

Integrated Report 2023
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 Cash Flows	11
Consolidated Statements of Changes in Net Assets	12
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. Changes in Accounting Policy	17
6. Notes to Consolidated Balance Sheets	18
7. Notes to Consolidated Statements of Income	19
8. Comprehensive Income	20
9. Common Shares	20
10. Investment Securities	20
11. Financial Instruments	21
12. Securities	24
13. Retirement Benefits	25
14. Income Taxes.....	26
15. Revenue Recognition	27
16. Segment Information	28
17. Amounts per Share	29

Long Term Financial Performance Trend

(Billions of Yen)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	228.1
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	52.3
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	55.8
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	41.1
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	63.3
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%	22.9%
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%	19.4%
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	291.36
Dividend(¥/share)	24	24	26	30	36	44	52	68	82	90	104	122	164
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%	56.3%
Share Repurchase	2.8	-	5.0	5.0	6.0	9.0	9.0	9.0	9.0	10.0	10.0	12.0	9.0
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	298.7
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	221.5
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	29.6
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	27.3
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%	73.1%
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	20.3
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	11.0
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	16.8
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%	7.4%

FINANCIAL REVIEW

Financial Review of the Year Ended March 31, 2023

Overview

In the current fiscal year (April 1, 2022 to March 31, 2023), although consumer spending showed a recovery trend due to the relaxation of behavioral restrictions, the domestic economy did not achieve a full-fledged recovery due to soaring raw fuel material prices, inflation, as well as continued weak exports against the backdrop of sluggish overseas economies. Under these circumstances, in the Chemicals Segment, sales of both Basic Chemicals and Fine Chemicals increased. In the Performance Materials Segment, although sales of Display Materials declined, Semiconductor Materials and Inorganic Materials performed well. In the Agricultural Chemicals Segment, sales increased. In the Healthcare Segment, sales of “Custom Chemicals” (custom manufacturing and solution proposal business for pharmaceutical companies) increased.

As a result, sales, operating income and net income attributable to owners of parent fell short of the forecasts announced in February. However, compared to the same period last year, sales and each income increased. In addition, operating and ordinary income achieved record highs for the ninth consecutive year, and net income attributable to owners of parent for the tenth consecutive year exceeding the earnings outlook announced in November.

Operating Results

As a result, the Company's results for the current fiscal year were net sales 228,065 million yen (an increase of 20,093 million yen), operating income 52,283 million yen (an increase of 1,323 million yen) and ordinary income 55,793 million yen (an increase of 2,103 million yen), and net income attributable to owners of parent 41,087 million yen (an increase of 2,311 million yen).

ROE was 19.4% and we have achieved the Mid-Term Plan “Vista2027” Stage I target (maintain above 18%) in the current fiscal year.

Dividend was 164 yen and dividend payout ratio became 56.3%. We have repurchased share of 9.0 billion yen and total payout ratio was 78.0%.

Financial Position

Total assets as of March 31, 2023 were 298,715 million yen (an increase of 19,027 million yen from the previous year). It is mainly due to the increase of merchandise and finished goods, raw materials and supplies, and construction in progress.

Total liabilities as of March 31, 2023 were 77,188 million yen (an increase of 5,510 million yen). It is mainly due to the increase of short-term loans payable.

Net assets as of March 31, 2023 were 221,526 million yen (an increase of 13,516 million yen).

As a result of these factors, equity ratio was 73.1% (a decrease of 0.5% from March 31, 2022).

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, 2023 was 35,226 million yen (41,949 million yen for the previous year).

Due to investment on plant and equipment, etc. net cash used in investing activities for the consolidated fiscal year ended March 31, 2023 was 19,643 million yen (12,395 million yen for the previous year).

Due to share repurchase, payment for dividends and the decrease in loans payable, net cash used in financing activities for the consolidated fiscal year ended March 31, 2023 was 25,030 million yen (27,868 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2023 were 29,647 million yen (34,658 million yen for the previous year), reflecting exchange of 1,320 million yen. It decreased by 5,010 million yen compared to the previous year.

Overview by segments

The Chemicals Segment

In Basic Chemicals, sales of urea and AdBlue®* (high-grade urea solution) increased due to price revisions in response to higher raw material and fuel. Sales of melamine (adhesives agent for particle board) declined as a result of the termination of sales in the third quarter under the structural reforms announced in August 2021.

In Fine Chemicals, sales of "TEPIC" (powder coating agent for paint, sealants, etc.) decreased, but environmental chemicals (sterilizing and disinfecting agents for pools and septic tanks, etc.) and fineoxocol (raw materials for cosmetics, etc.) increased.

As a result, sales of this segment were 39,034 million yen (an increase of 1,385 million yen) and operating income was 1,379 million yen (a decrease of 2,408 million yen). Compared to the outlook, sales were below 0.7 billion yen and operating income was below 0.3 billion yen.

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

The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) declined. In Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®*) increased due to strong sales through the first half of the year, however, customer utilization declined from the third quarter of the year. In Inorganic Materials, sales of "SNOWTEX" for polishing electronic materials and hard coating and Oilfield materials (solvents to improve the efficiency of shale oil and gas extraction) were steady.

As a result, sales of this segment were 82,606 million yen (an increase of 941 million yen) and operating income was 25,449 million yen (a decrease of 2,171 million yen). Compared to the outlook, sales were a below 0.9 billion yen and operating income was below 0.8 billion yen.

* ARC® is a registered trademark of Brewer Science, Inc.

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased due to the completion of customer inventory adjustments in the previous fiscal year. In Japanese domestic market, sales of "ROUNDUP" (non-selective foliar application herbicide), "ALTAIR" (paddy rice herbicide) and "GRACIA" (insecticide) were firm. In the overseas market, sales increased significantly due to strong sales of "LEIMAY" (fungicide), "GRACIA" and "TARGA" (herbicide).

As a result, sales of this segment were 81,584 million yen (an increase of 15,765 million

yen) and operating income was 23,130 million yen (an increase of 5,002 million yen). Compared to the outlook, sales were above 0.2 billion yen and operating income was below 0.4 billion yen.

The Healthcare Segment

Sales of "LIVALO" (anti-cholesterol drug) were at the same level as the FY2021. In "Custom Chemicals", sales increased due to steady sales of generic active pharmaceutical ingredients.

As a result, sales of this segment were 6,673 million yen (an increase of 83 million yen) and operating income was 2,990 million yen (an increase of 176 million yen). Compared to the outlook, sales were above 0.1 billion yen and operating income was above 0.1 billion yen.

Trading

Sales of this segment were 99,066 million yen (an increase of 18,629 million yen) and operating income was 3,701 million yen (an increase of 797 million yen). Compared to the outlook, sales were above 0.1 billion yen and operating income was above 0.4 billion yen.

Others

Sales of this segment were 26,384 million yen (an increase of 2,789 million yen) and operating income was 879 million yen (an increase of 187 million yen).

Consolidated Balance Sheets

(Thousands of
U.S. dollars)

	(Millions of Yen)		
	FY2022	FY2021	FY2022
Assets			
Current assets			
Cash and deposits	29,647	34,658	222,008
Notes and accounts receivable - trade, and contract assets	82,670	79,979	619,065
Merchandise and finished goods	46,950	37,664	351,580
Work in process	18	15	135
Raw materials and supplies	17,703	14,496	132,567
Accounts receivable - other	2,113	2,824	15,823
Short-term loans receivable	3,088	1,541	23,124
Other	7,305	4,140	54,703
Allowance for doubtful accounts	(44)	(41)	(329)
Total current assets	<u>189,454</u>	<u>175,279</u>	<u>1,418,706</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures	72,520	69,443	543,058
Accumulated depreciation and impairment loss	(46,567)	(45,158)	(348,712)
Buildings and structures, net	25,952	24,284	194,339
Machinery, equipment and vehicles	151,653	145,129	1,135,637
Accumulated depreciation and impairment loss	(136,861)	(132,567)	(1,024,869)
Machinery, equipment and vehicles, net	14,792	12,561	110,768
Tools, furniture and fixtures	42,153	41,345	315,658
Accumulated depreciation and impairment loss	(38,379)	(37,384)	(287,397)
Tools, furniture and fixtures, net	3,774	3,960	28,261
Land	8,817	8,809	66,025
Leased assets	149	-	1,116
Accumulated depreciation and impairment loss	(10)	-	(75)
Leased assets (Net)	139	-	1,041
Construction in progress	11,176	3,561	83,690
Total property, plant and equipment	<u>64,653</u>	<u>53,177</u>	<u>484,147</u>
Intangible assets			
Software	1,722	1,736	12,895
Other	9,813	10,044	73,484
Total intangible assets	<u>11,535</u>	<u>11,780</u>	<u>86,379</u>
Investments and other assets			
Investment securities	27,322	30,217	204,598
Long-term loans receivable	0	3,323	0
Deferred tax assets	531	918	3,976
Net defined benefit asset	2,140	1,844	16,025
Other	3,186	3,256	23,858
Allowance for doubtful accounts	(110)	(110)	(824)
Total investments and other assets	<u>33,071</u>	<u>39,450</u>	<u>247,649</u>
Total non-current assets	<u>109,260</u>	<u>104,408</u>	<u>818,182</u>
Total assets	<u>298,715</u>	<u>279,687</u>	<u>2,236,895</u>

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Liabilities			
Current liabilities			
Notes and accounts payable - trade	19,942	19,043	149,334
Short-term loans payable	25,327	20,981	189,659
Current portion of long-term loans payable	624	552	4,673
Income taxes payable	7,879	8,710	59,001
Provision for bonuses	2,413	2,285	18,069
Provision for business structure improvement	418	-	3,130
Other	15,556	14,398	116,489
Total current liabilities	<u>72,161</u>	<u>65,971</u>	<u>540,370</u>
Non-current liabilities			
Long-term loans payable	1,338	1,182	10,019
Deferred tax liabilities	98	69	734
Provision for business structure improvement	-	698	-
Provision for loss on business of subsidiaries and affiliates	626	626	4,688
Provision for share awards for directors (and other officers)	256	200	1,917
Net defined benefit liability	377	290	2,823
Other	2,331	2,638	17,455
Total non-current liabilities	<u>5,027</u>	<u>5,706</u>	<u>37,644</u>
Total liabilities	<u>77,188</u>	<u>71,678</u>	<u>578,014</u>
Net assets			
Shareholders' equity			
Capital stock	18,942	18,942	141,845
Capital surplus	13,613	13,613	101,939
Retained earnings	182,400	172,393	1,365,883
Treasury shares	(6,111)	(8,261)	(45,762)
Total shareholders' equity	<u>208,844</u>	<u>196,688</u>	<u>1,563,906</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	7,678	8,304	57,496
Foreign currency translation adjustment	1,735	898	12,992
Remeasurements of defined benefit plans	159	21	1,191
Total accumulated other comprehensive income	<u>9,574</u>	<u>9,223</u>	<u>71,694</u>
Non-controlling interests	<u>3,107</u>	<u>2,097</u>	<u>23,266</u>
Total net assets	<u>221,526</u>	<u>208,009</u>	<u>1,658,874</u>
Total liabilities and net assets	<u>298,715</u>	<u>279,687</u>	<u>2,236,895</u>

Consolidated Statements of Income

(Thousands of
U.S. dollars)

	(Millions of Yen)		
	FY2022	FY2021	FY2022
Net sales	228,065	207,972	1,707,840
Cost of sales	121,262	106,883	908,058
Gross profit	106,803	101,089	799,783
Selling, general and administrative expenses	54,519	50,129	408,260
Operating income	52,283	50,959	391,516
Non-operating income			
Interest income	203	49	1,520
Dividend income	1,323	768	9,907
Equity in earnings of affiliates	1,485	950	11,120
Foreign exchange gains	1,296	1,134	9,705
Other	694	918	5,197
Total non-operating income	5,004	3,821	37,472
Non-operating expenses			
Interest expenses	252	73	1,887
Loss on disposal of non-current assets	817	682	6,118
Loss on sales of non-current assets	5	116	37
Plant stop losses	198	108	1,483
Other	220	109	1,647
Total non-operating expenses	1,493	1,090	11,180
Ordinary income	55,793	53,690	417,800
Extraordinary income			
Gain on sales of investment securities	1,461	3,366	10,941
Total extraordinary income	1,461	3,366	10,941
Extraordinary losses			
Loss on valuation of investment securities	650	477	4,867
Business restructuring expenses	-	1,792	-
Loss on business of subsidiaries and associates	-	626	-
Total extraordinary losses	650	2,896	4,867
Income before income taxes and non-controlling interests	56,605	54,160	423,880
Income taxes - current	14,554	14,713	108,986
Income taxes - deferred	633	312	4,740
Total income taxes	15,187	15,026	113,726
Net income	41,417	39,134	310,147
Net income attributable to non-controlling interests	329	357	2,464
Net income attributable to owners of parent	41,087	38,776	307,676

Consolidated Statements of Comprehensive Income

(Thousands of
U.S. dollars)

	(Millions of Yen)		
	FY2022	FY2021	FY2022
Net income	41,417	39,134	310,147
Other comprehensive income			
Valuation difference on available-for-sale securities	(625)	(3,055)	(4,680)
Foreign currency translation adjustment	760	875	5,691
Remeasurements of defined benefit plans, net of tax	138	(442)	1,033
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income	273	(2,622)	2,044
Comprehensive income	41,690	36,511	312,191
(Comprehensive income attributable to)			
Owners of parent	41,270	36,095	309,046
Non-controlling interests	420	416	3,145

Consolidated Statements of Cash Flows

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Cash flows from operating activities			
Income before income taxes and non-controlling interests	56,605	54,160	423,880
Depreciation and amortization	10,878	10,119	81,459
Business restructuring expenses	-	1,792	-
Loss on business of subsidiaries and associates	-	626	-
Loss on valuation of investment securities	650	477	4,867
Amortization of goodwill	101	103	756
Interest and dividend income	(1,527)	(817)	(11,435)
Loss (gain) on sales of investment securities	(1,461)	(3,366)	(10,941)
Interest expenses	252	73	1,887
Loss (gain) on disposal of non-current assets	817	682	6,118
Decrease (increase) in notes and accounts receivable - trade	(2,360)	(5,704)	(17,673)
Decrease (increase) in inventories	(12,382)	(6,230)	(92,721)
Increase (decrease) in notes and accounts payable - trade	217	2,523	1,625
Other	(3,057)	(1,163)	(22,892)
Subtotal	48,734	53,277	364,939
Interest and dividend income received	2,153	1,913	16,123
Interest expenses paid	(251)	(73)	(1,880)
Income taxes paid	(15,408)	(13,168)	(115,381)
Net cash provided by (used in) operating activities	35,226	41,949	263,786
Cash flows from investing activities			
Purchase of investment securities	(506)	(190)	(3,789)
Proceeds from sales of investment securities	2,499	4,248	18,713
Purchase of shares of subsidiaries	(25)	(22)	(187)
Purchase of property, plant and equipment	(18,236)	(11,253)	(136,558)
Payments for retirement of property, plant and equipment	(716)	(466)	(5,362)
Purchase of intangible assets	(1,221)	(1,133)	(9,143)
Payments of long-term loans receivable	-	(3,322)	-
Net decrease (increase) in short-term loans receivable	(1,505)	(262)	(11,270)
Purchase of long-term prepaid expenses	(282)	(188)	(2,112)
Other	352	196	2,636
Net cash provided by (used in) investing activities	(19,643)	(12,395)	(147,095)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	3,940	(345)	29,504
Proceeds from long-term loans payable	780	550	5,841
Repayments of long-term loans payable	(552)	(552)	(4,134)
Cash dividends paid	(20,084)	(15,468)	(150,397)
Dividends paid to non-controlling interests	(105)	(48)	(786)
Share repurchase	(9,002)	(12,003)	(67,411)
Other	(6)	0	(45)
Net cash provided by (used in) financing activities	(25,030)	(27,868)	(187,434)
Effect of exchange rate change on cash and cash equivalents	1,320	591	9,885
Net increase (decrease) in cash and cash equivalents	(8,126)	2,277	(60,851)
Cash and cash equivalents at beginning of period	34,658	32,380	259,533
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	3,116	-	23,334
Cash and cash equivalents at end of period	29,647	34,658	222,008

(Note 1) This is an English translation of the consolidated financial statements of the Japanese annual securities report.

(Note 2) The consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2023 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 ¥ 133.54 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2023. 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.

Consolidated Statements of Changes in Net Assets
For FY2022

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥18,942	¥13,613	¥172,393	(¥8,261)	¥196,688
Changes of items during period					
Dividends of surplus			(20,084)		(20,084)
Net income attributable to owners of parent			41,087		41,087
Change in scope of consolidation			101		101
Share repurchase				(9,002)	(9,002)
Disposal of treasury shares				55	55
Cancellation of treasury shares			(11,097)	11,097	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	10,006	2,150	12,156
Balance at end of current period	¥18,942	¥13,613	¥182,400	(¥6,111)	¥208,844

	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	¥8,304	¥898	¥21	¥9,223	¥2,097	¥208,009
Changes of items during period						
Dividends of surplus						(20,084)
Net income attributable to owners of parent						41,087
Change in scope of consolidation						101
Share repurchase						(9,002)
Disposal of treasury shares						55
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(625)	837	138	350	1,009	1,360
Total changes of items during period	(625)	837	138	350	1,009	13,516
Balance at end of current period	¥7,678	¥1,735	¥159	¥9,574	¥3,107	¥221,526

For FY2021

(Millions of Yen)

	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 FY2022

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$141,845	\$101,939	\$1,290,947	(\$61,862)	\$1,472,877
Changes of items during period					
Dividends of surplus			(150,397)		(150,397)
Net income attributable to owners of parent			307,676		307,676
Change in scope of consolidation			756		756
Share repurchase				(67,411)	(67,411)
Disposal of treasury shares				412	412
Cancellation of treasury shares			(83,099)	83,099	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	74,929	16,100	91,029
Balance at end of current period	\$141,845	\$101,939	\$1,365,883	(\$45,762)	\$1,563,906

	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	\$62,184	\$6,725	\$157	\$69,065	\$15,703	\$1,557,653
Changes of items during period						
Dividends of surplus						(150,397)
Net income attributable to owners of parent						307,676
Change in scope of consolidation						756
Share repurchase						(67,411)
Disposal of treasury shares						412
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	(4,680)	6,268	1,033	2,621	7,556	10,184
Total changes of items during period	(4,680)	6,268	1,033	2,621	7,556	101,213
Balance at end of current period	\$57,496	\$12,992	\$1,191	\$71,694	\$23,266	\$1,658,874

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, 2023 include the account of Nissan Chemical Corporation, (the "Company") and its nine (eight in FY2021) main 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 (two in FY2021) affiliated companies 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, equipment and vehicles.

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 years
Other intangible assets	5~16 years

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 becomes aware of a customer's inability to meet its financial obligations, such as when a customer files for bankruptcy or when 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 Awards 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. 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 occur.

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, healthcares, 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.

A portion of revenue related to licensing is recognized when uncertainties are resolved based on sales reported by customers.

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

Group tax sharing 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, 2023 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 ¥133.54 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2023. 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. Retirement Benefits

(1) Amount recorded in the consolidated financial statements

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Net defined benefit asset	¥2,140	¥1,844	\$16,025
Net defined benefit liability	377	290	2,823

(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.

b. Loss on Valuation of Inventories

(1) Amount recorded in the consolidated financial statements.

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Loss on valuation of inventories	¥0	(¥76)	\$0

(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 replacement cost 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.

c. Valuation of Intangible Assets and Other

(1) Amount recorded in the consolidated financial statements.

-The fungicide "Quinoxifen" business

	(Millions of Yen)			(Thousands of U.S. dollars)
	FY2022	FY2021	Amortization Period	FY2022
	Amount	Amount		Amount
Intangible fixed assets and others (Product registration right)	¥3,251	¥3,832	9 year	\$24,345
Intangible fixed assets and others (Non-competition agreement)	331	459	6 year	2,479
Intangible fixed assets and others (Goodwill)	103	168	5 year	771
Total	¥3,685	¥4,460		\$27,595
Impairment loss	-	-		-

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

- Calculation method

When there is an indication of impairment of an asset group, including intangible and other assets, the Group estimates the undiscounted future cash flows to be derived from the asset group, and if the carrying amount exceeds the total undiscounted future cash flows, the carrying amount is written down to the recoverable amount and recorded the reduction as a loss for the current fiscal year. Goodwill and intangible assets and other of the Group are mainly related to the Quinoxifen and Manzeb businesses. No impairment loss was recognized for the Quinoxifen business in the current fiscal year because the total undiscounted future cash flows from the asset group, including intangible assets and others related to the Quinoxifen business, exceeded its carrying amount.

- Main assumptions

Undiscounted future cash flows from asset groups, including intangible and other assets related to the Quinoxifen business, are calculated based on the budget for the next fiscal year approved by the Board of Directors and the expected performance of such asset groups thereafter.

The earnings estimates are based on historical experience and external and internal information. The primary assumptions used in estimating future cash flows are net sales and cost of sales, which reflect the measures taken in the earnings forecast.

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

Uncertain future economic conditions and changes in the Company's operating conditions could materially affect estimates of future cash flows, which could have a significant impact on the consolidated financial statements in the following fiscal years and beyond.

5. Changes in Accounting Policy

a. Fair Value Measurement

"Implementation Guidance on Accounting Standard for Fair Value Calculation" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021) was applied from the beginning of the current fiscal year, and the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value Calculation is applied prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Calculation. There is no impact on the consolidated financial statements.

b. New Accounting Standards Not Yet Applied

· "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

· "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

· "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

These standards prescribe the categories in which income tax expense should be recorded when other comprehensive income is subject to taxation and the tax treatment of income taxes on sales of shares of subsidiaries and other securities in case where group corporate taxation is applied.

(2) Scheduled date of application

The Company plans to apply the new standards from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of Application of the Accounting Standards

The impact of the application of the said accounting standards is currently being evaluated.

6. 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)
	FY2022	FY2021	FY2022
Notes receivable - trade	¥4,291	¥3,992	\$32,133
Accounts receivable - trade	78,153	75,987	585,240
Contract assets	225	0	1,685

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

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Contract liabilities	¥136	¥155	\$1,018

(3) Collateral assets and liabilities

Collateral assets and liabilities of FY2022 and FY2021 are as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Investment securities	¥221	¥180	\$1,655
Guarantee deposits	10	10	75

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Accounts payable - trade	¥332	¥284	\$2,486

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

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Investment securities (stocks)	¥8,000	¥8,778	\$59,907
Investments and other assets	826	824	6,185
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)
	FY2022	FY2021	FY2022
Toyama Kyodo Jikahatsuden Co., Ltd.	¥2,875	¥1,400	\$21,529
Nissan Chemical Materials Research (Suzhou) Co., Ltd	-	124	-
Nissan Chemical Taiwan Co., Ltd.	-	25	-
Total	¥2,875	¥1,549	\$21,529

(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)
	FY2022	FY2021	FY2022
Total amount of loan limit	¥5,065	¥4,514	\$37,929
Outstanding loans	3,044	1,541	22,795
Net unused loan balance	¥2,020	¥2,973	\$15,127

The total amount of loan limit, outstanding loans and net unused loan balance include foreign currencies.

7. 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 Note 15.

Revenue Recognition, (1) Information that disaggregates revenue arising from contracts with customers.

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

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Transportation expenses	¥1,022	¥1,020	\$7,653
Labor cost	17,500	16,664	131,047
(Of which, retirement benefit expenses	611	641	4,575)
(Of which, provision for bonuses	1,714	1,600	12,835)
Provision for share awards for directors (and other officers)	130	136	973
Test cost	5,149	5,052	38,558
Depreciation and amortization	4,072	3,851	30,493
Allowance for doubtful accounts	2	7	15

(3) Research and development expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for FY2022 and FY2021 are as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
	¥16,838	¥16,023	\$126,090

(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. 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 FY2021.

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.

8. Comprehensive Income

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥597	(¥1,020)	\$4,471
Reclassification adjustment	(1,496)	(3,366)	(11,203)
Amount before tax effect	(898)	(4,387)	(6,725)
Tax effect	272	1,331	2,037
Valuation difference on available-for-sale securities, net of tax	(625)	(3,055)	(4,680)
Foreign currency translation adjustment:			
Gains (losses) arising during the year	760	875	5,691
Reclassification adjustment	-	-	-
Amount before tax effect	760	875	5,691
Tax effect	-	-	-
Foreign currency translation adjustment, net of tax	760	875	5,691
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	(276)	(549)	(2,067)
Reclassification adjustment	307	(89)	2,299
Amount before tax effect	30	(638)	225
Tax effect	107	196	801
Remeasurements of defined benefit plans, net of tax	138	(442)	1,033
Share of other comprehensive income of entities accounted for using equity methods:			
Gains (losses) arising during the year	0	0	0
Total other comprehensive income	¥273	(¥2,622)	\$2,044

9. Common Shares

(1) Dividends

Cash dividends charged to retained earnings for the years ended March 31, 2023 and 2022 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 94 yen (0.70 U.S. dollars) per share with an aggregate 13,199 million yen (98,839 thousands of U.S. dollars) for the year ended March 31, 2023.

(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 "Act"), the Company has provided a legal reserve as an appropriation of retained earnings. The Act 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.

10. Investment Securities

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Equity securities	¥16,923	¥18,871	\$126,726
Unlisted securities of affiliates	8,000	8,778	59,907
Unlisted securities	2,399	2,568	17,965
Total	¥27,322	¥30,217	\$204,598

11. 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.

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			(Millions of Yen)
	Consolidated balance sheet amount	Market value	Difference
(1) Investments in securities			
Available-for-sale securities	¥18,871	¥18,871	-
(2) Long-term loans receivable	3,323	3,339	15
Total assets	¥22,195	¥22,211	¥15
(1) Long-term loans payable	1,734	1,736	2
Total liabilities	¥1,734	¥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 or 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

FY2022			(Millions of Yen)
	Consolidated balance sheet amount	Market value	Difference
(1) Investments in securities			
Available-for-sale securities	¥16,923	¥16,923	-
(2) Long-term loans receivable	0	0	-
Total assets	¥16,923	¥16,923	-
(1) Long-term loans payable	1,962	1,966	4
Total liabilities	¥1,962	¥1,966	¥4

FY2022			(Thousands of U.S. dollars)
	Consolidated balance sheet amount	Market value	Difference
(1) Investments in securities			
Available-for-sale securities	\$126,726	\$126,726	-
(2) Long-term loans receivable	0	0	-
Total assets	\$126,726	\$126,726	-
(1) Long-term loans payable	14,692	14,722	30
Total liabilities	\$14,692	\$14,722	\$30

(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 or 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, 2022	(Millions of Yen)
Unlisted stocks	¥11,346

Year ending March 31, 2023	(Millions of Yen)	(Thousands of U.S. dollars)
Unlisted stocks	¥10,399	\$77,872

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

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

	(Millions of Yen)			
FY2022	Within 1 year	Over 1 year within 5 years	5 years or more 10 years or less	Over 10 years
Cash on hand and in banks	¥29,647	-	-	-
Notes, accounts receivable - trade and contract assets	82,670	-	-	-
Accounts receivable - other	2,113	-	-	-
Short-term loans receivable	3,088	-	-	-
Long-term loans receivable	0	¥0	-	-
Total	¥117,521	¥0	-	-

	(Thousands of U.S. dollars)			
FY2022	Within 1 year	Over 1 year within 5 years	5 years or more 10 years or less	Over 10 years
Cash on hand and in banks	\$222,008	-	-	-
Notes, accounts receivable - trade and contract assets	619,065	-	-	-
Accounts receivable - other	15,823	-	-	-
Short-term loans receivable	23,124	-	-	-
Long-term loans receivable	0	\$0	-	-
Total	\$880,043	\$0	-	-

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

	(Millions of Yen)					
FY2021	Within 1 year	Over 1 year within 2 years	Over 2 year within 3 years	Over 3 year within 4 years	Over 4 year within 5 years	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	-

	(Millions of Yen)					
FY2022	Within 1 year	Over 1 year within 2 years	Over 2 year within 3 years	Over 3 year within 4 years	Over 4 year within 5 years	Over 5 years
Short-term loans payable	¥25,327	-	-	-	-	-
Long-term loans payable	624	¥518	¥398	¥266	¥156	-
Total	¥25,951	¥518	¥398	¥266	¥156	-

	(Thousands of U.S. dollars)					
FY2022	Within 1 year	Over 1 year within 2 years	Over 2 year within 3 years	Over 3 year within 4 years	Over 4 year within 5 years	Over 5 years
Short-term loans payable	\$189,659	-	-	-	-	-
Long-term loans payable	4,673	\$3,879	\$2,980	\$1,992	\$1,168	-
Total	\$194,331	\$3,879	\$2,980	\$1,992	\$1,168	-

(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 sheets at fair value

(Millions of Yen)

FY2021	Market Value			Total
	Level1	Level2	Level3	
Investments in securities				
Available-for-sale securities				
Stocks	¥18,871	-	-	¥18,871
Total	¥18,871	-	-	¥18,871

(Millions of Yen)

FY2022	Market Value			Total
	Level1	Level2	Level3	
Investments in securities				
Available-for-sale securities				
Stocks	¥16,923	-	-	¥16,923
Total	¥16,923	-	-	¥16,923

(Thousands of U.S. dollars)

FY2022	Market Value			Total
	Level1	Level2	Level3	
Investments in securities				
Available-for-sale securities				
Stocks	\$126,726	-	-	\$126,726
Total	\$126,726	-	-	\$126,726

(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

(Millions of Yen)

FY2021	Market Value			Total
	Level1	Level2	Level3	
Long-term loans receivable	-	¥3,339	-	¥3,339
Total assets	-	3,339	-	3,339
Long-term loans payable	-	1,736	-	1,736
Total liabilities	-	¥1,736	-	¥1,736

(Millions of Yen)

FY2022	Market Value			Total
	Level1	Level2	Level3	
Long-term loans receivable	-	¥0	-	¥0
Total assets	-	0	-	0
Long-term loans payable	-	1,966	-	1,966
Total liabilities	-	¥1,966	-	¥1,966

(Thousands of U.S. dollars)

FY2022	Market Value			Total
	Level1	Level2	Level3	
Long-term loans receivable	-	\$0	-	\$0
Total assets	-	0	-	0
Long-term loans payable	-	14,722	-	14,722
Total liabilities	-	\$14,722	-	\$14,722

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

Long-term loans receivable

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 loans payable

The fair value of long-term loans payable 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.

12. Securities

(1) Other securities

	(Millions of Yen)		
	Consolidated balance sheet amount as of the consolidated balance sheet date	Acquisition costs	Difference
FY2021			
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stocks	¥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 cost			
Stocks	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 "Other securities" in the above table.

	(Millions of Yen)		
	Consolidated balance sheet amount as of the consolidated balance sheet date	Acquisition costs	Difference
FY2022			
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stocks	¥16,613	¥5,138	¥11,474
Bond	-	-	-
Other	-	-	-
Subtotal	16,613	5,138	11,474
Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost			
Stocks	309	499	(189)
Bond	-	-	-
Other	-	-	-
Subtotal	309	499	(189)
Total	¥16,923	¥5,638	¥11,284

(Note) Unlisted stocks (consolidated balance sheet amount: 10,399 million yen) are not included in "Other securities" in the above table.

	(Thousands of U.S. dollars)		
	Consolidated balance sheet amount as of the consolidated balance sheet date	Acquisition costs	Difference
FY2022			
Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost			
Stocks	\$124,405	\$38,475	\$85,922
Bond	-	-	-
Other	-	-	-
Subtotal	124,405	38,475	85,922
Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost			
Stocks	2,314	3,737	(1,415)
Bond	-	-	-
Other	-	-	-
Subtotal	2,314	3,737	(1,415)
Total	\$126,726	\$42,220	\$84,499

(Note) Unlisted stocks (consolidated balance sheet amount: 77,872 thousands of U.S. dollars) are not included in "Other securities" in the above table.

(2) Other securities sold

	(Millions of Yen)		
	Proceeds from sales	Total gains on sales	Total loss on sales
FY2021			
Stocks	¥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 profit on sales: 54 million yen, total loss on sales: 3 million yen) are not included in the above table.

	(Millions of Yen)		
	Proceeds from sales	Total gains on sales	Total loss on sales
FY2022			
Stocks	¥2,526	¥1,504	¥7
Bond	-	-	-
Other	-	-	-
Total	¥2,526	¥1,504	¥7

	(Thousands of U.S. dollars)		
	Proceeds from sales	Total gains on sales	Total loss on sales
FY2022			
Stocks	\$18,916	\$11,263	\$52
Bond	-	-	-
Other	-	-	-
Total	\$18,916	\$11,263	\$52

(Note) Sales of unlisted stocks and other securities (sales amount: 0 million yen (0 thousands of U.S. dollars), total loss on sales: 35 million yen (262 thousands of U.S. dollars)) are not included in the above table.

(3) Securities for which impairment losses were recognized

In the current consolidated fiscal year, impairment loss of 650 million yen (650 million yen (4,867 thousands of U.S. dollars) for stocks of other securities) was recognized for marketable securities.

13. Retirement Benefits

(1) The liability for retirement benefits as of FY2022 and FY2021 are as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Funded retirement benefit obligation	¥13,108	¥12,879	\$98,158
Plan asset	(15,249)	(14,724)	(114,191)
	(2,140)	(1,844)	(16,025)
Unfunded retirement benefit obligation	377	290	2,823
Net liability (asset) recognized on the consolidated balance sheets	(1,763)	(1,553)	(13,202)
Net defined benefit liability	377	290	2,823
Net defined benefit asset	(2,140)	(1,844)	(16,025)
Net liability (asset) recognized on the consolidated balance sheets	(¥1,763)	(¥1,553)	(\$13,202)

(2) Actuarial assumptions

The principal actuarial assumptions as of FY2022 and FY2021 are as follows:

	FY2022	FY2021
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.

14. Income Taxes

Effective from the current consolidated fiscal year, the Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. In addition, in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No. 42, August 12, 2021), the Company has accounted for and disclosed income taxes and local corporate taxes or tax effect accounting related to these taxes.

The Company is subject to a number of taxes based on income.

The statutory income tax rates were approximately 30.36% for the years ended March 31, 2023 and 2022.

The tax effects on significant temporary differences which resulted in deferred tax assets and liabilities as of FY2022 and FY2021 were as follows:

	(Millions of Yen)		(Thousands of U.S. dollars)
	FY2022	FY2021	FY2022
Deferred tax assets:			
Provision for bonuses	¥740	¥701	\$5,541
Inventory	693	644	5,189
Loss on devaluation of marketable securities	631	442	4,725
Overdepreciation	613	627	4,590
Prepaid contract testing fees	495	441	3,707
Unrealized gains on inventories	490	417	3,669
Business restructuring expenses	484	544	3,624
Accrued enterprise tax	399	433	2,988
Other	1,503	1,338	11,255
Gross deferred tax assets	6,051	5,590	45,312
Less: Valuation allowance	(91)	(109)	(681)
Total deferred tax assets	5,960	5,481	44,631
Deferred tax liabilities:			
Unrealized gain on securities	(3,515)	(3,827)	(26,322)
Retained earnings of foreign subsidiaries	(1,027)	-	(7,691)
Net defined benefit asset	(559)	(484)	(4,186)
Reserve for advanced depreciation of non-current assets	(228)	(235)	(1,707)
Other	(196)	(85)	(1,468)
Total deferred tax liabilities	(5,527)	(4,632)	(41,388)
Net deferred tax assets	¥433	¥849	\$3,242

The differences between the statutory tax rate and the effective tax rate for the years ended FY2022 and FY2021 are as follows:

	FY2022	FY2021
Statutory tax rate	30.36%	30.36%
(Reconciliation)		
Dividend and other items excluded permanently from taxable income	(2.15%)	(1.87%)
Elimination of intercompany dividend income	1.98	1.81
Equity in earnings of affiliates	(0.80)	(0.53)
Difference between the Company's statutory tax rate and the overseas consolidated subsidiaries' tax rate	(0.78)	(0.38)
Retained earnings of foreign subsidiaries	1.82	-
Entertainment and other permanently non-deductible expense	0.25	0.09
Tax credit	(2.91)	(2.99)
Other, net	(0.94)	1.25
Effective tax rate	26.83%	27.74%

15. Revenue Recognition

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

Our revenues are primarily revenues recognized from contracts with customers. Breakdown by our reportable segments by type of goods or services are as follows.

		Millions of Yen						
FY2021	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Adjustments (Note)	Total
	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	—	—	—	2,401	—	—	2,401
	Finetech	—	—	—	4,138	—	—	4,138
	Wholesale	—	—	—	—	39,598	—	39,598
	Others	—	—	—	—	—	10,877	10,932
	Revenue from contracts with customers	24,611	69,654	56,636	6,540	39,598	10,877	207,972
	Net sales to external customers	¥24,611	¥69,654	¥56,656	¥6,540	¥39,598	¥10,877	¥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.

		Millions of Yen						
FY2022	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Adjustments (Note)	Total
	Basic Chemicals	¥14,088	—	—	—	—	—	¥14,088
	Fine chemical	10,081	—	—	—	—	—	10,081
	Functional Materials	—	66,207	—	—	—	—	66,207
	Agrochemicals	—	—	69,123	—	—	—	69,123
	Drug discovery	—	—	—	2,339	—	—	2,339
	Finetech	—	—	—	4,322	—	—	4,322
	Wholesale	—	—	—	—	49,815	—	49,815
	Others	—	—	—	—	—	12,052	12,086
	Revenue from contracts with customers	24,170	66,207	69,123	6,662	49,815	12,052	228,065
	Net sales to external customers	¥24,170	¥66,207	¥69,123	¥6,662	¥49,815	¥12,052	¥228,065

		Thousands of U.S. dollars						
FY2022	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Adjustments (Note)	Total
	Basic Chemicals	\$105,496	—	—	—	—	—	\$105,496
	Fine chemical	75,490	—	—	—	—	—	75,490
	Functional Materials	—	495,784	—	—	—	—	495,784
	Agrochemicals	—	—	517,620	—	—	—	517,620
	Drug discovery	—	—	—	17,515	—	—	17,515
	Finetech	—	—	—	32,365	—	—	32,365
	Wholesale	—	—	—	—	373,034	—	373,034
	Others	—	—	—	—	—	90,250	90,505
	Revenue from contracts with customers	180,994	495,784	517,620	49,888	373,034	90,250	1,707,840
	Net sales to external customers	\$180,994	\$495,784	\$517,620	\$49,888	\$373,034	\$90,250	\$1,707,840

Notes:

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

(2)Elimination of (29,212) million yen ((218,751) thousands of U.S. dollars) 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, 2023 and are expected to be recognized in the following fiscal year.

Receivables, contract assets and contract liabilities arising from contracts with customers of FY2021, FY2022 are as follows

FY2021	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.

FY2022	Balance at beginning of year	Balance at end of year	(Millions of Yen)
Claims arising from contracts with customers	¥79,979	¥82,445	
Contract asset	0	225	
Contract liabilities	155	136	

FY2022	Balance at beginning of year	Balance at end of year	(Thousands of U.S. dollars)
Claims arising from contracts with customers	\$598,914	\$617,381	
Contract asset	0	1,685	
Contract liabilities	1,161	1,018	

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 144 million yen (1,078 thousands of U.S. dollars).

16. 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
Healthcare	LIVALO®(anti-cholesterol drugs), etc. Customs Chemicals (custom manufacturing and solution proposal business 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) Information on sales, profit (loss), assets, liabilities, and other item amounts by reportable segment

FY2021	Millions of Yen							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	¥26,032	¥69,664	¥57,965	¥6,540	¥59,644	¥10,877	(¥22,752)	¥207,972
Intersegment sales	11,615	12,000	7,853	49	20,792	12,717	(65,031)	-
Total	37,648	81,665	65,819	6,590	80,437	23,595	(87,783)	207,972
Segment profit(loss)	3,787	27,621	18,127	2,813	2,903	692	(4,985)	50,959
Segment assets	32,020	55,312	90,770	8,296	31,489	12,175	49,623	279,687
Other items								
Depreciation and amortization	2,531	3,876	2,593	431	73	299	312	10,119
Amortization of goodwill	1	-	101	-	-	-	-	103
Increase of property, plant and equipment, and intangible assets	¥2,335	¥5,741	¥1,520	¥498	¥20	¥614	¥219	¥10,951

Notes:

1. Sales from proxy transactions included in net sales to outside customers in each reportable segment are calculated on a gross basis.

Adjustments made on sales from proxy transactions from gross to net amounts are included in "Adjustments".

2. Adjustments are as follows.

(1) The (22,752) 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 55 million yen that do not belong to any reportable segment.

(2) The (4,985) million yen adjustments in segment profit includes (72) million yen in intersegment eliminations, 55 million yen sales not allocated to any reporting segments, and (4,969) 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 49,623 million yen adjustments in segment assets includes (14,985) million yen in intersegment eliminations and 64,609 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 312 million yen adjustments in depreciation and amortization is corporate expenses.

(5) The 219 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.

FY2022	Millions of Yen							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	¥26,495	¥66,224	¥70,266	¥6,662	¥75,542	¥12,052	(¥29,177)	¥228,065
Intersegment sales	12,538	16,381	11,318	11	23,524	14,332	(78,107)	-
Total	39,034	82,606	81,584	6,673	99,066	26,384	(107,285)	228,065
Segment profit(loss)	1,379	25,449	23,130	2,990	3,701	879	(5,247)	52,283
Segment assets	34,236	61,287	103,966	7,693	36,791	13,613	41,125	298,715
Other items								
Depreciation and amortization	2,477	4,565	2,701	376	65	442	249	10,878
Amortization of goodwill	-	-	101	-	-	-	-	101
Increase of property, plant and equipment, and intangible assets	¥3,659	¥8,711	¥6,232	¥449	¥66	¥366	¥787	¥20,272

FY2022	Thousands of U.S. dollars							Consolidated Total
	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Adjustments (Note)	
Net sales								
Sales to outside customers	\$198,405	\$495,911	\$526,179	\$49,888	\$565,688	\$90,250	(\$218,489)	\$1,707,840
Intersegment sales	93,889	122,667	84,754	82	176,157	107,324	(584,896)	—
Total	292,302	618,586	610,933	49,970	741,845	197,574	(803,392)	1,707,840
Segment profit(loss)	10,326	190,572	173,207	22,390	27,715	6,582	(39,292)	391,516
Segment assets	256,373	458,941	778,538	57,608	275,505	101,939	307,960	2,236,895
Other items								
Depreciation and amortization	18,549	34,185	20,226	2,816	487	3,310	1,865	81,459
Amortization of goodwill	—	—	756	—	—	—	—	756
Increase of property, plant and equipment, and intangible assets	\$27,400	\$65,231	\$46,668	\$3,362	\$494	\$2,741	\$5,893	\$151,805

Overseas operations, which represent sales to customers outside Japan for FY2022 and FY2021 were as follows:

Notes:

1. Sales from proxy transactions included in net sales to outside customers in each reportable segment are calculated on a gross basis.

Adjustments made on sales from proxy transactions from gross to net amounts are included in "Adjustments".

2. Adjustments are as follows.

(1) The (29,177) million yen ((218,489) thousands of U.S. dollars) adjustments to sales to outside customers includes elimination of proxy transactions of

(29,212) million yen ((218,751) thousands of U.S. dollars) due to the application of revenue recognition accounting standards, etc.,

and sales of 34 million yen (255 thousands of U.S. dollars) that do not belong to any reportable segment.

(2) The (5,247) million yen ((39,292) thousands of U.S. dollars) adjustments in segment profit includes 267 million yen (1,999 thousands of U.S. dollars)

in intersegment eliminations, 34 million yen (255 thousands of U.S. dollars) sales not allocated to any reporting segments, and (5,550) million yen ((41,561) thousands of U.S. dollars)

corporate expenses not allocated to any reporting segments.

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

(3) The 41,125 million yen (307,960 thousands of U.S. dollars) adjustments in segment assets includes (17,921) million yen ((134,199) thousands of U.S. dollars)

in intersegment eliminations and 59,138 million yen (442,849 thousands of U.S. dollars) 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 249 million yen (1,865 thousands of U.S. dollars) adjustments in depreciation and amortization is corporate expenses.

(5) The 787 million yen (5,893 thousands of U.S. dollars) 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.

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

In accordance with changes in the corporate organization effective April 1, 2022, the Company has changed the name of its "Pharmaceuticals" segment to "Healthcare"

and also changed the segment attribution of certain divisions, effective from the first quarter of the current fiscal year.

The segment information for the previous consolidated fiscal year has been prepared based on the reporting segment classification after the change.

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

FY2022	Millions of Yen					
	Japan	China	Korea	Other Asia	Europe and the United States	Consolidated Total
Net sales	¥105,937	¥30,547	¥23,994	¥29,255	¥38,330	¥228,065

FY2022	Thousands of U.S. dollars					
	Japan	China	Korea	Other Asia	Europe and the United States	Consolidated Total
Net sales	\$793,298	\$228,748	\$179,677	\$219,073	\$287,030	\$1,707,840

FY2022	Millions of Yen				
	Japan	Korea	India	Europe and the United States	Consolidated Total
Property, plant and equipment	¥49,857	¥7,630	¥6,673	¥492	¥64,653

FY2022	Thousands of U.S. dollars				
	Japan	Korea	India	Europe and the United States	Consolidated Total
Property, plant and equipment	\$373,349	\$57,136	\$49,970	\$3,684	\$484,147

17. 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 FY2022 and FY2021 were as follows:

	(Yen)		(U.S. dollars)
	FY2022	FY2021	FY2022
Net income	¥291.36	¥271.88	\$2.18
Cash dividends	¥164.00	¥122.00	\$1.23

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, 2023, 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, 2023, 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, 2023 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, 2023

Yaesu Audit & Co