

* 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 First Quarter of the Fiscal Year Ending March 31, 2023 [IFRS]
(Three Months Ended June 30, 2022)

August 4, 2022

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (Prime Market)
Code number: 4114 URL: <https://www.shokubai.co.jp/>
Representative: Kazuhiro Noda, President and Representative Member of the Board
Contact for inquiries: Tomotaka Nishikawa, General Manager of Corporate Communications Dept. Phone: +81-3-3506-7605
Scheduled quarterly report filing date: August 9, 2022
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 First Quarter of the Fiscal Year Ending March 31, 2023 (hereafter FY2022) (from April 1, 2022 to June 30, 2022)

(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	%
Three months ended Jun. 30, 2022	111,505	29.6	9,026	35.6	11,122	37.1	7,822	34.0	7,591	34.5	16,035	151.2
Three months ended Jun. 30, 2021	86,057	36.7	6,659	347.6	8,112	213.4	5,839	241.4	5,643	260.9	6,383	87.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2022	190.37	—
Three months ended Jun. 30, 2021	141.51	—

(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 Jun. 30, 2022	538,778	362,597	355,445	66.0	8,914.09
As of Mar. 31, 2022	518,151	351,123	343,882	66.4	8,624.02

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2021	–	80.00	–	100.00	180.00
FY 2022	–				
FY 2022 (forecast)		90.00	–	90.00	180.00

Breakdown of dividends for FY 2021 (previous FY):

Ordinary dividends: 75.00 yen (end of 2Q) and 95.00 yen (year-end), for a total of 170.00 yen

Commemorative dividends for the 80th anniversary: 5.00 yen (end of 2Q) and 5.00 yen (year-end), for a total of 10.00 yen

Note: Revisions to the dividends forecast since the latest announcement: No

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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
First half	230,000	33.0	15,000	(1.2)	17,500	(1.4)	12,000	(2.8)	300.94
Full year	460,000	24.6	25,000	(14.0)	30,000	(10.9)	20,000	(15.7)	502.03

Note: Revisions to the financial forecasts since the latest announcement: Yes

Please refer to “Notice of Revisions to Earnings Forecast for the Fiscal Year ending March 31, 2023” announced today (August 4, 2022) for revisions to the consolidated financial forecasts.

※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)

Jun. 30, 2022: 40,800,000 shares Mar. 31, 2022: 40,800,000 shares

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

Jun. 30, 2022: 925,447 shares Mar. 31, 2022: 925,134 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2022: 39,874,686 shares Three months ended Jun. 30, 2021: 39,875,585 shares

※ Indication regarding execution of audit procedures

This quarterly financial results report is outside the scope of quarterly review by certified public accountants or an audit corporation.

※ Appropriate use of business forecasts and other special items

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 the assumptions used in business forecasts.

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1. Qualitative Information on the Period under Review

(1) Operating Results

The world economy during the three months ended June 30, 2022 continued to recover from the impact of the novel coronavirus disease (COVID-19). Meanwhile, the economic recovery stalled in some regions due to continued uncertainty over the future caused by increasing geopolitical risks and other factors, and there are concerns about downward pressures on the economy.

In the United States, high prices slowed down personal consumption, and rapid rises in interest rates reduced housing investment. In Europe, the pace of economic recovery slowed down due to soaring resource prices and supply constraints amid the prolonged situation in Ukraine. In China, the impact of the lockdowns in some cities remained, and recovery stalled. In emerging Asian countries, however, economy continued to improve.

In Japan, exports and corporate earnings generally showed signs of improvement, as consumer spending and capital investment continued to pick up, although production was pushed down by the impact of restrained economic activity in China.

In the chemical industry, the yen weakened against the U.S. dollar due to differences in monetary policy between Japan and the United States and other factors, and crude oil prices also rose, which drove up prices of raw materials and fuels such as domestically produced naphtha. In addition, marine transportation costs rose due to continued disruptions in the global logistics network.

1) Overview

(Unit: Millions of yen)

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2022	Change		FY 2021
			(Amount)	(% growth)	
Revenue	86,057	111,505	25,447	29.6%	369,293
Operating profit	6,659	9,026	2,367	35.6%	29,062
Profit before tax	8,112	11,122	3,010	37.1%	33,675
Profit attributable to owners of parent	5,643	7,591	1,948	34.5%	23,720
Basic earnings per share	141.51 yen	190.37 yen	48.86 yen	34.5%	594.86 yen
ROA (Ratio of profit before tax to total assets)	6.8%	8.4%	–	1.6 points	6.8%
ROE (Ratio of profit to equity attributable to owners of parent)	7.1%	8.7%	–	1.6 points	7.2%
Foreign exchange rates (USD and EUR)	USD=109.52 yen EUR=131.94 yen	USD=129.73 yen EUR=138.26 yen		20.21 yen 6.32 yen	USD=112.42 yen EUR=130.55 yen
Domestic naphtha price	47,700 yen/kl	86,100 yen/kl		38,400 yen/kl	56,600 yen/kl

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

Under these conditions, the Group's revenue in the three months ended June 30, 2022 increased 29.6% year-on-year to 111,505 million yen, up 25,447 million yen, due to higher selling prices resulting from higher raw material prices and yen depreciation, despite a decrease in sales volume.

With regard to profits, operating profit increased 35.6% year-on-year to 9,026 million yen, up 2,367 million yen. Although selling, general and administrative expenses increased due to soaring marine transportation costs and other factors, the impact of inventory valuation differences due to higher raw material prices and a widening of the spread due to yen depreciation and other factors contributed to higher profits.

Profit before tax was 11,122 million yen, a year-on-year increase of 3,010 million yen or 37.1%, mainly due to improvements in operating income and foreign exchange gains/losses, and increase in share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent increased by 1,948 million yen or 34.5% year-on-year to 7,591 million yen.

2) Outline of Sales by Business Segment

Effective from the three months ended June 30, 2022, the Company has changed its business segments and reportable segments. Comparisons and analysis for the three months under review are based on the renewed reportable segments.

Materials business

Sales of acrylic acids and acrylates increased as selling prices rose due to higher raw material prices, despite a decline in sales volume.

Sales of superabsorbent polymers increased due to higher selling prices, caused by higher raw material prices and rising product overseas market conditions.

Sales of ethylene oxide increased due to higher selling prices in line with higher raw material prices and an increase in sales volume.

Sales of ethylene glycol increased due mainly to higher selling prices in line with higher raw material prices, despite a decline in sales volume.

Sales of special acrylates increased due to higher selling prices caused by higher raw material prices and product overseas market conditions, despite a decline in sales volume.

Sales of maleic anhydride increased due to higher selling prices in line with higher raw material prices and higher sales volumes.

Sales of resin modifiers decreased due to lower sales volume.

Sales of process catalysts increased due to higher sales volume.

As a result, revenue in the materials business increased 36.6% year-on-year to 81,571 million yen.

Operating profit increased 58.9% year-on-year to 6,842 million yen due to a widening of spreads resulting from higher overseas market prices of some products and the impact of inventory valuation differences resulting from higher raw material prices, despite an increase in selling, general and administrative expenses due to higher marine transportation costs and other factors.

Solutions business

Sales of polymers for concrete admixtures, water-soluble polymers such as raw materials for detergents, resins for paints, and ethyleneimine derivatives increased due to higher sales volume and higher sales prices.

Sales of secondary alcohol ethoxylates decreased due to lower sales volume despite higher selling prices.

Sales of adhesive products decreased due to lower sales volumes and lower selling prices.

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

Sales of De-NOx catalysts increased due to higher sales volume and selling prices.

Sales of electronic information materials and materials for lithium-ion batteries decreased due to lower sales volumes despite higher selling prices.

As a result, revenue in the solutions business increased 13.7% year-on-year to 29,934 million yen.

Operating profit decreased 18.9% year-on-year to 1,831 million yen due to factors such as narrower spreads, lower production and sales volumes, and higher selling, general and administrative expenses, despite the impact of inventory valuation differences resulting from higher raw material prices.

(2) Financial Position

1) Analysis of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased by 20,627 million yen from the end of the previous fiscal year to 538,778 million yen. Current assets increased by 17,723 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in trade receivables as sales prices increased in line with a rise in raw material costs, as well as an increase in inventories as a result of higher raw material costs and an accumulation of inventory to prepare for periodic repair work. Non-current assets increased by 2,904 million yen from the end of the previous fiscal year. This was mainly due to an increase in property, plant and equipment as a result of capital investment and the impact of foreign exchange differences, despite a decrease in other financial assets due to changes in the fair value of stocks held.

Total liabilities increased by 9,152 million yen compared to the end of the previous fiscal year to 176,181 million yen. This was mainly due to an increase in trade payables as a result of higher raw material costs and higher purchase volumes. Total equity increased by 11,474 million yen compared to the end of the previous fiscal year to 362,597 million yen. This was mainly due to an increase in translation adjustments for foreign operating activities resulting from changes in foreign exchange rates and an increase in retained earnings.

The ratio of profit to equity attributable to owners of parent decreased by 0.4 percentage points from 66.4% at the end of the previous fiscal year to 66.0%. Equity attributable to owners of parent per share increased by 290.07 yen compared to the end of the previous fiscal year to 8,914.09 yen.

2) Cash Flows

Cash and cash equivalents at the end of the three months ended June 30, 2022 amounted to 40,648 million yen, an increase of 1,285 million yen from the end of the previous fiscal year due to the effect of exchange differences while 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 three months ended June 30, 2022 amounted to 12,366 million yen, an increase of 3,046 million yen from a cash inflow of 9,321 million yen in the same period of the previous fiscal year. This was mainly due to increases in profit before tax, interest and dividend income, and trade payables, despite an increase in income taxes paid and an increase in inventories due to higher raw material prices.

Cash flow from investing activities

Net cash used in investing activities in the three months ended June 30, 2022 totaled 5,866 million yen, a decrease of 1,022 million yen from a cash outflow of 6,888 million yen in the same period of the previous fiscal year. This was mainly due to a decrease in purchase of property, plant and equipment and investments, as well as an increase in proceeds from sale and redemption of investments, despite a decrease in proceeds from sale of property, plant and equipment.

Cash flow from financing activities

Net cash used in financing activities in the three months ended June 30, 2022 amounted to 7,280 million yen, an increase of 1,175 million yen from a cash outflow of 6,105 million yen in the same period of the previous fiscal year. This was mainly due to a decrease in short-term borrowings and an increase in dividends paid, despite the absence of redemption of bonds.

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

Please refer to “Notice of Revisions to Earnings Forecasts for the Fiscal Year Ending March 31, 2023” announced today (August 4, 2022) for revisions to the consolidated financial forecasts.

Reference

Preconditions for forecasts

	Domestic naphtha price	Foreign exchange rate	
	yen/kl	yen/USD	yen/EUR
First-half forecasts	83,600	130	137
Second-half forecasts	80,000	130	135
Full-year forecasts	81,800	130	136

Forecasts by reportable segment

(Unit: Billions of yen)

	Materials business		Solutions business		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
First-half forecasts	170.0	11.7	60.0	2.8	0.5	230.0	15.0
Second-half forecasts	165.0	5.5	65.0	4.5	0.0	230.0	10.0
Full-year forecasts	335.0	17.2	125.0	7.3	0.5	460.0	25.0

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

2. Condensed Quarterly Consolidated Financial Statements and Related Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Unit: Millions of yen)

	FY2021 As of Mar. 31, 2022	1Q-FY2022 As of Jun. 30, 2022
Assets		
Current assets		
Cash and cash equivalents	39,363	40,648
Trade receivables	103,577	110,621
Inventories	75,311	83,557
Other financial assets	12,427	12,911
Other current assets	6,979	7,642
Total current assets	237,656	255,379
Non-current assets		
Property, plant and equipment	191,143	196,328
Intangible assets	7,895	8,249
Investments accounted for using equity method	22,868	22,101
Other financial assets	40,981	38,823
Retirement benefit asset	12,820	12,834
Deferred tax assets	3,320	3,637
Other non-current assets	1,468	1,426
Total non-current assets	280,495	283,399
Total assets	518,151	538,778

(Unit: Millions of yen)

	FY2021 As of Mar. 31, 2022	1Q-FY2022 As of Jun. 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	57,616	66,382
Borrowings	23,559	20,109
Other financial liabilities	10,570	10,306
Income taxes payable	5,812	5,078
Provisions	5,931	7,577
Other current liabilities	5,527	4,712
Total current liabilities	109,014	114,164
Non-current liabilities		
Borrowings	28,634	32,917
Other financial liabilities	6,784	6,822
Retirement benefit liability	14,044	14,107
Provisions	2,347	2,473
Deferred tax liabilities	6,205	5,698
Total non-current liabilities	58,014	62,017
Total liabilities	167,028	176,181
Equity		
Share capital	25,038	25,038
Capital surplus	22,472	22,472
Treasury shares	(6,291)	(6,293)
Retained earnings	288,124	291,843
Other components of equity	14,538	22,385
Total equity attributable to owners of parent	343,882	355,445
Non-controlling interests	7,241	7,152
Total equity	351,123	362,597
Total liabilities and equity	518,151	538,778

(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

Three months ended June 30, 2021 and 2022

(Unit: Millions of yen)

	1Q-FY 2021 Apr. 1, 2021 to Jun. 30, 2021	1Q-FY 2022 Apr. 1, 2022 to Jun. 30, 2022
Revenue	86,057	111,505
Cost of sales	68,684	88,372
Gross profit	17,374	23,133
Selling, general and administrative expenses	11,434	14,373
Other operating income	954	624
Other operating expenses	236	357
Operating profit	6,659	9,026
Finance income	519	946
Finance costs	112	84
Share of profit of investments accounted for using equity method	1,046	1,235
Profit before tax	8,112	11,122
Income tax expense	2,273	3,300
Profit	5,839	7,822
Profit attributable to		
Owners of parent	5,643	7,591
Non-controlling interests	196	231
Profit	5,839	7,822
Earnings per share		
Basic earnings per share (Yen)	141.51	190.37
Diluted earnings per share (Yen)	-	-

Condensed Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30, 2021 and 2022

(Unit: Millions of yen)

	1Q-FY 2021 Apr. 1, 2021 to Jun. 30, 2021	1Q-FY 2022 Apr. 1, 2022 to Jun. 30, 2022
Profit	5,839	7,822
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	(557)	(1,420)
Share of other comprehensive income of investments accounted for using equity method	(0)	(1)
Total of items that will not be reclassified to profit or loss	(558)	(1,420)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	700	8,778
Share of other comprehensive income of investments accounted for using equity method	402	854
Total of items that may be reclassified to profit or loss	1,102	9,633
Other comprehensive income, net of tax	544	8,212
Comprehensive income	6,383	16,035
Comprehensive income attributable to		
Owners of parent	5,993	15,553
Non-controlling interests	390	482
Comprehensive income	6,383	16,035

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	(6,286)	267,729	7,691	—
Profit	—	—	—	5,643	—	—
Other comprehensive income	—	—	—	—	(555)	(0)
Comprehensive income	—	—	—	5,643	(555)	(0)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	(1,794)	—	—
Transfer from other components of equity to retained earnings	—	—	—	12	(12)	0
Total transactions with owners	—	—	(1)	(1,783)	(12)	0
Balance at end of period	25,038	22,472	(6,288)	271,589	7,123	—

	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	730	8,420	317,373	6,352	323,725
Profit	—	—	5,643	196	5,839
Other comprehensive income	906	350	350	194	544
Comprehensive income	906	350	5,993	390	6,383
Purchase of treasury shares	—	—	(1)	—	(1)
Dividends	—	—	(1,794)	(396)	(2,190)
Transfer from other components of equity to retained earnings	—	(12)	—	—	—
Total transactions with owners	—	(12)	(1,796)	(396)	(2,192)
Balance at end of period	1,636	8,759	321,571	6,346	327,917

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	(6,291)	288,124	4,874	—
Profit	—	—	—	7,591	—	—
Other comprehensive income	—	—	—	—	(1,420)	(1)
Comprehensive income	—	—	—	7,591	(1,420)	(1)
Purchase of treasury shares	—	—	(2)	—	—	—
Dividends	—	—	—	(3,987)	—	—
Transfer from other components of equity to retained earnings	—	—	—	115	(116)	1
Total transactions with owners	—	—	(2)	(3,872)	(116)	1
Balance at end of period	25,038	22,472	(6,293)	291,843	3,338	—

	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	9,664	14,538	343,882	7,241	351,123
Profit	—	—	7,591	231	7,822
Other comprehensive income	9,383	7,962	7,962	250	8,212
Comprehensive income	9,383	7,962	15,553	482	16,035
Purchase of treasury shares	—	—	(2)	—	(2)
Dividends	—	—	(3,987)	(571)	(4,559)
Transfer from other components of equity to retained earnings	—	(115)	—	—	—
Total transactions with owners	—	(115)	(3,989)	(571)	(4,560)
Balance at end of period	19,047	22,385	355,445	7,152	362,597

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	1Q-FY 2021 Apr. 1, 2021 to Jun. 30, 2021	1Q-FY 2022 Apr. 1, 2022 to Jun. 30, 2022
Cash flows from operating activities		
Profit before tax	8,112	11,122
Depreciation and amortization	7,119	7,414
Loss (gain) on sale of property, plant and equipment	(521)	(5)
Decrease (increase) in retirement benefit asset	(10)	(14)
Increase (decrease) in retirement benefit liability	(42)	(80)
Interest and dividend income	(519)	(639)
Interest expenses	83	84
Share of loss (profit) of investments accounted for using equity method	(1,046)	(1,235)
Decrease (increase) in trade receivables	(5,853)	(4,458)
Decrease (increase) in inventories	(4,165)	(6,235)
Increase (decrease) in trade payables	5,626	7,314
Other	(58)	(208)
Subtotal	8,726	13,061
Interest and dividends received	1,738	3,843
Interest paid	(100)	(90)
Income taxes paid	(1,044)	(4,448)
Net cash provided by (used in) operating activities	9,321	12,366
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,770)	(6,075)
Proceeds from sale of property, plant and equipment	632	5
Purchase of intangible assets	(453)	(326)
Purchase of investments	(330)	(51)
Proceeds from sale and redemption of investments	30	259
Other	3	323
Net cash provided by (used in) investing activities	(6,888)	(5,866)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,565	(2,722)
Proceeds from long-term borrowings	1,095	5,000
Repayments of long-term borrowings	(2,095)	(4,517)
Redemption of bonds	(10,000)	—
Repayments of lease liabilities	(479)	(480)
Purchase of treasury shares	(1)	(2)
Dividends paid	(1,794)	(3,987)
Dividends paid to non-controlling interests	(396)	(571)
Net cash provided by (used in) financing activities	(6,105)	(7,280)
Effect of exchange rate changes on cash and cash equivalents	87	2,064
Net increase (decrease) in cash and cash equivalents	(3,585)	1,285
Cash and cash equivalents at beginning of period	36,341	39,363
Cash and cash equivalents at end of period	32,756	40,648

(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 three months ended June 30, 2022 is calculated based on the estimated average annual effective tax rate.

【Segment Information, etc.】

1. Outline of Reportable Segments

The Group'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 Group's main business lines are divided based on similarities of function and nature and the Group prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line. Accordingly, the Group is comprised of reportable segments classified by type of products based on each business line and does not aggregate its operating results. The two reportable segments of the Group are Materials and Solutions.

Effective from the three months ended June 30, 2022, the Group has changed its three business segments and reportable segments of "Basic chemicals," "Functional chemicals," and "Environment & catalysts" to the two segments of "Materials business" and "Solutions business."

This is based on a change in the management control system, which aims to transform the business portfolio by clarifying the goals and strategies of the Materials business and the Solutions business, and by utilizing the strengths of each, in conjunction with the formulation of a new Medium-term Business Plan that begins in the current fiscal year.

The segment information for the first quarter of the previous fiscal year has been reclassified based on the renewed reportable segments.

The materials business is engaged in the manufacturing and sales of ethylene oxide, ethylene glycol, ethanolamine, acrylic acids, acrylates, superabsorbent polymers, special acrylates, and process catalysts. The solutions business is engaged in the manufacturing and sales of polymers for concrete admixture, secondary alcohol ethoxylates, resins for adhesives and paints, ethyleneimine derivatives, electronic information materials, automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, exhaust gas treatment equipment, fuel cell materials, materials for lithium-ion batteries, glycol ethers, iodine, and adhesive products.

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

Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021) (Unit: Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	59,720	26,338	86,057	–	86,057
Intergroup revenue and transfers	3,298	617	3,915	(3,915)	–
Total	63,018	26,955	89,973	(3,915)	86,057
Segment income	4,307	2,256	6,563	96	6,659
Finance income	–	–	–	–	519
Finance costs	–	–	–	–	112
Share of profit of investments accounted for using equity method	–	–	–	–	1,046
Profit before tax	–	–	–	–	8,112

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 96 million yen.

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022) (Unit: Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	81,571	29,934	111,505	–	111,505
Intergroup revenue and transfers	4,856	1,068	5,924	(5,924)	–
Total	86,427	31,001	117,429	(5,924)	111,505
Segment income	6,842	1,831	8,673	353	9,026
Finance income	–	–	–	–	946
Finance costs	–	–	–	–	84
Share of profit of investments accounted for using equity method	–	–	–	–	1,235
Profit before tax	–	–	–	–	11,122

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 353 million yen.

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

Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)

Not applicable.

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)

Not applicable.

【Supplementary Information】

Overseas Revenue

Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	23,054	12,965	8,513	3,610	48,142
II. Consolidated revenue					86,057
III. Overseas revenue to consolidated revenue	26.7%	15.1%	9.9%	4.2%	55.9%

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	30,115	20,332	8,259	4,670	63,376
II. Consolidated revenue					111,505
III. Overseas revenue to consolidated revenue	27.0%	18.2%	7.4%	4.2%	56.8%

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】

Not applicable.

* 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.