

Integrated Report 2021
Financial Section

Nissan Chemical Corporation

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Long Term Financial Performance Trend

(Billions of Yen)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales	154.2	148.6	153.8	163.7	171.2	176.9	180.3	193.4	204.9	206.8	209.1
Operating Profit	19.8	15.5	19.5	22.2	25.3	28.6	31.4	35.0	37.1	38.6	42.5
Ordinary Income	19.4	15.9	20.5	23.7	26.4	29.5	31.7	36.2	39.1	40.0	43.9
Net Income	13.0	11.0	13.9	16.7	18.2	22.4	24.0	27.1	29.4	30.8	33.5
EBITDA	30.3	25.9	29.1	30.8	33.8	38.3	40.3	45.5	48.0	49.2	53.0
OP Margin	12.9%	10.4%	12.7%	13.6%	14.8%	16.2%	17.4%	18.1%	18.1%	18.7%	20.3%
ROE	11.9%	9.5%	11.4%	12.7%	12.7%	14.6%	15.1%	16.1%	16.6%	16.9%	17.5%
EPS(¥/share)	75.94	64.52	83.74	102.11	113.99	143.37	156.97	180.30	197.67	210.09	231.73
Dividend(¥/share)	24	24	26	30	36	44	52	68	82	90	104
Dividend Payout Ratio	31.6%	37.2%	31.0%	29.4%	31.6%	30.7%	33.1%	37.7%	41.5%	42.8%	44.9%
Share Repurchase	2.8	-	5.0	5.0	6.0	9.0	9.0	9.0	9.0	10.0	10.0
Total Assets	183.4	190.1	199.2	208.0	223.9	228.2	231.7	246.0	247.0	249.5	265.5
Net Assets	112.4	119.6	126.7	137.8	151.3	156.9	163.7	176.4	182.1	185.5	200.6
Cash	21.1	27.9	31.9	30.8	31.3	35.3	35.7	37.7	36.2	30.6	32.4
Liabilities with Interest	39.9	38.9	38.1	36.1	35.1	33.1	30.8	28.6	26.6	24.6	22.7
Equity Ratio	60.7%	62.4%	63.0%	65.7%	66.9%	68.1%	69.9%	71.0%	73.0%	73.7%	74.9%
Capex	9.6	8.3	7.9	8.8	9.8	10.2	14.3	13.7	9.9	15.7	15.8
Depreciation	10.4	10.5	9.5	8.5	8.5	9.7	8.9	10.5	10.9	10.5	10.4
R&D Expenses	12.6	13.6	13.7	14.2	15.0	15.8	16.1	17.2	17.8	17.2	16.5
R&D Expenses/Sales	8.2%	9.2%	8.9%	8.7%	8.7%	8.9%	8.9%	8.9%	8.7%	8.3%	7.9%

FINANCIAL REVIEW

Financial Review of the Year Ended March 31, 2021

Overview

In the current fiscal year(April 1, 2020 to March31, 2021), the domestic economy recorded significant negative growth due to the spread of the COVID-19. Though exports have been partially picked up towards the latter half of the year, the severe situation continued such as prolonged stagnation of consumer spending. Under these circumstances, sales of Basic Chemicals decreased in the Chemicals Segment. In the Performance Materials Segment, Display Materials and Semiconductor Materials performed well. Sales of the Agricultural Chemicals Segment were unchanged from the previous fiscal year. In the Pharmaceuticals Segment, although sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) increased, sales of drug discovery decreased.

Operating Results

As a result, the Company's results for the current fiscal year were net sales 209,121 million yen (an increase of 2,283 million yen), operating income 42,530 million yen (an increase of 3,883 million yen) and ordinary income 43,893 million yen (an increase of 3,889 million yen), and net income attributable to owners of parent 33,470 million yen (an increase of 2,690 million yen). Operating and ordinary income achieved record highs for the seventh consecutive year and net income attributable to owners of parent for the eighth consecutive year, exceeding the earnings outlook announced in November.

ROE was 17.5% and we have achieved the Mid-Term Plan Stage II target (maintain above 16%) in the current fiscal year.

Dividend was 104 yen and dividend payout ratio became 44.9%. We have repurchased share of 10.0 billion yen and total payout ratio was 74.6%.

Financial Position

Total assets as of March 31, 2021 were 265,509 million yen (an increase of 15,987 million yen from the previous year). It is mainly due to the increase of merchandise and finished goods, intangible assets, and investment securities.

Total liabilities as of March 31, 2021 were 64,947 million yen (an increase of 953 million yen). It is mainly due to the increase of deferred tax liabilities.

Net assets as of March 31, 2021 were 200,562 million yen (an increase of 15,033 million yen).

As a result of these factors, equity ratio was 74.9% (an increase of 1.2% from March 31, 2020).

Position of Cash Flow

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and changes in working capital, net cash provided by operating activities for the consolidated fiscal year ended March 31, 2021 was 39,939 million yen (35,550 million yen for the previous year).

Due to investments on plant and equipment, net cash used in investing activities for the consolidated fiscal year ended March 31, 2021 was 12,854 million yen (15,624 million yen for the previous year).

Due to share repurchase, payment for dividends and repayment of long-term loans payable, net cash used in financing activities for the consolidated fiscal year ended March 31, 2021 was 25,629 million yen (25,186 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2021 were 32,380 million yen (30,639 million yen for the previous year), reflecting exchange of 284 million yen. It increased by 1,741 million yen compared to the previous fiscal year.

Overview by segments

The Chemicals Segment

In Basic Chemicals, although sales of high purity sulfuric acid (agent used for cleaning semiconductor) increased, shipments of melamine (adhesives agent for particle board) declined. In Fine Chemicals, sales of "TEPIC" (powder coating agent for paint, sealants, etc.) were basically unchanged from the previous fiscal year, while sales of environmental chemicals (sterilizing and disinfecting agents for pools and septic tanks, etc.) decreased.

As a result, sales of this segment were 31,908 million yen (a decrease of 2,427 million yen) and operating income was 1,482 million yen (an increase of 186 million yen). Compared to the outlook, net sales were above 0.2 billion yen and operating income was above 0.3 billion yen.

As outlook of business result for the next term, we assume net sales will be 34.6 billion yen and operating income will be 2.4 billion yen.

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-reflection coating materials for semiconductors (ARC®*) and multilayer materials (OptiStack®*) increased, reflecting the strong operation of customers. In Inorganic materials, sales of Organo / Monomer sol (various kinds of coating materials, resin additive) decreased, while sales of "SNOWTEX" for polishes for electronic materials were firm.

As a result, sales of this segment were 71,648 million yen (an increase of 6,187 million yen) and operating income was 22,416 million yen (an increase of 5,429 million yen). Compared to the outlook, net sales were above 1.8 billion yen and operating income was above 1.8 billion yen.

As outlook of business result for the next term, we assume net sales will be 75.8 billion yen and operating income will be 23.8 billion yen.

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

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) decreased due to the impact of inventories of customers. In the domestic segment, sales of "ALTAIR" (paddy rice herbicide) and "DITHANE" (fungicide), acquired in the third quarter of FY 2020, contributed to sales. On the other hand, sales of "ROUNDUP" (non-selective leaf treatment herbicide) were firm, and shipments of "GRACIA" (insecticide) declined due to moderate

insect pests outbreaks. In the overseas segment, sales of "GRACIA", "ALTAIR" and "PERMIT" (herbicide) were robust.

As a result, sales of this segment were 63,848 million yen (a decrease of 189 million yen) and operating income was 18,202 million yen (a decrease of 1,050 million yen). Compared to the outlook, net sales were below 0.8 billion yen and operating income was below 0.5 billion yen.

As outlook of business result for the next term, we assume net sales will be 66.2 billion yen and operating income will be 17.6 billion yen.

The Pharmaceuticals Segment

Sales of "LIVALO" (anti-cholesterol drug) decreased, due to an increase in sales of generic drugs. In "Custom Chemicals", sales of active pharmaceutical ingredients (generics) increased.

As a result, sales of this segment were 6,652 million yen (a decrease of 310 million yen) and operating income was 357 million yen (a decrease of 575 million yen). Compared to the outlook, net sales were below 0.1 billion yen and operating income was below 0.2 billion yen.

As outlook of business result for the next term, we assume net sales will be 6.1 billion yen and operating income will be 0.3 billion yen.

Trading

Sales of this segment were 69,820 million yen (an increase of 1,912 million yen) and operating income was 2,498 million yen (an increase of 385 million yen). Compared to the outlook, net sales were above 0.7 billion yen and operating income was above 0.4 billion yen.

As outlook of business result for the next term, we assume net sales will be 70.1 billion yen and operating income will be 2.2 billion yen.

Others

Sales of this segment were 23,763 million yen (an increase of 1,369 million yen) and operating income was 831 million yen (an increase of 146 million yen).

As outlook of business result for the next term, we assume net sales will be 23.4 billion yen and operating income will be 0.7 billion yen.

Consolidated Balance Sheets

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Assets			
Current assets			
Cash and deposits	32,380	30,639	292,449
Notes and accounts receivable - trade	73,937	72,509	667,784
Merchandise and finished goods	33,774	33,131	305,040
Work in process	23	153	208
Raw materials and supplies	12,853	10,590	116,086
Accounts receivable - other	2,534	2,765	22,887
Short-term loans receivable	1,223	2,045	11,046
Other	2,892	2,387	26,120
Allowance for doubtful accounts	(31)	(26)	(280)
Total current assets	<u>159,588</u>	<u>154,196</u>	<u>1,441,366</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures	68,438	67,110	618,118
Accumulated depreciation and impairment loss	(43,601)	(42,260)	(393,795)
Buildings and structures, net	<u>24,837</u>	<u>24,850</u>	<u>224,323</u>
Machinery, equipment and vehicles	140,790	135,476	1,271,586
Accumulated depreciation and impairment loss	(128,053)	(123,035)	(1,156,548)
Machinery, equipment and vehicles, net	<u>12,736</u>	<u>12,440</u>	<u>115,029</u>
Tools, furniture and fixtures	39,775	39,625	359,240
Accumulated depreciation and impairment loss	(36,742)	(35,829)	(331,846)
Tools, furniture and fixtures, net	<u>3,033</u>	<u>3,796</u>	<u>27,393</u>
Land	8,996	8,995	81,250
Construction in progress	2,233	1,499	20,168
Total property, plant and equipment	<u>51,837</u>	<u>51,581</u>	<u>468,181</u>
Intangible assets			
Software	548	566	4,949
Other	11,581	6,812	104,597
Total intangible assets	<u>12,129</u>	<u>7,379</u>	<u>109,547</u>
Investments and other assets			
Investment securities	35,894	30,873	324,187
Deferred tax assets	205	721	1,852
Net defined benefit asset	2,478	1,609	22,381
Other	3,485	3,244	31,476
Allowance for doubtful accounts	(110)	(84)	(993)
Total investments and other assets	<u>41,953</u>	<u>36,364</u>	<u>378,911</u>
Total non-current assets	<u>105,921</u>	<u>95,325</u>	<u>956,656</u>
Total assets	<u>265,509</u>	<u>249,522</u>	<u>2,398,022</u>

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Liabilities			
Current liabilities			
Notes and accounts payable - trade	16,298	16,876	147,200
Short-term loans payable	20,937	22,898	189,099
Current portion of long-term loans payable	552	640	4,986
Income taxes payable	7,113	6,167	64,243
Provision for bonuses	2,250	2,151	20,322
Provision for directors' bonuses	7	26	63
Other	12,585	11,254	113,665
Total current liabilities	<u>59,744</u>	<u>60,015</u>	<u>539,595</u>
Non-current liabilities			
Long-term loans payable	1,184	1,076	10,694
Deferred tax liabilities	1,310	76	11,832
Provision for business structure improvement	171	284	1,544
Provision for loss on business of subsidiaries and affiliates	-	309	-
Provision for share awards for directors (and other officers)	91	46	822
Net defined benefit liability	249	208	2,249
Other	2,196	1,976	19,834
Total non-current liabilities	<u>5,202</u>	<u>3,978</u>	<u>46,983</u>
Total liabilities	<u>64,947</u>	<u>63,993</u>	<u>586,588</u>
Net assets			
Shareholders' equity			
Capital stock	18,942	18,942	171,080
Capital surplus	13,613	13,613	122,950
Retained earnings	161,708	146,997	1,460,513
Treasury shares	(7,340)	(2,470)	(66,293)
Total shareholders' equity	<u>186,923</u>	<u>177,082</u>	<u>1,688,250</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	11,359	7,782	102,592
Foreign currency translation adjustment	81	(896)	732
Remeasurements of defined benefit plans	463	(51)	4,182
Total accumulated other comprehensive income	<u>11,904</u>	<u>6,834</u>	<u>107,514</u>
Non-controlling interests	<u>1,733</u>	<u>1,610</u>	<u>15,652</u>
Total net assets	<u>200,562</u>	<u>185,528</u>	<u>1,811,434</u>
Total liabilities and net assets	<u>265,509</u>	<u>249,522</u>	<u>2,398,022</u>

Consolidated Statements of Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Net sales	209,121	206,837	1,888,737
Cost of sales	121,376	122,379	1,096,243
Gross profit	87,745	84,458	792,495
Selling, general and administrative expenses	45,214	45,810	408,363
Operating income	42,530	38,647	384,122
Non-operating income			
Interest income	16	26	145
Dividend income	981	785	8,860
Equity in earnings of affiliates	1,123	945	10,143
Other	668	852	6,033
Total non-operating income	2,790	2,609	25,199
Non-operating expenses			
Interest expenses	69	123	623
Loss on disposal of non-current assets	696	443	6,286
Plant stop losses	177	298	1,599
Foreign exchange losses	52	235	470
Other	431	151	3,893
Total non-operating expenses	1,427	1,252	12,888
Ordinary income	43,893	40,003	396,432
Extraordinary income			
Gain on sales of investment securities	1,588	1,834	14,342
Total extraordinary income	1,588	1,834	14,342
Extraordinary losses			
Licensing arrangement fee	-	834	-
Total extraordinary losses	-	834	-
Income before income taxes and non-controlling interests	45,481	41,003	410,775
Income taxes - current	12,037	10,102	108,716
Income taxes - deferred	(50)	36	(452)
Total income taxes	11,986	10,138	108,255
Net income	33,495	30,864	302,520
Net income attributable to non-controlling interests	25	84	226
Net income attributable to owners of parent	33,470	30,779	302,294

Consolidated Statements of Comprehensive Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Net income	33,495	30,864	302,520
Other comprehensive income			
Valuation difference on available-for-sale securities	3,575	(2,851)	32,289
Foreign currency translation adjustment	1,075	(976)	9,709
Remeasurements of defined benefit plans, net of tax	514	(309)	4,642
Share of other comprehensive income of entities accounted for using equity method	1	(0)	9
Total other comprehensive income	5,167	(4,137)	46,667
Comprehensive income	38,663	26,726	349,196
(Comprehensive income attributable to)			
Owners of parent	38,540	26,733	348,085
Non-controlling interests	122	(6)	1,102

Consolidated Statements of Changes in Net Assets
For FY2020

(Millions of 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 FY2019

(Millions of 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	¥143,200	(¥6,291)	¥169,464
Changes of items during period					
Dividends of surplus			(12,360)		(12,360)
Net income attributable to owners of parent			30,779		30,779
Share repurchase				(10,801)	(10,801)
Disposal of treasury shares			(0)	0	0
Cancellation of treasury shares			(14,622)	14,622	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,797	3,821	7,618
Balance at end of current period	¥18,942	¥13,613	¥146,997	(¥2,470)	¥177,082

	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	¥10,634	(¥11)	¥258	¥10,880	¥1,728	¥182,074
Changes of items during period						
Dividends of surplus						(12,360)
Net income attributable to owners of parent						30,779
Share repurchase						(10,801)
Disposal of treasury shares						0
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(2,851)	(884)	(309)	(4,046)	(117)	(4,164)
Total changes of items during period	(2,851)	(884)	(309)	(4,046)	(117)	3,454
Balance at end of current period	¥7,782	(¥896)	(¥51)	¥6,834	¥1,610	¥185,528

For FY2020

(Thousands of U.S. dollars)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$171,080	\$122,950	\$1,327,646	(\$22,309)	\$1,599,368
Changes of items during period					
Dividends of surplus			(123,094)		(123,094)
Net income attributable to owners of parent			302,294		302,294
Share repurchase				(90,336)	(90,336)
Disposal of treasury shares				9	9
Cancellation of treasury shares			(46,333)	46,333	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	132,858	(43,985)	88,873
Balance at end of current period	\$171,080	\$122,950	\$1,460,513	(\$66,293)	\$1,688,250

	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	\$70,285	(\$8,092)	(\$461)	\$61,723	\$14,541	\$1,675,650
Changes of items during period						
Dividends of surplus						(123,094)
Net income attributable to owners of parent						302,294
Share repurchase						(90,336)
Disposal of treasury shares						9
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	32,307	8,833	4,642	45,791	1,111	46,902
Total changes of items during period	32,307	8,833	4,642	45,791	1,111	135,775
Balance at end of current period	\$102,592	\$732	\$4,182	\$107,514	\$15,652	\$1,811,434

Consolidated Statements of Cash Flows

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Cash flows from operating activities			
Income before income taxes and non-controlling interests	45,481	41,003	410,775
Depreciation and amortization	10,346	10,516	93,443
Amortization of goodwill	78	28	704
Interest and dividend income	(997)	(811)	(9,005)
Loss (gain) on sales of investment securities	(1,588)	(1,834)	(14,342)
Interest expenses	69	123	623
Loss (gain) on disposal of non-current assets	696	443	6,286
Decrease (increase) in notes and accounts receivable - trade	(1,016)	(3,656)	(9,176)
Decrease (increase) in inventories	(2,398)	(2,352)	(21,658)
Increase (decrease) in notes and accounts payable - trade	(842)	(715)	(7,605)
Other	(671)	(263)	(6,060)
Subtotal	49,159	42,481	443,994
Interest and dividend income received	1,925	1,565	17,386
Interest expenses paid	(69)	(123)	(623)
Income taxes paid	(11,076)	(8,373)	(100,036)
Net cash provided by (used in) operating activities	39,939	35,550	360,721
Cash flows from investing activities			
Purchase of investment securities	(159)	(657)	(1,436)
Proceeds from sales of investment securities	3,063	3,206	27,664
Purchase of shares of subsidiaries	(1,209)	(330)	(10,919)
Purchase of property, plant and equipment	(8,254)	(8,904)	(74,548)
Payments for retirement of property, plant and equipment	(598)	(391)	(5,401)
Purchase of intangible assets	(688)	(285)	(6,214)
Payments for transfer of business	(5,384)	(6,335)	(48,627)
Net decrease (increase) in short-term loans receivable	522	(1,538)	4,715
Purchase of long-term prepaid expenses	(222)	(645)	(2,005)
Other	77	256	695
Net cash provided by (used in) investing activities	(12,854)	(15,624)	(116,095)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(2,017)	(653)	(18,217)
Proceeds from long-term loans payable	660	600	5,961
Repayments of long-term loans payable	(640)	(1,860)	(5,780)
Cash dividends paid	(13,629)	(12,360)	(123,094)
Dividends paid to non-controlling interests	-	(111)	-
Share repurchase	(10,002)	(10,801)	(90,336)
Other	-	0	-
Net cash provided by (used in) financing activities	(25,629)	(25,186)	(231,476)
Effect of exchange rate change on cash and cash equivalents	284	(283)	2,565
Net increase (decrease) in cash and cash equivalents	1,741	(5,544)	15,724
Cash and cash equivalents at beginning of period	30,639	36,183	276,725
Cash and cash equivalents at end of period	32,380	30,639	292,449

(Note 1) The consolidated financial statements are a translation of the Japanese annual securities report's consolidated financial statements.

(Note 2) The consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2021 after being converted from the currency of the country in which the Company operates. The translation of Japanese yen amounts to United States dollar amounts is included solely for the convenience of the readers outside Japan, and has been made at the rate of ¥110.72 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2021. This translation should not be construed to indicate that the Japanese yen amounts shown can be converted to United States dollars at the above rate.

Notes to Consolidated Financial Statements

1. Basis for presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the related accounting regulations, and the accounting principles generally accepted in Japan ("J-GAAP"), which differ in certain aspects from the application and disclosure requirements of the accounting principles generally accepted in the United States of America ("US-GAAP") and International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassification and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers in other countries.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2021 include the account of Nissan Chemical Corporation. (the "Company") and its eight main (eight in FY2020) subsidiaries (together, the "Companies"). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income, and retained earnings.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are fully consolidated. Those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. Investments in two affiliated companies (two in FY2020) are accounted for by the equity method.

The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of the respective dates on which they were acquired.

All significant inter-company balances and transactions have been eliminated in consolidation.

All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

b. Securities

The Company's marketable securities are reported at fair value. Unrealized holding gains and losses, net of the related tax effect, on marketable securities are excluded from earnings. Instead, they are reported as a separate component of other comprehensive income until realized.

Realized gains and losses for securities are included in earnings, and are derived using the moving average method for determining the cost of securities sold.

Non-marketable securities in companies over which the Company is incapable of exercising significant influence are stated at cost and reviewed periodically for impairment.

c. Inventories

Inventories are stated at the lower of cost or net realizable value. The cost is determined by the weighted average method.

d. Property, Plant and Equipment (excluding Leased Assets)

Property, plant and equipment are stated at cost. In general, the depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of these assets.

The estimated useful life ranges are 2 years to 50 years for buildings and structures, and 2 years to 12 years for machinery and equipment.

e. Goodwill and other Intangible Assets

Goodwill is amortized by the straight-line method within 20 years. Other intangible assets are also amortized using the straight-line method.

The main useful lives of major intangible assets are as follows:

Software	5 year
Other intangible assets	5~16 year

f. Leased Assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated by the straight-line method with no residual value, using the contract term as the useful life.

g. Allowance for Doubtful Accounts

Allowance for doubtful accounts is the Companies' best estimate for the amount of probable credit losses in the Companies' existing trade receivables.

An additional reserve for individual receivable is recorded when the Company become aware of a customer's inability to meet its financial obligations, such as when customers files for bankruptcy or when the its operating results or financial position deteriorates.

If the customer's circumstances change, estimates of the recoverability of receivables are further adjusted.

h. Provision for Bonuses

The Companies provide accrued bonuses for employees based on the estimated amounts to be paid for the fiscal year.

i. Provision for Directors' Bonuses

The Companies provide accrued bonuses for members of the Board of Directors based on the estimated amounts to be paid for the fiscal year.

j. Provision for share-based remuneration for directors (and other officers)

The Company provides for the estimated amount of share benefit obligations as of the end of the current consolidated fiscal year to cover the benefit of shares to the Company's directors, etc., in accordance with the regulations for the delivery of shares to directors, etc.,

k. Provision for Business Structure Improvement

The Company provides a reserve at the estimated amount to cover the expenses and losses to be incurred in association with structural improvement.

l. Provision for Loss on Business of Subsidiaries and Affiliates

The Company provides a reserve at the estimated amount to cover the losses on business of subsidiaries and affiliates in consideration of their financial position.

m. Provision for Retirement Benefits

The Company has a defined benefit plan and a retirement plan that substantially covers all of its employees.

The method for calculating the estimated amount of all retirement benefits to be paid at future retirement dates is based on the benefit formula.

Actuarial gains and losses are primarily amortized using the declining-balance method over the average of the estimated remaining service years (16 years) commencing from the period which the gains and losses occurred.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefits.

In this method, the retirement benefit obligation is the same amount as the necessary payment related to retirement benefits.

n. Translation of Foreign Currency

The assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the spot exchange rate in effect on the balance sheet date. Revenue and expense items are translated at the prevailing average exchange rates for the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from the translation of financial statements are excluded from the statements of income. Instead, they are accumulated in net assets as a component of accumulated other comprehensive income (loss).

o. Derivatives and Hedge Accounting

The Company enters into interest rate swap contracts to hedge the risk of changes in interest rates over borrowings. Derivatives are carried at fair value with all changes in unrealized gains and losses charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gains or losses, net of the applicable income taxes, are reported as components of accumulated other comprehensive income (loss). If interest rates swap contracts meet certain criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

p. Cash and Cash Equivalent

The Companies consider cash equivalents include all highly fluid investments, which have been purchased with original maturities of three months or less.

3. U.S. dollar Amounts

The accompanying consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2021 after being converted from the currency of the country in which the Company operates. The translation of Japanese yen amounts to United States dollar amounts is included solely for the convenience of the readers outside Japan, and has been made at the rate of ¥110.72 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2021. This translation should not be construed to indicate that the Japanese yen amounts shown can be converted to United States dollars at the above rate.

4. Significant accounting estimates

a. Provision for retirement benefits

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	(Millions of Yen)	(Thousands of U.S. dollars)
Net defined benefit asset	¥2,478	\$22,381
Net defined benefit liability	¥249	\$2,249

(2) Information on the nature of significant accounting estimates for identified items

-Calculation method

In order to prepare for the payment of future retirement benefits, the Group records retirement benefits based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year, which are primarily calculated based on actuarial assumptions. These assumptions include discount rates, future salary levels, retirement rates, mortality rates, etc. Each of these conditions has been calculated using methods that are currently considered sufficiently reasonable. Certain consolidated subsidiaries have adopted the simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses, using the method of treating the amount payable at the end of the term for retirement benefits as the retirement benefit obligation.

- Main assumptions

The expected rate of return is assumed to be 2.0% and the discount rate is assumed to be 0.8% per annum.

- Effect on the consolidated financial statements for the following fiscal year

The Company believes that if actual results differ from the assumptions, or if the assumptions are changed, it may have a material impact on the consolidated financial statements for the next and subsequent fiscal years, as it may affect the costs and liabilities recognized in future periods.

b. Business Combinations

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

-The fungicide "Quinoxifen" business

	(Millions of Yen)		(Thousands of U.S. dollars)
	Amount	Amortization Period	Amount
Intangible fixed assets and others (Product registration right)	¥4,415	9 year	\$39,875
Intangible fixed assets and others (Non-competition agreement)	588	6 year	5,311
Goodwill	233	5 year	2,104
Total	¥5,236		\$47,290

-The fungicide "Manzeb" business

	(Millions of Yen)		(Thousands of U.S. dollars)
	Amount	Amortization Period	Amount
Intangible fixed assets and others (Sales rights)	¥3,936	16 year	\$35,549
Intangible fixed assets and others (Trademarks)	1,155	16 year	10,432
Goodwill	171	5 year	1,544
Total	¥5,263		\$47,534

(2) Information on the nature of significant accounting estimates for identified items

-Calculation method

Business combinations are accounted for using the purchase method. Under the purchase method, all assets acquired are recognized and measured based on their fair value at the date of acquisition of control. The determination of fair value involves significant estimates, including projections of future cash flows, discount rates and perpetual growth rates.

- Main assumptions

The main assumptions underlying the determination of fair value are discounted future cash flows, discount rate and perpetual growth rate.

- Effect on the consolidated financial statements for the following fiscal year

Although we believe that the estimates used to calculate the fair value in processing the business combination are reasonable, unpredictable changes in the assumptions on which the estimates are based could result in revisions to the fair value, which could lead to the recording of impairment losses on the acquired assets in the future.

c. Loss on valuation of inventories

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	(Millions of Yen)	(Thousands of U.S. dollars)
Loss on valuation of inventories	¥354	\$3,197

(2) Information on the nature of significant accounting estimates for identified items

-Calculation method

In valuing inventories at the end of the fiscal year, if the net selling price is lower than the book value, the book value is reduced to the net selling price, and the amount of the reduction is recorded as a loss on valuation of inventories.

- Main assumptions

For finished goods and merchandise, the net realizable value is estimated based on historical experience of sales deductions and transportation costs from total sales. For raw materials, the net realizable value is estimated based on the last purchase price.

- Effect on the consolidated financial statements for the following fiscal year

In estimating valuation losses, the Company makes judgments based on past purchasing and shipping records, information available at the time of valuation, and other factors considered reasonable. However, if the market environment deteriorates more than expected and the net selling price declines, it may be necessary to record additional valuation losses.

5. Unapplied Accounting Standards

a. Revenue Recognition

Accounting Standards Board of Japan released "Accounting Standard for Revenue Recognition" and "Implementation Guidance on Accounting Standard for Revenue Recognition" on March 31, 2020.

The above standard and guidance are scheduled to be applied in the fiscal year ending in March 31, 2022.

The impact on consolidated financial statements is under evaluation as well.

b. Fair Value Measurement

Accounting Standards Board of Japan released "Accounting Standard for Fair Value Measurement", "Accounting Standard for Measurement of Inventories", Accounting Standard for Financial Instruments and , "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" on March 31, 2020.

The above standard and guidance are scheduled to be applied in the fiscal year ending in March 31, 2022.

The impact on consolidated financial statements is under evaluation as well.

6.Reclassifications

(Application of the "Accounting Standard for Disclosures about Accounting Estimates")

The "Accounting Standard for Disclosures about Accounting Estimates"(ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements for the fiscal year ended March 31, 2021, and notes regarding significant accounting estimates are included in the consolidated financial statements.

However, in the notes to the consolidated financial statements, in accordance with the transitional treatment prescribed in the proviso of the relevant accounting standard No. 11, the details related to the previous consolidated fiscal year are not described.

(Notes to Consolidated Statements of Cash Flows)

In the previous fiscal year, "Purchase of shares of subsidiaries" which was included in "Other" under "Cash flows from investing activities" has increased in importance, it is presented as a separate item from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, (73) million yen presented as "Other" under "Cash flows from investing activities" has been reclassified as "Purchase of shares of subsidiaries" of (73) million yen in the consolidated statement of cash flows for the previous fiscal year.

7. Collateral Assets and Liabilities

Collateral assets and liabilities as of FY2020 and FY2019 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Investment securities	¥205	¥126	\$1,852
Accounts payable	¥257	¥282	\$2,321

8. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for FY2018 and FY2017 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
	¥16,459	¥17,161	\$148,654

9. Comprehensive Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥6,742	(¥2,275)	\$60,892
Reclassification adjustment	(1,588)	(1,834)	(14,342)
Amount before tax effect	5,154	(4,109)	46,550
Tax effect	(1,578)	1,258	(14,252)
Valuation difference on available-for-sale securities, net of tax	<u>3,575</u>	<u>(2,851)</u>	<u>32,289</u>
Foreign currency translation adjustment:			
Gains (losses) arising during the year	1,075	(976)	9,709
Reclassification adjustment	-	-	-
Amount before tax effect	1,075	(976)	9,709
Tax effect	-	-	-
Foreign currency translation adjustment, net of tax	<u>1,075</u>	<u>(976)</u>	<u>9,709</u>
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	732	(396)	6,611
Reclassification adjustment	9	(49)	81
Amount before tax effect	741	(446)	6,693
Tax effect	(227)	137	(2,050)
Remeasurements of defined benefit plans, net of tax	<u>514</u>	<u>(309)</u>	<u>4,642</u>
Share of other comprehensive income of affiliates accounted for using equity methods:			
Gains (losses) arising during the year	1	(0)	9
Total other comprehensive income	<u>¥5,167</u>	<u>(¥4,137)</u>	<u>\$46,667</u>

10. Common Shares

(1) Dividends

Cash dividends charged to retained earnings for the years ended March 31, 2021 and 2020 represent the dividends paid out during those years. The accompanying consolidated financial statements do not include any provisions for a dividend approved by the Annual Shareholders Meeting of 48 yen per share with an aggregate 6,990 million yen for the year ended March 31, 2020.

(2) Retained Earnings

Retained earnings on a consolidated basis consist of legal reserve and retained earnings. In accordance with provisions of the Companies Act of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code states that while neither legal capital surplus nor legal retained earnings are available for dividends, both may be used to reduce or eliminate a deficit by a resolution of the shareholders' meeting, or may be transferred to stated capital common stock by a resolution of the Board of Directors. Legal reserve in the accompanying consolidated financial statement includes only that of the Company. Retained earnings of the Company and its consolidated subsidiaries include a certain special reserve for the purpose of obtaining tax benefits in accordance with the Special Taxation Law of Japan.

11. Investment securities

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Equity securities	¥24,397	¥20,664	\$220,349
Unlisted securities of affiliates	8,823	7,604	79,688
Unlisted securities	2,673	2,603	24,142
	<u>¥35,894</u>	<u>¥30,873</u>	<u>\$324,187</u>

12. Short-term Debt and Long-term Debt

Short-term debt consisting of an unsecured bank overdraft as of March 31, 2021 was 20,937 million yen.

The weighted average interest rate on short-term debt outstanding as of March 31, 2021 was 0.49%.

The weighted average interest rate on long-term debt outstanding as of March 31, 2021 was 0.53%.

The weighted average interest rate on the current portion of long-term debt outstanding as of March 31, 2021 was 0.56%.

Long-term debt as of FY2020 and FY2019 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Long-term debt	¥1,736	¥1,716	\$15,679
Less current portion	(552)	(640)	(4,986)
	¥1,184	¥1,076	\$10,694

Long-term debt payments due after FY2021 were as follows:

Year ending March 31	(Millions of Yen)	(Thousands of U.S. dollars)
FY2022	¥442	\$3,992
FY2023	358	3,233
FY2024	252	2,276
FY2025 and thereafter	132	1,192
	¥1,184	\$10,694

13. Retirement Benefits

(1) The liability for retirement benefits as of FY2020 and FY2019 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Retirement benefit obligation	¥12,771	¥12,697	\$115,345
Plan asset	(15,249)	(14,289)	(137,726)
	(2,478)	(1,592)	(22,381)
Unfunded retirement benefit obligation	249	190	2,249
Net retirement benefit obligation	(2,229)	(1,401)	(20,132)
Net defined benefit liability	249	208	2,249
Net defined benefit asset	(2,478)	(1,609)	(22,381)
Net retirement benefit obligation	(¥2,229)	(¥1,401)	(\$20,132)

(2) Actuarial assumptions

The principal actuarial assumptions as of FY2020 and FY2019 were as follows:

	FY2020	FY2019
Discount rate	0.8%	0.8%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase (forecast)	3.6 to 9.0%	3.6 to 9.0%

(Note) Expected rate of salary increase is calculated based on our point system.

14. Income Taxes

The Company is subject to a number of taxes based on income. The statutory income tax rates were approximately 30.62% for the year ended March 31, 2021 and 30.62% for the year ended March 31, 2020.

The tax effects on significant temporary differences which resulted in deferred tax assets and liabilities as of FY2020 and FY2019 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2020	FY2019	FY2020
Deferred tax assets:			
Inventory	¥777	¥757	\$7,018
Provision for bonuses	700	655	6,322
Overdepreciation	693	648	
Prepaid consignment research expenses	490	520	4,426
Business tax	486	370	
Other	2,102	2,143	18,985
Gross deferred tax assets	5,250	5,094	47,417
Less: Valuation allowance	(120)	(37)	(1,084)
Total deferred tax assets	5,130	5,057	46,333
Deferred tax liabilities:			
Unrealized gain on securities	(5,294)	(3,732)	(47,814)
Net defined benefit asset	(695)	(427)	(6,277)
Reserve for advanced depreciation of non-current assets	(244)	(252)	(2,204)
Total deferred tax liabilities	(6,234)	(4,412)	(56,304)
Net deferred tax assets	(¥1,104)	¥645	(\$9,971)

The differences between the statutory tax rate and the effective tax rate for the years ended FY2020 and FY2019 were as follows:

	FY2020	FY2019
Statutory tax rate	30.62%	30.62%
(Reconciliation)		
Elimination of intercompany dividend income	1.35%	2.03%
Entertainment and other permanently non-deductible expense	0.13	(0.30)
Difference of tax rate for foreign consolidated subsidiaries	0.09	0.10
Equity in earnings of affiliates	(0.76)	(0.71)
Dividend and other items excluded permanently from taxable income	(1.53)	(2.12)
Tax credit	(3.73)	(4.72)
Other, net	0.18	(0.17)
Effective tax rate	26.35%	24.73%

15. Business combination

(Business combination through acquisition)

The Company has entered into a business transfer agreement dated December 18, 2020 regarding the acquisition of the fungicide "Mancozeb" business of Corteva Agriscience, Inc. and has taken over the business as of the same date.

a. Overview of business combination

(1) Name of company and business description

Name of the partner company: Corteva Agriscience, Inc
Business description: the fungicide "Mancozeb" business

(2) Main purpose of the business combination

In addition to drug discovery, we are expanding our fungicide portfolio through acquisitions and in-licensing in order to further develop our agricultural chemicals business.

(3) Date of business combination

December 18, 2020

(4) Legal form of business combination

Business acquisition with cash as consideration

(5) Name of the combined company

There is no change.

(6) Main reason for determining the acquiring company

The Company acquired the business in exchange for cash.

b. Period of the results of the acquired business included in the consolidated financial statements

December 18, 2020 to March 31, 2021

c. Acquisition cost of acquired business and breakdown by type of consideration

	(Millions of Yen)	(Thousands of U.S. dollars)
Consideration for acquisition Cash	5,384	\$48,627
Acquisition cost	5,384	\$48,627

d. Details and amounts of major acquisition-related costs

	(Millions of Yen)	(Thousands of U.S. dollars)
Remuneration, fees, etc. for advisory services	14	\$126

e. Amount of goodwill incurred, reason for its occurrence, amortization method and amortization period

(1) Amount of goodwill generated

	(Millions of Yen)	(Thousands of U.S. dollars)
	184	\$1,662

(2) Cause of Occurrence

This goodwill arose from the future excess earning power expected from future business development.

(3) Amortization method and amortization period

Equal amortization over 5 years

f. Amount of assets received and liabilities assumed on the date of business combination and their major breakdown

	(Millions of Yen)	(Thousands of U.S. dollars)
Fixed assets	5,384	\$48,627
Total assets	5,384	\$48,627

g. Amount allocated to intangible fixed assets other than goodwill, its breakdown by major type, and weighted average amortization period by major type

Type	Amount		Weighted average amortization period	(Thousands of U.S. dollars)
Product Registration	4,020	16 year	\$36,308	
Non-compete agreements	1,180	16 year	\$10,658	
Total	5,200	16 year	\$46,965	

h. Estimated amount and calculation method of the effect on the consolidated statement of income for the current consolidated fiscal year on the assumption that the business combination was completed as of the beginning of the consolidated fiscal year

As the amount of impact is immaterial, it has been omitted.

16. Segment Information

(1) General Information about reportable segments

In regard to reportable segments, the Company is able to obtain discrete financial data from its component units.

Accordingly, its segments are subject to regular review to help the Board of Directors decide how to allocate managerial resources and evaluate business performance.

Divisions by products and services are located at headquarters. Each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

Therefore, the Company consists of segments based on the following divisions:

Segment	Main Products
Chemicals	Basic chemicals (melamine, sulfuric acid, nitric acid, ammonia, etc.)
	Fine chemicals (epoxy compound for LED sealants, 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 drugs), etc.
	Finetech®(custom chemicals and process researching services for pharmaceutical companies)
Trading	Trading, etc.
Others	Transportation, landscaping, engineering, fertilizer, etc.

(2) Basis for the measurement of reported segment sales, profit or loss, segment assets, liabilities, 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 transfers are based on current market prices.

(3) Information on sales, profit (loss), assets, liabilities, and other item amounts by reportable segment

FY2019	Millions of Yen							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	¥24,893	¥57,831	¥58,693	¥6,905	¥48,235	¥10,265	13	¥206,837
Intersegment sales	9,443	7,629	5,345	56	19,672	12,128	(54,276)	—
Total	34,336	65,460	64,038	6,962	67,907	22,394	(54,262)	206,837
Segment profit(loss)	1,296	16,987	19,253	932	2,113	685	(2,621)	38,647
Segment assets	27,711	50,172	73,909	10,555	25,243	11,976	49,952	249,522
Other items								
Depreciation and amortization	1,940	5,202	2,296	598	85	187	204	10,516
Amortization of goodwill	1	—	27	—	—	—	—	28
Increase of property, plant and equipment, and intangible assets	¥3,134	¥3,276	¥7,902	¥597	¥104	¥366	¥327	¥15,709

Notes: The adjustments are as follows:

(1) The (2,621) million yen adjustments in segment profit includes 275 million yen in intersegment eliminations, 13 million yen sales not allocated to any reporting segments, and (2,909) 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) The 49,952 million yen adjustments in segment assets includes (11,924) million yen in intersegment eliminations and 61,877 million yen in corporate assets not allocated to any reportable segments. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 204 million yen adjustments in depreciation and amortization is corporate expenses.

(4) The 327 million yen adjustments 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.

FY2020	Millions of Yen							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	¥21,867	¥62,600	¥57,541	¥6,609	¥50,833	¥9,657	12	¥209,121
Intersegment sales	10,041	9,047	6,306	43	18,987	14,106	(58,533)	—
Total	31,908	71,648	63,848	6,652	69,820	23,763	(58,521)	209,121
Segment profit(loss)	1,482	22,416	18,202	357	2,498	831	(3,260)	42,530
Segment assets	30,763	51,014	82,822	9,646	26,205	12,789	52,268	265,509
Other items								
Depreciation and amortization	2,241	4,477	2,527	517	80	311	191	10,346
Amortization of goodwill	1	—	77	—	—	—	—	78
Increase of property, plant and equipment, and intangible assets	¥4,903	¥3,174	¥6,426	¥475	¥137	¥388	¥296	¥15,800

Notes: The adjustments are as follows:

(1) The (3,260) million yen adjustments in segment profit includes 33 million yen in intersegment eliminations, 12 million yen sales not allocated to any reporting segments, and (3,305) million yen corporate expenses not allocated to any reporting segments.

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

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

(3) The 191 million yen adjustments in depreciation and amortization is corporate expenses.

(4) The 296 million yen adjustments 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.

FY2020	Thousands of U.S. dollars							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	\$197,498	\$565,390	\$519,698	\$59,691	\$459,113	\$87,220	\$108	\$1,888,737
Intersegment sales	90,688	81,711	56,954	388	171,487	127,402	(528,658)	—
Total	288,186	647,110	576,662	60,079	630,600	214,622	(528,549)	1,888,737
Segment profit(loss)	13,385	202,457	164,397	3,224	22,561	7,505	(29,444)	384,122
Segment assets	277,845	460,748	748,031	87,121	236,678	115,508	472,074	2,398,022
Other items								
Depreciation and amortization	20,240	40,435	22,823	4,669	723	2,809	1,725	93,443
Amortization of goodwill	9	—	695	—	—	—	—	704
Increase of property, plant and equipment, and intangible assets	\$44,283	\$28,667	\$58,038	\$4,290	\$1,237	\$3,504	\$2,673	\$142,702

Overseas operations, which represent sales to customers outside Japan for FY2020 and FY2019 were as follows:

Millions of Yen						
FY2019	Japan	China	Korea	Other Asia	Europe and the United	Consolidated Total
Net sales	¥109,217	¥22,840	¥19,829	¥24,395	¥30,554	¥206,837

Millions of Yen						
FY2020	Japan	China	Korea	Other Asia	Europe and the United	Consolidated Total
Net sales	¥108,443	¥26,476	¥21,481	¥25,175	¥27,544	¥209,121

Thousands of U.S. dollars						
FY2020	Japan	China	Korea	Other Asia	Europe and the United	Consolidated Total
Net sales	\$979,435	\$239,126	\$194,012	\$227,375	\$248,772	\$1,888,737

(4) Matters related to changes in reportable segment, etc.

(Change of calculation method for profit (loss) and depreciation and amortization by reportable segment)

From the current consolidated fiscal year, in order to evaluate and manage the performance of each reportable segment more appropriately, the Company reviewed the method of adjusting intersegment transactions and has changed the method of calculation for profit or loss and depreciation and amortization of each reportable segment. Segment information for the previous consolidated fiscal year is based on the revised method.

17. Amounts per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share attributable to the period represent dividends declared as applicable to the year.

Amounts per share of net income and cash dividends for FY2020 and FY2019 were as follows:

	(Yen)		(U.S. dollars)
	FY2020	FY2019	FY2020
Net income	¥231.73	¥210.09	\$2.09
Cash dividends	¥104.00	¥90.00	\$0.94

Independent Auditors' Report

To the Board of Directors of
Nissan Chemical Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nissan Chemical Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Yaesu Audit & Co.
Tokyo, Japan
June 25, 2021

