

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 8, 2024

Company name: NIHON NOHYAKU CO., LTD.
Stock exchange listing: Tokyo
Stock code: 4997 URL <https://www.nichino.co.jp/>
Representative: President Hiroyuki Iwata
Inquiries: General Manager of General Affairs & Legal Department Masaki Yoshioka TEL +81-570-09-1177
Scheduled date of commencement of dividend payments: –
Preparation of supplementary material on financial results: No
Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	19,241	(13.3)	(164)	–	(143)	–	54	(94.7)
Three months ended June 30, 2023	22,183	(7.6)	1,385	(50.2)	1,326	(57.0)	1,038	(58.6)

(Note) Comprehensive income: Three months ended June 30, 2024: 1,458 million yen [(57.6)%]
Three months ended June 30, 2023: 3,443 million yen [(23.9)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2024	0.69		–	
Three months ended June 30, 2023	13.24		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	149,082	81,110	52.9
As of March 31, 2024	157,983	80,396	49.4

(Reference) Equity: As of June 30, 2024: 78,852 million yen
As of March 31, 2024: 78,068 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	9.00	–	9.00	18.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		10.00	–	10.00	20.00

(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, 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

(Note) Revision to the forecast of financial results announced most recently: No

Notes

- (1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: 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: No
- 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, 2024	81,967,082 shares	As of March 31, 2024	81,967,082 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	3,503,627 shares	As of March 31, 2024	3,503,567 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, 2024	78,463,475 shares	Three months ended June 30, 2023	78,423,452 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.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: No

* 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. Overview of Operating Results, etc.

(1) Overview of operating results for the three months ended June 30, 2024

During the three months ended June 30, 2024, the global economy saw varied trends. The U.S. economy continued to expand as personal consumption and capital investment showed an upward trend. In Europe, the economy showed a sign of a rebound due to wage increases and the effects of a cut in interest rates. The Japanese economy continued to be on a gradual recovery path as there were signs of improvement in corporate earnings and employment conditions. Meanwhile, in China, the economy remained unstable as domestic demand continued to remain sluggish due to the effects of the real estate slump.

Under such circumstances, the Group engaged in the initiatives of the new medium-term management plan, “Growing Global for Sustainability (GGS),” and has been aiming to deepen its business strategies, advance its environmental management, and promote human capital management as well as achieve sustainability of both the entire society and the Group.

Major efforts during the three months ended June 30, 2024 included linking our smartphone application “Leime AI Disease, Pest & Weed Analysis” (“Application”) with “Z-GIS” provided by the ZEN-NOH under the JA Group, providing our AI disease, pest & weed analysis system for “KSAS,” the farm management system of Kubota Corporation, and as part of our efforts to enhance the features of the Application, installing a new AI Forecast function as well as expanding crops for analysis. With initiatives such as the above, the Group promoted and expanded smart agriculture.

For the three months ended June 30, 2024, net sales amounted to 19,241 million yen (down 2,942 million yen or 13.3% year-on-year) as, in the agrochemicals business, the Group’s core business, agrochemicals sales to those in the same business in India declined. In terms of profits, operating profit came to minus 164 million yen (down 1,549 million yen year-on-year) mainly due to a decline in sales in India and the impact of a drop in sales prices of some products in Brazil, ordinary profit was minus 143 million yen (down 1,469 million yen year-on-year), and profit attributable to owners of parent was 54 million yen (down 983 million yen or 94.7% year-on-year).

The state of the reportable segments during the three months ended June 30, 2024, 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 benzpyrimoxan, an insecticide for paddy rice, (product name: “Orchestra”). In addition, sales of products of Corteva was robust, resulting in total net sales in Japan exceeding those of the same period of the previous year.

For overseas agrochemicals sales, net sales were strong due to the increased demand for fungicides caused by heavy rainfall as well as our successful efforts on cultivating new business fields for internally developed products, despite the impact of a decline in prices of some of generic agrochemicals caused by intensified competition in Brazil, the world’s largest agrochemical market. In North America, sales remained stagnant due to a drop in shipments of some products such as fungicides whose delivery dates had been brought forward at the end of previous fiscal year, among other factors. In Europe, sales of Nichino Europe Co., Ltd. reported increased net sales due to robust sales of herbicides for fruit trees owing to the impact of heavy rainfall mainly in southern regions, despite a decrease in sales of flubendiamde ingredients to Bayer AG. In Asia, sales remained stagnant due to the sluggish sales to those in the same business in India caused by the impact of their inventory adjustments. Consequently, total overseas net sales fell below the figures from the same period of the previous year.

As a result of the above, net sales of the agrochemicals business amounted to 17,732 million yen (down 2,991 million yen or 14.4% year-on-year), and operating profit was minus 238 million yen (down 1,498 million yen year-on-year) mainly due to the impact of the deterioration in profitability in Brazil.

[Chemicals other than agrochemicals business]

In the chemicals business, sales of anti-infective insecticides were strong. In the pharmaceutical business, sales of topical antifungal drug luliconazole for onychomycosis were sluggish.

As a result of the above, net sales of the chemicals other than agrochemicals business amounted to 1,058 million

yen (down 19 million yen or 1.8% year-on-year), and operating profit was 221 million yen (down 67 million yen or 23.2% year-on-year).

(2) Overview of financial position as of June 30, 2024

Total assets as of June 30, 2024, decreased by 8,901 million yen from the end of the previous fiscal year to 149,082 million yen. This was due primarily to a decrease in trade receivables.

Total liabilities as of June 30, 2024, decreased by 9,615 million yen from the end of the previous fiscal year to 67,972 million yen. This was due primarily to a decrease in trade payables.

Net assets as of June 30, 2024, increased by 714 million yen from the end of the previous fiscal year to 81,110 million yen. This was due primarily to an increase in accumulated other comprehensive income including foreign currency translation adjustment.

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

There have been no changes to the forecast of consolidated financial results for the fiscal year ending March 31, 2025, announced on May 13, 2024.

2. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	20,555	13,881
Notes and accounts receivable - trade, and contract assets	47,867	39,819
Electronically recorded monetary claims - operating	2,598	5,574
Merchandise and finished goods	28,086	28,528
Work in process	878	927
Raw materials and supplies	12,986	12,698
Other	6,417	4,985
Allowance for doubtful accounts	(759)	(810)
Total current assets	118,632	105,605
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,282	4,286
Machinery, equipment and vehicles, net	3,819	3,832
Land	5,956	6,009
Other, net	1,935	2,307
Total property, plant and equipment	15,994	16,436
Intangible assets		
Goodwill	2,645	2,736
Other	1,963	2,071
Total intangible assets	4,608	4,807
Investments and other assets		
Investment securities	11,598	11,924
Other	7,244	10,406
Allowance for doubtful accounts	(95)	(98)
Total investments and other assets	18,748	22,232
Total non-current assets	39,351	43,476
Total assets	157,983	149,082

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,333	15,812
Electronically recorded obligations - operating	1,049	753
Short-term borrowings	16,294	14,658
Current portion of bonds payable	1,755	–
Income taxes payable	742	626
Provision for bonuses	853	407
Other provisions	41	–
Electronically recorded obligations - non-operating	173	93
Other	10,953	10,597
Total current liabilities	52,196	42,948
Non-current liabilities		
Bonds payable	4,381	4,537
Long-term borrowings	17,252	16,956
Retirement benefit liability	1,003	975
Other provisions	206	194
Other	2,547	2,359
Total non-current liabilities	25,390	25,023
Total liabilities	77,587	67,972
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	45,561	44,906
Treasury shares	(1,887)	(1,887)
Total shareholders' equity	73,685	73,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,297	1,310
Foreign currency translation adjustment	1,488	2,952
Remeasurements of defined benefit plans	1,596	1,558
Total accumulated other comprehensive income	4,382	5,821
Non-controlling interests	2,327	2,257
Total net assets	80,396	81,110
Total liabilities and net assets	157,983	149,082

(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, 2023	Three months ended June 30, 2024
Net sales	22,183	19,241
Cost of sales	15,992	13,963
Gross profit	6,191	5,277
Selling, general and administrative expenses	4,805	5,441
Operating profit (loss)	1,385	(164)
Non-operating income		
Interest income	431	525
Dividend income	109	56
Rental income from real estate	25	26
Foreign exchange gains	1	–
Share of profit of entities accounted for using equity method	347	195
Gain on valuation of derivatives	–	55
Other	8	70
Total non-operating income	923	929
Non-operating expenses		
Interest expenses	585	725
Foreign exchange losses	–	153
Loss on valuation of derivatives	363	–
Other	34	29
Total non-operating expenses	982	908
Ordinary profit (loss)	1,326	(143)
Extraordinary income		
Gain on sale of non-current assets	3	8
Gain on sale of investment securities	4	–
Total extraordinary income	7	8
Extraordinary losses		
Loss on disposal of non-current assets	1	12
Total extraordinary losses	1	12
Profit (loss) before income taxes	1,332	(146)
Income taxes	320	(86)
Profit (loss)	1,012	(60)
Loss attributable to non-controlling interests	(25)	(115)
Profit attributable to owners of parent	1,038	54

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit (loss)	1,012	(60)
Other comprehensive income		
Valuation difference on available-for-sale securities	247	10
Deferred gains or losses on hedges	(22)	–
Foreign currency translation adjustment	2,102	1,639
Remeasurements of defined benefit plans, net of tax	(35)	(37)
Share of other comprehensive income of entities accounted for using equity method	139	(92)
Total other comprehensive income	2,430	1,519
Comprehensive income	3,443	1,458
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,378	1,493
Comprehensive income attributable to non-controlling interests	64	(34)

(3) Notes to quarterly consolidated financial statements

(Changes in accounting policies)

The Company has applied the “Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter ‘Revised Accounting Standard 2022’”) and other accounting standards from the beginning of the first quarter ended June 30, 2024.

Revisions in the accounting classification of current income taxes (taxes on other comprehensive income) have been made in accordance with the transitional treatments stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatments stipulated in the proviso of Paragraph 65-2 (2) of the “Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter ‘Revised Guidance 2022.’”

The Company has applied the Revised Guidance 2022 from the beginning of the first quarter ended June 30, 2024 with respect to revisions regarding reviews on treatments in the consolidated financial statements in the case that gains or losses associated with sales of shares, etc. of subsidiaries among consolidated companies are deferred for tax purposes. The said changes in accounting policies have been retrospectively applied and the quarterly consolidated financial statements for the quarters of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been prepared after the retrospective application of the changes.

This has no impact on the quarterly consolidated financial statements and the consolidated financial statements.

(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.

(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.

(Notes to segment information, etc.)

[Segment information]

I For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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	20,723	1,077	21,801	381	22,183	–	22,183
Inter-segment net sales or transfers	4	–	4	179	184	(184)	–
Total	20,728	1,077	21,806	561	22,367	(184)	22,183
Segment profit	1,259	288	1,548	53	1,601	(216)	1,385

- (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 216 million yen adjustment for segment profit includes minus 216 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, 2024 (from April 1, 2024 to June 30, 2024)

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	17,732	1,058	18,790	451	19,241	–	19,241
Inter-segment net sales or transfers	1	0	1	201	203	(203)	–
Total	17,733	1,058	18,791	652	19,444	(203)	19,241
Segment profit (loss)	(238)	221	(17)	86	68	(233)	(164)

- (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 233 million yen adjustment for segment profit (loss) includes minus 233 million yen in unallocated corporate expenses. Corporate expenses consist principally of general administrative expenses that are not attributable to reportable segments.
3. Segment profit (loss) was adjusted based on operating loss reported on the consolidated statements of income for the corresponding period.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Going concern assumption)

Not applicable.

(Notes to statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 are not prepared. Depreciation, which includes depreciation for intangible assets excluding goodwill, and amortization of goodwill for the three months ended June 30 are as follows:

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	419 million yen	485 million yen
Amortization of goodwill	55 million yen	61 million yen