

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 10, 2022

Company name: Nippon Chemical Industrial CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4092 URL: <https://www.nippon-chem.co.jp/>
 Representative: President Hirota Tanahashi
 Inquiries: General Manager, Accounting Department Yuji Kumada TEL 03-3636-8038
 Scheduled date to file Quarterly Securities Report: November 11, 2022
 Scheduled date to commence dividend payments: December 5, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022 | 19,653 | 1.3 | 992 | (57.1) | 1,123 | (51.6) | 735 | (63.7) |
| Six months ended September 30, 2021 | 19,397 | 20.4 | 2,312 | 153.0 | 2,322 | 150.9 | 2,025 | 211.3 |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2022 | 83.47 | | - | |
| Six months ended September 30, 2021 | 230.27 | | - | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2022 | 68,883 | 41,688 | 60.5 |
| As of March 31, 2022 | 70,431 | 41,867 | 59.4 |

2. Cash dividends

| | Annual dividends per share | | | | |
|---------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | | | | |
| Year ended March 31, 2022 | - | 35.00 | - | 50.00 | 85.00 |
| Year ending March 31, 2023 | - | 35.00 | - | - | - |
| Year ending March 31, 2023 (Forecast) | - | - | - | 35.00 | 70.00 |

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|-----|------------------|--------|-----------------|--------|-----------------------------------------|--------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 38,000 | 1.9 | 2,100 | (46.4) | 2,200 | (43.1) | 1,400 | (62.5) | 159.06 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

| | | | |
|--------------------------|------------------|----------------------|------------------|
| As of September 30, 2022 | 8,922,775 shares | As of March 31, 2022 | 8,922,775 shares |
|--------------------------|------------------|----------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|----------------|----------------------|----------------|
| As of September 30, 2022 | 110,155 shares | As of March 31, 2022 | 121,086 shares |
|--------------------------|----------------|----------------------|----------------|

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

| | | | |
|-------------------------------------|------------------|-------------------------------------|------------------|
| Six months ended September 30, 2022 | 8,806,374 shares | Six months ended September 30, 2021 | 8,798,319 shares |
|-------------------------------------|------------------|-------------------------------------|------------------|

*This financial results report is exempt from audit by certified public accountants or accounting firm.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--------------------------------------------|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,012 | 5,953 |
| Notes receivable - trade | 756 | 652 |
| Accounts receivable - trade | 10,239 | 10,952 |
| Merchandise and finished goods | 3,946 | 4,440 |
| Work in process | 3,098 | 3,962 |
| Raw materials and supplies | 2,758 | 3,389 |
| Consumption taxes refund receivable | 171 | – |
| Other | 1,226 | 831 |
| Allowance for doubtful accounts | (491) | (14) |
| Total current assets | 30,718 | 30,169 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 36,764 | 37,024 |
| Accumulated depreciation | (23,224) | (23,672) |
| Buildings and structures, net | 13,539 | 13,351 |
| Machinery, equipment and vehicles | 15,492 | 18,254 |
| Accumulated depreciation | (8,261) | (9,847) |
| Machinery, equipment and vehicles, net | 7,231 | 8,407 |
| Land | 7,466 | 7,466 |
| Construction in progress | 2,772 | 1,485 |
| Other | 6,415 | 6,511 |
| Accumulated depreciation | (5,561) | (5,659) |
| Other, net | 854 | 852 |
| Total property, plant and equipment | 31,864 | 31,562 |
| Intangible assets | | |
| Other | 448 | 432 |
| Total intangible assets | 448 | 432 |
| Investments and other assets | | |
| Investment securities | 6,385 | 5,665 |
| Long-term loans receivable | 1 | 0 |
| Deferred tax assets | 92 | 97 |
| Retirement benefit asset | 580 | 630 |
| Other | 362 | 346 |
| Allowance for doubtful accounts | (22) | (22) |
| Total investments and other assets | 7,399 | 6,718 |
| Total non-current assets | 39,712 | 38,713 |
| Total assets | 70,431 | 68,883 |

(Millions of yen)

As of March 31, 2022 As of September 30, 2022

| | As of March 31, 2022 | As of September 30, 2022 |
|-------------------------------------------------------|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,390 | 3,715 |
| Short-term borrowings | 8,886 | 8,761 |
| Income taxes payable | 297 | 46 |
| Accrued consumption taxes | 20 | 40 |
| Provision for bonuses | 472 | 420 |
| Accounts payable - facilities | 1,580 | 1,510 |
| Other | 3,058 | 3,042 |
| Total current liabilities | 17,706 | 17,537 |
| Non-current liabilities | | |
| Long-term borrowings | 7,033 | 5,817 |
| Deferred tax liabilities | 610 | 656 |
| Retirement benefit liability | 1,093 | 1,088 |
| Other | 2,118 | 2,095 |
| Total non-current liabilities | 10,857 | 9,657 |
| Total liabilities | 28,563 | 27,194 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,757 | 5,757 |
| Capital surplus | 2,270 | 2,267 |
| Retained earnings | 30,809 | 31,098 |
| Treasury shares | (337) | (307) |
| Total shareholders' equity | 38,499 | 38,815 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,035 | 2,528 |
| Deferred gains or losses on hedges | 0 | – |
| Foreign currency translation adjustment | 24 | 93 |
| Remeasurements of defined benefit plans | 307 | 251 |
| Total accumulated other comprehensive income | 3,368 | 2,873 |
| Total net assets | 41,867 | 41,688 |
| Total liabilities and net assets | 70,431 | 68,883 |

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

Consolidated statements of income (cumulative)

(Millions of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|---------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Net sales | 19,397 | 19,653 |
| Cost of sales | 14,360 | 16,133 |
| Gross profit | 5,037 | 3,519 |
| Selling, general and administrative expenses | 2,724 | 2,526 |
| Operating profit | 2,312 | 992 |
| Non-operating income | | |
| Interest and dividend income | 67 | 79 |
| Share of profit of entities accounted for using equity method | – | 33 |
| Foreign exchange gains | – | 61 |
| Other | 61 | 62 |
| Total non-operating income | 129 | 236 |
| Non-operating expenses | | |
| Interest expenses | 41 | 41 |
| Share of profit of entities accounted for using equity method | 8 | – |
| Other | 69 | 64 |
| Total non-operating expenses | 119 | 105 |
| Ordinary profit | 2,322 | 1,123 |
| Extraordinary income | | |
| Gain on sale of investment securities | – | 22 |
| Gain on sale of shares of subsidiaries and associates | 552 | – |
| Total extraordinary income | 552 | 22 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 45 | 63 |
| Total extraordinary losses | 45 | 63 |
| Profit before income taxes | 2,829 | 1,082 |
| Income taxes - current | 744 | 57 |
| Income taxes - deferred | 59 | 289 |
| Total income taxes | 803 | 346 |
| Profit | 2,025 | 735 |
| Profit attributable to owners of parent | 2,025 | 735 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|-------------------------------------------------------|----------------------------------------|----------------------------------------|
| Profit | 2,025 | 735 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 321 | (507) |
| Deferred gains or losses on hedges | (0) | (0) |
| Foreign currency translation adjustment | 19 | 68 |
| Remeasurements of defined benefit plans, net of tax | (182) | (55) |
| Total other comprehensive income | 157 | (494) |
| Comprehensive income | 2,183 | 240 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,183 | 240 |

Consolidated statements of cash flows

(Millions of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|--------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,829 | 1,082 |
| Depreciation | 1,510 | 1,595 |
| Amortization of goodwill | 7 | – |
| Increase (decrease) in allowance for doubtful accounts | 134 | (477) |
| Increase (decrease) in provision for bonuses | 40 | (52) |
| Increase (decrease) in retirement benefit liability | 20 | (5) |
| Interest and dividend income | (67) | (79) |
| Share of loss (profit) of entities accounted for using equity method | 8 | (33) |
| Interest expenses | 41 | 41 |
| Foreign exchange losses (gains) | 0 | (13) |
| Loss (gain) on sale of shares of subsidiaries and associates | (552) | – |
| Loss (gain) on sale of investment securities | – | (22) |
| Loss on retirement of non-current assets | 45 | 63 |
| Decrease (increase) in trade receivables | (343) | (598) |
| Decrease (increase) in inventories | 458 | (1,960) |
| Increase (decrease) in trade payables | (858) | 221 |
| Increase (decrease) in accrued consumption taxes | (581) | 191 |
| Other, net | (356) | 260 |
| Subtotal | 2,337 | 213 |
| Interest and dividends received | 68 | 79 |
| Interest paid | (41) | (41) |
| Income taxes paid | (1,154) | (283) |
| Income taxes refund | 7 | – |
| Net cash provided by (used in) operating activities | 1,217 | (31) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,670) | (1,314) |
| Proceeds from sale of property, plant and equipment | 0 | 1 |
| Purchase of intangible assets | (23) | (27) |
| Purchase of investment securities | (1) | (2) |
| Proceeds from sale of investment securities | – | 46 |
| Loan advances | (136) | (0) |
| Proceeds from collection of loans receivable | 7 | 52 |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation | 2,227 | – |
| Other, net | 178 | (58) |
| Net cash provided by (used in) investing activities | 582 | (1,302) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 70 | – |
| Proceeds from long-term borrowings | 800 | – |
| Repayments of long-term borrowings | (1,939) | (1,341) |
| Repayments of finance lease liabilities | (1) | (2) |
| Purchase of treasury shares | (0) | (0) |
| Dividends paid | (306) | (438) |
| Net cash provided by (used in) financing activities | (1,378) | (1,783) |
| Effect of exchange rate change on cash and cash equivalents | 10 | 58 |
| Net increase (decrease) in cash and cash equivalents | 432 | (3,058) |
| Cash and cash equivalents at beginning of period | 9,962 | 9,002 |
| Cash and cash equivalents at end of period | 10,395 | 5,943 |