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November 1, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: NOF CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 4403
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 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: December 1, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	101,804	(1.9)	20,051	(1.9)	22,274	(1.4)	16,330	(6.4)
September 30, 2022	103,808	15.2	20,434	10.4	22,580	17.3	17,444	30.8

Note: Comprehensive income For the six months ended September 30, 2023: ¥20,913 million [26.2%]
 For the six months ended September 30, 2022: ¥16,574 million [2.4%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	202.89	-
September 30, 2022	213.44	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	324,238	253,734	78.0
March 31, 2023	309,438	240,002	77.3

Reference: Equity

As of September 30, 2023: ¥252,881 million
 As of March 31, 2023: ¥239,176 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	50.00	–	58.00	108.00
Fiscal year ending March 31, 2024	–	56.00			
Fiscal year ending March 31, 2024 (Forecast)			–	56.00	112.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

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	220,000	1.1	40,000	(1.5)	42,500	(1.6)	32,500	(4.3)	404.01

Note: Revisions to the earnings forecasts most recently announced: Yes

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2023	82,841,376 shares
As of March 31, 2023	82,841,376 shares

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

As of September 30, 2023	2,454,310 shares
As of March 31, 2023	2,053,795 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	80,492,423 shares
Six months ended September 30, 2022	81,728,826 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.

- * Quarterly financial results reports are exempt from quarterly review conducted 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. Qualitative information on the current quarterly financial results, (3) Explanation on future forecast information including the forecast of consolidated financial results” on page 3 of the attached document.

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1. Qualitative information on the current quarterly financial results

(1) Explanations on operating results

During the first six months of the current fiscal year (from April 1 to September 30, 2023), the outlook for the global economy remained uncertain, particularly because of concerns about the crisis in Ukraine, US-China rivalry, elevated prices of raw materials and fuel, persistent global inflation, and financial disruption. In Japan, the positioning of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases was downgraded to Class V Infectious Disease, and partly as a result of this, social and economic activity began to normalize and there were signs of a gradual recovery, mainly in consumer spending, capital investment, and production activity.

As for the business environment surrounding the Group, even though domestic economic conditions were gradually recovering, the impact of a downturn caused by the prolongation of the slump in the Chinese economy was a cause for concern.

In this business environment, under the three-year 2025 Mid-Term Management Plan that kicked off this fiscal year, and in keeping with the basic policy of “Practice and Breakthrough,” we have been working to address the following challenges: (1) expanding business by seizing market changes as opportunities, (2) accelerating development of new products and techniques, (3) improving productivity, (4) pursuing safety and security, and (5) promoting CSR. We have also made repeated management efforts to develop new markets, expand sales, and reduce production costs with a view to achieving sustainable growth.

In regard to “expanding business by seizing market changes as opportunities,” we have been expanding our business with a focus on our three prioritized business fields of “life and healthcare,” “electronics and IT,” and “environment and energy” as we advance our transition into a solutions-based business model. Moreover, we have been promoting efforts for “accelerating development of new products and techniques,” particularly by working on business co-creation through open innovation in the medicals and medical device field, following on from initiatives undertaken last fiscal year in the electronics and healthcare foods fields.

As a result of such efforts, consolidated net sales for the first six months of the current fiscal year were 101,804 million yen, down 1.9% year on year. Operating profit decreased to 20,051 million yen, down 1.9% year on year, ordinary profit decreased to 22,274 million yen, down 1.4% year on year, and profit attributable to owners of parent decreased to 16,330 million yen, down 6.4% year on year.

Results by segment are as follows.

From the current fiscal year, the name of the reportable segment that was previously shown as “Life Science” was changed to “Pharmaceuticals, Medicals and Health.” In addition, changes have been made to the naming of major products. “edible oils” has been renamed to “processed edible oils and functional food materials” and “functional foods (nutritional food products and health-related products)” has been renamed to “healthcare foods products.”

Also, the consolidated subsidiary NOF EUROPE GmbH was previously included in the Functional Chemicals segment, but owing to a review of the business management category for this subsidiary, it is now shown in the Pharmaceuticals, Medicals and Health segment.

In the year-on-year comparisons provided below, the comparisons are based on figures that were reclassified to reflect the changes to the reportable segments.

(i) Functional Chemicals

Net sales of fatty acid derivatives decreased due to a decline in demand for environmental energy-related products in Asia.

Net sales of surfactants decreased as a result of a decline in demand for toiletries.

Net sales of ethylene oxide/propylene oxide derivatives decreased due to a decline in demand from overseas.

Net sales of organic peroxides decreased on the back of weaker demand in Japan.

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

As a result, net sales of Functional Chemicals were 63,663 million yen, down 5.2% year on year, and operating profit was 9,997 million yen, down 13.8% year on year.

(ii) Pharmaceuticals, Medicals and Health

Net sales of processed edible oil and functional food materials increased due to sales prices being revised in response to surging raw material and fuel prices, despite subdued demand for use in confectionery, bread, and processed foods.

Net sales of healthcare foods products rose by virtue of increased demand for health foods.

Net sales of biocompatible materials decreased due to a decline in demand for MPC (2-methacryloyloxyethyl phosphorylcholine) related products.

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

As a result, net sales of Pharmaceuticals, Medicals and Health were 26,410 million yen, up 0.0% year on year, and operating profit was 10,498 million yen, up 7.6% year on year.

(iii) Explosive & Propulsion

Net sales of industrial explosives rose.

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

Net sales of defense-related products increased.

Net sales of functional products declined.

As a result, net sales of Explosive & Propulsion were 11,437 million yen, up 14.5% year on year, and operating profit was 739 million yen (operating loss of 127 million yen for the same period in the previous fiscal year).

(iv) Others

Others consist of transportation and real estate. Net sales of others were 292 million yen, up 23.5% year on year, and operating profit was 99 million yen, down 11.5% year on year.

(2) Explanation of financial position

Total assets at the end of the second quarter of the current fiscal year were 324,238 million yen, an increase of 14,799 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 1,599 million yen, an increase in inventories of 3,183 million yen, a decrease in trade receivables of 864 million yen, an increase in property, plant and equipment of 6,653 million yen, and an increase in the market value of investment securities at the end of the quarter of 3,478 million yen.

Liabilities increased by 1,067 million yen to 70,503 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in liabilities includes an increase in trade payables of 1,785 million yen, a decrease in income taxes payable of 1,585 million yen, and an increase in deferred tax liabilities of 1,393 million yen.

Net assets were 253,734 million yen, an increase of 13,732 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in net assets includes profit attributable to owners of parent of 16,330 million yen, an increase in foreign currency translation adjustment of 1,922 million yen, an increase in valuation difference on available-for-sale securities of 2,615 million yen, a decrease from dividends of surplus of 4,688 million yen, and a decrease from the purchase of treasury shares of 2,481 million yen.

(3) Explanation on future forecast information including the forecast of consolidated financial results

In view of recent performance trends, the Company has revised its consolidated earnings forecasts for the fiscal year ending March 31, 2024, which were released on May 11, 2023.

For specific details, please refer to the “Notice regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024, and Revision of Dividends of Surplus (Interim Dividend) and Year-end Dividend Forecast,” released today (November 1, 2023).

The forecast is based on the information that is available to the Company as of the date of the announcement of this material. Actual results may differ from the forecast due to various factors in the future.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	92,520	94,119
Notes and accounts receivable - trade, and contract assets	45,971	44,860
Electronically recorded monetary claims - operating	3,014	3,262
Merchandise and finished goods	30,079	29,900
Work in process	3,412	5,774
Raw materials and supplies	16,245	17,246
Other	2,706	3,373
Allowance for doubtful accounts	(199)	(218)
Total current assets	193,750	198,317
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,181	25,337
Land	20,790	20,857
Other, net	19,891	24,322
Total property, plant and equipment	63,863	70,517
Intangible assets		
Other	1,148	1,332
Total intangible assets	1,148	1,332
Investments and other assets		
Investment securities	44,719	48,197
Retirement benefit asset	3,071	3,090
Other	2,944	2,844
Allowance for doubtful accounts	(60)	(60)
Total investments and other assets	50,675	54,071
Total non-current assets	115,688	125,921
Total assets	309,438	324,238
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,496	19,965
Electronically recorded obligations - operating	1,230	1,547
Short-term borrowings	2,080	2,062
Current portion of long-term borrowings	150	150
Income taxes payable	8,626	7,041
Provision for bonuses	3,521	3,566
Other	17,492	17,332
Total current liabilities	51,598	51,666
Non-current liabilities		
Long-term borrowings	2,332	2,344
Retirement benefit liability	4,842	4,861
Other	10,662	11,630
Total non-current liabilities	17,837	18,836
Total liabilities	69,436	70,503

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	17,742	17,742
Capital surplus	15,052	15,052
Retained earnings	192,092	203,735
Treasury shares	(10,299)	(12,780)
Total shareholders' equity	214,588	223,749
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,725	24,340
Foreign currency translation adjustment	2,683	4,606
Remeasurements of defined benefit plans	180	184
Total accumulated other comprehensive income	24,588	29,131
Non-controlling interests	825	853
Total net assets	240,002	253,734
Total liabilities and net assets	309,438	324,238

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(For the six months period)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	103,808	101,804
Cost of sales	66,244	63,774
Gross profit	37,564	38,030
Selling, general and administrative expenses	17,129	17,978
Operating profit	20,434	20,051
Non-operating income		
Interest income	75	140
Dividend income	652	601
Foreign exchange gains	1,298	1,232
Other	312	534
Total non-operating income	2,339	2,509
Non-operating expenses		
Interest expenses	31	62
Rental expenses on real estate	40	38
Expenses for disposal of fixed assets	41	116
Other	80	68
Total non-operating expenses	193	285
Ordinary profit	22,580	22,274
Extraordinary income		
Gain on sale of non-current assets	5	0
Gain on receipt of donated non-current assets	—	411
Gain on sale of investment securities	2,527	786
Gain on extinguishment of tie-in shares	34	—
Total extraordinary income	2,568	1,198
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	12	20
Loss on sale of investment securities	—	7
Total extraordinary losses	13	27
Profit before income taxes	25,136	23,446
Income taxes	7,690	7,100
Profit	17,445	16,345
Profit attributable to non-controlling interests	0	14
Profit attributable to owners of parent	17,444	16,330

(Quarterly consolidated statements of comprehensive income)

(For the six months period)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	17,445	16,345
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,887)	2,619
Foreign currency translation adjustment	3,002	1,944
Remeasurements of defined benefit plans, net of tax	13	3
Total other comprehensive income	(870)	4,567
Comprehensive income	16,574	20,913
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,484	20,873
Comprehensive income attributable to non-controlling interests	90	40

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

None applicable.

(Notes on substantial changes in the amount of shareholders' equity)

None applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

As for tax expenses, the effective tax rate after the application of tax effect accounting to profit before income taxes is reasonably estimated for the consolidated fiscal year, which includes the second quarter of the current fiscal year, and the amount is calculated by multiplying quarterly profit before income taxes by the estimated effective tax rate.

However, for companies whose tax expenses are significantly less reasonable if calculated using the estimated effective tax rate, the amount calculated using the statutory tax rate is recorded.

(Segment information, etc.)

I For the six months ended September 30, 2022(from April 1, 2022, to September 30, 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	Pharmaceuti cals, Medicals and Health	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	67,187	26,398	9,985	103,571	237	103,808	–	103,808
(2) Intersegment sales or transfers	2,136	559	8	2,704	3,961	6,665	(6,665)	–
Total	69,324	26,958	9,993	106,276	4,198	110,474	(6,665)	103,808
Segment profit (loss)	11,598	9,761	(127)	21,231	112	21,344	(910)	20,434

(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 of negative 910 million yen in segment profit includes 40 million yen eliminated for intersegment transactions, and negative 950 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.

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

II. For the six months ended September 30, 2023 (from April 1, 2023, to September 30, 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	Pharmaceuti cals, Medicals and Health	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	63,663	26,410	11,437	101,511	292	101,804	–	101,804
(2) Intersegment sales or transfers	1,917	441	5	2,364	3,996	6,361	(6,361)	–
Total	65,581	26,851	11,443	103,876	4,289	108,165	(6,361)	101,804
Segment profit	9,997	10,498	739	21,235	99	21,335	(1,283)	20,051

(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 of negative 1,283 million yen in segment profit includes 65 million yen eliminated for intersegment transactions, and negative 1,348 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.

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

2. Matters related to changes to reportable segments, etc.

From the first quarter of the current fiscal year, the name of the reportable segment that was previously shown as “Life Science” was changed to “Pharmaceuticals, Medicals and Health.” Also, the consolidated subsidiary NOF EUROPE GmbH was previously included in the Functional Chemicals segment, but owing to a review of the business management category for this subsidiary, it is now shown in Pharmaceuticals, Medicals and Health. Segment information presented for first six months of the previous fiscal year has been prepared using the names and classification method after the changes.

(Subsequent events)

Purchase and cancellation of treasury shares

The Company has resolved the matters pertaining to the purchase of its treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph (3) of said Act, and the matters pertaining to the cancellation of its treasury shares pursuant to the provisions of Article 178 of the Companies Act, at the meeting of the Board of Directors held on November 1, 2023.

1. Reasons for purchase and cancellation of treasury shares

The Company seeks to purchase and cancel its treasury shares for the sake of enabling flexible execution of its capital policy in alignment with changes in the business environment, while also enhancing shareholder returns and improving capital efficiency.

2. Details of the Board of Directors resolution regarding the purchase

- | | |
|---------------------------------------------|--------------------------------------------------|
| (1) Class of shares to be purchased: | Common shares of the Company |
| (2) Total number of shares to be purchased: | 600,000 shares (maximum) |
| (3) Total purchase price of shares: | 3,000,000,000 yen (maximum) |
| (4) Period of purchase: | From November 2, 2023 through January 31, 2024 |
| (5) Method of purchase: | Open-market purchase on the Tokyo Stock Exchange |

3. Details of the Board of Directors resolution regarding the cancellation

- | | |
|----------------------------------------------------------------|------------------------------|
| (1) Class of shares to be cancelled: | Common shares of the Company |
| (2) Total number of shares to be cancelled: | 2,000,000 shares |
| (3) Scheduled date of cancellation: | November 15, 2023 |
| (4) Total number of outstanding shares after the cancellation: | 80,841,376 shares |