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MEMBERSHIP

October 28, 2022

## Consolidated Financial Results for the Six Months Ended September 30, 2022 (Japanese GAAP)

Company name: NIPPON FINE CHEMICAL CO., LTD.  
 Listing: Tokyo  
 Securities Code: 4362  
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 Scheduled date to file quarterly securities report: November 11, 2022  
 Scheduled date to commence dividend payments: December 1, 2022  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes

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

### 1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended								
September 30, 2022	18,677	15.2	2,727	14.2	2,905	15.4	1,956	15.2
September 30, 2021	16,218	12.6	2,387	26.9	2,517	26.2	1,698	29.1

Note: Comprehensive income For the six months ended September 30, 2022 ¥1,958 million [(5.6)%]  
 For the six months ended September 30, 2021 ¥2,074 million [(5.5)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	82.84	—
September 30, 2021	71.54	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	57,816	45,827	77.7
March 31, 2022	54,807	44,560	79.8

Reference: Equity

As of September 30, 2022 ¥44,946 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	–	28.00			
Fiscal year ending March 31, 2023 (Forecast)			–	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
Full year	37,400	11.8	5,200	6.5	5,550	8.2	3,750	8.0	158.69

Note: Revisions to the earnings forecasts most recently announced: Yes

**\* 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 8 “2. Quarterly consolidated financial statements and main notes (4) 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 September 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 September 30, 2022	1,741,854 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)

Six months ended September 30, 2022	23,621,814 shares
Six months ended September 30, 2021	23,746,773 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.

The Company plans to hold a briefing session for institutional investors and analysts on Monday, November 14, 2022. The financial results presentation materials to be distributed at this briefing session will be posted on the Company’s website on the same day.

○ **Table of contents of attached materials**

**Index**

1. Qualitative information on financial results for the period under review .....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position.....	2
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	3
2. Quarterly consolidated financial statements and main notes .....	4
(1) Quarterly consolidated balance sheet .....	4
(2) Quarterly consolidated statement of income and comprehensive income (cumulative) .....	6
(3) Quarterly consolidated statement of cash flows .....	7
(4) Notes to quarterly consolidated financial statements .....	8
(Notes on premise of going concern) .....	8
(Notes when there are significant changes in amounts of shareholders' equity).....	8
(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates).....	8
(Segment information) .....	9

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

### (1) Explanation of operating results

During the six months ended September 30, 2022, COVID-19 case numbers rose temporarily due to the seventh wave of infections, but economic activities headed towards normalization thanks to progressing vaccinations. Moreover, despite the rapid depreciation of the yen and the rise of raw material prices due to increasing resource prices, corporate earnings were overall on an upward trend and the gradual recovery continued. However, the increased cost of living due to the further depreciation of the yen, concerns over downturns in the economies of the United States and China, the intensification of the situation in Ukraine, and the impact of the reemergence of COVID-19, among other factors, mean that the 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 six months of the fiscal year under review increased to ¥18,677 million (up 15.2% year-on-year). In terms of profit, operating profit was ¥2,727 million (up 14.2% year-on-year), and ordinary profit was ¥2,905 million (up 15.4% year-on-year). Profit attributable to owners of parent was ¥1,956 million (up 15.2% 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 ¥13,944 million (up 21.8% year-on-year). Segment profit (operating profit) was ¥2,139 million (up 19.3% year-on-year) due to increased quantities of cosmetic ingredients and improvements in merchandise category composition, as well as positive effects of the yen depreciation.

#### (ii) Household products business

In this segment, despite a temporary rise in COVID-19 case numbers due to the seventh wave of infections, 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 ¥4,043 million (down 5.1% year-on-year) and segment profit (operating profit) was ¥367 million (down 17.0% year-on-year).

#### (iii) Other

Net sales of other businesses was ¥689 million (up 34.9% year-on-year) and segment profit (operating profit) was ¥220 million (up 46.1% year-on-year).

### (2) Explanation of financial position

Total assets at the end of the second quarter of the fiscal year under review increased by ¥3,009 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥57,816 million. This was mainly due to an increase in current assets by ¥1,709 million due mainly to

an increase in raw materials and supplies, and a ¥1,299 million increase in non-current assets due to an increase in buildings and structures.

Liabilities at the end of the second quarter of the fiscal year under review increased by ¥1,742 million from the previous fiscal year-end to ¥11,989 million. This was mainly due to an increase in current liabilities by ¥1,866 million, mainly due to an increase in accounts payable - facilities, while non-current liabilities decreased by ¥123 million, mainly due to a decrease in provision for environmental measures.

The net assets at the end of the second quarter of the fiscal year under review increased by ¥1,266 million from the previous fiscal year-end to ¥45,827 million. This was mainly due to an increase in shareholders' equity by ¥1,301 million, due to recording ¥1,956 million in profit attributable to owners of parent and ¥684 million in dividends paid, while accumulated other comprehensive income decreased by ¥87 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**

We revised the consolidated earnings forecasts for the year ending March 31, 2023 from the forecasts announced on April 28, 2022, due to the strong business performance in the industrial products business segment as of the second quarter. The main exchange rates used in the earnings forecasts are ¥130 per US\$ and ¥135 per EUR.

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 second quarter (As of September 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	12,862,645	12,013,730
Notes and accounts receivable - trade	8,703,595	9,239,992
Merchandise and finished goods	3,087,092	3,282,540
Work in process	2,116,475	2,231,913
Raw materials and supplies	3,216,976	4,242,096
Other	239,580	924,166
Allowance for doubtful accounts	(2,095)	(191)
Total current assets	30,224,271	31,934,247
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,505,334	6,905,666
Machinery, equipment and vehicles, net	1,315,673	1,353,141
Land	3,644,767	3,645,367
Construction in progress	3,775,146	1,695,365
Other, net	532,008	643,332
Total property, plant and equipment	12,772,930	14,242,873
Intangible assets	307,314	476,962
Investments and other assets		
Investment securities	11,205,190	10,844,506
Retirement benefit asset	26,889	56,667
Other	271,010	261,740
Total investments and other assets	11,503,089	11,162,915
Total non-current assets	24,583,335	25,882,751
Total assets	54,807,607	57,816,998

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	Current second quarter (As of September 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,928,700	3,916,638
Accounts payable - other	757,375	739,918
Income taxes payable	985,079	746,473
Provision for bonuses	778,695	809,200
Provision for bonuses for directors (and other officers)	92,259	55,416
Provision for environmental measures	61,332	117,223
Accounts payable - facilities	362,000	2,422,308
Other	646,323	671,118
Total current liabilities	7,611,766	9,478,296
Non-current liabilities		
Deferred tax liabilities	2,267,152	2,215,467
Provision for environmental measures	117,223	–
Retirement benefit liability	111,707	136,073
Long-term accounts payable - other	15,600	15,600
Long-term guarantee deposits	103,236	103,619
Asset retirement obligations	9,430	9,430
Other	11,077	31,382
Total non-current liabilities	2,635,427	2,511,572
Total liabilities	10,247,193	11,989,869
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,803,377	6,821,920
Retained earnings	25,790,799	27,062,821
Treasury shares	(1,296,698)	(1,285,614)
Total shareholders' equity	37,230,699	38,532,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,784,914	5,561,294
Deferred gains or losses on hedges	34,721	27,591
Foreign currency translation adjustment	675,778	819,488
Remeasurements of defined benefit plans	6,154	5,615
Total accumulated other comprehensive income	6,501,567	6,413,990
Non-controlling interests	828,145	880,789
Total net assets	44,560,413	45,827,129
<b>Total liabilities and net assets</b>	<b>54,807,607</b>	<b>57,816,998</b>



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

	(Thousands of yen)	
	Previous second quarter (Cumulative) (From April 1, 2021 to September 30, 2021)	Current second quarter (Cumulative) (From April 1, 2022 to September 30, 2022)
Net sales	16,218,857	18,677,377
Cost of sales	11,203,949	13,047,874
Gross profit	5,014,908	5,629,502
Selling, general and administrative expenses	2,627,281	2,901,725
Operating profit	2,387,626	2,727,777
Non-operating income		
Interest income	3,758	6,407
Dividend income	122,339	149,120
Foreign exchange gains	–	764
Miscellaneous income	16,774	22,931
Total non-operating income	142,872	179,223
Non-operating expenses		
Interest expenses	567	645
Foreign exchange losses	11,897	–
Miscellaneous losses	58	1,227
Total non-operating expenses	12,523	1,872
Ordinary profit	2,517,976	2,905,128
Extraordinary income		
Gain on sale of non-current assets	226	2,247
Total extraordinary income	226	2,247
Extraordinary losses		
Loss on retirement of non-current assets	44,992	11,454
Loss on sale of investment securities	–	13,889
Total extraordinary losses	44,992	25,343
Profit before income taxes	2,473,210	2,882,032
Income taxes - current	728,299	830,015
Income taxes - deferred	1,437	49,945
Total income taxes	729,736	879,960
Profit	1,743,473	2,002,072
Profit attributable to		
Profit attributable to owners of parent	1,698,997	1,956,872
Profit attributable to non-controlling interests	44,475	45,200
Other comprehensive income		
Valuation difference on available-for-sale securities	254,085	(223,619)
Deferred gains or losses on hedges	(8,451)	(7,921)
Foreign currency translation adjustment	88,492	188,787
Remeasurements of defined benefit plans, net of tax	(3,182)	(538)
Total other comprehensive income	330,943	(43,291)
Comprehensive income	2,074,416	1,958,780
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,009,623	1,869,295
Comprehensive income attributable to non-controlling interests	64,793	89,485

**(3) Quarterly consolidated statement of cash flows**

(Thousands of yen)

	Previous second quarter (Cumulative) (From April 1, 2021 to September 30, 2021)	Current second quarter (Cumulative) (From April 1, 2022 to September 30, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,473,210	2,882,032
Depreciation	509,222	445,586
Increase (decrease) in allowance for doubtful accounts	(50)	(1,903)
Increase (decrease) in retirement benefit liability	(10,275)	24,365
Decrease (increase) in retirement benefit asset	(4,373)	(29,778)
Interest and dividend income	(126,098)	(155,527)
Interest expenses	567	645
Foreign exchange losses (gains)	(765)	(11,792)
Loss (gain) on sale of investment securities	–	13,889
Loss (gain) on sale and retirement of property, plant and equipment	44,765	9,206
Decrease (increase) in trade receivables	(169,100)	(506,876)
Decrease (increase) in inventories	(983,359)	(1,309,725)
Increase (decrease) in guarantee deposits received	1,179	382
Increase (decrease) in trade payables	(141,893)	48,147
Other, net	(144,082)	(241,632)
Subtotal	1,448,946	1,167,019
Interest and dividends received	126,098	155,527
Interest paid	(567)	(645)
Income taxes paid	(770,608)	(1,063,208)
Net cash provided by (used in) operating activities	803,869	258,693
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	–	101,450
Purchase of property, plant and equipment	(641,323)	(452,295)
Proceeds from sale of property, plant and equipment	389	2,600
Purchase of intangible assets	(13,446)	(84,778)
Purchase of investment securities	(792)	(804)
Proceeds from sale of investment securities	–	25,125
Net cash provided by (used in) investing activities	(655,173)	(408,703)
<b>Cash flows from financing activities</b>		
Repayments of lease liabilities	(2,539)	(3,968)
Dividends paid	(439,315)	(684,849)
Dividends paid to non-controlling interests	(37,435)	(36,841)
Purchase of treasury shares	(346)	(76)
Other, net	–	47
Net cash provided by (used in) financing activities	(479,637)	(725,688)
Effect of exchange rate change on cash and cash equivalents	20,857	47,882
Net increase (decrease) in cash and cash equivalents	(310,084)	(827,815)
Cash and cash equivalents at beginning of period	13,187,098	11,410,777
Cash and cash equivalents at end of period	12,877,014	10,582,961

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

Not applicable.

**(Notes when there are significant changes in amounts of shareholders' 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 attached to buildings and structures 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 six months of the fiscal year under review increased by ¥73,655 thousand each, compared with the case where the previous method is used.

**(Segment information)**

[Segment information]

## I. Previous second quarter (Cumulative) (From April 1, 2021 to September 30, 2021)

## 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	11,445,992	4,261,955	15,707,947	354,054	16,062,001	–	16,062,001
Other revenue	–	–	–	156,856	156,856	–	156,856
Revenues from external customers	11,445,992	4,261,955	15,707,947	510,910	16,218,857	–	16,218,857
Intersegment sales or transfers	77,101	25,421	102,522	22,149	124,671	(124,671)	–
Total	11,523,093	4,287,376	15,810,469	533,059	16,343,529	(124,671)	16,218,857
Segment profit	1,793,713	442,831	2,236,544	151,082	2,387,626	–	2,387,626

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 second quarter (Cumulative) (From April 1, 2022 to September 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	13,944,941	4,043,184	17,988,126	531,608	18,519,734	–	18,519,734
Other revenue	–	–	–	157,642	157,642	–	157,642
Revenues from external customers	13,944,941	4,043,184	17,988,126	689,251	18,677,377	–	18,677,377
Intersegment sales or transfers	141,479	16,467	157,946	20,804	178,751	(178,751)	–
Total	14,086,420	4,059,651	18,146,072	710,055	18,856,128	(178,751)	18,677,377
Segment profit	2,139,357	367,763	2,507,121	220,656	2,727,777	–	2,727,777

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 attached to buildings and structures 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 six months of the fiscal year under review increased by ¥60,484 thousand for the industrial products business, ¥3,256 thousand for the household products business, and ¥9,914 thousand for the other business.