

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

January 28, 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: February 10, 2022
Scheduled date for start of dividend payments: –
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 First Three Quarters of the Fiscal Year Ending March 31, 2022 (April 1, 2021–December 31, 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 three quarters of fiscal year ending March 31, 2022 | 138,095 | 9.9 | 17,339 | 47.1 | 18,781 | 54.6 | 14,058 | 56.7 |
| First three quarters of fiscal year ended March 31, 2021 | 125,655 | (4.7) | 11,790 | (17.2) | 12,145 | (17.3) | 8,971 | (20.6) |

Note: Comprehensive income

First three quarters of fiscal year ending March 31, 2022: 17,743 million yen (24.3%)

First three quarters of fiscal year ended March 31, 2021: 14,274 million yen (44.6%)

| | Profit attributable to owners of parent per share-primary | Profit attributable to owners of parent per share-diluted |
|---|---|---|
| | Yen | Yen |
| First three quarters of fiscal year ending March 31, 2022 | 83.10 | 83.09 |
| First three quarters of fiscal year ended March 31, 2021 | 52.53 | 52.53 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2021 | 309,637 | 238,029 | 76.6 |
| As of March 31, 2021 | 294,535 | 228,273 | 77.2 |

Reference: Equity As of December 31, 2021: 237,178 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) | | | | 22.00 | 37.00 |

Note: Changes to the most recent dividend forecast: None

Also see the Notice of Revision to the Business Results Forecasts and Dividend Forecast announced today concerning the revision to the dividend forecast.

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 | 20,000 | 31.6 | 21,400 | 29.4 | 15,400 | 22.5 | 91.03 |

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

Also see the Notice of Revision to the Business Results Forecasts and Dividend Forecast announced today concerning the revision to business results forecasts.

Notes

- (1) Significant changes in subsidiaries during the first three quarters (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]: None
 - [3] Changes to accounting estimates: None
 - [4] Restatements: None

Note: See “2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements, (3) Notes to Quarterly Consolidated Financial Statements (Changes to Accounting Policies)” on page 8 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 December 31, 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 December 31, 2021: 9,257,789 shares
 - As of March 31, 2021: 6,710,650 shares
 - [3] Average number of shares during the fiscal period (cumulative)
 - First three quarters of fiscal year ending March 31, 2022: 169,174,386 shares
 - First three quarters of fiscal year ended March 31, 2021: 170,793,503 shares

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*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 results 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 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 Friday, January 28, 2022.

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 First Three Quarters

(1) Analysis of Operating Results

During the first three quarters of this consolidated fiscal year (April 1 to December 31, 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). However, the impacts of the semiconductor shortage and the automobile industry production cuts, caused by difficulty in procuring parts during the COVID-19 pandemic in Southeast Asia, were exacerbated in Japan and overseas. Deceleration of the Chinese economy and the spread of COVID-19 variants are also causing increasing concern about the impact on the global economy.

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 three quarters of this consolidated fiscal year totaled 138,095 million yen, an increase of 12,439 million yen (9.9%) year-on-year. Sales in all of the businesses outperformed the first three quarters of the previous fiscal year.

Operating income totaled 17,339 million yen, an increase of 5,549 million yen (47.1%) year-on-year.

Ordinary income totaled 18,781 million yen, an increase of 6,636 million yen (54.6%) year-on-year.

Profit attributable to owners of parent was 14,058 million yen, an increase of 5,087 million yen (56.7%) 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, (3) 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 rose to 58,545 million yen, an increase of 6,417 million yen (12.3%) year-on-year.

The functional materials business as a whole outperformed the first three quarters of the previous fiscal year. The outperformance resulted from strong sales of epoxy resins used in semiconductor encapsulation and 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 three quarters of the previous fiscal year. This outperformance was resulted from a rebound in demand for colorants for inkjet printers in industrial applications and dyes for textiles, in addition to sales of colorants for inkjet printers for consumer use on par with the previous fiscal year.

The catalyst business underperformed the first three quarters 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 three quarters of the previous fiscal year.

Segment profit totaled 9,539 million yen, an increase of 4,353 million yen (83.9%) year-on-year. This increase resulted from growth in sales in the functional materials business, the color materials business, and the Polatechno business.

[Pharmaceuticals Business]

Sales were 39,746 million yen, an increase of 1,433 million yen (3.7%) year-on-year.

Pharmaceuticals in Japan outperformed the first three quarters of the previous fiscal year due to the contribution from the launch of the new generic anti-cancer drug PEMETREXED in July, in addition to market penetration of the biomedicine PORTRAZZA[®] and growth in the switch to antibody biosimilars and cancer-related generics.

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

Segment profit totaled 6,898 million yen, an increase of 87 million yen (1.3%) year-on-year.

[Safety Systems Business]

Sales reached 33,272 million yen, an increase of 3,442 million yen (11.5%) year-on-year.

During the first three quarters of this consolidated fiscal year, the automobile market saw a rebound from the slump in global demand caused by the global spread of the novel coronavirus, with the exception of a few regions. However, the pace of overall automobile production decelerated rapidly from the latter half of the period owing to the impact of the semiconductor shortage.

Sales of airbag inflators in the domestic business outperformed the three quarters of the previous fiscal year due to strong demand in the first half of the period, while sales of micro gas generators for seatbelt pretensioners underperformed year-on-year. This resulted in year-on-year outperformance for the domestic business as a whole.

The overseas business outperformed the first three quarters of the previous fiscal year in sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs.

The increase in sales led to segment profit of 4,718 million yen, an increase of 1,225 million yen (35.1%) from the same period of the previous fiscal year.

[Other]

Sales rose to 6,531 million yen, an increase of 1,146 million yen (21.3%) year-on-year.

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

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

Segment profit totaled 1,414 million yen, an increase of 134 million yen (10.5%) year-on-year.

(2) Analysis of Financial Position

Total assets were 309,637 million yen, an increase of 15,102 million yen from the end of the previous consolidated fiscal year. The main increases were in merchandise and finished goods, an increase of 6,177 million yen; raw materials and stores, an increase of 5,762 million yen; and notes and accounts receivable-trade, an increase of 5,027 million yen. The main decrease was in securities, a decrease of 2,785 million yen.

Liabilities were 71,608 million yen, an increase of 5,346 million yen compared to the end of the previous consolidated fiscal year. The main increase was in notes and accounts payable-trade, an increase of 4,186 million yen. The main decrease was in long-term loans payable, a decrease of 1,174 million yen.

Net assets were 238,029 million yen, an increase of 9,755 million yen compared to the end of the previous consolidated fiscal year. The main increases were in retained earnings, an increase of 8,979 million yen; and translation adjustments, an increase of 3,633 million yen. The main decrease was in treasury stock, a decrease of 2,898 million yen.

(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, 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.

Consolidated business results forecasts of fiscal year ending March 31, 2022 announced on November 9, 2021 have been revised. See the disclosure today entitled, Notice of Revision to the Business Results Forecasts and Dividend Forecast for further details.

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

(1) Consolidated Balance Sheets

| | As of March 31, 2021 | As of December 31, 2021 |
|---|----------------------|-------------------------|
| | Million yen | |
| Assets | | |
| Current assets | | |
| Cash and deposits | 33,306 | 34,671 |
| Notes and accounts receivable-trade | 56,893 | 61,921 |
| Electronically recorded monetary claims-operating | 1,930 | 2,365 |
| Securities | 14,811 | 12,025 |
| Merchandise and finished goods | 28,996 | 35,173 |
| Work in process | 926 | 630 |
| Raw materials and stores | 15,305 | 21,067 |
| Other | 4,748 | 3,090 |
| Allowance for doubtful accounts | (66) | (66) |
| Total current assets | 156,852 | 170,879 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 42,925 | 42,797 |
| Machinery, equipment and vehicles, net | 27,405 | 26,769 |
| Other, net | 18,650 | 17,921 |
| Total property, plant and equipment | 88,980 | 87,488 |
| Intangible assets | | |
| Goodwill | 2,543 | 3,135 |
| Other | 4,294 | 4,512 |
| Total intangible assets | 6,837 | 7,647 |
| Investments and other assets | | |
| Investment securities | 33,651 | 34,369 |
| Net defined benefit asset | 4,246 | 4,403 |
| Other | 3,991 | 4,896 |
| Allowance for doubtful accounts | (23) | (46) |
| Total investments and other assets | 41,864 | 43,622 |
| Total non-current assets | 137,683 | 138,757 |
| Total assets | 294,535 | 309,637 |

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| | As of March 31, 2021 | As of December 31, 2021 |
|--|----------------------|-------------------------|
| | Million yen | |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 17,631 | 21,818 |
| Short-term loans payable | 3,632 | 3,504 |
| Current portion of bonds payable | – | 4,000 |
| Accounts payable-other | 8,115 | 8,717 |
| Income taxes payable | 871 | 1,835 |
| Other | 7,240 | 6,444 |
| Total current liabilities | 37,491 | 46,319 |
| Non-current liabilities | | |
| Bonds payable | 12,000 | 8,000 |
| Long-term loans payable | 3,770 | 2,596 |
| Net defined benefit liability | 419 | 425 |
| Other | 12,579 | 14,266 |
| Total non-current liabilities | 28,769 | 25,288 |
| Total liabilities | 66,261 | 71,608 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 14,932 | 14,932 |
| Additional paid-in capital | 15,754 | 15,770 |
| Retained earnings | 191,606 | 200,586 |
| Treasury stock | (7,872) | (10,771) |
| Total shareholders' equity | 214,420 | 220,517 |
| Accumulated other comprehensive income | | |
| Unrealized holding gains on other securities | 10,096 | 10,069 |
| Translation adjustments | 1,694 | 5,327 |
| Remeasurements of defined benefit plans | 1,294 | 1,263 |
| Total accumulated other comprehensive income | 13,085 | 16,661 |
| Non-controlling interests | 767 | 850 |
| Total net assets | 228,273 | 238,029 |
| Total liabilities and net assets | 294,535 | 309,637 |

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

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

| | First three quarters of fiscal year ended March 31, 2021 | First three quarters of fiscal year ending March 31, 2022 |
|--|---|--|
| | Million yen | |
| Net sales | 125,655 | 138,095 |
| Cost of sales | 84,992 | 89,883 |
| Gross profit on sales | 40,663 | 48,211 |
| Selling, general and administrative expenses | 28,873 | 30,871 |
| Operating income | 11,790 | 17,339 |
| Non-operating income | | |
| Interest income | 139 | 123 |
| Dividend income | 676 | 777 |
| Equity in earnings of affiliates | 202 | 271 |
| Foreign exchange gains | - | 54 |
| Other | 632 | 534 |
| Total non-operating income | 1,650 | 1,761 |
| Non-operating expenses | | |
| Interest expense | 110 | 77 |
| Foreign exchange losses | 937 | - |
| Other losses | 247 | 241 |
| Total non-operating expenses | 1,295 | 319 |
| Ordinary income | 12,145 | 18,781 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 84 | 1,392 |
| Gain on sales of investment securities | 842 | 183 |
| Total extraordinary income | 926 | 1,575 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 296 | 445 |
| Loss on valuation of investment securities | - | 57 |
| Loss on liquidation of subsidiaries and associates | 23 | - |
| Total extraordinary loss | 319 | 503 |
| Profit before income taxes | 12,752 | 19,854 |
| Income taxes-current | 2,093 | 4,208 |
| Income taxes-deferred | 1,679 | 1,531 |
| Total income taxes | 3,773 | 5,740 |
| Profit | 8,979 | 14,114 |
| Profit attributable to non-controlling interests | 7 | 55 |
| Profit attributable to owners of parent | 8,971 | 14,058 |

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Consolidated Statements of Comprehensive Income

| | First three quarters of fiscal year ended March 31, 2021 | First three quarters of fiscal year ending March 31, 2022 |
|--|---|--|
| | Million yen | |
| Profit | 8,979 | 14,114 |
| Other comprehensive income | | |
| Unrealized holding gains on other securities | 1,945 | (23) |
| Translation adjustments | 3,208 | 3,687 |
| Remeasurements of defined benefit plans | 143 | (31) |
| Share of other comprehensive income of companies accounted for by the equity-method | (1) | (3) |
| Total other comprehensive income | 5,295 | 3,629 |
| Comprehensive income | 14,274 | 17,743 |
| Comprehensive income attributable to: | | |
| Owners of parent | 14,252 | 17,634 |
| Non-controlling interests | 22 | 109 |

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

(3) 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 three quarters 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 three quarters of consolidated fiscal year ending March 31, 2022.

This resulted in 10,771 million yen in treasury stock as of December 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 three quarters 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 three quarters of the fiscal year ended March 31, 2021 (April 1, 2020– December 31, 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 | 52,127 | 38,313 | 29,830 | 120,271 | 5,384 | 125,655 | – | 125,655 |
| Sales to third parties | | | | | | | | |
| Intersegment sales and transfers | 99 | 0 | – | 99 | 72 | 172 | (172) | – |
| Total | 52,226 | 38,313 | 29,830 | 120,370 | 5,457 | 125,827 | (172) | 125,655 |
| Segment profit | 5,186 | 6,810 | 3,492 | 15,490 | 1,279 | 16,770 | (4,980) | 11,790 |

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 4,980 million yen downward adjustment to segment profit reflects a negative 5,009 million yen in corporate expense not allocable to the reportable segments and 29 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.

II. First three quarters of the fiscal year ending March 31, 2022 (April 1, 2021– December 31, 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 | 58,545 | 39,746 | 33,272 | 131,563 | 6,531 | 138,095 | – | 138,095 |
| Sales to third parties | | | | | | | | |
| Intersegment sales and transfers | 106 | 0 | – | 106 | 78 | 184 | (184) | – |
| Total | 58,651 | 39,746 | 33,272 | 131,670 | 6,610 | 138,280 | (184) | 138,095 |
| Segment profit | 9,539 | 6,898 | 4,718 | 21,156 | 1,414 | 22,571 | (5,231) | 17,339 |

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 5,231 million yen downward adjustment to segment profit reflects a negative 5,237 million yen in corporate expense not allocable to the reportable segments and 5 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.

(Significant Subsequent Events)

Cancellation of Treasury Shares

The Company approved a resolution on the cancellation of treasury shares at the Board of Directors meeting held on January 28, 2022, as specified in Article 178 of the Companies Act.

1. Reason for cancellation of treasury shares

To eliminate concerns over future dilution of shares and further improve capital efficiency and share value by decreasing the total number of shares issued

2. Content of the Board of Directors resolution on cancellation of treasury shares

(1) Class of shares to be cancelled

Common shares in Nippon Kayaku Co., Ltd.

(2) Number of shares to be cancelled

7,000,000 shares (3.94% of the total number of shares issued prior to cancellation)

(3) Scheduled cancellation date

February 7, 2022

(4) Total number of shares issued after cancellation

The total number of shares issued after cancellation (including treasury shares) will be 170,503,570 shares.