

Integrated Report 2022
Financial Section

Nissan Chemical Corporation

Table of Contents for Attached Materials

Long Term Financial Performance Trend	2
Financial Review	3
Overview by segments	5
Consolidated Balance Sheets	7
Consolidated Statements of Income and Statements of Comprehensive Income	9
Consolidated Statements of Changes in Net Assets	11
Consolidated Statements of Cash Flows	14
Notes to Consolidated Financial Statements	15
1. Basis for presenting Consolidated Financial Statements	15
2. Summary of Significant Accounting Policies	15
3. U.S. dollar Amounts	16
4. Significant accounting estimates	16
5. Unapplied Accounting Standards	18
6. Reclassifications	18
7. Collateral Assets and Liabilities	19
8. Research and Development Expenses	20
9. Comprehensive Income	21
10. Common Shares	21
11. Investment securities	21
12. Financial instruments	22
13. Securities	23
14. Retirement Benefits	24
15. Income Taxes	24
16. Revenue Recognition	25
17. Segment Information	26
18. Amounts per Share	27

Long Term Financial Performance Trend

(Billions of Yen)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales	154.2	148.6	153.8	163.7	171.2	176.9	180.3	193.4	204.9	206.8	209.1	208.0
Operating Profit	19.8	15.5	19.5	22.2	25.3	28.6	31.4	35.0	37.1	38.6	42.5	51.0
Ordinary Income	19.4	15.9	20.5	23.7	26.4	29.5	31.7	36.2	39.1	40.0	43.9	53.7
Net Income	13.0	11.0	13.9	16.7	18.2	22.4	24.0	27.1	29.4	30.8	33.5	38.8
EBITDA	30.3	25.9	29.1	30.8	33.8	38.3	40.3	45.5	48.0	49.2	53.0	61.2
OP Margin	12.9%	10.4%	12.7%	13.6%	14.8%	16.2%	17.4%	18.1%	18.1%	18.7%	20.3%	24.5%
ROE	11.9%	9.5%	11.4%	12.7%	12.7%	14.6%	15.1%	16.1%	16.6%	16.9%	17.5%	19.2%
EPS(¥/share)	75.94	64.52	83.74	102.11	113.99	143.37	156.97	180.30	197.67	210.09	231.73	271.88
Dividend(¥/share)	24	24	26	30	36	44	52	68	82	90	104	122
Dividend Payout Ratio	31.6%	37.2%	31.0%	29.4%	31.6%	30.7%	33.1%	37.7%	41.5%	42.8%	44.9%	44.9%
Share Repurchase	2.8	-	5.0	5.0	6.0	9.0	9.0	9.0	9.0	10.0	10.0	12.0
Total Assets	183.4	190.1	199.2	208.0	223.9	228.2	231.7	246.0	247.0	249.5	265.5	279.7
Net Assets	112.4	119.6	126.7	137.8	151.3	156.9	163.7	176.4	182.1	185.5	200.6	208.0
Cash	21.1	27.9	31.9	30.8	31.3	35.3	35.7	37.7	36.2	30.6	32.4	34.7
Liabilities with Interest	39.9	38.9	38.1	36.1	35.1	33.1	30.8	28.6	26.6	24.6	22.7	22.7
Equity Ratio	60.7%	62.4%	63.0%	65.7%	66.9%	68.1%	69.9%	71.0%	73.0%	73.7%	74.9%	73.6%
Capex	9.6	8.3	7.9	8.8	9.8	10.2	14.3	13.7	9.9	15.7	15.8	11.0
Depreciation	10.4	10.5	9.5	8.5	8.5	9.7	8.9	10.5	10.9	10.5	10.4	10.2
R&D Expenses	12.6	13.6	13.7	14.2	15.0	15.8	16.1	17.2	17.8	17.2	16.5	16.0
R&D Expenses/Sales	8.2%	9.2%	8.9%	8.7%	8.7%	8.9%	8.9%	8.9%	8.7%	8.3%	7.9%	7.7%

Overview by segments

The Chemicals Segment

In Basic chemicals, net sales of melamine (adhesives agent for particle board), urea, AdBlue®* (high-grade urea solution), and high purity sulfuric acid (agent used for cleaning semiconductors) increased. In Fine Chemicals, net sales of "TEPIC" (powder coating agent for paint, sealants, etc.) and cyanuric acid (raw material for sterilizing and disinfecting agents) of environmental chemicals also performed well.

As a result, net sales of this segment were 37,648 million yen (an increase of 5,739 million yen) and operating income was 3,796 million yen (an increase of 2,313 million yen). Compared to the outlook, net sales were above 0.3 billion yen and operating income was above 0.6 billion yen.

* AdBlue® is a registered trademark of the Verband der Automobilindustrie (VDA).

The Performance Materials Segment

In Display Materials, net sales of "SUNEVER" (LCD alignment coating) for notebook PCs and monitors performed well. In Semiconductor Materials, net sales of anti-reflective coating for semiconductors (ARC®*) and multilayer materials (OptiStack®*) increased, reflecting favorable operation by customers. In Inorganic Colloid, net sales of "SNOWTEX" for polishing electronic materials and hard coating, and Organo / Monomer sol (various kinds of coating materials, resin additive) were steady.

As a result, net sales of this segment were 81,665 million yen (an increase of 10,016 million yen) and operating income was 27,719 million yen (an increase of 5,302 million yen). Compared to the outlook, net sales were above 0.4 billion yen and operating income was above 0.4 billion yen.

* ARC®, OptiStack® are registered trademarks of Brewer Science, Inc.

The Agricultural Chemicals Segment

Net sales of Fluralaner (active ingredients for veterinary pharmaceuticals) declined due to decreased shipments caused by customer inventories and other factors, however, royalty income was strong. In Japanese domestic market, net sales of "ROUNDUP" (non-selective foliar application herbicide) were firm, but shipments of "ALTAIR" (paddy rice herbicide) and GRACIA (insecticide) declined. In the overseas market, net sales of "GRACIA" decreased, but net sales of "TARGA" (herbicide), "SANMITE" (insecticide and acaricide) and "QUINTEC" (fungicide) performed well. In addition, "DITHANE" (fungicide), which was acquired in the third quarter of FY2020, contributed to net sales both domestically and overseas.

As a result, net sales of this segment were 65,819 million yen (an increase of 1,971 million) and operating income was 18,338 million yen (an increase of 135 million yen). Compared to the outlook, net sales were below 0.7 billion yen and operating income was below 1.0 billion yen.

The Pharmaceuticals Segment

Net sales of "LIVALO" (anti-cholesterol drug) increased in Japan, but, decreased overseas due to the impact of increased net sales of generic drugs. In "Custom Chemicals", net sales of active pharmaceutical ingredients (generic) increased.

As a result, net sales of this segment were 6,630 million yen (a decrease of 22 million) and operating income was 947 million yen (an increase of 590 million yen). Compared to the outlook, net sales were above 0.2 billion yen and operating income was above 0.3 billion yen.

Trading

Net sales of this segment were 80,437 million yen (an increase of 10,616 million yen) and operating income was 2,903 million yen (an increase of 404 million yen). Compared to the outlook, net sales were above 3.1 billion yen and operating income was above 0.4 billion yen.

Others

Net sales of this segment were 23,595 million yen (a decrease of 168 million yen) and operating income was 692 million yen (a decrease of 139 million yen).

FINANCIAL REVIEW

Financial Review of the Year Ended March 31, 2022

Overview

In the current fiscal year (April 1, 2021 to March 31, 2022), the domestic economy showed a temporary recovery trend in private consumption. However, it failed to achieve a full-fledged recovery due to the spread of the COVID-19 and recurrence of state of emergency. Under these circumstances, sales of Basic Chemicals and Fine Chemicals increased in the Chemicals Segment. In the Performance Materials Segment, Display Materials, Semiconductor Materials and Inorganic Colloid all performed well. In the Agricultural Chemicals segment, sales increased. In the Pharmaceuticals segment, sales of “Custom Chemicals” (custom manufacturing and solution proposal business for pharmaceutical companies) increased, but sales of the Drug Discovery decreased.

As a result, operating and ordinary income achieved record highs for the eight consecutive year and net income attributable to owners of parent for the nine consecutive year, exceeding the earnings outlooks announced in February.

Operating Results

As a result, the Company's results for the current fiscal year were net sales 207,972 million yen (a decrease of 1,149 million yen), operating income 50,959 million yen (an increase of 8,429 million yen) and ordinary income 53,690 million yen (an increase of 9,797 million yen), and net income attributable to owners of parent 38,776 million yen (an increase of 5,306 million yen). Operating and ordinary income achieved record highs for the eight consecutive year and net income attributable to owners of parent for the nine consecutive year, exceeding the earnings outlook announced in November.

ROE was 19.2% and we have achieved the Mid-Term Plan Stage II target (maintain above 16%) in the current fiscal year.

Dividend was 122 yen and dividend payout ratio became 44.9%. We have repurchased share of 12.0 billion yen and total payout ratio was 75.6%.

Financial Position

Total assets as of March 31, 2022 were 279,687 million yen (an increase of 14,178 million yen from the previous year). It is mainly due to the increase of notes and accounts receivable-trade, merchandise and finished goods and long-term loans receivable.

Total liabilities as of March 31, 2022 were 71,678 million yen (an increase of 6,730 million yen). It is mainly due to the increase of notes and accounts payable-trade.

Net assets as of March 31, 2022 were 208,009 million yen (an increase of 7,447 million yen).

As a result of these factors, equity ratio was 73.6% (a decrease of 1.3% from March 31, 2021).

Position of Cash Flow

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss in working capital, net cash provided by operating activities for the consolidated fiscal year ended March 31, 2022 was 41,949 million yen (39,939 million yen for the previous year).

Due to investment on plant and equipment, net cash used in investing activities for the consolidated fiscal year ended March 31, 2022 was 12,395 million yen (12,854 million yen for the previous year).

Due to share repurchase, payment for dividends and of long-term loans payable, net cash used in financing activities for the consolidated fiscal year ended March 31, 2022 was 27,868 million yen (25,629 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2022 were 34,658 million yen (32,380 million yen for the previous year), reflecting exchange of 591 million yen. It increased by 2,277 million yen compared to the previous year.

Consolidated Balance Sheets

(Thousands of
U.S. dollars)

	(Millions of Yen)		
	FY2021	FY2020	FY2021
Assets			
Current assets			
Cash and deposits	34,658	32,380	283,130
Notes and accounts receivable - trade, and contract assets	79,979	-	653,370
Notes and accounts receivable - trade	-	73,937	-
Merchandise and finished goods	37,664	33,774	307,687
Work in process	15	23	123
Raw materials and supplies	14,496	12,853	118,422
Accounts receivable - other	2,824	2,534	23,070
Short-term loans receivable	1,541	1,223	12,589
Other	4,140	2,892	33,821
Allowance for doubtful accounts	(41)	(31)	(335)
Total current assets	<u>175,279</u>	<u>159,588</u>	<u>1,431,901</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures	69,443	68,438	567,298
Accumulated depreciation and impairment loss	(45,158)	(43,601)	(368,908)
Buildings and structures, net	<u>24,284</u>	<u>24,837</u>	<u>198,382</u>
Machinery, equipment and vehicles	145,129	140,790	1,185,598
Accumulated depreciation and impairment loss	(132,567)	(128,053)	(1,082,975)
Machinery, equipment and vehicles, net	<u>12,561</u>	<u>12,736</u>	<u>102,614</u>
Tools, furniture and fixtures	41,345	39,775	337,758
Accumulated depreciation and impairment loss	(37,384)	(36,742)	(305,400)
Tools, furniture and fixtures, net	<u>3,960</u>	<u>3,033</u>	<u>32,350</u>
Land	8,809	8,996	71,963
Construction in progress	3,561	2,233	29,091
Total property, plant and equipment	<u>53,177</u>	<u>51,837</u>	<u>434,417</u>
Intangible assets			
Software	1,736	548	14,182
Other	10,044	11,581	82,052
Total intangible assets	<u>11,780</u>	<u>12,129</u>	<u>96,234</u>
Investments and other assets			
Investment securities	30,217	35,894	246,851
Long-term loans receivable	3,323	2	27,146
Deferred tax assets	918	205	7,499
Net defined benefit asset	1,844	2,478	15,064
Other	3,256	3,483	26,599
Allowance for doubtful accounts	(110)	(110)	(899)
Total investments and other assets	<u>39,450</u>	<u>41,953</u>	<u>322,278</u>
Total non-current assets	<u>104,408</u>	<u>105,921</u>	<u>852,937</u>
Total assets	<u>279,687</u>	<u>265,509</u>	<u>2,284,838</u>

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Liabilities			
Current liabilities			
Notes and accounts payable - trade	19,043	16,298	155,567
Short-term loans payable	20,981	20,937	171,399
Current portion of long-term loans payable	552	552	4,509
Income taxes payable	8,710	7,113	71,154
Provision for bonuses	2,285	2,250	18,667
Provision for directors' bonuses	-	7	-
Other	14,398	12,585	117,621
Total current liabilities	<u>65,971</u>	<u>59,744</u>	<u>538,935</u>
Non-current liabilities			
Long-term loans payable	1,182	1,184	9,656
Deferred tax liabilities	69	1,310	564
Provision for business structure improvement	698	171	5,702
Provision for loss on business of subsidiaries and affiliates	626	-	5,114
Provision for share awards for directors (and other officers)	200	91	1,634
Net defined benefit liability	290	249	2,369
Other	2,638	2,196	21,551
Total non-current liabilities	<u>5,706</u>	<u>5,202</u>	<u>46,614</u>
Total liabilities	<u>71,678</u>	<u>64,947</u>	<u>585,557</u>
Net assets			
Shareholders' equity			
Capital stock	18,942	18,942	154,742
Capital surplus	13,613	13,613	111,208
Retained earnings	172,393	161,708	1,408,324
Treasury shares	(8,261)	(7,340)	(67,486)
Total shareholders' equity	<u>196,688</u>	<u>186,923</u>	<u>1,606,797</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	8,304	11,359	67,838
Foreign currency translation adjustment	898	81	7,336
Remeasurements of defined benefit plans	21	463	172
Total accumulated other comprehensive income	<u>9,223</u>	<u>11,904</u>	<u>75,345</u>
Non-controlling interests	<u>2,097</u>	<u>1,733</u>	<u>17,131</u>
Total net assets	<u>208,009</u>	<u>200,562</u>	<u>1,699,281</u>
Total liabilities and net assets	<u>279,687</u>	<u>265,509</u>	<u>2,284,838</u>

Consolidated Statements of Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Net sales	207,972	209,121	1,698,979
Cost of sales	106,883	121,376	873,156
Gross profit	101,089	87,745	825,823
Selling, general and administrative expenses	50,129	45,214	409,517
Operating income	50,959	42,530	416,298
Non-operating income			
Interest income	49	16	400
Dividend income	768	981	6,274
Equity in earnings of affiliates	950	1,123	7,761
Foreign exchange gains	1,134	-	-
Other	918	668	7,499
Total non-operating income	3,821	2,790	31,215
Non-operating expenses			
Interest expenses	73	69	596
Loss on disposal of non-current assets	682	696	5,571
Loss on sales of non-current assets	116	4	948
Plant stop losses	108	177	882
Foreign exchange losses	-	52	-
Other	109	426	890
Total non-operating expenses	1,090	1,427	8,905
Ordinary income	53,690	43,893	438,608
Extraordinary income			
Gain on sales of investment securities	3,366	1,588	27,498
Total extraordinary income	3,366	1,588	27,498
Extraordinary losses			
Loss on valuation of investment securities	477	-	3,897
Business restructuring expenses	1,792	-	14,639
Loss on business of subsidiaries and associates	626	-	5,114
Total extraordinary losses	2,896	-	23,658
Income before income taxes and non-controlling interests	54,160	45,481	442,448
Income taxes - current	14,713	12,037	120,194
Income taxes - deferred	312	(50)	2,549
Total income taxes	15,026	11,986	122,751
Net income	39,134	33,495	319,696
Net income attributable to non-controlling interests	357	25	2,916
Net income attributable to owners of parent	38,776	33,470	316,772

Consolidated Statements of Comprehensive Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Net income	39,134	33,495	319,696
Other comprehensive income			
Valuation difference on available-for-sale securities	(3,055)	3,575	(24,957)
Foreign currency translation adjustment	875	1,075	7,148
Remeasurements of defined benefit plans, net of tax	(442)	514	(3,611)
Share of other comprehensive income of entities accounted for using equity method	0	1	0
Total other comprehensive income	(2,622)	5,167	(21,420)
Comprehensive income	36,511	38,663	298,268
(Comprehensive income attributable to)			
Owners of parent	36,095	38,540	294,870
Non-controlling interests	416	122	3,398

Consolidated Statements of Changes in Net Assets
For FY2021

(Millions of Yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥18,942	¥13,613	¥161,708	(¥7,340)	¥186,923
Cumulative effects of changes in accounting policies			(1,548)		(1,548)
Restated balance	¥18,942	¥13,613	¥160,160	(¥7,340)	¥185,375
Changes of items during period					
Dividends of surplus			(15,468)		(15,468)
Net income attributable to owners of parent			38,776		38,776
Share repurchase				(12,003)	(12,003)
Disposal of treasury shares		0		8	8
Cancellation of treasury shares		(0)	(11,074)	11,074	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	12,233	(920)	11,313
Balance at end of current period	¥18,942	¥13,613	¥172,393	(¥8,261)	¥196,688

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	¥11,359	¥81	¥463	¥11,904	¥1,733	¥200,562
Cumulative effects of changes in accounting policies						(1,548)
Restated balance	¥11,359	¥81	¥463	¥11,904	¥1,733	¥199,013
Changes of items during period						
Dividends of surplus						(15,468)
Net income attributable to owners of parent						38,776
Share repurchase						(12,003)
Disposal of treasury shares						8
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(3,055)	816	(442)	(2,680)	363	(2,317)
Total changes of items during period	(3,055)	816	(442)	(2,680)	363	8,995
Balance at end of current period	¥8,304	¥898	¥21	¥9,223	¥2,097	¥208,009

For FY2020

(Millions of Yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥18,942	¥13,613	¥146,997	(¥2,470)	¥177,082
Changes of items during period					
Dividends of surplus			(13,629)		(13,629)
Net income attributable to owners of parent			33,470		33,470
Share repurchase				(10,002)	(10,002)
Disposal of treasury shares				1	1
Cancellation of treasury shares			(5,130)	5,130	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	14,710	(4,870)	9,840
Balance at end of current period	¥18,942	¥13,613	¥161,708	(¥7,340)	¥186,923

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	¥7,782	(¥896)	(¥51)	¥6,834	¥1,610	¥185,528
Changes of items during period						
Dividends of surplus						(13,629)
Net income attributable to owners of parent						33,470
Share repurchase						(10,002)
Disposal of treasury shares						1
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	3,577	978	514	5,070	123	5,193
Total changes of items during period	3,577	978	514	5,070	123	15,033
Balance at end of current period	¥11,359	¥81	¥463	¥11,904	¥1,733	¥200,562

For FY2021

(Thousands of U.S. dollars)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$154,742	\$111,208	\$1,321,036	(\$59,962)	\$1,527,024
Cumulative effects of changes in accounting policies			(12,646)		(12,646)
Restated balance	\$154,742	\$111,208	\$1,308,390	(\$59,962)	\$1,514,378
Changes of items during period					
Dividends of surplus			(126,362)		(126,362)
Net income attributable to owners of parent			316,772		316,772
Share repurchase				(98,056)	(98,056)
Disposal of treasury shares		0		65	65
Cancellation of treasury shares		(0)	(90,466)	90,466	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	99,935	(7,516)	92,419
Balance at end of current period	\$154,742	\$111,208	\$1,408,324	(\$67,486)	\$1,606,797

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	\$92,795	\$662	\$3,782	\$97,247	\$14,157	\$1,638,445
Cumulative effects of changes in accounting policies						(12,646)
Restated balance	\$92,795	\$662	\$3,782	\$97,247	\$14,157	\$1,625,790
Changes of items during period						
Dividends of surplus						(126,362)
Net income attributable to owners of parent						316,772
Share repurchase						(98,056)
Disposal of treasury shares						65
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(24,957)	6,666	(3,611)	(21,894)	2,965	(18,928)
Total changes of items during period	(24,957)	6,666	(3,611)	(21,894)	2,965	73,483
Balance at end of current period	\$67,838	\$7,336	\$172	\$75,345	\$17,131	\$1,699,281

Consolidated Statements of Cash Flows

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Cash flows from operating activities			
Income before income taxes and non-controlling interests	54,160	45,481	442,448
Depreciation and amortization	10,119	10,346	82,665
Business restructuring expenses	1,792	-	14,639
Loss on business of subsidiaries and associates	626	-	5,114
Loss on valuation of investment securities	477	-	3,897
Amortization of goodwill	103	78	841
Interest and dividend income	(817)	(997)	(6,674)
Loss (gain) on sales of investment securities	(3,366)	(1,588)	(27,498)
Interest expenses	73	69	596
Loss (gain) on disposal of non-current assets	682	696	5,571
Decrease (increase) in notes and accounts receivable - trade	(5,704)	(1,016)	(46,598)
Decrease (increase) in inventories	(6,230)	(2,398)	(50,895)
Increase (decrease) in notes and accounts payable - trade	2,523	(842)	20,611
Other	(1,163)	(671)	(9,501)
Subtotal	<u>53,277</u>	<u>49,159</u>	<u>435,234</u>
Interest and dividend income received	1,913	1,925	15,628
Interest expenses paid	(73)	(69)	-596
Income taxes paid	(13,168)	(11,076)	(107,573)
Net cash provided by (used in) operating activities	<u>41,949</u>	<u>39,939</u>	<u>342,693</u>
Cash flows from investing activities			
Purchase of investment securities	(190)	(159)	-1,552
Proceeds from sales of investment securities	4,248	3,063	34,703
Purchase of shares of subsidiaries	(22)	(1,209)	(180)
Purchase of property, plant and equipment	(11,253)	(8,254)	(91,929)
Payments for retirement of property, plant and equipment	(466)	(598)	-3,807
Purchase of intangible assets	(1,133)	(688)	(9,256)
Payments for transfer of business	-	(5,384)	-
Payments of long-term loans receivable	(3,322)	-	(27,138)
Net decrease (increase) in short-term loans receivable	(262)	522	(2,140)
Purchase of long-term prepaid expenses	(188)	(222)	(1,536)
Other	196	77	1,601
Net cash provided by (used in) investing activities	<u>(12,395)</u>	<u>(12,854)</u>	<u>(101,258)</u>
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(345)	(2,017)	(2,818)
Proceeds from long-term loans payable	550	660	4,493
Repayments of long-term loans payable	(552)	(640)	(4,509)
Cash dividends paid	(15,468)	(13,629)	(126,362)
Dividends paid to non-controlling interests	(48)	-	(392)
Share repurchase	(12,003)	(10,002)	(98,056)
Other	0	-	0
Net cash provided by (used in) financing activities	<u>(27,868)</u>	<u>(25,629)</u>	<u>(227,661)</u>
Effect of exchange rate change on cash and cash equivalents	591	284	4,828
Net increase (decrease) in cash and cash equivalents	<u>2,277</u>	<u>1,741</u>	<u>18,601</u>
Cash and cash equivalents at beginning of period	<u>32,380</u>	<u>30,639</u>	<u>264,521</u>
Cash and cash equivalents at end of period	<u>34,658</u>	<u>32,380</u>	<u>283,130</u>

(Note 1) The consolidated financial statements are a translation of the Japanese annual securities report's consolidated financial statements.

(Note 2) The consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2022 after being converted from the currency of the country in which the Company operates. The translation of Japanese yen amounts to United States dollar amounts is included solely for the convenience of the readers outside Japan, and has been made at the rate of ¥ 122.41 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2022. This translation should not be construed to indicate that the Japanese yen amounts shown can be converted to United States dollars at the above rate.

Notes to Consolidated Financial Statements

1. Basis for presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the related accounting regulations, and the accounting principles generally accepted in Japan ("J-GAAP"), which differ in certain aspects from the application and disclosure requirements of the accounting principles generally accepted in the United States of America ("US-GAAP") and International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassification and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers in other countries.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2022 include the account of Nissan Chemical Corporation. (the "Company") and its eight main (eight in FY2021) subsidiaries (together, the "Companies"). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income, and retained earnings.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are fully consolidated. Those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in two affiliated companies (two in FY2021) are accounted for by the equity method.

The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of the respective dates on which they were acquired.

All significant inter-company balances and transactions have been eliminated in consolidation.

All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

For companies accounted for by the equity method that have different fiscal year-ends, the financial statements of those companies for their respective fiscal years are used.

b. Securities

The Company's marketable securities are reported at fair value. Unrealized holding gains and losses, net of the related tax effect, on marketable securities are excluded from earnings. Instead, they are reported as a separate component of other comprehensive income until realized.

Realized gains and losses for securities are included in earnings, and are derived using the moving average method for determining the cost of securities sold.

Non-marketable securities in companies over which the Company is incapable of exercising significant influence are stated at cost and reviewed periodically for impairment.

c. Inventories

Inventories are stated at the lower of cost or net realizable value. The cost is determined by the weighted average method.

d. Property, Plant and Equipment (excluding Leased Assets)

Property, plant and equipment are stated at cost. In general, the depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of these assets.

The estimated useful life ranges are 2 years to 50 years for buildings and structures, and 2 years to 12 years for machinery and equipment.

e. Goodwill and other Intangible Assets

Goodwill is amortized by the straight-line method within 20 years. Other intangible assets are also amortized using the straight-line method.

The main useful lives of major intangible assets are as follows:

Software	5 year
Other intangible assets	5~16 year

f. Leased Assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated by the straight-line method with no residual value, using the contract term as the useful life.

g. Allowance for Doubtful Accounts

Allowance for doubtful accounts is the Companies' best estimate for the amount of probable credit losses in the Companies' existing trade receivables.

An additional reserve for individual receivable is recorded when the Company become aware of a customer's inability to meet its financial obligations, such as when customers files for bankruptcy or when the its operating results or financial position deteriorates.

If the customer's circumstances change, estimates of the recoverability of receivables are further adjusted.

h. Provision for Bonuses

The Companies provide accrued bonuses for employees based on the estimated amounts to be paid for the fiscal year.

i. Provision for share-based remuneration for directors (and other officers)

The Company provides for the estimated amount of share benefit obligations as of the end of the current consolidated fiscal year to cover the benefit of shares to the Company's directors, etc., in accordance with the regulations for the delivery of shares to directors, etc.,

j. Provision for Business Structure Improvement

The Company provides a reserve at the estimated amount to cover the expenses and losses to be incurred in association with structural improvement.

k. Provision for Loss on Business of Subsidiaries and Affiliates

The Company provides a reserve at the estimated amount to cover the losses on business of subsidiaries and affiliates in consideration of their financial position.

l. Provision for Retirement Benefits

The Company has a defined benefit plan and a retirement plan that substantially covers all of its employees.

The method for calculating the estimated amount of all retirement benefits to be paid at future retirement dates is based on the benefit formula.

Actuarial gains and losses are primarily amortized using the declining-balance method over the average of the estimated remaining service years (16 years) commencing from the period which the gains and losses occurred.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefits.

In this method, the retirement benefit obligation is the same amount as the necessary payment related to retirement benefits.

m. Basis for recording significant revenues and expenses

The Company and its consolidated subsidiaries are principally engaged in the manufacture and sale of chemicals, functional materials, agrochemicals, pharmaceuticals, wholesaling and other businesses. The main performance obligations in these businesses are as stated below.

The Company recognizes revenue at the time of shipment to the customer, based on the terms and conditions of the trade, since the performance obligation is deemed to be satisfied when the customer has obtained control over the product, etc., in light of the terms and conditions of the contract.

For transactions in which the Company's role in providing goods to customers constitutes that of an agent, the Company recognizes revenue at the net amount received from the customer less the amount paid to the supplier of the goods.

For transactions that include variable consideration in the contract with a customer, only the portion of the transaction price that is likely not to be significantly reduced when the uncertainty is resolved after the fact is included in the transaction price.

Revenue from the granting of licenses is recognized over a specified period of time if the nature of the commitment in granting the license to the customer is the right to access the intellectual property over the term of the license, or at a point in time if the right to use the intellectual property is at the time the license is granted.

n. Translation of Foreign Currency

The assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the spot exchange rate in effect on the balance sheet date. Revenue and expense items are translated at the prevailing average exchange rates for the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from the translation of financial statements are excluded from the statements of income. Instead, they are accumulated in net assets as a component of accumulated other comprehensive income (loss).

o. Derivatives and Hedge Accounting

The Company enters into interest rate swap contracts to hedge the risk of changes in interest rates over borrowings.

Derivatives are carried at fair value with all changes in unrealized gains and losses charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gains or losses, net of the applicable income taxes, are reported as components of accumulated other comprehensive income (loss).

If interest rates swap contracts meet certain criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

p. Cash and Cash Equivalent

The Companies consider cash equivalents include all highly fluid investments, which have been purchased with original maturities of three months or less.

q. Other Important Matters for Preparation of Consolidated Financial Statements

Consolidated tax payment system is applied. The Company and some of its domestic consolidated subsidiaries will transition from the consolidated tax payment system to the group totalization system from the following fiscal year. However, with respect to the transition to the group totalization system established by the "Law Partially Revising the Income Tax Law" (Law No. 8, 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, the "Treatment of Application of Tax Effect Accounting for Transition from the Consolidated Tax Payment System to the Group Totalization System" (PITF No. 39, March 31, 2020) and the "Guidance on Accounting Standard for Tax Effect Accounting" (PITF No. 28, February 16, 2018) are applied in Paragraph 3. In accordance with the treatment in Paragraph 3 of the "Practical Solution on Application of Accounting Standard for Tax Effect Accounting (ASBJ PITF No. 39, March 31, 2020), the provisions in Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied and the amounts of deferred tax assets and deferred tax liabilities are calculated based on the tax law before the revision. The amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision. Effective from the beginning of the next consolidated fiscal year, the Company will apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group totalization system is applied.

3. U.S. dollar Amounts

The accompanying consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2022 after being converted from the currency of the country in which the Company operates. The translation of Japanese yen amounts to United States dollar amounts is included solely for the convenience of the readers outside Japan, and has been made at the rate of ¥122.41 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2022. This translation should not be construed to indicate that the Japanese yen amounts shown can be converted to United States dollars at the above rate.

4. Significant accounting estimates

a. Impairment of fixed assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year ended March 31, 2022

	(Millions of Yen)	(Thousands of U.S. dollars)
Non-current assets	¥53,177	\$434,417
Intangible assets	11,780	96,234
Impairment loss	※ 784	6,405

※Impairment loss of 784 million yen for the fiscal year ended March 31, 2022 is included in non-operating expenses and other of 9 million yen and in business structure improvement expenses of 775 million yen in the consolidated statements of income.

(2) Information on the nature of significant accounting estimates for identified items

- Calculation method

In principle, the Group groups its assets according to the smallest unit that generates independent cash flows.

For asset groups for which indications of impairment have been identified and for which it is judged necessary to recognize impairment, the carrying amount is reduced to the recoverable amount, and the amount of the reduction is recognized as an impairment loss.

The recoverable amount is the higher of value in use or net realizable value.

- Main assumptions

Future cash flows are used to determine whether an impairment loss should be recognized and to calculate value in use, and the discount rate, economic growth rate, sales growth rate, obsolescence rate, and other factors that form the basis for the calculation are used as key assumptions.

- Effect on the consolidated financial statements for the following fiscal year

The recoverable amount is reasonably determined based on the information and materials available at the time of closing of accounts, but if the profit plan needs to be revised due to uncertain future changes in economic conditions, additional impairment losses may occur.

b. Provision for retirement benefits

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Net defined benefit asset	¥1,844	¥2,478	\$15,064
Net defined benefit liability	290	249	2,369

(2) Information on the nature of significant accounting estimates for identified items

- Calculation method

In order to prepare for the payment of future retirement benefits, the Group records retirement benefits based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year, which are primarily calculated based on actuarial assumptions. These assumptions include discount rates, future salary levels, retirement rates, mortality rates, etc. Each of these conditions has been calculated using methods that are currently considered sufficiently reasonable. Certain consolidated subsidiaries have adopted the simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses, using the method of treating the amount payable at the end of the term for retirement benefits as the retirement benefit obligation.

- Main assumptions

The expected rate of return is assumed to be 2.0% and the discount rate is assumed to be 0.8% per annum.

- Effect on the consolidated financial statements for the following fiscal year

The Company believes that if actual results differ from the assumptions, or if the assumptions are changed, it may have a material impact on the consolidated financial statements for the next and subsequent fiscal years, as it may affect the costs and liabilities recognized in future periods.

c. Business Combinations

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

- The fungicide "Quinoxifen" business

	(Millions of Yen)			(Thousands of U.S. dollars)
	FY2021	FY2020	Amortization Period	FY2021
	Amount	Amount		Amount
Intangible fixed assets and others (Product registration right)	¥3,832	¥4,415	9 year	\$31,305
Intangible fixed assets and others (Non-competition agreement)	459	588	6 year	3,750
Intangible fixed assets and others (Goodwill)	168	233	5 year	1,372
Total	¥4,460	¥5,236		\$36,435

- The fungicide "Manzeb" business

	(Millions of Yen)			(Thousands of U.S. dollars)
	FY2021	FY2020	Amortization Period	FY2021
	Amount	Amount		Amount
Intangible fixed assets and others (Sales rights)	¥3,685	¥3,936	16 year	\$30,104
Intangible fixed assets and others (Trademarks)	1,081	1,155	16 year	8,831
Intangible fixed assets and others (Goodwill)	134	171	5 year	1,095
Total	¥4,901	¥5,263		\$40,038

(2) Information on the nature of significant accounting estimates for identified items

- Calculation method

Business combinations are accounted for using the purchase method. Under the purchase method, all assets acquired are recognized and measured based on their fair value at the date of acquisition of control. The determination of fair value involves significant estimates, including projections of future cash flows, discount rates and perpetual growth rates.

- Main assumptions

The main assumptions underlying the determination of fair value are discounted future cash flows, discount rate and perpetual growth rate.

- Effect on the consolidated financial statements for the following fiscal year

Although we believe that the estimates used to calculate the fair value in processing the business combination are reasonable, unpredictable changes in the assumptions on which the estimates are based could result in revisions to the fair value, which could lead to the recording of impairment losses on the acquired assets in the future.

d. Loss on valuation of inventories

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Loss on valuation of inventories	(¥76)	¥354	(\$621)

(Note) In FY2021 includes 121 million yen recorded as business structure improvement expenses.

(2) Information on the nature of significant accounting estimates for identified items

- Calculation method

In valuing inventories at the end of the fiscal year, if the net selling price is lower than the book value, the book value is reduced to the net selling price, and the amount of the reduction is recorded as a loss on valuation of inventories.

- Main assumptions

For finished goods and merchandise, the net realizable value is estimated based on historical experience of sales deductions and transportation costs from total sales. For raw materials, the net realizable value is estimated based on the last purchase price.

- Effect on the consolidated financial statements for the following fiscal year

In estimating valuation losses, the Company makes judgments based on past purchasing and shipping records, information available at the time of valuation, and other factors considered reasonable. However, if the market environment deteriorates more than expected and the net selling price declines, it may be necessary to record additional valuation losses.

5. Changes in Accounting Policy

a. Revenue Recognition

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customers. The main changes resulting from the adoption of the new accounting standard for revenue recognition are as follows

(1) Revenue Recognition for Agent Transactions

For transactions in which the Company's role in providing goods to customers is that of an agent, the Company recognizes revenue at the net amount received from the customer less the amount paid to the supplier of the goods.

(2) Variable consideration

For transactions that include variable consideration in the contract with a customer, the Company includes in the transaction price only that portion of the transaction price for which it is probable that a significant reduction in revenue will not occur when the uncertainty is subsequently resolved.

(3) Licensing

Revenue from the granting of licenses was previously recognized at the time of receipt of payment. However, the Company now recognizes revenue over a specified period if the nature of the commitment to grant a license to a customer is the right to access intellectual property over the term of the license, and revenue is recognized over a specified period of time. The Company changed its accounting method to recognize revenue at one point in time if the nature of the promise to grant a customer is the right to access intellectual property over the term of the license.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. The new accounting policy is applied from the balance at the beginning of the current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 (1) of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been added to or subtracted from retained earnings at the beginning of the current fiscal year.

Due to the adoption of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable - trade," which were included in "Current assets" in the consolidated balance sheets in the previous consolidated fiscal year, are included in "Notes and accounts receivable- trade, and contract assets" from the current consolidated fiscal year. In addition, "Advances received," which was included in "Other" under "Current liabilities" in the consolidated balance sheets for the previous fiscal year, is now included in "Other" under "current liabilities" as "contract liabilities" for the current fiscal year.

However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Earnings Recognition, no reclassification has been made for the previous fiscal year using the new presentation.

As a result, the consolidated statement of income for the current fiscal year shows that net sales decreased by 22,730 million yen, cost of sales decreased by 22,807 million yen, and operating income, ordinary income, and income before income taxes and non-controlling interests increased by 77 million yen, respectively, compared with those before the adoption of the revenue recognition accounting standard.

The consolidated balance sheets shows an increase of 0 million yen in notes and accounts receivable-trade and contract assets, and a decrease of 77 million yen in other current liabilities.

The consolidated statement of cash flows for the current fiscal year shows that, in cash flows from operating activities, income before income taxes and non-controlling interests increased by 77 million yen, trade receivables increased by 0 million yen, and other decreased by 77 million yen.

The beginning balance of retained earnings in the consolidated statement of changes in net assets decreased by 1,548 million yen due to the cumulative effect reflected in net assets at the beginning of the current fiscal year.

The impact on per share information is stated in the relevant section.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

b. Fair Value Measurement

Accounting Standard for Fair Value Calculation" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "Accounting Standard for Fair Value Calculation") and others are applied from the beginning of the current fiscal year, and the new accounting policies prescribed by the Accounting Standard for Fair Value Calculation and others are applied prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements.

In addition, in the notes to "Financial Instruments," the Company will provide notes on items such as the breakdown of the market value of financial instruments by level.

The Company has adopted the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, 2019). However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), such notes for the current fiscal year are not included.

6. Reclassifications

(Notes to Consolidated Balance Sheets)

In the previous fiscal year, "long-term loans" which was included in "Other" under "Investments and other assets" has increased in monetary materiality, it is presented as a separate item from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 3,485 million yen presented as "Other" under "Investments and other assets" has been reclassified as "Long-term loans" of 2 million yen and "Other" of 3,483 million yen in the consolidated balance sheets for the previous fiscal year.

(Notes to Consolidated Statements of Income)

In the previous fiscal year, "Loss on sales of fixed assets" which was included in "Other" under "Non-operating expenses" exceeded 10/100 of total non-operating expenses, it is presented as a separate item from the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 431 million yen presented as "Other" under "Non-operating expenses" has been reclassified as "Loss on sales of fixed assets" of 4 million yen and "Other" of 426 million yen in the consolidated statements of income for the previous fiscal year.

7. Notes to Consolidated Balance Sheets

(1) Notes and accounts receivable - trade, and contract assets arising from contracts with customers are as follows.

	(Millions of Yen)	(Thousands of U.S. dollars)
notes receivable - trade	¥3,992	\$32,612
accounts receivable - trade	75,987	620,758
contract assets	0	0

(2) Contract liabilities of FY2021 in "Other" of "Current liabilities" are as follows .

	(Millions of Yen)	(Thousands of U.S. dollars)
contract liabilities	¥155	\$1,266

(3) Collateral Assets and Liabilities

Collateral assets and liabilities as of FY2021 and FY2020 are as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Investment securities	¥180	¥205	\$1,470
Guarantee deposits	10	10	82

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Account payable	¥284	¥293	\$2,320

(4) The amounts due to unconsolidated subsidiaries and affiliated companies are as follows.

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Investment securities(stocks)	¥8,778	¥8,823	\$71,710
Investments and other assets	¥824	¥824	\$6,731
Other* (investments in capital)			

(5) guaranteed liabilities

The Company guarantees loans from financial institutions for employees and companies other than consolidated companies, etc.

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Toyama Kyodo Jikahatsuden Co., Ltd.	¥1,400	¥500	\$11,437
Nissan Chemical Materials Research (Suzhou) Co., Ltd.	124	409	1,013
Nissan Chemical Taiwan Co., Ltd.	25	100	204
Philagro France S.A.S.	-	116	-
Total	¥1,549	¥1,125	\$12,654

(6) Loan commitments

The Company and its consolidated subsidiaries have entered into revolving credit line agreements with subsidiaries and affiliates and have established maximum loan amounts. The following are unused lines of credit based on these agreements as of the end of the current fiscal year.

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Total Amount of Loan Limits	¥4,514	¥4,390	\$36,876
Outstanding Loans	1,541	1,223	12,589
Net unused loan balance	¥2,973	¥3,167	\$24,287

The total amount of loans, the balance of executed loans, and the balance of unexecuted loans net of the amount of loans include foreign currencies.

8. Notes to Consolidated Statements of Income

(1) Revenue from contracts with customers

Revenues are not broken down into revenues from contracts with customers and other revenues.

The amount of revenue arising from contracts with customers is presented in

Notes to Consolidated Financial Statements (Revenue Recognition), 1. Information on revenue broken down from contracts with customers.

(2) Major items of selling, general and administrative expenses

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
transportation rates or expenses	¥1,020	¥865	\$8,333
labor cost	16,664	16,031	136,133
(Of which, retirement benefit expenses)	641	533	5,237
(Of which, provision for bonuses)	1,600	1,508	13,071
Provision for directors' bonuses	-	7	-
Provision for directors' and corporate auditors' stock based compensation cost	136	48	1,111
test cost	5,052	4,381	41,271
Depreciation and amortization	3,851	3,628	31,460
Allowance for doubtful accounts	7	2	57

(3) Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for FY2021 and FY2020 are as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
	¥16,023	¥16,459	\$130,896

(4) Business restructuring expenses

The expenses were related to the decision to suspend melamine operations in the Chemicals segment, and consisted of 895 million yen in dismantling and removal costs, etc., 775 million yen in impairment loss, and 121 million yen in loss on revaluation of inventories. 775 million yen in impairment loss, and 121 million yen in loss on revaluation of inventories.

The details of the impairment loss are as follows.

In principle, the Group groups its assets according to the smallest unit that generates independent cash flows.

In recent years, global melamine production capacity has greatly exceeded demand, and competition with overseas manufacturers has intensified, significantly worsening the profitability of this business.

In addition, the plant is deteriorating over time and the costs required for maintenance and renewal are increasing.

The decision to halt melamine production was based on the judgment that it would be difficult to secure medium- to long-term profits.

In response to this decision to cease production, the Group reduced the book value of the melamine plant to its recoverable amount

and recorded the reduction as an impairment loss (775 million yen) under extraordinary losses in the current fiscal year.

Location	Use	Type	(Millions of Yen)
			Impairment loss
Toyama City, Toyama Prefecture	Factory assets	Buildings and structures	¥250
		Machinery, equipment and vehicles	151
		Tools, furniture and fixtures	0
		Construction in progress	372
		Software	0
Total			¥775

The recoverable amount of this asset group is measured by its value in use, but since no future cash flows are expected, it is measured by value in use.

9. Comprehensive Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	(¥1,020)	¥6,742	(\$8,333)
Reclassification adjustment	(3,366)	(1,588)	(27,498)
Amount before tax effect	(4,387)	5,154	(35,839)
Tax effect	1,331	(1,578)	10,873
Valuation difference on available-for-sale securities, net of tax	(3,055)	3,575	(24,957)
Foreign currency translation adjustment:			
Gains (losses) arising during the year	875	1,075	7,148
Reclassification adjustment	-	-	-
Amount before tax effect	875	1,075	7,148
Tax effect	-	-	-
Foreign currency translation adjustment, net of tax	875	1,075	7,148
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	(549)	732	(4,485)
Reclassification adjustment	(89)	9	(727)
Amount before tax effect	(638)	741	(5,212)
Tax effect	196	(227)	1,601
Remeasurements of defined benefit plans, net of tax	(442)	514	(3,611)
Share of other comprehensive income of affiliates accounted for using equity methods:			
Gains (losses) arising during the year	0	1	0
Total other comprehensive income	(¥2,622)	¥5,167	(\$21,420)

10. Common Shares

(1) Dividends

Cash dividends charged to retained earnings for the years ended March 31, 2022 and 2021 represent the dividends paid out during those years. The accompanying consolidated financial statements do not include any provisions for a dividend approved by the Annual Shareholders Meeting of 58 yen per share with an aggregate 8,341 million yen for the year ended March 31, 2021.

(2) Retained Earnings

Retained earnings on a consolidated basis consist of legal reserve and retained earnings. In accordance with provisions of the Companies Act of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code states that while neither legal capital surplus nor legal retained earnings are available for dividends, both may be used to reduce or eliminate a deficit by a resolution of the shareholders' meeting, or may be transferred to stated capital common stock by a resolution of the Board of Directors. Legal reserve in the accompanying consolidated financial statement includes only that of the Company. Retained earnings of the Company and its consolidated subsidiaries include a certain special reserve for the purpose of obtaining tax benefits in accordance with the Special Taxation Law of Japan.

11. Investment securities

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Equity securities	¥18,871	¥24,397	\$154,162
Unlisted securities of affiliates	8,778	8,823	71,710
Unlisted securities	2,568	2,673	20,979
Total	¥30,217	¥35,894	\$246,851

12. Financial instruments

(1) Matters Concerning the Status of Financial Instruments

The Group limits fund management to short-term deposits, etc., and procures necessary funds mainly through bank loans. Trade receivables such as notes and accounts receivable-trade and accounts receivable-other related to the purchase of raw materials on behalf of customers are exposed to customer credit risk. The Company manages this risk by controlling due dates and outstanding balances for each counterparty in accordance with credit management rules, etc., and by periodically monitoring the credit status of major counterparties. Short-term loans receivable and long-term loans receivable are mainly to affiliated companies, and the Company periodically monitors the financial conditions of the borrowers. Investment securities, which are stocks, are exposed to the risk of market price fluctuations, but are mainly stocks of companies with which the Company has business relationships. The fair values of these securities are reported to the Board of Directors on a regular basis. Trade payables, trade notes and accounts payable, are due within one year. In addition, the Company hedges against the risk of exchange rate fluctuations related to foreign currency-denominated trade receivables and trade payables mainly through the use of foreign currency-denominated borrowings and other instruments. Of the loans payable, short-term loans payable are mainly to finance operating transactions, and long-term loans payable are mainly to finance capital expenditures. In addition, trade payables and borrowings are exposed to liquidity risk (risk of being unable to make payments on due dates). However, the Finance Department prepares appropriate cash management plans and maintains liquidity on hand. Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may vary due to the adoption of different assumptions and other factors.

(2) Matters related to fair value of financial instruments

Consolidated balance sheet amount, fair value and their differences are as follows.

FY2021	Consolidated balance sheet amount		market value	(Millions of Yen) difference
(1) Investments in securities	¥18,871	¥18,871	¥18,871	-
Available-for-sale securities	3,323	3,339	3,339	15
Total assets	¥22,195	¥22,211	¥22,211	¥15
(1) Long-term borrowing	1,734	1,736	1,736	2
Total liabilities	¥1,734	¥1,736	¥1,736	¥2

(Notes) 1. "Cash and deposits," "Notes and accounts receivable-trade," "Accounts receivable-other,"

Short-term loans receivable, "Notes and accounts payable-trade" and "Short-term loans payable" are not stated because they are cash and their fair values approximate their book values due to their short maturities.

2. Non-marketable equity securities are not included in "(1) Investment securities".

The consolidated balance sheet amounts of such financial instruments are as follows

Year ending March 31	(Millions of Yen)	(Thousands of U.S. dollars)
31-Mar-22	¥11,346	\$92,689

Scheduled redemption amount of monetary claims after the consolidated balance sheet date

FY2021	(Millions of Yen)			
	Within 1 year	Over 1 year 'Within 5	5 years or more '10 years or	Over 10 years
Cash on hand and in banks	¥34,658	-	-	-
Notes, accounts receivable and contract assets	79,979	-	-	-
Accounts receivable	2,824	-	-	-
Short-term loans receivable	1,541	-	-	-
Long-term loans	0	-	3,322	-
Total	¥119,003	-	¥3,322	-

Scheduled repayment of long-term debt and other interest-bearing liabilities after the consolidated balance sheet date

FY2021	(Millions of Yen)					
	Within 1 year	Over 1 year 'Within 2	Over 2 year 'Within 3 years	Over 3 year 'Within 4	Over 4 year 'Within 5	Over 5 years
Short-term loans payable	¥20,981	-	-	-	-	-
Long-term loans payable	552	468	362	242	110	-
Total	¥21,534	¥468	¥362	¥242	¥110	-

(3) Matters concerning the breakdown of the fair value of financial instruments by level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

① Financial instruments carried on the consolidated balance sheet at fair value

FY2021	(Millions of Yen)			
	market value			Total
	Level1	Level2	Level3	
Investments in securities				
Available-for-sale securities				
Stock (company)	¥18,871	-	-	¥18,871
Total	¥18,871	-	-	¥18,871

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investments in securities

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 valuation.

② Financial instruments other than those recorded on the consolidated balance sheets at fair value

FY2021	(Millions of Yen)			
	market value			Total
	Level1	Level2	Level3	
Long-term loans	-	¥3,339	-	¥3,339
Total assets	-	¥3,339	-	¥3,339
Long-term borrowing	-	1,736	-	1,736
Total liabilities	-	¥1,736	-	¥1,736

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

long-term loans

The fair value of long-term loans receivable is calculated using the discounted present value method based on their future cash flows and the interest rate obtained by adding a credit spread to an appropriate index such as the yield of government bonds, etc., for each credit risk category under credit management, classified by a certain period of time, and classified as Level 2 fair value.

Long-term borrowing

The fair value of long-term debt is determined using the discounted present value method based on the sum of the principal interest rate and an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value.

13. Securities

(1) Other securities

FY2021	(Millions of Yen)		
	Consolidated balance sheet amount as of the consolidated balance sheet date	Obtaining the original price	difference
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stock (company)	¥17,878	¥5,331	¥12,547
Bond	-	-	-
Other	-	-	-
Subtotal	17,878	5,331	12,547
Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition			
Stock (company)	993	1,298	(305)
Bond	-	-	-
Other	-	-	-
Subtotal	993	1,298	(305)
Total	¥18,871	¥6,629	¥12,241

(Note) Unlisted stocks (consolidated balance sheet amount: 11,346 million yen) are not included in "Available-for-sale securities" in the above table.

(2) Other securities sold

FY2021	(Millions of Yen)		
	Consolidated balance sheet amount as of the consolidated balance sheet date	Obtaining the original price	difference
Stock (company)	¥4,247	¥3,316	-
Bond	-	-	-
Other	-	-	-
Total	¥4,247	¥3,316	-

(Note) Sales of unlisted stocks and other securities (sales amount: 73 million yen, total gain on sales: 54 million yen, total loss on sales: 3 million yen) are not included in the above table.

(3) Securities for which impairment losses were recognized

In the current consolidated fiscal year, impairment loss of 477 million yen (477 million yen for stocks of other securities) was recognized for marketable securities.

14. Retirement Benefits

(1) The liability for retirement benefits as of FY2021 and FY2020 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Retirement benefit obligation	¥12,879	¥12,771	\$105,212
Plan asset	(14,724)	(15,249)	(120,284)
	(1,844)	(2,478)	(15,064)
Unfunded retirement benefit obligation	290	249	2,369
Net retirement benefit obligation	(1,553)	(2,229)	(12,687)
Net defined benefit liability	290	249	2,369
Net defined benefit asset	(1,844)	(2,478)	(15,064)
Net retirement benefit obligation	(¥1,553)	(¥2,229)	(\$12,687)

(2) Actuarial assumptions

The principal actuarial assumptions as of FY2021 and FY2020 were as follows:

	FY2021	FY2020
Discount rate	0.8%	0.8%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase (forecast)	3.6 to 9.0%	3.6 to 9.0%

(Note) Expected rate of salary increase is calculated based on our point system.

15. Income Taxes

The Company is subject to a number of taxes based on income. The statutory income tax rates were approximately 30.36% for the year ended March 31, 2022 and 30.62% for the year ended March 31, 2021.

The tax effects on significant temporary differences which resulted in deferred tax assets and liabilities as of FY2021 and FY2020 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2021	FY2020	FY2021
Deferred tax assets:			
Provision for bonuses	¥701	¥700	\$5,727
Inventory	644	777	5,261
Overdepreciation	627	693	
Business restructuring expenses	544	-	4,444
Loss on devaluation of marketable securities	442	309	
Other	2,630	2,769	21,485
Gross deferred tax assets	5,590	5,250	45,666
Less: Valuation allowance	(109)	(120)	(890)
Total deferred tax assets	5,481	5,130	44,776
Deferred tax liabilities:			
Unrealized gain on securities	(3,827)	(5,294)	(31,264)
Net defined benefit asset	(484)	(695)	(3,954)
Reserve for advanced depreciation of non-current assets	(235)	(244)	(1,920)
Other	(85)	-	(694)
Total deferred tax liabilities	(4,632)	(6,234)	(37,840)
Net deferred tax assets	¥849	(¥1,104)	\$6,936

The differences between the statutory tax rate and the effective tax rate for the years ended FY2021 and FY2020 were as follows:

	FY2021	FY2020
Statutory tax rate	30.36%	30.62%
(Reconciliation)		
Dividend and other items excluded permanently from	-1.87%	-1.53%
Elimination of intercompany dividend income	1.81	1.35
Equity in earnings of affiliates	(0.53)	(0.76)
Difference between the Company's statutory tax rate and	(0.38)	0.13
Entertainment and other permanently non-deductible expense	0.09	0.07
Tax credit	(2.99)	(3.73)
Other, net	1.25	0.20
Effective tax rate	27.74%	26.35%

16. Revenue Recognition

(1) Information that disaggregates revenue arising from contracts with customers

Our revenues are primarily revenues recognized from contracts with customers, broken down by our reportable segments by type of goods or services.

FY2021	Millions of Yen							Adjustments (Note)	Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others			
Basic Chemicals	¥15,561	—	—	—	—	—	—	¥15,561	
Fine chemical	9,050	—	—	—	—	—	—	9,050	
Functional Materials	—	69,654	—	—	—	—	—	69,654	
Agrochemicals	—	—	56,636	—	—	—	—	56,636	
Drug discovery	—	—	—	2,441	—	—	—	2,441	
Finetech	—	—	—	4,138	—	—	—	4,138	
Wholesale	—	—	—	—	39,598	—	—	39,598	
Others	—	—	—	—	—	10,877	15	10,892	
Revenue from contracts with customers	24,611	69,654	56,636	6,580	39,598	10,877	15	207,972	
Net sales to external customers	¥24,611	¥69,654	¥56,636	¥6,580	¥39,598	¥10,877	¥15	¥207,972	

Notes:

(1)The "Other" segment is a business segment not included in the reportable segments.

(2)Elimination of (22,807) million yen in proxy transactions resulting from the application of the revenue recognition accounting standard, etc., is included in the adjustment amount in the segment information.

However, this amount is reflected in each reportable segment in the information that breaks down revenues from contracts with customers.

(2)Information that provides a basis for understanding revenue arising from contracts with customers

Basis for understanding revenues and expenses is as described in "2.m Basis for recording significant revenues and expenses.

(3)Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the fiscal year ended March 31, 2022 and are expected to be recognized in the following fiscal year.

Receivables, contract assets and contract liabilities arising from contracts with customers of FY2021 are as follows

	Balance at beginning of year	Balance at end of year	(Millions of Yen)
Claims arising from contracts with customers	¥73,937	¥79,979	
Contract asset	11	0	
Contract liabilities	193	155	

Contract assets relate to the rights of the Company and its consolidated subsidiaries to consideration for goods or services completed but unbilled as of the balance sheet date. Contract liabilities consist primarily of advances received from customers and are included in "Other" current liabilities on the consolidated balance sheets. The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 127 million yen.

17. Segment Information

(1) General Information about reportable segments

In regard to reportable segments, the Company is able to obtain discrete financial data from its component units.

Accordingly, its segments are subject to regular review to help the Board of Directors decide how to allocate managerial resources and evaluate business performance.

Divisions by products and services are located at headquarters. Each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

Therefore, the Company consists of segments based on the following divisions:

Segment	Main Products
Chemicals	Basic chemicals (melamine, sulfuric acid, nitric acid, ammonia, etc.) Fine chemicals (epoxy compound for LED sealants, flame retardants, chlorinated cyanuric acid for sterilizing, etc.)
Performance Materials	Display materials (LCD alignment coating, etc.) Semiconductor materials (bottom anti-reflective coating for semiconductors, etc.) Inorganic materials (hard coating materials, electronic information materials, polishing materials, etc.)
Agricultural Chemicals	Agrochemicals (herbicides, insecticides, fungicides, combination fungicide and insecticide, and plant growth regulators) Animal health products
Pharmaceuticals	LIVALO®(anti-cholesterol drugs), etc. Finetech®(custom chemicals and process researching services for pharmaceutical companies)
Trading	Trading, etc.
Others	Transportation, landscaping, engineering, fertilizer, etc.

(2) Basis for the measurement of reported segment sales, profit or loss, segment assets, liabilities, and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements.

Intersegment sales and transfers are based on current market prices.

(3) Matters related to changes in reportable segments, etc.

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition, etc., from the beginning of the current consolidated fiscal year, and has changed the accounting method for revenue recognition.

As a result of this change, sales and segment income in the agrochemicals segment increased by 77 million yen and sales in the other segment increased by 0 million yen, compared with the previous accounting method.

(4) Information on sales, profit (loss), assets, liabilities, and other item amounts by reportable segment

FY2020	Millions of Yen							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	¥21,867	¥62,600	¥57,541	¥6,609	¥50,833	¥9,657	¥12	¥209,121
Intersegment sales	10,041	9,047	6,306	43	18,987	14,106	(58,533)	-
Total	31,908	71,648	63,848	6,652	69,820	23,763	(58,521)	209,121
Segment profit(loss)	1,482	22,416	18,202	357	2,498	831	(3,260)	42,530
Segment assets	30,763	51,014	82,822	9,646	26,205	12,789	52,268	265,509
Other items								
Depreciation and amortization	2,241	4,477	2,527	517	80	311	191	10,346
Amortization of goodwill	1	—	77	—	—	—	—	78
Increase of property, plant and equipment, and intangible assets	¥4,903	¥3,174	¥6,426	¥475	¥137	¥388	¥296	¥15,800

Notes: The adjustments are as follows:

(1) The (3,260) million yen adjustments in segment profit includes 33 million yen in intersegment eliminations, 12 million yen sales not allocated to any reporting segments, and (3,305) million yen corporate expenses not allocated to any reporting segments.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(2) The 52,268 million yen adjustments in segment assets includes (12,958) million yen in intersegment eliminations and 65,226 million yen in corporate assets not allocated to any reporting segments. The corporate assets are mainly group administrative assets which do not belong to segments.

(3) The 191 million yen adjustments in depreciation and amortization is corporate expenses.

(4) The 296 million yen adjustments in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

FY2021	Millions of Yen							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	¥26,032	¥69,664	¥57,965	¥6,580	¥59,644	¥10,877	(¥22,792)	¥207,972
Intersegment sales	11,615	12,000	7,853	49	20,792	12,717	(65,031)	-
Total	37,648	81,665	65,819	6,630	80,437	23,595	(87,823)	207,972
Segment profit(loss)	3,796	27,719	18,338	947	2,903	692	(3,438)	50,959
Segment assets	32,101	55,133	90,658	9,157	31,489	12,175	48,972	279,687
Other items								
Depreciation and amortization	2,547	3,860	2,563	541	73	299	233	10,119
Amortization of goodwill	1	-	101	-	-	-	-	103
Increase of property, plant and equipment, and intangible assets	¥2,338	¥5,725	¥1,472	¥651	¥20	¥614	¥127	¥10,951

Notes: The adjustments are as follows:

(1) The (22,792) million yen adjustments to sales to outside customers includes elimination of proxy transactions of (22,807) million yen due to the application of revenue recognition accounting standards, etc., and sales of 15 million yen that do not belong to any reportable segment.

(2) The (3,438) million yen adjustments in segment profit includes (72) million yen in intersegment eliminations, 15 million yen sales not allocated to any reporting segments, and (3,381) million yen corporate expenses not allocated to any reporting segments.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(3) The 48,972 million yen adjustments in segment assets includes (14,985) million yen in intersegment eliminations and 63,958 million yen in corporate assets not allocated to any reporting segments. The corporate assets are mainly group administrative assets which do not belong to segments.

(4) The 233 million yen adjustments in depreciation and amortization is corporate expenses.

(5) The 127 million yen adjustments in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

FY2021	Thousands of U.S. dollars							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	\$212,662	\$569,104	\$473,532	\$53,754	\$487,248	\$88,857	(\$186,194)	\$1,698,979
Intersegment sales	94,886	98,031	64,153	400	169,855	103,889	(531,256)	—
Total	307,557	667,143	537,693	54,162	657,111	192,754	(717,450)	1,698,979
Segment profit(loss)	31,011	226,444	149,808	7,736	23,715	5,653	(28,086)	416,298
Segment assets	262,242	450,396	740,609	74,806	257,242	99,461	400,065	2,284,838
Other items								
Depreciation and amortization	20,807	31,533	20,938	4,420	596	2,443	1,903	82,665
Amortization of goodwill	8	—	825	—	—	—	—	841
Increase of property, plant and equipment, and intangible assets	\$19,100	\$46,769	\$12,025	\$5,318	\$163	\$5,016	\$1,037	\$89,462

Overseas operations, which represent sales to customers outside Japan for FY2021 and FY2020 were as follows:

FY2020	Millions of Yen					
	Japan	China	Korea	Other Asia	Europe and the United	Consolidated Total
Net sales	¥108,443	¥26,476	¥21,481	¥25,175	¥27,544	¥209,121

FY2021	Millions of Yen					
	Japan	China	Korea	Other Asia	Europe and the United	Consolidated Total
Net sales	¥99,167	¥30,191	¥21,395	¥28,678	¥28,537	¥207,972

FY2021	Thousands of U.S. dollars					
	Japan	China	Korea	Other Asia	Europe and the United	Consolidated Total
Net sales	\$810,122	\$246,638	\$174,781	\$234,278	\$233,126	\$1,698,979

18. Amounts per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share attributable to the period represent dividends declared as applicable to the year.

Amounts per share of net income and cash dividends for FY2021 and FY2020 were as follows:

	(Yen)		(U.S. dollars)
	FY2021	FY2020	FY2021
Net income	¥271.88	¥231.73	\$2.22
Cash dividends	¥122.00	¥104.00	\$1.00

Independent Auditors' Report

To the Board of Directors of
Nissan Chemical Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nissan Chemical Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Yaesu Audit & Co.
Tokyo, Japan
June 28, 2022

