

\* This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with the International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.

**Consolidated Financial Results**  
**For the Third Quarter of the Fiscal Year Ending March 31, 2023 [IFRS]**  
**(Nine Months Ended December 31, 2022)**

February 6, 2023

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (Prime Market)  
Code number: 4114 URL: <https://www.shokubai.co.jp/>  
Representative: Kazuhiro Noda, President and Representative Member of the Board  
Contact for inquiries: Tomotaka Nishikawa, General Manager of Corporate Communications Dept. Phone: +81-3-3506-7605  
Scheduled quarterly report filing date: February 9, 2023  
Scheduled date of dividend payment: -  
Supplementary quarterly materials prepared: None  
Quarterly results information meeting held: None

(Figures are rounded off to the nearest million yen)

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023 (hereafter FY2022) (from April 1, 2022 to December 31, 2022)**

(1) Consolidated operating results (cumulative)

(Percentages represent year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Dec. 31, 2022	325,537	20.7	25,635	7.3	28,277	2.8	21,091	5.9	20,439	5.7	26,791	18.1
Nine months ended Dec. 31, 2021	269,813	38.0	23,889	—	27,514	658.2	19,921	897.8	19,336	—	22,682	276.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2022	513.18	513.13
Nine months ended Dec. 31, 2021	484.92	—

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Rate of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2022	542,684	367,790	360,012	66.3	9,112.91
As of Mar. 31, 2022	518,151	351,123	343,882	66.4	8,624.02

## 2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2021	—	80.00	—	100.00	180.00
FY 2022	—	90.00	—		
FY 2022 (forecast)				90.00	180.00

Breakdown of dividends for FY 2021 (previous FY):

Ordinary dividends: 75.00 yen (end of 2Q) and 95.00 yen (year-end), for a total of 170.00 yen

Commemorative dividends for the 80th anniversary: 5.00 yen (end of 2Q) and 5.00 yen (year-end), for a total of 10.00 yen

Note: Revisions to the dividends forecast since the latest announcement: No

## 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate rate of changes year-over-year)

	Revenue		Operating profit		Profit before tax		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	440,000	19.1	26,500	(8.8)	31,000	(7.9)	21,000	(11.5)	528.92

Note: Revisions to the financial forecasts since the latest announcement: No

### ※Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates

1) Changes in accounting policies required by IFRS: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)

Dec. 31, 2022: 40,800,000 shares      Mar. 31, 2022: 40,800,000 shares

2) Number of treasury stock at the end of the period

Dec. 31, 2022: 1,294,300 shares      Mar. 31, 2022: 925,134 shares

3) Average number of shares outstanding during the period

Nine months ended      Nine months ended  
Dec. 31, 2022: 39,827,081 shares      Dec. 31, 2021: 39,875,257 shares

Note: The numbers of treasury stock at the end of the periods include shares of the Company held by the trust account set up after the introduction of a Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers (48,600 shares as of December 31, 2022 and 0 shares as of March 31, 2022). Shares of the Company held by the trust account are included in the treasury stock to be deducted in the calculation of the average number of shares outstanding during the period.

### ※ Indication regarding execution of audit procedures

This quarterly financial results report is outside the scope of quarterly review by certified public accountants or an audit corporation.

### ※ Appropriate use of business forecasts and other special items

In this document, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Qualitative Information on the Period under Review (3) Consolidated Financial Forecasts and Other Forward-looking Statements" on page 5 of the attached materials for the assumptions used in business forecasts.

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## 1. Qualitative Information on the Period under Review

### (1) Operating Results

The world economy during the nine months ended December 31, 2022 continued to recover from the impact of the novel coronavirus disease (COVID-19). Meanwhile, uncertainty over the future caused by increasing geopolitical risks and other factors continued, and there were concerns about downward pressures on the economy due to rising prices and the accompanying tightening of monetary policy.

In the United States, personal consumption recovered, while rapid rises in interest rates reduced housing investment. In Europe, personal consumption was sluggish due to persistently high resource prices and continued high inflation amid the prolonged situation in Ukraine. In China, the re-expansion of infection put downward pressure on personal consumption, and the economic slowdown in the United States and Europe and the decline in factory utilization rates due to activity restrictions resulted in lower export growth. In emerging Asian countries, the economy continued to pick up due to the normalization of economic activities.

In Japan, corporate earnings generally showed signs of improvement, as consumer spending and capital investment continued to pick up, although the yen continued to be weak against the U.S. dollar and prices rose due to factors such as differences in monetary policy between Japan and the United States, and the widening trade balance deficit.

In the chemical industry, although the trend toward recovery continues, the recovery of production activities stalled due to the impact of the downturn in overseas economies and other factors.

#### 1) Overview

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022	Change		FY 2021
			(Amount)	(% growth)	
Revenue	269,813	325,537	55,724	20.7%	369,293
Operating profit	23,889	25,635	1,746	7.3%	29,062
Profit before tax	27,514	28,277	763	2.8%	33,675
Profit attributable to owners of parent	19,336	20,439	1,102	5.7%	23,720
Basic earnings per share	484.92 yen	513.18 yen	28.26 yen	5.8%	594.86 yen
ROA (Ratio of profit before tax to total assets)	7.5%	7.1%	–	-0.4 points	6.8%
ROE (Ratio of profit to equity attributable to owners of parent)	7.9%	7.7%	–	-0.2 points	7.2%
Foreign exchange rates (USD and EUR)	USD=111.11 yen EUR=130.60 yen	USD=136.46 yen EUR=140.59 yen	25.35 yen 9.99 yen		USD=112.42 yen EUR=130.55 yen
Domestic naphtha price	54,000 yen/kl	80,000 yen/kl	26,000 yen/kl		56,600 yen/kl

Note: The ROA and ROE figures shown for each nine-month period are annualized.

Under these conditions, the Group's revenue in the nine months ended December 31, 2022 increased 20.7% year-on-year to 325,537 million yen, up 55,724 million yen, due to higher selling prices resulting from higher raw material prices and yen depreciation, despite a decrease in sales volume.

With regard to profits, operating profit increased 7.3% year-on-year to 25,635 million yen, up 1,746 million yen. We suffer some negative factors for profits, such as a decline in sales volume and an increase in selling, general and administrative expenses due to soaring marine transportation costs, but a widening of spreads caused by an increase in selling prices exceeding the increase in raw material prices, improved terms of trade mainly due to yen depreciation, the impact of inventory valuation differences due to higher raw material prices and other factors contributed to higher profits. Profit before tax was 28,277 million yen, a year-on-year increase of 763 million yen or 2.8%, mainly due to an increase in operating income, despite a decrease in share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent increased by 1,102 million yen or 5.7% year-on-year to 20,439 million yen.

## 2) Outline of Sales by Business Segment

Effective from the three months ended June 30, 2022, the Company has changed its business segments and reportable segments. Comparisons and analysis for the nine months under review are based on the renewed reportable segments.

### Materials business

Sales of acrylic acids and acrylates increased as selling prices rose due to higher raw material prices, despite a decline in sales volume.

Sales of superabsorbent polymers increased due to higher selling prices, caused by higher raw material prices and rising product overseas market conditions, despite a decline in sales volume.

Sales of ethylene oxide increased due to higher selling prices in line with higher raw material prices and an increase in sales volume.

Sales of ethylene glycol decreased due mainly to a decline in sales volume, despite higher selling prices in line with higher raw material prices.

Sales of special acrylates decreased due to a decline in sales volume, despite higher selling prices caused by higher raw material prices and product overseas market conditions.

Sales of maleic anhydride increased due to higher selling prices in line with higher raw material prices and higher sales volumes.

Sales of resin modifiers decreased due to lower sales volume.

Sales of process catalysts increased due to higher sales volume.

As a result, revenue in the materials business increased 24.6% year-on-year to 237,338 million yen.

Operating profit increased 37.2% year-on-year to 20,793 million yen due to factors contributing to higher profits, such as a widening of spreads caused by an increase in selling prices exceeding the increase in raw material prices and the impact of inventory valuation differences resulting from higher raw material prices, despite some factors causing lower profits, such as an increase in selling, general and administrative expenses due to higher marine transportation costs and a decline in sales volume.

### Solutions business

Sales of polymers for concrete admixtures and resins for paints increased due to higher sales prices and higher sales volume.

Sales of secondary alcohol ethoxylates, water-soluble polymers such as raw materials for detergents and ethyleneimine derivatives increased due to higher selling prices despite lower sales volume.

Sales of iodine compounds increased due to higher selling prices.

Sales of adhesive products increased due to higher selling prices despite lower sales volume.

Sales of materials for lithium-ion batteries and De-NO<sub>x</sub> catalysts increased due to higher sales volume.

Sales of electronic information materials decreased due to lower sales volumes and selling prices.

Sales of fuel cell materials decreased due to lower sales volume despite higher selling prices.

As a result, revenue in the solutions business increased 11.2% year-on-year to 88,199 million yen.

Operating profit decreased 50.8% year-on-year to 4,024 million yen due to factors such as lower production and sales volumes, and higher selling, general and administrative expenses, despite the impact of inventory valuation differences resulting from higher raw material prices.

## **(2) Financial Position**

### **1) Analysis of Financial Position**

Total assets at the end of the third quarter of the current fiscal year increased by 24,533 million yen from the end of the previous fiscal year to 542,684 million yen. Current assets increased by 27,145 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in cash and cash equivalents, as well as an increase in inventories as a result of higher raw material costs and other factors. Non-current assets decreased by 2,612 million yen from the end of the previous fiscal year. This was mainly due to a decrease in other financial assets as a result of changes in the fair value of stocks held.

Total liabilities increased by 7,866 million yen compared to the end of the previous fiscal year to 174,894 million yen. This was mainly due to an increase in trade payables as a result of higher raw material costs and the fact that financial institutions were closed on the last day of the period under review, as well as an increase in borrowings.

Total equity increased by 16,667 million yen compared to the end of the previous fiscal year to 367,790 million yen. This was mainly due to an increase in retained earnings.

The ratio of profit to equity attributable to owners of parent decreased by 0.1 percentage points from 66.4% at the end of the previous fiscal year to 66.3%. Equity attributable to owners of parent per share increased by 488.89 yen compared to the end of the previous fiscal year to 9,112.91 yen.

### **2) Cash Flows**

Cash and cash equivalents at the end of the nine months ended December 31, 2022 amounted to 49,415 million yen, an increase of 10,052 million yen from the end of the previous fiscal year because cash flows provided by operating activities exceeded cash flows used in investing activities, including capital investment, and cash flows used in financing activities.

#### **Cash flow from operating activities**

Net cash provided by operating activities in the nine months ended December 31, 2022 amounted to 33,081 million yen, an increase of 4,681 million yen from a cash inflow of 28,401 million yen in the same period of the previous fiscal year. This was mainly due to a smaller increase in trade receivables than the same period of the previous fiscal year caused by lower sales volumes, despite a smaller increase in trade payables than the same period of the previous fiscal year due to the reduced impact of higher raw material prices.

#### **Cash flow from investing activities**

Net cash used in investing activities in the nine months ended December 31, 2022 totaled 16,996 million yen, a decrease of 257 million yen from a cash outflow of 17,253 million yen in the same period of the previous fiscal year. This was mainly due to an increase in proceeds from withdrawal of time deposits, despite an increase in purchase of property, plant and equipment and a decrease in proceeds from sale and redemption of investments.

#### **Cash flow from financing activities**

Net cash used in financing activities in the nine months ended December 31, 2022 amounted to 7,261 million yen, an increase of 2,871 million yen from a cash outflow of 4,390 million yen in the same period of the previous fiscal year. This was mainly due to a decrease in proceeds from long-term borrowings and increases in repayments of long-term borrowings and dividends paid, despite the absence of redemption of bonds.

### (3) Consolidated Financial Forecasts and Other Forward-looking Statements

For the fourth quarter of the fiscal year ending March 31, 2023, we expect some factors contributing to lower profits, such as lower sales and production volume than what we assumed as of November 7, 2022, and narrower spreads mainly to due to declining product overseas market conditions.

In addition to the factors above, a decline in raw material prices will eliminate the impact of inventory valuation differences contributing to higher profits, which improved our financial results for the first half. Therefore, our full-year consolidated financial forecasts remain unchanged from those announced on November 7, 2022, with revenue of 440.0 billion yen (220.3 billion yen for the second half), operating profit of 26.5 billion yen (9.2 billion yen for the second half), profit before tax of 31.0 billion yen (10.8 billion yen for the second half), and profit attributable to owners of parent of 21.0 billion yen (6.9 billion yen for the second half).

Furthermore, our consolidated financial forecasts for the fourth quarter are based on exchange rates of 130 yen to the U.S. dollar and 140 yen to the euro, and domestic naphtha prices of 65,000 yen/kl.

#### Reference

##### Preconditions for forecasts

	Domestic naphtha price	Foreign exchange rate	
	yen/kl	yen/USD	yen/EUR
Nine months ended Dec. 31, 2022	80,000	136	141
Three months ending Mar. 31, 2023	65,000	130	140
Full-year forecasts	76,300	135	140

※Previous forecasts by reportable segment (as of November 7, 2022)

(Unit: Billions of yen)

	Materials business		Solutions business		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
Full-year forecasts	320.0	22.1	120.0	3.7	0.7	440.0	26.5

Note: "Adjustment" includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments.

## 2. Condensed Quarterly Consolidated Financial Statements and Related Notes

### (1) Condensed Quarterly Consolidated Statements of Financial Position

	(Unit: Millions of yen)	
	FY2021 As of Mar. 31, 2022	3Q-FY2022 As of Dec. 31, 2022
Assets		
Current assets		
Cash and cash equivalents	39,363	49,415
Trade receivables	103,577	107,354
Inventories	75,311	90,528
Other financial assets	12,427	12,157
Other current assets	6,979	5,347
Total current assets	237,656	264,801
Non-current assets		
Property, plant and equipment	191,143	190,507
Intangible assets	7,895	8,330
Investments accounted for using equity method	22,868	22,841
Other financial assets	40,981	38,588
Retirement benefit asset	12,820	12,858
Deferred tax assets	3,320	3,218
Other non-current assets	1,468	1,541
Total non-current assets	280,495	277,883
Total assets	518,151	542,684



(Unit: Millions of yen)

	FY2021 As of Mar. 31, 2022	3Q-FY2022 As of Dec. 31, 2022
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	57,616	66,032
Borrowings	23,559	32,269
Other financial liabilities	10,570	8,854
Income taxes payable	5,812	3,618
Provisions	5,931	4,397
Other current liabilities	5,527	4,175
<b>Total current liabilities</b>	<b>109,014</b>	<b>119,346</b>
<b>Non-current liabilities</b>		
Borrowings	28,634	26,720
Other financial liabilities	6,784	5,961
Retirement benefit liability	14,044	14,107
Provisions	2,347	2,489
Deferred tax liabilities	6,205	6,271
<b>Total non-current liabilities</b>	<b>58,014</b>	<b>55,548</b>
<b>Total liabilities</b>	<b>167,028</b>	<b>174,894</b>
<b>Equity</b>		
Share capital	25,038	25,038
Capital surplus	22,472	22,510
Treasury shares	(6,291)	(8,278)
Retained earnings	288,124	301,240
Other components of equity	14,538	19,502
<b>Total equity attributable to owners of parent</b>	<b>343,882</b>	<b>360,012</b>
Non-controlling interests	7,241	7,778
<b>Total equity</b>	<b>351,123</b>	<b>367,790</b>
<b>Total liabilities and equity</b>	<b>518,151</b>	<b>542,684</b>

**(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income**  
**Condensed Quarterly Consolidated Statements of Profit or Loss**

Nine months ended December 31, 2021 and 2022

(Unit: Millions of yen)

	3Q-FY 2021 Apr. 1, 2021 to Dec. 31, 2021	3Q-FY 2022 Apr. 1, 2022 to Dec. 31, 2022
Revenue	269,813	325,537
Cost of sales	212,232	258,306
Gross profit	57,581	67,230
Selling, general and administrative expenses	35,176	43,087
Other operating income	2,209	2,273
Other operating expenses	725	781
Operating profit	23,889	25,635
Finance income	1,250	1,520
Finance costs	606	1,044
Share of profit of investments accounted for using equity method	2,980	2,166
Profit before tax	27,514	28,277
Income tax expense	7,593	7,186
Profit	19,921	21,091
Profit attributable to		
Owners of parent	19,336	20,439
Non-controlling interests	585	652
Profit	19,921	21,091
Earnings per share		
Basic earnings per share (Yen)	484.92	513.18
Diluted earnings per share (Yen)	-	513.13

## Condensed Quarterly Consolidated Statements of Comprehensive Income

Nine months ended December 31, 2021 and 2022

(Unit: Millions of yen)

	3Q-FY 2021 Apr. 1, 2021 to Dec. 31, 2021	3Q-FY 2022 Apr. 1, 2022 to Dec. 31, 2022
Profit	19,921	21,091
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(704)	(1,701)
Share of other comprehensive income of investments accounted for using equity method	(2)	142
Total of items that will not be reclassified to profit or loss	(706)	(1,559)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,458	6,314
Share of other comprehensive income of investments accounted for using equity method	8	945
Total of items that may be reclassified to profit or loss	3,467	7,259
Other comprehensive income, net of tax	2,761	5,700
Comprehensive income	22,682	26,791
Comprehensive income attributable to		
Owners of parent	21,748	25,660
Non-controlling interests	933	1,131
Comprehensive income	22,682	26,791

### (3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	(6,286)	267,729	7,691	–
Profit	–	–	–	19,336	–	–
Other comprehensive income	–	–	–	–	(701)	(2)
Comprehensive income	–	–	–	19,336	(701)	(2)
Purchase of treasury shares	–	–	(4)	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends	–	–	–	(4,984)	–	–
Increase (decrease) in non-controlling interests	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	538	(540)	2
Total transactions with owners	–	–	(4)	(4,446)	(540)	2
Balance at end of period	25,038	22,472	(6,291)	282,619	6,450	–

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	730	8,420	317,373	6,352	323,725
Profit	–	–	19,336	585	19,921
Other comprehensive income	3,115	2,412	2,412	349	2,761
Comprehensive income	3,115	2,412	21,748	933	22,682
Purchase of treasury shares	–	–	(4)	–	(4)
Share-based payment transactions	–	–	–	–	–
Dividends	–	–	(4,984)	(396)	(5,380)
Increase (decrease) in non-controlling interests	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	(538)	–	–	–
Total transactions with owners	–	(538)	(4,989)	(396)	(5,384)
Balance at end of period	3,844	10,294	334,133	6,890	341,023

Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	(6,291)	288,124	4,874	–
Profit	–	–	–	20,439	–	–
Other comprehensive income	–	–	–	–	(1,702)	142
Comprehensive income	–	–	–	20,439	(1,702)	142
Purchase of treasury shares	–	–	(1,987)	–	–	–
Share-based payment transactions	–	30	–	–	–	–
Dividends	–	–	–	(7,581)	–	–
Increase (decrease) in non-controlling interests	–	8	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	258	(116)	(142)
Total transactions with owners	–	38	(1,987)	(7,323)	(116)	(142)
Balance at end of period	25,038	22,510	(8,278)	301,240	3,057	–

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	9,664	14,538	343,882	7,241	351,123
Profit	–	–	20,439	652	21,091
Other comprehensive income	6,781	5,221	5,221	479	5,700
Comprehensive income	6,781	5,221	25,660	1,131	26,791
Purchase of treasury shares	–	–	(1,987)	–	(1,987)
Share-based payment transactions	–	–	30	–	30
Dividends	–	–	(7,581)	(571)	(8,152)
Increase (decrease) in non-controlling interests	–	–	8	(24)	(16)
Transfer from other components of equity to retained earnings	–	(258)	–	–	–
Total transactions with owners	–	(258)	(9,530)	(595)	(10,124)
Balance at end of period	16,445	19,502	360,012	7,778	367,790

**(4) Condensed Quarterly Consolidated Statements of Cash Flows**

(Unit: Millions of yen)

	3Q-FY 2021 Apr. 1, 2021 to Dec. 31, 2021	3Q-FY 2022 Apr. 1, 2022 to Dec. 31, 2022
Cash flows from operating activities		
Profit before tax	27,514	28,277
Depreciation and amortization	21,540	22,166
Loss (gain) on sale of property, plant and equipment	(505)	(21)
Decrease (increase) in retirement benefit asset	(38)	(38)
Increase (decrease) in retirement benefit liability	64	(100)
Interest and dividend income	(1,195)	(1,491)
Interest expenses	249	342
Share of loss (profit) of investments accounted for using equity method	(2,980)	(2,166)
Decrease (increase) in trade receivables	(18,294)	(1,689)
Decrease (increase) in inventories	(14,343)	(13,729)
Increase (decrease) in trade payables	18,680	7,150
Other	(2,555)	(1,054)
Subtotal	28,135	37,645
Interest and dividends received	2,472	5,043
Interest paid	(237)	(277)
Income taxes paid	(1,969)	(9,330)
Net cash provided by (used in) operating activities	28,401	33,081
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,938)	(17,202)
Proceeds from sale of property, plant and equipment	733	22
Purchase of intangible assets	(1,513)	(1,111)
Purchase of investments	(385)	(252)
Proceeds from sale and redemption of investments	1,333	259
Acquisition of shares of subsidiaries and affiliates	(500)	-
Other	(984)	1,288
Net cash provided by (used in) investing activities	(17,253)	(16,996)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	10,499	10,059
Proceeds from long-term borrowings	9,989	5,000
Repayments of long-term borrowings	(8,185)	(10,661)
Redemption of bonds	(10,000)	-
Repayments of lease liabilities	(1,309)	(1,505)
Purchase of treasury shares	(4)	(1,987)
Dividends paid	(4,984)	(7,581)
Dividends paid to non-controlling interests	(396)	(571)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(16)
Net cash provided by (used in) financing activities	(4,390)	(7,261)
Effect of exchange rate changes on cash and cash equivalents	671	1,228
Net increase (decrease) in cash and cash equivalents	7,428	10,052
Cash and cash equivalents at beginning of period	36,341	39,363
Cash and cash equivalents at end of period	43,769	49,415

## **(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements**

### **【Going Concern Assumption】**

Not applicable.

### **【Significant Accounting Policies】**

The accounting policies applied in these condensed quarterly consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year.

Income tax expense in the nine months ended December 31, 2022 is calculated based on the estimated average annual effective tax rate.

In addition, the Company introduced a Performance-linked Stock Compensation Plan for Members of the Board and Executive Officers of the Company in the nine months ended December 31, 2022. The accounting policies applied for the introduction of the plan are as follows.

(Stock compensation)

The Company has introduced a Performance-linked Stock Compensation Plan for Members of the Board and Executive Officers of the Company as an equity-settled share-based compensation plan. Under the plan, services received are measured at the fair value of shares of the Company on the grant date and recognized as an expense from the grant date over the vesting period, with an equal amount recognized as an increase in capital surplus. The fair value of shares of the Company at the grant date is determined based on the observable market price.

### **【Segment Information, etc.】**

#### **1. Outline of Reportable Segments**

The Group's reportable segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors of the Company in order to allocate management resources and assess performance of operations.

The Group's main business lines are divided based on similarities of function and nature and the Group prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line. Accordingly, the Group is comprised of reportable segments classified by type of products based on each business line and does not aggregate its operating results. The two reportable segments of the Group are Materials and Solutions. Effective from the three months ended June 30, 2022, the Group has changed its three business segments and reportable segments of "Basic chemicals," "Functional chemicals," and "Environment & catalysts" to the two segments of "Materials business" and "Solutions business."

This is based on a change in the management control system, which aims to transform the business portfolio by clarifying the goals and strategies of the Materials business and the Solutions business, and by utilizing the strengths of each, in conjunction with the formulation of a new Medium-term Business Plan that begins in the current fiscal year.

The segment information for the nine months ended December 31, 2021 has been reclassified based on the renewed reportable segments.

The materials business is engaged in the manufacturing and sales of ethylene oxide, ethylene glycol, ethanolamine, acrylic acids, acrylates, superabsorbent polymers, special acrylates, and process catalysts. The solutions business is engaged in the manufacturing and sales of polymers for concrete admixture, secondary alcohol ethoxylates, resins for adhesives and paints, ethyleneimine derivatives, electronic information materials, automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, exhaust gas treatment equipment, fuel cell materials, materials for lithium-ion batteries, glycol ethers, iodine, and adhesive products.

## 2. Information Concerning Revenue and Income or Loss by Reportable Segment

Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)

(Unit: Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	190,523	79,290	269,813	–	269,813
Intergroup revenue and transfers	11,381	1,873	13,254	(13,254)	–
Total	201,904	81,163	283,067	(13,254)	269,813
Segment income	15,158	8,180	23,338	551	23,889
Finance income	–	–	–	–	1,250
Finance costs	–	–	–	–	606
Share of profit of investments accounted for using equity method	–	–	–	–	2,980
Profit before tax	–	–	–	–	27,514

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 551 million yen.

Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)

(Unit: Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	237,338	88,199	325,537	–	325,537
Intergroup revenue and transfers	15,170	2,749	17,919	(17,919)	–
Total	252,508	90,948	343,456	(17,919)	325,537
Segment income	20,793	4,024	24,817	818	25,635
Finance income	–	–	–	–	1,520
Finance costs	–	–	–	–	1,044
Share of profit of investments accounted for using equity method	–	–	–	–	2,166
Profit before tax	–	–	–	–	28,277

Notes: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 818 million yen.

## 3. Information Concerning Impairment Loss of Non-current Assets or Goodwill, etc. by Reportable Segment

Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)

Not applicable.

Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)

Not applicable.



## 【Supplementary Information】

### Overseas Revenue

**Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)**

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	75,933	39,547	25,187	11,867	152,535
II. Consolidated revenue					269,813
III. Overseas revenue to consolidated revenue	28.1%	14.7%	9.3%	4.4%	56.5%

**Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)**

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	86,220	58,707	26,589	14,073	185,590
II. Consolidated revenue					325,537
III. Overseas revenue to consolidated revenue	26.5%	18.0%	8.2%	4.3%	57.0%

Notes: 1. Geographical segments are classified according to geographical proximity.

2. Specific countries of each area:

- (1) Asia: East and South East Asian countries
- (2) Europe: European countries
- (3) North America: North American countries
- (4) Others: Areas/countries except Asia, Europe, North America, and Japan

3. “Overseas revenue” means revenue outside Japan by NIPPON SHOKUBAI CO., LTD. and its consolidated subsidiaries.

## 【Significant Subsequent Events】

Not applicable.

\* This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with the International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.