

Summary of Consolidated Financial Results [Japanese GAAP] For the First Quarter of the Fiscal Year Ending March 31, 2025

July 31, 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 for start of dividend payments: –

Preparation of supplementary materials for quarterly financial results: Yes

Quarterly results presentation meeting: Yes (for securities analysts and institutional investors)

1. Consolidated Business Results for the First Quarter of Fiscal Year Ending March 31, 2025 (April 1, 2024– June 30, 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 | % |
| First quarter of fiscal year ending March 31, 2025 | 53,645 | 10.4 | 5,570 | 138.6 | 7,278 | 74.2 | 3,566 | 34.0 |
| First quarter of fiscal year ended March 31, 2024 | 48,584 | 0.6 | 2,333 | (63.4) | 4,179 | (51.6) | 2,661 | (55.3) |

Note: Comprehensive income

First quarter of fiscal year ending March 31, 2025: 9,374 million yen ((26.6)%)

First quarter of fiscal year ended March 31, 2024: 12,765 million yen (23.5%)

| | Profit attributable to owners of parent per share—primary | Profit attributable to owners of parent per share—diluted |
|--|---|---|
| | Yen | Yen |
| First quarter of fiscal year ending March 31, 2025 | 21.52 | 21.52 |
| First quarter of fiscal year ended March 31, 2024 | 16.06 | 16.04 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2024 | 375,525 | 275,690 | 73.1 |
| As of March 31, 2024 | 363,173 | 270,548 | 74.2 |

Reference: Equity As of June 30, 2024: 274,638 million yen
As of March 31, 2024: 269,560 million yen

2. Status of Dividends

| | Dividend amount per share | | | | |
|--|---------------------------|-----------------------|----------------------|-------------|-------|
| | End of first quarter | End of second quarter | End of third quarter | End of year | Year |
| | Yen | | | | |
| Fiscal year ended March 31, 2023 | – | 22.50 | – | 22.50 | 45.00 |
| Fiscal year ending March 31, 2024 | – | | | | |
| Fiscal year ending March 31, 2024 (forecast) | | 22.50 | – | 22.50 | 45.00 |

Note: Changes to the most recent dividend forecast: None

3. Consolidated Business Results Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023– March 31, 2024)

(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 | 108,400 | 10.7 | 9,000 | 88.8 | 10,300 | 23.9 | 4,500 | (26.1) | 27.50 |
| Full year | 220,800 | 9.4 | 18,100 | 146.7 | 19,500 | 55.2 | 12,000 | 191.7 | 73.32 |

Note: Changes to the most recent forecast for consolidated business results: Yes

Notes

- (1) Significant changes in subsidiaries during the first quarter (changes in designated subsidiaries that result in changes in scope of consolidation): None
- (2) Adoption of special accounting methods for presenting the quarterly consolidated financial statements: None
- (3) Changes to accounting policies and estimates and restatement
 - [1] Changes to accounting policies associated with revision of accounting standards or similar items: Yes
 - [2] Changes other than [1]: None
 - [3] Changes to accounting estimates: None
 - [4] Restatements: None
- (4) Number of shares issued (common stock)
 - [1] Number of shares issued at end of the fiscal period (including treasury stock)
 - As of June 30, 2024: 170,503,570 shares
 - As of March 31, 2024: 170,503,570 shares
 - [2] Number of treasury stock at end of the fiscal period
 - As of June 30, 2024: 5,048,515 shares
 - As of March 31, 2024: 4,638,700 shares
 - [3] Average number of shares during the fiscal period (cumulative)
 - First quarter of fiscal year ending March 31, 2025: 165,728,245 shares
 - First quarter of fiscal year ended March 31, 2024: 168,770,312 shares

* Accompanying financial statements audited by a certified public accountant or audit firm: None

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

* Analysis related to appropriate use of the business 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 “(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts” on page 3 of the Supplementary Information.

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(How to obtain the materials for the briefing on quarterly financial results)

We have scheduled a teleconference for securities analysts and institutional investors on Wednesday, July 31, 2024.

The materials for the briefing will be posted on the corporate website.

Supplementary Information

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1. Qualitative Information Concerning Results for the First Quarter

(1) Analysis of Operating Results

During the first quarter of this consolidated fiscal year (April 1 to June 30, 2024), the global economy saw a trend of improvement despite uncertainties such as the persistent high level of geopolitical risk and the downturns in Europe and China.

The Nippon Kayaku Group entered the third year of KAYAKU Vision 2025, the mid-term business plan which began in fiscal year ended March 31, 2023, 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, net sales for the first quarter of this consolidated fiscal year totaled 53,645 million yen, an increase of 5,060 million yen (10.4%) year-on-year. Sales in the Life Science Business Unit underperformed while sales in the Mobility & Imaging Business Unit and Fine Chemicals Business Unit outperformed the first quarter of the previous fiscal year.

Despite the underperformance of the Life Science Business Unit, outperformance of the Mobility & Imaging Business Unit and Fine Chemicals Business Unit during the first quarter of this consolidated fiscal year resulted in 5,570 million yen in operating income, an increase of 3,236 million yen (138.6%) year-on-year.

Ordinary income totaled 7,278 million yen, an increase of 3,099 million yen (74.2%) year-on-year. Foreign exchange gains were the main reason behind the net increase at the non-operating level, which boosted ordinary income above operating income.

Profit attributable to owners of parent was 3,566 million yen, an increase of 905 million yen (34.0%) year-on-year, due to the impact of a valuation loss on investment securities.

Performance by business segment is as described below.

[Mobility & Imaging Business Unit]

Sales rose to 22,880 million yen, an increase of 3,630 million yen (18.9%) year-on-year.

In the safety systems business, problems with irregularities in certificates of conformance caused a slump in automobile production in Japan. This caused sales of airbag inflators and micro gas generators for seatbelt pretensioners to underperform year-on-year.

Overseas sales of airbag inflators, micro gas generators for seatbelt pretensioners, and squibs all outperformed year-on-year as overall demand remained firm and sales were boosted by increasing yen weakness.

The safety systems business overall outperformed year-on-year as a result.

The Polatechno business outperformed year-on-year as demand for components for X-ray analysis systems remained firm and was also boosted by gains from yen weakness. Polarizing films outperformed year-on-year, owing to the price changes on some products implemented in the previous period. The Polatechno business overall outperformed year-on-year as a result.

Segment profit totaled 3,711 million yen, an increase of 2,232 million yen (150.8%) year-on-year. This increase was due to growth in sales in both businesses.

[Fine Chemicals Business Unit]

Sales rose to 16,179 million yen, an increase of 2,232 million yen (16.0%) year-on-year.

The functional materials business as a whole outperformed the first quarter previous fiscal year. This outperformance resulted from firm demand for epoxy resins and other products groups as the semiconductor market rebounded.

The color materials business as a whole outperformed the first quarter of the previous fiscal year. This outperformance resulted from firm sales of industrial inkjet ink, home inkjet printer colorants, and developer for thermal paper.

The catalyst business underperformed the first quarter of the previous fiscal year.

Segment profit totaled 2,399 million yen, an increase of 1,153 million yen (92.6%) year-on-year. The increase stemmed from growth in sales in the functional materials and color materials businesses.

[Life Science Business Unit]

Sales were 14,585 million yen, a decrease of 801 million yen (5.2%) year-on-year.

In the pharmaceuticals business, pharmaceuticals for the Japanese domestic market outperformed the first quarter of the previous fiscal year due to increased market penetration of ALAGLIO® divided granules, a photodynamic diagnostic agent, and the biosimilar, ADALIMUMAB BS. Sales of active pharmaceutical ingredients, exports, and sales from contract production underperformed year-on-year, while diagnostic drugs for the Japanese domestic market outperformed the first quarter of the previous fiscal year, resulting in year-on-year underperformance for the pharmaceuticals business as a whole.

The agrochemicals business as a whole underperformed the first quarter of the previous fiscal year due to the year-on-year decrease in exports, despite the year-on-year outperformance in domestic sales.

Sales in the real estate were on par with the first quarter of the previous fiscal year.
Segment profit totaled 1,631 million yen, a decrease of 6 million yen (0.4%) year-on-year.

(2) Analysis of Financial Position

Total assets were 375,525 million yen, an increase of 12,351 million yen compared to the end of the previous consolidated fiscal year. The main increases were in buildings and structures, net, an increase of 4,109 million yen; raw materials and stores, an increase of 3,785 million yen; notes and accounts receivable-trade, an increase of 3,617 million yen; and cash and deposits, an increase of 3,567 million yen. The main decrease was in securities, a decrease of 5,867 million yen.

Liabilities were 99,834 million yen, an increase of 7,209 million yen compared to the end of the previous consolidated fiscal year. The main increase was in notes and accounts payable-trade, an increase of 4,478 million yen.

Net assets were 275,690 million yen, an increase of 5,141 million yen compared to the end of the previous consolidated fiscal year. The main increase was in translation adjustments, an increase of 5,214 million yen.

(3) Analysis of Forward-looking Statements, Including Consolidated Business Forecasts

We expect the future business environment surrounding the Nippon Kayaku Group to remain firm as the semiconductor market and other markets rebound, despite the continuing risk of an economic downswing from geopolitical risk and the risk of fluctuation in foreign exchange rates, among other risks.

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.

We have revised the first half and full-year consolidated business results forecasts for the fiscal year ending March 31, 2025, which were announced on May 13, 2024. See the Notice of Revision to the Business Results Forecasts announced today for more information.

2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | As of March 31, 2024 | As of June 30, 2024 |
|---|----------------------|---------------------|
| | Million yen | |
| Assets | | |
| Current assets | | |
| Cash and deposits | 56,749 | 60,317 |
| Notes and accounts receivable-trade | 60,268 | 63,885 |
| Electronically recorded monetary claims-operating | 1,942 | 1,595 |
| Securities | 9,428 | 3,560 |
| Merchandise and finished goods | 41,561 | 42,722 |
| Work in process | 1,129 | 1,303 |
| Raw materials and stores | 24,318 | 28,104 |
| Other | 7,951 | 8,248 |
| Allowance for doubtful accounts | (204) | (214) |
| Total current assets | 203,146 | 209,523 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 44,109 | 48,219 |
| Machinery, equipment and vehicles, net | 26,131 | 26,531 |
| Other, net | 28,397 | 30,253 |
| Total property, plant and equipment | 98,638 | 105,004 |
| Intangible assets | | |
| Goodwill | 783 | 753 |
| Other | 2,912 | 2,884 |
| Total intangible assets | 3,696 | 3,637 |
| Investments and other assets | | |
| Investment securities | 45,481 | 44,878 |
| Net defined benefit asset | 6,735 | 6,867 |
| Other | 5,524 | 5,660 |
| Allowance for doubtful accounts | (48) | (47) |
| Total investments and other assets | 57,692 | 57,359 |
| Total non-current assets | 160,027 | 166,001 |
| Total assets | 363,173 | 375,525 |

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| | As of March 31, 2024 | As of June 30, 2024 |
|--|----------------------|---------------------|
| | Million yen | |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 19,018 | 23,496 |
| Short-term loans payable | 5,450 | 5,400 |
| Current portion of bonds payable | 8,000 | 8,000 |
| Accounts payable-other | 18,669 | 20,329 |
| Income taxes payable | 1,555 | 1,545 |
| Other | 7,121 | 7,002 |
| Total current liabilities | 59,815 | 65,774 |
| Non-current liabilities | | |
| Long-term loans payable | 18,000 | 18,000 |
| Net defined benefit liability | 433 | 416 |
| Other | 14,375 | 15,643 |
| Total non-current liabilities | 32,809 | 34,059 |
| Total liabilities | 92,624 | 99,834 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 14,932 | 14,932 |
| Additional paid-in capital | 15,840 | 15,849 |
| Retained earnings | 199,214 | 199,048 |
| Treasury stock | (5,413) | (5,910) |
| Total shareholders' equity | 224,573 | 223,920 |
| Accumulated other comprehensive income | | |
| Unrealized holding gains on other securities | 16,508 | 17,043 |
| Translation adjustments | 26,241 | 31,455 |
| Remeasurements of defined benefit plans | 2,237 | 2,219 |
| Total accumulated other comprehensive income | 44,987 | 50,718 |
| Non-controlling interests | 987 | 1,051 |
| Total net assets | 270,548 | 275,690 |
| Total liabilities and net assets | 363,173 | 375,525 |

This document is an English translation of the Japanese-language original.
All financial information has been prepared in accordance with generally accepted accounting principles in Japan.

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

| | First quarter of fiscal year ended March 31, 2024 | First quarter of fiscal year ending March 31, 2025 |
|--|---|--|
| | Million yen | |
| Net sales | 48,584 | 53,645 |
| Cost of sales | 34,258 | 36,428 |
| Gross profit on sales | 14,325 | 17,217 |
| Selling, general and administrative expenses | 11,991 | 11,647 |
| Operating income | 2,333 | 5,570 |
| Non-operating income | | |
| Interest income | 160 | 231 |
| Dividend income | 481 | 488 |
| Equity in earnings of affiliates | 152 | - |
| Foreign exchange gains | 899 | 1,126 |
| Other | 303 | 139 |
| Total non-operating income | 1,996 | 1,987 |
| Non-operating expenses | | |
| Interest expense | 47 | 90 |
| Equity in losses of affiliates | - | 62 |
| Other losses | 103 | 124 |
| Total non-operating expenses | 151 | 278 |
| Ordinary income | 4,179 | 7,278 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 2 | 0 |
| Gain on sale of investment securities | 923 | - |
| Total extraordinary income | 925 | 0 |
| Extraordinary loss | | |
| Loss on disposal of non-current assets | 184 | 193 |
| Loss on valuation of investment securities | 765 | 1,426 |
| Total extraordinary loss | 949 | 1,619 |
| Profit before income taxes | 4,155 | 5,659 |
| Income taxes-current | 905 | 1,192 |
| Income taxes-deferred | 569 | 884 |
| Total income taxes | 1,475 | 2,076 |
| Profit | 2,679 | 3,582 |
| Profit attributable to non-controlling interests | 18 | 15 |
| Profit attributable to owners of parent | 2,661 | 3,566 |

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Consolidated Statements of Comprehensive Income

| | First quarter of fiscal year ended March 31, 2024 | First quarter of fiscal year ending March 31, 2025 |
|--|---|--|
| | Million yen | |
| Profit | 2,679 | 3,582 |
| Other comprehensive income | | |
| Unrealized holding gains on other securities | 3,383 | 533 |
| Translation adjustments | 6,719 | 5,275 |
| Remeasurements of defined benefit plans | (17) | (18) |
| Share of other comprehensive income of companies accounted for by the equity-method | 0 | 1 |
| Total other comprehensive income | 10,085 | 5,791 |
| Comprehensive income | 12,765 | 9,374 |
| Comprehensive income attributable to: | | |
| Owners of parent | 12,681 | 9,298 |
| Non-controlling interests | 84 | 76 |

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(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Assumptions for the Going Concern)

No items to report

(Notes in Case of Significant Change in Shareholders' Equity)

No items to report

(Changes to accounting policies)

(Application of Accounting Standard for Current Income Taxes and related guidance)

We have applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, revised October 28, 2022; hereafter, the "2022 revised accounting standard") and related guidance from the beginning of the first quarter of the fiscal year ending March 31, 2025.

The accounting classification of income taxes (taxes assessed on other comprehensive income) was revised in accordance with the transitional treatment specified in the proviso in Paragraph 20-3 of the 2022 revised accounting standard. This had no effect on the quarterly consolidated financial statements.

(Segment Information and Other Items)

First quarter of the fiscal year ended March 31, 2024 (April 1, 2023–June 30, 2023)

1. Information on sales and profit (loss) by reportable segment

| | Reportable segments | | | | Adjustments (Note 1) | Consolidated (Note 2) |
|-------------------------------------|--|---------------------------------|-------------------------------|--------|-------------------------|--------------------------|
| | Mobility & Imaging Business Unit | Fine Chemicals Business Unit | Life Science Business Unit | Total | | |
| | Million yen | | | | | |
| Sales | | | | | | |
| Sales to third parties | 19,250 | 13,946 | 15,387 | 48,584 | – | 48,584 |
| Intersegment sales and transfers | – | 9 | 0 | 9 | (9) | – |
| Total | 19,250 | 13,956 | 15,388 | 48,594 | (9) | 48,584 |
| Segment profit | 1,479 | 1,245 | 1,638 | 4,363 | (2,029) | 2,333 |

Note 1: The 2,029 million yen downward adjustment to segment profit reflects a negative 2,024 million yen in corporate expense not allocable to the reportable segments and 5 million yen in eliminations for intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

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

2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment

(Material change in the amount of goodwill)

No items to report

First quarter of the fiscal year ending March 31, 2025 (April 1, 2024–June 30, 2024)

1. Information on sales and profit (loss) by reportable segment

| | Reportable segments | | | | Adjustments (Note 1) | Consolidated (Note 2) |
|-------------------------------------|--|---------------------------------|-------------------------------|--------|-------------------------|--------------------------|
| | Mobility & Imaging Business Unit | Fine Chemicals Business Unit | Life Science Business Unit | Total | | |
| | Million yen | | | | | |
| Sales | | | | | | |
| Sales to third parties | 22,880 | 16,179 | 14,585 | 53,645 | – | 53,645 |
| Intersegment sales and transfers | – | 38 | 0 | 38 | (38) | – |
| Total | 22,880 | 16,217 | 14,585 | 53,683 | (38) | 53,645 |
| Segment profit | 3,711 | 2,399 | 1,631 | 7,742 | (2,172) | 5,570 |

Note 1: The 2,172 million yen downward adjustment to segment profit reflects a negative 2,155 million yen in corporate expense not allocable to the reportable segments and 16 million yen in eliminations for

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intersegment transactions. The corporate expense is mainly a general and administrative expense that is not attributed to the reportable segments.

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

2. Information concerning impairment losses on non-current assets, goodwill, etc. by reportable segment
(Material change in the amount of goodwill)

No items to report

(Note on the Consolidated Statements of Cash Flows)

The Nippon Kayaku Group has not prepared a quarterly consolidated statement of cash flows for the first quarter of consolidated fiscal year ending March 31, 2025. Depreciation and amortization (including amortization of intangible assets, excluding goodwill) and amortization of goodwill during the first quarter of this consolidated fiscal year were as follows:

| | First quarter of fiscal year ended March 31, 2024 | First quarter of fiscal year ending March 31, 2025 |
|-------------------------------|---|--|
| | Million yen | |
| Depreciation and amortization | 3,253 | 3,318 |
| Goodwill | 138 | 35 |