

Financial Results Meeting for Fiscal Year Ended March 31, 2024 (FY2023)



**May 14, 2024
NIPPON FINE CHEMICAL CO., LTD.**

Table of Contents

- 1. Full-year Earnings Overview for
Fiscal Year Ended March 31, 2024**
- 2. Full-year Earnings Forecasts for
Fiscal Year Ending March 31, 2025**
- 3. Investment in Facilities and R&D**
- 4. Capital Policies**

Table of Contents

1. Full-year Earnings Overview for Fiscal Year Ended March 31, 2024

2. Full-year Earnings Forecasts for
Fiscal Year Ending March 31, 2025

3. Investment in Facilities and R&D

4. Capital Policies

Overview of Consolidated Financial Results for FY2023

	FY2022	FY2023		Latest Forecast (Announced on October 30, 2023)		Medium-term Management Plan (1st Fiscal Year)	
	Results	Results	Year-on-year changes	Forecasts	Change from forecast	Targets	Increase /decrease from the target
Net sales (Unit: Billions of yen)	36.84	33.53	(9.0%)	35.50	(5.5%)	38.00	(11.8%)
Operating profit (Unit: Billions of yen)	5.06	4.20	(17.0%)	4.40	(4.6%)	4.80	(12.5%)
Ratio of operating profit (%)	13.7	12.5	—	12.4	—	12.6	—
EBITDA (Unit: Billions of yen)	6.01	5.50	(8.5%)	5.72	(3.9%)	6.10	(9.9%)
EBITDA margin (%)	16.3	16.4	—	16.1	—	16.1	—
Ordinary profit (Unit: Billions of yen)	5.39	4.45	(17.4%)	4.70	(5.3%)	5.15	(13.5%)
Profit attributable to owners of parent (Unit: Billions of yen)	4.08	3.33	(18.4%)	3.25	2.4%	3.60	(7.6%)
Basic earnings per share (Yen)	174.4	146.4	—	142.3	—	157.8	—

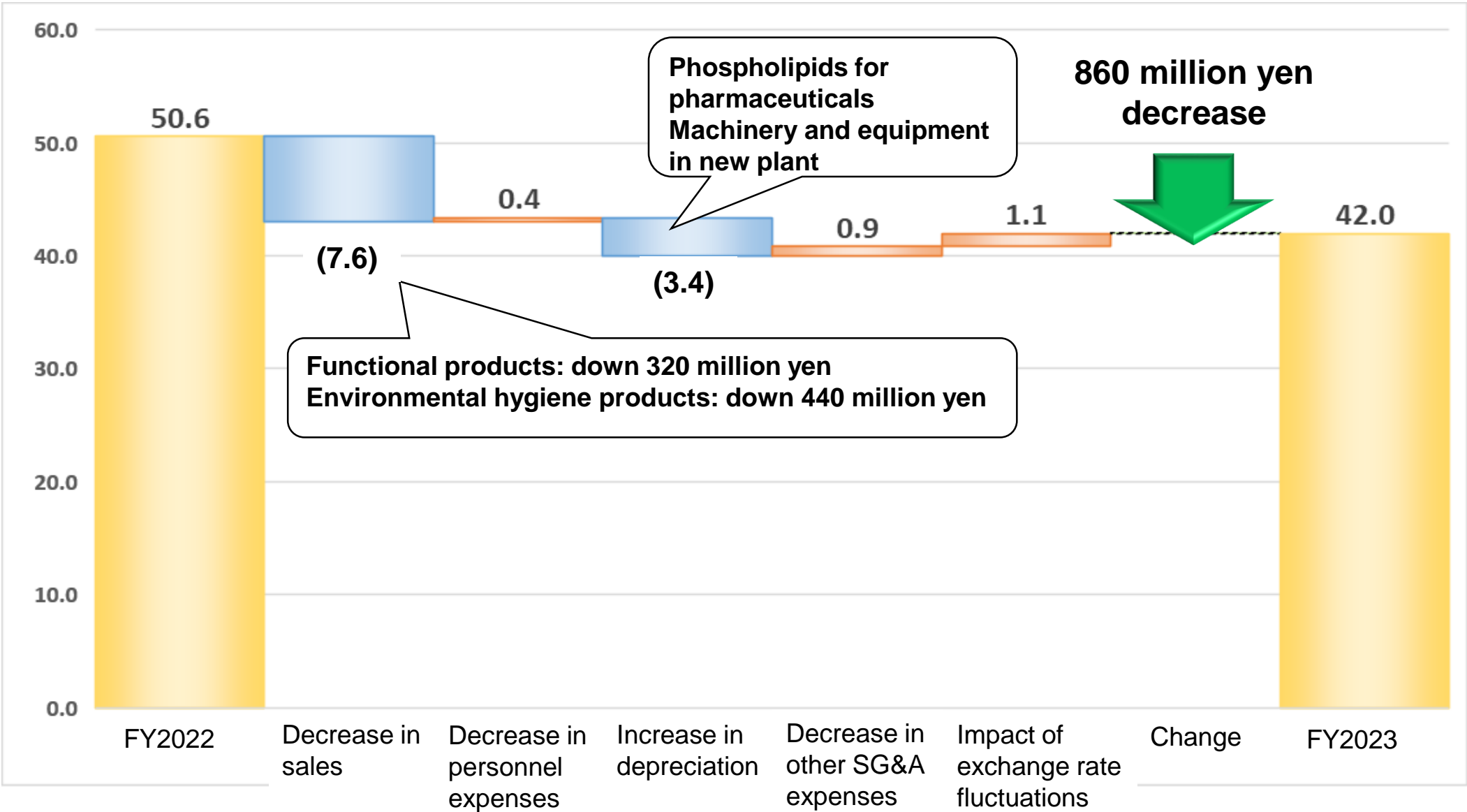
*EBITDA: Operating profit before depreciation and amortization

Consolidated Managerial Indicators for FY2023

	The 13th Medium-term Management Plan		The 14th Medium-term Management Plan		
	FY2018	FY2022	FY2023	FY2023	FY2026
	Results	Results	Results	Plans	Targets
Net sales (Unit: Billions of yen)	28.0	36.8	33.5	38.0	41.0
Operating profit (Unit: Billions of yen)	3.1	5.0	4.2	4.8	5.7
EBITDA (Unit: Billions of yen)	4.3	6.0	5.5	6.1	7.7
ROIC (%)	6.1	7.9	6.3	—	8.0
Capital investment (Unit: Billions of yen)	¥10.9 billion in 5 years		1.77	¥12.0 billion in 4 years	
Ratio of R&D expenses to net sales (%)	2.4	2.4	2.7	2.6	2.7

*ROIC: Return on invested capital

Consolidated Financial Results for FY2023: Analysis of Operating Profit



Overview of Consolidated Financial Results for FY2023 by Segment

Unit: 100 millions of yen

	FY2022			FY2023 forecast (Announced on October 30, 2023)			FY2023			Year-on-year changes			Change from forecast		
	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	262.0	36.0	48.1	(7.9%)	(13.4%)	(3.9%)	(3.3%)	(2.6%)	(2.3%)
Beauty care	71.7	19.5	21.4	85.0	22.0	24.5	79.4	21.9	24.4	10.7%	12.7%	14.4%	(6.6%)	(0.3%)	(0.3%)
Health care	56.6	7.0	11.3	60.0	4.2	11.8	58.3	4.5	11.9	3.0%	(35.9%)	5.5%	(2.9%)	6.8%	1.2%
Fine chemicals	70.5	12.4	14.5	52.0	7.5	9.6	52.0	6.4	8.4	(26.2%)	(48.4%)	(41.9%)	0.1%	(14.7%)	(12.3%)
Trading	85.7	2.8	2.9	74.0	3.3	3.4	72.3	3.2	3.3	(15.6%)	17.0%	14.0%	(2.3%)	(2.7%)	(2.4%)
Environmental Hygiene Products (Hygiene)	80.7	7.4	8.1	81.7	6.0	6.6	70.8	4.9	5.4	(12.3%)	(34.4%)	(32.9%)	(13.3%)	(18.8%)	(17.6%)
Other	3.2	1.5	1.9	2.3	1.0	1.3	2.5	1.1	1.4	(20.3%)	(29.8%)	(26.0%)	10.1%	7.0%	5.0%
Consolidated Total	368.4	50.6	60.1	355.0	44.0	57.2	335.3	42.0	55.0	(9.0%)	(17.0%)	(8.5%)	(5.5%)	(4.6%)	(3.9%)

FY2023 Overview Functional Products: Beauty Care

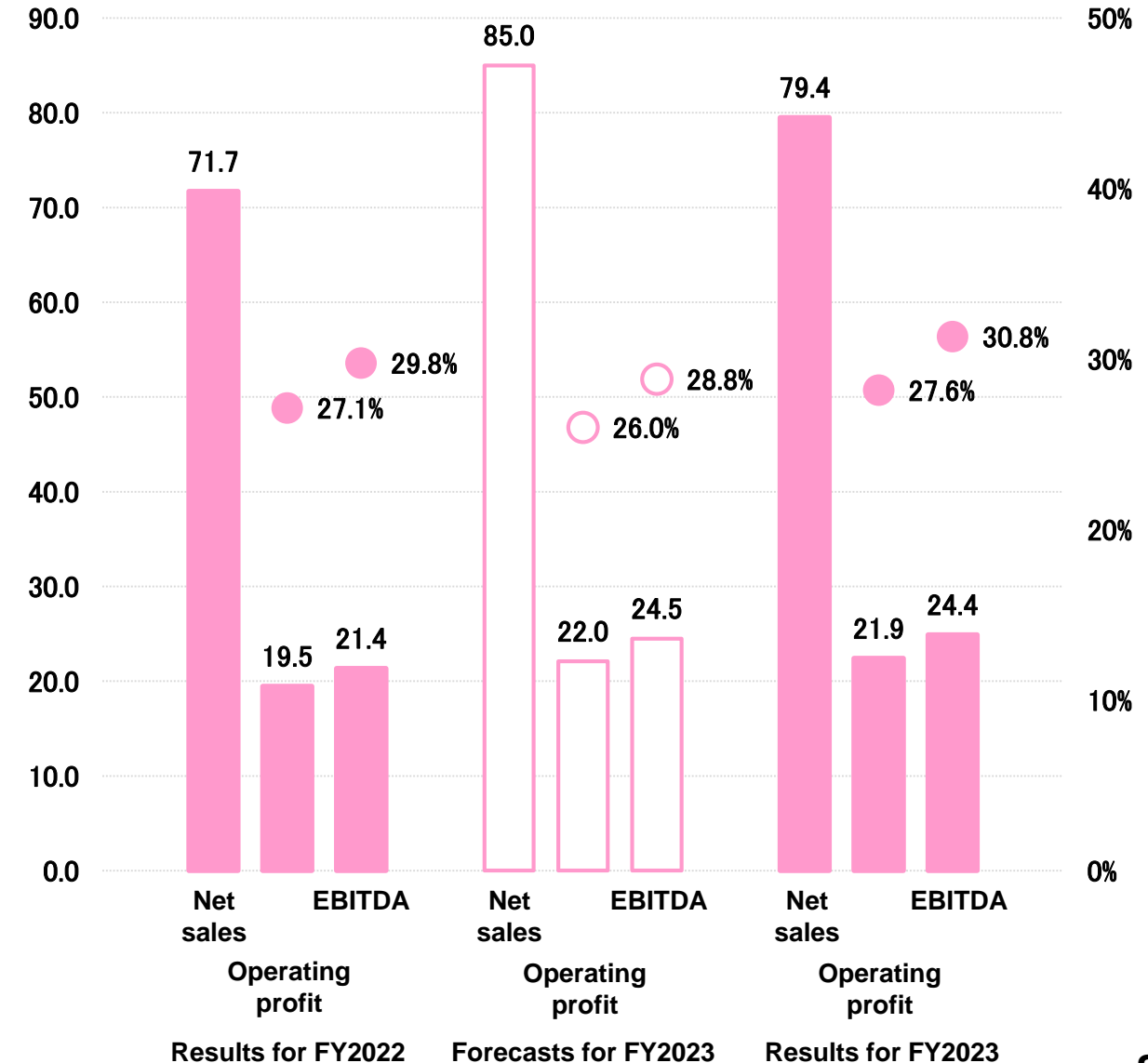
Applicable products

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

Overview for Fiscal Year Ended March 31, 2024

- (+) Strong sales of functional esters for cosmetics for overseas markets thanks to sustainability considerations and various certifications (Non-GMO, RSPO, ISO16128, etc.)
- (+) 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 cholesterol for cosmetics for domestic markets decreased.

(100 millions of yen)



FY2023 Overview Functional Products: Health Care



Applicable products and services

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



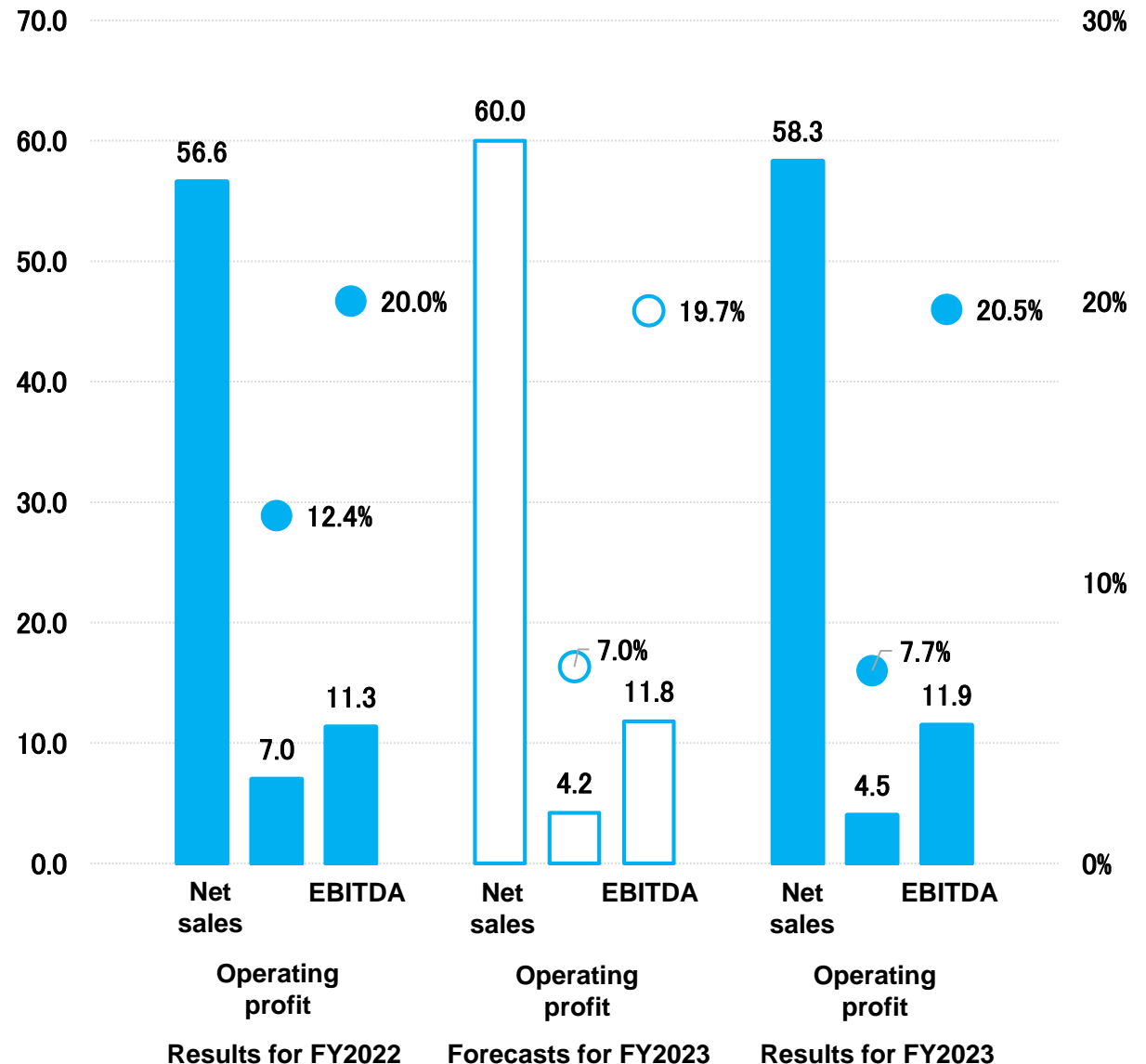
Overview for Fiscal Year Ended March 31, 2024

- (+) For Gilead Sciences, Inc.:
Test production at new plants ended and commercial production began.
- (-) Phospholipids for pharmaceuticals: Depreciation expenses for new plants increased.
- (+/-) Phospholipids for pharmaceuticals:
Sales predominantly in the 2nd half of FY2023 due to changes in key customer's plan.
- (+) Opened Shonan Laboratory. Contributed to discovery of new research themes.
- (+/-) Pharmaceutical intermediates: Focused resources on continuous research themes.

*WG: Wool grease *LNP: Lipid nanoparticles

*CDMO: Contract manufacturing and development organization

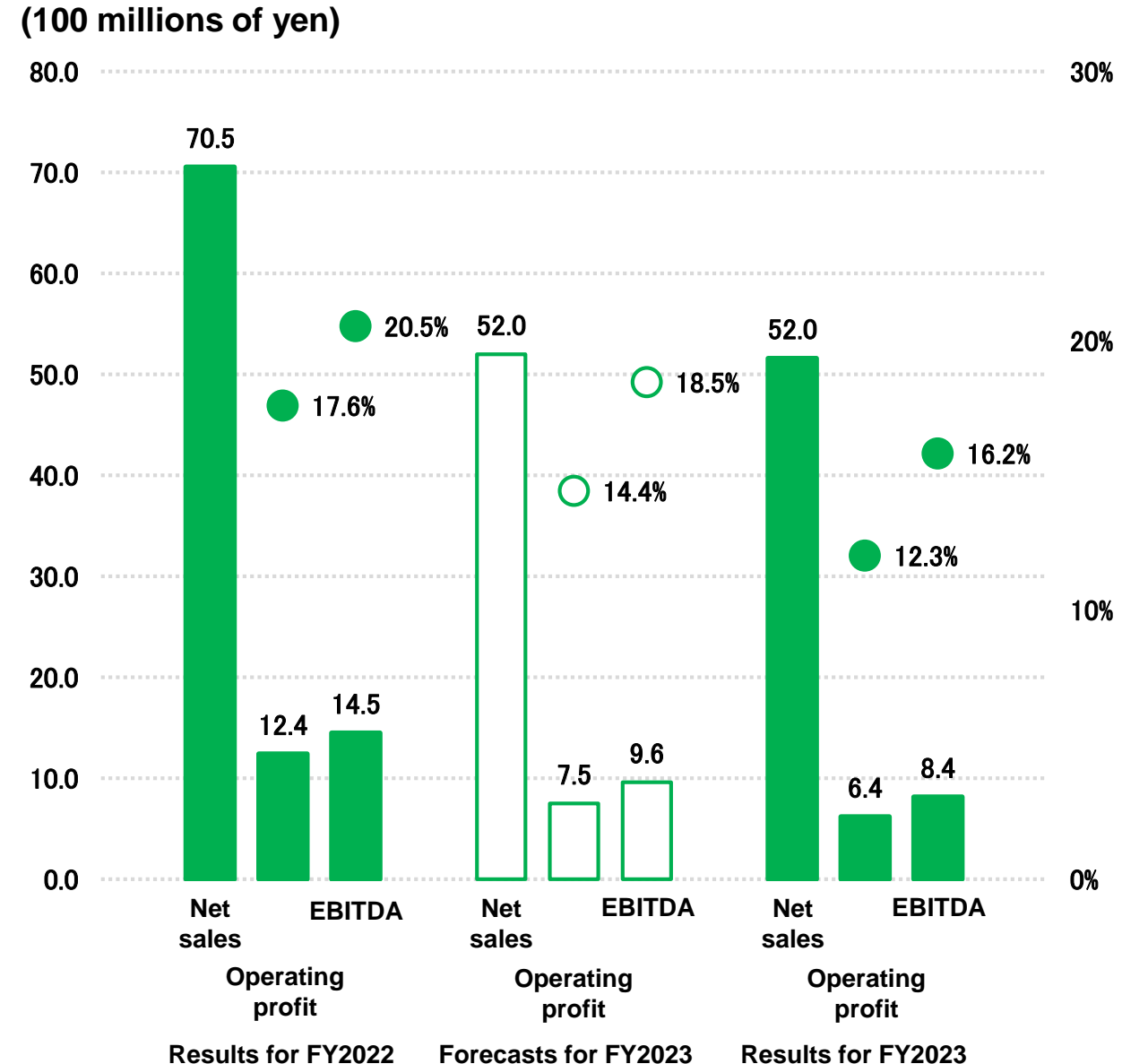
(100 millions of yen)



FY2023 Overview Functional Products: Fine Chemicals

- 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 WG derivatives (feed cholesterol)
 - Functional coatings (NSC)

- Overview for Fiscal Year Ended March 31, 2024
 - (+/-) Selection and concentration of existing products is in progress.
(predominantly 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.



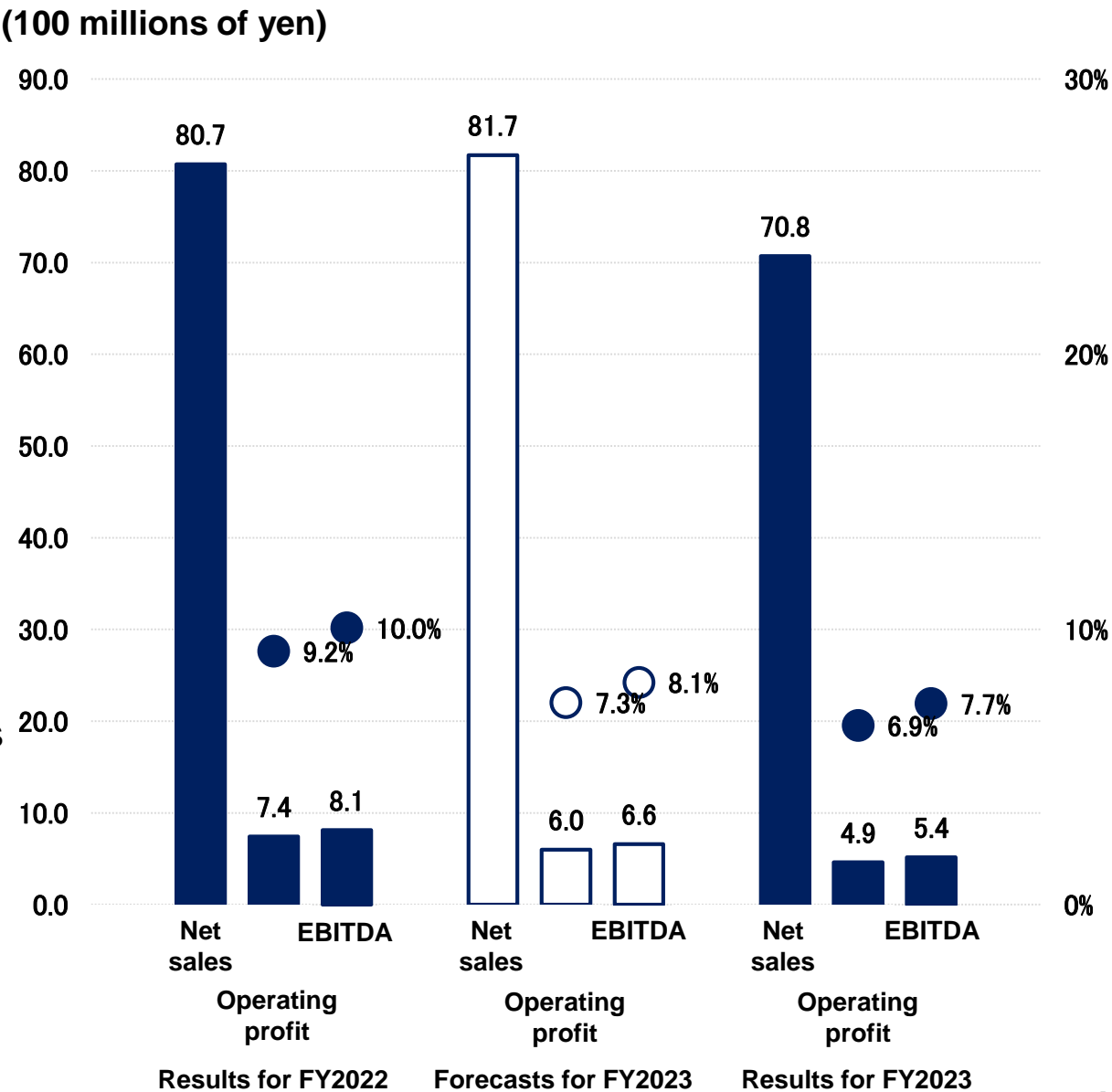
FY2023 Overview Environmental Hygiene Products (Hygiene)

Applicable products and services

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

Overview for Fiscal Year Ended March 31, 2024

- (-) Market shrank more than expected, leading to excess distribution inventory due to the reclassification of COVID-19 as a Class 5 disease.
- (-) Drop in priority for switch to health/hygiene products due to soaring food prices in the food industry.
- (+) Expanded sales of sustainable products such as concentrated types and biomass containers.



Consolidated Balance Sheet for FY2023

Unit: 100 millions of yen

Account	Balance as of March 31, 2024	Year-on-year changes	Main factors for increase / decrease
Cash and deposits	128.6	+39.2	
Notes and accounts receivable - trade	91.7	+3.2	
Inventories	98.1	(12.0)	Raw materials (15.1)
Property, plant and equipment	144.0	+1.7	
Investments and other assets	122.4	(0.9)	
Other	9.7	(3.4)	
Total assets	594.5	+27.8	
Notes and accounts payable - trade	39.5	(3.0)	
Deferred tax liabilities	21.9	(4.7)	
Other	57.5	+20.9	Income taxes payable +7.4; Accounts payable - facilities +5.2
Total liabilities	118.9	+13.2	
Total net assets	475.6	+14.6	Equity-to-asset ratio: 78.5%
Net assets per share	2,074.07 yen	+89.49 yen	

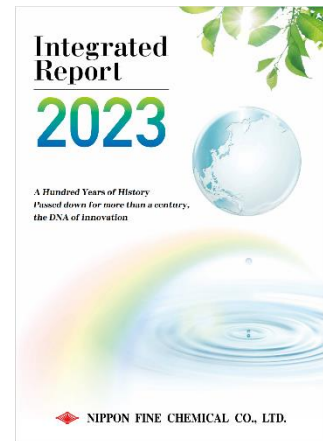
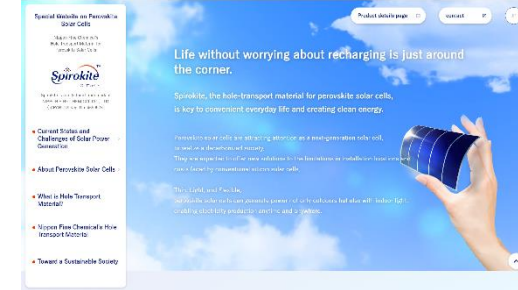
Consolidated Statement of Cash Flows for FY2023

Unit: 100 millions of yen

Category	FY2023	Main factors for increase / decrease
Profit before income taxes	48.7	
Depreciation	14.4	
Increase in working capital	7.3	
Income taxes paid	(12.7)	
Other	5.1	
Operating cash flow	62.8	
Investing cash flow	(6.3)	Purchase of property, plant and equipment (8.5)
[free cash flow]	[56.5]	
Financing cash flow	(25.5)	Dividend (14.6); Purchase of treasury shares (9.9)
Effect of exchange rate change on cash and cash equivalents	0.7	
Net increase (decrease) in cash and cash equivalents	31.7	

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
- Published Integrated Report
- Awarded “Gold” rating in EcoVadis sustainability assessment
- Formulated Purpose (What We’re Here For)



Formulated Purpose (What We're Here For)

Purpose
Contributing to
the creation of a sustainable society
filled with Smiles
through the Power of **Chemistry** and **KIREI**.



Table of Contents

1. Full-year Earnings Overview for
Fiscal Year Ended March 31, 2024

**2. Full-year Earnings Forecasts for
Fiscal Year Ending March 31, 2025**

3. Investment in Facilities and R&D

4. Capital Policies

Summary of Full-year Consolidated Earnings Forecasts for FY2024

	FY2022	FY2023	FY2024	
	Results	Results	Forecasts	Year-on-year changes
Net sales (Unit: Billions of yen)	36.84	33.53	35.70	6.5%
Operating profit (Unit: Billions of yen)	5.06	4.20	4.80	14.3%
Ratio of operating profit (%)	13.7	12.5	13.4	—
EBITDA (Unit: Billions of yen)	6.01	5.50	6.17	12.3%
EBITDA margin (%)	16.3	16.4	17.3	—
Ordinary profit (Unit: Billions of yen)	5.39	4.45	4.90	10.0%
Profit attributable to owners of parent (Unit: Billions of yen)	4.08	3.33	3.45	3.7%
Basic earnings per share (Yen)	174.4	146.4	153.4	—

Consolidated Managerial Indicator Forecasts for FY2024

	The 13th Medium-term Management Plan		The 14th Medium-term Management Plan		
	FY2018	FY2022	FY2023	FY2024	FY2026
	Results	Results	Results	Forecasts	Targets
Net sales (Unit: Billions of yen)	28.0	36.8	33.5	35.7	41.0
Operating profit (Unit: Billions of yen)	3.1	5.0	4.2	4.8	5.7
EBITDA (Unit: Billions of yen)	4.3	6.0	5.5	6.2	7.7
ROIC (%)	6.1	7.9	6.3	7.0	8.0
Capital investment (Unit: Billions of yen)	¥10.9 billion in 5 years		1.77	3.0	¥12.0 billion in 4 years (1)
Ratio of R&D expenses to net sales (%)	2.4	2.4	2.7	2.9	2.7

*ROIC: Return on invested capital

(1) Total of ¥12.0 billion in 4 years between FY2023 and FY2026 18

Full-year Consolidated Earnings Forecasts for FY2024 by Segment

Unit: 100 millions of yen

	FY2022 Results			FY2023 Results			FY2024 Forecasts			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	284.5	41.6	50.1	262.0	36.0	48.1	279.6	41.2	53.9	6.7%	14.3%	12.1%
Beauty care	71.7	19.5	21.4	79.4	21.9	24.4	88.5	22.8	26.1	11.5%	3.9%	6.8%
Health care	56.6	7.0	11.3	58.3	4.5	11.9	63.0	7.0	14.7	8.1%	56.1%	23.0%
Fine chemicals	70.5	12.4	14.5	52.0	6.4	8.4	53.6	8.0	9.7	3.0%	25.0%	15.2%
Trading	85.7	2.8	2.9	72.3	3.2	3.3	74.5	3.4	3.5	3.1%	5.9%	4.1%
Environmental Hygiene Products (Hygiene)	80.7	7.4	8.1	70.8	4.9	5.4	75.0	6.0	6.7	5.9%	23.0%	22.5%
Other	3.2	1.5	1.9	2.5	1.1	1.4	2.4	0.8	1.1	(5.0%)	(25.3%)	(20.1%)
Consolidated Total	368.4	50.6	60.1	335.3	42.0	55.0	357.0	48.0	61.7	6.5%	14.3%	12.3%

FY2024 Forecast Functional Products: Beauty Care

External environment forecast

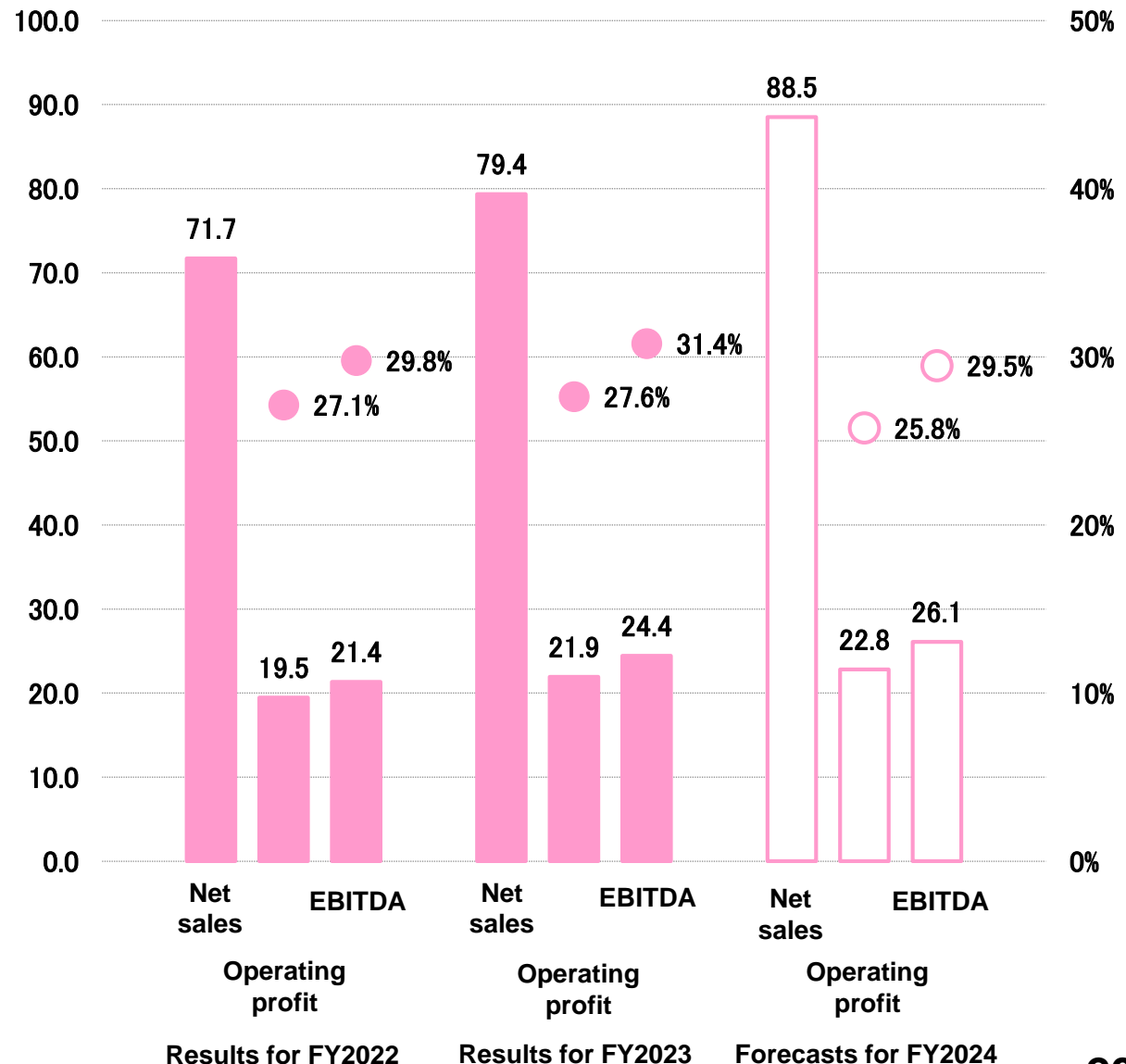
- (+) Growing demand for sustainable materials from European and US brands.
- (+) Long-term growth of global market based on an increase in cosmetics-user population.
- (+) Recovery in inbound demand in line with increase in number of tourists.
- (+/-) Superiority of local products in China.

Activity plans

- Increase overseas sales by reinforcing marketing activities for overseas customers.
- Open labs:
Discover themes and increase sales by collaborating with customers at The Design & Creation Lab (opened in April).
- Phospholipids for cosmetics:
Boost sales and strengthen search for new applications in markets in Asia, Europe, and the US.
- Continue with proactive efforts aimed at sustainability and various certifications.
- Focus on sales of high-value-added products for WG derivatives for cosmetics
- Promote plan for construction of new cosmetics ingredients plant.

*WG: Wool grease

(100 millions of yen)



FY2024 Forecast Functional Products: Health Care

External environment forecast

- (+) Our phospholipids for pharmaceuticals can be applied to growth modality.
- (+) Division of labor in pharmaceuticals development.
- (-) Intensifying competition due to entry or M&As of competitors.

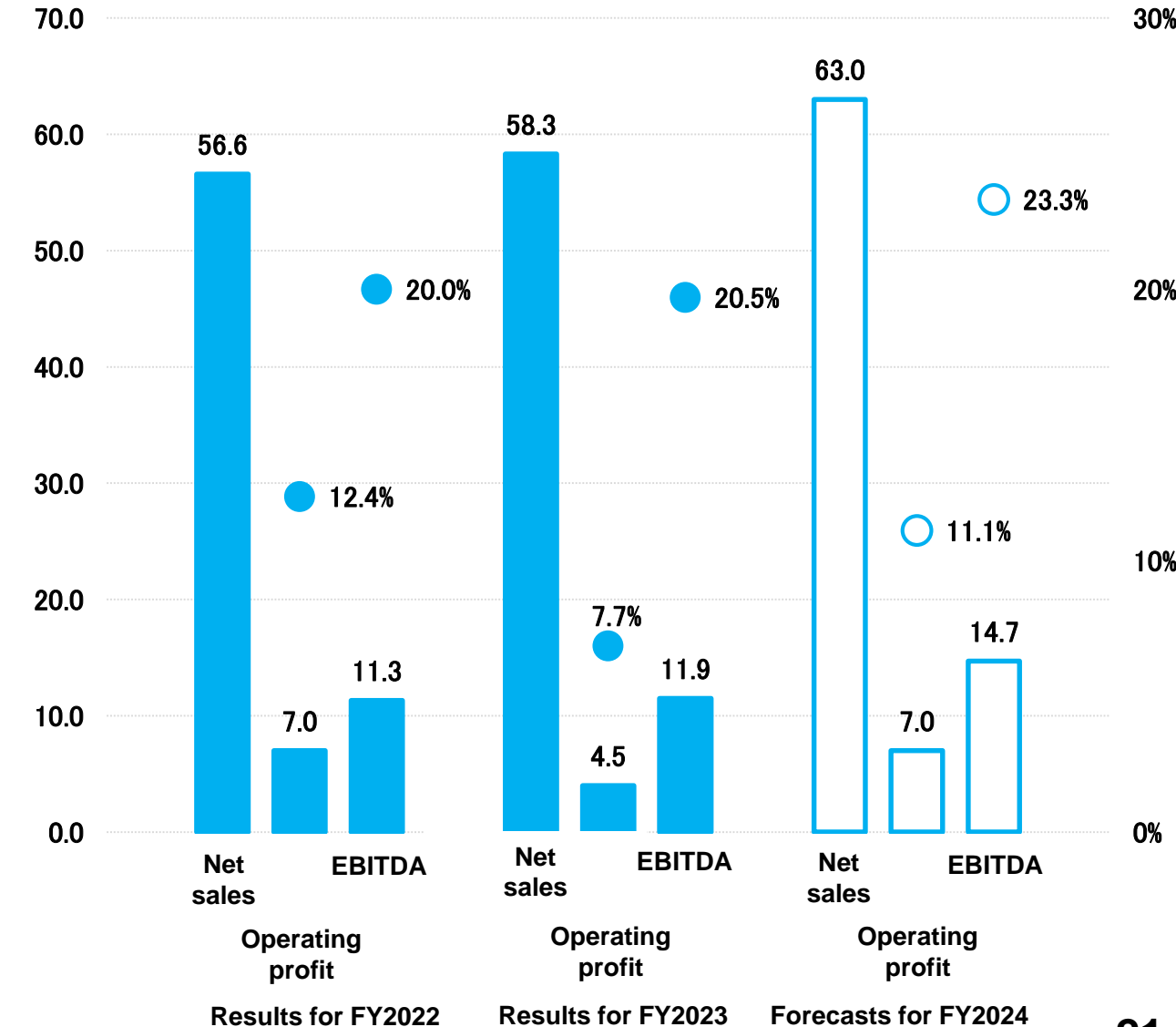
Activity plans

- For Gilead Sciences, Inc.: Maintain stable supply system.
- High-purity phospholipids for pharmaceuticals/liposomes, LNP: Acquire customers through pharmaceutical differentiation using proprietary functional lipids. Enhance efficiency by concentrating production in new plant.
- Promote open innovation at Shonan Laboratory.
- WG derivatives for pharmaceuticals: Continue with stable supply to existing customers.
- Pharmaceutical intermediates: Focus on continuous research themes and increase sales.
- Pharmacology and safety tests: Acquire customers by reinforcing international competitive advantage.

*WG: Wool grease *LNP: Lipid nanoparticles

*CDMO: Contract manufacturing and development organization

(100 millions of yen)



FY2024 Forecast Functional Products: Fine Chemicals

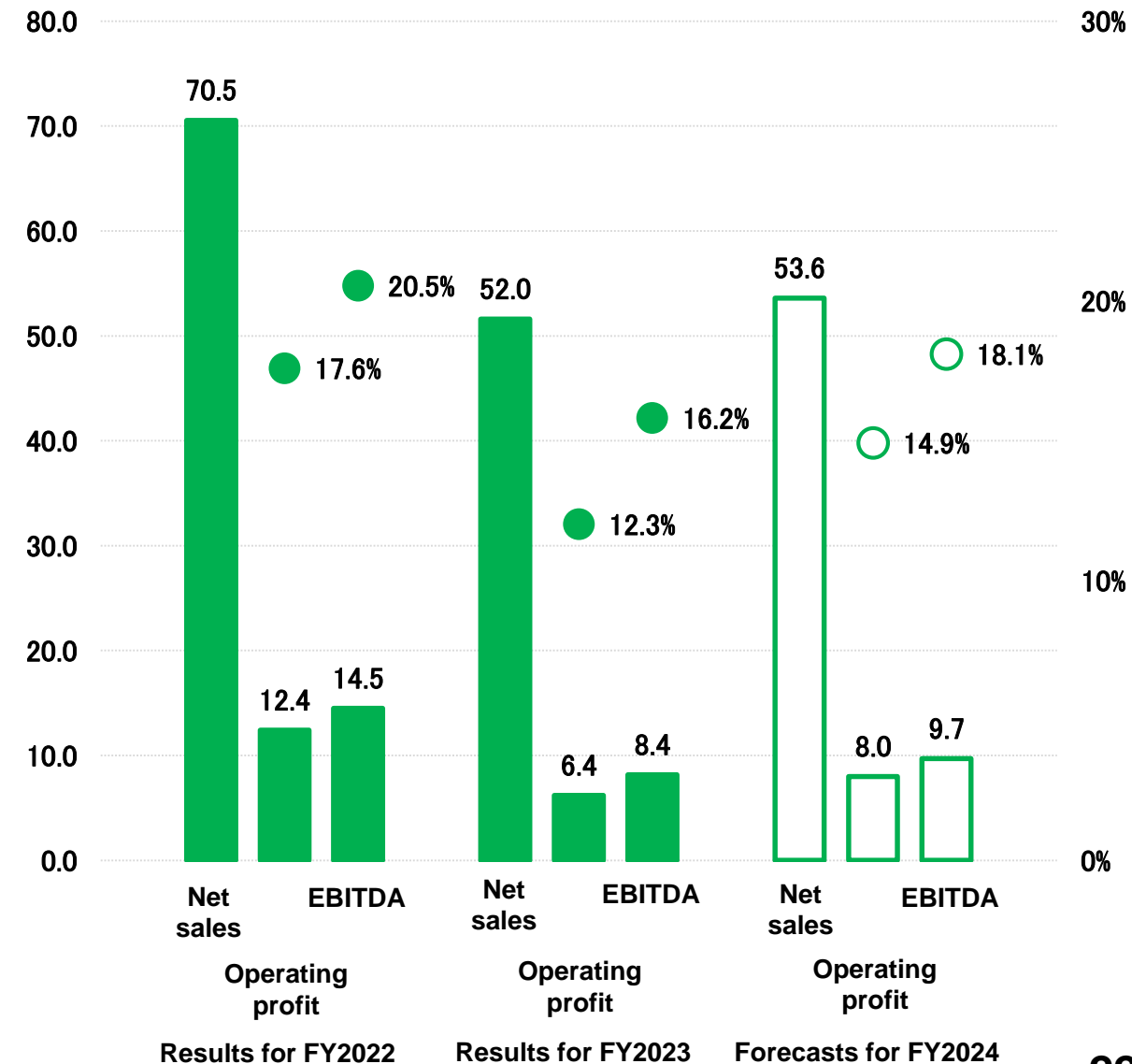
External environment forecast

- (+) Perovskite (PSC) solar cells: Acceleration of social implementation.
- (+) 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.

Activity plans

- Continue with selection and concentration and develop future core businesses.
- Materials for PSC solar cells: Promote development of next-generation material.
- WG derivatives: Promote efficient production system suited to market environment.
- Fatty acid amides: Increase sales for applications that contribute to a sustainable society.
- Coatings: Acquire customers and increase sales in the Chinese and Taiwanese markets.

(100 millions of yen)



*WG: Wool grease

FY2024 Forecast Environmental Hygiene Products (Hygiene)

External environment forecast

- (+) Rising social awareness of the importance of hygiene following the COVID-19 pandemic.
- (+) Growth in the hospital and care facility markets.
- (+) HACCP management to be made compulsory in the food industry.
- (+/-) Changes in supply-demand balance following the COVID-19 pandemic.
- (-) Rising raw material costs and freight costs.

Activity plans

- Accelerate development of sustainable products (concentrated types, etc.) and strengthen Group synergy using mutual resources.
- Reinforce Group synergy through mutual use of resources.
- Acquire customers by increasing sales of differentiated products in the food business field.
- Acquire customers through products for hospitals and care facilities.

* HACCP:
Hazard Analysis Critical Control Point is a hygiene management system for food businesses that aims to ensure product safety through management of particularly important processes, eliminating or removing hazards such as food poisoning bacteria and contaminants.

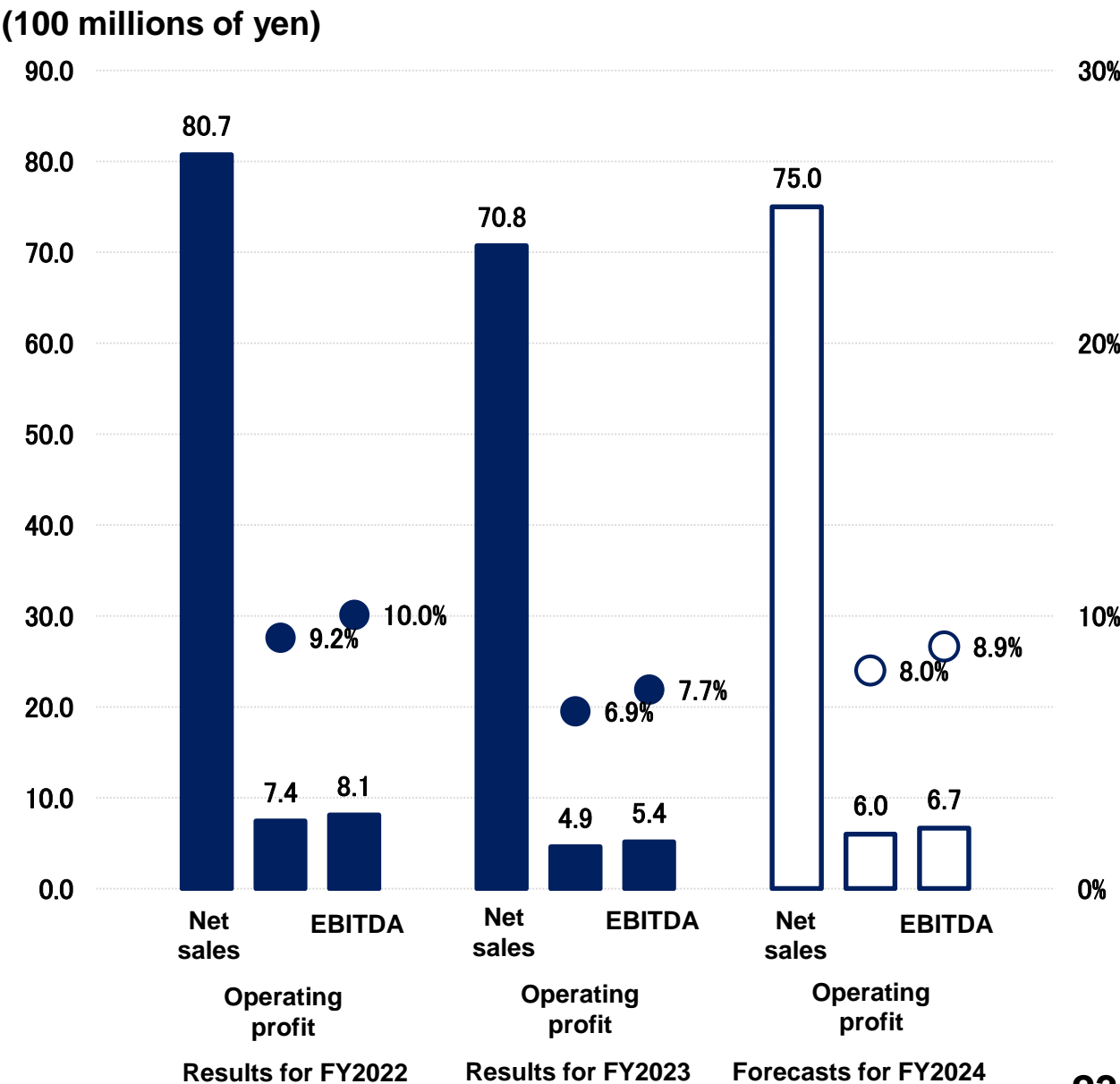


Table of Contents

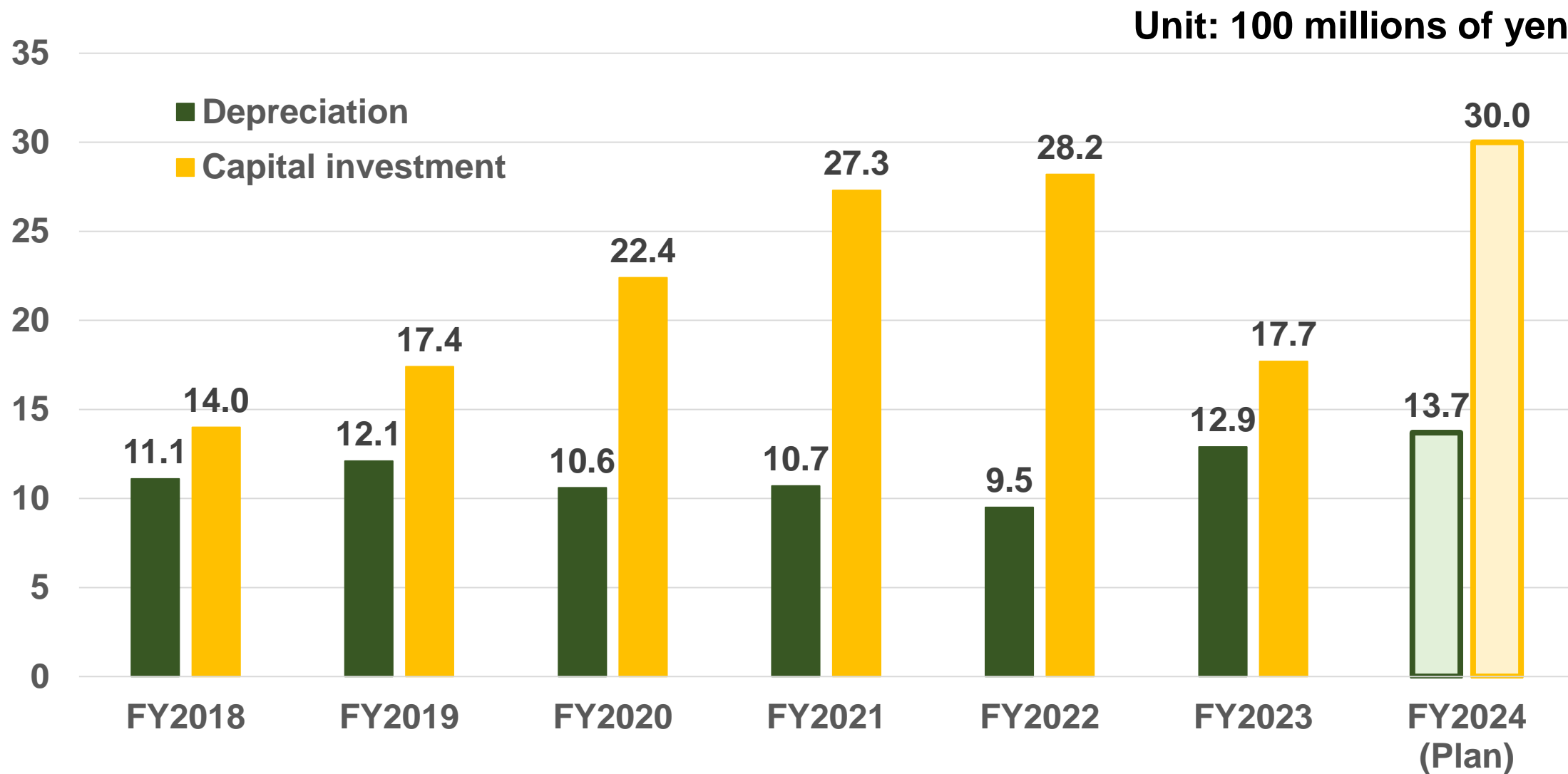
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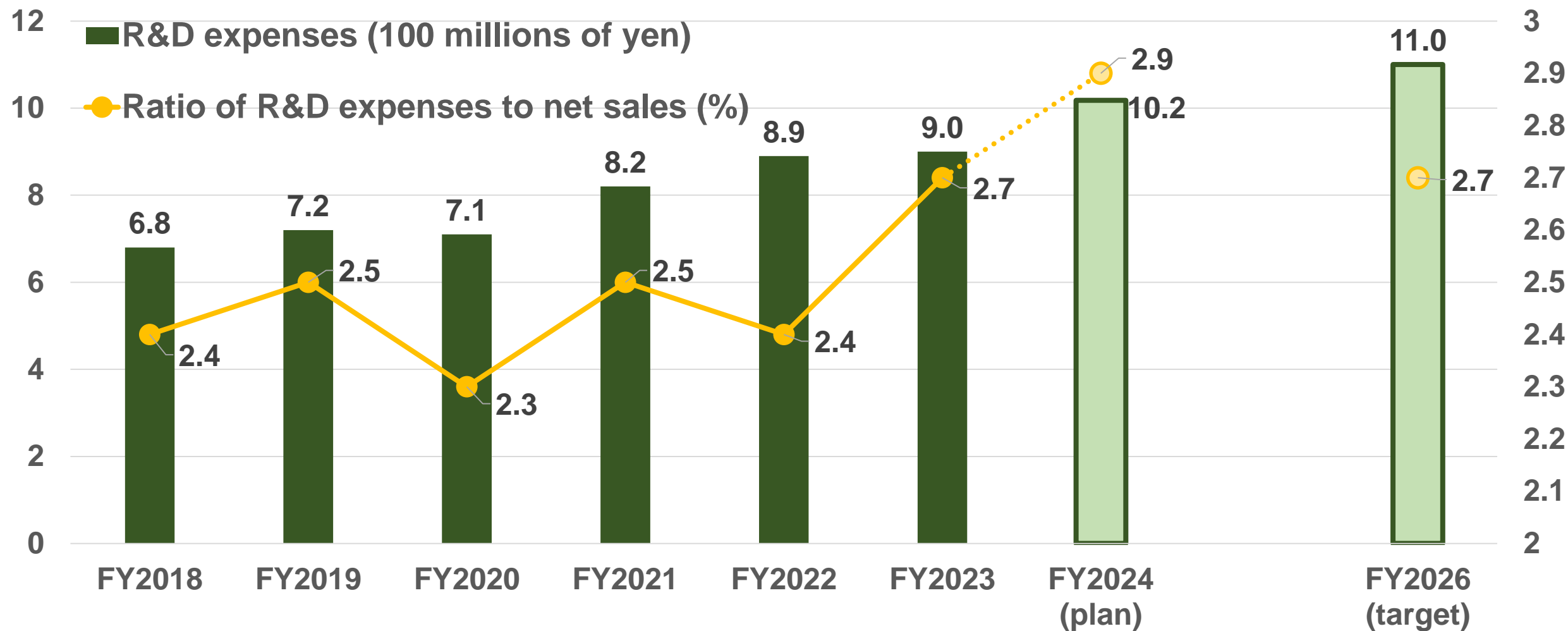
4. Capital Policies

Capital investment



■ Planned total of ¥12.0 billion in the 14th Medium-term Management Plan
(4 years: FY2023–FY2026)

Investment in R&D



- Realize sustainable production activities through implementation of the materialities
- Create future core technologies (examine flow reactor)

Table of Contents

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Capital Policies

	The 13th Medium-term Management Plan					The 14th Medium-term Management Plan		
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2026
	Results	Results	Results	Results	Results	Results	Forecasts	Targets
DOE (%)	2.0	2.1	2.1	3.0	3.0	3.5	3.5 (Approx.)	3.5 (Approx.)
Dividends per share	30 yen	33 yen	35 yen	54 yen	57 yen	70 yen	74 yen	80 yen
Total return ratio (%)	31	30	30	45	79	77	50% or more on average (*1)	
Ratio of cross-shareholdings (%)	27	23	28	24	25	24	—	17 or less

- Sale of cross-shareholdings in FY2023: ¥1.26 billion
- Total dividend payments: ¥1.59 billion
- Acquisition of treasury shares: 350,000 shares; ¥990 million
- Dividends are expected to increase for 8th consecutive fiscal year

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

* 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.
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