

# Consolidated Financial Results for the Six Months Ended September 30, 2023 (JPGAAP)



November 10, 2023

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

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Scheduled submission date of quarterly report: November 13, 2023

Scheduled dividend payment date: December 4, 2023

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, 2023 (From April 1, 2023 to September 30, 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	%
Six months ended September 30, 2023	105,675	(3.5)	24,094	(14.4)	26,197	(18.1)	19,497	(17.7)
Six months ended September 30, 2022	109,531	19.3	28,159	32.1	31,986	43.7	23,684	45.4

(Note) Comprehensive income: Six months ended September 30, 2023 : 22,578 million yen ,(12.2%)

Six months ended September 30, 2022 : 25,721 million yen ,86.8%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2023	139.55	—
Six months ended September 30, 2022	167.74	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	292,114	225,876	76.1
As of March 31, 2023	298,715	221,526	73.1

(Reference) Shareholders' equity: As of September 30, 2023 : 222,396 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)	275.42

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

Please refer to "Revision of Financial Results Outlook" for details.

#### 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 September 30, 2023 : 139,800,000 shares  
As of March 31, 2023 : 141,300,000 shares

2. Number of treasury shares  
As of September 30, 2023 : 326,631 shares  
As of March 31, 2023 : 1,029,072 shares

3. Average number of shares outstanding  
As of September 30, 2023 : 139,713,151 shares  
As of September 30, 2022 : 141,194,352 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 144,708 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 second quarter of the current fiscal year (April 1, 2023 to September 30, 2023), exports of automobiles, reflecting the temporary easing of the semiconductor shortage, and inbound demand, driven by the depreciation of the yen, showed an increasing trend. However domestic demand, especially consumer spending, was sluggish against a backdrop of soaring prices. 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 firm, but sales of Semiconductor Materials declined. In the Agricultural Chemicals Segment, sales decreased. In the Healthcare Segment, sales of "Custom Chemicals"(custom manufacturing and solution proposal business for pharmaceutical companies) increased.

As a result, both sales and each income were below the same period of the previous fiscal year and the outlooks announced in May.

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

	2Q FY2022	2Q FY2023	Year on Year Change	2Q FY2023 (Outlook)	Change from Outlook
Sales	109,531	105,675	(3,855)	108,600	(2,925)
Operating income	28,159	24,094	(4,064)	26,100	(2,006)
Ordinary income	31,986	26,197	(5,788)	26,400	(203)
Net income attributable to owners of parent	23,684	19,497	(4,187)	19,700	(203)

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 chemicals (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 17,874 million yen (a decrease of 1,878 million yen from the same period of the previous fiscal year) and operating loss was 86 million yen (a decrease in profit of 1,147 million yen). Compared to the outlook (Note), sales and operating income were below 1.3 billion yen.

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

(Note) The outlook is described on page 21 of the FY2022 Presentation Materials (announced on May 15, 2023) Part2.

#### The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) increased. In Semiconductor Materials, sales of anti-reflective 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, Organo / Monomer sol (various kinds of coating materials, resin additive) decreased.

As a result, sales of this segment were 40,513 million yen (a decrease of 1,488 million yen) and operating income was 11,129 million yen (a decrease of 2,737 million yen). Compared to the outlook (Note), sales were below 1.2 billion yen and operating income was below 1.6 billion yen.

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

(Note) The outlook is described on page 21 of the FY2022 Presentation Materials (announced on May 15, 2023) Part2.

### **The Agricultural Chemicals Segment**

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. In Japanese domestic market, sales of "GRACIA"(insecticide) were firm, but "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 35,279 million yen (a decrease of 409 million yen) and operating income was 11,638 million yen (a decrease of 427 million yen). Compared to the outlook (Note), sales were below 1.5 billion yen and operating income was below 0.4 billion yen.

(Note) The outlook is described on page 21 of the FY2022 Presentation Materials (announced on May 15, 2023) Part2.

### **The Healthcare Segment**

Sales of "LIVALO" (anti-cholesterol drug) declined both in Japan and overseas. In "Custom Chemicals", sales increased.

As a result, sales of this segment were 3,546 million yen (an increase of 298 million yen) and operating income was 1,805 million yen (an increase of 348 million yen). Compared to the outlook (Note), sales and operating income were above 0.3 billion yen.

(Note) The outlook is described on page 21 of the FY2022 Presentation Materials (announced on May 15, 2023) Part2.

### **Trading**

Sales of this segment were 48,793 million yen (an increase of 1,142 million yen) and operating income was 1,782 million yen (a decrease of 169 million yen). Compared to the outlook (Note), sales were above 0.1 billion yen and operating income was above 0.3 billion yen.

(Note) The outlook is described on page 72 and 73 of the FY2022 Presentation Materials (announced on May 15, 2023) Part2.

### **Others**

Sales of this segment were 12,265 million yen (a decrease of 180 million yen) and operating income was 158 million yen (an increase of 57 million yen).

## **(2) Financial Position**

(Position of Assets, Liabilities and Net Assets)

Total assets as of September 30, 2023 was 292,114 million yen (a decrease of 6,601 million yen from March 31, 2023). It is mainly due to the decrease of cash and deposits and Notes and accounts receivable - trade.

Also, total liabilities as of September 30, 2023 was 66,238 million yen (a decrease of 10,950 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of September 30, 2023 was 225,876 million yen (an increase of 4,349 million yen).

As a result of these factors, equity ratio was 76.1% (an increase of 3.0%).

(Position of Cash Flows)

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and net increase or decrease in working capital, net cash provided by operating activities for the six months ended September 30, 2023 was 36,026 million yen (43,381 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 six months ended September 30, 2023 was 8,486 million yen (9,633 million yen for the same period of the previous year).

Due to the decrease in loans payable, payment for dividends and share repurchase, net cash used in financing activities for the six months ended September 30, 2023 was 36,232 million yen (29,218 million yen for the same period of the previous year).

Cash and cash equivalents at the end of this period increased 8,476 million yen from March 31, 2023 after adjusting for the 215 million yen of increase as an effect of exchange rate change. Moreover, the balance stood at 21,171 million yen (43,909 million yen for the same period of the previous year).

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

Outlook for the year ending March 31, 2024 was revised as follows based on the cumulative second quarter and demand forecast. The exchange rate for the third quarter and beyond is assumed to be 142 yen to the U.S. dollar.

Revision of consolidated financial results' outlook for the year ending March 31, 2024 (April 01, 2023 to March 31, 2024)  
(Billion yen, amounts rounded to the nearest billion yen)

	Previous outlook(A)	Revised outlook(B)	Increase or decrease (B-A)	Rate of change (%)	(Reference) Results for the previous fiscal year
Sales	237.3	227.5	(9.8)	(4.1)%	228.1
Operating income	54.7	48.6	(6.1)	(11.2)%	52.3
Ordinary income	55.5	51.3	(4.2)	(7.6)%	55.8
Net income attributable to owners of parent	41.5	38.4	(3.1)	(7.5)%	41.1
Basic earnings per share	297.61 yen	275.42 yen	(22.19) yen	(7.5)%	291.36 yen

Revision of consolidated sales and operating income outlook for the year ending March 31, 2024  
(Billion yen, amounts rounded to the nearest billion yen)

	Sales		Operating income	
	Previous	Revised	Previous	Revised
Chemicals	41.3	38.6	3.2	0.8
Performance Materials	87.5	84.5	26.5	23.3
Agricultural Chemicals	84.2	84.0	23.6	23.3
Healthcare	6.0	5.9	2.3	2.6
Trading	105.3	100.9	3.5	3.3
Others	30.7	30.5	0.9	0.9
Adjustment	(117.7)	(116.9)	(5.3)	(5.6)
Total	237.3	227.5	54.7	48.6

### (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)

Asset	As of March 31, 2023	As of September 30, 2023
Current assets		
Cash and deposits	29,647	21,171
Notes and accounts receivable - trade, and contract assets	82,670	68,331
Merchandise and finished goods	46,950	53,854
Work in process	18	211
Raw materials and supplies	17,703	19,723
Accounts receivable - other	2,113	1,965
Short-term loans receivable	3,088	814
Other	7,305	6,193
Allowance for doubtful accounts	(44)	(46)
Total current assets	189,454	172,219
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,520	78,563
Accumulated depreciation and impairment loss	(46,567)	(50,465)
Buildings and structures, net	25,952	28,098
Machinery, equipment and vehicles	151,653	164,066
Accumulated depreciation and impairment loss	(136,861)	(146,843)
Machinery, equipment and vehicles, net	14,792	17,222
Tools, furniture and fixtures	42,153	43,102
Accumulated depreciation and impairment loss	(38,379)	(39,239)
Tools, furniture and fixtures, net	3,774	3,863
Land	8,817	9,067
Leased assets	149	162
Accumulated depreciation	(10)	(20)
Leased assets, net	139	142
Construction in progress	11,176	17,457
Total property, plant and equipment	64,653	75,851
Intangible assets		
Software	1,722	1,808
Other	9,813	9,506
Total intangible assets	11,535	11,314
Investments and other assets		
Investment securities	27,322	26,981
Long-term loans receivable	0	50
Deferred tax assets	531	460
Net defined benefit asset	2,140	2,193
Other	3,186	3,155
Allowance for doubtful accounts	(110)	(111)
Total investments and other assets	33,071	32,729
Total non-current assets	109,260	119,894
Total assets	298,715	292,114

(Million yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	19,942	19,821
Short-term loans payable	25,327	10,314
Current portion of long-term loans payable	624	571
Income taxes payable	7,879	6,322
Provision for bonuses	2,413	2,507
Provision for business structure improvement	418	388
Other	15,556	21,064
Total current liabilities	72,161	60,988
Non-current liabilities		
Long-term loans payable	1,338	1,079
Deferred tax liabilities	98	566
Provision for loss on business of subsidiaries and affiliates	626	572
Provision for share-based remuneration for directors (and other officers)	256	245
Net defined benefit liability	377	419
Other	2,331	2,366
Total non-current liabilities	5,027	5,249
Total liabilities	77,188	66,238
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	182,400	179,446
Treasury shares	(6,111)	(1,823)
Total shareholders' equity	208,844	210,178
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,678	8,264
Foreign currency translation adjustment	1,735	3,803
Remeasurements of defined benefit plans	159	149
Total accumulated other comprehensive income	9,574	12,217
Non-controlling interests	3,107	3,479
Total net assets	221,526	225,876
Total liabilities and net assets	298,715	292,114



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

### - Consolidated Statements of Income

(Million yen)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
Net sales	109,531	105,675
Cost of sales	54,896	54,136
Gross profit	54,634	51,539
Selling, general and administrative expenses	26,475	27,444
Operating income	28,159	24,094
Non-operating income		
Interest income	105	83
Dividend income	341	354
Equity in earnings of affiliates	622	397
Foreign exchange gains	3,020	1,879
Other	338	341
Total non-operating income	4,427	3,057
Non-operating expenses		
Interest expenses	93	255
Loss on disposal of non-current assets	320	501
Plant stop losses	79	58
Other	106	139
Total non- operating expenses	600	953
Ordinary income	31,986	26,197
Extraordinary income		
Gain on sales of investment securities	—	603
Total extraordinary income	—	603
Extraordinary losses	—	—
Income before income taxes and non-controlling interests	31,986	26,801
Income taxes - current	7,757	6,806
Income taxes - deferred	178	313
Total income taxes	7,935	7,119
Net income	24,051	19,682
Net income attributable to non-controlling interests	367	184
Net income attributable to owners of parent	23,684	19,497

- Consolidated Statements of Comprehensive Income

(Million yen)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
Net income	24,051	19,682
Other comprehensive income		
Valuation difference on available-for-sale securities	365	586
Foreign currency translation adjustment	944	2,321
Remeasurements of defined benefit plans, net of tax	358	(10)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	1,669	2,896
Comprehensive income	25,721	22,578
(Comprehensive income attributable to)		
Owners of parent	25,213	22,140
Non-controlling interests	507	437

### (3) Consolidated Statements of Cash Flows

(Million yen)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	31,986	26,801
Depreciation	5,071	5,829
Amortization of goodwill	50	50
Interest and dividend income	(446)	(438)
Loss (gain) on sales of investment securities	—	(603)
Interest expenses	93	251
Loss (gain) on disposal of non-current assets	320	501
Decrease (increase) in notes and accounts receivable - trade	19,345	15,324
Decrease (increase) in inventories	(6,530)	(8,170)
Increase (decrease) in notes and accounts payable - trade	(613)	(830)
Other	1,646	4,817
Subtotal	50,925	43,533
Interest and dividend income received	1,023	1,315
Interest expenses paid	(93)	(253)
Income taxes paid	(8,473)	(8,568)
Net cash provided by (used in) operating activities	43,381	36,026
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(483)	(67)
Proceeds from sales of investment securities	0	788
Purchase of shares of subsidiaries	(25)	(10)
Purchase of property, plant and equipment	(8,403)	(10,385)
Payments for retirement of property, plant and equipment	(304)	(468)
Purchase of intangible assets	(593)	(608)
Net decrease (increase) in short-term loans receivable	230	2,309
Purchase of long-term prepaid expenses	(49)	(110)
Other	(3)	(27)
Net cash provided by (used in) investing activities	(9,633)	(8,486)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(13,623)	(17,720)
Repayments of long-term loans payable	(276)	(312)
Cash dividends paid	(10,208)	(13,199)
Dividends paid to non-controlling interests	(105)	—
Share repurchase	(5,001)	(5,004)
Other	(4)	4
Net cash provided by (used in) financing activities	(29,218)	(36,232)
Effect of exchange rate change on cash and cash equivalents	1,605	215
Net increase (decrease) in cash and cash equivalents	6,134	(8,476)
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	43,909	21,171

#### (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 second 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. As a result, treasury shares increased by 4,999 million yen during the second quarter of current consolidated fiscal year.

## (Segment Information)

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

#### 1) For the Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 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)	13,731	33,960	31,183	3,248	36,522	5,251	123,896	(14,365)	109,531
Intersegment Sales	6,022	8,041	4,505	–	11,128	7,194	36,892	(36,892)	–
Total Sales	19,753	42,001	35,688	3,248	47,650	12,445	160,788	(51,257)	109,531
Segment Income or Loss (Operating Income or Loss)	1,061	13,867	12,066	1,457	1,951	100	30,504	(2,345)	28,159

#### 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 Adjustments section.

2. Adjustments are as follows.

(1) (14,365) million yen adjustment in sales to outside customers includes (14,378) million yen in the elimination of agent transactions, and 13 million yen sales not attributable to any reporting segment.

(2) (2,345) million yen adjustment in segment income includes 287 million yen in intersegment eliminations, 14 million yen sales not attributable to any reporting segment, and (2,647) 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 Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 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)	11,896	32,855	29,528	3,489	36,617	4,701	119,089	(13,413)	105,675
Intersegment Sales	5,978	7,657	5,750	57	12,175	7,563	39,182	(39,182)	–
Total Sales	17,874	40,513	35,279	3,546	48,793	12,265	158,272	(52,596)	105,675
Segment Income or Loss (Operating Income or Loss)	(86)	11,129	11,638	1,805	1,782	158	26,427	(2,332)	24,094

#### 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 Adjustments section.

2. Adjustments are as follows.

(1) (13,413) million yen adjustment in sales to outside customers includes (13,424) million yen in the elimination of agent transactions, and 10 million yen sales not attributable to any reporting segment.

(2) (2,332) million yen adjustment in segment income includes 402 million yen in intersegment eliminations, 11 million yen sales not attributable to any reporting segment, and (2,746) 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.