

Financial Results Meeting for the 1st Half of FY2024



November 12, 2024
NIPPON FINE CHEMICAL CO., LTD.

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1. Our Purpose

Formulated Purpose (What We're Here For)

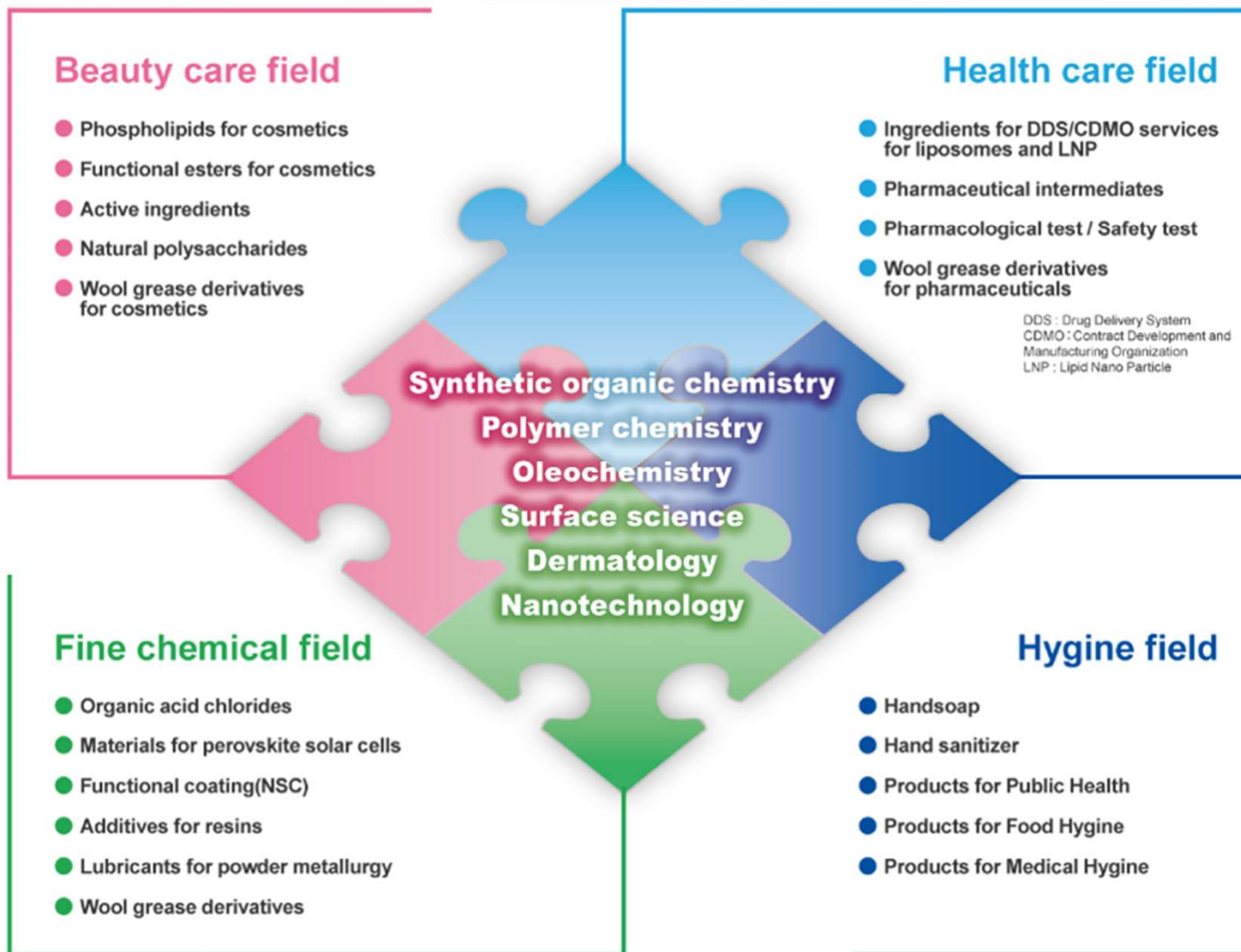
Purpose
Contributing to
the creation of a sustainable society
filled with Smiles
through the Power of **Chemistry** and **KIREI**.



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2. Summary of Financial Results for the 1st Half of FY2024

NIPPON FINE CHEMICAL Group: Business Sectors

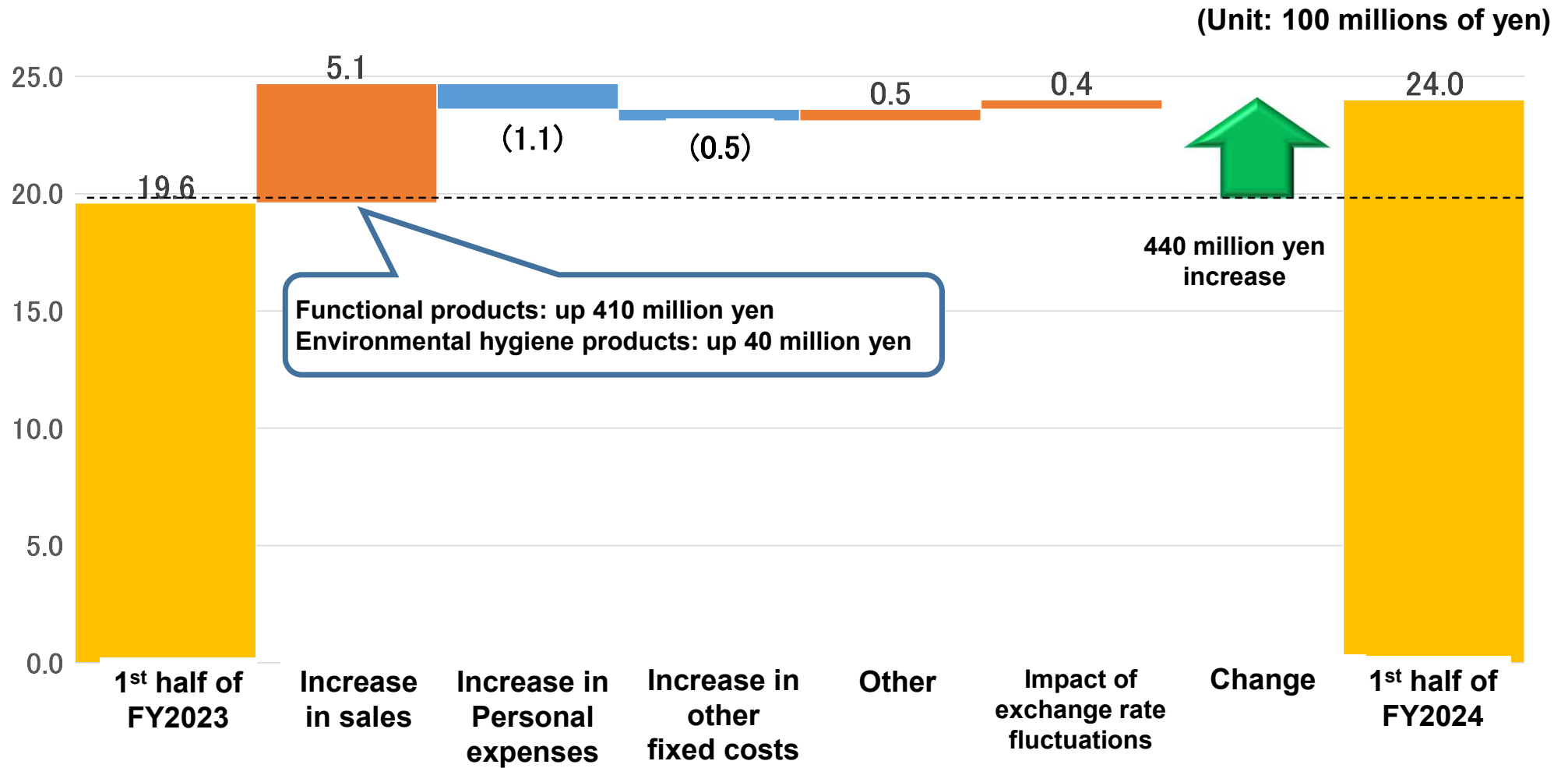


Overview of Consolidated Financial Results for the 1st Half of FY2024

Unit: 100 millions of yen

	FY2023 1st half	FY2024 1st half	Year-on-year changes	Forecast at start of fiscal year (Announced on April 30, 2024)	Change from forecast
	Actual amount	Actual amount		Forecast amount	
Net sales	161.8	173.8	7.4%	170.0	2.2%
Operating profit	19.6	24.0	22.4%	22.5	6.7%
Ratio of operating profit	12.1%	13.8%	—	13.2%	—
EBITDA (Operating profit before depreciation and amortization)	25.7	30.6	19.4%	29.2	4.8%
EBITDA margin	15.9%	17.6%	—	17.2%	—
Ordinary profit	21.2	25.3	19.3%	22.5	12.6%
Profit attributable to owners of parent	15.0	17.9	19.6%	16.0	12.1%
Basic earnings per share (Yen)	65.7	79.7	21.3%	71.1	12.1%

Consolidated Financial Results for the 1st Half of FY2024: Analysis of Operating Profit



Overview of Consolidated Financial Results for the 1st Half of FY2024 by Segment

Unit: 100 millions of yen

	1st half of FY2023			1st half of FY2024			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	125.9	16.9	22.5	138.5	21.0	27.2	12.6	4.1	4.7	10.0%	24.3%	20.8%
Beauty care	40.3	11.7	12.8	44.8	12.5	14.0	4.5	0.7	1.2	11.1%	6.1%	9.1%
Health care	23.3	0.0	3.6	29.3	4.4	8.1	6.1	4.4	4.5	26.1%	—	126.4%
Fine chemicals	25.0	3.5	4.4	25.1	2.2	3.1	0.1	(1.4)	(1.3)	0.3%	(38.3%)	(30.4%)
Trading	37.3	1.7	1.7	39.3	2.0	2.0	1.9	0.4	0.3	5.2%	22.7%	19.7%
Environmental Hygiene Products (Hygiene)	34.6	2.1	2.4	34.1	2.6	2.9	(0.4)	0.4	0.4	(1.3%)	20.2%	18.2%
Other	1.3	0.5	0.7	1.1	0.4	0.6	(0.2)	(0.1)	(0.2)	(13.0%)	(27.2%)	(21.7%)
Consolidated Total	161.8	19.6	25.7	173.8	24.0	30.6	12.0	4.4	5.0	7.4%	22.4%	19.4%

Functional Products: Beauty Care

Applicable products

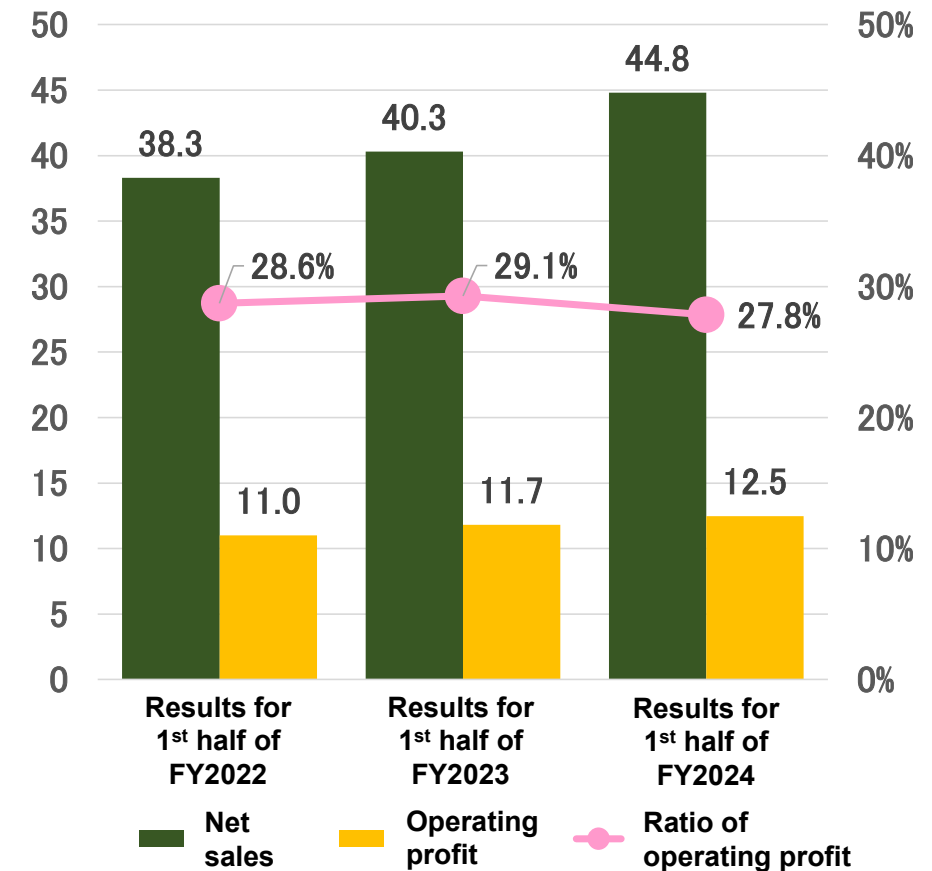
- Phospholipids for cosmetics
- Functional esters for cosmetics
- Active ingredient (e.g. skin-lightening base)
- Natural polysaccharides (Tremella fuciformis polysaccharide, Inulin)
- WG derivatives for cosmetics (lanolin/cholesterol)

Conditions until the 1st half of FY2024

- (+) Due to sustainability measures, sales of “functional esters for cosmetics” increased significantly for overseas markets and steadily increased for the domestic market.
- (-) Sales of “phospholipids for cosmetics” decreased due to a slump in the Chinese economy.
- (-) Sales of active ingredient (skin-lightening base) for the domestic market decreased.

*WG: Wool Grease

(100 millions of yen)



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)

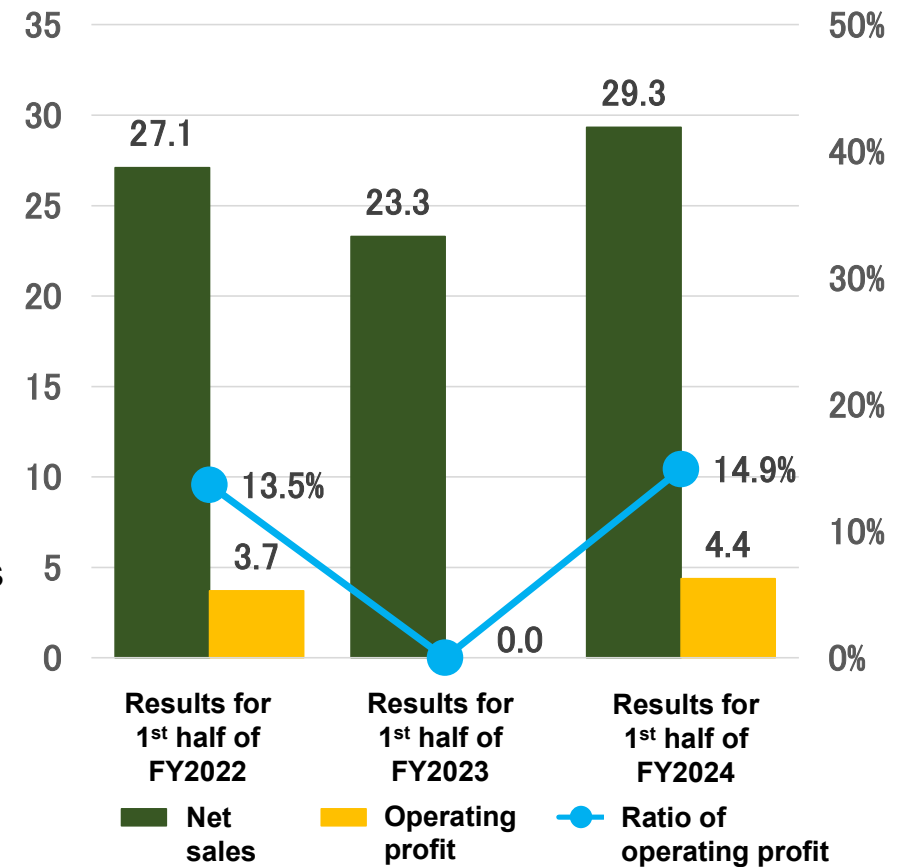
Conditions until the 1st half of FY2024

- (+/-) For Gilead: Stable operations at new plants (progress as planned).
- (+) High-purity phospholipids for pharmaceuticals: Strong sales for overseas markets.
- (+) Established manufacturing methods using continuous synthesis process for proprietary materials.
- (+/-) Continued with selection and concentration of pharmaceutical intermediates.
- (-) Pharmacology and safety tests: No. of orders decreased.

* CDMO: Contract Development and Manufacturing Organization

* LNP: lipid nanoparticles

(100 millions of yen)



Functional Products: Fine Chemicals

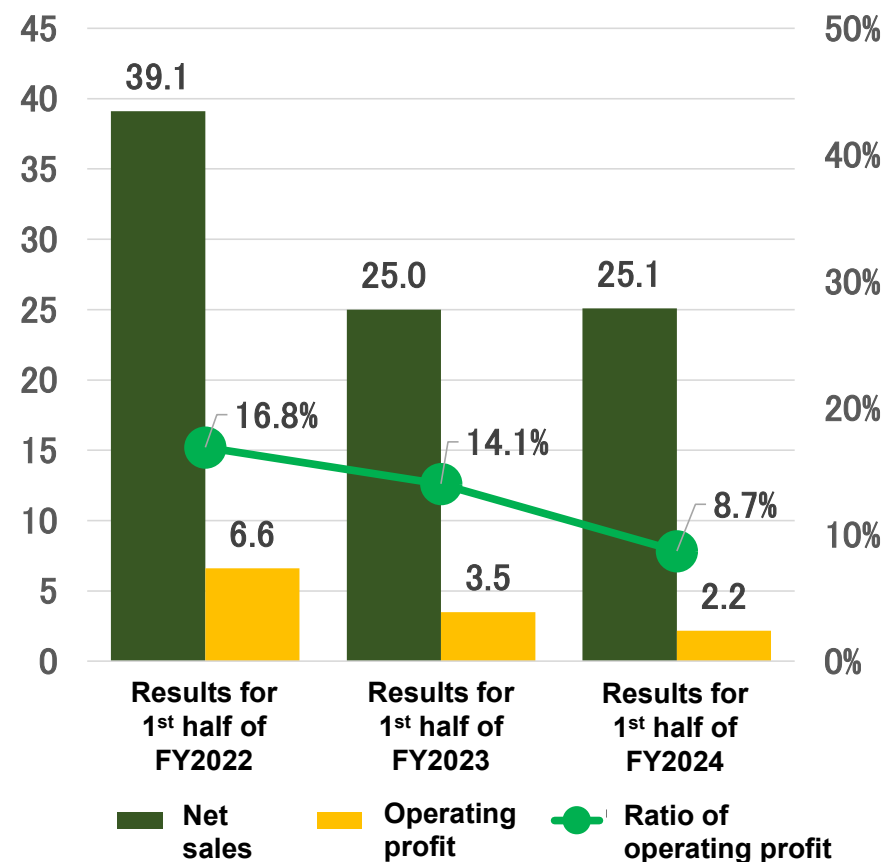
■ Applicable products

- 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)

■ Conditions until the 1st half of FY2024

- (+/-) Selection and concentration of existing products is continued.
- (-) Sales of various acid chlorides decreased.
- (-) Sales composition of various WG derivatives deteriorated, implemented inventory adjustments.
- (+) 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 FY2024

(+) Food hygiene products:

Use of concentrated cleaning detergents and neutral detergents increased in food factories and contract catering.

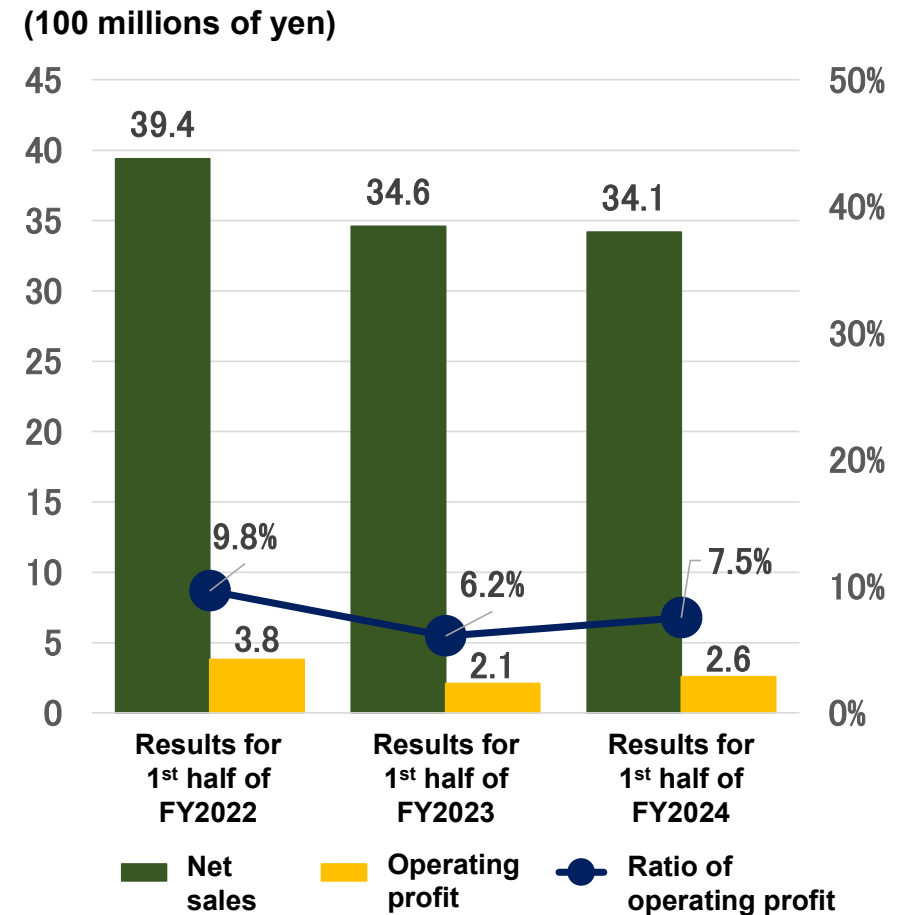
(+) Medical hygiene products:

Strengthened initiatives with SPD businesses and use increased.

(-) Hand sanitizer:

Sales decreased due to impacts from decrease in frequency of use, despite the reduction of distribution inventory.

*SPD: Supply, processing, and distribution, a system for the management of in-hospital logistics. The system enables integrated management of the supply, inventory, and processing of medical consumables used in hospitals.



Consolidated Balance Sheet for the 1st Half of FY2024

Unit: 100 millions of yen

Account	Balance as of September 30, 2024	Change from the end of FY2023	Main factors for increase / decrease
Cash and deposits	116.9	(11.7)	
Notes and accounts receivable - trade	86.0	(5.7)	
Inventories	96.1	(2.0)	
Property, plant and equipment	149.7	+5.7	
Investments and other assets	128.1	+5.7	Increase in unrealized gains on investment securities despite sale of some assets
Other	12.0	+2.2	
Total assets	588.7	(5.8)	
Notes and accounts payable - trade	31.1	(8.5)	
Deferred tax liabilities	26.0	+4.2	
Other	43.7	(13.8)	Income taxes payable: down 8.7; provision for environmental measures: down 4.3
Total liabilities	100.8	(18.1)	
Total net assets	487.9	+12.3	Equity-to-asset ratio: 78.5% → 81.4%
Net assets per share	2,129.01 yen	+54.94 yen	

Consolidated Statement of Cash Flows for the 1st Half of FY2024

Unit: 100 millions of yen

Category	1st half of FY2024	Main factors for increase / decrease
Profit before income taxes	25.4	
Depreciation	6.8	
Increase in working capital	(0.6)	
Income taxes paid	(12.7)	
Other	(10.8)	Provision for environmental measures: down 4.3
Operating cash flow	8.2	
Investing cash flow	(10.7)	Purchase of property, plant and equipment: down 9.8
[free cash flow]	[(2.5)]	
Financing cash flow	(8.2)	Dividends: down 7.9
Effect of exchange rate change on cash and cash equivalents	(0.2)	
Net increase (decrease) in cash and cash equivalents	(10.9)	

FY2024 1st Half Year Topics

- Opened exhibition space on the 1F of the Head Office (April)
- Started the Design & Creation Lab. open lab event for cosmetic ingredients (April)
- TCFD Report 2024 (June)
- Lipid Division awarded the JSPC Award for Excellence from the Japanese Society for Process Chemistry (July)
Continuous production process development results (JSPC: the Japanese Society for Process Chemistry)
- Announced response to Action to Implement Management that is Conscious of Cost of Capital and Stock Price (August)



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3. Full-year Earnings Forecasts for FY2024

Summary of Full-year Consolidated Earnings Forecasts for FY2024

Unit: 100 millions of yen

	FY2023	FY2024	Year-on-year changes	Forecast at start of fiscal year (Announced on April 30, 2024)	Change from forecast
	Actual amount	Forecast amount		Forecast amount	
Net sales	335.3	366.0	9.1%	357.0	2.5%
Operating profit	42.0	48.5	15.5%	48.0	1.0%
Ratio of operating profit	12.5%	13.3%	—	13.4%	—
EBITDA (Operating profit before depreciation and amortization)	55.0	62.1	12.9%	61.7	0.6%
EBITDA margin	16.4%	17.0%	—	17.3%	—
Ordinary profit	44.5	50.5	13.4%	49.0	3.1%
Profit attributable to owners of parent	33.3	35.5	6.7%	34.5	2.9%
Basic earnings per share (Yen)	146.4	157.8	7.8%	153.4	2.9%

Full-year Consolidated Earnings Forecasts for FY2024 by Segment

Unit: 100 millions of yen

	FY2023 Results			FY2024 Forecasts			Forecast at start of FY2024			Year-on-year changes			Change from forecast at start of FY2024		
	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	262.0	36.0	48.1	289.4	41.8	54.4	279.6	41.2	53.9	10.5%	16.0%	13.2%	3.5%	1.5%	1.0%
Beauty care	79.4	21.9	24.4	92.0	24.6	27.7	88.5	22.8	26.1	15.9%	12.2%	13.5%	4.0%	7.9%	6.3%
Health care	58.3	4.5	11.9	59.4	8.0	15.7	63.0	7.0	14.7	1.9%	78.3%	31.7%	(5.7%)	14.2%	7.0%
Fine chemicals	52.0	6.4	8.4	58.0	5.5	7.2	53.6	8.0	9.7	11.5%	(14.1%)	(13.7%)	8.2%	(31.2%)	(25.1%)
Trading	72.3	3.2	3.3	80.0	3.7	3.8	74.5	3.4	3.5	10.7%	15.2%	12.9%	7.4%	8.7%	8.5%
Environmental Hygiene Products (Hygiene)	70.8	4.9	5.4	74.2	6.0	6.6	75.0	6.0	6.7	4.8%	23.0%	21.0%	(1.1%)	0.0%	(1.2%)
Other	2.5	1.1	1.4	2.4	0.7	1.0	2.4	0.8	1.1	(5.0%)	(34.7%)	(27.6%)	0.0%	(12.6%)	(9.3%)
Consolidated Total	335.3	42.0	55.0	366.0	48.5	62.1	357.0	48.0	61.7	9.1%	15.5%	12.9%	2.5%	1.0%	0.6%

Functional Products: Beauty Care

External environment

- (+) Gradual expansion of the domestic market and particular growth in high-end cosmetics.
- (+) Continued growth in demand for sustainable materials from European and US brands.
- (+) Transition to borderless environment due to rapid growth of e-commerce sites and social media channels.
- (+) Long-term growth of global market based on an increase in cosmetics-user population.
- (-) Slowdown in the Chinese economy.

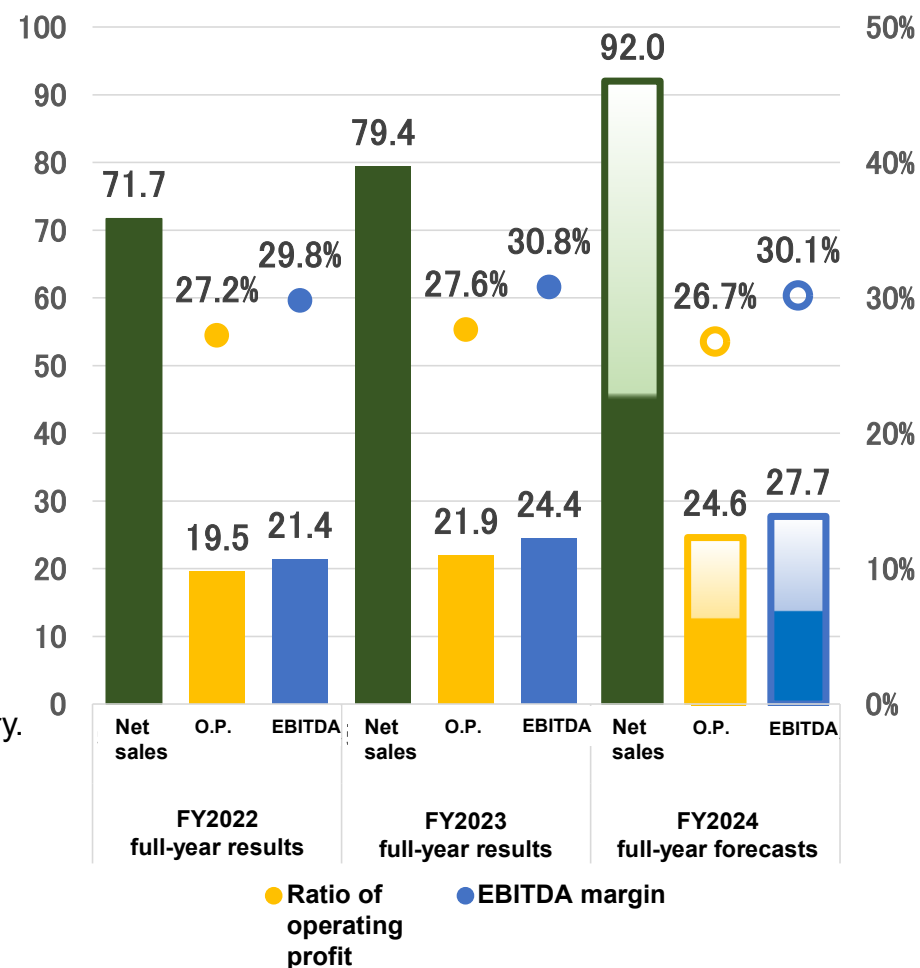
Outlook for the 2nd half of FY2024

- (+) Continued growth in demand for “functional esters for cosmetics” for overseas markets.
- (+) Recovery in demand for phospholipids for cosmetics.
- (-) Decrease in sales of “active ingredient (skin-lightening base)” for the domestic market.

Activity plans

- Support customers’ prescription development through an cosmetics open laboratory.
- Improve new application development and sales expansion of phospholipids for cosmetics.
- Increase sales of sustainable materials and promote improvement for more certifications.
- Improve profitability through sales at fair prices.
- Implement new plant development plans to increase production capacity.

(100 millions of yen)



Functional Products: Health Care

External environment

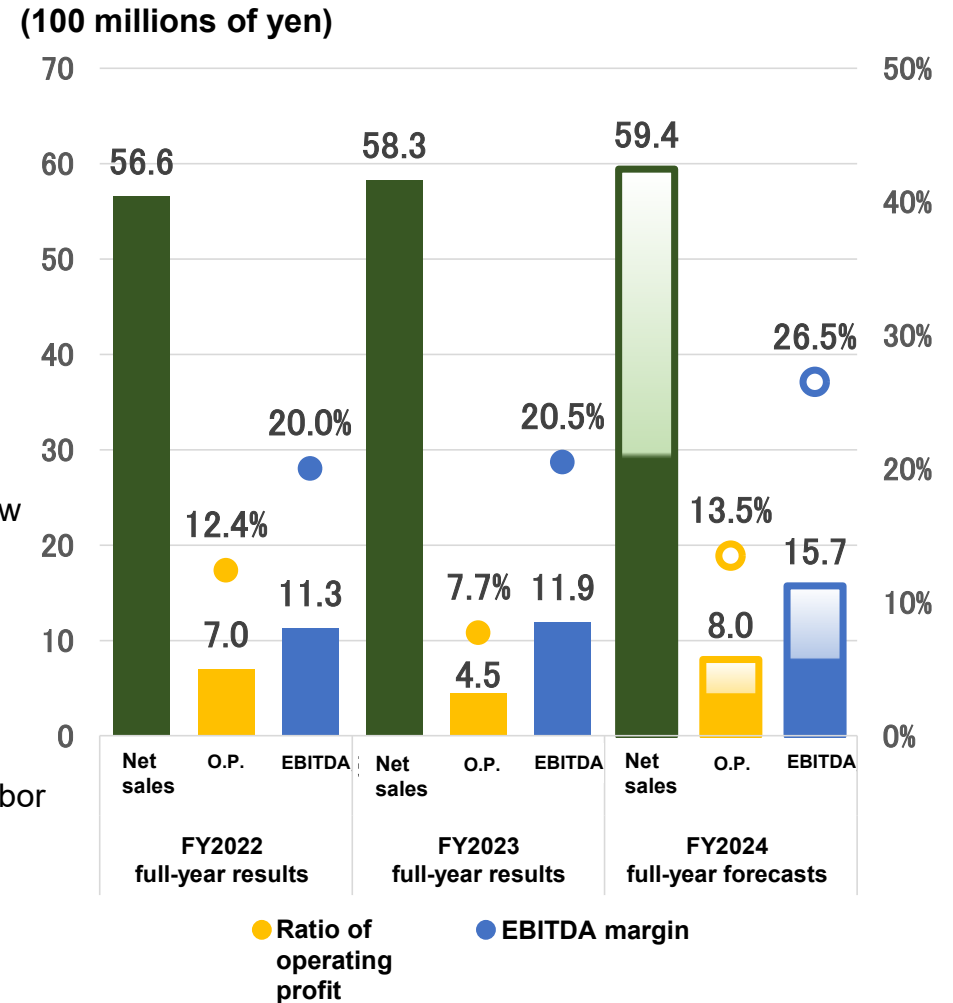
- (+) Our pharmaceutical lipids can be applied to growth modality.
- (+) Division of labor in pharmaceuticals development.
- (-) Intensifying competition due to entry or reorganization of competitors.

Outlook for the 2nd half of FY2024

- (+/-) Phospholipids for pharmaceuticals: The new plant is operating as planned.
- (+) Expansion of sales of phospholipids for pharmaceuticals for overseas markets.
- (+/-) Pharmaceutical intermediates: Continue selection and concentration.
- (+/-) Pharmacology and safety tests: Recovery in earnings through acquisition of new contracting projects.

Activity plans

- Promote open innovation at Shonan Laboratory.
- Acquire themes for liposome and LNP development and implement division of labor
- Phospholipids for pharmaceuticals: Enhance stable supply system at new plant.
- Pharmaceutical intermediates: Concentrate resources in selected products.



Functional Products: Fine Chemicals

External environment

- (+) Perovskite (PSC) solar cells: Acceleration toward social implementation.
- (+) Growing demand for sustainable materials.
- (-) Reduction in production scale at mineralization plant.
- (-) Intensification of price competition with overseas competitors.

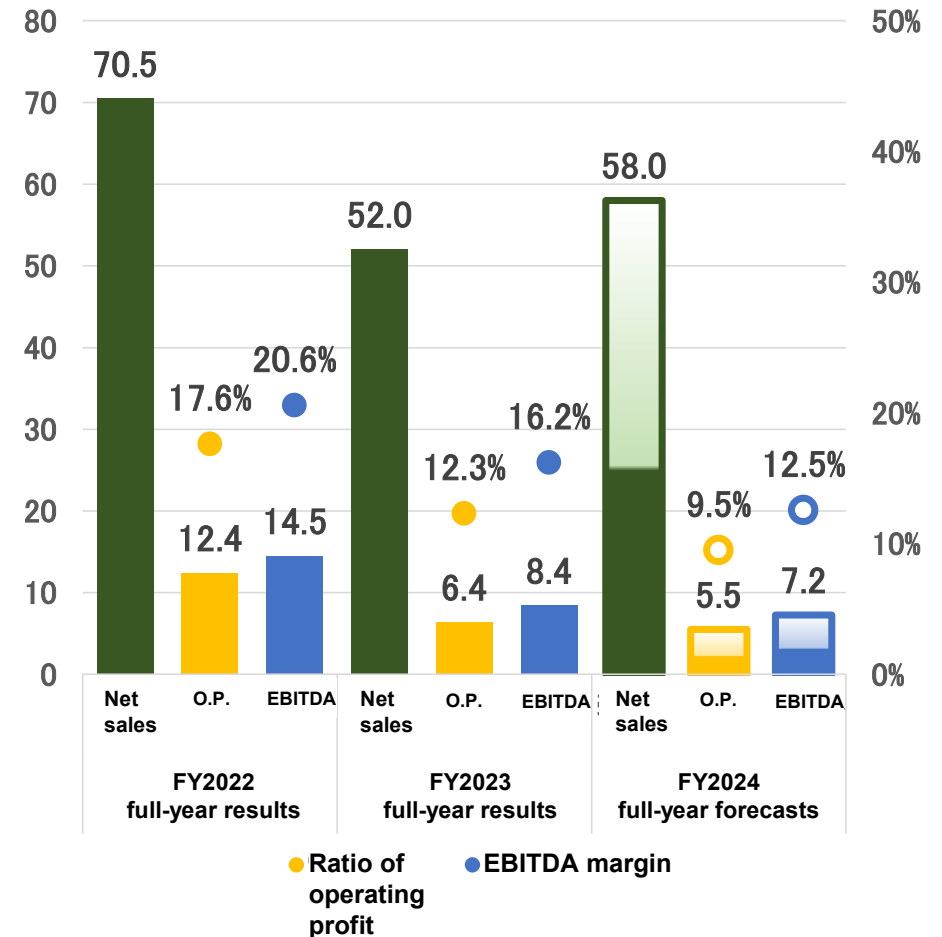
Outlook for the 2nd half of FY2024

- (+) Acceleration of social implementation of materials for PSC solar cells.
- (+) WG derivatives: Inventory adjustments and revisions to sales strategies.
- (-) Reduction in profit ratio caused by product composition.

Activity plans

- Concentrate resources in selected products and develop future core businesses.
- Materials for perovskite (PSC) solar cells: Examine mass-production system ahead of social implementation.
- WG derivatives: Promote efficient production system suited to market environment.
- Fatty acid amides: Increase sales for applications that contribute to a sustainable society.
- Coatings: Promote sales of new products, and increase sales in Chinese and Taiwanese markets.

(100 millions of yen)



Environmental Hygiene Products (Hygiene)

External environment

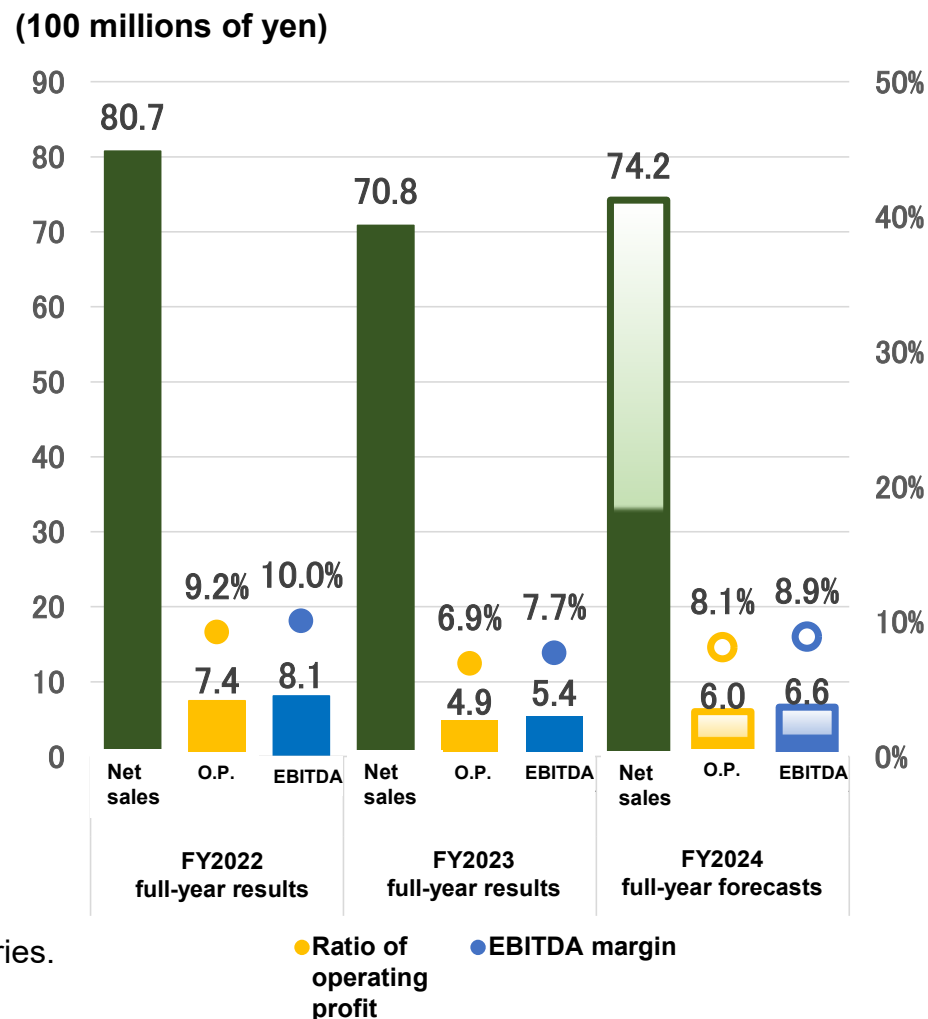
- (+) Increase in demand due to the Ministry of Health, Labour and Welfare's ending of special notice regarding the handling of alcohol preparations from July 1st.
- (+) Improvement in local governments' awareness of the importance of stockpiling to respond to disaster risks such as a Nankai Trough megaquake.
- (+) Growth in the nursing market. respond to disaster risks such
- (-) Decrease in attention paid to infection control. (reduced use of infection control products)

Outlook for the 2nd half of FY2024

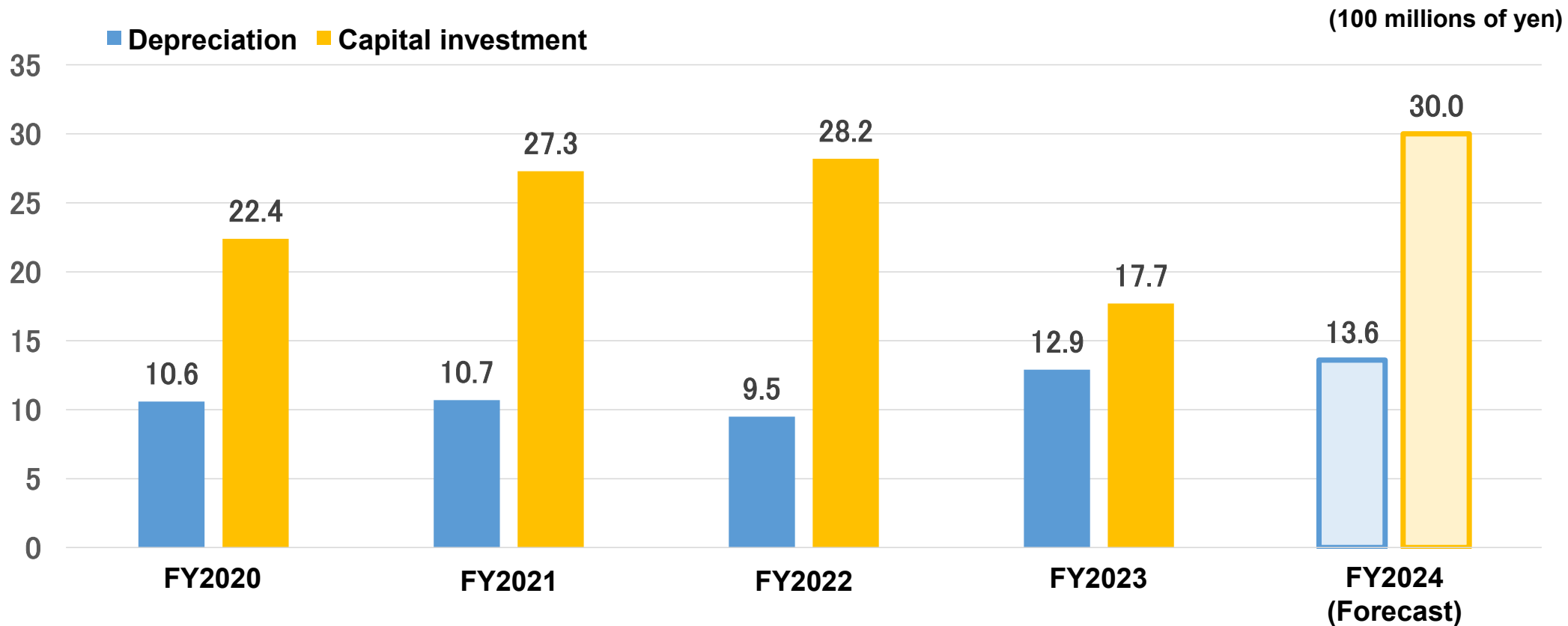
- (+) Impacts, etc., from seasonal influenza expected to be predominantly in the second half of the year.
- (+) Growth in medical hygiene products thanks to collaboration with SPD businesses.
- (+) Contribution to sales by new Attakaigo product series.

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.
- Continue to increase the sales of detergents for equipment cleaning at food factories.
- Increase sales to hospitals and nursing facilities.



Full-year Consolidated Earnings Forecasts for FY2024: Capital Investment

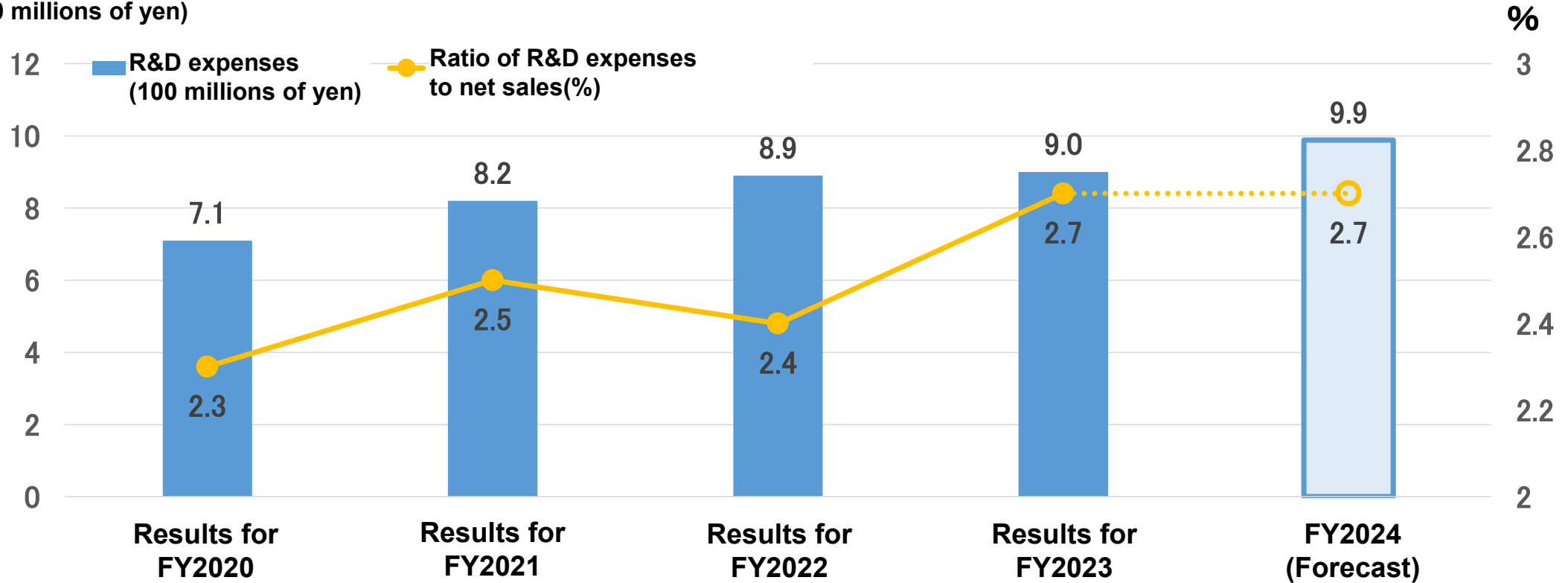


FY2024 Main capital investment

- Construction of new administration and welfare building at the Kakogawa-higashi Plant
- Reinforcement of production capacity for products in the beauty care field

Full-year Consolidated Earnings Forecasts for FY2024: Investment in R&D

(100 millions of yen)



- Development of sustainable products (Cosmetic ingredients/materials for PSC solar cells)
- Open innovation (Shonan Laboratory)
- Flow reactors (Continuous reaction)
- Process simulator

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4. Capital Policies and Shareholder Returns

Capital Policies and Shareholder Returns

- We have set a DOE target of approx. 3.5% to enhance shareholder returns
- We have set a total return ratio target of 50% or more on average across four years (FY2023–FY2026)
- We will reduce cross-shareholdings in stages, and have set a target to reduce the ratio of cross-shareholdings to 17% or less by the end of FY2026

	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Forecasts
DOE (%)	2.1	3.0	3.0	3.5	3.5 (Approx.)
Dividends per share (Yen)	35	54	57	70	74
Total return ratio (%)	30	45	79	77	50% or more on average (*1)
Ratio of cross-shareholdings (%)	28	24	25	24	—

(*1) 50% or more on average across four years (FY2023–FY2026)

- DOE: Dividend on equity (Total amount of annual dividends / consolidated net assets)
- 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.