

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese GAAP]



May 13, 2016

Company name: Honshu Chemical Industry Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4115
 URL: <http://www.honshuchemical.co.jp/>
 Representative: Toshiyuki Ikusaka, President and CEO
 Contact: Kazuoki Wada, General Manager of Accounting & Finance Dept.
 Phone: +81-3-3272-1482
 Scheduled date of Annual General Meeting of Shareholders: June 28, 2016
 Scheduled date of filing annual securities report: June 29, 2016
 Scheduled date of commencing dividend payments: June 29, 2016
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2016	18,420	(10.9)	1,989	(36.6)	1,910	(38.6)	751	(53.3)
March 31, 2015	20,663	19.5	3,137	78.6	3,111	78.3	1,608	60.2

(Note) Comprehensive income: Fiscal year ended March 31, 2016: ¥ 937 million [(44.4)%]

Fiscal year ended March 31, 2015: ¥ 1,686 million [2.1 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2016	65.44	—	5.2	7.1	10.8
March 31, 2015	140.15	—	11.6	11.8	15.2

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2016: ¥— million
 Fiscal year ended March 31, 2015: ¥— million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	25,848	16,440	56.5	1,272.44
As of March 31, 2015	27,639	16,159	52.2	1,256.98

(Reference) Equity: As of March 31, 2016: ¥ 14,603 million

As of March 31, 2015: ¥ 14,426 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2016	2,297	(682)	(1,601)	5,441
March 31, 2015	3,265	(1,117)	(289)	5,419

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2015	—	10.00	—	16.00	26.00	298	18.6	2.1
March 31, 2016	—	10.00	—	16.00	26.00	298	39.7	2.1
Fiscal year ending March 31, 2017 (Forecast)	—	10.00	—	16.00	26.00		22.1	

(Note) Second quarter dividends for the fiscal year ended March 31, 2015 includes ordinary dividend of ¥6.00 and commemorative dividends of ¥4.00.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,300	10.2	2,700	35.7	2,600	36.1	1,350	79.7	117.63

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly included: — (Company name:)

Excluded: — (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) Please refer to the attached document "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements" for details.

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2016: 11,500,000 shares

March 31, 2015: 11,500,000 shares

2) Total number of treasury shares at the end of the period:

March 31, 2016: 23,067 shares

March 31, 2015: 22,827 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2016: 11,476,986 shares

Fiscal Year ended March 31, 2015: 11,477,502 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2016	14,712	(16.6)	456	(77.4)	808	(63.6)	582	(59.8)
March 31, 2015	17,633	15.3	2,014	57.1	2,221	74.0	1,447	75.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2016	50.71	—
March 31, 2015	126.14	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	19,722	13,416	68.0	1,168.98
As of March 31, 2015	20,859	13,170	63.1	1,147.58

(Reference) Equity: As of March 31, 2016: ¥ 13,416 million

As of March 31, 2015: ¥ 13,170 million

* Presentation regarding the implementation status of the audit process

At the time of disclosure of these financial results, audit procedures for the financial statements under the Financial Instruments and Exchange Act had not been completed.

* Explanation for the appropriate use of performance forecasts and other special notes

The performance forecasts and other descriptions on future events presented in this material are based on information that was available at the time of preparation of this material and based on certain assumptions considered to be reasonable. The actual performance, etc. may differ materially from these forecasts due to various factors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	5,419	5,441
Accounts receivable - trade	4,852	4,192
Merchandise and finished goods	3,846	3,445
Work in process	428	388
Raw materials and supplies	737	861
Deferred tax assets	94	62
Other	165	343
Total current assets	15,544	14,735
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,693	4,668
Accumulated depreciation	(2,803)	(2,895)
Buildings and structures, net	1,890	1,773
Machinery, equipment and vehicles	35,343	35,047
Accumulated depreciation	(26,899)	(27,386)
Machinery, equipment and vehicles, net	8,443	7,660
Land	549	548
Construction in progress	134	83
Other	1,348	1,363
Accumulated depreciation	(1,162)	(1,178)
Other, net	186	185
Total property, plant and equipment	11,204	10,251
Intangible assets		
Other	43	60
Total intangible assets	43	60
Investments and other assets		
Investment securities	187	146
Net defined benefit asset	89	—
Deferred tax assets	468	588
Other	99	66
Total investments and other assets	846	800
Total non-current assets	12,094	11,112
Total assets	27,639	25,848

(Million yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	2,647	1,510
Short-term loans payable	1,000	1,000
Current portion of long-term loans payable	912	1,022
Accounts payable - other	374	448
Income taxes payable	732	419
Accounts payable - facilities	245	295
Provision for directors' bonuses	24	19
Other	555	472
Total current liabilities	6,493	5,186
Non-current liabilities		
Long-term loans payable	2,345	1,277
Lease obligations	1,008	954
Provision for directors' retirement benefits	79	105
Net defined benefit liability	1,477	1,829
Other	76	55
Total non-current liabilities	4,986	4,221
Total liabilities	11,480	9,407
Net assets		
Shareholders' equity		
Capital stock	1,500	1,500
Capital surplus	1,013	1,013
Retained earnings	11,751	12,204
Treasury shares	(14)	(14)
Total shareholders' equity	14,250	14,703
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58	20
Foreign currency translation adjustment	75	49
Remeasurements of defined benefit plans	41	(169)
Total accumulated other comprehensive income	175	(99)
Non-controlling interests	1,732	1,836
Total net assets	16,159	16,440
Total liabilities and net assets	27,639	25,848

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2015	For the fiscal year ended March 31, 2016
Net sales	20,663	18,420
Cost of sales	15,690	14,550
Gross profit	4,973	3,869
Selling, general and administrative expenses	1,836	1,879
Operating income	3,137	1,989
Non-operating income		
Interest income	0	0
Dividend income	33	3
Foreign exchange gains	—	6
Gain on sales of scraps	4	3
Compensation income	15	—
Refunded income taxes	—	12
Other	3	6
Total non-operating income	56	32
Non-operating expenses		
Interest expenses	44	61
Foreign exchange losses	10	—
Dismantlement cost	23	23
Loss on retirement of non-current assets	3	25
Other	0	2
Total non-operating expenses	82	112
Ordinary income	3,111	1,910
Profit before income taxes	3,111	1,910
Income taxes - current	1,058	664
Income taxes - deferred	81	11
Total income taxes	1,139	676
Profit	1,971	1,233
Profit attributable to non-controlling interests	363	482
Profit attributable to owners of parent	1,608	751

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2015	For the fiscal year ended March 31, 2016
Profit	1,971	1,233
Other comprehensive income		
Valuation difference on available-for-sale securities	33	(37)
Foreign currency translation adjustment	(288)	(47)
Remeasurements of defined benefit plans, net of tax	(30)	(211)
Total other comprehensive income	(285)	(296)
Comprehensive income	1,686	937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,452	475
Comprehensive income attributable to non-controlling interests	233	461

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2015

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,500	1,013	10,686	(13)	13,187
Cumulative effects of changes in accounting policies			(314)		(314)
Restated balance	1,500	1,013	10,372	(13)	12,872
Changes of items during period					
Dividends of surplus			(229)		(229)
Profit attributable to owners of parent			1,608		1,608
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,379	(0)	1,378
Balance at end of current period	1,500	1,013	11,751	(14)	14,250

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	25	233	72	331	1,679	15,198
Cumulative effects of changes in accounting policies						(314)
Restated balance	25	233	72	331	1,679	14,884
Changes of items during period						
Dividends of surplus						(229)
Profit attributable to owners of parent						1,608
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	33	(158)	(30)	(155)	52	(102)
Total changes of items during period	33	(158)	(30)	(155)	52	1,275
Balance at end of current period	58	75	41	175	1,732	16,159

For the fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,500	1,013	11,751	(14)	14,250
Cumulative effects of changes in accounting policies			—		—
Restated balance	1,500	1,013	11,751	(14)	14,250
Changes of items during period					
Dividends of surplus			(298)		(298)
Profit attributable to owners of parent			751		751
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	452	(0)	452
Balance at end of current period	1,500	1,013	12,204	(14)	14,703

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	58	75	41	175	1,732	16,159
Cumulative effects of changes in accounting policies						—
Restated balance	58	75	41	175	1,732	16,159
Changes of items during period						
Dividends of surplus						(298)
Profit attributable to owners of parent						751
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(37)	(25)	(211)	(275)	103	(171)
Total changes of items during period	(37)	(25)	(211)	(275)	103	280
Balance at end of current period	20	49	(169)	(99)	1,836	16,440

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2015	For the fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	3,111	1,910
Depreciation	1,719	1,524
Loss on retirement of non-current assets	3	25
Increase (decrease) in provision for directors' retirement benefits	22	25
Increase (decrease) in net defined benefit liability	122	351
Interest and dividend income	(33)	(3)
Interest expenses	44	61
Decrease (increase) in notes and accounts receivable - trade	(965)	650
Decrease (increase) in inventories	(561)	315
Increase (decrease) in notes and accounts payable - trade	480	(1,135)
Other, net	137	(199)
Subtotal	4,082	3,527
Interest and dividend income received	33	3
Interest expenses paid	(40)	(62)
Income taxes paid	(809)	(1,170)
Net cash provided by (used in) operating activities	3,265	2,297
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,083)	(647)
Other, net	(33)	(34)
Net cash provided by (used in) investing activities	(1,117)	(682)
Cash flows from financing activities		
Proceeds from long-term loans payable	781	—
Repayments of long-term loans payable	(651)	(894)
Cash dividends paid	(228)	(297)
Dividends paid to non-controlling interests	(180)	(357)
Repayments of lease obligations	(8)	(51)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(289)	(1,601)
Effect of exchange rate change on cash and cash equivalents	(27)	7
Net increase (decrease) in cash and cash equivalents	1,831	21
Cash and cash equivalents at beginning of period	3,588	5,419
Cash and cash equivalents at end of period	5,419	5,441