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August 3, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: NOF CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 4403
 URL: <https://www.nof.co.jp/>
 Representative: Koji Sawamura, President and Chief Executive Officer
 Inquiries: Hideru Furukawa, Operating Officer, General Manager of Corporate Communications Dept.
 Telephone: +81-3-5424-6651
 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 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	%
Three months ended								
June 30, 2023	49,255	(5.3)	10,289	(17.4)	12,246	(14.0)	9,013	(9.3)
June 30, 2022	52,014	21.4	12,451	40.8	14,245	51.7	9,937	54.5

Note: Comprehensive income For the three months ended June 30, 2023: ¥12,350 million [32.4%]
 For the three months ended June 30, 2022: ¥9,327 million [53.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	111.87	–
June 30, 2022	121.43	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2023	312,245	245,143	78.2
March 31, 2023	309,438	240,002	77.3

Reference: Equity

As of June 30, 2023: ¥244,319 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	–				
Fiscal year ending March 31, 2024 (Forecast)		54.00	–	54.00	108.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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	230,000	5.6	37,000	(8.9)	38,000	(12.0)	28,400	(16.4)	351.54

Note: Revisions to the earnings forecasts most recently announced: None

* **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 June 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 June 30, 2023	2,463,071 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)

Three months ended June 30, 2023	80,571,279 shares
Three months ended June 30, 2022	81,834,619 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

In the first three months of the current fiscal year (from April 1 to June 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 in mainly 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 slow recovery of 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.

As a result of such efforts, net sales for the first quarter of the current fiscal year were 49,255 million yen, down 5.3% year on year. Operating profit decreased to 10,289 million yen, down 17.4% year on year, ordinary profit decreased to 12,246 million yen, down 14.0% year on year, and profit attributable to owners of parent decreased to 9,013 million yen, down 9.3% 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 Pharmaceuticals, Medicals and Health.

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 declined due to subdued 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 were flat year on year, reflecting steady demand from synthetic resin and resin processing applications.

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 automotive demand in the United States and Europe.

As a result, net sales of Functional Chemicals were 29,909 million yen, down 9.4% year on year, and operating profit was 4,611 million yen, down 25.7% 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 declined because of slowing COVID-19 vaccine demand, despite strong demand in the United States and Europe.

As a result, net sales of Pharmaceuticals, Medicals and Health were 13,751 million yen, down 4.6% year on year, and operating profit was 5,831 million yen, down 13.9% 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 5,448 million yen, up 21.8% year on year, and operating profit was 492 million yen (operating loss of 78 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 146 million yen, up 13.9% year on year, and operating profit was 69 million yen, down 0.2% year on year.

(2) Explanation of financial position

Total assets at the end of the first quarter of the current fiscal year were 312,245 million yen, an increase of 2,806 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in assets includes a decrease in cash and deposits of 4,950 million yen, a decrease in trade receivables of 6,218 million yen, an increase in inventories of 4,174 million yen, an increase in property, plant and equipment of 4,864 million yen, and an increase in the market value of investment securities at the end of the quarter of 4,144 million yen.

Liabilities decreased by 2,334 million yen to 67,102 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 1,993 million yen and a decrease of 4,803 million yen in income taxes payable due to payment of income taxes.

Net assets were 245,143 million yen, an increase of 5,140 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 9,013 million yen, a decrease from the purchase of treasury shares of 2,508 million yen, an increase in valuation difference on available-for-sale securities of 2,876 million yen, and a decrease from dividends of surplus of 4,688 million yen.

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

There is no change to the original forecast of consolidated financial results (announced on May 11, 2023) for the full year.

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 June 30, 2023
Assets		
Current assets		
Cash and deposits	92,520	87,569
Notes and accounts receivable - trade, and contract assets	45,971	39,660
Electronically recorded monetary claims - operating	3,014	3,107
Merchandise and finished goods	30,079	32,328
Work in process	3,412	4,179
Raw materials and supplies	16,245	17,402
Other	2,706	3,625
Allowance for doubtful accounts	(199)	(202)
Total current assets	193,750	187,672
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,181	23,331
Land	20,790	20,793
Other, net	19,891	24,603
Total property, plant and equipment	63,863	68,728
Intangible assets		
Other	1,148	1,216
Total intangible assets	1,148	1,216
Investments and other assets		
Investment securities	44,719	48,864
Retirement benefit asset	3,071	3,081
Other	2,944	2,743
Allowance for doubtful accounts	(60)	(60)
Total investments and other assets	50,675	54,628
Total non-current assets	115,688	124,573
Total assets	309,438	312,245
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,496	20,323
Electronically recorded obligations - operating	1,230	1,397
Short-term borrowings	2,080	2,088
Current portion of long-term borrowings	150	150
Income taxes payable	8,626	3,823
Provision for bonuses	3,521	1,913
Other	17,492	18,369
Total current liabilities	51,598	48,066
Non-current liabilities		
Long-term borrowings	2,332	2,333
Retirement benefit liability	4,842	4,816
Other	10,662	11,885
Total non-current liabilities	17,837	19,035
Total liabilities	69,436	67,102

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	17,742	17,742
Capital surplus	15,052	15,052
Retained earnings	192,092	196,417
Treasury shares	(10,299)	(12,808)
Total shareholders' equity	214,588	216,404
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,725	24,601
Foreign currency translation adjustment	2,683	3,131
Remeasurements of defined benefit plans	180	181
Total accumulated other comprehensive income	24,588	27,914
Non-controlling interests	825	823
Total net assets	240,002	245,143
Total liabilities and net assets	309,438	312,245

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

(Quarterly consolidated statements of income)

(For the three months period)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	52,014	49,255
Cost of sales	31,050	30,030
Gross profit	20,963	19,225
Selling, general and administrative expenses	8,511	8,936
Operating profit	12,451	10,289
Non-operating income		
Interest income	37	62
Dividend income	614	558
Foreign exchange gains	1,085	1,115
Other	151	315
Total non-operating income	1,889	2,052
Non-operating expenses		
Interest expenses	10	25
Rental expenses on real estate	18	18
Expenses for disposal of fixed assets	17	23
Other	50	29
Total non-operating expenses	96	95
Ordinary profit	14,245	12,246
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on receipt of donated non-current assets	—	411
Gain on sale of investment securities	6	190
Gain on extinguishment of tie-in shares	34	—
Total extraordinary income	42	602
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	5	16
Total extraordinary losses	5	16
Profit before income taxes	14,282	12,831
Income taxes	4,348	3,811
Profit	9,933	9,019
Profit (loss) attributable to non-controlling interests	(3)	6
Profit attributable to owners of parent	9,937	9,013

(Quarterly consolidated statements of comprehensive income)

(For the three months period)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	9,933	9,019
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,011)	2,879
Foreign currency translation adjustment	1,397	449
Remeasurements of defined benefit plans, net of tax	7	1
Total other comprehensive income	(606)	3,330
Comprehensive income	9,327	12,350
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,313	12,339
Comprehensive income attributable to non-controlling interests	13	10

(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 first 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 three months ended June 30, 2022 (from April 1, 2022, to June 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	32,994	14,418	4,472	51,885	128	52,014	–	52,014
(2) Intersegment sales or transfers	951	249	4	1,204	1,983	3,188	(3,188)	–
Total	33,945	14,667	4,476	53,090	2,112	55,202	(3,188)	52,014
Segment profit (loss)	6,210	6,775	(78)	12,906	69	12,976	(524)	12,451

(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 524 million yen in segment profit (loss) includes negative 61 million yen eliminated for intersegment transactions, and negative 462 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 three months ended June 30, 2023 (from April 1, 2023, to June 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	29,909	13,751	5,448	49,109	146	49,255	–	49,255
(2) Intersegment sales or transfers	959	183	2	1,145	2,018	3,164	(3,164)	–
Total	30,869	13,935	5,450	50,255	2,165	52,420	(3,164)	49,255
Segment profit	4,611	5,831	492	10,935	69	11,005	(715)	10,289

(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 715 million yen in segment profit includes negative 23 million yen eliminated for intersegment transactions, and negative 692 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 three months of the previous fiscal year has been prepared using the names and classification method after the changes.