

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 9, 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
Scheduled date to file Quarterly Securities Report: November 9, 2023
Scheduled date to commence dividend payments: December 6, 2023
Preparation of supplementary material on quarterly financial results: No
Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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	%
Six months ended September 30, 2023	40,670	(5.8)	1,176	(61.2)	951	(70.3)	695	(73.1)
Six months ended September 30, 2022	43,167	37.1	3,030	109.7	3,197	103.9	2,582	66.8

(Note) Comprehensive income: Six months ended September 30, 2023: 4,006 million yen [(29.2)%]
Six months ended September 30, 2022: 5,660 million yen [341.3%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	8.87		-	
Six months ended September 30, 2022	32.94		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	138,786	76,504	53.5
As of March 31, 2023	136,652	73,125	51.9

(Reference) Equity: As of September 30, 2023: 74,207 million yen
As of March 31, 2023: 70,915 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	8.00	–	8.00	16.00
Fiscal year ending March 31, 2024	–	9.00			
Fiscal year ending March 31, 2024 (Forecast)			–	9.00	18.00

(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, 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
Full year	104,000	1.9	7,100	(18.8)	5,900	(24.2)	4,000	(10.9)	51.00

(Note) Revision to the forecast of financial results announced most recently: Yes

Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023
(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: No
- 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 September 30, 2023	81,967,082 shares	As of March 31, 2023	81,967,082 shares
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Number of treasury shares at the end of the period

As of September 30, 2023	3,503,266 shares	As of March 31, 2023	3,543,527 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	78,438,953 shares	Six months ended September 30, 2022	78,423,940 shares
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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.

* 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 six months ended September 30, 2023, the global economy saw varied trends. In Europe, the economy remained at a standstill due to the effects of monetary tightening arising from high inflation. However, in the U.S., personal consumption remained robust attributable to favorable employment conditions and wage increases. Meanwhile, in Japan, as restrictions related to COVID-19 were relaxed, the normalization of socio-economic activities progressed, and there were signs of recovery in personal consumption and corporate production activities. Nonetheless, with global monetary tightening and signs of a slowdown in the Chinese economy, in addition to the inflation owing to the prolonged situation in Ukraine and the impact of drastic fluctuations of exchange rates, the economy remained unstable.

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 increase profitability, establish technological innovation and next-generation businesses, and sustainably enhance corporate value.

Major efforts during the six months ended September 30, 2023 included the acquisition of all outstanding shares of Interagro (UK) Limited, a British manufacturer and distributor of adjuvants, other additives, and biostimulants, by our consolidated subsidiary Nichino Europe Co., Ltd., to expand our business portfolio beyond synthetic agrochemicals. Moreover, in our initiatives to realize smart agriculture, we added a Pictorial Book feature and a diagnostic function for Other Vegetables in June and a new AI Forecast function in August as part of our efforts to enhance the features of our smartphone application “Leime AI Disease, Pest & Weed Analysis.” Furthermore, in India, our consolidated subsidiary Nichino India Pvt. Ltd. obtained a registration of a new insecticide mixture that contains benzpyrimoxan, a new insecticide for paddy rice. Nichino India Pvt. Ltd. also completed the construction of a multi-purpose plant capable of manufacturing multiple active agrochemical ingredients. The plant is scheduled to start operations by the end of the current fiscal year.

For the six months ended September 30, 2023, net sales amounted to 40,670 million yen (down 2,496 million yen or 5.8% year-on-year) due to sluggish growth in our core agrochemicals business, both in and outside Japan, influenced mainly by unfavorable weather conditions and the impact of distribution inventories remaining from previous years. In terms of profits, operating profit came to 1,176 million yen (down 1,854 million yen or 61.2% year-on-year), ordinary profit was 951 million yen (down 2,246 million yen or 70.3% year-on-year), and profit attributable to owners of parent was 695 million yen (down 1,887 million yen or 73.1% year-on-year).

The state of the reportable segments during the six months ended September 30, 2023, 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 benzpyrimoxan (product name: “Orchestra”). However, sales were sluggish due to factors such as fewer pests and diseases attributable to unfavorable weather conditions and the impact of distribution inventories from previous years, resulting in total net sales in Japan falling below the same period of the previous year.

For overseas agrochemicals sales, Sipcam Nichino Brasil S.A. reported increased net sales, mainly due to expanded demand for herbicides for sugar cane plants in Brazil, the world’s largest agrochemical market, due to heavy rainfall. In Asia, Nichino India Pvt. Ltd. experienced a steady growth in net sales as its sales strategy to promote internally developed products, such as tolfenpyrad and pyrifluquinazon, insecticides for horticultural use, proved successful, despite the impact of unfavorable weather, such as the delayed rainy season in India. Meanwhile, in Europe, a decline in use of the herbicide pyraflufen-ethyl used in potato production due to the impact of drought led to stagnant sales at Nichino Europe Co., Ltd. In addition, in North America, where colder weather persisted, there were fewer pests than usual, resulting in a weakness in demand for insecticides, including the acaricide fenpyroximate, and sluggish net sales for Nichino America Inc. Consequently, total overseas net sales fell below the figures from the same period of the previous year though the Japanese yen trended lower in the foreign exchange market.

As a result of the above, net sales of the agrochemicals business amounted to 37,907 million yen (down 2,396 million yen or 5.9% year-on-year), and operating profit was 975 million yen (down 1,764 million yen or 64.4% year-on-year).

[Chemicals other than agrochemicals business]

In the chemicals business, sales in the termiticide sector of AgriMart Corporation remained robust. In the pharmaceutical business, sales of topical antifungal drug luliconazole were sluggish due to a decrease in demand for overseas markets.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 2,015 million yen (down 22 million yen or 1.1% year-on-year), and operating profit was 518 million yen (down 51 million yen or 9.1% year-on-year).

(2) Explanation of financial position

Total assets as of September 30, 2023, increased by 2,133 million yen from the end of the previous fiscal year to 138,786 million yen. This was due primarily to increases in inventories and investment securities exceeding the decrease in trade receivables.

Total liabilities as of September 30, 2023, decreased by 1,245 million yen from the end of the previous fiscal year to 62,282 million yen. This was due primarily to a decrease in borrowings.

Net assets as of September 30, 2023, increased by 3,378 million yen from the end of the previous fiscal year to 76,504 million yen. This was due primarily to an increase 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 has been a revision to the forecast of consolidated financial results for the fiscal year ending March 31, 2024, announced on May 11, 2023. For details, please refer to the Notice of Differences Between Forecast of Financial Results and Actual Results for the Six Months Ended September 30, 2023 and Revision to Forecast of Consolidated Financial Results, which was announced today (November 9, 2023).

2. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	15,644	10,634
Notes and accounts receivable - trade, and contract assets	38,869	30,000
Electronically recorded monetary claims - operating	2,064	2,922
Merchandise and finished goods	27,658	32,454
Work in process	978	1,081
Raw materials and supplies	13,236	17,743
Other	4,756	5,442
Allowance for doubtful accounts	(589)	(663)
Total current assets	102,619	99,616
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,103	4,139
Machinery, equipment and vehicles, net	3,629	3,631
Land	5,856	5,950
Other, net	1,713	2,161
Total property, plant and equipment	15,303	15,883
Intangible assets		
Goodwill	2,594	2,736
Other	1,503	1,731
Total intangible assets	4,097	4,467
Investments and other assets		
Investment securities	7,552	11,292
Other	7,085	7,541
Allowance for doubtful accounts	(6)	(15)
Total investments and other assets	14,631	18,818
Total non-current assets	34,032	39,169
Total assets	136,652	138,786

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,519	20,757
Electronically recorded obligations - operating	1,010	1,011
Short-term borrowings	10,940	8,023
Current portion of bonds payable	–	1,798
Income taxes payable	759	925
Provision for bonuses	856	728
Provision for environmental measures	18	–
Other provisions	51	–
Electronically recorded obligations - non-operating	150	235
Other	10,253	11,879
Total current liabilities	44,560	45,359
Non-current liabilities		
Bonds payable	5,315	4,496
Long-term borrowings	10,167	9,420
Retirement benefit liability	826	889
Other provisions	186	179
Other	2,470	1,936
Total non-current liabilities	18,966	16,922
Total liabilities	63,527	62,282
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	42,123	42,188
Treasury shares	(1,907)	(1,886)
Total shareholders' equity	70,227	70,313
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	956	1,267
Deferred gains or losses on hedges	–	(40)
Foreign currency translation adjustment	(1,985)	1,022
Remeasurements of defined benefit plans	1,716	1,644
Total accumulated other comprehensive income	688	3,894
Non-controlling interests	2,209	2,296
Total net assets	73,125	76,504
Total liabilities and net assets	136,652	138,786

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	43,167	40,670
Cost of sales	30,347	29,510
Gross profit	12,819	11,160
Selling, general and administrative expenses	9,789	9,984
Operating profit	3,030	1,176
Non-operating income		
Interest income	95	860
Dividend income	62	133
Rental income from real estate	51	49
Foreign exchange gains	679	486
Share of profit of entities accounted for using equity method	631	540
Other	75	48
Total non-operating income	1,594	2,119
Non-operating expenses		
Interest expenses	332	1,176
Loss on valuation of derivatives	1,030	1,087
Other	63	79
Total non-operating expenses	1,427	2,344
Ordinary profit	3,197	951
Extraordinary income		
Gain on sale of non-current assets	26	3
Gain on sale of investment securities	—	4
Total extraordinary income	26	7
Extraordinary losses		
Loss on disposal of non-current assets	7	1
Environmental expenses	—	15
Total extraordinary losses	7	16
Profit before income taxes	3,217	941
Income taxes	707	452
Profit	2,510	489
Loss attributable to non-controlling interests	(72)	(206)
Profit attributable to owners of parent	2,582	695

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,510	489
Other comprehensive income		
Valuation difference on available-for-sale securities	88	307
Deferred gains or losses on hedges	138	(81)
Foreign currency translation adjustment	2,574	2,965
Remeasurements of defined benefit plans, net of tax	(25)	(71)
Share of other comprehensive income of entities accounted for using equity method	374	396
Total other comprehensive income	3,150	3,516
Comprehensive income	5,660	4,006
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,366	3,902
Comprehensive income attributable to non-controlling interests	293	103

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,217	941
Depreciation	833	839
Amortization of goodwill	112	113
Interest and dividend income	(157)	(993)
Interest expenses	332	1,176
Share of loss (profit) of entities accounted for using equity method	(631)	(540)
Loss (gain) on sale of non-current assets	(26)	(3)
Loss on retirement of non-current assets	7	1
Decrease (increase) in trade receivables	12,573	10,622
Decrease (increase) in inventories	(9,426)	(6,670)
Increase (decrease) in trade payables	(1,994)	(1,668)
Increase (decrease) in provision for environmental measures	–	(18)
Other, net	552	(50)
Subtotal	5,393	3,749
Interest and dividends received	403	1,760
Interest paid	(198)	(1,022)
Income taxes paid	(1,091)	(852)
Net cash provided by (used in) operating activities	4,506	3,635
Cash flows from investing activities		
Purchase of property, plant and equipment	(600)	(857)
Proceeds from sale of property, plant and equipment	449	9
Purchase of intangible assets	(77)	(268)
Purchase of investment securities	–	(66)
Purchase of shares of subsidiaries and associates	–	(2,523)
Payments into time deposits	(1,469)	(1,012)
Proceeds from withdrawal of time deposits	1,012	1,013
Other, net	(1)	24
Net cash provided by (used in) investing activities	(687)	(3,682)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,210)	(1,852)
Repayments of long-term borrowings	(648)	(2,701)
Redemption of bonds	(223)	–
Repayments of lease liabilities	(102)	(117)
Dividends paid	(590)	(630)
Dividends paid to non-controlling interests	(19)	(17)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(3,795)	(5,319)
Effect of exchange rate change on cash and cash equivalents	676	344
Net increase (decrease) in cash and cash equivalents	701	(5,022)
Cash and cash equivalents at beginning of period	11,061	14,366
Cash and cash equivalents at end of period	11,762	9,344

(4) Notes to quarterly consolidated financial statements

(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.

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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)
	Agrochemicals business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	40,303	2,037	42,341	826	43,167	–	43,167
Inter-segment net sales or transfers	10	–	10	360	371	(371)	–
Total	40,313	2,037	42,351	1,186	43,538	(371)	43,167
Segment profit	2,740	570	3,310	153	3,464	(433)	3,030

- (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 433 million yen adjustment for segment profit includes minus 433 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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)
	Agrochemicals business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	37,907	2,015	39,922	748	40,670	–	40,670
Inter-segment net sales or transfers	7	–	7	387	395	(395)	–
Total	37,915	2,015	39,930	1,136	41,066	(395)	40,670
Segment profit	975	518	1,494	121	1,616	(439)	1,176

- (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 439 million yen adjustment for segment profit includes minus 439 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.

(Significant subsequent events)

(Occurrence of a disputed incident)

A claim for damages was filed on October 10, 2023 against Sipcam Nichino Brasil S.A. (“SNB”), a consolidated subsidiary of the Company, which was served with the complaint on October 20, 2023. Details of the litigation are presented below.

1. Summary of the litigation

On July 26, 2023, a heavily armed robbery took place at SNB, a consolidated subsidiary of the Company, during which products that SNB had been packaging in fulfillment of a contract with FMC QUÍMICA DO BRASIL LTDA. (“FMC”) were stolen. In response, FMC filed a claim for damages against SNB on October 10, 2023.

2. Details of the plaintiff

(1) Name: FMC QUÍMICA DO BRASIL LTDA.

(2) Address: Avenida Doutor José Bonifácio Coutinho Nogueira, No. 150, Commercial Complexes 103, 105, 107, 108 and 109, Jardim Madalena District, in the municipality of Campinas, State of São Paulo, CEP 13091-611

3. Amount of damages claimed (excluding delay damages)

45 million reais

4. Future Outlook

The Group has obtained an opinion from an external legal expert that the incident falls within the definition of force majeure. As there are significant differences in opinions regarding matters, including the interpretation of the scope of liabilities, we will carefully examine the contents of the complaint and take appropriate action. We will defend ourselves based on the opinion of the external legal expert mentioned above, among other things. It cannot be ruled out that the litigation may have an impact on our financial position and operating results depending on the progression of the litigation. Therefore, at this moment, it is difficult to reasonably estimate whether we will have to pay the damages and the amount of the impact they would have.