

Consolidated Financial Results
For the Fiscal Year Ended March 31, 2024 [IFRS]

May 13, 2024

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (Prime Market)
Code number: 4114 URL: <https://www.shokubai.co.jp/en>
Representative: Kazuhiro Noda, President and Representative Member of the Board
Contact for inquiries: Takeharu Tatsumi, General
Manager of Corporate Communications Dept. Phone: +81-3-3506-7605
Scheduled date of the general shareholders' meeting: June 20, 2024
Scheduled date of dividend payment: June 21, 2024
Scheduled date of filing annual securities report: June 20, 2024
Supplementary materials prepared: Yes
Financial results information meeting held: Yes (for securities analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (hereinafter FY 2023) (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2023	392,009	(6.6)	16,562	(29.6)	15,744	(39.9)	12,374	(38.6)	11,008	(43.2)	34,038	13.4
FY 2022	419,568	13.6	23,528	(19.0)	26,175	(22.3)	20,160	(17.6)	19,392	(18.2)	30,009	(8.5)

	Basic earnings per share		Diluted earnings per share		Ratio of profit to equity attributable to owners of parent		Ratio of profit before tax to total assets		Operating profit to revenue	
	Yen	%	Yen	%	%	%	%	%	%	%
FY 2023	70.48		70.46		3.0		2.9		4.2	
FY 2022	122.07		122.06		5.5		5.0		5.6	

Reference: Share of profit of investments accounted for using equity method (millions of yen): FY 2023: (958)
FY 2022: 1,925

Note: On April 1, 2024, the Company conducted a stock split of in which each share of common stock was split for 4 shares. "Basic earnings per share" and "diluted earnings per share" have been calculated assuming that the stock split was conducted at the start of the previous fiscal year.

(2) Consolidated financial position

	Total assets		Total equity		Equity attributable to owners of parent		Rate of equity attributable to owners of parent		Equity attributable to owners of parent per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	%	%	Yen	%
As of Mar. 31, 2024	544,060		392,562		383,448		70.5		2,482.45	
As of Mar. 31, 2023	523,319		369,998		362,231		69.2		2,303.48	

Note: On April 1, 2024, the Company conducted a stock split of in which each share of common stock was split for 4 shares. "Equity attributable to owners of parent per share" has been calculated assuming that the stock split was conducted at the start of the previous fiscal year.

(3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2023	57,880	(15,684)	(28,364)	55,129
FY 2022	41,447	(25,976)	(17,321)	39,035

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity attributable to owners of parent (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2022	—	90.00	—	90.00	180.00	7,136	36.9	2.0
FY 2023	—	90.00	—	90.00	180.00	7,022	63.9	1.9
FY 2024 (forecast)	—	35.00	—	35.00	70.00		101.8	

Note: On April 1, 2024, the Company conducted a stock split of in which each share of common stock was split for 4 shares. Dividend amounts for FY 2022 and FY2023 are the actual dividend amounts before the stock split. The amounts for FY2024 (forecast) are based on the post-stock-split information.

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2025
(from April 1, 2024 to March 31, 2025)

(Percentages indicate year-over-year changes)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
First half (cumulative)	195,000	0.4	6,000	(40.0)	6,500	(33.6)	3,500	(49.0)	22.73	
Full year	400,000	2.0	15,000	(9.4)	16,000	1.6	10,500	(4.6)	68.74	

*Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (common shares)

- 1) Number of shares issued and outstanding at the end of the period (including treasury shares)

Mar. 31, 2024: 156,000,000 shares Mar. 31, 2023: 163,200,000 shares

- 2) Number of treasury shares at the end of the period

Mar. 31, 2024: 1,536,840 shares Mar. 31, 2023: 5,945,840 shares

- 3) Average number of shares outstanding during the period

FY 2023: 156,186,157 shares FY 2022: 158,852,170 shares

Notes: 1. The numbers of treasury shares at the end of the periods include shares of the Company held by the trust account set up after the introduction of a Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers (179,600 shares as of March 31, 2024 and 194,400 shares as of March 31, 2023). Shares of the Company held by the trust account are included in the treasury shares to be deducted in the calculation of the average number of shares

outstanding during the period.

2. On April 1, 2024, the Company conducted a stock split of in which each share of common stock was split for 4 shares. The “number of shares issued and outstanding at the end of the period,” “number of treasury shares at the end of the period,” and “average number of shares outstanding during the period” have been calculated assuming that the stock split was conducted at the start of the previous fiscal year.

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024

(from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2023	229,275	(10.8)	8,599	(42.1)	11,605	(49.7)	8,056	(53.1)
FY 2022	257,041	14.6	14,860	(18.1)	23,075	(5.6)	17,183	(2.4)

	Basic earnings per share	Diluted net income per share
	Yen	Yen
FY 2023	51.58	—
FY 2022	108.17	—

Note: On April 1, 2024, the Company conducted a stock split of in which each share of common stock was split for 4 shares. “Basic earnings per share” has been calculated assuming that the stock split was conducted at the start of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2024	361,072	269,040	74.5	1,741.77
As of Mar. 31, 2023	361,632	266,555	73.7	1,695.06

Reference: Shareholders’ equity (millions of yen): As of Mar. 31, 2024: 269,040

As of Mar. 31, 2023: 266,555

Note: On April 1, 2024, the Company conducted a stock split of in which each share of common stock was split for 4 shares. “Net assets per share” has been calculated assuming that the stock split was conducted at the start of the previous fiscal year.

* This financial results report is outside the scope of audit procedures by certified public accountants or an audit corporation.

*** Appropriate use of business forecasts and other special items**

1. In this document, statements other than historical facts are forward-looking statements that reflect the Company’s plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the attached materials for the assumptions used in business forecasts.
2. Supplementary materials will be disclosed through TDnet on Wednesday, May 15, 2024, and will also be posted on the Company’s website.

* This document is translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Contents of the Attached Materials

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	4
(3) Overview of Cash Flows for the Fiscal Year under Review	4
(4) Future Outlook	4
(5) Basic Policy on the Distribution of Profits, and Dividends for the Current and Next Fiscal Year.....	5
2. Group	6
3. Management Policy	8
4. Basic Policy of the Choice of Accounting Standards	14
5. Consolidated Financial Statements and Related Notes	15
(1) Consolidated Statements of Financial Position	15
(2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income	17
(3) Consolidated Statements of Changes in Equity.....	19
(4) Consolidated Statements of Cash Flows	21
(5) Notes Concerning Consolidated Financial Statements.....	22
(Going Concern Assumption)	22
(Changes in Presentation)	22
(Segment Information, etc.).....	22
(Supplementary Information)	24
(Per Share Information)	25
(Significant Subsequent Events).....	26

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

In the current fiscal year, the global economy saw further normalization of economic activity due to containment of the novel coronavirus infection (COVID-19). Meanwhile, uncertainty about the future continued due to the further escalation of the invasion of Ukraine by Russia, growing tensions in the Middle East, financial instability caused by policy rate hikes in various countries, and other factors, and there were discrepancies among the economic trends of various countries.

In the United States, personal consumption was solid against a backdrop of rising real wages and other factors. In Europe, personal consumption was sluggish due to monetary tightening and other factors, and exports to China and other markets declined. In China, economic recovery stalled due to the downturn of the real estate market, stagnant exports, and other factors. In emerging Asian countries, exports declined due to a decline in demand for semiconductors, the Chinese economic slowdown, and other factors.

In Japan, although corporate earnings continued to improve, personal consumption stalled due to rising prices that exceeded the rate of wage increases and other factors.

In the chemical industry, uncertainty about the future continued due to significant fluctuations in crude oil and domestic naphtha prices and other factors.

1) Overview

(Unit: Millions of yen)

	FY2022	FY2023	Change	
			(Amount)	(% growth)
Revenue	419,568	392,009	(27,559)	(6.6)%
Operating profit	23,528	16,562	(6,966)	(29.6)%
Profit before tax	26,175	15,744	(10,431)	(39.9)%
Profit attributable to owners of parent	19,392	11,008	(8,384)	(43.2)%
Basic earnings per share	122.07 yen	70.48 yen	(51.59) yen	(42.3)%
ROA (Ratio of profit before tax to total assets)	5.0%	2.9%	—	(2.1) points
ROE (Ratio of profit to equity attributable to owners of parent)	5.5%	3.0%	—	(2.5) points
Foreign exchange rates (USD and EUR)	USD=135.45 yen EUR=140.99 yen	USD=144.65 yen EUR=156.82 yen	9.20 yen 15.83 yen	
Domestic naphtha price	76,600 yen/kl	69,100 yen/kl	(7,500) yen/kl	

Under these conditions, the Group's revenue in the current fiscal year decreased 6.6% year-on-year to 392,009 million yen, down 27,559 million yen, due to lower selling prices in line with declines in overseas product markets and raw material prices as well as a decrease in sales volume.

With regard to profits, operating profit decreased 29.6% year-on-year to 16,562 million yen, down 6,966 million yen mainly due to a narrowing of spreads on certain products as a result of falling sales prices and a decline in inventory valuation gains that occurred in the previous fiscal year as a result of soaring raw material prices during the current fiscal year, despite a decrease in selling, general and administrative expenses due to a fall in marine transportation costs, etc.

Profit before tax was 15,744 million yen, a year-on-year decrease of 10,431 million yen or 39.9%, due to a decrease in operating profit and a decrease in share of profit (loss) of investments accounted for using equity method.

As a result, profit attributable to owners of parent of 11,008 million yen was posted, down 8,384 million yen (-43.2%) year-on-year.

2) Outline of Sales by Business Segment

(Unit: Millions of yen)

	FY2022		FY2023		Change	
Business segment	Materials	Solutions	Materials	Solutions	Materials	Solutions
Revenue	305,689	113,879	283,808	108,201	(21,881)	(5,678)
Operating profit	20,949	1,503	12,732	2,732	(8,217)	1,229

Materials business

Sales of acrylic acid and acrylates decreased due to lower selling prices caused by a decline in product overseas market conditions and raw material prices despite an increase in sales volume.

Sales of superabsorbent polymers decreased due to lower selling prices in line with a decline in raw material prices despite an increase in sales volume.

Sales of ethylene oxide decreased due to lower sales volume despite higher selling prices.

Sales of ethylene glycol increased due to an increase in sales volume.

Sales of special acrylates decreased due to lower selling prices in line with a decline in product overseas market conditions, and a decline in sales volume.

Sales of maleic anhydride decreased due to lower sales volume.

Sales of process catalysts decreased due to lower sales volume.

As a result, revenue in the materials business decreased 7.2% year-on-year to 283,808 million yen.

Operating profit decreased 39.2% year-on-year to 12,732 million yen due to negative factors such as the narrowing of spreads on certain products due to a decline in overseas market prices and inventory valuation gains that occurred in the previous fiscal year as a result of soaring raw material prices turning to valuation losses during the current fiscal year, despite factors contributing to higher profits, such as a decrease in selling, general and administrative expenses due to lower marine transportation costs and other factors.

Solutions business

Sales of polymers for concrete admixtures, secondary alcohol ethoxylates, and water-soluble polymers such as raw materials for detergents decreased due to lower sales volume.

Sales of resins for paints and ethyleneimine derivatives increased due to higher sales volume and higher selling prices.

Sales of iodine compounds increased due to higher selling prices despite lower sales volume.

Sales of De-NOx catalysts decreased due to lower sales volume.

Sales of electronic and information materials increased due to the product sales mix.

Sales of materials for batteries increased due to the product sales mix.

As a result, revenue in the solutions business decreased 5.0% year-on-year to 108,201 million yen.

Operating profit increased 81.8% year-on-year to 2,732 million yen due to factors contributing to higher profits such as the widening of spreads resulting from lower raw material prices, etc. and a gain of 1,306 million yen on the sale of land at SINO-JAPAN CHEMICAL CO., LTD., a consolidated subsidiary, despite negative factors such as a decrease in production and sales volume and a decline in inventory valuation gains that occurred in the previous fiscal year as a result of soaring raw material prices during the current fiscal year.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the current fiscal year increased by 20,741 million yen from the end of the previous fiscal year to 544,060 million yen. Current assets increased by 15,626 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and cash equivalents reflecting the fact that financial institutions were closed on the last day of the current fiscal year despite a decrease in inventories due mainly to a decline in raw material prices. Non-current assets increased by 5,115 million yen from the end of the previous fiscal year. This was mainly due to an increase in other financial assets as a result of changes in the fair value of stocks held.

Total liabilities decreased by 1,823 million yen from the end of the previous fiscal year to 151,498 million yen. This was mainly due to decreases in borrowings and income taxes payable as a result of a decrease in taxable profit, despite an increase in trade payables reflecting the fact that financial institutions were closed on the last day of the current fiscal year. Total equity increased by 22,564 million yen from the end of the previous fiscal year to 392,562 million yen. This was mainly due to an increase in exchange differences on translation of foreign operations caused by exchange rate fluctuations. The ratio of profit to equity attributable to owners of parent increased by 1.3 percentage points from 69.2% at the end of the previous fiscal year to 70.5%. Equity attributable to owners of parent per share increased by 178.97 yen from the end of the previous fiscal year to 2,482.45 yen.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the current fiscal year amounted to 55,129 million yen, an increase of 16,094 million yen from the end of the previous fiscal year, as cash flows provided by operating activities exceeded cash flows used in investing activities including capital investment and cash flows used in financing activities.

Cash flow from operating activities

Net cash provided by operating activities in the current fiscal year amounted to 57,880 million yen, an increase of 16,433 million yen from a cash inflow of 41,447 million yen in the previous fiscal year. This was mainly due to a decrease in inventories which increased in the previous fiscal year due to higher raw material prices, and an increase in trade payables which decreased in the previous fiscal year, due to effects of closure of financial institutions and other factors, although profit before tax was lower than the previous fiscal year.

Cash flow from investing activities

Net cash used in investing activities in the current fiscal year totaled 15,684 million yen, a decrease of 10,291 million yen from a cash outflow of 25,976 million yen in the previous fiscal year. This was mainly due to a decrease in purchase of property, plant and equipment, and a year-on-year increase in proceeds from sale of investment securities.

Cash flow from financing activities

Net cash used in financing activities in the current fiscal year amounted to 28,364 million yen, an increase of 11,044 million yen from a cash outflow of 17,321 million yen in the previous fiscal year. This was mainly due to a decrease in proceeds from long-term borrowings and net increase (decrease) in short-term borrowings.

(4) Future Outlook

The world economy as a whole is expected to make a soft landing mainly due to the steady US economy and accelerating growth in certain emerging countries, while a slowdown in the growth of the Chinese economy is anticipated to continue. In the Japanese economy, although a recovery is expected in individual consumption backed by a high level of wage growth and other factors, the business environment surrounding the Group is expected to remain uncertain mainly due to concerns about further price increases stemming from fluctuations in exchange rates and the growing tension in the global situation.

Under such conditions, projected earnings in the next fiscal year are based on exchange rates of 150 yen to the U.S. dollar and 160 yen to the euro, and domestic naphtha prices of 75,000 yen/kl.

In terms of annual performance, we forecast revenue of 400.0 billion yen (195.0 billion yen for the first half), a year-on-year increase of 7,991 million yen (2.0%), mainly due to an increase in sales volume.

In terms of profit, although we expect there will be an increase in sales volume in both the Materials business and the Solutions business, we also expect that there will be increases in fixed manufacturing costs and selling, general and administrative expenses resulting from soaring prices, etc. in addition to a narrowing of spreads in the Materials business. We therefore forecast operating profit of 15.0 billion yen (6.0 billion yen for the first half), a decrease of 1,562 million yen from the current fiscal year. We forecast profit before tax of 16.0 billion yen (6.5 billion yen for the first half), a year-on-year increase of 256 million yen, and profit attributable to owners of parent of 10.5 billion yen (3.5 billion yen for the first half), a year-on-year decrease of 508 million yen.

Forecasts by reportable segment

(Unit: Billions of yen)

	Materials business		Solutions business		Adjustment	Total	
	Revenue	Operating profit	Revenue	Operating profit	Operating profit	Revenue	Operating profit
First-half forecasts	138.0	4.8	57.0	0.9	0.3	195.0	6.0
Second-half forecasts	143.0	5.7	62.0	2.8	0.5	205.0	9.0
Full-year forecasts	281.0	10.5	119.0	3.7	0.8	400.0	15.0

Note: The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments.

(5) Basic Policy on the Distribution of Profits, and Dividends for the Current and Next Fiscal Year

The Company has positioned the distribution of profits to shareholders as the most important management task, and has a basic policy of providing a stable distribution of profits, while at the same time taking an overall view to expand the business and strengthen the corporate structure in order to enhance corporate value. Regarding dividends, the Company aims to improve medium- to long-term dividend levels while considering the dividend payout ratio, etc., and intends to consider share repurchase as one of the options to raise the value per share.

For the current fiscal year, the Company plans to pay a year-end dividend of 90 yen per share based on the policy of a total shareholder return ratio of 50% (dividend payout ratio of 40% and share repurchase of 10%) established in the Mid-term Management Plan “TechnoAmenity for the future-I” formulated in March 2022. As a result, annual dividends will total 180 yen per share, and the consolidated payout ratio will be 63.9%. In addition, the Company purchased 4.0 billion yen (700,000 shares) of treasury shares during the current fiscal year, bringing the total shareholder return ratio including this share repurchase to 99.7%.

Regarding the four-year Shareholder Return Policy from the next fiscal year to FY2027, the policy was changed based on the resolution of the Board meeting held today.

Shareholder Return Policy after the change

For the four-year period from FY2024 to FY2027, we will aim to provide dividends with a dividend payout ratio of 100% or a dividend on equity ratio (DOE) of 2.0%, whichever is higher. We also plan to repurchase treasury shares of approximately 20.0 billion yen in total over the same four-year period.

(Implementation period)

The policy will be applied starting with the interim dividend for FY2024.

Based on the above Shareholder Return Policy, the Company plans to pay annual dividends of 70 yen per share for the next fiscal year. For details, please refer to the “Announcement Regarding Change in Shareholder Return Policy” released today.

2. Group

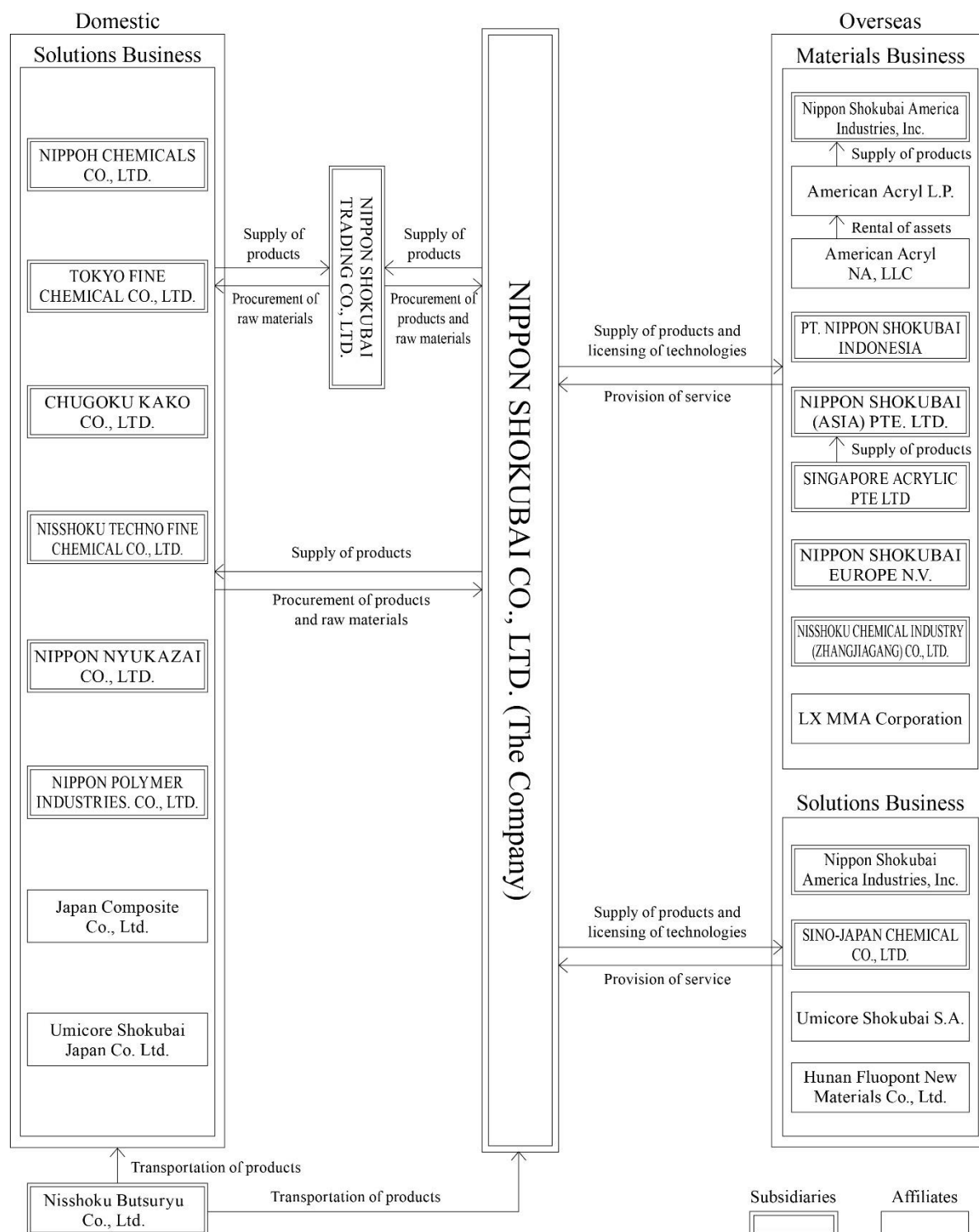
(1) The Nippon Shokubai Group (the Company and its subsidiaries and affiliates) consists of the Company, 26 subsidiaries and 17 affiliates, and its mainstay business is the manufacture and sale of chemicals.

The table below shows the positioning and relationship of mainstay companies among the group's business segments.

Business segments	Main products	Positioning of mainstay companies within the business
Materials business	Acrylic acid Acrylates Ethylene oxide Ethylene glycol Ethanolamine Special acrylates Superabsorbent polymers Maleic anhydride Process catalysts	NIPPON SHOKUBAI CO., LTD. ('the Company') manufactures and sells acrylic acids, acrylates, superabsorbent polymers, and other chemicals. NIPPON SHOKUBAI TRADING CO., LTD. procures manufactured products from the Company and sells them. It also procures products and raw materials to supply to the Company. Nippon Shokubai America Industries, Inc. manufactures and sells superabsorbent polymers in the US. It procures acrylic acid, the raw material of superabsorbent polymers, from American Acryl L.P. PT. NIPPON SHOKUBAI INDONESIA manufactures and sells acrylic acids, acrylates, and superabsorbent polymers in Indonesia. SINGAPORE ACRYLIC PTE LTD and NIPPON SHOKUBAI (ASIA) PTE.LTD. manufacture and sell acrylic acids in Singapore. NIPPON SHOKUBAI EUROPE N.V. manufactures and sells superabsorbent polymers in Belgium. NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. manufactures and sells superabsorbent polymers in China. LX MMA Corporation manufactures and sells MMA monomers and polymers in South Korea.
Solutions business	Polymers for concrete admixtures Glycol ether Secondary alcohol ethoxylates Water-soluble polymers such as raw materials for detergents Intermediates for pharmaceuticals Electronic and information materials Iodine compounds Resins for adhesives/paints Ethyleneimine derivatives Processed adhesive products Automotive catalysts De-NOx catalysts Dioxins decomposition catalysts Equipment for waste gas treatment Wet air oxidation catalysts Materials for batteries	The Company manufactures and sells polymers for concrete admixtures, secondary alcohol ethoxylates, and other chemicals. NIPPOH CHEMICALS CO., LTD. manufactures and sells iodine compounds, natural gas, and raw materials for pharmaceuticals, agricultural chemicals, and fragrances. TOKYO FINE CHEMICAL CO., LTD. manufactures and sells stabilizers, preservatives, and anti-freeze solutions. It procures ethylene glycol, the raw material of anti-freeze solutions, from the Company. CHUGOKU KAKO CO., LTD. procures adhesive resins and other raw materials from the Company, and manufactures and sells proceeded adhesives and other products. NISSHOKU TECHNO FINE CHEMICAL CO., LTD manufactures and sells raw materials for dye agents among other products, and the Company sells some of these products. It also procures acrylic acids among other raw materials from the Company. NIPPON NYUKAZAI CO., LTD. manufactures and sells surfactants and chemical products such as glycol ether. It procures ethylene oxide and other raw materials for surfactants from the Company. NIPPON POLYMER INDUSTRIES. CO., LTD. procures acrylates among other raw materials from the Company, and manufactures resins for adhesives and paint; the Company sells some of these products. Nippon Shokubai America Industries, Inc. manufactures and sells polymers for concrete admixtures and others in the US. SINO-JAPAN CHEMICAL CO., LTD. manufactures and sells surfactants and other industrial chemicals in Taiwan. Umicore Shokubai Japan Co., Ltd. procures automotive catalysts from the Company and sells them. Hunan Fluopont New Materials Co., Ltd. manufactures and sells materials for batteries in China.

Note: Nisshoku Butsuryu Co., Ltd. mainly transports the Company's manufactured and commercial products and is therefore involved in all business segments.

(2) The following is a diagram of the main companies of the Group.

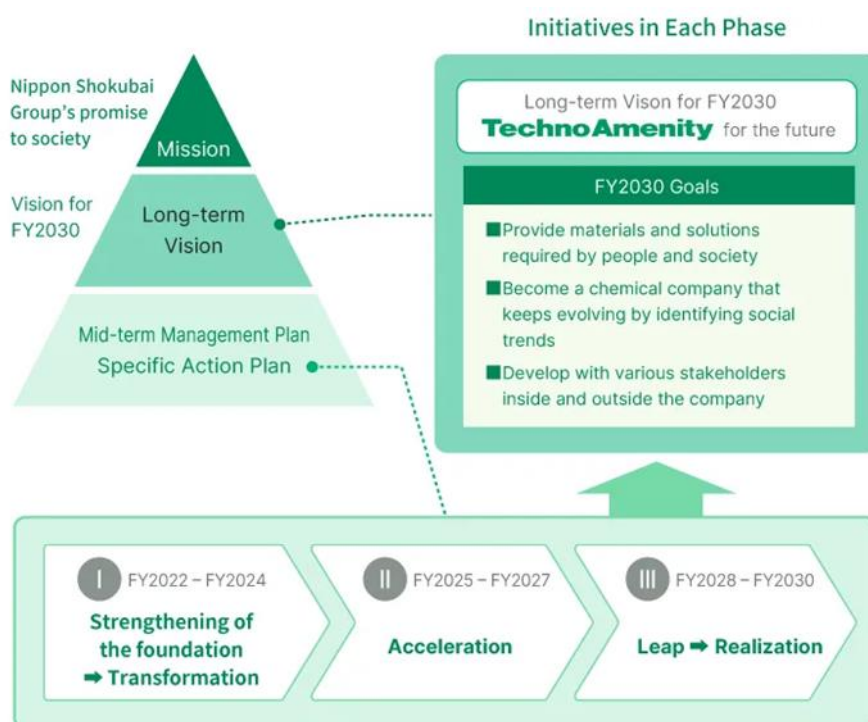


- Notes:
1. NIPPON SHOKUBAI TRADING CO., LTD., Nisshoku Butsuryu Co., Ltd., and Nippon Shokubai America Industries, Inc. belong to several business segments.
 2. Umicore Shokubai S.A. controls automotive catalyst business and is a holding company of four companies including Umicore Shokubai Japan Co., Ltd.
 3. Arrows indicate the flow of products and services. (Several companies enclosed in a box may show the relationship between a company linked to it by arrows and some of the companies in the box.)

3. Management Policy

The Nippon Shokubai Group conducts business activities in pursuit of the fulfillment of its Mission: “TechnoAmenity: Providing Prosperity and Comfort to People and Society, with Our Unique Technology.” The Mission reflects our strong desire to contribute to creating a sustainable society where people can live safely in peace.

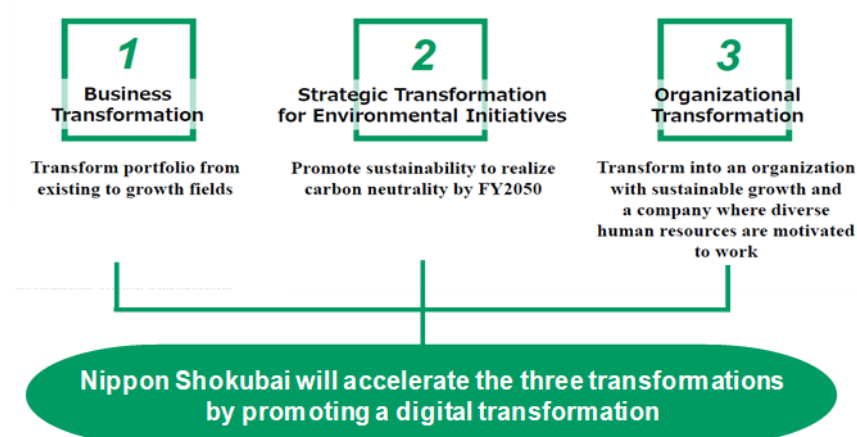
The Group set forth the three transformations outlined in the long-term vision toward 2030: “Business Transformation,” “Strategic Transformation for Environmental Initiatives,” and “Organizational Transformation,” and we will contribute to the solution of various social problems and realize our sustainable growth through provision of materials and solutions required by future society.



[Three transformations towards “Goals in FY2030”]

Under the Mid-term Management Plan: “TechnoAmenity for the future- I,” the three transformations will be steadily implemented toward the realization of the “The Goals in 2030” as defined in the long-term vision, and DX (digital transformation) will be promoted to further accelerate them, with the aim of achieving the management targets. For details, please access our website: <https://www.shokubai.co.jp/en/ir/vision/plan/>

Three transformations towards “Goals in FY2030”



[Management targets]

Targets for the three transformations and the capital policy are as follows.

Initiatives for strategic transformation for environmental initiatives and organizational transformation are generally progressing well. However, business transformation is expected to miss its financial targets for operating profit, etc. due to sluggish sales of strategic product lines in the Solutions Business and a worse-than-expected market for acrylic acids and superabsorbent polymers (SAP). Under these circumstances, we will not wait for the next Mid-term Management Plan starting in FY2025, but will instead review management and financial strategies as we work to achieve the 2030 long-term vision.

		FY2023 Actual results	FY2024 (Mid-term Management Targets)	Goals in FY2030
Financial targets	Operating profit	16.6 billion yen	33.0 billion yen	Approx. of 60.0 billion yen
	Solutions Business operating profit	2.7 billion yen	17.0 billion yen	Approx. of 40.0 billion yen
	ROE	3.0%	7.5%	9% or higher
	ROA	2.9%	6.9%	9% or higher
	Total shareholder return ratio	99.7%	50%	—
	Revenue from new products (Non-consolidated, excluding SAP products, and launched within five years)	13.6 billion yen	28.0 billion yen	—
Investments	Growth investments and investments to remain competitive	50.3 billion yen (Cumulative total from FY2022 to FY2023)	120.0 billion yen (Cumulative total from FY2022 to FY2024)	400.0 billion yen (Cumulative total from FY2022 to FY2030)
Carbon neutrality target	CO ₂ emission reductions (Scope 1 and Scope 2 emissions in Japan relative to FY2014)	13% reduction*1	—	30% reduction
	Revenue from environmental contributing products	45.0 billion yen*2	55.0 billion yen	135.0 billion yen
Diversity and inclusion target (Non- consolidated)	Ratio of female recruitment in clerical and chemical position	28.6%	30%	—
	Ratio of female managers	5.4%	6%	—
	Ratio of male employees taking childcare leave*3	90.0%	100%	—

<Prerequisites> FY2024: Naphtha price = 50,000 yen/kL; 1 USD = 110 yen; 1 Euro = 130 yen

*1: Preliminary figures (including 7.3% carbon credits). Finalized emissions figures will be disclosed on the Company website in July 2024.

*2: Preliminary figures. Finalized figures for revenue from environmental contributing products will be disclosed in TechnoAmenity Report 2024, which will be published in September 2024.

*3: From FY2022, the criteria for the number of days of leave taken for the calculation of the ratio of childcare leave have been revised from at least 1 day to at least 15 days, and FY2024 target from 30% to 100%, respectively.

[Specific initiatives in the three transformations]

i) Business Transformation

Toward portfolio transformation, we aim to expand the Solutions Business. We have reviewed our management strategy and have decided to proactively invest our resources in growth businesses such as the Energy Business, Electronics Business, and Life Science Business.

Items	Principal Initiatives	
Expand the Solutions Business	Measures	<ul style="list-style-type: none"> • Sales expansion of a strategic product group, launch of developed products in prospective markets • Developing a platform to strengthen our ability to propose solutions
	FY2023 results	<ul style="list-style-type: none"> • We have selected key areas for proactive allocation of resources. • We are building a system to increase production of “IONEL™,” an electrolyte in lithium-ion batteries, in China. We also have started a feasibility study on building its production sites in the North America and Japan. • In the CDMO business for oligonucleotide and peptide, the number of development projects for particle synthesis acquired increased by approximately seven times year on year. • We have jointly developed osmotic pressure generating agents for seawater desalination with Trevi Systems Inc. by using the Forward Osmosis (FO) system and demonstrated significantly energy-savings and highly efficient seawater desalination in testing in the U.S. • We have established intermediate test facilities in Suita Research Center for process-building of new ingredients and prompt provision of samples.
Achieve the Materials Business Resilience	Measures	<ul style="list-style-type: none"> • Improvement of our profitability by promoting the SAP Survival Project and the Kawasaki Resilience Project. • Added value improvement through sustainability initiatives centered on a shift to biomass raw materials
	FY2023 results	<ul style="list-style-type: none"> • We have improved our profitability by promoting the SAP Survival Project and the Kawasaki Resilience Project. • We have prospects to produce dozens of kilograms of acrylic acids by using biomass raw materials and have started evaluating quality performance in various uses.

ii) Strategic Transformation for Environmental Initiatives

Toward the achievement of carbon neutrality by 2050, we will reduce CO₂ emissions from production processes and expand the development and spread of environmental contribution products in order to contribute to reducing our environmental impact throughout the entire life cycle.

Items	Principal Initiatives	
Reduction of CO ₂ emissions from production processes	Measures	<ul style="list-style-type: none"> • Innovation of production processes and technology, switching of materials and energy • Implementation of third-party verification of GHG (greenhouse gas) emissions, introduction of internal-carbon pricing (started in February 2023)
	FY2023 results	<ul style="list-style-type: none"> • We concluded an agreement to purchase a renewable energy certificate for 100% of electricity to be purchased by our Indonesian subsidiary. • We have continued improvement of productivity and consideration of use of recycled materials.
Expansion of the development and spread of environmental contribution products	Measures	<ul style="list-style-type: none"> • Expansion of use of hydrogen, launch of related products to meet environmental trends, including tighter environment-related regulations • Obtaining International Sustainability and Carbon Certification (ISCC PLUS) and building of production and sales systems (obtained certificates for various products such as acrylic acid, SAP and EO (Ethylene Oxide), built the production and sales systems)
	FY2023 results	<ul style="list-style-type: none"> • For creating a supply chain of fuel ammonia, we are jointly developing a technology to crack ammonia into hydrogen with JERA Co., Inc. and Chiyoda Corporation. • We have commercialized 2-octyl acrylates (2OA) using alcohol from naturally derived non-edible parts. • To strengthen marketing in the environmental areas, we are establishing a development base in a Belgium subsidiary.

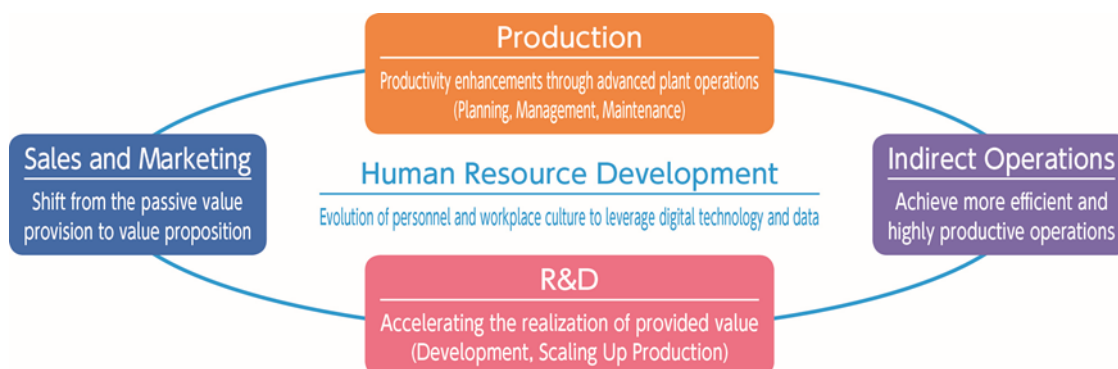
iii) Organizational Transformation

Aiming to transform into an organization with sustainable growth and a company where diverse talent is motivated to work, the following initiatives are implemented:

Items	Principal Initiatives	
Developing and empowering human resources	Measures	<ul style="list-style-type: none"> • Self-directed human resource development, promotion of diverse human resources • Introduction of engagement surveys (started in FY2022)
	FY2023 results	<ul style="list-style-type: none"> • A total of approximately 500 employees participated in solicit publicly proposed autonomous learning programs. • The re-employment system after retirement has started a new program based on their duty. • We have continued holding the female employees network training where they develop their individually tailored careers by discussing with their own manager.
Organizational growth	Measures	<ul style="list-style-type: none"> • Execute specific measures to improve productivity (being executed in each department) • Revise approval process to delegate authority (expedite decisions in each department, started in FY2022) • Strengthen dialogue between management and employees
	FY2023 results	<ul style="list-style-type: none"> • We held a townhall meeting and dialogue session for management and employees to deepen their mutual understanding.
Strengthen corporate governance	Measures	<ul style="list-style-type: none"> • Enhance the effectiveness of the Board meeting • Ensure knowledge, experience, skills, and diversity within the Board meeting • Strengthen medium-to long-term incentives for corporate officers (introduced a Performance-linked Stock Compensation Plan in FY2022)
	FY2023 results	<ul style="list-style-type: none"> • We have continued discussions on measures to strengthen the effectiveness of the Board meeting

[Promotion of DX]

NIPPON SHOKUBAI is promoting digital transformation (DX) so that every employee can work on three transformations by using digital technologies and data.



Items	Principal Initiatives	
Promotion of DX (NIPPON SHOKUBAI was certified as a digital transformation company specified by the Ministry of Economy, Trade and Industry in May 2022)	Measures	<ul style="list-style-type: none"> • R&D: Use MI (Materials Informatics) • Production Div.: Drive enhancements and efficiency using a data integration platform • Sales Div.: Build routes to new customers using digital technologies • Indirect Departments: Improve work styles using digital transformation technologies • Human Resource Div.: Develop talent who can use digital technology at R&D and production sites
	FY2023 results	<ul style="list-style-type: none"> • R&D: Introduced high throughput equipment that can realize speedy and automated data generation in the catalyst research area. • Production Div.: Started using the data integration platform. • Sales Div.: Introduced and started using a customer information management system in all business divisions (sales divisions). • Indirect Departments: Implemented automation by introducing RPA (Robotic Process Automation) and digitalized work processes of administration, HR, Finance, Accounting, Information Technology. • Human Resource Div.: Implemented DX training for the development of DX talent on a company-wide basis.

[Capital policy]

When we formulated the Mid-term Management Plan: “TechnoAmenity for the future-I,” our basic policy for allocation with an optimal balance between growth investments, investments to remain competitive, and shareholder returns was to allocate a cumulative total of 150.0 billion yen generated over the three years to investments in medium- to long-term growth (including strategic investments) (75.0 billion yen), investments to sustain and improve the competitiveness of core businesses (45.0 billion yen), and return to shareholders (30.0 billion yen).

At this time, to increase the capital efficiency for further enhancement of corporate value, we have decided to change our cash allocation policy so that we will preferentially allocate funds for investment to grow, investments to remain competitive, and dividends to shareholders for the time being. We will allocate surplus funds to repurchase treasury shares. In addition, in order to enhance the capital efficiency and further increase and stabilize returns to shareholders, we will aim to provide dividends with dividend payout ratio of 100% or DOE (dividend on equity ratio) of 2.0%, whichever is higher, over the four years from FY2024 to FY2027. We plan to repurchase treasury shares of approximately 20.0 billion yen in total over the same years.

<Cash Allocation Policy>

● Policy and Progress in Current Mid-term Plan

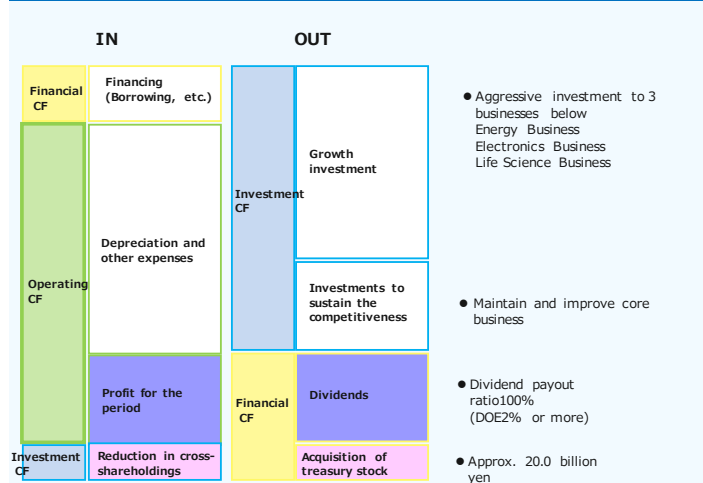
Emphasis on balance between investment and shareholder returns

FY2022 - 2024
Mid-term
Management Plan

IN	OUT
Borrowing, etc. 10.0 billion yen	Growth and competitiveness investments 120.0 billion yen
Operating CF 140.0 billion yen	Shareholder Return 30.0 billion yen

● FY2024 - FY2027 Policy

- Prioritize investments (including M&A) and dividends
 - Use surplus funds for share buybacks
- *Details of investment amount, etc. will be disclosed after the formulation of the next Mid-term Management Plan



4. Basic Policy of the Choice of Accounting Standards

With a view to improving the international comparability of financial statements and to enhancing Group management by integrating accounting treatments, the Company has applied the International Financial Reporting Standards (IFRS) from the annual securities report for FY2018.

5. Consolidated Financial Statements and Related Notes

(1) Consolidated Statements of Financial Position

	(Unit: Millions of yen)	
	FY 2022 As of Mar. 31, 2023	FY 2023 As of Mar. 31, 2024
Assets		
Current assets		
Cash and cash equivalents	39,035	55,129
Trade receivables	98,571	98,181
Inventories	86,056	84,446
Other financial assets	14,151	16,661
Other current assets	6,239	5,262
Total current assets	244,053	259,679
Non-current assets		
Property, plant and equipment	189,520	188,436
Intangible assets	8,358	4,959
Investments accounted for using equity method	27,088	26,531
Other financial assets	40,195	45,718
Retirement benefit asset	9,129	13,700
Deferred tax assets	3,404	3,846
Other non-current assets	1,573	1,192
Total non-current assets	279,266	284,381
Total assets	523,319	544,060

	(Unit: Millions of yen)	
	FY 2022 As of Mar. 31, 2023	FY 2023 As of Mar. 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	53,138	61,351
Borrowings	23,044	17,100
Other financial liabilities	9,539	10,355
Income taxes payable	3,970	1,534
Provisions	6,672	6,239
Other current liabilities	5,278	4,667
Total current liabilities	101,641	101,246
Non-current liabilities		
Borrowings	27,867	21,924
Other financial liabilities	5,961	5,634
Retirement benefit liability	8,941	8,968
Provisions	2,582	3,051
Deferred tax liabilities	6,330	10,676
Total non-current liabilities	51,681	50,252
Total liabilities	153,321	151,498
Equity		
Share capital	25,038	25,038
Capital surplus	22,520	22,513
Treasury shares	(9,298)	(2,358)
Retained earnings	301,940	298,424
Other components of equity	22,030	39,830
Total equity attributable to owners of parent	362,231	383,448
Non-controlling interests	7,767	9,114
Total equity	369,998	392,562
Total liabilities and equity	523,319	544,060

(2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

Consolidated Statements of Profit or Loss

	(Unit: Millions of yen)	
	FY 2022 Apr. 1, 2022 to Mar. 31, 2023	FY 2023 Apr. 1, 2023 to Mar. 31, 2024
Revenue	419,568	392,009
Cost of sales	339,176	324,005
Gross profit	80,392	68,004
Selling, general and administrative expenses	56,844	51,243
Other operating income	3,057	5,814
Other operating expenses	3,076	6,012
Operating profit	23,528	16,562
Finance income	1,856	2,280
Finance costs	1,134	2,141
Share of profit (loss) of investments accounted for using equity method	1,925	(958)
Profit before tax	26,175	15,744
Income tax expense	6,015	3,369
Profit	20,160	12,374
Profit attributable to		
Owners of parent	19,392	11,008
Non-controlling interests	769	1,367
Profit	20,160	12,374
Earnings per share		
Basic earnings per share (Yen)	122.07	70.48
Diluted earnings per share (Yen)	122.06	70.46

Consolidated Statements of Comprehensive Income

	(Unit: Millions of yen)	
	FY 2022 Apr. 1, 2022 to Mar. 31, 2023	FY 2023 Apr. 1, 2023 to Mar. 31, 2024
Profit	20,160	12,374
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(199)	4,964
Remeasurements of defined benefit plans	1,604	3,287
Share of other comprehensive income of investments accounted for using equity method	154	(10)
Total of items that will not be reclassified to profit or loss	1,559	8,240
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	6,888	12,592
Share of other comprehensive income of investments accounted for using equity method	1,402	831
Total of items that may be reclassified to profit or loss	8,290	13,424
Other comprehensive income, net of tax	9,848	21,664
Comprehensive income	30,009	34,038
Comprehensive income attributable to		
Owners of parent	28,889	32,239
Non-controlling interests	1,120	1,799
Comprehensive income	30,009	34,038

(3) Consolidated Statements of Changes in Equity

Fiscal year ended Mar. 31, 2023 (Apr. 1, 2022 to Mar. 31, 2023)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	(6,291)	288,124	4,874	—
Profit	—	—	—	19,392	—	—
Other comprehensive income	—	—	—	—	(201)	1,664
Comprehensive income	—	—	—	19,392	(201)	1,664
Purchase of treasury shares	—	—	(3,007)	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Cancellation of treasury shares	—	—	—	—	—	—
Share-based payment transactions	—	41	—	—	—	—
Dividends	—	—	—	(7,581)	—	—
Increase (decrease) in non-controlling interests	—	8	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	2,005	(342)	(1,664)
Total transactions with owners	—	49	(3,007)	(5,575)	(342)	(1,664)
Balance at end of period	25,038	22,520	(9,298)	301,940	4,331	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	9,664	14,538	343,882	7,241	351,123
Profit	—	—	19,392	769	20,160
Other comprehensive income	8,035	9,497	9,497	351	9,848
Comprehensive income	8,035	9,497	28,889	1,120	30,009
Purchase of treasury shares	—	—	(3,007)	—	(3,007)
Disposal of treasury shares	—	—	—	—	—
Cancellation of treasury shares	—	—	—	—	—
Share-based payment transactions	—	—	41	—	41
Dividends	—	—	(7,581)	(571)	(8,152)
Increase (decrease) in non-controlling interests	—	—	8	(24)	(16)
Transfer from other components of equity to retained earnings	—	(2,005)	—	—	—
Total transactions with owners	—	(2,005)	(10,539)	(595)	(11,134)
Balance at end of period	17,699	22,030	362,231	7,767	369,998

Fiscal year ended Mar. 31, 2024 (Apr. 1, 2023 to Mar. 31, 2024)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,520	(9,298)	301,940	4,331	—
Profit	—	—	—	11,008	—	—
Other comprehensive income	—	—	—	—	4,960	3,271
Comprehensive income	—	—	—	11,008	4,960	3,271
Purchase of treasury shares	—	—	(3,966)	—	—	—
Disposal of treasury shares	—	(3)	23	—	—	—
Cancellation of treasury shares	—	—	10,882	(10,882)	—	—
Share-based payment transactions	—	(5)	—	—	—	—
Dividends	—	—	—	(7,072)	—	—
Increase (decrease) in non-controlling interests	—	1	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,431	(160)	(3,271)
Total transactions with owners	—	(7)	6,940	(14,524)	(160)	(3,271)
Balance at end of period	25,038	22,513	(2,358)	298,424	9,131	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	17,699	22,030	362,231	7,767	369,998
Profit	—	—	11,008	1,367	12,374
Other comprehensive income	13,000	21,231	21,231	432	21,664
Comprehensive income	13,000	21,231	32,239	1,799	34,038
Purchase of treasury shares	—	—	(3,966)	—	(3,966)
Disposal of treasury shares	—	—	20	—	20
Cancellation of treasury shares	—	—	—	—	—
Share-based payment transactions	—	—	(5)	—	(5)
Dividends	—	—	(7,072)	(451)	(7,523)
Increase (decrease) in non-controlling interests	—	—	1	(1)	(0)
Transfer from other components of equity to retained earnings	—	(3,431)	—	—	—
Total transactions with owners	—	(3,431)	(11,022)	(452)	(11,474)
Balance at end of period	30,699	39,830	383,448	9,114	392,562

(4) Consolidated Statements of Cash Flows

	(Unit: Millions of yen)	
	FY 2022	FY 2023
	Apr. 1, 2022 to Mar. 31, 2023	Apr. 1, 2023 to Mar. 31, 2024
Cash flows from operating activities		
Profit before tax	26,175	15,744
Depreciation and amortization	29,312	31,853
Loss (gain) on sale of property, plant and equipment	(22)	(1,593)
Impairment losses	1,554	3,602
Interest and dividend income	(1,837)	(2,214)
Interest expenses	558	1,741
Share of loss (profit) of investments accounted for using equity method	(1,925)	958
Decrease (increase) in trade receivables	7,371	3,589
Decrease (increase) in inventories	(8,926)	4,926
Increase (decrease) in trade payables	(5,923)	6,289
Other	71	28
Subtotal	46,407	64,923
Interest and dividends received	5,401	3,114
Interest paid	(454)	(1,718)
Income taxes paid	(9,907)	(8,440)
Net cash provided by (used in) operating activities	41,447	57,880
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,652)	(19,149)
Proceeds from sale of property, plant and equipment	331	1,993
Purchase of intangible assets	(1,433)	(1,418)
Purchase of investments	(383)	(128)
Proceeds from sale and redemption of investments	821	3,028
Acquisition of shares of subsidiaries and affiliates	—	(570)
Payments for investments in capital of subsidiaries and associates	(3,963)	—
Other	302	559
Net cash provided by (used in) investing activities	(25,976)	(15,684)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	544	(3,031)
Proceeds from long-term borrowings	9,000	500
Repayments of long-term borrowings	(13,621)	(12,531)
Repayments of lease liabilities	(2,110)	(1,814)
Purchase of treasury shares	(3,007)	(3,966)
Dividends paid	(7,581)	(7,072)
Dividends paid to non-controlling interests	(571)	(451)
Other	25	(0)
Net cash provided by (used in) financing activities	(17,321)	(28,364)
Effect of exchange rate changes on cash and cash equivalents	1,522	2,263
Net increase (decrease) in cash and cash equivalents	(327)	16,094
Cash and cash equivalents at beginning of period	39,363	39,035
Cash and cash equivalents at end of period	39,035	55,129

(5) Notes Concerning Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in Presentation)

“Decrease (increase) in retirement benefit asset” and “Increase (decrease) in retirement benefit liability” under “Cash flows from operating activities,” which were separately presented in the previous fiscal year, are included in “Other” under “Cash flows from operating activities” because they became insignificant in terms of amount. To reflect this change in presentation, reclassification has been made to the financial statements for the previous fiscal year.

As a result, “Decrease (increase) in retirement benefit asset” of 4,845 million yen and “Increase (decrease) in retirement benefit liability” of (4,137) million yen which were presented in “Cash flows from operating activities” have been reclassified as “Other” in the Consolidated Statements of Cash Flows for the previous fiscal year.

(Segment Information, etc.)

1. Outline of Reportable Segments

The Group’s reportable segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors of the Company in order to allocate management resources and assess performance of operations.

The Group’s main business lines are divided based on similarities of function and nature and the Group prepares the comprehensive strategy and conducts the business activities corresponding to the products handled by each business line. Accordingly, the Group is comprised of reportable segments classified by type of products based on each business line and does not aggregate its operating results. The two reportable segments of the Group are the Materials business and the Solutions business.

In the Materials business, acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, special acrylates, superabsorbent polymers, maleic anhydride, process catalysts, etc. are manufactured and sold. In the Solutions business, polymers for concrete admixtures, glycol ether, secondary alcohol ethoxylates, water-soluble polymers such as raw materials for detergents, intermediates for pharmaceuticals, electronic and information materials, iodine compounds, resins for adhesives/paints, ethyleneimine derivatives, processed adhesive products, automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, equipment for waste gas treatment, wet air oxidation catalysts, materials for batteries, etc. are manufactured and sold.

2. Method of Calculating Revenue, Income or Loss, Assets and Other Items by Reportable Segment

The accounting method for business segments reported is substantially the same as the accounting method adopted for preparing the consolidated financial statements. Intergroup revenue and transfers are mainly based on market prices and cost of manufacturing. Segment income is consistent with operating profit.

3. Information Concerning Revenue, Income or Loss, Assets and Other Items by Reportable Segment

FY2022 (Apr. 1, 2022 to Mar. 31, 2023)

(Unit: Millions of yen)

	Reportable segments			Adjustment (Notes 1, 2)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	305,689	113,879	419,568	—	419,568
Intergroup revenue and transfers	18,412	3,527	21,939	(21,939)	—
Total	324,101	117,406	441,507	(21,939)	419,568
Segment income	20,949	1,503	22,452	1,076	23,528
Finance income	—	—	—	—	1,856
Finance costs	—	—	—	—	1,134
Share of profit of investments accounted for using equity method	—	—	—	—	1,925
Profit before tax	—	—	—	—	26,175
Segment assets	333,626	143,969	477,595	45,724	523,319
Other items					
Depreciation and amortization	23,237	6,076	29,312	—	29,312
Impairment losses	37	1,517	1,554	—	1,554
Increase in property, plant and equipment and intangible assets	19,039	4,594	23,634	—	23,634

Notes: 1. The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 1,076 million yen.
2. The “Segment assets” adjustment of 45,724 million yen includes long-term surplus funds (investments in securities).

FY2023 (Apr. 1, 2023 to Mar. 31, 2024)

(Unit: Millions of yen)

	Reportable segments			Adjustment (Notes 1, 2)	Total
	Materials	Solutions	Total		
Revenue					
Revenue to third parties	283,808	108,201	392,009	—	392,009
Intergroup revenue and transfers	16,062	2,841	18,904	(18,904)	—
Total	299,870	111,042	410,913	(18,904)	392,009
Segment income	12,732	2,732	15,463	1,098	16,562
Finance income	—	—	—	—	2,280
Finance costs	—	—	—	—	2,141
Share of profit of investments accounted for using equity method	—	—	—	—	(958)
Profit before tax	—	—	—	—	15,744
Segment assets	350,734	143,411	494,145	49,915	544,060
Other items					
Depreciation and amortization	25,996	5,857	31,853	—	31,853
Impairment losses	2,639	963	3,602	—	3,602
Increase in property, plant and equipment and intangible assets	17,243	5,246	22,489	—	22,489

Notes: 1. The adjustment for “Segment income” includes inter-segment transaction eliminations and corporate profit (loss) not allocated to reportable segments amounting to 1,098 million yen.
2. The “Segment assets” adjustment of 49,915 million yen includes long-term surplus funds (investments in securities).

(Supplementary Information)

Overseas revenue

FY2022 (Apr. 1, 2022 to Mar. 31, 2023)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	109,085	74,418	34,880	19,128	237,512
II. Consolidated revenue					419,568
III Overseas revenue to consolidated revenue	26.0%	17.7%	8.3%	4.6%	56.6%

FY2023 (Apr. 1, 2023 to Mar. 31, 2024)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas revenue	99,192	64,350	38,364	17,406	219,312
II. Consolidated revenue					392,009
III Overseas revenue to consolidated revenue	25.3%	16.4%	9.8%	4.4%	55.9%

Notes: 1. Geographical segments are classified according to geographical proximity.

2. Specific countries of each area:

- (1) Asia: East and South East Asian countries
- (2) Europe: European countries
- (3) North America: North American countries
- (4) Others: Areas/countries except Asia, Europe, North America, and Japan

3. "Overseas revenue" means revenue outside Japan by NIPPON SHOKUBAI CO., LTD. and its consolidated subsidiaries.

(Per Share Information)

The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	FY2022 (Apr. 1, 2022 to March 31, 2023)	FY2023 (Apr. 1, 2023 to March 31, 2024)
Profit attributable to owners of parent (Millions of yen)	19,392	11,008
Profit adjustments (Millions of yen)	—	—
Profit for calculation of diluted earnings per share (Millions of yen)	19,392	11,008
Average number of shares of common stock during the period (Thousands of shares)	158,852	156,186
Increase in number of common stock Performance-linked stock compensation (Thousands of shares)	22	35
Average number of diluted common shares during the period (Thousands of shares)	158,874	156,221
Basic earnings per share (Yen)	122.07	70.48
Diluted earnings per share (Yen)	122.06	70.46

- Notes:
1. In the calculation of basic earnings per share and diluted earnings per share, the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers are treated as treasury shares, and the number of such shares is deducted in the calculation of the average number of shares outstanding during the period.
 2. The Company has carried out a four-for-one stock split regarding common stocks on April 1, 2024 based on the resolution of the Board meeting held on December 18, 2023. Basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Significant Subsequent Events)

(Stock split and partial amendments to the Articles of Incorporation in relation to such stock split)

The Company conducted a stock split on April 1, 2024 and made partial amendments to its Articles of Incorporation in relation to such stock split in accordance with the resolution of the Board meeting held on December 18, 2023.

(1) Purpose of stock split

By conducting a stock split and lowering the amount per unit of investment, the Company aims to create a more investment-friendly environment, improve the liquidity of the Company's shares, and expand its investor base.

(2) Outline of stock split

i) Method of stock split

The Company conducted a four-for-one stock split of the Company's common stock held by shareholders listed or recorded in the Company's shareholder registry as of the end of March 31, 2024 (Sunday) (effectively March 29, 2024 (Friday) as that date was a holiday for the shareholder registry administrator).

ii) Number of shares increased by stock split

	(Shares)
Total number of shares issued and outstanding before stock split	39,000,000
Number of shares increased by this stock split	117,000,000
Total number of shares issued and outstanding after stock split	156,000,000
Total number of authorized shares after stock split	508,800,000

iii) Schedule of stock split

Date of publication of the record date	March 15, 2024 (Friday)
Record date	March 31, 2024 (Sunday)
Effective date	April 1, 2024 (Monday)

(3) Partial amendments to the Articles of Incorporation

i) Reasons for amendments to the Articles of Incorporation

Due to the above stock split, the total number of authorized shares in Article 6 of the Company's Articles of Incorporation was changed in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act, effective from April 1, 2024.

ii) Details of amendments to the Articles of Incorporation

The details of the amendments are as follows.

(Amended parts are underlined.)	
Before amendments	After amendments
(Total Number of Authorized Shares) Article 6: The total number of authorized shares of the Company shall be 127,200 thousand shares.	(Total Number of Authorized Shares) Article 6: The total number of authorized shares of the Company shall be 508,800 thousand shares.

iii) Schedule of amendments to the Articles of Incorporation

Date of resolution by the Board of Directors	December 18, 2023 (Monday)
Effective date	April 1, 2024 (Monday)

(4) Other

i) Change in the amount of share capital

Upon this stock split, there is no change in the amount of share capital.

ii) Dividends

As the effective date of this stock split is April 1, 2024, the year-end dividend for the fiscal year ended March 31, 2024 with the record date on March 31, 2024 is paid based on the number of shares before the stock split.

The effect of the stock split on per share information is stated in “Per Share Information.”

(Purchase of treasury shares)

The Company has resolved the matters concerning the purchase of treasury shares in accordance with the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act at the Board meeting held on May 13, 2024. For details, please refer to the “Notice Regarding Purchase of Treasury Stock (Purchase of Treasury Stock under the provisions of the Articles of Incorporation pursuant to Article 165, Paragraph 2, of the Companies Act)” released today.