February 4, 2022

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022 (Nine Months Ended December 31, 2021)

[Japanese GAAP]

Company name:	JCU CORPORATION	Listing: Tokyo Stock Exchange, First Section	
Stock code:	4975	URL: https://www.jcu-i.com/	
Representative:	Masashi Kimura, Chairman & CEO		
Contact:	Yoji Inoue, Director, Managing Executive Officer, General Manager of Corporate Strategy Office Tel: +81-3-6895-7004		

Scheduled date of filing of Quarterly Report: February 9, 2022
Scheduled date of payment of dividend: -
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 February 4, 2022 at 15:00. (GMT +9).

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 – December 31, 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	%
Nine months ended Dec. 31, 2021	17,841	15.7	6,626	33.8	6,743	35.1	4,620	35.8
Nine months ended Dec. 31, 2020	15,424	(3.7)	4,951	5.3	4,992	6.8	3,403	2.4

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2021: 5,908 (up 104.6%)
Nine months ended Dec. 31, 2020: 2,888 (up 14.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2021	176.47	-
Nine months ended Dec. 31, 2020	128.66	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2021	37,836	31,111	82.2
As of Mar. 31, 2021	35,224	27,703	78.6

Reference: Shareholders' equity (million yen) As of Dec. 31, 2021: 31,111 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)				30.00	57.00

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

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	225.71

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

*** 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 Dec. 31, 2021:	27,870,454 shares	As of Mar. 31, 2021:	27,865,318 shares

2) Number of treasury shares at the end of the period

As of Dec. 31, 2021:	1,867,540 shares	As of Mar. 31, 2021:	1,608,313 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2021:	26,184,516 shares	Nine months ended Dec. 31, 2020:	26,451,760 shares

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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the fiscal year ending March 31, 2022 (hereinafter the "period under review"), the domestic economy was characterized by a continued strong trend in the information and communications sector and signs of a pickup in consumer spending primarily driven by service consumption as the number of new infections remained at a low level and the state of emergency declaration was lifted. 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, prolonged 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 the automotive industry, recovery trend is slowing down due to semiconductor shortages and other factors, but sales volume in the automotive industry increased mainly in China.

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

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2020 – Dec. 31, 2020)	Current period (Apr. 1, 2021 – Dec. 31, 2021)	Year-over-year % change
Net sales	15,424	17,841	Up 15.7%
Operating profit	4,951	6,626	Up 33.8%
Ordinary profit	4,992	6,743	Up 35.1%
Profit attributable to owners of parent	3,403	4,620	Up 35.8%

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 decreased by 38 million yen, and operating profit and ordinary profit both decreased by 28 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.

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

Chemicals for decoration

Japan: Although the recovery trend in the automotive industry is slowing down due to a shortage of semiconductor and other materials, demand for chemicals increased as the industry remained strong until the second quarter.

China: Although the recovery trend in the automotive industry is slowing down due to a shortage of semiconductors and other materials, demand for chemicals increased significantly as the industry remained strong until the second quarter.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2020 – Dec. 31, 2020)	Current period (Apr. 1, 2021 – Dec. 31, 2021)	Year-over-year % change
Net sales	13,752	16,972	Up 23.4%
Segment profit	5,678	7,372	Up 29.8%

As a result of the application of the Revenue Recognition Accounting Standard, net sales and operating profit both decreased by 38 million yen and 28 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 – Dec. 31, 2020)	Current period (Apr. 1, 2021 – Dec. 31, 2021)	Year-over-year % change
Net sales	1,663	868	Down 47.8%
Segment profit (loss)	(54)	(69)	-
Orders received	733	2,048	Up 179.4%
Order backlog	319	1,355	Up 324.1%

There is no impact from the application of the Revenue Recognition Accounting Standard.

Other businesses

The Other businesses posted sales of 0 million yen (down 97.1% year over year) with a segment loss of 12 million yen (as compared with a segment loss of 51 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 2,611 million yen (up 7.4%) from the end of the previous fiscal year to 37,836 million yen.

Current assets increased 2,882 million yen (up 10.8%) to 29,606 million yen mainly due to increases in notes and accounts receivable-trade and contract assets, and merchandise and finished goods.

Non-current assets decreased 270 million yen (down 3.2%) to 8,229 million yen mainly due to a decrease in deferred tax assets, which was partially offset by an increase in machinery, equipment and vehicles, net due to new purchases.

Liabilities

Total liabilities at the end of the period under review decreased 796 million yen (down 10.6%) from the end of the previous fiscal year to 6,724 million yen.

Current liabilities decreased 416 million yen (down 6.9%) to 5,633 million yen. This was due to decreases in provision for bonuses and income taxes payable as a result of the payment of income taxes, which were partially offset by increases in notes and accounts payable-trade and short-term borrowings.

Non-current liabilities decreased 379 million yen (down 25.8%) to 1,090 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 3,408 million yen (up 12.3%) from the end of the previous fiscal year to 31,111 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 a decrease in retained earnings as a result of payment of cash dividends and an increase in treasury shares attributable to share buyback.

(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*.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Third quarter of FY3/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	16,674,852	16,664,947
Notes and accounts receivable-trade	7,195,195	-
Notes and accounts receivable-trade, and contract assets	-	8,545,690
Merchandise and finished goods	1,902,772	2,813,803
Work in process	52,530	57,041
Raw materials and supplies	548,113	830,313
Other	473,323	819,367
Allowance for doubtful accounts	(122,527)	(124,260)
Total current assets	26,724,260	29,606,904
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,320,861	3,346,163
Machinery, equipment and vehicles, net	897,695	978,384
Tools, furniture and fixtures, net	442,201	424,304
Land	522,824	522,824
Leased assets, net	57,055	50,409
Construction in progress	72,342	123,722
Total property, plant and equipment	5,312,981	5,445,808
Intangible assets		
Other	62,462	54,691
Total intangible assets	62,462	54,691
Investments and other assets		
Investment securities	1,938,702	1,855,419
Deferred tax assets	795,067	468,888
Other	390,729	404,300
Total investments and other assets	3,124,498	2,728,607
Total non-current assets	8,499,943	8,229,107
Total assets	35,224,203	37,836,011

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Third quarter of FY3/22 (As of Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,378,652	1,639,016
Electronically recorded obligations-operating	859,887	901,982
Short-term borrowings	247,360	366,667
Current portion of long-term borrowings	387,610	350,920
Lease obligations	12,207	12,534
Income taxes payable	1,203,817	767,832
Provision for bonuses	404,562	303,587
Advances received	35,684	20,473
Other	1,520,635	1,270,684
Total current liabilities	6,050,416	5,633,699
Non-current liabilities		
Long-term borrowings	613,357	622,714
Lease obligations	75,716	66,263
Retirement benefit liability	71,751	79,872
Deferred tax liabilities	45,542	21,747
Asset retirement obligations	246,125	249,988
Other	417,635	50,046
Total non-current liabilities	1,470,128	1,090,632
Total liabilities	7,520,544	6,724,332
Net assets		
Shareholders’ equity		
Share capital	1,235,517	1,245,044
Capital surplus	1,176,972	1,186,499
Retained earnings	29,236,578	32,494,629
Treasury shares	(4,000,041)	(5,157,085)
Total shareholders’ equity	27,649,026	29,769,088
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	231,754	233,213
Foreign currency translation adjustment	(177,121)	1,109,377
Total accumulated other comprehensive income	54,632	1,342,591
Total net assets	27,703,658	31,111,679
Total liabilities and net assets	35,224,203	37,836,011

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	15,424,709	17,841,696
Cost of sales	5,654,591	6,282,750
Gross profit	9,770,118	11,558,946
Selling, general and administrative expenses		
Salaries and allowances	1,681,178	1,680,581
Bonuses	502,539	475,266
Retirement benefit expenses	99,918	93,337
Depreciation	324,460	285,723
Other	2,210,516	2,397,313
Total selling, general and administrative expenses	4,818,614	4,932,222
Operating profit	4,951,503	6,626,723
Non-operating income		
Interest income	45,540	38,676
Dividend income	27,170	27,958
Foreign exchange gains	-	80,816
Subsidy income	32,026	60,885
Reversal of allowance for doubtful accounts	25,333	8,264
Other	31,636	9,022
Total non-operating income	161,706	225,624
Non-operating expenses		
Interest expenses	7,723	6,121
Foreign exchange losses	40,023	-
Share of loss of entities accounted for using equity method	52,353	82,560
Other	20,896	20,562
Total non-operating expenses	120,997	109,244
Ordinary profit	4,992,213	6,743,104
Extraordinary income		
Gain on sale of non-current assets	2,113	781
Gain on sale of investment securities	-	385
Gain on liquidation of subsidiaries	60,617	-
Total extraordinary income	62,730	1,166
Extraordinary losses		
Loss on sale of non-current assets	1,272	35
Loss on retirement of non-current assets	969	2,207
Loss on liquidation of subsidiaries	-	1,776
Impairment loss	77,424	-
Total extraordinary losses	79,666	4,019
Profit before income taxes	4,975,277	6,740,251
Income taxes-current	1,135,516	1,803,759
Income taxes-deferred	435,585	315,710
Total income taxes	1,571,102	2,119,470
Profit	3,404,175	4,620,780
Profit attributable to non-controlling interests	854	-
Profit attributable to owners of parent	3,403,320	4,620,780

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Profit	3,404,175	4,620,780
Other comprehensive income		
Valuation difference on available-for-sale securities	46,781	1,459
Foreign currency translation adjustment	(442,003)	1,261,314
Share of other comprehensive income of entities accounted for using equity method	(120,369)	25,184
Total other comprehensive income	(515,591)	1,287,958
Comprehensive income	2,888,583	5,908,739
Comprehensive income attributable to:		
Owners of parent	2,890,584	5,908,739
Non-controlling interests	(2,000)	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

The Company repurchased 259,100 treasury shares based on a resolution at the Board of Directors' meeting held on August 4, 2021. As a result, treasury shares increased by 1,156,362 thousand yen during the period under review. The acquisition of these treasury shares and other transactions resulted in the balance of treasury shares of 5,157,085 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 decreased by 38 million yen; cost of sales decreased by 90 million yen; selling, general and administrative expenses increased by 80 million yen; and operating profit, ordinary profit and profit before income taxes decreased by 28 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 nine months 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

I. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 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	13,752,094	1,663,321	15,415,415	9,293	15,424,709	-	15,424,709
Inter-segment sales and transfers	322	1,531	1,854	-	1,854	(1,854)	-
Total	13,752,417	1,664,852	15,417,269	9,293	15,426,563	(1,854)	15,424,709
Segment profit (loss)	5,678,267	(54,545)	5,623,721	(51,114)	5,572,607	(621,103)	4,951,503

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 nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020)
Inter-segment transaction elimination	2,019
Corporate expenses*	(623,123)
Total	(621,103)

* 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

As impairment loss on non-current assets of 77,424 thousand yen is mainly related to assets for research and development activities and is not allocated to any reportable segment.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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	16,972,459	868,966	17,841,425	271	17,841,696	-	17,841,696
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	16,972,459	868,966	17,841,425	271	17,841,696	-	17,841,696
Segment profit (loss)	7,372,214	(69,608)	7,302,606	(12,338)	7,290,267	(663,543)	6,626,723

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 nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)
Inter-segment transaction elimination	-
Corporate expenses*	(663,543)
Total	(663,543)

* 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 38,889 thousand yen and 28,694 thousand yen, respectively.

** 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.*