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Consolidated Financial Results for the Nine Months Ended December 31, 2021 (under Japanese GAAP)

February 3, 2022

Company name: **Sanyo Chemical Industries, Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 4471
 URL: <https://www.sanyo-chemical.co.jp/>
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 Scheduled date to file quarterly securities report: February 10, 2022
 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, 2022 (from April 1, 2021 to December 31, 2021)

(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, 2021 | 120,846 | 13.6 | 9,600 | 8.5 | 11,373 | 29.0 | 7,502 | 71.4 |
| December 31, 2020 | 106,332 | (9.7) | 8,850 | 1.5 | 8,814 | (4.3) | 4,377 | (26.0) |

Note: Comprehensive income: Nine months ended December 31, 2021 ¥7,929 million [(12.2)%]
 Nine months ended December 31, 2020 ¥9,032 million [69.8%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended | | |
| December 31, 2021 | 340.18 | – |
| December 31, 2020 | 198.56 | – |

(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, 2021 | 204,957 | 146,880 | 70.5 | 6,549.77 |
| March 31, 2021 | 195,723 | 142,951 | 71.8 | 6,371.77 |

Reference: Equity: As of December 31, 2021 ¥144,484 million
 As of March 31, 2021 ¥140,474 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, 2021 | – | 70.00 | – | 80.00 | 150.00 |
| Fiscal year ending March 31, 2022 | – | 85.00 | – | | |
| Fiscal year ending March 31, 2022 (Forecast) | | | | 85.00 | 170.00 |

Note: Revisions of the latest forecasts for cash dividends announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(% 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, 2022 | 170,000 | 17.4 | 13,500 | 13.1 | 13,500 | 12.5 | 9,000 | 23.6 | 408.07 |

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

*** Notes**

(1) Significant changes in subsidiaries during the nine months ended December 31, 2021 (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 10, “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.: | Yes |
| b. Changes in accounting policies other than a. above: | None |
| c. Changes in accounting estimates: | None |
| d. Restatements: | None |

Note: See page 10, “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, 2021 | 23,534,752 shares |
| As of March 31, 2021 | 23,534,752 shares |

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

| | |
|-------------------------|------------------|
| As of December 31, 2021 | 1,475,253 shares |
| As of March 31, 2021 | 1,488,441 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, 2021 | 22,053,375 shares |
| For the nine months ended December 31, 2020 | 22,045,652 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, 2021, (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, 2021

(1) Information regarding operating results

During the first nine months (April 1, 2021 to December 31, 2021) of the fiscal year ending March 31, 2022 in the Japanese economy, amid a move toward the normalization of economic activities due to progressing COVID-19 vaccinations, private consumption fluctuated, and challenging conditions continued amid factors such as the prolonged stagnation in inbound demand, despite a continued trend of increasing exports. In the global economy, although there are signs that the expansion of the Chinese economy has plateaued, in the US and Europe, the easing of restrictions on economic activities with progress in the dissemination of vaccinations led the economy to a track of recovery.

In the chemical industry, the forex market is experiencing a trend of yen depreciation mainly due to the start of reduced easing in US monetary policy, and raw material costs are rising due to higher oil prices and the recovery in demand. Amid these conditions, the business environment remains unpredictable.

Under these circumstances, net sales for the period under review increased by 13.6% year on year, to ¥120,846 million. In terms of profit, operating profit was ¥9,600 million (an increase of 8.5% year on year) mainly due to an increase in net sales, and ordinary profit was ¥11,373 million (an increase of 29.0% year on year) mainly due to an increase in share of profit of entities accounted for using equity method. Profit attributable to owners of parent was ¥7,502 million (an increase of 71.4% year on year).

1) Business performance

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 | Change | | FY2020 |
|--|---|---|----------|-------------------------|----------------------------|
| | | | (Amount) | (Change) | |
| Net sales | 106,332 | 120,846 | 14,513 | 13.6% | 144,757 |
| Operating profit | 8,850 | 9,600 | 749 | 8.5% | 11,932 |
| Ordinary profit | 8,814 | 11,373 | 2,558 | 29.0% | 11,999 |
| Profit attributable to owners of parent | 4,377 | 7,502 | 3,124 | 71.4% | 7,282 |
| Basic earnings per share | ¥198.56 | ¥340.18 | ¥141.62 | 71.3% | ¥330.34 |
| ROA (Return on assets*) | 6.4% | 7.6% | – | 1.2 percentage point | 6.4% |
| ROE (Return on equity) | 4.5% | 7.0% | – | 2.5 percentage point | 5.4% |
| Currency exchange (US\$, CNY) | US\$=¥106.11 CNY=¥15.45 | US\$=¥111.14 CNY=¥17.26 | | ¥5.03 ¥1.81 | US\$=¥106.11 CNY=¥15.68 |
| Naphtha price in Japan | ¥28,800/kl | ¥53,200/kl | | ¥24,400/kl | ¥31,400/kl |

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

Note: ROA and ROE for the nine months ended December 31, 2020 and 2021 are annualized.

2) Business performance by segment

(Millions of yen)

| | Nine months ended December 31, 2020 | | Nine months ended December 31, 2021 | | Change | | FY2020 | |
|---|--|---------------------|--|---------------------|-----------|---------------------|-----------|---------------------|
| | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit |
| Toiletries and Health Care | 39,901 | 2,393 | 41,125 | 1,363 | 1,223 | (1,030) | 54,302 | 3,195 |
| Petroleum and Automotives | 26,778 | 2,468 | 31,165 | 2,703 | 4,386 | 235 | 37,316 | 3,365 |
| Plastics and Textiles | 15,323 | 1,902 | 19,478 | 2,773 | 4,154 | 870 | 20,802 | 2,705 |
| Information and Electrics/Electronics | 13,144 | 1,300 | 15,245 | 1,623 | 2,101 | 322 | 17,096 | 1,439 |
| Environmental Protection, Construction and Others | 11,183 | 784 | 13,830 | 1,136 | 2,646 | 351 | 15,239 | 1,226 |

<Toiletries and Health Care>

In the Toiletries segment, sales experienced a large increase due to a surge in sales of polyethyleneglycol both in Japan and overseas and a recovery in papermaking chemicals.

In the Health Care segment, sales were flat. Although there was a temporary drop in sales of superabsorbent polymers in the mainstay Chinese market due to a rapid production adjustment among our customers, this was followed by a track of recovery.

As a result, total net sales in this segment increased by 3.1% year on year, to ¥41,125 million. Operating profit was ¥1,363 million (a decrease of 43.0% year on year).

<Petroleum and Automotives>

In the Petroleum and Automotives segment, sales experienced a large increase. This was due to strong sales of raw materials for polyurethane foams used in automobile seats and other applications, and lubricant additives, despite flat sales of thermoplastic polyurethane beads for interior parts of automobiles.

As a result, total net sales in this segment increased by 16.4% year on year, to ¥31,165 million. Operating profit was ¥2,703 million (an increase of 9.6% year on year).

<Plastics and Textiles>

In the Plastics segment, sales experienced a large increase due to continued strong sales of our mainstay permanent antistatic agents and a recovery in overseas demand for paint coating agents and additives as well as resin modifiers used as paint binders.

The Textiles segment experienced a large increase in sales, as sales of chemicals for carbon fibers increased and sales of polyurethane resins for synthetic leather and elastomer fiber used in automobiles and the spin finish oil used in the manufacturing process of tire cord yarns and other items were strong.

As a result, total net sales in this segment increased by 27.1% year on year, to ¥19,478 million. Operating profit was ¥2,773 million (an increase of 45.7% year on year).

<Information and Electrics/Electronics>

In the Information segment, sales experienced a large increase. This was mainly due to strong sales of toner resins for pulverized toners, despite weak sales of 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 semiconductors with the sharp rise in demand for semiconductors and a large increase in sales of resins used in displays.

As a result, total net sales in this segment increased by 16.0% year on year, to ¥15,245 million. Operating profit was ¥1,623 million (an increase of 24.8% year on year).

<Environmental Protection, Construction and Others>

In the Environmental Protection segment, sales experienced a large increase due to a strong increase in sales of cationic monomer for polymer flocculants for overseas markets.

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

As a result, total net sales in this segment increased by 23.7% year on year, to ¥13,830 million. Operating profit was ¥1,136 million (an increase of 44.7% 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 ¥9,234 million compared with the end of the previous fiscal year, amounting to ¥204,957 million.

Net assets increased by ¥3,929 million from the end of the previous fiscal year, to ¥146,880 million.

Equity ratio fell by 1.3 percentage points from the end of the previous fiscal year, to 70.5%.

Cash and cash equivalents ("cash") as of the end of the period under review amounted to ¥20,155 million. This marked a decrease of ¥3,492 million compared with the end of the previous fiscal year (cash increased by ¥2,292 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 ¥10,592 million (compared to ¥14,984 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 ¥10,780 million, depreciation of ¥7,185 million and the increase in trade payables of ¥9,488 million, which outweighed the cash outflow mainly from income taxes paid of ¥2,783 million, the increase in trade receivables of ¥6,483 million and the increase in inventories of ¥5,434 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥9,159 million (compared to ¥9,396 million in net cash used during the same period of the previous fiscal year). This result was mainly due to a cash outlay of ¥6,720 million for purchase of non-current assets.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥5,355 million (compared to ¥2,829 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 ¥3,628 million, repayments of long-term borrowings of ¥700 million and the net decrease in short-term borrowings of ¥494 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 5, 2021, the Company has left its full-year consolidated earnings forecasts unchanged.

The rates of progress made during the period under review in comparison to the full-year consolidated earnings forecasts announced on November 5, 2021 are shown in the table below.

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|---|-----------|------------------|-----------------|---|
| Consolidated earnings forecasts (Millions of yen) | 170,000 | 13,500 | 13,500 | 9,000 |
| [Progress to forecasts (%)] | [71.1] | [71.1] | [84.2] | [83.4] |
| Results for the previous fiscal year (Fiscal year ended March 31, 2021) (Millions of yen) | 144,757 | 11,932 | 11,999 | 7,282 |

* 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, 2021 | As of December 31, 2021 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,647 | 20,155 |
| Notes and accounts receivable - trade | 40,144 | 46,556 |
| Electronically recorded monetary claims - operating | 1,370 | 1,723 |
| Merchandise and finished goods | 14,253 | 18,559 |
| Semi-finished goods | 3,693 | 4,610 |
| Work in process | 386 | 120 |
| Raw materials and supplies | 4,301 | 5,179 |
| Other | 1,576 | 1,615 |
| Allowance for doubtful accounts | (33) | (34) |
| Total current assets | 89,340 | 98,486 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 17,768 | 17,413 |
| Machinery, equipment and vehicles, net | 28,264 | 27,744 |
| Land | 8,832 | 8,820 |
| Construction in progress | 3,724 | 3,293 |
| Other, net | 2,666 | 2,515 |
| Total property, plant and equipment | 61,255 | 59,788 |
| Intangible assets | | |
| Software | 1,330 | 1,212 |
| Other | 2,254 | 3,275 |
| Total intangible assets | 3,585 | 4,488 |
| Investments and other assets | | |
| Investment securities | 31,798 | 31,987 |
| Long-term loans receivable | 2,937 | 3,862 |
| Deferred tax assets | 368 | 365 |
| Retirement benefit asset | 2,270 | 2,331 |
| Other | 4,195 | 3,676 |
| Allowance for doubtful accounts | (29) | (29) |
| Total investments and other assets | 41,541 | 42,194 |
| Total non-current assets | 106,382 | 106,471 |
| Total assets | 195,723 | 204,957 |

(Millions of yen)

| | As of March 31, 2021 | As of December 31, 2021 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 17,903 | 24,169 |
| Electronically recorded obligations - operating | 4,448 | 8,037 |
| Short-term borrowings | 6,874 | 6,465 |
| Current portion of long-term borrowings | 1,400 | 1,400 |
| Accrued expenses | 4,376 | 4,104 |
| Income taxes payable | 1,352 | 1,425 |
| Provision for bonuses | 2,178 | 1,242 |
| Provision for bonuses for directors (and other officers) | 100 | 90 |
| Electronically recorded obligations - non-operating | 952 | 809 |
| Provision for loss on factory closing | 167 | 24 |
| Other | 6,468 | 4,887 |
| Total current liabilities | 46,222 | 52,657 |
| Non-current liabilities | | |
| Long-term borrowings | 1,000 | 300 |
| Deferred tax liabilities | 3,682 | 3,369 |
| Provision for stock-based compensation | 315 | 350 |
| Retirement benefit liability | 28 | 35 |
| Other | 1,522 | 1,363 |
| Total non-current liabilities | 6,548 | 5,419 |
| Total liabilities | 52,771 | 58,076 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 13,051 | 13,051 |
| Capital surplus | 13,243 | 13,243 |
| Retained earnings | 106,662 | 110,515 |
| Treasury shares | (5,848) | (5,780) |
| Total shareholders' equity | 127,109 | 131,030 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,069 | 10,109 |
| Foreign currency translation adjustment | 1,802 | 2,811 |
| Remeasurements of defined benefit plans | 493 | 533 |
| Total accumulated other comprehensive income | 13,364 | 13,454 |
| Non-controlling interests | 2,477 | 2,396 |
| Total net assets | 142,951 | 146,880 |
| Total liabilities and net assets | 195,723 | 204,957 |

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

(Millions of yen)

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 |
|---|--|--|
| Net sales | 106,332 | 120,846 |
| Cost of sales | 81,710 | 94,260 |
| Gross profit | 24,622 | 26,585 |
| Selling, general and administrative expenses | 15,771 | 16,985 |
| Operating profit | 8,850 | 9,600 |
| Non-operating income | | |
| Interest income | 88 | 110 |
| Dividend income | 502 | 664 |
| Rental income from real estate | 102 | 98 |
| Foreign exchange gains | – | 590 |
| Share of profit of entities accounted for using equity method | – | 413 |
| Other | 156 | 168 |
| Total non-operating income | 849 | 2,045 |
| Non-operating expenses | | |
| Interest expenses | 46 | 36 |
| Rental costs on real estate | 40 | 41 |
| Loss on abandonment of inventories | 94 | 71 |
| Foreign exchange losses | 230 | – |
| Share of loss of entities accounted for using equity method | 318 | – |
| Other | 153 | 122 |
| Total non-operating expenses | 885 | 272 |
| Ordinary profit | 8,814 | 11,373 |
| Extraordinary income | | |
| Gain on sale of investment securities | – | 13 |
| Insurance claim income | 35 | 14 |
| Total extraordinary income | 35 | 28 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 27 | – |
| Loss on retirement of non-current assets | 695 | 621 |
| Impairment losses | *1 347 | – |
| Loss on cancellation of integration | *2 838 | – |
| Other | 15 | – |
| Total extraordinary losses | 1,924 | 621 |
| Profit before income taxes | 6,925 | 10,780 |
| Income taxes | 2,202 | 2,915 |
| Profit | 4,722 | 7,864 |
| Profit attributable to non-controlling interests | 345 | 362 |
| Profit attributable to owners of parent | 4,377 | 7,502 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 |
|--|--|--|
| Profit | 4,722 | 7,864 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,556 | (959) |
| Foreign currency translation adjustment | 703 | 984 |
| Remeasurements of defined benefit plans, net of tax | 49 | 40 |
| Total other comprehensive income | 4,309 | 65 |
| Comprehensive income | 9,032 | 7,929 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 8,658 | 7,591 |
| Comprehensive income attributable to non-controlling interests | 373 | 337 |

(3) Consolidated statements of cash flows

(Millions of yen)

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2021 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 6,925 | 10,780 |
| Depreciation | 7,174 | 7,185 |
| Loss on retirement of non-current assets | 695 | 621 |
| Impairment losses | 347 | – |
| Increase (decrease) in provision for bonuses | (801) | (942) |
| Changes in retirement benefit asset and liability | 38 | 4 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (40) | (9) |
| Increase (decrease) in provision for stock-based compensation | 101 | 106 |
| Interest and dividend income | (590) | (775) |
| Interest expenses | 46 | 36 |
| Share of loss (profit) of entities accounted for using equity method | 318 | (413) |
| Loss (gain) on sale of investment securities | – | (13) |
| Decrease (increase) in trade receivables | (1,660) | (6,483) |
| Decrease (increase) in inventories | 2,264 | (5,434) |
| Increase (decrease) in trade payables | 1,356 | 9,488 |
| Other, net | 331 | (1,524) |
| Subtotal | 16,507 | 12,627 |
| Interest and dividends received | 641 | 784 |
| Interest paid | (46) | (36) |
| Income taxes paid | (2,118) | (2,783) |
| Net cash provided by (used in) operating activities | 14,984 | 10,592 |
| Cash flows from investing activities | | |
| Purchase of non-current assets | (6,341) | (6,720) |
| Proceeds from sale of property, plant and equipment | 20 | – |
| Purchase of investment securities | (805) | (880) |
| Proceeds from sale of investment securities | – | 21 |
| Long-term loan advances | (664) | (1,027) |
| Proceeds from collection of long-term loans receivable | 20 | 371 |
| Other, net | (1,626) | (923) |
| Net cash provided by (used in) investing activities | (9,396) | (9,159) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 1,452 | (494) |
| Repayments of long-term borrowings | (700) | (700) |
| Net decrease (increase) in treasury shares | (1) | (3) |
| Dividends paid | (3,076) | (3,628) |
| Dividends paid to non-controlling interests | (420) | (419) |
| Other, net | (84) | (108) |
| Net cash provided by (used in) financing activities | (2,829) | (5,355) |
| Effect of exchange rate change on cash and cash equivalents | 76 | 430 |
| Net increase (decrease) in cash and cash equivalents | 2,833 | (3,492) |
| Cash and cash equivalents at beginning of period | 18,009 | 23,647 |
| 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 | 20,302 | 20,155 |

(4) Notes to quarterly consolidated financial statements

Notes to going concern assumptions

None

Notes on significant changes in the amount of shareholders' equity

None

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 Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the start of the first quarter of the fiscal year ending March 31, 2022, and it has applied the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application of this standard, etc. does not have an effect on the quarterly consolidated financial statements.

Consolidated Statements of Income

*1 Impairment losses

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

The Group recorded impairment losses on the following asset groups.

| Location | Main use | Class |
|------------------|---|-----------------|
| Kyoto-shi, Kyoto | Facilities related to Petroleum and Automotives | Machinery, etc. |

In principle, the Group conduct asset grouping by factory.

Regarding facilities related to Petroleum and Automotives, with production stops due to changes in our sales strategy for certain products, we recorded total losses of ¥347 million for the book value of parts that could not be converted to other applications. The breakdown of these losses was ¥6 million for buildings and structures and ¥340 million for machinery, equipment and vehicles.

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

None

*2 Loss on cancellation of integration

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

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

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

None

Segment information

[Segment information]

I 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 Electrics/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. Information regarding impairment losses 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 losses | – | 347 | – | – | – | 347 |

II Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

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 Electrics/Electronics | Environmental Protection, Construction and Others | Subtotal | | |
| Net sales | | | | | | | | |
| Sales to external customers | 41,125 | 31,165 | 19,478 | 15,245 | 13,830 | 120,846 | – | 120,846 |
| Intersegment sales/transfers | – | – | – | – | 51 | 51 | (51) | – |
| Total | 41,125 | 31,165 | 19,478 | 15,245 | 13,882 | 120,897 | (51) | 120,846 |
| Segment profit | 1,363 | 2,703 | 2,773 | 1,623 | 1,136 | 9,600 | – | 9,600 |

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

<Reference>

[Information by geographic segment]

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 |

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(Millions of yen)

| | Japan | USA | China | Other | Total | Elimination or common assets | Consolidated total |
|----------------------------------|--------|-------|--------|-------|---------|------------------------------------|-----------------------|
| Net sales | | | | | | | |
| (1) Sales to external customers | 89,935 | 5,070 | 17,875 | 7,964 | 120,846 | – | 120,846 |
| (2) Intersegment sales/transfers | 6,117 | 3 | 888 | 258 | 7,267 | (7,267) | – |
| Total | 96,052 | 5,074 | 18,764 | 8,222 | 128,113 | (7,267) | 120,846 |
| Operating profit (loss) | 9,385 | 162 | 587 | (554) | 9,581 | 18 | 9,600 |

[Overseas net sales]

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 |

Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(Millions of yen)

| | Asia | [Of which, China] | Americas | Other | Total |
|---|--------|----------------------|----------|-------|---------|
| I. Overseas net sales | 42,546 | [25,931] | 5,901 | 3,281 | 51,729 |
| II. Consolidated net sales | – | [–] | – | – | 120,846 |
| III. Percentage of overseas net sales to consolidated net sales (%) | 35.2 | [21.5] | 4.9 | 2.7 | 42.8 |

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, 2021

(Millions of yen)

| | 1Q | 2Q | 3Q | 4Q | Total |
|--|----------------------------|--------------------------------|----------------------------------|-------------------------------|-----------------------------|
| | April 2020 to June 2020 | July 2020 to September 2020 | October 2020 to December 2020 | January 2021 to March 2021 | April 2020 to March 2021 |
| Net sales | 32,813 | 33,119 | 40,399 | 38,425 | 144,757 |
| Operating profit | 2,453 | 2,146 | 4,251 | 3,082 | 11,932 |
| Ordinary profit | 2,608 | 1,765 | 4,440 | 3,184 | 11,999 |
| Profit attributable to owners of parent | 1,490 | 839 | 2,047 | 2,905 | 7,282 |
| Comprehensive income | 3,322 | 1,238 | 4,471 | 6,240 | 15,272 |

Fiscal year ending March 31, 2022

(Millions of yen)

| | 1Q | 2Q | 3Q | Change (%) | |
|--|----------------------------|--------------------------------|----------------------------------|---|--------------------------------|
| | April 2021 to June 2021 | July 2021 to September 2021 | October 2021 to December 2021 | The same period of the previous fiscal year | The previous period |
| | | | | October 2020 to December 2020 | July 2021 to September 2021 |
| Net sales | 38,057 | 39,461 | 43,327 | 7.2 | 9.8 |
| Operating profit | 3,091 | 2,826 | 3,681 | (13.4) | 30.2 |
| Ordinary profit | 3,581 | 3,280 | 4,511 | 1.6 | 37.5 |
| Profit attributable to owners of parent | 2,193 | 2,224 | 3,083 | 50.6 | 38.6 |
| Comprehensive income | 1,837 | 2,402 | 3,689 | (17.5) | 53.5 |