



Nissan Chemical
CORPORATION

Nissan Chemical Corporation

2Q FY2021 Financial Results Briefing

Presenter:

MIYAZAKI Junichi Director, Senior Executive Vice President & CFO

Q&A session:

Yagi Shinsuke Representative Director, President & COO

November 11, 2021

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

1.Changes in accounting policies:

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

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

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

A. Agent transactions

(Mainly effected segments) Chemicals, Agrochemicals, Trading
 (Before adoption) Sales = gross amount from the customer, Sales expenses = amount paid to the supplier
 (After adoption) Sales = gross amount from the customer - amount paid to the supplier
 (Estimated impact on FY2021 PL Outlook as of November 2021)
 Sales and sales expenses down ¥20.5 billion (¥44.6 billion as of May 2021), only deducted from Sales of Adjustment segment
 No impact on Operating Profit

B. Royalties based on sales amount

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

(Mainly effected segments) Agrochemicals (Fluralaner running royalties)

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

C. Sales discount subject to change at the selling timing

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

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

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

		Sales discount
Before adoption	FY2020	AY2020* (Oct. 2019 - Sept. 2020)
After adoption	FY2020	AY2020* (Oct. 2019 - Sept. 2020) + (October 2020 - March 2021) = ¥1.5 billion
	FY2021	April 2021 - March 2022

AY2020* = Agrochemical Year
 (from Oct. 2019 to Sept. 2020)
 2

Miyazaki: I'm Miyazaki. Thank you. Now, please refer to page 2 of the handout.

As for changes in accounting policies, there is a change in item A, agent transactions. The total decrease of agent transactions for FY2021 was forecast to be JPY44.6 billion as of May, but it has been revised to JPY20.5 billion.

This is because the sales of our products sold through our trading company, Nissei Corporation, which were previously considered to be subject to elimination, are no longer considered to be agent transactions. Naturally, this has nothing to do with profit.

1H FY2021 Actual Highlight

1. vs. 1H FY2020 Actual

- ◆ **OP up ¥3.3 billion (+19%) (1H FY2021 Actual ¥21.3 billion vs. 1H FY2020 Actual ¥18.0 billion)**
 - Chemicals OP up due to sales increase in melamine, TEPIC and environmental related products
 - Performance Materials OP up due to substantial sales increase in Display Materials and Semis Materials
 - Agro OP down due to changes in accounting policies (Argo's sales discount cost increase), sales decrease of ALTAIR and GRACIA, Fluralaner shipment decrease and fixed cost up despite Fluralaner royalties increase
 - Pharma OP up due to Custom Chemicals sales increase, while LIVALO sales decrease
- ◆ **Net Income up ¥2.4 billion (+17%) (1H FY2021 Actual ¥16.3 billion vs. 1H FY2020 Actual ¥13.9 billion)**
- ◆ **OP, Ordinary Income and Net Income renewed the highest results since 1H FY2018**

2. vs. 1H FY2021 Outlook as of May 2021

- ◆ **OP above target ¥3.6 billion (1H FY2021 Actual ¥21.3 billion vs. 1H FY2021 Outlook ¥17.7 billion)**
 - Chemicals OP above target due to sales above target mainly in melamine and TEPIC
 - Performance Materials OP above target due to sales above target in Display Materials and Semis Materials
 - Agro OP above target due to Fluralaner royalties above target and fixed cost below target
 - Pharma OP above target due to LIVALO above target
- ◆ **Net Income above target ¥2.3 billion (1H FY2021 Actual ¥16.3 billion vs. 1H FY2021 Outlook ¥14.0 billion)**

3

Page 3 shows highlights of the first half.

First of all, operating profit increased by 19% or JPY3.3 billion to JPY21.3 billion, compared to JPY18.0 billion for the same period last year. By segment, it increased in Chemicals, Performance Materials, and Pharmaceuticals, and decreased only in Agrochemicals.

Net income was JPY16.3 billion compared to JPY13.9 billion in the same period last year, an increase of JPY2.4 billion or 17%. Operating profit, ordinary income, and net income were over the past record high in the first half of FY2018.

Operating profit was JPY21.3 billion compared to the forecast of JPY17.7 billion, an increase of JPY3.6 billion. Operating profit was over the target in all segments. Net income was JPY16.3 billion compared to the forecast of JPY14.0 billion, an increase of JPY2.3 billion.

2H FY2021 Outlook Highlight

1. vs. 2H FY2020 Actual

- ◆ **OP up ¥1.6 billion (+6%) (2H FY2021 Outlook ¥26.1 billion vs. 2H FY2020 Actual ¥24.5 billion)**
 - Chemicals OP up due to sales increase in melamine and environmental related products
 - Performance Materials OP up due to sales increase in Display Materials and Semis Materials
 - Agro OP up due to changes in accounting policies (Argo's sales discount cost decrease) and sales increase in Fluralaner and DITHANE
 - Pharma OP down due to sales decrease in LIVALO and Custom Chemicals
- ◆ **Net Income up ¥0.5 billion (+3%) (2H FY2021 Outlook ¥20.1 billion vs. 2H FY2020 Actual ¥19.6 billion)**

2. vs. 2H FY2021 Outlook as of May 2021

- ◆ **OP above target ¥0.2 billion (2H FY2021 Outlook as of Nov. ¥26.1 billion vs. 2H FY2021 Outlook as of May ¥25.9 billion)**
 - Chemicals OP above target due to sales above target mainly in melamine and TEPIC, inventory adjustment cost below expectations, while feedstock and raw materials cost above expectations
 - Performance Materials OP above target due to sales increase in Display Materials and Semis Materials
 - Agro OP below target due to sales below target mainly in GRACIA and ALTAIR, despite Fluralaner increase
 - Pharma OP below target due to LIVALO sales below target
- ◆ **Net Income in line with target (2H FY2021 Outlook as of Nov. ¥20.1 billion vs. 2H FY2021 Outlook as of May ¥20.1 billion)**

4

Page 4 shows the forecast for the second half of the fiscal year.

First of all, operating profit was JPY24.5 billion in the same period last year, and for this fiscal year we expect it to be JPY26.1 billion, which is an increase of JPY1.6 billion or 6%.

It will increase in Chemicals, Performance Materials and Agrochemicals, and will decrease in Pharmaceuticals only. Net income is expected to be JPY20.1 billion compared to JPY19.6 billion in the previous year, an increase of JPY0.5 billion.

Compared with the previous forecast in May, operating profit is expected to be JPY26.1 billion, an increase of JPY0.2 billion. In this regard, we expect an upward swing in Chemicals and Performance Materials, and a downward swing in Agrochemicals and Pharmaceuticals. Net income is expected to be JPY20.1 billion, the same amount as the previous forecast.

Full Year FY2021 Outlook Highlight

1. vs. Full Year FY2020 Actual

- ◆ **OP up ¥4.9 billion (+11%) (FY2021 Outlook as of Nov. ¥47.4 billion vs. FY2020 Actual ¥42.5 billion)**
 - Chemicals OP up due to sales increase in melamine, TEPIC and environmental related products
 - Performance Materials OP up due to sales increase in Display Materials and Semis Materials
 - Agro OP flat due to fixed cost up and sales decrease in GRACIA and ALTAIR
 - Pharma OP up due to Custom Chemicals sales increase and inventory adjustment cost down, while LIVALO sales decrease
- ◆ **Net Income up ¥2.9 billion (+9%) (FY2021 Outlook as of Nov. ¥36.4 billion vs. FY2020 Actual ¥33.5 billion)**
- ◆ **Despite COVID-19, OP and Ordinary Income expected to renew the highest results of a full year in 8 consecutive years, and Net Income expected to renew the annual highest results in 9 consecutive years**
- ◆ **ROE 18.1% (first time in the 18% range), higher than FY2020 Actual 17.5%, FY2021 Outlook as of May 2021 17.0%, Mid-term Plan target 16%**

2. vs. Full Year FY2021 Outlook as of May 2021

- ◆ **OP above target ¥3.8 billion (FY2021 Outlook as of Nov. ¥47.4 billion vs. FY2021 Outlook as of May ¥43.6 billion)**
 - Chemicals OP above target due to sales above target mainly in melamine and TEPIC, inventory adjustment cost below expectations, while feedstock and raw materials cost above expectations
 - Performance Materials OP above target due to sales above target in Display Materials and Semis Materials
 - Agro OP above target due to Fluralaner sales above target and inventory adjustment cost below expectations
 - Pharma OP above target due to LIVALO sales above target
- ◆ **Net Income above target ¥2.3 billion (FY2021 Outlook as of Nov. ¥36.4 billion vs. Outlook as of May ¥34.1 billion)**

3. vs. Mid-term Plan announced in May 2019 (see p50, 52)

- ◆ **Despite COVID-19, OP above target ¥4.4 billion, Ordinary Income above target ¥4.8 billion, and Net Income above target ¥3.4 billion (Mid-term Plan: OP ¥43.0 billion, Ordinary Income ¥44.0 billion, Net Income ¥33.0 billion)**

4. Shareholders Return

- ◆ **Annual dividend up ¥10 (FY2021 Outlook as of Nov. ¥114 =1H 50 + 2H 64 vs. FY2020 Actual ¥104 =1H 46 + 2H 58), up ¥6 vs. FY2021 Outlook as of May ¥108 = 1H 48 + 2H 60, dividend payout ratio 44.7% vs. FY2020 Actual 44.9%**
- ◆ **As a result, dividend increasing in 10 consecutive years**
- ◆ **Completed a ¥7.0 billion share repurchase program in July 2021**
- ◆ **Total payout ratio target 75% (expected to be 64% only taking into account of ¥114/share dividend and ¥7.0 billion share repurchase program)**

5

Page 5 shows the highlights of the full-year forecasts.

First, operating profit is expected to be JPY47.4 billion compared to JPY42.5 billion in the previous year, an increase of JPY4.9 billion or 11%. Agrochemicals will remain flat, but other segments will see an increased profit. Net income is expected to be JPY36.4 billion compared to JPY33.5 billion in the previous year, an increase of JPY2.9 billion.

Despite the COVID-19 pandemic, we expect operating profit and ordinary income to reach new record highs for the eighth consecutive year, and net income for the ninth consecutive year. ROE is forecasted to be 18.1%, which will be the first time for us to reach 18% and exceed the Mid-term Plan target of 16%.

In comparison with the previous forecast, operating profit forecast increased by JPY3.8 billion. We are forecasting an increase in all segments. Net income forecast is JPY36.4 billion, an increase of JPY2.3 billion.

Let's look at the comparison with the figures in the Mid-term Plan. This year is the final year of the plan. Despite the COVID-19 pandemic, we expect to achieve our Mid-term plan of operating profit, ordinary income, and net income of JPY4.4 billion, JPY4.8 billion, and JPY3.4 billion, respectively.

Next is about shareholder returns. This time, we expect to pay an annual dividend of JPY114, JPY50 for the interim, and JPY64 for the year-end, an increase of JPY10 from the previous year's JPY104. This figure represents an increase of JPY6 from the previous forecast of JPY108, and as a result, the dividend is expected to increase for the 10th consecutive year. As for the repurchase of treasury stock, we completed an amount of JPY7.0 billion in July.

I would like to make a few comments here. In the current fiscal year, many companies in our industry are expected to have much higher profit growth rates than us. However, most of them have finally recovered from the situation, with profits declining for 2 consecutive years in FY2019 and FY2020.

In contrast, our company has posted the highest profits in FY2019 and FY2020, and we expect to post the highest profits for 8 or 9 consecutive years this fiscal year. We also expect to meet all the target figures of Mid-term Plan set in May 2019, when COVID-19 did not exist.

On the other hand, if we look at the level of achievement of the Mid-term Plan by other companies in the same industry, only 2 of the 19 companies that completed the Mid-term Plan between 2018 and 2020 met their profit targets.

I will now explain the details of the first half of the fiscal year, but I would like you to take a look not only at the current trends, but also at our ability to execute and our DNA of business creation, which enables us to continuously achieve our goals even in a difficult environment, as I just mentioned.

1H FY2021 PL⁽¹⁾

(¥billion)

	1H FY2020			1H FY2021			Change			Change (%)	1H FY2021 Outlook as of May 2021		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H	1H	1Q	2Q	1H
Sales	49.3	45.2	94.5	46.5	45.3	91.8	-2.8	+0.1	-2.7	-3%	40.0	36.5	76.5
Operating Profit	9.8	8.2	18.0	11.9	9.4	Record 21.3	+2.1	+1.2	+3.3	+19%	9.8	7.9	17.7
Non-Operating Income/Expenses	0.6	-0.4	0.2	0.4	0.5	0.9	-0.2	+0.9	+0.7	-	0.4	-0.1	0.3
Ordinary Income	10.4	7.8	18.2	12.3	10.0	Record 22.3	+1.9	+2.2	+4.1	+23%	10.2	7.8	18.0
Extraordinary Income/Loss	0.0	1.1	1.1	0.0	0.0	0.0	0.0	-1.1	-1.1	-	0.0	1.0	1.0
Net Income (2)	7.6	6.3	13.9	8.8	7.5	Record 16.3	+1.2	+1.2	+2.4	+17%	7.5	6.5	14.0
EBITDA (3)	12.1	10.7	22.8	14.2	11.8	26.0	+2.1	+1.1	+3.2	+14%	-	-	22.7
EPS (¥/share)	52.38	43.58	95.96	61.73	52.21	113.94	+9.35	+8.63	+17.98	+19%	-	-	98.03
Dividend (¥/share)	-	-	46	-	-	50	-	-	+4	-	-	-	48
Total amount of Dividend	-	-	6.6	-	-	7.1	-	-	+0.5	-	-	-	6.8
OP Margin	19.9%	18.1%	19.0%	25.5%	20.9%	23.2%	+5.6%	+2.8%	+4.2%	-	24.5%	21.6%	23.1%
ROE	-	-	-	-	-	-	-	-	-	-	-	-	-
FX Rate (¥/\$)	108	106	107	110	110	110	-	-	-	-	107	107	107
Crude Oil (JCC) (\$/bbl) (4)	31	41	36	67	73	70	-	-	-	-	55	55	55

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

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

(3) EBITDA = Operating Profit + Depreciation and amortization

(4) Based on Trade Statistics of Japan Ministry of Finance

7

Now let's go back to the document. Page 7 provides a table of results for the first half of the fiscal year. As you can see in the middle of the page, operating profit was JPY21.3 billion, and net income was JPY16.3 billion.

1H FY2021 Review

<vs. 1H FY2020>

<p>(Sales) ◆DOWN ¥-2.7 billion (-3%) (Including sales decrease (¥10.9 billion) due to changes in accounting policies)</p> <p>(OP) ◆UP ¥+3.3 billion (+19%) (Including OP decrease (¥0.9 billion) due to changes in accounting policies: Argo's sales discount cost increase)</p> <p>(Ordinary Income) ◆UP ¥+4.1 billion (+23%) (Extraordinary Income/Loss) ◆DOWN ¥-1.1 billion</p> <p>(Net Income) ◆UP ¥+2.4 billion (+17%) (EPS) ◆UP ¥+17.98 (+19%)</p>	<p>(+) Chemicals, Performance Materials, Pharmaceuticals, Trading (-) Agrochemicals</p> <p>(+) Chemicals, Performance Materials, Pharmaceuticals (±) Trading (-) Agrochemicals</p> <p>1H FY2021 Extraordinary Income +2.8 (Gain on sales of investment securities ¥2.8 billion, sales amount ¥3.6 billion, sold 5 listed companies shares, sold 100% of our shareholdings of 1 listed company) Extraordinary Loss -2.8 (melamine restructuring costs, plant equipment removal cost of Nippon Phosphoric Acid*) 1H FY2020 Extraordinary Income +1.1 (Gain on sales of investment securities)</p> <p>*Nippon Phosphoric Acid: affiliated company (our share: 35%), Manufacturing and selling sulfuric acid and phosphoric acid liquid. In accordance with the decision to stop the production of phosphoric acid liquid, the company will bear the costs of removing facilities according to its investment ratio.</p>
--	--

OP, Ordinary Income and Net Income renewed the highest results

<Shareholders Return>

<p>(Dividend) ◆1H ¥50/share (up ¥4 vs. 1H FY2020) (up ¥2 vs. 1H FY2021 Outlook as of May 2021)</p> <p>(Share Repurchase) ◆¥7.0 billion, 1.3 million shares completed in July 2021</p> <p>(Cancellation of Shares) ◆2 million shares (May 2021 and August 2021)</p>

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

<p>(Sales) ◆UP ¥+15.3 billion (Including sales increase (¥10.6 billion) vs. expectations of changes in accounting policies (agent transactions))</p> <p>(OP) ◆UP ¥+3.6 billion</p> <p>(Ordinary Income) ◆UP ¥+4.3 billion</p> <p>(Extraordinary Income/Loss) ◆DOWN ¥-1.0 billion</p> <p>(Net Income) ◆UP ¥+2.3 billion</p> <p>(EPS) ◆UP ¥+15.91</p>	<p>(+) Chemicals, Performance Materials, Agrochemicals, Pharmaceuticals, Trading</p> <p>(+) Chemicals, Performance Materials, Agrochemicals, Pharmaceuticals, Trading</p>
---	---

8

There is a summary on page 8. What I have not mentioned so far is extraordinary income and loss.

We posted a net decrease of JPY1.1 billion. As you can see from the breakdown on the right side, in FY2020, we had only posted extraordinary income of JPY1.1 billion, but this fiscal year we posted an extraordinary loss of JPY2.8 billion. We recognized melamine restructuring costs and plant equipment removal cost of Nippon Phosphoric Acid.

As for Nippon Phosphoric Acid, as you can see in the note below, we have a 35% stake in the Company, and ZEN-NOH, the National Federation of Agricultural Cooperative Associations, and other companies also invest in the Company. The Company manufactures sulfuric acid and phosphoric acid liquid, but has stopped manufacturing phosphoric acid liquid, which is mainly used for fertilizer.

As a result, each investing company will bear the cost of equipment removal. Since the operation of this Company is run on a non-profit and non-loss basis, it does not have a lot of capital, so these extraordinary loss will be borne directly by each investing company.

As for shareholder returns, as I mentioned earlier, we plan to pay a dividend of JPY50 for the first half, an increase of JPY4 from the previous year.

FY2021 Outlook (Including 3Q and 4Q Outlook) ⁽¹⁾

(¥billion)

	FY2020 Actual							FY2021 Outlook as of Nov. 2021							FY2021 Outlook as of May 2021				
	1Q	2Q	1H	3Q	4Q	2H	Total	1Q Actual	2Q Actual	1H Actual	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total
Sales	49.3	45.2	94.5	43.7	70.9	114.6	209.1	46.5	45.3	91.8	46.7	67.0	113.7	205.5	40.0	36.5	76.5	96.0	172.5
Operating Profit	9.8	8.2	18.0	5.6	18.9	24.5	42.5	11.9	9.4	21.3	9.4	16.7	26.1	47.4	9.8	7.9	17.7	25.9	43.6
Non-Operating Income/Expenses	0.6	-0.4	0.2	0.2	1.0	1.2	1.4	0.4	0.5	0.9	0.4	0.1	0.5	1.4	0.4	-0.1	0.3	1.0	1.3
Ordinary Income	10.4	7.8	18.2	5.8	19.9	25.7	43.9	12.3	10.0	22.3	9.8	16.7	26.5	48.8	10.2	7.8	18.0	26.9	44.9
Extraordinary Income/Loss (2)	0.0	1.1	1.1	0.0	0.5	0.5	1.6	0.0	0.0	0.0	0.0	1.0	1.0	1.0	0.0	1.0	1.0	0.6	1.6
Net Income (3)	7.6	6.3	13.9	4.5	15.1	19.6	33.5	8.8	7.5	16.3	8.8	11.3	20.1	36.4	7.5	6.5	14.0	20.1	34.1
EBITDA (4)	12.1	10.7	22.8	8.3	21.9	30.2	53.0	14.2	11.8	26.0	-	-	31.9	57.9	-	-	22.7	32.0	54.7
EPS (¥/share)	52.38	43.58	95.96	30.97	104.80	135.77	231.73	61.73	52.21	113.94	-	-	141.16	255.10	-	-	98.03	141.15	239.18
Dividend (¥/share)	-	-	46	-	-	58	104	-	-	50	-	-	64	114	-	-	48	60	108
Dividend payout ratio (%)	-	-	-	-	-	-	44.9	-	-	-	-	-	-	44.7	-	-	-	-	45.2
Total amount of Dividend	-	-	6.6	-	-	8.4	15.0	-	-	7.1	-	-	9.1	16.2	-	-	6.8	8.6	15.4
OP Margin	19.9%	18.1%	19.0%	12.8%	26.8%	21.4%	20.3%	25.5%	20.9%	23.2%	20.1%	24.9%	22.9%	23.1%	24.5%	21.6%	23.1%	27.0%	25.3%
ROE	-	-	-	-	-	-	17.5%	-	-	-	-	-	-	18.1%	-	-	-	-	17.0%
FX Rate (¥/\$)	108	106	107	105	106	105	106	110	110	110	107	107	107	108	107	107	107	107	107
Crude Oil (JCC) (\$/bbl) (5)	31	41	36	44	56	50	43	67	73	70	-	-	75	73	55	55	55	55	55

- (1) FY2021 Actual & Outlook: including effects of changes in accounting policies (see p2)
(2) FY2021 Outlook as of Nov. 2021: ¥1.0 billion (Gain on sales of investment securities, melamine restructuring costs, plant equipment removal cost of Nippon Phosphoric Acid)
(3) Net income = Profit Attributable to Owners of Parent
(4) EBITDA = Operating Profit + Depreciation and amortization
(5) Based on Trade Statistics of Japan Ministry of Finance

9

Next, please refer to page 9. Page 9 is the forecast for the year.

As in the past, we also disclose earnings forecasts for the third and fourth quarters. As you can see in the table, in the second half of the fiscal year, operating profit will be JPY26.1 billion and net income will be JPY20.1 billion, which means that for the full year, operating profit will be JPY47.4 billion and net income will be JPY36.4 billion.

Based on those figures, the operating profit margin will be 23.1%. The assumed exchange rate for the second half of the fiscal year is set at JPY107. In addition, for crude oil (JCC), we are assuming a price of USD75.

2H FY2021 Outlook

<vs. 2H FY2020>

(Sales)	◆DOWN	¥-0.9 billion	(-1%)	(+)	Chemicals, Performance Materials, Agrochemicals, Trading
(Including sales decrease (¥9.7 billion) due to changes in accounting policies)				(-)	Pharmaceuticals
(OP)	◆UP	¥+1.6 billion	(+6%)	(+)	Chemicals, Performance Materials, Agrochemicals
(Including OP increase (¥0.7 billion) due to changes in accounting policies: Argo's sales discount cost decrease)				(-)	Pharmaceuticals, Trading
(Ordinary Income)	◆UP	¥+0.8 billion	(+3%)		
(Extraordinary Income/Loss)	◆UP	¥+0.5 billion		2H FY2021	Extraordinary Income +1.0 (Gain on sales of investment securities)
				2H FY2020	Extraordinary Income +0.5 (Gain on sales of investment securities)
(Net Income)	◆UP	¥+0.5 billion	(+3%)		
(EPS)	◆UP	¥+5.39	(+4%)		
3Q(OP)	◆UP	¥+3.8 billion	(+68%)		
(Including OP increase (¥3.5 billion) due to changes in accounting policies: Fluralaner royalties increase due to changes in recognized timing and Agro's sales discount cost decrease)					
4Q(OP)	◆DOWN	¥-2.2 billion	(-12%)		
(Including OP decrease (¥2.8 billion) due to changes in accounting policies: Fluralaner royalties decrease due to changes in recognized timing and Agro's sales discount cost increase)					

<vs. 2H FY2021 Outlook as of May 2021>

(Sales)	◆UP	¥+17.7 billion		(+)	Chemicals, Performance Materials, Trading
(Including sales increase (¥13.5 billion) vs. expectations of changes in accounting policies (agent transactions))				(-)	Agrochemicals, Pharmaceuticals
(OP)	◆UP	¥+0.2 billion		(+)	Chemicals, Performance Materials
(Ordinary Income)	◆DOWN	¥-0.4 billion		(-)	Agrochemicals, Pharmaceuticals, Trading
(Extraordinary Income/Loss)	◆UP	¥+0.4 billion			
(Net Income)	◆IN LINE				
(EPS)	◆IN LINE				

10

Go to page 10. I will explain the second half forecast.

As I mentioned earlier in the highlights section, operating profit is expected to increase by JPY1.6 billion YoY, and extraordinary income/loss is expected to improve by JPY0.5 billion from the previous year.

Full Year FY2021 Outlook

< vs. FY2020 >

(Sales) ◆DOWN ¥-3.6 billion (-2%)
 (Including sales decrease (¥20.6 billion) due to changes in accounting policies)

(OP) ◆UP ¥+4.9 billion (+11%)
 (Including OP increase (¥0.2 billion) due to changes in accounting policies:
 Argo's sales discount cost increase)

(Ordinary Income) ◆UP ¥+4.9 billion (+11%)
(Extraordinary Income/Loss) ◆DOWN ¥-0.6 billion

(Net Income) ◆UP ¥+2.9 billion (+9%)
(EPS) ◆UP ¥+23.37 (+10%)

OP and Ordinary Income expected to renew the highest results of a full year in 8 consecutive years.
 Net Income expected to renew the highest results of a full year in 9 consecutive years.

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

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

FY2021 Extraordinary Income/Loss +1.0 (Gain on sales of investment securities, melamine restructuring costs, plant equipment removal cost of Nippon Phosphoric Acid)
 FY2020 Extraordinary Income/Loss +1.6 (Gain on sales of investment securities)

< vs. FY2021 Outlook as of May 2021 >

(Sales) ◆UP ¥+33.0 billion
 (Including sales increase (¥24.1 billion) vs. expectations of changes in accounting policies (agent transactions))

(OP) ◆UP ¥+3.8 billion

(Ordinary Income) ◆UP ¥+3.9 billion
(Extraordinary Income/Loss) ◆DOWN ¥-0.6 billion

(Net Income) ◆UP ¥+2.3 billion
(EPS) ◆UP ¥+15.92

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

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

FY2021 Outlook as of Nov. 2021 +1.0
 FY2021 Outlook as of May 2021 +1.6

< Shareholders Return >

(Dividend) ◆1H ¥50, 2H ¥64 (Dividend Payout Ratio : 44.7%)(1H up ¥4, 2H up ¥6 vs. FY2020)(1H up ¥2, 2H up ¥4 vs. FY2021 Outlook as of May 2021) dividend increasing in 10 consecutive years

(Share Repurchase) ◆¥7.0 billion, 1.3 million shares completed in July 2021

(Cancellation of Shares) ◆2 million shares (May 2021 and August 2021)

(Total Payout Ratio Target) ◆75% (64% based on ¥114/share dividend and ¥7.0 billion share repurchase)

11

Then, on page 11, you will find the annual forecast.

As I mentioned earlier, operating profit will increase by JPY4.9 billion, ordinary income will increase by JPY4.9 billion, and net income will increase by JPY2.9 billion, and we plan to achieve record high profits for 8 and 9 consecutive years, respectively.

1H FY2021 Actual, FY2021 Outlook Non-Operating Income/Expenses, Extraordinary Income/Loss

(¥billion)

	FY2020 Actual			FY2021 Outlook as of Nov. 2021			Change			FY2021 Outlook as of May 2021		
	1H	2H	Total	1H Actual	2H	Total	1H Actual	2H	Total	1H	2H	Total
Non-Operating Income	0.95	1.84	2.79	1.36	1.18	2.54	+0.41	-0.66	-0.25	0.92	1.75	2.67
Interest income, dividend income	0.35	0.65	1.00	0.32	0.33	0.65	-0.03	-0.32	-0.35	0.28	0.37	0.65
Equity in earnings of affiliates, Others	0.60	1.19	1.79	1.04	0.85	1.89	+0.44	-0.34	+0.10	0.64	1.38	2.02
Non-Operating Expenses	0.76	0.67	1.43	0.42	0.78	1.20	-0.34	+0.11	-0.23	0.64	0.69	1.33
Interest expense	0.05	0.02	0.07	0.05	0.03	0.08	0.00	+0.01	+0.01	0.05	0.03	0.08
Loss on disposal of non-current assets, Others	0.71	0.65	1.36	0.37	0.75	1.12	-0.34	+0.10	-0.24	0.59	0.66	1.25
Non-Operating Income/Expenses	0.19	1.17	1.36	0.94	0.40	1.34	+0.75	-0.77	-0.02	0.28	1.06	1.34
Extraordinary Income (1)	1.09	0.50	1.59	2.82	1.00	3.82	+1.73	+0.50	+2.23	1.00	0.60	1.60
Extraordinary Loss	0.00	0.00	0.00	2.79	0.00	2.79	+2.79	0.00	+2.79	0.00	0.00	0.00
Extraordinary Income/Loss	1.09	0.50	1.59	0.03	1.00	1.03	-1.06	+0.50	-0.56	1.00	0.60	1.60

(1) Gain on sales of investment securities

12

Page 12 shows non-operating and extraordinary income/loss.

If you look at the extraordinary income/loss at the bottom of the page, last year, FY2020, we posted a gain on the sale of securities of JPY1.59 billion and no extraordinary loss was recorded.

For this fiscal year, in the first half of the year, as I mentioned earlier, the 2 extraordinary income and loss items were offset, and we have recorded almost no amount. We are expecting a gain of JPY1.0 billion in the second half of the fiscal year, which will result in an extraordinary income of JPY1.0 billion for the full year, which is about a JPY0.6 billion decrease from last year.

10

1H FY2021 Actual, FY2021 Outlook Cash Flows

	FY2020 Actual	FY2021 Actual	FY2020 Actual	FY2021 Outlook as of Nov. 2021	FY2021 Outlook as of May 2021	(¥billion)
CF from operating activities	33.6	33.8	39.9	39.3	40.7	
Income before income taxes & non-controlling interests	19.3	22.3	45.5	49.8	45.8	
Extraordinary loss (income)	-1.1	0.0	-1.6	-1.0	-1.6	
Depreciation & Amortization (1)	4.8	4.7	10.4	10.5	11.1	
Income taxes paid	-6.6	-7.4	-11.1	-13.2	-12.3	
Working capital, others	17.2	14.2	-3.3	-6.8	-2.3	
CF from investing activities	-2.5	-6.1	-12.8	-13.8	-18.1	
Purchase of PPE	-4.0	-5.3	-8.2	-13.4	-16.1	
Purchase and sales of investment securities	1.5	3.4	2.9	4.6	1.9	
Others (2)	0.0	-4.2	-7.5	-5.0	-3.9	
CF from financing activities	-32.8	-31.6	-25.6	-26.5	-27.4	
Payout to shareholders (dividend)	-7.0	-8.3	-13.6	-26.4	-25.7	
Payout to shareholders (share repurchase)	-7.0	-7.0	-10.0			
Borrowings	-18.8	-16.2	-2.0	0.0	-1.7	
Others	0.0	-0.1	0.0	-0.1	0.0	
Effect of exchange rate change on cash & cash equivalents	0.0	-0.1	0.3	-0.1	0.0	
Change in cash & cash equivalents	-1.7	-4.0	1.8	-1.1	-4.8	
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	0.0	0.0	0.0	0.9	0.0	
Cash & cash equivalents at end of period	28.9	28.4	32.4	32.2	27.6	

(1) Including amortization of goodwill

(2) FY2020 Actual: Payments for acquisition of DITHANE -5.4, Others -2.1

FY2021 Outlook: Payments of long-term loans receivable to NBR* -3.3, Others -1.7

*NBR: Nissan Bharat Rasayan Private Limited (see p35)

13

Go to page 13. Page 13 shows the cash flow.

Looking at the actual results for the first half of FY2021 and the annual forecast that was newly released in November, we expect that the cash flow will remain enough as before.

Balance Sheets

	2020/9	2021/3 (A)	2021/9 (B)	Change (B)-(A)		2020/9	2021/3 (A)	2021/9 (B)	Change (B)-(A)
Current assets	132.1	159.6	142.3	-17.3	Liabilities	41.2	64.9	50.0	-14.9
Cash	28.9	32.4	28.4	-4.0	Accounts payable	14.0	16.3	16.0	-0.3
Accounts receivable	49.1	73.9	55.8	-18.1	Borrowings	5.8	22.7	6.5	-16.2
Inventories	49.2	46.7	52.0	+5.3	Others	21.4	25.9	27.5	+1.6
Others	4.9	6.6	6.1	-0.5	Net assets	188.0	200.6	197.4	-3.2
Fixed assets	97.1	105.9	105.1	-0.8	Shareholders' equity	177.0	186.9	186.3	-0.6
Total PPE	51.2	51.8	51.0	-0.8	Valuation difference on available-for-sale securities	10.2	11.4	9.1	-2.3
Intangible assets	7.2	12.1	12.1	0.0	Foreign currency translation adjustment	-0.8	0.1	-0.2	-0.3
Investment securities*	33.9	35.9	32.1	-3.8	Non-controlling interests	1.6	1.7	1.8	+0.1
Others	4.8	6.1	9.9	+3.8	Remeasurements of defined benefit plans	0.0	0.5	0.4	-0.1
Total assets	229.2	265.5	247.4	-18.1	Total liabilities & Net assets	229.2	265.5	247.4	-18.1
*Investment securities					• Equity Ratio	81.3%	74.9%	79.1%	
Listed shares (1)	23.7	24.4	20.4	-4.0	• D/E Ratio (2)	-13.1%	-5.2%	-11.7%	
Number of stocks held **	(35)	(31)	(30)	(-1)	• Change in shareholders' equity	-0.6			
Unlisted shares	2.6	2.7	2.8	+0.1	= Net Income 16.3 - Dividend and others 16.9				
Subsidiaries/Associates share	7.6	8.8	8.9	+0.1	(1)2021/3 24.4 + Acquisition 0 - Sales 0.7 + Valuation difference 3.3 = 2021/9 20.4				
Total	33.9	35.9	32.1	-3.8	(2)D/E Ratio = (Borrowings - Cash) / Shareholders' equity				

**Non-consolidated basis

14

For the balance sheet, please see page 14.

As in the past, in the case of our company, accounts receivable related to Agrochemicals are collected in the first half of the fiscal year, so accounts receivable decrease significantly, and we will use the collected funds to repay the debt.

In September 2021, cash and cash equivalents were JPY28.4 billion, but borrowings were JPY6.5 billion, which saw a reduction.

At the bottom of the assets column is a breakdown of investment securities. In terms of listed shares held on a non-consolidated basis, the number of stocks held in September last year was 35, but this September it was 30, which is a decrease of 5 stocks.

12

FY2021 Sales Outlook by Segment (1)(2)(3)(4)

(¥billion)

	FY2020 Actual							FY2021 Outlook as of Nov. 2021							Change			FY2021 Outlook as of May 2021				
	1Q	2Q	1H	3Q	4Q	2H	Total	1Q Actual	2Q Actual	1H Actual	3Q	4Q	2H	Total	1H Actual	2H	Total	1Q	2Q	1H	2H	Total
Chem	7.4	7.3	14.7	8.3	8.9	17.2	31.9	8.8	8.3	17.1	9.6	9.7	19.3	36.4	+2.4	+2.1	+4.5	8.4	8.3	16.7	17.9	34.6
Fine Chemicals	2.7	2.7	5.4	2.8	3.2	6.0	11.4	3.2	3.0	6.2	3.4	3.7	7.1	13.3	+0.8	+1.1	+1.9	3.2	3.1	6.3	6.6	12.9
Basic Chemicals	4.7	4.6	9.3	5.5	5.7	11.2	20.5	5.6	5.3	10.9	6.2	6.0	12.2	23.1	+1.6	+1.0	+2.6	5.2	5.2	10.4	11.3	21.7
Performance Materials	17.1	17.5	34.6	19.2	17.8	37.0	71.6	20.0	19.6	39.6	20.5	20.8	41.3	80.9	+5.0	+4.3	+9.3	18.6	18.6	37.2	38.6	75.8
Agro	14.6	11.1	25.7	6.3	31.8	38.1	63.8	13.4	11.6	25.0	11.2	29.6	40.8	65.8	-0.7	+2.7	+2.0	14.5	10.3	24.8	41.4	66.2
Pharma	1.5	1.5	3.0	1.4	2.3	3.7	6.7	1.1	2.2	3.3	1.9	1.1	3.0	6.3	+0.3	-0.7	-0.4	0.9	2.0	2.9	3.2	6.1
D.D	0.7	0.8	1.5	0.6	0.8	1.4	2.9	0.6	0.8	1.4	0.6	0.4	1.0	2.4	-0.1	-0.4	-0.5	0.5	0.5	1.0	1.1	2.1
C.C	0.8	0.7	1.5	0.8	1.5	2.3	3.8	0.4	1.5	1.9	1.3	0.7	2.0	3.9	+0.4	-0.3	+0.2	0.4	1.5	1.9	2.0	3.9
Trading	18.2	15.5	33.7	17.8	18.3	36.1	69.8	17.8	18.6	36.4	20.0	18.7	38.7	75.1	+2.7	+2.6	+5.3	16.5	17.0	33.5	36.6	70.1
Others	4.8	4.6	9.4	6.8	7.6	14.4	23.8	4.9	5.5	10.4	5.3	7.8	13.1	23.5	+1.0	-1.3	-0.3	4.9	5.4	10.3	13.1	23.4
Adjustment	-14.3	-12.3	-26.6	-16.1	-15.8	-31.9	-58.5	-19.5	-20.5	-40.0	-21.8	-20.7	-42.5	-82.5	-13.4	-10.6	-24.0	-23.8	-25.1	-48.9	-54.8	-103.7
Total	49.3	45.2	94.5	43.7	70.9	114.6	209.1	46.5	45.3	91.8	46.7	67.0	113.7	205.5	-2.7	-0.9	-3.6	40.0	36.5	76.5	96.0	172.5

(1) Including inter-segment sales/transfers

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

(3) In FY2020, FINEOXOCOL (FO, cosmetic raw materials) was transferred from Basic Chemicals to Fine Chemicals.

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

Sales Impact of changes in accounting policies

(¥billion)

	FY2021 Outlook as of Nov. 2021						
	1Q Actual	2Q Actual	1H Actual	3Q	4Q	2H	Total
YOY Change (Sales down due to changes in accounting policies)	-3.5	-7.4	-10.9	-1.9	-7.8	-9.7	-20.6
vs. Outlook as of May 2021(sales above target due to changes in accounting policies (agent transactions))	+5.5	+5.1	+10.6	-	-	+13.5	+24.1

15

Next, page 15 shows a table of sales by segment.

On this page, in the small table at the bottom of the page, you can see the impact of the change in accounting policy on YoY change in sales, and on the outlook change of agent transactions.

FY2021 OP Outlook by Segment (1)(2)

(¥billion)

	FY2020 Actual							FY2021 Outlook as of Nov. 2021							Change			FY2021 Outlook as of May 2021				
	1Q	2Q	1H	3Q	4Q	2H	Total	1Q Actual	2Q Actual	1H Actual	3Q	4Q	2H	Total	1H Actual	2H	Total	1Q	2Q	1H	2H	Total
Chem	0.7	-0.8	-0.1	0.7	0.9	1.6	1.5	1.3	-0.1	1.2	1.0	0.7	1.7	2.9	+1.3	+0.1	+1.4	1.3	-0.3	1.0	1.4	2.4
Performance Materials	5.3	5.4	10.7	6.3	5.4	11.7	22.4	7.0	6.2	13.2	6.6	6.5	13.1	26.3	+2.5	+1.4	+3.9	5.5	6.1	11.6	12.2	23.8
Agro	4.0	3.8	7.8	-1.3	11.7	10.4	18.2	4.1	2.9	7.0	2.0	9.2	11.2	18.2	-0.8	+0.8	0.0	3.8	2.0	5.8	11.8	17.6
Pharma	-0.1	0.1	0.0	0.0	0.4	0.4	0.4	-0.2	0.7	0.5	0.3	-0.3	0.0	0.5	+0.5	-0.4	+0.1	-0.3	0.5	0.2	0.1	0.3
D.D	-0.2	-0.1	-0.4	-0.4	-0.2	-0.6	-0.9	-0.3	-0.2	-0.4	-0.3	-0.5	-0.8	-1.2	-0.1	-0.2	-0.3	-0.4	-0.3	-0.7	-0.8	-1.5
C.C	0.2	0.2	0.4	0.3	0.6	0.9	1.3	0.1	0.8	0.9	0.7	0.3	0.9	1.8	+0.5	0.0	+0.5	0.1	0.8	0.9	0.9	1.8
Trading	0.7	0.5	1.2	0.7	0.6	1.3	2.5	0.7	0.6	1.3	0.6	0.4	1.0	2.3	+0.1	-0.3	-0.2	0.5	0.6	1.1	1.1	2.2
Others	0.0	0.0	0.0	0.4	0.4	0.8	0.8	0.1	-0.1	0.0	0.1	0.5	0.6	0.6	0.0	-0.2	-0.2	0.0	0.0	0.0	0.7	0.7
Adjustment	-0.8	-0.8	-1.6	-1.2	-0.5	-1.7	-3.3	-1.1	-0.8	-1.9	-1.2	-0.3	-1.5	-3.4	-0.3	+0.2	-0.1	-1.0	-1.0	-2.0	-1.4	-3.4
Total	9.8	8.2	18.0	5.6	18.9	24.5	42.5	11.9	9.4	21.3	9.4	16.7	26.1	47.4	+3.3	+1.6	+4.9	9.8	7.9	17.7	25.9	43.6

(1) In the Pharmaceuticals segment, figures are rounded to the nearest 100 million yen.

Accordingly, some discrepancies may occur among totals.

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

OP Impact of changes in accounting policies

(¥billion)

	FY2021 Outlook as of Nov. 2021						
	1Q Actual	2Q Actual	1H Actual	3Q	4Q	2H	Total
YOY Change (Fluralaner royalties increase/decrease due to changes in recognized timing and sales discount cost increase/decrease)	+1.2	-2.1	-0.9	+3.5	-2.8	+0.7	-0.2

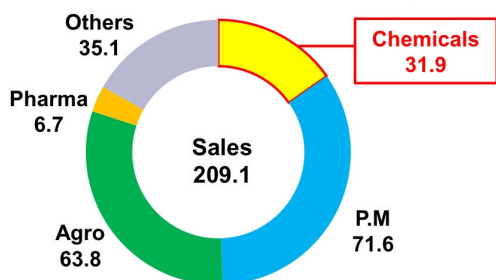
16

Page 16 shows the trend of operating profit, and the impact of the change in accounting policy as well.

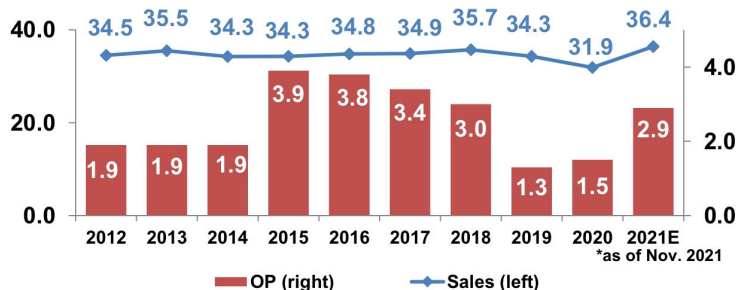
You see the impacts of difference in the timing of the recording of royalties for Fluralaner and the timing of the recording of discounts for pesticides.

Chemicals – (A) Recent Financial Performance

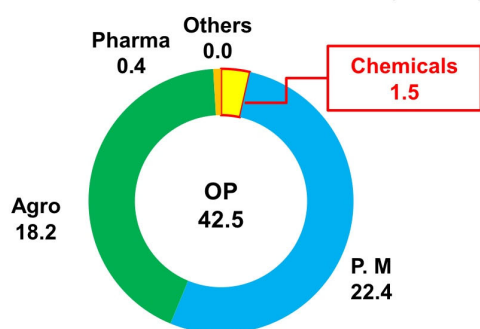
1. FY2020 Sales Distribution (¥billion)



3. Recent Financial Performance (¥billion)



2. FY2020 OP Distribution (¥billion)



17

Now let's move on to the explanation of each segment. Page 17 shows the Chemicals segment.

Look at the green line graph. As you can see, the operating profit margin has improved significantly and is expected to reach the 8% level.

Chemicals – (C) Restructuring based on Shutdown of Melamine Plant (Announced in August, 2021)

1. Chemicals business structure (see p18)

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

2. Sales・OP distribution

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

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

3. Current status and prospects of melamine

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

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

4. Actions to be taken

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

5. Estimated PL effects of actions

- (1) The effects of related costs were minor as such costs were compensated by gain on sales of investment securities.
- (2) PL image of Chemicals segment in FY2023

	FY2021 Outlook as of May 2021	Difference between FY2023 and FY2021 Outlook Effects of Melamine stop and countermeasures	(¥billion)
			FY2023 PL Image
Sales	34.6	+1.6	36.2
OP	2.4	+1.0	3.4

6. ESG

By shutdown of melamine, 26,000 GHG (t-CO₂) or equivalent to about 7% of FY2018 GHG (see p47) estimated to be reduced

19

Page 19 shows the impact of shutdown of the melamine plant.

As I explained at the first quarter briefing, in terms of the impact on our business performance, as I mentioned before, the related costs were covered by the gain on sales of securities.

Chemicals – (D) Sales YOY Change

Main Products		Sales YOY Change(1)								
		FY2020 Actual			FY2021 Outlook as of May 2021			FY2021 Outlook as of Nov. 2021		
		1H	2H	Total	1H	2H	Total	1H Actual	2H	Total
TEPIC	◆ Epoxy compound for : (A) electronic materials (solder resist, LED materials), (B) general applications such as powder coating agent for paint ◆ World largest producer	-10%	+7%	-1%	+21%	-6%	+6%	+26%	+5%	+14%
Environmental related products	◆ HI-LITE : made from chlorinated isocyanuric acid, used for sterilizing, disinfectant for swimming pool as well as water purification tank	-9%	+3%	-4%	+19%	+29%	+24%	+10%	+29%	+19%
Total Fine Chemicals Two products account for 74% of total consolidated subsegment sales (FY2020)		+3%	+15%	+9%	+17%	+9%	+13%	+15%	+17%	+16%
Melamine	◆ Mainly used as adhesive agent for particle board, medium density fiberboard, plywood	-55%	-33%	-44%	+13%	-2%	+4%	+41%	+34%	+37%
Urea/AdBlue	◆ Urea: mainly used for urea formaldehyde resin, adhesive agent ◆ AdBlue: solution of urea in demineralised water for diesel trucks to reduce Nox	-5%	+6%	0%	+15%	+3%	+8%	+14%	+8%	+11%
High purity sulfuric acid	◆ Used to clean semiconductors ◆ Largest in domestic market	+14%	+10%	+12%	+9%	+4%	+6%	+10%	+3%	+7%
Nitric acid products	◆ Nitric acid, nitrous acid and nitrate of soda: Metal dissolution, surface treatment, antifoam agent	-2%	+13%	+5%	+16%	0%	+7%	+20%	+2%	+10%
Total Basic Chemicals Four products account for 53% of total consolidated subsegment sales (FY2020)		-20%	-9%	-14%	+12%	+1%	+6%	+17%	+10%	+13%

(1) In FY2020, FINEOXOCOL (cosmetic raw materials etc.) was transferred from Basic Chemicals to Fine Chemicals

20

On page 20, you can see the growth rate of sales of major products.

In the third line from the top, first of all, the results of Fine Chemicals for the first half of the year were 15% higher than the same period of the previous year, which is slightly lower than the target of 17%, but for the full year, we expect a 16% YoY increase, exceeding the target set at the beginning of the year.

In Basic Chemicals, in the bottom, sales increased 17%, which is higher than the forecast of 12%. For the full year, we are forecasting a 13% increase in sales, up from 6% forecast at the beginning of the year.

17

Chemicals – (E-1) Sales & Profit Overview

(¥billion)

	FY2020 Actual (A)							FY2021 Outlook as of May 2021					FY2021 Outlook (B) as of Nov. 2021						Change (B)-(A)			
	1Q	2Q	1H	3Q	4Q	2H	Total	1Q	2Q	1H	2H	Total	1Q Actual	2Q Actual	1H Actual	3Q	4Q	2H	Total	1H Actual	2H	Total
Sales	7.4	7.3	14.7	8.3	8.9	17.2	31.9	8.4	8.3	16.7	17.9	34.6	8.8	8.3	17.1	9.6	9.7	19.3	36.4	+2.4	+2.1	+4.5
Fine	2.7	2.7	5.4	2.8	3.2	6.0	11.4	3.2	3.1	6.3	6.6	12.9	3.2	3.0	6.2	3.4	3.7	7.1	13.3	+0.8	+1.1	+1.9
Basic	4.7	4.6	9.3	5.5	5.7	11.2	20.5	5.2	5.2	10.4	11.3	21.7	5.6	5.3	10.9	6.2	6.0	12.2	23.1	+1.6	+1.0	+2.6
OP	0.7	-0.8	-0.1	0.7	0.9	1.6	1.5	1.3	-0.3	1.0	1.4	2.4	1.3	-0.1	1.2	1.0	0.7	1.7	2.9	+1.3	+0.1	+1.4

1Q FY2021 Review

<vs. 1Q FY2020>

(Fine)

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

- ◆ Sales up, OP up

(Basic)

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

- ◆ Sales up, OP up

(Total)

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

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

(Fine)

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

- ◆ Sales in line with target, OP below target

(Basic)

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

- ◆ Sales above target, OP above target

(Total)

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

2Q FY2021 Review

<vs. 2Q FY2020>

(Fine)

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

- ◆ Feedstock and raw materials cost up

- ◆ Sales up, OP up

(Basic)

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

- ◆ Inventory adjustment cost down, feedstock and raw materials cost up

- ◆ Sales up, OP up

(Total)

- ◆ Sales up ¥1.0 billion, OP up ¥0.7 billion

<vs. 2Q FY2021 Outlook as of May 2021>

(Fine)

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

- ◆ Fixed cost below expectations

- ◆ Sales below target, OP above target

(Basic)

- ◆ Sales above target: nitric acid products, high purity sulfuric acid

- ◆ Sales in line with target: melamine (domestic below, export above), urea/AdBlue

- ◆ Inventory adjustment cost below expectations, feedstock and raw materials cost above expectations

- ◆ Sales above target, OP above target

(Total)

- ◆ Sales in line with target, OP up ¥0.2 billion

21

The following is the sales trend of the segment. Please refer to page 21.

For each segment, figures for the first quarter, the second quarter, the first half, and the second half are indicated, but due to time constraints, I will focus on the first half and the second half.

Chemicals – (E-2) Sales & Profit Overview

1H FY2021 Review <vs. 1H FY2020>

- (Fine)
- ◆ Sales up: TEPIC for general applications (export recovery), TEPIC for electronic materials (demand recovery for cars), environmental related products (isocyanuric acid capacity expansion completed)
 - ◆ Fixed cost up, feedstock and raw materials cost up
 - ◆ Sales up, OP up
- (Basic)
- ◆ Sales up: melamine (demand recovery for domestic and export), nitric acid products (demand recovery), urea/AdBlue, high purity sulfuric acid (for semis)
 - ◆ Fixed cost up, feedstock and raw materials cost up
 - ◆ Inventory adjustment cost down
 - ◆ Sales up, OP up
- (Total)
- ◆ Sales up ¥2.4 billion, OP up ¥1.3 billion

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

- (Fine)
- ◆ Sales above target: TEPIC for general applications (export)
 - ◆ Sales below target: TEPIC for electronic materials, environmental related products
 - ◆ Fixed cost below expectations, feedstock and raw materials cost above expectations
 - ◆ Inventory adjustment cost above expectations
 - ◆ Sales below target, OP below target
- (Basic)
- ◆ Sales above target: melamine (export), nitric acid products
 - ◆ Sales in line with target: high purity sulfuric acid, urea/AdBlue
 - ◆ Sales below target: melamine (domestic)
 - ◆ Feedstock and raw materials cost above expectations
 - ◆ Sales above target, OP above target
- (Total)
- ◆ Sales up ¥0.4 billion, OP up ¥0.2 billion

2H FY2021 Outlook <vs. 2H FY2020>

- (Fine)
- ◆ Sales up: TEPIC for general applications, environmental related products (isocyanuric acid capacity expansion completed, export recovery)
 - ◆ Sales flat: TEPIC for electronic materials
 - ◆ Fixed cost up, feedstock and raw materials cost up
 - ◆ Inventory adjustment cost down
 - ◆ Sales up, OP up
- (Basic)
- ◆ Sales up: melamine (domestic and export), urea/AdBlue, high purity sulfuric acid (for semis), nitric acid products
 - ◆ Feedstock and raw materials cost up
 - ◆ Sales up, OP up
- (Total)
- ◆ Sales up ¥2.1 billion, OP up ¥0.1 billion

<vs. 2H FY2021 Outlook as of May 2021>

- (Fine)
- ◆ Sales above target: TEPIC for general applications (export)
 - ◆ Sales in line with target: TEPIC for electronic materials, environmental related products
 - ◆ Fixed cost above expectations, feedstock and raw materials cost above expectations
 - ◆ Inventory adjustment cost above expectations
 - ◆ Sales above target, OP below target
- (Basic)
- ◆ Sales above target: melamine (domestic and export), urea/AdBlue, nitric acid products
 - ◆ Sales in line with target: high purity sulfuric acid
 - ◆ Feedstock and raw materials cost above expectations
 - ◆ Inventory adjustment cost below expectations
 - ◆ Sales above target, OP above target
- (Total)
- ◆ Sales up ¥1.4 billion, OP up ¥0.3 billion

22

First of all, on page 22, you see the first half results for chemicals.

In Fine Chemicals, many products saw an increase in sales, resulting in higher sales and operating profit. As for the Basic Chemicals, we have already seen a recovery in demand in general, and despite the increase in fixed costs and higher feedstock and raw materials costs, both sales and profit have increased.

As a result, net sales increased by JPY2.4 billion and operating profit increased by JPY1.3 billion. This figures for Fine Chemicals are slightly lower in both sales and profit when compared to the earnings forecast. The negative factors were a downturn in TEPIC for electric materials and short-term production problems in environmental-related products.

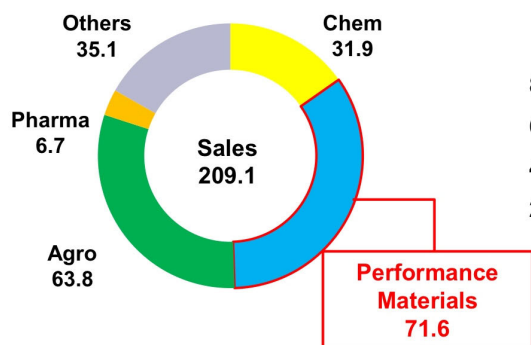
As for the Basic Chemicals, despite the high cost of feedstock and raw materials, both sales and profit were higher than the forecasts. In total, sales were JPY0.4 billion higher than the forecast, and profit was JPY0.2 billion higher.

On the right is the outlook for the second half of the year. The Fine Chemicals business continues to perform well, and both sales and profit will be up. As for the Basic Chemicals, although prices for feedstock and raw materials will be high, we expect sales, prices, and volumes to grow, and we anticipate an increase in both sales and profit. Sales are expected to increase by JPY2.1 billion and profit by JPY0.1 billion.

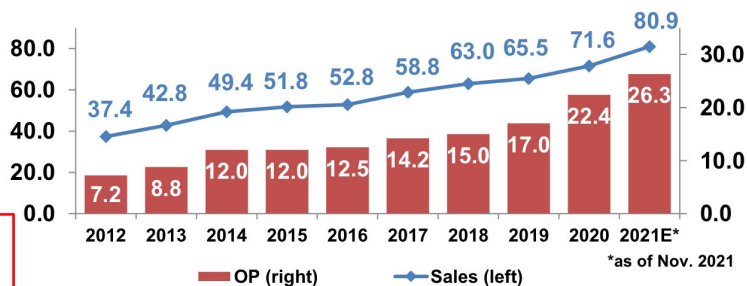
In the Fine Chemicals, sales are expected to be higher than the outlook, but profit is expected to be lower due to the increase in fixed costs. As for the Basic Chemicals, both sales and profit are expected to be higher, and for the segment as a whole, sales are expected to exceed the outlook by JPY1.4 billion and operating profit by JPY0.3 billion.

Performance Materials – (A) Recent Financial Performance

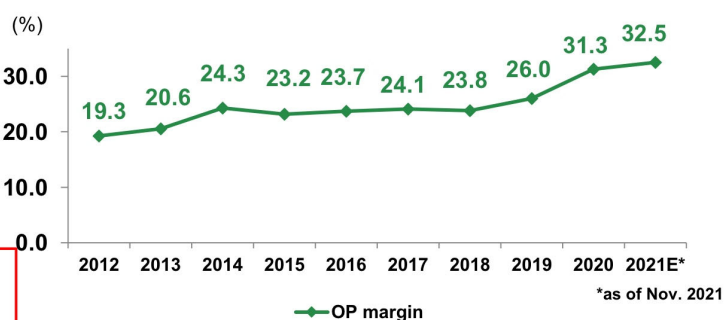
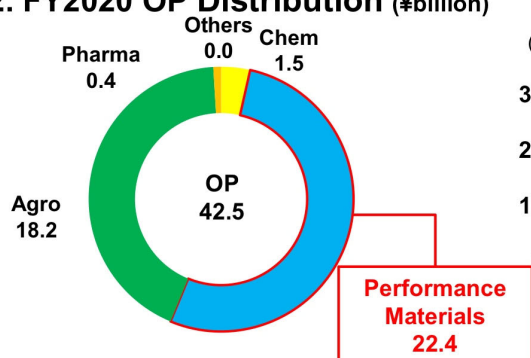
1. FY2020 Sales Distribution (¥billion)



3. Recent Financial Performance (¥billion)



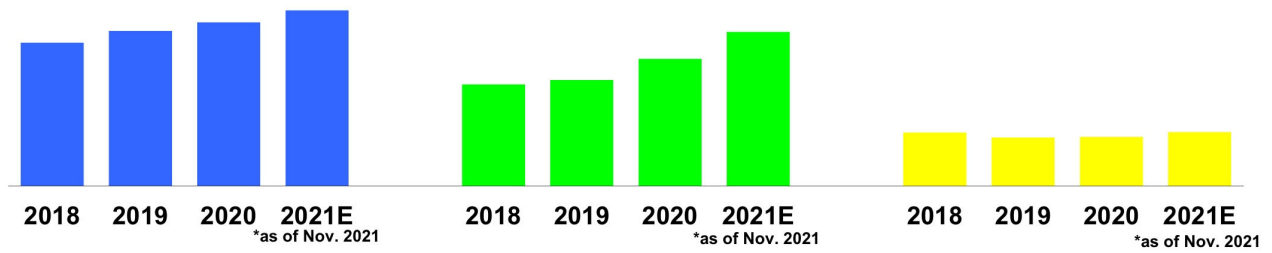
2. FY2020 OP Distribution (¥billion)



23

Next is Performance Materials. First of all, the green line graph on page 23 shows the profit margin, which has been increasing and is expected to reach 32.5% this fiscal year.

Performance Materials – (B) FY2018-2021E Sales Distribution



< Display Materials >

SUNEVER : LCD alignment coating

< Semis Materials >

ARC® :Bottom anti-reflective coating for semis
 Multi layer process materials (OptiStack®)
 Other new materials:
 EUV materials,
 3D packaging process materials,
 CMOS image sensor materials

< Inorganic >

SNOWTEX : Silica sol for:
 polishing materials (silicon wafer, compound semiconductors, semiconductors CMP and etc.) and non-polishing materials (special steel sheet and etc.)

Organo/Monomer Sol : Hard coating materials, electronic information materials, resin additive

Oilfield materials : For enhancing oil recovery

Page 24 shows the composition of sales by sub-segment.

Performance Materials – (C) Sales YOY Change

Main Products	Sales YOY Change									
	FY2020 Actual			FY2021 Outlook as of May 2021			FY2021 Outlook as of Nov. 2021			
	1H	2H	Total	1H	2H	Total	1H Actual	2H	Total	
SUNEVER	+7%	+4%	+5%	+5%	0%	+2%	+7%	+6%	+7%	
Total Display Materials	+7%	+4%	+5%	+5%	+1%	+3%	+7%	+7%	+7%	
ARC®	KrF (ARC®)	+14%	+14%	+14%	+2%	-2%	0%	+22%	+12%	+17%
	ArF (ARC®)	+16%	+15%	+16%	+11%	+11%	+11%	+21%	+22%	+22%
Total ARC®	+16%	+15%	+16%	+10%	+9%	+9%	+22%	+21%	+21%	
Other Semis Materials (1)	+51%	+16%	+31%	+7%	+14%	+11%	+17%	+24%	+21%	
Total Semis Materials	+25%	+15%	+20%	+9%	+10%	+10%	+20%	+22%	+21%	
SNOWTEX	+2%	+9%	+5%	+9%	+5%	+7%	+19%	+6%	+12%	
Organo/Monomer Sol	-15%	-1%	-8%	+7%	-2%	+2%	+26%	+2%	+13%	
Oilfield Materials	-91%	+123%	+18%	+1,483%	-39%	+17%	+1,093%	-41%	+1%	
Total Inorganic Materials										
Three products account for 83% of total consolidated subsegment sales (FY2020)	-8%	+10%	+1%	+13%	-2%	+5%	+23%	-1%	+10%	

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

*NCK: Consolidated subsidiary in South Korea. R&D, production and sales of display and semis materials.

◆ Semiconductor capex plan to capture long-term future business:

Main capex :	FY2014	Analyzing and evaluation R&D equipment (¥1.1 billion)
(approval basis)	FY2015	Product development facilities(¥2.8 billion), Analyzing and evaluation R&D equipment (¥0.8 billion), Production capacity expansion (¥0.8 billion), NCK* (¥0.7 billion), Material Research Lab. (¥0.5 billion)
	FY2016	NCK* production capacity expansion (¥2.6 billion), Analyzing and evaluation R&D equipment (¥1.0 billion), Material Research Lab. (¥0.4 billion)
	FY2017	Material Research Lab. (¥0.4 billion)
	FY2018	Production capacity expansion (¥0.2 billion), Production test facilities (¥0.2 billion)
	FY2019	Material Research Lab. (¥0.1 billion), Production test facilities (¥0.1 billion)
	FY2020	Analyzing and evaluation R&D equipment (¥1.0 billion), Production capacity expansion (¥0.2 billion), Material Research Lab. (¥0.2 billion), Production test facilities (¥0.1 billion)
	FY2021	Production test facilities (¥0.3 billion), Production capacity expansion (¥0.1 billion), Material Research Lab. (¥0.1 billion), Analyzing and evaluation R&D equipment (¥0.1 billion)

25

Next, on page 25, is the status of sales of major products.

First of all, in the area of display materials, sales of SUNEVER exceeded our initial forecast with a 7% increase in the first half. The outlook for the full year is 7% YoY increase, which is also higher than our initial forecast of the year of 2%. The total sales of Semis Materials increased by 20% YoY in the first half and are expected to remain strong in the second half. For the full year, sales are expected to increase by 21%, far above the initial forecast of 10%. Inorganic Materials sales increased by 23% YoY in the first half of the year, and are expected to increase by 10% for the full year.

These are the projections for the overall sales growth.

Performance Materials – (E-2) Sales & Profit Overview

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

1H FY2021 Review

<vs. 1H FY2020>

- ◆ DP sales up, OP up
Photo IPS up (non-smartphone up), rubbing IPS down, VA down, TN down
Fixed cost up ¥0.1 billion
- ◆ Semis Materials sales up, OP up
ARC® up, other semis materials up
(multi layer materials and other new materials up)
Strong performance in semis market
Fixed cost up ¥0.4 billion
Inventory adjustment cost down ¥0.1 billion
- ◆ Inorganic Materials sales up, OP up
SNOWTEX up (non-polishing and polishing up)
Organo/Monomer Sol up
Oilfield materials up
Fixed cost up ¥0.3 billion
- ◆ Fixed cost up ¥0.8 billion in total
- ◆ Sales up ¥5.0 billion, OP up ¥2.5 billion

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

- ◆ DP sales above target, OP above target
Photo IPS above target (non-smartphone above target),
rubbing IPS above target (non-smartphone above target),
VA below target, TN above target
- ◆ Semis Materials sales above target, OP above target
ARC® above target, other semis materials above target
(multi layer materials and other new materials above target)
Strong performance in semis market
Fixed cost below expectations (¥0.2 billion)
- ◆ Inorganic Materials sales above target, OP below target
SNOWTEX above target (non-polishing and polishing above target)
Organo/Monomer Sol above target
Oilfield materials below target
Fixed cost above expectations (¥0.1 billion)
- ◆ Fixed cost below expectations (¥0.1 billion) in total
- ◆ Sales up ¥2.4 billion, OP up ¥1.6 billion

2H FY2021 Outlook

<vs. 2H FY2020>

- ◆ DP sales up, OP up
Photo IPS up (non-smartphone up), rubbing IPS down, VA up, TN down
Fixed cost up ¥0.1 billion
Inventory adjustment cost down ¥0.1 billion
- ◆ Semis Materials sales up, OP up
ARC® up, other semis materials up
(multi layer materials and other new materials up)
Strong performance in semis market
Fixed cost up ¥0.6 billion
- ◆ Inorganic Materials sales down, OP down
SNOWTEX up (non-polishing up, polishing down)
Organo/Monomer Sol up
Oilfield materials down
Fixed cost up ¥0.4 billion
- ◆ Fixed cost up ¥1.2 billion in total
(including common expense up ¥0.1 billion)
- ◆ Sales up ¥4.3 billion, OP up ¥1.4 billion

<vs. 2H FY2021 Outlook as of May 2021>

- ◆ DP sales above target, OP above target
Photo IPS above target (non-smartphone above target),
rubbing IPS below target, VA above target, TN above target
Fixed cost above expectations (¥0.4 billion)
- ◆ Semis Materials sales above target, OP above target
ARC® above target, other semis materials above target
(multi layer materials and other new materials above target)
Strong performance in semis market
Fixed cost above expectations (¥0.1 billion)
- ◆ Inorganic Materials sales above target, OP below target
SNOWTEX above target (non-polishing above target, polishing below target)
Organo/Monomer Sol above target
Oilfield materials below target
Fixed cost below expectations (¥0.1 billion)
Inventory adjustment cost above expectations (¥0.1 billion)
- ◆ Fixed cost above expectations (¥0.5 billion) in total
(including common expense above expectations (¥0.1 billion))
- ◆ Sales up ¥2.7 billion, OP up ¥0.9 billion

28

This is followed by the profit trend in Performance Materials. Page 28 shows the figures for the first half and the second half.

First of all, let's look at the YoY comparison for the first half. Both sales and profit of display materials increased. Photo IPS sales have continued to be strong, especially in the non-smartphone sector.

Sales from rubbing IPS decreased due to the shift to photo IPS. Sales from VA decreased, because production in South Korea has been partially halted, and we are making up for it in China.

For Semis Materials, sales and profit were up, and all products are performing well. Inorganic Materials are also performing well, with increased sales and profit.

Overall, sales and operating profit increased by JPY5.0 billion and JPY2.5 billion, respectively.

Compared to the forecast figures, both sales and profit of Display Materials and Semis Materials are expected to be higher. On the other hand, due to the increase in costs and other factors, sales from Inorganic Materials will be higher, but profit will be lower.

As a result, overall sales exceeded the outlook by JPY2.4 billion and profit by JPY1.6 billion.

For the second half, go to the right side.

We expect to maintain the trend of increased sales and profit in Display Materials and Semis Materials compared to the same period last year.

On the other hand, sales of Inorganic Materials are expected to decrease slightly, and with the addition of increased costs, we expect a decrease in profit.

The overall segment sales are expected to increase by JPY4.3 billion and profit by JPY1.4 billion. Compared to the forecast as of May, the figures for Display Materials and Semis Materials will be up, while operating profit of Inorganic Materials is expected to be slightly down.

The overall increase will be JPY2.7 billion in sales and JPY0.9 billion in operating profit.

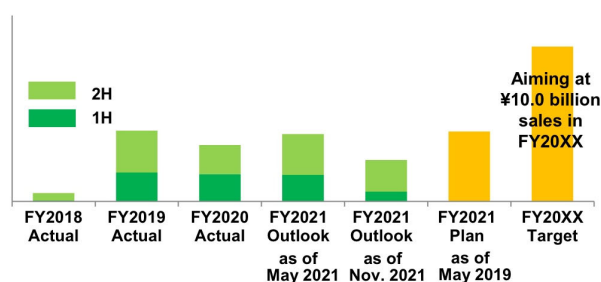
Agrochemicals – (B) Sales YOY Change (Before Discount)

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

Main Products (in order of FY2020 sales amount)		FY2020 Actual			FY2021 Outlook (as of May 2021)	FY2021 Outlook (as of Nov. 2021)			
		1H	2H	Total	Total	1H Actual	vs. Plan as of May 2021(undisclosed)	2H	Total
ROUNDUP (1)	Herbicide	-1%	+2%	0%	+4%	+4%	below	+3%	+3%
Fluralaner	Animal health products	-20%	+2%	-12%	-11%	-9%	above	+5%	-3%
ALTAIR	Herbicide	+21%	+8%	+11%	0%	-28%	below	0%	-7%
TARGA	Herbicide	-11%	+10%	-1%	+1%	+20%	above	+8%	+14%
GRACIA	Insecticide	-6%	-30%	-20%	+20%	-64%	below	+9%	-27%
PERMIT	Herbicide	-26%	+18%	+8%	-22%	+31%	in line	-18%	-10%
LEIMAY	Fungicide	+26%	+19%	+20%	+22%	+13%	below	+35%	+29%
QUINTEC	Fungicide	-	-28%	-8%	+61%	+115%	in line	+16%	+38%
DITHANE	Fungicide	-	-	-	Over +200%	-	below	+99%	Over +200%
Total segment	-	-7%	+5%	0%	+4%	0%	below	+5%	+3%

(1) ROUNDUP: See presentation materials for the ROUNDUP business briefing (January 22, 2020) https://www.nissanchem.co.jp/eng/news_release/release/en2020_01_24.pdf
ROUNDUP AL for general household accounting for 22% of FY2020 ROUNDUP sales

◆ GRACIA Sales Growth forecast



30

Next, let's look at Agrochemicals. Please refer to page 30.

This is the sales trend of major products. You see a mix of increase and decrease.

First of all, sales from ROUNDUP for the first half of the fiscal year was up 4% YoY, but this was below the outlook. For the second half of the fiscal year, we expect a 3% increase, but the full-year sales increase is expected to be 3%, which is slightly lower than the initial forecast in May.

On the other hand, sales from Fluralaner in the first half decreased by 9% YoY, which was above the plan. The shipment of APIs was almost as expected, but royalties income was higher than expected. The second half of the fiscal year is expected to see the same upturn in royalties, so for the full year, we will see a decline of 3%, which is somewhat higher than our initial forecast of a decline of 11%.

On the other hand, sales from ALTAIR decreased YoY and were also lower than the forecast. The situation will be the same for the full year. This is due to the fact that there was a lot of earlier shipments in the second half of last fiscal year, and there is a considerable amount of inventory. And sales to other companies in the same industry are currently a bit sluggish.

24

Sales from GRACIA decreased significantly. The status of sales of GRACIA is shown in the bar graph at the bottom left of this page. This is the same situation throughout the year.

The reason for this is that in the first half of the year, the harvest of spring cabbage and other crops was very early due to very good weather in early spring, and pest control was omitted. In addition, it is expected that there will be far fewer pests through the year. In addition, as for inventory adjustments, there is a considerable amount of channel inventory, and this has had an impact on the situation.

Looking at the overall results, the total for the Agrochemicals segment at the bottom, before discounting, is flat YoY for the first half, which means lower result than forecast, but the amount of the decline is less than JPY0.2 billion, which is not a large amount. For the year, the figure is a positive 3%, which is a little less than 4%.

Agrochemicals – (E-2) Fluralaner

API*: Active Pharmaceutical Ingredient

◆NCC's Revenues are consisted from following two factors

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

◆FY2019-FY2021 Fluralaner Quarterly Sales (including royalties)

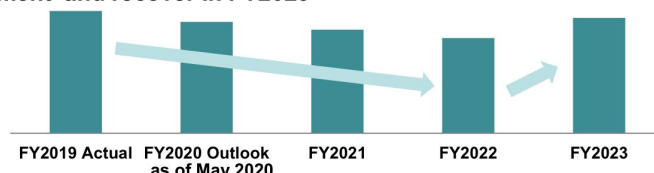


◆FY2021 sales: Revenue recognition policy changed (see p2)

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

◆FY2019-FY2023 Fluralaner Pro-forma Sales (including royalties) Image (Announced in May 2020)

- BRAVECTO and EXOLT sales expected to grow steadily
- NCC's Fluralaner sales expected to decrease until FY2022 due to continuing inventory adjustment and recover in FY2023



◆Although inventory adjustment has been proceeding, no change in the above scenario at this moment

◆BRAVECTO and EXOLT R&D

- Several pipeline products being developed by MSD (including new type of BRAVECTO for pets and spot-on solution for livestock)

34

Next, jumping ahead to page 34, the status of the Fluralaner.

Please look at the fourth bar graph in blue. This is unchanged from the bar graph shown in May 2020. The increase in royalties income indicates that the BRAVECTO sales on the ground is quite well.

Although inventory adjustments are progressing, we have not yet made a decision to revise this scenario that 2022 will be the bottom.

Agrochemicals – (G-2) Sales & Profit Overview

1H FY2021 Review

<vs. 1H FY2020>

- ◆ Sales up : DITHANE(sales start from 4Q FY2020), TARGA(strong export), QUINTEC(export), ROUNDUP(ML flat, AL up), PERMIT(export), LEIMAY(export)
- ◆ Sales down : GRACIA(less pest), ALTAIR(domestic), Fluralaner (royalties up, BRAVECTO inventory adjustment)
- ◆ Inventory valuation gain ¥0.1 billion
- ◆ Fixed cost up ¥0.6 billion
- ◆ Inventory adjustment cost down ¥0.6 billion
- ◆ Sales down ¥0.7 billion, OP down ¥0.8 billion (sales down ¥0.9 billion, OP down ¥0.9 billion due to changes in accounting policies)

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

- ◆ Sales above target : Fluralaner(royalties above target), TARGA(strong export)
- ◆ Sales in line with target : QUINTEC(export), PERMIT(export)
- ◆ Sales below target : GRACIA(less pest), ROUNDUP(ML below target, AL above target), ALTAIR(domestic), LEIMAY(domestic, export), DITHANE(export)
- ◆ Fixed cost below expectations (¥0.2 billion)
- ◆ Inventory adjustment cost below expectations (¥0.4 billion)
- ◆ Sales up ¥0.2 billion, OP up ¥1.2 billion

2H FY2021 Outlook

<vs. 2H FY2020>

- ◆ Sales up : DITHANE(sales start from 4Q FY2020), LEIMAY(export), Fluralaner(royalties up), ROUNDUP(ML, AL), TARGA(strong export), GRACIA(domestic down, export up), QUINTEC(export)
- ◆ Sales flat : ALTAIR(domestic up, export down)
- ◆ Sales down : PERMIT(export)
- ◆ Inventory valuation gain ¥0.2 billion
- ◆ Fixed cost up ¥0.8 billion
- ◆ Inventory adjustment cost down ¥0.2 billion
- ◆ Sales up ¥2.7 billion, OP up ¥0.8 billion (sales up ¥0.7 billion, OP up ¥0.7 billion due to changes in accounting policies)

<vs. 2H FY2021 Outlook as of May 2021>

- ◆ Sales above target : PERMIT(export), Fluralaner(API and royalties above target), LEIMAY(domestic, export), ROUNDUP(ML above target, AL below target)
- ◆ Sales in line with target : TARGA(strong export)
- ◆ Sales below target : GRACIA(domestic), ALTAIR(domestic, export), QUINTEC(export), DITHANE(domestic, export)
- ◆ Fixed cost above expectations (¥0.3 billion)
- ◆ Inventory adjustment cost below expectations (¥0.5 billion)
- ◆ Sales down ¥0.6 billion, OP down ¥0.6 billion

38

Next, let's jump to page 38, which shows the trend of profit in Agrochemicals.

The first half is on the left. The situation is quite different depending on products. Overall, sales of GRACIA decreased, sales of ALTAIR decreased, and sales of Fluralaner APIs decreased, resulting in a decrease of JPY0.7 billion in sales and JPY0.8 billion in operating profit.

However, price discounting increased by JPY0.9 billion in the first half of the year due to a change in accounting policies, so if we exclude this change, the results were almost the same as last year.

As you can see, due to the increase in royalties income from Fluralaner and the strong performance of TARGA, overall sales exceeded the forecast by JPY0.2 billion and operating profit by JPY1.2 billion, which is a significant increase.

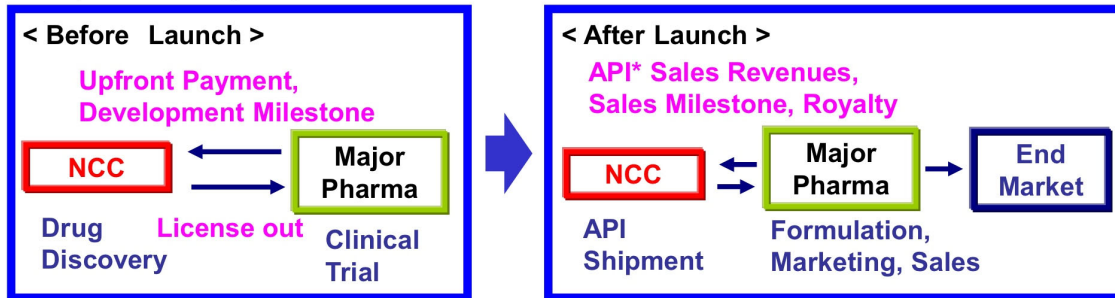
Next, the outlook for the second half of the fiscal year is shown on the right. In the second half of the fiscal year, sales will increase by JPY2.7 billion YoY due to the full year sales of DITHANE.

Operating profit is expected to increase by JPY0.8 billion YoY. As a result of the downturn in sales of GRACIA and ALTAIR, sales are expected to be down JPY0.6 billion and operating profit down JPY0.6 billion compared to the plan.

In this way, the profit of Agrochemicals will be the same as in FY2020. The figure for FY2020 was JPY18.2 billion, and the figure for the current fiscal year will be JPY18.2 billion.

Pharmaceuticals – (B) Business Model (New Drug) and LIVALO

◆ Unique ethical pharma business model without sales force



API*: Active Pharmaceutical Ingredient

◆ LIVALO API (Anti-Cholesterol Drug)

	FY2013 Actual	FY2014 Actual
Domestic End Market Sales (NHI drug price basis, ¥billion)	52.6	34.5
Our Domestic and Export API Sales (¥billion)	10.2	6.9
Our Domestic and Export API Sales YOY Change	-2%	-32%
(Domestic API Sales YOY Change)	(-2%)	(-46%)
(Export API Sales YOY Change)	(-1%)	(+21%)

FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Outlook as of May	FY2021 Outlook as of Nov.
16.7	14.3	12.0	-	-
4.3	4.0	2.8	2.0	2.3
-11%	-7%	-30%	-27%	-17%
(-53%)	(+105%)	(+6%)	(-13%)	(+47%)
(-6%)	(-14%)	(-35%)	(-30%)	(-32%)

- August 2013, domestic compound patent expired
- August 2020, market exclusivity expired in EU
- Currently, available in 28 countries

40

Next, let's move on to Pharmaceuticals on page 40. Please refer to the table.

As for the situation of LIVALO, the performance has been steadily declining, but in the current fiscal year, domestic sales have been increasing due to problems with generic manufacturers in Japan.

Our API sales were expected to be JPY2.0 billion in the initial forecast in May, but our current outlook is for a figure of JPY2.3 billion.

Pharmaceuticals – (F-2) Sales & Profit Overview

<u>1H FY2021 Review</u> <vs. 1H FY2020>	<u>2H FY2021 Outlook</u> <vs. 2H FY2020>
<p>(D.D) ◆ LIVALO sales down(domestic up, export down) ◆ Fixed cost down ¥0.1 billion ◆ Inventory adjustment cost up ¥0.1 billion ◆ Sales down ¥0.12 billion, OP down ¥0.08 billion</p> <p>(C.C) ◆ Sales up ◆ Inventory valuation gain ¥0.1 billion ◆ Inventory adjustment cost down ¥0.1 billion ◆ Sales up ¥0.44 billion, OP up ¥0.50 billion</p> <p>(Total) ◆ Sales up ¥0.32 billion, OP up ¥0.42 billion</p>	<p>(D.D) ◆ LIVALO sales down(domestic up, export down) ◆ Fixed cost up ¥0.1 billion ◆ Inventory adjustment cost down ¥0.1 billion ◆ Sales down ¥0.36 billion, OP down ¥0.23 billion</p> <p>(C.C) ◆ Sales down ◆ Inventory valuation gain ¥0.1 billion ◆ Inventory adjustment cost down ¥0.2 billion ◆ Sales down ¥0.29 billion, OP down ¥0.40 billion</p> <p>(Total) ◆ Sales down ¥0.65 billion, OP down ¥0.27 billion</p>
<u><vs. 1H FY2021 Outlook as of May 2021></u>	<u><vs. 2H FY2021 Outlook as of May 2021></u>
<p>(D.D) ◆ LIVALO sales above target (domestic and export above target) ◆ Fixed cost below expectations (0.1 billion) ◆ Inventory adjustment cost above expectations (0.1 billion) ◆ Sales up ¥0.38 billion, OP up ¥0.27 billion</p> <p>(C.C) ◆ Sales above target ◆ Sales up ¥0.02 billion, OP down ¥0.01 billion</p> <p>(Total) ◆ Sales up ¥0.40 billion, OP up ¥0.26 billion</p>	<p>(D.D) ◆ LIVALO sales below target (domestic above target, export below target) ◆ Sales down ¥0.12 billion, OP in line with target</p> <p>(C.C) ◆ Sales below target ◆ Inventory adjustment cost below expectations (0.1 billion) ◆ Sales down ¥0.03 billion, OP down ¥0.03 billion</p> <p>(Total) ◆ Sales down ¥0.15 billion, OP down ¥0.03 billion</p>

46

I will skip to page 46, which shows the revenue trend of Pharmaceuticals.

In the case of Pharmaceuticals, we have already disclosed information on Drug Discovery and Custom Chemicals.

In the area of Drug Discovery, domestic sales increased but exports decreased. Sales declined by JPY0.12 billion, and operating profit declined by JPY0.08 billion YoY. Sales of Custom Chemicals continued to increase strongly, with sales up JPY0.44 billion and profit up JPY0.5 billion.

Compared to the forecast, in the Drug Discovery, sales of LIVALO were up JPY0.38 billion and profit was up JPY0.27 billion. Figures for Custom Chemicals were almost in line with expectations.

As for the outlook of YoY changes for the second half of the fiscal year on the right, the decrease in exports will have a negative impact on LIVALO, resulting in a YoY decrease in sales of JPY0.36 billion and a decrease in profit of JPY0.23 billion. Sales from Custom Chemicals will decline as planned. As a result of the decrease in sales, profit is also expected to decrease slightly.

In the Drug Discovery, sales will be down compared to the forecast, but profit is expected to be in line with the expectations. Results for Custom Chemicals will be almost as expected.

ESG

FY2019																																																	
April	• Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors																																																
June	• Introduced a performance-linked stock compensation plan called a Board Benefit Trust for members of the Board of Directors, etc.																																																
January	• NCC was selected as one of the 50 candidates among all listed companies of the FY2019 Corporate Value Improvement Award hosted by the Tokyo Stock Exchange for the 2nd consecutive year (FY2020 Award suspended)																																																
FY2020																																																	
June	• NCC was selected as an inclusion in the S&P/JPX Carbon Efficient Index for the 2nd consecutive year																																																
August	• NCC announced its support for recommendations of Task Force on Climate-related Financial Disclosures (TCFD)																																																
November	• NCC was selected as an inclusion in the Dow Jones Sustainability Asia Pacific Index for the 3rd consecutive year																																																
December	• NCC was listed on Water Security "A List" for the 2nd consecutive year and Climate Change "A- List" for the first time by CDP																																																
January	<p>• NCC established new long-term target for reducing greenhouse gas (GHG) emissions Mid-term target in Vista2021(FY2016-2021) : Reducing GHG emissions by 20% from FY2011 levels by FY2021 → Achieved 27% reduction in FY2019 compared to FY2011 New long-term target: Reducing GHG emissions by 30% from FY2018 levels by FY2030</p> <table border="1"> <thead> <tr> <th colspan="8">GHG emissions (1,000t-CO2)</th> </tr> <tr> <th>FY</th> <th>2011</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2030</th> <th></th> </tr> </thead> <tbody> <tr> <td>Mid-term target in Vista2021</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>359</td> <td>-</td> <td>-</td> </tr> <tr> <td>Actual</td> <td>448</td> <td>363</td> <td>327</td> <td>318</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>New long-term target</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>254</td> <td>-</td> </tr> <tr> <td>Average of 5 major Japanese chemical companies</td> <td>-</td> <td>-</td> <td>5,069</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	GHG emissions (1,000t-CO2)								FY	2011	2018	2019	2020	2021	2030		Mid-term target in Vista2021	-	-	-	-	359	-	-	Actual	448	363	327	318	-	-	-	New long-term target	-	-	-	-	-	254	-	Average of 5 major Japanese chemical companies	-	-	5,069	-	-	-	-
GHG emissions (1,000t-CO2)																																																	
FY	2011	2018	2019	2020	2021	2030																																											
Mid-term target in Vista2021	-	-	-	-	359	-	-																																										
Actual	448	363	327	318	-	-	-																																										
New long-term target	-	-	-	-	-	254	-																																										
Average of 5 major Japanese chemical companies	-	-	5,069	-	-	-	-																																										
FY2021																																																	
April	• Announced its Diversity Statement and Diversity Vision																																																
June	• One female Outside Director added, as a result, the Board of Directors includes 4 Outside Directors out of 10																																																
July	• NCC was selected as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index for 2nd consecutive years																																																
November	• Published "Integrated Report 2021" https://www.nissanchem.co.jp/eng/ir_info/archive/ar/ar2021.pdf																																																
FY2022																																																	
June	• Plan to reduce GHG emissions by melamine production stop (26,000 tons, equivalent to about 7% of FY2018)																																																

47

This concludes explanation by segment, and we will move on to page 47, ESG.

This chart shows the actual greenhouse gas emissions in FY2020, 318,000 tons, which is a decrease from FY2019, and we are aiming for a 30% reduction in FY2030 compared to FY2018. As you can see from the date of June 2022, a reduction of about 26,000 tons is expected with the melamine production stop.

Mid-term Plan Vista2021 Stage II (FY2019-2021) announced in May 2019 - (A)

1. PL (1) (¥billion)

	FY2018	FY2021	FY2021	FY2021
	Actual	Mid-term Plan announced in May 2016	Current Mid-term Plan announced in May 2019	Outlook as of Nov. 2021
Sales	204.9	250.0	235.0	205.5
Operating Profit	37.1	40.0	43.0	47.4
Ordinary Income	39.1	40.8	44.0	48.8
Net Income	29.4	31.0	33.0	36.4
EPS (¥/share)	197.67	-	230.00	255.10
Dividend (¥/share)	82	-	-	114
FX Rate (¥/\$)	111	115	110	108
Naphtha (¥/kl)	49,700	51,100	43,000	-
Crude Oil (JCC) (\$/bbl)	-	-	64	73

Despite COVID-19, we are expected to achieve the financial targets (indicated in Current Mid-term Plan) in FY2021.

(Financial Targets)	FY2018	FY2021	FY2020, FY2021	FY2021
	Actual	Mid-term Plan announced in May 2016	Current Mid-term Plan announced in May 2019	Outlook as of Nov. 2021
OP Margin	18.1%	Above 15%	Above 18%	23.1%
ROE	16.6%	Above 14%	Above 16%	18.1%
Dividend Payout Ratio	41.5%	40%	45%	44.7%

2. Segment (1)(2) (¥billion)

	Sales				Operating Profit			
	FY2018	FY2021	FY2021	FY2021	FY2018	FY2021	FY2021	FY2021
	Actual	Mid-Term Plan announced in May 2016	Current Mid-Term Plan announced in May 2019	Outlook as of Nov. 2021	Actual	Mid-Term Plan announced in May 2016	Current Mid-Term Plan announced in May 2019	Outlook as of Nov. 2021
Chem	35.7	40.5	43.1	36.4	3.0	4.5	5.1	2.9
Performance M.	63.0	82.9	75.1	80.9	15.0	18.4	17.3	26.3
Agro	62.7	67.0	70.1	65.8	18.4	16.7	21.1	18.2
Pharma	7.0	8.3	7.5	6.3	1.0	2.4	0.7	0.5
Trading, Others, Adj	36.5	51.3	39.2	16.1	-0.3	-2.0	-1.2	-0.5
Total	204.9	250.0	235.0	205.5	37.1	40.0	43.0	47.4

(1) FY2021 Outlook: Including Sales decrease due to changes in accounting policies (see p2, 15, 16) (2) Including inter-segment sales/transfers

50

Next is the comparison with the Mid-term Plan. Go to page 50.

You see the actual outlook on the rightmost and the figures in the Mid-term Plan on the left hand of it. As you can see, as I mentioned at the beginning of this report, we expect to clear all profit levels. In terms of management indices, we believe that the operating profit margin, ROE, and dividend payout ratio will all be met.

Mid-Term Plan Vista2021 Stage II (FY2019-2021) announced in May 2019 - (B)

1. Cash Flows

(¥billion)

	Total FY2016-2018	Total FY2019-2021 (round number)	Total FY2019-21
	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook
CF from operating activities	102.1	115.0	114.8
CF from investing activities	-39.2	-45.0	-42.3
CF from financing activities	-62.0	-75.0	-77.3
(Total payout to shareholders (dividend & share repurchase))	-55.6	-70.0	-72.5
(Repayment of borrowings)	-6.4	-5.0	-3.9

	FY2018	FY2021	FY2021
	Actual	Mid-Term Plan announced in May 2019	Outlook as of Nov. 2021
Cash at end of fiscal year	36.2	30.0	32.2
Liabilities with Interest at end of fiscal year	24.6	21.0	22.7

2. Capex, Depreciation, R&D expenses, Researchers

(¥billion)

(person)

	Capex			Depreciation			R&D expenses			Researchers	
	Total FY2016-2018	Total FY2019-2021	Total FY2019-21	Total FY2016-2018	Total FY2019-2021	Total FY2019-21	Total FY2016-2018	Total FY2019-2021	Total FY2019-21	FY2020	FY2021
	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook	Actual	Mid-Term Plan announced in May 2019	FY2019-20 Actual, FY2021 Outlook	Actual	Mid-Term Plan announced in May 2019
Chemicals	6.6	14.7	10.6	5.2	9.4	6.8	1.6	1.4	1.0	5	10
Performance Materials	18.9	17.8	12.8	16.7	17.0	13.7	24.3	26.7	21.9	190	210
Agrochemicals	8.3	8.2	15.7	4.4	5.5	7.6	12.6	14.8	13.3	90	95
Pharmaceuticals	2.1	1.7	1.7	2.1	1.8	1.6	7.2	7.1	7.1	75	90
Trading, Others, Adjustment	2.0	2.3	2.5	1.9	3.1	1.7	5.4	8.0	6.8	100	75
Total	37.9	44.7	43.3	30.3	36.8	31.4	51.1	58.0	50.1	460	480

51

Page 51 shows cash flow in the Mid-term Plan and current cash flow. As you can see, the current Mid-term Plan, the current results for FY2019 and FY2020, and the projected figures for FY2021 are almost the same.

FY2021 Mid-term Plan vs. FY2021 Outlook

(¥billion)

		FY2021 Mid-term Plan (A)	FY2021 Outlook (B) (2021/11)	(B) - (A)	
Chemicals	Sales	43.1	36.4	-6.7	Fine Chemicals: total below target Above target: TEPIC (general applications) Below target: TEPIC (electronic materials), environmental related products, FO (cosmetic raw materials)
	OP	5.1	2.9	-2.2	Basic Chemicals: total below target Above target: urea including AdBlue Below target: melamine (domestic, export) Total Sales below target, fixed cost below expectations Fine Chemicals OP below target, Basic Chemicals OP below target
Performance Materials	Sales	75.1	80.9	+5.8	DP: total above target Above target: photo IPS Below target: rubbing IPS, VA, TN, other display materials Semis: total above target Above target: KrF, ArF, multi layer process materials, EUV materials Below target: 3D packaging process materials, CMOS image sensor materials
	OP	17.3	26.3	+9.0	Inorganic: total below target Above target: SNOWTEX (non-polishing, polishing) Below target: Organo/Monomer sol, Oilfield materials Total Sales above target, fixed cost below expectations (DP, Semis, Inorganic) DP OP above target, Semis OP above target, Inorganic OP below target
Agro	Sales	70.1	65.8	-4.3	Above target: DITHANE, QUINTEC, LEIMAY Below target: Fluralaner, GRACIA, ROUNDUP (ML, AL: below), TARGA, PERMIT
	OP	21.1	18.2	-2.9	Sales below target, fixed cost above expectations
Pharma	Sales	7.5	6.3	-1.2	Drug Discovery: total in line with target Above target: LIVALO (domestic) Below target: LIVALO (export), up-front and milestone payments Custom Chemicals: total below target Below target: GE API products, peptide CMO
	OP	0.7	0.5	-0.2	Sales below target, fixed cost below expectations Drug Discovery OP above target, Custom Chemicals OP below target
Trading, Others, Adjustment	Sales	39.2	16.1	-23.1	Below target: Trading (-1.5), Other domestic subsidiaries (-1.3), Adjustment etc (-20.3 including Sales decrease due to changes in accounting policies (see p2, 15, 16))
	OP	-1.2	-0.5	+0.7	Trading OP in line with target, Other domestic subsidiaries OP below target (-0.2), Adjustment others (+0.9)
Total	Sales	235.0	205.5	-29.5	
	OP	43.0	47.4	+4.4	

52

Page 52 shows the difference between the Mid-term Plan and the outlook for FY2021.

If you look at operating profit, there is a significant downturn in Chemicals, with JPY2.2-billion decline. The main reason is that we could not predict the impact of cheap Chinese products at the time.

Operating profit for Performance Materials is expected to be higher by JPY9.0 billion, due to increased sales in photo IPS in Display Materials and main products in Semis Materials. In Inorganic Materials, although the Oilfield materials is in a major slump, profit will greatly exceed this, resulting in an increase in operating profit.

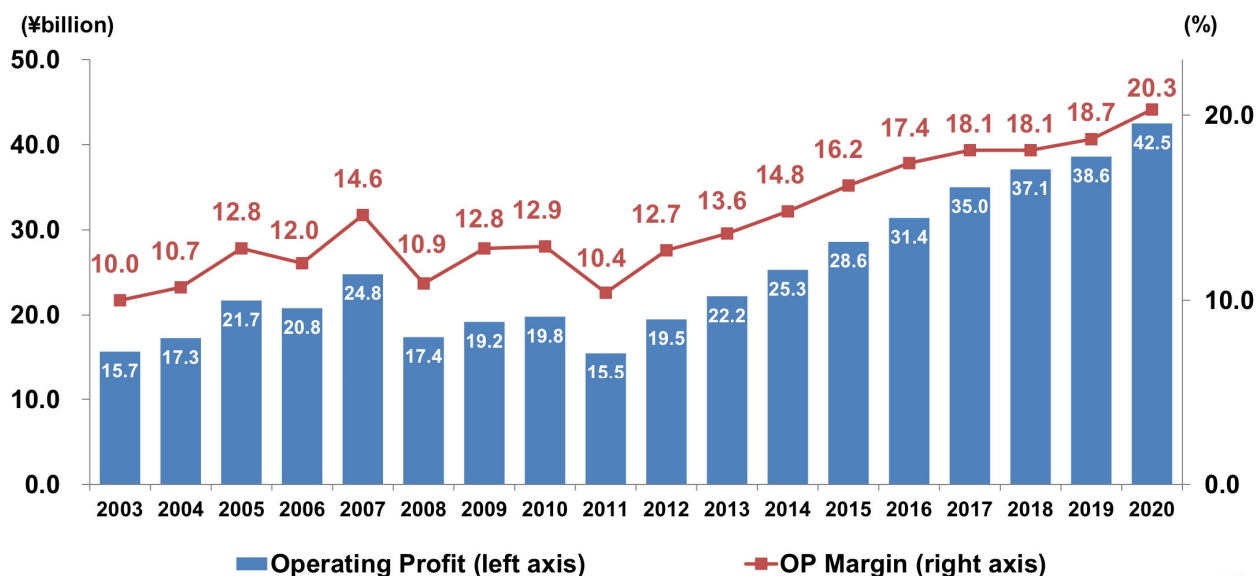
In the area of Agrochemicals, we acquired DITHANE, QUINTEC, but we did not anticipate any inventory adjustment for Fluralaner at the time, so this has a significant effect on our results.

In Pharmaceuticals, contracted production of peptide CMO in Custom Chemicals is below the forecast, and operating profit will be below target by about JPY0.2 billion. In total, the outlook of operating profit is above the target by JPY4.4 billion.

32

Our Characteristics - (A) Recording Stable OP Margin

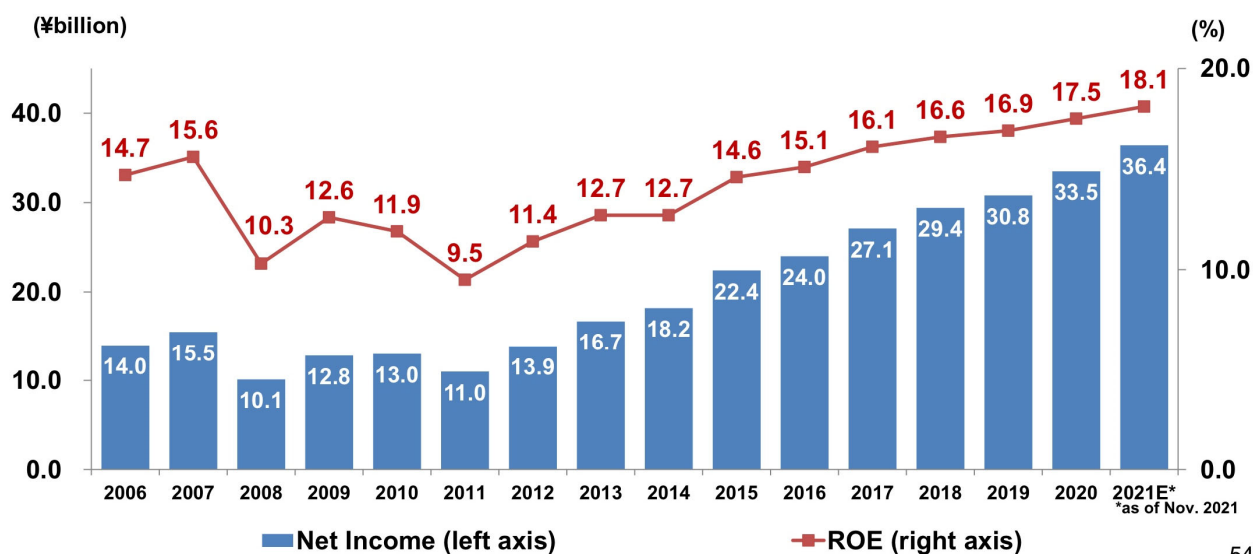
- ◆ NCC has recorded more than 10% OP margin in 18 consecutive years (FY2003-2020)



53

Our Characteristics - (B) High ROE

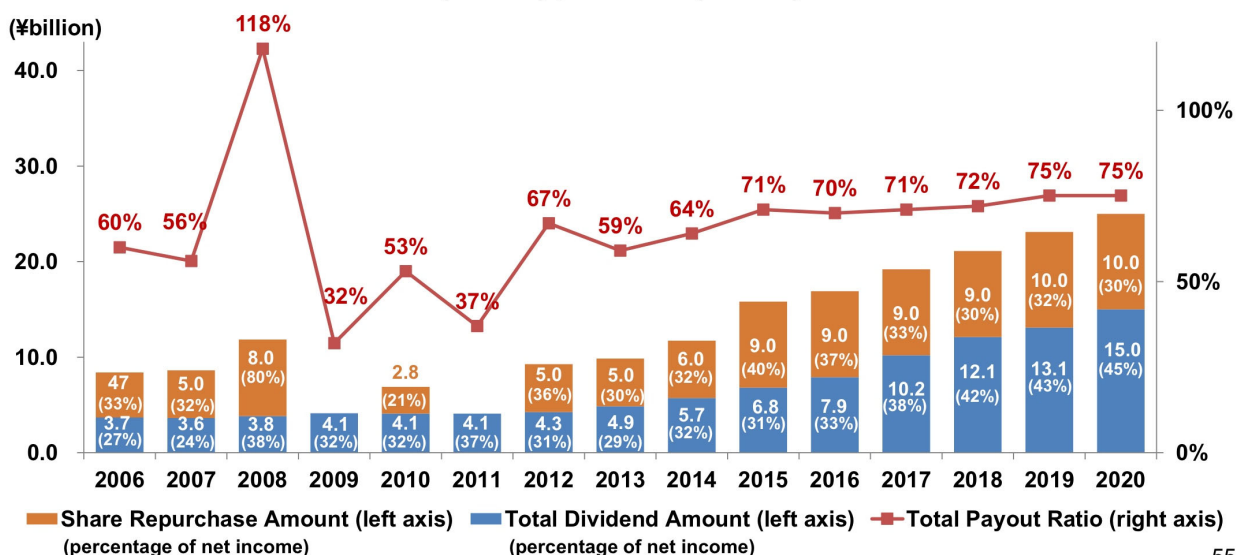
- ◆ The most important financial indicator for a long time
- ◆ Mid-Term Plan FY2019-2021 Target : Maintain above 16%
⇒ Achieved in FY2019 (16.9%), FY2020 (17.5%)



54

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

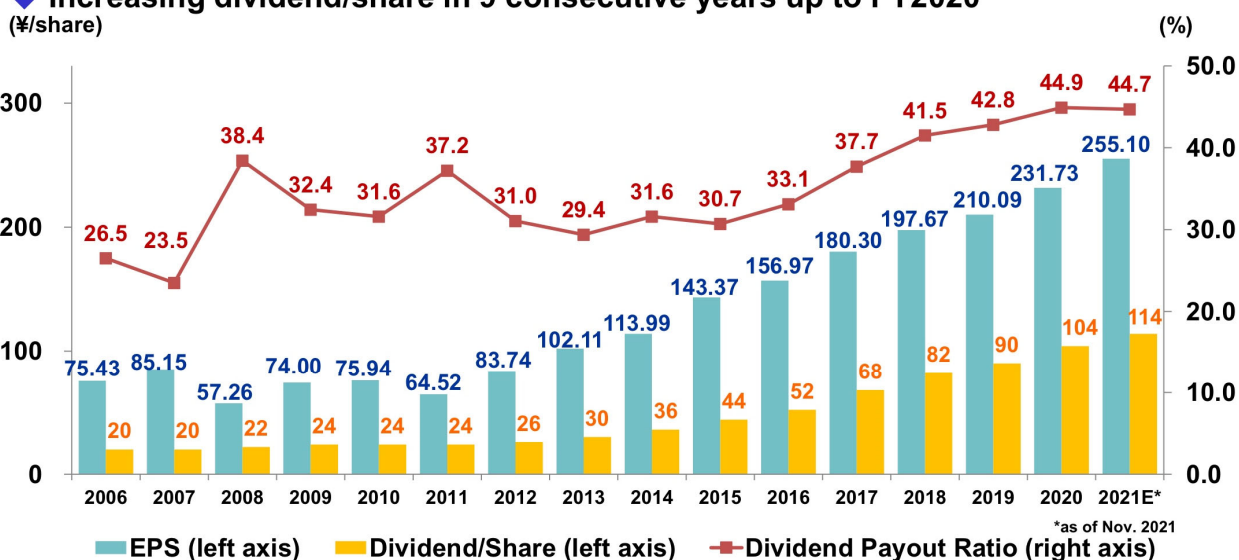
- ◆ Maintaining an aggressive shareholders return policy
- ◆ Mid-Term Plan FY2016-2018 Target : Maintaining 70%
⇒ Achieved in FY2016-2018
- ◆ Mid-Term Plan FY2019-2021 Target : 72.5% in FY2019, 75% in FY2020-2021
⇒ Achieved in FY2019 (75.1%) , FY2020 (74.6%)



55

Our Characteristics - (D) Shareholders Return Policy - Dividend

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



56

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

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

Shareholders Return FY2006 - 2020

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

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

*No share repurchase in FY2009 and FY2011

- ◆ Share repurchase and cancel program

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

- ◆ Cash Management Policy

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

57

Finally, page 57 shows the status of treasury stock.

The smaller chart on the bottom of page 57 shows the actual number of shares repurchased. In the first half of FY2021, we repurchased 1.262 million shares at a cost of JPY7.0 billion and cancelled 2 million shares.

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

Comments on the business environment (Person in charge of each business)

<Chemicals Division>

I will explain the results for the first half. First of all, compared to the same period last year, both sales and operating profit have increased significantly due to the recovery from the decline in demand caused by the major impact of COVID-19 in FY2020.

Basically, the numbers are growing in a well-balanced manner, with melamine, nitric acid, TEPIC, chlorine isocyanurate, etc. all growing.

On the other hand, when we look at the operating profit of Fine Chemicals in comparison with the forecast, there was a downward swing, but this was due to the fact that we had trouble with our manufacturing facilities during the first half of the year, which prevented us from releasing products, and also due to the sluggish growth of chlorinated isocyanurate used in swimming pools in Japan. Initially, we had expected a recovery from COVID-19, but things did not go as expected.

In the second half of FY2021, both sales and profit are basically expected to increase. However, the difficult circumstances of natural gas and shipping services resulted a lower operating profit forecast than expected.

The reason for the decline in operating profit in Fine Chemicals is partly due to fixed costs, but it also includes the expectation that the prices of TEPIC for the general applications in China will come down a little.

As for the trouble with the chlorine isocyanurate equipment, it is not only affecting the first half of the year due to shipping reasons, but is also affecting the second half of the year.

<Display Materials Department, Performance Materials Division>

First of all, in the first half of the fiscal year, the display market continued to be favorable for both TVs and IT during the COVID-19 pandemic. In particular, for IT applications, the technology shift to photo IPS is underway.

In the IT field, the technology shift is progressing in tablets, notebook PCs, monitors, and even in-vehicle applications. In such a situation, our sales performance has achieved an increase in both sales and profit while maintaining our market share.

In the second half of the fiscal year, we expect the IT business to remain strong. Among them, our major customers in each region are planning to start operation of photo IPS expansion lines, and we expect further conversion to photo IPS to proceed due to the increased production.

In particular, as the shift in notebook PCs and in-vehicle applications progresses, we expect to see further increases in both sales and profit.

<Semiconductor Materials Department, Performance Materials Division>

In the first half of FY2021, we achieved a positive result against our forecast, due to the strong performance of the overall semiconductor market. The positive factors, in order of magnitude, are increased demand for

advanced logic and memory in Korea, increased demand for older generation logic and memory in China, and increased demand for overall logic and memory in Taiwan.

The forecast for the second half of the fiscal year is for continued strong performance. In addition, device manufacturers have increased their production capacity, so we expect an increase from the first half results. The positive factors in this category, in order of magnitude, are the increase in production capacity in China, the increase in production capacity in Korea, the continued strong performance in Taiwan, and the start of advanced logic devices.

<Inorganic Materials Department, Performance Materials Division>

In the first half of the fiscal year, both sales and profit increased compared to the same period last year. Sales of core product, SNOWTEX, increased. Last year, we were greatly affected by the COVID-19 pandemic, but this year, demand for automotive and semiconductor-related applications has been strong.

We are also beginning to see the effects of the suspension of production in March this year by other companies in the same industry in Japan. Sales of Organo/Monomer Sol, and Oilfield Materials also increased YoY. This was also due to the significant impact of COVID-19 in the previous year.

I will explain the second half forecast. As for SNOWTEX, we expect demand to remain strong. On the other hand, we are concerned about the decline in profitability due to the soaring cost of raw materials. We are planning to revise the prices of the product. Sales of Organo/Monomer Sol are expected to continue to increase YoY.

In the Oilfield Materials, we expect a YoY decline in sales, partly because of the actual demand of a large-scale project last year. As you know, oil prices are soaring, and the market environment is good, but in the US, the Biden administration has a negative policy, and this is a cause for concern.

<Agrochemicals>

First of all, in the first half of the fiscal year, overall sales decreased slightly YoY on a pre-discount basis.

Inventory adjustments of Fluralaner had an impact, and in Japan, unseasonable weather caused a drop in our shipments of GRACIA. In the same way, there was a decrease in shipments of the herbicide ALTAIR due to distribution stock.

However, this was offset by strong exports of DITHANE, a newly acquired fungicide, and TARGA for overseas markets. With regard to GRACIA, we were concerned in the early spring that the clearance of distribution inventory would not proceed smoothly, but as of the end of September, we are aware that the clearance of inventory is proceeding relatively smoothly.

On the other hand, TARGA is growing steadily, especially in India, where it is being marketed as a mixture, and in Brazil, another demand area, where the area soybeans are planted has increased significantly due to the high price of grain and strong exports. Sales of the TARGA have increased in proportion to this.

For the second half of the fiscal year, we are also forecasting an increase in sales compared to the same period of the previous year on a pre-discounted sales basis. The main reason for this is an increase in royalties income from animal health products. As I mentioned earlier, exports of TARGA continue to be strong.

On the other hand, domestic sales of GRACIA will continue to decline, but overseas sales are expanding, so we expect an increase in sales.

<Pharmaceuticals Division>

In the first half of FY2021, sales and profit from LIVALO were higher than the forecast. The demand for brand-name products has increased a bit, which had a positive impact. Sales of Custom Chemicals also increased in the first half of FY2021.

As for the forecast for the second half of FY2021, shipments of both LIVALO and Custom Chemicals were concentrated in the first half, and the overall result in the second half is expected to be slightly negative.

We expect a slight increase compared to the full-year forecast. I would like to add that although there have been reports about the adjustment of shipments of generic products of eldecacitol, the shipment of API is proceeding without any problems.

Question & Answer

<Questioner 1>

Q: The full year forecast will exceed the target in the Mid-term Plan. In particular, Performance Materials, photo IPS and Semis Materials are performing well, and these are standing out. What kind of portfolio are you planning for the next 3 years of growth? Particularly in the area of Display Materials, I believe that the technological shift to photo IPS will continue, but it may be slower than the past 3 years, so how can you increase profit under such circumstances? Can you please explain about this area?

A: I'm Yagi, the president. The next 6 years Mid-term Plan which includes next 3 years to come and more 3 years, will start from next year. In addition to Display Materials, we also have plans to increase profit from Semis Materials in the Mid-term Plan. In the Agrochemicals field, new active ingredients have also been added to the lineup. Moreover, we are currently examining new fields, and although we are not sure if it will be able to make an immediate contribution, we are committed to further expansion.

Q: Is it correct to say that there is still considerable room for technological change in Display Materials?

A: Yes.

<Questioner 2>

Q: The first question is related to the inventory adjustment of Agrochemicals. You mentioned that inventory reduction of GRACIA is smoothly progressing as of end-September. Do you expect this will be resolved within this fiscal year? Also, how do you feel about ALTAIR's inventory problem in the second half? With regard to Fluralaner, looking at page 38, there is a description that the sales of APIs are also increasing in the second half of the fiscal year, so I wonder if inquiries from Merck are getting stronger. Or is it simply a matter of timing? Could you please provide some additional comments on the 3 products that are having the inventory adjustment problem?

A: First of all, I would like to explain the progress of the inventory adjustment of 2 agrochemicals, GRACIA and ALTAIR. In the case of GRACIA, the pest control was skipped once due to an extremely rare case of continuous good weather in early spring. Initially, we were very concerned about the situation because of the very poor digestion of distribution stock and the departure of warehouses. After that, we had heavy rains in the fall as well, and in the end, at the end of September, we conducted a survey on the inventory in our account, and we found that the inventory was more smoothly digested than we had initially feared. But We have not yet reached a completely appropriate inventory situation, so we are expecting some impact in the early part of FY2022, up to the first and second quarters of the year.

Regarding ALTAIR, the usage period has ended since April 2021, and the current inventory in the distribution system is almost the same. However, since the inventory is not so large, we believe that the impact on the next fiscal year will be minimal.

With regard to Fluralaner, although there will certainly be an upturn in API sales in the second half of the fiscal year, it is a very small amount, so it is not a noticeable amount.

Q: I understand. Royalties are also on the rise, so we have high expectations for the next fiscal year and beyond. The second question is about fixed costs. For both Performance Materials and Agrochemicals, you have

increased fixed costs in the second half of the fiscal year compared to the initial plan. In the area of Agrochemicals, you have increased fixed costs by JPY0.3 billion from the initial plan for the second half of the fiscal year, and in the area of performance materials, I think you have increased fixed costs by JPY0.5 billion, mainly for Display Materials. Do you have any additional comments on this background?

A: The Agrochemicals Division is currently the first in the Company to start DX, so the cost of that will be large, and we are also assuming that travel and transportation expenses will return to normal, so that will be a large factor. The Performance Materials Division also has an assumption that overall travel and transportation expenses will return to normal, and R&D expenses will be delayed and come out in the second half of the fiscal year, so there will be an increase in those expenses.

Q: When you say that it will return to normal, do you mean before COVID-19?

A: That's right. I see it coming back gradually.

Q: In reality, if business travel does not increase that much, there is room for an increase in profit.

A: Yes, that's right.

<Questioner 3>

Q: First, I would like to ask Mr. Yagi, the president, about the next Mid-term Plan. You mentioned about the creation of a new growth engine. I don't think you can comment clearly, but I would like to know if you have any ideas about the areas that you are targeting. Also, ROE has already risen to 18%, so I would like to know if you are looking at 20% or higher in the next Mid-term Plan.

A: I am Yagi, we are working on a Mid-term Plan and then a Long-term Plan, but I cannot give you any specific details yet. However, for example, we are currently exploring whether it is sufficient to use only existing technologies in the life sciences, or whether our technologies can be used in areas that are not enclaves, such as by attaching them to the life sciences. Please look forward to next year's announcement. As for ROE, I think you can consider it to be around the current level.

Q: I understand. In that sense, do you take M&A into account to some extent? Or do you want to focus on organic growth?

A: There is no specific talk on M&A right now, but of course we are considering it with an eye to the future.

Q: I understand. Thank you. Secondly, I would like to ask you about the Semis Materials, for which forecasts have been revised upward both in the first and second half of the current fiscal year. Can you tell us a little bit more about the background behind the higher-than-expected increase in KrF and ArF in the ARC section, and other semiconductor materials section, respectively?

A: As for the background of the upward swing, the main reason for this is that our customers have been increasing their production capacity ahead of our expectations. In addition, as we move toward the leading edge of advanced logic, the use of EUV is increasing and the number of lithography sessions is increasing, which is a positive factor in the overall use of materials and the expansion of our market share.

Q: I understand. By the way, in the area of other semiconductor materials, I think there are some other materials such as CMOS image sensor, EUV under layer, and multi layer materials. Is there anything you can tell us about this area?

A: In other areas, multi layer materials are growing the most because they are related to lithography at the leading edge of semiconductors. The CMOS image sensor is slightly growing. Also, the EUV under layer is growing significantly.

<Questioner 4>

Q: Please tell us about SUNEVER in the Display Materials. I think there are some concerns that demand for PC-related products may drop in reaction to the considerable sales during the first half. What are your assumptions about the demand for this set in the second half of the fiscal year and beyond? What are your thoughts on this?

A: In the second half of the fiscal year, we expect notebook components to remain strong. In this context, we see the continued strong performance as the shift to photo IPS progresses further.

Q: I understand that the increase is due to the shift to photo IPS, but do you expect the demand of the set to remain steady as well?

A: Yes, that's right. Our major customers are preparing to increase their production capacity.

<Questioner 5>

Q: In the area of Agrochemicals, the accounting policy has changed a little bit from this time, so it is a little difficult to determine whether the trend is upward or downward. In the third and fourth quarters, do you expect the performance to recover in the fourth quarter?

A: With regard to the profitability of Agrochemicals, it is difficult to answer your question, but there is quite a bit of seasonality, so we have to look at the total profitability.

Q: If that is the case, I think it would be a downturn compared to the previous forecast. I think you mentioned earlier that the inventory in GRACIA has been adjusted to some extent. Could you give us some additional information about the future outlook and when you think it will return?

A: If we look at the term of the next fiscal year, I think we will be able to see the trend around the time of the second quarter.

<Questioner 6>

Q: As for Agrochemicals, recently, your company has introduced several pesticides from American companies, and I think there is still a lot of work to be done to review the business portfolio of multinational companies, can you give me a feeling of whether or not there are still deals that would be good for your company?

A: Regarding an acquisition of a pesticide after QUINTEC and DITHANE, we do not have anything concrete in mind at this time. However, if there is a pesticide that is suitable for our company in the multiple portfolio stages, we will keep a close eye on it. This is the situation.

[END]