

Financial Results Meeting for the 1st Half of FY2023



November 13, 2023
NIPPON FINE CHEMICAL CO.,LTD.

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Nippon Fine Chemical NFC VISION 2030



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

Summary of Medium-term Management Plan (FY2023 to FY2026)

FY2018 to FY2022

The 13th Medium-term Management Plan
Stage to **strengthen governance** toward sustainable growth

[Strengthen governance]

- * **Get listed on the Prime Market of the Tokyo Stock Exchange**
(Comply with the Corporate Governance Code)
- * **Formulate NFC VISION 2030**
(Develop and share the vision of the Company's future self)
- * **Measures for sustainability issues**
(Improve the sustainability promotion structure)
- * **Review business and asset portfolios**
(Reorganized subsidiaries and sold non-current assets)

FY2023 to FY2026

The 14th Medium-term Management Plan
Stage to **strengthen growth foundation** through aggressive investment

[Strengthen growth foundation]

- * **Review business portfolio**
(Restructure segments)
- * **Establish strategic products**
(Phospholipids)
- * **Strengthen capital investment and invest in R&D**
(Improve production capacity, and develop next-generation products and manufacturing technologies)
- * **Enhance measures for sustainability issues**
(Take specific actions to achieve numerical goals)

FY2027 to FY2030

The 15th Medium-term Management Plan
Stage to **expand growth and earnings** to achieve NFC VISION 2030

[Expand growth and earnings]

- * **Achieve NFC VISION 2030**
(Achieve the vision of the Company's future self)
- * **Realize sustainable growth**
(Achieve numerical goals for "the Company's future self it aims to be")
- * **Implement measures for sustainability issues**
(Achieve goals by FY2030)

NIPPON FINE CHEMICAL Group: Business Sectors

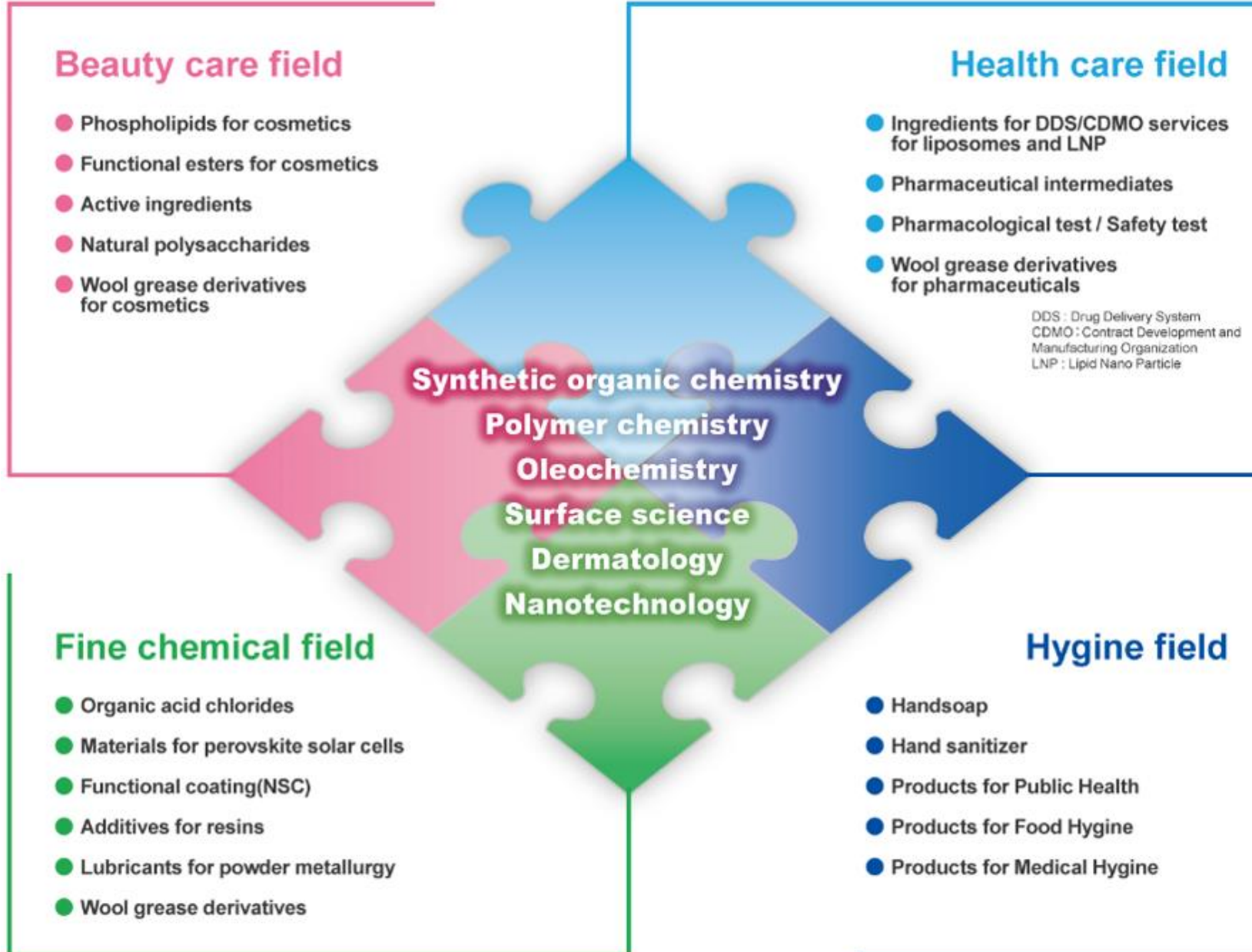


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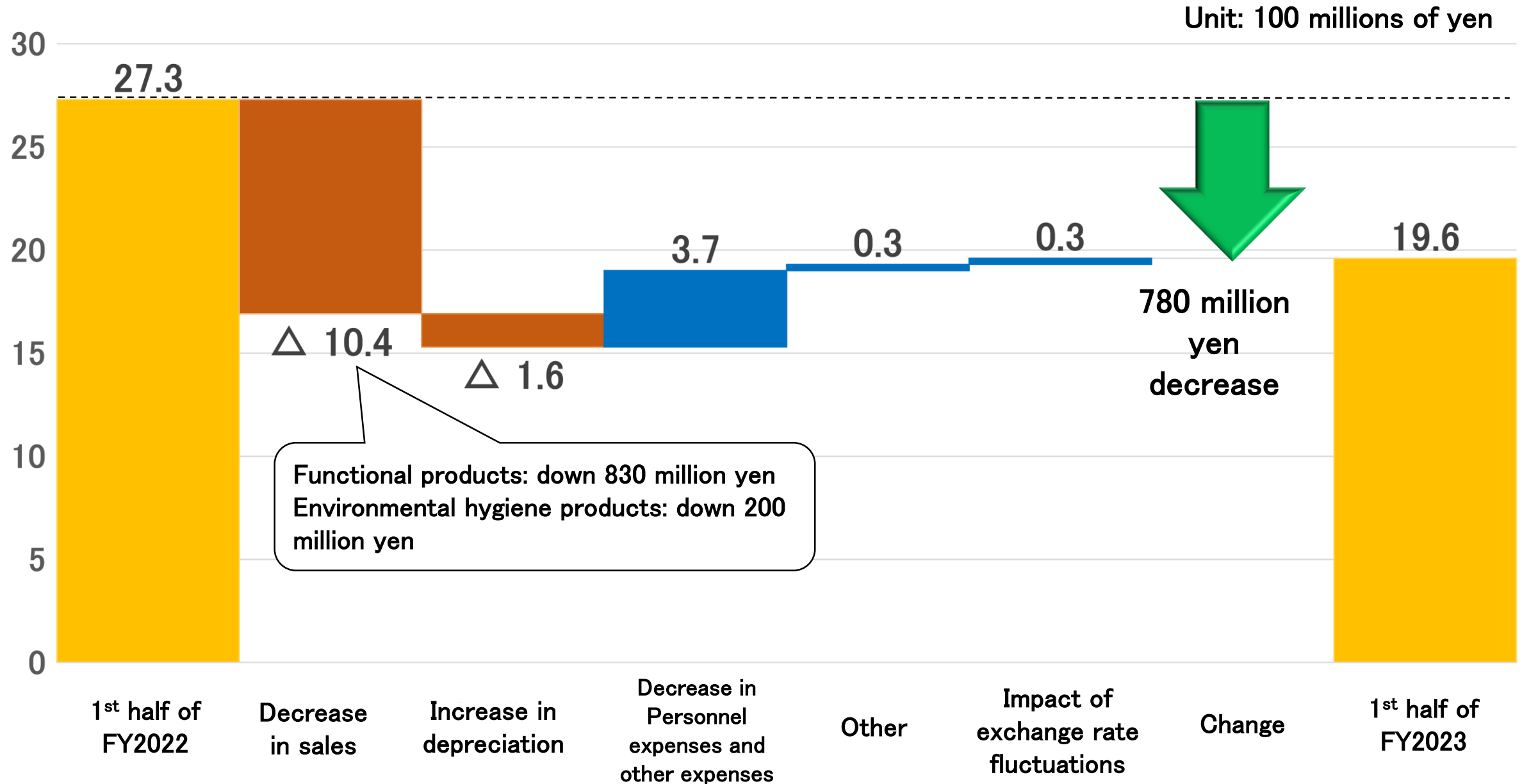
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Overview of Consolidated Financial Results for the 1st Half of FY2023

Unit: 100 millions of yen

	FY2022 1st half	FY2023 1st half		Forecast at start of fiscal year(Announced on April 28, 2023)	
	Actual amount	Actual amount	Year-on-year changes	Amount	Change from forecast
Net sales	186.8	161.8	(13.4%)	180.0	(10.1%)
Operating profit	27.3	19.6	(28.1%)	21.0	(6.6%)
Ratio of operating profit	14.6%	12.1%	—	11.7%	—
EBITDA (Operating profit before depreciation and amortization)	29.0	25.7	(11.4%)	27.0	(5.0%)
Ordinary profit	29.1	21.2	(26.9%)	22.8	(6.9%)
Profit attributable to owners of parent	19.6	15.0	(23.4%)	16.3	(8.0%)
Basic earnings per share (Yen)	82.8	65.7	—	71.5	—

Consolidated Financial Results for the 1st Half of FY2023: Analysis of Operating Profit



Overview of Consolidated Financial Results for the 1st Half of FY2023 by Segment

Unit: 100 millions of yen

	1st half of FY2022			1st half of FY2023			Year-on-year difference			Year-on-year changes		
	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA
Functional Products	145.8	22.6	26.6	125.9	16.9	22.5	(19.9)	(5.7)	(4.0)	(13.7%)	(25.1%)	(15.1%)
Beauty care	38.3	11.0	11.9	40.3	11.7	12.9	2.0	0.8	1.0	5.3%	7.2%	8.1%
Health care	27.1	3.7	5.6	23.3	0.0	3.6	(3.8)	(3.7)	(2.0)	(14.0%)	(100.0%)	(35.5%)
Fine chemical	39.1	6.6	7.6	25.0	3.5	4.4	(14.1)	(3.0)	(3.2)	(36.1%)	(46.3%)	(41.9%)
Trading	41.4	1.4	1.5	37.3	1.7	1.7	(4.1)	0.2	0.2	(9.9%)	16.2%	13.3%
Environmental Hygiene Products (Hygiene)	39.4	3.8	4.2	34.6	2.1	2.4	(4.7)	(1.7)	(1.8)	(12.0%)	(44.3%)	(42.0%)
Other	1.6	0.8	1.0	1.3	0.5	0.7	(0.3)	(0.3)	(0.3)	(18.7%)	(34.9%)	(30.6%)
Consolidated Total	186.8	27.3	31.7	161.8	19.6	25.7	(25.0)	(7.7)	(6.1)	(13.4%)	(28.1%)	(19.1%)

Functional Products: Beauty Care

Applicable products

- Phospholipids for cosmetics
- Functional esters for cosmetics
- Active ingredient (e.g. skin-lightening base)
- Natural polysaccharides (Tremella fuciformis polysaccharide, Inulin)
- Wool grease derivatives for cosmetics (lanolin/cholesterol)

Conditions until the 1st half of FY2023

- (+) Sales of “functional esters for cosmetics” for overseas markets were strong due to sustainability measures.
- (+) Sales of “phospholipids for cosmetics” for the domestic market steadily increased.
- (+) Sales of “active ingredient (skin-lightening base)” for the domestic market steadily increased.
- (-) Sales of “wool grease derivatives for cosmetics” for the US market decreased.



Functional Products: Health Care

Applicable products and services

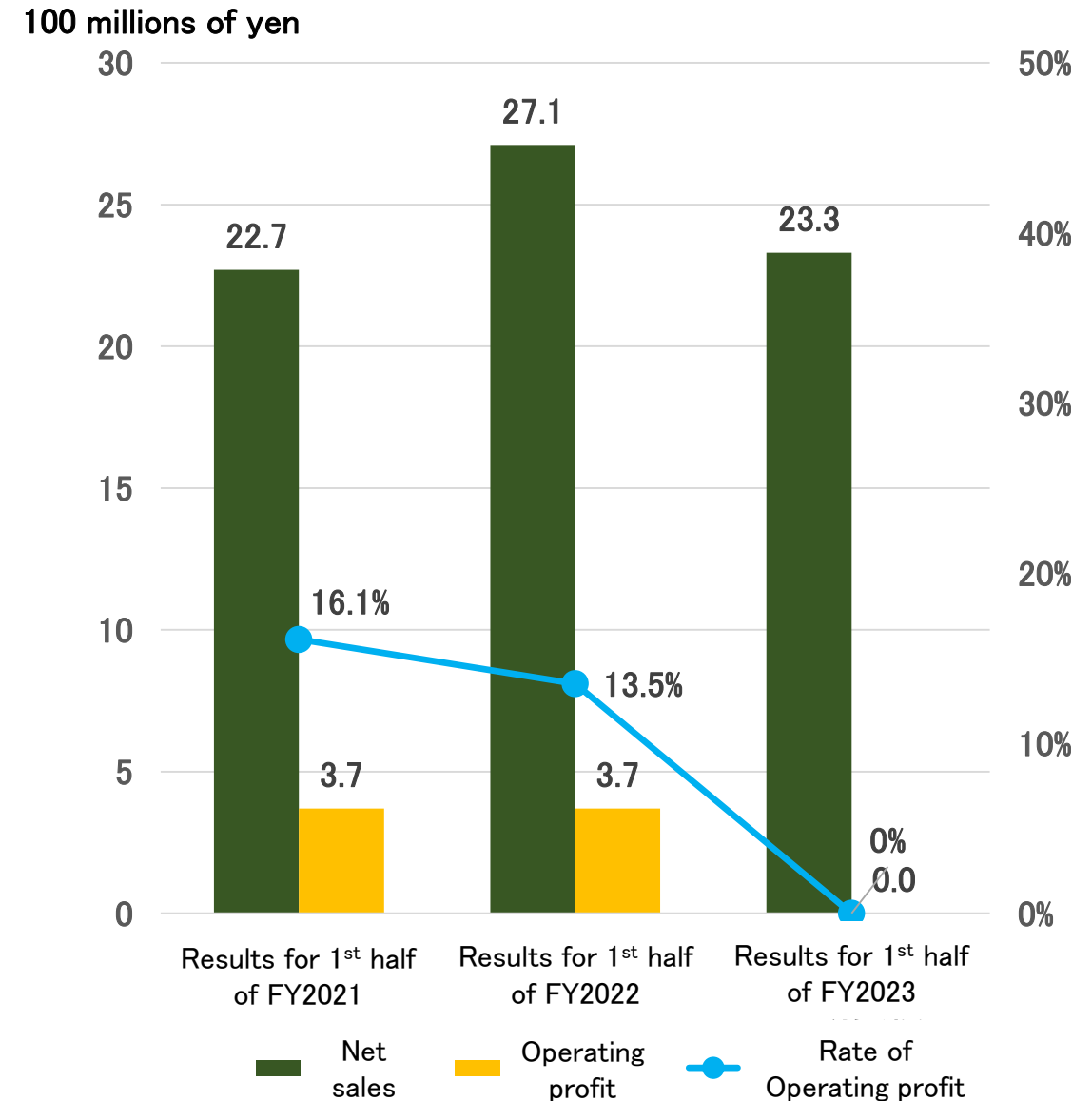
- High-purity phospholipids for pharmaceuticals
- Wool grease derivatives for pharmaceuticals (lanolin/cholesterol)
- Support for CDMO development (liposome/LNP development)
- Pharmaceutical intermediates
- Pharmacology and safety tests (Nissei Bilis)

Conditions until the 1st half of FY2023

- (+) Export of wool grease derivatives for pharmaceuticals (lanolin) remained strong.
- (-) For Gilead:
Decreased in volume due to test production at new plants (Test production ended).
- (-) Phospholipids for pharmaceuticals: Depreciation expenses for new plants increased.
- (-) Phospholipids for pharmaceuticals: Shipment shifted to the 2nd half of FY2023 due to changes in key customer's plan.

* CDMO: Contract Development and Manufacturing Organization

* LNP: lipid nanoparticles



Functional Products: Fine Chemical

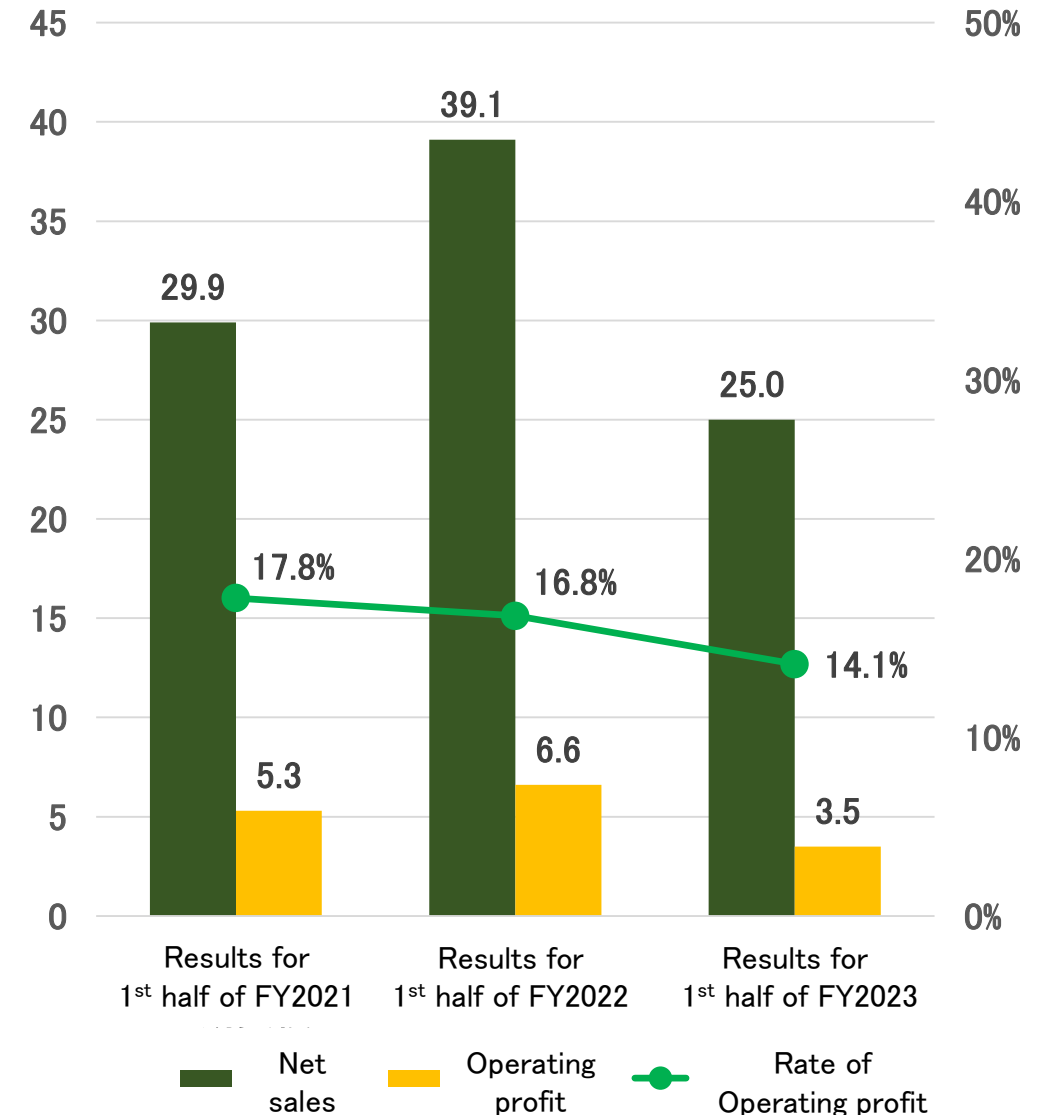
Applicable products

- Electronic materials, materials for resources and energy (various acid chlorides)
- Materials for perovskite (PSC) solar cells
- Additives for resins (fatty acid amides)
- Various wool grease derivatives (feed cholesterol)
- Functional coatings (NSC)

Conditions until the 1st half of FY2023

- (+/-) Selection and concentration of existing products is in progress. (acid chlorides, functional coatings)
- (-) Sales of feed cholesterol for overseas markets decreased.
- (-) Sales of fatty acid amides in China decreased due to lower demand.
- (+) Materials for PSC solar cells: Steady progress in social implementation was made.

100 millions of yen



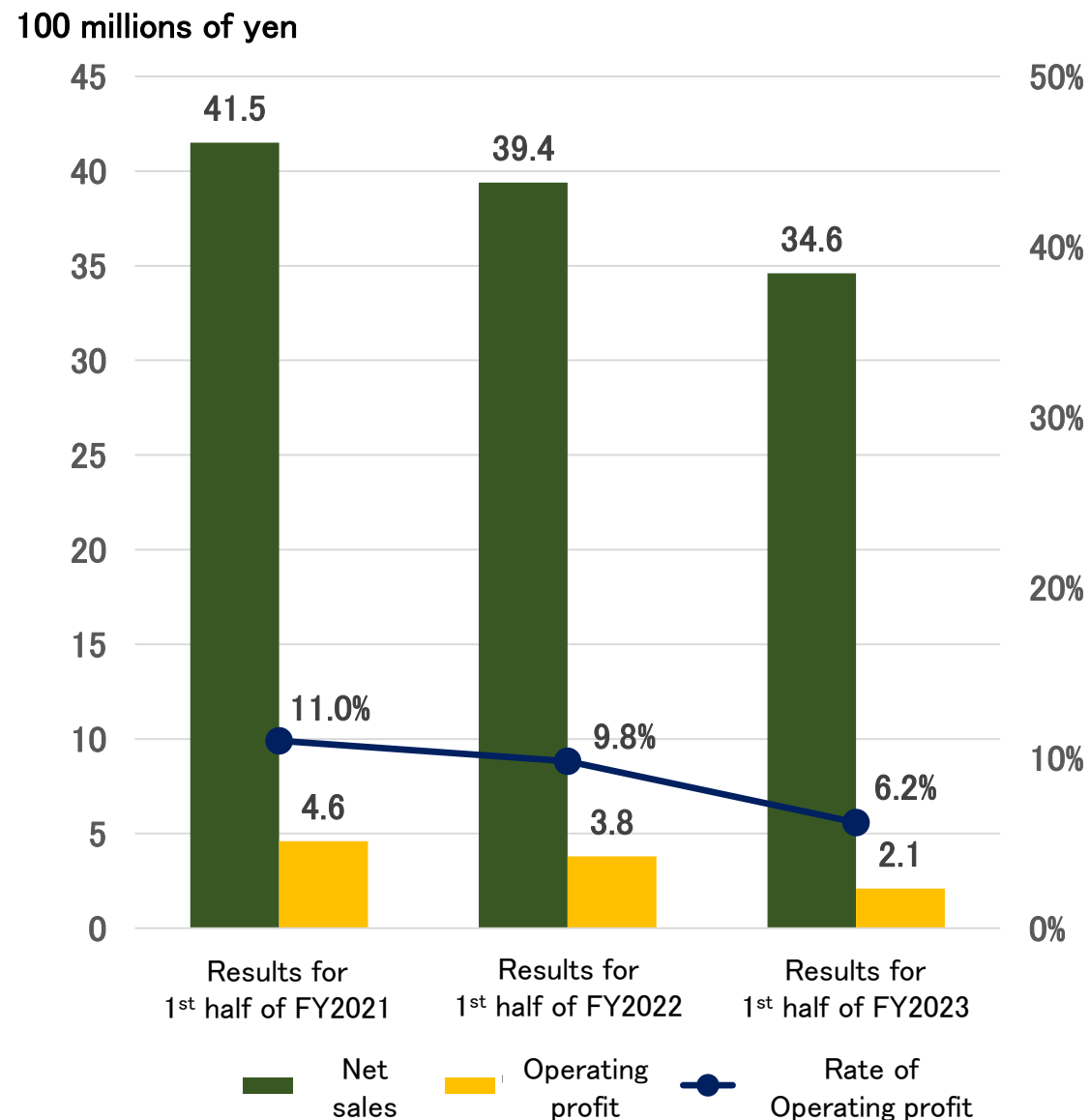
Environmental Hygiene Products (Hygiene)

Applicable products and services

- Liquid soap for washing hands
- Hand sanitizer
- Public health products
- Food hygiene products
- Medical hygiene products

Conditions until the 1st half of FY2023

- (-) Impact of excess distribution inventory due to a rapid decrease in demand for anti-infection products after the shift of COVID-19 to Category 5
- (+) Marketing of hand sanitizers fit for long-term storage catering to companies' stockpiles
- (+) Marketing of sustainable products
- (+) Improvement of face-to-face sales activities at hospitals and nursing facilities



Consolidated Balance Sheet for the 1st Half of FY2023

Unit: 100 millions of yen

Account	Balance as of September 30, 2023	Change from the end of FY2022	Main factors for increase / decrease
Cash and deposits	103.4	+14.0	
Notes and accounts receivable – trade	85.5	(3.1)	
Inventories	112.9	+2.8	
Property, plant and equipment	140.1	(2.2)	
Investments and other assets	126.3	+3.0	Increase in unrealized gains on investment securities despite sale of some assets
Other	9.3	(3.8)	
Total assets	577.4	+10.7	
Notes and accounts payable – trade	38.1	(4.5)	
Deferred tax liabilities	22.3	(4.2)	
Other	41.9	+5.3	Posted provision for environmental measures
Total liabilities	102.4	(3.3)	
Total net assets	475.1	+14.1	Equity-to-asset ratio 80.7% (up 0.8% from the end of FY2022)
Net assets per share	2,040.32 yen	+55.74 yen	

Consolidated Statement of Cash Flows for the 1st Half of FY2023

Unit: 100 millions of yen

Category	1st half of FY2023	Main factors for increase / decrease
Profit before income taxes	21.3	
Depreciation	6.1	
Increase in working capital	(2.8)	
Income taxes paid	(6.4)	
Other	3.9	
Operating cash flow	22.0	
Investing cash flow	(4.5)	Purchase of property, plant and equipment: down 5.3
(free cash flow)	[17.5]	
Financing cash flow	(7.0)	Dividends: down 6.6
Effect of exchange rate change on cash and cash equivalents	0.6	
Net increase (decrease) in cash and cash equivalents	11.1	

FY2023 Topics

- The 14th Medium-term Management Plan (FY2023 to FY2026: 4 years) started.
- Strategic products: lipid complex
 - Phospholipids for pharmaceuticals:
Opened Shonan Laboratory to promote open innovation
- Strategic products: materials for perovskite solar cells
 - New brand: established Spirokite™ and its special website
- Improved measures for sustainability => TCFD Report 2023
- Integrated report published on Nov. 2
- Awarded “Gold” rating in EcoVadis sustainability assessment



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Summary of Full-year Consolidated Earnings Forecasts for FY2023

Unit: 100 millions of yen

	FY2022	FY2023	Year-on-year changes	Medium-term Management Plan 1st Fiscal Year (FY2023)	
	Actual amount	Forecast amount		Actual amount	Change from forecast
Net sales	368.4	355.0	(3.6%)	380.0	(6.6%)
Operating profit	50.6	44.0	(13.0%)	48.0	(8.3%)
Ratio of operating profit	13.7%	12.4%	—	12.6%	—
EBITDA (Operating profit before depreciation and amortization)	60.1	57.2	(4.8%)	61.0	(6.2%)
EBITDA margin	16.3%	16.1%	—	16.1%	—
Ordinary profit	53.9	47.0	(12.8%)	51.5	(8.7%)
Profit attributable to owners of parent	40.8	32.5	(20.3%)	36.0	(9.7%)
Basic earnings per share (Yen)	174.4	142.3	—	157.8	—

* Revision of consolidated earnings forecasts has been announced (Oct. 30, 2023).

Full-year Consolidated Earnings Forecasts for FY2023 by Segment

Unit: 100 millions of yen

	FY2022 Results (*1)			FY2023 Forecasts (*2)			FY2023 Plan (*1)			Year-on-year changes			Changes from plan		
	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA	Net sales	Operating profit	EBITDA
Functional Products	284.5	41.6	50.1	271.0	37.0	49.3	280.3	37.0	49.0	(4.7%)	(11.1%)	(1.6%)	(3.3%)	0.0%	0.6%
Beauty care	71.7	19.5	21.4	85.0	22.0	24.5	82.9	18.4		18.6%	13.1%	14.7%	2.6%	19.9%	
Health care	56.6	7.0	11.3	60.0	4.2	11.8	61.3	4.9		6.0%	(40.0%)	3.9%	(2.2%)	(13.4%)	
Fine chemicals	70.5	12.4	14.5	52.0	7.5	9.6	56.4	10.7		(26.3%)	(39.6%)	(33.7%)	(7.9%)	(29.8%)	
Trading	85.7	2.8	2.9	74.0	3.3	3.4	79.7	3.1		(13.6%)	20.0%	17.0%	(7.1%)	5.4%	
Environmental Hygiene Products (Hygiene)	80.7	7.4	8.1	81.7	6.0	6.6	97.2	10.0	10.6	1.2%	(19.2%)	(18.6%)	(15.9%)	(40.0%)	(37.7%)
Other	3.2	1.5	1.9	2.3	1.0	1.3	2.5	1.0	1.4	(27.4%)	(34.2%)	(29.6%)	(8.0%)	0.0%	(4.3%)
Consolidated Total	368.4	50.6	60.1	355.0	44.0	57.2	380.0	48.0	61.0	(3.6%)	(13.0%)	(4.8%)	(6.6%)	(8.3%)	(6.2%)

*1. Sub-segments: Revision made to FY2022 Results and FY2023 Plan.

*2. Revision of consolidated earnings forecasts has been announced (Oct. 30, 2023).

Functional Products: Beauty Care

External environment

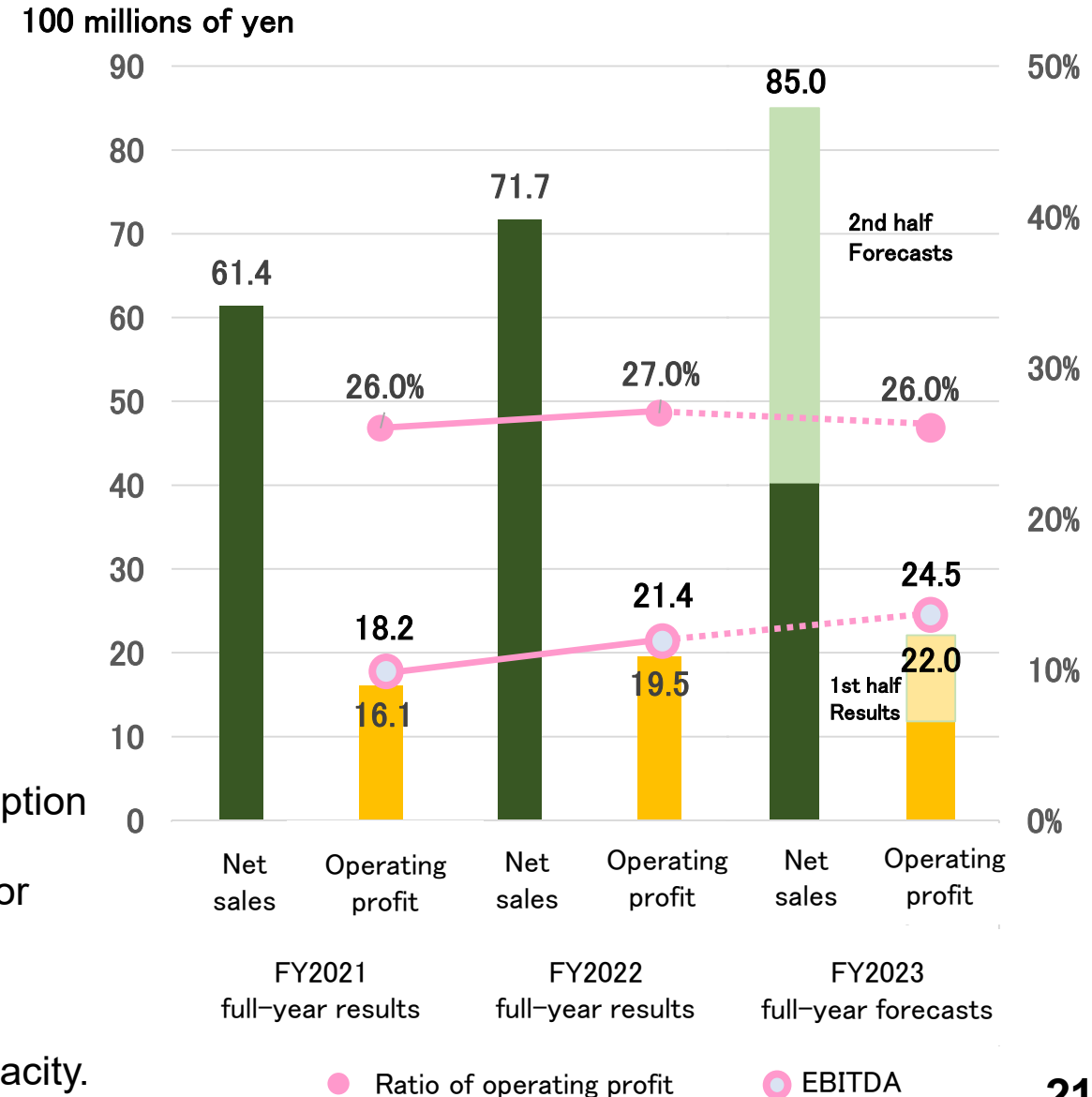
- (+) Signs of recovery from the impact of COVID-19 in the domestic market
- (+) Growing demand for sustainable materials from European and US brands
- (+) Long-term growth of global market based on an increase in cosmetics-user population
- (-) Slowdown in the Chinese economy

Outlook for the 2nd half of FY2023

- (+) Growing demand for “functional esters for cosmetics” for overseas markets
- (+) Steady increase in the sales of “phospholipids for cosmetics” and “active ingredient” for the domestic market
- (-) Decrease in the sales of wool grease derivatives for cosmetics

Activity plans

- Establish a cosmetics open laboratory to support customers’ prescription development (Dec.).
- Increase sales of sustainable materials and promote improvement for more certifications.
- Improve development and sales expansion of phospholipids for cosmetics.
- Implement new plant development plans to increase production capacity.



Functional Products: Health Care

External environment

- (+) Our pharmaceutical lipids can be applied to growth modality.
- (+) Division of labor in pharmaceuticals development
- (-) Intensifying competition due to entry or reorganization of competitors

Outlook for the 2nd half of FY2023

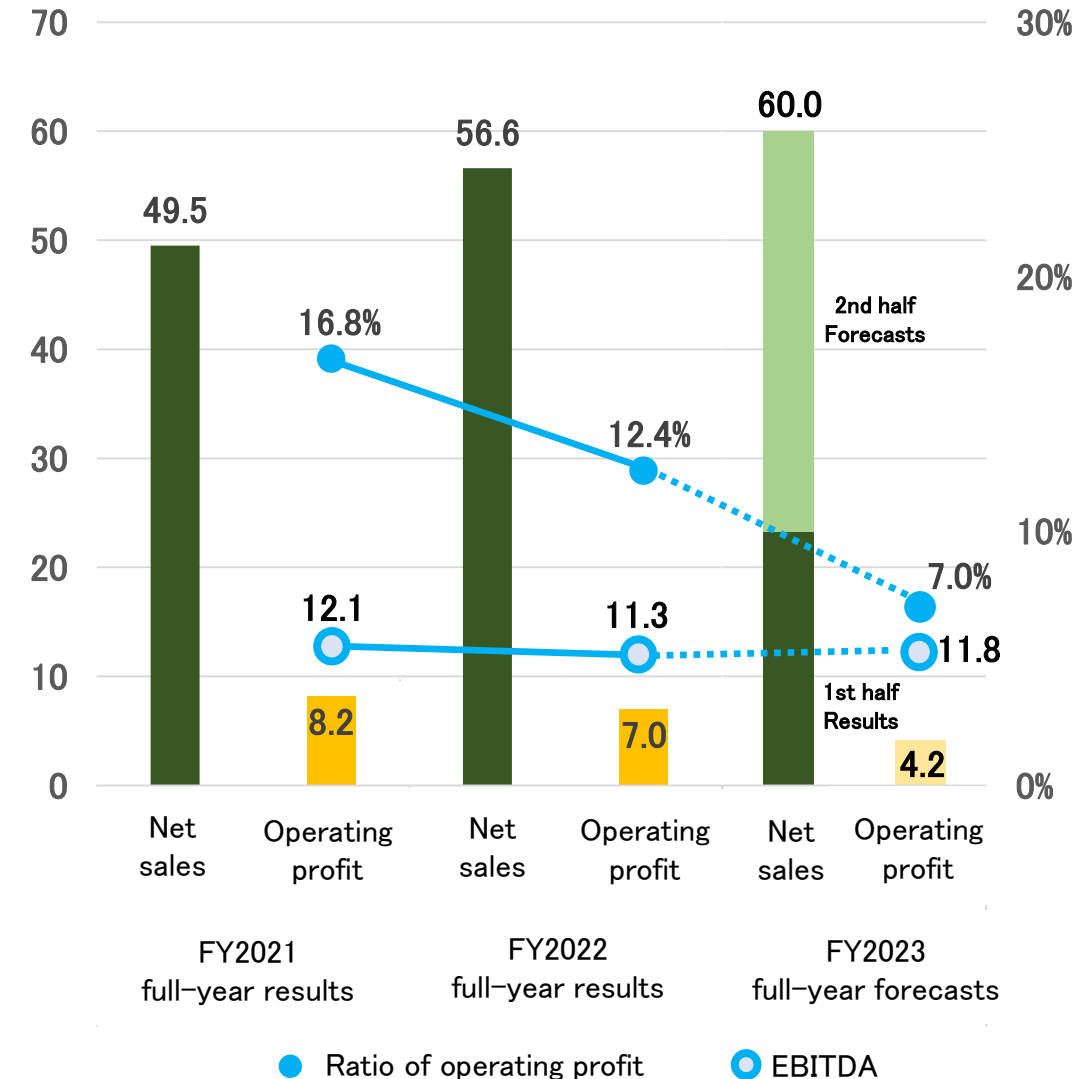
- (±) Phospholipids for pharmaceuticals: The new plant is operating as planned
- (+) Start of commercial production for Gilead
- (+) Phospholipids for pharmaceuticals: sales growth due to shift of key customers' business to the 2nd half of FY2023
- (+) Steady sales of wool grease derivatives for pharmaceuticals for overseas markets
- (-) Decrease in sales due to selection and concentration of contracts for pharmaceutical intermediates

Activity plans

- Promote open innovation at Shonan Laboratory.
- Acquire themes for liposome and LNP development and implement division of labor
- Phospholipids for pharmaceuticals: Steadily shift to commercial production of new plants
- Pharmaceutical intermediates: Continue selection and concentration.

* LNP: lipid nanoparticles

100 millions of yen



Functional Products: Fine Chemical

External environment

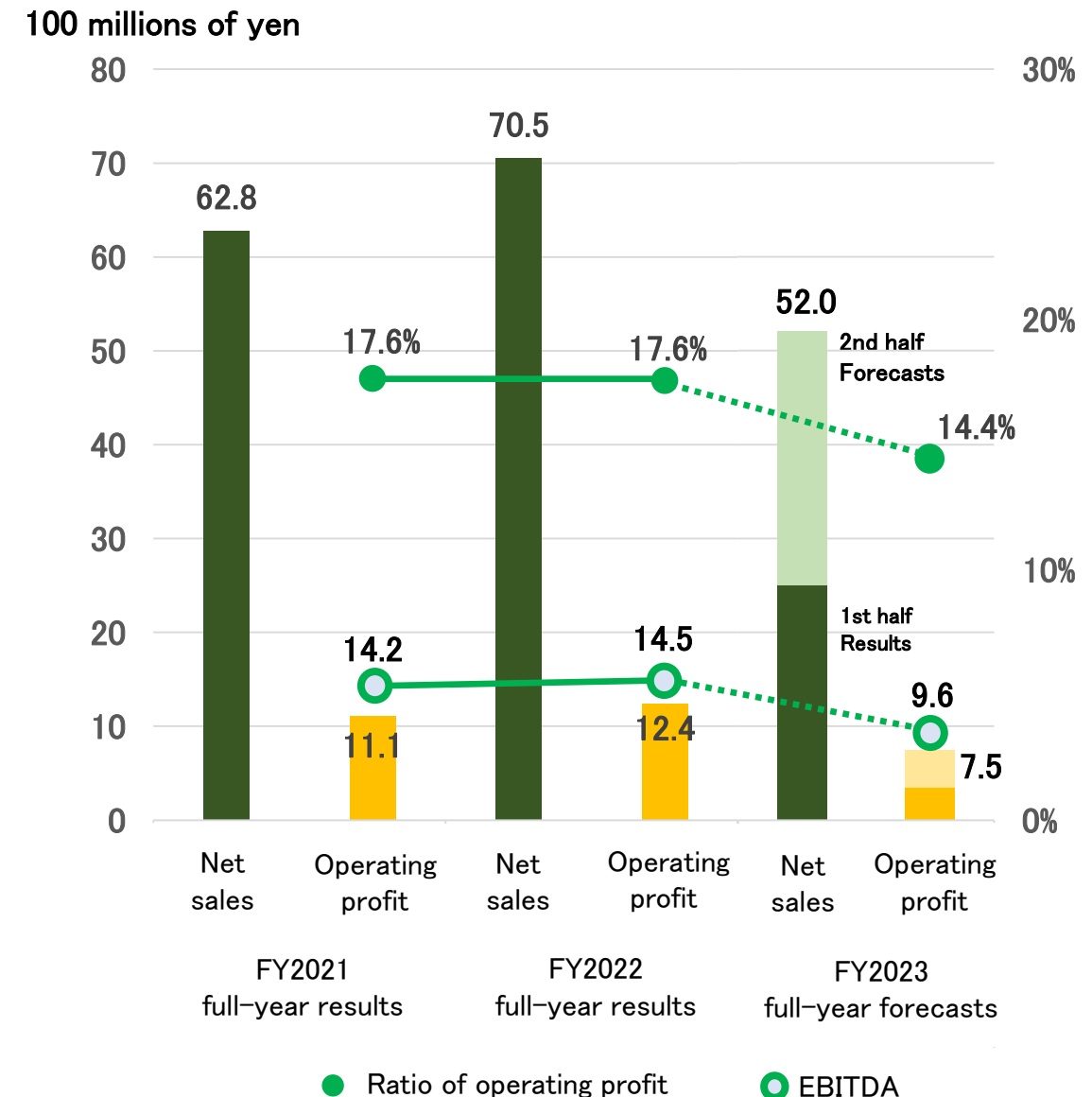
- (+) Perovskite (PSC) solar cells: Government announced acceleration of development
- (+) Growing demand for sustainable materials
- (-) Fall in demand due to slowdown in the Chinese economy
- (-) Risk factors in material procurement (climate change, foreign exchange, Russo-Ukrainian War, etc.)
- (-) Intensifying price competition due to entry of foreign competitors

Outlook for the 2nd half of FY2023

- (-) Fall in sales due to intensifying competition for feed cholesterol
- (-) Fall in sales due to slowdown in the Chinese and other overseas economies
- (-) Fall in sales due to withdrawal from unprofitable business
- (+) Acceleration of social implementation of materials for PSC solar cells

Activity plans

- Basic plan: selection of products and concentration of resources, rationalization of selling prices
- Materials for PSC solar cells: establishment of mass production, start of development of next-generation material
- Feed cholesterol: implementation of efficient production system suited for the market environment
- Fatty acid amides: sales growth of uses that contribute to sustainable society



Environmental Hygiene Products (Hygiene)

External environment

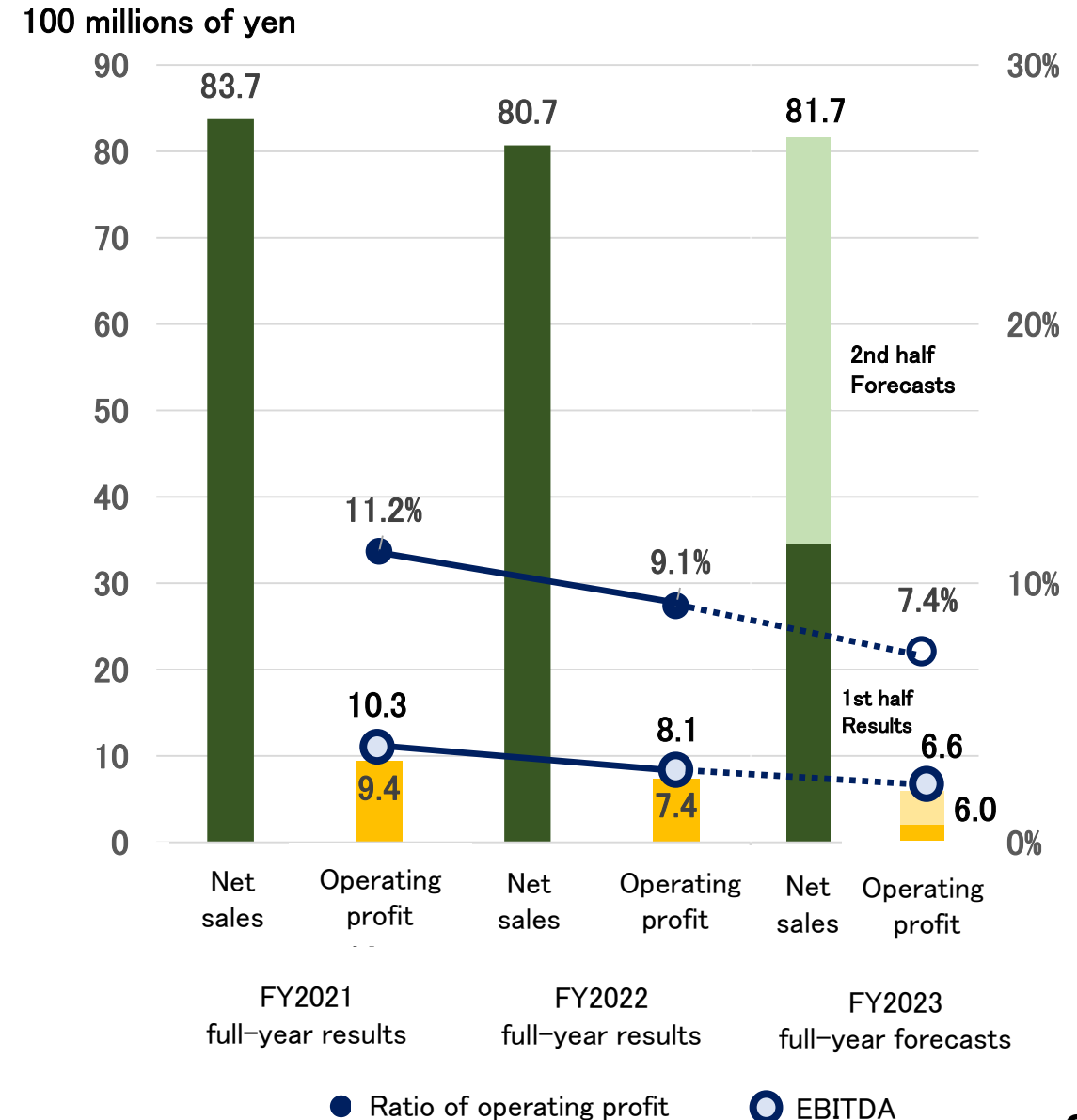
- (+) Increase in people flow due to lifting of activity restrictions (increase in use of COVID-19 prevention products at hospital-related facilities due to face-to-face meetings)
- (+) Partial recovery of demand due to an increase in seasonal influenza infection
- (-) Decrease in attention paid to infection control (reduced use of infection control products)

Outlook for the 2nd half of FY2023

- (+) Increase in sales of hand sanitizers fit for long-term (5 yrs.) storage due to demand for stockpiling and replacement
- (+) Increase in sales due to deregulation of meetings at hospitals and nursing facilities

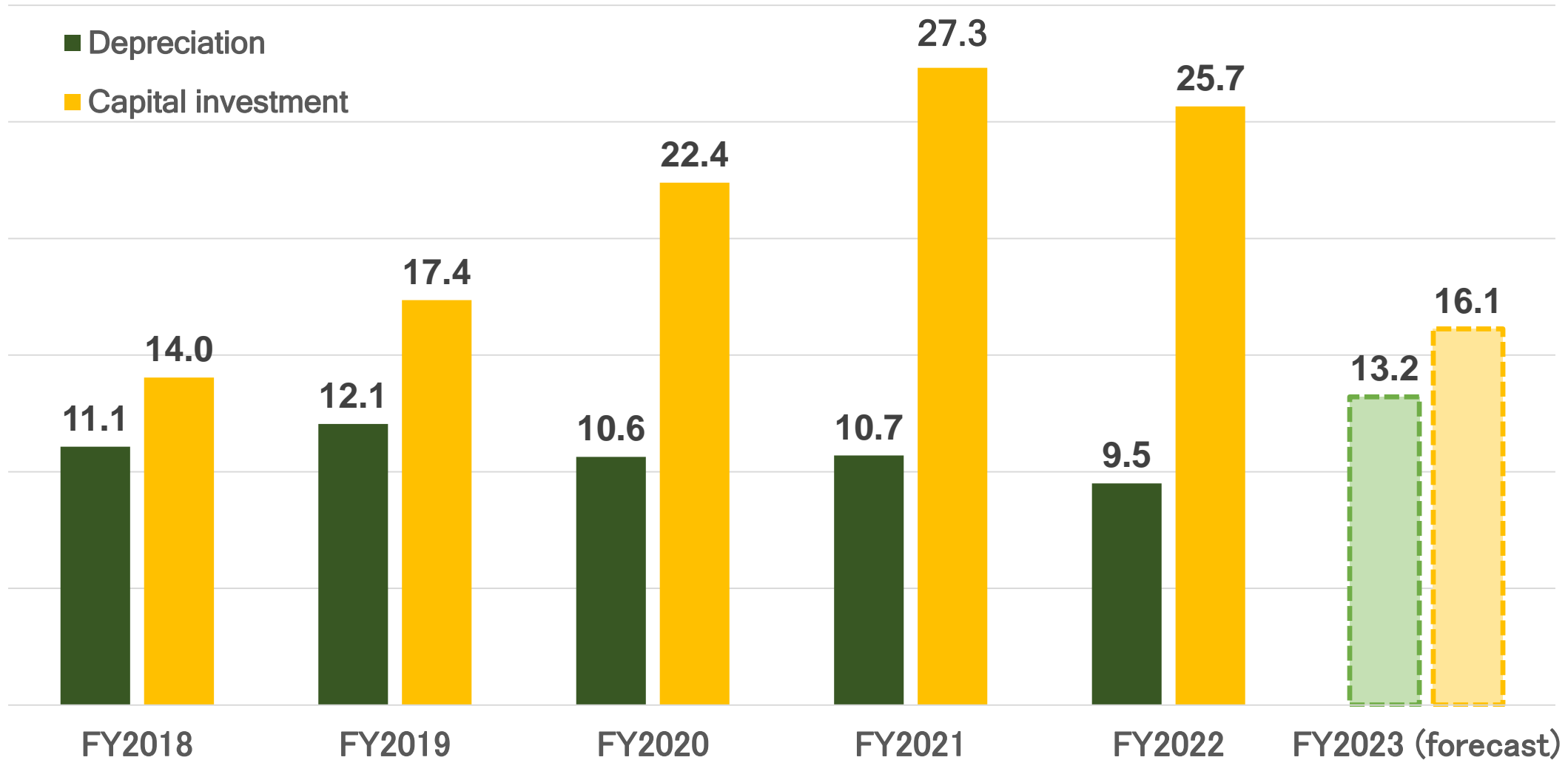
Activity plans

- Increase the sales of hand sanitizers to local governments and companies for stockpiling.
- Expand sales by marketing sustainable products (concentrations, etc.) and increasing product lines.
- Increase sales to hospitals and nursing facilities.
- Increase the sales of detergents for equipment cleaning at food factories.

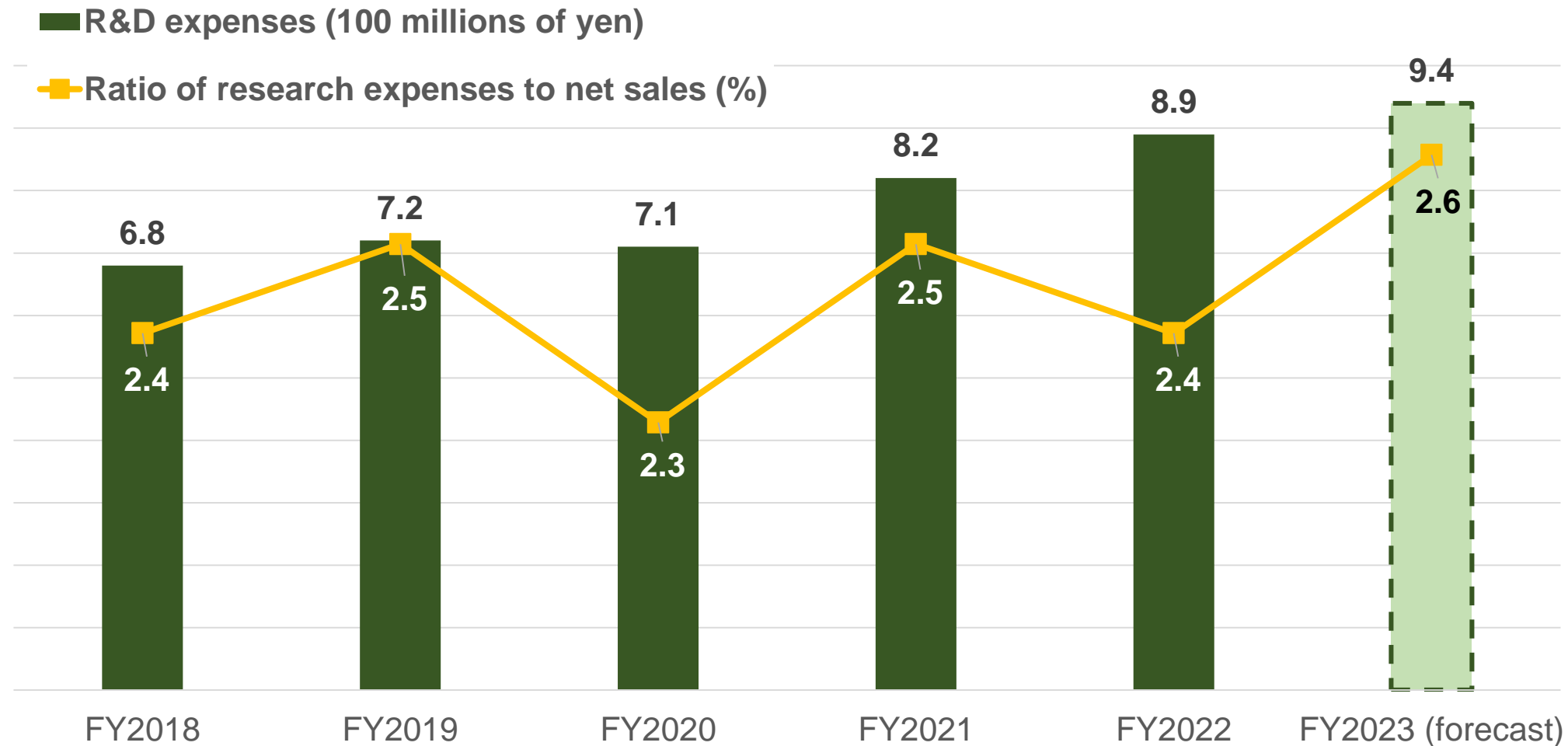


Full-year Consolidated Earnings Forecasts for FY2023: Capital Investment

Unit: 100 millions of yen



Full-year Consolidated Earnings Forecasts for FY2023: Investment in R&D



- Accelerate the establishment of production process that reduces environmental burdens.
- Steadily work to establish a synthesis method using flow reactors (continuous reaction).

Full-year Consolidated Earnings Forecasts for FY2023: Capital Policies

	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Forecasts	FY2023 Plans
DOE (%)	2.0	2.1	2.1	3.0	3.0	3.5 (fiscal year-end forecast)	3.5 (benchmark)
Dividends per share	30 yen	33 yen	35 yen	54 yen	57 yen	70 yen (fiscal year-end forecast)	70 yen
Total return ratio (%)	31	30	30	45	79	—	50% or higher (*1)
Ratio of cross-shareholdings (%)	27	23	28	24	25	—	—

(*1) 50% or more on average during the period covered by the 14th Medium-term Management Plan

- **Conditions until the 1st half of FY2023**
Sold some cross-shareholdings
- **Outlook for the 2nd half of FY2023**
Plan to purchase treasury shares of 350,000 shares (1.0 billion yen) (announced on Oct. 30, 2023)
- **Dividends are expected to increase for 7th consecutive fiscal year**

*DOE : Dividend on equity (Total amount of annual dividends / consolidated net assets, or payout ratio x ROE)

Total return ratio : (total amount of dividends + amount of treasury share purchased) / profit attributable to owners of parent

Ratio of cross shareholdings: percentage of the “carrying amount” of the “investment shares held for purposes other than pure investment” against consolidated net assets

- 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.
- Please be aware that, due to various factors, actual business results may vary from these forecasts.