

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022 <Under Japanese GAAP>

February 9, 2022

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

NAGASE & CO., LTD.

Stock exchange listing: Tokyo (First Section)

Code number: 8012 URL (<https://www.nagase.co.jp/english/>)

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Filing of quarterly report (scheduled): February 14, 2022

Start of distribution of dividends (scheduled): -

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: No

(Note: Amounts have been rounded down to the nearest million yen.)

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2022

(April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results

(% = year-on-year change)

	Net sales		Gross profit		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended December 31, 2021	574,139	26.5	104,107	24.4	28,151	75.2	30,170	75.8	22,230	34.3
December 31, 2020	453,993	—	83,714	7.6	16,065	6.7	17,159	9.2	16,556	37.4

(Notes) 1. Comprehensive income Third quarter ended December 31, 2021: ¥27,354 million (9.1% decrease)

Third quarter ended December 31, 2020: ¥30,089 million (102.4%)

2. At the beginning of the first quarter of the fiscal year ending March 2022, the Company adopted the *Accounting Standard for Revenue Recognition* (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). Results for the third quarter of the fiscal year ended March 2021 reflect a retroactive application of this accounting standard. As a result, net sales affected by this retroactive application do not show the year-on-year rate of change in the third quarter of the fiscal year ended March 2021.

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the third quarter ended December 31, 2021	182.40		—	
December 31, 2020	133.51		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2021	725,313	354,866	47.5	2,855.86
March 31, 2021	640,587	338,431	51.5	2,670.09

(Reference) Equity capital As of December 31, 2021: ¥ 344,403 million

As of March 31, 2021: ¥ 329,687 million

2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending) March 2021	Yen —	Yen 22.00	Yen —	Yen 24.00	Yen 46.00
March 2022	—	24.00	—	—	—
March 2022 (forecast)	—	—	—	30.00	54.00

(Note) Revisions to the latest dividends forecast: Yes

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022
(April 1, 2021 to March 31, 2022)**

(% = year-on-year change)

	Gross profit		Operating income		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	138,000	20.4	35,000	59.7	36,500	59.7	25,000	32.8	205.73

- (Notes) 1. Revisions to the latest consolidated earnings forecast: Yes
2. For details, please refer to 1. *Qualitative Information*, (3) *Qualitative Information Related to Consolidated Earnings Forecasts*, on P.6 of this document.

*** Notes**

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (Company name:) Excluded: — (Company name:)

- (2) Application of special accounting methods to the preparation of quarterly financial statements: Yes

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Notes*, (3) *Notes Related to Quarterly Consolidated Financial Statements (Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)*, on P.11 of this document.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- i. Changes in accordance with revisions to accounting and other standards: Yes
ii. Changes in items other than (i) above: Yes
iii. Changes in accounting estimates: No
iv. Restatement of prior period financial statements after error corrections: No

(Note) For details, please refer to 2. *Quarterly Consolidated Financial Statements and Notes* (3) *Notes Related to Quarterly Consolidated Financial Statements (Change in Accounting Policy)*, on P.11 of this document.

- (4) Number of shares issued and outstanding (common stock)

- i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

December 31, 2021	124,408,285 shares	March 31, 2021	124,408,285 shares
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- ii. Number of treasury stock as of the fiscal period end

December 31, 2021	3,812,728 shares	March 31, 2021	933,995 shares
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- iii. Average number of shares during the period

December 31, 2021	121,878,419 shares	December 31, 2020	124,011,458 shares
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*** Quarterly financial statements are not subject to quarterly review.**

*** Cautionary Statement with Respect to Forecasts of Consolidated Business Results**

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

For matters related to earnings forecasts, please refer to 1. *Qualitative Information*, (3) *Qualitative Information Related to Consolidated Earnings Forecasts*, on P.6 of this document.

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1. Qualitative Information

(1) Review of Business Performance

a. General Summary of Results

The global economy for the cumulative consolidated third quarter of the current fiscal year showed overall improvement, though unpredictable circumstances remain regarding the economic impact of COVID-19, including the recent spread of a highly infectious new variant.

Among the regions where the NAGASE Group operates, economic activity was strong in Greater China due to solid domestic demand and rising resin market conditions. In Europe, the Americas and ASEAN, despite a fundamental trend toward recovery, the degree of recovery varied from region to region and country to country due to labor shortages in North America, rising energy prices, and worldwide supply chain disruptions centered on global semiconductor shortages. In Japan, there was a general trend toward recovery in economic activities due to a rebound in personal consumption as the state of emergency was lifted after falling COVID-19 case counts, as well as a recovery in production activities in the manufacturing industry.

In this environment, earnings for the cumulative consolidated third quarter of the current fiscal year are as follows.

	(Millions of yen)			
	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change	Change (%)
Net sales	453,993	574,139	120,145	26.5
Gross profit	83,714	104,107	20,393	24.4
Operating income	16,065	28,151	12,086	75.2
Ordinary income	17,159	30,170	13,010	75.8
Profit before income taxes	25,298	31,831	6,532	25.8
Profit attributable to owners of the parent	16,556	22,230	5,674	34.3

- * At the beginning of the first quarter of the current consolidated fiscal year, the Company adopted the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020). Indicators for the cumulative consolidated third quarter of the previous fiscal year reflect a retroactive application of this accounting standard.
- For performance in the cumulative consolidated third quarter of the current fiscal year, higher profit in all segments resulted in all stages of profit below gross profit reaching record highs for the third quarter.
 - Factors behind the higher profits were the recovery of the automobile-related business, which was greatly affected by COVID-19 in the first half of the prior consolidated fiscal year, the continued strong performance of the electronics-related business and resins business from the second half of the prior consolidated fiscal year, and performance of the Prinova Group in the Life & Healthcare Segment driving up profits. For details, see *b. Segment Summary*.
 - Profit attributable to owners of the parent amounted to ¥22.2 billion, up ¥5.6 billion mainly due to a reactionary bounce from recording profits stemming from the sales of certain shares owned by the Company during the cumulative consolidated third quarter of the previous fiscal year, despite an increase in ordinary income of ¥13.0 billion.

b. Segment Summary

The following describes performance by segment.

Note that as of the first quarter of the current fiscal year under review, the names and categorizations for reportable segments have been partially amended. Year-on-year amounts and ratios for the cumulative consolidated third quarter of the previous fiscal year are calculated after rearranging reportable segment classifications to match those of the cumulative consolidated second quarter of the current fiscal year.

Functional Materials

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change	Change (%)
Net sales	53,979	74,412	20,432	37.9
Gross profit	11,233	14,721	3,488	31.1
Operating income	3,325	5,956	2,631	79.1

The major factors behind performance were as follows.

- Raw materials sales recovered for coating and urethane raw materials as well as those related to processing industrial oil solutions and plastic materials, driven by a recovery in automobile production
- Sales trended strong in areas like electronics chemicals for the electronics industry, such as for semiconductor-related products
- Operating income increased due to an increase in gross profit

Advanced Materials & Processing

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change	Change (%)
Net sales	152,245	191,861	39,615	26.0
Gross profit	19,597	24,539	4,941	25.2
Operating income	5,235	8,894	3,659	69.9

The major factors behind performance were as follows.

- Sales increased for resins in the office equipment, appliance, and video game device markets due to increased demand in Japan and overseas, mainly in China, and profitability improved due to soaring market conditions
- Sales increased for resins for industrial and packaging applications, as well as dyes and additives, due to recovery in demand
- Sales decreased for digital print processing materials and conductive materials
- Operating income increased due to an increase in gross profit

Electronics & Energy

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change	Change (%)
Net sales	79,393	95,643	16,250	20.5
Gross profit	18,176	22,531	4,355	24.0
Operating income	5,810	7,945	2,134	36.7

The major factors behind performance were as follows.

- Sales increased for display materials and related to precision processing materials for semiconductors
- Sales related to formulated epoxy resins increased, primarily for mobile devices and semiconductors
- Sales related to photolithography materials increased with increased demand for displays
- Operating income increased due to an increase in gross profit

Mobility

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change	Change (%)
Net sales	55,133	73,890	18,757	34.0
Gross profit	6,150	9,321	3,171	51.6
Operating income	1,104	3,109	2,004	181.4

The major factors behind performance were as follows.

- In the resins business, sales increased domestically and overseas, primarily in ASEAN, due to recovery in automobile production, and profitability increased owing to rising market conditions
- Sales increased in functional materials and functional components for interior and exterior fittings and electrification
- Operating income increased due to an increase in gross profit

Life & Healthcare

(Millions of yen)

	Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change	Change (%)
Net sales	112,958	138,150	25,191	22.3
Gross profit	28,373	32,915	4,542	16.0
Operating income	5,145	7,365	2,219	43.1

The major factors behind performance were as follows.

- Materials sales, manufacturing, and processing all trended strongly in the nutrition-related business
- Sales increased related to food materials, primarily TREHA™, and in cosmetics materials, primarily AA2G™, owing to recovery in demand
- Sales increased for pharmaceutical raw materials and intermediates
- Operating income increased due to an increase in gross profit

Others

No special matters to disclose.

(2) Review of Financial Position

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2021)	Change	Change (%)
Current assets	401,751	486,399	84,648	21.1
Non-current assets	238,835	238,913	78	0.0
Total assets	640,587	725,313	84,726	13.2
Liabilities	302,155	370,447	68,292	22.6
Net assets	338,431	354,866	16,434	4.9
Shareholders' equity ratio (%)	51.5	47.5	(4.0) p	—

- Current assets increased mainly due to an increase in inventories and accounts receivable, despite a decrease in cash and deposits
- Non-current assets increased slightly due to an increase in intangible fixed assets, despite lower fair values of investments in securities
- Liabilities increased mainly due to an increase in accounts payable and short-term loans
- Net assets increased due to the recording of quarterly profit attributable to owners of the parent and an increase in translation adjustments, despite decreases from purchases of treasury stock and payments of dividends
- As a result, the Company recorded a shareholders' equity ratio of 47.5%, down 4.0 points compared to 51.5% from the end of the prior consolidated fiscal year

(3) Qualitative Information Related to Consolidated Earnings Forecasts

During the cumulative consolidated third quarter of the fiscal year ending March 2022, there were signs of a rebound in economic activity in Japan and other countries due to factors such as the progress in COVID-19 vaccinations, although this rebound varied in degree from region to region. Amid this scenario, the automobile-related business recovered beyond the previously announced forecast, and the resins business increased its profitability thanks to rising market conditions. Furthermore, the electronics-related business, with its focus on mobile devices, displays and semiconductors, maintained strong performance mainly thanks to increased demand for digital devices due to lifestyle changes, trending above the previously announced forecast.

We forecast a decline in profitability in the resins business and an increase in general and administrative expenses due to strong earnings performance in the consolidated fourth quarter of the current fiscal year. However, we have upwardly revised our full-year earnings forecast due to the expectation of maintaining strong performance in our businesses overall and of achieving a certain level of profit.

As a result, we forecast that each stage of profit will mark new record highs.

We have changed our assumed foreign exchange rates from ¥109.5 to ¥111.9 to the U.S. dollar and from ¥16.9 to ¥17.4 to the RMB.

a. Revision to full-year earnings forecast (April 1, 2021 - March 31, 2022) (Millions of yen)

	Previous Forecast (A)	Revised Forecast (B)	Change (B-A)	Change (%)
Gross profit	130,000	138,000	8,000	6.2
Operating income	30,000	35,000	5,000	16.7
Ordinary income	31,000	36,500	5,500	17.7
Profit attributable to owners of the parent	22,500	25,000	2,500	11.1

b. Revised gross profit and operating income forecasts by segment (April 1, 2021 - March 31, 2022)

Gross profit by segment (Millions of yen)

	Previous Forecast (A)	Revised Forecast (B)	Change (B-A)	Change (%)
Functional Materials	17,700	19,500	1,800	10.2
Advanced Materials & Processing	29,500	31,900	2,400	8.1
Electronics & Energy	27,400	29,800	2,400	8.8
Mobility	11,200	12,400	1,200	10.7
Life & Healthcare	43,700	43,900	200	0.5
Others & Corporate	500	500	-	-
Total gross profit	130,000	138,000	8,000	6.2

Operating income by segment

(Millions of yen)

	Previous Forecast (A)	Revised Forecast (B)	Change (B-A)	Change (%)
Functional Materials	6,600	7,800	1,200	18.2
Advanced Materials & Processing	9,600	10,800	1,200	12.5
Electronics & Energy	8,800	10,000	1,200	13.6
Mobility	3,400	4,100	700	20.6
Life & Healthcare	9,300	9,300	-	-
Others & Corporate	(7,700)	(7,000)	700	-
Total operating income	30,000	35,000	5,000	16.7

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2021)
ASSETS		
Current assets		
Cash and time deposits	49,254	48,813
Notes and accounts receivable	242,558	289,029
Merchandise and finished goods	88,130	123,567
Work in process	1,654	1,860
Raw materials and supplies	7,457	10,559
Other	13,259	13,709
Less allowance for doubtful accounts	(563)	(1,138)
Total current assets	401,751	486,399
Non-current assets		
Property, plant and equipment	70,896	70,977
Intangible fixed assets		
Goodwill	30,216	30,722
Technology-based assets	7,488	6,306
Other	26,893	30,525
Total intangible fixed assets	64,598	67,554
Investments and other assets		
Investments in securities	93,719	89,420
Retirement benefit asset	2,929	3,257
Deferred tax assets	1,903	1,840
Other	4,900	5,974
Less allowance for doubtful accounts	(112)	(112)
Total investments and other assets	103,340	100,381
Total non-current assets	238,835	238,913
Total assets	640,587	725,313

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	119,941	150,868
Short-term loans	33,050	62,541
Current portion of long-term loans	12,025	9,490
Commercial paper	8,000	20,000
Current portion of bonds	—	10,000
Accrued income taxes	3,565	4,715
Accrued bonuses for employees	6,042	4,800
Accrued bonuses for directors	203	221
Other	23,310	25,657
Total current liabilities	206,139	288,294
Long-term liabilities		
Bonds	30,000	20,000
Long-term loans	34,514	31,945
Deferred tax liabilities	16,077	14,009
Retirement benefit liability	13,292	13,624
Other	2,131	2,573
Total long-term liabilities	96,016	82,152
Total liabilities	302,155	370,447
NET ASSETS		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,646	10,639
Retained earnings	265,920	282,282
Less treasury stock, at cost	(1,503)	(6,482)
Total shareholders' equity	284,763	296,139
Accumulated other comprehensive income		
Net unrealized holding gain on securities	43,576	39,727
Deferred gain on hedges	72	38
Translation adjustments	1,006	8,437
Remeasurements of defined benefit plans	268	59
Total accumulated other comprehensive income	44,924	48,263
Non-controlling interests	8,743	10,462
Total net assets	338,431	354,866
Total liabilities and net assets	640,587	725,313

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

Nine-month periods ended December 31, 2021 and 2020

(Millions of yen)

	Nine-month period ended December 31, 2020 (April 1, 2020 – December 31, 2020)	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)
Net sales	453,993	574,139
Cost of sales	370,279	470,031
Gross profit	83,714	104,107
Selling, general and administrative expenses	67,648	75,955
Operating income	16,065	28,151
Non-operating income		
Interest income	101	108
Dividend income	1,023	1,240
Rent income	199	206
Equity in earnings of affiliates	—	118
Foreign exchange gains	518	964
Other	493	561
Total non-operating income	2,336	3,199
Non-operating expenses		
Interest expenses	770	861
Equity in losses of affiliates	189	—
Other	283	319
Total non-operating expenses	1,242	1,181
Ordinary income	17,159	30,170
Extraordinary gains		
Gain on sales of non-current assets	70	12
Gain on sales of investment securities	5,769	2,324
Gain on sales of shares of subsidiaries and affiliates	2,657	—
Gain on sales of investments in capital of subsidiaries and affiliates	—	42
Other	—	304
Total extraordinary gains	8,497	2,684
Extraordinary losses		
Loss on sales of non-current assets	7	176
Loss on disposal of non-current assets	64	407
Impairment losses	29	—
Loss on sales of investment securities	10	6
Loss on valuation of investment securities	163	171
Loss on sales of shares of subsidiaries and affiliates	1	59
Other	82	201
Total extraordinary losses	359	1,023
Income before income taxes	25,298	31,831
Income taxes	8,187	8,544
Profit for the period	17,110	23,286
Profit attributable to non-controlling interests	553	1,056
Profit attributable to owners of the parent	16,556	22,230

(Quarterly Consolidated Statements of Comprehensive Income)

Nine-month periods ended December 31, 2021 and 2020

(Millions of yen)

	Nine-month period ended December 31, 2020 (April 1, 2020 – December 31, 2020)	Nine-month period ended December 31, 2021 (April 1, 2021 – December 31, 2021)
Profit for the period	17,110	23,286
Other comprehensive income		
Net unrealized holding gain (loss) on securities	14,838	(3,849)
Deferred loss on hedges	(48)	(33)
Translation adjustments	(2,113)	7,919
Remeasurements of defined benefit plans	414	(208)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(112)	240
Total other comprehensive income	12,979	4,067
Comprehensive income	30,089	27,354
Comprehensive income attributable to:		
Shareholders of the parent	29,494	25,596
Non-controlling interests	594	1,758

(3) Notes Related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Significant Fluctuations in Shareholders' Equity)

Following a resolution by the Company's board of directors at a meeting held February 5, 2021, the Company acquired 2,878,600 shares of treasury stock in the cumulative third quarter of the current consolidated fiscal year. As a result, treasury stock increased by ¥4,978 million, with treasury stock holdings of ¥6,482 million as of the end of the consolidated third quarter.

(Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by rationally estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the current second quarter, and multiplying profit before income taxes for the second quarter by the estimated effective tax rate.

In the event that the calculated tax expenses using this estimated effective tax rate lead to significantly unreasonable results, this shall be calculated by multiplying the statutory effective tax rate after adjusting significant non-temporary differences by the profit before income taxes.

Deferred income taxes are included in income taxes.

(Change in Accounting Policy)

(Change in Calculation Method of Tax Expenses)

While tax expenses had previously been calculated using principle-based methods, in order to rapidly and efficiently address this in quarterly financial settlements, the method for calculating tax expenses for the Company and its domestic consolidated subsidiaries have been changed to that listed in (Special Accounting Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements) from the consolidated first quarter of the current fiscal year.

Note that as impact from this change is minor, the change is not applied retroactively.

(Application of Accounting Standards for Revenue Recognition)

At the beginning of the consolidated first quarter of the current fiscal year, the Company adopted the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020). As a result, revenue is now recognized as the amount expected to be received in exchange for promised goods or services at the time of the transfer of their control to the customer.

As a result, in transactions for which the Company's performance obligations in its contracts with customers are determined to be services as an agent arranging provision of goods or services by another party, the sales to customers previously recorded on a gross basis shall be offset by the corresponding cost of sales, and revenue shall be stated on a net basis.

Since these changes in accounting methods shall be applied retroactively as a rule, consolidated financial statements for the same period in the prior fiscal year and for the end of the prior fiscal year shall be presented with retroactive application.

As a result, net sales and cost of sales each were reduced by ¥150,548 million in the cumulative consolidated third quarter of the previous fiscal year and ¥181,735 million in the cumulative consolidated third quarter of the current fiscal year. Note that this change has no impact on any stage of profits below gross profit for either of the aforementioned periods, nor on the amount of net assets.

(Application of Accounting Standard for Fair Value Measurement)

As of the beginning of the consolidated first quarter of the current fiscal year, the Company has applied the *Accounting Standard for Fair Value Measurement* (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in Paragraph 19 of the *Accounting Standard for Fair Value Measurement* and Paragraph 44-2 of *Accounting Standard for Financial Instruments* (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the *Accounting Standard for Fair Value Measurement* have been adopted prospectively. There is no effect by this change on the consolidated financial statements.

(Additional Information)

(Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Tax Sharing System)

The Company and certain domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of tax laws in Japan prior to the amendments based on the treatments stipulated in Paragraph 3 of *Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System* (ASBJ Practical Issues Task Force No. 39, March 31, 2020) instead of applying the provision of Paragraph 44 of *Implementation Guidance on Tax Effect Accounting* (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to group tax sharing system provided for in *Act for Partial Amendment of the Income Tax Act, etc.* (Act No. 8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

(Effects of COVID-19 Pandemic When Making Accounting Estimates)

There are no significant changes to the assumption of estimates related to the impact of COVID-19 stated in Additional Information of the securities report for the fiscal year ended March 31, 2021.

(Segment Information, etc.)

Segment Information

I Nine-month period ended December 31, 2020 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Others (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	Consolidated (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Net sales											
Sales to customers	53,979	152,245	79,393	55,133	112,958	453,710	282	453,993	—	—	453,993
Intersegment sales/transfers	313	1,146	1,124	1,389	241	4,214	4,160	8,374	—	(8,374)	—
Total	54,292	153,392	80,517	56,522	113,200	457,924	4,443	462,367	—	(8,374)	453,993
Segment income (loss)	3,325	5,235	5,810	1,104	5,145	20,622	280	20,902	(5,198)	362	16,065

(Note) 1. “Others” is a business segment consisting of businesses not included in Reportable Segments, and includes logistics services, information processing services, and professional services.

2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in “Consolidated”.

II Nine-month period ended December 31, 2021 (consolidated)

1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Others (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	Consolidated (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Net sales											
Sales to customers	74,412	191,861	95,643	73,890	138,150	573,958	180	574,139	—	—	574,139
Intersegment sales/transfers	528	570	1,789	1,752	333	4,974	3,443	8,418	—	(8,418)	—
Total	74,940	192,431	97,433	75,643	138,483	578,933	3,624	582,557	—	(8,418)	574,139
Segment income (loss)	5,956	8,894	7,945	3,109	7,365	33,271	139	33,411	(5,517)	258	28,151

(Note) 1. “Others” is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services and professional services.

2. Corporate segment income (loss) represents expenses not allocated to Reportable Segments or Others.

3. Adjustments are eliminations of intersegment transactions.

4. The sum of segment income (loss) Total, Corporate, and Adjustments is equivalent to operating income as presented in “Consolidated”.

2. Matters Related to Changes in Reportable Segments

(Change in Business Segments)

From the consolidated first quarter of the current fiscal year, the Electronics Segment has been renamed to the Electronics & Energy Segment, and the Mobility & Energy Segment has been renamed to the Mobility Segment, with changes to business segmentation as follows.

For the purpose of promoting development of new businesses, the Energy Business Office previously classified under the Mobility & Energy Segment, as well as the Advanced Information and Communications Project Team previously classified under the Others/Corporate category, have been unified in the newly established Information and Communication • Energy Office, classified under the Electronics & Energy Segment. In addition, for the purpose of expanding market share and improving synergies, the fluorine business in the Specialty Chemicals Division, which was previously classified under the Functional Materials Segment, has been moved to the Electronics & Energy Segment.

Segment information provided for the cumulative consolidated third quarter of the previous fiscal year is based on post-change classification methods.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of materials for paints/inks, and adhesives, urethane materials and auxiliary materials, plastic materials, plastic additives, industrial oil solutions, water processing raw materials, surfactant raw materials, fluorochemicals, encapsulant materials, 5G materials, silicone materials, environmental solutions and environment-related commercial products, sintered metal filters, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, communications equipment, water processing, metal processing, plastic and film processing, and other industries.

The Advanced Materials & Processing Segment is engaged in the sales of dyestuffs, pigments, functional pigments, digital print processing products, thermoplastic resins, thermosetting resins, automobile refinish paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, resin molding tools/dies, and more for the dye/additive, digital print processing material, fiber processing, raw resin material, resin molding, functional film and sheet, appliance and office automation device, electronics, packaging material, construction material, and other industries.

The Electronics & Energy Segment is engaged in the sales of formulated epoxy resins, fluorine products, precision abrasives, semiconductor assembly materials and devices, adhesives and encapsulant materials, display panel components and devices, chemical management equipment for display manufacturing processes, low-temperature/vacuum equipment, LEDs, 3D printing products, design and manufacture of storage battery systems, solar panels, optical wireless communication equipment, and other products for the semiconductor, electronic component, AR/VR, environmental energy, 3D printing, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, storage battery, energy, renewable energy, security device, large-scale commercial facility, and other industries. Its main services include energy management system proposals and battery assessments.

The Mobility Segment is engaged in the sales of plastic products in general, materials for secondary batteries, interior and exterior materials and components, materials for functional components, products for electrification, sensor components, in-vehicle electronics products, in-vehicle display-related components, self-driving-related products, and other products for the overall mobility industry and related industries.

The Life & Healthcare segment is engaged in the sale of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, food ingredients, sports nutrition products, nutrient premixes, additives for cosmetics, feeds, and surfactants for the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care industries. The segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

(Application of Accounting Standards for Revenue Recognition)

As described in (Change in Accounting Policy), at the beginning of the first consolidated quarter for the current fiscal year, the Company adopted the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020), changing its accounting method for revenue recognition. As a result, measurement methods have similarly been changed for business segment profit and loss.

Segment information provided for the cumulative consolidated third quarter of the previous fiscal year is based on the changed profit or loss measurement method.

(Significant Subsequent Events)

(Purchase of Treasury Stock)

At a meeting held February 9, 2022, the Company's board of directors resolved to purchase treasury stock based on the provisions of Article 156 of the Companies Act, applied mutatis mutandis to Article 165, Paragraph 3 of the same Act.

(1) Reasons for the purchase of treasury stock

As part of the Company's efforts to improve capital efficiency from both business and financial perspectives under the Medium-term Management Plan **ACE 2.0**, which started in fiscal 2021, the Company determined to acquire treasury stock. This aims to enhance its corporate value through greater capital efficiency as a result of comprehensive consideration of the current valuation of its shares in the capital market, financial soundness and investment capacity for growth, and other factors.

(2) Details of shares to be purchased

a. Class of shares to be purchased	Common shares
b. Total number of shares that may be purchased	4,300,000 shares (maximum) (Equivalent to 3.57% of outstanding shares, excluding treasury stock)
c. Total value of shares that may be purchased	6 billion yen (maximum)
d. Purchase period	From February 10, 2022 to February 8, 2023
e. Purchase method	Market purchases

(Cancellation of Treasury Stock)

At a meeting held February 9, 2022, the Company's board of directors resolved to cancel treasury stock based on the provisions of Article 178 of the Companies Act.

a. Class of shares to be canceled	Common shares
b. Number of shares to be canceled	3,500,000 shares (Equivalent to 2.81% of outstanding shares, including treasury stock)
c. Effective date of the cancellation	February 28, 2022

*Reference: Treasury stock held as of January 31, 2022

Total number of shares issued (excluding treasury stock)	120,558,859 shares
Total number of treasury stock	3,849,426 shares