing to society.”

In addition, we will practice management with the dual aims of increasing corporate value and increasing social value by making every effort to implement all measures to become an ideal company in the next 10 years. These goals, set out in our long-

term management vision, will be achieved by working on “CSR activities to *protect* the corporate value” and “CSR activities to *improve* the corporate value.”

For shareholder returns during the period covered by our medium-term business plan (from April 2020 to March 2023), we set the target of a dividend payout ratio of 40% (with an annual dividend of ¥80 per share as the lower limit). In addition, we will flexibly purchase treasury shares as a shareholder return measure to supplement the dividend.

Although we are anticipating that the environment surrounding the Nippon Soda Group could become increasingly intense, we are determined to push ahead decisively toward achieving our long-term management vision and the financial targets that we set out in our medium-term business plan. To our shareholders and investors, we look forward to your continuing support and cooperation in the years ahead.

**To realize its mission and sustainable growth, the Nippon Soda Group is implementing management that aims to balance increased corporate value and social value.**

### Increasing the corporate value

Reforms to build a business portfolio that produces stable earnings resilient to changes in the business environment

Capital policy that values financial soundness and focuses on balancing growth investment with shareholder returns

Achievements of key performance indicators (KPI)

### Increasing the social value

**CSR activities to protect the corporate value**

- Responses to climate change issues and preservation of biodiversity

- Providing even greater value to stakeholders throughout society

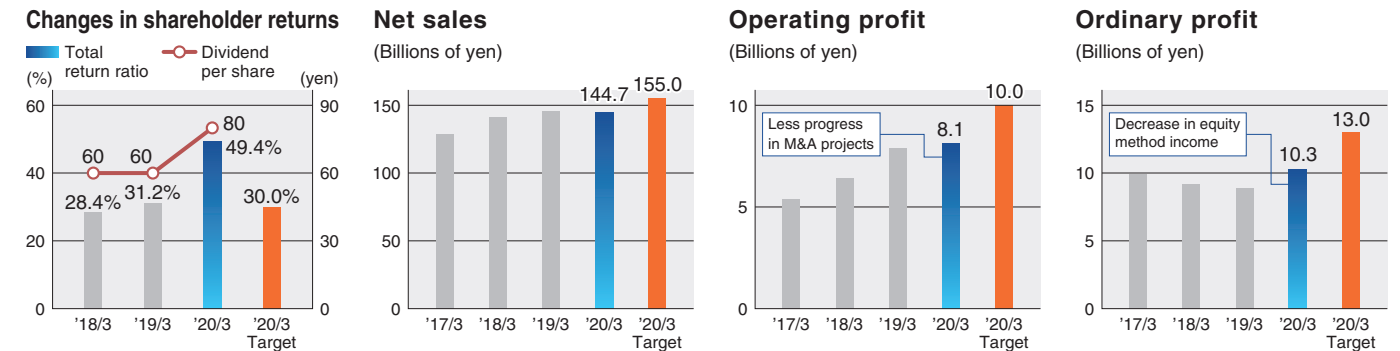
**CSR activities to improve the corporate value**

- Four material issues to realize a sustainable society (new value creation)

## Review of the Previous Medium-Term Business Plan

## Basic Objectives

Strong sales, higher raw fuel prices than expected, high R&D and contract testing expenses, less progress in M&A projects and a decrease in share of profit of entities accounted for using equity method



## Net sales and operating profit by segment

	'17/3 Results		'20/3 Results		'20/3 Targets	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	37.15	1.56	40.39	2.22	42.00	2.90
Agro Products	40.07	1.80	43.39	2.24	43.00	2.10
Trading	33.04	0.50	35.00	0.64	36.50	0.50
Transportation and Warehousing	4.00	0.41	4.20	0.49	4.50	0.50
Construction	7.95	0.58	14.42	1.68	14.00	1.00
Others and adjustments	6.43	0.52	7.35	0.87	7.00	0.50
<b>Existing businesses total</b>	<b>128.65</b>	<b>5.37</b>	<b>144.74</b>	<b>8.14</b>	<b>147.00</b>	<b>7.50</b>
M&As and new businesses	—	—	*	*	8.00	2.50
<b>Total</b>	<b>128.65</b>	<b>5.37</b>	<b>144.74</b>	<b>8.14</b>	<b>155.00</b>	<b>10.00</b>
Share of profit of entities accounted for using equity method	4.90		1.84		3.00	
<b>Ordinary profit</b>	<b>9.91</b>		<b>10.31</b>		<b>13.00</b>	

\*Sales and operating profit of Zoetis's plant health business are included in Agro Products Business

## ROIC and ROE

(Billions of yen)	'17/3	'18/3	'19/3	'20/3	'20/3 numerical targets and results
Net sales	128.65	141.23	145.66	144.74	Sales expansion of existing products and launch of new products
Cost of sales	94.76 73.7%	104.76 74.2%	108.65 74.6%	106.82 73.8%	Suffered from a rise in raw fuel prices
Selling, general and administrative expenses	28.53 22.2%	30.08 21.3%	29.11 20.0%	29.79 20.6%	Contract testing expenses for new agrochemicals increased
<b>Operating profit</b>	<b>5.37</b> <b>4.2%</b>	<b>6.39</b> <b>4.5%</b>	<b>7.91</b> <b>5.4%</b>	<b>8.14</b> <b>5.6%</b>	Target: Operating margin of 6.5% or more
Notes and accounts receivable-trade	40.17 3.1 times	46.48 3.3 times	50.66 3.0 times	43.58 3.1 times	
Inventories	28.48 3.4 times	27.62 3.7 times	27.37 4.0 times	30.64 3.7 times	Product inventory increased (for risk management)
Notes and accounts payable-trade	17.36 5.4 times	21.82 5.3 times	23.65 4.8 times	17.51 5.2 times	
Working capital	51.29 2.5 times	52.29 2.7 times	54.38 2.7 times	56.71 2.6 times	
Non-current assets	110.17 1.1 times	114.87 1.3 times	117.32 1.3 times	114.44 1.2 times	Acquisition of plant health business of Zoetis Japan, Inc.
<b>Invested capital</b>	<b>161.46</b> <b>0.7 times</b>	<b>167.15</b> <b>0.9 times</b>	<b>171.69</b> <b>0.9 times</b>	<b>171.15</b> <b>0.8 times</b>	
<b>Pre-tax ROIC</b>	<b>3.3%</b>	<b>3.8%</b>	<b>4.6%</b>	<b>4.8%</b>	Target: Continual improvement of profitability and efficiency
<b>Profit</b>	<b>8.79</b>	<b>6.38</b>	<b>5.80</b>	<b>6.76</b>	Decrease in share of profit of entities accounted for using equity method
<b>ROE</b>	<b>6.6</b>	<b>4.6</b>	<b>4.1</b>	<b>4.8</b>	Target: 7.0% or more



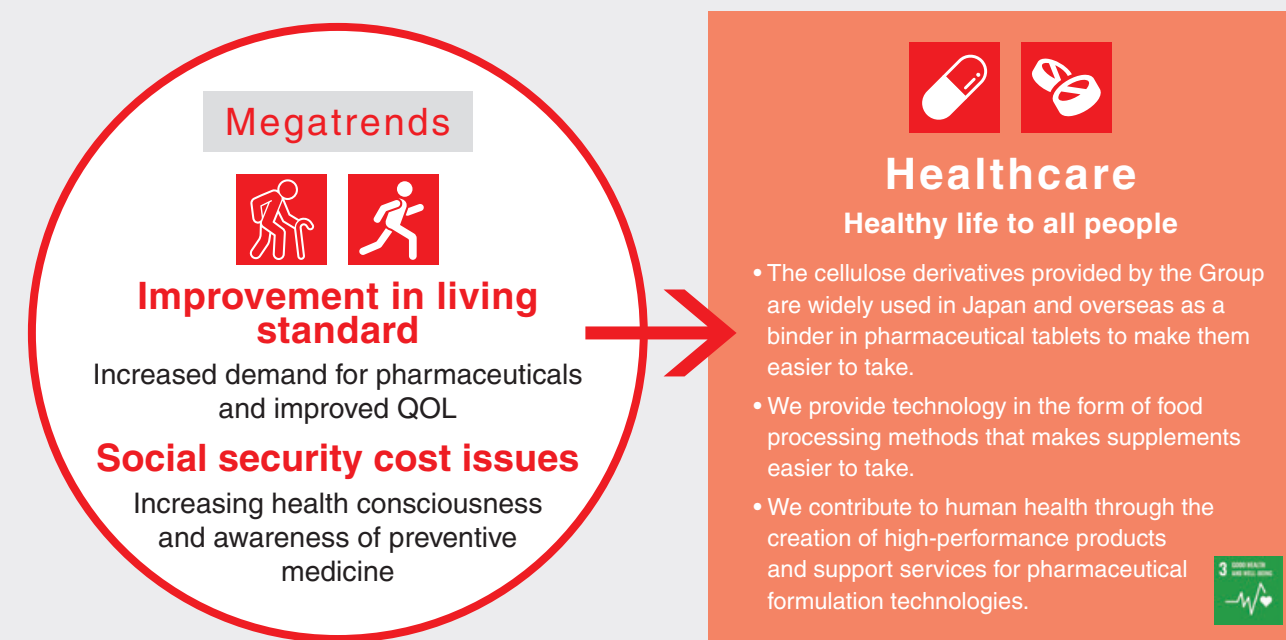
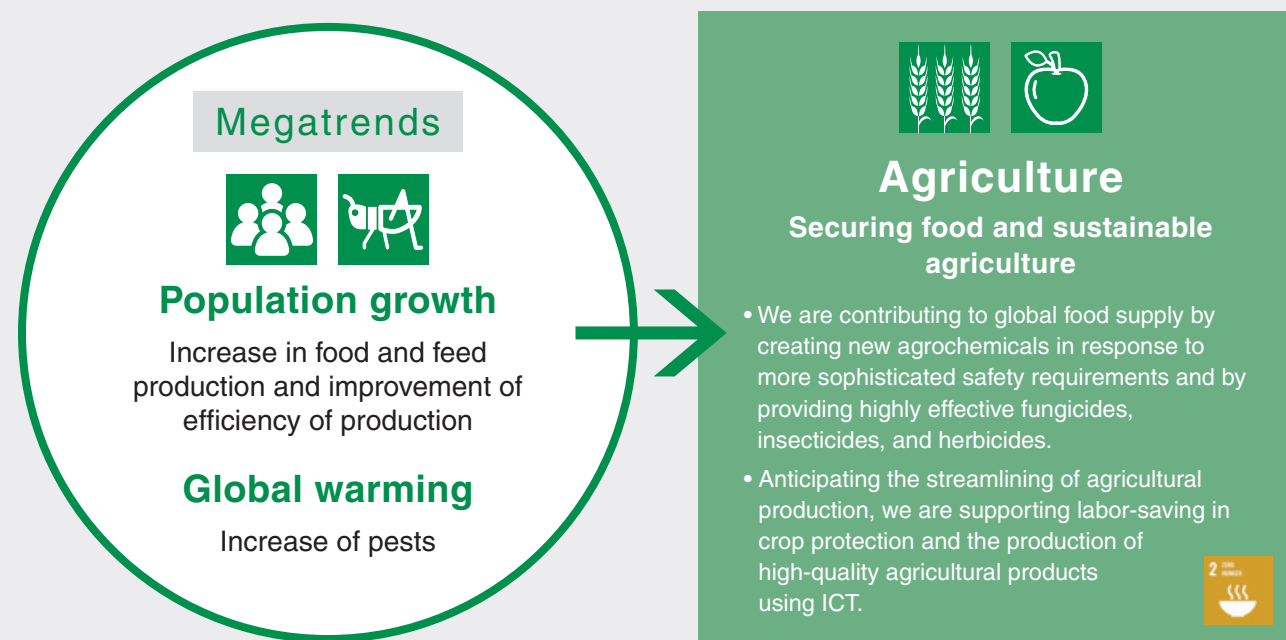
## Vision of Nippon Soda

Since its establishment in 1920, Nippon Soda has provided new value to society through our chemistry and contributed to the development of society.  
The Group supports people’s everyday lives by delivering a range of chemical products and services to the agricultural, healthcare, environmental, and ICT fields.

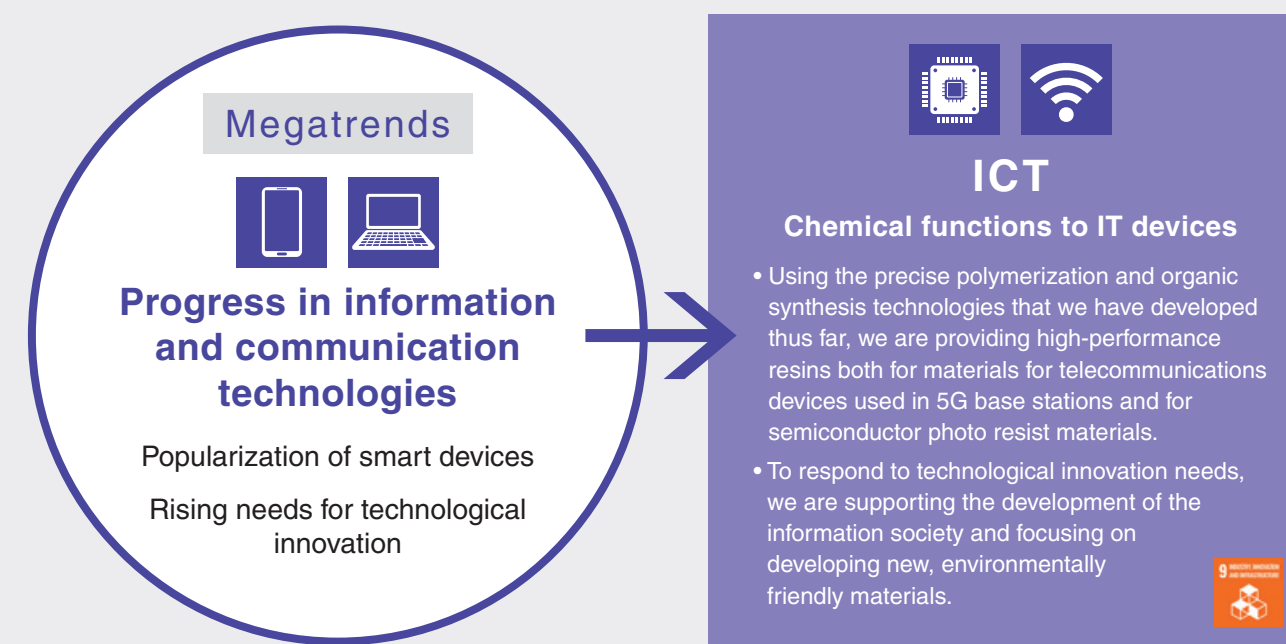
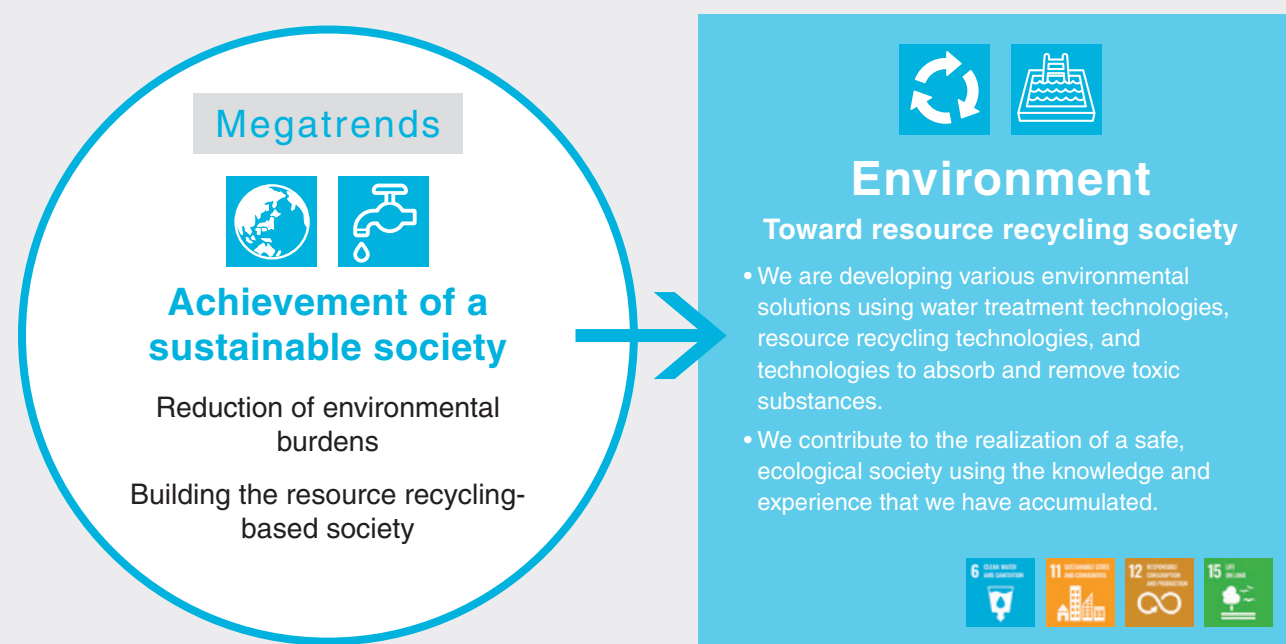
## Mission of Nippon Soda

Creating new value through the power of chemicals and realizing increased corporate value through our contributions to society.

### Value Creation Process



### Material Issues for Increasing Corporate Value (Value Creation of the Nippon Soda Group)



## Our Vision 10 Years in the Future

- While accelerating the expansion of our high-value-added businesses and the liquidation of unprofitable businesses, we will promote thorough management streamlining and reform our business portfolio to be resilient toward changes in the business environment and to produce stable earnings.
- While balancing growth investment and shareholder returns, we aim to increase capital efficiency.

<b>Mission</b>	◆ <b>Creating new value through the power of chemicals and realizing increased corporate value through our contributions to society.</b>
<b>Basic strategies</b>	◆ <b>Through growth investments focused on ROI and thorough structural reforms, we will “Implement reforms toward an efficient business structure. –More than doubling our profit margin–”</b>
<b>Capital policy</b>	◆ <b>While valuing financial soundness, we will proactively implement policies focused on the balance between growth investment and shareholder returns.</b>
<b>ESG management</b>	◆ <b>We are contributing to society through the products and services demanded by the customers and social environment of the 2020s.</b>

### CSR activities to protect the corporate value

Key Issues	Actions to Implement
<b>Initiatives for environment</b>	<ul style="list-style-type: none"> <li>• Address climate change issues (participation to the Commitment to a Low Carbon Society of the Ministry of Economy, Trade and Industry)</li> <li>• Address preservation of biodiversity (promotion of preservation activities of forests and water resources)</li> </ul>
<b>Social activities</b>	<ul style="list-style-type: none"> <li>• Respond appropriately by promoting dialogue with consumers, business partners and local communities</li> <li>• Promote diversity, work-life balance and career program</li> <li>• Hold constructive dialogues with shareholders and investors and implement the timely and appropriate disclosure of information</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Enhance corporate governance (transition to a company with audit and supervisory committee)</li> <li>• Promote compliance-oriented management (system improvement, appropriate operations, education)</li> </ul>

### CSR activities to improve the corporate value

- ◆ **Pursuing four material issues to realize a sustainable society.**

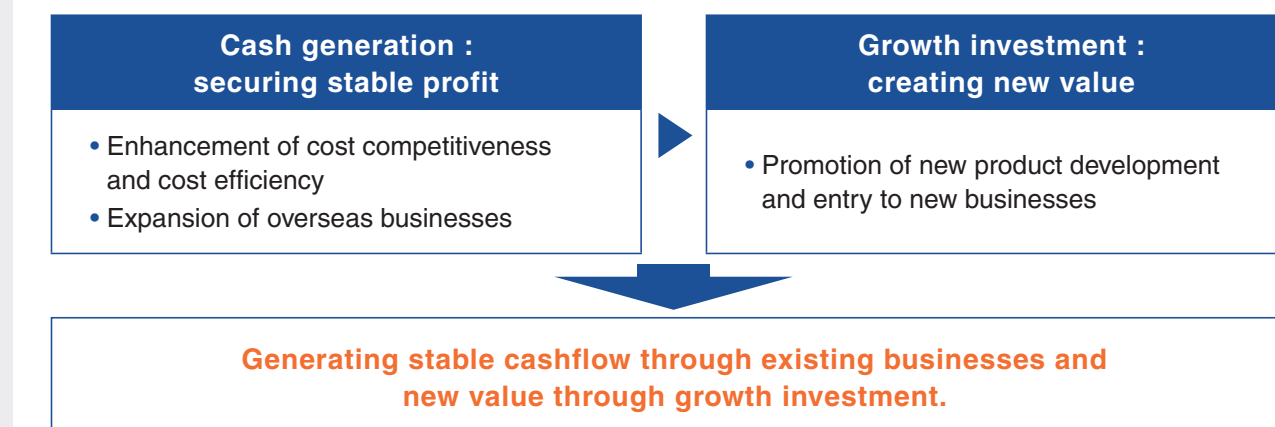
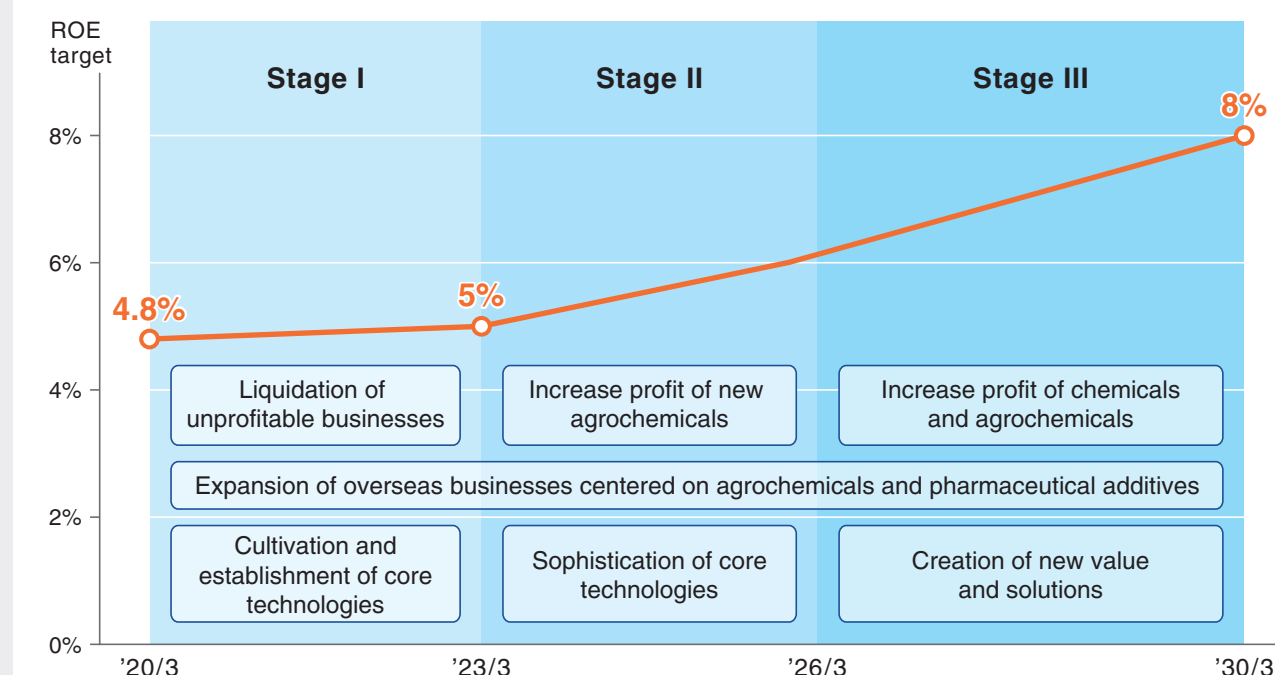
Agriculture	Healthcare	Environment	ICT
Securing food and sustainable agriculture	Healthy life to all people	Toward resource recycling society	Chemical functions to IT devices

### Key performance indicators (KPI)

- ◆ **We aim to implement management focused on investment efficiency aimed at increasing corporate value.**

ROS (operating margin)	<b>10% or more</b> ('20/3: 5.6%)
ROA (operating profit / total assets)	<b>7% or more</b> ('20/3: 3.8%) → Improve profitability and total asset turnover
ROE (profit / equity)	<b>8% or more</b> ('20/3: 4.8%) → Appropriate balance sheet control

### Road Map



**Basic Strategies** Through growth investments focused on ROI and thorough structural reforms, we will “Implement reforms toward an efficient business structure. –More than doubling our profit margin–”

Key Issues	Actions to Implement	Key Issues	Actions to Implement
<b>Enhancement of cost competitiveness and cost efficiency</b>	<ul style="list-style-type: none"> <li>Promote expansion of high-value-added businesses and liquidation of unprofitable businesses</li> <li>Pursue thorough streamlining in each department (management, research, production, sales and supply chain)</li> </ul>	<b>Expansion of overseas businesses</b>	<ul style="list-style-type: none"> <li>Promote expansion of existing businesses and the market development of new products and new businesses</li> <li>Consider collaboration with other companies</li> <li>Target of overseas sales ratio for 2030/3 : 40% (2020/3 result : 33%)</li> </ul>

Key Issues	Actions to Implement
<b>Promotion of new product development and entry to new businesses</b>	<ul style="list-style-type: none"> <li>By deepening and fusing proprietary technologies and through synergies created by introducing external technologies, we will improve our core technologies and proactively invest resources.</li> <li>We will create new businesses that envision the customers of the 2020s and beyond.</li> </ul>

The Nippon Soda Group has created multiple businesses in niche chemical fields backed by its proprietary technological strengths and maintained an earnings base that is resilient to various risks.  
We will continue to use these strengths as we work to provide new value creation and solutions.

## Business Strategies

**Chemicals**

- Generating cashflow in the healthcare field, investing in the rapidly growing ICT field, and expanding our business.
- Aiming to expand the special chemicals field using the strength of our technological capabilities.

Actions to Implement	Main Details
<b>Healthcare field</b>	<ul style="list-style-type: none"> <li>Accelerate sales expansion of the pharmaceutical additive “NISSO HPC” by targeting the expanding global pharmaceuticals market</li> <li>Expand our lineup by bringing new pharmaceutical additives to market</li> </ul>
<b>ICT field</b>	<ul style="list-style-type: none"> <li>Expand sales of resin additive “NISSO-PB” for 5G materials</li> <li>Aim to commercialize new products using the Company’s strong technology</li> </ul>
<b>Reform of business portfolio</b>	<ul style="list-style-type: none"> <li>Consider expansion into peripheral fields through M&amp;As and alliances</li> <li>Promote expansion of high-value-added businesses and liquidation of unprofitable businesses</li> </ul>

**Research, production and management**

- Pursuing structural reforms aimed at improving investment efficiency through workstyle reforms and the use of broad-based human resources.

Implementing Departments	Actions to Implement
<b>Research departments</b>	<ul style="list-style-type: none"> <li>Build an efficient research system(reorganization / enhancement of functions)</li> <li>Promote peripheral development and creation of new businesses in focused areas (enhancing technologies that we own, introducing external technologies through M&amp;As, partnerships, and cooperation)</li> <li>Promote digital transformation (AI, IoT, MI, etc.)</li> </ul>
<b>Production departments</b>	<ul style="list-style-type: none"> <li>Improve profitability through business structure reforms</li> <li>Promote digital transformation (AI, IoT, etc.)</li> </ul>
<b>Management departments</b>	<ul style="list-style-type: none"> <li>Group sharing of our IT platform, and promote digitalization</li> <li>Develop human resources and next-generation leaders to support sustainable growth</li> <li>Promote streamlining by centralizing management operations</li> </ul>

**Agro Products**

- Working to maintain and expand sales of existing products and new agrochemicals and focusing on the development of new agents for the next period.
- Improving profitability by streamlining business systems.

Actions to Implement	Main Details
<b>Maintenance and expansion of sales of existing products</b>	<ul style="list-style-type: none"> <li>Maintain sales through generic competition and by accurately responding to re-registration</li> <li>Expand sales through expansion of range of application</li> </ul>
<b>Expand sales of new agrochemicals Develop new agents</b>	<ul style="list-style-type: none"> <li>Expand sales of fungicide “PYTHILOCK”</li> <li>Launch and expand sales of acaricide “DANYOTE” and fungicide “MIGIWA”</li> <li>Aim for an early phase-up toward the full-scale development of pipeline agents under development</li> </ul>
<b>Streamline business systems Consider alliances</b>	<ul style="list-style-type: none"> <li>Improve profitability by enhancing the management of our production and sales systems</li> <li>Consider alliances in Japan and overseas</li> </ul>

**Others**

- Enhancing group-wide corporate value by promoting business activities using our strengths.

Operating Departments	Actions to Implement
<b>Trading</b>	<ul style="list-style-type: none"> <li>Focus on growth strategy fields and evolve into a trading company with the strengths to grow sustainably</li> <li>Enhance our overseas business based on our proprietary network with premium suppliers</li> <li>Develop the solutions business using our expertise and high-level information and proposal capabilities</li> </ul>
<b>Transportation and Warehousing</b>	<ul style="list-style-type: none"> <li>Develop a business specialized in high-value-added goods based on our expertise in storage and transportation of hazardous items, poisonous materials and pharmaceuticals</li> <li>Work toward further efficient use of the assets that we own</li> </ul>
<b>Construction</b>	<ul style="list-style-type: none"> <li>Increase sophistication of core technologies including powdered chemical handling technology and pharmaceutical GMP validation</li> <li>Promote developments of proprietary technologies and new technologies such as Milli Device</li> <li>Improve our engineering capabilities and operational productivity using AI and IoT technology</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>Strengthen our recycling business based on disposal technology for highly difficult waste and contribute to the formation of a recycling-based society</li> </ul>



## Medium-Term Business Plan “Brilliance through Chemistry Stage I” (Fiscal 2021 to Fiscal 2023)

- Basic objectives**
- Achieve ROE of 5% by increasing our asset efficiency and promoting aggressive capital policy
  - Promote expansion of high-value-added businesses and liquidation of unprofitable businesses

### Numerical targets

Indices	Numerical targets (FY2023)	
Profit	<b>¥7.0 billion</b>	(2020/3 : ¥6.76 billion)
ROE	<b>5%</b>	(2020/3 : 4.8%)
Capital investment	Investing ¥30.0 billion in capital investment in new businesses and to increase production.	
Shareholder return	Dividend payout ratio of 40% (However, the annual dividend must be a minimum of ¥80 per share.)	

- Improving ROIC (return on invested capital) and increasing ROE by continuously improving profitability and efficiency in each department.

### Capital Policy

While valuing financial soundness, we will proactively implement policies focused on the balance between growth investment and shareholder returns.

#### Growth investment

- ◆ **Implement proactive investments in products and businesses which increase our cashflow generation capability**

Investing ¥30.0 billion in capital investment in new businesses and to increase production. Considering M&As and business alliances to enhance and expand existing businesses and peripheral business fields.

#### Enhancement of asset efficiency

- ◆ **Focus on investment efficiency and appropriately control the balance sheet**

Liquidating products and businesses with decreased investment efficiency and thoroughly promoting appropriate investment risk evaluation. Implementing asset reevaluation from the standpoint of investment returns. (Including cross-shareholdings)

#### Shareholder return policy

- ◆ **Dividend payout ratio of 40% (However, the annual dividend must be a minimum of ¥80 per share.)**
- ◆ **As a shareholder return policy to complement dividends, we will flexibly implement the purchase of treasury shares.**

Starting in February 2020, we have been implementing the purchasing of treasury shares with an upper limit of a total of two million shares acquired and a total acquisition value of ¥5.0 billion (6.63% of total issued shares [excluding treasury shares]).

### Key Strategies

We are implementing various measures to enhance corporate value positioned as the first step in achieving our “Long-Term Vision.” (Stage I)

Implementing Departments	Actions to Implement
Chemicals	<ul style="list-style-type: none"> <li>• Promote further expansion of growth business areas Sales expansion of pharmaceutical additive “NISSO HPC” (30% increase of production capacity) Sales expansion of resin additive “NISSO-PB” for 5G materials</li> <li>• Promote liquidation of unprofitable businesses</li> </ul>
Agro Products	<ul style="list-style-type: none"> <li>• Promote launches and sales expansion of new agrochemicals Sales expansion of fungicide “PYTHILOCK” (start overseas sales) Launch and sales expansion of new acaricide “DANYOTE” and new fungicide “MIGIWA”</li> </ul>
Research and development	<ul style="list-style-type: none"> <li>• Create new businesses Commercialization of new polymer for the ICT field Early phase-up toward the full-scale development of agrochemical pipeline agents under development</li> <li>• Establish core technologies and create a clear technology strategy and growth story</li> </ul>

**Generating stable cashflow through existing businesses and new value through growth investment.**

## ESG Management

Brilliance through  
Chemistry

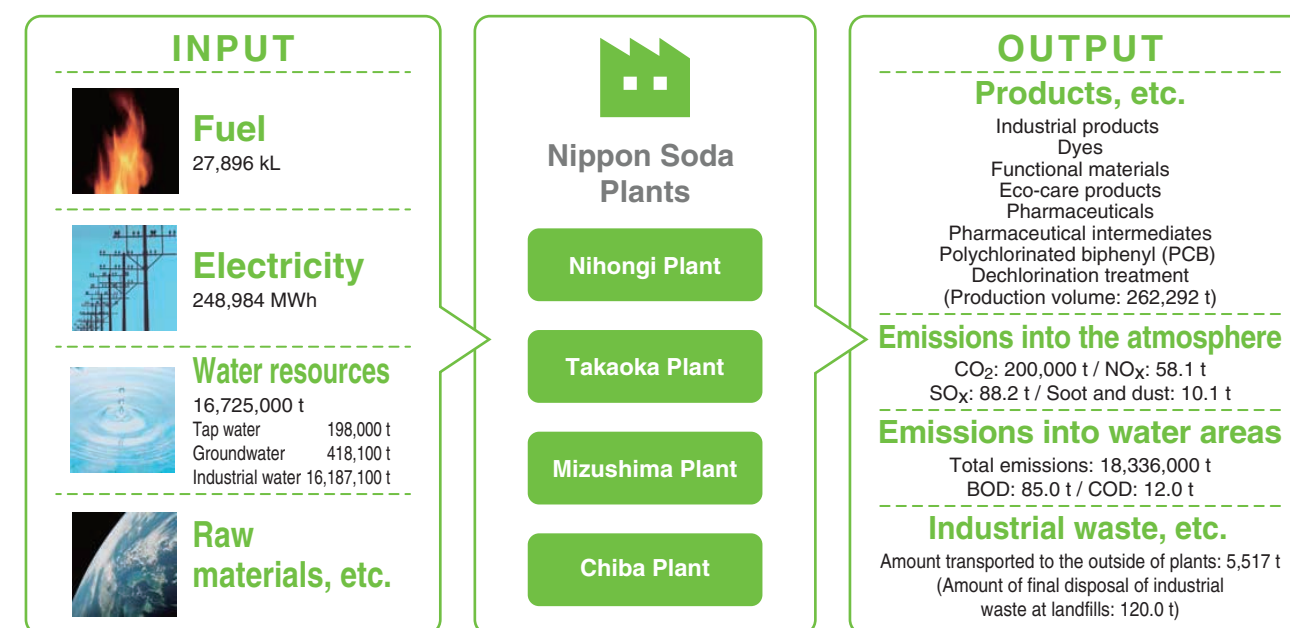
### Environmental Protection

#### Basic Concept

- ◆ Continuing efforts to prevent environmental pollution, complying with laws and regulations, and promoting other environmental activities
- ◆ Reduction of environmental impact associated with business operations (prevention of global warming, and reduction in waste generation and waste to landfills)
- ◆ Development of products and processes with lower environmental impact
- ◆ Adoption of environmental management systems (EMSs); reduction of energy consumption, while maintaining productivity

#### Major Environmental Impact

The environment impact of Nippon Soda’s four major plants in Japan in the fiscal year ended March 2020



#### Reduction of energy consumption

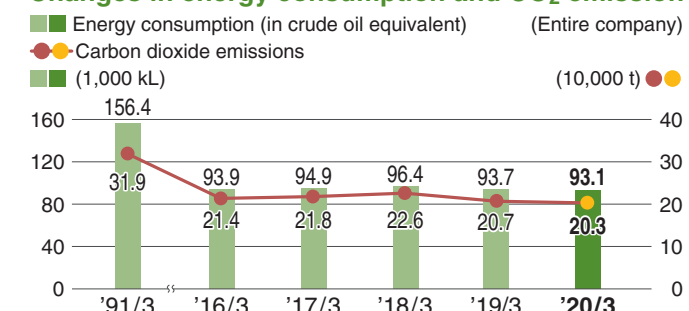
Efforts to prevent global warming is critical. Nippon Soda participates in the Commitment to a Low Carbon Society, a voluntary action plan promoted by the Japan Business Federation (Keidanren). Under the action plan, we are promoting energy saving to achieve the reduction targets for CO<sub>2</sub> emissions in the fiscal year ending March 2021.

- **Reduction of energy consumption and greenhouse gas emissions**  
Nippon Soda has been implementing measures to reduce greenhouse gas (GHG) emissions by improving efforts to improve its energy use per unit of production, such as improvements in production processes, adoption of energy-saving equipment, and saving power.

- **Use of renewable energy**  
Nihongi Plant performs small-scale hydraulic power generation. Generated electricity has been effectively used for production activities at the plant.

- **Promotion of energy saving by the Logistics Department**  
Nippon Soda has been making every effort to improve efficiency and reduce the environmental impact in terms of logistics through modal shifts, reducing the number of trips by using larger-sized shipping containers, and adjusting logistics distribution routes.

#### Changes in energy consumption and CO<sub>2</sub> emission



\* In FY 2010 and later, the amount of consumption at the Head Office, branches and other offices has been included. The data collection area at Chiba Plant was changed.

#### DBJ Environmental Rating 2019

We received an environmentally rated loan from the Development Bank of Japan (DBJ) in March 2020. Nippon Soda achieved the highest rate as advanced organization addressing environmental initiatives. DBJ's environmental rating is a system developed by DBJ. It is the world's first financing system that rates environmental management to select companies with outstanding performances and then sets financing terms based on their scores.



## Human Rights and Labor Practices

### Diversity policy

Nippon Soda considers it necessary for a corporate group to value diversity in order to generate new innovations and increase global competitiveness. In this context, we recognize the promotion of diversity as an important management strategy.

Efforts to promote diversity include transformation of our personnel systems to make full use of human

resources, improvement of the corporate culture and work environment, and implementation of other basic support systems. Through these efforts, we aim to become a company where global-minded, motivated, competent employees can enjoy working and can progress and develop regardless of gender, age, nationality, etc.

### Acceptance of diversity

More emphasis will be placed on hiring and employing candidates regardless of gender, age, nationality, ability or disability, and regardless of whether they are new graduates or mid-career hires, to create a more diverse organization.

A group of people with different values should give its members the incentive to broaden their outlook and change their viewpoint. Workplace diversity training programs that are designed for directors and executive officers, as well as other positions, are provided to help recognize diverse values and empower individuals and organizations to raise their awareness.

### Efforts to Protect Human Rights at the Workplace

The Nippon Soda Group Code of Conduct, which sets out the requirements that all employees of the Group must follow, clearly states the commitment to respect human rights and nondiscrimination and declares that we respect the individuality and personal characteristics of every employee and do not take any action that would result in discrimination. To maintain a healthy work environment free from harassment, we provide employees with rank-based training on relevant issues. A harassment complaint office is also available.

### External certifications

#### • Eruboshi certification (promoting opportunities for women to excel)

In 2018, we received certification from the Ministry of Health, Labour and Welfare (MHLW) as a company that excels in initiatives that promote the empowerment of women in the workplace.

#### • 2020 Certified Health & Productivity Management Outstanding Organizations Recognition (White 500)

We have positioned maintaining and promoting good health as a management issue, and have worked to support the health management of employees and their families.

In response to this initiative, we received certification for three consecutive years from the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi.



### Impact of COVID-19

#### • Risks related to COVID-19

Some of the Group's business segments, including products and services, are affected by economic fluctuations. So, if market conditions change significantly due to fluctuations in the economic environment caused by COVID-19, this may have an important impact on the Group's business performance.

#### • Initiatives against COVID-19

- (1) With the highest priority on preventing the spread of infection and ensuring the safety of employees, we will quickly determine and implement response proposals in line with the instructions and requests of the national government and relevant municipalities.
- (2) To maintain stable management and business continuity, we will establish a flexible workstyle and preserve our financial strength.

## Corporate Governance

### Basic Concept

Nippon Soda places primary importance on sound and transparent business management in compliance with the law. Our management philosophy is to contribute to social development by providing superior products through chemistry, to meet expectations from stakeholders, including shareholders, business partners, employees and local communities, and to promote environmentally conscious business practices and activities. Under this philosophy, Nippon Soda is committed to becoming a technology-oriented group that develops high-value-added products by making best use of proprietary technologies and expanding business internationally with a focus on chemistry. Nippon Soda recognizes the importance of good corporate governance to achieve this philosophy and to respond promptly and effectively to sudden changes in the business environment.

### Transition to a company with an audit & supervisory committee

At the annual general meeting of shareholders held this June, Nippon Soda transitioned to a company with an audit & supervisory committee.

With this transition, we will increase the effectiveness of the supervisory functions for the Board of Directors and aim to strengthen and accelerate business execution. We will also enhance the effectiveness of our governance system and promote sound development as a chemical company group needed by society.

### Third-party evaluation of the effectiveness of the Board of Directors (implemented in May 2019)

- ◆ Regarding our "Vision and Goals" 10-20 years in the future, we need to discuss what kind of strategies should be made into policies considering domestic and overseas trends in the chemical industry as well as future predictions.
- ◆ We need to consider increasing the number of Outside Directors to "select Outside Directors with varying skills and experiences and increase the oversight functions of the Board of Directors" and to "increase the ratio of Outside Directors to one third or more."
- ◆ While the current composition of the Board of Directors includes a balanced selection from different organizations and departments, in terms of gender and internationality, we currently rely on only one Outside Director (female), and we need to focus on development in that area.

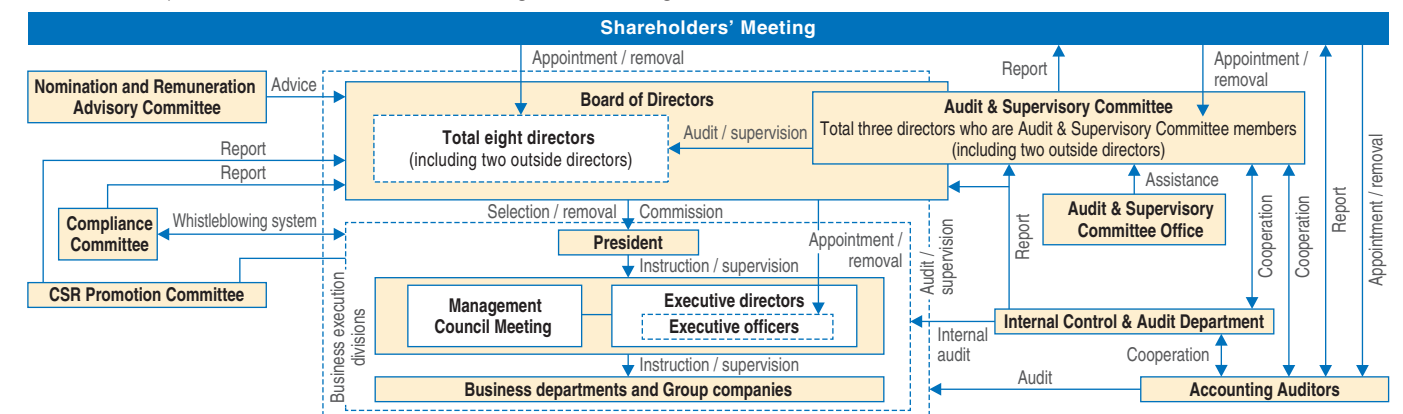
### Governance Structure

Corporate Governance System		
Board structure	Company with Audit & Supervisory Committee	
Committees	Nomination and Remuneration Advisory Committee	
Shareholder Rights		
Purchase of treasury shares	Board of Directors can make decisions without shareholder approval	
Appropriation of surplus	Matters to be resolved at general meeting of shareholders	
Adoption of anti-takeover measures	Not adopted	
	Directors (excluding Audit & Supervisory Committee Members)	Audit & Supervisory Committee Member
Term	1 Year	4 Years
Number of members	10 (maximum)	5 (maximum)
Removal requirements	Ordinary resolution	Special resolution

### Year-on-year comparison of outside directors, female directors, and average number of years in office

Percentage of outside directors 22.2% → 36.4%	Percentage of female directors 11.1% → 18.2%	Average number of years in office 1.9 year → 2.3 years
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Data was compiled after the shareholders' annual general meeting held this June.





Chemicals Division

2020/3 Results

Sales of industrial chemicals declined, despite the launch of secondary battery materials. Also, our consolidated subsidiary Alkaline SAS decreased in sales and profits.

As a result, for the fiscal year under review, the Chemicals Division posted net sales of ¥40,385 million (down 2.2% year on year) and operating profit of ¥2,217 million (down 9.6%).

By sub-segment, industrial chemicals posted lower sales with a decline in sales of caustic soda and sodium cyanide.

Sales of fine chemicals rose with the launch of secondary battery materials, despite lower sales of o-tolidine diisocyanate.

Sales of specialty chemicals slowed due to a decline in sales of the KrF photo resist material VP-Polymer and the resin additive NISSO-PB.

Sales of eco-care products posted sales similar to those in the previous fiscal year.

Sales of pharmaceuticals and industrial fungicides increased due to strong performances of the pharmaceutical additive NISSO HPC and pharmaceutical ingredients.

Net Sales

Operating Profit

Pharmaceutical Additive

NISSO HPC:

Resin Additive

NISSO-PB:

Photo Resist Material

VP-Polymer:

Applications: binder for pharmaceuticals and supplement tablets.  
Extremely high functionality: binding strength, moisture resistance, sustained release, etc.  
Added to steady demand in pharmaceutical market, demand in health food is increasing.  
Under construction to increase production capacity by 30%.

Applications: Used for various products, such as resin modifiers, electronic materials, adhesives, etc.  
Major feature: adds functionality to products, including less deterioration over time, water resistance, chemical resistance, and electrical properties.  
The demand for NISSO-PB is steady due to an increase in the adoption of copper-clad laminates for 5G base stations as well as the worldwide spreading of flexographic printing.

Applications: KrF photoresist material for semiconductors.  
This material is required for larger and faster semiconductors.  
Demand is increasing for 3D NAND memory.  
Completed construction to increase production capacity by 50% in 2018.

Agro Products Division

2020/3 Results

Although the sales of insecticide MOSPILAN for export increased, commission fees increased for studies associated with the development of new agrochemicals and the expansion of applications for existing products.

As a result, for the fiscal year under review, the Agro Products Division had net sales of ¥43,388 million (even, year on year) and operating profit of ¥2,240 million (down 2.2%).

Fungicides posted lower sales due mainly to a decrease in exports of TRIFMINE, although AGRI-MYCIN, which was acquired in the previous fiscal year, contributed to earnings.

Sales of insecticides and acaricides increased with growth in exports of the insecticide MOSPILAN.

Herbicides posted lower sales with decreased sales for export.

Net Sales

Operating Profit

Fungicide

PYTHILOCK:

Acaricide

DANYOTE:

Fungicide

MIGIWA:

New mode of action: highly effective against existing fungicide-resistant fungi.  
Launched in Japan and Korea; under development for vegetables in Europe and United States.  
Under development as seed treatment product for major crops.

New mode of action: no cross-resistance with existing acaricide.  
Less effect on beneficial insects and the natural enemies of pests.  
Construction of production facilities was completed in March 2020.  
In this fiscal year, planning to launch in Japan; under development in South Korea and the United States.

New mode of action: highly effective against existing fungicide resistance fungi.  
Wide spectrums: expecting to be major products.  
Under simultaneous development in Japan, United States, and Europe.  
Expecting to launch in 2021.

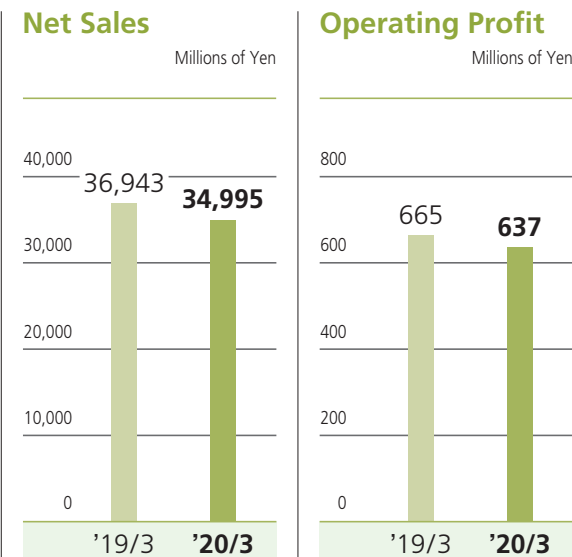
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## Trading Division

### 2020/3 Results

Net sales for the Trading Division for the fiscal year under review were ¥34,995 million (down 5.3% year on year) and operating profit was ¥637 million (down 4.3%), due to a decline in sales of raw material for urethane and inorganic chemicals.



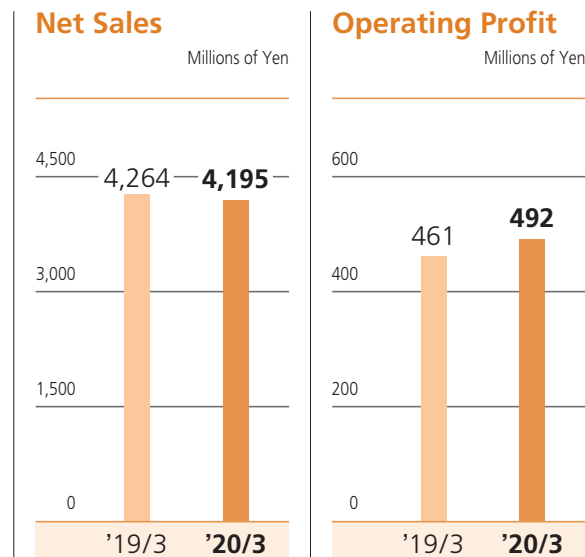
### Business Description

Chemical products, functional products, synthetic resins, industrial machines and devices, construction products

## Transportation/Warehousing Division

### 2020/3 Results

The Transportation and Warehousing Division recorded net sales of ¥4,195 million (down 1.6% year on year) and operating profit of ¥492 million (up 6.7%) for the fiscal year under review, reflecting solid results in the warehousing business, despite a decline in the transportation business.



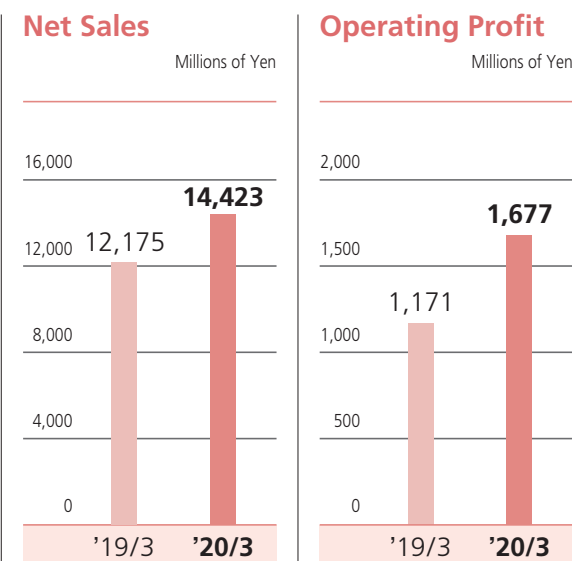
### Business Description

Transportation and warehousing of chemicals and hazardous items

## Construction Division

### 2020/3 Results

The Construction Division posted net sales for the fiscal year under review of ¥14,423 million (up 18.5% year on year), propelled by an increase in plant construction-related sales. Operating profit was ¥1,677 million (up 43.2%).



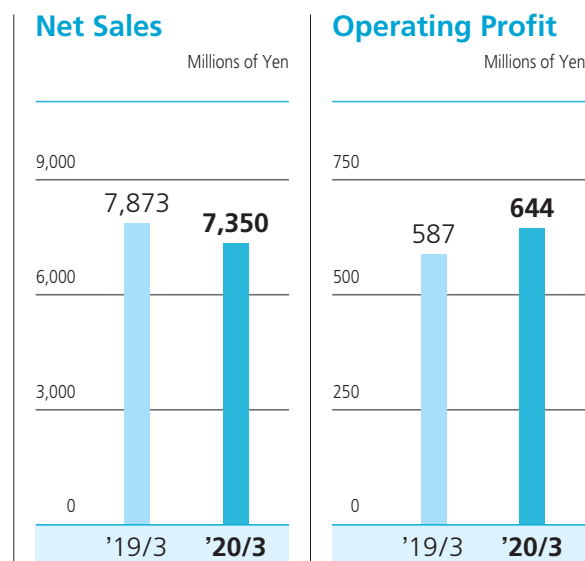
### Business Description

Plant construction, civil engineering

## Other Divisions

### 2020/3 Results

For the fiscal year under review, the Other Divisions category generated net sales of ¥7,350 million (down 6.6% year on year) and operating profit of ¥644 million (up 9.7%).



### Business Description

Non-ferrous metals, industrial waste treatment

## Consolidated Financial Highlights

Nippon Soda Co., Ltd. and its consolidated subsidiaries  
Fiscal years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2016/3	2017/3	2018/3	2019/3	2020/3	2020/3
Net sales	¥ 142,711	¥ 128,647	¥ 141,230	¥ 145,663	¥ 144,739	\$ 1,340,177
Gross profit	37,036	33,892	36,471	37,012	37,920	351,114
Selling, general and administrative expenses	29,620	28,526	30,080	29,105	29,785	275,790
Operating profit	7,415	5,365	6,390	7,906	8,135	75,324
Profit before income taxes	18,992	10,506	8,611	8,531	8,027	74,330
Profit attributable to owners of parent	14,313	8,785	6,378	5,802	6,759	62,591
Net assets	131,489	138,069	144,801	144,916	144,440	1,337,407
Total assets	220,587	217,302	219,457	216,212	210,556	1,949,593

Return on equity (%)	11.5	6.6	4.6	4.1	4.8
Return on assets* (%)	3.4	2.5	2.9	3.6	3.8
Operating margin (%)	5.2	4.2	4.5	5.4	5.6

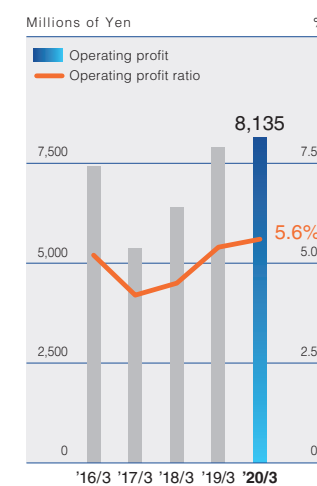
\*Return on assets is operating profit divided by total assets.

### Per Share Data

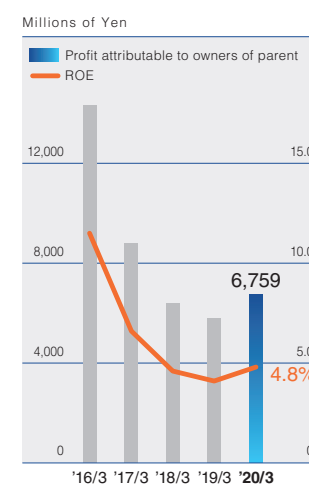
	Yen					U.S. Dollars
Net income per share	¥ 464.03	¥ 287.04	¥ 211.35	¥ 192.27	¥ 224.28	\$ 2.08
Net assets per share	4,144.56	4,485.10	4,698.59	4,698.10	4,734.24	43.84

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108=U.S.\$1.00 as of March 31, 2020.

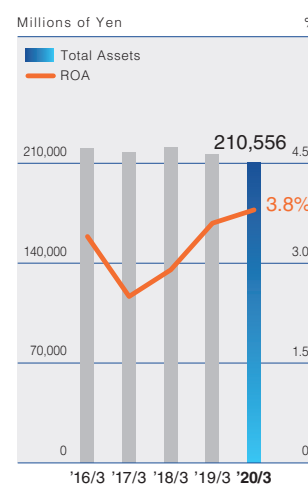
### Operating profit & Operating profit ratio



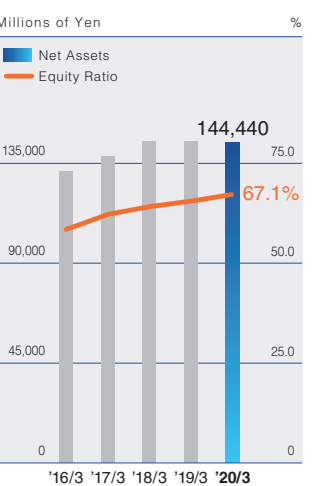
### Profit attributable to owners of parent & ROE



### Total Assets & ROA



### Net Assets & Equity Ratio



## Consolidated Balance Sheets (Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

Balance as of March 31	Millions of Yen		Thousands of U.S. Dollars
ASSETS	2019/3	2020/3	2020/3
<b>Current assets</b>			
Cash and deposits	¥ 16,565	¥ 17,229	\$ 159,534
Notes and accounts receivable—trade	47,860	41,063	380,221
Electronically recorded monetary claims—operating	2,795	2,514	23,284
Inventories	27,372	30,644	283,749
Other	4,500	4,865	45,052
Allowance for doubtful accounts	(199)	(200)	(1,860)
Total current assets	98,895	96,117	889,981
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	60,787	61,937	573,496
Accumulated depreciation	(42,704)	(43,590)	(403,615)
Buildings and structures, net	18,082	18,347	169,881
Machinery, equipment and vehicles	113,465	114,195	1,057,366
Accumulated depreciation	(93,201)	(96,140)	(890,189)
Machinery, equipment and vehicles, net	20,264	18,055	167,177
Tools, furniture and fixtures	11,579	11,793	109,196
Accumulated depreciation	(9,802)	(9,910)	(91,765)
Tools, furniture and fixtures, net	1,776	1,882	17,430
Land	15,111	14,909	138,053
Construction in progress	3,247	6,037	55,902
Other	210	1,636	15,150
Accumulated depreciation	(200)	(358)	(3,318)
Other, net	9	1,277	11,831
Total property, plant and equipment	58,491	60,509	560,276
<b>Intangible assets</b>			
Goodwill	249	13	120
Other	5,527	4,868	45,082
Total intangible assets	5,776	4,881	45,203
<b>Investments and other assets</b>			
Investment securities	39,307	35,436	328,117
Net defined benefit asset	8,767	7,816	72,378
Deferred tax assets	2,700	3,455	31,994
Other	2,272	2,338	21,653
Allowance for doubtful accounts	(0)	(1)	(12)
Total investments and other assets	53,048	49,046	454,132
<b>Total non-current assets</b>	117,316	114,438	1,059,612
<b>Total assets</b>	¥ 216,212	¥ 210,556	\$ 1,949,593

The financial statements are a translation of the Japanese annual securities report's financial statements.

Balance as of March 31	Millions of Yen		Thousands of U.S. Dollars
LIABILITIES	2019/3	2020/3	2020/3
<b>Current liabilities</b>			
Notes and accounts payable—trade	¥ 20,933	¥ 15,129	\$ 140,087
Electronically recorded obligations—operating	2,717	2,383	22,065
Short-term loans payable	15,501	14,420	133,524
Income taxes payable	1,258	993	9,194
Provision for bonuses	2,900	2,953	27,347
Other	6,806	6,392	59,192
Total current liabilities	50,118	42,272	391,412
<b>Non-current liabilities</b>			
Long-term loans payable	10,604	13,514	125,132
Deferred tax liabilities	4,364	3,200	29,632
Net defined benefit liability	2,468	2,634	24,395
Provision for environmental measures	724	543	5,030
Other	3,014	3,951	36,584
Total non-current liabilities	21,177	23,843	220,773
<b>Total liabilities</b>	71,295	66,116	612,186
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital stock	29,166	29,166	270,061
Capital surplus	29,359	29,359	271,845
Retained earnings	80,166	85,111	788,071
Treasury shares	(2,250)	(3,184)	(29,484)
Total shareholders' equity	136,441	140,453	1,300,494
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	7,220	4,959	45,919
Deferred gains or losses on hedges	(163)	(163)	(1,517)
Foreign currency translation adjustment	(2,100)	(3,491)	(32,324)
Remeasurements of defined benefit plans	373	(465)	(4,310)
Total accumulated other comprehensive income	5,328	838	7,767
<b>Non-controlling interests</b>	3,146	3,147	29,145
<b>Total net assets</b>	144,916	144,440	1,337,407
<b>Total liabilities and net assets</b>	¥ 216,212	¥ 210,556	\$ 1,949,593

The financial statements are a translation of the Japanese annual securities report's financial statements.



Consolidated Statements of Income  
(Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

For the fiscal years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2019/3	2020/3	2020/3
Net sales	¥ 145,663	¥ 144,739	\$ 1,340,177
Cost of sales	108,651	106,818	989,062
Gross profit	37,012	37,920	351,114
Selling, general and administrative expenses	29,105	29,785	275,790
Operating profit	7,906	8,135	75,324
Non-operating income	1,897	3,252	30,114
Interest income	33	21	198
Dividends income	752	679	6,289
Share of profit of entities accounted for using equity method	—	1,841	17,048
Foreign exchange gain	190	—	—
Rental income	218	209	1,938
Other	703	501	4,639
Non-operating expenses	915	1,074	9,950
Interest expenses	248	230	2,132
Share of loss of entities accounted for using equity method	1	—	—
Foreign exchange loss	—	250	2,318
Other	664	593	5,499
Ordinary profit	8,888	10,312	95,488
Extraordinary income	7	108	1,006
Gain on sales of investment securities	—	58	546
Gain on sales of non-current assets	7	49	460
Extraordinary losses	364	2,393	22,164
Loss on abandonment of non-current assets	179	367	3,400
Loss on sale of investment securities	1	158	1,469
Impairment loss	68	1,609	14,905
Loss on valuation of investments in capital of subsidiaries and associates	85	—	—
100th anniversary expenses	—	187	1,731
Other	29	70	656
Profit before income taxes	8,531	8,027	74,330
Income taxes - current	1,863	1,656	15,342
Income taxes - deferred	601	(593)	(5,494)
Total income taxes	2,464	1,063	9,847
Profit	6,066	6,964	64,482
Profit attributable to non-controlling interests	263	204	1,891
Profit attributable to owners of parent	¥ 5,802	¥ 6,759	\$ 62,591

The financial statements are a translation of the Japanese annual securities report's financial statements.

Consolidated Statements of Comprehensive Income

Nippon Soda Co., Ltd. and its consolidated subsidiaries

For the fiscal years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2019/3	2020/3	2020/3
Profit	¥ 6,066	¥ 6,964	\$ 64,482
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,410)	(2,288)	(21,191)
Deferred gains or losses on hedges	(154)	60	560
Foreign currency translation adjustment	(397)	(632)	(5,857)
Remeasurements of defined benefit plans	(103)	(834)	(7,728)
Share of other comprehensive income of entities accounted for using equity method	(1,991)	(951)	(8,805)
Total other comprehensive income	(4,058)	(4,646)	(43,022)
Comprehensive income	2,007	2,317	21,460
Comprehensive income attributable to owners of parent	1,790	2,269	21,016
Comprehensive income attributable to non-controlling interests	¥ 216	¥ 47	\$ 443

The financial statements are a translation of the Japanese annual securities report's financial statements.

Consolidated Statements of Changes in Net Assets  
(Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

Millions of Yen												
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2018	¥ 29,166	¥ 29,359	¥ 76,179	(¥ 2,235)	¥ 132,469	¥ 8,614	¥ 7	¥ 249	¥ 470	¥ 9,340	¥ 2,991	¥ 144,801
Changes of items during the period												
Dividends of surplus			(1,815)		(1,815)							(1,815)
Profit attributable to owners of parent			5,802		5,802							5,802
Purchase of treasury shares				(17)	(17)							(17)
Disposal of treasury shares		(0)		2	2							2
Net changes of items other than shareholders' equity (net)						(1,393)	(171)	(2,350)	(96)	(4,011)	154	(3,857)
Total changes of items during period	—	(0)	3,987	(15)	3,972	(1,393)	(171)	(2,350)	(96)	(4,011)	154	114
Balance as of March 31, 2019	¥ 29,166	¥ 29,359	¥ 80,166	(¥ 2,250)	¥ 136,441	¥ 7,220	(¥ 163)	(¥ 2,100)	¥ 373	¥ 5,328	¥ 3,146	¥ 144,916
Changes of items during the period												
Dividends of surplus			(1,814)		(1,814)							(1,814)
Profit attributable to owners of parent			6,759		6,759							6,759
Purchase of treasury shares				(938)	(938)							(938)
Disposal of treasury shares		(0)		5	5							5
Net changes of items other than shareholders' equity (net)						(2,260)	0	(1,390)	(838)	(4,490)	1	(4,488)
Purchase of treasury shares	—	(0)	4,944	(933)	4,011	(2,260)	0	(1,390)	(838)	(4,490)	1	(476)
Balance as of March 31, 2020	¥ 29,166	¥ 29,359	¥ 85,111	(¥ 3,184)	¥ 140,453	¥ 4,959	(¥ 163)	(¥ 3,491)	(¥ 465)	¥ 838	¥ 3,147	¥ 144,440

Thousands of U.S. Dollars												
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2019	\$ 270,061	\$ 271,845	\$ 742,285	(\$ 20,841)	\$ 1,263,350	\$ 66,854	(\$ 1,518)	(\$ 19,451)	\$ 3,457	\$ 49,341	\$ 29,130	\$ 1,341,823
Changes of items during the period												
Dividends of surplus			(16,804)		(16,804)							(16,804)
Profit attributable to owners of parent			62,591		62,591							62,591
Acquisition of treasury stock				(8,691)	(8,691)							(8,691)
Disposal of treasury shares		(0)		48	48							48
Net changes of items other than shareholders' equity (net)						(20,934)	1	(12,872)	(7,768)	(41,574)	15	(41,559)
Total changes of items during period	—	(0)	45,786	(8,642)	37,143	(20,934)	1	(12,872)	(7,768)	(41,574)	15	(4,415)
Balance as of March 31, 2020	\$ 270,061	\$ 271,845	\$ 788,071	(\$ 29,484)	\$ 1,300,494	\$ 45,919	(\$ 1,517)	(\$ 32,324)	(\$ 4,310)	\$ 7,767	\$ 29,145	\$ 1,337,407

The financial statements are a translation of the Japanese annual securities report's financial statements.

## Consolidated Statements of Cash Flows (Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

For the fiscal years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2019/3	2020/3	2020/3
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 8,531	¥ 8,027	\$ 74,330
Depreciation	6,966	7,578	70,175
Amortization of goodwill	235	236	2,186
Impairment loss	68	1,609	14,905
Share of (profit) loss of entities accounted for using equity method	1	(1,841)	(17,048)
Increase (decrease) in provision for bonuses	131	54	503
Increase (decrease) in allowance for doubtful accounts	(5)	9	86
Decrease (increase) in net defined benefit asset	(591)	(483)	(4,480)
Increase (decrease) in net defined benefit liability	(67)	48	450
Increase (decrease) in provision for environmental measures	(179)	(181)	(1,681)
Interest and dividends income	(785)	(700)	(6,487)
Interest expenses	248	230	2,132
Loss on abandonment of non-current assets	189	381	3,532
Loss(gain) on valuation of investment securities	19	22	211
Loss(gain) on sales of investment securities	1	99	923
Decrease (increase) in notes and accounts receivable - trade	(4,430)	6,797	62,936
Decrease (increase) in inventories	99	(3,383)	(31,332)
Increase (decrease) in notes and accounts payable - trade	1,970	(5,941)	(55,016)
Other	(417)	545	5,052
Subtotal	11,986	13,108	121,379
Interests and dividend received	1,588	1,350	12,504
Interest expenses paid	(250)	(231)	(2,140)
Income taxes paid	(1,648)	(1,778)	(16,467)
Net cash provided by operating activities	11,677	12,449	115,276
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(8,526)	(10,481)	(97,054)
Proceeds from sales of property, plant and equipment	166	236	2,191
Purchase of intangible assets	(588)	(404)	(3,742)
Purchases of investment securities	(80)	(51)	(481)
Proceeds from sales of investment securities	0	498	4,619
Purchases of shares of subsidiaries and associates	(931)	—	—
Proceeds from sales of investments in capital of subsidiaries and associates	112	—	—
Payments for loans receivable	(134)	(17)	(163)
Collection of loans receivable	25	51	473
Payments for retirement of property, plant and equipment	(124)	(186)	(1,729)
Payments for acquisition of businesses	(5,229)	—	—
Other	29	(43)	(401)
Net cash provided by (used in) investing activities	(15,280)	(10,399)	(96,288)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	(942)	(245)	(2,272)
Proceeds from long-term loans payable	119	4,673	43,274
Repayments of long-term loans payable	(4,813)	(2,525)	(23,384)
Cash dividends paid	(1,809)	(1,810)	(16,760)
Purchase of treasury shares	(18)	(940)	(8,704)
Other	(70)	(313)	(2,904)
Net cash used in financing activities	(7,534)	(1,161)	(10,753)
<b>Translation differences on cash and cash equivalents</b>	89	(225)	(2,086)
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,049)	664	6,148
<b>Cash and cash equivalents at beginning of period</b>	27,585	16,536	153,111
<b>Cash and cash equivalents at end of period</b>	¥ 16,536	¥ 17,200	\$ 159,259

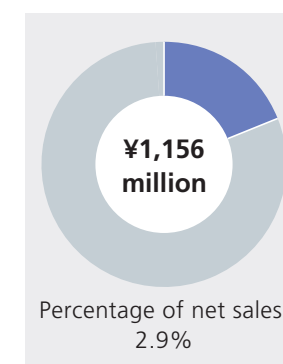
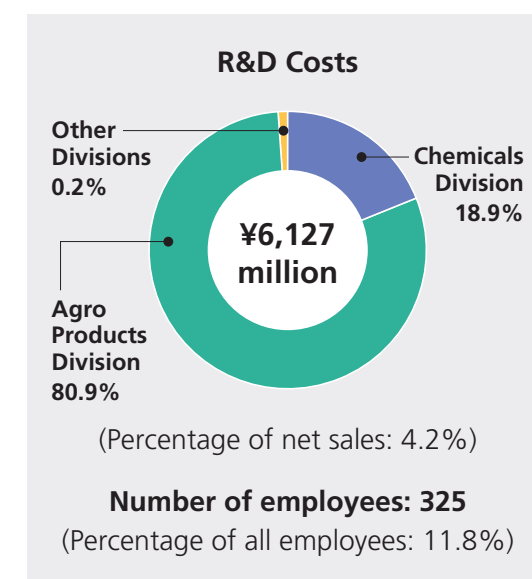
The financial statements are a translation of the Japanese annual securities report's financial statements.

## Research and Development

The Nippon Soda Group carries out R&D guided by the keywords “fusion of knowledge,” “fusion of technology,” and “global.” The goal is to develop a range of chemicals that use functional materials and precision synthesis technology in the Chemicals Division and new agrochemicals in the Agro Products Division. These developments will propel the development of high-value-added products based on distinctive, proprietary technology.

Also, in anticipation of changes in our operating environment, we are aiming to further strengthen and expand our current product lineup; to develop new products in priority directive fields on the periphery of our existing businesses; to strengthen the technical capabilities of Group companies across the board through technical cooperation with affiliates; and to create new businesses by entering new technological fields and by capitalizing on our existing technologies.

The segment-specific status of R&D in the fiscal year ended March 2020 shown below.

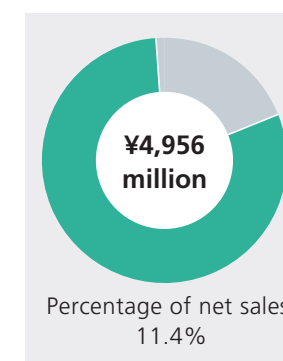


### Chemicals Division

Our R&D for functional materials leverages our technical expertise in areas such as new polymer materials created through fine polymerization technology, new absorbents for recovering valuable resources, organic electro-luminescence materials, and other cutting-edge materials.

We are also striving to enter new fields, while enhancing the competitiveness of the Group's distinctive existing products, including cellulose derivatives, liquid polybutadiene products, chemical developer agents, environmental chemistry-related products such as eco-care products, photocatalysts, and biocides, as well as organometallic-related products.

For precise synthetics, we are developing important intermediates that employ our distinctive raw materials, such as phosgene, hydrocyanic acid, and metallic sodium. We also intend to create new products by developing new manufacturing technologies.



### Agro Products Division

Given the growing concern over the safety and reliability of foods, our R&D is focusing on low residual agrochemicals for farming and gardening that work effectively even at low doses.

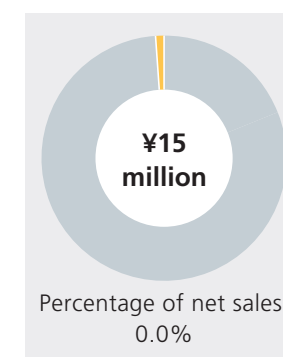
We are pushing ahead with the development of Picarbutrazox (NF-171), a fungicide with outstanding effects against downy mildew and Pythium blight, for overseas markets including Europe and the US. The main uses include foliar spraying on cucurbits and leafy vegetables as well as seed treatment for major grain crops.

In the Japanese market, we are preparing to launch Acynonapyr (NA-89), an acaricide with a new mode of action.

The development of Kinoprol (NF-180), a fungicide effective against a broad spectrum of diseases, is going smoothly and we are currently conducting studies for registration around the world.

We are also diligently conducting research to advance the phase of development of promising compounds related to the above-mentioned agents.

Among our biological pesticides Agrocure and Masterpiece are selling well. Going forward, we will continue working to improve our line of biological agrochemicals that capitalize on the diverse strengths of microorganisms.



### Other Divisions

In the environmental development business, our research is looking into ways to improve resource recycling for a range of difficult-to-process industrial waste.



# Global Network

## Overseas Group Companies

Sumi Agro Ltd.  
Japan Agro Service (JAS) S.A.  
Certis Europe B.V.  
Nisso Chemical Europe GmbH  
Summit Agro Vietnam LLC.  
Bangkok  
Nisso Chemical India LLP  
Nippon Soda Trading (Shanghai) Co., Ltd.  
Nisso Namhae Agro Co., Ltd.  
Nisso Korea Co., Ltd.  
Novus International, Inc.  
Nisso America Inc.



Alkaline SAS

## Offices

**1 Tokyo Head Office**  
2-2-1, Ohtemachi, Chiyoda-ku,  
Tokyo 100-8165, Japan  
**Osaka Branch Office**  
3-4-10, Kourabashi, Chuo-ku,  
Osaka 541-0043, Japan  
**Sapporo Office**  
**Sendai Office**  
**Kanto Office**  
**Takaoka Office**  
**Fukuoka Office**  
**Bangkok Representative Office**

## Domestic Subsidiaries

**Chemicals**  
Nisso Fine Co., Ltd.  
Nisso Metallochemical Co., Ltd.  
Shin Fuji Kaseiyaku Co., Ltd.  
Nisso BASF Agro Co., Ltd.  
**Trading**  
Nisso Shoji Co., Ltd.  
Nisso Green Co., Ltd.  
**Logistics**  
Sanwa Soko Co., Ltd.  
Sanso Unyu Co., Ltd.  
**Engineering**  
Nisso Engineering Co., Ltd.  
**Civil Engineering and Construction**  
Nisso Construction Co., Ltd.  
**R&D Consultants**  
Nisso Chemical Analysis Service Co., Ltd.

\* Our company merged wholly consolidated subsidiary Joetsu Nisso Chemical Co., Ltd. on 1 April 2020.



Nisso Namhae Agro Co., Ltd.



Novus International, Inc.



Iharabras S.A.  
Indústrias Químicas

Nisso Brasileira Representação Ltda.



## Research Centers



**2 Odawara Research Center**  
345, Takada, Odawara,  
Kanagawa 250-0280, Japan



**3 Chiba Research Center**  
12-54, Goiminamikaigan, Ichihara,  
Chiba 290-0045, Japan

**Haibara Field Research Center**  
62-1, Sakabe, Makinohara,  
Shizuoka 421-0212, Japan

**Bandai Field Research Station**  
3967, Sarashina bikuniyama, Bandaimachi  
Yama-gun, Fukushima 969-3302, Japan



**4 Nihongi Plant**  
950, Fujisawa, Nakago-ku, Joetsu,  
Niigata 949-2392, Japan



**5 Takaoka Plant**  
300, Mukainohonmachi, Takaoka,  
Toyama 933-8507, Japan



**6 Mizushima Plant**  
2767-12, Kojima shionasu, Kurashiki,  
Okayama 711-0934, Japan



**7 Chiba Plant**  
12-8, Goiminamikaigan, Ichihara,  
Chiba 290-8530, Japan

# Corporate Data

(as of March 31, 2020)

<b>Name</b>	Nippon Soda Co., Ltd.	<b>Website</b>	https://www.nippon-soda.co.jp/e
<b>Head Office</b>	2-2-1, Ohtemachi, Chiyoda-ku, Tokyo 100-8165, Japan	<b>Established</b>	February 1, 1920
<b>Phone</b>	+81-3-3245-6054	<b>Capital</b>	¥29,166 million
<b>Fax</b>	+81-3-3245-6238	<b>Number of Employees</b>	1,313 (Consolidated: 2,744)

## Executives

(as of June 26, 2020)

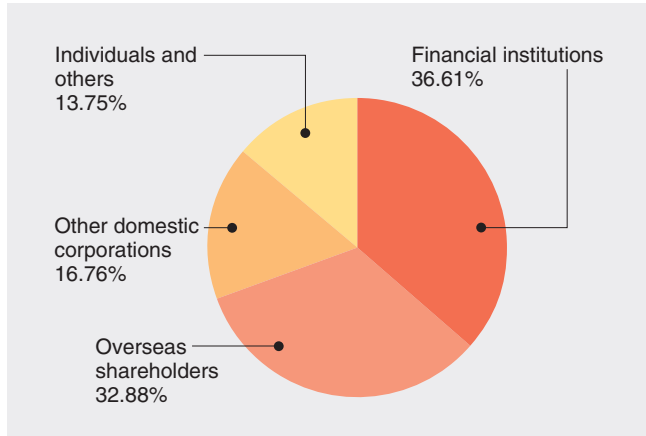
Representative Director, President		Directors		Executive Managing Officer	
Akira Ishii	(Male/Insider)	Junko Yamaguchi	(Female/Outsider)	Tateshi Tsujikawa	(Male/Insider)
Directors, Executive Managing Officers		Mitsuaki Tsuchiya	(Male/Outsider)	Executive Officers	
		Hiroyuki Uryu	(Male/Insider)		
		Directors, Audit & Supervisory Committee Members			
Nobuyuki Shimoide	(Male/Insider)	Keichi Aoki	(Male/Insider)	Atsuo Watanabe	(Male/Insider)
Izumi Takano	(Male/Insider)	Shigeo Ogi	(Male/Outsider)	Teruo Tachibana	(Male/Insider)
Kiyotaka Machii	(Male/Insider)	Yoko Waki	(Female/Outsider)	Shoichi Akagawa	(Male/Insider)
Director, Executive Officer				Masashi Mizoguchi	(Male/Insider)
				Osamu Sasabe	(Male/Insider)
Eiji Aga	(Male/Insider)			Osamu Shimizu	(Male/Insider)
				Kazunori Akatsuka	(Male/Insider)
				Nobuyuki Hori	(Male/Insider)

# Shareholder Information

(as of March 31, 2020)

Common Stock	
Authorized:	96,000,000 shares
Issued:	31,127,307 shares
Number of Shareholders:	13,371
Settlement Period	
March 31 every year	
Stock Listing	
Tokyo Stock Exchange, First Section	
Transfer Agent of Common Stock	
Mizuho Trust & Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-8507, Japan	

## Ownership among Shareholders



## Principal Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total Shares Issued (%)*
The Master Trust Bank of Japan, Ltd. (Trust account)	1,474	4.93
Japan Trustee Services Bank, Ltd. (Trust account)	1,375	4.60
Mitsui & Co., Ltd.	1,015	3.39
JP Morgan Chase Bank, 385632	951	3.18
Shareholding Members of Nippon Soda Clients	906	3.03
The Norinchukin Bank	884	2.96
JP Morgan Chase Bank, 380684	818	2.74
Mizuho Bank, Ltd.	816	2.73
Interactive Brokers LLC	756	2.53
BNP Paribas Securities Services Luxembourg/JASDEC/Janus Henderson Horizon Fund	652	2.18

\*1 The Company's 1,211,717 treasury shares were excluded from the above principal shareholders. Treasury shares do not include the 70,840 shares held in a share benefit trust for officers.

\*2 Treasury shares were subtracted before calculating the percentage of total shares issued.



## NIPPON SODA CO., LTD.

2-2-1, Ohtemachi, Chiyoda-ku  
Tokyo 100-8165, Japan  
<https://www.nippon-soda.co.jp/e/>