

Explanation of Financial Results for the Year Ended 31 March 2024

May 13, 2024

 **NIPPON CARBIDE INDUSTRIES CO.,INC.**



Summary of Financial Results for the Year Ended 31 March 2024

Summary [Consolidated Statements of Income]



- In the electronics and functional products business, shipments of products for semiconductors and electronic components declined due to the sluggish electronics market since the second half of the year before the last.
- In the films and sheetings products business, shipments of products for license plates increased due to a recovery in automobile sales in Europe, the US and China.
- In the construction materials related business, profitability improved due to price revisions in response to rising raw material prices.
- In the engineering business, sales fell due to a decline in the number of orders and delays in completion.
- As a result of the above, **incomes and profits declined year-on-year**.
- **Current net profit increased**, despite the recording of impairment losses on fixed assets in the films and sheetings products business, due to the recording of an extraordinary gains in connection with a court ruling on an appeal against a claim for damages for patent infringement.

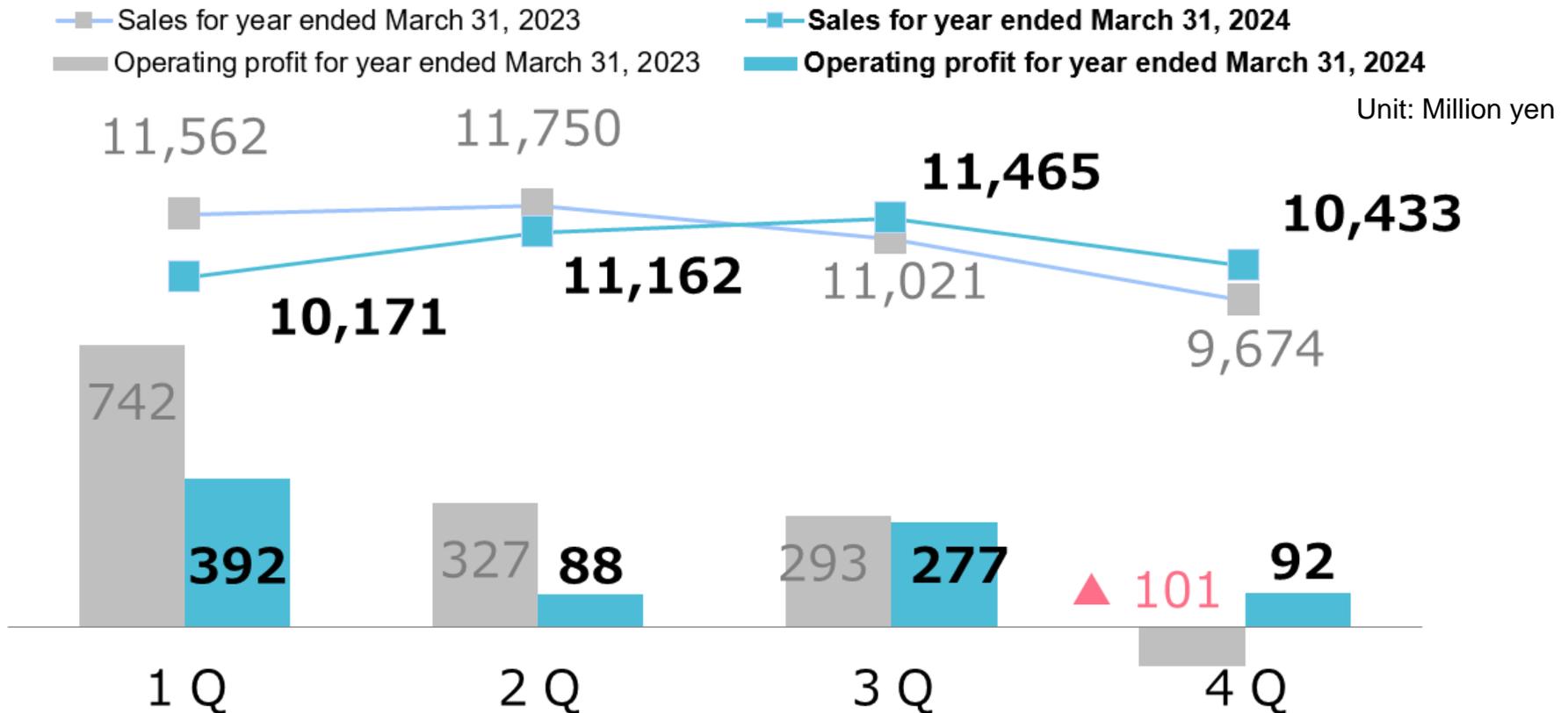
Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	44,008	43,231	▲ 777	▲ 1.8%
Operating profit	1,261	849	▲ 412	▲ 32.7%
Operating profit/ net sales	2.9%	2.0%	—	▲ 0.9 point
Ordinary profit	1,902	1,573	▲ 329	▲ 17.3%
Current net profit	332	999	667	+200.8%



Quarterly performance trends

- Sales declined YoY in 1Q/2Q, but increased in 3Q/4Q
- Operating profit decreased YoY until 3Q, but increased in 4Q

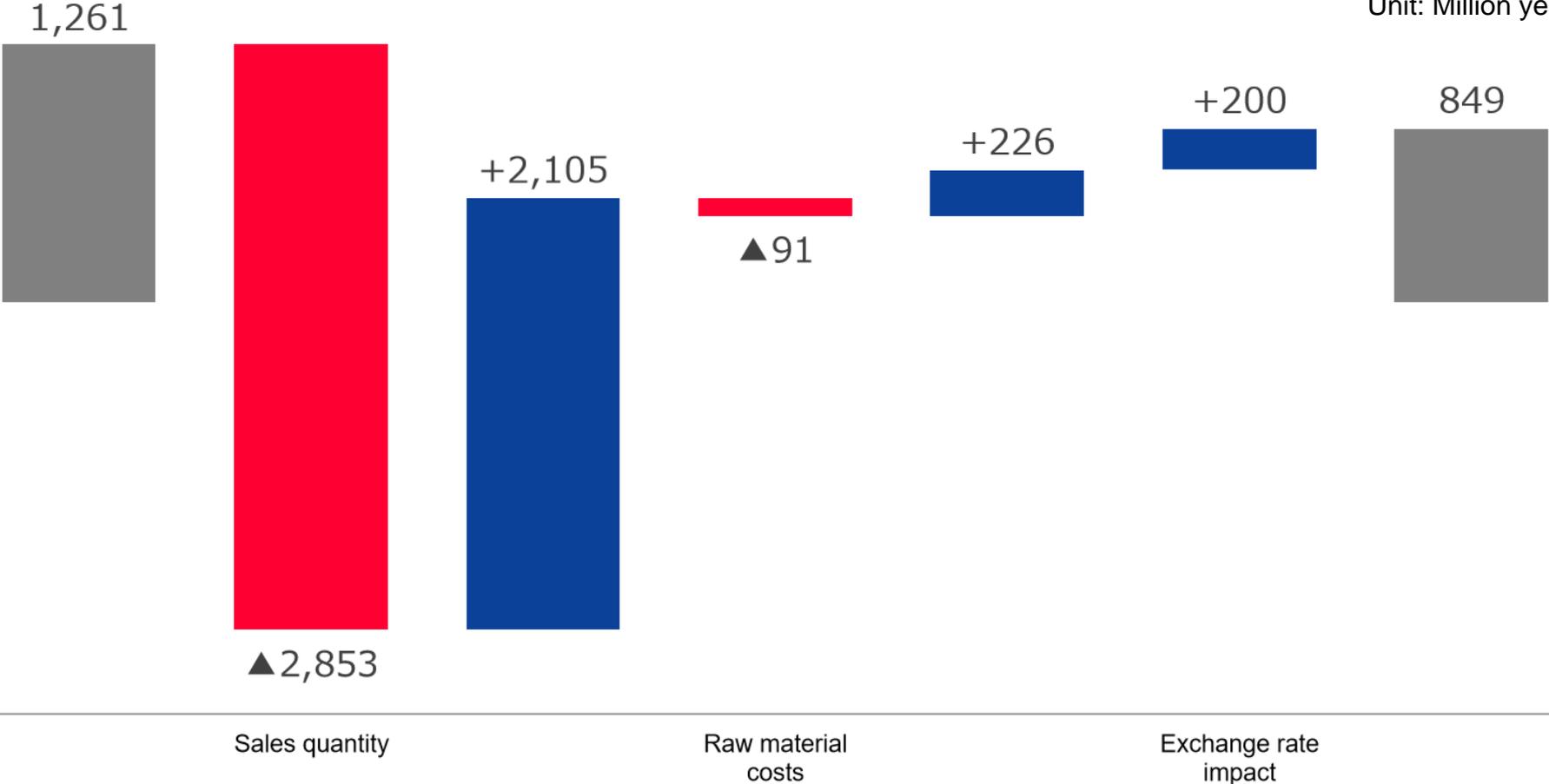


Analysis of factors leading to changes in operating profit FY2023 v.s. FY2024



YOY **decline in profit** of 412 million yen

Unit: Million yen



Operating profit for year ended March 31, 2023

Selling price including variety composition

Other costs

Operating profit for year ended March 31, 2024

Performance by segment



Unit: Million yen

		Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison	
		Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	18,128	16,545	▲ 1,582	▲ 8.7%
	Operating profit	1,458	643	▲ 815	▲ 55.9%
Films and Sheetings Products	Net sales	16,603	17,498	895	+5.4%
	Operating profit	143	655	512	+357.1%
Construction Materials Related	Net sales	7,589	7,112	▲ 476	▲ 6.3%
	Operating profit	258	272	13	+5.4%
Engineering	Net sales	5,084	2,491	▲ 2,593	▲ 51.0%
	Operating profit	52	▲ 136	▲ 188	-
Consolidated adjustment amount	Net sales	▲ 3,396	▲ 416	2,980	-
	Operating profit	▲ 653	▲ 586	67	-
Consolidated total amount	Net sales	44,008	43,231	▲ 777	▲ 1.8%
	Operating profit	1,261	849	▲ 412	▲ 32.7%

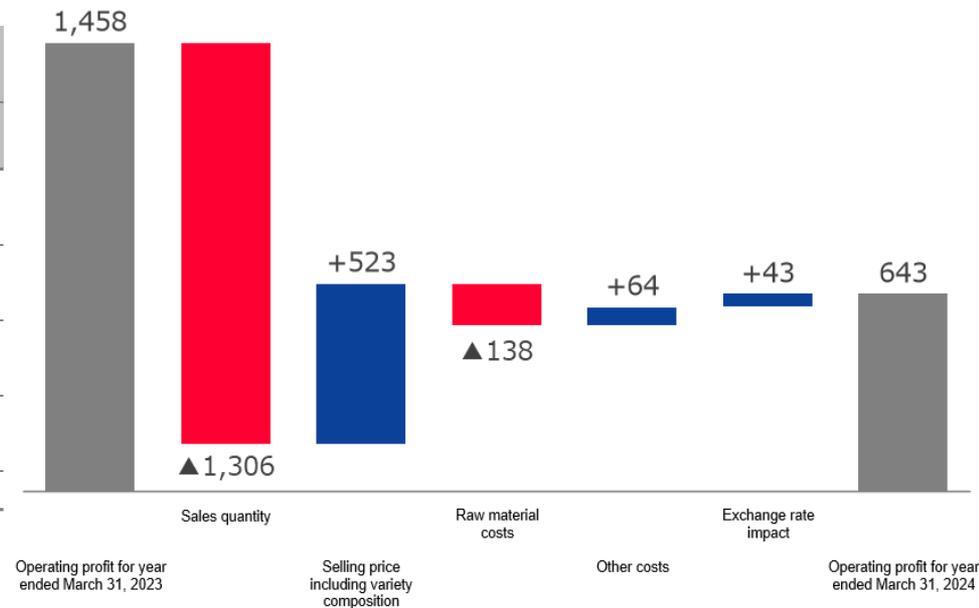
Situation by segment

Electronics & Functional Products Business



Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	18,128	16,545	▲ 1,582	▲ 8.7%
Functional chemicals	3,603	2,913	▲ 690	▲ 19.2%
Functional polymers	8,340	8,290	▲ 50	▲ 0.6%
Electric materials	6,184	5,341	▲ 843	▲ 13.6%
Adjustment	0	0	-	-
Operating profit	1,458	643	▲ 815	▲ 55.9%



Functional Chemicals **Decreased incomes and profits**

- Shipments of products for semiconductors and electronic components declined due to the slump in the electronics market since the second half of the year before last.

Functional Polymers **Decreased incomes and Increased profits**

- Shipments of products for electronic components declined due to the slump in the electronics market since the second half of the year before last.
- + Positive impact on profit and loss due to price revisions in response to higher raw material prices.

Electric Materials **Decreased incomes and profits**

- Shipments of high-value-added products for electronic components such as PCs, servers and telecommunications equipment declined.
- Shipments of die cleaning materials for semiconductors declined due to the slump in the electronics market since the second half of the year before last.

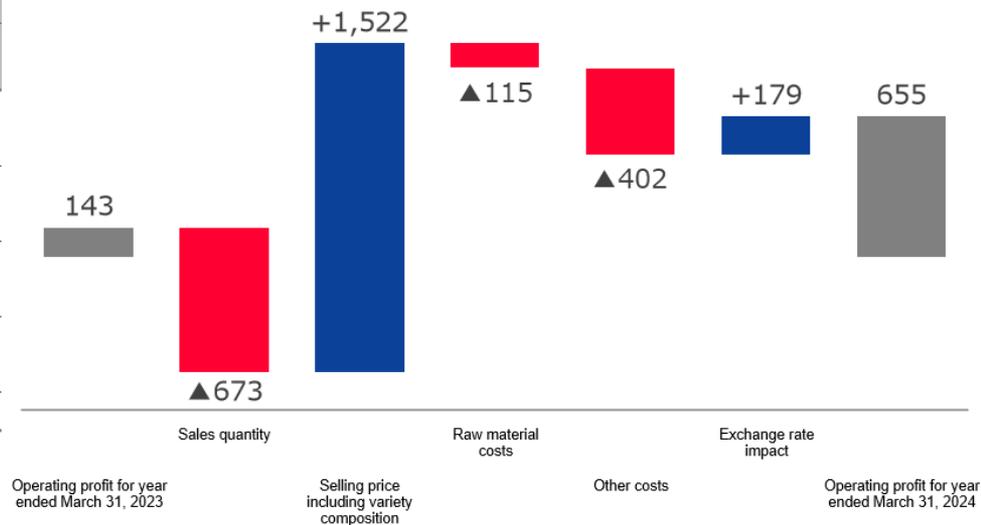
Situation by segment

Films & Sheetings Products Business



Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	16,603	17,498	895	+5.4%
Films	1,445	1,330	▲ 115	▲8.0%
Stickers	6,269	6,515	246	+3.9%
Retroreflective sheetings	8,888	9,652	764	+8.6%
Adjustment	1	0	-	-
Operating profit	143	655	512	+357.1%



Films **Decreased incomes and profits**

- Shipments of products for the automotive sector declined due to a slow digestion of inventory in circulation, despite a recovery in global vehicle production.

Stickers **Increased incomes and Decreased profits**

- + Shipments of products for motorcycles increased due to higher motorcycle production in Brazil and Indonesia
- Shipments of 3D emblems for motorcycles declined due to decline in motorcycle production in Vietnam

Retroreflective Sheetings **Increased incomes and profits**

- + Shipments of products for license plates increased due to a recovery in automobile sales in Europe, the US and China.

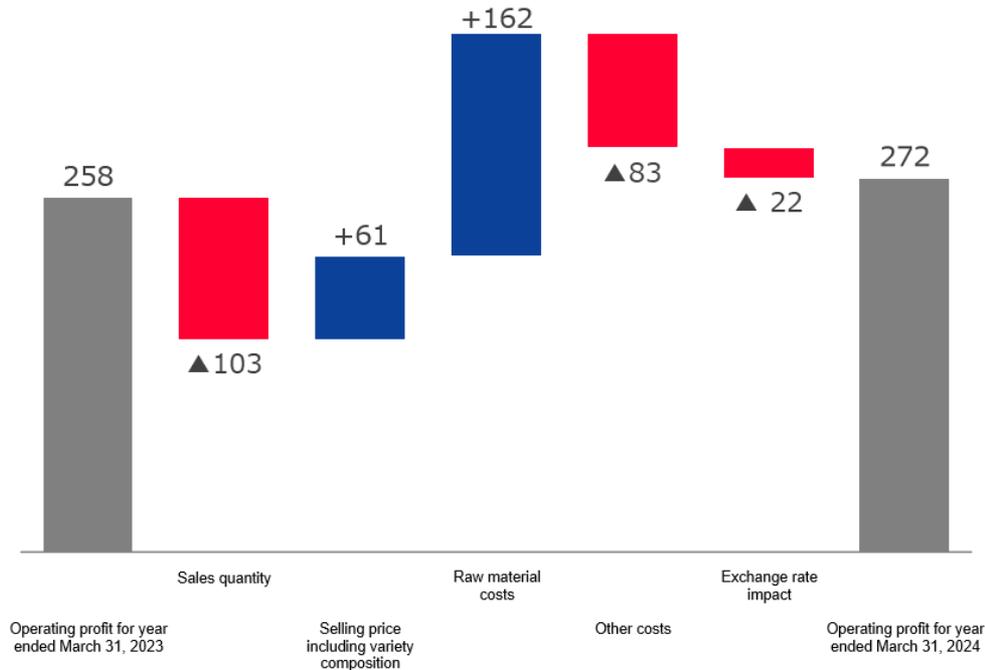
Situation by segment

Construction Materials Related Business



Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	7,589	7,112	▲ 476	▲ 6.3%
Operating profit	258	272	13	+5.4%



Decreased incomes and Increased profits

- Sales of aluminum building materials declined due to a decrease in the number of housing construction project
- + Positive impact on profit and loss due to price revisions in response to higher raw material prices



Situation by segment Engineering Business

Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	5,084	2,491	▲ 2,593	▲ 51.0%
Operating profit	52	▲ 136	▲ 188	-

Decreased incomes and profits

- Decrease in sales due to a decline in the number of construction projects for Group companies.
- Decrease in sales due to delays in the completion of construction projects for the steel sector.

[Summary] Consolidated balance sheets



Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	End-to-end ratio
Cash and deposits	10,906	13,442	2,536
Notes and accounts receivable - trade	12,211	12,526	314
Inventory	9,955	9,368	▲ 586
Tangible fixed assets/intangible fixed assets	26,293	24,004	▲ 2,289
Other	2,473	1,680	▲ 793
Total assets	61,838	61,020	▲ 817
Interest-bearing liabilities	11,861	11,491	▲ 369
Notes and accounts payable - trade	5,912	5,537	▲ 375
Other	10,978	9,368	▲ 1,610
Total liabilities	28,751	26,396	▲ 2,355
Shareholders' equity	23,789	23,996	206
Accumulated other comprehensive income	7,441	8,634	1,192
Non-controlling interests	1,854	1,992	138
Total net assets	33,086	34,623	1,537
Total liabilities and assets	61,838	61,020	▲ 817
D/E ratio	0.38	0.35	▲ 0.03
Equity capital	31,231	32,630	1,399
Equity ratio	50.5%	53.5%	3.0 points

Consolidated statements of cash flows



Free cash flow was 2,935 million yen

Unit: Million yen

	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison
Profit before income taxes	1,221	1,797	576
Depreciation	1,991	2,014	22
Net cash provided by (used in) operating activities	791	422	▲ 369
Other	▲ 397	1,140	1,537
Cash flows from operating activities	3,606	5,373	1,766
Cash flows from investing activities	▲ 2,147	▲ 2,437	▲ 289
Free cash flows	1,458	2,935	1,477
Net increase (decrease) in borrowings	▲ 2,508	▲ 303	2,205
Dividends paid	▲ 563	▲ 611	▲ 47
Other	▲ 144	▲ 350	▲ 206
Cash flows from financing activities	▲ 3,215	▲ 1,264	1,951
Effect of exchange rate change on cash and cash equivalents	740	564	▲ 175
Net increase (decrease) in cash and cash equivalents	▲ 1,016	2,235	3,251
Cash and cash equivalents at end of period	9,821	12,057	2,235



Capital investment, depreciation and R&D

As a result of a review of the capital investment plan in line with changes in the business environment, particularly in the electronics strategic market, capital investment decreased by 1,857 million yen compared to the previous year.

Unit: Million yen

Capital investment	Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year comparison
Capital investment	3,181	1,324	▲ 1,857
Electronics and functional products	735	320	▲ 415
Films and sheetings products	2,458	755	▲ 1,703
Construction materials related	65	40	▲ 25
Engineering	26	30	4
Common/adjustment	▲ 103	177	280
Depreciation	1,991	2,014	23
Electronics and functional products	746	718	▲ 27
Films and sheetings products	619	692	73
Construction materials related	126	112	▲ 13
Engineering	55	56	1
Common/adjustment	444	434	▲ 10
R&D expenditure	2,106	2,113	7

Major capital investment projects

- Introduction of research and development testing facilities
- Introduction of research core system for DX promotion
- Upgrading of analysis equipment for engineering projects

* Capital expenditure is the amount capitalized as of the time when equipment, etc. is inspected and received. The amount of expenditure on the acquisition of tangible fixed assets in the cash flows from investing activities is the amount as of the time when the funds for equipment, etc. inspected and received were actually paid, which causes a difference.



Forecast of full-year results for the year ending 31 March 2025

Forecast of consolidated results for the year ending 31 March 2025



The sales forecast is 50.0 billion yen, an increase of +15.7% on the previous year, and the operating profit forecast is 2.1 billion yen, an increase of +147.3% on the previous year.

Unit: Million yen

	Year ended March 31, 2024		Year ended March 31, 2025		Year-on-year changes		
	Results	Profit margin	Performance forecasts	Profit margin	Year-on-year changes (amount)	Year-on-year changes (percentage)	
Net sales	43,231	-	50,000	—	6,769	+15.7%	
Operating profit	849	2.0%	2,100	4.2%	1,251	+147.3%	
Ordinary profit	1,573	3.6%	2,200	4.4%	627	+39.9%	
Current net profit	999	2.3%	1,000	2.0%	1	+0.1%	
Dividend per share	Interim	30yen	—	40yen	—	0円	+0.0%
	Year end	50yen*	—	40yen	—		

* Including special dividend of 15 yen

Annual ordinary dividend of 80yen per share is planned for the fiscal year ending March 31, 2025.

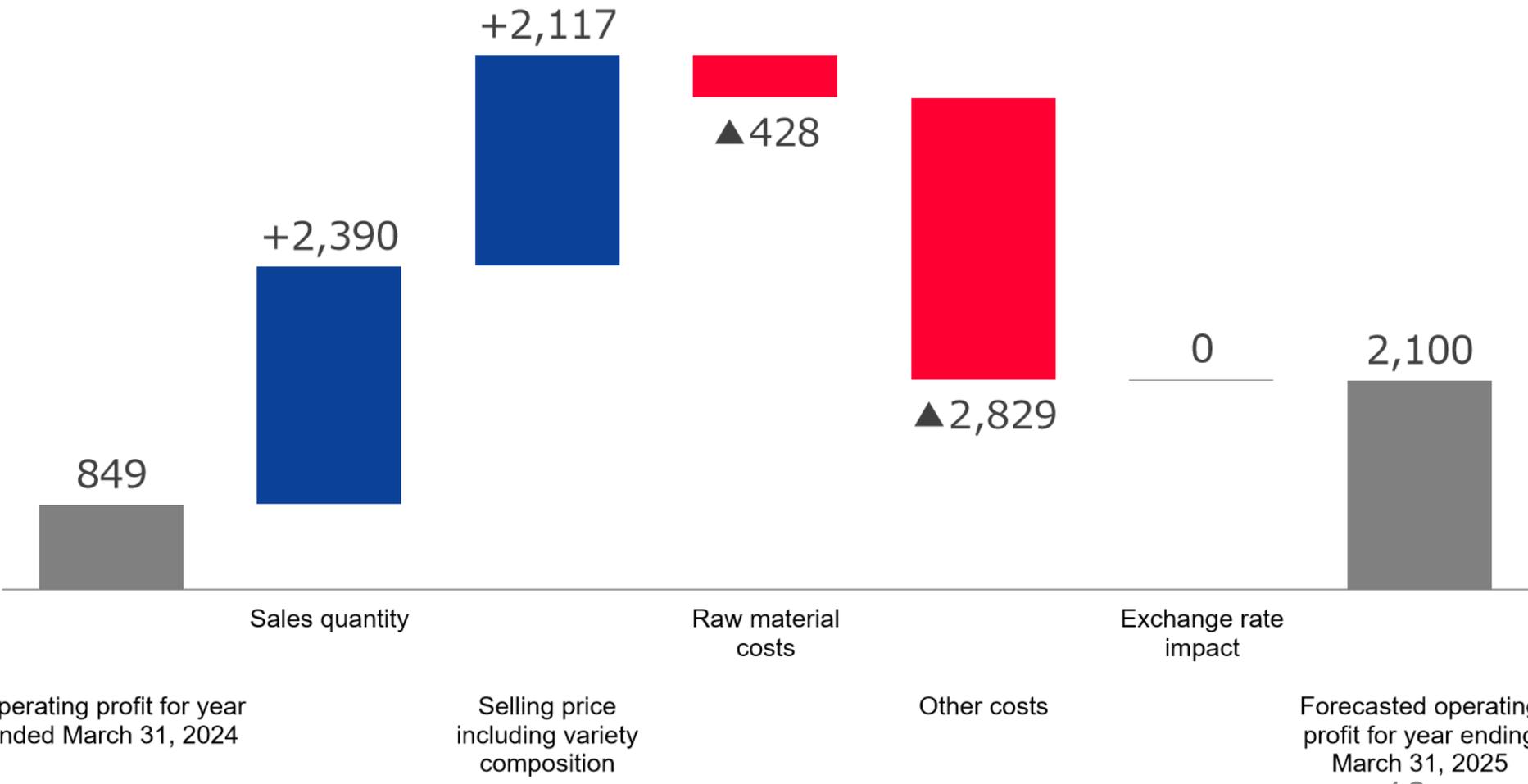
The shareholder return policy aims to maintain a stable dividend with a payout ratio of at least 30%.

Analysis of factors leading to changes in operating profit FY2024 vs FY2025



Increase in profit of 1,251 million yen compared to the previous year

Unit: Million yen



Business outlook by segment



Electronics and Functional Products	Functional chemicals	+	Increase in shipments due to recovery in semiconductor and electronic component markets
	Functional polymers	+	Increase in shipments of adhesives for optical-related fields due to sales expansion in the Chinese market
	Electric materials	+	Increase in shipments due to recovery in semiconductor and electronic component market
Films and Sheetings Products	Films	+	Increase in shipments of next-generation high-functional films due to continued recovery in global automobile sales
	Stickers	+	Increase in shipments of products for motorcycles due to higher motorcycle production in Indonesia
	Retroreflective sheetings	+	Increase in shipments of products for license plates due to continued recovery in global automobile sales
Construction Materials Related	- Higher raw material costs due to soaring aluminum ingot prices		
Engineering	+ Increase in sales due to completion of large construction projects		

Forecasts by segment



Unit: Million yen

		Year ended March 31, 2024	Year ended March 31, 2025	Year-on-year changes	
		Results	Performance forecasts	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	16,545	19,100	2,555	+15.4%
	Operating profit	643	1,100	457	+71.1%
Films and Sheetings Products	Net sales	17,498	20,000	2,502	+14.3%
	Operating profit	655	1,400	745	+113.7%
Construction Materials Related	Net sales	7,112	7,400	288	+4.0%
	Operating profit	272	50	▲ 222	▲81.6%
Engineering	Net sales	2,491	4,000	1,509	+60.6%
	Operating profit	▲ 136	280	416	-
Consolidated adjustment amount	Net sales	▲ 416	▲ 500	▲ 84	-
	Operating profit	▲ 586	▲ 730	▲ 144	-
Consolidated total amount	Net sales	43,231	50,000	6,769	+15.7%
	Operating profit	849	2,100	1,251	+147.3%

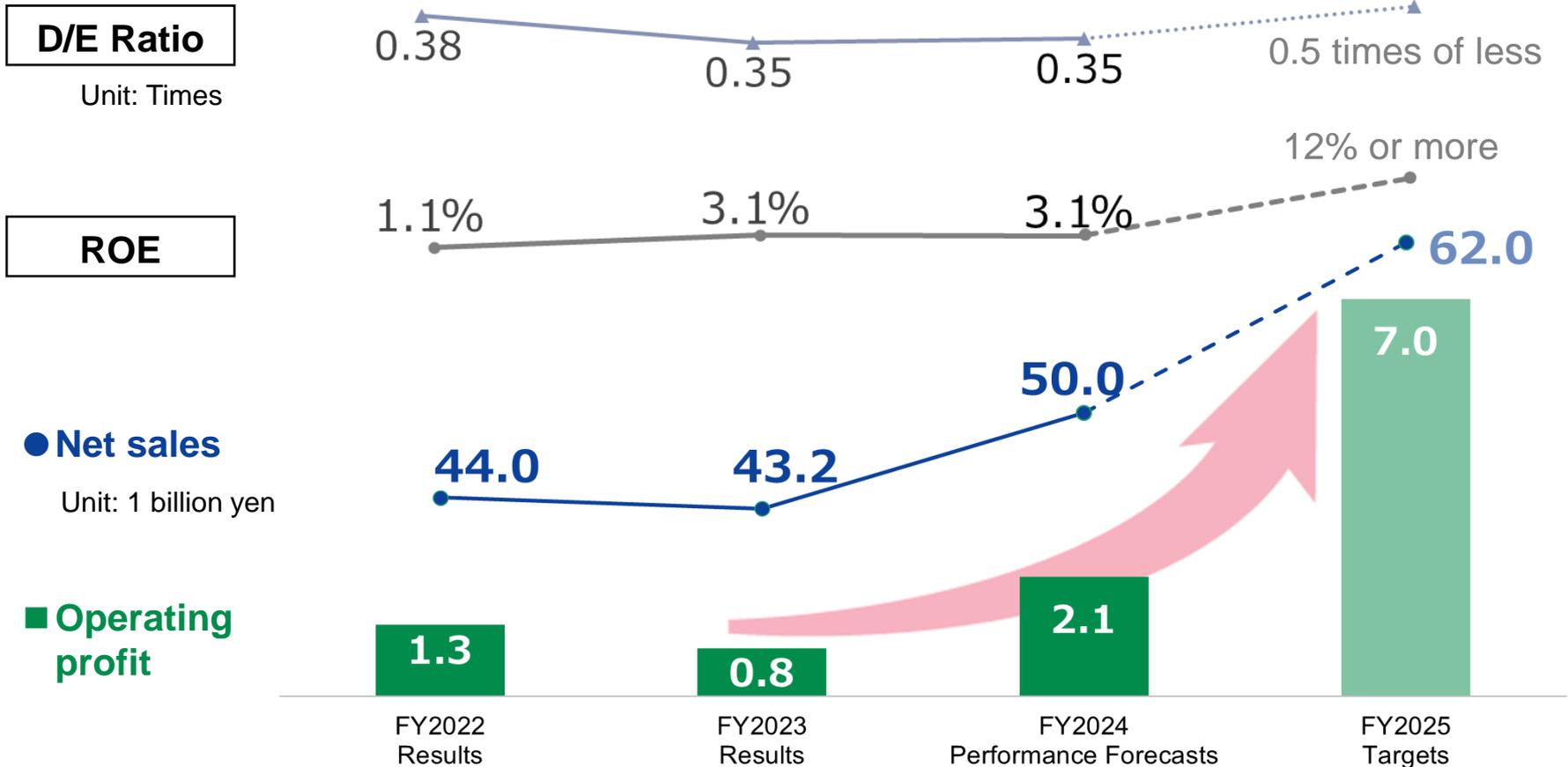


State of Progress of Medium-term Management Plan “NCI KIRARI 2025”

State of Progress Financial Targets



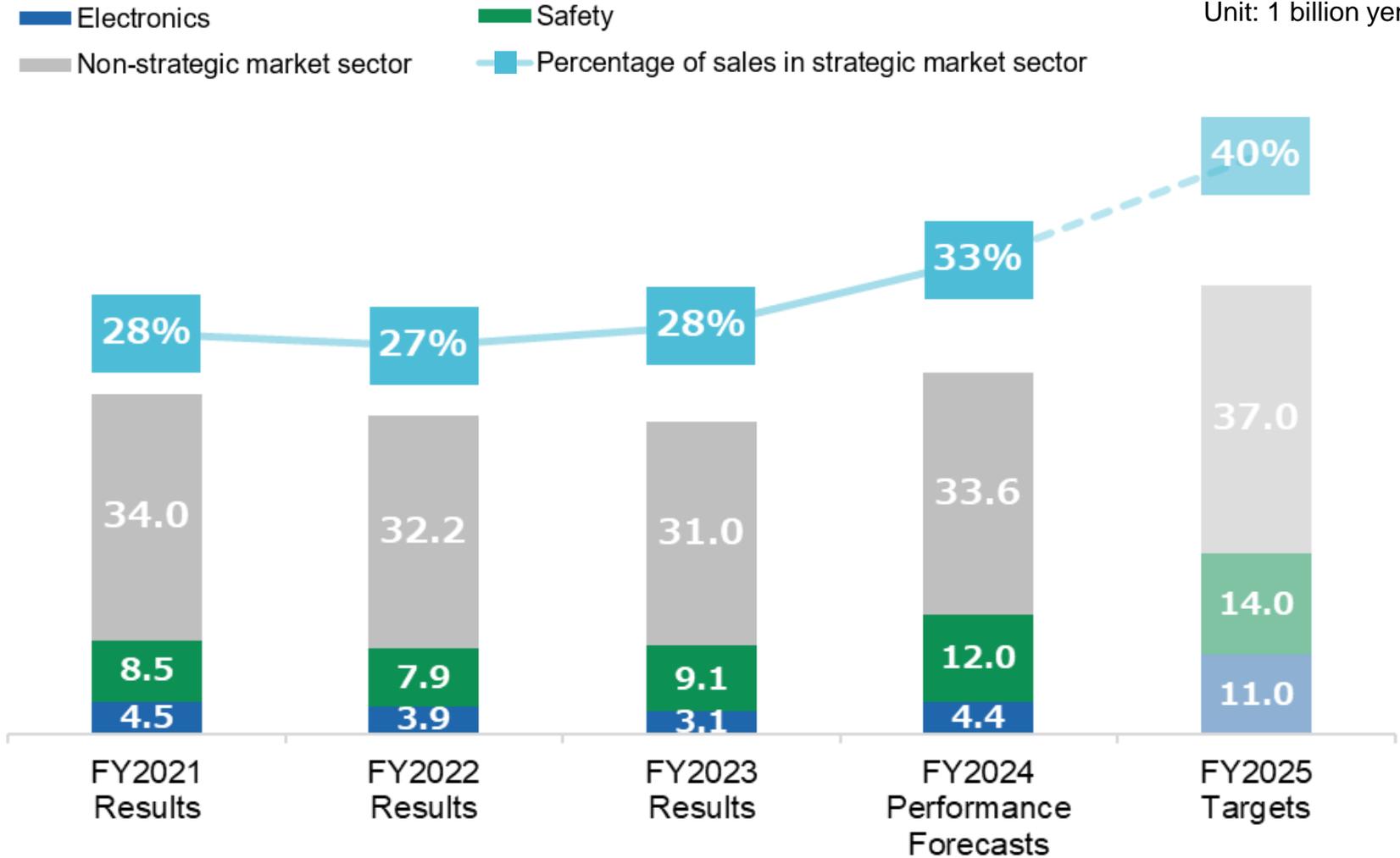
We will try to achieve our FY2024 performance forecasts and return to a growth trajectory by ensuring that the key issues are addressed, but the achievement of the FY2025 financial targets may be delayed, depending on the timing of market recovery and other factors.



State of Progress Strategic market sector Sales



Unit: 1 billion yen



State of Progress Strategic market sector Operating profit

Operating profit in strategic market sector in FY2024 is forecast to be 2.8 billion yen. The key to achieving the operating profit target for FY2025 is (i) further expansion of operating profit in strategic market sector, and (ii) performance improvement by strengthening the structure of non-strategic market sector.

Unit: 1 billion yen



Major challenges and actions

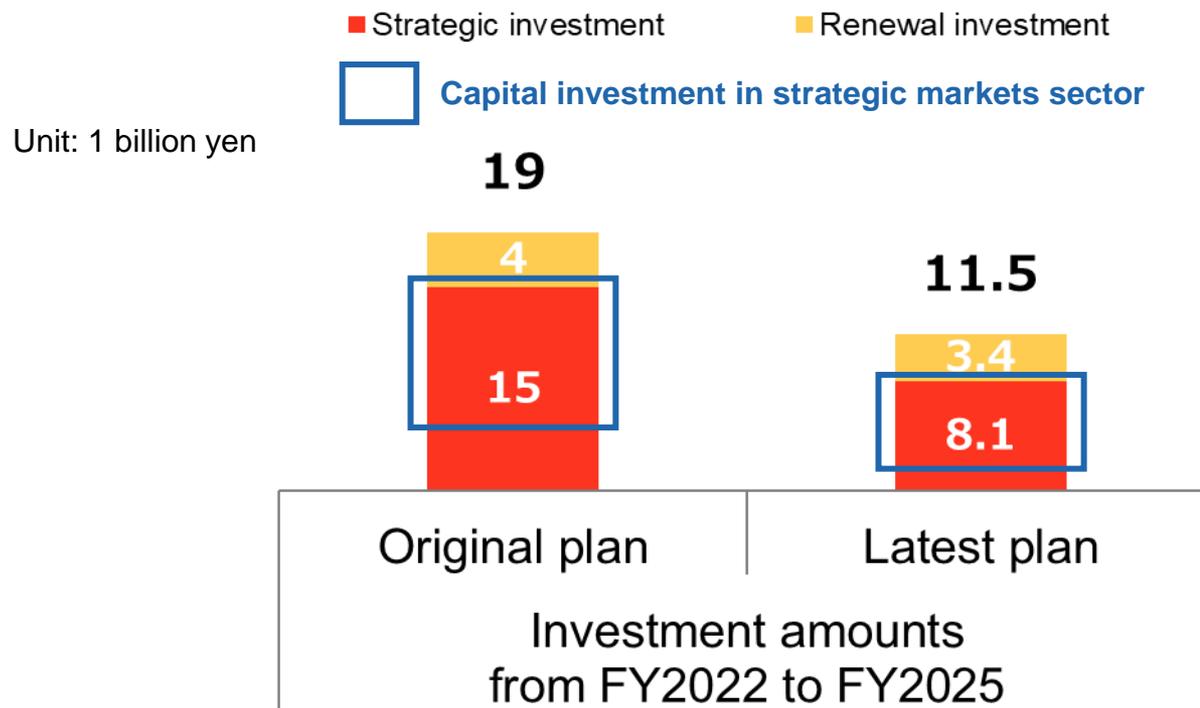


Segment	Sector	Major challenges	Actions to be taken towards 2025
Electronics and Functional Products	Strategic market Sector	<ul style="list-style-type: none"> Expanding sales of high value-added products, mainly chemicals for semiconductor materials. Expanding sales of semiconductor mold cleaning materials and other products in the Chinese market. 	<ul style="list-style-type: none"> Identifying new needs through technical exchange with customers. Responding to market expansion by strengthening the customer support system at the Chinese sites.
	Non-strategic market sector	<ul style="list-style-type: none"> Expanding sales of optical adhesives and other products in the Chinese market. 	<ul style="list-style-type: none"> Strengthening the R&D back-up system in Japan and technical services in China.
Films and Sheetings Products	Strategic market Sector	<ul style="list-style-type: none"> Expanding new business with next-generation high-performance films. Expanding sales of products for number plates in the Japanese market 	<ul style="list-style-type: none"> Market launch of high performance products for the automotive, motorcycle and electronics sectors through multi-layer wide film production facilities. Improved quality and stable supply of products for number plates
	Non-strategic market sector	<ul style="list-style-type: none"> Expanding sales of reflective sheetings for the graphics market in the USA. 	<ul style="list-style-type: none"> Collaboration with major distributors. Application to a wide variety of substrates through improved adhesive performance
Construction Materials Related	Strategic market Sector	<ul style="list-style-type: none"> Expanding sales of high-strength, high-performance handrails for high-rise buildings. 	<ul style="list-style-type: none"> Differentiation using product designs with high safety features on high-rise floors
	Non-strategic market sector	<ul style="list-style-type: none"> Expanding sales of carport products for EV Expanding sales of LED lighting products (handrails and copings) to shops and commercial facilities 	<ul style="list-style-type: none"> Adding value to products by exploring customer needs
Engineering	Strategic market Sector	<ul style="list-style-type: none"> Expanding business by capturing business opportunities in carbon neutral transition. 	<ul style="list-style-type: none"> Promotion of response to customer needs by utilising the powder conveying technology developed over many years.
	Non-strategic market sector	<ul style="list-style-type: none"> Expanding EPC business (A business model encompassing the entire project lifecycle, from engineering and procurement to construction) 	<ul style="list-style-type: none"> Strengthening co-operation with customers by having engineers present on site at the facilities.

Capital investment



Review capital investment plans in line with changes in the business environment, particularly in relation to the electronics strategic markets



Major capital investment reduction projects

- Capital investment in products for semiconductors and electronic components
- Capital investment in reflective sheetings products
- Capital investment in products for construction materials related products

Capital investment in strategic markets sector

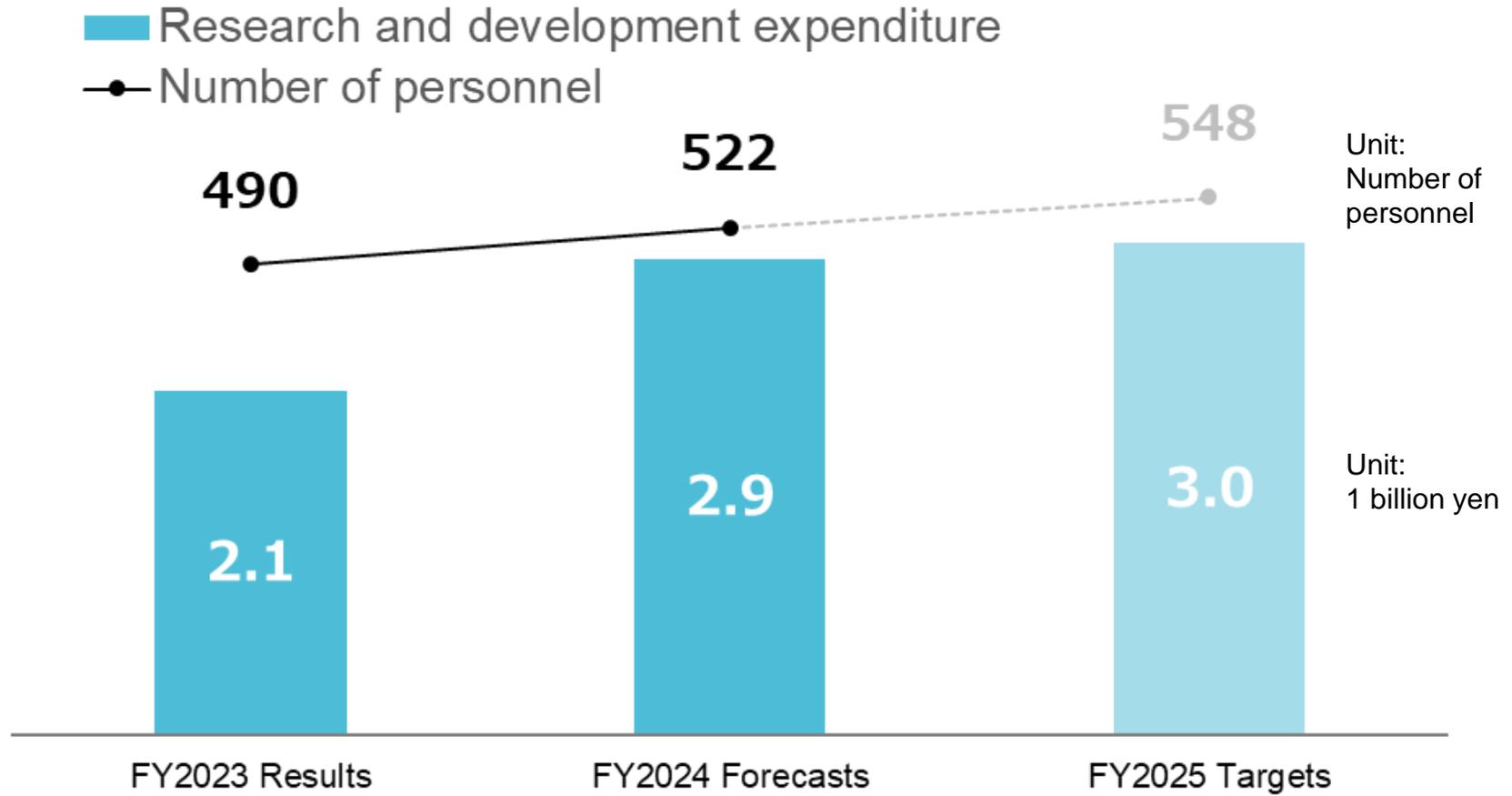
11 billion yen

7.8 billion yen

Research and development



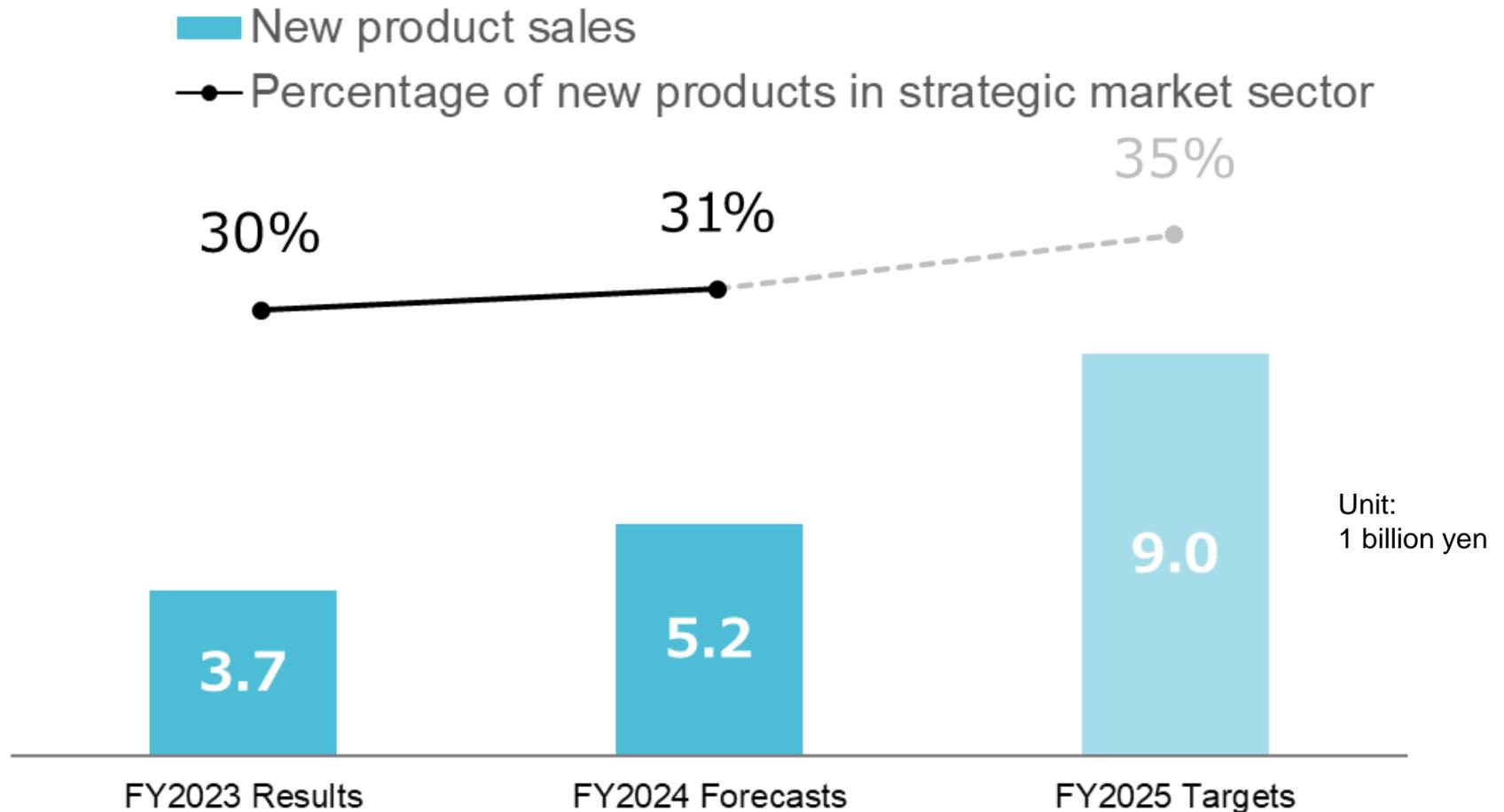
Plans for increasing both R&D expenditure and number of R&D personnel



Percentage of new product sales



Percentage of new product sales in strategic market sector was 30% in FY2023 (3.7 billion yen). Aim for 31% (5.2 billion yen) in FY2024 and 35% or more (9.0 billion yen) in FY2025.





Initiatives to achieve management with
an awareness of cost of capital and share price



Efforts to improve PBR (1)

Recognizing that improving PBR is an important management issue, the company will promote measures from both ROE and PER perspectives.

PBR

=

ROE

×

PER

PBR improved from 0.4 in FY03/2023 to 0.54 in FY03/2024.

ROE

- Growing business by expanding sales of growth drivers and creating new growth drivers in strategic market areas.
- Strengthening the structure of the core businesses with low profitability.
- Improving capital efficiency through the sale of assets such as cross-shareholdings and the use of surplus funds at group companies.
⇒0.5 billion of policy shareholdings sold and 0.5 billion of surplus funds of group companies used for strategic investments etc.
- Considering using interest-bearing debt as needed while maintaining a sound financial structure.
- Shareholder returns
 - Continuing to pay stable dividends with a target payout ratio of 30% or more
⇒For FY2023, in addition to the ordinary dividend of 65yen per share, a special dividend of 15yen per share will be paid.
 - Share buy-back
⇒In accordance with a resolution of the Board of Directors' meeting held on 7 February 2024, shares worth a total of 200 million yen were bought back between 8 February and 19 March.

Efforts to improve PBR (2)



Recognizing that improving PBR is an important management issue, the company will promote measures from both ROE and PER perspectives.

PBR

=

ROE

×

PER

PBR improved from 0.4 in FY03/2023 to 0.54 in FY03/2024.

PER

- Growing business by expanding sales of growth drivers and creating new growth drivers in strategic market areas.
- Strengthening the structure of the core businesses with low profitability.
- Promotion of sustainability management:
 - Promoting renewable energy use through solar power generation, etc.
 - Contributing to carbon neutrality through engineering business
 - Investing in human capital with an awareness of diversity equity and inclusion



TOPICS



Development and sale of environmentally friendly decorative moulded products.

The 3D-emblem with a metallic sheen is one of our environmentally friendly decorative moulded products. Furthermore, we have developed a new product that has never existed before, using 'light manipulation' technology. It is used for automobiles and motorcycles.

● Internally illuminated 3D soft emblem



Before lighting. The metallic exterior gives a more luxurious appearance.



When lit in the dark, it emits light from within.

● Retroreflective 3D soft emblem



Before reflecting.



When light is shone on it, the incident light returns in the direction of incidence (retroreflection), increasing visibility.

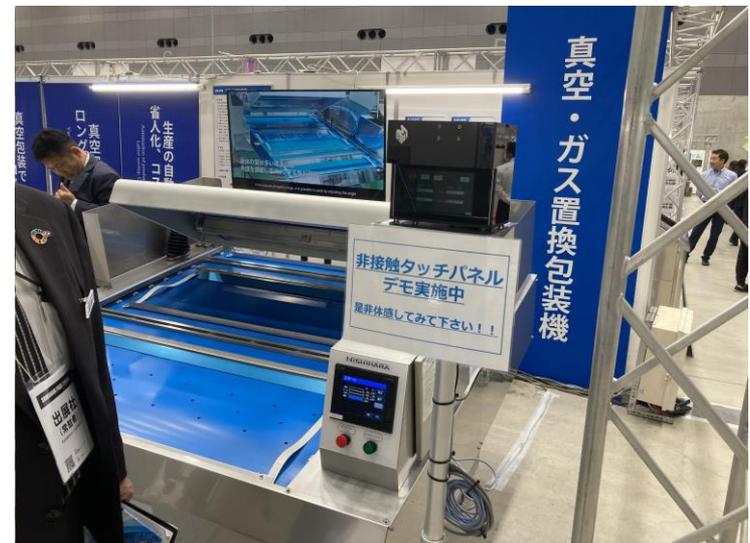


TOPICS (2) Growth drivers

Vacuum packaging machine by Nishihara Manufacturing equipped with our non-contact operating device

Our M-Beamer™ non-contact operating device will be installed in the vacuum packaging machines of Nishihara Manufacturing. As the operation panel is displayed floating in the air, the operator can operate the machine with gloved hands without directly touching the operation panel.

The vacuum packaging machine equipped with our non-contact operating device was unveiled during “Shimanami Pack 2023”, an exhibition specializing in packaging and related materials, facilities, equipment, systems and services for the food industry (see photo).

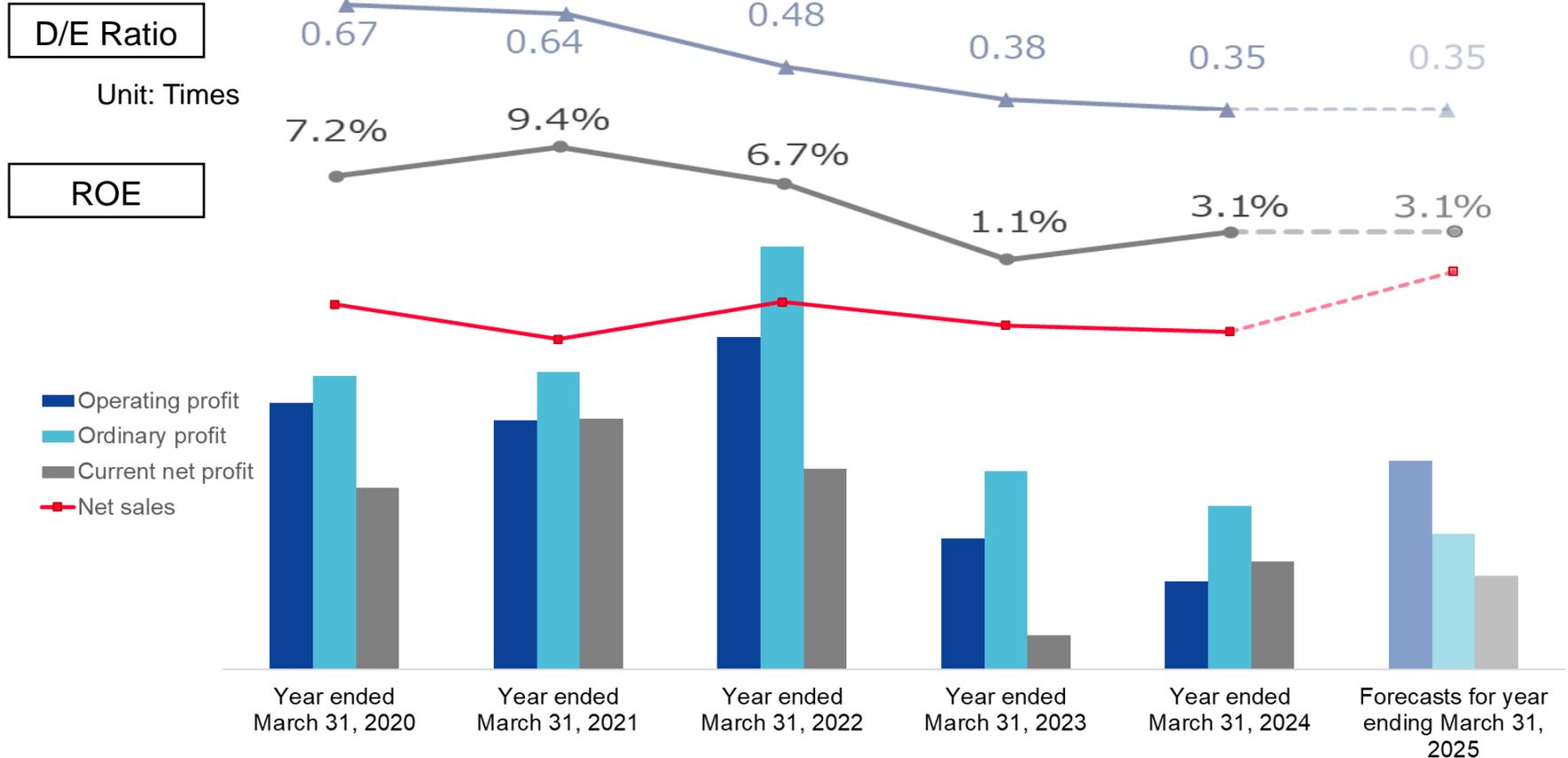




Annexed Materials



Transition of consolidated results

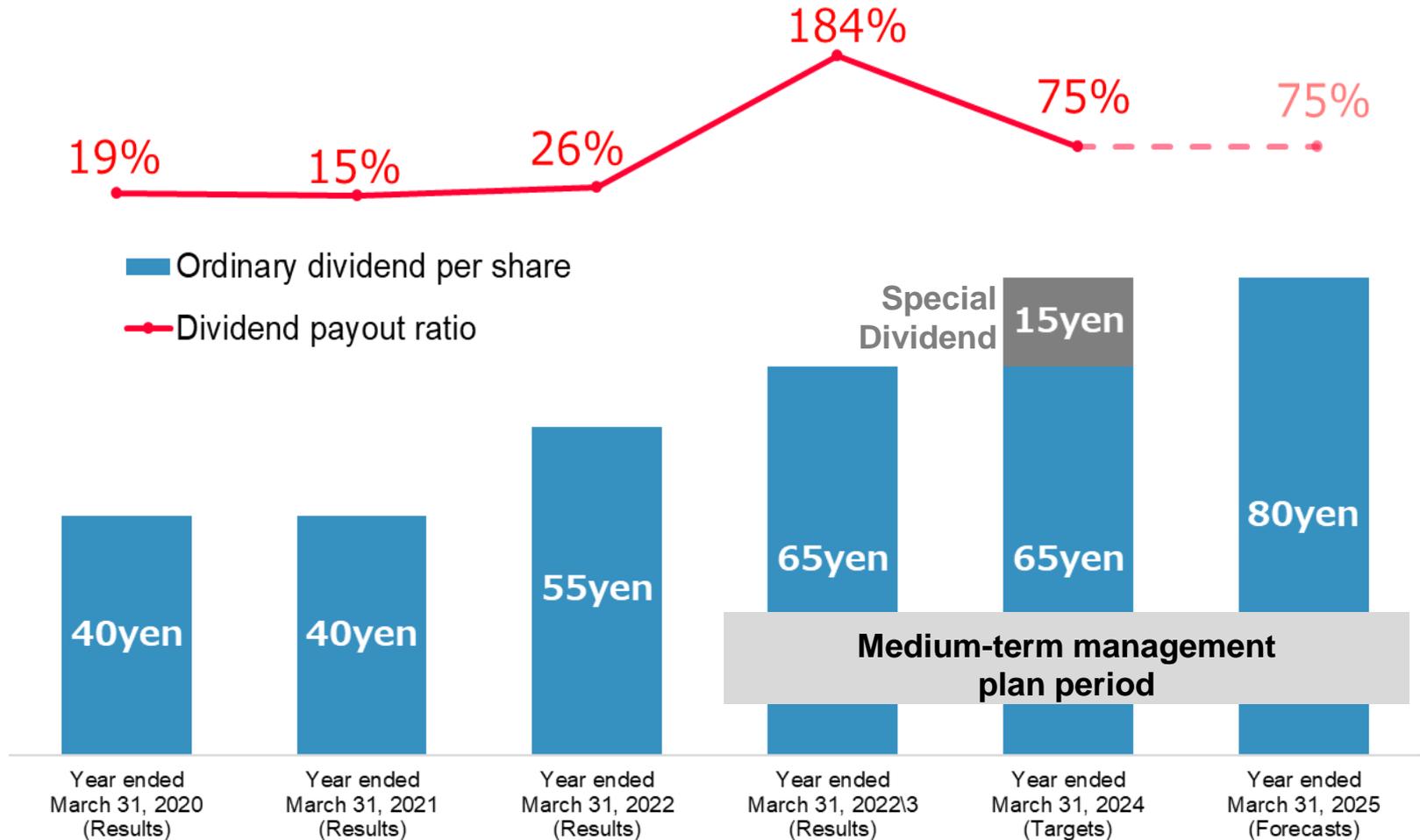


Net sales	46,699	42,231	47,003	44,008	43,231	50,000
Operating profit	2,557	2,388	3,192	1,261	849	2,100
Operating profit/net sales%	5.5%	5.7%	6.8%	2.9%	2.0%	4.2%
Ordinary profit	2,817	2,852	4,055	1,902	1,573	2,200
Ordinary profit/net sales%	6.0%	6.8%	8.6%	4.3%	3.6%	4.4%
Current net profit	1,741	2,406	1,930	332	999	1,000

Shareholder Return Policy



Aims to maintain a stable dividend with a payout ratio of at least 30%.



**For questions and inquiries from analysts/institutional investors,
please contact**



NIPPON CARBIDE INDUSTRIES CO.,INC.

Public Relations & Investor Relations Group
Corporate Planning Department

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