

Explanation of Financial Results for the Year Ended 31 March 2023

May 12, 2023

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



Summary of Financial Results for the Year Ended 31 March 2023

Summary [Consolidated Statements of Income]



- Overall, the market was affected by a prolonged period of high resource and raw material costs.
- In the electronics and functional products business, shipments of products for LCD panels and electronic components such as PCs, servers and telecommunications equipment fell sharply from 3Q as special demand rise during the coronavirus pandemic subsided.
- In the films and sheetings products business, shipments of products for motorcycle applications in South East Asia increased from the beginning of the year in line with the recovery from the coronavirus pandemic. Shipment of products for automotive applications decreased due to a decline in car sales following inflation in Europe and the USA.
- As a result of the above, **sales and profits decreased** compared to the previous year.
- Net profit for the year fell, partly due to impairment losses.

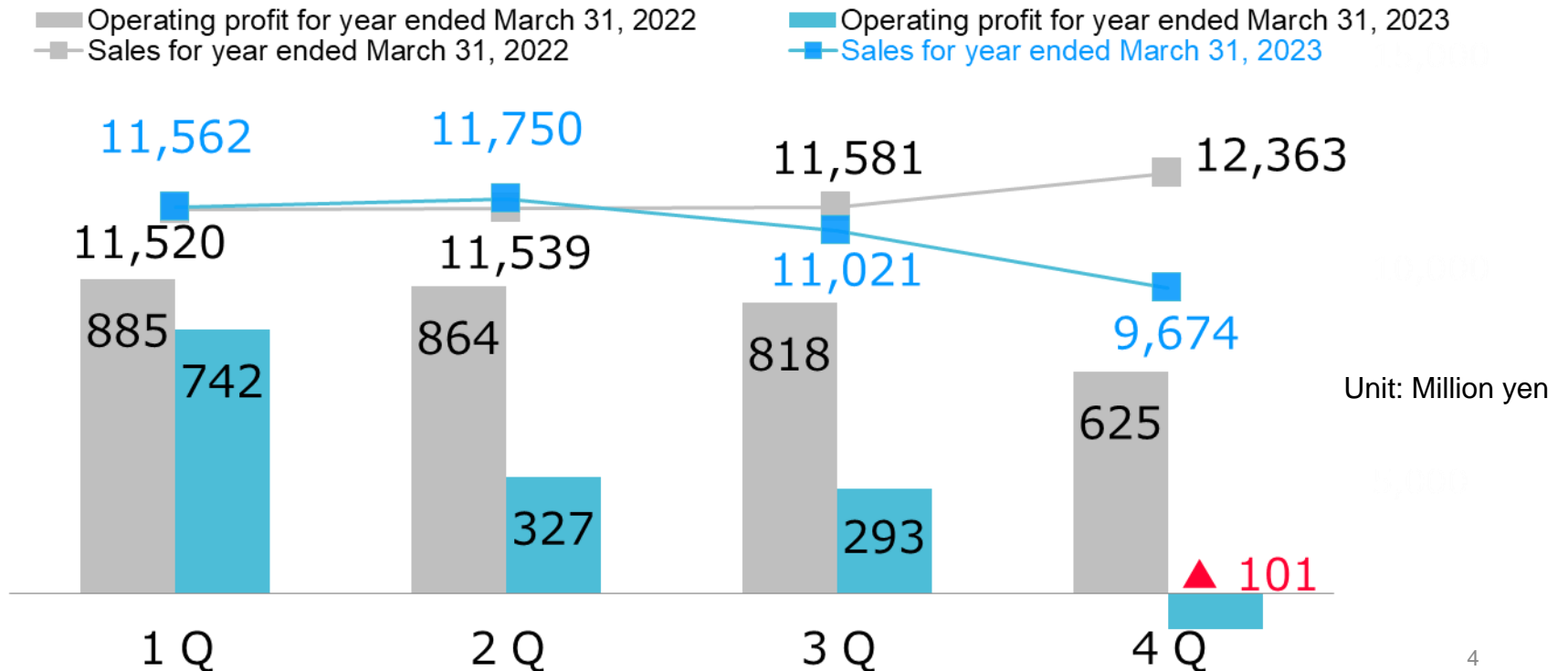
Unit: Million yen

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	47,003	44,008	▲ 2,995	▲ 6.4%
Operating profit	3,192	1,261	▲ 1,931	▲ 60.5%
Operating profit/ net sales	6.8%	2.9%	–	▲ 3.9 point
Ordinary profit	4,055	1,902	▲ 2,152	▲ 53.1%
Current net profit	1,930	332	▲ 1,597	▲ 82.8%



Quarterly performance trends

- Sales were almost unchanged year-on-year in the first half of the year, but declined in the second half.
- Operating profits fell in all four quarters.
- In particular, the 4Q saw an operating loss of 101 million JPY due to a decline in shipments of high-value-added products for electronic components and products for number plates, as well as lower profitability due to lower production volumes.

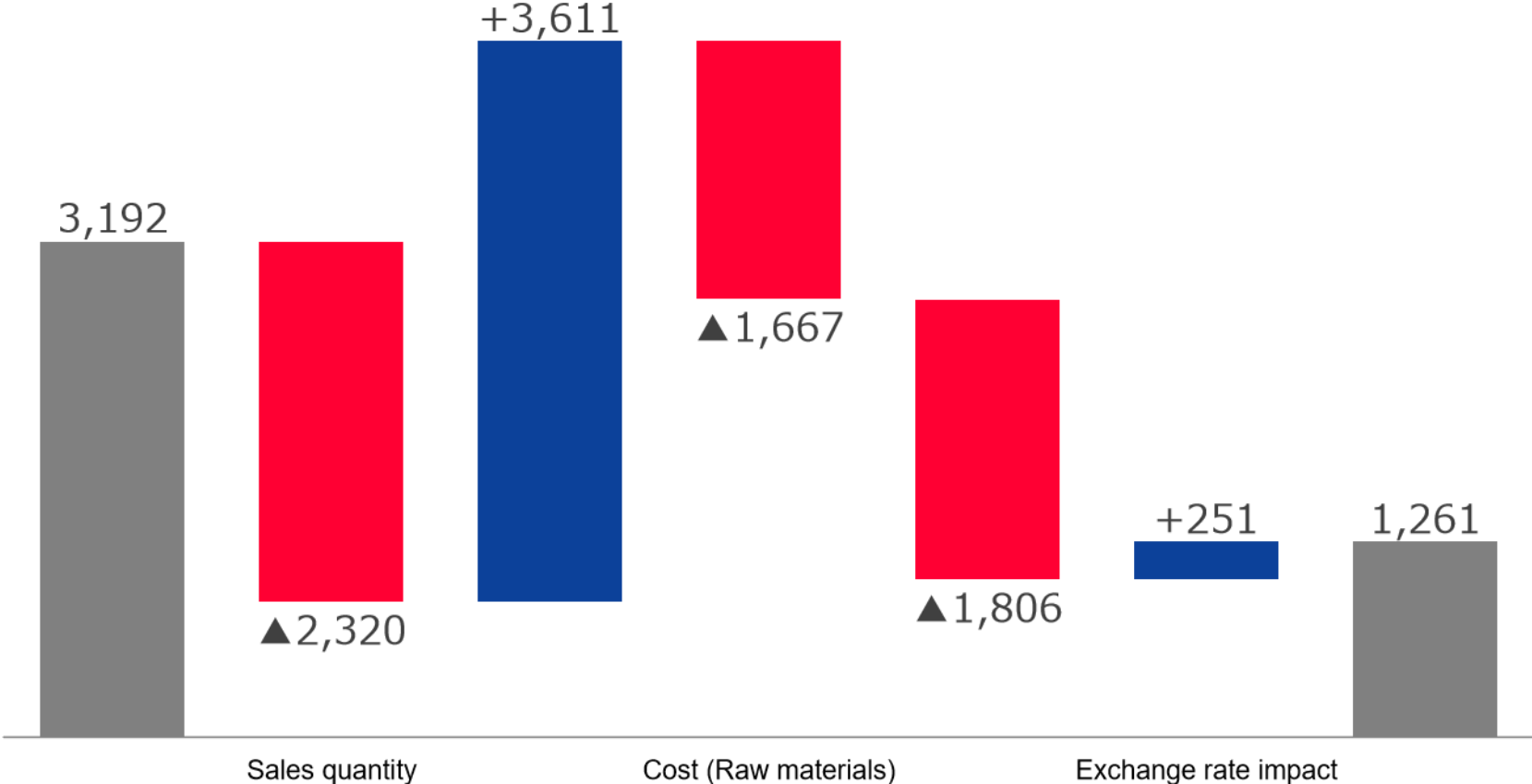


Analysis of factors leading to changes in operating profit FY2022 v.s. FY2023



YOY decline in profit of 1,931 million JPY

Unit: Million yen



Operating profit for year ended March 31, 2022

Selling price (including variety composition)

Cost (Others)

Operating profit for year ended March 31, 2023

Performance by segment



Unit: Million yen

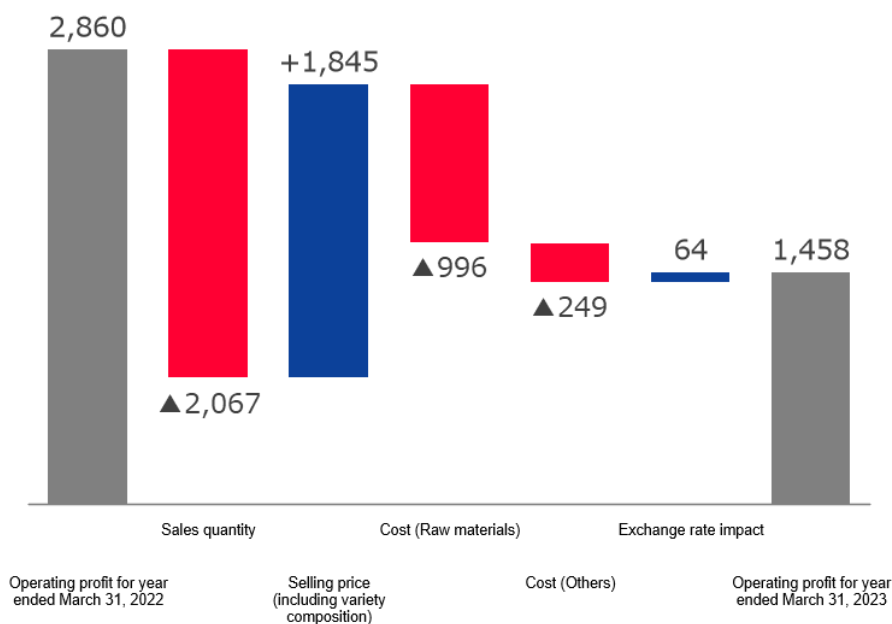
		Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison	
		Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	20,473	18,128	▲ 2,344	▲ 11.5%
	Operating profit	2,860	1,458	▲ 1,401	▲ 49.0%
Films and Sheetings Products	Net sales	16,172	16,603	430	+2.7%
	Operating profit	285	143	▲ 142	▲ 49.8%
Construction Materials Related	Net sales	7,507	7,589	82	+1.1%
	Operating profit	279	258	▲ 20	▲ 7.4%
Engineering	Net sales	4,257	5,084	827	+19.4%
	Operating profit	82	52	▲ 29	▲ 36.1%
Consolidated adjustment amount	Net sales	▲ 1,407	▲ 3,396	-	-
	Operating profit	▲ 315	▲ 653	-	-
Consolidated total amount	Net sales	47,003	44,008	▲ 2,995	▲ 6.4%
	Operating profit	3,192	1,261	▲ 1,931	▲ 60.5%

Situation by segment Electronics & Functional Products Business



Unit: Million yen

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	20,473	18,128	▲ 2,344	▲ 11.5%
Functional chemicals	3,738	3,603	▲ 135	▲ 3.6%
Functional polymers	9,560	8,340	▲ 1,220	▲ 12.8%
Electric materials	7,174	6,184	▲ 990	▲ 13.8%
Adjustment	0	0	-	-
Operating profit	2,860	1,458	▲ 1,401	▲ 49.0%



Functional Chemicals **Decreased incomes and profits**

- + Although semi-conductor market conditions deteriorated from the second half of the year, shipments of additives for semi-conductor photoresists and chemicals for the manufacture of electronic components increased from the previous year.
- Shipment of drug substances decreased, partly due to decrease in the shipment of products for the COVID-19 PCR tests.

Functional Polymers **Decreased incomes and profits**

- Shipment of glue and adhesive products for the optical-related sectors decreased due to slow recovery of LCD panel-related market conditions.
- The cost of raw materials increased due to steep jump in naphtha prices.

Electric Materials **Decreased incomes and profits**

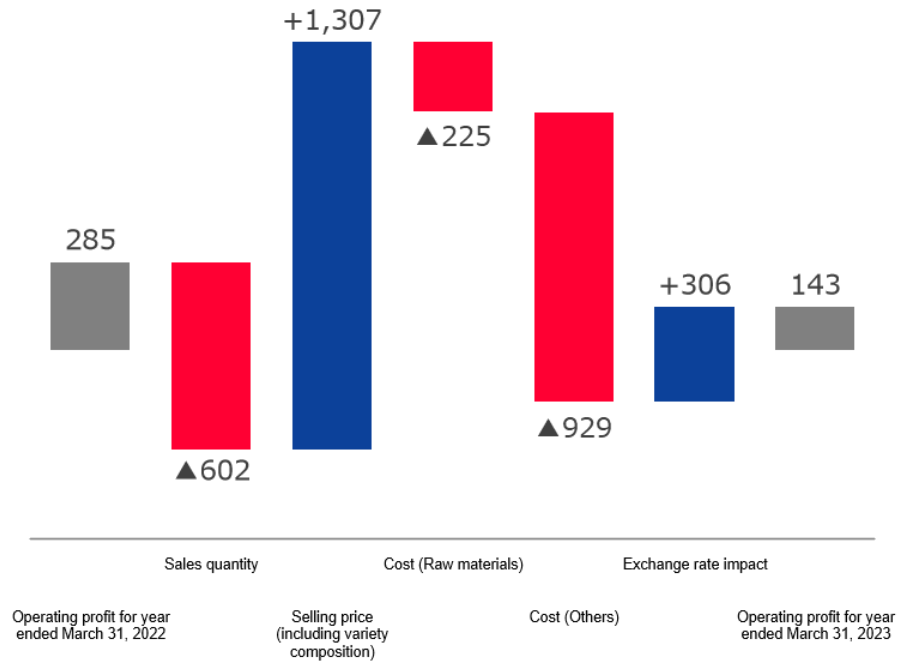
- Shipments of high value-added products for electronic components such as PCs, servers and telecommunications equipment decreased as special demand rise during the coronavirus pandemic subsided.
- Shipments of general-purpose ceramic substrates fell due to the economic downturn caused by global inflation.



Situation by segment Films & Sheetings Products Business

Unit: Million yen

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	16,172	16,603	430	+2.7%
Films	1,532	1,445	▲ 87	▲ 5.6%
Stickers	5,270	6,269	999	+19.0%
Retroreflective sheetings	9,370	8,888	▲ 482	▲ 5.1%
Adjustment	0	1	-	-
Operating profit	285	143	▲ 142	▲ 49.8%



Films **Decreased incomes and profits**

- Shipments of products for outdoor signage decreased due to the weak recovery in demand from the COVID-19 disaster.
- + Shipments of laser marking labels increased due to new adoption in China.

Stickers **Increased incomes and profits**

- + As the industry recovered from the COVID-19 disaster, shipments of 3D emblems for motorcycles in South East Asia increased.
- + Positive impact on profit/loss due to favorable exchange rates.

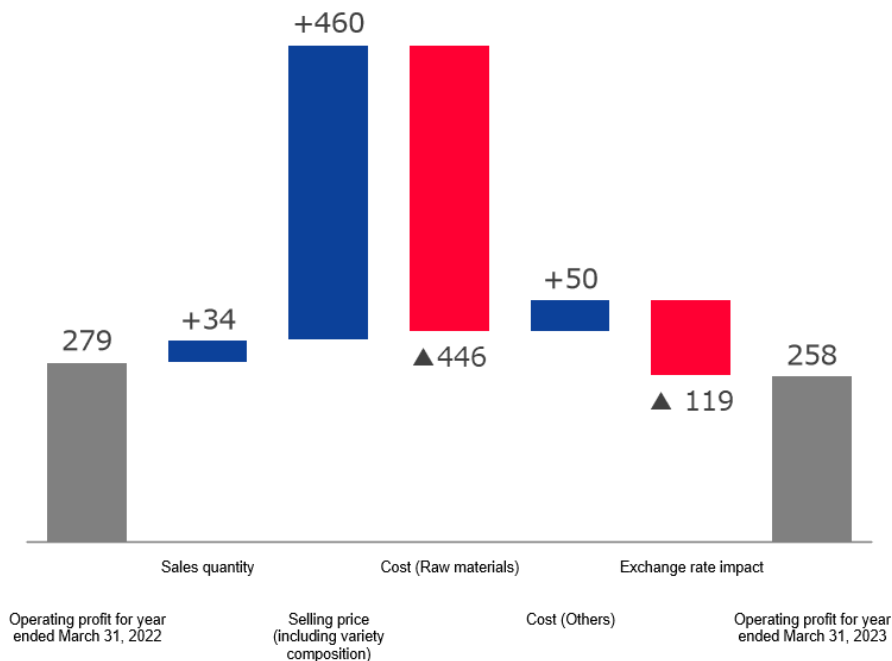
Retroreflective Sheetings **Decreased incomes and profits**

- Shipments of products for number plate application decreased due to decline in car sales due to inflation in Europe and the US.
- + Positive impact on profit/loss due to favorable exchange rates.



Unit: Million yen

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	7,507	7,589	82	+1.1%
Operating profit	279	258	▲ 20	▲ 7.4%



Increased incomes and decreased profits

- + As the industry recovered from the COVID-19 disaster, shipment of aluminum building materials increased due to progress in the construction of condominiums, which had been delayed.
- Increase in raw material costs due to the rise in aluminum metal prices.
- + Partial pass-on of increased raw material costs to selling prices.

Situation by segment Engineering Business



Unit: Million yen

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	4,257	5,084	827	+19.4%
Operating profit	82	52	▲ 29	▲ 36.1%

Increased incomes and decreased profits

- + Sales increased due to the completion of large facilities construction projects for Group companies.
- + Sales increased due to the sale of carbon neutral-related facilities (see TOPICS Growth driver 1).
- Sales in the engineering business declined, partly due to the postponement of capital investment projects due to the uncertain economic outlook.

[Summary] Consolidated balance sheets



The equity ratio improved by 3.5 percentage points from the end of the previous year to 50.5%.

	Year ended March 31, 2022	Year ended March 31, 2023	End-to-end ratio
Unit: Million yen			
Cash and deposits	11,376	10,906	▲ 469
Notes and accounts receivable - trade	14,773	12,211	▲ 2,562
Inventory	9,173	9,955	782
Tangible fixed assets/intangible fixed assets	25,596	26,293	697
Other	3,627	2,473	▲ 1,154
Total assets	64,546	61,838	▲ 2,708
Interest-bearing liabilities	14,436	11,861	▲ 2,575
Notes and accounts payable - trade	7,464	5,912	▲ 1,552
Other	10,596	10,978	382
Total liabilities	32,496	28,751	▲ 3,744
Shareholders' equity	23,546	23,789	243
Accumulated other comprehensive income	6,772	7,441	669
Non-controlling interests	1,731	1,854	123
Total net assets	32,049	33,086	1,036
Total liabilities and assets	64,546	61,838	▲ 2,708
D/E ratio	0.48	0.38	▲ 0.10
Equity capital	30,318	31,231	913
Equity ratio	47.0%	50.5%	3.5 points

Consolidated statements of cash flows



Free cash flow was 1,458 million yen (down by 478 million yen year-on-year)

Unit: Million yen

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison
Profit before income taxes	2,627	1,221	▲ 1,405
Depreciation	2,068	1,991	▲ 77
Net cash provided by (used in) operating activities	204	791	587
Other	▲ 602	▲ 397	205
Cash flows from operating activities	4,297	3,606	▲ 691
Cash flows from investing activities	▲ 2,360	▲ 2,147	212
Free cash flows	1,937	1,458	▲ 478
Net increase (decrease) in borrowings	▲ 4,226	▲ 2,508	1,718
Dividends paid	▲ 580	▲ 563	17
Proceeds from issuance of shares resulting from exercise of share acquisition rights	742	-	▲ 742
Other	▲ 146	▲ 144	2
Cash flows from financing activities	▲ 4,210	▲ 3,215	994
Effect of exchange rate change on cash and cash equivalents	709	740	31
Net increase (decrease) in cash and cash equivalents	▲ 1,563	▲ 1,016	547
Cash and cash equivalents at end of period	10,838	9,821	▲ 1,016



Capital investment, depreciation and R&D

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

Unit: Million yen

Capital investment	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparison
Capital investment	2,942	3,181	239
Electronics and functional products	1,245	735	▲ 510
Films and sheetings products	1,440	2,458	1,018
Construction materials related	55	65	10
Engineering	91	26	▲ 65
Common/adjustment	108	▲ 103	▲ 211
Depreciation	2,068	1,991	▲ 76
Electronics and functional products	665	746	80
Films and sheetings products	674	619	▲ 55
Construction materials related	131	126	▲ 5
Engineering	56	55	▲ 1
Common/adjustment	539	444	▲ 94
R&D expenditure	2,104	2,106	2

Major capital investment projects

- Increased production capacity for circuit boards for electronic components.
- Capital investment related to environmental measures.
- Introduction of DX-related systems.

* 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 2024

Forecast of consolidated results for the year ending 31 March 2024



The sales forecast is 48.5 billion JPY, an increase of +10.2% on the previous year, and the operating profit forecast is 1.5 billion JPY, an increase of +18.9% on the previous year.

Unit: Million yen

	Year ended March 31, 2023		Year ended March 31, 2024		Year-on-year changes		
	Results	Profit margin	Performance forecasts	Profit margin	Year-on-year changes (amount)	Year-on-year changes (percentage)	
Net sales	44,008	-	48,500	—	4,492	+10.2%	
Operating profit	1,261	2.9%	1,500	3.1%	239	+18.9%	
Ordinary profit	1,902	4.3%	1,600	3.3%	▲ 302	▲15.9%	
Current net profit	332	0.8%	1,400	2.9%	1,068	+321.3%	
Dividend per share	Interim	30yen	—	30yen	—	0yen	+0.0%
	Year end	35yen	—	35yen	—		

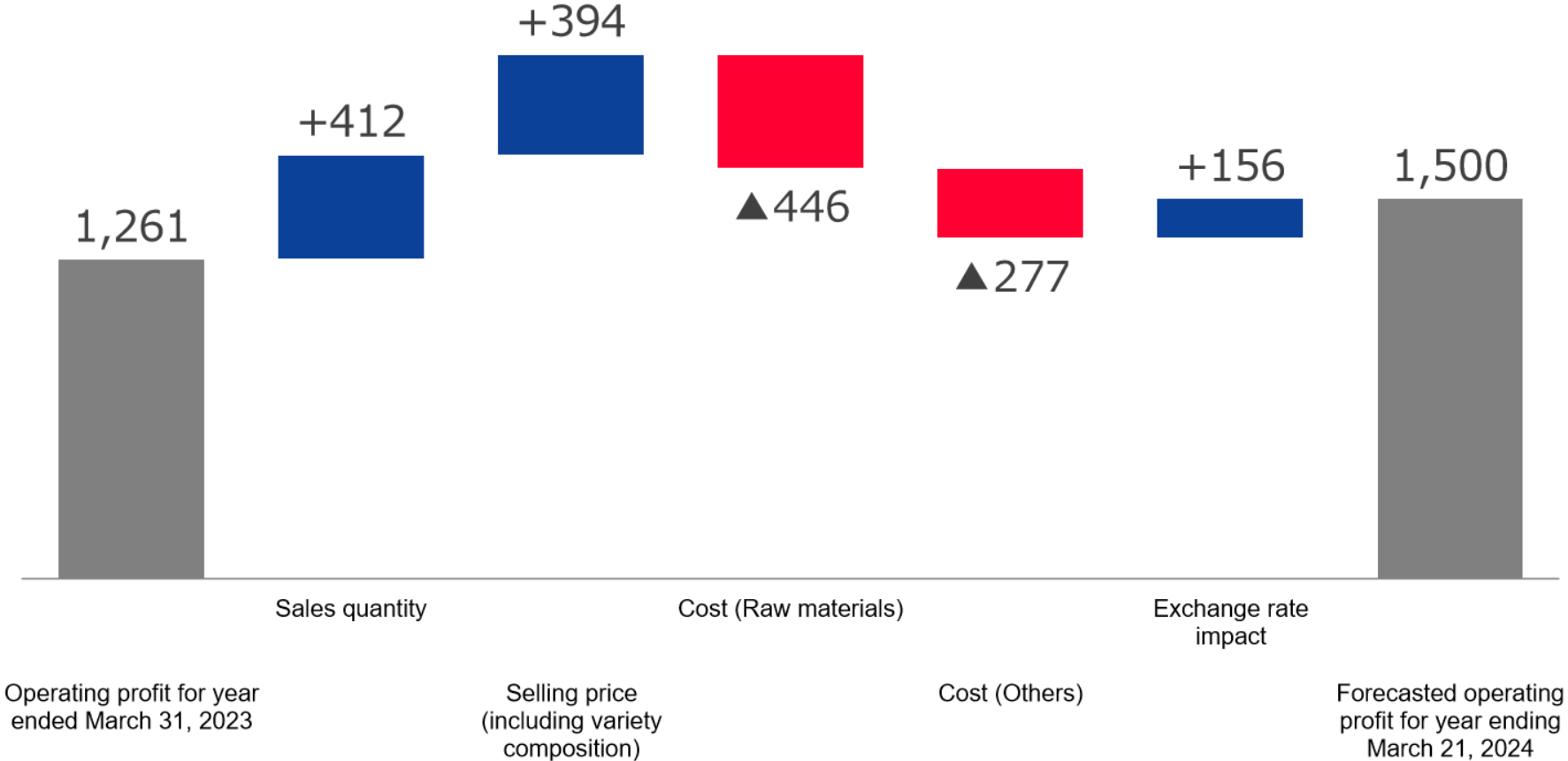
The annual dividend for FY2023 is expected to be 65 JPY, the same amount as in the previous year. The shareholder return policy aims to maintain a stable dividend with a payout ratio of at least 30%.

Analysis of factors leading to changes in operating profit FY2022 vs FY2023



Increase in profit of 239 million yen compared to the previous year

Unit: Million yen



Business outlook by segment



Electronics and Functional Products	Functional chemicals	- Shipment of chemicals for the manufacture of electronic components decreased due to weak demand for products for semiconductor application.
	Functional polymers	+ Shipment of glue and adhesive products for the optical-related sectors increased due to the recovery of LCD panel-related market conditions.
	Electric materials	+ Shipment of ceramic substrates increased due to the economic recovery in China. - Negative impact on profit/loss due to inventory reductions.
Films and Sheetings Products	Films	- Negative impact on profit/loss due to higher depreciation expense.
	Stickers	+ Shipment of 3D emblems increased due to higher motorcycle sales.
	Retroreflective sheetings	+ Shipment of products for number plate application increased due to the global recovery in vehicle sales. + Shipment of graphics products increased due to new adoption in the US.
Construction Materials Related	+ Shipments of high-strength, high-performance handrails increased due to an increase in the number of high-rise condominium constructions. - Shipments of aluminum building materials for detached houses decreased due to a decline in the number of detached house constructions.	
Engineering	+ Sales of plants and other facilities for the domestic steel and power industries increased due to an increase in the number of carbon neutral-related capital investment projects. - Sales decreased due to an decrease in the number of capital investment projects for the Group companies.	

Forecasts by segment



Unit: Million yen

		Year ended March 31, 2023	Year ended March 31, 2024	Year-on-year changes	
		Results	Performance forecasts	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	18,128	18,800	672	+3.7%
	Operating profit	1,458	1,100	▲ 358	▲ 24.6%
Films and Sheetings Products	Net sales	16,603	18,600	1,997	+12.0%
	Operating profit	143	910	767	+536.4%
Construction Materials Related	Net sales	7,589	8,100	511	+6.7%
	Operating profit	258	230	▲ 28	▲ 10.9%
Engineering	Net sales	5,084	3,200	▲ 1,884	▲ 37.1%
	Operating profit	52	70	18	+34.6%
Consolidated adjustment	Net sales	▲ 3,396	▲ 200	-	-
	Operating profit	▲ 653	▲ 810	-	-
Consolidated total	Net sales	44,008	48,500	4,492	+10.2%
	Operating profit	1,261	1,500	239	+18.9%



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

State of Progress Financial Targets



By ensuring that the challenges are addressed through appropriate actions (see next page), the company aims to achieve the FY2023 performance forecasts and return to a growth trajectory, and achieve the FY2025 financial targets set out in the Medium-term Management Plan “NCI Kirari 2025”.

	FY2022 Results	FY2023 Performance Forecasts	FY2025 Targets
Net sales	44 billion yen	48.5 billion yen	62 billion yen
Operating profit	1.2 billion yen	1.5 billion yen	7 billion yen
ROE	1.1%	4.4%	12% or more
D/E Ratio	X0.38	X0.41	X0.5 or less

Major challenges and actions

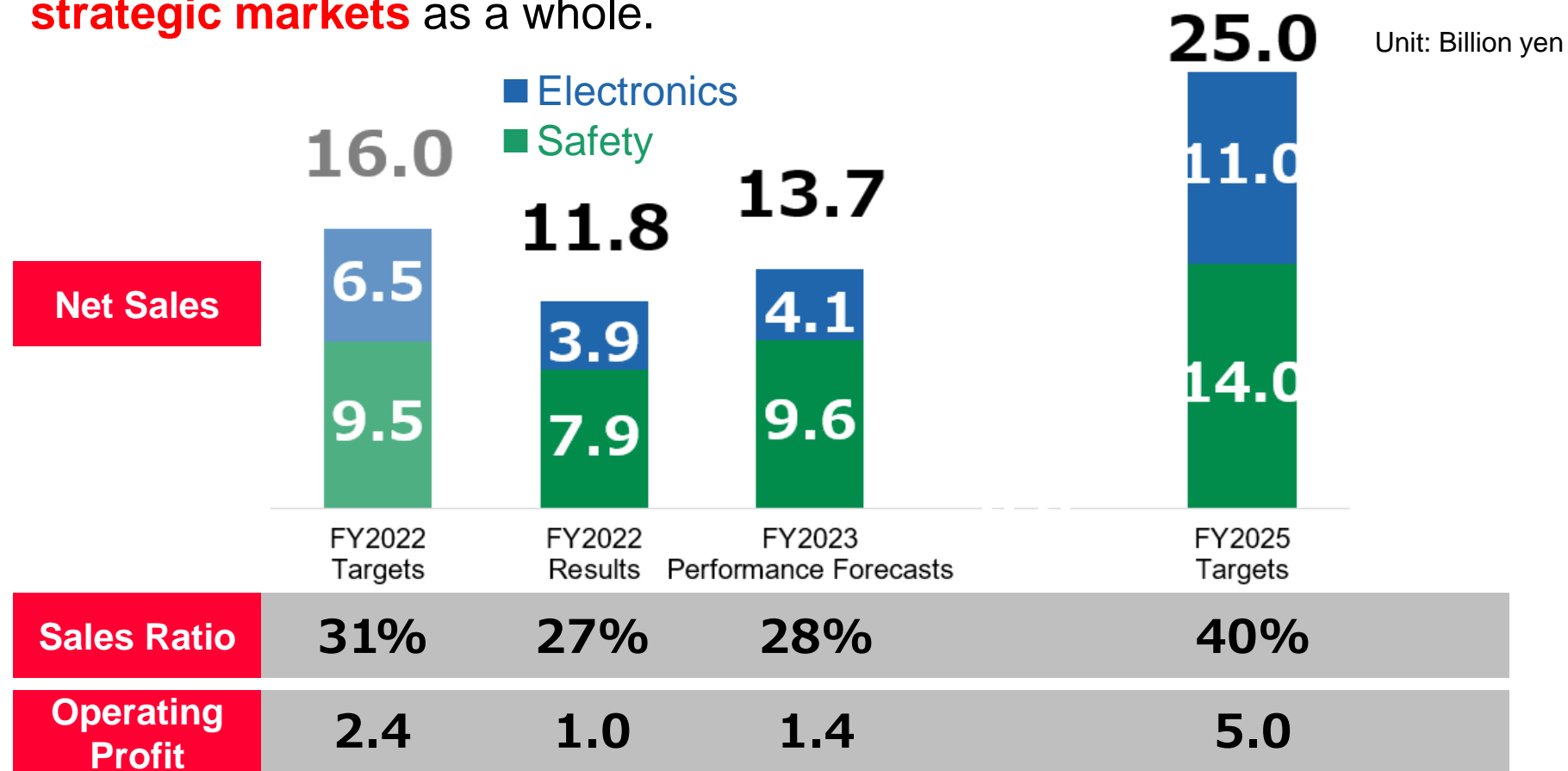


Segment	Sector	Major challenges	Actions to be taken towards 2025
Electronics and Functional Products	Strategic market Sector	<ul style="list-style-type: none"> Expanding sales of high value-added products, mainly chemicals for semiconductor materials. Expanding sales of semiconductor mold cleaning materials 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.
	Other 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. 	<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.
	Other 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. Differentiation from competitors with high-grade products.
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"> Focusing resources on strategic market sectors.
	Other sector	<ul style="list-style-type: none"> Increasing the added value of products by exploring customer needs. 	<ul style="list-style-type: none"> Development of new products such as carport products for EV vehicles. Expanding sales of LED lighting products (handrails and copings).
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.
	Other sector	<ul style="list-style-type: none"> Expanding EPC business. 	<ul style="list-style-type: none"> Strengthening co-operation with customers by having engineers present on site at the facilities.

State of Progress Strategic Market Performance



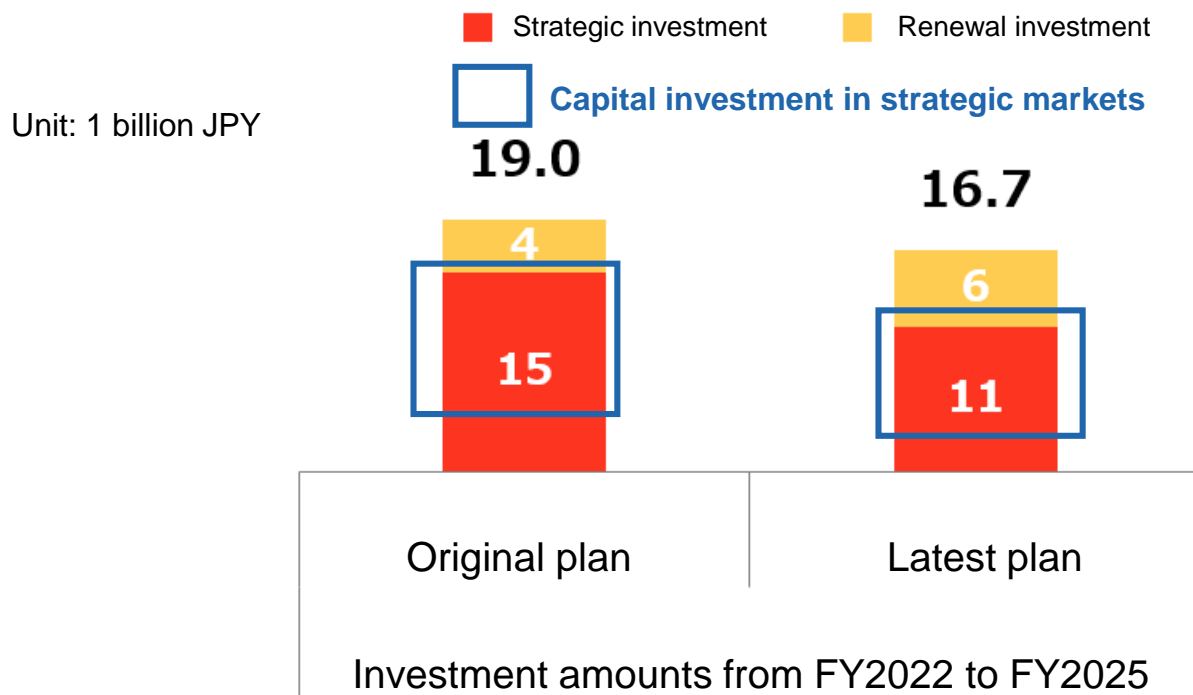
In FY2023, we forecast sales of 4.1 billion yen in the **strategic market of “Electronics”** and 9.6 billion yen in the **strategic market of “Safety”**, with sales of 13.7 billion yen and operating profits of 1.4 billion yen in the **strategic markets** as a whole.



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 projects

- Increased production capacity for circuit boards for electronic components.
- Increased production capacity for sticker products.
- Introduction of DX-related systems.
- Increased production capacity for reflective sheetings products.

Capital investment in strategic markets

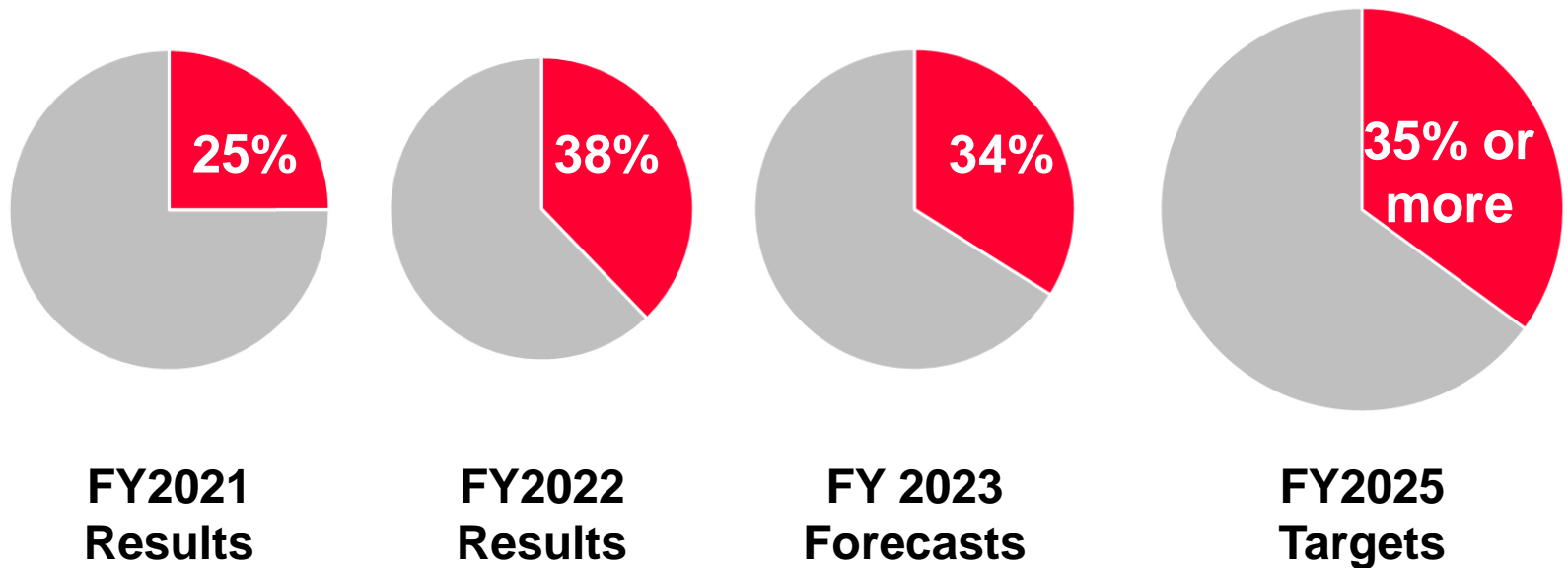
11 billion yen

9.4 billion yen

Strengthening the research and development system



The ratio of new product sales in strategic market areas was 25% (3.1 billion JPY) in FY2021 and 38% (4.5 billion JPY) in FY2022, with plans for 34% (4.6 billion JPY) in FY2023 and a target of more than 35% (9 billion JPY) in FY2025.



New product sales

3.1 billion yen

4.5 billion yen

4.6 billion yen

9 billion yen



Carbon neutral transition facilities

In the “Development of Basic Technology for CO2 Recovery Polygeneration Systems Using Diverse Fuels (JPNP16002)”, undertaken by the Central Research Institute of Electric Power Industry, a central research institute for solving issues in the electric utility industry, as part of the commissioned work of the New Energy and Industrial Technology Development Organization (NEDO), DIAMOND ENGINEERING CO.,LTD., one of our Group companies received an order from the Central Research Institute of Electric Power Industry for solid fuel supply facilities to supply pelletized waste plastics and biomass to a gasifier, and completed the delivery in December 2022.

One of the objectives of this commissioned project is to develop technology to simultaneously blow pelletized solid fuels (waste plastics and biomass) into the gasifier with pulverised coal and gasify them together. Following the delivery of pulverized coal supply facilities to the Central Research Institute of Electric Power Industry in 2015, our technology for blowing in solid fuel in a stable and quantifiable manner was highly regarded, leading to the latest order. The Group is committed to contributing to the reduction of fossil fuel consumption and CO2 emissions through the use of diverse fuels.

Diamond Engineering's solid fuel supply facilities adopted as part of the (General Incorporated Association) Central Research Institute of Electric Power Industry's project titled “Development of Basic Technology for CO2 Recovery Polygeneration Systems Using Diverse Fuels” (PNP 16002).





Building materials that contribute to improved quality of life.

● Mirror-finish decorative louvres

While most exterior louvers are aluminum colored or wood-grain patterned, we have developed mirror-finish decorative louvers (see the top photo) with a mirror surface color that can be adapted to sophisticated designs. The products are scheduled to be launched in June 2023.



● LED copings and LED handrails

Our LED copings (see the bottom photo) have been awarded the Good Design Award 2022. LED lightings are built into the aluminum copings to provide effective indirect lighting for the building.



These are expected to be potential next-generation growth drivers.

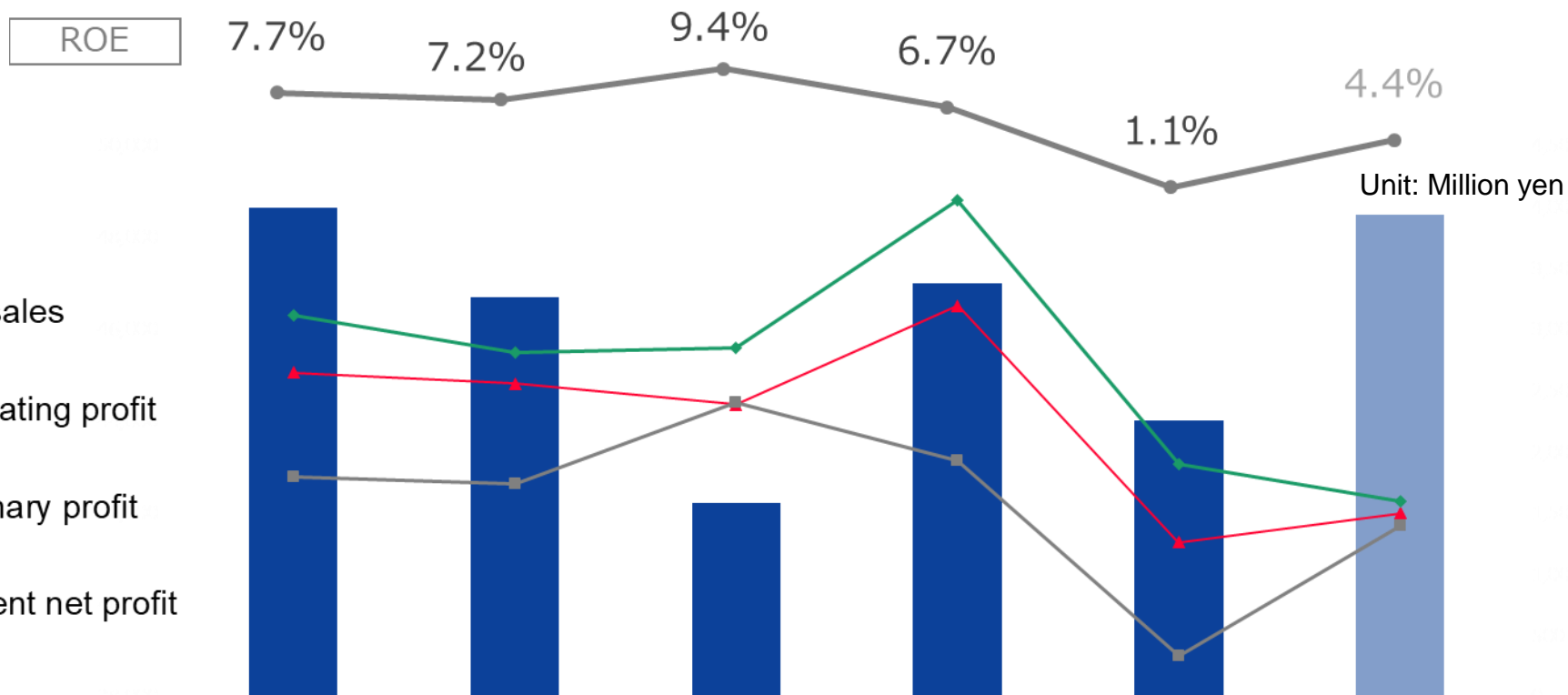
 GOOD DESIGN AWARD 2022

* Building materials-related businesses are mainly handled by Vinyframe Industry Co., Ltd., one of our Group companies.



Annexed Materials

Transition of consolidated results

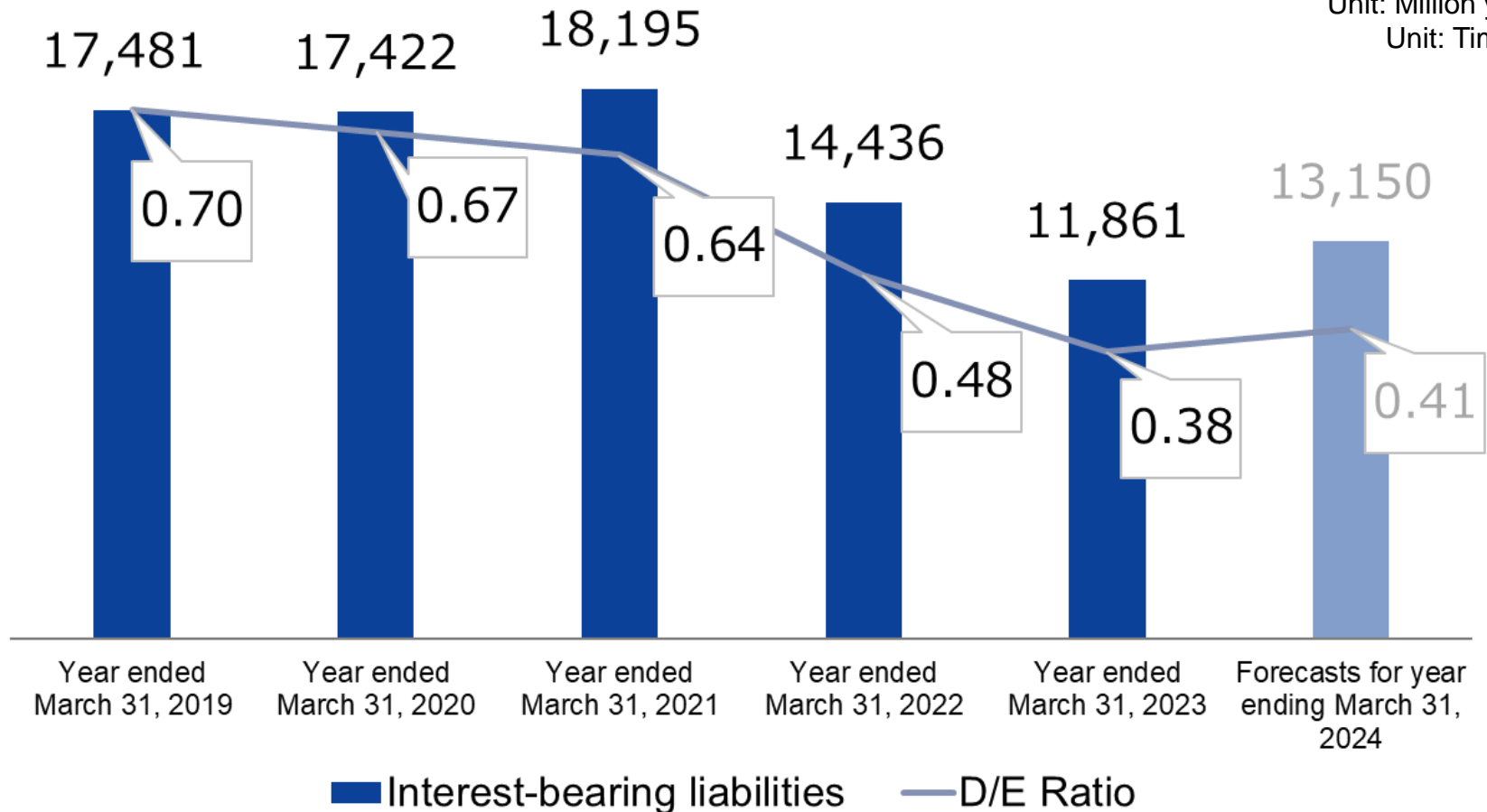


	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Forecasts for year ending March 31, 2024
Net sales	48,651	46,699	42,231	47,003	44,008	48,500
Operating profit	2,649	2,557	2,388	3,192	1,261	1,500
Operating profit/net sales%	5.4%	5.5%	5.7%	6.8%	2.9%	3.1%
Ordinary profit	3,119	2,817	2,852	4,055	1,902	1,600
Ordinary profit/net sales%	6.4%	6.0%	6.8%	8.6%	4.3%	3.3%
Current net profit	1,800	1,741	2,406	1,930	332	1,400

Transition of interest-bearing liabilities, D/E ratio and dividends



Unit: Million yen
Unit: Times



Dividend per share.

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



NIPPON CARBIDE INDUSTRIES CO.,INC.

Public Relations & Investor Relations Group
Corporate Planning Department

Please contact us via e-mail:
prir@carbide.co.jp

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