

* 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 Third Quarter of the Fiscal Year Ending March 31, 2021 [IFRS]
(Nine Months Ended December 31, 2020)

February 3, 2021

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: February 10, 2021	
Scheduled date of dividend payment: -	
Supplementary quarterly materials prepared: None	
Quarterly results information meeting held: None	

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 (hereafter FY2020) (from April 1, 2020 to December 31, 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	%
Nine months ended Dec. 31, 2020	195,461	-13.9	1,485	-86.0	3,629	-73.6	1,997	-79.5	1,540	-83.5	6,030	-26.0
Nine months ended Dec. 31, 2019	227,105	-12.3	10,630	-48.9	13,766	-46.2	9,720	-49.5	9,350	-50.6	8,153	-46.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2020	38.61	—
Nine months ended Dec. 31, 2019	234.47	—

(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 Dec. 31, 2020	469,722	326,020	319,909	68.1	8,022.58
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 the dividends forecast since the latest announcement: No

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 the financial forecasts since the latest announcement: 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)

Dec. 31, 2020: 40,800,000 shares Mar. 31, 2020: 40,800,000 shares

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

Dec. 31, 2020: 923,971 shares Mar. 31, 2020: 923,272 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2020: 39,876,441 shares Nine months ended Dec. 31, 2019: 39,877,291 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 (3) 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 nine months ended December 31, 2020 was affected by the spread of the novel coronavirus disease (COVID-19), which forced the United States and Europe to continue to face a difficult situation and emerging Asian countries, despite signs of recovery in certain countries, to remain in a challenging circumstance, while China remained on its path to recovery. Furthermore, the outlook remained unclear due mainly to the impact of prolonged trade friction between the United States and China and the resurgence of COVID-19.

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.

In the chemical industry, despite signs of recovery in demand, such momentum dampened, and a severe business environment continued to prevail.

1) Overview

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020	Change		FY2019
			(Amount)	(% growth)	
Revenue	227,105	195,461	-31,644	-13.9%	302,150
Operating profit	10,630	1,485	-9,145	-86.0%	13,178
Profit before tax	13,766	3,629	-10,138	-73.6%	15,748
Profit attributable to owners of parent	9,350	1,540	-7,810	-83.5%	11,094
Basic earnings per share	234.47 yen	38.61 yen	-195.86 yen	-83.5%	278.21 yen
ROA (Ratio of profit before tax to total assets)	3.8%	1.0%	–	-2.8 points	3.3%
ROE (Ratio of profit to equity attributable to owners of parent)	3.9%	0.6%	–	-3.3 points	3.5%
Foreign exchange rate (USD and EUR)	USD=108.67 yen	USD=106.12 yen		-2.55 yen	USD=108.72 yen
	EUR=121.08 yen	EUR=122.42 yen		1.34 yen	EUR=120.83 yen
Domestic naphtha price	42,300 yen/kl	28,800 yen/kl		-13,500 yen/kl	42,900 yen/kl

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

Under these conditions, the Group's revenue in the nine months ended December 31, 2020 decreased by 13.9% year-on-year to 195,461 million yen, down 31,644 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 86.0% year-on-year to 1,485 million yen, down 9,145 million yen due to a decline in production and sales volume, an increase in processing costs such as inventory valuation difference, a contraction in the spread owing to a decline in product prices in excess of the decrease in raw materials costs, and 1,795 million yen in impairment losses of non-current assets recorded by the Company's consolidated subsidiary NIPPON SHOKUBAI EUROPE N.V. (hereinafter, "NSE"), as well as 1,679 million yen in business integration expenses associated with the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd.

Profit before tax decreased by 73.6% year-on-year to 3,629 million yen, down 10,138 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 83.5% year-on-year to 1,540 million yen, down 7,810 million yen.

2) Outline of Sales by Business Segment

Basic Chemicals

Sales of acrylic acids and acrylates decreased in line with the 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, as well as the decline in sales prices owing to a fall in raw material prices caused by the fall in domestic naphtha prices, and the decrease in sales volume.

Sales of ethylene oxide decreased as sales prices fell due to a drop in raw material costs in line with a fall in domestic naphtha prices 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, despite increased sales volume.

As a result of the above, revenue in the basic chemicals segment decreased by 15.1% year-on-year to 78,114 million yen. Operating profit decreased by 46.3% year-on-year to 2,363 million yen mainly due to a decline in production and sales volume, increased processing costs such as inventory valuation difference, and a contraction in the spread.

Functional Chemicals

Sales of superabsorbent polymers decreased as sales prices fell due to a decline in 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 polymers for concrete admixture, water-soluble polymers for raw materials of detergents, and resins for paints, decreased mainly as a result of a decline in sales volume due to sluggish demand and lower sales prices.

Sales of maleic anhydride decreased as sales prices dropped due to a fall in raw material costs, despite increased sales volume.

Sales of electronic information material and ethyleneimine derivatives decreased mainly due to a decline in sales volume, despite higher sales prices.

Sales of resin modifiers and adhesive products decreased mainly as a result of a decline in sales volume due to sluggish demand.

Sales of iodine compounds increased mainly due to higher sales prices and increased sales volume.

As a result, revenue in the functional chemicals segment decreased by 12.2% year-on-year to 111,509 million yen.

Operating profit decreased by 88.3% yen year-on-year to 556 million yen mainly due to lower production and sales volume and the impairment losses recorded for non-current assets of NSE.

Environment & Catalysts

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

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

Sales of materials for lithium-ion batteries increased mainly due to increased sales volume.

As a result, revenue in the environment & catalysts segment fell 28.6% year-on-year to 5,839 million yen.

Operating profit decreased by 91.0% year-on-year to 63 million yen mainly due to a decline in production and sales volume.

(2) Financial Position

1) Analysis of Financial Position

Total assets at the end of the third quarter of the current fiscal year decreased by 5,919 million yen from the end of the previous fiscal year to 469,722 million yen. Current assets decreased by 11,515 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in trade receivables as a result of lower sales prices in line with a drop in raw material costs and weak market conditions for products outside of Japan, and a decline in sales volume. Non-current assets were 5,596 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 5,830 million yen compared to the end of the previous fiscal year to 143,702 million yen. This was mainly due to repayments of borrowings.

Total equity decreased by 89 million yen compared to the end of the previous fiscal year to 326,020 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 0.9 percentage points from 67.2% at the end of the previous fiscal year to 68.1%. Equity attributable to owners of parent per share increased by 5.41 yen compared to the end of the previous fiscal year to 8,022.58 yen.

2) Cash Flows

Cash and cash equivalents at the nine months ended December 31, 2020 amounted to 38,929 million yen, a decrease of 4,940 million yen from the end of the previous fiscal year, as cash flows used in investing activities including capital investment and cash flows used in financing activities exceeded cash flows provided by operating activities.

Cash flow from operating activities

Net cash provided by operating activities in the nine months ended December 31, 2020 amounted to 30,449 million yen, a decrease of 3,332 million yen from a cash inflow of 33,781 million yen in the same period of the previous fiscal year, mainly due to a decrease in profit before tax despite a decrease in income taxes paid.

Cash flow from investing activities

Net cash used in investing activities in the nine months ended December 31, 2020 totaled 23,496 million yen, a decrease of 7 million yen from a cash outflow of 23,503 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 nine months ended December 31, 2020.

Cash flow from financing activities

Net cash used in financing activities in the nine months ended December 31, 2020 amounted to 11,579 million yen, an increase of 341 million yen from a cash outflow of 11,238 million yen in the same period of the previous fiscal year, mainly due to progress in repayments of borrowings.

(3) 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 and the Company has kept intact its full-year financial forecasts announced on November 6, 2020.

Despite the recording of business integration expenses, which had been under careful examination at the time of the previous forecast, because the sales volume of acrylic acids and acrylates is set to see a larger-than-expected increase and processing costs such as inventory valuation difference are expected to decrease, the Company anticipates financial results to be on par with those of the previous forecast.

Figures for the full-year forecasts are based on exchange rates of 105 yen to the U.S. dollar and 120 yen to the euro, and domestic naphtha prices of 36,000 yen/kl for the fourth quarter of the current fiscal year.

Our full-year forecasts by reportable segment (consolidated) have been revised as follows:

(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
Revised forecasts	100.0	2.5	152.0	0.0	8.0	0.0	-1.5	260.0	1.0
Previous forecasts	100.0	1.4	152.0	-0.7	8.0	-0.2	0.5	260.0	1.0
Difference	-	1.1	-	0.7	-	0.2	-2.0	-	-

Note: Segment profit adjustment includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments. Business integration expenses are included in the adjustment.

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	3Q-FY2020 As of Dec. 31, 2020
Assets		
Current assets		
Cash and cash equivalents	43,869	38,929
Trade receivables	74,570	69,398
Inventories	60,762	58,946
Other financial assets	9,894	11,392
Other current assets	5,663	4,579
Total current assets	194,759	183,244
Non-current assets		
Property, plant and equipment	200,252	200,433
Goodwill	4,303	4,155
Intangible assets	10,239	9,785
Investments accounted for using equity method	19,823	18,791
Other financial assets	33,748	40,976
Retirement benefit asset	7,540	7,476
Deferred tax assets	3,179	3,087
Other non-current assets	1,796	1,774
Total non-current assets	280,881	286,477
Total assets	475,641	469,722

(Unit: Millions of yen)

	FY2019 As of Mar. 31, 2020	3Q-FY2020 As of Dec. 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	44,741	43,045
Bonds and borrowings	17,177	22,501
Other financial liabilities	8,289	11,159
Income taxes payable	2,370	640
Provisions	4,879	2,787
Other current liabilities	4,971	5,129
Total current liabilities	82,427	85,261
Non-current liabilities		
Bonds and borrowings	38,854	29,002
Other financial liabilities	7,110	6,299
Retirement benefit liability	14,509	14,643
Provisions	1,929	2,091
Deferred tax liabilities	4,704	6,405
Total non-current liabilities	67,105	58,441
Total liabilities	149,532	143,702
Equity		
Share capital	25,038	25,038
Capital surplus	22,472	22,472
Treasury shares	-6,281	-6,284
Retained earnings	280,555	276,955
Other components of equity	-2,086	1,728
Total equity attributable to owners of parent	319,699	319,909
Non-controlling interests	6,410	6,111
Total equity	326,108	326,020
Total liabilities and equity	475,641	469,722

(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

Nine months ended Dec. 31, 2019 and 2020

(Unit: Millions of yen)

	3Q-FY 2019 Apr. 1, 2019 to Dec. 31, 2019	3Q-FY 2020 Apr. 1, 2020 to Dec. 31, 2020
Revenue	227,105	195,461
Cost of sales	186,168	161,202
Gross profit	40,937	34,259
Selling, general and administrative expenses	31,551	30,218
Other operating income	2,072	1,713
Other operating expenses	828	4,269
Operating profit	10,630	1,485
Finance income	1,456	1,501
Finance costs	660	277
Share of profit of investments accounted for using equity method	2,340	920
Profit before tax	13,766	3,629
Income tax expense	4,046	1,632
Profit	9,720	1,997
Profit attributable to		
Owners of parent	9,350	1,540
Non-controlling interests	370	457
Profit	9,720	1,997
Earnings per share		
Basic earnings per share (Yen)	234.47	38.61
Diluted earnings per share (Yen)	-	-

Condensed Quarterly Consolidated Statements of Comprehensive Income

Nine months ended Dec. 31, 2019 and 2020

(Unit: Millions of yen)

	3Q-FY 2019 Apr. 1, 2019 to Dec. 31, 2019	3Q-FY 2020 Apr. 1, 2020 to Dec. 31, 2020
Profit	9,720	1,997
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	1,590	5,545
Share of other comprehensive income of investments accounted for using equity method	10	-0
Total of items that will not be reclassified to profit or loss	1,601	5,545
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-1,926	-974
Share of other comprehensive income of investments accounted for using equity method	-1,242	-538
Total of items that may be reclassified to profit or loss	-3,168	-1,511
Other comprehensive income	-1,567	4,033
Comprehensive income	8,153	6,030
Comprehensive income attributable to		
Owners of parent	7,914	5,597
Non-controlling interests	239	433
Comprehensive income	8,153	6,030

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended Dec. 31, 2019 (Apr. 1, 2019 to Dec. 31, 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	-	-	-	9,350	-	-
Other comprehensive income	-	-	-	-	1,591	10
Comprehensive income	-	-	-	9,350	1,591	10
Purchase of treasury shares	-	-	-6	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Dividends	-	-	-	-7,178	-	-
Transfer from other components of equity to retained earnings	-	-	-	-16	27	-10
Total transactions with owners	-	-	-6	-7,194	27	-10
Balance at end of period	25,038	22,472	-6,280	279,090	5,559	-

	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	-	-	9,350	370	9,720
Other comprehensive income	-3,038	-1,437	-1,437	-131	-1,567
Comprehensive income	-3,038	-1,437	7,914	239	8,153
Purchase of treasury shares	-	-	-6	-	-6
Disposal of treasury shares	-	-	-	-	-
Dividends	-	-	-7,178	-261	-7,439
Transfer from other components of equity to retained earnings	-	16	-	-	-
Total transactions with owners	-	16	-7,184	-261	-7,445
Balance at end of period	-2,142	3,418	323,738	6,197	329,935

Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 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	-	-	-	1,540	-	-
Other comprehensive income	-	-	-	-	5,542	-0
Comprehensive income	-	-	-	1,540	5,542	-0
Purchase of treasury shares	-	-	-4	-	-	-
Disposal of treasury shares	-	-0	0	-	-	-
Dividends	-	-	-	-5,383	-	-
Transfer from other components of equity to retained earnings	-	-	-	243	-243	0
Total transactions with owners	-	-0	-4	-5,140	-243	0
Balance at end of period	25,038	22,472	-6,284	276,955	5,425	-

	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	-	-	1,540	457	1,997
Other comprehensive income	-1,485	4,058	4,058	-24	4,033
Comprehensive income	-1,485	4,058	5,597	433	6,030
Purchase of treasury shares	-	-	-4	-	-4
Disposal of treasury shares	-	-	0	-	0
Dividends	-	-	-5,383	-731	-6,115
Transfer from other components of equity to retained earnings	-	-243	-	-	-
Total transactions with owners	-	-243	-5,387	-731	-6,119
Balance at end of period	-3,697	1,728	319,909	6,111	326,020

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	3Q-FY 2019 Apr. 1, 2019 to Dec. 31, 2019	3Q-FY 2020 Apr. 1, 2020 to Dec. 31, 2020
Cash flows from operating activities		
Profit before tax	13,766	3,629
Depreciation and amortization	21,175	21,911
Impairment losses	-	1,795
Decrease (increase) in retirement benefit asset	54	63
Increase (decrease) in retirement benefit liability	261	164
Interest and dividend income	-1,453	-1,093
Interest expenses	401	250
Share of loss (profit) of investments accounted for using equity method	-2,340	-920
Decrease (increase) in trade receivables	7,355	5,123
Decrease (increase) in inventories	-3,258	1,949
Increase (decrease) in trade payables	-573	-1,822
Other	-437	678
Subtotal	34,951	31,726
Interest and dividends received	5,293	2,358
Interest paid	-357	-349
Income taxes paid	-6,105	-3,285
Net cash provided by (used in) operating activities	33,781	30,449
Cash flows from investing activities		
Purchase of property, plant and equipment	-20,721	-22,246
Purchase of intangible assets	-1,279	-824
Purchase of investments	-3,515	-424
Proceeds from sale and redemption of investments	3,262	448
Acquisition of shares of subsidiaries and affiliates	-443	-
Other	-808	-450
Net cash provided by (used in) investing activities	-23,503	-23,496
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	534	-7,197
Proceeds from long-term borrowings	8,771	8,191
Repayments of long-term borrowings	-11,834	-5,447
Repayments of lease liabilities	-1,263	-1,008
Purchase of treasury shares	-6	-4
Dividends paid	-7,178	-5,383
Dividends paid to non-controlling interests	-261	-731
Other	-	0
Net cash provided by (used in) financing activities	-11,238	-11,579
Effect of exchange rate changes on cash and cash equivalents	-249	-313
Net increase (decrease) in cash and cash equivalents	-1,210	-4,940
Cash and cash equivalents at beginning of period	47,434	43,869
Cash and cash equivalents at end of period	46,224	38,929

(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 nine months ended December 31, 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

Nine months ended Dec. 31, 2019 (Apr. 1, 2019 to Dec. 31, 2019)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note)	Total
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Total		
Revenue						
(1) Revenue to third parties	91,988	126,938	8,178	227,105	–	227,105
(2) Intergroup revenue and transfers	25,280	4,365	1,539	31,184	-31,184	–
Total	117,268	131,303	9,717	258,289	-31,184	227,105
Segment income	4,401	4,750	699	9,851	779	10,630
Finance income	–	–	–	–	–	1,456
Finance costs	–	–	–	–	–	660
Share of profit of investments accounted for using equity method	–	–	–	–	–	2,340
Profit before tax	–	–	–	–	–	13,766

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 779 million yen.

Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note)	Total
	Basic Chemicals	Functional Chemicals	Environment & Catalysts	Total		
Revenue						
(1) Revenue to third parties	78,114	111,509	5,839	195,461	–	195,461
(2) Intergroup revenue and transfers	20,132	2,379	1,196	23,707	-23,707	–
Total	98,246	113,888	7,034	219,168	-23,707	195,461
Segment income	2,363	556	63	2,983	-1,497	1,485
Finance income	–	–	–	–	–	1,501
Finance costs	–	–	–	–	–	277
Share of profit of investments accounted for using equity method	–	–	–	–	–	920
Profit before tax	–	–	–	–	–	3,629

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to -1,497 million yen. Corporate profit (loss) includes -1,679 million in business integration expenses associated with the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd.

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

Nine months ended Dec. 31, 2019 (Apr. 1, 2019 to Dec. 31, 2019)

Not applicable.

Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)

Impairment losses on property, plant and equipment of 1,795 million yen were recorded in the functional chemicals segment.

【Supplementary Information】

Overseas Revenue

Nine months ended Dec. 31, 2019 (Apr. 1, 2019 to Dec. 31, 2019)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	63,488	29,215	16,232	12,900	121,835
II. Consolidated revenue					227,105
III. Overseas revenue to consolidated revenue	27.9%	12.9%	7.1%	5.7%	53.6%

Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	52,999	29,675	14,245	9,120	106,039
II. Consolidated revenue					195,461
III. Overseas revenue to consolidated revenue	27.1%	15.2%	7.3%	4.7%	54.3%

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.