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MEMBERSHIP

April 28, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Japanese GAAP)

Company name: NIPPON FINE CHEMICAL CO., LTD.
 Listing: Tokyo
 Securities Code: 4362
 URL: <https://www.nipponseika.co.jp/en/>
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Scheduled date of annual general meeting of shareholders: June 23, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Scheduled date to file annual securities report: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	36,838	10.1	5,057	3.6	5,389	5.1	4,079	17.5
March 31, 2022	33,448	9.6	4,881	23.9	5,127	23.4	3,472	25.9

Note: Comprehensive income Fiscal year ended March 31, 2023 ¥4,836 million [55.1%]
 Fiscal year ended March 31, 2022 ¥3,118 million [(41.4)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	174.42	–	9.2	9.7	13.7
March 31, 2022	146.32	–	8.1	9.5	14.6

Reference: Share of profit (loss) of entities accounted for using equity method
 Fiscal year ended March 31, 2023 ¥-million
 Fiscal year ended March 31, 2022 ¥-million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	56,672	46,101	79.9	1,984.58
March 31, 2022	54,807	44,560	79.8	1,851.84

Reference: Equity

As of March 31, 2023

¥45,266 million

As of March 31, 2022

¥43,732 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	1,439	(1,779)	(3,320)	7,766
March 31, 2022	2,285	(2,741)	(1,399)	11,410

2. Status of dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year-end	total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	25.00	–	29.00	54.00	1,278	36.9	3.0
Fiscal year ended March 31, 2023	–	28.00	–	29.00	57.00	1,323	32.7	3.0
Fiscal year ending March 31, 2024 (Forecast)	–	35.00	–	35.00	70.00		44.4	

3. Forecast of financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	18,000	(3.6)	2,100	(23.0)	2,280	(21.5)	1,630	(16.7)	71.46
Full year	38,000	3.2	4,800	(5.1)	5,150	(4.5)	3,600	(11.8)	157.83

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: - (company name) Excluded: - (company name)

- (2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards, etc.: None

(ii) Changes in accounting policies other than (i): Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatement: None

Note: For details, please refer to the attached document on page 12 “3. Consolidated financial statements and main notes (5) Notes to consolidated financial statements (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates).”

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	25,372,447 shares
As of March 31, 2022	25,372,447 shares

- (ii) Number of treasury shares at the end of the period

As of March 31, 2023	2,563,350 shares
As of March 31, 2022	1,756,940 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	23,388,950 shares
Fiscal year ended March 31, 2022	23,730,529 shares

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	17,463	11.5	3,215	9.7	4,183	6.7	3,370	13.2
March 31, 2022	15,660	21.7	2,931	79.3	3,922	69.2	2,977	107.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2023	144.08	—
March 31, 2022	125.46	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	48,682	35,731	73.4	1,566.52
March 31, 2022	46,966	34,860	74.2	1,476.16

Reference: Equity

As of March 31, 2023

¥35,731 million

As of March 31, 2022

¥34,860 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements of the earnings outlook, etc. described in this document are based on the information currently obtained by the Company and certain assumptions that it deems reasonable, and are not intended to promise the achievement of such information. In addition, actual business results may differ significantly due to various factors. Please refer to pages 3 and 4 of the attached materials “1. Overview of operating results and others (4) Future outlook” for the conditions that are the premise of

the business forecast and precautions when using the business forecast.

The Company plans to hold a briefing session for institutional investors and analysts on Friday, May 12, 2023. The presentation materials for Medium-term Management Plan, including financial results to be distributed at this briefing, will be posted on the Company’s website on the same day.

o **Table of contents of attached materials**

Index

1. Overview of operating results and others	2
(1) Overview of operating results for the fiscal year	2
(2) Overview of financial position for the fiscal year	3
(3) Overview of cash flows for the fiscal year	3
(4) Future outlook	3
(5) Basic policy on profit sharing and dividends for the fiscal year and next fiscal year	4
2. Basic rationale for selection of accounting standards	5
3. Consolidated financial statements and main notes	6
(1) Consolidated balance sheet	6
(2) Consolidated statement of income and comprehensive income	8
(3) Consolidated statement of changes in equity	9
(4) Consolidated statement of cash flows	11
(5) Notes to consolidated financial statements.....	12
(Notes on premise of going concern)	12
(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates).....	12
(Segment information)	12
(Per share information).....	15
(Subsequent events).....	15

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

In the fiscal year under review, the Japanese economy was moving toward normalization as the spread of COVID-19 decreased. Corporate earnings in the manufacturing industry were trending downward, partly thanks to the impact of rising raw materials costs due to the weaker yen and higher resources prices, but the economy as a whole continued to recover gradually. As for the future, restrictions on socio-economic activities due to the COVID-19 pandemic are to be lifted, and a gradual economic recovery centered on domestic demand is expected. However, there are also risks such as concerns about a downturn due to rising commodities prices and the slowdown of overseas economies, and the intensification of the situation in Ukraine, so the uncertain situation is expected to continue.

In this business environment, the Group has been working to further strengthen its management base and develop products that contribute to the expansion of earnings and expand sales.

As a result, net sales for the fiscal year under review increased to ¥36,838 million (up 10.1% year-on-year). In terms of profit, operating profit was ¥5,057 million (up 3.6% year-on-year), and ordinary profit was ¥5,389 million (up 5.1% year-on-year). Profit attributable to owners of the parent was ¥4,079 million (up 17.5% year-on-year).

Operating results for each segment are as follows.

(i) Industrial products business

In this segment, the background was characterized by a gradual domestic and overseas economic recovery. By business field, in the cosmetic ingredients business, sales grew due to cosmetic ingredients newly used in products by customers and the gradual domestic and overseas recovery in the cosmetics market. Moreover, in part due to an increase in export prices due to yen depreciation as well as passing on surging import raw materials costs in sales prices, net sales of cosmetic ingredients and lanolin and cholesterol increased. In the fine chemicals business, net sales increased as we passed on surging raw material prices for fatty acid amides to our sales prices. As a result, net sales was ¥27,183 million (up 15.2% year-on-year). Segment profit (operating profit) was ¥3,958 million (up 9.3% year-on-year) due to increased quantities of cosmetic ingredients and improvements in product mix, as well as positive effects of the yen depreciation.

(ii) Household products business

In this segment, sales in the environmental hygiene field decreased as increase in the number of COVID-19 cases slowed down and corporate demand for infection-control products declined. As a result, net sales were ¥8,272 million (down 4.3% year-on-year). Segment profit (operating profit) was ¥674 million (down 27.3% year-on-year) due to the impact of surging raw material prices.

(iii) Other

Net sales of other businesses was ¥1,382 million (up 15.1% year-on-year) and segment profit (operating profit) was ¥423 million (up 27.4% year-on-year).

Reference:

Non-consolidated financial results were net sales of ¥17,463 million (up 11.5% year-on-year), operating profit of ¥3,215 million (up 9.7% year-on-year), ordinary profit of ¥4,183 million (up 6.7% year-on-year), and profit of ¥3,370 million (up 13.2% year-on-year).

The main factors behind the year-on year increases in net sales, operating profit, ordinary profit, and profit were the passing on of surging raw material costs in sales prices, an increase the sales

volume and improvement in product mix of cosmetic ingredients, and the positive effect of the yen depreciation.

(2) Overview of financial position for the fiscal year

Total assets at the end of the fiscal year under review increased by ¥1,865 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥56,672 million. This was mainly due to a ¥2,498 million increase in non-current assets due to an increase in buildings and structures, despite a decrease in current assets by ¥633 million due mainly to a decrease in cash and deposits.

Liabilities at the end of the fiscal year under review increased by ¥324 million from the previous fiscal year-end to ¥10,571 million. This was mainly due to an increase in current liabilities by ¥4 million due mainly to an increase in notes and accounts payable-trade, and a ¥320 million increase in non-current liabilities due to an increase in deferred tax liabilities.

The net assets at the end of the fiscal year under review increased by ¥1,540 million from the previous fiscal year-end to ¥46,101 million. This was mainly due to an increase in shareholders’ equity by ¥866 million, mainly due to recording ¥4,079 million in profit attributable to owners of parent and ¥1,346 million in dividends paid, while accumulated other comprehensive income increased by ¥667 million, mainly due to an increase in valuation difference on available-for-sale securities.

(3) Overview of cash flows for the fiscal year

Cash and cash equivalents at the end of the fiscal year under review (hereinafter referred to as “cash”) decreased by ¥3,644 million from the previous fiscal year-end to ¥7,766 million. The status and main breakdown of cash flows for the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year under review amounted to ¥1,439 million, a decrease of ¥846 million from the previous fiscal year. The main breakdown was an increase in cash due to profit before income taxes of ¥5,643 million and recording depreciation of ¥950 million, and a decrease in cash due to income taxes paid of ¥1,756 million.

(Cash flows from investing activities)

Net cash used in investment activities for the fiscal year under review decreased by ¥961 million from the previous fiscal year to ¥1,779 million. The main breakdown was due to a decrease in cash due to purchase of property, plant and equipment of ¥2,606 million.

(Cash flows from financing activities)

Net cash used in financial activities for the fiscal year under review increased by ¥1,920 million from the previous fiscal year to ¥3,320 million. The main breakdown was due to a decrease in cash due to purchase of treasury shares of 1,885 million and a decrease in cash due to dividends paid of ¥1,346 million.

(4) Future outlook

Looking at economic trends affecting the Group, the removal of restrictions on economic and social activities due to COVID-19 is expected along with a gradual economic recovery centered on internal demand. However, risks remain, including concerns of a downturn due to rising prices and the slowdown of overseas economies and the intensification of the situation in Ukraine. As such, the situation is expected to remain uncertain.

In this business environment, as for the consolidated earnings forecasts for the fiscal year ending March 31, 2024, the Group forecasts net sales of ¥38,000 million (up 3.2% year-on-year), operating profit of

¥4,800 million (down 5.1% year-on-year), ordinary profit of ¥5,150 million (down 4.5% year-on-year), and profit attributable to owners of parent of ¥3,600 million (down 11.8% year-on-year).

The main exchange rates used in the earnings forecasts are ¥130 per US\$ and ¥130 per EUR.

(5) Basic policy on profit sharing and dividends for the fiscal year and next fiscal year

Our basic policy is to increase shareholder value, and we consider returning profits to shareholders as one of the most important issues. We aim to improve and stabilize the level of dividends by targeting a consolidated dividend on equity (DOE) of 3.0%.

With regard to retained earnings, we intend to invest effectively to build a foundation for further growth, such as the development of new products, increased production capacity, digitization, the promotion of sustainability, while ensuring that we are prepared for unforeseen situations such as large-scale disasters and the spread of infectious diseases. We are confident that these investments will lead to an improvement in earnings in the future and a return of profits to shareholders.

Based on the above policy, the year-end dividend for the fiscal year under review is expected to be ¥29 per share. As a result, the annual dividends per share is ¥57 and the consolidated payout ratio is 32.7%.

Regarding the annual dividends for the next fiscal year, whereas the Company's previous policy has been to target a DOE of around 3.0% with the intention of increasing the dividend level and further strengthening stability of shareholder returns, it has now decided to increase this to around 3.5%. Accordingly, the annual dividends per share for the next fiscal year is expected to be ¥70 per share.

2. Basic rationale for selection of accounting standards

The Group will adopt Japanese GAAP for the time being, but will consider introducing IFRS in light of the deepening of discussions in the future and the status of IFRS adoption by other companies in the same industry.

3. Consolidated financial statements and main notes

(1) Consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	12,862,645	8,937,431
Notes and accounts receivable - trade	8,703,595	8,855,955
Merchandise and finished goods	3,087,092	4,001,642
Work in process	2,116,475	2,290,016
Raw materials and supplies	3,216,976	4,718,263
Other	239,580	788,202
Allowance for doubtful accounts	(2,095)	(695)
Total current assets	30,224,271	29,590,815
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,548,367	14,960,944
Accumulated depreciation	(8,043,033)	(8,223,518)
Buildings and structures, net	3,505,334	6,737,425
Machinery, equipment and vehicles	14,359,320	14,401,503
Accumulated depreciation	(13,043,647)	(13,115,866)
Machinery, equipment and vehicles, net	1,315,673	1,285,637
Land	3,644,767	3,719,989
Construction in progress	3,775,146	1,794,239
Other	3,312,163	3,535,871
Accumulated depreciation	(2,780,154)	(2,845,786)
Other, net	532,008	690,084
Total property, plant and equipment	12,772,930	14,227,376
Intangible assets	307,314	521,691
Investments and other assets		
Investment securities	11,205,190	12,017,715
Retirement benefit asset	26,889	67,408
Other	271,010	247,729
Total investments and other assets	11,503,089	12,332,853
Total non-current assets	24,583,335	27,081,921
Total assets	54,807,607	56,672,737

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,928,700	4,256,778
Accounts payable - other	757,375	839,820
Income taxes payable	985,079	607,013
Provision for bonuses	778,695	717,500
Provision for bonuses for directors (and other officers)	92,259	79,752
Provision for environmental measures	61,332	–
Accounts payable - facilities	362,000	459,535
Other	646,323	655,448
Total current liabilities	7,611,766	7,615,849
Non-current liabilities		
Deferred tax liabilities	2,267,152	2,655,149
Provision for environmental measures	117,223	–
Retirement benefit liability	111,707	144,956
Long-term accounts payable - other	15,600	15,600
Long-term guarantee deposits	103,236	102,890
Asset retirement obligations	9,430	9,430
Other	11,077	27,652
Total non-current liabilities	2,635,427	2,955,679
Total liabilities	10,247,193	10,571,528
Net assets		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,803,377	6,821,920
Retained earnings	25,790,799	28,513,077
Treasury shares	(1,296,698)	(3,171,070)
Total shareholders' equity	37,230,699	38,097,149
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,784,914	6,469,379
Deferred gains or losses on hedges	34,721	3,275
Foreign currency translation adjustment	675,778	697,997
Remeasurements of defined benefit plans	6,154	(1,156)
Total accumulated other comprehensive income	6,501,567	7,169,496
Non-controlling interests	828,145	834,562
Total net assets	44,560,413	46,101,208
Total liabilities and net assets	54,807,607	56,672,737

(2) Consolidated statement of income and comprehensive income

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	33,448,650	36,838,413
Cost of sales	23,170,277	25,882,211
Gross profit	10,278,372	10,956,201
Selling, general and administrative expenses	5,396,482	5,899,060
Operating profit	4,881,889	5,057,141
Non-operating income		
Interest income	29,524	34,122
Dividend income	235,782	297,639
Miscellaneous income	38,071	41,884
Total non-operating income	303,378	373,646
Non-operating expenses		
Interest expenses	1,335	1,260
Foreign exchange losses	56,512	22,288
Miscellaneous losses	311	17,340
Total non-operating expenses	58,159	40,890
Ordinary profit	5,127,108	5,389,897
Extraordinary income		
Gain on sale of non-current assets	37,011	81,713
Gain on sale of investment securities	0	212,603
Total extraordinary income	37,011	294,317
Extraordinary losses		
Loss on retirement of non-current assets	54,676	24,093
Impairment losses	89,602	–
Loss on sale of investment securities	2,818	16,889
Total extraordinary losses	147,097	40,983
Profit before income taxes	5,017,023	5,643,232
Income taxes - current	1,444,961	1,383,761
Income taxes - deferred	9,445	94,044
Total income taxes	1,454,407	1,477,806
Profit	3,562,615	4,165,426
Profit attributable to		
Profit attributable to owners of parent	3,472,343	4,079,580
Profit attributable to non-controlling interests	90,272	85,845
Other comprehensive income		
Valuation difference on available-for-sale securities	(890,622)	684,465
Deferred gains or losses on hedges	29,838	(34,947)
Foreign currency translation adjustment	406,925	29,307
Remeasurements of defined benefit plans, net of tax	9,306	(7,310)
Total other comprehensive income	(444,552)	671,515
Comprehensive income	3,118,063	4,836,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,927,898	4,747,509
Comprehensive income attributable to non-controlling interests	190,165	89,431

(3) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,933,221	6,803,377	23,358,507	(1,025,109)	35,069,997
Changes during period					
Dividends of surplus			(1,032,982)		(1,032,982)
Profit attributable to owners of parent			3,472,343		3,472,343
Purchase of treasury shares				(271,589)	(271,589)
Employee welfare benefit fund			(7,069)		(7,069)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,432,291	(271,589)	2,160,702
Balance at end of period	5,933,221	6,803,377	25,790,799	(1,296,698)	37,230,699

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,675,536	7,877	365,750	(3,152)	7,046,012	730,739	42,846,750
Changes during period							
Dividends of surplus							(1,032,982)
Profit attributable to owners of parent							3,472,343
Purchase of treasury shares							(271,589)
Employee welfare benefit fund							(7,069)
Net changes in items other than shareholders' equity	(890,622)	26,844	310,027	9,306	(544,444)	97,405	(447,038)
Total changes during period	(890,622)	26,844	310,027	9,306	(544,444)	97,405	1,713,663
Balance at end of period	5,784,914	34,721	675,778	6,154	6,501,567	828,145	44,560,413

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,933,221	6,803,377	25,790,799	(1,296,698)	37,230,699
Changes during period					
Dividends of surplus			(1,346,506)		(1,346,506)
Profit attributable to owners of parent			4,079,580		4,079,580
Purchase of treasury shares				(1,885,533)	(1,885,533)
Disposal of treasury shares		18,542		11,161	29,704
Employee welfare benefit fund			(10,795)		(10,795)
Net changes in items other than shareholders' equity					
Total changes during period	–	18,542	2,722,278	(1,874,372)	866,449
Balance at end of period	5,933,221	6,821,920	28,513,077	(3,171,070)	38,097,149

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,784,914	34,721	675,778	6,154	6,501,567	828,145	44,560,413
Changes during period							
Dividends of surplus							(1,346,506)
Profit attributable to owners of parent							4,079,580
Purchase of treasury shares							(1,885,533)
Disposal of treasury shares							29,704
Employee welfare benefit fund							(10,795)
Net changes in items other than shareholders' equity	684,465	(31,445)	22,219	(7,310)	667,929	6,416	674,345
Total changes during period	684,465	(31,445)	22,219	(7,310)	667,929	6,416	1,540,795
Balance at end of period	6,469,379	3,275	697,997	(1,156)	7,169,496	834,562	46,101,208

(4) Consolidated statement of cash flows

(Thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	5,017,023	5,643,232
Depreciation	1,070,388	950,946
Impairment losses	89,602	–
Increase (decrease) in allowance for doubtful accounts	1,850	(1,399)
Increase (decrease) in retirement benefit liability	(20,745)	33,248
Decrease (increase) in retirement benefit asset	(26,889)	(40,519)
Interest and dividend income	(265,307)	(331,761)
Interest expenses	1,335	1,260
Foreign exchange losses (gains)	(8,259)	(6,175)
Loss (gain) on sale of investment securities	2,818	(195,714)
Loss (gain) on sale and retirement of property, plant and equipment	17,665	(57,620)
Decrease (increase) in trade receivables	(757,736)	(147,820)
Decrease (increase) in inventories	(1,816,875)	(2,586,099)
Increase (decrease) in guarantee deposits received	4,022	(345)
Increase (decrease) in trade payables	(62,613)	361,619
Other, net	(38,870)	(757,935)
Subtotal	3,207,407	2,864,915
Interest and dividends received	265,307	331,761
Interest paid	(1,335)	(1,260)
Income taxes paid	(1,185,468)	(1,756,211)
Net cash provided by (used in) operating activities	2,285,910	1,439,205
Cash flows from investing activities		
Payments into time deposits	(96,200)	–
Proceeds from withdrawal of time deposits	–	290,100
Purchase of property, plant and equipment	(2,813,261)	(2,606,730)
Proceeds from sale of property, plant and equipment	143,883	286,384
Purchase of intangible assets	(14,724)	(150,514)
Purchase of investment securities	(1,149)	(1,165)
Proceeds from sale of investment securities	40,020	401,966
Net cash provided by (used in) investing activities	(2,741,431)	(1,779,960)
Cash flows from financing activities		
Dividends paid	(1,032,982)	(1,346,506)
Dividends paid to non-controlling interests	(90,567)	(79,666)
Purchase of treasury shares	(271,589)	(1,885,533)
Other, net	(4,617)	(8,519)
Net cash provided by (used in) financing activities	(1,399,756)	(3,320,225)
Effect of exchange rate change on cash and cash equivalents	78,955	16,418
Net increase (decrease) in cash and cash equivalents	(1,776,321)	(3,644,561)
Cash and cash equivalents at beginning of period	13,187,098	11,410,777
Cash and cash equivalents at end of period	11,410,777	7,766,215

(5) Notes to consolidated financial statements**(Notes on premise of going concern)**

Not applicable.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Change in the depreciation method for property, plant and equipment

The Company and its domestic consolidated subsidiaries had used the declining balance method as the depreciation method for property, plant and equipment (however, the straight-line method had been used for buildings acquired on or after April 1, 1998 [excluding facilities attached to buildings] and for facilities attached to buildings and structures acquired on or after April 1, 2016), but this has been changed to the straight-line method from the fiscal year under review.

In the stable business environment of recent years, the Group secured stable earnings while updating and repairing facilities. However, with expectations for large growth in the nanomedicine field, which uses phospholipids for pharmaceuticals, we have positioned this field as a growth pillar and decided on a specific capital investment plan based on our Medium-term Management Plan (announced in April 2018). Using this decision as an opportunity, as we will continue to pursue aggressive capital investment, we have reevaluated how we use the Group's property, plant and equipment.

As a result of this evaluation, given the reality of the Group's product demand, we expect the Group's property, plant and equipment to operate mostly stably over the long term and for construction and real operations to begin steadily for the above capital investment projects in the fiscal year under review (fiscal year ended March 31, 2023). As such, from the fiscal year under review, we believe that using the straight-line method as the depreciation method for property, plant and equipment is reasonable from the standpoint of expense allocation. We also believe that it is more appropriate in reflecting the reality of business in terms of managing the Group's performance, and have made the decision to change to the straight-line method.

As a result of this change, operating profit, ordinary profit and profit before income taxes increased by ¥174,421 thousand each, compared with the case where the previous method is used.

(Segment information)

[Segment information]

1. Description of reporting segments

The Group's reporting segments are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate performance, with separate financial statements available among the constituent units of the Company and its subsidiaries.

The Company is developing comprehensive domestic and overseas strategies and business activities for its business units, which are organized by product and service, based on financial statements that are segregated into the constituent units of the Company and its subsidiaries. The Company's reporting segments are "Industrial Products Business" and "Household Products Business."

The "Industrial Products Business" segment conducts manufacturing and sales, and stocking and sales of cosmetic ingredients, lanolin and cholesterol, phospholipids, functional coating agents, resin additives, vegetable oils and fats, synthetic resin products, and other products. In "Household Products Business," we manufacture and sell commercial detergents, medicinal soap solutions, disinfectants, and fungicides.

2. Method for calculating the amount of net sales, profits or losses, assets and other items by reporting segment

The accounting method for the reported business segments is the same as the accounting method used for the preparation of consolidated financial statements.

Profit of the reporting segment is based on operating profit. Internal revenue and transfer volumes between segments are based on actual market prices.

3. Information on net sales, profits or losses, assets and other items for each reporting segment and information on the decomposition of profits

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reporting segment			Other Note: 1	Total	Adjustment amount Note: 2	Consoli- dated financial statement amounts Note: 3
	Industrial products business	Household products business	Total				
Net sales							
Revenue from contracts with customers	23,600,987	8,646,258	32,247,246	891,231	33,138,477	–	33,138,477
Other revenue	–	–	–	310,172	310,172	–	310,172
Revenues from external customers	23,600,987	8,646,258	32,247,246	1,201,403	33,448,650	–	33,448,650
Intersegment sales or transfers	151,369	40,431	191,800	46,885	238,685	(238,685)	–
Total	23,752,357	8,686,690	32,439,047	1,248,288	33,687,335	(238,685)	33,448,650
Segment profit	3,621,695	927,680	4,549,376	332,513	4,881,889	–	4,881,889
Segment assets	25,971,194	4,063,543	30,034,738	3,067,669	33,102,407	21,705,199	54,807,607
Other items							
Depreciation	803,442	99,913	903,356	148,299	1,051,655	18,732	1,070,388
Increase in property, plant and equipment and intangible assets	2,438,520	103,356	2,541,876	190,192	2,732,069	–	2,732,069

Notes: 1. The “Other” segment is a business segment that is not included in the reporting segment, and includes the real estate business and the business of entrusting pharmacology and safety tests.

2. The adjustments are as follows:

- (1) Adjustments to segment assets were ¥67,097 thousand (loss) for intersegment eliminations and ¥21,772,296 thousand for company-wide assets not allocated to each reporting segment. Corporate assets consist mainly of surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to administrative department at the parent company.
- (2) Adjustments to depreciation, increase in property, plant and equipment and intangible assets of other items pertain to company-wide assets not allocated to each reporting segment.

3. Segment profit is consistent with the operating profit in the consolidated statement of income and comprehensive income.

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reporting segment			Other Note: 1	Total	Adjustment amount Note: 2	Consoli- dated financial statement amounts Note: 3
	Industrial products business	Household products business	Total				
Net sales							
Revenue from contracts with customers	27,183,925	8,272,102	35,456,028	1,065,494	36,521,522	–	36,521,522
Other revenue	–	–	–	316,890	316,890	–	316,890
Revenues from external customers	27,183,925	8,272,102	35,456,028	1,382,384	36,838,413	–	36,838,413
Intersegment sales or transfers	272,645	31,0154	303,660	41,514	345,174	(345,174)	–
Total	27,456,571	8,303,1170	35,759,688	1,423,899	37,183,587	(345,174)	36,838,413
Segment profit	3,958,652	674,854	4,633,507	423,634	5,057,141	–	5,057,141
Segment assets	30,073,988	3,899,782	33,973,771	2,908,403	36,882,174	19,790,563	56,672,737
Other items							
Depreciation	732,517	80,051	812,569	126,170	938,739	12,206	950,946
Increase in property, plant and equipment and intangible assets	2,610,404	64,607	2,675,012	150,943	2,825,955	–	2,825,955

Notes: 1. The “Other” segment is a business segment that is not included in the reporting segment, and includes the real estate business and the business of entrusting pharmacology and safety tests.

2. The adjustments are as follows:

(1) Adjustments to segment assets were ¥89,545 thousand (loss) for intersegment eliminations and ¥19,880,108 thousand for company-wide assets not allocated to each reporting segment. Corporate assets consist mainly of surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to administrative department at the parent company.

(2) Adjustments to depreciation, increase in property, plant and equipment and intangible assets of other items pertain to company-wide assets not allocated to each reporting segment.

3. Segment profit is consistent with the operating profit in the consolidated statement of income and comprehensive income.

4. Disclosure of changes, etc. in reportable segments

Change in the depreciation method for property, plant and equipment

As provided in “Changes in accounting policies that are difficult to distinguish from changes in accounting estimates,” the Company and its domestic consolidated subsidiaries had used the declining balance method as the depreciation method for property, plant and equipment (however, the straight-line method had been used for buildings acquired on or after April 1, 1998 [excluding facilities attached to buildings] and for facilities attached to buildings and structures acquired on or after April 1, 2016), but this has been changed to the straight-line method from the fiscal year under review.

As a result of this change, compared to the previous method, segment profit increased by ¥141,059 thousand for the industrial products business, ¥9,731 thousand for the household products business, and ¥23,630 thousand for the other business.

5. Information on impairment losses on non-current assets per reporting segment

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Industrial products business	Household products business	Other	Unallocated amounts and elimination	Total
Impairment losses	–	–	89,602	–	89,602

Current fiscal year (From April 1, 2022 to March 31, 2023)

Not applicable.

(Per share information)

(Yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	1,851.84	1,984.58
Basic earnings per share	146.32	174.42

Notes: 1. Diluted earnings per share are not listed because there is no potential stock.

2. The basis for calculating basic earnings per share is as follows.

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	3,472,343	4,079,580
Value not attributable to shareholders of common shares (Thousands of yen)	–	–
Profit attributable to owners of parent pertaining to Ordinary share/s (Thousands of yen)	3,472,343	4,079,580
Average number of shares outstanding during the period (Shares)	23,730,529	23,388,950

(Subsequent events)

Not applicable.