

* This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with the International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.

Summary of Consolidated Financial Results
For the Second Quarter of the Fiscal Year Ending March 31, 2021 [IFRS]
(Six Months Ended September 30, 2020)

November 6, 2020

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (First Section)
Code number: 4114 URL: <https://www.shokubai.co.jp/>
Representative: Yujiro Goto, President and Representative Member of the Board
Contact for inquiries: Atsushi Tabata, General Manager of General Affairs Dept. Phone: +81-6-6223-9111
Scheduled quarterly report filing date: November 11, 2020
Scheduled date of dividend payment: December 7, 2020
Supplementary quarterly materials prepared: Yes
Quarterly results information meeting held: Yes (for securities analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (here after FY2020) (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative) (Percentages represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2020	124,668	-18.7	-1,188	—	-72	—	-850	—	-1,183	—	1,233	243.3
Six months ended Sep. 30, 2019	153,292	-9.3	6,638	-49.2	8,673	-47.4	5,985	-51.4	5,731	-52.7	359	-97.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Sep. 30, 2020	-29.66	—
Six months ended Sep. 30, 2019	143.71	—

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Rate of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2020	458,604	323,630	317,024	69.1	7,950.18
As of Mar. 31, 2020	475,641	326,108	319,699	67.2	8,017.17

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2019	–	90.00	–	90.00	180.00
FY 2020	–	45.00			
FY 2020 (forecast)			–	45.00	90.00

Note: Revisions to dividends forecast during the period: Yes

Please refer to “1. Qualitative Information on the Period under Review (5) Payment of Interim Dividend and Revisions to Year-End Dividend Forecasts” on page 6 of the attached materials for revisions to dividend forecasts.

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate rate of changes year-over-year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	260,000	-14.0	1,000	-92.4	3,500	-77.8	1,000	-91.0	25.08

Note: Revisions to consolidated earnings forecast during the period: No

※Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (common stock)

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

Sep. 30, 2020: 40,800,000 shares Mar. 31, 2020: 40,800,000 shares

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

Sep. 30, 2020: 923,687 shares Mar. 31, 2020: 923,272 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020: 39,876,562 shares Six months ended Sep. 30, 2019: 39,877,443 shares

※ Indication regarding execution of audit procedures

This quarterly financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the audit procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

※ Appropriate use of business forecasts and other special items

(Note regarding forward-looking statements and other information)

In this document, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to “1. Qualitative Information on the Period under Review (4) Consolidated Financial Forecasts and Other Forward-looking Statements” on page 5 of the attached materials for matters related to business forecasts.

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1. Qualitative Information on the Period under Review

(1) Operating Results

The world economy in the first half of the current fiscal year was affected by the spread of the novel coronavirus disease (COVID-19), which forced the United States and Europe to face a difficult situation and emerging Asian countries to remain in a challenging circumstance although China continued to show signs of recovery. Furthermore, the outlook remained unclear due mainly to the impact of prolonged trade friction between the United States and China and trends in the crude oil market.

The Japanese economy also continued to experience a harsh environment due to a substantial decline in corporate earnings, despite signs of recovery in production and exports.

The chemical industry has faced a severe business environment as demand was sluggish owing to stagnating economic activities.

1) Overview

(Unit: Millions of yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020	Change		FY2019
			(Amount)	(% growth)	
Revenue	153,292	124,668	-28,625	-18.7%	302,150
Operating profit (loss)	6,638	-1,188	-7,826	–	13,178
Profit (loss) before tax	8,673	-72	-8,745	–	15,748
Profit (loss) attributable to owners of parent	5,731	-1,183	-6,914	–	11,094
Basic earnings (loss) per share	143.71 yen	-29.66 yen	-173.37 yen	–	278.21 yen
ROA (Ratio of profit before tax to total assets)	3.7%	-0.0%	–	-3.7 points	3.3%
ROE (Ratio of profit to equity attributable to owners of parent)	3.6%	-0.7%	–	-4.3 points	3.5%
Foreign exchange rate (USD and EUR)	USD=108.63 yen EUR=121.46 yen	USD=106.93 yen EUR=121.34 yen		-1.70 yen -0.12 yen	USD=108.72 yen EUR=120.83 yen
Domestic naphtha price	42,800 yen/kl	27,600 yen/kl		-15,200 yen/kl	42,900 yen/kl

Note: The ROA and ROE figures shown for each six-month period are annualized.

Under these conditions, the Group's revenue in the first half of the current fiscal year decreased by 18.7% year-on-year to 124,668 million yen, down 28,625 million yen. Contributing factors included a decline in sales prices caused by a fall in raw material costs and weak market conditions for products outside of Japan and a decline in sales volume, which was mainly due to a slowdown in the world economy impacted by COVID-19 and trade friction between the United States and China.

With regard to profits, operating profit decreased by 7,826 million yen year-on-year to an operating loss of 1,188 million yen due to a decline in production and sales volume, an increase in processing costs such as inventory valuation difference, and impairment losses of non-current assets recorded by the Company's consolidated subsidiary NIPPON SHOKUBAI EUROPE N.V. (hereinafter, "NSE"), despite the expanded spread in line with a fall in raw material costs.

Profit before tax decreased year-on-year to a loss before tax of 72 million yen, down 8,745 million yen due to decreases in operating profit and share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent fell year-on-year to a loss attributable to owners of parent of 1,183 million yen, down 6,914 million yen.

2) Outline of Sales by Business Segment

Basic Chemicals

Sales of acrylic acids and acrylates decreased as sales prices declined in line with a fall in raw material costs of propylene and other materials and sales volume decreased affected by weak market conditions for products outside of Japan as a result of stagnant demand, which was triggered by a downturn in the world economy attributable to COVID-19 and the trade friction between the United States and China.

Sales of ethylene oxide decreased as sales prices fell due to a drop in raw material costs of ethylene and other materials and sales volume declined due to stagnant demand accompanying a slowdown in the economy.

Sales of ethylene glycol decreased due to lower sales prices accompanying weak market conditions for products outside of Japan, despite increased sales volume.

Sales of secondary alcohol ethoxylates decreased due to a decline in sales prices in line with a drop in raw material costs, and a decline in sales volume.

As a result of the above, revenue in the basic chemicals segment decreased by 21.3% year-on-year to 49,065 million yen. Operating profit decreased by 3,459 million yen year-on-year to an operating loss of 395 million yen mainly due to a decline in production and sales volume and increased processing costs such as inventory valuation difference.

Functional Chemicals

Sales of superabsorbent polymers decreased as sales prices fell due to a decline in propylene and other raw material costs and weak market conditions for products outside of Japan, and sales volume declined.

Sales of special acrylates decreased as sales volume declined due to weak demand triggered by a slowdown in the world economy affected by COVID-19 and lower sales prices accompanying weak market conditions for products outside of Japan.

Sales of electronic information material, polymers for concrete admixture, resins for paints, resin modifiers, adhesive products and ethyleneimine derivatives decreased mainly as a result of a decline in sales volume due to sluggish demand and other factors.

Sales of maleic anhydride decreased as sales prices dropped due to a fall in raw material costs and sales volume shrank due to stagnant demand.

Sales of water-soluble polymers for raw materials of detergents and others decreased due to lower sales prices, despite an increase in sales volume.

Sales of iodine compounds increased mainly due to a rise in sales volume.

As a result, revenue in the functional chemicals segment decreased by 16.4% year-on-year to 71,489 million yen.

Operating profit decreased by 3,311 million yen year-on-year to an operating loss of 1,001 million yen due to lower production and sales volume, impairment losses recorded for non-current assets of NSE, and an increase in processing costs such as inventory valuation differences, although the spread expanded as a result of a fall in raw material costs.

Environment & Catalysts

Sales of process catalysts, waste gas treatment catalysts, and De-NO_x catalysts decreased mainly due to lower sales volume.

Sales of fuel cell materials decreased mainly due to lower sales prices.

Sale of materials for lithium-ion batteries and wet air oxidation catalysts increased mainly due to higher sales volume as a result of efforts to expand sales.

As a result, revenue in the environment & catalysts segment fell 23.6% year-on-year to 4,114 million yen.

Operating profit decreased by 621 million yen year-on-year to an operating loss of 123 million yen mainly due to a decline in production and sales volume and an increase in processing costs such as inventory valuation difference.

(2) Financial Position

1) Analysis of Financial Position

Total assets at the end of the first half of the current fiscal year decreased by 17,037 million yen from the end of the previous fiscal year to 458,604 million yen. Current assets decreased by 19,322 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in trade receivables as sales volume declined and sales prices fell in line with a drop in raw material costs and weak market conditions for products outside of Japan. Non-current assets were 2,285 million yen higher than at the end of the previous fiscal year. This was mainly due to an increase in other financial assets in line with an increase in the market value of stocks held.

Total liabilities decreased by 14,559 million yen compared to the end of the previous fiscal year to 134,974 million yen. This was mainly due to a decrease in trade payables as a result of a decrease in purchase volume and a drop in raw material costs.

Total equity decreased by 2,478 million yen compared to the end of the previous fiscal year to 323,630 million yen. This was mainly due to a decrease in retained earnings from dividends paid and other factors, despite an increase in other components of equity.

Ratio of profit to equity attributable to owners of parent rose 1.9 percentage points from 67.2% at the end of the previous fiscal year to 69.1%. Equity attributable to owners of parent per share decreased by 66.99 yen compared to the end of the previous fiscal year to 7,950.18 yen.

2) Cash Flows

Cash and cash equivalents at the end of the first half of the current fiscal year amounted to 45,526 million yen, an increase of 1,656 million yen from the end of the previous fiscal year, as cash flows provided by operating activities exceeded cash flows used in investing activities including capital investment and cash flows used in financing activities.

Cash flow from operating activities

Net cash provided by operating activities in the first half of the current fiscal year amounted to 22,639 million yen, an increase of 435 million yen from a cash inflow of 22,203 million yen in the same period of the previous fiscal year, as settlement of trade receivables progressed and income taxes paid decreased although loss before tax was recorded.

Cash flow from investing activities

Net cash used in investing activities in the first half of the current fiscal year totaled 16,342 million yen, a decrease of 288 million yen from a cash outflow of 16,630 million yen in the same period of the previous fiscal year, mainly due to no acquisition of shares of subsidiaries and affiliates recorded in the first half of the current fiscal year.

Cash flow from financing activities

Net cash used in financing activities in the first half of the current fiscal year amounted to 4,442 million yen, a decrease of 1,787 million yen from a cash outflow of 6,229 million yen in the same period of the previous fiscal year, mainly due to a decrease in repayments of borrowings.

(3) Variance between Consolidated Financial Forecasts and Actual Results for the Six Months Ended September 30, 2020

With regard to consolidated financial results for the first half of the current fiscal year, there was a variance between forecasts and actual results in earnings of the Group companies and in closing adjustment items for consolidated closing. Specifically, revenue, operating profit, profit before tax, and profit attributable to owners of parent exceeded the forecasts announced on October 8, 2020.

Variance between consolidated financial forecasts and actual results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecasts (A) (as of October 8, 2020)	124,000	-1,800	-500	-1,500	-37.62
Results (B)	124,668	-1,188	-72	-1,183	-29.66
Change in Amount (B-A)	668	612	428	317	
Percentage Change (%)	0.5%	-	-	-	
(Reference) Six Months Ended September 30, 2019	153,292	6,638	8,673	5,731	143.71

(4) Consolidated Financial Forecasts and Other Forward-looking Statements

For the full fiscal year, the Group forecasts revenue of 260.0 billion yen, operating profit of 1.0 billion yen, profit before tax of 3.5 billion yen, and profit attributable to owners of parent of 1.0 billion yen. Although the figures for the first half of the current fiscal year exceeded the forecasts announced on October 8, 2020, the Company will keep intact its full-year financial forecasts announced on October 8, 2020 due to an unclear outlook for waning of COVID-19 and recovery of economic activities.

Figures for the second half of the current fiscal year are based on exchange rates of 105 yen to the U.S. dollar and 120 yen to the euro, and domestic naphtha prices of 33,000 yen/kl.

(Financial forecasts by reportable segment)

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
Full year	100.0	1.4	152.0	-0.7	8.0	-0.2	0.5	260.0	1.0

Note: Segment profit adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments.

The impact of the cancellation of the business integration by way of joint share transfer between the Company and Sanyo Chemical Industries, Ltd. and the termination by mutual agreement of the final agreement concerning the business integration, which was announced on October 21, 2020, on the financial forecasts of the Company is being carefully examined and has not been reflected in the financial forecasts.

(5) Payment of Interim Dividend and Revisions to Year-End Dividend Forecasts

1) Interim dividend for the half of the year ending March 31, 2021

	Interim dividend for the fiscal year ending March 31, 2021	Previous forecast announced on August 4, 2020	Interim dividend for the fiscal year ended March 31, 2020
Record date	September 30, 2020	September 30, 2020	September 30, 2019
Dividend per share	45.00 yen	60.00 yen	90.00 yen
Total amount of dividends	1,794 million yen	—	3,589 million yen
Effective date	December 7, 2020	—	December 5, 2019
Source of funds to pay dividends	Retained earnings	—	Retained earnings

2) Revisions to year-end dividend forecasts

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Previous Forecasts (announced on August 4, 2020)	—	60.00	—	60.00	120.00
Revised Forecasts			—	45.00	90.00
Dividends Paid for Six Months Ended September 30, 2020	—	45.00			
(Reference) Fiscal Year Ended March 31, 2020	—	90.00	—	90.00	180.00

3) Reasons for the revision

The Company has positioned the return of profits to shareholders as the most important management task, and, in consideration of the dividend payout ratio, etc., distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure. In addition to dividend distributions, the Company intends to consider stock buybacks as one of the options to raise the value per share.

Meanwhile, aggressive investments in equipment, strategies, and R&D are also necessary for the maintenance of competitiveness and continued growth. As such, the Company regards retention of internal reserves also essential; therefore we will continue to distribute profits by carefully considering the balance of above factors. Based on the aforementioned dividend basic policy, the Company decided to revise down the interim dividend to 45 yen per share and the year-end dividend forecast to 45 yen per share, with the annual dividend forecast at 90 yen per share accordingly, after having considered in perspective the business environment surrounding the Company, the consolidated financial results for the six months ended September 30, 2020, the full fiscal year consolidated financial forecasts and other matters.

2. Condensed Quarterly Consolidated Financial Statements and Related Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

	(Unit: Millions of yen)	
	FY2019 As of Mar. 31, 2020	2Q-FY2020 As of Sep. 30, 2020
Assets		
Current assets		
Cash and cash equivalents	43,869	45,526
Trade receivables	74,570	57,766
Inventories	60,762	57,647
Other financial assets	9,894	8,840
Other current assets	5,663	5,658
Total current assets	194,759	175,437
Non-current assets		
Property, plant and equipment	200,252	199,774
Goodwill	4,303	4,232
Intangible assets	10,239	10,325
Investments accounted for using equity method	19,823	18,197
Other financial assets	33,748	38,239
Retirement benefit asset	7,540	7,502
Deferred tax assets	3,179	3,115
Other non-current assets	1,796	1,783
Total non-current assets	280,881	283,167
Total assets	475,641	458,604

(Unit: Millions of yen)

	FY2019 As of Mar. 31, 2020	2Q-FY2020 As of Sep. 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	44,741	31,314
Bonds and borrowings	17,177	24,580
Other financial liabilities	8,289	8,899
Income taxes payable	2,370	1,192
Provisions	4,879	4,847
Other current liabilities	4,971	3,872
Total current liabilities	82,427	74,704
Non-current liabilities		
Bonds and borrowings	38,854	31,444
Other financial liabilities	7,110	6,554
Retirement benefit liability	14,509	14,538
Provisions	1,929	2,032
Deferred tax liabilities	4,704	5,701
Total non-current liabilities	67,105	60,269
Total liabilities	149,532	134,974
Equity		
Share capital	25,038	25,038
Capital surplus	22,472	22,472
Treasury shares	-6,281	-6,283
Retained earnings	280,555	276,026
Other components of equity	-2,086	-229
Total equity attributable to owners of parent	319,699	317,024
Non-controlling interests	6,410	6,606
Total equity	326,108	323,630
Total liabilities and equity	475,641	458,604

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income
Condensed Quarterly Consolidated Statements of Profit or Loss

Condensed Year to Quarter and Consolidated Statements of Profit or Loss

	(Unit: Millions of yen)	
	2Q-FY 2019 Apr. 1, 2019 to Sep. 30, 2019	2Q-FY 2020 Apr. 1, 2020 to Sep. 30, 2020
Revenue	153,292	124,668
Cost of sales	126,424	104,922
Gross profit	26,869	19,746
Selling, general and administrative expenses	21,302	19,894
Other operating income	1,570	1,221
Other operating expenses	499	2,260
Operating profit (loss)	6,638	-1,188
Finance income	999	929
Finance costs	747	205
Share of profit of investments accounted for using equity method	1,783	392
Profit (loss) before tax	8,673	-72
Income tax expense	2,688	777
Profit (loss)	5,985	-850
Profit (loss) attributable to		
Owners of parent	5,731	-1,183
Non-controlling interests	254	333
Profit (loss)	5,985	-850
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	143.71	-29.66
Diluted earnings per share (Yen)	—	—

Condensed Quarterly Consolidated Statements of Comprehensive Income

Condensed Year to Quarter and Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	2Q-FY 2019 Apr. 1, 2019 to Sep. 30, 2019	2Q-FY 2020 Apr. 1, 2020 to Sep. 30, 2020
Profit (loss)	5,985	-850
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	-1,091	3,252
Share of other comprehensive income of investments accounted for using equity method	12	-0
Total of items that will not be reclassified to profit or loss	-1,079	3,251
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-3,733	-513
Share of other comprehensive income of investments accounted for using equity method	-814	-656
Total of items that may be reclassified to profit or loss	-4,547	-1,169
Other comprehensive income	-5,626	2,082
Comprehensive income	359	1,233
Comprehensive income attributable to		
Owners of parent	258	917
Non-controlling interests	101	316
Comprehensive income	359	1,233

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	-6,274	276,934	3,942	—
Profit	—	—	—	5,731	—	—
Other comprehensive income	—	—	—	—	-1,089	12
Comprehensive income	—	—	—	5,731	-1,089	12
Purchase of treasury shares	—	—	-3	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	-3,589	—	—
Transfer from other components of equity to retained earnings	—	—	—	-15	27	-12
Total transactions with owners	—	—	-3	-3,604	27	-12
Balance at end of period	25,038	22,472	-6,278	279,061	2,879	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	896	4,838	323,008	6,219	329,227
Profit	—	—	5,731	254	5,985
Other comprehensive income	-4,396	-5,473	-5,473	-153	-5,626
Comprehensive income	-4,396	-5,473	258	101	359
Purchase of treasury shares	—	—	-3	—	-3
Disposal of treasury shares	—	—	—	—	—
Dividends	—	—	-3,589	-261	-3,850
Transfer from other components of equity to retained earnings	—	15	—	—	—
Total transactions with owners	—	15	-3,592	-261	-3,854
Balance at end of period	-3,500	-620	319,673	6,059	325,732

Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	-6,281	280,555	126	—
Profit (loss)	—	—	—	-1,183	—	—
Other comprehensive income	—	—	—	—	3,251	-0
Comprehensive income	—	—	—	-1,183	3,251	-0
Purchase of treasury shares	—	—	-3	—	—	—
Disposal of treasury shares	—	-0	0	—	—	—
Dividends	—	—	—	-3,589	—	—
Transfer from other components of equity to retained earnings	—	—	—	243	-243	0
Total transactions with owners	—	-0	-2	-3,346	-243	0
Balance at end of period	25,038	22,472	-6,283	276,026	3,134	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	-2,212	-2,086	319,699	6,410	326,108
Profit (loss)	—	—	-1,183	333	-850
Other comprehensive income	-1,151	2,099	2,099	-17	2,082
Comprehensive income	-1,151	2,099	917	316	1,233
Purchase of treasury shares	—	—	-3	—	-3
Disposal of treasury shares	—	—	0	—	0
Dividends	—	—	-3,589	-120	-3,709
Transfer from other components of equity to retained earnings	—	-243	—	—	—
Total transactions with owners	—	-243	-3,591	-120	-3,711
Balance at end of period	-3,363	-229	317,024	6,606	323,630

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	2Q-FY 2019 Apr. 1, 2019 to Sep. 30, 2019	2Q-FY 2020 Apr. 1, 2020 to Sep. 30, 2020
Cash flows from operating activities		
Profit (loss) before tax	8,673	-72
Depreciation and amortization	14,032	14,595
Impairment losses	-	1,779
Decrease (increase) in retirement benefit asset	35	38
Increase (decrease) in retirement benefit liability	169	45
Interest and dividend income	-997	-662
Interest expenses	290	185
Share of loss (profit) of investments accounted for using equity method	-1,783	-392
Decrease (increase) in trade receivables	10,240	16,810
Decrease (increase) in inventories	1,610	3,240
Increase (decrease) in trade payables	-11,535	-13,555
Other	1,363	1,038
Subtotal	22,097	23,049
Interest and dividends received	4,512	1,929
Interest paid	-234	-253
Income taxes paid	-4,172	-2,086
Net cash provided by (used in) operating activities	22,203	22,639
Cash flows from investing activities		
Purchase of property, plant and equipment	-15,650	-15,691
Purchase of intangible assets	-919	-639
Purchase of investments	-2,498	-374
Proceeds from sale and redemption of investments	2,371	448
Acquisition of shares of subsidiaries and affiliates	-400	-
Other	466	-87
Net cash provided by (used in) investing activities	-16,630	-16,342
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-1,291	-5,001
Proceeds from long-term borrowings	8,771	8,252
Repayments of long-term borrowings	-9,005	-3,307
Repayments of lease liabilities	-849	-674
Purchase of treasury shares	-3	-3
Dividends paid	-3,589	-3,589
Dividends paid to non-controlling interests	-261	-120
Other	-	0
Net cash provided by (used in) financing activities	-6,229	-4,442
Effect of exchange rate changes on cash and cash equivalents	-463	-199
Net increase (decrease) in cash and cash equivalents	-1,119	1,656
Cash and cash equivalents at beginning of period	47,434	43,869
Cash and cash equivalents at end of period	46,315	45,526

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

【Going Concern Assumption】

Not applicable.

【Changes in Accounting Policies】

The accounting policies applied in these condensed quarterly consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year.

Income tax expense in the six months ended September 30, 2020 is calculated based on the estimated average annual effective tax rate.

【Segment Information, etc.】

1. Outline of Reportable Segments

The Company's reportable segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors of the Company in order to allocate management resources and assess performance of operations.

The Company's main business lines are divided based on similarities of function and nature and the Company prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line.

Accordingly, the Company is comprised of reportable segments classified by type of products based on each business line and does not aggregate its operating results. The three reportable segments of the Company are Basic chemicals, Functional chemicals, and Environment & catalysts.

The basic chemicals segment is engaged in the manufacturing and sales of acrylic acids, acrylates, ethylene oxide, ethylene glycol, ethanolamine, secondary alcohol ethoxylates and glycol ethers. The functional chemicals segment is engaged in the manufacturing and sales of superabsorbent polymers, special acrylates, intermediates for pharmaceuticals, polymers for concrete admixture, electronic information material, iodine, maleic anhydride, resins for adhesives and paints, and adhesive products. The environment & catalysts segment is engaged in the manufacturing and sales of automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, process catalysts, waste gas treatment catalysts and fuel cell materials.

2. Information Concerning Revenue and Income or Loss by Reportable Segment

Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note)	Total
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Total		
Revenue						
(1) Revenue to third parties	62,350	85,561	5,381	153,292	–	153,292
(2) Intergroup revenue and transfers	16,554	2,980	939	20,472	-20,472	–
Total	78,903	88,541	6,320	173,765	-20,472	153,292
Segment income	3,063	2,309	498	5,871	767	6,638
Finance income	–	–	–	–	–	999
Finance costs	–	–	–	–	–	747
Share of profit of investments accounted for using equity method	–	–	–	–	–	1,783
Profit before tax	–	–	–	–	–	8,673

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 767 million yen.

Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note)	Total
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Total		
Revenue						
(1) Revenue to third parties	49,065	71,489	4,114	124,668	–	124,668
(2) Intergroup revenue and transfers	12,225	1,499	329	14,054	-14,054	–
Total	61,290	72,988	4,443	138,721	-14,054	124,668
Segment income (loss)	-395	-1,001	-123	-1,519	332	-1,188
Finance income	–	–	–	–	–	929
Finance costs	–	–	–	–	–	205
Share of profit of investments accounted for using equity method	–	–	–	–	–	392
Profit (loss) before tax	–	–	–	–	–	-72

Notes: The adjustment for “Segment income (loss)” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 332 million yen.

3. Information Concerning Impairment Loss of Non-current Assets or Goodwill, etc. by Reportable Segment

Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)

Not applicable.

Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)

Impairment losses on property, plant and equipment of 1,779 million yen were recorded in the functional chemicals segment.

【Supplementary Information】

Overseas Revenue

Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	43,212	19,585	10,911	9,366	83,074
II. Consolidated revenue					153,292
III. Overseas revenue to consolidated revenue	28.2%	12.8%	7.1%	6.1%	54.2%

Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	32,486	18,334	9,641	6,015	66,476
II. Consolidated revenue					124,668
III. Overseas revenue to consolidated revenue	26.1%	14.7%	7.7%	4.8%	53.3%

Notes: 1. Geographical segments are classified according to geographical proximity.

2. Specific countries of each area:

- (1) Asia: East and South East Asian countries
- (2) Europe: European countries
- (3) North America: North American countries
- (4) Others: Areas/countries except Asia, Europe, North America, and Japan

3. "Overseas revenue" means revenue outside Japan by NIPPON SHOKUBAI CO., LTD. and its consolidated subsidiaries.

【Significant Subsequent Events】

(Cancellation of the business integration by way of joint share transfer between the Company and Sanyo Chemical Industries, Ltd. and the termination by mutual agreement of the final agreement concerning the business integration)

As announced in “Notice Regarding the Execution of a Final Agreement Concerning the Business Integration by Way of Joint Share Transfer Between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd.” dated November 29, 2019 and “Notice Regarding the Postponement of the Business Integration by Way of Joint Share Transfer Between Nippon Shokubai Co., Ltd. and Sanyo Chemical Industries, Ltd. and the Reassessment of the Share Transfer Ratio” dated April 13, 2020, the Company and Sanyo Chemical Industries, Ltd. (collectively, the “Companies”) agreed to conduct a business integration (the “Business Integration”) by establishing Synfomix Co., Ltd. by way of joint share transfer, which was planned to become the parent company of the Companies as of April 1, 2021. However, at their respective extraordinary meetings of the Board of Directors at October 21, 2020, the Companies adopted a resolution to cancel the Business Integration and terminate by mutual agreement the final agreement concerning the Business Integration as of the same date.

1. Reason for the cancellation of the Business Integration and the termination by mutual agreement of the final agreement concerning the Business Integration

Since the Companies executed a basic agreement concerning the consideration of the Business Integration on May 29, 2019, the Companies have been carrying out detailed examinations and discussions concerning the Business Integration between the Companies. On November 29, 2019, the Companies executed a final agreement concerning the Business Integration and announced that they will conduct the Business Integration on October 1, 2020. Subsequently, on April 13, 2020, because the global outbreak of COVID-19 and the sharp decline in the oil and oil product markets, among other factors, caused the performance and other aspects of the Companies, as well as the financial, economic, market and other elements of the business environment, which served as bases for the agreement on the Business Integration, to become unpredictable, the Companies announced that they agreed to reassess the share transfer ratio agreed under the final agreement and to postpone the Business Integration until April 1, 2021. However, because the business environment surrounding the Companies has rapidly and significantly changed after the execution of the final agreement concerning the Business Integration, such as significant changes in raw material prices and product prices as well as heightened uncertainty about product demand in the future, the Companies reached the conclusion that it has become difficult to conduct the Business Integration. Further, the Companies determined that, in light of the current business environment, exerting their respective strengths as independent companies will lead to enhancing the Companies’ corporate value, and therefore decided to cancel the Business Integration and terminate the final agreement concerning the Business Integration. Although the Business Integration is cancelled, the Companies will continue to maintain a good relationship in various aspects.

2. Impact on financial forecasts

The impact of the cancellation of the Business Integration and the termination of the final agreement concerning the Business Integration on the financial forecasts of the Company is being carefully examined.