

Consolidated Financial Results for the Nine Months Ended December 31, 2018 (JPGAAP)



February 8, 2019

Name of listed company: Nissan Chemical Corporation

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 4463 8404

Scheduled submission date of quarterly report: February 14, 2019

Supplemental information: Yes

Financial results meeting : Yes

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(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, 2018	141,872	6.9	23,821	6.4	25,391	6.0	18,833	6.2
Nine months ended December 31, 2017	132,680	8.7	22,392	19.7	23,947	24.0	17,734	24.6

(Note) Comprehensive income: Nine Months Ended December 31, 2018 : 15,443 million yen , (32.0%)
 Nine months ended December 31, 2017 : 22,703 million yen , 65.7%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2018	126.64	—
Nine months ended December 31, 2017	117.68	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	221,646	175,314	78.3
As of March 31, 2018	246,040	176,364	71.0

(Reference) Shareholders' equity: As of December 31, 2018 : 173,594 million yen
 As of March 31, 2018 : 174,586 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, 2018	—	32.00	—	36.00	68.00
Year ending March 31, 2019	—	40.00	—	—	—
Year ending March 31, 2019 (Forecast)	—	—	—	42.00	82.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(% 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, 2019	205,500	6.3	38,100	8.9	40,100	10.7	30,000	10.5	201.92

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

The above basic earnings per share is recalculated using the average number of share outstanding.

(The impact of the repurchase of own shares described in "Notice Regarding Repurchase of the Company's Own Shares " announced today is considered.)

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 December 31, 2018 : 149,000,000 shares

As of March 31, 2018 : 151,000,000 shares

2. Number of treasury shares

As of December 31, 2018 : 511,532 shares

As of March 31, 2018 : 1,534,562 shares

3. Average number of shares outstanding

As of December 31, 2018 : 148,719,567 shares

As of December 31, 2017 : 150,700,798 shares

* Presentation regarding implementation status of quarterly review procedures

The financial release is not subject to quarterly review.

* 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.

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 December 31 (April 1, 2018 to December 31, 2018), the domestic economy continued to show a moderate recovery such as increase in capital investment and recovery in consumer spending due to steady corporate earnings and improvement in employment and income conditions. While, the outlook for the world economy is becoming uncertain, due to U.S.-China trade friction etc. In the Chemicals Segment, sales of Basic Chemicals increased, while sales of Fine Chemicals decreased from the same period of the previous year. In the Performance Materials Segment, Display Materials and Semiconductor Materials performed well. In the Agricultural Chemicals Segment, shipments of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. In the Pharmaceutical Segment, the domestic sales of "LIVALO" (anti-cholesterol drug) decreased due to expansion of generic products.

As a result, business performance for this period was as follows.

	Year ending FY2017 Accumulated Consolidated Period for the Third Quarter	Year ending FY2018 Accumulated Consolidated Period for the Third Quarter	Change (Year on Year)	(Million yen) Change from Target
Net sales	132,680	141,872	+9,192	+1,000
Operating income	22,392	23,821	+1,429	+1,200
Ordinary income	23,947	25,391	+1,443	+1,100
Net income attributable to owners of parent	17,734	18,833	+1,098	+800

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) decreased, sales of melamine (adhesives agent for particle board) increased. In the Fine Chemicals, sales increased in "HI-LITE" (chlorinated isocyanuric acid for sterilizing), while "TEPIC" (epoxy compound for LED sealants) decreased. Department sales increased while profit decreased due to price revisions occur from increases in raw material and freight rates.

As a result, sales of this segment was 26,621 million yen (an increase of 697 million yen) and operating income was 2,242 million yen (a decrease of 276 million yen). Compared to the third quarter target, net sales was below 600 million yen and operating income was below 400 million yen.

The Performance Materials Segment

In the Display Materials, sales of "SUNEVER" (LCD alignment coating) for small-and medium-sized devices such as smartphones was firm. In the Semiconductor Materials, sales of antireflective coatings for semiconductors (ARC®* and multi-layered materials (OptiStack®*)) increased, supported by strong utilization by customers. In the Inorganic Materials, sales for "SNOWTEX" (semiconductor polishing, hard coating, etc.) increased, while sales for Organo / Monomer sol (various kinds of coating materials, resin additive) decreased. Shipments of Oilfield materials (for enhancing oil recovery) was solid.

As a result, sales of this segment was 48,644 million yen (an increase of 4,465 million yen) and operating income was 12,448 million yen (an increase of 772 million yen). Compared to the third quarter target, the sales and operating income was above 800 million yen.

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

The Agricultural Chemicals Segment

Shipments of Fluranel remained steady, while sales of "Round-up" (non-selective herbicide) decreased due to the impact of earlier shipments in the previous fiscal year, intense heat and natural disaster in Japan during the first half year. Oversea agrochemicals sales was also strong due to increase of "PULSOR" (fungicide) and "Permit" (herbicide) as well as the launch of "GRACIA" (insecticide) in South Korea.

As a result, sales of this segment net was 34,649 million yen (an increase 2,154 million yen) and operating income was 8,527 million yen (an increase of 1,067 million yen). Compared to the third quarter target, the sales was above 200 million yen and operating income was above 100 million yen.

The Pharmaceuticals Segment

Sales of "LIVALO" was favorable in South Korea and other countries, while decreased in Japan due to an increase in sales of generics. Sales of "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) decreased due to absence of a large development project completed in the previous fiscal year.

As a result, sales of this segment was 5,551 million yen (a decrease of 282 million yen) and operating income was 1,011 million yen (a decrease of 42 million yen). Compared to the third quarter target, the sales was above 600 million yen and operating income was above 300 million yen.

Trading

Sales of this segment was 51,525 million yen (an increase of 6,532 million yen) and operating income was 1,709 million yen (an increase of 277 million yen). Compared to the third quarter target, the sales was above 800 million yen and operating income was above 100 million yen.

Others

Sales of this segment was 17,676 million yen (an increase of 3,382 million yen) and operating income was 449 million yen (an increase of 179 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of December 31, 2018 was 221,646 million yen (a decrease of 24,394 million yen from March 31, 2018). It is mainly due to the decrease of notes and accounts receivable - trade.

Also, total liabilities as of December 31, 2018 was 46,331 million yen (a decrease of 23,343 million yen). It is mainly due to the decrease of loans payable.

Net assets as of December 31, 2018 was 175,314 million yen (a decrease of 1,050 million yen).

As a result of these factors, equity ratio was 78.3% (an increase of 7.3% from March 31, 2018).

(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 nine months ended December 31, 2018 was 32,434 million yen (34,325 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 nine months ended December 31, 2018 was 9,684 million yen (12,030 million yen).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the nine months ended December 31, 2018 was 37,255 million yen (31,605 million yen).

As a result of these factors, cash and cash equivalents at end of this period was 23,099 million yen (26,508 million yen), reflecting exchange of 97 million yen. It decreased by 14,603 million yen from March 31, 2018.

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

There is no change in the forecast of consolidated business results for the fiscal year ending March 31, 2019 from the statement announced on November 5, 2018.

(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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	37,702	23,099
Notes and accounts receivable - trade	65,422	48,151
Merchandise and finished goods	29,855	37,707
Work in process	115	959
Raw materials and supplies	7,797	10,236
Other	4,748	6,161
Allowance for doubtful accounts	(34)	(34)
Total current assets	145,606	126,280
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,411	24,863
Other, net	30,062	29,048
Total property, plant and equipment	54,473	53,911
Intangible assets		
Software	775	759
Other	993	848
Total intangible assets	1,768	1,607
Investments and other assets		
Investment securities	38,517	34,565
Other	5,766	5,373
Allowance for doubtful accounts	(92)	(92)
Total investments and other assets	44,191	39,846
Total non-current assets	100,433	95,365
Total assets	246,040	221,646

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,579	20,270
Short-term loans payable	26,145	6,311
Income taxes payable	5,156	642
Provision for bonuses	2,011	656
Provision for directors' bonuses	27	18
Other	10,950	12,792
Total current liabilities	62,871	40,692
Non-current liabilities		
Long-term loans payable	2,446	1,569
Provision for business structure improvement	516	404
Provision for loss on business of subsidiaries and affiliates	309	309
Net defined benefit liability	126	151
Other	3,406	3,204
Total non-current liabilities	6,804	5,639
Total liabilities	69,675	46,331
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	133,822	132,661
Treasury shares	(5,962)	(2,291)
Total shareholders' equity	160,416	162,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,653	10,202
Foreign currency translation adjustment	125	115
Remeasurements of defined benefit plans	390	351
Total accumulated other comprehensive income	14,170	10,669
Non-controlling interests	1,778	1,719
Total net assets	176,364	175,314
Total liabilities and net assets	246,040	221,646

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

- Consolidated Statements of Income

(Million yen)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018
Net sales	132,680	141,872
Cost of sales	77,384	82,409
Gross profit	55,296	59,463
Selling, general and administrative expenses	32,904	35,641
Operating income	22,392	23,821
Non-operating income		
Interest income	18	17
Dividend income	613	676
Equity in earnings of affiliates	1,020	603
Other	614	1,026
Total non-operating income	2,266	2,324
Non-operating expenses		
Interest expenses	99	81
Loss on disposal of non-current assets	257	473
Other	354	199
Total non- operating expenses	711	754
Ordinary income	23,947	25,391
Extraordinary income	-	-
Extraordinary losses	-	-
Income before income taxes and non-controlling interests	23,947	25,391
Income taxes - current	5,649	4,983
Income taxes - deferred	411	1,455
Total income taxes	6,060	6,439
Net income	17,886	18,952
Net income attributable to non-controlling interests	152	118
Net income attributable to owners of parent	17,734	18,833

- Consolidated Statements of Comprehensive Income

(Million yen)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018
Net income	17,886	18,952
Other comprehensive income		
Valuation difference on available-for-sale securities	4,150	(3,450)
Foreign currency translation adjustment	705	(18)
Remeasurements of defined benefit plans, net of tax	(38)	(39)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	4,816	(3,509)
Comprehensive income	22,703	15,443
(Comprehensive income attributable to)		
Owners of parent	22,486	15,332
Non-controlling interests	216	110

(3) Consolidated Statements of Cash Flows

(Million yen)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018
Cash flows from operating activities		
Income before income taxes and non-controlling interests	23,947	25,391
Depreciation and amortization	7,441	7,889
Interest and dividend income	(631)	(694)
Interest expenses	99	81
Loss (gain) on disposal of non-current assets	257	473
Decrease (increase) in notes and accounts receivable - trade	13,169	17,250
Decrease (increase) in inventories	(8,023)	(11,166)
Increase (decrease) in notes and accounts payable - trade	4,171	1,729
Other	(302)	(439)
Subtotal	40,129	40,515
Interest and dividend income received	1,309	1,139
Interest expenses paid	(85)	(74)
Income taxes paid	(7,026)	(9,145)
Net cash provided by (used in) operating activities	34,325	32,434
Cash flows from investing activities		
Purchase of investment securities	(757)	(908)
Proceeds from sales of investment securities	65	398
Purchase of property, plant and equipment	(10,663)	(7,441)
Payments for retirement of property, plant and equipment	(217)	(376)
Purchase of intangible assets	(407)	(172)
Net decrease (increase) in short-term loans receivable	591	(1,231)
Purchase of long-term prepaid expenses	(60)	(46)
Other	(581)	95
Net cash provided by (used in) investing activities	(12,030)	(9,684)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,954)	(19,485)
Repayments of long-term loans payable	(1,535)	(1,277)
Cash dividends paid	(9,063)	(11,320)
Dividends paid to non-controlling interests	(39)	(167)
Share repurchase	(5,001)	(5,004)
Other	(11)	(0)
Net cash provided by (used in) financing activities	(31,605)	(37,255)
Effect of exchange rate change on cash and cash equivalents	117	(97)
Net increase (decrease) in cash and cash equivalents	(9,192)	(14,603)
Cash and cash equivalents at beginning of period	35,701	37,702
Cash and cash equivalents at end of period	26,508	23,099

(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 shares on May 8, 2018 based on the resolution of Board of Directors' meeting held on April 24, 2018. In addition, the Company canceled 1,000,000 treasury shares on August 31, 2018 based on the resolution of Board of Directors' meeting held on August 21, 2018. As a result, retained earnings and treasury shares decreased by 8,674 million yen during the third quarter of current consolidated fiscal year.

Also, the Company repurchased its own shares based on the resolution of Board of Directors' meeting held on May 11, 2018. As a result, treasury shares increased by 4,999 million yen during the third quarter of current consolidated fiscal year.

(Additional Information)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the first quarter of this fiscal year. As a result, deferred tax assets are classified as "Investment and other assets" and deferred tax liabilities are classified as "Non-current liabilities" respectively.

(Segment Information)

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

1) For the Nine Months Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	18,836	39,070	29,516	5,807	33,813	5,635	132,680	—	132,680
Intersegment Sales	7,087	5,108	2,977	26	11,179	8,657	35,037	(35,037)	—
Total Sales	25,924	44,178	32,494	5,834	44,992	14,293	167,718	(35,037)	132,680
Segment Income or Loss (Operating Income or Loss)	2,519	11,676	7,459	1,053	1,432	270	24,412	(2,020)	22,392

Notes: (1) The (2,020) million yen adjustment in segment income includes (218) million yen in intersegment eliminations and (1,801) 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, 2018 (From April 1, 2018 to December 31, 2018)

(Million yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales									
Sales to outside customers	19,321	43,090	31,372	5,535	36,482	6,070	141,872	—	141,872
Intersegment Sales	7,299	5,554	3,276	15	15,043	11,606	42,795	(42,795)	—
Total Sales	26,621	48,644	34,649	5,551	51,525	17,676	184,668	(42,795)	141,872
Segment Income or Loss (Operating Income or Loss)	2,242	12,448	8,527	1,011	1,709	449	26,389	(2,568)	23,821

Notes: (1) The (2,568) million yen adjustment in segment income includes (426) million yen in intersegment eliminations and (2,141) 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.

(Significant Subsequent Events)

The Company, at the board of Director's meeting held on February 8, 2019, has decided to repurchase its shares in the market under Article 156 of the Japanese Corporation Act, as applied pursuant to Article 165, Paragraph 3 of the same Act.

1. Purpose of repurchase

To facilitate flexible implementation of capital policy in response to changes in the business environment.

2. Details of repurchase

- (1) Class of shares : Common shares of the company
- (2) Total number of shares : Up to 900,000 shares
(Rate of the maximum shares to be acquired to the total outstanding shares: 0.61%)
- (3) Total amount : Up to 4,000,000,000 yen
- (4) Period of repurchase : From February 12, 2019 to April 26, 2019

(For reference) Number of treasury shares as of December 31, 2018

Total number of shares issued : 148,488,468 shares
(excluding treasury shares)
Number of treasury shares : 511,532 shares