

JCR Affirmed BBB/Stable Rating on Senior Debts of Nippon Fine Chemical

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Rationale

- (1) Nippon Fine Chemical Co., Ltd. is a manufacturer of chemical products, using natural fats and oils such as wool grease as the main raw materials. The Company offers a wide range of industrial and household products, the former including cosmetic ingredients, pharmaceutical intermediates, and lubricating agents for resin films, and the latter soap for commercial use and finger disinfectants. It has established a solid business base in niche markets and worked to diversify earnings sources.
- (2) Its operating income for the fiscal year ending March 31, 2012 is expected to drop 0.2% year-on-year to 1.6 billion yen. While the domestic cosmetics market is growing at a sluggish pace, the sales of the Company's cosmetic ingredients remain strong, thanks to the expanded sales of products to which it has added new functions. These sales also help mitigate the temporary effects of the suspended production of lubricating agents for resin films due to capacity enhancement implemented in China, a loss on valuation of inventory associated with household products, and other factors.
Its earnings are expected to remain steady for a while. As the Company intends to improve the line-up of high-value-added products, including pharmaceutical intermediates, and the construction of a new facility in which it has invested 2.1 billion yen is scheduled to complete in April 2012, JCR thinks that it will incur costs in advance over the near term. However, given that the existing businesses as a whole keep performing steadily, JCR assumes that these businesses will absorb the increase in costs to some extent.
- (3) The ratio of capital to total assets is kept in the 70% range, and its ready liquidity is ample and continues to well exceed interest-bearing debt. Although large-scale investment projects will be concentrated in China and Japan in the fiscal years ending March 31, 2012 and 2013, JCR thinks that the Company will manage this by using the funds in hand and operating cash flow.
- (4) JCR recognizes the Company's stable earnings power and extremely good financial structure, which has been incorporated into its ratings. JCR keeps its view that its performance with respect to the core industrial and household products will remain steady and the Company can maintain the current financial structure.

Rating

Issuer: Nippon Fine Chemical Co., Ltd. (security code: 4362)

<Affirmation>

Senior debts: BBB Outlook: Stable

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Corporate)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

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