

Consolidated Financial Results
For the First Quarter of the Fiscal Year Ending March 31, 2024 [IFRS]
(Three Months Ended June 30, 2023)

August 7, 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: August 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 First Quarter of the Fiscal Year Ending March 31, 2024 (hereafter FY2023) (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate 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	%
Three months ended Jun. 30, 2023	97,362	(12.7)	6,721	(25.5)	7,019	(36.9)	5,260	(32.8)	4,575	(39.7)	15,304	(4.6)
Three months ended Jun. 30, 2022	111,505	29.6	9,026	35.6	11,122	37.1	7,822	34.0	7,591	34.5	16,035	151.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2023	116.37	116.35
Three months ended Jun. 30, 2022	190.37	-

(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 Jun. 30, 2023	535,732	381,333	373,190	69.7	9,491.81
As of Mar. 31, 2023	523,319	369,998	362,231	69.2	9,213.91

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2022	–	90.00	–	90.00	180.00
FY 2023	–				
FY 2023 (forecast)		90.00	–	90.00	180.00

Note: Revisions to the dividends forecast since the latest announcement: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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
First half (cumulative)	190,000	(13.5)	10,000	(42.3)	10,500	(48.1)	7,000	(50.2)	178.05
Full year	420,000	0.1	18,000	(23.5)	20,000	(23.6)	14,500	(25.2)	368.80

Note: Revisions to the financial forecasts since the latest announcement: Yes

※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 shares)

Jun. 30, 2023: 40,800,000 shares Mar. 31, 2023: 40,800,000 shares

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

Jun. 30, 2023: 1,482,894 shares Mar. 31, 2023: 1,486,460 shares

3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023: 39,314,489 shares Three months ended Jun. 30, 2022: 39,874,686 shares

Note: The numbers of treasury shares 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 (44,824 shares as of June 30, 2023 and 48,600 shares as of March 31, 2023). Shares of the Company held by the trust account are included in the treasury shares to be deducted in the calculation of the average number of shares outstanding during the period.

※ 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.

※ This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Contents of the Attached Materials

1. Qualitative Information on the Period under Review.....	2
(1) Operating Results.....	2
(2) Financial Position.....	4
(3) Consolidated Financial Forecasts and Other Forward-looking Statements.....	5
2. Condensed Quarterly Consolidated Financial Statements and Related Notes.....	6
(1) Condensed Quarterly Consolidated Statements of Financial Position	6
(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income.....	8
(3) Condensed Quarterly Consolidated Statements of Changes in Equity	10
(4) Condensed Quarterly Consolidated Statements of Cash Flows	12
(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements.....	13
(Going Concern Assumption)	13
(Significant Accounting Policies)	13
(Segment Information, etc.)	13
(Supplementary Information).....	15
(Significant Subsequent Events)	15

1. Qualitative Information on the Period under Review

(1) Operating Results

1) Overview

(Unit: Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023	Change		FY 2022
			(Amount)	(% growth)	
Revenue	111,505	97,362	(14,143)	(12.7)%	419,568
Operating profit	9,026	6,721	(2,305)	(25.5)%	23,528
Profit before tax	11,122	7,019	(4,103)	(36.9)%	26,175
Profit attributable to owners of parent	7,591	4,575	(3,016)	(39.7)%	19,392
Basic earnings per share	190.37 yen	116.37 yen	(74.00) yen	(38.9)%	488.29 yen
ROA (Ratio of profit before tax to total assets)	8.4%	5.3%	–	(3.1) points	5.0%
ROE (Ratio of profit to equity attributable to owners of parent)	8.7%	5.0%	–	(3.7) points	5.5%
Foreign exchange rates (USD and EUR)	USD=129.73 yen EUR=138.26 yen	USD=137.49 yen EUR=149.58 yen		7.76 yen 11.32 yen	USD=135.45 yen EUR=140.99 yen
Domestic naphtha price	86,100 yen/kl	67,500 yen/kl		(18,600) yen/kl	76,600 yen/kl

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

The Group's revenue in the three months ended June 30, 2023 decreased 12.7% year-on-year to 97,362 million yen, down 14,143 million yen, due to a decline in selling prices as a result of lower sales volumes and a decline in product overseas market conditions and raw material prices.

With regard to profits, operating profit decreased 25.5% year-on-year to 6,721 million yen, down 2,305 million yen due to a decline in production and sales volumes and a decrease in inventory valuation gains, and other negative factors despite widening spreads on certain products caused by lower raw material prices.

Profit before tax was 7,019 million yen, a year-on-year decrease of 4,103 million yen or 36.9%, due to a decrease in operating profit and a decrease in share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent decreased by 3,016 million yen or 39.7% year-on-year to 4,575 million yen.

2) Outline of Sales by Business Segment

Materials business

Sales of acrylic acid and acrylates decreased due to lower selling prices caused by a decline in product overseas market conditions and raw material prices, as well as a decrease in sales volume.

Sales of superabsorbent polymers increased due to higher selling prices, despite a decline in sales volume.

Sales of ethylene oxide decreased due to lower selling prices in line with a decline in raw material prices and a decrease in sales volume.

Sales of ethylene glycol increased due to an increase in sales volume.

Sales of special acrylates decreased due to a decline in sales volume, and lower selling prices in line with a decline in product overseas market conditions.

Sales of maleic anhydride decreased due to a decline in sales volume, and lower selling prices in line with a decline in raw material prices.

Sales of process catalysts decreased due to lower sales volume.

As a result, revenue in the materials business decreased 12.4% year-on-year to 71,418 million yen.

Operating profit decreased 33.6% year-on-year to 4,541 million yen due to the impact of inventory valuation differences and a decline in sales volume, despite factors contributing to higher profits, such as a decrease in selling, general and

administrative expenses due to lower marine transportation costs and other factors, and widened spreads on certain products due to improved terms of trade resulting from the yen's depreciation and lower raw material prices.

Solutions business

Sales of polymers for concrete admixtures, secondary alcohol ethoxylates, water-soluble polymers such as raw materials for detergents and ethyleneimine derivatives decreased due to lower sales volume.

Sales of resins for paints increased due to higher sales volume and higher selling prices.

Sales of iodine compounds decreased due to lower sales volume.

Sales of De-NOx catalysts and electronic and information materials decreased due to lower sales volumes.

Sales of materials for batteries decreased due to the product sales mix.

As a result, revenue in the solutions business decreased 13.3% year-on-year to 25,945 million yen.

Operating profit increased 6.6% year-on-year to 1,951 million yen due to a widening spread resulting from lower raw material prices and a gain of 1,260 million yen on the sale of land at SINO-JAPAN CHEMICAL CO., LTD., a consolidated subsidiary, despite factors such as lower production and sales volumes, and the impact of inventory valuation differences resulting from lower raw material prices.

(2) Financial Position

1) Analysis of Financial Position

Total assets at the end of the first quarter of the current fiscal year increased by 12,412 million yen from the end of the previous fiscal year to 535,732 million yen. Current assets increased by 4,829 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in inventories as a result of foreign exchange effects. Non-current assets increased by 7,583 million yen from the end of the previous fiscal year. This was mainly due to increases in property, plant and equipment as a result of capital investment and foreign exchange effects and other financial assets as a result of changes in the fair value of stocks held.

Total liabilities increased by 1,078 million yen compared to the end of the previous fiscal year to 154,399 million yen. This was mainly due to increases in trade payables and provisions, despite a decrease in borrowings.

Total equity increased by 11,335 million yen compared to the end of the previous fiscal year to 381,333 million yen. This was mainly due to increases in exchange differences on translation of foreign operations caused by exchange rate fluctuations and an increase in retained earnings.

The ratio of profit to equity attributable to owners of parent increased by 0.5 percentage points from 69.2% at the end of the previous fiscal year to 69.7%. Equity attributable to owners of parent per share increased by 277.90 yen compared to the end of the previous fiscal year to 9,491.81 yen.

2) Cash Flows

Cash and cash equivalents at the end of the three months ended June 30, 2023 amounted to 38,938 million yen, a decrease of 97 million yen from the end of the previous fiscal year, as cash flows used in investing activities including capital investment and cash flows used in financing activities exceeded cash flows provided by operating activities.

Cash flow from operating activities

Net cash provided by operating activities in the three months ended June 30, 2023 amounted to 14,096 million yen, an increase of 1,730 million yen from a cash inflow of 12,366 million yen in the same period of the previous fiscal year. This was mainly due to a decrease in inventories which increased in the same period of the previous fiscal year due to higher raw material prices, and a decrease in trade receivables, despite an increase in trade payables and profit before tax, which were lower than the same period of the previous fiscal year.

Cash flow from investing activities

Net cash used in investing activities in the three months ended June 30, 2023 totaled 5,850 million yen, a decrease of 16 million yen from a cash outflow of 5,866 million yen in the same period of the previous fiscal year. This was mainly due to an increase in proceeds from sale of property, plant and equipment, despite the absence of proceeds from sale and redemption of investments.

Cash flow from financing activities

Net cash used in financing activities in the three months ended June 30, 2023 amounted to 9,725 million yen, an increase of 2,446 million yen from a cash outflow of 7,280 million yen in the same period of the previous fiscal year. This was mainly due to a decrease in proceeds from long-term borrowings, despite decreases in repayments of long-term borrowings and dividends paid.

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

For the Group's consolidated financial forecasts for the six months ending September 30, 2023 (the "first half of the fiscal year"), revenue is expected to be 190.0 billion yen, 15.0 billion yen lower than the previous forecasts announced on May 12, 2023 (the "previous forecasts"), as we expect lower selling prices resulting from lower raw material prices and lower sales volume resulting from the slump in demand continuing longer than anticipated.

With regard to profits, although inventory valuation losses are expected to be incurred due to a decrease in production and sales volumes and lower raw material prices, the spread is expected to widen due to improved terms of trade resulting from the yen's depreciation and other factors and lower raw material prices, and operating profit is expected to be 10.0 billion yen, 2.0 billion yen higher than the previous forecasts. Profit before tax and profit attributable to owners of parent are expected to be 10.5 billion yen and 7.0 billion yen, respectively. Based on the above, we have revised our consolidated financial forecasts for the first half of the fiscal year ending March 31, 2024.

Consolidated financial forecasts for the first half of the fiscal year ending March 31, 2024
(from April 1, 2023 to September 30, 2023)

	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
Previous forecasts (A) (May 12, 2023)	205,000	8,000	8,500	5,500	139.90
Announced at this time (B)	190,000	10,000	10,500	7,000	178.05
Increase (Decrease) (B-A)	(15,000)	2,000	2,000	1,500	
Change (%)	(7.3)	25.0	23.5	27.3	
(Reference) Actual amounts in the first half of the previous fiscal year (Six months ended September 30, 2022)	219,668	17,339	20,232	14,069	352.82

Preconditions for forecasts and forecasts by reportable segment are as follows.

Reference

Preconditions for forecasts

	Domestic naphtha price	Foreign exchange rate	
	yen/kl	yen/USD	yen/EUR
Announced on May 12, 2023	70,000	130	140
Forecasts at this time	62,800	136	150

Forecasts by reportable segment for the first half of the fiscal year ending March 31, 2024

(Unit: Billions of yen)

	Materials business		Solutions business		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
Previous forecasts (A)	148.0	6.0	57.0	1.6	0.4	205.0	8.0
Announced at this time (B)	136.0	7.5	54.0	2.0	0.5	190.0	10.0
Increase (Decrease) (B-A)	(12.0)	1.5	(3.0)	0.4	0.1	(15.0)	2.0

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

The Group's full-year consolidated financial forecasts remain unchanged from the previous forecasts due to many uncertain factors such as product overseas market conditions and raw material prices in the second half of the fiscal year, although we expect an upward swing in profits in the first half of the fiscal year. If we deem it necessary to revise the forecasts in consideration of future business trends, we will announce it promptly.

2. Condensed Quarterly Consolidated Financial Statements and Related Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

	(Unit: Millions of yen)	
	FY2022 As of Mar. 31, 2023	1Q-FY2023 As of Jun. 30, 2023
Assets		
Current assets		
Cash and cash equivalents	39,035	38,938
Trade receivables	98,571	99,390
Inventories	86,056	87,940
Other financial assets	14,151	15,578
Other current assets	6,239	7,036
Total current assets	244,053	248,883
Non-current assets		
Property, plant and equipment	189,520	194,044
Intangible assets	8,358	8,621
Investments accounted for using equity method	27,088	25,835
Other financial assets	40,195	43,902
Retirement benefit asset	9,129	9,154
Deferred tax assets	3,404	3,706
Other non-current assets	1,573	1,588
Total non-current assets	279,266	286,849
Total assets	523,319	535,732

(Unit: Millions of yen)

	FY2022 As of Mar. 31, 2023	1Q-FY2023 As of Jun. 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	53,138	55,010
Borrowings	23,044	20,543
Other financial liabilities	9,539	10,890
Income taxes payable	3,970	1,920
Provisions	6,672	8,078
Other current liabilities	5,278	5,170
Total current liabilities	101,641	101,610
Non-current liabilities		
Borrowings	27,867	27,326
Other financial liabilities	5,961	5,944
Retirement benefit liability	8,941	9,056
Provisions	2,582	2,815
Deferred tax liabilities	6,330	7,647
Total non-current liabilities	51,681	52,788
Total liabilities	153,321	154,399
Equity		
Share capital	25,038	25,038
Capital surplus	22,520	22,513
Treasury shares	(9,298)	(9,276)
Retained earnings	301,940	302,983
Other components of equity	22,030	31,931
Total equity attributable to owners of parent	362,231	373,190
Non-controlling interests	7,767	8,142
Total equity	369,998	381,333
Total liabilities and equity	523,319	535,732

(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

Three months ended June 30, 2022 and 2023

(Unit: Millions of yen)

	1Q-FY 2022 Apr. 1, 2022 to Jun. 30, 2022	1Q-FY 2023 Apr. 1, 2023 to Jun. 30, 2023
Revenue	111,505	97,362
Cost of sales	88,372	79,964
Gross profit	23,133	17,398
Selling, general and administrative expenses	14,373	12,289
Other operating income	624	1,791
Other operating expenses	357	178
Operating profit	9,026	6,721
Finance income	946	1,075
Finance costs	84	392
Share of profit (loss) of investments accounted for using equity method	1,235	(385)
Profit before tax	11,122	7,019
Income tax expense	3,300	1,759
Profit	7,822	5,260
Profit attributable to		
Owners of parent	7,591	4,575
Non-controlling interests	231	685
Profit	7,822	5,260
Earnings per share		
Basic earnings per share (Yen)	190.37	116.37
Diluted earnings per share (Yen)	-	116.35

Condensed Quarterly Consolidated Statements of Comprehensive Income

Three months ended June 30, 2022 and 2023

(Unit: Millions of yen)

	1Q-FY 2022 Apr. 1, 2022 to Jun. 30, 2022	1Q-FY 2023 Apr. 1, 2023 to Jun. 30, 2023
Profit	7,822	5,260
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	(1,420)	2,633
Share of other comprehensive income of investments accounted for using equity method	(1)	1
Total of items that will not be reclassified to profit or loss	(1,420)	2,634
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,778	7,713
Share of other comprehensive income of investments accounted for using equity method	854	(304)
Total of items that may be reclassified to profit or loss	9,633	7,410
Other comprehensive income, net of tax	8,212	10,044
Comprehensive income	16,035	15,304
Comprehensive income attributable to		
Owners of parent	15,553	14,477
Non-controlling interests	482	826
Comprehensive income	16,035	15,304

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 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	–	–	–	7,591	–	–
Other comprehensive income	–	–	–	–	(1,420)	(1)
Comprehensive income	–	–	–	7,591	(1,420)	(1)
Purchase of treasury shares	–	–	(2)	–	–	–
Disposal of treasury shares	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends	–	–	–	(3,987)	–	–
Transfer from other components of equity to retained earnings	–	–	–	115	(116)	1
Total transactions with owners	–	–	(2)	(3,872)	(116)	1
Balance at end of period	25,038	22,472	(6,293)	291,843	3,338	–

	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	–	–	7,591	231	7,822
Other comprehensive income	9,383	7,962	7,962	250	8,212
Comprehensive income	9,383	7,962	15,553	482	16,035
Purchase of treasury shares	–	–	(2)	–	(2)
Disposal of treasury shares	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–
Dividends	–	–	(3,987)	(571)	(4,559)
Transfer from other components of equity to retained earnings	–	(115)	–	–	–
Total transactions with owners	–	(115)	(3,989)	(571)	(4,560)
Balance at end of period	19,047	22,385	355,445	7,152	362,597

Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)

(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	22,520	(9,298)	301,940	4,331	–
Profit	–	–	–	4,575	–	–
Other comprehensive income	–	–	–	–	2,632	1
Comprehensive income	–	–	–	4,575	2,632	1
Purchase of treasury shares	–	–	(1)	–	–	–
Disposal of treasury shares	–	(4)	24	–	–	–
Share-based payment transactions	–	(3)	–	–	–	–
Dividends	–	–	–	(3,534)	–	–
Transfer from other components of equity to retained earnings	–	–	–	1	–	(1)
Total transactions with owners	–	(7)	22	(3,533)	–	(1)
Balance at end of period	25,038	22,513	(9,276)	302,983	6,963	–

	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	17,699	22,030	362,231	7,767	369,998
Profit	–	–	4,575	685	5,260
Other comprehensive income	7,269	9,902	9,902	142	10,044
Comprehensive income	7,269	9,902	14,477	826	15,304
Purchase of treasury shares	–	–	(1)	–	(1)
Disposal of treasury shares	–	–	20	–	20
Share-based payment transactions	–	–	(3)	–	(3)
Dividends	–	–	(3,534)	(451)	(3,984)
Transfer from other components of equity to retained earnings	–	(1)	–	–	–
Total transactions with owners	–	(1)	(3,518)	(451)	(3,969)
Balance at end of period	24,968	31,931	373,190	8,142	381,333

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	1Q-FY 2022 Apr. 1, 2022 to Jun. 30, 2022	1Q-FY 2023 Apr. 1, 2023 to Jun. 30, 2023
Cash flows from operating activities		
Profit before tax	11,122	7,019
Depreciation and amortization	7,414	7,915
Loss (gain) on sale of property, plant and equipment	(5)	(1,260)
Decrease (increase) in retirement benefit asset	(14)	(25)
Increase (decrease) in retirement benefit liability	(80)	50
Interest and dividend income	(639)	(694)
Interest expenses	84	392
Share of loss (profit) of investments accounted for using equity method	(1,235)	385
Decrease (increase) in trade receivables	(4,458)	1,374
Decrease (increase) in inventories	(6,235)	226
Increase (decrease) in trade payables	7,314	515
Other	(208)	1,023
Subtotal	13,061	16,919
Interest and dividends received	3,843	1,507
Interest paid	(90)	(249)
Income taxes paid	(4,448)	(4,082)
Net cash provided by (used in) operating activities	12,366	14,096
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,075)	(6,041)
Proceeds from sale of property, plant and equipment	5	1,221
Purchase of intangible assets	(326)	(374)
Purchase of investments	(51)	(26)
Proceeds from sale and redemption of investments	259	–
Other	323	(630)
Net cash provided by (used in) investing activities	(5,866)	(5,850)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,722)	(2,457)
Proceeds from long-term borrowings	5,000	200
Repayments of long-term borrowings	(4,517)	(3,001)
Repayments of lease liabilities	(480)	(482)
Purchase of treasury shares	(2)	(1)
Dividends paid	(3,987)	(3,534)
Dividends paid to non-controlling interests	(571)	(451)
Net cash provided by (used in) financing activities	(7,280)	(9,725)
Effect of exchange rate changes on cash and cash equivalents	2,064	1,382
Net increase (decrease) in cash and cash equivalents	1,285	(97)
Cash and cash equivalents at beginning of period	39,363	39,035
Cash and cash equivalents at end of period	40,648	38,938

(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 three months ended June 30, 2023 is calculated based on the estimated average annual effective tax rate.

【Segment Information, etc.】

1. Outline of Reportable Segments

The Group's reportable segments are divisions of the Group 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 the Materials business and the Solutions business.

In the Materials business, acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, special acrylates, superabsorbent polymers, maleic anhydride, process catalysts, etc. are manufactured and sold. In the Solutions business, polymers for concrete admixtures, glycol ether, secondary alcohol ethoxylates, water-soluble polymers such as raw materials for detergents, intermediates for pharmaceuticals, electronic and information materials, iodine compounds, resins for adhesives/paints, ethyleneimine derivatives, processed adhesive products, automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, equipment for waste gas treatment, wet air oxidation catalysts, materials for batteries, etc. are manufactured and sold.

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

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022) (Unit: Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	81,571	29,934	111,505	–	111,505
Intergroup revenue and transfers	4,856	1,068	5,924	(5,924)	–
Total	86,427	31,001	117,429	(5,924)	111,505
Segment income	6,842	1,831	8,673	353	9,026
Finance income	–	–	–	–	946
Finance costs	–	–	–	–	84
Share of profit (loss) of investments accounted for using equity method	–	–	–	–	1,235
Profit before tax	–	–	–	–	11,122

Note: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 353 million yen.

Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023) (Unit: Millions of yen)

	Reportable segments			Adjustment (Note)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	71,418	25,945	97,362	–	97,362
Intergroup revenue and transfers	3,886	776	4,663	(4,663)	–
Total	75,304	26,721	102,025	(4,663)	97,362
Segment income	4,541	1,951	6,492	230	6,721
Finance income	–	–	–	–	1,075
Finance costs	–	–	–	–	392
Share of profit (loss) of investments accounted for using equity method	–	–	–	–	(385)
Profit before tax	–	–	–	–	7,019

Note: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 230 million yen.

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

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)

Not applicable.

Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)

Not applicable.

【Supplementary Information】

Overseas Revenue

Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	30,115	20,332	8,259	4,670	63,376
II. Consolidated revenue					111,505
III. Overseas revenue to consolidated revenue	27.0%	18.2%	7.4%	4.2%	56.8%

Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	22,557	17,813	9,319	5,162	54,850
II. Consolidated revenue					97,362
III. Overseas revenue to consolidated revenue	23.2%	18.3%	9.6%	5.3%	56.4%

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.