Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 11, 2023

Company name:	NIHON NOHYAKU CO., LTD.		
Stock exchange listing:	Tokyo		
Stock code:	4997 URL https://www.nichino.co.jp/		
Representative:	President	Hiroyuki Iwata	
Inquiries:	General Manager of General Affairs & Legal Department	Masaki Yoshioka	TEL +81-570-09-1177
Date of ordinary general meeting of shareholders:		June 21, 2023	
Date of commencement of dividend payments:		June 22, 2023	
Scheduled date to file Securities Report:		June 22, 2023	
Preparation of supplementary material on financial results:		No	
Holding of financial results meeting:		Yes	(for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

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	%
Fiscal year ended March 31, 2023	102,090	27.4	8,739	51.6	7,779	37.3	4,488	1.9
Fiscal year ended March 31, 2022	80,110	–	5,762	–	5,665	–	4,405	–

(Note) Comprehensive income: Fiscal year ended March 31, 2023: 7,409 million yen [38.7%]
Fiscal year ended March 31, 2022: 5,342 million yen [–%]

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	57.23	–	6.6	6.1	8.6
Fiscal year ended March 31, 2022	56.08	–	7.0	5.0	7.2

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2023: 558 million yen
Fiscal year ended March 31, 2022: 495 million yen

The figures for the fiscal year ended March 31, 2022 are presented after being retrospectively restated reflecting changes in accounting policies. The year-on-year percentage changes for the fiscal year ended March 31, 2022 are not presented due to the retrospective application of the changes in accounting policies.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	136,652	73,125	51.9	904.26
As of March 31, 2022	118,247	66,956	55.5	836.89

(Reference) Equity: As of March 31, 2023: 70,915 million yen
As of March 31, 2022: 65,593 million yen

The figures for the fiscal year ended March 31, 2022 are presented after being retrospectively restated reflecting changes in accounting policies.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	(1,923)	(1,338)	6,171	14,366
Fiscal year ended March 31, 2022	(3,375)	(720)	(2,509)	11,061

The figures for the fiscal year ended March 31, 2022 are presented after being retrospectively restated reflecting changes in accounting policies.

2. Cash dividends

	Annual dividends per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	
Fiscal year ended March 31, 2022	–	7.50	–	7.50	15.00	1,181	26.7	1.9
Fiscal year ended March 31, 2023	–	8.00	–	8.00	16.00	1,260	28.0	1.8
Fiscal year ending March 31, 2024 (Forecast)	–	9.00	–	9.00	18.00		30.0	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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
First half	45,000	4.2	1,900	(37.3)	1,600	(50.0)	1,100	(57.4)	14.03
Full year	104,000	1.9	8,300	(5.0)	7,500	(3.6)	4,700	4.7	59.93

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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: Yes
Changes in accounting estimates: No
Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2023	81,967,082 shares	As of March 31, 2022	81,967,082 shares

Number of treasury shares at the end of the period

As of March 31, 2023	3,543,527 shares	As of March 31, 2022	3,542,965 shares

Average number of shares during the period

Fiscal year ended March 31, 2023	78,423,788 shares	Fiscal year ended March 31, 2022	78,551,480 shares

Shares of the Company held by the Board Benefit Trust are included in the treasury shares which are excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	52,755	11.9	4,036	19.5	5,275	18.3	4,137	16.3
Fiscal year ended March 31, 2022	47,151	9.4	3,377	0.2	4,457	15.8	3,557	18.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	52.76	–
Fiscal year ended March 31, 2022	45.29	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	94,764	66,343	70.0	845.97
As of March 31, 2022	89,220	63,317	71.0	807.38

(Reference) Equity: As of March 31, 2023: ¥ 66,343 million
As of March 31, 2022: ¥ 63,317 million

* These financial results are outside the scope of audit 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.

Table of Contents - Attachments

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year under review

Operating results of the fiscal year ended March 31, 2023

During the fiscal year ended March 31, 2023 (the "fiscal year under review"), the global economy saw a slowdown in consumer spending due to the impact of rising policy interest rates and other factors while historically high inflation continued in the U.S. and Europe. Meanwhile in Japan, amid continued warnings over the spread of COVID-19, economies showed a movement to pick up, mainly in consumer spending, as there were no restrictions such as quasi-emergency measures, aiming for coexistence of COVID-19 measures and economic activities. However, the rapid progress in depreciation of the Japanese yen in addition to the uncertainty over the situation in Ukraine, etc. caused energy costs and resource prices to spike, requiring attention to the impact of price hikes on household finances and supply-side restrictions.

In the environment surrounding agriculture, farm production is expected to continue growing since demand for agricultural products will expand on the background of an increasing global population and the economic development of emerging markets. The agrochemicals market worldwide is returning to an upward trend thanks to increasing demand in the Americas and other regions despite slower growth for the past few years.

Looking at sales territories of the Group, the overall market in North America has grown thanks to expanded soybean and cotton planted areas although some regions were affected by drought and other bad weather. In Central and South America, the agrochemicals market has expanded in Brazil due to frequent outbreaks of pests resulting from continued hot and humid weather. In Asia, demand for agrochemicals has grown in South Asia and other regions where the weather conditions were stable. Meanwhile in Europe, the overall market has shifted to a downward trend due to the impact of bad weather, including high temperatures and drought during the summer season.

In domestic agriculture, structural problems such as an aging population of agricultural workers, a worsening shortage of successors and increasing abandoned farmland continue to remain unsolved. For addressing these problems, the Headquarters on Creating Dynamism through Agriculture, Forestry and Fishery Industries and Local Communities under the national government set a target of export value of 5 trillion yen by 2030 under the "Export Expansion Action Strategy for Agriculture, Forestry, and Fishery Products, and Food," in an effort to increase profits for businesses in these sectors.

Under such circumstances, the Group engaged in the initiatives of the medium-term management plan, "Ensuring Growing Global 2 (EGG 2)" and has been aiming to improve profitability, establish technological innovation and next-generation businesses, and sustainably enhance corporate value.

Major efforts during the fiscal year under review included intensive technology dissemination activities aimed at expanding sales of benzpyrimoxan, a novel insecticide for paddy rice that was fully launched in India. Moreover, as part of our efforts to establish technological innovation and next-generation businesses, we started the distribution of "NICHINO AI DIAGNOSIS" in India, Vietnam, Taiwan and South Korea, which is an overseas edition of the smartphone application "Leime AI Disease, Pest & Weed Analysis" that we have been distributing since April 2020. Through these smart agriculture initiatives, we are working to further improve convenience for producers.

For the consolidated fiscal year under review, net sales amounted to 102,090 million yen (up 21,979 million yen or 27.4% year-on-year). In terms of profits, operating profit came to 8,739 million yen (up 2,976 million yen or 51.6% year-on-year), ordinary profit was 7,779 million yen (up 2,114 million yen or 37.3% year-on-year). Profit attributable to owners of parent was 4,488 million yen (up 82 million yen or 1.9% year-on-year).

To translate revenue and expenses of consolidated subsidiaries overseas, etc. into Japanese yen, we changed methods effective from the fiscal year under review from the one using the spot market exchange rate prevailing on the respective balance sheet dates of these companies to the one using the average exchange rate for the respective periods. Accordingly, year-on-year comparisons are drawn based on the figures adjusted retrospectively. For details, see "3. Consolidated Financial Statements and Primary Notes, (5) Notes to consolidated financial statements, (Changes in accounting policies)."

The state of the reportable segments during the fiscal year under review is as follows.

[Agrochemicals business]

Regarding agrochemicals sales in Japan, the Company worked to promote and expand the sales of core internally developed products such as pyrifluquinazon, an insecticide for horticultural (product name: COLT). The Company concluded a sales agreement with Corteva Agriscience Japan Limited and Dow AgroSciences Japan Limited (currently, Corteva Japan Ltd.; hereinafter collectively referred to as "Corteva") in May 2021. Overall domestic agrochemicals sales increased year on year owing in part to the full-year contribution from Corteva products, sales of which started in October 2021.

For overseas agrochemicals sales, with demand for agrochemicals in Brazil, the world's largest agrochemical market, on an upward trend, Sipcam Nichino Brasil S.A. reported increased net sales, mainly due to an increasing demand for herbicides for sugar cane plants, resulting from high rainfall. In North America, with heavy infestation of whiteflies on cotton, sales of the insecticide buprofezin were strong, which increased net sales for Nichino America Inc. In Europe, strong sales of the herbicide pyraflufen-ethyl used in potato production primarily led to higher sales at Nichino Europe Co., Ltd., and sales of the active ingredient flubendiamide to Bayer were strong. Moreover, in Asia, sales of tolfenpyrad, an insecticide for horticultural use, mainly for cotton and chili pepper, were strong in India. Furthermore, due in part to a trend toward a weaker yen against other currencies, overseas agrochemicals sales overall exceeded the levels of the previous fiscal year.

As a result of the above, net sales of the agrochemicals business amounted to 96,552 million yen (up 21,551 million yen or 28.7% year-on-year) and operating profit amounted to 8,410 million yen (up 3,049 million yen or 56.9% year-on-year).

[Chemicals other than agrochemicals business]

In the chemicals business, AgriMart Corporation experienced strong sales of termiticides. In the pharmaceutical business, sales of topical antifungal drug were strong.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 3,766 million yen (up 300 million yen or 8.7% year-on-year) and operating profit amounted to 948 million yen (down 11 million yen or 1.2% year-on-year).

(2) Overview of financial position for the fiscal year under review

Status of assets, liabilities and net assets

Total assets as of March 31, 2023 increased by 18,405 million yen from the end of the previous fiscal year to 136,652 million yen. Total liabilities as of March 31, 2023 increased by 12,236 million yen to 63,527 million yen from the end of the previous fiscal year. Net assets as of March 31, 2023 increased by 6,168 million yen to 73,125 million yen.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (“net cash”) as of March 31, 2023 increased by 3,305 million yen from the end of the previous year to 14,366 million yen.

The status of the respective cash flows during the fiscal year under review and the factors of changes are as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 1,923 million yen. This was mainly due to an increase in inventories by 7,539 million yen causing a decrease in net cash and income taxes paid of 2,763 million yen, partially offset by the recording of profit before income taxes of 7,738 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,338 million yen. This was mainly due to purchase of property, plant and equipment of 1,605 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 6,171 million yen. This was mainly due to proceeds from long-term borrowings of 8,000 million yen and proceeds from issuance of bonds of 4,036 million yen, despite a net decrease in short-term borrowings of 2,830 million yen and repayments of long-term borrowings of 1,360 million yen.

(4) Future outlook

The Group has been engaged in the initiatives of the medium-term management plan, “Ensuring Growing Global 2 (EGG 2)” with the aim of improving profitability and establishing technological innovation and next-generation businesses, as well as sustainably enhancing corporate value.

Our outlook for the next fiscal year is as follows.

[Agrochemicals business]

Regarding agrochemicals sales in Japan, the Group expects to face a continued severe situation such as a contracting trend in the agrochemicals market and intensifying sales competition. We will establish a proposal-based sales style blending our sales capabilities with our technical capabilities represented by the usage of drones to disperse agrochemicals and the smartphone application “Leime AI Disease, Pest & Weed Analysis” distributed by the Company. And we will continue to promote benzpyrimoxan (product name: “Orchestra”) and Corteva products, etc., in addition to promoting sales of our core products such as tiadinil, a fungicide for paddy rice (product name: V-GET).

For overseas agrochemicals sales, we will enhance the sales foundation of Nichino India Pvt. Ltd. within India, work to strengthen the active ingredient manufacturing functions, and will steadily promote and expand the sales of benzpyrimoxan. In the Americas, Nichino America, Inc. will work on the expansion of business by expanding sales of its major products such as tolfenpyrad and pyrifluquinazon and also by reinforcing businesses for Canada. We will also make efforts to reinforce a sales promotion system of Sipcam Nichino Brasil S.A. as part of maximizing the synergy within the Group, and aim to promote sales of flubendiamide and tolfenpyrad. In Europe, Nichino Europe Co., Ltd. will strive to maximize pyraflufen-ethyl and capture market share of flutolanil, in an effort to construct its business foundation.

[Chemicals other than agrochemicals business]

In the chemicals business, the Group will further strengthen cooperation with AgriMart Corporation in the termiticides segment and expand sales of major products. Meanwhile, in the pharmaceutical business, we will support promotional activities conducted by sales dealers, aiming to expand sales of luliconazole.

In light of the operational environment of the respective business segments under review, the Company forecasts net sales of 104,000 million yen (up 1.9% year-on-year), operating profit of 8,300 million yen (down 5.0% year-on-year), ordinary profit of 7,500 million yen (down 3.6% year-on-year), and profit attributable to owners of parent of 4,700 million yen (up 4.7% year-on-year).

2. Basic Policy on Selection of Accounting Standards

The Group intends to prepare its consolidated financial statements based on Japanese GAAP for the time being, taking into account the comparability of the consolidated financial statements between periods and across companies. Meanwhile, the Group will address the adoption of IFRS in an appropriate manner, taking into account the relevant situations both in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	12,224	15,644
Notes and accounts receivable - trade, and contract assets	36,010	38,869
Electronically recorded monetary claims - operating	2,077	2,064
Merchandise and finished goods	22,395	27,658
Work in process	769	978
Raw materials and supplies	9,531	13,236
Other	4,709	4,756
Allowance for doubtful accounts	(366)	(589)
Total current assets	87,351	102,619
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,180	4,103
Machinery, equipment and vehicles, net	3,682	3,629
Land	5,898	5,856
Construction in progress	281	711
Other, net	738	1,001
Total property, plant and equipment	14,781	15,303
Intangible assets		
Goodwill	2,794	2,594
Software	540	605
Other	883	897
Total intangible assets	4,218	4,097
Investments and other assets		
Investment securities	6,955	7,552
Deferred tax assets	1,499	1,677
Retirement benefit asset	1,515	3,180
Other	2,303	2,226
Allowance for doubtful accounts	(377)	(6)
Total investments and other assets	11,896	14,631
Total non-current assets	30,895	34,032
Total assets	118,247	136,652

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,406	20,519
Electronically recorded obligations - operating	1,117	1,010
Short-term borrowings	10,477	10,940
Current portion of bonds payable	202	–
Accrued expenses	4,522	5,071
Income taxes payable	955	759
Provision for bonuses	869	856
Provision for bonuses for directors (and other officers)	41	51
Provision for environmental measures	–	18
Electronically recorded obligations - non-operating	47	150
Liabilities related to charged supply	1,007	1,189
Other	2,533	3,991
Total current liabilities	41,180	44,560
Non-current liabilities		
Bonds payable	1,226	5,315
Long-term borrowings	6,128	10,167
Deferred tax liabilities	96	597
Provision for retirement benefits for directors (and other officers)	56	57
Provision for share awards	76	129
Retirement benefit liability	839	826
Other	1,686	1,872
Total non-current liabilities	10,110	18,966
Total liabilities	51,290	63,527
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	38,855	42,123
Treasury shares	(1,906)	(1,907)
Total shareholders' equity	66,960	70,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	846	956
Foreign currency translation adjustment	(2,895)	(1,985)
Remeasurements of defined benefit plans	682	1,716
Total accumulated other comprehensive income	(1,367)	688
Non-controlling interests	1,363	2,209
Total net assets	66,956	73,125
Total liabilities and net assets	118,247	136,652

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	80,110	102,090
Cost of sales	55,674	71,528
Gross profit	24,435	30,562
Selling, general and administrative expenses	18,673	21,823
Operating profit	5,762	8,739
Non-operating income		
Interest income	83	1,118
Dividend income	82	109
Share of profit of entities accounted for using equity method	495	558
Foreign exchange gains	–	342
Rental income from real estate	110	102
Other	102	170
Total non-operating income	874	2,401
Non-operating expenses		
Interest expenses	499	1,842
Foreign exchange losses	199	–
Loss on valuation of derivatives	103	1,286
Sales discounts	64	115
Other	105	115
Total non-operating expenses	971	3,360
Ordinary profit	5,665	7,779
Extraordinary income		
Gain on sale of non-current assets	209	29
Gain on sale of investment securities	39	15
Total extraordinary income	248	45
Extraordinary losses		
Loss on disposal of non-current assets	25	65
Impairment losses	141	–
Environmental expenses	28	18
Other	3	3
Total extraordinary losses	198	87
Profit before income taxes	5,714	7,738
Income taxes - current	1,775	2,553
Income taxes - deferred	(654)	37
Total income taxes	1,121	2,590
Profit	4,593	5,147
Profit attributable to non-controlling interests	188	658
Profit attributable to owners of parent	4,405	4,488

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	4,593	5,147
Other comprehensive income		
Valuation difference on available-for-sale securities	(47)	109
Foreign currency translation adjustment	1,043	821
Remeasurements of defined benefit plans, net of tax	(401)	1,034
Share of other comprehensive income of entities accounted for using equity method	154	297
Total other comprehensive income	748	2,262
Comprehensive income	5,342	7,409
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,105	6,543
Comprehensive income attributable to non-controlling interests	236	866

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,939	15,071	34,992	(1,801)	63,201
Cumulative effects of changes in accounting policies			(209)		(209)
Restated balance	14,939	15,071	34,782	(1,801)	62,992
Changes during period					
Dividends of surplus			(1,181)		(1,181)
Profit attributable to owners of parent			4,405		4,405
Disposal of treasury shares				5	5
Purchase of treasury shares				(110)	(110)
Change in scope of equity method			849		849
Net changes in items other than shareholders' equity					
Total changes during period	–	–	4,073	(104)	3,968
Balance at end of period	14,939	15,071	38,855	(1,906)	66,960

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	893	(4,253)	1,083	(2,276)	1,146	62,071
Cumulative effects of changes in accounting policies		209		209		–
Restated balance	893	(4,044)	1,083	(2,067)	1,146	62,071
Changes during period						
Dividends of surplus						(1,181)
Profit attributable to owners of parent						4,405
Disposal of treasury shares						5
Purchase of treasury shares						(110)
Change in scope of equity method						849
Net changes in items other than shareholders' equity	(47)	1,148	(401)	700	216	916
Total changes during period	(47)	1,148	(401)	700	216	4,884
Balance at end of period	846	(2,895)	682	(1,367)	1,363	66,956

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,939	15,071	38,855	(1,906)	66,960
Cumulative effects of changes in accounting policies					–
Restated balance	14,939	15,071	38,855	(1,906)	66,960
Changes during period					
Dividends of surplus			(1,220)		(1,220)
Profit attributable to owners of parent			4,488		4,488
Disposal of treasury shares					–
Purchase of treasury shares				(0)	(0)
Change in scope of equity method					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	3,267	(0)	3,266
Balance at end of period	14,939	15,071	42,123	(1,907)	70,227

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	846	(2,895)	682	(1,367)	1,363	66,956
Cumulative effects of changes in accounting policies						–
Restated balance	846	(2,895)	682	(1,367)	1,363	66,956
Changes during period						
Dividends of surplus						(1,220)
Profit attributable to owners of parent						4,488
Disposal of treasury shares						–
Purchase of treasury shares						(0)
Change in scope of equity method						–
Net changes in items other than shareholders' equity	110	910	1,034	2,055	846	2,901
Total changes during period	110	910	1,034	2,055	846	6,168
Balance at end of period	956	(1,985)	1,716	688	2,209	73,125

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,714	7,738
Depreciation	1,519	1,685
Impairment losses	141	–
Amortization of goodwill	200	223
Increase (decrease) in provision for environmental measures	(508)	18
Interest and dividend income	(166)	(1,227)
Interest expenses	499	1,842
Share of loss (profit) of entities accounted for using equity method	(495)	(558)
Loss (gain) on sale of property, plant and equipment	(209)	(29)
Loss on retirement of property, plant and equipment	25	65
Decrease (increase) in trade receivables	(2,788)	427
Decrease (increase) in inventories	(8,792)	(7,539)
Increase (decrease) in trade payables	4,625	(851)
Other, net	(1,765)	(802)
Subtotal	(1,998)	992
Interest and dividends received	320	1,281
Interest paid	(428)	(1,434)
Income taxes paid	(1,269)	(2,763)
Net cash provided by (used in) operating activities	(3,375)	(1,923)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,369)	(1,605)
Proceeds from sale of property, plant and equipment	212	455
Purchase of intangible assets	(244)	(113)
Payments into time deposits	(1,100)	(1,620)
Proceeds from withdrawal of time deposits	1,812	1,509
Loan advances	(90)	(49)
Other, net	59	84
Net cash provided by (used in) investing activities	(720)	(1,338)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,444	(2,830)
Proceeds from long-term borrowings	615	8,000
Repayments of long-term borrowings	(2,923)	(1,360)
Proceeds from issuance of bonds	–	4,036
Redemption of bonds	(193)	(223)
Repayments of lease liabilities	(140)	(210)
Purchase of treasury shares	(110)	(0)
Dividends paid	(1,181)	(1,220)
Dividends paid to non-controlling interests	(20)	(19)
Net cash provided by (used in) financing activities	(2,509)	6,171
Effect of exchange rate change on cash and cash equivalents	252	395
Net increase (decrease) in cash and cash equivalents	(6,353)	3,305
Cash and cash equivalents at beginning of period	17,414	11,061
Cash and cash equivalents at end of period	11,061	14,366

(5) Notes to consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant matters on the basis of preparation of consolidated financial statements)

1. Matters on the scope of consolidation
   (1) Number of consolidated subsidiaries: 9
   Names of consolidated subsidiaries
   Nichino Ryokka Co., Ltd.
   Nichino Service Co., Ltd.
   Nihon Ecotech Co., Ltd.
   AgriMart Corporation
   Nichino America, Inc.
   Taiwan Nihon Nohyaku Co., Ltd.
   Nichino India Pvt. Ltd.
   Sipcam Nichino Brasil S. A.
   Nichino Europe Co., Ltd.
   (2) Names, etc. of major non-consolidated subsidiaries
   Nichino Do Brasil Agroquimicos Ltda.
   Nichino Vietnam Co., Ltd.
   Nihon Nohyaku Andica S. A. S.
   Reason for excluding from the scope of consolidation
   The non-consolidated subsidiaries above are excluded from the scope of consolidation as all of them are small-size entities and their total assets, net sales, net profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity), etc. do not have a significant impact on the consolidated financial statements.

2. Matters on the application of the equity method
   (1) Number of non-consolidated subsidiaries accounted for using the equity method: 1
   Name of the company
   Nichino Vietnam Co., Ltd.
   (2) Number of associates accounted for using the equity method: 3
   Names of the companies, etc.
   Agricultural Chemicals (Malaysia) Sdn. Bhd.
   Sipcam Europe S. p. A.
   Tama Kagaku Kogyo Co., Ltd.
   (3) Names of major entities among non-consolidated subsidiaries and associates not accounted for using the equity method
   Nichino Do Brasil Agroquimicos Ltda.
   Nihon Nohyaku Andica S. A. S.
   Reason for not applying the equity method
   The non-consolidated subsidiaries and associates not accounted for using the equity method would only have a minimal impact on the consolidated financial statements even if they are excluded from the scope of application of the equity method in view of their respective profit or loss (amount corresponding to equity) and their retained earnings (amount corresponding to equity), etc., and also, they are not regarded as material as a whole. Therefore, they are excluded from the scope of applying the equity method.
   (4) Matters of special note on procedures for applying the equity method
   For companies with closing dates that are different from the consolidated closing date, the Company uses the financial statements for the fiscal year of such companies.

3. Matters on the fiscal year of consolidated subsidiaries

Among the consolidated subsidiaries, the closing date of Sipcam Nichino Brasil S. A. is December 31, and the Company uses the financial statements as of the closing date of the company when preparing the consolidated financial statements since the difference between the consolidated closing date and that of the overseas subsidiary is no more than three months. However, necessary adjustments for consolidation purposes are made when a significant transaction takes place before the consolidated closing date arrives. The closing dates of other consolidated subsidiaries fall on the same date as the consolidated closing date.

4. Matters on the accounting policy

(1) Valuation criteria and methods for significant assets

1) Securities

Available-for-sale securities

Securities other than stocks, etc. that do not have market price: Stated at fair value (with any valuation difference being directly credited into net assets in full, and the cost of securities sold being determined primarily using the moving average method)

Securities, etc. that do not have market price: Stated at cost by the moving average method

2) Inventories

Merchandise, finished goods, semi-finished goods, work in process, raw materials, supplies: Primarily stated at cost by the gross average method (with the carrying amount being written down in case of a decline in profitability)

(2) Depreciation method of significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company adopts the straight-line method, whereas the consolidated subsidiaries overseas adopt either the straight-line method or the declining-balance method depending on requirements of their local GAAP.

The consolidated subsidiaries in Japan adopt the declining-balance method.

However, the consolidated subsidiaries in Japan adopt the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to building and structures acquired on or after April 1, 2016.

The useful lives of major assets are as follows:

Building and structures:	10 to 60 years
Machinery:	4 to 20 years
Tools, furniture and fixtures:	3 to 15 years

Additionally, the items of property, plant and equipment acquired on or before March 31, 2007 are depreciated by straight-line method over a five-year period from the year following the year in which depreciation up to the depreciable amounts is completed.

2) Intangible assets (excluding leased assets)

The Company and the consolidated subsidiaries in Japan adopt the straight-line method, whereas the consolidated subsidiaries overseas adopt the straight-line method based upon requirements of the local GAAP. However, the Company adopts the straight-line method to amortize software (for internal use) for the period available internally, which is five years.

3) Leased assets

Leased assets in finance leases under which ownership is transferred

The Group applies the same depreciation method applicable to non-current assets owned by the Company.

Leased assets in finance leases under which ownership is not transferred

The Group applies the straight-line method with the useful life being equal to the lease term and the residual value being zero.

Certain consolidated subsidiaries overseas prepare their financial statements under IFRS and therefore apply IFRS 16 *Leases* (hereinafter "IFRS 16"). IFRS 16 requires lessee to account for all leases as assets and liabilities on its balance sheet, in principle, and to depreciate the capitalized right-of-use assets using the straight-line method.

(3) Recognition criteria for significant provisions

1) Allowance for doubtful accounts

To provide for potential loss on uncollectible receivables, the Company and its consolidated subsidiaries recognize allowance for doubtful accounts. Allowance for general receivables is estimated based on the historical rate of default, whereas allowance for specific receivables whose recovery is doubtful is estimated by considering the likelihood of collectability on an individual basis.

2) Provision for bonuses

To provide for the payment of bonuses to employees, the Company and the consolidated subsidiaries recognize the estimated amount of bonuses to be incurred for the fiscal year under review.

3) Provision for bonuses for directors (and other officers)

To provide for the payment of bonuses to directors and other officers, the Company and certain consolidated subsidiaries recognize the estimated amount of bonuses commensurate with the operating performance for the fiscal year under review.

4) Provision for retirement benefits for directors (and other officers)

To provide for the payment of retirement benefits to directors and other officers, the consolidated subsidiaries in Japan recognize the amount required to be paid at the end of each fiscal year based on internal rules.

5) Provision for environmental measures

To provide for expenses required for soil improvement associated with redevelopment of land owned by the Company, the Company recognizes the estimated amount of expenses reasonably deemed necessary at the end of the fiscal year under review.

6) Provision for share awards

To provide for granting shares of the Company to directors, etc. pursuant to the Share Grant Regulations, the Company recognizes provision for share awards based upon the expected amount of the share-based renumeration obligation as of the end of the fiscal year under review.

(4) Recognition criteria for revenue and expenses

1) Agrochemicals business

The Company mainly manufactures and sells insecticides, fungicides, insect-fungicides, herbicides, and active ingredients of agrochemicals. Regarding the sales of these products, the Company deems that when finished goods are transferred to customers, the customers gain control of the finished goods and the performance obligation of sales of such finished goods is satisfied. However, the duration from the shipment of finished goods until the timing when control of the relevant finished goods is transferred to the customer is a normal period and therefore, the Company recognizes revenues as of the timing of shipment in the case of domestic sales, and as of the timing of shipment of cargo in the case of sales to overseas. Meanwhile, revenues of the agrochemicals business are calculated by deducting rebates, discounts and the estimated amount of returns, etc. from the price designated by the contract and is recognized only to the extent that it is very highly probable that there will be no significant reversal.

2) Chemicals other than agrochemicals business

The Company mainly manufactures and sells wood preservative agents such as termiticides, etc., and pharmaceuticals such as topical antifungal drugs. Regarding the sales of these products, the Company deems that when finished goods are transferred to customers, the customers gain control of the finished goods and the performance obligation of sales of such finished goods is satisfied. However, the duration from the shipment of finished goods until the timing when control of the relevant finished goods is transferred to the customer is a normal period and therefore, the Company recognizes revenues as of the timing of shipment.

If the Company considers that the Company and its consolidated subsidiaries are acting as an agent in selling these finished goods, the Company recognizes revenues at the net amount after deducting the amount to be paid to the supplier of the goods from the total amount to be received from the customer. Additionally, with regard to charged supplying transactions that come under a repurchasing contract, the Company does not recognize the amount of consideration received from the customer as revenue.

Meanwhile, consideration from the sales contracts of finished goods or the purchase contracts of raw materials, etc. is recovered or paid mainly within a year from the time the goods are transferred to the customer or the time the Company or its consolidated subsidiaries receive the raw materials, etc. from the supplier, and does not include material financial elements. However, for some subsidiaries overseas, consideration may be recovered or paid more than a year later due to satisfaction of performance obligations. Therefore, the Company deems that the transaction price includes material financial elements and allocates the amount equivalent to the interest, which is a material financial element, to the amounts of profit or loss according to the period until the settlement date.

(5) Accounting for retirement benefits

1) Method for imputing the estimated retirement benefit into the fiscal year

When calculating the retirement benefit obligation, the Company refers to the benefit calculation formula standard for the method of imputing the estimated amount of retirement benefits to the period not later than this fiscal year under review.

2) Method for expensing actuarial difference and past service cost

The Company expenses past service cost by applying the straight-line method over a certain number of years (13 years) that is no longer than the average remaining service period of the employees measured at the time of occurrence.

To account for actuarial difference, the Company proportionally divides the difference applying the straight-line method over a certain number of years (13 years) that is no longer than the average remaining service period of the employees measured at the time of occurrence in each consolidated fiscal year, and expenses the cost from the consolidated fiscal year following each fiscal year of occurrence.

3) Applying the simplified method for small-scale entities, etc.

Some of the consolidated subsidiaries adopt the simplified method by which an amount to be required at year end for voluntary retirement is regarded as retirement benefit obligation for the calculation of retirement benefit liability and retirement benefit expenses.

(6) Criteria for converting material foreign currency denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currency are converted into Japanese yen in the spot exchange rate on the day of the consolidated closing date and the translation adjustments are recognized as amounts of profit or loss.

Meanwhile, assets and liabilities of subsidiaries overseas, etc. are converted into Japanese yen in the spot exchange rate on the day of the consolidated closing date while their revenue and expenses are converted into Japanese yen in the average exchange rate for the respective periods, and the translation adjustments are included into foreign currency translation adjustment and to the non-controlling interests in net assets.

(7) Significant hedge accounting methods

1) Method of hedge accounting

As interest rate swaps qualify for the exceptional accounting treatment (*tokurei shori*), the Company adopts this treatment.

Monetary receivables and payables denominated in foreign currency hedged by forward exchange contracts are accounted for using the designated hedge accounting treatment (*furiate shori*).

2) Hedging instruments and hedged items

Hedging instruments:	Interest rate swaps
	Forward exchange contracts
Hedged items:	Interest on borrowings
	Foreign currency denominated receivables and payables

3) Hedging policy

The Company enters into forward exchange contracts to hedge against the risk of exchange rate fluctuations in foreign currency transactions. The Company also entered into interest rate swap transactions to hedge against the risk of fluctuations in interest rates on borrowings. For foreign currency denominated receivables and payables, hedged items are identified on a contract-by-contract basis.

4) Method of evaluating hedging effectiveness

The Company does not judge the effectiveness of hedging because it adopts the exceptional accounting treatment (*tokurei shori*) for interest rate swaps and the designated hedge accounting treatment (*furiate shori*) for forward exchange contracts.

(8) Method for amortizing goodwill and the period of amortization

The Company sets a reasonable period of amortization within 20 years to amortize goodwill under the straight-line method.

(9) The scope of funds in the consolidated statements of cash flows

Funds are comprised of cash on hand; demand deposits; and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with the maturity date arriving within 3 months from the date of acquisition.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the fiscal year under review and in accordance with the transitional treatment provided for in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company will prospectively apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement. This application has no impact on the consolidated financial statements.

(Change in the method of translating revenue and expenses of consolidated subsidiaries overseas, etc.)

Revenue and expenses of consolidated subsidiaries overseas, etc. were previously translated into Japanese yen using the spot market exchange rate prevailing on the respective balance sheet dates of these companies. However, effective from the fiscal year under review, the Company changed the translation method to the one using the average exchange rate for the respective periods.

The change was made as a result of alterations in control systems in the Group that had been made against the backdrop of an increasing significance of consolidated subsidiaries overseas, etc., including integration of budget control systems. The change was also made to mitigate the impact of temporary fluctuations in exchange rates on profit or loss for the period, etc. and reflect revenue and expenses of consolidated subsidiaries overseas, etc., which are earned and incurred throughout the consolidated fiscal year, more appropriately in the consolidated financial statements.

The change in the accounting policy has been applied retrospectively, and the consolidated financial statements for the fiscal year ended March 31, 2022 have been adjusted retrospectively.

As a result of the change, net sales for the fiscal year ended March 31, 2023, decreased by 1,799 million yen, operating profit decreased by 880 million yen, ordinary profit decreased by 103 million yen, profit before income taxes decreased by 103 million yen, profit attributable to owners of parent decreased by 97 million yen, and earnings per share decreased by 1.24 yen, compared to the figures before the retrospective application of the change.

In addition, with the cumulative effects reflected on the net assets at the beginning of the previous fiscal year, the retained earnings balance at the beginning of the previous fiscal year decreased by 209 million yen and the foreign currency translation adjustment balance at the beginning of the previous fiscal year increased by 209 million yen.

(Additional information)

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

Regarding the impact from the ongoing spread of COVID-19, the Group has produced the accounting estimates based on all information available as at the end of this consolidated fiscal year under review under the assumption that the said impact will continue for a certain length of time during the next consolidated fiscal year, since it is difficult to rationally project when COVID-19 will end and the level of its impact.

(Segment information, etc.)

[Segment information]

1. Summary of the reportable segments

The reportable segments of the Group are constituent units for which it is possible to obtain separate financial information and that are subject to a periodical review by the Board of Directors of the Company to decide the allocation of managerial resources and to evaluate the business performance.

The Group engages in its business activities by creating a comprehensive strategy for the domestic and overseas business operations for each of the segments categorized by product and service, namely, “agrochemicals business,” and “chemicals other than agrochemicals business.”

Therefore, the Group considers “agrochemicals business” and “chemicals other than agrochemicals business” as its reportable segments.

Agrochemicals business manufacturers and sells agrochemicals, and chemicals other than agrochemicals business manufactures and sells pharmaceuticals, wood preservative agents, etc.

2. Method of calculating net sales, profit (loss), assets, liabilities, and other items by reportable segment

Accounting methods of the reported business segments are approximately the same as those described in the “Significant matters on the basis of preparation of consolidated financial statements.”

Profit presented in the reportable segment is a figure based upon the operating profit.

Inter-segment revenue and transfers are based upon the market price.

As described in “Changes in accounting policies,” revenue and expenses of consolidated subsidiaries overseas, etc. were previously translated into Japanese yen using the spot market exchange rate prevailing on the respective balance sheet dates of these companies. However, effective from the fiscal year under review, the Company changed the translation method to the one using the average exchange rate for the respective periods. Accordingly, the figures presented above for the fiscal year ended March 31, 2022 are those that have been adjusted retrospectively to reflect the change in the accounting policy.

3. Information on net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Agrochemicals business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	75,001	3,465	78,467	1,643	80,110	–	80,110
Inter-segment net sales or transfers	17	0	17	738	755	(755)	–
Total	75,019	3,465	78,485	2,381	80,866	(755)	80,110
Segment profit	5,360	960	6,320	301	6,622	(859)	5,762
Segment assets	106,224	3,128	109,353	2,087	111,440	6,806	118,247
Other items							
Depreciation (Note 4)	1,391	26	1,417	101	1,519	–	1,519
Amortization of goodwill	200	–	200	–	200	–	200
Investment in entities accounted for using equity method	4,601	–	4,601	–	4,601	–	4,601
Increase in property, plant and equipment, and intangible assets	1,502	45	1,548	87	1,635	–	1,635

(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. Amount of adjustment is as follows.
The minus 859 million yen adjustment for segment profit includes minus 859 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.
The 6,806 million yen adjustment for segment assets is mainly surplus funds (cash and deposits) and long-term investment funds (investment securities), etc. of the Company.
3. Segment profit was adjusted based on operating profit reported on the consolidated financial statements.
4. Depreciation includes amortization of the long-term prepaid expenses.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Agrochemicals business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	96,552	3,766	100,319	1,770	102,090	–	102,090
Inter-segment net sales or transfers	19	0	19	745	765	(765)	–
Total	96,572	3,766	100,339	2,516	102,856	(765)	102,090
Segment profit	8,410	948	9,358	330	9,689	(950)	8,739
Segment assets	123,269	3,167	126,437	2,144	128,582	8,070	136,652
Other items							
Depreciation (Note 4)	1,547	35	1,583	102	1,685	–	1,685
Amortization of goodwill	223	–	223	–	223	–	223
Investment in entities accounted for using equity method	5,081	–	5,081	–	5,081	–	5,081
Increase in property, plant and equipment, and intangible assets	2,276	24	2,301	76	2,378	–	2,378

(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. Amount of adjustment is as follows.
   The minus 950 million yen adjustment for segment profit includes minus 950 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.
   The 8,070 million yen adjustment for segment assets is mainly surplus funds (cash and deposits) and long-term investment funds (investment securities), etc. of the Company.
3. Segment profit was adjusted based on operating profit reported on the consolidated financial statements.
4. Depreciation includes amortization of the long-term prepaid expenses.

(Per share information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	Yen 836.39	Yen 904.26
Earnings per share	Yen 56.08	Yen 57.23

(Notes) 1. Diluted earnings per share is not indicated since the company has no potentially dilutive shares.

2. The Company has introduced "Share Grant Trust," a stock-based remuneration system utilizing a trust for Directors, etc. The Company's shares owned by the trust account are included in the treasury shares excluded in the calculation of the average number of shares during the period for the purpose of calculating earnings per share. Furthermore, the Company's shares owned by the trust account are included in the number of the treasury shares excluded from the total number of issued shares at the end of the period, for the purpose of calculating net asset per share. In calculating earnings per share, the treasury shares excluded from the average number of shares were 222,505 shares during the previous period, and 349,618 shares during the period under review. In calculating net asset per share, the treasury shares excluded from the number of shares at the end of the period were 349,618 shares in the previous period, and 349,618 shares in the period under review.

3. The basis for calculating the basic earnings per share is shown in the below.

(Millions of yen, unless otherwise indicated)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent	4,405	4,488
Amount not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	4,405	4,488
Average number of common shares during the period	78,551,480 shares	78,423,788 shares

(Significant subsequent events)

Not applicable

4. Other matters

For the matter concerning changes in officers, please refer to the "Notice of Personnel Changes" announced today.