

Consolidated Financial Results for the Three Months Ended June 30, 2018 (JPGAAP)



August 3, 2018

Name of listed company: NISSAN CHEMICAL CORPORATION

Stock Exchange: Tokyo

Code Number: 4021

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

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Scheduled submission date of quarterly report: August 10, 2018

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, 2018 (From April 1, 2018 to June 30, 2018)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2018	50,877	7.3	10,679	6.4	11,902	9.7	8,830	12.0
Three months ended June 30, 2017	47,420	5.2	10,040	5.6	10,851	16.0	7,887	15.5

(Note) Comprehensive income: Three months ended June 30, 2018 : 7,499 million yen , (21.2%)

Three months ended June 30, 2017 : 9,521 million yen , 94.7%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2018	59.25	—
Three months ended June 30, 2017	52.22	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	220,510	173,313	77.8
As of March 31, 2018	246,040	176,364	71.0

(Reference) Shareholders' equity: As of June 30, 2018 : 171,653 million yen

As of March 31, 2018 : 174,586 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, 2018	—	32.00	—	36.00	68.00
Year ending March 31, 2019	—	38.00	—	40.00	78.00
Year ending March 31, 2019 (Forecast)	—	38.00	—	40.00	78.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(% 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2018	96,700	6.3	18,400	6.6	18,800	5.4	14,100	7.0	94.79
Year ending March 31, 2019	204,000	5.5	36,800	5.2	38,000	4.9	28,500	5.0	191.76

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

Basic earning per share are modified in consideration of treasury shares that has been implemented until June 8, 2018.

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, 2018 : 150,000,000 shares

As of March 31, 2018 : 151,000,000 shares

2. Number of treasury shares

As of June 30, 2018 : 1,510,948 shares

As of March 31, 2018 : 1,534,562 shares

3. Average number of shares outstanding

As of June 30, 2018 : 149,025,872 shares

As of June 30, 2017 : 151,042,450 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, 2018 (April 1, 2018 to June 30, 2018), the domestic economy continued to recover moderately such as increase in capital investment and improvement in employment and income conditions due to global economy expanding and steady corporate earnings. Under this circumstance, in the Chemicals Segment, sales of Basic Chemicals remained unchanged and Fine Chemicals decreased. In the Performance Materials Segment, sales of Semiconductor Materials was particularly strong. In the Agricultural Chemicals Segment, shipments of active ingredients for veterinary pharmaceuticals increased. In the Pharmaceuticals Segment, sales of "LIVALO" (anti-cholesterol drug) decreased both in Japan and overseas.

As a result, the sales for this period was 50,877 million yen (an increase of 3,456 million yen from the same period of the previous year). Operating income was 10,679 million yen (an increase of 638 million yen). Ordinary income was 11,902 million yen (an increase of 1,051 million yen). Net income attributable to owners of parent was 8,830 million yen (an increase of 942 million yen). Compared to the first quarter target, the sales was the same level as expected, operating income was above 200 million yen, ordinary income was above 600 million yen and net income attributable to owners of parent was above 400 million yen.

Explanations by segments are as below.

The Chemicals Segment

In the Basic Chemicals, sales of melamine (adhesive agent for particle board) increased, while sales of high-purity sulfuric acid (agent used for cleaning semiconductor) decreased. In the Fine Chemicals, sales of "TEPIC" (epoxy compound for LED sealants) decreased. Despite raw material and freight price increase, profit overall was maintained due to price revisions.

As a result, sales of this segment was 8,696 million yen (a decrease of 140 million yen) and operating income was 1,560 million yen (an increase of 41 million yen). Compared to the first quarter target, net sales was below 500 million yen and operating income was below 100 million yen.

The Performance Materials Segment

In the Display Materials, "SUNEVER" (LCD alignment coating) for smartphone had healthy sales. In the Semiconductor Materials, sales of bottom anti-reflective coatings for semiconductors (ARC®) and multi-layer process materials (OptiStack®) increased in response to expanding demand. In the Inorganic Materials, "SNOWTEX" (semiconductor polishing, hard coating, etc.) had healthy sales. Sales of Oragno / Monomer sol (various kinds of coating materials, resin additive) was the same level as that for the previous year. Sales of Oilfield materials (for enhancing oil recovery) increased.

As a result, sales of this segment was 15,635 million yen (an increase of 1,535 million yen) and operating income was 3,922 million yen (an increase of 315 million yen). Compared to the first quarter target, the sales was above 400 million yen and operating income was above 600 million yen.

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

The Agricultural Chemicals Segment

Shipments of Fluralaner (active ingredients for veterinary pharmaceuticals) expanded, and domestic sales of "ALTAIR" (paddy rice herbicide) also performed well. In addition, agrochemicals for overseas such as "PULSOR" (fungicide) increased. On the other hand, sales of "ROUNDUP" (non-selective herbicide) decreased due to the impact of earlier shipments in the previous fiscal year.

As a result, sales of this segment was 16,359 million yen (an increase of 1,758 million yen) and operating income was 5,136 million yen (an increase of 592 million yen). Compared to the first

quarter target, net sales was below 900 million yen and operating income was below 500 million yen.

The Pharmaceuticals Segment

"LIVALO" sales declined both in Japan and overseas, while "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) performed well.

As a result, sales of this segment was 1,845 million yen (a decrease of 302 million yen) and operating income was 262 million yen (a decrease of 283 million yen). Compared to the first quarter target, net sales was below 100 million yen and the operating income was same as the forecast.

Trading

Sales of this segment was 17,801 million yen (an increase of 3,249 million yen) and operating income was 562 million yen (an increase of 139 million yen). Compared to the first quarter target, the sales was below 200 million yen and operating income was above 100 million yen.

Others

Sales of this segment was 4,600 million yen (a decrease of 780 million yen) and operating income was 71 million yen (a decrease of 56 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2018 was 220,510 million yen (a decrease of 25,530 million yen from March 31, 2018). It is mainly due to the decrease of cash and deposits.

Also, total liabilities as of June 30, 2018 was 47,196 million yen (a decrease of 22,479 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of June 30, 2018 was 173,313 million yen (a decrease of 3,050 million yen).

As a result of these factors, equity ratio was 77.8% (an increase of 6.8% from March 31, 2018).

(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, 2018 was 6,468 million yen (11,283 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, 2018 was 3,993 million yen (4,353 million yen).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the three months ended June 30, 2018 was 26,125 million yen (18,347 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 14,106 million yen, reflecting exchange of 54 million yen. It decreased by 23,595 million yen from March 31, 2018 (24,263 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, 2019 from the statement announced on May 11, 2018.

(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

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	37,702	14,106
Notes and accounts receivable - trade	65,422	62,913
Merchandise and finished goods	29,855	30,938
Work in process	115	505
Raw materials and supplies	7,797	8,615
Other	4,748	4,665
Allowance for doubtful accounts	(34)	(31)
Total current assets	145,606	121,711
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,411	24,179
Other, net	30,062	29,700
Total property, plant and equipment	54,473	53,879
Intangible assets		
Software	775	778
Other	993	911
Total intangible assets	1,768	1,689
Investments and other assets		
Investment securities	38,517	37,653
Other	5,766	5,667
Allowance for doubtful accounts	(92)	(92)
Total investments and other assets	44,191	43,229
Total non-current assets	100,433	98,798
Total assets	246,040	220,510

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,579	15,190
Short-term loans payable	26,145	10,616
Income taxes payable	5,156	2,364
Provision for bonuses	2,011	630
Provision for directors' bonuses	27	6
Other	10,950	11,613
Total current liabilities	62,871	40,420
Non-current liabilities		
Long-term loans payable	2,446	2,446
Provision for business structure improvement	516	412
Provision for loss on business of subsidiaries and affiliates	309	309
Net defined benefit liability	126	192
Other	3,406	3,415
Total non-current liabilities	6,804	6,775
Total liabilities	69,675	47,196
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	133,822	133,077
Treasury shares	(5,962)	(6,767)
Total shareholders' equity	160,416	158,865
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,653	12,338
Foreign currency translation adjustment	125	71
Remeasurements of defined benefit plans	390	377
Total accumulated other comprehensive income	14,170	12,788
Non-controlling interests	1,778	1,660
Total net assets	176,364	173,313
Total liabilities and net assets	246,040	220,510

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

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Net sales	47,420	50,877
Cost of sales	26,333	28,296
Gross profit	21,087	22,581
Selling, general and administrative expenses	11,047	11,901
Operating income	10,040	10,679
Non-operating income		
Interest income	5	6
Dividend income	294	308
Equity in earnings of affiliates	288	316
Other	335	706
Total non-operating income	922	1,337
Non-operating expenses		
Interest expenses	40	36
Loss on disposal of non-current assets	50	53
Other	21	24
Total non- operating expenses	112	114
Ordinary income	10,851	11,902
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	10,851	11,902
Income taxes - current	2,244	2,273
Income taxes - deferred	643	735
Total income taxes	2,888	3,008
Net income	7,962	8,893
Net income attributable to non-controlling interests	74	63
Net income attributable to owners of parent	7,887	8,830

- Consolidated Statements of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Net income	7,962	8,893
Other comprehensive income		
Valuation difference on available-for-sale securities	1,815	(1,315)
Foreign currency translation adjustment	(242)	(66)
Remeasurements of defined benefit plans, net of tax	(12)	(13)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	1,559	(1,394)
Comprehensive income	9,521	7,499
(Comprehensive income attributable to)		
Owners of parent	9,473	7,448
Non-controlling interests	47	50

(3) Consolidated Statements of Cash Flows

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018
Cash flows from operating activities		
Income before income taxes and non-controlling interests	10,851	11,902
Depreciation and amortization	2,203	2,434
Interest and dividend income	(299)	(315)
Interest expenses	40	36
Loss (gain) on disposal of non-current assets	50	53
Decrease (increase) in notes and accounts receivable - trade	3,280	2,476
Decrease (increase) in inventories	(1,118)	(2,322)
Increase (decrease) in notes and accounts payable - trade	(913)	(3,346)
Other	84	(112)
Subtotal	14,179	10,808
Interest and dividend income received	359	487
Interest expenses paid	(23)	(25)
Income taxes paid	(3,232)	(4,801)
Net cash provided by (used in) operating activities	11,283	6,468
Cash flows from investing activities		
Purchase of investment securities	(2)	(902)
Proceeds from sales of investment securities	1	396
Purchase of property, plant and equipment	(4,268)	(2,504)
Payments for retirement of property, plant and equipment	(48)	(43)
Net decrease (increase) in short-term loans receivable	65	(917)
Other	(100)	(21)
Net cash provided by (used in) investing activities	(4,353)	(3,993)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(9,054)	(15,575)
Cash dividends paid	(4,249)	(5,380)
Dividends paid to non-controlling interests	(39)	(167)
Share repurchase	(5,000)	(5,001)
Other	(4)	(0)
Net cash provided by (used in) financing activities	(18,347)	(26,125)
Effect of exchange rate change on cash and cash equivalents	(21)	54
Net increase (decrease) in cash and cash equivalents	(11,438)	(23,595)
Cash and cash equivalents at beginning of period	35,701	37,702
Cash and cash equivalents at end of period	24,263	14,106

(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 8, 2018 based on the resolution of Board of Directors' meeting held on April 24, 2018. As a result, retained earnings and treasury shares decreased by 4,195 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 11, 2018. As a result, treasury shares increased by 4,999 million yen during the first quarter of current consolidated fiscal year.

(Additional Information)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the first quarter of this fiscal year. As a result, deferred tax assets are classified as "Investment and other assets" and deferred tax liabilities are classified as "Non-current liabilities" respectively.

Segment Information

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

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

(Million 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.

2) For the Three Months Ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	6,235	13,900	14,972	1,845	11,982	1,940	50,877	-	50,877
Intersegment Sales	2,460	1,734	1,386	-	5,819	2,660	14,062	(14,062)	-
Total Sales	8,696	15,635	16,359	1,845	17,801	4,600	64,940	(14,062)	50,877
Segment Income or Loss (Operating Income or Loss)	1,560	3,922	5,136	262	562	71	11,514	(835)	10,679

Notes: (1) The (835) million yen adjustment in segment income includes (81) million yen in intersegment eliminations and (754) 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.