

Summary of Consolidated Financial Results [Japanese GAAP] For the Fiscal Year Ended March 31, 2024

May 13, 2024

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

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

Scheduled date of the Annual Shareholders Meeting: June 26, 2024
Scheduled date for start of dividend payments: June 27, 2024
Filing date of securities report: June 26, 2024
Preparation of supplementary materials for financial results: Yes
Financial results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023–March 31, 2024) (Figures shown are rounded down to the nearest million yen.)

(1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2024	201,791	1.7	7,337	(65.9)	12,562	(45.4)	4,113	(72.5)
Fiscal year ended March 31, 2023	198,380	7.3	21,505	2.2	23,025	(0.6)	14,984	(12.8)

Note: Comprehensive income Fiscal year ended March 31, 2024: 23,449 million yen (23.1%)
Fiscal year ended March 31, 2023: 19,050 million yen ((27.1%))

	Profit attributable to owners of parent per share—primary	Profit attributable to owners of parent per share—diluted	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	24.80	24.79	1.6	3.7	3.6
Fiscal year ended March 31, 2023	89.36	89.33	6.0	7.2	10.8

Reference: Equity in earnings of affiliates
Fiscal year ended March 31, 2024: 411 million yen
Fiscal year ended March 31, 2023: (503) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	363,173	270,548	74.2	1,625.18
As of March 31, 2023	322,858	255,027	78.7	1,532.35

Reference: Equity As of March 31, 2024: 269,560 million yen
As of March 31, 2023: 254,018 million yen

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(3) Status of Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2024	23,242	(19,409)	3,823	64,777
Fiscal year ended March 31, 2023	20,039	(15,158)	(7,950)	53,096

2. Status of Dividends

	Dividend amount per share					Total dividend payment (year)	Dividend payout ratio (consolidated)	Dividend payout to net assets ratio (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	Year			
	Yen							
Fiscal year ended March 31, 2023	–	20.00	–	25.00	45.00	7,511	50.4	3.0
Fiscal year ended March 31, 2024	–	22.50	–	22.50	45.00	7,463	181.4	2.9
Fiscal year ending March 31, 2025 (forecast)	–	22.50	–	22.50	45.00		–	

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	102,000	4.2	5,450	14.3	5,850	(29.6)	3,450	(43.4)	20.80
Full year	210,000	4.1	12,500	70.4	13,000	3.5	9,000	118.8	54.26

Notes

- (1) Significant changes in subsidiaries during the fiscal period (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Changes to accounting policies and estimates and restatements
 - [1] Changes to accounting policies associated with revision of accounting standards or similar items: None
 - [2] Changes other than [1]: None
 - [3] Changes to accounting estimates: None
 - [4] Restatements: None
- (3) Number of shares issued (common stock)
 - [1] Number of shares issued at end of the fiscal period (including treasury stock)
 - As of March 31, 2024: 170,503,570 shares
 - As of March 31, 2023: 170,503,570 shares
 - [2] Number of treasury stock at end of the fiscal period
 - As of March 31, 2024: 4,638,700 shares
 - As of March 31, 2023: 4,732,954 shares
 - [3] Average number of shares during the fiscal period
 - Fiscal year ended March 31, 2024: 165,837,724 shares
 - Fiscal year ended March 31, 2023: 167,682,359 shares

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Reference: Overview of Non-consolidated Business Results

1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023–March 31, 2024)

(1) Non-consolidated Operating Results

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2024	120,527	(5.9)	(3,827)	–	4,556	(73.6)
Fiscal year ended March 31, 2023	128,028	3.2	10,501	(9.4)	17,240	7.2

	Net income		Net income per share		Diluted net income per share	
	Million yen	%	Yen		Yen	
Fiscal year ended March 31, 2024	(666)	–	(4.02)		–	
Fiscal year ended March 31, 2023	12,632	0.2	75.33		–	

Notes to Non-consolidated Operating Results

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	261,647	185,195	70.8	1,116.51
As of March 31, 2023	237,521	185,235	78.0	1,117.38

Reference: Equity As of March 31, 2024: 185,195 million yen

As of March 31, 2023: 185,235 million yen

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

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

(Disclaimer concerning forward-looking statements)

The information in this report constitutes forward-looking statements regarding future events and performance. This information is based on the beliefs and assumptions of management in light of information currently available to it at the time of announcement and subject to a number of uncertainties that may affect future results. Actual business results may differ substantially from the forecasts herein due to various factors. For matters pertaining to business forecasts, please refer to 1. Overview of Operating Results, Financial Position, and Future Outlook, (4) Future Outlook” on page 5 of the Supplementary Information.

(How to obtain the supplementary materials for financial results)

We have scheduled a briefing on financial results for securities analysts and institutional investors on Tuesday, May 14, 2024. The materials for the briefing will be posted on the corporate website.

Supplementary Information

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1. Overview of Operating Results, Financial Position, and Future Outlook

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2024

During consolidated fiscal year ended March 31, 2024, the global economy saw continuing uncertainty as the rise in fuel and raw material prices eased but prices remained high and the high level of geopolitical risk persisted along with the prolonged invasion of Ukraine by Russia.

The Mobility & Imaging Business Unit saw a rebound in automobile production as global shortages of semiconductors and other parts lessened. The entire supply chain in the automotive market is undergoing major changes from the emergence of new electric vehicle (EV) manufacturers and progress in EV technology. Even more robust demand for automotive safety components is anticipated, mainly in China and the region referred to as the Global South.

In the Fine Chemicals Business Unit, the need for semiconductor materials is increasing as rapid advances in digital technology lead to higher performance in the next generation of high-speed (5G/6G) communications devices and other digital equipment, the proliferation and growth of AI servers and other servers for data centers, and increasingly sophisticated electronic equipment in automobiles. The global trends in energy and resource conservation are also creating demand for development of new materials and recycling technology that will contribute to carbon neutrality. However, the semiconductor market saw a market downturn, mainly from inventory adjustments necessitated by the disruption in logistics during the period under review. Our challenge is to secure stable revenue as a business unit that is resilient to changes in the market environment.

In the Life Science Business Unit, we contribute to extending the healthy lifespan of people in Japan through innovative drug development while ensuring a stable supply of high quality pharmaceuticals. We must do this to pass on a society to the next generation where all people in Japan can be assured of receiving quality medical care. Nippon Kayaku must determine how to swiftly and consistently engage in pharmaceutical research, development, manufacturing, and supply to meet these expectations. However, the increase in medical and other social security expenses is straining consumer finances and achieving sustainable healthcare is a challenge for us amid even stricter government measures to curb drug prices and other medical expenses. Products that contribute both to increased food production and reduction in negative environmental impacts by the agriculture industry are necessary as the global population continues to increase and importance of food security is stressed. To achieve these missions, we must continue to provide excellent, environmentally friendly agrochemicals along with the technology and services for them, support food supply, and contribute to growth of sustainable agriculture.

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

As a result, consolidated net sales for the fiscal year ended March 31, 2024 totaled 201,791 million yen, an increase of 3,411 million yen (1.7%) year-on-year. Sales in the Fine Chemicals Business Unit underperformed while sales in the Mobility & Imaging Business Unit and Life Science Business Unit outperformed the previous fiscal year.

Consolidated operating income totaled 7,337 million yen, a decrease of 14,168 million yen (65.9%) year-on-year. The decrease resulted from an increase in SG&A expenses accompanying a 6,000 million yen upfront payment upon concluding a licensing agreement with AnHeart Therapeutics Inc. in the pharmaceuticals business, in addition to the decrease in net sales in the Fine Chemicals Business Unit and the negative impact from the surge in raw material prices.

Consolidated ordinary income totaled 12,562 million yen, a decrease of 10,463 million yen (45.4%) year-on-year despite foreign exchange gains of 2,600 million yen.

Profit attributable to owners of parent was 4,113 million yen, a decrease of 10,871 million yen (72.5%) year-on-year. The decrease resulted mainly from a loss on valuation of investment securities and an impairment loss on intangible assets attributed to the cleaner business.

Performance by business segment is as described below.

[Mobility & Imaging Business Unit]

Sales rose to 81,201 million yen, an increase of 9,332 million yen (13.0%) year-on-year.

In the safety systems business, domestic sales as a whole outperformed the previous fiscal year despite year-on-year underperformance of airbag inflators due to the suspension of automobile production by some auto manufacturers during the second half of fiscal year ended March 31, 2024. The overall outperformance in the domestic market resulted from year-on-year outperformance of micro gas generators for seatbelt preten-

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

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

Segment profit was 8,028 million yen, a decrease of 187 million yen (2.3%) year-on-year. The decrease was caused by rising manufacturing costs due to the surge in raw material prices.

[Fine Chemicals Business Unit]

Sales were 57,072 million yen, a decrease of 6,974 million yen (10.9%) year-on-year.

The functional materials business as a whole underperformed the previous fiscal year. This underperformance resulted from a slump in consumer demand and low demand for epoxy resins and other products groups affected by the stagnation in the semiconductor materials market. The color materials business as a whole underperformed the previous fiscal year despite firm sales of developer for thermal paper. The underperformance was due to slow sales of colorants for inkjet printers for consumer use.

The catalyst business underperformed the previous fiscal year due to the lull between catalyst replacement cycles at customer plants.

Segment profit was 5,183 million yen, a decrease of 5,037 million yen (49.3%) year-on-year. The decrease was caused by rising manufacturing costs due to the surge in raw material prices.

[Life Science Business Unit]

Sales rose to 63,518 million yen, an increase of 1,054 million yen (1.7%) year-on-year.

In the pharmaceuticals business, pharmaceuticals for the Japanese domestic market were on par with the previous fiscal year due to increased market penetration of ALAGLIO® divided granules, a photodynamic diagnostic agent, and the contribution from the antibody biosimilar BEVACIZUMAB BS, which was launched in fiscal year ended March 31, 2023. Diagnostic drugs underperformed, while domestic sales of active pharmaceutical ingredients, exports, and contract production outperformed compared to the previous fiscal year, leading to year-on-year outperformance of the pharmaceuticals business as a whole.

The agrochemicals business as a whole was on par with the previous fiscal year as exports outperformed and domestic sales remained sluggish.

Sales in the real estate business were on par with the previous fiscal year.

Segment profit totaled 2,410 million yen, a decrease of 8,258 million yen (77.4%) year-on-year. The decrease resulted from an increase in SG&A expenses accompanying an upfront payment upon concluding a licensing agreement with AnHeart Therapeutics Inc. in the pharmaceuticals business.

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

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2024

Total assets were 363,173 million yen, an increase of 40,315 million yen from the end of the previous consolidated fiscal year. The main increases were in investment securities, an increase of 13,334 million yen; cash and deposits, an increase of 8,698 million yen; construction in progress, an increase of 6,940 million yen; accounts receivable-trade, an increase of 5,675 million yen; securities, an increase of 3,132 million yen; and net defined benefit asset, an increase of 2,889 million yen. The main decrease was in merchandise and finished goods, a decrease of 4,656 million yen.

Total liabilities were 92,624 million yen, an increase of 24,793 million yen compared to the end of the previous consolidated fiscal year. The main increases were in long-term loans payable, an increase of 9,800 million yen; accounts payable-other, an increase of 8,007 million yen; notes and accounts payable-trade, an increase of 2,779 million yen; deferred tax liabilities, an increase of 2,676 million yen; and short-term loans payable, an increase of 2,069 million yen.

Net assets were 270,548 million yen, an increase of 15,521 million yen compared to the end of the previ-

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ous consolidated fiscal year. The main increases were in translation adjustments, an increase of 8,909 million yen; and unrealized holding gains on other securities, an increase of 8,485 million yen. The main decrease was in retained earnings, a decrease of 3,762 million yen.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2024

	Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)	Comparative change
	Million yen		
Cash flows from operating activities	20,039	23,242	3,202
Cash flows from investing activities	(15,158)	(19,409)	(4,250)
Cash flows from financing activities	(7,950)	3,823	11,773
Cash and cash equivalents at end of the year	53,096	64,777	11,681

Net cash provided by operating activities amounted to 23,242 million yen (versus a cash inflow of 20,039 million yen in the previous fiscal year). The positive cash flow was primarily generated from depreciation and amortization of 13,873 million yen, profit before income taxes of 7,205 million yen, and a decrease in inventories of 6,026 million yen. The above factors more than compensated for income tax paid of 6,306 million yen and an increase in notes and accounts receivable-trade of 4,996 million yen.

Net cash used in investing activities totaled 19,409 million yen (versus a cash outflow of 15,158 million yen in the previous fiscal year). The net outflow was mainly due to expenditures of 15,036 million yen for the purchase of property, plant and equipment, and expenditures of 6,083 million yen for the purchase of investment securities.

Net cash provided by financing activities amounted to 3,823 million yen (versus a cash outflow of 7,950 million yen in the previous fiscal year). The positive cash flow was primarily generated from proceeds from long-term loans payable of 16,000 million yen. This more than compensated for dividends paid of 7,855 million yen and expenditures for repayment of long-term loans payable of 4,048 million yen.

Reflecting the above cash flow performance, the balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2024 was 64,777 million yen, an increase of 11,681 million yen from the end of the previous fiscal year.

Reference: Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	75.2	77.2	77.8	78.7	74.2
Market-value-based equity ratio (%)	61.0	62.0	61.9	61.5	59.6
Ratio of cash flow to interest-bearing liabilities (years)	0.8	0.8	0.7	1.0	1.3
Interest coverage ratio	152.4	202.1	273.9	243.3	248.0

Equity ratio: Equity divided by total assets

Market-value-based equity ratio: Total market value of shares divided by total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing debt divided by operating cash flows

Interest coverage ratio: Operating cash flows divided by interest payments

Notes 1: Each indicator is calculated using consolidated financial figures.

2: The total market value of shares is calculated on the number of total shares outstanding (less treasury stock) at end of year.

3: Operating cash flows makes use of the cash flows from operating activities.

4: Interest-bearing debt includes all liabilities declared in the Consolidated Balance Sheets on which interest is paid.

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All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

(4) Future Outlook

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

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

In the safety systems business, we will continue development of airbag inflators, micro gas generators for seatbelt pretensioners, squibs, actuators for vehicle hood-raising devices to protect pedestrians, and other new products.

We will also continue to focus on developing automotive safety components for electric vehicles and other rapidly evolving automated driving technologies.

In the Polatechno business, products under development include durable polarizing films for head-up displays required in vehicles and high-powered components for X-ray analysis systems.

In the functional materials business, the products being developed include high-performance resins for printed circuit boards used in the rapidly proliferating next generation of high-speed (5G/6G) communications in the information and communications fields and the increasingly sophisticated electronic equipment in automobiles, epoxy resins used in carbon fiber-reinforced plastics, cleaners and manufacturing equipment used for semiconductors. In the color materials business, such products include colorants for inkjet printers in industrial applications, functional colorants for use in automobiles and image sensors, and dichromatic colorants for light-controlled glass. In the catalyst business, products under development include high-yield catalysts for the manufacture of acrylic acid and methacrylic acid, which contribute to energy and resource conservation, and catalysts for manufacturing completely green hydrogen using solar energy to contribute to the realization of a hydrogen-based society.

In the pharmaceuticals business, we are targeting market penetration of new drugs such as PORTRAZZA[®], a biomedicine for lung cancer; DARVIAS[®], a drug for blood cancer; and ALAGLIO[®], a photodynamic diagnostic agent. We are working to expand our product line-up in antibody biosimilars, distinctive generic drugs created through ingenuity in pharmaceutical formulations, and other products in the cancer-related areas, and to further strengthen stable supply and the quality assurance system.

In the agrochemicals business, we are focusing on expanding sales volume for flometoquin, an insecticide, and are working toward the development and introduction of new unique drug formulations and new insecticides.

In the consolidated fiscal year ending March 31, 2025, Nippon Kayaku forecasts 4.1% year-on-year growth in net sales to 210,000 million yen. We forecast operating income of 12,500 million yen, an increase of 70.4% year-on-year; ordinary income of 13,000 million yen, an increase of 3.5% year-on-year; and profit attributable to owners of parent of 9,000 million yen, an increase of 118.8% year-on-year.

The main exchange rate assumption for the business results forecast is JPY140/USD.

(5) Basic Policy Concerning Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2024 and Fiscal Year Ending March 31, 2025

The Nippon Kayaku Group focuses heavily on returning profits to shareholders. We are targeting a payout ratio at 40% of more of profit attributable to owners of parent during **KV25**, the mid-term business plan which began in the fiscal year ended March 31, 2023. This takes into account stable and consistent profit returns and the level of retained earnings. The Company will also be flexible in acquiring treasury shares as part of the return to shareholders, while securing sufficient retained earnings. Retained earnings will be used to invest in R&D, capital, and other investment and lending targeting sustained growth aimed at future development. We will target ROE of 8% or higher in the final fiscal year of **KV25** and will continue to enhance corporate value.

We plan to pay a year-end dividend of 22.5 yen per share. Combined with the dividend paid at the end of the second quarter, total dividends per share for the full year will be 45 yen.

The dividend for next fiscal year is forecast at 45 yen per share. This will consist of a dividend of 22.5 yen per share at the end of the second quarter and a year-end dividend of 22.5 yen per share.

2. Basic Stance on Selection of Accounting Principles

The Nippon Kayaku Group, for the time being, employs generally accepted accounting principles in Japan to prepare its consolidated financial statements. This decision takes into account comparability of different fiscal periods

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in the consolidated financial statements and with industry peers.

It should be noted that the Company plans to adopt the use of the International Financial Reporting Standards (IFRS) in a timely and adequate fashion should certain circumstances in Japan and abroad give rise to this need.

3. Consolidated Financial Statements and Notes to Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2023	As of March 31, 2024
	Million yen	
Assets		
Current assets		
Cash and deposits	48,051	56,749
Notes receivable-trade	2,221	3,263
Accounts receivable-trade	51,329	57,004
Electronically recorded monetary claims-operating	2,004	1,942
Securities	6,296	9,428
Merchandise and finished goods	46,217	41,561
Work in process	1,130	1,129
Raw materials and stores	23,759	24,318
Other	5,072	7,951
Allowance for doubtful accounts	(44)	(204)
Total current assets	186,037	203,146
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,544	44,109
Machinery, equipment and vehicles, net	26,069	26,131
Land	9,170	9,501
Construction in progress	8,362	15,302
Other, net	3,111	3,593
Total property, plant and equipment	89,259	98,638
Intangible assets		
Goodwill	2,492	783
Other	4,047	2,912
Total intangible assets	6,539	3,696
Investments and other assets		
Investment securities	32,146	45,481
Long-term loans receivable	676	581
Long-term prepaid expenses	1,600	1,516
Net defined benefit asset	3,845	6,735
Deferred tax assets	896	1,484
Other	1,911	1,941
Allowance for doubtful accounts	(54)	(48)
Total investments and other assets	41,021	57,692
Total non-current assets	136,820	160,027
Total assets	322,858	363,173

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	As of March 31, 2023	As of March 31, 2024
	Million yen	
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,239	19,018
Short-term loans payable	3,380	5,450
Current portion of bonds payable	-	8,000
Accounts payable-other	10,662	18,669
Accrued expenses	5,263	5,554
Income taxes payable	2,133	1,555
Refund liability	439	408
Provision for directors' bonuses	154	102
Other	775	1,056
Total current liabilities	39,049	59,815
Non-current liabilities		
Bonds payable	8,000	-
Long-term loans payable	8,200	18,000
Deferred tax liabilities	7,964	10,640
Provision for directors' retirement benefits	15	12
Net defined benefit liability	395	433
Long-term deposits received	3,228	3,208
Other	978	513
Total non-current liabilities	28,782	32,809
Total liabilities	67,831	92,624
Net assets		
Shareholders' equity		
Common stock	14,932	14,932
Additional paid-in capital	15,803	15,840
Retained earnings	202,976	199,214
Treasury stock	(5,523)	(5,413)
Total shareholders' equity	228,189	224,573
Accumulated other comprehensive income		
Unrealized holding gains on other securities	8,023	16,508
Translation adjustments	17,331	26,241
Remeasurements of defined benefit plans	473	2,237
Total accumulated other comprehensive income	25,828	44,987
Non-controlling interests	1,008	987
Total net assets	255,027	270,548
Total liabilities and net assets	322,858	363,173

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Million yen	
Net sales	198,380	201,791
Cost of sales	131,627	140,490
Gross profit on sales	66,752	61,301
Selling, general and administrative expenses		
Selling expenses	19,335	20,353
General and administrative expenses	25,911	33,610
Total selling, general, and administrative expenses	45,247	53,964
Operating income	21,505	7,337
Non-operating income		
Interest income	537	843
Dividend income	887	1,010
Equity in earnings of affiliates	-	411
Foreign exchange gains	171	2,695
Other	920	1,054
Total non-operating income	2,516	6,015
Non-operating expenses		
Interest expense	103	127
Equity in losses of affiliates	503	-
Compensation expenses	-	104
Expenses from under-utilized real estate	44	39
Other losses	345	518
Total non-operating expenses	996	790
Ordinary income	23,025	12,562
Extraordinary income		
Gain on change in equity	123	-
Gain on sale of non-current assets	488	213
Gain on sale of investment securities	766	1,646
Gain on sale of businesses	-	311
Total extraordinary income	1,377	2,171
Extraordinary loss		
Impairment loss	2,127	2,647
Loss on disposal of non-current assets	698	591
Loss on valuation of investment securities	605	4,288
Total extraordinary loss	3,431	7,527
Profit before income taxes	20,972	7,205
Income taxes-current	5,954	5,216
Income taxes-deferred	(24)	(2,190)
Total income taxes	5,929	3,026
Profit	15,042	4,179
Profit attributable to non-controlling interests	57	66
Profit attributable to owners of parent	14,984	4,113

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

Consolidated Statements of Comprehensive Income

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Million yen	
Profit	15,042	4,179
Other comprehensive income		
Unrealized holding gains on other securities	(1,795)	8,483
Translation adjustments	6,726	9,020
Remeasurements of defined benefit plans	(927)	1,784
Share of other comprehensive income of companies accounted for by the equity-method	4	(18)
Total other comprehensive income	4,007	19,269
Comprehensive income	19,050	23,449
Comprehensive income attributable to:		
Owners of parent	18,967	23,272
Non-controlling interests	83	177

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	15,759	195,566	(2,624)	223,633
Changes during the fiscal year					
Dividends paid			(7,573)		(7,573)
Profit attributable to owners of parent			14,984		14,984
Purchase of treasury shares				(3,000)	(3,000)
Transfer-restricted stock remuneration			(1)	101	100
Change in treasury shares of parent arising from transactions with non-controlling shareholders		44			44
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	44	7,410	(2,899)	4,556
Balance at end of the fiscal year	14,932	15,803	202,976	(5,523)	228,189

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	9,818	10,630	1,396	21,846	945	246,425
Changes during the fiscal year						
Dividends paid						(7,573)
Profit attributable to owners of parent						14,984
Purchase of treasury shares						(3,000)
Transfer-restricted stock remuneration						100
Change in treasury shares of parent arising from transactions with non-controlling shareholders						44
Net change in items other than shareholders' equity	(1,795)	6,700	(923)	3,982	62	4,045
Total changes during the fiscal year	(1,795)	6,700	(923)	3,982	62	8,601
Balance at end of the fiscal year	8,023	17,331	473	25,828	1,008	255,027

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)

	Shareholders' equity				
	Common stock	Additional Paid-in Capital	Retained earnings	Treasury stock	Total shareholders' equity
	Million yen				
Balance at beginning of the fiscal year	14,932	15,803	202,976	(5,523)	228,189
Changes during the fiscal year					
Dividends paid			(7,876)		(7,876)
Profit attributable to owners of parent			4,113		4,113
Purchase of treasury shares				(2)	(2)
Transfer-restricted stock remuneration		6		111	118
Change in treasury shares of parent arising from transactions with non-controlling shareholders		29			29
Net change in items other than shareholders' equity					
Total changes during the fiscal year	–	36	(3,762)	109	(3,616)
Balance at end of the fiscal year	14,932	15,840	199,214	(5,413)	224,573

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on other securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	Million yen					
Balance at beginning of the fiscal year	8,023	17,331	473	25,828	1,008	255,027
Changes during the fiscal year						
Dividends paid						(7,876)
Profit attributable to owners of parent						4,113
Disposal of treasury shares						(2)
Transfer-restricted stock remuneration						118
Change in treasury shares of parent arising from transactions with non-controlling shareholders						29
Net change in items other than shareholders' equity	8,485	8,909	1,764	19,158	(20)	19,137
Total changes during the fiscal year	8,485	8,909	1,764	19,158	(20)	15,521
Balance at end of the fiscal year	16,508	26,241	2,237	44,987	987	270,548

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

(4) Consolidated Statements of Cash Flows

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Million yen		
Cash flows from operating activities		
Profit before income taxes	20,972	7,205
Depreciation and amortization	13,694	13,873
Impairment loss	2,127	2,647
Loss (gain) on sale of businesses	–	(311)
Amortization of goodwill	546	529
Increase (decrease) in other provisions	(106)	57
Interest and dividend income	(1,425)	(1,853)
Interest expense	103	127
Foreign exchange losses (gains)	(1,366)	(2,168)
Equity in (earnings) losses of affiliates	503	(411)
Gain on sales of property, plant and equipment	(488)	(213)
Loss (gain) on disposal of property, plant and equipment	698	591
Loss (gain) on valuation of investment securities	605	4,288
Loss (gain) on sales of investment securities	(766)	(1,646)
(Increase) decrease in notes and accounts receivable-trade	8,164	(4,996)
(Increase) decrease in inventories	(14,153)	6,026
(Increase) decrease in prepaid expenses	48	(116)
(Increase) decrease in accounts receivable-other	(907)	(1,348)
(Increase) decrease in advance payments	41	(251)
Increase (decrease) in notes and accounts payable-trade	(2,076)	2,084
Increase (decrease) in notes and accounts payable-other	194	2,677
Increase (decrease) in accrued expenses	(780)	123
Increase (decrease) in net defined benefit liability	43	37
(Increase) decrease in net defined benefit asset	(651)	(317)
Other	27	836
Subtotal	25,051	27,472
Interest and dividends received	1,628	2,054
Interest paid	(82)	(95)
Income tax paid	(6,843)	(6,306)
Income tax refund	286	117
Net cash provided by operating activities	20,039	23,242
Cash flows from investing activities		
Net decrease (increase) in time deposits	(368)	(356)
Proceeds from withdrawal of time deposits	51	54
Short-term loan advances	(66)	(139)
Purchase of property, plant and equipment	(12,221)	(15,036)
Proceeds from sales of property, plant and equipment	530	234
Purchase of intangible assets	(329)	(428)
Purchase of securities	(760)	–
Proceeds from redemption of securities	406	377
Purchase of investment securities	(2,797)	(6,083)
Proceeds from sales of investment securities	1,047	2,614
Proceeds from redemption of investment securities	238	129
Purchase of shares of subsidiaries and associates	–	(366)
Long-term loan advances	–	(3)
Collection of long-term loans receivable	5	98
Payments for long-term prepaid expenses	(462)	(365)
Payment for retirement of property, plant and equipment	(437)	(558)
Proceeds from sale of businesses	–	433
Other	4	(12)
Net cash used in investing activities	(15,158)	(19,409)

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Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Million yen	
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(846)	52
Proceeds from long-term borrowings	10,000	16,000
Repayment of long-term loans	(2,340)	(4,048)
Redemption of bonds	(4,000)	-
Purchase of treasury shares of subsidiaries	-	(155)
Purchase of treasury stock	(3,000)	(2)
Dividends paid	(7,550)	(7,855)
Dividends paid to non-controlling interests	(42)	(19)
Other	(168)	(147)
Net cash provided by financing activities	(7,950)	3,823
Effect of exchange rate change on cash and cash equivalents	3,202	4,024
Increase (decrease) in cash and cash equivalents	133	11,681
Cash and cash equivalents at beginning of the year	52,962	53,096
Cash and cash equivalents at end of the year	53,096	64,777

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(5) Notes to Consolidated Financial Statements
(Notes Regarding Assumptions for the Going Concern)
No items to report

(Segment Information)

[1] Summary of reportable segments

The reportable segments of the Nippon Kayaku Group are structural units of the Group for which separate financial information can be acquired. These segments are subject to be examined periodically by the Board of Directors in order to evaluate business results and make decisions on the allocation of business resources.

Business groups are established by product and service for each reportable segment within the Nippon Kayaku Group. Each group develops comprehensive domestic and overseas strategies for the products and services it handles, and introduces business activities accordingly.

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

The types of main products and services provided by the reportable segments are shown in the table below.

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

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

[2] Methods for calculating the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting treatment of the reportable segments is generally the same as described in Significant Accounting Policies for Preparing Consolidated Financial Statements. The profit reported in each reportable segment is operating profit. Intersegment sales and transfers are calculated based primarily on market prices and manufacturing costs.

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

[3] Information concerning the amounts for sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

	Reportable segments				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Mobility & Imaging Business Unit	Fine Chemi- cals Business Unit	Life Science Business Unit	Total			
Million yen							
Sales							
Sales to third parties	71,869	64,047	62,463	198,380	198,380	–	198,380
Intersegment sales and transfers	–	163	0	164	164	(164)	–
Total	71,869	64,210	62,464	198,544	198,544	(164)	198,380
Segment profit	8,215	10,221	10,668	29,105	29,105	(7,600)	21,505
Segment assets	110,514	78,169	83,674	272,358	272,358	50,499	322,858
Other items							
Depreciation and amortization	7,004	3,593	2,616	13,214	13,214	480	13,694
Amortization of goodwill	103	442	–	546	546	–	546
Impairment loss	2,127	–	–	2,127	2,127	–	2,127
Changes in the amount of property, plant and equipment and intangible assets	4,609	4,843	2,636	12,089	12,089	368	12,457

Note 1: The amounts of adjustments are as shown below.

(1) The 7,600 million yen downward adjustment to segment profit reflects 7,630 million yen in corporate expense not allocable to the reportable segments and 30 million yen in eliminations for intersegment transactions. The corporate expenses are mainly general and administrative expenses that are not attributed to the reportable segments.

(2) The 50,499 million yen upward adjustment to segment assets factors in 50,601 million yen in corporate assets not allocable to reportable segments and 102 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 480 million yen upward adjustment to depreciation and amortization is related to corporate assets.

(4) The 368 million yen increase adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

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

Nippon Kayaku Co., Ltd.
Summary of Consolidated Financial Results [Japanese GAAP]
For the Fiscal Year Ended March 31, 2024

Fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)

	Reportable segments				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Mobility & Imaging Business Unit	Fine Chemi- cals Business Unit	Life Science Business Unit	Total			
Million yen							
Sales							
Sales to third parties	81,201	57,072	63,518	201,791	201,791	—	201,791
Intersegment sales and transfers	—	169	0	170	170	(170)	—
Total	81,201	57,242	63,518	201,962	201,962	(170)	201,791
Segment profit	8,028	5,183	2,410	15,621	15,621	(8,284)	7,337
Segment assets	124,179	82,555	84,765	291,500	291,500	71,672	363,173
Other items							
Depreciation and amortization	7,013	3,607	2,754	13,375	13,375	498	13,873
Amortization of goodwill	85	444	—	529	529	—	529
Impairment loss	92	2,555	—	2,647	2,647	—	2,647
Changes in the amount of property, plant and equipment and intangible assets	6,752	7,776	3,864	18,393	18,393	903	19,296

Note 1: The amounts of adjustments are as shown below.

(1) The 8,284 million yen downward adjustment to segment profit reflects 8,218 million yen in corporate expense not allocable to the reportable segments and 66 million yen in eliminations for intersegment transactions. The corporate expenses are mainly a general and administrative expense that is not attributed to the reportable segments.

(2) The 71,672 million yen upward adjustment to segment assets factors in 71,812 million yen in corporate assets not allocable to reportable segments and 139 million yen in eliminations for intersegment transactions. Corporate assets primarily consist of excess operating funds (cash and securities) and long-term investment funds (investment securities, etc.) belonging to the parent company.

(3) The 498 million yen adjustment to depreciation and amortization is related to corporate assets.

(4) The 903 million yen upward adjustment to property, plant and equipment and intangible assets is related to the administrative divisions of the parent company head office.

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

(Significant Subsequent Events)

(Purchase of Treasury Stock)

At the Board of Directors meeting held on May 13, 2024, the Company approved the following details concerning the purchase of treasury stock, pursuant to the provisions of Article 156 of the Companies Act as interpreted and applied pursuant to the provisions of Article 165, Paragraph 3 of the same act.

1. Reason for purchase of treasury stock

To implement an agile capital policy according to changes in the business environment

2. Details of treasury stock purchases

- | | |
|---|--|
| (1) Class of stock to be purchased: | Common shares of the Company |
| (2) Total number of shares that can be purchased: | 2,800,000 shares (maximum) |
| (3) Total purchase amount: | 3,000 million yen (maximum) |
| (4) Purchase period: | From May 21 to September 30, 2024 |
| (5) Purchase method: | Market purchases on the Tokyo Stock Exchange |

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