

Consolidated Financial Results for the Six Months Ended September 30, 2015 (JPGAAP)

November 5, 2015

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 13, 2015

Scheduled dividend payment date: November 30, 2015

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 Six Months Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(Millions of Yen)

(1) Consolidated Operating Results

(% indicates the rate of increase/decrease year on year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
Six Months Ended September 30, 2015	83,670	+4.7%	14,265	+14.1%	15,131	+18.9%	11,147	+26.0%
Six Months Ended September 30, 2014	79,920	+4.6%	12,506	+18.2%	12,728	+14.5%	8,850	+11.2%

(Note) Comprehensive Income: Six Months Ended September 30, 2015: 9,554 million yen (-6.2%)

Six Months Ended September 30, 2014: 10,187 million yen (+1.9%)

	Net Income per Share (Yen)	Diluted Profit Attributable to Owners of Parent per Share (Yen)
Six Months Ended September 30, 2015	71.21	—
Six Months Ended September 30, 2014	55.15	—

(2) Consolidated Financial Position

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2015	205,530	150,770	72.7%
As of March 31, 2015	223,854	151,263	66.9%

(Reference) Shareholders' equity: As of September 30, 2015: 149,330 million yen As of March 31, 2015: 149,782 million yen

2. Cash Dividends

	Cash Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year Ended March 31, 2015	—	14.00 yen	—	22.00 yen	36.00 yen
Year Ending March 31, 2016	—	18.00 yen			
Year Ending March 31, 2016 (Forecast)			—	24.00 yen	42.00 yen

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

For details, please refer to "Announcement about revision of Forecast of Financial Results and Dividend forecast"

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of Yen)

(% indicates the rate of increase/decrease against the same period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per share
Year Ending March 31, 2016	181,500	+6.0%	28,000	+10.5%	29,200	+10.6%	21,700	+19.2%	139.53 Yen

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

4. Notes

(1) Changes in significant consolidated subsidiaries
(changes in specified subsidiaries involving changes in scope of consolidation) : None

(2) Adoption of special accounting methods of 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 stock)

1. Number of shares outstanding (including treasury stock)
as of September 30, 2015; 156,000,000 shares
as of March 31, 2015; 158,000,000 shares

2. Number of shares of treasury stock
as of September 30, 2015; 482,749 shares
as of March 31, 2015; 286,679 shares

3. Average number of shares outstanding (cumulative first year)
as of September 30, 2015; 156,554,994 shares
as of September 30, 2014; 160,477,714 shares

* Implementation status about the review

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

Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* Statement regarding appropriate use of forecasts and other notes

The 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, 2015 (from April 1, 2015 to September 30, 2015), the domestic economy has been slowly recovering due to the improvement of corporate performance on the background of weaker yen and lower price of crude oil even though there was an influence of volatile stock market triggered by slowdown concern about Chinese economy.

With regard to our group business, the profitability of Chemicals Segment was improved by lower price of raw fuels and also, export sales of environmental chemicals were higher than previous year. As for Performance Materials Segment, fixed cost increased due to the investments in semiconductor materials development facilities, while display materials could keep the steady performance.

As for Agricultural Chemicals Segment, sales of agrochemicals and veterinary medical product grew in overseas. As for Pharmaceutical Segment, domestic "LIVALO" (anti-cholesterol drug) continued to face a difficult situation.

As a result, the sales for this term were 83,670 million yen (an increase of 3,750 million yen from the same term of the previous year). Operating income was 14,265 million yen (an increase of 1,759 million yen). Ordinary income was 15,131 million yen (an increase of 2,402 million yen). Profit attributable to owners of parent was 11,147 million yen (an increase of 2,296 million yen).

Explanations by segments are as below.

Chemicals

As for Basic Chemicals, the sales volume of melamine (adhesive agent for particle board) increased in overseas. As for Fine Chemicals, the sales of "HI-LITE" (chlorinated isocyanuric acid for sterilizing) exceeded previous year in overseas.

As a result, the sales of this segment were 16,742 million yen (an increase of 46 million yen from the same term of the previous year). Operating income was 1,405 million yen (an increase of 988 million yen).

Performance Materials

"SUNEVER" (LCD alignment coating) for TV and smartphone had healthy sales. Multi-layer materials for semiconductors (ARC® coating) were adversely affected by the lower capacity utilization ratio of some customers. The sales of "SNOWTEX" (silica sol for polishing electronic materials and non-polishing materials) for non-polishing materials and organo silica sol (various kinds of coating materials) exceeded previous year.

As a result, the sales of this segment were 26,040 million yen (an increase of 1,800 million yen from the same term of the previous year). Operating income was 6,338 million yen (a decrease of 338 million yen).

*ARC® is registered trade mark of Brewer Science, Inc. Bottom anti-reflective coating and multi-layer materials beneath a photoresist are included in the registered trade mark.

Agricultural Chemicals

With regard to domestic sales, the sales volume of "ALTAIR" (paddy rice herbicide) increased. With regard to overseas sales, "PERMIT" (herbicide for corn and rice, etc.), "TARGA" (herbicide for soybean, etc.) and Fluralaner (the active substance of veterinary medical product) had healthy sales.

As a result, the sales of this segment were 21,140 million yen (an increase of 2,608 million yen from the same term of the previous year). Operating income was 6,221 million yen (an increase of 2,266 million yen).

Pharmaceuticals

Export "LIVALO" had healthy sales. Domestic "LIVALO" continued to face a tough situation. As some deliveries were behind the original schedule, the sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) decreased. We expected to have up-front revenue on a new pipeline product. However, the revenue didn't realized by September 30, 2015 due to the delay of the contract conclusion.

As a result, the sales of this segment were 3,742 million yen (a decrease of 1,256 million yen from the same term of the previous year). Operating income was 617 million yen (a decrease of 981 million yen).

Trading

The sales of agricultural chemicals products increased. On the other hand, administrative costs increased accordingly.

As a result, the sales of this segment were 27,521 million yen (an increase of 223 million yen from the same term of the previous year). Operating income was 856 million yen (a decrease of 48 million yen).

Others

The sales of this segment were 8,888 million yen (an increase of 427 million yen from the same term of the previous year). Operating loss was 28 million yen (operation loss of the same term of the previous year was 27 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of September 30, 2015 were 205,530 million yen (a decrease of 18,323 million yen from March 31, 2015). It is mainly due to the decrease of notes and accountants receivable.

Also, total liabilities as of September 30, 2015 were 54,760 million yen (a decrease of 17,830 million yen from March 31, 2015). It is mainly due to the decrease of liabilities with interest.

Net Assets as of September 30, 2015 were 150,770 million yen (a decrease of 493 million yen from March 31, 2015). As a result, equity ratio was 72.7% (an increase of 5.8% from March 31, 2015).

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and minority interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the six months ended September 30, 2015 were 27,642 million yen (22,902 million yen for the same term 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, 2015 were 4,654 million yen (2,770 million yen for the same term of the previous year).

Due to the decrease in repayments of long-term loans payable and purchase of treasury shares, net cash used in financing activities for the six months ended September 30, 2015 were 27,287 million yen (23,332 million yen for the same term of the previous year).

As a result, cash and cash equivalents at the end of this term were 26,931 million yen, reflecting 172 million yen effect of exchange rate changes and 61 million yen increase from newly consolidated subsidiaries. It decreased by 4,411 million yen from March 31, 2015 (27,648 million yen for the same term of the previous year).

(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, 2016 (from April 1, 2015 to March 31, 2016), due to the recent financial results. The above forecast is calculated on the assumption that naphtha price will be 51,000 yen per kiloliter and that the exchange rate will be 120 yen per dollar.

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Net Income per Share (Yen)
Previous Forecast (A)	181,000	26,500	27,600	20,600	132.46
Revised Forecast (B)	181,500	28,000	29,200	21,700	139.53
Change (B-A)	500	1,500	1,600	1,100	—
Rate of Change (%)	0.3%	5.7%	5.8%	5.3%	—
(Ref.) Results for the Year Ended March 31, 2015	171,206	25,347	26,391	18,199	113.99

(Billions of yen)

		Previous Forecast	Revised Forecast	Change
Net Sales	Chemicals	35.8	34.9	-0.9
	Performance Materials	51.7	51.4	-0.3
	Agricultural Chemicals	48.5	49.1	0.6
	Pharmaceuticals	8.5	8.7	0.2
	Trading	60.1	59.0	-1.1
	Others	21.2	20.9	-0.3
	Adjustment	-44.8	-42.5	2.3
	Total	181.0	181.5	0.5
Operating Income	Chemicals	3.6	3.4	-0.2
	Performance Materials	10.8	11.0	0.2
	Agricultural Chemicals	9.6	11.3	1.7
	Pharmaceuticals	2.1	2.1	—
	Trading	1.9	2.0	0.1
	Others	0.5	0.5	—
	Adjustment	-2.0	-2.3	-0.3
	Total	26.5	28.0	1.5

2. Items concerning Summary Information (Notes)

(Changes in Accounting Policies)

Effective from the beginning of the first quarter of current consolidated fiscal year, the Company adopted the "Revised Accounting Standard for Business Combinations"(Accounting Standards Board of Japan(ASBJ) Statement No.21, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements"(ASBJ Statement No.22, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Consolidation") and "Revised Accounting Standard for Business Divestitures"(ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Divestitures").

In applying these revised accounting standards, the Company records any difference arising from changes in equity interest in subsidiaries as capital surplus when the control over its subsidiaries maintains and the corresponding acquisition-related costs are recognized as expenses when incurred. Also, regarding business combinations conducted after the beginning of the first quarter of current consolidated fiscal year, the disclosure method was revised to reflect the retrospective adjustment of purchase price allocation after determination of provisional accounting method in the quarterly consolidated financial statements of the fiscal period in which the business combination occurred. In addition, presentation method of net income is amended and also, the presentation of "minority interests" is changed to "non-controlling interests". To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, the Company is subject to the transitional treatment set out in Section 58-2(4) of the Accounting Standard for Business Combinations, in Section 44-5(4) of the Accounting Standard for Consolidation and in Section 57-4(4) of the Accounting Standard for business Divestitures, and these changes are effective from the beginning of the first quarter of current consolidated fiscal year. Also, these changes have no effect on profit and loss.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	31,343	26,931
Notes and accounts receivable - trade	58,133	43,390
Merchandise and finished goods	28,123	29,158
Work in process	59	618
Raw materials and supplies	7,885	8,367
Other	7,931	7,466
Allowance for doubtful accounts	(29)	(35)
Total current assets	133,448	115,898
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,702	22,393
Other, net	24,426	24,613
Total Property, plant and equipment	47,128	47,006
Intangible assets		
Goodwill	4	464
Other	669	4,508
Total Intangible assets	674	4,972
Investments and other assets		
Investment securities	38,711	33,514
Other	4,079	4,320
Allowance for doubtful accounts	(187)	(180)
Total Investments and other assets	42,603	37,654
Total Non-current assets	90,406	89,632
Total assets	223,854	205,530

(Millions of Yen)

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,077	13,583
Short-term loans payable	26,041	9,689
Income taxes payable	3,807	3,851
Provision for bonuses	1,827	1,855
Provision for directors' bonuses	24	11
Provision for environmental measures	315	299
Other	8,940	9,700
Total Current liabilities	56,034	38,992
Non-current liabilities		
Long-term loans payable	9,060	7,690
Provision for business structure improvement	704	704
Net defined benefit liability	174	146
Other	6,618	7,228
Total Non-current liabilities	16,556	15,768
Total liabilities	72,590	54,760
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	105,602	107,475
Treasury stocks	(584)	(1,280)
Total Shareholders' equity	137,572	138,748
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,676	9,441
Foreign currency translation adjustment	894	542
Remeasurements of defined benefit plans	639	597
Total Accumulated other comprehensive income	12,210	10,581
Non-controlling interests	1,481	1,439
Total net assets	151,263	150,770
Total liabilities and net assets	223,854	205,530

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

- Consolidated Statements of Income

(Millions of Yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015
Net sales	79,920	83,670
Cost of sales	48,250	49,004
Gross profit	31,669	34,665
Selling, general and administrative expenses	19,163	20,400
Operating income	12,506	14,265
Non-operating income		
Interest income	9	6
Dividend income	292	245
Share of profit of entities accounted for using equity method	294	446
Other	457	876
Total non- operating income	1,054	1,574
Non-operating expenses		
Interest expenses	126	110
Plant stop losses	265	185
Product compensation expenses	-	150
Other	439	261
Total non- operating expenses	831	708
Ordinary income	12,728	15,131
Extraordinary income	-	-
Extraordinary losses		
Product compensation expenses	390	-
Total Extraordinary losses	390	-
Income before income taxes and non-controlling interests	12,338	15,131
Income taxes - current	3,569	3,981
Income taxes - deferred	(163)	(94)
Total income taxes	3,406	3,886
Profit	8,931	11,244
Profit attributable to non-controlling interests	80	97
Profit attributable to owners of parent	8,850	11,147

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015
Profit	8,931	11,244
Other comprehensive income		
Valuation difference on available-for-sale securities	749	(1,234)
Foreign currency translation adjustment	534	(413)
Remeasurements of defined benefit plans, net of tax	(27)	(42)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	1,255	(1,690)
Comprehensive income	10,187	9,554
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	10,060	9,518
Comprehensive income attributable to non-controlling interests	126	35

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2015
Cash flows from operating activities	-	-
Income before income taxes and non-controlling interests	12,338	15,131
Depreciation	3,713	4,446
Interest and dividend income	(302)	(251)
Interest expenses	126	110
Loss (gain) on disposal of non-current assets	170	130
Decrease (increase) in notes and accounts receivable - trade	11,591	14,490
Increase (decrease) in inventories	(1,947)	(2,231)
Decrease (increase) in notes and accounts payable - trade	(1,208)	(1,542)
Other	1,935	1,168
Subtotal	26,417	31,453
Interest and dividend income received	362	311
Interest expenses paid	(138)	(111)
Income taxes paid	(3,738)	(4,011)
Cash flows from operating activities	22,902	27,642
Cash flows from investing activities		
Purchase of investment securities	(1,307)	(6)
Proceeds from sales of investment securities	3,040	109
Purchase of property, plant and equipment	(3,824)	(4,308)
Payments for retirement of property, plant and equipment	(113)	(96)
Net increase (decrease) in short-term loans receivable	(96)	(271)
Other	(469)	(82)
Cash flows from investing activities	(2,770)	(4,654)
Cash flows from financing activities		
Net decrease (increase) in short-term loans payable	(15,236)	(16,355)
Repayments of long-term loans payable	(5,456)	(1,370)
Cash dividends paid	(2,567)	(3,469)
Dividends paid to non-controlling interests	(50)	(70)
Purchase of treasury shares	(1)	(6,000)
Other	(20)	(21)
Cash flows from financing activities	(23,332)	(27,287)
Effect of exchange rate change on cash and cash equivalents	91	(172)
Net decrease (increase) in cash and cash equivalents	(3,109)	(4,473)
Cash and cash equivalents at beginning of period	30,757	31,343
Increase in cash and cash equivalents from newly consolidated subsidiary	-	61
Cash and cash equivalents at end of period	27,648	26,931

(4) Notes to Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

The Company acquired treasury stock based on the resolution at the meeting of Board of Directors held on May 12, 2015. As a result, treasury stock increased by 5,999 million yen during the first half of current consolidated fiscal year. Also, the Company canceled 2,000,000 treasury stock on July 31, 2015 based on the resolution at the meeting of Board of Directors held on July 14, 2015. As a result, retained earnings and treasury stock decreased 5,304 million yen, capital surplus decreased 0 million yen during the first half of current consolidated fiscal year.

(5) Segment Information

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

1) For the Six Months Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	12,114	21,390	17,151	4,998	20,240	4,023	79,920	-	79,920
Intersegment Sales	4,580	2,849	1,379	-	7,057	4,436	20,304	(20,304)	-
Total Sales	16,695	24,239	18,531	4,998	27,297	8,460	100,224	(20,304)	79,920
Segment income or loss (Operating Income or Loss)	416	6,677	3,954	1,598	904	(27)	13,525	(1,018)	12,506

Notes: (1) The negative 1,018 million yen adjustment in segment income includes negative 102 million yen in intersegment eliminations and negative 915 million yen of corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

2) For the Six Months Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	12,297	23,032	19,236	3,742	21,484	3,876	83,670	-	83,670
Intersegment Sales	4,444	3,008	1,903	-	6,036	5,011	20,404	(20,404)	-
Total Sales	16,742	26,040	21,140	3,742	27,521	8,888	104,075	(20,404)	83,670
Segment income or loss (Operating Income or Loss)	1,405	6,338	6,221	617	856	(28)	15,410	(1,144)	14,265

Notes: (1) The negative 1,144 million yen adjustment in segment income includes negative 146 million yen in intersegment eliminations and negative 998 million yen of corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.