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November 2, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: NOF CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 4403
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 Scheduled date to file quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: December 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2022	103,808	15.2	20,434	10.4	22,580	17.3	17,444	30.8
September 30, 2021	90,127	18.5	18,514	89.4	19,254	81.8	13,331	94.6

Note: Comprehensive income For the six months ended September 30, 2022: ¥16,574 million [2.4%]
 For the six months ended September 30, 2021: ¥16,178 million [32.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	213.44	-
September 30, 2021	161.56	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	301,778	231,750	76.5
March 31, 2022	289,630	221,706	76.3

Reference: Equity

As of September 30, 2022: ¥230,962 million
 As of March 31, 2022: ¥220,928 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	43.00	–	47.00	90.00
Fiscal year ending March 31, 2023	–	50.00			
Fiscal year ending March 31, 2023 (Forecast)			–	50.00	100.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	220,000	14.2	39,000	9.6	41,400	10.0	32,300	21.0	396.57

Note: Revisions to the earnings forecasts most recently announced: Yes

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	82,841,376 shares
As of March 31, 2022	82,841,376 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2022	1,253,795 shares
As of March 31, 2022	731,913 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	81,728,826 shares
Six months ended September 30, 2021	82,518,222 shares

Note: Since the Company introduced “Board Benefit Trust (BBT)” in the fiscal year ended March 31, 2020, the shares of the Company held by the trust are included in the number of treasury shares at the end of the period, and the number of treasury shares excluded from the calculation of the average number of shares outstanding during the period.

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

(Notes regarding forward-looking statements)

Forward-looking statements including financial results forecasts stated in this material were compiled based on information available to the Company and certain assumptions considered reasonable at the time this material was compiled, and are not meant as a guarantee of the Company achieving such results. Therefore, the actual results, etc., may differ due to various factors. For information on the assumptions of the forecast and notes on the use of the forecast, please refer to “1. Qualitative Information on the Current Quarterly Financial Results, (3) Explanation on future forecast information including the forecast of consolidated financial results” on page 3 of the attached document.

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1. Qualitative information on the current quarterly financial results

(1) Explanations on operating results

During the first six months of the current fiscal year (from April 1, 2022 to September 30, 2022), despite easing of various restrictions and normalization of economic activity mainly in countries and regions where there was progress in dissemination of novel coronavirus infection (COVID-19) vaccinations, economic conditions remained uncertain as a result of stagnant economic activity due to China's zero-COVID policy and intensified effects of the Ukraine crisis, along with concerns that included soaring resource and energy prices and global inflationary pressures. In Japan, there were signs of recovery particularly with respect to consumer spending, capital investment, and production activity amid normalization of social and economic activity.

The business environment surrounding the Group continued to pose concerns regarding soaring raw material and fuel prices globally, persisting semiconductor shortages, and geopolitical risks such as the Ukraine crisis, but domestic and overseas demand remained firm on the whole.

In this business environment, under the three-year "2022 Mid-term Management Plan" ending in FY2022, the Group has made successive management efforts toward sustainable growth by striving to maintain appropriate prices while developing new markets, expanding sales, and reducing production costs under the basic policy of "Challenge and Co-create," and addressing the issues of "expanding business in growth markets," "accelerating development of new products and techniques," "strengthening collaboration internally and externally," "improving productivity," and "promoting CSR activities."

In regard to "expanding business in growth markets," we have been taking steps to strengthen our capability to supply products in Life Science, which has entailed improving productivity and enhancing quality controls in alignment with operations of our manufacturing facilities for raw materials for DDS (drug delivery system) drug formulations at Kawasaki Works. Moreover, we have been promoting efforts for "strengthening collaboration internally and externally" particularly by working on business co-creation through open innovation in the electronics field, following on from initiatives undertaken last year with respect to biochemicals and thermal control materials.

As a result of such efforts, net sales for the first six months of the current fiscal year were 103,808 million yen, up 15.2% year on year. Operating profit increased to 20,434 million yen, up 10.4% year on year, ordinary profit increased to 22,580 million yen, up 17.3% year on year, and profit attributable to owners of parent increased to 17,444 million yen, up 30.8% year on year.

An explanation of results by business segment is as follows.

(i) Functional Chemicals

Net sales of fatty acid derivatives increased due to firm demand for environmental energy-related products, in conjunction with efforts to maintain appropriate prices.

Net sales of surfactants increased due to strong demand for toiletries.

Net sales of ethylene oxide/propylene oxide derivatives increased due to firm demand for toiletries and synthetic resins and resin processing, in conjunction with efforts to maintain appropriate prices.

Net sales of organic peroxides increased due to firm demand in Japan and Asia, in conjunction with efforts to maintain appropriate prices.

Net sales of special anti-corrosion agents decreased due to stagnant demand in the domestic and overseas automobile industry.

As a result, net sales of Functional Chemicals were 72,427 million yen, up 16.6% year on year, operating profit was 11,754 million yen, up 6.1% year on year.

(ii) Life Science

Net sales of edible oils increased due to efforts to maintain appropriate prices, despite calm demand for functional oils for confectionery and bread production.

Net sales of functional foods decreased due to a decrease in demand for health foods.

Net sales of biocompatible materials increased due to strong demand for MPC (2-methacryloyloxyethyl phosphorylcholine) related products.

Net sales of raw materials for DDS (drug delivery system) drug formulations increased due to strong demand in the United States and Europe.

As a result, net sales of Life Science were 21,158 million yen, up 23.6% year on year, operating profit was 9,603 million yen, up 16.4% year on year.

(iii) Explosive & Propulsion

Net sales of industrial explosives declined.

Net sales of space-related products increased due to an increase in demand for rocket products.

Net sales of defense-related products declined.

Net sales of functional products declined.

As a result, net sales of Explosive & Propulsion were 9,985 million yen, down 6.2% year on year, and operating loss was 127 million yen.

(iv) Others

Others consist of transportation and real estate. Net sales of others were 237 million yen, down 1.3% year on year, and operating profit was 112 million yen, down 29.7% year on year.

(2) Explanation of financial position

Total assets at the end of the second quarter of the current fiscal year were 301,778 million yen, an increase of 12,148 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in assets includes an increase in cash and deposits of 5,475 million yen, an increase in inventories of 11,456 million yen, a decrease in trade receivables of 531 million yen, and a decrease in the market value of investment securities at the end of the quarter of 5,894 million yen.

Liabilities increased by 2,103 million yen to 70,028 million yen from the end of the previous fiscal year.

The breakdown of major increases (decreases) in liabilities includes an increase in trade payables of 2,958 million yen, an increase in income taxes payable of 1,566 million yen, a decrease in deferred tax liabilities of 1,719 million yen, and a decrease in interest-bearing debt of 1,036 million yen.

Net assets were 231,750 million yen, an increase of 10,044 million yen from the end of the previous fiscal year.

The breakdown of major decreases (increases) in net assets includes profit attributable to owners of parent of 17,444 million yen, an increase in foreign currency translation adjustment of 2,912 million yen, a decrease in valuation difference on available-for-sale securities of 3,886 million yen, a decrease from dividends of surplus of 3,861 million yen, and a decrease from the purchase of treasury shares of 2,509 million yen.

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

In view of recent performance trends, the Company has revised its consolidated earnings forecasts for the fiscal year ending March 31, 2023, which were released on May 11, 2022.

For specific details, please refer to the “Notice regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023, and Revision of Dividends of Surplus (Interim Dividend) and Year-end Dividend Forecast,” released today (November 2, 2022).

The forecast is based on the data that is available to the Company as of the date of the announcement of this material. Actual results may differ from the forecast due to various factors in the future.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	85,430	90,905
Notes and accounts receivable - trade, and contract assets	42,424	41,574
Electronically recorded monetary claims - operating	2,813	3,131
Merchandise and finished goods	25,655	31,709
Work in process	1,693	4,541
Raw materials and supplies	12,552	15,107
Other	2,937	3,357
Allowance for doubtful accounts	(185)	(194)
Total current assets	173,322	190,133
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,013	23,587
Land	20,706	20,805
Other, net	17,225	18,028
Total property, plant and equipment	61,944	62,421
Intangible assets		
Other	947	1,056
Total intangible assets	947	1,056
Investments and other assets		
Investment securities	47,812	41,917
Retirement benefit asset	3,148	3,210
Other	2,508	3,103
Allowance for doubtful accounts	(53)	(63)
Total investments and other assets	53,416	48,168
Total non-current assets	116,308	111,645
Total assets	289,630	301,778
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,262	23,797
Electronically recorded obligations - operating	584	1,008
Short-term borrowings	1,997	2,031
Current portion of long-term borrowings	2,800	500
Income taxes payable	5,879	7,446
Provision for bonuses	3,473	3,603
Other	14,471	1,621
Total current liabilities	50,468	53,008
Non-current liabilities		
Long-term borrowings	610	1,896
Retirement benefit liability	4,992	4,986
Other	11,852	10,136
Total non-current liabilities	17,455	17,019
Total liabilities	67,924	70,028

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	17,742	17,742
Capital surplus	15,115	15,053
Retained earnings	166,062	179,628
Treasury shares	(3,292)	(5,802)
Total shareholders' equity	195,627	206,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,226	20,340
Foreign currency translation adjustment	809	3,721
Remeasurements of defined benefit plans	264	278
Total accumulated other comprehensive income	25,300	24,340
Non-controlling interests	777	788
Total net assets	221,706	231,750
Total liabilities and net assets	289,630	301,778

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

(Quarterly consolidated statements of income)

(For the six months period)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	90,127	103,808
Cost of sales	55,560	66,244
Gross profit	34,567	37,564
Selling, general and administrative expenses	16,052	17,129
Operating profit	18,514	20,434
Non-operating income		
Interest income	44	75
Dividend income	518	652
Foreign exchange gains	58	1,298
Other	345	312
Total non-operating income	966	2,339
Non-operating expenses		
Interest expenses	29	31
Rental expenses on real estate	36	40
Expenses for disposal of fixed assets	56	41
Other	104	80
Total non-operating expenses	227	193
Ordinary profit	19,254	22,580
Extraordinary income		
Gain on sale of non-current assets	2	5
Gain on sale of investment securities	19	2,527
Gain on extinguishment of tie-in shares	–	34
Total extraordinary income	21	2,568
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	6	12
Total extraordinary losses	6	13
Profit before income taxes	19,268	25,136
Income taxes	5,928	7,690
Profit	13,340	17,445
Profit attributable to non-controlling interests	9	0
Profit attributable to owners of parent	13,331	17,444

(Quarterly consolidated statements of comprehensive income)

(For the six months period)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	13,340	17,445
Other comprehensive income		
Valuation difference on available-for-sale securities	1,639	(3,887)
Foreign currency translation adjustment	1,169	3,002
Remeasurements of defined benefit plans, net of tax	28	13
Total other comprehensive income	2,837	(870)
Comprehensive income	16,178	16,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,156	16,484
Comprehensive income attributable to non-controlling interests	22	90

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

None applicable.

(Notes on substantial changes in the amount of shareholders' equity)

None applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

As for tax expenses, the effective tax rate after the application of tax effect accounting to profit before income taxes is reasonably estimated for the consolidated fiscal year, which includes the second quarter of the current fiscal year, and the amount is calculated by multiplying quarterly profit before income taxes by the estimated effective tax rate.

However, for companies whose tax expenses are significantly less reasonable if calculated using the estimated effective tax rate, the amount calculated using the statutory tax rate is recorded.

(Additional information)

None applicable.

(Segment information, etc.)

I For the six months ended September 30, 2021 (from April 1, 2021, to September 30, 2021)

1. Information about the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment				Others (Notes) 1.	Total	Adjustment (Notes) 2.	The amount reported on the quarterly consolidated statements of income (Notes) 3.
	Functional Chemicals	Life Science	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	62,120	17,121	10,645	89,887	240	90,127	–	90,127
(2) Intersegment sales or transfers	634	4,072	7	4,715	4,069	8,784	(8,784)	–
Total	62,755	21,194	10,653	94,603	4,309	98,912	(8,784)	90,127
Segment profit (loss)	11,079	8,247	(40)	19,286	159	19,446	(931)	18,514

(Notes) 1. The “Others” category consists of business that is not included in reportable segments. It includes transportation, real estate sales, and management services, etc.

2. An adjustment of negative 931 million yen in segment profit includes 11 million yen eliminated for intersegment transactions, and negative 942 million yen for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

II. For the six months ended September 30, 2022 (from April 1, 2022, to September 30, 2022)

1. Information about the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment				Others (Notes) 1.	Total	Adjustment (Notes) 2.	The amount reported on the quarterly consolidated statements of income (Notes) 3.
	Functional Chemicals	Life Science	Explosive & Propulsion	Total				
Net sales								
(1) Sales to external customers	72,427	21,158	9,985	103,571	237	103,808	–	103,808
(2) Intersegment sales or transfers	672	3,471	8	4,153	3,961	8,114	(8,114)	–
Total	73,100	24,630	9,993	107,724	4,198	111,923	(8,114)	103,808
Segment profit (loss)	11,754	9,603	(127)	21,230	112	21,342	(908)	20,434

(Notes) 1. The “Others” category consists of business that is not included in reportable segments. It includes transportation, real estate sales, and management services, etc.

2. An adjustment of negative 908 million yen in segment profit includes 42 million yen eliminated for intersegment transactions, and negative 950 million yen for company-wide expenses that is not allocated for each reportable segment. Company-wide expenses mainly include general and administrative expenses that are not attributable to reportable segments.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

(Subsequent events)

Purchase of treasury shares

NOF CORPORATION (the “Company”) hereby announces that it has resolved the following matters pertaining to purchase of its treasury shares at its meeting of the Board of Directors held on November 2, 2022, pursuant to provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to provisions of Article 165, paragraph (3) of said Act.

1. Reason for purchase of treasury shares

The Company seeks to purchase its treasury shares for the sake of enabling flexible execution of its capital policy in alignment with changes in the business environment, while also enhancing shareholder returns and improving capital efficiency.

2. Details of the Board of Directors resolution regarding the acquisition

- | | |
|---|--|
| (1) Class of shares to be purchased: | Common shares of the Company |
| (2) Total number of shares to be purchased: | 700,000 shares (maximum) |
| (3) Total purchase price of shares: | 3,000,000,000 yen (maximum) |
| (4) Period of purchase: | From November 4, 2022 through January 31, 2023 |
| (5) Method of purchase: | Open-market purchase on the Tokyo Stock Exchange |