



Nissan Chemical Corporation

4Q FY2023 Financial Results Briefing

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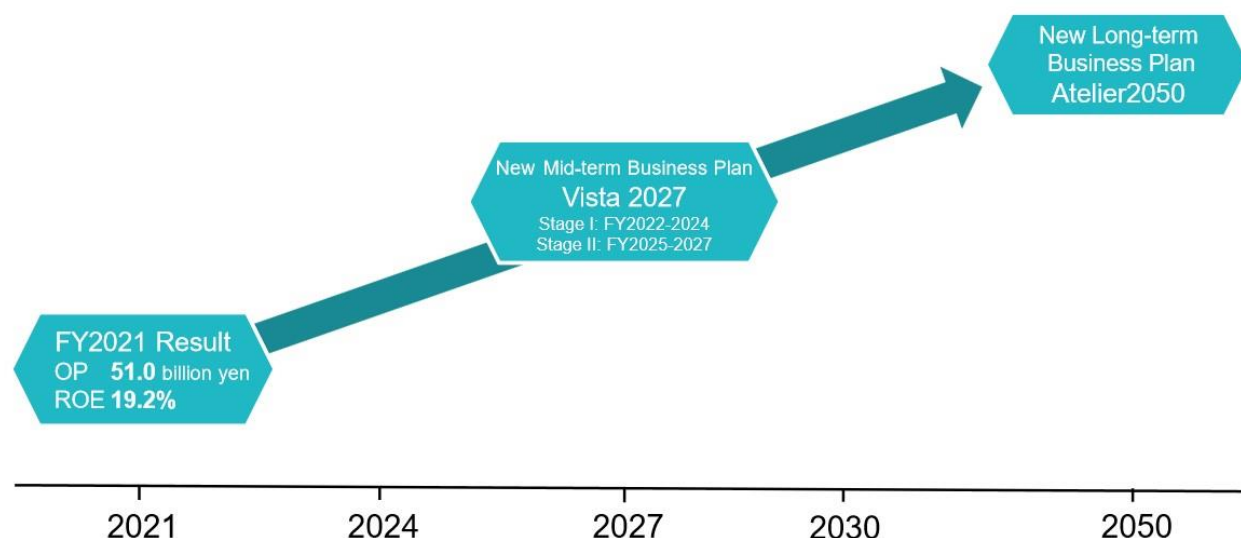
May 13, 2024

Yagi: Hello, everyone. I am Yagi, the president. Thank you very much for participating in our financial results briefing today. I would like to talk about the progress of our Mid-term Business Plan “Vista2027”.

Long-term Business Plan “Atelier2050” and Mid-term Business Plan “Vista2027”



As the business environment drastically changed from the time Progress 2030 was formulated, we formulated “Vista2027” as a backcast, discussing social issues and changes anticipating 2050.



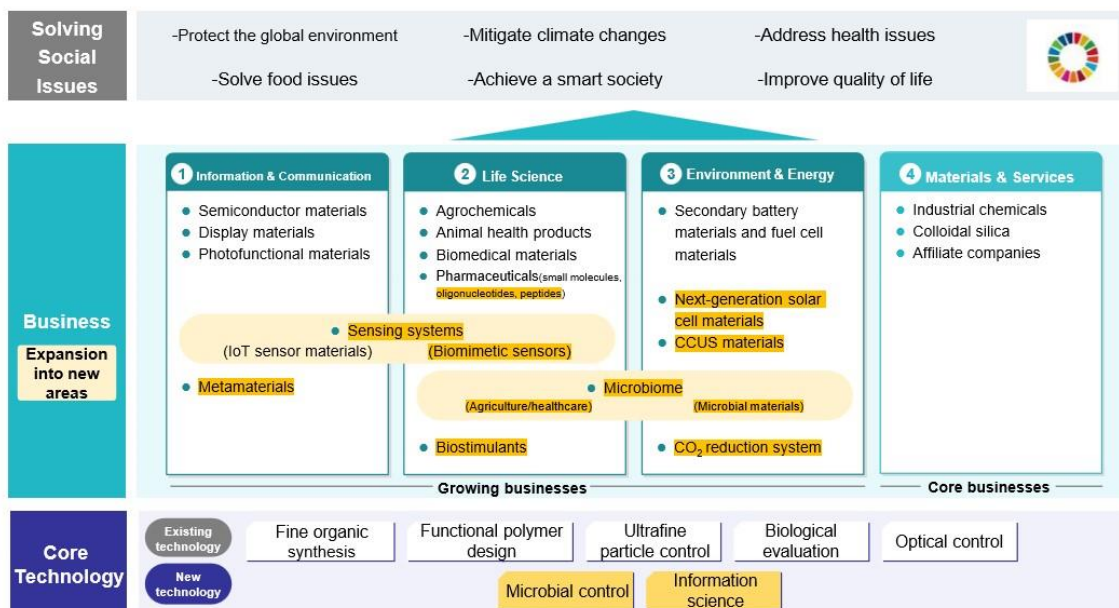
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First, I will give a brief overview of the Mid- and Long-term Business Plan.

Looking ahead to the year 2050, our group has discussed social issues and social changes, and formulated Atelier2050, a vision of what we should be in 2050. Then, through back-casting, Vista2027 was formulated and launched in May 2022.

Long-term Business Plan “Atelier2050” Ideal State in 2050: Business Areas

- Besides existing core technologies, we will acquire new technologies and expand into new areas related to the three growing businesses
- We will accelerate growth in each business area by improving and combining core technologies to contribute to solving social issues



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Under Atelier2050, we have defined our business domains as the growth business domains of “Information & Communication”, “Life Science”, and “Environment & Energy”; and the core business domain of “Materials & Services”, as our vision for the year 2050.

In addition to our existing core technologies, we will also acquire new technologies in “Microbial control” and “Information science” to enter new areas related to our three growth businesses. By deepening and integrating our core technologies, we will accelerate the growth of each business area and contribute to solving social issues.



In Vista2027, as the ideal state of the Company in 2027, it describes the following: “while existing businesses are robustly driving the business performance, new core technologies are consistently acquired for expanding and enhancing business areas”; “organized sustainability-related initiatives are promoted and related information is offered internally and externally”; and “as the digital foundation is being established, business activities are conducted based on the latest information on clients and markets”.

Based on the challenges identified in the previous Mid-term Business Plan “Vista2021”, and our vision for 2027, we have set four basic strategies: “Deeply exploit business areas and increase marketing ability,” “Promote sustainable management,” “Strengthen the creation and co-creation process of values,” and “Expand market shares and profits of existing businesses.”

Incubate new core technology - microbial control -

- Develop and evaluate bio agrochemicals for full scaling R&D

Promote R&D by utilizing digital technology

- Promote programs for cultivating data scientists in laboratories
- Continue to verify MI (Materials Informatics) on actual themes and narrow down target themes

Develop materials for secondary battery

- Adapted in Secondary battery materials for electric vehicle

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From this page, we will explain the progress of various measures based on each strategy.

First, I would like to discuss the first strategy, “Deeply exploit business areas and increase marketing ability.” In fostering new core technologies, microbial control technologies, we focused on culture and formulation as well as activity evaluation to identify and evaluate issues based on the fact that, unlike chemical pesticides, culture and formulation are also important in bio-agrochemicals.

Regarding the use of digital technology in research and development, the Company is also promoting a program to train data scientists at the institute. Furthermore, in MI verification on actual themes, we narrowed down the target themes to accelerate the verification process.

In the development of materials for secondary batteries, our products have been used as component materials for secondary batteries for electric vehicles.

Initiatives of ESG (Environment)

- Deepened scenario analysis (quantitative evaluation on 1.5°C/4°C scenario) and disclosed

Initiatives of ESG (Society)

- Set strategy, indicator and objective on human capitals and disclosed

Initiatives of ESG (Government)

- A female outside director was appointed in June 2023 (two female directors in total)
- Conducted effectiveness evaluation of board directors by an external organization

Initiatives of Digital Transformation (DX)

- Established a plant DX platform and started to utilize some data in five domestic plants

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Next, in the second strategy, “Promote sustainable management.” we conducted an evaluation of climate change scenarios, quantitative evaluation on 1.5°C/4°C scenario, as part of our ESG efforts, and disclosed the results to the public.

In addition, along with the development of strategies related to human capital, indicators and targets were set and disclosed externally.

In addition, as initiatives related to corporate governance, a new female outside director was appointed and the effectiveness of the Board of Directors was assessed by an external organization.

As for the third strategy, “Strengthen the creation and co-creation process of values,” the plant DX infrastructure is progressing, and some data are now being used at five domestic plants of Nissan Chemical.

Chemicals

- Toyama Plant : Capacity expansion of high purity sulfuric acid progressed steadily to meet the increasing demand for semiconductor
- VOC¹: Adopted in several companies for food factory wastewater treatment (decomposing oils and fats), Started exploring new applications other than decomposing oils and fats

1. VOC: Venus Oilclean

Performance Materials -Display Materials-

- Develop materials for the next generation display (QD-EL, μ LED)

Performance Materials -Semiconductor Materials-

- NCK: Completed a semis new plant construction, Started the production to achieve customers' approval
- Promote R&D activity on EUV lithography materials for high NA

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With respect to the fourth strategy, “Expand market shares and profits of existing businesses,” in the Chemicals segment, capacity expansion of high purity sulfuric acid progressed steadily to meet the increasing demand for semiconductor.

In addition, Venus Oilclean, a microorganism formulation, was adopted in several companies for food factory wastewater treatment, which is decomposing oils and fats. We also started exploring new applications other than decomposing oils and fats.

In the Performance Materials segment, we are also promoting the development of display materials for next-generation displays, such as QD-EL displays and micro-LED displays.

In the Semiconductor Materials, the new NCK plant was completed. In addition to starting production to obtain customer approval, we promoted the development of materials for EUV lithography materials for high NA in our laboratories.

Performance Materials -Inorganic Materials-

- CCS materials : Participated in a consortium

Agrochemicals

- NBR : Started manufacturing and shipping API of LEIMAY (fungicide) and GRACIA (insecticide)
- Onoda plant : Completed construction of facilities for manufacturing API of NC-653 (herbicide) and start pilot production

Healthcare

- Oligonucleotide Therapeutics : Signed a strategic collaboration agreement with Sanwa Kagaku Kenkyusho Co., Ltd.
- Custom Chemicals : Signed a technology cooperate agreement with a partner company for the manufacture of our generic API

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In the Inorganic Materials, we participated in a consortium for CCS materials. We have continued to actively promote material development.

In the Agrochemicals segment, an NBR plant in India was completed. The Company has started to manufacture and further ship API of LEIMAY, fungicide, and GRACIA, insecticide. In Japan, a plant for the production API of NC-653, herbicide has been established, and start pilot production.

In the Healthcare segment, in oligonucleotide therapeutics, the Company entered into a strategic alliance agreement with Sanwa Kagaku Kenkyusho Co., Ltd. for oligonucleotide therapeutics drug discovery, with the aim of creating new oligonucleotide drug candidate compounds.

In the Custom Chemicals, we have signed a technical cooperation agreement with a collaborator for the production of generic APIs at our company.

As I just explained, policies based on each of the above strategies were implemented in the last fiscal year, and certain results were obtained.

FY2024 Outlook vs FY2024 Mid-term Plan Stage I (as of May 2022)

		(¥billion)		
		FY2024 Mid-Term Plan (A)	FY2024 Outlook (B)	vs. Mid-Term Plan (B)-(A)
Chemicals	Sales	37.6	37.7	+0.1
	Operating Profit	3.5	0.6	-2.9
Performance Materials	Sales	102.9	91.9	-11.0
	Operating Profit	32.1	24.4	-7.7
Agrochemicals	Sales	77.8	84.9	+7.1
	Operating Profit	21.7	24.1	+2.4
Healthcare	Sales	7.2	6.4	-0.8
	Operating Profit	2.1	2.3	+0.2
Trading, Others, Adjustment	Sales	29.5	13.2	-16.3
	Operating Profit	-0.9	-1.4	-0.5
Total	Sales	255.0	234.1	-20.9
	Operating Profit	58.5	50.0	-8.5

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However, as Daimon will explain later, both sales and profits declined YoY in the last fiscal year, and as indicated on this page, we expect to fall short of our Mid-term targets for both sales and operating profit in our outlook for the current fiscal year. Even with the changes in the business environment, we have to say that there was an issue with the progress in achieving our sales and profit targets of our Mid-term Business Plan.

First, sales for the current fiscal year are strongly affected by the deteriorating semiconductor market, and sales of Performance Materials are expected to fall far short of the Mid-term plan at JPY11.0 billion. For the Group as a whole, the outlook for sales in the current fiscal year is JPY234.1 billion, falling short of the Mid-term plan target by JPY20.9 billion.

As for operating profit, the Chemicals segment, which has positive net sales compared to the Mid-term plan target, is expected to fall short of the target in operating profit by JPY2.9 billion, highlighting the issue in terms of profit margins.

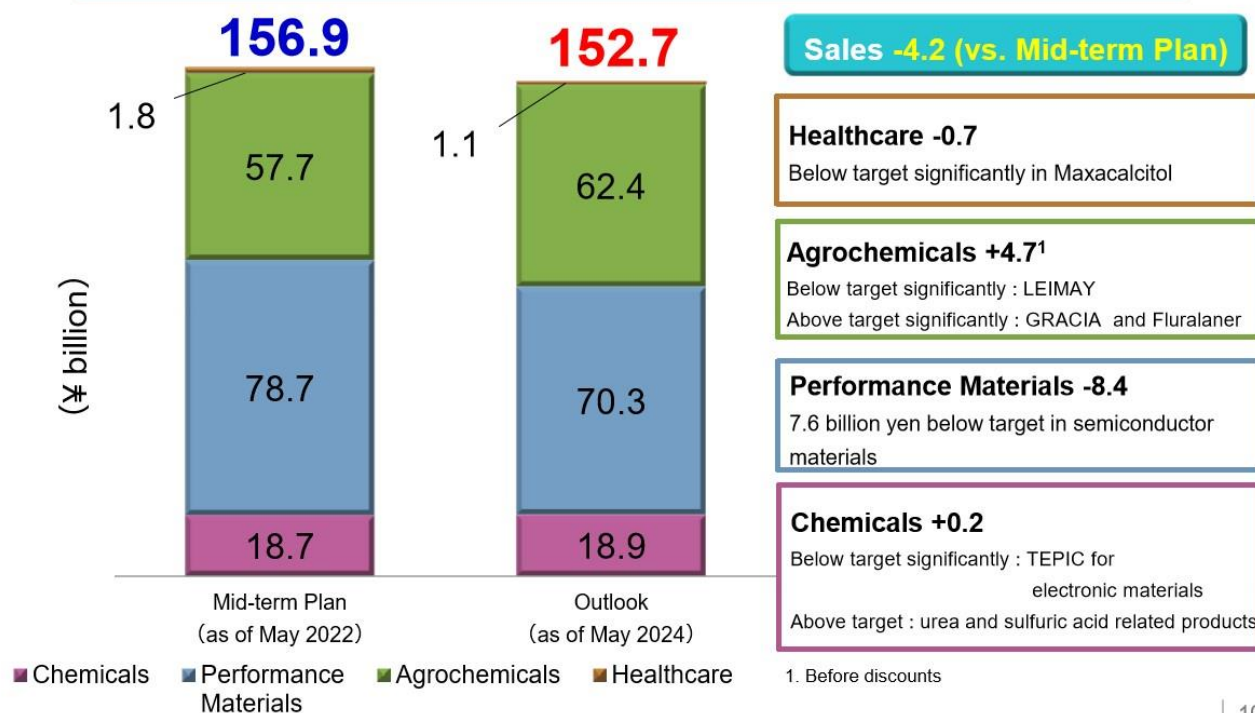
The Performance Materials segment is expected to be below the target by JPY7.7 billion in operating profit, partly due to the significant negative impact of sales. Overall group operating profit is projected to be JPY50.0 billion, JPY8.5 billion below the Mid-term plan target.

Main Growing Existing Products Sales of FY2024 Mid-term Plan and Outlook

Sales of Main Growing Existing Products※

※As of May 2022, selected from the existing products in terms of sales growth by 0.5 billion yen and more in FY2024 compared to FY2021

Mid-term Plan 156.9 billion yen
Outlook 152.7 billion yen



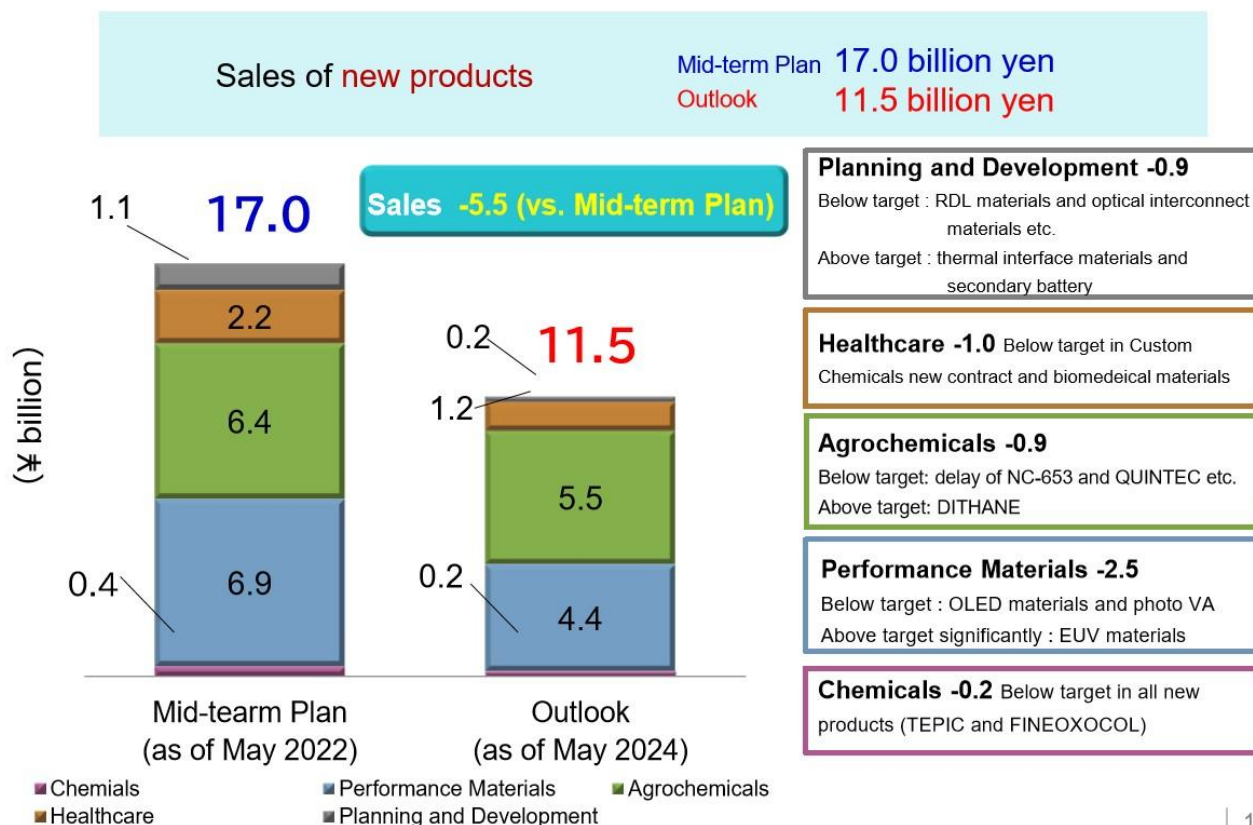
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On this page and the following pages, we will discuss the factors that contributed to the underachievement of sales. This page shows the Mid-term plan sales targets for main growing existing products whose sales are expected to increase by JPY0.5 billion or more in FY2024 compared to FY2021.

In the Mid-term plan announced in May 2022, sales of main growing existing products were set at JPY156.9 billion, but the outlook disclosed today is JPY152.7 billion, JPY4.2 billion below the Mid-term plan target.

The main reason for this negative figure is Performance Materials, especially semiconductors, which will be JPY7.6 billion below the target. We recognize that the effects of the deteriorating semiconductor market conditions have appeared, and we expect sales of our main growing existing product to pick up as the market recovers.

New Products Sales of FY2024 Mid-term Plan and Outlook



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On the other hand, for new products, we had planned sales of JPY17.0 billion in the Mid-term plan announced in May 2022. However, the Company's outlook announced today is JPY11.5 billion, JPY5.5 billion below the Mid-term plan target.

None of the four divisions and the Planning and Development achieved the plan.

In particular, in the Performance Materials, EUV materials shows a significant increase over the plan, but OLED materials and photo VA are expected to fall far short of the plan.

Also in the Agrochemicals, DITHANE was positive versus plan, but NC-653 plan was delayed and QUINTEC sales plan is not achieved. The Healthcare is also expected to fall short of the plan, due to new orders for Custom Chemicals and biomedical materials.

In the Planning and Development, some products are expected to post slight gains, while other products are projected to fall short of the plan. As you can see, we are lagging behind in fostering the development of new products that will serve as growth engines.

Stage II (FY2025-2027) is under reformulating from FY2023 with the following main items to be considered.

(1) Accelerate new business and products

- 1) Select and concentrate research theme along with the establishment of its framework**
- 2) Enhance M&A activities, introduce new technologies and promote cooperation with partner companies**

(2) Expand existing businesses and enhance profitability

- 1) Structurally reform the business model of Chemicals**
- 2) Enhance core growing business by deepening our presence in business area**

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This is the last page of my explanations.

As I have just explained, in Vista2027 Stage I, there are deviations in sales and profit plans. In light of this, we are now in the process of reformulating Vista2027 Stage II, with the items listed here as major items for consideration, since last year.

The first is to accelerate the creation of new products and businesses. We are considering selection and concentration of research themes along with the creation of its framework, and enhancement of M&A activities, introduction of new technologies, and promotion of cooperation with partner companies.

The second is to expand existing businesses and enhance profitability. We are currently considering structurally reforming the business model of the Chemicals, and enhancing core growing business by deepening our presence in business area.

This concludes my explanation.

Full-Year FY2023 Financial Summary



2H vs. 2H FY2022

- Sales up ¥2.4 billion (+2%)
- OP flat
- Net Income up ¥1.1 billion (+7%)

Full-Year vs. FY2022

- Sales down ¥1.4 billion (-1%)
- OP down ¥4.1 billion (-8%)
- Net Income down ¥3.1 billion (-7%)

Full-Year vs. Outlook as of Nov 2023

- Sales below target ¥0.8 billion
- OP below target ¥0.4 billion
- Net Income below target ¥0.4 billion

Shareholder Returns

- Dividend ¥164 (flat vs. FY2022)
- Completed a ¥10.0 billion share repurchase program (1.7 million shares)
- Dividend Payout Ratio 60.1%, Total Payout Ratio 86.2%
(Mid-Term Plan Target: Dividend Payout Ratio 55%, Total Payout Ratio 75%)

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Daimon: I will now explain the financial results announced this time. Please see page four of the material.

There are four boxes from the top for the FY2023 Financial Summary. For the top one, 2H, this is YoY comparison. Net sales increased JPY2.4 billion, or 2%. On the other hand, operating profit remained flat. In addition, as I will explain later, non-operating income and loss increased by JPY1.6 billion, resulting in an increase of JPY1.6 billion in ordinary profit. As a result, net income increased JPY1.1 billion or 7%.

Next is the full-year, YoY comparison, which shows a JPY1.4 billion or 1% decrease in sales. Operating profit decreased by JPY4.1 billion or 8%. Net income was also down JPY3.1 billion or 7%.

Next is the comparison of the full-year result with the outlook announced in November of last year. Sales were below the target by JPY0.8 billion, operating profit and net profit were below the target by JPY0.4 billion, respectively.

Regarding shareholder returns, the full-year dividend remains unchanged at JPY164 per share compared to the previous year, and we have already completed the acquisition of JPY10.0 billion of treasury stock on a fiscal year basis. The dividend payout ratio was 60.1%, and the Mid-term target was 55%. The total payout ratio was 86.2%, compared to a target of 75%.

FY2023 Financial Summary YOY Change

(¥billion)

	FY2022 Actual					FY2023 Actual					YOY Change				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	109.5	49.7	68.9	118.6	228.1	105.7	49.6	71.4	121.0	226.7	-3.8 (-4%)	-0.1 (0%)	+2.5 (+4%)	+2.4 (+2%)	-1.4 (-1%)
Operating Profit	28.2	10.6	13.5	24.1	52.3	24.1	9.3	14.8	24.1	48.2	-4.1 (-14%)	-1.3 (-12%)	+1.3 (+10%)	0.0 (0%)	-4.1 (-8%)
Non-Operating Income/Expenses	3.8	-1.3	1.0	-0.3	3.5	2.1	-0.5	1.8	1.3	3.4	-1.7	+0.8	+0.8	+1.6	-0.1
Foreign exchange Gains/Losses	3.0	-2.1	0.4	-1.7	1.3	1.9	-0.8	1.1	0.3	2.2	-1.1	+1.3	+0.7	+2.0	+0.9
Ordinary Income	32.0	9.3	14.5	23.8	55.8	26.2	8.8	16.6	25.4	51.6	-5.8 (-18%)	-0.5 (-5%)	+2.1 (+15%)	+1.6 (+7%)	-4.2 (-7%)
Extraordinary Income/Losses	0.0	0.0	0.8	0.8	0.8	0.6	0.0	-0.4	-0.4	0.2	+0.6	0.0	-1.2	-1.2	-0.6
Net Income¹	23.7	7.1	10.3	17.4	41.1	19.5	6.5	12.0	18.5	38.0	-4.2 (-18%)	-0.6 (-8%)	+1.7 (+17%)	+1.1 (+7%)	-3.1 (-7%)
EBITDA²	33.3	13.5	16.5	30.0	63.3	30.0	12.9	19.1	32.0	62.0	-3.3	-0.6	+2.6	+2.0	-1.3
EPS (¥/share)	167.74	50.25	73.37	123.62	291.36	139.55	46.47	86.80	133.27	272.82	-28.19	-3.78	+13.43	+9.65	-18.54
Dividend (¥/share)	70	-	-	94	164	70	-	-	94	164	0	-	-	0	0
Dividend payout ratio	-	-	-	-	56.3%	-	-	-	-	60.1%	-	-	-	-	+3.8pt
Total amount of Dividend	9.9	-	-	13.2	23.1	9.8	-	-	13.0	22.8	-0.1	-	-	-0.2	-0.3
OP Margin	25.7%	21.4%	19.6%	20.4%	22.9%	22.8%	18.8%	20.7%	19.9%	21.3%	-2.9pt	-2.6pt	+1.1pt	-0.5pt	-1.6pt
ROE	-	-	-	-	19.4%	-	-	-	-	17.1%	-	-	-	-	-2.3pt
FX Rate (¥/\$)	134	141	132	137	136	141	148	149	148	145	-	-	-	-	-
Crude Oil (JCC) (\$/bbl)³	112	100	87	94	103	83	91	84	88	86	-	-	-	-	-

1. Net Income = Profit Attributable to Owners of Parent 2. EBITDA = Operating Profit + Depreciation and amortization 3. Based on Trade Statistics of Japan Ministry of Finance

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The specific numbers are on the next page, page five, and these are the FY2023 results compared to the same period last year, and the YoY numbers are shown on the far right.

First, to be more specific, for FY2023, net sales were JPY226.7 billion, operating profit was JPY48.2 billion, non-operating income was JPY3.4 billion due to the positive foreign exchange gains I mentioned earlier, ordinary income was JPY51.6 billion, and net income was JPY38.0 billion. The operating margin was 21.3% and ROE was 17.1%.

Regarding the exchange rate, the dollar-yen, as stated there, is JPY145 for full-year, but as you may know, the dollar appreciated to JPY151.40 at the end of March 2024.

Crude oil, on a JCC basis, costs USD86 per barrel, which is a considerable cost reduction compared to the FY2022 results.

FY2023 Financial Summary Compared to Outlook

(¥billion)

	FY2023 Outlook as of Nov 2023			FY2023 Actual			vs. Outlook
	1H	2H	Total	1H	2H	Total	2H - Total
Sales	105.7	121.8	227.5	105.7	121.0	226.7	-0.8
Operating Profit	24.1	24.5	48.6	24.1	24.1	48.2	-0.4
Non-Operating Income/Expenses	2.1	0.6	2.7	2.1	1.3	3.4	+0.7
Foreign exchange Gains/Losses	1.9	0.0	1.9	1.9	0.3	2.2	+0.3
Ordinary Income	26.2	25.1	51.3	26.2	25.4	51.6	+0.3
Extraordinary Income/Losses	0.6	0.6	1.2	0.6	-0.4	0.2	-1.0
Net Income ¹	19.5	18.9	38.4	19.5	18.5	38.0	-0.4
EBITDA ²	30.0	33.0	63.0	30.0	32.0	62.0	-1.0
EPS (¥/share)	139.55	136.21	275.76	139.55	133.27	272.82	-2.94
Dividend (¥/share)	70	94	164	70	94	164	0
Dividend payout ratio	-	-	59.5%	-	-	60.1%	+0.6pt
Total amount of Dividend	9.8	13.1	22.9	9.8	13.0	22.8	-0.1
OP Margin	22.8%	20.1%	21.4%	22.8%	19.9%	21.3%	-
ROE ³	-	-	17.3%	-	-	17.1%	-0.2pt
FX Rate (¥/\$)	141	142	142	141	148	145	-
Crude Oil (JCC) (\$/bbl) ⁴	83	88	86	83	88	86	-

1. Net Income = Profit Attributable to Owners of Parent 2. EBITDA = Operating Profit + Depreciation and amortization

3. FY2023E as of Nov 2023. ROE, EPS, and dividend payout ratio are included share repurchase (¥10.0 billion, completed in February 2024)

4. Based on Trade Statistics of Japan Ministry of Finance

Please move on to page six.

This is a comparison with the outlook announced in November last year. The comparison is shown on the far right. Please check it later.

Analysis of Changes in OP

2H

		FY2023 Actual	FY2022 Actual	YOY Change	Outlook as of Nov 2023	vs. Outlook
		24.1 billion	24.1 billion	0.0 billion	24.5 billion	-0.4 billion
Chemicals	YOY Change	-0.2 billion OP decrease due to sales decrease in melamine(end of sales) and environmental related products and effect of Noto Peninsula Earthquake				
	vs. Outlook	-0.8 billion OP decrease due to sales decrease in environmental related products and TEPIC and effect of Noto Peninsula Earthquake				
Performance Materials	YOY Change	-0.1 billion OP decrease due to fixed cost etc. ¹ up 2.6 billion(including Semis Materials 1.6 billion) despite sales increase in Display Materials and Semis Materials				
	vs. Outlook	-0.8 billion OP decrease due to sales decrease in Display Materials and fixed cost etc. up 0.7 billion despite sales increase in Semis Materials				
Agrochemicals	YOY Change	+0.8 billion OP increase due to sales increase in Fluralaner, ROUNDUP and GRACIA despite fixed cost etc. up 0.7 billion				
	vs. Outlook	+0.1 billion OP increase due to sales increase in Fluralaner despite sales decrease in GRACIA and LEIMAY and fixed cost etc. up 0.3 billion				
Healthcare	YOY Change	-0.5 billion Sales decrease in Custom Chemicals				
	vs. Outlook	+0.2 billion Sales increase in LIVALO and Custom Chemicals				

Full-Year

		FY2023 Actual	FY2022 Actual	YOY Change
		48.2 billion	52.3 billion	-4.1 billion (-8%) (Semis Materials -4.4 billion)
Chemicals	YOY Change	-1.4 billion OP decrease due to sales decrease in melamine(end of sales) and TEPIC and effect of Noto Peninsula Earthquake		
Performance Materials	YOY Change	-2.9 billion OP decrease due to sales decrease in Semis Materials and fixed cost etc. up 4.1 billion (including Semis Materials 3.0 billion) despite sales increase in Display Materials		
Agrochemicals	YOY Change	+0.3 billion OP increase due to sales increase in GRACIA and Fluralaner despite sales decrease in LEIMAY and fixed cost etc. up 1.7 billion		
Healthcare	YOY Change	-0.2 billion Sales decrease in Custom Chemicals		

1. Fixed cost etc.: including inventory adjustment cost

1. Fixed cost etc.: including inventory adjustment cost

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The next page, page seven, shows the analysis of changes in operating profit by segment, as usual. As shown on the top, 2H of FY2023 was JPY24.1 billion, the same as in FY2022, but JPY0.4 billion below the target.

Specifically, in the Chemicals segment, the profit decreased by JPY0.2 billion from the previous year. As shown on the right, sales of melamine were terminated and sales of environmental-related products decreased. We were also affected by the Noto Peninsula earthquake at the beginning of the year. On the other hand, it was JPY0.8 billion below the target. As stated, the Noto Peninsula earthquake had a certain degree of impact.

For Performance Materials, profit decreased by JPY0.1 billion YoY. On the other hand, it is JPY0.8 billion below the target. Specifically, Semis Materials outperformed the plan. For Display Materials, photo IPS was in line with the target, but other products such as rubbing IPS and VA were below the target affected by the market adjustment. In addition, fixed costs etc. were JPY0.7 billion above the target, which is a factor in the decrease in profit, and these factors resulted in JPY0.8 billion below the target.

In Agrochemicals, profit increased JPY0.8 billion YoY and outperformed the target by JPY0.1 billion. As I will explain later, overseas agricultural chemicals such as GRACIA and LEIMAY underperformed the target. However, with an increase in veterinary drugs, such as Fluralaner, overall result was JPY0.1 billion above the target.

In Healthcare, profit decreased JPY0.5 billion YoY. On the other hand, it outperformed the target by JPY0.2 billion.

As a summary, for the full FY2023, profit decreased JPY4.1 billion YoY to JPY48.2 billion, of which the Semis Materials business alone resulted in a JPY4.4 billion decrease. By segment, as you can see there, the Chemicals

segment declined JPY1.4 billion YoY, Performance Materials declined by JPYP2.9 billion YoY, and the bulk of this is due to Semis Materials. On the other hand, Agrochemicals increased JPY0.3 billion YoY and Healthcare decreased JPY0.2 billion YoY.

Summary of FY2024 Outlook



FY2024 Full-Year Outlook

1H	vs. 1H FY2023	<ul style="list-style-type: none"> Sales up ¥3.9 billion (+4%) OP down ¥0.1 billion (-0%) Net Income down ¥1.4 billion (-7%) (Foreign exchange gains/losses (Non-Operating Income/Expenses) down ¥1.9 billion¹⁾)
Full-Year	vs. FY2023	<ul style="list-style-type: none"> Sales up ¥7.4 billion (+3%) OP up ¥1.8 billion (+4%) Net Income up ¥0.4 billion (+1%) (Foreign exchange gains/losses (Non-Operating Income/Expenses) down ¥2.2 billion) ROE Outlook for FY2024 is 16.5%

1. see p12

Shareholders Return

- Based on Mid-Term Plan, Total Payout Ratio Target is 75% and Dividend Payout Ratio Target is 55%
- Announced a ¥5.0 billion share repurchase

Dividend	¥164/share (1H ¥70/share, 2H ¥94/share), Dividend Payout Ratio 58.9% (flat vs. FY2023)
Share Repurchase	¥5.0 billion (announced on May 13, 2024, Period: May - July 2024) (FY2023 actual: ¥10.0 billion, 1.7 million shares)
Total Payout Ratio Target	75% (71.8% based on ¥164/share dividend and ¥5.0 billion share repurchase)

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Continuing from the next page, on page nine, is a summary of the outlook for FY2024. As you can see, it is shown in YoY with 1H and 2H separated.

In 1H, sales are projected to increase by JPY3.9 billion. Operating profit will decline by JPY0.1 billion. Net income is expected to decline by JPY1.4 billion. As I will explain later, as shown in the bracket, non-operating income/loss, especially foreign exchange gains/losses, is set at zero at the beginning of the year as usual, resulting in a JPY1.9 billion decrease in our outlook. Net income is expected to decrease by JPY1.4 billion.

For the full year, net sales are projected to increase JPY7.4 billion, or 3%. Operating income will increase by 4% or JPY1.8 billion. Net income will see a 1% or JPY0.4 billion increase.

The JPY2.2 billion decrease in non-operating income/loss from the previous year, as I mentioned earlier, is also effective here. The ROE projection is therefore 16.5%.

Meanwhile, our shareholder return target remains basically unchanged at 75% total payout ratio and a dividend payout ratio of 55%, based on our Mid-term management plan target. In addition, as already announced today, we will begin the repurchase of JPY5.0 billion of our own shares tomorrow.

Specifically, the interim dividend is JPY70 and the year-end dividend will be JPY94, for a total of JPY164, which is unchanged from the previous year, and the dividend payout ratio will be 58.9%.

As I mentioned earlier, we expect to repurchase JPY5.0 billion of our own shares by July, but as noted in the asterisk, it was JPY10.0 billion last year.

The total payout ratio, then, is targeted at 75%, but at the present time, the total of the JPY5.0 billion in treasury stock and dividends is 71.8%, which is the calculated figure.

FY2024 Outlook Summary YOY Change



(¥billion)

	FY2023 Actual					FY2024 Outlook					YOY Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	54.9	50.8	105.7	121.0	226.7	56.2	53.4	109.6	124.5	234.1	+1.3 (+2%)	+2.6 (+5%)	+3.9 (+4%)	+3.5 (+3%)	+7.4 (+3%)
Operating Profit	15.0	9.1	24.1	24.1	48.2	11.9	12.1	24.0	26.0	50.0	-3.1 (-21%)	+3.0 (+33%)	-0.1 (0%)	+1.9 (+8%)	+1.8 (+4%)
Non-Operating Income/Expenses	2.0	0.1	2.1	1.3	3.4	0.3	-1.0	-0.7	1.2	0.5	-1.7	-1.1	-2.8	-0.1	-2.9
Foreign exchange Gains/Losses	1.5	0.4	1.9	0.3	2.2	0.0	0.0	0.0	0.0	0.0	-1.5	-0.4	-1.9	-0.3	-2.2
Ordinary Income	17.0	9.2	26.2	25.4	51.6	12.2	11.1	23.3	27.2	50.5	-4.8 (-28%)	+1.9 (+21%)	-2.9 (-11%)	+1.8 (+7%)	-1.1 (-2%)
Extraordinary Income/Losses	0.0	0.6	0.6	-0.4	0.2	0.0	0.7	0.7	0.7	1.4	0.0	+0.1	+0.1	+1.1	+1.2
Net Income ¹	12.2	7.3	19.5	18.5	38.0	9.3	8.8	18.1	20.3	38.4	-2.9 (-24%)	+1.5 (+21%)	-1.4 (-7%)	+1.8 (+10%)	+0.4 (+1%)
EBITDA ²	17.8	12.2	30.0	32.0	62.0	-	-	31.3	34.3	65.6	-	-	+1.3	+2.3	+3.6
EPS (¥/share)	87.40	52.15	139.55	133.27	272.82	-	-	131.15	147.52	278.67	-	-	-8.40	+14.25	+5.85
Dividend (¥/share)	-	-	70	94	164	-	-	70	94	164	-	-	0	0	0
Dividend Payout Ratio (%)	-	-	-	-	60.1%	-	-	-	-	58.9%	-	-	-	-	-1.2pt
Total amount of Dividend	-	-	9.8	13.0	22.8	-	-	9.7	13.0	22.7	-	-	-0.1	0.0	-0.1
OP Margin	27.3%	17.9%	22.8%	19.9%	21.3%	21.2%	22.7%	21.9%	20.9%	21.4%	-6.1pt	+4.8pt	-0.9pt	+1.0pt	+0.1pt
ROE	-	-	-	-	17.1%	-	-	-	-	16.5%	-	-	-	-	-0.6pt
FX Rate (¥/\$)	137	145	141	148	145	145	145	145	140	143	-	-	-	-	-
Crude Oil (JCC) (\$/bbl) ³	83	83	83	88	86	82	82	82	82	82	-	-	-	-	-

1. Net Income = Profit Attributable to Owners of Parent 2. EBITDA = Operating Profit + Depreciation and amortization 3. Based on Trade Statistics of Japan Ministry of Finance

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Page 10 shows specific numbers.

As you can see the outlook for FY2024 in the column at the middle that says "Total," sales of JPY234.1 billion, operating profit of JPY50.0 billion, ordinary profit of JPY50.5 billion, and extraordinary income, not a loss, of JPY1.4 billion are expected, resulting in net income of JPY38.4 billion.

The operating margin is expected to be 21.4%, a slight increase from the previous year. ROE is 16.5%, as I mentioned earlier. Regarding the exchange rate for yen/dollar, as stated, the current outlook assumes JPY145 for 1H and JPY140 for 2H, and JPY143 for the year.

Finally, for crude oil on JCC basis is assumed to be USD82 per barrel, which means a slight decrease in cost.

Analysis of Changes in OP

		(¥)	
	FY2024 Outlook	FY2023 Actual	YOY Change
1H	24.0 billion	24.1 billion	-0.1 billion(-0%)
Chemicals	YOY Change -0.1 billion	OP decrease due to fixed cost etc. ¹ up despite sales increase in high purity sulfuric acid	
Performance Materials	YOY Change +1.2 billion	OP increase due to sales increase in Semis Materials despite fixed cost etc. up	
Agrochemicals	YOY Change +0.8 billion	OP increase due to sales increase in Fluralaner, GRACIA and ALTAIR despite fixed cost etc. up	
Healthcare	YOY Change -0.9 billion	OP decrease due to sales decrease in LIVALO and fixed cost etc. up	

	FY2024 Outlook	FY2023 Actual	YOY Change
Full-Year	50.0 billion	48.2 billion	+1.8 billion(+4%)
Chemicals	YOY Change +0.6 billion	OP increase due to sales increase in high purity sulfuric acid and environmental related products and no effect of Noto Peninsula Earthquake in FY2023	
Performance Materials	YOY Change +1.9 billion	OP increase due to sales increase in Semis Materials and Display Materials despite fixed cost etc. up 2.8 billion(including Semis Materials 2.2 billion)	
Agrochemicals	YOY Change +0.7 billion	OP increase due to sales increase in GRACIA, Fluralaner and ALTAIR despite fixed cost etc. up 2.5 billion	
Healthcare	YOY Change -0.5 billion	OP decrease due to sales decrease in LIVALO and fixed cost etc. up despite sales increase in Custom Chemicals	

1. Fixed cost etc.: including inventory adjustment cost

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Next is operating profit by business segment.

1H of the year is as shown there, but I will omit it and move onto the full year. We assume an increase of JPY1.8 billion overall. First, in Chemicals, we expect an increase of JPY0.6 billion. As I explained earlier, we expect that the increase in sales in high purity sulfuric acid and environmental related products, as well as the absence of the impact of the Noto Peninsula Offshore Earthquake which we had last year, will have a positive impact.

In Performance Materials, we assume an increase of JPY1.9 billion. Fixed cost etc., will increase by JPY2.8 billion, of which JPY2.2 billion will be in Semis Materials, but we assume an increase in total Performance Material because of the increase in Semis Materials sales and Display sales.

Agrochemicals will see a JPY0.7 billion increase YoY. Although fixed cost etc., are expected to increase, profit is expected to increase overall due to increased sales of GRACIA, Fluralaner, and ALTAIR.

In the Healthcare business, we expect a decrease of JPY0.5 billion due to an increase in sales of Custom Chemicals, a decrease in sales of LIVALO, and an increase in fixed cost etc.

Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Losses

(¥billion)

	FY2022 Actual			FY2023 Actual			YOY Change			FY2023 Outlook ⁴	FY2024 Outlook		
	1H	2H	Total	1H	2H	Total	1H	2H	Total		1H	2H	Total
Interest income, dividend income	0.45	1.08	1.53	0.44	1.28	1.72	-0.01	+0.20	+0.19	1.55	0.41	1.30	1.71
Equity in earnings of affiliates	0.62	0.87	1.49	0.40	0.14	0.54	-0.22	-0.73	-0.95	0.68	0.19	0.68	0.87
Foreign exchange gains/losses ¹	3.02	-1.72	1.30	1.88	0.33	2.21	-1.14	+2.05	+0.91	1.88	0.00	0.00	0.00
Interest expense	-0.09	-0.16	-0.25	-0.26	-0.27	-0.53	-0.17	-0.11	-0.28	-0.66	-0.40	-0.39	-0.79
Loss on disposal of non-current assets, others	-0.17	-0.39	-0.56	-0.36	-0.15	-0.51	-0.19	+0.24	+0.05	-0.79	-0.82	-0.51	-1.33
Non-Operating Income/Expenses	3.83	-0.32	3.51	2.10	1.33	3.43	-1.73	+1.65	-0.08	2.66	-0.62	1.08	0.46
Extraordinary Income	0.00	1.46	1.46	0.60	0.73	1.33	+0.60	-0.73	-0.13	1.20	0.70	0.70	1.40
Extraordinary Losses	0.00	-0.65	-0.65	0.00	-1.18	-1.18	0.00	-0.53	-0.53	0.00	0.00	0.00	0.00
Extraordinary Income/Losses²⁻³⁻⁴⁻⁵	0.00	0.81	0.81	0.60	-0.45	0.15	+0.60	-1.26	-0.66	1.20	0.70	0.70	1.40

1. FX Rate (¥/\$): 2022/3 122.41, 2022/9 144.81, 2023/3 133.54, 2023/9 149.58, 2024/3 151.40
2. FY2022 Actual:
Extraordinary Income ¥1.46 billion (Gain on sales of investment securities ¥1.46 billion)
Extraordinary Losses ¥0.65 billion (impairment loss of unlisted stock ¥0.65 billion)
3. FY2023 Actual:
Extraordinary Income ¥1.33 billion (Gain on sales of investment securities ¥1.33 billion)
Extraordinary Losses ¥1.18 billion (impairment loss ¥0.82 billion, impairment loss of unlisted stock ¥0.35 billion)
4. FY2023 Outlook as of Nov 2023: Extraordinary Income ¥1.20 billion (Gain on sales of investment securities ¥1.20 billion)
5. FY2024 Outlook: Extraordinary Income ¥1.40 billion (Gain on sales of investment securities ¥1.40 billion)

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Moving on to page 12.

This is a breakdown of non-operating income/expenses and extraordinary income/losses. First, if you look at the middle part of the YoY comparison, the non-operating income/loss down the bottom shows a decline of JPY0.08 billion. FY2023 is about same level as FY2022. On the rightmost, the outlook for FY2024 is JPY0.46 billion.

For foreign exchange gains and losses, as you can see on the third line, the budget for this fiscal year has been set at zero, so it will be largely negative compared to the previous fiscal year. With other increases and decreases, we forecast JPY0.46 billion.

As for extraordinary gains and losses, in FY2023, as shown in the small asterisk note under "3," some impairments were recorded, and to offset this, an extraordinary gain of JPY1.3 billion was recorded.

On the other hand, we do not have any extraordinary losses planned for FY2024, so we plan to record a gain of JPY1.4 billion from the sale of shares.

Cash Flows

Free cash flow in FY2023 was ¥15.0 billion, a decrease of ¥0.5 billion from FY2022

	FY2022 Actual	FY2023 Actual	YOY Change	FY2023 Outlook as of Nov 2023	(¥billion) FY2024 Outlook
CF from operating activities	35.2	33.7	-1.5	35.1	49.5
Income before income taxes & non-controlling interests	56.6	51.8	-4.8	52.5	51.9
Extraordinary losses (income)	-0.8	-0.2	+0.6	-1.2	-1.4
Depreciation & amortization ¹	11.0	13.8	+2.8	14.4	16.1
Income taxes paid	-15.4	-15.9	-0.5	-16.0	-12.4
Working capital, others	-16.2	-15.8	+0.4	-14.6	-4.7
CF from investing activities	-19.7	-18.7	+1.0	-19.9	-20.3
Purchase of PPE ²	-19.4	-20.2	-0.8	-22.5	-22.1
Purchase and sales of investment securities	2.0	1.6	-0.4	1.6	1.9
Others	-2.3	-0.1	+2.2	1.0	-0.1
Free cash flow	15.5	15.0	-0.5	15.2	29.2
CF from financing activities	-25.0	-22.1	+2.9	-18.8	-24.5
Payout to shareholders (dividend)	-20.1	-23.0	-2.9	-29.0	-29.2
Payout to shareholders (share repurchase)	-9.0	-10.0	-1.0		
Liabilities with interest	4.2	10.9	+6.7	10.2	4.7
Others	-0.1	0.0	+0.1	0.0	0.0
Effect of exchange rate change on cash & cash equivalents	1.3	0.2	-1.1	0.0	0.0
Change in cash & cash equivalents	-8.2	-6.9	+1.3	-3.6	4.7
Increase in cash and cash equivalents resulting from change in scope of consolidation	3.1	0.0	-3.1	0.0	0.0
Cash & cash equivalents at end of period	29.6	22.7	-6.9	26.0	27.4

1. Including amortization of goodwill 2. Including intangible assets

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Page 13 shows the cash flows.

Free cash flow for FY2023, as shown in the second row from the left, is JPY15.0 billion, a decrease of JPY0.5 billion from the previous year, but almost unchanged from the outlook announced last November.

As you can see in the last line, we have cash and deposits of about JPY23.0 billion on a consolidated basis.

On the other hand, as you can see on the far right, the outlook for FY2024 is for free cash flow of JPY29.2 billion, which is a considerable increase. This includes an increase in depreciation, which will reduce cash outflows, and an increase or decrease in working capital, which will improve due to the suppression of inventory growth. As a result, the forecasted value is JPY27.4 billion in cash and deposits, as shown in the bottom line.

Balance Sheets

(¥billion)

	2023/3	2024/3	vs. 2023/3
Current assets	189.4	202.0	+12.6
Cash	29.6	22.7	-6.9
Accounts receivable	82.7	88.8	+6.1
Inventories	64.7	78.2	+13.5
Others	12.4	12.3	-0.1
Fixed assets	109.3	121.5	+12.2
Total PPE	64.7	77.4	+12.7
Intangible assets	11.5	10.7	-0.8
Investment securities	27.3	26.1	-1.2
Others	5.8	7.3	+1.5
Total assets	298.7	323.5	+24.8

	2023/3	2024/3	vs. 2023/3
Liabilities	77.2	92.6	+15.4
Accounts payable	19.9	20.4	+0.5
Borrowings	27.3	41.0	+13.7
Others	30.0	31.2	+1.2
Net assets	221.5	230.9	+9.4
Shareholders' equity ¹	208.8	213.9	+5.1
Valuation difference on available-for-sale securities	7.7	8.3	+0.6
Foreign currency translation adjustment	1.7	4.2	+2.5
Non-controlling interests	3.1	3.4	+0.3
Remeasurements of defined benefit plans	0.2	1.1	+0.9
Total liabilities & net assets	298.7	323.5	+24.8

Equity Ratio	73.1%	70.3%
D/E Ratio ²	-1.1%	8.5%

Breakdown of Investment Securities

	2022/3	2023/3	2024/3	vs. 2023/3
Listed shares³ (Number of stocks held, Non-consolidated basis)	18.9 (30)	16.9 (26)	17.1 (24)	+0.2 (-2)
Unlisted shares	2.6	2.4	2.3	-0.1
Subsidiaries/Associate shares	8.7	8.0	6.7	-1.3
Total	30.2	27.3	26.1	-1.2
Strategic shareholdings on net assets⁴	9.5%	7.9%	7.7%	

Reference

2018/3
30.0
(55)
1.7
6.8
38.5
17.0%

1. Change in shareholders' equity +5.1 = Net Income 38.0 - Dividend and others 32.9

3. 2023/3 16.9 + Acquisition 0.0 + Sales and valuation difference 0.2 = 2024/3 17.1

4. Strategic shareholdings on net assets = strategic shareholdings (Non-consolidated basis, Listed shares + Unlisted shares) / Net assets (Consolidated basis)

2. D/E Ratio = (Borrowings - Cash) / Shareholders' equity

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Moving on to the balance sheet on page 14.

As usual, the upper left-hand corner shows a comparison with the end of March of the previous year. Total asset increased JPY24.8 billion, of which inventories in current assets, in particular, increased JPY13.5 billion. Although this is a decrease of about JPY7.0 billion compared to the end of December 2023, when compared to the previous year, there was still an increase mainly in agricultural chemicals.

In addition, in the fixed assets section, Total PPE are reflected in this section, as we have invested in overseas and other areas.

On the other hand, the liabilities and net assets on the right show a JPY13.7 billion increase in borrowings, which basically corresponds to this increase in inventories. Net assets increased by JPY9.4 billion, the equity ratio was 70.3%, and the D/E ratio was 8.5%, indicating that the Company continues to maintain a sound level of assets.

Finally, the breakdown of investment securities is shown below left. JPY17.1 billion was the balance at the end of March 2024, which means that the number of issues held on a non-consolidated basis has already decreased to 24 issues. Compared to the previous period, the number of issues decreased by two issues, and as you can see in the reference section, the number of issues decreased by less than half from 55 issues six years ago. The ratio of strategic holdings to net assets remained below 8%, as shown in the bottom row.

Capex/Depreciation/R&D by Segment

Capex and Depreciation increased in recent years due to manufacturing capacity expansion(mainly overseas) in core growth businesses.

R&D expenses recovered since FY2023 even though it decreased in FY2020 and FY2021 due to reduced business travel activities caused by COVID-19.

(¥billion)

	Capex ¹					Depreciation ²					R&D expenses				
	2020	2021	2022	2023	2024E	2020	2021	2022	2023	2024E	2020	2021	2022	2023	2024E
Chemicals ³	3.3	4.3	2.8	4.6	5.9	2.2	2.5	2.5	2.7	3.1	0.3	0.3	0.3	0.3	0.3
Performance M. ⁴	3.0	5.4	9.0	9.1	6.5	4.5	3.9	4.6	6.0	6.6	7.0	7.0	7.6	8.2	8.4
NCK ⁴	0.2	1.3	5.0	5.7	0.3	0.7	0.5	0.7	2.3	3.0	0.5	0.5	0.5	0.8	0.6
Agrochemicals ⁵	6.4	1.7	5.9	5.1	5.4	2.6	2.7	2.8	3.4	4.1	4.4	4.2	4.3	4.3	4.7
Healthcare ⁶	0.3	0.7	0.5	0.5	0.7	0.5	0.4	0.4	0.4	0.4	2.4	0.6	0.4	0.4	0.5
Trading	0.2	0.0	0.1	0.0	0.8	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Others	1.1	0.3	1.1	0.9	2.8	0.5	0.6	0.7	1.2	1.3	2.4	3.9	4.2	4.1	4.3
Total	14.3	12.4	19.4	20.2	22.1	10.4	10.2	11.0	13.8	15.6	16.5	16.0	16.8	17.3	18.2

1. Capex: Cash flows basis

2. Depreciation Method

Domestic: Display Materials and Semis Materials: 4 year declining balance method (50% of initial capex amount in the 1st year)

Other products : 8 year declining balance method (25% of initial capex amount in the 1st year)

International: NCK: 6 year declining balance method (33% of initial capex amount in the 1st year), NBR: 10 year straight-line method

3. Capex FY2024E: including production facilities at Toyama plant (¥0.9 billion)

4. Capex FY2022: including NCK Semis new plant (¥4.6 billion), FY2023: including NCK Semis new plant (¥4.7 billion)

5. Capex FY2020: including the acquisition of DITHANE (¥5.4 billion), FY2022: including NBR 1st phase construction (¥4.3 billion)

FY2023: including production facilities at Onoda plant (¥2.6 billion), FY2024E: including production facilities at Onoda plant (¥1.9 billion)

6. Organizational changes were implemented in April 2022. (see p67)

Capex: FY2020-2021 figures are based on old segmentation

Depreciation, R&D expenses: FY2020 figures are based on old segmentation, FY2021 has been revised to reflect organizational changes in April 2022.

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The following page 15 shows the figures for capital investment, depreciation, R&D expenses, et cetera, by segment, with actual results for FY2023 and outlook for FY2024. As stated here, CAPEX will increase slightly this fiscal year as well.

Also, with regard to depreciation, NCK will increase a bit, but overall depreciation is JPY15.6 billion, an increase of less than JPY2.0 billion.

On the other hand, research and development expenses are expected to total JPY18.2 billion, and we increase this expense steadily.

- In FY2023, sales and OP down due to significant decrease in volume caused by price decline of Chinese competitors' products and the effect of Noto Peninsula Earthquake (impact of ¥0.5 billion in operating loss)
- In FY2024 outlook, sales and OP up due to increased sales of high purity sulfuric acid and no effect of the earthquake in FY2023

Analysis of Changes in OP (¥billion)



1. Fixed cost & others: including inventory adjustment cost

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The following pages are by segment, but skip to page 21 for Chemicals. As President Yagi explained earlier, the Chemicals business is facing a number of challenges. As mentioned in the first sentence, in FY2023, the volume of sales decreased significantly due to the price decline of competing products in China, mainly Fine Chemicals, and the impact of the Noto Peninsula earthquake, which had a negative impact of about JPY0.5 billion on an operating income basis. As a result, both sales and profit decreased.

In FY2024, we expect an increase in both sales and profits due to an increase in sales of high-purity sulfuric acid or a rebound from the effects of this earthquake.

Please see the waterfall chart below to see how operating income is broken down by volume difference, price difference, or fixed costs. The growth rates of individual major product sales are shown in the comments section of each of the following pages.

【2H】Sales down ¥1.5 billion (melamine sales down ¥0.2 billion), OP down ¥0.2 billion

【Full-Year】Sales down ¥3.4 billion (melamine sales down ¥2.2 billion), OP down ¥1.4 billion

(¥billion)

	FY2022 Actual					FY2023 Actual					YOY Change				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	19.8	10.1	9.1	19.2	39.0	17.9	9.6	8.1	17.7	35.6	-1.9	-0.5	-1.0	-1.5	-3.4
Fine Chemicals	7.7	3.3	2.8	6.1	13.8	6.0	3.0	2.6	5.6	11.6	-1.7	-0.3	-0.2	-0.5	-2.2
Basic Chemicals	12.1	6.8	6.3	13.1	25.2	11.9	6.6	5.5	12.1	24.0	-0.2	-0.2	-0.8	-1.0	-1.2
OP	1.1	0.4	-0.1	0.3	1.4	-0.1	0.4	-0.3	0.1	0.0	-1.2	0.0	-0.2	-0.2	-1.4

【2H】Sales down, OP up

【Full-Year】Sales & OP down

Fine Chemicals	TEPIC for general applications	【2H】Sales flat 【Full-Year】Sales down -39%
	TEPIC for electronic materials	【2H】Sales up +11% 【Full-Year】Sales down -13%
	Environmental related products	【2H】Sales down -23% 【Full-Year】Sales down -9%
	FINEOXOCOL	【2H】Sales up +8% 【Full-Year】Sales down -6%
【2H】Feedstock and raw materials cost down (positive impact)		

【2H】Sales & OP down

【Full-Year】Sales down, OP up

Basic Chemicals	Melamine	【2H】&【Full-Year】Sales down -100% (end of sales)
	Urea/AdBlue®	【2H】Sales down -15% (Noto Peninsula Earthquake) 【Full-Year】Sales flat
	High purity sulfuric acid	【2H】Sales up +24% 【Full-Year】Sales up +5% (price up)
	Nitric acid products	【2H】Sales down -8% (Noto Peninsula Earthquake) 【Full-Year】Sales up +11% (price up)
【Full-Year】Feedstock and raw materials cost down (positive impact)		

Page 22 shows FY2023 results with YoY comparison.

As you can see in the comments, there is an increase or decrease in revenue for each of the products, but especially for high-purity sulfuric acid, the lower right-hand corner shows an increase of 5% for the year.

【2H】 Sales below target ¥3.0 billion, OP below target ¥0.8 billion

	FY2023 Outlook as of Nov 2023			FY2023 Actual			vs. Outlook		
	3Q	4Q	2H	3Q	4Q	2H	3Q	4Q	2H
Sales	10.5	10.2	20.7	9.6	8.1	17.7	-0.9	-2.1	-3.0
Fine Chemicals	3.7	3.5	7.2	3.0	2.6	5.6	-0.7	-0.9	-1.6
Basic Chemicals	6.8	6.7	13.5	6.6	5.5	12.1	-0.2	-1.2	-1.4
OP	0.4	0.5	0.9	0.4	-0.3	0.1	0.0	-0.8	-0.8

(¥billion)

【2H】 Sales below target, OP above target

Fine Chemicals	TEPIC for general applications	Sales below target
	TEPIC for electronic materials	Sales below target
	Environmental related products	Sales below target
	FINEOXOCOL	Sales below target
Fixed cost & others below expectations (positive impact)		

【2H】 Sales & OP below target

Basic Chemicals	Urea/AdBlue®	Sales below target (Noto Peninsula Earthquake)
	High purity sulfuric acid	Sales in line with target
	Nitric acid products	Sales below target (Noto Peninsula Earthquake)

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Continuing on page 23, this is the FY2023 results with comparison with the plan.

Please check it for your reference later.

【Full-Year】Sales up ¥2.1 billion, OP up ¥0.6 billion

(¥billion)

	FY2023 Actual					FY2024 Outlook					YOY Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	9.1	8.8	17.9	17.7	35.6	9.1	9.0	18.1	19.6	37.7	0.0	+0.2	+0.2	+1.9	+2.1
Fine Chemicals	3.0	3.0	6.0	5.6	11.6	3.1	3.0	6.1	6.1	12.2	+0.1	0.0	+0.1	+0.5	+0.6
Basic Chemicals	6.1	5.8	11.9	12.1	24.0	6.0	6.0	12.0	13.5	25.5	-0.1	+0.2	+0.1	+1.4	+1.5
OP	0.9	-1.0	-0.1	0.1	0.0	-0.1	-0.1	-0.2	0.8	0.6	-1.0	+0.9	-0.1	+0.7	+0.6

【Full-Year】Sales up, OP down

Fine Chemicals	TEPIC for general applications	Sales flat
	TEPIC for electronic materials	Sales up +10%
	Environmental related products	Sales up +14%
	FINEOXOCOL	Sales down -6%
Fixed cost & others up (negative impact)		

【Full-Year】Sales & OP up

Basic Chemicals	Urea/AdBlue®	Sales flat
	High purity sulfuric acid	Sales up +24% (volume up)
	Nitric acid products	Sales up +7% (no effect of the earthquake in FY2023)

On page 24 is YoY comparison of FY2024 outlook.

We are aiming for an increase of JPY0.6 billion in operating income. In Fine Chemicals, there will be an increase in fixed cost & others so that we set an increase in sales and decrease in profit.

On the other hand, we expect an increase in sales and profit for Basic Chemicals. In particular, we plan a 24% increase in sales of high-purity sulfuric acid due to increased volume.

- In FY2023, sales up and OP down due to increase in fixed costs from investment for growth of Semis Materials, despite increase in volume due to recovery of Display Materials.
- In FY2024 outlook, sales and OP up due to volume increase from Display Materials and Semis Materials recovery, as well as increased amount of fixed cost is gradually decreasing.

Analysis of Changes in OP (¥billion)



1. Fixed cost & others: including inventory adjustment cost

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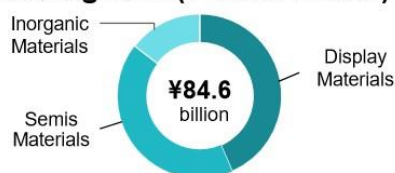
Next is Performance Materials.

Please skip to page 27. As mentioned in the first sentence, in FY2023, sales increased and profit decreased due to an increase in fixed costs resulting from growth investments in Semis Materials, et cetera, although there was an increase in volume due to the recovery of Display Materials.

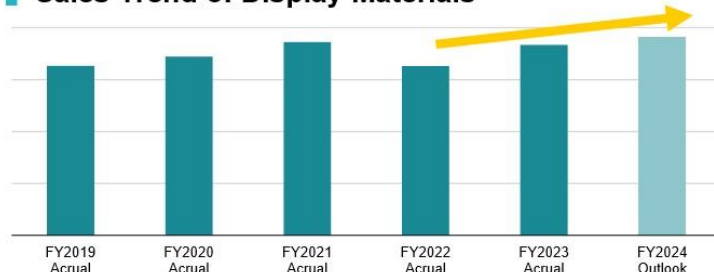
In FY2024, we expect an increase in volume due to the recovery of both Display Materials and Semis Materials.

In addition, the increase in fixed costs will also be reduced, and we plan to increase both sales and profit, with an increase of 8% in profit. See the waterfall chart below for specifics.

Sales by subsegment (FY2023 Actual)

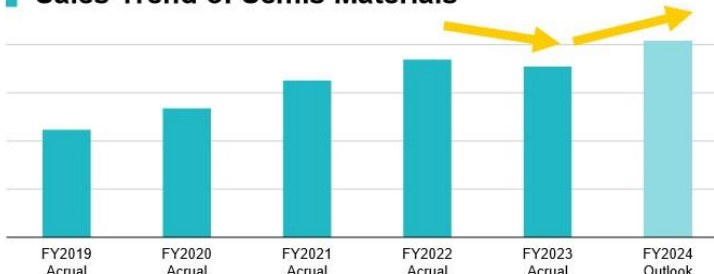


Sales Trend of Display Materials



- Market Recovering after bottom-out in FY2022
- The shift from other modes (rubbing IPS, etc.) to photo IPS is progressing steadily

Sales Trend of Semis Materials



- Full recovery is expected in the second half of FY2024 or later
- Growth trend in mid-long terms is still unchanged despite the current temporary adjustment in FY2023
- Sales grow in EUV materials due to increased customer production

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Please move on to page 28.

Please see the two bar graphs below, which are sales trend of Display Materials and Semis Materials. Sales of Display Materials have steadily increased from the bottom in FY2022, as indicated by the yellow arrows to FY2023 and FY2024. We recognize that the market is recovering, and in particular, as in the past, the conversion of photo IPS from other modes is progressing well.

In Semis Materials, we expect a 15% increase in annual sales for the current fiscal year, after a dip in FY2023. While a full-fledged recovery is not expected until 2H of FY2024 or later, we recognize that the Mid- to long-term growth trend will remain unchanged, despite the temporary adjustment phase.

In addition, EUV materials have continued to grow, with double-digit growth in FY2023 due to increased production by customers.

- DP Materials: [2H FY2023] Sales YOY +9% [FY2024 Full-Year Outlook] Sales YOY +4%
- Semis Materials: [2H FY2023] Sales YOY +14% [FY2024 Full-Year Outlook] Sales YOY +15%
- Inorganic Materials: [2H FY2023] Sales YOY -2% [FY2024 Full-Year Outlook] Sales YOY +3%

Main Products	FY2023 Actual					FY2024 Outlook				
	YOY Change					YOY Change				
	1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total
SUNEVER	+17%	+7%	+10%	+8%	+13%	+1%	+1%	+1%	+5%	+3%
Total Display Materials	+17%	+7%	+10%	+9%	+12%	+2%	+2%	+2%	+6%	+4%
ARC®	-22%	+3%	+11%	+7%	-9%	+3%	+24%	+13%	+5%	+9%
Multi layer process materials	-24%	-7%	+45%	+20%	-3%	+31%	+51%	+41%	+11%	+24%
EUV materials¹	+15%	+29%	+51%	+39%	+26%	+39%	+32%	+35%	+38%	+37%
Total Semis Materials	-19%	+4%	+23%	+14%	-4%	+13%	+30%	+22%	+10%	+15%
Total Inorganic Materials	-6%	-5%	+2%	-2%	-4%	+3%	+11%	+7%	0%	+3%
Total Segment	-4%	+4%	+13%	+8%	+2%	+6%	+15%	+10%	+7%	+9%

1. EUV materials: Total of Under Layer and Si-HM for EUV

Specific sales growth rates are on page 29.

As you can see in the column of total for YoY change for FY2023 and FY2024 at rightmost, Display Materials increased 12% last fiscal year and is planned to increase 4% this fiscal year.

In Semis Materials, it declined 4% last fiscal year but will increase 15% this fiscal year. Especially for EUV materials, we assume that double-digit growth will continue in the current fiscal year. Inorganic Materials sales declined 4% in the previous year and will increase 3% in the current year, and overall segment sales are expected to increase by 9% in the current year.

However, in FY2023 results 4Q shown at the middle, the Semis Materials were quite strong, and this was partly due to the impact of the transfer of sales from R&D expenses. The amount of customer certification for shipments of paid samples was transferred to sales made in 4Q. The results of these factors, especially multi-layer process materials, show a strong positive trend.

【2H】Sales up ¥3.5 billion, OP down ¥0.1 billion, Fixed cost & others up ¥2.6 billion in total

【Full-Year】Sales up ¥2.0 billion, OP down ¥2.9 billion, Fixed cost & others up ¥4.1 billion in total

(¥billion)

	FY2022 Actual					FY2023 Actual					YOY Change				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	42.0	20.6	20.0	40.6	82.6	40.5	21.4	22.7	44.1	84.6	-1.5	+0.8	+2.7	+3.5	+2.0
OP	13.9	6.9	4.6	11.5	25.4	11.1	6.3	5.1	11.4	22.5	-2.8	-0.6	+0.5	-0.1	-2.9

Display Materials	【2H】Sales & OP up		Semis Materials	【2H】Sales up, OP down		【Full-Year】Sales & OP down			
	【Full-Year】Sales & OP up			ARC®			【2H】Sales up 【Full-Year】Sales down		
	Photo IPS	【2H】&【Full-Year】Sales up (large monitor, smartphone, and automobile up)		Multi layer process materials			【2H】Sales up 【Full-Year】Sales down		
	Rubbing IPS	【2H】Sales down 【Full-Year】Sales flat		EUV materials			【2H】&【Full-Year】Sales up (EUV Under Layer: sales up due to maintained strong performance)		
	VA	【2H】Sales flat 【Full-Year】Sales up (partly market share up)		【2H】Semis market gradually recovering, Fixed cost & others up ¥1.6 billion 【Full-Year】Semis market slowdown in 1H FY2023, Fixed cost & others up ¥3.0 billion					
【2H】Display market recovering, Fixed cost & others up ¥0.5 billion		【Full-Year】Display market recovering, Fixed cost & others up ¥0.4 billion		Inorganic Materials	【2H】Sales & OP down 【Full-Year】Sales down, OP up				
					【Full-Year】Sales down in SNOWTEX (polishing) and Oilfield materials				

On page 30 are comments on the YoY comparisons for FY2023.

In particular, for FY2023, net sales increased JPY2.0 billion and operating profit decreased JPY2.9 billion, of which fixed costs increased JPY4.1 billion.

In terms of EUV materials, sales of EUV-UL remained strong, resulting in an increase in sales.

【Full-Year】 Sales up ¥7.3 billion, OP up ¥1.9 billion, Fixed cost & others up ¥2.8 billion in total

(¥billion)

	FY2023 Actual					FY2024 Outlook					YOY Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	20.8	19.7	40.5	44.1	84.6	22.1	22.6	44.7	47.2	91.9	+1.3	+2.9	+4.2	+3.1	+7.3
OP	6.5	4.6	11.1	11.4	22.5	5.5	6.8	12.3	12.1	24.4	-1.0	+2.2	+1.2	+0.7	+1.9

Display Materials 【Full-Year】 Sales & OP up

Photo IPS Sales up (non-smartphone up)

Rubbing IPS Sales down

VA Sales up
(increased production for TV)

Display market recovery,
Fixed cost & others up ¥0.3 billion

Semis Materials 【Full-Year】 Sales & OP up

ARC® Sales up

Multi layer
process materials Sales up

EUV
materials Sales up

Semis market gradually recovering, Fixed cost & others up ¥2.2 billion

Inorganic Materials

【Full-Year】 Sales up, OP down

【Full-Year】 Sales up in SNOWTEX (polishing) and Oilfield materials

We will skip page 31, which is the comparison with the plan, and go on to page 32, which is the outlook for FY2024.

On YoY, we expect sales to increase by JPY7.3 billion, operating profit to increase by JPY1.9 billion.

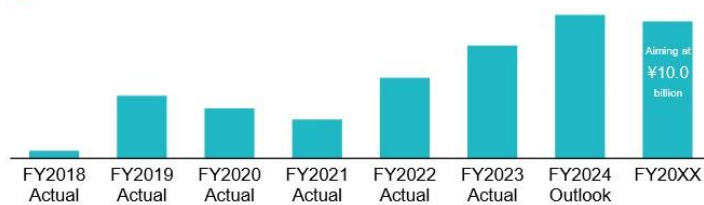
In particular, in the Display Materials, a photo IPS revenue will increase. We assume that smartphones are somewhat sluggish, but in the non-smartphone area, we expect to see double-digit growth.

In addition, Semis Materials are recovering steadily after bottoming out in 2Q of FY2023 in anticipation of a market recovery, and this is reflected in these figures.

【2H FY2023】 Sales YOY +2% 【FY2024 Full-Year Outlook】 Sales YOY +3%

Main Products (Agro: in order of FY2023 Sales amount)		Types	FY2023 Actual					FY2024 Outlook				
			YOY					YOY				
			1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total
Agro	ROUNDUP ¹	Herbicide	-10%	-28%	+8%	+3%	-3%	0%	+3%	+1%	+2%	+2%
	ALTAIR	Herbicide	-17%	-9%	+1%	-1%	-4%	+9%	+96%	+17%	+2%	+5%
	GRACIA	Insecticide	+113%	-7%	+15%	+6%	+40%	+11%	+6%	+9%	+45%	+27%
	TARGA	Herbicide	+1%	+41%	-5%	+5%	+3%	-23%	-44%	-30%	-24%	-27%
	DITHANE	Fungicide	-3%	+16%	+3%	+6%	+3%	-6%	-9%	-8%	-7%	-7%
	PERMIT	Herbicide	+28%	-63%	+40%	-23%	+3%	+29%	-5%	+3%	-16%	-4%
	LEIMEY	Fungicide	-47%	-33%	-27%	-28%	-35%	+81%	-3%	+39%	+4%	+14%
Animal Health	Fluralaner	Animal Health products	+5%	+10%	+30%	+19%	+11%	+11%	0%	+6%	+4%	+5%
Total Segment ²		-	-1%	+1%	+3%	+2%	+1%	+6%	+3%	+4%	+3%	+3%

GRACIA Sales



Reference

[ROUNDUP Business Briefing](#) 
(January 22, 2020)

[Agrochemicals Business Briefing](#) 
(September 28, 2022)

1. ROUNDUP AL for general household account for 21% of total ROUNDUP sales (FY2023 Actual)
2. Total segment sales YOY include discount

Next is the Agrochemicals business. Please refer to page 34.

Here, as always, are the FY2023 results, and the budget for FY2024, showing YoY growth rates and sales of major products for the 1Q 2Q, 1H, 2H, and full year.

Overall segment sales increased 1% in FY2023. While GRACIA increased 40%, LEIMEY declined 35%. On the other hand, Fluralaner increased 11%, showing double-digit growth.

For the FY2024 budget, especially for the year, as shown in the rightmost column, we are assuming an increase of 27% for GRACIA and an increase of 5% for Fluralaner.

As a result, as you can see at the bottom of the page, we were aiming for sales of JPY10.0 billion in GRACIA over the six years from the launch 2018. This assumption indicates that we will reach that figure.

【2H】 Sales up ¥0.9 billion, OP up ¥0.8 billion, Fixed cost & others up ¥0.7 billion

【Full-Year】 Sales up ¥0.5 billion, OP up ¥0.3 billion, Fixed cost & others up ¥1.7 billion

(¥billion)

	FY2022 Actual					FY2023 Actual					YOY Change				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	35.7	13.1	32.8	45.9	81.6	35.3	13.2	33.6	46.8	82.1	-0.4	+0.1	+0.8	+0.9	+0.5
OP	12.1	3.1	7.9	11.0	23.1	11.6	2.9	8.9	11.8	23.4	-0.5	-0.2	+1.0	+0.8	+0.3

Main products	ROUNDUP(Herbicide)	【2H】 Sales up (ML: sales flat, AL: sales up) 【Full-Year】 Sales down (ML: sales down, AL: sales flat)
	ALTAIR(Herbicide)	【2H】 Sales flat 【Full-Year】 Sales down (domestic: sales down, rush demand before price hikes in FY2022)
	GRACIA(Insecticide)	【2H】 Sales up 【Full-Year】 Sales up (export: sales expansion in Asia)
	TARGA(Herbicide)	【2H】&【Full-Year】 Sales up (export: shipment shifted from FY2024)
	DITHANE(Fungicide)	【2H】&【Full-Year】 Sales up (export: sales up in Korea)
	PERMIT(Herbicide)	【2H】 Sales down (shipment skewed to 1H in FY2023) 【Full-Year】 Sales up
	LEIMAY(Fungicide)	【2H】&【Full-Year】 Sales down (volume down in Europe due to distribution inventory adjustment)
	Fluralaner(Animal health product)	【2H】&【Full-Year】 Sales up (API sales & royalties: sales up, partly affected by JPY depreciation)

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The next page, page 35, shows YoY comparison of FY2023 results.

In particular, there was an increase of JPY0.5 billion in annual sales, JPY0.3 billion in operating profit, and an increase of JPY1.7 billion in fixed and other costs.

In this, especially in the comments, the second line from the bottom, LEIMAY, fungicides, it says that a volume down in Europe due to distribution inventory adjustment. This is what I mentioned earlier, and it is reflected in the YoY figure of decline of 35%.

【Full-Year】 Sales up ¥2.8 billion, OP up ¥0.7 billion, Fixed cost & others up ¥2.5 billion

(¥billion)

	FY2023 Actual					FY2024 Outlook					YOY Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	18.8	16.5	35.3	46.8	82.1	19.9	16.9	36.8	48.1	84.9	+1.1	+0.4	+1.5	+1.3	+2.8
OP	6.6	5.0	11.6	11.8	23.4	7.0	5.4	12.4	11.7	24.1	+0.4	+0.4	+0.8	-0.1	+0.7

Main products	ROUNDUP(Herbicide)	Sales up (ML&AL: volume up)
	ALTAIR(Herbicide)	Sales up (domestic: sales expansion)
	GRACIA(Insecticide)	Sales up (domestic: sales up, export: sales expansion in Asia)
	TARGA(Herbicide)	Sales down (export: shipment shifted to FY2023, sales down in Europe due to distribution inventory adjustment)
	DITHANE(Fungicide)	Sales down
	PERMIT(Herbicide)	Sales down
	LEIMAY(Fungicide)	Sales up (export: expected to recover from distribution inventory adjustment)
	Fluralaner(Animal health product)	Sales up (API shipment steadily)

Page 36 is the comparison with the plan, so skip to page 37.

This is the YoY comparison for FY2024. For the current fiscal year, we expect an increase in sales in GRACIA, and in LEIMAY, as shown in the second line from the bottom, we expect to recover from distribution inventory adjustment.

On the other hand, we have assumed a decrease in sales of TARGA, herbicides, because of shipment shifted to FY2023, as well as the impact of distribution inventories in Europe.

Fluralaner, as I mentioned earlier, is expected to increase its sales by 5% for the year, due to strong shipments of the API.

	Launch	Products	Application	Product development type	Notes
Existing products	2002	ROUNDUP	Herbicide	Acquired	Acquired domestic business from Monsanto, continuing to grow
	2008	LEIMAY	Fungicide	In-house	
	2008	STARMITE	Insecticide	In-house	
	2009	PULSOR (THIFLUZAMIDE)	Fungicide	Acquired	Acquired world business from Dow
	2010	ROUNDUP AL	Herbicide	In-house	For general household shower-type herbicide market, launched ROUNDUP AL II in FY2016 and AL III in FY2017
	2011	ALTAIR	Herbicide	In-house	Launched in Korea in FY2011 and in Japan in FY2012
	2013	Fluralaner	Animal health product	In-house	Started to be supplied to MSD ¹ as the API of BRAVECTO®
	2014	BRAVECTO® ²	Veterinary medical product for companion animals	-	Launched in several countries in EU in April 2014, in the US in June 2014 and in Japan in July 2015
	2017	TRANSFORM™ / EXCEED™ / VIRESCO™	Insecticide	Licensed-in	Licensed from Dow
New products Pipeline	2018	GRACIA	Insecticide	In-house	Effective against a wide range of serious pests, having less negative impact on honeybees. Launched in Korea in FY2018, in Japan in FY2019, and in India and Indonesia in FY2021. Expanding sales countries (expected peak sales ¥10.0 billion)
	2019	QUINTEC (QUINOXYFEN)	Fungicide	Acquired	Acquired world business from Corteva. Protective fungicide highly effective in controlling powdery mildew in fruits and vegetables
	2020	DITHANE (MANCOZEB)	Fungicide	Acquired	Acquired Japan and Korea business from Corteva in December 2020. Protective fungicide with significant efficacy against various plant diseases in fruits and vegetables
	2024	VERDAD (DIMESULFAZET) (NC-653)	Herbicide	In-house	Effective against resistant weeds, having excellent safety to rice (expected peak sales ¥3.5 billion)
	2027	NC-520	Insecticide	Joint development	Insecticide for paddy rice co-developed with other companies. Highly effective against planthoppers (expected peak sales ¥2.5 billion including mixture products)
	2027	NC-656 (IPTRIAZOPYRID)	Herbicide	In-house	Our first foliar application rice herbicide with excellent efficacy against resistant grass weeds (expected peak sales ¥10.0 billion)

Expected peak sales of new products
¥31.0 billion

1. MSD: MSD Animal Health, the global animal health business unit of Merck 2. BRAVECTO®: the product name developed by MSD, containing the active substance Fluralaner

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The list of major products is on page 38, and there are no major changes.

The sales target for NC-653, the third line from the bottom, has not been changed from the peak year, but the scheduled launch year in FY2024 is expected to be postponed slightly to 2H of FY2024.

Also, the next NC-520, which we had assumed would be launched in FY2025, will be launched in FY2027, two years later than the original plan. We have conservatively assumed FY2027 since there are some delays in registration, et cetera. We have not changed the date of FY2027 for the NC-656 shown at the bottom.

【2H】 Sales down ¥0.67 billion, OP down ¥0.53 billion

【Full-Year】 Sales down ¥0.37 billion, OP down ¥0.18 billion

(¥billion)

	FY2022 Actual					FY2023 Actual					YOY Change				
	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	3.25	1.59	1.83	3.42	6.67	3.55	1.29	1.46	2.75	6.30	+0.30	-0.30	-0.37	-0.67	-0.37
Healthcare	1.42	0.35	0.58	0.93	2.35	1.29	0.59	0.43	1.02	2.31	-0.13	+0.24	-0.15	+0.09	-0.04
Custom Chemicals	1.83	1.24	1.25	2.49	4.32	2.26	0.70	1.03	1.73	3.99	+0.43	-0.54	-0.22	-0.76	-0.33
OP	1.46	0.66	0.87	1.53	2.99	1.81	0.47	0.53	1.00	2.81	+0.35	-0.19	-0.34	-0.53	-0.18
Healthcare	0.63	0.10	0.20	0.30	0.93	0.57	0.18	0.18	0.36	0.93	-0.06	+0.08	-0.02	+0.06	0.00
Custom Chemicals	0.83	0.56	0.67	1.23	2.06	1.24	0.29	0.35	0.64	1.88	+0.41	-0.27	-0.32	-0.59	-0.18

1. Figures in p7, p11, p17, p18, p19, p49, p50, p63, p64, p65 may not match the numbers on this page due to rounding.

Healthcare	【2H】 Sales & OP up	
	【Full-Year】 Sales down, OP flat	
	LIVALO	【2H】 Sales up (domestic up, export flat) 【Full-Year】 Sales down (domestic & export both down) 【Full-Year】 Fixed cost & others down

Custom Chemicals	【2H】 Sales & OP down	
	【Full-Year】 Sales & OP down	
	【2H】&【Full-Year】 Sales down (shipment shifted from FY2023 to FY2024)	

To continue, I'll skip a bit. Healthcare segment. See page 45.

This is FY2023 results. As shown in the top sentence, both sales and profit decreased. Sales decreased by approximately JPY0.4 billion and operating profit decreased less than JPY0.2 billion, respectively.

【2H】 Sales above target ¥0.36 billion, OP above target ¥0.22 billion

(¥billion)

	FY2023 Outlook as of Nov 2023			FY2023 Actual			vs. Outlook		
	3Q	4Q	2H	3Q	4Q	2H	3Q	4Q	2H
Sales	1.06	1.33	2.39	1.29	1.46	2.75	+0.23	+0.13	+0.36
Healthcare	0.58	0.29	0.87	0.59	0.43	1.02	+0.01	+0.14	+0.15
Custom Chemicals	0.48	1.04	1.52	0.70	1.03	1.73	+0.22	-0.01	+0.21
OP	0.33	0.45	0.78	0.47	0.53	1.00	+0.14	+0.08	+0.22
Healthcare	0.20	0.06	0.26	0.18	0.18	0.36	-0.02	+0.12	+0.10
Custom Chemicals	0.13	0.39	0.52	0.29	0.35	0.64	+0.16	-0.04	+0.12

1. Figures in p7, p11, p17, p18, p19, p49, p50, p63, p64, p65 may not match the numbers on this page due to rounding.

【2H】 Sales & OP above target		
Healthcare	LIVALO	Sales above target (domestic & export both above target)

【2H】 Sales & OP above target		
Custom Chemicals		Sales above target

As you can see on page 46, compared to the plan, results exceeded the plan especially in Custom Chemicals.

【Full-Year】 Sales up ¥0.07 billion, OP down ¥0.53 billion

(¥billion)

	FY2023 Actual					FY2024 Outlook					YOY Change				
	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total	1Q	2Q	1H	2H	Total
Sales	1.95	1.60	3.55	2.75	6.30	1.77	1.21	2.98	3.39	6.37	-0.18	-0.39	-0.57	+0.64	+0.07
Healthcare	0.61	0.68	1.29	1.02	2.31	0.26	0.50	0.76	1.12	1.88	-0.35	-0.18	-0.53	+0.10	-0.43
Custom Chemicals	1.34	0.92	2.26	1.73	3.99	1.51	0.71	2.22	2.27	4.49	+0.17	-0.21	-0.04	+0.54	+0.50
OP	1.09	0.72	1.81	1.00	2.81	0.61	0.29	0.90	1.38	2.28	-0.48	-0.43	-0.91	+0.38	-0.53
Healthcare	0.28	0.29	0.57	0.36	0.93	0.05	0.12	0.17	0.28	0.45	-0.23	-0.17	-0.40	-0.08	-0.48
Custom Chemicals	0.81	0.43	1.24	0.64	1.88	0.56	0.17	0.73	1.10	1.83	-0.25	-0.26	-0.51	+0.46	-0.05

1. Figures in p7, p11, p17, p18, p19, p49, p50, p63, p64, p65 may not match the numbers on this page due to rounding.

【Full-Year】 Sales & OP down		
Healthcare	LIVALO	Sales down (domestic & export both down)
		Fixed cost & others up

【Full-Year】 Sales up, OP down		
Custom Chemicals		Sales up (shipment shifted from FY2023 to FY2024)
		Fixed cost & others up

The last page, page 47, shows YoY comparisons for FY2024, and here we see that LIVALO, both domestic and export revenues, are down.

As for Custom Chemicals, although sales are expected to increase, fixed costs and other expenses are expected to increase, and unfortunately, we assume that profits will decrease here.

FY2024 Outlook vs. FY2024 Mid-Term Plan (announced in May 2022)

(¥billion)

		FY2024 Mid-Term Plan (A)	FY2024 Outlook (B)	(B) – (A)	Difference factors
Chemicals	Sales	37.6	37.7	+0.1	Fine Chemicals below target(-15%) [Above target] Environmental related products [Below target] TEPC (general applications & electronic materials) Basic Chemicals above target(+10%) [Above target] Urea/AdBlue®, High purity sulfuric acid, Nitric acid products
	OP	3.5	0.6	-2.9	Fine Chemicals OP below target, Basic Chemicals OP in line with target [Positive factors] Sales up (price hikes) [Negative factors] Fixed cost & others above expectations, feedstock and raw materials cost up
Performance Materials	Sales	102.9	91.9	-11.0	DP below target(-12%) [Above target] VA [Below target] Photo IPS, rubbing IPS, Photo VA, TN, other display materials Semis below target(-14%) [Above target] EUV materials [Below target] ARC®, multi layer process materials Inorganic above target(+3%) [Above target] SNOWTEX (non-polishing, price hikes), Oilfield materials [Below target] Organo/Monomer sol,
	OP	32.1	24.4	-7.7	OP below target (DP, Semis, Inorganic) [Positive factors] Fixed cost & others below expectations(DP) [Negative factors] sales below due to market adjustment(DP, Semis), fixed cost & others above expectations(Semis, Inorganic)
Agro-Chemicals	Sales	77.8	84.9	+7.1	Domestic above target(+3%) [Above target] Fluralaner, GRACIA, PERMIT, DITHANE, TARGA, ALTAIR Export above target(+17%) Animal Health above target(+13%) [Below target] LEIMAY
	OP	21.7	24.1	+2.4	[Positive factors] Sales above target, fixed cost & others below expectations
Healthcare	Sales	7.2	6.4	-0.8	Healthcare above target(+20%) [Above target] LIVALO (export) [Below target] New products Custom Chemicals below target(-21%) [Below target] GE API products, new products
	OP	2.1	2.3	+0.2	Drug Discovery OP above target, Custom Chemicals OP below target [Positive factors] Fixed cost & others below expectations [Negative factors] Sales below target (new products)
Trading, Others, Adjustment	Sales	29.5	13.2	-16.3	Adjustment etc. below target
	OP	-0.9	-1.4	-0.5	Trading above target +0.6 Other domestic subsidiaries below target -0.2 Adjustment below target -0.9 (-1.0 in Planning and Development Division)
Total	Sales	255.0	234.1	-20.9	
	OP	58.5	50.0	-8.5	

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Finally, the comparison with the Mid-term Business Plan target. Jump to page 50.

Although Yagi explained a little earlier, we have done more detailed analysis here. In terms of the differences of the FY2024 outlook and target in the Mid-term plan, please look at column B-A in the middle of the blue. A quick look at the results shows that operating income, especially in Chemicals, is below JPY2.9 billion, and in Performance Materials, below JPY7.7 billion, with these two items falling below the target. We expect to offset with an above of JPY2.4 billion in Agrochemicals, but it was not enough to make up the difference.

In particular, in Performance Materials, as shown in the small print there, sales of Display are expected to be below 12% and Semis below 14% compared to the Mid-term plan, indicating that the market has suffered a major adjustment that could not have been anticipated when the mid-term plan was drawn up.

On the other hand, as shown here for Agrochemicals, sales are expected to above by 17% compared to the Mid-term plan due to overseas agrochemicals, especially in GRACIA. In addition, sales of Animal Health are expected to above 13% compared to the Mid-term plan.

As you can see, there is a deviation between the FY2024 outlook and Mid-term plan target, which made us realized that there is an issue.

We are scheduled to announce the figures for the next Stage II Mid-term plan review in May 2025, and we are currently studying them with the same sense of direction as I just explained. I'm sorry I took so long, but that's all I have to say.

Question & Answer

<Questioner 1>

Q: First, I would like to ask President Yagi about the Mid-term Business Plan, and one thing that stands out is that ROE seems to have hit its ceiling. It remains around 20%. As a measure to raise this to the next stage exceeding 20%, in the briefing material Part 1, page 12, there is a comment about restructuring the business model and structural reforms in the Chemicals business. I don't think there are many low-profit businesses in your company, and I think there is limited room for review. I wonder what you think about the reform of the portfolio in this area, and I assume this may be the scope of Stage II, but could you comment on how you see the portfolio?

A: In the Chemicals business, we have a considerable number of products, and we will carefully assess which of them are profitable and which are not, and shift to those that are profitable.

For example, as I mentioned earlier, we need to review our portfolio by focusing on the business whose peripheral businesses are strong such as high-purity sulfuric acid related to semiconductors and other, and businesses that will grow in the future. We are now thinking in this way and have formed a team to study the issue.

In addition, Chinese products are coming in more and more at lower price. We are now examining whether the balance between raw materials and product output is truly appropriate, with an eye to price competition.

Q: I see. I am sorry to mention specific product names, but TEPIC has been struggling recently due to competition from Chinese products. Could you tell me how TEPIC is positioned currently?

A: We are now in the process of reviewing the optimal operation and production system for TEPIC, because of the inflow of low-priced Chinese products and the inventory buildup in the market due to the COVID-19 situation.

Q: I see. Would a review of this area be in the next Mid-term plan Stage II ?

A: Yes.

Q: I see. Then, I would like to ask you the second question regarding the Performance Materials in the outlook for this fiscal year.

In the outlook for the current fiscal year, the waterfall chart shows that profit will decline JPY2.8 billion due to the increase in fixed cost & others, which I think is heavy. Could you tell me what is included in the decline in profit of JPY4.1 billion in the fiscal year that ended and decline in profit of JPY2.8 billion in this fiscal year both due to fixed cost & others increase? Also, I would like to know if the increase in fixed costs will continue to some extent in the future.

A: On page 27 of Part 2 of the briefing material, the breakdown of the decrease of JPY4.1 billion, the majority here is still an increase in fixed costs, with Semis Materials making up the bulk of the increase. This may have been explained to you previously, but with the construction of the new plant at NCK, there has inevitably been an increase in fixed costs.

Semis Materials accounted for a large portion of the JPY2.8 billion decrease this fiscal year, but fixed costs accounted for about half of that, and the remainder was the effect of inventory adjustment costs.

We are just now starting full-scale production, and we are operating in various ways toward customer certification. In this context, for the current fiscal year, FY2024, we are expecting a cost reduction effect. If products with higher cost per unit and low production volume increase the production and shipment, the cost of sales will be reduced. This will inevitably appear on the expense side. We have to take it into consideration to certain extent.

Therefore, the fixed costs themselves will be reduced by a considerable amount, but due to such inventory effects, the overall Performance Materials will be decreased by JPY2.8 billion.

As for your question about fixed costs level in FY2025 and beyond, if the customer certification is obtained smoothly, the production volume will increase, and the impact of inventory level will be reduced. On the other hand, regarding investment, we have already completed most of our investment up to FY2023, and on page 15 of Part 2 of the presentation materials, the amount of capital investment on a cash flow basis is shown. We have assumed that there would be almost no capital investment in FY2024 for NCK.

Therefore, in the case of our company, in Korea, the depreciation is based on the declining balance method over a period of six years, so we assume that the cost will be reduced to a considerable extent after FY2025.

<Questioner 2>

Q: I would very much like to ask President Yagi about his cash allocation policy for the next few years.

How much cash inflow, mainly operating cash flow, do you expect, and how much do you expect to allocate to major items such as capital expenditures, M&A, other growth investments, and shareholder returns? If it is difficult to explain quantitatively, could you tell us if you have a sense of direction, for example, if you would like to increase this item compared to the last three years?

I am wondering if there will be any change in the use of cash to create the next driving force, as in particular, growth rate of photo IPS and Fluralaner is expected to decline and some are concerned if the performance driver may change. If we look at page 12 of Part 1 of the presentation material, the keyword "M&A" is mentioned, but I was wondering if you could explain the situation including that.

A: First of all, when we consider the Mid-term plan, the next three years, and beyond, our sense of direction is that we need to accelerate our "selection and concentration" based on our growth strategy, taking into account the current market and business environment.

I can't give you specifics right now, but we have a team that is currently working on this area, and as I mentioned earlier with the example of Chemicals, we are trying to figure out what to do with unprofitable items, and furthermore, where we place what we grow with an eye on the market. We will formulate and review a new plan with this in mind.

Regarding shareholder returns, we do not plan to change our current policy during the current Mid-term Business Plan period.

Q: If I remember correctly, M&A was not mentioned in the materials disclosed in the Mid-term business plan. I think that your company has had a lot of experience in introducing agrochemicals and acquisitions in the past, but what you are considering now seems to be a slight change from your past strategies. Is it correct?

A: In Agrochemicals in particular, there are a variety of products on the market, and we have to decide whether to buy materials or technology. We are also working on Performance Materials, for which we have several projects in the pipeline. We will always be aware of M&A and respond to it in other divisions also.

Q: Second, regarding Semis Materials, looking at the results for 4Q and the plan for the new fiscal year, I have the impression that EUV and multilayer process materials in particular have grown considerably. You mentioned that there is some effect of transfer in multilayer materials. I am wondering if there is any new cause for the strong performance. Or, in relation to the recent AI-related semiconductors, et cetera, is there an increase in the amount used because of the longer production process?

In addition, regarding temporary adhesive materials, I think you were expecting an increase for the HBM, but would you please comment on the situation?

A: As for multilayer process materials and EUV, as it was commented earlier, there is a strong demand for leading-edge semiconductor such as for AI. In addition, our market share is high in this area, and we are seeing strong growth in this area.

Also, as for the temporary adhesive materials, we have maintained a certain share of this market since the old generation of HBM. In addition, we are strengthening our R&D resources for the next generation, such as HBM3e and HBM4.

<Questioner 3>

Q: There are two points, first, page 27 of Part 2 of the briefing material. In the Analysis of Changes in OP for Performance Materials, there is decline of JPY1.6 billion due to price and others. What item exactly do you expect the prices will go down? Or, since this is the beginning of the term, you are looking at this conservatively? Please explain this point.

A: Your question is about the reason for the decline of JPY1.6 billion in Performance Materials, especially in FY2024 due to price difference, et cetera. I would say it is especially for Display Materials. As the volume increases, a certain amount of price decrease is expected, which accounts for a large portion of the JPY1.6 billion.

For the other sub-segments, we do not expect a large decline due to price difference.

Q: Second, I would like to know about the business and market environment for agrochemicals. I think that inventory adjustment has been going on for quite a long time, mainly for overseas pesticides, but I wonder if the end of the adjustment is in sight for the new fiscal year or if it is still in the adjustment phase. Also, please let me know how you see the domestic market environment.

A: Regarding overseas inventories, depending on the product, we believe that they have been eliminated to a large extent, including in Europe.

In the domestic market, the industry itself is experiencing a slowdown in growth, and price hikes have resulted in an increase in value, but slightly decrease in volume. That's a whole picture of market environment.

<Questioner 4>

Q: Just one point, on page 12 of Part 2 of the financial results presentation regarding equity in earnings of affiliates. Could you explain the background behind the decline in profits in FY2023, especially the large drop in 2H of the year, and also the background behind the expected rebound in the current fiscal year.

A: If you look at the results for FY2023 of equity in earnings of affiliate on page 12, you will see that it is JPY0.14 billion, which is a JPY0.73 billion decrease from the previous year. In particular, this is an equity-method company that specializes in manufacturing fertilizers, and in FY2022, the performance was strong therefore there is rebound. Also in FY2023, the overall market was very sluggish. As a result, we could not avoid such a decrease.

On the other hand, for FY2024, we are assuming that there will be a slight recovery from the bottom, so we have set the figures as shown above.

[END]