

Summary of Consolidated Financial Results [Japanese GAAP] For the Second Quarter of the Fiscal Year Ending March 31, 2022

November 9, 2021

Listed company: Nippon Kayaku Co., Ltd.
Listed stock exchange: First Section, Tokyo Stock Exchange
Code No.: 4272 URL: <https://www.nipponkayaku.co.jp/english/>

Representative (name, position): Atsuhiko Wakumoto, President
Director in charge of inquiries: Tsutomu Kawamura, Executive Director, General Manager of Finance & Accounting Division, Financial Group

Filing date of quarterly securities report: November 11, 2021
Scheduled date for start of dividend payments: December 1, 2021
Preparation of supplementary materials for quarterly financial results: Yes
Quarterly results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021–September 30, 2021)

(Figures shown are rounded down to the nearest million yen.)

(1) Consolidated Operating Results

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of fiscal year ending March 31, 2022	88,840	10.3	10,902	56.3	11,828	61.1	9,205	88.5
First half of fiscal year ended March 31, 2021	80,518	(5.9)	6,976	(22.9)	7,341	(19.8)	4,883	(22.9)

Note: Comprehensive income First half of fiscal year ending March 31, 2022: 10,655 million yen (32.6%)
First half of fiscal year ended March 31, 2021: 8,035 million yen (356.6%)

	Profit attributable to owners of parent per share-primary	Profit attributable to owners of parent per share-diluted
	Yen	Yen
First half of fiscal year ending March 31, 2022	54.27	54.26
First half of fiscal year ended March 31, 2021	28.59	–

Note: Profit attributable to owners of parent per share-diluted for the first half of the fiscal year ended March 31, 2021 is indicated with a dash (–) because the dilutive shares that do exist do not have a significant dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	301,957	233,460	77.0
As of March 31, 2021	294,535	228,273	77.2

Reference: Equity As of September 30, 2021 232,653 million yen
As of March 31, 2021 227,506 million yen

2. Status of Dividends

	Dividend amount per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Year
	Yen				
Fiscal year ended March 31, 2021	-	15.00	-	15.00	30.00
Fiscal year ending March 31, 2022	-	15.00			
Fiscal year ending March 31, 2022 (forecast)			-	15.00	30.00

Note: Changes to the most recent dividend forecast: None

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021– March 31, 2022)

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	184,000	6.1	18,900	24.4	20,100	21.5	15,200	20.9	89.60

Note: Changes to the most recent forecast for consolidated business results: Yes

See “Notice of Revision to the Business Results Forecasts” disclosed today concerning the revision to the business results forecasts.

Notes

(1) Significant changes in subsidiaries during the first half (changes in designated subsidiaries that result in changes in scope of consolidation): None

(2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements: None

(3) Changes to accounting policies and estimates and restatements

[1] Changes to accounting policies associated with revision of accounting standards or similar items: Yes

[2] Changes other than [1]: No

[3] Changes to accounting estimates: None

[4] Restatements: None

Note: See “2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements, (4) Notes to Quarterly Consolidated Financial Statements (Changes to Accounting Policies)” on page 11 for further details.

(4) Number of shares issued (common stock)

[1] Number of shares issued at end of the fiscal period (including treasury stock)

As of September 30, 2021: 177,503,570 shares

As of March 31, 2021: 177,503,570 shares

[2] Number of treasury stock at end of the fiscal period

As of September 30, 2021: 9,257,635 shares

As of March 31, 2021: 6,710,650 shares

[3] Average number of shares during the fiscal period (cumulative)

First half of the fiscal year ending March 31, 2022: 169,638,661 shares

First half of the fiscal year ended March 31, 2021: 170,793,635 shares

* Quarterly summary financial statements are not subject to audit by a certified public accountant or audit firm.

* Analysis related to appropriate use of the business forecasts, and other notes

(Disclaimer concerning forward-looking statements)

The information in this report constitutes forward-looking statements regarding future events and performance. This information is based on the beliefs and assumptions of management in light of information currently available to it at the time of announcement and subject to a number of uncertainties that may affect future results. Actual business results may differ substantially from the forecasts herein due to various factors. For matters pertaining to business forecasts, please refer to “(3) Analysis of Forward-looking Statements, Including Consolidated Business Results

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Forecasts” on page 3 of the Supplementary Information.

(How to obtain the materials for the briefing on quarterly financial results)

We have scheduled a teleconference for securities analysts and institutional investors on Wednesday, November 10, 2021. The materials for the briefing will be posted on the corporate website.

Supplementary Information

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1. Qualitative Information Concerning Results for the Second Quarter

(1) Analysis of Operating Results

During the first half of this consolidated fiscal year (April 1 to September 30, 2021), the global economy saw economic activity begin to return to normal and signs of economic recovery, due in part to progress on vaccinations for the novel coronavirus (COVID-19). While the recovery of the Japanese economy is lagging compared to Europe and the U.S., business sentiment has improved. However, the impacts of the semiconductor shortage and the automobile industry production cuts due to difficulty of procuring parts accompanying the spread of COVID-19 in Southeast Asia were exacerbated in Japan and overseas, particularly in the second quarter of this consolidated fiscal year. Concerns over deceleration of the Chinese economy also remain.

Amid these conditions, the Nippon Kayaku Group worked to implement the key themes and resolve the mid- and long-term key issues outlined in “KAYAKU Next Stage,” the mid-term business plan launched in the fiscal year ended March 31, 2020, while also making active use of staggered working hours, telecommuting, and other systems amid the restrictions imposed on corporate activities. We took these steps to ensure the safety of employees working in the Company and at Group companies while also implementing a new lifestyle and promote efficient workstyles aimed at minimizing the impact on our business.

As a result, net sales for the first half of this consolidated fiscal year totaled 88,840 million yen, an increase of 8,321 million yen (10.3%) year-on-year. Sales in all of the businesses outperformed the first half of the previous fiscal year.

Operating income totaled 10,902 million yen, an increase of 3,925 million yen (56.3%) year-on-year.

Ordinary income totaled 11,828 million yen, an increase of 4,487 million yen (61.1%) year-on-year.

Profit attributable to owners of parent was 9,205 million yen, an increase of 4,322 million yen (88.5%) year-on-year.

Regarding changes in accounting policies, the Company implemented the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised March 31, 2020) and other guidance from the beginning of the first quarter of this consolidated fiscal year. We have therefore used numbers based on calculation methods subject to different standards than in the same period of the previous fiscal year. See 2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements, (4) Notes to Quarterly Consolidated Financial Statements (Changes to Accounting Policies) for further details.

Performance by business segment is as described below.

[Functional Chemicals Business]

Sales stood at 37,612 million yen, an increase of 2,762 million yen (7.9%) year-on-year.

The Functional Materials Business as a whole outperformed the first half of the previous fiscal year. The outperformance resulted from strong sales of epoxy resins used in semiconductor encapsulation, circuit boards, and LCD cleaners from increased demand for IT equipment due to telecommuting, in addition to the proliferation of high-speed (5G) communications devices and IoT, and the increasingly sophisticated electronic equipment in vehicles.

The Color Materials Business as a whole outperformed the first half of the previous fiscal year. This outperformance was due to a rebound in demand for colorants for inkjet printers in industrial applications, in addition to strong sales of colorants for inkjet printers for consumer use.

The Catalyst Business underperformed the first half of the previous fiscal year because of the lull between customer replacement periods.

In the Polatechno Business, a rebound in demand for polarizing films for LCD projectors and dye-type polarizing films, in addition to strong sales of components for X-ray analysis systems resulted in outperformance of the Polatechno Business as a whole, compared with the first half of the previous fiscal year.

Segment profit totaled 6,074 million yen, an increase of 2,427 million yen (66.6%) year-on-year. This increase resulted from growth in net sales in each business.

[Pharmaceuticals Business]

Sales stood at 25,534 million yen, an increase of 400 million yen (1.6%) year-on-year.

Pharmaceuticals in Japan underperformed the first half of the previous fiscal year due to the impact from drug price revisions, despite market penetration of PORTRAZZA®, a biomedicine; the switch to antibody biosimilars, TRASTUZUMAB BS and INFLIXIMAB BS; growth in sales of a cancer-related generic, APREPITANT capsule; and the launch of the new generic anti-cancer drug PEMETREXED in July.

Sales of active pharmaceutical ingredients for the Japanese domestic market underperformed while exports, and sales of contract production and diagnostic drugs outperformed the same period of the previous fiscal year.

Segment profit totaled 4,115 million yen, a decrease of 218 million yen (5.0%) year-on-year. This resulted from the impact of drug price revisions, in addition to increased expenses related to sales activities adjusted to the new life style and progress on R&D activities.

[Safety Systems Business]

Sales reached 21,618 million yen, an increase of 4,628 million yen (27.2%) year-on-year.

During the first half of this consolidated fiscal year, the automobile market continued to rebound from the slump in global demand caused by the global spread of the novel coronavirus, with the exception of a few regions.

While the pace of automobile production decelerated from the latter half of the period owing to the impact of the semiconductor shortage, sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs outperformed the first half of the previous fiscal year in both the domestic and overseas businesses, due to strong demand in the first half of the period.

The increase in sales led to segment profit of 3,169 million yen, an increase of 1,802 million yen (132.0%) from the same period of the previous fiscal year.

[Other]

Sales stood at 4,074 million yen, an increase of 529 million yen (14.9%) year-on-year.

The agrochemicals business overall saw a year-on-year increase in domestic sales and exports.

Sales in real estate and other business increased compared to the same period of the previous fiscal year.

Segment profit totaled 919 million yen, an increase of 43 million yen (4.9%) year-on-year.

(2) Analysis of Financial Position

[1] Status of Assets, Liabilities, and Net Assets

Total assets were 301,957 million yen, an increase of 7,421 million yen from the end of the previous consolidated fiscal year. The main increases were in merchandise and finished goods, an increase of 5,270 million yen; raw materials and stores, an increase of 3,086 million yen; and securities, an increase of 1,753 million yen. The main decrease was in notes and accounts receivable-trade, a decrease of 4,467 million yen.

Liabilities were 68,497 million yen, an increase of 2,235 million yen compared to the end of the previous consolidated fiscal year. The main increases were in notes and accounts payable-trade, an increase of 1,547 million yen; and income taxes payable, an increase of 1,434 million yen. The main decrease was in long-term loans payable, a decrease of 1,148 million yen.

Net assets were 233,460 million yen, an increase of 5,186 million yen compared to the end of the previous consolidated fiscal year. The main increases were in retained earnings, an increase of 6,650 million yen; and translation adjustments, an increase of 1,288 million yen. The main decrease was in treasury stock, a decrease of 2,898 million yen.

[2] Cash Flows Status

Net cash provided by operating activities amounted to 14,384 million yen (versus a cash inflow of 11,879 million yen during the same period of the previous fiscal year). The positive cash flow was primarily generated from profit before income taxes of 12,972 million yen, depreciation and amortization of 6,631 million yen, and a decrease in notes and accounts receivable-trade of 4,870 million yen. The above factors more than compensated for an increase in inventories of 8,129 million yen, and income tax paid of 2,096 million yen.

Net cash used in investing activities totaled 5,573 million yen (versus a cash outflow of 12,762 million yen during the same period of the previous fiscal year). The net outflow was mainly due to expenditures of 3,672 million yen for the purchase of property, plant, and equipment, 1,628 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation, 1,024 million yen for payments for long-term prepaid expenses, and 561 million yen for the purchase of shares of subsidiaries and associates.

Net cash outflow in financing activities amounted to 6,397 million yen (versus a cash outflow of 5,677 million yen during the same period of the previous fiscal year). This was mainly due to expenditures for the purchase of treasury stock of 3,000 million yen, dividends paid of 2,553 million yen, and expenditures for repayment of long-term loans of 1,243 million yen, despite a net increase in 518 million yen in short-term loans payable.

Reflecting the above cash flow performance, the balance of cash and cash equivalents at the end of the first half was 50,410 million yen (versus 51,739 million yen during the same period of the previous fiscal year), an increase of 2,926 million yen from the end of the previous fiscal year.

(3) Analysis of Forward-looking Statements, Including Consolidated Business Results Forecasts

The future business environment surrounding the Nippon Kayaku Group is expected to bring further economic rebound as economic activities in Japan and overseas return to normal. However, uncertainty over the impact of a change in interest rate policies in different countries, the resurgence of the COVID-19, the expansion of credit uncertainty originating in China, and other factors poses the risk of an economic downswing. Under these conditions, the Nippon Kayaku Group aims to respond flexibly to changes in the business environment and pursue optimal use of operating capital to increase the shareholder value, as well as expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and enhance profits.

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All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

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Consolidated business results forecasts of fiscal year ending March 31, 2022 announced on July 30, 2021 have been revised. See the disclosure today entitled, Notice of Revision to the Business Results Forecasts for further details.

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2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2021	As of September 30, 2021
	Million yen	
Assets		
Current assets		
Cash and deposits	33,306	34,432
Notes and accounts receivable-trade	56,893	52,426
Electronically recorded monetary claims-operating	1,930	1,980
Securities	14,811	16,564
Merchandise and finished goods	28,996	34,266
Work in process	926	982
Raw materials and stores	15,305	18,392
Other	4,748	3,534
Allowance for doubtful accounts	(66)	(60)
Total current assets	156,852	162,518
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,925	42,794
Machinery, equipment and vehicles, net	27,405	27,278
Other, net	18,650	17,453
Total property, plant and equipment	88,980	87,527
Intangible assets		
Goodwill	2,543	3,253
Other	4,294	4,658
Total intangible assets	6,837	7,911
Investments and other assets		
Investment securities	33,651	34,702
Net defined benefit asset	4,246	4,352
Other	3,991	5,002
Allowance for doubtful accounts	(23)	(56)
Total investments and other assets	41,864	44,000
Total non-current assets	137,683	139,438
Total assets	294,535	301,957

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	As of March 31, 2021	As of September 30, 2021
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,631	19,179
Short-term loans payable	3,632	4,103
Accounts payable-other	8,115	7,902
Income taxes payable	871	2,305
Other	7,240	6,539
Total current liabilities	37,491	40,030
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term loans payable	3,770	2,621
Net defined benefit liability	419	416
Other	12,579	13,429
Total non-current liabilities	28,769	28,466
Total liabilities	66,261	68,497
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	15,754	15,765
Retained earnings	191,606	198,256
Treasury stock	(7,872)	(10,771)
Total shareholders' equity	214,420	218,183
Accumulated other comprehensive income		
Unrealized holding gains on other securities	10,096	10,212
Translation adjustments	1,694	2,982
Remeasurements of defined benefit plans	1,294	1,274
Total accumulated other comprehensive income	13,085	14,469
Non-controlling interests	767	807
Total net assets	228,273	233,460
Total liabilities and net assets	294,535	301,957

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

	First half of the fiscal year ended March 31, 2021	First half of the fiscal year ending March 31, 2022
	Million yen	
Net sales	80,518	88,840
Cost of sales	54,537	57,622
Gross profit on sales	25,981	31,218
Selling, general and administrative expenses	19,004	20,315
Operating income	6,976	10,902
Non-operating income		
Interest income	98	63
Dividend income	387	544
Equity in earnings of affiliates	131	245
Other	485	396
Total non-operating income	1,102	1,249
Non-operating expenses		
Interest expense	59	39
Foreign exchange losses	505	122
Other losses	172	161
Total non-operating expenses	737	323
Ordinary income	7,341	11,828
Extraordinary income		
Gain on sales of non-current assets	0	1,372
Gain on sales of investment securities	-	81
Total extraordinary income	0	1,453
Extraordinary loss		
Loss on disposal of non-current assets	232	252
Loss on valuation of investment securities	-	57
Total extraordinary loss	232	309
Profit before income taxes	7,108	12,972
Income taxes-current	1,002	3,225
Income taxes-deferred	1,223	495
Total income taxes	2,226	3,720
Profit	4,882	9,251
Profit attributable to non-controlling interests	(0)	46
Profit attributable to owners of parent	4,883	9,205

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Consolidated Statements of Comprehensive Income

	First half of the fiscal year ended March 31, 2021	First half of the fiscal year ending March 31, 2022
	Million yen	
Profit	4,882	9,251
Other comprehensive income		
Unrealized holding gains on other securities	1,939	120
Translation adjustments	1,123	1,308
Remeasurements of defined benefit plans	91	(20)
Share of other comprehensive income of companies accounted for by the equity-method	(1)	(3)
Total other comprehensive income	3,152	1,404
Comprehensive income	8,035	10,655
Comprehensive income attributable to:		
Owners of parent	8,031	10,590
Non-controlling interests	4	65

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(3) Consolidated Statements of Cash Flows

	First half of the fiscal year ended March 31, 2021	First half of the fiscal year ending March 31, 2022
	Million yen	
Cash flows from operating activities		
Profit before income taxes	7,108	12,972
Depreciation and amortization	6,019	6,631
Amortization of goodwill	259	265
Increase (decrease) in other provisions	(159)	(88)
Interest and dividend income	(485)	(607)
Interest expense	59	39
Foreign exchange losses (gains)	(297)	(324)
Equity in (earnings) losses of affiliates	(131)	(245)
Loss (gain) on sales of property, plant and equipment	(0)	(1,372)
Loss (gain) on disposal of property, plant and equipment	232	252
Loss (gain) on sales of investment securities	-	(81)
Loss (gain) on valuation of investment securities	-	57
(Increase) decrease in notes and accounts receivable-trade	18	4,870
(Increase) decrease in inventories	2,932	(8,129)
(Increase) decrease in prepaid expenses	(289)	(233)
(Increase) decrease in accounts receivable-other	834	1,323
(Increase) decrease in advance payments	2	14
Increase (decrease) in notes and accounts payable-trade	(1,187)	1,431
Increase (decrease) in notes and accounts payable-other	(427)	(670)
Increase (decrease) in accrued expenses	(260)	(2)
Increase (decrease) in net defined benefit liability	30	15
(Increase) decrease in net defined benefit asset	57	(164)
Other	141	(239)
Subtotal	14,456	15,714
Interest and dividends received	646	737
Interest paid	(62)	(41)
Income tax paid	(3,172)	(2,096)
Income tax refund	12	70
Net cash provided by operating activities	11,879	14,384
Cash flows from investing activities		
Net decrease (increase) in time deposits	(94)	(19)
Proceeds from withdrawal of time deposits	215	41
Short-term loan advances	(146)	-
Purchase of property, plant and equipment	(6,001)	(3,672)
Proceeds from sales of property, plant and equipment	3	1,490
Purchase of intangible assets	(163)	(167)
Purchase of investment securities	-	(49)
Proceeds from sales of investment securities	-	112
Proceeds from redemption of investment securities	86	119
Purchase of shares of subsidiaries and associates	(146)	(561)
Payments for long-term prepaid expenses	(135)	(1,024)
Payment for retirement of property, plant and equipment	(200)	(210)
Payments for acquisition of businesses	(6,228)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,628)
Other	48	(4)
Net cash used in investing activities	(12,762)	(5,573)

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	First half of the fiscal year ended March 31, 2021	First half of the fiscal year ending March 31, 2022
	Million yen	
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,512	518
Repayment of long-term loans	(2,222)	(1,243)
Purchase of treasury stock	(0)	(3,000)
Dividends paid	(2,556)	(2,553)
Dividends paid to non-controlling interests	(7)	(26)
Other	(47)	(92)
Net cash provided by financing activities	5,677	(6,397)
Effect of exchange rate change on cash and cash equivalents	281	514
Increase (decrease) in cash and cash equivalents	5,076	2,926
Cash and cash equivalents at beginning of period	46,663	47,483
Cash and cash equivalents at end of period	51,739	50,410

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(4) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions for the Going Concern)

No items to report

(Notes in Case of Significant Change in Shareholders' Equity)

The Company acquired 2,634,500 treasury shares based the resolution passed by the Board of Directors on May 21, 2021. During the first half of consolidated fiscal year ending March 31, 2022, treasury stock increased by 2,999 million yen. Based on a resolution passed by the Board of Directors on July 19, 2021, 88,067 treasury shares were distributed as restricted stock compensation, decreasing treasury stock by 101 million yen in the first half of fiscal year ending March 31, 2022.

This resulted in 10,771 million yen in treasury stock as of September 31, 2021.

(Changes to Accounting Policies)

(Implementation of the Accounting Standard for Revenue Recognition and related guidance)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised March 31, 2020; hereafter, the "Revenue Recognition Accounting Standard") and related guidance were implemented from the beginning of the first quarter of consolidated fiscal year ending March 31, 2022. Under this standard, the amount the company expects to receive in exchange for goods and services is recognized as revenue when control over the promised goods or services is transferred to the customer. Nippon Kayaku and its domestic consolidated subsidiaries previously recognized revenue at the time of shipment, with the exception of consigned goods. Under this revised standard, the fulfillment obligation will be deemed satisfied and revenue will be recognized when the products are delivered to the customer, for domestic sales, and when the products arrive at the location agreed upon with the customer, for export sales.

The implementation of the Revenue Recognition Accounting Standards and related guidance follows the transitional treatment in the exception clause of Paragraph 84 of the Revenue Recognition Accounting Standard. The new accounting standard was applied to the balance of retained earnings from the beginning of the period and retained earnings were adjusted for the cumulative impact assuming application of the new accounting standard retroactively before the beginning of the accounting period for the first quarter of consolidated fiscal year ending March 31, 2022. However, we have applied the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard and have not retroactively applied the new accounting policy to contracts for which nearly all of the revenue recognized prior to the beginning of the first quarter of consolidated fiscal year ending March 31, 2022 was handled according to the previous accounting method.

The impact of these changes on the balance of retained earnings at the beginning of the period, consolidated profit and loss for the first half of consolidated fiscal year ending March 31, 2022 was minor.

(Implementation of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereafter, "Fair Value Accounting Standard") and related guidance were implemented from the beginning of the first quarter of consolidated fiscal year ending March 31, 2022. In accordance with the transitional treatment specified in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy specified in the Fair Value Accounting Standard and related guidance will be applied in the future. The change did not have any impact on the quarterly consolidated financial statements.

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(Segment Information and Other Items)

I. First half of the fiscal year ended March 31, 2021 (April 1, 2020–September 30, 2020)

1. Information on sales and profit (loss) by reportable segment

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Million yen								
Sales								
Sales to third parties	34,850	25,134	16,989	76,973	3,544	80,518	–	80,518
Intersegment sales and transfers	66	0	–	66	48	114	(114)	–
Total	34,916	25,134	16,989	77,040	3,592	80,633	(114)	80,518
Segment profit	3,647	4,334	1,366	9,347	876	10,224	(3,247)	6,976

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The 3,247 million yen downward adjustment to segment profit reflects a negative 3,269 million yen in corporate expense not allocable to the reportable segments and 22 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment
(Material change in the amount of goodwill)

The acquisition of a business from Henkel AG & Co. KGaA in the functional chemicals business resulted in goodwill. This event resulted in an increase in goodwill of 2,331 million yen.

II. First half of the fiscal year ending March 31, 2022 (April 1, 2021–September 30, 2021)

1. Information on sales and profit (loss) by reportable segment

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Million yen								
Sales								
Sales to third parties	37,612	25,534	21,618	84,765	4,074	88,840	–	88,840
Intersegment sales and transfers	71	0	–	71	51	123	(123)	–
Total	37,684	25,534	21,618	84,837	4,126	88,964	(123)	88,840
Segment profit	6,074	4,115	3,169	13,360	919	14,279	(3,376)	10,902

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The 3,376 million yen downward adjustment to segment profit reflects a negative 3,367 million yen in corporate expense not allocable to the reportable segments and 9 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment
(Material change in the amount of goodwill)

In the functional chemicals business segment, allocation of the acquisition cost for the acquisition of shares in Teikoku Taping System Co., Ltd. had not been completed in the first quarter of fiscal year ending March 31, 2022. The amount of goodwill was therefore the provisionally calculated amount. The amount of goodwill was revised in the second quarter of fiscal year ending March 31, 2022 because allocation of the acquisition cost was completed and the provisional accounting treatment was finalized.

This document is an English translation of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Second Quarter of the Fiscal Year Ending March 31, 2022

The above revision increased goodwill by 976 million yen.