

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (JPGAAP)



February 4, 2022

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

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Scheduled submission date of quarterly report: February 10, 2022

Scheduled dividend payment date: —

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 Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2021	141,337	2.2	33,935	43.7	35,779	48.9	25,640	39.4
Nine months ended December 31, 2020	138,228	0.1	23,620	9.7	24,026	6.5	18,397	4.5

(Note) Comprehensive income: Nine months ended December 31, 2021 : 22,877 million yen ,4.0%

Nine months ended December 31, 2020 : 21,991 million yen ,32.3%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2021	179.58	—
Nine months ended December 31, 2020	127.23	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	254,735	199,379	77.5
As of March 31, 2021	265,509	200,562	74.9

(Reference) Shareholders' equity: As of December 31, 2021 : 197,421 million yen

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

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	46.00	—	58.00	104.00
Year ending March 31, 2022	—	50.00	—	—	—
Year ending March 31, 2022 (Outlook)	—	—	—	68.00	118.00

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

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

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2022	208,300	(0.4)	50,000	17.6	51,800	18.0	37,300	11.4	261.60

Notes: (1) Revision of the latest released outlook of financial results: Yes

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

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

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

4. Notes

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

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

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

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

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

3. Changes in accounting estimates : None

4. Restatements : None

(Note) Please refer to [2. Consolidated Financial Statements (4) Notes to Consolidated Financial Statements
"(Changes in Accounting Policies)"] on page 11 for further details.

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of December 31, 2021 : 143,000,000 shares

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

2. Number of treasury shares

As of December 31, 2021 : 612,256 shares

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

3. Average number of shares outstanding

As of December 31, 2021 : 142,782,860 shares

As of December 31, 2020 : 144,598,450 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 164,367 shares. This is not included in the average number of shares outstanding.

* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

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

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

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

For supplemental information, please refer to our website.

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

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1. Qualitative Information on Quarterly Results

(1) Business Performance

During the third quarter of the current fiscal year (April 1, 2021 to December 31, 2021), the domestic economy showed signs of recovery toward the end of the period, mainly in personal consumption. However it failed to achieve a full-fledged recovery as a result of sluggish domestic consumption and exports, mainly due to the spread of the COVID-19 and reduced automobile production caused by parts supply shortages. 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, although sales of drug discovery decreased, sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) increased.

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

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

	3Q FY2020	3Q FY2021	Change	3Q FY2021 (Outlook)	Change from Outlook
Sales	138,228	141,337	+3,109	138,500	+2,837
Operating income	23,620	33,935	+10,314	30,700	+3,235
Ordinary income	24,026	35,779	+11,753	32,100	+3,679
Net income attributable to owners of parent	18,397	25,640	+7,243	23,600	+2,040

Notes: (1) The outlook is described on page 9 of the 2Q FY2021 Presentation Materials (announced on November 11, 2021)

(2) There was an error in net income attributable to owners of parent in the outlook for the third quarter. The figure changed from 25,100 million yen to 23,600 million yen after the revision. The figure after the revision is used for comparison with the outlook.

(3) Regarding the acquisition of the Mancozeb Fungicide Product Line from Corteva, Inc. on December 18, 2020, provisional accounting was applied during the third quarter of previous consolidated fiscal year, though it was finalized at the end of the previous consolidated fiscal year. As a result, the figures of operating income, ordinary income, and income before income taxes and non-controlling interests increased by 59 million yen, while net income and net income attributable to owners of parent increased by 43 million yen by the recalculation of the third quarter of previous consolidated fiscal year. The determined amount is used for the comparison and analysis with the preceding consolidated fiscal year.

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

Explanations by segments are as below.

The Chemicals Segment

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

As a result, sales of this segment were 27,557 million yen (an increase of 4,527 million yen) and operating income was 2,464 million yen (an increase of 1,890 million yen). Compared to the outlook (Note), sales were above 0.9 billion yen and operating income was above 0.3 billion yen.

(Note) The outlook is described on page15 and 16 of the 2Q FY2021 Presentation Materials (announced on November 11, 2021)

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. Sales of Oilfield materials (for enhancing oil recovery) decreased.

As a result, sales of this segment were 60,515 million yen (an increase of 6,698 million yen) and operating income was 20,783 million yen (an increase of 3,775 million yen). Compared to the outlook (Note), sales were above 0.4 billion yen and operating income was above 1.0 billion yen.

(Note) The outlook is described on page 15 and 16 of the 2Q FY2021 Presentation Materials (announced on November 11, 2021)

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

The Agricultural Chemicals Segment

Due to adoption of "Accounting Standard for Revenue Recognition" from FY2021, the frequency of royalty appropriation doubled from every 6 months to every quarters, resulting in sales increase of Fluralaner (active ingredients for veterinary pharmaceuticals). In Japanese domestic market, sales of "ROUNDUP" (non-selective leaf treatment herbicide) were firm, but shipments of "ALTAIR" (paddy rice herbicide) and "GRACIA" (insecticide) declined. In overseas market, sales of "GRACIA" decreased, but sales of "QUINTEC" (fungicide), "TARGA" (herbicide) and "SANMITE" (insecticide and acaricide) 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 36,880 million yen (an increase of 4,929 million yen) and operating income was 10,073 million yen (an increase of 3,577 million yen). Compared to the outlook (Note), sales were above 0.7 billion yen and operating income was above 1.1 billion yen.

(Note) The outlook is described on page 15 and 16 of the 2Q FY2021 Presentation Materials (announced on November 11, 2021)

The Pharmaceuticals Segment

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

As a result, sales of this segment were 5,263 million yen (an increase of 842 million yen) and operating income was 892 million yen (an increase of 899 million yen). Compared to the outlook (Note), sales were above 0.1 billion yen and operating income was above 0.1 billion yen.

(Note) The outlook is described on page 15 and 16 of the 2Q FY2021 Presentation Materials (announced on November 11, 2021)

Trading

Sales of this segment were 58,623 million yen (an increase of 7,148 million yen) and operating income was 2,136 million yen (an increase 224 million yen). Compared to the outlook (Note), sales were above 2.2 billion yen and operating income was above 0.2 billion yen.

(Note) The outlook is described on page 15 and 16 of the 2Q FY2021 Presentation Materials (announced on November 11, 2021)

Others

Sales of this segment were 16,484 million yen (an increase of 334 million yen) and operating income was 193 million yen (a decrease of 200 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of December 31, 2021 was 254,735 million yen (a decrease of 10,774 million yen from March 31, 2021). It is mainly due to the decrease of notes and accounts receivable - trade.

Also, total liabilities as of December 31, 2021 was 55,355 million yen (a decrease of 9,591 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of December 31, 2021 was 199,379 million yen (a decrease of 1,182 million yen).

As a result of these factors, equity ratio was 77.5% (an increase of 2.6% from March 31, 2021).

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the nine months ended December 31, 2021 was 35,008 million yen (34,617 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 nine months ended December 31, 2021 was 6,781 million yen (10,857 million yen).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the nine months ended December 31, 2021 was 35,505 million yen (33,835 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 25,155 million yen, reflecting exchange of 52 million yen. It decreased by 7,225 million yen from March 31, 2021 (20,575 million yen).

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

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

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

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

	Previous outlook(A)	Revised outlook(B)	Increase or decrease (B-A)	Rate of change (%)	(Reference) Results for the previous fiscal year
Net sales	205.5	208.3	+2.8	+1.4%	209.1
Operating income	47.4	50.0	+2.6	+5.5%	42.5
Ordinary income	48.8	51.8	+3.0	+6.1%	43.9
Net income attributable to owners of parent	36.4	37.3	+0.9	+2.5%	33.5
Basic earnings per share	255.10 yen	261.60 yen	+6.50 yen	+2.5%	231.73 yen

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

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

	Net sales		Operating income	
	Previous	Revised	Previous	Revised
Chemicals	36.4	37.3	2.9	3.2
Performance Materials	80.9	81.3	26.3	27.3
Agricultural Chemicals	65.8	66.5	18.2	19.3
Pharmaceuticals	6.3	6.4	0.5	0.6
Trading	75.1	77.3	2.3	2.5
Others	23.5	24.3	0.6	0.7
Adjustment	(82.5)	(84.8)	(3.4)	(3.6)
Total	205.5	208.3	47.4	50.0

(4) Basic Policy on Distribution of Earnings

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

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	32,380	25,155
Notes and accounts receivable - trade	73,937	60,583
Merchandise and finished goods	33,774	41,812
Work in process	23	195
Raw materials and supplies	12,853	16,139
Other	6,650	7,156
Allowance for doubtful accounts	(31)	(37)
Total current assets	159,588	151,006
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,837	24,415
Other, net	27,000	27,436
Total property, plant and equipment	51,837	51,852
Intangible assets		
Software	548	748
Other	11,581	11,103
Total intangible assets	12,129	11,852
Investments and other assets		
Investment securities	35,894	30,826
Long-term loans receivable	2	3,324
Other	6,167	5,984
Allowance for doubtful accounts	(110)	(110)
Total investments and other assets	41,953	40,024
Total non-current assets	105,921	103,728
Total assets	265,509	254,735

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,298	19,584
Short-term loans payable	21,489	8,882
Income taxes payable	7,113	3,360
Provision for bonuses	2,250	717
Provision for directors' bonuses	7	-
Other	12,585	17,137
Total current liabilities	59,744	49,682
Non-current liabilities		
Long-term loans payable	1,184	963
Provision for business structure improvement	171	1,060
Provision for loss on business of subsidiaries and affiliates	-	626
Provision for share-based remuneration for directors (and other	91	130
Net defined benefit liability	249	277
Other	3,506	2,614
Total non-current liabilities	5,202	5,673
Total liabilities	64,947	55,355
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	161,708	159,257
Treasury shares	(7,340)	(3,261)
Total shareholders' equity	186,923	188,552
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,359	8,301
Foreign currency translation adjustment	81	148
Remeasurements of defined benefit plans	463	418
Total accumulated other comprehensive income	11,904	8,868
Non-controlling interests	1,733	1,958
Total net assets	200,562	199,379
Total liabilities and net assets	265,509	254,735

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

- Consolidated Statements of Income

(Million yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Net sales	138,228	141,337
Cost of sales	81,605	70,895
Gross profit	56,623	70,441
Selling, general and administrative expenses	33,002	36,506
Operating income	23,620	33,935
Non-operating income		
Interest income	11	31
Dividend income	696	521
Equity in earnings of affiliates	432	840
Foreign exchange gains	-	309
Other	449	712
Total non-operating income	1,590	2,415
Non-operating expenses		
Interest expenses	55	55
Loss on disposal of non-current assets	426	386
Plant stop losses	50	40
Foreign exchange losses	450	-
Other	201	89
Total non- operating expenses	1,185	571
Ordinary income	24,026	35,779
Extraordinary income		
Gain on sales of investment securities	1,057	3,316
Total extraordinary income	1,057	3,316
Extraordinary losses		
Loss on valuation of investment securities	-	298
Business structure improvement expenses	-	2,165
Loss on business of subsidiaries and affiliates	-	626
Total extraordinary losses	-	3,090
Income before income taxes and non-controlling interests	25,083	36,005
Income taxes - current	6,068	9,205
Income taxes - deferred	606	881
Total income taxes	6,675	10,087
Net income	18,408	25,918
Net income attributable to non-controlling interests	11	277
Net income attributable to owners of parent	18,397	25,640

- Consolidated Statements of Comprehensive Income

(Million yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Net income	18,408	25,918
Other comprehensive income		
Valuation difference on available-for-sale securities	3,003	(3,057)
Foreign currency translation adjustment	572	62
Remeasurements of defined benefit plans, net of tax	5	(45)
Share of other comprehensive income of entities accounted for using equity method	1	(0)
Total other comprehensive income	3,583	(3,040)
Comprehensive income	21,991	22,877
(Comprehensive income attributable to)		
Owners of parent	21,917	22,604
Non-controlling interests	74	273

(3) Consolidated Statements of Cash Flows

(Million yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Cash flows from operating activities		
Income before income taxes and non-controlling interests	25,083	36,005
Depreciation and amortization	7,455	7,218
Business structure improvement expenses	-	2,165
Loss on business of subsidiaries and affiliates	-	626
Loss on valuation of investment securities	-	298
Amortization of goodwill	53	77
Interest and dividend income	(708)	(553)
Loss (gain) on sales of investment securities	(1,058)	(3,316)
Interest expenses	55	55
Loss (gain) on disposal of non-current assets	426	386
Decrease (increase) in notes and accounts receivable - trade	25,432	13,375
Decrease (increase) in inventories	(10,680)	(11,628)
Increase (decrease) in notes and accounts payable - trade	316	3,275
Other	(2,211)	(1,303)
Subtotal	44,164	46,683
Interest and dividend income received	1,268	1,180
Interest expenses paid	(52)	(55)
Income taxes paid	(10,763)	(12,799)
Net cash provided by (used in) operating activities	34,617	35,008
Cash flows from investing activities		
Purchase of investment securities	(115)	(129)
Proceeds from sales of investment securities	2,308	4,174
Purchase of shares of subsidiaries	(302)	(19)
Purchase of property, plant and equipment	(6,048)	(6,229)
Payments for retirement of property, plant and equipment	(379)	(325)
Purchase of intangible assets	(388)	(897)
Payments for transfer of business	(5,384)	-
Payments of long-term loans receivable	-	(3,322)
Net decrease (increase) in short-term loans receivable	(390)	(184)
Purchase of long-term prepaid expenses	(214)	(97)
Other	59	250
Net cash provided by (used in) investing activities	(10,857)	(6,781)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(12,884)	(12,708)
Repayments of long-term loans payable	(320)	(276)
Cash dividends paid	(13,629)	(15,468)
Dividends paid to non-controlling interests	-	(48)
Share repurchase	(7,001)	(7,003)
Other	-	0
Net cash provided by (used in) financing activities	(33,835)	(35,505)
Effect of exchange rate change on cash and cash equivalents	12	52
Net increase (decrease) in cash and cash equivalents	(10,063)	(7,225)
Cash and cash equivalents at beginning of period	30,639	32,380
Cash and cash equivalents at end of period	20,575	25,155

(4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company made a stock payment of 1,000 shares to the eligible party on April 23, 2021 based on the trust agreement of the Board Benefit Trust (BBT) resolved by the Board of Director's meeting on July 30, 2019. In addition, the Company made a stock payment of 800 shares to the eligible party on July 21, 2021. As a result, treasury shares decreased by 8 million yen during the third quarter of current consolidated fiscal year. Also, the Company canceled 1,000,000 treasury shares on May 10, 2021 based on the resolution of Board of Directors' meeting held on April 23, 2021. Furthermore, the Company canceled 1,000,000 treasury shares on August 31, 2021 based on the resolution of Board of Directors' meeting held on August 24, 2021. As a result, retained earnings and treasury shares decreased by 11,074 million yen during the third quarter of current consolidated fiscal year.

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

(Changes in Accounting Policies)

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

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

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

(1) Recognition of revenue related to agent transactions

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

(2) Variable consideration

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

(3) Granting of license

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

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

In addition, applying the method prescribed in the proviso (1) of paragraph 86 of Accounting Standard for Revenue Recognition, for the contracts which have been modified before the beginning of the first quarter of FY 2021, the cumulative effect is added to or deducted from the beginning balance of the retained earnings of the first quarter of FY 2021, based on the terms of the contracts that have been reflected all modifications in the contracts.

As a result, in the third quarter of the fiscal year ending March 31, 2022, net sales decreased by 12,648 million yen, cost of sales decreased by 15,710 million yen while Operating income, Ordinary income and income before taxes and non-controlling interests increased 3,062 million yen.

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

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

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

(Segment Information)

1. For the Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

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

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustments (1)	Consolidated Total
Sales									
Sales to outside customers	15,753	47,165	27,917	4,377	37,251	5,760	138,226	2	138,228
Intersegment Sales	7,276	6,651	4,033	43	14,223	10,389	42,617	(42,617)	-
Total	23,029	53,817	31,951	4,420	51,474	16,150	180,843	(42,614)	138,228
Segment Profit or Loss (Operating Income or Loss)	574	17,008	6,496	(6)	1,911	393	26,377	(2,757)	23,620

Note: The (2,757) million yen adjustments in segment profit includes (261) million yen in intersegment eliminations, 2 million yen sales not allocated to any reporting segments, and (2,498) 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) Information on impairment loss, goodwill, etc. on non-current assets by reportable segment

(Major change in goodwill)

With the acquisition of the Mancozeb Fungicide Product Line from Corteva, Inc. in the Agricultural Chemicals segment, provisional accounting was applied during the third quarter of current consolidated fiscal year. However, it was finalized at the end of the current consolidated fiscal year. As a result, goodwill of 5,384 million yen, which was provisionally calculated for this reason during the third quarter of current consolidated fiscal year, decreased by 5,200 million yen to 184 million yen due to the finalization of this accounting treatment.

2. For the Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

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

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustments (1)(2)	Consolidated Total
Sales									
Sales to outside customers	19,051	51,502	31,956	5,228	42,829	7,123	157,692	(16,354)	141,337
Intersegment Sales	8,505	9,013	4,924	35	15,793	9,360	47,632	(47,632)	-
Total	27,557	60,515	36,880	5,263	58,623	16,484	205,324	(63,986)	141,337
Segment Profit or Loss (Operating Income or Loss)	2,464	20,783	10,073	892	2,136	193	36,544	(2,609)	33,935

Notes: (1) The (16,354) million yen adjustments in sales to outside customers includes (16,369) 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 (2,609) million yen adjustments in segment profit includes (68) million yen in intersegment eliminations, 15 million yen sales not allocated to any reporting segments, and (2,555) million yen corporate expenses not allocated to any reportable segments. The corporate expenses are mainly group administrative expenses which do not belong to segments.

2) Matters Related to Changes in Reportable Segments

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

As a result of this change, net sales and segment income in the "Agricultural Chemicals" segment for the first nine months of the current fiscal year increased by 3,062 million yen, compared with the previous method.

(Significant Subsequent Events)

The Company, at the board of Director's meeting held on February 4, 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
(0.70% of total shares outstanding, excluding treasury shares)
- (3) Total amount : Up to 5,000,000,000 yen
- (4) Period of repurchase : From February 7, 2022 to April 28, 2022

(For reference) Number of treasury shares as of December 31, 2021

Total number of shares issued (excluding treasury shares): 142,551,744 shares

Number of treasury shares : 448,256 shares

* Not including 164,000 shares of treasury shares which the Board Benefit Trust (BBT) has hold.