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MEMBERSHIP

July 30, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Japanese GAAP)

Company name: NIPPON FINE CHEMICAL CO., LTD.
 Listing: Tokyo
 Securities Code: 4362
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: None
 Holding of 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, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	8,260	1.9	995	(5.8)	1,110	(6.8)	787	(5.7)
June 30, 2023	8,104	(14.2)	1,057	(29.4)	1,191	(27.0)	834	(23.8)

Note: Comprehensive income For the three months ended June 30, 2024 ¥1,420 million [(7.9)%]
 For the three months ended June 30, 2023 ¥1,542 million [43.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	34.99	–
June 30, 2023	36.60	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	60,244	48,161	78.4
March 31, 2024	59,450	47,559	78.5

Reference: Equity
 As of June 30, 2024 ¥47,208 million
 As of March 31, 2024 ¥46,647 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, 2024	–	35.00	–	35.00	70.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		37.00	–	37.00	74.00

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

3. Consolidated earnings forecasts for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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)	17,000	5.1	2,250	14.8	2,250	6.0	1,600	6.7	71.14
Full year	35,700	6.5	4,800	14.3	4,900	10.0	3,450	3.7	153.40

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: 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, 2024	25,372,447 shares
As of March 31, 2024	25,372,447 shares

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

As of June 30, 2024	2,881,790 shares
As of March 31, 2024	2,881,540 shares

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

Three months ended June 30, 2024	22,490,728 shares
Three months ended June 30, 2023	22,809,063 shares

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * 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. Overview of operating results and others (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. Overview of operating results and others

(1) Overview of operating results for the period under review

During the three months ended June 30, 2024, the Japanese economy continued its gradual recovery led by domestic demand, with a moderate recovery in consumer spending against the backdrop of an improved employment and income environment as well as the wealth effect from rising stock prices, in addition to a continuing upward trend in corporate capital investment supported by high levels of corporate earnings. At the same time, in overseas economies, although inflationary pressures have eased and the current economic conditions are picking up, the outlook remains uncertain due to such factors as the resurgence of soaring global resource and energy prices caused by the prolonged unrest in Ukraine and the Middle East, a greater-than-expected stagnant Chinese economy due to the ongoing real estate recession, and concerns over the impact of the next administration's policies following the U.S. presidential election.

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 three months of the fiscal year under review increased to ¥8,260 million (up 1.9% year-on-year). In terms of profit, operating profit was ¥995 million (down 5.8% year-on-year), and ordinary profit was ¥1,110 million (down 6.8% year-on-year). Profit attributable to owners of parent was ¥787 million (down 5.7% year-on-year).

Operating results for each segment are as follows.

(i) Functional products

In this segment, net sales was ¥6,523 million (up 2.8% year-on-year). Segment profit (operating profit) was ¥863 million (down 8.2% year-on-year).

Reference:

(Unit: Millions of yen)	Three months ended June 30, 2023	Three months ended June 30, 2024	Year-on-year difference	Year-on-year changes
Beauty care	2,048	2,157	108	5.3%
Health care	1,038	1,120	82	7.9%
Fine chemical	1,237	1,231	(5)	(0.5%)
Trading	2,018	2,013	(4)	(0.2%)
Total net sales	6,342	6,523	180	2.8%
Beauty care	607	600	(7)	(1.2%)
Health care	16	15	(1)	(6.6%)
Fine chemical	240	133	(107)	(44.6%)
Trading	75	114	38	51.4%
Total operating profit	940	863	(76)	(8.2%)

Beauty care

Despite negative factors such as a decrease in sales of phospholipids for cosmetics and active ingredients, operating profit remained at the same level as the previous year due to a significant increase in overseas sales of functional esters for cosmetics as well as robust performance in domestic sales thereof.

Health care

Regarding phospholipids for pharmaceuticals, commercial production at the new plant based on the alliance with Gilead Sciences, Inc. is progressing as planned, but operating profit was flat year-on-year due to the impact of delayed shipments.

Fine chemical

Operating profit decreased significantly due to a decline in sales of acid chlorides as well as a deterioration of the sales mix of industrial wool grease derivatives.

(ii) Environmental hygiene products

In this segment, efforts to reduce costs and revise selling prices resulted in net sales of ¥1,679 million (down 0.5% year-on-year) and segment profit (operating profit) of ¥108 million (up 22.9% year-on-year).

(iii) Other

Net sales of other businesses was ¥57 million (down 21.3% year-on-year) and segment profit (operating profit) was ¥24 million (down 17.1% year-on-year).

(2) Overview of financial position for the period under review

Total assets at the end of the first quarter of the fiscal year under review increased by ¥793 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥60,244 million. This was mainly due to a ¥1,189 million increase in non-current assets mainly due to an increase in investment securities, despite a decrease in current assets by ¥395 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 increased by ¥191 million from the previous fiscal year-end to ¥12,083 million. This was mainly due to an increase in current liabilities by ¥25 million mainly due to an increase in accounts payable - facilities, and a ¥166 million increase in non-current liabilities 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 ¥601 million from the previous fiscal year-end to ¥48,161 million. This was mainly due to an increase in accumulated other comprehensive income by ¥560 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 30, 2024 in our “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (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, 2024)	Current first quarter (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	12,856,349	12,500,747
Notes and accounts receivable - trade	9,172,984	8,458,419
Merchandise and finished goods	4,394,633	4,067,416
Work in process	2,207,743	2,498,086
Raw materials and supplies	3,204,200	3,552,146
Other	195,993	559,543
Allowance for doubtful accounts	(611)	(590)
Total current assets	32,031,293	31,635,769
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,488,511	6,443,957
Machinery, equipment and vehicles, net	2,708,030	2,832,581
Land	3,719,989	3,719,989
Construction in progress	754,016	1,308,692
Other, net	730,589	738,569
Total property, plant and equipment	14,401,138	15,043,791
Intangible assets	778,227	754,446
Investments and other assets		
Investment securities	11,861,254	12,439,940
Retirement benefit asset	117,430	119,386
Other	261,404	251,118
Total investments and other assets	12,240,090	12,810,445
Total non-current assets	27,419,456	28,608,683
Total assets	59,450,750	60,244,452

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	Current first quarter (As of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,954,884	3,956,402
Accounts payable - other	812,146	1,203,463
Income taxes payable	1,351,647	330,277
Provision for bonuses	718,076	852,999
Provision for bonuses for directors (and other officers)	41,554	12,913
Provision for environmental measures	426,000	213,000
Accounts payable - facilities	983,910	1,806,995
Asset retirement obligations	82,698	82,698
Other	1,067,016	1,004,470
Total current liabilities	9,437,935	9,463,220
Non-current liabilities		
Deferred tax liabilities	2,186,638	2,371,361
Retirement benefit liability	127,775	129,048
Long-term accounts payable - other	19,659	4,059
Long-term guarantee deposits	92,200	89,875
Asset retirement obligations	5,730	5,730
Other	21,528	20,053
Total non-current liabilities	2,453,533	2,620,129
Total liabilities	11,891,469	12,083,350
Net assets		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,870,796	6,870,796
Retained earnings	30,368,637	30,368,600
Treasury shares	(4,117,485)	(4,117,792)
Total shareholders' equity	39,055,170	39,054,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,613,546	7,014,640
Deferred gains or losses on hedges	4,400	11,785
Foreign currency translation adjustment	947,951	1,101,493
Remeasurements of defined benefit plans	26,718	25,549
Total accumulated other comprehensive income	7,592,616	8,153,470
Non-controlling interests	911,493	952,805
Total net assets	47,559,280	48,161,102
Total liabilities and net assets	59,450,750	60,244,452

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

(Thousands of yen)

	Previous first quarter (Cumulative) (From April 1, 2023 to June 30, 2023)	Current first quarter (Cumulative) (From April 1, 2024 to June 30, 2024)
Net sales	8,104,121	8,260,660
Cost of sales	5,654,686	5,832,048
Gross profit	2,449,434	2,428,611
Selling, general and administrative expenses	1,392,305	1,433,201
Operating profit	1,057,129	995,410
Non-operating income		
Interest income	3,889	4,027
Dividend income	122,887	124,974
Miscellaneous income	11,449	13,293
Total non-operating income	138,226	142,295
Non-operating expenses		
Interest expenses	265	265
Foreign exchange losses	1,073	13,241
Depreciation	–	12,478
Miscellaneous losses	2,161	793
Total non-operating expenses	3,500	26,777
Ordinary profit	1,191,855	1,110,927
Extraordinary losses		
Loss on sale of non-current assets	–	49
Loss on retirement of non-current assets	403	2,204
Other	–	211
Total extraordinary losses	403	2,465
Profit before income taxes	1,191,452	1,108,462
Income taxes - current	224,410	290,422
Income taxes - deferred	109,778	7,483
Total income taxes	334,189	297,905
Profit	857,263	810,556
Profit attributable to		
Profit attributable to owners of parent	834,970	787,143
Profit attributable to non-controlling interests	22,292	23,412
Other comprehensive income		
Valuation difference on available-for-sale securities	551,051	401,094
Deferred gains or losses on hedges	7,345	8,205
Foreign currency translation adjustment	127,029	201,562
Remeasurements of defined benefit plans, net of tax	50	(1,168)
Total other comprehensive income	685,477	609,693
Comprehensive income	1,542,741	1,420,250
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,489,251	1,347,997
Comprehensive income attributable to non-controlling interests	53,489	72,252

(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.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows for the first three months of the fiscal year under review is not prepared. Depreciation (including amortization of intangible assets) for the first three months of the fiscal year under review is as follows:

	(Thousands of yen)	
	Previous first quarter (Cumulative) (From April 1, 2023 to June 30, 2023)	Current first quarter (Cumulative) (From April 1, 2024 to June 30, 2024)
Depreciation	294,777	321,547

(Notes on segment information)

[Segment information]

I. Previous first quarter (Cumulative) (From April 1, 2023 to June 30, 2023)

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 leasing of real estate.

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, 2024 to June 30, 2024)

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	6,523,577	1,679,593	8,203,171	–	8,203,171	–	8,203,171
Other revenue	–	–	–	57,489	57,489	–	57,489
Revenues from external customers	6,523,577	1,679,593	8,203,171	57,489	8,260,660	–	8,260,660
Intersegment sales or transfers	36,558	8,393	44,951	32,684	77,636	(77,636)	–
Total	6,560,135	1,687,987	8,248,123	90,173	8,338,296	(77,636)	8,260,660
Segment profit	863,215	108,006	971,221	24,188	995,410	–	995,410

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

2. Segment profit is consistent with the operating profit in the quarterly consolidated statement of income and comprehensive income.