

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2021 (Based on Japanese GAAP)

August 11, 2021

Company name: ADEKA CORPORATION

Stock exchange listing: Tokyo

Code number: 4401

URL: <https://www.adeka.co.jp>

Representative: HIDETAKA SHIROZUME PRESIDENT AND CHIEF EXECUTIVE OFFICER

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Scheduled date of filing quarterly securities report: August 11, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 01, 2021 to June 30, 2021)

(1) Consolidated Operating Results (% indicates changes year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|-------|------------------|------|-----------------|-------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2021 | 84,058 | 23.9 | 8,952 | 77.4 | 9,250 | 105.0 | 5,954 | 91.8 |
| June 30, 2020 | 67,849 | (3.3) | 5,046 | 12.3 | 4,512 | 6.7 | 3,104 | (3.4) |

(Note) Comprehensive income: Three months ended June 30, 2021: ¥ 6,452 million [130.5%]
Three months ended June 30, 2020: ¥ 2,799 million [16.4%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| June 30, 2021 | 57.65 | - |
| June 30, 2020 | 30.08 | - |

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the first three months of the fiscal year ending March 31, 2022, is the figure after applying the accounting standard and relevant revised ASBJ regulations.

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Capital adequacy ratio | |
|----------------|--------------|--|-------------|--|------------------------|--|
| As of | Million yen | | Million yen | | % | |
| June 30, 2021 | 440,649 | | 274,672 | | 52.6 | |
| March 31, 2021 | 437,657 | | 271,485 | | 52.1 | |

(Reference) Equity: As of June 30, 2021: ¥ 231,801 million
As of March 31, 2021: ¥ 228,074 million

2. Cash Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2021 | - | 24.00 | - | 24.00 | 48.00 |
| Fiscal year ending March 31, 2022 | - | | | | |
| Fiscal year ending March 31, 2022 (Forecast) | | 28.00 | - | 28.00 | 56.00 |

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-------------------------------------|-------------|------|------------------|------|-----------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months ended September 30, 2021 | 166,000 | 19.7 | 15,000 | 67.4 | 15,600 | 86.6 | 9,900 | 73.0 | 95.86 |
| Full year | 350,000 | 7.0 | 30,000 | 3.5 | 30,500 | 4.2 | 19,000 | 15.7 | 183.97 |

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2021
(changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

| | |
|-----------------------|--------------------|
| As of June 30, 2021: | 103,714,442 shares |
| As of March 31, 2021: | 103,714,442 shares |

2) Total number of treasury shares at the end of the period:

| | |
|-----------------------|----------------|
| As of June 30, 2021: | 438,648 shares |
| As of March 31, 2021: | 438,377 shares |

3) Average number of shares during the period:

| | |
|-----------------------------------|--------------------|
| Three months ended June 30, 2021: | 103,275,856 shares |
| Three months ended June 30, 2020: | 103,224,188 shares |

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1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2021

(1) Information regarding operating results

During the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021), the global economy saw continued signs of recovery in Europe, the U.S. and China partly due to the rollout of vaccination programs and effects of economic stimulus packages introduced in each country in response to the COVID-19 pandemic. However, the outlook remained uncertain, with increasing downside risks from resurgences of infections driven by variants and rising material prices.

In the automotive sector, which is the ADEKA Group's main target market, a global shortage of semiconductors slowed auto production and auto sales recovered at a sluggish pace. In the ICT (information and communications technology) and consumer electronics sectors, demand for devices such as computers and displays grew and investment in data centers also increased as the "new normal," supported by the use of digital technologies and online services, took hold. In the food products sector, the souvenir and food service industries continued to face challenging conditions, with restrictions being imposed on cross-prefectural travel and restaurants and bars shortening their business hours as a result of state of emergency declarations. In the life science sector, the domestic agrochemicals market held firm during the spring period when demand is high. Meanwhile, North America, which experienced prolonged dry spells, saw more frequent insect outbreaks than usual and demand for agrochemicals increased.

Under such conditions, the Group launched *ADX 2023*, a Medium-Term Management Plan covering the three-year period from FY2021 to FY2023. *ADX 2023* is positioned as the first stage for achieving ADEKA Group's vision for 2030, *ADEKA VISION 2030* — An Innovative Company Contributing to a Sustainable future and Affluent Lifestyles —. Based on the fundamental policy to "transform the management foundation to be compatible with the new social environment, aiming to achieve sustainable growth with an emphasis on profitability," the Group will implement the key strategies of "transforming the earnings structure," "achieving sustainable growth with new domains," and "reinforcing Group management," with the goal of improving corporate value based on both its social and economic value.

Consolidated financial results for the three months ended June 30, 2021 were net sales of 84,058 million yen (up 23.9% year on year), operating profit of 8,952 million yen (up 77.4%), ordinary profit of 9,250 million yen (up 105.0%), and profit attributable to owners of parent of 5,954 million yen (up 91.8%).

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued March 31, 2020), etc. from the beginning of first quarter of the consolidated fiscal year ending March 31, 2022. In addition, TAMA KAGAKU KOGYO CO., LTD. is included in the scope of application of the equity method from the first quarter of the consolidated fiscal year under review.

An overview by reporting segment is as follows.

(Chemicals Business)

The Chemical Products Business posted net sales of 48,028 million yen (up 33.2% year on year) and operating profit of 7,064 million yen (up 90.8%).

(Polymer additives)

In products for automotive applications, nucleating agents, light stabilizers and plasticizers for rubber sold briskly, mainly because auto production recovered from the slump seen during the same period a year earlier.

Products for construction materials sold well, reflecting the adoption of PVC stabilizers in North America. Meanwhile, in Southeast Asia, moves to regulate stabilizers which contain toxic heavy metals such as lead and tin picked up pace and sales of heavy-metal-free stabilizers for use in infrastructure were also strong.

In products for food packaging and medical care applications, clarifying agents sold well, especially overseas, due to rising demand for home-cooked food and an increase in disposal medical equipment.

Antioxidants, which are widely used in plastic products, including automobiles, consumer appliances and daily necessities, sold briskly, reflecting tight supply as a result of supply problems among competitors overseas.

Flame retardants for engineering plastics used in electronic enclosures sold strongly in China and Southeast Asia as demand for computers and televisions increased.

Overall, the Polymer additives posted year-on-year gains in sales and profit, with increased sales volume offsetting the impact of rising materials prices.

(Electronics and IT Materials)

Among products for semiconductors, high dielectric constant materials used in advanced DRAM sold briskly and products for NAND also sold well against a backdrop of growing global demand for digital technologies associated with 5G communications and the spread of telework. Meanwhile, sales of photoacid generators (PAG) used in advanced lithography, for example, EUV lithography, were also strong.

Among products for displays, etching solutions for LCDs, photo(light) curing resin for optical film, and photo initiators for color filters sold strongly, reflecting growing demand for LCDs and organic EL panels.

Overall, the Electronics and IT Materials reported higher sales and profit than in the same period a year earlier due to an increase in sales volume.

(Functional chemicals)

Among functional chemicals used in automotive applications, lubricant additives for engine oil, special epoxy resins and epoxy resin adhesive sold briskly largely because auto production recovered from the slump seen in the same period a year earlier.

Among products for general industries, surfactants used in cosmetics and detergents were slow-moving due to an ongoing slump in inbound demand and food service industry demand. However, reactive emulsifiers for architectural coatings sold well, and thanks to marketing which took advantage of the US FDA certificate acquired in September last year, reactive emulsifiers for aqueous adhesive resin used in food packaging labels also sold briskly. Sales of propylene glycol products were also solid on the back of recovery in demand driven by products for industrial use.

Overall, the Functional Chemicals Business achieved year-on-year gains in sales and profit due to an increase in sales volume, which offset the impact of rising raw material prices.

(Food Products Business)

The Food Products Business reported net sales of 17,931 million yen (up 9.5% year on year) and operating profit of 277 million yen (up 20.2%).

Sales of margarines, shortening and fillings for breads and confectionery were solid compared with the same period a year earlier but profitability was a challenge due to the severe impact of rising raw material prices. *The Marvelous Series*, which contributes to the reduction of food loss, keeping bread products fresh for longer and meeting the need to stockpile bread products and allowing them to be kept frozen or refrigerated, achieved steady sales growth in recognition of its functionality.

Among confectionary and dessert products, whipping cream sold strongly, partly due to the recovery of footfall at convenience stores.

Overseas, sales of margarines and shortening for breads and confectionery were brisk thanks to efforts to expand sales focusing on China.

Overall, the Food Products Business achieved year-on-year gains in sales and profit due to the reduction of fixed costs and higher sales of functional ingredients, despite the impact of rising raw materials prices.

(Life Science Business)

The Life Science Business posted net sales of 16,545 million yen (up 17.7% year on year) and operating profit of 1,435 million yen (up 41.9%).

Overall, domestic sales of agrochemicals fell year on year mainly due to the discontinuation of certain products despite solid sales of core own brand agrochemical products in Japan during the spring period when demand is high. Overseas, sales in the Americas and Europe were strong, partly due to growth in demand for miticides associated with more frequent outbreaks in North America as well as increased sales of herbicides due to the delisting of rival products following the tightening of environmental regulations in Europe.

Among pharmaceuticals, topical antifungal agent *Luliconazole* did not sell well mainly because fewer patients visited hospitals due to COVID-19.

Overall, the Life Science Business achieved higher sales and profit than in the same period a year earlier thanks to increased sales of agrochemicals overseas.

(2) Information regarding financial position

(Assets, liabilities and net assets)

Total assets amounted to 440,649 million yen, an increase of 2,992 million yen (up 0.7%) from the end of the previous fiscal year.

The increase was mainly attributable to an increase in raw materials and supplies.

Liabilities came to 165,977 million yen, a decrease of 195 million yen (down 0.1%) from the end of the previous fiscal year.

Net assets were 274,672 million yen, an increase of 3,187 million yen (up 1.2%) from the end of the previous fiscal year.

The increase was mainly attributable to an increase in retained earnings.

(3) Information regarding consolidated earnings forecast and other forward-looking statements

The Company has revised its consolidated financial results forecasts for the fiscal year ending March 31, 2022 announced on May 13, 2021 as shown in the chart below.

In light of consolidated results for the first three months ended June 30, 2021 announced today and the recent performance trend, the Company raised its previously announced forecasts for net sales, operating profit, ordinary profit and profit attributable to owners of parent for the six months ending September 30, 2021 (announced on May 13, 2021).

The revised full-year consolidated financial results forecasts for the fiscal year ending March 31, 2022 are calculated on the assumption that the world economy will stage a modest recovery from the second half onwards, as vaccination programs are rolled out, despite lingering concerns about a further resurgence of COVID-19 and rising raw material prices. Based on this assumption, the Company expects to see a recovery in auto sales and production and further growth in demand for semiconductors, leading to rising demand for its own products related to these sectors. Accordingly, the Company raised its previously announced full-year forecasts for net sales, operating profit, ordinary profit and profit attributable to owners of parent.

Exchange rate assumptions for 2Q-4Q are ¥110/USD and ¥133/EUR.

Please refer to "Notice revision of Consolidated Financial Forecasts and Dividend Forecast for FY 2021," released today for further details.

Fiscal 2021 first half(April 1, 2021 - September 30, 2021)

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent | Basic earnings per share |
|---|-------------|------------------|-----------------|---|--------------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecast (A) | 153,000 | 9,800 | 9,900 | 6,700 | 64.87 |
| Newly revised forecast (B) | 166,000 | 15,000 | 15,600 | 9,900 | 95.86 |
| Change (B-A) | 13,000 | 5,200 | 5,700 | 3,200 | |
| Rate of change (%) | 8.5 | 53.1 | 57.6 | 47.8 | |
| (ref.)Results for the previous corresponding period | 138,631 | 8,961 | 8,362 | 5,723 | 55.44 |

Fiscal 2021 Full year(April 1, 2021 – March 31, 2022)

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent | Basic earnings per share |
|---|-------------|------------------|-----------------|---|--------------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecast (A) | 329,000 | 25,600 | 26,000 | 16,400 | 158.80 |
| Newly revised forecast (B) | 350,000 | 30,000 | 30,500 | 19,000 | 183.97 |
| Change (B-A) | 21,000 | 4,400 | 4,500 | 2,600 | |
| Rate of change (%) | 6.4 | 17.2 | 17.3 | 15.9 | |
| (ref.)Results for the previous corresponding period | 327,080 | 28,979 | 29,270 | 16,419 | 159.01 |

2. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

(Million yen)

| | As of March 31,2021 | As of June 30,2021 |
|--|---------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 84,244 | 80,534 |
| Notes and accounts receivable - trade, and contract assets | - | 90,916 |
| Notes and accounts receivable - trade | 91,087 | - |
| Securities | 2,499 | 2,499 |
| Merchandise and finished goods | 41,486 | 43,897 |
| Work in process | 5,363 | 5,493 |
| Raw materials and supplies | 22,930 | 27,342 |
| Other | 8,493 | 9,108 |
| Allowance for doubtful accounts | (581) | (616) |
| Total current assets | 255,525 | 259,176 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 36,305 | 36,294 |
| Machinery, equipment and vehicles, net | 42,227 | 41,035 |
| Land | 29,129 | 29,437 |
| Other, net | 11,247 | 11,110 |
| Total property, plant and equipment | 118,909 | 117,877 |
| Intangible assets | | |
| Technical assets | 7,461 | 7,212 |
| Customer related assets | 2,810 | 2,770 |
| Other | 5,883 | 6,321 |
| Total intangible assets | 16,155 | 16,304 |
| Investments and other assets | | |
| Investment securities | 35,498 | 35,265 |
| Other | 11,568 | 12,025 |
| Total investments and other assets | 47,067 | 47,291 |
| Total non-current assets | 182,132 | 181,473 |
| Total assets | 437,657 | 440,649 |

(Million yen)

| | As of March 31,2021 | As of June 30,2021 |
|--|---------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 50,254 | 53,327 |
| Short-term borrowings | 22,599 | 21,097 |
| Income taxes payable | 4,295 | 3,513 |
| Provision for bonuses | 3,321 | 1,638 |
| Provision for environmental measures | 508 | 433 |
| Provision for loss on liquidation of subsidiaries and associates | 429 | 429 |
| Other provisions | 166 | 22 |
| Other | 25,705 | 20,799 |
| Total current liabilities | 107,281 | 101,261 |
| Non-current liabilities | | |
| Bonds payable | 11,481 | 11,255 |
| Long-term borrowings | 12,331 | 18,434 |
| Retirement benefit liability | 21,193 | 21,392 |
| Other provisions | 231 | 230 |
| Other | 13,652 | 13,402 |
| Total non-current liabilities | 58,890 | 64,716 |
| Total liabilities | 166,172 | 165,977 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 22,994 | 22,994 |
| Capital surplus | 20,039 | 20,039 |
| Retained earnings | 169,469 | 173,366 |
| Treasury shares | (406) | (407) |
| Total shareholders' equity | 212,097 | 215,994 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,921 | 9,378 |
| Revaluation reserve for land | 4,253 | 4,253 |
| Foreign currency translation adjustment | 3,379 | 3,702 |
| Remeasurements of defined benefit plans | (1,576) | (1,527) |
| Total accumulated other comprehensive income | 15,977 | 15,807 |
| Non-controlling interests | 43,410 | 42,871 |
| Total net assets | 271,485 | 274,672 |
| Total liabilities and net assets | 437,657 | 440,649 |

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

| | Three months ended June 30,2020 | Three months ended June 30,2021 |
|---|------------------------------------|------------------------------------|
| Net sales | 67,849 | 84,058 |
| Cost of sales | 49,865 | 61,002 |
| Gross profit | 17,983 | 23,056 |
| Selling, general and administrative expenses | 12,936 | 14,103 |
| Operating profit | 5,046 | 8,952 |
| Non-operating income | | |
| Interest income | 67 | 72 |
| Dividend income | 219 | 209 |
| Share of profit of entities accounted for using equity method | 234 | 227 |
| Gain on valuation of derivatives | 132 | 197 |
| Other | 214 | 169 |
| Total non-operating income | 867 | 876 |
| Non-operating expenses | | |
| Interest expenses | 227 | 220 |
| Foreign exchange losses | 1,102 | 293 |
| Other | 71 | 64 |
| Total non-operating expenses | 1,401 | 578 |
| Ordinary profit | 4,512 | 9,250 |
| Extraordinary income | | |
| Gain on sale of non-current assets | - | 212 |
| Total extraordinary income | - | 212 |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 28 | 72 |
| Loss on valuation of investment securities | - | 27 |
| Total extraordinary losses | 28 | 99 |
| Profit before income taxes | 4,483 | 9,363 |
| Income taxes - current | 1,652 | 3,205 |
| Income taxes - deferred | (233) | (571) |
| Total income taxes | 1,418 | 2,634 |
| Profit | 3,064 | 6,729 |
| Profit (loss) attributable to non-controlling interests | (40) | 775 |
| Profit attributable to owners of parent | 3,104 | 5,954 |

Consolidated statement of comprehensive income

(Million yen)

| | Three months ended June 30,2020 | Three months ended June 30,2021 |
|--|------------------------------------|------------------------------------|
| Profit | 3,064 | 6,729 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,520 | (430) |
| Foreign currency translation adjustment | (1,620) | 310 |
| Remeasurements of defined benefit plans, net of tax | 63 | 40 |
| Share of other comprehensive income of entities accounted for using equity method | (228) | (196) |
| Total other comprehensive income | (265) | (277) |
| Comprehensive income | 2,799 | 6,452 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,150 | 5,783 |
| Comprehensive income attributable to non-controlling interests | (351) | 668 |

(3) Notes to consolidated financial statements

(Notes on going concern assumptions)

No items to report.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Notes on accounting methods specific to preparation of quarterly financial statements)

(Calculation of tax expenses)

For some subsidiaries, taxes are calculated by reasonably estimating the effective tax rate after application of tax effect accounting to income before income taxes for the consolidated fiscal year to which the first three months ended June 30, 2021 belong, and multiplying the quarterly income before income taxes by such estimated effective tax rate.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued March 31, 2020; hereinafter, the "Accounting Standard for Revenue Recognition), etc. from the beginning of first three months ended June 30, 2021. Under the Accounting Standard for Revenue Recognition, revenue is recognized when control over promised goods or services is transferred to customers, at an amount that the Company is expected to receive in exchange for the said goods or services. As a result, in the case of product sales in Japan, the Company now recognizes revenue mainly when the product has been accepted by the customer or when the product has been delivered to the customer instead of at the time of shipment as was previously the case. In transactions in which the Company acts as an agent when selling a product to a customer, the Company previously recognized revenue at the gross amount of consideration received from the customer. However, given the Company's role in providing goods or services to a customer (principal or agent), the Company now recognizes revenue based on the net amount of consideration. In transactions in which the Company supplies materials for a fee, the materials supplied for a fee were previously deemed to have ceased to exist. However, such supplied materials are no longer deemed as having ceased to exist if the Company is obliged to repurchase them.

In adopting the Accounting Standard for Revenue Recognition, etc., the Group followed the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the first three months ended June 30, 2021 has been added to or subtracted from retained earnings at the beginning of first three months ended June 30, 2021, and the new accounting policy has been applied from the said beginning balance of retained earnings. The new accounting policy was not, however, retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the beginning of the first three months ended June 30, 2021 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, for the first three months ended June 30, 2021, net sales decreased by 698 million yen, the cost of sales decreased by 566 million yen, and operating profit, ordinary profit and profit before income taxes each decreased by 132 million yen.

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes, accounts receivable – trade and contract assets" from the first three months ended June 30, 2021. In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, in accordance with the transitional treatment stipulated in Article 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, issued March 31, 2020), a breakdown of revenue from contracts with customers for the first three months ended June 30, 2020 is omitted.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued July 4, 2019; hereinafter, the "Accounting Standard for Fair Value Measurement"), etc. from the beginning of first three months ended June 30, 2021, and in accordance with the transitional treatment stipulated in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued July 4, 2019), the Company shall apply the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. prospectively. Due to this application, starting from the first three months ended June 30, 2021, the measurement of the fair value of stocks with market prices in available-for-sale securities is changed from the fair value method based on their average prices during the final month of the fiscal year to the fair value method based on their fiscal year-end market prices.

(Segment information etc.)

(Segment information)

I Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

1. Information about sales and profit or loss by reportable segment

(Million yen)

| | Reporting segment | | | | Others (Note 1) | Sub total | Adjustment (Note 2) | Amount on the consolidated state ments of income (Note 3) |
|--------------------------------------|-------------------|------------------|-----------------|--------|--------------------|--------------|------------------------|--|
| | Chemicals | Food Products | Life Science | Total | | | | |
| Net sales | | | | | | | | |
| (1) Sales to outside customers | 36,049 | 16,370 | 14,052 | 66,471 | 1,377 | 67,849 | — | 67,849 |
| (2) Intersegment sales and transfers | 18 | 4 | 1 | 24 | 3,502 | 3,526 | △3,526 | — |
| Total | 36,067 | 16,374 | 14,053 | 66,495 | 4,880 | 71,376 | △3,526 | 67,849 |
| Segment profit (loss) | 3,702 | 230 | 1,011 | 4,944 | 96 | 5,041 | 5 | 5,046 |

(Note) 1 The "Others" classification consists of business that is not included in reportable segments. It includes construction work and construction work management, logistics and real estate business.

2 Adjustment of segment profit of 5 million yen includes the elimination of intersegment transactions.

3 Segment profit has been adjusted with operating profit recorded on the Quarterly Consolidated Statements of Income.

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

1. Information about sales and profit or loss by reportable segment

(Million yen)

| | Reporting segment | | | | Others (Note 1) | Sub total | Adjustment (Note 2) | Amount on the consolidated state ments of income (Note 3) |
|--------------------------------------|-------------------|------------------|-----------------|--------|--------------------|--------------|------------------------|--|
| | Chemicals | Food Products | Life Science | Total | | | | |
| Net sales | | | | | | | | |
| (1) Sales to outside customers | 48,028 | 17,931 | 16,545 | 82,505 | 1,552 | 84,058 | — | 84,058 |
| (2) Intersegment sales and transfers | 25 | 16 | 1 | 44 | 4,323 | 4,367 | △4,367 | — |
| Total | 48,054 | 17,948 | 16,547 | 82,550 | 5,876 | 88,426 | △4,367 | 84,058 |
| Segment profit (loss) | 7,064 | 277 | 1,435 | 8,776 | 133 | 8,910 | 42 | 8,952 |

(Note) 1 The "Others" classification consists of business that is not included in reportable segments. It includes construction work and construction work management, logistics and real estate business.

2 Adjustment of segment profit of 42 million yen includes the elimination of intersegment transactions.

3 Segment profit has been adjusted with operating profit recorded on the Quarterly Consolidated Statements of Income.

2. Matters about changes of reportable segment, etc.

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of first three months ended June 30, 2021, and, as a result of a change in the accounting treatment for revenue recognition, the calculation method of segment profit (loss) was changed as well.

As a result of said change, the sales of the Chemicals Business for the first three months ended June 30, 2021 decreased by 431 million yen and segment profit decreased by 119 million yen compared with the previous method. The sales of the Food Products Business fell by 147 million yen and segment profit was 11 million yen lower. In the Life Science Business, sales decreased by 120 million yen, and segment profit was 1 million yen lower. In the "Others" segment, sales and segment profit was not affected.