

Summary of Consolidated Financial Results [Japanese GAAP] For the Third Quarter of the Fiscal Year Ending March 31, 2023

January 31, 2023

Listed company: Nippon Kayaku Co., Ltd.
Listed stock exchange: Prime Market, Tokyo Stock Exchange
Code No.: 4272 URL: <https://www.nipponkayaku.co.jp/english/>

Representative (name, position): Atsuhiko Wakumoto, President
Director in charge of inquiries: Tsutomu Kawamura, Executive Director, General Manager of Finance & Accounting Division, Financial Group

Filing date of quarterly securities report: February 8, 2023
Scheduled date for start of dividend payments: –
Preparation of supplementary materials for quarterly financial results: Yes
Quarterly results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the First Three Quarters of the Fiscal Year Ending March 31, 2023 (April 1, 2022–December 31, 2022)

(Figures shown are rounded down to the nearest million yen.)

(1) Consolidated Operating Results

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters of fiscal year ending March 31, 2023	153,627	11.2	19,062	9.9	20,994	11.8	15,241	8.4
First three quarters of fiscal year ended March 31, 2022	138,095	9.9	17,339	47.1	18,781	54.6	14,058	56.7

Note: Comprehensive income

First three quarters of fiscal year ending March 31, 2023: 17,699 million yen ((0.2)%)

First three quarters of fiscal year ended March 31, 2022: 17,743 million yen (24.3%)

	Profit attributable to owners of parent per share-primary	Profit attributable to owners of parent per share-diluted
	Yen	Yen
First three quarters of fiscal year ending March 31, 2023	90.62	90.60
First three quarters of fiscal year ended March 31, 2022	83.10	83.09

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	331,405	255,714	76.9
As of March 31, 2022	315,459	246,425	77.8

Reference: Equity As of December 31, 2022: 254,741 million yen
As of March 31, 2022 245,479 million yen

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2. Status of Dividends

	Dividend amount per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Year
	Yen				
Fiscal year ended March 31, 2022	-	15.00	-	25.00	40.00
Fiscal year ending March 31, 2023	-	20.00	-		
Fiscal year ending March 31, 2023 (forecast)				20.00	40.00

Note: Changes to the most recent dividend forecast: None

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(Percentages indicate amount of change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	210,000	13.6	23,800	13.1	26,600	14.9	19,400	12.9	115.31

Note: Changes to the most recent forecast for consolidated business results: None

Notes

- (1) Significant changes in subsidiaries during the first three quarters (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements: None
- (3) Changes to accounting policies and estimates and restatements
 - [1] Changes to accounting policies associated with revision of accounting standards or similar items: None
 - [2] Changes other than [1]: None
 - [3] Changes to accounting estimates: None
 - [4] Restatements: None
- (4) Number of shares issued (common stock)
 - [1] Number of shares issued at end of the fiscal period (including treasury stock)
 - As of December 31, 2022: 170,503,570 shares
 - As of March 31, 2022: 170,503,570 shares
 - [2] Number of treasury stock at end of the fiscal period
 - As of December 31, 2022: 2,960,258 shares
 - As of March 31, 2022: 2,257,985 shares
 - [3] Average number of shares during the fiscal period (cumulative)
 - First three quarters of fiscal year ending March 31, 2023: 168,186,975 shares
 - First three quarters of fiscal year ended March 31, 2022: 169,174,386 shares

*Quarterly summary financial statements are not subject to audit by a certified public accountant or audit firm.

*Analysis related to appropriate use of the business results forecasts, and other notes
(Disclaimer concerning forward-looking statements)

The information in this report constitutes forward-looking statements regarding future events and performance. This information is based on the beliefs and assumptions of management in light of information currently available to it at the time of announcement and subject to a number of uncertainties that may affect future results. Actual business results may differ substantially from the forecasts herein due to various factors. For matters pertaining to business forecasts, please refer to “(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts” on page 3 of the Supplementary Information.

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(How to obtain the materials for the briefing on quarterly financial results)

We have scheduled a teleconference for securities analysts and institutional investors on Tuesday, January 31, 2023.
The materials for the briefing will be posted on the corporate website.

Supplementary Information

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1. Qualitative Information Concerning Results for the First Three Quarters

(1) Analysis of Operating Results

During the first three quarters of this consolidated fiscal year (April 1 to December, 2022), the global economy saw a return to normalcy from the COVID-19 pandemic. However, the sense of uncertainty increased even more as a result of the Russian invasion of Ukraine, increasing global inflation caused by high fuel and raw material prices, and the zero COVID policy in China.

The Nippon Kayaku Group launched **KAYAKU Vision 2025**, the new mid-term business plan beginning this fiscal year, amid such conditions, we are working to implement the roadmap to the vision specified for each business while advancing initiatives to address key company-wide issues aimed at achieving the vision.

As a result, net sales for the first three quarters of this consolidated fiscal year totaled 153,627 million yen, an increase of 15,532 million yen (11.2%) year-on-year. Sales in the pharmaceuticals business underperformed while the functional chemicals, safety systems, and other businesses outperformed the first three quarters of the previous fiscal year.

Operating income totaled 19,062 million yen, an increase of 1,722 million yen (9.9%) year-on-year. Ordinary income totaled to 20,994 million yen, an increase of 2,212 million yen (11.8%) year-on-year. Profit attributable to owners of parent was 15,241 million yen, an increase of 1,182 million yen (8.4%) year-on-year. Performance by business segment is as described below.

[Functional Chemicals Business]

Net sales reached 65,433 million yen, an increase of 6,888 million yen (11.8%) year-on-year.

The functional materials business as a whole outperformed the first three quarters of the previous fiscal year. The outperformance resulted from strong sales of MEMS and other resin composites, despite the decline in demand for epoxy resins used as semiconductor materials in consumer applications.

The color materials business as a whole outperformed the first three quarters of the previous fiscal year. This outperformance resulted from a rebound in market demand for colorants and ink for inkjet printers in industrial applications, despite the slowdown in colorants for inkjet printers for consumer uses and dyes for textiles.

The catalyst business outperformed the first three quarters of the previous fiscal year, due to strong orders, both in Japan and for exports overseas.

In the Polatechno business, demand for dye-type polarizing film was sluggish. However, demand was firm for components for X-ray analysis systems and the exchange rate on sales in foreign currencies was advantageous. This resulted in outperformance of the Polatechno business as a whole, compared with the first three quarters of the previous fiscal year.

Segment profit totaled 10,067 million yen, an increase of 527 million yen (5.5%) year-on-year. This increase resulted from growth in sales in the functional materials and catalyst businesses.

[Pharmaceuticals Business]

Sales totaled 39,293 million yen, a decrease of 453 million yen (1.1%) year-on-year.

Pharmaceuticals in Japan underperformed the first three quarters of the previous fiscal year. The underperformance resulted from the impact of drug price revisions, despite the launch of DARVIAS[®] Injection, a new drug for blood cancer, in August 2022 and growth in sales of the new generic anti-cancer drug PEMETREXED for I.V. Infusion and ALAGLIO[®] granule packets, a photodynamic diagnostic agent.

Sales of active pharmaceutical ingredients for the Japanese domestic market and exports outperformed while sales of contract production and diagnostic drugs underperformed the first three quarters of the previous fiscal year.

Segment profit totaled 6,944 million yen, an increase of 46 million yen (0.7%) year-on-year.

[Safety Systems Business]

Sales reached 40,951 million yen, an increase of 7,679 million yen (23.1%) year-on-year.

The domestic business as a whole underperformed the first three quarters of the previous fiscal year. This underperformance resulted from a year-on-year decline in sales of airbag inflators owing to low demand from automobile production cuts caused by the shortage of semiconductors and other factors, despite growth in sales of micro gas generators for seatbelt pretensioners.

The overseas business outperformed the first three quarters of the previous fiscal year in sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs, as demand rebounded from the slump caused by policies to combat the COVID-19 pandemic implemented in different countries and despite increasing global inflation and the impact from the shortage of semiconductors.

Segment profit reached 6,165 million yen, an increase of 1,447 million yen (30.7%) year-on-year, owing to the rebound in demand and growth in sales boosted by the weakening yen.

[Other]

Sales were 7,949 million yen, an increase of 1,417 million yen (21.7%) year-on-year. The agrochemicals business overall saw a year-on-year increase in domestic sales and exports. Sales in the real estate business were flat year-on-year.

Segment profit totaled 1,536 million yen, an increase of 121 million yen (8.6%) year-on-year.

(2) Analysis of Financial Position

Total assets were 331,405 million yen, an increase of 15,945 million yen from the end of the previous consolidated fiscal year. The main increases were in raw materials and stores, an increase of 8,110 million yen; merchandise and finished goods, an increase of 7,362 million yen; notes and accounts receivable-trade, an increase of 3,631 million yen; and cash and deposits, an increase of 3,055 million yen. The main decrease was in securities, a decrease of 8,965 million yen.

Liabilities were 75,691 million yen, an increase of 6,657 million yen compared to the end of the previous consolidated fiscal year. The main increases were in short-term loans payable, an increase of 7,428 million yen; and notes and accounts payable-trade, an increase of 5,304 million yen. The main decrease was in current portion of bonds payable, a decrease of 4,000 million yen.

Net assets were 255,714 million yen, an increase of 9,288 million yen compared to the end of the previous consolidated fiscal year. The main increases were in retained earnings, an increase of 7,667 million yen; and translation adjustments, an increase of 3,310 million yen.

(3) Analysis of Forward-looking Statements, including Consolidated Business Results Forecasts

We expect the future business environment surrounding the Nippon Kayaku Group to bring a greater return to normalcy from the COVID-19 pandemic. However, the Russian invasion of Ukraine and increasing global inflation from high fuel and raw material prices pose the risk of an economic downswing.

Under these conditions, the Nippon Kayaku Group aims to respond flexibly to changes in the business environment and pursue optimal use of operating capital to increase the shareholder value, expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and enhance profits.

There has been no change in the consolidated business results forecasts for fiscal year ending March 31, 2023 announced on July 29, 2022.

2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2022	As of December 31, 2022
	Million yen	
Assets		
Current assets		
Cash and deposits	38,459	41,514
Notes and accounts receivable-trade	60,719	64,350
Electronically recorded monetary claims-operating	1,868	2,469
Securities	15,186	6,220
Merchandise and finished goods	36,784	44,146
Work in process	1,149	950
Raw materials and stores	17,901	26,012
Other	3,832	4,946
Allowance for doubtful accounts	(57)	(54)
Total current assets	175,843	190,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,469	43,716
Machinery, equipment and vehicles, net	26,923	26,221
Other, net	18,667	19,804
Total property, plant and equipment	89,060	89,742
Intangible assets		
Goodwill	3,016	2,624
Other	4,569	4,166
Total intangible assets	7,586	6,790
Investments and other assets		
Investment securities	33,511	34,767
Net defined benefit asset	4,572	4,716
Other	4,949	4,894
Allowance for doubtful accounts	(63)	(62)
Total investments and other assets	42,970	44,316
Total non-current assets	139,616	140,849
Total assets	315,459	331,405

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	As of March 31, 2022	As of December 31, 2022
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,011	23,316
Short-term loans payable	3,176	10,605
Current portion of bonds payable	4,000	–
Accounts payable-other	9,617	9,745
Income taxes payable	2,997	1,995
Other	7,956	6,910
Total current liabilities	45,760	52,573
Non-current liabilities		
Bonds payable	8,000	8,000
Long-term loans payable	1,474	800
Net defined benefit liability	380	439
Other	13,419	13,877
Total non-current liabilities	23,273	23,117
Total liabilities	69,034	75,691
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	15,759	15,794
Retained earnings	195,566	203,233
Treasury stock	(2,624)	(3,463)
Total shareholders' equity	223,633	230,498
Accumulated other comprehensive income		
Unrealized holding gains on other securities	9,818	9,164
Translation adjustments	10,630	13,940
Remeasurements of defined benefit plans	1,396	1,138
Total accumulated other comprehensive income	21,846	24,243
Non-controlling interests	945	973
Total net assets	246,425	255,714
Total liabilities and net assets	315,459	331,405

This document is an English translation of parts of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

(2) Consolidated Statements of Income & Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	First three quarters of fiscal year ended March 31, 2022	First three quarters of fiscal year ending March 31, 2023
	Million yen	
Net sales	138,095	153,627
Cost of sales	89,883	100,640
Gross profit on sales	48,211	52,986
Selling, general and administrative expenses	30,871	33,924
Operating income	17,339	19,062
Non-operating income		
Interest income	123	381
Dividend income	777	852
Equity in earnings of affiliates	271	–
Foreign exchange gains	54	517
Other	534	611
Total non-operating income	1,761	2,362
Non-operating expenses		
Interest expense	77	95
Equity in losses of affiliates	–	47
Other losses	241	287
Total non-operating expenses	319	430
Ordinary income	18,781	20,994
Extraordinary income		
Gain on sales of non-current assets	1,392	479
Gain on sales of investment securities	183	413
Gain on change in equity	–	123
Total extraordinary income	1,575	1,015
Extraordinary loss		
Loss on disposal of non-current assets	445	385
Loss on valuation of investment securities	57	3
Total extraordinary loss	503	388
Profit before income taxes	19,854	21,621
Income taxes-current	4,208	5,209
Income taxes-deferred	1,531	1,116
Total income taxes	5,740	6,325
Profit	14,114	15,296
Profit attributable to non-controlling interests	55	54
Profit attributable to owners of parent	14,058	15,241

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Consolidated Statements of Comprehensive Income

	First three quarters of fiscal year ended March 31, 2022	First three quarters of fiscal year ending March 31, 2023
	Million yen	
Profit	14,114	15,296
Other comprehensive income		
Unrealized holding gains on other securities	(23)	(654)
Translation adjustments	3,687	3,316
Remeasurements of defined benefit plans	(31)	(259)
Share of other comprehensive income of companies accounted for by the equity-method	(3)	1
Total other comprehensive income	3,629	2,403
Comprehensive income	17,743	17,699
Comprehensive income attributable to:		
Owners of parent	17,634	17,638
Non-controlling interests	109	61

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(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions for the Going Concern)

No items to report

(Notes in Case of Significant Change in Shareholders' Equity)

No items to report

(Segment Information and Other Items)

I. First three quarters of the fiscal year ended March 31, 2022 (April 1, 2021– December 31, 2021)

1. Information on sales and profit (loss) by reportable segment

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Million yen								
Sales	58,545	39,746	33,272	131,563	6,531	138,095	–	138,095
Sales to third parties	58,545	39,746	33,272	131,563	6,531	138,095	–	138,095
Intersegment sales and transfers	106	0	–	106	78	184	(184)	–
Total	58,651	39,746	33,272	131,670	6,610	138,280	(184)	138,095
Segment profit	9,539	6,898	4,718	21,156	1,414	22,571	(5,231)	17,339

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The 5,231 million yen downward adjustment to segment profit reflects a negative 5,237 million yen in corporate expense not allocable to the reportable segments and 5 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

II. First three quarters of the fiscal year ending March 31, 2023 (April 1, 2022– December 31, 2022)

1. Information on sales and profit (loss) by reportable segment

	Reportable segments				Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated (Note 3)
	Functional chemicals business	Pharma- ceuticals business	Safety systems business	Total				
Million yen								
Sales	65,433	39,293	40,951	145,678	7,949	153,627	–	153,627
Sales to third parties	65,433	39,293	40,951	145,678	7,949	153,627	–	153,627
Intersegment sales and transfers	122	0	–	122	82	204	(204)	–
Total	65,555	39,293	40,951	145,800	8,032	153,832	(204)	153,627
Segment profit	10,067	6,944	6,165	23,177	1,536	24,714	(5,652)	19,062

Note 1: “Other” indicates a business segment that is not included in the reportable segments, including the agrochemicals business and real estate business.

Note 2: The 5,652 million yen downward adjustment to segment profit reflects a negative 5,673 million yen in corporate expense not allocable to the reportable segments and 21 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 3: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.