

Consolidated Financial Results for the Nine Months Ended December 31, 2016
(JPGAAP)



February 3, 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

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 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 Nine Months Ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

(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	%
Nine Months Ended December 31, 2016	122,069	(1.1)	18,700	(2.7)	19,312	(5.2)	14,236	(4.1)
Nine Months Ended December 31, 2015	123,402	4.8	19,212	19.0	20,363	17.2	14,849	25.6

(Note) Comprehensive Income: Nine Months Ended December 31, 2016 : 13,705 million yen , (20.1)%

Nine Months Ended December 31, 2015 : 17,142 million yen , 14.2%

	Net Income per Share	Diluted Profit Attributable to Owners of Parent per Share
	Yen	Yen
Nine Months Ended December 31, 2016	92.86	—
Nine Months Ended December 31, 2015	95.06	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2016	213,418	157,640	73.1
As of March 31, 2016	228,169	156,924	68.1

(Reference) Shareholders' equity: As of December 31, 2016 : 156,032 million yen

As of March 31, 2016 : 155,392 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, 2016	—	18.00	—	26.00	44.00
Year Ending March 31, 2017	—	24.00	—		
Year Ending March 31, 2017 (Forecast)				26.00	50.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(% 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
Year Ending March 31, 2017	180,500	2.0	29,900	4.5	29,700	0.6	22,500	0.7	146.93

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

The above net income per share is recalculated using the average number of share outstanding.

(The impact of the repurchase of own shares described in "Notice Regarding Repurchase of the Company's Own Shares " announced today is considered.)

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 5 for details.

(4) Number of shares outstanding (common shares)

1. Number of shares outstanding (including treasury shares)

as of December 31, 2016 : 154,000,000 shares

as of March 31, 2016 : 156,000,000 shares

2. Number of shares of treasury shares

as of December 31, 2016 : 1,204,938 shares

as of March 31, 2016 : 1,620,587 shares

3. Average number of shares outstanding

as of December 31, 2016 : 153,315,546 shares

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

* Presentation regarding implementation status of quarterly review procedures

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

Table of Contents for Attached Materials

1. Qualitative Information on Quarterly Results	2
(1) Business Performance	2
(2) Financial Position	3
(3) Forecast of Consolidated Business Results and Other Forward-looking Information	4
(4) Basic Policy on Distribution of Earnings	4
2. Items concerning Summary Information (Notes)	5
(1) Changes of Accounting Policies and Accounting Estimates, Restatement	5
3. Consolidated Financial Statements	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Statements of Comprehensive Income	8
(3) Consolidated Statements of Cash Flows	10
(4) Notes to Consolidated Financial Statements	11
(Notes on Assumption of Going Concern)	11
(Notes on Significant Changes in Shareholders' Equity)	11
(Segment Information)	11
(Significant Subsequent Events)	12

1. Qualitative Information on Quarterly Results

(1) Business Performance

During the year ended December 31, 2016 (from April 1, 2016 to December 31, 2016), the domestic economy has been slowly recovering due to various factors including improvement of income environment and employment situation, weaker yen and higher stock price after president election in USA. By contrast, the world economy has remained uncertain.

In our group business, the sales of Chemicals Segment decreased in both Basic Chemicals and Fine Chemicals. In the Performance Materials Segment, the sales of Display Materials increased but Semiconductor Materials and Inorganic Materials had weak sales. In the Agricultural Chemicals Segment, Fluralaner (an active ingredient of veterinary pharmaceutical) 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 122,069 million yen (a decrease of 1,333 million yen from the same period of the previous year). Operating income was 18,700 million yen (a decrease of 511 million yen). Ordinary income was 19,312 million yen (a decrease of 1,050 million yen). Income attributable to owners of parent was 14,236 million yen (a decrease of 612 million yen).

On the other hand, the sales and each income to the third quarter were above our third quarter outlook (undisclosed).

Explanations by segments are as below.

Chemicals

The profitability of ammonia product increased due to the price decline of feedstock. In the Basic Chemicals, the export sales of MELAMINE (adhesive agent for particle board) and the sales of "AdBlue" (high-grade urea solution) increased, while the shipment of urea and liquid ammonia decreased. In the Fine Chemicals, the sales of "TEPIC" (special epoxy compound for sealant) decreased due to stronger yen.

As a result of these factors, the sales of this segment were 25,569 million yen (a decrease of 166 million yen from the same period of the previous year). Operating income was 2,605 million yen (an increase of 51 million yen).

On the other hand, the sales and the operating income were above our third quarter outlook (undisclosed).

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®") were adversely affected by the lower capacity utilization ratio of some customers. In the Inorganic Materials, "SNOWTEX" (semiconductor polishing, hard coating, etc.) for polishing agents for electronic substrate materials decreased the sales.

As a result of these factors, the sales of this segment were 39,327 million yen (a decrease of 236million yen). Operating income was 9,966 million yen (an increase of 48 million yen).

On the other hand, the sales and the operating income were above our third quarter outlook (undisclosed).

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

Agricultural Chemicals

"ROUNDUP MAXLOAD AL", herbicide for general household, expanded in Japan but our product had weak sales as a whole. Conversely, Fluralaner had healthy sales.

As a result of these factors, the sales of this segment were 28,240 million yen (an increase of 2,113 million yen). Operating income was 4,850 million yen (a decrease of 69 million yen).

On the other hand, the sales and the operating income were above our third quarter outlook (undisclosed).

Pharmaceuticals

The shipment of "LIVALO" decreased in Japan due to expansion of generic products but increased in overseas especially for Asia. Also, while we acquired incidental income for the license contract of new medicine during the same period of the previous year, we didn't have such an income during this period.

As a result of these factors, the sales of this segment were 6,122 million yen (a decrease of 1,086 million yen). Operating income was 1,380 million yen (a decrease of 785 million yen).

On the other hand, the sales and the operating income were above our third quarter outlook (undisclosed).

Trading

The sales of this segment were 41,317 million yen (a decrease of 1,056 million yen). Operating income was 1,281 million yen (a decrease of 117 million yen) and they were below our third quarter outlook (undisclosed).

Others

The sales of this segment were 14,443 million yen (an increase of 805 million yen). Operating income was 181 million yen (an increase of 143 million yen) and they were above our third quarter outlook (undisclosed).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of December 31, 2016 were 213,418 million yen (a decrease of 14,750 million yen from March 31, 2016). It is mainly due to the decrease of notes and accounts receivable - trade.

Also, total liabilities as of December 31, 2016 were 55,777 million yen (a decrease of 15,467 million yen). It is mainly due to the decrease of short - term loans payable.

Net assets as of December 31, 2016 were 157,640 million yen (an increase of 716 million yen).

As a result of these factors, equity ratio was 73.1% (an increase of 5.0% from March 31, 2016).

(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 nine months ended December 31, 2016 were 30,536 million yen (30,727 million yen for the same period of the previous year).

Due to the proceeds from sales of investment securities and the investment on plant and equipment, net cash used in investing activities for the nine months ended December 31, 2016 were 7,835 million yen (6,423 million yen).

Due to the decrease in short-term loans payable, payment for dividends, and share repurchase, net cash used in financing activities for the nine months ended December 31, 2016 were 30,145 million yen (29,621 million yen).

As a result of these factors, cash and cash equivalents at the end of this period were 28,010 million yen (25,969 million yen), reflecting 143 million yen effect of exchange rate changes and 25 million yen decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation. It decreased by 7,325 million yen from March 31, 2016.

(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, 2017 from the statement announced on November 4, 2016.

Although the sales and each income decreased from the same period of previous year, they steadily made progress toward our forecast of consolidated financial results.

Also, the sales of pesticide for domestic market, main products of Agricultural Chemicals, tend to be concentrated on the fourth quarter due to seasonality.

(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. Items concerning Summary Information (Notes)

(1) Changes of Accounting Policies and Accounting Estimates, Restatement

(Changes in Accounting Policies)

Effective from the beginning of the first quarter of current consolidated fiscal year, the Company adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issue Task Force (PITF) No.32, issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes and non-controlling interests for the third quarter of current consolidated fiscal year was immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	35,335	28,010
Notes and accounts receivable - trade	57,606	44,851
Merchandise and finished goods	30,198	32,595
Work in process	43	999
Raw materials and supplies	8,266	8,407
Other	10,765	7,982
Allowance for doubtful accounts	(34)	(36)
Total current assets	142,181	122,811
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,635	22,344
Other, net	24,826	29,601
Total Property, plant and equipment	47,461	51,945
Intangible assets		
Goodwill	2	0
Other	901	1,564
Total Intangible assets	903	1,565
Investments and other assets		
Investment securities	33,251	31,693
Other	4,539	5,570
Allowance for doubtful accounts	(167)	(167)
Total Investments and other assets	37,623	37,096
Total non-current assets	85,988	90,607
Total assets	228,169	213,418

Millions of Yen

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,350	19,108
Short-term loans payable	25,998	10,154
Income taxes payable	4,576	379
Provision for bonuses	1,874	601
Provision for directors' bonuses	21	23
Provision for environmental measures	350	91
Other	9,765	14,002
Total current liabilities	57,937	44,360
Non-current liabilities		
Long-term loans payable	7,100	5,620
Provision for business structure improvement	680	667
Provision for loss on business of subsidiaries and associates	309	309
Net defined benefit liability	102	104
Other	5,115	4,716
Total non-current liabilities	13,307	11,416
Total liabilities	71,244	55,777
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	115,878	116,581
Treasury shares	(4,281)	(3,586)
Total Shareholders' equity	144,151	145,548
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,515	9,981
Foreign currency translation adjustment	171	2
Remeasurements of defined benefit plans	554	498
Total Accumulated other comprehensive income	11,241	10,483
Non-controlling interests	1,531	1,608
Total net assets	156,924	157,640
Total liabilities and net assets	228,169	213,418

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

- Consolidated Statements of Income

Millions of Yen

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net sales	123,402	122,069
Cost of sales	73,555	72,187
Gross profit	49,846	49,881
Selling, general and administrative expenses	30,634	31,181
Operating income	19,212	18,700
Non-operating income		
Interest income	10	13
Dividend income	483	538
Other	1,576	1,020
Total non-operating income	2,069	1,573
Non-operating expenses		
Interest expenses	150	121
Loss on disposal of non-current assets	205	333
Plant stop losses	185	192
Other	377	314
Total non-operating expenses	919	961
Ordinary income	20,363	19,312
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	20,363	19,312
Income taxes - current	4,888	4,137
Income taxes - deferred	476	795
Total income taxes	5,364	4,932
Net income	14,998	14,379
Net income attributable to non-controlling interests	149	142
Net income attributable to owners of parent	14,849	14,236

- Consolidated Statements of Comprehensive Income

Millions of Yen

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net income	14,998	14,379
Other comprehensive income		
Valuation difference on available-for-sale securities	2,507	(534)
Foreign currency translation adjustment	(300)	(85)
Remeasurements of defined benefit plans, net of tax	(62)	(55)
Share of other comprehensive income of entities accounted for using equity method	(0)	1
Total other comprehensive income	2,143	(674)
Comprehensive income	17,142	13,705
(Comprehensive income attributable to)		
Owners of parent	17,036	13,575
Non-controlling interests	106	129

(3) Consolidated Statements of Cash Flows

	Millions of Yen	
	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Cash flows from operating activities		
Income before income taxes and non-controlling interests	20,363	19,312
Depreciation	6,911	6,183
Interest and dividend income	(493)	(552)
Interest expenses	150	121
Loss (gain) on disposal of non-current assets	205	333
Decrease (increase) in notes and accounts receivable - trade	14,881	12,548
Decrease (increase) in inventories	(8,397)	(3,549)
Increase (decrease) in notes and accounts payable - trade	4,083	3,884
Other, net	(602)	(555)
Subtotal	37,102	37,726
Interest and dividend income received	900	1,576
Interest expenses paid	(124)	(101)
Income taxes paid	(7,152)	(8,664)
Net cash provided by (used in) operating activities	30,727	30,536
Cash flows from investing activities		
Purchase of investment securities	(328)	(308)
Proceeds from sales of investment securities	113	2,988
Purchase of property, plant and equipment	(5,620)	(8,225)
Payments for retirement of property, plant and equipment	(121)	(249)
Purchase of intangible assets	(120)	(992)
Net decrease (increase) in short-term loans receivable	11	326
Purchase of long-term prepaid expenses	(839)	(824)
Other, net	480	(549)
Net cash provided by (used in) investing activities	(6,423)	(7,835)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,871)	(15,916)
Repayments of long-term loans payable	(1,370)	(1,480)
Cash dividends paid	(6,269)	(7,680)
Dividends paid to non-controlling interests	(70)	(52)
Share repurchase	(6,001)	(5,001)
Other, net	(38)	(13)
Net cash provided by (used in) financing activities	(29,621)	(30,145)
Effect of exchange rate change on cash and cash equivalents	(116)	143
Net increase (decrease) in cash and cash equivalents	(5,434)	(7,300)
Cash and cash equivalents at the beginning of period	31,343	35,335
Increase in cash and cash equivalents from newly consolidated subsidiary	61	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(25)
Cash and cash equivalents at the end of period	25,969	28,010

(4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company canceled 1,000,000 treasury shares on May 10, 2016 based on the resolution of Board of Directors' meeting held on April 25, 2016. In addition, the Company canceled 1,000,000 treasury shares on August 31, 2016 based on the resolution of Board of Directors' meeting held on August 23, 2016. As a result, retained earnings and treasury shares decreased by 5,695 million yen during the third 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, 2016. As a result, treasury shares increased by 4,999 million yen during the third quarter of current consolidated fiscal year.

Segment Information

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

1) 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 (1,782) million yen adjustment in segment income includes (261) million yen in intersegment eliminations and (1,520) 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 Nine Months Ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated total
Sales									
Sales to outside customers	18,724	34,645	25,125	6,095	31,761	5,701	122,054	14	122,069
Intersegment Sales	6,844	4,682	3,114	26	9,556	8,741	32,966	(32,966)	-
Total Sales	25,569	39,327	28,240	6,122	41,317	14,443	155,021	(32,951)	122,069
Segment income or loss (Operating Income or Loss)	2,605	9,966	4,850	1,380	1,281	181	20,265	(1,564)	18,700

Notes: (1) The (1,564) million yen adjustment in segment income includes (240) million yen in intersegment eliminations, 14 million yen sales not attributable to any reporting segment, and (1,338) 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.

(Significant Subsequent Events)

The Company, at the board of Director's meeting held on February 3, 2017, 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 1,100,000 shares
(Rate of the maximum shares to be acquired to the total outstanding shares: 0.72%)
- (3) Total amount : Up to 4,000,000,000 yen
- (4) Period of repurchase : From February 6, 2017 to April 28, 2017

(For reference) Number of treasury shares as of December 31, 2016

Total number of shares issued : 152,795,062 shares
(excluding treasury shares)
Number of treasury shares : 1,204,938 shares