Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 12, 2022

Company name: NIHON NOHYAKU CO., LTD.
Stock exchange listing: Tokyo
Stock code: 4997 URL https://www.nichino.co.jp/
Representative: President Yosuke Tomoi
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Date of ordinary general meeting of shareholders: June 22, 2022
Date of commencement of dividend payments: June 23, 2022
Scheduled date to file Securities Report: June 23, 2022
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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	81,910	14.5	6,642	(4.9)	5,768	0.8	4,502	3.6
Fiscal year ended March 31, 2021	71,525	–	6,981	–	5,722	–	4,344	–

(Note) Comprehensive income: Fiscal year ended March 31, 2022: 5,342 million yen [12.9%]
Fiscal year ended March 31, 2021: 4,731 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, 2022	57.32	–	7.1	5.1	8.1
Fiscal year ended March 31, 2021	55.23	–	7.4	5.4	9.8

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2022: 508 million yen
Fiscal year ended March 31, 2021: 282 million yen

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the consolidated fiscal year ended March 31, 2022, and the figures for the fiscal year ended March 31, 2022 are presented after the application of such accounting standard, etc.

(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, 2022	118,247	66,956	55.5	835.39
As of March 31, 2021	107,969	62,071	56.4	774.76

(Reference) Equity: As of March 31, 2022: 65,593 million yen
As of March 31, 2021: 60,924 million yen

(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, 2022	(3,080)	(706)	(2,558)	11,061
Fiscal year ended March 31, 2021	5,778	(283)	(199)	17,414

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, 2021	–	7.50	–	7.50	15.00	1,181	27.2	2.0
Fiscal year ended March 31, 2022	–	7.50	–	7.50	15.00	1,181	26.2	1.9
Fiscal year ending March 31, 2023 (Forecast)	–	8.00	–	8.00	16.00		27.9	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	39,300	23.0	2,000	28.4	1,800	19.2	1,400	(8.5)	17.82
Full year	91,300	11.5	6,900	3.9	6,200	7.5	4,500	(0.1)	57.29

The Group’s core business, the agrochemicals business goes through a period of low demand during the second quarter in the Northern Hemisphere due to seasonality, and net sales and profits both tend to remain at a low level.

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022
(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:	No
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, 2022	81,967,082 shares	As of March 31, 2021	81,967,082 shares

Number of treasury shares at the end of the period

As of March 31, 2022	3,542,965 shares	As of March 31, 2021	3,330,355 shares

Average number of shares during the period

Fiscal year ended March 31, 2022	78,551,480 shares	Fiscal year ended March 31, 2021	78,670,703 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, 2022 (April 1, 2021 - March 31, 2022)

(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, 2022	47,151	9.4	3,377	0.2	4,457	15.8	3,557	18.9
Fiscal year ended March 31, 2021	43,110	–	3,369	–	3,850	–	2,993	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2022	45.29	–
Fiscal year ended March 31, 2021	38.05	–

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022, and the figures for the fiscal year ended March 31, 2022 are presented after the application of such accounting standard, etc.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	89,220	63,317	71.0	807.38
As of March 31, 2021	87,007	61,093	70.2	776.91

(Reference) Equity: As of March 31, 2022: ¥ 63,317 million
As of March 31, 2021: ¥ 61,093 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, 2022
During the fiscal year ended March 31, 2022 (the “fiscal year under review”), the Japanese economy saw signs of social and economic activities returning to normal as seen in a recovery of corporate production activities and solid consumer spending, along with the progress of COVID-19 vaccine rollout. However, it is still not possible to foresee when the pandemic will end due in part to the number of infections with new variants remaining at a high level. Furthermore, the economic outlook remains uncertain due to factors such as rising geopolitical risks including the situation in Ukraine and increases in raw material prices.

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 agrochemicals market in North America remained strong, benefiting from continued mild weather. In Central and South America, demand has grown in Brazil thanks to expanded soy bean and maize planted areas, among other factors. In Asia, demand has grown in Southeast Asia and other regions, benefiting from improved weather. In Europe, the overall market has shifted to an upward trend thanks to the progress of the liquidation of distribution inventories remaining from the past years.

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 new, three-year medium-term management plan, “Ensuring Growing Global 2 (EGG 2),” which began in the current fiscal year, and has worked to improve profitability, establish technological innovation and next-generation businesses, and sustainably enhance corporate value. For the consolidated fiscal year under review, net sales amounted to 81,910 million yen (up 10,385 million yen or 14.5% year-on-year). In terms of profits, operating profit came to 6,642 million yen (down 339 million yen or 4.9% year-on-year), ordinary profit was 5,768 million yen (up 46 million yen or 0.8% year-on-year). Profit attributable to owners of parent was 4,502 million yen (up 157 million yen or 3.6% year-on-year).

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 fungicide pyraziflumid for horticultural use (product name: “Parade”). In May 2021, the Company concluded a sales agreement in Japan with Corteva Agriscience Japan Limited and Dow AgroSciences Japan Limited (hereinafter collectively referred to as “Corteva”), in order to expand the share of the domestic agrochemicals market. Overall domestic agrochemicals sales increased year-on-year owing to the start of selling Corteva products from October 2021.

For overseas agrochemicals sales, Sipcam Nichino Brasil S.A. recorded a growth in net sales due to strong sales of flubendiamide, an insecticide launched in the previous fiscal year in addition to a rebound in demand for agrochemicals in Brazil, the world’s largest market. In North America, Nichino America, Inc. recorded a growth in net sales driven by the sales of products such as pyraflufen-ethyl, an herbicide that took market share away from competing products. In Europe, sales of the active ingredient flubendiamide for Bayer remained strong. In Asia, sales of the tolfenpyrad insecticide for horticultural use remained strong in India.

Furthermore, benzpyrimoxan (product name: "Orchestra"), a novel insecticide for paddy rice, for which Nichino India Pvt. Ltd. had submitted an agrochemical registration application in India in February 2019, acquired agrochemical registration as of February 3, 2022.

As a result of the above, net sales of the agrochemicals business amounted to 76,801 million yen (up 11,414 million yen or 17.5% year-on-year) and operating profit amounted to 6,240 million yen (up 241 million yen or 4.0% year-on-year).

[Chemicals other than agrochemicals business]
In the chemicals business, AgriMart Corporation experienced robust sales of termiticides due mainly to a shift in the number of new housing starts in 2021 to an increasing trend for the first time in five years. Meanwhile, in the pharmaceutical business, sales of topical antifungal drug luliconazole were sluggish due in part to a decrease in the number of outpatients in medical institutions caused by the spread of COVID-19.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 3,465 million yen (down 813 million yen or 19.0% year-on-year) and operating profit amounted to 960 million yen (down 510 million yen or 34.7% 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, 2022 increased by 10,277 million yen from the end of the previous fiscal year to 118,247 million yen. Total liabilities as of March 31, 2022 increased by 5,392 million yen to 51,290 million yen from the end of the previous fiscal year. Net assets as of March 31, 2022 increased by 4,884 million yen to 66,956 million yen.

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

Cash and cash equivalents ("net cash") as of March 31, 2022 increased by 6,353 million yen from the end of the previous year to 11,061 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 3,080 million yen. This was mainly due to an increase in inventories by 9,108 million yen, partially offset by an increase in trade payables of 4,725 million yen.

(Cash flows from investing activities)
Net cash used in investing activities amounted to 706 million yen. This was mainly due to purchase of property, plant and equipment of 1,394 million yen, partially offset by net proceeds from withdrawal of time deposits of 760 million yen.

(Cash flows from financing activities)
Net cash used in financing activities amounted to 2,558 million yen. This was mainly due to repayments of short-term borrowings of 6,015 million yen, repayments of long-term borrowings of 3,023 million yen, and dividends paid of 1,201 million yen, partially offset by proceeds from short-term borrowings of 7,741 million yen.

(4) Future outlook

The Group has been engaged in the initiatives of the medium-term management plan, “Ensuring Growing Global 2 (EGG2)” 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 strive for a full-fledged promotion of benzpyrimoxan (product name: “Orchestra”) launched in the fiscal year under review and Corteva products, 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 fungicide flutolanil and also by reinforcing businesses in Mexico. We will also make efforts to establish 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 the nail tinea segment.

In light of the operational environment of the respective business segments under review, the Company forecasts net sales of 91,300 million yen (up 11.5% year-on-year), operating profit of 6,900 million yen (up 3.9% year-on-year), ordinary profit of 6,200 million yen (up 7.5% year-on-year), and profit attributable to owners of parent of 4,500 million yen (down 0.1% 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	19,278	12,224
Notes and accounts receivable - trade	32,460	–
Notes and accounts receivable - trade, and contract assets	–	36,010
Electronically recorded monetary claims - operating	1,817	2,077
Merchandise and finished goods	16,009	22,395
Work in process	566	769
Raw materials and supplies	5,482	9,531
Other	2,990	4,709
Allowance for doubtful accounts	(180)	(366)
Total current assets	78,425	87,351
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,449	4,180
Machinery, equipment and vehicles, net	3,567	3,682
Land	5,906	5,898
Construction in progress	64	281
Other, net	663	738
Total property, plant and equipment	14,651	14,781
Intangible assets		
Goodwill	2,812	2,794
Software	464	540
Other	842	883
Total intangible assets	4,119	4,218
Investments and other assets		
Investment securities	5,805	6,955
Deferred tax assets	1,103	1,499
Retirement benefit asset	1,903	1,515
Other	2,308	2,303
Allowance for doubtful accounts	(347)	(377)
Total investments and other assets	10,773	11,896
Total non-current assets	29,544	30,895
Total assets	107,969	118,247

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,827	19,406
Electronically recorded obligations - operating	1,221	1,117
Short-term borrowings	10,901	10,477
Current portion of bonds payable	193	202
Accrued expenses	5,416	4,522
Income taxes payable	410	955
Provision for bonuses	757	869
Provision for bonuses for directors (and other officers)	42	41
Provision for sales returns	36	–
Provision for environmental measures	508	–
Electronically recorded obligations - non-operating	49	47
Liabilities related to charged supply	–	1,007
Other	1,957	2,533
Total current liabilities	35,323	41,180
Non-current liabilities		
Bonds payable	1,381	1,226
Long-term borrowings	6,348	6,128
Deferred tax liabilities	561	96
Provision for retirement benefits for directors (and other officers)	47	56
Provision for share awards	50	76
Retirement benefit liability	691	839
Other	1,492	1,686
Total non-current liabilities	10,574	10,110
Total liabilities	45,897	51,290
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	34,992	39,162
Treasury shares	(1,801)	(1,906)
Total shareholders' equity	63,201	67,266
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	893	846
Foreign currency translation adjustment	(4253)	(3,201)
Remeasurements of defined benefit plans	1,083	682
Total accumulated other comprehensive income	(2,276)	(1,673)
Non-controlling interests	1,146	1,363
Total net assets	62,071	66,956
Total liabilities and net assets	107,969	118,247

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	71,525	81,910
Cost of sales	47,317	56,164
Gross profit	24,207	25,746
Selling, general and administrative expenses	17,225	19,103
Operating profit	6,981	6,642
Non-operating income		
Interest income	85	86
Dividend income	88	82
Share of profit of entities accounted for using equity method	282	508
Gain on valuation of derivatives	275	–
Rental income from real estate	93	110
Other	192	105
Total non-operating income	1,017	892
Non-operating expenses		
Interest expenses	458	515
Foreign exchange losses	1,598	982
Loss on valuation of derivatives	–	98
Sales discounts	32	64
Other	187	106
Total non-operating expenses	2,277	1,766
Ordinary profit	5,722	5,768
Extraordinary income		
Gain on sale of non-current assets	1,689	209
Gain on sale of investment securities	–	39
Total extraordinary income	1,689	248
Extraordinary losses		
Loss on disposal of non-current assets	53	25
Impairment losses	–	141
Environmental expenses	1,498	28
Other	9	3
Total extraordinary losses	1,561	198
Profit before income taxes	5,850	5,818
Income taxes - current	1,537	1,809
Income taxes - deferred	288	(671)
Total income taxes	1,825	1,138
Profit	4,024	4,679
Profit (loss) attributable to non-controlling interests	(320)	177
Profit attributable to owners of parent	4,344	4,502

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	4,024	4,679
Other comprehensive income		
Valuation difference on available-for-sale securities	310	(47)
Foreign currency translation adjustment	(108)	969
Remeasurements of defined benefit plans, net of tax	452	(401)
Share of other comprehensive income of entities accounted for using equity method	53	141
Total other comprehensive income	707	662
Comprehensive income	4,731	5,342
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,461	5,105
Comprehensive income attributable to non-controlling interests	(729)	236

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,939	15,068	31,553	(1,728)	59,832
Changes during period					
Change in ownership interest of parent due to transactions with non-controlling interests		3			3
Dividends of surplus			(905)		(905)
Profit attributable to owners of parent			4,344		4,344
Disposal of treasury shares				1	1
Purchase of treasury shares				(75)	(75)
Change in scope of equity method					–
Net changes in items other than shareholders' equity					
Total changes during period	–	3	3,438	(73)	3,368
Balance at end of period	14,939	15,071	34,992	(1,801)	63,201

	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	583	(4,607)	630	(3,392)	1,933	58,372
Changes during period						
Change in ownership interest of parent due to transactions with non-controlling interests						3
Dividends of surplus						(905)
Profit attributable to owners of parent						4,344
Disposal of treasury shares						1
Purchase of treasury shares						(75)
Change in scope of equity method						–
Net changes in items other than shareholders' equity	310	353	452	1,116	(786)	330
Total changes during period	310	353	452	1,116	(786)	3,698
Balance at end of period	893	(4,253)	1,083	(2,276)	1,146	62,071

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
Changes during period					
Change in ownership interest of parent due to transactions with non-controlling interests					–
Dividends of surplus			(1,181)		(1,181)
Profit attributable to owners of parent			4,502		4,502
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	–	–	4,170	(104)	4,065
Balance at end of period	14,939	15,071	39,162	(1,906)	67,266

	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
Changes during period						
Change in ownership interest of parent due to transactions with non-controlling interests						–
Dividends of surplus						(1,181)
Profit attributable to owners of parent						4,502
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)	1,051	(401)	603	216	819
Total changes during period	(47)	1,051	(401)	603	216	4,884
Balance at end of period	846	(3,201)	682	(1,673)	1,363	66,956

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,850	5,818
Depreciation	1,476	1,535
Impairment losses	–	141
Amortization of goodwill	243	214
Increase (decrease) in provision for environmental measures	508	(508)
Interest and dividend income	(173)	(168)
Interest expenses	458	515
Share of loss (profit) of entities accounted for using equity method	(282)	(508)
Loss (gain) on sale of property, plant and equipment	(1,689)	(209)
Loss on retirement of property, plant and equipment	53	25
Decrease (increase) in trade receivables	(2,589)	(2,691)
Decrease (increase) in inventories	(397)	(9,108)
Increase (decrease) in trade payables	1,915	4,725
Other, net	2,724	(1,439)
Subtotal	8,098	(1,658)
Interest and dividends received	305	323
Interest paid	(391)	(444)
Income taxes paid	(2,233)	(1,300)
Net cash provided by (used in) operating activities	5,778	(3,080)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,235)	(1,394)
Proceeds from sale of property, plant and equipment	1,700	212
Purchase of intangible assets	(188)	(247)
Payments into time deposits	(1,814)	(1,100)
Proceeds from withdrawal of time deposits	1,393	1,860
Loan advances	–	(94)
Other, net	(139)	57
Net cash provided by (used in) investing activities	(283)	(706)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	5,725	7,741
Repayments of short-term borrowings	(5,191)	(6,015)
Proceeds from long-term borrowings	3,637	398
Repayments of long-term borrowings	(2,993)	(3,023)
Redemption of bonds	(199)	(206)
Repayments of lease liabilities	(143)	(141)
Purchase of treasury shares	(75)	(110)
Dividends paid	(905)	(1,181)
Dividends paid to non-controlling interests	(12)	(20)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(41)	–
Net cash provided by (used in) financing activities	(199)	(2,558)
Effect of exchange rate change on cash and cash equivalents	(467)	(7)
Net increase (decrease) in cash and cash equivalents	4,828	(6,353)
Cash and cash equivalents at beginning of period	12,586	17,414
Cash and cash equivalents at end of period	17,414	11,061

(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.

The consolidated subsidiary Nichino Chemical India Pvt. Ltd. has been excluded from the scope of consolidation due to it being absorbed by Nichino India Pvt. Ltd.as of March 1, 2022.

(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.

Tama Kagaku Kogyo Co., Ltd. has become an entity accounted for using the equity method from the fiscal year under review due to an increase in materiality.

(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 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 contract of finished goods is recovered mainly within a year from the time the goods are transferred to the customer and does not include material financial elements.

(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, liabilities, revenue and expenses of subsidiaries overseas, etc. are converted into Japanese yen in the spot exchange rate on the day of the consolidated closing date, 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 Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer.

Accordingly, with regard to certain transactions in which the Group acts as an agent in providing the goods or services to a customer, while the Company had previously recognized the gross amount of consideration to be received from the customer as revenue, it now recognizes revenue at the net amount after deducting the amount to be paid to the supplier of the goods from the amount to be received from the customer. Additionally, with regard to charged supplying transactions, while the Company had previously recognized the extinguishment of the charged supplied goods, the Company has shifted to the method by which it does not recognize extinguishment in cases where it assumes the obligation to repurchase the supplied goods.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the fiscal year under review, is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from the said beginning balance.

Additionally, “Notes and accounts receivable -trade,” which was presented under “Current assets” in the consolidated balance sheet for the previous fiscal year, is instead included in “Notes and accounts receivable - trade, and contract assets” from the fiscal year under review. However, in accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method.

As a result, raw materials on the consolidated balance sheet as of the end of the fiscal year under review increased by 1,003 million yen, while net sales and cost of sales on the consolidated statements of income decreased by 527 million yen and 524 million yen, respectively, compared to those prior to the application of the Accounting Standard for Revenue Recognition.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. effective from the beginning of the fiscal year under review and in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. into the future. This application has no impact on the consolidated financial statements of the fiscal year under review.

(Additional information)

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.

The Company has applied the Accounting Standard for Revenue Recognition, etc., effective from the consolidated financial statements of the fiscal year under review, as stated in “Changes in accounting policies,” and due to the change in the accounting treatment of revenue recognition, it has similarly changed the method of calculating profit (loss) of business segments.

As a result of this change, for the fiscal year under review, net sales of the agrochemicals business, net sales of the chemicals other than agrochemicals business, and net sales of other business decreased by 405 million yen, 87 million yen, and 34 million yen, respectively, compared to the amounts calculated using the previous method.

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

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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	65,386	4,279	69,665	1,859	71,525	–	71,525
Inter-segment net sales or transfers	22	0	22	1,055	1,077	(1,077)	–
Total	65,408	4,279	69,688	2,914	72,603	(1,077)	71,525
Segment profit	5,998	1,470	7,469	382	7,852	(870)	6,981
Segment assets	89,840	3,300	93,140	2,498	95,639	12,330	107,969
Other items							
Depreciation (Note 4)	1,358	19	1,378	98	1,476	–	1,476
Amortization of goodwill	200	42	243	–	243	–	243
Investment in entities accounted for using equity method	2,958	–	2,958	–	2,958	–	2,958
Increase in property, plant and equipment, and intangible assets	1,466	18	1,484	52	1,537	–	1,537

(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 870 million yen adjustment for segment profit includes minus 870 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.
The 12,330 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, 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	76,801	3,465	80,266	1,643	81,910	–	81,910
Inter-segment net sales or transfers	17	0	17	738	755	(755)	–
Total	76,818	3,465	80,284	2,381	82,665	(755)	81,910
Segment profit	6,240	960	7,200	301	7,502	(859)	6,642
Segment assets	106,224	3,128	109,353	2,087	111,440	6,806	118,247
Other items							
Depreciation (Note 4)	1,407	26	1,434	101	1,535	–	1,535
Amortization of goodwill	214	–	214	–	214	–	214
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	1,531	45	1,577	87	1,665	–	1,665

(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.

(Per share information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net asset per share	Yen 774.76	Yen 836.39
Earnings per share	Yen 55.23	Yen 57.32

(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 103,793 shares during the previous period, and 222,505 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 137,493 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, 2021	Fiscal year ended March 31, 2022
Profit attributable to owners of parent	4,344	4,502
Amount not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	4,344	4,502
Average number of common shares during the period	78,670,703 shares	78,551,480 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.