

# Consolidated Financial Results for the Three Months Ended June 30, 2016 (JPGAAP)



August 5, 2016

Name of listed company: NISSAN CHEMICAL INDUSTRIES, LTD.

Stock Exchange: Tokyo

Code Number: 4021

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

Representative: Kojiro Kinoshita, President

Inquiry to: Hironori Yoshida, Executive Officer and Director of Finance and Accounting Department Tel. +81 3 3296 8356

Scheduled submission date of quarterly report: August 10, 2016

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, 2016 (From April 1, 2016 to June 30, 2016)

### (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	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three Months Ended June 30, 2016	45,085	(0.2)	9,508	0.9	9,357	(8.6)	6,826	(5.3)
Three Months Ended June 30, 2015	45,190	6.4	9,426	5.8	10,240	10.2	7,208	14.0

(Note) Comprehensive Income: Three Months Ended June 30, 2016 : 4,889 million yen , (39.5)%

Three Months Ended June 30, 2015 : 8,082 million yen , 17.1%

	Net Income per Share	Diluted Profit Attributable to Owners of Parent per Share
	Yen	Yen
Three Months Ended June 30, 2016	44.31	—
Three Months Ended June 30, 2015	45.85	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2016	207,197	154,599	73.9
As of March 31, 2016	228,169	156,924	68.1

(Reference) Shareholders' equity: As of June 30, 2016 : 153,148 million yen

As of March 31, 2016 : 155,392 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, 2016	—	18.00	—	26.00	44.00
Year Ending March 31, 2017	—	—	—	—	—
Year Ending March 31, 2017 (Forecast)	—	24.00	—	26.00	50.00

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

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(% 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
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six Months Ending September 30, 2016	86,000	2.8	13,300	(6.8)	13,300	(12.1)	10,200	(8.5)	66.45
Year Ending March 31, 2017	187,500	6.0	29,700	3.8	30,400	2.9	23,000	2.9	150.18

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

Net Income per share are modified in consideration of repurchasing of treasury shares that has been implemented until August 2, 2016.

#### 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 : 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 4 for details.

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

as of June 30, 2016 : 155,000,000 shares

as of March 31, 2016 : 156,000,000 shares

2. Number of shares of treasury stock

as of June 30, 2016 : 1,550,648 shares

as of March 31, 2016 : 1,620,587 shares

3. Average number of shares outstanding (cumulative first year)

as of June 30, 2016 : 154,049,621 shares

as of June 30, 2015 : 157,214,729 shares

\* Presentation regarding implementation status of quarterly review procedures

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

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

\* 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.

## Table of Contents for Attached Materials

1. Qualitative Information on Quarterly Results .....	2
(1) Business Performance .....	2
(2) Financial Position .....	3
(3) Forecast of Consolidated Business Results and Other Forward-looking Information .....	3
(4) Basic policy on distribution of earnings .....	3
2. Items concerning Summary Information (Notes) .....	4
(1) Changes of Accounting Policies and Accounting Estimates, Restatement .....	4
3. Consolidated Financial Statements .....	5
(1) Consolidated Balance Sheets .....	5
(2) Consolidated Statements of Income and Statements of Comprehensive Income .....	7
(3) Consolidated Statements of Cash Flows .....	9
(4) Notes to Consolidated Financial Statements .....	10
(Notes on Assumption of Going Concern) .....	10
(Notes on Significant Changes in Shareholders' Equity) .....	10
(Segment Information) .....	10

## 1. Qualitative Information on Quarterly Results

### (1) Business Performance

During the year ended June 30, 2016 (from April 1, 2016 to June 30, 2016), a sense of uncertainty over future domestic economy has increased due to lower individual consumption, stagnation of demand from inbound, progress of stronger yen and decline in stock price, and the Brexit.

With regard to our group business, the sales of Basic Chemicals in Chemicals Segment increased compared to the same period the previous year. As for Performance Materials Segment, display materials have continued to grow. As for Agricultural Chemicals Segment, both pesticides and the active substance of veterinary medical products had healthy sales. As for Pharmaceutical Segment, the sales of "LIVALO" (anti-cholesterol drug) exceeded that of the previous year.

As a result, the sales for this term were 45,085 million yen (a decrease of 105 million yen from the same term of the previous year). Operating income was 9,508 million yen (an increase of 81 million yen). Ordinary income was 9,357 million yen (a decrease of 882 million yen). Profit attributable to owners of parent was 6,826 million yen (a decrease of 382 million yen).

Explanations by segments are as below.

#### Chemicals

As for Basic Chemicals, the export sales of melamine (adhesive agent for particle board) and the sales of "AdBlue" (solution of urea in demineralized water) increased. As for Fine Chemicals, the sales of "TEPIC" (epoxy compound for LED sealants, solder resist, painting) decreased, but the price decline of raw fuel such as naphtha contributes to the profit rate improvement of Chemical segment.

As a result, the sales of this segment were 8,523 million yen (a decrease of 147 million yen from the same term of the previous year). Operating income was 1,492 million yen (an increase of 30 million yen).

#### Performance Materials

"SUNEVER" (LCD alignment coating) for smartphone had healthy sales. The sales of bottom anti-reflective coating for semiconductors ("ARC®"), multi-layer process materials ("OptiStack®") and inorganic colloid materials decreased compared to the same period the previous year.

As a result, the sales of this segment were 12,648 million yen (a decrease of 311million yen from the same term of the previous year). Operating income was 2,981 million yen (a decrease of 388 million yen).

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

#### Agricultural Chemicals

With regard to domestic sales, the sales volume of "ROUNDUP" (non-selective herbicide) and "ALTAIR" (paddy rice herbicide) increased. Moreover, "TREFANOCIDE" (herbicide for cereal, soybean etc.) launched from this year. The sales of Fluralaner (the active substance of veterinary medical product) also fairly increased.

As a result, the sales of this segment were 14,464 million yen (an increase of 864 million yen from the same term of the previous year). Operating income was 4,488 million yen (an increase of 91 million yen).

#### Pharmaceuticals

"LIVALO" continued to face a tough situation, but the sales volume of this term exceeded that of the previous year in both domestic and foreign market. On the other hand, the sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) decreased because the timing of shipment shifted to next quarter.

As a result, the sales of this segment were 2,217 million yen (an increase of 166 million yen from the same term of the previous year). Operating income was 647 million yen (an increase of 262 million yen).

## Trading

The sales of this segment were 14,356 million yen (a decrease of 389 million yen from the same term of the previous year). Operating income was 434 million yen (a decrease of 30 million yen).

## Others

The sales of this segment were 3,973 million yen (a decrease of 135 million yen from the same term of the previous year). Operating loss was 24 million yen (an improvement of 7 million yen).

## (2) Financial Position

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

Total assets as of June 30, 2016 were 207,197 million yen (a decrease of 20,971 million yen from March 31, 2016). It is mainly due to the decrease of cash and deposits.

Also, total liabilities as of June 30, 2016 were 52,598 million yen (a decrease of 18,646 million yen from March 31, 2016). It is mainly due to the decrease of short term loans payable.

Net Assets as of June 30, 2016 were 154,599 million yen (a decrease of 2,325 million yen from March 31, 2016). As a result, equity ratio was 73.9% (an increase of 5.8% from March 31, 2016).

### (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, 2016 were 9,879 million yen (10,553 million yen for the same term of the previous year).

Due to the proceeds from sales of investment securities and the investment on research and development department, net cash used in investing activities for the three months ended June 30, 2016 were 369 million yen (1,934 million yen for the same term of the previous year).

Due to the decrease in short-term loans payable, payment for dividends, net cash used in financing activities for the three months ended June 30, 2016 were 21,081 million yen (17,839 million yen for the same term of the previous year).

As a result, cash and cash equivalents at the end of this term were 23,386 million yen, reflecting negative 353 million yen effect of exchange rate changes and 25 million yen decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation. It decreased by 11,948 million yen from March 31, 2016 (22,243 million yen for the same term of the previous year).

## (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, 2017 from the statement announced on May 12, 2016.

## (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. Items concerning Summary Information (Notes)**

### (1) Changes of Accounting Policies and Accounting Estimates, Restatement

#### (Changes in Accounting Policies)

Effective from the beginning of the first quarter of current consolidated fiscal year, the Company adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issue Task Force (PITF) No.32, issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes and non-controlling interests for the first quarter of current consolidated fiscal year was immaterial.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	35,335	23,386
Notes and accounts receivable - trade	57,606	54,278
Merchandise and finished goods	30,198	29,018
Work in process	43	419
Raw materials and supplies	8,266	7,802
Other	10,765	8,219
Allowance for doubtful accounts	(34)	(31)
Total current assets	142,181	123,094
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,635	22,246
Other, net	24,826	25,045
Total Property, plant and equipment	47,461	47,292
Intangible assets		
Goodwill	2	1
Other	901	768
Total Intangible assets	903	770
Investments and other assets		
Investment securities	33,251	31,773
Other	4,539	4,435
Allowance for doubtful accounts	(167)	(167)
Total Investments and other assets	37,623	36,041
Total Non-current assets	85,988	84,103
Total assets	228,169	207,197

(Millions of Yen)

	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	15,350	13,500
Short-term loans payable	25,998	13,890
Income taxes payable	4,576	1,759
Provision for bonuses	1,874	584
Provision for directors' bonuses	21	7
Provision for environmental measures	350	284
Other	9,765	9,730
Total Current liabilities	57,937	39,758
Non-current liabilities		
Long-term loans payable	7,100	7,100
Provision for business structure improvement	680	678
Provision for loss on business of subsidiaries and associates	309	309
Net defined benefit liability	102	102
Other	5,115	4,649
Total Non-current liabilities	13,307	12,840
Total liabilities	71,244	52,598
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	115,878	115,814
Treasury stocks	(4,281)	(4,456)
Total Shareholders' equity	144,151	143,911
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,515	9,544
Foreign currency translation adjustment	171	(844)
Remeasurements of defined benefit plans	554	535
Total Accumulated other comprehensive income	11,241	9,236
Non-controlling interests	1,531	1,450
Total net assets	156,924	154,599
Total liabilities and net assets	228,169	207,197



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

## - Consolidated Statements of Income

(Millions of Yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Net sales	45,190	45,085
Cost of sales	25,643	24,843
Gross profit	19,547	20,241
Selling, general and administrative expenses	10,120	10,733
Operating income	9,426	9,508
Non-operating income		
Interest income	2	3
Dividend income	235	277
Foreign exchange gains	203	-
Share of profit of entities accounted for using equity method	314	143
Other	225	151
Total non- operating income	981	576
Non-operating expenses		
Interest expenses	62	50
Loss on valuation of securities	-	172
Foreign exchange losses	-	425
Other	104	77
Total non- operating expenses	167	727
Ordinary income	10,240	9,357
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	10,240	9,357
Income taxes - current	2,315	1,711
Income taxes - deferred	666	768
Total income taxes	2,982	2,480
Profit	7,257	6,877
Profit attributable to non-controlling interests	48	50
Profit attributable to owners of parent	7,208	6,826

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Profit	7,257	6,877
Other comprehensive income		
Valuation difference on available-for-sale securities	498	(970)
Foreign currency translation adjustment	347	(998)
Remeasurements of defined benefit plans, net of tax	(20)	(18)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	825	(1,987)
Comprehensive income	8,082	4,889
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	8,028	4,918
Comprehensive income attributable to non-controlling interests	54	(28)

## (3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	10,240	9,357
Depreciation	2,140	1,948
Interest and dividend income	(237)	(281)
Interest expenses	62	50
Loss (gain) on disposal of non-current assets	33	56
Decrease (increase) in notes and accounts receivable - trade	2,870	2,779
Decrease (increase) in inventories	(1,143)	912
Increase (decrease) in notes and accounts payable - trade	(472)	(1,633)
Other	420	745
<b>Subtotal</b>	<b>13,913</b>	<b>13,935</b>
Interest and dividend income received	298	341
Interest expenses paid	(33)	(27)
Income taxes paid	(3,624)	(4,369)
<b>Net cash provided by (used in ) operating activities</b>	<b>10,553</b>	<b>9,879</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(3)	(2)
Proceeds from sales of investment securities	105	2,638
Purchase of property, plant and equipment	(1,813)	(2,839)
Payments for retirement of property, plant and equipment	(25)	(54)
Net decrease (increase) in short-term loans receivable	(37)	(63)
Other	(160)	(46)
<b>Net cash provided by (used in ) investing activities</b>	<b>(1,934)</b>	<b>(369)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(8,288)	(12,009)
Cash dividends paid	(3,469)	(4,013)
Dividends paid to non-controlling interests	(70)	(52)
Purchase of treasury shares	(4,885)	(2,895)
Setting up the trust for purchase of treasury stock	(1,115)	(2,104)
Other	(10)	(5)
<b>Net cash provided by (used in ) financing activities</b>	<b>(17,839)</b>	<b>(21,081)</b>
Effect of exchange rate change on cash and cash equivalents	60	(353)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9,160)</b>	<b>(11,923)</b>
Cash and cash equivalents at the beginning of period	31,343	35,335
Increase in cash and cash equivalents from newly consolidated subsidiary	61	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(25)
<b>Cash and cash equivalents at the end of period</b>	<b>22,243</b>	<b>23,386</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 1,000,000 treasury stock on May 10, 2016 based on the resolution of Board of Directors' meeting held on April 25, 2016.

As a result, retained earnings and treasury stock decreased by 2,719 million yen during the first quarter of current consolidated fiscal year.

Also, the Company acquired treasury stock based on the resolution of Board of Directors' meeting held on May 12, 2016.

As a result, treasury stock increased by 2,894 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, 2015 (From April 1, 2015 to June 30, 2015)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	6,336	11,450	12,415	2,051	11,156	1,780	45,190	—	45,190
Intersegment Sales	2,334	1,510	1,183	—	3,588	2,328	10,946	(10,946)	—
Total Sales	8,670	12,960	13,599	2,051	14,745	4,109	56,137	(10,946)	45,190
Segment income or loss (Operating Income or Loss)	1,462	3,370	4,396	384	465	(31)	10,049	(622)	9,426

Notes: (1) The negative 622 million yen adjustment in segment income includes negative 89 million yen in intersegment eliminations and negative 533 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 Three Months Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	6,261	11,096	12,975	2,217	10,915	1,617	45,085	—	45,085
Intersegment Sales	2,262	1,552	1,488	—	3,440	2,356	11,098	(11,098)	—
Total Sales	8,523	12,648	14,464	2,217	14,356	3,973	56,183	(11,098)	45,085
Segment income or loss (Operating Income or Loss)	1,492	2,981	4,488	647	434	(24)	10,021	(513)	9,508

Notes: (1) The negative 513 million yen adjustment in segment income includes 42 million yen in intersegment eliminations and negative 555 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.