

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2024 (Based on Japanese GAAP)

May 13, 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 of ordinary general meeting of shareholders: June 19, 2024
Scheduled date of commencement of dividend payments: June 20, 2024
Scheduled date to file Securities Report: June 19, 2024
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, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	103,033	0.9	7,438	(14.9)	5,932	(23.7)	4,777	6.4
Fiscal year ended March 31, 2023	102,090	27.4	8,739	51.6	7,779	37.3	4,488	1.9

(Note) Comprehensive income: Fiscal year ended March 31, 2024: 8,607 million yen [16.2%]
Fiscal year ended March 31, 2023: 7,409 million yen [38.7%]

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	60.89	–	6.4	4.0	7.2
Fiscal year ended March 31, 2023	57.23	–	6.6	6.1	8.6

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2024: 404 million yen
Fiscal year ended March 31, 2023: 558 million yen

(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, 2024	157,983	80,396	49.4	994.96
As of March 31, 2023	136,652	73,125	51.9	904.26

(Reference) Equity: As of March 31, 2024: 78,068 million yen
As of March 31, 2023: 70,915 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, 2024	(344)	(4,808)	9,835	19,264
Fiscal year ended March 31, 2023	(1,923)	(1,338)	6,171	14,366

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, 2023	–	8.00	–	8.00	16.00	1,260	28.0	1.8
Fiscal year ended March 31, 2024	–	9.00	–	9.00	18.00	1,417	29.6	1.9
Fiscal year ending March 31, 2025 (Forecast)	–	10.00	–	10.00	20.00		32.7	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

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	38,700	(4.8)	1,200	2.0	1,000	5.1	1,200	72.4	15.30
Full year	104,500	1.4	8,100	8.9	6,700	12.9	4,800	0.5	61.18

Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2024
(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: | No |
| 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, 2024	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 March 31, 2024	3,503,567 shares	As of March 31, 2023	3,543,527 shares
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Average number of shares during the period

Fiscal year ended March 31, 2024	78,451,314 shares	Fiscal year ended March 31, 2023	78,423,788 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.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	52,811	0.1	3,809	(5.6)	5,161	(2.2)	4,054	(2.0)
Fiscal year ended March 31, 2023	52,755	11.9	4,036	19.5	5,275	18.3	4,137	16.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2024	51.68	–
Fiscal year ended March 31, 2023	52.76	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	104,301	69,414	66.6	884.67
As of March 31, 2023	94,764	66,343	70.0	845.97

(Reference) Equity: As of March 31, 2024: ¥ 69,414 million

As of March 31, 2023: ¥ 66,343 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.	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review	3
(3) Overview of cash flows for the fiscal year under review	3
(4) Future outlook	4
2. Basic Policy on Selection of Accounting Standards	4
3. Consolidated Financial Statements and Primary Notes	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and consolidated statements of comprehensive income	7
(3) Consolidated statements of changes in equity	9
(4) Consolidated statements of cash flows	11
(5) Notes to consolidated financial statements	13
(Going concern assumption)	13
(Significant matters on the basis of preparation of consolidated financial statements)	13
(Additional information)	17
(Segment information, etc.)	18
(Per share information)	21
(Significant subsequent events)	21
4. Other matters	21

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, 2024

During the fiscal year ended March 31, 2024 (the “fiscal year under review”), the global economy the global economy saw varied trends. In Europe, the economy remained weak due to the effects of monetary tightening arising from high inflation, while the U.S. economy continued to expand as personal consumption remained robust attributable to favorable employment conditions. Meanwhile, in Japan, although there were signs of improvement in corporate earnings and employment conditions, with global monetary tightening and a standstill in a rebound of the Chinese economy, the economy remained unstable.

In the environment surrounding agriculture, farm production continued growing since demand for agricultural products will expand on the background of an increasing global population and the economic development of emerging markets. The growth of agrochemicals markets worldwide slowed down in 2023 due to the impact of unfavorable weather conditions in many regions and significant price decline in major regions caused by increased distribution inventories of some commodities such as non-selective herbicides and other products used for general purposes, despite an upward trend thanks to increasing demand in the U.S. and other regions in recent years.

Looking at sales territories of the Group, in the domestic market, demand for agrochemicals remained weak due to fewer pests and diseases attributable to unfavorable weather conditions, including extreme heat, the impact of distribution inventories from previous years, and other factors.

In North America, demand for agrochemicals remained weak due to factors such as fewer pests than usual attributable to the persisted cold weather in some regions such as California and the impact of distribution inventories. In Central and South America, net sales of non-selective herbicides and other products decreased due to the impact of distribution inventories in Brazil, and prices declined significantly. In Asia, demand for agrochemicals remained weak due to the impact of unfavorable weather conditions, including major drought in India. Meanwhile, in Europe, demand for agrochemicals was strong thanks to a recovery from the effects of the drought the year before last.

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 fiscal year under review included the acquisition of all outstanding shares of Interagro (UK) Limited, a British manufacturer and distributor of adjuvants, other additives, and biostimulants, by our consolidated subsidiary Nichino Europe Co., Ltd. in April 2023, to expand our business portfolio beyond synthetic agrochemicals. Moreover, in our initiatives to strengthen and expand the business activities in Chili, where demand is high for agrochemicals for fruit trees and the horticultural fields, in which the Company excels, we established a local subsidiary there in October 2023. Furthermore, in India, our consolidated subsidiary Nichino India Pvt. Ltd. obtained a registration of a new insecticide mixture that contains benzpyrimoxan, a new insecticide for paddy rice, and started sales in December 2023. It also completed the construction and started the operation of a multi-purpose plant capable of manufacturing multiple active agrochemical ingredients.

For the consolidated fiscal year under review, net sales amounted to 103,033 million yen (up 942 million yen or 0.9% year-on-year) mainly due to the sales expansion of internally developed products in India in the agricultural chemicals business, the Group’s core business. In terms of profits, operating profit came to 7,438 million yen (down 1,300 million yen or 14.9% year-on-year) mainly due to the impact of a decline in prices of some generic products in Brazil, ordinary profit was 5,932 million yen (down 1,847 million yen or 23.7% year-on-year), and profit attributable to owners of parent was 4,777 million yen (up 288 million yen or 6.4% year-on-year) mainly due to lower income taxes in Brazil.

The state of the reportable segments during the fiscal year under review is as follows.

[Agrochemicals business]

Regarding agrochemicals sales in Japan, although there were fewer pests and diseases attributable to unfavorable weather conditions and the impact of distribution inventories from previous years, the effects of price revisions in the previous consolidated fiscal year contributed throughout the year, and efforts to promote and expand sales of core internally developed products, including such as benzpyrimoxan (product name: “Orchestra”), resulted in total net sales of agrochemicals in Japan exceeding those in the previous fiscal year.

For overseas agrochemicals sales, in Brazil, the world’s largest agrochemical market, net sales were sluggish, 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 sluggish net sales in the first half. However, it was generally strong in the second half of the year due to higher demand for the high-demand period. In Europe, net sales of insecticides, including the acaricide fenpyroximate were strong due to the

impact of a mite infestation in southern regions. In Asia, net sales grew steadily as our sales strategy to promote internally developed products, such as pyriproxyfen, insecticides for horticultural use, proved successful, despite the impact of unfavorable weather, such as the delayed rainy season in India. Furthermore, overall sales of agrochemicals overseas exceeded those of the previous fiscal year, due in part to the Japanese yen trending lower in the foreign exchange market.

As a result of the above, net sales of the agrochemicals business amounted to 97,552 million yen (up 999 million yen or 1.0% year-on-year) and operating profit amounted to 7,160 million yen (down 1,249 million yen or 14.9% year-on-year) due to the impact of the deterioration in profitability in Brazil.

[Chemicals other than agrochemicals business]

In the chemicals business, sales in the termiticide sector 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 3,756 million yen (down 9 million yen or 0.3% year-on-year) and operating profit amounted to 889 million yen (down 58 million yen or 6.2% 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, 2024 increased by 21,331 million yen from the end of the previous fiscal year to 157,983 million yen. Total liabilities as of March 31, 2024 increased by 14,060 million yen to 77,587 million yen from the end of the previous fiscal year. Net assets as of March 31, 2024 increased by 7,270 million yen to 80,396 million yen.

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

Cash and cash equivalents (“net cash”) as of March 31, 2024 increased by 4,897 million yen from the end of the previous year to 19,264 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 344 million yen. This was mainly due to an increase in trade receivables by 6,656 million yen causing a decrease in net cash partially offset by the recording of profit before income taxes of 5,858 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 4,808 million yen. This was mainly due to the purchase of shares of subsidiaries and associates of 2,621 million yen and purchase of property, plant and equipment of 1,595 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 9,835 million yen. This was mainly due to proceeds from long-term borrowings of 9,343 million yen and a net increase in short-term borrowings of 6,152 million yen, despite repayments of long-term borrowings of 4,062 million yen.

(4) Future outlook

Based on the medium-term management plan, “Growing Global for Sustainability (GGS),” the Group is engaging in initiatives of deepening its business strategies, advancing its environmental management, and promoting human capital management as well as achieving sustainability of both the entire society and the Group.

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 aim to increase sales and profits by accelerating the development of mainly internally developed products in the fruit tree and vegetable market, and by expanding our product lineup through the introduction of other companies' products.

For overseas agrochemicals sales, we will promote and expand the sales of benzpyrimoxan in the Asian region, while Nichino India Pvt. Ltd. will work to improve profitability by increasing the sales composition ratio of internally developed products, and strengthen its function to manufacture active ingredients through capital investment. In North America, Nichino America, Inc. will work on the expansion of business by cultivating the fruit tree and vegetable market with a focus on internally developed products, expanding product lineups through the introduction of other companies' products, and reinforcing businesses for Canada and Mexico. In Central and South America, Sipcam Nichino Brasil S.A. will work to improve profitability by increasing the sales composition ratio of internally developed products and expand sales to large-scale farmers. In Europe, we will strive to expand the product portfolio other than agrochemicals and create synergies with Nichino Europe Co., Ltd. and Interagro (UK) Ltd. along with cultivating the market for fruit trees, vegetables, potatoes, etc.

[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 product NEXUS Z. Meanwhile, in the pharmaceutical business, we will support promotional activities conducted by sales dealers, aiming to expand sales of luliconazole.

In light of the operational environment of the respective business segments under review, the Company forecasts net sales of 104,500 million yen (up 1.4% year-on-year), operating profit of 8,100 million yen (up 8.9% year-on-year), ordinary profit of 6,700 million yen (up 12.9% year-on-year), and profit attributable to owners of parent of 4,800 million yen (up 0.5% 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	15,644	20,555
Notes and accounts receivable - trade, and contract assets	38,869	47,867
Electronically recorded monetary claims - operating	2,064	2,598
Merchandise and finished goods	27,658	28,086
Work in process	978	878
Raw materials and supplies	13,236	12,986
Other	4,756	6,417
Allowance for doubtful accounts	(589)	(759)
Total current assets	102,619	118,632
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,103	4,282
Machinery, equipment and vehicles, net	3,629	3,819
Land	5,856	5,956
Construction in progress	711	860
Other, net	1,001	1,075
Total property, plant and equipment	15,303	15,994
Intangible assets		
Goodwill	2,594	2,645
Software	605	1,170
Other	897	792
Total intangible assets	4,097	4,608
Investments and other assets		
Investment securities	7,552	11,598
Deferred tax assets	1,677	1,701
Retirement benefit asset	3,180	3,438
Other	2,226	2,104
Allowance for doubtful accounts	(6)	(95)
Total investments and other assets	14,631	18,748
Total non-current assets	34,032	39,351
Total assets	136,652	157,983

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,519	20,333
Electronically recorded obligations - operating	1,010	1,049
Short-term borrowings	10,940	16,294
Current portion of bonds payable	–	1,755
Accrued expenses	5,071	6,519
Income taxes payable	759	742
Provision for bonuses	856	853
Provision for bonuses for directors (and other officers)	51	41
Provision for environmental measures	18	–
Electronically recorded obligations - non-operating	150	173
Liabilities related to charged supply	1,189	1,192
Other	3,991	3,241
Total current liabilities	44,560	52,196
Non-current liabilities		
Bonds payable	5,315	4,381
Long-term borrowings	10,167	17,252
Deferred tax liabilities	597	1,133
Provision for retirement benefits for directors (and other officers)	57	71
Provision for share awards	129	134
Retirement benefit liability	826	1,003
Other	1,872	1,414
Total non-current liabilities	18,966	25,390
Total liabilities	63,527	77,587
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	42,123	45,561
Treasury shares	(1,907)	(1,887)
Total shareholders' equity	70,227	73,685
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	956	1,297
Foreign currency translation adjustment	(1,985)	1,488
Remeasurements of defined benefit plans	1,716	1,596
Total accumulated other comprehensive income	688	4,382
Non-controlling interests	2,209	2,327
Total net assets	73,125	80,396
Total liabilities and net assets	136,652	157,983

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	102,090	103,033
Cost of sales	71,528	73,132
Gross profit	30,562	29,900
Selling, general and administrative expenses	21,823	22,462
Operating profit	8,739	7,438
Non-operating income		
Interest income	1,118	1,646
Dividend income	109	207
Share of profit of entities accounted for using equity method	558	404
Foreign exchange gains	342	273
Rental income from real estate	102	99
Other	170	194
Total non-operating income	2,401	2,826
Non-operating expenses		
Interest expenses	1,842	2,862
Loss on valuation of derivatives	1,286	1,319
Other	231	149
Total non-operating expenses	3,360	4,331
Ordinary profit	7,779	5,932
Extraordinary income		
Gain on sale of non-current assets	29	15
Gain on sale of investment securities	15	4
Total extraordinary income	45	19
Extraordinary losses		
Loss on disposal of non-current assets	65	11
Loss on valuation of investment securities	1	66
Environmental expenses	18	15
Other	1	—
Total extraordinary losses	87	94
Profit before income taxes	7,738	5,858
Income taxes - current	2,553	620
Income taxes - deferred	37	624
Total income taxes	2,590	1,245
Profit	5,147	4,612
Profit (loss) attributable to non-controlling interests	658	(164)
Profit attributable to owners of parent	4,488	4,777

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	5,147	4,612
Other comprehensive income		
Valuation difference on available-for-sale securities	109	335
Foreign currency translation adjustment	821	3,108
Remeasurements of defined benefit plans, net of tax	1,034	(120)
Share of other comprehensive income of entities accounted for using equity method	297	671
Total other comprehensive income	2,262	3,995
Comprehensive income	7,409	8,607
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,543	8,471
Comprehensive income attributable to non-controlling interests	866	135

(3) Consolidated statements of changes in equity
Fiscal year ended March 31, 2023

(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	38,855	(1,906)	66,960
Changes during period					
Dividends of surplus			(1,220)		(1,220)
Profit attributable to owners of parent			4,488		4,488
Disposal of treasury shares					-
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	3,267	(0)	3,266
Balance at end of period	14,939	15,071	42,123	(1,907)	70,227

	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	846	(2,895)	682	(1,367)	1,363	66,956
Changes during period						
Dividends of surplus						(1,220)
Profit attributable to owners of parent						4,488
Disposal of treasury shares						-
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	110	910	1,034	2,055	846	2,901
Total changes during period	110	910	1,034	2,055	846	6,168
Balance at end of period	956	(1,985)	1,716	688	2,209	73,125

Fiscal year ended March 31, 2024

(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	42,123	(1,907)	70,227
Changes during period					
Dividends of surplus			(1,339)		(1,339)
Profit attributable to owners of parent			4,777		4,777
Disposal of treasury shares				20	20
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	3,437	20	3,458
Balance at end of period	14,939	15,071	45,561	(1,887)	73,685

	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	956	(1,985)	1,716	688	2,209	73,125
Changes during period						
Dividends of surplus						(1,339)
Profit attributable to owners of parent						4,777
Disposal of treasury shares						20
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	340	3,474	(120)	3,694	117	3,812
Total changes during period	340	3,474	(120)	3,694	117	7,270
Balance at end of period	1,297	1,488	1,596	4,382	2,327	80,396

(4) Consolidated statements of cash flows

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	7,738	5,858
Depreciation	1,685	1,871
Amortization of goodwill	223	231
Increase (decrease) in provision for environmental measures	18	(18)
Interest and dividend income	(1,227)	(1,854)
Interest expenses	1,842	2,862
Share of loss (profit) of entities accounted for using equity method	(558)	(404)
Loss (gain) on sale of property, plant and equipment	(29)	(15)
Loss on retirement of property, plant and equipment	65	11
Decrease (increase) in trade receivables	427	(6,656)
Decrease (increase) in inventories	(7,539)	2,696
Increase (decrease) in trade payables	(851)	(1,923)
Other, net	(802)	(2,245)
Subtotal	992	413
Interest and dividends received	1,281	2,326
Interest paid	(1,434)	(2,437)
Income taxes paid	(2,763)	(646)
Net cash provided by (used in) operating activities	(1,923)	(344)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,605)	(1,595)
Proceeds from sale of property, plant and equipment	455	14
Purchase of intangible assets	(113)	(543)
Purchase of investment securities	–	(66)
Purchase of shares of subsidiaries and associates	–	(2,621)
Payments into time deposits	(1,620)	(1,288)
Proceeds from withdrawal of time deposits	1,509	1,288
Loan advances	(49)	(64)
Other, net	84	68
Net cash provided by (used in) investing activities	(1,338)	(4,808)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,830)	6,152
Proceeds from long-term borrowings	8,000	9,343
Repayments of long-term borrowings	(1,360)	(4,062)
Proceeds from issuance of bonds	4,036	–
Redemption of bonds	(223)	–
Repayments of lease liabilities	(210)	(240)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,220)	(1,339)
Dividends paid to non-controlling interests	(19)	(17)
Net cash provided by (used in) financing activities	6,171	9,835
Effect of exchange rate change on cash and cash equivalents	395	214
Net increase (decrease) in cash and cash equivalents	3,305	4,897
Cash and cash equivalents at beginning of period	11,061	14,366
Cash and cash equivalents at end of period	14,366	19,264

(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.

(2) Names, etc. of major non-consolidated subsidiaries

Nichino Do Brasil Agroquimicos Ltda.

Nichino Vietnam Co., Ltd.

Nihon Nohyaku Andica S. A. S.

Interagro (UK) Ltd.

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: 5

Names of major companies, etc.

Nichino Vietnam Co., Ltd.

Interagro (UK) Ltd.

Interagro (UK) Ltd. and its three affiliated companies are included in the scope of applying the equity method from the fiscal year under review due to the purchase of their shares.

(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.

(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 remuneration 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 contracts of finished goods or the purchase contracts of raw materials, etc. is recovered or paid mainly within a year from the time the goods are transferred to the customer or the time the Company or its consolidated subsidiaries receive the raw materials, etc. from the supplier, and does not include material financial elements. However, for some subsidiaries overseas, consideration may be recovered or paid more than a year later due to satisfaction of performance obligations. Therefore, the Company deems

that the transaction price includes material financial elements and allocates the amount equivalent to the interest, which is a material financial element, to the amounts of profit or loss according to the period until the settlement date.

(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 and liabilities of subsidiaries overseas, etc. are converted into Japanese yen in the spot exchange rate on the day of the consolidated closing date while their revenue and expenses are converted into Japanese yen in the average exchange rate for the respective periods, 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

If 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.

(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]

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 manufactures 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.

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

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	96,552	3,766	100,319	1,770	102,090	–	102,090
Inter-segment net sales or transfers	19	0	19	745	765	(765)	–
Total	96,572	3,766	100,339	2,516	102,856	(765)	102,090
Segment profit	8,410	948	9,358	330	9,689	(950)	8,739
Segment assets	123,269	3,167	126,437	2,144	128,582	8,070	136,652
Other items							
Depreciation (Note 4)	1,547	35	1,583	102	1,685	–	1,685
Amortization of goodwill	223	–	223	–	223	–	223
Investment in entities accounted for using equity method	5,081	–	5,081	–	5,081	–	5,081
Increase in property, plant and equipment, and intangible assets	2,276	24	2,301	76	2,378	–	2,378

- (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 950 million yen adjustment for segment profit includes minus 950 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.
The 8,070 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, 2024 (from April 1, 2023 to March 31, 2024)

(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	97,552	3,756	101,309	1,723	103,033	—	103,033
Inter-segment net sales or transfers	18	—	18	791	810	(810)	—
Total	97,571	3,756	101,328	2,515	103,843	(810)	103,033
Segment profit	7,160	889	8,050	331	8,382	(943)	7,438
Segment assets	140,295	3,050	143,345	2,089	145,435	12,548	157,983
Other items							
Depreciation (Note 4)	1,714	31	1,745	125	1,871	—	1,871
Amortization of goodwill	231	—	231	—	231	—	231
Investment in entities accounted for using equity method	8,621	—	8,621	—	8,621	—	8,621
Increase in property, plant and equipment, and intangible assets	2,319	33	2,352	42	2,395	—	2,395

- (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 943 million yen adjustment for segment profit includes minus 943 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.
 The 12,548 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, 2023	Fiscal year ended March 31, 2024
Net assets per share	Yen 904.26	Yen 994.96
Earnings per share	Yen 57.23	Yen 60.89

- (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 349,618 shares during the previous period, and 321,566 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 349,618 shares in the previous period, and 309,090 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, 2023	Fiscal year ended March 31, 2024
Profit attributable to owners of parent	4,488	4,777
Amount not attributable to common shareholders	–	–
Profit attributable to common shareholders of parent	4,488	4,777
Average number of common shares during the period	78,423,788 shares	78,451,314 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.