

# Consolidated Financial Results for the Six Months Ended September 30, 2020 (JPGAAP)



November 12, 2020

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

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Scheduled submission date of quarterly report: November 13, 2020

Scheduled dividend payment date: December 7, 2020

Supplemental information: Yes

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

(Amounts rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2020	94,494	(2.0)	17,980	(0.3)	18,173	(2.5)	13,896	(4.3)
Six months ended September 30, 2019	96,466	(1.6)	18,026	(7.1)	18,646	(9.5)	14,523	(5.8)

(Note) Comprehensive income: Six months ended September 30, 2020 : 16,436 million yen ,48.7%

Six months ended September 30, 2019 : 11,051 million yen ,(33.7%)

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	95.96	—
Six months ended September 30, 2019	98.75	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	229,234	187,974	81.3
As of March 31, 2020	249,522	185,528	73.7

(Reference) Shareholders' equity: As of September 30, 2020 : 186,337 million yen

As of March 31, 2020 : 183,917 million yen

## 2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	42.00	—	48.00	90.00
Year ending March 31, 2021	—	46.00	—	—	—
Year ending March 31, 2021 (Outlook)	—	—	—	52.00	98.00

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

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

## 3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2021	209,500	1.3	40,300	4.3	41,100	2.7	31,400	2.0	217.56

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

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

#### 4. Notes

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

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

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

1. Changes of accounting policies due to revisions of accounting standards : None
2. Changes of accounting policies other than the above : None
3. Changes in accounting estimates : None
4. Restatements : None

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of September 30, 2020 : 145,000,000 shares

As of March 31, 2020 : 146,000,000 shares

2. Number of treasury shares

As of September 30, 2020 : 856,260 shares

As of March 31, 2020 : 522,578 shares

3. Average number of shares outstanding

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

As of September 30, 2019 : 147,069,733 shares

(Note) The Company has introduced "Board Benefit Trust (BBT)" from the second quarter of the previous fiscal year.

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 165,800 shares.

In addition, the average number of shares held by the Trust during the period was 165,983 shares.

This is not included in the average number of shares outstanding.

\* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

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

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

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

For supplemental information, please refer to our website.

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

## Table of Contents for Attached Materials

1. Qualitative Information on Quarterly Results .....	2
(1) Business Performance .....	2
(2) Financial Position .....	3
(3) Outlook of Consolidated Financial Results and Other Forward-looking Information .....	4
(4) Basic Policy on Distribution of Earnings .....	4
2. Consolidated Financial Statements .....	5
(1) Consolidated Balance Sheets .....	5
(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income .....	7
(3) Consolidated Statements of Cash Flows .....	9
(4) Notes to Consolidated Financial Statements .....	10
(Notes on Assumption of Going Concern) .....	10
(Notes on Significant Changes in Shareholders' Equity) .....	10
(Segment Information) .....	10

## 1. Qualitative Information on Quarterly Results

### (1) Business Performance

During the second quarter of the current fiscal year (April 1, 2020 to September 30, 2020), the domestic economy was severely affected by the spread of the COVID-19. As a result of a sharp drop in domestic demand and a decrease in exports due to the deterioration of the world economy, a significant negative growth was recorded, surpassing that immediately after the global financial crisis. Under these circumstances, sales of Basic Chemicals decreased in the Chemicals Segment. In the Performance Materials Segment, Display Materials and Semiconductor Materials performed well. In the Agricultural Chemicals Segment, shipments declined. In the Pharmaceuticals Segment, sales in the drug discovery business decreased, despite an increase in sales in "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies).

As a result, business performance during the first half of the current fiscal year was as follows. Sales and each income were below the same period of previous fiscal year, however operating income, ordinary income and net income attributable to owners of parent exceeded the outlook announced in May.

• Consolidated Financial Results for the Second Quarter (Million yen, amounts rounded down to the nearest million yen)

	2Q FY2019 (Actual)	2Q FY2020 (Actual)	Year-on-Year Change	2Q FY2020 (Outlook)	Change from Outlook
Net sales	96,466	94,494	(1,971)	96,600	(2,106)
Operating income	18,026	17,980	(46)	16,100	+1,880
Ordinary income	18,646	18,173	(473)	16,700	+1,473
Net income attributable to owners of parent	14,523	13,896	(626)	12,500	+1,396

Explanations by segments are as below.

### The Chemicals Segment

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

As a result, sales of this segment were 14,711 million yen (a decrease of 2,131 million yen) and operating loss was 139 million yen (a decrease in profit of 447 million yen). Compared to the outlook (Note), net sales were below 2.3 billion yen and operating income was below 1.3 billion yen.

(Note)The outlook is described on page 19 and 20 of the FY2019 Presentation Materials (announced on May 15, 2020).

### The Performance Materials Segment

In the Display Materials, sales of "SUNEVER" (LCD alignment coating) for tablets and notebook PCs performed well. In the Semiconductor Materials, sales of anti-reflection coating materials for semiconductors (ARC®) and multilayer materials (OptiStack®) increased, reflecting the strong operation of customers. In the Inorganic materials, sales of oil and gas materials (shale oil and gas mining efficiency-improving materials) decreased, while sales of "SNOWTEX" for polishes for electronic materials were firm.

As a result, sales of this segment were 34,593 million yen (an increase of 3,205 million yen) and operating income was 10,733 million yen (an increase of 2,384 million yen). Compared to the outlook (Note), net sales were above 0.5 billion yen and operating income was above 2.0 billion yen.

(Note)The outlook is described on page 19 and 20 of the FY2019 Presentation Materials (announced on May 15, 2020).

\* 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 inventory adjustment by customers. In the domestic agrochemicals segment, sales of "ALTAIR" (paddy rice herbicide) were firm, but shipments of "GRACIA" (insecticide) declined due to moderate insect pests outbreaks. In the overseas agrochemicals segment, sales of "QUINTEC" (fungicide), acquired in the third quarter of last year, and "GRACIA" were robust.

As a result, sales of this segment were 25,746 million yen (a decrease of 2,125 million yen) and operating income was 7,794 million yen (a decrease of 1,588 million yen). Compared to the outlook (Note), net sales were below 0.3 billion yen and operating income was above 1.1 billion yen.

(Note)The outlook is described on page 19 and 20 of the FY2019 Presentation Materials (announced on May 15, 2020).

### **The Pharmaceuticals Segment**

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

As a result, sales of this segment were 3,025 million yen (a decrease of 406 million yen) and operating income was 26 million yen (a decrease of 501 million yen). Compared to the outlook (Note), net sales were above 0.2 billion yen and operating income was below 0.1 billion yen.

(Note)The outlook is described on page 19 and 20 of the FY2019 Presentation Materials (announced on May 15, 2020).

### **Trading**

Sales of this segment were 33,736 million yen (an increase of 420 million yen), and operating income was 1,242 million yen (an increase of 224 million yen). Compared to the outlook (Note), net sales were above 0.7 billion yen and operating income was above 0.2 billion yen.

(Note)The outlook is described on page 19 and 20 of the FY2019 Presentation Materials (announced on May 15, 2020).

### **Others**

Sales of this segment were 9,412 million yen (a decrease of 418 million yen) and operating income was 45 million yen (a decrease of 77 million yen).

(Note) From FY2020, we have changed the method of totaling operating income by segments. Year-on-year comparisons are calculated using figures compiled using the same method. Under the new method, consolidation adjustments (such as unrealized gains on inventories and non-current assets) previously allocated to individual segments are collectively processed with the adjustments for the entire company. The impact of this change is minor.

### **(2) Financial Position**

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

Total assets as of September 30, 2020 was 229,234 million yen (a decrease of 20,287 million yen from March 31, 2020). It is mainly due to the decrease of notes and accounts receivable - trade.

Also, total liabilities as of September 30, 2020 was 41,260 million yen (a decrease of 22,733 million yen). It is mainly due to the decrease of loans payable.

Net assets as of September 30, 2020 was 187,974 million yen (an increase of 2,446 million yen).

As a result of these factors, equity ratio was 81.3% (an increase of 7.6% from March 31, 2020).

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

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the six months ended September 30, 2020 was 33,629 million yen (31,936 million yen for the same period of the previous year).

Due to the investment on plant and equipment, net cash used in investing activities for the six months ended September 30, 2020 was 2,585 million yen (2,423 million yen).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the six months ended September 30, 2020 was 32,770 million yen (33,449 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 28,897 million yen, reflecting exchange of 14 million yen. It decreased by 1,741 million yen from March 31, 2020 (31,870 million yen).

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

Outlook for the year ending March 31, 2021 was revised as follows based on the cumulative second quarter and demand outlook. For the exchange rate of the third quarter and beyond, it is assumed that 1 U.S. dollar is 105 yen.

Revision of consolidated financial results' outlook for the year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

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

	Previous outlook(A)	Revised outlook(B)	Increase or decrease (B-A)	Rate of change (%)	(Reference) Results for the previous fiscal year
Net sales	214.5	209.5	(5.0)	(2.3)%	206.8
Operating income	39.3	40.3	+1.0	+2.5%	38.6
Ordinary income	40.4	41.1	+0.7	+1.7%	40.0
Net income attributable to owners of parent	30.8	31.4	+0.6	+1.9%	30.8
Basic earnings per share	214.23 yen	217.56 yen	—	—	210.09 yen

Revision of consolidated net sales and operating income outlook for the year ending March 31, 2021

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

	Net sales		Operating income	
	Previous	Revised	Previous	Revised
Chemicals	35.6	31.7	2.7	1.2
Performance Materials	70.1	69.8	18.1	20.6
Agricultural Chemicals	65.5	64.6	18.4	18.7
Pharmaceuticals	6.4	6.8	0.4	0.6
Trading	68.2	69.1	2.0	2.1
Others	25.0	23.4	0.7	0.6
Adjustment	(56.3)	(55.9)	(3.0)	(3.5)
Total	214.5	209.5	39.3	40.3

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

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

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

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	30,639	28,897
Notes and accounts receivable - trade	72,509	49,073
Merchandise and finished goods	33,131	35,999
Work in process	153	685
Raw materials and supplies	10,590	12,521
Other	7,199	5,002
Allowance for doubtful accounts	(26)	(23)
Total current assets	154,196	132,156
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,850	24,593
Other, net	26,731	26,589
Total property, plant and equipment	51,581	51,183
Intangible assets		
Software	566	531
Other	6,812	6,625
Total intangible assets	7,379	7,156
Investments and other assets		
Investment securities	30,873	33,941
Other	5,575	4,882
Allowance for doubtful accounts	(84)	(84)
Total investments and other assets	36,364	38,738
Total non-current assets	95,325	97,078
Total assets	249,522	229,234

(Million yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	16,876	13,987
Short-term loans payable	23,538	4,889
Income taxes payable	6,167	5,145
Provision for bonuses	2,151	2,193
Provision for directors' bonuses	26	9
Other	11,254	11,328
<b>Total current liabilities</b>	<b>60,015</b>	<b>37,555</b>
Non-current liabilities		
Long-term loans payable	1,076	866
Provision for business structure improvement	284	184
Provision for loss on business of subsidiaries and affiliates	309	-
Provision for share-based remuneration for directors (and other officers)	46	47
Net defined benefit liability	208	224
Other	2,053	2,381
<b>Total non-current liabilities</b>	<b>3,978</b>	<b>3,704</b>
<b>Total liabilities</b>	<b>63,993</b>	<b>41,260</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	146,997	148,773
Treasury shares	(2,470)	(4,339)
<b>Total shareholders' equity</b>	<b>177,082</b>	<b>176,990</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,782	10,186
Foreign currency translation adjustment	(896)	(792)
Remeasurements of defined benefit plans	(51)	(47)
<b>Total accumulated other comprehensive income</b>	<b>6,834</b>	<b>9,347</b>
Non-controlling interests	1,610	1,637
<b>Total net assets</b>	<b>185,528</b>	<b>187,974</b>
<b>Total liabilities and net assets</b>	<b>249,522</b>	<b>229,234</b>



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

## - Consolidated Statements of Income

(Million yen)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
Net sales	96,466	94,494
Cost of sales	56,267	54,764
Gross profit	40,198	39,730
Selling, general and administrative expenses	22,171	21,749
Operating income	18,026	17,980
Non-operating income		
Interest income	12	7
Dividend income	359	336
Equity in earnings of affiliates	395	263
Other	595	343
Total non-operating income	1,362	951
Non-operating expenses		
Interest expenses	70	45
Loss on disposal of non-current assets	200	288
Plant stop losses	218	50
Foreign exchange losses	222	263
Other	29	110
Total non-operating expenses	742	758
Ordinary income	18,646	18,173
Extraordinary income		
Gain on sales of investment securities	1,694	1,089
Total extraordinary income	1,694	1,089
Extraordinary losses		
Licensing arrangement fee	834	-
Total extraordinary losses	834	-
Income before income taxes and non-controlling interests	19,506	19,262
Income taxes - current	5,034	5,527
Income taxes - deferred	(100)	(173)
Total income taxes	4,934	5,354
Net income	14,572	13,908
Net income attributable to non-controlling interests	49	11
Net income attributable to owners of parent	14,523	13,896

- Consolidated Statements of Comprehensive Income

(Million yen)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
Net income	14,572	13,908
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,567)	2,404
Foreign currency translation adjustment	(935)	119
Remeasurements of defined benefit plans, net of tax	(17)	3
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(3,521)	2,527
Comprehensive income	11,051	16,436
(Comprehensive income attributable to)		
Owners of parent	11,085	16,409
Non-controlling interests	(34)	26

## (3) Consolidated Statements of Cash Flows

(Million yen)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	19,506	19,262
Depreciation and amortization	4,698	4,763
Amortization of goodwill	0	33
Interest and dividend income	(372)	(343)
Loss (gain) on sales of investment securities	(1,694)	(1,089)
Interest expenses	70	45
Loss (gain) on disposal of non-current assets	200	288
Decrease (increase) in notes and accounts receivable - trade	17,051	23,482
Decrease (increase) in inventories	(2,980)	(5,288)
Increase (decrease) in notes and accounts payable - trade	(1,824)	(2,929)
Other	689	1,116
<b>Subtotal</b>	<b>35,346</b>	<b>39,340</b>
Interest and dividend income received	945	904
Interest expenses paid	(70)	(45)
Income taxes paid	(4,285)	(6,570)
<b>Net cash provided by (used in) operating activities</b>	<b>31,936</b>	<b>33,629</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(6)	(106)
Proceeds from sales of investment securities	2,909	1,625
Purchase of shares of subsidiaries	-	(302)
Purchase of property, plant and equipment	(4,175)	(4,025)
Payments for retirement of property, plant and equipment	(176)	(252)
Purchase of intangible assets	(128)	(249)
Net decrease (increase) in short-term loans receivable	(618)	742
Purchase of long-term prepaid expenses	(420)	(15)
Other	193	(0)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,423)</b>	<b>(2,585)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(19,400)	(18,458)
Repayments of long-term loans payable	(930)	(320)
Cash dividends paid	(6,206)	(6,990)
Dividends paid to non-controlling interests	(111)	-
Share repurchase	(6,799)	(7,000)
<b>Net cash provided by (used in) financing activities</b>	<b>(33,449)</b>	<b>(32,770)</b>
Effect of exchange rate change on cash and cash equivalents	(376)	(14)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,312)</b>	<b>(1,741)</b>
Cash and cash equivalents at beginning of period	36,183	30,639
<b>Cash and cash equivalents at end of period</b>	<b>31,870</b>	<b>28,897</b>

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

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company made a stock payment of 100 shares to the eligible party on April 24, 2020 based on the trust agreement of the Board Benefit Trust (BBT) resolved by the Board of Director's meeting on July 30, 2019. In addition, the Company made a stock payment of 300 shares to the eligible party on July 22, 2020. As a result, treasury shares decreased by 1 million yen during the second quarter of current consolidated fiscal year. Also, the Company canceled 1,000,000 treasury shares on August 31, 2020 based on the resolution of Board of Directors' meeting held on August 18, 2020. As a result, retained earnings and treasury shares decreased by 5,130 million yen during the second quarter of current consolidated fiscal year.

Also, the Company repurchased 1,333,900 treasury shares based on the resolution of Board of Directors' meeting held on May 15, 2020. As a result, treasury shares increased by 6,999 million yen during the second quarter of current consolidated fiscal year.

(Segment Information)

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

1) For the Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	12,184	27,775	26,285	3,420	22,809	3,984	96,459	6	96,466
Intersegment Sales	4,658	3,612	1,586	11	10,507	5,847	26,222	(26,222)	-
Total Sales	16,842	31,387	27,871	3,431	33,316	9,831	122,682	(26,216)	96,466
Segment Income or Loss (Operating Income or Loss)	308	8,349	9,382	527	1,017	123	19,709	(1,682)	18,026

Notes: (1) The (1,682) million yen adjustment in segment income includes (187) million yen in intersegment eliminations, 6 million yen sales not attributable to any reporting segment, and (1,501) million yen corporate expenses not attributable to any reportable segment.

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

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

(Million yen)

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

Notes: (1) The (1,722) million yen adjustment in segment income includes (73) million yen in intersegment eliminations, 1 million yen sales not attributable to any reporting segment, and (1,650) million yen corporate expenses not attributable to any reportable segment.

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

##### 2. Matters related to changes in reportable segment, etc.

(Change to calculation method for profit (loss) by reportable segment)

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