

Consolidated Financial Results for the Nine Months Ended December 31, 2015

(JPGAAP)

February 3, 2016

Name of listed company: NISSAN CHEMICAL INDUSTRIES, LTD.

Stock Exchange: Tokyo

Code Number: 4021

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

Representative: Kojiro Kinoshita, President

Inquiry to: Hironori Yoshida, Executive Officer and Director of Finance and Accounting Department Tel. +81 3 3296 8356

Scheduled submission date of quarterly report: February 15, 2016

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 Nine Months Ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

(Millions of Yen)

(1) Consolidated Operating Results

(% indicates the rate of increase/decrease year on year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
Nine Months Ended December 31, 2015	123,402	+4.8%	19,212	+19.0%	20,363	+17.2%	14,849	+25.6%
Nine Months Ended December 31, 2014	117,794	+3.7%	16,139	+14.9%	17,376	+11.8%	11,819	+7.7%

(Note) Comprehensive Income: Nine Months Ended December 31, 2015: 17,142 million yen (+14.2%)

Nine Months Ended December 31, 2014: 15,013 million yen (-2.6%)

	Net Income per Share (Yen)	Diluted Profit Attributable to Owners of Parent per Share (Yen)
Nine Months Ended December 31, 2015	95.06	—
Nine Months Ended December 31, 2014	73.81	—

(2) Consolidated Financial Position

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2015	216,317	155,558	71.2%
As of March 31, 2015	223,854	151,263	66.9%

(Reference) Shareholders' equity: As of December 31, 2015: 154,047 million yen As of March 31, 2015: 149,782 million yen

2. Cash Dividends

	Cash Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year Ended March 31, 2015	—	14.00 yen	—	22.00 yen	36.00 yen
Year Ending March 31, 2016	—	18.00 yen	—		
Year Ending March 31, 2016 (Forecast)				24.00 yen	42.00 yen

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of Yen)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per share
Year Ending March 31, 2016	181,500	+6.0%	28,000	+10.5%	29,200	+10.6%	21,700	+19.2%	139.53 Yen

(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 : Yes

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

3. Changes in accounting estimates : None

4. Restatements : None

(Note) Please refer to "Items concerning Summary Information" on page 4 for details.

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

as of December 31, 2015 : 156,000,000 shares

as of March 31, 2015 : 158,000,000 shares

2. Number of shares of treasury stock

as of December 31, 2015 : 483,049 shares

as of March 31, 2015 : 286,679 shares

3. Average number of shares outstanding (cumulative first year)

as of December 31, 2015 : 156,207,416 shares

as of December 31, 2014 : 160,136,239 shares

* Presentation regarding implementation status of quarterly review procedures

This financial release is not subject to audit procedures based on Financial Instruments and Exchange Law in Japan.

Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* 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 December 31, 2015 (from April 1, 2015 to December 31, 2015), the domestic economy has been slowly recovering due to the healthy corporate performance on the background of weaker yen, lower price of crude oil and expansion of inbound tourism consumption even though there was a sense of uncertainty about the Chinese economy.

With regard to our group business, the profitability of Chemicals Segment was improved by lower price of raw fuels. As for Performance Materials Segment, display materials have continued to grow. As for Agricultural Chemicals Segment, both domestic sales and export sales increased steadily. As for Pharmaceutical Segment, the domestic sales of "LIVALO" (anti-cholesterol drug) were adversely affected by generic drug.

As a result, the sales for this term were 123,402 million yen (an increase of 5,607 million yen from the same term of the previous year). Operating income was 19,212 million yen (an increase of 3,073 million yen). Ordinary income was 20,363 million yen (an increase of 2,986 million yen). Profit attributable to owners of parent was 14,849 million yen (an increase of 3,030 million yen).

Explanations by segments are as below.

Chemicals

As for Basic Chemicals, the sales volume of melamine (adhesive agent for particle board) increased in overseas. As for Fine Chemicals, the sales of "HI-LITE" (chlorinated isocyanuric acid for sterilizing) exceeded previous year, but the sales of "TEPIC" (epoxy compound for LED sealants, solder resist, painting) dropped below previous year.

As a result, the sales of this segment were 25,736 million yen (a decrease of 16 million yen from the same term of the previous year). Operating income was 2,554 million yen (an increase of 1,532 million yen).

Performance Materials

"SUNEVER" (LCD alignment coating) for TV and smartphone had healthy sales. Multi-layer materials for semiconductors (ARC® coating) were adversely affected by the lower capacity utilization ratio of some customers. The sales of Organo silica sol (various kinds of coating materials) for inorganic colloid materials exceeded previous year.

As a result, the sales of this segment were 39,564 million yen (an increase of 2,315 million yen from the same term of the previous year). Operating income was 9,917 million yen (a decrease of 0 million yen).

*ARC® is registered trade mark of Brewer Science, Inc. Bottom anti-reflective coating and multi-layer materials beneath a photoresist are included in the registered trade mark.

Agricultural Chemicals

With regard to domestic sales, the sales volume of "ALTAIR" (paddy rice herbicide) increased. With regard to export sales, Fluralaner (the active substance of veterinary medical product) had healthy sales.

As a result, the sales of this segment were 26,126 million yen (an increase of 1,943 million yen from the same term of the previous year). Operating income was 4,920 million yen (an increase of 1,386 million yen).

Pharmaceuticals

"LIVALO" continued to face a tough situation. On the other hand, "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) had healthy sales.

As a result, the sales of this segment were 7,208 million yen (an increase of 126 million yen from the same term of the previous year). Operating income was 2,165 million yen (an increase of 173 million yen).

Trading

The sales of agricultural chemicals products increased. On the other hand, administrative costs increased accordingly.

As a result, the sales of this segment were 42,374 million yen (an increase of 980 million yen from the same term of the previous year). Operating income was 1,398 million yen (an increase of 38 million yen).

Others

The sales of this segment were 13,638 million yen (an increase of 565 million yen from the same term of the previous year). Operating income was 37 million yen (an increase of 25 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of December 31, 2015 were 216,317 million yen (a decrease of 7,537 million yen from March 31, 2015). It is mainly due to the decrease of notes and accountants receivable.

Also, total liabilities as of December 31, 2015 were 60,758 million yen (a decrease of 11,832 million yen from March 31, 2015). It is mainly due to the decrease of liabilities with interest.

Net Assets as of December 31, 2015 were 155,558 million yen (an increase of 4,294 million yen from March 31, 2015). As a result, equity ratio was 71.2% (an increase of 4.3% from March 31, 2015).

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and minority interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the nine months ended December 31, 2015 were 30,727 million yen (23,586 million yen for the same term of the previous year).

Due to the investment on plant and equipment, net cash used in investing activities for the nine months ended December 31, 2015 were 6,423 million yen (5,651 million yen for the same term of the previous year).

Due to the decrease in short-term loans payable, payment for dividends and purchase of treasury shares, net cash used in financing activities for the nine months ended December 31, 2015 were 29,621 million yen (26,137 million yen for the same term of the previous year).

As a result, cash and cash equivalents at the end of this term were 25,969 million yen, reflecting 116 million yen effect of exchange rate changes and 61 million yen increase from newly consolidated subsidiaries. It decreased by 5,373 million yen from March 31, 2015 (22,905 million yen for the same term of the previous year).

(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, 2016 from the statement announced on November 5, 2015.

2. Items concerning Summary Information (Notes)

(Changes in Accounting Policies)

Effective from the beginning of the first quarter of current consolidated fiscal year, the Company adopted the "Revised Accounting Standard for Business Combinations"(Accounting Standards Board of Japan(ASBJ) Statement No.21, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements"(ASBJ Statement No.22, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Consolidation") and "Revised Accounting Standard for Business Divestitures"(ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Divestitures").

In applying these revised accounting standards, the Company records any difference arising from changes in equity interest in subsidiaries as capital surplus when the control over its subsidiaries maintains and the corresponding acquisition-related costs are recognized as expenses when incurred. Also, regarding business combinations conducted after the beginning of the first quarter of current consolidated fiscal year, the disclosure method was revised to reflect the retrospective adjustment of purchase price allocation after determination of provisional accounting method in the quarterly consolidated financial statements of the fiscal period in which the business combination occurred. In addition, presentation method of net income is amended and also, the presentation of "minority interests" is changed to "non-controlling interests". To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, the Company is subject to the transitional treatment set out in Section 58-2(4) of the Accounting Standard for Business Combinations, in Section 44-5(4) of the Accounting Standard for Consolidation and in Section 57-4(4) of the Accounting Standard for business Divestitures, and these changes are effective from the beginning of the first quarter of current consolidated fiscal year. Also, these changes have no effect on profit and loss.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	31,343	25,969
Notes and accounts receivable - trade	58,133	43,080
Merchandise and finished goods	28,123	34,249
Work in process	59	927
Raw materials and supplies	7,885	9,160
Other	7,931	7,576
Allowance for doubtful accounts	(29)	(40)
Total current assets	133,448	120,925
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,702	22,435
Other, net	24,426	24,668
Total Property, plant and equipment	47,128	47,103
Intangible assets		
Goodwill	4	439
Other	669	4,293
Total Intangible assets	674	4,732
Investments and other assets		
Investment securities	38,711	39,124
Other	4,079	4,611
Allowance for doubtful accounts	(187)	(180)
Total Investments and other assets	42,603	43,555
Total Non-current assets	90,406	95,391
Total assets	223,854	216,317

(Millions of Yen)

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,077	19,186
Short-term loans payable	26,041	10,177
Income taxes payable	3,807	1,614
Provision for bonuses	1,827	583
Provision for directors' bonuses	24	17
Provision for environmental measures	315	268
Other	8,940	11,450
Total Current liabilities	56,034	43,298
Non-current liabilities		
Long-term loans payable	9,060	7,690
Provision for business structure improvement	704	704
Net defined benefit liability	174	137
Other	6,618	8,928
Total Non-current liabilities	16,556	17,460
Total liabilities	72,590	60,758
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	105,602	108,378
Treasury stocks	(584)	(1,281)
Total Shareholders' equity	137,572	139,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,676	13,183
Foreign currency translation adjustment	894	636
Remeasurements of defined benefit plans	639	576
Total Accumulated other comprehensive income	12,210	14,397
Non-controlling interests	1,481	1,510
Total net assets	151,263	155,558
Total liabilities and net assets	223,854	216,317

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

- Consolidated Statements of Income

(Millions of Yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Net sales	117,794	123,402
Cost of sales	72,565	73,555
Gross profit	45,229	49,846
Selling, general and administrative expenses	29,090	30,634
Operating income	16,139	19,212
Non-operating income		
Interest income	13	10
Dividend income	543	483
Share of profit of entities accounted for using equity method	586	567
Other	1,075	1,009
Total non- operating income	2,217	2,069
Non-operating expenses		
Interest expenses	163	150
Loss on disposal of non-current assets	242	205
Plant stop losses	265	185
Product compensation expenses	-	211
Other	309	166
Total non- operating expenses	980	919
Ordinary income	17,376	20,363
Extraordinary income	-	-
Extraordinary losses		
Product compensation expenses	390	-
Business structure improvement expenses	704	-
Total Extraordinary losses	1,095	-
Income before income taxes and non-controlling interests	16,281	20,363
Income taxes - current	3,880	4,888
Income taxes - deferred	463	476
Total income taxes	4,343	5,364
Profit	11,937	14,998
Profit attributable to non-controlling interests	117	149
Profit attributable to owners of parent	11,819	14,849

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Profit	11,937	14,998
Other comprehensive income		
Valuation difference on available-for-sale securities	2,048	2,507
Foreign currency translation adjustment	1,068	(300)
Remeasurements of defined benefit plans, net of tax	(41)	(62)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	3,075	2,143
Comprehensive income	15,013	17,142
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	14,807	17,036
Comprehensive income attributable to non-controlling interests	205	106

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2015
Cash flows from operating activities		
Income before income taxes and non-controlling interests	16,281	20,363
Depreciation	6,054	6,911
Interest and dividend income	(556)	(493)
Interest expenses	163	150
Increase (decrease) in provision for business structure improvement	704	-
Loss (gain) on disposal of non-current assets	242	205
Decrease (increase) in notes and accounts receivable - trade	10,575	14,881
Increase (decrease) in inventories	(9,183)	(8,397)
Increase (decrease) in notes and accounts payable - trade	5,633	4,083
Other	(76)	(602)
Subtotal	29,838	37,102
Interest and dividend income received	616	900
Interest expenses paid	(155)	(124)
Income taxes paid	(6,712)	(7,152)
Cash flows from operating activities	23,586	30,727
Cash flows from investing activities		
Purchase of investment securities	(1,310)	(328)
Proceeds from sales of investment securities	3,077	113
Purchase of property, plant and equipment	(6,554)	(5,620)
Payments for retirement of property, plant and equipment	(180)	(121)
Net decrease (increase) in short-term loans receivable	(246)	11
Other	(437)	(479)
Cash flows from investing activities	(5,651)	(6,423)
Cash flows from financing activities		
Net decrease (increase) in short-term loans payable	(9,785)	(15,871)
Repayments of long-term loans payable	(5,456)	(1,370)
Cash dividends paid	(4,814)	(6,269)
Dividends paid to non-controlling interests	(50)	(70)
Purchase of treasury shares	(6,001)	(6,001)
Other	(29)	(38)
Cash flows from financing activities	(26,137)	(29,621)
Effect of exchange rate change on cash and cash equivalents	349	(116)
Net decrease (increase) in cash and cash equivalents	(7,852)	(5,434)
Cash and cash equivalents at beginning of period	30,757	31,343
Increase in cash and cash equivalents from newly consolidated subsidiary	-	61
Cash and cash equivalents at end of period	22,905	25,969

(4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company acquired treasury stock based on the resolution at the meeting of Board of Directors held on May 12, 2015.

As a result, treasury stock increased by 5,999 million yen during the third quarter of current consolidated fiscal year. Also, the Company canceled 2,000,000 treasury stock on July 31, 2015 based on the resolution at the meeting of Board of Directors held on July 14, 2015.

As a result, retained earnings and treasury stock decreased 5,304 million yen, capital surplus decreased 0 million yen during the third quarter of current consolidated fiscal year.

(5) Segment Information

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

1) For the Nine Months Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	18,792	32,961	21,990	7,055	30,973	6,021	117,794	-	117,794
Intersegment Sales	6,960	4,286	2,192	26	10,420	7,051	30,937	(30,937)	-
Total Sales	25,752	37,248	24,182	7,081	41,393	13,073	148,732	(30,937)	117,794
Segment income or loss (Operating Income or Loss)	1,021	9,918	3,533	1,991	1,359	11	17,837	(1,698)	16,139

Notes: (1) The negative 1,698 million yen adjustment in segment income includes negative 242 million yen in intersegment eliminations and negative 1,456 million yen of corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

2) For the Nine Months Ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	18,802	35,025	23,113	7,208	33,100	6,152	123,402	-	123,402
Intersegment Sales	6,933	4,539	3,013	-	9,273	7,486	31,245	(31,245)	-
Total Sales	25,736	39,564	26,126	7,208	42,374	13,638	154,648	(31,245)	123,402
Segment income or loss (Operating Income or Loss)	2,554	9,917	4,920	2,165	1,398	37	20,994	(1,782)	19,212

Notes: (1) The negative 1,782 million yen adjustment in segment income includes negative 261 million yen in intersegment eliminations and negative 1,520 million yen of corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(Significant Subsequent Events)

The Company, at the board of Director's meeting held on February 3, 2016, has decided to repurchase its shares in the market under Article 156 of the Japanese Corporation Act, as applied pursuant to Article 165, Paragraph 3 of the same Act.

1. Purpose of repurchase

To facilitate flexible implementation of capital policy in response to changes in the business environment.

2. Details of repurchase

- (1) Class of shares : Common shares of the company
- (2) Total number of shares : Up to 1,200,000 shares
(Rate of the maximum shares to be acquired to the total outstanding shares: 0.77%)
- (3) Total amount : Up to 3,000,000,000 yen
- (4) Period of repurchase : From February 4, 2016 to April 28, 2016

(For reference) Number of treasury shares as of December 31, 2015

Total number of shares issued (excluding treasury shares) : 155,516,951 shares
Number of treasury shares : 483,049 shares