

Consolidated Financial Results for the Three Months Ended June 30, 2020 (JPGAAP)



August 11, 2020

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 13, 2020

Scheduled dividend payment date: —

Supplemental information: Yes

Financial results meeting : Yes (For institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(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, 2020	49,280	1.2	9,810	5.0	10,416	4.4	7,608	(2.9)
Three months ended June 30, 2019	48,718	(4.2)	9,341	(12.5)	9,981	(16.1)	7,835	(11.3)

(Note) Comprehensive income: Three months ended June 30, 2020 : 10,091 million yen ,71.1%
Three months ended June 30, 2019 : 5,898 million yen ,(21.3%)

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2020	52.38	—
Three months ended June 30, 2019	53.13	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	232,075	184,554	78.8
As of March 31, 2020	249,522	185,528	73.7

(Reference) Shareholders' equity: As of June 30, 2020 : 182,914 million yen
As of March 31, 2020 : 183,917 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, 2020	—	42.00	—	48.00	90.00
Year ending March 31, 2021	—	—	—	—	—
Year ending March 31, 2021 (Outlook)	—	46.00	—	50.00	96.00

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

3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% 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, 2020	96,600	0.1	16,100	(10.7)	16,700	(10.4)	12,500	(13.9)	86.64
Year ending March 31, 2021	214,500	3.7	39,300	1.7	40,400	1.0	30,800	0.1	214.23

(Note) Revision of the latest released outlook 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, 2020 : 146,000,000 shares

As of March 31, 2020 : 146,000,000 shares

2. Number of treasury shares

As of June 30, 2020 : 1,332,596 shares

As of March 31, 2020 : 522,578 shares

3. Average number of shares outstanding

As of June 30, 2020 : 145,262,467 shares

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

(Note) The Company has introduced "Board Benefit Trust (BBT)" from the second quarter of the previous fiscal year.

The shares held by the Trust are included in the number of treasury shares at the end of the period, and they are included in the number of treasury shares deducted in calculating the average number of shares outstanding over the period.

The number of shares held by the Trust (included in treasury shares) at the end of the period was 166,100 shares.

In addition, the average number of shares held by the Trust during the period was 166,117 shares.

This is not included in the average number of shares outstanding.

* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

* Explanations regarding appropriate use of business outlook and other special notes

The business outlook contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the outlook 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, 2020 to June 30, 2020), the domestic economy experienced a sharp decline in demand due to requests for suspension of work and refraining from going out to prevent the spread of COVID-19 infection. Exports also declined due to the worsening of the global economy. As a result, the domestic economy worsened considerably. Under these circumstance, sales of Basic Chemicals decreased in the Chemicals Segment. In the Performance Materials Segment, Display Materials and Semiconductor Materials performed well. Sales of the Agricultural Chemicals Segment were basically unchanged from the previous fiscal year. In the Pharmaceuticals Segment, sales in the drug discovery business decreased, despite an increase in sales in "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies).

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

	1Q FY2019	1Q FY2020	Change	(Million yen) Change from Outlook (Note)
Sales	48,718	49,280	+561	(500)
Operating income	9,341	9,810	+468	+1,300
Ordinary income	9,981	10,416	+435	+1,300
Net income attributable to owners of parent	7,835	7,608	(227)	+800

(Note) Outlook is described on page 14 of the FY2019 Presentation Materials (announced on May 15, 2020).

Explanations by segments are as below.

The Chemicals Segment

In the Basic Chemicals, although sales of high purity sulfuric acid (agent used for cleaning semiconductor) increased, shipments of melamine (adhesives agent for particle board) decreased. In the Fine Chemicals, sales of "TEPIC" for general use (powder coating agent for paint) and environmental chemicals decreased.

As a result, sales of this segment were 7,415 million yen (a decrease of 987 million yen) and operating income was 668 million yen (a decrease of 195 million yen). Compared to the outlook (Note), sales were below 1.1 billion yen and operating income was below 0.5 billion yen.

(Note) Outlook is described on page 19 and 20 of the FY2019 Presentation Materials.

The Performance Materials Segment

In the Display Materials, sales of "SUNEVER" (LCD alignment coating) for tablets and notebook PCs performed well. In the Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®) increased, reflecting favorable operation by customers. In the Inorganic materials, sales of "SNOWTEX" for polishing electronic materials were firm, but sales of Oilfield materials (for enhancing oil recovery) decreased.

As a result, sales of this segment were 17,084 million yen (an increase of 1,959 million yen) and operating income was 5,310 million yen (an increase of 1,332 million yen). Compared to the outlook (Note), sales were above 0.2 billion yen and operating income was above 1.1 billion yen.

(Note) Outlook is described on page 19 and 20 of the FY2019 Presentation Materials.

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

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) decreased due to the impact of inventories of customers. In domestic agrochemicals market, sales of "ALTAIR" (paddy rice herbicide) were firm, but shipments of "ROUNDUP" (non-selective leaf treatment herbicide) declined due to the reorganization of sales standards. In overseas agrochemicals market, sales of "GRACIA" (insecticide) and "TARGA" (herbicide) were strong.

As a result, sales of this segment were 14,582 million yen (a decrease of 84 million yen) and operating income was 4,017 million yen (a decrease of 454 million yen). Compared to the outlook (Note), sales were below 0.6 billion yen and operating income was above 0.4 billion yen.

(Note) Outlook is described on page 19 and 20 of the FY2019 Presentation Materials.

The Pharmaceuticals Segment

Sales of "LIVALO" (anti-cholesterol drug) declined due to increased sales of generic drugs in Japan and overseas. Sales of "Custom Chemicals" increased.

As a result, sales of this segment were 1,500 million yen (a decrease of 371 million yen) and operating loss was 70 million yen (a decrease of 452 million yen). Compared to the outlook (Note), sales were above 0.3 billion yen and operating income was the same.

(Note) Outlook is described on page 19 and 20 of the FY2019 Presentation Materials.

Trading

Sales of this segment were 18,182 million yen (an increase of 711 million yen), and operating income was 652 million yen (an increase of 126 million yen). Compared to the outlook (Note), sales were above 1.1 billion yen and operating income was above 0.2 billion yen.

(Note) Outlook is described on page 19 and 20 of the FY2019 Presentation Materials.

Others

Sales of this segment were 4,785 million yen (a decrease of 83 million yen) and operating income was 47 million yen (a decrease of 7 million yen).

(Note) From FY2020, we have changed the method of totaling operating income by segments. Year-on-year comparisons are calculated using figures compiled using the same method. Under the new method, consolidation adjustments (such as unrealized gains on inventories and non-current assets) previously allocated to individual segments are collectively processed with the adjustments for the entire company. The impact of this change is minor.

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2020 was 232,075 million yen (a decrease of 17,446 million yen from March 31, 2020). It is mainly due to the decrease of cash and deposits.

Also, total liabilities as of June 30, 2020 was 47,521 million yen (a decrease of 16,472 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of June 30, 2020 was 184,554 million yen (a decrease of 974 million yen).

As a result of these factors, equity ratio was 78.8% (an increase of 5.1% from March 31, 2020).

(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, 2020 was 12,394 million yen (9,976 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, 2020 was 1,557 million yen (603 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, 2020 was 24,851 million yen (29,782 million yen).

As a result of these factors, cash and cash equivalents at the end of this period was 16,633 million yen, reflecting exchange of 9 million yen. It decreased by 14,005 million yen from March 31, 2020 (15,566 million yen).

(3) Outlook of Consolidated Financial Results and Other Forward-looking Information

There is no change in the outlook of consolidated business results for the first half and full year ending March 31, 2021 from the statement announced on May 15, 2020. The outlook did not reflect the effects of the COVID-19 pandemic. At this time, the pandemic is expected to have only a limited impact on the figures.

(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 aims to realize dividend payout ratio to be 45% and total payout ratio to be 75% after FY2019.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	30,639	16,633
Notes and accounts receivable - trade	72,509	63,003
Merchandise and finished goods	33,131	34,624
Work in process	153	561
Raw materials and supplies	10,590	11,422
Other	7,199	8,410
Allowance for doubtful accounts	(26)	(27)
Total current assets	154,196	134,629
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,850	24,620
Other, net	26,731	26,229
Total property, plant and equipment	51,581	50,849
Intangible assets		
Software	566	518
Other	6,812	6,665
Total intangible assets	7,379	7,183
Investments and other assets		
Investment securities	30,873	34,575
Other	5,575	4,922
Allowance for doubtful accounts	(84)	(84)
Total investments and other assets	36,364	39,412
Total non-current assets	95,325	97,446
Total assets	249,522	232,075

(Million yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,876	15,828
Short-term loans payable	23,538	12,651
Income taxes payable	6,167	1,916
Provision for bonuses	2,151	677
Provision for directors' bonuses	26	7
Other	11,254	11,270
Total current liabilities	60,015	42,352
Non-current liabilities		
Long-term loans payable	1,076	1,076
Provision for business structure improvement	284	184
Provision for loss on business of subsidiaries and affiliates	309	309
Provision for share-based remuneration for directors (and other officers)	46	50
Net defined benefit liability	208	227
Other	2,053	3,322
Total non-current liabilities	3,978	5,169
Total liabilities	63,993	47,521
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	146,997	147,615
Treasury shares	(2,470)	(6,545)
Total shareholders' equity	177,082	173,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,782	10,163
Foreign currency translation adjustment	(896)	(824)
Remeasurements of defined benefit plans	(51)	(49)
Total accumulated other comprehensive income	6,834	9,289
Non-controlling interests	1,610	1,639
Total net assets	185,528	184,554
Total liabilities and net assets	249,522	232,075

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

- Consolidated Statements of Income

(Million yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Net sales	48,718	49,280
Cost of sales	28,310	28,480
Gross profit	20,408	20,799
Selling, general and administrative expenses	11,067	10,989
Operating income	9,341	9,810
Non-operating income		
Interest income	6	5
Dividend income	330	306
Equity in earnings of affiliates	287	256
Other	273	272
Total non-operating income	898	841
Non-operating expenses		
Interest expenses	42	31
Loss on disposal of non-current assets	32	65
Foreign exchange losses	170	99
Other	12	38
Total non-operating expenses	258	235
Ordinary income	9,981	10,416
Extraordinary income		
Gain on sales of investment securities	852	-
Total extraordinary income	852	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	10,833	10,416
Income taxes - current	2,197	1,988
Income taxes - deferred	764	800
Total income taxes	2,961	2,788
Net income	7,872	7,627
Net income attributable to non-controlling interests	36	19
Net income attributable to owners of parent	7,835	7,608

- Consolidated Statements of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Net income	7,872	7,627
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,378)	2,380
Foreign currency translation adjustment	(586)	81
Remeasurements of defined benefit plans, net of tax	(8)	1
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(1,974)	2,464
Comprehensive income	5,898	10,091
(Comprehensive income attributable to)		
Owners of parent	5,913	10,062
Non-controlling interests	(15)	28

(3) Consolidated Statements of Cash Flows

(Million yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Cash flows from operating activities		
Income before income taxes and non-controlling interests	10,833	10,416
Depreciation and amortization	2,260	2,317
Amortization of goodwill	0	16
Interest and dividend income	(336)	(311)
Loss (gain) on sales of investment securities	(852)	(0)
Interest expenses	42	31
Loss (gain) on disposal of non-current assets	32	65
Decrease (increase) in notes and accounts receivable - trade	4,849	9,528
Decrease (increase) in inventories	(1,459)	(2,697)
Increase (decrease) in notes and accounts payable - trade	(1,071)	(1,065)
Other	(874)	(261)
Subtotal	13,425	18,038
Interest and dividend income received	604	410
Interest expenses paid	(37)	(29)
Income taxes paid	(4,016)	(6,025)
Net cash provided by (used in) operating activities	9,976	12,394
Cash flows from investing activities		
Purchase of investment securities	(2)	(81)
Proceeds from sales of investment securities	1,746	0
Purchase of property, plant and equipment	(2,247)	(2,049)
Payments for retirement of property, plant and equipment	(29)	(43)
Purchase of intangible assets	(16)	(104)
Net decrease (increase) in short-term loans receivable	(26)	749
Purchase of long-term prepaid expenses	(44)	(14)
Other	17	(15)
Net cash provided by (used in) investing activities	(603)	(1,557)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(17,463)	(10,860)
Cash dividends paid	(6,206)	(6,990)
Dividends paid to non-controlling interests	(111)	-
Share repurchase	(3,829)	(4,075)
Setting up the trust for share repurchase	(2,170)	(2,925)
Net cash provided by (used in) financing activities	(29,782)	(24,851)
Effect of exchange rate change on cash and cash equivalents	(206)	9
Net increase (decrease) in cash and cash equivalents	(20,616)	(14,005)
Cash and cash equivalents at beginning of period	36,183	30,639
Cash and cash equivalents at end of period	15,566	16,633

(4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company made a stock payment of 100 shares to the eligible party on April 24, 2020 based on the trust agreement of the Board Benefit Trust (BBT) resolved by the Board of Director's meeting on July 30, 2019. As a result, treasury shares decreased by 0 million yen during the first quarter of current consolidated fiscal year.

In addition, the Company repurchased 810,000 treasury shares based on the resolution of Board of Directors' meeting held on May 15, 2020. As a result, treasury shares increased by 4,074 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, 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)	864	3,977	4,471	382	526	55	10,278	(937)	9,341

Notes: (1) The (937) million yen adjustment in segment income includes (183) 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.

2) For the Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	5,127	14,840	12,999	1,500	13,126	1,684	49,279	0	49,280
Intersegment Sales	2,287	2,244	1,583	-	5,055	3,100	14,271	(14,271)	-
Total Sales	7,415	17,084	14,582	1,500	18,182	4,785	63,550	(14,270)	49,280
Segment Income or Loss (Operating Income or Loss)	668	5,310	4,017	(70)	652	47	10,627	(817)	9,810

Notes: (1) The (817) million yen adjustment in segment income includes (59) million yen in intersegment eliminations, 0 million yen sales not attributable to any reporting segment, and (758) 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. Matters related to changes in reportable segment, etc.

(Change to calculation method for profit (loss) by reportable segment)

In order to more appropriately evaluate and manage the performance of each reportable segment, the Company reviewed the method of adjusting intersegment transactions and has changed the method of calculation for profit or loss of each reportable segment. Segment information for the first quarter of the previous fiscal year is based on the revised method.