Nissan Chemical Corporation

1Q FY2020 Financial Results Briefing

August 11, 2020

1Q FY2020 Actual

(¥billion)

	FY2019 Actual 1Q	FY2020 Actual 1Q	Change 1Q	FY2020 Outlook as of May 2020 1Q
Sales	48.7	49.3	+0.6	49.8
Operating Profit	9.3	9.8	+0.5	8.5
Non-Operating Income/Expenses	0.7	0.6	-0.1	0.6
Ordinary Income	10.0	10.4	+0.4	9.1
Extraordinary Income/Loss	0.9	0.0	-0.9	0.0
Net Income (1)	7.8	7.6	-0.2	6.8
EBITDA (2)	11.6	12.1	+0.5	-
EPS (¥/share)	53.13	52.38	-0.75	-
OP Margin	19.2%	19.9%	+0.7%	17.1%
FX Rate (¥/$)	110	108		108
Crude Oil (JCC) ($/bbl) (3)	72	31		65

(1) Net Income = Profit Attributable to Owners of Parent
(2) EBITDA = Operating Profit + Depreciation (3) Based on Trade Statistics of Japan Ministry of Finance

2

Miyazaki: This is Miyazaki.

Please see page two.

In the first quarter of FY2020, sales were JPY49.3 billion, operating profit was JPY9.8 billion, and net income was JPY7.6 billion.

1Q FY2020 Highlight

1. vs. 1Q FY2019

◆OP up ¥0.5 billion (1Q FY2020 Actual ¥9.8 billion vs. 1Q FY2019 Actual ¥9.3 billion)
- Chemicals OP down due to sales decrease in melamine, TEPIC and environmental related products
- Performance Materials OP up due to substantial sales increase in Display Materials and Semis Materials, and fixed cost down
- Agro OP down due to Fluralaner sales decrease (reflected in Outlook as of May 2020) and ROUNDUP sales decrease despite ALTAIR sales increase, and fixed cost up
- Pharma OP down due to LIVALO sales decrease, while Custom Chemicals sales increase

◆Net income down ¥0.2 billion (1Q FY2020 Actual ¥7.6 billion vs. 1Q FY2019 Actual ¥7.8 billion) due to absence of Extraordinary Income (Gain on sales of investment securities ¥0.9 billion in 1Q FY2019)

2. vs. 1Q FY2020 Outlook as of May 2020 (see p2, p10, p26)

◆OP above target ¥1.3 billion (1Q FY2020 Actual ¥9.8 billion vs. 1Q FY2020 Outlook ¥8.5 billion)
- Chemicals OP significantly below target due to sales below target mainly in melamine, TEPIC and environmental related products
- Performance Materials OP above target due to substantial sales increase in Display Materials and Semis Materials, and fixed cost below expectations
- Agro OP above target due to fixed cost below target, while sales below target (Fluralaner sales above target, other agrochemical products sales below target overall)
- Pharma OP above target due to solid sales of Custom Chemical

◆Net income above target ¥0.8 billion (1Q FY2020 Actual ¥7.6 billion vs. 1Q FY2020 Outlook ¥6.8 billion)

3. Full Year FY2020 Outlook as of May 2020

◆No revision

◆The outlook does not reflect the effects of the COVID-19 pandemic. At this time, the pandemic is expected to have only a limited impact on the figures.

4. Share Repurchase

◆Completed (¥7.0 billion, 1.334 million shares, period of repurchase: May 18, 2020-July 28, 2020)

3

Please look at page three for an overview. Shown here are the results highlights.

First, in terms of comparisons with year-earlier results, operating profit of JPY9.8 billion was up JPY0.5 billion from JPY9.3 billion in the first quarter of FY2019.

Segment sales and profits are described on pages nine and ten.

Profit for Chemicals was down, due to significant sales decreases in melamine, TEPIC, and environmental-related products.

Profit for Performance Materials was up, thanks to solid sales for display and semiconductor materials and a decrease in fixed costs.

Profit for Agrochemicals were down, chiefly due to a decline in Fluralaner shipments, which had already been expected, despite an increase in ALTAIR sales. Other factors that contributed to the profit decline included the decrease in ROUNDUP sales and an increase in fixed costs such as R&D expenses.

Profit for Pharmaceuticals was down owing to a decrease in LIVALO sales despite an increase in Custom Chemicals sales.

Net income of JPY7.6 billion was down JPY0.2 billion from JPY7.8 billion in the first quarter of FY2019 due to the absence of extraordinary income. In the first quarter of FY2019, we posted a gain on sales of investment securities amounting to JPY0.9 billion.

1Q FY2020 Review

＜vs. 1Q FY2019＞

(Sales)	◆Up	¥ 0.6	billion (+1%)	(＋) Performance Materials, Trading (－) Chemicals, Agrochemicals, Pharmaceuticals
(OP)	◆Up	¥ 0.5	billion (+5%)	(＋) Performance Materials, Trading (－) Chemicals, Agrochemicals, Pharmaceuticals
(Ordinary Income)	◆Up	¥ 0.4	billion (+4%)	
(Extraordinary Income/Loss)	◆Down	¥ 0.9	billion	(Extraordinary Income -¥0.9 billion: Gain on sales of investment securities ¥0.9 billion in 1Q FY2019)
(Net Income)	◆Down	¥ 0.2	billion (-3%)	
(EPS)	◆Down	¥ 0.75		

＜vs. 1Q FY2020 Outlook as of May 2020＞

(Sales)	◆Down	¥ 0.5	billion	(＋) Performance Materials, Pharmaceuticals, Trading (－) Chemicals, Agrochemicals
(OP)	◆Up	¥ 1.3	billion	(＋) Performance Materials, Agrochemicals, Trading (±) Pharmaceutical (－) Chemicals
(Ordinary Income)	◆Up	¥ 1.3	billion	
(Net Income)	◆Up	¥ 0.8	billion	

4

Next is the comparison with our forecasts.

Operating profit of JPY9.8 billion was up JPY1.3 billion compared to the JPY8.5 billion forecast.

Profit for Chemicals fell below the target due to lower-than-anticipated sales for melamine, TEPIC, and environmental-related products.

Profit for Performance Materials came in ahead of the target thanks to solid sales for display and semiconductor materials coupled with lower-than-anticipated fixed costs.

Profit for Agrochemicals exceeded the target owing to lower-than-expected fixed costs offsetting lower-than-anticipated sales.

Profit for Pharmaceuticals surpassed the target attributable to solid sales for Custom Chemicals.

Net income of JPY7.6 billion was up JPY0.8 billion compared to the JPY6.8 billion forecast.

Third, we have made no revision to our forecasts this time. We stick to the announcement made on May 15 regarding second-quarter and full-year earnings and thus have made no changes.

Last time, we stated that we had not reflected the impact of COVID-19 into our forecasts. At the moment, we expect the total impact to be limited.

Next, in terms of shareholder returns, we completed buybacks of 1.334 million shares, amounting to JPY7 billion as of July 28.

Non-Operating Income/Expenses, Extraordinary Income/Loss

(¥billion)

	FY2019 Actual 1Q	FY2020 Actual 1Q	FY2019 Actual Full Year	FY2020 Outlook as of May 2020 Full Year
Non-Operating Income	0.90	0.84	2.61	2.52
Interest income, dividend income	0.34	0.31	0.82	0.80
Equity in earnings of affiliates	0.29	0.26	0.95	1.11
Foreign exchange gains	0.00	0.00	0.00	0.00
Others	0.27	0.27	0.84	0.61
Non-Operating Expenses	0.26	0.24	1.26	1.38
Interest expense	0.04	0.03	0.12	0.12
Loss on disposal of non-current assets	0.03	0.07	0.44	0.99
Foreign exchange losses	0.17	0.10	0.24	0.00
Others	0.02	0.04	0.46	0.27
Extraordinary Income (1)	0.85	0.00	1.83	0.50
Extraordinary Loss	0.00	0.00	0.83	0.00

(1) Gain on sales of investment securities

5

Next, please see page five.

As for non-operating income and expenses, when netting the income and expenses, the non-operating income came to JPY640 million in the first quarter of FY2019. When netting the income and expenses in the first quarter of FY2020, the non-operating income came to JPY600 million, down JPY40 million from the first quarter of FY2019.

Cash Flows

(¥billion)

	FY2019 Actual 1Q	FY2020 Actual 1Q	FY2019 Actual Full Year	FY2020 Outlook as of May 2020 Full Year
CF from operating activities	10.0	12.4	35.5	39.1
Income before income taxes & non-controlling interests	10.8	10.4	41.0	40.9
Loss (gain) on sales of securities	-0.9	0.0	-1.8	-0.5
Depreciation & Amortization (1)	2.3	2.3	10.5	10.9
Income taxes paid	-4.0	-6.0	-8.4	-11.2
Working capital, others	1.8	5.7	-5.8	-1.0
CF from investing activities	-0.6	-1.5	-15.6	-11.9
Purchase of PPE	-2.3	-2.0	-8.9	-11.1
Purchase and sales of investment securities	1.7	-0.1	2.5	0.6
Others (2)	0.0	0.6	-9.2	-1.4
CF from financing activities	-29.8	-24.9	-25.2	-25.1
Payout to shareholders (dividend)	-6.2	-7.0	-12.4	-23.1
Payout to shareholders (share repurchase)	-3.8	-4.1	-10.0	
Borrowings	-17.5	-10.9	-1.9	-2.0
Others	-2.3	-2.9	-0.9	0.0
Effect of exchange rate change on cash & cash equivalents	-0.2	0.0	-0.3	0.0
Change in cash & cash equivalents	-20.6	-14.0	-5.6	2.1
Cash & cash equivalents at end of period	15.6	16.6	30.6	32.7

(1) Including amortization of goodwill

(2) FY2019 Actual: Payments for acquisition of QUINTEC -6.3, Others -2.9

6

Next, please see page six. This page is on cash flows.

We continue to have abundant cash flows. Compared to the first quarter of FY2019, net cash provided by operating activities increased JPY2.4 billion in the first quarter of FY2020. Net cash used in investing activities increased by JPY0.9 billion to JPY1.5 billion. This was attributable to proceeds from the sale of investment securities amounting to JPY1.7 billion in the first quarter of FY2019.

Next, in terms of shareholder returns, please look at both the categories for payout to shareholders and others. In the first quarter of FY2019, net cash used in share buybacks amounted to JPY3.8 billion as we were still in the middle of the buyback period. The upper limit of buybacks was JPY6 billion, and the remaining JPY2.2 billion is included in others because it is itemized as a deposit with a trust bank.

The upper limit of buybacks is JPY7 billion in FY2020, and the amount of shares we have actually purchased is JPY4.1 billion. The remaining JPY2.9 billion is consigned to a trust bank, so it is included in others.

As a result, cash and cash equivalents at the end of the first quarter of FY2020 amounted to JPY16.6 billion, up JPY1 billion from the first quarter of FY2019.

Balance Sheets

(¥billion)

	2019/6	2020/3 (A)	2020/6 (B)	Change (B)-(A)
Current assets	129.3	154.2	134.6	-19.6
Cash	15.6	30.6	16.6	-14.0
Accounts receivable	64.2	72.5	63.0	-9.5
Inventories	43.1	43.9	46.6	+2.7
Others	6.4	7.2	8.4	+1.2
Fixed assets	90.9	95.3	97.5	+2.2
Total PPE	51.9	51.6	50.8	-0.8
Intangible assets	1.4	7.4	7.2	-0.2
Investment securities*	32.6	30.9	34.6	+3.7
Others	5.0	5.4	4.9	-0.5
Total assets	220.2	249.5	232.1	-17.4

*Investment securities

Listed shares	22.8	20.7	24.1	+3.4
Unlisted shares	2.5	2.6	2.7	+0.1
Subsidiaries/Associates shares	7.3	7.6	7.8	+0.2
Total	32.6	30.9	34.6	+3.7

	2019/6	2020/3 (A)	2020/6 (B)	Change (B)-(A)
Liabilities	42.4	64.0	47.5	-16.5
Accounts payable	16.6	16.9	15.8	-1.1
Borrowings	9.0	24.6	13.7	-10.9
Others	16.8	22.5	18.0	-4.5
Net assets	177.8	185.5	184.6	-0.9
Shareholders' equity	167.3	177.1	173.6	-3.5
Valuation difference on available-for-sale securities	9.3	7.8	10.2	+2.4
Foreign currency translation adjustment	-0.6	-0.9	-0.8	+0.1
Non-controlling interests	1.6	1.6	1.6	0.0
Remeasurements of defined benefit plans	0.2	-0.1	0.0	+0.1
Total liabilities & Net assets	220.2	249.5	232.1	-17.4

・Equity Ratio	80.0%	73.7%	78.8%
・D/E Ratio (1)	-3.9%	-3.4%	-1.7%

・Change in shareholders' equity -3.5

= Net Income 7.6 - Dividend and others 11.1

(1)D/E Ratio = (Borrowings - Cash) / Shareholders' equity

7

Next, please look at page seven for the balance sheet.

As in typical years, the first quarter ending in June is a period in which we collect accounts receivables, so this has decreased considerably.

As of the end of June last year, intangible assets amounted to JPY1.4 billion, but this has increased to JPY7.2 billion this year. This was chiefly attributable to the increase in intangible fixed assets, such as goodwill associated with the acquisition of the Quinoxyfen product line.

Looking on the right side, the equity ratio written outside the borders indicates 78.8% as of end-June 2020 compared to 80% as of end-June 2019.

FY2019-1Q FY2020 Quarterly Sales by Segment (1)(2)(3)

(¥billion)

	FY2019 Actual					FY2020 Actual		FY2020 Outlook as of May 2020				
	1Q (A)	2Q	3Q	4Q	Total	1Q (B)	Change (B)-(A)	1Q	2Q	1H	2H	Total
Chem	8.4	8.4	8.7	8.8	34.3	7.4	-1.0	8.5	8.5	17.0	18.6	35.6
Fine Chemicals	2.6	2.6	2.6	2.7	10.5	2.7	+0.1	3.2	3.2	6.4	6.7	13.1
Basic Chemicals	5.8	5.8	6.1	6.1	23.8	4.7	-1.1	5.3	5.3	10.6	11.9	22.5
Performance Materials	15.1	16.3	17.0	17.1	65.5	17.1	+2.0	16.9	17.2	34.1	36.0	70.1
Agro	14.7	13.2	5.5	30.6	64.0	14.6	-0.1	15.2	10.8	26.0	39.5	65.5
Pharma	1.9	1.5	1.6	2.0	7.0	1.5	-0.4	1.2	1.6	2.8	3.6	6.4
D.D	1.4	0.7	0.9	1.0	4.1	0.7	-0.6	0.7	0.8	1.5	1.3	2.8
C.C	0.5	0.8	0.6	1.0	2.9	0.8	+0.3	0.5	0.8	1.3	2.2	3.6
Trading	17.5	15.8	17.5	17.1	67.9	18.2	+0.7	17.1	15.9	33.0	35.2	68.2
Others	4.9	4.9	5.1	7.5	22.4	4.8	-0.1	5.5	5.1	10.6	14.4	25.0
Adjustment	-13.8	-12.3	-13.9	-14.3	-54.3	-14.3	-0.5	-14.6	-12.3	-26.9	-29.4	-56.3
Total	48.7	47.8	41.5	68.8	206.8	49.3	+0.6	49.8	46.8	96.6	117.9	214.5

(1) Including inter-segment sales/transfers
(2) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen.
Accordingly, some discrepancies may occur among totals.
(3) In FY2020, FINEOXOCOL (FO, cosmetic raw materials) was transferred from Basic Chemicals to Fine Chemicals

9

Next, on page nine, we show sales by segment.

FY2019-1Q FY2020 Quarterly OP by Segment (1)(2)

(¥billion)

	FY2019 Actual					FY2020 Actual		FY2020 Outlook as of May 2020				
	1Q (A)	2Q	3Q	4Q	Total	1Q (B)	Change (B)-(A)	1Q	2Q	1H	2H	Total
Chem	0.9	-0.6	0.5	0.5	1.3	0.7	-0.2	1.2	0.0	1.2	1.5	2.7
Performance Materials	4.0	4.4	4.7	3.9	17.0	5.3	+1.3	4.2	4.5	8.7	9.4	18.1
Agro	4.5	4.9	-1.8	11.7	19.3	4.0	-0.5	3.6	3.1	6.7	11.7	18.4
Pharma	0.4	0.1	0.1	0.3	0.9	-0.1	-0.5	-0.1	0.2	0.1	0.3	0.4
D.D	0.2	-0.2	-0.2	0.0	-0.1	-0.2	-0.5	-0.3	-0.1	-0.3	-0.6	-1.0
C.C	0.2	0.3	0.2	0.4	1.1	0.2	0.0	0.1	0.3	0.4	1.0	1.4
Trading	0.5	0.5	0.6	0.5	2.1	0.7	+0.2	0.5	0.5	1.0	1.0	2.0
Others	0.1	0.0	0.1	0.5	0.7	0.0	-0.1	0.0	0.1	0.1	0.6	0.7
Adjustment	-1.1	-0.6	-0.8	-0.2	-2.7	-0.8	+0.3	-0.9	-0.8	-1.7	-1.3	-3.0
Total	9.3	8.7	3.4	17.2	38.6	9.8	+0.5	8.5	7.6	16.1	23.2	39.3

(1) OP is calculated by new method (see FY2019 Presentation Materials p18)
(2) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen. Accordingly, some discrepancies may occur among totals.

10

On page 10, we show profits by segment.

In the middle of the page, we show a section that says Change (B)-(A). The numbers there are comparisons with the first quarter of FY2019.

Profit was down JPY0.2 billion for Chemicals, up JPY1.3 billion for Performance Materials, down JPY0.5 billion for Agrochemicals, and down JPY0.5 billion for Pharmaceuticals. Overall, profit was up JPY0.5 billion.

The column to the right of this shows the forecasts for the first quarter issued in May.

We forecast profit of JPY1.2 billion for Chemicals, JPY4.2 billion for Performance Materials, JPY3.6 billion for Agrochemicals, and a loss of JPY0.1 billion for Pharmaceuticals.

Chemicals – (B) 1Q FY2020 Sales & Profit Review

<Sales Review>

	1Q FY2020 Actual*	
	YOY	vs. Plan as of May 2020 (undisclosed)
TEPIC	-9%	Below
Environmental related products	-13%	Below
Total Fine Chem	+5%	Below
Melamine	-55%	Below
Urea Including AdBlue	-5%	Below
High purity sulfuric acid	+19%	Below
Nitric acid products	-2%	Below
Total Basic Chem	-19%	Below

2 products account for 72% of total consolidated subsegment sales (1Q FY2020)

4 products account for 53% of total consolidated subsegment sales (1Q FY2020)

<Profit Review>

(¥billion)

	FY2019 Actual (A)	FY2020 Actual (B)	Change (B) - (A)	FY2020 Outlook as of May 2020
	1Q	1Q	1Q	1Q
Sales	8.4	7.4	-1.0	8.5
Fine	2.6	2.7	+0.1	3.2
Basic	5.8	4.7	-1.1	5.3
OP	0.9	0.7	-0.2	1.2

*In FY2020, FINEOXOCOL (FO, cosmetic raw materials) was transferred from Basic Chemicals to Fine Chemicals

1Q FY2020 Review
<vs. 1Q FY2019>

(Fine)
- Sales down: TEPIC for general applications (export), TEPIC for electronic materials (sluggish demand for cars), environmental related products (sluggish demand for pools)
- Inventory adjustment cost down
- Sales up (including ¥0.3 billion FO* transferred from BC), OP up

(Basic)
- Sales up: high purity sulfuric acid (for semis)
- Sales down: domestic melamine (sluggish demand for housing), export melamine(due to reduction of low margin deals) urea including AdBlue, nitric acid products
- Sales down (including ¥0.3 billion FO* transferred to FC), OP down

(Total)
- Sales down ¥1.0 billion, OP down ¥0.2 billion

1Q FY2020 Review
<vs. 1Q FY2020 Outlook as of May 2020>

(Fine)
- Sales below target: TEPIC for general applications, TEPIC for electronic materials, environmental related products
- Sales below target, OP below target

(Basic)
- Sales below target: melamine (both domestic and export), urea including AdBlue, high purity sulfuric acid, nitric acid products
- Sales below target, OP below target

(Total)
- Sales down ¥1.1 billion, OP down ¥0.5 billion

12

Next, we'll move on to an explanation of each segment.

First, please see page 12 for the Chemicals Segment.

In the bottom left, we describe the YoY comparison for each key product. In the bottom right, we describe whether results came in above or below the target.

First, please look at the explanation on the bottom, including the first quarter FY2020 results and the YoY comparison, along with the table shown above.

For Fine Chemicals, sales were down for TEPIC in general applications chiefly due to the impact of COVID-19 in overseas markets. Sales were also down for TEPIC in electrical materials due to sluggish printed wiring board sales for automotive applications. As a result, TEPIC sales were down 9% YoY.

For Fine Chemicals, inventory adjustment had a positive impact of approximately JPY0.1 billion. As a result, sales were up slightly, and operating profit also increased slightly.

Next, for Basic Chemicals, sales were up 19% YoY for high-purity sulfuric acid. This was because the market for semiconductor cleaning applications was good.

Meanwhile, sales were down for domestic melamine, largely due to a decline in housing starts. As for exports, our focus has been on spreads. We have been working to reduce unprofitable transactions under a policy of reducing the sales volume in FY2020. Looking at the first quarter alone, sales volume decreased by about 60%, and the unit price fell slightly. In terms of our initial assumptions, we expected the sales volume to decline by about 60%, so we are roughly in line with the plan. Consequently, sales for domestic and overseas melamine combined were down 55%.

On the other hand, for urea, including AdBlue, sales were down 5%, mainly owing to sluggish sales of AdBlue for trucks and construction equipment. For nitric acid products, sales were down 2%. Overall, sales for Basic Chemicals were down 19%.

Both sales and operating profit were down for Basic Chemicals.

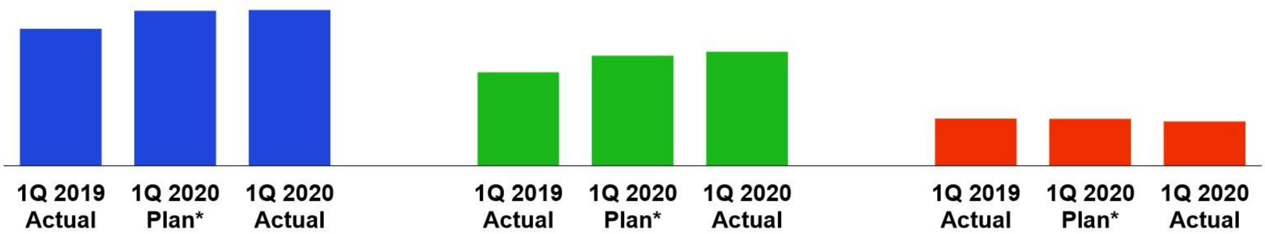
In terms of the total for the Chemicals Segment, written on the very bottom, sales were down JPY1 billion and operating profit was down JPY0.2 billion.

Comparisons with the targets as of May are shown on the top right of the same table.

First, in Fine Chemicals, TEPIC and environmental-related products came in below the target. As a result, both sales and profit fell short of the plan.

In Basic Chemicals, the majority of melamine, urea including AdBlue, high-purity sulfuric acid, and nitric acid products came in below the target. Consequently, sales fell JPY1.1 billion short of the plan, while profit was JPY0.5 billion behind the plan.

Performance Materials – (B) 1Q FY2020 Sales Distribution



*as of May 2020 (undisclosed)

< Display Materials >

SUNEVER : LCD alignment coating

< Semis Materials >

ARC® :Bottom anti-reflective coating for semis
Multi layer process materials (OptiStack®)
Other new materials: EUV materials, CMOS image sensor materials, 3D packaging process materials

< Inorganic >

SNOWTEX : Silica sol for: polishing materials (silicon wafer, compound semiconductors, semiconductors CMP and etc.) and non-polishing materials (special steel sheet and etc.)

Organo/Monomer sol : Hard coating materials, electronic information materials, resin additive
Oilfield materials : For enhancing oil recovery

14

Next, we will proceed to the Performance Materials. Please see page 14.

This page shows sales for the three sub-segments: first-quarter FY2019 results, first-quarter FY2020 plan and first-quarter FY2020 results. The weighting of Performance Materials to overall sales has not changed much.

Performance Materials – (C) 1Q FY2020 Sales Review

Main Products	1Q FY2020 Actual	
	YOY	vs. Plan as of May 2020 (undisclosed)
SUNEVER	+14%	Above
Total Display Materials	+14%	Above
KrF (ARC®)	+26%	Above
ArF (ARC®)	+19%	Above
Total ARC®	+23%	Above
Other Semiconductors Materials (1)	+20%	Below
Total Semiconductors Materials	+22%	Above

Main Products	1Q FY2020 Actual	
	YOY	vs. Plan as of May 2020 (undisclosed)
SNOWTEX	+8%	Above
Organo/Monomer Sol	-9%	Below
Oilfield Materials	-84%	Below
Total Inorganic Materials	-6%	Below

(1) Multi layer process materials (OptiStack®), EUV materials, CMOS image sensor materials, 3D packaging process materials, etc.

15

Next, please see page 15. This page shows the sales trends for key products in the Performance Materials Segment.

First, in the table on the left, SUNEVER sales were up 14% YoY and came in ahead of the target.

As for semiconductor materials, sales were up 26% for KrF and 19% for ArF. For the total ARC, sales were up 23%. Sales exceeded the targets for KrF, ArF, and total ARC.

For other semiconductor materials, sales were up 20%. Sales came in below the target.

Overall, sales for semiconductor materials were up 22%, exceeding the target.

On the right sight, sales for the SNOWTEX inorganic materials were up 8%, slightly ahead of the target. Sales for Organo and Monomer Sol were down 9%, falling short of the target.

Sales for oilfield materials dropped 84%, coming in behind the target.

Performance Materials – (D) SUNEVER

<SUNEVER Sales Distribution by Mode>

Main applications：PC, Monitor | **TV** | **Smartphone, Tablet, PC**

*as of May 2020 (undisclosed)
**TN : Twisted Nematic, VA : Vertical Alignment, IPS : In-Plane Switching

<SUNEVER Sales Review by Mode>

	1Q FY2020 Actual	
	YOY	vs. Plan as of May 2020 (undisclosed)
TN	↘↘	Below
VA	↗	Below
IPS	↗↗	Above
Total	+14%	Above

YOY Change

+10～+19%	↗↗
+0～+9%	↗
-0～-9%	↘
-10～-19%	↘↘

16

Next, please see page 16. This page describes SUNEVER sales by mode.

As shown by the arrows in the bottom left, TN sales were down YoY. VA sales were up. IPS sales, including for photo and rubbing, were up and came in well ahead of the target. As a result, total sales were up 14% and exceeded the plan.

Performance Materials – (E) 1Q FY2020 Sales & Profit Review

(¥billion)

	FY2019 Actual (A)	FY2020 Actual (B)	Change (B) - (A)	FY2020 Outlook as of May 2020
	1Q	1Q	1Q	1Q
Sales	15.1	17.1	+2.0	16.9
OP	4.0	5.3	+1.3	4.2

other new materials: EUV materials, CMOS image sensor materials, 3D packaging process materials total

1Q FY2020 Review
<vs. 1Q FY2019>

- DP sales up, OP up
  Photo IPS up (smartphone and non-smartphone up),
  rubbing IPS up (non-smartphone up),
  VA up , TN down
- Semis Materials sales up, OP up
  ARC® up, other semis materials up (multi layer materials up, other new materials up)
  Steadily growing logic market, recovery of memory market
  Fixed cost down ¥0.4 billion
- Inorganic Materials sales down, OP down
  SNOWTEX up (non-polishing flat, polishing up),
  Organo/Monomer Sol down,
  Oilfield materials down (sluggish shale oil market)
- Fixed cost down ¥0.4 billion in total
- Sales up ¥2.0 billion, OP up ¥1.3 billion

1Q FY2020 Review
<vs. 1Q FY2020 Outlook as of May 2020>

- DP sales above target, OP above target
  Photo IPS below target (smartphone below target),
  rubbing IPS above target (non-smartphone above target),
  VA below target, TN below target
  Fixed cost below expectations (¥0.3 billion)
- Semis Materials sales above target, OP above target
  ARC® above target, other semis materials below target
  (multi layer materials and other new materials below target)
  Steadily growing logic semis market overall
  Fixed cost below expectations (¥0.5 billion)
- Inorganic Materials sales below target, OP above target
  SNOWTEX above target
  (non-polishing for cars below target, polishing above target),
  Organo/Monomer Sol below target,
  Oilfield materials below target (sluggish shale oil market)
  Fixed cost below expectations (¥0.2 billion)
- Fixed cost below expectations (¥1.0 billion) in total
- Sales up ¥0.2 billion, OP up ¥1.1 billion

17

Next, please see page 17. This page describes the sales and profit trends for Performance Materials.

First, on the left side is shown the YoY comparison. For displays, both sales and profit increased. In particular, photo IPS sales were up. Although smartphone sales increased, non-smartphone sales were very strong, particularly for PCs and tablets.

The downtrend in rubbing IPS sales has continued up to now, but sales turned up in the first quarter. This upturn was also the result of strong non-smartphone sales.

VA sales were up, while TN sales were down.

For semiconductor materials, both sales and profit increased. ARC sales were up, and other material sales were also up, as explained earlier. Logic sales remained solid with a robust recovery in DRAM and flash memory sales, coupled with a decline in fixed costs centered on R&D expenses.

For inorganic materials, both sales and profit decreased. SNOWTEX sales were up, particularly for polishing materials. Sales increased for polishing silicon wafers and CMP but remained flat for general applications.

Organo and Monomer Sol sales decreased slightly.

Sales for oilfield materials declined due to the sluggish shale oil market.

In the overall segment, fixed costs fell by JPY0.4 billion. As a result, sales increased JPY2 billion and operating profit rose JPY1.3 billion.

Comparing sales and profit with the outlook shown on the right, first, sales and profit for displays exceeded the targets. The breakdown shows that photo IPS for smartphones fell behind the target. Meanwhile, rubbing IPS sales for non-smartphones such as PCs and tablets were strong and increased considerably.

Both VA and TN sales came in slightly behind targets. Meanwhile, fixed costs were also below the target, serving as a positive factor. Fixed costs were JPY0.3 billion lower than expected.

Next, sales and profit for semiconductors exceeded the targets. Although results surpassed the target for ARC, they fell short of the target for other materials. The performance of semiconductor materials overall was stronger than expected, coupled with fixed costs that were JPY0.5 billion less than anticipated, resulting in a very large overshoot in profit.

For inorganic materials, SNOWTEX sales were slightly above the target. Sales for Organo and Monomer Sol were below the target. Oilfield materials underperformed the target, but fixed costs were lower than anticipated. Overall, inorganic material sales fell below the target, while profit came in above the target.

In the overall segment, fixed costs were JPY1 billion lower than anticipated. Sales only exceeded the target by JPY0.2 billion, but operating profit surpassed the target by JPY1.1 billion.

Agrochemicals – (B) Sales Review (Before Discount)

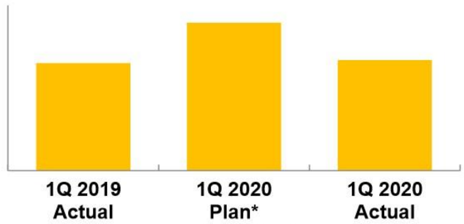
Main Products (in order of FY2019 sales amount)		1Q FY2020 Actual YOY	1Q FY2020 Actual vs. Plan as of May 2020 (undisclosed)
Fluralaner	Animal health products	-16%	Above
ROUNDUP (1)	Herbicide	-6%	Below
ALTAIR	Herbicide	+20%	Below
TARGA	Herbicide	+36%	Above
GRACIA	Insecticide	+3%	Below
PERMIT	Herbicide	-42%	Below
LEIMAY	Fungicide	+26%	Above
QUINTEC	Fungicide	-	Below
Total segment	-	-2%	Below

◆ No.1 in the domestic agrochemicals sales ranking (Oct.2017- Sep.2018)

⇒See presentation materials for the ROUNDUP business briefing held on January 22, 2020
https://www.nissanchem.co.jp/eng/news_release/release/en2020_01_24.pdf

(1) ROUNDUP AL for general household accounting for 34% of 1Q FY2020 ROUNDUP sales

◆ GRACIA Sales (1Q FY2020 Actual)



*as of May 2020 (undisclosed)

◆ QUINTEC (QUINOXYFEN)

- Acquired the QUINOXYFEN product line of fungicides including QUINTEC brand from Corteva in November 2019 and started to sell in December 2019
- Protectant fungicide highly effective in controlling powdery mildew in fruits (especially grapes) and vegetables, mainly sold in USA

20

Next, we will look at the Agrochemicals Segment. Please see page 20. The key products are shown on the left in order.

Fluralaner sales were down 16% YoY. However, sales were above the target. ROUNDUP sales were down 6% and were below the target. ALTAIR sales were up 20%, indicating robust growth, but came in below the target. TARGA sales were up 36%, showing a large growth, and came in above the target.

GRACIA sales were up 3%. In Agrochemicals, GRACIA sales were a major disappointment, coming in below the target. PERMIT sales were down 42% and fell short of the target. LEIMAY sales were up 26%.

In the bottom left, we show a small bar graph in orange to illustrate GRACIA sales. As shown here, you can see that sales were significantly lower than the target for the first quarter.

Agrochemicals – (C) Fluralaner

◆**Fluralaner**

- Invented by NCC and supplied to MSD* as
  the active pharmaceutical ingredient of BRAVECTO and EXZOLT
- Currently, BRAVECTO series and EXZOLT are available in 100 countries
- Compound patent
  Fluralaner's compound patent expires in March 2025,
  but many countries have a patent term extension system
  - Some EU countries including UK, France, Germany – already extended to February 2029
  - USA, etc. – applications under examination

*MSD: MSD Animal Health, the global animal health business unit of Merck

◆**BRAVECTO**

- Developed and launched by MSD
- Veterinary medical products providing 12 weeks of continuous protection for dogs and cats against fleas and ticks with immediate effect, nearly 3 times longer than any monthly products in the market.
- Chewable tablet for dogs
  April 2014 Europe, June 2014 USA, July 2015 Japan, July 2019 China
  July 2020 monthly chews for puppies approved in USA
- Spot-on solution for dogs and cats
  July 2016 EU(cats), December 2016 USA(cats)
  January 2017 USA, Germany, Austria(dogs)
  June 2018 Japan(cats)

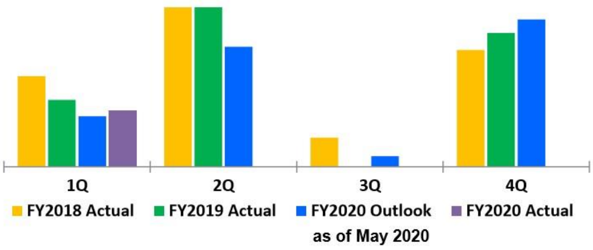
◆**EXZOLT**

- A poultry medicine against red mite launched by MSD
  (administered via drinking water)
  September 2017 Europe, June 2018 Korea

◆**BRAVECTO Plus**

- A broad-spectrum combination spot-on solution
  for cats to treat internal and external parasite infestations
  July 2018 Europe, December 2019 USA

■Fluralaner Quarterly Sales (including royalties)



21

Next, please see page 21.

As for Fluralaner, I'd like to go over one point. Although we already announced this in a press release, I'd like to explain the third point under the section on BRAVECTO. In July, our chewable tablet for dogs received marketing approval in the US for monthly chews for puppies through Merck.

As you know, BRAVECTO's main chewable is a three-month chew for dogs, so this is a very short-term product for puppies.

Also, below that, we show the Fluralaner quarterly sales trends. We haven't changed our targets for the second quarter onwards, and we expect a decline in sales in FY2020 from FY2019. That said, we expect larger sales for the third quarter and the fourth quarter compared to FY2019.

Agrochemicals – (D) 1Q FY2020 Sales & Profit Review

(¥billion)

	FY2019 Actual (A)	FY2020 Actual (B)	Change (B) - (A)	FY2020 Outlook as of May 2020
	1Q	1Q	1Q	1Q
Sales	14.7	14.6	-0.1	15.2
OP	4.5	4.0	-0.5	3.6

1Q FY2020 Review
<vs. 1Q FY2019>

- Sales up : TARGA(export: shipment shifted from 2H, for mixtures in several markets overseas), ALTAIR(domestic, export) QUINTEC(export), LEIMAY(domestic, export), GRACIA(export)
- Sales down : Fluralaner (BRAVECTO inventory adjustment), GRACIA(domestic: less pest at low temperature) PERMIT(export: recoil of increased shipments in FY2019), ROUNDUP(ML down, AL up)
- Fixed cost up ¥0.3 billion
- Inventory adjustment cost down ¥0.2 billion
- Sales down ¥0.1 billion, OP down ¥0.5 billion

1Q FY2020 Review
<vs. 1Q FY2020 Outlook as of May 2020>

- Sales above target : TARGA(export: shipment shifted from 2H, for mixtures in several markets overseas), Fluralaner(shifted from 2Q), LEIMAY(export)
- Sales below target : GRACIA(domestic: less pest at low temperature, export), ROUNDUP(ML below target, AL above target) ALTAIR(domestic: demand below target), QUINTEC(export), PERMIT(domestic)
- Fixed cost below expectations (¥0.5 billion)
- Inventory adjustment cost below expectations (¥0.3 billion)
- Sales down ¥0.6 billion, OP up ¥0.4 billion

22

Next, on page 22, we describe the sales and profit trends for the Agrochemicals Segment.

First, on the left side, we explain the results in comparison with the first quarter FY2019. Products that saw an increase in sales include TARGA. Positive impacts came from exports being pushed forward and new moves such as the product's use in mixtures with major manufacturers in overseas markets.

As for ALTAIR, we introduced a second-generation product group in Japan, and this had a positive impact.

QUINTEC, LEIMAY, and GRACIA for export also increased.

Meanwhile, sales were down for Fluralaner, due to scheduled inventory adjustments. GRACIA for domestic sales were down chiefly due to a prolonged period of very low temperatures domestically from April to June and very little occurrence of pests.

PERMIT sales were down as expected mainly due to the pullback from increased shipments in the previous fiscal year. In FY2019, PERMIT for use in corn was registered in the EU, resulting in a large volume of shipments. Sales declined this year as a pullback from that increase.

ROUNDUP Maxload sales were down for agriculture market due to a decrease in distribution inventory. While it can be said that this was due to the impact of COVID-19, a major part of marketing activities is to sell ROUNDUP to each distributor, and after that, to newly stock up inventories by supplying products one more time. However, progress was slow on this front, and distribution inventory has continued to decrease.

AL sales were up, as progress was made in shifting to the high-priced III product line. However, total sales were down.

Fixed costs increased by JPY0.3 billion, mainly owing to increases in R&D expenses and amortization costs of Quinoxyfen. Meanwhile, lower inventory adjustment costs had a positive impact of JPY0.2 billion. In total, sales were down JPY0.1 billion, while profit was down JPY0.5 billion.

In comparison to the plan, shown on the right, sales came in ahead of the target mainly due to TARGA. In addition, progress is being made in inventory adjustments for Fluralaner. Although sales were down YoY, shipments pushed forward from the second quarter led to an overshoot versus the target. Sales for LEIMAY came in above the target due to a simple misestimation.

Sales were below the target for domestic GRACIA. For ROUNDUP, sales were below the target for Maxload and above the target for AL for the reasons stated earlier.

For ALTAIR, sales were below the target partly due to a slight absence of domestic supply. Also, sales fell short of the target for domestic PERMIT, mainly due to a shift in ALTAIR.

Meanwhile, lower-than-expected fixed costs had a positive impact of JPY0.5 billion. Inventory adjustment costs also had a positive impact of JPY0.3 billion. In total, sales came in JPY0.6 billion below the plan, while operating profit was JPY0.4 billion above the plan. Thus, sales and profit moved in opposite directions versus the plan.

Pharmaceuticals – (B) 1Q FY2020 Sales & Profit Review

<Sales Review>

Pharma	1Q FY2020 Actual YOY	1Q FY2020 Actual vs. Plan as of May 2020 (undisclosed)
LIVALO	-48%	Above
Custom Chemicals	+49%	Above
Total segment	-20%	Above

<Profit Review>(1) (¥billion)

	FY2019 Actual (A) 1Q	FY2020 Actual (B) 1Q	Change (B) - (A) 1Q	FY2020 Outlook as of May 2020 1Q
Sales	1.87	1.50	-0.37	1.19
D.D	1.36	0.74	-0.62	0.66
C.C	0.51	0.76	+0.25	0.53
OP	0.39	-0.07	-0.46	-0.14
D.D	0.23	-0.22	-0.45	-0.26
C.C	0.16	0.15	-0.01	0.12

(1) Figures in p9,10,37,38 may not match the numbers on this page due to rounding.

1Q FY2020 Review
<vs. 1Q FY2019>

(D.D) ◆ LIVALO sales down
(domestic sales down, export down)
◆ Sales down ¥0.62 billion, OP down ¥0.45 billion
(C.C) ◆ Sales up
◆ Sales up ¥0.25 billion, OP down ¥0.01 billion
(Total) ◆ Sales down ¥0.37 billion, OP down ¥0.46 billion

1Q FY2020 Review
<vs. 1Q FY2020 Outlook as of May 2020>

(D.D) ◆ LIVALO sales above target
(domestic sales above target, export above target)
◆ Sales up ¥0.08 billion, OP up ¥0.04 billion
(C.C) ◆ Sales above target
◆ Sales up ¥0.23 billion, OP up ¥0.03 billion
(Total) ◆ Sales up ¥0.31 billion, OP up ¥0.07 billion

24

Next, we'll go over the Pharmaceuticals Segment. Please see page 24.

On the left side, we show the YoY performance for LIVALO and Custom Chemicals.

As for LIVALO, I'd like you to also look at the explanation of performance trends described on the bottom. Domestic sales were down slightly, while exports fell considerably. As a result, sales were down 48%. This result is still above the target.

Meanwhile, sales for Custom Chemicals were up 49%, and this was also above the target.

For the total Pharmaceutical Segment, sales were down 20% but came in ahead of the plan.

Described below is the YoY comparison. LIVALO sales were down, while Custom Chemicals sales were up. In total, sales were down JPY0.37 billion and operating profit was down JPY0.46 billion.

If you look at the table on the right, we show the sales and profit trends for both drug discovery (written as D.D), which is equivalent to LIVALO, and Custom Chemicals.

Compared to the target, shown on the right, LIVALO sales came in ahead of the target. Domestic sales and exports both exceeded the target. Custom Chemicals sales also surpassed the target in part due to shipments being pushed forward, but also thanks to a net increase and some price increases.

In total, sales surpassed the plan by JPY0.31 billion, and operating profit exceeded the plan by JPY0.07 billion.

As for the performance trends for Custom Chemicals, profit declined by JPY0.01 billion from the first quarter of FY2019 to the first quarter of FY2020, despite a JPY0.25 billion increase in sales. This is mainly attributable to a significant impact from reductions in raw material prices that led to an inventory valuation loss of about JPY0.12 billion.

ESG and Awards

◆**April 2019**
Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors

◆**June 2019**
・Introduced a performance-linked stock compensation plan called a Board Benefit Trust for members of the Board of Directors, etc.
・One Outside Director added
As a result, the Board of Directors consisting of 9 Directors include 3 Outside Directors

◆**August 2019**
NCC was selected as one of the 50 candidates of the Corporate Value Improvement Award hosted by the Tokyo Stock Exchange for the second consecutive year. The Award targets all listed companies in Japan (approximately 3,600 companies).

◆**September 2019**
NCC was selected as an inclusion in the Dow Jones Sustainability Asia Pacific Index for the second consecutive year

◆**December 2019**
Published "Integrated Reports 2019" https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2019.pdf

◆**February 2020**
NCC was listed for the first time on Water Security "A List" as a company with excellent sustainable water resource management by CDP

◆**June 2020**
NCC was selected as an inclusion in the S&P/JPX Carbon Efficient Index for the second consecutive year
NCC was selected as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index

25

Next, please see page 25 for an explanation of matters related to ESG.

In terms of ESG index, we were selected for inclusion in the S&P/JPX Carbon Efficient Index in June 2020, marking the second consecutive year of inclusion. We were also selected as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index.

Full Year FY2020 Outlook as of May 2020(no revision afterwards)

The following outlook does not reflect the effects of the COVID-19 pandemic since they cannot be reasonably assessed. At this time, the pandemic is expected to have only a limited impact on the figures.

(¥billion)

	FY2019 Actual			FY2020 Outlook			Change			Change (%)
	1H	2H	Total	1H	2H	Total	1H	2H	Total	Total
Sales	96.5	110.3	206.8	96.6	117.9	Record 214.5	+0.1	+7.6	+7.7	+4%
Operating Profit	18.0	20.6	38.6	16.1	23.2	Record 39.3	-1.9	+2.6	+0.7	+2%
Non-Operating Income/Expenses	0.6	0.8	1.4	0.6	0.5	1.1	0.0	-0.3	-0.3	-
Ordinary Income	18.6	21.4	40.0	16.7	23.7	Record 40.4	-1.9	+2.3	+0.4	+1%
Extraordinary Income/Loss (1)	0.9	0.1	1.0	0.0	0.5	0.5	-0.9	+0.4	-0.5	-
Net Income (2)	14.5	16.3	30.8	12.5	18.3	Record 30.8	-2.0	+2.0	0.0	0%
EBITDA (3)	22.7	26.5	49.2	20.5	28.5	49.0	-2.2	+2.0	-0.2	0%
EPS (¥/share)	98.75	111.34	210.09	86.64	127.59	214.23	-12.11	+16.25	+4.14	+2%
Dividend (¥/share)	42	48	90	46	50	96	+4	+2	+6	
Total amount of Dividend	6.2	6.9	13.1	6.6	7.2	13.8	+0.4	+0.3	+0.7	
OP Margin	18.7%	18.7%	18.7%	16.7%	19.7%	18.3%	-2.0%	+1.0%	-0.4%	
ROE	-	-	16.9%	-	-	16.4%			-0.5%	
FX Rate (¥/$)	109	109	109	108	108	108				
Crude Oil (JCC) ($/bbl) (4)	69	67	68	65	65	65				

(1) FY2020 Outlook: Gain on sales of investment securities ¥0.5 billion (2) Net Income = Profit Attributable to Owners of Parent
(3) EBITDA = Operating Profit + Depreciation (4) FY2019 Actual: Based on Trade Statistics of Japan Ministry of Finance

26

Please see page 26.

On this page, we show our forecasts announced in May divided into 1H and 2H. As stated earlier, we have left these figures unchanged.

Our Characteristics - (A) Recording Stable OP Margin

◆ **NCC has recorded more than 10% OP margin in 17 consecutive years (FY2003-2019)**

27

From page 27 onwards, we would like to go over the characteristics of our Company. I think people who participated in our briefing meeting in the past already know this information, but we'd like to give an overview for first-time participants.

First, on page 27, we show our operating profit margin trends.

Even though the chemicals industry is subject to severe fluctuations, our Company has consistently maintained an operating profit margin above 10% since 2003. In particular, the operating profit margin has been above 18% in the last three years.

Our Characteristics - (B) High ROE

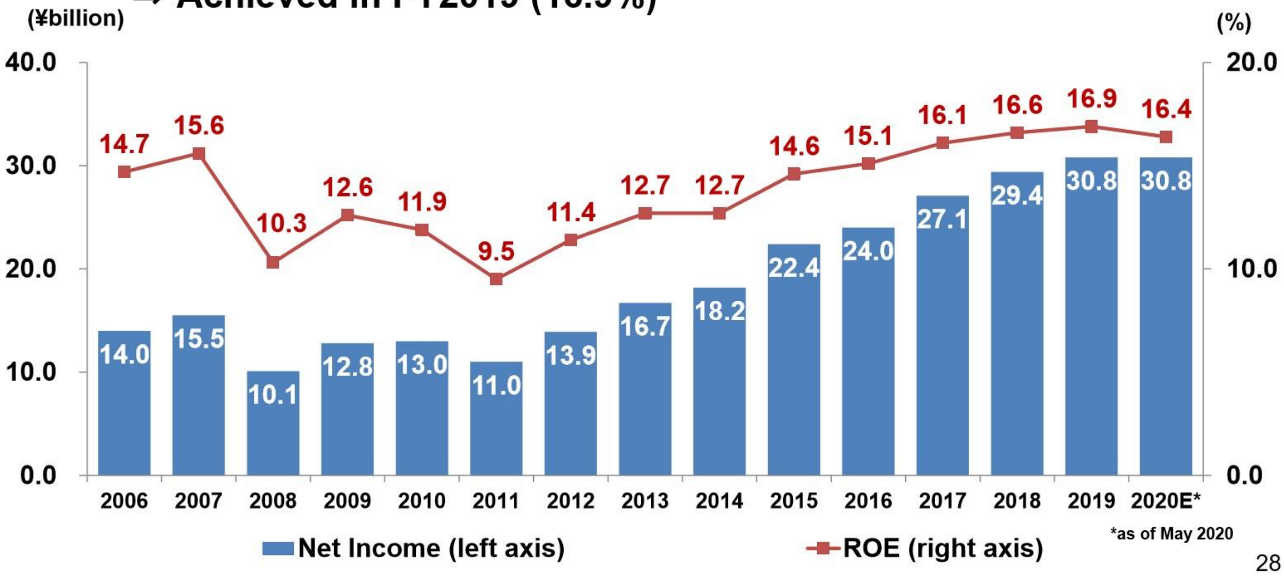
◆ **The most important financial indicator for a long time**

◆ **Mid-Term Plan FY2016-2018 Target : Maintain above 14%**

⇒ Achieved in FY2016, 2017 and 2018

◆ **New Mid-Term Plan FY2019-2021 Target : Maintain above 16%**

⇒ Achieved in FY2019 (16.9%)



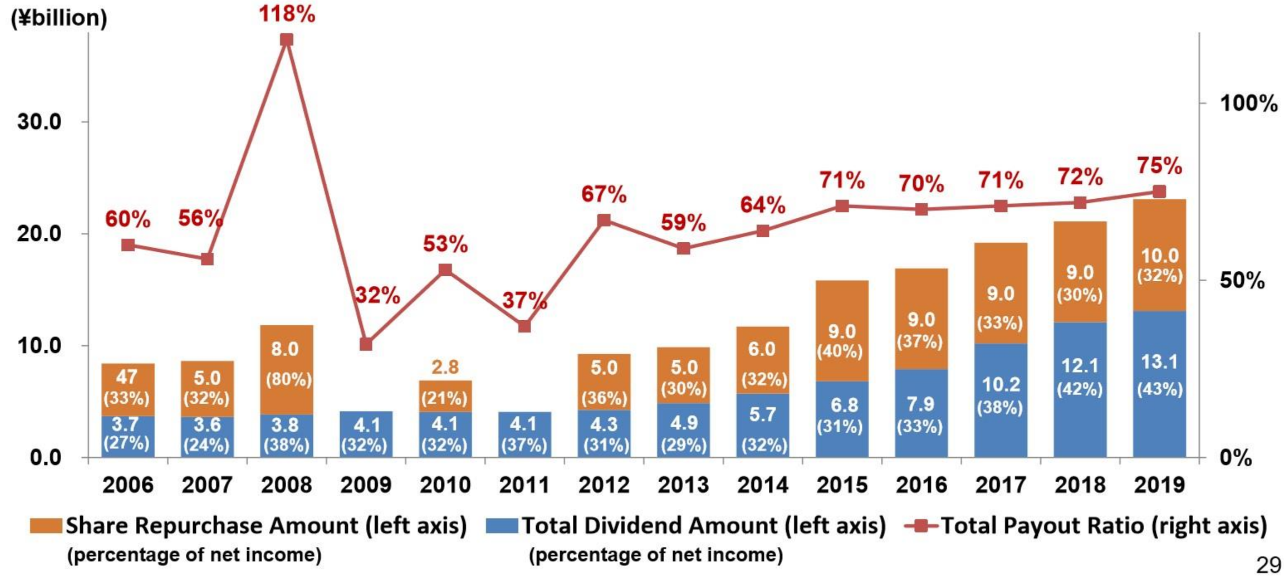
28

Please see page 28.

The most important KPI in our Company is ROE. Under our current medium-term plan, we target a ROE of 16% or higher. In FY2019, ROE was 16.9%.

Our Characteristics - (C) Shareholders Return Policy - Total Payout Ratio

- **Maintaining an aggressive shareholders return policy**
- **Mid-Term Plan FY2016-2018 Target : Maintain 70% total payout ratio**
  ⇒ Achieved in FY2016, 2017 and 2018
- **New Mid-Term Plan FY2019-2021 Target : 72.5% in FY2019, 75% in FY2020-2021**
  ⇒ Achieved in FY2019 (75.1%)



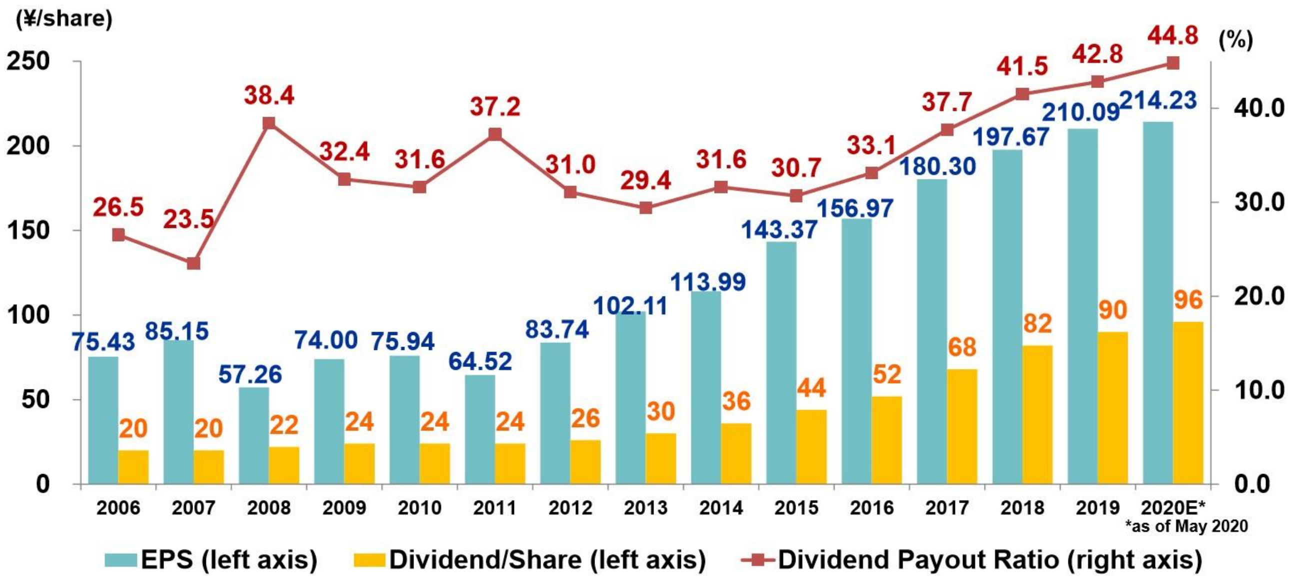
29

Next, please see page 29.

We are committed to our shareholder return policy. We currently commit to a total payout ratio of 75% in FY2020 under the medium-term plan. We achieved a total payout ratio of 75.1% in FY2019, one year ahead of the plan.

Our Characteristics - (D) Shareholders Return Policy - Dividend

- ◆ **Mid-Term Plan FY2016-2018 Target : Gradually increased to 41.5% in FY2018**
  ⇒ Achieved in FY2018 (41.5%)
- ◆ **New Mid-Term Plan FY2019-2021 Target : 42.5% in FY2019, 45% in FY2020-2021**
  ⇒ Achieved in FY2019 (42.8%)



30

Next, on page 30, we explain the dividend payout ratio.

We have been gradually raising the dividend payout ratio. Our target was 42.5% for FY2019 and 45% for FY2020. We achieved 42.8% in FY2019.

Thus, in terms of the 75% total payout ratio target in FY2020, our underlying targets are 30% in share buybacks and 45% in dividends.

Our Characteristics - (E) Shareholders Return Policy - Share Repurchase

- Started share repurchase in 2006 only to enhance ROE
- Repurchased ¥82.5 billion, 40.9 million shares (21.8% of shares issued) in total from FY2006 to FY2019
- Cancelled all repurchased shares

Shareholders Return FY2006 - 2019

(1) excluding share acquisitions for performance-based compensation (166,200 shares)
(2) including share acquisitions for performance-based compensation (166,200 shares)

Fiscal year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Shares purchased (1) (thousand shares)	3,500	3,399	7,355	0	2,167	0	6,372	3,263	2,764	3,333	2,621	2,292	1,682	2,138	40,886
Purchase costs (1) (¥billion)	4.7	5.0	8.0	0.0	2.8	0.0	5.0	5.0	6.0	9.0	9.0	9.0	9.0	10.0	82.5
Shares cancelled (thousand shares)	3,000	3,635	7,000	0	3,000	0	6,000	4,000	3,000	2,000	2,000	3,000	2,000	3,000	41,635
Shares issued at FY end (million shares)	185	181	174	174	171	171	165	161	158	156	154	151	149	146	
Treasury shares at FY end (2) (thousand shares)	1,367	1,233	1,660	1,709	885	886	1,258	522	287	1,621	2,242	1,535	1,218	523	

- Share repurchase program

Fiscal Year	2017			2018			2019			2020
	1H	2H	Tatal	1H	2H	Tatal	1H	2H	Tatal	From May 18, 2020 to July 28, 2020
Shares purchased (thousand shares) (1)	1,304	988	2,292	976	706	1,682	1,270	868	2,138	1,334
Purchase costs (¥billion) (1)	5.0	4.0	9.0	5.0	4.0	9.0	6.0	4.0	10.0	7.0
Shares cancelled (thousand shares)	3,000	0	3,000	2,000	0	2,000	2,000	1,000	3,000	

- Cash Management Policy

Aiming to control cash balance around the level of
= Minimum required level
+ 1/3 of annual scheduled long-term borrowings repayment
+ 1/3 of short-term borrowings outstanding + Contingent risk reserves

31

Please see page 31.

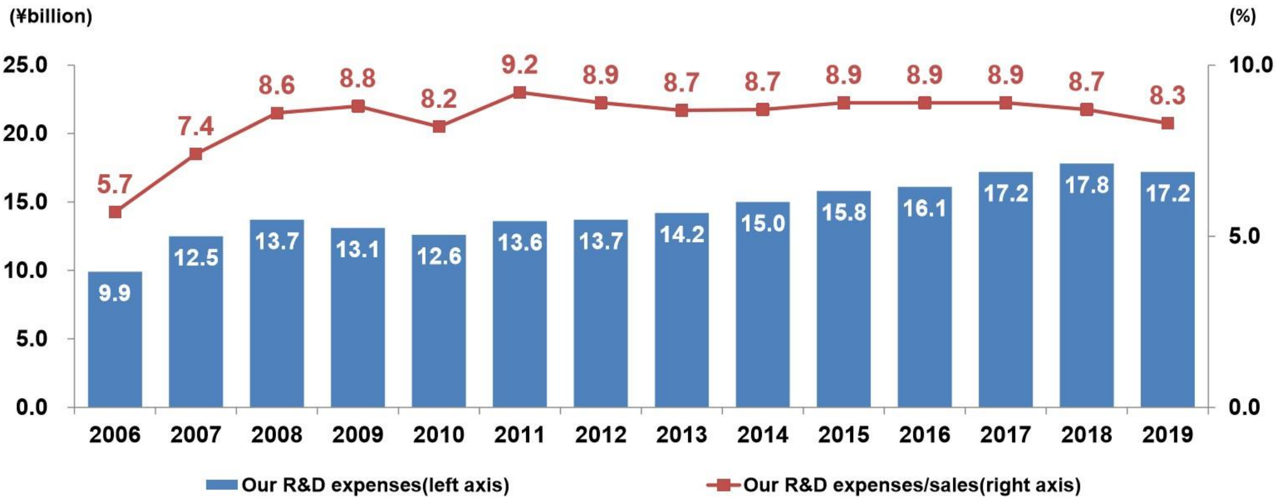
We have been conducting share buyback every year except in FY2009 and 2011.

Every year, repurchased shares are all retired during the period. In total, until FY2019, we repurchased roughly 41 million shares and retired 41.6 million shares.

In FY2020, up to this point, we repurchased 1.33 million shares, amounting to JPY7 billion.

Our Characteristics- (F-1) R&D Oriented Chemical Company

- FY2019 R&D expenses/sales: 8.3%
- Maintaining above 8% R&D expenses/sales in recent years
- About 40% of profession staff assigned to R&D centers



33

Next, please turn to page 33.

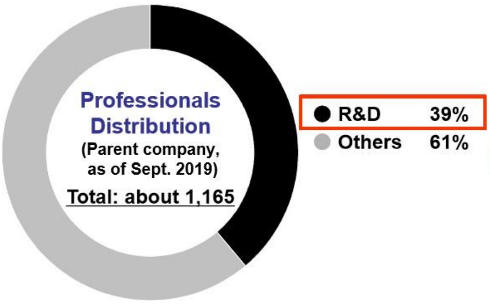
Lastly, another characteristic of our Company is that we have consistently kept R&D expenses between 8% and 9% of sales.

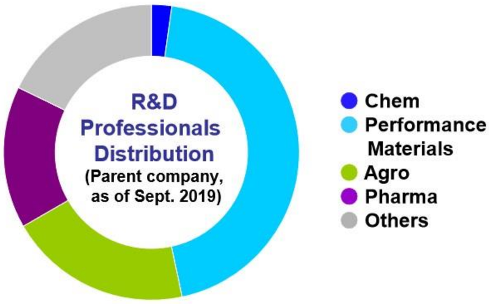
Our Characteristics- (F-2) R&D Oriented Chemical Company

◆ R&D by segment

Segment	FY2019 Actual Sales (¥billion)	OP* (¥billion)	OP margin	R&D expenses (¥billion)	% of Sales
Chemicals	34.3	1.3	3.8%	0.4	1.2%
Performance Materials	65.5	17.0	26.0%	7.7	11.8%
Agrochemicals	64.0	19.3	30.2%	4.6	7.2%
Pharmaceuticals	7.0	0.9	12.9%	2.5	35.7%
Others	-	-	-	2.0	-
Total (including others and adjustment)	206.8	38.6	18.7%	17.2	8.3%

*New method, see FY2019 Presentation Materials p18





34

In addition, about 40% of regular employees are assigned to R&D positions. As shown in the donut graph in the bottom left of page 34, about 450 of the 1,165 regular employees are researchers.

Full Year FY2020 Outlook as of May 2020(no revision afterwards)

The following outlook does not reflect the effects of the COVID-19 pandemic since they cannot be reasonably assessed. At this time, the pandemic is expected to have only a limited impact on the figures.

(¥billion)

	FY2019 Actual			FY2020 Outlook			Change			Change (%)
	1H	2H	Total	1H	2H	Total	1H	2H	Total	Total
Sales	96.5	110.3	206.8	96.6	117.9	Record 214.5	+0.1	+7.6	+7.7	+4%
Operating Profit	18.0	20.6	38.6	16.1	23.2	Record 39.3	-1.9	+2.6	+0.7	+2%
Non-Operating Income/Expenses	0.6	0.8	1.4	0.6	0.5	1.1	0.0	-0.3	-0.3	-
Ordinary Income	18.6	21.4	40.0	16.7	23.7	Record 40.4	-1.9	+2.3	+0.4	+1%
Extraordinary Income/Loss (1)	0.9	0.1	1.0	0.0	0.5	0.5	-0.9	+0.4	-0.5	-
Net Income (2)	14.5	16.3	30.8	12.5	18.3	Record 30.8	-2.0	+2.0	0.0	0%
EBITDA (3)	22.7	26.5	49.2	20.5	28.5	49.0	-2.2	+2.0	-0.2	0%
EPS (¥/share)	98.75	111.34	210.09	86.64	127.59	214.23	-12.11	+16.25	+4.14	+2%
Dividend (¥/share)	42	48	90	46	50	96	+4	+2	+6	
Total amount of Dividend	6.2	6.9	13.1	6.6	7.2	13.8	+0.4	+0.3	+0.7	
OP Margin	18.7%	18.7%	18.7%	16.7%	19.7%	18.3%	-2.0%	+1.0%	-0.4%	
ROE	-	-	16.9%	-	-	16.4%			-0.5%	
FX Rate (¥/$)	109	109	109	108	108	108				
Crude Oil (JCC) ($/bbl) (4)	69	67	68	65	65	65				

(1) FY2020 Outlook: Gain on sales of investment securities ¥0.5 billion (2) Net Income = Profit Attributable to Owners of Parent
(3) EBITDA = Operating Profit + Depreciation (4) FY2019 Actual: Based on Trade Statistics of Japan Ministry of Finance

26

This concludes my explanation, but before I end, I'd like you to return to page 26, where we describe the annual forecasts, one more time.

As for the operating profit forecast for FY2020, we target JPY16.1 billion in 1H and JPY23.2 billion 2H. Compared to FY2019, we expect lower profit in 1H and higher profit in 2H, and we project higher profit over the full year.

Accordingly, our 1H forecast is a decline in profit. We have now finished the first quarter, and I ask that you will not be surprised even if we were to finish the second quarter with a lower profit than the previous year. The characteristic of FY2020 is that we expect higher profit in 2H.

This concludes my explanation of the first-quarter results.

Question & Answer

<Questioner 1>

Q: In your explanation earlier, you talked about fixed costs several times. Let me organize the information one more time. Fixed costs were lower than planned by JPY1 billion in total for Performance Materials and by JPY0.5 billion for Agrochemicals. Tell us the reasons for this one more time.

In terms of fixed costs over the full year, do you think the reduction of fixed costs will last for the rest of the fiscal year? Or do you think there will be a bounce back up in fixed costs? Tell us a little more about this.

A: As for fixed costs, we think there will be certain costs that will remain lower than expected, such as travel and entertainment expenses. But we don't know for sure about the undershoot in fixed costs stemming from R&D expenses. Part of the R&D costs is lower than expected, but part of it is also due to delays. This is an area that is still unclear. Overall, we expect fixed costs to come in below expectations, but we aren't sure about the extent.

Q: Would you say the JPY1.5 billion reduction in the first quarter will remain for the rest of the year? Put another way, is it correct to understand that the burden of fixed costs will be JPY1.5 billion less than the initial plan?

A: I don't think it will be that much. Part of the lower costs is due to delays, such as the absence of business travel and slow progress in customer communications. Some of these activities will recover. But part of the reduction also comes from cost savings. These matters are unclear at this stage, but we don't think the JPY1.5 billion will remain as savings.

Although part of it will remain, we don't know at this point how much of it will remain.

Q: Okay. My second question is about SUNEVER. Sales grew 14% in the first quarter. In particular, sales expanded for photo IPS and increased for rubbing IPS. Even though sales growth for rubbing IPS has been on a downtrend, it has turned up.

In addition, sales growth for photo IPS remains strong. Tell us a little more about the status of rubbing and photo IPS in the first quarter.

Also, tell us your views on the second quarter. For example, let me confirm whether there was any impact from users stockpiling inventories in the first quarter.

A: First, in terms of photo IPS, YoY sales growth was robust for non-smartphones. Sales growth for smartphones was minimal compared to non-smartphones.

As such, photo IPS sales significantly exceeded expectations for non-smartphones and fell below expectations for smartphones. In terms of rubbing IPS, sales were solid for tablets and other small and medium-sized devices. These areas were solid.

In the second quarter, we expect non-smartphone sales to remain robust for PCs, monitors, and tablets.

In terms of smartphones, we expect replacement demand to be weak in the second quarter. But new models will be rolled out after that, so we expect a recovery.

Q: Were there any users stockpiling inventories in the first quarter?

A: No, not much. We think most demand was real demand, not stockpiling demand.

<Questioner 2>

Q: My first question is also about SUNEVER. You mentioned that sales for smartphones came in below expectations, but what kind of expectations did you have at the beginning of the year, and what are the reasons for falling short of expectations? Could you tell us about this point in more detail?

A: We base our expectations on the demand from each customer. At the beginning of the fiscal year, we estimated that end-user demand would fall by about 10% YoY. We think part of this was due to the global impact of COVID-19, but in reality, the drop was weaker than expected.

OLED demand wasn't particularly strong, and it is dependent on current conditions, so we look forward to 2H. Breaking out of this state has been the growth in non-smartphones.

Q: Okay. So, your judgment is that there's no need to change the initial expectation of around 10% decline in demand?

A: Yes, that's right.

Q: Okay, thanks. My second question is about Agrochemicals. First, I'd like to ask about the low temperatures and scarce occurrence of pests in Japan, which was cited as a factor behind GRACIA's underperformance versus the plan. Do you think GRACIA will underperform over the full year? Do you think the negative impact that emerged will remain for the rest of the year?

A: We'll work hard to recover the shortfall because there is timing in which we can do so. Recovery is possible if insects start coming out because GRACIA is for vegetables and tea. But it remains doubtful whether we can recover the shortfall entirely, albeit we'll do our best to make a recovery.

Q: Okay, thanks. I'd also like to ask about Fluralaner, regarding how shipments were made ahead of schedule. I believe you expect inventory adjustments over the next two to three years. Do you have any plans to change or review the inventory adjustments?

A: No. We think the impact is on a quarterly basis, so we have no such plans. We haven't changed our full-year outlook, and we don't think our plans beyond that need to be changed, either.

<Questioner 3>

Q: If things remain as they stand now, profit will decline JPY3.5 billion from the first quarter to the second quarter, but you haven't revised the outlook. Is this attributable to a likely increase in fixed costs in the second quarter?

Also, inventories have increased considerably overall. You mentioned there was an impact on some inventories. Do you think inventory adjustments in the second quarter will cause a considerable decline in profit? Could you tell me your views on changes in fixed costs and inventories from the first quarter to the second quarter?

A: We haven't made calculations yet, but we think delayed fixed costs will emerge and hurt profit. As you pointed out, inventories increased in the first quarter, so they will probably be worked down in the second quarter, resulting in a negative impact.

By segment, we think the negative situation in the first quarter for Chemicals will continue in the second quarter. Meanwhile, we expect solid results to continue for both displays and semiconductors for Performance Materials.

We expect Agrochemicals to be on par with or slightly ahead of the plan. In addition, when considering factors such as fixed costs and inventories, we think exceeding the target for the second quarter will be somewhat difficult. Although we have savings of JPY1.3 billion versus the 1H target, the question will be how much of the savings will be able to preserve.

Q: In terms of large inventories, you mentioned earlier about JPY0.1 billion in excess inventories for Chemicals. What is the situation in the other segments?

A: There's also about JPY0.2 billion in excess inventories for Agrochemicals that have had a positive impact on profit.

Q: Excess inventories for both segments combined are around JPY0.3 billion.

A: Right.

Q: I understand. As for semiconductor materials, results have been very good overall. Under other new materials, you write about EUV materials. How was the growth rate for these materials compared to the plan?

A: The section on other new materials under semiconductor materials, right? EUV sales didn't grow much and fell short of the target, but this was a technical accounting issue.

I think we've explained this before, but this was attributable to the deduction of trial products rather than sales. We adopt an accounting system where we deduct shipments of samples from R&D expenses rather than booking them as sales. Thus, when looking at sales, the growth wasn't strong. But considering the trial products that were deducted, shipments have grown reasonably.

Q: Does that play a part in the lower-than-expected sales?

A: Yes. This part is a simple comparison of sales versus the plan, so the trial product shipments that were deducted are expressed as the lower-than-expected sales.

Q: I see. Earlier, you talked about inventory stockpiling at customers for display materials. What about semiconductor materials? What are your views on inventory stockpiling from July to September?

A: As for semiconductor materials, we believe customers are operating near full capacity, so there is little likelihood of inventory stockpiling.

We think sales at customers will remain robust from July to September, and that will also trickle through to our sales as well.

Q: The same can be said of chemical products related to semiconductors, correct?

A: Yes.

<Questioner 4>

Q: Regarding ARC of semiconductor materials, tell me the reason why growth for KrF outpaced ArF? Also, give me a more granular explanation of sales by region. Tell me if there were certain regions with stronger sales than others.

A: As for the growth in KrF, it reflects how sales had long been declining but reversed that trend and turned up in this quarter. The growth rate probably looks high because sales had been declining before turning to an increase. But, in terms of the actual numbers, ArF is still larger.

Region-wise, sales growth was very strong in Korea, Taiwan, and China.

Q: Does that mean there wasn't much difference by region?

A: Yes, that's right.

Q: Okay. My second question is about Fluralaner. Was the overshoot in the first quarter attributable to higher-than-expected royalties?

A: No, royalties were zero in the first quarter. Royalties are booked in second quarter as they come in August on BRAVECTO sales from January to June. The overshoot in the first quarter came entirely from sales of active pharmaceutical ingredients.

Q: You mean the overshoot was from active pharmaceutical ingredients, correct?

A: Yes. Some shipments for active pharmaceutical ingredients were brought forward from the second quarter to the first quarter.

Q: Some media outlets have reported a considerable increase in pet demand as part of the increase in stay-at-home consumption. Do you see any positive impacts from that?

A: That's very difficult for us to know.

<Questioner 5>

Q: Have you been able to increase inventories of ROUNDUP in the distribution stage? I assume demand for it is very strong. What are your thoughts on this?

A: The reason why the YoY growth of ROUNDUP was negative in the first quarter was that marketing activities could not be carried out as usual. Normally, when inventories start running out at stores, we visit the stores and replenish their inventories, but that couldn't be performed properly because we couldn't visit the stores due to COVID-19.

Currently, distribution inventory is steadily decreasing. Thus, we intend to make up for that from the second quarter.

Q: So, you haven't been able to replenish much of the inventories yet?

A: No.

Q: Regarding the movement of Fluralaner explained earlier, I thought perhaps pet demand is very strong globally, and that might have been part of the reason why some shipments were brought forward. Would it be too early to assume that? Are there any signs that the inventory adjustments, which is expected to take two to three years, will end earlier?

A: No. We think it's simply attributable to production schedules at clients, and we haven't heard anything about inventory adjustment forecasts being revised.

<Questioner 6>

Q: Based on your explanation of the Chemicals section earlier, I got the impression that the situation will remain challenging in the second quarter.

In the second quarter, the Toyama factory will undergo regular repairs, resulting in deterioration in earnings. Do you think earnings will deteriorate even further from the first quarter to the second quarter even when excluding the impact of regular repairs?

Could you also tell me the latest information on TEPIC and melamine?

A: We only look at the results versus the target, so I'll answer your question with regards to the target. The target already factors in the repairs, but we think results will come in lower than that.

This is attributable to TEPIC, melamine, and environmental-related products. In terms of melamine, our export price assumption for melamine in Asian markets was USD1,000 in the first quarter.

In reality, the price was USD1,000 in April and May but fell to USD940 in June, marking a slight decline. The price drop wasn't sharp, but we think prices will trend at this level.

Also, in terms of TEPIC, general overseas demand is correlated with construction demand, and activities in the US have been weak. We expect demand to remain weak for automotive applications, particularly for printed wiring boards. Accordingly, we think the situation will be more or less the same.

Environmental-related products will likely be affected by sluggish demand for pools. There isn't any quick fix to that, so growth will likely be negative.

Q: Regarding melamine export prices, which fell to USD940 in June, is there an impact from China where demand has been recovering to some extent? Conversely, do you think Chinese capacity utilization has been rising, and cheap products have been penetrating Asia again, thereby ravaging the market?

I'd also like to ask about TEPIC in the US market. I believe the overall economy will head for a modest recovery in July-September compared to April-June. What is your outlook on the US market?

A: As for the question on melamine, low-priced products from China have continued to take a toll on the market.

We hope the economy will recover in the US, but we're not confident about that yet.

[END]