



# ANNUAL REPORT 2019

For the fiscal year ended March 31, 2019



**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.

Chemicals  
Division

Agro  
Products  
Division

Trading  
Division

*Nisso*

Transportation/  
Warehousing  
Division

Construction  
Division

Other  
Divisions

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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.



**We will push ahead  
with efforts to bolster  
our business  
foundation and further  
increase our  
corporate value**



**Akira Ishii** President

### Operating environment and results for the fiscal year ended March 31, 2019 (FY 2019)

Despite remaining on a gradual recovery track supported by improvements in employment and corporate earnings, the outlook for the Japanese economy in the fiscal year ended March 2019 remained unpredictable due to uncertainty in overseas markets, exchange rate fluctuations, and other factors caused by trade issues, including US-China trade friction.

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

In the Chemicals Division, although higher prices for raw materials and fuel had an impact, price increases introduced by the Group and higher demand resulted in strong sales for industrial chemicals and pharmaceuticals. Also, revenues rose at our consolidated French subsidiary Alkaline SAS.

In the Agro Products Division, there were production delays with the purchasing of raw

materials lagging behind schedule due to tighter environmental regulations in China and the impact of higher raw fuel prices. On the other hand, there were both lower R&D costs and commission fees for studies associated with the development of new agrochemicals and with an increasing number of applications for existing products. Also, Zoetis Japan, Inc., our acquisition in the plant health business, contributed to earnings.

For the Group's business overall, while the Trading, Transportation and Warehousing, and Construction Divisions posted increased sales compared with the previous fiscal year, profits were down due to higher purchasing costs and other factors in the Construction Division.

As a result, for the fiscal year under review, consolidated net sales rose 3.1% year on year to ¥145,663 million, while operating profit gained 23.7% to ¥7,906 million. Ordinary profit, however, declined by 3.4% to ¥8,888 million, pulled down by a fall in profits at the equity-method affiliate Novus International, Inc. and other factors. Profit attributable to owners of the parent decreased by

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## Interview with the President

9.0% to ¥5,802 million.

For shareholder returns, we issued an annual dividend of ¥60 per share (conversion after a reverse stock split), in order to maintain a consistent dividend yield while ensuring adequate funding for R&D and capital investments. As a

result, the dividend payout ratio for the fiscal year ended March 2019 was 31.2%. In the next fiscal year, we are planning an annual dividend of ¥70 per share (¥60 ordinary dividend plus ¥10 special dividend to mark the Group's centenary) with a payout ratio of 36.4%.

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### Current status of the medium-term business plan (April 2017 to March 2020) and issues for the future

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Under our medium-term business plan, the Group is working on expanding existing businesses with growth drivers at the center by promoting the creation and development of new businesses, and by strengthening the Group's business foundation. Moreover, we are treating the three years covered by the plan as a time to "strengthen our structure" for new periods of rapid growth beyond the final year of the plan, which coincides with the centennial of the Company's foundation. With that goal in mind, we are making every effort to strengthen our business foundation, setting the stage for even greater improvement in our corporate value.

#### 1) Expansion of existing businesses

In the Chemicals Division, sales of the pharmaceutical additive NISSO HPC, a key growth driver, have grown beyond our initial expectations. We have therefore decided to increase production capacity.

With the completion of work to expand production capacity of VP-Polymer, the KrF photo resist material, higher production has been contributing to revenue gains since the second half of the fiscal year under review.

In the chlor-alkali business, a basic business for Nippon Soda, profitability rose following revised caustic soda prices. With the aim of improving earnings even more, we are carrying out initiatives

to bolster our business structure by focusing on stronger sales of the water treatment chemical NISSO HI-CHLON as a measure to boost sales of chlorine products produced as a by-product.

In the Agro Products Division, the main pillar of growth is the development and launch of new agrochemicals developed in-house.

PYTHILOCK, a new class of fungicide launched in 2017, has been selling well in Japan and South Korea. We are developing it for use on vegetables in Europe and the US as well as for treating seeds for crops such as corn, soybeans, and wheat, also in Europe and the US.

Development is also on schedule for two agrochemicals in the pipeline. We are constructing a production plant for the new acaricide DANYOTE, having started development for the US and aiming for a product launch in 2020. We submitted an application for registration in Japan for the new fungicide NF-180. As it has a new mode of action, a broad scope of diseases, we expect NF-180 to become a major product.

Under the existing product lineup, while competition with generic agrochemicals is heating up for application on grains, especially overseas, we will continue to increase sales by differentiating products, including by developing mixed formulations.

In the Transportation and Warehousing Division, we are pursuing improved functionality and more



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added value to maintain high profit margins by specializing in three fields: hazardous materials, toxic substances, and pharmaceuticals. The completion of work to increase the storage capacity in the hazardous materials warehouse in the previous fiscal year is helping to boost income. We are also enhancing collaboration within the Group to reduce logistics costs.

In the Construction Division, the order backlog remains at a high level, supporting solid performance despite rising purchasing costs. Looking ahead, we will further develop the Group's core technologies, including powdered chemical handling technology, pharmaceutical GMP (good manufacturing practice) validations, and the Milli Device Series for chemical reactions.

## **2) Creation of new businesses and promotion of development**

For the creation of new businesses, the Chemicals Division has started full-scale sales of rechargeable battery materials.

We are also working on developing such items as dimethylpolysiloxane (a raw material for silicon carbide fiber), biodegradable polymers, and a new technology for absorbing phosphorus. Although these will not contribute to earnings in the short term, we will try to speed up their development to enter new fields, with an eye on the future.

## **3) Enhancement of the Group's business foundation**

To bolster the Group's overall strengths, we are studying way to restructure manufacturing-related Group companies to optimize their efficiency and to reduce costs.

Furthermore, through cooperation and integration of the accounting base within the Group, we will enhance governance and earnings management while also introducing a cash management system to improve fund management.

In capital investment, we completed work on a plant to expand production capacity of the KrF photo resist material VP-Polymer and have started work on manufacturing the new acaricide DANYOTE.

After looking into more investment to maintain and renew plant and equipment and to improve infrastructure development, we decided to continue with feasibility studies while exercising rigorous control over business operating costs and by pursuing only suitable investments.

For M&As and business alliances, acquisition of the plant health business of Zoetis Japan, Inc. was completed as the first phase of M&As under the medium-term business plan. This acquisition contributed to earnings from the second half of the fiscal year under review. We will continue to study intensely additional M&As and business alliances to help raise our corporate value.

We will also strive to increase the corporate value of each equity-method affiliate by responding appropriately to their business plans and capital policies.

## **4) Future outlook**

While we expect net sales to continue on an upward trend, we also anticipate that R&D costs and commission fees for studies — associated with the development of new agrochemicals and the maintenance and expansion of existing products — as well as other costs will remain high. We also expect equity in the earnings of affiliates to stay at a low level.

Achieving our current earnings forecast will be challenging, given the assumptions of our medium-term business plan (from April 2017 to March 2020), but we will continue to strive to improve business earnings and to create new businesses, the core themes of the medium-term business plan. We will also put our full strength into initiatives to further increase our corporate value.

### Forecast for the next fiscal year

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For the fiscal year ending March 2020, we are forecasting net sales of ¥153,000 million (up 5.0% year on year), operating profit of ¥7,000 million (down 11.5%), ordinary profit of ¥8,300 million (down 6.6%), and profit attributable to owners of the parent of ¥5,800 million (even, year on year). These figures assume exchange rates of ¥110 to the US dollar and ¥125 to the euro.

While net sales are rising, we are in a tough earnings environment, as R&D costs and

commission fees for studies related to the development of new agrochemicals are remaining at a high level.

We will therefore revise prices in the Chemicals Division, secure solid sales volume in the Agro Products Division, and otherwise develop united company-wide initiatives to improve our asset and cost efficiencies, in order to increase earnings to the highest degree possible.

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### Message to investors (including a summary of CSR initiatives)

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The fiscal year ending March 2020 is the final year of our current medium-term business plan. To achieve the objectives of this plan, we will strive to establish a solid business base with the aim of further enhancing our corporate value in the Company's centennial year (2020) and beyond.

At the same time, we are committing ourselves to practicing both CSR activities that protect corporate value and CSR activities that improve corporate value by pursuing sound development as a group of chemical companies that are needed in society.

For CSR activities that *protect* corporate value, we are working to strengthen our corporate governance and to promote diversity and work-life balance. For CSR activities that *improve* corporate value, keeping the UN's SDGs in mind, we are making every effort to address global issues through our Group's business activities, taking biodiversity and low-carbon products as new keywords alongside our primary domains of agriculture, health care, the environment, and

information.

Regarding shareholder returns, we will strive to issue consistent and continual dividends, aiming for a total return ratio of 30%, while securing funds for growth investments.


We are anticipating a difficult outlook: The environment surrounding the Nippon Soda Group could become increasingly intense and achieving the numerical targets set out in our medium-term business plan could be challenging. However, we are determined to push ahead decisively toward the new stage of the Company's centennial year and beyond.

To our investors, we look forward to your ongoing support and cooperation in the years ahead.












## Further Development of CSR Management

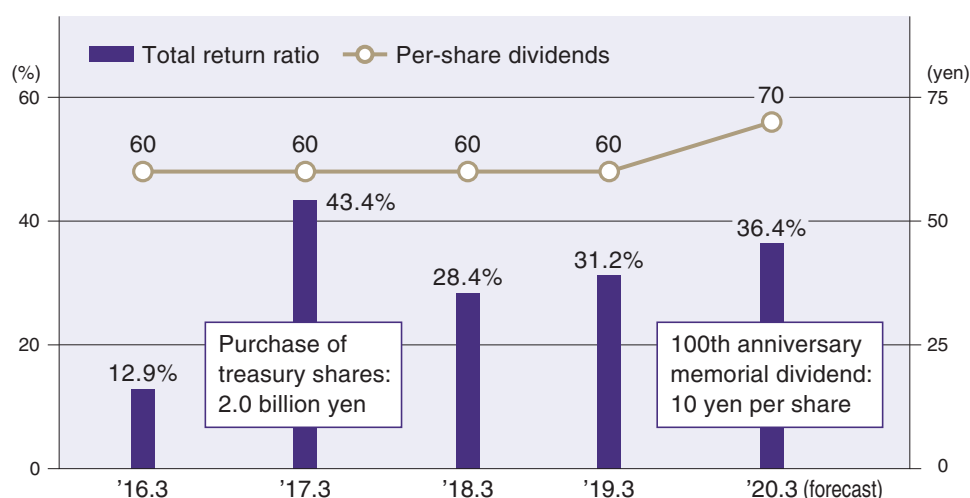
### (1) CSR activities to protect corporate value

<b>Improve corporate governance practices</b>	▶ Established nomination and remuneration advisory committee	
<b>Diversity and work-life balance</b>	▶ <i>Eruboshi</i> certification (promotion of opportunities for women to excel) 2019 Certified Health & Productivity Management Outstanding Organizations Recognition	

### (2) CSR activities to improve corporate value (creation of value for the Nippon Soda Group)

<b>Agriculture</b>	▶ Increasing global production of food and animal feeds, diversification of crop protection, increasing safety for users (Contribution to ensuring food safety and security using agrochemicals, contribution to sustainable agriculture)	
<b>Healthcare</b>	▶ Easy to take, effective medicine formulated with pharmaceutical additive NISSO HPC	
<b>Environment</b>	▶ Stabilize supply of water resources (chlorine disinfectant Nisso Hi-Chlon), reduction of substances with an environmental burden through waste treatment Contribute to sustainable plant protection (GREEN GUARD, an agent for preventing pine tree withering)	   
<b>Information</b>	▶ Provide high-performance materials friendly to people and the environment	
<b>Initiatives focusing on the next generation</b>	▶ Contribution to addressing climate change by supplying low-carbon products; R&D for the next generation (Biological agrochemicals, NISSO HPC, PCB detoxification treatment agents, biodegradable polymer research) Development of the next generation of human resources (Extension of the Nisso Academy for technology transfer and training to Group companies)	 

### Shareholder Return



# Medium-Term Business Plan (April 2017 to March 2020)

## Main Objectives

### Increase business earning power and create new businesses

- ▮ Expansion of existing businesses centered on growth drivers
- ▮ Creation of new businesses and promotion of development
- ▮ Enhancement of the Group's business foundation

## Targets for the fiscal year ending March 2020 (FY 2020)

Operating margin	6.5% or higher (8.0% or higher, excluding Trading Business)
Ordinary profit	¥13.0 billion (fiscal year ending March 31, 2020)
ROE	7.0% or higher
Investment (over three years)	¥50.0 billion Investment for growth = ¥10.0 billion Maintenance and renewal investments = ¥20.0 billion M&As, etc. = ¥20.0 billion
Total return ratio	30% (stable, sustained dividend payments; treasury stock acquisition)

## Vision: Centennial Year and Beyond

Improving the business foundation throughout the period of the medium-term business plan and engineering the leap to a new stage of “dynamic growth”

Medium-term business plan period		Centennial year and beyond	
Increase business earning power	Expand existing businesses	Agro Products	Significantly improve profitability through innovation and strengthen the product portfolio centered on new agrochemicals
	Create new businesses and promote their development		
Create new businesses	Enhance the Group's business foundation	Chemicals	Increase percentage of high-value-added products within the product lineup

## Progress of Medium-Term Business Plan

### Sales and profits

#### Net sales: As planned

- Steady sales

#### Operating profit: May not be achieved

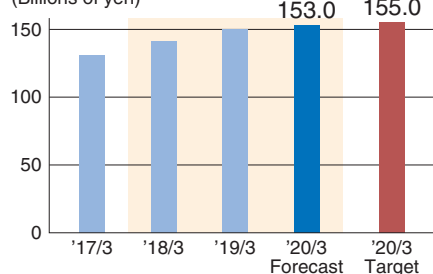
- M&As set out as a goal in the medium-term plan (pending)
- Price of raw materials and fuel skyrocketing
- R&D costs and commission fees for studies remain high

#### Ordinary profit: May not be achieved

- Equity-method return on investment declining

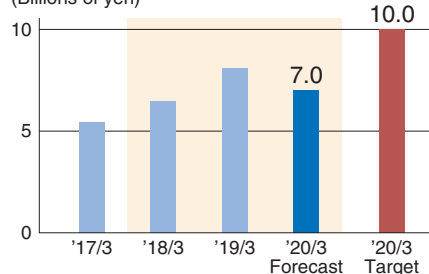
#### Net sales

(Billions of yen)



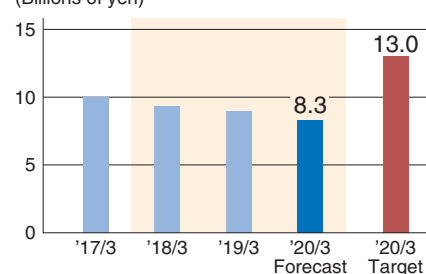
#### Operating profit

(Billions of yen)



#### Ordinary profit

(Billions of yen)





## Net sales and operating profit by segment

(Billions of yen)	'17/3 Results		'20/3 Forecast		'20/3 Plan Targets	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals Division	37.2	1.6	45.7	3.3	42.0	2.9
Agro Products Division	40.1	1.8	44.8	1.0	43.0	2.1
Trading Division	33.0	0.5	36.7	0.6	36.5	0.5
Transportation and Warehousing Division	4.0	0.4	4.2	0.5	4.5	0.5
Construction Division	8.0	0.6	14.0	0.9	14.0	1.0
Others	6.4	0.4	7.6	0.6	7.0	0.5
M&As and Business Alliances			*	*	8.0	2.5
Adjustments	—	0.1	—	0.3	—	—
<b>Total</b>	<b>128.6</b>	<b>5.4</b>	<b>153.0</b>	<b>7.0</b>	<b>155.0</b>	<b>10.0</b>

Note: sales and operating profit of Zoetis's plant health business are included in Agro Products Division.

## Improvement in ROIC

(Billions of yen)	'17/3	'18/3	'19/3	Each department's initiatives to boost corporate value
Net sales	128.6	141.2	145.7	Expansion of growth business (sales expansion of existing products, launch of new products), promotion of new projects
Cost of sales	94.8 73.7%	104.8 74.2%	108.7 74.6%	Enhancement of Group's business foundation (reform business structure, boost earning potential)
Selling, general and administrative expenses	28.5 22.2%	30.1 21.3%	29.1 20.0%	Improvement of operational efficiency, cost reduction <b>Reduced R&amp;D costs and commission fees for studies</b>
<b>Operating profit</b>	<b>5.4</b> <b>4.2%</b>	<b>6.4</b> <b>4.5%</b>	<b>7.9</b> <b>5.4%</b>	Target operational margin of 6.5% or more (8.0% or more when excluding Trading Business)
Notes and accounts receivable-trade	40.2 3.1 times	46.5 3.3 times	50.7 3.0 times	<b>Sales of agrochemicals concentrated in the fourth quarter</b> (due to delay in production with purchasing of raw materials lagging behind schedule)
Inventories	28.5 3.4 times	27.6 3.7 times	27.4 4.0 times	Reduction of inventories by appropriate inventory management <b>Inventories were reduced, even as raw material prices increased</b>
Notes and accounts payable-trade	17.4 5.4 times	21.8 5.3 times	23.7 4.8 times	
Working capital	51.3 2.5 times	52.3 2.7 times	54.4 2.7 times	
Non-current assets	110.2 1.1 times	114.9 1.3 times	117.3 1.3 times	Effective asset utilization, refinement/optimization of investment projects <b>Acquired plant health business of Zoetis Japan, Inc.</b>
<b>Invested capital</b>	<b>161.5</b> <b>0.7 times</b>	<b>167.2</b> <b>0.9 times</b>	<b>171.7</b> <b>0.9 times</b>	
<b>Pre-tax ROIC</b>	<b>3.3%</b>	<b>3.8%</b>	<b>4.6%</b>	Continual improvement of profitability and efficiency in every department to improve ROIC

## Investment

Plan to invest ¥50 Billion over three years to contribute to future growth

### Investment amount

Growth investment

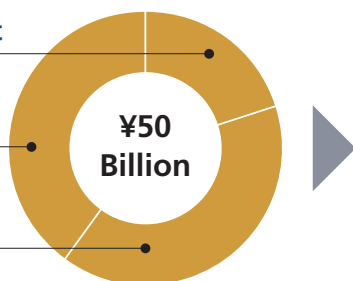
¥10 Billion

M&As, etc.

¥20 Billion

Maintenance/  
renewal investment

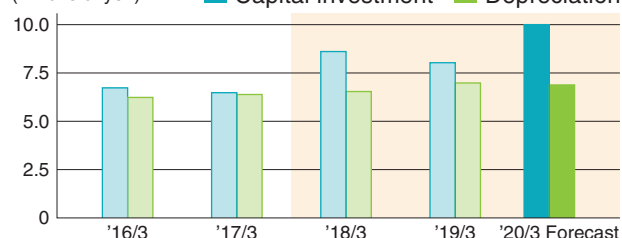
¥20 Billion



### Capital investment and depreciation

(Billions of yen)

■ Capital investment ■ Depreciation



### Growth investment

¥7.6  
Billion

Secondary battery materials production plant  
Photo resist material VP-Polymer production capacity increase  
New fungicide PYTHILOCK production plant  
New automated rack warehouse for hazardous materials (Transportation and Warehousing Division)  
New production technology research building (Takaoka Plant)  
New acaricide DANYOTE production plant, etc.

\*Started construction to increase production of pharmaceutical additive NISSO HPC (investment amount: ¥5.0 billion; operation to start in first half of FY 2021('21/3))

¥19.1  
Billion

### Maintenance\*/renewal investment

2018/3 result: ¥5.5 billion  
2019/3 result: ¥5.6 billion  
2020/3 forecast: ¥8.0 billion

\*Careful examination of profitability to ensure optimal investment

¥5.2  
Billion

### M&As

Acquired plant health business of Zoetis Japan, Inc.

\*Will continue to pursue M&As and business alliances that help increase corporate value

## Medium-Term Business Plan (April 2017 to March 2020)

### Expansion of existing businesses centered on growth drivers

#### (1) Chemicals Division

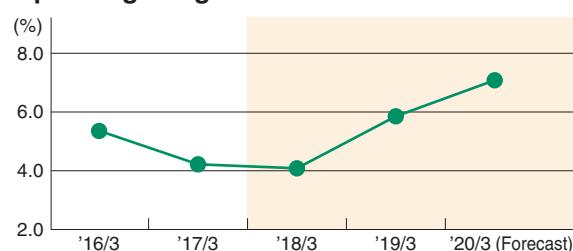
##### Expansion of growth business areas

Cellulose derivatives (pharmaceutical additive NISSO HPC)		▶	Began construction to increase production capacity (expected to start in first half of FY 2021)
Functional polymers	Resin additive NISSO-PB	▶	Steady sales for flexo printing
	KrF photo resist material VP-Polymer	▶	Completed construction to increase production (50% boost in capacity)
Alkaline SAS's sodium business		▶	Steady sodium sales Chlorine sales promotion project progressing

##### Upgrading foundational businesses (chlor-alkali business)

<ul style="list-style-type: none"> <li>• Maintain a procurement system for raw materials within the Group securing a stable supply and reasonable prices.</li> <li>• Initiatives to increase earning power of existing products by reducing business operating costs.</li> </ul>		▶	Increasing alkali earning potential (price revisions) Promoting sales of chloride
<ul style="list-style-type: none"> <li>• Current: Profitability improving steadily with expansion of high value-added products</li> <li>• Future: Further increase in share of high value-added products in product lineup</li> </ul>			

##### Operating margin of Chemicals Division



#### (2) Agro Products Division

##### Creation of new agrochemicals developed in-house

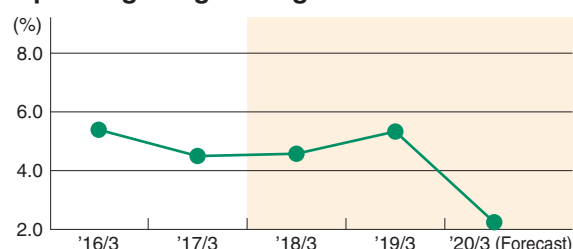
Fungicide PYTHILOCK (Launched in 2017)	▶	Launched in Japan and South Korea; under development for vegetables in Europe and the US (targeting US registration in 2020) Under development as seed treatment for crops such as corn, soybeans, and wheat in Europe and the US
Acaricide DANYOTE (Launch planned for 2020)	▶	New mode of action: little effect on natural enemies of mites and is not harmful to beneficial insects Production plant under construction, development for US market has begun
Fungicide NF-180 (Launch planned for 2021)	▶	New mode of action, effective for a broad range of crops and against a wide spectrum of diseases Simultaneous development in Japan and the West; studying the market in Asia and South America

##### Expand sales of existing products

Increase sales volume of main products	▶	Launched mixed formulation of the insecticide MOSPILAN in Brazil Pursuing further sales promotion through differentiation by developing new mixed formulations
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- Current: R&D costs and commission fees for studies are high for developing new agrochemicals
- Future: Aim for significant improvement in profitability through innovation and strengthening product portfolio centered on new agrochemicals (promote sales of new agrochemicals and reduce R&D costs)

##### Operating margin of Agro Products Division





### (3) Transportation and Warehousing Division

#### Expand business scale

<b>Enhance functionality and add value</b>	▶	Maintain high profitability by specializing in hazardous materials, toxic materials, and pharmaceuticals Built a new automated rack warehouse for hazardous materials (increased storage capacity)
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#### Building a stable Group-wide logistics network

<b>Group's logistics center</b>	▶	Started handling the Group's agrochemicals as a distribution hub for western Japan
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### (4) Construction Division

#### Promote differentiation, increase earnings potential

<b>Increase sophistication of core technologies</b>	▶	Powdered chemical handling technology Pharmaceutical GMP validation Milli Device series for chemical reactions (started delivery for mass production equipment)
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### ➡ Creation of new businesses and promotion of development

#### (1) Creation of new businesses

<b>Commercialization of new secondary battery materials</b>	▶	Started full-scale sales at the beginning of the current fiscal year
<b>Biodegradable polymer (polyamide 4)</b>	▶	Succeeded in developing an improved manufacturing process Promote R&D for mass production in the future
<b>Entering new business fields by using Group's distinctive materials and existing technologies</b>	▶	Permethyl polysilane (raw material for silicon carbide fiber) Anion adsorption material (phosphoric acid collection)

#### (2) Promotion of research and development

<b>Promotion of new product development and new commercialization</b> (Focusing on five priority business fields)	▶	Agrochemicals Launched fungicide PYTHILOCK in 2017 Launch of acaricide DANYOTE in 2020 Cellulose derivatives (pharmaceutical additive) Functional polymers Color developer for thermal paper Chemicals related to environmental protection
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### ➡ Enhancement of the Group's business foundation

#### (1) Enhance the Group's comprehensive strength

<b>Improve integration of each Group company's accounting system</b>	▶	Improve corporate governance Streamline profit management (Early identification of issues → rapid proposal → execution of countermeasures) Introduced cash management system
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#### (2) Enhance business management of equity-method affiliates

<b>Appropriate response to business plan and capital policy of Novus International, Inc.</b>	▶	Revised production expansion plan for methionine feed additives
<b>Promote sales of agrochemicals through Iharabras S.A. and Certis Europe B.V.</b>	▶	Launched mixed formulation of the insecticide MOSPILAN in Brazil

## Growth Drivers of the Company

### Pharmaceutical additive: NISSO HPC (hydroxypropyl cellulose)



#### Outlook

Features	Application
<ul style="list-style-type: none"> <li>Extremely high functionality (binding strength, moisture resistance, etc.)</li> <li>One of the few additives soluble in water and alcohol, and has a wide choice of manufacturing method</li> </ul>	<ul style="list-style-type: none"> <li>Molding of pharmaceuticals and supplements</li> <li>Thickener in food and personal care products</li> </ul>
<ul style="list-style-type: none"> <li>Demand for NISSO HPC is expected to increase due to the growth of emerging markets, the pharmaceutical market, and food applications as well as expansion in generic products.</li> </ul>	

### Resin additive: NISSO-PB



#### Outlook

Features	Application
<ul style="list-style-type: none"> <li>Nippon Soda's proprietary liquid polybutadiene, obtained by living anionic polymerization</li> <li>Superior water resistance, good chemical resistance, and electrical properties</li> </ul>	<ul style="list-style-type: none"> <li>Used in a wide variety of products, such as resin modifiers, electronic materials and adhesives</li> <li>Resin modifier for flexographic printing plates</li> </ul>
<ul style="list-style-type: none"> <li>Demand for NISSO-PB continues to grow due to an increase in the adoption of new applications for electronic materials as well as the worldwide spreading of flexo printing.</li> </ul>	

### Semiconductor photo resist material: VP-Polymer



#### Outlook

Features	Application
<ul style="list-style-type: none"> <li>Nippon Soda's proprietary polymer product, obtained by living anionic polymerization</li> <li>Excellent solubility</li> </ul>	<ul style="list-style-type: none"> <li>KrF photoresist material for semiconductors</li> </ul>
<ul style="list-style-type: none"> <li>The market for VP-Polymer is anticipated to grow in tandem with increasing demand for KrF photoresist on the back of change in semiconductors requirements, such as growing demand for 3D NAND flash memory.</li> </ul>	

### Agrochemicals (new products developed in-house)

Product (Scheduled year of launching)	Features	Sales target
<b>Fungicide PYTHILOCK (2017)</b>	<ul style="list-style-type: none"> <li>New class of fungicide</li> <li>Effective against existing fungicide-resistant fungi</li> <li>Potential for development of business for seed treatment overseas (corn, soybeans, wheat and barley, rapeseed, etc.)</li> </ul>	¥3.0 Billion
<b>Acaricide DANYOTE (2020)</b>	<ul style="list-style-type: none"> <li>New mode of action: no cross-resistance with existing acaricide</li> <li>No effect on beneficial insects and natural enemies</li> <li>Under development in Japan, South Korea, and US</li> </ul>	¥3.0 Billion
<b>Fungicide NF-180 (2021)</b>	<ul style="list-style-type: none"> <li>New mode of action: effective against existing fungicide-resistant fungi</li> <li>Broad range of crops and spectrum of diseases</li> <li>Under development in Japan, Europe, and US</li> </ul>	¥4.0 Billion



# CSR Activities

## Corporate Governance

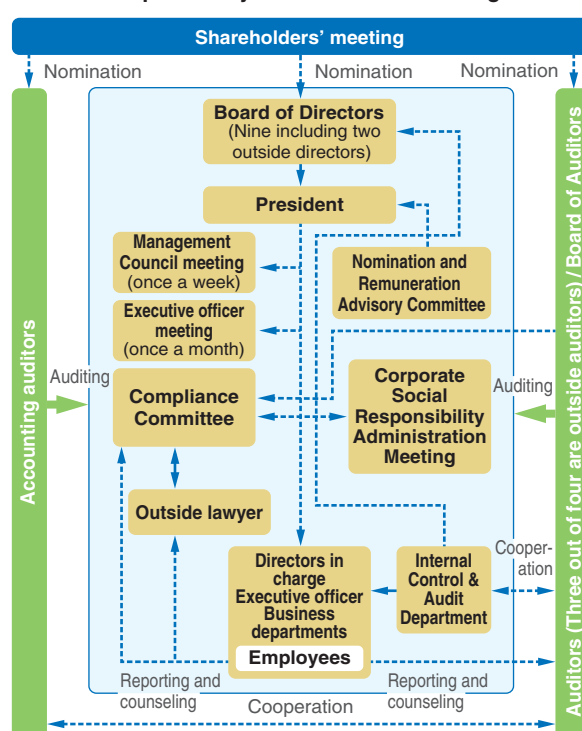
### Basic Concept

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.

### Governance System

<b>Board Structure</b>	Traditional two-tier board with Auditors Nomination and Remuneration Advisory Committee
<b>Directors</b>	
Term	1 year
Minimum/Maximum Number	3/10
Reduction or Release of Responsibilities	Outsiders only
Removal of Directors	Ordinary resolution
<b>Auditors</b>	
Term	4 years
Minimum/Maximum Number	3/5
Reduction or Release of Responsibilities	Outsiders only
Removal of Auditors	Special resolution
<b>Shareholder Rights</b>	
Share Buybacks	Board of Directors can make decisions without shareholder approval
Appropriation of Surplus	Matters to be resolved at General Meeting of Shareholders
Shareholder Proposals on Dividends	
Adoption of Anti-Takeover Measures	Not adopted

Corporate governance system and Corporate Social Responsibility Administration Meeting



### Directors

Name	Position	Classification	Gender	Tenure (years)
Akira Ishii	President (Representative)	Insider	Male	10
Toshimichi Okubo		Insider	Male	1
Tateshi Tsujikawa		Insider	Male	1
Nobuyuki Shimoide		Insider	Male	New
Izumi Takano		Insider	Male	New
Kiyotaka Machii		Insider	Male	New
Tetsuo Narukawa		Outsider	Male	3
Junko Yamaguchi		Outsider	Female	New
Hiroyuki Uryu		Insider	Male	2
		22.2% Outsiders	11.1% Female	1.9 (Average)

### Effectiveness Assessment of the Board of Directors

A questionnaire-based self-assessment is conducted every year to make appropriate business management decisions and to improve supervision. In the fiscal year ended March 2019, an outside institution was used to conduct a third-party assessment to ensure the neutrality and objectivity of the effectiveness assessment.

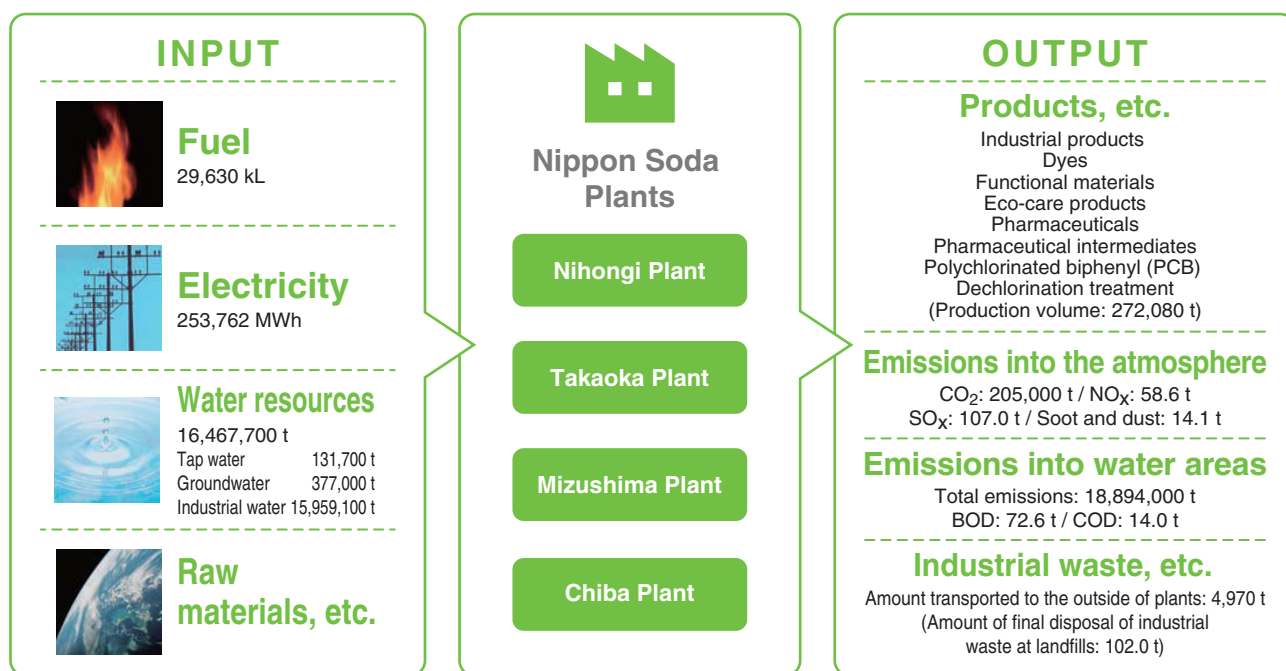
## Environmental Protection

### 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 impacts

The environment impact of Nippon Soda's four major plants in Japan in the fiscal year ended March 2019



### 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.

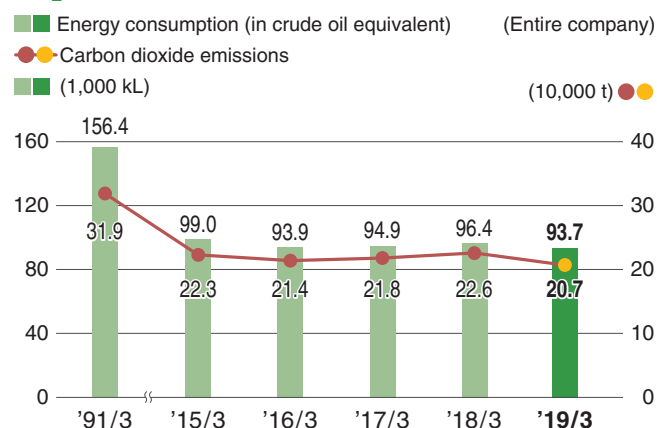
#### • Use of renewable energy

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.

## Human Rights and Labor Practices

### Basic Concept

- **Respect for the dignity and human rights of all people**
- **Understanding the diversity of cultures, customs, and values and zero tolerance for actions that result in discrimination**
- **With particular emphasis on promoting diversity and creating rewarding workplaces that all Nippon Soda employees can be proud of, we proactively review our personnel and operation systems to ensure the ongoing improvement of these systems**

### Promotion of Diversity

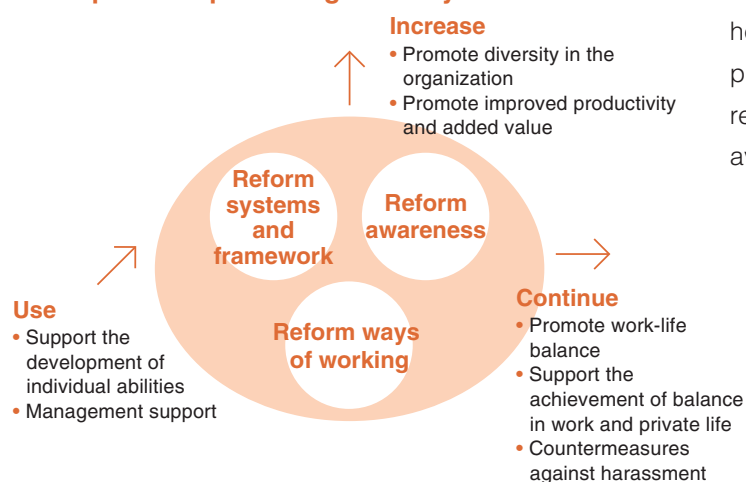
The aim of our Diversity Policy is to develop ourselves by providing diverse people, regardless of gender, age, nationality and presence or absence of disability, with opportunities to gather and exchange different ideas.

#### 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.

#### Three pillars of promoting diversity



### 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.



## Chemicals Division

### 2019/3 Results

Although higher prices for raw materials and fuel had an impact, price increases introduced by the Group and higher demand resulted in strong sales for industrial chemicals and pharmaceuticals. Also, revenues rose at our consolidated subsidiary Alkaline SAS.

As a result, for the fiscal year under review, the Chemicals Division posted net sales of ¥41,287 million (up 4.5% year on year) and operating profit of ¥2,451 million (up 50.3%).

Industrial chemicals posted higher sales with growth in sales of caustic soda and sodium cyanide.

Sales of fine chemicals rose with higher sales of products, such as color developer for thermal paper, despite a decline in sales of PCB detoxification treatment agents.

Sales of specialty chemicals were equivalent to the previous fiscal year due to a decline in sales of materials for the IT industry, despite a strong performance of the KrF photo resist material VP-Polymer and the resin additive NISSO-PB.

Eco-care products posted sales similar to those in the previous fiscal year.

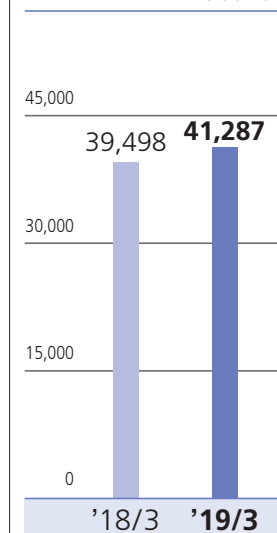
Sales of pharmaceuticals and industrial fungicides were increased by strong performance of the pharmaceutical additive NISSO HPC and pharmaceutical ingredients, despite a decline in sales of antiseptics.

### Business Description

The Chemicals Division is characterized by a diverse product lineup that draws on the use of proprietary technology. Its extensive array of products is employed in a wide range of areas. These include the liquid polybutadiene NISSO-PB, which is a specialty chemical created with unique technology; the NISSO HPC pharmaceutical additive, which has a solid reputation as a binding agent in the pharmaceuticals field, where needs are growing; and chlor-alkali products, which have been part of Nippon Soda's business since being founded. The Chemicals Division will continue to create high-quality, high-value-added products that are driven by special technology, while focusing on providing stable supplies.

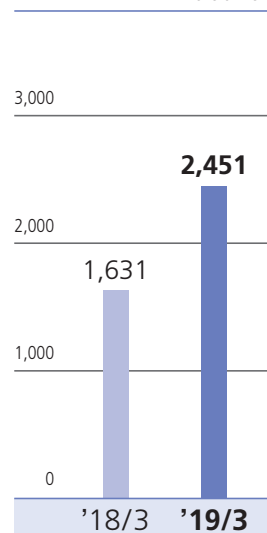
### Net Sales

Millions of Yen



### Operating Profit

Millions of Yen



### Industrial Chemicals

Caustic soda (liquid, solid, flake)  
Chlorine (liquid)  
Hydrochloric acid  
Caustic potash (liquid, flake)  
Potassium carbonate  
Sodium cyanide  
Potassium cyanide  
Aluminum chloride anhydrous  
Phosphorus oxychloride  
Phosphorus trichloride

### Fine Chemicals

Metallic Sodium  
O-tolidine diisocyanate  
Sodium alcoholates (sodium methylate, sodium ethylate)  
Organic Titanate (TPT, TBT, TST, etc.)  
PCB detoxification treatment agent  
Sulfur derivatives  
Developer for thermal paper

### Specialty Chemicals

NISSO-PB (liquid-1, 2-polybutadiene)  
VP-Polymer (photo resist base resin)  
TITA BOND (adhesive agent for film lamination)  
BISTRATER (photocatalyst)

### Eco Business

NISSO HI-CHLON (calcium hypochlorite, AC 70%, 65% min)  
NISSO MELSAN (trichloroisocyanuric acid)  
TAKE-ONE (uroliths remover)  
HIDION (the chelating agent for heavy metal)  
NUMERITORI (slime inhibitor for kitchens)

### Pharmaceuticals/Intermediates

NISSO HPC, CELNY (hydroxypropyl cellulose)  
DAMN (diaminomaleonitril)  
FAROPENEM-Sodium

### Biocides (Industrial Fungicides)

Besticide (bactericides)  
Biocut (fungicides/algaecides)  
Millcut (fungicides for wood)

## Agro Products Division

### 2019/3 Results

There were production delays with the purchasing of raw materials lagging behind schedule and price increases in both raw materials and fuel due to tighter environmental regulations in China. On the other hand, there was a decrease in R&D costs and commission fees for studies associated with the development of new agrochemicals and the expansion of application of existing products. Also, Zoetis Japan, Inc. contributed to earnings, following the conclusion of our acquisition of their plant health business (the insecticide GREEN GUARD and the fungicide AGRI-MYCIN).

As a result, for the fiscal year under review, the Agro Products Division had net sales of ¥43,119 million (even year on year) and operating profit of ¥2,290 million (up 15.7%).

Fungicides posted higher sales with increased exports of PANCHO TF and the launch of AGRI-MYCIN.

Sales of insecticides and acaricides were decreased with a decline in exports of the insecticide MOSPILAN, despite the launch of the insecticide GREEN GUARD.

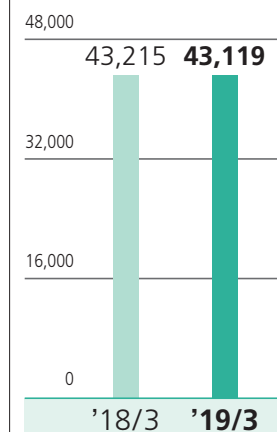
Herbicides posted higher sales with increased sales for export.

### Business Description

Since expanding business into the agrochemical field in the 1950s, Nippon Soda has provided a range of agrochemical products, focused on effectiveness and safety. Topsin-M fungicide, which has become a long-seller since its launch in 1971, is currently used widely in some 90 countries, mainly for fruits and vegetables. In the field of insecticides and acaricides, the insecticide Mospilan, which we began selling in 1995, has found favor in about 100 countries, including Japan, thanks to its effectiveness in exterminating numerous pests, including ones that are difficult to control otherwise. We will continue to focus on the development of distinctive agrochemicals that find support around the world for their combination of effectiveness and safety.

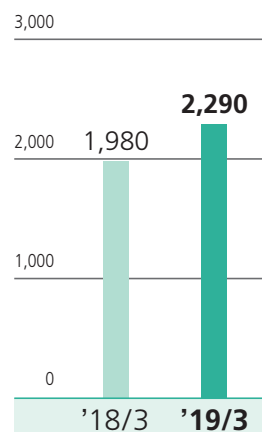
### Net Sales

Millions of Yen



### Operating Profit

Millions of Yen



### Fungicides

TOPSIN-M (thiophanate-methyl)  
BEFRAN (iminocadine triacetate)  
BELLKUTE (iminocadine tris (albesilate))  
PYTHILOCK (picarbutrazox)  
TRIFMINE (triflumizole)  
PANCHO TF (cyflufenamid-triflumizole)  
AGROCARE (bacillus subtilis)  
MASTERPIECE (pseudomonas rhodesiae)  
FANTASISTA (pyribencarb)  
ETHOFIN (ethaboxam)  
MONSIEUR BORDEAUX (basic copper sulfate)  
AGRI-MYCIN (oxytetracycline, streptomycin)

### Insecticides/Acaricides

MOSPILAN (acetamiprid)  
NISSORUN (hexythiazox)  
ROMDAN (tebufenozide)  
KOTETSU (chlorfenapyr)  
PHOENIX (flubendiamide)  
VERIMARK (cyantraniliprole)  
GREEN GUARD (morantel tartrate)

### Herbicides/Plant Growth Regulator

NABU (sethoxydim)  
HOENEST (tepaloxymid)  
EIGEN (pyributicarb)  
CONCLUDE (flupoxam)  
ALPHARD (topramezone)

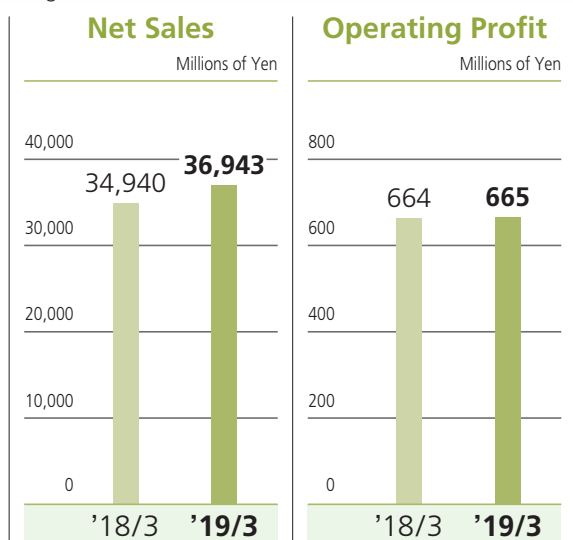
### Others

Fumigants

## Trading Division

### 2019/3 Results

Net sales for the Trading Division for the fiscal year under review were ¥36,943 million (up 5.7% year on year) and operating profit was ¥665 million (even year on year). The results were higher due to robust sales of both organic and inorganic chemicals.



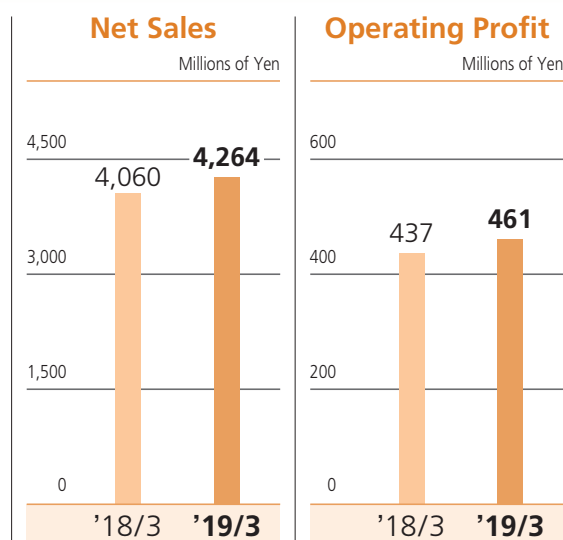
### Business Description

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

## Transportation/Warehousing Division

### 2019/3 Results

The Transportation and Warehousing Division recorded net sales of ¥4,264 million (up 5.0% year on year) and operating profit of ¥461 million (up 5.5%) for the year, reflecting solid results in both of these business categories.



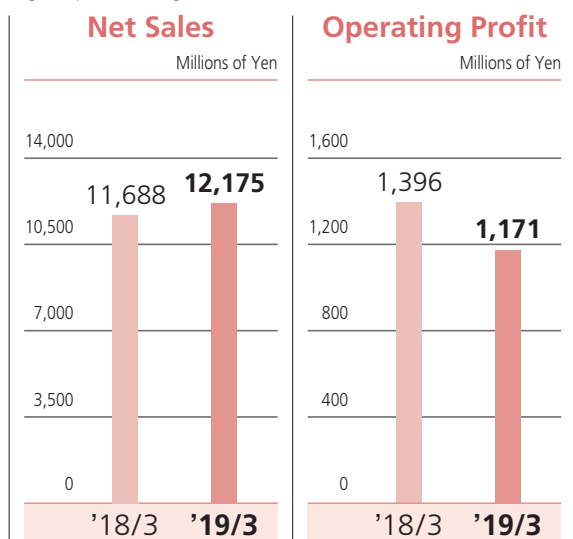
### Business Description

Transportation and warehousing of chemicals and hazardous items

## Construction Division

### 2019/3 Results

The Construction Division posted net sales for the year under review of ¥12,175 million (up 4.2% year on year), propelled by robust plant construction-related sales, and operating profit of ¥1,171 million (down 16.1%), due to higher purchasing costs.



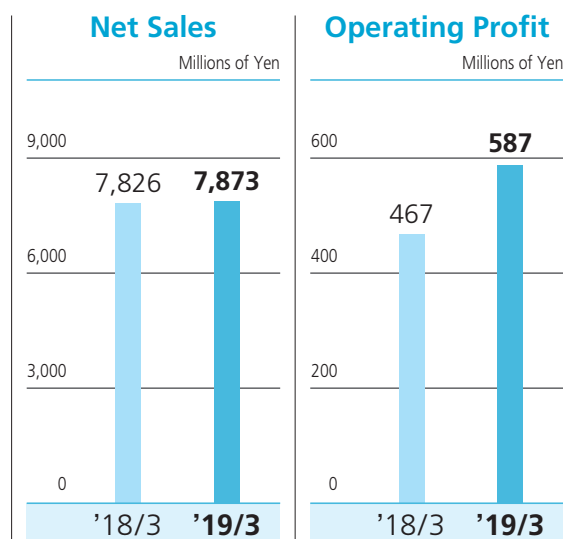
### Business Description

Plant construction, civil engineering

## Other Divisions

### 2019/3 Results

For the year under review, the Other Divisions category generated net sales of ¥7,873 million (even, year on year) and operating profit of ¥587 million (up 25.6%).



### Business Description

Non-ferrous metals, industrial waste treatment



# Consolidated Financial Highlights

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

	Millions of Yen					Thousands of U.S. Dollars
	2015/3	2016/3	2017/3	2018/3	2019/3	2019/3
Net sales	¥ 148,062	¥ 142,711	¥ 128,647	¥ 141,230	¥ 145,663	\$ 1,324,214
Gross profit	36,285	37,036	33,892	36,471	37,012	336,476
Selling, general and administrative expenses	29,000	29,620	28,526	30,080	29,105	264,599
Operating profit	7,285	7,415	5,365	6,390	7,906	71,877
Profit before income taxes	13,070	18,992	10,506	8,611	8,531	77,555
Profit attributable to owners of parent	10,945	14,313	8,785	6,378	5,802	52,752
Net assets	127,181	131,489	138,069	144,801	144,916	1,317,426
Total assets	221,285	220,587	217,302	219,457	216,212	1,965,569

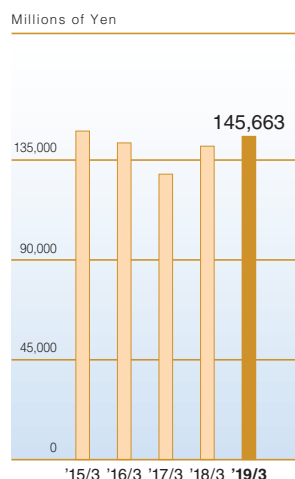
Return on equity (%)	9.9	11.5	6.6	4.6	4.1	
Return on assets (%)	5.1	6.5	4.0	2.9	2.7	
Operating margin (%)	4.9	5.2	4.2	4.5	5.4	

## Per Share Data

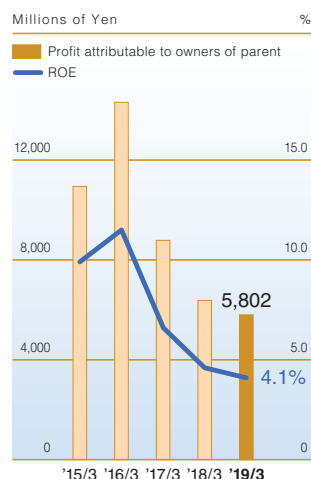
	Yen					U.S. Dollars
Net income per share	¥ 360.01	¥ 464.03	¥ 287.04	¥ 211.35	¥ 192.27	\$ 1.75
Shareholders' equity per share	3,974.35	4,144.56	4,485.10	4,698.59	4,698.10	42.71

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110=U.S.\$1.00.

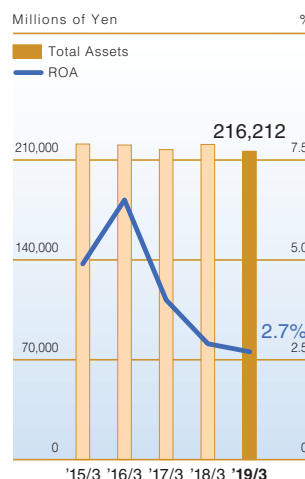
## Net Sales



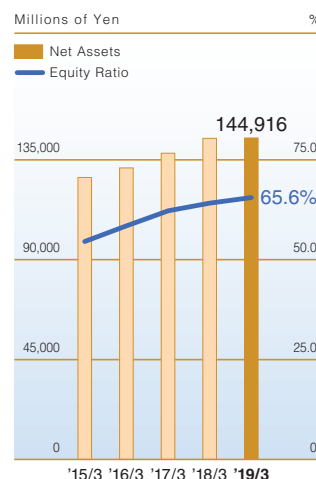
## Profit attributable to owners of parent & ROE



## 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	2018/3	2019/3	2019/3
<b>Current assets</b>			
Cash and deposits	¥ 27,612	¥ 16,565	\$ 150,599
Notes and accounts receivable—trade	44,067	47,860	435,095
Electronically recorded monetary claims—operating	2,416	2,795	25,417
Inventories	27,623	27,372	248,842
Other	3,088	4,500	40,914
Allowance for doubtful accounts	(217)	(199)	(1,815)
Total current assets	104,590	98,895	899,054
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	58,822	60,787	552,610
Accumulated depreciation	(41,964)	(42,704)	(388,224)
Buildings and structures, net	16,858	18,082	164,386
Machinery, equipment and vehicles	110,405	113,465	1,031,501
Accumulated depreciation	(89,690)	(93,201)	(847,282)
Machinery, equipment and vehicles, net	20,715	20,264	184,218
Tools, furniture and fixtures	11,205	11,579	105,269
Accumulated depreciation	(9,505)	(9,802)	(89,117)
Tools, furniture and fixtures, net	1,700	1,776	16,151
Land	15,266	15,111	137,376
Construction in progress	1,887	3,247	29,518
Other	198	210	1,914
Accumulated depreciation	(181)	(200)	(1,823)
Other, net	16	9	90
Total property, plant and equipment	56,445	58,491	531,742
<b>Intangible assets</b>			
Goodwill	469	249	2,267
Other	924	5,527	50,246
Total intangible assets	1,393	5,776	52,513
<b>Investments and other assets</b>			
Investment securities	43,054	39,307	357,339
Net defined benefit asset	8,519	8,767	79,703
Deferred tax assets	2,901	2,700	24,554
Other	2,550	2,272	20,660
Allowance for doubtful accounts	0	0	0
Total investments and other assets	57,026	53,048	482,258
<b>Total non-current assets</b>	114,866	117,316	1,066,514
<b>Total assets</b>	¥ 219,457	¥ 216,212	\$ 1,965,569

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	2018/3	2019/3	2019/3
<b>Current liabilities</b>			
Notes and accounts payable—trade	¥ 19,032	¥ 20,933	\$ 190,306
Electronically recorded obligations—operating	2,788	2,717	24,706
Short-term loans payable	19,073	15,501	140,920
Income taxes payable	1,031	1,258	11,442
Provision for bonuses	2,766	2,900	26,365
Other	6,223	6,806	61,881
Total current liabilities	50,915	50,118	455,623
<b>Non-current liabilities</b>			
Long-term loans payable	12,846	10,604	96,406
Deferred tax liabilities	4,638	4,364	39,677
Net defined benefit liability	2,515	2,468	22,438
Provision for environmental measures	883	724	6,589
Other	2,855	3,014	27,407
Total non-current liabilities	23,739	21,177	192,519
<b>Total liabilities</b>	74,655	71,295	648,142
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital stock	29,166	29,166	265,151
Capital surplus	29,359	29,359	266,902
Retained earnings	76,179	80,166	728,788
Treasury shares	(2,235)	(2,250)	(20,462)
Total shareholders' equity	132,469	136,441	1,240,380
<b>Accumulated other comprehensive income</b>			
Valuation differences on available-for-sale securities	8,614	7,220	65,638
Deferred gains or losses on hedges	7	(163)	(1,490)
Foreign currency translation adjustment	249	(2,100)	(19,098)
Remeasurements of defined benefit plans	470	373	3,394
Total accumulated other comprehensive income	9,340	5,328	48,444
<b>Non-controlling interests</b>	2,991	3,146	28,601
<b>Total net assets</b>	144,801	144,916	1,317,426
<b>Total liabilities and net assets</b>	¥ 219,457	¥ 216,212	\$ 1,965,569

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 years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2018/3	2019/3	2019/3
<b>Net sales</b>	¥ 141,230	¥ 145,663	\$ 1,324,214
<b>Cost of sales</b>	104,758	108,651	987,738
Gross profit	36,471	37,012	336,476
<b>Selling, general and administrative expenses</b>	30,080	29,105	264,599
Operating profit	6,390	7,906	71,877
<b>Non-operating income</b>	4,048	1,897	17,252
Interest income	17	33	303
Dividends income	898	752	6,840
Share of profit of entities accounted for using equity method	2,239	—	0
Foreign exchange gain	—	190	1,729
Rental income	218	218	1,981
Other	674	703	6,397
<b>Non-operating expenses</b>	1,234	915	8,324
Interest expenses	344	248	2,263
Share of loss of entities accounted for using equity method	—	1	17
Other	889	664	6,043
Ordinary profit	9,204	8,888	80,804
<b>Extraordinary income</b>	63	7	67
Gain on sales of investment securities	33	—	0
Gain on sales of non-current assets	28	7	67
Other	1	—	0
<b>Extraordinary losses</b>	656	364	3,317
Loss on abandonment of non-current assets	556	179	1,630
Impairment loss	—	68	626
Loss on valuation of investments in capital of subsidiaries and associates	—	85	781
Other	99	30	278
Profit before income taxes	8,611	8,531	77,555
Income taxes - current	1,562	1,863	16,941
Income taxes - deferred	429	601	5,465
Total income taxes	1,992	2,464	22,407
Profit	6,619	6,066	55,147
Profit attributable to non-controlling interests	240	263	2,395
<b>Profit attributable to owners of parent</b>	¥ 6,378	¥ 5,802	\$ 52,752

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 years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2018/3	2019/3	2019/3
<b>Profit</b>	¥ 6,619	¥ 6,066	\$ 55,147
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	1,582	(1,410)	(12,823)
Deferred gains or losses on hedges	203	(154)	(1,407)
Foreign currency translation adjustment	382	(397)	(3,615)
Remeasurements of defined benefit plans	555	(103)	(943)
Share of other comprehensive income of entities accounted for using equity method	(799)	(1,991)	(18,105)
Total other comprehensive income	1,924	(4,058)	(36,895)
<b>Comprehensive income</b>	8,544	2,007	18,252
Comprehensive income attributable to owners of parent	8,235	1,790	16,279
Comprehensive income attributable to non-controlling interests	¥ 308	¥ 216	\$ 1,972

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, 2017	¥ 29,166	¥ 29,359	¥ 71,592	(¥ 2,232)	¥ 127,886	¥ 7,083	(¥ 139)	¥ 616	(¥ 75)	¥ 7,483	¥ 2,698	¥ 138,069
Changes of items during the period												
Dividends of surplus			(1,815)		(1,815)							(1,815)
Profit attributable to owners of parent			6,378		6,378							6,378
Purchase of treasury shares				(5)	(5)							(5)
Disposal of treasury shares		0		1	1							1
Others			22		22							22
Net changes of items other than shareholders' equity (net)						1,530	146	(366)	546	1,856	292	2,149
Total changes of items during period	–	0	4,586	(3)	4,582	1,530	146	(366)	546	1,856	292	6,732
Balance as of March 31, 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)
Purchase of treasury shares	–	(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

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, 2018	\$ 265,151	\$ 266,902	\$ 692,539	(\$ 20,322)	\$ 1,204,271	\$ 78,309	\$ 67	\$ 2,266	\$ 4,272	\$ 84,916	\$ 27,193	\$ 1,316,380
Changes of items during the period												
Dividends of surplus			(16,502)		(16,502)							(16,502)
Profit attributable to owners of parent			52,752		52,752							52,752
Acquisition of treasury stock				(162)	(162)							(162)
Disposal of treasury shares		(0)		23	22							22
Net changes of items other than shareholders' equity (net)						(12,671)	(1,558)	(21,364)	(878)	(36,472)	1,408	(35,064)
Total changes of items during period	–	(0)	36,249	(139)	36,109	(12,671)	(1,558)	(21,364)	(878)	(36,472)	1,408	1,045
Balance as of March 31, 2019	\$ 265,151	\$ 266,902	\$ 728,788	(\$ 20,462)	\$ 1,240,380	\$ 65,638	(\$ 1,490)	(\$ 19,098)	\$ 3,394	\$ 48,444	\$ 28,601	\$ 1,317,426

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 years ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2018/3	2019/3	2019/3
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 8,611	¥ 8,531	\$ 77,555
Depreciation	6,532	6,966	63,331
Amortization of goodwill	234	235	2,137
Impairment loss	0	68	626
Share of (profit) loss of entities accounted for using equity method	(2,239)	1	17
Increase (decrease) in provision for bonuses	(250)	131	1,198
Increase (decrease) in allowance for doubtful accounts	(23)	(5)	(50)
Decrease (increase) in net defined benefit asset	(470)	(591)	(5,380)
Increase (decrease) in net defined benefit liability	(49)	(67)	(611)
Increase (decrease) in provision for environmental measures	(313)	(179)	(1,633)
Interest and dividends income	(916)	(785)	(7,143)
Interest expenses	344	248	2,263
Loss on abandonment of non-current assets	567	189	1,722
Loss(gain) on valuation of investment securities	0	19	172
Loss(gain) on sales of investment securities	37	1	9
Decrease (increase) in notes and accounts receivable - trade	(5,950)	(4,430)	(40,275)
Decrease (increase) in inventories	1,141	99	907
Increase (decrease) in notes and accounts payable - trade	4,007	1,970	17,916
Other	402	(417)	(3,792)
Subtotal	11,667	11,986	108,971
Interests and dividend received	2,680	1,588	14,445
Interest expenses paid	(342)	(250)	(2,278)
Income taxes paid	(1,920)	(1,648)	(14,983)
Net cash provided by operating activities	12,085	11,677	106,154
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(7,594)	(8,526)	(77,516)
Proceeds from sales of property, plant and equipment	97	166	1,514
Purchase of intangible assets	(378)	(588)	(5,352)
Purchases of investment securities	(34)	(80)	(728)
Proceeds from sales of investment securities	147	0	4
Purchases of shares of subsidiaries and associates	(61)	(931)	(8,467)
Proceeds from sales of investments in capital of subsidiaries and associates	0	112	1,025
Payments for loans receivable	(22)	(134)	(1,220)
Collection of loans receivable	42	25	234
Payments for retirement of property, plant and equipment	(483)	(124)	(1,135)
Payments for acquisition of businesses	0	(5,229)	(47,542)
Other	(39)	29	269
Net cash provided by (used in) investing activities	(8,327)	(15,280)	(138,915)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	(11,150)	(942)	(8,567)
Proceeds from long-term loans payable	9,833	119	1,084
Repayments of long-term loans payable	(6,315)	(4,813)	(43,758)
Cash dividends paid	(1,810)	(1,809)	(16,447)
Purchase of treasury shares	(5)	(18)	(163)
Other	(38)	(70)	(643)
Net cash used in financing activities	(9,485)	(7,534)	(68,497)
<b>Translation differences on cash and cash equivalents</b>	165	89	810
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,561)	(11,049)	(100,448)
<b>Cash and cash equivalents at beginning of period</b>	33,146	27,585	250,775
<b>Cash and cash equivalents at end of period</b>	¥ 27,585	¥ 16,536	\$ 150,327

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



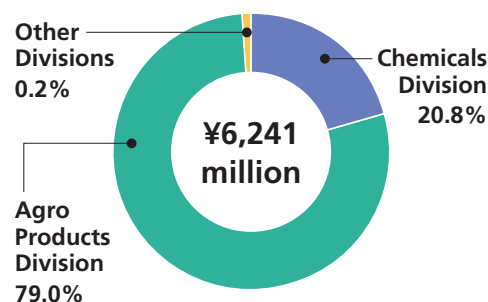
# Research and Development

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 2019 shown below.

## R&D Costs

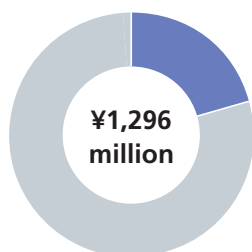


(Percentage of net sales: 4.3%)

**Number of employees: 330**

(Percentage of all employees: 12.1%)

## Chemicals Division



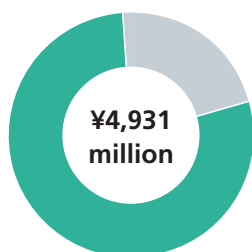
Percentage of net sales: 3.3%

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



Percentage of net sales: 11.4%

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. Uses include foliar spraying on cucurbits and leafy vegetables as well as seed treatment, including corn (maize).

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

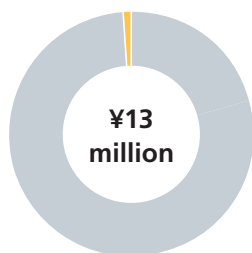
The development of Ipflufenquin (NF-180), a fungicide effective against a broad spectrum of diseases, is going smoothly and we are currently conducting studies for registration around the world.

In 2018, we received approval in Japan to register Alteria, an algaecide for lawn grass, and are currently preparing to launch it.

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

In addition to chemical pesticides, 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



Percentage of net sales: 0.0%

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

Nisso Namhae Agro Co., Ltd.

Nisso Korea Co., Ltd.

Nippon Soda Trading  
(Shanghai) Co., Ltd.

Novus International, Inc.

Nisso America Inc.



Alkaline SAS



Iharabras S.A.  
Indústrias Químicas

Nisso Brasileira Representação Ltda.

## 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

\* The Nagoya Office and the Matsuyama Office merged with the Osaka Branch Office, and the Shinetsu Office merged with the Kanto Office (as of April 1, 2018).

## Domestic Subsidiaries

### Chemicals

Nisso Fine Co., Ltd.  
Nisso Metallochemical Co., Ltd.  
Shin Fuji Kaseiyaku Co., Ltd.  
Joetsu Nisso Chemical 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.

## Plants



### 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

## 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

# Corporate Data

(as of March 31, 2019)

<b>Name</b>	Nippon Soda Co., Ltd.
<b>Head Office</b>	2-2-1, Ohtemachi, Chiyoda-ku, Tokyo 100-8165, Japan
<b>Phone</b>	+81-3-3245-6054
<b>Fax</b>	+81-3-3245-6238
<b>Website</b>	<a href="https://www.nippon-soda.co.jp/e">https://www.nippon-soda.co.jp/e</a>
<b>Established</b>	February 1, 1920
<b>Capital</b>	¥29,166 million
<b>Number of Employees</b>	1,311 (Consolidated: 2,724)



## Nippon Soda published a CSR Report

The *CSR Report* introduces the CSR and responsible care activities of Nippon Soda and its main Group companies.

<https://www.nippon-soda.co.jp/e/environment>



## Executives

(as of June 28, 2019)

<b>Representative Director, President</b>	<b>Audit &amp; Supervisory Board Members</b>
Akira Ishii	Mitsuru Kobayashi
<b>Directors, Executive Managing Officers</b>	Keichi Aoki
Toshimichi Okubo	Masahiro Murakami
Tateshi Tsujikawa	Shigeo Ogi
Nobuyuki Shimoide	<b>Senior Executive Officer</b>
<b>Director, Senior Executive Officer</b>	Akira Kaneko
Izumi Takano	<b>Executive Officers</b>
<b>Director, Executive Officer</b>	Hiroshi Hamamura
Kiyotaka Machii	Atsuo Watanabe
<b>Directors</b>	Eiji Aga
Tetsuo Narukawa	Teruo Tachibana
Junko Yamaguchi	Shoichi Akagawa
Hiroyuki Uryu	Masashi Mizoguchi
	Osamu Sasabe
	Osamu Shimizu

# Shareholder Information

(as of March 31, 2019)

## Common Stock

Authorized: 96,000,000 shares  
 Issued: 31,127,307 shares  
 Number of Shareholders: 13,636

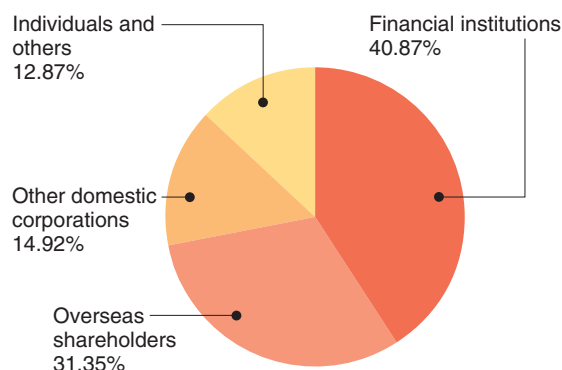
**Settlement Period** March 31 every year

**Stock Listing** Tokyo Stock Exchange, First Section

## Transfer Agent of Common Stock

Mizuho Trust & Banking Co., Ltd.  
 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan

## Ownership among Shareholders



## Principal Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total Shares Issued (%) <sup>*</sup>
Japan Trustee Services Bank, Ltd. (Trust account)	1,619	5.35
The Master Trust Bank of Japan, Ltd. (Trust account)	1,432	4.73
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,089	3.60
Mitsui & Co., Ltd.	1,015	3.36
JP Morgan Chase Bank, 385632	954	3.15
Shareholding Members of Nippon Soda Clients	904	2.99
The Norinchukin Bank	884	2.92
BNP Paribas Securities Services Luxembourg/JASDEC/Janus Henderson Horizon Fund	853	2.82
Mizuho Bank, Ltd.	816	2.70
JP Morgan Chase Bank, 380684	783	2.59

<sup>\*</sup>1 The Company's 878,472 treasury shares were excluded from the above principal shareholders. Treasury shares do not include the 72,640 shares held in a share benefit trust for officers.

<sup>\*</sup>2 Treasury shares were subtracted before calculating the percentage of total shares issued.

<sup>\*</sup>3 As of October 1, 2018, a change was made in the share units (from 1,000 shares to 100 shares) and shares were consolidated (five shares consolidated to one share).

## NIPPON SODA CO., LTD.

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