

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 8, 2024

Company name: NIHON NOHYAKU CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4997 URL <https://www.nichino.co.jp/>
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 Scheduled date to file Quarterly Securities Report: February 8, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	63,290	(4.1)	2,555	(50.1)	1,782	(61.5)	1,460	(52.0)
Nine months ended December 31, 2022	66,006	29.9	5,119	76.4	4,626	42.7	3,043	21.6

(Note) Comprehensive income: Nine months ended December 31, 2023: 3,693 million yen [(18.8)%]
 Nine months ended December 31, 2022: 4,548 million yen [71.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	18.61		–	
Nine months ended December 31, 2022	38.81		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	139,443	75,482	52.5
As of March 31, 2023	136,652	73,125	51.9

(Reference) Equity: As of December, 31, 2023: 73,263 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: No

Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2023	3,503,380 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)

Nine months ended December 31, 2023	78,447,249 shares	Nine months ended December 31, 2022	78,423,861 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.

Table of Contents - Attachments

1. Qualitative information on quarterly financial results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of the forecast of consolidated financial results and other forward-looking information	3
2. Quarterly consolidated financial statements and primary notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	6
(3) Notes to quarterly consolidated financial statements	8
(Going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	8
(Additional information)	8
(Segment information, etc.)	9

1. Qualitative information on quarterly financial results

(1) Explanation of operating results

During the nine months ended December 31, 2023, the global economy saw varied trends. In Europe, the economy remained weak 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, there were signs of recovery in personal consumption and corporate production activities. Nonetheless, with global monetary tightening and a standstill in a rebound of the Chinese economy, 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 nine months ended December 31, 2023 included the establishment of a local subsidiary in Chile to strengthen and expand the business activities there in October 2023. Moreover, we started sales of Orchestra Duet in India in December, which is a new insecticide mixture that contains benzpyrimoxan, an insecticide for paddy rice.

For the nine months ended December 31, 2023, net sales amounted to 63,290 million yen (down 2,715 million yen or 4.1% 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 2,555 million yen (down 2,563 million yen or 50.1% year-on-year), ordinary profit was 1,782 million yen (down 2,843 million yen or 61.5% year-on-year), and profit attributable to owners of parent was 1,460 million yen (down 1,583 million yen or 52.0% year-on-year).

The state of the reportable segments during the nine months ended December 31, 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, 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. In Europe, sales of Nichino Europe Co., Ltd. reported increased net sales mainly due to the expansion of the use of flutolanil, a fungicide. Meanwhile, in Brazil, the world’s largest agrochemical market, Sipcarn Nichino Brasil S.A. experienced sluggish net sales, due to factors such as the impact of a decline in prices of some of generic agrochemicals caused by intensified competition. In addition, in North America, there were fewer pests than usual due to the impact of persisted cold weather, 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 59,229 million yen (down 2,591 million yen or 4.2% year-on-year), and operating profit was 2,247 million yen (down 2,448 million yen or 52.1% 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, net sales of topical antifungal drug luliconazole were sluggish due to a termination of its sales in China.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 2,876 million yen (down 53 million yen or 1.8% year-on-year), and operating profit was 742 million yen (down 74 million yen or 9.1% year-on-year).

(2) Explanation of financial position

Total assets as of December 31, 2023, increased by 2,791 million yen from the end of the previous fiscal year to 139,443 million yen. This was due primarily to increases in inventories and investment securities exceeding the decrease in trade receivables.

Total liabilities as of December 31, 2023, increased by 433 million yen from the end of the previous fiscal year to 63,960 million yen. This was due primarily to an increase in short-term borrowings.

Net assets as of December 31, 2023, increased by 2,357 million yen from the end of the previous fiscal year to 75,482 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 have been no changes to the forecast of consolidated financial results for the fiscal year ending March 31, 2024, announced on 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	15,644	10,954
Notes and accounts receivable - trade, and contract assets	38,869	29,331
Electronically recorded monetary claims - operating	2,064	1,784
Merchandise and finished goods	27,658	35,288
Work in process	978	1,361
Raw materials and supplies	13,236	16,636
Other	4,756	5,825
Allowance for doubtful accounts	(589)	(674)
Total current assets	102,619	100,509
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,103	4,069
Machinery, equipment and vehicles, net	3,629	3,524
Land	5,856	5,909
Other, net	1,713	2,126
Total property, plant and equipment	15,303	15,629
Intangible assets		
Goodwill	2,594	2,547
Other	1,503	1,780
Total intangible assets	4,097	4,328
Investments and other assets		
Investment securities	7,552	11,291
Other	7,085	7,752
Allowance for doubtful accounts	(6)	(67)
Total investments and other assets	14,631	18,976
Total non-current assets	34,032	38,933
Total assets	136,652	139,443

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,519	20,097
Electronically recorded obligations - operating	1,010	1,086
Short-term borrowings	10,940	14,300
Current portion of bonds payable	–	1,788
Income taxes payable	759	449
Provision for bonuses	856	473
Provision for environmental measures	18	–
Other provisions	51	–
Electronically recorded obligations - non-operating	150	228
Other	10,253	9,087
Total current liabilities	44,560	47,511
Non-current liabilities		
Bonds payable	5,315	4,465
Long-term borrowings	10,167	9,169
Retirement benefit liability	826	923
Other provisions	186	188
Other	2,470	1,701
Total non-current liabilities	18,966	16,449
Total liabilities	63,527	63,960
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	42,123	42,244
Treasury shares	(1,907)	(1,886)
Total shareholders' equity	70,227	70,368
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	956	1,057
Deferred gains or losses on hedges	–	21
Foreign currency translation adjustment	(1,985)	207
Remeasurements of defined benefit plans	1,716	1,608
Total accumulated other comprehensive income	688	2,895
Non-controlling interests	2,209	2,218
Total net assets	73,125	75,482
Total liabilities and net assets	136,652	139,443

(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, 2022	Nine months ended December 31, 2023
Net sales	66,006	63,290
Cost of sales	45,666	45,048
Gross profit	20,339	18,241
Selling, general and administrative expenses	15,220	15,685
Operating profit	5,119	2,555
Non-operating income		
Interest income	188	1,195
Dividend income	96	184
Rental income from real estate	77	75
Foreign exchange gains	433	112
Share of profit of entities accounted for using equity method	615	513
Other	99	78
Total non-operating income	1,511	2,160
Non-operating expenses		
Interest expenses	586	1,821
Loss on valuation of derivatives	1,303	938
Other	114	174
Total non-operating expenses	2,004	2,933
Ordinary profit	4,626	1,782
Extraordinary income		
Gain on sale of non-current assets	29	5
Gain on sale of investment securities	—	4
Total extraordinary income	29	9
Extraordinary losses		
Loss on disposal of non-current assets	11	7
Environmental expenses	—	15
Total extraordinary losses	11	22
Profit before income taxes	4,644	1,769
Income taxes	1,365	640
Profit	3,278	1,129
Profit (loss) attributable to non-controlling interests	235	(330)
Profit attributable to owners of parent	3,043	1,460

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	3,278	1,129
Other comprehensive income		
Valuation difference on available-for-sale securities	95	97
Deferred gains or losses on hedges	53	42
Foreign currency translation adjustment	829	1,859
Remeasurements of defined benefit plans, net of tax	(38)	(107)
Share of other comprehensive income of entities accounted for using equity method	328	673
Total other comprehensive income	1,269	2,564
Comprehensive income	4,548	3,693
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,977	3,667
Comprehensive income attributable to non-controlling interests	570	26

(3) 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.

(Additional information)

(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.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	61,820	2,929	64,750	1,255	66,006	–	66,006
Inter-segment net sales or transfers	16	–	16	535	552	(552)	–
Total	61,837	2,929	64,767	1,791	66,558	(552)	66,006
Segment profit	4,695	817	5,512	264	5,777	(657)	5,119

- (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 657 million yen adjustment for segment profit includes minus 657 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, 2023 (from April 1, 2023 to December 31, 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	59,229	2,876	62,105	1,184	63,290	–	63,290
Inter-segment net sales or transfers	14	–	14	571	585	(585)	–
Total	59,243	2,876	62,119	1,756	63,876	(585)	63,290
Segment profit	2,247	742	2,989	230	3,220	(664)	2,555

- (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 664 million yen adjustment for segment profit includes minus 664 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.