

For the year ended March 31, 2023

Summary of Financial Results

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for the Year Ending March 31, 2024**
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May 26, 2023

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1

Summary of Consolidated Financial Results for the Year Ended March 31, 2023

Points of the Full-Year Financial Results for the Year Ended March 31, 2023

Uncertain outlook has been unchanged because of rising raw material and fuel prices, weakening of the yen, and the effect of the international situation.

◆ Net sales increased 2.1% Y-o-Y while operating profit decreased 67.0%.

- Sales increased because of revisions to the selling prices, but profits decreased because of capacity utilization lowered by rapid production adjustment of major customers.
- Capital investment was made mainly in Specialty Chemicals.
 - Tokuyama Factory: Dielectric materials for MLCC (barium titanate)
 - * Expected to be completed in FY 2024
 - Fukushima No. 2 Factory: High-purity red phosphorus for semiconductors (May 2022)
 - Fukushima No. 2 Factory: Phosphorus materials for the next-generation display (December 2022)
- Portfolio optimization (Silicates and silica: Dissolution of Kanto Sodium Silicate Glass Co., Ltd.)
 - * The system was ensured to stably procure and supply sodium silicate glass via CT GLASS COMPANY LIMITED (capital and business alliance relationship) in Thailand.

Consolidated Financial Results for the Year Ended March 31, 2023

(Millions of yen)	Year ended March 31, 2022	Year ended March 31, 2023	Change	Change rate
Net sales	37,275	38,075	800	2.1%
Operating profit	3,921	1,292	(2,629)	(67.0%)
Operating profit percentage	10.5%	3.4%	(7.1pt)	
Ordinary profit	3,864	1,412	(2,452)	(63.5%)
Profit	3,735	855	(2,879)	(77.1%)
EBITDA[※]	6,982	4,623	(2,359)	(33.8%)
ROE	9.2%	2.0%	(7.2pt)	
Earnings per share (Yen)	424.47	97.13	-	-

※ Brief version of EBITDA (operating profit + depreciation) is used

Earnings for the Year Ended March 31, 2023, by Business

(Millions of yen)		Year ended March 31, 2022	Year ended March 31, 2023	Change	Change rate
Inorganic Chemicals	Net sales	16,110	20,327	4,217	26.2%
	Operating profit	950	1,130	180	18.9%
Specialty Chemicals	Net sales	17,426	15,983	(1,442)	(8.3%)
	Operating profit	2,075	(437)	(2,512)	-
Leasing Business	Net sales	913	915	1	0.2%
	Operating profit	537	541	4	0.7%
Air-conditioning Business	Net sales	1,926	-	(1,926)	-
	Operating profit	258	-	(258)	-
Other	Net sales	898	849	(49)	(5.5%)
	Operating profit	95	81	(14)	(14.7%)
Total	Net sales	37,275	38,075	800	2.1%
	Operating profit	3,921	1,292	(2,629)	(67.0%)

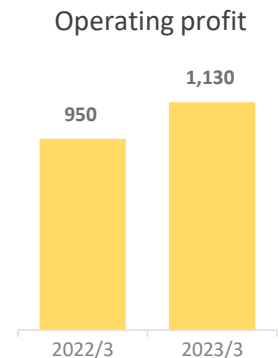
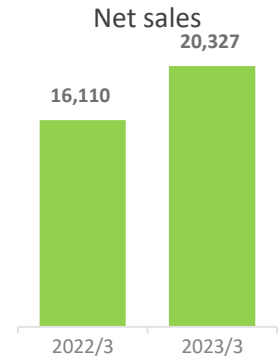
Net Sales in Inorganic Chemicals for the Year Ended March 31, 2023

(Millions of yen)	2022/3	2023/3	Change	Change rate
Chromium Compounds	4,679	5,326	647	13.8%
Silicates and Silica	2,078	2,467	389	18.7%
Inorganic Phosphorus Compounds	6,222	8,765	2,543	40.9%
Other	3,131	3,768	637	20.3%
Total	16,110	20,327	4,217	26.2%

◆ **Chromium Compounds:** Execution of price revisions despite sharp decline for refractory and weakness for plating

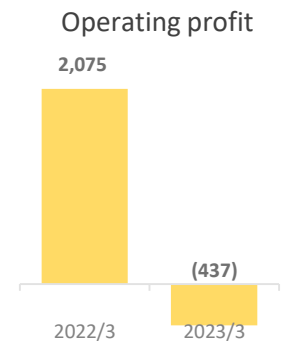
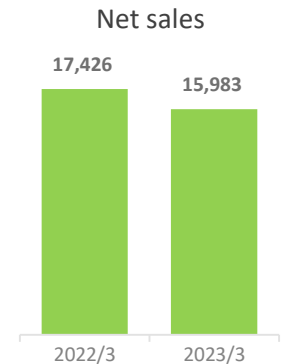
◆ **Silicates and Silica:** Execution of price revisions despite weakness for civil engineering and industry

◆ **Inorganic Phosphorus Compounds:** Execution of price revisions despite sharp decline for LCDs and semiconductors and industry



Net Sales in Specialty Chemicals for the Year Ended March 31, 2023

(Millions of yen)	2022/3	2023/3	Change	Change rate
Electronic Ceramic Materials	7,911	7,617	(294)	(3.7%)
Organic Functional Materials	3,349	2,655	(694)	(20.7%)
Battery and Electronic Device Materials	4,075	4,022	(53)	(1.3%)
Other	2,089	1,687	(402)	(19.2%)
Total	17,426	15,983	(1,442)	(8.3%)



- ◆ **Electronic Ceramic Materials:** Solidness for automobiles and sharp decline for communication and in high-purity barium carbonate
- ◆ **Organic Functional Materials**
 - **Phosphine Derivatives:** Solidness for Quantum Dot and sharp decline in other overseas catalysts
 - **Agrochemicals:** Sharp decline for major customers
- ◆ **Battery and Electronic Device Materials**
 - **Battery Materials:** Execution of price revisions
 - **Circuit Materials:** Sharp growth for paste
 - **High-Purity Electronic Materials:** Strong growth for semiconductors and sharp decline in some products

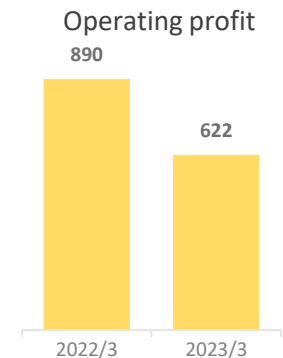
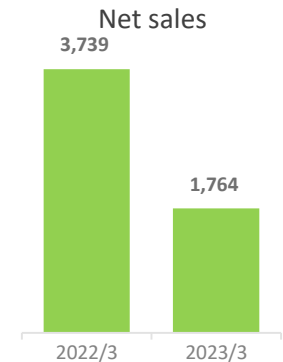
Net Sales in Leasing Business and Others for the Year Ended March 31, 2023

(Millions of yen)	2022/3	2023/3	Change	Change rate
Leasing Business	913	915	1	0.2%
Air-conditioning Business	1,926	-	(1,926)	-
Book Store Operation	619	549	(70)	(11.3%)
Other	281	299	18	6.4%
Total	3,739	1,764	(1,975)	(52.8%)

◆ **Leasing Business:** Solidness

◆ **Air-conditioning Business:** The business was outside the scope of consolidation from the Q3 of the year ended March 31, 2022, because of sales of the business.

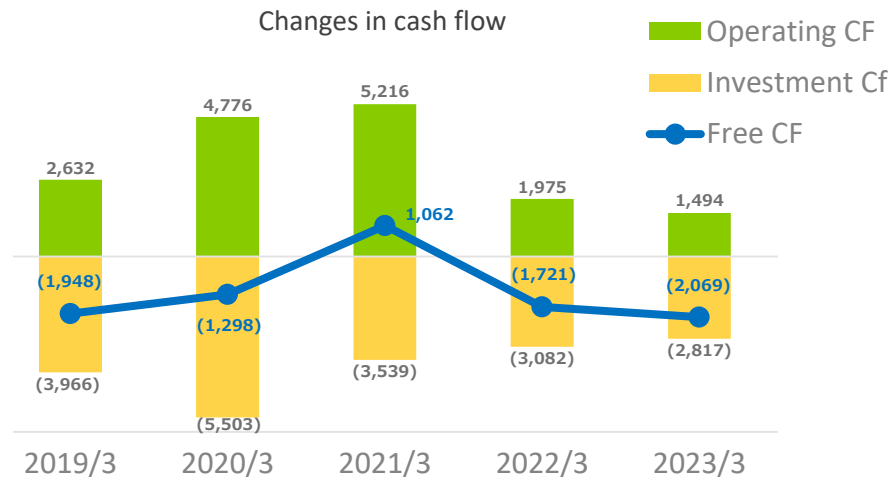
◆ **Book Store Operation:** Weakness



Cash Flows

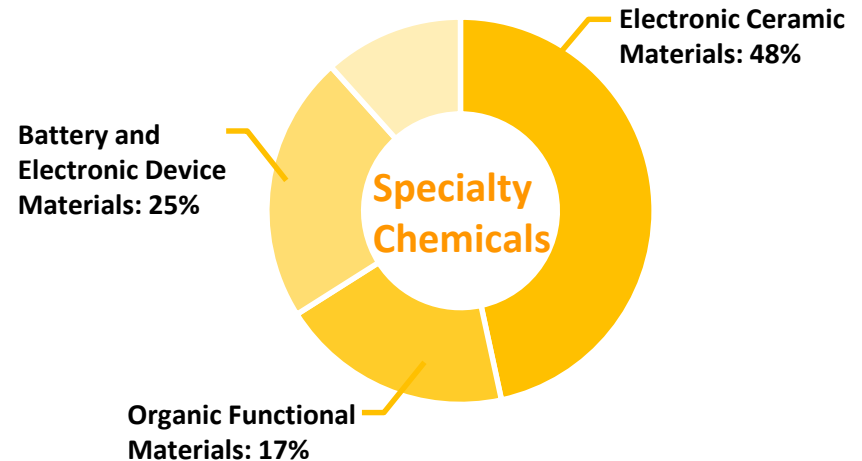
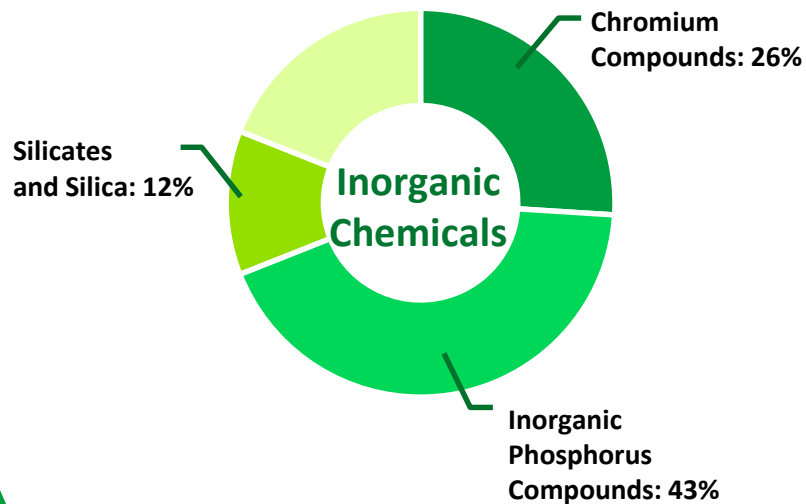
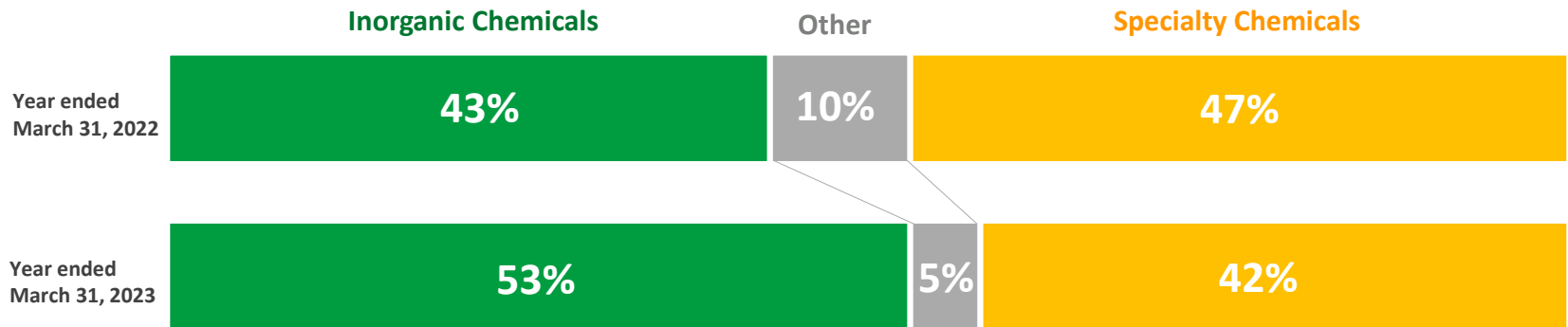
(Millions of yen)	2022/3	2023/3	Change	Major changing factors
Operating CF	1,975	1,494	(481)	Profit before income taxes (1,896)
Investment CF	(3,082)	(2,817)	265	Purchase of property, plant and equipment: 2,238
Financial CF	120	102	(18)	
Free CF *	(1,721)	(2,069)	(348)	
Cash and cash equivalents at end of period	9,002	7,831	(1,171)	
Dividends paid	614	747	133	
Depreciation	3,061	3,331	270	

* It was calculated by subtracting investment CF and dividend from operating CF.



Composition of Net Sales

The composition ratio of Inorganic Chemicals increased in the short term as a result of sharp price revisions in Inorganic Chemicals according to a rise in market prices.



2

Forecast of Consolidated Financial Results for the Year Ending March 31, 2024

Points of the Full-year Forecasts for the Year Ending March 31, 2024

Uncertain outlook will be unchanged because of geopolitical risk and fluctuations in exchange rate and impact of fluctuations of raw material and fuel prices.

◆ **Net sales will increase 5.1% Y-o-Y while operating profit will increase 23.8%.**

- Expect completion of production adjustments of major customers but assume a slow recovery of demand for LCDs and semiconductors and communication.
- Solid in electronic ceramic materials (for MLCC) for automobiles.
- Continue growth investment (barium titanate).
- Focus on expansion of revenue base and value creation toward mid- and long- term growth.
- Allocate managerial resources mainly to growth fields, overseas expansion, and product development. Continuously optimize the business portfolio.

Forecast of Consolidated Financial Results for the Year Ending March 31, 2024

	Year ending March 31, 2023 Actual results	Year ending March 31, 2024 Forecast	Change	Change rate
(Millions of yen)				
Net sales	38,075	40,000	1,925	5.1%
Operating profit	1,292	1,600	308	23.8%
Operating profit percentage	3.4%	4.0%	0.6pt	
Ordinary profit	1,412	1,600	188	13.3%
Profit	855	1,000	145	17.0%
EBITDA ※	4,623	5,400	777	16.8%
ROE	2.0%	2.4%	0.4pt	
Earnings per share (Yen)	97.13	113.47	-	-
Annual dividends per share (Yen)	Interim : 35 Year-end : 35 Annual : 70	Interim : 35 Year-end : 35 Annual : 70	-	-
Capital expenditures	4,288	5,300	1,012	23.6%
Depreciation	3,331	3,800	469	14.1%
R & D expenses	1,518	1,500	(18)	(1.2%)

※ Brief version of EBITDA (operating profit + depreciation) is used

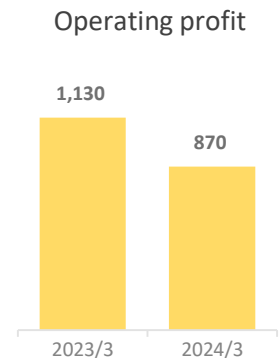
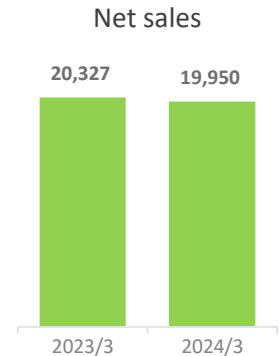
Forecast of Earnings for the Year Ending March 31, 2024, by Business

		Year ending March 31, 2023	Year ending March 31, 2024	Change	Change rate
(Millions of yen)		Actual results	Forecast		
Inorganic Chemicals	Net sales	20,327	19,950	(377)	(1.9%)
	Operating profit	1,130	870	(260)	(23.0%)
Specialty Chemicals	Net sales	15,983	18,330	2,347	14.7%
	Operating profit	(437)	155	592	-
Leasing Business	Net sales	915	915	0	0.0%
	Operating profit	541	535	(6)	(1.1%)
Other	Net sales	849	805	(44)	(5.2%)
	Operating profit	81	40	(41)	(50.6%)
Total	Net sales	38,075	40,000	1,925	5.1%
	Operating profit	1,292	1,600	308	23.8%

Forecast of Net Sales in Inorganic Chemicals for the Year Ending March 31, 2024

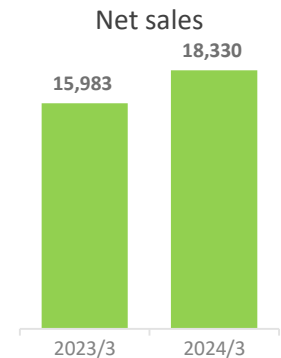
(Millions of yen)	2023/3 Actual results	2024/3 Forecast	Change	Change rate
Chromium Compounds	5,326	5,500	174	3.3%
Silicates and Silica	2,467	2,900	433	17.6%
Inorganic Phosphorus Compounds	8,765	7,750	(1,015)	(11.6%)
Other	3,768	3,800	32	0.8%
Total	20,327	19,950	(377)	(1.9%)

- ◆ **Chromium Compounds:** Execution of price revisions despite weakness in sales volume
- ◆ **Silicates and Silica:** Execution of price revisions and sales expansion
- ◆ **Inorganic Phosphorus Compounds:** Weakness for LCDs and semiconductors

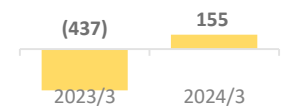


Forecast of Net Sales in Specialty Chemicals for the Year Ending March 31, 2024

(Millions of yen)	2023/3 Actual results	2024/3 Forecast	Change	Change rate
Electronic Ceramic Materials	7,617	8,400	783	10.3%
Organic Functional Materials	2,655	3,200	545	20.5%
Battery and Electronic Device Materials	4,022	5,050	1,028	25.6%
Other	1,687	1,680	(7)	(0.4%)
Total	15,983	18,330	2,347	14.7%



Operating profit



- ◆ **Electronic Ceramic Materials:** Solidness for automobiles, and demand recovery for communication and in high-purity barium carbonate toward the second half
- ◆ **Organic Functional Materials**
 - **Phosphine Derivatives:** Flat for Quantum Dot and sharp growth in other overseas catalysts
 - **Agrochemicals:** Execution of price revisions
- ◆ **Battery and Electronic Device Materials**
 - **Battery Materials :** Execution of price revisions according to an increase in market prices
 - **Circuit materials:** Solidness in sales volume
 - **High-Purity Electronic Materials:** Recovery of demand for organic electronic materials

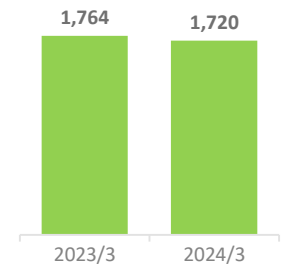
Forecast of Net Sales in Leasing Business and Others for the Year Ending March 31, 2024

(Millions of yen)	2023/3 Actual results	2024/3 Forecast	Change	Change rate
Leasing Business	915	915	0	0.0%
Book Store Operation	549	510	(39)	(7.1%)
Other	299	295	(4)	(1.3%)
Total	1,764	1,720	(44)	(2.5%)

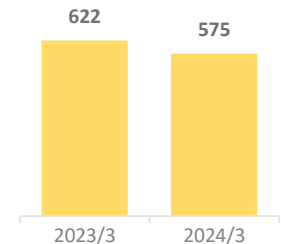
◆ **Leasing Business:** Solidness for major tenants

◆ **Book Store Operation:** Weakness

Net sales



Operating profit



3

Medium-Term Business Plan (Progress)

Progress of Medium-Term Business Plan (Net Sales and Operating Profit)

Achievement of plan resulting from price revisions despite decreased demand resulting from deteriorated external environment

A slow recovery in demand and unit selling prices remaining in higher price range



Review (Results) of the Medium-Term Business Plant (First Year)

(i) Expansion of growth fields

■ Active advancement of capital investment mainly in Specialty Chemicals

Expanded the capacity for electronic ceramic materials (expected to be completed in FY 2024).
Expanded the capacity for semiconductor materials (completed in May 2022).
Expanded the capacity for phosphorus materials for Quantum Dot (completed in December 2022).

(ii) Promotion of globalization

■ Reinforcement of the system, and optimization of functions, of overseas sales bases

Expanded operations of JCI (Thailand).

■ Tighter cooperation with overseas sales bases

(iii) Reinforcement of business foundation

■ Promotion of sustainable management

Established Sustainability Promotion Committee and issue TCFD report.

■ Optimization of business portfolio

Dissolved Kanto Sodium Silicate Glass Co., Ltd.

Review (Challenges) of Medium-Term Business Plan (First Year)

■ Shortfall from targets and delay at new businesses in growth fields

There is a delay in demand expansion despite prior investment in expectation of increasing demand.

(including organic electronic materials, MLCC materials, phosphorus materials for the next-generation display)

→Steadily execute valuation of customers and building of mass production system in anticipation of demand recovery and expansion phases.

■ Improvement of corporate value

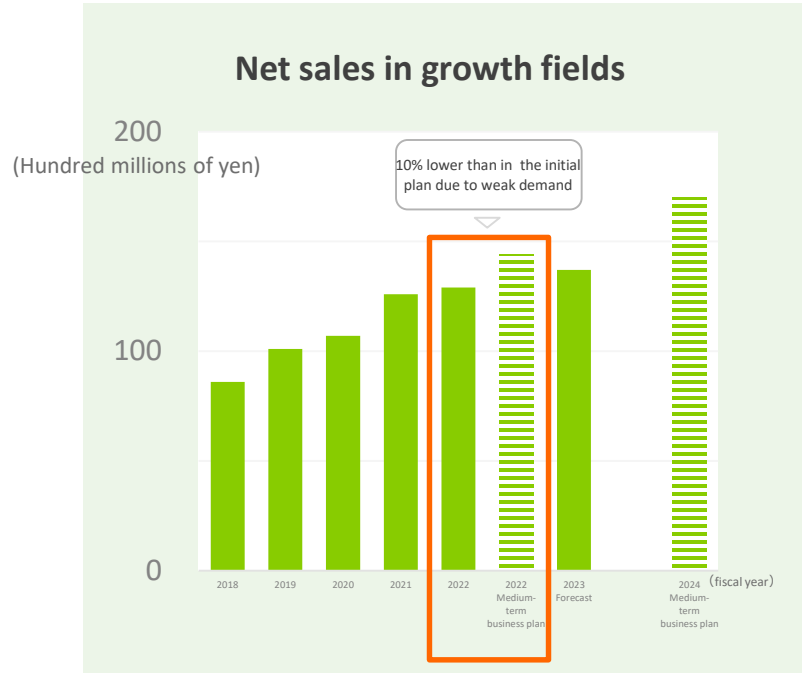
ROE and EBITDA remained low below assumptions.

→Actively implement measures to increase ROE through improvement of shareholder return.

■ Promotion of sustainability management

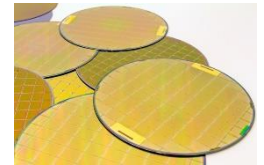
→Deepen efforts to increase social value, including establishment of KPIs for identified materiality.

Growth Fields



Progress in FY 2022

- Shortfall from the initial plan for FY 2022
- Expansion of external demand driving sales behind about a year from the initial plan
- Demand related to digitalization and energy saving expected to be expanded in the mid- and long- term



<Products in growth fields>

<Major uses>

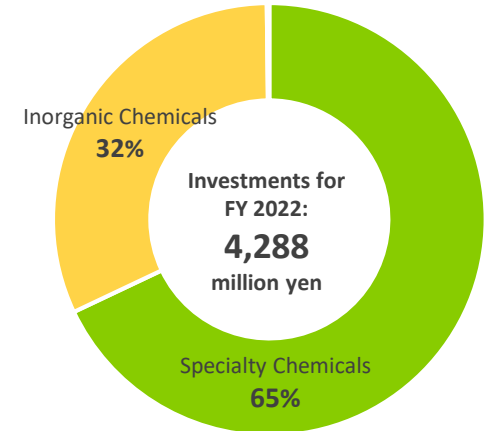
■ Electronic Ceramic Materials	Dielectric materials for MLCC
■ Phosphoric acid for LCDs and semiconductors	Etching agents
■ High-purity electronic materials	Dopants for silicon semiconductor, compound semiconductor materials, electronic materials
■ Phosphorus materials for QD	Materials for the next-generation display (Quantum Dot display)

Capital Investment

Progress in FY 2022

- Allocation of 70% of capital investment amount to Specialty Chemicals where products in growth fields concentrated
- Completion of capital investment in growth fields excluding electronic ceramic materials
- Establishment of mass production including customer evaluation of new equipment in preparation for demand expansion phase

<Breakdown of capital investment>



<Major capital investment>

● Completed ○ Scheduled to be completed

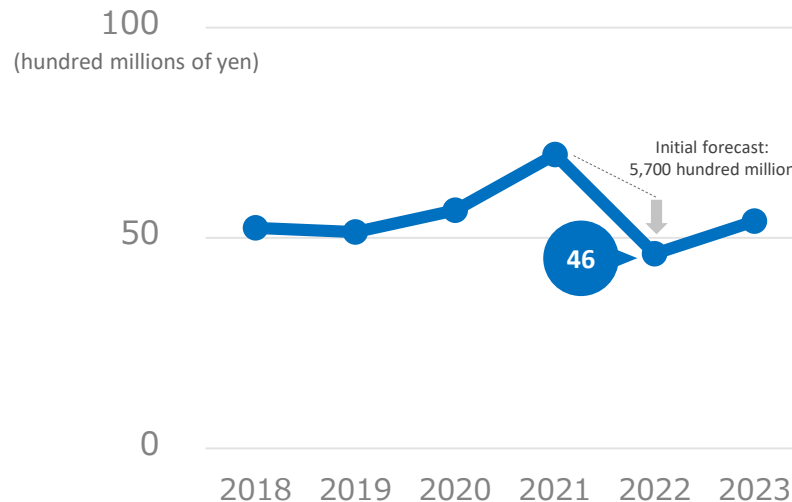
Factory	Details	Investment amount	2018	2019	2020	2021	2022	2023	2024	
Tokuyama	Electronic Ceramic Materials (Construction of new production building)	6,000-7,000 million (Cumulative total for 2018-2022: 4,200 million yen)	◆—————▶							○
Fukushima No.2	Organic electronic materials (Increasing capacity)	2,000 million	●							
Fukushima No.2	High-purity red phosphorus (Construction of new production building)	400 million			◆—————▶		●			
Fukushima No.2	Phosphorus materials for QD (Increasing capacity)	800 million			◆—————▶		●			

Improvement of Corporate Value

- Key performance indicators, EBITDA and ROE, remain low.
- Put a priority on profit growth while seek continuous growth of ROE by increasing capital efficiency through improvement in return to shareholders.
- Examine concrete policies and measures to increase profitability including ROE.

Profitability

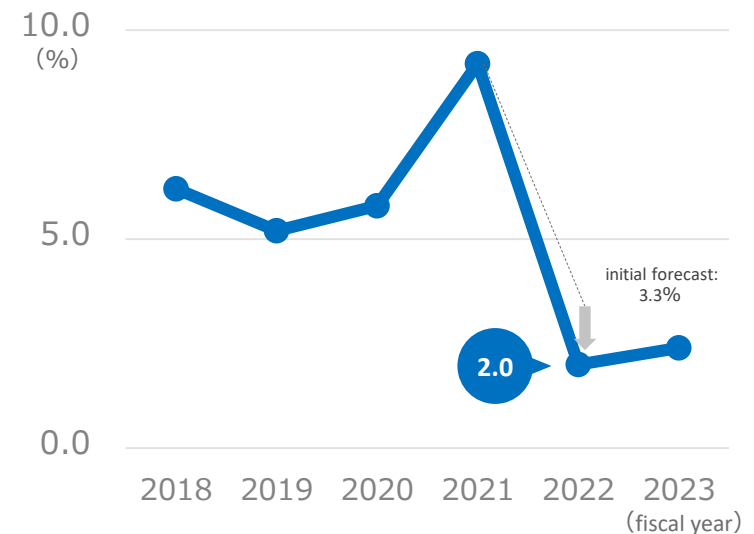
EBITDA



* Brief version of EBITDA (operating profit + depreciation) is used.

Shareholder value

ROE

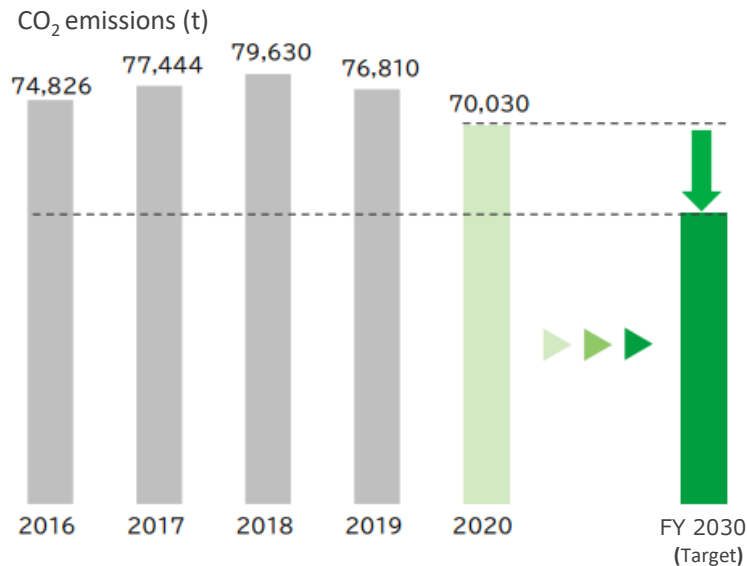


Promotion of Sustainability Management

- September 2022: Established Sustainability Promotion Committee.
October 2022: Declared support for TCFD recommendation and issued TCFD report.
- Identified materiality and give consideration to the establishment of KPIs in future.
- Continuously strive to increase social value and corporate value

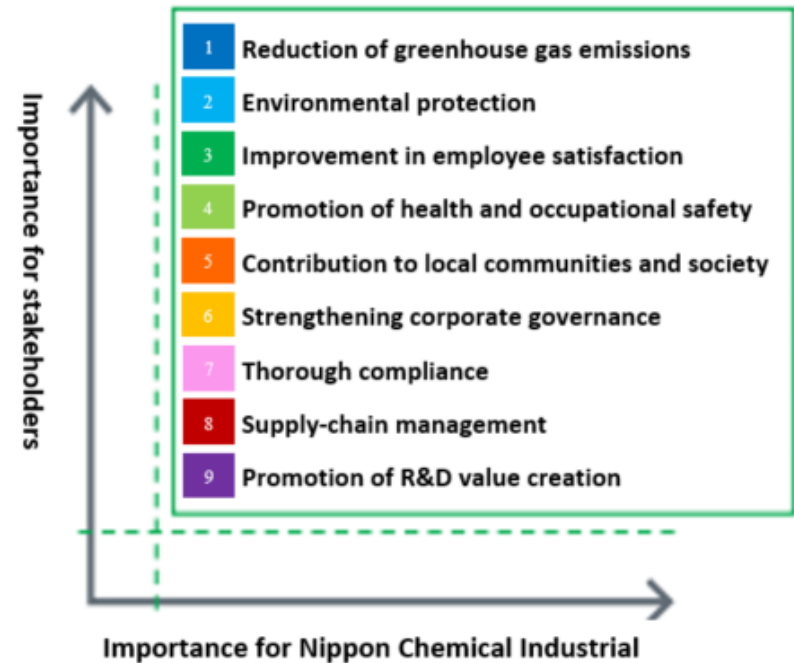


<Reduction target> **23%** reduction by FY 2030



Boundary: Nippon Chemical Industrial Group

<Materiality (Important issues)>



Strengthening of Human Capital

Strengthening of organizational power

Development of human resources using coaching



Improvement in work-life balance

Promotion of work-style reform



Increase in company recognition

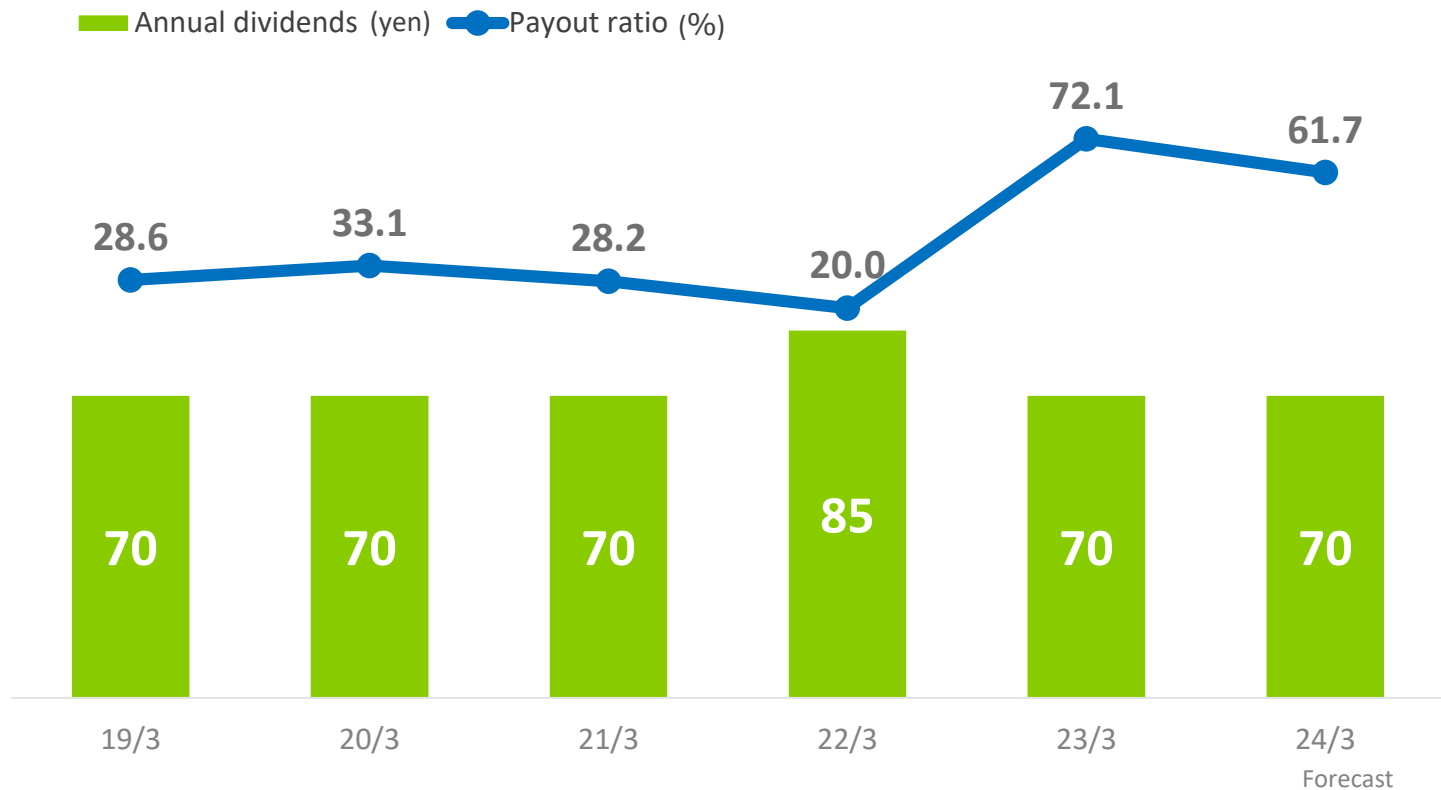
Use of wrapping advertising and commercials



* The service started in May 2023 (in Fukushima prefecture)

Shareholder Return

- Focus on stable and continuous dividend, giving comprehensive consideration to business results and mid- and long-term growth.
- Enhance shareholder return

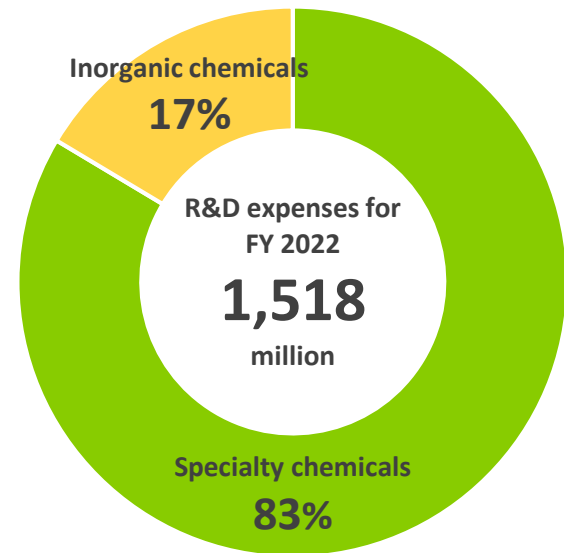
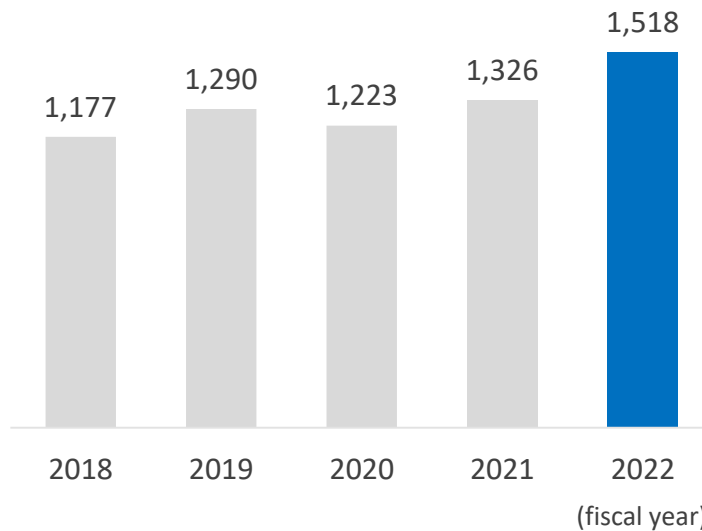


Research and Development

Make highly efficient research and development

Trend in R&D expenses

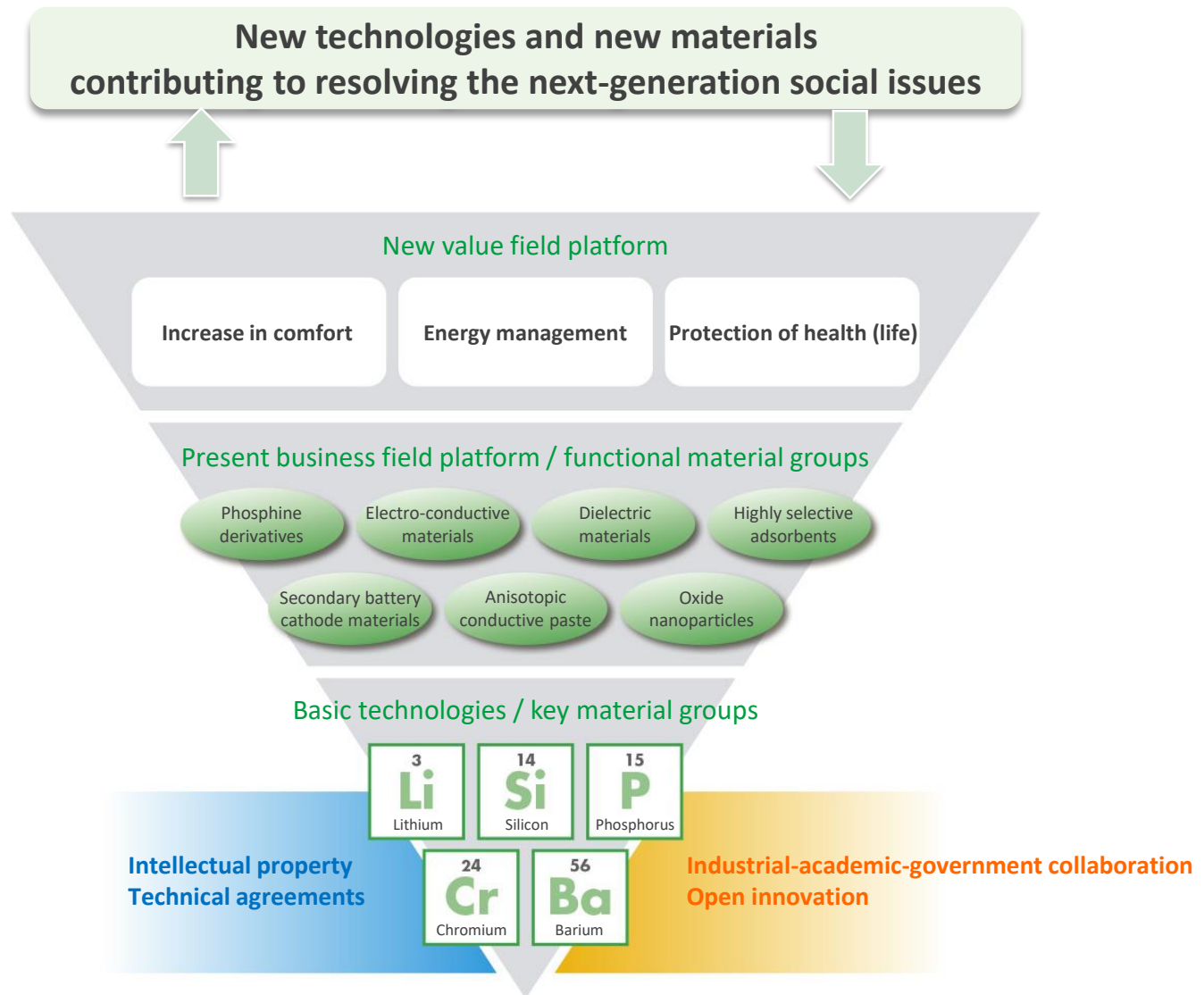
(Millions of yen)



4

Efforts for Research and Development

Concept of Research and Development

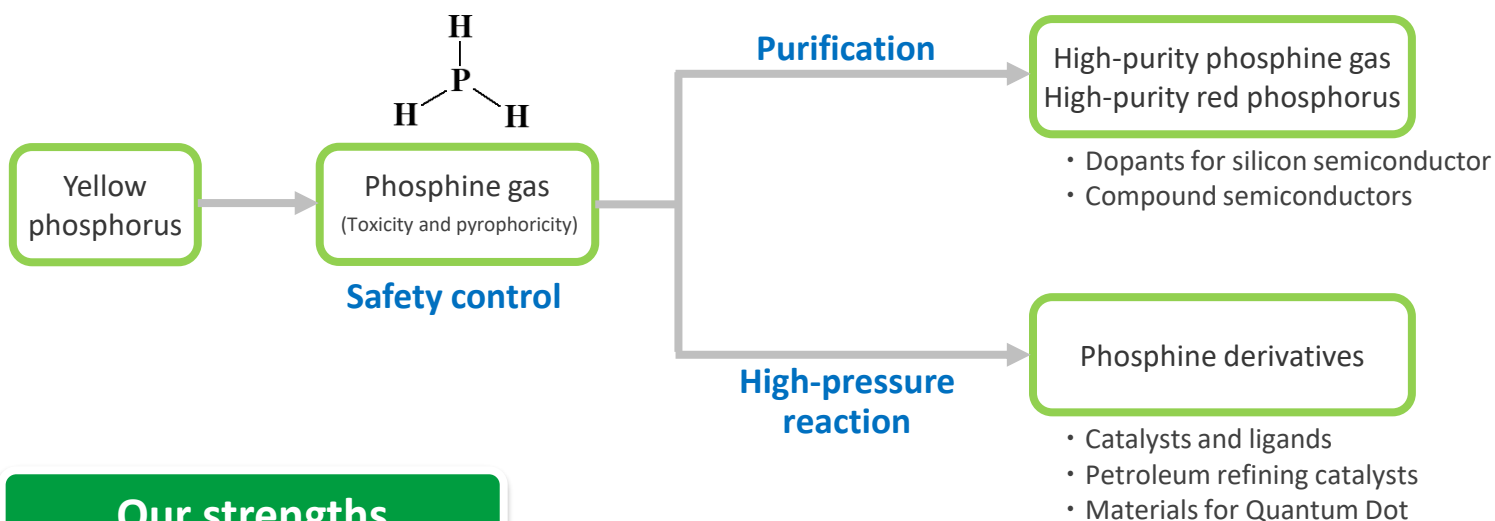


Phosphine gas, phosphine derivatives

Only phosphine gas producer in Japan

What are phosphine derivatives? . . .

They represent organic compounds made from phosphine that consist of phosphorus and hydrogen. They are used for catalysts, which promote chemical reaction, and antistatic agents.



Our strengths

■ Safety control process:

Safely handling phosphine gas with the toxicity and pyrophoricity

■ High-purification process:

Providing high-purity gas for semiconductors by efficiently refining huge volumes of the gas through gas liquefaction process

■ High-pressure reaction process:

Realizing a wide variety of lineups by precisely controlling chemical reactions

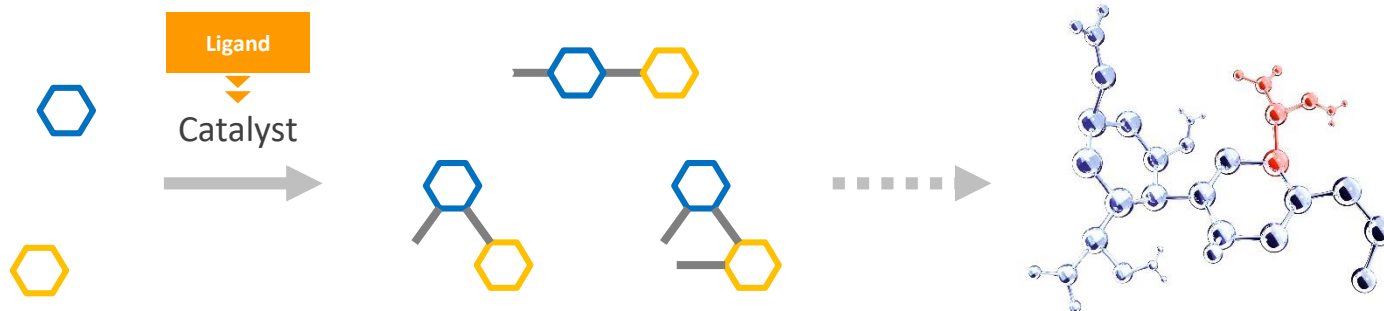
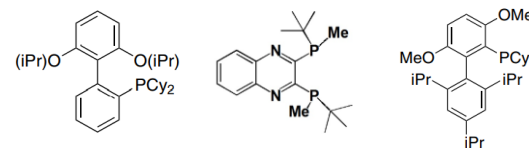
Phosphine derivatives: A wide variety of ligands

Applicable to pharmaceuticals

What are ligands? . . .

They represent compounds coordinately bond to metals.
They are widely used as materials for catalysts to promote chemical reactions.

<Example of ligand products>



Business strategies

- Use of organic synthesis technologies of phosphine derivatives
- Cost competitiveness from integrated manufacturing from phosphine
- Aggressive expansion into pharmaceuticals and organic electronics areas



日本化学

The forecasts of financial results and business plans included in the materials were based on currently available information available and certain preconditions, and so the forecasts do not guarantee future financial results. Actual financial results may differ from the forecasts for to a variety of reasons.

Please make your own decisions on investments.