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May 11, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: NOF CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 4403
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 Scheduled date of annual general meeting of shareholders: June 27, 2023
 Scheduled date to commence dividend payments: June 28, 2023
 Scheduled date to file annual securities report: June 27, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	217,709	13.0	40,624	14.1	43,183	14.8	33,973	27.3
March 31, 2022	192,642	11.6	35,595	33.8	37,624	30.3	26,690	14.5

Note: Comprehensive income Year ended March 31, 2023: ¥ 33,389 million [15.4%]
 Year ended March 31, 2022: ¥ 28,922 million [(8.5)%]

Year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	417.02	—	14.8	14.4	18.7
March 31, 2022	323.77	—	12.6	13.4	18.5

Reference: Share of profit (loss) of entities accounted for using equity method Year ended March 31, 2023: ¥ - million
 Year ended March 31, 2022: ¥ - million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	309,438	240,002	77.3	2,960.56
March 31, 2022	289,630	221,706	76.3	2,690.65

Reference: Equity
 As of March 31, 2023: ¥239,176 million
 As of March 31, 2022: ¥220,928 million

(3) 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 period
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	23,333	(709)	(16,170)	89,081
March 31, 2022	27,393	(8,755)	(15,312)	81,431

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	43.00	–	47.00	90.00	7,407	27.8	3.5
Fiscal year ending March 31, 2023	–	50.00	–	58.00	108.00	8,770	25.9	3.8
Fiscal year ending March 31, 2024 (Forecast)		54.00	–	54.00	108.00		30.7	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	230,000	5.6	37,000	(8.9)	38,000	(12.0)	28,400	(16.4)	351.54

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	82,841,376 shares
As of March 31, 2022	82,841,376 shares

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

As of March 31, 2023	2,053,795 shares
As of March 31, 2022	731,913 shares

- (iii) Average number of shares outstanding during the period

Year ended March 31, 2023	81,467,144 shares
Year ended March 31, 2022	82,437,765 shares

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

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated operating results

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	155,139	14.2	32,071	16.6	38,259	21.4	31,334	34.7
March 31, 2022	135,865	14.0	27,499	36.9	31,528	30.3	23,256	8.2

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	384.63	–
March 31, 2022	282.11	–

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	258,496	188,866	73.1	2,337.81
March 31, 2022	243,027	175,008	72.0	2,131.40

Reference: Equity

As of March 31, 2023: ¥188,866 million

As of March 31, 2022: ¥175,008 million

* Annual financial results reports are not subject to audit by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes regarding forward-looking statements)

Forward-looking statements including financial results forecasts stated in this material were compiled based on information available to the Company and certain assumptions considered reasonable at the time this material was compiled, and are not meant as a guarantee of the Company achieving such results. Therefore, the actual results, etc., may differ due to various factors. For information on the assumptions of the forecast and notes on the use of the forecast, please refer to “1. Overview of operating results, etc., (4) Future outlook” on page 5 of the attached document.

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1. Overview of operating results, etc.

(1) Overview of operating results

1) Overview of the fiscal year under review

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended March 31, 2023	217,709	40,624	43,183	33,973
Fiscal year ended March 31, 2022	192,642	35,595	37,624	26,690
Change (%)	13.0	14.1	14.8	27.3

During the fiscal year under review (from April 1, 2022 to March 31, 2023), despite the further easing of various restrictions and normalization of economic activity mainly in countries and regions where there was progress in dissemination of novel coronavirus infection (COVID-19) vaccinations, economic conditions grew more uncertain as a result of stagnant economic activity due to trends in China's zero-COVID policy, the continuation of the Ukraine crisis and soaring resource and energy prices, the global acceleration of inflation, financial disruption, and other factors. In Japan, there were signs of recovery particularly with respect to consumer spending, capital investment, and production activity amid normalization of social and economic activity.

The business environment surrounding the Group continued to pose concerns regarding soaring raw material and fuel prices globally, persisting semiconductor shortages, and geopolitical risks such as the Ukraine crisis, etc., but domestic and overseas demand remained firm on the whole.

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

In order to further strengthen "expanding business in growth markets," we have been taking steps to strengthen our capability to supply products in Life Science, which has entailed improving productivity and enhancing quality controls in alignment with operations of our manufacturing facilities for raw materials for DDS (drug delivery system) drug formulations at Kawasaki Works. Moreover, in the fiscal year under review, we promoted efforts for "strengthening collaboration internally and externally" through the public solicitation and adoption of co-creation themes in the electronics and functional food fields, following on from business co-creation initiatives undertaken through open innovation with respect to biochemicals and thermal control materials last fiscal year.

As a result of such efforts, consolidated net sales for the fiscal year under review were 217,709 million yen, up 13.0% year on year. Consolidated operating profit was 40,624 million yen, up 14.1% year on year, consolidated ordinary profit was 43,183 million yen, up 14.8% year on year, and profit attributable to owners of parent was 33,973 million yen, up 27.3% year on year.

An explanation of results by business segment is as follows.

2) Overview by segment

(Financial results by business)

(Millions of yen)

	Functional Chemicals		Life Science		Explosive & Propulsion		Others	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Fiscal year ended March 31, 2023	146,422	22,901	40,907	18,003	29,871	1,751	509	209
Fiscal year ended March 31, 2022	128,416	21,460	33,745	14,109	30,012	1,764	468	291
Change	18,005	1,440	7,162	3,893	(140)	(13)	40	(82)

(i) Functional Chemicals

Net sales of fatty acid derivatives increased due to firm demand for environmental energy-related products, in conjunction with sales prices being revised in response to the sharp rise in raw material and fuel prices.

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

Net sales of ethylene oxide/propylene oxide derivatives increased due to firm demand for toiletries, synthetic resins, resin processing and paints, in conjunction with sales prices being revised in response to the sharp rise in raw material and fuel prices.

Net sales of organic peroxides increased due to firm demand in Japan and Asia, in conjunction with sales prices being revised in response to the sharp rise in raw material and fuel prices.

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

As a result, consolidated net sales of Functional Chemicals were 146,422 million yen, up 14.0% year on year, consolidated operating profit was 22,901 million yen, up 6.7% year on year.

(ii) Life Science

Net sales of edible oils increased due to sales prices being revised in response to the sharp rise in raw material and fuel prices, despite calm demand for functional oils for confectionery and bread production.

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

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

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

As a result, consolidated net sales of Life Science were 40,907 million yen, up 21.2% year on year, consolidated operating profit was 18,003 million yen, up 27.6% year on year.

(iii) Explosive & Propulsion

Net sales of industrial explosives declined.

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

Net sales of defense-related products declined.

Net sales of functional products declined.

As a result, consolidated net sales of Explosive & Propulsion were 29,871 million yen, down 0.5% year on year, consolidated operating profit was 1,751 million yen, down 0.7% year on year.

(iv) Others

Others consist of transportation and real estate. Consolidated net sales of others were 509 million yen, up 8.6% year on year, and consolidated operating profit was 209 million yen, down 28.2% year on year.

(2) Overview of financial position

Total assets were 309,438 million yen, an increase of 19,808 million yen from the end of the previous fiscal year. The breakdown of major increases (decreases) in assets includes an increase in cash and deposits of 7,090 million yen, an increase in trade receivables of 3,748 million yen, an increase in inventories of 9,835 million yen, an increase in property, plant and equipment of 1,919 million yen, and a decrease in the market value of investment securities at the end of the fiscal year of 3,092 million yen, etc.

Liabilities increased by 1,511 million yen to 69,436 million yen from the end of the previous fiscal year. The breakdown of major increases (decreases) in liabilities includes a decrease in trade payables of 2,119 million yen, a decrease in interest-bearing debt of 784 million yen, and an increase in income taxes payable of 2,747 million yen.

Net assets (including non-controlling interests) were 240,002 million yen, an increase of 18,296 million yen from the end of the previous fiscal year. The breakdown of major increases (decreases) in net assets (including non-controlling interests) includes profit attributable to owners of parent of 33,973 million yen, a decrease from dividends of surplus of 7,943 million yen, a decrease from the purchase of treasury shares of 7,007 million yen, a decrease in valuation difference on available-for-sale securities of 2,501 million yen, and a decrease in remeasurements of defined benefit plans of 84 million yen.

(3) Overview of cash flows

Net cash provided by operating activities decreased 4,060 million yen compared with the previous fiscal year, as a result of factors such as an increase in the burden of working capital of 8,799 million yen and a decrease in income taxes paid of 67 million yen, despite an increase in profit before income taxes of 10,062 million yen.

Net cash used in investing activities decreased 8,045 million yen compared with the previous fiscal year, as a result of factors such as an increase in proceeds from the sale of investment securities of 5,365 million yen, a decrease in capital investment of 1,196 million yen, and a decrease in proceeds from sale of property, plant and equipment and intangible assets of 114 million yen.

Net cash used in financing activities increased 857 million yen compared with the previous fiscal year, as a result of factors such as an increase in the purchase of treasury shares of 3,136 million yen, a decrease in repayments of borrowings of 2,200 million yen, and an increase in dividends paid of 996 million yen.

As a result of the above, cash and cash equivalents at end of period amounted to 89,081 million yen, an increase of 7,649 million yen from the end of the previous fiscal year.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change
Cash flows from operating activities	27,393	23,333	(4,060)
Cash flows from investing activities	(8,755)	(709)	8,045
Cash flows from financing activities	(15,312)	(16,170)	(857)
Effect of exchange rate change on cash and cash equivalents	1,510	1,139	(370)
Net increase (decrease) in cash and cash equivalents	4,835	7,593	2,757
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	55	55
Cash and cash equivalents at end of period	81,431	89,081	7,649

(Reference) Cash flow indicators for the NOF Group

Trends in the Group's cash flow indicators are as follows.

	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-to-asset ratio (%)	75.6	74.7	76.3	77.3
Equity-to-asset ratio based on market value (%)	121.2	176.6	142.3	161.1
Ratio of interest-bearing debt to cash flow (annual)	0.4	0.3	0.2	0.2
Interest coverage ratio (times)	400.6	499.4	447.8	296.1

(Notes) Equity-to-asset ratio: equity/total assets

Equity-to-asset ratio based on market value: market capitalization/total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debts/cash flow

Interest coverage ratio: cash flow/interest payments

1. All indicators are calculated based on consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (after deduction of treasury shares).
3. Cash flows from operating activities are used for cash flow. Interest-bearing debts are the sum of borrowings and lease liabilities as recorded on the consolidated balance sheets. Interest payments are based on the amount of interest paid in the consolidated statements of cash flows.

(4) Future outlook

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ending March 31, 2024	230,000	37,000	38,000	28,400
Fiscal year ended March 31, 2023	217,709	40,624	43,183	33,973
Change (%)	5.6	(8.9)	(12.0)	(16.4)

The positioning of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases in Japan has been changed to a "Class V Infectious Disease," and therefore its impact is expected to gradually decrease going forward. The outlook for the global economy, however, is expected to remain uncertain, amid concerns surrounding factors such as the Ukraine crisis and intensifying rivalry between the United States and China, high prices of raw materials and fuel, ongoing global inflation, and financial disruption.

In addition, we will flexibly adapt to changes in market needs in our three prioritized business fields of "life and healthcare," "electronics and IT," and "environment and energy." Furthermore, we will continuously create new value through the power of chemistry, and by continuously living up to the trust that all stakeholders have placed in us, we will continue challenging ourselves to realize a safe and abundant society.

In terms of performance in the next fiscal year, we forecast net sales of 230,000 million yen, operating profit of 37,000 million yen, ordinary profit of 38,000 million yen, and profit attributable to owners of parent of 28,400 million yen.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

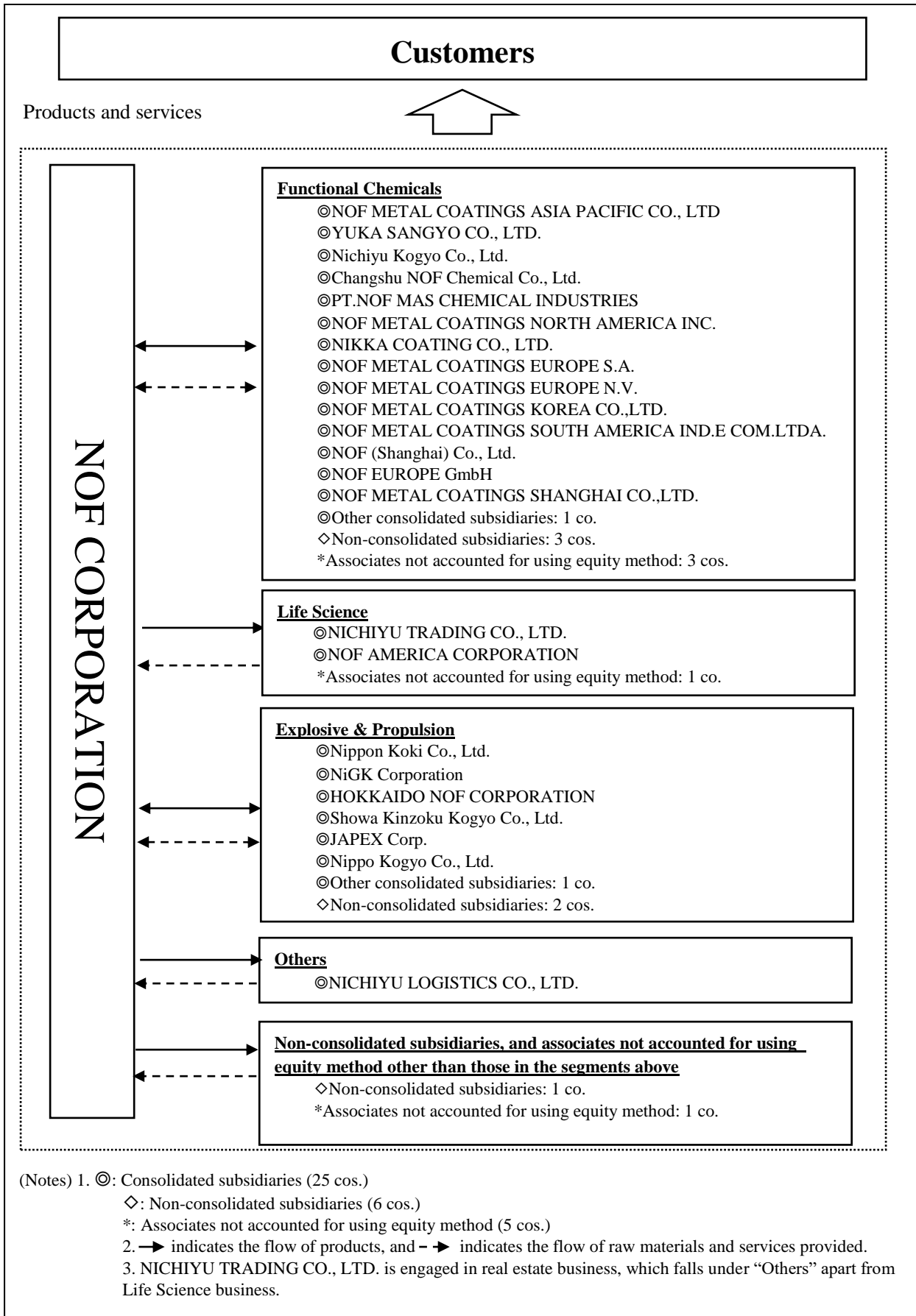
The Company recognizes that the stable return of profits to shareholders is an important management issue. The Company will target a dividend payout ratio of approximately 30%, and it will respond flexibly to purchase and cancellation of treasury shares. Retained earnings will be used to invest in capital expenditures and R&D for future growth and to enhance the financial strength of the Company in order to strengthen the earnings base.

The Company plans to pay a year-end dividend of 58 yen per share for the current fiscal year. As a result, the annual dividend for the current fiscal year, including the interim dividend, will be 108 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 108 yen per share (interim dividend of 54 yen and year-end dividend of 54 yen).

2. Status of the corporate group

The status of the corporate group is as follows.



3. Basic approach to selection of accounting standards

The Group has adopted a policy of preparing its consolidated financial statements according to the Japanese standards (Japanese GAAP) for the time being in consideration of comparability with respect to reportable periods for consolidated financial statements and comparability between respective companies.

With respect to the adoption of the International Financial Reporting Standards (IFRS) in the future, the NOF Group will take appropriate steps, taking a range of conditions both in Japan and overseas into consideration.

4. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	85,430	92,520
Notes and accounts receivable - trade, and contract assets	42,424	45,971
Electronically recorded monetary claims - operating	2,813	3,014
Merchandise and finished goods	25,655	30,079
Work in process	1,693	3,412
Raw materials and supplies	12,552	16,245
Other	2,937	2,706
Allowance for doubtful accounts	(185)	(199)
Total current assets	173,322	193,750
Non-current assets		
Property, plant and equipment		
Buildings and structures	75,771	76,870
Accumulated depreciation	(51,758)	(53,689)
Buildings and structures, net	24,013	23,181
Machinery, equipment and vehicles	106,729	109,677
Accumulated depreciation	(93,181)	(96,252)
Machinery, equipment and vehicles, net	13,547	13,424
Land	20,706	20,790
Leased assets	438	490
Accumulated depreciation	(242)	(344)
Leased assets, net	196	145
Construction in progress	1,423	3,927
Other	16,191	17,258
Accumulated depreciation	(14,132)	(14,863)
Other, net	2,058	2,394
Total property, plant and equipment	61,944	63,863
Intangible assets		
Other	947	1,148
Total intangible assets	947	1,148
Investments and other assets		
Investment securities	47,812	44,719
Long-term loans receivable	2	5
Deferred tax assets	985	950
Retirement benefit asset	3,148	3,071
Other	1,521	1,988
Allowance for doubtful accounts	(53)	(60)
Total investments and other assets	53,416	50,675
Total non-current assets	116,308	115,688
Total assets	289,630	309,438

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,262	18,496
Electronically recorded obligations - operating	584	1,230
Short-term borrowings	1,997	2,080
Current portion of long-term borrowings	2,800	150
Lease liabilities	130	103
Accrued expenses	1,514	1,585
Income taxes payable	5,879	8,626
Deposits received	3,803	4,137
Provision for bonuses	3,473	3,521
Asset retirement obligations	169	168
Other	8,853	11,496
Total current liabilities	50,468	51,598
Non-current liabilities		
Long-term borrowings	610	2,332
Lease liabilities	92	178
Deferred tax liabilities	11,117	9,820
Provision for officers' retirement benefits	48	56
Retirement benefit liability	4,992	4,842
Asset retirement obligations	388	388
Other	206	219
Total non-current liabilities	17,455	17,837
Total liabilities	67,924	69,436
Net assets		
Shareholders' equity		
Share capital	17,742	17,742
Capital surplus	15,115	15,052
Retained earnings	166,062	192,092
Treasury shares	(3,292)	(10,299)
Total shareholders' equity	195,627	214,588
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,226	21,725
Foreign currency translation adjustment	809	2,683
Remeasurements of defined benefit plans	264	180
Total accumulated other comprehensive income	25,300	24,588
Non-controlling interests	777	825
Total net assets	221,706	240,002
Total liabilities and net assets	289,630	309,438

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	192,642	217,709
Cost of sales	123,713	141,766
Gross profit	68,928	75,943
Selling, general and administrative expenses	33,333	35,318
Operating profit	35,595	40,624
Non-operating income		
Interest income	137	174
Dividend income	993	1,197
Rental income from real estate	272	273
Foreign exchange gains	681	793
Other	457	534
Total non-operating income	2,543	2,973
Non-operating expenses		
Interest expenses	60	80
Expenses for conditional assignment	29	29
Rental expenses on real estate	85	82
Expenses for disposal of fixed assets	156	112
Other	182	110
Total non-operating expenses	514	415
Ordinary profit	37,624	43,183
Extraordinary income		
Gain on sale of non-current assets	1,154	7
Gain on sale of investment securities	63	4,840
Gain on extinguishment of tie-in shares	—	34
Total extraordinary income	1,218	4,882
Extraordinary losses		
Loss on sale of non-current assets	0	0
Impairment losses	※1 51	※1 1
Loss on retirement of non-current assets	51	23
Loss on tax purpose reduction entry of non-current assets	697	—
Loss on sale of investment securities	44	0
Other	18	—
Total extraordinary losses	864	25
Profit before income taxes	37,977	48,040
Income taxes - current	11,026	14,114
Income taxes - deferred	228	(89)
Total income taxes	11,255	14,025
Profit	26,722	34,015
Profit attributable to non-controlling interests	31	42
Profit attributable to owners of parent	26,690	33,973

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	26,722	34,015
Other comprehensive income		
Valuation difference on available-for-sale securities	185	(2,500)
Foreign currency translation adjustment	1,796	1,957
Remeasurements of defined benefit plans, net of tax	217	(83)
Total other comprehensive income	2,200	(626)
Comprehensive income	28,922	33,389
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,869	33,261
Comprehensive income attributable to non-controlling interests	52	127

(3) Consolidated Statements of changes in net assets
For the Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,742	15,115	154,793	(7,984)	179,666
Cumulative effects of changes in accounting policies			73		73
Restated balance	17,742	15,115	154,867	(7,984)	179,740
Changes during period					
Dividends of surplus			(6,943)		(6,943)
Profit attributable to owners of parent			26,690		26,690
Purchase of treasury shares				(3,871)	(3,871)
Disposal of treasury shares				10	10
Cancellation of treasury shares			(8,552)	8,552	—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	11,194	4,692	15,887
Balance at end of period	17,742	15,115	166,062	(3,292)	195,627

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	24,039	(967)	49	23,121	727	203,516
Cumulative effects of changes in accounting policies						73
Restated balance	24,039	(967)	49	23,121	727	203,589
Changes during period						
Dividends of surplus						(6,943)
Profit attributable to owners of parent						26,690
Purchase of treasury shares						(3,871)
Disposal of treasury shares						10
Cancellation of treasury shares						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes in items other than shareholders' equity	186	1,777	215	2,179	49	2,229
Total changes during period	186	1,777	215	2,179	49	18,116
Balance at end of period	24,226	809	264	25,300	777	221,706

For the Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,742	15,115	166,062	(3,292)	195,627
Cumulative effects of changes in accounting policies					—
Restated balance	17,742	15,115	166,062	(3,292)	195,627
Changes during period					
Dividends of surplus			(7,943)		(7,943)
Profit attributable to owners of parent			33,973		33,973
Purchase of treasury shares				(7,007)	(7,007)
Disposal of treasury shares		0		0	0
Cancellation of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		(62)			(62)
Net changes in items other than shareholders' equity					
Total changes during period	—	(62)	26,020	(7,007)	18,960
Balance at end of period	17,742	15,052	192,092	(10,299)	214,588

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	24,226	809	264	25,300	777	221,706
Cumulative effects of changes in accounting policies						—
Restated balance	24,226	809	264	25,300	777	221,706
Changes during period						
Dividends of surplus						(7,943)
Profit attributable to owners of parent						33,973
Purchase of treasury shares						(7,007)
Disposal of treasury shares						0
Cancellation of treasury shares						—
Change in ownership interest of parent due to transactions with non-controlling interests						(62)
Net changes in items other than shareholders' equity	(2,501)	1,874	(84)	(711)	47	(663)
Total changes during period	(2,501)	1,874	(84)	(711)	47	18,296
Balance at end of period	21,725	2,683	180	24,588	825	240,002

(4) Consolidated Statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	37,977	48,040
Depreciation	5,909	6,359
Impairment losses	51	1
Increase (decrease) in retirement benefit liability	(21)	(279)
Interest and dividend income	(1,131)	(1,371)
Interest expenses	60	80
Loss (gain) on extinguishment of tie-in shares	—	(34)
Loss (gain) on sale of non-current assets	(1,154)	(6)
Loss on tax purpose reduction entry of non-current assets	697	—
Loss (gain) on sale of investment securities	(18)	(4,840)
Decrease (increase) in trade receivables	(2,494)	(2,967)
Decrease (increase) in inventories	(7,301)	(9,410)
Increase (decrease) in trade payables	3,088	(3,129)
Other, net	2,250	1,107
Subtotal	37,915	33,548
Interest and dividends received	1,113	1,370
Interest paid	(61)	(78)
Income taxes paid	(11,574)	(11,506)
Net cash provided by (used in) operating activities	27,393	23,333
Cash flows from investing activities		
Purchase of investment securities	(29)	(1,305)
Proceeds from sale of investment securities	246	5,612
Purchase of property, plant and equipment and intangible assets	(7,416)	(6,219)
Proceeds from sale of property, plant and equipment and intangible assets	136	22
Net decrease (increase) in short-term loans receivable	(120)	224
Long-term loan advances	—	(6)
Proceeds from collection of long-term loans receivable	4	2
Other, net	(1,577)	960
Net cash provided by (used in) investing activities	(8,755)	(709)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	308	(488)
Proceeds from long-term borrowings	329	2,200
Repayments of long-term borrowings	(5,000)	(2,800)
Proceeds from sale of treasury shares	2	0
Purchase of treasury shares	(3,871)	(7,007)
Purchase of treasury shares of subsidiaries	—	(0)
Repayments of finance lease liabilities	(159)	(130)
Dividends paid	(6,919)	(7,916)
Dividends paid to non-controlling interests	(2)	(26)
Net cash provided by (used in) financing activities	(15,312)	(16,170)
Effect of exchange rate change on cash and cash equivalents	1,510	1,139
Net increase (decrease) in cash and cash equivalents	4,835	7,593
Cash and cash equivalents at beginning of period	76,596	81,431
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	55
Cash and cash equivalents at end of period	81,431	89,081

(5) Notes regarding consolidated financial statements

(Notes on going concern assumption)

None applicable.

(Notes to consolidated statements of income)

*1 Impairment losses

The Group recorded impairment losses for the following assets.

For the Year ended March 31, 2022 (from April 1, 2021, to March 31, 2022)

Location	Use	Type	Impairment losses (millions of yen)
Taketoyo-cho, Chita-gun, Aichi	Warehouse	Building	8
Kawagoe, Saitama	Production facilities, etc.	Building, etc.	43

For the Year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

Location	Use	Type	Impairment losses (millions of yen)
Kawagoe, Saitama	Production facilities, etc.	Building, etc.	1

(Segment information, etc.)

a. Segment information

1. Description of reportable segments

The Company's reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the highest decision-making body to conduct periodic investigations to determine the distribution of management resources and evaluate their business results.

The Company formulates comprehensive domestic and overseas strategies for the products it handles and engages in business activities. The Company's reportable segments are Functional Chemicals, Life Science, and Explosive & Propulsion, which are based on business divisions.

The Functional Chemicals segment manufactures and sells fatty acids, fatty acid derivatives, surfactants, ethylene oxide/propylene oxide derivatives, organic peroxides, petrochemicals, functional polymers, electronic materials, and special anti-corrosion agents.

The Life Science segment manufactures and sells edible oils, functional foods, biocompatible materials, and raw materials for DDS (drug delivery system) drug formulations.

The Explosive & Propulsion segment manufactures and sells industrial explosives, space-related products, defense-related products, and functional products.

2. Explanation of measurements of the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Profit by reportable segment is the figure for operating profit. Inter-segment transaction prices and transfer prices are based primarily on market prices and manufacturing costs.

3. Information about the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

I For the Year ended March 31, 2022 (from April 1, 2021, to March 31, 2022)

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

(Millions of yen)

	Reportable segment				Others (Notes) 1.	Total	Adjustment (Notes) 2.	The amount reported on the quarterly consolidated statements of income (Notes) 3.
	Functional Chemicals	Life Science	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	128,416	33,745	30,012	192,173	468	192,642	–	192,642
(2) Intersegment sales or transfers	1,317	7,293	13	8,624	8,308	16,933	(16,933)	–
Total	129,733	41,038	30,026	200,798	8,777	209,575	(16,933)	192,642
Segment profit	21,460	14,109	1,764	37,335	291	37,626	(2,030)	35,595
Segment assets	110,438	28,584	57,199	196,222	3,977	200,200	89,429	289,630
Other items								
Depreciation	3,198	795	1,539	5,533	94	5,628	280	5,909
Increase in property, plant and equipment and intangible assets	3,123	1,108	1,066	5,298	108	5,407	328	5,735

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

2. An adjustment is as follows:

(1) An adjustment of negative 2,030 million yen in segment profit includes 45 million yen eliminated for intersegment transactions, and negative 2,075 million yen for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.

(2) The adjustment of 89,429 million yen for segment assets includes intersegment elimination of negative 29,211 million yen and 118,640 million yen for company-wide assets that are not allocated for each reportable segment. Company-wide assets mainly include assets related to administrative divisions that are not attributable to reportable segments.

(3) The adjustment of 280 million yen for depreciation represents depreciation related to company-wide assets.

(4) The adjustment of 328 million yen for increase in property, plant and equipment and intangible assets represents an increase in company-wide assets.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

II. For the Year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

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

(Millions of yen)

	Reportable segment				Others (Notes) 1.	Total	Adjustment (Notes) 2.	The amount reported on the quarterly consolidated statements of income (Notes) 3.
	Functional Chemicals	Life Science	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	146,422	40,907	29,871	217,200	509	217,709	–	217,709
(2) Intersegment sales or transfers	1,331	7,920	16	9,269	8,139	17,408	(17,408)	–
Total	147,753	48,828	29,888	226,469	8,648	235,118	(17,408)	217,709
Segment profit	22,901	18,003	1,751	42,656	209	42,865	(2,241)	40,624
Segment assets	121,756	35,234	58,582	215,573	4,083	219,656	89,782	309,438
Other items								
Depreciation	3,366	993	1,630	5,989	102	6,092	266	6,359
Increase in property, plant and equipment and intangible assets	3,358	2,897	1,088	7,344	77	7,421	422	7,844

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

2. An adjustment is as follows:

- (1) An adjustment of negative 2,241 million yen in segment profit includes 85 million yen eliminated for intersegment transactions, and negative 2,326 million yen for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.
- (2) The adjustment of 89,782 million yen for segment assets includes intersegment elimination of negative 31,655 million yen and 121,437 million yen for company-wide assets that are not allocated for each reportable segment. Company-wide assets mainly include assets related to administrative divisions that are not attributable to reportable segments.
- (3) The adjustment of 266 million yen for depreciation represents depreciation related to company-wide assets.
- (4) The adjustment of 422 million yen for increase in property, plant and equipment and intangible assets represents an increase in company-wide assets.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

b. Related information

For the Year ended March 31, 2022 (from April 1, 2021, to March 31, 2022)

1. Information for each product or service

Descriptions are omitted because the categories are the same as for the reportable segments.

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
129,521	33,404	29,717	192,642

(Note) Net sales to the Asian region include sales of 19,844 million yen in China, which account for 10% or more of net sales in the consolidated statements of income.

The percentage of net sales to regions other than Japan within consolidated net sales in the fiscal year under review is 32.8%, and of that, the percentage of net sales to Asia is 17.3%

3. Information for each of main customers

Sales to external customers are omitted because there are no sales to specific customers that account for 10% or more of net sales in the consolidated statements of income.

For the Year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

1. Information for each product or service

Descriptions are omitted because the categories are the same as for the reportable segments.

2. Information for each region(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
144,380	38,130	35,199	217,709

(Note) Net sales to the Asian region include sales of 22,729 million yen in China, which account for 10% or more of net sales in the consolidated statements of income.

The percentage of net sales to regions other than Japan within consolidated net sales in the fiscal year under review is 33.7%, and of that, the percentage of net sales to Asia is 17.5%.

3. Information for each of main customers

Sales to external customers are omitted because there are no sales to specific customers that account for 10% or more of net sales in the consolidated statements of income.

(Per share information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share (yen)	2,690.65	2,960.56
Basic earnings per share (yen)	323.77	417.02

(Notes) 1. Diluted earnings per share is not shown in the table above, as there are no dilutive shares.

2. The Company introduced the Board Benefit Trust (BBT) from the fiscal year ended March 31, 2020, and the Company's shares held by the trust are recorded as treasury shares in the consolidated financial statements. Accordingly, the Company's shares held by the trust are included in the treasury shares deducted from the total number of issued shares at the end of the fiscal year for the purpose of calculating net assets per share. In the calculation of basic earnings per share, the Company's shares held by the trust are included in the treasury shares as a deduction in the calculation of the average number of common shares outstanding during the period. The number of said treasury shares deducted from the calculation of net assets per share was 48,200 shares at the end of the previous fiscal year and 48,200 shares at the end of the current fiscal year. The average number of said treasury shares outstanding during the period deducted from the calculation of basic earnings per share was 49,185 shares in the previous fiscal year and 48,200 shares in the current fiscal year.

3. Basis for calculation of basic earnings per share is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent (millions of yen)	26,690	33,973
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	26,690	33,973
Average number of shares outstanding during the period (thousand shares)	82,437	81,467

(Significant events after reporting period)

None applicable.