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MEMBERSHIP

January 30, 2023

## Consolidated Financial Results for the Nine Months Ended December 31, 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: February 13, 2023  
 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	27,762	12.0	4,117	9.6	4,413	10.9	3,152	17.5
December 31, 2021	24,789	10.7	3,756	25.6	3,980	24.9	2,682	9.5

Note: Comprehensive income For the nine months ended December 31, 2022 ¥3,294 million [29.5%]  
 For the nine months ended December 31, 2021 ¥2,543 million[(39.7)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	133.69	–
December 31, 2021	112.96	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	56,314	44,616	77.7
March 31, 2022	54,807	44,560	79.8

Reference: Equity

As of December 31, 2022 ¥43,769 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: 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

(4) Number of issued shares (common shares)

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

As of December 31, 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 December 31, 2022	2,561,727 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)

Nine months ended December 31, 2022	23,578,535 shares
Nine months ended December 31, 2021	23,746,722 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

In the Japanese economy during the nine months ended December 31, 2022, COVID-19 case numbers were on the rise, but economic activities headed towards normalization as New Normal lifestyles during the COVID-19 pandemic were permeating society 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, risks such as high global inflation, concerns over downturns in the economies of the United States and China, and the intensification of the situation in Ukraine 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 nine months of the fiscal year under review increased to ¥27,762 million (up 12.0% year-on-year). In terms of profit, operating profit was ¥4,117 million (up 9.6% year-on-year), and ordinary profit was ¥4,413 million (up 10.9% year-on-year). Profit attributable to owners of parent was ¥3,152 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 ¥20,534 million (up 17.3% year-on-year). Segment profit (operating profit) was ¥3,254 million (up 14.5% 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 the increasing trend of COVID-19 case numbers, sales in the environmental hygiene field decreased as corporate demand for infection-control products declined with the evolving permeation of New Normal lifestyles during the COVID-19 pandemic into society thanks to progressing vaccinations. As a result, net sales was ¥6,233 million (down 2.8% year-on-year) and segment profit (operating profit) was ¥555 million (down 16.5% year-on-year).

#### (iii) Other

Net sales of other businesses was ¥993 million (up 14.7% year-on-year) and segment profit (operating profit) was ¥307 million (up 24.2% year-on-year).

### (2) Explanation of financial position

Total assets at the end of the third quarter of the fiscal year under review increased by ¥1,507 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥56,314 million. This was mainly due to a ¥1,636 million increase in non-current assets due to an

increase in buildings and structures, despite a decrease in current assets by ¥129 million due mainly to a decrease in cash and deposits.

Liabilities at the end of the third quarter of the fiscal year under review increased by ¥1,451 million from the previous fiscal year-end to ¥11,698 million. This was mainly due to an increase in current liabilities by ¥1,229 million due mainly to an increase in accounts payable - facilities, and a ¥221 million increase in non-current liabilities due to an increase in deferred tax liabilities.

The net assets at the end of the third quarter of the fiscal year under review increased by ¥55 million from the previous fiscal year-end to ¥44,616 million. This was mainly due to a decrease in shareholders' equity by ¥49 million, due to recording ¥3,152 million in profit attributable to owners of parent, despite an increase of ¥1,873 million in treasury shares and ¥1,346 million in dividends paid, while accumulated other comprehensive income increased by ¥86 million, mainly due to an increase 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 full-year earnings forecasts announced on October 28, 2022. 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 third quarter (As of December 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	12,862,645	9,035,371
Notes and accounts receivable - trade	8,703,595	9,693,179
Merchandise and finished goods	3,087,092	3,867,183
Work in process	2,116,475	2,461,054
Raw materials and supplies	3,216,976	4,322,718
Other	239,580	715,507
Allowance for doubtful accounts	(2,095)	(475)
Total current assets	30,224,271	30,094,539
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,505,334	6,721,415
Machinery, equipment and vehicles, net	1,315,673	1,291,453
Land	3,644,767	3,713,441
Construction in progress	3,775,146	1,711,905
Other, net	532,008	675,720
Total property, plant and equipment	12,772,930	14,113,935
Intangible assets	307,314	444,665
Investments and other assets		
Investment securities	11,205,190	11,334,007
Retirement benefit asset	26,889	65,507
Other	271,010	262,137
Total investments and other assets	11,503,089	11,661,652
Total non-current assets	24,583,335	26,220,253
Total assets	54,807,607	56,314,793

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	Current third quarter (As of December 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,928,700	4,705,710
Accounts payable - other	757,375	733,594
Income taxes payable	985,079	404,863
Provision for bonuses	778,695	379,302
Provision for bonuses for directors (and other officers)	92,259	73,484
Provision for environmental measures	61,332	117,223
Accounts payable - facilities	362,000	1,434,818
Other	646,323	992,422
Total current liabilities	7,611,766	8,841,418
Non-current liabilities		
Deferred tax liabilities	2,267,152	2,559,501
Provision for environmental measures	117,223	–
Retirement benefit liability	111,707	140,689
Long-term accounts payable - other	15,600	15,600
Long-term guarantee deposits	103,236	102,769
Asset retirement obligations	9,430	9,430
Other	11,077	29,276
Total non-current liabilities	2,635,427	2,857,267
Total liabilities	10,247,193	11,698,686
<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	27,596,706
Treasury shares	(1,296,698)	(3,170,492)
Total shareholders' equity	37,230,699	37,181,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,784,914	5,929,170
Deferred gains or losses on hedges	34,721	(9,374)
Foreign currency translation adjustment	675,778	663,255
Remeasurements of defined benefit plans	6,154	5,346
Total accumulated other comprehensive income	6,501,567	6,588,398
Non-controlling interests	828,145	846,353
Total net assets	44,560,413	44,616,107
<b>Total liabilities and net assets</b>	<b>54,807,607</b>	<b>56,314,793</b>



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

(Thousands of yen)

	Previous third quarter (Cumulative) (From April 1, 2021 to December 31, 2021)	Current third quarter (Cumulative) (From April 1, 2022 to December 31, 2022)
Net sales	24,789,324	27,762,076
Cost of sales	17,050,343	19,301,855
Gross profit	7,738,981	8,460,220
Selling, general and administrative expenses	3,982,692	4,342,573
Operating profit	3,756,288	4,117,647
Non-operating income		
Interest income	27,079	32,041
Dividend income	204,857	247,871
Miscellaneous income	24,941	32,316
Total non-operating income	256,879	312,229
Non-operating expenses		
Interest expenses	749	836
Foreign exchange losses	31,575	10,318
Miscellaneous losses	60	5,583
Total non-operating expenses	32,385	16,737
Ordinary profit	3,980,782	4,413,139
Extraordinary income		
Gain on sale of non-current assets	233	80,207
Gain on sale of investment securities	0	150,600
Total extraordinary income	233	230,807
Extraordinary losses		
Loss on retirement of non-current assets	50,619	12,809
Loss on sale of investment securities	324	16,889
Total extraordinary losses	50,944	29,699
Profit before income taxes	3,930,071	4,614,247
Income taxes - current	1,026,701	1,163,818
Income taxes - deferred	153,153	234,305
Total income taxes	1,179,855	1,398,124
Profit	2,750,216	3,216,123
Profit attributable to		
Profit attributable to owners of parent	2,682,476	3,152,380
Profit attributable to non-controlling interests	67,739	63,743
Other comprehensive income		
Valuation difference on available-for-sale securities	(419,801)	144,256
Deferred gains or losses on hedges	(7,078)	(49,002)
Foreign currency translation adjustment	224,464	(16,319)
Remeasurements of defined benefit plans, net of tax	(4,773)	(807)
Total other comprehensive income	(207,188)	78,126
Comprehensive income	2,543,027	3,294,250
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,422,454	3,239,210
Comprehensive income attributable to non-controlling interests	120,573	55,039

**(3) 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 nine months of the fiscal year under review increased by ¥120,208 thousand each, compared with the case where the previous method is used.

**(Segment information)**

[Segment information]

## I. Previous third quarter (Cumulative) (From April 1, 2021 to December 31, 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	17,511,167	6,412,413	23,923,580	631,594	24,555,175	–	24,555,175
Other revenue	–	–	–	234,149	234,149	–	234,149
Revenues from external customers	17,511,167	6,412,413	23,923,580	865,744	24,789,324	–	24,789,324
Intersegment sales or transfers	115,643	32,939	148,582	31,813	180,396	(180,396)	–
Total	17,626,810	6,445,352	24,072,162	897,558	24,969,720	(180,396)	24,789,324
Segment profit	2,842,905	665,469	3,508,375	247,913	3,756,288	–	3,756,288

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 third quarter (Cumulative) (From April 1, 2022 to December 31, 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	20,534,784	6,233,980	26,768,764	750,883	27,519,648	–	27,519,648
Other revenue	–	–	–	242,428	242,428	–	242,428
Revenues from external customers	20,534,784	6,233,980	26,768,764	993,311	27,762,076	–	27,762,076
Intersegment sales or transfers	221,657	23,804	245,461	30,115	275,576	(275,576)	–
Total	20,756,441	6,257,784	27,014,226	1,023,427	28,037,653	(275,576)	27,762,076
Segment profit	3,254,258	555,423	3,809,681	307,965	4,117,647	–	4,117,647

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 nine months of the fiscal year under review increased by ¥98,141 thousand for the industrial products business, ¥6,584 thousand for the household products business, and ¥15,482 thousand for the other business.