

Consolidated Financial Results for the Year Ended March 31, 2024 (JPGAAP)



May 13, 2024

Name of listed company: Nissan Chemical Corporation
Code Number: 4021

Stock Exchange: Tokyo
URL: <https://www.nissanchem.co.jp/>

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Scheduled date of annual shareholders' meeting : June 26, 2024

Scheduled dividend payment date : June 27, 2024

Scheduled date of submitting the Annual Securities Report : June 26, 2024

Supplemental information : Yes

Financial results meeting : Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (% indicates the rate of increase/decrease year on year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2024	226,705	(0.6)	48,201	(7.8)	51,629	(7.5)	38,033	(7.4)
Year ended March 31, 2023	228,065	9.7	52,283	2.6	55,793	3.9	41,087	6.0

(Note) Comprehensive income: Year ended March 31, 2024 : 42,461 million yen, 1.8%
Year ended March 31, 2023 : 41,690 million yen, 14.2%

	Basic earnings per share	Diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2024	272.82	—	17.1	16.6	21.3
Year ended March 31, 2023	291.36	—	19.4	19.3	22.9

(Reference) Equity in earnings of affiliates : Year ended March 31, 2024 : 536 million yen
: Year ended March 31, 2023 : 1,485 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	323,458	230,903	70.3	1,641.05
As of March 31, 2023	298,715	221,526	73.1	1,557.12

(Reference) Shareholders' equity: As of March 31, 2024 : 227,470 million yen
As of March 31, 2023 : 218,419 million yen

(3) 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 period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2024	33,701	(18,741)	(22,101)	22,738
Year ended March 31, 2023	35,226	(19,643)	(25,030)	29,647

2. Cash Dividends

	Cash dividends per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2023	—	70.00	—	94.00	164.00	23,076	56.3	10.9
Year ended March 31, 2024	—	70.00	—	94.00	164.00	22,816	60.1	10.3
Year ending March 31, 2025 (Outlook)	—	70.00	—	94.00	164.00		58.9	

3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2024	109,600	3.7	24,000	(0.4)	23,300	(11.1)	18,100	(7.2)	131.15
Year ending March 31, 2025	234,100	3.3	50,000	3.7	50,500	(2.2)	38,400	1.0	278.67

4. Notes

- (1) Changes in significant consolidated subsidiaries
(Changes in specified subsidiaries involving changes in scope of consolidation) : Yes
Newly Included: 1 company (Company name: Nippon Phosphoric Acid Corporation Limited)

(Note) Nippon Phosphoric Acid Corporation Limited changed the trade name into NC Tokyo Bay Corporation on July 3, 2023.

- (2) Changes of accounting policies and accounting estimates, and restatement
- | | |
|--|--------|
| 1. Changes of accounting policies due to revisions of accounting standards | : None |
| 2. Changes of accounting policies other than the above | : None |
| 3. Changes in accounting estimates | : None |
| 4. Restatements | : None |

(3) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of March 31, 2024	: 138,800,000	shares
As of March 31, 2023	: 141,300,000	shares

2. Number of treasury shares

As of March 31, 2024	: 186,649	shares
As of March 31, 2023	: 1,029,072	shares

3. Average number of shares outstanding over the year

As of March 31, 2024	: 139,407,930	shares
As of March 31, 2023	: 141,019,817	shares

(Note) The Company has introduced "Board Benefit Trust (BBT)" based on the resolution of Board of Directors' meeting held on July 30, 2019. The shares held by the Trust are included in the number of treasury shares at the end of the period, and they are included in the number of treasury shares deducted in calculating the average number of shares outstanding over the period.

The number of shares held by the Trust (included in treasury shares) at the end of the period was 144,000 shares.

In addition, the average number of shares held by the Trust during the period was 144,354 shares.

This is not included in the average number of shares outstanding.

* Presentation regarding implementation status of audit procedures

This financial release is not subject to audit procedures based on Financial Instruments and Exchange Law in Japan.

Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* Explanations regarding appropriate use of business outlook and other special notes

The business outlook contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the outlook due to various factors.

The prerequisite information of outlook and other items are on page 6 to page 7.

* For supplemental information, please refer to our website.

The transcript of financial results briefing will be released on our website as well.

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1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

(Operating results for the fiscal year)

During the current fiscal year (April 1, 2023 to March 31, 2024), the domestic economy showed a recovery trend in consumer spending and automobile exports in the first half of the fiscal year, in addition to an increase in inbound demand driven by the weak yen. However, the recovery was limited due to sluggish personal consumption toward the end of the fiscal year, as well as automobile production cutbacks and other factors. Under these circumstances, in the Chemicals Segment, sales of both Basic Chemicals and Fine Chemicals decreased. In the Performance Materials Segment, sales of Semiconductor Materials declined but sales of Display Materials were fine. In the Agricultural Chemicals Segment, sales increased. In the Healthcare Segment, sales decreased.

As a result, both sales and each income were below the same period of the previous fiscal year. Although Ordinary income exceeded the forecast announced in November, sales, operating income and net income attributable to owners of parent fell short of the forecast.

(Million yen, amounts rounded down to the nearest million yen)

	FY2022 (Actual)	FY2023 (Actual)	Year on year change	FY2023 (Outlook)	Change from Outlook
Sales	228,065	226,705	(1,360)	227,500	(795)
Operating income	52,283	48,201	(4,081)	48,600	(399)
Ordinary income	55,793	51,629	(4,164)	51,300	+329
Net income attributable to owners of parent	41,087	38,033	(3,053)	38,400	(367)

Explanations by segments are as below.

The Chemicals Segment

In Basic Chemicals, sales of nitric acid products (metal dissolution, surface treatment, etc.) increased. Sales of melamine (adhesives agent) declined as a result of the termination of sales in the third quarter of the previous fiscal year under the structural reforms. In Fine Chemicals, sales of environmental related products (sterilizing and disinfecting agents for pools and septic tanks, etc.) and "TEPIC" (powder coating agent for paint, sealants, etc.) decreased due to the impact of falling market demand.

As a result, sales of this segment were 35,562 million yen (a decrease of 3,471 million yen) and operating income was 48 million yen (a decrease of 1,330 million yen). Compared to the outlook, sales were below 3.0 billion yen and operating income was below 0.8 billion yen.

The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) increased. In Semiconductor Materials, sales of antireflective coating for semiconductors (ARC®*) and multi-layer process materials (OptiStack®*) decreased due to a decline in customer utilization. In Inorganic Materials, sales of "SNOWTEX" for polishing electronic materials and hard coating, and Oilfield materials (solvents to improve the efficiency of shale oil and gas extraction) decreased.

As a result, sales of this segment were 84,567 million yen (an increase of 1,961 million yen) and operating income was 22,530 million yen (a decrease of 2,919 million yen). Compared to the outlook, sales were above 0.1 billion yen and operating income was below 0.8 billion yen.

* ARC® and OptiStack® are registered trademarks of Brewer Science, Inc.

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. In Japanese domestic market, sales of "GRACIA"(insecticide) were firm, but sales of "ROUNDUP" (non-selective foliar application herbicide) decreased. In the overseas market, although sales of "GRACIA" grew, sales of "LEIMAY" (fungicide) decreased.

As a result, sales of this segment were 82,113 million yen (an increase of 529 million yen) and operating income was 23,398 million yen (an increase of 267 million yen). Compared to the outlook, sales were below 1.9 billion yen and operating income was above 0.1 billion yen.

The Pharmaceuticals Segment

Sales of "LIVALO" (anti-cholesterol drug) declined, mainly to overseas markets. In "Custom Chemicals"(custom manufacturing and solution proposal business for pharmaceutical companies), sales of generic active pharmaceutical ingredients decreased.

As a result, sales of this segment were 6,300 million yen (a decrease of 373 million yen) and operating income was 2,814 million yen (a decrease of 175 million yen). Compared to the outlook, sales were above 0.4 billion yen and operating income was above 0.2 billion yen.

Trading

Sales of this segment were 103,794 million yen (an increase of 4,728 million yen) and operating income was 3,701 million yen (a decrease of 0 million yen). Compared to the outlook, sales were above 2.9 billion yen and operating income was above 0.4 billion yen.

Others

Sales of this segment were 30,167 million yen (an increase of 3,782 million yen) and operating income was 572 million yen (a decrease of 307 million yen).

(Mid-and Long-term Management Strategies and Issues to be addressed)

In April 2022, we, Nissan Chemical Corporation and our group companies launched our new long-term business plan "Atelier2050" and mid-term business plan "Vista2027".

In the "Vista2027", we identified the following challenges to tackle for our future development: "Further strengthen the development of new products", "Refine business plans", and "Enhance and improve business efficiency". And we have implemented measures based on the four basic strategies.

Regarding to the first strategy of "Deeply exploit business areas and increase marketing ability", we found that "Venus Oilclean", a microorganism formulation that decomposes oils and fats in wastewater from food factories, can decompose insoluble matter of dead microorganisms and oil ball, and we have started making proposals for other uses. In the field of secondary battery, in which demand is expected to increase, our product is used as materials of the secondary battery for EV(electric vehicles).

Regarding to the second strategy of "Promote sustainable management", in order to continuously improvement of responsible care activities, the Climate Change Committee, which was established in 2022, conducts cross-organizational activities to address the increasingly serious issue of climate change. In FY2023, we have started management accounting that utilizes internal carbon pricing (ICP), which treats GHG (greenhouse gas) emissions as costs. When formulating our capital investment plans, we have shifted to a system that takes into account not only profit and loss but also reductions in GHG emissions and makes comprehensive management decisions regarding investments. Regarding sustainable procurement, we conducted a survey of suppliers, the number of companies has decreased which did not meet our standards as a result of asking for cooperation in making improvements.

Regarding to the third strategy of "Strengthen the creation and co-creation process of values", in order to expand human capital management, we are promoting the creation of infrastructure and environments that encourage value creation and co-creation. We aim to develop human resources and improve the workplace environment in order to realize an organization in which diverse human resources can take on challenges toward their own goals and they aspire toward personal growth, while upholding our strength of "integrity". Specifically, in order to strengthen human resource development, we have started human resource development meetings by job categories and career dialogues, as well as intrapreneurship program and the 10% Challenge (a system that allows employees to devote 10% of their annual working hours to challenges in areas outside of their normal work). Especially, in career dialogues, we aim to promote the appropriate allocation of human resources with consideration to career design and improve productivity and retention rates.

Regarding to the fourth strategy of "Expand market shares and profits of existing businesses", in the Chemicals Segment, reinforcement of our high-purity sulfuric acid manufacturing facilities progressed smoothly, and we built a structure to increase sales in response to expanding demand.

In the Performance Materials Segment, "Rayalign", a photo-alignment material for IPS liquid crystal, which has excellent viewing angle characteristics and color reproducibility, keep a significant market share for smartphones, IT (information technology), and automotive applications. Additionally, the second manufacturing base of our Korean subsidiary NCK Co., Ltd., which manufactures materials for front-end processes for semiconductors, has been established and started to manufacture the products for customer approval.

In the Agricultural Chemicals Segment, plants for the fungicide "LEIMAY" and the insecticide "GRACIA" at Nissan Bharat Rasayan Private Limited, an Indian subsidiary established to strengthen the product supply system, have begun the manufacturing and shipments of the active ingredients. Additionally, in Japan, we have completed construction of a plant for the active ingredient "VERDAD", an herbicide that is highly effective against difficult-to-control paddy field weeds. It will come out as soon as marketing authorization is registered.

In the Healthcare Segment, a new generic active pharmaceutical ingredients project has started, and we have reached a technical cooperation agreement with a partner for our manufacturing active pharmaceutical ingredients. We have also made significant progress in Oligonucleotide Drug Discovery, and as stated in our news release in April 2024, we have signed to Strategic Collaboration Agreement to discover and develop oligonucleotide therapeutics with Sanwa Kagaku Kenkyusho Co., Ltd. Evaluation the efficacy and safety nucleic acid of compounds, which is designed using our proprietary oligonucleotide technology, by our partners with extensive knowledge and experience. Due to that, we will accelerate the creation of drug candidates.

As mentioned above, our mid-term business plan is making steady progress, and the results are showing.

On the other hand, FY2023 was the second year of Stage I, the first three years of Vista 2027, there were deviations from the plan in certain businesses and areas. Regarding financial indicators, three of the four KPIs, operating profit margin (target 20% or more), dividend payout ratio (target 55%), and total shareholder return ratio (target 75%), achieved our target, but our return on equity ROE was 17%, which was less than our target of 18%. In terms of revenue, both sales and operating income decreased compared to the previous year, resulting in a break in the series of record highs for them. Although, this is due to significant changes in the external environment such as demand, raw materials price, and exchange rates, as well as the impact of natural disasters, we take very seriously that this is due to the imbalance in the businesses that drive business results and the delay in creating new products that should serve as growth engines that will contribute to improving profit margins. In FY2024 we will review the plan for Stage II, the second three years of Vista2027. We thoroughly analyze the discrepancy factors and identify issues in Stage I, and carefully review strategies, measures, and action plans. In order for our group to continue to be a company chosen and sought after by society, we will then formulate a plan for sustainable growth.

Our business base is "Contribute to the protection of the global environment and the existence/development of humanity, offering the value sought by society.", which is our Corporate Philosophy. And our Corporate Slogan is "WHERE IT ALL BEGINS". With a desire to transform, we are focusing on creating new products and expanding our business. We strongly promote management soundness and transparency, thorough compliance, consideration for the environment, and social contribution activities. We are committed to becoming a corporate group trusted by all stakeholders.

(2) Analysis of Financial Position

Total assets as of March 31, 2024 were 323,458 million yen (an increase of 24,742 million yen from the previous year). It is mainly due to the increase of merchandise and finished goods, buildings and structures and machinery, equipment and vehicles.

Total liabilities as of March 31, 2024 were 92,554 million yen (an increase of 15,365 million yen). It is mainly due to the increase of short-term loans payable.

Net assets as of March 31, 2024 were 230,903 million yen (an increase of 9,376 million yen).

As a result of these factors, equity ratio was 70.3% (a decrease of 1.3% from March 31, 2023).

(3) Position of Cash Flow

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss in working capital, net cash provided by operating activities for the consolidated fiscal year ended March 31, 2024 was 33,701 million yen (35,226 million yen for the previous year).

Due to investment on plant and equipment, net cash used in investing activities for the consolidated fiscal year ended March 31, 2024 was 18,741 million yen (19,643 million yen for the previous year).

Due to payment for dividends and of long-term loans payable, share repurchase, net cash used in financing activities for the consolidated fiscal year ended March 31, 2024 was 22,101 million yen (25,030 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2024 were 22,738 million yen (29,647 million yen for the previous year), reflecting exchange of 231 million yen. It increased by 6,909 million yen compared to the previous year.

<Reference> The transit of Cash Flow indices

For the year ended

	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Shareholders' equity ratio (%)	73.7	74.9	73.6	73.1	70.3
Shareholders' equity ratio based on market value (%)	229.7	299.0	366.1	282.0	245.3
Debt repayment ratio (year)	0.7	0.6	0.5	0.8	1.2
Interest coverage ratio (times)	288.5	573.3	571.5	139.6	64.0

Shareholders' equity ratio : shareholders' equity/total assets

Shareholders' equity ratio based on market value : market capitalization/total assets

Debt repayment ratio : interest-bearing liabilities/cash flows from operating activities

Interest coverage ratio : cash flows from operating activities/interest payments

Notes: (1) All indicators are calculated based on consolidated financial figures.

(2) Market capitalization is calculated based on the number of shares outstanding, excluding treasury shares.

(3) Cash flows represents operating cash flow.

(4) Interest-bearing liabilities refer to all liabilities recorded in the consolidated balance sheets that incur interest.

(4) Future Outlook

(Outlook of business result for the next term)

Outlook of Financial Results

(Billion yen, amounts rounded to the nearest billion yen)

	FY2023 Actual (A)	FY2024 Outlook (B)	Increase or decrease (B-A)	Rate of change (%)
Sales	226.7	234.1	+7.4	+3.3%
Operating income	48.2	50.0	+1.8	+3.7%
Ordinary income	51.6	50.5	(1.1)	(2.2)%
Net income attributable to owners of parent	38.0	38.4	+0.4	+1.0%
Basic earnings per share	272.82 yen	278.67 yen	+5.85 yen	+2.1%
Average U.S. dollar exchange rate	145 yen	H1 145 yen H2 140 yen	-	-

Segment Sales and Operating Income

(Billion yen, amounts rounded to the nearest billion yen)

	Sales		Operating income	
	FY2023 Actual	FY2024 Outlook	FY2023 Actual	FY2024 Outlook
Chemicals	35.6	37.7	0.0	0.6
Performance Materials	84.6	91.9	22.5	24.4
Agricultural Chemicals	82.1	84.9	23.4	24.1
Healthcare	6.3	6.4	2.8	2.3
Trading	103.8	104.1	3.7	3.2
Other	30.2	28.7	0.6	0.7
Adjustment	(115.8)	(119.6)	(4.8)	(5.3)
Total	226.7	234.1	48.2	50.0

We estimate that sales will be 234.1 billion yen, operating income will be 50.0 billion yen, ordinary income will be 50.5 billion yen and net income attributable to owners of parent will be 38.4 billion yen. The above outlook is calculated based on the assumption that the exchange rate will be 145 yen in the first half of the year and 140 yen in the second half of the year per U.S. dollar.

(Basic Policy on Distribution of Earnings and Dividends for current and next term)

The Company's basic policy of profit allocation is returning to shareholders by improving company value through increasing revenue in the medium and long terms.

In medium-term business plan "Vista2027" Stage I launched from April 2022, the company aimed to realize dividend payout ratio to be 55% and total payout ratio to be 75% from FY2022 onward, and they were 60.1% and 86.2% in FY2023. In FY2024, the company aims to realize dividend payout ratio to be 55% and total payout ratio to be 75%.

The year-end dividend is scheduled to be 94 yen per share. The total annual dividend per share for the current year ended March 31, 2024 will be as follows:

Annual dividend for FY2023	164 yen
Annual dividend for FY2022	164 yen

Total annual dividends per share for the year ending March 31, 2025 is planned to be 164 yen (second quarter: 70 yen, year-end: 94 yen).

(Target Management Indicator)

Our most important objectives are "Return on Equity (ROE)" which represents the efficiency of managing shareholders' equity and "Operating Profit Margin" which leads to a high-value added company. We will expand our business to increase our revenue.

We aim to realize Return on Equity (ROE) to be above 18% in medium term management plan "Vista2027" Stage I launched in April 2022.

In addition, the medium-term management plan "Vista2027", which started in April 2022, defines Key Performance Indicators (KPI) as follows.

Financial indicators (Plan for FY2022-2027)

OP Margin	Above 20%
ROE	Above 18%
Dividend payout ratio	55% (Increased from 44.9% in FY2021)
Total Payout Ratio	75%

Non-financial indicators (Plan for FY2027)

Nissan Chemical Sustainable Agenda (total sales of products and services that contribute to solving social issues/consolidated net sales)	Maintain At least 55%
Reduction of GHG emissions	At least 30% compared to FY2018 (Achieve FY2030 Target 3 years ahead of schedule)
Positive response rate in survey of employee attitude on human resource development	At least 65%
Percentage of female R&D professionals	At least 18%

2. Basic Approach to the Selection of Accounting Standards

The Company will research on trend of IFRS in the country and overseas and correspond properly when applying IFRS.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	29,647	22,738
Notes and accounts receivable - trade	82,670	88,800
Merchandise and finished goods	46,950	56,804
Work in process	18	5
Raw materials and supplies	17,703	21,370
Accounts receivable - other	2,113	2,956
Short-term loans receivable	3,088	2,152
Other	7,305	7,189
Allowance for doubtful accounts	(44)	(48)
Total current assets	<u>189,454</u>	<u>201,968</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,520	85,860
Accumulated depreciation and impairment loss	(46,567)	(50,898)
Buildings and structures, net	<u>25,952</u>	<u>34,962</u>
Machinery, equipment and vehicles	151,653	170,309
Accumulated depreciation and impairment loss	(136,861)	(145,729)
Machinery, equipment and vehicles, net	<u>14,792</u>	<u>24,579</u>
Tools, furniture and fixtures	42,153	44,084
Accumulated depreciation and impairment loss	(38,379)	(39,457)
Tools, furniture and fixtures, net	<u>3,774</u>	<u>4,626</u>
Land	8,817	9,064
Leased assets	149	160
Accumulated depreciation	(10)	(24)
Leased assets, net	<u>139</u>	<u>135</u>
Construction in progress	11,176	4,004
Total property, plant and equipment	<u>64,653</u>	<u>77,372</u>
Intangible assets		
Software	1,722	2,444
Other	9,813	8,302
Total intangible assets	<u>11,535</u>	<u>10,747</u>
Investments and other assets		
Investment securities	27,322	26,119
Long-term loans receivable	0	50
Deferred tax assets	531	519
Net defined benefit asset	2,140	3,737
Other	3,186	3,054
Allowance for doubtful accounts	(110)	(111)
Total investments and other assets	<u>33,071</u>	<u>33,370</u>
Total non-current assets	<u>109,260</u>	<u>121,489</u>
Total assets	<u>298,715</u>	<u>323,458</u>

(Million yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,942	20,427
Short-term loans payable	25,327	39,062
Current portion of long-term loans payable	624	634
Income taxes payable	7,879	4,940
Provision for bonuses	2,413	2,548
Provision for loss on business of subsidiaries and affiliates	-	310
Provision for business structure improvement	418	2
Other	15,556	18,638
Total current liabilities	72,161	86,563
Non-current liabilities		
Long-term loans payable	1,338	1,284
Deferred tax liabilities	98	1,431
Provision for business structure improvement	-	-
Provision for loss on business of subsidiaries and affiliates	626	143
Provision for share-based remuneration for directors (and other officers)	256	272
Net defined benefit liability	377	467
Other	2,331	2,392
Total non-current liabilities	5,027	5,991
Total liabilities	77,188	92,554
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	182,400	182,327
Treasury shares	(6,111)	(943)
Total shareholders' equity	208,844	213,939
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,678	8,238
Foreign currency translation adjustment	1,735	4,226
Remeasurements of defined benefit plans	159	1,066
Total accumulated other comprehensive income	9,574	13,531
Non-controlling interests	3,107	3,432
Total net assets	221,526	230,903
Total liabilities and net assets	298,715	323,458

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

- Consolidated Statements of Income

(Million yen)

	Year Ended March 31, 2023	Year Ended March 31, 2024
Net sales	228,065	226,705
Cost of sales	121,262	121,930
Gross profit	106,803	104,774
Selling, general and administrative expenses	54,519	56,572
Operating income	52,283	48,201
Non-operating income		
Interest income	203	161
Dividend income	1,323	1,560
Equity in earnings of affiliates	1,485	536
Foreign exchange gains	1,296	2,210
Other	694	810
Total non-operating income	5,004	5,280
Non-operating expenses		
Interest expenses	252	526
Loss on disposal of non-current assets	817	935
Loss on sales of non-current assets	5	10
Plant stop losses	198	169
Other	220	211
Total non-operating expenses	1,493	1,853
Ordinary income	55,793	51,629
Extraordinary income		
Gain on sales of investment securities	1,461	1,332
Total extraordinary income	1,461	1,332
Extraordinary losses		
Impairment losses	—	823
Loss on valuation of investment securities	650	353
Total extraordinary losses	650	1,176
Income before income taxes and non-controlling interests	56,605	51,785
Income taxes - current	14,554	12,847
Income taxes - deferred	633	730
Total income taxes	15,187	13,578
Net income	41,417	38,206
Net income attributable to non-controlling interests	329	172
Net income attributable to owners of parent	41,087	38,033

- Consolidated Statements of Comprehensive Income

(Million yen)

	Year Ended March 31, 2023	Year Ended March 31, 2024
Net income	41,417	38,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(625)	559
Foreign currency translation adjustment	760	2,788
Remeasurements of defined benefit plans, net of tax	138	907
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	273	4,254
Comprehensive income	41,690	42,461
(Comprehensive income attributable to)		
Owners of parent	41,270	41,990
Non-controlling interests	420	470

(3) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2023(From April 01, 2022 to March 31, 2023)

(Million yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,613	172,393	(8,261)	196,688
Changes of items during period					
Dividends of surplus			(20,084)		(20,084)
Net income attributable to owners of parent			41,087		41,087
Change in scope of consolidation	–	–	101	–	101
Share repurchase				(9,002)	(9,002)
Disposal of treasury shares		–		55	55
Cancellation of treasury shares		–	(11,097)	11,097	–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	10,006	2,150	12,156
Balance at end of current period	18,942	13,613	182,400	(6,111)	208,844

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	8,304	898	21	9,223	2,097	208,009
Changes of items during period						
Dividends of surplus						(20,084)
Net income attributable to owners of parent						41,087
Change in scope of consolidation	–	–	–	–	–	101
Share repurchase						(9,002)
Disposal of treasury shares						55
Cancellation of treasury shares						–
Net changes of items other than shareholders' equity	(625)	837	138	350	1,009	1,360
Total changes of items during period	(625)	837	138	350	1,009	13,516
Balance at end of current period	7,678	1,735	159	9,574	3,107	221,526

For the Year Ended March 31, 2024 (From April 01, 2023 to March 31, 2024)

(Million yen)

	Total shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,942	13,613	182,400	(6,111)	208,844
Changes of items during period					
Dividends of surplus			(22,973)		(22,973)
Net income attributable to owners of parent			38,033		38,033
Change in scope of consolidation	–	–	–	–	–
Share repurchase				(10,006)	(10,006)
Disposal of treasury shares		–		40	40
Cancellation of treasury shares		–	(15,133)	15,133	–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(73)	5,167	5,094
Balance at end of current period	18,942	13,613	182,327	(943)	213,939

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	7,678	1,735	159	9,574	3,107	221,526
Changes of items during period						
Dividends of surplus						(22,973)
Net income attributable to owners of parent						38,033
Change in scope of consolidation	–	–	–	–	–	–
Share repurchase						(10,006)
Disposal of treasury shares						40
Cancellation of treasury shares						–
Net changes of items other than shareholders' equity	559	2,490	907	3,956	325	4,282
Total changes of items during period	559	2,490	907	3,956	325	9,376
Balance at end of current period	8,238	4,226	1,066	13,531	3,432	230,903

(4) Consolidated Statements of Cash Flows

(Million yen)

	Year Ended March 31, 2023	Year Ended March 31, 2024
Cash flows from operating activities		
Income before income taxes and non-controlling interests	56,605	51,785
Depreciation and amortization	10,878	13,700
Impairment losses	–	823
Loss on valuation of investment securities	650	353
Amortization of goodwill	101	101
Interest and dividend income	(1,527)	(1,722)
Loss (gain) on sales of investment securities	(1,461)	(1,332)
Interest expenses	252	526
Loss (gain) on disposal of non-current assets	817	935
Decrease (increase) in notes and accounts receivable - trade	(2,360)	(4,911)
Decrease (increase) in inventories	(12,382)	(12,424)
Increase (decrease) in notes and accounts payable - trade	217	(437)
Other	(3,057)	477
Subtotal	48,734	47,875
Interest and dividend income received	2,153	2,242
Interest expenses paid	(251)	(525)
Income taxes paid	(15,408)	(15,891)
Net cash provided by (used in) operating activities	35,226	33,701
Cash flows from investing activities		
Purchase of investment securities	(506)	(125)
Proceeds from sales of investment securities	2,499	1,742
Purchase of shares of subsidiaries	(25)	(10)
Purchase of property, plant and equipment	(18,236)	(18,591)
Payments for retirement of property, plant and equipment	(716)	(820)
Purchase of intangible assets	(1,221)	(1,587)
Payments for transfer of business	–	–
Payments of long-term loans receivable	–	(0)
Net decrease (increase) in short-term loans receivable	(1,505)	1,070
Purchase of long-term prepaid expenses	(282)	(225)
Other	352	(288)
Net cash provided by (used in) investing activities	(19,643)	(18,741)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,940	10,924
Proceeds from long-term loans payable	780	580
Repayments of long-term loans payable	(552)	(624)
Cash dividends paid	(20,084)	(22,973)
Dividends paid to non-controlling interests	(105)	–
Share repurchase	(9,002)	(10,006)
Other	(6)	(2)
Net cash provided by (used in) financing activities	(25,030)	(22,101)
Effect of exchange rate change on cash and cash equivalents	1,320	231
Net increase (decrease) in cash and cash equivalents	(8,126)	(6,909)
Cash and cash equivalents at beginning of period	34,658	29,647
Increase in cash and cash equivalents from newly consolidated subsidiary	3,116	–
Cash and cash equivalents at end of period	29,647	22,738

(5) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Segment and Related Information)

Segment Information

1. General Information about reportable segments

The Company's reportable segments are components of the Group that engage in business activities, whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.

Divisions by products and services are located in the headquarters, and each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

The Company consists of segments based on divisions as follows:

Segment	Main Products
Chemicals	Basic chemicals (melamine※production terminated in June 2022, sulfuric acid, nitric acid, ammonia, etc.) Fine chemicals (epoxy compound for LED sealants, solder resist and painting, flame retardants, chlorinated cyanuric acid for sterilizing, etc.)
Performance Materials	Display materials (LCD alignment coating, etc.) Semiconductor materials (bottom anti-reflective coating for semiconductors, etc.) Inorganic materials (hard coating materials, electronic information materials, polishing materials, etc.)
Agricultural Chemicals	Agrochemicals (herbicides, insecticides, fungicides, combination fungicide and insecticide, and plant growth regulators) Animal health products
Healthcare	LIVALO (anti-cholesterol drug), etc. Custom Chemicals (custom manufacturing and solution proposal business for pharmaceutical companies)
Trading	Trading, etc.
Others	Fertilizer, landscaping, Transportation, Engineering, Production of sulfuric acid, etc.

2. Basis of measurement of reported segment income or loss, segment assets and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements. Intersegment sales and income (loss) are recognized based on current market prices.

3. Information Regarding Sales, Income (Loss), and Segment Assets of Reportable Segments

1) For the Year Ended March 31, 2023 (From April 01, 2022 to March 31, 2023)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment (Note 2)	Consolidated Total
Net Sales									
Sales to outside customers (Note 1)	26,495	66,224	70,266	6,662	75,542	12,052	257,243	(29,177)	228,065
Intersegment Sales	12,538	16,381	11,318	11	23,524	14,332	78,107	(78,107)	–
Total Sales	39,034	82,606	81,584	6,673	99,066	26,384	335,350	(107,285)	228,065
Segment Income or Loss (Operating Income or Loss)	1,379	25,449	23,130	2,990	3,701	879	57,530	(5,247)	52,283
Segment assets	34,332	61,287	103,779	7,693	36,791	13,613	257,497	41,217	298,715
Other items									
Depreciation and amortization	2,477	4,565	2,701	376	65	442	10,628	249	10,878
Amortization of goodwill	–	–	101	–	–	–	101	–	101
Increase of property, plant and equipment and intangible assets	3,659	8,711	6,232	449	66	366	19,485	787	20,272

Notes:

- Sales to outside customers in reportable segments are calculated on a gross basis, including sales that are agent transactions. A reconciliation of gross sales to net sales as agent transactions is made in the Adjustment section.
- The adjustments are as follows.
 - (29,177) million yen adjustments in sales to outside customers includes (29,212) million yen elimination of agent transactions, and 34 million yen sales not allocated to any reporting segments.
 - (5,247) million yen adjustment in segment income includes 267 million yen in intersegment eliminations, 34 million yen sales not attributable to any reporting segment, and (5,550) million yen corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses which do not belong to segments.
 - 41,217 million yen adjustment in segment assets includes (17,921) million yen in intersegment eliminations and 59,138 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.
 - 249 million yen adjustment in depreciation and amortization is corporation expenses.
 - 787 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

2) For the Year Ended March 31, 2024 (From April 01, 2023 to March 31, 2024)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment (Note 2)	Consolidated Total
Net Sales									
Sales to outside customers (Note 1)	23,486	67,205	67,414	6,228	78,296	11,216	253,846	(27,140)	226,705
Intersegment Sales	12,076	17,362	14,699	71	25,498	18,951	88,660	(88,660)	–
Total Sales	35,562	84,567	82,113	6,300	103,794	30,167	342,506	(115,801)	226,705
Segment Income or Loss (Operating Income or Loss)	48	22,530	23,398	2,814	3,701	572	53,065	(4,863)	48,201
Segment assets	33,178	70,645	119,462	8,612	40,001	21,118	293,017	30,440	323,458
Other items									
Depreciation and amortization	2,731	5,986	3,319	367	77	748	13,229	471	13,700
Amortization of goodwill	–	–	101	–	–	–	101	–	101
Increase of property, plant and equipment and intangible assets	4,194	9,441	6,831	473	39	1,757	22,736	468	23,204

Notes:

- Sales to outside customers in reportable segments are calculated on a gross basis, including sales that are agent transactions. A reconciliation of gross sales to net sales as agent transactions is made in the Adjustment section.
- The adjustments are as follows.
 - (27,140) million yen adjustments in sales to outside customers includes (27,159) million yen elimination of agent transactions, and 18 million yen sales not allocated to any reporting segments.
 - (4,863) million yen adjustment in segment income includes 478 million yen in intersegment eliminations, 21 million yen sales not attributable to any reporting segment, and (5,363) million yen corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses which do not belong to any segment.
 - 30,440 million yen adjustment in segment assets includes (25,284) million yen in intersegment eliminations and 55,725 million yen in corporate assets not attributable to any reportable segment. The corporate assets are mainly group administrative assets which do not belong to segments.
 - 471 million yen adjustment in depreciation and amortization is corporation expenses.
 - 468 million yen adjustment in increase of property, plant and equipment and intangible assets is corporate assets. The corporate assets are mainly group administrative assets which do not belong to segments.

Related Information

For the Year Ended March 31, 2023(From April 01, 2022 to March 31, 2023)

(1) Sales by region

(Million yen)

Japan	China	Korea	Other Asia	Europe and the United States	Consolidated Total
105,937	30,547	23,994	29,255	38,330	228,065

Note: Sales are classified to either countries or regions based on customers are located.

(2) Property, plant and equipment by region

(Million yen)

Japan	Korea	India	Europe and the United States	Consolidated Total
49,858	7,630	6,673	492	64,653

For the Year Ended March 31, 2024 (From April 01, 2023 to March 31, 2024)

(1) Sales by region

(Million yen)

Japan	China	Korea	Other Asia	Europe and the United States	Consolidated Total
103,027	36,730	21,023	30,579	35,343	226,705

Note: Sales are classified to either countries or regions based on customers are located.

(2) Property, plant and equipment by region

(Million yen)

Japan	Korea	India	Europe and the United States	Consolidated Total
57,559	11,800	7,504	508	77,372

Information regarding impairment loss on non-current assets by reportable segments

For the Year Ended March 31, 2023 (From April 01, 2022 to March 31, 2023)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment	Consolidated Total
Impairment loss	38	—	—	—	—	—	38	—	38

For the Year Ended March 31, 2024 (From April 01, 2023 to March 31, 2024)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment	Consolidated Total
Impairment loss	—	—	823	—	—	3	826	—	826

Information regarding amortization and unamortized balance on goodwill by reportable segments

For the Year Ended March 31, 2023 (From April 01, 2022 to March 31, 2023)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2023	—	—	201	—	—	—	201	—	201

For the Year Ended March 31, 2024 (From April 01, 2023 to March 31, 2024)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment	Consolidated Total
Balance as of March 31, 2024	—	—	61	—	—	—	61	—	61

(Per Share Information)

(Yen)

	Year Ended March 31, 2023	Year Ended March 31, 2024
Net assets per share	1,557.12	1,641.05
Net income per share	291.36	272.82

Notes:

1. Since residual securities do not exist, diluted net income per share is not presented.
2. The Company has introduced "Board Benefit Trust (BBT)" from the second quarter of 2019, and has recorded the shares held by the Trust as treasury shares in the consolidated financial statements. Accordingly, for the purpose of calculating net assets per share, the shares held by the Trust (included in treasury shares) are deducted from the number of shares outstanding at the end of the period. In addition, for the purpose of calculating net income per share, the shares held by the Trust are deducted in calculating the average number of shares outstanding during the period. The number of shares held by the Trust at the end of the current fiscal year was 144,000 shares, and the average number of shares held by the Trust during the current fiscal year was 144,354 shares. (Trust at the end of the previous fiscal year was 152,500 shares, and the average number of shares held by the Trust during the previous fiscal year was 154,679 shares.)
3. Net income per share is calculated on the following basis.

	Year Ended March 31, 2023	Year Ended March 31, 2024
Net income per share		
Net income attributable to owners of parent (Million yen)	41,087	38,033
Amounts not allocated to ordinary shares (Million yen)	–	–
Net income allocated to ordinary shares (Million yen)	41,087	38,033
Average number of ordinary shares outstanding during each year (shares)	141,019,817	139,407,930

4. Net assets per share is calculated on the following basis.

	Year Ended March 31, 2023	Year Ended March 31, 2024
Net asset (Million yen)	221,526	230,903
Amount deducted from net asset (Million yen)	3,107	3,432
(Non-controlling interest) (Million yen)	3,107	3,432
Net asset as of year end allocated to ordinary shares (Million yen)	218,419	227,470
Number of ordinary shares as of year end used to calculate net asset per share	140,270,928	138,613,351

(Significant Subsequent Events)

1. This is to notify that the company, at the Board of Directors' meeting, has decided to repurchase its shares in the market under Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the same Act, on May 13, 2024.

(1) Purpose of repurchase

To facilitate flexible implementation of capital policy in response to changes in the business environment.

(2) Details of repurchase

- | | |
|----------------------------|---|
| 1) Class of shares: | Common shares of the company |
| 2) Total number of shares: | Up to 1,250,000 shares (Rate of the maximum shares to be acquired to the total outstanding shares: 0.90%) |
| 3) Total amount | Up to 5,000,000,000 yen |
| 4) Period of repurchase | From May 14, 2024 to July 31, 2024 |

Reference

Number of treasury shares as of May 13, 2024

Total number of shares issued (excluding treasury shares): 138,757,351 shares

Number of treasury shares : 42,649 shares

* Not including 144,000 shares of treasury shares which the Board Benefit Trust (BBT) has hold.