

Consolidated Financial Results for the Year Ended March 31, 2022
(JPGAAP)



May 13, 2022

Name of listed company: Nissan Chemical Corporation
Code Number: 4021

Stock Exchange: Tokyo
URL: <https://www.nissanchem.co.jp/>

Representative: YAGI Shinsuke, President

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Scheduled date of annual shareholders' meeting : June 28, 2022 Scheduled dividend payment date : June 29, 2022

Scheduled date of submitting the Annual Securities Report : June 28, 2022

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 Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results (% indicates the rate of increase/decrease year on year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2022	207,972	(0.5)	50,959	19.8	53,690	22.3	38,776	15.9
Year ended March 31, 2021	209,121	1.1	42,530	10.0	43,893	9.7	33,470	8.7

(Note) Comprehensive income: Year ended March 31, 2022 : 36,511 million yen, (5.6) %

Year ended March 31, 2021 : 38,663 million yen, 44.7 %

	Basic earnings per share	Diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2022	271.88	—	19.2	19.7	24.5
Year ended March 31, 2021	231.73	—	17.5	17.0	20.3

(Reference) Equity in earnings of affiliates : Year ended March 31, 2022 : 950 million yen

: Year ended March 31, 2021 : 1,123 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	279,687	208,009	73.6	1,454.01
As of March 31, 2021	265,509	200,562	74.9	1,384.13

(Reference) Shareholders' equity: As of March 31, 2022 : 205,912 million yen

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

(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
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2022	41,949	(12,395)	(27,868)	34,658
Year ended March 31, 2021	39,939	(12,854)	(25,629)	32,380

2. Cash Dividends

	Cash dividends per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2021	—	46.00	—	58.00	104.00	14,979	44.9	7.9
Year ended March 31, 2022	—	50.00	—	72.00	122.00	17,306	44.9	8.6
Year ending March 31, 2023 (Outlook)	—	66.00	—	88.00	154.00		54.8	

3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(% 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
Six months ending September 30, 2022	101,100	10.1	26,000	21.9	26,300	18.1	19,300	18.5	136.77
Year ending March 31, 2023	219,000	5.3	53,500	5.0	54,100	0.8	39,600	2.1	280.90

4. Notes

(1) Changes in significant consolidated subsidiaries

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

(2) 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 [4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements "(Changes in Accounting Policies)"] on page 15 for further details.

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of March 31, 2022 : 143,000,000 shares

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

2. Number of treasury shares

As of March 31, 2022 : 1,383,611 shares

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

3. Average number of shares outstanding over the year

As of March 31, 2022 : 142,624,319 shares

As of March 31, 2021 : 144,438,465 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 164,275 shares. This is not included in the average number of shares outstanding.

* Presentation regarding implementation status of audit procedures

This financial release is not subject to audit procedures based on Financial Instruments and Exchange Law in Japan.

Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* 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.

The prerequisite information of outlook and other items are on page 3 to page 4.

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. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

During the current fiscal year (April 1, 2021 to March 31, 2022), the domestic economy showed a temporary recovery trend in personal consumption. However it failed to achieve a full-fledged recovery due to the spread of the COVID-19 and recurrence of state of emergency. 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, sales increased. In the Pharmaceuticals segment, sales of "Custom Chemicals" (custom manufacturing and solution proposal business for pharmaceutical companies) increased, but sales of the Drug Discovery decreased.

As a result, operating and ordinary income achieved record highs for the eight consecutive year and net income attributable to owners of parent for the nine consecutive year, exceeding the earnings outlooks announced in February.

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

	FY2020 (Actual)	FY2021 (Actual)	Year-on-year change	FY2021 (Outlook)	Change from Outlook
Sales	209,121	207,972	(1,149)	208,300	(328)
Operating income	42,530	50,959	+8,429	50,000	+959
Ordinary income	43,893	53,690	+9,797	51,800	+1,890
Net income attributable to owners of parent	33,470	38,776	+5,306	37,300	+1,476

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 [4.Consolidated Financial Statement (5) Notes to Consolidated Financial Statements "(Changes in Accounting Policies)"] on page 16.

Explanations by segments are as below.

The Chemicals Segment

In Basic chemicals, sales of melamine (adhesives agent for particle board), urea, AdBlue®* (high-grade urea solution), and high purity sulfuric acid (agent used for cleaning semiconductors) 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 37,648 million yen (an increase of 5,739 million yen) and operating income was 3,796 million yen (an increase of 2,313 million yen). Compared to the outlook, sales were above 0.3 billion yen and operating income was above 0.6 billion yen.

* AdBlue® is a registered trademark of the Verband der Automobilindustrie (VDA).

The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) for notebook PCs and monitors 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.

As a result, sales of this segment were 81,665 million yen (an increase of 10,016 million yen) and operating income was 27,719 million yen (an increase of 5,302 million yen). Compared to the outlook, sales were above 0.4 billion yen and operating income was above 0.4 billion yen.

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

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) declined due to decreased shipments caused by customer inventories and other factors, however royalty income was strong. In Japanese domestic market, sales of "ROUNDUP" (non-selective foliar application herbicide) were firm, but shipments of "ALTAIR" (paddy rice herbicide) and GRACIA (insecticide) declined. In the overseas market, sales of "GRACIA" decreased, but sales of "TARGA" (herbicide), "SANMITE" (insecticide and acaricide) and "QUINTEC" (fungicide) performed well. In addition, "DITHANE" (fungicide), which was acquired in the third quarter of FY2020, contributed to sales both domestically and overseas.

As a result, sales of this segment were 65,819 million yen (an increase of 1,971 million) and operating income was 18,338 million yen (an increase of 135 million yen). Compared to the outlook, sales were below 0.7 billion yen and operating income was below 1.0 billion yen.

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 6,630 million yen (a decrease of 22 million) and operating income was 947 million yen (an increase of 590 million yen). Compared to the outlook, sales were above 0.2 billion yen and operating income was above 0.3 billion yen.

Trading

Sales of this segment were 80,437 million yen (an increase of 10,616 million yen) and operating income was 2,903 million yen (an increase of 404 million yen). Compared to the outlook, sales were above 3.1 billion yen and operating income was above 0.4 billion yen.

Others

Sales of this segment were 23,595 million yen (a decrease of 168 million yen) and operating income was 692 million yen (a decrease of 139 million yen).

(Outlook of business result for the next term)

Outlook of Financial Results

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

	FY2021 Actual (A)	FY2022 Outlook (B)	Increase or decrease (B-A)	Rate of change (%)
Sales	208.0	219.0	+11.0	+5.3%
Operating income	51.0	53.5	+2.5	+5.0%
Ordinary income	53.7	54.1	+0.4	+0.8%
Net income attributable to owners of parent	38.8	39.6	+0.8	+2.1%
Basic earnings per share	271.88 yen	280.90 yen	+9.02 yen	+3.3%
Average U.S. dollar exchange rate	112 yen	115 yen	-	-

Segment Sales and Operating Income

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

	Sales		Operating income	
	FY2021 Actual	FY2022 Outlook	FY2021 Actual	FY2022 Outlook
Chemicals	37.6	38.6	3.8	2.2
Performance Materials	81.7	89.9	27.7	30.5
Agricultural Chemicals	65.8	72.9	18.3	19.5
Healthcare	6.6	5.9	0.9	2.1
Trading	80.4	83.7	2.9	2.3
Other	23.6	26.5	0.7	0.8
Adjustment	(87.7)	(98.5)	(3.3)	(3.9)
Total	208.0	219.0	51.0	53.5

(Note) The Pharmaceuticals Segment was renamed as Healthcare Segment due to the changes in organization structure, effective as of April 1, 2022. Operating income of 2.1 billion yen in the Healthcare Segment outlook for the fiscal year ending March 31, 2023 includes an organizational change impact of 1.45 billion yen (an increase factor). Figures for the fiscal year ended March 31, 2022 are shown for the Pharmaceuticals Segment.

We estimate that sales will be 219.0 billion yen, operating income will be 53.5 billion yen, ordinary income will be 54.1 billion yen and net income attributable to owners of parent will be 39.6 billion yen. The above outlook is calculated based on the assumption that the exchange rate will be 115 yen per U.S. dollar.

(2) Analysis of Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of March 31, 2022 were 279,687 million yen (an increase of 14,178 million yen from the previous year). It is mainly due to the increase of notes and accounts receivable-trade, merchandise and finished goods and long-term loans receivable.

Total liabilities as of March 31, 2022 were 71,678 million yen (an increase of 6,730 million yen). It is mainly due to the increase of notes and accounts payable-trade.

Net assets as of March 31, 2022 were 208,009 million yen (an increase of 7,447 million yen).

As a result of these factors, equity ratio was 73.6% (a decrease of 1.3% 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 in working capital, net cash provided by operating activities for the consolidated fiscal year ended March 31, 2022 was 41,949 million yen (39,939 million yen for the previous year).

Due to investment on plant and equipment, net cash used in investing activities for the consolidated fiscal year ended March 31, 2022 was 12,395 million yen (12,854 million yen for the previous year).

Due to share repurchase, payment for dividends and of long-term loans payable, net cash used in financing activities for the consolidated fiscal year ended March 31, 2022 was 27,868 million yen (25,629 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2022 were 34,658 million yen (32,380 million yen for the previous year), reflecting exchange of 591 million yen. It increased by 2,277 million yen compared to the previous year.

<Reference> The transit of Cash Flow indices

	For the year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Shareholders' equity ratio (%)	71.0	73.0	73.7	74.9	73.6
Shareholders' equity ratio based on market value (%)	268.5	303.4	229.7	299.0	366.1
Debt repayment ratio (year)	0.8	0.8	0.7	0.6	0.5
Interest coverage ratio (times)	299.3	288.1	288.5	573.3	571.5

Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio based on market value: market capitalization/total assets

Debt repayment ratio: interest-bearing liabilities/cash flows from operating activities

Interest coverage ratio: cash flows from operating activities/interest payments

Notes: (1) All indicators are calculated based on consolidated financial figures.

(2) Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares.

(3) Cash flows represents operating cash flow.

(4) Interest-bearing liabilities refer to all liabilities recorded in the consolidated balance sheets that incur interest.

(3) Basic Policy on Distribution of Earnings and Dividends for current and next term

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 aimed to realize dividend payout ratio to be 45% and total payout ratio to be 75% from FY2020 onward, and they were 44.9% and 75.6%. In medium-term business plan "Vista2027" Stage I launched from April 2022, we aim to realize dividend payout ratio to be 55% and total payout to be 75%.

The year-end dividend is scheduled to be 72 yen per share. The total annual dividend per share for the current year ended March 31, 2022 will be 122 yen, which was 104 yen in the previous year.

Total annual dividends per share for the year ending March 31, 2023 is planned to be 154 yen (second quarter: 66 yen, year-end: 88 yen).

2. Management Policy

(1) Basic Management Policy

As a group growing with customers, we will strengthen the brand nurtured by our faithful corporate culture and maximize corporate value through productive activities for the society.

(2) Mid-and Long-term Business Strategies and Issues to be addressed

In April 2016, we, Nissan Chemical Corporation ("Company") and group companies (collectively "Group") launched "Progress2030," long-term business plan for the year 2030, and "Vista2021", six-year medium-term business plan. In Stage II (FY2019 to FY2021) of the latter three years of "Vista2021," we set three basic strategies: "Increase the profitability of products that are sources of growth," "Strengthen ability to create new products," and "Improve our ability to adapt to social/market changes." In the last fiscal year of "Vista2021 Stage II," our steady implementation of measures in line with those strategies resulted in an operating profit of 51 billion yen, exceeding the initial target of the business year by 8 billion yen, and achieving the numeral target of "Progress2030," the long-term business plan, 9 years ahead of schedule. While current business performance is strong, we have yet to create new businesses that realize the ideal state of "Progress2030." In addition, the social structure and business environment are rapidly changing due to the global spread of the COVID-19 and approaches to achieve carbon neutrality.

Considering the remarkable changes in the business environment, we returned to our corporate philosophy and launched two plans, "Atelier2050" and "Vista2027" in April 2022. "Atelier2050" is a long-term business plan with a broader perspective up to FY2050, and "Vista2027" is a medium-term business plan that indicates the ideal state of the Group in FY2027 as a stepping-stone to attain the long-term plan.

First of all, in order to determine our direction for the future and clarify the *raison d'être* of the Group, we redefined our corporate philosophy as follows.

"Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society."

"Atelier2050" aim to become a corporate group that continues to grow for the next 100 years by responding to various social demands, such as achieving carbon neutrality and solving food issues. Furthermore, we foster a corporate culture of continuous challenge by integrating internal and external knowledge as a driving force for corporate development. Based on the above, we drew up the ideal state in FY2050 as follow.

A "Future-Creating Company" that grows through seeking to enrich people and nature.

A group of co-creators that faces challenges for change with a strong passion.

We defined three business areas, Information & Communication, Life Sciences, and Environment & Energy as growth business, and Materials & Services as core business. By acquiring new core technologies and integrating and deepening them with existing core technologies, we will create new products and businesses and establish a path for growth. We will establish the basic stance of our group employees to realize the ideal state of our company and take on the challenge of creating the future.

"Vista2027" has Stage I for the first three years and Stage II for the second three years. The targets for the final years of each stage are set at sales of 255 billion yen and operating profit of 58.5 billion yen in FY2024, and sales of 285 billion yen and operating profit of 67 billion yen in FY2027. We established the following four basic strategies to realize our corporate vision for FY2050.

1. Deepen business areas and improve marketing capabilities

We strive to enhance our R&D capability and improve our planning ability to realize the ideal state in FY2050.

2. Promote sustainable management

We foster our efforts and propel measures for sustainability and facilitate offering sustainability-related information internally and externally.

3. Strengthen value creation and co-creation processes

We propel building our business foundations and environment that help mutual communication and improvement in efficiency and facilitate the creation of new value and joint creation.

4. Expand market share and profit in current businesses

We improve profitability by expanding existing products as a source of growth and solidly developing new products.

For Key Performance Indicators, non-financial indicators are listed in addition to the existing key financial indicators. These non-financial indicators include the expansion of the Nissan Chemical Sustainable Agenda, which clarifies the products and services that contribute to solving social issues, and the GHG emissions reduction target for FY2027, which was previously the target for FY2030. By strongly promoting sustainable management, we improve the overall strength of all our business activities, including business, research, manufacturing, and the solid business foundation.

Based on our corporate philosophy of “Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society.” we strongly promote management soundness and transparency, thorough compliance, consideration for the environment, and social contribution activities. We are committed to becoming a corporate group trusted by all stakeholders.

(3) Target Management Indicator

Our most important objectives are “Return on Equity (ROE)” which represents the efficiency of managing shareholders’ equity and “Operating Profit Margin” which leads to a high-value added company. We will expand our business to increase our revenue.

We aim to realize Return on Equity (ROE) to be above 16% in medium term business plan “Vista2021” Stage II launched in April 2019. We have achieved it in FY2019, FY2020 and FY2021.

In addition, the medium-term business plan “Vista2027,” which started in April 2022, defines Key Performance Indicators (KPI) as follows.

Financial indicators (FY2022-2027)

OP Margin	Above 20%
ROE	Above 18%
Dividend payout ratio	55% (Increased from 44.9% in FY2021)
Total Payout Ratio	75%

Non- financial indicators (FY2027)

Nissan Chemical Sustainable Agenda (total sales of products and services that contribute to solving social issues/consolidated net sales)	At least 55%
Reduction of GHG emissions	Above 30% compared to FY2018 (Achieve FY2030 Target 3 years ahead of schedule)
Positive response rate in survey of employee attitude on human resource development	At least 65%
Percentage of female R&D professionals	At least 18%

3. Basic Approach to the Selection of Accounting Standards

The Company will research on trend of IFRS in the country and overseas and correspond properly when applying IFRS.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	32,380	34,658
Notes and accounts receivable - trade	73,937	79,979
Merchandise and finished goods	33,774	37,664
Work in process	23	15
Raw materials and supplies	12,853	14,496
Accounts receivable - other	2,534	2,824
Short-term loans receivable	1,223	1,541
Other	2,892	4,140
Allowance for doubtful accounts	(31)	(41)
Total current assets	159,588	175,279
Non-current assets		
Property, plant and equipment		
Buildings and structures	68,438	69,443
Accumulated depreciation and impairment loss	(43,601)	(45,158)
Buildings and structures, net	24,837	24,284
Machinery, equipment and vehicles	140,790	145,129
Accumulated depreciation and impairment loss	(128,053)	(132,567)
Machinery, equipment and vehicles, net	12,736	12,561
Tools, furniture and fixtures	39,775	41,345
Accumulated depreciation and impairment loss	(36,742)	(37,384)
Tools, furniture and fixtures, net	3,033	3,960
Land	8,996	8,809
Construction in progress	2,233	3,561
Total property, plant and equipment	51,837	53,177
Intangible assets		
Software	548	1,736
Other	11,581	10,044
Total intangible assets	12,129	11,780
Investments and other assets		
Investment securities	35,894	30,217
Long-term loans receivable	2	3,323
Deferred tax assets	205	918
Net defined benefit asset	2,478	1,844
Other	3,483	3,256
Allowance for doubtful accounts	(110)	(110)
Total investments and other assets	41,953	39,450
Total non-current assets	105,921	104,408
Total assets	265,509	279,687

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,298	19,043
Short-term loans payable	20,937	20,981
Current portion of long-term loans payable	552	552
Income taxes payable	7,113	8,710
Provision for bonuses	2,250	2,285
Provision for directors' bonuses	7	-
Other	12,585	14,398
Total current liabilities	59,744	65,971
Non-current liabilities		
Long-term loans payable	1,184	1,182
Deferred tax liabilities	1,310	69
Provision for business structure improvement	171	698
Provision for loss on business of subsidiaries and affiliates	-	626
Provision for share-based remuneration for directors (and other officers)	91	200
Net defined benefit liability	249	290
Other	2,196	2,638
Total non-current liabilities	5,202	5,706
Total liabilities	64,947	71,678
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	161,708	172,393
Treasury shares	(7,340)	(8,261)
Total shareholders' equity	186,923	196,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,359	8,304
Foreign currency translation adjustment	81	898
Remeasurements of defined benefit plans	463	21
Total accumulated other comprehensive income	11,904	9,223
Non-controlling interests	1,733	2,097
Total net assets	200,562	208,009
Total liabilities and net assets	265,509	279,687

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

- Consolidated Statements of Income

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022
Net sales	209,121	207,972
Cost of sales	121,376	106,883
Gross profit	87,745	101,089
Selling, general and administrative expenses	45,214	50,129
Operating income	42,530	50,959
Non-operating income		
Interest income	16	49
Dividend income	981	768
Equity in earnings of affiliates	1,123	950
Foreign exchange gains	-	1,134
Other	668	918
Total non-operating income	2,790	3,821
Non-operating expenses		
Interest expenses	69	73
Loss on disposal of non-current assets	696	682
Loss on sales of non-current assets	4	116
Plant stop losses	177	108
Foreign exchange losses	52	-
Other	426	109
Total non-operating expenses	1,427	1,090
Ordinary income	43,893	53,690
Extraordinary income		
Gain on sales of investment securities	1,588	3,366
Total extraordinary income	1,588	3,366
Extraordinary losses		
Loss on valuation of investment securities	-	477
Business structure improvement expenses	-	1,792
Loss on business of subsidiaries and affiliates	-	626
Total extraordinary losses	-	2,896
Income before income taxes and non-controlling interests	45,481	54,160
Income taxes - current	12,037	14,713
Income taxes - deferred	(50)	312
Total income taxes	11,986	15,026
Net income	33,495	39,134
Net income attributable to non-controlling interests	25	357
Net income attributable to owners of parent	33,470	38,776

- Consolidated Statements of Comprehensive Income

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022
Net income	33,495	39,134
Other comprehensive income		
Valuation difference on available-for-sale securities	3,575	(3,055)
Foreign currency translation adjustment	1,075	875
Remeasurements of defined benefit plans, net of tax	514	(442)
Share of other comprehensive income of entities accounted for using equity method	1	0
Total other comprehensive income	5,167	(2,622)
Comprehensive income	38,663	36,511
(Comprehensive income attributable to)		
Owners of parent	38,540	36,095
Non-controlling interests	122	416

(3) Consolidated Statements of Changes in Net Assets
 For the Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Million yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,613	146,997	(2,470)	177,082
Changes of items during period					
Dividends of surplus			(13,629)		(13,629)
Net income attributable to owners of parent			33,470		33,470
Share repurchase				(10,002)	(10,002)
Disposal of treasury shares				1	1
Cancellation of treasury shares			(5,130)	5,130	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	14,710	(4,870)	9,840
Balance at end of current period	18,942	13,613	161,708	(7,340)	186,923

	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	7,782	(896)	△ 51	6,834	1,610	185,528
Changes of items during period						
Dividends of surplus						(13,629)
Net income attributable to owners of parent						33,470
Share repurchase						(10,002)
Disposal of treasury shares						1
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	3,577	978	514	5,070	123	5,193
Total changes of items during period	3,577	978	514	5,070	123	15,033
Balance at end of current period	11,359	81	463	11,904	1,733	200,562

For the Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,613	161,708	(7,340)	186,923
Cumulative effects of changes in accounting policies			(1,548)		△ 1,548
Restated balance	18,942	13,613	160,160	(7,340)	185,375
Changes of items during period					
Dividends of surplus			(15,468)		(15,468)
Net income attributable to owners of parent			38,776		38,776
Share repurchase				(12,003)	(12,003)
Disposal of treasury shares		0		8	8
Cancellation of treasury shares		(0)	(11,074)	11,074	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	12,233	(920)	11,313
Balance at end of current period	18,942	13,613	172,393	(8,261)	196,688

	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	11,359	81	463	11,904	1,733	200,562
Cumulative effects of changes in accounting policies						(1,548)
Restated balance	11,359	81	463	11,904	1,733	199,013
Changes of items during period						
Dividends of surplus						(15,468)
Net income attributable to owners of parent						38,776
Share repurchase						(12,003)
Disposal of treasury shares						8
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(3,055)	816	(442)	(2,680)	363	(2,317)
Total changes of items during period	(3,055)	816	(442)	(2,680)	363	8,995
Balance at end of current period	8,304	898	21	9,223	2,097	208,009

(4) Consolidated Statements of Cash Flows

(Million yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022
Cash flows from operating activities		
Income before income taxes and non-controlling interests	45,481	54,160
Depreciation and amortization	10,346	10,119
Business structure improvement expenses	-	1,792
Loss on business of subsidiaries and affiliates	-	626
Loss on valuation of investment securities	-	477
Amortization of goodwill	78	103
Interest and dividend income	(997)	(817)
Loss (gain) on sales of investment securities	(1,588)	(3,366)
Interest expenses	69	73
Loss (gain) on disposal of non-current assets	696	682
Decrease (increase) in notes and accounts receivable - trade	(1,016)	(5,704)
Decrease (increase) in inventories	(2,398)	(6,230)
Increase (decrease) in notes and accounts payable - trade	(842)	2,523
Other	(671)	(1,163)
Subtotal	49,159	53,277
Interest and dividend income received	1,925	1,913
Interest expenses paid	(69)	(73)
Income taxes paid	(11,076)	(13,168)
Net cash provided by (used in) operating activities	39,939	41,949
Cash flows from investing activities		
Purchase of investment securities	(159)	(190)
Proceeds from sales of investment securities	3,063	4,248
Purchase of shares of subsidiaries	(1,209)	(22)
Purchase of property, plant and equipment	(8,254)	(11,253)
Payments for retirement of property, plant and equipment	(598)	(466)
Purchase of intangible assets	(688)	(1,133)
Payments for transfer of business	(5,384)	-
Payments of long-term loans receivable	-	(3,322)
Net decrease (increase) in short-term loans receivable	522	(262)
Purchase of long-term prepaid expenses	(222)	(188)
Other	77	196
Net cash provided by (used in) investing activities	(12,854)	(12,395)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,017)	(345)
Proceeds from long-term loans payable	660	550
Repayments of long-term loans payable	(640)	(552)
Cash dividends paid	(13,629)	(15,468)
Dividends paid to non-controlling interests	-	(48)
Share repurchase	(10,002)	(12,003)
Other	-	0
Net cash provided by (used in) financing activities	(25,629)	(27,868)
Effect of exchange rate change on cash and cash equivalents	284	591
Net increase (decrease) in cash and cash equivalents	1,741	2,277
Cash and cash equivalents at beginning of period	30,639	32,380
Cash and cash equivalents at end of period	32,380	34,658

(5) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(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 deduct 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 fiscal year ending March 31, 2022, net sales decreased by 22,885 million yen, cost of sales decreased by 22,807 million yen while Operating income, Ordinary income and income before taxes and non-controlling interests decreased 77 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 and Related Information)

Segment Information

1. General Information about reportable segments

The Company's reportable segments are components of the Group that engage in business activities, whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.

Divisions by products and services are located in the headquarters, and each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

The Company consists of segments based on divisions as follows:

Segment	Main Products
Chemicals	Basic chemicals (melamine, sulfuric acid, nitric acid, ammonia, etc.) Fine chemicals (epoxy compound for LED sealants, solder resist and painting, flame retardants, chlorinated cyanuric acid for sterilizing, etc.)
Performance Materials	Display materials (LCD alignment coating, etc.) Semiconductor materials (bottom anti-reflective coating for semiconductors, etc.) Inorganic materials (hard coating materials, electronic information materials, polishing materials, etc.)
Agricultural Chemicals	Agrochemicals (herbicides, insecticides, fungicides, combination fungicide and insecticide, and plant growth regulators) Animal health products
Pharmaceuticals	LIVALO (anti-cholesterol drug), etc. Custom Chemicals (custom manufacturing and solution proposal business for pharmaceutical companies)
Trading	Trading, etc.
Others	Fertilizer, landscaping, transportation, engineering, etc.

2. Basis of measurement of reported segment income or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and income (loss) are recognized based on current market prices.

3. Information Regarding Sales, Income (Loss), and Segment Assets of Reportable Segments

1) For the Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (Note)	Consolidated Total
Sales									
Customers	21,867	62,600	57,541	6,609	50,833	9,657	209,109	12	209,121
Intersegment	10,041	9,047	6,306	43	18,987	14,106	58,533	(58,533)	—
Total sales	31,908	71,648	63,848	6,652	69,820	23,763	267,642	(58,521)	209,121
Operating income (loss)	1,482	22,416	18,202	357	2,498	831	45,790	(3,260)	42,530
Segment assets	30,763	51,014	82,822	9,646	26,205	12,789	213,241	52,268	265,509
Other items									
Depreciation and amortization	2,241	4,477	2,527	517	80	311	10,155	191	10,346
Amortization of goodwill	1	—	77	—	—	—	78	—	78
Increase of property, plant and equipment and intangible assets	4,903	3,174	6,426	475	137	388	15,504	296	15,800

(Note) The adjustments are as follows:

(1) The (3,260) million yen adjustment in segment income includes 33 million yen in intersegment eliminations, 12 million yen sales not attributable to any reporting segment, and (3,305) million yen corporate expenses not attributable to any reportable segment.

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

(2) The 52,268 million yen adjustment in segment assets includes (12,958) million yen in intersegment eliminations and 65,226 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 191 million yen adjustment in depreciation and amortization is corporation expenses.

(4) The 296 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

2) For the Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (Note)	Consolidated Total
Sales									
Customers	26,032	69,664	57,965	6,580	59,644	10,877	230,764	(22,792)	207,972
Intersegment	11,615	12,000	7,853	49	20,792	12,717	65,031	(65,031)	-
Total sales	37,648	81,665	65,819	6,630	80,437	23,595	295,795	(87,823)	207,972
Operating income (loss)	3,796	27,719	18,338	947	2,903	692	54,398	(3,438)	50,959
Segment assets	32,101	55,133	90,658	9,157	31,489	12,175	230,715	48,972	279,687
Other items									
Depreciation and amortization	2,547	3,860	2,563	541	73	299	9,886	233	10,119
Amortization of goodwill	1	—	101	—	—	—	103	—	103
Increase of property, plant and equipment and intangible assets	2,338	5,725	1,472	651	20	614	10,823	127	10,951

(Note) The adjustments are as follows:

(1) The (22,792) million yen adjustments in sales to outside customers includes (22,807) million yen elimination of agent transactions due to the adoption of Accounting Standard for Revenue Recognition, and 15 million yen sales not allocated to any reporting segments.

(2) The (3,438) million yen adjustment in segment income includes (72) million yen in intersegment eliminations, 15 million yen sales not attributable to any reporting segment, and (3,381) million yen corporate expenses not attributable to any reportable segment.

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

(3) The 10,877 million yen others in sales to outside customers includes 0 million yen cost-recovery method due to the adoption of Accounting Standard for Revenue Recognition.

(4) The 48,972 million yen adjustment in segment assets includes (14,985) million yen in intersegment eliminations and 63,958 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.

(5) The 233 million yen adjustment in depreciation and amortization is corporation expenses.

(6) The 127 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

4. 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 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 current fiscal year decreased by 78 million yen, and net sales in the "Others" segment for the current fiscal year increased 0 million yen, compared with the previous method.

Related Information

For the Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

Sales by region

(Million yen)

Japan	China	Korea	Other Asia	Europe and the United States	Consolidated Total
108,443	26,476	21,481	25,175	27,554	209,121

Note: Sales are classified to either countries or regions based on customers are located.

For the Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

Sales by region

(Million yen)

Japan	China	Korea	Other Asia	Europe and the United States	Consolidated Total
99,167	30,191	21,395	28,678	28,537	207,972

Note: Sales are classified to either countries or regions based on customers are located.

Information regarding impairment loss on non-current assets by reportable segments

For the Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Impairment loss	—	—	—	—	—	11	11	—	11

For the Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Impairment loss	775	—	—	—	—	9	784	—	784

Information regarding amortization and unamortized balance on goodwill by reportable segments

For the Year Ended March 31, 2020 (From April 1, 2020 to March 31, 2021)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2021	1	—	404	—	—	—	406	—	406

For the Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2022	—	—	303	—	—	—	303	—	303

(Per Share Information)

(Yen)

	Year Ended March 31, 2021	Year Ended March 31, 2022
Net assets per share	1,384.13	1,454.01
Net income per share	231.73	271.88

Notes:

- Since residual securities do not exist, diluted net income per share is not presented.
- The Company has introduced "Board Benefit Trust (BBT)" from the second quarter of 2019, and has recorded the shares held by the Trust as treasury shares in the consolidated financial statements. Accordingly, for the purpose of calculating net assets per share, the shares held by the Trust (included in treasury shares) are deducted from the number of shares outstanding at the end of the period. In addition, for the purpose of calculating net income per share, the shares held by the Trust are deducted in calculating the average number of shares outstanding during the period. The number of shares held by the Trust at the end of the period was 164,000 shares, and the average number of shares held by the Trust during the period was 164,275 shares.
- Net income per share is calculated on the following basis.

	Year Ended March 31, 2021	Year Ended March 31, 2022
Net income per share		
Net income attributable to owners of parent (Million yen)	33,470	38,776
Amounts not allocated to ordinary shares (Million yen)	—	—
Net income allocated to ordinary shares (Million yen)	33,470	38,776
Average number of ordinary shares outstanding during each year (shares)	144,438,465	142,624,319

- Net assets per share is calculated on the following basis.

	Year Ended March 31, 2021	Year Ended March 31, 2022
Net asset (Million yen)	200,562	208,009
Amount deducted from net asset (Million yen)	1,733	2,097
(Non-controlling interest) (Million yen)	(1,733)	(2,097)
Net asset as of year end allocated to ordinary shares (Million yen)	198,828	205,912
Number of ordinary shares as of year end used to calculate net asset per share	143,648,112	141,616,389

(Significant Subsequent Events)

1. The Company, at the Board of Director's meeting held on April 26, 2022, has decided to cancel its own shares under Article 178 of the Japanese Corporation Act.

- | | |
|--|---|
| (1) Class of shares to be cancelled : | Common shares of company |
| (2) Number of shares to be cancelled : | 1,000,000 shares (0.70% of issued shares prior to cancellation) |
| (3) Scheduled date of cancellation : | May 10, 2022 |

Reference

Number of issued shares subsequent to cancellation (including treasury shares) : 142,000,000 shares

2. The Company, at the Board of Director's meeting held on May 13, 2022, has decided to repurchase its shares in the market under Article 156 of the Japanese Corporation Act, as applied pursuant to Article 165, Paragraph 3 of the same Act.

(1) Purpose of repurchase

To facilitate flexible implementation of capital policy in response to changes in the business environment.

(2) Details of repurchase

- | | |
|---------------------------|---|
| ① Class of shares: | Common shares of the company |
| ② Total number of shares: | Up to 1,000,000 shares (Rate of the maximum shares to be acquired to the total outstanding shares: 0.71%) |
| (3) Total amount | Up to 5,000,000,000 yen |
| (4) Period of repurchase | From May 16, 2022 to July 29, 2022 |

Reference

Number of treasury shares as of May 10, 2022

Total number of shares issued (excluding treasury shares) : 141,780,320 shares

Number of treasury shares : 219,680 shares

* Not including 159,300 shares of treasury shares which the Board Benefit Trust (BBT) has hold.