

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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

November 11, 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 to file Semi-annual Securities Report: November 11, 2024
Scheduled date of commencement of dividend payments: December 4, 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 six months ended September 30, 2024 (from April 1, 2024 to September 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	%
Six months ended September 30, 2024	39,129	(3.8)	1,029	(12.5)	519	(45.4)	620	(10.8)
Six months ended September 30, 2023	40,670	(5.8)	1,176	(61.2)	951	(70.3)	695	(73.1)

(Note) Comprehensive income: Six months ended September 30, 2024: (981) million yen [-%]
Six months ended September 30, 2023: 4,006 million yen [(29.2)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2024	7.91		-	
Six months ended September 30, 2023	8.87		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	141,897	78,682	54.1
As of March 31, 2024	157,983	80,396	49.4

(Reference) Equity: As of September 30, 2024: 76,745 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	–	10.00			
Fiscal year ending March 31, 2025 (Forecast)			–	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
Full year	104,500	1.4	8,100	8.9	6,700	12.9	4,800	0.5	61.17

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

Notes

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: No

(2) Application of special accounting methods for preparing semi-annual 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 September 30, 2024	81,967,082 shares	As of March 31, 2024	81,967,082 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2024	3,477,679 shares	As of March 31, 2024	3,503,567 shares
--------------------------	------------------	----------------------	------------------

Average number of shares during the period

Six months ended September 30, 2024	78,473,459 shares	Six months ended September 30, 2023	78,438,953 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Shares of the Company held by the Board Benefit Trust are included in the treasury shares which are excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period.

* Semi-annual financial results are outside the scope of 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.

Table of Contents - Attachments

1. Qualitative Information on Semi-annual Financial Results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of the forecast of consolidated financial results and other forward-looking information	3
2. Semi-annual Consolidated Financial Statements and Primary Notes	4
(1) Semi-annual consolidated balance sheets	4
(2) Semi-annual consolidated statements of income and semi-annual consolidated statements of comprehensive income	6
(3) Semi-annual consolidated statements of cash flows	8
(4) Notes to semi-annual consolidated financial statements	10
(Changes in accounting policies)	10
(Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements)	10
(Additional information)	10
(Segment information, etc.)	12
(Notes in case of significant changes in shareholders' equity)	13
(Going concern assumption)	13

1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of operating results

During the six months ended September 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 saw 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 experienced a slower growth as the sluggish real estate market and declining prices continued.

Under such circumstances, the Group engaged in the initiatives of the 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 six months ended September 30, 2024 included obtaining rights regarding the registration, development, sales, and other matters with respect to a novel microbial biofungicide aimed at expanding the business other than agrochemicals. As for efforts related to smart agriculture, we linked our smartphone application “Leime AI Disease, Pest & Weed Analysis” (“Application”) with “Z-GIS” provided by the ZEN-NOH under the JA Group and provided our AI disease, pest and weed analysis system for “KSAS,” the farm management system of Kubota Corporation. In addition, as part of our efforts to enhance the features of the Application, we installed a new AI Forecast function as well as expanded crops for analysis. Furthermore, we expanded the areas in which “AcroSeeker™,” an overseas edition of the Application, can be used in local languages to Laos and Indonesia. The English version of AcroSeeker™ is now available in over 160 countries and regions worldwide.

For the six months ended September 30, 2024, net sales amounted to 39,129 million yen (down 1,541 million yen or 3.8% 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 1,029 million yen (down 146 million yen or 12.5% year-on-year), ordinary profit was 519 million yen (down 432 million yen or 45.4% year-on-year), and profit attributable to owners of parent was 620 million yen (down 75 million yen or 10.8% year-on-year).

The state of the reportable segments during the six months ended September 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 were robust, resulting in total net sales in Japan exceeding those of the same period of the previous year.

For overseas agrochemicals sales, net sales increased due to factors such as robust sales of pyraflufen-ethyl for Canada owing to the increased demand for herbicides caused by heavy rainfall in North America. In Europe, sales of Nichino Europe Co., Ltd. reported increased net sales due to robust sales of herbicides owing to heavy rainfall mainly in Benelux and the U.K., despite a decrease in sales of flubendiamde ingredients to Bayer AG. In Central and South America, sales decreased due to the sluggish sales to those in the same business owing to the impact of intensified competition and other factors, despite the increased demand for fungicides caused by heavy rainfall in Brazil, the world’s largest agrochemical market, as well as our successful efforts on cultivating new business fields for internally developed products. In Asia, sales remained stagnant due to the sluggish sales in India owing to fewer opportunities for applying agrochemicals caused by the impact of torrential rain in some regions as well as the impact of slow-moving distribution inventories caused by drought in the previous year, among other factors. 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 36,269 million yen (down 1,637 million yen or 4.3% year-on-year), and operating profit was 984 million yen (up 8 million yen or 0.9% year-on-year).

[Chemicals other than agrochemicals business]

In the chemicals business, sales in the termiticide sector remained robust. 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 1,995 million yen (down 19 million yen or 1.0% year-on-year), and operating profit was 361 million yen (down 157 million yen or 30.3% year-on-year).

(2) Explanation of financial position

Total assets as of September 30, 2024, decreased by 16,086 million yen from the end of the previous fiscal year to 141,897 million yen. This was due primarily to a decrease in trade receivables.

Total liabilities as of September 30, 2024, decreased by 14,373 million yen from the end of the previous fiscal year to 63,214 million yen. This was due primarily to a decrease in trade payables and borrowings.

Net assets as of September 30, 2024, decreased by 1,713 million yen from the end of the previous fiscal year to 78,682 million yen. This was due primarily to a decrease in accumulated other comprehensive income including foreign currency translation adjustment.

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

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

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	20,555	22,940
Notes and accounts receivable - trade, and contract assets	47,867	29,874
Electronically recorded monetary claims - operating	2,598	2,130
Merchandise and finished goods	28,086	25,094
Work in process	878	1,020
Raw materials and supplies	12,986	16,302
Other	6,417	4,844
Allowance for doubtful accounts	(759)	(713)
Total current assets	118,632	101,494
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,282	4,143
Machinery, equipment and vehicles, net	3,819	3,577
Land	5,956	5,901
Other, net	1,935	2,425
Total property, plant and equipment	15,994	16,048
Intangible assets		
Goodwill	2,645	2,364
Other	1,963	1,938
Total intangible assets	4,608	4,303
Investments and other assets		
Investment securities	11,598	12,121
Other	7,244	8,039
Allowance for doubtful accounts	(95)	(110)
Total investments and other assets	18,748	20,050
Total non-current assets	39,351	40,402
Total assets	157,983	141,897

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,333	14,164
Electronically recorded obligations - operating	1,049	257
Short-term borrowings	16,294	13,200
Current portion of bonds payable	1,755	–
Income taxes payable	742	1,037
Provision for bonuses	853	760
Other provisions	41	–
Electronically recorded obligations - non-operating	173	111
Other	10,953	11,228
Total current liabilities	52,196	40,760
Non-current liabilities		
Bonds payable	4,381	4,336
Long-term borrowings	17,252	14,733
Retirement benefit liability	1,003	940
Other provisions	206	207
Other	2,547	2,234
Total non-current liabilities	25,390	22,453
Total liabilities	77,587	63,214
Net assets		
Shareholders' equity		
Share capital	14,939	14,939
Capital surplus	15,071	15,071
Retained earnings	45,561	45,473
Treasury shares	(1,887)	(1,873)
Total shareholders' equity	73,685	73,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,297	1,198
Deferred gains or losses on hedges	–	23
Foreign currency translation adjustment	1,488	391
Remeasurements of defined benefit plans	1,596	1,521
Total accumulated other comprehensive income	4,382	3,134
Non-controlling interests	2,327	1,937
Total net assets	80,396	78,682
Total liabilities and net assets	157,983	141,897

(2) Semi-annual consolidated statements of income and semi-annual consolidated statements of comprehensive income
Semi-annual consolidated statements of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	40,670	39,129
Cost of sales	29,510	27,064
Gross profit	11,160	12,065
Selling, general and administrative expenses	9,984	11,035
Operating profit	1,176	1,029
Non-operating income		
Interest income	860	933
Dividend income	133	68
Rental income from real estate	49	52
Foreign exchange gains	486	–
Share of profit of entities accounted for using equity method	540	691
Gain on valuation of derivatives	–	438
Other	48	97
Total non-operating income	2,119	2,282
Non-operating expenses		
Interest expenses	1,176	1,287
Foreign exchange losses	–	1,436
Loss on valuation of derivatives	1,087	–
Other	79	69
Total non-operating expenses	2,344	2,793
Ordinary profit	951	519
Extraordinary income		
Gain on sale of non-current assets	3	12
Gain on sale of investment securities	4	–
Total extraordinary income	7	12
Extraordinary losses		
Loss on disposal of non-current assets	1	13
Environmental expenses	15	–
Other	–	0
Total extraordinary losses	16	13
Profit before income taxes	941	517
Income taxes	452	246
Profit	489	271
Loss attributable to non-controlling interests	(206)	(348)
Profit attributable to owners of parent	695	620

Semi-annual consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	489	271
Other comprehensive income		
Valuation difference on available-for-sale securities	307	(98)
Deferred gains or losses on hedges	(81)	46
Foreign currency translation adjustment	2,965	(1,209)
Remeasurements of defined benefit plans, net of tax	(71)	(74)
Share of other comprehensive income of entities accounted for using equity method	396	82
Total other comprehensive income	3,516	(1,253)
Comprehensive income	4,006	(981)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,902	(627)
Comprehensive income attributable to non-controlling interests	103	(354)

(3) Semi-annual consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	941	517
Depreciation	839	992
Amortization of goodwill	113	120
Interest and dividend income	(993)	(1,002)
Interest expenses	1,176	1,287
Share of loss (profit) of entities accounted for using equity method	(540)	(691)
Loss (gain) on sale of non-current assets	(3)	(12)
Loss on retirement of non-current assets	1	13
Decrease (increase) in trade receivables	10,622	17,506
Decrease (increase) in inventories	(6,670)	(1,368)
Increase (decrease) in trade payables	(1,668)	(6,465)
Increase (decrease) in provision for environmental measures	(18)	–
Other, net	(50)	2,457
Subtotal	3,749	13,356
Interest and dividends received	1,760	1,585
Interest paid	(1,022)	(2,265)
Income taxes paid	(852)	(811)
Income taxes refund	–	1,036
Net cash provided by (used in) operating activities	3,635	12,901
Cash flows from investing activities		
Purchase of property, plant and equipment	(857)	(807)
Proceeds from sale of property, plant and equipment	9	12
Purchase of intangible assets	(268)	(609)
Purchase of investment securities	(66)	–
Purchase of shares of subsidiaries and associates	(2,523)	(45)
Payments into time deposits	(1,012)	(1,145)
Proceeds from withdrawal of time deposits	1,013	1,271
Other, net	24	(56)
Net cash provided by (used in) investing activities	(3,682)	(1,380)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,852)	(5,788)
Proceeds from long-term borrowings	–	1,000
Repayments of long-term borrowings	(2,701)	(1,197)
Redemption of bonds	–	(1,768)
Repayments of lease liabilities	(117)	(148)
Dividends paid	(630)	(708)
Dividends paid to non-controlling interests	(17)	(35)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(5,319)	(8,647)
Effect of exchange rate change on cash and cash equivalents	344	(360)
Net increase (decrease) in cash and cash equivalents	(5,022)	2,513
Cash and cash equivalents at beginning of period	14,366	19,264
Cash and cash equivalents at end of period	9,344	21,777

(4) Notes to semi-annual 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 six months ended September 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 six months ended September 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 changes in accounting policies have been retrospectively applied and the semi-annual consolidated financial statements for the semi-annual period 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 semi-annual consolidated financial statements and the consolidated financial statements.

(Accounting methods adopted particularly for the preparation of semi-annual 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 the 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]

I For the six months ended September 30, 2023 (from April 1, 2023 to September 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 semi-annual consolidated statements of income (Note 3)
	Agrochemicals business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	37,907	2,015	39,922	748	40,670	–	40,670
Inter-segment net sales or transfers	7	–	7	387	395	(395)	–
Total	37,915	2,015	39,930	1,136	41,066	(395)	40,670
Segment profit	975	518	1,494	121	1,616	(439)	1,176

- (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 439-million-yen adjustment for segment profit includes minus 439 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 six months ended September 30, 2024 (from April 1, 2024 to September 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 semi-annual consolidated statements of income (Note 3)
	Agrochemicals business	Chemicals other than agrochemicals business	Subtotal				
Net sales							
Net sales to outside customers	36,269	1,995	38,264	865	39,129	–	39,129
Inter-segment net sales or transfers	2	0	2	380	383	(383)	–
Total	36,271	1,995	38,266	1,245	39,512	(383)	39,129
Segment profit	984	361	1,346	136	1,483	(453)	1,029

- (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 453-million-yen adjustment for segment profit includes minus 453 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 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.