

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 11, 2022

Company name: ADEKA CORPORATION

Stock exchange listing: Tokyo

Code number: 4401

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

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Scheduled date of filing quarterly securities report: November 11, 2022

Scheduled date of commencing dividend payments: December 06, 2022

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 Six Months Ended September 30, 2022 (April 01, 2022 to September 30, 2022)

#### (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	%
Six months ended September 30, 2022	196,479	17.0	15,112	(4.4)	16,431	1.6	9,980	(6.7)
September 30, 2021	167,942	-	15,803	-	16,179	-	10,696	-

(Note) Comprehensive income: Six months ended September 30, 2022:      ¥      18,728 million [      60.1%]  
Six months ended September 30, 2021:      ¥      11,698 million [      -%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	96.97	-
September 30, 2021	103.56	-

The figures for the first Six months of the previous fiscal year (the fiscal year ended March 31, 2022) are the figures after retrospective application of a change in accounting policy.

The rate of change from the same period of the previous year for the first Six months of the fiscal year ended March 2022 is not shown because of retrospective application of a change in accounting policy.

#### (2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio
	Million yen		Million yen		%
As of September 30, 2022	492,760		308,601		52.6
March 31, 2022	475,304		296,871		52.6

(Reference) Equity: As of September 30, 2022:      ¥      258,961 million  
As of March 31, 2022:      ¥      249,968 million

The figures for the previous fiscal year (the fiscal year ended March 31, 2022) are the figures after retrospective application of a change in accounting policy.

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	28.00	-	42.00	70.00
Fiscal year ending March 31, 2023	-	35.00			
Fiscal year ending March 31, 2023 (Forecast)			-	35.00	70.00

(Note) Revision to the forecast for dividends announced most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes year-to-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
Full year	420,000	16.3	37,000	8.7	36,900	3.5	22,000	(7.1)	213.58

(Note) Revision to the financial results forecast announced most recently: No

Due to retrospective application of a change in accounting policy, the year-on-year change rate are calculated using the previous fiscal year's figures after retrospective application.

### \* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(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: No

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(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 September 30, 2022:	103,768,142 shares
As of March 31, 2022:	103,768,142 shares

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

As of September 30, 2022:	1,206,344 shares
As of March 31, 2022:	760,398 shares

3) Average number of shares during the period:

Six months ended September 30, 2022:	102,925,022 shares
Six months ended September 30, 2021:	103,280,866 shares

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the six months ended September 30, 2022, the global economy continued to be on a moderate recovery trend as many countries transitioned to policies of living with COVID-19. On the other hand, in addition to growing geopolitical risks, including the situation in Ukraine, soaring raw material and fuel prices, global inflationary trends, and other factors have led to a heightened sense of caution against economic slowdown.

In the automobile-related sector, which is the ADEKA Group's main target market, the impact of supply constraints on semiconductors and others remained, preventing a full-scale recovery of automobile production. In the ICT (information and communications technology) and consumer electronics sectors, a reactionary decline in stay-at-home demand and a downturn in personal consumption led to a drop in sales of personal computers and smartphones, causing the panel market to soften. In the food products sector, although the relaxation of movement restrictions prompted a recovery in demand for souvenirs and eating out, the industry as a whole faced challenging conditions as rising costs of living triggered a growing trend among consumers to economize and seek out lower-priced goods. In the life science sector, amid nationwide high temperatures and record-early endings to the monsoon season in some regions, the agrochemicals market trended slightly weak. Overseas, despite the impact of severe wintery conditions in early spring in North America and drought conditions in the Midwest, increases in major crop acreage in Brazil, the world's largest market for agrochemicals, and other factors meant that agrochemicals demand held firm overall.

Under these conditions, in Fiscal 2022, the second year of the Medium-Term Management Plan, ADX 2023, the Group continues to pursue measures for the enhancement of corporate value through the pursuit of social and economic value, based on the three fundamental strategies of "transforming the earnings structure," "achieving sustainable growth with new domains," and "reinforcing Group management." In August 2022, the Group revised ADX 2023's management indicators upward and will now aim to achieve operating profit of 42.0 billion yen (net sales of 430.0 billion yen) and ROE of 9% in Fiscal 2023, the final year of the Plan. In the electronics and IT materials sector, the Group began full-scale integrated production in South Korea of new products in the ADEKA ORCERA series of high dielectric constant materials for advanced semiconductor memory. In addition, a decision was made in July 2022 to invest in increasing production of that series in South Korea. In the food products sector, the Group newly launched sales of the Deli-PLANTS series of plant-based foods (PBF) in April 2022. With new products that will expand the options for putting delicious PBF on tables around the world and realize food sustainability, the Group is eagerly pursuing the development of markets in new fields and proposals to customers. In the Life Science Business, the Group launched full-scale sales in India of the rice insecticide, Benzpyrimoxan, and is also proceeding with the expansion of production facilities. In CSR initiatives, in April 2022, the Company built and reinforced its new organizational structure aimed at the realization of carbon neutrality and the achievement of the Sustainable Development Goals (SDGs), promoted women's active participation in the workplace aimed at the realization of diversity and inclusion (D&I), and promoted health and productivity management.

Financial results for the six months ended September 30, 2022 were net sales of 196,479 million yen (up 17.0% year on year), operating profit of 15,112 million yen (down 4.4% year on year), ordinary profit of 16,431 million yen (up 1.6% year on year), and profit attributable to owners of parent of 9,980 million yen (down 6.7% year on year).

Effective from the first quarter of the fiscal year ending March 31, 2023, revenues and expenses of certain overseas subsidiaries and other entities are translated into yen at the average exchange rate during the period, instead of at the spot exchange rate prevailing on the balance sheet date. Year-on-year comparisons are based on retroactively adjusted figures.

An overview by reporting segment is as follows.

#### (Chemicals Products Business)

The Chemicals Products Business posted net sales of 109,891 million yen (up 14.0% year on year) and operating profit of 13,950 million yen (down 1.8% year on year).

### 1) Polymer additives

In products for automobile applications, sales of nucleating agents, plasticizers for rubber, etc. were sluggish, due to the impact of a decrease in automobile production caused by shortages of semiconductors and other materials, but sales price revisions led to an increase in sales.

In products for construction materials, sales of heavy-metal-free stabilizers for use in infrastructure were strong against a backdrop of a surge in tin prices, coupled with the tightening of regulations in Southeast Asia with respect to lead-based stabilizers.

In products for food packaging, clarifying agents sold well, particularly in the United States and Europe, capturing expanding demand for ready-made meals such as take-out and delivery.

One-pack granule additives used in polyolefin resin sold briskly due to an increase in demand overseas, particularly in the Middle East. Sales volumes of antioxidants were down year on year, but sales revenue increased due to sales price revisions.

Sales of flame retardants for engineering plastics used in enclosures and other applications were weak due to a slump in demand for household electrical appliances, personal computers and the like.

Overall, the Polymer Additives Business posted year-on-year gains in sales and profit, with efforts to revise sales prices, alongside the impact of exchange rates, offsetting the impact of rising materials prices.

### 2) Electronics and IT materials

Among products for semiconductors, high dielectric constant materials used in advanced DRAM sold briskly against the backdrop of the advancement of digitalization. Sales of products for NAND were also strong, as were sales of photoacid generators used in advanced photo resists, such as EUV and ArF.

Among products for displays, sales of photo (light) curing resin for optical film, photo initiators for color filters, black matrix resists and etching solutions were weak, impacted by production adjustments being made by panel manufacturers due to a sense of oversupply of panels.

Overall, in the Electronics and IT Materials Business, strong sales of semiconductor materials, which continue to expand, were not enough to compensate for the major slump in display-related materials, resulting in an increase in sales and a decline in profit.

### 3) Functional chemicals

Functional chemicals used in automobile applications were affected by the decline in production caused by shortages of semiconductor and other materials, but sales of lubricant additives for engine oils were strong due to the new adoption of our products overseas and the market penetration of new engine oil standards. Special epoxy resins for structural adhesives also sold briskly.

Among products for architectural coatings, in light of changes in lifestyles and housing environments in the Asian region, people- and environmentally-friendly reactive emulsifiers, which reduce emissions of volatile organic compounds (VOC), sold briskly. Sales of special surfactants for cosmetics were also firm due to moderate recovery in market conditions both in Japan and overseas.

On the other hand, although sales of propylene glycol products and peroxides were firm, they were impacted by soaring raw material and fuel prices.

Overall, sales in the Functional Chemicals Business increased year on year due to the expansion of sales of lubricant additives overseas. However, despite the pursuit of sales price revisions in response to soaring raw material and fuel prices, profit fell year on year due to the delay in the effects of passing on these cost increases onto sales prices becoming apparent.

### (Food Products Business)

The Food Products Business reported net sales of 39,871 million yen (up 10.8% year on year) and operating loss of 1,885 million yen (while reporting operating profit of 162 million yen in the same period a year earlier).

Although sales of margarines and shortening for breads and confectionery were impacted by lockdowns and extremely hot weather in China, they remained steady due to increased demand for pastries and assorted sweets in Japan. There was an expansion in the adoption of the Marvelous Series of functional margarines for kneading, in recognition of its functionality in keeping bread and other products fresher for longer and extending their

used-by date. Sales of fillings for souvenir confections were also steady due to increased movement of people as travel restrictions eased.

In the integration of product varieties aimed at reducing food loss, the Company has set a target of reducing the total number of products (approximately 1,000) by around 40% by March 2023, and is working to cut around 200 products from its lineup by December 2022.

Overall, the Food Products Business achieved gains in sales year on year, reflecting the expansion of domestic sales and the revision of sales prices that it has been pursuing since the previous fiscal year. However, the Company posted operating loss because, despite the pursuit of sales price revisions to combat rises in raw materials prices, utilities, and logistics costs, there is a delay in the effects of passing on these cost increases onto sales prices becoming apparent. Exchange rates also had an impact on profit.

#### (Life Science Business)

The Life Science Business posted net sales of 43,162 million yen (up 37.1% year on year) and operating profit of 2,563 million yen (up 163.4% year on year).

Overall, domestic sales of agrochemicals exceeded those of the same period a year earlier, due mainly to the launching of sales of products of Corteva Agriscience Japan Ltd. since October 2021. Overseas, agrochemicals sold briskly in Brazil, where demand for agrochemicals is expanding. In North America, sales of insecticides mainly for peanut crops were strong.

Among pharmaceuticals, the topical antifungal agent Luliconazole for athlete's foot did not sell well, mainly because fewer patients visited hospitals due to COVID-19.

Overall, the Life Science Business achieved year-on-year gains in sales and profit due to increased sales of agrochemicals overseas.

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets increased by 17,455 million yen (up 3.7% compared with the end of the previous fiscal year) to 492,760 million yen.

The primary factor was an increase in inventories.

Liabilities increased by 5,725 million yen (up 3.2% compared with the end of the previous fiscal year) to 184,158 million yen.

The primary factor was an increase in notes and accounts payable - trade.

Net assets increased by 11,730 million yen (up 4.0% compared with the end of the previous fiscal year) to 308,601 million yen.

The primary factor was an increase in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

In regard to the consolidated financial results forecast for the fiscal year ending March 31, 2023, there are no changes to the consolidated financial results forecast announced on August 10, 2022.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	84,249	80,448
Notes and accounts receivable - trade, and contract assets	100,459	91,066
Securities	2,499	5,499
Merchandise and finished goods	57,248	66,251
Work in process	6,238	7,880
Raw materials and supplies	32,595	44,546
Other	11,957	13,562
Allowance for doubtful accounts	(1,382)	(1,030)
<b>Total current assets</b>	<b>293,867</b>	<b>308,224</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,777	38,101
Machinery, equipment and vehicles, net	40,071	38,789
Land	30,446	31,536
Other, net	11,023	12,235
<b>Total property, plant and equipment</b>	<b>119,318</b>	<b>120,663</b>
Intangible assets		
Technical assets	6,466	5,968
Customer related assets	2,649	2,569
Other	7,727	9,528
<b>Total intangible assets</b>	<b>16,843</b>	<b>18,067</b>
Investments and other assets		
Investment securities	33,586	33,433
Other	11,689	12,371
<b>Total investments and other assets</b>	<b>45,276</b>	<b>45,805</b>
<b>Total non-current assets</b>	<b>181,437</b>	<b>184,535</b>
<b>Total assets</b>	<b>475,304</b>	<b>492,760</b>

(Million yen)

As of March 31, 2022

As of September 30, 2022

Liabilities		
Current liabilities		
Notes and accounts payable - trade	63,233	67,173
Short-term borrowings	23,802	25,648
Income taxes payable	5,930	4,073
Provision for bonuses	3,744	3,290
Provision for loss on disaster	126	-
Other provisions	164	59
Other	17,850	25,428
Total current liabilities	114,852	125,674
Non-current liabilities		
Bonds payable	11,326	11,653
Long-term borrowings	18,131	13,437
Retirement benefit liability	21,034	21,121
Other provisions	278	234
Other	12,808	12,036
Total non-current liabilities	63,580	58,484
Total liabilities	178,433	184,158
Net assets		
Shareholders' equity		
Share capital	23,048	23,048
Capital surplus	20,146	20,123
Retained earnings	188,091	193,727
Treasury shares	(1,273)	(2,304)
Total shareholders' equity	230,012	234,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,062	7,612
Deferred gains or losses on hedges	-	35
Revaluation reserve for land	4,253	4,253
Foreign currency translation adjustment	8,924	13,648
Remeasurements of defined benefit plans	(1,284)	(1,182)
Total accumulated other comprehensive income	19,956	24,366
Non-controlling interests	46,902	49,640
Total net assets	296,871	308,601
Total liabilities and net assets	475,304	492,760

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	167,942	196,479
Cost of sales	123,078	149,504
Gross profit	44,863	46,974
Selling, general and administrative expenses	29,059	31,862
Operating profit	15,803	15,112
Non-operating income		
Interest income	147	229
Dividend income	419	487
Share of profit of entities accounted for using equity method	365	463
Foreign exchange gains	211	1,482
Other	354	479
Total non-operating income	1,499	3,144
Non-operating expenses		
Interest expenses	412	584
Loss on valuation of derivatives	532	1,031
Other	177	208
Total non-operating expenses	1,123	1,824
Ordinary profit	16,179	16,431
Extraordinary income		
Gain on sale of non-current assets	219	33
Gain on sale of investment securities	18	-
Total extraordinary income	238	33
Extraordinary losses		
Loss on disaster	-	124
Loss on abandonment of non-current assets	149	114
Loss on sale of investment securities	41	-
Loss on valuation of investment securities	-	5
Total extraordinary losses	190	244
Profit before income taxes	16,226	16,221
Income taxes - current	5,558	5,245
Income taxes - deferred	(989)	(681)
Total income taxes	4,568	4,563
Profit	11,657	11,657
Profit attributable to non-controlling interests	961	1,676
Profit attributable to owners of parent	10,696	9,980

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	11,657	11,657
Other comprehensive income		
Valuation difference on available-for-sale securities	(62)	(125)
Deferred gains or losses on hedges	-	138
Foreign currency translation adjustment	435	7,054
Remeasurements of defined benefit plans, net of tax	81	92
Share of other comprehensive income of entities accounted for using equity method	(413)	(87)
Total other comprehensive income	40	7,071
Comprehensive income	11,698	18,728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,583	14,391
Comprehensive income attributable to non-controlling interests	1,114	4,337

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	16,226	16,221
Depreciation	7,576	7,946
Share of loss (profit) of entities accounted for using equity method	(365)	(463)
Increase (decrease) in retirement benefit liability	277	159
Increase (decrease) in provision for environmental measures	(474)	-
Interest and dividend income	(567)	(717)
Interest expenses	412	584
Foreign exchange losses (gains)	(849)	(701)
Loss (gain) on sale of non-current assets	(219)	(33)
Loss on abandonment of non-current assets	149	114
Loss (gain) on sale of investment securities	22	-
Decrease (increase) in trade receivables and contract assets	12,176	15,483
Decrease (increase) in inventories	(13,217)	(17,606)
Increase (decrease) in trade payables	5,639	(1,100)
Other, net	(405)	(19)
Subtotal	26,382	19,866
Interest and dividends received	779	1,023
Interest paid	(406)	(415)
Income taxes paid	(5,185)	(7,199)
Net cash provided by (used in) operating activities	21,569	13,274
<b>Cash flows from investing activities</b>		
Purchase of securities	(3,999)	(8,999)
Proceeds from sale and redemption of securities	3,999	5,999
Purchase of property, plant and equipment	(4,248)	(6,904)
Proceeds from sale of property, plant and equipment	226	461
Purchase of intangible assets	(1,712)	(2,233)
Purchase of investment securities	(13)	(19)
Net decrease (increase) in short-term loans receivable	(168)	12
Long-term loan advances	(16)	-
Other, net	532	(890)
Net cash provided by (used in) investing activities	(5,401)	(12,574)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(5,113)	(357)
Proceeds from long-term borrowings	6,187	661
Repayments of long-term borrowings	(8,976)	(709)
Redemption of bonds	(193)	(223)
Purchase of treasury shares	(866)	(1,175)
Dividends paid	(2,486)	(4,344)
Dividends paid to non-controlling interests	(1,248)	(1,730)
Other, net	(346)	(365)
Net cash provided by (used in) financing activities	(13,044)	(8,244)
Effect of exchange rate change on cash and cash equivalents	520	2,746
Net increase (decrease) in cash and cash equivalents	3,644	(4,797)
Cash and cash equivalents at beginning of period	82,121	82,799
Cash and cash equivalents at end of period	85,765	78,001

#### (4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

For certain subsidiaries, the Company has adopted a method of making a reasonable estimate of the effective tax rate after application of tax effect accounting to profit before income taxes for the consolidated fiscal year to which the second quarter under review belongs, and multiplying the profit before income taxes by such estimated effective tax rate.

(Changes in accounting policies)

(Changes in translation method of revenues and expenses of overseas subsidiaries, etc.)

Revenues and expenses of certain overseas subsidiaries and other entities, which were previously translated into yen at the spot exchange rate prevailing on the balance sheet date, are translated into yen at the average exchange rate during the period effective from the first quarter of the fiscal year ending March 31, 2023.

This change came after reviewing the management systems within the Group, including the standardization of budget management systems, against the backdrop of the increased importance of overseas subsidiaries and other entities. It was also undertaken to mitigate the impact of temporary fluctuations in exchange rates on profit and loss during the period and to more appropriately reflect the profit and loss of overseas subsidiaries and other entities that are generated throughout the consolidated fiscal year in the consolidated financial statements.

This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the six months ended September 30, 2021 and the consolidated financial statements for the fiscal year ended March 31, 2022 have been restated retrospectively.

As a result, compared with the figures prior to the retrospective application, net sales and operating profit for the six months ended September 30, 2021 decreased by 458 million yen and 114 million yen, respectively. Ordinary profit and profit before income taxes each increased by 60 million yen, and profit attributable to owners of parent increased by 8 million yen. Basic earnings per share increased by 0.09 yen.

Further, the cumulative impact of this change has been reflected in net assets at the beginning of the fiscal year ended March 31, 2022, resulting in a decrease of 112 million yen and an increase of 112 million yen in the beginning balance of retained earnings and foreign currency translation adjustment, respectively.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Chemicals Products Business	Food Products Business	Life Science Business	Total				
Net sales								
(1) Net sales to outside customers	96,359	35,977	31,475	163,811	4,130	167,942	—	167,942
(2) Inter-segment net sales or transfers	52	31	4	88	8,509	8,597	(8,597)	—
Total	96,411	36,008	31,480	163,899	12,639	176,539	(8,597)	167,942
Segment profit	14,211	162	973	15,347	371	15,719	84	15,803

- (Notes) 1. “Others” refers to business segments not included in the reportable segments and includes construction and construction management, logistics, and real estate businesses.  
2. The adjustment of segment profit of 84 million yen includes the elimination of inter-segment transactions.  
3. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

II. For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Chemicals Products Business	Food Products Business	Life Science Business	Total				
Net sales								
(1) Net sales to outside customers	109,891	39,871	43,162	192,925	3,553	196,479	—	196,479
(2) Inter-segment net sales or transfers	74	37	4	116	9,676	9,793	(9,793)	—
Total	109,966	39,908	43,167	193,042	13,230	206,272	(9,793)	196,479
Segment profit (loss)	13,950	(1,885)	2,563	14,628	422	15,051	60	15,112

- (Notes) 1. “Others” refers to business segments not included in the reportable segments and includes construction and construction management, logistics, and real estate businesses.  
2. The adjustment of segment profit (loss) of 60 million yen includes the elimination of inter-segment transactions.  
3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

2. Matters on changes in reportable segments, etc.

(Changes in translation method of revenues and expenses of overseas subsidiaries, etc.)

As described in “Changes in accounting policies,” revenues and expenses of certain overseas subsidiaries and other entities, which were previously translated into yen at the spot exchange rate prevailing on the balance sheet date, are translated into yen at the average exchange rate during the period effective from the first quarter of the fiscal year ending March 31, 2023.

This change came after reviewing the management systems within the Group, including the standardization of budget management systems, against the backdrop of the increased importance of overseas subsidiaries and other entities. It was also undertaken to mitigate the impact of temporary fluctuations in exchange rates on profit

and loss during the period and to more appropriately reflect the profit and loss of overseas subsidiaries and other entities that are generated throughout the consolidated fiscal year in the consolidated financial statements.

As a result of this change, the method of calculating net sales and profit (loss) by reportable segment has also been changed, and the figures in the information on net sales and profit (loss) by reportable segment for the six months ended September 30, 2021 are the figures after the retrospective application of the change.