

# Consolidated Financial Results for the Six Months Ended September 30, 2021 (JPGAAP)



November 11, 2021

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

URL: <https://www.nissanchem.co.jp/>

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Scheduled submission date of quarterly report: November 12, 2021

Scheduled dividend payment date: December 6, 2021

Supplemental information: Yes

Financial results meeting : Yes (For institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (% indicates the rate of increase/decrease against the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	91,807	(2.8)	21,324	18.6	22,263	22.5	16,291	17.2
Six months ended September 30, 2020	94,494	(2.0)	17,980	(0.3)	18,173	(2.5)	13,896	(4.3)

(Note) Comprehensive income: Six months ended September 30, 2021 : 13,772 million yen ,(16.2%)

Six months ended September 30, 2020 : 16,436 million yen ,48.7%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2021	113.94	—
Six months ended September 30, 2020	95.96	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	247,426	197,404	79.1
As of March 31, 2021	265,509	200,562	74.9

(Reference) Shareholders' equity: As of September 30, 2021 : 195,621 million yen

As of March 31, 2021 : 198,828 million yen

## 2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	46.00	—	58.00	104.00
Year ending March 31, 2022	—	50.00	—	—	—
Year ending March 31, 2022 (Outlook)	—	—	—	64.00	114.00

(Note) Revision of the latest released dividend outlook: Yes

Please refer to " Revision of Financial Results Outlook, Interim Dividend Payment and Dividend Outlook" for details.

## 3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2022	205,500	(1.7)	47,400	11.4	48,800	11.2	36,400	8.8	255.10

(Note) Revision of the latest released outlook of financial results: Yes

(Note) The Company determined to apply "Accounting Standard for Revenue Recognition" (ASJB Statement No. 29) from FY 2021.

As a result, the above earnings outlook is the amount after applying the relevant accounting standards.

Please refer to " Revision of Financial Results Outlook, Interim Dividend Payment and Dividend Outlook" for details.

#### 4. Notes

(1) Changes in significant consolidated subsidiaries  
(Changes in specified subsidiaries involving changes in scope of consolidation) : None

(2) Application of special accounting treatment to preparation of quarterly financial statements : None

(3) Changes of accounting policies and accounting estimates, and restatement

1. Changes of accounting policies due to revisions of accounting standards : Yes

2. Changes of accounting policies other than the above : None

3. Changes in accounting estimates : None

4. Restatements : None

(Note) Please refer to [2. Consolidated Financial Statements (4) Notes to Consolidated Financial Statements  
“(Changes in Accounting Policies)”] on page 10 for further details.

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of September 30, 2021 : 143,000,000 shares

As of March 31, 2021 : 145,000,000 shares

2. Number of treasury shares

As of September 30, 2021 : 612,029 shares

As of March 31, 2021 : 1,351,888 shares

3. Average number of shares outstanding

As of September 30, 2021 : 142,982,238 shares

As of September 30, 2020 : 144,827,351 shares

(Note) The Company has introduced “Board Benefit Trust (BBT)” based on the resolution of Board of Directors' meeting held on July 30, 2019. The shares held by the Trust are included in the number of treasury shares at the end of the period, and they are included in the number of treasury shares deducted in calculating the average number of shares outstanding over the period. The number of shares held by the Trust (included in treasury shares) at the end of the period was 164,000 shares. In addition, the average number of shares held by the Trust during the period was 164,550 shares. This is not included in the average number of shares outstanding.

\* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

\* Explanations regarding appropriate use of business outlook and other special notes

The business outlook contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the outlook due to various factors.

For supplemental information, please refer to our website.

The transcript of financial results briefing will be released on our website as well.

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## 1. Qualitative Information on Quarterly Results

### (1) Business Performance

During the second quarter of the current fiscal year (April 1, 2021 to September 30, 2021), the domestic economy failed to achieve a full-fledged recovery due to sluggish personal consumption, which had shown signs of recovery due to the recurrence and extension of the declaration of emergency situations. Export demand making a firm start got dull due to Chinese economic slowdown, which also affected delayed economic recovery. Under these circumstances, sales of Basic Chemicals and Fine Chemicals increased in the Chemicals Segment. In the Performance Materials Segment, Display Materials, Semiconductor Materials and Inorganic materials performed well. In the Agricultural Chemicals Segment, although shipments remained at the same level as the previous year, sales decreased due to the adoption of the "Accounting Standards for Revenue Recognition." In the Pharmaceuticals Segment, although sales of drug discovery decreased, sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) increased.

As a result, business performances for this period were as follows. Sales were below the same period of previous fiscal year, however operating income, ordinary income, and net income attributable to owners of parent achieved record highs and exceeded the outlook announced in May.

(Million yen, amount rounded down to the nearest million yen)

	2Q FY2020	2Q FY2021	Change	2Q FY2021 (Outlook)	Change from Outlook
Sales	94,494	91,807	(2,686)	76,500	+15,307
Operating income	17,980	21,324	+3,343	17,700	+3,624
Ordinary income	18,173	22,263	+4,089	18,000	+4,263
Net income attributable to owners of parent	13,896	16,291	+2,394	14,000	+2,291

The Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, revised on March 31, 2020) and other standards from the first quarter of the fiscal year ending March 31, 2022. For supplemental information, please refer to [2.Consolidated Financial Statement (4) Notes to Consolidated Financial Statements "(Changes in Accounting Policies)"] on page 10.

Explanations by segments are as below.

#### The Chemicals Segment

In Basic Chemicals, sales of melamine (adhesives agent for particle board) and high purity sulfuric acid (agent used for cleaning semiconductor) increased. In Fine Chemicals, sales of "TEPIC" (powder coating agent for paint, sealants, etc.) and cyanuric acid (raw material for sterilizing and disinfecting agents) of environmental chemicals also performed well.

As a result, sales of this segment were 17,085 million yen (an increase of 2,373 million yen) and operating income was 1,172 million yen (an increase of 1,311 million yen). Compared to the outlook (Note), sales were above 0.4 billion yen and operating income was above 0.2 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2021 Presentation Materials. (announced on May 14, 2021)

#### The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) for tablets and notebook PCs performed well. In Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®\*) and multilayer materials (OptiStack®\*) increased, reflecting favorable operation by customers. In Inorganic materials, sales of "SNOWTEX" for polishing electronic materials and hard coating, and Organo / Monomer sol (various kinds of coating materials, resin additive) were steady. Sales of Oilfield materials (for enhancing oil recovery) increased.

As a result, sales of this segment were 39,555 million yen (an increase of 4,962 million yen) and operating income was 13,178 million yen (an increase of 2,444 million). Compared to the outlook (Note), sales were above 2.4 billion yen and operating income was above 1.6 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2021 Presentation Materials. (announced on May 14, 2021)

\* ARC®, OptiStack® are registered trademarks of Brewer Science, Inc.

### **The Agricultural Chemicals Segment**

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) declined due to a decrease in shipments caused by the impact of customer inventories and other factors, although royalty income was strong. In the domestic segment, sales of "ROUNDUP" (non-selective leaf treatment herbicide) were firm, and "DITHANE" (fungicide), which was acquired in the third quarter of FY2020, contributed to sales. On the other hand, shipments of "ALTAIR" (paddy rice herbicide) and "GRACIA" (insecticide) declined. In the overseas segment, sales of "GRACIA" decreased, but sales of "TARGA" (herbicide), "SANMITE" (insecticide and acaricide) and "QUINTEC" (fungicide) performed well. In addition, sales and operating income decreased due to adoption of the "Accounting Standards for Revenue Recognition."

As a result, sales of this segment were 24,950 million yen (a decrease of 795 million yen) and operating income was 6,991 million yen (a decrease of 803 million yen). Compared to the outlook (Note), sales were above 0.2 billion yen and operating income was above 1.2 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2021 Presentation Materials. (announced on May 14, 2021)

### **The Pharmaceuticals Segment**

Sales of "LIVALO" (anti-cholesterol drug) increased in Japan, but decreased overseas due to the impact of increased sales of generic drugs. In "Custom Chemicals", sales of active pharmaceutical ingredients (generic) increased.

As a result, sales of this segment were 3,340 million yen (an increase of 314 million yen) and operating income was 451 million yen (an increase of 425 million yen). Compared to the outlook (Note), sales were above 0.4 billion yen and operating income was above 0.3 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2021 Presentation Materials. (announced on May 14, 2021)

### **Trading**

Sales of this segment were 36,441 million yen (an increase of 2,704 million yen) and operating income was 1,255 million yen (an increase of 13 million yen). Compared to the outlook (Note), sales were above 2.9 billion yen and operating income was above 0.2 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2021 Presentation Materials. (announced on May 14, 2021)

### **Others**

Sales of this segment were 10,373 million yen (an increase of 960 million yen) and operating loss was 3 million yen (a decrease in profit of 49 million yen).

## **(2) Financial Position**

### **(Position of Assets, Liabilities and Net Assets)**

Total assets as of September 30, 2021 was 247,426 million yen (a decrease of 18,082 million yen from March 31, 2021). It is mainly due to the decrease of notes and accounts receivable - trade.

Also, total liabilities as of September 30, 2021 was 50,022 million yen (a decrease of 14,924 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of September 30, 2021 was 197,404 million yen (a decrease of 3,158 million yen).

As a result of these factors, equity ratio was 79.1% (an increase of 4.2% from March 31, 2021).

### **(Position of Cash Flow)**

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the six months ended September 30, 2021 was 33,765 million yen (33,629 million yen for the same period of the previous year).

Due to the investment on plant and equipment, net cash used in investing activities for the six months ended September 30, 2021 was 6,091 million yen (2,585 million yen).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the six months ended September 30, 2021 was 31,560 million yen (32,770 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 28,371 million yen, reflecting exchange of 121 million yen. It decreased by 4,008 million yen from March 31, 2021 (28,897 million yen).

### (3) Outlook of Consolidated Financial Results and Other Forward-looking Information

Outlook for the year ending March 31, 2022 was revised as follows based on the cumulative second quarter and demand outlook. For the exchange rate of the third quarter and beyond, it is assumed that 1 U.S. dollar is 107 yen.

Revision of consolidated financial results' outlook for the year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Billion yen, amounts rounded to the nearest billion yen)

	Previous outlook(A)	Revised outlook(B)	Increase or decrease (B-A)	Rate of change (%)	(Reference) Results for the previous fiscal year
Net sales	172.5	205.5	+33.0	+19.1%	209.1
Operating income	43.6	47.4	+3.8	+8.7%	42.5
Ordinary income	44.9	48.8	+3.9	+8.7%	43.9
Net income attributable to owners of parent	34.1	36.4	+2.3	+6.7%	33.5
Basic earnings per share	239.18 yen	255.10 yen	+15.92 yen	+6.7%	231.73 yen

Revision of consolidated net sales and operating income outlook for the year ending March 31, 2022

(Billion yen, amounts rounded to the nearest billion yen)

	Net sales		Operating income	
	Previous	Revised	Previous	Revised
Chemicals	34.6	36.4	2.4	2.9
Performance Materials	75.8	80.9	23.8	26.3
Agricultural Chemicals	66.2	65.8	17.6	18.2
Pharmaceuticals	6.1	6.3	0.3	0.5
Trading	70.1	75.1	2.2	2.3
Others	23.4	23.5	0.7	0.6
Adjustment	(103.7)	(82.5)	(3.4)	(3.4)
Total	172.5	205.5	43.6	47.4

### (4) Basic Policy on Distribution of Earnings

The Company's basic policy of profit allocation is returning to shareholders by improving company value through increasing revenue in the medium and long terms.

In medium-term business plan "Vista2021" Stage II launched from April 2019, the company aims to realize dividend payout ratio to be 45% and total payout ratio to be 75% after FY2019.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	32,380	28,371
Notes and accounts receivable - trade	73,937	55,787
Merchandise and finished goods	33,774	37,170
Work in process	23	164
Raw materials and supplies	12,853	14,676
Other	6,650	6,177
Allowance for doubtful accounts	(31)	(34)
Total current assets	159,588	142,315
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,837	24,545
Other, net	27,000	26,424
Total property, plant and equipment	51,837	50,969
Intangible assets		
Software	548	682
Other	11,581	11,440
Total intangible assets	12,129	12,123
Investments and other assets		
Investment securities	35,894	32,086
Long-term loans receivable	2	3,324
Other	6,167	6,718
Allowance for doubtful accounts	(110)	(110)
Total investments and other assets	41,953	42,018
Total non-current assets	105,921	105,111
Total assets	265,509	247,426

(Million yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	16,298	16,019
Short-term loans payable	21,489	5,585
Income taxes payable	7,113	5,811
Provision for bonuses	2,250	2,244
Provision for directors' bonuses	7	-
Other	12,585	14,742
<b>Total current liabilities</b>	<b>59,744</b>	<b>44,403</b>
Non-current liabilities		
Long-term loans payable	1,184	963
Provision for business structure improvement	171	1,061
Provision for loss on business of subsidiaries and affiliates	-	626
Provision for share-based remuneration for directors (and other	91	130
Net defined benefit liability	249	258
Other	3,506	2,579
<b>Total non-current liabilities</b>	<b>5,202</b>	<b>5,619</b>
<b>Total liabilities</b>	<b>64,947</b>	<b>50,022</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	161,708	157,036
Treasury shares	(7,340)	(3,259)
<b>Total shareholders' equity</b>	<b>186,923</b>	<b>186,332</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,359	9,110
Foreign currency translation adjustment	81	(256)
Remeasurements of defined benefit plans	463	434
<b>Total accumulated other comprehensive income</b>	<b>11,904</b>	<b>9,288</b>
<b>Non-controlling interests</b>	<b>1,733</b>	<b>1,783</b>
<b>Total net assets</b>	<b>200,562</b>	<b>197,404</b>
<b>Total liabilities and net assets</b>	<b>265,509</b>	<b>247,426</b>



## (2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

## - Consolidated Statements of Income

(Million yen)

	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021
Net sales	94,494	91,807
Cost of sales	54,764	46,275
Gross profit	39,730	45,532
Selling, general and administrative expenses	21,749	24,208
Operating income	17,980	21,324
Non-operating income		
Interest income	7	15
Dividend income	336	301
Equity in earnings of affiliates	263	456
Other	343	583
Total non-operating income	951	1,356
Non-operating expenses		
Interest expenses	45	47
Loss on disposal of non-current assets	288	282
Plant stop losses	50	40
Foreign exchange losses	263	-
Other	110	47
Total non-operating expenses	758	417
Ordinary income	18,173	22,263
Extraordinary income		
Gain on sales of investment securities	1,089	2,816
Total extraordinary income	1,089	2,816
Extraordinary losses		
Business structure improvement expenses	-	2,165
Loss on business of subsidiaries and affiliates	-	626
Total extraordinary losses	-	2,792
Income before income taxes and non-controlling interests	19,262	22,287
Income taxes - current	5,527	6,105
Income taxes - deferred	(173)	(247)
Total income taxes	5,354	5,858
Net income	13,908	16,428
Net income attributable to non-controlling interests	11	137
Net income attributable to owners of parent	13,896	16,291

- Consolidated Statements of Comprehensive Income

(Million yen)

	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021
Net income	13,908	16,428
Other comprehensive income		
Valuation difference on available-for-sale securities	2,404	(2,249)
Foreign currency translation adjustment	119	(377)
Remeasurements of defined benefit plans, net of tax	3	(29)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	2,527	(2,656)
Comprehensive income	16,436	13,772
(Comprehensive income attributable to)		
Owners of parent	16,409	13,675
Non-controlling interests	26	96

## (3) Consolidated Statements of Cash Flows

(Million yen)

	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	19,262	22,287
Depreciation and amortization	4,763	4,622
Business structure improvement expenses	-	2,165
Loss on business of subsidiaries and affiliates	-	626
Amortization of goodwill	33	51
Interest and dividend income	(343)	(317)
Loss (gain) on sales of investment securities	(1,089)	(2,816)
Interest expenses	45	47
Loss (gain) on disposal of non-current assets	288	282
Decrease (increase) in notes and accounts receivable - trade	23,482	18,052
Decrease (increase) in inventories	(5,288)	(5,603)
Increase (decrease) in notes and accounts payable - trade	(2,929)	(256)
Other	1,116	1,124
<b>Subtotal</b>	<b>39,340</b>	<b>40,267</b>
Interest and dividend income received	904	942
Interest expenses paid	(45)	(47)
Income taxes paid	(6,570)	(7,396)
<b>Net cash provided by (used in) operating activities</b>	<b>33,629</b>	<b>33,765</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(106)	(118)
Proceeds from sales of investment securities	1,625	3,486
Purchase of shares of subsidiaries	(302)	(19)
Purchase of property, plant and equipment	(4,025)	(5,252)
Payments for retirement of property, plant and equipment	(252)	(236)
Purchase of intangible assets	(249)	(779)
Payments of long-term loans receivable	-	(3,322)
Net decrease (increase) in short-term loans receivable	742	62
Purchase of long-term prepaid expenses	(15)	(55)
Other	(0)	145
<b>Net cash provided by (used in) investing activities</b>	<b>(2,585)</b>	<b>(6,091)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(18,458)	(15,893)
Repayments of long-term loans payable	(320)	(276)
Cash dividends paid	(6,990)	(8,341)
Dividends paid to non-controlling interests	-	(48)
Share repurchase	(7,000)	(7,001)
Other	-	0
<b>Net cash provided by (used in) financing activities</b>	<b>(32,770)</b>	<b>(31,560)</b>
Effect of exchange rate change on cash and cash equivalents	(14)	(121)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,741)</b>	<b>(4,008)</b>
Cash and cash equivalents at beginning of period	30,639	32,380
<b>Cash and cash equivalents at end of period</b>	<b>28,897</b>	<b>28,371</b>

#### (4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company made a stock payment of 1,000 shares to the eligible party on April 23, 2021 based on the trust agreement of the Board Benefit Trust (BBT) resolved by the Board of Director's meeting on July 30, 2019. In addition, the Company made a stock payment of 800 shares to the eligible party on July 21, 2020. As a result, treasury shares decreased by 8 million yen during the second quarter of current consolidated fiscal year. Also, the Company canceled 1,000,000 treasury shares on August 31, 2021 based on the resolution of Board of Directors' meeting held on August 24, 2021. As a result, retained earnings and treasury shares decreased by 5,515 million yen during the second quarter of current consolidated fiscal year.

In addition, the Company repurchased 1,261,600 treasury shares based on the resolution of Board of Directors' meeting held on May 14, 2021. As a result, treasury shares increased by 6,999 million yen during the second quarter of current consolidated fiscal year.

(Changes in Accounting Policies)

(Application of "Accounting Standard for Revenue Recognition," etc.)

The Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, revised on March 31, 2020) and other standards, and applied accounting policy to recognize revenue with the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to the customer at the beginning of the first quarter of FY 2021.

Major changes due to the adoption of Accounting Standard for Revenue Recognition are as follows:

(1) Recognition of revenue related to agent transactions

For transactions where the Company's role in providing the product to the customer is fulfilled by an agent, the method of revenue recognition has been changed to one in which the net amount after the amount paid to the supplier is deducted from the amount received from the customer is recognized as revenue.

(2) Variable consideration

For transactions which include variable consideration in consideration, the Company includes such variable consideration within the transaction price to the extent that it is highly probable that a significant reversal of previously recognized cumulative revenue will not occur when the uncertainty is subsequently resolved.

(3) Granting of license

As revenue for granting license, income from licensing was previously recognized upon deposit. However, if the nature of the covenant to grant a license of the customer is the right to access the intellectual property rights over the term of the license, revenue is recognized over a certain period of time, and if the right to use the intellectual property at the time the license is granted, revenue is recognized at one point.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of Accounting Standard for Revenue Recognition, such that the new accounting policy was applied from the beginning balance of retained earnings of the first quarter of FY 2021 to add to or deducted from the amount of beginning balance of retained earnings of the first quarter of FY 2021 the cumulative effects of applying retrospectively the new accounting policy from the first quarter of the fiscal year ending March 31, 2022. The method prescribed in paragraph 86 of Accounting Standard for Revenue Recognition was applied, however, with no retrospective application of the new accounting policy to the contract which are that almost all amounts of revenues have been recognized in accordance with the prior treatments before the beginning of the first quarter of FY 2021. In addition, applying the method prescribed in the proviso (1) of paragraph 86 of Accounting Standard for Revenue Recognition, for the contracts which have been modified before the beginning of the first quarter of FY 2021, the cumulative effect is added to or deducted from the beginning balance of the retained earnings of the first quarter of FY 2021, based on the terms of the contracts that have been reflected all modifications in the contracts.

As a result, in the second quarter of the fiscal year ending March 31, 2022, net sales decreased by 10,917 million yen, cost of sales decreased by 10,041 million yen while Operating income, Ordinary income and income before taxes and non-controlling interests increased 875 million yen.

Also, the balance of retained earnings at the beginning of fiscal year ending March 31, 2022 decreased by 1,548 million yen.

(Application of "Accounting Standard for Fair Value Measurement," etc.)

The company adopted "Accounting Standard for Fair Value Measurement"(ASBJ Statement No.30, July 4, 2019) and other standards from the first quarter of the fiscal year ending March 31, 2022. Based on the transition treatment prescribed in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4 2019), we have decided to apply the new accounting policies set forth by "Accounting Standard for Fair Value Measurement" into the future. These changes had no impact on the quarterly consolidated financial statements.

(Segment Information)

1. Information Regarding Sales, Income (Loss) of Reportable Segments

1) For the Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustments (1)	Consolidated Total
Sales									
Sales to outside customers	10,157	30,340	23,532	3,002	23,856	3,601	94,492	1	94,494
Intersegment Sales	4,553	4,252	2,213	22	9,879	5,810	26,733	(26,733)	-
Total	14,711	34,593	25,746	3,025	33,736	9,412	121,226	(26,731)	94,494
Segment Profit or Loss (Operating Income or Loss)	(139)	10,733	7,794	26	1,242	45	19,702	(1,722)	17,980

Notes: (1) The (1,722) million yen adjustments in segment profit includes (73) million yen in intersegment eliminations, 1 million yen sales not allocated to any reporting segments, and (1,650) million yen corporate expenses not allocated to any reportable segments.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

2) For the Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustments (1)(2)	Consolidated Total
Sales									
Sales to outside customers	11,701	33,957	22,800	3,320	25,656	4,406	101,843	(10,035)	91,807
Intersegment Sales	5,384	5,597	2,150	19	10,784	5,966	29,902	(29,902)	-
Total	17,085	39,555	24,950	3,340	36,441	10,373	131,746	(39,938)	91,807
Segment Profit or Loss (Operating Income or Loss)	1,172	13,178	6,991	451	1,255	(3)	23,045	(1,721)	21,324

Notes: (1) The (10,035) million yen adjustments in sales to outside customers includes (10,041) million yen elimination of agent transactions due to the adoption of Accounting Standard for Revenue Recognition, and 6 million yen sales not allocated to any reporting segments.

(2) The (1,721) million yen adjustments in segment profit includes 7 million yen in intersegment eliminations, 6 million yen sales not allocated to any reporting segments, and (1,734) million yen corporate expenses not allocated to any reportable segments. The corporate expenses are mainly group administrative expenses which do not belong to segments.

2. Matters Related to Changes in Reportable Segments

As described in "Changes in accounting policies", the Company has adopted "Accounting Standard for Revenue Recognition" and other standards from the beginning of the first quarter of FY 2021. Accordingly, the accounting method for revenue recognition has been changed, and the method for calculating profit or loss in our business segments has been changed as well.

As a result of this change, net sales and segment income in the "Agricultural Chemicals" segment for the first six months of the current fiscal year decreased by 875 million yen, compared with the previous method.