

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

May 15, 2023

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

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

Scheduled date of the Annual Shareholders Meeting: June 28, 2023
Scheduled date for start of dividend payments: June 29, 2023
Filing date of securities report: June 28, 2023
Preparation of supplementary materials for financial results: Yes
Financial results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022–March 31, 2023) (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	%
Fiscal year ended March 31, 2023	198,380	7.3	21,505	2.2	23,025	(0.6)	14,984	(12.8)
Fiscal year ended March 31, 2022	184,805	6.6	21,050	38.5	23,154	40.0	17,181	36.6

Note: Comprehensive income Fiscal year ended March 31, 2023: 19,050 million yen ((27.1%)
Fiscal year ended March 31, 2022: 26,123 million yen (11.8%)

	Profit attributable to owners of parent per share—primary	Profit attributable to owners of parent per share—diluted	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	89.36	89.33	6.0	7.2	10.8
Fiscal year ended March 31, 2022	101.70	101.65	7.3	7.6	11.4

Reference: Equity in earnings of affiliates
Fiscal year ended March 31, 2023: (503) million yen
Fiscal year ended March 31, 2022: 210 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	322,858	255,027	78.7	1,532.35
As of March 31, 2022	315,459	246,425	77.8	1,459.06

Reference: Equity As of March 31, 2023: 254,018 million yen
As of March 31, 2022: 245,479 million yen

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(3) Status of Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2023	20,039	(15,158)	(7,950)	53,096
Fiscal year ended March 31, 2022	23,141	(10,641)	(11,090)	52,962

2. Status of Dividends

	Dividend amount per share					Total dividend payment (year)	Dividend payout ratio (consolidated)	Dividend payout to net assets ratio (consolidated)
	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	6,730	39.3	2.9
Fiscal year ended March 31, 2023	–	20.00	–	25.00	45.00	7,511	50.4	3.0
Fiscal year ending March 31, 2024 (forecast)	–	22.50	–	22.50	45.00		–	

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(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
First half	97,100	(5.5)	5,300	(60.9)	6,200	(62.7)	4,400	(61.0)	26.54
Full year	202,300	2.0	13,000	(39.5)	14,000	(39.2)	10,500	(29.9)	63.34

Notes

- (1) Significant changes in subsidiaries during the fiscal period (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) 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
- (3) Number of shares issued (common stock)
 - [1] Number of shares issued at end of the fiscal period (including treasury stock)
 - As of March 31, 2023: 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 March 31, 2023: 4,732,954 shares
 - As of March 31, 2022: 2,257,985 shares
 - [3] Average number of shares during the fiscal period
 - Fiscal year ended March 31, 2023: 167,682,359 shares
 - Fiscal year ended March 31, 2022: 168,942,203 shares

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Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022–March 31, 2023)

(1) Non-consolidated Operating Results

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	128,028	3.2	10,501	(9.4)	17,240	7.2
Fiscal year ended March 31, 2022	124,023	7.3	11,593	22.9	16,080	19.5

	Net income		Net income per share		Diluted net income per share	
	Million yen	%	Yen		Yen	
Fiscal year ended March 31, 2023	12,632	0.2	75.33		–	
Fiscal year ended March 31, 2022	12,609	(44.2)	74.63		–	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	237,521	185,235	78.0	1,117.38
As of March 31, 2022	236,430	184,800	78.2	1,098.36

Reference: Equity As of March 31, 2023: 185,235 million yen

As of March 31, 2022: 184,800 million yen

* 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 1. Overview of Operating Results, Financial Position, and Future Outlook, (4) Future Outlook” on page 4 of the Supplementary Information.

(How to obtain the supplementary materials for financial results)

We have scheduled a briefing on financial results for securities analysts and institutional investors on Tuesday, May 16, 2023. The materials for the briefing will be posted on the corporate website.

Supplementary Information

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1. Overview of Operating Results, Financial Position, and Future Outlook

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2023

During consolidated fiscal year ended March 31, 2023, 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 fluctuations in exchange rates from monetary tightening, mainly in Europe and the U.S.

In the functional chemicals industry, the need for semiconductor materials is increasing as rapid advances in digital technology lead to higher performance in the next generation of high-speed (5G/6G) communications devices and other digital equipment, and increasingly sophisticated electronic equipment in automobiles. The global trends in energy and resource conservation are also creating demand for development of new environmentally friendly materials and recycling technology. After steady performance during the first half, the semiconductor market saw the effects of inventory adjustments from the third quarter onward.

In the pharmaceuticals industry, we contribute to extending the healthy lifespan of people in Japan through innovative drug development while ensuring a stable supply of high quality pharmaceuticals. We must do this to pass on a society to the next generation where all people in Japan can be assured of receiving quality medical care. Nippon Kayaku must swiftly and consistently engage in pharmaceutical research, development, manufacturing, and supply to meet these expectations. However, the increase in medical and other social security expenses is straining consumer finances and achieving sustainable healthcare is a challenge for us amid even stricter government measures to curb drug prices and other medical expenses.

While the automotive industry saw a rebound from the slump in global demand caused by the global spread of the novel coronavirus, conditions remain uncertain as the impact from the shortage of semiconductors continues to cause decreases in automobile production in the domestic market and some regions. The global parts shortage has not yet been resolved in some regions and rapid normalization of parts supply is needed to restore automobile production.

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, consolidated net sales for the fiscal year ended March 31, 2023 totaled 198,380 million yen, an increase of 13,574 million yen (7.3%) year-on-year. Sales in the pharmaceuticals business underperformed, while the functional chemicals and safety systems businesses outperformed the previous fiscal year.

Consolidated operating income totaled 21,505 million yen, an increase of 454 million yen (2.2%) year-on-year, outperforming the previous fiscal year in the pharmaceuticals and safety systems businesses, while underperforming in the functional chemicals industry.

Consolidated ordinary income totaled 23,025 million yen, a decrease of 128 million yen (0.6%) year-on-year.

Profit attributable to owners of parent was 14,984 million yen, a decrease of 2,196 million yen (12.8%) year-on-year, owing to recognition of an impairment loss on property, plant, and equipment.

Performance by business segment is as described below.

[1] Functional Chemicals Business

Sales rose to 81,696 million yen, an increase of 4,543 million yen (5.9%) year-on-year.

The functional materials business as a whole outperformed the previous fiscal year. This outperformance resulted from steady sales of MEMS and other resin composites, despite the decline in demand for epoxy resins used as semiconductor materials in consumer applications from the third quarter onward.

The color materials business as a whole underperformed the previous fiscal year. The underperformance resulted from sluggish sales of dyes for textiles, despite the rebound in demand for colorants and ink for inkjet printers in industrial applications.

The catalyst business outperformed the previous fiscal year due to steady orders, both in Japan and for exports overseas.

The Polatechno business as a whole performed on par with the previous fiscal year despite sluggish sales of dye-type polarizing films, due to firm demand for components for X-ray analysis systems and advantageous exchange rates on sales in foreign currencies.

Segment profit totaled 10,586 million yen, a decrease of 914 million yen (8.0%) year-on-year. The decrease resulted from rising costs, mainly from a steep rise in the price of raw materials.

[2] Pharmaceuticals

Sales fell to 51,711 million yen, a decrease of 371 million yen (0.7%) year-on-year.

Pharmaceuticals in Japan were impacted by drug price revisions. Despite this, the contribution from the launch of DARVIAS® Injection, a new drug for blood cancer in August 2022, and the antibody biosimilar BEVACIZUMAB BS in November 2022; and good market penetration of PEMETREXED for I.V. Infusion, a distinctive

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generic anti-cancer drug created through ingenuity in pharmaceutical formulations, and ALAGLIO® divided granules, a photodynamic diagnostic agent led to sales nearly on par with the previous fiscal year.

Active pharmaceutical ingredients for the Japanese domestic market and diagnostic drugs outperformed, while exports and contract production underperformed the previous fiscal year.

Segment profit totaled 8,696 million yen, an increase of 50 million yen (0.6%) year-on-year, owing mainly to sales of new products.

[3] Safety Systems Business

Sales reached 54,220 million yen, an increase of 8,107 million yen (17.6%) year-on-year.

The domestic business as a whole underperformed the previous fiscal year. This underperformance resulted from a decline in sales of airbag inflators resulting from low demand due to the decline in automobile production caused by a shortage of semiconductors, despite a year-on-year increase in sales of micro gas generators for seatbelt pretensioners.

The overseas business outperformed the previous fiscal year in sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs. The growth in sales occurred as global demand recovered from the slump caused by the COVID-19 pandemic due to various measures implemented by the governments in different countries, despite the rise in global inflation and impact from the semiconductor shortage.

The increase in sales due to a rebound in demand overseas and from advantageous exchange rates led to segment profit of 7,851 million yen, an increase of 1,545 million yen (24.5%) from the previous fiscal year.

[4] Other

Sales rose to 10,751 million yen, an increase of 1,295 million yen (13.7%) year-on-year.

The agrochemicals business outperformed the previous fiscal year overall as both domestic sales and exports outperformed the previous fiscal year.

Sales in the real estate business were on par with the previous fiscal year.

Segment profit totaled 1,980 million yen, an increase of 138 million yen (7.5%) year-on-year.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2023

Total assets were 322,858 million yen, an increase of 7,398 million yen from the end of the previous consolidated fiscal year. The main increases were in cash and deposits, an increase of 9,592 million yen; merchandise and finished goods, an increase of 9,433 million yen; raw materials and stores, an increase of 5,857 million yen; and construction in progress, an increase of 2,288 million yen. The main decreases were in securities, a decrease of 8,890 million yen; and accounts receivable-trade, a decrease of 7,778 million yen.

Liabilities were 67,831 million yen, a decrease of 1,202 million yen compared to the end of the previous consolidated fiscal year. The main increase was in long-term loans payable, an increase of 6,725 million yen. The main decreases were in the current portion of bonds payable, a decrease of 4,000 million yen; notes and accounts payable-trade, a decrease of 1,772 million yen; and deferred tax liabilities, a decrease of 1,160 million yen.

Net assets were 255,027 million yen, an increase of 8,601 million yen compared to the end of the previous consolidated fiscal year. The main increases were in retained earnings, an increase of 7,410 million yen; and translation adjustments, an increase of 6,700 million yen. The main decrease was in treasury stock, a decrease of 2,899 million yen.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2023

	Fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Comparative change
	Million yen		
Cash flows from operating activities	23,141	20,039	(3,101)
Cash flows from investing activities	(10,641)	(15,158)	(4,517)
Cash flows from financing activities	(11,090)	(7,950)	3,139
Cash and cash equivalents at end of the year	52,962	53,096	133

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Net cash provided by operating activities amounted to 20,039 million yen (versus a cash inflow of 23,141 million yen in the previous fiscal year). The positive cash flow was primarily generated from profit before income taxes of 20,972 million yen and depreciation and amortization of 13,694 million yen. The above factors more than compensated for an increase in inventories of 14,153 million yen, income tax paid of 6,843 million yen, and an increase in notes and accounts receivable-trade of 8,164 million yen.

Net cash used in investing activities totaled 15,158 million yen (versus a cash outflow of 10,641 million yen in the previous fiscal year). The net outflow was mainly due to expenditures of 12,221 million yen for the purchase of property, plant and equipment, and expenditures of 2,797 million yen for the purchase of investment securities.

Net cash used in financing activities amounted to 7,950 million yen (versus a cash outflow of 11,090 million yen in the previous fiscal year). This was mainly due to dividends paid of 7,550 million yen, expenditures for redemption of bonds payable of 4,000 million yen, expenditures for purchase of treasury stock of 3,000 million yen, and expenditures for repayment of long-term loans payable of 2,340 million yen, which exceeded a cash inflow of 10,000 million yen in proceeds from long-term loans payable.

Reflecting the above cash flow performance, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2023 was 53,096 million yen, an increase of 133 million yen from the end of the previous fiscal year.

Reference: Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	73.6	75.2	77.2	77.8	78.7
Market-value-based equity ratio (%)	77.1	61.0	62.0	61.9	61.5
Ratio of cash flow to interest-bearing liabilities (years)	0.5	0.8	0.8	0.7	1.0
Interest coverage ratio	146.6	152.4	202.1	273.9	243.3

Equity ratio: Equity divided by total assets

Market-value-based equity ratio: Total market value of shares divided by total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing debt divided by operating cash flows

Interest coverage ratio: Operating cash flows divided by interest payments

Notes 1: Each indicator is calculated using consolidated financial figures.

2: The total market value of shares is calculated on the number of total shares outstanding (less treasury stock) at end of year.

3: Operating cash flows makes use of the cash flows from operating activities.

4: Interest-bearing debt includes all liabilities declared in the Consolidated Balance Sheets on which interest is paid.

(4) Future Outlook

There is an increasing sense of uncertainty over the future business environment surrounding the Nippon Kayaku Group, mainly stemming from high material prices, increasing geopolitical risk, and the bank crisis in the Europe and the U.S.

The Nippon Kayaku Group aims to achieve “**KAYAKU Vision 2025 (KV25)**,” the mid-term business plan which began in the fiscal year ended March 31, 2023, despite these conditions. We will respond swiftly and flexibly to changes in the business environment and pursue optimal use of operating capital to increase the shareholder value, as well as expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and enhance profits.

In the functional materials business, the products being developed include high-performance resins for printed circuit boards used in the rapidly proliferating next generation of high-speed (5G/6G) communications in the information and communications fields and the increasingly sophisticated electronic equipment in automobiles, epoxy resins used in carbon fiber-reinforced plastics, and cleaners used for semiconductors. In the color materials business, such products include colorants for inkjet printers in industrial applications, functional colorants for use in automobiles and image sensors, and dichromatic colorants for light-controlled glass. In the catalyst business, products under development include high-yield catalysts for the manufacture of acrylic acid and methacrylic acid, which contribute to energy and resource conservation, and catalysts for manufacturing completely green hydrogen using solar energy to contribute to the realization of a hydrogen-based society. In the Polatechno business, such products include dura-

ble polarizing films for head-up displays required in vehicles and high-powered components for X-ray analysis systems.

In the pharmaceuticals, we are targeting market penetration of new drugs such as PORTRAZZA®, a biomedicine for lung cancer; DARVIAS®, a drug for blood cancer; and ALAGLIO®, a photodynamic diagnostic agent. We are working to expand our product line-up in antibody biosimilars, distinctive generic drugs created through ingenuity in pharmaceutical formulations, and other products in the cancer-related areas, and to further strengthen stable supply and the quality assurance system.

In the safety systems business, we will work to develop new products in airbag inflators, micro gas generators for seatbelt pretensioners, squibs, actuators for vehicle hood-raising devices to protect pedestrians, safety devices for drones, and other products. We will also focus on developing electric vehicles and new automotive safety components for rapidly evolving automated driving technologies.

In the fiscal year ending March 31, 2024, Nippon Kayaku forecasts growth in net sales of 202,300 million yen, an increase of 2.0% year-on-year. However, the time lag in passing through drug price revisions and the steep rise in the price of raw materials, etc. to selling prices will result in forecast operating income of 13,000 million yen, a decrease of 39.5% year-on-year; ordinary income of 14,000 million yen, a decrease of 39.2% year-on-year; and profit attributable to owners of parent of 10,500 million yen, a decrease of 29.9% year-on-year.

The main exchange rate assumption for the business results forecast is JPY130/USD

(5) Basic Policy Concerning Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2023 and Fiscal Year Ending March 31, 2024

The Nippon Kayaku Group focuses heavily on returning profits to shareholders. We have set the payout ratio at 40% or more of profit attributable to owners of parent during **KV25**, the mid-term business plan which began in the fiscal year ended March 31, 2023. This takes into account stable and consistent profit returns and the level of retained earnings. The Company will also be flexible in acquiring treasury shares as part of the return to shareholders, while securing sufficient retained earnings. Retained earnings will be used to invest in R&D, capital, and other investment and lending targeting sustained growth aimed at future development. We will target ROE of 8% or higher in the final fiscal year of KV25 and will continue to enhance corporate value.

We plan to pay a year-end dividend of 25 yen per share. Combined with the dividend paid at the end of the second quarter, total dividends per share for the full year will be 45 yen.

The dividend for next fiscal year is forecast at 45 yen per share. This will consist of a dividend of 22.5 yen per share at the end of the second quarter and a year-end dividend of 22.5 yen per share.

2. Basic Stance on Selection of Accounting Principles

The Nippon Kayaku Group, for the time being, employs generally accepted accounting principles in Japan to prepare its consolidated financial statements. This decision takes into account comparability of different fiscal periods in the consolidated financial statements and with industry peers.

It should be noted that the Company plans to adopt the use of the International Financial Reporting Standards (IFRS) in a timely and adequate fashion should certain circumstances in Japan and abroad give rise to this need.

3. Consolidated Financial Statements and Notes to Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2022	As of March 31, 2023
	Million yen	
Assets		
Current assets		
Cash and deposits	38,459	48,051
Notes receivable-trade	1,612	2,221
Accounts receivable-trade	59,107	51,329
Electronically recorded monetary claims-operating	1,868	2,004
Securities	15,186	6,296
Merchandise and finished goods	36,784	46,217
Work in process	1,149	1,130
Raw materials and stores	17,901	23,759
Other	3,832	5,072
Allowance for doubtful accounts	(57)	(44)
Total current assets	175,843	186,037
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,469	42,544
Machinery, equipment and vehicles, net	26,923	26,069
Land	9,264	9,170
Construction in progress	6,074	8,362
Other, net	3,329	3,111
Total property, plant and equipment	89,060	89,259
Intangible assets		
Goodwill	3,016	2,492
Other	4,569	4,047
Total intangible assets	7,586	6,539
Investments and other assets		
Investment securities	33,511	32,146
Long-term loans receivable	681	676
Long-term prepaid expenses	1,489	1,600
Net defined benefit asset	4,572	3,845
Deferred tax assets	866	896
Other	1,911	1,911
Allowance for doubtful accounts	(63)	(54)
Total investments and other assets	42,970	41,021
Total non-current assets	139,616	136,820
Total assets	315,459	322,858

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	As of March 31, 2022	As of March 31, 2023
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,011	16,239
Short-term loans payable	3,176	3,380
Current portion of bonds payable	4,000	–
Accounts payable-other	9,617	10,662
Accrued expenses	5,953	5,263
Income taxes payable	2,997	2,133
Refund liability	490	439
Provision for directors' bonuses	177	154
Other	1,335	775
Total current liabilities	45,760	39,049
Non-current liabilities		
Bonds payable	8,000	8,000
Long-term loans payable	1,474	8,200
Deferred tax liabilities	9,124	7,964
Provision for directors' retirement benefits	21	15
Net defined benefit liability	380	395
Long-term deposits received	3,488	3,228
Other	784	978
Total non-current liabilities	23,273	28,782
Total liabilities	69,034	67,831
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	15,759	15,803
Retained earnings	195,566	202,976
Treasury stock	(2,624)	(5,523)
Total shareholders' equity	223,633	228,189
Accumulated other comprehensive income		
Unrealized holding gains on other securities	9,818	8,023
Translation adjustments	10,630	17,331
Remeasurements of defined benefit plans	1,396	473
Total accumulated other comprehensive income	21,846	25,828
Non-controlling interests	945	1,008
Total net assets	246,425	255,027
Total liabilities and net assets	315,459	322,858

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Million yen	
Net sales	184,805	198,380
Cost of sales	120,837	131,627
Gross profit on sales	63,967	66,752
Selling, general and administrative expenses		
Selling expenses	18,816	19,335
General and administrative expenses	24,099	25,911
Total selling, general, and administrative expenses	42,916	45,247
Operating income	21,050	21,505
Non-operating income		
Interest income	178	537
Dividend income	813	887
Equity in earnings of affiliates	210	-
Foreign exchange gains	596	171
Other	695	920
Total non-operating income	2,495	2,516
Non-operating expenses		
Interest expense	82	103
Equity in losses of affiliates	-	503
Expenses from under-utilized real estate	48	44
Other losses	260	345
Total non-operating expenses	391	996
Ordinary income	23,154	23,025
Extraordinary income		
Gain on change in equity	-	123
Gain on sale of non-current assets	1,394	488
Gain on sales of investment securities	390	766
Total extraordinary income	1,785	1,377
Extraordinary loss		
Impairment loss	91	2,127
Loss on disposal of non-current assets	618	698
Loss on valuation of investment securities	528	605
Total extraordinary loss	1,238	3,431
Profit before income taxes	23,700	20,972
Income taxes-current	5,728	5,954
Income taxes-deferred	727	(24)
Total income taxes	6,455	5,929
Profit	17,244	15,042
Profit attributable to non-controlling interests	63	57
Profit attributable to owners of parent	17,181	14,984

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All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

Consolidated Statements of Comprehensive Income

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Million yen	
Profit	17,244	15,042
Other comprehensive income		
Unrealized holding gains on other securities	(274)	(1,795)
Translation adjustments	9,054	6,726
Remeasurements of defined benefit plans	106	(927)
Share of other comprehensive income of companies accounted for by the equity-method	(7)	4
Total other comprehensive income	8,878	4,007
Comprehensive income	26,123	19,050
Comprehensive income attributable to:		
Owners of parent	25,942	18,967
Non-controlling interests	180	83

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
Million yen					
Balance at beginning of the fiscal year	14,932	15,754	191,606	(7,872)	214,420
Cumulative effects of changes in accounting policies			17		17
Restated balance	14,932	15,754	191,623	(7,872)	214,437
Changes during the fiscal year					
Dividends paid			(5,085)		(5,085)
Profit attributable to owners of parent			17,181		17,181
Purchase of treasury stock				(3,000)	(3,000)
Cancellation of treasury shares			(8,147)	8,147	–
Disposal of treasury shares		0		0	0
Transfer-restricted stock remuneration		(0)	(5)	101	95
Change in treasury stocks of parent arising from transactions with non-controlling shareholders		5			5
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	5	3,942	5,248	9,195
Balance at end of the fiscal year	14,932	15,759	195,566	(2,624)	223,633

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Million yen						
Balance at beginning of the fiscal year	10,096	1,694	1,294	13,085	767	228,273
Cumulative effects of changes in accounting policies						17
Restated balance	10,096	1,694	1,294	13,085	767	228,290
Changes during the fiscal year						
Dividends paid						(5,085)
Profit attributable to owners of parent						17,181
Purchase of treasury stock						(3,000)
Cancellation of treasury shares						–
Disposal of treasury shares						0
Transfer-restricted stock remuneration						95
Change in treasury stocks of parent arising from transactions with non-controlling shareholders						5
Net change in items other than shareholders' equity	(277)	8,936	102	8,760	178	8,939
Total changes during the fiscal year	(277)	8,936	102	8,760	178	18,135
Balance at end of the fiscal year	9,818	10,630	1,396	21,846	945	246,425

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	15,759	195,566	(2,624)	223,633
Changes during the fiscal year					
Dividends paid			(7,573)		(7,573)
Profit attributable to owners of parent			14,984		14,984
Purchase of treasury stock				(3,000)	(3,000)
Transfer-restricted stock remuneration			(1)	101	100
Change in treasury stocks of parent arising from transactions with non-controlling shareholders		44			44
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	44	7,410	(2,899)	4,556
Balance at end of the fiscal year	14,932	15,803	202,976	(5,523)	228,189

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	9,818	10,630	1,396	21,846	945	246,425
Changes during the fiscal year						
Dividends paid						(7,573)
Profit attributable to owners of parent						14,984
Purchase of treasury stock						(3,000)
Transfer-restricted stock remuneration						100
Change in treasury stocks of parent arising from transactions with non-controlling shareholders						44
Net change in items other than shareholders' equity	(1,795)	6,700	(923)	3,982	62	4,045
Total changes during the fiscal year	(1,795)	6,700	(923)	3,982	62	8,601
Balance at end of the fiscal year	8,023	17,331	473	25,828	1,008	255,027

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

(4) Consolidated Statements of Cash Flows

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Million yen		
Cash flows from operating activities		
Profit before income taxes	23,700	20,972
Depreciation and amortization	13,570	13,694
Impairment loss	91	2,127
Amortization of goodwill	529	546
Increase (decrease) in other provisions	(48)	(106)
Interest and dividend income	(992)	(1,425)
Interest expense	82	103
Foreign exchange losses (gains)	(2,192)	(1,366)
Equity in (earnings) losses of affiliates	(210)	503
Gain on sales of property, plant and equipment	(1,394)	(488)
Loss (gain) on disposal of property, plant and equipment	618	698
Loss (gain) on valuation of investment securities	528	605
Loss (gain) on sales of investment securities	(390)	(766)
(Increase) decrease in notes and accounts receivable-trade	(1,590)	8,164
(Increase) decrease in inventories	(8,886)	(14,153)
(Increase) decrease in prepaid expenses	(76)	48
(Increase) decrease in accounts receivable-other	602	(907)
(Increase) decrease in advance payments	53	41
Increase (decrease) in notes and accounts payable-trade	(330)	(2,076)
Increase (decrease) in notes and accounts payable-other	390	194
Increase (decrease) in accrued expenses	784	(780)
Increase (decrease) in net defined benefit liability	48	43
(Increase) decrease in net defined benefit asset	(299)	(651)
Other	872	27
Subtotal	25,461	25,051
Interest and dividends received	1,278	1,628
Interest paid	(84)	(82)
Income tax paid	(4,058)	(6,843)
Income tax refund	543	286
Net cash provided by operating activities	23,141	20,039
Cash flows from investing activities		
Net decrease (increase) in time deposits	(48)	(368)
Proceeds from withdrawal of time deposits	70	51
Short-term loan advances	-	(66)
Purchase of property, plant and equipment	(8,696)	(12,221)
Proceeds from sales of property, plant and equipment	1,529	530
Purchase of intangible assets	(412)	(329)
Purchase of securities	-	(760)
Proceeds from redemption of securities	-	406
Purchase of investment securities	(150)	(2,797)
Proceeds from sales of investment securities	529	1,047
Proceeds from redemption of investment securities	199	238
Purchase of shares of subsidiaries and associates	(561)	-
Collection of long-term loans receivable	5	5
Payments for long-term prepaid expenses	(1,109)	(462)
Payment for retirement of property, plant and equipment	(359)	(437)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,628)	-
Other	(9)	4
Net cash used in investing activities	(10,641)	(15,158)

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Million yen	
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(397)	(846)
Proceeds from long-term borrowings	–	10,000
Repayment of long-term loans	(2,488)	(2,340)
Redemption of bonds	–	(4,000)
Purchase of treasury shares of subsidiaries	(68)	–
Purchase of treasury stock	(3,000)	(3,000)
Dividends paid	(5,070)	(7,550)
Dividends paid to non-controlling interests	(26)	(42)
Other	(39)	(168)
Net cash provided by financing activities	(11,090)	(7,950)
Effect of exchange rate change on cash and cash equivalents	4,068	3,202
Increase (decrease) in cash and cash equivalents	5,478	133
Cash and cash equivalents at beginning of the year	47,483	52,962
Cash and cash equivalents at end of the year	52,962	53,096

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(5) Notes to Consolidated Financial Statements
(Notes Regarding Assumptions for the Going Concern)
No items to report

(Segment Information)

[1] Summary of reportable segments

The reportable segments of the Nippon Kayaku Group are structural units of the Group for which separate financial information can be acquired. These segments are subject to be examined periodically by the Board of Directors in order to evaluate business results and make decisions on the allocation of business resources.

Business groups are established by product and service for each reportable segment within the Nippon Kayaku Group. Each group develops comprehensive domestic and overseas strategies for the products and services it handles, and introduces business activities accordingly.

In light of this, the Nippon Kayaku Group primarily consists of product- and service-specific segments that are based on business divisions. “Functional chemicals business,” “Pharmaceuticals business,” and “Safety systems business” are three reportable segments.

The types of main products and services provided by the reportable segments are shown in the table below.

Reportable segment	Sales segment	Main products and services
Functional chemicals business	Functional materials	Epoxy resins, maleimide resins, epoxy resin hardeners, reactive flame retardants, acrylic acid esters, UV-curable resins for resist, resist for MEMS (liquid and dry film resist), cleaners for LCDs and semiconductors, liquid crystal sealants, semiconductor manufacturing equipment (laminator, remover, moulder, UV curing equipment)
	Color materials	Colorants for inkjet printers, dyes for inkjet textile printing, inks for industrial inkjet printers, Image sensor materials, dichotomous colorants for dimmable glass, near infrared absorbers, dyes for textiles and paper, colorants for resins, pigment derivatives (synergists)
	Catalysts	Catalysts for the production of acrylic acid, acrolein and methacrylic acid
	Polatechno Group	Components for LCD displays, LCD projector components, components for X-ray analysis systems
Pharmaceuticals business		Anti-cancer drugs, biological drugs, cardiovascular agents, diagnostic agent, diagnostic drugs, embolization materials, pharmaceutical API and intermediates, food and food additives, preservatives for food quality, cleansing and disinfectants
Safety systems business		Airbag inflators, micro gas generators for seatbelt pretensioners, squibs

[2] Methods for calculating the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting treatment of the reportable segments is generally the same as described in Significant Accounting Policies for Preparing Consolidated Financial Statements. The profit reported in each reportable segment is operating profit. Intersegment sales and transfers are calculated based primarily on market prices and manufacturing costs.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

[3] Information concerning the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

	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								
Sales to third parties	77,152	52,083	46,112	175,348	9,456	184,805	–	184,805
Intersegment sales and transfers	143	0	–	144	105	249	(249)	–
Total	77,296	52,083	46,112	175,492	9,561	185,054	(249)	184,805
Segment profit	11,501	8,645	6,306	26,453	1,842	28,296	(7,245)	21,050
Segment assets	104,656	58,133	77,017	239,808	19,903	259,711	55,748	315,459
Other items								
Depreciation and amortization	5,031	1,859	5,451	12,342	701	13,043	527	13,570
Amortization of goodwill	529	–	–	529	–	529	–	529
Impairment loss	91	–	–	91	–	91	–	91
Changes in the amount of property, plant and equipment and intangible assets	3,642	1,752	2,485	7,880	851	8,731	356	9,088

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 amounts of adjustments are as shown below.

(1) The 7,245 million yen downward adjustment to segment profit reflects a negative 7,234 million yen in corporate expense not allocable to the reportable segments and 11 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.

(2) The 55,748 million yen adjustment to segment assets factors in 55,828 million yen in corporate assets not allocable to reportable segments and a negative 80 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 527 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 356 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

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

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2023

Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

	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								
Sales to third parties	81,696	51,711	54,220	187,628	10,751	198,380	—	198,380
Intersegment sales and transfers	163	0	—	163	110	274	(274)	—
Total	81,859	51,711	54,220	187,791	10,862	198,654	(274)	198,380
Segment profit	10,586	8,696	7,851	27,134	1,980	29,115	(7,610)	21,505
Segment assets	102,969	64,105	85,683	252,759	19,834	272,593	50,264	322,858
Other items								
Depreciation and amortization	4,998	1,878	5,600	12,476	746	13,222	472	13,694
Amortization of goodwill	546	—	—	546	—	546	—	546
Impairment loss	2,016	—	110	2,127	—	2,127	—	2,127
Changes in the amount of property, plant and equipment and intangible assets	5,910	2,008	3,542	11,461	627	12,089	368	12,457

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

Note 2: The amounts of adjustments are as shown below.

(1) The 7,610 million yen downward adjustment to segment profit reflects a negative 7,638 million yen in corporate expense not allocable to the reportable segments and 28 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.

(2) The 50,264 million yen adjustment to segment assets factors in 50,338 million yen in corporate assets not allocable to reportable segments and a negative 74 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 472 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 368 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

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

(Significant Subsequent Events)

No items to report

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