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MEMBERSHIP

January 30, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (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: February 13, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended								
December 31, 2023	24,302	(12.5)	2,963	(28.0)	3,246	(26.4)	2,298	(27.1)
December 31, 2022	27,762	12.0	4,117	9.6	4,413	10.9	3,152	17.5

Note: Comprehensive income For the nine months ended December 31, 2023 ¥2,800 million[(15.0)%]
 For the nine months ended December 31, 2022 ¥3,294 million [29.5%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	100.79	–
December 31, 2022	133.69	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	57,261	46,946	80.4
March 31, 2023	56,672	46,101	79.9

Reference: Equity

As of December 31, 2023

¥46,049 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	–	35.00	–		
Fiscal year ending March 31, 2024 (Forecast)				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
Full year	35,500	(3.6)	4,400	(13.0)	4,700	(12.8)	3,250	(20.3)	142.28

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 December 31, 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 December 31, 2023	2,736,309 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)

Nine months ended December 31, 2023	22,799,429 shares
Nine months ended December 31, 2022	23,578,535 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 nine months ended December 31, 2023, although weakness in domestic demand was observed, the recovery in demand from inbound tourism to the level existing prior to the COVID-19 pandemic and other factors allowed the Japanese economy as a whole to continue to recover gradually. At the same time, in the overseas economies, the outlook remains uncertain due to factors including soaring global resource and energy prices caused by the protracted situations in Ukraine and the Middle-East, the beginnings of signs of slowdown in the US economy, ongoing slowdown in the European economies and stagnation in the Chinese economy due to the collapse of the real estate bubble.

In this business environment, the Group has been working to further strengthen its management base and promoted selection and concentration on products that can be expected to contribute to the expansion of earnings.

As a result, net sales for the first nine months of the fiscal year under review decreased to ¥24,302 million (down 12.5% year-on-year). In terms of profit, operating profit was ¥2,963 million (down 28.0% year-on-year), and ordinary profit was ¥3,246 million (down 26.4% year-on-year). Profit attributable to owners of parent was ¥2,298 million (down 27.1% 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 ¥18,768 million (down 12.4% year-on-year). Segment profit (operating profit) was ¥2,523 million (down 25.6% year-on-year).

Reference:

(Unit: Millions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Year-on-year difference	Year-on-year changes
Beauty care	5,559	5,874	315	5.7%
Health care	4,077	3,763	(313)	(7.7%)
Fine chemical	5,386	3,665	(1,721)	(32.0%)
Trading	6,406	5,464	(942)	(14.7%)
Total net sales	21,429	18,768	(2,661)	(12.4%)
Beauty care	1,584	1,671	86	5.5%
Health care	613	101	(511)	(83.4%)
Fine chemical	975	509	(466)	(47.8%)
Trading	216	241	24	11.3%
Total operating profit	3,390	2,523	(866)	(25.6%)

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 plant for phospholipids for pharmaceuticals.

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 slowing of demand for infection control products after the change in the legal status of COVID-19. As a result, net sales was ¥5,344 million (down 12.2% year-on-year) and segment profit (operating profit) was ¥358 million (down 40.0% year-on-year).

(iii) Other

Net sales of other businesses was ¥190 million (down 21.6% year-on-year) and segment profit (operating profit) was ¥81 million (down 37.1% 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 ¥588 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥57,261 million. This was mainly due to an increase in current assets by ¥417 million due mainly to an increase in cash and deposits, and a ¥170 million increase in non-current assets due mainly to an increase in machinery, equipment and vehicles.

Liabilities at the end of the third quarter of the fiscal year under review decreased by ¥256 million from the previous fiscal year-end to ¥10,315 million. This was mainly due to a decrease in current liabilities by ¥58 million due mainly to a decrease in notes and accounts payable-trade, and a ¥197 million decrease in non-current liabilities due to a decrease in deferred tax liabilities.

The net assets at the end of the third quarter of the fiscal year under review increased by ¥845 million from the previous fiscal year-end to ¥46,946 million. This was mainly due to an increase in shareholders' equity by ¥375 million, due to recording ¥2,298 million in profit attributable to owners of parent, despite an increase of ¥510 million in treasury shares and ¥1,460 million in dividends paid, while accumulated other comprehensive income increased by ¥407 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 30, 2023. 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 third quarter (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	8,937,431	10,183,609
Notes and accounts receivable - trade	8,855,955	8,575,595
Merchandise and finished goods	4,001,642	5,069,943
Work in process	2,290,016	2,003,743
Raw materials and supplies	4,718,263	3,902,636
Other	788,202	273,601
Allowance for doubtful accounts	(695)	(640)
Total current assets	29,590,815	30,008,490
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,737,425	6,519,881
Machinery, equipment and vehicles, net	1,285,637	2,727,050
Land	3,719,989	3,719,989
Construction in progress	1,794,239	189,415
Other, net	690,084	732,801
Total property, plant and equipment	14,227,376	13,889,139
Intangible assets	521,691	773,112
Investments and other assets		
Investment securities	12,017,715	12,223,043
Retirement benefit asset	67,408	77,121
Other	247,729	290,504
Total investments and other assets	12,332,853	12,590,668
Total non-current assets	27,081,921	27,252,920
Total assets	56,672,737	57,261,410

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current third quarter (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,256,778	3,935,381
Accounts payable - other	839,820	608,864
Income taxes payable	607,013	652,282
Provision for bonuses	717,500	411,484
Provision for bonuses for directors (and other officers)	79,752	29,846
Provision for environmental measures	–	426,000
Accounts payable - facilities	459,535	334,735
Other	655,448	1,158,718
Total current liabilities	7,615,849	7,557,313
Non-current liabilities		
Deferred tax liabilities	2,655,149	2,480,983
Retirement benefit liability	144,956	133,903
Long-term accounts payable - other	15,600	19,659
Long-term guarantee deposits	102,890	90,782
Asset retirement obligations	9,430	9,430
Other	27,652	23,044
Total non-current liabilities	2,955,679	2,757,803
Total liabilities	10,571,528	10,315,116
Net assets		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,821,920	6,870,796
Retained earnings	28,513,077	29,350,263
Treasury shares	(3,171,070)	(3,681,760)
Total shareholders' equity	38,097,149	38,472,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,469,379	6,805,546
Deferred gains or losses on hedges	3,275	(14,782)
Foreign currency translation adjustment	697,997	786,803
Remeasurements of defined benefit plans	(1,156)	(1,004)
Total accumulated other comprehensive income	7,169,496	7,576,562
Non-controlling interests	834,562	897,209
Total net assets	46,101,208	46,946,293
Total liabilities and net assets	56,672,737	57,261,410

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

(Thousands of yen)

	Previous third quarter (Cumulative) (From April 1, 2022 to December 31, 2022)	Current third quarter (Cumulative) (From April 1, 2023 to December 31, 2023)
Net sales	27,762,076	24,302,907
Cost of sales	19,301,855	17,075,363
Gross profit	8,460,220	7,227,543
Selling, general and administrative expenses	4,342,573	4,263,918
Operating profit	4,117,647	2,963,625
Non-operating income		
Interest income	32,041	28,940
Dividend income	247,871	260,966
Miscellaneous income	32,316	34,294
Total non-operating income	312,229	324,201
Non-operating expenses		
Interest expenses	836	896
Foreign exchange losses	10,318	8,599
Depreciation	–	29,534
Miscellaneous losses	5,583	2,369
Total non-operating expenses	16,737	41,399
Ordinary profit	4,413,139	3,246,427
Extraordinary income		
Gain on sale of non-current assets	80,207	1,341
Gain on sale of investment securities	150,600	528,244
Total extraordinary income	230,807	529,586
Extraordinary losses		
Loss on sale of non-current assets	–	9
Loss on retirement of non-current assets	12,809	9,028
Loss on sale of investment securities	16,889	–
Loss on valuation of investment securities	–	51,101
Provision for environmental measures	–	426,000
Total extraordinary losses	29,699	486,139
Profit before income taxes	4,614,247	3,289,873
Income taxes - current	1,163,818	1,248,686
Income taxes - deferred	234,305	(326,371)
Total income taxes	1,398,124	922,315
Profit	3,216,123	2,367,557
Profit attributable to		
Profit attributable to owners of parent	3,152,380	2,298,100
Profit attributable to non-controlling interests	63,743	69,457
Other comprehensive income		
Valuation difference on available-for-sale securities	144,256	336,167
Deferred gains or losses on hedges	(49,002)	(20,060)
Foreign currency translation adjustment	(16,319)	116,798
Remeasurements of defined benefit plans, net of tax	(807)	151
Total other comprehensive income	78,126	433,056
Comprehensive income	3,294,250	2,800,614
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,239,210	2,705,166
Comprehensive income attributable to non-controlling interests	55,039	95,448

(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 third quarter (Cumulative) (From April 1, 2022 to December 31, 2022)

- 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	21,429,999	6,089,648	27,519,648	–	27,519,648	–	27,519,648
Other revenue	–	–	–	242,428	242,428	–	242,428
Revenues from external customers	21,429,999	6,089,648	27,519,648	242,428	27,762,076	–	27,762,076
Intersegment sales or transfers	228,109	23,804	251,913	23,663	275,576	(275,576)	–
Total	21,658,109	6,113,452	27,771,562	266,091	28,037,653	(275,576)	27,762,076
Segment profit	3,390,060	598,072	3,988,132	129,515	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.

- 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, 2023 to December 31, 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	18,768,182	5,344,636	24,112,818	–	24,112,818	–	24,112,818
Other revenue	–	–	–	190,088	190,088	–	190,088
Revenues from external customers	18,768,182	5,344,636	24,112,818	190,088	24,302,907	–	24,302,907
Intersegment sales or transfers	152,666	22,265	174,931	98,556	273,488	(273,488)	–
Total	18,920,848	5,366,901	24,287,749	288,645	24,576,395	(273,488)	24,302,907
Segment profit	2,523,423	358,693	2,882,117	81,508	2,963,625	–	2,963,625

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 third quarter (cumulative) is disclosed based on the new reporting segment classifications.