



Nissan Chemical
CORPORATION

Nissan Chemical Corporation

3Q FY2023 Financial Results Briefing

Presenter:

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Daimon: This is Daimon from Nissan Chemical. Thank you for taking your time today. Let's get straight into the presentation.

3Q FY2023 Financial Summary



3Q

vs. 3Q FY2022

- Sales down ¥0.1 billion (-0%)
- OP down ¥1.3 billion (-12%)
- Net Income down ¥0.6 billion (-8%)

1-3Q
Total¹

vs. 1-3Q
FY2022

- Sales down ¥3.9 billion (-2%)
- OP down ¥5.4 billion (-14%)
- Net Income down ¥4.8 billion (-16%)

1. Hereinafter referred to as 1-3Q

3Q

vs. 3Q Outlook
as of Nov 2023

- Sales above target ¥1.6 billion
- OP above target ¥1.4 billion
- Net Income above target ¥0.3 billion

Shareholder Returns

- Dividend 1H ¥70/share (unchanged vs. 1H FY2022)
- Completed additional ¥5.0 billion share repurchase announced on December 15 (860 thousand shares). Completed the total of ¥10.0 billion including those implemented in 1H FY2023 (1,665 thousand shares)
- Total Payout Ratio Outlook 85%

FY2023 Full-Year Outlook remains unchanged (FY2023 Full-Year OP: ¥48.6 billion)

Although 3Q financial results were above target, the full-year forecast remains unchanged based on the current 4Q outlook.

4Q results of Chemicals and Display Materials may be below target at this time.

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As mentioned on page four of the materials, starting with the summary for 3Q, compared to the same period last year, we saw a decrease in sales of JPY0.1 billion, a decrease in operating income of JPY1.3 billion, representing a 12% decline, and a decrease in net income of JPY0.6 billion.

For the cumulative total of the first three quarters, over nine months, compared to the same period last year, sales decreased by JPY3.9 billion, operating income by JPY5.4 billion, a 14% decline, and net income decreased by JPY4.8 billion.

Regarding the forecast comparison for 3Q, which compares with the figures we announced in November 2023, sales exceeded forecasts by JPY1.6 billion, operating income by JPY1.4 billion, and net income by JPY0.3 billion.

Concerning shareholder returns, mentioned below, the interim dividend has been maintained at JPY70, already implemented. As for the share repurchase, we completed the acquisition of JPY5 billion worth of shares on February 8 2024, as announced in the press release, following the announcement on December 15 2023.

Combined with the repurchases made in 1H, this totals JPY10 billion, or 1.665 million shares up to the current point. Based on this figure, the total return ratio is expected to be 85%.

Lastly, regarding the full-year performance forecast, there has been no change from the forecast announced in November 2023, and we are maintaining our forecasts. For this fiscal year, we are not changing our forecast of consolidated operating income of JPY48.6 billion.

Although 3Q results exceeded the outlook, considering the current outlook for 4Q, we are maintaining our full-year forecast. Especially for 4Q, there is a possibility of some downward revision in chemicals and display materials.

In particular, for Chemicals, the Toyama plant, which had been halted since January 5 due to the Noto Peninsula earthquake, resumed ammonia production this week on February 7. While the impact is minor overall, it was not factored into our forecast and so that it can be a downside factor for 4Q.

Additionally, for Display Materials, as I will explain later, there were some shipments moved forward from 4Q to 3Q. Also, there are adjustments in operations at panel manufacturers for devices such as TVs, so with these considerations in mind, we are maintaining our full-year forecast.

3Q FY2023 Financial Summary YOY Change

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change		
	1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Sales	109.5	49.7	159.2	105.7	49.6	155.3	-3.8 (-4%)	-0.1 (0%)	-3.9 (-2%)
Operating Profit	28.2	10.6	38.8	24.1	9.3	33.4	-4.1 (-14%)	-1.3 (-12%)	-5.4 (-14%)
Non-Operating Income/Expenses	3.8	-1.3	2.5	2.1	-0.5	1.6	-1.7	+0.8	-0.9
Foreign exchange Gains/Losses	3.0	-2.1	0.9	1.9	-0.8	1.1	-1.1	+1.3	+0.2
Ordinary Income	32.0	9.3	41.3	26.2	8.8	35.0	-5.8 (-18%)	-0.5 (-5%)	-6.3 (-15%)
Extraordinary Income/Losses	0.0	0.0	0.0	0.6	0.0	0.6	+0.6	0.0	+0.6
Net Income ¹	23.7	7.1	30.8	19.5	6.5	26.0	-4.2 (-18%)	-0.6 (-8%)	-4.8 (-16%)
EBITDA ²	33.3	13.5	46.8	30.0	12.9	42.9	-3.3	-0.6	-3.9
EPS (¥/share)	167.74	50.25	217.99	139.55	46.47	186.02	-28.19	-3.78	-31.97
Dividend (¥/share)	70	-	70	70	-	70	0	-	0
Total amount of Dividend	9.9	-	9.9	9.8	-	9.8	-0.1	-	-0.1
OP Margin	25.7%	21.4%	24.4%	22.8%	18.8%	21.5%	-2.9pt	-2.6pt	-2.9pt
FX Rate (¥/\$)	134	141	137	141	148	143	-	-	-
Crude Oil (JCC) (\$/bbl) ³	112	100	108	83	91	86	-	-	-

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

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The specific figures are on page five. The far-left column shows the performance for 1H of last fiscal year, 3Q, and the cumulative total for 1Q-3Q, the middle column presents this fiscal year's performance, and the far right compares it to the same period of the previous year.

In terms of 3Q FY2023, we recorded JPY49.6 billion in sales and JPY9.3 billion in operating income. As I will mention later, non-operating losses, particularly foreign exchange losses, resulted in a decrease of JPY0.8 billion, leading to an ordinary income of JPY8.8 billion and a net income of JPY6.5 billion.

The exchange rate for 3Q was JPY148, which is about JPY7 weaker than in the same quarter of the previous year. On the other hand, for crude oil, the JCC was at USD91 per barrel for this 3Q. However, natural gas prices have fallen more significantly compared to last year, meaning there has been a positive effect from lower fuel and raw material costs.

3Q FY2023 Financial Summary Compared to Outlook

(¥billion)

	FY2023 Outlook as of Nov 2023		FY2023 Actual		vs. Outlook
	3Q	1-3Q	3Q	1-3Q	3Q
Sales	48.0	153.7	49.6	155.3	+1.6
Operating Profit	7.9	32.0	9.3	33.4	+1.4
Non-Operating Income/Expenses	0.2	2.3	-0.5	1.6	-0.7
Foreign exchange Gains/Losses	0.0	1.9	-0.8	1.1	-0.8
Ordinary Income	8.1	34.3	8.8	35.0	+0.7
Extraordinary Income/Losses	0.0	0.6	0.0	0.6	0.0
Net Income ¹	6.2	25.7	6.5	26.0	+0.3
EBITDA ²	-	-	12.9	42.9	-
EPS (¥/share)	-	-	46.47	186.02	-
Dividend (¥/share)	-	70	-	70	-
Total amount of Dividend	-	9.8	-	9.8	-
OP Margin	16.5%	20.8%	18.8%	21.5%	-
FX Rate (¥/\$)	142	141	148	143	-
Crude Oil (JCC) (\$/bbl) ³	88	85	91	86	-

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

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Moving on to page six, this shows the comparison with the forecast announced in November 2023. As I mentioned earlier, the operating income has exceeded the forecast by JPY1.4 billion, as shown on the right column.

The exchange rate forecast announced in November 2023 was JPY142, but the actual exchange rate in 3Q has been JPY148 as mentioned earlier. You can see the JCC price of crude oil here. The actual natural gas prices have fallen below the November forecast. While crude oil prices have slightly exceeded it, natural gas prices have seen a decrease.

Analysis of Changes in OP

		FY2023 Actual	FY2022 Actual	YOY Change	Outlook as of Nov 2023	vs. Outlook
		9.3billion	10.6billion	-1.3billion(-12%)	7.9 billion	+1.4billion
3Q	Chemicals	YOY Change flat		OP flat due to feedstock and raw materials cost down despite sales decrease in melamine(end of sales) and TEPIC		
		vs. Outlook in line		OP in line due to feedstock and raw materials cost down despite sales decrease in Environmental related products		
	Performance Materials	YOY Change -0.6 billion		OP decrease due to fixed cost down(actual impact 0.6 billion in total) despite sales increase in Display Materials and Semis Materials		
		vs. Outlook +0.5 billion		OP increase due to sales increase in Semis Materials and fixed cost down(actual impact 0.2 billion in total)		
Agro	YOY Change -0.2 billion		OP decrease due to sales decrease in ROUNDUP etc. and fixed cost up(0.4 billion) despite sales increase in Fluralaner			
	vs. Outlook in line		OP in line due to fixed cost down(0.3 billion) despite sales decrease in GRACIA and ROUNDUP etc.			
Healthcare	YOY Change -0.1 billion		Sales decrease in Custom Chemicals			
	vs. Outlook +0.2 billion		Sales increase in Custom Chemicals			
				(¥)		
		FY2023 Actual	FY2022 Actual	YOY Change		
		33.4billion	38.8billion	-5.4billion(-14%) (Semis Materials -4.3 billion)		
1-3Q	Chemicals	YOY Change -1.2 billion		Sales decrease in melamine(end of sales) and TEPIC		
	Performance Materials	YOY Change -3.4 billion (fixed cost up 2.4 billion actual impact)		OP decrease due to sales decrease in Semis Materials and fixed cost up despite sales and OP increase in Display Materials		
	Agro	YOY Change -0.7 billion (fixed cost up 1.2 billion)		OP decrease due to sales decrease in ROUNDUP and ALTAIR etc. and fixed cost up despite sales increase in GRACIA		
	Healthcare	YOY Change +0.2 billion		OP increase due to inventory adjustment cost down despite sales flat		

Next, let's discuss the operating income by segment, which is detailed on page seven as usual. The top section, highlighted in bold, indicates that the total operating income for 3Q decreased by JPY1.3 billion YoY, while compared to the performance outlook, it increased by JPY1.4 billion.

Starting with Chemicals, the performance was flat compared to the same period last year. The decrease in sales of melamine and TEPIC was offset by lower raw material costs, making the profit flat. The performance was also nearly as expected compared to the forecast. The environmental related products saw a decrease, but the profit was as expected due to lower raw material costs.

For Performance Materials, there was a decrease of JPY0.6 billion compared to the same period last year. Although sales in Display Materials and Semis Materials increased, the total fixed costs for Performance Materials increased by about JPY0.6 billion, resulting in an overall decrease in profit.

However, compared to the forecast, there was an increase of JPY0.5 billion in profit. This increase was due to the Semis Materials exceeding expectations and a decrease in fixed costs by about JPY0.2 billion, contributing to an overall profit increase.

Next, for Agrochemicals, there was a decrease of JPY0.2 billion compared to the same period last year. Fluralaner sales increased, but sales of ROUNDUP decreased, and fixed costs increased by about JPY0.4 billion.

Compared to the forecast, the results were as expected. Sales of GRACIA and ROUNDUP were lower in 3Q, but a JPY0.3 billion decrease in fixed costs contributed to an increase in profit, aligning the profit with the forecast.

Lastly, for Healthcare, there was a decrease of JPY0.1 billion compared to the same period last year. However, compared to the forecast, there was an increase of JPY0.2 billion, particularly due to the performance of custom chemicals.

I will not go into the individual details for 1Q-3Q, but you can review them later. It still remains that Semis Materials account for a significant portion of the YoY decrease in profit.

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

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change		
	1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Interest income, dividend income	0.45	0.31	0.76	0.44	0.30	0.74	-0.01	-0.01	-0.02
Equity in earnings of affiliates	0.62	0.78	1.40	0.40	0.10	0.50	-0.22	-0.68	-0.90
Foreign exchange gains/losses ¹	3.02	-2.11	0.91	1.88	-0.80	1.08	-1.14	+1.31	+0.17
Interest expense	-0.09	-0.08	-0.17	-0.26	-0.12	-0.38	-0.17	-0.04	-0.21
Loss on disposal of non-current assets, others	-0.17	-0.20	-0.37	-0.36	0.03	-0.33	-0.19	+0.23	+0.04
Non-Operating Income/Expenses	3.83	-1.30	2.53	2.10	-0.49	1.61	-1.73	+0.81	-0.92
Extraordinary Income	0.00	0.00	0.00	0.60	0.00	0.60	+0.60	0.00	+0.60
Extraordinary Losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extraordinary Income/Losses²	0.00	0.00	0.00	0.60	0.00	0.60	+0.60	0.00	+0.60

1. FX Rate (¥/\$): 2022/3 122.41, 2022/9 144.81, 2022/12 132.70, 2023/3 133.54, 2023/9 149.58, 2023/12 141.82

2. 1-3Q FY2023 Actual:

Extraordinary Income ¥0.60 billion (Gain on sales of investment securities ¥0.60 billion)

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Moving on to page eight, we have the breakdown of non-operating income and expenses, and extraordinary income and losses. In the middle section marked in blue for 3Q, what stands out is the foreign exchange loss of minus JPY0.8 billion, as I mentioned earlier. This loss was due to the exchange rate movement from JPY149.58 at the end of last September to JPY141.82 at the end of December, approximately a JPY8 increase in the value of the yen, resulting in this JPY0.8 billion loss.

Compared to the same period last year, this figure is a plus JPY1.31 billion improvement, as seen in the second column from the right. From 2Q to 3Q last year, the yen had strengthened further. However, this was not factored into the forecast for this term, contributing to a negative deviation. As for extraordinary income and losses, there was no record for 3Q FY2023.

Cash Flows

Free cash flow in 1-3Q FY2023 was ¥21.8 billion, a decrease of ¥2.5 billion from 1-3Q FY2022

(¥billion)

	FY2022 Actual 1-3Q	FY2023 Actual 1-3Q	YOY Change
CF from operating activities	37.8	33.7	-4.1
Income before income taxes & non-controlling interests	41.3	35.7	-5.6
Extraordinary loss (income)	0.0	-0.6	-0.6
Depreciation & amortization ¹	8.0	9.5	+1.5
Income taxes paid	-15.0	-15.5	-0.5
Working capital, others	3.5	4.6	+1.1
CF from investing activities	-13.5	-11.9	+1.6
Purchase of PPE ²	-12.8	-14.0	-1.2
Purchase and sales of investment securities	0.0	0.7	+0.7
Others	-0.7	1.4	+2.1
Free cash flow	24.3	21.8	-2.5
CF from financing activities	-37.5	-25.9	+11.6
Payout to shareholders (dividend)	-20.1	-23.0	-2.9
Payout to shareholders (share repurchase)	-5.0	-5.8	-0.8
Borrowings	-12.3	7.1	+19.4
Others ³	-0.1	-4.2	-4.1
Effect of exchange rate change on cash & cash equivalents	1.4	0.1	-1.3
Change in cash & cash equivalents	-11.8	-4.0	+7.8
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	25.9	25.7	-0.2

1. Including amortization of goodwill 2. Including intangible assets 3. 1-3Q FY2023 Actual: Setting up the trust for share repurchase -4.2

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Next, on page nine, we have the cash flow statement. The free cash flow for the first three quarters of FY2023 is JPY21.8 billion, as seen in the middle. This is a decrease of about JPY2.5 billion compared to last year, but we continue to generate a strong free cash flow of over JPY20 billion.

As for the cash flow from financing activities, shareholder returns have increased by about JPY8 billion compared to last year. Consequently, there has been an increase in borrowings of JPY19.4 billion. Last year we were repaying debt, but this year we have taken on additional borrowing. The final line shows that the balance of cash and deposits is almost the same as last year, with a balance of over JPY20 billion.

Balance Sheets

(¥billion)

	2022/12	2023/3	2023/12	vs. 2023/3
Current assets	167.4	189.4	189.4	0.0
Cash	25.9	29.6	25.7	-3.9
Accounts receivable	61.2	82.7	64.2	-18.5
Inventories	70.2	64.7	84.9	+20.2
Others	10.1	12.4	14.6	+2.2
Fixed assets	109.2	109.3	120.3	+11.0
Total PPE	62.0	64.7	75.6	+10.9
Intangible assets	11.8	11.5	11.4	-0.1
Investment securities	29.6	27.3	27.5	+0.2
Others	5.8	5.8	5.8	0.0
Total assets	276.6	298.7	309.7	+11.0

	2022/12	2023/3	2023/12	vs. 2023/3
Liabilities	60.4	77.2	88.3	+11.1
Accounts payable	23.8	19.9	23.4	+3.5
Borrowings	10.8	27.3	36.7	+9.4
Others	25.8	30.0	28.2	-1.8
Net assets	216.2	221.5	221.4	-0.1
Shareholders' equity ¹	202.5	208.8	206.1	-2.7
Valuation difference on available-for-sale securities	8.3	7.7	8.6	+0.9
Foreign currency translation adjustment	2.0	1.7	3.3	+1.6
Non-controlling interests	3.0	3.1	3.3	+0.2
Remeasurements of defined benefit plans	0.4	0.2	0.1	-0.1
Total liabilities & net assets	276.6	298.7	309.7	+11.0
Equity Ratio	77.1%	73.1%	70.4%	
D/E Ratio²	-7.5%	-1.1%	5.4%	

Breakdown of Investment Securities

	2022/12	2023/3	2023/12	vs. 2023/3
Listed shares³	18.3	16.9	17.9	+1.0
(Number of stocks held, Non-consolidated basis)	(29)	(26)	(26)	(0)
Unlisted shares	3.0	2.4	2.5	+0.1
Subsidiaries/Associate shares	8.3	8.0	7.1	-0.9
Total	29.6	27.3	27.5	+0.2
Strategic shareholdings on net assets⁴	9.1%	7.9%	8.3%	

1. Change in shareholders' equity -2.7 = Net Income 26.0 - Dividend and others 28.7

3. 2023/3 16.9 + Acquisition 0.0 + Sales and valuation difference 1.0 = 2023/12 17.9

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

Reference

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

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

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On page 10, we have the balance sheet. Looking at the assets side on the left, compared to the end of the previous fiscal year in March 2023, total assets have increased by about JPY11 billion. This increase is almost entirely due to fixed assets.

Regarding current assets, inventory has increased by about JPY20 billion, which is significant. Typically, especially for Agrochemicals, inventory gradually increases from the end of March to the end of September and then to the end of December. On the other hand, accounts receivable has decreased by JPY18.5 billion, indicating that the collection of receivables is progressing as usual.

On the liabilities side, as mentioned earlier, borrowings have slightly increased to JPY36.7 billion, an increase of JPY9.4 billion compared to the end of March.

As a result, as stated at the bottom, the equity ratio is 70.4%, indicating a continued healthy financial structure.

Regarding the D/E ratio, which is based on net debt, borrowings minus cash, as of the end of December, it was a positive 5.4%.

In the bottom left corner, for reference, we have the trend in investment securities. As shown in the bottom row, the ratio of strategic shareholdings to net assets was 8.3% at the end of December. There has been no significant increase or decrease in the number of holdings, maintaining within 10%.

For reference, the numbers as of the end of March 2018 are shown in the far-right column, from which it can be seen that the ratio has been reduced by about half since then, indicating a steady decrease.

3Q FY2023 Financial Results YOY Change by Segment

(¥billion)

		FY2022 Actual			FY2023 Actual			YOY Change		
		1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Chemicals	Sales	19.8	10.1	29.9	17.9	9.6	27.5	-1.9 (-10%)	-0.5 (-4%)	-2.4 (-8%)
	OP	1.1	0.4	1.5	-0.1	0.4	0.3	-1.2 (-108%)	0.0 (-14%)	-1.2 (-81%)
Performance Materials	Sales	42.0	20.6	62.6	40.5	21.4	61.9	-1.5 (-4%)	+0.8 (+4%)	-0.7 (-1%)
	OP	13.9	6.9	20.8	11.1	6.3	17.4	-2.8 (-20%)	-0.6 (-10%)	-3.4 (-16%)
Agrochemicals	Sales	35.7	13.1	48.8	35.3	13.2	48.5	-0.4 (-1%)	+0.1 (+1%)	-0.3 (-1%)
	OP	12.1	3.1	15.2	11.6	2.9	14.5	-0.5 (-4%)	-0.2 (-8%)	-0.7 (-4%)
Healthcare	Sales	3.2	1.6	4.8	3.5	1.3	4.8	+0.3 (+9%)	-0.3 (-19%)	0.0 (0%)
	OP	1.5	0.6	2.1	1.8	0.5	2.3	+0.3 (+24%)	-0.1 (-29%)	+0.2 (+7%)
Trading, Others, Adjustment	Sales	8.8	4.3	13.1	8.5	4.1	12.6	-0.3	-0.2	-0.5
	OP	-0.4	-0.4	-0.8	-0.3	-0.8	-1.1	+0.1	-0.4	-0.3
Total	Sales	109.5	49.7	159.2	105.7	49.6	155.3	-3.8 (-4%)	-0.1 (0%)	-3.9 (-2%)
	OP	28.2	10.6	38.8	24.1	9.3	33.4	-4.1 (-14%)	-1.3 (-12%)	-5.4 (-14%)

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 p45, p46 for breakdown)

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Moving on to the segment overview.

On page 12, we have the segment-specific figures, which I encourage you to review later. These figures are compared to the same period last year.

3Q FY2023 Financial Results Compared to Outlook by Segment

(¥billion)

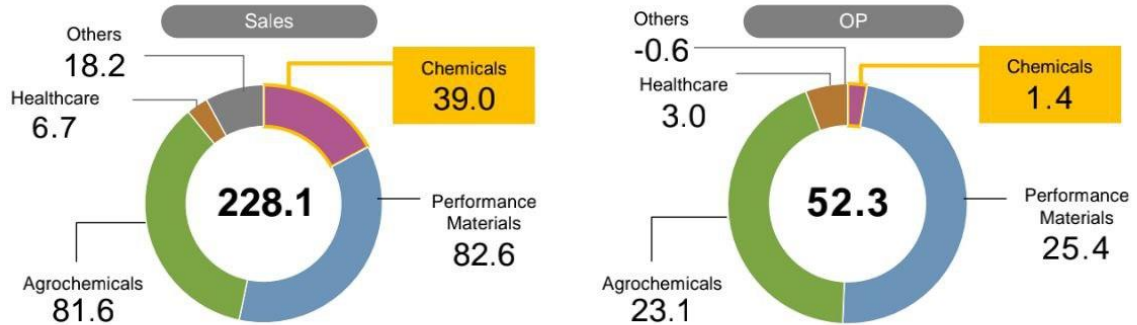
		FY2023 Outlook as of Nov 2023		FY2023 Actual		vs. Outlook
		3Q	1-3Q	3Q	1-3Q	3Q
Chemicals	Sales	10.5	28.4	9.6	27.5	-0.9
	OP	0.4	0.3	0.4	0.3	0.0
Performance Materials	Sales	21.2	61.7	21.4	61.9	+0.2
	OP	5.8	16.9	6.3	17.4	+0.5
Agrochemicals	Sales	13.9	49.2	13.2	48.5	-0.7
	OP	2.9	14.5	2.9	14.5	0.0
Healthcare	Sales	1.1	4.6	1.3	4.8	+0.2
	OP	0.3	2.1	0.5	2.3	+0.2
Trading, Others, Adjustment	Sales	1.3	9.8	4.1	12.6	+2.8
	OP	-1.5	-1.8	-0.8	-1.1	+0.7
Total	Sales	48.0	153.7	49.6	155.3	+1.6
	OP	7.9	32.0	9.3	33.4	+1.4

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 p45, p46 for breakdown)

Page 13 is about the comparison with the forecast. Specifically, if you look at the far-right column for 3Q under the forecast comparison, you will see that the operating income for Performance Materials exceeded forecasts by about JPY0.5 billion. Additionally, Healthcare exceeded by JPY0.2 billion, and there was an upward deviation of about JPY0.7 billion in trading, others, adjustment. For more detailed breakdowns of these figures, please refer to page 46 later on.

FY2022 Actual by Segment (¥billion)



Chemicals – Recent Financial Performance¹



1. Organizational changes were implemented in April 2022. FY2014-2020 figures are based on old segmentation, FY2021 was revised to reflect organizational changes in April 2022 (see p48)

2. Outlook as of Nov 2023

First, for the Chemicals segment on page 14, this remains unchanged including graphs from the explanation announced in November 2023.

- Fine Chemicals: [1-3Q] Sales YOY -18%, Sales below target
- Basic Chemicals: [1-3Q] Sales YOY -2%, Sales below target

Main Products	YOY Change		vs. Outlook as of Nov 2023
	3Q	1-3Q	3Q
TEPIC	-11%	-42%	Below
Environmental related products	-2%	+3%	Below
FINEOXOCOL	-3%	-14%	Below
Total Fine Chemicals¹	-7%	-18%	Below
Melamine ²	-100%	-100%	-
Urea/AdBlue [®]	-1%	+13%	In line
High purity sulfuric acid	+20%	-2%	Above
Nitric acid products	+1%	+22%	Below
Total Basic Chemicals^{3·4}	-3% (+1%)	-2% (+11%)	Below
Total Segment³	-4% (-2%)	-8% (0%)	Below

1. TEPIC, Environmental related products, and FINEOXOCOL account for 82% of total Fine Chemicals sales (1-3Q 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 excluding Melamine

4. Melamine, Urea/AdBlue[®], High purity sulfuric acid, and Nitric acid products account for 48% of total Basic Chemicals sales (1-3Q FY2023 Actual)

Next, on page 15, this shows the sales growth rate of major products.

As the table and the introductory text indicate, Fine Chemicals in 3Q experienced a 7% YoY decrease, with TEPIC continuing to perform weakly. Over the first three quarters, there was an 18% decrease in sales, with environmental related products and others performing below the forecast.

For Basic Chemicals, there was a 3% decrease in 3Q YoY. The cumulative total for the first three quarters shows a 2% decrease in sales. However, excluding the impact of melamine, sales increased by 11%, as indicated in parentheses below. The performance compared to the forecast showed a slight downward deviation.

[3Q] Sales down ¥0.5 billion, OP flat

[1-3Q] Sales down ¥2.4 billion, OP down ¥1.2 billion

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change		
	1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Sales	19.8	10.1	29.9	17.9	9.6	27.5	-1.9	-0.5	-2.4
Fine Chemicals	7.7	3.3	11.0	6.0	3.0	9.0	-1.7	-0.3	-2.0
Basic Chemicals	12.1	6.8	18.9	11.9	6.6	18.5	-0.2	-0.2	-0.4
OP	1.1	0.4	1.5	-0.1	0.4	0.3	-1.2	0.0	-1.2

	[3Q] Sales & OP down [1-3Q] Sales & OP down		[3Q] Sales down, OP up [1-3Q] Sales down, OP up	
Fine Chemicals	TEPIC for general applications	[3Q]&[1-3Q] Sales down (demand decrease)	Melamine	[3Q]&[1-3Q] Sales down (end of sales (see p19))
	TEPIC for electronic materials	[3Q]&[1-3Q] Sales down	Urea/AdBlue®	[3Q] Sales flat [1-3Q] Sales up
	Environmental related products	[3Q] Sales down [1-3Q] Sales up	High purity sulfuric acid	[3Q] Sales up [1-3Q] Sales down
	FINEOXOCOL	[3Q]&[1-3Q] Sales down	Nitric acid products	[3Q] Sales flat [1-3Q] Sales up (Nitric acid plant trouble in 1H FY2022)
		[3Q] Feedstock and raw materials cost down (positive impact) [1-3Q] Feedstock and raw materials cost up (negative impact)		[3Q]&[1-3Q] Feedstock and raw materials cost down (positive impact)

| 16

Page 16 includes specific profit figures. As indicated in the table, compared to the same period last year, Fine Chemicals experienced a decrease in both sales and profits for 3Q and the cumulative first three quarters.

For Basic Chemicals, although there was a decrease in sales, profits increased, attributed to lower raw material costs, particularly benefiting this sub segment. As a result, for 3Q, there was a JPY0.5 billion decrease in sales, but operating income remained flat in Chemicals.

[3Q] Sales below target ¥0.9 billion, OP in line with target

(¥billion)

	FY2023 Outlook as of Nov 2023		FY2023 Actual		vs. Outlook
	3Q	1-3Q	3Q	1-3Q	3Q
Sales	10.5	28.4	9.6	27.5	-0.9
Fine Chemicals	3.7	9.7	3.0	9.0	-0.7
Basic Chemicals	6.8	18.7	6.6	18.5	-0.2
OP	0.4	0.3	0.4	0.3	0.0

[3Q] Sales below target, OP in line with target

Fine Chemicals	TEPIC for general applications	Sales in line with target
	TEPIC for electronic materials	Sales below target
	Environmental related products	Sales below target (volume down)
	FINEOXOCOL	Sales below target

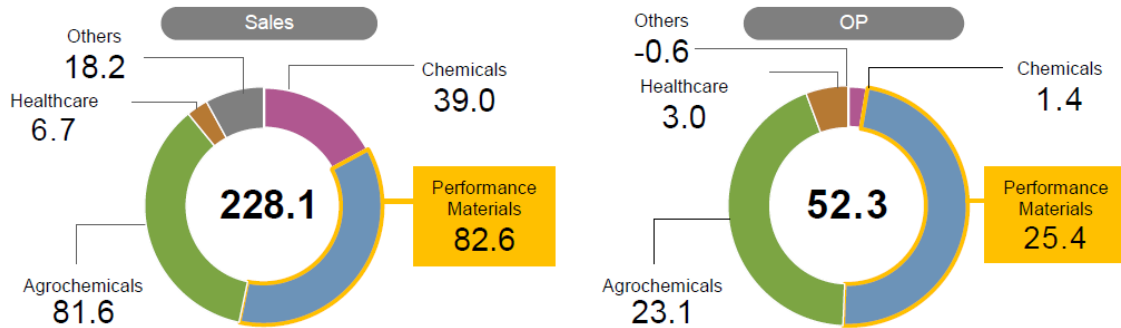
[3Q] Sales below target, OP in line with target

Basic Chemicals	Urea/AdBlue®	Sales in line with target
	High purity sulfuric acid	Sales above target
	Nitric acid products	Sales below target
	Feedstock and raw materials cost below expectations (positive impact)	

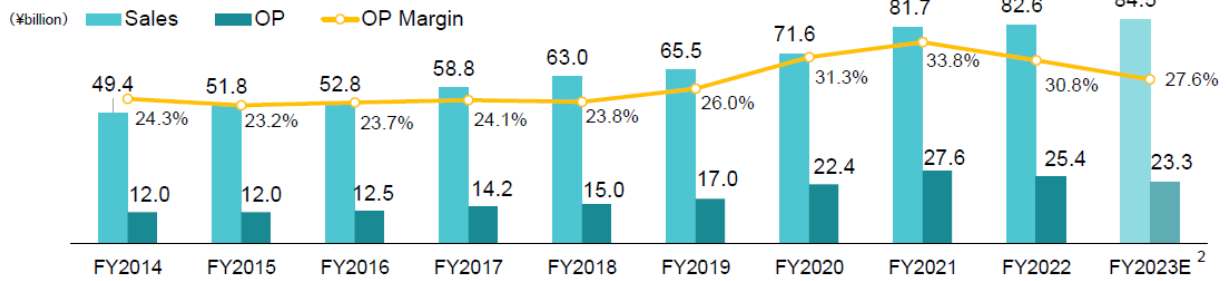
| 17

On page 17, which compares against the forecast, sales were JPY0.9 billion lower than expected. However, due to the impact of lower raw material costs among other factors, operating income was as forecasted.

FY2022 Actual by Segment (¥billion)



Performance Materials – Recent Financial Performance¹



1. Organizational changes were implemented in April 2022. FY2014-2020 figures are based on old segmentation, FY2021 was revised to reflect organizational changes in April 2022 (see p48)

2. Outlook as of Nov 2023

Reference [Presentation for R&D of Performance Materials](#) (June 21, 2022)

Next is Performance Materials. On page 20, this is the segment overview.

- DP Materials: 【1-3Q】 Sales YOY +13%, Sales in line with target
- Semis Materials: 【1-3Q】 Sales YOY -12%, Sales above target
- Inorganic Materials: 【1-3Q】 Sales YOY -6%, Sales in line with target

Main Products	YOY Change		vs. Outlook as of Nov 2023
	3Q	1-3Q	3Q
SUNEVER	+7%	+13%	In line
Total Display Materials	+7%	+13%	In line
ARC®	+3%	-14%	Above
Multi layer process materials	-7%	-19%	Below
EUV materials ¹	+29%	+20%	Above
Total Semis Materials	+4%	-12%	Above
SNOWTEX	-5%	-4%	Above
Organo/Monomer Sol	+24%	-1%	Above
Oilfield Materials	-70%	-31%	Below
Total Inorganic Materials	-5%	-6%	In line
Total Segment	+4%	-1%	Above

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

| 21

On page 21, the table shows the sales growth rate of major products. For Display Materials, 3Q saw a 7% YoY increase, with a 13% increase for the cumulative first three quarters, almost in line with the forecast.

Semis Materials in 3Q increased by 4% YoY, but experienced a 12% decrease over the first three quarters. The 3Q performance exceeded forecasts. Inorganic Materials in 3Q decreased by 5% YoY and by 6% over the first three quarters, closely aligning with the forecast.

[3Q] Sales up ¥0.8 billion, OP down ¥0.6 billion, Fixed cost up (actual impact) ¥0.6 billion in total

[1-3Q] Sales down ¥0.7 billion, OP down ¥3.4 billion,

Fixed cost up (actual impact) ¥2.4 billion in total (including common expenses up ¥0.1 billion)

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change		
	1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Sales	42.0	20.6	62.6	40.5	21.4	61.9	-1.5	+0.8	-0.7
OP	13.9	6.9	20.8	11.1	6.3	17.4	-2.8	-0.6	-3.4

Display Materials

[3Q] Sales up, OP down **[1-3Q] Sales & OP up**

Photo IPS [3Q]&[1-3Q] Sales up (shipment shifted from 4Q to 3Q FY2023)

Rubbing IPS [3Q] Sales down [1-3Q] Sales up

VA [3Q] Sales flat
[1-3Q] Sales up
(partly market share up)

[3Q] Fixed cost up ¥0.2 billion
[1-3Q] Display market recovering,
Fixed cost up ¥0.3 billion

Semis Materials

[3Q] Sales up, OP down [1-3Q] Sales & OP down

ARC® [3Q] Sales up [1-3Q] Sales down

Multi layer process materials [3Q]&[1-3Q] Sales down

EUV materials [3Q]&[1-3Q] Sales up (EUV Under Layer: sales up due to maintained strong performance)

[3Q]Semis market gradually recovering,
Fixed cost up (actual impact) ¥0.3 billion
[1-3Q]Semis market slowdown in 1H FY2023,
Fixed cost up (actual impact) ¥1.7 billion (mainly at NCK)

Inorganic Materials

[3Q] Sales & OP down [1-3Q] Sales & OP down

SNOWTEX [3Q] Sales down (non-polishing up, polishing down)
[1-3Q] Sales down (non-polishing flat, polishing down)

Organo/Monomer Sol [3Q] Sales up [1-3Q] Sales flat

Oilfield materials [3Q]&[1-3Q] Sales down

[3Q] Fixed cost up ¥0.1 billion [1-3Q] Fixed cost up ¥0.3 billion

| 22

Page 22 provides a detailed breakdown. For Performance Materials compared to the same period last year, 3Q saw an increase of JPY0.8 billion in sales, but a decrease of JPY0.6 billion in operating income, with a noted JPY0.6 billion increase in fixed costs contributing to this reversal.

For Display Materials, as shown on the bottom left, 3Q resulted in increased sales but decreased profit, with a very small decrease in profit. Specifically, photo IPS experienced some shipments advanced from 4Q to 3Q in FY2023. Sales for rubbing IPS also decreased in 3Q.

For Semis Materials, 3Q saw increased sales but decreased profit, largely due to an increase in fixed costs. However, EUV materials, particularly under layer, continued to perform well, with a 29% YoY increase in 3Q.

3Q FY2023 Financial Results Compared to Outlook

[3Q] Sales above target ¥0.2 billion, OP above target ¥0.5 billion,
Fixed cost below expectations (actual impact) ¥0.2 billion in total (positive impact)

(¥billion)

	FY2023 Outlook as of Nov 2023		FY2023 Actual		vs. Outlook
	3Q	1-3Q	3Q	1-3Q	3Q
Sales	21.2	61.7	21.4	61.9	+0.2
OP	5.8	16.9	6.3	17.4	+0.5

[3Q] Sales in line with target, OP above target

Display Materials	Photo IPS	Sales above target (shipment shifted from 4Q to 3Q FY2023)
	Rubbing IPS	Sales below target
	VA	Sales below target
Fixed cost above expectations ¥0.1 billion		

[3Q] Sales & OP above target

Semis Materials	ARC®	Sales above target
	Multi layer process materials	Sales below target
	EUV materials	Sales above target
Semis market gradually recovering, Fixed cost below expectations (actual impact) ¥0.2 billion		

[3Q] Sales in line with target, OP above target

Inorganic Materials	SNOWTEX	Sales above target (non-polishing above, polishing in line with target)
	Organo/Monomer Sol	Sales above target
	Oilfield materials	Sales below target
Fixed cost below expectations ¥0.1 billion		

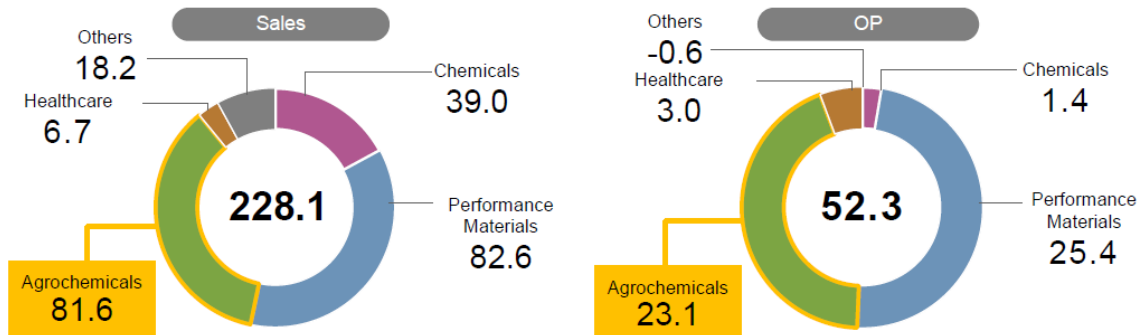
| 23

Next, on page 23, we discuss the comparison with the forecast for Performance Materials. Overall, sales exceeded the forecast by JPY0.2 billion, and operating income exceeded by JPY0.5 billion. Additionally, fixed costs were JPY0.2 billion below expectations, contributing to the increase in profit.

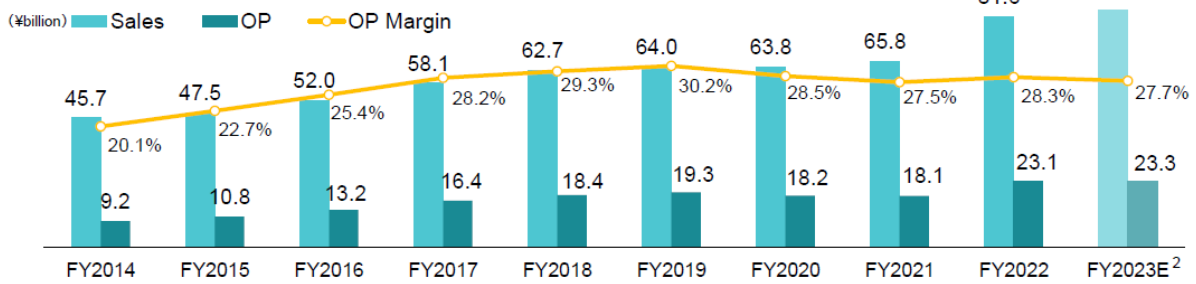
Photo IPS experienced an upward revision due to some shipments being brought forward from 4Q, as noted in the bottom left.

Meanwhile, EUV materials, as mentioned on the right, also exceeded expectations, continuing to secure strong orders in cutting-edge areas.

FY2022 Actual by Segment (¥billion)



Agrochemicals – Recent Financial Performance¹



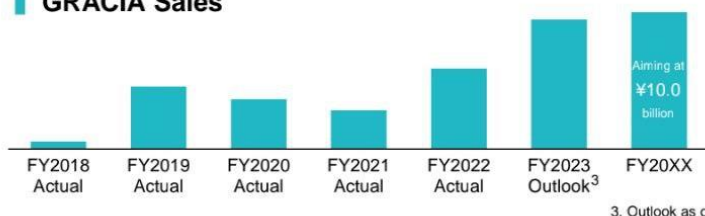
1. Organizational changes were implemented in April 2022. FY2014-2020 figures are based on old segmentation, FY2021 was revised to reflect organizational changes in April 2022 (see p48)
 2. Outlook as of Nov 2023

Next is Agrochemicals. On page 24, this is the segment overview.

[1-3Q] Sales YOY -1%, Sales below target

Main Products (Agro: in order of FY2022 Sales amount)	Types	YOY Change		vs. Outlook as of Nov 2023	
		3Q	1-3Q	3Q	
Agro	ROUNDUP ¹	Herbicide	-28%	-12%	Below
	ALTAIR	Herbicide	-9%	-14%	In line
	TARGA	Herbicide	+41%	+8%	Above
	LEIMAY	Fungicide	-33%	-45%	Below
	GRACIA	Insecticide	-7%	+56%	Below
	DITHANE	Fungicide	+16%	+3%	Below
	PERMIT	Herbicide	-63%	-6%	Above
Animal Health	Fluralaner	Animal Health products	+10%	+6%	Above
Total Segment²		-	+1%	-1%	Below

GRACIA Sales



Reference

[ROUNDUP Business Briefing](#)
(January 22, 2020)

[Agrochemicals Business Briefing](#)
(September 28, 2022)

1. ROUNDUP AL for general household accounts for 31% of the total ROUNDUP sales (1-3Q FY2023 Actual)
2. Total segment sales YOY include discount

3. Outlook as of Nov 2023

On page 25, we discuss the sales growth rate of key products. The total segment experienced a 1% YoY increase in 3Q and a 1% decrease for the cumulative first three quarters.

The performance compared to the forecast showed a downward deviation. There were mixed results, with decreases in products like ROUNDUP and GRACIA in 3Q.

On the other hand, Fluralaner saw a 10% YoY increase in 3Q and a 6% increase for the cumulative first three quarters, exceeding the forecast.

[3Q] Sales up ¥0.1 billion, OP down ¥0.2 billion, Fixed cost up ¥0.4 billion

[1-3Q] Sales down ¥0.3 billion, OP down ¥0.7 billion, Fixed cost up ¥1.2 billion

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change		
	1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Sales	35.7	13.1	48.8	35.3	13.2	48.5	-0.4	+0.1	-0.3
OP	12.1	3.1	15.2	11.6	2.9	14.5	-0.5	-0.2	-0.7

Main products	ROUNDUP(Herbicide)	<p>[3Q] Sales down (ML: sales down, rush demand before price hikes in FY2022, AL: sales up)</p> <p>[1-3Q] Sales down (ML&AL: sales down due to unfavorable weather and distribution inventory adjustment)</p>
	ALTAIR(Herbicide)	<p>[3Q] Sales down (domestic: sales down, rush demand before price hikes in FY2022, export: sales up)</p> <p>[1-3Q] Sales down (domestic: sales down, rush demand before price hikes in FY2022, export: sales down in Korea)</p>
	TARGA(Herbicide)	[3Q]&[1-3Q] Sales up (export: shipment shifted from 4Q to 3Q FY2023)
	LEIMAY(Fungicide)	[3Q]&[1-3Q] Sales down (export: volume down in Europe due to distribution inventory adjustment)
	GRACIA(Insecticide)	<p>[3Q] Sales down (domestic: sales up, export: sales down due to unfavorable weather in India)</p> <p>[1-3Q] Sales up (domestic: sales up, export: sales expansion in India)</p>
	DITHANE(Fungicide)	[3Q]&[1-3Q] Sales up (export: sales up in Korea)
	PERMIT(Herbicide)	<p>[3Q] Sales down (export: shipment skewed to 1H FY2023)</p> <p>[1-3Q] Sales down</p>
	Fluralaner(Animal health product)	[3Q]&[1-3Q] Sales up (API sales & royalties: sales up, partly affected by JPY depreciation)

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Page 26 provides a YoY explanation for each key product. Overall, for the segment, 3Q saw a JPY0.1 billion increase in sales but a JPY0.2 billion decrease in operating income, with a JPY0.4 billion increase in fixed costs.

ROUNDUP experienced a decrease in 3Q sales due to rush demand before price hikes in FY2022, resulting in a decrease compared to that period.

LEIMAY saw decreases in both 3Q and the cumulative first three quarters, with a reduction in quantities to Europe due to distribution inventory adjustment.

GRACIA experienced an increase in domestic sales, but exports, particularly to India in 3Q, saw reductions due to unfavorable weather conditions.

Lastly, Fluralaner, as mentioned earlier, saw an increase in sales.

【3Q】 Sales below target ¥0.7 billion, OP in line with target,
Fixed cost below expectations ¥0.3 billion (positive impact)

	FY2023 Outlook as of Nov 2023		FY2023 Actual		vs. Outlook as of Nov 2023
	3Q	1-3Q	3Q	1-3Q	3Q
	Sales	13.9	49.2	13.2	48.5
OP	2.9	14.5	2.9	14.5	0.0

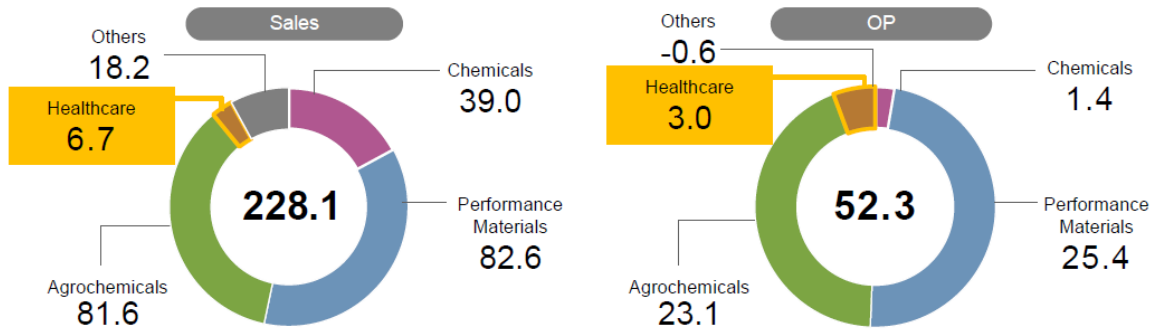
(¥billion)

Main products	Product Name	Status
	ROUNDUP(Herbicide)	Sales below target (ML: shipment shifted from 3Q to 4Q FY2023, AL: above target)
	ALTAIR(Herbicide)	Sales in line with target
	TARGA(Herbicide)	Sales above target (export: shipment shifted from 4Q to 3Q FY2023)
	LEIMAY(Fungicide)	Sales below target (domestic: below target, export: above target)
	GRACIA(Insecticide)	Sales below target (export: shipment shifted from 3Q to 4Q FY2023, volume down due to unfavorable weather in India)
	DITHANE(Fungicide)	Sales below target
	PERMIT(Herbicide)	Sales above target
	Fluralaner(Animal health product)	Sales above target (API sales & royalties: sales above target, partly affected by JPY depreciation)

Page 27 compares the results to the forecast. Overall, sales were JPY0.7 billion below expectations, but due to factors such as a decrease in fixed costs, operating income met forecasts.

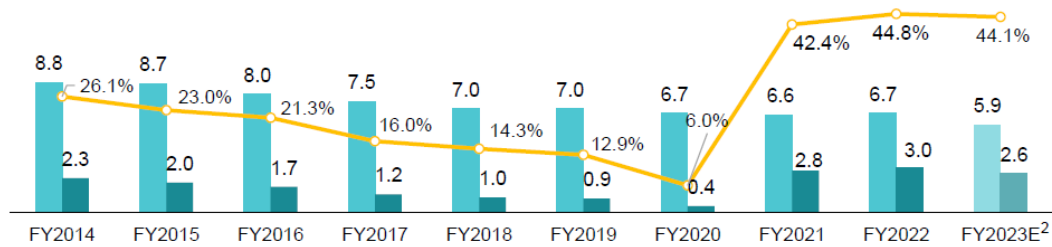
The page details the status of key products, as briefly mentioned earlier.

FY2022 Actual by Segment (¥billion)



Healthcare – Recent Financial Performance¹

(¥billion) Sales OP OP Margin



1. Organizational changes were implemented in April 2022. FY2014-2020 figures are based on old segmentation, FY2021 was revised to reflect organizational changes in April 2022 (see p48)

2. Outlook as of Nov 2023

Next is Healthcare. On page 33, this is the segment overview.

LIVALO

Anti-hyperlipidemia drug launched by Kowa in 2003. Currently sold in more than 30 countries.

Sales Growth Rate	FY2020 Actual ²	FY2021 Actual	FY2022 Actual	FY2023 Outlook ³ as of Nov 2023
API Sales YoY Change	-30%	-17%	0%	-13%
Domestic YoY Change	+6%	+30%	-17%	-32%
Export YoY Change	-35%	-28%	+7%	-7%
Change from FY2012 ¹	-73%	-78%	-78%	-81%

1. August 2013, domestic compound patent expired. LIVALO sales (domestic and export total) peaked in FY2012. 2. August 2020, market exclusivity expired in EU
3. November 2023, generic drug makers entered the US market

Custom Chemicals

- Custom manufacturing and solution proposal business for new drug pharmaceutical ingredients and intermediates from pre-clinical to commercial production stages
- In recent years, focusing on new business mainly for high potent and high value-added GE API

High value-added GE API

Launch	API	Indication
2016	Maxacalcitol	Psoriasis vulgaris / Secondary hyperparathyroidism
2017	Eldecalcitol	Osteoporosis

Custom Chemicals Sales Trend (FY2014-FY2023)

(¥billion)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 Outlook as of Nov 2023
1.8	2.3	2.4	2.5	2.6	2.9	3.8	4.2	4.3	3.8

| 34

On page 34, we discuss sales forecasts for key products. LIVALO, compared to the announcement in November 2023, remains unchanged, with a 13% YoY decrease, particularly noting a double-digit decrease domestically. While the actual performance may not dip this deep, the forecast remains unchanged under these assumptions.

Additionally, as noted in footnote 3, generic drug makers entered the US market in November last year, which was already anticipated.

[3Q] Sales down ¥0.30 billion, OP down ¥0.19 billion

[1-3Q] Sales flat, OP up ¥0.16 billion

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change		
	1H	3Q	1-3Q	1H	3Q	1-3Q	1H	3Q	1-3Q
Sales	3.25	1.59	4.84	3.55	1.29	4.84	+0.30	-0.30	0.00
Healthcare	1.42	0.35	1.77	1.29	0.59	1.88	-0.13	+0.24	+0.11
Custom Chemicals	1.83	1.24	3.07	2.26	0.70	2.96	+0.43	-0.54	-0.11
OP	1.46	0.66	2.12	1.81	0.47	2.28	+0.35	-0.19	+0.16
Healthcare	0.63	0.10	0.73	0.57	0.18	0.75	-0.06	+0.08	+0.02
Custom Chemicals	0.83	0.56	1.39	1.24	0.29	1.53	+0.41	-0.27	+0.14

1. Figures in p12, p13, p45, p46 may not match the numbers on this page due to rounding.

Healthcare	[3Q]Sales & OP up	Custom Chemicals [3Q]Sales & OP down [1-3Q]Sales down, OP up [3Q]&[1-3Q] Sales down <small>(shipment shifted from FY2023 to FY2024)</small> [1-3Q] Inventory adjustment cost (positive impact)
	[1-3Q]Sales & OP up	
LIVALO	[3Q] Sales up (domestic and export up) [1-3Q] Sales up (domestic down, export up)	

Page 35 provides a YoY comparison, indicating a decrease in both sales and operating income for 3Q. Specifically, regarding Custom Chemicals, some shipments have been delayed to FY2024, as described on the right, contributing to the decrease in sales and profit.

[3Q] Sales above target ¥0.23 billion, OP above target ¥0.14 billion

(¥billion)

	FY2023 Outlook as of Nov 2023		FY2023 Actual		vs. Outlook as of Nov 2023
	3Q	1-3Q	3Q	1-3Q	3Q
Sales	1.06	4.61	1.29	4.84	+0.23
Healthcare	0.58	1.87	0.59	1.88	+0.01
Custom Chemicals	0.48	2.74	0.70	2.96	+0.22
OP	0.33	2.14	0.47	2.28	+0.14
Healthcare	0.20	0.77	0.18	0.75	-0.02
Custom Chemicals	0.13	1.37	0.29	1.53	+0.16

1. Figures in p12, p13, p45, p46 may not match the numbers on this page due to rounding.

Healthcare	[3Q] Sales above target, OP below target	Custom Chemicals	[3Q] Sales & OP above target
LIVALO	Sales above target (domestic above target, export below target)		Sales above target

Page 36 compares results to the forecast, indicating an upward revision for Custom Chemicals. Overall, both sales and operating income exceeded forecasts for the segment.

That concludes my presentation.

Question & Answer

<Questioner 1>

Q: First, on page four of the introductory section, it is mentioned that there is a downside risk for 4Q in Chemicals and Display Materials. I would like to confirm whether this implies that the Company as a whole might also see a downturn for the FY2023 full year or the forecast for the full year remains unchanged even though 3Q was better than expected.

A: Regarding 4Q, as mentioned, we currently see a potential downside in Chemicals and Display Materials. It is still early February, and we have not fully analyzed the January performance yet, but that is the impression we have, which is why we noted it.

Especially since the operating income in 3Q exceeded expectations by JPY1.4 billion, we included this point anticipating questions on why we have not changed our full year forecast. As for other segments, we do not foresee significant fluctuations at this moment. Since it is still in the midst of the fiscal year, all we can explain to you is that this is our current understanding.

Q: So, this is specific to 4Q and does not affect the full-year forecast?

A: That is correct.

Q: Understood. Next, I think the inventory at the end of December was quite high. Are there any significant adjustments needed going forward?

A: As I explained earlier on page 10, compared to the end of the previous term, our inventory has indeed increased by about JPY20 billion. Even compared to December 2022, it is up by about JPY15 billion, and we recognize that the inventory holding days have significantly increased.

This is particularly due to an increase in Agrochemicals, which typically start to ship more from December towards March, leading to a reduction in inventory. We are closely examining this trend with the business division and will continue to monitor its progress.

Q: So, the increase in inventory did not contribute to the profit exceeding expectations in 3Q, correct?

A: Regarding the inventory, the inventory adjustment cost actually had a negative impact on 3Q. Compared to the forecast, it meant that shipments were high, which were reflected on the cost side.

Q: Understood. Finally, regarding Performance Materials, could you give us a qualitative explanation of QoQ movements from 2Q to 3Q and from 3Q to 4Q for Display Materials and Semis Materials?

A: First, regarding Display Material, the market has been in a gradual recovery phase until 3Q. However, 3Q results were a little stronger than actual performance due to the impact of some accelerated shipments in photo IPS, so we assume that there will be a reactionary decline in 4Q.

Also, since TVs and other devices are currently undergoing production adjustments, we expect that sales of rubbing IPS and VA modes will be a little lower than the forecast announced in November.

On the other hand, Semis Materials are gradually entering a recovery phase. From 2Q to 3Q and 3Q to 4Q, we are seeing single to double-digit percentage increases in sales respectively. Especially, EUV materials are performing quite robustly, and we expect this trend will be continued into 4Q.

<Questioner 2>

Q: I would like to ask about the impact of the Noto Peninsula earthquake on Chemicals. The ammonia plant at the Toyama factory was shut down for almost one month. Ammonia is an upstream part of the manufacturing flow, so I believe it has affected various derivative products. Would it be correct to say that the impact including these derivative products is minor?

A: Regarding the impact of the earthquake, we currently expect a certain level of impact on sales and operating profits due to some repair costs and others. We have been requested for a quick production recovery by our customers who purchased products from other vendors in remote areas, and we are working hard to minimize the impact.

Q: Understood. So, are these shutdown costs not considered as extraordinary losses?

A: I do not think this will be the case. It will be included in sales through operating income.

Q: Regarding the restart of ammonia production on February 7, has not it normalized yet?

A: It has normalized at the moment, and we have also started production of the downstream derivative products. In terms of 4Q forecast, in addition to the impact of the earthquakes, TEPIC and environmental related products also continue to be affected by inexpensive Chinese products, so we will need to keep a close eye on them.

<Questioner 3>

Q: My first question is about Agrochemicals. On page 27, there is a list for upside and downside in the main products. Could you share your view on the market environment in 3Q for both domestic and overseas?

A: As for both domestic and overseas business environment, sales in 3Q as well as 2Q did not grow in the expected areas and products due to the weather factors.

In the domestic market, 3Q is usually a period of relatively low shipments, but I think it can be said that sales were considerably down compared to the previous year.

Q: Additionally, in 3Q, shipments of ROUNDUP and GRACIA were delayed while TARGA shipments were moved up. Netting these factors out, overall, could you clarify whether these shipment timings had a negative or positive effect on 3Q?

A: On a net basis, we believe the shipment delays were bigger and worked in a negative direction.

Q: Understood. Could you tell us how you see the market environment in 4Q?

A: Starting with the domestic business environment, 4Q is the peak season for domestic agrochemical sales. Shipments in January have been progressing smoothly, as for 4Q, we expect domestic sales to proceed as planned.

Internationally for example, we obtained a registration for GRACIA in Vietnam in December, and shipments started in January. Therefore, we also anticipate that international sales in 4Q will proceed as planned.

Q: Regarding the demand environment abroad, there was mentioned that in 2Q, weather factors in Europe led to a downturn in demand for LEIMAY related to potatoes. However, this time you mentioned poor weather

conditions in India affecting GRACIA. So, is it correct to understand that weather conditions in India are particularly dragging down performance?

A: Yes, that is correct. India has been experiencing quite severe drought conditions, leading to a lower incidence of pests, which has significantly impacted us.

Q: I see. Do you expect any improvement heading into 4Q? Is there also an excessive buildup of distribution inventory due to the weather?

A: As far as weather conditions, there are unreadable aspects as usual. However, 4Q is not the demand period but the time when shipments begin, so we hope to deliver as planned. We are aware that there are rather large inventories in the distribution channel, but we believe that the overall market demand will expand, so we expect our sales to be in line with the forecast.

Q: Understood. My second question is about the veterinary medicine Fluralaner. 3Q results were above target, and based on Merck's earnings, there seems to be a nearly 20% increase in sales, indicating a solid performance. Since there is no mention of these shipments being pulled forward in the presentation materials, could you comment on whether 4Q results are also likely to be upward swing? Also, if there are any updates on patent extensions, it would be appreciated if you also could give us some comments on this.

A: As you pointed out, the end sales at Merck have been disclosed, so there might be a slight outperformance in line with that, but since it is still early February, I cannot say anything definitive.

Regarding the patent in the US, there is no change from the previous information.

<Questioner 4>

Q: I believe the sales of Semis Materials grew from 2Q to 3Q. Could you comment on the strength of the sales by region?

A: Rather than by geographical area, our analysis shows that the recovery in memory, especially DRAM, contributed to the growth.

Q: Thank you. My second question is about Display Materials. For photo IPS, sales to tablets and notebooks accounted for about 40% last year, I believe. With the shift towards OLED in high-end tablets and notebooks, I assume that the use of LCD alignment coating materials might decrease. Could you share your view on this impact?

Additionally, regarding the operation rates of panel manufacturers, I have heard from other material manufacturers that their operating rates are recovering. What is your view on this?

A: First, regarding the shift to OLED from LCD in tablets, it has been said for some time that adoption in certain tablets and others would increase from 2024, and although the percentage of OLEDs will increase somewhat, we believe that the impact of OLED adoption will be quite limited. We believe that the conversion to photo IPS will continue, and in this sense, we anticipate steady growth in sales.

Second, regarding the current operation condition at panel manufacturers, we are aware that some Chinese factories producing TV panels have intentionally reduced their operations around the Spring Festival in mid-February during 4Q. We have heard that operations are expected to resume after this period, from March onwards, and we are planning accordingly.

<Questioner 5>

Q: My question is about shareholder returns. It was mentioned in the documents that the total payout ratio would be 85%, up from 78% last year, with the target of 75% in the medium-term business plan. It seems to be quite an upward revision. Going forward, should we expect the shareholder return policy to be a total payout ratio is consistently above 75%, or how should we view this?

A: As you mentioned, it has been gradually increasing recently, but fundamentally, the base perspective of 75% during the medium-term business plan period remains unchanged. We do not raise it above this level at this point intentionally.

In May 2025, when we roll out the next medium-term business plan, we will disclose more, but please understand that at this point, we have not changed the line from 75%.

Q: So, you are saying it is 75% on an annual basis, not cumulatively? In other words, is there no plan to lower it next year after reaching 85% this year?

A: That is correct, there is no such plan.

<Questioner 6>

Q: I have two questions. Regarding Semis Materials, there was an explanation earlier that shipments for DRAM are recovering, is this related to ARC? I have not heard much from other companies about the return of sales for DRAM in October through December, so can you give us some more background?

A: Regarding DRAM, while the overall operation rates have not increased significantly, we have seen an uptick in the production of advanced DRAM using EUV materials. The volume of wafers being processed has increased, which has allowed us to benefit especially in terms of EUV materials.

Q: Understood. Thank you very much. My second question is about Agrochemicals. There were several mentions of concerning keywords like adverse weather conditions and the inventory buildup. Could you confirm that this is not a change because of the competitive environment, such as a decline in your company's market share due to the emergence of competing products?

A: We believe that the reason for the increase in our inventory, especially in Agrochemicals, is not that we are being pushed out by competing products and losing market share.

There are several reasons for the increase in inventory. One significant factor is related to GRACIA. The inventory of GRACIA has increased compared to the previous period, and this is primarily because its production started in December last year at NBR in India, leading to a significant increase in the inventory of GRACIA active ingredients produced at this location and related raw materials.

Regarding LEIMAY, as explained earlier, its shipment was affected by the distribution inventory in Europe, not by competition. The cause here was weather-related, with an extremely low incidence of potato blight, rather than due to competition.

Finally, regarding raw materials in general, we have spent a year securing raw materials which are especially difficult to procure aiming for the diversification of raw materials procurement. This has resulted in an increase in inventory, but we expect a certain level of reduction by the end of March this year, and we plan to gradually adjust the inventory in the next fiscal year.

[END]