



Nissan Chemical
CORPORATION

Nissan Chemical Corporation

1Q FY2021 Financial Results Briefing

Presenter:

MIYAZAKI Junichi Director, Senior Executive Vice President, CFO

August 10, 2021

Changes in Accounting Policies(some figures updated since May 2021)

1.Changes in accounting policies:

Adoption of the Accounting Standard for the Revenue Recognition (ASBJ Statement No.29)

2.Timing of adoption: April 1, 2021 (From FY2021)

3.Major effects on PL, BS due to the changes:

A. Agent transactions

(Mainly effected segments) Chemicals, Agrochemicals, Trading
 (Before adoption) Sales = gross amount from the customer, Sales expenses = amount paid to the supplier
 (After adoption) Sales = gross amount from the customer - amount paid to the supplier
 (Estimated impact on FY2021 PL Outlook as of May 2021)
 Sales and sales expenses down ¥44.6 billion (parent company ¥2.3 billion, Trading segment ¥42.3 billion)
 (including in adjustment in sales by segment)

B. Royalties based on sales amount

*MSD: MSD Animal Health, the global animal health business unit of Merck

(Mainly effected segments) Agrochemicals (Fluralaner running royalties)

	MSD* sales	Jan. - March	April - June	July - Sept.	Oct. -Dec.
Before adoption (until FY2020)	NCC Royalties	August (2Q)		February (following year) (4Q)	
After adoption (from FY2021)		May (1Q)	August (2Q)	November (3Q)	February (following year) (4Q)

C. Sales discount subject to change at the selling timing

(Mainly effected segments) Agrochemicals
 (Before adoption) Recognized when discount is finally fixed
 (After adoption) Recognized corresponding to sales period based on reasonable estimation
 (Estimated impact on FY2021 BS)

The cumulative effect (¥1.5 billion)(after reflecting tax effect) of retroactively applying (C) is deducted from the beginning FY2021 retained earnings (BS item)

Sales discount amount trend after adoption vs. before adoption: 1Q up(negative impact), 2Q down, 1H up, 2H down, Total flat

		Sales discount
Before adoption	FY2020	AY2019* (Oct. 2019 - Sept. 2020)
After adoption	FY2020	AY2019* (Oct. 2019 - Sept. 2020) + October 2020 - March 2021(= ¥1.5 billion)
	FY2021	April 2021 - March 2022

AY2019* = Agrochemical Year (from Oct. 2019 to Sept. 2020)

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Miyazaki: I am Miyazaki, Vice President. Thank you. Now, please look at page 2 of the presentation material. As for the change in accounting policy, this page is for confirming the points that we explained in May.

There are 3 major changes.

As stated in 1, the deduction of the adjustment amount based on the agent transactions.

As stated in 2, quarterly recording of revenues related to royalties from Fluralaner.

The third point is to accurately record the amount of discount by quarter, mainly in Agrochemicals, as variable consideration.

1Q FY2021 Highlight

1. vs. 1Q FY2020

- ◆ **OP up ¥2.1 billion (1Q FY2021 Actual ¥11.9 billion vs. 1Q FY2020 Actual ¥9.8 billion) (+21%)**
 - Chemicals OP up due to sales increase in melamine, TEPIC and environmental related products
 - Performance Materials OP up due to substantial sales increase in Display Materials, Semis Materials, and Inorganic Materials
 - Agro OP up due to Inventory adjustment cost down despite sales decrease(Fluralaner royalties increase and sales discount cost increase due to changes in accounting policies, while sales decrease in several products including GRACIA and ALTAIR)
 - Pharma OP down due to both LIVALO and Custom Chemicals sales decrease
- ◆ **Net income up ¥1.2 billion (1Q FY2021 Actual ¥8.8 billion vs. 1Q FY2020 Actual ¥7.6 billion) (+16%)**
- ◆ **OP, Ordinary Income and Net Income renewed the highest results since 1Q FY2018**

2. vs. 1Q FY2021 Outlook as of May 2021 (see p4, p10, p30)

- ◆ **OP above target ¥2.1 billion (1Q FY2021 Actual ¥11.9 billion vs. 1Q FY2021 Outlook ¥9.8 billion)**
 - Chemicals OP in line with target
 - Performance Materials OP above target due to substantial sales increase in Display Materials, Semis Materials, and Inorganic Materials
 - Agro OP above target due to fixed cost and inventory adjustment cost below target, despite sales below target (Fluralaner sales above target, while sales below target in several products including ROUNDUP, GRACIA, and ALTAIR)
 - Pharma OP above target due to solid sales of LIVALO in domestic
- ◆ **Net income above target ¥1.3 billion (1Q FY2021 Actual ¥8.8 billion vs. 1Q FY2021 Outlook ¥7.5 billion)**

3. Full Year FY2021 Outlook as of May 2021

- ◆ **No revision**

4. Share Repurchase

- ◆ **Completed (¥7.0 billion, 1.262 million shares, period of repurchase: May 17, 2021-July 21, 2021)**

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We will continue on to page 3. These are the highlights of the first-quarter results.

The first item is the YoY comparison. As you can see in the red, operating profit was JPY11.9 billion compared to JPY9.8 billion in the previous year, an increase of JPY2.1 billion or 21%.

I would like to make a few comments on these figures. Our annual operating profit has been the highest for the past 7 consecutive years. This increase in quarterly income is on top of that was the result of our business creation backed by the strong physical strength we have cultivated over the years, and not just the results for 3 months.

Now let us go back to the material. Regarding the operating profit I just mentioned. Looking at each segment, with the exception of Pharmaceuticals, Chemicals, Performance Materials, and Agrochemicals, all reported higher income.

Net income was JPY8.8 billion compared to JPY7.6 billion in the same period last year, an increase of JPY1.2 billion or 16%.

Operating profit, ordinary income, and net income were the highest on record since the first quarter of FY2018.

The second item is the comparison to the outlook. Operating profit was JPY11.9 billion, JPY2.1 billion higher than the original outlook of JPY9.8 billion. Chemicals finished in line with outlook, but other segments, Performance Materials, Agrochemicals, and Pharmaceuticals, all exceeded the outlook. The outlook for net income was JPY7.5 billion, so we achieved JPY8.8 billion, JPY1.3 billion higher.

Third, there will be no revision to the earnings outlook, as this is the first quarter. The outlook for the second quarter and full year are as announced on May 14.

Finally, we have completed share repurchase. The acquisition of 1.262 million shares for JPY7 billion was completed on July 21.

1Q FY2021 Actual⁽¹⁾

	FY2020 Actual	FY2021 Actual	Change	(¥billion)
	1Q	1Q	1Q	FY2021 Outlook as of May 2021 1Q
Sales	49.3	46.5	-2.8	40.0
Operating Profit	9.8	11.9	+2.1	9.8
Non-Operating Income/Expenses	0.6	0.4	-0.2	0.4
Ordinary Income	10.4	12.3	+1.9	10.2
Extraordinary Income/Loss	0.0	0.0	0.0	0.0
Net Income (2)	7.6	8.8	+1.2	7.5
EBITDA (3)	12.1	14.2	+2.1	-
EPS (¥/share)	52.38	61.73	+9.35	-
OP Margin	19.9%	25.5%	+5.6%	24.5%
FX Rate (¥/\$)	108	110		107
Crude Oil (JCC) (\$/bbl) (4)	31	67		55

(1) FY2021 Actual & Outlook: including effects of changes in accounting policies (see p2)

(2) Net Income = Profit Attributable to Owners of Parent

(3) EBITDA = Operating Profit + Depreciation (4) Based on Trade Statistics of Japan Ministry of Finance

Page 4 shows the actual figures for the first quarter.

1Q FY2021 Review

<vs. 1Q FY2020>

(Sales)	◆DOWN	¥-2.8 billion	(-6%)
(Including sales decrease (¥3.5 billion) due to changes in accounting policies)			
(OP)	◆UP	¥+2.1 billion	(+21%)
(Including OP increase (¥1.2 billion) due to changes in accounting policies :total of Fluralaner royalties increase and Argo's sales discount cost increase)			
(Ordinary Income)	◆UP	¥+1.9 billion	(+18%)
(Net Income)	◆UP	¥+1.2 billion	(+16%)
(EPS)	◆UP	¥+9.35	(+18%)

- (+) Chemicals, Performance Materials
- (-) Agrochemicals, Pharmaceuticals, Trading
- (+) Chemicals, Performance Materials, Agrochemicals
- (±) Trading
- (-) Pharmaceuticals

OP, Ordinary Income and Net Income renewed the highest results since 1Q FY2018

<vs. 1Q FY2021 Outlook as of May 2021>

(Sales)	◆UP	¥+6.5 billion
(Including sales increase (¥5.5 billion) vs. expectations of changes in accounting policies (agent transactions))		
(OP)	◆UP	¥+2.1 billion
(Ordinary Income)	◆UP	¥+2.1 billion
(Net Income)	◆UP	¥+1.3 billion

- (+) Chemicals, Performance Materials, Pharmaceuticals, Trading
- (-) Agrochemicals
- (+) Performance Materials, Agrochemicals, Pharmaceuticals, Trading
- (±) Chemicals

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We will continue on to page 5.

Compared to the same period last year, sales decreased by JPY2.8 billion. This includes a decrease of JPY3.5 billion in sales due to the change in accounting policy. Operating profit increased by JPY2.1 billion, which includes an increase of JPY1.2 billion due to changes in accounting policies.

Regarding the breakdown, this figure is the sum of the increase in income due to the increase in royalty income from Fluralaner and the decrease in income due to the increase in sales discount costs for Agrochemicals.

The EPS has increased by JPY9.35.

Next, compared to the outlook as of May 2021, sales were higher by JPY6.5 billion. However, JPY5.5 billion of this amount was due to the fact that the elimination of sales resulting from the change in accounting policy was small, as noted here, and this resulted in an increase in sales of JPY5.5 billion.

1Q FY2021 Non-Operating Income/Expenses, Extraordinary Income/Loss

	FY2020 Actual	FY2021 Actual	(¥billion) FY2021 Outlook as of May 2021
	1Q	1Q	1Q
Non-Operating Income	0.84	0.63	0.57
Interest income, dividend income	0.31	0.27	0.25
Equity in earnings of affiliates, others	0.53	0.36	0.32
Non-Operating Expenses	0.23	0.19	0.20
Interest expense	0.03	0.03	0.03
Loss on disposal of non-current assets, others	0.20	0.16	0.17
Non-Operating Income/Expenses	0.61	0.44	0.37
Extraordinary Income	0.00	0.00	0.00
Extraordinary Loss	0.00	0.00	0.00
Extraordinary Income/Loss	0.00	0.00	0.00

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Let us go to page 6.

Non-operating income/expenses and extraordinary income/loss; nothing special here. There are no extraordinary income or loss for this first quarter.

1Q FY2021 Cash Flows

(¥billion)

	FY2020 Actual	FY2021 Actual
	1Q	1Q
CF from operating activities	12.4	11.8
Income before income taxes & non-controlling interests	10.4	12.3
Loss (gain) on sales of securities	0.0	0.0
Depreciation & Amortization (1)	2.3	2.2
Income taxes paid	-6.0	-7.1
Working capital, others	5.7	4.4
CF from investing activities	-1.5	-3.3
Purchase of PPE	-2.0	-2.8
Purchase and sales of investment securities	-0.1	-0.1
Others	0.6	-0.4
CF from financing activities	-24.9	-23.8
Payout to shareholders (dividend)	-7.0	-8.3
Payout to shareholders (share repurchase)	-4.1	-4.8
Borrowings	-10.9	-8.4
Others	-2.9	-2.3
Effect of exchange rate change on cash & cash equivalents	0.0	0.0
Change in cash & cash equivalents	-14.0	-15.3
Cash & cash equivalents at end of period	16.6	17.1

(1) Including amortization of goodwill

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The next page, page 7, is about the cash flow.

As for the continued ample cash flow, in the first quarter we paid dividends and conducted share repurchase.

In the cash flow from finance activities in the table, share repurchase is included as JPY4.8 billion as Payout to shareholders. This is the amount actually spent, and of the JPY7 billion, the remaining JPY2.2 billion is included 2 lines below, in Others.

This was the case for the first quarter of last year as well. We resolved to repurchase JPY7 billion of our own shares, but JPY4.1 billion was recorded as executed, the remaining JPY2.9 billion was included in the Others category.

As for the balance of cash and cash equivalents, the last line shows that it was JPY16.6 billion for the same period last year and JPY17.1 billion for this period.

1Q FY2021 Balance Sheets

(¥billion)

	2020/6	2021/3 (A)	2021/6 (B)	Change (B)-A
Current assets	134.6	159.6	142.2	-17.4
Cash	16.6	32.4	17.1	-15.3
Accounts receivable	63.0	73.9	66.4	-7.5
Inventories	46.6	46.7	49.8	+3.1
Others	8.4	6.6	8.9	+2.3
Fixed assets	97.5	105.9	104.4	-1.5
Total PPE	50.8	51.8	51.5	-0.3
Intangible assets	7.2	12.1	12.2	+0.1
Investment securities*	34.6	35.9	34.9	-1.0
Others	4.9	6.1	5.8	-0.3
Total assets	232.1	265.5	246.6	-18.9
*Investment securities				
Listed shares	24.1	24.4	23.1	-1.3
Unlisted shares	2.7	2.7	2.8	+0.1
Subsidiaries/Associates shares	7.8	8.8	9.0	+0.2
Total	34.6	35.9	34.9	-1.0

	2020/6	2021/3 (A)	2021/6 (B)	Change (B)-A
Liabilities	47.5	64.9	52.7	-12.2
Accounts payable	15.8	16.3	15.7	-0.6
Borrowings	13.7	22.7	14.2	-8.5
Others	18.0	25.9	22.8	-3.1
Net assets	184.6	200.6	193.9	-6.7
Shareholders' equity	173.6	186.9	181.1	-5.8
Valuation difference on available-for-sale securities	10.2	11.4	10.5	-0.9
Foreign currency translation adjustment	-0.8	0.1	0.1	0.0
Non-controlling interests	1.6	1.7	1.8	+0.1
Remeasurements of defined benefit plans	0.0	0.5	0.4	-0.1
Total liabilities & Net assets	232.1	265.5	246.6	-18.9
• Equity Ratio	78.8%	74.9%	77.9%	
• D/E Ratio (1)	-1.7%	-5.2%	-1.6%	
• Change in shareholders' equity -5.8				
= Net Income 8.8 - Dividend and others 14.6				
(1)D/E Ratio = (Borrowings - Cash) / Shareholders' equity				

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Please refer to the balance sheet on page 8.

In the case of our company, sales of Agrochemicals peak in March and April, and from April onward, we start to collect receivables. Therefore, accounts receivable peaked at JPY73.9 billion in March 2021, and have been decreasing since then, with account receivable of JPY63 billion in June last year and JPY66.4 billion this period.

Cash and cash equivalents decreased by JPY15.3 billion compared to March, including repayment of borrowings, due to dividends and share repurchase. The equity ratio, which is noted outside the column in this table, was 77.9%.

In the area of investment securities, in this first quarter, there were no sales of listed shares, but the amount has decreased because of the decrease in valuation.

FY2020-1Q FY2021 Quarterly Sales by Segment ⁽¹⁾⁽²⁾⁽³⁾ (¥billion)

	FY2020 Actual					FY2021 Actual		FY2021 Outlook as of May 2021				
	1Q (A)	2Q	3Q	4Q	Total	1Q (B)	Change (B) - (A)	1Q	2Q	1H	2H	Total
Chem	7.4	7.3	8.3	8.9	31.9	8.8	+1.4	8.4	8.3	16.7	17.9	34.6
Fine Chemicals	2.7	2.7	2.8	3.2	11.4	3.2	+0.5	3.2	3.1	6.3	6.6	12.9
Basic Chemicals	4.7	4.6	5.5	5.7	20.5	5.6	+0.9	5.2	5.2	10.4	11.3	21.7
Performance Materials	17.1	17.5	19.2	17.8	71.6	20.0	+2.9	18.6	18.6	37.2	38.6	75.8
Agro	14.6	11.1	6.3	31.8	63.8	13.4	-1.2	14.5	10.3	24.8	41.4	66.2
Pharma	1.5	1.5	1.4	2.3	6.7	1.1	-0.4	0.9	2.0	2.9	3.2	6.1
D.D	0.7	0.8	0.6	0.8	2.9	0.6	-0.1	0.5	0.5	1.0	1.1	2.1
C.C	0.8	0.7	0.8	1.5	3.8	0.4	-0.3	0.4	1.5	1.9	2.0	3.9
Trading	18.2	15.5	17.8	18.3	69.8	17.8	-0.4	16.5	17.0	33.5	36.6	70.1
Others	4.8	4.6	6.8	7.6	23.8	4.9	+0.1	4.9	5.4	10.3	13.1	23.4
Adjustment	-14.3	-12.3	-16.1	-15.8	-58.5	-19.5	-5.2	-23.8	-25.1	-48.9	-54.8	-103.7
Total	49.3	45.2	43.7	70.9	209.1	46.5	-2.8	40.0	36.5	76.5	96.0	172.5

(1) Including inter-segment sales/transfers

(2) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen. Accordingly, some discrepancies may occur among totals.

(3) FY2021 Actual & Outlook: including effects of changes in accounting policies (see p2, 5, 30) (1Q Actual)

(vs. 1Q FY2020) Sales decrease (¥3.5 billion) due to changes in accounting policies

(vs. 1Q FY2021 Outlook as of May 2021)

Sales increase (¥5.5 billion) vs. expectations of changes in accounting policies (agent transactions)

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Please continue on to page 9.

Here are the figures for sales by segment, from FY2020 to the first quarter of FY2021.

FY2020-1Q FY2021 Quarterly OP by Segment ⁽¹⁾⁽²⁾

(¥billion)

	FY2020 Actual					FY2021 Actual		FY2021 Outlook as of May 2021				
	1Q (A)	2Q	3Q	4Q	Total	1Q (B)	Change (B) - (A)	1Q	2Q	1H	2H	Total
Chem	0.7	-0.8	0.7	0.9	1.5	1.3	+0.6	1.3	-0.3	1.0	1.4	2.4
Performance Materials	5.3	5.4	6.3	5.4	22.4	7.0	+1.7	5.5	6.1	11.6	12.2	23.8
Agro	4.0	3.8	-1.3	11.7	18.2	4.1	+0.1	3.8	2.0	5.8	11.8	17.6
Pharma	-0.1	0.1	0.0	0.4	0.4	-0.2	-0.1	-0.3	0.5	0.2	0.1	0.3
D.D	-0.2	-0.1	-0.4	-0.2	-0.9	-0.3	-0.1	-0.4	-0.3	-0.7	-0.8	-1.5
C.C	0.2	0.2	0.3	0.6	1.3	0.1	-0.1	0.1	0.8	0.9	0.9	1.8
Trading	0.7	0.5	0.7	0.6	2.5	0.7	0.0	0.5	0.6	1.1	1.1	2.2
Others	0.0	0.0	0.4	0.4	0.8	0.1	+0.1	0.0	0.0	0.0	0.7	0.7
Adjustment	-0.8	-0.8	-1.2	-0.5	-3.3	-1.1	-0.3	-1.0	-1.0	-2.0	-1.4	-3.4
Total	9.8	8.2	5.6	18.9	42.5	11.9	+2.1	9.8	7.9	17.7	25.9	43.6

- (1) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen. Accordingly, some discrepancies may occur among totals.
- (2) FY2021 Actual & Outlook: including effects of changes in accounting policies (see p2, 5, 30)
(1Q Actual)
(vs. 1Q FY2020) OP increase (¥1.2 billion) due to changes in accounting policies

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Next, on page 10, operating profit by segment.

Please see Change (B) - (A) of the results for FY2021 actual. Overall, operating profit increased by JPY2.1 billion, and by segment, Chemicals saw an increase of JPY0.6 billion, Performance Materials an increase of JPY1.7 billion, Agrochemicals an increase of JPY0.1 billion, and Pharmaceuticals a decrease of JPY0.1 billion.

Comparing these figures with the first-quarter outlook announced in May, you can see in the column to the right that the figure for Chemicals was JPY1.3 billion, so the result was in line with our outlook.

Operating profit of Performance Materials was JPY7 billion against the outlook of JPY5.5 billion.

Agrochemicals landed at JPY4.1 billion against the outlook of JPY3.8 billion.

Pharmaceuticals posted a loss of JPY0.2 billion against the outlook of a loss of JPY0.3 billion.

Overall, the outlook was JPY9.8 billion, so the result was higher by JPY2.1 billion.

Chemicals – (C) Restructuring based on Shutdown of Melamine Plant (News released on August 10, 2021)

1. Chemicals business structure (see p12)

Group	Main products
Ammonia-related products	ammonia, urea/Adblue, high purity ammonia, melamine, nitric acid, isocyanuric acid, Hi-LITE, TEPIC, melamine cyanurate
Sulfuric acid-related products	sulfuric acid, purified sulfuric acid, high purity sulfuric acid
Others	FINEOXCOL etc.

2. Sales・OP distribution

	Total FY2018-2020 (¥billion)	
	Sales	OP
Ammonia-related products	67.4 (66%)	0.7 (12%)
Sulfuric acid-related products	34.5 (34%)	5.1 (88%)
Others		
Total Chemicals	101.9(100%)	5.8(100%)

→ *Among ammonia-related products, melamine has the highest sales but is in the red
*Total profit of ammonia-related products other than melamine is in the black

3. Current status and prospects of melamine

Most unlikely to secure stable profits in mid-long term, and to expect profit expansion by new investments.

- ◆World production capacity is twice of demand (our estimate)
- ◆Domestic production capacity (2 companies including us) is 3 times of demand (our estimate)
- ◆Prices are on recovery trend, but always unstable due to cheaper Chinese products
(Chinese production capacity accounts for about 70% of the world).

4. Actions to be taken

- (1) Melamine: (A) stop production permanently in June 2022, (B) end sales when inventory eliminated
- (2) Expand sales of Chemicals segment by concentrating on high value and high share products
- (3) Reassign melamine plant operators in Toyama plant

5. Estimated PL effects of actions

- (1) Although related costs are being calculated, the effects would be minor as such costs will be compensated by gain on sales of investment securities. Those are not included in FY2021 Outlook announced on May 2021.
- (2) PL image of Chemicals segment in FY2023

	FY2021 Outlook	Difference between FY2023 and FY2021 Outlook (¥billion)	
		Effects of Melamine stop and countermeasures	FY2023 PL Image
Sales	34.6	+1.6	36.2
OP	2.4	+1.0	3.4

6. ESG

By shutdown of melamine, 26,000 GHG (t-CO₂) or equivalent to about 7% of FY2018 GHG (see p29) estimated to be reduced 13

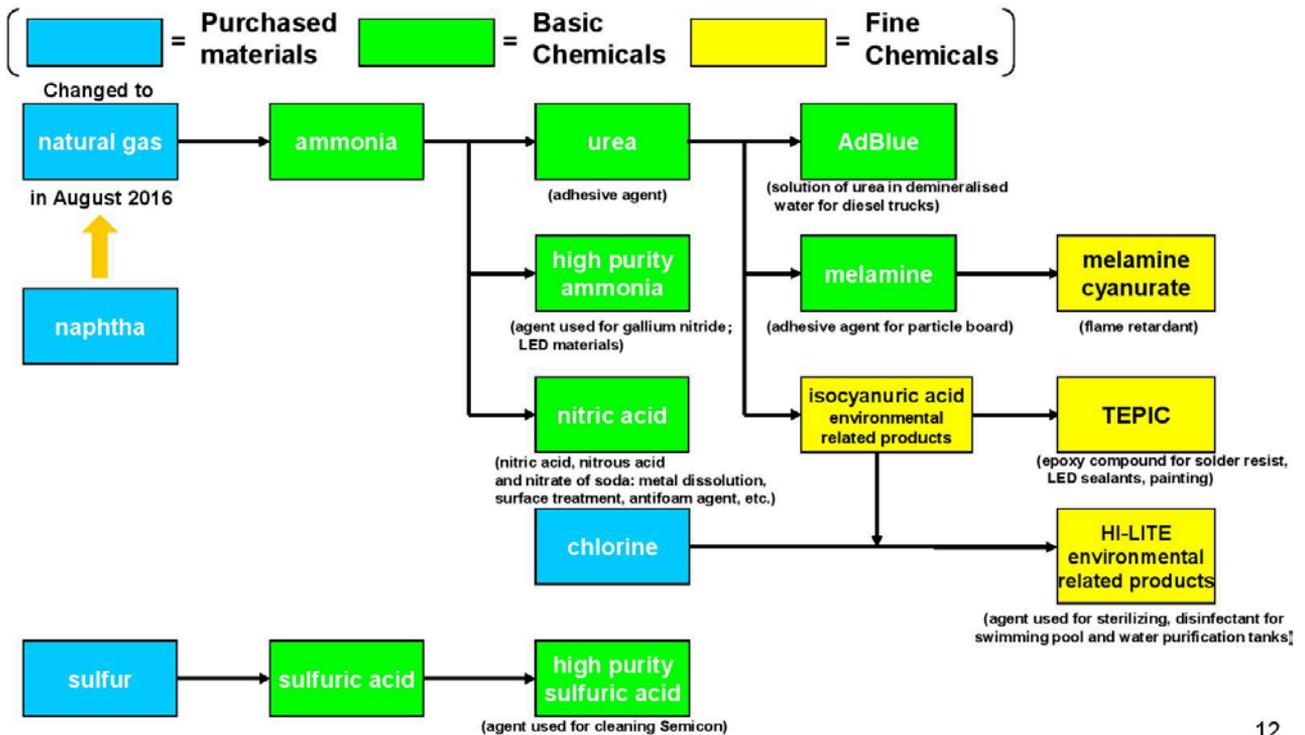
Next, I will explain the status of each segment.

First, in the Chemicals segment, I would like to explain the restructuring of the Chemicals business due to the termination of melamine production, on page 13, which was announced in the press release today.

The first item explains the structure of our Chemicals business. In our disclosure, we have basic chemicals and fine chemicals categories, but in terms of production flow or material flow, there are ammonia-related products, sulfuric acid-related products, and others.

Chemicals – (B) Flow Chart of Selected Basic and Fine Chemicals Products

- ◆ Core products of Chemicals : Ammonia related products and sulfuric acid related products
- ◆ FY2020 ammonia domestic production capacity share 11%, high percentage of self-consumption of ammonia



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For more information on this, please see the material flow diagram on page 12.

Ammonia-related products include ammonia, urea, AdBlue, high-purity ammonia, melamine, nitric acid, isocyanuric acid, HI-LITE, TEPIC, melamine cyanurate, et cetera.

The detailed product applications of each of these products are summarized in the back of this document on page 47, so please refer to it later.

Sulfuric acid-related products include sulfuric acid, purified sulfuric acid, and high-purity sulfuric acid. For others, we have FINEOXCOL.

Chemicals – (C) Restructuring based on Shutdown of Melamine Plant (News released on August 10, 2021)

1. Chemicals business structure (see p12)

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Others	FINEOXCOL etc.

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- ◆ World production capacity is twice of demand (our estimate)
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- (1) Melamine: (A) stop production permanently in June 2022, (B) end sales when inventory eliminated
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5. Estimated PL effects of actions

- (1) Although related costs are being calculated, the effects would be minor as such costs will be compensated by gain on sales of investment securities. Those are not included in FY2021 Outlook announced on May 2021.
- (2) PL image of Chemicals segment in FY2023

	FY2021 Outlook	Difference between FY2023 and FY2021 Outlook (¥billion)		FY2023 PL Image
		Effects of Melamine stop and countermeasures		
Sales	34.6	+1.6		36.2
OP	2.4	+1.0		3.4

6. ESG

By shutdown of melamine, 26,000 GHG (t-CO₂) or equivalent to about 7% of FY2018 GHG (see p29) estimated to be reduced 13

Number 2 on page 13 shows the 3-year total figures for sales and operating profit for this Chemicals division. In terms of sales, ammonia-related products accounted for about 66%, and sulfuric acid-related and others accounted for 34%, but in terms of profit, ammonia-related accounted for 12%, and sulfuric acid-related and others accounted for 88%.

As you can see from the arrow on the right side of the page, melamine has the highest sales among ammonia-related products, but it itself was in the red. As for ammonia-related products other than melamine, the total profit is in the black. Therefore, the profit of ammonia-based products is being reduced by melamine.

Next, I would like to talk about number 3, the current status and prospects of melamine. Based on the following 3 points, we have determined that it will be difficult to secure stable profits from this product in the medium to long term, and that we cannot expect to expand profit even through new investments.

This is because the world's production capacity is now twice the demand. In addition, the domestic production capacity of only 2 companies, including us, is 3 times higher than the demand. In terms of prices, we are currently seeing a recovery trend, but the unstable situation is expected to remain unchanged for a long time, as it is greatly affected by the trend of cheaper Chinese products, which basically account for 70% of the world's capacity.

Next, number 4, I would like to talk about actions to be taken. First of all, we will permanently stop the production of melamine in June 2022, and we will end sales when inventory is eliminated.

2. We will expand sales of chemical products by concentrating resources on high value-added products and products with high share in the Chemicals segment to offset the decrease in sales.

3. We will reassign the melamine production operators within the Toyama Plant.

Number 5, as for estimated effects of these actions on earnings, first, there will be expenses related to melamine, such as disposal and removal costs, which are still being calculated, but in the end, we plan to cover them with profits from the sale of investment securities, so the net impact is expected to be negligible. The impact of the termination of melamine production was not factored into the earnings outlook announced in May.

2. As for the earnings image for the Chemicals segment after the termination of melamine production, for FY2021, our sales outlook is JPY34.6 billion and operating profit JPY2.4 billion; while for FY2023, the first year after the termination of melamine production, we expect sales of JPY36.2 billion and operating profit of JPY3.4 billion.

Last, as for ESG impact, this is a positive impact, and it is estimated that the CO2 emissions will be reduced by 26,000 tons due to the termination of melamine production. This is equivalent to about 7% of the actual 363,000 tons for FY2018. We have set and announced a long-term goal of reducing CO2 emissions by 30% from FY2018 by FY 2030, and we calculate that 7% of this will come from here.

Chemicals – (D) 1Q FY2021 Sales & Profit Overview

	1Q FY2021 Actual*	
	YOY	vs. Plan as of May 2021 (undisclosed)
TEPIC	+29%	above
Environmental related products	+23%	below
Total Fine Chem	+18%	in line
Melamine	+68%	above
Urea including AdBlue	+14%	in line
High purity sulfuric acid	+10%	in line
Nitric acid products	+20%	above
Total Basic Chem	+20%	above

2 products account for 77% of total consolidated subsegment sales (1Q FY2021)

4 products account for 56% of total consolidated subsegment sales (1Q FY2021)

	FY2020 Actual (A)	FY2021 Actual (B)	Change (B) - (A)	FY2021 Outlook as of May 2021
	1Q	1Q	1Q	1Q
Sales	7.4	8.8	+1.4	8.4
Fine	2.7	3.2	+0.5	3.2
Basic	4.7	5.6	+0.9	5.2
OP	0.7	1.3	+0.6	1.3

1Q FY2021 Review <vs. 1Q FY2020>

(Fine)

- ◆ Sales up: TEPIC for general applications (export recovery), TEPIC for electronic materials (demand recovery for cars), environmental related products (isocyanuric acid capacity expansion completed)
- ◆ Sales up, OP up

(Basic)

- ◆ Sales up: melamine (domestic and export recovery), nitric acid products (demand recovery), urea/AdBlue (demand recovery), high purity sulfuric acid (for semis)
- ◆ Sales up, OP up

(Total)

- ◆ Sales up ¥1.4 billion, OP up ¥0.6 billion

1Q FY2021 Review

<vs. 1Q FY2021 Outlook as of May 2021>

(Fine)

- ◆ Sales above target: TEPIC for general applications
- ◆ Sales below target: TEPIC for electronic materials, environmental related products
- ◆ Sales in line with target, OP below target

(Basic)

- ◆ Sales above target: melamine (export), nitric acid products
- ◆ Sales in line with target: high purity sulfuric acid, urea/AdBlue
- ◆ Sales below target: melamine (domestic)
- ◆ Sales above target, OP above target

(Total)

- ◆ Sales up ¥0.4 billion, OP in line with target

14

The following is an overview of the Chemicals segment. Please see page 14.

The table of main products is on the left. As you can see, sales increased YoY for most of our products, and with the exception of environmental related products, the figures exceeded or were in line with our outlook. Sales for fine chemicals increased 18% YoY, and sales for basic chemicals increased 20%.

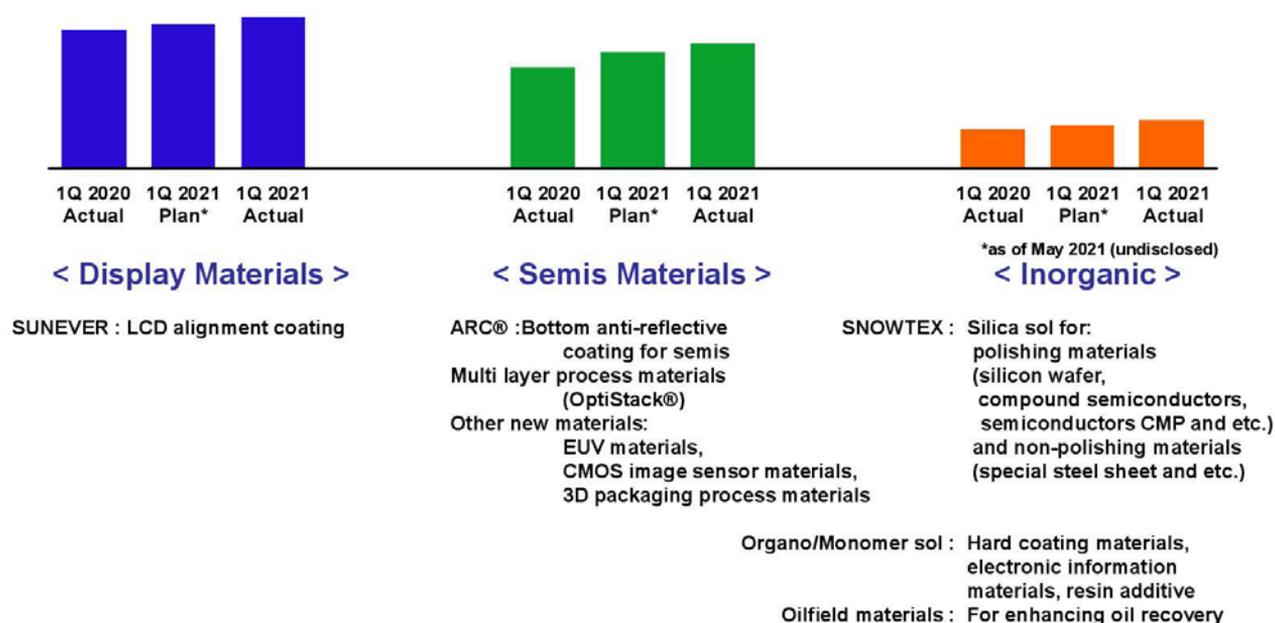
In fine chemicals, sales of TEPIC for general applications increased due to recovery in exports. Sales of TEPIC for electronic materials for automotive applications also recovered. Sales also increased for environment-related products due to the expanded capacity for isocyanuric acid. Therefore, both sales and profit increased for fine chemicals.

Next, as for basic, there was a recovery in demand for melamine both in exports and in Japan. As for exports, prices also recovered. There was a recovery in demand for nitric-acid products, urea/AdBlue, and high-purity sulfuric acid. Therefore, both sales and profit increased for basic chemicals as well, and in total, sales increased by JPY1.4 billion and profit increased by JPY0.6 billion.

As for the comparison with outlook, for fine chemicals, TEPIC for general applications was above, but TEPIC for electronic materials, for automotive printed circuit boards was below due to a shortage of semiconductors among customers. Environmental related products were below, as there was a downward swing in domestic demand for swimming pools. For fine chemicals, sales were almost in line with expectations, but operating profit was slightly lower than expected.

On the other hand, for basic chemicals, sales were above target for melamine (export) and nitric acid products. For high-purity sulfuric acid, urea/AdBlue, sales were mostly in line. Sales were below target for melamine (domestic), as residential demand was lower than expected. In terms of the overall basic chemicals, sales were above and operating profit was slightly above. In total, sales were higher by JPY0.4 billion and operating profit was in line with our outlook.

Performance Materials – (B) 1Q FY2021 Sales Distribution



16

Next, we will move on to Performance Materials. Please see page 16.

There is a bar chart for the first quarter for the 3 sub segments of Performance Materials: Display Materials, Semis Materials, and inorganic Materials.

Performance Materials – (C) 1Q FY2021 Sales Review

Main Products	1Q FY2021 Actual	
	YOY	vs. Plan as of May 2021 (undisclosed)
SUNEVER	+9%	above
Total Display Materials	+10%	above
KrF (ARC®)	+12%	above
ArF (ARC®)	+22%	above
Total ARC®	+19%	above
Other Semiconductors Materials (1)	+37%	above
Total Semiconductors Materials	+24%	above

Main Products	1Q FY2021 Actual	
	YOY	vs. Plan as of May 2021 (undisclosed)
SNOWTEX	+16%	above
Organo/Monomer Sol	+26%	above
Oilfield Materials	Over 1,600%	below
Total Inorganic Materials	+25%	above

(1) Multi layer process materials (OptiStack®), EUV materials, CMOS image sensor materials, 3D packaging process materials, etc.

17

Next, please see page 17.

This shows the trend of major products in the Performance Materials segment.

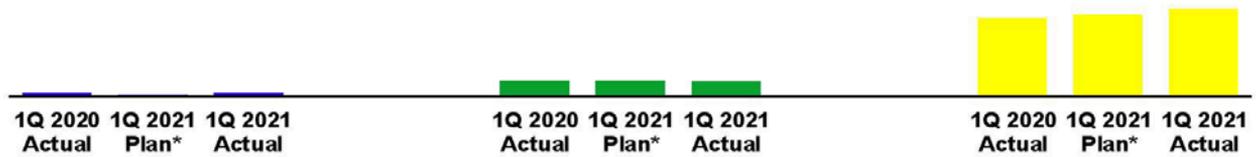
First, sales of SUNEVER increased by 9% YoY, which was above the plan.

Sales for Semis Materials were also above the plan, as sales for ARC, and others increased 19% and 37%, respectively, and 24% overall.

Next, for inorganic materials, such as SNOWTEX and Organo/Monomer Sol, sales increased and were also above the plan. Sales for overall inorganic materials also increased 25%, which was also above the plan.

Performance Materials – (D) SUNEVER

<SUNEVER Sales Distribution by Mode>



< TN ** >

Main applications : PC, Monitor

*as of May 2021 (undisclosed)

**TN : Twisted Nematic, VA : Vertical Alignment, IPS : In-Plane Switching

< VA ** >

TV

< IPS** >

Smartphone, Tablet, PC, Monitor

<SUNEVER Sales Review by Mode>

	1Q FY2021 Actual	
	YOY	vs. Plan as of May2021 (undisclosed)
TN	↘	above
VA	↘	below
IPS	↗↗	above
Total	+9%	above

YOY Change

+10~+19%	↗↗
+0~+9%	↗
-0~-9%	↘
-10~-19%	↘↘

18

Next, regarding the situation of SUNEVER, please see page 18.

As for TN, there was a slight decrease YoY. VA declined slightly as well. IPS, the sum of rubbing and photo, saw a significant increase in sales.

Of these, TN and IPS were above the plan, while VA was slightly below the plan. The overall sales were above the plan.

Performance Materials – (E) 1Q FY2021 Sales & Profit Overview

				(¥billion)
	FY2020 Actual (A)	FY2021 Actual (B)	Change (B) - (A)	FY2021 Outlook as of May 2021
	1Q	1Q	1Q	1Q
Sales	17.1	20.0	+2.9	18.6
OP	5.3	7.0	+1.7	5.5

other new materials: EUV materials, CMOS image sensor materials, 3D packaging process materials total

1Q FY2021 Review

<vs. 1Q FY2020>

- ◆ DP sales up, OP up
Photo IPS up (smartphone and non-smartphone up),
rubbing IPS down, VA down, TN down
Fixed cost up ¥0.2 billion
- ◆ Semis Materials sales up, OP up
ARC® up, other semis materials up (multi layer materials and
other new materials up)
Growing semis market
Fixed cost up ¥0.2 billion
- ◆ Inorganic Materials sales up, OP up
SNOWTEX up (non-polishing and polishing up)
Organo/Monomer Sol up
Oilfield materials up (recover of shale oil market)
Fixed cost up ¥0.2 billion
- ◆ Fixed cost up ¥0.6 billion in total
- ◆ Sales up ¥2.9 billion, OP up ¥1.7 billion

1Q FY2021 Review

<vs. 1Q FY2021 Outlook as of May 2021>

- ◆ DP sales above target, OP above target
Photo IPS above target (smartphone and non-smartphone above target),
rubbing IPS above target, VA below target, TN above target
- ◆ Semis Materials sales above target, OP above target
ARC® above target, other semis materials above target
(multi layer materials and other new materials above target)
Growing semis market
Fixed cost below expectations (¥0.3 billion)
- ◆ Inorganic Materials sales above target, OP above target
SNOWTEX above target (non-polishing and polishing above target)
Organo/Monomer Sol above target
Oilfield materials below target
Fixed cost above expectations (¥0.1 billion)
- ◆ Fixed cost below expectations (¥0.2 billion) in total
- ◆ Sales up ¥1.4 billion, OP up ¥1.5 billion

19

Next is the earnings trend of the Performance Materials. Please see page 19.

As for the YoY comparison on the left, sales and profit of Display increased. Sales of Photo IPS for smartphones and non-smartphones were strong. Those for rubbing IPS decreased due to transfer to Photo. Those for VA decreased, partly due to a decrease in lines at customers. There was an increase in fixed costs of JPY0.2 billion, but even including that, Display saw an increase in both sales and profit.

Next, for Semis Materials, sales and profit also increased. Sales of ARC and other materials both increased, and this more than offset by JPY0.2 billion increase in fixed costs, resulting in a considerable increase in profits.

For Inorganic, sales and profit increased as well. SNOWTEX for general purpose and for polishing both increased. As for Organo/Monomer Sol, there is nothing particularly noteworthy, but there was a general increase in sales. Oilfield materials also saw a small increase in sales.

For the segment as a whole, sales increased JPY2.9 billion and operating profit increased JPY1.7 billion, despite a JPY0.6 billion increase in fixed costs.

Next, the comparison with the outlook is on to the right side. For Display, sales and profit were above target. For Photo IPS, both smartphones and non-smartphones were above target. Rubbing IPS was also above target. As for VA, it was below target due to the downsizing of production lines at customers' facilities and the downward swing in production caused by the shortage of glass.

For Semis, sales and profit were both above target. Both ARC and other products have been performing very well.

Sales and profit for Inorganic were also above target. SNOWTEX and Organo/Monomer Sol were above target. Oilfield materials were slightly below target.

Overall, sales were higher by JPY1.4 billion and profit was higher by JPY1.5 billion.

Agrochemicals – (B) Sales Review (Before Discount)

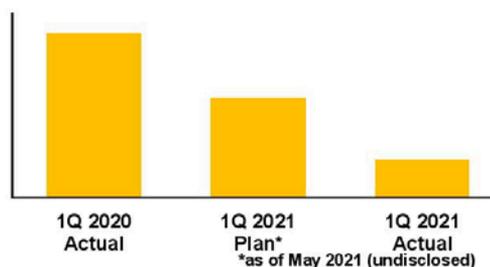
Main Products (in order of FY2020 sales amount)		1Q FY2021 Actual	
		YOY	vs. Plan as of May 2021 (undisclosed)
ROUNDUP (1)	Herbicide	0%	below
Fluralaner (2)	Animal health products	+45%	above
ALTAIR	Herbicide	-36%	below
TARGA	Herbicide	-27%	above
GRACIA	Insecticide	-77%	below
PERMIT	Herbicide	+5%	in line
LEIMAY	Fungicide	+55%	in line
QUINTEC	Fungicide	Over 400%	above
DITHANE	Fungicide	-	in line
Total segment	-	-1%	below

◆ No.1 in the domestic agrochemicals sales ranking (Oct.2018- Sep.2019)

⇒ See presentation materials for the ROUNDUP business briefing held on January 22, 2020

https://www.nissanchem.co.jp/eng/news_release/release/en2020_01_24.pdf

◆ GRACIA Sales (1Q FY2021 Actual)



(1) ROUNDUP AL for general household accounting for 36% of 1Q FY2021 ROUNDUP sales

(2) 1Q FY2021 Actual & Outlook: including effects of changes in accounting policies (royalties increase) (see p2, 25)

22

Next, we will move on to the Agrochemicals segment. Please see page 22.

There are some major products, and these are measured at pre-discounted figures.

First, compared to the same period last year, sales of Agrochemicals were decreased by 1% before discount. Compared to the outlook, sales are below target.

As for the breakdown, ROUNDUP recorded 0%, so this was below the plan. Sales for Fluralaner increased 45% YoY. This was due to a change in accounting policy, which resulted in royalties being recorded in the first quarter, and the royalties themselves were higher than expected.

Sales for ALTAIR were below the plan, decreasing 36% YoY. Sales of TARGA decreased 27%, but this was above the plan. Sales for GRACIA decreased. Then, for PERMIT, sales were in line with the forecast. Those for LEIMAY were also mostly in line with the forecast. QUINTEC is on the upswing. Sales for DITHANE were in line with the forecast.

Here, I would like to give a brief explanation of GRACIA, as shown in the bar graph on the right. In early spring, we had very good weather, and the spring cabbage harvest started early, so it proceeded without pest control. In addition, the market for leafy greens in general has been declining, which has led to a shift to low-priced insecticides, and now, inventory clearance in GRACIA is not progressing as expected.

Agrochemicals - (C) Recent Acquisitions of Agrochemical Products

◆QUINTEC (QUINOXYFEN)

- Acquired the QUINOXYFEN product line of fungicides including QUINTEC brand from Corteva in November 2019 and started to sell in December 2019
- Protective fungicide highly effective in controlling powdery mildew in fruits (especially grapes) and vegetables, mainly sold in USA

◆DITHANE (MANCOZEB)

- Acquired the MANCOZEB product line of fungicides in Japan and Korea including DITHANE brand from Corteva in December 2020 and started to sell in January 2021 in Japan
- Protective fungicide with significant efficacy against various plant diseases in fruits (especially apples and citrus) and vegetables
- Average amortized period fixed at 5 or 16 years(straight-line method)(weighted average 15.6 years) after the accounting audit. (tentatively calculated under the condition of 5-year amortization period before audit)

<DITHANE Acquisition's estimated PL impact> (¥billion)

	OP	OP + Amortization
FY2020	0.3	0.4
FY2021	0.7	1.1
Total FY2022-26	3.6	5.3

23

Please continue on page 23.

This is copied from the material from May, which shows the details of the acquisition of QUINTEC and DITHANE.

Agrochemicals – (D-1) Fluralaner

◆Fluralaner

*MSD: MSD Animal Health, the global animal health business unit of Merck

- Invented by NCC and supplied to MSD* as the active pharmaceutical ingredient of BRAVECTO and EXZOLT
- Currently, BRAVECTO series and EXZOLT are available in more than 100 countries
- Compound patent
Fluralaner's compound patent expires in March 2025,
but many countries have a patent term extension system
 - Some EU countries including UK, France, Germany – already extended to February 2029
 - USA, etc. – applications under examination

◆BRAVECTO

- Developed and launched by MSD
- Veterinary medical products providing 12 weeks of continuous protection for dogs and cats against fleas and ticks with immediate effect, nearly 3 times longer than any monthly products in the market.
- Chewable tablet for dogs
April 2014 Europe, June 2014 USA, July 2015 Japan, July 2019 China
July 2020 monthly chews for puppies in USA
- Spot-on solution for dogs and cats
for cats: July 2016 EU, December 2016 USA, June 2018 Japan
for dogs: January 2017 USA, EU, January 2021 Japan

◆BRAVECTO Plus

- A broad-spectrum combination spot-on solution for cats to treat internal and external parasite infestations
July 2018 Europe, December 2019 USA,
January 2021 Japan

◆EXZOLT

- A poultry medicine against red mite launched by MSD (administered via drinking water)
September 2017 Europe, June 2018 Korea, and Middle East etc, July 2021 Japan



24

Page 24, Fluralaner. There is no new information here either.

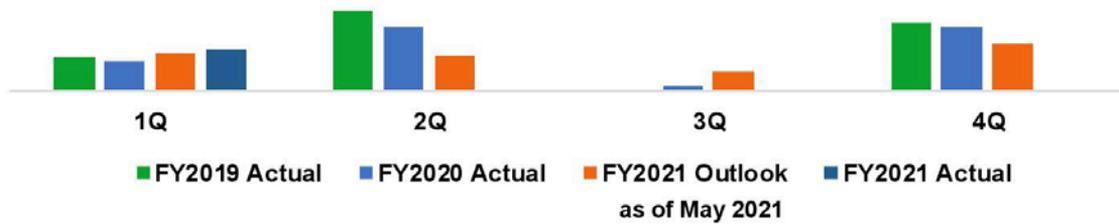
Agrochemicals – (D-2) Fluralaner

API*: Active Pharmaceutical Ingredient

◆ **NCC's Revenues**

Sales of Fluralaner to MSD as API* of BRAVECTO and EXOLT products +
Running royalties received from MSD

◆ **FY2019-FY2021 Fluralaner Quarterly Sales (including royalties)**



◆ **FY2021 sales: Revenue recognition policy changed (see p2)**

(until FY2020) Royalties revenue on MSD's sales for Jan-Jun: recognized in Aug, Jul-Dec: recognized in Feb
(from FY2021) Royalties revenue on MSD's sales for Jan-Mar: recognized in May, Apr-Jun: recognized in Aug,
Jul-Sep: recognized in Nov, Oct-Dec: recognized in Feb

Page 25 shows the quarterly sales for Fluralaner.

As you can see, sales for first quarter are a little larger than last year and then our forecast due to the recording of royalties.

Agrochemicals – (E) 1Q FY2021 Sales & Profit Overview⁽¹⁾

				(¥billion)
	FY2020 Actual (A)	FY2021 Actual (B)	Change (B) - (A)	FY2021 Outlook as of May 2021
	1Q	1Q	1Q	1Q
Sales	14.6	13.4	-1.2	14.5
OP	4.0	4.1	+0.1	3.8

(1) FY2021 Actual & Outlook: including effects of changes in accounting policies (Fluralaner royalties increase and sales discount cost increase) (see p2)

1Q FY2021 Review

<vs. 1Q FY2020>

- ◆ Sales up : Fluralaner (royalties recognized due to changes in accounting policies), DITHANE(sales start from 4Q FY2020), QUINTEC(export), LEIMAY(export), PERMIT(export)
- ◆ Sales flat : ROUNDUP(ML down, AL up)
- ◆ Sales down: GRACIA(domestic, export), ALTAIR(domestic), TARGA(export)
- ◆ Fixed cost up ¥0.1 billion
- ◆ Inventory adjustment cost down ¥0.3 billion
- ◆ Sales down ¥1.2 billion, OP up ¥0.1 billion (sales up ¥1.2 billion, OP up ¥1.2 billion due to changes in accounting policies)

1Q FY2021 Review

<vs. 1Q FY2021 Outlook as of May 2021>

- ◆ Sales above target: Fluralaner(royalties above target), QUINTEC(export), TARGA(export)
- ◆ Sales in line with target: PERMIT, LEIMAY, DITHANE
- ◆ Sales below target: ROUNDUP(ML), GRACIA(domestic), ALTAIR(domestic)
- ◆ Fixed cost below expectations (¥0.3 billion)
- ◆ Inventory adjustment cost below expectations (¥0.4 billion)
- ◆ Sales down ¥1.1 billion, OP up ¥0.3 billion

26

Next, the earnings trend of the Agrochemicals segment. Please see page 26.

There are products with increased sales, flat sales, and decreased sales. The first product with an increase in sales is Fluralaner. As mentioned earlier, royalties were recorded in the first quarter. Also, sales of DITHANE started in the fourth quarter of last fiscal year, so in terms of YoY sales, this was zero last year, so sales were directly reflected as the increase.

In the case of QUINTEC, there was a cutback in production at Corteva in the second half of FY2020, and this has led to a reactionary increase in the first quarter of FY2021. As for LEIMAY, sales were strong for India and Australia. As for PERMIT, sales for India came in ahead of schedule.

As for ROUNDUP MAXLOAD sales decreased, but AL sales increased steadily. For ROUNDUP, the declaration of the state of emergency resulted in reduced activities of customers, as well as the early start of the rainy season had an impact.

Then, for those that saw a decreased in sales, GRACIA was as explained earlier. For ALTAIR, looking at production from FY2019, it decreased in FY2019 due to a shortage of raw materials, but increased significantly in FY2020 as a reaction to it. In FY2021, the situation returned to normal, with a YoY decrease in sales. As for TARGA, the demand for rapeseed in Europe decreased.

In this segment, there was an increase of JPY0.1 billion in fixed costs, but there was a positive effect of JPY0.3 billion due to inventory adjustment factors. As a result, sales decreased by JPY1.2 billion and operating profit increased by JPY0.1 billion. However, this includes a net increase in sales and a net increase in operating profit of JPY1.2 billion each, due to changes in accounting policies, so without these changes, operating profit would have been decreased by JPY1.1 billion.

Next, on the right side is the outlook. First, products with sales that were above target. As for Fluralaner, as I mentioned earlier, sales were above target due to the royalty income, which was linked to the strong sales for companion animals at Merck in the first quarter. Sales for QUINTEC were also above target, which was due to the shift in production from FY2020 and the current year as mentioned earlier. Sales for TARGA were above target partially due to the uptick in Europe.

Those with sales below target. ROUNDUP MAXLOAD, as mentioned earlier, was affected by the declaration of the state of emergency and the rainy season. GRACIA was as already explained. As for ALTAIR, there was some shipment ahead of schedule in the fourth quarter of FY2020, so it was recorded as the portion below target.

Compared to the outlook, fixed costs were below expectations by JPY0.3 billion, mainly due to R&D. In addition, inventory adjustment had a positive impact of JPY0.4 billion due to downward swing in shipments. As a result, sales were lower by JPY1.1 billion, and profit was higher by JPY0.3 billion.

Pharmaceuticals – (B) 1Q FY2021 Sales & Profit Overview

<Sales Review>

Pharma	1Q FY2021 Actual	
	YOY	vs. Plan as of May 2021 (undisclosed)
LIVALO	-18%	above
Custom Chemicals	-42%	above
Total segment	-29%	above

<Profit Review>⁽¹⁾

	FY2020 Actual (A)	FY2021 Actual (B)	Change (B) - (A)	FY2021 Outlook as of May 2021
	1Q	1Q	1Q	1Q
	Sales	1.50	1.07	-0.43
D.D	0.74	0.63	-0.11	0.49
C.C	0.76	0.44	-0.32	0.40
OP	-0.07	-0.19	-0.12	-0.33
D.D	-0.22	-0.29	-0.07	-0.40
C.C	0.15	0.10	-0.05	0.07

(1) Figures in p9,10,31,32,33,34 may not match the numbers on this page due to rounding.

* D.D = Drug Discovery, C.C = Custom Chemicals

1Q FY2021 Review <vs. 1Q FY2020>

- (D.D) ◆ LIVALO sales down (domestic sales up, export down)
◆ Sales down ¥0.11 billion, OP down ¥0.07 billion
- (C.C) ◆ Sales down
◆ Inventory valuation gain ¥0.1 billion (absence of inventory valuation loss recognized in 1Q FY2020)
◆ Sales down ¥0.32 billion, OP down ¥0.05 billion
- (Total) ◆ Sales down ¥0.43 billion, OP down ¥0.12 billion

1Q FY2021 Review

<vs. 1Q FY2021 Outlook as of May 2021>

- (D.D) ◆ LIVALO sales above target (domestic and export sales above target)
◆ Sales up ¥0.14 billion, OP up ¥0.11 billion
- (C.C) ◆ Sales above target
◆ Sales up ¥0.04 billion, OP up ¥0.03 billion
- (Total) ◆ Sales up ¥0.18 billion, OP up ¥0.14 billion

28

Next, let us move on to Pharmaceuticals. Please see page 28.

First of all, sales for LIVALO declined by 18% YoY. Though declined, sales were higher than expected. Sales for custom chemicals decreased 42% but were also above the plan as the decline was smaller than originally expected.

On the left side of this page, you can see the YoY comparison of sales and profit. In drug discovery, domestic sales increased, while export sales decreased. Sales of LIVALO itself decreased by JPY0.11 billion in sales and by JPY0.07 billion in operating profit.

Sales for custom chemicals decreased, but the inventory valuation loss that was recorded last year was eliminated, so this had a positive impact of JPY0.1 billion. Therefore, the result was a decrease of JPY0.32 billion in sales and a decrease of JPY0.05 billion in profit.

In total, sales decreased JPY0.43 billion and operating profit decreased JPY0.12 billion.

Next, the comparison with the outlook. Let us move on to the right side. In drug discovery, both domestic and overseas sales of LIVALO were above target, with sales being higher by JPY0.14 billion and profit by JPY0.11 billion. Sales for custom chemicals were also above target, with sales being higher by JPY0.04 billion and profit by JPY0.03 billion.

In total, sales were higher by JPY0.18 billion and operating profit by JPY0.14 billion.

ESG

FY2019																															
April	• Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors																														
June	• Introduced a performance-linked stock compensation plan called a Board Benefit Trust for members of the Board of Directors, etc. • One Outside Director added, as a result, the Board of Directors includes 3 Outside Directors out of 9.																														
January	• NCC was selected as one of the 50 candidates among all listed companies of the FY2019 Corporate Value Improvement Award hosted by the Tokyo Stock Exchange for the 2nd consecutive year (FY2020 Award suspended)																														
FY2020																															
June	• NCC was selected as an inclusion in the S&P/JPX Carbon Efficient Index for the 2nd consecutive year																														
August	• NCC announced its support for recommendations of Task Force on Climate-related Financial Disclosures (TCFD)																														
October	• NCC won the 2020 Awards for Excellence in Corporate Disclosure in the chemicals and fiber sector, selected by Securities Analysts Association of Japan (SAAJ)																														
November	• NCC was selected as an inclusion in the Dow Jones Sustainability Asia Pacific Index for the 3rd consecutive year • Published "Integrated Reports 2020" https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2020.pdf																														
December	• NCC was listed on Water Security "A List" for the 2nd consecutive year and Climate Change "A- List" for the first time by CDP																														
January	<p>• NCC established new long-term target for reducing greenhouse gas (GHG) emissions Mid-term target in Vista2021(FY2016-2021) : Reducing GHG emissions by 20% from FY2011 levels by FY2021 → Achieved 27% reduction in FY2019 compared to FY2011 New long-term target: Reducing GHG emissions by 30% from FY2018 levels by FY2030 GHG emissions (1,000t-CO2)</p> <table border="1"> <thead> <tr> <th>FY</th> <th>2011</th> <th>2018</th> <th>2019</th> <th>2021</th> <th>2030</th> </tr> </thead> <tbody> <tr> <td>Mid-term target in Vista2021</td> <td>-</td> <td>-</td> <td>-</td> <td>359</td> <td>-</td> </tr> <tr> <td>Actual</td> <td>448</td> <td>363</td> <td>327</td> <td>-</td> <td>-</td> </tr> <tr> <td>New long-term target</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>254</td> </tr> <tr> <td>Average of 5 major Japanese chemical companies</td> <td>-</td> <td>-</td> <td>5,069</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	FY	2011	2018	2019	2021	2030	Mid-term target in Vista2021	-	-	-	359	-	Actual	448	363	327	-	-	New long-term target	-	-	-	-	254	Average of 5 major Japanese chemical companies	-	-	5,069	-	-
FY	2011	2018	2019	2021	2030																										
Mid-term target in Vista2021	-	-	-	359	-																										
Actual	448	363	327	-	-																										
New long-term target	-	-	-	-	254																										
Average of 5 major Japanese chemical companies	-	-	5,069	-	-																										
FY2021																															
April	• Announced its Diversity Statement and Diversity Vision																														
June	• One female Outside Director added, as a result, the Board of Directors includes 4 Outside Directors out of 10																														
July	• NCC was selected as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index for 2nd consecutive years																														
FY2022																															
June	• Plan to reduce GHG emissions by melamine production stop (26,000 tons, equivalent to about 7% of FY2018)																														

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Next, on page 29, ESG initiatives. Here I would like to mention the 3 points shown in red.

First, in July 2021, we were selected for the FTSE4Good Index Series and the FTSE Blossom Japan Index for the second consecutive year.

Also, as I mentioned earlier, in June 2022, we will stop producing melamine, which is expected to reduce CO2 emissions by 26,000 tons.

In the area of governance, we have appointed 1 female director in June. As a result, the Board of Directors includes 4 outside Directors out of 10 Directors.

Our Characteristics - (A) Recording Stable OP Margin

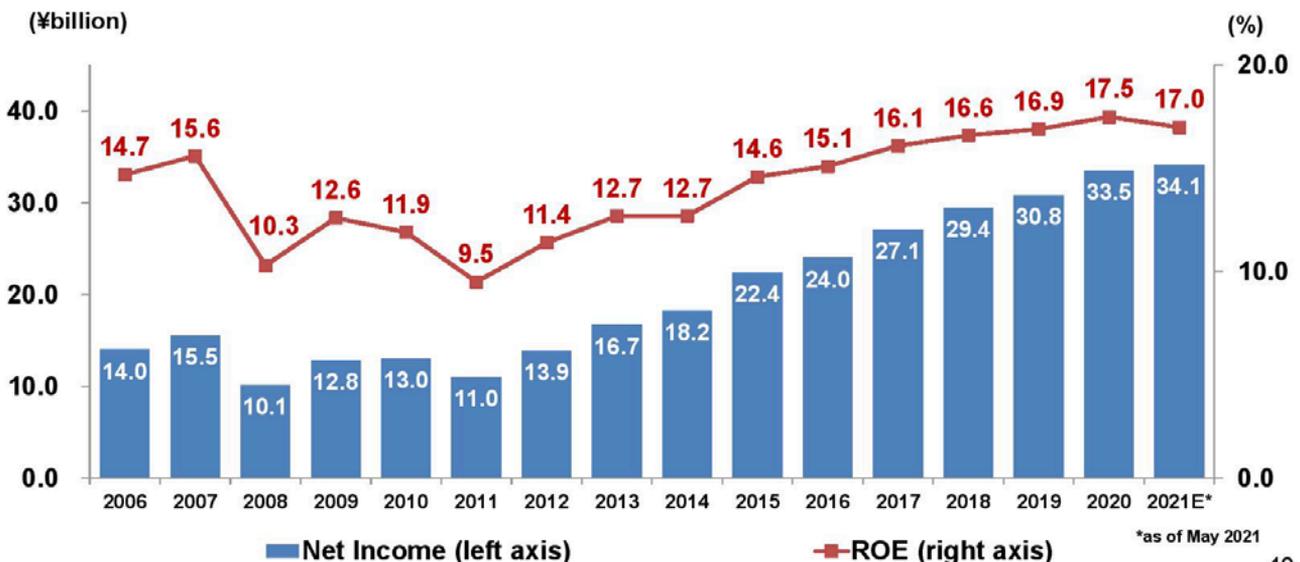
- ◆ NCC has recorded more than 10% OP margin in 18 consecutive years (FY2003-2020)



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Our Characteristics - (B) High ROE

- ◆ The most important financial indicator for a long time
- ◆ Mid-Term Plan FY2019-2021 Target : Maintain above 16%
⇒ Achieved in FY2019 (16.9%), FY2020 (17.5%)

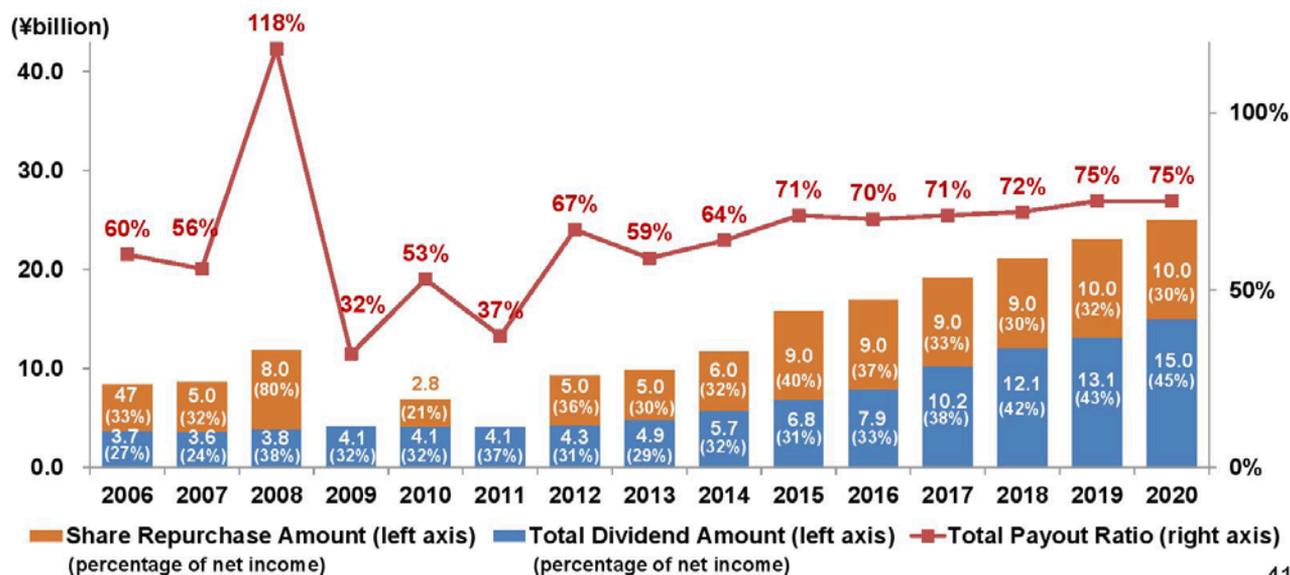


*as of May 2021

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Our Characteristics - (C) Shareholders Return Policy - Total Payout Ratio

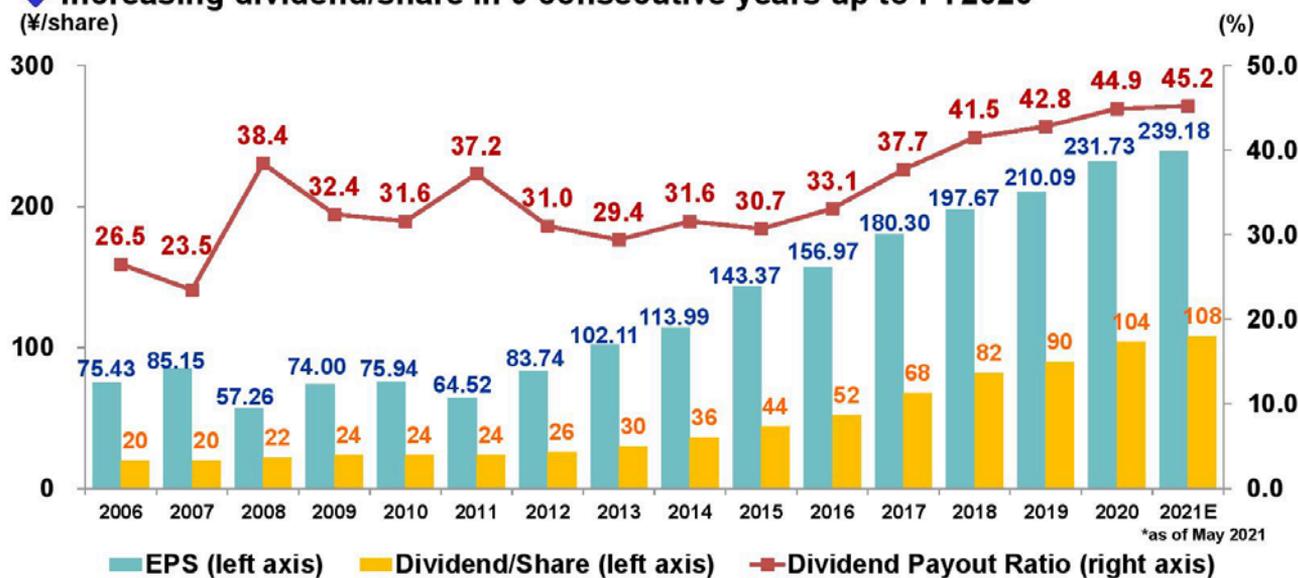
- ◆ Maintaining an aggressive shareholders return policy
- ◆ Mid-Term Plan FY2019-2021 Target : 72.5% in FY2019, 75% in FY2020-2021
⇒ Achieved in FY2019 (75.1%) , FY2020 (74.6%)



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Our Characteristics - (D) Shareholders Return Policy - Dividend

- ◆ Mid-Term Plan FY2016-2018 Target : Gradually increased to 41.5% in FY2018
⇒ Achieved in FY2018 (41.5%)
- ◆ Mid-Term Plan FY2019-2021 Target : 42.5% in FY2019, 45% in FY2020-2021
⇒ Achieved in FY2019 (42.8%), FY2020 (44.9%)
- ◆ Increasing dividend/share in 9 consecutive years up to FY2020



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The pages after that include quarterly trends and so on, and from page 39, you will see the characteristics of our company, such as operating profit margin, ROE, to net sales, ROE, shareholders return policy, and so on, just to introduce the titles.

Our Characteristics - (E) Shareholders Return Policy - Share Repurchase

- ◆ Started share repurchase in FY2006 only to enhance ROE, repurchased ¥92.5 billion, 42.7 million shares (22.8% of shares issued) in total from FY2006 to FY2020
- ◆ Cancelled all repurchased shares

Shareholders Return FY2006 - 2020 (1) excluding share acquisitions for performance-based compensation (166,200 shares)
(2) including share acquisitions for performance-based compensation (166,200 shares)

Fiscal year	2006	2007	2008	2010	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Shares purchased (1) (thousand shares)	3,500	3,399	7,355	2,167	6,372	3,263	2,764	3,333	2,621	2,292	1,682	2,138	1,829	42,715
Purchase costs (1) (¥billion)	4.7	5.0	8.0	2.8	5.0	5.0	6.0	9.0	9.0	9.0	9.0	10.0	10.0	92.5
Shares cancelled (thousand shares)	3,000	3,635	7,000	3,000	6,000	4,000	3,000	2,000	2,000	3,000	2,000	3,000	1,000	42,635
Shares issued at FY end (million shares)	185	181	174	171	165	161	158	156	154	151	149	146	145	-
Treasury shares at FY end (2) (thousand shares)	1,367	1,233	1,660	885	1,258	522	287	1,621	2,242	1,535	1,218	523	1,352	-
Total payout ratio (dividend + share repurchase)(%)	60	56	118	53	67	59	64	71	70	71	72	75	75	-

*No share repurchase in FY2009 and FY2011

- ◆ Share repurchase program

Fiscal Year	2018			2019			2020			2021
	1H	2H	Total	1H	2H	Total	1H	2H	Total	17th of May ~ 21st of July
Shares purchased (thousand shares) (1)	976	706	1,682	1,270	868	2,138	1,334	495	1,829	1,262
Purchase costs (¥billion) (1)	5.0	4.0	9.0	6.0	4.0	10.0	7.0	3.0	10.0	7.0
Shares cancelled (thousand shares)	2,000	0	2,000	2,000	1,000	3,000	1,000	0	1,000	1,000 (May 10, 2021)

- ◆ Cash Management Policy

Aiming to control cash balance around the level of
= Minimum required level + 1/3 of annual scheduled long-term borrowings repayment
+ 1/3 of short-term borrowings outstanding + Contingent risk reserves

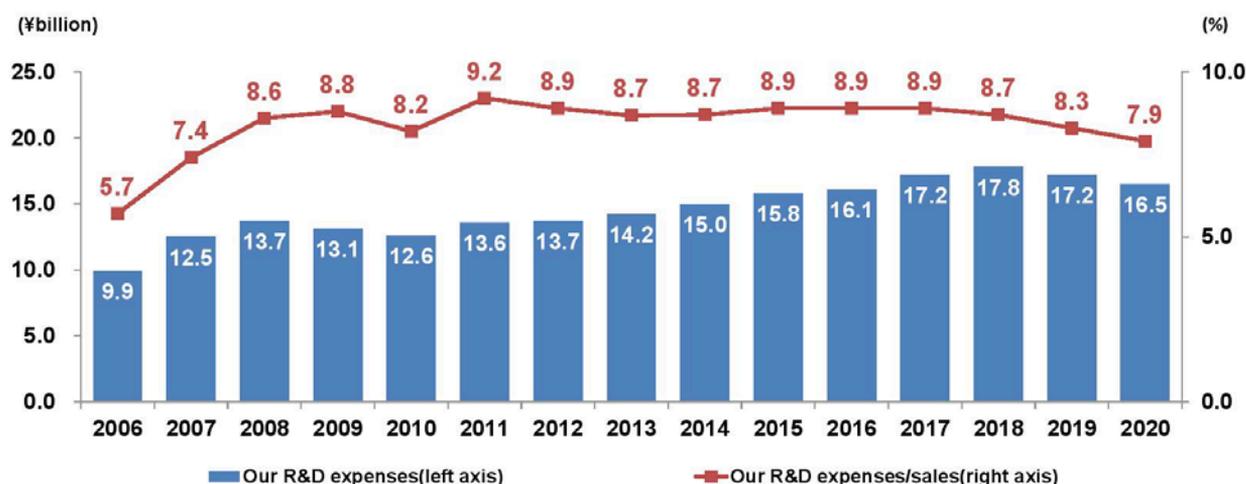
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As for the share repurchase on page 43, we completed a share repurchase of JPY7 billion between May 17 and July 21, 2021, for 1.262 million shares.

Also, on May 10, we cancelled 1 million shares.

Our Characteristics- (F-1) R&D Oriented Chemical Company

- ◆ FY2020 R&D expenses/sales: 7.9%
- ◆ Maintaining above 8% R&D expenses/sales in recent years
- ◆ About 40% of profession staff assigned to R&D centers

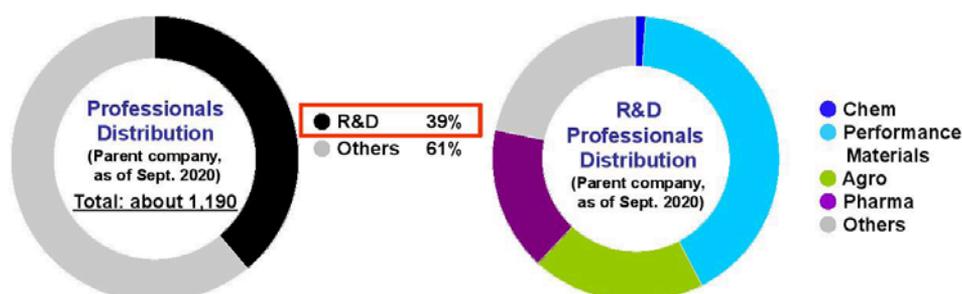


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Our Characteristics- (F-2) R&D Oriented Chemical Company

◆ R&D by segment

Segment	FY2020 Actual				
	Sales (¥billion)	OP (¥billion)	OP margin	R&D expenses (¥billion)	% of Sales
Chemicals	31.9	1.5	4.7%	0.3	0.9%
Performance Materials	71.6	22.4	31.3%	7.0	9.8%
Agrochemicals	63.8	18.2	28.5%	4.4	6.9%
Pharmaceuticals	6.7	0.4	6.0%	2.4	35.8%
Others	-	-	-	2.4	-
Total (including others and adjustment)	209.1	42.5	20.3%	16.5	7.9%



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This is the end of the explanation of the financial results.

Question & Answer

<Questioner 1>

Q: First, Agrochemicals. In the lower left-hand corner of page 26 of the material, actual sales decreased by JPY2.4 billion and operating profit decreased by JPY1.1 billion. In addition to these 3 products, which have seen a decline in sales, the decline in sales of active ingredients for Fluralaner also had an impact, resulting in a decline in real profit. However, with the change in accounting policy, the apparent profit has increased, especially because of the positive impact of royalty. I would like to know if this is the correct explanation.

A: The view on sales and profit, you are right.

Q: Thank you. Next, I would like to ask you about the current environment for agrochemicals, both in Japan and overseas.

A: First, regarding the situation of the overseas agrochemicals market, as you know, especially for the EU and the Americas, the agrochemicals market is expanding due to the extremely favorable grain market conditions, especially in the Americas. This is our understanding as a business division. We expect this trend to continue for some time.

On the other hand, if we look at Japan, we can see the strong influence of COVID-19. Demand for high-priced foodstuffs for the food-service industry and for events has been very low, and the production sentiment of vegetable and fruit farmers in particular has dropped considerably.

As for the market as a whole, our understanding is that it will continue to decline slightly, not expand, for some time to come.

Q: I see. Also, I would like to know if there is still any movement in inventory adjustment of Fluralaner, such as the early settlement of that.

A: We understand that Merck's sales are currently strong, but we have not heard of any new movements in inventory adjustment.

Q: Thank you very much. As for Agrochemicals, is it correct to say that it is in line with the annual forecast?

A: It may be difficult to make up for the current situation for GRACIA, even in terms of the full year.

Q: That is about it, just that the first quarter was above target as a whole.

A: That is right.

Q: I see. Also, for SUNEVER in Performance Materials, Photo IPS has been performing quite well, but could you give us a brief overview of the impact of the current shortage of semiconductors in smartphones, and how you see SUNEVER performing for the July to September period?

A: As for Photo IPS, we continue to see strong demand for IT applications, and within that demand, the ratio of Photo IPS is further increasing, and we are making steady progress. At this point, we have not heard of any impact on production due to the IC shortage.

<Questioner 2>

Q: First, regarding Agrochemicals, the change in accounting policy resulted in a JPY1.2 billion increase in sales and a JPY1.2 billion increase in operating profit. Regarding this, if possible, can you give us a little more detail, how it worked for Fluralaner and also for the agrochemicals?

A: I cannot give you much detail, but in short, the positive factor is the recording of royalties for Fluralaner. A negative factor is the recording of discounts for agrochemicals. It will be distributed properly to the quarters compared to the past.

In the past, there was deviation due to cash-based accounting, but if we were to properly account for it according to sales, we would see an increase in costs due to discounts, or the impact of discounts on sales. The total net of these positive and negative factors was a positive JPY1.2 billion.

Q: So, the royalties from Fluralaner that were recorded as a positive factor this time were more than JPY1.2 billion.

A: That is right.

Q: For Fluralaner, did sales of API grow in the first quarter?

A: Shipments of the API fell YoY, and the royalties had a positive effect.

Q: I see. Also, you mentioned that full-year forecast for the current fiscal year for GRACIA is an increase of 20%, but I feel that the first quarter was a little tough to get off to a good start, so could you give us your perspective on the second quarter and beyond?

A: As for GRACIA, as explained earlier, the situation of distribution inventory, especially in Japan, continues to be very poor.

Also, the torrential rains that covered the whole of Japan this time, or rather the heavy rains, came at a very important time, just before the fall cropping season, and we expect that this will have a negative impact on the leafy vegetables for fall cropping.

As a result, it has been a little difficult to achieve the target quantity and amount.

Q: I see. One more thing from me. This time, you decided to stop the production of melamine. On page 12, in the flow section, I wondered if the balance would not be upset by stopping using melamine this time.

For example, the production of isocyanuric acid has been increased recently, but is this done in consideration of the termination of melamine production to some extent? Or will there be a separate system to cover the loss of melamine products? Please tell us about the balance.

A: As you can see in the flow chart on page 12, urea is roughly used for AdBlue, melamine, and isocyanuric acid, and there is no doubt that the amount of isocyanuric acid used has increased significantly.

On the other hand, the use of AdBlue for purifying exhaust gas from diesel trucks is also increasing, so I think we can judge that the number of applications for urea absorption has been expanding in general.

Q: Is there a possibility of selling urea externally?

A: Of course. It is true that there is a move to expand sales of urea to customers.

Q: I see. Basically, it means that termination of melamine will not upset the balance.

A: Yes, of course. We have made this decision because we are confident that the production flow will be properly balanced. This was the background.

<Questioner 3>

Q: First, the Semis Materials is growing strongly in this first quarter. Could you give us some background on this?

A: First, ARC is growing overall, with Korea and China being particularly strong compared to the previous year.

In the field of other semiconductor materials, we were able to increase our share of multi layer materials in Korea, and overall growth was also seen in Taiwan.

Q: What is the growth rate for EUV-related products?

A: The sales of EUV-related materials tripled YoY.

Q: There does not seem to be any particular movement to reduce unit requirement at customers, looking at this growth.

A: That is right. We are not in that situation.

Q: I see. Thank you. The second question is about the movement of fixed costs. In the 1Q results, I think you mentioned that those for Performance Materials were JPY0.2 billion less than the plan, and those for Agrochemicals were JPY0.3 billion less than the plan.

In terms of the breakdown, is it correct to say that the expenses for activities decreased? If the situation in the world continues, such as with the Delta variant, is it likely that fixed costs will continue to fall short of the plan in 2Q and beyond? Can you tell me your feeling about this area?

A: In both segments, the testing costs are still getting smaller, so I think there is a big possibility that in the second quarter and beyond they will be smaller in that sense, since it will be difficult to take actions in the current situation.

<Questioner 4>

Q: The first point is that the operating profit margin for Performance Materials is very high in the first quarter, but could you give us some more details about the background to this?

I would also appreciate it if you could tell us how we should think about the continuity of this operating margin level in the future from the perspective of product mix and the way fixed costs are generated. Thank you.

A: First, regarding the point that the weight of Photo IPS is increasing. While the weight of others such as TN and rubbing IPS is decreasing, as you know, Photo IPS is more profitable, so this has a large impact on the overall performance.

Also, for semiconductor, the increase in volume has basically led to an increase in profit directly. As new-grade products are released, they replace the older-grade ones, and this has helped to keep the prices relatively high. I think this is a major factor. We believe that the profit margin will remain at a high level in the future.

Q: I see. I understood. For example, based on the current demand and inquiries, do you feel that you will be able to increase profits from the first quarter to the second quarter?

A: We continue to see strong demand for both displays and semiconductors, so we expect strong figures for the second quarter.

Q: I see. Thank you. Second, regarding your explanation about inventory adjustment of Fluralaner. As for the possibility of early completion, you have mentioned there are no new developments so far, but for example, many new pets bought after COVID-19 are small indoor pets, so the consumption of Fluralaner is actually low, or there is a possibility that the planned launch timing of the BRAVECTO trio products may be delayed from what was originally expected. Is there something about that that you can comment on, though it may be limited?

A: As for the size of the dogs, we do not really know that much.

As for the status of Trio, for BRAVECTO, I heard that the development at Merck has been progressing well.

Q: I see. By the way, what is the lead time for the production of Fluralaner? How long is the lead time between receiving an order from Merck and being able to ship it? Also, is it possible to flexibly expand production when there is a sudden increase in orders?

A: Excuse me. As for the lead time of production, we cannot answer at the moment. As for the flexibility of production, we have 3 manufacturing plants, 1 of our own and 2 of outsourced, so we can be quite flexible and respond to any increase.

Q: I see. In that sense, from Merck's standpoint, there is not really much need to tell your company in advance that inventory adjustment is likely to end early?

A: I think that is probably true.

[END]