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August 3, 2022

## Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange  
 Securities code: 4403  
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 Scheduled date to file quarterly securities report: August 10, 2022  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

#### (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, 2022	52,014	21.4	12,451	40.8	14,245	51.7	9,937	54.5
June 30, 2021	42,835	13.4	8,844	61.9	9,391	55.7	6,431	71.9

Note: Comprehensive income For the three months ended June 30, 2022: ¥9,327 million [53.7%]  
 For the three months ended June 30, 2021: ¥6,067 million [(27.3)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	121.43	–
June 30, 2021	77.86	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2022	294,351	224,626	76.1
March 31, 2022	289,630	221,706	76.3

Reference: Equity

As of June 30, 2022: ¥223,857 million  
 As of March 31, 2022: ¥220,928 million

## 2. Cash 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, 2022	–	43.00	–	47.00	90.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		45.00	–	45.00	90.00

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

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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
Fiscal year ending March 31, 2023	213,000	10.6	34,500	(3.1)	35,600	(5.4)	25,100	(6.0)	305.69

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
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - (ii) Changes in accounting policies due to other reasons: 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, 2022	82,841,376 shares
As of March 31, 2022	82,841,376 shares

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

As of June 30, 2022	1,253,204 shares
As of March 31, 2022	731,913 shares

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

Three months ended June 30, 2022	81,834,619 shares
Three months ended June 30, 2021	82,596,987 shares

Note: Since the Company introduced “Board Benefit Trust (BBT)” in the fiscal year ended March 31, 2020, the shares of the Company held by the trust are included in the number of treasury shares at the end of the period, and the number of treasury shares excluded from the calculation of the average number of shares outstanding during the period.

- \* 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

(Notes regarding forward-looking statements)

Forward-looking statements including financial results forecasts stated in this material were compiled based on information available to the Company and certain assumptions considered reasonable at the time this material was compiled, and are not meant as a guarantee of the Company achieving such results. Therefore, the actual results, etc., may differ due to various factors. For information on the assumptions of the forecast and notes on the use of the forecast, please refer to “1. Qualitative Information on the Current Quarterly Financial Results, (3) Explanation on future forecast information including the forecast of consolidated financial results” on page 3 of the attached document.

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# 1. Qualitative information on the current quarterly financial results

## (1) Explanations on operating results

Despite the gradual easing of various restrictions and the normalization of economic activities, mainly in countries and regions where there was progress in dissemination of novel coronavirus infection (COVID-19) vaccinations, economic conditions remained uncertain in the first quarter of the current fiscal year (from April 1, 2022 to June 30, 2022) as a result of the intensified effects of the Ukraine crisis and restricted economic activities in China due to the spread of COVID-19 infections, as well as resource and energy price trends. In Japan, as measures against infection were established and social and economic activities were being normalized, there were signs of recovery in consumer spending and capital investment, etc.

The business environment surrounding the Group was affected by global raw material and fuel prices hikes, semiconductor shortages, and geopolitical risks such as the Ukraine crisis, but domestic and overseas demand remained stable on the whole.

In this business environment, under the three-year “2022 Mid-term Management Plan” ending in FY2022, the Group has made successive management efforts toward sustainable growth, striving to develop new markets, expand sales, and reduce production costs under the basic policy of “Challenge and Co-create,” and addressing the issues of “expanding business in growth markets,” “accelerating development of new products and techniques,” “strengthening collaboration internally and externally,” “improving productivity,” and “promoting CSR activities.”

As a result of such efforts, net sales for the first quarter of the current fiscal year were 52,014 million yen, up 21.4% year on year. Operating profit increased to 12,451 million yen, up 40.8% year on year, ordinary profit increased to 14,245 million yen, up 51.7% year on year, and profit attributable to owners of parent increased to 9,937 million yen, up 54.5% year on year.

Business results by segment are as follows.

### (i) Functional Chemicals

Net sales of fatty acid derivatives increased due to strong demand for environmental energy-related products.

Net sales of surfactants increased due to strong demand for toiletries.

Net sales of ethylene oxide/propylene oxide derivatives increased due to stable demand for toiletries and synthetic resins and resin processing.

Net sales of organic peroxides increased due to strong demand in Japan and Asia.

Net sales of special anti-corrosion agents decreased due to stagnant demand in the domestic and overseas automobile industry.

As a result, net sales of Functional Chemicals were 35,256 million yen, up 15.2% year on year, operating profit was 6,143 million yen, up 6.3% year on year.

### (ii) Life Science

Net sales of edible oils increased despite calm demand for functional oils for confectionery and bread production.

Net sales of functional foods decreased due to a decrease in demand for health foods.

Net sales of biocompatible materials increased due to strong demand for MPC (2-methacryloyloxyethyl phosphorylcholine) related products.

Net sales of raw materials for DDS (drug delivery system) drug formulations increased due to strong demand in the United States and Europe.

As a result, net sales of Life Science were 12,156 million yen, up 70.1% year on year, operating profit was 6,898 million yen, up 105.9% year on year.

(iii) Explosive & Propulsion

Net sales of industrial explosives declined.

Net sales of space-related products increased due to an increase in demand for rocket products.

Net sales of defense-related products declined.

Net sales of functional products declined.

As a result, net sales of Explosive & Propulsion were 4,472 million yen, down 9.8% year on year, and operating loss was 78 million yen.

(iv) Others

Others consist of transportation and real estate. Net sales of others were 128 million yen, down 1.0% year on year, and operating profit was 69 million yen, down 31.4% year on year.

**(2) Explanation of financial position**

Total assets at the end of the first quarter of the current fiscal year were 294,351 million yen, an increase of 4,721 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in assets includes an increase in cash and deposits of 2,326 million yen, an increase in inventories of 6,914 million yen, a decrease in accounts receivable of 2,237 million yen, and a decrease in the market value of investment securities at the end of the quarter of 2,932 million yen.

Liabilities increased by 1,801 million yen to 69,725 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in liabilities includes an increase in trade payables of 3,808 million yen, and a decrease in income taxes payable of 1,539 million yen due to the payment of income taxes.

Net assets were 224,626 million yen, an increase of 2,919 million yen from the end of the previous fiscal year.

The breakdown of major decreases (increases) in net assets includes profit attributable to owners of parent of 9,937 million yen, a decrease from the purchase of treasury shares of 2,506 million yen, a decrease of valuation difference on available-for-sale securities of 2,011 million yen, a decrease from dividends of surplus of 3,861 million yen, and an increase in foreign currency translation adjustment of 1,380 million yen.

**(3) Explanation on future forecast information including the forecast of consolidated financial results**

There is no change to the original forecast of consolidated financial results (announced on May 11, 2022) for the full year.

The forecast is based on the data that are available to the Company as of the date of the announcement of this material. Actual results may differ from the forecast due to various factors in the future.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	85,430	87,756
Notes and accounts receivable - trade, and contract assets	42,424	39,659
Electronically recorded monetary claims - operating	2,813	3,340
Merchandise and finished goods	25,655	28,928
Work in process	1,693	4,148
Raw materials and supplies	12,552	13,739
Other	2,937	3,338
Allowance for doubtful accounts	(185)	(187)
<b>Total current assets</b>	<b>173,322</b>	<b>180,724</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,013	23,783
Land	20,706	20,743
Other, net	17,225	17,687
<b>Total property, plant and equipment</b>	<b>61,944</b>	<b>62,215</b>
Intangible assets		
Other	947	981
<b>Total intangible assets</b>	<b>947</b>	<b>981</b>
Investments and other assets		
Investment securities	47,812	44,879
Retirement benefit asset	3,148	3,180
Other	2,508	2,434
Allowance for doubtful accounts	(53)	(63)
<b>Total investments and other assets</b>	<b>53,416</b>	<b>50,431</b>
<b>Total non-current assets</b>	<b>116,308</b>	<b>113,627</b>
<b>Total assets</b>	<b>289,630</b>	<b>294,351</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,262	24,932
Electronically recorded obligations - operating	584	723
Short-term borrowings	1,997	2,083
Current portion of long-term borrowings	2,800	2,800
Income taxes payable	5,879	4,340
Provision for bonuses	3,473	1,967
Other	14,471	16,338
<b>Total current liabilities</b>	<b>50,468</b>	<b>53,185</b>
Non-current liabilities		
Long-term borrowings	610	639
Retirement benefit liability	4,992	4,987
Other	11,852	10,912
<b>Total non-current liabilities</b>	<b>17,455</b>	<b>16,540</b>
<b>Total liabilities</b>	<b>67,924</b>	<b>69,725</b>

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Net assets</b>		
Shareholders' equity		
Share capital	17,742	17,742
Capital surplus	15,115	15,115
Retained earnings	166,062	172,121
Treasury shares	(3,292)	(5,799)
Total shareholders' equity	195,627	199,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,226	22,215
Foreign currency translation adjustment	809	2,190
Remeasurements of defined benefit plans	264	271
Total accumulated other comprehensive income	25,300	24,676
Non-controlling interests	777	768
Total net assets	221,706	224,626
Total liabilities and net assets	289,630	294,351



**(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**

**(Quarterly consolidated statements of income)**

**(For the three months period)**

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	42,835	52,014
Cost of sales	26,120	31,050
Gross profit	16,714	20,963
Selling, general and administrative expenses	7,870	8,511
Operating profit	8,844	12,451
Non-operating income		
Interest income	21	37
Dividend income	479	614
Foreign exchange gains	8	1,085
Other	132	151
Total non-operating income	641	1,889
Non-operating expenses		
Interest expenses	11	10
Rental expenses on real estate	17	18
Disposal expenses on fixed assets	27	17
Other	38	50
Total non-operating expenses	95	96
Ordinary profit	9,391	14,245
Extraordinary income		
Gain on sale of non-current assets	2	1
Gain on sale of investment securities	–	6
Gain on extinguishment of tie-in shares	–	34
Total extraordinary income	2	42
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	4	5
Total extraordinary losses	4	5
Profit before income taxes	9,389	14,282
Income taxes	2,954	4,348
Profit	6,435	9,933
Profit (loss) attributable to non-controlling interests	4	(3)
Profit attributable to owners of parent	6,431	9,937

**(Quarterly consolidated statements of comprehensive income)**

**(For the three months period)**

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	6,435	9,933
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,296)	(2,011)
Foreign currency translation adjustment	916	1,397
Remeasurements of defined benefit plans, net of tax	12	7
Total other comprehensive income	(367)	(606)
Comprehensive income	6,067	9,327
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,055	9,313
Comprehensive income attributable to non-controlling interests	12	13

**(3) Notes on quarterly consolidated financial statements**

**(Notes on going concern assumption)**

None applicable.

**(Notes on substantial changes in the amount of shareholders' equity)**

None applicable.

**(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)**

**(Calculation of tax expenses)**

As for tax expenses, the effective tax rate after the application of tax effect accounting to profit before income taxes is reasonably estimated for the consolidated fiscal year, which includes the first quarter of the current fiscal year, and the amount is calculated by multiplying quarterly profit before income taxes by the estimated effective tax rate.

However, for companies whose tax expenses are significantly less reasonable if calculated using the estimated effective tax rate, the amount calculated using the statutory tax rate is recorded.

**(Additional information)**

None applicable.

**(Segment information, etc.)**

## I For the three months ended June 30, 2021 (from April 1, 2021, to June 30, 2021)

## 1. Information about the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment				Others (Notes) 1.	Total	Adjustment (Notes) 2.	The amount reported on the quarterly consolidated statements of income (Notes) 3.
	Functional Chemicals	Life Science	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	30,602	7,147	4,955	42,705	129	42,835	–	42,835
(2) Intersegment sales or transfers	308	2,214	4	2,527	2,054	4,582	(4,582)	–
Total	30,910	9,362	4,960	45,232	2,184	47,417	(4,582)	42,835
Segment profit	5,778	3,349	108	9,237	101	9,339	(494)	8,844

(Notes) 1. The “Others” category consists of business that is not included in reportable segments. It includes transportation, real estate sales, and management services, etc.

- An adjustment of negative 494 million yen in segment profit includes negative 54 million yen eliminated for intersegment transactions, and negative 439 million yen for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.
- Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

## II. For the three months ended June 30, 2022 (from April 1, 2022, to June 30, 2022)

## 1. Information about the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment				Others (Notes) 1.	Total	Adjustment (Notes) 2.	The amount reported on the quarterly consolidated statements of income (Notes) 3.
	Functional Chemicals	Life Science	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	35,256	12,156	4,472	51,885	128	52,014	–	52,014
(2) Intersegment sales or transfers	311	2,285	4	2,601	1,983	4,584	(4,584)	–
Total	35,567	14,442	4,476	54,486	2,112	56,598	(4,584)	52,014
Segment profit (loss)	6,143	6,898	(78)	12,963	69	13,032	(580)	12,451

(Notes) 1. The “Others” category consists of business that is not included in reportable segments. It includes transportation, real estate sales, and management services, etc.

- An adjustment of negative 580 million yen in segment profit includes negative 118 million yen eliminated for intersegment transactions, and negative 462 million yen for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.
- Segment profit is adjusted with operating income in the quarterly consolidated statements of income.