



NIPPON FINE CHEMICAL CO., LTD.

# Financial Results Meeting for Fiscal Year Ended March 31, 2022 (FY2021)

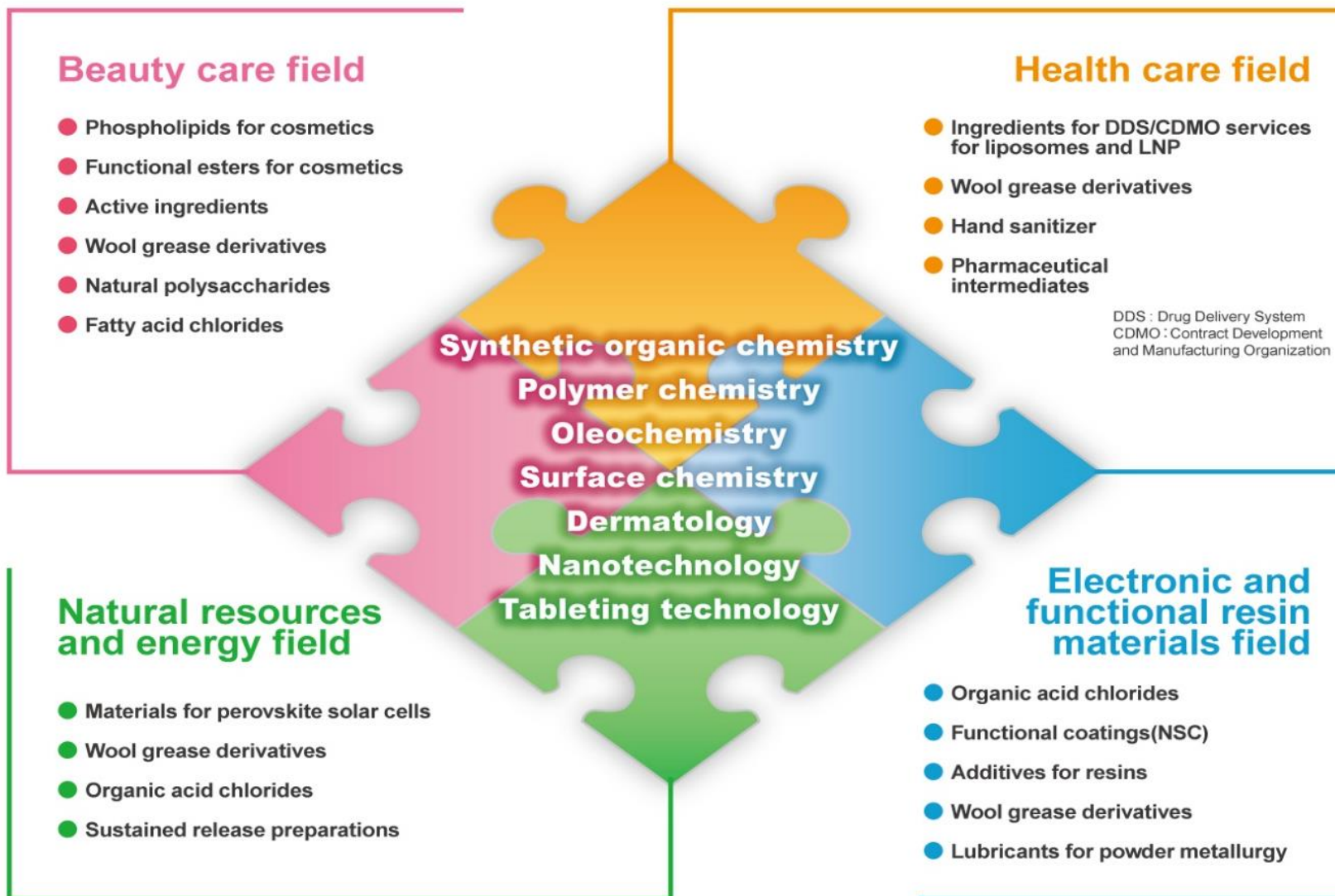
May 18, 2022

NIPPON FINE CHEMICAL CO., LTD



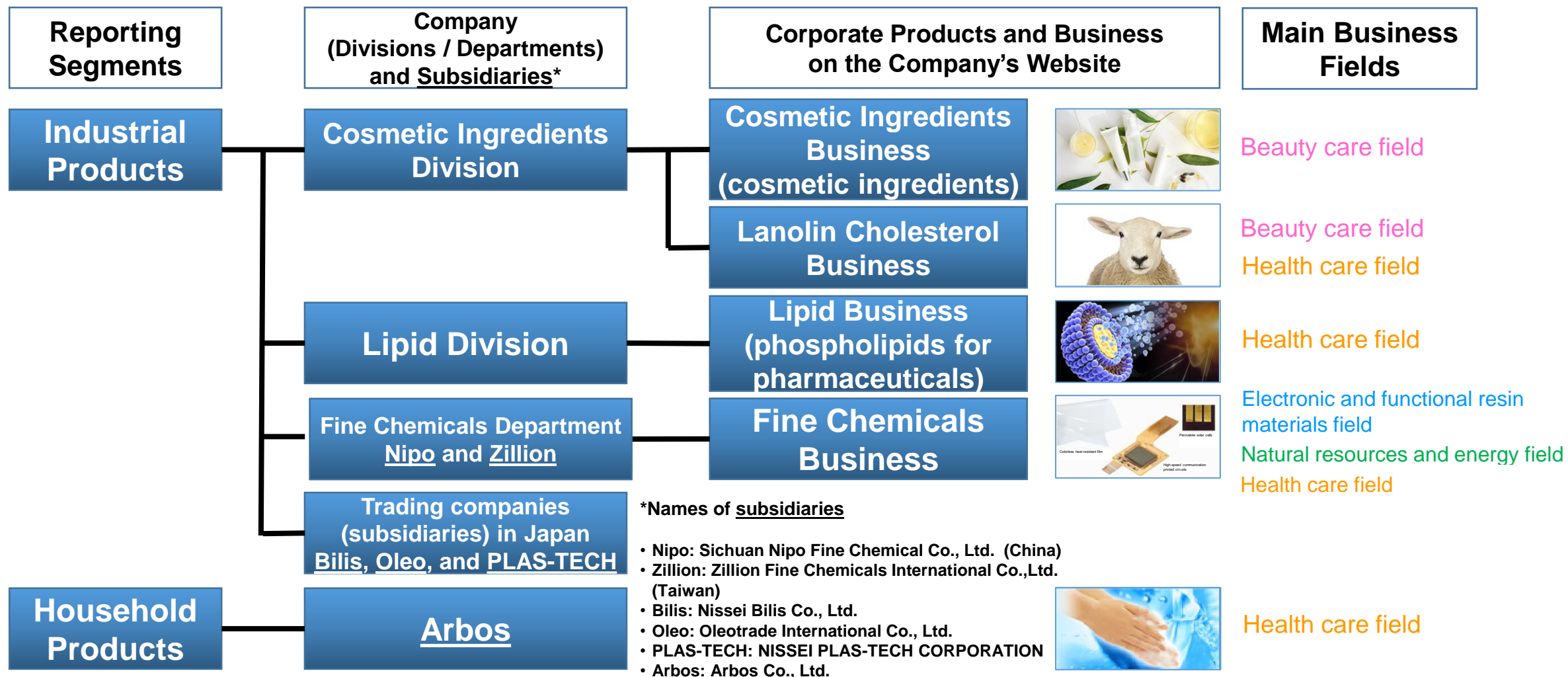


# 1. NIPPON FINE CHEMICAL Group's Business Sectors





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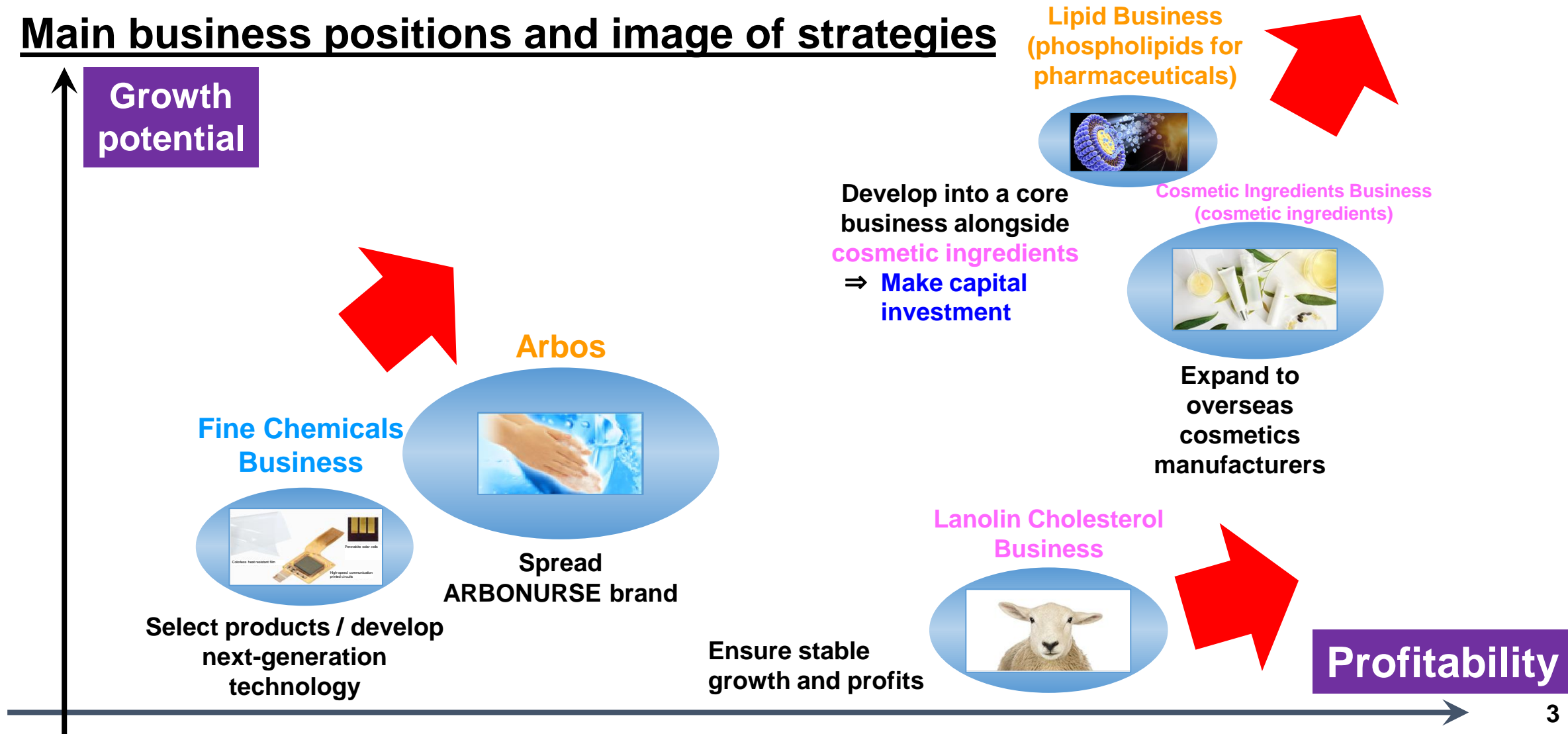
**\*Names of subsidiaries**

- Nipo: Sichuan Nipo Fine Chemical Co., Ltd. (China)
- Zillion: Zillion Fine Chemicals International Co.,Ltd. (Taiwan)
- Bilis: Nissei Bilis Co., Ltd.
- Oleo: Oleotrade International Co., Ltd.
- PLAS-TECH: NISSEI PLAS-TECH CORPORATION
- Arbos: Arbos Co., Ltd.



# 1. NIPPON FINE CHEMICAL Group's Business Sectors

## Main business positions and image of strategies





# 1. NIPPON FINE CHEMICAL Group's Business Sectors

## Cosmetic Ingredients Business (cosmetic ingredients)

- Propose added value to customers with ingredients for skin care, hair care and makeup
- Offer raw ingredients for cosmetics including **lipid complex** that applies technology cultivated in the pharmaceutical field, **functional ester** that provides added value to cosmetic functions, and **active ingredient** and other materials that induce beautiful and healthy skin from the cellular level



**RSPO**

Obtained certification from the Roundtable on Sustainable Palm Oil (RSPO), [an international certification system advocating for production and use of sustainable palm oil.](#)

**ECOCERT/  
COSMOS**

Our lineup includes products verified by ECOCERT/COSMOS, an international organization for [organic certification](#)

- By using plant-derived ingredients and not using genetically modified ingredients, strive for **product development that considers safety and sustainability for living organisms and the environment**

**Non-GMO**

Gradually expanding the range of [products that do not use genetically modified ingredients](#) in order to manufacture cosmetic ingredients premised on safety and security





# 1. NIPPON FINE CHEMICAL Group's Business Sectors

## Lanolin Cholesterol Business

- **Lanolin** is a natural fat obtained by purifying the lipid components that adhere to wool, sheared every year, and is used as the base materials for cosmetics and pharmaceuticals
- **Cholesterol** obtained from lanolin is the lipid components that are contained in human skin and hair, and cholesterol is used for cosmetics and pharmaceuticals and also as feed additives for shrimp farms and ingredients for vitamins
- **By-products** obtained from the processing and purification process of lanolin and cholesterol are **upcycled** and effectively used as cosmetic and industrial ingredients
- Lanolin is a **people-friendly, recyclable and sustainable material produced without harming sheep**. It is launched as cosmetic ingredients under **Ecolano** brand and industrial ingredients under **LanoAce** brand



Ecola and Lano, Nippon Fine Chemical's lanolin mascot characters



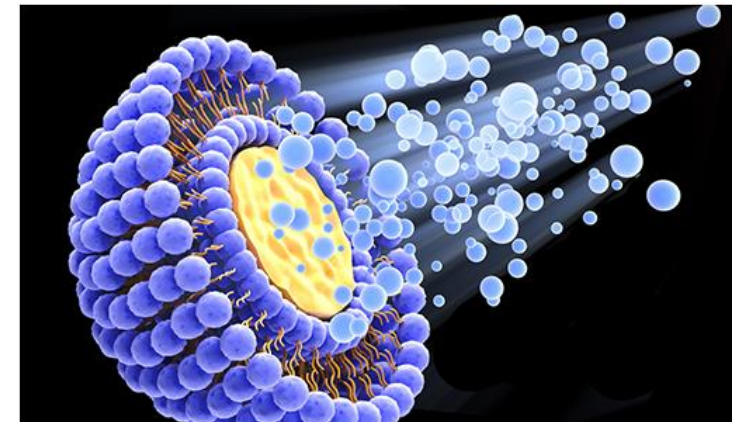
# 1. NIPPON FINE CHEMICAL Group's Business Sectors

## Lipid Business (phospholipids for pharmaceuticals)

- Main use is in the production of **liposome** formulations, which are nano-sized capsules mainly composed of phospholipids, and **LNP (lipid nano particle - nanoparticles composed of lipids)** formulations, which are represented by those used in recently-approved coronavirus vaccines
- Improvement in transport to affected areas by packing active ingredients in liposomes and LNPs, and reduction of burden on patients and contribution to improving quality of life by enhancing therapeutic efficacy and reducing side effects
- Support of customers' development of formulations through supply of **Presome (phospholipid complex)**, which allows easy preparation of liposomes and manufacturing, etc. in compliance with **GMP (Good Manufacturing Practice)**
- Developing proprietary products that address **unmet medical needs\*** and **drug repositioning,\*** for which demand in society is increasing, and strengthening R&D in downstream fields that utilize these

\*Unmet medical needs: Demand for pharmaceuticals and medical treatments for diseases for which there is no effective treatment yet

Drug repositioning: Development of new drugs by finding effects of existing therapeutic drugs that are effective for other diseases

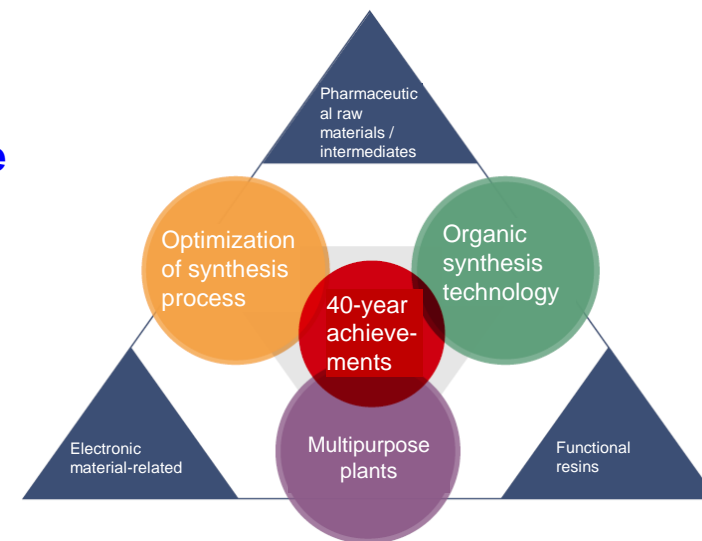




# 1. NIPPON FINE CHEMICAL Group's Business Sectors

## Fine Chemicals Business

- By utilizing **organic synthesis technology** cultivated over many years, supplying raw materials and intermediates to various industrial fields including **hole transporting materials** used in perovskite solar cells which are promising as renewable energy, **resin materials** with functions such as a low dielectric constant and high heat resistance, etc., used for circuit boards, which are essential for the next-generation high-speed communication technology (5G) and **pharmaceutical intermediates** based on unique synthetic technology.
- Providing **fatty acid amides** manufactured from natural fatty acids for use as lubricants for synthetic resins, etc. Focusing on expanding to **biodegradable resin applications** developed for global environmental protection. This material is being used in an increasing number of applications, including in the powder metallurgy field.
- Providing **thermal curable and UV curable hard coatings**. Strengthening development of coatings with **anti-fogging, anti-static, anti-fouling**, and other surface functions.



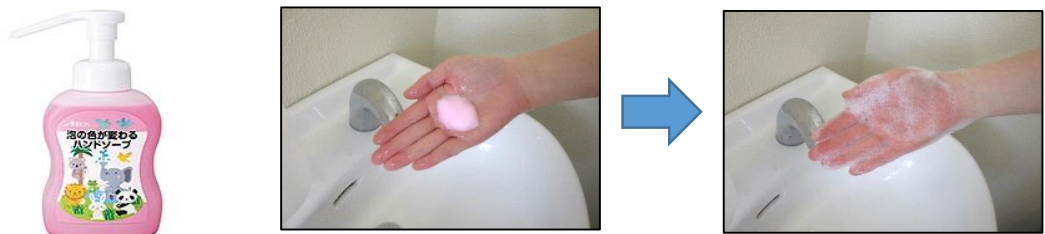




# 1. NIPPON FINE CHEMICAL Group's Business Sectors

## Arbos

- With the corporate slogan of “**Create KIREI,**” Arbos has been developing and providing mainly commercial hygiene products for over 70 years since its establishment. As a comprehensive hygiene-related company, Arbos also provides an array of products related to **cleanup, sterilization and disinfection** in a wide range of fields such as food, medical institutions and public spaces, along with **hygiene management support** that facilitates proper and effective use of these products.
- The adoption and use of the **ARBONURSE hand sanitizer**, the main product of Arbos, is progressing well for infection control.
- We have developed a hand soap with color-changing foam and a patented dishwasher detergent with improved concentration and rinsing performance. Both products are now on sale.



A popular product with pink foam that changes white when hand washing is complete.



20 kg product is now available in 4 kg size





## 2. Overview of Consolidated Financial Results for FY2021

- Net sales and profits increased for 5 consecutive terms, reaching record highs
- Achieved the numerical targets in the latest forecasts for both net sales and profits

(Unit: Millions of yen)	FY2019	FY2020	FY2021	Year-on-year changes (%)	Latest forecast (Announced on October 28, 2021)	
	Actual amount	Actual amount	Actual amount		Amount	Change from forecast (%)
Net sales	29,047	30,509	33,448	9.6%	32,500	2.9%
Operating profit	3,641	3,939	4,881	23.9%	4,500	8.5%
Ratio of operating profit (%)	12.5%	12.9%	14.6%		13.8%	
Ordinary profit	3,920	4,154	5,127	23.4%	4,800	6.8%
Profit attributable to owners of parent	2,621	2,758	3,472	25.9%	3,200	8.5%
Basic earnings per share (Yen)	110.37	116.17	146.32		134.75	



## 2. Overview of Consolidated Financial Results for FY2021

- **Industrial Products:** Significant recovery to levels higher than before COVID-19 (FY2019)
- **Household Products:** Decreased from the previous fiscal year, but maintained business performance higher than before COVID-19

Reporting segment (Unit: Millions of yen)		FY2019	FY2020	FY2021	Year-on-year changes for FY2021	
					Amount	Rate
Industrial Products	Net sales	20,573	19,305	23,600	4,295	22.2%
	Operating profit	2,747	2,293	3,621	1,328	57.9%
	Ratio of operating profit	13.4%	11.9%	15.3%		
Household Products	Net sales	7,337	10,069	8,646	-1,423	-14.1%
	Operating profit	619	1,423	927	-495	-34.8%
	Ratio of operating profit	8.4%	14.1%	10.7%		
Other*	Net sales	1,136	1,134	1,201	67	5.9%
	Operating profit	274	223	332	109	49.1%
	Ratio of operating profit	24.1%	19.7%	27.7%		

\*Other: Real estate business and the contract business of pharmacology and safety tests



## 2. Overview of Consolidated Financial Results for FY2021

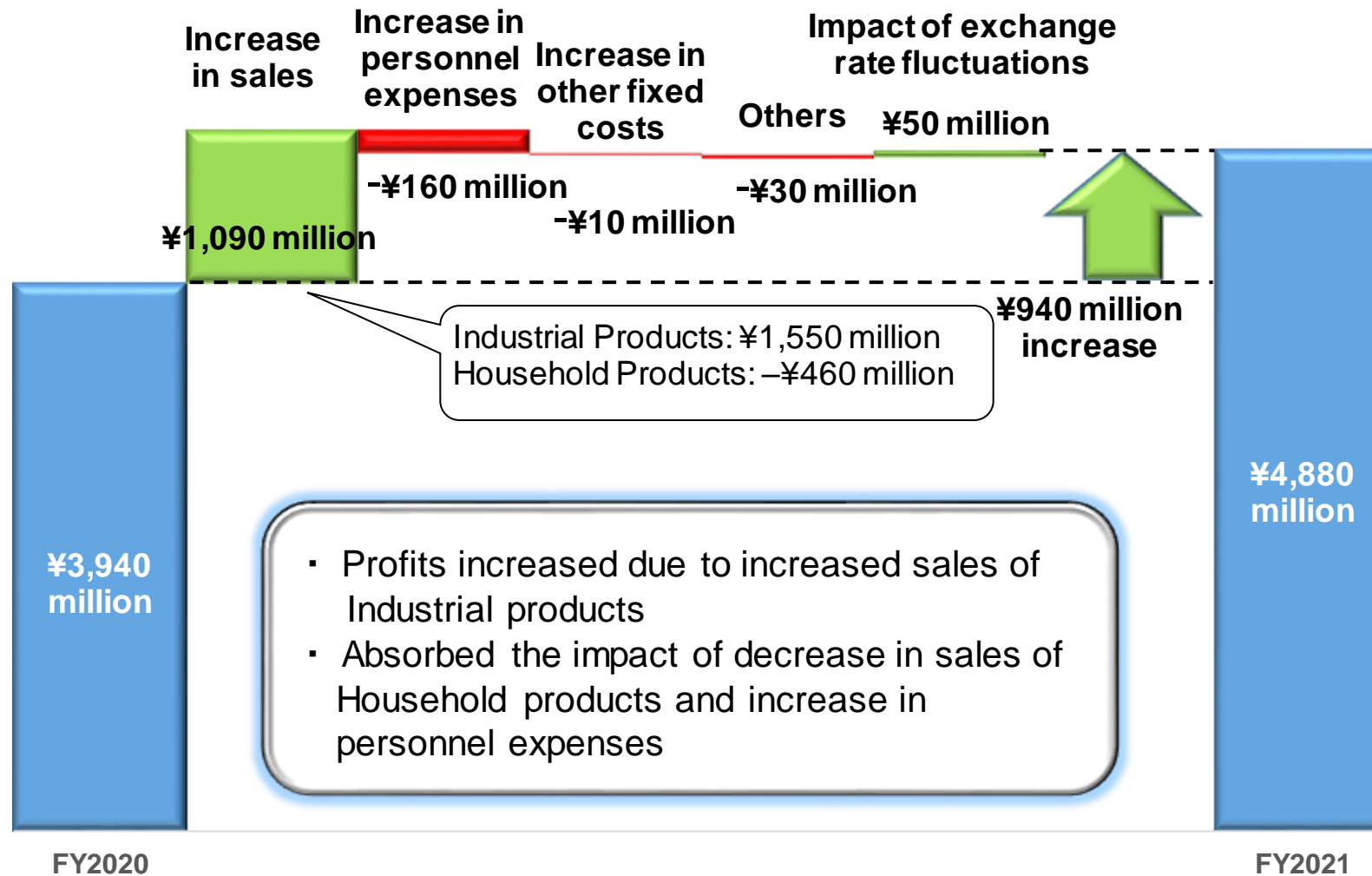
- Status of net sales by major business category

Reporting segment	Main business	Status (Year-on-year changes)	Overview
Industrial Products	Cosmetic Ingredients Business (cosmetic ingredients)	+23%	The cosmetics markets recovered in China and Japan, and our products were adopted in our customers' large-scale products.
	Lanolin Cholesterol Business	+23%	Overseas sales increased significantly due to economic recovery in China and the United States
	Lipid Business (phospholipids for pharmaceuticals)	+25%	Overseas sales expansion proceeded as planned
	Fine Chemicals Business	+26%	Demand for general-purpose industrial raw materials used for semiconductors, automobiles and other applications recovered, although sales of functional coatings decreased
Household Products	Arbos	-14%	The market for COVID-19 infection control products is still booming, but product shortages have been resolved due to entry of new companies



## 2. Overview of Consolidated Financial Results for FY2021

- Analysis of increase / decrease in operating profit (Year-on-year changes)

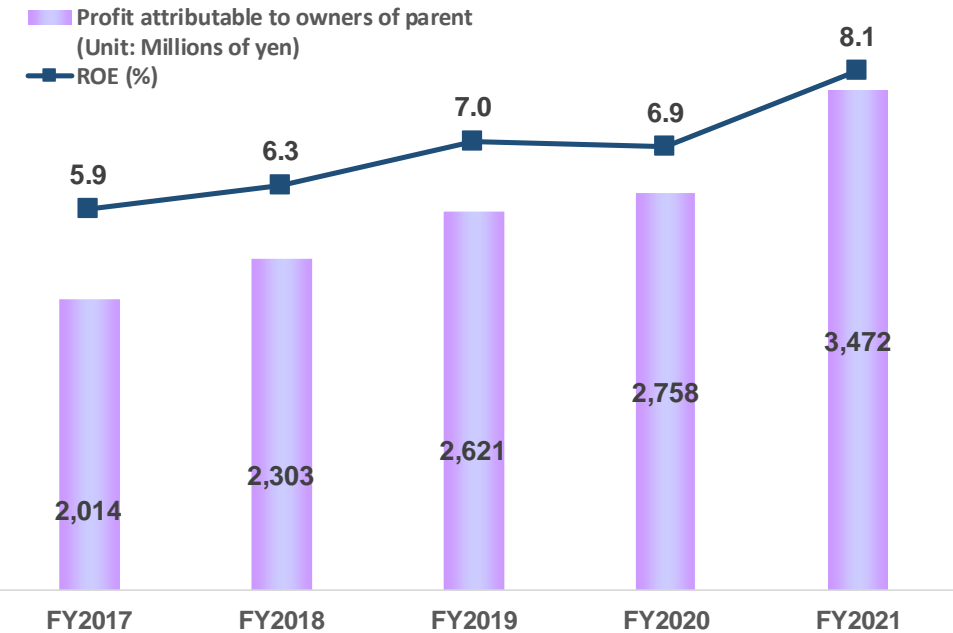
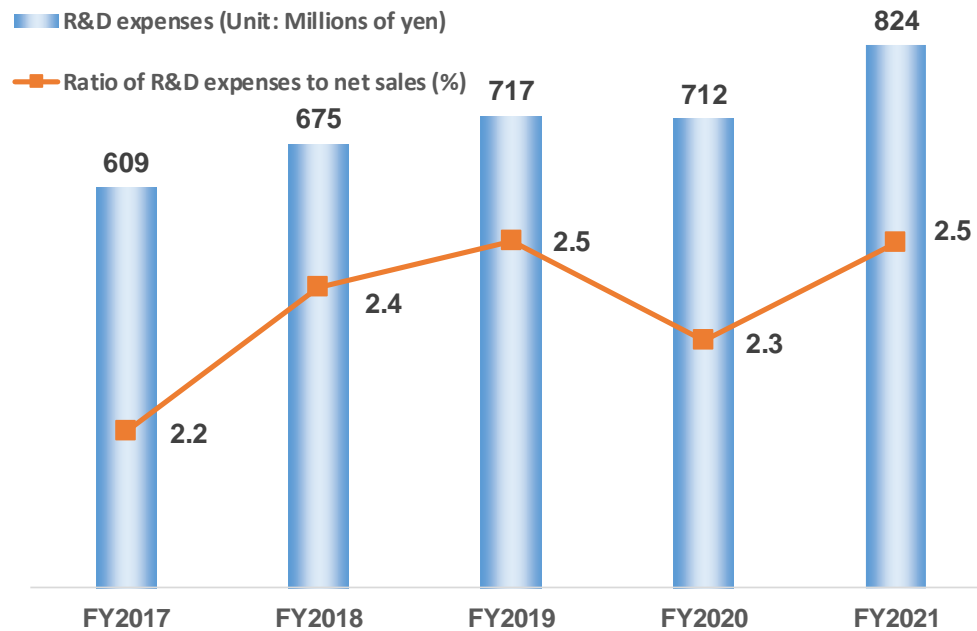






## 2. Overview of Consolidated Financial Results for FY2021

### • (Consolidated) Trends in R&D expenses and ROE



- **(Cosmetic ingredients)** Development of RSPO and non-GMO products, etc. in response to demand for sustainability
- **(Phospholipids for pharmaceuticals)** Development of proprietary products to address unmet medical needs and drug repositioning
- **(Fine chemicals)** Acquired an evaluation system for materials used in next-generation solar cells and focusing on developing in-house products

- ROE exceeded FY2019 and reached a record high

Succeeded in developing materials used for new solar cells through joint research with the National Institute of Advanced Industrial Science and Technology (AIST)





## 2. Overview of Consolidated Financial Results for FY2021

### • Balance sheet (Unit: Millions of yen)

Account	Balance as of March 31, 2022	Year-on-year changes	Main factors for increase / decrease
Cash and deposits	12,862	-1,510	
Notes and accounts receivable – trade	8,703	+829	Increase in sales
Inventories	8,420	+1,870	Securing raw materials and responding to increase in sales
Property, plant and equipment	12,772	+1,542	Investment related to phospholipids for pharmaceuticals (construction in progress)
Investments and other assets	11,503	-1,293	Decrease in unrealized gains on investment securities and sale of some assets
Other	544	+104	
<b>Total assets</b>	<b>54,807</b>	<b>+1,542</b>	
Notes and accounts payable - trade	3,928	-15	
Deferred tax liabilities	2,267	-392	
Other	4,051	+236	
<b>Total liabilities</b>	<b>10,247</b>	<b>-171</b>	
<b>Total net assets</b>	<b>44,560</b>	<b>+1,713</b>	<b>Equity-to-asset ratio 79.8% (+0.7% year-on-year)</b>
<b>Net assets per share</b>	<b>¥1,851.84</b>	<b>+¥78.30</b>	

**Assets increased due to strong business performance and capital investment**

**Equity-to-asset ratio improved year on year due to accumulated profits**



## 2. Overview of Consolidated Financial Results for FY2021

### • Statement of cash flows (CF) (Unit: Millions of yen)

Category	FY2021	Main factors
Profit before income taxes	5,017	
Depreciation	1,070	
Increase in working capital	-2,637	Securing raw materials, effects of an increase in sales
Income taxes paid	-1,185	
Other	21	
<b>CF from operating activities</b>	<b>2,285</b>	
<b>CF from investing activities</b>	<b>-2,741</b>	<b>Purchase of property, plant and equipment: -2,813</b>
<b>(Free CF)</b>	<b>(-455)</b>	
<b>CF from financing activities</b>	<b>-1,399</b>	<b>Year-end and interim dividends: -1,032</b>
Effect of exchange rate change on cash and cash equivalents	78	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-1,776</b>	

**Profit before income taxes increased, but an increase in working capital had a negative impact**

**Cash and cash equivalents decreased due to capital investment and dividends (an increase in dividend payments)**



## 3. FY2021 Topics (Portfolio)

- Continued **optimization of asset portfolio**

### (1) Sale of impaired assets

Sold shared assets on which impairment losses were recorded in the previous fiscal year (FY2020)

⇒ Recorded a gain on sale of non-current assets of **¥37 million**

### (2) Impairment of real estate for rent

Of the rental real estate we own, plan to sell properties with unrealized loss

⇒ Recorded an impairment loss of **¥89 million**

### (3) Sold some cross-shareholdings and purchased treasury shares

⇒ Recorded a loss on sale of investment securities of **¥2 million**, resulting in a total return ratio of about **45%**

**We will continue to work on optimizing our business and asset portfolio**



# 3. FY2021 Topics (Sustainability, etc.)

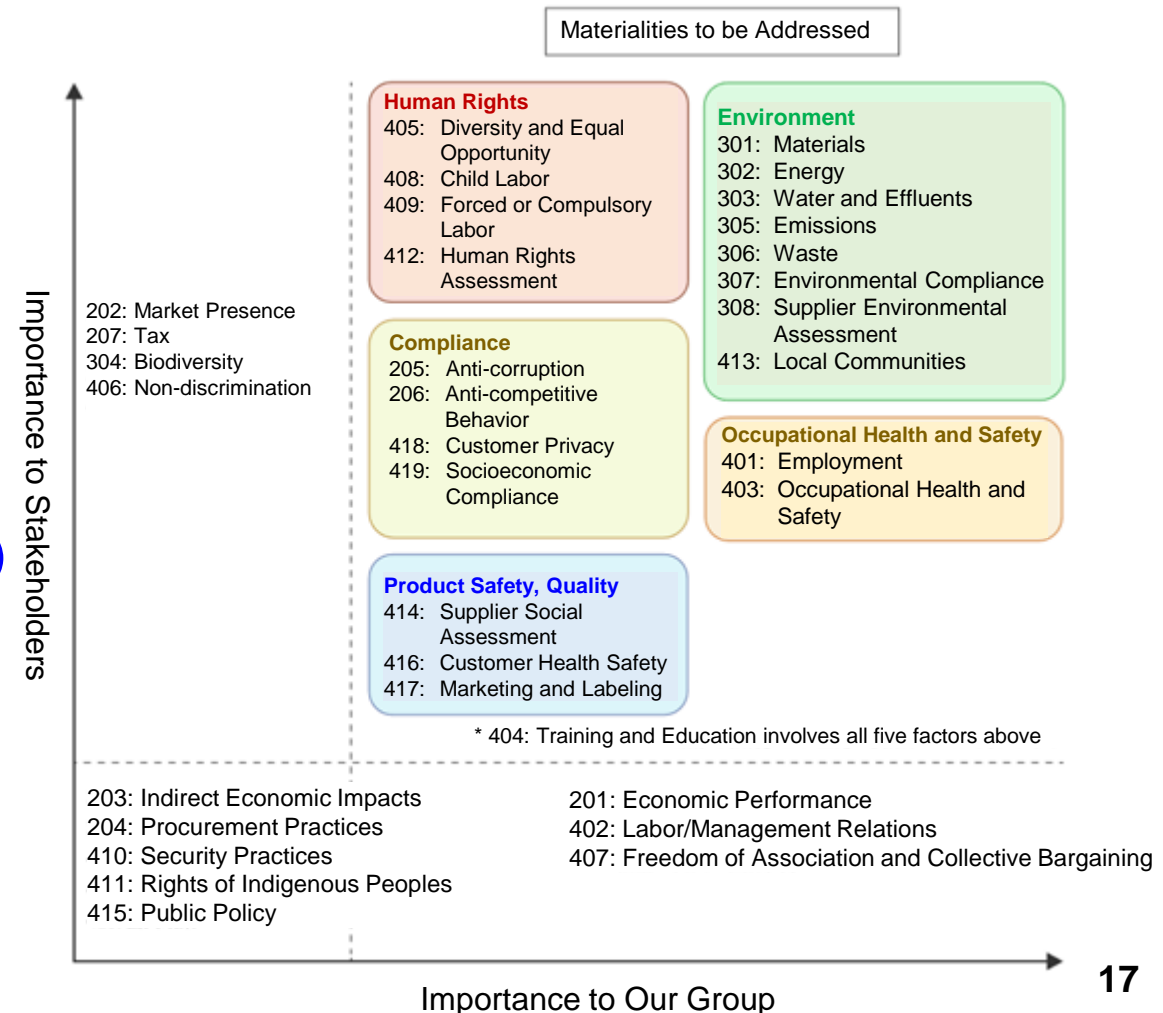
- Established **Sustainability Committee** and **Sustainability Office**

- Announced **materialities (key issues related to the Company)** and set specific initiatives as well as **key performance indicators (KPIs)**

⇒ Numerical goals are scheduled to be disclosed in June

- Declared our support for the **Task Force on Climate-related Financial Disclosures (TCFD)** recommendations

⇒ Initiatives in line with the recommendations are scheduled to be disclosed in June







## 3. FY2021 Topics (IR-related)

- Change in dividend policy

- ⇒ Clarified the policy to improve and stabilize the level of dividends by targeting a consolidated **DOE (dividend on equity) of 3.0%**

- Completion of transition to **the Prime Market of the Tokyo Stock Exchange**

### Promoting compliance with the revised Corporate Governance Code

- ⇒ Independent outside directors now comprise a majority of the members of the Nomination and Remuneration Committee

- ⇒ Participating in the Electronic Voting Platform



- Disclosure and enhancement of IR activities (from May 2022)

- ⇒ Hold **financial results meetings** for institutional investors and analysts

- ⇒ Scheduled to publish **English disclosure materials** (Consolidated financial results, financial results meeting materials and notices of general meeting of shareholders)



## 4. Consolidated Earnings Forecast for FY2022

- Net sales are expected to increase year-on-year to reach record high, but operating profit is expected to remain flat
- Compared to the medium-term management plan, although net sales are not expected to reach the target, operating profit is expected to significantly exceed its target

(Unit: Millions of yen)	FY2021	FY2022	Year-on-year changes (%)	Medium-term Management Plan (Final year)	
	Actual amount	Forecast amount		Target amount	Change from forecast (%)
Net sales	33,448	36,000	7.6%	39,000	-7.7%
Operating profit	4,881	4,850	-0.7%	3,900	24.4%
Ratio of operating profit (%)	14.6%	13.5%		10.0%	
Ordinary profit	5,127	5,200	1.4%		
Profit attributable to owners of parent	3,472	3,500	0.8%		
Basic earnings per share (Yen)	146.32	148.20			
EBITDA (Operating profit before depreciation and amortization)	5,952	5,850	-1.7%		

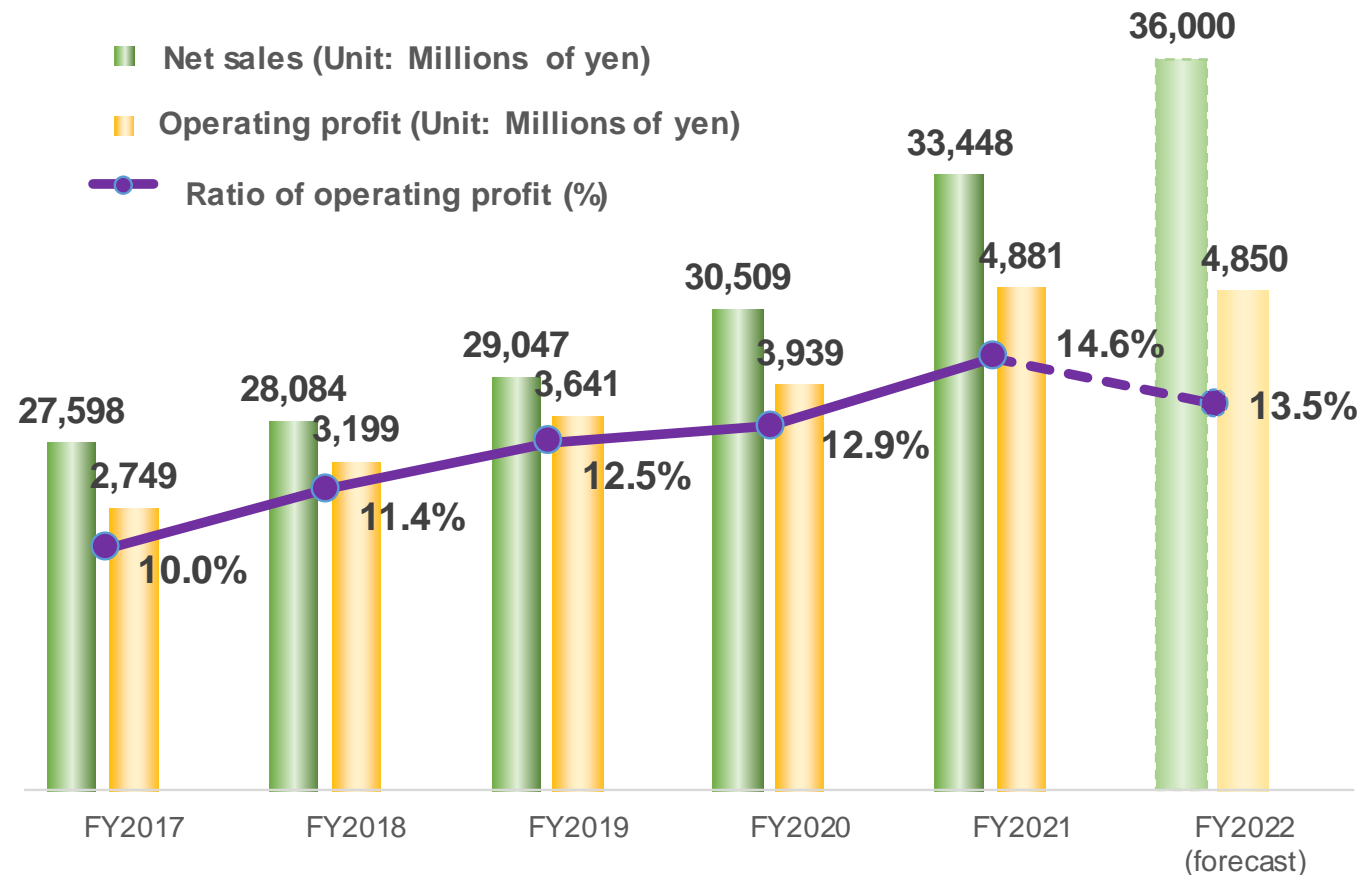
\* Assumed rates  
120 yen per US\$  
130 yen per EUR

\* From FY2022, the depreciation method will be unified to the straight-line method



## 4. Consolidated Earnings Forecast for FY2022

- Trends in net sales, operating profit and ratio of operating profit





## 4. Consolidated Earnings Forecast for FY2022

- Industrial Products: Raw material prices to rise, upfront investment in phospholipids for pharmaceuticals
- Household Products: Net sales to increase, but operating profit to remain on par with the previous fiscal year due to rising raw material prices

Reporting segment (Unit: Millions of yen)		FY2021	FY2022	Changes	
				Amount	Rate
Industrial Products	Net sales	23,600	25,600	1,999	8.5%
	Operating profit	3,621	3,650	28	0.8%
	Ratio of operating profit	15.3%	14.3%		
Household Products	Net sales	8,646	9,100	453	5.2%
	Operating profit	927	900	-27	-3.0%
	Ratio of operating profit	10.7%	9.9%		
Other*	Net sales	1,201	1,300	98	8.2%
	Operating profit	332	300	-32	-9.8%
	Ratio of operating profit	27.6%	23.1%		

\*Other: Real estate business and the contract business of pharmacology and safety tests



## 4. Consolidated Earnings Forecast for FY2022

- Status of net sales by major business category

Reporting segment	Main business	Status (Year-on-year changes)	Overview (forecast)
Industrial Products	Cosmetic Ingredients Business (cosmetic ingredients)	+13%	The domestic market is expected to recover to pre-pandemic levels over the next year. For overseas markets, the Company will focus on sales promotion activities that appeal to the needs of each country.
	Lanolin Cholesterol Business	+1%	Overseas sales, which increased significantly in the previous fiscal year (FY2021), are expected to continue performing well
	Lipid Business (phospholipids for pharmaceuticals)	+5%	Overseas sales expansion expected to remain stable
	Fine Chemicals Business	+13%	Functional coatings expected to recover and fatty acid amides to grow
Household Products	Arbos	+7%	Expansion of the market for COVID-19 infection control products and spread of ARBONURSE brand can be expected

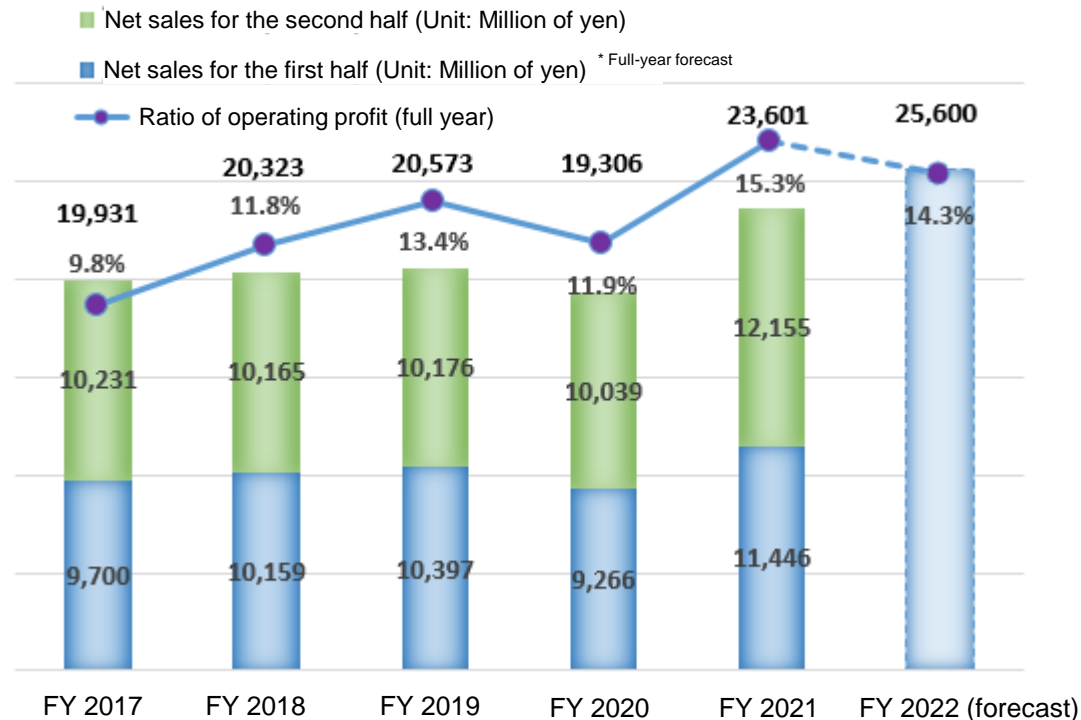




# 4. Consolidated Earnings Forecast for FY2022

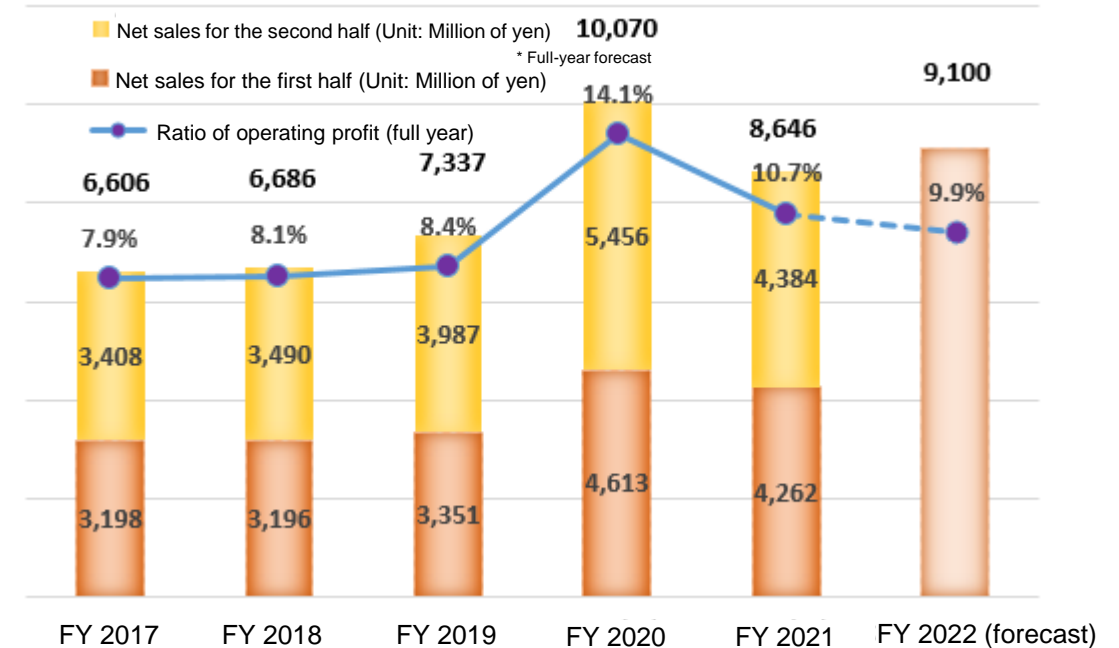
## • Trends by segment

### Industrial Products



- Expected to achieve the largest year-on-year increase ever in terms of net sales
- Profit margin to remain at a high level despite a year-on-year decline

### Household Products

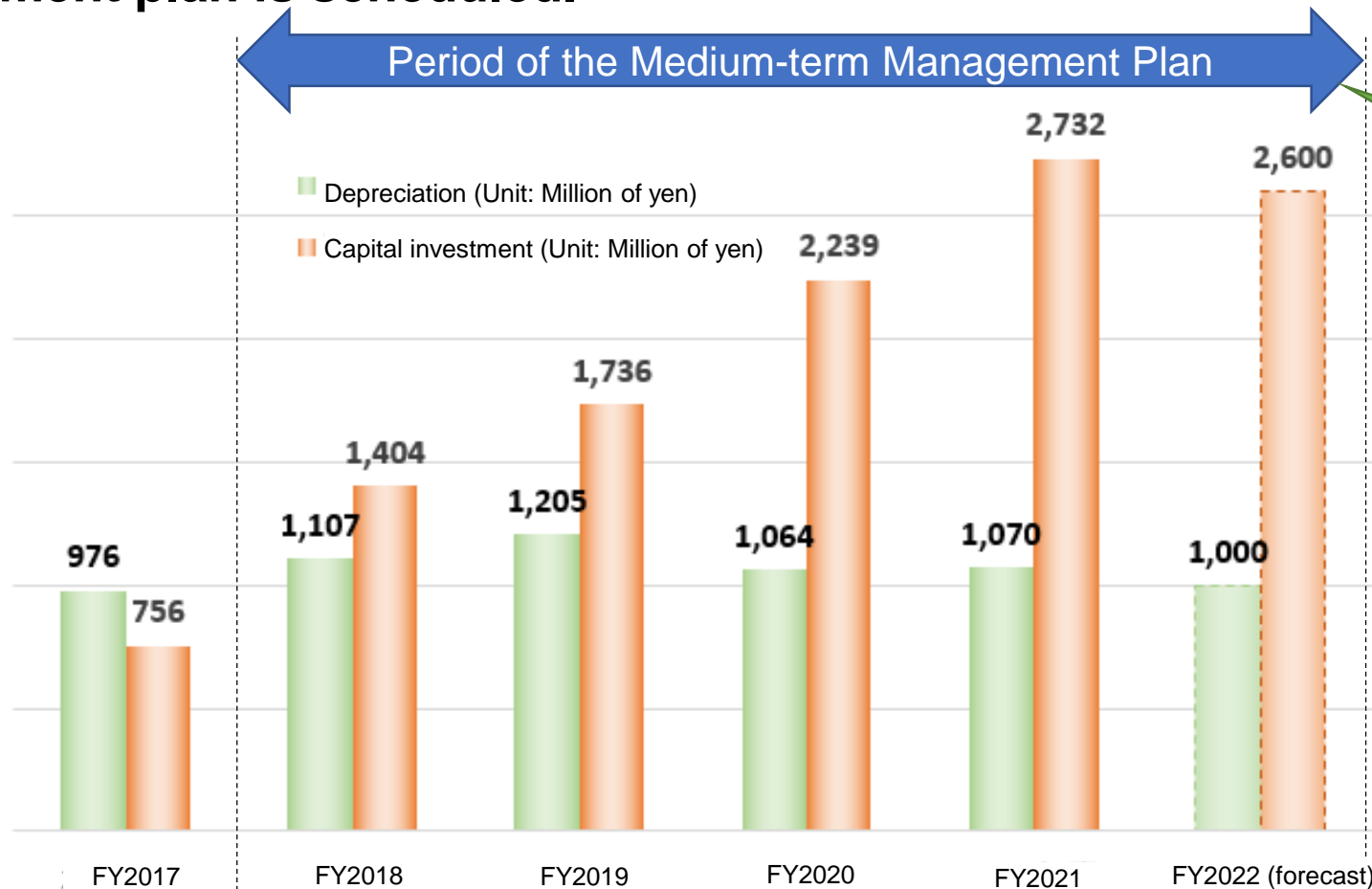


- Net sales to increase year on year, to maintain increase from before COVID-19
- Profit margin to remain about the same as the previous fiscal year, but at a higher level than before COVID-19



# 4. Consolidated Earnings Forecast for FY2022

- Capital investment (based on non-current assets recorded) and depreciation  
Steady implementation of the capital investment plan\* of the medium-term management plan is scheduled.



Expected total capital investment of approx. ¥10,700 million

**\*Capital Investment Plan**  
Total ¥10,000 million for 5 years until the end of FY2022

\* From FY2022, the depreciation method will be unified to the straight-line method



# 4. Consolidated Earnings Forecast for FY2022

- Progress status on major capital investment projects  
**Currently, progress is generally on schedule**

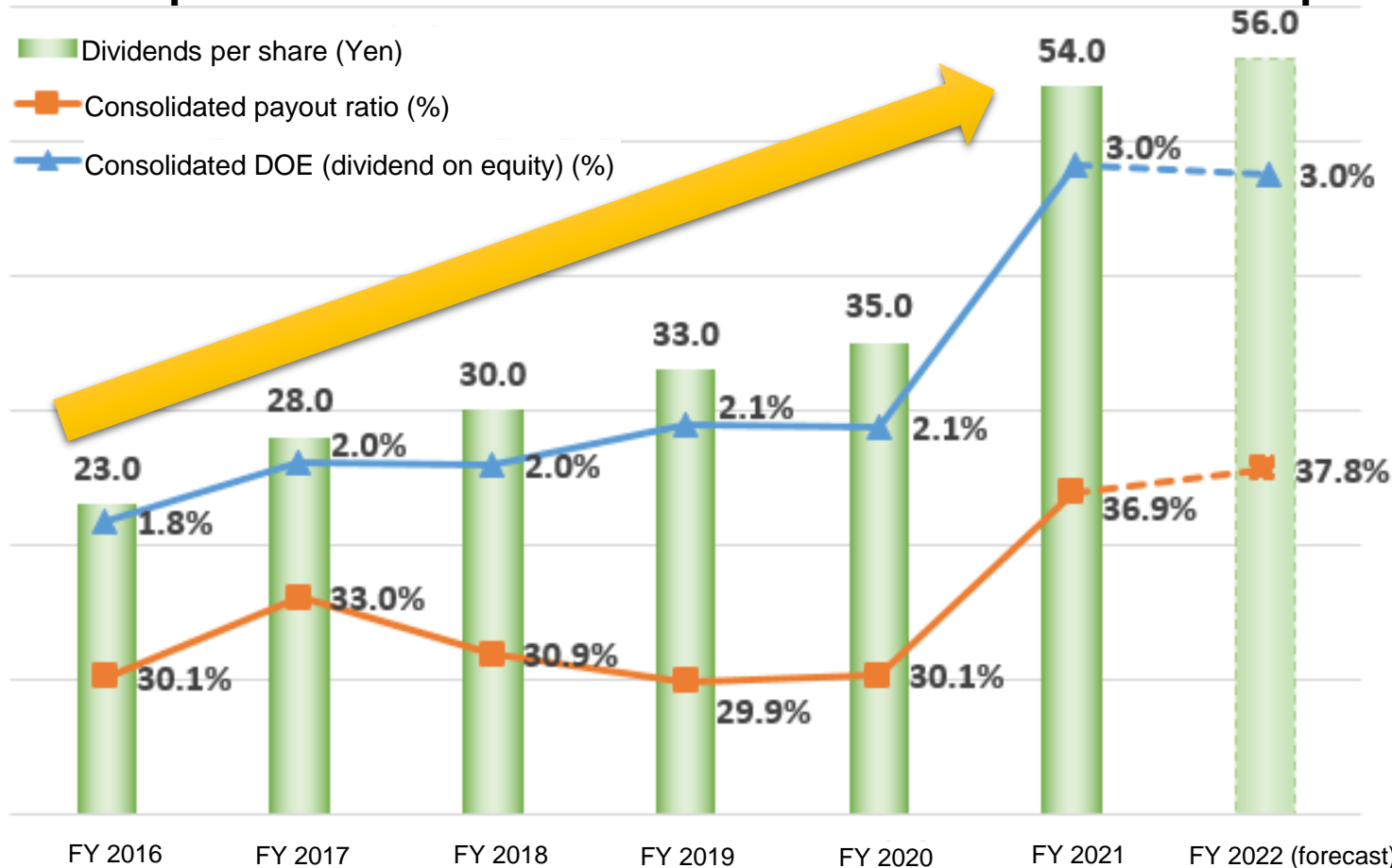
Business	Investment project	Investment amount	Production capacity, etc.	Scheduled date of commencing operations
Lipid Business (phospholipids for pharmaceuticals)	(1) New plant for phospholipids for pharmaceuticals	¥2,700 million	<ul style="list-style-type: none"> <li>▪ Approximately twice the capacity of the existing plant</li> <li>▪ Suitable for manufacturing high value-added products in a small to medium scale</li> </ul>	2nd half of FY2022
	(2) New plant based on the alliance with Gilead	(2) (3) Total ¥3,100 million	Approximately twice the capacity of the existing plant	Around 2024
	(3) New office building for phospholipids for pharmaceuticals		<ul style="list-style-type: none"> <li>▪ 5 stories</li> <li>▪ To be established together with research functions</li> </ul>	1st half of FY2022
	Total Amount		¥5,800 million	





# 4. Consolidated Earnings Forecast for FY2022

- Announced dividend policy;\* +19 yen / share year on year for FY2021 (dividend increase for 5 consecutive terms)
- Dividend increase expected to continue in FY2022 based on the dividend policy



**\* Dividend policy**  
Aim to improve and stabilize the dividend level with a consolidated DOE (dividend on equity) target of 3.0%



## 5. Reference: Company Profile

<b>Company Name</b>	<b>NIPPON FINE CHEMICAL CO., LTD.</b>
<b>Securities Code, Industry</b>	<b>4362 (TSE Prime), Chemistry</b>
<b>Established</b>	<b>February 1918</b>
<b>Location of Head Office</b>	<b>Chuo-ku, Osaka</b>
<b>President</b>	<b>Hiroshi Yano</b>
<b>Paid in Capital</b>	<b>¥5,933 million</b>
<b>Number of Employees (as of March 31, 2022)</b>	<b>684 (consolidated)</b>
<b>Net Sales (for the fiscal year ended March 31, 2022)</b>	<b>¥33,400 million (consolidated)</b>
<b>Number of Subsidiaries (as of March 31, 2022)</b>	<b>7 companies (5 domestic, 2 overseas)</b>



# 5. Reference: Company History and Main Business Sectors

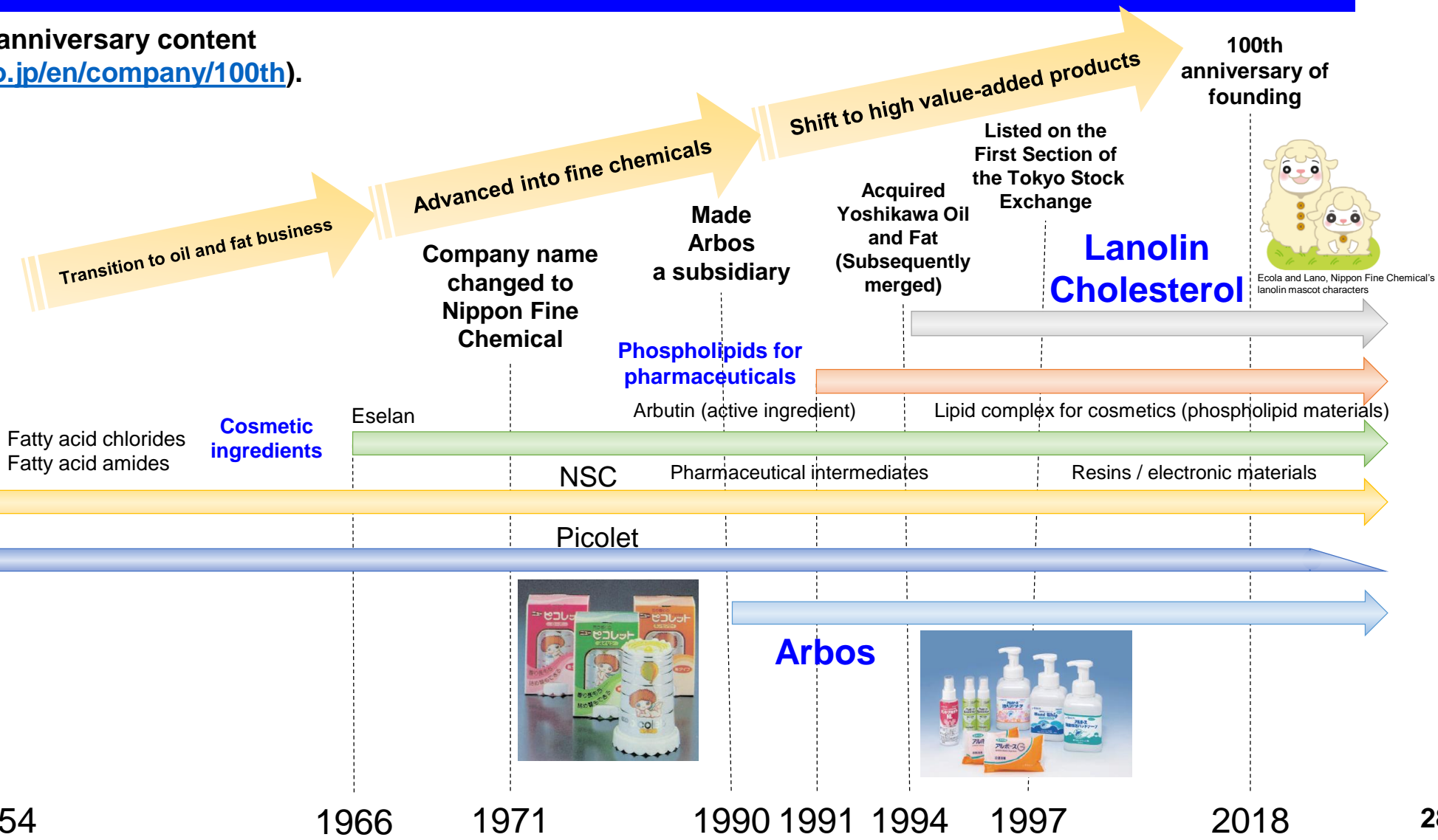
\* Please also see our 100th anniversary content (<https://www.nipponseika.co.jp/en/company/100th>).



Established as Nippon Camphor Co., Ltd.

Oils and fats / fine chemicals

Camphor / household products





- Statements regarding earnings forecasts, etc. described in this document are based on the information obtained by the Company at the time of preparation of each document and certain assumptions that it deems reasonable, and are not intended to promise that they will be realized.
- Please be aware that, due to various factors, actual business results may vary from these forecasts.
- Ecolano and Presome are trademarks registered by Nippon Fine Chemical Co., Ltd.