

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (JPGAAP)



February 9, 2024

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

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Inquiry to: ARITA Nobuhiro, Senior Managing Associate Executive Officer and Head of Finance and Accounting Department

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Scheduled submission date of quarterly report: February 13, 2024

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 Nine Months Ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

(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	%
Nine months ended December 31, 2023	155,334	(2.4)	33,436	(13.8)	35,049	(15.2)	25,972	(15.6)
Nine months ended December 31, 2022	159,234	12.7	38,811	14.4	41,341	15.5	30,760	20.0

(Note) Comprehensive income: Nine months ended December 31, 2023 : 28,625 million yen ,(11.7%)

Nine months ended December 31, 2022 : 32,436 million yen ,41.8%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2023	186.02	—
Nine months ended December 31, 2022	217.99	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	309,707	221,355	70.4
As of March 31, 2023	298,715	221,526	73.1

(Reference) Shareholders' equity: As of December 31, 2023 : 218,030 million yen

As of March 31, 2023 : 218,419 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, 2023	—	70.00	—	94.00	164.00
Year ending March 31, 2024	—	70.00	—		
Year ending March 31, 2024 (Outlook)				94.00	164.00

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

3. Outlook of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% 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
Year ending March 31, 2024	227,500	(0.2)	48,600	(7.0)	51,300	(8.1)	38,400	(6.5)	275.76

(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) : Yes

Newly Included: 1 company (Company name: Nippon Phosphoric Acid Corporation Limited)

Nippon Phosphoric Acid Corporation Limited changed the trade name into NC Tokyo Bay Corporation on July 3, 2023.

(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 December 31, 2023 : 139,800,000 shares

As of March 31, 2023 : 141,300,000 shares

2. Number of treasury shares

As of December 31, 2023 : 476,943 shares

As of March 31, 2023 : 1,029,072 shares

3. Average number of shares outstanding

As of December 31, 2023 : 139,623,948 shares

As of December 31, 2022 : 141,110,031 shares

(Note) The Company has introduced "Board Benefit Trust (BBT)" based on the resolution of Board of Directors' meeting held on July 30, 2019. 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 144,000 shares.

In addition, the average number of shares held by the Trust during the period was 144,472 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.

The transcript of financial results briefing will be released on our website as well.

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1. Qualitative Information on Quarterly Results

(1) Business Performance

During the third quarter of the current fiscal year (April 1, 2023 to December 31, 2023), consumer spending showed a recovery trend and inbound demand increased, driven by the depreciation of the yen. However, the domestic economy failed to achieve a full-fledged recovery due to rising prices and a slowdown in overseas economies. Under these circumstances, in the Chemicals Segment, sales of both Basic Chemicals and Fine Chemicals decreased. In the Performance Materials Segment, sales of Display Materials were fine, but sales of Semiconductor Materials declined. In the Agricultural Chemicals Segment, sales decreased. In the Healthcare Segment, sales were on a par with the same period of the previous year.

As a result, both sales and each income were below the same period of the previous fiscal year, but they exceeded the outlook announced in November.

(Million yen, amount rounded down to the nearest million yen)

	3Q FY2022	3Q FY2023	Year on Year Change	3Q FY2023 (Outlook) (Note)	Change from Outlook
Sales	159,234	155,334	(3,900)	153,700	+1,634
Operating income	38,811	33,436	(5,374)	32,000	+1,436
Ordinary income	41,341	35,049	(6,292)	34,300	+749
Net income attributable to owners of parent	30,760	25,972	(4,787)	25,700	+272

(Note) The outlook is described on page 11 of the 2Q FY2023 Presentation Materials (announced on November 10, 2023).

Explanations by segments are as below.

The Chemicals Segment

In Basic Chemicals, sales of urea, AdBlue®* (high-grade urea solution) and nitric acid products (metal dissolution, surface treatment, etc.) increased. Sales of melamine (adhesives agent) declined as a result of the termination of sales in the third quarter of the previous fiscal year under the structural reforms. In Fine Chemicals, sales of environmental related products (sterilizing and disinfecting agents for pools and septic tanks, etc.) were firm, but sales of "TEPIC" (powder coating agent for paint, sealants, etc.) decreased.

As a result, sales of this segment were 27,547 million yen (a decrease of 2,307 million yen from the same period of the previous fiscal year) and operating income was 283 million yen (a decrease of 1,206 million yen). Compared to the outlook (Note), sales were below 0.9 billion yen and operating income was in line with the target.

* AdBlue® is a registered trademark of the Verband der Automobilindustrie (VDA).

(Note) The outlook is described on page 23 of the 2Q FY2023 Presentation Materials (announced on November 10, 2023).

The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) increased. In Semiconductor Materials, sales of antireflective coating for semiconductors (ARC®*) and multi-layer process materials (OptiStack®*) decreased due to a decline in customer utilization. In Inorganic Materials, sales of "SNOWTEX" for polishing electronic materials and hard coating, and Oilfield materials (solvents to improve the efficiency of shale oil and gas extraction) decreased.

As a result, sales of this segment were 61,937 million yen (a decrease of 631 million yen) and operating income was 17,414 million yen (a decrease of 3,400 million yen). Compared to the outlook (Note), sales were above 0.2 billion yen and operating income was above 0.5 billion yen.

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

(Note) The outlook is described on page 23 of the 2Q FY2023 Presentation Materials (announced on November 10, 2023).

The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. In Japanese domestic market, sales of "GRACIA"(insecticide) were firm, but sales of "ROUNDUP" (non-selective foliar application herbicide) decreased. In the overseas market, although sales of "GRACIA" grew, sales of "LEIMAY" (fungicide) decreased.

As a result, sales of this segment were 48,458 million yen (a decrease of 301 million yen) and operating income was 14,509 million yen (a decrease of 676 million yen). Compared to the outlook (Note), sales were below 0.7 billion yen and operating income was in line with the target.

(Note) The outlook is described on page 23 of the 2Q FY2023 Presentation Materials (announced on November 10, 2023).

The Healthcare Segment

Sales of "LIVALO" (anti-cholesterol drug) were at the same level as the same period of FY2022. In "Custom Chemicals" (custom manufacturing and solution proposal business for pharmaceutical companies), sales decreased.

As a result, sales of this segment were 4,839 million yen (a decrease of 2 million yen) and operating income was 2,277 million yen (an increase of 153 million yen). Compared to the outlook (Note), sales and operating income were above 0.2 billion yen.

(Note) The outlook is described on page 23 of the 2Q FY2023 Presentation Materials (announced on November 10, 2023).

Trading

Sales of this segment were 77,062 million yen (an increase of 2,409 million yen) and operating income was 2,841 million yen (a decrease of 99 million yen). Compared to the outlook (Note), sales were above 1.0 billion yen and operating income was above 0.2 billion yen.

(Note) The outlook is described on page 76 and 77 of the 2Q FY2023 Presentation Materials (announced on November 10, 2023).

Others

Sales of this segment were 18,330 million yen (a decrease of 796 million yen) and operating loss was 43 million yen (a decrease in profit of 387 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of December 31, 2023 was 309,707 million yen (an increase of 10,991 million yen from March 31, 2023). It is mainly due to the increase merchandise and finished goods and raw materials and supplies, though notes and accounts receivable - trade decreased.

Also, total liabilities as of December 31, 2023 was 88,351 million yen (an increase of 11,162 million yen). It is mainly due to the increase of short-term loans payable.

Net assets as of December 31, 2023 was 221,355 million yen (a decrease of 170 million yen).

As a result of these factors, equity ratio was 70.4% (a decrease of 2.7% from March 31, 2023).

(Position of Cash Flows)

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 nine months ended December 31, 2023 was 33,678 million yen (37,767 million yen for the same period of the previous year).

Mainly due to capital investment in factories, etc., net cash used in investing activities for the nine months ended December 31, 2023 was 11,920 million yen (13,470 million yen for the same period of the previous year).

Due to payment for dividends and share repurchase, net cash used in financing activities for the nine months ended December 31, 2023 was 25,899 million yen (37,506 million yen for the same period of the previous year).

Cash and cash equivalents at the end of this period decreased 3,964 million yen from March 31, 2023 after adjusting for the 176 million yen of increase as an effect of exchange rate change. Moreover, the balance stood at 25,683 million yen (25,928 million yen for the same period of the previous year).

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

There is no change in the outlook of consolidated business results for the fiscal year ending March 31, 2024 from the statement announced on November 10, 2023.

(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 "Vista2027" Stage I launched from April 2022, the company aims to realize dividend payout ratio to be 55% and total payout ratio to be 75% after FY2022.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	29,647	25,683
Notes and accounts receivable - trade	82,670	64,166
Merchandise and finished goods	46,950	61,649
Work in process	18	225
Raw materials and supplies	17,703	23,007
Accounts receivable - other	2,113	2,062
Short-term loans receivable	3,088	1,024
Other	7,305	11,673
Allowance for doubtful accounts	(44)	(47)
Total current assets	<u>189,454</u>	<u>189,445</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,520	82,906
Accumulated depreciation and impairment loss	(46,567)	(50,635)
Buildings and structures, net	<u>25,952</u>	<u>32,271</u>
Machinery, equipment and vehicles	151,653	172,006
Accumulated depreciation and impairment loss	(136,861)	(147,665)
Machinery, equipment and vehicles, net	<u>14,792</u>	<u>24,341</u>
Tools, furniture and fixtures	42,153	43,522
Accumulated depreciation and impairment loss	(38,379)	(39,125)
Tools, furniture and fixtures, net	<u>3,774</u>	<u>4,396</u>
Land	<u>8,817</u>	<u>9,060</u>
Leased assets	149	155
Accumulated depreciation	(10)	(20)
Leased assets, net	<u>139</u>	<u>134</u>
Construction in progress	<u>11,176</u>	<u>5,414</u>
Total property, plant and equipment	<u>64,653</u>	<u>75,618</u>
Intangible assets		
Software	1,722	1,722
Other	9,813	9,724
Total intangible assets	<u>11,535</u>	<u>11,447</u>
Investments and other assets		
Investment securities	27,322	27,533
Long-term loans receivable	0	47
Deferred tax assets	531	439
Net defined benefit asset	2,140	2,175
Other	3,186	3,111
Allowance for doubtful accounts	(110)	(111)
Total investments and other assets	<u>33,071</u>	<u>33,195</u>
Total non-current assets	<u>109,260</u>	<u>120,261</u>
Total assets	<u>298,715</u>	<u>309,707</u>

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,942	23,397
Short-term loans payable	25,327	35,072
Current portion of long-term loans payable	624	571
Income taxes payable	7,879	1,065
Provision for bonuses	2,413	790
Provision for business structure improvement	418	379
Other	15,556	21,125
Total current liabilities	72,161	82,400
Non-current liabilities		
Long-term loans payable	1,338	1,079
Deferred tax liabilities	98	1,368
Provision for loss on business of subsidiaries and affiliates	626	453
Provision for share-based remuneration for directors (and other officers)	256	245
Net defined benefit liability	377	432
Other	2,331	2,371
Total non-current liabilities	5,027	5,951
Total liabilities	77,188	88,351
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	182,400	176,149
Treasury shares	(6,111)	(2,638)
Total shareholders' equity	208,844	206,066
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,678	8,561
Foreign currency translation adjustment	1,735	3,258
Remeasurements of defined benefit plans	159	143
Total accumulated other comprehensive income	9,574	11,963
Non-controlling interests	3,107	3,325
Total net assets	221,526	221,355
Total liabilities and net assets	298,715	309,707

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

- Consolidated Statements of Income

(Million yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
Net sales	159,234	155,334
Cost of sales	80,785	80,611
Gross profit	78,449	74,723
Selling, general and administrative expenses	39,638	41,287
Operating income	38,811	33,436
Non-operating income		
Interest income	154	115
Dividend income	606	622
Equity in earnings of affiliates	1,398	497
Foreign exchange gains	912	1,078
Other	485	576
Total non-operating income	3,557	2,889
Non-operating expenses		
Interest expenses	165	378
Loss on disposal of non-current assets	584	666
Plant stop losses	86	68
Other	190	161
Total non- operating expenses	1,026	1,275
Ordinary income	41,341	35,049
Extraordinary income		
Gain on sales of investment securities	—	603
Total extraordinary income	—	603
Extraordinary losses		
Total extraordinary losses	—	—
Income before income taxes and non-controlling interests	41,341	35,653
Income taxes - current	9,557	8,597
Income taxes - deferred	803	999
Total income taxes	10,361	9,596
Net income	30,980	26,056
Net income attributable to non-controlling interests	219	83
Net income attributable to owners of parent	30,760	25,972

- Consolidated Statements of Comprehensive Income

(Million yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
Net income	30,980	26,056
Other comprehensive income		
Valuation difference on available-for-sale securities	(17)	882
Foreign currency translation adjustment	1,128	1,702
Remeasurements of defined benefit plans, net of tax	345	(16)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	1,456	2,569
Comprehensive income	32,436	28,625
(Comprehensive income attributable to)		
Owners of parent	32,076	28,362
Non-controlling interests	359	263

(3) Consolidated Statements of Cash Flows

(Million yen)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
Cash flows from operating activities		
Income before income taxes and non-controlling interests	41,341	35,653
Depreciation	7,910	9,415
Amortization of goodwill	76	76
Interest and dividend income	(761)	(737)
Loss (gain) on sales of investment securities	—	(603)
Interest expenses	165	378
Loss (gain) on disposal of non-current assets	584	666
Decrease (increase) in notes and accounts receivable - trade	19,026	19,469
Decrease (increase) in inventories	(17,803)	(19,442)
Increase (decrease) in notes and accounts payable - trade	4,172	2,765
Other	(3,137)	276
Subtotal	51,574	47,919
Interest and dividend income received	1,341	1,617
Interest expenses paid	(162)	(373)
Income taxes paid	(14,986)	(15,484)
Net cash provided by (used in) operating activities	37,767	33,678
Cash flows from investing activities		
Purchase of investment securities	(496)	(100)
Proceeds from sales of investment securities	491	788
Purchase of shares of subsidiaries	(25)	(10)
Purchase of property, plant and equipment	(11,753)	(12,779)
Payments for retirement of property, plant and equipment	(508)	(586)
Purchase of intangible assets	(1,012)	(1,251)
Net decrease (increase) in short-term loans receivable	78	2,110
Purchase of long-term prepaid expenses	(241)	(203)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	93
Other	(3)	18
Net cash provided by (used in) investing activities	(13,470)	(11,920)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(12,032)	7,392
Repayments of long-term loans payable	(276)	(312)
Cash dividends paid	(20,084)	(22,973)
Dividends paid to non-controlling interests	(105)	—
Share repurchase	(5,002)	(5,818)
Payments made to trust account for acquisition of treasury shares	—	(4,187)
Other	(5)	(0)
Net cash provided by (used in) financing activities	(37,506)	(25,899)
Effect of exchange rate change on cash and cash equivalents	1,364	176
Net increase (decrease) in cash and cash equivalents	(11,845)	(3,964)
Cash and cash equivalents at beginning of period	34,658	29,647
Increase in cash and cash equivalents from newly consolidated subsidiary	3,116	—
Cash and cash equivalents at end of period	25,928	25,683

(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 7,600 shares to the eligible party on April 25, 2023 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 36 million yen during the second quarter of current consolidated fiscal year. Also, the Company canceled 700,000 treasury shares on May 12, 2023 based on the resolution of Board of Directors' meeting held on April 28, 2023. Furthermore, the Company canceled 800,000 treasury shares on August 10, 2023 based on the resolution of Board of Directors' meeting held on July 28, 2023. As a result, retained earnings and treasury shares decreased by 9,251 million yen during the third quarter of current consolidated fiscal year.

In addition, the Company repurchased 805,300 treasury shares based on the resolution of Board of Directors' meeting held on May 15, 2023. Also, the Company repurchased 150,000 treasury shares based on the resolution of Board of Directors' meeting held on December 15, 2023. As a result, treasury shares increased by 5,818 million yen during the third quarter of current consolidated fiscal year.

(Segment Information)

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

1) For the Nine Months Ended December 31, 2022 (From April 01, 2022 to December 31, 2022)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment (Note 2)	Consolidated Total
Net Sales									
Sales to outside customers (Note 1)	20,461	50,562	40,400	4,831	57,072	8,161	181,490	(22,255)	159,234
Intersegment Sales	9,392	12,006	8,359	10	17,579	10,964	58,313	(58,313)	—
Total Sales	29,854	62,568	48,759	4,842	74,652	19,126	239,804	(80,569)	159,234
Segment Income or Loss (Operating Income or Loss)	1,489	20,814	15,186	2,124	2,941	343	42,900	(4,089)	38,811

Notes:

1 Sales to outside customers in reportable segments are calculated on a gross basis, including sales that are agent transactions.

A reconciliation of gross sales to net sales as agent transactions is made in the Adjustment section.

2 Adjustments are follows.

(1) (22,255) million yen adjustment in sales to outside customers includes (22,271) million yen in the elimination of agent transactions, and 16 million yen sales not attributable to any reporting segment.

(2) (4,089) million yen adjustment in segment income includes (44) million yen in intersegment eliminations, 17 million yen sales not attributable to any reporting segment, and (4,061) 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 Nine Months Ended December 31, 2023 (From April 01, 2023 to December 31, 2023)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Healthcare	Trading	Others	Total	Adjustment (Note 2)	Consolidated Total
Net Sales									
Sales to outside customers (Note 1)	18,285	49,646	38,118	4,782	57,708	7,316	175,857	(20,523)	155,334
Intersegment Sales	9,262	12,291	10,339	57	19,353	11,014	62,317	(62,317)	—
Total Sales	27,547	61,937	48,458	4,839	77,062	18,330	238,175	(82,840)	155,334
Segment Income or Loss (Operating Income or Loss)	283	17,414	14,509	2,277	2,841	(43)	37,283	(3,847)	33,436

Notes:

1 Sales to outside customers in reportable segments are calculated on a gross basis, including sales that are agent transactions.

A reconciliation of gross sales to net sales as agent transactions is made in the Adjustment section.

2 Adjustments are follows.

(1) (20,523) million yen adjustment in sales to outside customers includes (20,540) million yen in the elimination of agent transactions, and 17 million yen sales not attributable to any reporting segment.

(2) (3,847) million yen adjustment in segment income includes 254 million yen in intersegment eliminations, 19 million yen sales not attributable to any reporting segment, and (4,121) 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.