

Notice: This document is an excerpt translation of the original Japanese document and is for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



**Consolidated Financial Results for the Second Quarter of the
Fiscal Year Ending November 30, 2022 (FY11/22)
(Six Months Ended May 31, 2022)**

[Japanese GAAP]
July 7, 2022

Company name: OSAKA ORGANIC CHEMICAL INDUSTRY LTD.
 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 4187 URL: <https://www.ooc.co.jp/>
 Representative: Masayuki Ando, Representative Director and CEO
 Contact: Soichi Honda, Director, Corporate Officer, General Manager of Administration Division
 TEL: +81-6-6264-5071

Scheduled date of filing of Quarterly Report: July 7, 2022
 Scheduled date of dividend payment: August 8, 2022
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional and individual investors, and securities analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of FY11/22 (December 1, 2021 to May 31, 2022)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended May 31, 2022	16,144	–	3,320	16.8	3,526	14.3	2,448	9.0
Six months ended May 31, 2021	16,933	18.1	2,842	19.2	3,086	25.6	2,246	32.8

Note: Comprehensive income (millions of yen) Six months ended May 31, 2022: 2,538 (down 2.7%)
 Six months ended May 31, 2021: 2,609 (up 75.0%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended May 31, 2022	111.60		–	
Six months ended May 31, 2021	101.42		–	

Note: “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the first quarter of the consolidated fiscal year ending November, 2022, and the figures stated for the period under review are adjusted following the application of the above-mentioned accounting standard, etc. Therefore, the year-on-year change of net sales for the period under review is omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2022	51,717	40,277	76.9
As of Nov. 30, 2021	49,868	39,125	77.5

Reference: Shareholders’ equity (millions of yen) As of May 31, 2022: 39,768 As of Nov. 30, 2021: 38,645

Note: “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the first quarter of the consolidated fiscal year ending November, 2022, and the figures stated for the period under review are adjusted following the application of the above-mentioned accounting standard, etc.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Nov. 30, 2021	–	25.00	–	25.00	50.00
Fiscal year ending Nov. 30, 2022	–	27.00			
Fiscal year ending Nov. 30, 2022 (Forecast)			–	26.00	53.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for FY11/22 (December 1, 2021 to November 30, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,000	–	5,900	0.8	6,150	(1.7)	4,200	(16.0)	189.59

Note: Revisions to the most recently announced consolidated forecast: None

Note: “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the first quarter of the consolidated fiscal year ending November, 2022, and the forecast figures stated for the period under review are adjusted following the application of the above-mentioned accounting standard, etc. Therefore, changes in net sales compared with the previous consolidated fiscal year is omitted.

* Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

Newly added: -

Excluded: -

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

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Notes; (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 (Attachment) of this quarterly financial report.

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of May 31, 2022: 22,410,038 shares As of Nov. 30, 2021: 22,410,038 shares

2) Number of treasury shares at the end of the period

As of May 31, 2022: 603,017 shares As of Nov. 30, 2021: 256,517 shares

3) Average number of shares during the period

Six months ended May 31, 2022: 21,943,278 shares Six months ended May 31, 2021: 22,152,595 shares

* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements and other special items

The above forecasts are based on information available to the Company’s management at the time the materials were prepared and include a variety of uncertainties. Actual results may differ from the forecasts due to changes in the business environment and other factors. Please refer to “Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 for items pertaining to the forecasts stated above.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10
Changes in Accounting Policies	10
Additional Information	10
Segment and Other Information	11
Significant Subsequent Events	12

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the current consolidated fiscal year, the Japanese economy continued to face uncertain outlook due to rising geopolitical risks including the situation in Ukraine, in addition to high inflation caused by soaring raw materials costs and the weaker yen as well as disruptions of global marine transportation and a steep rise in transportation costs.

The Osaka Organic Chemical Industry Group started its Second Five-year Medium-term Business Plan in the fiscal year that ended in November 2020. This plan is the second half of Next Stage 10, a long-term business plan covering the 10-year period that began with the fiscal year that ended in November 2015. Many activities are under way to accomplish the goals of this plan. In the chemical products business, we are focusing on improving profitability by concentrating investments on carefully selected categories in order to revitalize the product lineup. Another priority is increasing sales of raw materials for specialty ink for UV inkjet printers as the market for these printers grows worldwide. In the electronics materials business, we are strengthening activities for developing next-generation semiconductor materials to be the market leader in targeted categories and for increasing sales of new display materials. In the specialty chemicals business, there are measures to develop functional polymers and increase sales of raw materials for cosmetics and of high-purity specialty solvents.

As a result, net sales for the period under review were 16,144 million yen (-% year on year), operating profit was 3,320 million yen (up 16.8% year on year), ordinary profit was 3,526 million yen (up 14.3% year on year), and profit attributable to owners of parent was 2,448 million yen (up 9.0% year on year).

It should be noted that “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. have been applied since the beginning of the first quarter under review in accordance with a transitional treatment. As a result, net sales decreased by 2,774 million yen, cost of sales shrank 2,746 million yen, operating profit, ordinary profit and profit before income taxes dropped 27 million yen, respectively, compared with those calculated according to the conventional accounting treatment method. Furthermore, the year-on-year change of net sales is omitted. For more information, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies).”

Business results by segment are explained below (excluding inter-segment transactions).

1) Chemical products

Regarding acrylic acid ester, sales of chemical products used in UV inkjet printers and adhesives for optical materials increased partly due to price increases reflecting increased costs, although sales of esters used in automotive coatings remained weak due to a decrease in production of automobiles. Methacrylic acid esters recorded strong sales. As a result, net sales were 5,652 million yen (-% year on year) and segment profit increased 10.2% year on year, to 556 million yen. Net sales decreased by 539 million yen due to the application of the Accounting Standard for Revenue Recognition, etc.

2) Electronics materials

Sales of semiconductor materials remained robust because of consistently strong sales of raw materials used to manufacture ArF photoresist, the primary product of this segment. The display materials delivered a weak sales performance due to a reactionary fall in demands for displays used in teleworking, remote learning and other activities. As a result, net sales stood at 7,541 million yen (-% year on year) and segment profit was 2,066 million yen (up 24.0% year on year). Net sales decreased by 340 million yen due to the application of the Accounting Standard for Revenue Recognition, etc.

3) Specialty chemicals

As to raw materials for cosmetics, the acrylic resin for hair care products, which is a business we acquired from Mitsubishi Chemical Corporation last year, recorded strong sales abroad. Sales of functional materials were solid because of strong sales of products made for other companies. High-purity specialty solvents produced by a subsidiary also recorded robust sales. As a result, net sales were 2,950 million yen (-% year on year) and segment profit was 691 million yen (up 1.9% year on year). Net sales decreased by 1,894 million yen due to the application of the Accounting Standard for Revenue Recognition, etc.

(2) Explanation of Financial Position

Total assets as of the end of the six-month period under review stood at 51,717 million yen, an increase of 1,848 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 1,030 million yen in notes, accounts receivable-trade and contract assets (presented as “notes and accounts receivable-trade” at the end of the previous consolidated fiscal year) and an increase of 605 million yen in raw materials and supplies.

Total liabilities as of the end of the six-month period under review were 11,439 million yen, an increase of 696 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 1,268 million yen in notes and accounts payable-trade and a decrease of 470 million yen in income taxes payable.

Total net assets as of the end of the six-month period under review were 40,277 million yen, increasing 1,152 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to increases of 2,169 million yen in retained earnings and 1,090 million yen in treasury shares.

Cash Flows

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year increased 248 million yen from the end of the previous consolidated fiscal year to 9,842 million yen.

Net cash provided by operating activities was 2,814 million yen compared with 2,834 million yen provided one year earlier. This was mainly the net result of profit before income taxes of 3,525 million yen, depreciation of 1,071 million yen, and income taxes paid of 1,561 million yen.

Net cash used in investing activities was 702 million yen compared with 1,066 million yen used one year earlier. This was mainly attributable to a payment of 811 million yen for purchase of property, plant and equipment.

Net cash used in financing activities was 1,973 million yen compared with 939 million yen provided one year earlier. Major factors include purchase of treasury shares of 1,109 million yen and cash dividends paid of 553 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The consolidated forecasts announced on January 12, 2022 remain unchanged.

Regarding the impact of the spread of the COVID-19 pandemic on operations, we will continue to carefully monitor the business environment and business performance. An announcement will be made promptly when it is determined that a forecast revision is required.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY11/21 (As of Nov. 30, 2021)	Second quarter of FY11/22 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	9,923,730	10,172,331
Notes and accounts receivable-trade	9,054,341	-
Notes, accounts receivable-trade and contract assets	-	10,084,871
Electronically recorded monetary claims-operating	419,513	356,881
Finished goods	4,886,661	4,707,766
Work in process	2,038,298	1,834,469
Raw materials and supplies	1,706,178	2,311,389
Other	74,077	794,149
Allowance for doubtful accounts	(14,101)	(14,042)
Total current assets	28,088,700	30,247,816
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,691,154	7,452,279
Machinery, equipment and vehicles, net	4,350,559	4,313,223
Land	2,179,304	2,179,304
Construction in progress	807,185	959,529
Other, net	581,484	537,482
Total property, plant and equipment	15,609,688	15,441,820
Intangible assets		
Goodwill	83,333	73,333
Other	58,263	55,522
Total intangible assets	141,596	128,855
Investments and other assets		
Investment securities	5,642,873	5,608,364
Retirement benefit asset	146,509	158,663
Deferred tax assets	36,052	17,013
Other	202,932	114,534
Total investments and other assets	6,028,369	5,898,576
Total non-current assets	21,779,654	21,469,252
Total assets	49,868,355	51,717,069

	(Thousands of yen)	
	FY11/21 (As of Nov. 30, 2021)	Second quarter of FY11/22 (As of May 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,192,756	5,461,230
Current portion of long-term borrowings	759,920	769,880
Accounts payable-other	1,399,135	1,448,125
Income taxes payable	1,615,908	1,145,066
Provision for bonuses for directors (and other officers)	73,200	20,090
Other	646,916	823,661
Total current liabilities	8,687,838	9,668,053
Non-current liabilities		
Long-term borrowings	1,494,463	1,201,237
Deferred tax liabilities	458,403	470,071
Other	102,591	100,230
Total non-current liabilities	2,055,458	1,771,538
Total liabilities	10,743,296	11,439,592
Net assets		
Shareholders' equity		
Share capital	3,600,295	3,600,295
Capital surplus	3,512,539	3,513,544
Retained earnings	30,004,244	32,173,408
Treasury shares	(433,016)	(1,523,215)
Total shareholders' equity	36,684,063	37,764,032
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,101,591	2,088,814
Foreign currency translation adjustment	33,236	72,763
Remeasurements of defined benefit plans	(173,194)	(156,783)
Total accumulated other comprehensive income	1,961,634	2,004,793
Non-controlling interests	479,361	508,650
Total net assets	39,125,059	40,277,476
Total liabilities and net assets	49,868,355	51,717,069

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
For the Six-month Period**

(Thousands of yen)

	First six months of FY11/21 (Dec. 1, 2020 – May 31, 2021)	First six months of FY11/22 (Dec. 1, 2021 – May 31, 2022)
Net sales	16,933,176	16,144,149
Cost of sales	11,907,920	10,682,573
Gross profit	5,025,256	5,461,576
Selling, general and administrative expenses	2,182,537	2,140,597
Operating profit	2,842,718	3,320,978
Non-operating income		
Interest income	930	516
Dividend income	56,035	64,877
Foreign exchange gains	48,010	84,622
Subsidy income	115,300	–
Insurance premiums refunded cancellation	–	34,383
Other	26,952	37,027
Total non-operating income	247,228	221,426
Non-operating expenses		
Interest expenses	3,769	3,261
Commission for purchase of treasury stock	–	10,641
Other	–	1,880
Total non-operating expenses	3,769	15,783
Ordinary profit	3,086,176	3,526,621
Extraordinary income		
Gain on sales of non-current assets	118,696	–
Gain on sales of investment securities	769	–
Total extraordinary income	119,465	–
Extraordinary losses		
Loss on retirement of non-current assets	4,590	917
Total extraordinary losses	4,590	917
Profit before income taxes	3,201,052	3,525,704
Income taxes-current	958,443	1,105,622
Income taxes-deferred	(59,130)	(72,930)
Total income taxes	899,313	1,032,691
Profit	2,301,739	2,493,012
Profit attributable to non-controlling interests	55,000	44,099
Profit attributable to owners of parent	2,246,738	2,448,913

Quarterly Consolidated Statement of Comprehensive Income
For the Six-month Period

(Thousands of yen)

	First six months of FY11/21 (Dec. 1, 2020 – May 31, 2021)	First six months of FY11/22 (Dec. 1, 2021 – May 31, 2022)
Profit	2,301,739	2,493,012
Other comprehensive income		
Valuation difference on available-for-sale securities	257,290	(10,423)
Foreign currency translation adjustment	31,381	39,526
Remeasurements of defined benefit plans, net of tax	18,594	16,766
Total other comprehensive income	307,266	45,869
Comprehensive income	2,609,006	2,538,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,551,056	2,492,072
Comprehensive income attributable to non-controlling interests	57,949	46,808

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY11/21 (Dec. 1, 2020 – May 31, 2021)	First six months of FY11/22 (Dec. 1, 2021 – May 31, 2022)
Cash flows from operating activities		
Profit before income taxes	3,201,052	3,525,704
Depreciation	1,150,084	1,071,507
Amortization of goodwill	6,666	9,999
Increase (decrease) in allowance for doubtful accounts	362	(59)
Increase (decrease) in provision for bonuses	(43,000)	–
Increase (decrease) in provision for bonuses for directors (and other officers)	(29,340)	(53,110)
Decrease (increase) in retirement benefit asset	16,768	11,969
Interest and dividend income	(56,965)	(65,393)
Interest expenses	3,769	3,261
Foreign exchange losses (gains)	(37,628)	(68,679)
Loss (gain) on sales of non-current assets	(118,696)	–
Loss on retirement of non-current assets	4,590	917
Loss (gain) on sales of investment securities	(769)	–
Subsidy income	(115,300)	–
Decrease (increase) in trade receivables	(1,124,083)	–
Decrease (increase) in trade receivables and contract assets	–	141,112
Decrease (increase) in inventories	(675,726)	(1,314,454)
Increase (decrease) in trade payables	1,026,642	1,239,313
Other, net	134,051	(188,911)
Subtotal	3,342,478	4,313,178
Interest and dividends received	56,846	65,393
Interest paid	(3,660)	(2,741)
Subsidies received	115,300	–
Income taxes (paid) refund	(676,636)	(1,561,464)
Net cash provided by (used in) operating activities	2,834,327	2,814,365
Cash flows from investing activities		
Payments into time deposits	(300,000)	(300,000)
Proceeds from withdrawal of time deposits	980,000	300,000
Purchase of property, plant and equipment	(1,650,657)	(811,078)
Proceeds from sales of property, plant and equipment	162,601	–
Purchase of intangible assets	(9,900)	(7,967)
Purchase of investment securities	(200)	–
Proceeds from sales of investment securities	979	–
Purchase of insurance funds	(2,090)	(1,192)
Proceeds from maturity of insurance funds	–	118,208
Payments for acquisition of businesses	(245,520)	–
Other, net	(1,812)	(70)
Net cash provided by (used in) investing activities	(1,066,599)	(702,099)

	(Thousands of yen)	
	First six months of FY11/21 (Dec. 1, 2020 – May 31, 2021)	First six months of FY11/22 (Dec. 1, 2021 – May 31, 2022)
Cash flows from financing activities		
Proceeds from long-term borrowings	100,000	100,000
Repayments of long-term borrowings	(513,680)	(383,266)
Repayments of lease obligations	(7,500)	(9,402)
Purchase of treasury shares	(402)	(1,109,681)
Dividends paid	(509,492)	(553,838)
Dividends paid to non-controlling interests	(8,424)	(17,520)
Net cash provided by (used in) financing activities	(939,498)	(1,973,708)
Effect of exchange rate change on cash and cash equivalents	72,575	110,042
Net increase (decrease) in cash and cash equivalents	900,804	248,600
Cash and cash equivalents at beginning of period	6,511,760	9,593,730
Cash and cash equivalents at end of period	7,412,565	9,842,331

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

In accordance with the resolution of the Board of Directors' meeting held on January 12, 2022, the Company repurchased its own shares. Accordingly, treasury shares increased by 1,099,040,000 yen to 1,523,215,000 yen as of the end of the period under review.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

We decided to apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition"), etc. from the beginning of the first quarter of the current consolidated fiscal year ending November 2022 and recognize revenue at the amount estimated to be received in exchange for the relevant goods or services when we have satisfied a performance obligation of promised goods or services and transferred the control to a customer.

Accordingly, we have changed the method of revenue recognition for some transactions in which revenues had been recognized in accordance with the provisions of contractual transfer of ownership, to the method of revenue recognition when a substantial control is transferred to a customer. As to supplies provided by a supplier under a buy-sell transaction with a repurchase obligation, we had recorded sales and cost of sales when the goods were sold back to the supplier, but we have changed the method of revenue recognition to recognizing only the net amount equivalent to processing fees as revenue. In addition, as to the term-end balance of inventories of the supplies provided by suppliers under the buy-sell transactions with a repurchase obligation, we had presented them including in the items "Finished goods," "Work in process" and "Raw materials and supplies" under "Current assets," but we now include them in "Other." It should be noted that in the case of domestic sale of products, we recognize revenue at the time of shipping by applying an alternative treatment as provided for in Article 98 of the Practical Guidance on the Accounting Standards for Revenue Recognition if the length of period for transfer of the control of the relevant goods or products from shipping to a customer is deemed to be ordinary.

For the application of the Accounting Standards for Revenue Recognition, etc., we have followed the transitional treatments as provided for in the proviso of Article 84 of the Accounting Standard for Revenue Recognition. Accordingly, we have applied the new accounting policy to the balance of retained earnings at the beginning of the first quarter of the current consolidated fiscal year by adding or deducting the amount of cumulative effect which is assumed to have occurred if the new accounting policy was applied retroactively prior to the beginning of the first quarter of the current consolidated fiscal year, to or from retained earnings at the beginning of the first quarter of the current consolidated fiscal year.

As a result, net sales for the six-month period under review decreased by 2,774,217,000 yen, cost of sales decreased by 2,746,389,000 yen, and operating profit, ordinary profit and profit before income taxes decreased by 27,827,000 yen, respectively. Finished goods as of the end of the second quarter decreased by 146,942,000 yen, work in process decreased by 346,484,000 yen, raw materials and supplies decreased by 206,255,000 yen whereas other under current assets increased by 699,683,000 yen. The balance of retained earnings at the beginning of the term under review increased by 274,088,000 yen.

Following the application of the Accounting Standards for Revenue Recognition, notes and accounts receivable-trade which was presented under current assets in the consolidated balance sheet of the previous consolidated fiscal year are presented in notes, accounts receivable-trade and contract assets from the first quarter of the current consolidated fiscal year. Decrease (increase) in trade receivables which was presented under "cash flow from operating activities" in the consolidated statement of cash flow for the first six-month period of the previous consolidated fiscal year are presented in decrease (increase) in trade receivables and contract assets from the six-month period under review. In accordance with the transitional treatments as provided for in Article 89-2 of the Accounting Standard for Revenue Recognition, the financial statements for the previous consolidated fiscal year and the first six-month period of the previous consolidated fiscal year are not reclassified to conform with the new presentation method. Furthermore, in accordance with the transitional treatments as provided for in Article 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on disaggregation of revenue generated from contracts with customers during the first six-month period of the previous consolidated fiscal year is not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") has been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatments as provided for in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we will continue to apply the new accounting policies as provided for in Accounting Standard for Fair Value Measurement, etc. in the future. This application has no impact on the quarterly consolidated financial statements.

Additional Information

(Impact of the spread of the COVID-19 pandemic on accounting estimates)

There are no significant changes regarding the accounting estimates associated with the COVID-19 pandemic that are explained in the Securities Report (supplementary information) for the fiscal year that ended in November 2021.

Segment and Other Information

I. First six months of FY11/21 (Dec. 1, 2020 – May 31, 2021)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Chemical products	Electronics materials	Specialty chemicals	Total		
Net sales						
External sales	5,945,600	7,260,030	3,727,545	16,933,176	–	16,933,176
Inter-segment sales and transfers	–	–	185,696	185,696	(185,696)	–
Total	5,945,600	7,260,030	3,913,242	17,118,873	(185,696)	16,933,176
Segment profit	505,484	1,666,873	678,400	2,850,758	(8,039)	2,842,718

Notes: 1. Segment profit in the above adjustment represents eliminations for inter-segment transactions.

2. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

(Significant changes in the amount of goodwill)

In the specialty chemicals segment, we acquired the manufacturing and sales business of acrylic resin for hair care products from Mitsubishi Chemical Corporation in the first quarter of the current consolidated fiscal year. The increase in goodwill relating to the relevant transaction was 100 million yen.

II. First six months of FY11/22 (Dec. 1, 2021 – May 31, 2022)

1. Information on the amounts of sales, profits or losses by reportable segment and information on disaggregation of revenue

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Chemical products	Electronics materials	Specialty chemicals	Total		
Net sales						
Japan	3,818,749	6,632,254	2,479,049	12,930,053	–	12,930,053
Asia and Australia	1,280,758	885,765	396,598	2,563,122	–	2,563,122
Americas	342,931	23,549	62,581	429,062	–	429,062
Europe	209,695	–	12,215	221,911	–	221,911
Revenue from contracts with customers	5,652,135	7,541,569	2,950,445	16,144,149	–	16,144,149
Other revenues	–	–	–	–	–	–
Sales to external customers	5,652,135	7,541,569	2,950,445	16,144,149	–	16,144,149
Inter-segment sales and transfers	–	–	213,633	213,633	(213,633)	–
Total	5,652,135	7,541,569	3,164,078	16,357,782	(213,633)	16,144,149
Segment profit	556,990	2,066,937	691,569	3,315,497	5,480	3,320,978

Notes: 1. Segment profit in the above adjustment represents eliminations for inter-segment transactions.

2. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

3. Information related to changes in reportable segments

As stated in Changes in Accounting Policies, the Accounting Standards for Revenue Recognition, etc. have been applied since the beginning of the first quarter of the current consolidated fiscal year, changing the accounting treatment method concerning revenue recognition. Therefore, the calculation method of profit or loss in the business segments has been changed accordingly.

As a result of these changes, net sales for the six-month period under review decreased 539,830,000 yen in the chemical products business, 340,247,000 yen in the electronics materials business, and 1,894,139,000 yen in the specialty chemicals business. Segment profit decreased by 27,827,000 yen in the electronics materials business.

Significant Subsequent Events

(Purchase of own shares)

The Company resolved on matters concerning the purchase of own shares at the Board of Directors meeting held on July 7, 2022, pursuant to Article 156 of the Companies Act as applied with the rewording pursuant to Article 156, paragraph 3 of the Companies Act.

For details, please refer to the “Notice of the Determination of Matters concerning the Purchase of Own Shares” released on July 7, 2022.