



Nissan Chemical
CORPORATION

Nissan Chemical Corporation

1Q FY2023 Financial Results Briefing

Presenter:

DAIMON Hideki Director, Senior Managing Executive Officer & CFO

August 10, 2023

Presentation

Daimon: I am Daimon of Nissan Chemical. Thank you all for taking time out of your busy schedules to join us today.

Let me begin my explanation.

1Q FY2023 Financial Summary



1Q	vs. 1Q Outlook as of May 2023	<ul style="list-style-type: none">■ Sales above target ¥0.1 billion■ OP above target ¥0.5 billion■ Net Income above target ¥1.3 Billion
1Q	vs. 1Q FY2022	<ul style="list-style-type: none">■ Sales down ¥3.4 billion (-6%)■ OP down ¥2.3 billion (-13%)■ Net Income down ¥1.7 billion (-12%)
Shareholder Returns		<ul style="list-style-type: none">■ Completed a ¥5.0 billion share repurchase program (period: May - June 2023, 805 thousand shares)
FY2023 Outlook		<ul style="list-style-type: none">■ FY2023 Outlook for 1H and full year remain unchanged from those announced on May 15, 2023

| 4

Please see page four of the document.

This is the financial summary of 1Q FY2023. Compared to the forecast announced in May at the beginning of the year, sales were up JPY0.1 billion and operating profit was up JPY0.5 billion, an increase of 3%. Net income was up JPY1.3 billion, or up 12%. Specific numbers will be explained later.

As for YoY comparisons, net sales decreased JPY3.4 billion or down 6%, operating profit decreased JPY2.3 billion or down 13%, and net income decreased JPY1.7 billion or down 12%.

In particular, 1Q FY2022, the last fiscal year, was a quarter of significant growth, and operating profit in FY2022 increased JPY5.4 billion compared to FY2021, or a 45% increase.

As for the status of shareholder return, we have already completed the repurchase of more than 800 thousand shares of treasury stock for JPY5.0 billion as of June, as announced in the press release.

The forecasts for 1H and the full year remain unchanged from the previous announcement made on May 15.

1Q FY2023 Financial Summary Compared to Outlook



(¥billion)

	1Q FY2023 Outlook	1Q FY2023 Actual	vs. Outlook
Sales	54.8	54.9	+0.1
Operating Profit	14.5	15.0	+0.5
Non-Operating Income/Expenses	0.7	2.0	+1.3
Foreign exchange Gains/Losses	0.0	1.5	+1.5
Ordinary Income	15.2	17.0	+1.8
Extraordinary Income/Loss	0.0	0.0	0.0
Net Income ¹	10.9	12.2	+1.3
EBITDA ²	-	17.8	-
EPS (¥/share)	-	87.40	-
OP Margin	26.5%	27.3%	+0.8pt
FX Rate (¥/\$)	128	137	-
Crude Oil (JCC) (\$/bbl) ³	92	84	-

1. Net Income = Profit Attributable to Owners of Parent

2. EBITDA = Operating Profit + Depreciation and amortization

3. Based on Trade Statistics of Japan Ministry of Finance

| 5

Next, please see page five.

In terms of specific figures, first of all, as compared to the May forecast, please look at the middle column, this 1Q FY2023 results. Net sales were JPY54.9 billion and operating profit was JPY15.0 billion, an increase of JPY0.5 billion from the forecast.

Non-operating income was JPY2.0 billion, an increase of JPY1.3 billion compared to the forecast. Of the above, as stated, foreign exchange gains amounted to approximately JPY1.5 billion.

Ordinary income was JPY17.0 billion, an increase of JPY1.8 billion, and since there are no extraordinary income or losses, net income is JPY12.2 billion, an increase of JPY1.3 billion, or up 12%, over the forecast.

The second line from the bottom shows the exchange rate, which was JPY137, the average for 1Q FY2023. It was JPY128 in the forecast.

On the other hand, the crude oil, JCC, was USD84 per barrel, which is a slight decrease in procurement cost, though there is a time lag etc for financial impact.

1Q FY2023 Financial Summary YOY Change

(¥billion)

	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
Sales	58.3	54.9	-3.4 (-6%)
Operating Profit	17.3	15.0	-2.3 (-13%)
Non-Operating Income/Expenses	2.2	2.0	-0.2
Foreign exchange Gains/Losses	1.7	1.5	-0.2
Ordinary Income	19.5	17.0	-2.5 (-13%)
Extraordinary Income/Loss	0.0	0.0	0.0
Net Income ¹	13.9	12.2	-1.7 (-12%)
EBITDA ²	19.7	17.8	-1.9
EPS (¥/share)	98.13	87.40	-10.73
OP Margin	29.6%	27.3%	-2.3pt
FX Rate (¥/\$)	130	137	-
Crude Oil (JCC) (\$/bbl) ³	111	84	-

1. Net Income = Profit Attributable to Owners of Parent

2. EBITDA = Operating Profit + Depreciation and amortization

3. Based on Trade Statistics of Japan Ministry of Finance

The next page six, these are the 1Q results YoY, but I mentioned the numbers earlier, so please see them later.

Analysis of Changes in OP

		FY2023 Actual	Outlook	vs. Outlook	FY2022 Actual	YOY Change
		15.0 billion	14.5 billion	+0.5 billion	17.3 billion	-2.3 billion (-13%)
1Q	Chemicals	vs. Outlook	in line			
		YOY Change	-0.8 billion			Sales decrease in melamine(end of sales) and TEPIC, feedstock and raw materials cost up
	Performance Materials	vs. Outlook	-0.1 billion			OP decrease due to sales decrease in Semis Materials despite sales increase in Display Materials
		YOY Change	-1.4 billion			Sales decrease in Semis Materials and fixed cost up
	Agro	vs. Outlook	in line			OP flat due to fixed cost down despite sales of main products decrease
		YOY Change	-0.2 billion			Sales decrease in Fluralaner API
	Healthcare	vs. Outlook	+0.1 billion			Sales increase in Custom Chemicals
		YOY Change	+0.3 billion			Sales increase in Custom Chemicals

| 7

Continued on page seven. As usual, this is an analysis of changes in operating profit by segment. From the top, operating profit was JPY0.5 billion higher than the forecast, and minus JPY2.3 billion YoY. The Chemicals segment was in line with the forecast, but minus JPY0.8 billion YoY. As you can see on the right here, melamine is no longer produced or sold in 1Q FY2023. There was also a decrease in TEPIC's revenue, as well as high raw fuel prices.

Next, the Performance Materials segment is slightly down JPY0.1 billion from the forecast. In terms of the breakdown, the Display Materials has been on the upside, but the Semis Materials has been on the downside. The YoY change was minus JPY1.4 billion.

The biggest factor here is still the decline in Semis Materials. The overall market began to adjust in 2H of last fiscal year, but 1Q of the last fiscal year was a very favorable period because the adjustment had not yet begun. In addition, fixed costs have increased.

Next, the Agrochemicals segment, where results were in line with forecasts. As I will explain later, there was a partial downward swing in sales of major products, but fixed costs were down, which was a factor in the increase in profits, and as a result, profits were almost in-line.

On the other hand, operating profit decreased JPY0.2 billion YoY, with a slight decrease in sales of Fluralaner, veterinary API, as noted here. This will also be explained later.

Finally, in the Healthcare segment, there was an increase of JPY0.1 billion from the forecast and an increase of JPY0.3 billion YoY, both of which were contributed by an increase in sales and an upswing in Custom Chemicals.

Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Losses

(¥billion)

	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change	1Q FY2023 Outlook
Interest income, dividend income	0.31	0.29	-0.02	0.28
Equity in earnings of affiliates	0.23	0.54	+0.31	0.57
Foreign exchange gains/losses ¹	1.69	1.48	-0.21	0.00
Interest expense	-0.04	-0.12	-0.08	-0.15
Loss on disposal of non-current assets, others	0.04	-0.14	-0.18	-0.01
Non-Operating Income/Expenses	2.23	2.05	-0.18	0.69
Extraordinary Income	0.00	0.00	0.00	0.00
Extraordinary Losses	0.00	0.00	0.00	0.00
Extraordinary Income/Losses	0.00	0.00	0.00	0.00

1. FX Rate (¥/\$): 2022/3 122.41, 2022/6 136.69, 2023/3 133.54, 2023/6 144.99

Continued on page eight. This shows the breakdown of non-operating income/expenses and extraordinary income/losses. As for numbers, please refer to the second row from the left, this blue area of the 1Q results.

Non-operating income for 1Q was JPY2.05 billion. The previous forecast is shown on the far right, which was JPY0.69 billion, resulting in a slightly less than JPY1.4 billion increase compared to the forecast. The third line from the top shows the main factor, foreign exchange gains/losses. In particular, foreign exchange gains amounted to JPY1.48 billion in 1Q. In the forecast at the beginning of the year, this figure was set to zero as usual, so this part of the figure contributes to the upward swing.

As for the reason for the foreign exchange gains, as shown in note 1, the exchange rate was approximately JPY145 at the end of June, compared to JPY133 level at the end of March 2023, which is a little more than JPY11 difference. The strong USD against the yen is having an impact.

As for extraordinary income/losses, as mentioned earlier, they are zero.

Cash Flows

Free cash flow in 1Q FY2023 was ¥7.2 billion, a decrease of ¥1.6 billion from 1Q FY2022

(¥billion)

	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
CF from operating activities	13.1	12.3	-0.8
Income before income taxes & non-controlling interests	19.5	17.1	-2.4
Extraordinary losses (income)	0.0	0.0	0.0
Depreciation & amortization ¹	2.5	2.8	+0.3
Income taxes paid	-7.5	-7.4	+0.1
Working capital, others	-1.4	-0.2	+1.2
CF from investing activities	-4.3	-5.1	-0.8
Purchase of PPE	-3.4	-6.4	-3.0
Purchase and sales of investment securities	-0.4	0.0	+0.4
Others	-0.5	1.3	+1.8
Free cash flow	8.8	7.2	-1.6
CF from financing activities	-18.0	-10.6	+7.4
Payout to shareholders (dividend)	-10.2	-13.2	-3.0
Payout to shareholders (share repurchase)	-5.0	-5.0	0.0
Borrowings	-2.7	7.6	+10.3
Others	-0.1	0.0	+0.1
Effect of exchange rate change on cash & cash equivalents	0.8	0.2	-0.6
Change in cash & cash equivalents	-8.4	-3.2	+5.2
Increase in cash and cash equivalents resulting from change in scope of consolidation	3.1	0.0	-3.1
Cash & cash equivalents at end of period	29.4	26.5	-2.9

1. Including amortization of goodwill

| 9

Continued on page nine, cash flows.

Cash flow from operating activities in 1Q FY2023, shown in blue, was JPY12.3 billion. The YoY comparison is shown in the right-most column, and it is almost the same level as last year.

On the other hand, cash flow from investing activities was a negative JPY5.1 billion, a slight increase, but at about the same level.

Free cash flow was JPY7.2 billion, a slight decrease from the previous year, while cash flow from financing activities was a negative JPY10.6 billion.

As shown below, the breakdown of shareholder returns includes dividends and share buybacks totaling more than JPY18.0 billion. In particular, an increase of about JPY3.0 billion in dividends, as compared to the 1Q results for FY2022 shows in the leftmost column. This is because the year-end dividend was increased from JPY72 in 2022 to JPY94 for the June 2023 payment.

As a result, the final cash balance was JPY26.5 billion, almost the same as the same period last year.

Balance Sheets

(¥billion)

	2022/6	2023/3	2023/6	vs. 2023/3
Current assets	172.6	189.4	184.6	-4.8
Cash	29.4	29.6	26.4	-3.2
Accounts receivable	80.0	82.7	77.8	-4.9
Inventories	55.8	64.7	71.6	+6.9
Others	7.4	12.4	8.8	-3.6
Fixed assets	104.6	109.3	116.8	+7.5
Total PPE	56.9	64.7	72.1	+7.4
Intangible assets	12.0	11.5	11.4	-0.1
Investment securities	29.8	27.3	27.6	+0.3
Others	5.9	5.8	5.7	-0.1
Total assets	277.2	298.7	301.4	+2.7

	2022/6	2023/3	2023/6	vs. 2023/3
Liabilities	67.5	77.2	83.3	+6.1
Accounts payable	18.5	19.9	17.4	-2.5
Borrowings	20.6	27.3	37.4	+10.1
Others	28.4	30.0	28.5	-1.5
Net assets	209.7	221.5	218.1	-3.4
Shareholders' equity ¹	195.5	208.8	202.9	-5.9
Valuation difference on available-for-sale securities	8.6	7.7	8.1	+0.4
Foreign currency translation adjustment	2.2	1.7	3.4	+1.7
Non-controlling interests	3.0	3.1	3.5	+0.4
Remeasurements of defined benefit plans	0.4	0.2	0.2	0.0
Total liabilities & net assets	277.2	298.7	301.4	+2.7
Equity Ratio	74.5%	73.1%	71.2%	
D/E Ratio ²	-4.5%	-1.1%	+5.4%	

Breakdown of Investment Securities

	2022/6	2023/3	2023/6	vs. 2023/3
Listed shares ⁵	19.3	16.9	17.4	+0.5
(Number of stocks held, Non-consolidated basis)	(30)	(26)	(26)	(0)
Unlisted shares	3.1	2.4	2.6	+0.2
Subsidiaries/Associate shares	7.4	8.0	7.6	-0.4
Total	29.8	27.3	27.6	+0.3
Strategic shareholdings on net assets ⁴	9.9%	7.9%	8.3%	

Reference

2018/3
30.0
(55)
1.7
6.8
38.5
17.0%

1. Change in shareholders' equity -5.9 = Net Income 12.2 - Dividend and others 18.1

3. 2023/3 16.9 + Acquisition 0.0 + Sales and valuation difference 0.5 = 2023/6 17.4

4. Strategic shareholdings on net assets = strategic shareholdings (Non-consolidated basis, Listed shares + Unlisted shares) / Net assets (Consolidated basis)

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

| 10

Next is the balance sheet. See page 10.

The upper left-hand column shows assets as of the end of the previous fiscal year, and as you can see in the right-hand column, total assets increased by JPY2.7 billion compared to the end of the previous fiscal year.

The breakdown is a negative JPY4.8 billion in current assets, but in fixed assets, especially total PPE, there was an increase of over JPY7.0 billion.

The liabilities side on the right shows an increase of JPY6.1 billion, with borrowings in particular increasing by about JPY10.0 billion compared to the end of March, but with a negative balance in account payables and other liabilities, resulting in a net increase of JPY6.1 billion. Net assets decreased by JPY3.4 billion.

The equity ratio, as noted below, is 71.2%, and we continue to have a very strong financial structure.

A breakdown of investment securities is included in the lower left-hand corner. As of the end of June 2023, in blue, the total is JPY27.6 billion, but the number of issues held on a non-consolidated basis remains unchanged from the end of March at 26 stocks.

For your reference, the right-most column shows the numbers at the end of March 2018, i.e., about five years ago. As you can see, the number of stocks has been reduced from 55 to 26, less than half.

As shown in the bottom line, as of the end of June, the cross shareholding as a percentage of net assets was 8%, below 10%.

1Q FY2023 Financial Results YOY Change by Segment

(¥billion)

		1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
Chemicals	Sales	10.4	9.1	-1.3 (-13%)
	OP	1.7	0.9	-0.8 (-46%)
Performance Materials	Sales	21.8	20.8	-1.0 (-4%)
	OP	7.9	6.5	-1.4 (-18%)
Agrochemicals	Sales	19.7	18.8	-0.9 (-5%)
	OP	6.8	6.6	-0.2 (-4%)
Healthcare	Sales	1.7	2.0	+0.3 (+18%)
	OP	0.8	1.1	+0.3 (+44%)
Trading, Others, Adjustment	Sales	4.7	4.2	-0.5
	OP	0.1	-0.1	-0.2
Total	Sales	58.3	54.9	-3.4 (-6%)
	OP	17.3	15.0	-2.3 (-13%)

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering,

NC Tokyo Bay (former name: Nippon Phosphoric Acid. Production of sulfuric acid. Added as a consolidated subsidiary from FY2023), Nihon Hiryo, and others

Adjustment: Planning & Development Division and others (see p55, p56 for breakdown)

| 12

I will now move on to the segment overview. See page 12.

This is the YoY change in sales and operating profit by segment. I mentioned the numbers earlier, so please see them later.

1Q FY2023 Financial Results Compared to Outlook by Segment

(¥billion)

		1Q FY2023 Outlook	1Q FY2023 Actual	vs. Outlook
Chemicals	Sales	9.4	9.1	-0.3
	OP	0.9	0.9	0.0
Performance Materials	Sales	20.5	20.8	+0.3
	OP	6.6	6.5	-0.1
Agrochemicals	Sales	19.2	18.8	-0.4
	OP	6.6	6.6	0.0
Healthcare	Sales	1.9	2.0	+0.1
	OP	1.0	1.1	+0.1
Trading, Others, Adjustment	Sales	3.8	4.2	+0.4
	OP	-0.6	-0.1	+0.5
Total	Sales	54.8	54.9	+0.1
	OP	14.5	15.0	+0.5

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering,

NC Tokyo Bay (former name: Nippon Phosphoric Acid. Production of sulfuric acid. Added as a consolidated subsidiary from FY2023), Nihon Hiryo, and others

Adjustment: Planning & Development Division and others (see p55, p56 for breakdown)

Page 13 shows the results against the forecast. Please see them later as I mentioned earlier here as well.

- Fine Chemicals: [1Q]Sales YOY -29%, Sales below target
- Basic Chemicals: [1Q]Sales YOY -2%, Sales below target

Main Products	1Q FY2023 Actual	1Q FY2023 Outlook
	YOY Change	YOY Change
TEPIC	-66%	-61%
Environmental related products	+16%	+15%
FINEOXOCOL	-25%	-19%
Total Fine Chemicals¹	-29%	-26%
Melamine ²	-100%	-100%
Urea/AdBlue [®]	+33%	+40%
High purity sulfuric acid	-13%	-12%
Nitric acid products	+71%	+83%
Total Basic Chemicals³⁻⁴	-2% (+26%)	+1% (+30%)
Total Segment³	-13% (+1%)	-10% (+4%)

1. TEPIC, Environmental related products, and FINEOXOCOL account for 85% of total Fine Chemicals sales (1Q FY2023 Actual)

2. The production of melamine terminated in June 2022 and sales ended in December 2022 (see p19, Restructure based on Shutdown of Melamine Plant)

3. Growth rate in parentheses excludes melamine for both FY2022 Actual and FY2023 Actual.

4. Melamine, Urea/AdBlue[®], High purity sulfuric acid, and Nitric acid products account for 48% of total Basic Chemical sales (1Q FY2023 Actual)

I will now begin with the Chemicals segment, page 15.

This shows the sales growth rate of our main products. As noted at the beginning of this page, first, in the Fine Chemicals, the 1Q sales were down 29% YoY and also slightly below our earnings forecast. As you can see from the figures, the volume decline in TEPIC, especially in general application, is particularly impacted here.

On the other hand, in the Basic Chemicals, sales of melamine were completely zero in 1Q FY2023, but total sales were down 2% YoY in 1Q and slightly below the forecast.

【1Q】 Sales down ¥1.3 billion (melamine sales down ¥1.4 billion), OP down ¥0.8 billion

	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
Sales	10.4	9.1	-1.3
Fine Chemicals	4.2	3.0	-1.2
Basic Chemicals	6.2	6.1	-0.1
OP	1.7	0.9	-0.8

(¥billion)

【1Q】 Sales down, OP down

Fine Chemicals	Product/Category	Impact
	TEPIC for general applications	Sales down (demand decrease)
	TEPIC for electronic materials	Sales down
	Environmental related products	Sales up
	FINEOXOCOL	Sales down
	Feedstock and raw materials	cost up

【1Q】 Sales down, OP flat

Basic Chemicals	Product/Category	Impact
	Melamine	Sales down (end of sales)
	Urea/AdBlue®	Sales up (shutdown of melamine plant, price up)
	High purity sulfuric acid	Sales down
	Nitric acid products	Sales up (volume & price up) (nitric acid plant troubles in FY2022)
	Feedstock and raw materials	cost up

| 16

Page 16. This is the 1Q figure YoY.

Operating profit was JPY0.8 billion lower than the same period last year. As indicated below, first of all, sales and profit decreased in the Fine Chemicals. As I mentioned earlier, the reason for this was the significant decrease in demand for TEPIC for general applications.

As shown in the lower right-hand corner, sales in the Basic Chemicals decreased slightly by JPY0.1 billion, while operating profit remained unchanged.

Sales of melamine decreased due to the end of sales, but sales of other products such as Urea/AdBlue increased.

Although I mentioned the high cost of raw materials and fuel as a factor in the decrease in profit, in reality, the procurement cost of natural gas was almost flat, while the increase in the cost of electricity had a slight negative impact.

【1Q】 Sales below target ¥0.3 billion, OP in line with target

	(¥billion)		
	1Q FY2023 Outlook	1Q FY2023 Actual	vs. Outlook
Sales	9.4	9.1	-0.3
Fine Chemicals	3.1	3.0	-0.1
Basic Chemicals	6.3	6.1	-0.2
OP	0.9	0.9	0.0

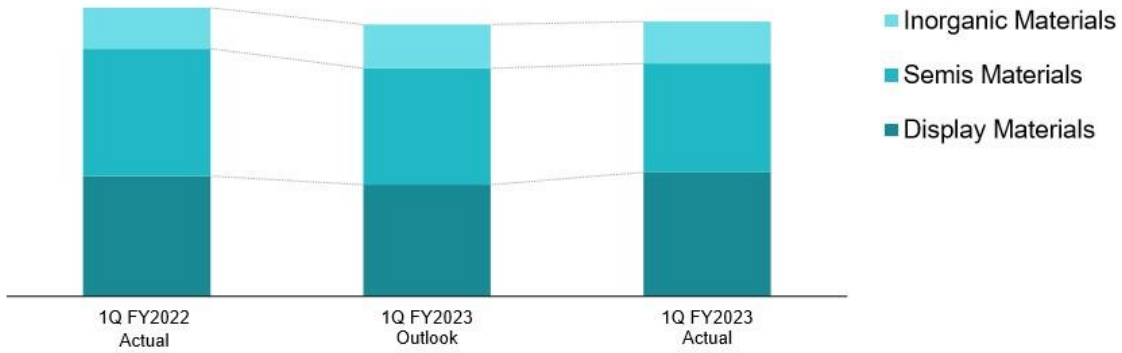
【1Q】 Sales below target, OP below target		
Fine Chemicals	TEPIC for general applications	Sales below target (volume down)
	TEPIC for electronic materials	Sales above target
	Environmental related products	Sales in line with target
	FINEOXOCOL	Sales below target

【1Q】 Sales below target, OP above target		
Basic Chemicals	Urea/AdBlue®	Sales below target
	High purity sulfuric acid	Sales in line with target
	Nitric acid products	Sales below target
	Feedstock and raw materials cost below expectations	

| 17

Continued on page 17.

Sales were down JPY0.3 billion from the forecast, while operating profit was in line with the forecast, as I mentioned earlier.



Main Products

Display Materials	Semis Materials	Inorganic Materials
<p>SUNEVER LCD alignment coating</p>	<p>ARC® Bottom anti-reflective coating for semis</p> <p>Multi layer process materials Multi layer process materials for Semis (OptiStack®)</p> <p>EUV materials EUV process materials</p>	<p>SNOWTEX Silica sol for polishing materials (silicon wafer, compound semiconductors, semiconductors CMP and etc.) and non-polishing materials (special steel sheet and etc.)</p> <p>Organo/Monomer Sol Film surface treatment for electronic devices, resin additive</p> <p>Oilfield materials For enhancing oil recovery</p>

Next is the Performance Materials segment. Skip to page 21.

As usual, we have included a bar chart here with an image of sales by sub-segment.

The 1Q results for FY2023 are shown in the bar graph on the far right, and Display Materials are shown at the bottom, Semis Materials in the middle, and Inorganic Materials at the top.

- DP Materials: 【1Q】Sales YOY +3%, Sales above target
- Semis Materials: 【1Q】Sales YOY -15%, Sales below target
- Inorganic Materials: 【1Q】Sales YOY +3%, Sales below target

Main Products	1Q FY2023 Actual	1Q FY2023 Outlook
	YOY Change	YOY Change
SUNEVER	+4%	-7%
Total Display Materials	+3%	-7%
ARC®	-18%	-11%
Multi layer process materials	-15%	-4%
EUV materials ¹	+15%	-6%
Total Semis Materials	-15%	-9%
SNOWTEX	0%	+7%
Organo/Monomer Sol	-7%	+18%
Oilfield Materials	+49%	+21%
Total Inorganic Materials	+3%	+8%
Total Segment	-4%	-6%

1. EUV materials: Total of Under Layer and Si-HM for EUV

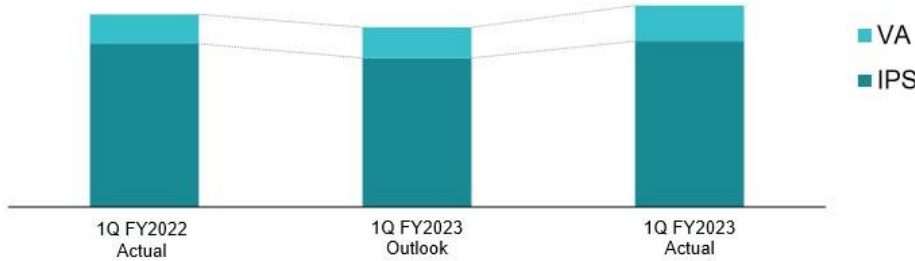
Next, page 22, are the sales growth rates for our major products.

First of all, as mentioned at the beginning of this page, sales of Display Materials increased by 3% in 1Q, which was when the previous year's 1Q results for FY2022 were still very strong. Compared to that, the results are up 3%, and also higher than the forecast.

On the other hand, in Semis Materials, sales fell 15% in 1Q and were also lower than the forecast. The figures for 1Q FY2022 were still favorable, but we have been in an adjustment phase since 2H of last year.

Lastly, Inorganic Materials, sales increased 3% in 1Q and were also down compared to the earnings forecast.

- 1Q: SUNEVER sales YOY +4%, sales above target
- The shift from other modes (rubbing IPS, etc.) to photo IPS is progressing steadily.



Main Applications

- VA (Vertical Alignment) TV
- IPS (In-Plane Switching) Smartphone, Tablet, PC, Monitor, Automobile

Sales Growth Rate by Mode

	1Q FY2023 Actual	
	YOY Change	vs. Outlook
VA	Up(+20 ~ +29%)	Above
IPS	Up(+0 ~ +9%)	Above
Total SUNEVER (including TN ¹)	+4%	Above

1. TN (Twisted Nematic) main applications is PC, Monitor

The next section is by display mode. Page 23.

As mentioned at the beginning of this page, SUNEVER's total sales increased 4% YoY in 1Q and exceeded the forecast. The conversion from other modes such as rubbing IPS to photo IPS continues to progress steadily.

The table below shows sales growth rates for VA, and IPS including both rubbing and photo. These also showed an increase in revenues and an upward swing, respectively.

【1Q】Sales down ¥1.0 billion, OP down ¥1.4 billion, Fixed cost up ¥0.8 billion in total

	(¥billion)		
	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
Sales	21.8	20.8	-1.0
OP	7.9	6.5	-1.4

Display Materials 【1Q】 Sales up, OP down

Photo IPS	Sales up (smartphone, large monitor, and automobile up)
Rubbing IPS	Sales flat
VA	Sales up (partly market share up)
Fixed cost up ¥0.1 billion	

Semis Materials 【1Q】 Sales down, OP down

ARC®	Sales down
Multi layer process materials	Sales down
EUV materials	Sales up (EUV Under Layer: sales up due to increased customer production)
Fixed cost up ¥0.6 billion	

Inorganic Materials 【1Q】 Sales up, OP up

SNOWTEX	Sales flat (non-polishing up, polishing down)
Organo/Monomer Sol	Sales down
Oilfield materials	Sales up
Fixed cost up ¥0.1 billion	

| 24

Continuing on page 24, we have specific profit figures.

For the Performance Materials segment as a whole, sales decreased by JPY1.0 billion YoY and operating income decreased by JPY1.4 billion, while fixed costs increased by JPY0.8 billion.

The majority of these results are due to Semis Materials, and in a sense, as I mentioned earlier, this is because the semiconductor market was very good in 1Q FY2022, which is one year ago.

Comments are provided below for each of the sub-segments, respectively. Sales of Display Materials increased, but profit decreased slightly. There is also a fixed cost increase of JPY0.1 billion. And sales and profit down in Semis Materials, there is an increase in fixed costs, JPY0.6 billion out of the JPY0.8 billion for overall is due to Semis Materials.

On the other hand, sales of EUV materials increased. Inorganic Materials sales and profit increased slightly.

【1Q】Sales above target ¥0.3 billion, OP below target ¥0.1 billion,
Fixed cost below expectations ¥0.1 billion in total

	1Q FY2023 Outlook	1Q FY2023 Actual	vs. Outlook
Sales	20.5	20.8	+0.3
OP	6.6	6.5	-0.1

(¥billion)

Display Materials 【1Q】 Sales above target, OP above target

Photo IPS	Sales above target (smartphone and large monitor above target)
Rubbing IPS	Sales above target
VA	Sales above target

Semis Materials 【1Q】 Sales below target, OP below target

ARC®	Sales below target
Multi layer process materials	Sales below target
EUV materials	Sales above target
Fixed cost below expectation ¥0.1 billion	

Inorganic Materials 【1Q】 Sales below target, OP below target

SNOWTEX	Sales below target (non-polishing and polishing below target)
Organo/Monomer Sol	Sales below target
Oilfield materials	Sales above target

Page 25. This is the result compared to outlook.

As noted at the beginning of the page, there was an upward swing of JPY0.3 billion in sales and a slight downward swing of JPY0.1 billion in operating profit.

As shown in the lower right-hand corner, fixed costs were down JPY0.1 billion in the Semis Materials, which was a factor in the increase in profits.

As for Display Materials, both net sales and operating profit were up, as described here. The shipment for some clients' inventory buildups also contributed to this upward swing.

In any case, photo, rubbing, and VA are each above their forecast.

■ [1Q] Sales YOY -5%, Sales below target

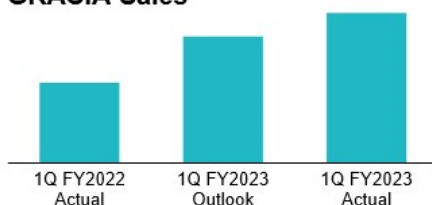
Main Products (Agro: in order of FY2022 Sales amount)	Types	1Q FY2023 Actual	1Q FY2023 Outlook	
		YOY	YOY	
Agro	ROUNDUP ¹	Herbicide	-14%	+2%
	ALTAIR	Herbicide	-7%	+12%
	TARGA	Herbicide	+10%	-17%
	LEIMAY	Fungicide	-60%	-46%
	GRACIA	Insecticide	+87%	+58%
	DITHANE	Fungicide	-21%	-23%
	PERMIT	Herbicide	+9%	-4%
Animal Health	Fluralaner	Animal Health products	-4%	-3%
Total Segment²		-	-5%	-3%

Reference

- No.1 in the domestic agrochemicals sales ranking (Oct 2020- Sep 2021)
[ROUNDUP Business Briefing](#) ✓ (January 22, 2020)
[Agrochemicals Business Briefing](#) ✓ (September 28, 2022)

1. ROUNDUP AL for general household account for 33% of total ROUNDUP sales (1Q FY2023 Actual)
2. Total segment sales YOY include discount

■ GRACIA Sales



Reference

FY2022 Presentation Materials (announced on May 15, 2023)
Part2 p35 GRACIA Sales Growth forecast

This is followed by Agrochemicals. Please skip to page 27, and you will see the growth rate of sales of our main products.

As mentioned at the beginning of this page, sales in 1Q were down 5% YoY, and slightly below the forecast.

In the case of Agrochemicals, as you can see, the range of pluses and minuses for each product is quite large, and while it may not be very useful to make comparisons on a quarterly basis, the figures are shown here.

In particular, the big plus is GRACIA. As shown in the bar graph below, the YoY increase was 87% compared to the actual results for the 1Q FY2022, and a double-digit increase compared to the forecast announced in May of the same quarter.

The veterinary drug Fluralaner, which I will talk about later, was minus 4% YoY.

【1Q】Sales down ¥0.9 billion, OP down ¥0.2 billion, Fixed cost up ¥0.2 billion

	(¥billion)		
	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
Sales	19.7	18.8	-0.9
OP	6.8	6.6	-0.2

Main products	ROUNDUP(Herbicide)	Sales down (ML&AL: volume down due to unfavorable weather)
	ALTAIR(Herbicide)	Sales down (domestic: volume down due to increase of distribution inventory)
	TARGA(Herbicide)	Sales up (export: good sales in Europe)
	LEIMAY(Fungicide)	Sales down (export: sales down due to shipment skewed to 1Q in FY2022)
	GRACIA(Insecticide)	Sales up (export: sales expansion in Asia)
	DITHANE(Fungicide)	Sales down (export: sales down due to shipment shifted from FY2021 to 1Q FY2022)
	PERMIT(Herbicide)	Sales up
	Fluralaner(Animal health product)	Sales down (API: shipment shifted from FY2021 to FY2022, royalties: up)

| 28

Please see page 28 for the figures in the YoY comparison section.

In terms of sales, there was a decrease of JPY0.9 billion, and operating profit also decreased by JPY0.2 billion due to a JPY0.2 billion increase in fixed costs. We have included a few comments for each of the major products. As you can see from the YOY figures, sales of ROUNDUP decreased due to poor weather conditions, especially after the Golden Week holidays (from the end of Apr to the beginning of May), and the volume of both ML and AL decreased.

In addition, sales of ALTAIR also declined slightly, with a slight decrease in volume due to an increase in domestic distribution inventories.

On the other hand, sales of TARGA increased due to strong sales in Europe.

LEIMAY's sales are a little bit special, because sales were quite biased toward 1Q in FY2022, but for this fiscal year, sales are not biased toward 1Q but rather toward 2Q. Therefore, sales decreased in this 1Q YoY.

As I mentioned earlier, sales in GRACIA are expanding, especially in Asia, and some shipments were made ahead of schedule.

Finally, sales of Fluralaner were down slightly. The sales of API were slightly lower in 1Q FY2023 than in the 1Q FY2022 because the starting point was higher due to some shipments that had been pushed back from 2H of FY2021.

On the other hand, royalties increased.

【1Q】 Sales below target ¥0.4 billion, OP in line with target,
Fixed cost below expectations ¥0.4 billion

(¥billion)

	1Q FY2023 Outlook	1Q FY2023 Actual	vs. Outlook
Sales	19.2	18.8	-0.4
OP	6.6	6.6	0.0

Main products	ROUNDUP(Herbicide)	Sales below target (ML&AL: volume down due to unfavorable weather)
	ALTAIR(Herbicide)	Sales below target (domestic: volume down due to increase of distribution inventory)
	TARGA(Herbicide)	Sales above target (export: good sales in Europe)
	LEIMAY(Fungicide)	Sales below target
	GRACIA(Insecticide)	Sales above target (domestic: sales up due to shipment shifted from 2Q to 1Q FY2023)
	DITHANE(Fungicide)	Sales above target
	PERMIT(Herbicide)	Sales above target
	Fluralaner(Animal health product)	Sales in line with target

Continuing on page 29, here is the forecast.

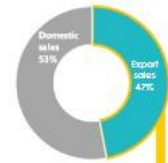
As you can see, sales were down JPY0.4 billion, while operating profit was in line with the forecast. This includes a fixed cost downswing of JPY0.4 billion, which is a factor in the increase in profit.

Regarding the comments on the main products, they are almost same as I mentioned earlier, but for the last line, Fluralaner animal drug was in line with expectations.

	Launch	Products	Application	Product development type	Notes
Existing products	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 AL II in FY2016 and AL III in FY2017, growing sharply
	2011	ALTAIR	Herbicide	In-house	Launched in Korea in FY2011 and in Japan in FY2012
	2013	Fluralaner	Animal health product	In-house	Started to be supplied to MSD ¹ in July as scheduled
	2014	BRAVECTO ^{®2}	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 Nissan Chemical
	2017	NEXTER	Fungicide	Licensed-in	Licensed from Syngenta
	2017	TRANSFORM™ / EXCEED™ / VIRESCO™	Insecticide	Licensed-in	Licensed from Dow
2017	EXZOLT ^{®2}	Veterinary medical product for poultry	-	Launched in EU in September for poultry red mites by MSD	
New products + Pipeline	2018	GRACIA	Insecticide	In-house	Effective against a wide range of serious pests, having less negative impact on honeybees. Launched in Korea in FY2018, in Japan in FY2019, and in India and Indonesia in FY2021 (expected peak sales ¥10.0 billion)
	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
	2024	NC-653 (DIMESULFAZET)	Herbicide	In-house	Effective against resistant weeds, having excellent safety to rice (expected peak sales ¥3.5 billion)
	2025	NC-520	Insecticide	Joint development	Insecticide for paddy rice co-developed with other companies. Highly effective against planthoppers (expected peak sales ¥2.5 billion including mixture products)
	2027	NC-656 (IPTRIAZOPYRID)	Herbicide	In-house	Our first foliar application rice herbicide with excellent efficacy against resistant grass weeds (expected peak sales ¥10.0 billion)

1. MSD: MSD Animal Health, the global animal health business unit of Merck 2. BRAVECTO[®], EXZOLT[®]: the product names developed by MSD, containing the active substance Fluralaner
 3. Including Fluralaner

Export ratio of agrochemicals business (FY2022 Actual)³



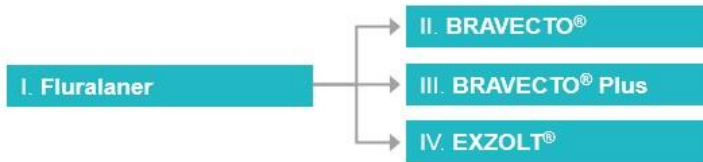
- Distribution by Region



Expected peak sales of new products
¥31.0 billion

Next page 30, the list of major products, et cetera, have not been changed from the text of this May's schedule announcement.

- BRAVECTO® series and EXZOLT®, which contains the active pharmaceutical ingredient of Fluralaner invented by Nissan Chemical, are currently available in more than 100 countries.
- BRAVECTO®'s greatest feature is its effectiveness, which lasts up to 12 weeks (existing products last up to about 1 month)



I. Fluralaner

- Invented by Nissan Chemical and supplied to MSD¹ 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

II. BRAVECTO®

- Developed and launched by MSD
- Veterinary medical products providing 12 weeks² 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 EU, 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 and EU, January 2021 Japan

III. BRAVECTO® Plus

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

IV. EXZOLT®

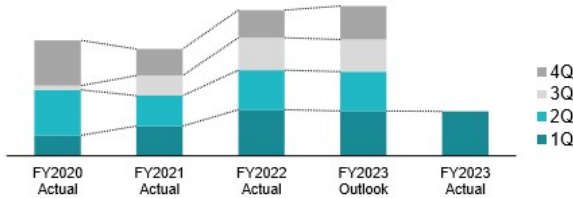
- A poultry medicine against red mite launched by MSD (administered via drinking water)
 - September 2017 EU, thereafter, Korea and Middle East etc., July 2021 Japan
- A cattle medicine
 - September 2022 launched in Brazil, April 2023 launched in Mexico,
- A sheep medicine
 - March 2023 approved in Australia

1. MSD: MSD Animal Health, the global animal health business unit of Merck 2. 8 weeks for *Rhipicephalus sanguineus* ticks

Nissan Chemical's Revenues are Consisted from Following Two Factors

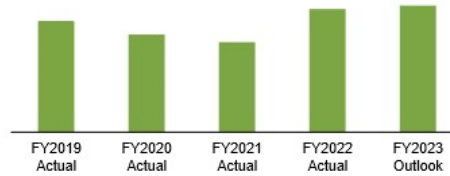
- Sales of Fluralaner to MSD as API¹ of BRAVECTO® and EXZOLT® products
 - Running royalties received from MSD
1. API: Active Pharmaceutical Ingredient

FY2020-FY2023 Fluralaner Quarterly Sales (including royalties)



Royalties revenue used to be recognized in 2Q and 4Q until FY2020. Due to changes in accounting policies, it has been recognized in each quarter since FY2021 (see p57).

FY2019-FY2023 Fluralaner Sales Image (including royalties)



- Inventory adjustments for Fluralaner were completed in FY2021.
- A large sales increase in FY2022 due to the shipments shifted from FY2021 to FY2022 and JPY depreciation. Actual exchange rate is ¥136/\$.
- Assumed exchange rate for FY2023 is ¥128/\$.

BRAVECTO® series and EXZOLT® R&D

- MSD is developing several pipeline products which contain the API of Fluralaner (including new types of BRAVECTO® for pets)
 - May 2023, BRAVECTO Quantum™ injectable solution for dogs was approved in AUS (feature: providing 12 months¹ of continuous protection)
1. 11 months for *Rhipicephalus sanguineus* ticks

Also, in the area of veterinary drugs, both pages 31 and 32 are basically the same as in the previous May.

[1Q]Sales up ¥0.30 billion, OP up ¥0.33 billion

	(¥billion)		
	1Q FY2022 Actual	1Q FY2023 Actual	YOY Change
Sales	1.65	1.95	+0.30
Healthcare	0.83	0.61	-0.22
Custom Chemicals	0.82	1.34	+0.52
OP	0.76	1.09	+0.33
Healthcare	0.39	0.28	-0.11
Custom Chemicals	0.37	0.81	+0.44

1. Figures in p12, p13, p55, p56 may not match the numbers on this page due to rounding

Healthcare

[1Q]Sales down, OP down

LIVALO

Sales down (domestic & export down)

Custom
Chemicals**[1Q]Sales up, OP up**

Sales up due to shipment skewed to 1Q in FY2023

| 37

This is the explanation of Agrochemicals, and the last one is the Healthcare segment. Page 37.

As mentioned in the comments below, sales and profits of LIVALO in Healthcare were down slightly YoY, but those of Custom Chemicals were up. In particular, sales for the current fiscal year were slightly weighted toward 1Q resulting in an increase in both sales and profit.

[1Q] Sales above target ¥0.07 billion, OP above target ¥0.12 billion

	1Q FY2023 Outlook	1Q FY2023 Actual	vs. Outlook
	(¥billion)		
Sales	1.88	1.95	+0.07
Healthcare	0.61	0.61	0.00
Custom Chemicals	1.27	1.34	+0.07
OP	0.97	1.09	+0.12
Healthcare	0.27	0.28	+0.01
Custom Chemicals	0.70	0.81	+0.11

1. Figures in p12, p13, p55, p56 may not match the numbers on this page due to rounding

[1Q] Sales & OP in line with target

Healthcare

LIVALO

Sales in line with target
(domestic above target, export below target)

[1Q] Sales & OP above target

Custom
Chemicals

Generic APIs above target

On the other hand, on page 38, we show the comparison with the earnings forecast, which is almost as planned for LIVALO, but slightly higher than expected for Custom Chemicals.

E (Environment)	April 2021	Announced its Diversity Statement and Diversity Vision
	May 2022	Decided to work on realization of carbon neutrality by 2050 Established new long-term target for reducing greenhouse gas (GHG) emissions(see p43)
	June 2022	Reduced GHG emissions by melamine production stop (26,000 tons, equivalent to about 7% of FY2018)
	June 2022	Established Climate Change Committee
	October 2022	Published " Integrated Report 2022 "
S (Social)	April 2019	Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors
	June 2019	Introduced a performance-linked stock compensation plan called a Board Benefit Trust for Board of Directors, etc.
	June 2022	Announced incorporating ESG indicators into the officers' remuneration system (65% base remuneration, 28% performance-related remuneration, 7% remuneration in stock. Out of the 28% performance-related remuneration, 90% is profit-linked and 10% is ESG-linked.)
	June 2023	Two female Outside Directors appointed, as a result, the Board of Directors includes 4 Outside Directors out of 10
	June 2023	Updated and disclosed " Corporate Governance Report "
G (Governance)	April 2019	Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors
	June 2019	Introduced a performance-linked stock compensation plan called a Board Benefit Trust for Board of Directors, etc.
	June 2022	Announced incorporating ESG indicators into the officers' remuneration system (65% base remuneration, 28% performance-related remuneration, 7% remuneration in stock. Out of the 28% performance-related remuneration, 90% is profit-linked and 10% is ESG-linked.)
	June 2023	Two female Outside Directors appointed, as a result, the Board of Directors includes 4 Outside Directors out of 10
	June 2023	Updated and disclosed " Corporate Governance Report "

Next, page 40 shows ESG topics.

I would like to make a few comments on the two lines under Governance in June 2023. We had a shareholders' meeting in June, and two outside female directors were appointed as board members, previously one, so now we have added another director.

Accordingly, from a total of 10 directors, 20% are women, and half of the four outside directors are women.

In addition, the Corporate Governance Report was updated this past June.

ESG Index and Third-party Recognition



Dow Jones Sustainability Asia Pacific Index

- December 2022 Selected as a constituent for 5 consecutive years



S&P/JPX Carbon Efficient Index

- March 2022 Selected as a constituent for 4 consecutive years



FTSE

- June 2023: Selected as a constituent of FTSE4Good Index Series, FTSE Blossom Japan Index for 4 consecutive years
- June 2023: Selected as a constituent of FTSE Blossom Japan Sector Relative for 2 consecutive years

1. FTSE Russell confirms that Nissan Chemical has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



MSCI Japan Empowering Women (WIN) Select Index

- June 2023 Selected as a constituent for 4 consecutive years
- 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)**

2. THE INCLUSION OF NISSAN CHEMICAL CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NISSAN CHEMICAL CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Certified Health & Productivity Management Organization (White 500)

- March 2023 Acquired for 7 consecutive years



"Childcare Support Company" Kurumin

- January 2023 Acquired for 2 consecutive years



Highly Improved Integrated Report by the Domestic Equity Managers of GPIF

- February 2022 Selected as "Excellent Integrated Report" for 2 consecutive years
- February 2023 Selected as "Highly Improved Integrated Report"

Task Force on Climate-related Financial Disclosures (TCFD)

- August 2020 Announced its support for recommendations



GX League

- February 2023 Announced its support for recommendations
- April 2023 Announced its participation

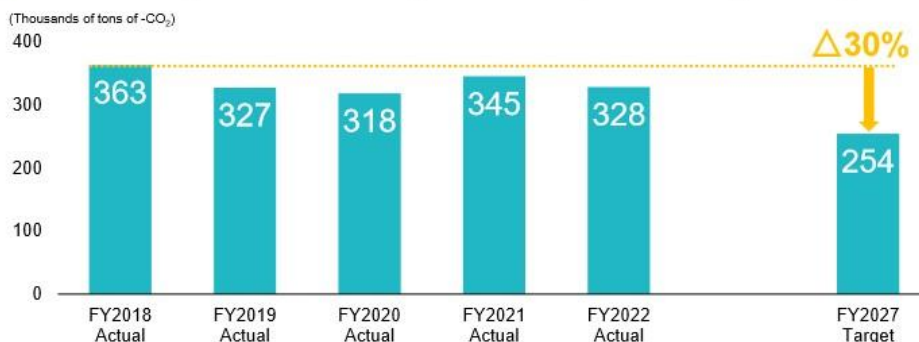


Continuing on page 41, here explains external evaluation of ESG, et cetera.

In June, we were selected for inclusion in the FTSE (second from the top) and MSCI (right) Japan Empowering Women (WIN) Select Index, for the fourth consecutive year, second consecutive year, or fourth consecutive terms, respectively.

Reduction of GHG Emissions

- Focus on improving production technology and adopting renewable energy etc., in addition to conventional efforts, to achieve carbon neutrality by 2050
- GHG emissions target for FY2027: Reduce by at least 30% compared to FY2018 (SCOPE1+2)



Comparison of GHG emissions with general chemical manufacturers

(Thousands of tons -CO₂)

FY	2011	2018	2019	2020	2021
Nissan Chemical	448	363	327	318	345
Average of 4 major general chemical manufacturers (non-consolidated basis)	-	-	5,845	5,581	-

Initiatives in Mid-Term Plan Vista2027 (FY2022-2027)

- Zero N₂O emissions from nitric acid plants (Planned investment of 500 million yen, variable cost of 50 million yen/year)
- Melamine production shutdown
- Converting fuels at Onoda Plant
- Promoting reduction of GHG emissions through full-scale introduction of ICP
- Reduction of CFC equipment
- Upgrade to energy-efficient equipment

| 43

Finally, on page 43, GHG emissions for FY2022 were 328 thousand tons, as shown in the bar graph.

Therefore, from the FY2021 results, there was a decrease of approximately 5%.

In any case, we are aiming for 254 thousand tons in FY2027, which is a 30% reduction from the FY2018 result, and we would like to achieve this goal through the measures shown on the lower right.

That is all for my explanation.

Question & Answer

<Questioner 1>

Q: I have two questions. The first one is about Performance Materials. Please tell me about the current trend of Display Materials and Semis Materials, respectively. Also, VA was quite strong in 1Q, so please explain this area as well.

A: First of all, regarding the current status of Performance Materials, 1Q was better than expected for Display Materials, but as I mentioned earlier, some of this was due to accelerated shipments and some was due to inventory buildup. In any case, I do not see any change in the gradual recovery that bottomed out in 2Q last year. As for VA, the recovery of TVs and other products, as well as a partial increase in market share from 2H of the previous fiscal year, contributed to this figure.

As for Semis Materials, as you know, it has been in an adjustment phase since 2H of last year, and as for the current situation, the figures for 1Q are as I mentioned earlier. We are now looking to see when this adjustment phase will start to recover.

Q: You don't see anything in particular about the advanced shipment you mentioned earlier, or the inventory buildup in VA, do you?

A: There were some buildups in photo IPS.

Q: The second one is related to Agrochemicals. The agrochemical market has been moving quite a bit, so please tell me how the market is moving by region and what the demand trends are for Fluralaner's end products.

A: First, in terms of regional trends in Agrochemicals, I will explain this separately for overseas and domestic markets.

First of all, in the domestic market, there was a considerable amount of activity, and all companies experienced poor domestic sales from April to June, and we also experienced the same trend.

In Japan, in particular, sales were up and down in various regions, but it was not that any one region was particularly bad, but that all of Japan or the country in general was in a bad condition.

The reason for this is believed to be that the distribution channel purchased a considerable amount of products before the price rose, and the inventory was retained, resulting in low shipments from manufacturers during the April–June period.

In the overseas market, there was a considerable increase and decrease by region. In terms of our Agrochemicals, overall, sales were driven by GRACIA, there was also a strong performance in Asia. That is all for Agrochemicals by region.

Also, regarding the animal health products, as I mentioned earlier, the 1Q figures were almost in-line with the forecast, but the YoY figure was minus 4%. However, as I mentioned earlier, 1Q FY2022 saw an increase due to a few special factors.

We have not changed our view of 3% YoY sales growth in FY2023, but Merck has started disclosing some of its global BRAVECTO sales, and we expect our figures may grow in line with those figures.

Q: I understand. Thank you very much.

<Questioner 2>

Q: First, regarding Performance Materials, could you tell us your current view of QonQ from 1Q to 2Q, whether Display Materials will go up to another level, and as for Semis Materials, where do you see the bottom for them?

A: As for the 2Q, of course we cannot say anything definite at this time. In terms of trends, as I mentioned earlier, the Display Materials seem to be on a gradual recovery trend after bottoming out in the 2Q of last year. As for the Semis Materials, we are still looking at the situation at this point, but we think that recovery will probably start from the 3Q onward, anyway, please wait until November.

Q: Next, I would like to ask about ROUNDUP and GRACIA in the Agrochemicals. First of all, ROUNDUP decreased 14% YOY, and as you mentioned earlier, the weather has been unfavorable nationwide. On the other hand, I am not sure what will happen in 2Q due to the heat wave. What is the status of ROUNDUP right now compared to the annual forecast, including such impact? And how about GRACIA? As you explained, it seems that some shipment was brought forward, so I wonder if you could suggest how this should be viewed in relation to the annual forecast.

A: First, regarding the outlook for ROUNDUP, as explained earlier in the introduction, the weather conditions in May and June were very unfavorable, with very heavy rains in May and especially rain on all weekends in June, resulting in a situation where both ML and AL were significantly below the previous year's levels.

However, in July, the first month of 2Q, which began with a series of good weather, there was a recovery trend to a certain degree, so there is no particular concern for the entire year.

Then, as for GRACIA, you asked earlier that there is a tendency to move up the shipment schedule a little bit. There will be also some impact from competitive products in 2H of the year and throughout the year, both overseas and in Japan, but it will be limited and is not a cause for concern.

Q: Would it be correct to say that there is currently no need to change the Company's forecast of 6% annual growth for ROUNDUP and 37% growth for GRACIA?

A: That is how I would like you to understand at this time.

Q: I understand. Thank you very much. That's all from me.

<Questioner 3>

Q: The first one is for Agrochemicals. On page 29, you indicate that fixed costs decreased JPY0.4 billion compared to your plan. I would like to confirm what specific items are contributed and whether there seems to be room for them to continue to decrease in the future.

Also, I would like to know about the operation status of NBR in India and its actual profit contribution.

Also, you mentioned earlier that inventories had accumulated in Japan due to purchases made before the price increase, but are there any concerns in the future due to the fact that inventory has been cleared considerably during the April–June period? From the financial results of your competitors in the same industry,

it seems that some distribution inventory was seen in India. In the case of GRACIA, I think that relatively more exports are made to India, so I wonder if GRACIA has been affected by any kind of adjustment of distribution inventory in India. Also, could you please explain, to the extent possible, how much of GRACIA's advance shipment is in monetary terms?

A: First, regarding the downward swing in fixed costs, we can broadly say that expenses decreased. The other major factor was that the agrochemicals-related testing costs were considerably lower than expected, resulting in a JPY0.4 billion decrease in the total amount.

As for your second question, regarding the operation of NBR, as we have already announced to the public, commercial production started in March of this year, and the production of the second raw material will probably start this month or next month. We are a little behind schedule in our overall plan, but we are working to achieve a smooth start of operations.

Third, as for domestic agrochemicals inventories, we know that the inventory in primary distribution as of the end of June has already been cleared compared to the previous year, and that the inventory ratio has decreased from the previous year. We believe that the inventory held by primary distribution, especially temporary demand in response to the price increase, was cleared in April, May, and June, and we do not expect the inventory to have any impact in 2H of the year or for the entire year.

About earlier shipment of GRACIA, there is no particular problem, and we expect the scale to be less than JPY0.5 billion.

Q: How much of that delay in NBR operations is a downside factor for profits? Is it minor because it was not mentioned as a downside factor?

A: For the current fiscal year, the impact is expected to be negligible.

Q: I understand. What specific expenses are among the fixed costs?

A: They are something like advertising costs. Expenses in this area were shifted back a bit. In other words, this did not occur much in 1Q. Also, as I mentioned earlier, the expenditure for testing, which is also about JPY0.2 billion, was less than expected.

Q: Yes, I understand. Thank you very much. Secondly, regarding Semis Materials, the business environment has become considerably more difficult, and according to what you told us three months ago, I think that the business environment was more difficult than the forecast three months ago, since the production cutback of memory in South Korea was not factored into the initial plan.

In this context, I would like to know about the background of the EUV's upswing. Also, I think you said that shipments to China were skewed in 4Q FY2022, but will there be a reactionary decline in 1Q and is it likely to normalize from 2Q onward? Please tell us the status of Semis Materials.

A: First, I will answer about EUV. The EUV business has maintained a high market share among Korean customers, and advanced semiconductors have been boosted by the high production volume and usage volume.

As for inventory in China, they built up inventory in 4Q FY2022, after which it has largely normalized.

Q: I understand. Thank you for the details.

<Questioner 4>

Q: The first point is a question about Fluralaner. Looking at page 27, I see that your plan was a 3% YoY decline, while the actual result was a 4% decline, so it looks like an error. However, the assumed exchange rate is JPY128, if so, I would like your comments on whether there has been any change in demand trends.

On the other hand, BRAVECTO's sales in Merck for the April–June period, a 7% increase on a local currency basis, seem to be strong, and I think the sales of BRAVECTO during the April–June period will affect your company in 2Q. In that sense, does the outlook for 2Q and beyond look better than you originally expected at the beginning of the period? Could you please explain that area?

A: As for your first question, in 1Q, as you just mentioned, YoY sales were down 4%, which, as I mentioned earlier, is a slight decrease in sales, but in monetary terms it is very small from our point of view. Since this is almost in line with our forecast, from our point of view, we are not concerned at all.

As you mentioned, Merck discloses the figures for 2Q, that is, the period from April to June, so we expect that the growth rate for our company, especially in royalties, will probably be a reasonable figure according to their figures, compared to the forecast.

Q: Thank you very much. The second question is about the competitive environment for Display Materials. A competitor in the alignment film industry is planning to go private, and that company is particularly emphasizing the need to strengthen the competitiveness of its semiconductor materials. They have not highlighted much about display materials, but could you please explain what you see as the potential for changes in the competitive environment?

Especially since it will be included in a government fund, I think the display materials and China businesses are important, but I don't think there will be any negative effects for your company, even if there are some positive effects for you. Although there may be only a limited number of points on which you can comment, I would appreciate it if you could explain the situation to the best of your ability.

A: As for the competitor, there has been no significant change at this time. We are unable to comment on the future, or on the future trends of other companies, as we are not in a position to know what they will be doing. While we refrain from commenting on the decisions of other companies, we do not anticipate any negative effects on our competitive environment or our future.

Q: Thank you very much. Just a follow-up question related to that point. Both they and your company handle the same important lithography process components in the semiconductor materials field. How have you been involved in the process of working with that resist manufacturer for ARC so far? If the industry restructuring were to occur among the resist manufacturers, how would it affect your company? I know this is also a bit limited in terms of what you can comment on, but to the extent possible, how about this?

A: I would like to refrain from commenting on the decisions of that company, but our current policy remains the same, and we will continue to work with each resist manufacturer to do what we can.

Q: Thank you very much.

<Questioner 5>

Q: I have two quick questions. On the first point, in the area of Semis Materials, I would like to know about the multi-layer process materials. 1Q was down to a 15% decline versus the planned 4% decline. Could you please add a few details as to which areas in particular were different from your expectations?

A: The difference between the overall decline and the forecast is due to a larger-than-expected production cut in Korean memory and a larger-than-expected decline in Taiwan's capacity utilization rate.

Q: I understand. For the second question, I would like to ask you to explain the increase in inventory in the overall balance sheet. Could you please explain a little bit around which segment of the inventory is increasing?

A: As I explained earlier on page 10 of the balance sheet, inventories increased JPY6.9 billion from the end of March. The largest portion of this is agrochemical inventories.

However, it is a rather unique factor at the end of this 1Q, in a sense, and the Company is hardly concerned about it.

Inventories have increased by more than JPY15.0 billion since the end of June 2022, and more than half of these inventories are agrochemical products. Sales of Agrochemicals themselves have grown considerably from FY2021 to FY2022, and also this fiscal year, so in that sense, we are not so concerned about this temporary decline at the end of June. Overall, we believe that the situation is within our ability to manage.

Q: Regarding the current YoY increase in Agrochemicals, it could be interpreted that sales are likely to be higher than originally expected, or it could be interpreted that there is a lot of inventory as a result of the downturn. Is it correct to say that it is in-line?

A: Since this is a comparison between the end of June 2022 and the end of June 2023, the inventory figures are basically based on sales in FY2021 or FY2022, so in that sense, the increase is a significant increase in sales. As for the end of June 2023, as I mentioned earlier, there was a spot accumulation, which we expect will gradually disappear, so we are not so concerned about it.

Q: Thank you very much.

<Questioner 6>

Q: I have two questions. In the area of Semis Materials, sales of ARC and multi-layer process materials have dropped, but is it correct to say that the unit sales price has basically been maintained?

A: In terms of YoY results for 1Q 2023, both ARC and multi-layer process materials prices were positive compared to the previous year.

Q: Thank you very much. Second, in the area of Chemicals, TEPIC's sales have dropped significantly. I would appreciate your comments on this background, again.

A: First of all, the decline in TEPIC's sales is most largely attributable to the drop in market prices due to a surplus of Chinese products. In addition, we have a customer in North America, who had an inventory buildup last year as a result of logistics disruptions, which has now been largely cleared up.

Q: In the North American market, is it recent that inventory is being cleared out? Are you saying that it was still a bit affected until 1Q?

A: There was still some impact in 1Q, but the impact has been decreasing a bit during 2Q.

Q: I understand. Thank you very much.

[END]