



2Q/FY2018

# Earnings Conference

May 30, 2018

Nihon Nohyaku



(Note)

The earnings forecasts and other forward-looking statements indicated in these materials are based on currently available information and certain assumptions deemed to be reasonable, and there is a possibility that these statements may differ from actual performance due to a variety of factors.



**NIHON NOHYAKU CO., LTD.**

<http://www.nichino.co.jp>

## Earnings Conference Program

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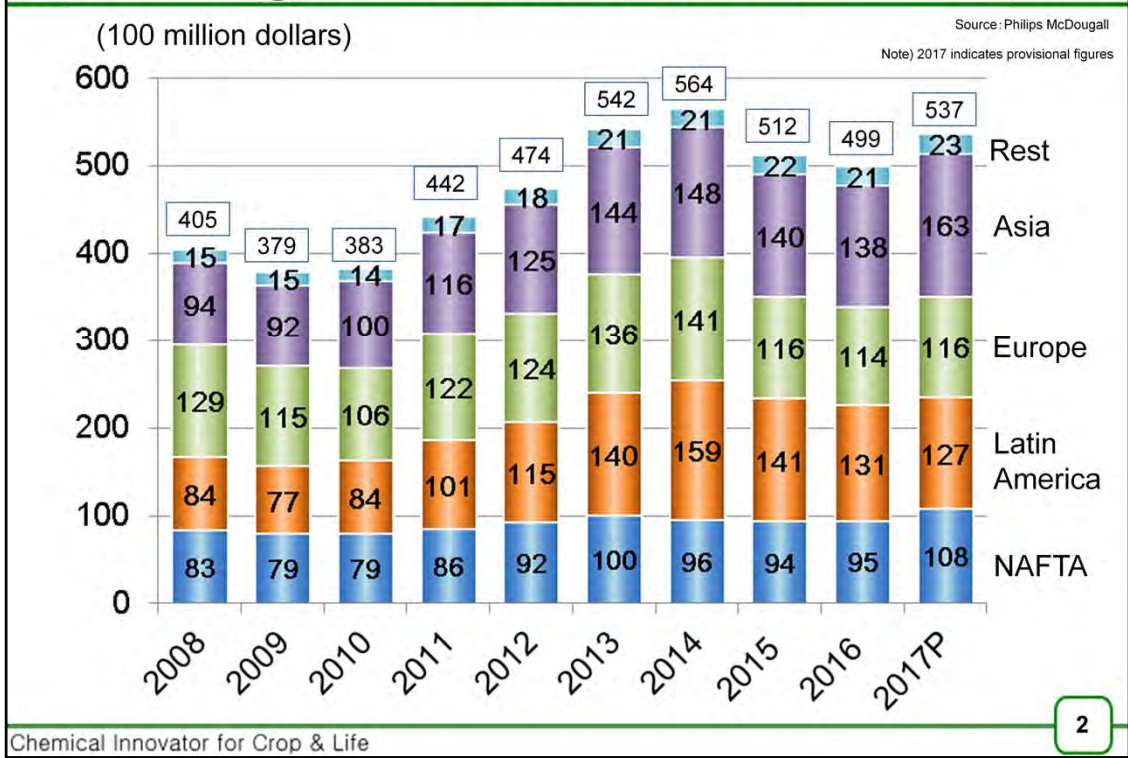
- I. Global Agrochemical Markets
- II. 2Q/FY2018 Earnings
- III. Growth Strategy Progress
- IV. FY2018 Forecasts

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# **I. Global Agrochemical Markets**

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# Global Agrochemical Markets



This graph shows region-specific transitions in global agrochemical markets for the 10-year period between 2008 and 2017.

Global agriculture demand grew continuously from 2009 to 2014 thanks to population growth and economic growth in developing nations. However, 2015 saw a decline in sales due to poor weather in certain regions resulting in low outbreaks of pest infestations and the impact of distribution inventory from previous years. Furthermore, 2016 saw sales decline by 2.5% year on year to 49.9 billion dollars, resulting in two consecutive years of declines.

2017 summary figures increased year on year but agrochemical demand recovery differs depending on the region and we are impacted by the Brazil, the largest market in Latin America, which continues on a trend towards market contraction.

## Global Agrochemical Markets

### North America

Demand increased thanks to expanded crop land for cotton production in US and favorable weather conditions in Canada

### Latin America

Demand decreased due to minor pest infestations in Brazil, the world's largest market, growing popularity of GMO soybeans, and impact of distribution inventory

### Asia

In India, rice paddy planting improved to levels on par with the previous years thanks to recovery from the monsoon season  
Vietnam saw demand decrease due to minor pest infestations

### Japan

Aging of farmers, lack of successors, increased abandoning of farming land leading to trend of gradual decline

Region-specific market trends in 2017 are as above. North America saw agrochemical sales increase from the previous year thanks to expanded crop land for cotton and favorable weather conditions in Canada.

On the other hand, the world's largest market Brazil faced minor pest infestations, expansion of GMO crops, and a build-up of distribution inventory from previous years, causing agrochemical sales to decrease compared to the previous year.

In Europe, agrochemical demand was stagnant due to poor weather and minor pest infestations.

In Asia, agrochemical sales increased year on year. Although Vietnam and certain other regions saw decreased demand due to minor pest infestations, sales were favorable in other regions of Southeast Asia and India saw a recovery in rainy season rainfall volume, which led to rice paddy planting volume that was largely unchanged year on year.

The domestic agrochemical market continues on a gradual downward trend due to population aging among farmers, the growing problem of a lack of successors, declining crop land area, and government policies reducing expenditures for agricultural resources.

As we can see, the short-term outlook indicates that severe conditions will continue to impact our industry but the global population is projected to grow moving forward. Meeting growing food demand resulting from population growth will require increased food production. Thus, we believe that demand for agrochemicals, an important agricultural resource, will also increase in the future.

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## II. 2Q/FY2018 Earnings

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## 2Q/FY2018 Earnings

Increased revenues,  
decreased income

(Unit: 100 million yen, %)

	2Q/FY2018	2Q/FY2017	YoY	Growth
Net sales	370	355	15	4.1
Domestic agrochemical sales	140	135	5	3.5
Overseas agrochemical sales	197	177	20	11.5
Chemical products/ pharmaceuticals	20	20	0	1.7
Revenues from licensing	4	13	Δ 9	Δ 67.3
Other	9	10	Δ 2	Δ 17.6
Cost of sales	247	233	15	6.4
Gross profit	122	122	Δ 0	Δ 0.1
SG&A	85	86	Δ 1	Δ 1.7
Operating income	37	36	1	3.7
Ordinary income	40	38	2	4.3
Profit attributable to owners of parent	25	24	1	5.9

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5

Q2 net sales were 37.0 billion yen, up 1.5 billion yen, or 4.1%, year on year. Revenues from licensing decreased but earnings from Sipcam Nichino Brasil increased on higher net sales. This was due to a change in when earnings are recorded as a result of the company's change to a new accounting period. Operating income was 3.7 billion yen, up 0.1 billion yen, or 3.7%, year on year thanks to firm earnings by Nichino America in addition to higher net sales. Ordinary income was 4.0 billion yen, up 0.2 billion yen, or 4.3%, year on year. Furthermore, quarterly profit attributable to owners of parent was 2.5 billion yen, up 0.1 billion yen, or 5.9%, year on year.

## 2Q/FY2018 Earnings (YoY comparison)

Net sales: 35.5 bn → 37.0 bn (up 1.5 bn)

Operating income: 3.6 bn → 3.7 bn (up 0.1 bn)

(Operating income)

Operating income from overseas subsidiaries increased + 0.5 billion

Other overseas agrochemical sales increased + 0.1 billion

Domestic agrochemical sales increased + 0.3 billion

Decreased SG&A + 0.1 billion

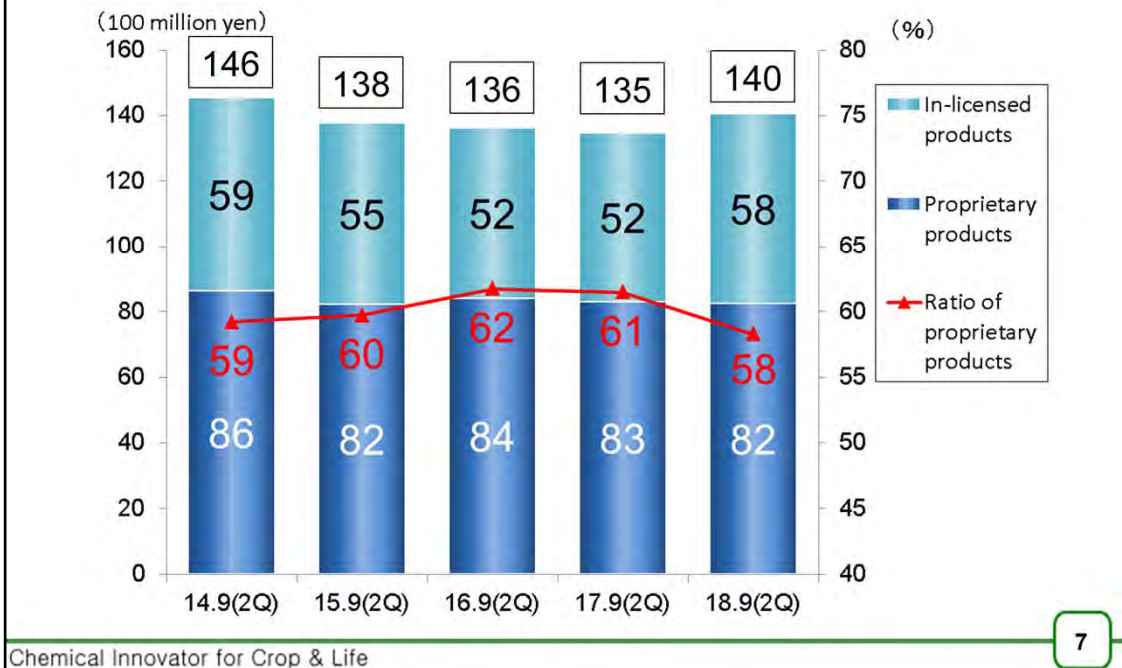
Decreased revenues from licensing - 0.9 billion

2Q earnings saw operating income increase by 0.1 billion yen year on year. As factors behind increased income, operating income from overseas subsidiaries increased by 0.5 billion yen, other overseas agrochemical sales increased by 0.1 billion yen, domestic agrochemical sales increased by 0.3 billion yen, and SG&A expenses decreased by 0.1 billion yen. On the other hand, factors behind decreased revenues included a 0.9 billion yen decline in revenues from licensing. Collectively, this resulted in 0.1 billion yen increase in income.



## Domestic Agrochemical Sales

Enhance product portfolio to increase sales



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7

This graph shows transitions in net sales composition for domestic agrochemical sales. During 2Q, we launched sales of the new nematicide “NEMACLEAN” and expanded our portfolio of products in the herbicide segment. We also worked to expand sales of mainstay proprietary products such as the horticultural insecticide “COLT.”

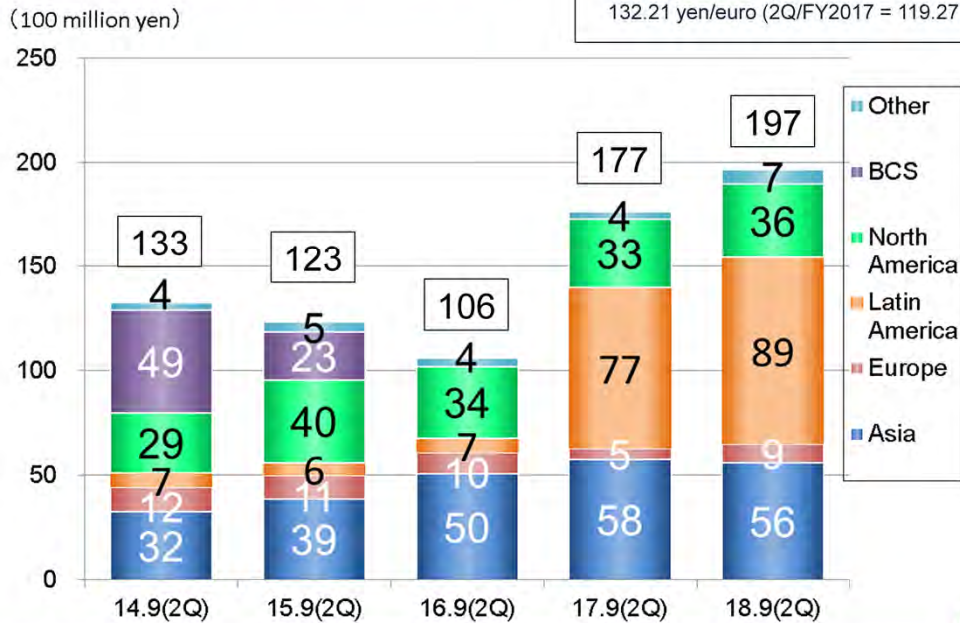
Sales of agrochemical technical grades were favorable thanks to firm shipments of mainstay products such as the horticultural insecticide “KOTETSU” and “PHEONIX” to distributors ahead of high demand season.

As a result, overall domestic net sales increased by 0.5 billion yen to 14.0 billion yen year on year.

# Overseas Agrochemical Sales

## Net sales growth in Latin America

Actual foreign currency rates  
 108.67 yen/dollar (2Q/FY2017 = 111.71 yen)  
 132.21 yen/euro (2Q/FY2017 = 119.27 yen)



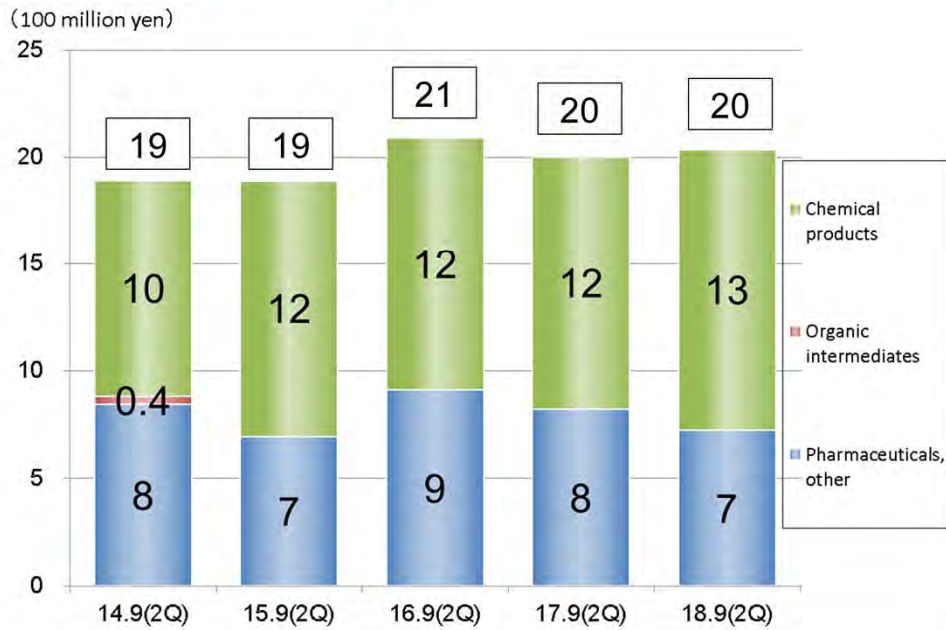
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This graph shows transitions in net sales overseas for agrochemicals by region. So far sales of the “PHEONIX” technical grade to Bayer have been included in Europe but due to the transient nature, we are distinguishing the number by showing it in purple color. As you can see, overseas sales continue to grow when we exclude transient sales of technical grades.

2Q net sales for Latin America increased. Net sales from Sipcam Nichino Brasil increased due to a change in when earnings are recorded as a result of the company's change to a new accounting period. North America sales were also firm. As a result, despite the trend of yen appreciation, total overseas net sales were 19.7 billion yen, up 2.0 billion yen year on year. Furthermore, actual currency rates for 2Q were as shown here.

Chemical Products, Pharmaceutical Products, and Others

Pharmaceutical business revenues increased



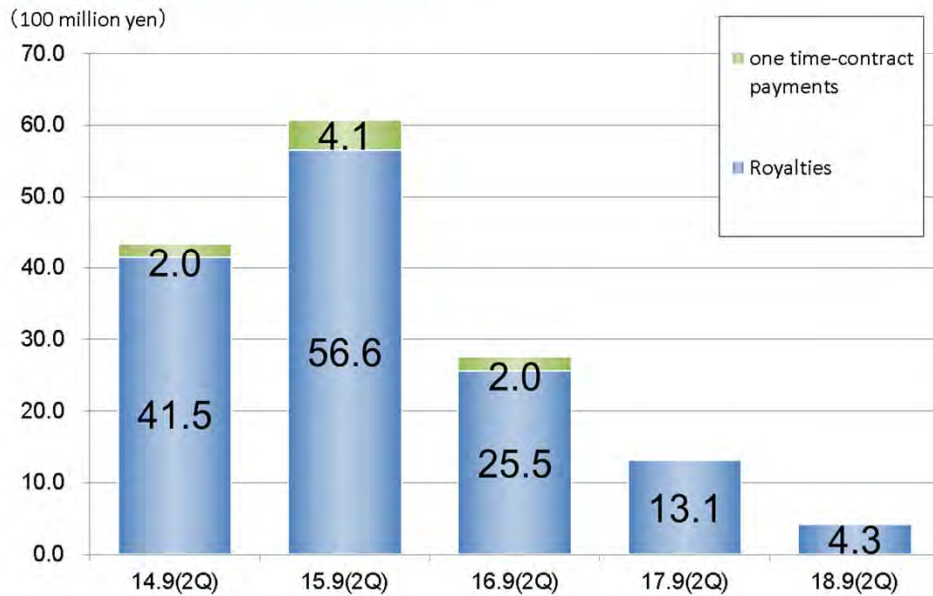
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This graph shows transitions in sales of chemical and pharmaceutical products.

The chemical products business recorded net sales growth from AgriMart Corporation in the termite solutions segment. On the other hand, the pharmaceutical business recorded favorable sales of the topical antifungal agent luliconazole in the onychomycosis segment but the athlete's foot segment struggled. As a result, overall net sales for chemical and pharmaceutical products were 2.0 billion yen, largely unchanged from the previous fiscal year.

# Revenues from Licensing

## Royalties declined



This graph indicates transitions in revenues from licensing. Blue indicates royalties and green indicates one-time contract payments.

2Q saw a decline in royalties. Net sales in Brazil, a major target region for sales of licensing products, experienced low outbreaks of pest infestations. Having not recorded any one-time contract payments, overall revenues from licensing were approximately 0.4 billion yen, a year-on-year decline of approximately 0.9 billion yen.

## Major Earnings of Domestic Group Companies

(Unit: million yen, %)

		2Q/FY2018	2Q/FY2017	YoY	Growth
Nichino Service	Net sales	<b>1,994</b>	2,193	Δ 199	Δ 9.1
	Operating income	<b>107</b>	106	0	0.3
	Net profit	<b>63</b>	54	8	16.4
Nichino Ryokka	Net sales	<b>725</b>	813	Δ 87	Δ 10.8
	Operating income	Δ <b>23</b>	0	-	-
	Net profit	Δ <b>12</b>	0	-	-
Japan EcoTech	Net sales	<b>380</b>	408	Δ 28	Δ 6.9
	Operating income	<b>6</b>	22	Δ 15	Δ 70.0
	Net profit	<b>6</b>	18	Δ 11	Δ 63.8
AgriMart	Net sales	<b>664</b>	554	110	19.9
	Operating income	<b>72</b>	42	30	71.3
	Net profit	<b>46</b>	26	20	75.0

The graph displayed here shows main earnings for domestic Group companies during 2Q.



## Major Earnings of Overseas Group Companies

(Unit: million yen, %)

		2Q/FY2018	2Q/FY2017	YoY	Growth
Nichino America	Net sales	<b>3,578</b>	3,300	278	8.4
	Operating income	<b>466</b>	176	290	164.1
	Net profit	<b>335</b>	98	236	239.6
Taiwan Nihon Nohyaku	Net sales	<b>156</b>	158	Δ 2	Δ 1.7
	Operating income	<b>15</b>	12	2	22.2
	Net profit	<b>13</b>	10	3	31.6
Nichino India	Net sales	<b>3,014</b>	2,956	57	2.0
	Operating income	<b>Δ 30</b>	54	-	-
	Net profit	<b>Δ 14</b>	17	-	-
<b>SNB</b>	Net sales	<b>7,993</b>	6,819	1,173	17.2
	Operating income	<b>1,086</b>	828	258	31.2
	Net profit	<b>598</b>	374	223	59.9

The graph displayed here shows main earnings for overseas Group companies during 2Q.

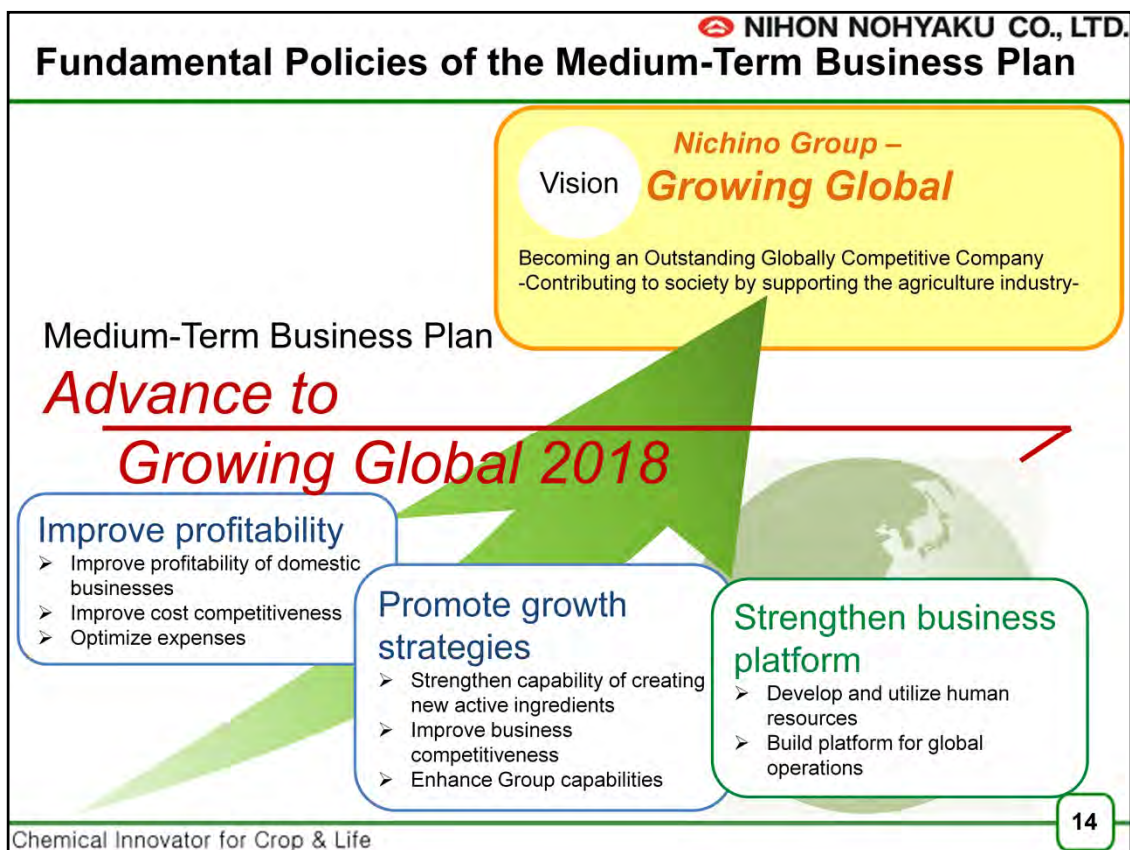
Nichino America shown at the very top of the table recorded increased revenues and income thanks to favorable sales of the horticultural insecticide “APPLAUD” for walnuts and citrus.

Nichino India, shown second from the bottom, changed its name from Hyderabad Chemical in December 2017.

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## III. Growth Strategy Progress

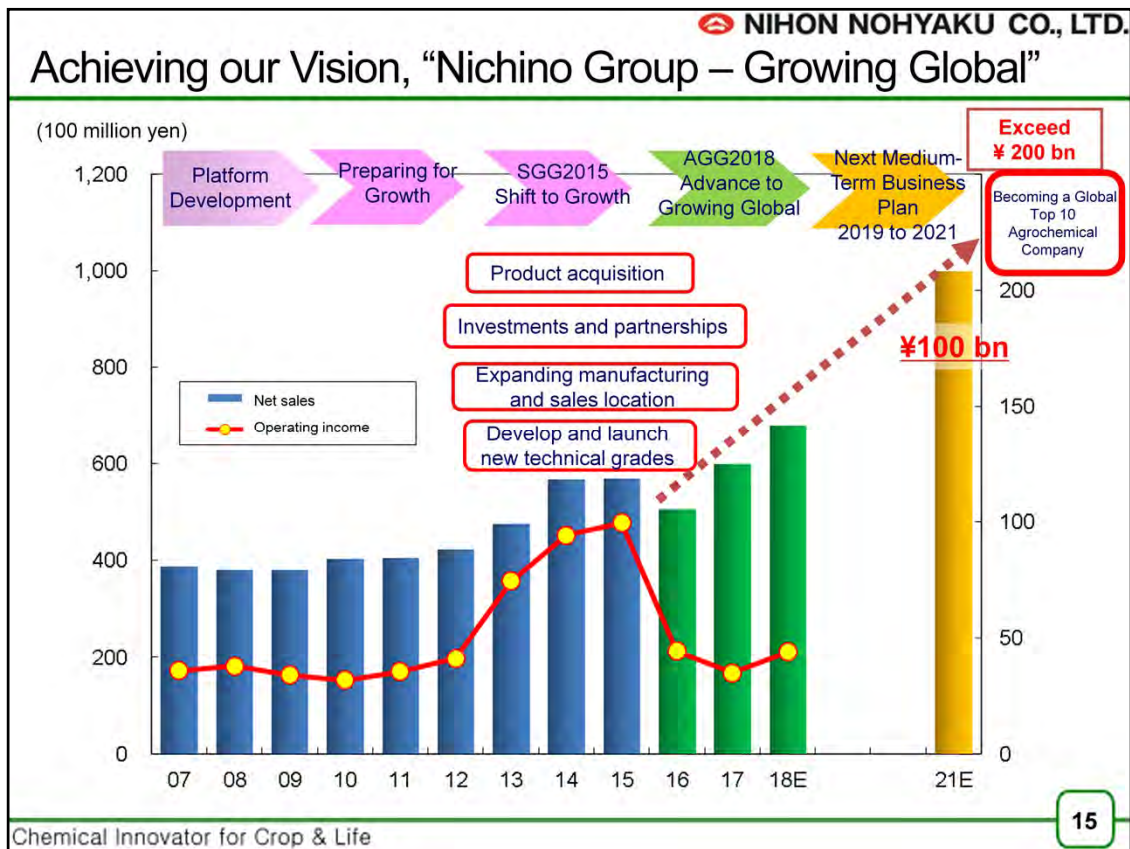
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Our Group is implementing our three-year Medium-Term Business Plan “Advance to Growing Global 2018 Becoming an Outstanding Globally Competitive Company”, which was launched in fiscal 2016. This fiscal year marks the final year of this plan period.

Our Group has identified two core pillars for this Medium-Term Business Plan: “Improve profitability” and “Promote growth strategies”. In these strategies, we have expanded business scope by implementing initiatives focused on business expansion, including M&A and business partnerships.

We will work aggressively to strengthen our business platform in order to implement these strategies as we aim to achieve our Medium-Term Business Plan and our Group Vision.



This graph shows actual versus planned performance for net sales and operating income between fiscal 2007 and 2021.

Fiscal 2007 to 2012 is a period which we laid our business foundation and prepared growth. Earnings during this period were stable but in order to strengthen research and development investments, embody our corporate principles, and to aim for further growth and achievements in the future, we realized we needed to set aggressive goals and develop strategies. Thus, from 2013, we shifted our focus to growth initiatives.

Our Group views the goal of 100 billion yen in net sales by fiscal 2021 as a milestone towards achieving our Group Vision of becoming a research and development-oriented company with net sales exceeding 200 billion yen and ranks as a Global Top 10 company.

# Status of Overseas Expansion (1)



## NICHINO INDIA (NIL)

Accelerate Group synergy

### FY2016

- Launched sales of "PHEONIX"
- Started synthesis of "FUJI-ONE" & "APPLAUD" technical grades

### FY2017

- Started exports of "FUJI-ONE" & "APPLAUD" technical grades to Nihon Nohyaku
- Started providing "APPLAUD" technical grade to sales company in India
- Additional stock acquisition (capitalization rate of 99.9%)

### From FY2018

- Expand sales of proprietary products.
- Expand products developed with our technical grades
- Simultaneous development of Benzpyrimoxan in Japan and India
- Enhance R&D functions



The status of progress and major results for our growth strategies are as above. Specifically regarding the status of process for overseas expansion, Nichino India continues to implement strategies aimed at establishing a direct sales structure in the growing India market. As part of our initiative to enhance Group technical grade production functions, from fiscal FY2016 Nichino India (Hyderabad Chemical then) began production of the technical grades for the rice paddy insecticide "FUJI-ONE" and the horticultural insecticide "APPLAUD". As of last fiscal year, they began exporting these technical grades to Nihon Nohyaku and providing the "APPLAUD" technical grade to existing distributors. We also conducted an additional stock acquisition to increase our capitalization rate to 99.9%.

Moving forward, we plan to expand production in Nichino India to increase sales of the rice paddy insecticide "V-GET". At the same time, we are conducting the joint development of the new rice paddy insecticide "Benzpyrimoxan" in Japan and India as part of efforts to expand sales of our products.

We are proceeding with evaluations aimed at enhancing R&D functions of Nichino India and accelerating Group synergy.



## Status of Overseas Expansion (2)

### Sipcam Nichino Brasil S.A. (SNB)

Contribute to  
Group scope  
expansion

#### To FY2017

- Launched sales of “APPLAUD” and “DANITRON”
- Launched full-scale sales of orthosulfamuron
- Consolidation to expand Nichino Group business scope

#### From FY2018

- Expand sales of proprietary products.
- Launch sales of “APPLAUD” and “DANITRON” formulations at SNB (around 2020)
- Plan to launch sales of “PHEONIX” (from FYE September 2021)



Sipcam Nichino Brasil launched sales of “APPLAUD” and “DANITRON” in FY2016. Adding the company as a consolidated subsidiary from FY2015 has greatly contributed to expanding our Group business scope. The company also launched full-scale sales of the sugar cane ripening agent “orthosulfamuron”.

In addition to aiming for further sales growth for proprietary products, while we currently assign exclusive licensing rights for “PHOENIX” to Bayer CropScience, we are planning to launch its sales from FY2021 after the product patent expires and currently conducting the development.

## Status of Overseas Expansion (3)



### NICHINO VIETNAM

Establish direct sales location

**FY2017** Established local company

- Established direct sales location in expanding Vietnam market
- Internally managed logistics, development, and registration
- Uncovered latent demand for proprietary products

**FYE September 2018**

- Launch direct sales of "PHEONIX" and "ACHI-BU"  
>Expand sales of proprietary products



In Southeast Asia, we established Nichino Vietnam with the aim of establishing a direct sales location in the expanding Vietnam market. We began local direct sales of "PHEONIX" and the rice paddy fungicide "ACHI-BU" this fiscal year.

We will aim to uncover latent demand and expand sales for proprietary products.

## Status of Overseas Expansion (4)

### NIHON NOHYAKU ANDICA

**FY2018** Made Adnicol a consolidated subsidiary and changed company name

- Establish direct sales and logistics location in expanding Andes and Central America regions
- Internally manage logistics, development, and registration
- Uncover latent demand for proprietary products

Establish direct sales and logistics location

**From FY2018**

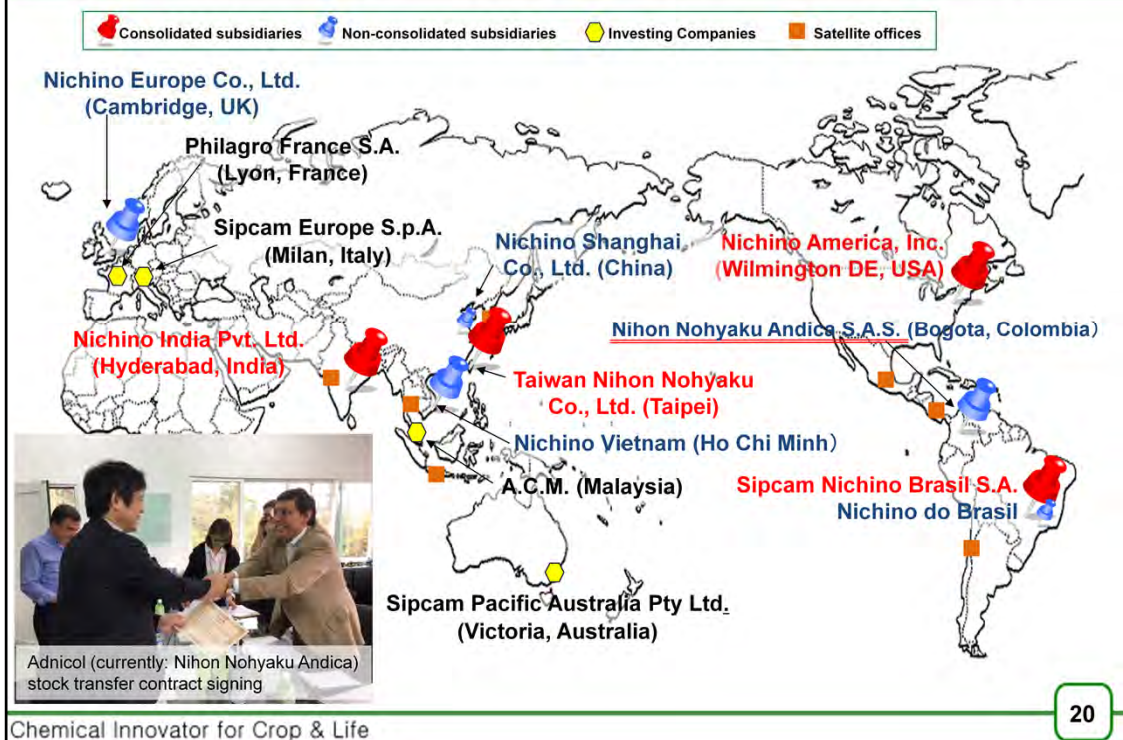
- Expand sales of proprietary products
- Plan direct sales for proprietary products (2023 or later)



In Latin America, we made Adnicol a wholly-owned subsidiary with the goal of establishing a direct sales and logistics location in the expanding Andes and Central American region. We have long been consigning the maintenance and management of agrochemical registrations in Colombia to Adnicol. We also changed the company name to Nihon Nohyaku Andica S.A.S.

Moving forward, we are planning to conduct direct sales in Colombia and will conduct centralized management of sales, development, and logistics through this company as part of efforts to further expand Group business.

# Status of Nichino Group Overseas Expansion



This global map shows the locations of our overseas offices.

In addition to our three main overseas Group companies Nichino America, Nichino India, and Sipcam Nichino Brazil, our Group also includes a sales company in Taiwan, five non-consolidated subsidiaries, and four investing companies. We have established development, marketing, sales, and production sites around the globe as we advance towards growing global.



## Launch Fungicide Agent Pyraziflumid

Successfully launching new agents amid growing  
difficulty of discovering new active ingredients  
Each year invest 10% of net sales in R&D

### Horticultural fungicide "PARADE" (pyraziflumid)

- Started sales in April 2018 in Japan
- Filed for registration in Korea and anticipate registration approval in 2019
- Plan to file for registration in USA in 2019 with registration approval anticipated in 2022
- Considering development in Europe, Brazil, and Asia region



Develop new markets in Japan and new products overseas. Aim for future sales of over 5 billion yen during peak seasons



21

In recent years, discovering new bioactive compounds (creation of new active ingredients) has become more difficult. At the same time, safety assessment standards have risen and the cost of maintaining existing registrations has increased, resulting in a rapid increase in research and development expenses.

Amid such conditions, we are investing approximately 10% of annual net sales into research and development (R&D) in order to further enhance our R&D capabilities and release a new agent every three years.

During the current fiscal year, we successfully registered the general fungicide agent pyraziflumid (product name: "PARADE"), which had been in development for several years, in March 2018 and launched sales in April. This product release follows up "DANIKONG," the miticide we introduced three years prior, and demonstrates our success in launching one agent to market every three years.

We filed for registration in Korea and we anticipate approval and registration in 2019.

We also are planning on filing for registration in the US and are advancing development with the goal of launch to market in 2022.

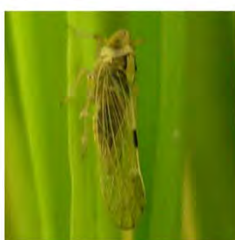
Additionally, we are thinking of development in Europe, Brazil, and the Asia region while also advancing development for a new market called cell tray irrigation (no proceeding agent is in Japan). We are anticipating peak net sales of 5.0 billion yen on the Japanese and oversea markets.



## Pipeline Agents

### Rice paddy fungicide benzpyrimoxan (NNI-1501)

- Effective against white back hoppers and leafhoppers
- Plan to file for registration in Japan and India in 2018
- Plan to launch to market in Japan in 2021
- Plan to launch to market in India in 2023



In May 2015, the internal institutional decision was made to conduct simultaneous development in Japan and India for the new rice paddy fungicide “benzpyrimoxan” (NNI – 1501). We are progressing with development in both countries with the goal of achieving market launch in Japan in 2021, three years following the launch of “PARADE,” and 2023 in India.

This agent has demonstrated efficacy against white back hoppers and leafhoppers, and we are anticipating peak net sales of 1.0 billion yen on the Japanese market and approximately 5.0 billion yen in India.

## Promote Overseas Release of Existing Proprietary Products

**Horticultural Insecticide "COLT" (pyrifluquinazon)**

Filed for registration in USA for food products, aiming to launch sales in 2018

**General insecticide "HACHI-HACHI" (tolfenpyrad)**

Application expanding in California, USA, also registered in Brazil

**Horticultural insecticide "PHEONIX" (flubendiamide)**

Application filed in Brazil, planning to launch sales in 2021

**SU herbicide "orthosulfamuron"**

Continuing considering new mixture, aiming to expand to global markets

The status of overseas development of existing proprietary products is as above.

We collaborated with Nichino America to file for food product use registration for the horticultural insecticide "COLT" in August 2016 and are aiming to launch sales in FY2018.

The general insecticide "HACHI-HACHI" is already sold in parts of USA and use in its main market of California is expanding. We already have filed for registration in Brazil and continue to expand product registration to other countries and regions.

For the horticultural insecticide "PHOENIX", we collaborated with Nichino do Brasil to complete application procedures for the technical grade and formulation in Brazil in 2016 and are aiming to launch sales in 2021.

Orthosulfamuron, which we took over from ISEM in Italy in October 2013, is well-known agent for rice paddy herbicides and sugar cane ripening. With the adoption of new sales companies, we are forecasting gradual sales growth in the future. We will evaluate new compound formula development and are expanding application in new fields as we continue to support global sales growth.

## Direction of upcoming Medium-Term Business Plan

- **Pursue vision**  
Nichino Group-Growing Global  
“Becoming an Outstanding Globally Competitive Company”
  - Position as period to **strengthen platform** to achieve vision
  - Expand on previous aggressive measures to **strengthen profitability of existing business**
  - **New aggressive measures** (Product acquisition, M&A, etc.)
- > Aim for consolidated net sales of 100 billion yen in plan final year FY2021**

The current Medium-Term Business Plan included aggressive measures, including establishing Nichino Vietnam and Nihon Nohyaku Andica, and pursued Group synergy with Nichino India and Sipcam Nichino Brasil, which we acquired during the previous Medium-Term Business Plan period. Through these policies, we were able to achieve a certain level of success.

During the next Medium-Term Business Plan period, we will further emphasize our Group Vision - Nichino Group-Growing Global - by establishing this plan as a period for strengthening the platform necessary to ensure global growth.

We will further implement aggressive measures aimed at enhancing the profitability of existing businesses while adopting new aggressive measures (product acquisition, M&A, etc.) to achieve consolidated net sales of 100 billion yen by FY2021, the final year of the plan.

We are planning to publish the next Medium-Term Business Plan in November 2018. We intend to clarify specific goals at our next earnings conference.

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## IV. FY2018 Forecasts

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## FY2018 Plan (YoY Comparison)

Increased revenues  
and income

(Unit: 100 million yen, %)

	FY2018 plan	FY2017 earnings	YoY	Growth
<b>Net Sales</b>	<b>680</b>	600	<b>80</b>	<b>13.3</b>
Domestic agrochemical sales	<b>208</b>	196	<b>12</b>	<b>6.1</b>
Overseas agrochemical sales	<b>399</b>	323	<b>76</b>	<b>23.5</b>
Chemical products/ pharmaceuticals	<b>48</b>	48	<b>0</b>	<b>0.0</b>
Revenues from licensing	<b>6</b>	14	<b>Δ 8</b>	<b>Δ 57.7</b>
Other	<b>19</b>	19	<b>Δ 0</b>	<b>Δ 0.5</b>
<b>Cost of sales</b>	<b>460</b>	390	<b>70</b>	<b>18.0</b>
<b>Gross profit</b>	<b>220</b>	211	<b>9</b>	<b>4.5</b>
<b>SG&amp;A</b>	<b>176</b>	176	<b>0</b>	<b>0.2</b>
<b>Operating income</b>	<b>44</b>	35	<b>9</b>	<b>25.8</b>
<b>Ordinary income</b>	<b>38</b>	36	<b>2</b>	<b>5.6</b>
<b>Profit attributable to   owners of parent</b>	<b>22</b>	17	<b>5</b>	<b>28.1</b>

26

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Regarding our forecasts for FY2018, there is no change in our initial plans.

We are targeting net sales of 68.0 billion yen, up 8.0 billion yen, or 13.3%, year on year, driven mainly by growth in overseas agrochemical sales. We will target operating income of 4.4 billion yen, up 0.9 billion yen, or 25.8%, year on year and ordinary income of 3.8 billion yen, up 0.2 billion yen, or 5.6%, year on year. This mainly reflects growth in net sales. We are planning for net income attributable to owners of parent of 2.2 billion yen, up 0.5 billion yen, or 28.1%, year on year.



# Forecast for FY2018

Increase revenues  
and income

## Domestic agrochemical sales

Expand sales of existing agents and promote growth of new products

- Concerns about impact of logistics inventory optimization

## Overseas agrochemical sales

Nichino America and SNB drive growth

- Concerns of currency fluctuations
- Poor weather and minor pest infestations in major sales regions

On the domestic agrochemical market, while there is concern that continued efforts to optimize logistics inventory will impact second half sales, we will achieve our domestic agrochemical sales targets by expanding sales of existing products such as “PHEONIX,” “COLT,” and “DANIKONG,” conducting promotional activities for the newly launched “PARADE,” “NEMACLEAN” and expanding sales of agents for rice paddy herbicides.

Overseas agrochemical sales face market uncertainties, including concerns related to currency fluctuations as well as the risks of poor weather and minor pest infestations in major sales regions. However, we will promote business growth by expanding sales at our consolidated subsidiaries Nichino America and Sipcam Nichino Brasil.

## FY2018 Plan (YoY Comparison)

Net sales: 60 bn → 68 bn (up 8 bn)

Operating income: 3.5 bn → 4.4 bn (up 0.9 bn)

(Operating income)

Increased operating income in NIL and SNB + 0.9 bn

Increased revenues from other overseas agrochemical sales + 0.5 bn

Increased revenues from domestic agrochemical sales + 0.5 bn

Decreased revenues from licensing - 0.8 bn

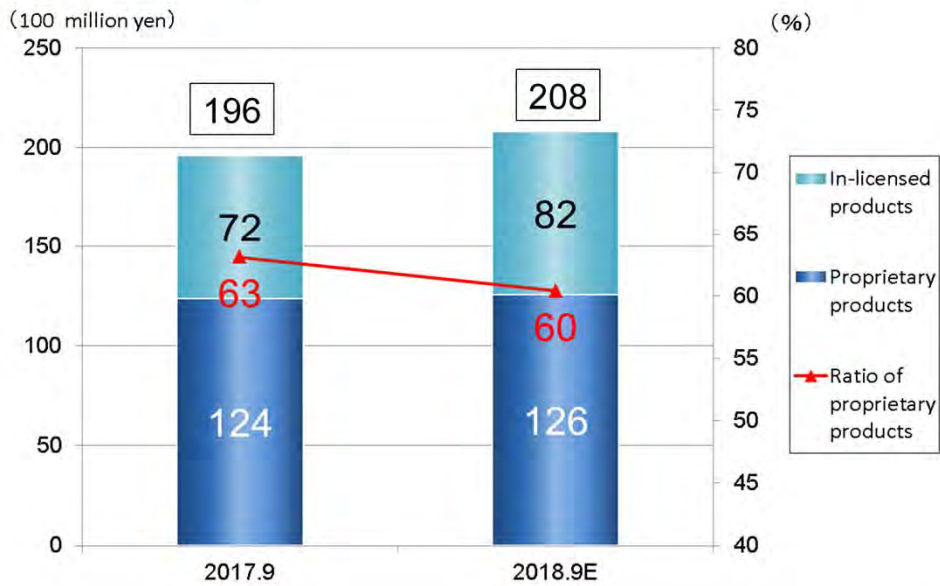
Decreased revenues from pharmaceutical business - 0.2 bn

Our operating income target for the current fiscal year is, 4.4 billion yen, a year-on-year increase of 0.9 billion yen.

Looking at the major factors impacting revenues and income, factors resulting in income growth include increased revenues at Nichino India and Sipcam Nichino Brasil, accounting for increased operating income of 0.9 billion yen. Furthermore, other agrochemical sales in domestic and overseas markets resulted in increased income of 0.5 billion yen, respectively. Factors causing decreased income include 0.8 billion yen attributable to a decline in revenues from licensing and 0.2 billion yen attributable to decreased revenues from the pharmaceutical business. As a result, we are planning for a 0.9 billion yen increase in operating income.

## Domestic Agrochemical Sales

Increased revenues YoY



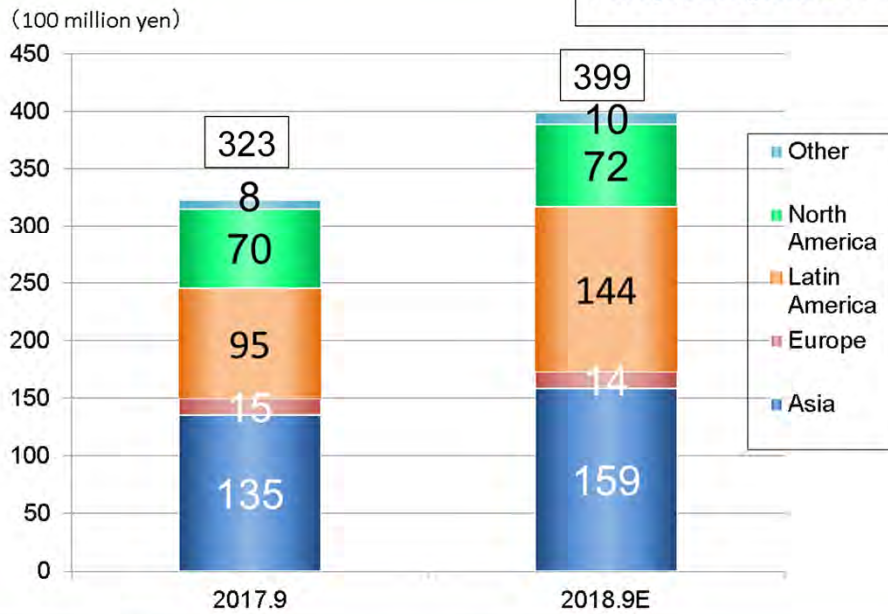
This graph shows the net sales composition for domestic agrochemical sales this fiscal year.

This fiscal year, we will work to expand sales of “DANIKONG,” “PHOENIX,” and other mainstay proprietary products as well as the sugar beet herbicide “Beetup” released last fiscal year. We also launched sales of “PARADE” (wide spectrum fungicide). As a result, we are planning on net sales of 20.8 billion yen, up 1.2 billion yen year on year. However, we forecast our ratio of proprietary products will decline due to increased sales of rice paddy herbicide “Basagran,” which we began sales from this fiscal year.

## Overseas Agrochemical Sales

### Net sales growth in Asia and Latin America

Planned foreign currency rates  
 110.00 yen/dollar (previous FY=110.81 yen)  
 130.00 yen/euro (previous FY=122.63 yen)



Chemical Innovator for Crop & Life

This graph shows net sales of overseas agrochemical business by region for the current fiscal year.

In Asia, we are forecasting net sales growth on expanded use and sales of “PHOENIX” in various countries as well as earnings recovery by Nichino India, which struggled from the impact of two consecutive years of drought.

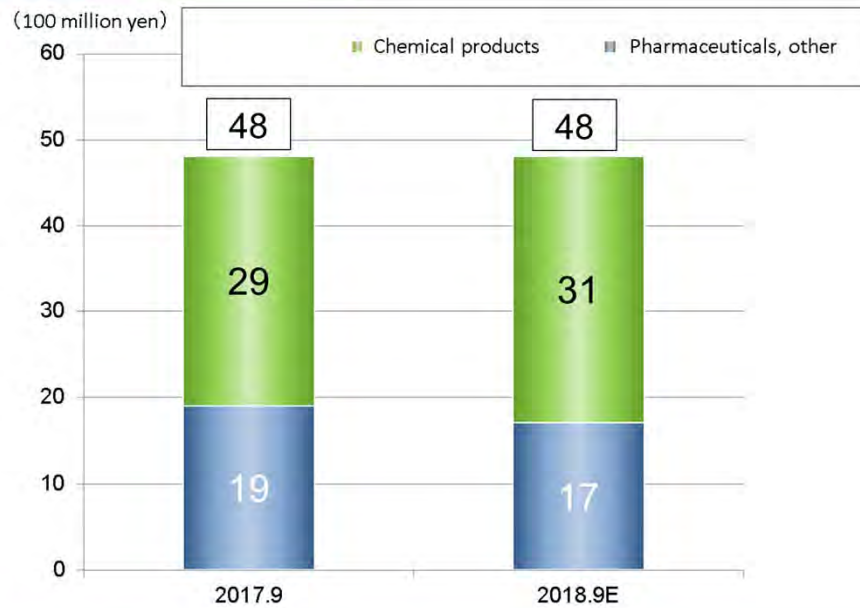
In Latin America, we will see full-year contributions from earnings at Sipcam Nichino Brasil and will continue to provide operational support to the company as we work to strengthen their sales promotion system for expanding sales of proprietary products in Brazil, the world's largest agrochemical market.

Based on the above, we forecast total overseas net sales of 39.9 billion yen, a year-on-year increase of 7.6 billion yen. As a result, we forecast that overseas sales as a percentage of Group net sales will grow from 53.8% to 58.7%.

Furthermore, there is no change in our currency targets for the current fiscal year.

## Chemical Products, Pharmaceutical Products, and Others

Pharmaceutical business revenues to decline



This graph shows current fiscal year’s targets for net sales of chemical and pharmaceutical products.

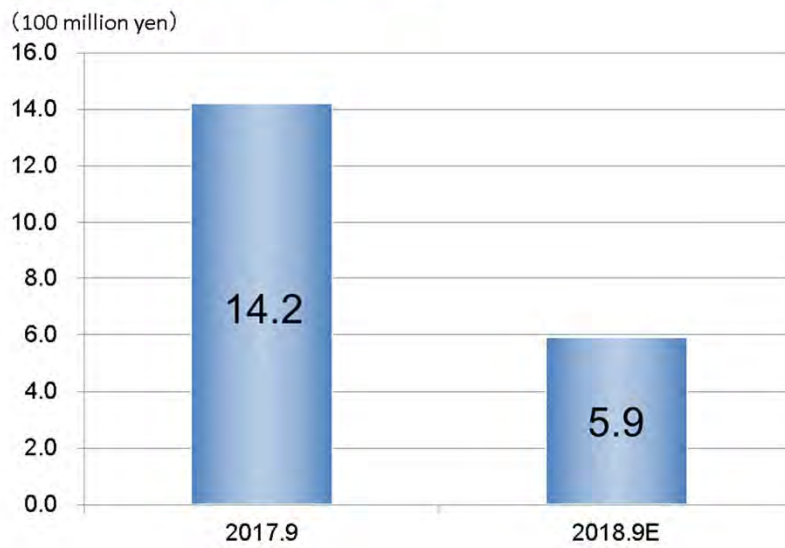
For the chemical products business, we will use the partnership with AgriMart to expand our technology into sales companies to maintain and expand the termiticide business.

On the other hand, we are forecasting lower revenues in the pharmaceutical business due to a projected decline in share and lower pricing attributable to the emergence of generic products after the expiration of our patent for the antifungal agent “luliconazole”.



# Revenues from Licensing

## Royalties to decline



This graph shows revenues from licensing for the current fiscal year.

We forecast revenues from licensing of approximately 0.6 billion yen this fiscal year.

## Major Earnings of Domestic Group Companies

(Unit: million yen, %)

		FY2018 plan	FY2017 earnings	YoY	Growth
Nichino Service	Net sales	<b>4,227</b>	4,119	<b>107</b>	<b>2.6</b>
	Operating income	<b>163</b>	165	<b>Δ 2</b>	<b>Δ 1.6</b>
	Net profit	<b>111</b>	244	<b>Δ 133</b>	<b>Δ 54.6</b>
Nichino Ryokka	Net sales	<b>1,864</b>	1,739	<b>124</b>	<b>7.1</b>
	Operating income	<b>17</b>	10	<b>6</b>	<b>68.7</b>
	Net profit	<b>9</b>	4	<b>4</b>	<b>83.3</b>
Japan EcoTech	Net sales	<b>830</b>	770	<b>59</b>	<b>7.8</b>
	Operating income	<b>72</b>	5	<b>66</b>	<b>1157.5</b>
	Net profit	<b>51</b>	Δ 31	-	-
AgriMart	Net sales	<b>1,492</b>	1,408	<b>83</b>	<b>6.0</b>
	Operating income	<b>123</b>	127	<b>Δ 4</b>	<b>Δ 3.6</b>
	Net profit	<b>75</b>	77	<b>Δ 2</b>	<b>Δ 3.5</b>

This table shows major full-year earnings for domestic consolidated subsidiaries. We will implement various measures aimed at achieving planned targets for each company.

## Major Earnings of Overseas Group Companies

(Unit: million yen, %)

		FY2018 plan	FY2017 earnings	YoY	Growth
Nichino America	Net sales	<b>7,205</b>	6,977	227	3.3
	Operating income	<b>337</b>	551	Δ 215	Δ 38.9
	Net profit	<b>178</b>	388	Δ 211	Δ 54.1
Taiwan Nihon Nohyaku	Net sales	<b>524</b>	418	105	25.3
	Operating income	<b>67</b>	45	21	47.2
	Net profit	<b>54</b>	37	16	42.7
Nichino India	Net sales	<b>9,908</b>	7,584	2,323	30.6
	Operating income	<b>592</b>	260	331	127.6
	Net profit	<b>442</b>	146	295	201.9
<b>SNB</b>	Net sales	<b>12,563</b>	7,626	4,936	64.7
	Operating income	<b>1,262</b>	725	536	73.8
	Net profit	<b>277</b>	73	203	276.3

This table shows major full-year earnings for overseas consolidated subsidiaries.

For Nichino America at the top of the table, we anticipate increased revenues but a decline in income due to increased development expenses, etc.

We are anticipating continued earnings growth by Nichino India, shown second from the bottom of the table. This fiscal year Sipcam Nichino Brasil, shown at the bottom of the table, will contribute 12 months' worth of earnings.