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MEMBERSHIP

July 28, 2022

## Consolidated Financial Results for the Three Months Ended June 30, 2022 (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 to file quarterly securities report: August 12, 2022  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results meeting: None

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

### 1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three month ended								
June 30, 2022	9,442	14.3	1,497	12.9	1,633	14.5	1,096	13.6
June 30, 2021	8,259	11.7	1,327	28.7	1,426	25.8	965	24.0

Note: Comprehensive income For the three months ended June 30, 2022 ¥1,075 million [(4.6)%]  
 For the three months ended June 30, 2021 ¥1,127 million [(25.8)%]

	Basic earnings per share	Diluted earnings per share
Three month ended	Yen	Yen
June 30, 2022	46.41	–
June 30, 2021	40.64	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	55,343	44,913	79.6
March 31, 2022	54,807	44,560	79.8

Reference: Equity

As of June 30, 2022 ¥44,055 million  
 As of March 31, 2022 ¥43,732 million

## 2. Status of dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	25.00	–	29.00	54.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		28.00	–	28.00	56.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Consolidated earnings forecasts for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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)	17,900	10.4	2,450	2.6	2,600	3.3	1,750	3.0	74.10
Full year	36,000	7.6	4,850	(0.7)	5,200	1.4	3,500	0.8	148.20

Note: Revisions to the earnings forecasts most recently announced: None

**\* 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) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) 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 7 “2. Quarterly consolidated financial statements and main notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates).”

(4) Number of issued shares (common shares)

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

As of June 30, 2022	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 June 30, 2022	1,756,940 shares
As of March 31, 2022	1,756,940 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	23,615,507 shares
Three months ended June 30, 2021	23,746,791 shares

\* Quarterly financial results reports are exempt from quarterly review 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 page 3 of the attached materials “1. Qualitative information on financial results for the period under review (3) Explanation of consolidated earnings forecasts and other forward-looking statements” for the conditions that are the premise of the earnings forecasts and cautions when using the earnings forecasts.

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## 1. Qualitative information on financial results for the period under review

### (1) Explanation of operating results

During the three months ended June 30, 2022, the Japanese economy saw a gradual recovery with the normalization of economic activities due to the easing of COVID-19-related restrictions with progressing vaccinations. However, the rapid depreciation of the yen, surging energy and raw material prices caused by Russia's prolonged invasion of Ukraine, and concern over rising COVID-19 case numbers from the seventh wave caused by new mutant strains mean that the overall outlook remains uncertain.

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 first three months of the fiscal year under review increased to ¥9,442 million (up 14.3% year-on-year).

In terms of profit, operating profit was ¥1,497 million (up 12.9% year-on-year), and ordinary profit was ¥1,633 million (up 14.5% year-on-year). Profit attributable to owners of parent was ¥1,096 million (up 13.6% year-on-year).

Operating results for each segment are as follows.

#### (i) Industrial products business

In this segment, against the backdrop of a gradual domestic and overseas economic recovery, overall sales numbers increased. By business field, in the cosmetic ingredients business, sales of items used in large-scale products by domestic customers continued to grow steadily from last year. With the gradual recovery in the cosmetics market, sales increased both in Japan and overseas. We also passed on the increase in export prices and surging costs to import raw materials caused by yen depreciation to our sales prices, resulting in increased net sales for lanolin and cholesterol, and cosmetic ingredients. In the fine chemicals business, net sales increased as we passed on surging raw material prices for fatty acid amides to our sales prices. However, in the lipid business (phospholipids for pharmaceuticals), net sales decreased due to differences in shipping periods. As a result, net sales was ¥7,182 million (up 21.5% year-on-year). Segment profit (operating profit) was ¥1,255 million (up 17.6% year-on-year) due to increased quantities of cosmetic ingredients and improvements in merchandise category composition.

#### (ii) Household products business

In this segment, sales in the environmental hygiene field decreased as COVID-19 case numbers fell with progressing vaccinations and corporate demand for infection-control products declined. As a result, net sales was ¥1,977 million (down 7.4% year-on-year) and segment profit (operating profit) was ¥163 million (down 24.0% year-on-year).

#### (iii) Other

Net sales of other businesses was ¥282 million (up 32.0% year-on-year) and segment profit (operating profit) was ¥78 million (up 75.3% year-on-year).

### (2) Explanation of financial position

Total assets at the end of the first quarter of the fiscal year under review increased by ¥535 million from the end of the previous fiscal year (hereinafter referred to as "the previous fiscal year-end") to ¥55,343 million. This was mainly due to an increase in current assets by ¥602 million, mainly due to an increase in notes and accounts receivable - trade, while non-current assets decreased by ¥66 million, mainly due to a decrease in investment securities.

Liabilities at the end of the first quarter of the fiscal year under review increased by ¥182 million from the previous fiscal year-end to ¥10,429 million. This was mainly due to an increase in current liabilities by ¥377 million, mainly due to an increase in other in current liabilities, while non-current liabilities decreased by ¥194 million, mainly due to a decrease in provision for environmental measures.

The net assets at the end of the first quarter of the fiscal year under review increased by ¥353 million from the previous fiscal year-end to ¥44,913 million. This was mainly due to an increase in shareholders' equity by ¥411 million, due to recording ¥1,096 million in profit attributable to owners of parent and ¥684 million in dividends paid, while accumulated other comprehensive income decreased by ¥88 million, mainly due to a decrease in valuation difference on available-for-sale securities.

### **(3) Explanation of consolidated earnings forecasts and other forward-looking statements**

There are no changes to our second-quarter (cumulative) or full-year earnings forecasts announced on April 28, 2022 in our “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Japanese GAAP).”

Earnings forecasts are created based on information available at the time, and actual performance may vary from forecasted values due to a variety of future factors.

## 2. Quarterly consolidated financial statements and main notes

### (1) Quarterly consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	Current first quarter (As of June 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	12,862,645	11,716,183
Notes and accounts receivable - trade	8,703,595	9,378,605
Merchandise and finished goods	3,087,092	3,297,429
Work in process	2,116,475	2,349,626
Raw materials and supplies	3,216,976	3,696,953
Other	239,580	390,115
Allowance for doubtful accounts	(2,095)	(2,081)
Total current assets	30,224,271	30,826,834
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,505,334	4,686,083
Machinery, equipment and vehicles, net	1,315,673	1,363,643
Land	3,644,767	3,644,767
Construction in progress	3,775,146	2,740,775
Other, net	532,008	617,711
Total property, plant and equipment	12,772,930	13,052,981
Intangible assets	307,314	307,986
Investments and other assets		
Investment securities	11,205,190	10,833,286
Retirement benefit asset	26,889	46,528
Other	271,010	275,599
Total investments and other assets	11,503,089	11,155,414
Total non-current assets	24,583,335	24,516,382
Total assets	54,807,607	55,343,216

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	Current first quarter (As of June 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,928,700	3,987,560
Accounts payable - other	757,375	822,951
Income taxes payable	985,079	433,791
Provision for bonuses	778,695	412,447
Provision for bonuses for directors (and other officers)	92,259	33,402
Provision for environmental measures	61,332	117,223
Accounts payable - facilities	362,000	655,298
Other	646,323	1,526,197
Total current liabilities	7,611,766	7,988,872
Non-current liabilities		
Deferred tax liabilities	2,267,152	2,150,578
Provision for environmental measures	117,223	–
Retirement benefit liability	111,707	126,800
Long-term accounts payable - other	15,600	15,600
Long-term guarantee deposits	103,236	104,298
Asset retirement obligations	9,430	9,430
Other	11,077	33,821
Total non-current liabilities	2,635,427	2,440,528
Total liabilities	10,247,193	10,429,400
Net assets		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,803,377	6,803,377
Retained earnings	25,790,799	26,201,984
Treasury shares	(1,296,698)	(1,296,698)
Total shareholders' equity	37,230,699	37,641,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,784,914	5,543,510
Deferred gains or losses on hedges	34,721	35,086
Foreign currency translation adjustment	675,778	828,663
Remeasurements of defined benefit plans	6,154	5,884
Total accumulated other comprehensive income	6,501,567	6,413,144
Non-controlling interests	828,145	858,785
Total net assets	44,560,413	44,913,815
Total liabilities and net assets	54,807,607	55,343,216



**(2) Quarterly consolidated statement of income and comprehensive income (cumulative)**

	(Thousands of yen)	
	Previous first quarter (Cumulative) (From April 1, 2021 to June 30, 2021)	Current first quarter (Cumulative) (From April 1, 2022 to June 30, 2022)
Net sales	8,259,940	9,442,526
Cost of sales	5,629,668	6,511,859
Gross profit	2,630,271	2,930,667
Selling, general and administrative expenses	1,303,126	1,432,921
Operating profit	1,327,144	1,497,746
Non-operating income		
Interest income	3,224	5,501
Dividend income	97,269	121,824
Miscellaneous income	8,422	13,819
Total non-operating income	108,917	141,144
Non-operating expenses		
Interest expenses	283	311
Foreign exchange losses	8,759	5,164
Miscellaneous losses	110	9
Total non-operating expenses	9,153	5,485
Ordinary profit	1,426,908	1,633,405
Extraordinary losses		
Loss on retirement of non-current assets	20,887	1,715
Loss on sale of investment securities	-	8,547
Total extraordinary losses	20,887	10,262
Profit before income taxes	1,406,020	1,623,142
Income taxes - current	353,584	526,299
Income taxes - deferred	62,692	(18,673)
Total income taxes	416,277	507,626
Profit	989,742	1,115,515
Profit attributable to		
Profit attributable to owners of parent	965,154	1,096,034
Profit attributable to non-controlling interests	24,587	19,481
Other comprehensive income		
Valuation difference on available-for-sale securities	85,926	(241,403)
Deferred gains or losses on hedges	(7,990)	392
Foreign currency translation adjustment	61,177	200,858
Remeasurements of defined benefit plans, net of tax	(1,591)	(269)
Total other comprehensive income	137,521	(40,421)
Comprehensive income	1,127,264	1,075,094
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,088,854	1,007,612
Comprehensive income attributable to non-controlling interests	38,410	67,481

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

Not applicable.

**(Notes when there are significant changes in amounts of equity)**

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 and structures attached to buildings acquired on or after April 1, 2016), but this has been changed to the straight-line method from the first quarter of 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 ending 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 for the first three months of the fiscal year under review increased by ¥34,197 thousand each, compared with the case where the previous method is used.

**(Segment information)**

[Segment information]

## I. Previous first quarter (Cumulative) (From April 1, 2021 to June 30, 2021)

Information on net sales and profits or losses for each reporting segment, and information on the decomposition of profits

(Thousands of yen)

	Reporting segment			Other Note: 1	Total	Adjustment amount	Quarterly consoli- dated statement of income and comprehen- sive income amounts Note: 2
	Industrial products business	Household products business	Total				
Net sales							
Revenue from contracts with customers	5,910,235	2,135,313	8,045,549	138,276	8,183,826	-	8,183,826
Other revenue	-	-	-	76,113	76,113	-	76,113
Revenues from external customers	5,910,235	2,135,313	8,045,549	214,390	8,259,940	-	8,259,940
Intersegment sales or transfers	39,604	15,949	55,553	10,766	66,319	(66,319)	-
Total	5,949,839	2,151,263	8,101,102	225,157	8,326,259	(66,319)	8,259,940
Segment profit	1,067,467	214,827	1,282,294	44,849	1,327,144	-	1,327,144

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

## II. Current first quarter (Cumulative) (From April 1, 2022 to June 30, 2022)

1. Information on net sales and profits or losses for each reporting segment, and information on the decomposition of profits

(Thousands of yen)

	Reporting segment			Other Note: 1	Total	Adjustment amount	Quarterly consoli- dated statement of income and comprehen- sive income amounts Note: 2
	Industrial products business	Household products business	Total				
Net sales							
Revenue from contracts with customers	7,182,228	1,977,331	9,159,559	202,784	9,362,344	-	9,362,344
Other revenue	-	-	-	80,182	80,182	-	80,182
Revenues from external customers	7,182,228	1,977,331	9,159,559	282,966	9,442,526	-	9,442,526
Intersegment sales or transfers	65,470	9,320	74,790	10,948	85,739	(85,739)	-
Total	7,247,698	1,986,652	9,234,350	293,915	9,528,266	(85,739)	9,442,526
Segment profit	1,255,845	163,257	1,419,103	78,642	1,497,746	-	1,497,746

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

2. 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 and structures attached to buildings acquired on or after April 1, 2016), but this has been changed to the straight-line method from the first quarter of the fiscal year under review.

As a result of this change, compared to the previous method, segment profit for the first quarter of the fiscal year under review increased by ¥27.421 thousand for the industrial products business, ¥1.965 thousand for the household products business, and ¥4.810 thousand for the other business.