

## Summary of Consolidated Financial Results [Japanese GAAP] For the Third Quarter of the Fiscal Year Ending March 31, 2024

January 31, 2024

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

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

Filing date of quarterly securities report: February 7, 2024  
Scheduled date for start of dividend payments: –  
Preparation of supplementary materials for quarterly financial results: Yes  
Quarterly results presentation meeting: Yes (for securities analysts and institutional investors)

### 1. Consolidated Business Results for the First Three Quarters of the Fiscal Year Ending March 31, 2024 (April 1, 2023–December 31, 2023)

(Figures shown are rounded down to the nearest million yen.)

#### (1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters of fiscal year ending March 31, 2024	149,753	(2.5)	4,111	(78.4)	7,473	(64.4)	2,829	(81.4)
First three quarters of fiscal year ended March 31, 2023	153,627	11.2	19,062	9.9	20,994	11.8	15,241	8.4

Note: Comprehensive income

First three quarters of fiscal year ending March 31, 2024: 12,766 million yen ((27.9)%)

First three quarters of fiscal year ended March 31, 2023: 17,699 million yen ((0.2)%)

	Profit attributable to owners of parent per share-primary	Profit attributable to owners of parent per share-diluted
	Yen	Yen
First three quarters of fiscal year ending March 31, 2024	17.06	17.04
First three quarters of fiscal year ended March 31, 2023	90.62	90.60

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	351,294	259,911	73.7
As of March 31, 2023	322,858	255,027	78.7

Reference: Equity As of December 31, 2023: 258,932 million yen  
As of March 31, 2023 254,018 million yen

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2. Status of Dividends

	Dividend amount per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Year
	Yen				
Fiscal year ended March 31, 2023	-	20.00	-	25.00	45.00
Fiscal year ending March 31, 2024	-	22.50	-		
Fiscal year ending March 31, 2024 (forecast)				22.50	45.00

Note: Changes to the most recent dividend forecast: None

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	202,300	2.0	6,000	(72.1)	9,700	(57.9)	5,800	(61.3)	34.98

Note: Changes to the most recent forecast for consolidated business results: None

Notes

(1) Significant changes in subsidiaries during the first three quarters (changes in designated subsidiaries that result in changes in scope of consolidation): None

Newly consolidated: (company name), Deconsolidated: (company name)

Significant changes in subsidiaries during the first half

(2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements: None

Adoption of special accounting methods for presenting the quarterly consolidated financial statements

(3) Changes to accounting policies and estimates and restatements

[1] Changes to accounting policies associated with revision of accounting standards or similar items: None

[2] Changes other than [1]: None

[3] Changes to accounting estimates: None

[4] Restatements: None

Changes to accounting policies

(4) Number of shares issued (common stock)

[1] Number of shares issued at end of the fiscal period (including treasury stock)

As of December 31, 2023: 170,503,570 shares

As of March 31, 2023: 170,503,570 shares

[2] Number of treasury stock at end of the fiscal period

As of December 31, 2023: 4,637,972 shares

As of March 31, 2023: 4,732,954 shares

[3] Average number of shares during the fiscal period (cumulative)

First three quarters of fiscal year ending March 31, 2024: 165,828,613 shares

First three quarters of fiscal year ended March 31, 2023: 168,186,975 shares

Number of shares issued

\*Quarterly summary financial statements are not subject to audit by a certified public accountant or audit firm.

\*Analysis related to appropriate use of the business results forecasts, and other notes

(Disclaimer concerning forward-looking statements)

The information in this report constitutes forward-looking statements regarding future events and performance. This information is based on the beliefs and assumptions of management in light of information currently available to it at the time of announcement and subject to a number of uncertainties that may affect future results. Actual business results may differ substantially from the forecasts herein due to various factors. For matters pertaining to business forecasts, please refer to “(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts” on page 3 of the Supplementary Information.

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(How to obtain the materials for the briefing on quarterly financial results)

We have scheduled a teleconference for securities analysts and institutional investors on Wednesday, January 31, 2024.  
The materials for the briefing will be posted on the corporate website.

## Supplementary Information

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## 1. Qualitative Information Concerning Results for the First Three Quarters

### (1) Analysis of Operating Results

During the first three quarters of this consolidated fiscal year (April 1 to December 31, 2023), the global economy saw continuing uncertainty as the rise in fuel and raw material prices eased but prices remained at high levels and the high level of geopolitical risk persisted along with the prolonged invasion of Ukraine by Russia.

The Nippon Kayaku Group entered the second year of **KAYAKU Vision 2025**, the mid-term business plan which began last fiscal year, amid such conditions. We continue to implement the roadmap to the vision specified for each business while advancing initiatives to address key company-wide issues aimed at achieving the vision.

As a result, net sales for the first three quarters of this consolidated fiscal year totaled 149,753 million yen, a decrease of 3,874 million yen (2.5%) year-on-year. Sales in the Mobility & Imaging Business Unit and Life Science Business Unit outperformed while sales in the Fine Chemicals Business Unit underperformed the first three quarters of the previous fiscal year.

Operating income totaled 4,111 million yen, a decrease of 14,950 million yen (78.4%) year-on-year. The decrease resulted from an increase in SG&A expenses accompanying a 6,000 million yen upfront payment upon concluding a licensing agreement with AnHeart Therapeutics Inc. in the pharmaceuticals business, in addition to the decrease in net sales in the Fine Chemicals Business Unit and the negative impact from the surge in raw material prices.

Ordinary income totaled 7,473 million yen, a decrease of 13,521 million yen (64.4%) year-on-year. Foreign exchange gains were the main reason behind the net increase at the non-operating level, which boosted ordinary income above operating income.

Profit attributable to owners of parent was 2,829 million yen, a decrease of 12,412 million yen (81.4%) year-on-year. The decrease resulted mainly from a loss on valuation of investment securities.

Performance by business segment is as described below.

(Mobility & Imaging Business Unit)

Sales rose to 60,709 million yen, an increase of 5,959 million yen (10.9%) year-on-year.

In the safety systems business, sales of airbag inflators and micro gas generators for seatbelt pretensioners outperformed year-on-year. This resulted from partial resolution of the negative impact of the semiconductor shortage and a rebound in domestic automobile production. Overseas, sales of air bag inflators, micro gas generators for seatbelt pretensioners, and squibs outperformed year-on-year, supported by overall firm demand in Europe, the U.S., China, and the ASEAN region and the positive impact from translation adjustments due to yen weakness. The safety systems business overall outperformed year-on-year as a result.

The Polatechno business underperformed year-on-year due to sluggish demand for dye-type polarizing films used in vehicles, despite firm demand for components for X-ray analysis systems.

Segment profit was 5,861 million yen, a decrease of 891 million yen (13.2%) year-on-year. The decrease was caused by rising manufacturing costs due to the surge in raw material prices.

(Fine Chemicals Business Unit)

Sales were 40,742 million yen, a decrease of 10,892 million yen (21.1%) year-on-year.

The functional materials business as a whole underperformed the first three quarters of the previous fiscal year. This underperformance resulted from a slump in consumer demand and low demand for epoxy resins and other products groups affected by the delay in a rebound in the semiconductor materials market.

The color materials business as a whole underperformed the first three quarters of the previous fiscal year. This underperformance resulted from slow sales of colorants for inkjet printers for consumer use and of ink for inkjet printers in industrial applications, despite strong sales of developer for thermal paper.

Slow sales caused the catalyst business to underperform year-on-year.

Segment profit totaled 3,275 million yen, a decrease of 6,203 million yen (65.4%) year-on-year. The decrease stemmed from a decline in net sales in the functional materials, color materials, and catalyst businesses.

(Life Science Business Unit)

Sales rose to 48,301 million yen, an increase of 1,058 million yen (2.2%) year-on-year.

In the pharmaceuticals business, pharmaceuticals for the Japanese domestic market were on par with the first three quarters of the previous fiscal year due to increased market penetration of ALAGLIO® divided granules, a photodynamic diagnostic agent, and the contribution from the antibody biosimilar BEVACIZUMAB BS, which was launched last fiscal year. Although exports underperformed year-on-year, sales of active pharmaceutical ingredients, contract production, and diagnostic drugs for the Japanese domestic market outperformed the first three quarters of the previous fiscal year, resulting in year-on-year outperformance for the pharmaceuticals business as a whole.

The agrochemicals business as a whole underperformed the first three quarters of the previous fiscal year due to sluggish domestic sales, despite year-on-year outperformance in exports.

Sales in the real estate were on par with the first three quarters of the previous fiscal year.

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Segment profit totaled 888 million yen, a decrease of 7,587 million yen (89.5%) year-on-year. The decrease resulted from an increase in SG&A expenses accompanying an upfront payment upon concluding a licensing agreement with AnHeart Therapeutics Inc. in the pharmaceuticals business.

In accordance with organizational changes, we have changed reportable segments from the “Functional Chemicals Business,” “Pharmaceuticals Business,” and “Safety Systems Business” to the “Mobility & Imaging Business Unit,” “Fine Chemicals Business Unit,” and “Life Science Business Unit” from the first quarter of this consolidated fiscal year. Segment numbers for the previous fiscal year have been restated based on the new reportable segments.

## (2) Analysis of Financial Position

Total assets were 351,294 million yen, an increase of 28,435 million yen from the end of the previous consolidated fiscal year. The main increases were in investment securities, an increase of 9,788 million yen; and notes and accounts receivable-trade, an increase of 9,129 million yen.

Total liabilities were 91,383 million yen, an increase of 23,551 million yen compared to the end of the previous consolidated fiscal year. The main increases were in short-term loans payable, an increase of 9,285 million yen; long-term loans payable, an increase of 5,300 million yen; notes and accounts payable-trade, an increase of 5,090 million yen; and accounts payable-other, an increase of 3,904 million yen.

Net assets were 259,911 million yen, an increase of 4,884 million yen compared to the end of the previous consolidated fiscal year. The main increases were in unrealized holding gains on other securities, an increase of 5,592 million yen; and translation adjustments, an increase of 4,284 million yen. The main decrease was in retained earnings, a decrease of 5,047 million yen.

## (3) Analysis of Forward-looking Statements, including Consolidated Business Results Forecasts

We expect the future business environment surrounding the Nippon Kayaku Group to pose the risk of an economic downswing due to the Russian invasion of Ukraine and other geopolitical risks, increasing global inflation from high fuel and raw material prices, prolonged adjustment of real estate prices in China, and monetary tightening in various countries, despite expectations of a firm U.S. economy.

Under these conditions, the Nippon Kayaku Group aims to respond flexibly to changes in the business environment and pursue optimal use of operating capital to increase shareholder value, as well as expand existing businesses in global growth markets, accelerate the development of new businesses and new products, and enhance profits.

## 2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	As of March 31, 2023	As of December 31, 2023
	Million yen	
<b>Assets</b>		
Current assets		
Cash and deposits	48,051	49,602
Notes and accounts receivable-trade	53,550	62,679
Electronically recorded monetary claims-operating	2,004	2,866
Securities	6,296	4,840
Merchandise and finished goods	46,217	45,084
Work in process	1,130	822
Raw materials and stores	23,759	25,422
Other	5,072	9,706
Allowance for doubtful accounts	(44)	(179)
Total current assets	186,037	200,845
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,544	43,044
Machinery, equipment and vehicles, net	26,069	25,578
Other, net	20,644	24,615
Total property, plant and equipment	89,259	93,238
Intangible assets		
Goodwill	2,492	2,090
Other	4,047	3,865
Total intangible assets	6,539	5,955
Investments and other assets		
Investment securities	32,146	41,935
Net defined benefit asset	3,845	3,971
Other	5,084	5,402
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	41,021	51,254
Total non-current assets	136,820	150,449
Total assets	322,858	351,294

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	As of March 31, 2023	As of December 31, 2023
	Million yen	
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	16,239	21,329
Short-term loans payable	3,380	12,666
Current portion of bonds payable	–	8,000
Accounts payable-other	10,662	14,566
Income taxes payable	2,133	1,102
Other	6,633	6,830
Total current liabilities	39,049	64,495
Non-current liabilities		
Bonds payable	8,000	–
Long-term loans payable	8,200	13,500
Net defined benefit liability	395	408
Other	12,186	12,979
Total non-current liabilities	28,782	26,887
Total liabilities	67,831	91,383
<b>Net assets</b>		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	15,803	15,828
Retained earnings	202,976	197,929
Treasury stock	(5,523)	(5,412)
Total shareholders' equity	228,189	223,278
Accumulated other comprehensive income		
Unrealized holding gains on other securities	8,023	13,616
Translation adjustments	17,331	21,616
Remeasurements of defined benefit plans	473	420
Total accumulated other comprehensive income	25,828	35,653
Non-controlling interests	1,008	978
Total net assets	255,027	259,911
Total liabilities and net assets	322,858	351,294

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

	First three quarters of fiscal year ended March 31, 2023	First three quarters of fiscal year ending March 31, 2024
	Million yen	
Net sales	153,627	149,753
Cost of sales	100,640	104,343
Gross profit on sales	52,986	45,409
Selling, general and administrative expenses	33,924	41,298
Operating income	19,062	4,111
Non-operating income		
Interest income	381	585
Dividend income	852	948
Equity in earnings of affiliates	–	89
Foreign exchange gains	517	1,411
Other	611	803
Total non-operating income	2,362	3,837
Non-operating expenses		
Interest expense	95	131
Equity in losses of affiliates	47	–
Other losses	287	345
Total non-operating expenses	430	476
Ordinary income	20,994	7,473
Extraordinary income		
Gain on change in equity	123	–
Gain on sales of non-current assets	479	170
Gain on sales of investment securities	413	1,385
Total extraordinary income	1,015	1,555
Extraordinary loss		
Impairment loss	–	75
Loss on disposal of non-current assets	385	461
Loss on valuation of investment securities	3	4,265
Total extraordinary loss	388	4,802
Profit before income taxes	21,621	4,226
Income taxes-current	5,209	2,739
Income taxes-deferred	1,116	(1,393)
Total income taxes	6,325	1,345
Profit	15,296	2,881
Profit attributable to non-controlling interests	54	52
Profit attributable to owners of parent	15,241	2,829

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Consolidated Statements of Comprehensive Income

	First three quarters of fiscal year ended March 31, 2023	First three quarters of fiscal year ending March 31, 2024
	Million yen	
Profit	15,296	2,881
Other comprehensive income		
Unrealized holding gains on other securities	(654)	5,590
Translation adjustments	3,316	4,345
Remeasurements of defined benefit plans	(259)	(53)
Share of other comprehensive income of companies accounted for by the equity-method	1	3
Total other comprehensive income	2,403	9,885
Comprehensive income	17,699	12,766
Comprehensive income attributable to:		
Owners of parent	17,638	12,654
Non-controlling interests	61	112

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### (3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions for the Going Concern)

No items to report

(Notes in Case of Significant Change in Shareholders' Equity)

No items to report

(Segment Information and Other Items)

I. First three quarters of the fiscal year ended March 31, 2023 (April 1, 2022–December 31, 2022)

1. Information on sales and profit (loss) by reportable segment

	Reportable segments				Adjustments (Note 1)	Consolidated (Note 2)
	Mobility & Imaging Business Unit	Fine Chemicals Business Unit	Life Science Business Unit	Total		
	Million yen					
Sales						
Sales to third parties	54,750	51,634	47,242	153,627	–	153,627
Intersegment sales and transfers	–	122	0	122	(122)	–
Total	54,750	51,756	47,243	153,750	(122)	153,627
Segment profit	6,752	9,479	8,476	24,708	(5,645)	19,062

Note 1: The 5,645 million yen downward adjustment to segment profit reflects a negative 5,668 million yen in corporate expense not allocable to the reportable segments and 23 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 2: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment

(Material change in the amount of goodwill)

No items to report

II. First three quarters of the fiscal year ending March 31, 2024 (April 1, 2023–December 31, 2023)

1. Information on sales and profit (loss) by reportable segment

	Reportable segments				Adjustments (Note 1)	Consolidated (Note 2)
	Mobility & Imaging Business Unit	Fine Chemicals Business Unit	Life Science Business Unit	Total		
	Million yen					
Sales						
Sales to third parties	60,709	40,742	48,301	149,753	–	149,753
Intersegment sales and transfers	–	129	0	130	(130)	–
Total	60,709	40,872	48,301	149,883	(130)	149,753
Segment profit	5,861	3,275	888	10,025	(5,913)	4,111

Note 1: The 5,913 million yen downward adjustment to segment profit reflects a negative 5,860 million yen in corporate expense not allocable to the reportable segments and 53 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

Note 2: Segment profit has been adjusted to correspond with the total operating income as shown in the consolidated statements of income.

2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment

(Material impairment loss on non-current assets)

The Mobility & Imaging Business Unit recognized an impairment loss due to deteriorating profitability of the consolidated subsidiary Dejima Tech B.V. accompanying changes in the business environment.

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The impairment loss recognized in first three quarters of the fiscal year ending March 31, 2024 was 75 million yen.

### III. Information relating to the change in reportable segments

In accordance with organizational changes, we have changed reportable segments from the “Functional Chemicals Business,” “Pharmaceuticals Business,” and “Safety Systems Business” to the “Mobility & Imaging Business Unit,” “Fine Chemicals Business Unit,” and “Life Science Business Unit” from the first quarter of this consolidated fiscal year.

The main products provided by the reportable segments are shown in the table below.

Reportable segment	Sales segment	Main products and services
Mobility & Imaging Business Unit	Safety systems	Airbag inflators, micro gas generators for seatbelt pretensioners, and squibs
	Polatechno	Components for LCD displays, LCD projector components, and components for X-ray analysis systems
Fine Chemicals Business Unit	Functional materials	Epoxy resins, maleimide resins, epoxy resin hardeners, reactive flame retardants, acrylic acid esters, UV-curable resins for resist, resist for MEMS (liquid and dry film resist), cleaners for LCDs and semiconductors, liquid crystal display sealants, and semiconductor manufacturing equipment (laminator, remover, mounter, UV curing equipment)
	Color materials	Colorants for inkjet printers, dyes for inkjet textile printing, inks for industrial inkjet printers, image sensor materials, dichotomous colorants for dimmable glass, near infrared absorbers, dyes for textiles and paper, colorants for resins, developer for thermal paper, and pigment derivatives (synergists)
	Catalysts	Catalysts for the production of acrylic acid, acrolein, and methacrylic acid
Life Science Business Unit	Pharmaceuticals	Anti-cancer drugs, biological drugs, cardiovascular agents, photodynamic diagnostic agents, in-vitro diagnostic drugs, embolization materials, pharmaceutical API and intermediates, food additives, health food ingredients, preservatives for food quality, and cleaners and disinfectants
	Agrochemicals	Insecticides, herbicides, fungicides, miticides, public health insecticides, soil fumigants, and animal repellents
	Real estate	Real estate business

Segment information for the first three quarters of the previous consolidated fiscal year has been restated based on the new reportable segments.