

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Three Months Ended June 30, 2022 (under Japanese GAAP)

August 3, 2022

Company name: **Sanyo Chemical Industries, Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 4471
 URL: <https://www.sanyo-chemical.co.jp/>
 Representative: Akinori Higuchi, President & CEO
 Inquiries: Kenichi Nishimura, Director & Executive Officer, General Manager of Administrative Affairs Division
 TEL: +81-75-541-4312
 Scheduled date to file quarterly securities report: August 5, 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 three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	44,336	16.5	1,956	(36.7)	4,259	18.9	2,536	15.6
June 30, 2021	38,057	16.0	3,091	26.0	3,581	37.3	2,193	47.2

Note: Comprehensive income: Three months ended June 30, 2022 ¥3,986 million [116.9%]
 Three months ended June 30, 2021 ¥1,837 million [(44.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	115.00	—
June 30, 2021	99.52	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	208,459	149,182	70.3	6,643.02
March 31, 2022	200,194	147,032	72.2	6,549.60

Reference: Equity: As of June 30, 2022 ¥146,540 million
 As of March 31, 2022 ¥144,479 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, 2022	—	85.00	—	85.00	170.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		85.00	—	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, 2023 (from April 1, 2022 to March 31, 2023)

(% 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
Six months ending September 30, 2022	98,500	27.1	5,500	(7.1)	5,700	(16.9)	3,700	(16.3)	167.73
Fiscal year ending March 31, 2023	206,000	26.7	12,500	5.3	13,000	1.8	8,500	26.9	385.32

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

*** Notes**

- (1) Significant changes in subsidiaries during the three months ended June 30, 2022 (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.: | None |
| b. Changes in accounting policies other than a. above: | None |
| c. Changes in accounting estimates: | None |
| d. Restatements: | None |

- (4) Number of shares issued (common stock)

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

As of June 30, 2022	23,534,752 shares
As of March 31, 2022	23,534,752 shares

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

As of June 30, 2022	1,475,459 shares
As of March 31, 2022	1,475,417 shares

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

For the three months ended June 30, 2022	22,059,325 shares
For the three months ended June 30, 2021	22,046,266 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 three months ended June 30, 2022, (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.

Attached Material Index

1. Qualitative information regarding financial results for the three months ended June 30, 2022	2
(1) Information regarding operating results.....	2
(2) Analysis of financial position	4
(3) Information concerning future forecast such as consolidated earnings forecasts	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and consolidated statements of comprehensive income	7
Consolidated statements of income (cumulative)	7
Consolidated statements of comprehensive income (cumulative)	8
(3) Consolidated statements of cash flows	9
(4) Notes to quarterly consolidated financial statements.....	10
Notes to going concern assumptions	10
Notes on significant changes in the amount of shareholders' equity	10
Application of special accounting methods for the preparation of quarterly consolidated financial statements	10
Segment information	11
3. Supplementary information.....	13

1. Qualitative information regarding financial results for the three months ended June 30, 2022

(1) Information regarding operating results

During the first three months (April 1, 2022 to June 30, 2022) of the fiscal year ending March 31, 2023, the Japanese economy saw a recovery in individual consumption and exports as restrictions on economic activities due to the impact of COVID-19 were gradually eased. However, overall conditions remained challenging amid continuing supply chain disruptions and supply restrictions on raw materials and parts. In the global economy, we are seeing a track of recovery against the backdrop of the normalization of economic activities in the US and Europe, and China is also experiencing an economic recovery with the lifting of lockdowns in its major cities at the start of June. However, surging resource and energy prices caused by the prolonged conflict between Russian and Ukraine and concern over the global economic slowdown caused by fiscal tightening mean that the future remains unclear.

In the chemical industry, the forex market is experiencing a trend of rapid yen depreciation mainly due to interest rate hikes in the US, and oil prices remain high due to supply shortages, meaning that the business environment remains unpredictable.

Under these circumstances, net sales for the period under review increased by 16.5% year on year to ¥44,336 million as sales prices were updated in response to rising raw materials prices. In terms of profit, operating profit was ¥1,956 million (a decrease of 36.7% year on year) due to diminished spreads between sales and purchase and reduced sales quantities from rising raw materials prices. Ordinary profit was ¥4,259 million (an increase of 18.9% year on year) due to an increase in foreign exchange gains, and profit attributable to owners of parent was ¥2,536 million (an increase of 15.6% year on year).

1) Business performance

(Millions of yen)					
	Three months ended June 30, 2021	Three months ended June 30, 2022	Change		FY2021
			(Amount)	(Change)	
Net sales	38,057	44,336	6,278	16.5%	162,526
Operating profit	3,091	1,956	(1,135)	(36.7)%	11,868
Ordinary profit	3,581	4,259	678	18.9%	12,771
Profit attributable to owners of parent	2,193	2,536	342	15.6%	6,699
Basic earnings per share	¥99.52	¥115.00	¥15.48	15.6%	¥303.76
ROA (Return on assets*)	7.3%	8.3%	—	1.0 percentage point	6.5%
ROE (Return on equity)	6.2%	7.0%	—	0.8 percentage point	4.7%
Currency exchange (US\$, CNY)	US\$=¥109.52 CNY=¥16.96	US\$=¥129.73 CNY=¥19.60	¥20.21 ¥2.64		US\$=¥112.40 CNY=¥17.52
Naphtha price in Japan	¥47,700/kl	¥86,200/kl	¥38,500/kl		¥56,600/kl

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

Note: ROA and ROE for the three months ended June 30, 2021 and 2022 are annualized.

2) Business performance by segment

(Millions of yen)

	Three months ended June 30, 2021		Three months ended June 30, 2022		Change		FY2021	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	11,986	95	15,124	122	3,137	27	54,922	1,966
Petroleum and Automotives	10,354	1,173	11,526	659	1,171	(514)	42,540	3,759
Plastics and Textiles	6,570	1,093	7,126	794	555	(298)	25,466	3,713
Information and Electrics/Electronics	5,101	685	5,938	628	837	(56)	20,989	2,511
Environmental Protection, Construction and Others	4,044	384	4,620	121	575	(262)	18,607	1,589

Note that, starting in the period under review, we revised the allocation method of research and development expenses for new businesses not belonging to reportable segments. Operating profit figures for the three months ended June 30, 2021 and FY2021 have been calculated using the allocation method following the change. Refer to “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Segment information” for more information.

<Toiletries and Health Care>

In the Toiletries segment, while demand for polyethyleneglycol decreased due to the impact of lockdowns in Shanghai, China, overseas sales of surfactants for hair care products grew, and sales of papermaking chemicals were strong, leading to flat sales.

In the Health Care segment, sales of superabsorbent polymers in the mainstay Chinese market and other Asian markets were strong, leading to a large increase in net sales.

As a result, total net sales in this segment increased by 26.2% year on year, to ¥15,124 million. Operating profit was ¥122 million (an increase of 28.7% year on year).

<Petroleum and Automotives>

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

As a result, total net sales in this segment increased by 11.3% year on year, to ¥11,526 million, and operating profit was ¥659 million (a decrease of 43.8% year on year) due to diminished spreads between sales and purchase from rising raw materials prices.

<Plastics and Textiles>

In the Plastics segment, sales were flat. This was due to growth in overseas sales of paint coating agents and additives and a large increase in modeling materials being offset by weak sales of our mainstay permanent antistatic agents.

The Textiles segment experienced a large increase in sales, as sales of chemicals for carbon fibers steadily increased and sales of polyurethane resins for synthetic leather and elastomer fiber used in automobiles were strong.

As a result, total net sales in this segment increased by 8.5% year on year, to ¥7,126 million. Operating profit was ¥794 million (a decrease of 27.3% year on year).

<Information and Electrics/Electronics>

In the Information segment, sales experienced a large increase. This was mainly due to recovery of office printing demand, which had stagnated due to the COVID-19 pandemic, as well as strong sales of polyester beads as a core component of polymerization toners and toner resins for pulverized toners.

In the Electrics/Electronics segment, sales were strong. This was due to a large increase in sales due to significantly increased demand for electrolytes for aluminum electrolytic capacitors and robust demand for raw materials for resists used in semiconductors to alleviate semiconductor shortages.

As a result, total net sales in this segment increased by 16.4% year on year, to ¥5,938 million. Operating profit was ¥628 million (a decrease of 8.3% 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 of raw materials for building sealants, despite flat sales of raw materials for polyurethane foams mainly used in furniture and heat insulating materials, as demand from staying-at-home ran its course.

As a result, total net sales in this segment increased by 14.2% year on year to ¥4,620 million, and operating profit was ¥121 million (a decrease of 68.3% year on year) due to diminished spreads between sales and purchase from rising raw materials prices.

(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 ¥8,265 million compared with the end of the previous fiscal year, amounting to ¥208,459 million.

Net assets increased by ¥2,150 million from the end of the previous fiscal year, to ¥149,182 million. Equity ratio fell by 1.9 percentage points from the end of the previous fiscal year, to 70.3%.

Cash and cash equivalents ("cash") as of the end of the period under review amounted to ¥19,687 million. This marked an increase of ¥1,515 million compared with the end of the previous fiscal year (cash decreased by ¥2,654 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 ¥5,306 million (compared to ¥2,010 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 ¥3,892 million, depreciation of ¥2,464 million and the increase in trade payables of ¥4,776 million, which outweighed the cash outflow mainly from the increase in inventories of ¥1,837 million, the increase in trade receivables of ¥1,023 million and income taxes paid of ¥1,902 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥2,964 million (compared to ¥1,729 million in net cash used during the same period of the previous fiscal year). This result was mainly due to a cash outlay of ¥2,023 million for purchase of non-current assets.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,751 million (compared to ¥2,996 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 ¥1,853 million.

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

While earnings for the period under review were slightly below earnings forecasts, due to future uncertainty in world affairs, the foreign exchange market, and the oil market, the Company has left its half-year and full-year consolidated earnings forecasts announced on May 12, 2022 unchanged. The rates of progress made during the period under review in comparison to the half-year and full-year consolidated earnings forecasts announced on May 12, 2022 are shown in the table below.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Half-year consolidated earnings forecasts (Millions of yen)	98,500	5,500	5,700	3,700
[Progress to forecasts (%)]	[45.0]	[35.6]	[74.7]	[68.6]
Full-year consolidated earnings forecasts (Millions of yen)	206,000	12,500	13,000	8,500
[Progress to forecasts (%)]	[21.5]	[15.7]	[32.8]	[29.8]

* 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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	18,171	19,687
Notes and accounts receivable - trade	44,849	46,995
Electronically recorded monetary claims - operating	1,509	1,036
Merchandise and finished goods	16,561	17,622
Semi-finished goods	4,314	4,780
Work in process	596	558
Raw materials and supplies	6,115	7,073
Other	1,681	1,955
Allowance for doubtful accounts	(35)	(34)
Total current assets	93,764	99,675
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,066	19,510
Machinery, equipment and vehicles, net	27,898	29,801
Land	8,853	8,890
Construction in progress	3,635	1,091
Other, net	2,936	3,006
Total property, plant and equipment	61,389	62,299
Intangible assets		
Software	1,283	1,224
Other	3,965	4,602
Total intangible assets	5,248	5,827
Investments and other assets		
Investment securities	29,274	29,807
Long-term loans receivable	4,012	4,252
Deferred tax assets	378	387
Retirement benefit asset	2,337	2,352
Other	3,819	3,886
Allowance for doubtful accounts	(30)	(30)
Total investments and other assets	39,791	40,656
Total non-current assets	106,429	108,783
Total assets	200,194	208,459

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	20,575	25,147
Electronically recorded obligations - operating	4,539	5,541
Short-term borrowings	6,887	7,617
Current portion of long-term borrowings	850	850
Accrued expenses	4,247	4,244
Income taxes payable	1,892	1,015
Provision for bonuses	2,117	1,126
Provision for bonuses for directors (and other officers)	121	28
Electronically recorded obligations - non-operating	945	1,249
Provision for loss on factory closing	12	-
Other	5,713	7,237
Total current liabilities	47,904	54,058
Non-current liabilities		
Long-term borrowings	150	150
Deferred tax liabilities	3,350	3,457
Provision for stock-based compensation	376	322
Retirement benefit liability	38	48
Other	1,341	1,239
Total non-current liabilities	5,257	5,218
Total liabilities	53,161	59,276
Net assets		
Shareholders' equity		
Share capital	13,051	13,051
Capital surplus	13,243	13,243
Retained earnings	109,713	110,495
Treasury shares	(5,781)	(5,781)
Total shareholders' equity	130,226	131,008
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,623	9,732
Foreign currency translation adjustment	4,093	5,262
Remeasurements of defined benefit plans	537	536
Total accumulated other comprehensive income	14,253	15,531
Non-controlling interests	2,552	2,642
Total net assets	147,032	149,182
Total liabilities and net assets	200,194	208,459

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	38,057	44,336
Cost of sales	29,370	36,216
Gross profit	8,687	8,120
Selling, general and administrative expenses	5,595	6,163
Operating profit	3,091	1,956
Non-operating income		
Interest income	35	44
Dividend income	185	322
Rental income from real estate	32	33
Foreign exchange gains	55	1,761
Share of profit of entities accounted for using equity method	174	219
Other	82	64
Total non-operating income	566	2,446
Non-operating expenses		
Interest expenses	11	18
Rental costs on real estate	13	17
Loss on abandonment of inventories	13	46
Other	37	61
Total non-operating expenses	76	143
Ordinary profit	3,581	4,259
Extraordinary income		
Gain on sale of investment securities	13	–
Insurance claim income	5	3
Total extraordinary income	19	3
Extraordinary losses		
Loss on retirement of non-current assets	209	370
Total extraordinary losses	209	370
Profit before income taxes	3,391	3,892
Income taxes	1,076	1,209
Profit	2,314	2,683
Profit attributable to non-controlling interests	120	146
Profit attributable to owners of parent	2,193	2,536

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	2,314	2,683
Other comprehensive income		
Valuation difference on available-for-sale securities	(633)	109
Foreign currency translation adjustment	142	1,193
Remeasurements of defined benefit plans, net of tax	13	(0)
Total other comprehensive income	(477)	1,303
Comprehensive income	1,837	3,986
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,738	3,796
Comprehensive income attributable to non-controlling interests	99	189

(3) Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,391	3,892
Depreciation	2,388	2,464
Loss on retirement of non-current assets	209	370
Increase (decrease) in provision for bonuses	(1,095)	(1,001)
Increase (decrease) in retirement benefit asset and liability	0	(16)
Increase (decrease) in provision for bonuses for directors (and other officers)	(70)	(93)
Increase (decrease) in provision for stock-based compensation	(11)	(53)
Interest and dividend income	(220)	(367)
Interest expenses	11	18
Share of loss (profit) of entities accounted for using equity method	(174)	(219)
Loss (gain) on sale of investment securities	(13)	—
Decrease (increase) in trade receivables	(455)	(1,023)
Decrease (increase) in inventories	(2,248)	(1,837)
Increase (decrease) in trade payables	1,346	4,776
Other, net	141	(359)
Subtotal	3,198	6,551
Interest and dividends received	257	675
Interest paid	(11)	(18)
Income taxes paid	(1,433)	(1,902)
Net cash provided by (used in) operating activities	2,010	5,306
Cash flows from investing activities		
Purchase of non-current assets	(1,869)	(2,023)
Proceeds from sale of investment securities	21	—
Purchase of investment securities	—	(98)
Proceeds from collection of long-term loans receivable	240	0
Long-term loan advances	(147)	(111)
Other, net	26	(731)
Net cash provided by (used in) investing activities	(1,729)	(2,964)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,000)	247
Net decrease (increase) in treasury shares	(0)	(0)
Dividends paid	(1,740)	(1,853)
Dividends paid to non-controlling interests	(223)	(100)
Other, net	(31)	(44)
Net cash provided by (used in) financing activities	(2,996)	(1,751)
Effect of exchange rate change on cash and cash equivalents	61	589
Net increase (decrease) in cash and cash equivalents	(2,654)	1,181
Cash and cash equivalents at beginning of period	23,647	18,171
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	333
Cash and cash equivalents at end of period	20,993	19,687

(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 first 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.

Segment information

[Segment information]

I Three months ended June 30, 2021 (April 1, 2021 to June 30, 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	11,986	10,354	6,570	5,101	4,044	38,057	–	38,057
Intersegment sales/transfers	–	–	–	–	12	12	(12)	–
Total	11,986	10,354	6,570	5,101	4,057	38,070	(12)	38,057
Segment profit	95	1,173	1,093	685	384	3,432	(341)	3,091

Notes: 1. Company-wide expenses of ¥341 million not allocated to reportable segments are included in the adjustment to segment profit. Company-wide expenses are research and development expenses for new businesses not belonging to reportable segments.

2. Total amount of segment profit has been adjusted with operating profit in the quarterly consolidated statements of income.

II Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

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	15,124	11,526	7,126	5,938	4,620	44,336	–	44,336
Intersegment sales/transfers	–	–	–	–	27	27	(27)	–
Total	15,124	11,526	7,126	5,938	4,648	44,364	(27)	44,336
Segment profit	122	659	794	628	121	2,327	(371)	1,956

Notes: 1. Company-wide expenses of ¥371 million not allocated to reportable segments are included in the adjustment to segment profit. Company-wide expenses are research and development expenses for new businesses not belonging to reportable segments.

2. Total amount of segment profit has been adjusted with operating profit in the quarterly consolidated statements of income.

2. Items related to changes in reporting segments

Revisions to the allocation method of company-wide expenses

Starting in the period under review, research and development expenses for new businesses that had previously been allocated to reportable segments have been reclassified as company-wide expenses to gauge operating results more appropriately for each reportable segment.

As a result of this change, compared to the previous calculation method, segment profit for the period under review increased by ¥81 million for the Toiletries and Health Care segment, by ¥82 million for the Petroleum and Automotives segment, by ¥87 million for the Plastics and Textiles segment, by ¥71 million for the Information and Electrics/Electronics segment, and by ¥48 million for the Environmental Protection, Construction and Others segment, and the adjustment for segment profit decreased by ¥371 million.

Furthermore, provided segment information for the period under review was created using the allocation method following the change.

<Reference>

[Information by geographic segment]

Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
Net sales							
(1) Sales to external customers	29,058	1,787	4,559	2,652	38,057	—	38,057
(2) Intersegment sales/transfers	2,110	—	329	96	2,535	(2,535)	—
Total	31,169	1,787	4,888	2,748	40,593	(2,535)	38,057
Operating profit (loss)	3,273	67	(113)	(150)	3,076	15	3,091

Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
Net sales							
(1) Sales to external customers	31,156	2,387	6,731	4,060	44,336	—	44,336
(2) Intersegment sales/transfers	2,586	19	401	222	3,230	(3,230)	—
Total	33,742	2,407	7,133	4,282	47,566	(3,230)	44,336
Operating profit (loss)	1,492	16	316	108	1,933	22	1,956

[Overseas net sales]

Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	12,859	[7,255]	2,069	987	15,917
II. Consolidated net sales	—	—	—	—	38,057
III. Percentage of overseas net sales to consolidated net sales (%)	33.8	[19.1]	5.4	2.6	41.8

Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	16,283	[9,586]	2,919	1,507	20,710
II. Consolidated net sales	—	—	—	—	44,336
III. Percentage of overseas net sales to consolidated net sales (%)	36.7	[21.6]	6.6	3.4	46.7

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, 2022

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2021 to June 2021	July 2021 to September 2021	October 2021 to December 2021	January 2022 to March 2022	April 2021 to March 2022
Net sales	38,057	39,461	43,327	41,680	162,526
Operating profit	3,091	2,826	3,681	2,268	11,868
Ordinary profit	3,581	3,280	4,511	1,398	12,771
Profit attributable to owners of parent	2,193	2,224	3,083	(802)	6,699
Comprehensive income	1,837	2,402	3,689	152	8,082

Fiscal year ending March 31, 2023

(Millions of yen)

	1Q	Change (%)	
	April 2022 to June 2022	The same period of the previous fiscal year	The previous period
		April 2021 to June 2021	January 2022 to March 2022
Net sales	44,336	16.5	6.4
Operating profit	1,956	(36.7)	(13.7)
Ordinary profit	4,259	18.9	204.6
Profit attributable to owners of parent	2,536	15.6	—
Comprehensive income	3,986	116.9	—