

Explanation of Financial Results for the 2nd Quarter of the Year ending March 31,2023





Summary of Financial Results for the 2nd Quarter of the Year ending 31 March 2023

Summary [Consolidated Statements of Income]



- Shipments of products for PC and telecommunication-related applications remained sluggish due to deteriorating market conditions.
- Shipment of products for motorcycles in Southeast Asia remained strong, despite the impact of lower automobile production caused by the global shortage of semiconductors.
- Soaring raw material prices affected profit/loss.
- As a result of the above, **incomes increased** and **profits decreased** compared to the same period of the previous year.

Unit: Million yen

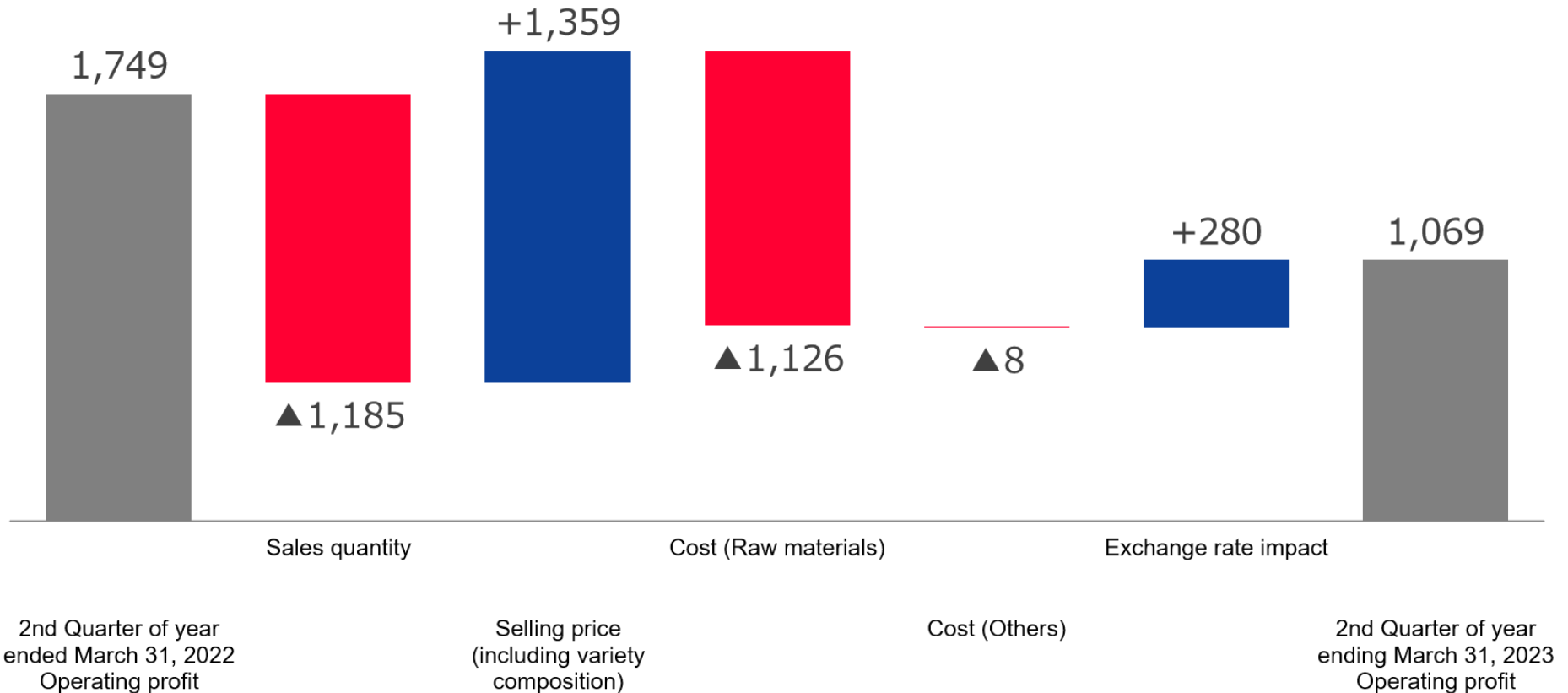
	2nd Quarter of year ended March 31, 2022	2nd Quarter of year ending March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	23,059	23,313	253	+1.1%
Operating profit	1,749	1,069	▲ 680	▲ 38.9%
Operating profit/ net sales	7.6%	4.6%	—	▲ 3.0points
Ordinary profit	1,934	1,740	▲ 194	▲ 10.0%
Quarterly net profit	1,136	1,367	231	+20.3%

Analysis of factors leading to changes in operating profit



Decrease in profits by 680 million yen compared to the same period of the previous year

Unit: Million yen



Performance by segment



Unit: Million yen

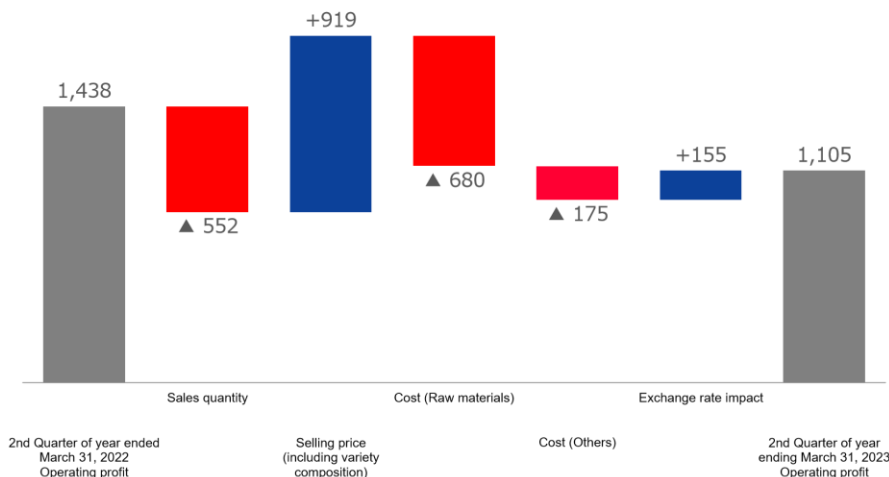
		2nd Quarter of year ended March 31, 2022	2nd Quarter of year ending March 31, 2023	Year-on-year comparison	
		Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	10,098	9,849	▲ 248	▲ 2.5%
	Operating profit	1,438	1,105	▲ 332	▲ 23.1%
Films and Sheetings Products	Net sales	7,952	8,852	900	+11.3%
	Operating profit	525	292	▲ 232	▲ 44.4%
Construction Materials Related	Net sales	3,730	3,884	154	+4.1%
	Operating profit	150	41	▲ 108	▲ 72.7%
Engineering	Net sales	2,082	1,646	▲ 435	▲ 20.9%
	Operating profit	25	▲ 104	▲ 129	-
Consolidated adjustment amount	Net sales	▲ 805	▲ 920	-	-
	Operating profit	▲ 389	▲ 263	-	-
Consolidated total amount	Net sales	23,059	23,313	253	+1.1%
	Operating profit	1,749	1,069	▲ 680	▲ 38.9%

Situation by segment Electronics & Functional Products Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2022	2nd Quarter of Year ending March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	10,098	9,849	▲ 248	▲ 2.5%
Functional chemicals	2,016	1,858	▲ 158	▲ 7.8%
Functional polymers	4,880	4,214	▲ 666	▲ 13.6%
Electric materials	3,200	3,777	577	+18.0%
Operating profit	1,438	1,105	▲ 332	▲ 23.1%



Functional Chemicals **Decreased incomes and profits**

- + Despite the deteriorating semiconductor market, shipments of additives for semiconductor photoresists and chemicals for electronic component manufacturing remained strong.
- Decrease in shipments of pharmaceutical and agrochemical intermediates and active pharmaceutical ingredients.

Functional Polymers **Decreased incomes and profits**

- Decrease in shipments of adhesives and glue for optical sector due to reduced production of LCD panels.
- Increase in raw materials costs due to soaring naphtha prices.

Electric Materials **Increased incomes and profits**

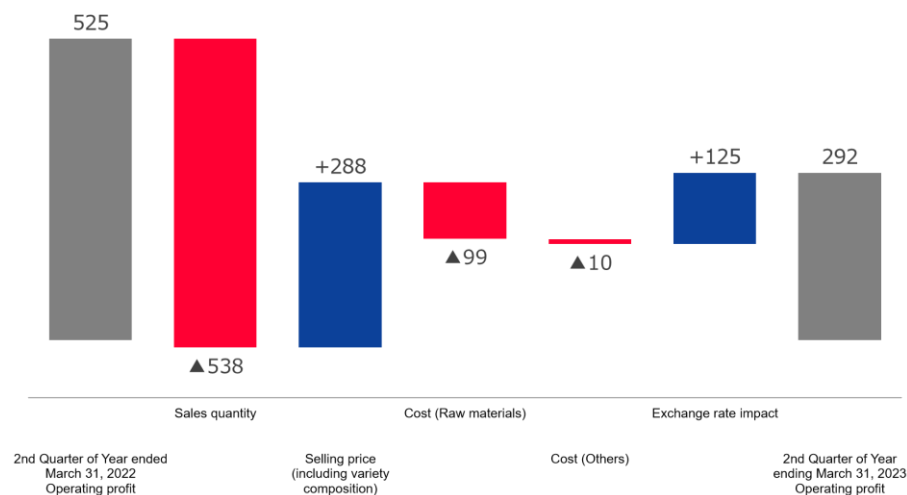
- + Increase in shipments of ceramic substrates for automobile electronics.
- + Increase in shipments of semiconductor mold cleaner.

Situation by segment Films & Sheetings Products Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2022	2nd Quarter of Year ending March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	7,952	8,852	900	+11.3%
Films	810	776	▲ 34	▲ 4.2%
Stickers	2,691	3,229	538	+20.0%
Retroreflective sheetings	4,450	4,846	396	+8.9%
Operating profit	525	292	▲ 232	▲ 44.4%



Films **Decreased incomes and profits**

- Decrease in shipments of films for automobiles and signboards due to slow recovery of domestic demand.

Stickers **Increased incomes and profits**

- + Increase in shipments of materials for motorcycles and automobiles in South-East Asia in line with the recovery from Covid-19 disaster.
- + Positive impact of foreign exchange on profit/loss.

Retroreflective Sheetings **Increased incomes and decreased profits**

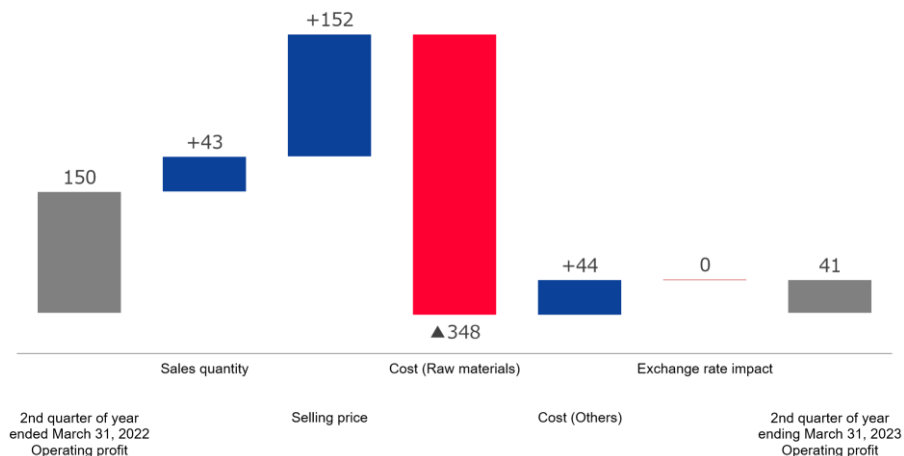
- Decrease in shipments of materials for car number plates due to inflation in the U.S. and Europe, impact of prolonged recession and logistical disruptions caused by China's novel coronavirus countermeasures.
- + Positive impact of foreign exchange on profit/loss.

Situation by segment Construction Materials Related Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2022	2nd Quarter of Year ending March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	3,730	3,884	154	+4.1%
Operating profit	150	41	▲ 108	▲ 72.7%



Increased incomes and decreased profits

- + Increase in shipments of aluminum construction materials for buildings as the difficulty in securing construction workers due to the Covid-19 disaster has been remedied and construction projects have progressed.
- Increase in raw material costs due to the rise in aluminum metal prices.

Situation by segment Engineering Business



Unit: Million yen

	2nd Quarter of Year ended March 31, 2022	2nd Quarter of Year ending March 31, 2023	Year-on-year comparison	
	Results	Results	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	2,082	1,646	▲ 435	▲ 20.9%
Operating proffit	25	▲ 104	▲ 129	-

Decreased incomes and profits

- Decrease in completions of domestic construction projects due to increased wait-and-see attitude toward capital investment caused by soaring prices of materials and fuel.
- + Decrease in production costs and control of selling, general and administrative expenses.

[Summary] Consolidated balance sheets



Equity ratio is 50.9%, up by 3.9 percentage points from the end of the previous consolidated financial year.

Unit: Million yen

	Year ended March 31, 2022	Consolidated accounting for the 2nd quarter of year ending March 2023	End-to-end ratio
Cash and deposits	11,376	11,723	347
Notes and accounts receivable - trade	14,773	13,583	▲ 1,190
Inventory	9,173	10,855	1,682
Tangible fixed assets/intangible fixed assets	25,596	26,628	1,032
Other	3,627	3,297	▲ 330
Total assets	64,546	66,088	1,542
Interest-bearing liabilities	13,970	12,454	▲ 1,516
Notes and accounts payable - trade	7,464	7,382	▲ 82
Other	11,062	10,769	▲ 293
Total liabilities	32,496	30,606	▲ 1,890
Shareholders' equity	23,546	24,649	1,103
Accumulated other comprehensive income	6,772	8,973	2,200
Non-controlling interests	1,731	1,859	128
Total net assets	32,049	35,482	3,432
Total liabilities and assets	64,546	66,088	1,542
D/E ratio	0.48	0.38	▲ 0.10
Equity capital	30,318	33,623	3,305
Equity ratio	47.0%	50.9%	3.9 points

Consolidated statements of cash flows



Free cash flow was 912 million yen (down by 70 million compared to the same period of the previous year).

	2nd quarter of year ended March 31, 2021	2nd quarter of year ended March 31, 2022 2nd quarter	Unit: Million yen Year-on-year comparison
Profit before income taxes	1,648	1,659	11
Depreciation	1,005	1,013	8
Net cash provided by (used in) operating activities	▲ 2	331	333
Other	▲ 842	▲ 551	291
Cash flows from operating activities	1,807	2,453	645
Cash flows from investing activities	▲ 825	▲ 1,540	▲ 715
Free cash flows	982	912	▲ 70
Net increase (decrease) in short-term borrowings	2,687	▲ 1,516	▲ 4,203
Dividends paid	▲ 351	▲ 281	70
Proceeds from issuance of shares resulting from exercise of share acquisition rights	477	-	▲ 477
Other	▲ 89	▲ 89	▲ 0
Cash flows from financing activities	2,724	▲ 1,887	▲ 4,611
Effect of exchange rate change on cash and cash equivalents	392	1,122	730
Net increase (decrease) in cash and cash equivalents	4,099	147	▲ 3,952
Cash and cash equivalents at end of period	16,501	10,986	▲ 5,515



Capital investment, depreciation and R&D

Capital expenditures increased 362 million yen compared to the same period of the previous year with the launch of the new Medium-term Management Plan “NCI KIRARI 2025”.

Unit: Million yen

Capital investment	2nd quarter of year ended March 31, 2022	2nd quarter of year ending March 31, 2023	Year-on-year comparison
Capital investment	1,259	1,621	362
Electronics and functional products	697	534	▲ 163
Films and sheetings products	444	1,006	562
Construction materials related	25	24	▲ 1
Engineering	79	10	▲ 69
Common/adjustment	12	45	33
Depreciation	1,005	1,013	8
R&D expenditure	1,053	1,048	▲ 5

Main capital investment projects proposed for FY ending March 31 2023

- Expansion of production capacity for thick film printing substrates.
- Expansion of production capacity for retroreflective sheetings/next generation functional films.
- Expansion of production capacity 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 2023

Forecast of consolidated results for the year ending 31 March 2023



Forecast was revised on November 8.

Net sales are expected to remain unchanged from the previous year, while operating incomes are expected to decrease.

Unit: Million yen

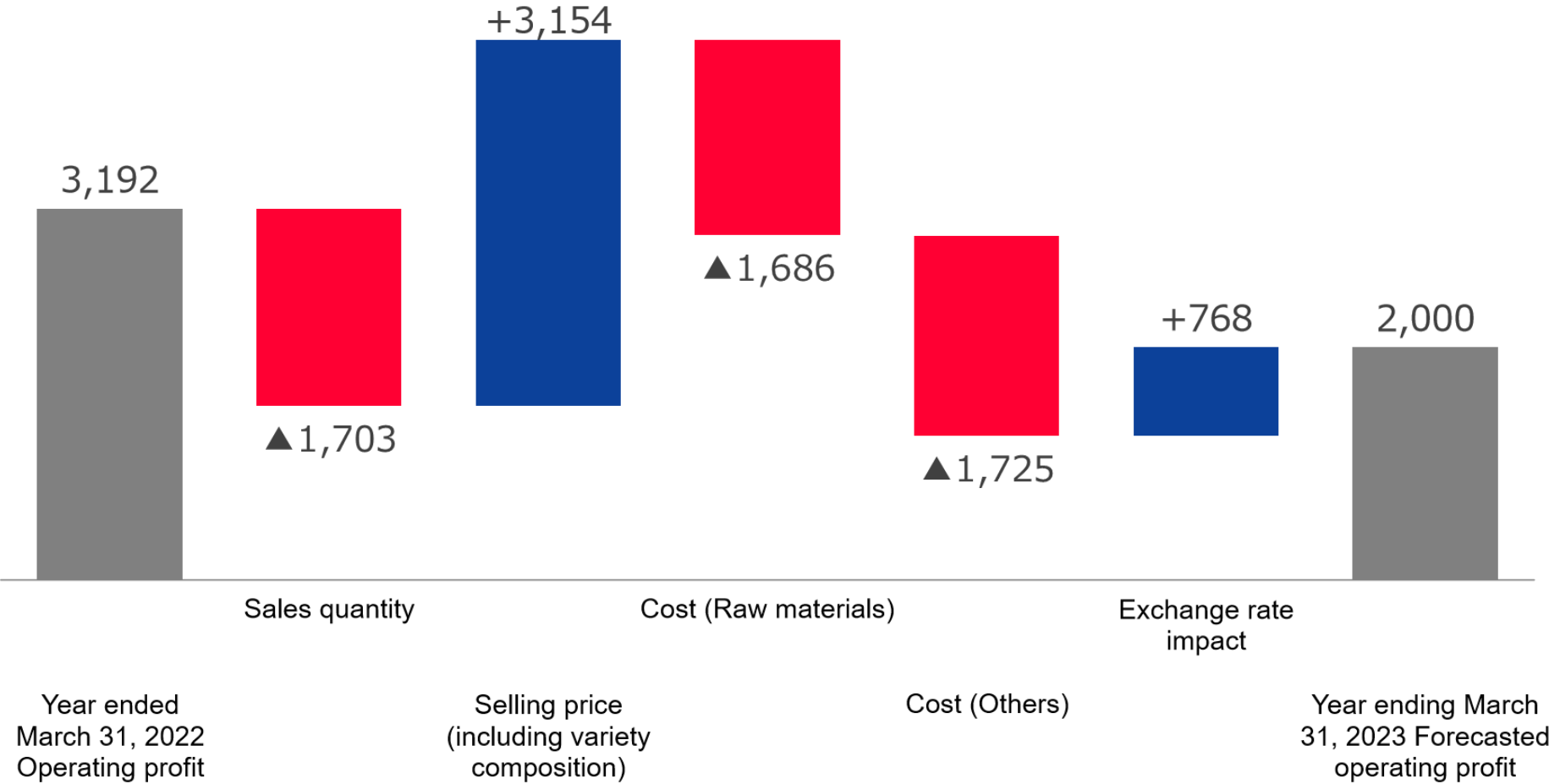
	Year ended March 31, 2022		Year ending March 31, 2023		Year ending March 31, 2023		Year-on-year changes	
	Results	Profit margin	Forecasts announced on August 5	Profit margin	Current forecasts	Profit margin	Year-on-year changes (amount)	Year-on-year changes (percentage)
Net sales	47,003	-	48,500	—	47,000	—	▲ 3	▲ 0.0%
Operating profit	3,192	6.8%	2,800	5.8%	2,000	4.3%	▲ 1,192	▲ 37.4%
Ordinary profit	4,055	8.6%	3,400	7.0%	2,700	5.7%	▲ 1,355	▲ 33.4%
Current net profit	1,930	4.1%	2,000	4.1%	1,700	3.6%	▲ 230	▲ 11.9%
Dividend per share	Interim	25yen	—	30	—	30	10yen	+18.0%
	Year end	30yen	—	35	—	35		

Analysis of factors leading to changes in operating profit



Decrease in profits by 1,192 million yen compared to the previous period

Unit: Million yen



Business outlook for second half of the fiscal year by segment



Electronics and Functional Products	Functional chemicals	+ Shipments of chemicals for electronic component manufacturing and additives for semiconductor photoresists remained strong.
	Functional polymers	- Significant decrease in shipments of adhesives and glue for optical sector due to production adjustment of LCD panels.
	Electric materials	- Decrease in shipments of circuit substrates for electronic components due to production adjustment in the electronic device market.
Films and Sheetings Products	Films	+ Increase in shipments of high-functional films in the China Market. - Negative impact on costs due to soaring transport costs etc.
	Stickers	+ Increase in shipments of materials for motor cycles due to recovery from Covid-19 disaster in the Asian market and resolution of the semiconductor shortage.
	Retroreflective sheetings	- Decrease in shipments of materials for car number plates due to economic downturn in the European market.
Construction Materials Related	+ Increase in shipments of aluminum construction materials such as handrails and copings. + Increase in shipments of plastic extruded products for housing, automotive and factory equipment. - Negative impact on costs due to soaring aluminum ingot price.	
Engineering	+ Increase in sales due to large projects planned by Group companies. + Increase in sales at large plants for the power industry. - Decrease in sales to the steel industry due to the implementation of structural reforms and reorganization at a major Japanese steelmaker.	

Forecasts by segment



Unit: Million yen

		Year ended March 31, 2022	Year ending March 31, 2023	Year-on-year changes	
		Results	Current forecasts	Year-on-year changes (amount)	Year-on-year changes (percentage)
Electronics and Functional Products	Net sales	20,473	18,743	▲ 1,730	▲ 8.4%
	Operating profit	2,860	1,714	▲ 1,146	▲ 40.1%
Films and Sheetings Products	Net sales	16,173	18,340	2,167	+13.4%
	Operating profit	285	614	329	+115.6%
Construction Materials Related	Net sales	7,507	7,942	435	+5.8%
	Operating profit	279	285	6	+2.3%
Engineering	Net sales	4,257	5,020	763	+17.9%
	Operating profit	82	97	15	+18.6%
Consolidated adjustment	Net sales	▲ 918	▲ 3,045	-	-
	Operating profit	▲ 264	▲ 711	-	-
Consolidated total	Net sales	47,003	47,000	▲ 3	▲ 0.0%
	Operating profit	3,192	2,000	▲ 1,192	▲ 37.3%



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

State of Progress Financial Targets

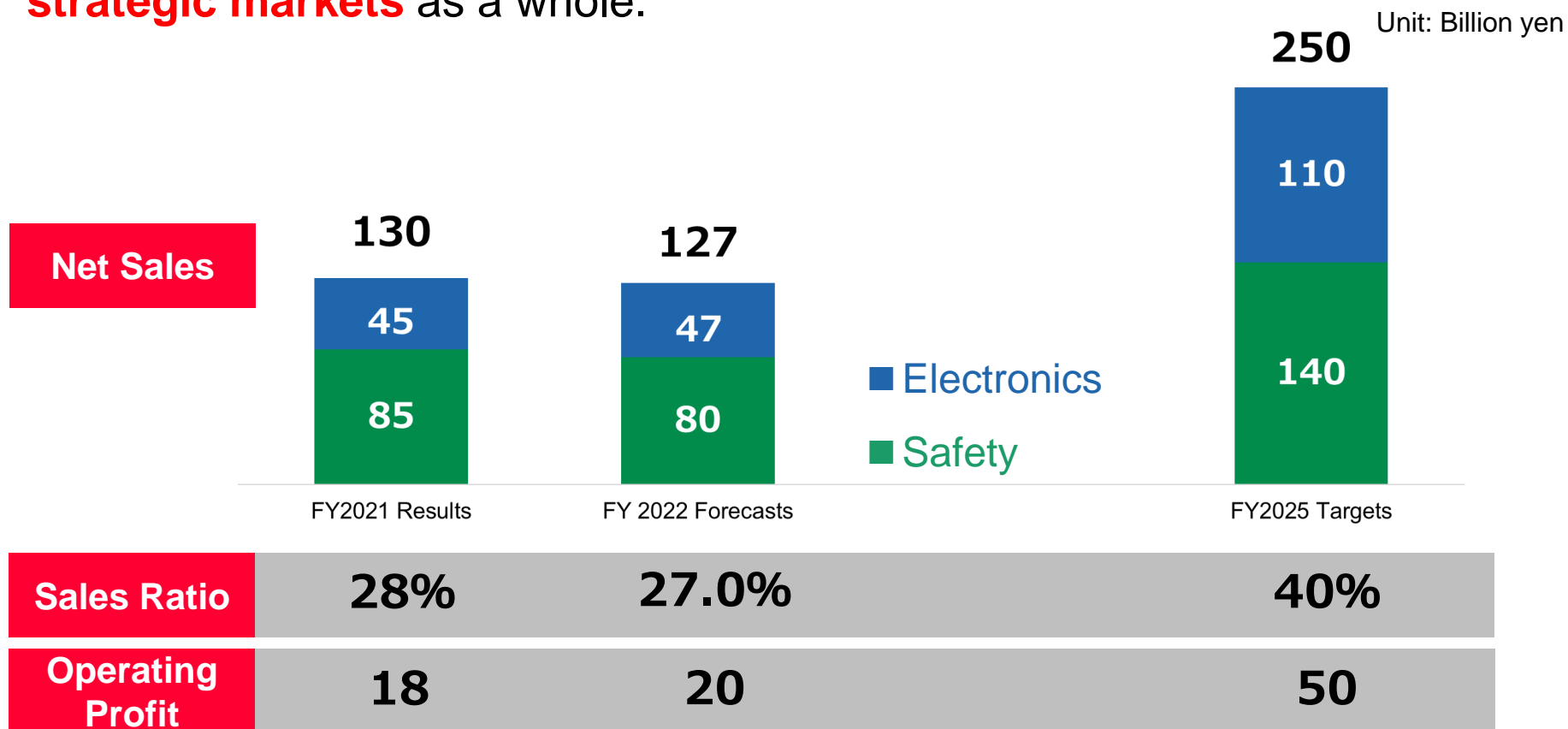


Although the forecasts for net sales/operating profits in FY2022 have been revised downward from the initial forecasts, we aim to achieve the FY2025 goals set forth in the Medium-term Management Plan "NCI KIRARI 2025" by steadily implementing the focused initiatives (P21).

	FY2021 Results	Y2022 Forecasts	FY2025 Targets
Net sales	47 billion yen	47 billion yen	62 billion yen
Operating profit	3.2 billion yen	2 billion yen	7 billion yen
ROE	6.1%	5.0%	12% or more
D/E Ratio	X0.48	X0.32	X0.5 or less



In FY2022, we forecast sales of 4.7 billion yen in the **strategic market of “Electronics”** and 8.0 billion yen in the **strategic market of “Safety”**, with sales of 12.7 billion yen and operating profits of 2.0 billion yen in the **strategic markets** as a whole.



Focused initiatives to achieve targets (segment-specific)



Electronic & Functional Products	<ul style="list-style-type: none">● Further increasing the added value through the development of differentiated products for the strategic semiconductor and electronic device markets in the focused area of "Electronics".● Developing high-performance resins for the strategic life markets and improving profitability in the focused area of "Safety".● Expanding the lineup of ceramic substrates for electronic components used in automotive electronics sector.● Strengthening sales structure for further global expansion of semiconductor mold cleaner products.
Films & Sheetings Products	<ul style="list-style-type: none">● Early mass production at next-generation high-performance film production facilities and a product lineup that meets market needs.● Expansion of production facilities at locations in Asia and sales expansion in the global market for environmentally friendly decorative molded products that meet growing worldwide demand for EVs.● Sales of reflective sheetings for license plates in regions where the company has not yet entered.
Construction Materials Related	<ul style="list-style-type: none">● Differentiation of high-performance, high-strength handrail products and strengthening of sales system.
Engineering	<ul style="list-style-type: none">● Focusing resources for installation of carbon neutral transition facilities for steel and power companies.



Prism sheetings for aerial displays

- Our aerial display reflectors have been adopted in the aerial touch display product “AX-101TW” released on July 20 by MITSUBISHI ELECTRIC ENGINEERING COMPANY LIMITED.
- Our aerial display reflectors have been adopted for a touchless solution utilizing an “aerial input device” manufactured by Hitachi Channel Solutions, Corp. that has been introduced into “Me-Arc-UCD-”, a ME equipment management system manufactured by METS INC., a developer, manufacturer, and distributor of medical-related equipment.
- We introduced our aerial display technology at “Digital Signage Japan” held in June and “CEATEC” held in October (our booth at the CEATEC is shown in the photo on the right).

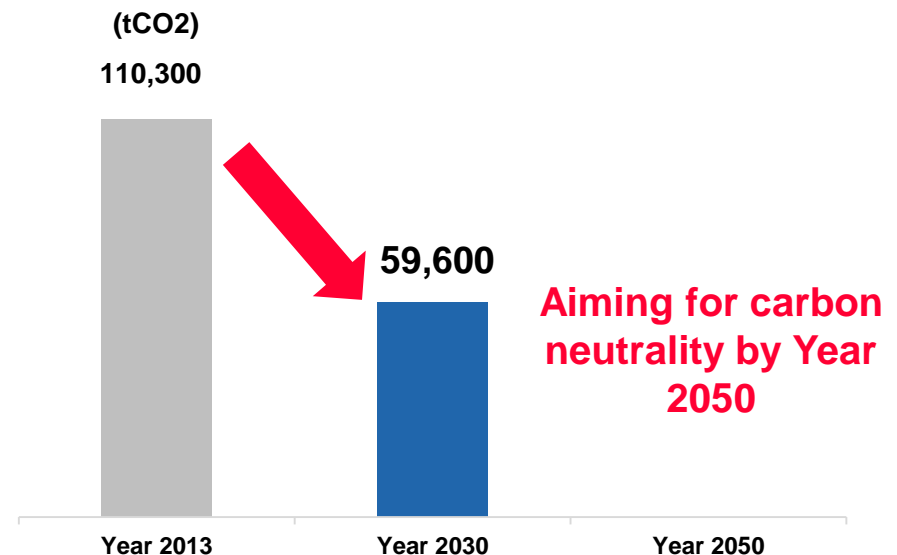




Nippon Carbide Industries (HangZhou) Co., Ltd. which manufactures retroreflective sheetings and food packaging films, plans to reduce CO2 emissions by approximately 2,000 tons/year through the introduction of solar panels. Solar power generation has already been implemented at the Uozu Plant and ELECTRO-CERAMICS (THAILAND) CO., LTD. (Thailand), and we will continue to promote the use of renewable energy throughout the Group to achieve our CO2 reduction target.

CO₂ Reduction Target in our Group

50,700t CO₂ (46% reduction)



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



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