

Consolidated Financial Results for the Six Months Ended September 30, 2014 (JPGAAP)

November 5, 2014

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 dividend payment date: December 1, 2014

Supplemental information: Yes

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

(Amounts rounded down to the nearest million yen)
(% indicates the rate of increase/decrease year on year)

1. Consolidated Financial Results for the Six Months Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)

(1) Consolidated Operating Results

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Six Months Ended September 30, 2014	79,920 +4.6%	12,506 +18.2%	12,728 +14.5%	8,850 +11.2%
Six Months Ended September 30, 2013	76,401 +7.4%	10,577 +23.3%	11,120 +32.6%	7,961 +41.5%

(Note) Comprehensive Income: Six Months Ended September 30, 2014: 10,187 million yen +1.9%
Six Months Ended September 30, 2013: 10,001 million yen +100.1%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Six Months Ended September 30, 2014	55.15	—
Six Months Ended September 30, 2013	48.62	—

(2) Consolidated Financial Position

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2014	196,750	145,604	73.3%
As of March 31, 2014	207,999	137,822	65.7%

(Note) Shareholders' equity: As of September 30, 2014: 144,257 million yen
As of March 31, 2014: 136,552 million yen

2. Cash Dividends

	Cash Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year Ended March 31, 2014	—	14.00 yen	—	16.00 yen	30.00 yen
Year Ending March 31, 2015	—	14.00 yen			
Year Ending March 31, 2015 (Forecast)			—	16.00 yen	30.00 yen

(Note) Revision of the latest forecast of cash dividends: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share
Year Ending March 31, 2015	171,000 +4.5%	24,100 +8.3%	24,800 +4.5%	17,800 +6.6%	110.92 yen

(Note) Revision of the latest 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

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

as of September 30, 2014; 161,000,000 shares

as of March 31, 2014; 161,000,000 shares

2. Number of shares of treasury stock

as of September 30, 2014; 522,752 shares

as of March 31, 2014; 522,032 shares

3. Average number of shares outstanding during the six months

ended September 30, 2014; 160,477,714 shares

ended September 30, 2013; 163,741,628 shares

* Implementation status about the quarterly 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) Explanation of Operating Results

During the six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014), the domestic employment and income situations improved, while its economy continued to be on the gradual recovery trend under the influence of a counter reaction to the rush demand before the consumption tax hike. With regard to our group business, Chemicals Segment was affected by remained high price of raw materials and fuels, and by the deterioration of melamine's market. As for Performance Materials Segment, Display Materials and Semiconductor Materials continued to have healthy sales. As for Agrochemicals Segment, Fluralaner (the active substance of veterinary medical product) had healthy sales. As for Pharmaceutical Segment, domestic "LIVALO" (anti-cholesterol drug) sales decreased due to the influence of generic products.

As a result, the sales for this term were 79,920 million yen (an increase of 3,519 million yen from the same term of the previous year). Operating income was 12,506 million yen (an increase of 1,928 million yen). Net income was 8,850 million yen (an increase of 889 million yen).

Explanations by segments are as below.

Chemicals

As for Basic Chemicals, the sales of melamine (adhesive agent for particle board) decreased both domestically and internationally. As for Fine Chemicals, the sales of "TEPIC" (epoxy compound for LED sealants, solder resist, painting) increased due to weak yen, while "HI-LITE" (chlorinated isocyanuric acid for sterilizing) had a hard time with price-cutting competition.

As a result, the sales of this segment were 16,695 million yen (a decrease of 1,163 million yen from the same term of the previous year). Operating income was 416 million yen (a decrease of 360 million yen).

Performance Materials

"SUNEVER" (LCD alignment coating) mainly for smartphone continued to have healthy sales. The demands for BARC and multi-layer process materials increased due to the miniaturization of semiconductors. The sales of "SNOWTEX" (silica sol for polishing electronic materials and non-polishing materials) exceeded previous year for polishing electronic materials.

As a result, the sales of this segment were 24,239 million yen (an increase of 3,627 million yen from the same term of the previous year). Operating income was 6,677 million yen (an increase of 2,302 million yen).

Agrochemicals

With regard to the domestic sales, the sales volume of "ROUNDUP" (non-selective herbicide) and "ALTAIR" (paddy rice herbicide) increased. The export sales significantly increased especially due to the launch of veterinary medical product including Fluralaner in Europe and the United States of America,

As a result, the sales of this segment were 18,531 million yen (an increase of 2,529 million yen from the same term of the previous year). Operating income was 3,954 million yen (an increase of 1,581 million yen).

Pharmaceuticals

Export “LIVALO” had healthy sales mainly in the United States of America and Asia. Domestic “LIVALO” sales drastically decreased due to the influence of generic products. On the other hand, “Custom Chemicals” (custom manufacturing and process researching services for pharmaceutical companies) had healthy sales.

As a result, the sales of this segment were 4,998 million yen (a decrease of 1,350 million yen from the same term of the previous year). Operating income was 1,598 million yen (a decrease of 1,577 million yen).

Trading

The sales of display materials related products and agrochemicals products increased.

As a result, the sales of this segment were 27,297 million yen (an increase of 285 million yen from the same term of the previous year). Operating income was 904 million yen (an increase of 230 million yen).

Others

The sales of this segment were 8,460 billion yen (a decrease of 1,270 million yen from the same term of the previous year). Operating loss was 27 million yen (a decrease of 263 million yen).

(2) Explanation of Financial Position

(Position of Assets, Liabilities and Net Assets)

Due to the decrease of cash and deposits, notes and accounts receivable-trade, assets as of September 30, 2014 were 196,750 million yen (a decrease of 11,248 million yen from March 31, 2014).

Due to the decrease of liabilities with interest, total liabilities as of September 30, 2014 were 51,146 million yen (a decrease of 19,030 million yen from March 31, 2014).

Net Assets as of September 30, 2014 were 145,604 million yen (an increase of 7,781 million yen from March 31, 2014).

As a result, equity ratio was 73.3%, an increase of 7.6% from March 31, 2014.

(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 six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014) were 22,902 million yen (22,753 million yen for the same term of the previous year).

Due to the acquisitions on plant and equipment of research and development division, net cash used in investing activities for the six months ended September 30, 2014 were 2,770 million yen (7,748 billion yen for the same term of the previous year).

Due to the decrease in borrowings and dividends payment, net cash used in financing activities for the six months ended September 30, 2014 were 23,332 million yen (19,071 million yen for the same term of the previous year).

As a result, cash and cash equivalents at the end of this term was 27,648 million yen, reflecting 91 million yen effect of exchange rate changes. It decreased by 3,109 million yen from March 31, 2014 (28,048 million yen as of September 30, 2013.).

(3) Explanation of future forecast information, such as Forecast of Consolidated Financial Results

Though domestic LIVALO sales are expected to fall short of the previous forecast, sales of electronic materials and agrochemicals will exceed the previous forecast. As a result, the Company revised its forecast as below.

Revision of Forecast for the Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Previous Forecast (A)	170,000	23,500	24,000	17,500	109.05
Revised Forecast (B)	171,000	24,100	24,800	17,800	110.92
Change (B-A)	1,000	600	800	300	—
Rate of Change (%)	0.6%	2.6%	3.3%	1.7%	—
(Ref.) Results for the Year Ended March 31, 2014	163,658	22,246	23,723	16,701	102.11

Business Segment Information of Revised Forecast

(Billions of Yen)

		Previous Forecast	Revised Forecast	Change
Net Sales	Chemicals	34.5	34.6	0.1
	Performance Materials	47.1	48.3	1.2
	Agrochemicals	43.9	45.3	1.4
	Pharmaceuticals	9.8	8.8	-1.0
	Trading	53.6	55.6	2.0
	Others	21.5	21.5	—
	Adjustment	-40.4	-43.1	-2.7
	Total	170.0	171.0	1.0
Operating Income	Chemicals	1.5	1.6	0.1
	Performance Materials	10.7	11.3	0.6
	Agrochemicals	8.0	9.1	1.1
	Pharmaceuticals	3.1	1.9	-1.2
	Trading	1.6	1.8	0.2
	Others	0.4	0.5	0.1
	Adjustment	-1.8	-2.1	-0.3
	Total	23.5	24.1	0.6

2. Items concerning Summary Information (Notes)

(1) Changes of accounting policies and accounting estimates, and restatement

Effective from the beginning of current consolidated financial year, the Company adopted paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.25 on May 17, 2012) and paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No.25 on May 17, 2012).

Affecting the above change, the Company reviewed the calculation method of retirement benefit obligations and service costs. The Company changed the method of attributing expected benefit to periods primarily from straight-line attribution to benefit formula basis as well as the decision method of the discount rate.

The term of bond which is the basis of the discount rate determination was changed from calculating with years approximate to employees' average estimated remaining service years to weighted average discount rate reflecting the estimated payment term of retirement benefits and its amount.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in the calculation methods of retirement benefit obligations and service costs were adjusted in retained earnings at the beginning of current consolidated financial year.

As a result, asset for retirement benefit increased by 331 million yen and retained earnings increased by 213 million yen at the beginning of current consolidated financial year. There was a slight effect on operating income, ordinary income and net income before taxes for the six months ended September 30, 2014.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	30,757	27,648
Notes and accounts receivable-trade	54,041	42,641
Merchandise and finished goods	26,775	27,293
Work in process	51	668
Raw materials and supplies	6,353	7,303
Other	7,457	6,602
Allowance for doubtful accounts	-22	-24
Total current assets	125,413	112,133
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	19,520	22,362
Other, net	25,455	24,796
Total property, plant and equipment	44,975	47,159
Intangible assets		
Goodwill	481	165
Other	769	718
Total intangible assets	1,251	883
Investments and other assets		
Investment securities	33,570	33,197
Other	3,028	3,601
Allowance for doubtful accounts	-240	-225
Total investments and other assets	36,358	36,573
Total noncurrent assets	82,585	84,616
Total assets	207,999	196,750

(Millions of Yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,067	14,868
Short-term loans payable	30,645	10,724
Income taxes payable	3,512	3,334
Provision for bonuses	1,754	1,787
Provision for directors' bonuses	27	13
Other	7,646	10,065
Current liabilities	59,652	40,794
Noncurrent liabilities		
Long-term loans payable	5,450	4,750
Net defined benefit liability	244	212
Other	4,829	5,389
Total noncurrent liabilities	10,524	10,351
Total liabilities	70,176	51,146
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	98,121	104,617
Treasury stock	-698	-700
Total shareholders' equity	129,975	136,471
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,138	6,887
Foreign currency translation adjustment	20	508
Remeasurements of defined benefit plans	417	389
Total accumulated other comprehensive income	6,576	7,786
Minority interests	1,269	1,346
Total net assets	137,822	145,604
Total liabilities and net assets	207,999	196,750

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

(Millions of Yen)

	Six Months Ended September 30, 2013	Six Months Ended September 30, 2014
Net sales	76,401	79,920
Cost of sales	47,326	48,250
Gross profit	29,074	31,669
Selling, general and administrative expenses	18,496	19,163
Operating income	10,577	12,506
Non-operating income		
Interest income	9	9
Dividends income	266	292
Equity in earnings of affiliates	384	294
Other	721	457
Total non-operating income	1,382	1,054
Non-operating expenses		
Interest expenses	158	126
Loss on disposal of noncurrent assets	147	170
Plant stop loss	396	265
Other	138	269
Total non-operating expenses	839	831
Ordinary income	11,120	12,728
Extraordinary income	-	-
Extraordinary loss		
Product compensation expense	-	390
Total extraordinary loss	-	390
Income before income taxes and minority interests	11,120	12,338
Income taxes-current	3,150	3,569
Income taxes-deferred	-77	-163
Total income taxes	3,073	3,406
Income before minority interests	8,047	8,931
Minority interests in income	86	80
Net income	7,961	8,850

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months Ended September 30, 2013	Six Months Ended September 30, 2014
Income before minority interests	8,047	8,931
Other comprehensive income		
Valuation difference on available-for-sale securities	1,409	749
Foreign currency translation adjustment	547	534
Remeasurements of defined benefit plans, net of tax	-	-27
Share of other comprehensive income of associates accounted for using equity method	-2	-0
Total other comprehensive income	1,954	1,255
Comprehensive income	10,001	10,187
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,877	10,060
Comprehensive income attributable to minority interests	124	126

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Six Months Ended September 30, 2013	Six Months Ended September 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,120	12,338
Depreciation	3,973	3,713
Interest and dividends income	-276	-302
Interest expenses	158	126
Loss (gain) on disposal of noncurrent assets	147	170
Decrease (increase) in notes and accounts receivable-trade	14,802	11,591
Decrease (increase) in inventories	-760	-1,947
Increase (decrease) in notes and accounts payable-trade	-3,163	-1,208
Other	168	1,935
Subtotal	26,170	26,417
Interest and dividends income received	662	362
Interest expenses paid	-162	-138
Income taxes paid	-3,916	-3,738
Net cash provided by (used in) operating activities	22,753	22,902
Net cash provided by (used in) investing activities		
Purchase of investment securities	-327	-1,307
Proceeds from sales of investment securities	244	3,040
Purchase of stocks of subsidiaries and affiliates	-2,749	-
Purchase of property, plant and equipment	-4,067	-3,824
Payments for retirement of property, plant and equipment	-89	-113
Net decrease (increase) in short-term loans receivable	-466	-96
Other	-293	-469
Net cash provided by (used in) investing activities	-7,748	-2,770
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-14,016	-15,236
Repayment of long-term loans payable	-2,690	-5,456
Cash dividends paid	-2,292	-2,567
Cash dividends paid to minority shareholders	-48	-50
Other	-24	-21
Net cash provided by (used in) financing activities	-19,071	-23,332
Effect of exchange rate change on cash and cash equivalents	236	91
Net increase (decrease) in cash and cash equivalents	-3,830	-3,109
Cash and cash equivalents at beginning of period	31,878	30,757
Cash and cash equivalents at end of period	28,048	27,648

(4) Notes to Consolidated Financial Statements
(Notes on Assumption of Going Concern)
Not applicable.

(Notes on Significant Changes in Stockholders' Equity)
Not applicable.

(5) Segment Information

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

1) For the Six Months Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

(Millions of Yen)

	Chemicals	Performance Materials	Agro-chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales	13,453	17,934	14,534	6,341	19,691	4,446	76,401	—	76,401
Intersegment	4,405	2,678	1,467	7	4,801	5,284	18,646	-18,646	—
Total Sales	17,859	20,612	16,002	6,349	24,492	9,731	95,047	-18,646	76,401
Operating Income (loss)	777	4,375	2,373	3,176	674	236	11,613	-1,035	10,577

Notes: (1) The negative 1,035 million yen adjustment in segment income includes 307 million yen in intersegment eliminations and negative 727 million yen 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, 2014 (From April 1, 2014 to September 30, 2014)

(Millions of Yen)

	Chemicals	Performance Materials	Agro-chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales	12,114	21,390	17,151	4,998	20,240	4,023	79,920	—	79,920
Intersegment	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
Operating Income (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 102 million yen in intersegment eliminations and negative 915 million yen corporate expenses not attributable to any reportable segment.
The corporate expenses are mainly group administrative expenses which do not belong to segments.

2. Change in reportable segment

Reflecting the organizational change implemented in October 1, 2013, Nissan Chemical has shifted the Custom Chemicals from the Chemicals to the Pharmaceuticals from the third quarter ended December 31, 2013.

The segment information for the second quarter ended September 30, 2013 has been revised to reflect the above change.

Main products based on new segmentation are as below.

Segment	Main Products
Chemicals	Basic Chemicals (melamine, sulfuric acid, nitric acid, ammonia, etc) Fine Chemicals (epoxy compound for LED sealants, solder resist and painting, flame retardant, chlorinated isocyanuric acid for sterilizing, etc)
Performance Materials	Display Materials (LCD alignment coating, etc) Semiconductor Materials (bottom anti-reflective coating for semiconductors, etc) Inorganic Materials (hard coating materials, electronic information materials, polishing materials, etc)
Agrochemicals	Agrochemicals (herbicide, insecticide, fungicide, fungicide and insecticide, plant growth regulator) active substance of veterinary medical product
Pharmaceuticals	LIVALO (anti-cholesterol drug), etc Custom Chemicals (custom manufacturing and process services for pharmaceutical companies)
Trading	Trading, etc
Others	transportation, landscaping, engineering, fertilizer, etc