



Nissan Chemical
CORPORATION

Nissan Chemical Corporation

2Q FY2022 Financial Results Briefing

Presenter:

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<p>1H vs. 1H FY2021</p>	<ul style="list-style-type: none"> ■ Sales up ¥17.7 billion (+19%) ■ OP up ¥6.9 billion (+32%) ■ Net Income up ¥7.4 billion (+45%) ■ OP, Ordinary Income and Net Income set a new record for 2 consecutive years
<p>1H vs. 1H Outlook as of August 2022</p>	<ul style="list-style-type: none"> ■ Sales above target ¥4.1 billion ■ OP above target ¥0.6 billion ■ Net Income above target ¥2.5 billion
<p>Shareholder Returns</p>	<ul style="list-style-type: none"> ■ Dividend 1H ¥70/share (¥20/share up vs. 1H FY2021) ■ Completed a ¥5.0 billion share repurchase program (period: May - June 2022, 683 thousand shares)
<p>Revision of Outlook</p>	<ul style="list-style-type: none"> ■ Revised upward FY2022 Outlook announced in Aug 2022 (see p9)

Daimon: Thank you very much for joining us today. I am Daimon of Nissan Chemical Corporation.

I will now report the consolidated financial results for 2Q of the FY2022.

Please see page four of the presentation materials.

First of all, we show a financial summary for 1H of FY2022. The upper part is a comparison with the year-before results.

Net sales increased JPY17.7 billion, or 19%, YoY, and operating profit increased JPY6.9 billion, or 32%. In addition, non-operating income increased due to the weaker yen, resulting in a 45% YoY increase in net income, or an increase of JPY7.4 billion.

As a result, operating profit, ordinary income, and net income reached record highs for 1H of a fiscal year for the second consecutive year.

This middle part shows a comparison with the outlook for the 1H announced in August. Net sales increased JPY4.1 billion, operating profit increased JPY0.6 billion, and net income increased JPY2.5 billion, including the upswing in non-operating income as I mentioned earlier.

As for shareholder returns, the interim dividend for 1H will be JPY70 per share. This is a YoY increase of JPY20, and the figure is unchanged from the announcement in August.

In addition, the Company has already repurchased JPY5.0 billion's worth of its own shares by June 2022, during 1H.

I will explain our full-year earnings outlook later.

1H FY2022 Financial Summary YOY Change



(¥billion)

	FY2021 Actual			FY2022 Actual			YOY Change		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Sales	46.5	45.3	91.8	58.3	51.2	109.5	+11.8 (+25%)	+5.9 (+13%)	+17.7 (+19%)
Operating Profit	11.9	9.4	21.3	17.3	10.9	28.2	+5.4 (+45%)	+1.5 (+15%)	+6.9 (+32%)
Non-Operating Income/Expenses	0.4	0.6	1.0	2.2	1.6	3.8	+1.8	+1.0	+2.8
Ordinary Income	12.3	10.0	22.3	19.5	12.5	32.0	+7.2 (+58%)	+2.5 (+26%)	+9.7 (+44%)
Extraordinary Income/Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income ¹	8.8	7.5	16.3	13.9	9.8	23.7	+5.1 (+57%)	+2.3 (+32%)	+7.4 (+45%)
EBITDA ²	14.2	11.8	26.0	19.7	13.6	33.3	+5.5	+1.8	+7.3
EPS (¥/share)	61.73	52.21	113.94	98.13	69.61	167.74	+36.40	+17.40	+53.80
Dividend (¥/share)	-	-	50	-	-	70	-	-	+20
Total amount of Dividend	-	-	7.1	-	-	9.9	-	-	+2.8
OP Margin	25.5%	20.9%	23.2%	29.6%	21.3%	25.7%	+4.1pt	+0.4pt	+2.5pt
FX Rate (¥/\$)	110	110	110	130	138	134	-	-	-
Crude Oil (JCC) (\$/bbl) ³	67	73	70	111	113	112	-	-	-

1. Net Income = Profit Attributable to Owners of Parent

2. EBITDA = Operating Profit + Depreciation and amortization

3. Based on Trade Statistics of Japan Ministry of Finance

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Please turn to page five. These are the 1H financial figures.

This table shows the YoY changes for 1H, separating the 1Q and 2Q results. From the top, the figures in blue show operating profit of JPY28.2 billion and non-operating income of JPY3.8 billion, a significant YoY increase of JPY2.8 billion. This was mainly due to a gain on foreign currency translations.

Ordinary income was JPY32.0 billion and net income was JPY23.7 billion.

As for the foreign exchange rate for 1H, the US dollar was JPY134, which was about JPY24 higher from the year-before level.

Though we did not state here, the exchange rate at the end of March 2022 was JPY122. At the end of September, it was JPY145, a rise of about JPY23.

In addition, the crude oil price, Japan Crude Cocktail, was USD112 per barrel for 1H. Compared to the same period of the previous year, the price was up over USD40.

1H FY2022 Financial Summary Compared to Outlook

(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Actual			vs. Outlook
	1Q Actual	2Q	1H	1Q	2Q	1H	2Q·1H
Sales	58.3	47.1	105.4	58.3	51.2	109.5	+4.1
Operating Profit	17.3	10.3	27.6	17.3	10.9	28.2	+0.6
Non-Operating Income/Expenses	2.2	-0.3	1.9	2.2	1.6	3.8	+1.9
Ordinary Income	19.5	10.0	29.5	19.5	12.5	32.0	+2.5
Extraordinary Income/Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income ¹	13.9	7.3	21.2	13.9	9.8	23.7	+2.5
EBITDA ²	19.7	13.1	32.8	19.7	13.6	33.3	+0.5
EPS (¥/share)	98.13	51.99	150.12	98.13	69.61	167.74	+17.62
Dividend (¥/share)	-	-	70	-	-	70	0
Total amount of Dividend	-	-	9.9	-	-	9.9	0.0
OP Margin	29.6%	21.9%	26.2%	29.6%	21.3%	25.7%	-
FX Rate (¥/\$)	130	115	115	130	138	134	-
Crude Oil (JCC) (\$/bbl) ³	111	88	88	111	113	112	-

1. Net Income = Profit Attributable to Owners of Parent

2. EBITDA = Operating Profit + Depreciation and amortization

3. Based on Trade Statistics of Japan Ministry of Finance

Next, please see page six. This shows a comparison to the outlook for 1H. As I mentioned earlier, the gray area shows the outlook in August, so in effect, as shown in the far right column, the comparison with the 2Q outlook equals the comparison with the 1H outlook.

Net sales increased JPY4.1 billion from the outlook, operating profit increased JPY0.6 billion from the outlook, and net income increased JPY2.5 billion from the outlook.

As for the foreign exchange rate, as shown in the lower line, the US dollar was JPY115 for 1H in the August outlook, but actually it was JPY134.

Also, the crude oil price was actually USD112 per barrel, compared to the outlook of USD88 per barrel.

Analysis of Changes in OP

		FY2022 Actual	FY2021 Actual	YOY Change	Outlook as of Aug 2022	vs. Outlook
		28.2 billion	21.3 billion	+6.9 billion(+32%)	27.6 billion	+0.6 billion
1H	Chemicals	YOY Change -0.1 billion	OP decrease due to feedstock and raw materials cost up, shipping cost up and fixed cost up			
		vs. Outlook -0.4 billion	OP decrease due to feedstock and raw materials cost up			
	Performance Materials	YOY Change +0.8 billion	Sales increase in Semis Materials			
		vs. Outlook -0.3 billion	Sales decrease in Display Materials			
	Agro	YOY Change +5.2 billion	Sales increase due to strong sales of main products and partial shipment shifted			
		vs. Outlook +1.5 billion	Sales increase due to strong sales of main products and partial shipment shifted			
	Healthcare	YOY Change +0.1 billion	Sales increase in LIVALO			
		vs. Outlook +0.2 billion	Sales increase in LIVALO			

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Next, please see page seven. This shows an analysis of changes in operating profit by segment. We showed the YoY changes and the differences from the outlook in August.

First, in Chemicals, operating profit decreased slightly YoY by JPY0.1 billion. The decrease was due to surges in feedstock and raw material cost, shipping cost and fixed cost.

On the other hand, operating profit was also down JPY0.4 billion from the outlook. Similarly, there was a downward swing in profit due to the high feedstock and fuel costs.

In Performance Materials, operating profit increased JPY0.8 billion YoY. An increase in sales of Semis Materials was a major contributor, more than offsetting a decrease in sales of Display Materials.

Against the outlook, the result was down slightly with a decrease of JPY0.3 billion, and this was due to the downturn in Display Materials.

Next is Agrochemicals, which recorded a significant YoY increase of JPY5.2 billion. Sales of major products were strong, and although the shipment of some products was shifted, overall sales were strong for almost all components.

Against the outlook, there was an upswing of JPY1.5 billion for the same reason.

In Healthcare, there was a YoY increase of JPY0.1 billion and an increase of approximately JPY0.2 billion from the outlook.

Summary of FY2022 Outlook

Full-Year Outlook is Revised Upward (FY2022 OP : ¥55.5 billion)

The Outlook is revised based on 1H results and current 2H outlook

Full-Year	vs. FY2021	<ul style="list-style-type: none"> Sales up ¥26.2 billion (+13%) OP up ¥4.5 billion (+9%), Net Income up ¥3.3 billion (+9%) OP and Ordinary Income expected to renew the highest results of a full year for 9 consecutive years. Net Income expected to renew the highest results of a full year for 10 consecutive years. ROE Outlook for FY2022 is 19.7%
Full-Year	vs. Outlook as of Aug 2022	<ul style="list-style-type: none"> Sales above target ¥10.9 billion OP above target ¥0.4 billion, Net Income above target ¥0.4 billion
2H	vs. Outlook as of Aug 2022	<ul style="list-style-type: none"> Sales above target ¥6.8 billion OP below target ¥0.2 billion, Net Income below target ¥2.1 billion

Shareholders Return (Full-Year Outlook)

- Based on Mid-Term Plan, Total Payout Ratio Target is 75% and Dividend Payout Ratio Target is 55% (unchanged from May 2022)
- Completed a ¥5.0 billion share repurchase (period: May - June 2022)
- Annual dividend increased to ¥164/share from the previous outlook of ¥162/share (2H dividend increased by ¥2/share)**

Dividend	¥164/share (Full-Year) 1H ¥70/share, 2H ¥94/share (Dividend Payout Ratio : 54.9%) [vs. FY2021]1H up ¥20/share, 2H up ¥22/share [vs. Outlook as of August 2022]1H no change, 2H up ¥2/share
Share Repurchase	Completed ¥5.0 billion, 683 thousand shares (period: May - June 2022) (FY2021 Actual: ¥12.0 billion, 2,033 thousand shares)
Share Cancellation	Cancelled 1.7 million shares in May and August 2022
Total Payout Ratio Target	75% (66.8% based on ¥164/share dividend and ¥5.0 billion share repurchase)

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Next, I would like to explain our earnings outlook for the current fiscal year. Please see page nine.

We have revised upward the full-year outlook. We now forecast operating profit of JPY55.5 billion for FY2022. This revision was made based on the result of 1H and the forecast for 2H.

First of all, sales will increase JPY26.2 billion, or 13%, YoY. Operating profit will increase JPY4.5 billion, or 9% YoY. Net income is expected to increase JPY3.3 billion, or 9% YoY. As a result, we expect operating profit and ordinary income to reach record highs for the ninth consecutive year, and net income for the 10th consecutive year.

Regarding ROE, the mid-term plan target announced in May was over 18%, but this time we assumed that ROE will be 19.7% for FY2022.

In the middle, we showed a comparison with the outlook in August. The new sales outlook is JPY10.9 billion above the August outlook and operating profit and net income showed an upward revision of JPY0.4 billion, respectively.

In addition, there are a few comments on 2H, in comparison with the outlook in August. While net sales are JPY6.8 billion higher, operating profit is down JPY0.2 billion, and net income is down JPY2.1 billion.

This is mainly due to a downward swing of JPY1.3 billion for 2H, mainly stemming from foreign exchange rate differences in non-operating income/expenses, which are expected to affect the expense side.

Regarding shareholder returns, in accordance with our mid-term plan, we aim for a total payout ratio of 75% and a dividend payout ratio of 55%. These remain unchanged from the announcement in May.

Accordingly, shown in blue, in accordance with the upward revision of net income, the annual dividend, will be increased from the previous JPY162 per share to JPY164. This represents an increase of JPY2 from the forecast for the year-end dividend.

The breakdown is JPY70 in interim dividend and JPY94 in term-end dividend. Compared to the previous year, the annual dividend will increase JPY42, of which JPY20 for interim dividend and JPY22 for term-end dividend.

We showed the total payout ratio target at the bottom. The dividend of JPY164 corresponds to 55%, so together with the share repurchase of JPY5.0 billion that was completed in June, the total payout ratio will be 66.8%.

FY2022 Financial Summary YOY Change



(¥billion)

	FY2021 Actual					FY2022 Outlook as of Nov 2022					YOY Change				
	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	91.8	49.5	66.7	116.2	208.0	109.5	49.7	75.0	124.7	234.2	+17.7 (+19%)	+0.2 (0%)	+8.3 (+13%)	+8.5 (+7%)	+26.2 (+13%)
Operating Profit	21.3	12.6	17.1	29.7	51.0	28.2	9.9	17.4	27.3	55.5	+6.9 (+32%)	-2.7 (-21%)	+0.3 (+2%)	-2.4 (-8%)	+4.5 (+9%)
Non-Operating Income/Expenses	1.0	0.9	0.8	1.7	2.7	3.8	-0.1	-0.9	-1.0	2.8	+2.8	-1.0	-1.7	-2.7	+0.1
Ordinary Income	22.3	13.5	17.9	31.4	53.7	32.0	9.8	16.5	26.3	58.3	+9.7 (+44%)	-3.7 (-27%)	-1.4 (-8%)	-5.1 (-16%)	+4.6 (+9%)
Extraordinary Income/Loss	0.0	0.2	0.3	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.3	-0.5	-0.5
Net Income ¹	16.3	9.3	13.2	22.5	38.8	23.7	7.1	11.3	18.4	42.1	+7.4 (+45%)	-2.2 (-24%)	-1.9 (-14%)	-4.1 (-18%)	+3.3 (+9%)
EBITDA ²	26.0	15.2	20.0	35.2	61.2	33.3	-	-	33.7	67.0	+7.3	-	-	-1.5	+5.8
EPS (¥/share)	113.94	65.64	92.30	157.94	271.88	167.74	-	-	130.85	298.59	+53.80	-	-	-27.09	+26.71
Dividend (¥/share)	50	-	-	72	122	70	-	-	94	164	+20	-	-	+22	+42
Dividend Payout Ratio (%)	-	-	-	-	44.9%	-	-	-	-	54.9%	-	-	-	-	+10.0pt
Total amount of Dividend	7.1	-	-	10.2	17.3	9.9	-	-	13.2	23.1	+2.8	-	-	+3.0	+5.8
OP Margin	23.2%	25.5%	25.5%	25.5%	24.5%	25.7%	19.9%	23.2%	21.9%	23.7%	+2.5pt	-5.6pt	-2.3pt	-3.6pt	-0.8pt
ROE	-	-	-	-	19.2%	-	-	-	-	19.7%	-	-	-	-	+0.5pt
FX Rate (¥/\$)	110	114	116	115	112	134	135	135	135	135	-	-	-	-	-
Crude Oil (JCC) (\$/bbl) ³	70	80	86	83	77	112	110	110	110	110	-	-	-	-	-

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

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Next, page 10, shows the specific figures of the financial summary. This disclosure includes the forecasts for 3Q and 4Q.

First, let us look at YoY comparisons. The blue columns in the middle show the new outlook made in this November.

Looking at the figures from above, for the full year, operating profit will be JPY55.5 billion. With non-operating income of JPY2.8 billion, ordinary income and net income will be JPY58.3 billion and JPY42.1 billion, respectively.

As shown below, we assume that the US dollar will be JPY135 for 2H.

As for the JCC for crude oil, we expect USD110 per barrel, almost unchanged from 1H.

FY2022 Financial Summary Compared to Outlook as of Aug 2022



(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of Aug 2022		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	105.4	117.9	223.3	109.5	124.7	234.2	+4.1	+6.8	+10.9
Operating Profit	27.6	27.5	55.1	28.2	27.3	55.5	+0.6	-0.2	+0.4
Non-Operating Income/Expenses	1.9	0.3	2.2	3.8	-1.0	2.8	+1.9	-1.3	+0.6
Ordinary Income	29.5	27.8	57.3	32.0	26.3	58.3	+2.5	-1.5	+1.0
Extraordinary Income/Loss	0.0	0.5	0.5	0.0	0.0	0.0	0.0	-0.5	-0.5
Net Income ¹	21.2	20.5	41.7	23.7	18.4	42.1	+2.5	-2.1	+0.4
EBITDA ²	32.8	33.9	66.7	33.3	33.7	67.0	+0.5	-0.2	+0.3
EPS (¥/share)	150.12	145.71	295.83	167.74	130.85	298.59	+17.62	-14.86	+2.76
Dividend (¥/share)	70	92	162	70	94	164	0	+2	+2
Dividend Payout Ratio (%)	-	-	54.8%	-	-	54.9%	-	-	+0.1pt
Total amount of Dividend	9.9	12.9	22.8	9.9	13.2	23.1	0.0	+0.3	+0.3
OP Margin	26.2%	23.3%	24.7%	25.7%	21.9%	23.7%	-0.5pt	-1.4pt	-1.0pt
ROE	-	-	19.6%	-	-	19.7%	-	-	+0.1pt
FX Rate (¥/\$)	115	115	115	134	135	135	-	-	-
Crude Oil (JCC) (\$/bbl) ³	88	88	88	112	110	110	-	-	-

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

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Page 11 shows the differences from the previous outlook announced in August. Please note that this is not a comparison with the initial outlook announced in May.

As shown in the second column from the right, operating profit is down JPY0.2 billion and non-operating income/expenses are worse JPY1.3 billion compared to the outlook, resulting in a JPY1.5 billion decline in ordinary income.

In 2H, we reexamined our extraordinary income/loss forecast, and found that there will be no extraordinary income, resulting in a decrease of JPY0.5 billion. As a result, net income in 2H will be down JPY2.1 billion in comparison with the previous outlook.

Analysis of Changes in OP

(¥)

	FY2022 Outlook as of Nov 2022	FY2021 Actual	YOY Change	Outlook as of Aug 2022	vs. Outlook
2H	27.3 billion	29.7 billion	-2.4 billion(-8%)	27.5 billion	-0.2 billion
Chemicals	YOY Change -1.2 billion	OP decrease due to feedstock and raw materials cost up, shipping cost up and fixed cost up			
	vs. Outlook +0.6 billion	OP increase due to sales price increase			
Performance Materials	YOY Change +1.9 billion	Sales increase in Semis Materials (even though fixed cost up ¥1.5 billion in total Performance Materials)			
	vs. Outlook +0.4 billion	Sales increase in Semis Materials			
Agro	YOY Change -1.4 billion	OP decrease due to fixed cost up (¥1.0 billion)			
	vs. Outlook +0.2 billion	OP decrease due to fixed cost above expectations			
Healthcare	YOY Change -0.1 billion	OP decrease due to fixed cost up in Custom Chemicals			
	vs. Outlook +0.3 billion	Sales increase in Custom Chemicals			
Full-Year	55.5 billion	51.0 billion	+4.5 billion(+9%)		
Chemicals	YOY Change -1.3 billion	OP decrease due to feedstock and raw materials cost up, shipping cost up and fixed cost up			
Performance Materials	YOY Change +2.7 billion	Sales increase in Semis Materials			
Agro	YOY Change +3.8 billion	Sales increase due to strong sales of main products			
Healthcare	YOY Change flat				

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See page 12 for segment information. First, there are figures for 2H in the upper part. This part shows YoY comparisons and changes from the outlook.

As for Chemicals, we expect a decrease in profit of JPY1.2 billion YoY. Profit will decrease due to high-cost of feedstock and raw materials, rising transportation cost, and increasing fixed cost. In addition, the market for melamine was very favorable in 2H of FY2021, while sales of melamine are nearing the end in 2H of the current fiscal year.

The outlook for profit is JPY0.6 billion higher than the previous outlook as profit will be higher due to an increase in selling prices.

Next is Performance Materials. There will be a YoY increase of JPY1.9 billion in 2H. This is mainly due to an increase in Semis Material sales.

In addition, there will also be an increase in fixed cost worth JPY1.5 billion on the expense side. Against the outlook, profit will be JPY0.4 billion higher.

In Agrochemicals, we expect a YoY decrease of JPY1.4 billion in profit. As you can see in the comment here, the JPY1.0 billion increase in fixed cost will have an impact.

The figure is JPY0.2 billion lower than the previous outlook, due to an upward swing of the fixed cost.

In Healthcare, profit will incur a slight YoY decrease, but it is up JPY0.3 billion against the previous outlook.

In the lower part, there are the full-year outlook figures in comparison with the previous year's results.

In Chemicals, for the full year, profit will decrease JPY1.3 billion YoY and that in Performance Materials will increase JPY2.7 billion YoY. In Performance Materials, a decrease in profit from Display Materials will be offset by an increase in profit from Semis Materials.

Profit in Agrochemicals will see a significant YoY increase of JPY3.8 billion, and Healthcare will be flat.

Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss YOY Change

 Nissan Chemical CORPORATION

(¥billion)

	FY2021 Actual		FY2022 Outlook as of Nov 2022		YOY Change	
	1H	Total	1H Actual	Total	1H	Total
Non-Operating Income	1.36	3.82	4.43	4.30	+3.07	+0.48
Interest income, dividend income	0.32	0.82	0.45	1.11	+0.13	+0.29
Foreign exchange gains	0.10	1.13	3.02	0.98	+2.92	-0.15
Equity in earnings of affiliates, others	0.94	1.87	0.96	2.21	+0.02	+0.34
Non-Operating Expenses	0.42	1.09	0.60	1.50	+0.18	+0.41
Interest expense	0.05	0.07	0.09	0.23	+0.04	+0.16
Foreign exchange losses	0.00	0.00	0.00	0.00	0.00	0.00
Loss on disposal of non-current assets, others	0.37	1.02	0.51	1.27	+0.14	+0.25
Non-Operating Income/Expenses	0.94	2.73	3.83	2.80	+2.89	+0.07
Extraordinary Income	2.82	3.37	0.00	0.00	-2.82	-3.37
Extraordinary Loss	2.79	2.90	0.00	0.00	-2.79	-2.90
Extraordinary Income/Loss¹	0.03	0.47	0.00	0.00	-0.03	-0.47

1. FY2021 Actual:

Extraordinary Income ¥3.37 billion (Gain on sales of investment securities ¥3.37 billion, sales amount ¥4.33 billion, sold 9 companies shares, sold 100% of our shareholdings of 3 companies, including unlisted shares)

Extraordinary Loss ¥2.90 billion (melamine restructuring costs ¥1.79 billion, plant equipment removal cost of Nippon Phosphoric Acid* ¥0.63 billion, impairment loss of unlisted stock ¥0.48 billion)

*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, companies bear the costs of removing facilities according to its investment ratio

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Next, I will explain about the breakdown of non-operating income/expenses and extraordinary income/loss on pages 13 and 14.

First of all, on page 13, these figures are YoY comparisons.

The figures are for 1H and the full year. There are no figures for 2H only, but if you subtract the 1H results from the full year figures, you will get the 2H figures. There are foreign exchange gains on the third line from the top. We assume that this figure will be losses worth JPY2.0 billion in 2H.

As I mentioned earlier, there were large gains in 1H due to the sharp depreciation of the yen against the US dollar. Meanwhile, we forecast that the dollar will be JPY135 on average for 2H, a fall from JPY145 at the end of September, resulting in the foreign exchange losses of JPY2.0 billion.

We took the current extremely volatile foreign exchange market into account.

Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss Compared to Outlook as of Aug 2022

(¥billion)

	FY2022 Outlook as of Aug 2022		FY2022 Outlook as of Nov 2022		vs. Outlook as of Aug 2022	
	1H	Total	1H Actual	Total	1H	Total
Non-Operating Income	2.76	3.66	4.43	4.30	+1.67	+0.64
Interest income, dividend income	0.39	0.76	0.45	1.11	+0.06	+0.35
Foreign exchange gains	1.69	1.69	3.02	0.98	+1.33	-0.71
Equity in earnings of affiliates, others	0.68	1.21	0.96	2.21	+0.28	+1.00
Non-Operating Expenses	0.83	1.50	0.60	1.50	-0.23	0.00
Interest expense	0.06	0.09	0.09	0.23	+0.03	+0.14
Foreign exchange losses	0.00	0.00	0.00	0.00	0.00	0.00
Loss on disposal of non-current assets, others	0.77	1.41	0.51	1.27	-0.26	-0.14
Non-Operating Income/Expenses	1.93	2.16	3.83	2.80	+1.90	+0.64
Extraordinary Income	0.00	0.50	0.00	0.00	0.00	-0.50
Extraordinary Loss	0.00	0.00	0.00	0.00	0.00	0.00
Extraordinary Income/Loss¹	0.00	0.50	0.00	0.00	0.00	-0.50

1. FY2022 Outlook as of Aug 2022: Gain on sales of investment securities ¥0.50 billion

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On page 14, you will find the figures as compared to the outlook in August.

As I mentioned earlier, there will be a decrease of JPY0.5 billion in extraordinary income for the full year compared to the previous outlook, as shown at the bottom right.

Cash Flows

Free cash flow in FY2022 Outlook is ¥22.2 billion, a decrease of ¥7.3 billion from FY2021

(¥billion)

	FY2021 Actual		FY2022 Outlook as of Nov 2022		YOY Change	FY2022 Total Outlook as of May 2022
	1H	Total	1H Actual	Total	Total	
CF from operating activities	33.8	41.9	43.3	45.4	+3.5	43.3
Income before income taxes & non-controlling interests	22.3	54.2	32.0	58.3	+4.1	54.6
Extraordinary loss (income)	0.0	-0.5	0.0	0.0	+0.5	-0.5
Depreciation & Amortization ¹	4.7	10.2	5.1	11.5	+1.3	11.6
Income taxes paid	-7.4	-13.2	-8.5	-14.3	-1.1	-13.7
Working capital, others	14.2	-8.8	14.7	-10.1	-1.3	-8.7
CF from investing activities	-6.1	-12.4	-9.6	-23.2	-10.8	-21.2
Purchase of PPE	-5.3	-11.3	-8.4	-21.1	-9.8	-20.1
Purchase and sales of investment securities	3.4	4.1	-0.5	-0.5	-4.6	1.0
Others	-4.2	-5.2	-0.7	-1.6	+3.6	-2.1
Free cash flow	27.7	29.5	33.7	22.2	-7.3	22.1
CF from financing activities	-31.6	-27.8	-29.2	-25.0	+2.8	-27.5
Payout to shareholders (dividend)	-8.3	-15.5	-10.2	-29.1	-1.6	-27.5
Payout to shareholders (share repurchase)	-7.0	-12.0	-5.0			
Borrowings	-16.2	-0.3	-13.9	4.1	+4.4	0.0
Others	-0.1	0.0	-0.1	0.0	0.0	0.0
Effect of exchange rate change on cash & cash equivalents	-0.1	0.6	1.6	0.0	-0.6	0.0
Change in cash & cash equivalents	-4.0	2.3	6.1	-2.8	-5.1	-5.4
Increase in cash and cash equivalents resulting from change in scope of consolidation	0.0	0.0	3.1	3.1	+3.1	1.7
Cash & cash equivalents at end of period	28.4	34.7	43.9	35.0	+0.3	31.0

1. Including amortization of goodwill

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Page 15 shows cash flows. The middle part in blue shows the 1H results and the outlook for the full year.

The 1H results were almost unchanged YoY. For the full year, free cash flow will decrease slightly YoY, as a result of a slight increase of capital expenditures in cash outflows.

On the other hand, as for the balance of cash and cash equivalents at the bottom, we estimate the balance at the end of the year at JPY35.0 billion, which is a sufficient amount as in the past.

In addition, the figures here are almost unchanged from the annual outlook in May, which are on the rightmost side.

Balance Sheets

	2021/9	2022/3	2022/9	vs. 2022/3		2021/9	2022/3	2022/9	vs. 2022/3
Current assets	142.3	175.3	171.8	-3.5	Liabilities	50.0	71.7	60.8	-10.9
Cash	28.4	34.7	43.9	+9.2	Accounts payable	16.0	19.0	19.0	0.0
Accounts receivable	55.8	80.0	60.8	-19.2	Borrowings	6.5	22.7	9.7	-13.0
Inventories	52.0	52.2	58.8	+6.6	Others	27.5	30.0	32.1	+2.1
Others	6.1	8.4	8.3	-0.1	Net assets	197.4	208.0	219.4	+11.4
Fixed assets	105.1	104.4	108.4	+4.0	Shareholders' equity ²	186.3	196.7	205.3	+8.6
Total PPE	51.0	53.2	60.7	+7.5	Valuation difference on available-for-sale securities	9.1	8.3	8.7	+0.4
Intangible assets	12.1	11.8	11.8	0.0	Foreign currency translation adjustment	-0.2	0.9	1.9	+1.0
Investment securities	32.1	30.2	29.9	-0.3	Non-controlling interests	1.8	2.1	3.1	+1.0
Others	9.9	9.2	6.0	-3.2	Remeasurements of defined benefit plans	0.4	0.0	0.4	+0.4
Total assets	247.4	279.7	280.2	+0.5	Total liabilities & net assets	247.4	279.7	280.2	+0.5

(¥billion)

Breakdown of Investment Securities

	2021/9	2022/3	2022/9	vs. 2022/3
Listed shares¹ (Number of stocks held, Non-consolidated basis)	20.4 (30)	18.9 (30)	19.3 (30)	+0.4 (0)
Unlisted shares	2.8	2.6	3.2	+0.6
Subsidiaries/Associate shares	8.9	8.7	7.4	-0.7
Total	32.1	30.2	29.9	-0.3

Equity Ratio	79.1%	73.6%	77.2%
D/E Ratio³	-11.7%	-6.1%	-16.7%

1. 2022/3 18.9 + Acquisition 0.0 + Sales and valuation difference 0.4 = 2022/9 19.3
2. Change in shareholders' equity +8.6 = Net Income 23.7 - Dividend and others 15.1
3. D/E Ratio = (Borrowings - Cash) / Shareholders' equity
4. Strategic shareholdings on net assets = strategic shareholdings (Non-consolidated basis, Listed shares + Unlisted shares) / Net assets (Consolidated basis)
Strategic shareholdings (Non-consolidated basis, ¥billion): 2021/9 20.9, 2022/3 19.8, 2022/9 20.7

Strategic shareholdings on net assets⁴	10.6%	9.5%	9.5%
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Page 16 shows the balance sheets.

Simply put, total assets at the end of September on the left side remained almost unchanged from the end of March, but there was a remarkable decrease in accounts receivable. As in previous years, this reflects the collection of agrochemical-related accounts receivable in 1H.

In line with the move, the amount of borrowings on the right side of the table shows that loans have been repaid.

The equity ratio remained very high at 77.2%, as shown in the bottom right.

As for investment securities, as shown on the lower left, there was almost no change from the end of March.

The ratio of strategic shareholdings on net assets on a non-consolidated basis remained unchanged from the end of March at 9.5%, less than 10%.

Capex/Depreciation/R&D by Segment

(¥billion)

	Capex ¹						Depreciation ²						R&D expenses					
	2018	2019	2020	2021	2022E as of May 2022	2022E as of Nov 2022	2018	2019	2020	2021	2022E as of May 2022	2022E as of Nov 2022	2018	2019	2020	2021	2022E as of May 2022	2022E as of Nov 2022
Chem	2.0	3.1	4.9	2.3	3.9	4.1	1.8	1.9	2.2	2.5	2.6	2.6	0.6	0.4	0.3	0.3	0.4	0.3
Performance M. ³	3.3	3.3	3.2	5.8	8.3	9.0	6.0	5.2	4.5	3.9	4.7	4.7	8.2	7.7	7.0	7.0	7.8	7.3
Agro ⁴	3.3	7.9	6.4	1.5	4.1	5.8	1.7	2.3	2.6	2.7	3.0	2.9	4.5	4.6	4.4	4.2	4.5	4.4
Healthcare ⁵	0.5	0.6	0.5	0.5	0.5	0.4	0.6	0.6	0.5	0.4	0.4	0.4	2.5	2.5	2.4	0.6	0.7	0.6
Trading	0.1	0.1	0.1	0.0	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.7	0.7	0.7	0.9	1.2	1.2	0.7	0.4	0.5	0.6	0.6	0.6	2.0	2.0	2.4	3.9	4.0	4.2
Total	9.9	15.7	15.8	11.0	18.3	20.6	10.9	10.5	10.4	10.2	11.4	11.3	17.8	17.2	16.5	16.0	17.4	16.8

1. Capex

Actual : Acceptance basis

Outlook : Production commencement basis (partly acceptance basis)

2. Depreciation Method

SUNEVER, ARC®, Multi layer process materials : 4 year declining balance method
(50.0% of initial capex amount in the 1st year)

Other products : 8 year declining balance method
(25.0% of initial capex amount in the 1st year)

3. Including NCK new plant (¥2.9 billion·acceptance basis)
in FY2022E as of Nov 2022

4. Including the acquisitions of QUINTEC in FY2019 (¥6.3 billion)
and DITHANE in FY2020 (¥5.4 billion), and NBR 1st phase construction
(¥4.4 billion·acceptance basis) in FY2022E as of Nov 2022

5. Organizational change was implemented in April, 2022.
FY2017-2021 Actual figures are based on old segmentation (see p82, p84)

Semiconductor main capex plan⁶

Focus on investment in evaluation equipment, development facilities and production facilities in line with the progress of semiconductor miniaturization

(¥billion)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E as of Nov 2022
1.1	5.6	4.0	0.4	0.4	0.2	1.5	0.4	3.7

6. Main capex : approval basis

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Next, on page 17, there are capital expenditures by segment.

The figures are almost unchanged from those announced in May.

The rightmost column shows total R&D expenses outlook of JPY16.8 billion, or 7.2% of net sales.

Main Capex Items¹

(¥billion)

FY2019 Actual		FY2020 Actual		FY2021 Actual		FY2022 Outlook as of Nov 2022	
Items	Expenses	Items	Expenses	Items	Expenses	Items	Expenses
Isocyanuric acid ² (Production capacity expansion)	1.9	Materials Research Lab. (Instruments)	1.4	Agro (Production facilities)	4.3	NBR Agro ³ (Production facilities)	4.4
Chemical Research Lab. (Instruments)	0.7	Digital Transformation related	1.1	Digital Transformation related	1.3	NCK Semis ⁴ (Production facilities)	2.9
Materials Research Lab. (Instruments)	0.6	Agro (Production facilities)	0.9	Chemical Research Lab. (Instruments)	0.7	Digital Transformation related	2.1
Display (Production facilities)	0.5	Semis (Analysis instruments)	0.8	Materials Research Lab. (Instruments)	0.5	Chemical Research Lab. (Instruments)	0.9
Biological Research Lab. (Instruments)	0.3	Chemical Research Lab. (Instruments)	0.7	Display (Production facilities)	0.3	Materials Research Lab. (Instruments)	0.8
TEPIC (Production facilities)	0.2	NCK Semis (Production facilities)	0.4	Biological Research Lab. (Instruments)	0.3	Display (Production facilities)	0.6
		Biological Research Lab. (Instruments)	0.2			Biological Research Lab. (Instruments)	0.4
						SNOWTEX (Production facilities)	0.3

1. Main capex : Approval basis (partly acceptance basis) 2. Fine Chemicals materials (see p31)
3. NBR 1st phase construction (acceptance basis) 4. NCK new plant (acceptance basis)

Page 18 shows main capex items. Please take a look at them later.

1H FY2022 Financial Results YOY Change by Segment

(¥billion)

		FY2021 Actual			FY2022 Actual			YOY Change		
		1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Chemicals	Sales	8.8	8.3	17.1	10.4	9.4	19.8	+1.6 (+18%)	+1.1 (+13%)	+2.7 (+16%)
	OP	1.3	-0.1	1.2	1.7	-0.6	1.1	+0.4 (+36%)	-0.5 (-)	-0.1 (-9%)
Performance Materials	Sales	20.0	19.6	39.6	21.8	20.2	42.0	+1.8 (+9%)	+0.6 (+3%)	+2.4 (+6%)
	OP	6.9	6.2	13.1	7.9	6.0	13.9	+1.0 (+14%)	-0.2 (-4%)	+0.8 (+6%)
Agrochemicals	Sales	13.4	11.6	25.0	19.7	16.0	35.7	+6.3 (+47%)	+4.4 (+38%)	+10.7 (+43%)
	OP	4.0	2.9	6.9	6.8	5.3	12.1	+2.8 (+69%)	+2.4 (+85%)	+5.2 (+75%)
Healthcare	Sales	1.1	2.2	3.3	1.7	1.5	3.2	+0.6 (+55%)	-0.7 (-30%)	-0.1 (-3%)
	OP	0.3	1.1	1.4	0.8	0.7	1.5	+0.5 (+153%)	-0.4 (-36%)	+0.1 (+5%)
Trading, Others, Adjustment	Sales	3.2	3.6	6.8	4.7	4.1	8.8	+1.5	+0.5	+2.0
	OP	-0.6	-0.7	-1.3	0.1	-0.5	-0.4	+0.7	+0.2	+0.9
Total	Sales	46.5	45.3	91.8	58.3	51.2	109.5	+11.8 (+25%)	+5.9 (+13%)	+17.7 (+19%)
	OP	11.9	9.4	21.3	17.3	10.9	28.2	+5.4 (+45%)	+1.5 (+15%)	+6.9 (+32%)

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering, Nihon Hiryo, and others
Adjustment: Planning & Development Division and others (see p79, p80 for breakdown)

3. 1H FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

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1H FY2022 Financial Results Compared to Outlook by Segment

(¥billion)

		FY2022 Outlook As of Aug 2022			FY2022 Actual			vs. Outlook
		1Q Actual	2Q	1H	1Q	2Q	1H	2Q-1H
Chemicals	Sales	10.4	9.1	19.5	10.4	9.4	19.8	+0.3
	OP	1.7	-0.2	1.5	1.7	-0.6	1.1	-0.4
Performance Materials	Sales	21.8	20.6	42.4	21.8	20.2	42.0	-0.4
	OP	7.9	6.3	14.2	7.9	6.0	13.9	-0.3
Agrochemicals	Sales	19.7	13.5	33.2	19.7	16.0	35.7	+2.5
	OP	6.8	3.8	10.6	6.8	5.3	12.1	+1.5
Healthcare	Sales	1.7	1.4	3.1	1.7	1.5	3.2	+0.1
	OP	0.8	0.5	1.3	0.8	0.7	1.5	+0.2
Trading, Others, Adjustment	Sales	4.7	2.5	7.2	4.7	4.1	8.8	+1.6
	OP	0.1	-0.1	0.0	0.1	-0.5	-0.4	-0.4
Total	Sales	58.3	47.1	105.4	58.3	51.2	109.5	+4.1
	OP	17.3	10.3	27.6	17.3	10.9	28.2	+0.6

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering, Nihon Hiryo and others
Adjustment: Planning & Development Division and others (see p79, p80 for breakdown)

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FY2022 Financial Outlook Compared to Outlook as of Aug 2022 by Segment



(¥billion)

		FY2022 Outlook as of Aug 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of Aug 2022		
		1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Chemicals	Sales	19.5	19.3	38.8	19.8	22.6	42.4	+0.3	+3.3	+3.6
	OP	1.5	0.8	2.3	1.1	1.4	2.5	-0.4	+0.6	+0.2
Performance Materials	Sales	42.4	46.5	88.9	42.0	47.2	89.2	-0.4	+0.7	+0.3
	OP	14.2	16.0	30.2	13.9	16.4	30.3	-0.3	+0.4	+0.1
Agrochemicals	Sales	33.2	42.2	75.4	35.7	43.5	79.2	+2.5	+1.3	+3.8
	OP	10.6	10.0	20.6	12.1	9.8	21.9	+1.5	-0.2	+1.3
Healthcare	Sales	3.1	2.9	6.0	3.2	3.4	6.6	+0.1	+0.5	+0.6
	OP	1.3	1.0	2.3	1.5	1.3	2.8	+0.2	+0.3	+0.5
Trading, Others, Adjustment	Sales	7.2	7.0	14.2	8.8	8.0	16.8	+1.6	+1.0	+2.6
	OP	0.0	-0.3	-0.3	-0.4	-1.6	-2.0	-0.4	-1.3	-1.7
Total	Sales	105.4	117.9	223.3	109.5	124.7	234.2	+4.1	+6.8	+10.9
	OP	27.6	27.5	55.1	28.2	27.3	55.5	+0.6	-0.2	+0.4

1. Including inter-segment sales/transfers

2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering, Nihon Hiryo, and others, Adjustment: Planning & Development Division and others (see p79, p80 for breakdown)

3. Sales and OP for Planning & Development Division in FY2022 Outlook as of Nov 2022 are disclosed on p69

| 23

From page 20 onward, we showed the 1H financial results by segment. Let me give a few comments on them.

Pages 20 to 24 show the figures by segment and I will not go into details.

Page 23 shows the FY2022 financial outlook compared to the previous outlook in August.

The figures in the yellow box on the far right show the YoY comparison for the full-year figures.

FY2022 Financial Outlook Compared to Outlook as of May 2022 by Segment



(¥billion)

		FY2022 Outlook as of May 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of May 2022		
		1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Chemicals	Sales	19.3	19.3	38.6	19.8	22.6	42.4	+0.5	+3.3	+3.8
	OP	1.4	0.8	2.2	1.1	1.4	2.5	-0.3	+0.6	+0.3
Performance Materials	Sales	43.4	46.5	89.9	42.0	47.2	89.2	-1.4	+0.7	-0.7
	OP	14.5	16.0	30.5	13.9	16.4	30.3	-0.6	+0.4	-0.2
Agrochemicals	Sales	30.7	42.2	72.9	35.7	43.5	79.2	+5.0	+1.3	+6.3
	OP	9.5	10.0	19.5	12.1	9.8	21.9	+2.6	-0.2	+2.4
Healthcare	Sales	3.0	2.9	5.9	3.2	3.4	6.6	+0.2	+0.5	+0.7
	OP	1.1	1.0	2.1	1.5	1.3	2.8	+0.4	+0.3	+0.7
Trading, Others, Adjustment	Sales	4.7	7.0	11.7	8.8	8.0	16.8	+4.1	+1.0	+5.1
	OP	-0.5	-0.3	-0.8	-0.4	-1.6	-2.0	+0.1	-1.3	-1.2
Total	Sales	101.1	117.9	219.0	109.5	124.7	234.2	+8.4	+6.8	+15.2
	OP	26.0	27.5	53.5	28.2	27.3	55.5	+2.2	-0.2	+2.0

1. Including inter-segment sales/transfers

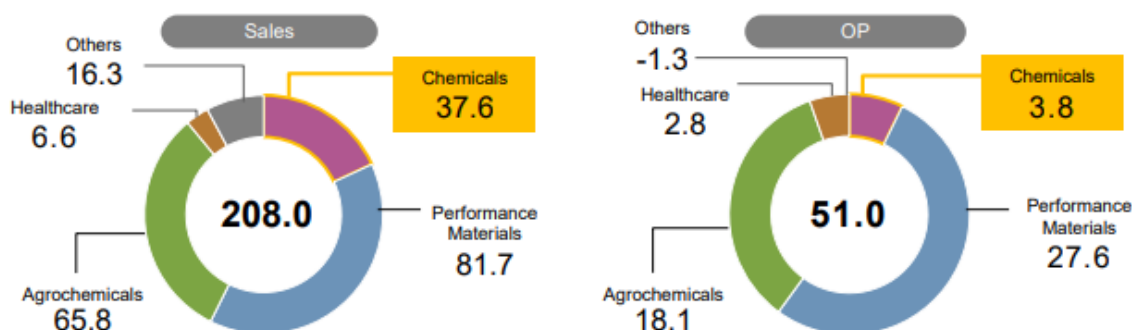
2. Trading: Nissei Corporation, Others: Nissan Butsuryu, Nissan Green & Landscape, Nissan Engineering, Nihon Hiryo, and others, Adjustment: Planning & Development Division and others (see p79, p80 for breakdown)

3. Sales and OP for Planning & Development Division in FY2022 Outlook as of Nov 2022 are disclosed on p69

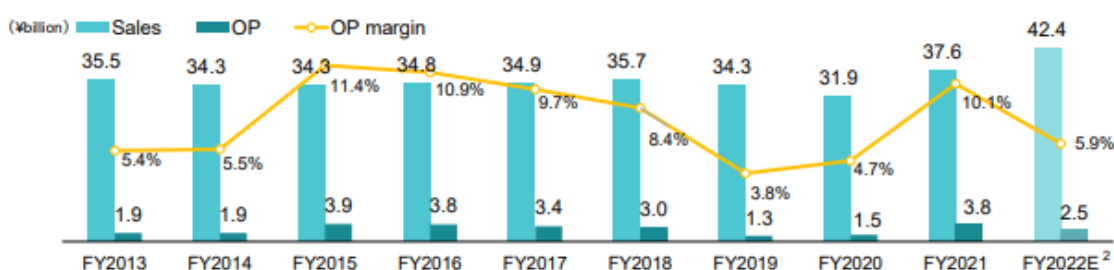
| 24

Page 24 shows the financial outlook in comparison with the initial outlook in May. Please check this later.

FY2021 Actual by Segment (¥billion)¹



Chemicals – Recent Financial Performance



1. Organizational changes were implemented in April, 2022. FY2013-2020 Actual figures are based on old segmentation. FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

2. Outlook as of Nov 2022

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- Fine Chemicals: [1H]Sales YOY +23%, Sales below target, [Full-Year Outlook] Sales YOY +24%
- Basic Chemicals: [1H]Sales YOY +11%, Sales above target, [Full-Year Outlook] Sales YOY +7%

Main Products	FY2022 Outlook as of Aug 2022 ¹			FY2022 Outlook as of Nov 2022		
	YOY Change			YOY Change		
	1H	2H	Total	1H Actual	2H	Total
TEPIC	+28%	+4%	+15%	+25%	+22%	+23%
Environmental related products	+17%	+13%	+15%	+17%	+36%	+26%
FINEOXOCOL	+31%	-7%	+9%	+36%	-4%	+13%
Total Fine Chemicals ²	+24%	+7%	+15%	+23%	+24%	+24%
Melamine ³	+17%	-	-58%	+28%	-96%	-51%
Urea/AdBlue [®]	+49%	+30%	+38%	+56%	+75%	+67%
High purity sulfuric acid	+3%	+9%	+6%	+1%	+8%	+4%
Nitric acid products ⁴	-15%	-1%	-7%	-14%	+24%	+6%
Total Basic Chemicals ⁵⁻⁶	+8% (+7%)	-12% (+10%)	-3% (+8%)	+11% (+8%)	+3% (+28%)	+7% (+19%)
Total Segment ⁵	+14% (+14%)	-6% (+9%)	+3% (+11%)	+16% (+14%)	+10% (+27%)	+13% (+21%)

1. Figures for 1H and Total were not disclosed at the time of August 2022. Figures for 2H have been disclosed since May 2022 and remain unchanged

2. TEPIC, Environmental related products, and FINEOXOCOL account for 87% of total Fine Chemicals sales (1H FY2022 Actual)

3. The production of melamine terminated in June 2022 (see p32, Restructure based on Shutdown of Melamine Plant)

4. From April to June 2022, Nitric acid plant temporarily shutdown due to mechanical troubles, and restarted deliveries from June 17, 2022 (Estimated impact) (1Q FY2022) OP down ¥0.67 billion, (2Q) OP down ¥0.32 billion (1H) OP down ¥0.99 billion

5. Growth rate in parentheses for FY2022 Outlook is the growth rate excluding melamine for both FY2021 Actual and FY2022 Outlook.

6. Melamine, Urea/AdBlue[®], High purity sulfuric acid, and Nitric acid products account for 57% of total Basic Chemical sales (1H FY2022 Actual)

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Let me begin my comments on page 26, the Chemicals segment.

Here you will find YoY sales growth rates for our main products. The gray columns in the middle of this table are as of the August announcement. As noted in one below, the figures for 1H and the full-year were not disclosed in August and we disclosed them this time.

Also, please note that the figures for 2H were not changed in August since the announcement in May, so please assume that they have already been disclosed.

As shown in the comment above, sales of Fine Chemicals increased 23% YoY in 1H, but they were slightly lower than the outlook. For the full year, we forecast a 24% increase in sales.

In addition, sales of Basic Chemicals increased 11% in 1H, and also exceeded the outlook. For the full year, we expect that sales will increase 7% YoY. Sales of total Basic Chemicals excluding melamine, as noted in the lower right corner of the table, are the figures in parentheses and we expect a 19% YoY increase in full-year sales.

Chemicals **1H FY2022 Financial Results YOY Change** 

[1H] Sales up ¥2.7 billion, OP down ¥0.1 billion

	FY2022 Actual			FY2022 Actual			YOY Change	
	1Q	2Q	1H	1Q	2Q	1H	2Q	1H
Sales	8.8	8.3	17.1	10.4	9.4	19.8	+1.1	+2.7
Fine Chemicals	3.2	3.0	6.2	4.2	3.5	7.7	+0.5	+1.5
Basic Chemicals	5.6	5.3	10.9	6.2	5.9	12.1	+0.6	+1.2
OP	1.3	-0.1	1.2	1.7	-0.6	1.1	-0.5	-0.1

1. 1H FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

[1H] Sales up, OP up

Fine Chemicals

- TEPIC for general applications: Sales up (price up)
- TEPIC for electronic materials: Sales down
- Environmental related products: Sales up (price up)
- FINEOXOCOL: Sales up (cosmetic use recovery)
- Feedstock and raw materials cost up, shipping cost up

[1H] Sales up, OP down

Basic Chemicals

- Melamine: Sales up (price up)
- Urea/AdBlue®: Sales up (price up)
- High purity sulfuric acid: Sales flat
- Nitric acid products: Sales down (nitric acid plant troubles, see p26)
- Feedstock and raw materials cost up, fixed cost up ¥0.2 billion, shipping cost down

Page 27 shows the summaries of the YoY 1H results for Fine Chemicals and Basic Chemicals.

The overall segment sales were up JPY2.7 billion YoY. Sales of Fine Chemicals and Basic Chemicals increased JPY1.5 billion and JPY1.2 billion, respectively. Operating profit in the segment decreased slightly by JPY0.1 billion YoY.

As commented in the below, Fine Chemicals enjoyed increases in sales and profit, while Basic Chemicals saw a rise in sales and a fall in profit.

In 1H, as noted below, there was also a decrease in sales due to nitric acid plant troubles. In addition, there were the negative factors that contributed to the decline in profit of higher feedstock and fuel prices, as well as a JPY0.2 billion increase in the fixed cost.

Chemicals

1H FY2022 Financial Results Compared to Outlook

Nissan Chemical CORPORATION

【1H】 Sales above target ¥0.3 billion, OP below target ¥0.4 billion

	FY2022 Outlook as of Aug 2022			FY2022 Actual			vs. Outlook
	1Q Actual	2Q	1H	1Q	2Q	1H	2Q·1H
Sales	10.4	9.1	19.5	10.4	9.4	19.8	+0.3
Fine Chemicals	4.2	3.6	7.8	4.2	3.5	7.7	-0.1
Basic Chemicals	6.2	5.5	11.7	6.2	5.9	12.1	+0.4
OP	1.7	-0.2	1.5	1.7	-0.6	1.1	-0.4

【1H】 Sales below target, OP above target		
Fine Chemicals	TEPIC for general applications	Sales above target (price up)
	TEPIC for electronic materials	Sales below target
	Environmental related products	Sales in line with target
	FINEOXOCOL	Sales above target (cosmetic use strong)
Feedstock and raw materials cost above expectations, inventory adjustment cost below expectations ¥0.2 billion		

【1H】 Sales above target, OP below target		
Basic Chemicals	Melamine	Sales above target (postponement of the end of sales)
	Urea/AdBlue®	Sales above target (price up)
	High purity sulfuric acid	Sales below target
	Nitric acid products	Sales in line with target
Feedstock and raw materials cost above expectations		

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Next, page 28 shows the 1H results in comparison with the outlook, and in effect, as I mentioned earlier, it shows comparisons with the full-year outlook in 2Q.

As you can see from the figures, sales are up JPY0.3 billion, but operating profit is down JPY0.4 billion.

In particular, as shown in the lower right corner, operating profit in Basic Chemicals will show a downward swing. The reason for this is the high feedstock and fuel costs.

【Full-Year】 Sales up ¥4.8 billion, OP down ¥1.3 billion

(¥billion)

	FY2021 Actual					FY2022 Outlook as of Nov 2022					YOY Change				
	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	17.1	10.5	10.0	20.5	37.6	19.8	11.0	11.6	22.6	42.4	+2.7	+0.5	+1.6	+2.1	+4.8
Fine Chemicals	6.2	3.7	3.2	6.9	13.1	7.7	4.0	4.6	8.6	16.3	+1.5	+0.3	+1.4	+1.7	+3.2
Basic Chemicals	10.9	6.8	6.8	13.6	24.5	12.1	7.0	7.0	14.0	26.1	+1.2	+0.2	+0.2	+0.4	+1.6
OP	1.2	1.3	1.3	2.6	3.8	1.1	0.9	0.5	1.4	2.5	-0.1	-0.4	-0.8	-1.2	-1.3

1. 1H FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

	【Full-Year】 Sales up, OP flat		【Full-Year】 Sales up, OP down	
Fine Chemicals	TEPIC for general applications	Sales up (price up)	Melamine	Sales down (plant shutdown in June 2022)
	TEPIC for electronic materials	Sales down	Urea/AdBlue®	Sales up (price up)
	Environmental related products	Sales up (price up)	High purity sulfuric acid	Sales up
	FINEOXOCOL	Sales up (cosmetic use recovery)	Nitric acid products	Sales up (price up)
	Feedstock and raw materials cost up, shipping cost up, fixed cost up ¥0.1 billion		Feedstock and raw materials cost up, fixed cost up ¥0.4 billion, shipping cost down, inventory adjustment cost down ¥0.3 billion	
Basic Chemicals				

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Page 29 shows the YoY changes in the financial outlook.

On an annual basis, sales will increase JPY4.8 billion. On the other hand, operating profit will decrease JPY1.3 billion. The numbers are shown in the rightmost yellow box.

In particular, Basic Chemicals on the right will incur a fall in operating profit. As I mentioned earlier, this is partly a reaction to the strong melanin market in 2H of FY2021.

In addition, the feedstock and raw material cost up, and fixed cost will increase JPY0.4 billion, slashing the profit amount on the expense side.

FY2022 Financial Outlook Compared to Outlook as of Aug 2022

[2H] Sales up ¥3.3 billion, OP up ¥0.6 billion

(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of Aug 2022		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	19.5	19.3	38.8	19.8	22.6	42.4	+0.3	+3.3	+3.6
Fine Chemicals	7.8	7.4	15.2	7.7	8.6	16.3	-0.1	+1.2	+1.1
Basic Chemicals	11.7	11.9	23.6	12.1	14.0	26.1	+0.4	+2.1	+2.5
OP	1.5	0.8	2.3	1.1	1.4	2.5	-0.4	+0.6	+0.2

[2H] Sales above target, OP below target		
Fine Chemicals	TEPIC for general applications	Sales above target (price up)
	TEPIC for electronic materials	Sales below target
	Environmental related products	Sales above target (price up)
	FINEOXOCOL	Sales above target
Feedstock and raw materials cost above expectations, shipping cost above expectations, fixed cost above expectations ¥0.1 billion		

[2H] Sales above target, OP above target		
Basic Chemicals	Melamine	Sales above target (postponement of the end of sales)
	Urea/AdBlue®	Sales above target (price up)
	High purity sulfuric acid	Sales in line with target
	Nitric acid products	Sales above target (price up)
Feedstock and raw materials cost above expectations		

| 30

Page 30 shows the FY2022 financial outlook compared to the outlook in August. The comments focus on 2H. The numbers are in the yellow box on the right.

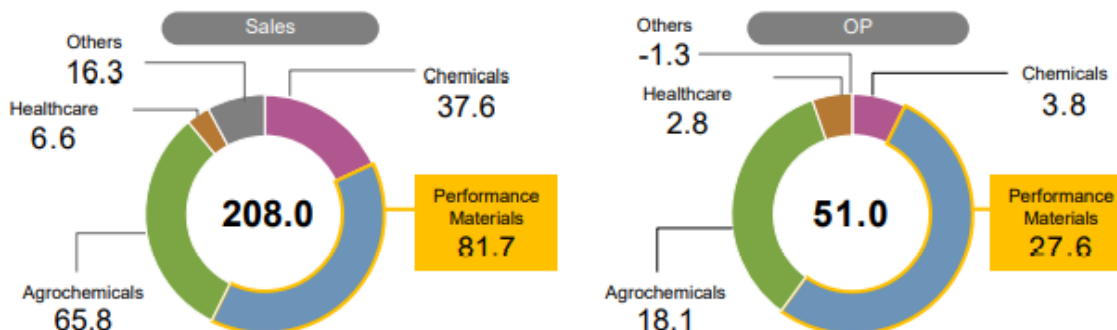
In Fine Chemicals, sales will increase, but operating profit will decrease. The feedstock and raw material cost, soaring transportation cost, and fixed cost will contribute to the decrease in profit.

As for Basic Chemicals, both sales and operating profit are expected to be higher than the previous outlook. Though there is a rise in feedstock and raw material prices, there will be a price hike effect.

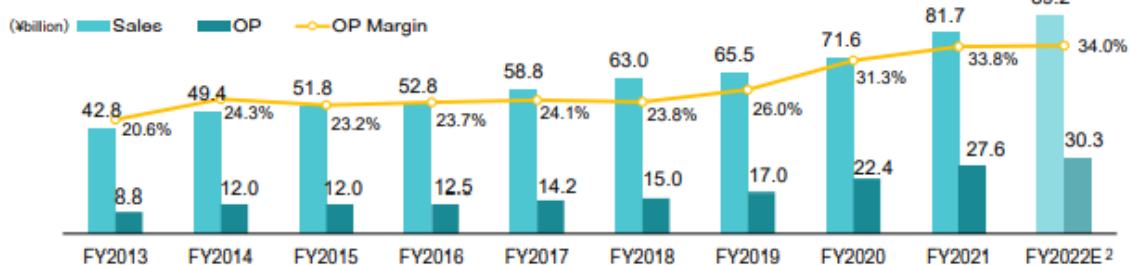
The table on the far right shows the numbers on an annual basis. Profit is up JPY0.2 billion from the previous outlook.

These are the details for the Chemicals segment.

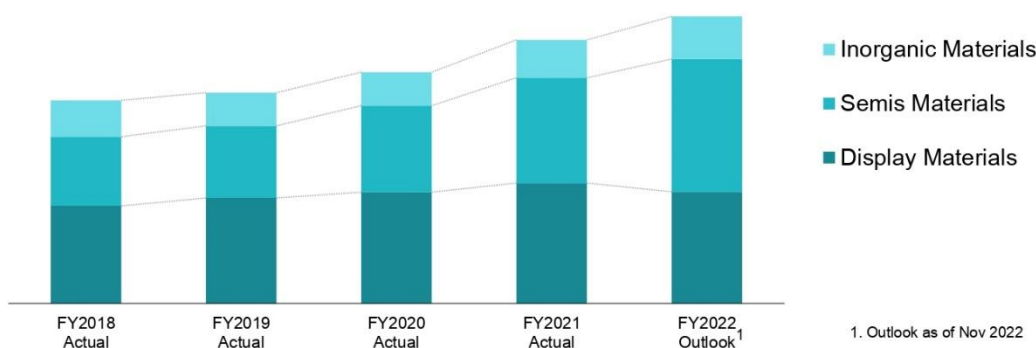
FY2021 Actual by Segment (¥billion)¹



Performance Materials – Recent Financial Performance



1. Organizational changes were implemented in April, 2022. FY2013-2020 Actual figures are based on old segmentation. FY2021 actual has been revised to reflect organizational change in April 2022 (see p62, p83)
 2. Outlook as of Nov 2022



1. Outlook as of Nov 2022

Main Products

Display Materials	Semis Materials	Inorganic Materials
<p>SUNEVER LCD alignment coating</p>	<p>ARC® Bottom anti-reflective coating for semis</p> <p>Multi layer process materials Multi layer process materials for Semis (OptiStack®)</p> <p>Other new materials EUV materials, 3D packaging process materials, CMOS image sensor materials</p>	<p>SNOWTEX Silica sol for polishing materials (silicon wafer, compound semiconductors, semiconductors CMP and etc.) and non-polishing materials (special steel sheet and etc.)</p> <p>Organo/Monomer Sol Film surface treatment for electronic devices, resin additive</p> <p>Oilfield materials For enhancing oil recovery</p>

Next, please move on to page 34 for Performance Materials. The bar graph in the middle here shows the past results and the outlook for the current fiscal year, including the breakdown of each sub-segment.

- DP Materials: [1H] Sales YOY +13%, Sales below target [Full-Year Outlook] Sales YOY -7%
- Semis Materials: [1H] Sales YOY +26%, Sales above target [Full-Year Outlook] Sales YOY +26%
- Inorganic Materials: [1H] Sales YOY +9%, Sales above target [Full-Year Outlook] Sales YOY +13%

Main Products	FY2022 Outlook as of Aug 2022 ¹			FY2022 Outlook as of Nov 2022		
	YOY Change			YOY Change		
	1H	2H	Total	1H Actual	2H	Total
SUNEVER	-6%	+3%	-2%	-12%	-2%	-7%
Total Display Materials	-6%	+3%	-2%	-13%	-2%	-7%
Total ARC [®]	KrF (ARC [®])	+11%	+9%	+10%	+8%	+11%
	ArF (ARC [®])	+25%	+20%	+22%	+26%	+24%
Total ARC [®]	+23%	+18%	+20%	+23%	+21%	+22%
Other Semis Materials ²	+23%	+29%	+26%	+35%	+37%	+36%
Total Semis Materials	+23%	+21%	+22%	+26%	+26%	+26%
SNOWTEX	+4%	+9%	+6%	+6%	+27%	+16%
Organo/Monomer Sol	+7%	-1%	+3%	+10%	-9%	0%
Oilfield Materials	+52%	-25%	+9%	+94%	+18%	+52%
Total Inorganic Materials	+5%	+5%	+5%	+9%	+17%	+13%
Total Segment	+7%	+10%	+9%	+6%	+12%	+9%

1. Figures for 1H and Total were not disclosed at the time of August 2022. Figures for 2H have been disclosed since May 2022 and remain unchanged
 2. Multi layer process materials (OptiStack[®]), EUV materials, CMOS image sensor materials, 3D packing process materials

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Please move on to page 35. This shows the sales growth of main products.

As for Display Materials, as commented in the upper row, sales in 1H of FY2022 decreased 13% YoY and were also lower than the outlook.

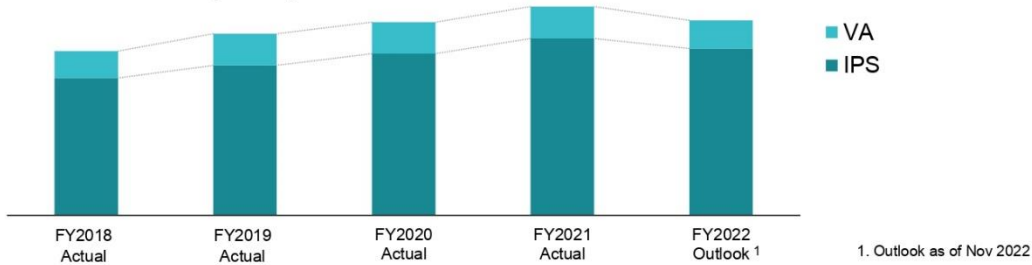
We forecast a 2% YoY decline for 2H and a 7% decrease for the full year.

In 1H, especially in 2Q, Display Materials incurred a downturn on panel makers' inventory adjustments and a slowdown of the market, but we expect a gradual recovery from 2H.

For Semis Materials, sales increased 26% in 1H and exceeded the outlook. For the full year, we expect the same 26% YoY increase in sales.

Sales of Inorganic Materials increased 9% YoY in 1H, up from the outlook, and are expected to rise 13% YoY for the full year.

SUNEVER sales YOY down, and sales below target due to the slowdown in the display market. Gradual recovery is expected from 2H FY2022.



Main Applications

- VA (Vertical Alignment) TV
- IPS (In-Plane Switching) Smartphone, Tablet, PC, Monitor

Sales Growth Rate by Mode

	1H FY2022 Actual		FY2022 Outlook as of Nov 2022
	YOY Change	vs. Outlook as of Aug 2022 (undisclosed)	YOY Change
VA	Down(-10 ~ -19%)	Below	Down(-10 ~ -19%)
IPS	Down(-10 ~ -19%)	Below	Down(-0 ~ -9%)
Total SUNEVER (including TN ²)	-12%	Below	-7%

2. TN (Twisted Nematic) main applications is PC, Monitor

On page 36, we show sales of SUNEVER by mode in displays.

As shown in the table below the page, sales of the VA mode declined YoY in 1H. Sales of the IPS mode, including Photo IPS and rubbing, also showed a YoY decline.

However, the decrease in sales of Photo IPS was in the lower half area of the single-digit range.

As a result, total SUNEVER sales decreased 12% YoY in 1H FY2022, as shown on P35. Sales of VA and IPS downward than the outlook as well. As shown on the right, we expect a decrease in sales for the full year, and a 7% decrease for SUNEVER as a whole.

[1H] Sales up ¥2.4 billion, OP up ¥0.8 billion,

Fixed cost up ¥0.4 billion in total (including common expenses up ¥0.1 billion)

	FY2021 Actual			FY2022 Actual			YOY Change	
	1Q	2Q	1H	1Q	2Q	1H	2Q	1H
Sales	20.0	19.6	39.6	21.8	20.2	42.0	+0.6	+2.4
OP	6.9	6.2	13.1	7.9	6.0	13.9	-0.2	+0.8

(¥billion)

1. 1H FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

Display Materials	[1H] Sales down, OP down	
	Photo IPS	Sales down
	Rubbing IPS	Sales down
	VA	Sales down
Semis Materials	[1H] Sales up, OP up	
	ARC®	Sales up
	Other semis materials	Sales up (multi layer materials and other new materials ¹ up)
	Semis market overall good performance, fixed cost up ¥0.2 billion	
	1. other new materials: EUV materials, CMOS image sensor materials, 3D packaging process materials total	
Inorganic Materials	[1H] Sales up, OP up	
	SNOWTEX	Sales up (non-polishing and polishing up)
	Organo/Monomer Sol	Sales up
	Oilfield materials	Sales up
	Fixed cost up ¥0.1 billion	

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Page 37 shows YoY comparisons for the 1H results.

Operating profit in the Performance Material segment increased JPY0.8 billion, but Display Materials saw declines in sales and profit. In particular, Photo IPS sales declined only slightly, while rubbing and VA sales declined by over 10%.

On the other hand, Semis Materials on the right side increased significantly in sales and profit. Sales of ARC and other materials, including multi layer materials and EUV materials, also increased sharply. This is a result of the strong performance of the market in general.

Inorganic Material sales and profit also increased.

In the 1H, the fixed cost in total increased JPY0.4 billion YoY.

1H FY2022 Financial Results Compared to Outlook

[1H] Sales below target ¥0.4 billion, OP below target ¥0.3 billion,
Fixed cost below expectations ¥0.2 billion in total

	FY2022 Outlook as of Aug 2022			FY2022 Actual			vs. Outlook
	1Q Actual	2Q	1H	1Q	2Q	1H	2Q - 1H
Sales	21.8	20.6	42.4	21.8	20.2	42.0	-0.4
OP	7.9	6.3	14.2	7.9	6.0	13.9	-0.3

(¥billion)

Display Materials	[1H] Sales below target, OP below target	
	Photo IPS	Sales below target
Rubbing IPS	Sales below target	
VA	Sales below target	
Fixed cost below expectations ¥0.1 billion		

Semis Materials	[1H] Sales above target, OP above target	
	ARC®	Sales in line with target
Other semis materials	Sales above target (multi layer materials and other new materials ¹ above target)	
Fixed cost below expectations ¥0.2 billion		

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

Inorganic Materials	[1H] Sales above target, OP below target	
	SNOWTEX	Sales above target (non-polishing flat, polishing up)
Organo/Monomer Sol	Sales above target	
Oilfield materials	Sales above target	
Fixed cost above expectations ¥0.1 billion		

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Next, page 38 shows the 1H financial results compared to the outlook.

As I mentioned earlier, operating profit was down JPY0.3 billion from the outlook. There was a downswing in Display Materials.

On the other hand, there was an upturn in Semis Materials.

【Full-Year】 Sales up ¥7.5 billion, OP up ¥2.7 billion,
Fixed cost up ¥1.9 billion in total (including common expenses up ¥0.3 billion)

	FY2021 Actual					FY2022 Outlook					YOY Change				
	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	39.6	20.9	21.2	42.1	81.7	42.0	22.7	24.5	47.2	89.2	+2.4	+1.8	+3.3	+5.1	+7.5
OP	13.1	7.6	6.9	14.5	27.6	13.9	8.1	8.3	16.4	30.3	+0.8	+0.5	+1.4	+1.9	+2.7

(¥billion)

1. FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

Display Materials	【Full-Year】 Sales down, OP down	
	Photo IPS	Sales flat (Notebook PCs and automotive sales strong, but sales down in other applications)
	Rubbing IPS	Sales down
	VA	Sales down
	Fixed cost up ¥0.3 billion	
Semis Materials	【Full-Year】 Sales up, OP up	
	ARC®	Sales up
	Other semis materials	Sales up (multi layer materials and other new materials ¹ up)
	Semis market overall good performance, fixed cost up ¥0.8 billion	
	1. other new materials: EUV materials, CMOS image sensor materials, 3D packaging process materials total	
Inorganic Materials	【Full-Year】 Sales up, OP up	
	SNOWTEX	Sales up (non-polishing and polishing up)
	Organo/Monomer Sol	Sales flat
	Oilfield materials	Sales up
	Fixed cost up ¥0.5 billion	

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Page 39 shows the YoY changes in the FY2022 financial outlook.

In terms of the full year, we expect a significant increase in profit of JPY2.7 billion in the Performance Material segment.

While sales and profit in the Display Materials are expected to decrease, we expect sales and profit in the Photo IPS business to remain flat YoY throughout the year. We expect a gradual recovery from 2H.

On the other hand, we expect sales and profit to increase in Semis Materials and Inorganic Materials, respectively.

In addition, there is an increase of JPY1.9 billion in the segment fixed cost throughout the year.

FY2022 Financial Outlook Compared to Outlook as of Aug 2022

[2H] Sales above target ¥0.7 billion, OP above target ¥0.4 billion,
Fixed cost above expectations ¥0.6 billion in total

(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of Aug 2022		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	42.4	46.5	88.9	42.0	47.2	89.2	-0.4	+0.7	+0.3
OP	14.2	16.0	30.2	13.9	16.4	30.3	-0.3	+0.4	+0.1

[2H] Sales below target, OP below target

Display Materials

- Photo IPS Sales in line with target
- Rubbing IPS Sales below target
- VA Sales below target

Fixed cost above expectations ¥0.1 billion

[2H] Sales above target, OP above target

Semis Materials

- ARC® Sales above target
- Other semis materials Sales above target (multi layer materials above target, other new materials¹ below target)

Fixed cost above expectations ¥0.2 billion

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

[2H] Sales above target, OP below target

Inorganic Materials

- SNOWTEX Sales above target (non-polishing and polishing up)
- Organo/Monomer Sol Sales below target
- Oilfield materials Sales above target

Fixed cost above expectations ¥0.3 billion

Page 40 shows comparisons of the FY2022 financial outlook with the 1H results. This shows comments on 2H.

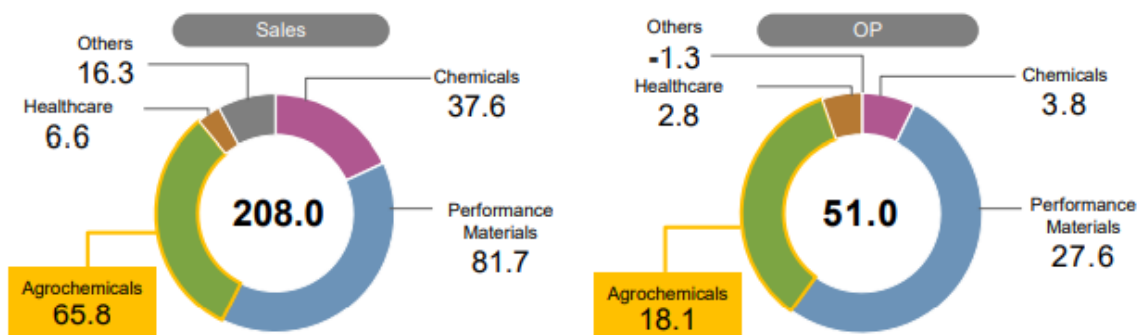
As I mentioned earlier, as for Display Materials, we expect a certain downward swing in sales, but only a slight downturn in operating profit, as shown on the lower left.

As for Semis Materials, both sales and profit are up YoY.

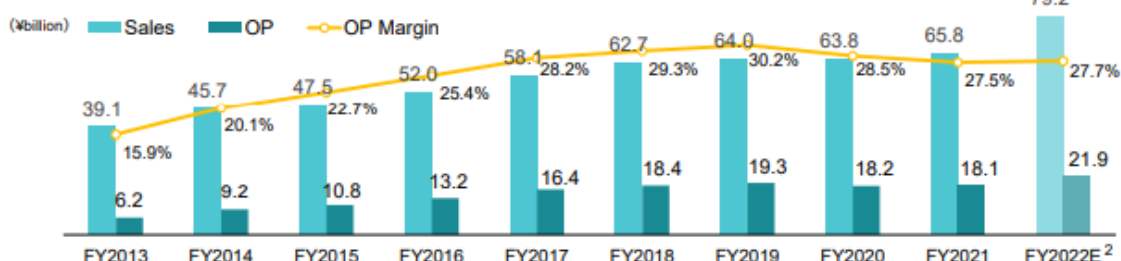
We expect a slight downward swing in operating profit for Inorganic Materials.

As a result, operating profit in total for 2H will see an increase of JPY0.4 billion from the previous outlook, including a JPY0.6 billion increase in the fixed cost.

FY2021 Actual by Segment (¥billion)¹



Agrochemicals – Recent Financial Performance



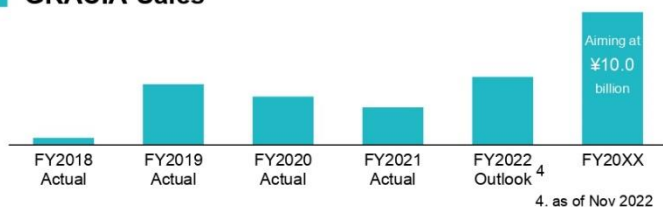
1. Organizational change was implemented in April, 2022. FY2013-2020 Actual figures are based on old segmentation. FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)
 2. Outlook as of Nov 2022

Sales Growth Rate of Main Products (before discount)

[1H] Sales YOY +43%, Sales above target [Full-Year Outlook] Sales YOY +20%

Main Products (in order of FY2021 Sales amount)	Types	FY2022 Outlook as of Aug 2022 ¹			FY2022 Outlook as of Nov 2022		
		YOY Change			YOY Change		
		1H	2H	Total	1H Actual	2H	Total
ROUNDUP ²	Herbicide	+18%	+5%	+11%	+16%	+3%	+9%
Fluralaner	Animal Health products	+33%	+13%	+24%	+42%	+32%	+38%
ALTAIR	Herbicide	+23%	+2%	+6%	+31%	+10%	+14%
TARGA	Herbicide	+25%	-7%	+7%	+30%	-1%	+13%
DITHANE	Fungicide	+37%	+3%	+15%	+38%	+3%	+15%
PERMIT	Herbicide	+203%	-54%	0%	+190%	-45%	+4%
LEIMAY	Fungicide	+104%	+54%	+68%	+144%	+71%	+92%
GRACIA	Insecticide	+218%	+30%	+72%	+199%	+47%	+81%
QUINTEC	Fungicide	-85%	+5%	-24%	+121%	-97%	-26%
Total Segment³	-	+33%	+3%	+15%	+43%	+6%	+20%

GRACIA Sales



Reference

■ No. 1 in the domestic agrochemicals sales ranking (Oct 2019- Sep 2020)

ROUNDUP Business Briefing (January 22, 2020)

- Figures for 1H and Total were not disclosed at the time of August 2022. Figures for 2H have been disclosed since May 2022 and remain unchanged
- ROUNDUP AL for general household accounting for 32% of 1H FY2022 ROUNDUP sales
- Total segment sales YOY include discount

4. as of Nov 2022

Page 42 shows the sales growth rates of main agrochemical products.

As you can see, the 1H actual result at the bottom line showed sales growth of 43%, higher than the outlook in August. We expect a full-year growth rate of 20%.

Most items show positive growth rates, but only QUINTEC shows a slight full-year decline. As for the product, there was the postponement of shipment from 2H FY2020 to FY2021, so the FY2022 growth rate will be slightly lower than the FY2021 results.

Agrochemicals **1H FY2022 Financial Results YOY Change** 

[1H] Sales up ¥10.7 billion, OP up ¥5.2 billion,
Fixed cost up ¥0.7 billion, Inventory adjustment cost down ¥1.0 billion

	FY2021 Actual			FY2022 Actual			YOY Change	
	1Q	2Q	1H	1Q	2Q	1H	2Q	1H
Sales	13.4	11.6	25.0	19.7	16.0	35.7	+4.4	+10.7
OP	4.0	2.9	6.9	6.8	5.3	12.1	+2.4	+5.2

(¥billion)

1. 1H FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

Main products	Product Name	Description
	ROUNDUP(Herbicide)	Sales up (ML: price & volume up, AL: price up)
	Fluralaner(Animal health product)	Sales up (API: up due to shipment shifted from 4Q FY2021 to 1Q FY2022, end of inventory adjustment, royalties: up)
	ALTAIR(Herbicide)	Sales up (domestic & export: up, export: partial shipment shifted from 2H to 2Q FY2022)
	TARGA(Herbicide)	Sales up (demand increase)
	DITHANE(Fungicide)	Sales up (mainly up for export)
	PERMIT(Herbicide)	Sales up (export: shipment skewed to 2H FY2021)
	LEIMAY(Fungicide)	Sales up (export: sales up for mixture product application in Europe)
	GRACIA(Insecticide)	Sales up (domestic: sales up due to end of distribution inventory adjustment, export: sales up due to sales expansion in India & Indonesia)
	QUINTEC(Fungicide)	Sales up (shipment shifted from 2H to 2Q FY2022)

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Page 43 shows YoY changes in the 1H FY2022 results. As I said earlier, most of the items show YoY rises, leading to the overall YoY increase in operating profit of JPY5.2 billion.

There was an increase in the fixed cost of JPY0.7 billion. Meanwhile, the inventory adjustment cost from 2H FY2021 to 1H FY2022 was down JPY1.0 billion due to the general cost increase, boosting profit.

Sales of Fluralaner (animal health product) increased YoY. As commented, the increase was due to the shipment shifted from FY2021, the end of inventory adjustment at Merck, and strong royalty revenue.

1H FY2022 Financial Results Compared to Outlook

[1H] Sales above target ¥2.5 billion, OP above target ¥1.5 billion,
Inventory adjustment cost below expectations ¥0.3 billion

(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Actual			vs. Outlook
	1Q Actual	2Q	1H	1Q	2Q	1H	2Q-1H
Sales	19.7	13.5	33.2	19.7	16.0	35.7	+2.5
OP	6.8	3.8	10.6	6.8	5.3	12.1	+1.5

Main products	FY2022 Outlook as of Aug 2022		FY2022 Actual		vs. Outlook
	1Q Actual	2Q	1H	2Q-1H	
ROUNDUP(Herbicide)					Sales below target (ML: in line with target, AL: below target)
Fluralaner(Animal health product)					Sales above target (royalties above target)
ALTAIR(Herbicide)					Sales above target (export: shipment shifted from 2H to 2Q FY2022)
TARGA(Herbicide)					Sales above target (shipment shifted from 2H to 2Q FY2022)
DITHANE(Fungicide)					Sales in line with target
PERMIT(Herbicide)					Sales below target (partial shipment shifted from 2Q to 2H FY2022)
LEIMAY(Fungicide)					Sales above target (shipment shifted from 4Q FY2021 to 1Q FY2022 and from 2H to 2Q FY2022, demand increase)
GRACIA(Insecticide)					Sales below target (domestic: below target, export: above target)
QUINTEC(Fungicide)					Sales above target (shipment shifted from 2H to 2Q FY2022)

Page 44 shows the 1H FY2022 results compared to the outlook.

As I mentioned earlier, operating profit was up JPY1.5 billion from the outlook.

【Full-Year】 Sales up ¥13.4 billion, OP up ¥3.8 billion,
Fixed cost up ¥1.7 billion, Inventory adjustment cost down ¥1.5 billion

(¥billion)

	FY2021 Actual					FY2022 Outlook as of Nov 2022					YOY Change				
	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	25.0	11.9	28.9	40.8	65.8	35.7	11.3	32.2	43.5	79.2	+10.7	-0.6	+3.3	+2.7	+13.4
OP	6.9	3.0	8.2	11.2	18.1	12.1	1.6	8.2	9.8	21.9	+5.2	-1.4	0.0	-1.4	+3.8

1. FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

Main products	ROUNDUP(Herbicide)	Sales up (ML: price & volume up, AL: price up)
	Fluralaner(Animal health product)	Sales up (API: up due to shipment shifted from 4Q FY2021 to 1Q FY2022, end of inventory adjustment, API sales & royalties: up)
	ALTAIR(Herbicide)	Sales up (mainly up for domestic)
	TARGA(Herbicide)	Sales up (demand increase)
	DITHANE(Fungicide)	Sales up (mainly up for export)
	PERMIT(Herbicide)	Sales up
	LEIMAY(Fungicide)	Sales up (export: sales up for mixture product application in Europe)
	GRACIA(Insecticide)	Sales up (domestic: sales up due to end of distribution inventory adjustment, export: sales up due to sales expansion in India & Indonesia and sales recovery in Korea)
	QUINTEC(Fungicide)	Sales down (shipment shifted from 4Q FY2020 to 1Q FY2021)

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Page 45 shows YoY changes in the FY2022 financial outlook.

We expect full-year operating profit will increase JPY3.8 billion YoY. The fixed cost will rise JPY1.7 billion, and the inventory adjustment cost will be down JPY1.5 billion due to the afore-mentioned factor. This positive factor will mostly offset by negative factors.

While most of the main products will enjoy annual sales growth, only QUINTEC will incur a full-year decline.

FY2022 Financial Outlook Compared to Outlook as of Aug 2022

[2H] Sales above target ¥1.3 billion, OP below target ¥0.2 billion,
Fixed cost above expectations ¥0.5 billion

(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of Aug 2022		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	33.2	42.2	75.4	35.7	43.5	79.2	+2.5	+1.3	+3.8
OP	10.6	10.0	20.6	12.1	9.8	21.9	+1.5	-0.2	+1.3

Main products	ROUNDUP(Herbicide)	Sales below target (ML: in line with target, AL: below target)
	Fluralaner(Animal health product)	Sales above target (API sales & royalties above target)
	ALTAIR(Herbicide)	Sales above target (domestic above target, export below target due to shipment shifted from 2H to 2Q FY2022)
	TARGA(Herbicide)	Sales above target (demand increase)
	DITHANE (Fungicide)	Sales in line with target
	PERMIT(Herbicide)	Sales above target (shipment shifted from 2Q to 2H FY2022)
	LEIMAY(Fungicide)	Sales above target (export: sales above for mixture product application in Europe)
	GRACIA(Insecticide)	Sales above target (mainly up for export)
	QUINTEC(Fungicide)	Sales below target (shipment shifted from 2H to 2Q FY2022)

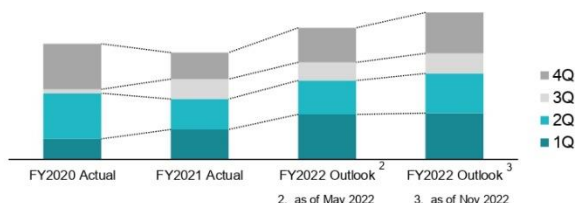
Page 46 shows the FY2022 financial outlook compared to the outlook as of August.

As commented on 2H, the outlook for operating profit is down JPY0.2 billion from the previous outlook. There is a negative factor of an upswing of the fixed cost by JPY0.5 billion.

Nissan Chemical’s Revenues are Consisted from Following Two Factors

- Sales of Fluralaner to MSD as API¹ of BRAVECTO and EXZOLT products
 - Running royalties received from MSD
1. API: Active Pharmaceutical Ingredient

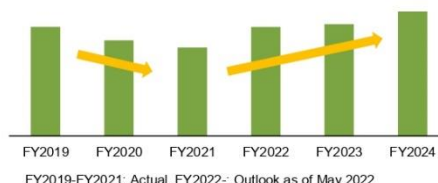
FY2020-FY2022 Fluralaner Quarterly Sales (including royalties)



Royalties revenue used to be recognized in 2Q and 4Q until FY2020. Due to changes in accounting policies, it has been recognized in each quarter since FY2021 (see p81).

FY2019-FY2024 Fluralaner Pro-forma Sales Image (including royalties)

(No change from FY2021 Presentation Materials announced in May 2022)



- Inventory adjustments for Fluralaner were completed in FY2021.
- Plan a large sales increase in FY2022, due to the shipments shifted from FY2021 to FY2022. Assumed exchange rate is ¥115/\$(as of May 2022).
- Assumed exchange rate for FY2023 and beyond: ¥110/\$.
- The mid-term plan for FY2027 includes the forecast of patent extensions and expirations by country (see p48) and does not include the sales increase associated with the launch of newly developed BRAVECTO series and EXZOLT.

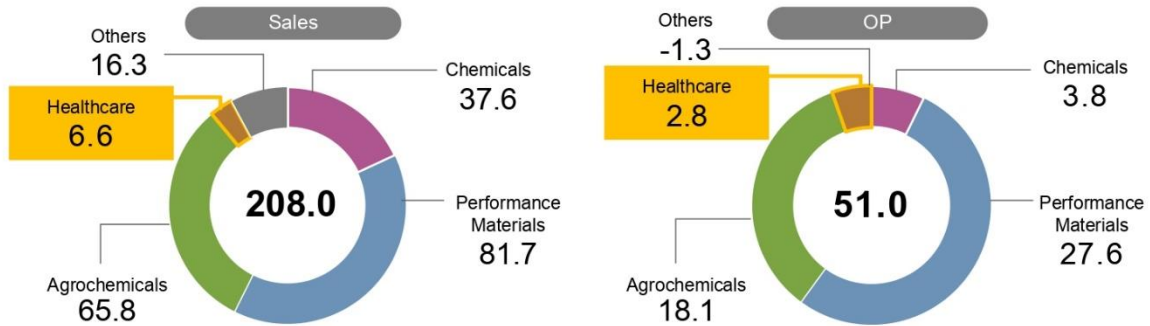
BRAVECTO series and EXZOLT R&D

MSD is developing several pipeline products which contain the API of Fluralaner (including new type of BRAVECTO for pets and spot-on solution for livestock)

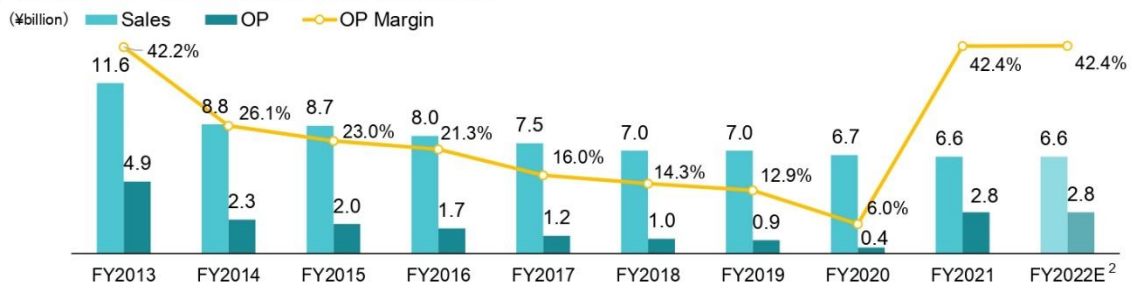
Page 49 shows the sales trend of Fluralaner. In the graph on the left side, there was an addition to the FY2022 outlook in November. Please check this later.

In addition, there was no change since May in the FY2019 to FY2024 Fluralaner pro-forma sales image on the right side.

FY2021 Actual by Segment (¥billion)¹



Healthcare – Recent Financial Performance



1. Organizational changes were implemented in April, 2022. FY2013-2020 Actual figures are based on old segmentation. FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

2. Outlook as of Nov 2022

Finally, we discuss the Healthcare Segment. Please see page 52.

This shows OP margin sharply rose in FY2021. As we said in the previous briefing, the Healthcare segment underwent an organizational change on April 1, 2022. The segment information for FY2021, the year prior to the organizational change, has been revised retroactively to the current year's classification method and is disclosed here.

【1H】 Sales down ¥0.09 billion, OP up ¥0.08 billion

(¥billion)

	FY2021 Actual			FY2022 Actual			YOY Change	
	1Q	2Q	1H	1Q	2Q	1H	2Q	1H
Sales	1.07	2.27	3.34	1.65	1.60	3.25	-0.67	-0.09
Healthcare	0.63	0.78	1.41	0.83	0.59	1.42	-0.19	+0.01
Custom Chemicals	0.44	1.49	1.93	0.82	1.01	1.83	-0.48	-0.10
OP	0.30	1.08	1.38	0.76	0.70	1.46	-0.38	+0.08
Healthcare	0.20	0.32	0.52	0.39	0.24	0.63	-0.08	+0.11
Custom Chemicals	0.10	0.76	0.86	0.37	0.46	0.83	-0.30	-0.03

1. Figures in p20, p21, p22, p23, p24, p78, p79, p80 may not match the numbers on this page due to rounding

2. 1H FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

Healthcare **【1H】 Sales up, OP up**
LIVALO Sales up (domestic down, export up)

Custom Chemicals **【1H】 Sales down, OP down**
Sales down due to shipment skewed to 2H FY2022 in some products

Next, page 55 shows the 1H figures in comparison with the year-before results.

There was an increase in sales, mainly those of LIVALO, and the segment showed YoY increases in sales and operating profit in 1H. Meanwhile, Custom Chemicals incurred a slight YoY decline in profit.

【Full-Year】 Sales down ¥0.03 billion, OP down ¥0.01 billion

(¥billion)

	FY2021 Actual					FY2022 Outlook as of Nov 2022					YOY Change				
	1H	3Q	4Q	2H	Total	1H Actual	3Q	4Q	2H	Total	1H	3Q	4Q	2H	Total
Sales	3.34	1.92	1.33	3.25	6.59	3.25	1.68	1.63	3.31	6.56	-0.09	-0.24	+0.30	+0.06	-0.03
Healthcare	1.41	0.48	0.53	1.01	2.42	1.42	0.43	0.53	0.96	2.38	+0.01	-0.05	0.00	-0.05	-0.04
Custom Chemicals	1.93	1.44	0.80	2.24	4.17	1.83	1.25	1.10	2.35	4.18	-0.10	-0.19	+0.30	+0.11	+0.01
OP	1.38	0.92	0.51	1.43	2.81	1.46	0.66	0.68	1.34	2.80	+0.08	-0.26	+0.17	-0.09	-0.01
Healthcare	0.52	0.15	0.17	0.32	0.84	0.63	0.17	0.12	0.29	0.92	+0.11	+0.02	-0.05	-0.03	+0.08
Custom Chemicals	0.86	0.77	0.34	1.11	1.97	0.83	0.49	0.56	1.05	1.88	-0.03	-0.28	+0.22	-0.06	-0.09

1. Figures in p20, p21, p22, p23, p24, p78, p79, p80 may not match the numbers on this page due to rounding

2. FY2021 actual has been revised to reflect organizational change in April 2022 (see p82, p83)

Healthcare **【Full-Year】 Sales flat, OP up**
LIVALO Sales flat (domestic down, export up)
 Fixed cost down ¥0.1 billion

Custom Chemicals **【Full-Year】 Sales flat, OP down**
 Sales flat
 Fixed cost up ¥0.1 billion

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Please move on to page 57.

The FY2022 financial outlook is almost flat YoY.

1H FY2022 Financial Results Compared to Outlook as of Aug 2022

[2H] Sales above target ¥0.38 billion, OP above target ¥0.33 billion

(¥billion)

	FY2022 Outlook as of Aug 2022			FY2022 Outlook as of Nov 2022			vs. Outlook as of Aug 2022		
	1H	2H	Total	1H Actual	2H	Total	1H	2H	Total
Sales	3.07	2.93	6.00	3.25	3.31	6.56	+0.18	+0.38	+0.56
Healthcare	1.22	0.95	2.17	1.42	0.96	2.38	+0.20	+0.01	+0.21
Custom Chemicals	1.85	1.98	3.83	1.83	2.35	4.18	-0.02	+0.37	+0.35
OP	1.22	1.01	2.23	1.46	1.34	2.80	+0.24	+0.33	+0.57
Healthcare	0.45	0.14	0.59	0.63	0.29	0.92	+0.18	+0.15	+0.33
Custom Chemicals	0.77	0.87	1.64	0.83	1.05	1.88	+0.06	+0.18	+0.24

1. Figures in p20, p21, p22, p23, p24, p78, p79, p80 may not match the numbers on this page due to rounding

[2H] Sales in line with target, OP above target

Healthcare

LIVALO Sales in line with target
(domestic below target, export above target)

Fixed cost below expectations ¥0.1 billion

[2H] Sales above target, OP above target

Custom Chemicals

Generic APIs above target

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Please see page 58, comparisons against the previous outlook in August. In the blue part on the right, both sales and profit increased about JPY0.6 billion from the previous outlook. This reflects the forecast that overseas demand for LIVALO will be better than expected. Moreover, we estimate there will be more demand for Custom Chemicals than initially expected.

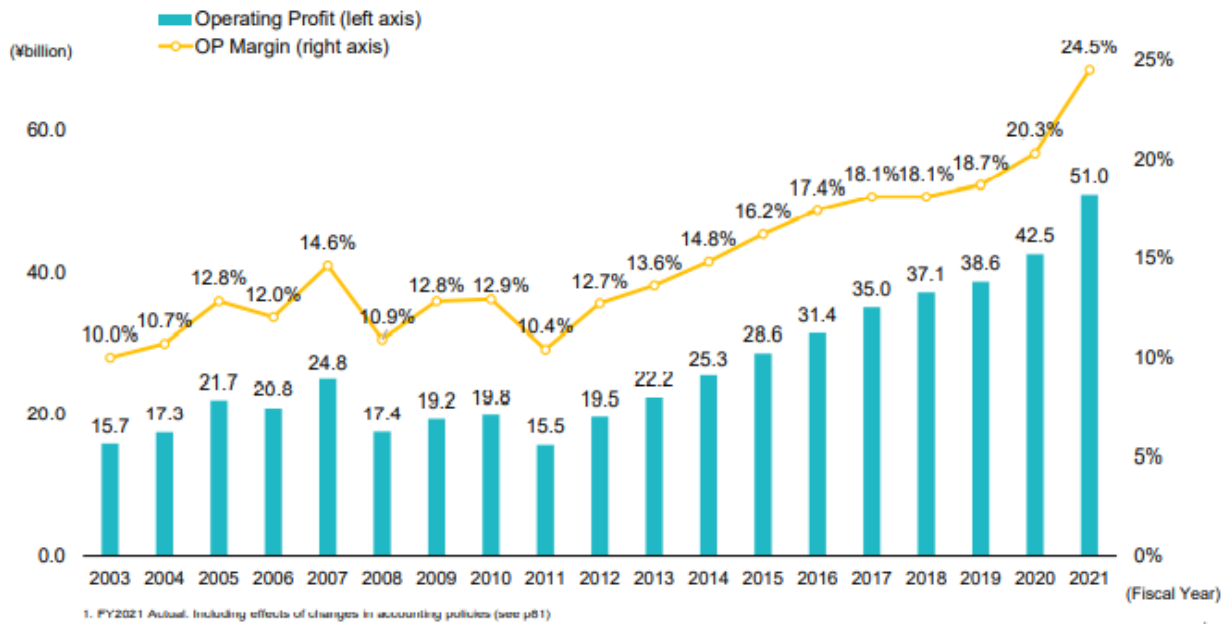
E (Environment)	April 2021	Announced its Diversity Statement and Diversity Vision
	May 2022	Decided to work on realization of carbon neutrality by 2050 Established new long-term target for reducing greenhouse gas (GHG) emissions(see p67)
	June 2022	Reduced GHG emissions by melamine production stop (26,000 tons, equivalent to about 7% of FY2018)
	October 2022	Published " Integrated Report 2022 "
G (Governance)	April 2019	Established Nomination and Remuneration Advisory Committee as an optional advisory body of the Board of Directors
	June 2019	Introduced a performance-linked stock compensation plan called a Board Benefit Trust for Board of Directors, etc.
	June 2021	One female Outside Director added, as a result, the Board of Directors includes 4 Outside Directors out of 10
	June 2022	Announced incorporating ESG indicators into the officers' remuneration system (65% base remuneration, 28% performance-related remuneration, 7% remuneration in stock. Out of the 28% performance-related remuneration, 90% is profit-linked and 10% is ESG-linked.)
	June 2022	Updated and disclosed " Corporate Governance Report " including skills matrix for the board

Page 60 shows our ESG initiatives, which are largely the same as in August. The only one point to add is that we published Integrated Report 2022 in September.

The following pages for ESG related indexes are the same as in the previous briefing.

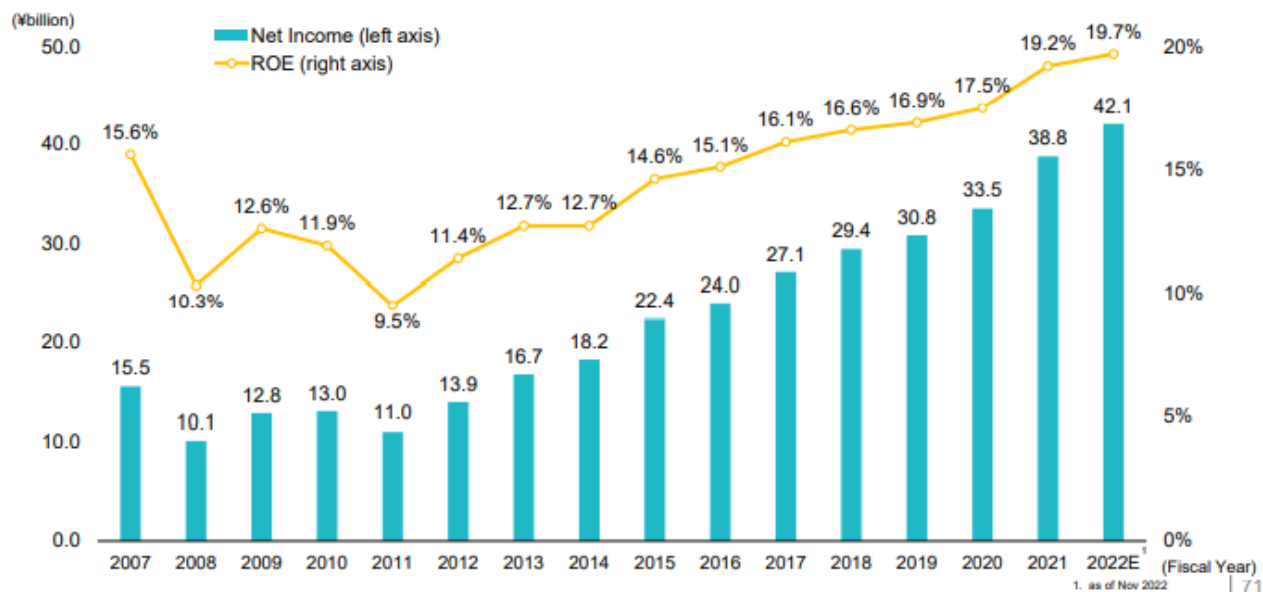
OP Margin Trend

- OP margin has been above 10% for 19 consecutive years (FY2003-2021)
- FY2021 Actual : 24.5%



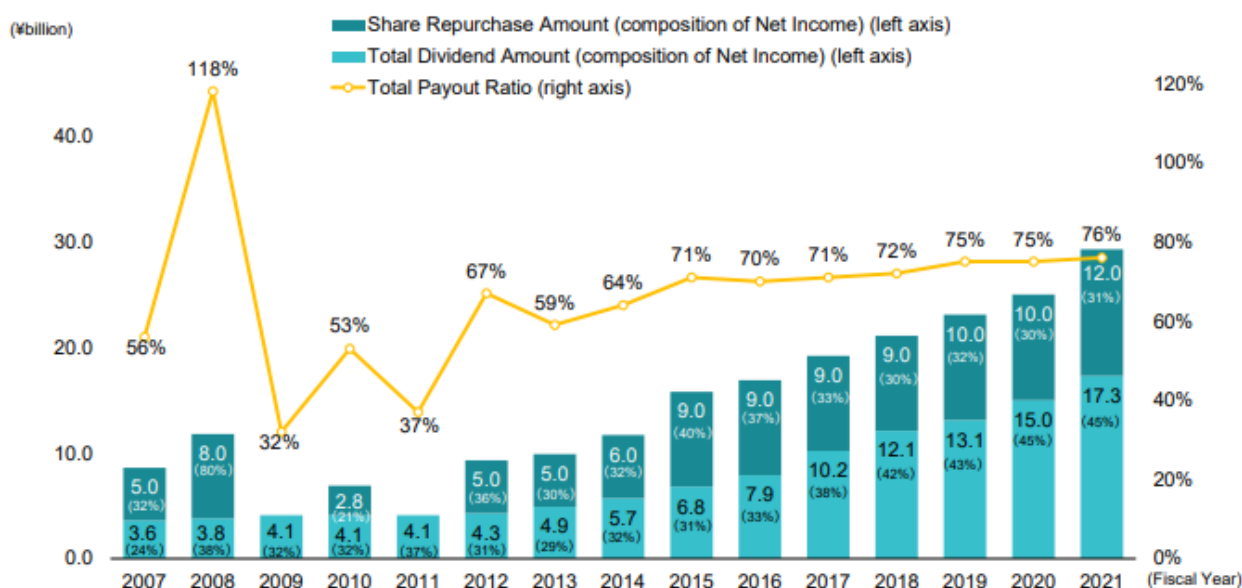
ROE Trend

- Position ROE as the most important financial indicator for a long time
- Mid-Term Plan FY2019-2021 Target : Maintain above 16% ⇒ Achieved
- New Mid-Term Plan FY2022-2027 Target: above 18%
- FY2022 Outlook: 19.7%



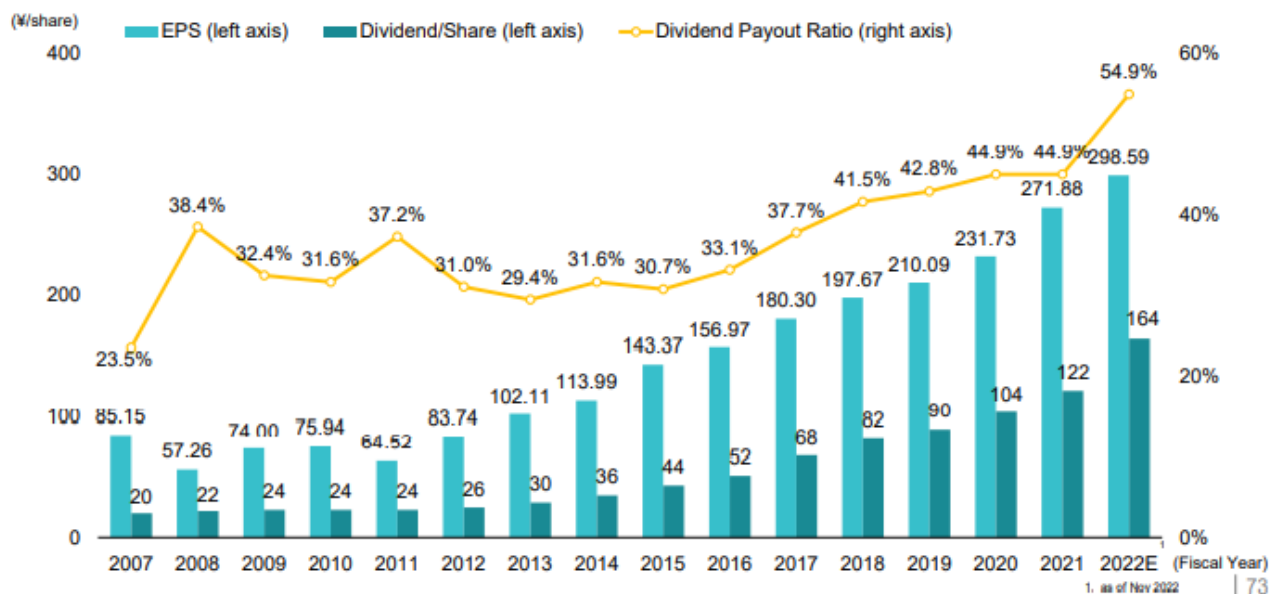
Shareholders Return Policy - Total Payout Ratio

- Maintain an aggressive shareholders return policy
- Mid-Term Plan FY2019-2021 Target : 72.5% in FY2019, 75% after FY2020 ⇒ Achieved
- FY2021 Actual: 76%
- New Mid-Term Plan FY2022-2027 Target: 75%



Shareholders Return Policy – Dividend Payout Ratio

- Gradually increased from 30.7% in FY2015 to 44.9% in FY2021
- Increase Dividend Payout Ratio Target to 55% from 45% in New Mid-Term Plan FY2022-2027
- Emphasis on direct shareholder returns
- Increased dividend/share for 10 consecutive years until FY2021



Shareholders Return Policy - Share Repurchase

- Started share repurchase in FY2006 only to enhance ROE
- Repurchased ¥104.5 billion, 44.75 million shares (23.8% of shares issued) in total from FY2006 to FY2021
- Cancelled all repurchased shares
- Continue to strengthen shareholders return through share repurchase

FY2006 - 2021 Shareholders Return (no share repurchase in FY2009 and FY2011)

Fiscal Year	2006	2007	2008	2010	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Shares purchased (thousand shares) ¹	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	2,033	44,748
Purchase costs (Billion) ²	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	12.0	104.5
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	2,000	44,635
Shares issued at FY end (million shares)	185	181	174	171	165	161	158	156	154	151	140	146	145	143	-
Treasury shares at FY end (thousand shares) ²	1,367	1,233	1,660	885	1,268	522	287	1,621	2,242	1,535	1,218	523	1,352	1,384	-
Total payout ratio (dividend + share repurchase) (%)	60	56	118	53	67	59	64	71	70	71	72	75	75	76	-

FY2018 - 2022 Share Repurchase and Cancel Program

Fiscal Year	2018			2019			2020			2021			2022
	1H	2H	Total	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	771	2,033	683
Purchase costs (Billion) ¹	5.0	4.0	9.0	6.0	4.0	10.0	7.0	3.0	10.0	7.0	5.0	12.0	5.0
Shares cancelled ³ (thousand shares)	2,000	0	2,000	2,000	1,000	3,000	1,000	0	1,000	2,000	0	2,000	1,700

1. Excluding share acquisitions for performance-based compensation 2. Including share acquisitions for performance-based compensation
3. Date of Cancellation in 1H FY2022 is May 10 and Aug 31 2022

Cash Management Policy (Non-consolidated basis)

Level of Target Cash Balance = Minimum required level + 1/3 of annual scheduled long-term borrowings repayment + 1/3 of short-term borrowings outstanding + Contingent risk reserves

The following is for reference. This concludes my presentation.

Question & Answer

<Questioner 1>

Q: The first one is about the Performance Materials segment. Unfortunately, sales of your Photo IPS declined. While operating profit decreased around JPY6.0 billion in 2Q, the Performance Materials are likely to see sharp recovery in 3Q and 4Q.

Furthermore, operating profit in Performance Materials will turn better YoY for both quarters. While the recent environment for displays are worse and sales of semiconductor materials, mainly memories, have been falling, what is the background to this forecast, including the recent trends? This is my first question.

A: As for the recent situation of display materials, panel manufacturers were conducting large-scale production adjustments in 1H due to a slowdown of demand and inventory adjustments facing excessive components and panel inventories. In 2H, we expect that the business will turn into a recovery trend as inventory consumption will make progress.

During the recovery, in particular, we forecast that Photo IPS will turn better as the shift from other modes will accelerate.

As for semiconductors, we recognize that the decline in memory prices is a risk. However, as there is no decrease in our customers' short-term forecasts and there is no definitive information, we assume that there will be no major production adjustments.

Q: Are you saying that there is no abnormal change in materials for logic devices and they are keeping good performance?

A: That's right.

Q: Next question is about the Agrochemicals segment. The business is continuing performing very well and I wonder if there will be a specific change in the environment. I think that the price of glyphosate has been falling in China. What is your outlook for Agrochemicals in the next fiscal year, including the direction of the business? Thank you.

A: First of all, regarding glyphosate, it is true that the prices of Chinese-made generic products have been falling recently. However, their levels still keep considerably higher than previously. We don't believe that our glyphosate-based Roundup herbicide products face the threat as you mentioned yet.

As for the situation of Agrochemicals for the next fiscal year, though it is difficult to foresee at this moment, from the global perspective, we expect active demand for grains to continue and the global agrochemical market to be in an expanding trend though there may be a slight slowdown.

<Questioner 2>

Q: The first one is that I would like to know sales by product in the Performance Materials segment from 1H to 2H. Please provide us the figures of each mode for SUNEVER, and for Semis Materials, the figures for ARC and other materials.

A: I think you are mentioning half-on-half, HoH figures, first of all, regarding Display Materials. As for SUNEVER, we expect that all modes in 2H will increase. Of that, rubbing IPS will mark the highest growth rate, followed by Photo IPS and VA. As for Semis Materials, sales of ARC, multi layer materials, and other new materials will rise around 10% each from 1H. In addition, Display Materials are assumed to have a higher growth rate than Semis Materials.

Q: What is the background to the large growth of rubbing IPS?

A: As rubbing IPS incurred a sharp downswing in 1H, the recovery from there will show so large a growth rate though the amount of increase will not be so large.

Q: You are in the second month of H2. As for LCD applications, have orders received or sales already been showing signs of recovery recently?

A: The performance has turned into recovery from 1H since this October.

Q: The second question, you estimated a lot more fixed cost for 2H than the outlook in August. You raised the fixed cost for Performance Materials by JPY0.6 billion and for Agrochemicals by JPY0.5 million for 2H. What is their background?

A: As for Performance Materials, at the business division, for example, there will be an increase in depreciation expenses by introducing various types of equipment. In addition, on the factory side, there will be a buildup of capital investments as the fixed cost.

As it is a total of very fine amounts. We don't assume that there will be a specific postponement from 1H to 2H.

As for Agrochemicals, a major factor is that we expect travel and transport expenses, advertising and promotion expenses, and so on to gradually increase more than estimated in 2H.

Furthermore, our Indian subsidiary, Nissan Bharat Rasayan Private Limited, is under constructing. Such relating cost will increase slightly.

<Questioner 3>

Q: The first one is about the outlook for the Agrochemicals segment for 2H on page 46. For Fluralaner, you have revised upward the sales target. However, hearing from what was said in a recent conference of Zoetis, as for flea and tick medicines, they said that challenges in the supply chain are a constraint. On the other hand, as Merck's financial results looked solid, I would like to confirm if there is no particular constraint problem in your supply chain.

As for Agrochemicals, three months ago, you said that the price hike negotiations in Japan will take longer than in a normal year. However, as the new prices are expected to be in effect around December, please comment on your expectations and inclusion into the revised outlook.

A: Regarding Fluralaner, as Merck's performance has been faring well, we expect that sales of Fluralaner will also remain strong, although there may be various external factors.

Regarding the price increases, we, including other companies, have provided sessions of a detailed explanation about the situation and reasons for the rises in all kinds of costs, such as APIs, intermediates, and feedstocks.

In fact, for the planned prices of our products from December, we believe that we have managed to pass the surges in costs onto customers to a certain extent, and the expected effects have been factored into the outlook for 2H.

Q: The second question is about the Adjustment amount on page 80. Looking at the details of the revision to the outlook, the full-year Adjustment amount was a negative JPY3.7 billion in the August outlook, but it rose to a negative JPY5.8 billion in the new outlook, leading to a downward revision of JPY2.1 billion. Please provide the details about this.

A: It was true that there were changes in figures in areas other than the main four segments. One of those areas was the Planning and Development Division. In addition, we have refined the outlook for some areas because there were consolidated eliminations and other amounts, which had not been easily foreseen at the initial budget at the beginning of the fiscal year. As a result, we are presenting these figures.

Q: Compared to three months ago, is there a strategic decision to increase expenses, or is there some change in management strategy? Please comment on that.

A: We have not made any major policy changes there. Please understand that the figures we have shown are the results of our calculations.

<Questioner 4>

Q: The first question is about the outlook for Fluralaner for 2H. In the new outlook, both API and royalty figures increased from the previous outlook. I would like to confirm whether there was also a revision from the previous forecast on a volume basis, even if the foreign exchange rate effects are excluded.

A: I think your question is about the matter in comparison with the outlook for 2H. We assume that the volume of API shipment will increase slightly from our previous outlook for the sales volume and we have factored some benefits from foreign exchange rate differences though their impact will not be so large.

Q: I believe that you cannot deny the probability that the pet drug market will slow down a little. Particularly, pharmaceuticals for pets will enter an off-demand season in winter. Moreover, I imagine that Merck is taking a cautious approach to inventory management due to their inventory adjustment issues in the past. What do you think is the reason for the increase in their demands?

A: Regarding your question, of course we are making reasonable assumptions based on our communication with the Merck side. I hope you understand, based on the figures on their side, we have also included our own estimates and come up with the new outlook.

Q: As for inventories, is it alright that they will not increase too much and will remain at appropriate levels?

A: That's what as you said.

Q: The second question is about the outlook for Semis Materials for 2H. Was there an overall revision to the assumption on volume from the previous outlook to the current one? If possible, I would like to know the figures per product.

A: Regarding the volume of Semis Materials compared to the initial outlook, the volume of ARC will be line with the initial outlook, though there may be a slight decrease in a very marginal range. We expect a slight increase in multi-layer materials.

We expect that EUV-UL volume will increase more than 10% from the initial outlook for 2H.

Q: Thank you very much. As for the slight downswing of ARC's volume, have you seen the recent trends in the semiconductor industry and factored some risks in the new outlook? Or is there an actual downswing in inquiries from your customers? Please comment on the situation.

A: In 2H, we assume that our customers' current operating assumptions will decline a little from the initial outlook. That's not a situation where there will be major production adjustments, but the utilization ratio in China will not rise as we expected due to the impact of COVID-19.

[END]