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Consolidated Financial Results for the Nine Months Ended December 31, 2020 (under Japanese GAAP)

February 4, 2021

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 Listing: Tokyo Stock Exchange
 Securities code: 4471
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 Scheduled date to file quarterly securities report: February 10, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

(Figures are rounded down to the nearest million yen)

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2021 (from April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (cumulative) (% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2020	106,332	(9.7)	8,850	1.5	8,814	(4.3)	4,377	(26.0)
December 31, 2019	117,728	(4.4)	8,717	(14.5)	9,208	(25.6)	5,919	(35.3)

Note: Comprehensive income: Nine months ended December 31, 2020 ¥9,032 million [69.8%]
 Nine months ended December 31, 2019 ¥5,320 million [(20.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2020	198.56	–
December 31, 2019	268.52	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2020	186,850	135,280	71.1	6,029.79
March 31, 2020	178,873	130,097	71.4	5,789.88

Reference: Equity: As of December 31, 2020 ¥132,936 million
 As of March 31, 2020 ¥127,635 million

2. Cash dividends

	Cash dividends per share				
	1Q (as of June 30)	2Q (as of Sept. 30)	3Q (as of Dec. 31)	4Q (as of Mar. 31)	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	70.00	—	70.00	140.00
Fiscal year ending March 31, 2021	—	70.00	—		
Fiscal year ending March 31, 2021 (Forecast)				80.00	150.00

Note: Revisions of the latest forecasts for cash dividends announced: Yes

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	140,000	(10.0)	11,500	(7.6)	12,000	(5.5)	7,000	(8.7)	317.52

Note: Revisions of the latest forecasts for earnings announced: None

*** Notes**

(1) Significant changes in subsidiaries during the nine months ended December 31, 2020 (changes in specific subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

Note: See page 11, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Application of special accounting methods for the preparation of quarterly consolidated financial statements” for more information.

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

a. Changes in accounting policies associated with revised accounting standards, etc.: None

b. Changes in accounting policies other than a. above: Yes

c. Changes in accounting estimates: None

d. Restatements: None

Note: See page 11, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Changes in accounting policies” for more information.

(4) Number of shares issued (common stock)

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

As of December 31, 2020	23,534,752 shares
As of March 31, 2020	23,534,752 shares

b. Number of treasury shares at the end of the period

As of December 31, 2020	1,488,150 shares
As of March 31, 2020	1,490,245 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the nine months ended December 31, 2020	22,045,652 shares
For the nine months ended December 31, 2019	22,044,923 shares

Note: Shares of Sanyo Chemical Industries, Ltd. (the “Company”) owned by the trust whose beneficiaries are directors, etc. of the Company are included in the treasury shares that are excluded in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Appropriate use of earnings forecasts and other special items

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual earnings may differ significantly due to various factors. See page 4, “1. Qualitative information regarding financial results for the nine months ended December 31, 2020, (3) Information concerning future forecast such as consolidated earnings forecasts” for more information regarding the circumstances behind the assumptions used in earnings forecasts and matters to be noted when relying on earnings forecasts.

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1. Qualitative information regarding financial results for the nine months ended December 31, 2020

(1) Information regarding operating results

During the first nine months (April 1, 2020 to December 31, 2020) of the fiscal year ending March 31, 2021, the Japanese economy deteriorated rapidly as a result of the large drop in private consumption and exports due to the impact of the COVID-19 pandemic. After the reopening of economic activities, recovery could be seen in exports picking up for automotive equipment and in other aspects, but the renewed spread of COVID-19 has led to continued challenging conditions. In the global economy, although China is steadily recovering after the reopening of economic activities, Europe and the US are again strengthening restrictions on activities due to the renewed spread of COVID-19 and will likely need time to return to last year's levels.

In the chemical industry, the yen is appreciating in the forex market as expectations are increasing towards the US to extend the period of easing in its monetary policy, and raw material costs are recovering after they plunged sharply with the decline in oil prices and the global economy. Amid these unstable conditions, the business environment remains unpredictable.

Under these circumstances, net sales for the period under review decreased by 9.7% year on year, to ¥106,332 million mainly due to a decrease in sales amount and appropriate sales price revision to respond to a drop in raw material costs. In terms of profit, operating profit was ¥8,850 million (an increase of 1.5% year on year), and ordinary profit was ¥8,814 million (a decrease of 4.3% year on year) mainly due to a decrease in share of profit of entities accounted for using equity method. Profit attributable to owners of parent was ¥4,377 million (a decrease of 26.0% year on year) mainly due to recording of loss on cancellation of integration.

1) Business performance

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Change		FY2019
			(Amount)	(Ratio)	
Net sales	117,728	106,332	(11,395)	(9.7)%	155,503
Operating profit	8,717	8,850	133	1.5%	12,439
Ordinary profit	9,208	8,814	(393)	(4.3)%	12,704
Profit attributable to owners of parent	5,919	4,377	(1,541)	(26.0)%	7,668
Basic earnings per share	¥268.52	¥198.56	¥(69.96)	(26.1)%	¥347.87
ROA (Return on assets*)	6.5%	6.4%	–	(0.1) percentage point	6.8%
ROE (Return on equity)	6.0%	4.5%	–	(1.5) percentage point	6.0%
Currency exchange (US\$, CNY)	US\$=¥108.66 CNY=¥15.60	US\$=¥106.11 CNY=¥15.45		¥(2.55) ¥(0.15)	US\$=¥108.72 CNY=¥15.60
Naphtha price in Japan	¥42,300/kl	¥28,900/kl		¥(13,400)/kl	¥42,900/kl

*ROA (Return on assets) is calculated based on ordinary profit.

Note: ROA and ROE for the nine months ended December 31, 2019 and 2020 are annualized.

2) Business performance by segment

(Millions of yen)

	Nine months ended December 31, 2019		Nine months ended December 31, 2020		Change		FY2019	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	40,510	1,061	39,901	2,393	(608)	1,332	53,726	1,590
Petroleum and Automotives	32,378	2,624	26,778	2,468	(5,600)	(156)	42,770	3,740
Plastics and Textiles	16,371	2,192	15,323	1,902	(1,047)	(289)	21,453	3,003
Information and Electrics/Electronics	15,873	2,075	13,144	1,300	(2,729)	(774)	20,985	2,937
Environmental Protection, Construction and Others	12,594	763	11,183	784	(1,410)	21	16,567	1,166

<Toiletries and Health Care>

In the Toiletries segment, sales decreased because of weak sales of polyethyleneglycol in both domestic and foreign markets due to a decline in the market as well as weak sales of surfactants for liquid laundry detergents. In the Health Care segment, sales were flat, as sales for our mainstay superabsorbent polymers were flat mainly due to appropriate sales price revision to respond to a drop in raw material costs despite strong demand in China, while on the other hand, sales of germicides and other products increased.

As a result, total net sales in this segment decreased by 1.5% year on year, to ¥39,901 million. Operating profit was ¥2,393 million (an increase of 125.6% year on year) due to improved profitability of superabsorbent polymers.

<Petroleum and Automotives>

In the Petroleum and Automotives segment, sales experienced a large decline. This was due to the decline in the automotive industry which caused weak sales of raw materials for polyurethane foams used in automobile seats and other applications, lubricant additives, and thermoplastic polyurethane beads for interior parts of automobiles.

As a result, total net sales in this segment decreased by 17.3% year on year, to ¥26,778 million. Operating profit was ¥2,468 million (a decrease of 6.0% year on year).

<Plastics and Textiles>

In the Plastics segment, sales decreased because of weak sales of paint coating agents and additives, automotive modeling materials, and resin modifiers used as paint binders, despite a large increase in sales of our mainstay permanent antistatic agents due to expanded sales for new applications in addition to the recovery in demand. The Textiles segment experienced a large-scale decline in sales, as polyurethane resins for synthetic leather and elastomer fiber and the spin finish oil used in the manufacturing process of tire cord yarns and other items experienced a downturn in sales while sales of chemicals for carbon fibers were flat.

As a result, total net sales in this segment decreased by 6.4% year on year, to ¥15,323 million. Operating profit was ¥1,902 million (a decrease of 13.2% year on year).

<Information and Electrics/Electronics>

In the Information segment, sales experienced a large decline. This was due to a decline in office use of multifunction devices, etc. reflecting the increased teleworking, which caused weak sales of toner materials for those devices, including toner resins for pulverized toners and polyester beads as a core component of polymerization toners.

In the Electrics/Electronics segment, sales were strong due to a large increase in sales of raw materials for resists used in 5G-compatible semiconductor memory and resins used in displays.

As a result, total net sales in this segment decreased by 17.2% year on year, to ¥13,144 million. Operating profit was ¥1,300 million (a decrease of 37.3% year on year).

<Environmental Protection, Construction and Others>

In the Environmental Protection segment, sales declined due to the continued stagnation of the polymer flocculants market, which caused weak sales of cationic monomer, the raw material used to make polymer flocculants.

In the Construction segment, sales experienced a large decline. This was due to weak sales for both raw materials for building sealants and raw materials for polyurethane foams mainly used in furniture and heat insulating materials, reflecting a decline in the market.

As a result, total net sales in this segment decreased by 11.2% year on year, to ¥11,183 million. Operating profit was ¥784 million (an increase of 2.8% year on year).

(2) Analysis of financial position

The Group's financial position at the end of the period under review was as follows:

Total assets increased by ¥7,976 million compared with the end of the previous fiscal year, amounting to ¥186,850 million.

Net assets increased by ¥5,183 million from the end of the previous fiscal year, to ¥135,280 million.

Equity ratio fell by 0.3 percentage points from the end of the previous fiscal year, to 71.1%.

Cash and cash equivalents ("cash") as of the end of the period under review amounted to ¥20,302 million. This marked an increase of ¥2,292 million compared with the end of the previous fiscal year (cash decreased by ¥1,048 million during the same period of the previous fiscal year).

The cash flow movements during the period under review and the factors influencing them were as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥14,984 million (compared to ¥12,438 million in net cash provided during the same period of the previous fiscal year). This result was mainly due to the cash inflow from profit before income taxes of ¥6,925 million and depreciation of ¥7,174 million, which outweighed the cash outflow mainly from the decrease in income taxes paid of ¥2,118 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥9,396 million (compared to ¥8,244 million in net cash used during the same period of the previous fiscal year). This result was mainly due to a cash outlay of ¥6,341 million for purchase of non-current assets.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥2,829 million (compared to ¥5,124 million in net cash used during the same period of the previous fiscal year). This result was mainly due to the cash outflow from dividends paid of ¥3,076 million and repayments of long-term borrowings of ¥700 million, which outweighed the cash inflow mainly from net increase in short-term borrowings of ¥1,452 million.

(3) Information concerning future forecast such as consolidated earnings forecasts

Because earnings for the period under review were in line with the earnings forecasts announced on November 6, 2020, the Company has left its full-year consolidated earnings forecasts unchanged.

In terms of our forecast for dividends per share at the end of the period under review, after a comprehensive consideration of factors, including the results for the nine months ended December 31, 2020, and the financial condition and the business environment over the medium to long term, we have raised our forecast by ¥10 from the most recent forecast of ¥70, to ¥80 per share. As a result, for the fiscal year ending March 31, 2021, the planned annual dividends will be ¥150 per share with the inclusion of the ¥70 interim dividend.

The rates of progress made during the period under review in comparison to the full-year consolidated earnings forecasts announced on November 6, 2020 are shown in the table below.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Consolidated earnings forecasts (Millions of yen)	140,000	11,500	12,000	7,000
[Progress to forecasts (%)]	[76.0]	[77.0]	[73.5]	[62.5]
Results for the previous fiscal year (Fiscal year ended March 31, 2020) (Millions of yen)	155,503	12,439	12,704	7,668

* These earnings forecasts were based on information available at the time of announcement. Actual earnings may differ due to various factors occurring in the future.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	18,009	20,302
Notes and accounts receivable - trade	40,954	43,475
Electronically recorded monetary claims - operating	1,621	1,111
Merchandise and finished goods	14,729	13,996
Semi-finished goods	3,926	3,663
Work in process	435	66
Raw materials and supplies	4,873	3,984
Other	1,316	1,648
Allowance for doubtful accounts	(32)	(33)
Total current assets	85,835	88,215
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,956	17,699
Machinery, equipment and vehicles, net	29,985	27,611
Land	8,875	8,813
Construction in progress	1,330	3,702
Other, net	2,568	2,235
Total property, plant and equipment	60,716	60,063
Intangible assets		
Software	1,405	1,272
Other	1,091	1,607
Total intangible assets	2,497	2,879
Investments and other assets		
Investment securities	22,701	27,536
Long-term loans receivable	2,232	2,848
Deferred tax assets	311	285
Retirement benefit asset	983	1,020
Other	3,624	4,030
Allowance for doubtful accounts	(29)	(30)
Total investments and other assets	29,823	35,692
Total non-current assets	93,038	98,634
Total assets	178,873	186,850

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	17,444	18,643
Electronically recorded obligations - operating	4,872	5,135
Short-term borrowings	5,867	7,215
Current portion of long-term borrowings	1,400	1,400
Accrued expenses	3,146	3,413
Income taxes payable	715	585
Provision for bonuses	1,916	1,139
Provision for bonuses for directors (and other officers)	107	66
Electronically recorded obligations - non-operating	799	1,025
Provision for loss on factory closing	541	158
Other	5,954	6,174
Total current liabilities	42,766	44,958
Non-current liabilities		
Long-term borrowings	2,400	1,700
Deferred tax liabilities	1,758	3,087
Provision for stock-based compensation	189	279
Retirement benefit liability	27	30
Other	1,633	1,513
Total non-current liabilities	6,009	6,610
Total liabilities	48,775	51,569
Net assets		
Shareholders' equity		
Share capital	13,051	13,051
Capital surplus	11,246	11,246
Retained earnings	103,033	104,323
Treasury shares	(5,858)	(5,847)
Total shareholders' equity	121,473	122,773
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,122	9,678
Foreign currency translation adjustment	471	866
Remeasurements of defined benefit plans	(431)	(381)
Total accumulated other comprehensive income	6,161	10,162
Non-controlling interests	2,462	2,344
Total net assets	130,097	135,280
Total liabilities and net assets	178,873	186,850

(2) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	117,728	106,332
Cost of sales	91,467	81,710
Gross profit	26,260	24,622
Selling, general and administrative expenses	17,542	15,771
Operating profit	8,717	8,850
Non-operating income		
Interest income	64	88
Dividend income	642	502
Share of profit of entities accounted for using equity method	53	—
Rental income from real estate	267	102
Other	130	156
Total non-operating income	1,159	849
Non-operating expenses		
Interest expenses	75	46
Rental costs on real estate	78	40
Loss on abandonment of inventories	99	94
Foreign exchange losses	259	230
Share of loss of entities accounted for using equity method	—	318
Other	154	153
Total non-operating expenses	668	885
Ordinary profit	9,208	8,814
Extraordinary income		
Gain on sales of investment securities	160	—
Insurance claim income	12	35
Total extraordinary income	173	35
Extraordinary losses		
Loss on sales of non-current assets	—	27
Loss on retirement of non-current assets	830	695
Impairment loss	—	347
Loss on cancellation of integration	—	*
Other	—	15
Total extraordinary losses	830	1,924
Profit before income taxes	8,551	6,925
Income taxes	2,529	2,202
Profit	6,022	4,722
Profit attributable to non-controlling interests	102	345
Profit attributable to owners of parent	5,919	4,377

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	6,022	4,722
Other comprehensive income		
Valuation difference on available-for-sale securities	11	3,556
Foreign currency translation adjustment	(687)	703
Remeasurements of defined benefit plans, net of tax	(25)	49
Total other comprehensive income	(701)	4,309
Comprehensive income	5,320	9,032
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,363	8,658
Comprehensive income attributable to non-controlling interests	(42)	373

(3) Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	8,551	6,925
Depreciation	6,794	7,174
Loss on retirement of non-current assets	830	695
Impairment loss	—	347
Increase (decrease) in provision for bonuses	(949)	(801)
Changes in retirement benefit asset and liability	(82)	38
Increase (decrease) in provision for bonuses for directors (and other officers)	(32)	(40)
Increase (decrease) in provision for stock-based compensation	86	101
Interest and dividend income	(706)	(590)
Interest expenses	75	46
Share of loss (profit) of entities accounted for using equity method	(53)	318
Loss (gain) on sales of investment securities	(160)	—
Decrease (increase) in trade receivables	3,813	(1,660)
Decrease (increase) in inventories	203	2,264
Increase (decrease) in trade payables	(1,892)	1,356
Other, net	(144)	331
Subtotal	16,333	16,507
Interest and dividends received	1,456	641
Interest paid	(74)	(46)
Income taxes paid	(5,276)	(2,118)
Net cash provided by (used in) operating activities	12,438	14,984
Cash flows from investing activities		
Purchase of non-current assets	(6,783)	(6,341)
Proceeds from sales of property, plant and equipment	101	20
Purchase of investment securities	(5)	(805)
Proceeds from sales of investment securities	239	—
Long-term loan advances	(1,024)	(664)
Other, net	(771)	(1,605)
Net cash provided by (used in) investing activities	(8,244)	(9,396)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,002)	1,452
Repayments of long-term borrowings	(1,252)	(700)
Net decrease (increase) in treasury shares	(2)	(1)
Dividends paid	(2,969)	(3,076)
Dividends paid to non-controlling interests	(350)	(420)
Proceeds from share issuance to non-controlling shareholders	533	—
Other, net	(81)	(84)
Net cash provided by (used in) financing activities	(5,124)	(2,829)
Effect of exchange rate change on cash and cash equivalents	(118)	76
Net increase (decrease) in cash and cash equivalents	(1,048)	2,833

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash and cash equivalents at beginning of period	19,151	18,009
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of consolidated subsidiaries	—	(652)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	111
Cash and cash equivalents at end of period	18,103	20,302

(4) Notes to quarterly consolidated financial statements

Notes to going concern assumptions

None

Notes on significant changes in the amount of shareholders' equity

None

Changes in scope of consolidation or scope of application of equity method

(i) Significant changes in scope of consolidation

In the first quarter of the fiscal year under review, Nagoya Sanyo Warehouse Co., Ltd., one of the Company's unconsolidated subsidiaries accounted for using equity method, and Sanyo Transport Co., Ltd., a consolidated subsidiary, conducted an absorption-type merger with Nagoya Sanyo Warehouse Co., Ltd. as the surviving company, and the trade name was changed to Sanyo Chemical Logistics Co., Ltd. Sanyo Chemical Logistics Co., Ltd has been included in the scope of consolidation due to its increased importance as a result of the merger. As Sanyo Transport Co., Ltd. was the absorbed company in the merger, it has been removed from the scope of consolidation.

(ii) Significant changes in scope of application of equity method

In the first quarter of the fiscal year under review, as Nagoya Sanyo Warehouse Co., Ltd. increased in importance and was included in the scope of consolidation as the surviving company in the absorption-type merger, it has been excluded from the scope of application of equity method.

(iii) Changes to items related to the fiscal year of consolidated subsidiaries

In the past, with regard to Sanyo Kasei (Thailand) Ltd., a consolidated subsidiary with a closing date of December 31, the Company used its financial statements prepared as of that date and made necessary consolidation adjustments for important transactions occurring in the period through the consolidated closing date. However, to ensure more proper disclosure of consolidated financial statements, starting in the first quarter of the fiscal year under review, the Company has changed to a consolidation method in which a tentative closing is made on the quarterly consolidated closing date.

Furthermore, profit or loss from the said consolidated subsidiary from January 1, 2020 through March 31, 2020 has been directly recorded in retained earnings. As a result of this change, retained earnings increased by ¥8 million, and the change in cash and cash equivalents is shown in the "increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of consolidated subsidiaries" in the consolidated statements of cash flows.

Application of special accounting methods for the preparation of quarterly consolidated financial statements

After applying tax effect accounting to profit before income taxes for the fiscal year, which includes the third quarter under review, the Company makes a reasonable estimate of the effective tax rate and multiply the profit before income taxes by that estimated effective tax rate. Furthermore, income tax adjustments are included in the presentation of income taxes.

Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition and Its Implementation Guidance)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020) from the start of the first quarter of the fiscal year under review, and it has recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said promised goods or services is transferred to the customer. The application of the Accounting Standard for Revenue Recognition and its Implementation Guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of the fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the first quarter of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the first quarter of the fiscal year under review, were subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the nine months ended December 31, 2020, net sales decreased by ¥467 million and cost of sales decreased by ¥387 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥80 million.

Consolidated Statements of Income

* Loss on cancellation of integration

Loss resulting from the cancellation of the business integration by way of joint share transfer between the Company and Nippon Shokubai Co., Ltd.

Segment information

[Segment information]

I Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

Information regarding net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electronics/ Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	40,510	32,378	16,371	15,873	12,594	117,728	–	117,728
Intersegment sales/transfers	–	–	–	–	47	47	(47)	–
Total	40,510	32,378	16,371	15,873	12,641	117,775	(47)	117,728
Segment profit	1,061	2,624	2,192	2,075	763	8,717	–	8,717

Note: Total amount of the segment profit corresponds to operating profit described in the quarterly consolidated statements of income.

II Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

1. Information regarding net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electronics/ Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	39,901	26,778	15,323	13,144	11,183	106,332	–	106,332
Intersegment sales/transfers	–	–	–	–	52	52	(52)	–
Total	39,901	26,778	15,323	13,144	11,236	106,384	(52)	106,332
Segment profit	2,393	2,468	1,902	1,300	784	8,850	–	8,850

Note: Total amount of the segment profit corresponds to operating profit described in the quarterly consolidated statements of income.

2. Items related to changes in reporting segments

As stated in the above changes in accounting policies, from the start of the first quarter of the fiscal year under review, the Company applied the Accounting Standard for Revenue Recognition and its Implementation Guidance and changed the accounting processing methods related to revenue recognition, resulting in similar changes to the measurement method for profit or losses in the business segments.

As a result of these changes, net sales and profit for each segment declined compared to the previous method. In the nine months ended December 31, 2020, net sales and segment profit for the Toiletries and Health Care segment decreased by ¥48 million and ¥13 million respectively, net sales and segment profit for the Petroleum and Automotives segment decreased by ¥76 million and ¥14 million respectively, net sales and segment profit for the Plastics and Textiles segment decreased by ¥84 million and ¥21 million respectively, net sales and segment profit for the Information and Electrics/Electronics segment decreased by ¥187 million and ¥20 million respectively, and net sales and segment profit for the Environmental Protection, Construction and Others segment decreased by ¥70 million and ¥11 million respectively.

3. Information regarding impairment loss of non-current assets or regarding goodwill, etc. by reportable segment

(Millions of yen)

	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Total
Impairment loss	—	347	—	—	—	347

<Reference>

[Information by geographic segment]

Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
Net sales							
(1) Sales to external customers	89,068	5,329	18,274	5,055	117,728	—	117,728
(2) Intersegment sales/transfers	5,587	—	1,584	31	7,203	(7,203)	—
Total	94,656	5,329	19,859	5,086	124,931	(7,203)	117,728
Operating profit (loss)	8,710	224	556	(775)	8,715	1	8,717

Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
Net sales							
(1) Sales to external customers	77,160	4,312	19,628	5,230	106,332	—	106,332
(2) Intersegment sales/transfers	4,597	45	1,483	323	6,450	(6,450)	—
Total	81,758	4,358	21,111	5,554	112,782	(6,450)	106,332
Operating profit (loss)	7,804	194	1,318	(492)	8,825	25	8,850

[Overseas net sales]

Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	36,827	[22,418]	6,937	1,737	45,502
II. Consolidated net sales	—	[—]	—	—	117,728
III. Percentage of overseas net sales to consolidated net sales (%)	31.3	[19.0]	5.9	1.5	38.7

Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	38,534	[25,342]	4,974	2,176	45,685
II. Consolidated net sales	—	[—]	—	—	106,332
III. Percentage of overseas net sales to consolidated net sales (%)	36.2	[23.8]	4.7	2.1	43.0

Notes: 1. The term “overseas net sales” refers to net sales of the Company (non-consolidated) and its consolidated subsidiaries registered in countries and regions outside Japan.

2. Areas included in each country or region are determined based on their degree of proximity.

3. Main countries or regions included in each geographic segment

(1) Asia: South Korea, China, Indonesia, India, Thailand, etc.

(2) Americas: USA, Mexico, Brazil, etc.

(3) Other: Australia, Europe, Russia, the Middle East, etc.

3. Supplementary information

Trend of quarterly consolidated earnings

Fiscal year ended March 31, 2020

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2019 to June 2019	July 2019 to September 2019	October 2019 to December 2019	January 2020 to March 2020	April 2019 to March 2020
Net sales	39,277	38,671	39,779	37,775	155,503
Operating profit	2,905	3,000	2,811	3,721	12,439
Ordinary profit	2,898	2,995	3,313	3,496	12,704
Profit attributable to owners of parent	1,794	1,998	2,126	1,749	7,668
Comprehensive income	1,021	729	3,569	(3,142)	2,178

Fiscal year ending March 31, 2021

(Millions of yen)

	1Q	2Q	3Q	Change (%)	
	April 2020 to June 2020	July 2020 to September 2020	October 2020 to December 2020	The same period of the previous fiscal year	The previous period
				October 2019 to December 2019	July 2020 to September 2020
Net sales	32,813	33,119	40,399	1.6	22.0
Operating profit	2,453	2,146	4,251	51.2	98.1
Ordinary profit	2,608	1,765	4,440	34.0	151.5
Profit attributable to owners of parent	1,490	839	2,047	(3.7)	143.8
Comprehensive income	3,322	1,238	4,471	25.3	261.0