



Nissan Chemical Corporation

2Q FY2024 Financial Results Briefing

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Daimon: This is Hideki Daimon from Nissan Chemical Corporation. Let's get started with the explanation.

1H FY2024 Financial Summary



1H

vs. 1H FY2023

- Sales up ¥12.5 billion (+12%)
- OP up ¥4.2 billion (+18%)
- Net Income up ¥1.0 billion (+5%)

1H

vs. 1H Outlook
as of May 2024

- Sales above target ¥8.6 billion
- OP above target ¥4.3 billion
- Net Income above target ¥2.4 billion

Shareholder Returns

- Dividend 1H ¥70/share (same as 1H FY2023)
- Share Repurchase 1H a ¥5.0 billion completed (1,061 thousand shares)

Revision of Outlook

- Revised upward FY2024 Outlook announced in May 2024 (see p9)

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Please turn to page four of the materials.

First, looking at the summary of the financial results for 1H compared to the same period last year, sales increased by JPY12.5 billion, or 12%, operating profit increased by JPY4.2 billion, or 18%, and net income rose by JPY1.0 billion, or 5%.

Next, compared to the outlook announced in May, sales exceeded expectations by JPY8.6 billion, operating profit by JPY4.3 billion, and net income by JPY2.4 billion.

Third, regarding shareholder returns, we plan to issue an interim dividend of JPY70 per share, the same amount as last year. Additionally, we completed a share buyback of approximately JPY5.0 billion, amounting to slightly over 1,000 thousand shares during 1H.

As for revision of the outlook, we plan to upwardly revise the annual figures, which I will explain further in a moment.

1H FY2024 Financial Summary YOY Change

(¥billion)

	FY2023 Actual			FY2024 Actual			YOY Change		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Sales	54.9	50.8	105.7	58.7	59.5	118.2	+3.8	+8.7	+12.5 (+12%)
Operating Profit	15.0	9.1	24.1	14.4	13.9	28.3	-0.6	+4.8	+4.2 (+18%)
Non-Operating Income/Expenses	2.0	0.1	2.1	1.6	-2.0	-0.4	-0.4	-2.1	-2.5
Foreign exchange Gains/Losses	1.5	0.4	1.9	1.3	-2.1	-0.8	-0.2	-2.5	-2.7
Ordinary Income	17.0	9.2	26.2	16.0	11.9	27.9	-1.0	+2.7	+1.7 (+7%)
Extraordinary Income/Losses	0.0	0.6	0.6	0.0	0.8	0.8	0.0	+0.2	+0.2
Net Income ¹	12.2	7.3	19.5	11.6	8.9	20.5	-0.6	+1.6	+1.0 (+5%)
EBITDA ²	17.8	12.2	30.0	18.0	16.5	34.5	+0.2	+4.3	+4.5
EPS (¥/share)	87.40	52.15	139.55	83.78	65.00	148.78	-3.62	+12.85	+9.23
Dividend (¥/share)	-	-	70	-	-	70	-	-	0
Total amount of Dividend	-	-	9.8	-	-	9.6	-	-	-0.2
OP Margin	27.3%	17.9%	22.8%	24.6%	23.4%	24.0%	-2.7pt	+5.5pt	+1.2pt
FX Rate (¥/\$)	137	145	141	156	150	153	-	-	-
Crude Oil (JCC) (\$/bbl) ³	83	83	83	88	86	87	-	-	-

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 figures can be found on page five.

Firstly, here you will see a YoY change with a breakdown by 1H, 1Q, and 2Q. For 1H, sales were JPY118.2 billion, operating profit was JPY28.3 billion, and non-operating income and expenses were minus JPY0.4 billion, resulting in ordinary income of JPY27.9 billion. Additionally, extraordinary income and losses came to a positive JPY0.8 billion, leading to a net income of JPY20.5 billion.

Regarding the FX rate, it was JPY150 to the US dollar in 2Q, so the average for the six months of 1H was JPY153.

However, as you may all know, by the end of September 2024, the yen had appreciated significantly, reaching just under JPY143. Comparing this level at the end of September to that of the end of June, the yen appreciated by nearly JPY20. Consequently, the foreign exchange gains or losses for 1H was a loss of JPY2.7 billion.

1H FY2024 Financial Summary Compared to Outlook

(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Actual			vs. Outlook		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Sales	56.2	53.4	109.6	58.7	59.5	118.2	+2.5	+6.1	+8.6 (+8%)
Operating Profit	11.9	12.1	24.0	14.4	13.9	28.3	+2.5	+1.8	+4.3 (+18%)
Non-Operating Income/Expenses	0.3	-1.0	-0.7	1.6	-2.0	-0.4	+1.3	-1.0	+0.3
Foreign exchange Gains/Losses	0.0	0.0	0.0	1.3	-2.1	-0.8	+1.3	-2.1	-0.8
Ordinary Income	12.2	11.1	23.3	16.0	11.9	27.9	+3.8	+0.8	+4.6 (+20%)
Extraordinary Income/Losses	0.0	0.7	0.7	0.0	0.8	0.8	0.0	+0.1	+0.1
Net Income ¹	9.3	8.8	18.1	11.6	8.9	20.5	+2.3	+0.1	+2.4 (+13%)
EBITDA ²	-	-	31.3	18.0	16.5	34.5	-	-	+3.2
EPS (¥/share) ³	-	-	131.23	83.78	65.00	148.78	-	-	+17.55
Dividend (¥/share)	-	-	70	-	-	70	-	-	0
Total amount of Dividend	-	-	9.7	-	-	9.6	-	-	-0.1
OP Margin	21.2%	22.7%	21.9%	24.6%	23.4%	24.0%	+3.4pt	+0.7pt	+2.1pt
FX Rate (¥/\$)	145	145	145	156	150	153	-	-	-
Crude Oil (JCC) (\$/bbl) ⁴	82	82	82	88	86	87	-	-	-

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

3. EPS was revised to reflect share repurchase (¥10.0 billion, announced on May 28) 4. Based on Trade Statistics of Japan Ministry of Finance

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Moving on to page six, this page shows a comparison with the outlook we announced in May.

Similarly, regarding the FX rate to the US dollar, we had initially assumed JPY145 to the US dollar at the start of the year for 1H, and in the end, the exchange rate was JPY8 higher, indicating a weaker yen and stronger dollar.

Analysis of Changes in OP

						(¥)
		FY2024 Actual	FY2023 Actual	YOY Change	Outlook as of May 2024	vs. Outlook
		28.3 billion	24.1 billion	+4.2 billion(+18%)	24.0 billion	+4.3 billion
1H	Chemicals	YOY Change -0.3 billion		OP decrease due to fixed cost etc. ¹ up despite sales flat		
		vs. Outlook -0.2 billion		OP decrease due to sales decrease in nitric acid products and urea/AdBlue®		
	Performance Materials	YOY Change +3.3 billion		OP increase due to sales increase in Display Materials, Semis Materials and Inorganic Materials		
		vs. Outlook +2.1 billion		OP increase due to sales increase in Semis Materials and Inorganic Materials		
	Agro	YOY Change +2.6 billion		OP increase due to sales increase in Fluralaner, GRACIA, and LEIMAY etc.		
		vs. Outlook +1.8 billion		OP increase due to sales increase in Fluralaner, GRACIA, and LEIMAY etc.		
	Healthcare	YOY Change -0.5 billion		OP decrease due to sales decrease in LIVALO and fixed cost etc. up		
		vs. Outlook +0.4 billion		OP increase due to sales increase in Custom Chemicals		

1. Fixed cost etc.: including inventory adjustment cost

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Moving on to page seven, we present the analysis of changes in operating profit by segment for 1H.

Compared to the same period last year, operating profit increased by JPY4.2 billion, coming in JPY4.3 billion above the outlook. First, let's look at chemicals. Operating profit declined by JPY0.3 billion YoY and was JPY0.2 billion below the outlook. Although sales were flat with the previous year, the impact of fixed costs & others—detailed in Note 1, including inventory adjustment cost—resulted in a decrease in profit. Additionally, operating profit fell short of expectations, due in part to underperformance in nitric acid products and urea/AdBlue®.

On the other hand, performance materials achieved a YoY increase in operating profit of JPY3.3 billion, coming in JPY2.1 billion above the outlook. In terms of YoY, sales and operating profit increased across all categories: display materials, semiconductor materials, and inorganic materials. Against the outlook, semiconductor and inorganic materials exceeded sales projections, and while display materials were flat, the division as a whole still surpassed expectations in operating profit.

Moving on to Agrochemicals, we achieved a YoY profit increase of JPY2.6 billion, coming in JPY1.8 billion above the outlook. This was primarily driven by higher-than-expected sales of individual products, such as animal health products, Fluralaner, as well as GRACIA and LEIMAY. Additionally, there was a one-time profit increase of approximately JPY1.1 billion in fixed costs, which will be explained in more detail later, but this figure is included here.

Finally, in healthcare, we saw a YoY decrease of JPY0.5 billion due to a drop in sales of LIVALO and an increase in fixed costs. However, we exceeded the outlook by JPY0.4 billion for 1H.

This concludes the summary for 1H.

Summary of FY2024 Outlook



FY2024 Full-Year Outlook

OP was revised upward to ¥53.0 billion from the outlook of ¥50.0 billion announced in May 2024

Full-Year	vs. FY2023	<ul style="list-style-type: none"> Sales up ¥18.3 billion (+8%) OP up ¥4.8 billion (+10%), Net Income up ¥1.4 billion (+4%) ROE Outlook for FY2024 is 17.1%
Full-Year	vs. Outlook as of May 2024	<ul style="list-style-type: none"> Sales above target ¥10.9 billion OP above target ¥3.0 billion, Net Income above target ¥1.0 billion
2H	vs. 2H FY2023	<ul style="list-style-type: none"> Sales up ¥5.8 billion (+5%) OP up ¥0.6 billion (+2%), Net Income up ¥0.4 billion (+2%)
2H	vs. Outlook as of May 2024	<ul style="list-style-type: none"> Sales above target ¥2.3 billion OP below target ¥1.3 billion, Net Income below target ¥1.4 billion

Shareholders Return (Full-Year Outlook)

- Annual dividend is ¥164/share (unchanged from May 2024)
- ¥10.0 billion share repurchase planned (period: April 2024- March 2025)

Dividend	¥164/share (Full-Year) 1H ¥70/share, 2H ¥94/share (Dividend Payout Ratio : 57.4%) [vs. FY2023] same [vs. Outlook as of May 2024] unchanged
Share Repurchase	¥10.0 billion (period: April 2024 – March 2025)(FY2023 Actual: ¥10.0 billion, 1.7 million shares)
Share Cancellation	Cancelled 1 million shares in September 2024
Total Payout Ratio Outlook	82.4%
Mid-Term Plan Target	Total Payout Ratio Target: 75%, Dividend Payout Ratio Target: 55%

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Next, please turn to page nine for the full-year outlook.

First, regarding the FY2024 full-year forecast, we have raised the operating profit outlook to JPY53.0 billion from the JPY50.0 billion announced in May, as noted at the beginning.

On a full-year YoY basis, operating profit will see an increase of JPY4.8 billion, or 10%. Net income is expected to increase by JPY1.4 billion, or 4%, and the forecasted ROE is 17.1%.

In terms of the outlook comparison, operating profit was above target by JPY3.0 billion. Having already discussed 1H, let me focus on 2H. Compared to the same period last year, operating profit is expected to increase by JPY0.6 billion, while the outlook comparison anticipates a JPY1.3 billion shortfall in operating profit.

In terms of shareholder returns, we expect an annual dividend of JPY164, unchanged from our May announcement. The breakdown is JPY70 for the interim and JPY94 at year-end, translating to a dividend payout ratio of 57.4% based on this term's net income.

We also have plans for a share buyback totaling JPY10 billion. We have already completed a JPY5.0 billion buyback, with the remaining JPY5.0 billion planned for completion by the end of March next year.

As noted in the third row of the table, the cancellation of one million shares purchased by this September has already been completed. This results in a total shareholder return ratio of 82.4%.

As for our medium-term targets, we aim for a dividend payout ratio of 55% and a total payout ratio of 75%. Now, let's move on to the specific figures.

FY2024 Outlook Summary YOY Change



(¥billion)

	FY2023 Actual					FY2024 Outlook as of Nov 2024					YOY Change				
	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	105.7	49.6	71.4	121.0	226.7	118.2	52.2	74.6	126.8	245.0	+12.5 (+12%)	+2.6	+3.2	+5.8 (+5%)	+18.3 (+8%)
Operating Profit	24.1	9.3	14.8	24.1	48.2	28.3	9.4	15.3	24.7	53.0	+4.2 (+18%)	+0.1	+0.5	+0.6 (+2%)	+4.8 (+10%)
Non-Operating Income/Expenses	2.1	-0.5	1.8	1.3	3.4	-0.4	0.3	0.3	0.6	0.2	-2.5	+0.8	-1.5	-0.7	-3.2
Foreign exchange Gains/Losses	1.9	-0.8	1.1	0.3	2.2	-0.8	0.0	0.0	0.0	-0.8	-2.7	+0.8	-1.1	-0.3	-3.0
Ordinary Income	26.2	8.8	16.6	25.4	51.6	27.9	9.7	15.6	25.3	53.2	+1.7 (+7%)	+0.9	-1.0	-0.1 (-1%)	+1.6 (+3%)
Extraordinary Income/Losses	0.6	0.0	-0.4	-0.4	0.2	0.8	0.0	0.6	0.6	1.4	+0.2	0.0	+1.0	+1.0	+1.2
Net Income ¹	19.5	6.5	12.0	18.5	38.0	20.5	7.2	11.7	18.9	39.4	+1.0 (+5%)	+0.7	-0.3	+0.4 (+2%)	+1.4 (+4%)
EBITDA ²	30.0	12.9	19.1	32.0	62.0	34.5	-	-	32.9	67.4	+4.5	-	-	+0.9	+5.4
EPS (¥/share)	139.55	46.47	86.80	133.27	272.82	148.78	-	-	137.16	285.94	+9.23	-	-	+3.89	+13.12
Dividend (¥/share)	70	-	-	94	164	70	-	-	94	164	0	-	-	0	0
Dividend Payout Ratio (%)	-	-	-	-	60.1%	-	-	-	-	57.4%	-	-	-	-	-2.7pt
Total amount of Dividend	9.8	-	-	13.0	22.8	9.6	-	-	12.9	22.5	-0.2	-	-	-0.1	-0.3
OP Margin	22.8%	18.8%	20.7%	19.9%	21.3%	24.0%	18.0%	20.4%	19.4%	21.6%	+1.2pt	-0.8pt	-0.3pt	-0.5pt	+0.3t
ROE	-	-	-	-	17.1%	-	-	-	-	17.1%	-	-	-	-	0.0pt
FX Rate (¥/\$)	141	148	149	148	145	153	145	145	145	149	-	-	-	-	-
Crude Oil (JCC) (\$/bbl) ³	83	91	84	88	86	87	87	87	87	87	-	-	-	-	-

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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Turning to page 10, this page provides a YoY comparison, including figures for 3Q, 4Q, and 2H. Looking at the annual totals, we see sales of JPY245 billion, operating profit of JPY53 billion, ordinary income of JPY53.2 billion, and net income of JPY39.4 billion.

ROE, as mentioned earlier, is 17.1%. For 2H, we assume an exchange rate of JPY145 to the US dollar.

FY2024 Outlook Summary Compared to Outlook as of May 2024



(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	109.6	124.5	234.1	118.2	126.8	245.0	+8.6 (+8%)	+2.3 (+2%)	+10.9 (+5%)
Operating Profit	24.0	26.0	50.0	28.3	24.7	53.0	+4.3 (+18%)	-1.3 (-5%)	+3.0 (+6%)
Non-Operating Income/Expenses	-0.7	1.2	0.5	-0.4	0.6	0.2	+0.3	-0.6	-0.3
Foreign exchange Gains/Losses	0.0	0.0	0.0	-0.8	0.0	-0.8	-0.8	0.0	-0.8
Ordinary Income	23.3	27.2	50.5	27.9	25.3	53.2	+4.6 (+20%)	-1.9 (-7%)	+2.7 (+5%)
Extraordinary Income/Losses	0.7	0.7	1.4	0.8	0.6	1.4	+0.1	-0.1	0.0
Net Income ¹	18.1	20.3	38.4	20.5	18.9	39.4	+2.4 (+13%)	-1.4 (-7%)	+1.0 (+3%)
EBITDA ²	31.3	34.3	65.6	34.5	32.9	67.4	+3.2	-1.4	+1.8
EPS (¥/share) ³	131.23	147.85	279.08	148.78	137.16	285.94	+17.55	-10.69	+6.86
Dividend (¥/share)	70	94	164	70	94	164	0	0	0
Dividend Payout Ratio (%) ³	-	-	58.8%	-	-	57.4%	-	-	-1.4pt
Total amount of Dividend	9.7	13.0	22.7	9.6	12.9	22.5	-0.1	-0.1	-0.2
OP Margin	21.9%	20.9%	21.4%	24.0%	19.4%	21.6%	+2.1pt	-1.5pt	+0.2pt
ROE ³	-	-	16.7%	-	-	17.1%	-	-	+0.4pt
FX Rate (¥/\$)	145	140	143	153	145	149	-	-	-
Crude Oil (JCC) (\$/bbl) ⁴	82	82	82	87	87	87	-	-	-

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

3. EPS, Dividend Payout Ratio, and ROE were revised to reflect share repurchase (¥10.0 billion, announced on May 28) 4. Based on Trade Statistics of Japan Ministry of Finance

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Next, please turn to page 11. This page shows a comparison with our initial outlook announced in May, which you can review later.

Analysis of Changes in OP

				(¥)
2H	FY2024 Outlook as of Nov 2024	FY2023 Actual	YOY Change	
	24.7 billion	24.1 billion	+0.6 billion(+2%)	
	Chemicals	YOY Change +0.4 billion	OP increase due to Sales increase in environmental related products, urea/AdBlue®, and high purified sulfuric acid	
	Performance Materials	YOY Change +2.5 billion	OP increase due to sales increase in Display Materials and Semis Materials	
	Agro	YOY Change -0.3 billion	OP decrease due to fixed cost etc. ¹ up(¥1.6 billion) despite sales increase in GRACIA and PERMIT etc.	
Full-Year	Healthcare	YOY Change flat		
	FY2024 Outlook as of Nov 2024	FY2023 Actual	YOY Change	Outlook as of May 2024
	53.0 billion	48.2 billion	+4.8 billion(+10%)	50.0 billion
				vs. Outlook
				+3.0 billion
	Chemicals	YOY Change +0.1 billion	OP increase due to sales increase in environmental related products and high purified sulfuric acid etc. despite fixed cost etc. ¹ up(¥1.3 billion)	
		vs. Outlook -0.5 billion	OP decrease due to electricity cost, shipping cost, and fixed cost etc. up despite sales increase in Fine Chemicals	
	Performance Materials	YOY Change +5.8 billion	OP increase due to sales increase in Display Materials, Semis Materials, and Inorganic Materials	
		vs. Outlook +3.9 billion	OP increase due to sales increase in Semis Materials and Inorganic Materials	
	Agro	YOY Change +2.3 billion	OP increase due to sales increase in GRACIA and Fluralaner etc.	
		vs. Outlook +1.6 billion	OP increase due to fixed cost etc. down(¥1.2 billion) in addition to sales increase in Fluralaner and GRACIA etc.	
	Healthcare	YOY Change -0.5 billion	OP decrease due to sales decrease in LIVALO	
		vs. Outlook in line		

1. Fixed cost etc.: including inventory adjustment cost

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Now, let's move on to page 12, where we analyze the changes in operating profit by segment.

The top section here focuses specifically on 2H's YoY change. Overall, we expect an increase in profit of JPY0.6 billion. Breaking it down, chemicals is projected to contribute JPY0.4 billion, and performance materials is expected to contribute JPY2.5 billion, driven by increased revenue in display materials and semiconductor materials.

Agrochemicals is expected to see a decrease of JPY0.3 billion. Although there is a projected increase in revenue from products like GRACIA and PERMIT, we anticipate a decrease in profit of JPY1.6 billion due to increased fixed costs, which include the impact of inventory adjustment cost. Healthcare, meanwhile, is expected to be almost flat YoY.

For the full-year figures, we compare both YoY and against our outlook. For chemicals, we expect a slight YoY increase in profit of JPY0.1 billion. This includes an increase of JPY1.3 billion in fixed costs & others, but higher sales of environmental related products and high purified sulfuric acid are anticipated to drive profit growth.

Compared to the outlook, however, we expect a JPY0.5 billion shortfall, with above-target sales in fine chemicals offset by cost increases, primarily in electricity and transportation, as well as higher fixed costs, which will contribute to the profit shortfall.

Next, for performance materials, we anticipate a significant YoY profit increase of JPY5.8 billion, driven by sales growth in display materials, semiconductor materials, and inorganic materials, as discussed for 1H. We also forecast profit exceeding our expectations by JPY3.9 billion, supported by similar factors.

As for agrochemicals, we expect a YoY profit increase of JPY2.3 billion, which is JPY1.6 billion above our previous outlook. Against the outlook, however, we see a JPY1.2 billion shortfall in fixed costs & others, which includes the one-time factor mentioned earlier.

In Healthcare, we expect a YoY decrease in profit of JPY0.5 billion, while the outlook for the full year is expected to be close to our projections.

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



(¥billion)

	FY2023 Actual			FY2024 Outlook as of Nov 2024			YOY Change		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Interest income, dividend income	0.44	1.28	1.72	0.59	1.11	1.70	+0.15	-0.17	-0.02
Equity in earnings of affiliates	0.40	0.14	0.54	0.14	0.84	0.98	-0.26	+0.70	+0.44
Foreign exchange gains/losses ¹	1.88	0.33	2.21	-0.83	0.00	-0.83	-2.71	-0.33	-3.04
Interest expense	-0.26	-0.27	-0.53	-0.35	-0.46	-0.81	-0.09	-0.19	-0.28
Loss on disposal of non-current assets, others	-0.36	-0.15	-0.51	0.05	-0.94	-0.89	+0.41	-0.79	-0.38
Non-Operating Income/Expenses	2.10	1.33	3.43	-0.40	0.55	0.15	-2.50	-0.78	-3.28
Extraordinary Income	0.60	0.73	1.33	0.82	0.60	1.42	+0.22	-0.13	+0.09
Extraordinary Losses	0.00	-1.18	-1.18	0.00	0.00	0.00	0.00	+1.18	+1.18
Extraordinary Income/Losses	0.60	-0.45	0.15	0.82	0.60	1.42	+0.22	+1.05	+1.27

1. FX Rate (¥/\$): 2023/3 133.54, 2023/9 149.58, 2024/3 151.40, 2024/6 161.14, 2024/9 142.82

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Turning to page 13, here we have the non-operating income and expenses, as well as extraordinary income and losses, shown in a YoY change.

The far-right column shows the annual figures, with non-operating income and expenses at the very bottom row showing a large negative value of JPY3.28 billion. As explained in Note 1 above, the main cause for this figure is the sharp yen appreciation as of the end of September 2024, which impacted the FX rate significantly.

Extraordinary income and losses are at positive JPY1.27 billion, with an anticipated special gain of JPY1.4 billion for the full year, as initially planned.

Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss Compared to Outlook as of May 2024



(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Interest income, dividend income	0.41	1.30	1.71	0.59	1.11	1.70	+0.18	-0.19	-0.01
Equity in earnings of affiliates	0.19	0.68	0.87	0.14	0.84	0.98	-0.05	+0.16	+0.11
Foreign exchange gains/losses ¹	0.00	0.00	0.00	-0.83	0.00	-0.83	-0.83	0.00	-0.83
Interest expense	-0.40	-0.39	-0.79	-0.35	-0.46	-0.81	+0.05	-0.07	-0.02
Loss on disposal of non-current assets, others	-0.82	-0.51	-1.33	0.05	-0.94	-0.89	+0.87	-0.43	+0.44
Non-Operating Income/Expenses	-0.62	1.08	0.46	-0.40	0.55	0.15	+0.22	-0.53	-0.31
Extraordinary Income	0.70	0.70	1.40	0.82	0.60	1.42	+0.12	-0.10	+0.02
Extraordinary Losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extraordinary Income/Losses	0.70	0.70	1.40	0.82	0.60	1.42	+0.12	-0.10	+0.02

1. FX Rate (¥/\$): 2023/3 133.54, 2023/9 149.58, 2024/3 151.40, 2024/6 161.14, 2024/9 142.82

| 14

Moving on to page 14, this page compares the figures with our initial outlook announced in May, which you can review later.

Cash Flows

Free cash flow in FY2024 Outlook is ¥34.5 billion, an increase of ¥19.5 billion from FY2023

(¥billion)

	FY2023 Actual		FY2024 Outlook as of Nov 2024		YOY Change	FY2024 Total Outlook as of May 2024
	1H	Total	1H Actual	Total	Total	
CF from operating activities	36.0	33.7	46.2	53.5	+19.8	49.5
Income before income taxes & non-controlling interests	26.8	51.8	28.8	54.6	+2.8	51.9
Extraordinary loss (income)	-0.6	-0.2	-0.8	-1.4	-1.2	-1.4
Depreciation & amortization ¹	5.9	13.8	6.2	14.4	+0.6	16.1
Income taxes paid	-8.6	-15.9	-5.8	-12.0	+3.9	-12.4
Working capital, others	12.5	-15.8	17.8	-2.1	+13.7	-4.7
CF from investing activities	-8.5	-18.7	-7.1	-19.0	-0.3	-20.3
Purchase of PPE ²	-11.0	-20.2	-9.5	-19.1	+1.1	-22.1
Purchase and sales of investment securities	0.7	1.6	-0.1	1.0	-0.6	1.9
Others	1.8	-0.1	2.5	-0.9	-0.8	-0.1
Free cash flow	27.5	15.0	39.1	34.5	+19.5	29.2
CF from financing activities	-36.2	-22.1	-31.1	-32.7	-10.6	-24.5
Payout to shareholders (dividend)	-13.2	-23.0	-13.0	-22.7	+0.3	-29.2
Payout to shareholders (share repurchase)	-5.0	-10.0	-5.0	-10.0	0.0	
Borrowings	-18.0	10.9	-13.0	0.0	-10.9	4.7
Others	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate change on cash & cash equivalents	0.3	0.2	-0.3	0.0	-0.2	0.0
Change in cash & cash equivalents	-8.4	-6.9	7.8	1.8	+8.7	4.7
Cash & cash equivalents at end of period	21.2	22.7	30.5	24.5	+1.8	27.4

1. Including amortization of goodwill 2. Including intangible assets

| 15

Now, on page 15, let's look at cash flow.

In the column slightly to the right of center, showing the figures announced in November, operating cash flow is projected at JPY53.5 billion. Cash flow from investing activities reflects outflow of JPY19 billion, resulting in a positive free cash flow projection of JPY34.5 billion. This represents a YoY increase of JPY19.5 billion, as shown in the adjacent column.

Regarding cash and cash equivalents, the annual outlook is JPY24.5 billion, which we consider a healthy level of retained cash, consistent with prior years.

Balance Sheets

(¥billion)

	2023/9	2024/3	2024/9	vs. 2024/3
Current assets	172.2	202.0	190.2	-11.8
Cash	21.2	22.7	30.4	+7.7
Accounts receivable	68.3	88.8	69.0	-19.8
Inventories	73.8	78.2	81.4	+3.2
Others	8.9	12.3	9.4	-2.9
Fixed assets	119.9	121.5	121.2	-0.3
Total PPE	75.9	77.4	77.3	-0.1
Intangible assets	11.3	10.7	10.6	-0.1
Investment securities	27.0	26.1	25.4	-0.7
Others	5.7	7.3	7.9	+0.6
Total assets	292.1	323.5	311.4	-12.1

	2023/9	2024/3	2024/9	vs. 2024/3
Liabilities	66.2	92.6	79.8	-12.8
Accounts payable	19.8	20.4	17.6	-2.8
Borrowings & Bonds	12.0	41.0	28.4	-12.6
Others	34.4	31.2	33.8	+2.6
Net assets	225.9	230.9	231.6	+0.7
Shareholders' equity ¹	210.2	213.9	216.5	+2.6
Valuation difference on available-for-sale securities	8.3	8.3	8.0	-0.3
Foreign currency translation adjustment	3.8	4.2	3.1	-1.1
Non-controlling interests	3.5	3.4	3.0	-0.4
Remeasurements of defined benefit plans	0.1	1.1	1.0	-0.1
Total liabilities & net assets	292.1	323.5	311.4	-12.1
Equity Ratio	76.1%	70.3%	73.4%	
D/E Ratio²	-4.4%	8.5%	-1.0%	

Breakdown of Investment Securities

	2023/9	2024/3	2024/9	vs. 2024/3
Listed shares³	17.4	17.1	16.9	-0.2
(Number of stocks held, Non-consolidated basis)	(26)	(24)	(24)	(0)
Unlisted shares	2.6	2.3	2.1	-0.2
Subsidiaries/Associate shares	7.0	6.7	6.4	-0.3
Total	27.0	26.1	25.4	-0.7
Strategic shareholdings on net assets⁴	8.0%	7.7%	7.5%	

Reference

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

1. Change in shareholders' equity +2.6 = Net Income 20.5 – Dividend and others 17.9

3. 2024/3 17.1 + Acquisition 0.0 + Sales and valuation difference -0.2 = 2024/9 16.9

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

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

Next, on to the balance sheet on page 16.

In the upper left section, under assets, you'll find the YoY change as of the end of September relative to the end of March. We see a total decrease in assets of JPY12.1 billion, primarily attributed to a decrease in accounts receivable, as collection progressed steadily through the end of September, which is typical for this time of year.

Inventories, on the other hand, increased by JPY3.2 billion from the end of March. Additionally, compared to September 2023, inventories rose by JPY7.6 billion, largely due to higher stock levels in agrochemicals. However, given that sales also increased, there is little change in the inventory turnover period. Inventory levels have also declined slightly from the end of June, indicating a gradual improvement in inventory management.

On the right side under liabilities, borrowing and bonds decreased by JPY12.6 billion. This reduction is due to the collection of accounts receivable, which allowed us to reduce borrowings as part of our standard operations.

The equity ratio, shown in the lower right, stands at 73.4%.

On the lower left, we show the breakdown of investment securities. As of the end of September, the ratio of strategic shareholdings on net assets remain at 7.5%, maintaining a level below 10%.

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 decreased temporarily in FY2020 and FY2021 due to COVID-19.

(¥billion)

	Capex ¹						Depreciation ²						R&D expenses					
	2020	2021	2022	2023	2024E as of May 2024	2024E as of Nov 2024	2020	2021	2022	2023	2024E as of May 2024	2024E as of Nov 2024	2020	2021	2022	2023	2024E as of May 2024	2024E as of Nov 2024
Chemicals ³	3.3	4.3	2.8	4.6	5.9	5.7	2.2	2.5	2.5	2.7	3.1	3.1	0.3	0.3	0.3	0.3	0.3	0.3
Performance M. ⁴	3.0	5.4	9.0	9.1	6.5	5.3	4.5	3.9	4.6	6.0	6.6	6.6	7.0	7.0	7.6	8.2	8.4	8.4
NCK ⁴	0.2	1.3	5.0	5.7	0.3	0.2	0.7	0.5	0.7	2.3	3.0	3.1	0.5	0.5	0.5	0.8	0.6	0.7
Agrochemicals ⁵	6.4	1.7	5.9	5.1	5.4	4.8	2.6	2.7	2.8	3.4	4.1	2.7	4.4	4.2	4.3	4.3	4.7	4.4
Healthcare ⁶	0.3	0.7	0.5	0.5	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.4	2.4	0.6	0.4	0.4	0.5	0.5
Trading	0.2	0.0	0.1	0.0	0.8	0.6	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Others	1.1	0.3	1.1	0.9	2.8	2.1	0.5	0.6	0.7	1.2	1.3	1.5	2.4	3.9	4.2	4.1	4.3	4.1
Total	14.3	12.4	19.4	20.2	22.1	19.1	10.4	10.2	11.0	13.8	15.6	14.4	16.5	16.0	16.8	17.3	18.2	17.7

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 as of Nov 2024: 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 as of Nov 2024: including production facilities at Onoda plant (¥1.8 billion)

Depreciation FY2024E as of Nov 2024: including a temporary factor (decrease in amortization expense of ¥1.1 billion)

6. Organizational changes were implemented in April 2022. (see p65)

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. | 17

Turning to page 17, here we present capital expenditures, depreciation, and R&D expenses by segment.

Regarding capital expenditures, in the total column, the May projection was JPY22.1 billion, but this has been revised down to JPY19.1 billion, reflecting a decrease of about JPY3.0 billion due to delays in certain payments.

Depreciation is expected to be JPY14.4 billion, down from the initial forecast of JPY15.6 billion. Most of this decrease relates to agrochemicals, as explained in Note 5 in the lower left. This figure includes a temporary reduction of JPY1.1 billion in depreciation expenses. I'll provide further details on this later.

1H FY2024 Financial Results YOY Change by Segment

(¥billion)

		FY2023 Actual			FY2024 Actual			YOY Change		
		1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Chemicals	Sales	9.1	8.8	17.9	8.9	9.0	17.9	-0.2	+0.2	0.0 (0%)
	OP	0.9	-1.0	-0.1	0.7	-1.1	-0.4	-0.2	-0.1	-0.3 (-)
Performance Materials	Sales	20.8	19.7	40.5	23.5	25.1	48.6	+2.7	+5.4	+8.1 (+20%)
	OP	6.5	4.6	11.1	7.0	7.4	14.4	+0.5	+2.8	+3.3 (+29%)
Agrochemicals	Sales	18.8	16.5	35.3	20.4	18.8	39.2	+1.6	+2.3	+3.9 (+11%)
	OP	6.6	5.0	11.6	6.9	7.3	14.2	+0.3	+2.3	+2.6 (+22%)
Healthcare	Sales	2.0	1.5	3.5	1.5	1.8	3.3	-0.5	+0.3	-0.2 (-7%)
	OP	1.1	0.7	1.8	0.6	0.7	1.3	-0.5	0.0	-0.5 (-30%)
Trading, Others, Adjustment	Sales	4.2	4.3	8.5	4.4	4.8	9.2	+0.2	+0.5	+0.7
	OP	-0.1	-0.2	-0.3	-0.8	-0.4	-1.2	-0.7	-0.2	-0.9
Total	Sales	54.9	50.8	105.7	58.7	59.5	118.2	+3.8	+8.7	+12.5 (+12%)
	OP	15.0	9.1	24.1	14.4	13.9	28.3	-0.6	+4.8	+4.2 (+18%)

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering, NC Tokyo Bay, NC Agro Hakodate (Production of agrochemicals. Added as a consolidated subsidiary from FY2024), Nihon Hiryo, and others
Adjustment: Planning & Development Division and others (see p62, p63 for breakdown)

| 19

From page 19 onward, we present detailed figures by segment. Page 19 shows 1H YoY change.

1H FY2024 Financial Results Compared to Outlook by Segment

(¥billion)

		FY2024 Outlook as of May 2024			FY2024 Actual			vs. Outlook as of May 2024		
		1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Chemicals	Sales	9.1	9.0	18.1	8.9	9.0	17.9	-0.2	0.0	-0.2 (-1%)
	OP	-0.1	-0.1	-0.2	0.7	-1.1	-0.4	+0.8	-1.0	-0.2 (-)
Performance Materials	Sales	22.1	22.6	44.7	23.5	25.1	48.6	+1.4	+2.5	+3.9 (+9%)
	OP	5.5	6.8	12.3	7.0	7.4	14.4	+1.5	+0.6	+2.1 (+17%)
Agrochemicals	Sales	19.9	16.9	36.8	20.4	18.8	39.2	+0.5	+1.9	+2.4 (+6%)
	OP	7.0	5.4	12.4	6.9	7.3	14.2	-0.1	+1.9	+1.8 (+15%)
Healthcare	Sales	1.8	1.2	3.0	1.5	1.8	3.3	-0.3	+0.6	+0.3 (+10%)
	OP	0.6	0.3	0.9	0.6	0.7	1.3	0.0	+0.4	+0.4 (+41%)
Trading, Others, Adjustment	Sales	3.3	3.7	7.0	4.4	4.8	9.2	+1.1	+1.1	+2.2
	OP	-1.1	-0.3	-1.4	-0.8	-0.4	-1.2	+0.3	-0.1	+0.2
Total	Sales	56.2	53.4	109.6	58.7	59.5	118.2	+2.5	+6.1	+8.6 (+8%)
	OP	11.9	12.1	24.0	14.4	13.9	28.3	+2.5	+1.8	+4.3 (+18%)

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering,
NC Tokyo Bay, NC Agro Hakodate (Production of agrochemicals. Added as a consolidated subsidiary from FY2024), Nihon Hiryo, and others
Adjustment: Planning & Development Division and others (see p62, p63 for breakdown)

| 20

On page 20, we have a comparison between 1H results and the outlook.

FY2024 Financial Outlook YOY Change by Segment

(¥billion)

		FY2023 Actual					FY2024 Outlook as of Nov 2024					YOY Change				
		1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Chemicals	Sales	17.9	9.6	8.1	17.7	35.6	17.9	10.3	10.3	20.6	38.5	0.0 (0%)	+0.7	+2.2	+2.9 (+17%)	+2.9 (+8%)
	OP	-0.1	0.4	-0.3	0.1	0.0	-0.4	0.2	0.3	0.5	0.1	-0.3 (-)	-0.2	+0.6	+0.4 (-)	+0.1 (-)
Performance Materials	Sales	40.5	21.4	22.7	44.1	84.6	48.6	24.5	24.3	48.8	97.4	+8.1 (+20%)	+3.1	+1.6	+4.7 (+11%)	+12.8 (+15%)
	OP	11.1	6.3	5.1	11.4	22.5	14.4	7.3	6.6	13.9	28.3	+3.3 (+29%)	+1.0	+1.5	+2.5 (+22%)	+5.8 (+26%)
Agrochemicals	Sales	35.3	13.2	33.6	46.8	82.1	39.2	12.5	34.6	47.1	86.3	+3.9 (+11%)	-0.7	+1.0	+0.3 (+1%)	+4.2 (+5%)
	OP	11.6	2.9	8.9	11.8	23.4	14.2	2.4	9.1	11.5	25.7	+2.6 (+22%)	-0.5	+0.2	-0.3 (-3%)	+2.3 (+10%)
Healthcare	Sales	3.5	1.3	1.5	2.8	6.3	3.3	1.1	1.8	2.9	6.2	-0.2 (-7%)	-0.2	+0.3	+0.1 (+6%)	-0.1 (-2%)
	OP	1.8	0.5	0.5	1.0	2.8	1.3	0.3	0.7	1.0	2.3	-0.5 (-30%)	-0.2	+0.2	0.0 (+2%)	-0.5 (-18%)
Trading, Others, Adjustment	Sales	8.5	4.1	5.5	9.6	18.1	9.2	3.8	3.6	7.4	16.6	+0.7	-0.3	-1.9	-2.2	-1.5
	OP	-0.3	-0.8	0.6	-0.2	-0.5	-1.2	-0.8	-1.4	-2.2	-3.4	-0.9	0.0	-2.0	-2.0	-2.9
Total	Sales	105.7	49.6	71.4	121.0	226.7	118.2	52.2	74.6	126.8	245.0	+12.5 (+12%)	+2.6	+3.2	+5.8 (+5%)	+18.3 (+8%)
	OP	24.1	9.3	14.8	24.1	48.2	28.3	9.4	15.3	24.7	53.0	+4.2 (+18%)	+0.1	+0.5	+0.6 (+2%)	+4.8 (+10%)

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering.

NC Tokyo Bay, NC Agro Hakodate (Production of agrochemicals. Added as a consolidated subsidiary from FY2024), Nihon Hiryo, and others

Adjustment: Planning & Development Division and others (see p62, p63 for breakdown)

3. Sales and OP for Planning & Development Division in FY2023 Actual and FY2024 Outlook as of Nov 2024 are disclosed on p52

| 21

Page 21 presents the YoY change for the full year, including 3Q and 4Q.

FY2024 Financial Outlook Compared to Outlook by Segment

(¥billion)

		FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
		1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Chemicals	Sales	18.1	19.6	37.7	17.9	20.6	38.5	-0.2 (-1%)	+1.0 (+5%)	+0.8 (+2%)
	OP	-0.2	0.8	0.6	-0.4	0.5	0.1	-0.2 (-)	-0.3 (-40%)	-0.5 (-83%)
Performance Materials	Sales	44.7	47.2	91.9	48.6	48.8	97.4	+3.9 (+9%)	+1.6 (+3%)	+5.5 (+6%)
	OP	12.3	12.1	24.4	14.4	13.9	28.3	+2.1 (+17%)	+1.8 (+15%)	+3.9 (+16%)
Agrochemicals	Sales	36.8	48.1	84.9	39.2	47.1	86.3	+2.4 (+6%)	-1.0 (-2%)	+1.4 (+2%)
	OP	12.4	11.7	24.1	14.2	11.5	25.7	+1.8 (+15%)	-0.2 (-2%)	+1.6 (+7%)
Healthcare	Sales	3.0	3.4	6.4	3.3	2.9	6.2	+0.3 (+10%)	-0.5 (-15%)	-0.2 (-3%)
	OP	0.9	1.4	2.3	1.3	1.0	2.3	+0.4 (+41%)	-0.4 (-26%)	0.0 (0%)
Trading, Others, Adjustment	Sales	7.0	6.2	13.2	9.2	7.4	16.6	+2.2	+1.2	+3.4
	OP	-1.4	0.0	-1.4	-1.2	-2.2	-3.4	+0.2	-2.2	-2.0
Total	Sales	109.6	124.5	234.1	118.2	126.8	245.0	+8.6 (+8%)	+2.3 (+2%)	+10.9 (+5%)
	OP	24.0	26.0	50.0	28.3	24.7	53.0	+4.3 (+18%)	-1.3 (-5%)	+3.0 (+6%)

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering,

NC Tokyo Bay, NC Agro Hakodate (Production of agrochemicals. Added as a consolidated subsidiary from FY2024), Nihon Hiryo, and others

Adjustment: Planning & Development Division and others (see p62, p63 for breakdown)

3. Sales and OP for Planning & Development Division in FY2023 Actual and FY2024 Outlook as of Nov 2024 are disclosed on p52

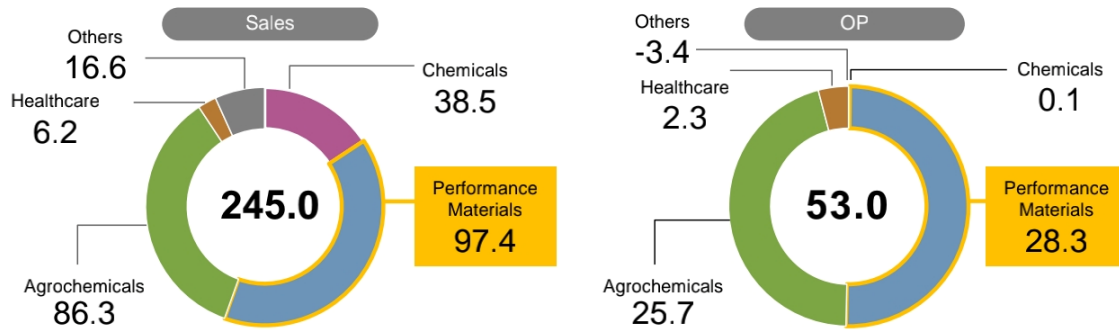
| 22

Page 22 provides the outlook comparison for the full year and 2H.

Let me note that in the lower right section of page 22, in the outlook comparison column for 2H, the operating profit for trading, others, and adjustment shows a loss of JPY2.2 billion, which is listed in the second-to-last column, third row from the bottom.

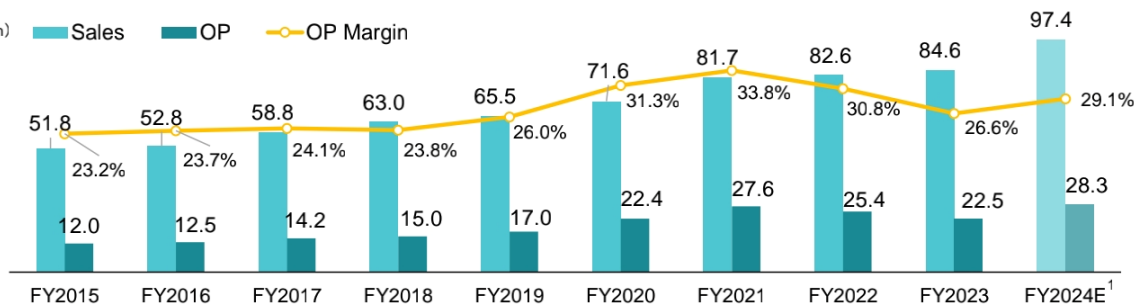
At the beginning of the year, this was set to JPY0.0 billion, but now we are projecting a loss of JPY2.2 billion. Given the current international situation and business environment, we have set this as a conservative figure with a risk buffer, which I wanted to clarify in advance.

FY2024 Outlook by Segment (¥billion)¹



Performance Materials – Recent Financial Performance²

(¥billion) Sales OP OP Margin



1. Outlook as of Nov 2024

2. Organizational changes were implemented in April 2022. FY2015-2020 Actual figures are based on old segmentation. FY2021 actual has been revised to reflect organizational changes in April 2022 (see p65)

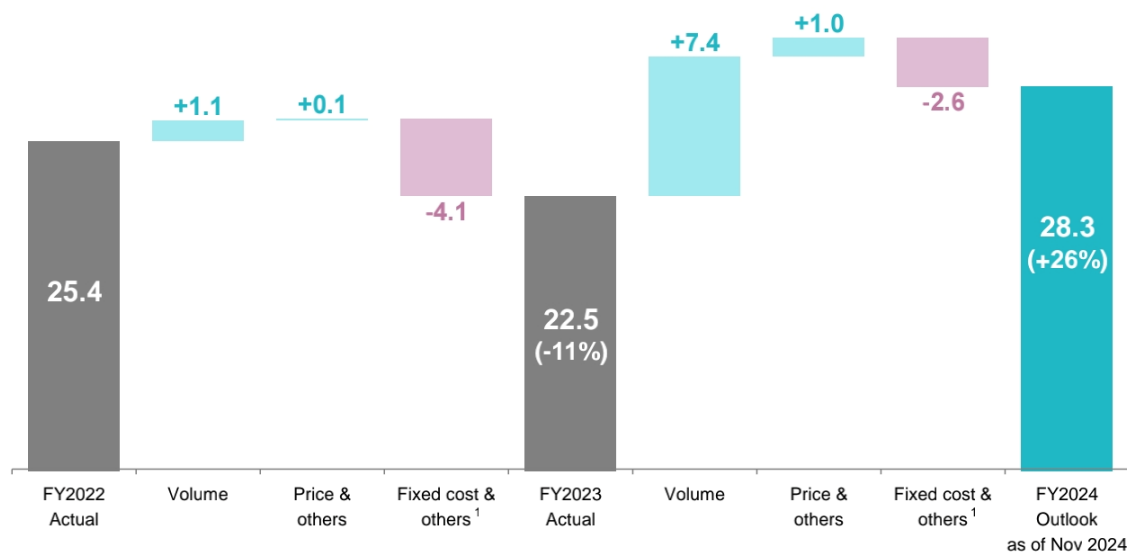
Reference [Presentation for R&D of Performance Materials](#) (June 21, 2022)

| 23

Now, moving on to the performance materials segment from page 23.

- OP Outlook in FY2024 substantially up due to volume increase in Display and Semis driven by the market recovery, despite fixed cost & others for future growth increased (OP YOY Change +26%)

Analysis of Changes in OP (¥billion)



1. Fixed cost & others: including inventory adjustment cost

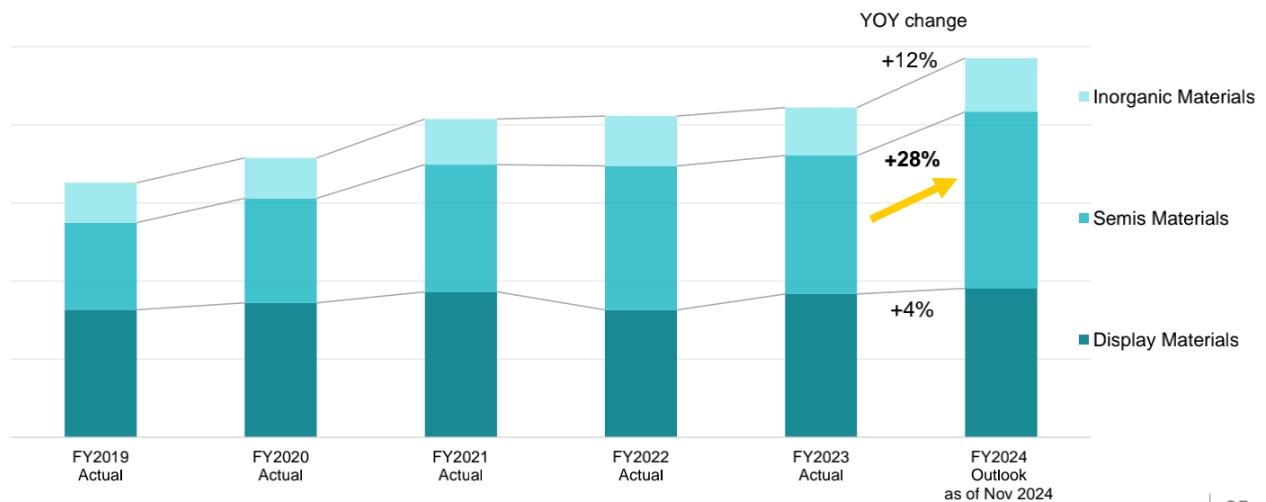
| 24

On page 24, we break down the two-year changes in operating profit from 2022 to the present by volume, price & others, and fixed costs & others.

As you can see, 2023 marked a significant low point. However, for 2024, we are forecasting substantial profit growth due to a sharp increase in volumes with the recovery in the display and semiconductor markets. Although we made certain growth investments and saw increases in fixed costs for semiconductors, the gains in volume will far outweigh these costs, leading to an overall profit growth of 26%.

- DP Materials: Recovered after bottom-out in FY2022, have maintained stable sales as Cash Cow
- Semis Materials: High growth rate (YOY change) is expected as Semis market recovered after the temporary adjustment phase in FY2023. The mid- to long-term growth trend remains unchanged driven by strong sales in EUV materials due to increased customer production
- In terms of sales composition by subsegment, Semis materials, a growth driver, surpass DP materials

Sales Trend of Performance Materials by Subsegment



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Turning to sales by subsegment within performance materials, please look at page 25.

The bar graph at the bottom illustrates growth in sales from 2019 to the present. The dark blue at the bottom represents display materials, the middle section is semiconductor materials, and the top represents inorganic materials. For FY2024, each subsegment has achieved YoY sales growth, with semiconductor sales showing particularly strong growth and inorganic materials up by 12%. Notably, as mentioned in the upper section, display materials hit a low in FY2022 but have since recovered and maintained steady sales as a cash cow. Semiconductor materials experienced a temporary adjustment period in FY2023 but are now showing high growth rates due to market recovery. Particularly for EUV materials, we are seeing increased customer production, which supports our view that the long-term growth trend will remain strong.

- DP Materials: 【1H】 Sales YOY +1%, Sales in line with target 【Full-Year Outlook】 Sales YOY +4%
- Semis Materials: 【1H】 Sales YOY +42%, Sales above target 【Full-Year Outlook】 Sales YOY +28%
- Inorganic Materials: 【1H】 Sales YOY +19%, Sales above target 【Full-Year Outlook】 Sales YOY +12%

Main Products	FY2024 Outlook as of May 2024					FY2024 Outlook as of Nov 2024				
	YOY Change					YOY Change				
	1Q	2Q	1H	2H	Total	1Q Actual	2Q Actual	1H Actual	2H	Total
Total Display Materials	+2%	+2%	+2%	+6%	+4%	-4%	+7%	+1%	+6%	+4%
ARC®	+3%	+24%	+13%	+5%	+9%	+22%	+43%	+32%	+11%	+21%
Multi layer process materials	+31%	+51%	+41%	+11%	+24%	+59%	+77%	+68%	+17%	+38%
EUV materials ¹	+39%	+32%	+35%	+38%	+37%	+42%	+45%	+44%	+44%	+44%
Total Semis Materials	+13%	+30%	+22%	+10%	+15%	+33%	+51%	+42%	+16%	+28%
Total Inorganic Materials	+3%	+11%	+7%	0%	+3%	+12%	+27%	+19%	+5%	+12%
Total Segment	+6%	+15%	+10%	+7%	+9%	+13%	+28%	+20%	+11%	+15%

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

Continuing on page 26, here we have the sales growth rates for main products.

For the full year, display materials are projected to grow by 4%, while semiconductor materials are expected to see an overall growth of 28%, as I mentioned earlier, with particularly strong growth in Multi-Layer Process materials and EUV materials. Additionally, inorganic materials are forecasted to grow by 12%.

(¥billion)

	FY2023 Actual			FY2024 Outlook as of Nov 2024			YOY Change		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	40.5	44.1	84.6	48.6	48.8	97.4	+8.1	+4.7	+12.8
OP	11.1	11.4	22.5	14.4	13.9	28.3	+3.3	+2.5	+5.8

Fixed cost & others [1H] up ¥2.1 billion [2H] up ¥0.5 billion [Total] up ¥2.6 billion

Display Materials	【1H】【2H】【Total】 Sales & OP up	
	Photo IPS	Non-Smartphone overall up 【1H】 Sales up (notebook PC up) 【2H】 Sales up (large monitor up) 【Total】 Sales up (notebook PC and large monitor up)
	Rubbing IPS	【1H】 Sales down 【2H】【Total】 Sales up
	VA	【1H】 Sales down 【2H】【Total】 Sales up (TV production recovery)
	Fixed cost & others 【1H】 up ¥0.1 billion 【2H】 up ¥0.1 billion 【Total】 up ¥0.2 billion	

Semis Materials	【1H】【2H】【Total】 Sales & OP up	
	Semis market (mainly advanced materials) recovery Inventory buildup at some customers in 2Q FY2024	
	ARC®	【1H】【2H】【Total】 Sales up
	Multi layer process materials	【1H】【2H】【Total】 Sales up
	EUV materials	【1H】【2H】【Total】 Sales up
	Fixed cost & others 【1H】 up ¥1.9 billion 【2H】 up ¥0.4 billion 【Total】 up ¥2.3 billion	

Inorganic Materials	【1H】 Sales & OP up 【2H】 Sales up, OP flat 【Total】 Sales & OP up	
	【Total】 Sales up in SNOWTEX (especially polishing), Organo/Monomer Sol	

| 27

On page 27, we present a YoY change of sales and operating profit for the performance materials segment, broken down by 1H, 2H, and full year.

In the line labeled “Fixed cost & others,” just below the table, we have provided a breakdown since these costs have fluctuated significantly.

For the full year, fixed costs including inventory adjustment cost, are expected to increase by JPY2.6 billion for the performance materials segment overall. Display materials are projected to achieve both sales and profit growth, largely from an increase in non-smartphone-related sales.

For semiconductor materials, as shown on the right, recovery in advanced materials mainly and increased customer activity are expected to contribute to growth, and in 2Q some customers increased inventory levels.

(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	44.7	47.2	91.9	48.6	48.8	97.4	+3.9	+1.6	+5.5
OP	12.3	12.1	24.4	14.4	13.9	28.3	+2.1	+1.8	+3.9

Fixed cost & others 【1H】 more than outlook ¥0.5 billion 【2H】 less than outlook ¥0.7 billion 【Total】 less than outlook ¥0.2 billion

Display Materials	【1H】【Total】 Sales in line with target, OP above target	
	Photo IPS	【1H】【Total】 Sales in line with target
	Rubbing IPS	【1H】【Total】 Sales above target (notebook PC and large monitor above target)
	VA	【1H】【Total】 Sales below target
Fixed cost & others 【1H】 less than outlook ¥0.2 billion 【2H】 more than outlook ¥0.1 billion 【Total】 less than outlook ¥0.1 billion		
Semis Materials	【1H】【Total】 Sales & OP above target	
	Semis market (mainly advanced materials) recovery Inventory buildup at some customers in 2Q FY2024	
	ARC®	【1H】【Total】 Sales above target
	Multi layer process materials	【1H】【Total】 Sales above target
EUV materials 【1H】【Total】 Sales above target		
Fixed cost & others 【1H】 more than outlook ¥ 0.7 billion 【2H】 less than outlook ¥0.6 billion 【Total】 more than outlook ¥0.1 billion		
Inorganic Materials	【1H】【Total】 Sales & OP above target	
	【Total】 Sales above target in SNOWTEX (especially polishing), Organo/Monomer Sol	

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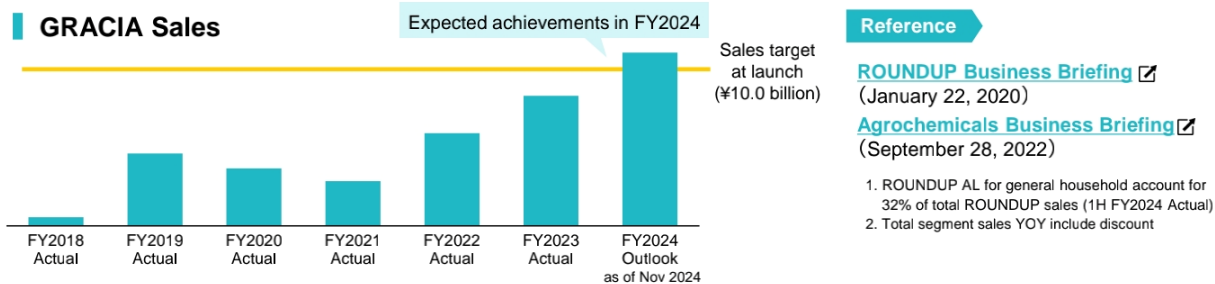
Moving on to page 28, this page shows a comparison with the outlook.

As shown here, we expect display materials sales to remain on track with the initial outlook for the year. For semiconductor materials, we project an upside in both sales and operating profit, and we expect a similar positive trend in inorganic materials.

Sales Growth Rate of Main Products (before discount)

【1H】 Sales YOY +11%, Sales above target 【Full-Year Outlook】 Sales YOY +5%

Main Products (Agro: in order of FY2023 Sales amount)		Types	FY2024 Outlook as of May 2024					FY2024 Outlook as of Nov 2024				
			YOY Change					YOY Change				
			1Q	2Q	1H	2H	Total	1Q Actual	2Q Actual	1H Actual	2H	Total
Agro	ROUNDUP ¹	Herbicide	0%	+3%	+1%	+2%	+2%	-1%	-2%	-2%	-6%	-4%
	ALTAIR	Herbicide	+9%	+96%	+17%	+2%	+5%	+21%	+13%	+20%	-5%	0%
	GRACIA	Insecticide	+11%	+6%	+9%	+45%	+27%	+44%	+41%	+42%	+25%	+33%
	TARGA	Herbicide	-23%	-44%	-30%	-24%	-27%	-55%	-29%	-47%	-11%	-29%
	DITHANE	Fungicide	-6%	-9%	-8%	-7%	-7%	-20%	-27%	-24%	-3%	-11%
	PERMIT	Herbicide	+29%	-5%	+3%	-16%	-4%	+69%	-83%	-46%	+82%	+2%
	LEIMAY	Fungicide	+81%	-3%	+39%	+4%	+14%	+121%	+129%	+125%	-6%	+32%
Animal Health	Fluralaner	Animal Health products	+11%	0%	+6%	+4%	+5%	+11%	+30%	+20%	+2%	+12%
Total Segment ²		-	+6%	+3%	+4%	+3%	+3%	+8%	+14%	+11%	+1%	+5%



30

Next, let's turn to the agrochemicals segment on page 30. For 1H, agrochemicals sales increased by 11% YoY, which exceeded the outlook. For the full year, we anticipate a 5% increase in sales.

Here, you'll see figures for ROUNDUP and other products as well as animal health products Fluralaner, for 1Q, 2Q, 1H, 2H, and the full year, showing both YoY actual and outlook.

For ROUNDUP, we anticipate a slight decrease in sales in 2H due to the impact of inventory adjustments in distribution. TARGA, which had advance shipments in FY2023, will also feel the effects of European inventory adjustments, as mentioned before. Additionally, DITHANE will experience a timing shift for some overseas shipments to next year. Other products, like GRACIA and LEIMAY, are generally showing double-digit growth.

Animal health products grew by 20% in 1H and are expected to grow by 12% for the full year.

GRACIA, shown in the lower left, is projected to reach its initial sales target of JPY10.0 billion this fiscal year.

(¥billion)

	FY2023 Actual			FY2024 Outlook as of Nov 2024			YOY Change		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	35.3	46.8	82.1	39.2	47.1	86.3	+3.9	+0.3	+4.2
OP	11.6	11.8	23.4	14.2	11.5	25.7	+2.6	-0.3	+2.3

Fixed cost & others [1H] down ¥0.2 billion (including a temporary factor (decrease in amortization expense of ¥1.1 billion) [2H] up ¥1.6 billion
[Total] up ¥1.4 billion (including the same factor as in 1H)

【1H】Sales & OP up

ROUNDUP	Sales down (ML: volume down due to distribution inventory adjustment)	DITHANE	Sales down (export: shipment shifted to 2H FY2024)
ALTAIR	Sales up (domestic: sales expansion)	PERMIT	Sales down (export: shipment shifted to 2H FY2024)
GRACIA	Sales up (domestic: sales expansion, export: sales expansion in Asia)	LEIMAY	Sales up (export: sales up due to increased demand in Europe)
TARGA	Sales down (export: shipment shifted to FY2023, sales down in Europe due to distribution inventory adjustment)	Fluralaner	Sales up (API: sales up due to shipment shifted from 2H FY2024, royalties: sales up, partly affected by JPY depreciation)

【2H】Sales up, OP down

ROUNDUP	Sales down (ML: volume down due to distribution inventory adjustment)	GRACIA	Sales up (export: sales expansion in Asia)
ALTAIR	Sales down (export: sales down in Asia due to distribution inventory adjustment)	PERMIT	Sales up (export: shipment shifted from 1H FY2024)
		Fluralaner	Sales up (API: sales up, royalties: sales up)

【Total】Sales & OP up

ROUNDUP	Sales down (ML: volume down due to distribution inventory adjustment)	DITHANE	Sales down (export: shipment shifted to FY2025)
GRACIA	Sales up (domestic: sales expansion, export: sales expansion in Asia)	LEIMAY	Sales up (export: sales up due to increased demand in Europe)
TARGA	Sales down (export: shipment shifted to FY2023, sales down in Europe due to distribution inventory adjustment)	Fluralaner	Sales up (API: sales up, royalties: sales up, partly affected by JPY depreciation)

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On page 31, we present the YoY figures for 1H, 2H, and full year, along with comments on each product.

In the table below, we note that “Fixed cost & others” includes a one-time factor of JPY1.1 billion reduction in depreciation.

We are unable to disclose specifics due to client confidentiality, but to give a general idea, an agreement was in place for a refund of consideration if certain conditions were met in a contract under which we acquired a business. After a mutual review, these conditions were fulfilled, and as a result, we recalculated goodwill retrospectively, resulting in a JPY1.1 billion reduction in depreciation.

This one-time factor contributed to the JPY2.6 billion increase in profit in 1H.

(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	36.8	48.1	84.9	39.2	47.1	86.3	+2.4	-1.0	+1.4
OP	12.4	11.7	24.1	14.2	11.5	25.7	+1.8	-0.2	+1.6

Fixed cost & others 【1H】 less than outlook ¥1.0 billion (including a temporary factor (decrease in amortization expense of ¥1.1 billion))
 【2H】 less than outlook ¥0.2 billion 【Total】 less than outlook ¥1.2 billion (including the same factor as in 1H)

【1H】 Sales & OP above target

ROUNDUP	Sales below target (AL: volume down due to unfavorable weather)	DITHANE	Sales below target (export: shipment shifted to 2H FY2024)
GRACIA	Sales above target (export: some shipments were postponed)	PERMIT	Sales below target (export: shipment shifted to 2H FY2024)
TARGA	Sales below target (export: shipment shifted to FY2023, sales down in Europe due to distribution inventory adjustment)	LEIMAY	Sales above target (export: sales up due to increased demand in Europe)
		Fluralaner	Sales above target (API: sales up due to shipment shifted from 2H FY2024, royalties: sales up, partly affected by JPY depreciation)

【Total】 Sales & OP above target

ROUNDUP	Sales below target (ML: volume down due to distribution inventory adjustment)	PERMIT	Sales above target (export: sales expansion in Asia)
GRACIA	Sales above target (export: sales expansion in Asia)	LEIMAY	Sales above target (export: sales up due to increased demand in Europe)
ALTAIR	Sales below target (domestic: volume down, export: sales down in Asia due to distribution inventory adjustment)	Fluralaner	Sales above target (API: sales up, royalties: sales up, partly affected by JPY depreciation)

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Lastly, on page 32, as noted at the bottom, we expect full-year profit to exceed the initial outlook by JPY1.6 billion, which includes the aforementioned JPY1.1 billion.

	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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On page 33, regarding our pipeline, there have been no major changes since our last update in August.

- BRAVECTO® series and EXZOLT®, which contain the active pharmaceutical ingredient of Fluralaner invented by Nissan Chemical, are currently available in more than 100 countries.
- BRAVECTO®'s greatest feature is its effectiveness, which lasts up to 12 weeks (competing products last up to about 1 month)

I. Fluralaner

II. BRAVECTO®

III. BRAVECTO® Plus

IV. EXZOLT®



I. Fluralaner

- Invented by Nissan Chemical and supplied to MSD¹ 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 the patent term extension system
 - Some EU countries including UK, France, and Germany – already extended to February 2029
 - USA, etc. – applications under examination

II. BRAVECTO®

- Developed and launched by MSD
- Veterinary medical products providing 12 weeks² 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 launched in:
 - April 2014 EU, thereafter, USA, Japan, etc.
 - July 2020 monthly chews for puppies in USA
- Spot-on solution for dogs and cats launched in:
 - July 2016 EU, thereafter, USA, Japan, etc.
- Injectable solution for dogs (BRAVECTO® Quantum)
 - Providing 12 months³ of continuous protection
 - Launched in Australia in June 2024, and thereafter, launched in Europe, etc.

III. BRAVECTO® Plus

- Broad-spectrum combination spot-on solution for cats to treat internal and external parasite infestations
- July 2018 EU, thereafter, USA, Japan, etc.

IV. EXZOLT®

- Poultry medicine against red mite launched by MSD (administered via drinking water)
 - September 2017 in EU, thereafter, Korea and Middle East etc., July 2021 in Japan
- Cattle medicine
 - September 2022 launched in Brazil, April 2023 launched in Mexico
- Sheep medicine
 - Launched in Australia and New Zealand in 2023

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

2. 8 weeks for *Rhipicephalus sanguineus* ticks3. 11 months for *Rhipicephalus sanguineus* ticks

On page 35, we cover the status of patents related to animal health products, particularly in the US. As noted here, we have once again filed for an extension, consistent with prior updates.

Next, we move on to the chemicals segment.

(¥billion)

	FY2023 Actual			FY2024 Outlook as of Nov 2024			YOY Change		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	17.9	17.7	35.6	17.9	20.6	38.5	0.0	+2.9	+2.9
Fine Chemicals	6.0	5.6	11.6	6.3	6.7	13.0	+0.3	+1.1	+1.4
Basic Chemicals	11.9	12.1	24.0	11.6	13.9	25.5	-0.3	+1.8	+1.5
OP	-0.1	0.1	0.0	-0.4	0.5	0.1	-0.3	+0.4	+0.1

Fixed cost & others [1H] up ¥0.5 billion [2H] up ¥0.8 billion [Total] up ¥1.3 billion

Fine Chemicals	[1H] Sales & OP up [2H] Sales up, OP down [Total] Sales up, OP down		Basic Chemicals	[1H] Sales & OP down [2H] Sales & OP up [Total] Sales & OP up	
	TEPIC for general applications	Demand partially recovering [1H] Sales up +35% [2H] Sales up +3% [Total] Sales up +18%		Urea/AdBlue®	[1H] Sales down -16% (volume down, inventory level down due to earthquake in FY2023) [2H] Sales up +17% (increase from earthquake in FY2023) [Total] Sales flat
	TEPIC for electronic materials	[1H] Sales up +7% [2H] Sales down -2% [Total] Sales up +2%		High purity sulfuric acid	Increase in demand for semiconductors [1H] Sales up +35% [2H] Sales up +19% [Total] Sales up +26%
	Environmental related products	[1H] Sales down -3% [2H] Sales up +43% (increase from earthquake in FY2023) [Total] Sales up +16% (increase from earthquake in FY2023)		Nitric acid products	[1H] Sales down -6% [2H] Sales up +10% (increase from earthquake in FY2023) [Total] Sales up +2%
	FINEOXOCOL	Demand recovery for cosmetics [1H] Sales up +12% [2H] Sales up +20% [Total] Sales up +17%			

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Pages 39 and 40 provide a detailed explanation of individual products, primarily focusing on sales trends.

Notably, in fine chemicals, while TEPIC's overall market environment remains largely unchanged due to competition from Chinese products in export markets, we are observing a partial recovery in demand. As a result, sales in 1H increased by 35% YoY.

For basic chemicals, specifically high purity sulfuric acid, we see growth in sales driven by increasing demand from the semiconductor industry, as indicated.

(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	18.1	19.6	37.7	17.9	20.6	38.5	-0.2	+1.0	+0.8
Fine Chemicals	6.1	6.1	12.2	6.3	6.7	13.0	+0.2	+0.6	+0.8
Basic Chemicals	12.0	13.5	25.5	11.6	13.9	25.5	-0.4	+0.4	0.0
OP	-0.2	0.8	0.6	-0.4	0.5	0.1	-0.2	-0.3	-0.5

Fixed cost & others [1H] less than outlook ¥0.2 billion [2H] more than outlook ¥0.6 billion [Total] more than outlook ¥0.4 billion

Fine Chemicals	[1H] Sales & OP above target		[Total] Sales & OP above target	
	TEPIC for general applications	[1H]	[Total]	Sales above target
	TEPIC for electronic materials	[1H]	[Total]	Sales below target
	Environmental related products	[1H]	[Total]	Sales below target / Sales above target
	FINEOXOCOL	[1H]	[Total]	Sales above target
Basic Chemicals	[1H] Sales & OP below target		[Total] Sales in line with target, OP below target	
	Urea/AdBlue®	[1H]	[Total]	Sales below target / Sales in line with target
	High purity sulfuric acid	[1H]	[Total]	Sales above target
	Nitric acid products	[1H]	[Total]	Sales below target

Page 40 shows a comparison of our latest outlook with our previous one, and unfortunately, there is a downward revision of JPY0.5 billion in operating profit. This primarily pertains to basic chemicals, as noted in the bottom right. Part of the shortfall is attributed to inventory impacts, which have added to costs.

Additionally, as mentioned earlier, increased expenses, particularly in electricity and transportation, have also affected profitability.

Lastly, on healthcare, please review pages 43, 44, and 45 at your convenience.

(¥billion)

	FY2024 Outlook as of May 2024			FY2024 Outlook as of Nov 2024			vs. Outlook as of May 2024		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	3.0	3.4	6.4	3.3	2.9	6.2	+0.3	-0.5	-0.2
Healthcare	0.8	1.1	1.9	0.8	0.8	1.6	0.0	-0.3	-0.3
Custom Chemicals	2.2	2.3	4.5	2.5	2.1	4.6	+0.3	-0.2	+0.1
OP	0.9	1.4	2.3	1.3	1.0	2.3	+0.4	-0.4	0.0
Healthcare	0.2	0.3	0.5	0.1	0.2	0.3	-0.1	-0.1	-0.2
Custom Chemicals	0.7	1.1	1.8	1.1	0.9	2.0	+0.4	-0.2	+0.2

1. Figures are rounded to the nearest 100 million yen. Accordingly, some discrepancies may occur among totals.

[1H] Sales & OP above target

Custom Chemicals sales above target (shipment increase due to buildup of customer inventory)

[Total] Sales below target, OP in line

Healthcare sales below target (LIVALO domestic below target),

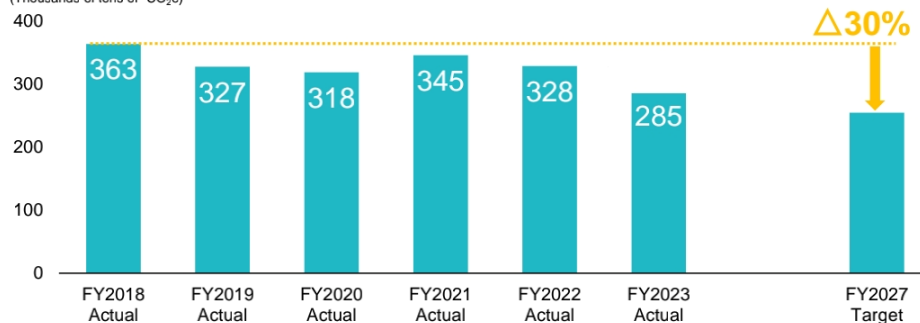
Custom Chemicals sales above target (shipment increase due to buildup of customer inventory)

On page 45, in the healthcare segment, we aim to achieve operating profit in line with the previous outlook.

Reduction of GHG Emissions

- Focus on improving production technology and adopting renewable energy etc., in addition to conventional efforts, to achieve carbon neutrality by 2050
- GHG emissions target for FY2027: Reduce by at least 30% compared to FY2018 (SCOPE1+2)

(Thousands of tons of -CO₂e)



Comparison of GHG emissions with general chemical manufacturers

(Thousands of tons -CO₂e)

FY	2011	2018	2019	2020	2021	2022	2023
Nissan Chemical (non-consolidated basis)	448	363	327	318	345	328	285
Average of 4 major general chemical manufacturers (consolidated basis)	-	-	9,275	8,928	9,226	8,390	7,863

Initiatives in Mid-Term Plan Vista2027 (FY2022-2027)

- Zero N₂O emissions from nitric acid plants (Planned investment of 500 million yen, variable cost of 50 million yen/year)
- Melamine production shutdown
- Converting fuels at Onoda Plant
- Promoting reduction of GHG emissions through full-scale introduction of ICP
- Reduction of CFC equipment
- Upgrade to energy-efficient equipment

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Finally, turning to page 50, here we discuss the reduction of GHG emissions. Our FY2023 results, shown as the second bar from the right, indicate a reduction to 285 thousand tons, illustrating a gradual decline since 2021, as shown in the graph.

We also provide a comparison to our medium-term plan on pages 52 and 53.

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

(¥billion)

		FY2024 Mid-Term Plan (A)	FY2024 Outlook ¹ (B)	(B) – (A)	Difference factors
Chemicals	Sales	37.6	38.5	+0.9	Fine Chemicals below target(-9%) TEPIC (general applications & electronic materials) Basic Chemicals above target(+9%) Urea/AdBlue®, High purity sulfuric acid, Nitric acid products
	OP	3.5	0.1	-3.4	Fine Chemicals & Basic Chemicals OP below target Fixed cost & others more than target, feedstock and raw materials cost up
Performance Materials	Sales	102.9	97.4	-5.5	DP below target(-12%) Photo IPS, rubbing IPS, VA, other display materials Semis below target(-4%) ARC®, multi layer process materials Inorganic above target(+11%) SNOWTEX, Organo/Monomer sol
	OP	32.1	28.3	-3.8	DP & Semis OP below target sales below due to market adjustment(DP, Semis)
Agrochemicals	Sales	77.8	86.3	+8.5	Agro above target(+8%) GRACIA, PERMIT Animal Health above target(+21%)
	OP	21.7	25.7	+4.0	Sales above target
Healthcare	Sales	7.2	6.2	-1.0	Healthcare in line with target Custom Chemicals below target(-19%) GE API products, new products
	OP	2.1	2.3	+0.2	
Trading, Others, Adjustment	Sales	29.5	16.6	-12.9	Adjustment etc. below target
	OP	-0.9	-3.4	-2.5	Trading above target +1.1, Adjustment below target -3.5(-0.6 in Planning and Development Division), Other domestic subsidiaries below target -0.1
Total	Sales	255.0	245.0	-10.0	
	OP	58.5	53.0	-5.5	

1. Outlook as of Nov 2024

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Please turn to page 53. I will not go into too much detail, but overall, for operating profit, we are JPY5.5 billion below target for FY2024 set in the medium-term business plan disclosed two and a half years ago. By segment, chemicals is below target by JPY3.4 billion, and performance materials is below target by JPY3.8 billion.

These were the major negative impacts; however, agrochemicals is above target by JPY4.0 billion. For chemicals, the severe conditions in the export market have created a challenging business environment, which was difficult to anticipate. For performance materials, market adjustments in display and semiconductors materials also impacted performance, which we could not have predicted at the time. That said, as I mentioned earlier, particularly in semiconductors materials, we are now seeing a steady upward trend, and I believe we can affirm that positive direction.

That concludes my remarks.

Question & Answer

<Questioner 1>

Q: I understand that SUEVER had a rather slow start in 1Q and that this was described as temporary, but it seems it has returned to expected levels in 2Q. Could you discuss the trend you're seeing in this area and your outlook for 2H?

A: While 2Q did recover compared to 1Q, performance was generally on target for 1H overall. The reasons behind this are that smartphone sales, which were somewhat sluggish in 1Q, showed some recovery in 2Q, and demand for IT-related devices, especially notebooks, has been gradually improving. However, TV VA displays were still not performing well in 2Q.

Even within this situation, we managed to achieve results in line with the performance forecast. Regarding 2H, as I mentioned earlier, production adjustments for TV VA panels—mainly for Chinese customers—started around June of this year and are now settling down. With the drop in panel prices halting, we expect a recovery trend beginning from November onward.

We also foresee the recovery in IT-related devices, particularly notebooks, continuing for some time, based on current market trends. We anticipate achieving our forecasted targets for 2H as well.

Q: It seems that only the advanced generations in semiconductors are anticipated to perform well in 2H. How do you view this, and the potential movements for the legacy generations?

A: Regarding semiconductors, demand for AI drove a significant increase compared to FY2023 in 1H. We expect this trend to continue into 2H, with steady growth in advanced DRAM and logic for AI applications.

Some customers have been increasing their inventory levels in 1H, so we may see a slight reversal effect in 2H. However, we believe that we will still exceed our initial forecast for the full year.

On the other hand, we do not anticipate a recovery in legacy generations during 2H. We forecast that recovery to gradually begin in FY2025.

Q: There are various external factors in both the domestic and international markets regarding Agrochemical business. How do you see the current situation?

A: First, regarding the general environment for agrochemicals, we believe that the industry as a whole has been performing steadily since April domestically. We are seeing similar positive trends in line with industry levels compared to last year.

Overseas, while we expect the agricultural chemical market to continue expanding due to rising demand for grains, we also anticipate intensifying price competition from generic agrochemicals. Amidst this environment, although there are some ups and downs by product, we believe that overall, we are performing well in every region.

<Questioner 2>

Q: Regarding the semiconductor segment, are the inventory adjustments by some users occurring with ARC and Multi-Layer Process Materials? And would it be correct to assume that these adjustments will backlash in 3Q?

A: Yes, these adjustments are taking place with ARC and Multi-Layer Process Materials. We expect backlash to occur both in 3Q and 4Q.

Q: In 2H, ROUNDUP is mentioned to decline by 6% due to inventory adjustments. How long do you expect these effects to persist? Is this effect only related to ML?

A: Regarding the inventory adjustment for ROUNDUP in 2H, we expect this effect to be confined to the current fiscal year as we are working to manage distribution inventory. We anticipate that this effect will not carry over into next fiscal year. And this effect is only related to ML.

<Questioner 3>

Q: Could you elaborate further on the reasons for the downward revision of ALTAIR and the upward revisions of GRACIA and LEIMAY?

A: Starting with ALTAIR, on an annual basis, we expect it to be up compared to last year domestically. However, relative to the performance forecast, we are seeing some challenges with the replacement of certain recommended products, which led to a slight downward revision.

Internationally, as stated in the materials, we anticipate a negative impact due to distribution inventory adjustments.

For LEIMAY, increased demand for potatoes in Europe has been a positive factor. Last year, due to high temperatures and dryness, there was a reduction in fungal outbreaks, which affected demand. This year, however, we're seeing an increase in sales as those conditions have improved.

As for GRACIA, thanks to strong performance in 1H, we anticipate growth for the full year. Sales are especially increasing in India, which is a major driver.

Q: So, to clarify, LEIMAY's upward revision is primarily due to demand in Europe, and GRACIA's upward revision is driven by sales in India?

A: Yes, that's correct. We see increased sales for LEIMAY in Europe and rising sales for GRACIA in India relative to the plan.

Q: Regarding Fluralaner's patent extension, we didn't receive an update today. Do you have an idea of when this will be confirmed, and what is the current situation?

A: We are waiting for an official announcement. It is ultimately up to the regulatory authorities. We expect to have more information by the end of March.

Q: Regarding Semiconductor Materials business, each product seems to have outperformed expectations. Could you share what factors contributed to this?

Additionally, what is the current situation for shipments to China? Has the proportion increased further? And are local Chinese manufacturers beginning to make inroads?

Lastly, regarding certain exposure materials, there are reports that export restrictions from the US may tighten. What impact do you expect if decoupling between the US and China intensifies?

A: All ARC, Multi-Layer Process Materials, and EUV materials have shown positive results. For ARC and Multi-Layer, these materials are used for advanced generations, and we're also seeing a substantial increase in demand from Chinese customers, resulting in strong growth.

Regarding EUV materials, alongside the rapid expansion of the market itself, the number of layers using these materials is also increasing. Compared to last year, we're seeing significant growth here, and we expect continued substantial growth moving forward.

On Chinese customers, as I mentioned earlier, volume is indeed increasing compared to last year. We are seeing some discussion about Chinese local competing manufacturers entering the market. While the number of local manufacturers competing with ARC and Multi-Layer Process Materials is increasing, only a few have been adopted for mass production by customers. So far, we don't perceive any significant impact on our business.

On the issue of US-China decoupling, we are not experiencing any impact at this stage.

<Questioner 4>

Q: Company's performance has been very strong, but when we look at 2H, it appears there will be a decrease in profit compared to 1H, and it seems the revised forecast also reflects a downgrade in profit compared to the previous forecast.

You mentioned including some buffer in the trading, others, and adjustment segments. Could you confirm if there are any upside risks in the other segments?

In particular, there was some inventory build-up in semiconductor segment, but it seems there was also some advancement from 2Q to 1Q. Could this indicate that underlying demand may be strong?

A: Adjustments like these are inherently difficult to predict accurately. However, after creating our internal forecast, we conducted a thorough review of various factors, and we set a certain amount on the downside as a cautious measure.

We haven't specified quantitative projections by business unit. As you pointed out, in the semiconductor business, there are cases where customer schedules shift by quarter, so we factored in some degree of adjustment there. But overall, please consider the operating profit JPY53.0 billion as a base, with the aim of adding on any possible upside.

Q: Question about the long-term growth potential of display materials. I believe monitors, tablets, and automobile applications account for roughly half of your Photo IPS sales.

For monitors, currently, the adoption rate of Photo IPS is the lowest, with the rate of increase in recent years also being quite low. But looking ahead, it seems there is significant upside potential for increased adoption. What are your thoughts on that?

Regarding tablets, we've seen OLED models released in North America this year, but they reportedly aren't selling well, and it seems LCD models are doing better. Would you consider this to be beneficial for your company?

Lastly, regarding automobile applications, while vehicle production remains somewhat weak, the growth in panel area appears to be substantial. Are you seeing similar trends within your business?

A: As you mentioned, the adoption rate of Photo IPS in monitors has indeed been the slowest to progress among the applications, with existing rubbing IPS and VA technologies still being mainstream.

Looking forward, we expect that as demand for high-performance displays, particularly for high contrast and other visual features, continues to increase, the adoption rate of Photo IPS will gradually rise as well.

So, while I believe we're currently on track with the existing plan, over the next few years, the shift to Photo IPS for monitors is something we see as having potential.

For tablets, as you noted, we have also heard that the sales of Apple's iPad Pro are struggling due to high prices, and it hasn't been as well-received in the market.

Regarding how this impacts LCD sales, we haven't seen clear growth in the numbers specifically, but at the very least, we don't see any downside for LCDs. Given the poor performance of OLED, there is a certain level of possibility that LCD could make up for the gap.

For automobile applications, as you rightly pointed out, demand for larger screens continues to progress steadily. We've also seen consistent growth in the usage of alignment materials for automobile displays.

<Questioner 5>

Q: Could you provide an update on the progress of the structural reform in the chemicals segment?

A: We are indeed progressing carefully with the structural reform internally. We're not yet at a stage where we can share specific details, but the review is underway.

Q: Understood. And is it correct that the specific items remain unchanged?

A: Yes, that is correct.

Q: Regarding display materials, there was an impact from the shift to OLED for smartphones in 1Q.

However, from what I see, other areas have grown to the extent that this OLED shift for smartphones doesn't seem to be as visible in 2Q. Can you confirm if the impact from the OLED shift for smartphones persisted in 2Q?

A: The shift to OLED, unfortunately for us, has continued from 1Q to 2Q, and we don't see this trend stopping.

However, one of the reasons for the weaker performance in 1Q, as we mentioned in the previous earnings briefing, may have been the impact of distribution inventory adjustments. It appears that these inventory adjustments were largely resolved in 1Q, allowing production of LCD panels for smartphones to recover from 2Q onward.

From what I've heard, production of panels for low-end smartphones, particularly for emerging markets, has been increasing, especially in China.

<Questioner 6>

Q: Regarding TEPIC for general use, it seems to be recovering. Has there been an improvement in the business environment? Is the influx of Chinese products into the Japanese market slowing?

A: As TEPIC for general use, the challenging business environment remains. Demand from some customers, who were previously overstocked, is now recovering, but market conditions continue to be tough overall.

Regarding the inflow of TEPIC for general use into the domestic market, most of our market for TEPIC for general use is overseas, so there isn't much inflow into Japan.

[END]