

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 (Based on Japanese GAAP)

August 9, 2022

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Scheduled date to file Quarterly Securities Report: August 9, 2022
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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	24,015	45.5	2,781	68.5	3,085	74.6	2,509	53.3
Three months ended June 30, 2021	16,506	–	1,650	–	1,767	–	1,637	–

(Note) Comprehensive income: Three months ended June 30, 2022: 4,522 million yen [318.6%]
Three months ended June 30, 2021: 1,080 million yen [-%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	32.00	–
Three months ended June 30, 2021	20.83	–

The figures for the three months ended June 30, 2021 are presented after being retrospectively restated reflecting changes in accounting policies. The year-on-year percentage changes for the three months ended June 30, 2021 are not presented due to the retrospective application of the changes in accounting policies.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	127,703	70,868	54.3
As of March 31, 2022	118,247	66,956	55.5

(Reference) Equity: As of June 30, 2022: 69,337 million yen
As of March 31, 2022: 65,593 million yen

The figures for the fiscal year ended March 31, 2022 are presented after being retrospectively restated reflecting changes in accounting policies.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	7.50	–	7.50	15.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		8.00	–	8.00	16.00

(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, 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	46,400	47.4	4,300	197.6	4,200	167.8	3,100	100.2	39.53
Full year	98,000	22.3	8,800	52.7	7,800	37.7	5,400	22.6	68.86

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

Due to the retrospective application of the changes in accounting policies, the year-on-year percentage changes are calculated using figures for the previous period retrospectively restated.

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022
(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: | Yes |
| Changes in accounting policies due to other reasons: | Yes |
| 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 June 30, 2022	81,967,082 shares	As of March 31, 2022	81,967,082 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	3,543,095 shares	As of March 31, 2022	3,542,965 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	78,424,004 shares	Three months ended June 30, 2021	78,636,665 shares
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Shares of the Company held by the share grant trust for the Company's officers are included in treasury shares which are deducted 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 three months ended June 30, 2022, the Japanese economy saw signs of social and economic activities returning to normal as seen in a recovery of consumer spending and improvements in corporate earnings attributable to the easing of COVID-19-related restrictions. However, it is still not possible to foresee when the pandemic will end as the number of infections has turned to an increasing trend again due to the spread of new variants, among other factors. Furthermore, the economic outlook has remained uncertain owing to factors, such as the drastic depreciation of the Japanese yen and increases in energy prices caused by the Russian invasion of Ukraine.

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

For the three months ended June 30, 2022, net sales amounted to 24,015 million yen (up 7,509 million yen or 45.5% year-on-year), thanks to the strong performance of our core business, the agrochemicals business, in overseas countries. In terms of profits, operating profit came to 2,781 million yen (up 1,130 million yen or 68.5% year-on-year), ordinary profit was 3,085 million yen (up 1,318 million yen or 74.6% year-on-year), and profit attributable to owners of parent was 2,509 million yen (up 872 million yen or 53.3% year-on-year).

To translate revenue and expenses of consolidated subsidiaries overseas, etc. into Japanese yen, we changed methods effective from the first quarter of the fiscal year under review from the one using the spot market exchange rate prevailing on the respective balance sheet dates of these companies to the one using the average exchange rate for the respective periods. Accordingly, year-on-year comparisons are drawn based on the figures adjusted retrospectively. For details, see “2. Quarterly consolidated financial statements and primary notes, (3) Notes to quarterly consolidated financial statements, (Changes in accounting policies).”

The state of the reportable segments during the three months ended June 30, 2022 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 pyriproxyfen, an insecticide for horticultural (product name: COLT). The Company concluded a sales agreement with Corteva Agriscience Japan Limited and Dow AgroSciences Japan Limited (hereinafter collectively referred to as “Corteva”) in May 2021 in order to expand the share in the domestic agrochemicals market. Overall domestic sales increased year on year owing in part to the start of selling Corteva products from October 2021.

For overseas agrochemicals sales, with the continuing warm climate, North America experienced a greater-than-usual tick infestation resulting in the growing demand for acaricide fenpyroximate, which increased net sales for Nichino America, Inc. Additionally, in Europe, net sales of Nichino Europe Co., Ltd. increased due mainly to increased sales of the herbicide pyraflufen-ethyl, which took away shares from competing products. Furthermore, in Brazil, where demand for agrochemicals has been trending higher, Sipcam Nichino Brasil S.A. reported increased net sales, driven by successful sales strategies for herbicides for sugar cane plants, and accordingly, overseas agrochemicals sales overall exceeded the levels of the same period of the previous fiscal year.

As a result of the above, net sales of the agrochemicals business amounted to 22,437 million yen (up 7,545 million yen or 50.7% year-on-year) and operating profit amounted to 2,558 million yen (up 1,293 million yen or 102.3% year-on-year).

[Chemicals other than agrochemicals business]

In the chemicals business, AgriMart Corporation experienced robust sales of anti-infectives. Meanwhile, in the pharmaceutical business, sales of topical antifungal drug luliconazole were sluggish both for tinea pedis and tinea unguium.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 1,151 million yen (down 105 million yen or 8.4% year-on-year) and operating profit amounted to 367 million yen (down 156 million yen or 29.8% year-on-year).

(2) Explanation of financial position

Total assets as of June 30, 2022 increased by 9,455 million yen from the end of the previous fiscal year to 127,703 million yen. This was due primarily to increases in notes and accounts receivable and inventories exceeding the decrease in cash and deposits.

Total liabilities as of June 30, 2022 increased by 5,543 million yen from the end of the previous fiscal year to 56,834 million yen. This was due primarily to increases in trade payables and short-term borrowings exceeding the decrease in long-term borrowings.

Net assets as of June 30, 2022 increased by 3,912 million yen from the end of the previous fiscal year to 70,868 million yen. This was due primarily to increases in accumulated other comprehensive income including foreign currency translation adjustment and retained earnings resulting from profit attributable to owners of parent.

(3) Explanation of the forecast of consolidated financial results and other forward-looking information

The forecasts of consolidated financial results for the six months ending September 30, 2022 and the full year ending March 31, 2023, announced on May 12, 2022, have been revised. For details, see the “Notice of Revision to Forecast of Financial Results” announced today (August 9, 2022).

2. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	12,224	8,693
Notes and accounts receivable - trade, and contract assets	36,010	39,393
Electronically recorded monetary claims - operating	2,077	3,834
Merchandise and finished goods	22,395	24,371
Work in process	769	833
Raw materials and supplies	9,531	13,872
Other	4,709	3,954
Allowance for doubtful accounts	(366)	(415)
Total current assets	87,351	94,537
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,180	4,221
Machinery, equipment and vehicles, net	3,682	3,686
Land	5,898	5,660
Other, net	1,019	1,177
Total property, plant and equipment	14,781	14,746
Intangible assets		
Goodwill	2,794	2,919
Other	1,424	1,496
Total intangible assets	4,218	4,416
Investments and other assets		
Investment securities	6,955	7,592
Other	5,318	6,886
Allowance for doubtful accounts	(377)	(475)
Total investments and other assets	11,896	14,003
Total non-current assets	30,895	33,165
Total assets	118,247	127,703

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,406	22,130
Electronically recorded obligations - operating	1,117	1,001
Short-term borrowings	10,477	12,362
Current portion of bonds payable	202	–
Income taxes payable	955	1,101
Provision for bonuses	869	396
Other provisions	41	–
Electronically recorded obligations - non-operating	47	99
Other	8,062	10,477
Total current liabilities	41,180	47,569
Non-current liabilities		
Bonds payable	1,226	1,535
Long-term borrowings	6,128	4,685
Retirement benefit liability	839	856
Other provisions	132	132
Other	1,782	2,053
Total non-current liabilities	10,110	9,264
Total liabilities	51,290	56,834
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	38,855	40,775
Treasury shares	(1,906)	(1,906)
Total shareholders' equity	66,960	68,879
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	846	961
Deferred gains or losses on hedges	–	(94)
Foreign currency translation adjustment	(2,895)	(1,078)
Remeasurements of defined benefit plans	682	669
Total accumulated other comprehensive income	(1,367)	458
Non-controlling interests	1,363	1,530
Total net assets	66,956	70,868
Total liabilities and net assets	118,247	127,703

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	16,506	24,015
Cost of sales	10,924	16,460
Gross profit	5,582	7,554
Selling, general and administrative expenses	3,931	4,773
Operating profit	1,650	2,781
Non-operating income		
Interest income	17	44
Dividend income	44	54
Rental income from real estate	27	26
Foreign exchange gains	–	1,254
Share of profit of entities accounted for using equity method	299	368
Gain on valuation of derivatives	196	–
Other	26	45
Total non-operating income	612	1,795
Non-operating expenses		
Interest expenses	125	158
Foreign exchange losses	346	–
Loss on valuation of derivatives	–	1,312
Other	23	20
Total non-operating expenses	495	1,490
Ordinary profit	1,767	3,085
Extraordinary income		
Gain on sale of non-current assets	209	–
Total extraordinary income	209	–
Extraordinary losses		
Loss on disposal of non-current assets	2	0
Loss on valuation of investment securities	1	–
Total extraordinary losses	3	0
Profit before income taxes	1,972	3,085
Income taxes	515	581
Profit	1,457	2,503
Loss attributable to non-controlling interests	(180)	(6)
Profit attributable to owners of parent	1,637	2,509

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,457	2,503
Other comprehensive income		
Valuation difference on available-for-sale securities	(108)	115
Deferred gains or losses on hedges	–	(188)
Foreign currency translation adjustment	(322)	1,905
Remeasurements of defined benefit plans, net of tax	(15)	(12)
Share of other comprehensive income of entities accounted for using equity method	70	199
Total other comprehensive income	(377)	2,019
Comprehensive income	1,080	4,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,274	4,335
Comprehensive income attributable to non-controlling interests	(194)	187

(3) Notes to quarterly consolidated financial statements

(Notes on 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.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the first quarter of the fiscal year under review and in accordance with the transitional treatment provided for in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company will prospectively apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement. This application has no impact on the quarterly consolidated financial statements.

(Change in the method of translating revenue and expenses of consolidated subsidiaries overseas, etc.)

Revenue and expenses of consolidated subsidiaries overseas, etc. were previously translated into Japanese yen using the spot market exchange rate prevailing on the respective balance sheet dates of these companies. However, effective from the first quarter of the fiscal year under review, the Company changed the translation method to the one using the average exchange rate for the respective periods.

The change was made as a result of alterations in control systems in the Group that had been made against the backdrop of an increasing significance of consolidated subsidiaries overseas, etc., including integration of budget control systems. The change was also made to mitigate the impact of temporary fluctuations in exchange rates on profit or loss for the period, etc. and reflect revenue and expenses of consolidated subsidiaries overseas, etc., which are earned and incurred throughout the consolidated fiscal year, more appropriately in the consolidated financial statements.

The change in the accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the three months ended June 30, 2021 and the consolidated financial statements for the fiscal year ended March 31, 2022 have been adjusted retrospectively.

As a result of the change, net sales for the three months ended June 30, 2021 decreased by 41 million yen, operating profit decreased by 20 million yen, ordinary profit decreased by 5 million yen, profit before income taxes decreased by 5 million yen, profit attributable to owners of parent decreased by 5 million yen, and earnings per share decreased by 0.06 yen, compared to the figures before the retrospective application of the change.

In addition, with the cumulative effects reflected on the net assets at the beginning of the previous fiscal year, the retained earnings balance at the beginning of the previous fiscal year decreased by 209 million yen and the foreign currency translation adjustment balance at the beginning of the previous fiscal year increased by 209 million yen.

(Additional information)

(Accounting estimates related to the impact of the spread of COVID-19)

There have been no material changes to the statements in the Annual Securities Report (Additional Information) for the fiscal year ended March 31, 2022 regarding the accounting estimates related to the impact of the spread of COVID-19 and the assumptions based on such estimates for the three months ended June 30, 2022.

(Segment information, etc.)

[Segment information]

I For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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	14,891	1,257	16,149	357	16,506	–	16,506
Inter-segment net sales or transfers	6	–	6	157	163	(163)	–
Total	14,897	1,257	16,155	514	16,669	(163)	16,506
Segment profit	1,264	523	1,788	62	1,851	(200)	1,650

- (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 200 million yen adjustment for segment profit includes minus 200 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. 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	22,437	1,151	23,588	426	24,015	–	24,015
Inter-segment net sales or transfers	7	–	7	176	184	(184)	–
Total	22,444	1,151	23,596	603	24,199	(184)	24,015
Segment profit	2,558	367	2,925	72	2,998	(217)	2,781

- (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 217 million yen adjustment for segment profit includes minus 217 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.

2. Matters pertaining to changes in reportable segments

Revenue and expenses of consolidated subsidiaries overseas, etc. were previously translated into Japanese yen using the spot market exchange rate prevailing on the respective balance sheet dates of these companies. However, effective from the first quarter of the fiscal year under review, the Company changed the translation method to the one using the average exchange rate for the respective periods. Accordingly, the figures presented above for the three months ended June 30, 2021 are those that have been adjusted retrospectively to reflect the change in the accounting policy.