

Explanation of Financial Results for the Year Ended 31 March 2022

May, 2022

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



Summary of Financial Results for the Year Ended 31 March 2022

Summary [Consolidated Statements of Income]



- Increase in shipments of electronic and functional products such as functional chemicals and electronic materials due to continued strong demand for semiconductors and PCs and telecommunications-related products in line with the expansion of work from home arrangements.
- Shipments of films and sheetings products increased due to higher automobile and motorcycle production in Japan and overseas, but slowed down in the second half due to the impact of lower automobile production caused by the shortage of semiconductors.
- As a result of the above, incomes and profits increased compared to the previous year (sales and profits also increased compared to FY2020 before the COVID-19 crisis).
- Net income decreased year-on-year due to extraordinary losses from impairment losses and loss on withdrawal from business, and the absence of a gain on sale of investment securities which we had in the previous year.

Unit: Million yen

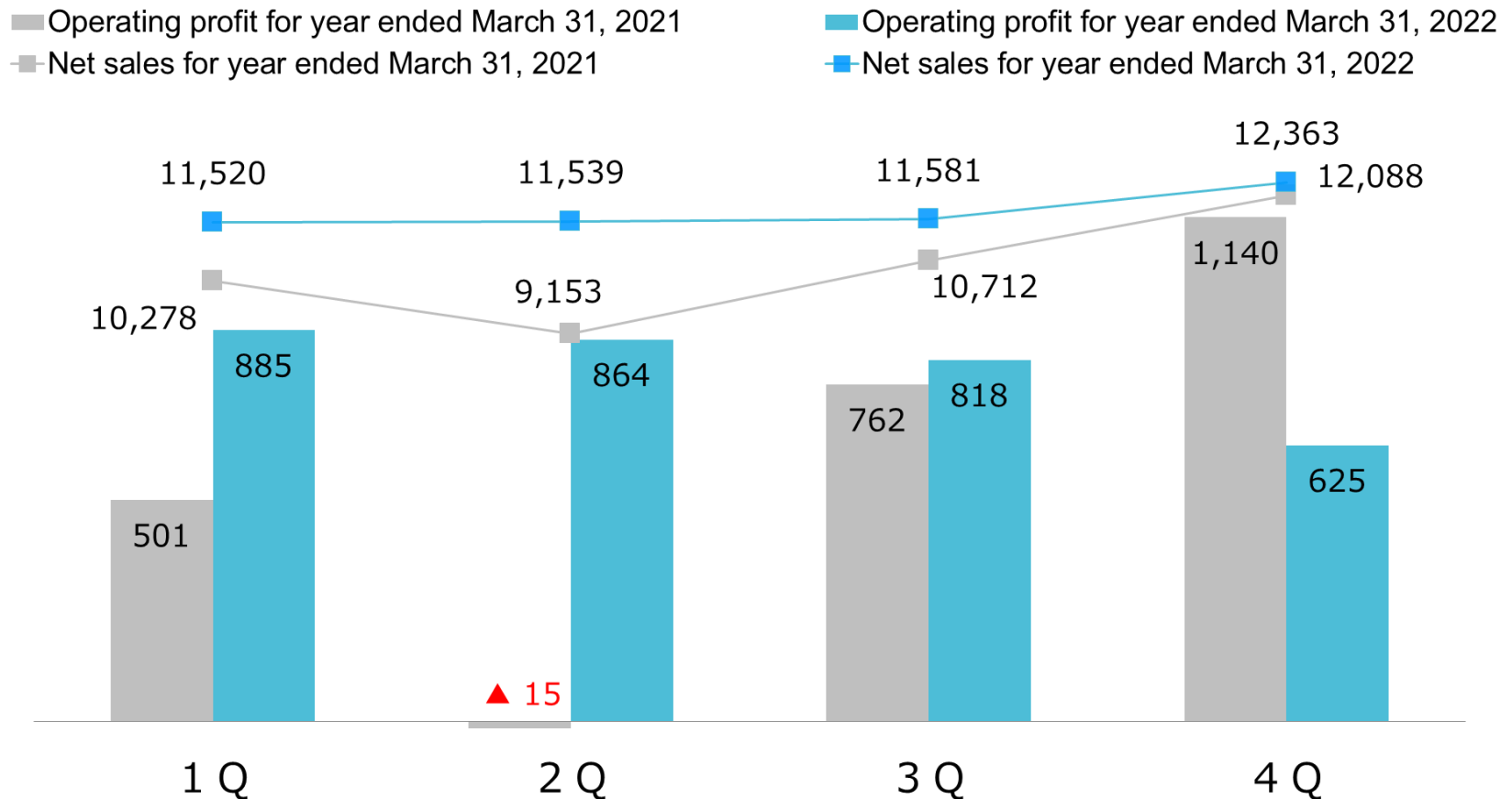
	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year comparison	
	Results	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	46,699	42,231	47,003	4,772	+11.3%
Operating profit	2,557	2,388	3,192	804	+33.7%
Operating profit/ net sales	5.5%	5.7%	6.8%	—	+1.1 point
Ordinary profit	2,817	2,852	4,055	1,203	+42.2%
Current net profit	1,741	2,406	1,930	▲ 475	▲ 19.8%

Quarterly performance trends



Although sales increased year-on-year in each quarter, operating profit declined year-on-year, partly due to higher raw material prices in the fourth quarter.

Unit: Million yen

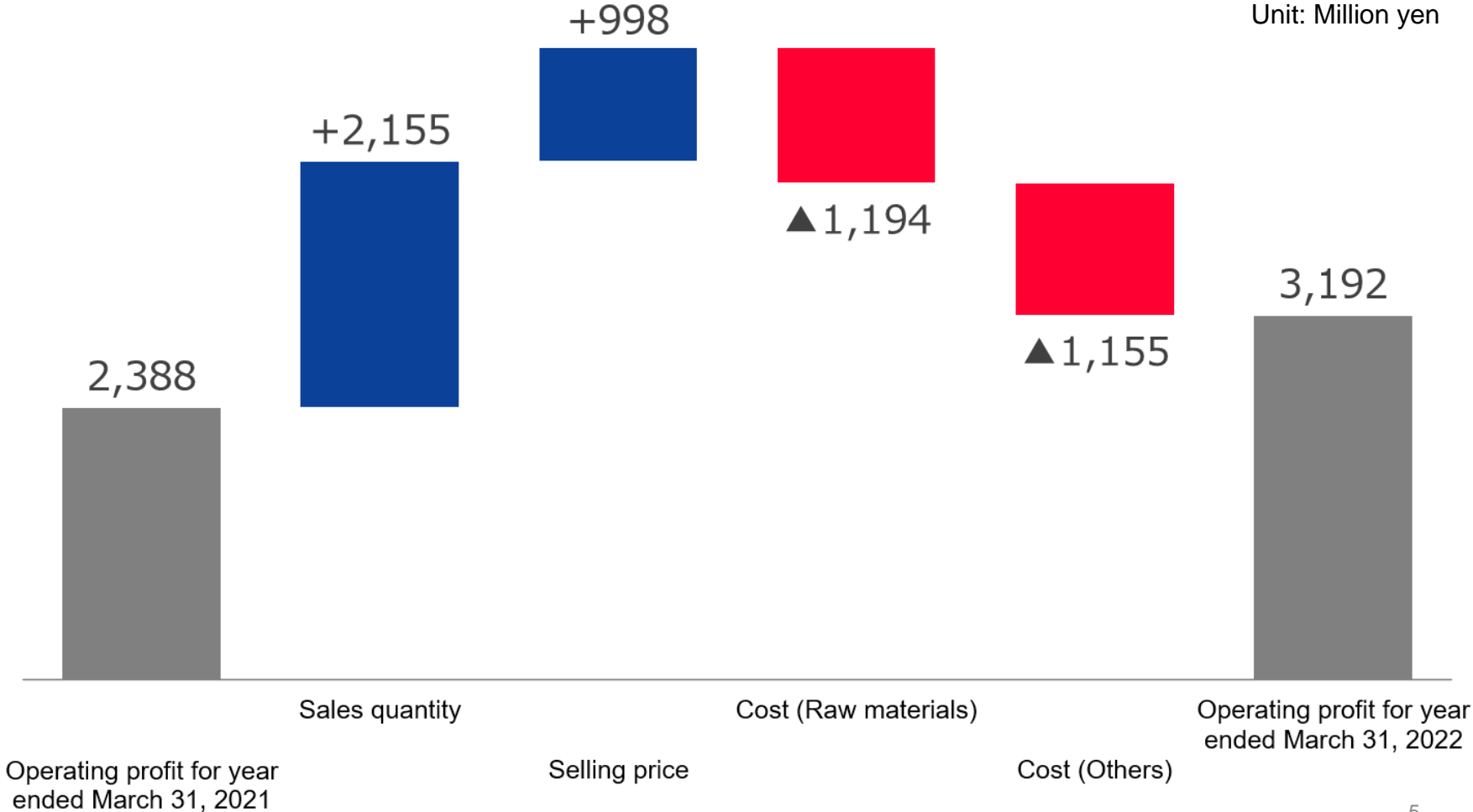


Analysis of factors leading to changes in operating profit



804 million increase in profits compared to the previous year

Unit: Million yen



Performance by segment



Unit: Million yen

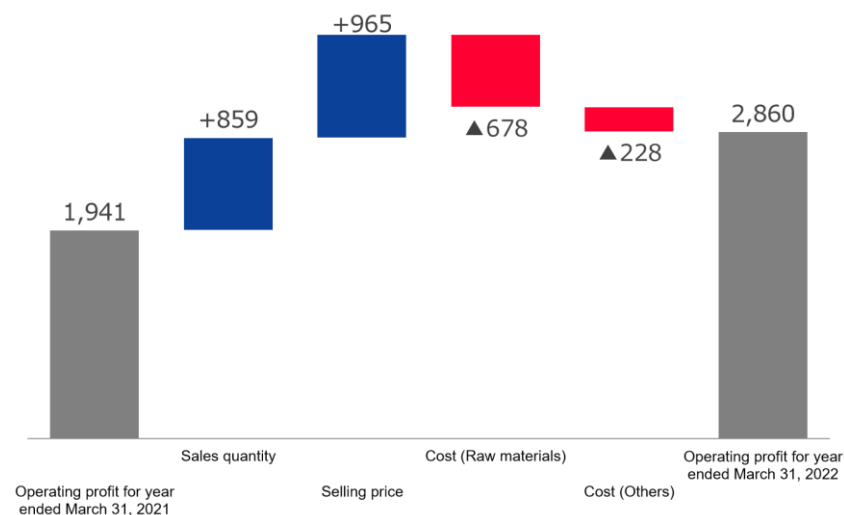
		Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year comparison	
		Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	17,652	20,473	2,821	+16.0%
	Operating profit	1,941	2,860	919	+47.4%
Films and Sheetings Products	Net sales	13,826	16,172	2,346	+17.0%
	Operating profit	11	285	274	+2499.6%
Construction Materials Related	Net sales	8,397	7,507	▲ 889	▲ 10.6%
	Operating profit	515	279	▲ 235	▲ 45.7%
Engineering	Net sales	4,035	4,257	222	+5.5%
	Operating profit	76	82	6	+8.3%
Consolidated adjustment amount	Net sales	▲ 1,680	▲ 1,407	-	-
	Operating profit	▲ 156	▲ 315	-	-
Consolidated total amount	Net sales	42,231	47,003	4,772	+11.3%
	Operating profit	2,388	3,192	804	+33.7%

Situation by segment Electronics & Functional Products Business



Unit: Million yen

	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	17,652	20,473	2,821	+16.0%
Functional chemicals	2,763	3,739	976	+35.3%
Functional polymers	8,192	9,560	1,368	+16.7%
Electric materials	5,967	7,174	1,207	+20.2%
Adjustment	730	▲ 0	-	-
Operating profit	1,941	2,860	919	+47.4%



Functional Chemicals Increased incomes and profits

- + Increase in shipments of photoresist additives and surface treatment additives due to buoyancy in the semi-conductor market.
- + Increase in shipments of vinyl ether mainly due to recovery in the construction market in Europe and the USA.

Functional Polymers Increased incomes and decreased profits

- + Increase in shipments of adhesives for the optical sector.
- + Increase in shipments of binder polymers for electronic materials due to buoyancy in the semiconductor market.
- Increase in costs due to rising naphtha prices.

Electric Materials Increased incomes and profits

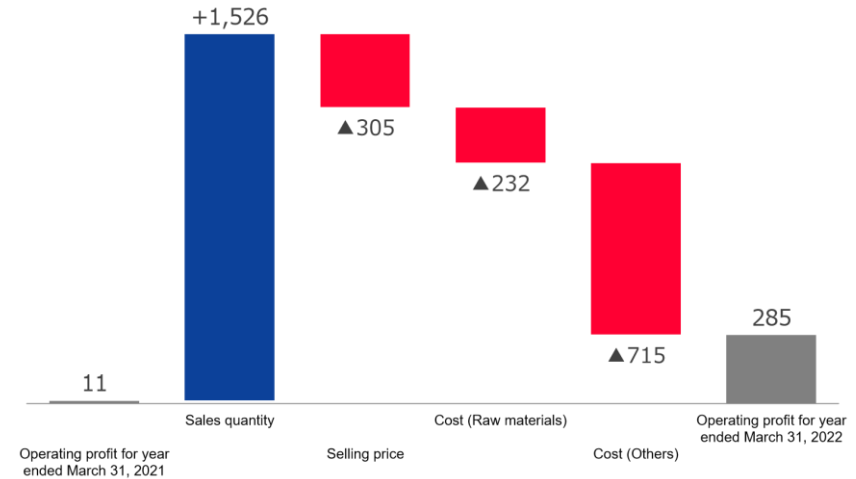
- + Increase in shipments of ceramic substrates, thick-film printing boards substrates, and semiconductor mold cleaner due to buoyancy in the electronic component and semiconductor markets.
- + Increase in shipments of ceramic substrates due to investment in additional facilities in Thailand.



Situation by segment Films & Sheetings Products Business

Unit: Million yen

	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	13,826	16,172	2,346	+17.0%
Films	2,342	2,759	417	+17.8%
Stickers	4,525	5,270	745	+16.5%
Retroreflective sheetings	6,773	8,144	1,371	+20.2%
Adjustment	-	▲ 1	-	-
Operating profit	11	285	274	+2499.6%



Films **Increased incomes and profits**

- + Increase in shipments of marking films and laser marking labels due to the recovery of the automobile market in Q1 and Q2.
- Decrease in shipments of the above products due to the impact of automobile production cuts caused by the shortage of semiconductors and other factors in Q3 and Q4.

Stickers **Increased incomes and profits**

- + Increase in shipments of materials for motorcycles in South-East Asia and Brazil due to recovery of the motorcycle market. In addition, shipments to the domestic and North American automotive markets began in Thailand.
- Social distancing policy due to the Covid-19 crisis in Vietnam has led to a decline in shipments of materials for motorcycles.

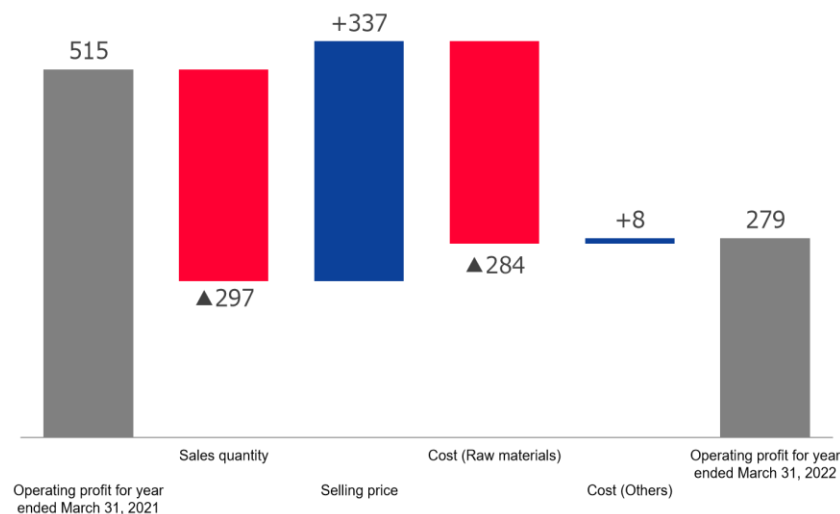
Retroreflective Sheetings **Increased incomes and decreased profits**

- + Increase in shipments of materials for car number plates to Europe and China due to recovery in the car market.
- Increase in costs due to higher raw material prices and higher freight costs caused by global container shortages.



Unit: Million yen

	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	8,397	7,507	▲ 889	▲ 10.6%
Operating profit	515	279	▲ 235	▲ 45.7%



Decreased incomes

- Decrease in shipments of aluminum construction materials such as handrails and copings for condominiums due to delays in condominium construction plans as a result of the Covid-19 crisis and the Olympic and Paralympic Games.
- Decrease in shipments of plastic extrusions for use in factories, offices and housing.

Decreased profits

- + Price pass-on and cost reductions in response to rising aluminum metal prices.
- Increase in raw material costs due to the rise in aluminum metal prices.

Situation by segment Engineering Business



Unit: Million yen

	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	4,035	4,257	222	+5.5%
Operating profit	76	82	6	+8.3%

Increased incomes

- + Increase in sales partly due to major capital investments by Group companies.
- + Increase in sales of valve products due to higher shipments to the steel industry and to new customers.

Increased profits

- + Decrease in production costs and control of selling, general and administrative expenses.



[Summary] Consolidated balance sheets

Equity ratio is 47%, up by 4.8 percentage points from the end of the previous consolidated financial year.

Unit: Million yen

	Year ended March 31, 2021	Year ended March 31, 2022	End-to-end ratio
Cash and deposits	12,985	11,376	▲ 1,609
Notes and accounts receivable - trade	14,355	14,773	418
Inventory	7,994	9,173	1,179
Tangible fixed assets/intangible fixed assets	25,162	25,596	434
Other	3,410	3,627	217
Total assets	63,906	64,546	639
Interest-bearing liabilities	18,195	13,970	▲ 4,225
Notes and accounts payable - trade	6,200	7,464	1,263
Other	11,010	11,062	52
Total liabilities	35,405	32,496	▲ 2,909
Shareholders' equity	21,047	23,546	2,498
Accumulated other comprehensive income	5,897	6,772	874
Non-controlling interests and others	1,555	1,731	176
Total net assets	28,500	32,049	3,548
Total liabilities and assets	63,906	64,546	639
D/E ratio	0.64	0.48	▲ 0.16
Equity capital	26,945	30,318	3,373
Equity ratio	42.2%	47.0%	4.8 points

Consolidated statements of cash flows



Free cash flow was 1.937 billion yen (down by 805 million yen year-on-year).

Unit: Million yen

	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year changes
Profit before income taxes	3,304	2,627	▲ 676
Depreciation	2,001	2,068	67
Net cash provided by (used in) operating activities	▲ 278	204	482
Other	▲ 1,237	▲ 602	635
Cash flows from operating activities	3,790	4,297	506
Cash flows from investing activities	▲ 1,047	▲ 2,360	▲ 1,312
Free cash flows	2,742	1,937	▲ 805
Net increase (decrease) in short-term borrowings	848	▲ 4,226	▲ 5,075
Dividends paid	▲ 328	▲ 580	▲ 251
Proceeds from issuance of shares resulting from exercise of share acquisition rights	702	742	39
Other	▲ 188	▲ 146	42
Cash flows from financing activities	1,034	▲ 4,210	▲ 5,245
Effect of exchange rate change on cash and cash equivalents	▲ 85	709	794
Net increase (decrease) in cash and cash equivalents	3,691	▲ 1,563	▲ 5,255
Cash and cash equivalents at end of period	12,402	10,838	▲ 1,563



Capital investment, depreciation and R&D

Focus on strategic investment under the new medium-term management plan “NCI KIRARI 2025”

Unit: Million yen

Capital investment	Year ended March 31, 2021	Year ended March 31, 2022	Year-on-year changes
Capital investment	2,493	2,942	449
Electronics and functional products	873	1,245	372
Films and sheetings products	776	1,440	664
Construction materials related	113	55	▲ 58
Engineering	125	91	▲ 34
Common/adjustment	604	108	▲ 496
Depreciation	2,001	2,068	67
Electronics and functional products	620	665	45
Films and sheetings products	652	674	22
Construction materials related	149	131	▲ 18
Engineering	57	56	▲ 1
Common/adjustment	519	539	20
R&D expenditure	2,019	2,104	85

Main capital investment projects proposed

- Expansion of facilities for surface treatment additive for semiconductors
- Expansion of production capacity for thick-film printing boards substrates for electronic components.
- Partial expansion of facilities for retroreflective sheetings/next-generation functional films.
- Strengthening of quality and introduction of evaluation facilities, etc. in sticker business.
- Improved efficiency of analysis work within the Group for engineering business.

* 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 2023

Forecast of consolidated results for the year ending 31 March 2023



With the launch of the new medium-term management plan “NCI KIRARI 2025”, the Group is now moving to a sustainable growth stage in the new normal era.

Unit: Million yen

	Year ended March 31, 2022		Year ended March 31, 2023		Year-on-year changes		
	Results	Profit margin	Forecast	Profit margin	Year-on-year changes (amount)	Year-on-year changes (percentage)	
Net sales	47,003	-	52,000	—	4,997	+10.6%	
Operating profit	3,192	6.8%	3,400	6.5%	208	+6.5%	
Ordinary profit	4,055	8.6%	3,400	6.5%	▲ 655	▲ 16.2%	
Current net profit	1,930	4.1%	2,000	3.8%	70	+3.6%	
Dividend per share	Interim	25yen	—	30	—	10yen	+18.0%
	Year end	30yen	—	35	—		

Impact of the situation in Russia and Ukraine



We are very concerned about the current situation and hope that this issue can be resolved peacefully. We would like to offer heartfelt condolences to the victims.

The Group has no direct customers, suppliers, manufacturing or sales bases in Russia or Ukraine, at present, there is no impact on our performance. However, we are concerned about the sharp rise in raw material prices related to the situation in Russia and Ukraine and will take measures as necessary in the future.

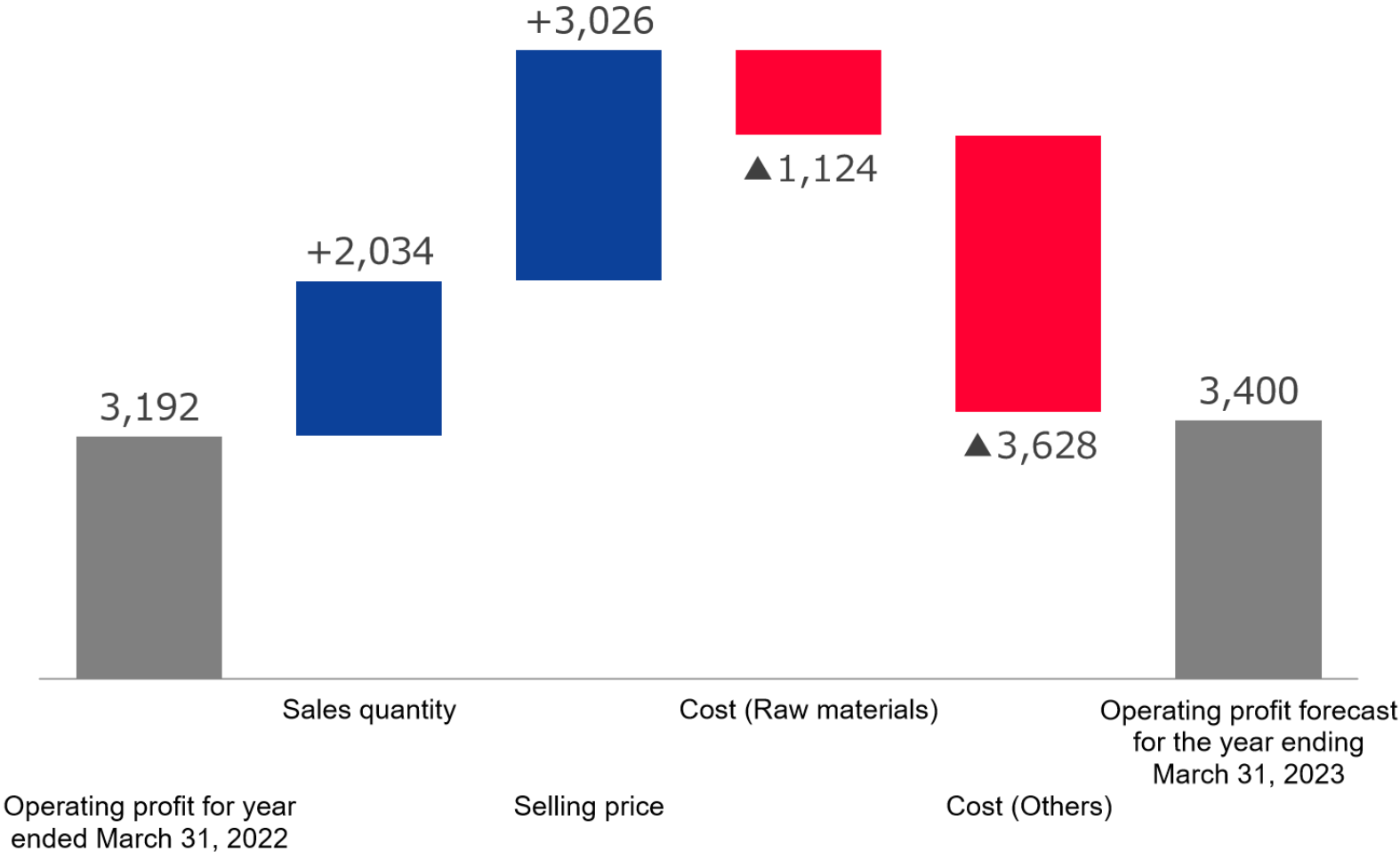
If a significant impact on our performance is expected in the future as a result of a prolonged situation, all interested parties will be informed as soon as possible.

Analysis of factors leading to changes in operating profit



Increase in profit of 208 million yen compared to the previous year

Unit: Million yen



Business outlook by segment



Electronics and Functional Products	Functional chemicals	<ul style="list-style-type: none"> + Continued buoyancy in the semi-conductor market led to increase in shipments of photoresist additives and surface treatment additives. + Continued buoyancy in the construction market in Europe and the USA led to increase in shipments of vinyl ether to Europe and the USA.
	Functional polymers	<ul style="list-style-type: none"> + Continued buoyancy in the semiconductor market led to increase in shipments of binder polymers for electronic materials. - Negative impact on costs due to rising naphtha prices.
	Electric materials	<ul style="list-style-type: none"> + Continued buoyancy in the electronics and semiconductor markets led to increase in shipment of ceramic substrates and semiconductor mold cleaner.
Films and Sheetings Products	Films	<ul style="list-style-type: none"> + Increase in sales due to the launch of new products. - Negative impact on costs due to rising raw material prices and transport costs.
	Stickers	<ul style="list-style-type: none"> + Increase in shipments of high value-added products for motorcycles at Asian sites. Increase in sales due to entry into the automotive market. + Increase in shipments of materials for automotive products in the USA. - Negative impact on costs due to the rise in the price of raw materials.
	Retroreflective sheetings	<ul style="list-style-type: none"> + Increase in shipments of materials for car number plates in Japan due to the issuance of new designs. - Decrease in shipments of materials for car number plates due to reduced production of cars in Europe due to the shortage of semiconductors and the situation in Ukraine. - Negative impact on costs due to rising raw material prices and transport costs.
Construction Materials Related		<ul style="list-style-type: none"> + Increase in shipments of aluminium construction materials such as handrails and copings due to the start of condominium construction work in the Tokyo metropolitan area, which had been planned after the Olympic and Paralympic Games. + Increase in shipments of plastic extruded products for housing, automotive and factory equipment. - Negative impact on costs due to the rise in the price of aluminum metal.
Engineering		<ul style="list-style-type: none"> + Increase in sales due to large projects planned by Group companies. + Increase in sales at large plants for the power industry. - Decrease in sales due to the suspension of blast furnaces at a major Japanese steel company.

Forecasts by segment



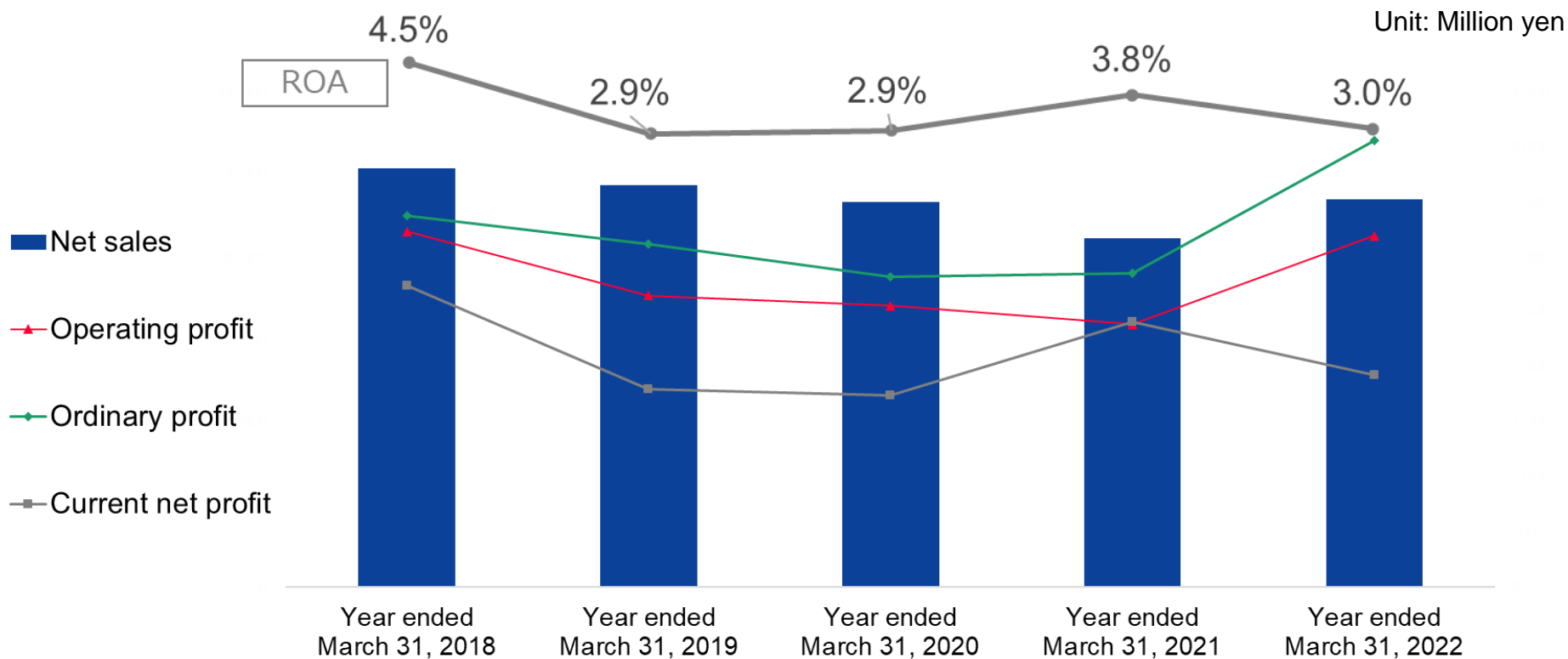
Unit: Million yen

		Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year changes	
		Results	Forecast	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	20,473	22,500	2,027	+9.9%
	Operating profit	2,860	3,100	240	+8.4%
Films and Sheetings Products	Net sales	16,172	18,300	2,128	+13.2%
	Operating profit	285	700	415	+145.6%
Construction Materials Related	Net sales	7,507	8,500	993	+13.2%
	Operating profit	279	200	▲ 79	▲ 28.3%
Engineering	Net sales	4,257	5,600	1,343	+31.5%
	Operating profit	82	100	18	+22.0%
Consolidated adjustment	Net sales	▲ 1,407	▲ 2,900	-	-
	Operating profit	▲ 315	▲ 700	-	-
Consolidated total	Net sales	47,003	52,000	4,997	+10.6%
	Operating profit	3,192	3,400	208	+6.5%



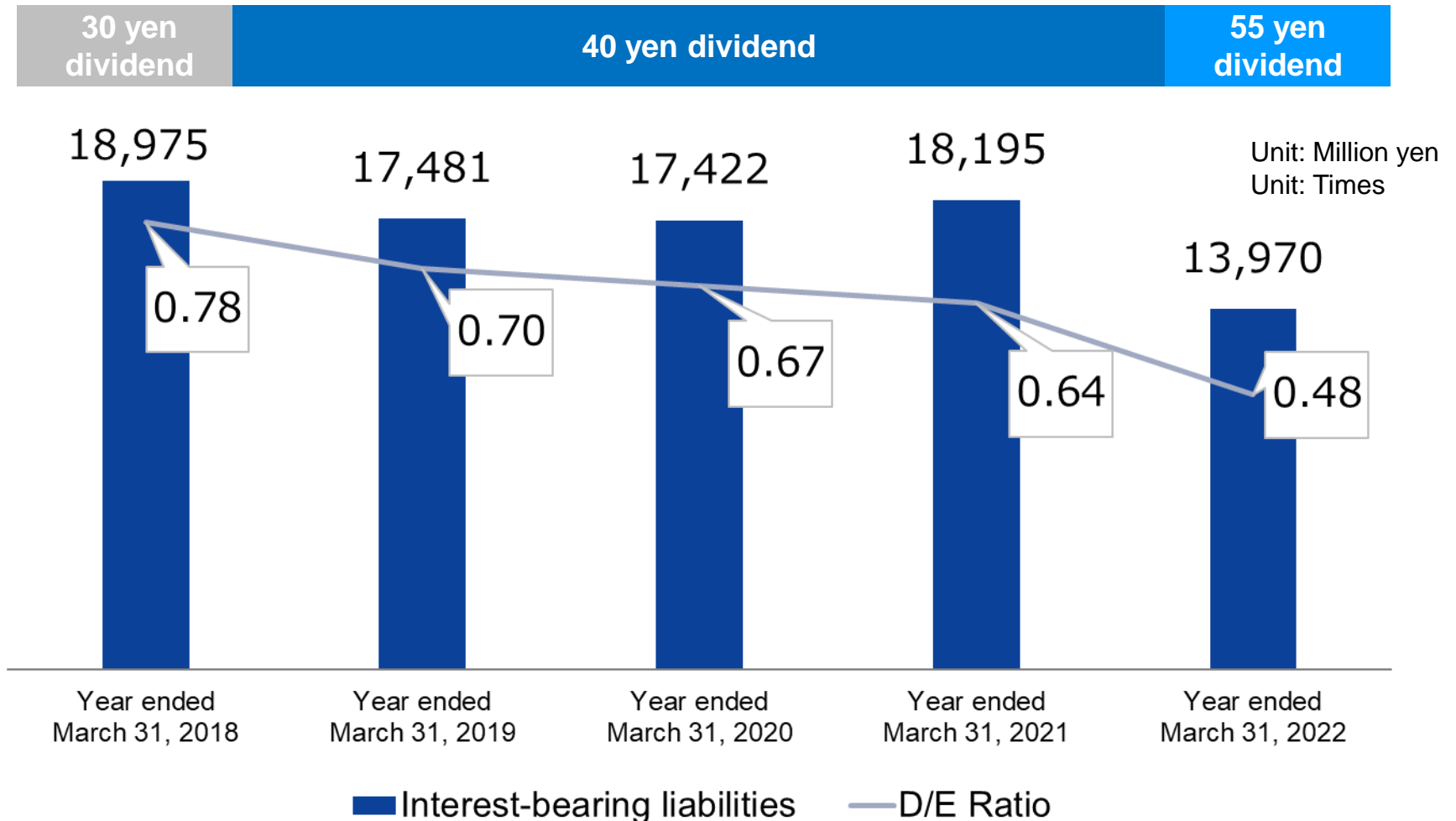
Annexed Materials

Transition of consolidated results



	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	50,761	48,651	46,699	42,231	47,003
Operating profit	3,232	2,649	2,557	2,388	3,192
Operating profit/net sales	6.4%	5.4%	5.5%	5.7%	6.8%
Ordinary profit	3,375	3,119	2,817	2,852	4,055
Ordinary profit/net sales	6.6%	6.4%	6.0%	6.8%	8.6%
Current net profit	2,736	1,800	1,741	2,406	1,930

Transition of interest-bearing liabilities and dividends



Dividend per share. A reverse stock split was implemented on 1 October 2017 at a ratio of one share for every 10 ordinary shares. Dividend per share amounts for the year ended 31 March 2017 and earlier have been converted to take account of this reverse stock split.