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MEMBERSHIP

January 29, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Japanese GAAP)

Company name: NIPPON FINE CHEMICAL CO., LTD.
 Listing: Tokyo
 Securities Code: 4362
 URL: <https://www.nipponseika.co.jp/en/>
 Representative: Hiroshi Yano, Representative Director, President
 Inquiries: Yoshihiro Okura, General Manager of Corporate Planning Office
 TEL: +81-6-6231-4781
 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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	%
Nine months ended								
December 31, 2024	26,610	9.5	3,749	26.5	4,033	24.2	2,805	22.1
December 31, 2023	24,302	(12.5)	2,963	(28.0)	3,246	(26.4)	2,298	(27.1)

Note: Comprehensive income For the nine months ended December 31, 2024 ¥2,894 million [3.3%]
 For the nine months ended December 31, 2023 ¥2,800 million[(15.0)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	124.70	–
December 31, 2023	100.79	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	59,681	48,826	80.2
March 31, 2024	59,450	47,559	78.5

Reference: Equity
 As of December 31, 2024 ¥47,849 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	–	37.00	–		
Fiscal year ending March 31, 2025 (Forecast)				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
Full year	36,600	9.1	4,850	15.5	5,050	13.4	3,550	6.7	157.82

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 December 31, 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 December 31, 2024	2,873,534 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)

Nine months ended December 31, 2024	22,495,933 shares
Nine months ended December 31, 2023	22,799,429 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

In the Japanese economy during the nine months ended December 31, 2024, corporate capital investment remained at a robust level, supported by favorable levels of corporate earnings. The trend of the employment and income environment also continued to improve. As a result, economic conditions continued on a path of moderate recovery. At the same time, in the overseas economies, although the decrease in inflationary pressures, as well as monetary easing, has been contributing positively to economic conditions, there is concern over the potential impact from the implementation of the economic and trade policies being put forward by the new Trump Administration. In addition, the outlook remains uncertain mainly due to the Russia-Ukraine geopolitical risks where there is still no clear path to resolving the war.

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 increased to ¥26,610 million (up 9.5% year-on-year). In terms of profit, operating profit was ¥3,749 million (up 26.5% year-on-year), and ordinary profit was ¥4,033 million (up 24.2% year-on-year). Profit attributable to owners of parent was ¥2,805 million (up 22.1% year-on-year).

Operating results for each segment are as follows.

(i) Functional products

In this segment, net sales were ¥21,132 million (up 12.6% year-on-year). Segment profit (operating profit) was ¥3,292 million (up 30.5% year-on-year).

Reference:

(Unit: Millions of yen)	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Year-on-year difference	Year-on-year changes
Beauty care	5,874	6,572	698	11.9%
Health care	3,763	4,343	579	15.4%
Fine chemical	3,665	4,231	565	15.4%
Trading	5,464	5,984	520	9.5%
Total net sales	18,768	21,132	2,363	12.6%
Beauty care	1,671	1,823	152	9.1%
Health care	101	739	637	626.6%
Fine chemical	509	447	(61)	(12.2%)
Trading	241	282	41	17.0%
Total operating profit	2,523	3,292	768	30.5%

Beauty care

For functional esters for cosmetics, there was a significant increase in overseas sales as sustainable products, and domestic sales were strong. At the same time, despite a decrease in sales of phospholipids for cosmetics and active ingredients, operating profit increased overall.

Health care

Regarding phospholipids for pharmaceuticals, commercial production at the new plant based on the alliance with Gilead Sciences, Inc. is progressing steadily, while other overseas sales increased due to sales made ahead of schedule, which were initially planned for the fourth quarter. At the same time, despite a decrease in orders for pharmacology and safety tests received by subsidiaries, operating profit increased significantly overall.

Fine chemical

Operating profit decreased overall, mainly due to a decrease in sales targeted to overseas markets for coating agents, despite the inventory adjustments of industrial wool grease derivatives continuing from the first half of the fiscal year dropping down a level and the business performance on an upward trend.

(ii) Environmental hygiene products

In this segment, efforts to reduce costs and revise selling prices resulted in net sales of ¥5,309 million (down 0.7% year-on-year) and segment profit (operating profit) of ¥414 million (up 15.4% year-on-year).

(iii) Other

Net sales of other businesses were ¥168 million (down 11.4% year-on-year) and segment profit (operating profit) was ¥43 million (down 46.7% year-on-year).

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

Total assets at the end of the third quarter of the fiscal year under review increased by ¥230 million from the end of the previous fiscal year (hereinafter referred to as “the previous fiscal year-end”) to ¥59,681 million. This was mainly due to a ¥391 million increase in non-current assets mainly due to an increase in construction in progress, despite a decrease in current assets by ¥161 million mainly due to a decrease in notes and accounts receivable - trade.

Liabilities at the end of the third quarter of the fiscal year under review decreased by ¥1,036 million from the previous fiscal year-end to ¥10,854 million. This was mainly due to an increase in non-current liabilities by ¥1,147 million mainly due to an increase in long-term borrowings, while current liabilities decreased by ¥2,184 million mainly due to a decrease in income taxes payable.

The net assets at the end of the third quarter of the fiscal year under review increased by ¥1,267 million from the previous fiscal year-end to ¥48,826 million. This was mainly due to an increase in shareholders' equity by ¥1,209 million, mainly due to recording ¥2,805 million in profit attributable to owners of parent, despite ¥1,619 million in dividends paid, while accumulated other comprehensive income also decreased by ¥7 million, mainly due to a decrease 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, 2024. 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 third quarter (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	12,856,349	13,234,949
Notes and accounts receivable - trade	9,172,984	8,433,828
Merchandise and finished goods	4,394,633	4,006,317
Work in process	2,207,743	2,484,400
Raw materials and supplies	3,204,200	3,002,401
Other	195,993	708,697
Allowance for doubtful accounts	(611)	(585)
Total current assets	32,031,293	31,870,009
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,488,511	6,412,734
Machinery, equipment and vehicles, net	2,708,030	2,790,122
Land	3,719,989	3,719,989
Construction in progress	754,016	1,308,340
Other, net	730,589	724,893
Total property, plant and equipment	14,401,138	14,956,081
Intangible assets	778,227	695,040
Investments and other assets		
Investment securities	11,861,254	11,746,617
Retirement benefit asset	117,430	121,337
Other	261,404	291,954
Total investments and other assets	12,240,090	12,159,909
Total non-current assets	27,419,456	27,811,031
Total assets	59,450,750	59,681,041

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	Current third quarter (As of December 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,954,884	3,982,338
Short-term borrowings	–	300,000
Accounts payable - other	812,146	1,057,677
Income taxes payable	1,351,647	109,403
Provision for bonuses	718,076	382,182
Provision for bonuses for directors (and other officers)	41,554	38,953
Provision for environmental measures	426,000	–
Accounts payable - facilities	983,910	475,018
Asset retirement obligations	82,698	19,878
Other	1,067,016	887,781
Total current liabilities	9,437,935	7,253,233
Non-current liabilities		
Long-term borrowings	–	800,000
Deferred tax liabilities	2,186,638	2,566,266
Retirement benefit liability	127,775	116,443
Long-term accounts payable - other	19,659	4,059
Long-term guarantee deposits	92,200	88,228
Asset retirement obligations	5,730	5,730
Other	21,528	20,666
Total non-current liabilities	2,453,533	3,601,394
Total liabilities	11,891,469	10,854,628
Net assets		
Shareholders' equity		
Share capital	5,933,221	5,933,221
Capital surplus	6,870,796	6,882,189
Retained earnings	30,368,637	31,554,415
Treasury shares	(4,117,485)	(4,105,471)
Total shareholders' equity	39,055,170	40,264,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,613,546	6,536,904
Deferred gains or losses on hedges	4,400	18,581
Foreign currency translation adjustment	947,951	1,006,523
Remeasurements of defined benefit plans	26,718	23,212
Total accumulated other comprehensive income	7,592,616	7,585,220
Non-controlling interests	911,493	976,836
Total net assets	47,559,280	48,826,413
Total liabilities and net assets	59,450,750	59,681,041

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

(Thousands of yen)

	Previous third quarter (Cumulative) (From April 1, 2023 to December 31, 2023)	Current third quarter (Cumulative) (From April 1, 2024 to December 31, 2024)
Net sales	24,302,907	26,610,394
Cost of sales	17,075,363	18,496,540
Gross profit	7,227,543	8,113,854
Selling, general and administrative expenses	4,263,918	4,363,973
Operating profit	2,963,625	3,749,880
Non-operating income		
Interest income	28,940	29,808
Dividend income	260,966	278,273
Miscellaneous income	34,294	48,393
Total non-operating income	324,201	356,475
Non-operating expenses		
Interest expenses	896	2,802
Foreign exchange losses	8,599	11,490
Depreciation	29,534	47,546
Miscellaneous losses	2,369	11,051
Total non-operating expenses	41,399	72,891
Ordinary profit	3,246,427	4,033,464
Extraordinary income		
Gain on sale of non-current assets	1,341	9
Gain on sale of investment securities	528,244	35,724
Total extraordinary income	529,586	35,733
Extraordinary losses		
Loss on sale of non-current assets	9	47
Loss on retirement of non-current assets	9,028	56,658
Loss on valuation of investment securities	51,101	–
Provision for environmental measures	426,000	–
Total extraordinary losses	486,139	56,706
Profit before income taxes	3,289,873	4,012,490
Income taxes - current	1,248,686	712,495
Income taxes - deferred	(326,371)	418,216
Total income taxes	922,315	1,130,711
Profit	2,367,557	2,881,779
Profit attributable to		
Profit attributable to owners of parent	2,298,100	2,805,431
Profit attributable to non-controlling interests	69,457	76,348
Other comprehensive income		
Valuation difference on available-for-sale securities	336,167	(76,641)
Deferred gains or losses on hedges	(20,060)	15,756
Foreign currency translation adjustment	116,798	76,931
Remeasurements of defined benefit plans, net of tax	151	(3,506)
Total other comprehensive income	433,056	12,539
Comprehensive income	2,800,614	2,894,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,705,166	2,798,035
Comprehensive income attributable to non-controlling interests	95,448	96,283

(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 nine months of the fiscal year under review is not prepared. Depreciation (including amortization of intangible assets) for the first nine months of the current and previous fiscal years is as follows:

	(Thousands of yen)	
	Previous third quarter (Cumulative) (From April 1, 2023 to December 31, 2023)	Current third quarter (Cumulative) (From April 1, 2024 to December 31, 2024)
Depreciation	948,415	1,008,857

(Notes on segment information)

[Segment information]

I. Previous third quarter (Cumulative) (From April 1, 2023 to December 31, 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	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 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 third quarter (Cumulative) (From April 1, 2024 to December 31, 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	21,132,027	5,309,869	26,441,896	–	26,441,896	–	26,441,896
Other revenue	–	–	–	168,497	168,497	–	168,497
Revenues from external customers	21,132,027	5,309,869	26,441,896	168,497	26,610,394	–	26,610,394
Intersegment sales or transfers	150,325	21,827	172,153	97,504	269,657	(269,657)	–
Total	21,282,352	5,331,697	26,614,049	266,002	26,880,052	(269,657)	26,610,394
Segment profit	3,292,366	414,100	3,706,467	43,413	3,749,880	–	3,749,880

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.