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MEMBERSHIP

July 28, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Japanese GAAP)

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 Listing: Tokyo
 Securities Code: 4362
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 Scheduled date to file quarterly securities report: August 10, 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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 months ended								
June 30, 2023	8,104	(14.2)	1,057	(29.4)	1,191	(27.0)	834	(23.8)
June 30, 2022	9,442	14.3	1,497	12.9	1,633	14.5	1,096	13.6

Note: Comprehensive income For the three months ended June 30, 2023 ¥1,542 million [43.5%]
 For the three months ended June 30, 2022 ¥1,075 million [(4.6)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	36.60	–
June 30, 2022	46.41	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	56,797	46,949	81.2
March 31, 2023	56,672	46,101	79.9

Reference: Equity

As of June 30, 2023 ¥46,094 million
 As of March 31, 2023 ¥45,266 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, 2023	–	28.00	–	29.00	57.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		35.00	–	35.00	70.00

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

3. Consolidated earnings forecasts 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

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): None

(iii) Changes in accounting estimates: None

(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 June 30, 2023	25,372,447 shares
As of March 31, 2023	25,372,447 shares

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

As of June 30, 2023	2,563,444 shares
As of March 31, 2023	2,563,350 shares

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

Three months ended June 30, 2023	22,809,063 shares
Three months ended June 30, 2022	23,615,507 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, 2023, while business conditions in the manufacturing industry were sluggish due to the slowdown of overseas economies, business conditions in non-manufacturing industries improved as consumer spending and demand from inbound tourism recovered, and the Japanese economy as a whole continued to recover gradually. As for the future, economic recovery driven by domestic demand is expected against the backdrop of a recovery in demand from inbound tourism and other factors. However, concerns over downturns due to further slowdowns of overseas economies such as Europe, the U.S., and China 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 three months of the fiscal year under review decreased to ¥8,104 million (down 14.2% year-on-year). In terms of profit, operating profit was ¥1,057 million (down 29.4% year-on-year), and ordinary profit was ¥1,191 million (down 27.0% year-on-year). Profit attributable to owners of parent was ¥834 million (down 23.8% year-on-year).

Operating results for each segment are as follows.

The classification of reporting segments has been changed from the first quarter of the fiscal year under review. The following year-on-year comparisons are comparative analyses based on figures for the same period of the previous fiscal year that have been reclassified into the new segment classifications.

(i) Functional products

In this segment, net sales was ¥6,342 million (down 14.7% year-on-year). Segment profit (operating profit) was ¥940 million (down 26.9% year-on-year).

Reference:

(Unit: Millions of yen)	Three months ended June 30, 2022	Three months ended June 30, 2023	Year-on-year difference	Year-on-year changes
Beauty care	2,112	2,048	(63)	(3.0%)
Health care	1,376	1,038	(338)	(24.6%)
Fine chemical	1,862	1,237	(625)	(33.6%)
Trading	2,085	2,018	(66)	(3.2%)
Total net sales	7,436	6,342	(1,093)	(14.7%)
Beauty care	604	607	3	0.5%
Health care	305	16	(288)	(94.8%)
Fine chemical	297	240	(57)	(19.2%)
Trading	79	75	(3)	(5.1%)
Total operating profit	1,286	940	(346)	(26.9%)

Beauty care

Overseas sales of wool grease derivatives for cosmetics decreased against the backdrop of a slowdown in overseas economies, but overseas sales of functional esters for cosmetics increased due to sales expansion activities in response to the needs of sustainable aspect by customers. Domestic sales of phospholipids for cosmetics also increased due to steady progress in sales expansion.

Health care

Sales of phospholipids for pharmaceuticals decreased due to the impact of test production being implemented according to plan for the commencement of commercial production at the new plant for phospholipids for pharmaceuticals. Depreciation also increased due to the launch of the new plant. Additionally, overseas sales of wool grease derivatives for pharmaceuticals decreased against the backdrop of a slowdown in overseas economies.

Fine chemical

Sales of fatty acid amides, acid chlorides, and industrial wool grease derivatives decreased against the backdrop of a slowdown in overseas economies.

(ii) Environmental hygiene products

In this segment, sales of hand sanitizers decreased due to inventory adjustments in the market in addition to a decline in demand for infection control products as the COVID-19 infection situation settled down. As a result, net sales was ¥1,688 million (down 12.4% year-on-year) and segment profit (operating profit) was ¥87 million (down 47.9% year-on-year).

(iii) Other

Net sales of other businesses was ¥73 million (down 8.9% year-on-year) and segment profit (operating profit) was ¥29 million (down 30.7% 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 ¥124 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥56,797 million. This was mainly due to a ¥745 million increase in non-current assets mainly due to an increase in investment securities, despite a decrease in current assets by ¥620 million mainly due to a decrease in notes and accounts receivable - trade.

Liabilities at the end of the first quarter of the fiscal year under review decreased by ¥723 million from the previous fiscal year-end to ¥9,848 million. This was mainly due to a decrease in current liabilities by ¥1,069 million mainly due to a decrease in income taxes payable, while non-current liabilities increased by ¥346 million mainly due to an increase in deferred tax liabilities.

The net assets at the end of the first quarter of the fiscal year under review increased by ¥848 million from the previous fiscal year-end to ¥46,949 million. This was mainly due to an increase in shareholders' equity by ¥173 million, mainly due to recording ¥834 million in profit attributable to owners of parent and ¥661 million in dividends paid, while accumulated other comprehensive income also increased by ¥654 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 second-quarter (cumulative) or full-year earnings forecasts announced on April 28, 2023 in our “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (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, 2023)	Current first quarter (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	8,937,431	9,169,496
Notes and accounts receivable - trade	8,855,955	8,041,809
Merchandise and finished goods	4,001,642	3,783,864
Work in process	2,290,016	2,920,003
Raw materials and supplies	4,718,263	4,725,120
Other	788,202	330,473
Allowance for doubtful accounts	(695)	(647)
Total current assets	29,590,815	28,970,120
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,737,425	6,644,894
Machinery, equipment and vehicles, net	1,285,637	2,871,903
Land	3,719,989	3,719,989
Construction in progress	1,794,239	110,688
Other, net	690,084	709,967
Total property, plant and equipment	14,227,376	14,057,443
Intangible assets	521,691	623,203
Investments and other assets		
Investment securities	12,017,715	12,812,392
Retirement benefit asset	67,408	72,811
Other	247,729	261,696
Total investments and other assets	12,332,853	13,146,900
Total non-current assets	27,081,921	27,827,548
Total assets	56,672,737	56,797,669

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current first quarter (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,256,778	3,880,491
Accounts payable - other	839,820	794,568
Income taxes payable	607,013	175,016
Provision for bonuses	717,500	330,562
Provision for bonuses for directors (and other officers)	79,752	12,142
Accounts payable - facilities	459,535	214,044
Other	655,448	1,139,604
Total current liabilities	7,615,849	6,546,430
Non-current liabilities		
Deferred tax liabilities	2,655,149	3,019,771
Retirement benefit liability	144,956	135,990
Long-term accounts payable - other	15,600	19,659
Long-term guarantee deposits	102,890	90,846
Asset retirement obligations	9,430	9,430
Other	27,652	26,116
Total non-current liabilities	2,955,679	3,301,815
Total liabilities	10,571,528	9,848,246
Net assets		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,821,920	6,821,920
Retained earnings	28,513,077	28,686,584
Treasury shares	(3,171,070)	(3,171,332)
Total shareholders' equity	38,097,149	38,270,394
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,469,379	7,020,431
Deferred gains or losses on hedges	3,275	9,892
Foreign currency translation adjustment	697,997	794,560
Remeasurements of defined benefit plans	(1,156)	(1,105)
Total accumulated other comprehensive income	7,169,496	7,823,777
Non-controlling interests	834,562	855,251
Total net assets	46,101,208	46,949,423
Total liabilities and net assets	56,672,737	56,797,669

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

	(Thousands of yen)	
	Previous first quarter (Cumulative) (From April 1, 2022 to June 30, 2022)	Current first quarter (Cumulative) (From April 1, 2023 to June 30, 2023)
Net sales	9,442,526	8,104,121
Cost of sales	6,511,859	5,654,686
Gross profit	2,930,667	2,449,434
Selling, general and administrative expenses	1,432,921	1,392,305
Operating profit	1,497,746	1,057,129
Non-operating income		
Interest income	5,501	3,889
Dividend income	121,824	122,887
Miscellaneous income	13,819	11,449
Total non-operating income	141,144	138,226
Non-operating expenses		
Interest expenses	311	265
Foreign exchange losses	5,164	1,073
Miscellaneous losses	9	2,161
Total non-operating expenses	5,485	3,500
Ordinary profit	1,633,405	1,191,855
Extraordinary losses		
Loss on retirement of non-current assets	1,715	403
Loss on sale of investment securities	8,547	-
Total extraordinary losses	10,262	403
Profit before income taxes	1,623,142	1,191,452
Income taxes - current	526,299	224,410
Income taxes - deferred	(18,673)	109,778
Total income taxes	507,626	334,189
Profit	1,115,515	857,263
Profit attributable to		
Profit attributable to owners of parent	1,096,034	834,970
Profit attributable to non-controlling interests	19,481	22,292
Other comprehensive income		
Valuation difference on available-for-sale securities	(241,403)	551,051
Deferred gains or losses on hedges	392	7,345
Foreign currency translation adjustment	200,858	127,029
Remeasurements of defined benefit plans, net of tax	(269)	50
Total other comprehensive income	(40,421)	685,477
Comprehensive income	1,075,094	1,542,741
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,007,612	1,489,251
Comprehensive income attributable to non-controlling interests	67,481	53,489

(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.

(Segment information)

[Segment information]

I. Previous 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
	Functional products	Environ- mental hygiene products	Total				
Net sales							
Revenue from contracts with customers	7,436,326	1,926,017	9,362,344	–	9,362,344	–	9,362,344
Other revenue	–	–	–	80,182	80,182	–	80,182
Revenues from external customers	7,436,326	1,926,017	9,362,344	80,182	9,442,526	–	9,442,526
Intersegment sales or transfers	68,412	9,320	77,732	8,006	85,739	(85,739)	–
Total	7,504,739	1,935,337	9,440,077	88,189	9,528,266	(85,739)	9,442,526
Segment profit	1,286,816	168,805	1,455,621	42,124	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.

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, 2023 to June 30, 2023)

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
	Functional products	Environ- mental hygiene products	Total				
Net sales							
Revenue from contracts with customers	6,342,963	1,688,080	8,031,044	–	8,031,044	–	8,031,044
Other revenue	–	–	–	73,076	73,076	–	73,076
Revenues from external customers	6,342,963	1,688,080	8,031,044	73,076	8,104,121	–	8,104,121
Intersegment sales or transfers	51,469	8,978	60,447	29,715	90,162	(90,162)	–
Total	6,394,433	1,697,059	8,091,492	102,791	8,194,283	(90,162)	8,104,121
Segment profit	940,035	87,910	1,027,946	29,183	1,057,129	–	1,057,129

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

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 reporting segments

Segments have been reorganized based on business fields from the first quarter of the fiscal year under review.

The former “Industrial products” segment has been renamed the “Functional products” segment. The Company’s household products in the “Household products” segment and the business of entrusting pharmacology and safety tests in the “Other” segment have been incorporated into the “Functional products” segment. The former “Household products” segment has been renamed the “Environmental hygiene products” segment.

Segment information for the previous first quarter (cumulative) is disclosed based on the new reporting segment classifications.