



**Nissan Chemical**  
CORPORATION

## **Nissan Chemical Corporation**

FY2020 Financial Results Briefing

Presenter:

YAGI Shinsuke Representative Director, President & COO

MIYAZAKI Junichi Director, Senior Executive Vice President, CFO

May 14, 2021

# Changes in Accounting Policies

## 1.Changes in accounting policies:

Adoption of the Accounting Standard for the Revenue Recognition (ASBJ Statement No.29)

## 2.Timing of adoption: April 1, 2021 (From FY2021)

## 3.Major effects on PL, BS due to the changes:

### A. Agent transactions

(Mainly effected segments) Chemicals, Agrochemicals, Trading  
 (Before adoption) Sales = gross amount from the customer, Sales expenses = amount paid to the supplier  
 (After adoption) Sales = gross amount from the customer - amount paid to the supplier  
 (Estimated impact on FY2021 PL Outlook)  
 Sales and sales expenses down ¥44.6 billion (parent company ¥2.3 billion, Trading segment ¥42.3 billion)  
 (including in adjustment in sales by segment)

### B. Royalties based on sales amount

(Mainly effected segments) Agrochemicals (Fluralaner running royalties)

	MSD* sales	Jan. - March	April - June	July - Sept.	Oct. -Dec.
Before adoption (until FY2020)	NCC Royalties	August (2Q)		February (following year) (4Q)	
After adoption (from FY2021)		May (1Q)	August (2Q)	November (3Q)	February (following year) (4Q)

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

### C. Sales discount subject to change at the selling timing

(Mainly effected segments) Agrochemicals  
 (Before adoption) Recognized when discount is finally fixed  
 (After adoption) Recognized corresponding to sales period based on reasonable estimation  
 (Estimated impact on FY2021 BS)

The cumulative effect (¥2.1 billion) of retroactively applying (C) is deducted from the beginning FY2021 retained earnings (BS item)  
 Sales discount amount trend after adoption vs. before adoption: 1Q up(negative impact), 2Q up, 1H up, 2H down, Total flat

		Sales discount		
Before adoption	FY2020	AY2019* (Oct. 2019 - Sept. 2020)		AY2019* = Agrochemical Year (from Oct. 2019 to Sept. 2020)
	FY2021	AY2019* (Oct. 2019 - Sept. 2020) + October 2020 - March 2021(= ¥2.1 billion)		
After adoption	FY2020	April 2021 - March 2022		
	FY2021			

2

**Miyazaki:** I am Miyazaki. Thank you.

Before going into the explanation of the financial results, I would like to explain about the change in accounting policy on page 2 today.

There are 3 important changes. The first point of change is that as agent transactions, so-called trading company transactions, only the profit margin will be recorded as sales. As a result, sales and cost of sales will each decrease by JPY44.6 billion in FY2021.

The second change is the change in revenue recognition of royalty income. In particular, royalties for veterinary drugs have been recorded twice a year, in August and February, but from FY2021, these will be divided into quarterly periods, in May, August, November, and February.

Lastly, there is a change regarding sales discounts. This change will be made in the Agrochemicals business. The idea is to book estimates of the discount according to the sales period. In the past, the amount was recorded at the time the amount of money was determined, but from this fiscal year, it will be allocated over a period of time.

As a result, the first quarter increased in terms of the number of discounts recorded, and therefore, revenue will decrease. For the second quarter, it will increase, and revenue will decrease. For the first half, it will increase, and revenue will decrease. For the second half, the amount of discount will decrease, therefore, the revenue will increase. For the full year, it will come out even.

As for the impact on the balance sheet in FY2021, we will make a retroactive adjustment of JPY2.1 billion to the current discount in the beginning retained earnings item.

# Highlight

## 1. 2H FY2020 Actual Review

### (1) vs. 2H FY2019

- ◆ OP up ¥3.9 billion (+19%) (2H FY2020 Actual ¥24.5 billion vs. 2H FY2019 Actual ¥20.6 billion)  
Performance Materials, Chemicals and Agrochemicals up, Pharma flat
- ◆ Net Income up ¥3.3 billion (+20%) (2H FY2020 Actual ¥19.6 billion vs. 2H FY2019 Actual ¥16.3 billion)

### (2) vs. 2H FY2020 Outlook as of November 2020

- ◆ OP up ¥2.2 billion (2H FY2020 Actual ¥24.5 billion vs. 2H FY2020 Outlook ¥22.3 billion)  
Chemicals and Performance Materials above target, Agrochemicals and Pharma below target
- ◆ Net Income up ¥2.1 billion (2H FY2020 Actual ¥19.6 billion vs. 2H FY2020 Outlook ¥17.5 billion)

\*Net Income = Profit Attributable to Owners of Parent

## 2. Full Year FY2020 Actual Review

### (1) vs. Full Year FY2019

- ◆ OP up ¥3.9 billion (+10%) (FY2020 Actual ¥42.5 billion vs. FY2019 Actual ¥38.6 billion)  
Chemicals and Performance Materials up, Agrochemicals and Pharma down
- ◆ Net Income up ¥2.7 billion (+9%) (FY2020 Actual ¥33.5 billion vs. FY2019 Actual ¥30.8 billion)
- ◆ **As a result, despite COVID-19, OP and Ordinary Income renewed the annual highest results in 7 consecutive years, and Net Income renewed the annual highest results in 8 consecutive years**
- ◆ ROE reached 17.5%, higher than FY2019 Actual 16.9% and 16.6% target as of Nov. 2020  
(Mid-term Plan target : above 16%)

3

Moving onto the highlights of the financial results. Please turn to page 3.

First, regarding the results for the second half of FY2020, operating income increased by JPY3.9 billion to JPY24.5 billion, compared to the same period last year. Net income increased by JPY3.3 billion to JPY19.6 billion from JPY16.3 billion in the previous year.

Compared to the forecast, operating income ended above the plan by JPY2.2 billion, and net income ended above the plan by JPY2.1 billion.

Now, this is the full-year results for FY2020.

First, the YoY comparison. Operating income was JPY42.5 billion compared to JPY38.6 billion in the previous year, securing an increase of JPY3.9 billion or 10%.

For net income, it is an increase of JPY2.7 billion, or 9%, from JPY30.8 billion in the previous year to JPY33.5 billion.

As a result, operating income and ordinary income have reached record highs for the seventh consecutive year, and net income for the eighth consecutive year, despite the coronavirus pandemic.

ROE was 17.5%, higher than the previous year's 16.9% and also higher than the November forecast of 16.6%.

# Highlight

## 2. Full Year FY2020 Actual Review

### (2) Shareholders Return

- ◆ Annual dividend up ¥14/share (FY2020 Actual ¥104 = 1H 46 + 2H 58 vs. FY2019 Actual ¥90 = 1H 42 + 2H 48), up ¥6/share vs. ¥98/share target as of Nov. 2020
- ◆ **Dividend increasing in 9 consecutive years**
- ◆ Dividend payout ratio reached 44.9% (FY2019 Actual 42.8%, Mid-term Plan FY2020 target 45%)
- ◆ Completed ¥10.0 billion share repurchase (FY2019 Actual ¥10.0 billion)
- ◆ Total payout ratio 74.6% (FY2019 Actual 75.1% and Mid-term Plan FY2020 target 75%)

## 3. Full Year FY2021 Outlook

\*Net Income = Profit Attributable to Owners of Parent

### (1) vs. Full Year FY2020

- ◆ OP up ¥1.1 billion (+3%) (FY2021 Outlook ¥43.6 billion vs. FY2020 Actual ¥42.5 billion)  
Chemicals and Performance Materials up, Agrochemicals and Pharma down
- ◆ Net Income up ¥0.6 billion (+2%) (FY2021 Outlook ¥34.1 billion vs. FY2020 Actual ¥33.5 billion)
- ◆ ROE 17.0%, lower than FY2020 Actual 17.5%, but higher than Mid-term Plan target (above 16%)

### (2) Shareholders Return

- ◆ Annual dividend up ¥4/share (FY2021 Outlook ¥108 = 1H 48 + 2H 60 vs. FY2020 Actual ¥104 = 1H 46 + 2H 58)
- ◆ **Dividend increasing in 10 consecutive years**
- ◆ Dividend payout ratio 45.2% vs. FY2020 Actual 44.9%, Mid-term Plan FY2021 target 45.0%
- ◆ Announced a ¥7.0 billion share repurchase program on May 14, 2021
- ◆ Total payout ratio expected to be 65.7% taking into account of ¥108/share dividend and ¥7.0 billion share repurchase program (Mid-term Plan FY2021 target: 75%)

### (3) vs. Full Year FY2021 Mid-term Plan announced in May 2019

- ◆ Despite COVID-19, OP up ¥0.6 billion (FY2021 Outlook ¥43.6 billion vs. Mid-term Plan Target ¥43.0 billion)  
Performance Materials above target, Chemicals, Agrochemicals and Pharma below target
- ◆ Net Income up ¥1.1 billion (FY2021 Outlook ¥34.1 billion vs. Mid-term Plan Target ¥33.0 billion)

4

Moving onto page 4. This is the return to shareholders. The annual dividend will be JPY104, an increase of JPY14 from the previous year's JPY90. At the time of the November announcement, the dividend forecast was JPY98, so this represents an upward swing of JPY6. As a result, we will be able to increase dividends for the ninth consecutive year.

The dividend payout ratio was 44.9%, meeting the medium-term target of 45%. Treasury stock repurchases totaled JPY10 billion, the same amount as the previous year. The total return ratio was 74.6%, compared to 75.1% in the previous year, roughly in line with the medium-term target of 75%.

Third point is the highlights of the forecast for FY2021.

First, let's look at the YoY comparison. Operating income will be JPY43.6 billion compared to JPY42.5 billion, an increase of JPY1.1 billion. Net income will be JPY34.1 billion, an increase of JPY0.6 billion. ROE is 17%, which is lower than FY2020, but meets the target of 16% in the medium-term plan.

Next is our forecast for shareholder returns in FY2021. We plan to pay a dividend of JPY108, an increase of JPY4 from the previous year. As a result, dividends are expected to increase for the 10th consecutive year. The dividend payout ratio is 45.2% compared to 44.9% in the previous year, meeting the medium-term target of 45% as well.

As for the acquisition of treasury stocks, as announced today, we have started with an upper limit of JPY7.0 billion. The total return ratio is 65.7% at this stage.

Moving onto the comparison with the medium-term plan. Operating income is expected to exceed the medium-term plan target of JPY43 billion by JPY0.6 billion, so despite the coronavirus pandemic, we expect

to achieve the target. Net income is also expected to exceed the mid-term plan target by about JPY1.1 billion.

## FY2020 PL<sup>(1)</sup>

(¥billion)

	FY2019			FY2020			Change			Change (%)	FY2020 Outlook as of Nov. 2020		
	1H	2H	Total	1H	2H	Total	1H	2H	Total	Total	1H Actual	2H	Total
Sales	96.5	110.3	206.8	94.5	114.6	Record 209.1	-2.0	+4.3	+2.3	+1%	94.5	115.0	209.5
Operating Profit	18.0	20.6	38.6	18.0	24.5	Record 42.5	0.0	+3.9	+3.9	+10%	18.0	22.3	40.3
Non-Operating Income/Expenses	0.6	0.8	1.4	0.2	1.2	1.4	-0.4	+0.4	0.0	-	0.2	0.6	0.8
Ordinary Income	18.6	21.4	40.0	18.2	25.7	Record 43.9	-0.4	+4.3	+3.9	+10%	18.2	22.9	41.1
Extraordinary Income/Loss	0.9	0.1	1.0	1.1	0.5	1.6	+0.2	+0.4	+0.6	-	1.1	0.5	1.6
Net Income (2)	14.5	16.3	30.8	13.9	19.6	Record 33.5	-0.6	+3.3	+2.7	+9%	13.9	17.5	31.4
EBITDA (3)	22.7	26.5	49.2	22.8	30.2	53.0	+0.1	+3.7	+3.8	+8%	22.8	27.9	50.7
EPS (¥/share)	98.75	111.34	210.09	95.96	135.77	231.73	-2.79	+24.43	+21.64	+10%	95.96	121.60	217.56
Dividend (¥/share)	42	48	90	46	58	104	+4	+10	+14		46	52	98
Total amount of Dividend	6.2	6.9	13.1	6.6	8.4	15.0	+0.4	+1.5	+1.9		6.6	7.5	14.1
OP Margin	18.7%	18.7%	18.7%	19.0%	21.4%	20.3%	+0.3%	+2.7%	+1.6%		19.0%	19.4%	19.2%
ROE	-	-	16.9%	-	-	17.5%	-	-	+0.6%		-	-	16.6%
FX Rate (¥/\$)	109	109	109	107	105	106					107	105	
Crude Oil (JCC) (\$/bbl) (4)	69	67	68	36	50	43					36	44	

(1) FY2020 = April 1, 2020 - March 31, 2021

(2) Net Income = Profit Attributable to Owners of Parent

(3) EBITDA = Operating Profit + Depreciation and amortization

(4) Based on Trade Statistics of Japan Ministry of Finance

5

Moving onto page 5. This is the table of results for FY2020.

I already gave you an overview, so please see EPS here.

In FY2019, it was JPY210, and in FY2020, it was JPY231.7.

At the bottom of the table, crude oil prices were USD68 in FY2019 and USD43 in FY2020, which was a low oil price situation.

## 2H FY2020 Review

< vs. 2H FY2019 >

<b>(Sales)</b> ◆ Up	¥ 4.3 billion	(+4%)	(+) Performance Materials, Agrochemicals, Pharmaceuticals, Trading
			(-) Chemicals
<b>(OP)</b> ◆ Up	¥ 3.9 billion	(+19%)	(+) Chemicals, Performance Materials, Agrochemicals, Trading
			(±) Pharmaceuticals
<b>(Ordinary Income)</b> ◆ Up	¥ 4.3 billion	(+20%)	
<b>(Net Income)</b> ◆ Up	¥ 3.3 billion	(+20%)	
<b>(EPS)</b> ◆ Up	¥ 24.43	(+22%)	

< vs. 2H FY2020 Outlook as of November 2020 >

<b>(Sales)</b> ◆ Down	¥ 0.4 billion		(+) Chemicals, Performance Materials, Trading
			(-) Agrochemicals, Pharmaceuticals
<b>(OP)</b> ◆ Up	¥ 2.2 billion		(+) Chemicals, Performance Materials, Trading
			(-) Agrochemicals, Pharmaceuticals
<b>(Ordinary Income)</b> ◆ Up	¥ 2.8 billion		
<b>(Net Income)</b> ◆ Up	¥ 2.1 billion		
<b>(EPS)</b> ◆ Up	¥ 14.17		

6

Page 6 shows the results for the second half of FY2020, so please refer to it later.

## FY2020 Review

< vs. FY2019 >

<b>(Sales)</b> ◆ Up	¥ 2.3 billion	(+1%)	(+) Performance Materials, Trading (-) Chemicals, Agrochemicals, Pharmaceuticals
<b>(OP)</b> ◆ Up	¥ 3.9 billion	(+10%)	(+) Chemicals, Performance Materials, Trading (-) Agrochemicals, Pharmaceuticals
<b>(OP Margin)</b> ◆ 20.3%	<b>More than 10% OP Margin in 18 consecutive years since FY2003</b>		
<b>(Ordinary Income)</b> ◆ Up	¥ 3.9 billion	(+10%)	
<b>(Extraordinary Income/Loss)</b> ◆ Up	¥ 0.6 billion		
	FY2020 Up ¥1.6 billion		(Gain on sales of investment securities ¥1.6 billion, sales amount ¥3.1 billion, sold 15 listed companies shares, sold 100% of our shareholdings of 11 listed companies)
	FY2019 Up ¥1.0 billion		
<b>(Net Income)</b> ◆ Up	¥ 2.7 billion	(+9%)	
<b>(EPS)</b> ◆ Up	¥ 21.64	(+10%)	
<b>(ROE)</b> ◆ 17.5%	(FY2019: 16.9%)		

- ★ OP and Ordinary Income renewed the highest results of a full year in 7 consecutive years.
- ★ Net Income renewed the highest results of a full year in 8 consecutive years.

< Shareholders Return >

<b>(Dividend)</b> ◆ 1H ¥46/share, 2H ¥58/share, total ¥104/share	(Dividend Payout Ratio : 44.9%, up +2.1% vs. FY2019)
	(total up ¥14/share vs. FY2019) (up ¥6/share vs. FY2020 Outlook as of November 2020)
<b>(Share Repurchase)</b> ◆ ¥10.0 billion, 1.8 million shares completed	(FY2019: ¥10.0 billion, 2.1 million shares)
<b>(Cancellation of Shares)</b> ◆ 1 million shares	(August 2020)
<b>(Total Payout Ratio)</b> ◆ 74.6%	(achieved Mid-term Plan target 75%)

7

Moving onto page 7. This is the results for FY2020.

I have already outlined this as well, so I will just talk about the extraordinary income and loss.

Extraordinary income and loss for this fiscal year, FY2020, increased by JPY0.6 billion. This includes JPY1.6 billion in gains on sales of securities, and the number of sales was JPY3.1 billion.

We have sold all of our shares in 11 description of the stocks we held.

As a result, operating income and ordinary income have reached record highs for 7 consecutive years, and net income has reached record highs for 8 consecutive years, as indicated by the red letters in the frame below.

## 2H FY2020 PL

(¥billion)

	FY2019			FY2020			Change			FY2020 Outlook as of Nov. 2020		
	3Q	4Q	2H	3Q	4Q	2H	3Q	4Q	2H	3Q	4Q	2H
Sales	41.5	68.8	110.3	43.7	70.9	114.6	+2.2	+2.1	+4.3	44.7	70.3	115.0
Operating Profit (1)	3.5	17.1	20.6	5.6	18.9	24.5	+2.1	+1.8	+3.9	4.2	18.1	22.3
Non-Operating Income/Expenses	0.5	0.3	0.8	0.2	1.0	1.2	-0.3	+0.7	+0.4	0.5	0.1	0.6
Ordinary Income (1)	4.0	17.4	21.4	5.8	19.9	25.7	+1.8	+2.5	+4.3	4.7	18.2	22.9
Extraordinary Income/Loss	0.0	0.1	0.1	0.0	0.5	0.5	0.0	+0.4	+0.4	0.0	0.5	0.5
Net Income (1)(2)	3.1	13.2	16.3	4.5	15.1	19.6	+1.4	+1.9	+3.3	3.7	13.8	17.5
EBITDA (3)	6.3	20.2	26.5	8.3	21.9	30.2	+2.0	+1.7	+3.7	-	-	27.9
EPS (¥/share) (1)	21.18	90.16	111.34	30.97	104.80	135.77	+9.79	+14.64	+24.43	-	-	121.60
Dividend (¥/share)	-	-	48	-	-	58	-	-	+10	-	-	52
Total amount of Dividend	-	-	6.9	-	-	8.4	-	-	+1.5	-	-	7.5
OP Margin (1)	8.4%	24.9%	18.7%	12.8%	26.8%	21.4%	+4.4%	+1.9%	+2.7%	9.4%	25.7%	19.4%

(1) FY2019 Actual: Amortization expense of the fungicide QUINTEC (QUINOXYFEN) business, which was provisionally calculated with an amortization period of 5 years at that time, was revised to the final value of 8.4 years (weighted average) amortization after the accounting audit. As a result, OP and ordinary income have been revised by about +80 million yen and net income has been revised by about +60 million yen from the figures announced in 3Q FY2019. The only affected segment is Adjustment. Only the breakdown of 3Q and 4Q FY2019 has been revised, and there is no effect on 2H FY2019 and full year FY2019.

(2) Net Income = Profit Attributable to Owners of Parent

(3) EBITDA = Operating Profit + Depreciation and amortization

8

Next, page 8 shows the results for the second half of FY2020, which you can also see later.



## 3Q FY2020 Review

< vs. 3Q FY2019 >

<b>(Sales)</b>	<b>Up</b>	<b>¥ 2.2 billion</b>	<b>(+5%)</b>	(+) Performance Materials, Agrochemicals, Trading (-) Chemicals, Pharmaceuticals
<b>(OP)</b>	<b>Up</b>	<b>¥ 2.1 billion</b>	<b>(+60%)</b>	(+) Chemicals, Performance Materials, Agrochemicals, Trading (-) Pharmaceuticals
<b>(Ordinary Income)</b>	<b>Up</b>	<b>¥ 1.8 billion</b>	<b>(+48%)</b>	
<b>(Net Income)</b>	<b>Up</b>	<b>¥ 1.4 billion</b>	<b>(+45%)</b>	
<b>(EPS)</b>	<b>Up</b>	<b>¥ 9.79</b>	<b>(+46%)</b>	

< vs. 3Q FY2020 Outlook as of November 2020 >

<b>(Sales)</b>	<b>◆ Down</b>	<b>¥ 1.0 billion</b>		(+) Chemicals, Performance Materials (-) Agrochemicals, Pharmaceuticals, Trading
<b>(OP)</b>	<b>◆ Up</b>	<b>¥ 1.4 billion</b>		(+) Performance Materials, Trading (±) Chemicals (-) Agrochemicals, Pharmaceutical
<b>(Ordinary Income)</b>	<b>◆ Up</b>	<b>¥ 1.1 billion</b>		
<b>(Net Income)</b>	<b>◆ Up</b>	<b>¥ 0.8 billion</b>		

9

Page 9 is the results for the third quarter as a review.

## 4Q FY2020 Review

< vs. 4Q FY2019 >

<b>(Sales)</b> ◆ Up	¥ 2.1 billion	(+3%)	(+)	Chemicals, Performance Materials, Agrochemicals, Pharmaceuticals, Trading
<b>(OP)</b> ◆ Up	¥ 1.8 billion	(+11%)	(+)	Chemicals, Performance Materials, Pharmaceuticals, Trading
			(±)	Agrochemicals
<b>(Ordinary Income)</b> ◆ Up	¥ 2.5 billion	(+14%)		
<b>(Net Income)</b> ◆ Up	¥ 1.9 billion	(+15%)		
<b>(EPS)</b> ◆ Up	¥ 14.64	(+16%)		

< vs. 4Q FY2020 Outlook as of November 2020 >

<b>(Sales)</b> ◆ Up	¥ 0.6 billion		(+)	Performance Materials, Agrochemicals, Pharmaceuticals, Trading
			(±)	Chemicals
<b>(OP)</b> ◆ Up	¥ 0.8 billion		(+)	Chemicals, Performance Materials, Agrochemicals, Trading
			(-)	Pharmaceutical
<b>(Ordinary Income)</b> ◆ Up	¥ 1.7 billion			
<b>(Net Income)</b> ◆ Up	¥ 1.3 billion			

10

Moving onto page 10. This is the results for the fourth quarter.

I will only touch on the comparison of earnings forecasts here.

As you can see, overall sales and operating income exceeded the forecasts by JPY0.6 billion and JPY0.8 billion, respectively.

## FY2020 Actual, FY2021 Outlook Non-Operating Income/Expenses, Extraordinary Income/Loss

(¥billion)

	FY2019 Actual	FY2020 Outlook as of Nov. 2020	FY2020 Actual	FY2021 Outlook
<b>Non-Operating Income</b>	2.61	2.42	2.79	2.67
Interest income, dividend income	0.82	0.77	1.00	0.65
Equity in earnings of affiliates, others	1.79	1.65	1.79	2.02
<b>Non-Operating Expenses</b>	1.26	1.61	1.43	1.33
Interest expense	0.12	0.09	0.07	0.08
Loss on disposal of non-current assets, others	1.14	1.52	1.36	1.25
<b>Non-Operating Income/Expenses</b>	1.35	0.81	1.36	1.34
<b>Extraordinary Income (1)</b>	1.83	1.60	1.59	1.60
<b>Extraordinary Loss</b>	0.83	0.00	0.00	0.00
<b>Extraordinary Income/Loss</b>	1.00	1.60	1.59	1.60

(1) Gain on sales of investment securities

11

Moving onto page 11.

As you can see, the figures for non-operating income/expense and extraordinary income/loss for FY2019 and FY2020 are not much different.

## FY2020 Actual, FY2021 Outlook Cash Flows

(¥billion)

	FY2019 Actual	FY2020 Outlook as of Nov. 2020	2020 Actual	FY2021 Outlook
<b>CF from operating activities</b>	35.5	35.0	39.9	40.7
Income before income taxes & non-controlling interests	41.0	42.7	45.5	45.8
<b>Loss (gain) on sales of securities</b>	-1.8	-1.6	-1.6	-1.6
<b>Depreciation and amortization (1)</b>	10.5	10.4	10.4	11.1
<b>Income taxes paid</b>	-8.4	-11.4	-11.1	-12.3
<b>Working capital, others</b>	-5.8	-5.1	-3.3	-2.3
<b>CF from investing activities</b>	-15.6	-9.4	-12.8	-18.1
<b>Purchase of PPE</b>	-8.9	-9.9	-8.2	-16.1
Purchase and sales of investment securities	2.5	2.1	2.9	1.9
<b>Others (2)</b>	-9.2	-1.6	-7.5	-3.9
<b>CF from financing activities</b>	-25.2	-25.1	-25.6	-27.4
<b>Payout to shareholders (dividend)</b>	-12.4		-13.6	
<b>Payout to shareholders (share repurchase)</b>	-10.0	-23.1	-10.0	-25.7
<b>Borrowings</b>	-1.9	-2.0	-2.0	-1.7
<b>Others (3)</b>	-0.9	0.0	0.0	0.0
Effect of exchange rate change on cash & cash equivalents	-0.3	0.0	0.3	0.0
<b>Change in cash &amp; cash equivalents</b>	-5.6	0.5	1.8	-4.8
<b>Cash &amp; cash equivalents at end of period</b>	30.6	31.1	32.4	27.6

(1) Including amortization of goodwill

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

FY2020 Actual: Payment for acquisition of DITHANE -5.4, Others -2.1

(3) FY2019 Actual: Share repurchase related to Introduction of a performance-linked stock compensation plan -0.8, Others -0.1 12

Next, on page 12 is the cash flow.

As for FY2020, others under cash flow from investing activities indicate negative figures of JPY7.5 billion. This includes JPY5.4 billion for the acquisition of DITHANE.

Despite this major acquisition, we continue to have ample cash flow, and our final cash and deposits are JPY32.4 billion, an increase of JPY1.8 billion from the previous fiscal year.

In FY2021, we expect cash and deposits to decrease slightly to a balance of JPY27.6 billion at the end of the fiscal year, as expenditures will increase due to the timing of cash for investment.

## FY2020 Balance Sheets

	2020/3	2021/3	Change
<b>Current assets</b>	<b>154.2</b>	<b>159.6</b>	<b>+5.4</b>
Cash	30.6	32.4	+1.8
Accounts receivable	72.5	73.9	+1.4
Inventories	43.9	46.7	+2.8
Others	7.2	6.6	-0.6
<b>Fixed assets</b>	<b>95.3</b>	<b>105.9</b>	<b>+10.6</b>
Total PPE	51.6	51.8	+0.2
Intangible assets	7.4	12.1	+4.7
Investment securities*	30.9	35.9	+5.0
Others	5.4	6.1	+0.7
<b>Total assets</b>	<b>249.5</b>	<b>265.5</b>	<b>+16.0</b>

\*Investment securities

Listed shares (1)	20.7	24.4	+3.7
Unlisted shares	2.6	2.7	+0.1
Subsidiaries/Associates shares	7.6	8.8	+1.2
<b>Total</b>	<b>30.9</b>	<b>35.9</b>	<b>+5.0</b>

(¥billion)

	2020/3	2021/3	Change
<b>Liabilities</b>	<b>64.0</b>	<b>64.9</b>	<b>+0.9</b>
Accounts payable	16.9	16.3	-0.6
Borrowings	24.6	22.7	-1.9
Others	22.5	25.9	+3.4
<b>Net assets</b>	<b>185.5</b>	<b>200.6</b>	<b>+15.1</b>
Shareholders' equity	177.1	186.9	+9.8
Valuation difference on available-for-sale securities	7.8	11.4	+3.6
Foreign currency translation adjustment	-0.9	0.1	+1.0
Non-controlling interests	1.6	1.7	+0.1
Remeasurements of defined benefit plans	-0.1	0.5	+0.6
<b>Total liabilities &amp; Net assets</b>	<b>249.5</b>	<b>265.5</b>	<b>+16.0</b>

• Equity Ratio 73.7% 74.9%

• D/E Ratio (2) -3.4% -5.2%

• Change in shareholders' equity +9.8

= Net Income 33.5 - Dividend and others 23.7

(1)2020/3 20.7 + Acquisition 0 - Sales 1.5 + Valuation difference 5.2 = 2021/3 24.4

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

13

Moving onto page 13. Page 13 shows the balance sheet.

Cash and deposits were JPY32.4 billion at the end of the March 2021, and borrowings were JPY22.7 billion, so we are still in a positive net cash position.

The equity ratio is 74.9%.

One more point, please look at the listed stocks in the lower left corner.

The breakdown of this increase of JPY3.7 billion from JPY20.7 billion to JPY24.4 billion is shown in the note of number 1 in the bracket at right.

Acquisitions were zero, but sales were JPY1.5 billion, and the valuation difference increased by JPY5.2 billion.

## FY2021 Outlook (1)

(¥billion)

	FY2020 Actual					FY2021 Outlook					Change					Change (%)
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	Total
Sales	49.3	45.2	94.5	114.6	209.1	40.0	36.5	76.5	96.0	172.5	-9.3	-8.7	-18.0	-18.6	-36.6	-18%
Operating Profit	9.8	8.2	18.0	24.5	42.5	9.8	7.9	17.7	25.9	Record 43.6	0.0	-0.3	-0.3	+1.4	+1.1	+3%
Non-Operating Income/Expenses	0.6	-0.4	0.2	1.2	1.4	0.4	-0.1	0.3	1.0	1.3	-0.2	+0.3	+0.1	-0.2	-0.1	-
Ordinary Income	10.4	7.8	18.2	25.7	43.9	10.2	7.8	18.0	26.9	Record 44.9	-0.2	0.0	-0.2	+1.2	+1.0	+2%
Extraordinary Income/Loss (2)	0.0	1.1	1.1	0.5	1.6	0.0	1.0	1.0	0.6	1.6	0.0	-0.1	-0.1	+0.1	0.0	-
Net Income (3)	7.6	6.3	13.9	19.6	33.5	7.5	6.5	14.0	20.1	Record 34.1	-0.1	+0.2	+0.1	+0.5	+0.6	+2%
EBITDA (4)	12.1	10.7	22.8	30.2	53.0	-	-	22.7	32.0	54.7	-	-	-0.1	+1.8	+1.7	+3%
EPS (¥/share)	52.38	43.58	95.96	135.77	231.73	-	-	98.03	141.15	239.18	-	-	+2.07	+5.38	+7.45	+3%
Dividend (¥/share)	-	-	46	58	104	-	-	48	60	108	-	-	+2	+2	+4	-
Total amount of Dividend	-	-	6.6	8.4	15.0	-	-	6.8	8.6	15.4	-	-	+0.2	+0.2	+0.4	-
OP Margin	19.9%	18.1%	19.0%	21.4%	20.3%	24.5%	21.6%	23.1%	27.0%	25.3%	+4.6%	+3.5%	+4.1%	+5.6%	+5.0%	-
ROE	-	-	-	-	17.5%	-	-	-	-	17.0%	-	-	-	-	-	-0.5%
FX Rate (¥/\$)	108	106	107	105	106	107	107	107	107	107	-	-	-	-	-	-
Crude Oil (JCC) (\$/bbl) (5)	31	41	36	50	43	55	55	55	55	55	-	-	-	-	-	-

(1) FY2021 Outlook: Major effects of changes in accounting policies (see p2):

(a) Impact of agent transactions: 1H ¥-20.6 B, 2H ¥-24.0 B, total ¥-44.6 B (reflected in sales above, included in adjustment in segment sales info)

Impact of sales discount: 1H ¥-1.0 B, 2H ¥+1.0 B, total flat (reflected in sales above, included in Agro segment sales)

Total: 1H ¥-21.6 B, 2H ¥-23.0 B, total ¥-44.6 B

(b) OP and Ordinary Income: 1H ¥-1.0 B, 2H ¥+1.0 B, total flat (Agrochemicals)

(c) Net Income: 1H ¥-0.7 B, 2H ¥+0.7 B, total flat

(2) FY2021 Outlook: Gain on sales of investment securities ¥1.6 B

(3) Net Income = Profit Attributable to Owners of Parent

(4) EBITDA = Operating Profit + Depreciation and amortization

(5) FY2020 Actual: Based on Trade Statistics of Japan Ministry of Finance

14

Next, on page 14, is a table of forecast for FY2021.

As you can see in the middle, operating income is expected to be JPY43.6 billion.

Net sales will be JPY172.5 billion, a JPY36.6 billion decrease from last year, but this is due to the change in accounting standards mentioned earlier.

The impact of the change in accounting policy is summarized in the number 1 in the brackets outside of the table.

There will be an impact on agency transactions in the first and second half of the fiscal year, and sales discounts will increase by JPY1.0 billion in the first half and decrease by JPY1.0 billion in the second half. Therefore, this will have an impact on earnings in the first and second half. It will come out even for full year.

EPS shown in the table is JPY239.18, an increase of over JPY7.

The assumption of the exchange rate shown at the bottom of the page is JPY107 to the dollar.

Crude oil is assumed to be USD55 per barrel, up from the result of USD43 per barrel in the previous year.

# FY2021 Outlook

< vs. FY2020 >

<b>(Sales)</b> ◆ Down	¥ 36.6 billion	(-18%)	(+) Chemicals, Performance Materials, Agrochemicals, Trading
<i>(Including sales decrease due to changes in accounting policies (see p2))</i>			
<b>(OP)</b> ◆ Up	¥ 1.1 billion	(+3%)	(-) Pharmaceuticals (+) Chemicals, Performance Materials (-) Agrochemicals, Pharmaceuticals, Trading
<b>(Ordinary Income)</b> ◆ Up	¥ 1.0 billion	(+2%)	
<b>(Net Income)</b> ◆ Up	¥ 0.6 billion	(+2%)	
<b>(EPS)</b> ◆ Up	¥ 7.45	(+3%)	
<b>(ROE)</b> ◆ 17.0%	(FY2020: 17.5%)		

- ★ OP and Ordinary Income expected to renew the highest results of a full year in 8 consecutive years.
- ★ Net Income expected to renew the highest results of a full year in 9 consecutive years.

< Shareholders Return >

- (Dividend)** ◆ 1H ¥48/share, 2H ¥60/share, total ¥108/share (up total ¥4 vs. FY2020)  
Dividend Payout Ratio : 45.2% (up +0.3% vs. FY2020) (Mid-term Plan target 45%)
- (Share Repurchase)** ◆ ¥7.0 billion, announced on May 14, 2021  
(¥10.0 billion, 1.8 million shares in FY2020 actual)
- (Total Payout Ratio)** ◆ 65.7% (Based on ¥108/share dividend and ¥7.0 billion share repurchase)  
(Mid-term Plan target 75%)

15

Page 15 is the forecast for the FY2021.

I already explained the overview, but as you can see in the description framed in red, operating income and ordinary income are expected to reach new highs for the eighth consecutive year, and net income for the ninth consecutive year.

## 1Q and 1H FY2021 Outlook

### < 1Q FY2021 vs. 1Q FY2020 >

**(Sales)** ◆ Down ¥ 9.3 billion (-19%) (+) Chemicals, Performance Materials  
 (see p2) (-) Agrochemicals, Pharmaceuticals, Trading

**(OP)** ◆ Flat ¥ 0.0 billion (0%) (+) Chemicals, Performance Materials  
 (-) Agrochemicals, Pharmaceuticals, Trading

**(Ordinary Income)** ◆ Down ¥ 0.2 billion (-2%)

**(Net Income)** ◆ Down ¥ 0.1 billion (-1%)

### < 1H FY2021 vs. 1H FY2020 >

**(Sales)** ◆ Down ¥ 18.0 billion (-19%) (+) Chemicals, Performance Materials  
 (see p2) (-) Agrochemicals, Pharmaceuticals, Trading

**(OP)** ◆ Down ¥ 0.3 billion (-2%) (+) Chemicals, Performance Materials, Pharmaceutical  
 (-) Agrochemicals, Trading

**(Ordinary Income)** ◆ Down ¥ 0.2 billion (-1%)

**(Net Income)** ◆ Up ¥ 0.1 billion (+1%)

16

Page 16 shows the forecast for the first quarter and the first half.

Please check this later.



## FY2020 Sales by Segment (1)(2)(3)

(¥billion)

	FY2019					FY2020					Change					FY2020 Outlook as of Nov. 2020				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total
<b>Chem</b>	16.8	8.7	8.8	17.5	34.3	14.7	8.3	8.9	17.2	31.9	-2.1	-0.4	+0.1	-0.3	-2.4	14.7	8.1	8.9	17.0	31.7
<b>Fine</b>	5.2	2.6	2.7	5.3	10.5	5.4	2.8	3.2	6.0	11.4	+0.2	+0.2	+0.5	+0.7	+0.9	5.4	2.9	3.5	6.4	11.8
<b>Basic</b>	11.6	6.1	6.1	12.2	23.8	9.3	5.5	5.7	11.2	20.5	-2.3	-0.6	-0.4	-1.0	-3.3	9.3	5.2	5.4	10.6	19.9
<b>P.M</b>	31.4	17.0	17.1	34.1	65.5	34.6	19.2	17.8	37.0	71.6	+3.2	+2.2	+0.7	+2.9	+6.1	34.6	17.5	17.7	35.2	69.8
<b>Agro</b>	27.9	5.5	30.6	36.1	64.0	25.7	6.3	31.8	38.1	63.8	-2.2	+0.8	+1.2	+2.0	-0.2	25.7	8.2	30.7	38.9	64.6
<b>Pharma</b>	3.4	1.6	2.0	3.6	7.0	3.0	1.4	2.3	3.7	6.7	-0.4	-0.2	+0.3	+0.1	-0.3	3.0	1.6	2.2	3.8	6.8
<b>D.D</b>	2.1	0.9	1.0	1.9	4.1	1.5	0.6	0.8	1.4	2.9	-0.6	-0.3	-0.2	-0.6	-1.2	1.5	0.6	0.9	1.5	3.0
<b>C.C</b>	1.3	0.6	1.0	1.6	2.9	1.5	0.8	1.5	2.3	3.8	+0.2	+0.2	+0.5	+0.7	+0.9	1.5	1.0	1.3	2.3	3.8
<b>Trading</b>	33.3	17.5	17.1	34.6	67.9	33.7	17.8	18.3	36.1	69.8	+0.4	+0.3	+1.2	+1.5	+1.9	33.7	17.9	17.5	35.4	69.1
<b>Others</b>	9.8	5.1	7.5	12.6	22.4	9.4	6.8	7.6	14.4	23.8	-0.4	+1.7	+0.1	+1.8	+1.4	9.4	6.4	7.6	14.0	23.4
<b>Adj.</b>	-26.1	-13.9	-14.3	-28.2	-54.3	-26.6	-16.1	-15.8	-31.9	-58.5	-0.5	-2.2	-1.5	-3.7	-4.2	-26.6	-15.0	-14.3	-29.3	-55.9
<b>Total</b>	96.5	41.5	68.8	110.3	206.8	94.5	43.7	70.9	114.6	209.1	-2.0	+2.2	+2.1	+4.3	+2.3	94.5	44.7	70.3	115.0	209.5

(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

17

Continuing on, page 17, is the sales situation by segment for FY2020.

## FY2020 OP by Segment<sup>(1)(2)(3)(4)</sup>

(¥billion)

	FY2019					FY2020					Change					FY2020 Outlook as of Nov. 2020				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total
Chem	0.3	0.5	0.5	1.0	1.3	-0.1	0.7	0.9	1.6	1.5	-0.4	+0.2	+0.4	+0.6	+0.2	-0.1	0.7	0.6	1.3	1.2
P.M	8.4	4.7	3.9	8.6	17.0	10.7	6.3	5.4	11.7	22.4	+2.3	+1.6	+1.5	+3.1	+5.4	10.7	4.9	5.0	9.9	20.6
Agro	9.4	-1.8	11.7	9.9	19.3	7.8	-1.3	11.7	10.4	18.2	-1.6	+0.5	0.0	+0.5	-1.1	7.8	-0.7	11.6	10.9	18.7
Pharma	0.5	0.1	0.3	0.4	0.9	0.0	0.0	0.4	0.4	0.4	-0.5	-0.1	+0.1	0.0	-0.5	0.0	0.1	0.5	0.6	0.6
D.D	0.0	-0.2	0.0	-0.2	-0.1	-0.4	-0.4	-0.2	-0.6	-0.9	-0.4	-0.2	-0.2	-0.4	-0.8	-0.4	-0.4	-0.1	-0.5	-0.9
C.C	0.5	0.2	0.4	0.6	1.1	0.4	0.3	0.6	0.9	1.3	-0.1	+0.1	+0.2	+0.3	+0.2	0.4	0.4	0.6	1.0	1.4
Trading	1.0	0.6	0.5	1.1	2.1	1.2	0.7	0.6	1.3	2.5	+0.2	+0.1	+0.1	+0.2	+0.4	1.2	0.5	0.4	0.9	2.1
Others	0.1	0.1	0.5	0.6	0.7	0.0	0.4	0.4	0.8	0.8	-0.1	+0.3	-0.1	+0.2	+0.1	0.0	0.1	0.5	0.6	0.6
Adj.	-1.7	-0.7	-0.3	-1.0	-2.7	-1.6	-1.2	-0.5	-1.7	-3.3	+0.1	-0.5	-0.2	-0.7	-0.6	-1.6	-1.4	-0.5	-1.9	-3.5
<b>Total</b>	<b>18.0</b>	<b>3.5</b>	<b>17.1</b>	<b>20.6</b>	<b>38.6</b>	<b>18.0</b>	<b>5.6</b>	<b>18.9</b>	<b>24.5</b>	<b>42.5</b>	<b>0.0</b>	<b>+2.1</b>	<b>+1.8</b>	<b>+3.9</b>	<b>+3.9</b>	<b>18.0</b>	<b>4.2</b>	<b>18.1</b>	<b>22.3</b>	<b>40.3</b>

- (1) OP is calculated by new method
1. Applied from FY2020 (no change for sales segmentation)
  2. FY2019 restated based on new methods
  3. Consolidation items  
(such as unrealized gain on inventories)
  - (Old method) Included in each segment
  - (New method) Excluded from each segment and included in "Adjustment"
- (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
- (4) 3Q and 4Q FY2019 Actual: Figures have been revised in Adjustment and Total due to the impact of recalculation of QUINTEC amortization (see p8)

18

Then, page 18 shows the operating income by segment.

Please see the change here. The total increase in profit for the year was JPY3.9 billion.

By segment, Chemicals increased by JPY0.2 billion, Performance materials increased by JPY5.4 billion, Agrochemicals decreased by JPY1.1 billion, and Pharmaceuticals decreased by JPY0.5 billion.

Shown at the right end is the forecast. In comparison with this forecast, Chemicals ended above the plan, Performance materials above the plan, and Agrochemicals and Pharmaceuticals ended below the plan.

This is how it turned out.

## FY2021 Sales Outlook by Segment (1)(2)(3)

(¥billion)

	FY2020 Actual					FY2021 Outlook					Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
<b>Chem</b>	7.4	7.3	14.7	17.2	31.9	8.4	8.3	16.7	17.9	34.6	+1.0	+1.0	+2.0	+0.7	+2.7
<b>Fine</b>	2.7	2.7	5.4	6.0	11.4	3.2	3.1	6.3	6.6	12.9	+0.5	+0.4	+0.9	+0.6	+1.5
<b>Basic</b>	4.7	4.6	9.3	11.2	20.5	5.2	5.2	10.4	11.3	21.7	+0.5	+0.6	+1.1	+0.1	+1.2
<b>P.M</b>	17.1	17.5	34.6	37.0	71.6	18.6	18.6	37.2	38.6	75.8	+1.5	+1.1	+2.6	+1.6	+4.2
<b>Agro</b>	14.6	11.1	25.7	38.1	63.8	14.5	10.3	24.8	41.4	66.2	-0.1	-0.8	-0.9	+3.3	+2.4
<b>Pharma</b>	1.5	1.5	3.0	3.7	6.7	0.9	2.0	2.9	3.2	6.1	-0.6	+0.5	-0.1	-0.5	-0.6
<b>D.D</b>	0.7	0.8	1.5	1.4	2.9	0.5	0.5	1.0	1.1	2.1	-0.3	-0.3	-0.5	-0.2	-0.7
<b>C.C</b>	0.8	0.7	1.5	2.3	3.8	0.4	1.5	1.9	2.0	3.9	-0.4	+0.8	+0.4	-0.3	+0.2
<b>Trading</b>	18.2	15.5	33.7	36.1	69.8	16.5	17.0	33.5	36.6	70.1	-1.7	+1.5	-0.2	+0.5	+0.3
<b>Others</b>	4.8	4.6	9.4	14.4	23.8	4.9	5.4	10.3	13.1	23.4	+0.1	+0.8	+0.9	-1.3	-0.4
<b>Adjustment</b>	-14.3	-12.3	-26.6	-31.9	-58.5	-24.0	-24.9	-48.9	-54.8	-103.7	-9.7	-12.6	-22.3	-22.9	-45.2
<b>Total</b>	49.3	45.2	94.5	114.6	209.1	39.8	36.7	76.5	96.0	172.5	-9.5	-8.5	-18.0	-18.6	-36.6

(1) Including inter-segment sales/transfers

(2) FY2021 Outlook: including sales decrease due to changes in accounting policies (see p2, 14)

(3) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen.  
Accordingly, some discrepancies may occur among totals.

19

Next, page 19 shows the sales by segment for FY2021.

As before, the first and second quarters are also shown.

## FY2021 OP Outlook by Segment (1)(2)

(¥billion)

	FY2020 Actual					FY2021 Outlook					Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Chem	0.7	-0.8	-0.1	1.6	1.5	1.3	-0.3	1.0	1.4	2.4	+0.6	+0.5	+1.1	-0.2	+0.9
Performance Materials	5.3	5.4	10.7	11.7	22.4	5.5	6.1	11.6	12.2	23.8	+0.2	+0.7	+0.9	+0.5	+1.4
Agro	4.0	3.8	7.8	10.4	18.2	3.8	2.0	5.8	11.8	17.6	-0.2	-1.8	-2.0	+1.4	-0.6
Pharma	-0.1	0.1	0.0	0.4	0.4	-0.3	0.5	0.2	0.1	0.3	-0.2	+0.4	+0.2	-0.3	-0.1
D.D	-0.2	-0.1	-0.4	-0.6	-0.9	-0.4	-0.3	-0.7	-0.8	-1.5	-0.2	-0.2	-0.4	-0.2	-0.6
C.C	0.2	0.2	0.4	0.9	1.3	0.1	0.8	0.9	0.9	1.8	-0.1	+0.6	+0.5	0.0	+0.5
Trading	0.7	0.5	1.2	1.3	2.5	0.5	0.6	1.1	1.1	2.2	-0.2	+0.1	-0.1	-0.2	-0.3
Others	0.0	0.0	0.0	0.8	0.8	0.0	0.0	0.0	0.7	0.7	0.0	0.0	0.0	-0.1	-0.1
Adjustment	-0.8	-0.8	-1.6	-1.7	-3.3	-1.0	-1.0	-2.0	-1.4	-3.4	-0.2	-0.2	-0.4	+0.3	-0.1
<b>Total</b>	<b>9.8</b>	<b>8.2</b>	<b>18.0</b>	<b>24.5</b>	<b>42.5</b>	<b>9.8</b>	<b>7.9</b>	<b>17.7</b>	<b>25.9</b>	<b>43.6</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.3</b>	<b>+1.4</b>	<b>+1.1</b>

(1) FY2021 Outlook: including effects of changes in accounting policies (see p2, 14)

(2) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen. Accordingly, some discrepancies may occur among totals.

20

Page 20 shows the forecast of operating income for the full year.

The increase/decrease values for each segment are on the far right.

Chemicals is expected to increase by JPY0.9 billion.

Performance Materials is expected to increase by JPY1.4 billion.

Agrochemicals will be down by JPY0.6 billion.

Pharmaceuticals will be down by JPY0.1 billion.

The total forecast is expected to increase by JPY1.1 billion.

# FY2020 Sales Outlook of Future Growth Engines (Announced in May 2020)

(1) Including R&D costs deduction due to the sample shipments

FY2020 Sales Outlook Level (1)	Below ¥0.3 billion	¥0.3 to ¥0.6 billion	Above ¥0.6 billion	Total
<b>Chem</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">New TEPIC (Liquid type) (Fine Chemicals)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Venus® Oilclean (Fine Chemicals)</div> </div>			<b>¥0.0 billion</b>
<b>Performance Materials</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Flexible hard coating materials (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Light control film materials (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Hole injection layer materials (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Repellant bank layer materials (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Alignment materials for LC retarder (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Alignment materials for TV (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">3D packaging process materials (Semis)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Monomersol (3D-printing) (Inorganic)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Organosol (Insulation CTE) (Inorganic)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;"></div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">New high refractive materials (IM layer film) (Inorganic)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">CMOS image sensor materials (Semis)</div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">Oilfield materials (Inorganic)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">EUV under layer (Semis)</div>	<b>¥3.1 billion</b>
<b>Agro</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 30%;">NEXTER (Licensed-in)</div> <div style="border: 1px solid black; padding: 2px; width: 30%;">CLARE (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 30%;">ALEILE (In-house)</div> </div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">TRANSFORM™/ EXCEED™/ VIRESCO™ (Licensed-in)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">ROUNDUP AL II / III (In-house)</div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">GRACIA (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">QUINTEC (Acquisition)</div> </div>	<b>¥9.1 billion</b>
<b>Pharma, Others</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">New GE API product (Custom Chemicals)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">New GE API product (Custom Chemicals)</div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">Cell culture medium</div>		<div style="border: 1px solid black; padding: 2px; width: 100%;">Eldecalcitol (Custom Chemicals)</div>	<b>¥1.2 billion</b>
<b>Total ¥13.4 billion</b>				

21

Next, on pages 21 to 30, is the status of the growth engine.

Please turn to page 21.

At the beginning of the year, we had estimated that the total would be JPY13.4 billion.

# FY2020 Sales Actual of Future Growth Engines

(1)Including R&D costs deduction due to the sample shipments

FY2020 Sales Actual Level (1)	Below ¥0.3 billion	¥0.3 to ¥0.6 billion	Above ¥0.6 billion	Total
<b>Chem</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">New TEPIC (Liquid type) (Fine Chemicals)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Venus® Oilclean (Fine Chemicals)</div> </div>			<b>¥0.0 billion</b>
<b>Performance Materials</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Flexible hard coating materials (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Light control film materials (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Hole injection layer materials (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Repellant bank layer materials (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Alignment materials for LC retarder (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Alignment materials for TV (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">3D packaging process materials (Semis)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Monomersol (3D-printing) (Inorganic)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Organosol (Insulation CTE) (Inorganic)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;"></div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">New high refractive materials (IM layer film) (Inorganic)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">CMOS image sensor materials (Semis)</div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">Oilfield materials (Inorganic)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">EUV under layer (Semis)</div>	<b>¥2.5 billion</b>
<b>Agro</b>	<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 30%;">NEXTER (Licensed-in)</div> <div style="border: 1px solid black; padding: 2px; width: 30%;">CLARE (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 30%;">ALEILE (In-house)</div> </div> <div style="border: 1px solid black; padding: 2px; width: 100%;">TRANSFORM™/ EXCEED™/ VIRESCO™ (Licensed-in)</div>		<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">ROUNDUP AL II/III (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">QUINTEC (Acquisition)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">GRACIA (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">DITHANE (Acquisition)</div> </div>	<b>¥7.8 billion</b>
<b>Pharma, Others</b>	<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">New GE API product (Custom Chemicals)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">New GE API product (Custom Chemicals)</div> </div> <div style="border: 1px solid black; padding: 2px; width: 100%;">Cell culture medium</div>		<div style="border: 1px solid black; padding: 2px; width: 100%;">Eldecalcitol (Custom Chemicals)</div>	<b>¥1.3 billion</b>
<b>Total ¥11.6 billion</b>				

22

Please see page 22.

We ended with the total of JPY11.6 billion.

This includes DITHANE.

# FY2021 Sales Outlook of Future Growth Engines

(1)Including R&D costs deduction due to the sample shipments

FY2021 Sales Outlook Level (1)	Below ¥0.3 billion	¥0.3 to ¥0.6 billion	Above ¥0.6 billion	Total
<b>Chem</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">New TEPIC (Liquid type) (Fine Chemicals)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Venus® Oilclean (Fine Chemicals)</div> </div>			<b>¥0.0 billion</b>
<b>Performance Materials</b>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Flexible hard coating materials (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Light control film materials (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Hole injection layer materials (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Repellant bank layer materials (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">Alignment materials for LC retarder (Display)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Alignment materials for TV (Display)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">3D packaging process materials (Semis)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">Monomersol (3D-printing) (Inorganic)</div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">Organosol (Insulation CTE) (Inorganic)</div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">New high refractive materials (IM layer film) (Inorganic)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">CMOS image sensor materials (Semis)</div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px; width: 100%;">Oilfield materials (Inorganic)</div>	<div style="border: 1px solid black; padding: 2px; width: 100%;">EUV under layer (Semis)</div>	<b>¥3.3 billion</b>
<b>Agro</b>	<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 30%;">NEXTER (Licensed-in)</div> <div style="border: 1px solid black; padding: 2px; width: 30%;">CLARE (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 30%;">ALEILE (In-house)</div> </div> <div style="border: 1px solid black; padding: 2px; width: 100%;">TRANSFORM™/ EXCEED™/ VIRESCO™ (Licensed-in)</div>		<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">ROUNDUP AL II/III (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">QUINTEC (Acquisition)</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">GRACIA (In-house)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">DITHANE (Acquisition)</div> </div>	<b>¥11.3 billion</b>
<b>Pharma, Others</b>	<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> <div style="border: 1px solid black; padding: 2px; width: 45%;">New GE API product (Custom Chemicals)</div> <div style="border: 1px solid black; padding: 2px; width: 45%;">New GE API product (Custom Chemicals)</div> </div> <div style="border: 1px solid black; padding: 2px; width: 100%;">Cell culture medium</div>		<div style="border: 1px solid black; padding: 2px; width: 100%;">Eldecalcitol (Custom Chemicals)</div>	<b>¥1.2 billion</b>
<b>Total ¥15.8 billion</b>				

23

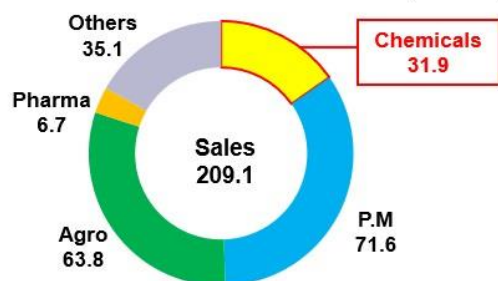
Moving onto page 23.

This is the forecast for FY2021, which is expected to increase to JPY15.8 billion, and this also includes DITHANE.

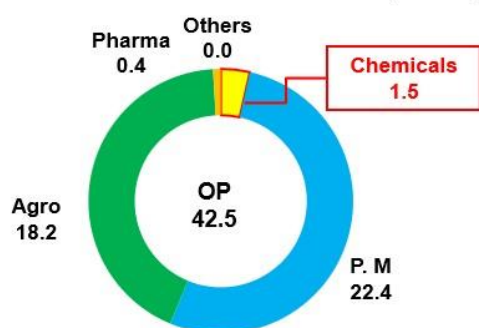
The rest is description of the products of each growth engine, which you can see later.

## Chemicals – (A) Recent Financial Performance

1. FY2020 Sales Distribution (¥billion)



2. FY2020 OP Distribution (¥billion)



3. Recent Financial Performance (¥billion)



31

Then I will skip ahead to page 31.

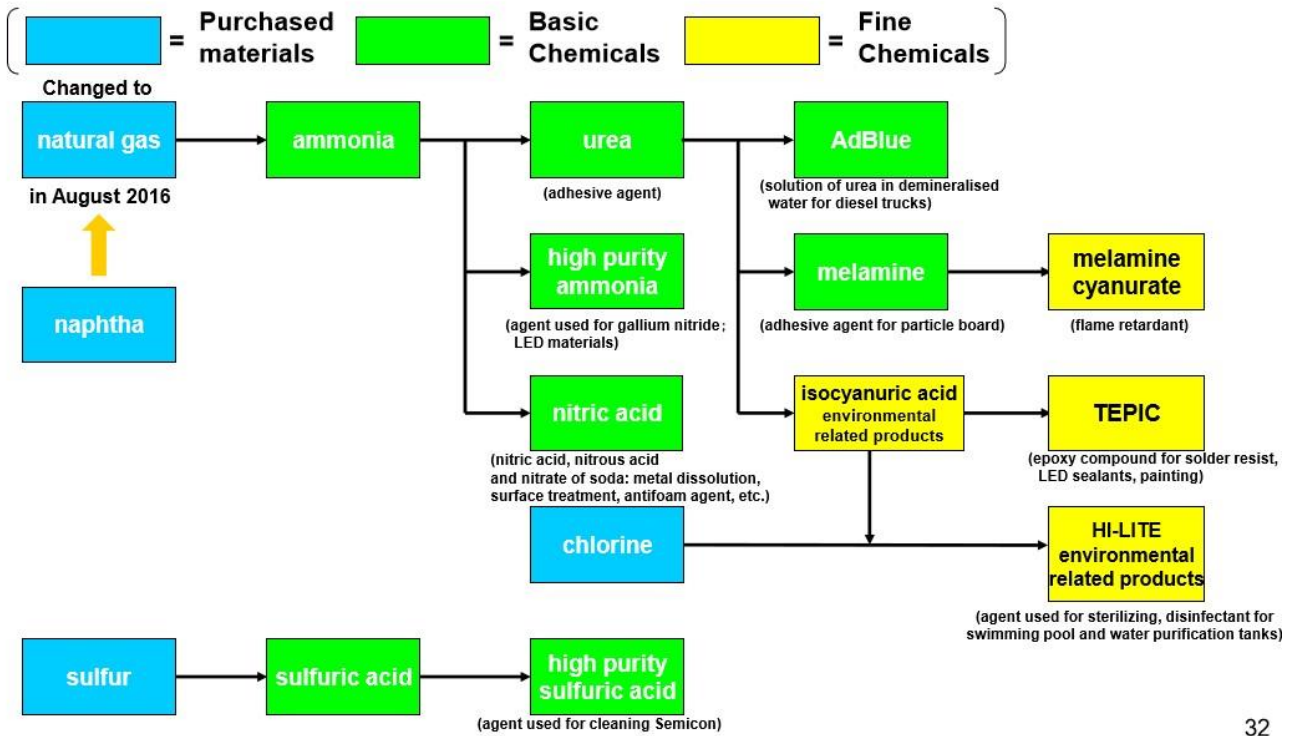
This is the performance in Chemicals segment.

Page 31 is the conventional summary page.



# Chemicals – (B) Flow Chart of Selected Basic and Fine Chemicals Products

- ◆ Core products of Basic Chemicals : Ammonia related products and sulfuric acid related products
- ◆ FY2020 ammonia domestic production capacity share 11%, high percentage of self-consumption of ammonia



32

Page 32 is the material flow.

## Chemicals – (C) Sales YOY Change

Main Products		Sales YOY Change(1)										
		FY2020 Outlook as of Nov. 2020			FY2020 Actual					FY2021 Outlook		
		1H Actual	2H	Total	1H	3Q	4Q	2H	Total	1H	2H	Total
<b>TEPIC</b>	◆ Epoxy compound for : (A) electronic materials (solder resist, LED materials), (B) general applications such as powder coating agent for paint ◆ World largest producer	-10%	+1%	-4%	-10%	+10%	+6%	+7%	-1%	+21%	-6%	+6%
<b>Environmental related products</b>	◆ HI-LITE : made from chlorinated isocyanuric acid, used for sterilizing, disinfectant for swimming pool as well as water purification tank	-9%	+22%	+4%	-9%	+2%	+3%	+3%	-4%	+19%	+29%	+24%
<b>Total Fine Chemicals</b> Two products account for 74% of total consolidated subsegment sales (FY2020)		+3%	+21%	+12%	+3%	+14%	+16%	+15%	+9%	+17%	+9%	+13%
<b>Melamine</b>	Mainly used as adhesive agent for particle board, medium density fiberboard, plywood	-55%	-49%	-52%	-55%	-37%	-30%	-33%	-44%	+13%	-2%	+4%
<b>Urea/AdBlue</b>	◆ Urea: mainly used for urea formaldehyde resin, adhesive agent ◆ AdBlue: solution of urea in demineralised water for diesel trucks to reduce Nox	-5%	-1%	-3%	-5%	+3%	+9%	+6%	0%	+15%	+3%	+8%
<b>High purity sulfuric acid</b>	◆ Used to clean semiconductors ◆ Largest in domestic market	+14%	+19%	+17%	+14%	+8%	+11%	+10%	+12%	+9%	+4%	+6%
<b>Nitric acid products</b>	◆ Nitric acid, nitrous acid and nitrate of soda: Metal dissolution, surface treatment, antifoam agent	-2%	+7%	+3%	-2%	+11%	+15%	+13%	+5%	+16%	0%	+7%
<b>Total Basic Chemicals</b> Four products account for 53% of total consolidated subsegment sales (FY2020)		-20%	-13%	-16%	-20%	-11%	-7%	-9%	-14%	+12%	+1%	+6%

(1) In FY2020, FINEOXOCOL (cosmetic raw materials etc.) was transferred from Basic Chemicals to Fine Chemicals

33

Next, page 33 shows the status of sales.

Please see the results for the second half of FY2020 in the middle of this page.

First of all, Fine Chemicals saw a 15% increase in total sales, but the forecast on the left was a 21% increase. This is because TEPIC exceeded the plan, but environmental related products were below the plan, resulting in the decrease in the increase ratio of sales.

On the other hand, Basic Chemicals declined 9% YoY in the second half, but the previous forecast was for a 13% decline, so I think we ended above the plan.

As for our forecast for FY2021, Fine Chemicals is expected to increase by 13% and Basic Chemicals to increase by 6% for full year, and we are expecting improvement overall.

## Chemicals – (D-1) Profit Overview

(¥billion)

	FY2019 Actual					2H FY2020 Outlook as of Nov.2020			FY2020 Actual (A)							FY2021 Outlook(B)					Change (B) - (A)				
	1H	3Q	4Q	2H	Total	3Q	4Q	2H	1Q	2Q	1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	16.8	8.7	8.8	17.5	34.3	8.1	8.9	17.0	7.4	7.3	14.7	8.3	8.9	17.2	31.9	8.4	8.3	16.7	17.9	34.6	+1.0	+1.0	+2.0	+0.7	+2.7
Fine	5.2	2.6	2.7	5.3	10.5	2.9	3.5	6.4	2.7	2.7	5.4	2.8	3.2	6.0	11.4	3.2	3.1	6.3	6.6	12.9	+0.5	+0.4	+0.9	+0.6	+1.5
Basic	11.6	6.1	6.1	12.2	23.8	5.2	5.4	10.6	4.7	4.6	9.3	5.5	5.7	11.2	20.5	5.2	5.2	10.4	11.3	21.7	+0.5	+0.6	+1.1	+0.1	+1.2
OP	0.3	0.5	0.5	1.0	1.3	0.7	0.6	1.3	0.7	-0.8	-0.1	0.7	0.9	1.6	1.5	1.3	-0.3	1.0	1.4	2.4	+0.6	+0.5	+1.1	-0.2	+0.9
FO* Sales	0.7	-	-	0.8	1.5	-	-	0.8	-	-	0.6	-	-	0.6	1.2	-	-	0.7	0.8	1.5	-	-	-	-	-

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

### 4Q FY2020 Review <vs. 4Q FY2019>

(Fine)

- ◆ Sales up: TEPIC for general applications (export recovery), TEPIC for electronic materials (demand recovery), environmental related products (export)
- ◆ Feedstock and raw materials cost down
- ◆ Sales up (including positive impact of FO\* transferred), OP up

(Basic)

- ◆ Sales up : nitric acid products, high purity sulfuric acid (for semis), urea/AdBlue
- ◆ Sales down: export melamine (reducing low margin deals), domestic melamine
- ◆ Feedstock and raw materials cost down
- ◆ Inventory adjustment cost down
- ◆ Sales down (including negative impact of FO\* transferred), OP up

(Total)

- ◆ Sales up ¥0.1 billion, OP up ¥0.4 billion

### 4Q FY2020 Review

<vs. 4Q FY2020 Outlook as of Nov. 2020>

(Fine)

- ◆ Sales in line with target: TEPIC for electronic materials
- ◆ Sales below target: environmental related products, TEPIC for general applications, FO\*
- ◆ Inventory adjustment cost below expectations
- ◆ Feedstock and raw materials cost above expectations, transporting cost above expectations
- ◆ Sales down, OP up

(Basic)

- ◆ Sales above target: export melamine(demand recovery), nitric acid products, urea/AdBlue
- ◆ Sales below target: high purity sulfuric acid, domestic melamine
- ◆ Inventory adjustment cost below expectations
- ◆ Sales up, OP in line with target

(Total)

- ◆ Sales in line with target, OP up ¥0.3 billion

35

Moving onto page 35. This is the profit overview of the segment.

Due to the time constraint, I will focus on the comparison to the forecast for the second half of FY2020, YoY change of FY2020 for the full year and forecast for 2021 for each segment.

## Chemicals – (D-2) Profit Overview

\*FO: FINEOXOCOL (see p33)

### 2H FY2020 Review

- <vs. 2H FY2019>**
- (Fine)
- ◆ Sales up: TEPIC for general applications (export recovery), TEPIC for electronic materials (demand recovery), environmental related products (export)
  - ◆ Feedstock and raw materials cost down
  - ◆ Inventory adjustment cost up
  - ◆ Sales up (including positive impact of FO\* transferred), OP up
- (Basic)
- ◆ Sales up : high purity sulfuric acid (for semis), nitric acid products, urea/AdBlue
  - ◆ Sales down: export melamine(reducing low margin deals), domestic melamine
  - ◆ Feedstock and raw materials cost down
  - ◆ Inventory adjustment cost down
  - ◆ Sales down (including negative impact of FO\* transferred), OP up
- (Total)
- ◆ Sales down ¥0.3 billion, OP up ¥0.6 billion

### FY2020 Review

- <vs. FY2019>**
- (Fine)
- ◆ Sales up: TEPIC for general applications
  - ◆ Sales down: environmental related products (export up, domestic down for pools and spas), TEPIC for electronic applications (sluggish demand for cars until 1H)
  - ◆ Feedstock and raw materials cost down
  - ◆ Sales up (including positive impact of FO\* transferred), OP up
- (Basic)
- ◆ Sales up : high purity sulfuric acid (for semis), nitric acid products
  - ◆ Sales flat : urea/AdBlue
  - ◆ Sales down: export melamine (reducing low margin deals), domestic melamine
  - ◆ Feedstock and raw materials cost down
  - ◆ Sales down (including negative impact of FO\* transferred), OP down
- (Total)
- ◆ Sales down ¥2.4 billion, OP up ¥0.2 billion

### 2H FY2020 Review

#### <vs. 2H FY2020 Outlook as of Nov. 2020>

- (Fine)
- ◆ Sales above target: TEPIC for general applications (export recovery), TEPIC for electronic materials (demand recovery)
  - ◆ Sales below target: environmental related products, FO\* (cosmetic applications down)
  - ◆ Fixed cost below expectations
  - ◆ Feedstock and raw materials cost up expectations
  - ◆ Sales below target, OP above target
- (Basic)
- ◆ Sales above target : export melamine (demand recovery), nitric acid products, urea/AdBlue
  - ◆ Sales below target : high purity sulfuric acid, domestic melamine
  - ◆ Feedstock and raw materials cost below expectations
  - ◆ Sales above target, OP above target
- (Total)
- ◆ Sales up ¥0.2 billion, OP up ¥0.3 billion

### FY2021 Outlook

- <vs. FY2020>**
- (Fine)
- ◆ Sales up: environmental related products, (isocyanuric acid capacity expansion completed, export up), FO\* (cosmetic applications recovery), TEPIC for electronic materials (demand recovery), TEPIC for general applications (export price up)
  - ◆ Fixed cost up (isocyanuric acid capacity expansion completed)
  - ◆ Inventory adjustment cost down
  - ◆ Sales up, OP up
- (Basic)
- ◆ Sales up : domestic melamine (demand recovery), nitric acid products, urea/AdBlue, high purity sulfuric acid (for semis)
  - ◆ Sales down: export melamine (reducing low margin deals)
  - ◆ Fixed cost up (tank renewal), Feedstock and raw materials cost up
  - ◆ Inventory adjustment cost up
  - ◆ Sales up, OP flat
- (Total)
- ◆ Sales up ¥2.7 billion, OP up ¥0.9 billion

36

First, please see page 36.

The upper right shows the comparison to the forecast for the second half.

In the Fine Chemicals, TEPIC's sales ended above the plan, but the environmental related products ended below the plan, and the high cost of raw materials and fuel was added to that. However, due to the impact of lower fixed costs, sales were in short of the plan, but profits exceeded the plan.

As for Basic Chemicals, exports of melamine, nitric acid products, urea and AdBlue exceeded the plan. Sales of high-purity sulfuric acid and domestic melamine ended below the plan, but the low price of raw materials and fuel has had a positive effect. Sales and operating income are both above the plan.

In total, sales increased by JPY0.2 billion and operating income increased by JPY0.3 billion.

Next, on the lower left, are the annual figures for FY2020.

First is Fine Chemicals. Sales for TEPIC General increased due to the recovery from 3Q. Sales of environmental related products decreased. Also, TEPIC, for electronic applications, is on a recovery trend since 3Q. Thanks to the lower price of raw materials and fuel, both sales and profits increased.

For Basic Chemicals, sales of high-purity sulfuric acid and nitric acid products increased, but sales from exports of melamine and domestic melamine decreased. As a result of the low prices of raw materials and fuel, sales and operating income decreased, but the extent of the decrease for operating income was very small.

As a whole, sales were down JPY2.4 billion but profits were up JPY0.2 billion.

Next is the forecast for FY2021.

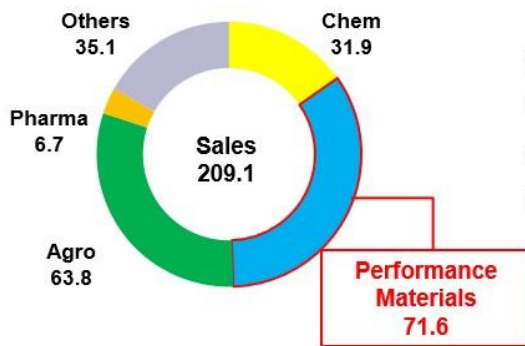
For Fine Chemicals, sales of all products will increase. Partly due to a positive effects of inventory changes, both sales and operating income are expected to increase.

For Basic Chemicals, we expect sales to increase in all products except the export of melamine. However, operating income is expected to remain flat due to the increase in fixed costs and the negative impact of inventory fluctuations.

As a result of the above, sales will increase by JPY2.7 billion and profit will increase by JPY0.9 billion.

## Performance Materials – (A) Recent Financial Performance

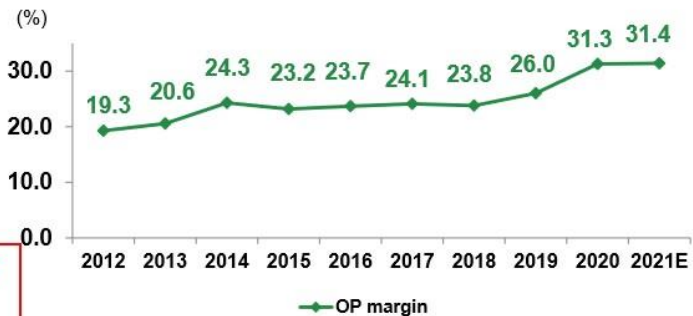
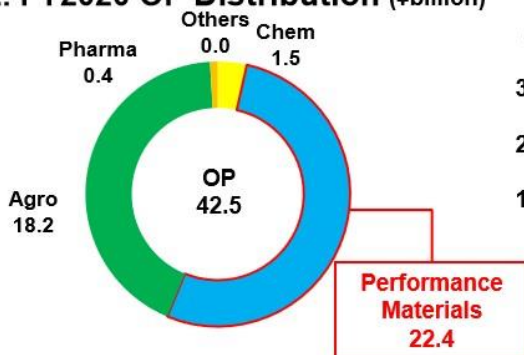
1. FY2020 Sales Distribution (¥billion)



3. Recent Financial Performance (¥billion)



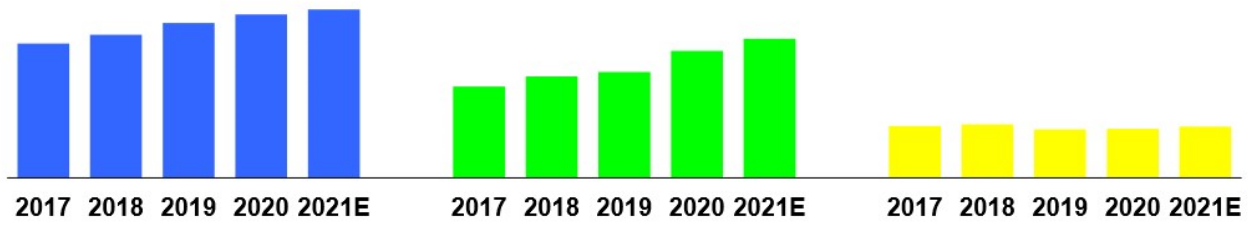
2. FY2020 OP Distribution (¥billion)



37

Next, we will move on to Performance materials. That is on page 37. This is a summary table.

## Performance Materials – (B) FY2017-2021E Sales Distribution



### < 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

38

Then, page 38 is the sales distribution.

## Performance Materials – (C) Sales YOY Change

Main Products	Sales YOY Change										
	FY2020 Outlook as of Nov. 2020			FY2020 Actual					FY2021 Outlook		
	1H Actual	2H	Total	1H	3Q	4Q	2H	Total	1H	2H	Total
SUNEVER	+7%	0%	+3%	+7%	+5%	+2%	+4%	+5%	+5%	0%	+2%
<b>Total Display Materials</b>	<b>+7%</b>	<b>+1%</b>	<b>+4%</b>	<b>+7%</b>	<b>+5%</b>	<b>+3%</b>	<b>+4%</b>	<b>+5%</b>	<b>+5%</b>	<b>+1%</b>	<b>+3%</b>
KrF (ARC®)	+14%	-3%	+5%	+14%	+18%	+11%	+14%	+14%	+2%	-2%	0%
ArF (ARC®)	+16%	+10%	+13%	+16%	+20%	+11%	+15%	+16%	+11%	+11%	+11%
<b>Total ARC®</b>	<b>+16%</b>	<b>+6%</b>	<b>+11%</b>	<b>+16%</b>	<b>+21%</b>	<b>+10%</b>	<b>+15%</b>	<b>+16%</b>	<b>+10%</b>	<b>+9%</b>	<b>+9%</b>
<b>Other Semis Materials (1)</b>	<b>+51%</b>	<b>+17%</b>	<b>+31%</b>	<b>+51%</b>	<b>+30%</b>	<b>+3%</b>	<b>+16%</b>	<b>+31%</b>	<b>+7%</b>	<b>+14%</b>	<b>+11%</b>
<b>Total Semis Materials</b>	<b>+25%</b>	<b>+9%</b>	<b>+16%</b>	<b>+25%</b>	<b>+23%</b>	<b>+8%</b>	<b>+15%</b>	<b>+20%</b>	<b>+9%</b>	<b>+10%</b>	<b>+10%</b>
SNOWTEX	+2%	0%	+1%	+2%	+9%	+8%	+9%	+5%	+9%	+5%	+7%
Organo/Monomer Sol	-15%	-3%	-9%	-15%	+24%	-19%	-1%	-8%	+7%	-2%	+2%
Oilfield Materials	-91%	-15%	-52%	-91%	+112%	+172%	+123%	+18%	+1,483%	-39%	+17%
<b>Total Inorganic Materials</b> Three products account for 83% of total consolidated subsegment sales (FY2020)	<b>-8%</b>	<b>-2%</b>	<b>-5%</b>	<b>-8%</b>	<b>+15%</b>	<b>+7%</b>	<b>+10%</b>	<b>+1%</b>	<b>+13%</b>	<b>-2%</b>	<b>+5%</b>

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

- ◆ Semiconductor capex plan to capture long-term future business: \*NCK: Consolidated subsidiary in South Korea. R&D, production and sales of display and semis materials.
- |                  |        |   |
|------------------|--------|---|
| Main capex :     | FY2014 | Analyzing and evaluation R&D equipment (¥1.1 billion)   |
| (approval basis) | FY2015 | Product development facilities(¥2.8 billion), Analyzing and evaluation R&D equipment (¥0.8 billion),<br>Production capacity expansion (¥0.8 billion), NCK* (¥0.7 billion), Material Research Lab. (¥0.5 billion)                            |
|                  | FY2016 | NCK* production capacity expansion (¥2.6 billion),<br>Analyzing and evaluation R&D equipment (¥1.0 billion), Material Research Lab. (¥0.4 billion)  |
|                  | FY2017 | Material Research Lab. (¥0.4 billion)   |
|                  | FY2018 | Production capacity expansion (¥0.2 billion), Production test facilities (¥0.2 billion)   |
|                  | FY2019 | Material Research Lab. (¥0.1 billion), Production test facilities (¥0.1 billion)  |
|                  | FY2020 | Analyzing and evaluation R&D equipment (¥1.8 billion), NCK* production capacity expansion (¥0.4 billion),<br>Production test facilities (¥0.2 billion), Production capacity expansion (¥0.2 billion), Material Research Lab. (¥0.2 billion) |
|                  | FY2021 | Production test facilities (¥0.3 billion), Material Research Lab. (¥0.1 billion), Production capacity expansion (¥0.1 billion),<br>Analyzing and evaluation R&D equipment (¥0.1 billion)  |

39

Page 39 shows the sales trend of major products.

First, please see the second half of FY2020. SUNEVER in Display materials were up 4%, which was higher than the forecast of zero.

For Semiconductor materials, sales increased by 15%, which was higher than the 9% forecast.

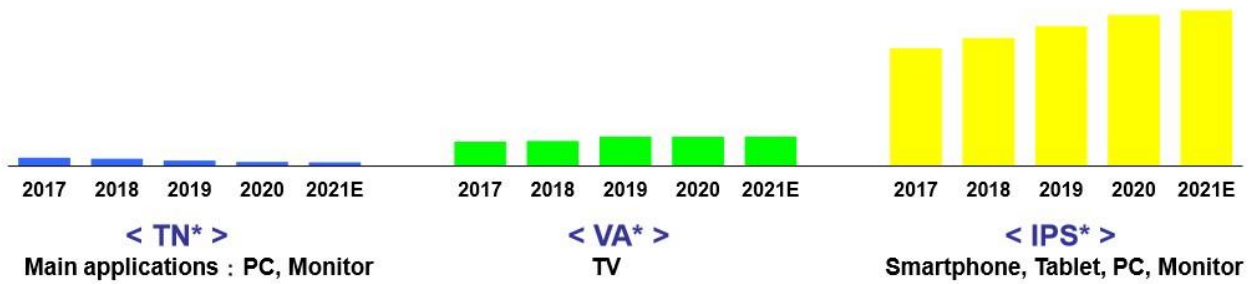
As for Inorganic materials, it increased 10% and exceeded the plan of 2% decrease.

For the full year, sales of SUNEVER increased by 5%, those of Semiconductor materials increased by 20%, and those of Inorganic materials increased by 1%.

For FY2021, SUNEVER expects an annual increase of 2%, Semiconductor materials an increase of 10%, and Inorganic materials an increase of 5%.

# Performance Materials – (D) SUNEVER

## <Sales Distribution by Mode>



## <Sales YOY Change by Mode>

	FY2020 Outlook as of Nov. 2020	FY2020 Actual	FY2021 Outlook
TN	↘↘↘	↘↘↘	↘↘
VA	↘	↘	↗
IPS	↗	↗	↗
Total	+3%	+5%	+2%

### YOY Change

+20~+29%	↗↗↗
+10~+19%	↗↗
+0~+9%	↗
-0~-9%	↘
-10~-19%	↘↘
-20~-29%	↘↘↘

\*TN : Twisted Nematic, VA : Vertical Alignment, IPS : In-Plane Switching

40

Page 40 shows the status of SUNEVER by mode.

As for the VA, it shows the downward arrow (sales decrease) for FY2020, but the situation is practically flat. It will turn to increase in FY2021.

Sales of IPS will continue to increase, mainly due to strong sales of photo IPS.



## Performance Materials – (E-1) Profit Overview

(¥billion)

	FY2019 Actual					2H FY2020 Outlook as of Nov.2020			FY2020 Actual (A)								FY2021 Outlook(B)					Change (B) - (A)				
	1H	3Q	4Q	2H	Total	3Q	4Q	2H	1Q	2Q	1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	
Sales	31.4	17.0	17.1	34.1	65.5	17.5	17.7	35.2	17.1	17.5	34.6	19.2	17.8	37.0	71.6	18.6	18.6	37.2	38.6	75.8	+1.5	+1.1	+2.6	+1.6	+4.2	
OP	8.4	4.7	3.9	8.6	17.0	4.9	5.0	9.9	5.3	5.4	10.7	6.3	5.4	11.7	22.4	5.5	6.1	11.6	12.2	23.8	+0.2	+0.7	+0.9	+0.5	+1.4	

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

### 4Q FY2020 Review

<vs. 4Q FY2019>

- ◆ DP sales up, OP up  
Photo IPS up (non-smartphone up), rubbing IPS down, VA up, TN down  
Fixed cost down ¥0.3 billion
- ◆ Semis Materials sales up, OP up  
ARC® up, other semis materials up (multi layer materials up, other new materials down)  
Growing semis market  
Fixed cost down ¥0.6 billion
- ◆ Inorganic Materials sales up, OP up  
SNOWTEX up (both non-polishing and polishing up),  
Organo/Monomer Sol down,  
Oilfield materials up (new order from 3Q)
- ◆ Fixed cost down ¥1.1 billion in total
- ◆ Sales up ¥0.7 billion, OP up ¥1.5 billion

### 4Q FY2020 Review

<vs. 4Q FY2020 Outlook as of Nov. 2020>

- ◆ DP sales below target, OP below target  
Photo IPS below target (shipment shifted to 3Q, smartphone below target, non-smartphone above target), rubbing IPS below target,  
VA above target, TN below target  
Fixed cost below expectations (¥0.2 billion)
- ◆ Semis Materials sales above target, OP above target  
ARC® above target, other semis materials below target  
(multi layer materials below target, other new materials in line with target)  
Growing semis market  
Fixed cost below expectations (¥0.4 billion)
- ◆ Inorganic Materials sales above target, OP above target  
SNOWTEX above target (both non-polishing and polishing above target),  
Organo/Monomer Sol below target, Oilfield materials below target  
Fixed cost below expectations (¥0.2 billion)
- ◆ Fixed cost below expectations (¥0.8 billion) in total
- ◆ Sales up ¥0.1 billion, OP up ¥0.4 billion

41

Next, starting on page 41, is the profit overview for Performance materials.

# Performance Materials – (E-2) Profit Overview

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

## 2H FY2020 Review

<vs. 2H FY2019>

- ◆ DP sales up, OP up  
Photo IPS up (non-smartphone up), rubbing IPS down,  
VA up, TN down  
Fixed cost down ¥0.1 billion
- ◆ Semis Materials sales up, OP up  
ARC® up, other semis materials up (multi layer materials up,  
other new materials up)  
Growing semis market  
Fixed cost down ¥0.7 billion
- ◆ Inorganic Materials sales up, OP up  
SNOWTEX up (both non-polishing and polishing up),  
Organo/Monomer Sol down,  
Oilfield materials up (new order from 3Q)  
Fixed cost down ¥0.3 billion
- ◆ Fixed cost down ¥1.1 billion in total
- ◆ Sales up ¥2.9 billion, OP up ¥3.1 billion

## 2H FY2020 Review

<vs. 2H FY2020 Outlook as of Nov. 2020>

- ◆ DP sales above target, OP above target  
Photo IPS above target  
(smartphone below target, non-smartphone above target),  
rubbing IPS below target, VA above target, TN above target  
Fixed cost below expectations (¥0.2 billion)
- ◆ Semis Materials sales above target, OP above target  
ARC® above target, other semis materials in line with target  
(multi layer materials below target, other new materials above target)  
Growing semis market  
Fixed cost below expectations (¥0.5 billion),  
Inventory adjustment cost above expectations (¥0.2 billion)
- ◆ Inorganic Materials sales above target, OP above target  
SNOWTEX above target (both non-polishing and polishing above target),  
Organo/Monomer Sol above target,  
Oilfield materials above target (new order from 3Q)  
Fixed cost below expectations (¥0.2 billion)
- ◆ Fixed cost below expectations (¥0.9 billion) in total
- ◆ Sales up ¥1.8 billion, OP up ¥1.8 billion

## FY2020 Review

<vs. FY2019>

- ◆ DP sales up, OP up  
Photo IPS up (non-smartphone up), rubbing IPS down,  
VA down, TN down  
Fixed cost up ¥0.1 billion
- ◆ Semis Materials sales up, OP up  
ARC® up, other semis materials up (multi layer materials up,  
other new materials up)  
Growing semis market  
Fixed cost down ¥1.3 billion
- ◆ Inorganic Materials sales up, OP up  
SNOWTEX up (non-polishing down, polishing up),  
Organo/Monomer Sol down,  
Oilfield materials up (new order form 3Q)  
Fixed cost down ¥0.6 billion
- ◆ Fixed cost down ¥1.8 billion in total
- ◆ Sales up ¥6.1 billion, OP up ¥5.4 billion

## FY2021 Outlook

<vs. FY2020>

- ◆ DP sales up, OP up  
Photo IPS up (non-smartphone above target), rubbing IPS down,  
VA up, TN down,  
Fixed cost down ¥0.1 billion
- ◆ Semis Materials sales up, OP up  
ARC® up, other semis materials up  
(multi layer materials up, other new materials up)  
Growing semis market  
Fixed cost up ¥1.0 billion
- ◆ Inorganic Materials sales up, OP down  
SNOWTEX up (non-polishing for automobiles up, polishing flat),  
Organo/Monomer Sol up, Oilfield materials up  
Fixed cost up ¥0.6 billion
- ◆ Fixed cost up ¥1.6 billion in total  
(including common expense up ¥0.1 billion)
- ◆ Sales up ¥4.2 billion, OP up ¥1.4 billion

42

On page 42, the upper right-hand corner, there is a comparison with the forecast for the second half of FY2020.

As you can see, sales and profits of Displays, Semiconductors, and Inorganic materials have exceeded the plan significantly.

In Displays, the increase above the plan for photo IPS and growth in the non-smartphone sector has been noticeable.

For Semiconductors, the increase above the plan in ARC had a significant effect.

In Inorganic materials, SNOWTEX increased above the plan.

In all sub-segments, fixed costs were below the plan, and overall sales and operating income increased by JPY1.8 billion and JPY1.8 billion, respectively.

Bottom left is the year over year comparison for FY2020.

Sales and profit increased in the Display, Semiconductor, and Inorganic materials, respectively.

In the area of Displays, fixed costs increased by about JPY0.1 billion, but the increase in Photo IPS sales drove the overall performance. The semiconductor market continued to be strong, and there was a significant decrease in fixed costs. Inorganic materials also increased due to higher sales and lower fixed costs.

Overall, net sales increased by JPY6.1 billion and operating income increased by JPY5.4 billion.

Next is the forecast for FY2021.

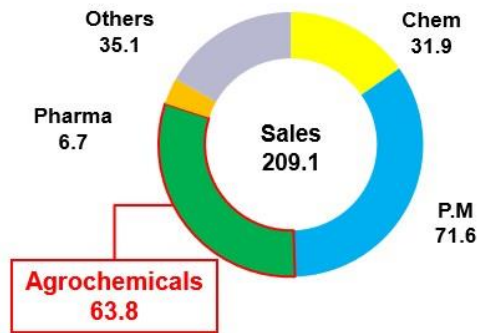
Both sales and profits are expected to increase for Display. Sales of photo IPS will continue to increase, and at the same time, sales of VA will also increase.

For Semiconductor, sales will continue to increase in ARC and other semis materials. Inorganic sales will increase, but profit will decrease due to a larger increase in fixed costs.

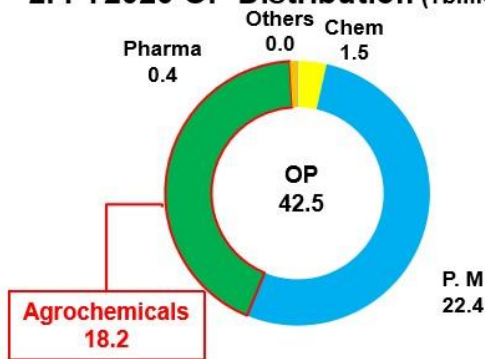
Overall, sales and operating income are expected to increase by JPY4.2 billion and JPY1.4 billion, respectively.

## Agrochemicals – (A) Recent Financial Performance

1. FY2020 Sales Distribution (¥billion)



2. FY2020 OP Distribution (¥billion)



3. Recent Financial Performance (¥billion)



43

Next, on page 43, is Agrochemicals.

The summary of Agrochemicals is on page 43.

## Agrochemicals – (B) Sales YOY Change (Before Discount)

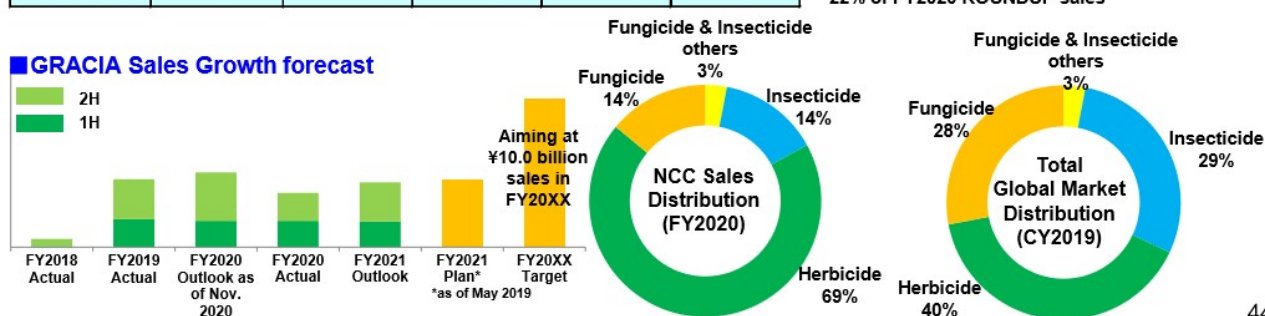
Main Products (in order of FY2020 sales amount)		Consolidated Sales YOY Change			
		FY2019 Actual	FY2020 Outlook as of Nov.2020	FY2020 Actual	FY2021 Outlook
ROUNDUP (1)	Herbicide	+6%	0%	0%	+4%
Fluralaner	Animal health products	-9%	-11%	-12%	-11%
ALTAIR	Herbicide	+4%	+16%	+11%	0%
TARGA	Herbicide	-19%	+4%	-1%	+1%
GRACIA	Insecticide	Over +700%	+10%	-20%	+20%
PERMIT	Herbicide	+8%	-5%	+8%	-22%
LEIMAY	Fungicide	-16%	+11%	+20%	+22%
QUINTEC	Fungicide	-	+25%	-8%	+61%
DITHANE	Fungicide	-	-	-	Over +200%
Total segment	-	+3%	+1%	0%	+4%

◆ No.1 in the domestic agrochemicals sales ranking (Oct.2018- Sep.2019)

⇒ 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](https://www.nissanchem.co.jp/eng/news_release/release/en2020_01_24.pdf)

(1) ROUNDUP AL for general household accounting for 22% of FY2020 ROUNDUP sales



44

Page 44 shows the movement of major products in Agrochemicals.

Please see the percentage of FY2020 results in the middle of this page.

First, the ROUNDUP was flat compared to the previous year. This is because MAXLOAD had a large-scale campaign in FY2019, and because the consumption tax was raised in FY2019, there was a last minute purchase before that. Sales in FY2020 decreased due to the reaction to that.

On the other hand, AL sales have increased due to continued sales expansion and expansion of distribution channels. As a result, the ROUNDUP came out even in total.

For Fluralaner, sales of active pharmaceutical ingredients decreased due to continued inventory adjustments, and despite an increase in royalty income, the total sales decreased by 12%.

Regarding ALTAIR, sales increased due to the launch of new generation products and the recovery of exports, but the results were lower than our forecast because we were a bit more aggressive in our forecast.

Two lines below is GRACIA, which saw large decrease. The reason for the decrease is the fact that, in the first half of the year, there were few insect pests due to low temperatures, and that in the third quarter, there were few insect pests due to long rains. In addition, there is a considerable amount of inventory in distribution, which has resulted in a decrease in sales.

Regarding QUINTEC, it declined by 8%, and this is largely due to the delay in production at our contract manufacturing partner.

Lastly, DITHANE started selling the product in Japan in January.

As a result of the above, looking at GRACIA alone, as shown in the bar graph below, the results for FY2020 were much lower than our forecast. Sales are expected to increase in FY2021.

## Agrochemicals- (C) Recent Acquisitions of Agrochemical Products

### ◆QUINTEC (QUINOXYFEN)

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

### ◆DITHANE (MANCOZEB)

- Acquired the MANCOZEB product line of fungicides in Japan and Korea including DITHANE brand from Corteva in December 2020 and started to sell in January 2021 in Japan
- Protective fungicide with significant efficacy against various plant diseases in fruits (especially apples and citrus) and vegetables
- Average amortized period fixed at 5 or 16 years(straight-line method)(weighted average 15.6 years) after the accounting audit. (tentatively calculated under the condition of 5-year amortization period before audit)

<DITHANE Acquisition's estimated PL impact>  
 Changed from the press release announced on December 21, 2020

	OP	OP + Amortization
FY2020	0.3	0.4
FY2021	0.7	1.1
Total FY2022-26	3.6	5.3

45

Moving onto page 45.

This is a summary of the 2 drugs that we recently acquired, QUINTEC and DITHANE.

## Agrochemicals – (D) Main Products

Launch	Products	Application	Product development type	Notes
2002	ROUNDUP	Herbicide	Acquired	Acquired domestic business from Monsanto, continuing to grow
2008	LEIMAY	Fungicide	In-house	
2008	STARMITE	Insecticide	In-house	
2009	PULSOR (THIFLUZAMIDE)	Fungicide	Acquired	Acquired world business from Dow
2009	PREVATHON	Insecticide	Licensed-in	Licensed from DuPont
2010	ROUNDUP AL	Herbicide	In-house	For general household shower-type herbicide market, launched ROUNDUP ALII in FY2016 and ALIII in FY2017, growing sharply
2011	ALTAIR	Herbicide	In-house	Launched in Korea in FY2011 and in Japan in FY2012
2013	Fluralaner	Animal health products	In-house	Started to be supplied to MSD* in July as scheduled
2014	BRAVECTO**	Veterinary medical product for companion animals	-	Launched in several countries in EU in April 2014, in the USA in June 2014 and in Japan in July 2015
2015	TREFANOCIDE	Herbicide	Licensed-in	Acquired by Gowan from Dow, exclusive sales right in Japan transferred to NCC
2017	NEXTER	Fungicide	Licensed-in	Licensed from Syngenta
2017	TRANSFORM™ / EXCEED™	Insecticide	Licensed-in	Licensed from Dow
2017	EXZOLT**	Veterinary medical product for poultry	-	Launched in EU in September for poultry red mites by MSD
2018	GRACIA	Insecticide	In-house	Effective against a wide range of serious pests, having less negative impact on honeybees. Launched in Korea in FY2018 (expected peak sales 10.0 billion yen)
2019	QUINTEC (QUINOXYFEN)	Fungicide	Acquired	Acquired world business from Corteva. Protective fungicide highly effective in controlling powdery mildew in fruits and vegetables
2020	DITHANE (MANCOZEB)	Fungicide	Acquired	Acquired Japan and Korea business from Corteva in December 2020. Protective fungicide with significant efficacy against various plant diseases in fruits and vegetables

### Pipeline

2023	NC-241(PYRAPROPOYNE)	Fungicide	In-house	General fungicide (expected peak sales 5.0 billion yen)
2024	NC-653(DIMESULFAZET)	Herbicide	In-house	Effective against resistant weeds, having excellent safety to rice, (expected peak sales 3.0 billion yen)
2027	NC-656	Herbicide	In-house	Our first foliar application rice herbicide with excellent efficacy against resistant grass weeds (expected peak sales 10.0 billion yen)

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

\*\*BRAVECTO, EXZOLT: the product names developed by MSD, containing the active substance Fluralaner

\*Including Fluralaner

◆ Export sales\* account for 39% of FY2020 consolidated segment sales (Asia:25%, Europe/Africa:60%, North/Central/South America:15%)

**Expected peak sales of new products (GRACIA, QUINTEC, DITHANE, NC-241, 653, 656) 33.0 billion yen**

46

Then moving onto page 46.

This shows the timing of launch of our major product. There is no change from the previous report.

## Agrochemicals – (E-1) Fluralaner

### ◆ Fluralaner

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

- Invented by NCC and supplied to MSD\* as the active pharmaceutical ingredient of BRAVECTO and EXZOLT
- Currently, BRAVECTO series and EXZOLT are available in more than 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

### ◆ 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 in USA
- Spot-on solution for dogs and cats  
for cats: July 2016 EU, December 2016 USA, June 2018 Japan  
for dogs: January 2017 USA, EU, January 2021 Japan

### ◆ BRAVECTO Plus

- A broad-spectrum combination spot-on solution for cats to treat internal and external parasite infestations  
July 2018 Europe, December 2019 USA,  
January 2021 Japan



### ◆ EXZOLT

- A poultry medicine against red mite launched by MSD (administered via drinking water)  
September 2017 Europe, June 2018 Korea, and Middle East etc, April 2021 Japan (approved)

47

Next, please see page 47. This is an explanation of Fluralaner.

There are no major changes here either, but BRAVECTO launched a spot product for dogs in Japan in January.

Also, BRAVECTO Plus has been launched in Japan as well.

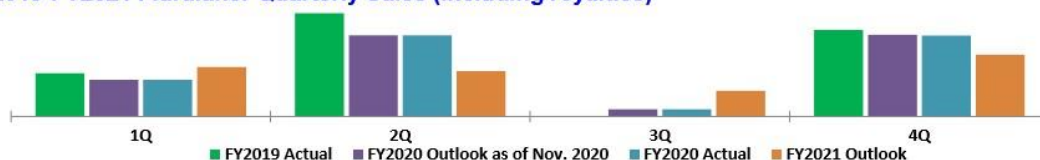
# Agrochemicals – (E-2) Fluralaner

## ◆ NCC's Revenues

API\*: Active Pharmaceutical Ingredient

Sales of Fluralaner to MSD as API\* of BRAVECTO and EXOLT products + Running royalties received from MSD

## ◆ FY2019-FY2021 Fluralaner Quarterly Sales (including royalties)

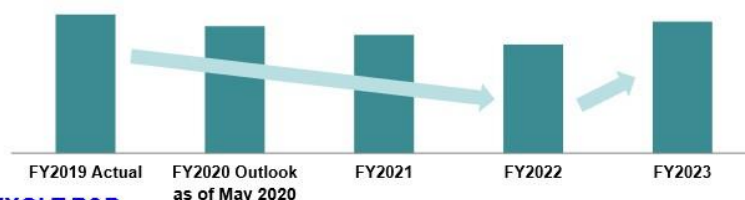


## ◆ FY2021 sales: Revenue recognition policy changed (see p2)

(until FY2020) Royalties revenue on MSD's sales for Jan-Jun: recognized in Aug, Jul-Dec: recognized in Feb  
 (from FY2021) Royalties revenue on MSD's sales for Jan-Mar: recognized in May, Apr-Jun: recognized in Aug,  
 Jul-Sep: recognized in Nov, Oct-Dec: recognized in Feb

## ◆ FY2019-FY2023 Fluralaner Pro-forma Sales (including royalties) Image (Announced in May 2020)

- BRAVECTO and EXOLT sales expected to grow steadily
- NCC's Fluralaner sales expected to decrease until FY2022 due to continuing inventory adjustment and recover in FY2023



## ◆ BRAVECTO and EXOLT R&D

Several pipeline products being developed by MSD (including new type of BRAVECTO for pets and spot-on solution for livestock)

Page 48 is the situation of Fluralaner.

As you can see in the second point, the status of quarterly sales is shown.

As I mentioned at the beginning, the month in which royalty sales are recorded changes, so the royalty income is spread out over each quarter.

This is the image of the sales trend from FY2019 to FY2023.

This is the image I presented in May last year, and there are no factors that would change this image at present, therefore the situation continues as it is.



## Agrochemicals – (F) Joint Venture Company in India

### Nissan Bharat Rasayan Private Limited (NBR)

Head Office	Gurgaon, Haryana (near New Delhi)
Plant Location	Newly built in Saykha, Gujarat (land leased by Gujarat Industrial Development Corporation)
Opening of Business	April 1, 2020
Business	Manufacturing active ingredients of agrochemicals (GRACIA, LEIMAY, QUINTEC, etc.) and exporting them to NCC
Number of Operators	150-200 (assumptions as of 2022)
Plant Operating	2Q FY2022
Shareholders	NCC 70%, Bharat Rasayan LTD (BRL) 30%
Board of Directors	NCC 5, BRL 2, Independent 1, Total 8

<Funding Plan (¥billion)>			
Plant	4.3	Capital (INR 1.5 billion)	2.3
Working capital and others	2.4	Borrowings provided by NCC	3.3
		Borrowings provided by local banks	1.1
<b>Total required funds</b>	<b>6.7</b>	<b>Total funding plan</b>	<b>6.7</b>

<Expected Net Contribution to NCC's Consolidated PL>  
(announced in May 2020)(round number, ¥billion)

FY	2021	2022	2023	2024	2025
OP	-0.3	0.5	1.2	2.0	3.2

### Bharat Rasayan Ltd (BRL)

Foundation	1989
Listing	National Stock Exchange of India(NSE), Bombay Stock Exchange (BSE)
Major Shareholders	Founders families including Sat Narain Gupta, Chairman 74.8%
2019 PL	Sales INR 12,151 million, Net Income after Taxes INR 1,576 million (one of major Indian agrochemical companies)
Plant Location	2 plants: (A) Dahej, Gujarat (B) Rohtak, Haryana
Relationship with NCC	BRL manufactures active ingredients and intermediates of NCC's products. Bharat Insecticides Ltd (BIL), a related company of Bharat group, distributes certain NCC's products(TARGA, PULSOR, PERMIT) in India

### Merits to NCC

- Reliable and experienced local partner
- Diversify and secure sources of active ingredients and decrease materials shortage risks
- Lower production costs compared to plants in Japan
- Readily available plant site (official approval process for land lease already completed)
- Much less management and financial risks compared to M&A of an existing local company

49

Next, page 49 shows the status of our joint ventures in India.

We are also making steady progress in this area.

As for the dispatched employees from Japan, they have already come back to Japan due to the coronavirus pandemic, but the foundation work has already started.

## Agrochemicals – (G-1) Profit Overview

(¥billion)

	FY2019 Actual					2H FY2020 Outlook as of Nov.2020			FY2020 Actual (A)							FY2021 Outlook(B)					Change (B) - (A)				
	1H	3Q	4Q	2H	Total	3Q	4Q	2H	1Q	2Q	1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	27.9	5.5	30.6	36.1	64.0	8.2	30.7	38.9	14.6	11.1	25.7	6.3	31.8	38.1	63.8	14.5	10.3	24.8	41.4	66.2	-0.1	-0.8	-0.9	+3.3	+2.4
OP	9.4	-1.8	11.7	9.9	19.3	-0.7	11.6	10.9	4.0	3.8	7.8	-1.3	11.7	10.4	18.2	3.8	2.0	5.8	11.8	17.6	-0.2	-1.8	-2.0	+1.4	-0.6

### 4Q FY2020 Review

<vs. 4Q FY2019>

- ◆ Sales up : DITHANE(sales start from 4Q), ALTAIR(domestic, export), LEIMAY(domestic, export), GRACIA(export), PERMIT(export)
- ◆ Sales down : GRACIA(domestic), QUINTEC(export), Fluralaner(BRAVECTO inventory adjustment), ROUNDUP(ML down, AL up), TARGA(export)
- ◆ Fixed cost down ¥0.2 billion
- ◆ Inventory valuation loss ¥0.2 billion
- ◆ Inventory adjustment cost up ¥0.3 billion
- ◆ Sales up ¥1.2 billion, OP flat

### 4Q FY2020 Review

<vs. 4Q FY2020 Outlook as of Nov. 2020>

- ◆ Sales above target : DITHANE(sales start from 4Q), LEIMAY(domestic, export), GRACIA(export), PERMIT(export), QUINTEC(export)
- ◆ Sales in line with target : Fluralaner
- ◆ Sales below target : GRACIA(domestic), ROUNDUP(ML, AL), ALTAIR(domestic, export), TARGA(export)
- ◆ Fixed cost above expectations (¥0.1 billion)
- ◆ Inventory valuation loss (¥0.2 billion)
- ◆ Inventory adjustment cost above expectation (¥0.1 billion)
- ◆ Sales up ¥1.1 billion, OP up ¥0.1 billion

51

Moving onto page 51. This is the profit overview of the segment.

## Agrochemicals – (G-2) Profit Overview

<b>2H FY2020 Review</b> <vs. 2H FY2019>	<b>2H FY2020 Review</b> <vs. 2H FY2020 Outlook as of Nov. 2020>
<ul style="list-style-type: none"> <li>◆ Sales up : DITHANE(sales start from 4Q), ALTAIR(domestic, export), PERMIT(export), LEIMAY(domestic, export), TARGA(export), GRACIA(export), ROUNDUP(ML, AL), Fluralaner(royalties up)</li> <li>◆ Sales down : GRACIA (domestic: long rain, customer inventory adjustment), QUINTEC(export)</li> <li>◆ Fixed cost down ¥0.3 billion (including QUINTEC and DITHANE amortization up ¥0.2 billion)</li> <li>◆ Inventory valuation loss ¥0.2 billion</li> <li>◆ Inventory adjustment cost up ¥0.4 billion</li> <li>◆ Sales up ¥2.0 billion, OP up ¥0.5 billion</li> </ul>	<ul style="list-style-type: none"> <li>◆ Sales above target : DITHANE(Sales start from 4Q), PERMIT(domestic, export), LEIMAY(domestic, export)</li> <li>◆ Sales in line with target : Fluralaner, ROUNDUP(ML, AL)</li> <li>◆ Sales below target : GRACIA (domestic: long rain, customer inventory adjustment), ALTAIR(domestic, export), QUINTEC(export), TARGA(export)</li> <li>◆ Fixed cost below expectations (¥0.1 billion) (including DITHANE amortization up ¥0.1 billion)</li> <li>◆ Inventory valuation loss (¥0.2 billion)</li> <li>◆ Inventory adjustment cost below expectations (¥0.2 billion)</li> <li>◆ Sales down ¥0.8 billion, OP down ¥0.5 billion</li> </ul>
<b>FY2020 Review</b> <vs. FY2019>	<b>FY2021 Outlook</b> <vs. FY2020>
<ul style="list-style-type: none"> <li>◆ Sales up : DITHANE(Sales start from 4Q), ALTAIR(domestic, export), GRACIA(export), LEIMAY(domestic, export), PERMIT(export)</li> <li>◆ Sales flat : ROUNDUP(AL up, ML down)</li> <li>◆ Sales down : Fluralaner(BRAVECTO inventory adjustment), GRACIA(domestic: low temperature, long rain, customer inventory adjustment), QUINTEC(export), TARGA(export)</li> <li>◆ Fixed cost up ¥0.3 billion (including QUINTEC and DITHANE amortization up ¥0.6 billion)</li> <li>◆ Inventory valuation loss ¥0.2 billion</li> <li>◆ Inventory adjustment cost up ¥0.2 billion</li> <li>◆ Sales down ¥0.2 billion, OP down ¥1.1 billion</li> </ul>	<ul style="list-style-type: none"> <li>◆ Sales up : DITHANE(domestic, export), GRACIA(domestic), QUINTEC(export), LEIMAY(export), ROUNDUP(ML, AL), TARGA(export)</li> <li>◆ Sales flat : ALTAIR(domestic down, export up)</li> <li>◆ Sales down : Fluralaner(BRAVECTO inventory adjustment), PERMIT(domestic, export), GRACIA(export)</li> <li>◆ Fixed cost up ¥1.2 billion (including DITHANE amortization up ¥0.2 billion)</li> <li>◆ Inventory valuation gain ¥0.3 billion (loss in FY2020 and absence of inventory valuation loss in FY2021)</li> <li>◆ Sales up ¥2.4 billion, OP down ¥0.6 billion</li> </ul>

52

Please see the comparison with the plan for the second half of FY2020 at upper right of page 52.

Sales for DITHANE, PERMIT, and LEIMAY ended above the plan. The Fluralaner and ROUNDUP ended almost in line with the plan. Ended below the plan was domestic GRACIA, ALTAIR, QUINTEC and TARGA.

Although the fixed costs were lower than planned and there was a positive impact of inventory fluctuations, due to the negative factor of inventory valuation loss, operating income ended below the plan by JPY0.5 billion.

Next, on the lower left, are the results for FY2020.

For the full year, sales increased in DITHANE, ALTAIR, exports of GRACIA, LEIMAY, and PERMIT. Sales was flat in ROUNDUP. Sales decreased in Fluralaner, domestic GRACIA, QUINTEC, and TARGA.

Fixed cost was up and amortization of QUINTEC and DITHANE was also increased.

In addition, there were negative factors such as inventory valuation losses and changes in inventories, resulting in a decrease in operating income of JPY1.1 billion while sales decreased by JPY0.2 billion.

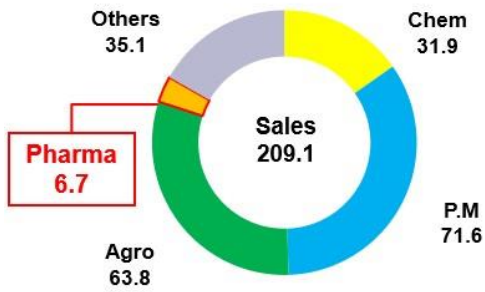
Next is the forecast for FY2021.

As you can see, sales are expected to increase for DITHANE, domestic GRACIA, QUINTEC, LEIMAY, and ROUNDUP. ALTAIR will be flat. Sales for Fluralaner is expected to decrease due to continued inventory adjustments. Sales from PERMIT and exports of GRACIA will also decrease.

Since we expect a large increase in fixed costs of JPY1.2 billion, sales are expected to increase by JPY2.4 billion, but operating income is expected to decrease by JPY0.6 billion.

# Pharmaceuticals – (A) Recent Financial Performance

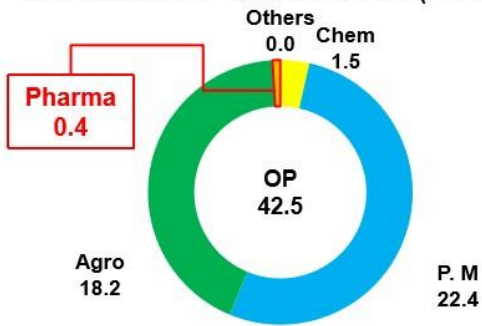
1. FY2020 Sales Distribution (¥billion)



3. Recent Financial Performance (¥billion)



2. FY2020 OP Distribution (¥billion)

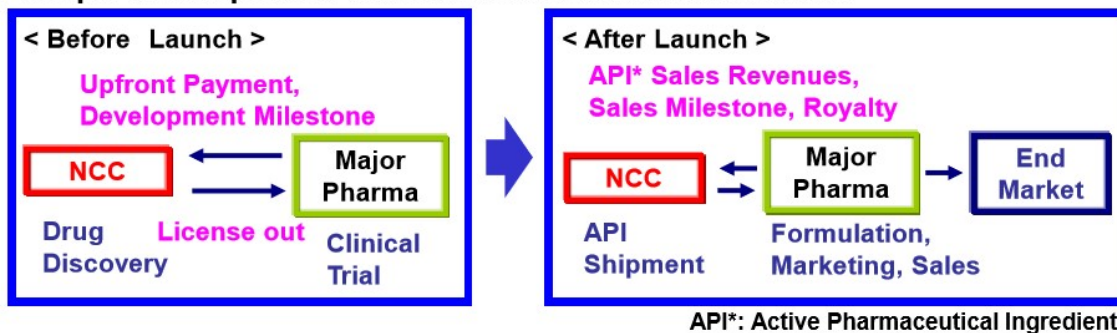


53

Next is the Pharmaceuticals. That is on page 53. There is a summary of Pharmaceuticals on page 53.

## Pharmaceuticals – (B) Business Model (New Drug) and LIVALO

### ◆ Unique ethical pharma business model without sales force



### ◆ LIVALO API (Anti-Cholesterol Drug)

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Outlook
Domestic End Market Sales (NHI drug price basis, ¥billion)	52.6	34.5	29.7	23.9	21.0	16.7	14.3	12.0	-
Our Domestic and Export API Sales (¥billion)	10.2	6.9	5.8	5.2	4.8	4.3	4.0	2.8	2.0
Our Domestic and Export API Sales YOY Change	-2%	-32%	-15%	-11%	-7%	-11%	-7%	-30%	-27%
(Domestic API Sales YOY Change)	(-2%)	(-46%)	(-27%)	(-42%)	(-73%)	(-53%)	(+105%)	(+6%)	(-13%)
(Export API Sales YOY Change)	(-1%)	(+21%)	(+5%)	(+26%)	(+29%)	(-6%)	(-14%)	(-35%)	(-30%)

- August 2013, domestic compound patent expired
- August 2020, market exclusivity expired in EU
- Currently, available in 28 countries

54

Then, on page 54 is LIVALO.

As you can see in the table below, the domestic LIVALO turned to increase in FY2020 due to the completion of inventory adjustment, but it will decrease again in FY2021.

On the other hand, overseas sales had been increasing steadily until FY2017.

But due to the expiration of market exclusivity in Europe, there was a large decrease in FY2020.

We expect this to continue in FY2021.

## Pharmaceuticals – (C) Pipeline

Product	Mechanism of action	Expected indications	Development partners
NTC-801	• Acetylcholine-activated K <sup>+</sup> channel current (IKACH) inhibition	• Arrhythmia (Atrial fibrillation)	<ul style="list-style-type: none"> <li>• Terminated the license agreement with Teijin and BMS in September 2015</li> <li>• Under consideration regarding seeking new partners</li> <li>• Adopted as AMED* program in September 2018</li> <li>• Conducting an investigator initiated clinical trial by Osaka University</li> </ul>

\*Japan Agency for Medical Research and Development

### <Policy for drug discovery research>

To create innovative medicines by using the strategic chemical library, the precise organic synthesis technology, proprietary oligonucleotides therapeutics discovery platform

#### ◆ In-house research

- Focusing on cardiovascular disease and neurological disease as core therapeutic areas
- Using state-of-the art-ion channel evaluation platform as key technology

#### ◆ Collaborative research

- Conducting small molecule and oligonucleotides drug discovery programs with several pharmaceutical companies and bio-venture companies

55

Moving onto page 55.

This is the pipeline in Pharmaceuticals segment.

There is no change here.

## Pharmaceuticals – (D) Custom Chemicals

- ◆ Custom manufacturing and process researching services for new drug pharmaceutical ingredients and intermediates from pre-clinical to commercial production stages
- ◆ In addition, focusing on obtaining new contracts mainly for high activity and high-valued added GE API products  
2016- Maxacalcitol (Secondary hyperparathyroidism and Psoriasis)  
2017- Eldecalcitol (Osteoporosis)

### ◆ Custom Chemicals Sales Growth

	(¥billion)								
	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Outlook
Sales	1.2	1.8	2.3	2.4	2.5	2.6	2.9	3.8	3.9

Sales YOY Change								
FY2020 Outlook as of Nov. 2020			FY2020 Actual			FY2021 Outlook		
1H	2H	Total	1H	2H	Total	1H	2H	Total
+12%	+46%	+30%	+12%	+45%	+30%	+28%	-11%	+5%

56

Moving onto page 56. This is the situation of Custom Chemicals.

As you can see in the table here, sales in FY2013 were JPY1.2 billion, but now they have more than tripled to JPY3.8 billion, which greatly compensates for the decline in profits from Drug Discovery.

## Pharmaceuticals – (E) New Strategies (Announced in May 2020)

### 1. Drug Discovery (D.D)

#### (1) New drug discovery strategy

A. In-house research (Previously) License out only at clinical testing stage  
(New) Focus on themes initiated by NCC and selected by potential licensees and license out before clinical testing stage

#### B. Collaborative research

- ◆ Provide our unique drug discovery technologies (such as oligonucleotides drug discovery platform) to partners and aim to receive fees
- ◆ Advantages of our oligonucleotides drug discovery technologies  
--- unique modified nucleic acids

#### (2) Ceilings on R&D resources

- A. Reduce 10 drug discovery staffs in two years  
B. Fix R&D expenses at ¥2.5 billion

#### (3) Focus on 10 out of 18 existing new drug discovery projects

### 2. Custom Chemicals (C.C)

- (1) Expand high margin C.C business to support D.D business currently relying solely on LIVALO  
(2) Following Maxacalcitol and Eldecalcitol, develop another high value added GE API products and launch peptides CMO business

### 3. PL Image

(¥billion)

		FY2019	FY2020	FY2020	FY2021
		Actual	Outlook as of Nov. 2020	Actual	Outlook as of May 2021
Sales	D.D	4.06	3.00	2.88	2.14
	C.C	2.90	3.79	3.77	3.93
	Total Segment	6.96	6.79	6.65	6.07
OP	D.D	-0.12	-0.85	-0.93	-1.51
	C.C	1.05	1.41	1.29	1.79
	Total Segment	0.93	0.56	0.36	0.28

57

Moving onto page 57.

This shows the change in business strategy for Pharmaceuticals.

This has not changed since the announcement in May 2020.



## Pharmaceuticals – (F-1) Profit Overview (1)

(¥billion)

	FY2019 Actual					2H FY2020 Outlook as of Nov.2020			FY2020 Actual (A)						FY2021 Outlook(B)					Change (B) - (A)					
	1H	3Q	4Q	2H	Total	3Q	4Q	2H	1Q	2Q	1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	3.43	1.53	2.00	3.53	6.96	1.55	2.21	3.76	1.50	1.53	3.03	1.39	2.23	3.62	6.65	0.89	2.05	2.94	3.13	6.07	-0.61	+0.52	-0.09	-0.49	-0.58
D.D	2.10	0.93	1.03	1.96	4.06	0.56	0.91	1.47	0.74	0.79	1.53	0.58	0.77	1.35	2.88	0.49	0.54	1.03	1.11	2.14	-0.25	-0.25	-0.50	-0.24	-0.74
C.C	1.33	0.60	0.97	1.57	2.90	0.99	1.30	2.29	0.76	0.74	1.50	0.81	1.46	2.27	3.77	0.40	1.51	1.91	2.02	3.93	-0.36	+0.77	+0.41	-0.25	+0.16
OP	0.53	0.02	0.38	0.40	0.93	0.60	0.47	0.53	-0.07	0.10	0.03	-0.04	0.37	0.33	0.36	-0.33	0.52	0.19	0.09	0.28	-0.26	+0.42	+0.16	-0.24	-0.08
D.D	0.05	-0.17	0.00	-0.17	-0.12	-0.35	-0.14	-0.49	-0.22	-0.14	-0.36	-0.36	-0.21	-0.57	-0.93	-0.40	-0.31	-0.71	-0.80	-1.51	-0.18	-0.17	-0.35	-0.23	-0.58
C.C	0.48	0.19	0.38	0.57	1.05	0.41	0.61	1.02	0.15	0.24	0.39	0.32	0.58	0.90	1.29	0.07	0.83	0.90	0.89	1.79	-0.08	+0.59	+0.51	-0.01	+0.50

(1) Figures in p17,18,19,20,77,78 may not match the numbers on this page due to rounding

### 4Q FY2020 Review

<vs. 4Q FY2019>

- (D.D) ◆ LIVALO sales down (domestic up, export down)  
◆ Sales down ¥0.26 billion, OP down ¥0.21 billion
- (C.C) ◆ Sales up (solid sales of GE API products)  
◆ Inventory valuation loss ¥0.1 billion (raw material cost down)  
◆ Sales up ¥0.49 billion, OP up ¥0.20 billion
- (Total) ◆ Sales up ¥0.23 billion, OP down ¥0.01 billion

### 4Q FY2020 Review

<vs. 4Q FY2020 Outlook as of Nov. 2020>

- (D.D) ◆ LIVALO sales below target (domestic above target, export below target)  
◆ Fixed cost above expectations (¥0.1 billion)  
◆ Inventory adjustment cost below expectations (¥0.1 billion)  
◆ Sales down ¥0.14 billion, OP down ¥0.07 billion
- (C.C) ◆ Sales above target (shipment shifted from 3Q)  
◆ Inventory valuation loss (¥0.1 billion) (raw material cost down)  
◆ Inventory adjustment cost above expectations (¥0.1 billion)  
◆ Sales up ¥0.16 billion, OP down ¥0.03 billion
- (Total) ◆ Sales up ¥0.02 billion, OP down ¥0.10 billion

59

## Pharmaceuticals – (F-2) Profit Overview

### 2H FY2020 Review

<vs. 2H FY2019>

- (D.D) ◆ LIVALO sales down (domestic down, export down)  
◆ Fixed cost down ¥0.1 billion  
◆ Sales down ¥0.61 billion, OP down ¥0.40 billion
- (C.C) ◆ Sales up (solid sales of GE API products)  
◆ Fixed cost up ¥0.1 billion  
◆ Inventory valuation loss ¥0.1 billion (raw material cost down)  
◆ Sales up ¥0.70 billion, OP up ¥0.33 billion
- (Total) ◆ Sales up ¥0.09 billion, OP down ¥0.07 billion

### 2H FY2020 Review

<vs. 2H FY2020 Outlook as of Nov. 2020>

- (D.D) ◆ LIVALO sales below target (domestic above target, export below target)  
◆ Sales down ¥0.12 billion, OP down ¥0.08 billion
- (C.C) ◆ Sales below target (shipping adjustment)  
◆ Inventory valuation loss (¥0.1 billion) (raw material cost down)  
◆ Sales down ¥0.02 billion, OP down ¥0.12 billion
- (Total) ◆ Sales down ¥0.14 billion, OP down ¥0.20 billion

### FY2020 Review

<vs. FY2019>

- (D.D) ◆ LIVALO sales down (domestic up, export down)  
◆ Fixed cost down ¥0.3 billion  
◆ Sales down ¥1.18 billion, OP down ¥0.81 billion
- (C.C) ◆ Sales up (solid sales of GE API products)  
◆ Fixed cost up ¥0.1 billion  
◆ Inventory valuation loss ¥0.2 billion (raw material cost down)  
◆ Inventory adjustment cost up ¥0.2 billion  
◆ Sales up ¥0.87 billion, OP up ¥0.24 billion
- (Total) ◆ Sales down ¥0.31 billion, OP down ¥0.57 billion

### FY2021 Outlook

<vs. FY2020>

- (D.D) ◆ LIVALO sales down (domestic down, export down)  
◆ Fixed cost up ¥0.1 billion  
◆ Sales down ¥0.74 billion, OP down ¥0.58 billion
- (C.C) ◆ Sales up (volume increase)  
◆ Inventory valuation gain ¥0.2 billion (absence of inventory valuation loss in FY2021)  
◆ Fixed cost down ¥0.1 billion  
◆ Inventory adjustment cost down ¥0.1 billion  
◆ Sales up ¥0.16 billion, OP up ¥0.50 billion
- (Total) ◆ Sales down ¥0.58 billion, OP down ¥0.08 billion

60

Next, page 59 is the profit overview for the Pharmaceuticals.

Let me discuss the comparison to the forecast for the second half on page 60 first.

In Drug Discovery, operating income ended below the plan. In addition, Custom Chemicals also suffered a valuation loss on its inventory, which ended below the plan. Overall, profits were below the plan by JPY0.2 billion.

The result for FY2020 is shown on bottom left. Profit for Drug Discovery was down by JPY0.8 billion.

On the other hand, Custom Chemicals secured an increase of JPY0.24 billion despite negative factors such as inventory valuation loss and inventory fluctuation.

As a result, the profit decreased by JPY0.57 billion in total.

To the right is the forecast for the FY2021.

For the Drug Discovery, profits will decline by JPY0.58 billion due to the continued decline in sales of LIVALO.

Since we expect a profit increase of JPY0.5 billion in Custom Chemicals, we are forecasting a decrease in operating income of the level of JPY0.08 billion in total.

## Capex/Depreciation/R&D by Segment

	Capex/Depreciation/R&D by Segment (¥billion)																			% of Sales (4)
	Capex (1)						Depreciation (2)						R&D expenses							
	2016	2017	2018	2019	2020	2021E	2016	2017	2018	2019	2020	2021E	2016	2017	2018	2019	2020	2021E		
Chem	2.0	2.6	2.0	3.1	4.9	4.4	1.6	1.7	1.8	1.9	2.2	2.9	0.5	0.6	0.6	0.4	0.3	0.3	0.9%	
Performance M.	8.4	7.2	3.3	3.3	3.2	5.6	4.8	5.9	6.0	5.2	4.5	4.1	7.9	8.1	8.2	7.7	7.0	7.3	9.6%	
Agro (3)	2.4	2.6	3.3	7.9	6.4	1.8	1.3	1.4	1.7	2.3	2.6	2.8	3.8	4.3	4.5	4.6	4.4	4.5	6.8%	
Pharma	0.9	0.7	0.5	0.6	0.5	0.7	0.7	0.7	0.6	0.6	0.5	0.6	2.2	2.5	2.5	2.5	2.4	2.4	39.3%	
Trading	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-	
Others	0.6	0.6	0.7	0.7	0.7	0.8	0.4	0.7	0.7	0.4	0.5	0.4	1.7	1.7	2.0	2.0	2.4	2.3	-	
<b>Total</b>	<b>14.3</b>	<b>13.7</b>	<b>9.9</b>	<b>15.7</b>	<b>15.8</b>	<b>13.4</b>	<b>8.9</b>	<b>10.5</b>	<b>10.9</b>	<b>10.5</b>	<b>10.4</b>	<b>10.9</b>	<b>16.1</b>	<b>17.2</b>	<b>17.8</b>	<b>17.2</b>	<b>16.5</b>	<b>16.8</b>		
	R&D expenses/Sales (4)												8.9%	8.9%	8.7%	8.3%	7.9%	9.8%		

(1) Capex  
Actual - Acceptance basis  
Outlook - Production commencement basis

(2) Depreciation Method  
SUNEVER, ARC®, Multi layer process materials - 4 year declining balance method  
(50.0% of initial capex amount in the 1<sup>st</sup> year)  
Other products - 8 year declining balance method  
(25.0% of initial capex amount in the 1<sup>st</sup> year)

R&D Personnel (Sept. 2020) –A	460
Total Professionals (Sept. 2020) –B	1,190
A/B	39%

※Parent company only  
※Round number

(3) Including the acquisitions of QUINTEC in FY2019 (¥6.3 billion) and DITHANE in FY2020 (¥5.4 billion)

(4) 2021E: Sales include ¥44.6 billion decrease due to changes in accounting policies (see p2,14)

61

Page 61 shows depreciation, investment, and research and development expenses.

Research and development expenses dropped in FY2020 once, but are expected to return slightly in FY2021.

## Main Capex Items (Approval Basis)

(¥billion)

FY2018 Actual		FY2019 Actual		FY2020 Outlook		FY2021 Outlook	
Chemical Research Lab. (Instruments)	0.7	Isocyanuric acid (1) (Production capacity expansion)	1.9	IT Systems	1.5	Agro (Production facilities)	3.0
Materials Research Lab. (Instruments)	0.7	Chemical Research Lab. (Instruments)	0.7	Materials Research Lab. (Instruments)	1.4	Display (Production facilities)	1.4
Agro (Product development facilities)	0.6	Materials Research Lab. (Instruments)	0.6	Agro (Production facilities)	0.9	IT Systems	1.3
NSU R&D Center	0.5	Display (Production facilities)	0.5	Semis (Analysis instruments)	0.8	Chemical Research Lab. (Instruments)	0.8
TEPIC (Production capacity expansion)	0.5	Biological Research Lab. (Instruments)	0.3	Chemical Research Lab. (Instruments)	0.7	Materials Research Lab. (Instruments)	0.6
Biological Research Lab. (Instruments)	0.4	TEPIC (Production facilities)	0.2	NCK Semis (Production capacity expansion)	0.4	Semis (Production test facilities)	0.3
Semis (Production test facilities)	0.2			Biological Research Lab. (Instruments)	0.2	Biological Research Lab. (Instruments)	0.3
SNOWTEX (Production capacity expansion)	0.2	(1) Fine Chemicals materials (see p32)					

62

Page 62 is the major investment.

## ESG

FY2019																																											
April	• Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors																																										
June	• 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 includes 3 Outside Directors out of 9.																																										
January	• NCC was selected as one of the 50 candidates among all listed companies of the FY2019 Corporate Value Improvement Award hosted by the Tokyo Stock Exchange for the 2nd consecutive year (FY2020 Award suspended)																																										
FY2020																																											
June	• NCC was selected as an inclusion in the S&P/JPX Carbon Efficient Index for the 2nd consecutive year • NCC was selected as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index																																										
August	• NCC announced its support for recommendations of Task Force on Climate-related Financial Disclosures (TCFD)																																										
October	• NCC won the 2020 Awards for Excellence in Corporate Disclosure in the chemicals and fiber sector, selected by Securities Analysts Association of Japan (SAAJ)																																										
November	• NCC was selected as an inclusion in the Dow Jones Sustainability Asia Pacific Index for the 3rd consecutive year • Published "Integrated Reports 2020" <a href="https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2020.pdf">https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2020.pdf</a>																																										
December	• NCC was listed on Water Security "A List" for the 2nd consecutive year and Climate Change "A- List" for the first time by CDP																																										
January	<p>• NCC established new long-term target for reducing greenhouse gas (GHG) emissions Mid-term target in Vista2021(FY2016-2021) : Reducing GHG emissions by 20% from FY2011 levels by FY2021 → Achieved 27% reduction in FY2019 compared to FY2011 New long-term target: Reducing GHG emissions by 30% from FY2018 levels by FY2030</p> <table border="1"> <thead> <tr> <th colspan="7">GHG emissions (1,000t-CO2)</th> </tr> <tr> <th>FY</th> <th>2011</th> <th>2018</th> <th>2019</th> <th>2021</th> <th>2030</th> <th></th> </tr> </thead> <tbody> <tr> <td>Mid-term target in Vista2021</td> <td>-</td> <td>-</td> <td>-</td> <td>359</td> <td>-</td> <td>-</td> </tr> <tr> <td>Actual</td> <td>448</td> <td>363</td> <td>327</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>New long-term target</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>254</td> <td>-</td> </tr> <tr> <td>Average of 5 major Japanese chemical companies</td> <td>-</td> <td>-</td> <td>5,069</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	GHG emissions (1,000t-CO2)							FY	2011	2018	2019	2021	2030		Mid-term target in Vista2021	-	-	-	359	-	-	Actual	448	363	327	-	-	-	New long-term target	-	-	-	-	254	-	Average of 5 major Japanese chemical companies	-	-	5,069	-	-	-
GHG emissions (1,000t-CO2)																																											
FY	2011	2018	2019	2021	2030																																						
Mid-term target in Vista2021	-	-	-	359	-	-																																					
Actual	448	363	327	-	-	-																																					
New long-term target	-	-	-	-	254	-																																					
Average of 5 major Japanese chemical companies	-	-	5,069	-	-	-																																					
FY2021																																											
April	• Announced its Diversity Statement and Diversity Vision																																										
June (plan)	• One female Outside Director to be added, as a result, the Board of Directors includes 4 Outside Directors out of 10																																										

63

Moving onto page 63. This is an ESG initiative.

Let me explain major points since the last report.

First of all, in January 2021, we revised our long-term target for greenhouse gas reduction, setting a target of reducing greenhouse gas emissions by 30% from the FY2018 level by FY2030.

Then, in April, we announced our Diversity Statement and Vision.

In the area of governance, we plan to appoint our first female director at the Board of Directors meeting next month in June 2021.

As a result, from June onward, we will have 10 directors, 4 of whom will be from outside the Company.

## Mid-term Plan Vista2021 Stage II (FY2019-2021) announced in May 2019 - (A)

(¥billion)

### 1. PL (1)

	FY2018	FY2021	FY2021	FY2021
	Actual	Mid-term Plan announced in May 2016	Current Mid-term Plan announced in May 2019	Outlook as of May 2021
Sales	204.9	250.0	235.0	172.5
Operating Profit	37.1	40.0	43.0	43.6
Ordinary Income	39.1	40.8	44.0	44.9
Net Income	29.4	31.0	33.0	34.1
EPS (¥/share)	197.67	-	230.00	239.18
Dividend (¥/share)	82	-	-	108
FX Rate (¥/\$)	111	115	110	107
Naphtha (¥/kl)	49,700	51,100	43,000	-
Crude Oil (JCC) (\$/bbl)	-	-	64	55

### (Financial Targets)

	FY2018	FY2021	FY2020, FY2021	FY2021
	Actual	Mid-term Plan announced in May 2016	Current Mid-term Plan announced in May 2019	Outlook as of May 2021
OP Margin	18.1%	Above 15%	Above 18%	25.3%
ROE	16.6%	Above 14%	Above 16%	17.0%
Dividend Payout Ratio	41.5%	40%	45%	45.2%

(¥billion)

### 2. Segment (1)(2)

	Sales				Operating Profit			
	FY2018	FY2021	FY2021	FY2021	FY2018	FY2021	FY2021	FY2021
	Actual	Mid-Term Plan announced in May 2016	Current Mid-Term Plan announced in May 2019	Outlook as of May 2021	Actual	Mid-Term Plan announced in May 2016	Current Mid-Term Plan announced in May 2019	Outlook as of May 2021
Chem	35.7	40.5	43.1	34.6	3.0	4.5	5.1	2.4
Performance M.	63.0	82.9	75.1	75.8	15.0	18.4	17.3	23.8
Agro	62.7	67.0	70.1	66.2	18.4	16.7	21.1	17.6
Pharma	7.0	8.3	7.5	6.1	1.0	2.4	0.7	0.3
Trading, Others, Adj	36.5	51.3	39.2	-10.2	-0.3	-2.0	-1.2	-0.5
<b>Total</b>	<b>204.9</b>	<b>250.0</b>	<b>235.0</b>	<b>172.5</b>	<b>37.1</b>	<b>40.0</b>	<b>43.0</b>	<b>43.6</b>

(1) FY2021 Outlook: Sales include ¥44.6 billion decrease due to changes in accounting policies (see p2,14) (2) Including inter-segment sales/transfers 64

## Mid-Term Plan Vista2021 Stage II (FY2019-2021) announced in May 2019 - (B)

### 1. Cash Flows

(¥billion)

	Total FY2016-2018	Total FY2019-2021 (round number)	Total FY2019-21
	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook
CF from operating activities	102.1	115.0	116.2
CF from investing activities	-39.2	-45.0	-46.6
CF from financing activities	-62.0	-75.0	-78.2
(Total payout to shareholders (dividend & share repurchase))	-55.6	-70.0	-71.7
(Repayment of borrowings)	-6.4	-5.0	-5.6

	FY2018	FY2021	FY2021
	Actual	Mid-Term Plan announced in May 2019	Outlook as of May 2021
Cash at end of fiscal year	36.2	30.0	27.6
Liabilities with interest at end of fiscal year	24.6	21.0	21.0

### 2. Capex, Depreciation, R&D expenses, Researchers

(¥billion)

(person)

	Capex			Depreciation			R&D expenses			Researchers	
	Total FY2016-2018	Total FY2019-2021	Total FY2019-21	Total FY2016-2018	Total FY2019-2021	Total FY2019-21	Total FY2016-2018	Total FY2019-2021	Total FY2019-21	FY2020	FY2021
	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook	Actual	Mid-Term Plan announced in May 2019
Chemicals	6.6	14.7	12.4	5.2	9.4	7.0	1.6	1.4	1.0	5	10
Performance Materials	18.9	17.8	12.1	16.7	17.0	13.8	24.3	26.7	22.0	190	210
Agrochemicals	8.3	8.2	16.1	4.4	5.5	7.7	12.6	14.8	13.5	90	95
Pharmaceuticals	2.1	1.7	1.8	2.1	1.8	1.7	7.2	7.1	7.3	75	90
Trading, Others, Adjustment	2.0	2.3	2.5	1.9	3.1	1.6	5.4	8.0	6.7	100	75
<b>Total</b>	<b>37.9</b>	<b>44.7</b>	<b>44.9</b>	<b>30.3</b>	<b>36.8</b>	<b>31.8</b>	<b>51.1</b>	<b>58.0</b>	<b>50.5</b>	<b>460</b>	<b>480</b>

65

## FY2021 Mid-term Plan vs. FY2021 Outlook

(¥billion)

		FY2021 Mid-term Plan (A)	FY2021 Outlook (B)	(B) - (A)	
Chemicals	Sales	43.1	34.6	-8.5	Fine Chemicals: total below target Below target: TEPIC (general applications, electronic materials), environmental related products, FO (cosmetic raw materials)
	OP	5.1	2.4	-2.7	Basic Chemicals: total below target Above target: urea including AdBlue Below target: melamine (domestic, export), high purity sulfuric acid, nitric acid products Total Sales below target, feedstock and raw materials cost below expectations, fixed cost below expectations Fine Chemicals OP below target, Basic Chemicals OP below target
Performance Materials	Sales	75.1	75.8	+0.7	DP: total above target Above target: photo IPS Below target: rubbing IPS, VA, TN, other display materials Semis: total above target Above target: KrF, ArF, multi layer process materials, EUV materials Below target: 3D packaging process materials, CMOS image sensor materials
	OP	17.3	23.8	+6.5	Inorganic: total below target Above target: SNOWTEX (non-polishing) Below target: SNOWTEX (polishing), Organo/Monomer sol, Oilfield materials Total Sales above target, fixed cost below expectations (DP, Semis, Inorganic) DP OP above target, Semis OP above target, Inorganic OP below target
Agro	Sales	70.1	66.2	-3.9	Above target: DITHANE, QUINTEC, ALTAIR Below target: Fluralaner, TARGA, ROUNUP (ML: in line, AL: below), PERMIT, GRACIA, LEIMAY
	OP	21.1	17.6	-3.5	Sales below target, fixed cost above expectations
Pharma	Sales	7.5	6.1	-1.4	Drug Discovery: total below target Above target: LIVALO (domestic) Below target: LIVALO (export), up-front and milestone payments Custom Chemicals: total below target Below target: GE API products, peptide CMO
	OP	0.7	0.3	-0.4	Sales below target, fixed cost below expectations Drug Discovery OP above target, Custom Chemicals OP below target
Trading, Others, Adjustment	Sales	39.2	-10.2	-49.4	Below target: Trading (-6.5), Other domestic subsidiaries (-1.5), Adjustment etc (-41.4 including -44.6 due to changes in accounting policies (see p2, 14))
	OP	-1.2	-0.5	+0.7	Trading OP below target (-0.1), Other domestic subsidiaries OP below target (-0.1), Adjustment others (+0.9)
Total	Sales	235.0	172.5	-62.5	
	OP	43.0	43.6	+0.6	

66

Next is a comparison with the medium-term plan.

Now, please look at page 66.

This is a comparison between the forecast for FY2021, and the medium-term plan for FY2021.

If you look at (B)-(A) for Chemicals, operating income is down JPY2.7 billion, and the overall sales are expected to be below the expectation in more products. Of course, we could not have predicted the impact of Chinese products or the impact of the coronavirus.

As for Performance materials, in terms of operating income, Displays and Semiconductors are expected to exceed the plan substantially. Photo IPS, and Semiconductors in general, are expected to exceed the plan. Inorganic are expected to be below the plan significantly. This is due in large part to the fact that oilfield materials are not growing.

In the Agrochemicals, operating income is expected to decrease by JPY3.5 billion. Although there will be an addition of DITHANE and QUINTEC, the decrease is mainly due to the inventory adjustment of Fluralaner.

In Pharmaceuticals, operating income will be down JPY0.4 billion, but Drug Discovery is expected to be above the plan. For Custom Chemicals, contract production of peptides has not yet started, which is a negative factor.

Overall, it is an increase of JPY0.6 billion. For our company, the medium-term plan is a commitment, not a pipe dream. We are not selective about profit and we are confident that we can achieve it.

## Our Characteristics - (A) Recording Stable OP Margin

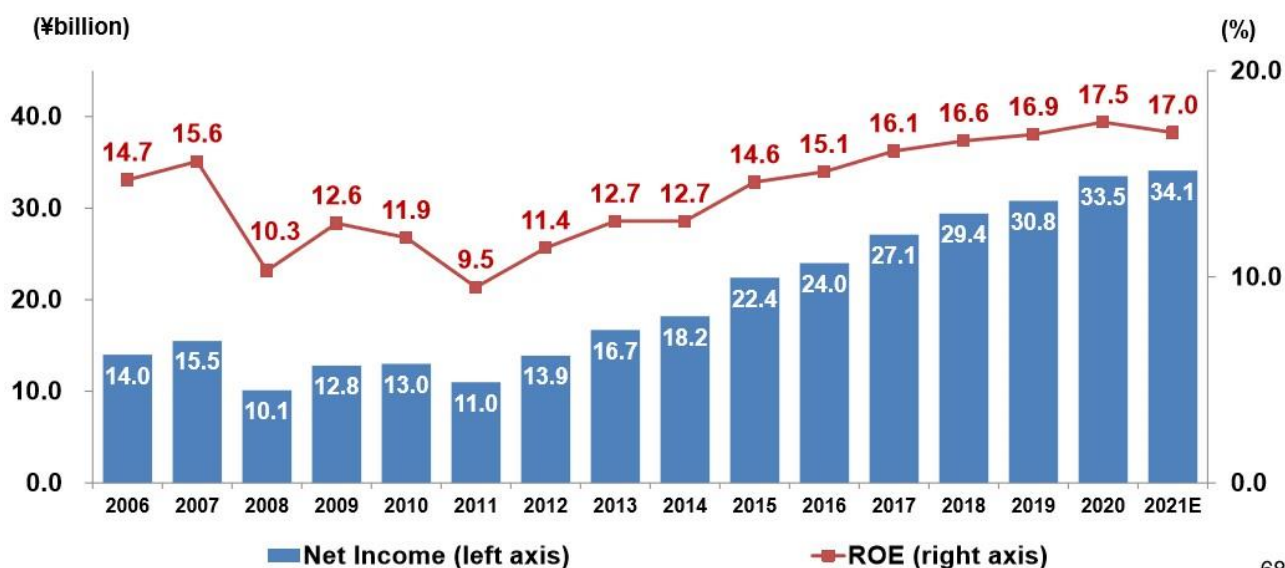
- ◆ NCC has recorded more than 10% OP margin in 18 consecutive years (FY2003-2020)



67

## Our Characteristics - (B) High ROE

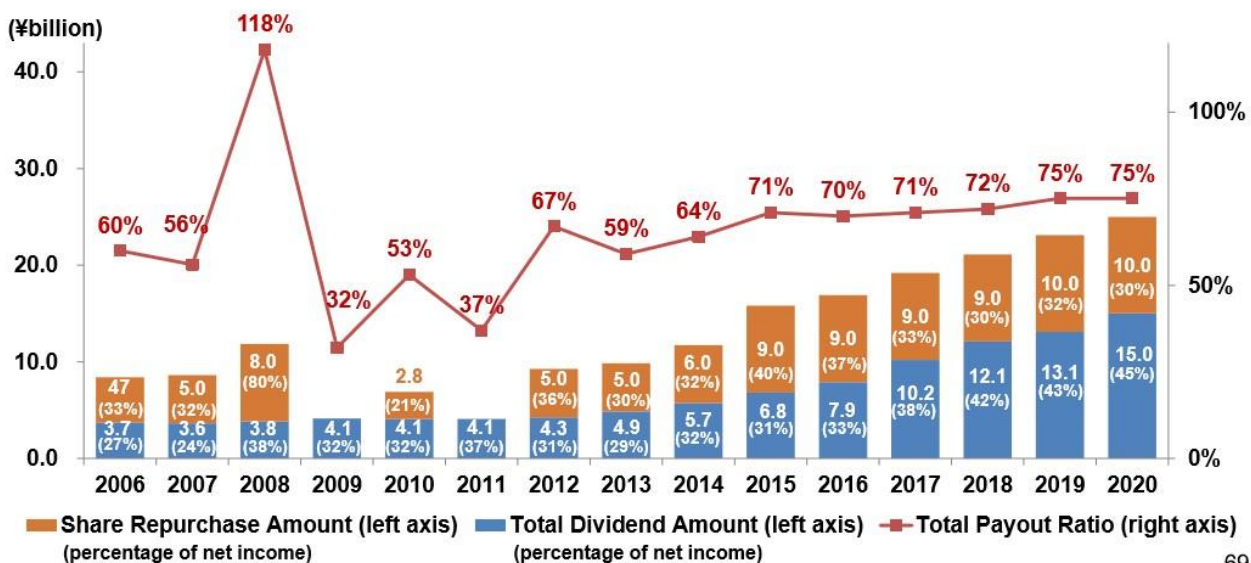
- ◆ The most important financial indicator for a long time
- ◆ Mid-Term Plan FY2019-2021 Target : Maintain above 16%  
⇒ Achieved in FY2019 (16.9%), FY2020 (17.5%)



68

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

- ◆ Maintaining an aggressive shareholders return policy
- ◆ Mid-Term Plan FY2019-2021 Target : 72.5% in FY2019, 75% in FY2020-2021  
⇒ Achieved in FY2019 (75.1%) , FY2020 (74.6%)



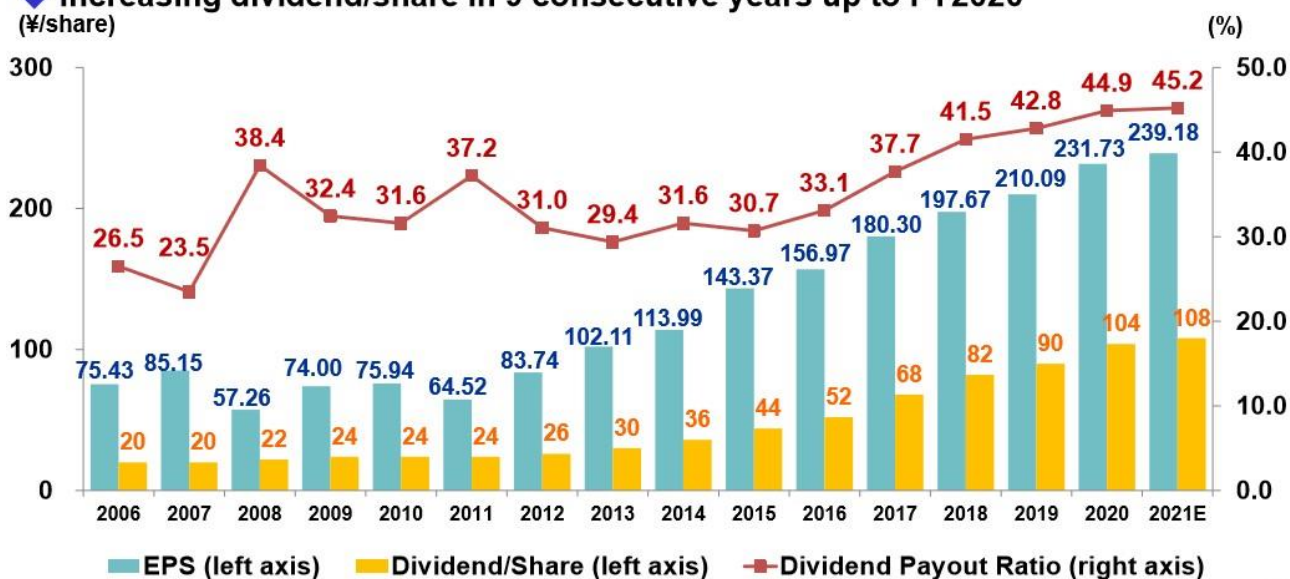
69

## 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%)

- ◆ Mid-Term Plan FY2019-2021 Target : 42.5% in FY2019, 45% in FY2020-2021  
⇒ Achieved in FY2019 (42.8%), FY2020 (44.9%)

- ◆ Increasing dividend/share in 9 consecutive years up to FY2020



70



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

- ◆ Started share repurchase in FY2006 only to enhance ROE, repurchased ¥92.5 billion, 42.7 million shares (22.8% of shares issued) in total from FY2006 to FY2020
- ◆ **Cancelled all repurchased shares**

**Shareholders Return FY2006 - 2020** (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	2010	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Shares purchased (1) (thousand shares)	3,500	3,399	7,355	2,167	6,372	3,263	2,764	3,333	2,621	2,292	1,682	2,138	1,829	42,715
Purchase costs (1) (¥billion)	4.7	5.0	8.0	2.8	5.0	5.0	6.0	9.0	9.0	9.0	9.0	10.0	10.0	92.5
Shares cancelled (thousand shares)	3,000	3,635	7,000	3,000	6,000	4,000	3,000	2,000	2,000	3,000	2,000	3,000	1,000	42,635
Shares issued at FY end (million shares)	185	181	174	171	165	161	158	156	154	151	149	146	145	-
Treasury shares at FY end (2) (thousand shares)	1,367	1,233	1,660	885	1,258	522	287	1,621	2,242	1,535	1,218	523	1,352	-
Total payout ratio (dividend + share repurchase)(%)	60	56	118	53	67	59	64	71	70	71	72	75	75	-

\*No share repurchase in FY2009 and FY2011

### ◆ Share repurchase program

Fiscal Year	2018			2019			2020			2021E*
	1H	2H	Total	1H	2H	Total	1H	2H	Total	1H
Shares purchased (thousand shares) (1)	976	706	1,682	1,270	868	2,138	1,334	495	1,829	-
Purchase costs (¥billion) (1)	5.0	4.0	9.0	6.0	4.0	10.0	7.0	3.0	10.0	7.0
Shares cancelled (thousand shares)	2,000	0	2,000	2,000	1,000	3,000	1,000	0	1,000	1,000

\*announced in May 2021

### ◆ 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

71

Page 67 onward describes the features of our company. If I may just touch on page 71.

As for share repurchases, we have acquired total of JPY42.71 million shares, and cancelled JPY42.6 million shares by FY2020.

This number of shares is equivalent to 23% of the number of shares before the acquisition started.

This concludes my explanation.

## Message from the President

### Moderator:

Next, I would like to introduce Yagi's career prior to his address as President.

He was born in 1962 and is now 58 years old. Joined the Company in 1985.

In 2016, he was appointed as Executive Officer and Plant Manager of the Sodegaura Plant.

In 2018, he became Managing Executive Officer and Head of Production Technology Department.

In 2020, he was appointed as Director, Senior Managing Executive Officer, and Head of Production Technology in charge of Production Technology, Chemicals Division.

In 2021, he was appointed Representative Director, President & COO.

Now, Yagi will say a few words as President.

**Yagi:** Hello, everyone. I am Yagi, the president. I would like to extend my greetings upon assuming the position.

As introduced, I have been involved in all business fields of our group from the standpoint of production technology and manufacturing. In addition to safe and secure operations and consideration for the global environment, we have worked to develop the Group by maintaining and strengthening the technologies and facilities of our manufacturing processes, which are the source of our competitiveness, and by formulating investment plans that effectively utilize our management resources and enhance our competitiveness.

In recent years, in order to establish a competitive advantage and respond to drastic changes in the business environment, we have been promoting the digitization of our factories and other initiatives aimed at shifting to next-generation factories in all of our factories.

Furthermore, amidst intensifying competition, I have been working on operational reforms beyond the framework of manufacturing, such as reviewing the relationship between production and R&D and promoting the creation of a system that contributes to the early creation of new products.

And I have been strongly involved in all kinds of investment projects in all businesses, such as the establishment of global production bases, the construction and enhancement of production plants, and the strengthening of research facilities, and have formulated and implemented optimal plans based on our grasp of the most advanced information.

Based on my experience covering all of these business areas, I will fulfill the role of President with a strong resolve, devote all my energy to the management of the Company, and take on the challenge of further improving the corporate value of our group.

Now, upon assuming the position of President, I believe that I have 2 immediate responsibilities.

The first is to ensure the completion of Vista 2021, our medium-term management plan, which will end this fiscal year. As explained earlier in the financial results, we are making steady progress on our numerical targets, but we will continue to implement various measures without loosening our effort. We will also strive to achieve the Vista 2021 management targets of 16% ROE and 75% total payout ratio.

Second thing is to work on the next medium-term management plan and a new long-term management plan with an enhanced perspective looking beyond 2030.

The key to the Group's growth is the creation of a new growth engine by focusing management resources on research and development, planning and searching for new businesses, products, and technologies, strengthening our core businesses and developing human resources.

Over the next year, we will raise awareness of our contribution to society through global changes such as global warming countermeasures and population issues, the advent of a digital society, and increasingly diverse human values, and we will draw up a growth strategy with an eye to a transformed future, aiming to establish a stronger business portfolio.

In addition, we will actively promote CSR management based on the SDGs and ESGs, and thoroughly pursue measures to increase corporate value, thereby defining the path that the Group should take in the future.

In terms of management indicators, we aim to achieve equal or higher target than current medium-term plan which is ROE of 16% and total payout ratio of 75%.

For the next management plan, I believe that it is important to disclose and explain what kind of value the Group will provide to all stakeholders.

For institutional and individual investors, we are working to disseminate accurate information about our group through financial results briefings, individual interviews, and timely and appropriate information disclosure. We will strive to improve our corporate value over the medium and long term by reflecting the opinions and concerns we receive from you in our management.

We will continue to make concerted efforts to realize a corporate group that is trusted by society through active dialogue with all of our stakeholders.

I would like to take this opportunity to express my sincere gratitude to all of you for your continued support and encouragement.

## Question & Answer

---

### <Questioner 1>

**Q:** I would like to ask the new president about the first point. I understand that you will be making a long-term plan in the future. What issues do you see with Nissan Chemical so far?

For example, the profitability of Chemicals is very low, Please tell me your thought about these issues and portfolio reform that needs to be worked on going forward.

**A:** Yagi will answer.

First of all, regarding Chemicals, we will review the business portfolio and sort out the product group by deeply factoring in the profitability.

In addition, while we will of course continue to pursue growth in our existing business fields, we will also spend the next year examining the possibility of introducing new businesses in our new medium-term and long-term management plans.

We are currently working on a project to formulate a long-term management plan looking at FY2030 and beyond, with young people taking the lead in creating the management plan and vision. We are proceeding with the plan to formulate a medium-term management plan based on it.

**Q:** Thank you very much.

Next, it is about the veterinary API Fluralaner. It seems that BRAVECTO's sales at the end of the period from January to March 2021 have increased considerably, but even in this situation, do you expect inventory adjustments to continue?

**A:** Regarding the inventory adjustment for Fluralaner, we are well aware that BRAVECTO is selling well at the end. In our discussions with Merck & Co., Inc., we have not received any information that would change our current long-term forecast for the inventory situation of Fluralaner, which is that the inventory adjustment will continue until FY2022, so we will proceed with the understanding that the inventory adjustment will continue until then.

**Q:** Is it correct that there was no additional order for Fluralaner and that sales are falling as expected?

**A:** Yes, it has been performing almost exactly as you said.

**Q:** I understand. One more point. For Agrochemicals as a whole, your forecast for FY2021 is for an increase in sales of JPY2.4 billion and a decrease in operating income of JPY0.6 billion. Please tell us about the JPY1.2 billion in fixed costs and other factors that may have contributed to the decrease in profits.

**A:** Regarding the increase in fixed costs of JPY1.2 billion, this is based on the assumption that travel, transportation, research and development, and other expenses will all increase significantly. In addition, the impact of the inventory adjustment of Fluralaner is also significant. Although DITHANE's sales will increase, we are now forecasting a decrease in profits.

## <Questioner 2>

**Q:** I would like to ask the new president, Mr. Yagi, about the first point. In terms of the current business portfolio of your company, I feel that the weight of Performance materials and Agrochemicals is quite large.

How are you thinking about means of creating new businesses, for example, through mergers and acquisitions? I think it would be quite difficult to conduct M&A in a place that is not involved with your company at all, so please tell us about your thoughts on M&A.

**A:** Yagi will answer.

In terms of M&A, we are not considering the initiatives that aim for only M&A. In particular, we do not consider M&A in enclaves that have little relevance to our business segment because of the high risk involved.

In our current medium-term and long-term management plan, we have to think about what fields we can utilize our technology, people, and resources in, and then we will incorporate M&A and alliances as tools to enter those fields.

**Q:** In that case, is it correct that you are not thinking to change your current business portfolio largely in the next medium-term business plan?

**A:** No, if there are businesses or areas that can be derived from these segments based on the technology, we would like to incorporate it.

**Q:** Thank you very much.

As the second question, please let me ask about SUNEVER. Looking at page 40 of the presentation materials for VA mode sales, the actual results for FY2020 are negative single-digit percentages, while the forecast for FY2021 is positive single-digit percentages. Could you please explain this trend?

**A:** In terms of VA, it has decreased in FY2020 due to a decrease in operation at some of our customers who use our products. On the other hand, for FY2021, we are planning for an increase as our customers begin full-scale operation of their expansion lines.

## <Questioner 3>

**Q:** The first question is about the veterinary API Fluralaner. On page 48, you mentioned earlier that there is no factor to change this at present.

However, it seems that not only Merck's sales but also sales of other veterinary drugs manufacturers have been growing, I believe that the environment has changed compared to the previous year. So do you feel any discomfort in the fact that there is no reason for your company to change the current scenario? The only reason why you do not change this is because there is no additional order from Merck? Can you give us some more details about this point?

**A:** In our discussions with Merck, we naturally heard about the end sales trend of BRAVECTO, but they said that the inventory is sufficient. Therefore, we cannot change it any further.

**Q:** I think you originally had the view that inventory adjustment would continue for 3 years, so I think there is still naturally enough inventory even though BRAVECTO is selling so well at the moment. Is there any possibility that the inventory adjustment will be completed earlier, or that the decline in sales will be milder?

**A:** We are told that they will not change that either, so it is impossible for us to make any assumptions beyond that, so we have no choice but to consider things based on the current situation. We have a regular meeting with Merck, so we will have to wait and see how it develops.

**Q:** I see, I understand. According to your company's internal analysis, there is no indication that the pace of decline will be any faster, is it correct?

**A:** Not that either. I think that is the pace we expect.

**Q:** Why is that? Why do you analyze the situation in such a way when the environment has clearly changed so much compared to a year ago?

**A:** The original inventory was very large.

**Q:** I see. I understand that the inventory was originally quite large. However, compared to a year ago, the external environment has changed considerably, so I wonder if the outlook for the end of inventory adjustment will remain unchanged.

**A:** I have not seen any factors that would change that either.

**Q:** I understand. Next, I would like to ask you about the Chemicals forecast for the new fiscal year is shown on page 33. You expect that environmental related products will grow by 24% in the new fiscal year. Can you give us some background on this?

**A:** As a factor for the increase in environmental related products, as you know, we completed the expansion of the production of isocyanuric acid called CA in December last year. In addition to that, we have completed the facility for packing this product this March. From here, we plan to increase sales of isocyanuric acid and HI-LITE, which is made from isocyanuric acid.

In this area, although the situation for swimming pools in Japan is severe, the demand for private pools in the US and other countries is already an increasing trend.

At the same time, we can expect an increase in the use of disinfectants such as for coronavirus disinfection.

**A:** Let me add something. There is a material flow chart on page 32, and there is isocyanuric acid there. It comes from urea et cetera and is used as a raw material for HI-LITE. We are the only manufacturer of isocyanuric acid in Japan, and we use it for our own HI-LITE production as well as supplying it to other companies as the raw materials for their HI-LITE. So the sales of this will increase.

**Q:** I understand. Also, the sales growth of Melamine is expected to be only 4% in FY2021. On the other hand, market price seems to have risen considerably in the last 1 or 2 months, so the 4% increase seems a bit conservative. Could you give me the background to this?

**A:** The price of melamine has been recovering since the fourth quarter of last year, and is now on an increasing trend. For this, China's production capacity is extremely high. It is difficult to predict that prices will continue to move in a positive direction, so we are taking a cautious approach in this regard.

#### <Questioner 4>

**Q:** First point is about the inventory adjustment of Fluralaner. Could you tell me what did you originally think the growth rate of the veterinary drug market would be? I had originally thought it would be in the mid-single digit percent. Is it about right?

Also, you mentioned that the inventory adjustment will last until FY2022. Would it be the first or second half of FY2022 in your impression?

**A:** I think the image of the growth of veterinary medicine you just mentioned is about right. It is hard to say when in the year of 2022. The order of inventory of APIs from Merck's fluctuates considerably depending on the quarter, so it is difficult to say whether it is in the first half or the second half.

**Q:** I see. I understand. The second question is about semiconductor materials. In the last year or so, there has been a decoupling trend in the semiconductor supply chain, and I feel that the importance of supply chains outside of Asia may increase in the future. In this regard, your company is only selling the products in Asia. The question is whether this could be a risk in the medium to long term.

**A:** In this situation, our materials are very widely used in the manufacture of advanced semiconductors, and Taiwan and Korea are leading other areas by a wide margin, so we do not expect any major changes in the near future.

#### <Questioner 5>

**Q:** What are your thoughts on the fixed cost? Fixed costs for Performance materials were expected to increase by JPY0.9 billion at the beginning of FY2020, but as a result, they decreased by JPY1.8 billion, although this may have been due to the impact of the coronavirus pandemic.

Also, Agrochemicals was expected to increase by JPY1.4 billion at the beginning of FY2020, but it ended up increasing by only JPY0.3 billion.

In FY2021, you plan to have an increase in fixed costs in the Performance materials area of JPY1.6 billion, and JPY1.2 billion in Agrochemicals. Can you please tell me the probability of this, and how high the probability is that it will be used?

**A:** We are assuming that the coronavirus effect will disappear in 2H FY2021 and that the movement of people on business trips will normalize. In addition, the cost was lower than the plan partly due to research and development expenses in FY2020, but we expect it to return. These are the large factors. I think the budget may overestimate the fixed cost.

**Q:** Regarding the increase in the fixed cost of JPY1.6 billion in Performance materials and JPY1.2 billion in Agrochemicals, do you expect them to increase from the second half based on your assumption that the coronavirus pandemic will converge to some extent?

**A:** Actually, there will also be an increase in research and development expenses, so we are expecting an increase in the first half as well.

**Q:** I understand. Next is the view of GRACIA in the area of Agrochemicals. Last year, the performance was not good partly due to the long rains. In terms of the expected increase of 20% for this year, does it sell to certain extent as long as there is no bad weather?

Won't it be the case that, for example, you didn't use much last year, so you have leftover stock and didn't use much this year after all?

**A:** In terms of GRACIA, it is true that last year's results were considerably lower than expected due to unseasonable weather and external factors. Therefore, as you pointed out, we have been proceeding with relatively high level of distribution inventory since the beginning of the year.

However, we believe that this product is highly dependent on pest outbreaks and weather factors, and if we have a normal outbreak of targeted pests, we expect to achieve the forecasted or planned figures.

Also, our distribution inventory is relatively clearing out, so we would appreciate it if you could understand that our plan is based on the assumption of occurrence of usual outbreak.

**Q:** About GRACIA, what are the weights between Japan and Korea right now?

**A:** In terms of weight, Japan is by far the larger country.

### <Questioner 6>

**Q:** On page 44, LEIMAY's sales have been growing quite strongly, with a 20% increase in sales in FY2020 and a 22% increase in sales in FY2021 outlook. Will we start to see the contribution of mixtures for the European market particularly in FY2021 outlook? Can you give us some additional explanation about this strong growth of LEIMAY?

**A:** With regard to the growth of LEIMAY in FY2021 outlook, as you pointed out, of course, it includes the mixtures for overseas.

### <Questioner 7>

**Q:** I would like to ask you about semiconductor materials. In 4Q of FY2020, it looks like sales are decreasing compared to 3Q.

**A:** It is true that the performance in 4Q was weaker than that in 3Q.

However, this does not mean that the market itself has deteriorated or that our market share has declined. Sales in 4Q FY2020 appear to be small because due to the delay of the timing of the shipment, customers wanted to have inventory in 3Q FY2020 ahead of schedule, and also the shipment in March was postponed to April of FY2021 due to the production schedule.

**Q:** I see. Also, there is talk that Chinese smartphones are a bit weak. Do you think there will be much impact on your business, semiconductors or displays?

**A:** In the field of semiconductors, Chinese smartphone makers are different from manufacturers that directly manufacture semiconductors. They buy semiconductor chips to make smartphones, so there will be no drop in operations at semiconductor manufacturers.

**Q:** What about the display side?



**A:** Basically, there will be no major impact from smartphones in China. Even if there was a slight downturn, we did not expect it to have any impact on our sales as panel manufacturers would be able to maintain operations by shifting production to other applications.

[END]