

## Message to shareholders

### Question 1

Please discuss the results for the first half of fiscal 2009

### Answer 1

In regard to the conditions surrounding the domestic agricultural industry, though there have been visible efforts to reexamine agricultural production by exploring issues regarding the reworking of acreage reduction policies and improving the rate of food self-sufficiency, there have still not been enough significant achievements in these areas. In addition, the number of people working in the agricultural industry is continuing to decrease as a result of the progressing trends of low profitability and an ageing population, and conditions as a whole continue to be harsh.

Domestic agrochemical demand in the first half of fiscal 2009 showed a slightly increasing trend compared to the same period of the previous year, but from the squeeze on distribution inventory and the worsening of agricultural management, the future outlook for agrochemical demand remains unclear.

Under these conditions, our company group has been working to expand sales of our own developed products and to expand our business overseas. As a result, for our consolidated business results for the first half of fiscal 2009, our sales figures were 22,816 million yen (a 9.3% increase of 1,941 million yen over the same term of the previous fiscal year), operating profits came to 3,431 million yen (a 36.7% increase of 920 million yen over the same term of the previous fiscal year) and ordinary profits totaled 3,298 million yen (a 36.0% increase of 872 million yen over the same term of the previous fiscal year). With the inclusion of an extraordinary loss on revaluation of investment securities, the net profit for the first half of fiscal 2009 amounted to 1,735 million yen (a 13.6% increase of 208 million yen over the same term of the previous fiscal year).

## Question 2

Please discuss the policies for the second half of the fiscal year and the outlook for the full fiscal year results

## Answer 2

Though domestic agrochemical sales are still facing a harsh market environment, we are working to expand sales by pouring efforts into promotion activities for our company's own developed products including mainly products such as horticultural insecticide Phoenix, paddy-rice fungicide V-get, and new herbicide Ippon. In sales of technical grade, we are expanding our main product sales and promotion activities in close cooperation with sales companies and clients.

In overseas agrochemical sales, though the trend of the exchange rate has been unclear, in the Asian region, we are working to not only maintain and expand existing products including insecticide Applaud, but we are also working on the expansion of the sales and application of Phoenix.

In Europe, some products were affected by the EU agrochemical re-registration, and we are working to strengthen the system for business advancement and sales power of Nichino Europe in the U.K. In the Americas, we are working on market expansion through U.S./Nichino America's advances with technology promotion and continual sales technology support, and we are working to expand products.

In chemicals and other products, we are concentrating our efforts on expanding sales by expanding the market for the fields of home gardening chemicals as well as lawn and landscape chemicals, and on expanding the market for our organic intermediate business.

The forecast for this term's consolidated results is as follows: sales figures of 39,000 million yen (a 2.6% increase over the previous term), ordinary profit of 3,200 million yen (an 11.4% decrease from the previous term), and net profit for this term of 2,100 million yen (a 2.6% increase over the previous term) is forecasted. With our company's 3-year medium-term management plan (Nichino Step Forward Plan 2009) which we began in 2007, we have been aiming toward the continual expansion of profitability

and strengthening of competitive business power. This term is part of the last fiscal year of this plan, and we have been aiming to bolster the foundation for earnings and competitive strength in order to continue stable business through the steady success of this plan.

### **Question 3**

Please add some final comments for our shareholders

### **Answer 3**

In the global agrochemical industry, companies have been moving forward with business reorganization, and the top 6 overseas companies account for 75% of the global agrochemical market. For our part, our company has cultivated research and development backed by unique concepts and observational skills. This is linked to the ability to develop new chemicals and to development and promotion techniques that are widely accepted not only in Japan but in the global agrochemical market, and I believe that these are our company's main distinguishing characteristics and they represent our strengths when it comes to research and development. By fine-tuning these strengths even further, and by aggressively working toward overseas expansion, as a research and development global niche business we are making not only global strides, but with the determination to continue our quest for safety, we are persistently moving forward with technological innovations as we aim to improve the value of our business. In response to the continuous support of our shareholders, it was decided that an interim cash dividend of 4.5 yen per share (an increase of 1 yen per share over the dividend issued for the same period of the previous year) would be issued. We are planning to have the total dividend for the whole year amount to 9 yen per share.

In closing, we respectfully ask our shareholders for their continued support and encouragement.

March 2009

President Yohichi Kohyama