

Message to shareholders

Question 1.

Please discuss the results for the first half of this fiscal year .

Answer 1.

Regarding the conditions surrounding the domestic agricultural industry, there are structural issues that remain unsolved such as the problems involving the decreased number of farmers due to trends in low profitability and an aging population. On the other hand, the government has made an effort in deciding on mid-to long-term policies that should be followed to deal with food and the agricultural industry, and new progress has been made such as the implementation of the “individual household income support system” and other such policies for the revitalization of Japan’s agricultural industry and improvement of food self-sufficiency.

Domestic agrochemical shipment trends continued at a slightly lower level than the same period of the previous fiscal year due to effects such as the squeeze on distributor inventory and worsening agricultural management that have been present through the first half of this fiscal year.

Under these conditions, our company group worked on the expansion of proprietary product sales and overseas business. As a result of these efforts, our consolidated sales figures for the first half of this fiscal year totaled 24,297 million yen (a 6.5% increase of 1,481 million yen from the same period of the previous year), operating profit was 2,849 million yen (a 17.0% decrease of 581 million yen from the same period of the previous year), ordinary profit was 2,663 million yen (a 19.2% decrease of 634 million yen from the same period of the previous year), and the net profit for the first half of this fiscal year totaled 1,548 million yen (a 10.8% decrease of 187 million yen from the same period of the previous year).

Question 2.

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

Answer 2 .

In domestic agrochemical sales, though we continue to face a difficult business environment, we are aiming to promote and expand sales of products such as horticultural insecticide Phoenix, paddy rice fungicide V-get, and paddy rice herbicide Ippon. In overseas agrochemical sales, though the exchange rate trends remain uncertain, in Asia we are maintaining and expanding sales of existing products, and we are also moving forward with promoting, expanding, and increasing the practical usage of Phoenix. In Europe, we are working on strengthening business operations and our sales capabilities through our 100% subsidized UK company, Nichino Europe Co., Ltd. In the Americas, especially at Nichino America Inc., we are aiming to grow our market position in the U.S. by expanding practical usage of our existing products and developing new products. In chemical products, we are working to increase production of organic intermediates and to expand sales of products such as home and garden chemicals.

In regard to our estimated figures for this fiscal year, the forecast is for sales figures of 39,500 million yen (a 3.6% increase from the previous year), ordinary profit of 2,800 million yen (a 12.7% decrease from the previous year), and net profit for this fiscal year of 1,600 million yen (a 3.5% decrease from the previous year).

Question 3.

Please discuss the key strategies of the new mid-term management plan.

Answer 3 .

Our company is moving forward with our new 3-year mid-term management plan, “Change Tomorrow for 2012” with this fiscal year as its first year. Key strategies include the strengthening of our chemical product development abilities and the foundation for our research, as well as our abilities to expand overseas business. Currently, the probability of developing a new agrochemical is said to be 1 chemical product out of 100,000 chemical compounds, and the degree of difficulty in accomplishing this task is rapidly increasing. Therefore, we are further strengthening our research and development capabilities, by continually putting people to work in the field of compound synthesis and the field of compound activity evaluation, and by putting at least 10 % of our sales figures toward research and development expenses.

In addition, in overseas expansion, we are working toward building up our trilateral framework involving Asia, the Americas (including Oceania), and Europe (including Middle East and Africa). Over the past several years, Asia has been the region which has shown rapid growth in sales. From now on, the countries which are expected to show particularly extensive growth are China, India, and Brazil. At our company, though there is a representative office in Shanghai, we would like to incorporate it into a local incorporated company in the near future. Our vision also includes the establishment of a representative office in India. Furthermore, in Europe we are working on broadening our spectrum of activities such as direct sales and local contracted production of proprietary products at Nichino Europe Co., Ltd. in the U.K.

For our consolidated results for fiscal 2012, the final year of our new mid-term management plan, we are expecting sales figures of 42,500 million yen, operating profit of 3,500 million yen, ordinary profit of 3,300 million yen, and net profit for fiscal 2012 of 2,000 million yen.

Question 4.

In closing, please add some final comments for your shareholders.

Answer 4.

While the demand for agricultural products is increasing based on the recent increase in global population as well as the increase in demand for biofuels, the conditions surrounding the agricultural industry are changing significantly with effects such as the shortage of water resources and desertification trends resulting from global warming. In Japan, as well, there has been increased discussion on the improvement of the rate of food self-sufficiency and a growing level of concern about the agricultural industry. Under these conditions, as a research and development company, we are making daily progress in the development of new technology, and our entire company is making a unified effort in striving to take the proper responsibility to contribute to society through the development of new products that have a high degree of safety and are gentle to the environment.

In response to the continued support of our shareholders, we have issued a mid-term dividend of 4.50 yen per share. We are expecting to issue a full-year dividend of 9 yen per share.

We respectfully ask our shareholders for your continued support and encouragement.

March 2010

Yohichi Kohyama

President

Nihon Nohyaku Co.,Ltd.