

# Consolidated Financial Results for the Six Months Ended September 30, 2022 (JPGAAP)



November 11, 2022

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

Representative: YAGI Shinsuke, President

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Scheduled submission date of quarterly report: November 14, 2022

Scheduled dividend payment date: December 5, 2022

Supplemental information: Yes

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

(Amounts rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(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, 2022 | 109,531     | 19.3  | 28,159           | 32.1 | 31,986          | 43.7 | 23,684                                      | 45.4 |
| Six months ended September 30, 2021 | 91,807      | (2.8) | 21,324           | 18.6 | 22,263          | 22.5 | 16,291                                      | 17.2 |

(Note) Comprehensive income:      Six months ended September 30, 2022      : 25,721 million yen ,86.8%

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

|                                     | Basic earnings per share | Diluted net income per share |
|-------------------------------------|--------------------------|------------------------------|
|                                     | Yen                      | Yen                          |
| Six months ended September 30, 2022 | 167.74                   | —                            |
| Six months ended September 30, 2021 | 113.94                   | —                            |

## (2) Consolidated Financial Position

|                          | Total assets | Net assets  | Equity ratio |
|--------------------------|--------------|-------------|--------------|
|                          | Million yen  | Million yen | %            |
| As of September 30, 2022 | 280,233      | 219,393     | 77.2         |
| As of March 31, 2022     | 279,687      | 208,009     | 73.6         |

(Reference) Shareholders' equity:      As of September 30, 2022      : 216,246 million yen

As of March 31, 2022      : 205,912 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, 2022            | —                        | 50.00          | —             | 72.00    | 122.00 |
| Year ending March 31, 2023           | —                        | 70.00          | —             | —        | —      |
| Year ending March 31, 2023 (Outlook) | —                        | —              | —             | 94.00    | 164.00 |

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

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

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

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

|                            | Net sales   |      | Operating income |     | Ordinary income |     | Net income attributable to owners of parent |     | Basic earnings per share |
|----------------------------|-------------|------|------------------|-----|-----------------|-----|---|-----|--------------------------|
|                            | Million yen | %    | Million yen      | %   | Million yen     | %   | Million yen                                 | %   | Yen                      |
| Year ending March 31, 2023 | 234,200     | 12.6 | 55,500           | 8.9 | 58,300          | 8.6 | 42,100                                      | 8.6 | 298.59                   |

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

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

#### 4. Notes

- (1) Changes in significant consolidated subsidiaries  
(Changes in specified subsidiaries involving changes in scope of consolidation) : Yes  
Newly Included: 1 company (Company name: Nissan Bharat Rasayan Private Limited)
- (2) Application of special accounting treatment to preparation of quarterly financial statements : None
- (3) Changes of accounting policies and accounting estimates, and restatement  
1. Changes of accounting policies due to revisions of accounting standards : Yes  
2. Changes of accounting policies other than the above : None  
3. Changes in accounting estimates : None  
4. Restatements : None
- (Note) Please refer to [2. Consolidated Financial Statements (4) Notes to Consolidated Financial Statements  
"(Changes in Accounting Policies)"] on page 10 for further details.

- (4) Number of shares outstanding (common shares)  
1. Number of shares outstanding (including treasury shares)  
As of September 30, 2022 : 141,300,000 shares  
As of March 31, 2022 : 143,000,000 shares

2. Number of treasury shares  
As of September 30, 2022 : 355,600 shares  
As of March 31, 2022 : 1,383,611 shares

3. Average number of shares outstanding  
As of September 30, 2022 : 141,194,352 shares  
As of September 30, 2021 : 142,982,238 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 152,500 shares. In addition, the average number of shares held by the Trust during the period was 156,858 shares. This is not included in the average number of shares outstanding.

\* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

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

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

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

For supplemental information, please refer to our website.

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

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## 1. Qualitative Information on Quarterly Results

### (1) Business Performance

During the second quarter of the current fiscal year (April 1, 2022 to September 30, 2022), although consumer spending showed a recovery trend due to the relaxation of behavioral restrictions, the domestic economy did not achieve a full-fledged recovery due to soaring raw material prices and inflation. Under these circumstances, in the Chemicals Segment, sales of both Basic Chemicals and Fine Chemicals increased, despite the impact of problems with nitric acid plant. In the Performance Materials Segment, sales of display materials declined, but Semiconductor Materials performed well. In the Agricultural Chemicals Segment, sales increased. In the Healthcare segment, sales of "Custom Chemicals" (custom manufacturing and solution proposal business for pharmaceutical companies) decreased.

As a result, sales and each income exceeded the same period of the previous fiscal year and the outlooks announced in August. In addition, operating income, ordinary income, and net income attributable to owners of the parent reached record highs for the second consecutive year.

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

|  | 2Q FY2021 | 2Q FY2022 | Change  | 2Q FY2022<br>(Outlook) | Change from<br>Outlook |
|--|-----------|-----------|---------|------------------------|------------------------|
| Sales  | 91,807    | 109,531   | +17,723 | 105,400                | +4,131                 |
| Operating income                               | 21,324    | 28,159    | +6,835  | 27,600                 | +559                   |
| Ordinary income                                | 22,263    | 31,986    | +9,723  | 29,500                 | +2,486                 |
| Net income attributable<br>to owners of parent | 16,291    | 23,684    | +7,392  | 21,200                 | +2,484                 |

Explanations by segments are as below.

We changed our reporting segments from the first quarter of the current fiscal year. For supplemental information, please refer to [2.Consolidated Financial Statements (4) Notes to Consolidated Financial Statements "(Segment Information)"] on page 11.

#### The Chemicals Segment

In Basic chemicals, sales of melamine (adhesives agent for particle board), urea, AdBlue®\* (high-grade urea solution) increased due to price revisions in response to higher raw material and fuel prices and freight rates. In 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.) also increase. However, the segment as a whole reported higher sales and lower profits.

As a result, sales of this segment were 19,753 million yen (an increase of 2,668 million) and operating income was 1,061 million yen (a decrease of 106 million yen). Compared to the outlook (Note), sales were above 0.3 billion yen and operating income was below 0.4 billion yen.

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

(Note) The outlook is described on page 44 of the 1Q FY2022 Presentation Materials (announced on August 8, 2022).

#### The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) declined. In Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®) and multilayer materials (OptiStack®) increased due to favorable customer operations. In Inorganic materials, sales of "SNOWTEX" for polishing electronic materials and hard coating, Organo / Monomer sol (various kinds of coating materials, resin additive), and Oilfield materials (solvents to improve the efficiency of shale oil and gas extraction) were steady.

As a result, sales of this segment were 42,001 million yen (an increase of 2,446 million) and operating income was 13,867 million yen (an increase of 737 million yen). Compared to the outlook (Note), sales were below 0.4 billion yen and operating income was below 0.3 billion yen.

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

(Note) The outlook is described on page 44 of the 1Q FY2022 Presentation Materials (announced on August 8, 2022).

### **The Agricultural Chemicals Segment**

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased due to the completion of customer inventory adjustments in the previous fiscal year. In Japanese domestic market, sales of "ROUNDUP" (non-selective foliar application herbicide), "GRACIA" (insecticide) and "ALTAIR" (paddy rice herbicide) were firm. In the overseas market, sales increased significantly due to strong sales of "LEIMAY" (fungicide), "PERMIT" (herbicide), and "GRACIA", as well as the shift in the timing of some shipments.

As a result, sales of this segment were 35,688 million yen (an increase of 10,738 million yen) and operating income was 12,066 million yen (an increase of 5,178 million yen). Compared to the outlook (Note), sales were above 2.5 billion yen and operating income was above 1.5 billion yen.

(Note) The outlook is described on page 44 of the 1Q FY2022 Presentation Materials (announced on August 8, 2022).

### **The Healthcare Segment**

Shipments of "LIVALO" (anti-cholesterol drug) to overseas were firm. In "Custom Chemicals", sales decreased due to the concentration of shipments in the second half of the year.

As a result, sales of this segment were 3,248 million yen (a decrease of 91 million) and operating income was 1,457 million yen (an increase of 69 million yen). Compared to the outlook (Note), sales were above 0.1 billion yen and operating income was above 0.2 billion yen.

(Note) The outlook is described on page 44 of the 1Q FY2022 Presentation Materials (announced on August 8, 2022).

### **Trading**

Sales of this segment were 47,650 million yen (an increase of 11,208 million yen) and operating income was 1,951 million yen (an increase of 695 million yen). Compared to the outlook (Note), sales were above 4.0 billion yen and operating income was above 0.3 billion yen.

(Note) The outlook is described on page 66 and 67 of the 1Q FY2022 Presentation Materials (announced on August 8, 2022).

### **Others**

Sales of this segment were 12,445 million yen (an increase of 2,072 million yen) and operating income was 100 million yen (an increase of 104 million yen).

## **(2) Financial Position**

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

Total assets as of September 30, 2022 was 280,233 million yen (an increase of 545 million yen from March 31, 2022). It is mainly due to the increase of cash and deposits and construction in progress.

Also, total liabilities as of September 30, 2022 was 60,839 million yen (a decrease of 10,838 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of September 30, 2022 was 219,393 million yen (an increase of 11,384 million yen).

As a result of these factors, equity ratio was 77.2% (an increase of 3.6% from March 31, 2022).

### **(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, 2022 was 43,381 million yen (33,765 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, 2022 was 9,633 million yen (6,091 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, 2022 was 29,218 million yen (31,560 million yen).

Cash and cash equivalents at the end of this period increased 6,134 million yen from March 31, 2022 after adjusting for the 1,605 million yen effect of exchange rate. Moreover, after adding the 3,116 million yen increase in cash and cash equivalents resulting from change in scope of consolidation, the balance stood at 43,909 million yen (28,371 million yen).

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

Outlook for the year ending March 31, 2023 was revised as follows based on the cumulative second quarter and demand forecast. The exchange rate for the third quarter and beyond is assumed to be 135 yen to the U.S. dollar.

Revision of consolidated financial results' outlook for the year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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 |
|---|---------------------|--------------------|----------------------------|--------------------|--|
| Sales                                       | 223.3               | 234.2              | +10.9                      | +4.9%              | 208.0  |
| Operating income                            | 55.1                | 55.5               | +0.4                       | +0.7%              | 51.0   |
| Ordinary income                             | 57.3                | 58.3               | +1.0                       | +1.7%              | 53.7   |
| Net income attributable to owners of parent | 41.7                | 42.1               | +0.4                       | +1.0%              | 38.8   |
| Basic earnings per share                    | 295.83 yen          | 298.59 yen         | +2.76 yen                  | +0.9%              | 271.88 yen                                       |

Revision of consolidated sales and operating income outlook for the year ending March 31, 2023

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

|                        | Sales    |         | Operating income |         |
|------------------------|----------|---------|------------------|---------|
|                        | Previous | Revised | Previous         | Revised |
| Chemicals              | 38.8     | 42.4    | 2.3              | 2.5     |
| Performance Materials  | 88.9     | 89.2    | 30.2             | 30.3    |
| Agricultural Chemicals | 75.4     | 79.2    | 20.6             | 21.9    |
| Healthcare             | 6.0      | 6.6     | 2.3              | 2.8     |
| Trading                | 87.7     | 95.7    | 2.7              | 2.8     |
| Others                 | 26.9     | 28.0    | 0.7              | 1.0     |
| Adjustment             | (100.4)  | (106.9) | (3.7)            | (5.8)   |
| Total                  | 223.3    | 234.2   | 55.1             | 55.5    |

### (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 "Vista2027" Stage I launched from April 2022, the company aims to realize dividend payout ratio to be 55% and total payout ratio to be 75% after FY2022.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Million yen)

|  | As of<br>March 31, 2022 | As of<br>September 30, 2022 |
|--|-------------------------|-----------------------------|
| <b>Current assets</b>                                      |                         |                             |
| Cash and deposits  | 34,658                  | 43,909                      |
| Notes and accounts receivable - trade, and contract assets | 79,979                  | 60,833                      |
| Merchandise and finished goods                             | 37,664                  | 43,389                      |
| Work in process  | 15                      | 205                         |
| Raw materials and supplies                                 | 14,496                  | 15,211                      |
| Accounts receivable - other                                | 2,824                   | 1,834                       |
| Short-term loans receivable                                | 1,541                   | 1,404                       |
| Other  | 4,140                   | 5,056                       |
| Allowance for doubtful accounts                            | (41)                    | (26)                        |
| <b>Total current assets</b>                                | <b>175,279</b>          | <b>171,817</b>              |
| <b>Non-current assets</b>                                  |                         |                             |
| <b>Property, plant and equipment</b>                       |                         |                             |
| Buildings and structures                                   | 69,443                  | 70,177                      |
|  | (45,158)                | (45,861)                    |
| Buildings and structures, net                              | 24,284                  | 24,316                      |
| Machinery, equipment and vehicles                          | 145,129                 | 147,649                     |
| Accumulated depreciation and impairment loss               | (132,567)               | (135,000)                   |
| Machinery, equipment and vehicles, net                     | 12,561                  | 12,648                      |
| Tools, furniture and fixtures                              | 41,345                  | 41,709                      |
| Accumulated depreciation and impairment loss               | (37,384)                | (37,985)                    |
| Tools, furniture and fixtures, net                         | 3,960                   | 3,724                       |
| Land   | 8,809                   | 8,826                       |
| Leased assets  | -                       | 26                          |
| Accumulated depreciation                                   | -                       | (8)                         |
| Leased assets, net   | -                       | 18                          |
| Construction in progress                                   | 3,561                   | 11,179                      |
| <b>Total property, plant and equipment</b>                 | <b>53,177</b>           | <b>60,713</b>               |
| <b>Intangible assets</b>                                   |                         |                             |
| Software   | 1,736                   | 1,717                       |
| Other  | 10,044                  | 10,124                      |
| <b>Total intangible assets</b>                             | <b>11,780</b>           | <b>11,842</b>               |
| <b>Investments and other assets</b>                        |                         |                             |
| Investment securities                                      | 30,217                  | 29,894                      |
| Long-term loans receivable                                 | 3,323                   | 0                           |
| Deferred tax assets  | 918                     | 467                         |
| Net defined benefit asset                                  | 1,844                   | 2,497                       |
| Other  | 3,256                   | 3,110                       |
| Allowance for doubtful accounts                            | (110)                   | (110)                       |
| <b>Total investments and other assets</b>                  | <b>39,450</b>           | <b>35,859</b>               |
| <b>Total non-current assets</b>                            | <b>104,408</b>          | <b>108,416</b>              |
| <b>Total assets</b>  | <b>279,687</b>          | <b>280,233</b>              |

(Million yen)

|  | As of<br>March 31, 2022 | As of<br>September 30, 2022 |
|--|-------------------------|-----------------------------|
| <b>Liabilities</b>   |                         |                             |
| Current liabilities  |                         |                             |
| Notes and accounts payable - trade   | 19,043                  | 19,019                      |
| Short-term loans payable   | 20,981                  | 8,235                       |
| Current portion of long-term loans payable                                   | 552                     | 510                         |
| Income taxes payable   | 8,710                   | 7,974                       |
| Provision for bonuses  | 2,285                   | 2,345                       |
| Other  | 14,398                  | 17,442                      |
| <b>Total current liabilities</b>   | <b>65,971</b>           | <b>55,527</b>               |
| Non-current liabilities  |                         |                             |
| Long-term loans payable  | 1,182                   | 948                         |
| Deferred tax liabilities   | 69                      | 104                         |
| Provision for business structure improvement                                 | 698                     | 544                         |
| Provision for loss on business of subsidiaries and affiliates                | 626                     | 626                         |
| Provision for share-based remuneration for directors<br>(and other officers) | 200                     | 170                         |
| Net defined benefit liability  | 290                     | 350                         |
| Other  | 2,638                   | 2,567                       |
| <b>Total non-current liabilities</b>   | <b>5,706</b>            | <b>5,312</b>                |
| <b>Total liabilities</b>   | <b>71,678</b>           | <b>60,839</b>               |
| <b>Net assets</b>  |                         |                             |
| Shareholders' equity   |                         |                             |
| Capital stock  | 18,942                  | 18,942                      |
| Capital surplus  | 13,613                  | 13,613                      |
| Retained earnings  | 172,393                 | 174,873                     |
| Treasury shares  | (8,261)                 | (2,109)                     |
| <b>Total shareholders' equity</b>  | <b>196,688</b>          | <b>205,320</b>              |
| Accumulated other comprehensive income                                       |                         |                             |
| Valuation difference on available-for-sale securities                        | 8,304                   | 8,670                       |
| Foreign currency translation adjustment                                      | 898                     | 1,875                       |
| Remeasurements of defined benefit plans                                      | 21                      | 379                         |
| <b>Total accumulated other comprehensive income</b>                          | <b>9,223</b>            | <b>10,926</b>               |
| Non-controlling interests  | 2,097                   | 3,147                       |
| <b>Total net assets</b>  | <b>208,009</b>          | <b>219,393</b>              |
| <b>Total liabilities and net assets</b>                                      | <b>279,687</b>          | <b>280,233</b>              |



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

## - Consolidated Statements of Income

(Million yen)

|  | Six Months Ended<br>September 30, 2021 | Six Months Ended<br>September 30, 2022 |
|--|--|--|
| Net sales  | 91,807                                 | 109,531                                |
| Cost of sales  | 46,275                                 | 54,896                                 |
| Gross profit   | 45,532                                 | 54,634                                 |
| Selling, general and administrative expenses             | 24,208                                 | 26,475                                 |
| Operating income   | 21,324                                 | 28,159                                 |
| Non-operating income                                     |  |  |
| Interest income  | 15                                     | 105                                    |
| Dividend income  | 301                                    | 341                                    |
| Equity in earnings of affiliates                         | 456                                    | 622                                    |
| Plant stop losses  | 98                                     | 3,020                                  |
| Other  | 484                                    | 338                                    |
| Total non-operating income                               | 1,356                                  | 4,427                                  |
| Non-operating expenses                                   |  |  |
| Interest expenses  | 47                                     | 93                                     |
| Loss on disposal of non-current assets                   | 282                                    | 320                                    |
| Foreign exchange losses                                  | 40                                     | 79                                     |
| Other  | 47                                     | 106                                    |
| Total non-operating expenses                             | 417                                    | 600                                    |
| Ordinary income  | 22,263                                 | 31,986                                 |
| Extraordinary income                                     |  |  |
| Gain on sales of investment securities                   | 2,816                                  | -                                      |
| Total extraordinary income                               | 2,816                                  | -                                      |
| Extraordinary losses                                     |  |  |
| Business structure improvement expenses                  | 2,165                                  | -                                      |
| Loss on business of subsidiaries and affiliates          | 626                                    | -                                      |
| Total extraordinary losses                               | 2,792                                  | -                                      |
| Income before income taxes and non-controlling interests | 22,287                                 | 31,986                                 |
| Income taxes - current                                   | 6,105                                  | 7,757                                  |
| Income taxes - deferred                                  | (247)                                  | 178                                    |
| Total income taxes                                       | 5,858                                  | 7,935                                  |
| Net income   | 16,428                                 | 24,051                                 |
| Net income attributable to non-controlling interests     | 137                                    | 367                                    |
| Net income attributable to owners of parent              | 16,291                                 | 23,684                                 |

- Consolidated Statements of Comprehensive Income

(Million yen)

|   | Six Months Ended<br>September 30, 2021 | Six Months Ended<br>September 30, 2022 |
|---|--|--|
| Net income  | 16,428                                 | 24,051                                 |
| Other comprehensive income  |  |  |
| Valuation difference on available-for-sale securities                             | (2,249)                                | 365                                    |
| Foreign currency translation adjustment   | (377)                                  | 944                                    |
| Remeasurements of defined benefit plans, net of tax                               | (29)                                   | 358                                    |
| Share of other comprehensive income of entities accounted for using equity method | 0                                      | 0                                      |
| Total other comprehensive income  | (2,656)                                | 1,669                                  |
| Comprehensive income  | 13,772                                 | 25,721                                 |
| (Comprehensive income attributable to)  |  |  |
| Owners of parent  | 13,675                                 | 25,213                                 |
| Non-controlling interests   | 96                                     | 507                                    |

## (3) Consolidated Statements of Cash Flows

(Million yen)

|  | Six Months Ended<br>September 30, 2021 | Six Months Ended<br>September 30, 2022 |
|--|--|--|
| <b>Cash flows from operating activities</b>                              |  |  |
| Income before income taxes and non-controlling interests                 | 22,287                                 | 31,986                                 |
| Depreciation   | 4,622                                  | 5,071                                  |
| Business structure improvement expenses                                  | 2,165                                  | -                                      |
| Loss on business of subsidiaries and affiliates                          | 626                                    | -                                      |
| Amortization of goodwill   | 51                                     | 50                                     |
| Interest and dividend income   | (317)                                  | (446)                                  |
| Loss (gain) on sales of investment securities                            | (2,816)                                | 0                                      |
| Interest expenses  | 47                                     | 93                                     |
| Loss (gain) on disposal of non-current assets                            | 282                                    | 320                                    |
| Decrease (increase) in notes and accounts receivable - trade             | 18,052                                 | 19,345                                 |
| Decrease (increase) in inventories                                       | (5,603)                                | (6,530)                                |
| Increase (decrease) in notes and accounts payable - trade                | (256)                                  | (613)                                  |
| Other  | 1,124                                  | 1,646                                  |
| <b>Subtotal</b>  | <b>40,267</b>                          | <b>50,925</b>                          |
| Interest and dividend income received                                    | 942                                    | 1,023                                  |
| Interest expenses paid   | (47)                                   | (93)                                   |
| Income taxes paid  | (7,396)                                | (8,473)                                |
| <b>Net cash provided by (used in) operating activities</b>               | <b>33,765</b>                          | <b>43,381</b>                          |
| <b>Cash flows from investing activities</b>                              |  |  |
| Purchase of investment securities  | (118)                                  | (483)                                  |
| Proceeds from sales of investment securities                             | 3,486                                  | 0                                      |
| Purchase of shares of subsidiaries                                       | (19)                                   | (25)                                   |
| Purchase of property, plant and equipment                                | (5,252)                                | (8,403)                                |
| Payments for retirement of property, plant and equipment                 | (236)                                  | (304)                                  |
| Purchase of intangible assets  | (779)                                  | (593)                                  |
| Payments of long-term loans receivable                                   | (3,322)                                | -                                      |
| Net decrease (increase) in short-term loans receivable                   | 62                                     | 230                                    |
| Purchase of long-term prepaid expenses                                   | (55)                                   | (49)                                   |
| Other  | 145                                    | (3)                                    |
| <b>Net cash provided by (used in) investing activities</b>               | <b>(6,091)</b>                         | <b>(9,633)</b>                         |
| <b>Cash flows from financing activities</b>                              |  |  |
| Net increase (decrease) in short-term loans payable                      | (15,893)                               | (13,623)                               |
| Repayments of long-term loans payable                                    | (276)                                  | (276)                                  |
| Cash dividends paid  | (8,341)                                | (10,208)                               |
| Dividends paid to non-controlling interests                              | (48)                                   | (105)                                  |
| Share repurchase   | (7,001)                                | (5,001)                                |
| Other  | 0                                      | (4)                                    |
| <b>Net cash provided by (used in) financing activities</b>               | <b>(31,560)</b>                        | <b>(29,218)</b>                        |
| Effect of exchange rate change on cash and cash equivalents              | (121)                                  | 1,605                                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>              | <b>(4,008)</b>                         | <b>6,134</b>                           |
| Cash and cash equivalents at beginning of period                         | 32,380                                 | 34,658                                 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | -                                      | 3,116                                  |
| <b>Cash and cash equivalents at end of period</b>                        | <b>28,371</b>                          | <b>43,909</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 4,700 shares to the eligible party on April 26, 2022 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 6,800 shares to the eligible party on July 25, 2022. As a result, treasury shares decreased by 55 million yen during the second quarter of current consolidated fiscal year. Also, the Company canceled 1,000,000 treasury shares on May 10, 2022 based on the resolution of Board of Directors' meeting held on April 26, 2022. Furthermore, the Company canceled 700,000 treasury shares on August 31, 2022 based on the resolution of Board of Directors' meeting held on August 23, 2022. As a result, retained earnings and treasury shares decreased by 11,097 million yen during the second quarter of current consolidated fiscal year.

In addition, the Company repurchased 683,300 treasury shares based on the resolution of Board of Directors' meeting held on May 13, 2022. As a result, treasury shares increased by 4,999 million yen during the second quarter of current consolidated fiscal year.

(Changes in Accounting Policies)

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

The company adopted "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the first quarter of the fiscal year ending March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of "Implementation Guidance on Accounting Standard for Fair Value Measurement", we have decided to apply the new accounting policies set forth by "Implementation Guidance on Accounting Standard for Fair Value Measurement" into the future. This change had no impact on the quarterly consolidated financial statements.

(Additional information)

(Adoption of the group tax sharing system)

The company and some of its domestic subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the current first quarter ended June 30, 2022. Accordingly, corporate, local corporate income taxes, and tax-effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021. Hereinafter "PITF 42"). In addition, based on Article 32 (1) of PITF 42, the effects of the change in accounting policies due to the adoption of PITF 42 are deemed negligible.

(Segment Information)

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

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

(Million yen)

|   | Chemicals | Performance Materials | Agricultural Chemicals | Healthcare | Trading | Others | Total   | Adjustment (2)(3) | Consolidated Total |
|---|-----------|-----------------------|------------------------|------------|---------|--------|---------|-------------------|--------------------|
| Net Sales   |           |                       |                        |            |         |        |         |                   |                    |
| Sales to outside customers (1)                    | 11,701    | 33,957                | 22,800                 | 3,320      | 25,626  | 4,406  | 101,843 | (10,035)          | 91,807             |
| Intersegment Sales                                | 5,384     | 5,597                 | 2,150                  | 19         | 10,784  | 5,966  | 29,902  | (29,902)          | -                  |
| Total Sales                                       | 17,085    | 39,555                | 24,950                 | 3,340      | 36,441  | 10,373 | 131,746 | (39,938)          | 91,807             |
| Segment Income or Loss (Operating Income or Loss) | 1,167     | 13,129                | 6,887                  | 1,388      | 1,255   | (3)    | 23,825  | (2,501)           | 21,324             |

Notes: (1) Sales to outside customers in reportable segments are calculated on a gross basis, including sales that are agent transactions.

A reconciliation of gross sales to net sales as agent transactions is made in the Adjustments section.

(2) The (10,035) million yen adjustment in sales to outside customers includes (10,041) million yen in the elimination of agent transactions, and 6 million yen sales not attributable to any reporting segment.

(3) The (2,501) million yen adjustment in segment income includes 7 million yen in intersegment eliminations, 6 million yen sales not attributable to any reporting segment, and (2,514) 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, 2022 (From April 1, 2022 to September 30, 2022)

(Million yen)

|   | Chemicals | Performance Materials | Agricultural Chemicals | Healthcare | Trading | Others | Total   | Adjustment (2)(3) | Consolidated Total |
|---|-----------|-----------------------|------------------------|------------|---------|--------|---------|-------------------|--------------------|
| Net Sales   |           |                       |                        |            |         |        |         |                   |                    |
| Sales to outside customers (1)                    | 13,731    | 33,960                | 31,183                 | 3,248      | 36,522  | 5,251  | 123,896 | (14,365)          | 109,531            |
| Intersegment Sales                                | 6,022     | 8,041                 | 4,505                  | -          | 11,128  | 7,194  | 36,892  | (36,892)          | -                  |
| Total Sales                                       | 19,753    | 42,001                | 35,688                 | 3,248      | 47,650  | 12,445 | 160,788 | (51,257)          | 109,531            |
| Segment Income or Loss (Operating Income or Loss) | 1,061     | 13,867                | 12,066                 | 1,457      | 1,951   | 100    | 30,504  | (2,345)           | 28,159             |

Notes: (1) Sales to outside customers in reportable segments are calculated on a gross basis, including sales that are agent transactions.

A reconciliation of gross sales to net sales as agent transactions is made in the Adjustments section.

(2) The (14,365) million yen adjustment in sales to outside customers includes (14,378) million yen in the elimination of agent transactions, and 13 million yen sales not attributable to any reporting segment.

(3) The (2,345) million yen adjustment in segment income includes 287 million yen in intersegment eliminations, 14 million yen sales not attributable to any reporting segment, and (2,647) 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 reporting segments

(Changes in reporting segments)

Following the revision to our organizational structure, from April 1, 2022, the Healthcare segment was transferred from the Pharmaceuticals segment, and the company has changed the segment to which some divisions are attributed. Furthermore, the segment information for the second quarter of the previous fiscal year is presented based on the changed reporting segments.