

Consolidated Financial Results for the Three Months Ended June 30, 2024 (JPGAAP)



August 9 2024

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

Representative: YAGI Shinsuke, President

Inquiry to: NOMURA Hiroshi, Deputy Head of Finance and Accounting Department Tel. +81 3 4463 8401

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 Three Months Ended June 30, 2024 (From April 01, 2024 to June 30, 2024)

(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	%
Three months ended June 30, 2024	58,688	6.8	14,426	(3.8)	16,029	(6.0)	11,590	(5.3)
Three months ended June 30, 2023	54,939	(5.7)	14,998	(13.1)	17,046	(12.5)	12,236	(11.8)

(Note) Comprehensive income: Three months ended June 30, 2024 : 13,194 million yen, (10.4%)

Three months ended June 30, 2023 : 14,729 million yen, (8.2%)

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2024	83.78	—
Three months ended June 30, 2023	87.40	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	335,800	227,088	66.5
As of March 31, 2024	323,458	230,952	70.3

(Reference) Shareholders' equity: As of June 30, 2024 : 223,422 million yen

As of March 31, 2024 : 227,520 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, 2024	—	70.00	—	94.00	164.00
Year ending March 31, 2025	—	—	—	—	—
Year ending March 31, 2025(Outlook)	—	70.00	—	94.00	164.00

(Note) Revision of the latest released dividend outlook: None

3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (From April 01, 2024 to March 31, 2025)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2024	109,600	3.7	24,000	(0.4)	23,300	(11.1)	18,100	(7.2)	131.23
Year ending March 31, 2025	234,100	3.3	50,000	3.7	50,500	(2.2)	38,400	1.0	279.08

(Note) Revision of the latest released outlook of financial results: None

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: NC Agro Hakodate Corporation)

(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 see [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 June 30, 2024 : 138,800,000 shares
As of March 31, 2025 : 138,800,000 shares

2. Number of treasury shares
As of June 30, 2024 : 1,052,083 shares
As of March 31, 2024 : 186,649 shares

3. Average number of shares outstanding
As of June 30, 2024 : 138,352,172 shares
As of June 30, 2023 : 140,009,075 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 139,400 shares.
In addition, the average number of shares held by the Trust during the period was 140,167 shares.
This is not included in the average number of shares outstanding.

* Review of quarterly consolidated financial statements by certified public accountants or auditing corporation: None

* 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 first quarter of the current fiscal year (April 01, 2024 to June 30, 2024), the domestic economy showed a recovery trend in global IT-related demand and automobile production, in addition to an increase in inbound demand driven by the weak yen. However, the recovery of the domestic economy was limited due to such as high prices of raw materials and commodities. Under these circumstances, in the Chemicals Segment, sales of Basic Chemicals decreased. In the Performance Materials Segment, sales of Display Materials decreased, but sales of Semiconductor Materials increased. In the Agricultural Chemicals Segment, sales increased. In the Healthcare Segment, sales decreased.

As a result, sales were above in the same period of the previous fiscal year, but each income were below the same period of the previous fiscal year. Both sales and each income exceeded the outlooks announced in May.

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

	1Q FY2023	1Q FY2024	Year-on-year Change	1Q FY2024 (Outlook) (Note)	Change from Outlook
Sales	54,939	58,688	+3,748	56,200	+2,488
Operating income	14,998	14,426	(571)	11,900	+2,526
Ordinary income	17,046	16,029	(1,017)	12,200	+3,829
Net income attributable to owners of parent	12,236	11,590	(645)	9,300	+2,290

(Note) The outlook is described on page 10 of the FY2023 Presentation Materials Part2 (announced on May 13, 2024).

Explanations by segments are as below.

The Chemicals Segment

In Basic Chemicals, sales of high purity sulfuric acid (agent used for cleaning semiconductor) increased, but sales of urea and AdBlue®* (high-grade urea solution) decreased. In Fine Chemicals, sales of environmental related products (sterilizing and disinfecting agents for pools and septic tanks, etc.) decreased due to the impact of falling market demand, while sales of "TEPIC" (powder coating agent for paint, sealants, etc.) increased.

As a result, sales of this segment were 8,892 million yen (a decrease of 202 million yen from the same period of the previous fiscal year) and operating income was 665 million yen (a decrease of 258 million yen). Compared to the outlook (Note), sales were below 0.2 billion yen and operating income was above 0.8 billion yen.

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

(Note) The outlook is described on page 19 of the FY2023 Presentation Materials Part2 (announced on May 13, 2024).

The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) decreased. In Semiconductor Materials, sales of antireflective coating for semiconductors (ARC®*) and multi-layer process materials (OptiStack®*) increased due to recovery in customer utilization. In Inorganic Materials, sales of "SNOWTEX" for polishing electronic materials and hard coating and Organo / Monomer sol (various kinds of coating materials, resin additive) increased.

As a result, sales of this segment were 23,480 million yen (an increase of 2,676 million yen) and operating income was 7,029 million yen (an increase of 577 million yen). Compared to the outlook (Note), sales were above 1.4 billion yen and operating income was above 1.5 billion yen.

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

(Note) The outlook is described on page 19 of the FY2023 Presentation Materials Part2 (announced on May 13, 2024).

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. In Japanese domestic market, sales of "ALTAIR" (paddy rice herbicide) and "GRACIA"(insecticide) increased. In the overseas market, sales of "LEIMAY" (fungicide) and "GRACIA" increased, although sales of "TARGA"(herbicide) decreased.

As a result, sales of this segment were 20,356 million yen (an increase of 1,561 million yen) and operating income was 6,909 million yen (an increase of 338 million yen). Compared to the outlook (Note), sales were above 0.5 billion yen and operating income was below 0.1 billion yen.

(Note) The outlook is described on page 19 of the FY2023 Presentation Materials Part2 (announced on May 13, 2024).

The Healthcare Segment

Sales of "LIVALO" (anti-cholesterol drug) decreased both in Japan and overseas. Sales of "Custom Chemicals"(solution proposal business and joint development business) decreased due to a shift in the timing of shipments and other factors.

As a result, sales of this segment were 1,466 million yen (a decrease of 484 million yen) and operating income was 609 million yen (a decrease of 479 million yen). Compared to the outlook (Note), sales were below 0.3 billion yen and operating income was in line with the target.

(Note) The outlook is described on page 19 of the FY2023 Presentation Materials Part2 (announced on May 13, 2024).

Trading

Sales of this segment were 27,505 million yen (an increase of 3,159 million yen) and operating income was 994 million yen (an increase of 88 million yen). Compared to the outlook (Note), sales were above 3.4 billion yen and operating income was above 0.3 billion yen.

(Note) The outlook is described on page 64 and 65 of the FY2023 Presentation Materials Part2 (announced on May 13, 2024).

Others

Sales of this segment were 6,340 million yen (a decrease of 57 million yen) and operating income was 111 million yen (a decrease of 93 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2024 was 335,800 million yen (an increase of 12,342 million yen from March 31, 2024). It is mainly due to increase of cash and deposits and inventory.

Also, total liabilities as of June 30, 2024 was 108,712 million yen (an increase of 16,207 million yen). It is mainly due to the increase of short-term loans payable and bonds payable.

Net assets as of June 30, 2024 was 227,088 million yen (a decrease of 3,864 million yen).

As a result of these factors, equity ratio was 66.5% (a decrease of 3.8% from March 31, 2024).

(Position of Cash Flows)

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 three months ended June 30, 2024 was 15,347 million yen (12,293 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 three months ended June 30, 2024 was 2,770 million yen (5,078 million yen for the same period of the previous year).

Due to payment for dividends, while there were proceeds from the issuance of bonds, net cash used in financing activities for the three months ended June 30, 2024 was 1,669 million yen (10,568 million yen for the same period of the previous year).

Cash and cash equivalents at the end of this period increased 11,019 million yen from March 31, 2024 after adjusting for the 111 million yen effect of exchange rate. Moreover, after adding the 17 million yen increase in cash and cash equivalents resulting from change in scope of consolidation, the balance stood at 33,774 million yen (26,449 million yen for the same period of the previous year).

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

There is no change in the outlook of consolidated business results for the first half and full year ending March 31, 2025 from the statement announced on May 13, 2024.

(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 March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	22,738	33,774
Notes and accounts receivable - trade, and contract assets	88,800	85,792
Merchandise and finished goods	56,804	59,744
Work in process	5	139
Raw materials and supplies	21,370	23,425
Accounts receivable - other	2,956	1,689
Short-term loans receivable	2,152	1,368
Other	7,189	6,361
Allowance for doubtful accounts	(48)	(53)
Total current assets	<u>201,968</u>	<u>212,242</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,860	88,142
Accumulated depreciation and impairment loss	(50,898)	(52,196)
Buildings and structures, net	<u>34,962</u>	<u>35,945</u>
Machinery, equipment and vehicles	170,309	174,093
Accumulated depreciation and impairment loss	(145,729)	(149,398)
Machinery, equipment and vehicles, net	<u>24,579</u>	<u>24,694</u>
Tools, furniture and fixtures	44,084	44,268
Accumulated depreciation and impairment loss	(39,457)	(39,914)
Tools, furniture and fixtures, net	<u>4,626</u>	<u>4,353</u>
Land	<u>9,064</u>	<u>9,072</u>
Leased assets	160	158
Accumulated depreciation	(24)	(22)
Leased assets, net	<u>135</u>	<u>135</u>
Construction in progress	<u>4,004</u>	<u>4,610</u>
Total property, plant and equipment	<u>77,372</u>	<u>78,812</u>
Intangible assets		
Software	2,444	2,776
Other	8,302	8,047
Total intangible assets	<u>10,747</u>	<u>10,823</u>
Investments and other assets		
Investment securities	26,119	26,485
Long-term loans receivable	50	53
Deferred tax assets	519	579
Net defined benefit asset	3,737	3,751
Other	3,054	3,162
Allowance for doubtful accounts	(111)	(110)
Total investments and other assets	<u>33,370</u>	<u>33,921</u>
Total non-current assets	<u>121,489</u>	<u>123,557</u>
Total assets	<u>323,458</u>	<u>335,800</u>

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,427	19,781
Short-term loans payable	39,062	45,433
Current portion of long-term loans payable	634	634
Income taxes payable	4,940	3,719
Provision for bonuses	2,548	775
Provision for loss on business of subsidiaries and affiliates	310	227
Provision for business structure improvement	2	-
Other	18,638	21,399
Total current liabilities	<u>86,563</u>	<u>91,971</u>
Non-current liabilities		
Bonds payable	-	10,000
Long-term loans payable	1,284	1,284
Deferred tax liabilities	1,381	2,143
Provision for loss on business of subsidiaries and affiliates	143	159
Provision for share-based remuneration for directors (and other officers)	272	254
Net defined benefit liability	467	507
Other	2,392	2,391
Total non-current liabilities	<u>5,941</u>	<u>16,740</u>
Total liabilities	<u>92,505</u>	<u>108,712</u>
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	182,376	180,947
Treasury shares	(943)	(4,982)
Total shareholders' equity	<u>213,989</u>	<u>208,520</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,238	8,464
Foreign currency translation adjustment	4,226	5,406
Remeasurements of defined benefit plans	1,066	1,031
Total accumulated other comprehensive income	<u>13,531</u>	<u>14,902</u>
Non-controlling interests	<u>3,432</u>	<u>3,665</u>
Total net assets	<u>230,952</u>	<u>227,088</u>
Total liabilities and net assets	<u>323,458</u>	<u>335,800</u>

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

- Consolidated Statements of Income

(Million yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Net sales	54,939	58,688
Cost of sales	26,634	29,740
Gross profit	28,305	28,947
Selling, general and administrative expenses	13,306	14,521
Operating income	14,998	14,426
Non-operating income		
Interest income	38	62
Dividend income	254	229
Equity in earnings of affiliates	536	134
Foreign exchange gains	1,476	1,271
Other	195	298
Total non-operating income	2,500	1,996
Non-operating expenses		
Interest expenses	124	182
Loss on disposal of non-current assets	275	122
Bond issuance costs	—	51
Plant stop losses	10	5
Other	39	32
Total non-operating expenses	451	394
Ordinary income	17,046	16,029
Extraordinary income	—	—
Extraordinary losses	—	—
Income before income taxes and non-controlling interests	17,046	16,029
Income taxes - current	3,647	3,701
Income taxes - deferred	946	648
Total income taxes	4,594	4,349
Net income	12,452	11,679
Net income attributable to non-controlling interests	216	89
Net income attributable to owners of parent	12,236	11,590

- Consolidated Statements of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Net income	12,452	11,679
Other comprehensive income		
Valuation difference on available-for-sale securities	425	226
Foreign currency translation adjustment	1,856	1,324
Remeasurements of defined benefit plans, net of tax	(5)	(35)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	2,276	1,514
Comprehensive income	14,729	13,194
(Comprehensive income attributable to)		
Owners of parent	14,324	12,961
Non-controlling interests	405	233

(3) Consolidated Statements of Cash Flows

(Million yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Cash flows from operating activities		
Income before income taxes and non-controlling interests	17,046	16,029
Depreciation	2,765	3,589
Amortization of goodwill	25	9
Interest and dividend income	(292)	(292)
Interest expenses	122	182
Loss (gain) on disposal of non-current assets	275	122
Decrease (increase) in notes and accounts receivable - trade	5,789	3,456
Decrease (increase) in inventories	(6,106)	(4,384)
Increase (decrease) in notes and accounts payable - trade	(3,239)	(1,593)
Other	2,729	2,765
Subtotal	19,117	19,884
Interest and dividend income received	660	348
Interest expenses paid	(121)	(176)
Income taxes paid	(7,362)	(4,709)
Net cash provided by (used in) operating activities	12,293	15,347
Cash flows from investing activities		
Purchase of investment securities	(10)	(53)
Purchase of property, plant and equipment	(6,407)	(2,648)
Payments for retirement of property, plant and equipment	(253)	(111)
Purchase of intangible assets	(236)	(593)
Net decrease (increase) in short-term loans receivable	1,802	854
Purchase of long-term prepaid expenses	(32)	(75)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	93	–
Other	(33)	(142)
Net cash provided by (used in) investing activities	(5,078)	(2,770)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,632	6,376
Proceeds from issuance of bonds	–	10,000
Cash dividends paid	(13,199)	(13,043)
Share repurchase	(5,001)	(4,061)
Payments made to trust account for acquisition of treasury shares	–	(938)
Other	–	(2)
Net cash provided by (used in) financing activities	(10,568)	(1,669)
Effect of exchange rate change on cash and cash equivalents	154	111
Net increase (decrease) in cash and cash equivalents	(3,198)	11,019
Cash and cash equivalents at beginning of period	29,647	22,738
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	17
Cash and cash equivalents at end of period	26,449	33,774

(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 4,600 shares to the eligible party on April 25, 2024 based on the trust agreement of the Board Benefit Trust (BBT) resolved by the Board of Director's meeting on July 30, 2019. As a result, treasury shares decreased by 22 million yen during the first quarter of current consolidated fiscal year.

In addition, the Company repurchased 870,000 treasury shares based on the resolution of Board of Directors' meeting held on May 13, 2024 and May 28, 2024. As a result, treasury shares increased by 4,061 million yen during the first quarter of current consolidated fiscal year.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the first quarter ended June 30, 2024. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively. Hence, the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been modified retrospectively. As a result, deferred tax liabilities decreased by 49 million yen and retained earnings increased by 49 million yen in the consolidated balance sheets for the fiscal year ended March 31, 2024.

(Segment Information)

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

1) For the Three Months Ended June 30, 2023 (From April 01, 2023 to June 30, 2023)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment (Note 2)	Consolidated Total
Net Sales									
Sales to outside customers (Note 1)	6,057	16,836	15,741	1,951	18,300	2,422	61,310	(6,370)	54,939
Intersegment Sales	3,036	3,966	3,054	–	6,044	3,974	20,076	(20,076)	–
Total Sales	9,094	20,803	18,795	1,951	24,345	6,397	81,387	(26,447)	54,939
Segment Income or Loss (Operating Income or Loss)	924	6,451	6,571	1,089	906	204	16,146	(1,148)	14,998

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 Adjustment section.

2. Adjustments are as follows.

(1) (6,370) million yen adjustment in sales to outside customers includes (6,373) million yen in the elimination of agent transactions, and 2 million yen sales not attributable to any reporting segment.

(2) (1,148) million yen adjustment in segment income includes 223 million yen in intersegment eliminations, 2 million yen sales not attributable to any reporting segment, and (1,375) 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 Three Months Ended June 30, 2024 (From April 01, 2024 to June 30, 2024)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment (Note 2)	Consolidated Total
Net Sales									
Sales to outside customers (Note 1)	5,901	17,491	16,945	1,411	20,435	2,636	64,822	(6,133)	58,688
Intersegment Sales	2,990	5,989	3,411	55	7,069	3,703	23,218	(23,218)	–
Total Sales	8,892	23,480	20,356	1,466	27,505	6,340	88,040	(29,352)	58,688
Segment Income or Loss (Operating Income or Loss)	665	7,029	6,909	609	994	111	16,320	(1,893)	14,426

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 Adjustment section.

2. Adjustments are as follows.

(1) (6,133) million yen adjustment in sales to outside customers includes (6,140) million yen in the elimination of agent transactions, and 7 million yen sales not attributable to any reporting segment.

(2) (1,893) million yen adjustment in segment income includes (556) million yen in intersegment eliminations, 8 million yen sales not attributable to any reporting segment, and (1,346) 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.