

Explanation of Financial Results for the 2nd Quarter of the Year ending March 31,2024

November 8, 2023

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



Summary of Financial Results for the 2nd Quarter of the Year ending 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 previous fiscal year.
- In the films and sheetings products business, shipments of products for license plate applications increased due to the recovery of automobile sales in Europe, the U.S., and China, while shipments of products for graphics applications in the U.S. decreased due to a delay in the digestion of inventory in circulation.
- In the construction materials related business, profitability improved due to price revisions in response to fluctuations in raw material prices and curbs on fixed costs.
- In the engineering business, orders for construction projects, including those of group companies, declined.
- As a result of the above, **both incomes and profits decreased** compared to the same period of the previous year, partly due to the impact of high raw material and fuel prices.

Unit: Million yen

	2nd Quarter of year ended March 31, 2023	2nd Quarter of year ending March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	23,313	21,333	▲ 1,979	▲8.5%
Operating profit	1,069	480	▲ 588	▲55.0%
Operating profit/ net sales	4.6%	2.3%	—	▲2.3 points
Ordinary profit	1,740	1,027	▲ 712	▲41.0%
Quarterly net profit	1,367	787	▲ 580	▲42.4%

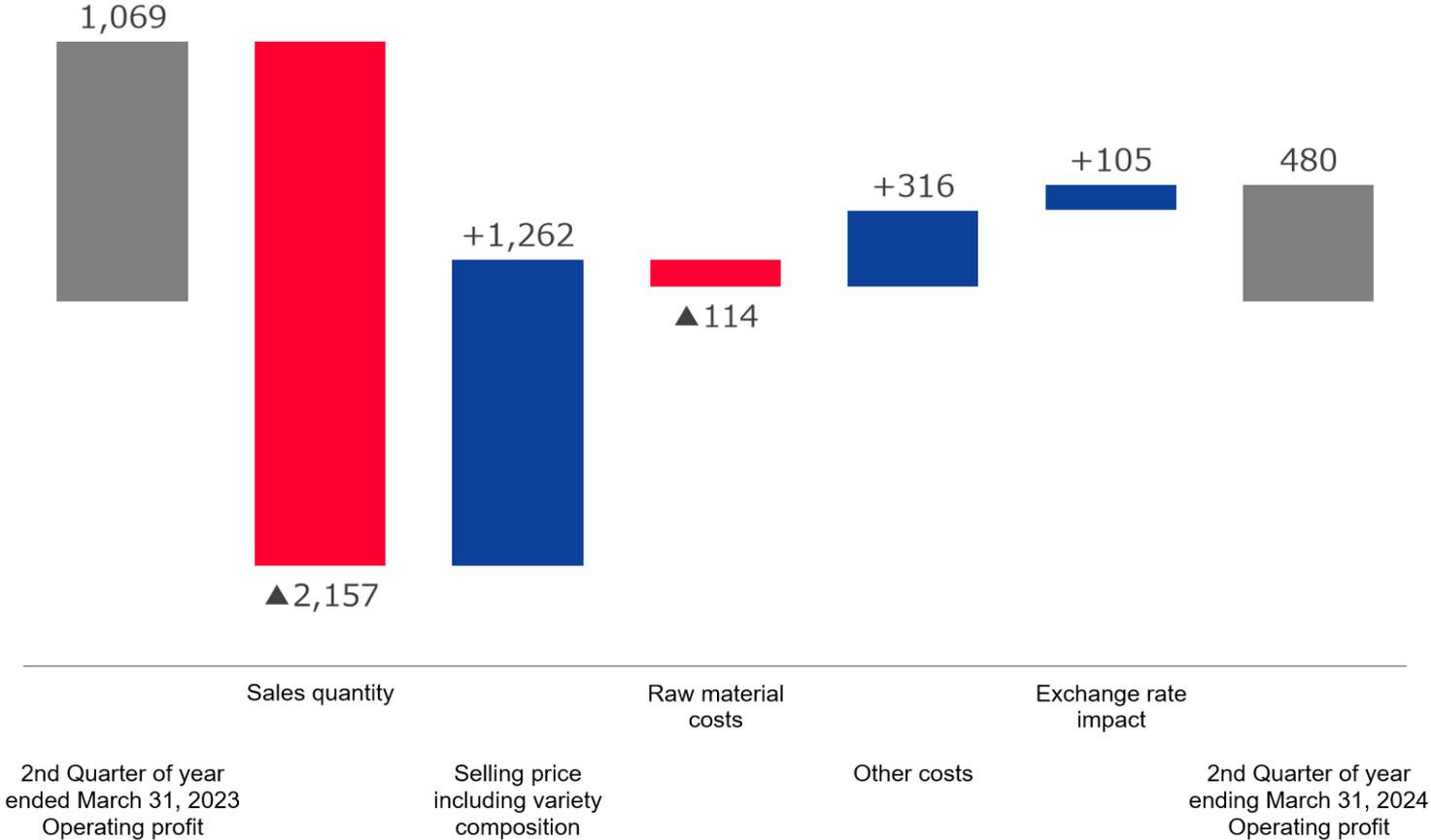
Analysis of factors leading to changes in operating profit

2nd Quarter of year ended March 31, 2023 v.s. 2nd Quarter of year ending March 31, 2024



Decrease in profits by 588 million yen compared to the same period of the previous year

Unit: Million yen



Performance by segment



Unit: Million yen

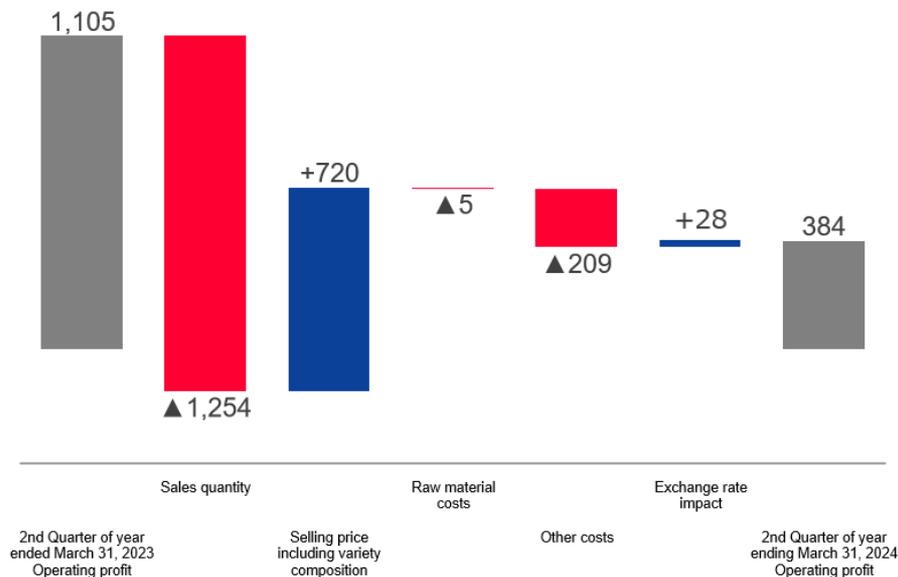
		2nd Quarter of year ended March 31, 2023	2nd Quarter of year ending March 31, 2024	Year-on-year comparison	
		Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	9,849	8,323	▲ 1,526	▲15.5%
	Operating profit	1,105	384	▲ 720	▲65.2%
Films and Sheetings Products	Net sales	8,852	8,601	▲ 251	▲2.8%
	Operating profit	292	341	48	+16.8%
Construction Materials Related	Net sales	3,884	3,499	▲ 384	▲9.9%
	Operating profit	41	147	106	+260.3%
Engineering	Net sales	1,646	1,075	▲ 571	▲34.7%
	Operating profit	▲ 104	▲ 127	▲ 23	-
Consolidated adjustment amount	Net sales	▲ 920	▲ 166	755	-
	Operating profit	▲ 263	▲ 265	▲ 2	-
Consolidated total amount	Net sales	23,313	21,333	▲ 1,979	▲8.5%
	Operating profit	1,069	480	▲ 588	▲55.0%

Situation by segment Electronics & Functional Products Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2023	2nd Quarter of Year ending March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	9,849	8,323	▲ 1,526	▲ 15.5%
Functional chemicals	1,858	1,522	▲ 336	▲ 18.0%
Functional polymers	4,214	4,345	131	+3.1%
Electric materials	3,777	2,455	▲ 1,322	▲ 35.0%
Adjustment	0	▲ 1	-	-
Operating profit	1,105	384	▲ 720	▲ 65.2%



Functional Chemicals **Decreased incomes and profits**

- + Increase in shipments of raw materials for agrochemicals to protect crops from diseases caused by heavy rainfall brought about by abnormal weather.
- Decrease in shipments of products for semiconductors and electronic components due to the sluggish electronics market since the second half of the previous fiscal year.

Functional Polymers **Increased incomes and profits**

- + Increase in shipments of adhesives and glues for optical-related fields as inventories in circulation were digested despite weak recovery in the LCD panel-related market.
- + Positive impact on profit/loss due to an increase in the ratio of shipments of high value-added products.

Electric Materials **Decreased incomes and profits**

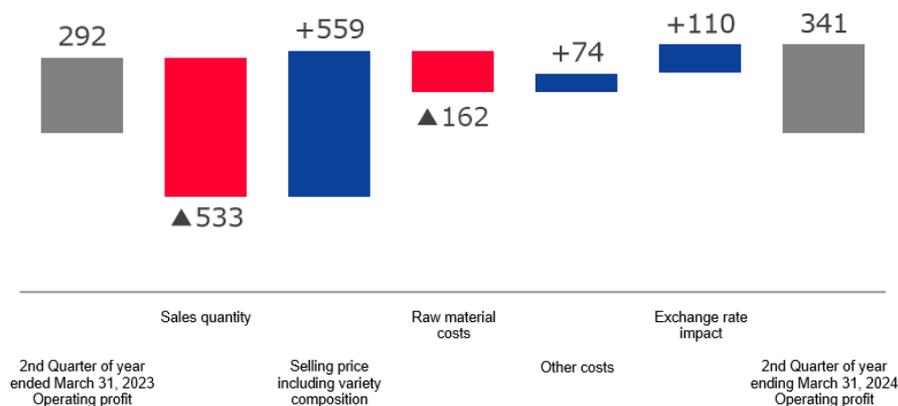
- Decrease in shipments of high-value-added products for electronic components such as PCs, servers, and telecommunications equipment.
- Decrease in shipments of semiconductor mold cleaning materials due to the sluggish semiconductor market since the second half of the previous fiscal year.

Situation by segment Films & Sheetings Products Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2023	2nd Quarter of Year ending March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	8,852	8,601	▲ 251	▲ 2.8%
Films	776	620	▲ 156	▲ 20.1%
Stickers	3,229	3,319	90	+2.8%
Retroreflective sheetings	4,846	4,662	▲ 184	▲ 3.8%
Adjustment	0	▲ 1	-	-
Operating profit	292	341	48	+16.8%



Films **Decreased incomes and profits**

- Decrease in shipments of products for automobile application industry due to slow digestion of inventories in circulation despite a recovery in global automobile production.

Stickers **Increased incomes and decreased profits**

- + Increase in shipments of products for motorcycles applications due to higher motorcycle production in Brazil and Indonesia.
- Decrease in shipments of 3D emblems for motorcycles due to lower motorcycle production in Vietnam.

Retroreflective Sheetings **Decreased incomes and Increased profits**

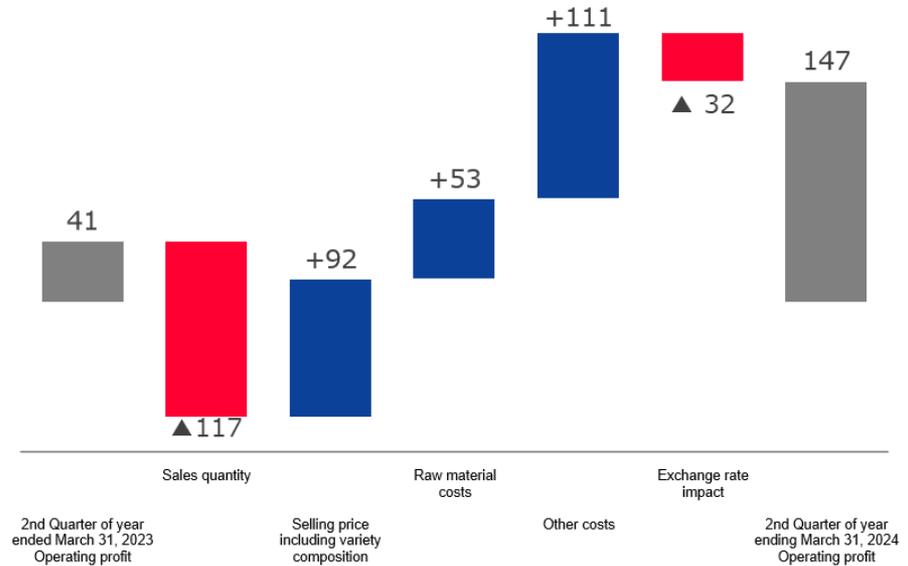
- Decrease in shipments of products for graphics applications in the U.S. due to a delay in the digestion of inventory in circulation.
- + Increase in shipments of products for license plate applications due to the recovery of automobile sales in Europe, the U.S., and China.

Situation by segment Construction Materials Related Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2023	2nd Quarter of Year ending March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	3,884	3,499	▲ 384	▲9.9%
Operating profit	41	147	106	+260.3%



Decreased incomes and Increased profits

- Decrease in sales of aluminum building materials due to decline in housing construction.
- + Price revisions in response to fluctuations in raw material prices and curbs on fixed costs.

Situation by segment Engineering Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2023	2nd Quarter of Year ending March 31, 2024	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	1,646	1,075	▲ 571	▲ 34.7%
Operating proffit	▲ 104	▲ 127	▲ 23	-

Decreased incomes and profits

- Decrease in sales due to decline in orders for construction projects, including those of group companies.
- Negative impact on profit/loss due to cost increase despite increase in construction projects for the steelmaking sector.

[Summary] Consolidated balance sheets



The equity ratio improved by 1.6 percentage points from the end of the previous year to 52.1%.

Unit: Million yen

	Year ended March 31, 2023	2nd Quarter of year ending March 31, 2024	End-to-end ratio
Cash and deposits	10,906	11,611	706
Notes and accounts receivable - trade	12,211	12,629	418
Inventory	9,955	10,219	264
Tangible fixed assets/intangible fixed assets	26,293	26,832	539
Other	2,473	1,914	▲ 559
Total assets	61,838	63,205	1,367
Interest-bearing liabilities	11,861	12,652	791
Notes and accounts payable - trade	5,912	5,909	▲ 3
Other	10,978	9,733	▲ 1,245
Total liabilities	28,751	28,294	▲ 457
Shareholders' equity	23,789	24,266	476
Accumulated other comprehensive income	7,441	8,660	1,218
Non-controlling interests	1,854	1,984	130
Total net assets	33,086	34,910	1,824
Total liabilities and assets	61,838	63,205	1,367
D/E ratio	0.38	0.38	0.00
Equity capital	31,231	32,926	1,695
Equity ratio	50.5%	52.1%	1.6 points

Consolidated statements of cash flows



Free cash flow was ▲631 million yen

Unit: Million yen

	2nd Quarter of Year ended March 31, 2023	2nd Quarter of Year ending March 31, 2024	Year-on-year comparison
Profit before income taxes	1,659	1,233	▲ 426
Depreciation	1,013	969	▲ 44
Net cash provided by (used in) operating activities	331	▲ 101	▲ 432
Other	▲ 551	▲ 625	▲ 74
Cash flows from operating activities	2,453	1,476	▲ 977
Cash flows from investing activities	▲ 1,540	▲ 2,108	▲ 567
Free cash flows	912	▲ 631	▲ 1,543
Net increase (decrease) in borrowings	▲ 1,516	825	2,341
Dividends paid	▲ 281	▲ 328	▲ 47
Other	▲ 89	▲ 79	10
Cash flows from financing activities	▲ 1,887	415	2,302
Effect of exchange rate change on cash and cash equivalents	1,122	627	▲ 495
Net increase (decrease) in cash and cash equivalents	147	411	264
Cash and cash equivalents balance at the end of quarter	10,986	10,232	▲ 754



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, decreased by 571 million yen compared to the same period of the previous year.

Unit: Million yen

Capital investment	2nd Quarter of Year ended March 31, 2023	2nd Quarter of Year ending March 31, 2024	Year-on-year comparison
Capital investment	1,621	1,050	▲ 571
Electronics and functional products	534	186	▲ 348
Films and sheetings products	1,006	682	▲ 324
Construction materials related	24	13	▲ 11
Engineering	10	22	12
Common/adjustment	45	133	88
Depreciation	1,013	969	▲ 44
R&D expenditure	1,048	1,086	38

Major capital investment projects

- Expansion of production capacity for films and sheetings products.
- Upgrading of analyzers for engineering business.
- Upgrading of production facilities for ceramic substrates.

* 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



Net sales are expected to be 44.0 billion yen, unchanged from the previous year, while operating incomes are expected to decrease by 36.6% YoY to 0.8 billion yen.

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	-	44,000	—	▲ 8	▲0.0%	
Operating profit	1,261	2.9%	800	1.8%	▲ 461	▲36.6%	
Ordinary profit	1,902	4.3%	1,300	3.0%	▲ 602	▲31.7%	
Current net profit	332	0.8%	900	2.0%	568	+170.7%	
Dividend per share	Interim	30 yen	—	30 yen	—	0 yen	+0.0%
	Year end	35 yen	—	35 yen	—		

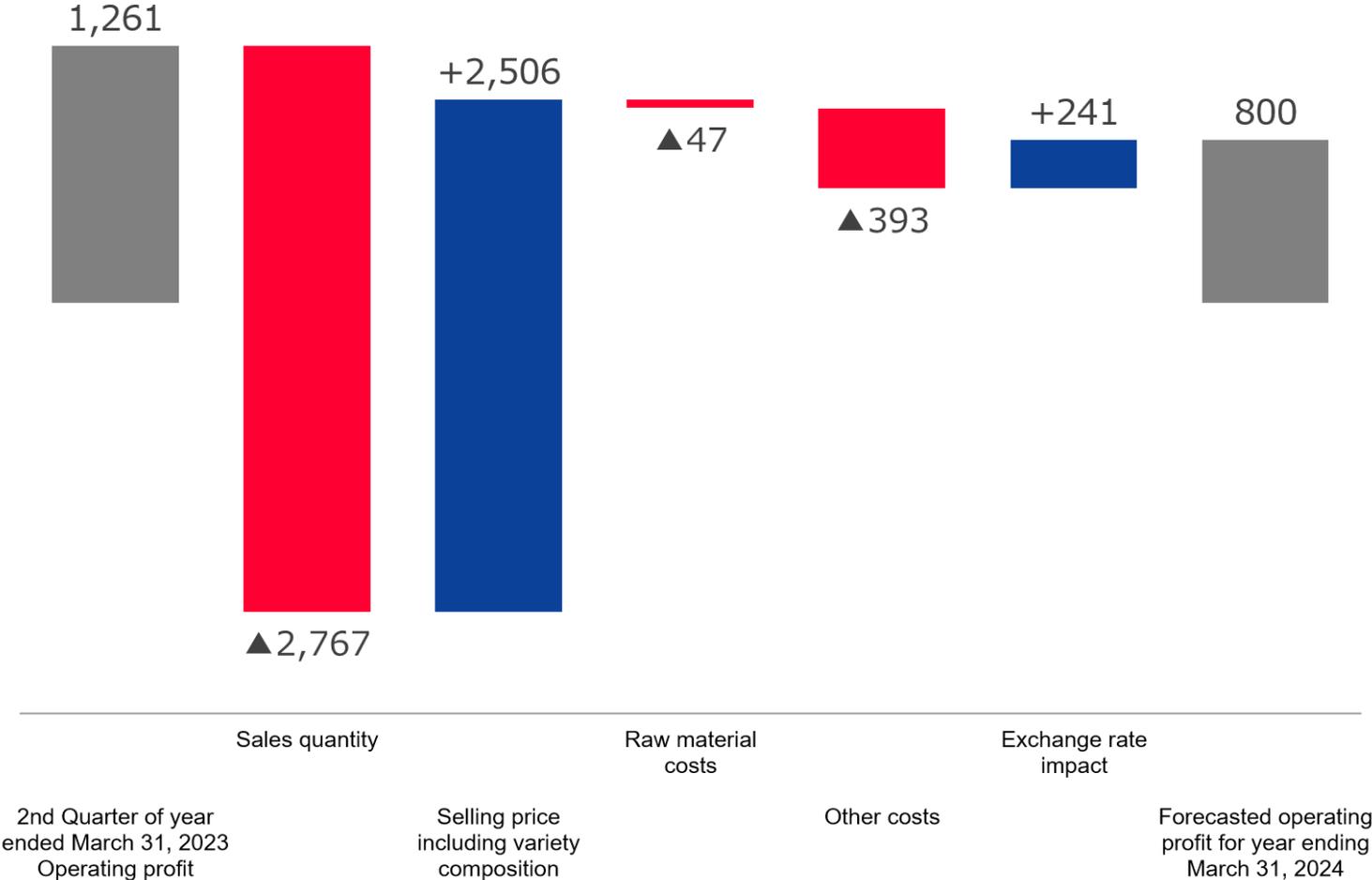
The annual dividend for the Year ending March 31, 2024 is expected to be 65 JPY, the same amount as in the previous year. The shareholder return policy aims to maintain a stable dividend with a payout ratio of at least 30%.

Analysis of factors leading to changes in operating profit FY2023 vs FY2024



Decrease in profits by 461 million yen compared to the previous period

Unit: Million yen



Business outlook 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	17,000	▲ 1,128	▲ 6.2%
	Operating profit	1,458	530	▲ 928	▲ 63.6%
Films and Sheetings Products	Net sales	16,603	17,400	797	+4.8%
	Operating profit	143	620	477	+333.6%
Construction Materials Related	Net sales	7,589	7,300	▲ 289	▲ 3.8%
	Operating profit	258	270	12	+4.7%
Engineering	Net sales	5,084	2,700	▲ 2,384	▲ 46.9%
	Operating profit	52	▲ 100	▲ 152	-
Consolidated adjustment	Net sales	▲ 3,396	▲ 400	2,996	-
	Operating profit	▲ 653	▲ 520	133	-
Consolidated total	Net sales	44,008	44,000	▲ 8	▲ 0.0%
	Operating profit	1,261	800	▲ 461	▲ 36.6%

Business outlook for second half of the fiscal year by segment (First Half Comparison)



Electronics and Functional Products	Functional chemicals	- Shipments of raw materials for agrochemicals decreased due to the end of demand period.
	Functional polymers	+ Shipments of glue and adhesive products for the optical-related sectors increased due to the recovery of LCD panel-related market conditions. - Negative impact on profit/loss due to inventory reductions.
	Electric materials	+ Shipments of products for electronic components increased due to recovery in the electronics market. - 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	- Shipments of products for motorcycle applications decreased due to delay in recovery of motorcycle production in Vietnam.
	Retroreflective sheetings	+ Shipments of products for license plate applications increased due to the continuing recovery of automobile sales worldwide.
Construction Materials Related	+ Sales increased due to increased number of condominium and detached housing projects completed. - Negative impact on profit/loss due to inventory reductions.	
Engineering	+ Sales increased due to the completion of large scale construction projects.	



Actions to achieve management conscious of cost of capital and stock price

Actions to achieve management conscious of cost of capital and stock price



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

$$\text{PBR} = \text{ROE} \times \text{PER}$$

Indicator	Initiatives
ROE	<ul style="list-style-type: none">● 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.
	<ul style="list-style-type: none">● Improving capital efficiency through the sale of assets such as cross-shareholdings and the use of surplus funds at group companies.● 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; amending the Articles of Incorporation to allow flexible implementation of share buybacks (resolution passed at the Annual General Meeting of Shareholders held in June 2023).
	<ul style="list-style-type: none">● 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.
	<ul style="list-style-type: none">● 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.
PER	



TOPICS



Provided reflectors for aerial display used in the Aerial Imaging by Retro-Reflection (AIRR) technology for “VR Noh: The Ghost in the Shell”

We cooperated with “VR Noh: The Ghost in the Shell”, which was performed at Tokyo Tatemono Brillia HALL (Toshima-ku, Tokyo) from October 13 to 15, 2023. The world of “the Ghost in the Shell”, which is considered a gold standard in science fiction manga, was expressed in a Noh play while a virtual reality space was reproduced on the stage using the “Aerial Imaging by Retro-Reflection (AIRR) Technology. We provided the reflectors for the aerial display used in the Aerial Imaging by Retro-Reflection (AIRR) technology.

The performance is scheduled to tour around the world, beginning with a triumphal performance at Venice.



Director:	Shutaro Oku
Screenplay:	Junichi Fujisaku
VR Technology:	Masahiko Inami (Professor, The University of Tokyo)
Image Technology:	Kentaro Fukuchi (Professor, Meiji University)
Image Technology:	Maki Sugimoto (Professor, Keio University)
AIRR Technology:	Hirotsugu Yamamoto, Shiro Suyama (Professor, Utsunomiya University)
Lighting:	Misuzu Tsuruda
Sound Design:	Masato Yuriyama
Stage Manager:	Satoru Yagi
Cooperation:	Nippon Carbide Industries Co., Inc.
Production:	TBS



New multi-layer wide width film production facility at the Hayatsuki Factory to be fully operational by the end of FY2023

A multi-layer wide width film production facility at the Hayatsuki Factory (Namekawa City, Toyama Prefecture), whose construction began in 2021, will be fully operational by the end of FY2023. The new facility is equipped with wide width film making equipment and a multi-coater that can handle a variety of film thicknesses, enabling the production of new material films and next-generation high-functional films laminated with new materials.

We will promote the development and market launch of highly functional products for the electronics and safety fields.

A multi-layer wide width film production facility added to the Hayatsuki Factory



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



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