

Consolidated Financial Results for the Three Months Ended June 30, 2019 (JPGAAP)



August 2, 2019

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 9, 2019

Scheduled dividend payment date: —

Supplemental information: Yes

Financial results meeting : Yes

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(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, 2019	48,718	(4.2)	9,341	(12.5)	9,981	(16.1)	7,835	(11.3)
Three months ended June 30, 2018	50,877	7.3	10,679	6.4	11,902	9.7	8,830	12.0

(Note) Comprehensive income: Three months ended June 30, 2019 : 5,898 million yen ,(21.3%)
Three months ended June 30, 2018 : 7,499 million yen ,(21.2%)

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2019	53.13	—
Three months ended June 30, 2018	59.25	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	220,203	177,825	80.0
As of March 31, 2019	246,990	182,074	73.0

(Reference) Shareholders' equity: As of June 30, 2019 : 176,221 million yen
As of March 31, 2019 : 180,345 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, 2019	—	40.00	—	42.00	82.00
Year ending March 31, 2020	—	—	—	—	—
Year ending March 31, 2020 (Forecast)	—	42.00	—	46.00	88.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% 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, 2019	99,000	1.0	17,800	(8.2)	18,400	(10.7)	13,700	(11.1)	93.25
Year ending March 31, 2020	210,500	2.7	38,700	4.3	40,200	2.8	30,200	2.8	205.83

(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, 2019 : 148,000,000 shares

As of March 31, 2019 : 149,000,000 shares

2. Number of treasury shares

As of June 30, 2019 : 1,027,952 shares

As of March 31, 2019 : 1,217,872 shares

3. Average number of shares outstanding

As of June 30, 2019 : 147,485,633 shares

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

Financial results audio webcast will be released on our website as well.

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1. Qualitative Information on Quarterly Results

(1) Business Performance

During the year ended June 30 (April 1, 2019 to June 30, 2019), the domestic economy saw firm consumer spending due to an improvement in the employment and income environment against the backdrop of a labor shortage. However, exports to Asia declined due to the impact of trade conflicts between the United States and China and other factors. Under such circumstance, sales in the Chemicals Segment decreased in both Basic Chemicals and Fine Chemicals. Sales in the Performance Materials Segment decreased in Semiconductor Materials and Inorganic Materials, while Display Materials increased. The Agricultural Chemicals Segment sales decreased. In the Pharmaceuticals Segment, sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) decreased, while in-house drug discovery increased.

As a result, business performance for this period were as follows.

	(Million yen)			
	FY2018 Accumulated Consolidated Period for 1Q	FY2019 Accumulated Consolidated Period for 1Q	Change (Year on Year)	Change from outlook (Note)
Sales	50,877	48,718	(2,158)	(1,000)
Operating income	10,679	9,341	(1,338)	+600
Ordinary income	11,902	9,981	(1,921)	+200
Net income attributable to owners of parent	8,830	7,835	(994)	+600

(Note) Outlooks are described on page 12 of the FY2018 Presentation Materials (announced on May 15, 2019).

Explanations by segments are as below.

The Chemicals Segment

In Basic Chemicals, sales of melamine (adhesives agent for particle board) and high purity sulfuric acid (agent used for cleaning semiconductor) decreased. In melamine exports in particular, sales prices declined due to the impact of low price Chinese competitors. In Fine Chemicals, sales of "TEPIC" (epoxy compound for LED sealants) for electronic materials and "HI-LITE" (chlorinated isocyanuric acid for sterilizing) decreased.

As a result, sales of this segment were 8,402 million yen (a decrease of 293 million yen) and operating income were 881 million yen (a decrease of 678 million yen). Compared to outlook (Note), net sales were below 1,000 million yen and operating income were below 500 million yen.

(Note) Outlooks are described on page 17 and 18 of the FY2018 Presentation Materials (announced on May 15, 2019).

The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) for large-sized products such as TV were strong. In Semiconductor Materials, sales of antireflective coatings for semiconductors (ARC®*) were affected by a decrease in utilization by some customers. In Inorganic Materials, sales of "SNOWTEX" (semiconductor polishing, hard coating, etc.) were weak. Sales of Organo / Monomer sol (various kinds of coating materials, resin additive) and Oilfield materials (for enhancing oil recovery) decreased. On the other hand, fixed costs decreased due to reduce in research expenses, which lead to a slight decrease in operating income.

As a result, sales of this segment were 15,125 million yen (a decrease of 510 million yen) and operating income were 3,858 million yen (a decrease of 63 million yen). Compared to outlook (Note), net sales were below 800 million yen and operating income were above 300 million yen.

(Note) Outlooks are described on page 17 and 18 of the FY2018 Presentation Materials (announced on May 15, 2019).

*ARC® is registered trade mark of Brewer Science, Inc.

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) decreased due to inventory adjustments, however it was above the initial outlook. Sales of domestic agrochemicals were strong due to sales of "GRACIA" (insecticide) launched in May in Japan. It was above the initial outlook. Sales of overseas agrochemicals decreased due to lower sales of "TARGA" (herbicide) and other products.

As a result, sales of this segment were 14,667 million yen (a decrease of 1,692 million yen) and operating income were 4,526 million yen (a decrease of 609 million yen). Compared to outlook (Note), net sales were above 600 million yen and operating income were above 900 million yen.

(Note) Outlooks are described on page 17 and 18 of the FY2018 Presentation Materials (announced on May 15, 2019).

The Pharmaceuticals Segment

Shipments of "LIVALO" (anti-cholesterol drug) were firm, although sales prices declined due to an increase in generics both in Japan and overseas. Shipments of "Custom Chemicals" declined.

As a result, sales of this segment were 1,871 million yen (an increase of 25 million yen) and operating income were 384 million yen (an increase of 121 million yen). Compared to outlook (Note), net sales and operating income were above 300 million yen.

(Note) Outlooks are described on page 17 and 18 of the FY2018 Presentation Materials (announced on May 15, 2019).

Trading

Sales of this segment were 17,470 million yen (a decrease of 331 million yen) and operating income were 526 million yen (a decrease of 35 million yen). Compared with outlook (Note), net sales were below 1,300 million yen and operating income were below 100 million yen.

(Note) Outlooks are described on page 17 and 18 of the FY2018 Presentation Materials (announced on May 15, 2019)

Others

Sales of this segment were 4,868 million yen (an increase of 268 million yen) and operating income were 52 million yen (a decrease of 18 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2019 was 220,203 million yen (a decrease of 26,787 million yen from March 31, 2019). It is mainly due to the decrease of cash and deposits.

Also, total liabilities as of June 30, 2019 was 42,377 million yen (a decrease of 22,539 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of June 30, 2019 was 177,825 million yen (a decrease of 4,248 million yen).

As a result of these factors, equity ratio was 80.0% (an increase of 7.0% from March 31, 2019).

(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, 2019 was 9,976 million yen (6,468 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, 2019 was 603 million yen (3,993 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, 2019 was 29,782 million yen (26,125 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 15,566 million yen, reflecting exchange of 206 million yen. It decreased by 20,616 million yen from March 31, 2019 (14,106 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, 2020 from the statement announced on May 15, 2019.

(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.

In medium-term business plan "Vista2021" Stage II launched from April 2019, the company aim to realize dividend payout ratio to be 42.5% in FY2019 and to be 45% after FY2020. In addition, total payout ratio is aimed to be 72.5% in FY2019 and to be 75% in FY2020.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	36,183	15,566
Notes and accounts receivable - trade	69,193	64,164
Merchandise and finished goods	32,215	32,441
Work in process	41	451
Raw materials and supplies	9,742	10,242
Other	5,146	6,460
Allowance for doubtful accounts	(32)	(28)
Total current assets	152,490	129,298
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,251	24,855
Other, net	27,477	27,068
Total property, plant and equipment	52,729	51,924
Intangible assets		
Software	721	675
Other	796	751
Total intangible assets	1,517	1,426
Investments and other assets		
Investment securities	35,229	32,578
Other	5,117	5,066
Allowance for doubtful accounts	(92)	(92)
Total investments and other assets	40,253	37,553
Total non-current assets	94,500	90,904
Total assets	246,990	220,203

(Million yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,809	16,628
Short-term loans payable	25,465	7,921
Income taxes payable	4,330	2,384
Provision for bonuses	2,137	642
Provision for directors' bonuses	25	6
Other	10,430	9,975
Total current liabilities	60,198	37,558
Non-current liabilities		
Long-term loans payable	1,116	1,116
Provision for business structure improvement	370	311
Provision for loss on business of subsidiaries and affiliates	309	309
Net defined benefit liability	152	161
Other	2,768	2,921
Total non-current liabilities	4,717	4,819
Total liabilities	64,916	42,377
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	143,200	139,738
Treasury shares	(6,291)	(5,030)
Total shareholders' equity	169,464	167,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,634	9,255
Foreign currency translation adjustment	(11)	(547)
Remeasurements of defined benefit plans	258	249
Total accumulated other comprehensive income	10,880	8,957
Non-controlling interests	1,728	1,603
Total net assets	182,074	177,825
Total liabilities and net assets	246,990	220,203

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

- Consolidated Statements of Income

(Million yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Net sales	50,877	48,718
Cost of sales	28,296	28,310
Gross profit	22,581	20,408
Selling, general and administrative expenses	11,901	11,067
Operating income	10,679	9,341
Non-operating income		
Interest income	6	6
Dividend income	308	330
Equity in earnings of affiliates	316	287
Other	706	273
Total non-operating income	1,337	898
Non-operating expenses		
Interest expenses	36	42
Loss on disposal of non-current assets	53	32
Foreign exchange losses	-	170
Other	24	12
Total non-operating expenses	114	258
Ordinary income	11,902	9,981
Extraordinary income		
Gain on sales of investment securities	-	852
Total extraordinary income	-	852
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	11,902	10,833
Income taxes - current	2,273	2,197
Income taxes - deferred	735	764
Total income taxes	3,008	2,961
Net income	8,893	7,872
Net income attributable to non-controlling interests	63	36
Net income attributable to owners of parent	8,830	7,835

- Consolidated Statements of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Net income	8,893	7,872
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,315)	(1,378)
Foreign currency translation adjustment	(66)	(586)
Remeasurements of defined benefit plans, net of tax	(13)	(8)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(1,394)	(1,974)
Comprehensive income	7,499	5,898
(Comprehensive income attributable to)		
Owners of parent	7,448	5,913
Non-controlling interests	50	(15)

(3) Consolidated Statements of Cash Flows

(Million yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
Cash flows from operating activities		
Income before income taxes and non-controlling interests	11,902	10,833
Depreciation and amortization	2,434	2,260
Interest and dividend income	(315)	(336)
Loss (gain) on sales of investment securities	(267)	(852)
Interest expenses	36	42
Loss (gain) on disposal of non-current assets	53	32
Decrease (increase) in notes and accounts receivable - trade	2,476	4,849
Decrease (increase) in inventories	(2,322)	(1,459)
Increase (decrease) in notes and accounts payable - trade	(3,346)	(1,071)
Other	154	(874)
Subtotal	10,808	13,425
Interest and dividend income received	487	604
Interest expenses paid	(25)	(37)
Income taxes paid	(4,801)	(4,016)
Net cash provided by (used in) operating activities	6,468	9,976
Cash flows from investing activities		
Purchase of investment securities	(902)	(2)
Proceeds from sales of investment securities	396	1,746
Purchase of property, plant and equipment	(2,504)	(2,247)
Payments for retirement of property, plant and equipment	(43)	(29)
Net decrease (increase) in short-term loans receivable	(917)	(26)
Other	(21)	(43)
Net cash provided by (used in) investing activities	(3,993)	(603)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,575)	(17,463)
Cash dividends paid	(5,380)	(6,206)
Dividends paid to non-controlling interests	(167)	(111)
Share repurchase	(5,001)	(3,829)
Setting up the trust for share repurchase	-	(2,170)
Other	(0)	-
Net cash provided by (used in) financing activities	(26,125)	(29,782)
Effect of exchange rate change on cash and cash equivalents	54	(206)
Net increase (decrease) in cash and cash equivalents	(23,595)	(20,616)
Cash and cash equivalents at beginning of period	37,702	36,183
Cash and cash equivalents at end of period	14,106	15,566

(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, 2019 based on the resolution of Board of Directors' meeting held on April 23, 2019. As a result, retained earnings and treasury shares decreased by 5,091 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 15, 2019. As a result, treasury shares increased by 3,829 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, 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.

2) For the Three Months Ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	6,025	13,370	13,898	1,860	11,680	1,877	48,712	5	48,718
Intersegment Sales	2,377	1,754	769	11	5,789	2,991	13,693	(13,693)	-
Total Sales	8,402	15,125	14,667	1,871	17,470	4,868	62,406	(13,687)	48,718
Segment Income or Loss (Operating Income or Loss)	881	3,858	4,526	384	526	52	10,229	(888)	9,341

Notes: (1) The (888) million yen adjustment in segment income includes (134) million yen in intersegment eliminations, 5 million yen sales not attributable to any reporting segment, and (759) 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.