

# Consolidated Financial Results for the Six Months Ended September 30, 2017 (JPGAAP)



November 6, 2017

Name of listed company: NISSAN CHEMICAL INDUSTRIES, LTD.

Stock Exchange: Tokyo

Code Number: 4021

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

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Scheduled submission date of quarterly report: November 10, 2017

Scheduled dividend payment date: December 4, 2017

Supplemental information: Yes

Financial results meeting : Yes

(Amounts rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (From April 1, 2017 to September 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	%
Six Months Ended September 30, 2017	90,997	7.7	17,263	17.2	17,831	25.5	13,181	24.4
Six Months Ended September 30, 2016	84,513	1.0	14,736	3.3	14,213	(6.1)	10,596	(4.9)

(Note) Comprehensive Income: Six Months Ended September 30, 2017 : 16,707 million yen , 124.3%

Six Months Ended September 30, 2016 : 7,448 million yen , (22.0)%

	Basic Earnings per share	Diluted Earnings per share
	Yen	Yen
Six Months Ended September 30, 2017	87.40	—
Six Months Ended September 30, 2016	69.00	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2017	226,471	171,123	74.8
As of March 31, 2017	231,748	163,707	69.9

(Reference) Shareholders' equity: As of September 30, 2017 : 169,398 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	—	32.00	—	—	—
Year Ending March 31, 2018 (Forecast)	—	—	—	34.00	66.00

(Note) Revision of the latest released dividend forecast: Yes

Please refer to " Revision of Financial Results Forecast, Interim Dividend Payment and Dividend Forecast" for details.

## 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		Basic Earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year Ending March 31, 2018	192,000	6.5	34,500	9.7	36,100	13.8	27,000	12.4	179.23

(Note) Revision of the latest released forecast of financial results: Yes

Please refer to " Revision of Financial Results Forecast, Interim Dividend Payment and Dividend Forecast" for details.

#### 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 September 30, 2017 : 151,000,000 shares

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

2. Number of treasury shares

As of September 30, 2017 : 546,090 shares

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

3. Average number of shares outstanding

As of September 30, 2017 : 150,826,554 shares

As of September 30, 2016 : 153,577,606 shares

\* 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 September 30, 2017 (from April 1, 2017 to September 30, 2017), the domestic economy has kept slowly recovering due to various factors including improvement of consumption mind influenced by positive business performance and positive employment situation

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, Fluralaner (active ingredients 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 90,997 million yen (an increase of 6,483 million yen from the same period of the previous year). Operating income was 17,263 million yen (an increase of 2,527 million yen). Ordinary income was 17,831 million yen (an increase of 3,618 million yen). Net income attributable to owners of parent was 13,181 million yen (an increase of 2,584 million yen).

Explanations by segments are as below.

#### Chemicals

In the Basic Chemicals, the sales of melamine (adhesive agent for particle board) decreased, on the other hand, high purity sulfuric acid increased. In the Fine Chemicals, the sales of "TEPIC" (epoxy compound for LED sealants) increased, while "HI-LITE" (chlorinated isocyanuric acid for sterilizing) decreased. In addition, the price increase of raw fuel impacts to the profit rate decrease of Chemical Segment.

As a result of these factors, the sales of this segment were 16,705 million yen (an increase of 166 million yen). Operating income was 1,264 million yen (a decrease of 59 million yen).

#### Performance Materials

In the Display Materials, "SUNEVER" (LCD alignment coating) 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 by some customers opening a new factory and recovery of the capacity utilization ratio. In the Inorganic Materials, "SNOWTEX" (semiconductor polishing, hard coating, etc.) for polishing agents for electronic substrate materials and Organo / Monomer sol (various kinds of coating materials, resin additive) increased the sales.

As a result of these factors, the sales of this segment were 29,123 million yen (an increase of 3,614 million yen). Operating income was 7,666 million yen (an increase of 1,500 million yen).

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

#### Agricultural Chemicals

The sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. "ROUNDUP MAXLOAD AL", herbicide for general household and "ALTAIR" (paddy rice herbicide) had healthy sales.

As a result of these factors, the sales of this segment were 26,147 million yen (an increase of 2,164 million yen). Operating income was 8,138 million yen (an increase of 1,285 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 3,518 million yen (a decrease of 172 million yen). Operating income was 510 million yen (a decrease of 106 million yen).

## Trading

The sales of this segment were 29,064 million yen (an increase of 1,449 million yen). Operating income was 856 million yen (an increase of 14 million yen).

## Others

The sales of this segment were 9,663 million yen (an increase of 1,072 million yen). Operating income was 158 million yen (an increase of 146 million yen).

### (2) Financial Position

#### (Position of Assets, Liabilities and Net Assets)

Total assets as of September 30, 2017 were 226,471 million yen (a decrease of 5,277 million yen from March 31, 2017). It is mainly due to the decrease of notes and accounts receivable – trade.

Also, total liabilities as of September 30, 2017 were 55,347 million yen (a decrease of 12,693 million yen). It is mainly due to the decrease of loans payable.

Net assets as of September 30, 2017 were 171,123 million yen (an increase of 7,416 million yen).

As a result of these factors, equity ratio was 74.8% (an increase of 4.9% 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 six months ended September 30, 2017 were 30,035 million yen (29,426 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 six months ended September 30, 2017 were 6,265 million yen (4,509 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 six months ended September 30, 2017 were 26,787 million yen (26,565 million yen).

As a result of these factors, cash and cash equivalents at the end of this period were 32,733 million yen, reflecting exchange of 48 million yen. It decreased by 2,968 million yen from March 31, 2017 (33,266 million yen).

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

Nissan Chemical Industries Ltd. (“the Company”) announces the revision of its forecast for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018) based on the financial results for the second quarter of this fiscal year and demand forecast.

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Basic Earnings per share (Yen)
Previous Forecast (A)	189,000	32,500	33,300	25,200	167.33
Revised Forecast (B)	192,000	34,500	36,100	27,000	179.23
Change (B-A)	3,000	2,000	2,800	1,800	—
Rate of Change (%)	1.6%	6.2%	8.4%	7.1%	—
(Ref.) Results for the Year Ended March 31, 2017	180,289	31,438	31,713	24,026	156.97

(Billions of yen)

		Previous Forecast	Revised Forecast	Change
Net Sales	Chemicals	35.5	35.1	(0.4)
	Performance Materials	57.6	58.5	0.9
	Agricultural Chemicals	56.3	58.2	1.9
	Pharmaceuticals	6.9	7.3	0.4
	Trading	61.5	60.3	(1.2)
	Others	21.7	21.4	(0.3)
	Adjustment	(50.5)	(48.8)	1.7
	Total	189.0	192.0	3.0
Operating Income	Chemicals	3.6	3.7	0.1
	Performance Materials	12.3	13.9	1.6
	Agricultural Chemicals	15.6	15.6	—
	Pharmaceuticals	0.9	1.0	0.1
	Trading	2.0	2.0	—
	Others	0.5	0.7	0.2
	Adjustment	(2.4)	(2.4)	—
	Total	32.5	34.5	2.0

(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 September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	35,701	32,733
Notes and accounts receivable - trade	60,075	50,438
Merchandise and finished goods	28,602	29,343
Work in process	64	627
Raw materials and supplies	7,778	8,703
Other	8,375	6,705
Allowance for doubtful accounts	(33)	(36)
Total current assets	140,564	128,515
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,824	23,717
Other, net	28,145	30,010
Total Property, plant and equipment	51,969	53,728
Intangible assets		
Goodwill	0	7
Other	1,576	1,657
Total Intangible assets	1,577	1,665
Investments and other assets		
Investment securities	32,465	37,480
Other	5,269	5,178
Allowance for doubtful accounts	(98)	(95)
Total Investments and other assets	37,636	42,563
Total non-current assets	91,183	97,956
Total assets	231,748	226,471

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	14,943	16,191
Short-term loans payable	26,225	9,975
Income taxes payable	3,288	4,305
Provision for bonuses	1,920	1,950
Provision for directors' bonuses	28	14
Other	11,259	12,279
<b>Total current liabilities</b>	<b>57,665</b>	<b>44,717</b>
Non-current liabilities		
Long-term loans payable	4,580	3,345
Provision for business structure improvement	594	567
Provision for loss on business of subsidiaries and affiliates	309	309
Net defined benefit liability	101	103
Other	4,791	6,305
<b>Total non-current liabilities</b>	<b>10,376</b>	<b>10,629</b>
<b>Total liabilities</b>	<b>68,041</b>	<b>55,347</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	126,370	124,676
Treasury shares	(7,587)	(1,961)
<b>Total Shareholders' equity</b>	<b>151,337</b>	<b>155,268</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,079	13,641
Foreign currency translation adjustment	243	133
Remeasurements of defined benefit plans	380	354
<b>Total Accumulated other comprehensive income</b>	<b>10,703</b>	<b>14,129</b>
Non-controlling interests	1,666	1,725
<b>Total net assets</b>	<b>163,707</b>	<b>171,123</b>
<b>Total liabilities and net assets</b>	<b>231,748</b>	<b>226,471</b>



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

## - Consolidated Statements of Income

(Millions of Yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Net sales	84,513	90,997
Cost of sales	48,644	51,702
Gross profit	35,869	39,294
Selling, general and administrative expenses	21,133	22,030
Operating income	14,736	17,263
Non-operating income		
Interest income	8	12
Dividend income	289	311
Equity in earnings of affiliates	145	445
Other	446	491
Total non-operating income	890	1,261
Non-operating expenses		
Interest expenses	87	73
Loss on disposal of non-current assets	261	223
Plant stop losses	192	218
Foreign exchange losses	634	-
Other	236	177
Total non-operating expenses	1,413	692
Ordinary income	14,213	17,831
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	14,213	17,831
Income taxes - current	3,484	4,778
Income taxes - deferred	55	(245)
Total income taxes	3,540	4,533
Net income	10,673	13,298
Net income attributable to non-controlling interests	76	117
Net income attributable to owners of parent	10,596	13,181

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Net income	10,673	13,298
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,317)	3,562
Foreign currency translation adjustment	(870)	(127)
Remeasurements of defined benefit plans, net of tax	(37)	(25)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(3,224)	3,408
Comprehensive income	7,448	16,707
Comprehensive income attributable to		
Owners of parent	7,436	16,608
Non-controlling interests	12	99

## (3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	14,213	17,831
Depreciation and amortization	4,085	4,735
Interest and dividend income	(297)	(324)
Interest expenses	87	73
Loss (gain) on disposal of non-current assets	261	223
Decrease (increase) in notes and accounts receivable - trade	13,567	9,676
Decrease (increase) in inventories	1,397	(2,221)
Increase (decrease) in notes and accounts payable - trade	(2,055)	1,109
Other	1,854	1,887
<b>Subtotal</b>	<b>33,114</b>	<b>32,990</b>
Interest and dividend income received	1,321	770
Interest expenses paid	(88)	(73)
Income taxes paid	(4,921)	(3,651)
<b>Net cash provided by (used in) operating activities</b>	<b>29,426</b>	<b>30,035</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(5)	(5)
Proceeds from sales of investment securities	2,887	65
Purchase of property, plant and equipment	(5,322)	(6,436)
Payments for retirement of property, plant and equipment	(183)	(190)
Purchase of intangible assets	(833)	(293)
Net decrease (increase) in short-term loans receivable	115	601
Purchase of long-term prepaid expenses	(612)	(54)
Other	(554)	48
<b>Net cash provided by (used in) investing activities</b>	<b>(4,509)</b>	<b>(6,265)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(16,009)	(15,954)
Repayments of long-term loans payable	(1,480)	(1,535)
Cash dividends paid	(4,013)	(4,249)
Dividends paid to non-controlling interests	(52)	(39)
Share repurchase	(5,000)	(5,001)
Other	(9)	(8)
<b>Net cash provided by (used in) financing activities</b>	<b>(26,565)</b>	<b>(26,787)</b>
Effect of exchange rate change on cash and cash equivalents	(395)	48
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,044)</b>	<b>(2,968)</b>
Cash and cash equivalents at beginning of period	35,335	35,701
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(25)	-
<b>Cash and cash equivalents at end of period</b>	<b>33,266</b>	<b>32,733</b>

#### (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. In addition, the Company canceled 1,000,000 treasury shares on August 31, 2017 based on the resolution of Board of Directors' meeting held on August 22, 2017. As a result, retained earnings and treasury shares decreased by 10,627 million yen during the second 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 second quarter of current consolidated fiscal year.

#### Segment Information

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

1) For the Six Months Ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	12,170	22,475	21,876	3,664	20,766	3,546	84,499	14	84,513
Intersegment Sales	4,368	3,033	2,107	26	6,847	5,045	21,428	(21,428)	-
Total Sales	16,538	25,508	23,983	3,690	27,614	8,591	105,927	(21,414)	84,513
Segment Income or Loss (Operating Income or Loss)	1,324	6,166	6,852	617	842	12	15,815	(1,079)	14,736

Notes: (1) The (1,079) million yen adjustment in segment income includes (31) million yen in intersegment eliminations, 14 million yen sales not attributable to any reporting segment, and (1,061) 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 Six Months Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	12,138	25,812	24,254	3,491	21,654	3,645	90,997	—	90,997
Intersegment Sales	4,566	3,310	1,893	26	7,410	6,018	23,225	(23,225)	-
Total Sales	16,705	29,123	26,147	3,518	29,064	9,663	114,223	(23,225)	90,997
Segment Income or Loss (Operating Income or Loss)	1,264	7,666	8,138	510	856	158	18,595	(1,331)	17,263

Notes: (1) The (1,331) million yen adjustment in segment income includes (131) million yen in intersegment eliminations and (1,199) 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.