

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Based on Japanese GAAP)

February 9, 2022

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Scheduled date to file Quarterly Securities Report: February 9, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: No
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	51,283	22.7	3,193	64.8	3,246	154.7	2,514	80.5
Nine months ended December 31, 2020	41,804	–	1,937	–	1,274	–	1,393	–

(Note) Comprehensive income: Nine months ended December 31, 2021: 2,650 million yen [–%]
Nine months ended December 31, 2020: (399) million yen [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	32.00		–	
Nine months ended December 31, 2020	17.71		–	

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, and figures for the third quarter of the fiscal year ending March 31, 2022 are presented after application of such accounting standard, etc.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	106,698	64,265	59.2
As of March 31, 2021	107,969	62,071	56.4

(Reference) Equity: As of December 31, 2021: 63,134 million yen
As of March 31, 2021: 60,924 million yen

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review, and figures for the third quarter of the fiscal year ending March 31, 2022 are presented after application of such accounting standard, etc.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	7.50	–	7.50	15.00
Year ending March 31, 2022	–	7.50	–		
Year ending March 31, 2022 (Forecast)				7.50	15.00

(Note) Revision to the forecast of cash dividends announced most recently: No

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	81,000	13.2	5,400	(22.7)	5,200	(9.1)	3,600	(17.1)	45.81

(Note) Revision to the forecast of financial results announced most recently: No

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	81,967,082 shares	As of March 31, 2021	81,967,082 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	3,542,756 shares	As of March 31, 2021	3,330,355 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2021	78,593,138 shares	Nine months ended December 31, 2020	78,681,819 shares
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Shares of the Company held by the share grant trust for the Company's officers are included in treasury shares which are deducted from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period.

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to various factors.

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

During the nine months ended December 31, 2021, the Japanese economy showed signs of social and economic activities returning to normal following the progress of COVID-19 vaccine rollout, as exemplified by a recovery trend in production activities of companies and solid consumer spending. However, it is too early to predict when the pandemic will end due in part to the recent rapid spread of the new variant, and economic prospects are still uncertain.

Under such circumstances, the Group engaged in the initiatives of the new, three-year medium-term management plan, “Ensuring Growing Global 2,” which began in the current fiscal year, and has been aiming to improve profitability, establish technological innovation and next-generation businesses, and sustainably enhance corporate value.

For the nine months ended December 31, 2021, net sales amounted to 51,283 million yen (up 9,478 million yen or 22.7% year-on-year), mainly thanks to the strong performance of our core business, the agrochemical business, in overseas countries. In terms of profits, operating profit came to 3,193 million yen (up 1,255 million yen or 64.8% year-on-year), ordinary profit was 3,246 million yen (up 1,971 million yen or 154.7% year-on-year), and profit attributable to owners of parent was 2,514 million yen (up 1,121 million yen or 80.5% year-on-year).

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review. Accordingly, comparisons with the same period of the previous fiscal year are based on amounts calculated using different standards. For details on the effects of the application of the Accounting Standard for Revenue Recognition, etc. on the financial position and operating results, see “2. Quarterly consolidated financial statements and primary notes, (3) Notes to quarterly consolidated financial statements, (Changes in accounting policies) and (Segment information, etc.), Segment information II. 2. Matters pertaining to changes in reportable segments.”

Additionally, effective from the first quarter of the fiscal year under review, Tama Kagaku Kogyo Co., Ltd. has been included in the scope of application of the equity method.

The state of the reportable segments during the nine months ended December 31, 2021 is as follows.

[Agrochemical business]

Regarding agrochemical sales in Japan, the Company worked to promote and expand the sales of core internally developed products such as tiadinil, a fungicide for paddy rice (product name: “V-GET”), and fungicide pyraziflumid for horticultural use (product name: “Parade”). However, overall sales in Japan declined year-on-year due in part to the discontinuation of certain products in the previous fiscal year. The “farm field management” and “language selection” functions were added to the smartphone application “Leime AI Disease, Pest & Weed Analysis” provided by the Company free of charge, as we strive to provide solutions for producers through smart agriculture.

For overseas agrochemical sales, in Asia, owing to the clearing of distribution inventories remaining from the past years, sales of insecticide flubendiamide in India, and sales of isoprothiolane, a fungicide for paddy rice in China, were both strong. In Europe, Nichino Europe Co., Ltd. reported an increase in net sales due to increased sales of acaricide fenpyroximate and tebufenpyrad owing to a greater-than-usual tick infestation. In South America, Sipcam Nichino Brasil S.A. recorded a growth in net sales in Brazil on the back of a rebound in demand for agrochemicals and also led by the strong sales of flubendiamide, which was launched in the previous fiscal year. In North America, Nichino America, Inc. reported an increase in net sales due to growing demand for fungicide flutolanil in the peanut area following the frequent occurrence of southern blight in addition to an expansion of peanut acreage. Accordingly, overseas agrochemical sales overall exceeded the levels of the same period of the previous fiscal year.

As a result of the above, net sales of the agrochemical business amounted to 47,390 million yen (up 10,298 million yen or 27.8% year-on-year) and operating profit amounted to 2,650 million yen (up 1,648 million yen or 164.5% year-on-year).

[Chemicals other than agrochemicals business]

In the chemicals business, AgriMart Corporation experienced robust sales of termiticides due mainly to the growth in the number of new housing starts. Meanwhile, in the pharmaceutical business, sales of topical antifungal drug luliconazole were sluggish due in part to a decrease in the number of outpatients in medical institutions caused by the spread of

COVID-19.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 2,792 million yen (down 618 million yen or 18.1% year-on-year) and operating profit amounted to 911 million yen (down 349 million yen or 27.7% year-on-year).

(2) Explanation of financial position

Total assets as of December 31, 2021 decreased by 1,271 million yen from the end of the previous fiscal year to 106,698 million yen. This was due primarily to decreases in cash and deposits and notes and accounts receivable exceeding the increases in inventories and investment securities.

Total liabilities as of December 31, 2021 decreased by 3,464 million yen from the end of the previous fiscal year to 42,433 million yen. This was due primarily to a decrease in short-term borrowings exceeding the increase in trade payables.

Net assets as of December 31, 2021 increased by 2,193 million yen from the end of the previous fiscal year to 64,265 million yen. This was due primarily to an increase in retained earnings resulting from profit attributable to owners of parent exceeding the decrease in accumulated other comprehensive income including foreign currency translation adjustment.

(3) Explanation of the forecast of consolidated financial results and other forward-looking information

There have been no changes to the forecast of consolidated financial results for the fiscal year ending March 31, 2022, announced on August 10, 2021.

2. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	19,278	13,315
Notes and accounts receivable - trade	32,460	–
Notes and accounts receivable - trade, and contract assets	–	24,421
Electronically recorded monetary claims - operating	1,817	1,015
Merchandise and finished goods	16,009	20,530
Work in process	566	1,139
Raw materials and supplies	5,482	11,268
Other	2,990	4,169
Allowance for doubtful accounts	(180)	(276)
Total current assets	78,425	75,583
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,449	4,265
Machinery, equipment and vehicles, net	3,567	3,622
Land	5,906	5,921
Other, net	728	919
Total property, plant and equipment	14,651	14,729
Intangible assets		
Goodwill	2,812	2,712
Other	1,306	1,317
Total intangible assets	4,119	4,029
Investments and other assets		
Investment securities	5,805	6,867
Other	5,315	5,865
Allowance for doubtful accounts	(347)	(378)
Total investments and other assets	10,773	12,355
Total non-current assets	29,544	31,114
Total assets	107,969	106,698

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,827	16,881
Electronically recorded obligations - operating	1,221	1,065
Short-term borrowings	10,901	6,185
Current portion of bonds payable	193	202
Income taxes payable	410	817
Provision for bonuses	757	416
Provision for environmental measures	508	28
Other provisions	78	–
Electronically recorded obligations - non-operating	49	243
Other	7,374	6,744
Total current liabilities	35,323	32,584
Non-current liabilities		
Bonds payable	1,381	1,223
Long-term borrowings	6,348	5,784
Retirement benefit liability	691	741
Other provisions	98	120
Other	2,054	1,978
Total non-current liabilities	10,574	9,848
Total liabilities	45,897	42,433
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	34,992	37,174
Treasury shares	(1,801)	(1,906)
Total shareholders' equity	63,201	65,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	893	780
Foreign currency translation adjustment	(4,253)	(3,960)
Remeasurements of defined benefit plans	1,083	1,036
Total accumulated other comprehensive income	(2,276)	(2,144)
Non-controlling interests	1,146	1,130
Total net assets	62,071	64,265
Total liabilities and net assets	107,969	106,698

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	41,804	51,283
Cost of sales	28,094	34,972
Gross profit	13,709	16,310
Selling, general and administrative expenses	11,772	13,116
Operating profit	1,937	3,193
Non-operating income		
Interest income	56	48
Dividend income	80	73
Rental income from real estate	65	83
Share of profit of entities accounted for using equity method	404	611
Gain on valuation of derivatives	337	–
Other	119	74
Total non-operating income	1,064	890
Non-operating expenses		
Interest expenses	295	331
Foreign exchange losses	1,304	404
Loss on valuation of derivatives	–	4
Other	128	98
Total non-operating expenses	1,728	838
Ordinary profit	1,274	3,246
Extraordinary income		
Gain on sale of non-current assets	1,689	209
Other	–	32
Total extraordinary income	1,689	242
Extraordinary losses		
Loss on disposal of non-current assets	39	18
Environmental expenses	1,390	28
Other	–	3
Total extraordinary losses	1,429	50
Profit before income taxes	1,534	3,437
Income taxes	731	970
Profit	802	2,467
Loss attributable to non-controlling interests	(590)	(47)
Profit attributable to owners of parent	1,393	2,514

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	802	2,467
Other comprehensive income		
Valuation difference on available-for-sale securities	112	(112)
Foreign currency translation adjustment	(1,288)	254
Remeasurements of defined benefit plans, net of tax	(16)	(47)
Share of other comprehensive income of entities accounted for using equity method	(10)	90
Total other comprehensive income	(1,201)	183
Comprehensive income	(399)	2,650
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	686	2,646
Comprehensive income attributable to non-controlling interests	(1,085)	4

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Tax expenses)

The Company calculates tax expenses by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to profit before income taxes for the fiscal year under review, and then multiplying profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer.

Accordingly, with regard to certain transactions in which the Group acts as an agent in providing the goods or services to a customer, while the Company had previously recognized the gross amount of consideration to be received from the customer as revenue, it now recognizes revenue at the net amount after deducting the amount to be paid to the supplier of the goods from the amount to be received from the customer. Additionally, with regard to charged supplying transactions, while the Company had previously recognized the extinguishment of the charged supplied goods, the Company has shifted to the method by which it does not recognize extinguishment in cases where it assumes the obligation to repurchase the supplied goods.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the first quarter of the fiscal year under review, is added to or subtracted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy is applied from the said beginning balance.

As a result, for the nine months ended December 31, 2021, net sales and cost of sales decreased by 205 million yen and 201 million yen, respectively.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," which was presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, is instead included in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the fiscal year under review. In accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. effective from the beginning of the first quarter of the fiscal year under review and in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. into the future. This application has no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates related to the impact of the spread of COVID-19)

There have been no material changes to the statements in the Annual Securities Report (Additional Information) for the fiscal year ended March 31, 2021 regarding the accounting estimates related to the impact of the spread of COVID-19 and the assumptions based on such estimates for the nine months ended December 31, 2021.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Agrochemical Business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	37,091	3,411	40,502	1,301	41,804	–	41,804
Inter-segment net sales or transfers	12	0	13	701	714	(714)	–
Total	37,104	3,411	40,516	2,003	42,519	(714)	41,804
Segment profit	1,002	1,261	2,263	253	2,516	(579)	1,937

(Notes) 1. “Others” include business segments that are not included in reportable segments such as greenification and gardening construction, real estate leasing, logistics services, and agrochemical residue analysis.

2. The minus 579 million yen adjustment for segment profit includes minus 579 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.

3. Segment profit was adjusted based on operating profit reported on the consolidated statements of income for the corresponding period.

II For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
	Agrochemical Business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	47,390	2,792	50,183	1,099	51,283	–	51,283
Inter-segment net sales or transfers	13	0	13	734	748	(748)	–
Total	47,404	2,793	50,197	1,834	52,031	(748)	51,283
Segment profit	2,650	911	3,562	231	3,794	(600)	3,193

(Notes) 1. “Others” include business segments that are not included in reportable segments such as greenification and gardening construction, real estate leasing, logistics services, and agrochemical residue analysis.

2. The minus 600 million yen adjustment for segment profit includes minus 600 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.

3. Segment profit was adjusted based on operating profit reported on the consolidated statements of income for the corresponding period.

2. Matters pertaining to changes in reportable segments

The Company has applied the Accounting Standard for Revenue Recognition etc., effective from the beginning of the first quarter of the fiscal year under review, as stated in “Changes in accounting policies,” and due to the change in the accounting treatment of revenue recognition, it has similarly changed the method of calculating the profit (loss) of business segments.

As a result of this change, for the nine months ended December 31, 2021, net sales of the agrochemical business, net sales of the chemicals other than agrochemicals business, and net sales of other business decreased by 101 million yen, 81 million yen, and 22 million yen, respectively, compared to the amounts calculated using the previous method.