



Consolidated Financial Report for the First Half Ended September 30, 2021

November 2, 2021

Company name: Ube Industries, Ltd.
 Representative: Masato Izumihara,
 President and Representative Director
 Security code: 4208 (shares listed on First Section of Tokyo
 Stock Exchange and Fukuoka Stock
 Exchange)
 URL: <http://www.ube.co.jp/>
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(Amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the First Half Ended September 30, 2021

(From April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results

(% indicates the rate of increase / decrease to the same period of previous year)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – September 2021	306,685	19,088	17,897	9,546
April – September 2020	280,013 (16.4)%	3,410 (79.6)%	1,520 (90.9)%	272 (97.5)%

(Note) Comprehensive Income: From April 1, 2021 to September 30, 2021: 6,290 Million Yen 311.9%
 From April 1, 2020 to September 30, 2020: 1,527 Million Yen (83.3)%

	Net income per share (Yen)	Diluted net income per share (Yen)
April – September 2021	95.89	95.61
April – September 2020	2.69	2.68

(Note) The Corporate Group has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and other standards since the beginning of the consolidated first quarter of the fiscal year ending March 31, 2022, and that the respective figures reported in the consolidated financial results for the first half ended September 30, 2021, show the amounts after which the above mentioned accounting standard is applied. In addition, the rate of increase and decrease in net sales for the first half ended September 30, 2021 compared with the same half of the previous fiscal year is not indicated.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio (%)
September 30, 2021	759,940	373,315	46.4
March 31, 2021	769,710	380,635	46.6

(Reference) Shareholders' equity: As of September 30, 2021: 352,879 Million Yen
 As of March 31, 2021: 359,013 Million Yen

[Shareholders' equity = Net assets – Share acquisition rights – Non-controlling interests]

(Note) The Corporate Group has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and other standards since the beginning of the consolidated first quarter of the fiscal year ending March 31, 2022, and that the respective figures reported in the consolidated financial results for the first half ended September 30, 2021, show the amounts after which the above mentioned accounting standard is applied.

2. Cash Dividends

	Cash dividends per share (Yen)				
	First quarter	Second quarter	Third quarter	Year end	Annual
April 2020 – March 2021	–	45.00	–	45.00	90.00
April 2021 – March 2022	–	45.00	–	–	–
April 2021 – March 2022 (Forecast)	–	–	–	45.00	90.00

(Note) Revision of the latest forecast of cash dividends: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022

(From April 1, 2021 to March 31, 2022)

(% indicates the rate of increase / decrease to the same period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share(Yen)
April 2021 – March 2022	635,000	—	39,000	50.6%	33,500	43.8%	19,500	(15.0)%	197.66

(Note) Revision of the latest forecast of consolidated financial results: No

Please take note that the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and other standards are applied from the first quarter of the fiscal year ending March 31, 2022, and that the above forecast of consolidated financial results shows the amounts after which the above mentioned accounting standard is applied. In addition, the rate of increase and decrease in net sales compared with the previous fiscal year is not indicated.

(Notes)

(1) Changes in significant subsidiaries during the first half ended September 30, 2021: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 30, 2021.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(Note) For more details, please refer to “5. Consolidated Financial Statements (4) Notes to Quarterly Consolidated Financial Statements (Application of the special accounting methods for preparing the quarterly consolidated financial statements)”.

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

Changes in accounting policies applied due to revisions of accounting standards: Yes

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(4)Number of shares outstanding (common stock)

	September 30, 2021	March 31, 2021
Numbers of shares outstanding at period end	106,200,107	106,200,107
Numbers of shares of treasury stock at period end	8,587,981	5,056,029
	April – September 2021	April – September 2020
Weighted-average number of shares outstanding during period	99,549,500	101,131,400

(Information regarding quarterly review procedures)

The financial information contained in this report is not subject to quarterly review procedures by independent auditors.

(Cautionary statement on forward-looking statements)

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational. It may be substantially different from the actual performance because of various factors such as economic conditions in key markets, supply and demand of products, the prices of raw material and fuel, interest rates, and exchange rates.

4. Qualitative Information on Operating Results

(1) Overview of Operating Results

During the current term, net sales of the Company Group increased despite negative impact resulted from adoption of the Accounting Standard for Revenue Recognition, because sales volume of the products used in the automobile industry such as nylon, synthetic rubber and battery materials increased and pricing of the products such as nylon, caprolactam and synthetic rubber rose as well, as overall business performance started to recover from the demand slowdown due to the outbreak of COVID-19. Operating profit, ordinary profit and profit attributable to owners of parent increased mainly due to the positive impact of increases in sales volume, particularly in the Chemicals Segment, as well as rising sales prices for nylon and caprolactam, despite the negative impact of rising coal prices.

As a result, the Company Group reports its consolidated results during the current term as follows:

Item	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
April – September 2021 ①	306.6	19.0	17.8	9.5
	347.1			
April – September 2020 ②	280.0	3.4	1.5	0.2
Difference ① - ②	26.6	15.6	16.3	9.2
	67.1			
Percentage change	—	459.8%	—	—
	24.0%			

(2) Overview by Segment

Net sales				
Segment	April – September 2021 ①	April – September 2020 ②	Difference ① – ②	Percentage Change
Chemicals	157.3	112.3	45.0	—
	161.8		49.4	44.1%
Construction Materials	105.7	139.1	(33.4)	—
	143.5		4.4	3.2%
Machinery	45.3	34.9	10.4	—
	43.6		8.6	24.8%
Others	1.5	1.4	0.1	—
	1.5		0.1	7.9%
Adjustment	(3.4)	(7.8)	4.4	—
	(3.4)		4.4	—
Total	306.6	280.0	26.6	—
	347.1		67.1	24.0%

Operating profit				
Segment	April – September 2021 ①	April – September 2020 ②	Difference ① – ②	Percentage Change
Chemicals	14.5	(2.5)	17.1	—
Construction Materials	2.0	5.6	(3.6)	(63.8)%
Machinery	2.3	0.2	2.1	839.7%
Others	0.1	0.1	0.0	29.4%
Adjustment	(0.0)	(0.0)	0.0	—
Total	19.0	3.4	15.6	459.8%

(Note) The figures shown at the bottom of each table are reference values for expected results if the Accounting Standard for Revenue Recognition is not adopted.

Adjustment includes corporate expenses (general expenses that are not distributed to each reportable segment) and internal transactions between the segments.

Chemicals – Increases in both net sales and operating profit

■ Engineering Plastics & Fine Chemicals

The Caprolactam Business recorded a net sales increase thanks to continued strong demand for products used in textiles, as well as sales price increases related to rising market prices of raw materials such as benzene.

The Nylon Business recorded an increase in net sales because sales volume increased supported by a recovery in demand for products such as those used in the automobile industry, as well as an increase in sales price due to market price rises of caprolactam.

The Industrial Chemicals Business recorded a net sales increase due to the lack of a biennial inspection for the ammonia product factory in this term contributing to increases in both production and shipment volume, as well as increases in sales prices.

The Fine Chemicals Business recorded an increase in net sales because sales volume of its products remained stable, particularly the products for automobiles.

Both net sales and operating profit increased in the Engineering Plastics & Fine Chemicals Businesses as a whole due to increasing sales volume supported by a recovery in demand and increasing sales price due to the rising market price of raw materials. In addition, there was no biennial inspection of the ammonia product factory.

■ The Synthetic Rubber Business recorded increases in both net sales and operating profit because shipment of the products mainly used for tires remained strong, as well as the rising product price due to the market price rises of butadiene.

■ Specialty Products

The Battery Materials Business recorded a sales decrease despite a sales increase of separators due to demand recovery for automotive mounting products. This was also because exclusion of the Electrolyte Business from net sales and operating profit starting from the second half of the previous fiscal year greatly affected the overall business performance.

The Polyimide Business recorded an increase in net sales, because sales volume of the COF films mainly used on displays increased and demand for varnish used for organic EL panels remained stable.

Both net sales and operating profit increased in the Specialty Products Business as a whole despite the exclusion of the Electrolyte Business from net sales and operating profit, as a result of the overall demand remaining firm.

■ The Pharmaceutical Business recorded increases both in net sales and operating profit, due to increases of the royalty revenues.

■ Both net sales and operating profit increased in the Chemicals Segment as a whole due to both sales volume and product pricing increasing, due to the recovery from the impact of the COVID-19 pandemic. In addition, there was no biennial inspection of the ammonia product factory.

Construction Materials – Decreases in both net sales and operating profit

■ The Cement and Ready-Mixed Concrete Business recorded a decrease in net sales mainly due to a decrease in shipment volume which resulted from the slowdown of construction projects for earthquake disaster reconstruction, reactionary falls that resulted from completion of construction works to extend the railways for bullet trains, negative impacts of weather conditions such as heavy rains, and the substantial negative impact that adoption of the Accounting Standard for Revenue Recognition had mainly on the Corporate Group's sales subsidiaries.

■ The Calcia and Magnesia Business recorded an increase in net sales due to increases in sales volume of the quicklime used in the steel industry and the magnesia used in the steel and electric power industries, thanks to recovery of the demand.

■ The Energy Business recorded a net sales increase despite a decrease in electric power sales due to the biennial inspection of the IPP power plant. This was the result of rising coal sales prices due to soaring valuations in the coal market.

■ The Construction Materials Segment as a whole recorded decreases in both net sales and operating profit mainly due to adoption of the Accounting Standard for Revenue Recognition, the biennial inspection of the IPP power plant, and a cost increase which resulted from rising coal prices.

Machinery – Increases in both net sales and operating profit

- The Molding Machine Business recorded an increase in net sales because sales of the products used in the automobile industry remained strong in the China and North America markets, although recovery status of demand for the products differs depending on the market.
- The Industrial Machines Business recorded an increase in net sales thanks to the strong sales of products such as conveyors used in the electric power industry.
- The Steel Products Business recorded an increase in net sales due to rising product prices alongside increased cost of raw materials, as well as continued firm demand.
- The Machinery Segment as a whole recorded increases in both net sales and operating profit because strong sales of molding machines and industrial machines, and rising steel product pricing greatly affected the overall business.

Others – Increases in both net sales and operating profit

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	80,304	49,416
Notes and accounts receivable - trade	149,615	—
Notes and accounts receivable - trade, and contract assets	—	158,472
Merchandise and finished goods	35,748	42,357
Work in process	19,362	23,106
Raw materials and supplies	32,724	40,612
Other	14,536	16,155
Allowance for doubtful accounts	(562)	(600)
Total current assets	331,727	329,518
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	90,249	88,580
Machinery, equipment and vehicles, net	139,009	131,786
Land	76,110	75,900
Other, net	25,855	27,568
Total property, plant and equipment	331,223	323,834
Intangible assets		
Goodwill	720	742
Other	6,950	7,281
Total intangible assets	7,670	8,023
Investments and other assets		
Investment securities	59,484	59,566
Other	40,141	39,476
Allowance for doubtful accounts	(708)	(630)
Total investments and other assets	98,917	98,412
Total non-current assets	437,810	430,269
Deferred assets	173	153
Total assets	769,710	759,940

(Millions of yen)

As of March 31, 2021 As of September 30, 2021

Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,831	101,230
Short-term borrowings	38,031	34,781
Current portion of bonds payable	10,000	10,000
Income taxes payable	3,196	4,014
Provision for bonuses	6,446	6,623
Other provisions	1,034	1,018
Other	50,902	46,081
Total current liabilities	200,440	203,747
Non-current liabilities		
Bonds payable	60,000	50,000
Long-term borrowings	101,245	104,587
Provisions	2,075	2,716
Retirement benefit liability	7,745	7,507
Asset retirement obligations	2,087	2,102
Other	15,483	15,966
Total non-current liabilities	188,635	182,878
Total liabilities	389,075	386,625
Net assets		
Shareholders' equity		
Share capital	58,435	58,435
Capital surplus	40,659	41,029
Retained earnings	259,806	264,164
Treasury shares	(12,380)	(20,489)
Total shareholders' equity	346,520	343,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,080	4,044
Deferred gains or losses on hedges	3	9
Foreign currency translation adjustment	7,720	5,034
Remeasurements of defined benefit plans	690	653
Total accumulated other comprehensive income	12,493	9,740
Share acquisition rights	547	533
Non-controlling interests	21,075	19,903
Total net assets	380,635	373,315
Total liabilities and net assets	769,710	759,940

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

• Consolidated Statements of Income

For the first half ended September 30, 2020 and 2021

(Millions of yen)

	April 1, 2020 – September 30, 2020-	April 1, 2021 – September 30, 2021
Net sales	280,013	306,685
Cost of sales	238,111	247,379
Gross profit	41,902	59,306
Selling, general and administrative expenses	38,492	40,218
Operating profit	3,410	19,088
Non-operating income		
Interest income	110	90
Dividend income	597	598
Rental income	524	575
Amortization of negative goodwill	19	26
Foreign exchange gains	–	429
Subsidy income	548	113
Other	751	604
Total non-operating income	2,549	2,435
Non-operating expenses		
Interest expenses	465	436
Rental expenses	311	331
Share of loss of entities accounted for using equity method	226	686
Foreign exchange losses	400	–
Other	3,037	2,173
Total non-operating expenses	4,439	3,626
Ordinary profit	1,520	17,897
Extraordinary income		
Gain on sale of non-current assets	78	92
Gain on sale of investment securities	19	203
Gain on bargain purchase	145	–
Gain on extinguishment of tie-in shares	522	45
Other	–	186
Total extraordinary income	764	526
Extraordinary losses		
Loss on disposal of non-current assets	421	180
Impairment losses	15	–
Loss on valuation of investment securities	31	31
Provision for loss over investment cost of subsidiaries and affiliates	–	664
Contribution for industrial water weight loss	–	1,550
Total extraordinary losses	467	2,425
Profit before income taxes	1,817	15,998
Income taxes	2,043	5,887
Profit (loss)	(226)	10,111
Profit (loss) attributable to non-controlling interests	(498)	565
Profit attributable to owners of parent	272	9,546

• Consolidated Statements of Comprehensive Income
For the first half ended September 30, 2020 and 2021

(Millions of yen)

	April 1, 2020 – September 30, 2020	April 1, 2021 – September 30, 2021
Profit (loss)	(226)	10,111
Other comprehensive income		
Valuation difference on available-for-sale securities	586	(36)
Deferred gains or losses on hedges	(80)	6
Foreign currency translation adjustment	1,066	(4,025)
Remeasurements of defined benefit plans, net of tax	294	(35)
Share of other comprehensive income of entities accounted for using equity method	(113)	269
Total other comprehensive income	1,753	(3,821)
Comprehensive income	1,527	6,290
Comprehensive income attributable to owners of parent	2,025	6,793
Comprehensive income attributable to non-controlling interests	(498)	(503)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2020 – September 30, 2020	April 1, 2021 – September 30, 2021
Cash flows from operating activities		
Profit before income taxes	1,817	15,998
Depreciation and amortization	18,092	17,985
Impairment losses	15	–
Amortization of negative goodwill	(19)	(26)
Increase (decrease) in allowance for doubtful accounts	(19)	(58)
Interest and dividend income	(707)	(688)
Interest expenses	465	436
Share of loss (profit) of entities accounted for using equity method	226	686
Loss (gain) on sale of non-current assets	(33)	(109)
Decrease (increase) in trade receivables	28,393	(8,908)
Decrease (increase) in inventories	684	(18,967)
Increase (decrease) in trade payables	(14,133)	10,378
Other, net	(1,400)	(2,514)
Subtotal	33,381	14,213
Interest and dividends received	1,709	1,810
Interest paid	(426)	(494)
Income taxes paid	(4,931)	(2,868)
Net cash provided by (used in) operating activities	29,733	12,661
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(22,352)	(18,983)
Proceeds from sale of property, plant and equipment	378	93
Purchase of investment securities	(107)	(57)
Proceeds from sale of investment securities	58	665
Purchase of shares of subsidiaries and associates	(1,613)	(92)
Proceeds from sale of shares of subsidiaries and associates	–	6
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	66	–
Decrease (increase) in short-term loans receivable	(257)	(1,586)
Other, net	(53)	(40)
Net cash provided by (used in) investing activities	(23,880)	(19,994)

(Millions of yen)

	April 1, 2020– September 30, 2020	April 1, 2021– September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,434	(2,325)
Proceeds from long-term borrowings	1,369	9,761
Repayments of long-term borrowings	(6,952)	(7,379)
Proceeds from issuance of bonds	9,950	—
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(2)	(8,175)
Dividends paid	(4,548)	(4,539)
Dividends paid to non-controlling interests	(269)	(242)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(41)	(45)
Other, net	(512)	(465)
Net cash provided by (used in) financing activities	429	(23,409)
Effect of exchange rate change on cash and cash equivalents	68	(178)
Net increase (decrease) in cash and cash equivalents	6,350	(30,920)
Cash and cash equivalents at beginning of period	40,609	79,646
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	471	57
Cash and cash equivalents at end of period	47,430	48,783

(4) Notes to Quarterly Consolidated Financial Statements

(Note to events and conditions which indicate there could be substantial doubt about going concern assumption)

None.

(Note to significant changes in shareholders' equity)

None.

(Application of the special accounting methods for preparing the quarterly consolidated financial statements)

Tax expenses are calculated by estimating an effective tax rate for net income based on reasonable assumptions of an effective tax rate after application of tax effect accounting for net income before tax for the consolidated fiscal year, including the current term, and by multiplying the quarterly net income before tax by the estimated tax rate of net income. However, for subsidiaries for which calculating tax expenses using the said estimation of the effective tax rate would significantly lack rationality, tax expenses are calculated by using the statutory effective tax rate.

Income taxes adjustment is included in income taxes.

(Changes in accounting policies)

(Application of “Accounting Standard for Revenue Recognition,” etc.)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and other standards are applied from the first quarter of the fiscal year ending March 31, 2022. We now recognize revenue in the amount that expects to receive in exchange for promised goods or services at the time control of the goods or services are transferred to a customer.

The main changes resulted from the above application are as follows.

(1) Revenue recognition policies regarding agent transaction

In some transactions, we had so far recognized revenue in the total amount of proceeds that we expect to receive from a customer as revenue. However, we currently recognize revenue from the transaction where the Company Group (Company Group itself or its agent) acts as an agent, in the net amount in which the amount payable to a supplier is deducted from the amount receivable from a customer.

(2) Revenue recognition for performance requirements met over a period of time

Among contracts applying the completed-contract method, those with performance requirements met over a period of time will change to a recognition method which estimates the degree of progress on said performance fulfillment and determines revenue based on this progression, except for those for which this period of time is extremely short. In addition, estimating the degree of progress on fulfillment of performance requirements will use an input method based on the ratio of cost accrued to total estimated cost.

Based on the transitional treatment outlined in Article 84 of the “Accounting Standard for Revenue Recognition,” the cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the fiscal year ending March 31, 2022 is reflected in the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022.

However, based on the method outlined in the Article 86 of the Accounting Standard for Revenue Recognition, we have not retroactively applied the new accounting policy to the contracts in which almost all of the revenue amount had been recognized prior to the beginning of the current term in accordance with the previous treatment. In addition, based on Article 86 (1) of the Accounting Standard for Revenue Recognition, we have implemented accounting process of the contracts modified prior to the beginning of the current term by applying the contract conditions made after reflecting all the modifications to the contracts, and added or deducted the cumulative effects on retained earnings.

As the result, net sales, cost of sales, and selling, general and administrative expenses decreased respectively by 40,479 million yen, 40,449 million yen and 109 million yen. Operating profit, ordinary profit and profit before income taxes increased respectively by 79 million yen and 14 million yen. In addition, balance of retained earnings at the beginning of the year decreased by 648 million yen.

Due to the application of these accounting standards, “Notes and accounts receivable-trade” in “Current Assets” in the consolidated balance sheets have been reclassified as “Notes and accounts receivable-trade, and contract assets” from the first quarter of the fiscal year ending March 31, 2022. Based on the transitional treatment stipulated in Article 89-2 of the “Accounting Standard for Revenue Recognition” comparative information for the previous fiscal year has not been restated to reflect the new method of presentation.

(Application of “Accounting Standard for Fair Value Measurement,” etc.)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019) and other standards are applied from the first quarter of the fiscal year ending March 31, 2022. Based on the transitional treatment prescribed in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), we have decided to apply the new accounting policies set forth by the “Accounting Standard for Fair Value Measurement” into the future. These changes had no impact on the quarterly consolidated financial statements.

6. Segment Information

(1) Information concerning Net Sales and Operating Profit by Reportable Business Segment

For the First Half Ended September 30, 2020 (April 1, 2020 to September 30, 2020) (Millions of yen)

	Reported segment					Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Chemicals	Construction Materials	Machinery	Others	Total		
Net sales							
External sales	110,924	134,110	34,167	812	280,013	-	280,013
Internal sales or transfers	1,393	5,063	771	660	7,887	(7,887)	-
Total	112,317	139,173	34,938	1,472	287,900	(7,887)	280,013
Segment profit (Operating profit or loss)	(2,572)	5,673	252	143	3,496	(86)	3,410

Note 1: (86) million yen for adjustment for Segment profit or loss includes (29) million yen for the elimination of transaction between the Segments and (57) million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that is not attributed to each reported Segment.

Note 2: Segment profit or loss is adjusted with operating profit or loss recorded in the consolidated statements of income.

For the First Half Ended September 30, 2021 (April 1, 2021 to September 30, 2021) (Millions of yen)

	Reported segment					Adjustment (note 1)	Amount recorded in consolidated statements of income (note 2)
	Chemicals	Construction Materials	Machinery	Others	Total		
Net sales							
External sales	156,990	104,024	44,890	781	306,685	-	306,685
Internal sales or transfers	391	1,749	471	806	3,417	(3,417)	-
Total	157,381	105,773	45,361	1,587	310,102	(3,417)	306,685
Segment profit (Operating profit)	14,557	2,053	2,368	185	19,163	(75)	19,088

Note 1: (75) million yen for adjustment for Segment profit includes 27 million yen for the elimination of transaction between the Segments and (102) million yen for company-wide cost that is not allocated to each reported Segment. Company-wide cost consists mainly of administration and general expense that is not attributed to each reported Segment.

Note 2: Segment profit is adjusted with operating profit recorded in the consolidated statements of income.

(2) Information Concerning Changes in Reported Segments

(Changes in accounting policies)

As described in the "Changes in accounting policies" section, we have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and other standards since the first quarter of the fiscal year ending March 31, 2022, and modified the method for accounting process as well as the method for calculation profit or loss of each Business Segment.

As the result, net sales of some Segments in the current term were increased or decreased in comparison with the previous calculation method: specifically net sales of Chemicals, Construction Materials and Others Segments decreased respectively by 4,435 million yen, 37,803 million yen and 2 million yen, while net sales of the Machinery Segment increased by 1,761 million yen. In addition, profit of Chemicals and Machinery Segments increased respectively by 2 million yen and 84 million yen, while profit of Construction Materials and Others Segment decreased respectively by 6 million yen and 1 million yen.

(Reference) Consolidated Key Indicators

(Billions of yen – except where noted)

	April – September 2020	April – September 2021	April 2021 – March 2022 (forecast)	April 2020 – March 2021
Capital investment	17.8	14.0	44.0	37.1
Depreciation and amortization	18.0	17.9	36.0	36.3
Research and development expenses	5.6	5.7	12.5	11.4
Adjusted operating profit *1	3.8	19.0	38.0	28.0
Interest-bearing debt	199.3	204.8	230.0	214.7
Shareholders' equity *2	330.3	352.8	356.0	359.0
Total assets	706.0	759.9	790.0	769.7
D/E ratio (times)	0.60	0.58	0.65	0.60
Shareholders' equity ratio (%)	46.8	46.4	45.1	46.6
Return on sales - ROS (%) *3 *6	1.2	6.2 5.4	6.1 5.5	4.2
Return on assets - ROA (%) *4	—	—	4.9	3.7
Return on equity - ROE (%) *5	—	—	5.5	6.6
Number of employees	11,094	11,028	11,000	10,897

*1 Adjusted operating profit: Operating profit + Interest and dividend income + Share of profit of entities accounted for using equity method

*2 Shareholders' equity: Net assets – Share acquisition rights – Non-controlling interests

*3 ROS: Operating profit / Net sales

*4 ROA: Adjusted operating profit / Average total assets

*5 ROE: Profit attributable to owners of parent / Average shareholders' equity

*6 The figures shown at the bottom of the table are reference values for expected results if the Accounting Standard for Revenue Recognition is not adopted.