

Consolidated Financial Results for the Three Months Ended June 30, 2017 (JPGAAP)



August 4, 2017

Name of listed company: NISSAN CHEMICAL INDUSTRIES, LTD.

Stock Exchange: Tokyo

Code Number: 4021

URL: <http://www.nissanchem.co.jp/>

Representative: Kojiro Kinoshita, President

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Scheduled submission date of quarterly report: August 10, 2017

Scheduled dividend payment date: —

Supplemental information: Yes

Financial results meeting : None

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (% indicates the rate of increase/decrease against the same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three Months Ended June 30, 2017	47,420	5.2	10,040	5.6	10,851	16.0	7,887	15.5
Three Months Ended June 30, 2016	45,085	(0.2)	9,508	0.9	9,357	(8.6)	6,826	(5.3)

(Note) Comprehensive Income: Three Months Ended June 30, 2017 : 9,521 million yen , 94.7%

Three Months Ended June 30, 2016 : 4,889 million yen , (39.5)%

	Basic Earnings per share	Diluted Earnings per share
	Yen	Yen
Three Months Ended June 30, 2017	52.22	—
Three Months Ended June 30, 2016	44.31	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2017	218,874	163,941	74.1
As of March 31, 2017	231,748	163,707	69.9

(Reference) Shareholders' equity: As of June 30, 2017 : 162,265 million yen

As of March 31, 2017 : 162,041 million yen

2. Cash Dividends

	Cash Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year Ended March 31, 2017	—	24.00	—	28.00	52.00
Year Ending March 31, 2018	—	—	—	—	—
Year Ending March 31, 2018 (Forecast)	—	28.00	—	32.00	60.00

(Note) Revision of the latest released dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six Months Ending September 30, 2017	87,700	3.8	15,000	1.8	15,100	6.2	11,500	8.5	76.29
Year Ending March 31, 2018	189,000	4.8	32,500	3.4	33,300	5.0	25,200	4.9	167.33

(Note) Revision of the latest released forecast of financial results: None

4. Notes

(1) Changes in significant consolidated subsidiaries
(Changes in specified subsidiaries involving changes in scope of consolidation) : None

(2) Application of special accounting treatment to preparation of quarterly financial statements : None

(3) Changes of accounting policies and accounting estimates, and restatement

1. Changes of accounting policies due to revisions of accounting standards : None

2. Changes of accounting policies other than the above : None

3. Changes in accounting estimates : None

4. Restatements : None

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

As of June 30, 2017 : 152,000,000 shares

As of March 31, 2017 : 154,000,000 shares

2. Number of treasury shares

As of June 30, 2017 : 1,545,834 shares

As of March 31, 2017 : 2,242,017 shares

3. Average number of shares outstanding

As of June 30, 2017 : 151,042,450 shares

As of June 30, 2016 : 154,049,621 shares

* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

* Explanations regarding appropriate use of business forecasts and other special notes

The business forecast contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the forecast due to various factors.

For supplemental information, please refer to our website.

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1. Qualitative Information on Quarterly Results

(1) Business Performance

During the year ended June 30, 2017 (from April 1, 2017 to June 30, 2017), the domestic economy has kept slowly recovering due to various factors including positive employment situation and improvement of consumption mind influenced by positive business performance and higher stock price.

In our group business, under these circumstances, in the Chemicals Segment, the sales of Basic Chemicals increased. In the Performance Materials Segment, the sales of Display Materials and Semiconductor Materials, Inorganic Materials increased. In the Agricultural Chemicals Segment, "ROUNDUP MAXLOAD AL", herbicide for general household, had healthy sales. In the Pharmaceutical Segment, the domestic sales of "LIVALO" (anti-cholesterol drug) decreased due to expansion of generic products.

As a result of previously mentioned factors, the sales for this period were 47,420 million yen (an increase of 2,335 million yen from the same period of the previous year). Operating income was 10,040 million yen (an increase of 532 million yen). Ordinary income was 10,851 million yen (an increase of 1,493 million yen). Net Income attributable to owners of parent was 7,887 million yen (an increase of 1,060 million yen). Compared to first quarter target, the sales were above 2,200 million yen, operating income were above 1,900 million yen, ordinary income were above 2,300 million yen and net income attributable to owners of parent were above 1,400 million yen.

Explanations by segments are as below.

Chemicals

In the Basic Chemicals, the sales of high purity sulfuric acid increased. In the Fine Chemicals, the sales of "TEPIC" (special epoxy compound for sealant) increased, while "HI-LITE" (chlorinated isocyanuric acid for sterilizing) decreased.

As a result of these factors, the sales of this segment were 8,836 million yen (an increase of 312 million yen from the same period of the previous year). Operating income was 1,518 million yen (an increase of 26 million yen). Compared to first quarter target, the sales were above 400 million yen and operating income were above 100 million yen.

Performance Materials

In the Display Materials, "SUNEVER" (polyimide for LCD / flat panel displays) for smartphone had healthy sales. In the Semiconductor Materials, bottom anti-reflective coating for semiconductors ("ARC®") and multi-layer process materials ("OptiStack®") had healthy sales affected by recovering of the capacity utilization ratio of some customers. In the Inorganic Materials, "SNOWTEX" (semiconductor polishing, hard coating, etc.) for polishing agents for electronic substrate materials increased the sales.

As a result of these factors, the sales of this segment were 14,099 million yen (an increase of 1,450million yen). Operating income was 3,606 million yen (an increase of 625 million yen). Compared to first quarter target, the sales were above 300 million yen and operating income were above 400 million yen.

*ARC® and OptiStack® are registered trade mark of Brewer Science, Inc.

Agricultural Chemicals

The domestic sales of "ALTAIR" (paddy rice herbicide) increased. "ROUNDUP" (non-selective herbicide) were shipped earlier than as it was scheduled. "TARGA" (herbicide for soybean, etc.) had healthy sales in Europe. Conversely, the sales of Fluralaner (the active substance of veterinary medical product) decreased due to the difference of shipment period.

As a result of these factors, the sales of this segment were 14,601 million yen (an increase of 137 million yen). Operating income was 4,543 million yen (an increase of 55 million yen). Compared to first quarter target, the sales were above 1,100 million yen and operating income were above 700 million yen.

Pharmaceuticals

The shipment of “LIVALO” decreased in Japan due to expansion of generic products but increased in overseas. Also, “Custom Chemicals” (custom manufacturing and process researching services for pharmaceutical companies) had healthy sales.

As a result of these factors, the sales of this segment were 2,148 million yen (a decrease of 69 million yen). Operating income was 545 million yen (a decrease of 101 million yen). Compared to first quarter target, the sales were above 600 million yen and operating income were above 400 million yen.

Trading

The sales of this segment were 14,552 million yen (an increase of 196 million yen). Operating income was 422 million yen (a decrease of 12 million yen). Compared to first quarter target, the sales were below 600 million yen and operating income were the same.

Others

The sales of this segment were 5,381 million yen (an increase of 1,408 million yen). Operating income was 128 million yen (an increase of 152 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2017 were 218,874 million yen (a decrease of 12,874 million yen from March 31, 2017). It is mainly due to the decrease of cash and deposits.

Also, total liabilities as of June 30, 2017 were 54,933 million yen (a decrease of 13,108 million yen). It is mainly due to the decrease of short - term loans payable.

Net assets as of June 30, 2017 were 163,941 million yen (an increase of 234 million yen).

As a result of these factors, equity ratio was 74.1% (an increase of 4.2% from March 31, 2017).

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the three months ended June 30, 2017 were 11,283 million yen (9,879 million yen for the same period of the previous year).

Due to the investment on plant and equipment, net cash used in investing activities for the three months ended June 30, 2017 were 4,353 million yen (369 million yen).

Due to the decrease in short-term loans payable, payment for dividends, net cash used in financing activities for the three months ended June 30, 2017 were 18,347 million yen (21,081 million yen).

As a result of these factors, cash and cash equivalents at the end of this period were 24,263 million yen, reflecting negative 21 million yen. It decreased by 11,438 million yen from March 31, 2017 (23,386 million yen).

(3) Forecast of Consolidated Business Results and Other Forward-looking Information

There is no change in the forecast of consolidated business results for the fiscal year ending March 31, 2018 from the statement announced on May 12, 2017.

(4) Basic Policy on Distribution of Earnings

The Company's basic policy of profit allocation is returning to shareholders by improving company value through increasing revenue in the medium and long terms.

We aim to realize dividend payout ratio to be 40% in FY2018 and maintain total payout ratio to be 70% in medium-term business plan “Vista2021” launched from April 2016.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	35,701	24,263
Notes and accounts receivable - trade	60,075	56,782
Merchandise and finished goods	28,602	29,356
Work in process	64	328
Raw materials and supplies	7,778	7,875
Other	8,375	6,571
Allowance for doubtful accounts	(33)	(34)
Total current assets	140,564	125,142
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,824	23,490
Other, net	28,145	28,329
Total property, plant and equipment	51,969	51,820
Intangible assets		
Goodwill	0	7
Other	1,576	1,607
Total intangible assets	1,577	1,615
Investments and other assets		
Investment securities	32,465	35,221
Other	5,269	5,169
Allowance for doubtful accounts	(98)	(95)
Total investments and other assets	37,636	40,295
Total non-current assets	91,183	93,731
Total assets	231,748	218,874

(Millions of Yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,943	14,142
Short-term loans payable	26,225	17,168
Income taxes payable	3,288	2,032
Provision for bonuses	1,920	604
Provision for directors' bonuses	28	7
Other	11,259	9,752
Total current liabilities	57,665	43,706
Non-current liabilities		
Long-term loans payable	4,580	4,580
Provision for business structure improvement	594	590
Provision for loss on business of subsidiaries and associates	309	309
Net defined benefit liability	101	103
Other	4,791	5,643
Total non-current liabilities	10,376	11,226
Total liabilities	68,041	54,933
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	126,370	122,973
Treasury shares	(7,587)	(5,551)
Total shareholders' equity	151,337	149,975
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,079	11,894
Foreign currency translation adjustment	243	27
Remeasurements of defined benefit plans	380	367
Total accumulated other comprehensive income	10,703	12,289
Non-controlling interests	1,666	1,676
Total net assets	163,707	163,941
Total liabilities and net assets	231,748	218,874

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

- Consolidated Statements of Income

(Millions of Yen)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2017
Net sales	45,085	47,420
Cost of sales	24,843	26,333
Gross profit	20,241	21,087
Selling, general and administrative expenses	10,733	11,047
Operating income	9,508	10,040
Non-operating income		
Interest income	3	5
Dividend income	277	294
Share of profit of entities accounted for using equity method	143	288
Other	151	335
Total non-operating income	576	922
Non-operating expenses		
Interest expenses	50	40
Loss on disposal of non-current assets	56	50
Loss on valuation of securities	172	-
Foreign exchange losses	425	-
Other	21	21
Total non- operating expenses	727	112
Ordinary income	9,357	10,851
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	9,357	10,851
Income taxes - current	1,711	2,244
Income taxes - deferred	768	643
Total income taxes	2,480	2,888
Net income	6,877	7,962
Net income attributable to non-controlling interests	50	74
Net income attributable to owners of parent	6,826	7,887

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2017
Net income	6,877	7,962
Other comprehensive income		
Valuation difference on available-for-sale securities	(970)	1,815
Foreign currency translation adjustment	(998)	(242)
Remeasurements of defined benefit plans, net of tax	(18)	(12)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(1,987)	1,559
Comprehensive income	4,889	9,521
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,918	9,473
Comprehensive income attributable to non-controlling interests	(28)	47

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2017
Cash flows from operating activities		
Income before income taxes and non-controlling interests	9,357	10,851
Depreciation and amortization	1,948	2,203
Interest and dividend income	(281)	(299)
Interest expenses	50	40
Loss (gain) on disposal of non-current assets	56	50
Decrease (increase) in notes and accounts receivable - trade	2,779	3,280
Decrease (increase) in inventories	912	(1,118)
Increase (decrease) in notes and accounts payable - trade	(1,633)	(913)
Other	745	84
Subtotal	13,935	14,179
Interest and dividend income received	341	359
Interest expenses paid	(27)	(23)
Income taxes paid	(4,369)	(3,232)
Net cash provided by (used in) operating activities	9,879	11,283
Cash flows from investing activities		
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	2,638	1
Purchase of property, plant and equipment	(2,839)	(4,268)
Payments for retirement of property, plant and equipment	(54)	(48)
Net decrease (increase) in short-term loans receivable	(63)	65
Other	(46)	(100)
Net cash provided by (used in) investing activities	(369)	(4,353)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(12,009)	(9,054)
Cash dividends paid	(4,013)	(4,249)
Dividends paid to non-controlling interests	(52)	(39)
Share repurchase	(2,895)	(5,000)
Setting up the trust for share repurchase	(2,104)	-
Other	(5)	(4)
Net cash provided by (used in) financing activities	(21,081)	(18,347)
Effect of exchange rate change on cash and cash equivalents	(353)	(21)
Net increase (decrease) in cash and cash equivalents	(11,923)	(11,438)
Cash and cash equivalents at the beginning of period	35,335	35,701
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(25)	-
Cash and cash equivalents at the end of period	23,386	24,263

(4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company canceled 2,000,000 treasury shares on May 9, 2017 based on the resolution of Board of Directors' meeting held on April 25, 2017. As a result, retained earnings and treasury shares decreased by 7,036 million yen during the first quarter of current consolidated fiscal year.

Also, the Company repurchased its own shares based on the resolution of Board of Directors' meeting held on May 12, 2017. As a result, treasury shares increased by 4,999 million yen during the first quarter of current consolidated fiscal year.

Segment Information

1. Information Regarding Sales, Income (Loss) of Reportable Segments

1) For the Three Months Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	6,261	11,096	12,975	2,217	10,915	1,617	45,085	—	45,085
Intersegment Sales	2,262	1,552	1,488	—	3,440	2,356	11,098	(11,098)	—
Total Sales	8,523	12,648	14,464	2,217	14,356	3,973	56,183	(11,098)	45,085
Segment Income or Loss (Operating Income or Loss)	1,492	2,981	4,488	647	434	(24)	10,021	(513)	9,508

Notes: (1) The (513) million yen adjustment in segment income includes 42 million yen in intersegment eliminations and (555) million yen corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses which do not belong to any segment.

2) For the Three Months Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	6,432	12,509	13,354	2,121	11,134	1,866	47,420	—	47,420
Intersegment Sales	2,404	1,589	1,246	26	3,417	3,514	12,199	(12,199)	—
Total Sales	8,836	14,099	14,601	2,148	14,552	5,381	59,619	(12,199)	47,420
Segment Income or Loss (Operating Income or Loss)	1,518	3,606	4,543	545	422	128	10,765	(725)	10,040

Notes: (1) The (725) million yen adjustment in segment income includes (95) million yen in intersegment eliminations and (629) million yen corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses which do not belong to any segment.