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## 1Q FY 2019 Financial Results Conference Call Q&A Session Summary

Date: Friday, August 2, 2019: 4:30 p.m. to 5:15 p.m.

Presenter: Junichi Miyazaki, Director, Senior Executive Vice President & CFO,  
Head of Finance & Accounting Department

Presentation materials: [https://www.nissanchem.co.jp/eng/ir\\_info/library/pdf/AM/am2019\\_06.pdf](https://www.nissanchem.co.jp/eng/ir_info/library/pdf/AM/am2019_06.pdf)

### ■ Overall

**Q1: There seemed to be a lot of front-loaded shipments in the 1Q (Apr-Jun) in the Agrochemicals and Pharmaceuticals Segments. Please explain about the upward/downward swings in light of the 1Q result in terms of the achievement accuracy of the first-half outlook.**

A1: On the whole, it is fairly difficult to read at this moment in time whether or not we will reach the first-half expectations. The situation with Chemicals has been harsher than expected, and it seems it will be difficult to achieve the first-half outlook. Performance Materials also might be below target. We are expecting good shipments of Display Materials in the 2Q (Jul-Sep) exceeding our targets, as same as in the 1Q. The situation with Semiconductor Materials has been harsh, and unexpectedly so too is Oilfield Materials in Inorganic Materials. The restrained budget of the US customers inevitably leads to less access to our products. Agrochemicals is considered to be approximately as expected. Because the outlook for Fluralaner has not changed from the initial outlook, and there are upward swings with GRACIA in actual demand and front-loaded shipment, we currently have no clue on how much will remain in the first half. Because there were a lot of front-loaded shipments for Pharmaceuticals, we consider that the upward swing in profits will be adjusted.

**Q2: Fixed costs seem to be quite below the outlook. How much downward swing are you expecting in this full year?**

A2: Because recording of some fixed costs has been postponed while some fixed costs (especially R&D costs) have been saved due to non-free delivery of samples, we haven't reviewed the annual expectations at this moment. However, our company usually tends to end with lower fixed costs than the outlook.

### ■ Performance Materials Segment

**Q3: Looking at the sales of SUNEVER by mode, it seems that the VA (Vertical**

**Alignment) mode especially is growing strongly. Which areas are showing growth?**

A3: I think we have been increasing the share of VA as planned mainly in China. The upward swing of photo-alignment IPS also is mainly attributed to China, in terms of area.

**Q4: Is the YOY sales increase of SUNEVER attributed to the growth of mid- and small-sized products?**

A4: YOY comparison showed a slightly negative growth in products for smartphones. However, those for notebook computers and monitors are growing.

■ Agrochemicals Segment

**Q5: Please tell us in detail about the frontloaded shipment of Fluralaner and GRACIA.**

A5: As for Fluralaner, it is considered that the current upward swing will be adjusted for somewhere in this year, so we haven't changed the annual outlook. As for GRACIA, there are the two factors of front-loaded shipment and an upward swing, and we consider that the upward swing in the 1Q is mainly attributed to front-loaded shipment from the 2Q, but the sales of GRACIA tend to go above outlook even on a full-year basis. Because GRACIA requires a long time for manufacturing, we currently can't make enough of them compared to the sales.

**Q6: How is the inventory adjustment of BRAVECTO going?**

A6: I think it's still under way. We still don't have a grasp of the details of MSD's manufacturing and inventory adjustment.

**Q7: Compared to the second-half outlook of Nissan Chemical's Fluralaner, the recent sales of MSD hasn't grown so much on a YOY basis. Will you possibly make a downward revision with the sales of Fluralaner?**

A7: Our shipment volume and MSD's sales volume do not necessarily correlate with each other. If you look at them especially over a short span like a quarter or half of the year, there tends to be a large gap between the timings of their manufacturing/sales and our recording of the sales.

**Q8: Did the lawsuit in the US impact the downward swing of ROUNDUP?**

A8: There has been no impact from the lawsuit with regard to the Japanese market, where we sell ROUNDUP. The cause of the downward swing is AL, specifically, product mix within the AL series. Because we focused on expanding the sales of AL (1.2L), which is the least expensive in the series, aiming to increase the numbers of customers of AL, the sales

amount as a result was below the outlook.

\*MSD: MSD Animal Health, the global animal health business unit of Merck (US)

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