



November 4, 2021

## Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (Six Months Ended September 30, 2021)

[Japanese GAAP]

Company name: JCU CORPORATION Listing: Tokyo Stock Exchange, First Section  
 Stock code: 4975 URL: <https://www.jcu-i.com/>  
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Scheduled date of filing of Quarterly Report: November 9, 2021  
 Scheduled date of payment of dividend: December 6, 2021  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on November 4, 2021 at 15:00. (GMT +9).

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(1) Consolidated results of operations (Percentages represent year-over-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 Sep. 30, 2021	11,654	20.5	4,350	49.1	4,430	50.0	3,078	53.0
Six months ended Sep. 30, 2020	9,673	(5.0)	2,917	(0.1)	2,953	2.9	2,012	(0.8)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: 4,321 (up 209.0%)  
 Six months ended Sep. 30, 2020: 1,398 (down 6.6%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Sep. 30, 2021	117.30		-	
Six months ended Sep. 30, 2020	75.88		-	

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Sep. 30, 2021	36,941		30,957		83.8	
As of Mar. 31, 2021	35,224		27,703		78.6	

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 30,957 As of Mar. 31, 2021: 27,703

### 2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/21	-	25.00	-	25.00	50.00
FY3/22	-	27.00	-	-	-
FY3/22 (forecasts)	-	-	-	27.00	54.00

Note: Revisions to the most recently announced dividend forecast: None

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	23,500	10.9	8,300	22.1	8,350	20.6	5,900	25.3	225.19

Note: Revisions to the most recently announced consolidated forecast: Yes

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2021:	27,870,454 shares	As of Mar. 31, 2021:	27,865,318 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2021:	1,711,040 shares	As of Mar. 31, 2021:	1,608,313 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021:	26,240,926 shares	Six months ended Sep. 30, 2020:	26,520,364 shares
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Note 1: The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ substantially from these forecasts for a number of reasons.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2022 (hereinafter the “period under review”), the domestic economy saw a clear bipolarization among industries. Specifically, the information and communications sector remained strong while the lodging, restaurant and other service sectors suffered from continuously sluggish consumption under the repeated declaration of state of emergency or the priority preventative measures. While manufacturers, who enjoyed the recovery of export, have increased their willingness to invest by resuming investments that had been postponed, non-manufacturers remained cautious, particularly among small and medium-sized companies, as the spread of COVID-19 is unlikely to end.

Overseas, in China, business investment by foreign companies has been expanding even in the midst of the US-China conflict because China has successfully contained the spread of COVID-19 to maintain economic growth higher than other countries and still has greater growth potential. In Europe and the United States, while the resumption of economic activities progressed thanks to vaccination rollout, supply constraints in raw materials and semiconductors are hampering the production recovery in the manufacturing industry.

As for the business environment surrounding the JCU Group, with the 5G commercialization, IoT, and teleworking as keywords, the technological innovation and increased data communications volume contributed to an increase in demand for PWBs used for 5G related components, infrastructure such as data centers, and high-performance electronic devices. Demand for semiconductor package substrates was also brisk, reflecting strong growth in the semiconductor industry. In addition, the automobile industry also recovered, and sales volume in the automotive industry increased mainly in China and Japan.

The results of operations of the JCU Group were as follows.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2020 – Sep. 30, 2020)	Current period (Apr. 1, 2021 – Sep. 30, 2021)	Year-over-year % change
Net sales	9,673	11,654	Up 20.5%
Operating profit	2,917	4,350	Up 49.1%
Ordinary profit	2,953	4,430	Up 50.0%
Profit attributable to owners of parent	2,012	3,078	Up 53.0%

As a result of the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), net sales increased by 88 million yen, and operating profit and ordinary profit both increased by 18 million yen each for the period under review.

The results of operations by segment were as follows.

#### Chemicals Business

##### Chemicals for electronics industry

China: Demand for PWBs for high-performance electronic devices such as tablets and for servers increased. Demand for chemicals increased significantly due to operations of newly acquired production lines being fully in progress.

Taiwan: Demand for semiconductor package substrates for high-performance electronic devices and for servers increased. Demand for chemicals increased due to the acquisition of new production lines.

Korea: Demand for semiconductor package substrates increased due to strong demand for semiconductors. Demand for chemicals increased significantly due to the acquisition of new production lines.

##### Chemicals for decoration

Japan: Demand for chemicals increased significantly as exports of automobiles and automotive components remained at levels higher than before the COVID-19 pandemic.

China: Demand for chemicals increased significantly as the recovery trend in the automotive industry continued. Although there was no impact of a decrease in automobile production due to a shortage of semiconductors, we will continue to monitor the situation closely.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2020 – Sep. 30, 2020)	Current period (Apr. 1, 2021 – Sep. 30, 2021)	Year-over-year % change
Net sales	8,566	11,068	Up 29.2%
Segment profit	3,394	4,820	Up 42.0%

As a result of the application of the Revenue Recognition Accounting Standard, net sales and operating profit both decreased by 34 million yen and 24 million yen, respectively, for the period under review.

### Machine Business

Net sales decreased substantially due to the continued cautious attitude toward new investment, although there were signs of recovery in capital investment for automotive components, represented by the resumption of postponed projects.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2020 – Sep. 30, 2020)	Current period (Apr. 1, 2021 – Sep. 30, 2021)	Year-over-year % change
Net sales	1,099	585	Down 46.7%
Segment profit (loss)	(23)	(25)	-
Orders received	647	1,443	Up 122.9%
Order backlog	791	1,026	Up 29.7%

As a result of the application of the Revenue Recognition Accounting Standard, net sales and operating profit both increased by 123 million yen and 42 million yen, respectively, for the period under review.

### Other businesses

The Other businesses posted sales of 0 million yen (down 96.1% year over year) with a segment loss of 7 million yen (as compared with a segment loss of 40 million yen a year earlier).

## (2) Explanation of Financial Position

### 1) Assets, liabilities and net assets

#### Assets

Total assets at the end of the period under review increased 1,717 million yen (up 4.9%) from the end of the previous fiscal year to 36,941 million yen.

Current assets increased 1,873 million yen (up 7.0%) to 28,598 million yen mainly due to increases in notes and accounts receivable-trade and contract assets, and merchandise and finished goods, which were partially offset by a decrease in cash and deposits.

Non-current assets decreased 156 million yen (down 1.8%) to 8,343 million yen mainly due to decreases in investment securities and deferred tax assets, which were partially offset by an increase in property, plant and equipment.

#### Liabilities

Total liabilities at the end of the period under review decreased 1,536 million yen (down 20.4%) from the end of the previous fiscal year to 5,983 million yen.

Current liabilities decreased 1,233 million yen (down 20.4%) to 4,816 million yen mainly due to decreases in notes and accounts payable-trade, income taxes payable as a result of the payment of income taxes.

Non-current liabilities decreased 303 million yen (down 20.6%) to 1,167 million yen mainly due to a decrease in long-term accounts payable-other included in “other” as a result of payment for transition to a defined contribution plan.

#### Net assets

Net assets at the end of the period under review increased 3,254 million yen (up 11.7%) from the end of the previous fiscal year to 30,957 million yen. This was due to increases in foreign currency translation adjustment

and retained earnings from profit attributable to owners of parent, which were partially offset by an increase in treasury shares attributable to share buyback and a decrease in retained earnings as a result of payment of cash dividends.

## 2) Cash Flows

Cash and cash equivalents at the end of the period under review increased 967 million yen from the end of the previous fiscal year to 13,652 million yen.

### Cash flows from operating activities

Net cash used in operating activities amounted to 96 million yen (compared with 3,419 million yen provided in the same period of the previous fiscal year). This was mainly due to a year-over-year decrease of 2,550 million yen in trade receivables, a year-over-year decrease of 1,053 million yen in inventories and a year-over-year increase of 697 million yen to 1,678 million yen in income taxes paid, although there were year-over-year increases of 208 million yen in trade payables and of 1,475 million yen (49.9%) in profit before income taxes.

### Cash flows from investing activities

Net cash provided by investing activities increased 1,219 million yen (up 388.7%) year over year to 1,533 million yen mainly due to a year-over-year decrease of 918 million yen in time deposits and a year-over-year decrease of 333 million yen to 144 million yen in purchase of property, plant and equipment.

### Cash flows from financing activities

Net cash used in financing activities increased 113 million yen (up 13.6%) year over year to 948 million yen mainly due to dividends paid and purchase of treasury shares.

## (3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Regarding the future outlook, demand for chemicals for decoration of automotive components is expected to pick up slightly in the long run despite the US-China trade friction. Chemicals demand for electronics is projected to expand particularly for semiconductor package substrates in conjunction with the proliferation of 5G and further technological innovation. Given these circumstances, JCU's long-term goal is to become *a global company that continues to grow in a sustainable fashion*. To be more specific, we want to be an enterprise whose business is closely linked with ESG and SDGs and that can thrive in any country. To that end, we have formulated a new medium-term management plan called "Next 50 Innovation 2nd" (covering the period from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024) and we will be implementing this plan based on a basic policy of *strengthening core businesses and building an operational foundation from an ESG perspective*.

Regarding the full-year consolidated forecast for the fiscal year ending March 31, 2022, although the Machine Business will significantly fall short of the initial forecast due to the lingering effect of the COVID-19 pandemic, JCU has revised the full-year forecast that was announced on May 10, 2021, reflecting the better-than-expected results of the Chemicals Business in the first half of the fiscal year ending on March 31, 2022.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	16,674,852	16,078,901
Notes and accounts receivable-trade	7,195,195	-
Notes and accounts receivable-trade, and contract assets	-	8,178,581
Merchandise and finished goods	1,902,772	2,842,549
Work in process	52,530	57,577
Raw materials and supplies	548,113	677,570
Other	473,323	894,249
Allowance for doubtful accounts	(122,527)	(131,300)
Total current assets	26,724,260	28,598,130
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,320,861	3,386,909
Machinery, equipment and vehicles, net	897,695	979,862
Tools, furniture and fixtures, net	442,201	439,761
Land	522,824	522,824
Leased assets, net	57,055	52,620
Construction in progress	72,342	127,757
Total property, plant and equipment	5,312,981	5,509,734
Intangible assets		
Other	62,462	59,705
Total intangible assets	62,462	59,705
Investments and other assets		
Investment securities	1,938,702	1,904,757
Deferred tax assets	795,067	462,089
Other	390,729	406,837
Total investments and other assets	3,124,498	2,773,684
Total non-current assets	8,499,943	8,343,124
Total assets	35,224,203	36,941,255

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,378,652	1,035,988
Electronically recorded obligations-operating	859,887	840,730
Short-term borrowings	247,360	322,033
Current portion of long-term borrowings	387,610	365,914
Lease obligations	12,207	12,419
Income taxes payable	1,203,817	602,935
Provision for bonuses	404,562	393,327
Advances received	35,684	12,050
Other	1,520,635	1,231,124
<b>Total current liabilities</b>	<b>6,050,416</b>	<b>4,816,523</b>
<b>Non-current liabilities</b>		
Long-term borrowings	613,357	701,098
Lease obligations	75,716	69,449
Retirement benefit liability	71,751	80,886
Deferred tax liabilities	45,542	16,160
Asset retirement obligations	246,125	249,412
Other	417,635	50,046
<b>Total non-current liabilities</b>	<b>1,470,128</b>	<b>1,167,054</b>
<b>Total liabilities</b>	<b>7,520,544</b>	<b>5,983,578</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,235,517	1,245,044
Capital surplus	1,176,972	1,186,499
Retained earnings	29,236,578	31,658,225
Treasury shares	(4,000,041)	(4,430,596)
<b>Total shareholders' equity</b>	<b>27,649,026</b>	<b>29,659,173</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	231,754	238,937
Foreign currency translation adjustment	(177,121)	1,059,565
<b>Total accumulated other comprehensive income</b>	<b>54,632</b>	<b>1,298,503</b>
<b>Total net assets</b>	<b>27,703,658</b>	<b>30,957,676</b>
<b>Total liabilities and net assets</b>	<b>35,224,203</b>	<b>36,941,255</b>



**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**
**Quarterly Consolidated Statement of Income  
(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	9,673,637	11,654,381
Cost of sales	3,577,404	4,065,258
Gross profit	6,096,233	7,589,122
Selling, general and administrative expenses		
Salaries and allowances	1,132,084	1,104,730
Bonuses	335,184	320,765
Retirement benefit expenses	69,517	64,482
Depreciation	213,066	182,745
Other	1,429,352	1,565,814
Total selling, general and administrative expenses	3,179,206	3,238,538
Operating profit	2,917,027	4,350,584
Non-operating income		
Interest income	33,785	28,611
Dividend income	16,704	16,694
Foreign exchange gains	-	41,199
Subsidy income	29,785	54,599
Reversal of allowance for doubtful accounts	27,596	412
Other	24,607	6,994
Total non-operating income	132,479	148,512
Non-operating expenses		
Interest expenses	4,982	4,129
Foreign exchange losses	36,110	-
Share of loss of entities accounted for using equity method	38,560	49,854
Other	16,749	14,958
Total non-operating expenses	96,402	68,943
Ordinary profit	2,953,103	4,430,153
Extraordinary income		
Gain on sale of non-current assets	2,132	773
Gain on sale of investment securities	-	385
Total extraordinary income	2,132	1,158
Extraordinary losses		
Loss on sale of non-current assets	1,267	35
Loss on retirement of non-current assets	465	964
Loss on liquidation of subsidiaries	-	1,776
Total extraordinary losses	1,733	2,775
Profit before income taxes	2,953,502	4,428,536
Income taxes-current	659,145	1,037,165
Income taxes-deferred	281,063	313,297
Total income taxes	940,209	1,350,463
Profit	2,013,292	3,078,072
Profit attributable to non-controlling interests	854	-
Profit attributable to owners of parent	2,012,438	3,078,072

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	2,013,292	3,078,072
Other comprehensive income		
Valuation difference on available-for-sale securities	11,540	7,183
Foreign currency translation adjustment	(500,192)	1,201,226
Share of other comprehensive income of entities accounted for using equity method	(125,760)	35,461
Total other comprehensive income	(614,412)	1,243,871
Comprehensive income	1,398,880	4,321,943
Comprehensive income attributable to:		
Owners of parent	1,400,881	4,321,943
Non-controlling interests	(2,000)	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,953,502	4,428,536
Depreciation	298,863	293,873
Increase (decrease) in allowance for doubtful accounts	(27,760)	(412)
Increase (decrease) in provision for bonuses	(16,175)	(12,424)
Increase (decrease) in retirement benefit liability	2,058	6,939
Interest and dividend income	(50,490)	(45,305)
Interest expenses	4,982	4,129
Foreign exchange losses (gains)	(3,983)	24,178
Share of loss (profit) of entities accounted for using equity method	38,560	49,854
Loss (gain) on sale of non-current assets	(864)	(737)
Loss on retirement of non-current assets	465	964
Loss (gain) on sales of investment securities	-	(385)
Decrease (increase) in trade receivables	1,976,275	(573,873)
Increase (decrease) in advances received	27,203	(27,503)
Decrease (increase) in inventories	133,270	(920,628)
Increase (decrease) in trade payables	(733,757)	(525,309)
Decrease (increase) in advance payments-trade	81,454	(216,286)
Other, net	(363,451)	(959,530)
Subtotal	4,320,154	1,526,079
Interest and dividends received	66,837	59,890
Interest paid	(5,140)	(4,165)
Income taxes paid	(980,531)	(1,678,294)
Income taxes refund	18,040	11
Net cash provided by (used in) operating activities	3,419,361	(96,479)
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	752,147	1,670,761
Purchase of property, plant and equipment	(478,250)	(144,831)
Proceeds from sales of property, plant and equipment	2,203	8,830
Purchase of intangible assets	(3,073)	(20,413)
Purchase of investment securities	(721)	(777)
Proceeds from sales of investment securities	-	29,255
Other, net	41,442	(9,656)
Net cash provided by (used in) investing activities	313,749	1,533,167

	(Thousands of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	175,000	72,552
Proceeds from long-term borrowings	330,956	304,448
Repayments of long-term borrowings	(229,604)	(232,830)
Repayments of finance lease obligations	(5,792)	(6,059)
Purchase of treasury shares	(442,048)	(430,554)
Dividends paid	(663,053)	(655,879)
Dividends paid to non-controlling interests	(32)	-
Net cash provided by (used in) financing activities	(834,573)	(948,323)
Effect of exchange rate change on cash and cash equivalents	(170,026)	478,656
Net increase (decrease) in cash and cash equivalents	2,728,511	967,020
Cash and cash equivalents at beginning of period	8,910,142	12,685,175
Cash and cash equivalents at end of period	11,638,653	13,652,196

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

## I. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

## 1. Amount of cash dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on May 26, 2020	Common stock	663,461	25.00	March 31, 2020	June 11, 2020	Retained earnings

## 2. Dividends with a record date in the first half of the current financial year but an effective date after the end of the first half of the current financial year

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on November 4, 2020	Common stock	660,525	25.00	September 30, 2020	December 7, 2020	Retained earnings

## 3. Significant Changes in Shareholders' Equity

The Company repurchased 126,600 treasury shares based on a resolution at the Board of Directors' meeting held on August 4, 2020. As a result, treasury shares increased by 441,940 thousand yen during the period under review. The acquisition of these treasury shares and other transactions resulted in the balance of treasury shares of 3,441,986 thousand yen at the end of the period under review.

## II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

## 1. Amount of cash dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on May 25, 2021	Common stock	656,425	25.00	March 31, 2021	June 10, 2021	Retained earnings

## 2. Dividends with a record date in the first half of the current financial year but an effective date after the end of the first half of the current financial year

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on November 4, 2021	Common stock	706,304	27.00	September 30, 2021	December 6, 2021	Retained earnings

## 3. Significant Changes in Shareholders' Equity

The Company repurchased 102,600 treasury shares based on a resolution at the Board of Directors' meeting held on August 4, 2021. As a result, treasury shares increased by 430,031 thousand yen during the period under review. The acquisition of these treasury shares and other transactions resulted in the balance of treasury shares of 4,430,596 thousand yen at the end of the period under review.

**Changes in Accounting Policies**

## Application of the Accounting Standard for Revenue Recognition

We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard") from the beginning of the first quarter of the current fiscal year. When control of a promised good or service is transferred to a customer, we recognize revenue at the amount expected to be received in exchange for the good or service.

The main changes resulting from the application of the Revenue Recognition Accounting Standard are as follows:

## (1) Variable consideration

For sales rebates, we previously applied the method of changing the consideration when its amount was fixed. We have changed it to the method of estimating the amount of the variable portion of the consideration for the transaction and including in the transaction price only the portion that is very unlikely to cause a significant reduction in the recognized revenue.

## (2) Performance obligations satisfied at a point in time

For the sale of chemicals, some of our consolidated subsidiaries previously recognized revenue at the time of shipment, but have now changed their method of recognizing revenue at the time of arrival.

## (3) Performance obligation satisfied over time

For construction contracts, we previously applied the percentage-of-completion method when achievements in the progress of construction were considered certain. We have changed it to the method of recognizing revenue over time as the performance obligation to transfer the goods or services to a customer is satisfied when control over the goods or services is transferred to the customer over time. Measuring progress towards satisfaction of a performance obligation is based on the ratio of construction costs incurred by the end of each reporting period to the total estimated construction costs. For construction contracts where the period from the date of commencement of the contract to the time when the performance obligation is expected to be completely satisfied is very short, we apply the alternative treatment. In that case, we do not recognize revenue over time, but recognize revenue when the performance obligation is completely satisfied.

The application of the Revenue Recognition Accounting Standard is pursuant to the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year, was added to or subtracted from the beginning balance of retained earnings for the first quarter, and then the new accounting policy was applied to the said beginning balance. However, by applying the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been applied retrospectively to contracts for which substantially all revenues had been recognized in accordance with the previous treatment before the beginning of the first quarter.

As a result, net sales for the period under review increased by 88 million yen; cost of sales increased by 13 million yen; selling, general and administrative expenses increased by 56 million yen; and operating profit, ordinary profit and profit before income taxes increased by 18 million yen each. The impact on the balance of retained earnings at the beginning of the period under review is immaterial.

Due to the application of the Revenue Recognition Accounting Standard, “Notes and accounts receivable-trade” presented under “Current assets” in the consolidated balance sheet for the previous fiscal year has been included in “Notes and accounts receivable-trade, and contract assets” from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12 issued on March 31, 2020), disaggregated revenue arising from contracts with customers in the first half of the previous fiscal year is not presented.

## Application of the Accounting Standard for Fair Value Measurement

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”) from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019), we have decided to prospectively apply the new accounting policy prescribed in the Fair Value Measurement Accounting Standard. This decision has no impact on the quarterly financial statements for the period under review.

**Segment and Other Information**

## Segment Information

## I. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

## 1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	8,566,937	1,099,699	9,666,636	7,000	9,673,637	-	9,673,637
Inter-segment sales and transfers	-	1,532	1,532	-	1,532	(1,532)	-
Total	8,566,937	1,101,232	9,668,169	7,000	9,675,169	(1,532)	9,673,637
Segment profit (loss)	3,394,588	(23,519)	3,371,068	(40,780)	3,330,288	(413,260)	2,917,027

Notes: 1. The “Other” businesses segment represents business activities that are not included in either of the two reportable segments, and includes businesses engaged in color processing with the sputtering technology, drinking water, and wine.

2. Details of the adjustments to segment profit (loss) are as follows.

To segment profit

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Inter-segment transaction elimination	1,317
Corporate expenses*	(414,578)
Total	(413,260)

\* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

## 2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

## II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

## 1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	11,068,146	585,963	11,654,110	271	11,654,381	-	11,654,381
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	11,068,146	585,963	11,654,110	271	11,654,381	-	11,654,381
Segment profit (loss)	4,820,438	(25,399)	4,795,038	(7,416)	4,787,622	(437,038)	4,350,584

Notes: 1. The “Other” businesses segment represents business activities that are not included in either of the two reportable segments, and includes the cultivation and sales of grapevine for wine production and grape seedlings.  
2. Details of the adjustments to segment profit (loss) are as follows.

To segment profit (Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Inter-segment transaction elimination	-
Corporate expenses*	(437,038)
Total	(437,038)

\* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

## 2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

## 3. Changes in reportable segments

As stated in the “Changes in Accounting Policies” section, the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition, and therefore, the measurement method for profit or loss in the business segment has been changed as well.

Compared with the previous accounting method, the effect of this change was to decrease sales and segment profit in the Chemicals Business segment by 34,527 thousand yen and 24,259 thousand yen, respectively, and to increase sales and segment profit in the Machine Business segment by 123,023 thousand yen and 42,976 thousand yen, respectively, in the period under review.

\* This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.