



NIPPON FINE CHEMICAL CO., LTD.

Financial Results Meeting for the 1st Half of FY2022

November 14, 2022

NIPPON FINE CHEMICAL CO., LTD.





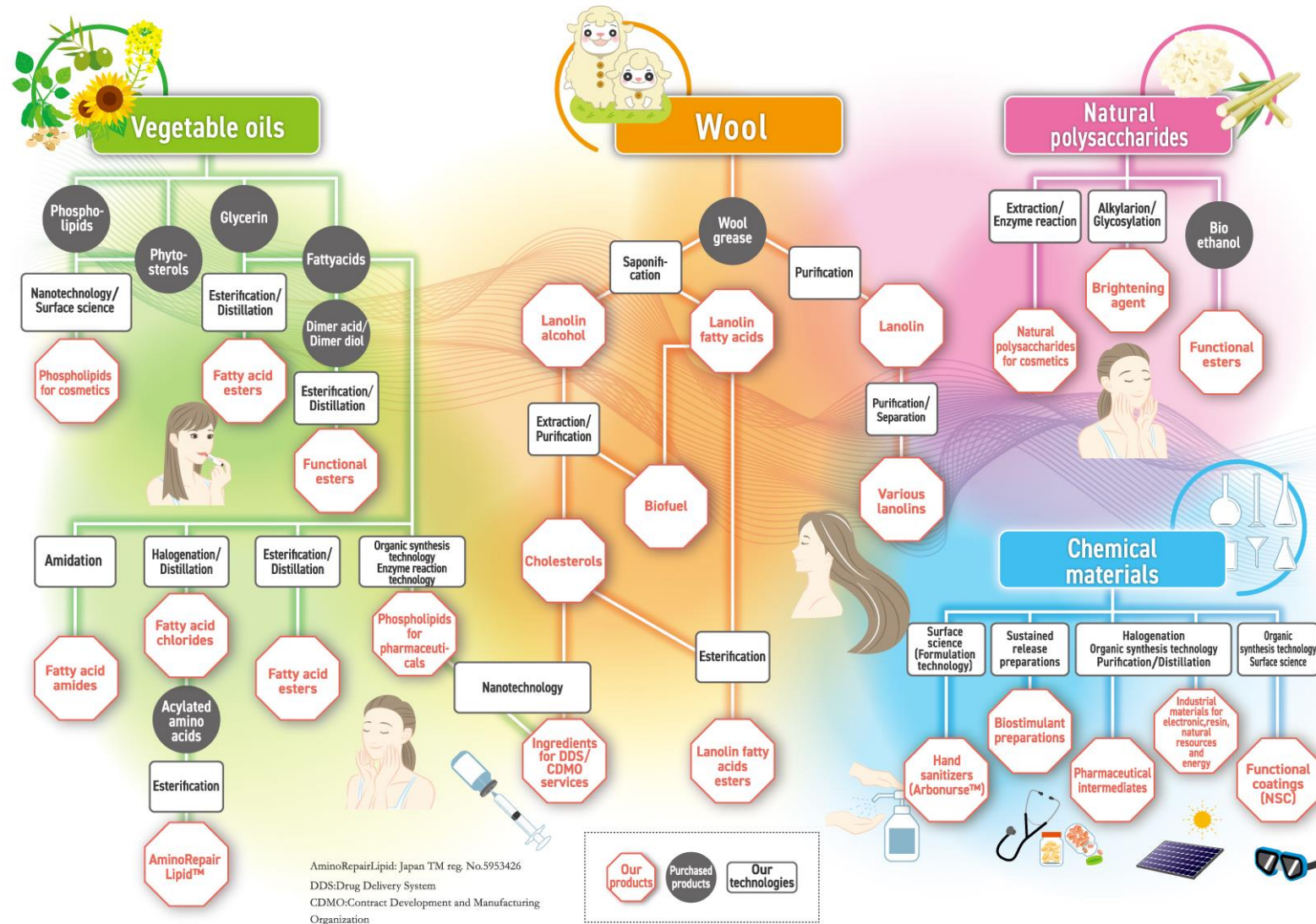
1. NFC Long-Term Vision



Sustaining the KIREI of the Earth through sustainable manufacturing
Sustaining the KIREI of communities through compliance, safety, and actions that ensure peace of mind
Sustaining the KIREI of the future through diversity-driven innovation

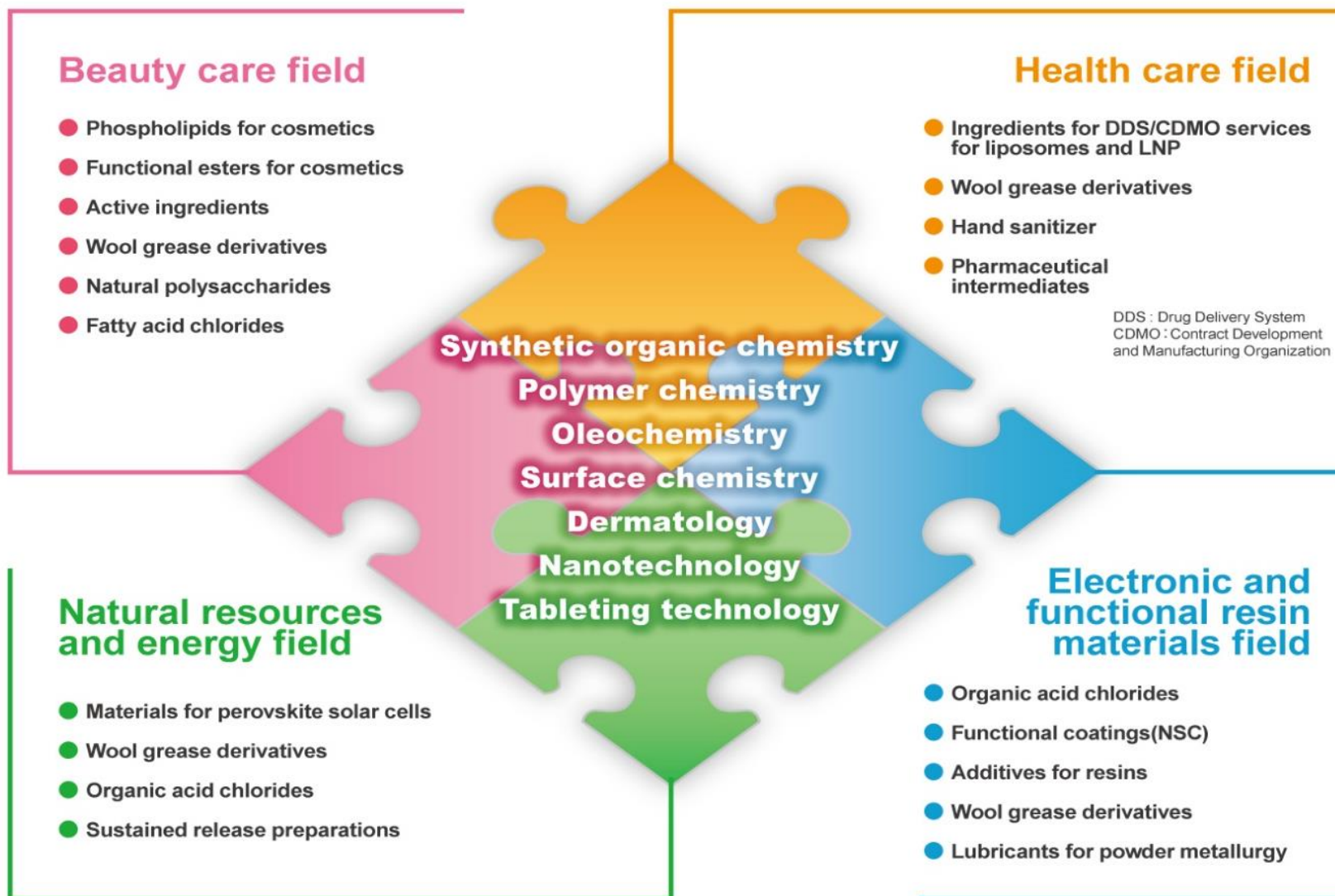


2. NIPPON FINE CHEMICAL Group's Business Sectors



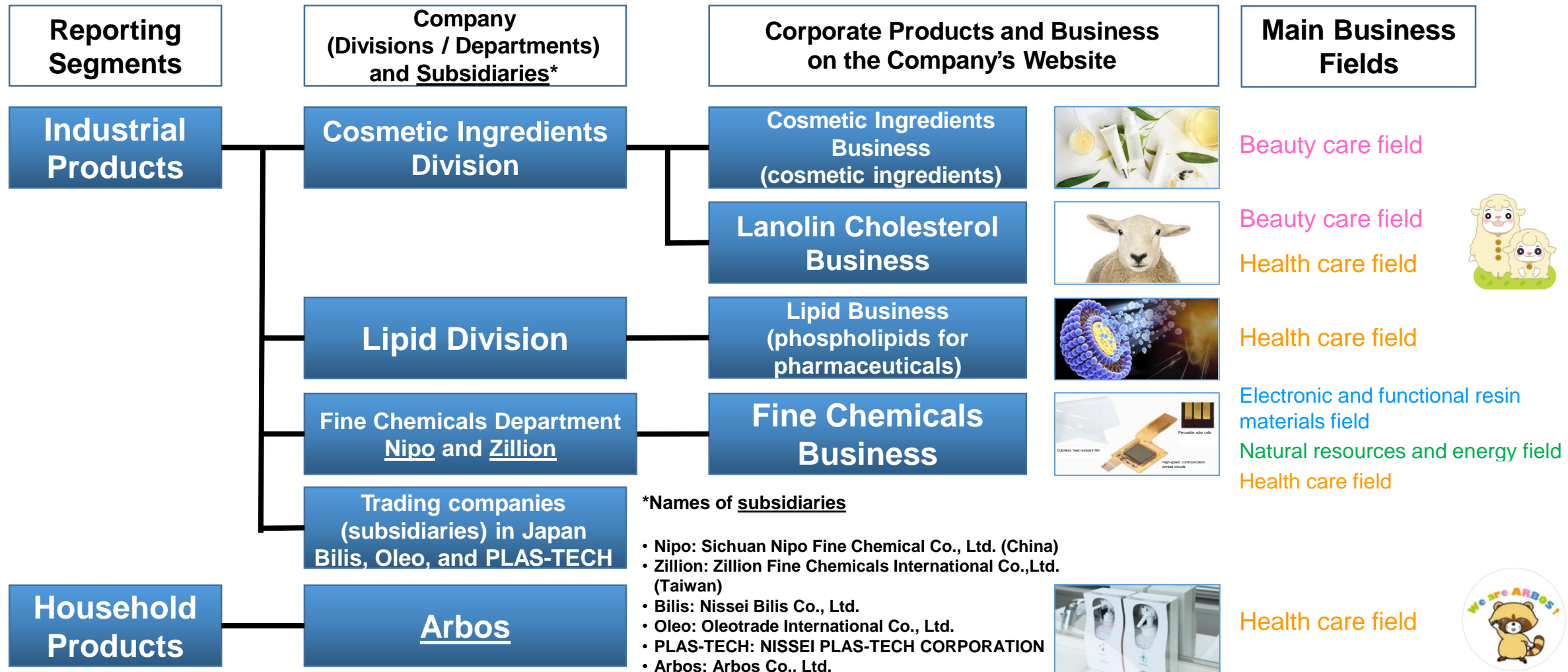


2. NIPPON FINE CHEMICAL Group's Business Sectors



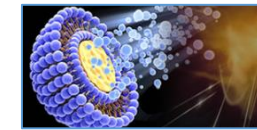


2. NIPPON FINE CHEMICAL Group's Business Sectors



***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.





2. NIPPON FINE CHEMICAL Group's Business Sectors

- **Analysis of the external environment of the cosmetics market (market for cosmetic ingredients)**

Item	Item Details	Market size (estimate)	Analysis of the current environment	The Company's response
Market	Japan	Approx. ¥2.6 trillion	Inbound demand disappeared and domestic demand declined due to the COVID-19 pandemic ⇒ <u>slow recovery from the COVID-19 impact</u>	Widely adopted by cosmetics manufacturers ⇒ expansion
	Global	Approx. ¥38 trillion	Many countries rebounded swiftly from the COVID-19 pandemic and kept growing ⇒ <u>expect continual steady growth</u>	Expand adoption by major global cosmetics manufacturers, etc.
Products	Market trends	—	Cosmetics markets expanded primarily in the growing East and Southeast Asian economies, and there was an <u>increase in high value-added products</u>	Combine highly functional ingredients and marketing
	Sustainability	—	<u>Selection of ingredients</u> , use of plant-derived and Non-GMO ingredients mainly in Europe and the U.S.	Develop products to meet the needs

⇒ Meeting market needs and capturing overseas demand (including outbound demand) are the keys to future growth



2. NIPPON FINE CHEMICAL Group's Business Sectors

- Major strategies for cosmetic ingredients

✓Through our numerous highly functional ingredients,

implement marketing activities to meet the needs of customers and consumers accurately

⇒ Increase performance through the adoption of our cosmetic ingredients by a large number of cosmetics manufacturers in Japan

⇒ Expand sales by applying the method developed in the Japanese market and by identifying needs that match the market characteristics of each country

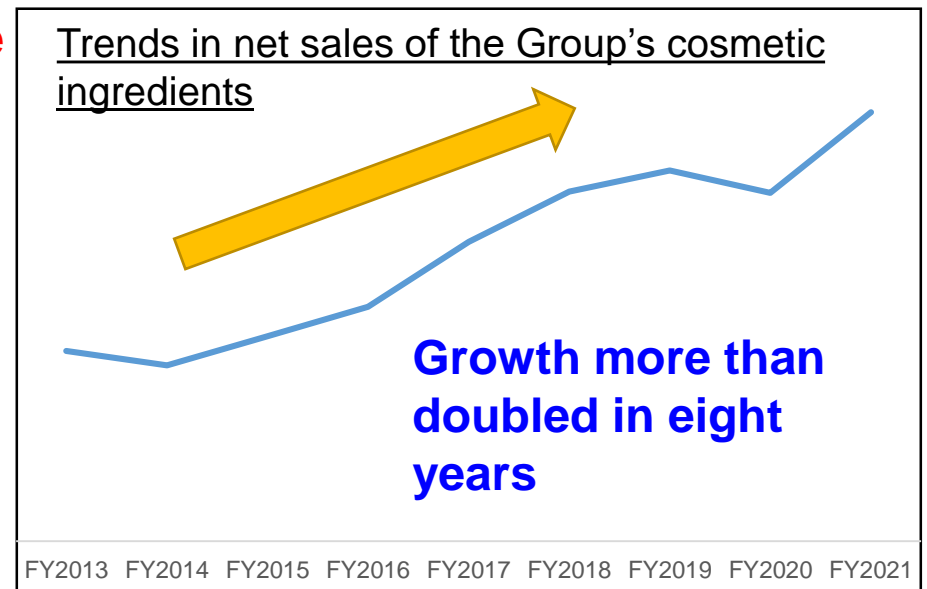
✓Develop and launch

RSPO-certified products and Non-GMO* products

⇒ Respond swiftly to the needs of the cosmetics industry, which is moving rapidly toward sustainability

*RSPO・・・Roundtable on Sustainable Palm Oil (certification system)

Non-GMO・・・Products that do not use genetically modified organisms





3. Overview of Consolidated Financial Results for the 1st Half of FY2022

- Net sales and profits reached record highs, achieving the latest forecast
- EBITDA also increased from the 1st half of FY2021

(Unit: Millions of yen)	1st half of FY2021	1st half of FY2022	Year-on-year changes	Latest Forecast (Announced on April 28, 2022)	
	Actual amount	Actual amount		Amount	Change from forecast
Net sales	16,218	18,677	15.2%	17,900	4.3%
Operating profit	2,387	2,727	14.2%	2,450	11.3%
Ratio of operating profit (%)	14.7%	14.6%		13.7%	
Ordinary profit	2,517	2,905	15.4%	2,600	11.7%
Profit attributable to owners of parent	1,698	1,956	15.2%	1,750	11.8%
Basic earnings per share (Yen)	71.54	82.84		74.10	
EBITDA (Operating profit before depreciation and amortization)	2,896	3,173	9.5%		

*From FY2022, the depreciation method is unified to the straight-line method



3. Overview of Consolidated Financial Results for the 1st Half of FY2022

- For Industrial Products, net sales and profit increased; both net sales and operating profit reached record highs
- For Household Products, both net sales and operating profit declined; the ratio of operating profit also declined

Reporting segments (Unit: Millions of yen)		1st half of FY2021	2nd half of FY2021	1st half of FY2022	Change from 1st half of FY2021		Change from 2nd half of FY2021	
					Amount	Rate	Amount	Rate
Industrial Products	Net sales	11,445	12,154	13,944	2,498	21.8%	1,789	14.7%
	Operating profit	1,793	1,827	2,139	345	19.3%	311	17.0%
	Ratio of operating profit	15.7%	15.0%	15.3%				
Household Products	Net sales	4,261	4,384	4,043	-218	-5.1%	- 341	-7.8%
	Operating profit	442	484	367	- 75	-17.0%	- 117	-24.1%
	Ratio of operating profit	10.4%	11.1%	9.1%				
Other*	Net sales	510	690	689	178	34.9%	- 1	-0.2%
	Operating profit	151	181	220	69	46.1%	39	21.6%
	Ratio of operating profit	29.6%	26.3%	32.0%				

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



3. Overview of Consolidated Financial Results for the 1st Half of FY2022

- Status of net sales by major business category

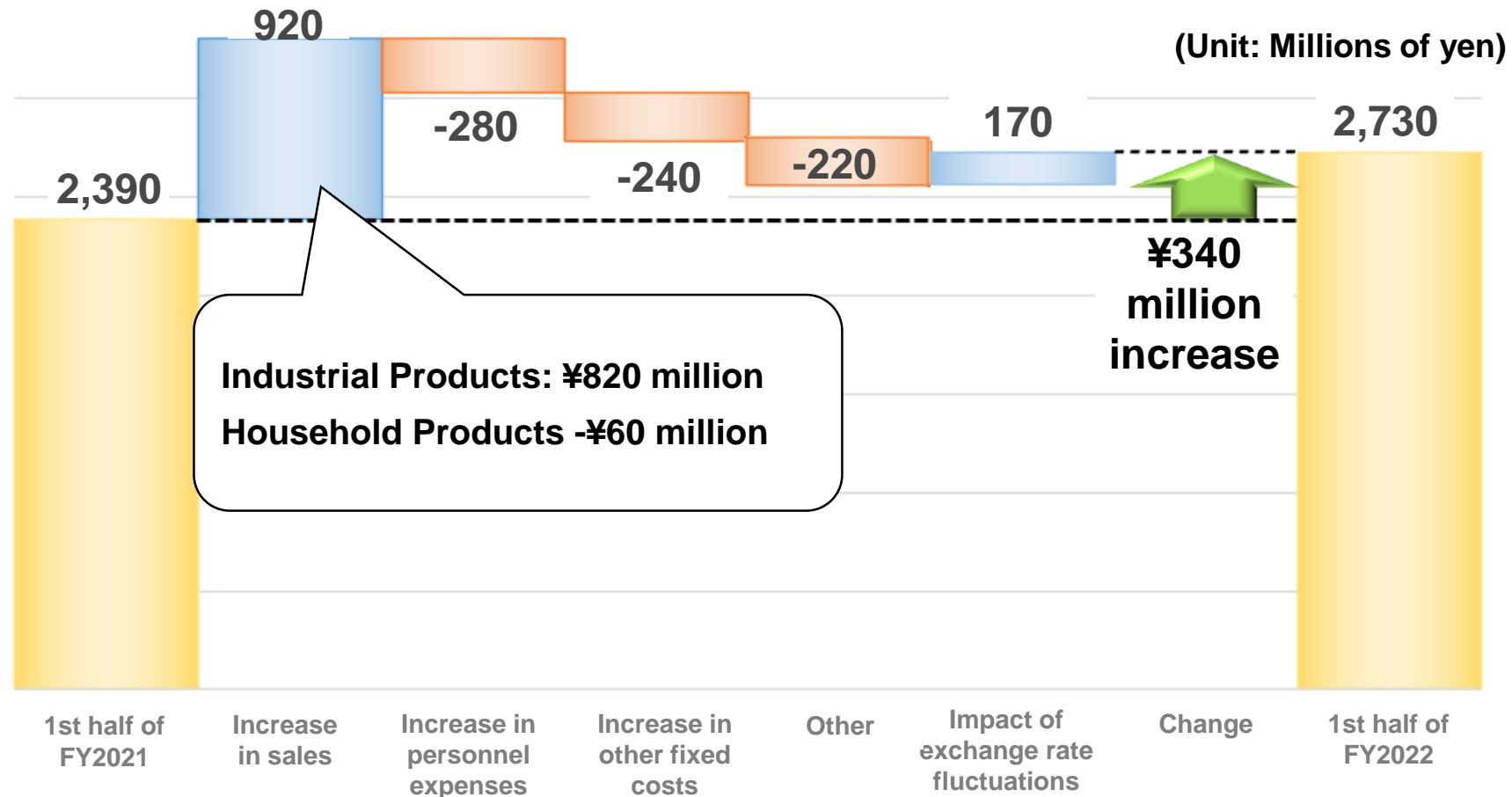
Reporting Segments	Main business	Status (Year-on-year changes)	Overview
Industrial Products	Cosmetic Ingredients Business (cosmetic ingredients)	+28%	Domestic market: increase in business for our customers' large-scale products; Overseas market: Europe and the U.S. perform well
	Lanolin Cholesterol Business	+13%	Overseas sales, which increased significantly in the previous fiscal year (FY2021), continue performing well
	Lipid Business (phospholipids for pharmaceuticals)	+7%	Overseas sales expansion remains stable
	Fine Chemicals Business	+36%	Fatty acid amides business continues to grow
Household Products	Arbos	-5%	Corporate demand for COVID-19 infection control products declined



3. Overview of Consolidated Financial Results for the 1st Half of FY2022

- Analysis of operating profit

Profit increased due to increased sales despite increases in other fixed costs and raw material prices





3. Overview of Consolidated Financial Results for the 1st Half of FY2022

- Balance sheet (Unit: Millions of yen)**

Account	Balance as of September 30, 2022	Change from the end of FY2021	Main factors for increase / decrease
Cash and deposits	12,013	-848	
Notes and accounts receivable – trade	9,239	+536	Increase in sales
Inventories	9,756	+1,336	Securing raw materials and responding to increase in sales
Property, plant and equipment	14,242	+1,469	Investment related to phospholipids for pharmaceuticals (includes construction in progress)
Investments and other assets	10,844	-360	Decrease in unrealized gains on investment securities and sale of some assets
Other	1,719	+876	Increase in intangible assets (new core system)
Total assets	57,816	+3,009	
Notes and accounts payable – trade	3,916	-12	
Deferred tax liabilities	2,215	-51	
Other	5,857	+1,806	Increase in accounts payable in capital investment (investment related to phospholipids for pharmaceuticals)
Total liabilities	11,989	+1,742	
Total net assets	45,827	+1,266	Equity-to-asset ratio 77.7% (-2.1% from the end of FY2021)
Net assets per share	¥1,902.04	+¥50.20	



3. Overview of Consolidated Financial Results for the 1st Half of FY2022

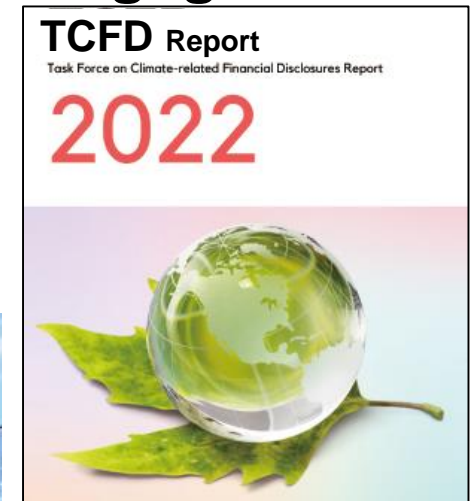
- **Statement of cash flows (CF) (Unit: Millions of yen)**

Category	1st half of FY2022	Main factors
Profit before income taxes	2,882	
Depreciation	445	
Increase in working capital	-1,768	Securing raw materials, effects of an increase in sales
Income taxes paid	-1,063	
Other	-237	
CF from operating activities	258	
CF from investing activities	-408	Purchase of property, plant and equipment -452
(Free CF)	(-150)	
CF from financing activities	-725	Year-end dividend -684
Effect of exchange rate change on cash and cash equivalents	47	
Net increase (decrease) in cash and cash equivalents	-827	



3. FY2022 Topics (Sustainability)

- Set **numerical goals of materialities** (key issues that we should engage in as management)
- Disclosed **TCFD report**, set indicators and targets, etc.
- As specific actions, the head office building and the three plants in Takasago, Kakogawa-higashi, and Kobe **have switched to 100% renewable energy**
- With the goal of achieving “Diversity & Inclusion”, **participated in “Work Happiness Farm”**





4. Consolidated Earnings Forecasts for FY2022

- Upward revision from figures announced on April 28, 2022 (assumed rates also updated)
- Net sales fell short of the medium-term management plan but are close to the target figure

(Unit: Millions of yen)	FY2021	FY2022	Year-on-year changes	Medium-term Management Plan (Final year)	
	Actual amount	Forecast amount		Target amount	Increase/decrease from the target
Net sales	33,448	37,400	11.8%	39,000	-4.1%
Operating profit	4,881	5,200	6.5%	3,900	33.3%
Ratio of operating profit (%)	14.6%	13.9%		10.0%	
Ordinary profit	5,127	5,550	8.2%		
Profit attributable to owners of parent	3,472	3,750	8.0%		
Basic earnings per share (Yen)	146.32	158.69			
EBITDA (Operating profit before depreciation and amortization)	5,952	6,200	4.2%		

***Assumed rates**
130 yen per US\$
135 yen per EUR
(change from the beginning of FY2022,
US\$ +10 yen
EUR +5 yen)



4. Consolidated Earnings Forecasts for FY2022

- Industrial Products will increase from the figures announced on April 28, 2022, while Household Products will slightly decrease
- In both segments, the price adjustment compensates for the rise in raw material prices, etc.

Reporting Segments (Unit: Millions of yen)		FY2020	FY2021	FY2022	Year-on-year changes	
					Amount	Rate
Industrial Products	Net sales	19,305	23,600	27,300	3,699	15.7%
	Operating profit	2,293	3,621	4,000	378	10.4%
	Ratio of operating profit	11.9%	15.3%	14.7%		
Household Products	Net sales	10,069	8,646	8,800	153	1.8%
	Operating profit	1,423	927	850	- 77	-8.4%
	Ratio of operating profit	14.1%	10.7%	9.7%		
Other*	Net sales	1,134	1,201	1,300	98	8.2%
	Operating profit	223	332	350	17	5.3%
	Ratio of operating profit	19.7%	27.7%	26.9%		

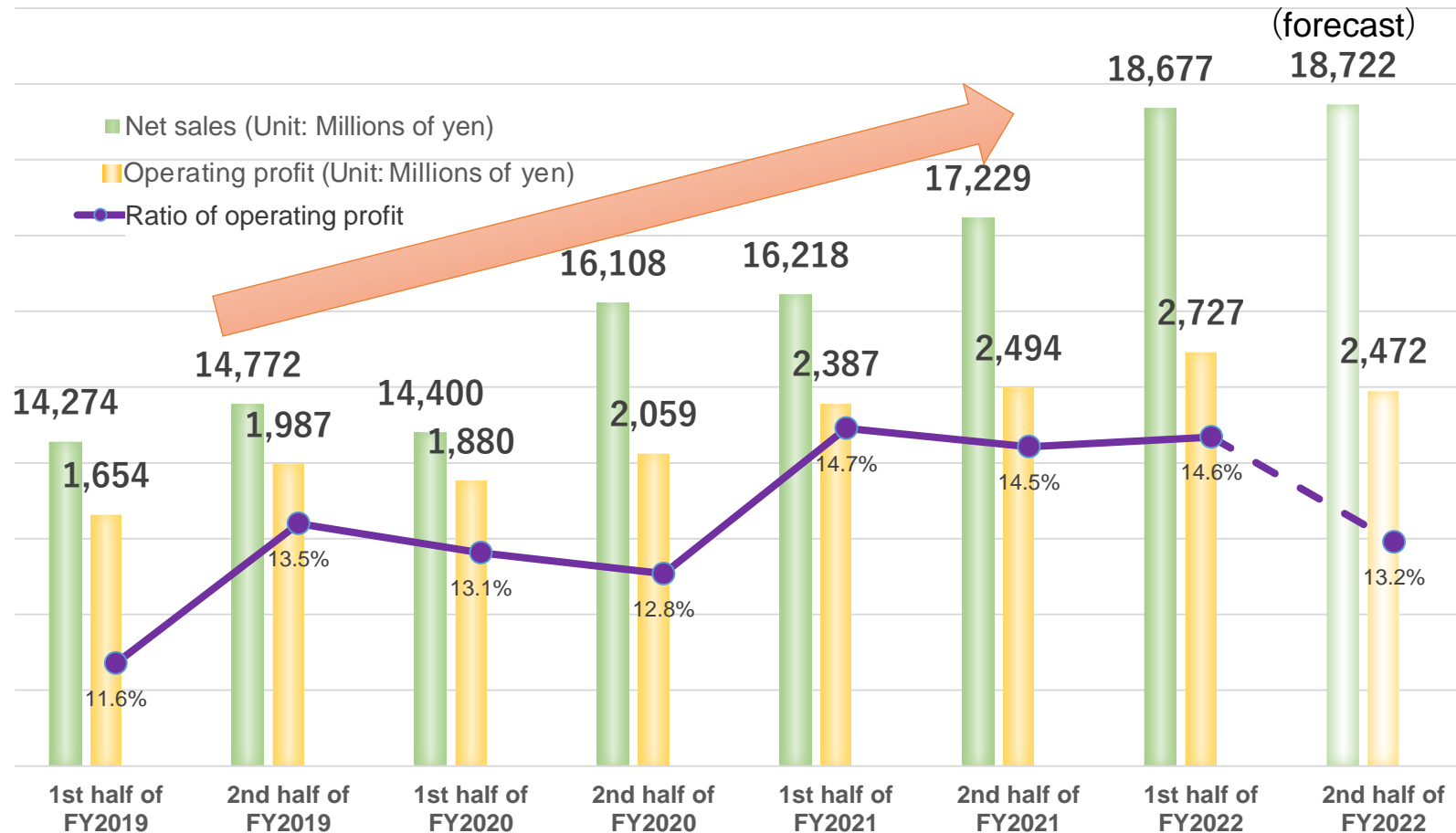
*Other: Real estate business and the contract business of pharmacology and safety tests



4. Consolidated Earnings Forecasts for FY2022

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

Despite continued increases in sales and profit, profit is expected to decrease in the 2nd half of FY2022 due to an increase in raw material costs and new plant launch costs.

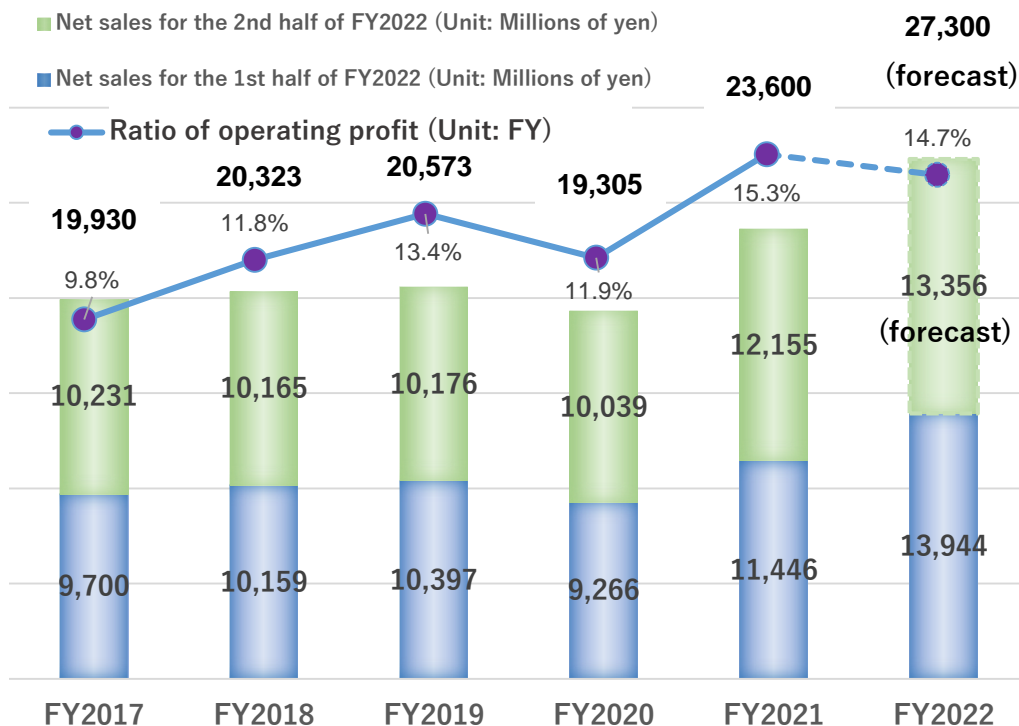




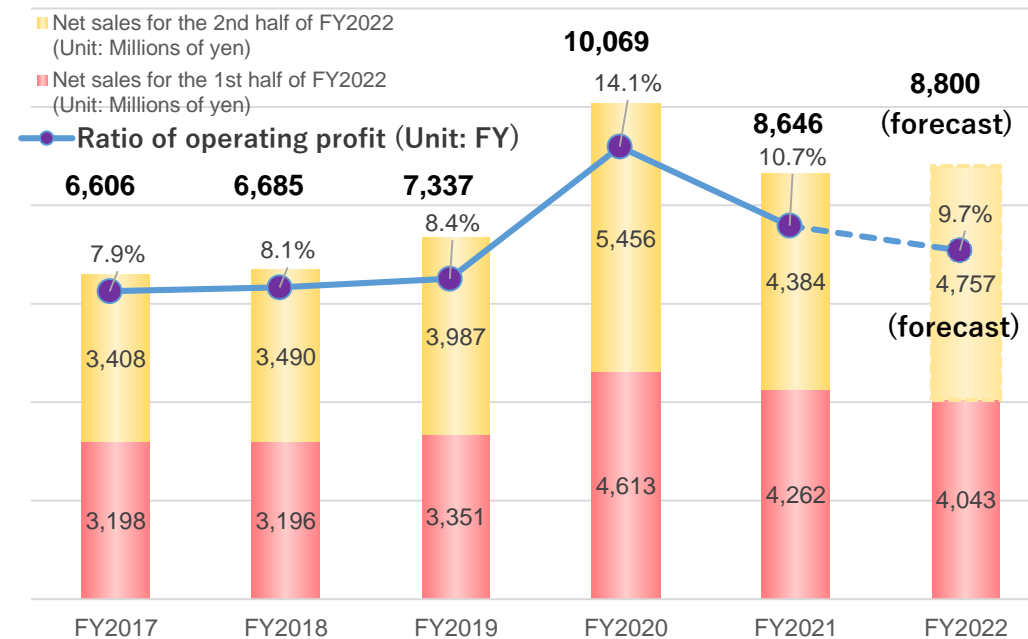
4. Consolidated Earnings Forecasts for FY2022

• Trends by segment

Industrial Products



Household Products



- In the 1st half of FY2022, net sales reached record highs
- Expect steady performance in the 2nd half of FY2022 with profit margins remaining at a high level

- While net sales for the 1st half of FY2022 declined from the 2nd half of FY2021, they are up from FY2019
- Upward trend in net sales and profit margins remains steady for the full fiscal year



4. Consolidated Earnings Forecasts for FY2022

- Status of net sales by major business category

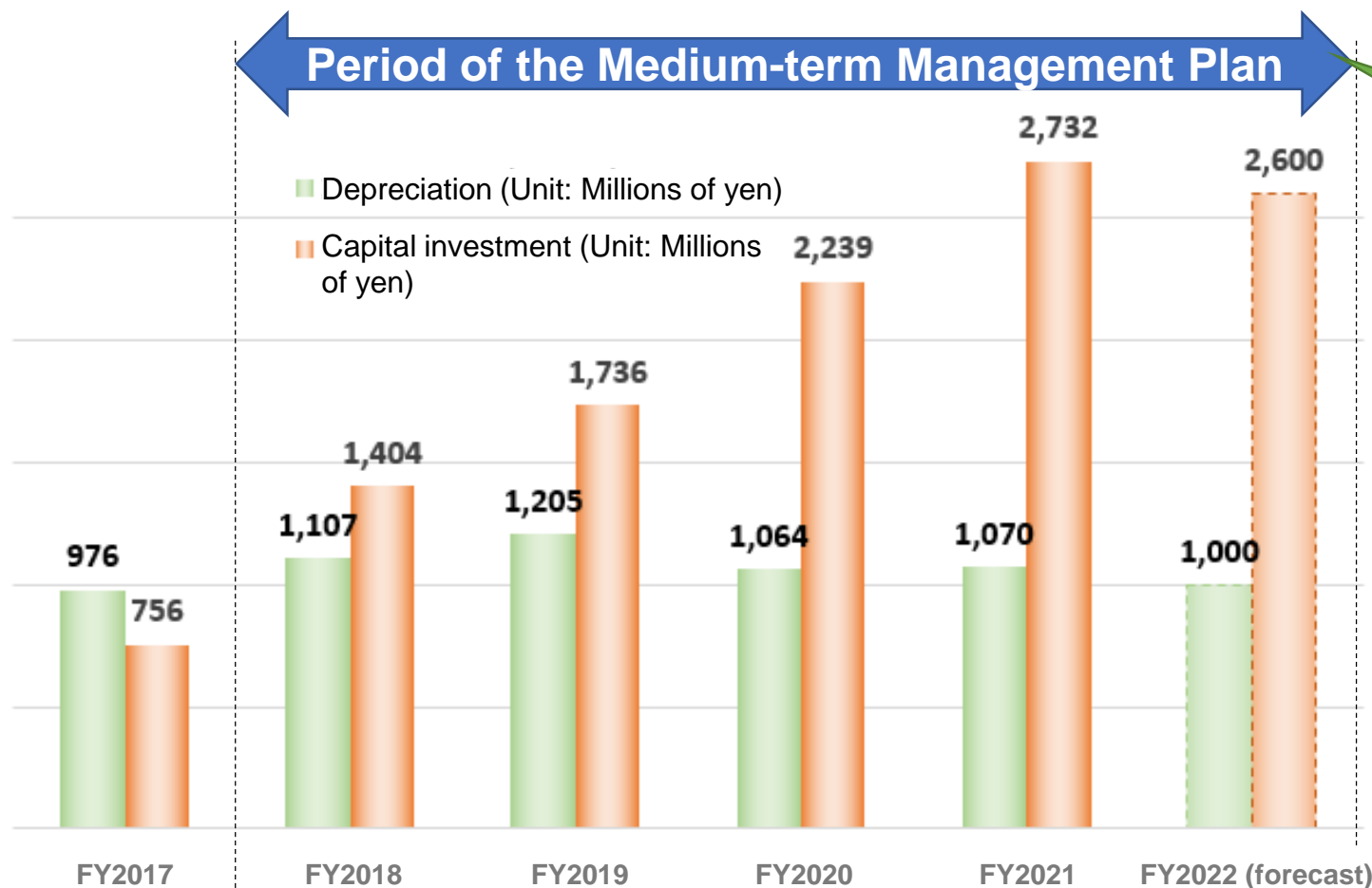
Reporting Segments	Main business	Status (Year-on-year changes)	Overview (forecast)
Industrial Products	Cosmetic Ingredients Business (cosmetic ingredients)	+27%	Increased sales due to the new adoption of cosmetic ingredients in customers' products and the gradual recovery of domestic and overseas cosmetics markets
	Lanolin Cholesterol Business	+8%	Overseas sales, which increased significantly in the previous fiscal year (FY2021), will continue to perform well (growth started in the 2nd half of FY2021, and the growth rate declined)
	Lipid Business (phospholipids for pharmaceuticals)	+5%	Overseas sales expansion is expected to remain stable (the new plant will start operating after January 2023)
	Fine Chemicals Business	+18%	The fatty acid amides business continued to grow due to product price adjustments, and functional coatings are expected to recover
Household Products	Arbos	+3%	Despite the decline in corporate demand for COVID-19 infection control products in the 1st half of FY2022, expect growth in other infection control products and increased prices in the 2nd half of FY2022



4. Consolidated Earnings Forecasts for FY2022

- Capital investment (based on non-current assets recorded) and depreciation

Investment related to phospholipids for pharmaceuticals proceeds as planned (plant complete)



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

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

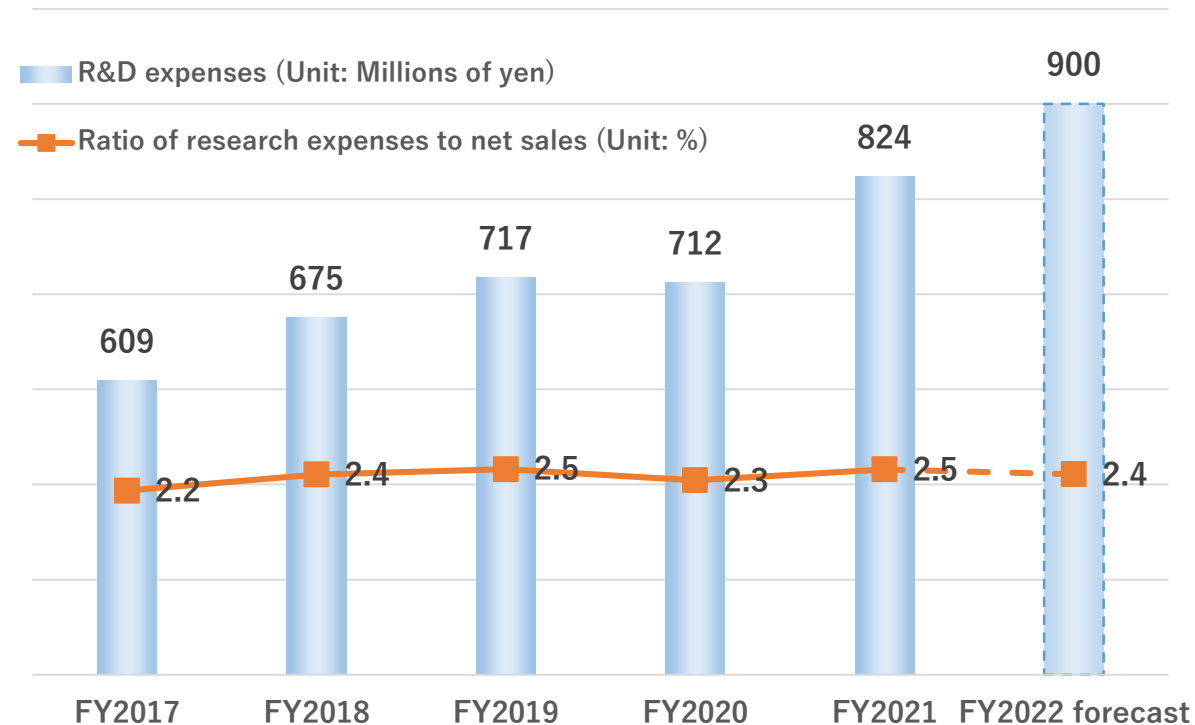
*From FY2022, the depreciation method is unified to the straight-line method



4. Consolidated Earnings Forecasts for FY2022

- (Consolidated) Trends in R&D expenses

FY2022 will see an increase from FY2021, expect new record highs will be reached

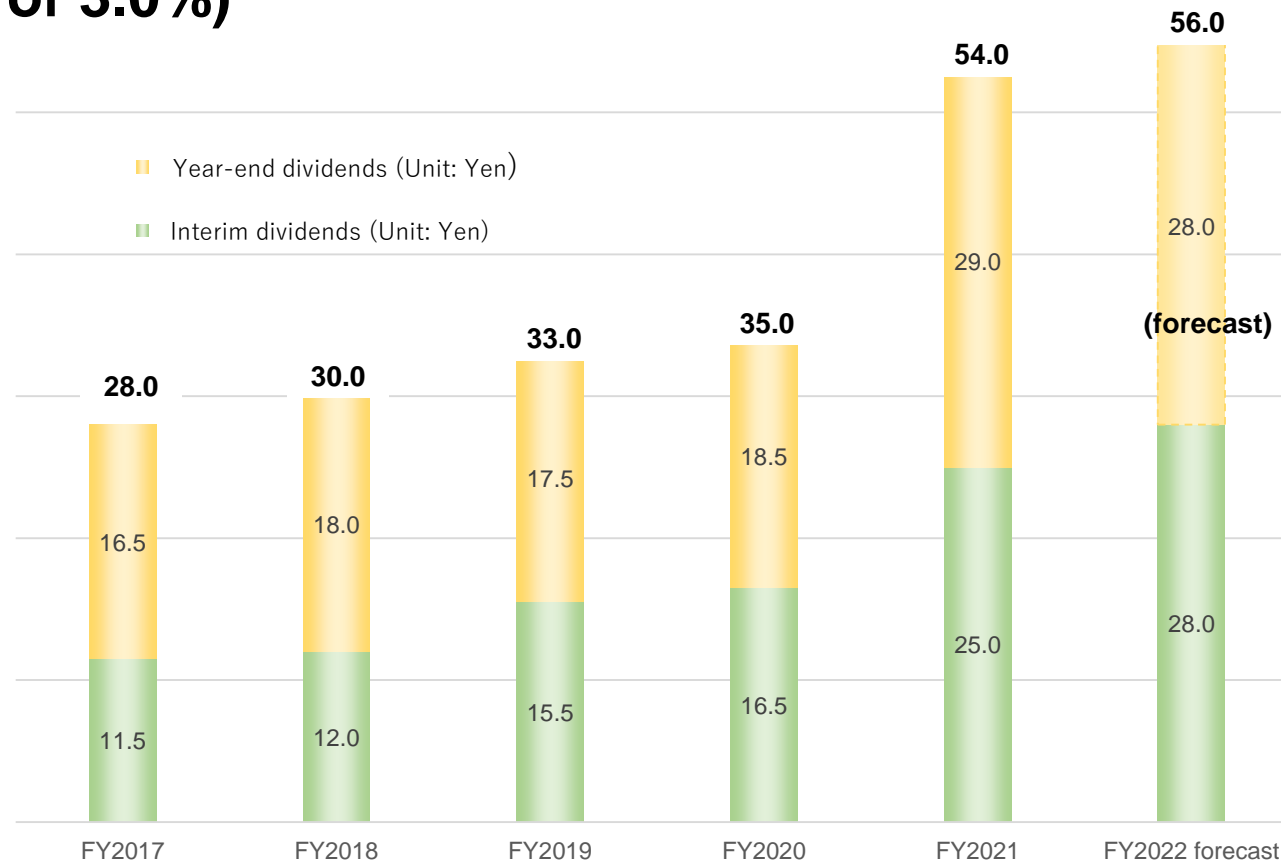




4. Consolidated Earnings Forecasts for FY2022

- Trends in dividends per share

Dividends increased from the FY2021 (planned dividends with a consolidated DOE target of 3.0%)





- 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.
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