

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

August 4, 2021

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/>)

Representative: Kenji Asakura, Representative Director and President

Contact: Yoshihisa Shimizu, Executive Officer, General Manager, Corporate Management Department

TEL: +81-3-3665-3103

Filing of quarterly report (scheduled): August 13, 2021

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 First Quarter of the Fiscal Year Ending March 31, 2022

(April 1, 2021 to June 30, 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 first quarter ended June 30, 2021	184,389	36.9	34,589	32.7	9,738	165.1	10,660	151.6	7,169	5.3
June 30, 2020	134,649	—	26,058	2.6	3,673	(30.1)	4,237	(27.5)	6,807	63.8

(Notes) 1. Comprehensive income

First quarter ended June 30, 2021: ¥10,814 million (8.7% decrease)

First quarter ended June 30, 2020: ¥11,850 million (—%)

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 first 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 first quarter of the fiscal year ended March 2021.

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the first quarter ended June 30, 2021	58.37	—
June 30, 2020	54.90	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2021	662,953	344,028	50.4	2,738.38
March 31, 2021	640,587	338,431	51.5	2,670.09

(Reference) Equity capital

As of June 30, 2021: ¥ 334,449 million

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

### 2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Annual
	Yen	Yen	Yen	Yen	Yen
For the year ended (or ending) March 2021	—	22.00	—	24.00	46.00
March 2022	—				
March 2022 (forecast)		24.00	—	24.00	48.00

(Note) Revisions to the latest dividends forecast: No

### 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
Full fiscal year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	130,000	13.4	30,000	36.9	31,000	35.6	22,500	19.5	185.05

(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 Statement and Notes*, (3) *Notes Related to Quarterly Consolidated Financial Statements (Specific Accounting Treatment Applied in Preparing Quarterly Consolidated Financial Statements)*, on P. 12 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 Statement and Notes*, (3) *Notes Related to Quarterly Consolidated Financial Statements (Change to Accounting Policy)*, on P. 12 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)

June 30, 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

June 30, 2021	2,274,277 shares	March 31, 2021	933,995 shares
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iii. Average number of shares during the period

June 30, 2021	122,837,754 shares	June 30, 2020	124,011,553 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

In the first quarter of the current consolidated fiscal year, the global economy saw a restart of economic activity among countries with advancing vaccination efforts against COVID-19, and limited economic activities in regions with spreading variants of the virus. Despite this geographic contrast, a recovery trend began to emerge overall. In the Japanese economy, despite some progress in vaccinations, it has not led to a decrease in the number of infected people, and there was continued sluggishness in demand for tourism, travel, eating and drinking industries, etc. due to continued activity restrictions. However, other industries trended relatively strong.

Among the regions where the NAGASE Group operates, rising demand for semiconductors and next-generation communications in Greater China is leading to continued expansion of economy activity. While a gradual resumption of economic activities and economic stimulus are expected to accelerate recoveries in the Americas and Europe, the resurgence of infections in ASEAN has led to concerns about economic impact. In Japan, the resumption of economic activities has been limited due to repeated state of emergency declarations, but there has been stark contrast between industries, including some achieving record high profits. Differences in economic recoveries in each country have been affected by vaccine distribution and other measures to prevent the spread of COVID-19. However, the outlook remains uncertain as the pace of infections has accelerated in certain regions of the world.

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

(Millions of yen)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021	Change	Change (%)
Net sales	134,649	184,389	49,739	36.9
Gross profit	26,058	34,589	8,531	32.7
Operating income	3,673	9,738	6,065	165.1
Ordinary income	4,237	10,660	6,423	151.6
Profit before income taxes	9,798	10,881	1,083	11.1
Profit attributable to owners of the parent	6,807	7,169	361	5.3

\*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 first quarter of the previous consolidated cumulative period reflect a retroactive application of this accounting standard.

- For performance in the first quarter of the current consolidated fiscal year, higher profit in all segments resulted in all stages of profit below gross profit reaching record highs for the first quarter.
- Factors behind the higher profits were the recovery of the automobile-related business, 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 ¥7.1 billion, up only ¥300 million mainly due to a reactionary bounce from recording profits stemming from the sales of certain shares owned by the Company during the first quarter of the prior consolidated fiscal year, despite an increase in ordinary income of ¥6.4 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 first quarter of the prior cumulative period are calculated after rearranging reportable segment classifications to match those of the first quarter of the current cumulative period.

### Functional Materials

	(Millions of yen)			
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021	Change	Change (%)
Net sales	16,504	24,634	8,129	49.3
Gross profit	3,442	4,868	1,426	41.4
Operating income	874	1,981	1,107	126.6

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)			
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021	Change	Change (%)
Net sales	44,175	61,799	17,624	39.9
Gross profit	6,210	8,269	2,059	33.2
Operating income	1,461	3,299	1,838	125.8

The major factors behind performance were as follows.

- Sales increased for synthetic resins for 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 plastic 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)			
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021	Change	Change (%)
Net sales	23,887	29,949	6,061	25.4
Gross profit	5,585	7,239	1,654	29.6
Operating income	1,624	2,554	929	57.2

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)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021	Change	Change (%)
Net sales	12,889	23,225	10,335	80.2
Gross profit	1,461	2,999	1,538	105.2
Operating income (loss)	(66)	994	1,061	-

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 thanks 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)

	Three-month period ended June 30, 2020	Three-month period ended June 30, 2021	Change	Change (%)
Net sales	37,087	44,715	7,628	20.6
Gross profit	9,296	11,150	1,854	20.0
Operating income	1,394	2,713	1,318	94.6

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™, thanks 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 (April 1, 2019 - March 31, 2020)	First Quarter, Current Consolidated Fiscal Year (June 30, 2021)	Change	Change (%)
Current assets	401,751	424,152	22,400	5.6
Non-current assets	238,835	238,801	(34)	(0.0)
Net assets	640,587	662,953	22,366	3.5
Liabilities	302,155	318,925	16,769	5.5
Net assets	338,431	344,028	5,596	1.7
Shareholders' equity ratio (%)	51.5	50.4	(1.1) p	-

- Current assets increased mainly due to an increase in inventories accounts receivable, despite a decrease in cash and deposits
- Non-current assets decreased slightly mainly due to a decline in market value of investments in securities, despite an increase in intangible fixed assets
- Liabilities increased mainly due to an increase in accounts payable and commercial paper
- 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 50.4%, down 1.1 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 first quarter of the fiscal year ending March 2022, results greatly exceeded the initial outlook, mainly due to improved profitability in the resins business thanks to rising resins market conditions, strong performance in the electronics-related business mainly from increased demand for mobile devices and displays, and stronger performance at the Prinova Group versus plans amid economic recovery in the U.S., in addition to the initially expected recovery of the automobile-related business. We expect this situation to continue through the second quarter and thereafter for the foreseeable future. On the other hand, the spread of COVID-19 variants continues unabated, and with repeated declarations of states of emergencies in Japan and lockdown measures in ASEAN, uncertainty remains amid initial outlooks for normalization in economic activities in the second half and thereafter. However, as vaccination efforts advance worldwide, the risk of severe cases will be significantly reduced, and economic activity can therefore be expected to recover.

For the full-year earnings forecast, a slowdown is expected in the resins business due to softening in the resins market, and an increase in expenses is expected due to resumption of economic activities. However, due to performance in the first quarter exceeding plans and an upside in exchange rates versus initial forecasts, and because recovery can be expected in demand for food and souvenir products due to relaxation of activity restrictions, we expect each profit amount to exceed those in the full-year consolidated forecast we announced on May 11, 2021, and we have thusly revised our full-year earnings forecast upward.

Note that exchange rates use assumed foreign exchange rates of ¥109.5 to the U.S. dollar and ¥16.9 to the RMB, which are actual rates during the current consolidated first quarter.

**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	120,000	130,000	10,000	8.3
Operating income	23,000	30,000	7,000	30.4
Ordinary income	24,000	31,000	7,000	29.2
Profit attributable to owners of the parent	18,000	22,500	4,500	25.0

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

Gross profit by segment (Millions of yen)

	Most-Recent Forecast (A)*	Revised forecast (B)	Change (B-A)	Change (%)
Functional Materials	16,500	17,700	1,200	7.3
Advanced Materials & Processing	27,000	29,500	2,500	9.3
Electronics & Energy	25,500	27,400	1,900	7.5
Mobility	10,500	11,200	700	6.7
Life & Healthcare	40,000	43,700	3,700	9.3
Others & Corporate	500	500	-	-
Total gross profit	120,000	130,000	10,000	8.3

Operating income by segment (Millions of yen)

	Most-Recent Forecast (A)*	Revised forecast (B)	Change (B-A)	Change (%)
Functional Materials	5,700	6,600	900	15.8
Advanced Materials & Processing	7,200	9,600	2,400	33.3
Electronics & Energy	7,600	8,800	1,200	15.8
Mobility	3,000	3,400	400	13.3
Life & Healthcare	7,200	9,300	2,100	29.2
Others & Corporate	(7,700)	(7,700)	-	-
Total operating income	23,000	30,000	7,000	30.4

\*Figures from FYE March 2021 Financial Briefing announced on May 28, 2021, P.18-19.



## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2021)	First Quarter, Current Consolidated Fiscal Year (June 30, 2021)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	49,254	44,237
Notes and accounts receivable	242,558	254,343
Merchandise and finished goods	88,130	99,651
Work in process	1,654	1,965
Raw materials and supplies	7,457	8,478
Other	13,259	16,346
Less allowance for doubtful accounts	(563)	(871)
Total current assets	401,751	424,152
Non-current assets		
Property, plant and equipment	70,896	71,424
Intangible fixed assets		
Goodwill	30,216	30,350
Technology-based assets	7,488	7,094
Other	26,893	28,196
Total intangible fixed assets	64,598	65,641
Investments and other assets		
Investments in securities	93,719	91,122
Retirement benefit asset	2,929	2,981
Deferred tax assets	1,903	1,819
Other	4,900	5,924
Less allowance for doubtful accounts	(112)	(112)
Total investments and other assets	103,340	101,735
Total non-current assets	238,835	238,801
Total assets	640,587	662,953

	(Millions of yen)	
	Prior Consolidated Fiscal Year (March 31, 2021)	First Quarter, Current Consolidated Fiscal Year (June 30, 2021)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	119,941	125,953
Short-term loans	33,050	39,513
Current portion of long-term loans	12,025	5,705
Commercial paper	8,000	20,000
Current portion of bonds	-	10,000
Accrued income taxes	3,565	3,228
Accrued bonuses for employees	6,042	3,043
Accrued bonuses for directors	203	84
Other	23,310	24,582
Total current liabilities	206,139	232,111
Long-term liabilities		
Bonds	30,000	20,000
Long-term loans	34,514	36,015
Deferred tax liabilities	16,077	15,196
Retirement benefit liability	13,292	13,453
Other	2,131	2,147
Total long-term liabilities	96,016	86,813
Total liabilities	302,155	318,925
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,646	10,646
Retained earnings	265,920	270,134
Less treasury stock, at cost	(1,503)	(3,739)
Total shareholders' equity	284,763	286,741
Accumulated other comprehensive income		
Net unrealized holding gain on securities	43,576	41,737
Deferred gain on hedges	72	55
Translation adjustments	1,006	5,716
Remeasurements of defined benefit plans	268	197
Total accumulated other comprehensive income	44,924	47,707
Non-controlling interests	8,743	9,579
Total net assets	338,431	344,028
Total liabilities and net assets	640,587	662,953

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

### (Quarterly Consolidated Statements of Income)

Three-month periods ended June 30, 2021 and 2020

(Millions of yen)

	Three-month period ended June 30, 2020 (April 1, 2020 - June 30, 2020)	Three-month period ended June 30, 2021 (April 1, 2021 - June 30, 2021)
Net sales	134,649	184,389
Cost of sales	108,590	149,799
Gross profit	26,058	34,589
Selling, general and administrative expenses	22,385	24,851
Operating income	3,673	9,738
Non-operating income		
Interest income	40	41
Dividend income	385	576
Rent income	66	71
Foreign exchange gains	325	531
Other	155	91
Total non-operating income	974	1,312
Non-operating expenses		
Interest expenses	254	290
Equity in losses of affiliates	96	4
Other	59	95
Total non-operating expenses	410	390
Ordinary income	4,237	10,660
Extraordinary gains		
Gain on sales of non-current assets	0	2
Gain on sales of investment securities	5,597	571
Other	-	178
Total extraordinary gains	5,597	752
Extraordinary losses		
Loss on sales of non-current assets	-	155
Loss on disposal of non-current assets	12	242
Impairment losses	7	-
Loss on valuation of investment securities	14	3
Loss on sales of shares of subsidiaries and affiliates	1	-
Other	-	130
Total extraordinary losses	36	531
Income before income taxes	9,798	10,881
Income taxes	2,888	3,207
Profit for the period	6,909	7,674
Profit attributable to non-controlling interests	101	504
Profit attributable to owners of the parent	6,807	7,169

**(Quarterly Consolidated Statements of Comprehensive Income)**

Three-month periods ended June 30, 2021 and 2020

(Millions of yen)

	Three-month period ended June 30, 2020 (April 1, 2020 - June 30, 2020)	Three-month period ended June 30, 2021 (April 1, 2021 - June 30, 2021)
Profit for the period	6,909	7,674
Other comprehensive income		
Net unrealized holding gain (loss) on securities	5,228	(1,840)
Deferred gain (loss) on hedges	8	(16)
Translation adjustments	(428)	5,034
Remeasurements of defined benefit plans	138	(70)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(5)	33
Total other comprehensive income	4,941	3,140
Comprehensive income	11,850	10,814
Comprehensive income attributable to:		
Shareholders of the parent	11,785	9,978
Non-controlling interests	64	835

### (3) Notes Related to Quarterly Consolidated Financial Statements

#### (Assumption for Going Concern)

No matters to report.

#### (Significant Fluctuations in Shareholders' Equity)

At a meeting held February 5, 2021, the Company's board of directors resolved to acquire 1,340,200 shares of treasury stock for the first quarter of the current consolidated fiscal year. As a result, treasury stock increased by ¥2,235 million, with treasury stock holdings of ¥3,739 million as of the end of the consolidated first 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 first quarter, and multiplying profit before income taxes for the first 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 tax.

##### (Change to Accounting Policy)

##### (Change to 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 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 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, 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 ¥45,920 million in the first quarter of the prior consolidated fiscal year and ¥58,523 million in the first quarter of the current consolidated 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 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* (Accounting Standards Board of Japan (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 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 Three-month period ended June 30, 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	16,504	44,175	23,887	12,889	37,087	134,544	104	134,649	-	-	134,649
Intersegment sales/transfers	105	382	256	332	83	1,160	1,394	2,555	-	(2,555)	-
Total	16,610	44,557	24,143	13,222	37,171	135,705	1,499	137,205	-	(2,555)	134,649
Segment income (loss)	874	1,461	1,624	(66)	1,394	5,288	100	5,388	(1,836)	121	3,673

(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”.

II Three-month period ended June 30, 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	24,634	61,799	29,949	23,225	44,715	184,324	64	184,389	-	-	184,389
Intersegment sales/transfers	137	171	520	643	98	1,571	854	2,426	-	(2,426)	-
Total	24,771	61,971	30,469	23,869	44,814	185,896	918	186,815	-	(2,426)	184,389
Segment income (loss)	1,981	3,299	2,554	994	2,713	11,543	8	11,551	(1,948)	134	9,738

(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 first quarter of the current consolidated 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 first quarter of the previous consolidated 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 refinishing 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 sales 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 to 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 first quarter of the previous consolidated fiscal year is based on the changed profit or loss measurement method.