

Consolidated Financial Results for the Three Months Ended June 30, 2021 (JPGAAP)



August 10, 2021

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

Representative: YAGI Shinsuke, President

Inquiry to: DAIMON Hideki, Executive Officer and Head of Finance and Accounting Department Tel. +81 3 4463 8404

Scheduled submission date of quarterly report: August 12, 2021

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, 2021 (From April 1, 2021 to June 30, 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	%
Three months ended June 30, 2021	46,499	(5.6)	11,875	21.1	12,323	18.3	8,849	16.3
Three months ended June 30, 2020	49,280	1.2	9,810	5.0	10,416	4.4	7,608	(2.9)

(Note) Comprehensive income: Three months ended June 30, 2021 : 8,053 million yen ,(20.2%)

Three months ended June 30, 2020 : 10,091 million yen ,71.1%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2021	61.73	—
Three months ended June 30, 2020	52.38	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	246,600	193,927	77.9
As of March 31, 2021	265,509	200,562	74.9

(Reference) Shareholders' equity: As of June 30, 2021 : 192,171 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	—	—	—	—	—
Year ending March 31, 2022 (Outlook)	—	48.00	—	60.00	108.00

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

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
Six months ending September 30, 2021	76,500	(19.0)	17,700	(1.6)	18,000	(1.0)	14,000	0.7	98.03
Year ending March 31, 2022	172,500	(17.5)	43,600	2.5	44,900	2.3	34,100	1.9	239.18

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

(Note) 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.

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 10 for further details.

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of June 30, 2021 : 144,000,000 shares

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

2. Number of treasury shares

As of June 30, 2021 : 1,191,069 shares

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

3. Average number of shares outstanding

As of June 30, 2021 : 143,347,412 shares

As of June 30, 2020 : 145,262,467 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 164,800 shares. In addition, the average number of shares held by the Trust during the period was 164,967 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 first quarter of the current fiscal year (April 1, 2021 to June 30, 2021), the domestic economy showed an upward trend in exports and investment on plant and equipment due to the recovery of overseas economies. However, a full fledged recovery was not achieved, as consumer spending was sluggish due to the impact of extension and recurrence of the declaration of emergency situations. Under these circumstance, 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 decreased. In the Pharmaceuticals Segment, sales in "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) decreased.

As a result, business performances for this period were as follows.

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

	1Q FY2020	1Q FY2021	Change	1Q FY2021 (Outlook)(Note)	Change from Outlook
Sales	49,280	46,499	(2,780)	40,000	+6,499
Operating income	9,810	11,875	+2,065	9,800	+2,075
Ordinary income	10,416	12,323	+1,907	10,200	+2,123
Net income attributable to owners of parent	7,608	8,849	+1,241	7,500	+1,349

(Note) Outlook is described on page 14 of the FY2020 Presentation Materials (announced on May 14, 2021).

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

As a result, sales of this segment were 8,833 million yen (an increase of 1,418 million yen) and operating income was 1,265 million yen (an increase of 596 million yen). Compared to the outlook (Note), sales were above 0.4 billion yen and operating income was the same.

(Note) The outlook is described on page 19 and 20 of the FY2020 Presentation Materials.

The Performance Materials Segment

In the Display Materials, sales of "SUNEVER" (LCD alignment coating) for tablets and notebook PCs performed well. In the Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®) and multilayer materials (OptiStack®) increased, reflecting favorable operation by customers. In the Inorganic materials, sales of "SNOWTEX" for polishing electronic materials and hard coating, and Organo / Monomer sol (various kinds of coating materials, resin additive) were firm.

As a result, sales of this segment were 19,951 million yen (an increase of 2,867 million yen) and operating income was 6,953 million yen (an increase of 1,643 million yen). Compared to the outlook (Note), sales were above 1.4 billion yen and operating income was above 1.5 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2020 Presentation Materials.

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

The Agricultural Chemicals Segment

Due to adoption of "Accounting Standards 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 domestic agrochemicals market, although sales of "ROUNDUP" (non-selective leaf treatment herbicide) were unchanged from the previous fiscal year, sales of "ALTAIR" (paddy rice herbicide) and "GRACIA" (insecticide) declined. In the overseas agrochemicals segment, sales of "QUINTEC" (fungicide) were firm, but shipments of "GRACIA" decreased and those of "TARGA" (herbicide) were delayed.

As a result, sales of this segment were 13,403 million yen (a decrease of 1,178 million yen) and operating income was 4,097 million yen (an increase of 80 million yen). Compared to the outlook (Note), sales were below 1.1 billion yen and operating income was above 0.3 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2020 Presentation Materials.

The Pharmaceuticals Segment

Sales of "LIVALO" (anti-cholesterol drug) declined due to increased sales of generic drugs in Japan and overseas. Sales of "Custom Chemicals" decreased due to the lag of shipment.

As a result, sales of this segment were 1,069 million yen (a decrease of 430 million yen) and operating loss was 185 million yen (a decrease in profit of 115 million yen). Compared to the outlook (Note), sales were above 0.2 billion yen and operating income was above 0.1 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2020 Presentation Materials.

Trading

Sales of this segment were 17,799 million yen (a decrease of 383 million yen), and operating income was 664 million yen (an increase of 11 million yen). Compared to the outlook (Note), sales were above 1.3 billion yen and operating income was above 0.2 billion yen.

(Note) The outlook is described on page 19 and 20 of the FY2020 Presentation Materials.

Others

Sales of this segment were 4,911 million yen (an increase of 125 million yen) and operating income was 68 million yen (an increase of 20 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2021 was 246,600 million yen (a decrease of 18,909 million yen from March 31, 2021). It is mainly due to the decrease of cash and deposits.

Also, total liabilities as of June 30, 2021 was 52,672 million yen (a decrease of 12,274 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of June 30, 2021 was 193,927 million yen (a decrease of 6,634 million yen).

As a result of these factors, equity ratio was 77.9% (an increase of 3% 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 three months ended June 30, 2021 was 11,849 million yen (12,394 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, 2021 was 3,291 million yen (1,557 million yen).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the three months ended June 30, 2021 was 23,821 million yen (24,851 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 17,121 million yen, reflecting exchange of 4 million yen. It decreased by 15,258 million yen from March 31, 2021 (16,633 million yen).

(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, 2022 from the statement announced on May 14, 2021.

(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 June 30, 2021
Assets		
Current assets		
Cash and deposits	32,380	17,121
Notes and accounts receivable - trade	73,937	66,425
Merchandise and finished goods	33,774	36,137
Work in process	23	329
Raw materials and supplies	12,853	13,382
Other	6,650	8,791
Allowance for doubtful accounts	(31)	(28)
Total current assets	159,588	142,159
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,837	24,984
Other, net	27,000	26,474
Total property, plant and equipment	51,837	51,459
Intangible assets		
Software	548	693
Other	11,581	11,514
Total intangible assets	12,129	12,208
Investments and other assets		
Investment securities	35,894	34,858
Other	6,170	6,025
Allowance for doubtful accounts	(110)	(110)
Total investments and other assets	41,953	40,773
Total non-current assets	105,921	104,440
Total assets	265,509	246,600

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,298	15,677
Short-term loans payable	21,489	13,059
Income taxes payable	7,113	1,970
Provision for bonuses	2,250	700
Provision for directors' bonuses	7	2
Other	12,585	15,859
Total current liabilities	59,744	47,270
Non-current liabilities		
Long-term loans payable	1,184	1,184
Provision for business structure improvement	171	101
Provision for share-based remuneration for directors (and other officers)	91	130
Net defined benefit liability	249	267
Other	3,506	3,718
Total non-current liabilities	5,202	5,402
Total liabilities	64,947	52,672
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	161,708	155,109
Treasury shares	(7,340)	(6,532)
Total shareholders' equity	186,923	181,132
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,359	10,507
Foreign currency translation adjustment	81	84
Remeasurements of defined benefit plans	463	448
Total accumulated other comprehensive income	11,904	11,039
Non-controlling interests	1,733	1,755
Total net assets	200,562	193,927
Total liabilities and net assets	265,509	246,600

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

- Consolidated Statements of Income

(Million yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
Net sales	49,280	46,499
Cost of sales	28,480	22,671
Gross profit	20,799	23,828
Selling, general and administrative expenses	10,989	11,952
Operating income	9,810	11,875
Non-operating income		
Interest income	5	4
Dividend income	306	270
Equity in earnings of affiliates	256	178
Other	272	178
Total non-operating income	841	631
Non-operating expenses		
Interest expenses	31	31
Loss on disposal of non-current assets	65	112
Foreign exchange losses	99	13
Other	38	26
Total non- operating expenses	235	183
Ordinary income	10,416	12,323
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	10,416	12,323
Income taxes - current	1,988	2,159
Income taxes - deferred	800	1,244
Total income taxes	2,788	3,403
Net income	7,627	8,920
Net income attributable to non-controlling interests	19	70
Net income attributable to owners of parent	7,608	8,849

- Consolidated Statements of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
Net income	7,627	8,920
Other comprehensive income		
Valuation difference on available-for-sale securities	2,380	(852)
Foreign currency translation adjustment	81	1
Remeasurements of defined benefit plans, net of tax	1	(15)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	2,464	(866)
Comprehensive income	10,091	8,053
(Comprehensive income attributable to)		
Owners of parent	10,062	7,983
Non-controlling interests	28	69

(3) Consolidated Statements of Cash Flows

(Million yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
Cash flows from operating activities		
Income before income taxes and non-controlling interests	10,416	12,323
Depreciation and amortization	2,317	2,248
Amortization of goodwill	16	25
Interest and dividend income	(311)	(275)
Loss (gain) on sales of investment securities	(0)	-
Interest expenses	31	31
Loss (gain) on disposal of non-current assets	65	112
Decrease (increase) in notes and accounts receivable - trade	9,528	7,537
Decrease (increase) in inventories	(2,697)	(3,196)
Increase (decrease) in notes and accounts payable - trade	(1,065)	(644)
Other	(261)	273
Subtotal	18,038	18,436
Interest and dividend income received	410	514
Interest expenses paid	(29)	(29)
Income taxes paid	(6,025)	(7,071)
Net cash provided by (used in) operating activities	12,394	11,849
Cash flows from investing activities		
Purchase of investment securities	(81)	(78)
Proceeds from sales of investment securities	0	-
Purchase of property, plant and equipment	(2,049)	(2,812)
Payments for retirement of property, plant and equipment	(43)	(74)
Purchase of intangible assets	(104)	(450)
Net decrease (increase) in short-term loans receivable	749	129
Purchase of long-term prepaid expenses	(14)	(23)
Other	(15)	19
Net cash provided by (used in) investing activities	(1,557)	(3,291)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(10,860)	(8,430)
Cash dividends paid	(6,990)	(8,341)
Dividends paid to non-controlling interests	-	(48)
Share repurchase	(4,075)	(4,755)
Setting up the trust for share repurchase	(2,925)	(2,245)
Other	-	0
Net cash provided by (used in) financing activities	(24,851)	(23,821)
Effect of exchange rate change on cash and cash equivalents	9	4
Net increase (decrease) in cash and cash equivalents	(14,005)	(15,258)
Cash and cash equivalents at beginning of period	30,639	32,380
Cash and cash equivalents at end of period	16,633	17,121

(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 Directors' meeting on July 30, 2019. As a result, treasury shares decreased by 4 million yen during the first 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. As a result, retained earnings and treasury shares decreased by 5,559 million yen during the first quarter of current consolidated fiscal year.

In addition, the Company repurchased 840,000 treasury shares based on the resolution of Board of Directors' meeting held on May 14, 2021. As a result, treasury shares increased by 4,754 million yen during the first 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 fiscal 2022.

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 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 fiscal 2022 to add to or deducted from the amount of beginning balance of retained earnings of the first quarter of fiscal 2022 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 fiscal 2022. 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 fiscal 2022, the cumulative effect is added to or deducted from the beginning balance of the retained earnings of the first quarter of fiscal 2022, based on the terms of the contracts that have been reflected all modifications in the contracts.

As a result, in the first quarter of the fiscal year ending March 31, 2022, net sales decreased by 3,489 million yen and cost of sales decreased by 4,718 million yen while Operating income, Ordinary income and income before taxes and non-controlling interests increased 1,229 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. Information Regarding Sales, Income (Loss) of Reportable Segments

1) For the Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	5,127	14,840	12,999	1,500	13,126	1,684	49,279	0	49,280
Intersegment Sales	2,287	2,244	1,583	-	5,055	3,100	14,271	(14,271)	-
Total Sales	7,415	17,084	14,582	1,500	18,182	4,785	63,550	(14,270)	49,280
Segment Income or Loss (Operating Income or Loss)	668	5,310	4,017	(70)	652	47	10,627	(817)	9,810

Notes: (1) The (817) million yen adjustment in segment income includes (59) million yen in intersegment eliminations, 0 million yen sales not attributable to any reporting segment, and (758) 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, 2021 (From April 1, 2021 to June 30, 2021)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)(2)	Consolidated Total
Sales									
Sales to outside customers	6,093	17,031	12,612	1,069	12,527	1,878	51,212	(4,713)	46,499
Intersegment Sales	2,739	2,920	791	-	5,272	3,032	14,756	(14,756)	-
Total Sales	8,833	19,951	13,403	1,069	17,799	4,911	65,969	(19,469)	46,499
Segment Income or Loss (Operating Income or Loss)	1,265	6,953	4,097	(185)	664	68	12,864	(988)	11,875

Notes: (1) The (4,713) million yen adjustment in sales to outside customers includes (4,718) million yen in the elimination of agent transactions due to the adoption of Accounting Standard for Revenue Recognition, and 5 million yen sales not attributable to any reporting segment.

(2) The (988) million yen adjustment in segment income includes (136) million yen in intersegment eliminations, 5 million yen sales not attributable to any reporting segment, and (857) 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.