
3Q FY 2019 Financial Results Conference Call Q&A Session Summary

Date: Friday, February 7, 2020: 4:15 p.m. to 5:00 p.m.

Presenter: MIYAZAKI Junichi, Director, Senior Executive Vice President & CFO,
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Presentation materials: https://www.nissanchem.co.jp/eng/ir_info/library/pdf/AM/am2019_12.pdf

■ Overall

Q1: Would you please tell us about the upward/downward swing from the second half outlook in the operating profit by segments?

A1: While the prospects for operating profit in the 4Q (Jan-Mar) remain uncertain, since it appears likely that the chemicals segment will remain down in the 4Q as it was in the 3Q (Oct-Dec), there is a high possibility that second-half results will be lower than planned. The performance materials segment is up in both the 3Q and the 4Q, so we expect it to exceed plans in the second half as well. We expect operating profit in the agrochemicals and pharmaceuticals segments to be largely in line with plans for the second half.

■ Chemicals Segment

Q2: There was little sign of recovery in the 3Q in areas such as melamine market conditions and TEPIC shipments. Do you expect a recovery in the 4Q?

A2: Although at the time we announced the financial results for the first half in November, we did expect something of a recovery in the second half, but the 3Q results were very unsatisfactory. In light of current conditions, we believe that a recovery from the 3Q to the 4Q is unlikely.

■ Performance Materials Segment

Q3: Has the new coronavirus (COVID-19) had any impact?

A3: When we checked on customers' operating conditions in the display and semiconductors markets, all were operating normally as of February 5, so that at this time there has been no impact.

Q4: What is the outlook for the operating conditions of semiconductor makers in the 4Q? While it appears that they have recovered more quickly than had been expected since the 3Q, do you think the recovery will slow in the 4Q? Or, do you expect the recovery to accelerate further?

A4: We expect operating conditions to continue to recover in the 4Q as they did in the 3Q.

■ Agrochemicals Segment

Q5: You project a major increase in Fluralaner in the 4Q. How confident are you of this?

A5: We are quite confident about the 4Q.

Q6: Would it be correct to say that inventory adjustments in the end market for Fluralaner are almost complete? How do you see the next period and beyond?

A6: We have not yet obtained clear information on inventory adjustments, so we are uncertain about the next period.

Q7: Zoetis plans to bring to market a triple vaccine called Simparica Trio (internal/external antiparasitic medication). How do you view this as a competitor for Bravecto?

A7: We estimated the size of the market for internal/external antiparasitic medications such as Simparica Trio to be limited and not that large compared to the market for external antiparasitic medications, which is the main market for Bravecto. It appears that there is not much demand for internal/external antiparasitic medications in the United States, which is the largest market for veterinary medicines. Outbreaks of filaria are concentrated in the southeast U.S., and demand appears low in the west and other regions of the country. In addition, since as a maker of veterinary medicines we need to sell combination medications at more of a discount compared to single medications, we do not consider them very attractive. We believe that Zoetis may be introducing this combination medication to counter products such as Bravecto that were introduced earlier, since it has been late to bring single medications to market. While MSD*, which sells Bravecto, is moving forward on development of combination medications from a product-lineup perspective, we believe that it will continue to handle single medications as its main products.

Q8: Regarding the acquisition of Quinoxifen, do you plan to sell it yourself in the U.S.?

A8: We have appointed an agent for the U.S. market. It is a second-tier agrochemicals company that already sells our agrochemicals in the U.S.

Q9: Are you aiming to acquire any businesses in the future from agrochemicals makers around the world like the recent acquisition of Quinoxifen?

A9: We would consider opportunities that would fit our portfolio.

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