

Consolidated Financial Results for the Three Months Ended June 30, 2023 (JPGAAP)



August 10, 2023

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code number: 4021

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

Representative: YAGI Shinsuke, President

Inquiry to: ARITA Nobuhiro, Senior Managing Associate Executive Officer and Head of Finance and Accounting Department Tel. +81 3 4463 8401

Scheduled submission date of quarterly report: August 10, 2023

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 Three Months Ended June 30, 2023 (From April 1, 2023 to June 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	%
Three months ended June 30, 2023	54,939	(5.7)	14,998	(13.1)	17,046	(12.5)	12,236	(11.8)
Three months ended June 30, 2022	58,290	25.4	17,266	45.4	19,492	58.2	13,869	56.7

(Note) Comprehensive income: Three months ended June 30, 2023 : 14,729 million yen, (8.2%)

Three months ended June 30, 2022 : 16,045 million yen, 99.2%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2023	87.40	—
Three months ended June 30, 2022	98.13	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	301,382	218,066	71.2
As of March 31, 2023	298,715	221,526	73.1

(Reference) Shareholders' equity: As of June 30, 2023 : 214,583 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	—	—	—	—	—
Year ending March 31, 2024(Outlook)	—	70.00	—	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, 2023 (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
Six months ending September 30, 2023	108,600	(0.9)	26,100	(7.3)	26,400	(17.5)	19,700	(16.8)	140.74
Year ending March 31, 2024	237,300	4.0	54,700	4.6	55,500	(0.5)	41,500	1.0	297.61

(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 June 30, 2023 : 140,600,000 shares
As of March 31, 2023 : 141,300,000 shares

2. Number of treasury shares
As of June 30, 2023 : 1,126,141 shares
As of March 31, 2023 : 1,029,072 shares

3. Average number of shares outstanding
As of June 30, 2023 : 140,009,075 shares
As of June 30, 2022 : 141,334,912 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 145,417 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 first quarter of the current fiscal year (April 1, 2023 to June 30, 2023), although consumer spending showed a recovery trend owing to the relaxation of behavioral restrictions with the shift of COVID-19 to Category V Infectious Diseases, the domestic economy did not achieve a full-fledged recovery due to sluggish exports and other factors caused by weak 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 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) were firm.

As a result, net sales and each income decreased compared to the same period of the previous fiscal year. However, sales and each income exceeded the outlooks announced in May.

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

	1Q FY2022	1Q FY2023	Year-on-year Change	1Q FY2023 (Outlook) (Note)	Change from Outlook
Sales	58,290	54,939	(3,350)	54,800	+139
Operating income	17,266	14,998	(2,267)	14,500	+498
Ordinary income	19,492	17,046	(2,445)	15,200	+1,846
Net income attributable to owners of parent	13,869	12,236	(1,633)	10,900	+1,336

(Note) The outlook is described on page 10 of the FY2022 Presentation Materials (announced on May 15, 2023) Part2.

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 strong, and sales of "TEPIC" (powder coating agent for paint, sealants, etc.) decreased.

As a result, sales of this segment were 9,094 million yen (a decrease of 1,321 million yen) and operating income was 924 million yen (a decrease of 792 million yen). Compared to the outlook (Note), sales were below 0.3 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 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 were on a par with the previous year, but Oilfield materials (solvents to improve the efficiency of shale oil and gas extraction) were steady.

As a result, sales of this segment were 20,803 million yen (a decrease of 970 million yen) and operating income was 6,451 million yen (a decrease of 1,437 million yen). Compared to the outlook (Note), sales were above 0.3 billion yen and operating income was below 0.1 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) decreased. In Japanese domestic market, sales of "ROUNDUP" (non-selective foliar application herbicide) and "ALTAIR" (paddy rice herbicide) decreased. In the overseas market, sales of "GRACIA"(insecticide) grew, although sales of "LEIMAY" (fungicide) decreased.

As a result, sales of this segment were 18,795 million yen (a decrease of 933 million yen) and operating income was 6,571 million yen (a decrease of 254 million yen). Compared to the outlook (Note), sales were below 0.4 billion yen and operating income was in line with the target.

(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 1,951 million yen (an increase of 297 million yen) and operating income was 1,089 million yen (an increase of 331 million yen). Compared to the outlook (Note), sales were above 0.1 billion yen and operating income was above 0.1 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 24,345 million yen (an increase of 688 million yen) and operating income was 906 million yen (a decrease of 127 million yen). Compared to the outlook (Note), sales were above 0.6 billion yen and operating income was above 0.2 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 6,397 million yen (a decrease of 139 million yen) and operating income was 204 million yen (an increase of 70 million yen).

(2) Financial Position

(Position of Assets, Liabilities and Net Assets)

Total assets as of June 30, 2023 was 301,382 million yen (an increase of 2,666 million yen from March 31, 2023). It is mainly due to increase of inventory and construction in progress.

Also, total liabilities as of June 30, 2023 was 83,315 million yen (an increase of 6,126 million yen). It is mainly due to the decrease of short-term loans payable.

Net assets as of June 30, 2023 was 218,066 million yen (a decrease of 3,459 million yen).

As a result of these factors, equity ratio was 71.2% (a decrease of 1.9% 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 three months ended June 30, 2023 was 12,293 million yen (13,107 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 three months ended June 30, 2023 was 5,078 million yen (4,345 million yen for the same period of the previous year).

Due to payment for dividends, net cash used in financing activities for the three months ended June 30, 2023 was 10,568 million yen (18,023 million yen for the same period of the previous year).

Cash and cash equivalents at the end of this period decreased 3,198 million yen from March 31, 2023 after adjusting for the 154 million yen effect of exchange rate, to 26,449 million yen (29,366 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 first half and full year ending March 31, 2024 from the statement announced on May 15, 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	29,647	26,449
Notes and accounts receivable - trade, and contract assets	82,670	77,780
Merchandise and finished goods	46,950	52,218
Work in process	18	174
Raw materials and supplies	17,703	19,236
Accounts receivable - other	2,113	1,711
Short-term loans receivable	3,088	1,281
Other	7,305	5,749
Allowance for doubtful accounts	(44)	(42)
Total current assets	<u>189,454</u>	<u>184,559</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,520	76,964
Accumulated depreciation and impairment loss	(46,567)	(49,981)
Buildings and structures, net	<u>25,952</u>	<u>26,983</u>
Machinery, equipment and vehicles	151,653	161,404
Accumulated depreciation and impairment loss	(136,861)	(145,254)
Machinery, equipment and vehicles, net	<u>14,792</u>	<u>16,150</u>
Tools, furniture and fixtures	42,153	42,540
Accumulated depreciation and impairment loss	(38,379)	(38,858)
Tools, furniture and fixtures, net	<u>3,774</u>	<u>3,682</u>
Land	<u>8,817</u>	<u>9,063</u>
Leased assets	149	162
Accumulated depreciation	(10)	(17)
Leased assets, net	<u>139</u>	<u>144</u>
Construction in progress	<u>11,176</u>	<u>16,090</u>
Total property, plant and equipment	<u>64,653</u>	<u>72,115</u>
Intangible assets		
Software	1,722	1,856
Other	9,813	9,544
Total intangible assets	<u>11,535</u>	<u>11,400</u>
Investments and other assets		
Investment securities	27,322	27,579
Long-term loans receivable	0	48
Deferred tax assets	531	442
Net defined benefit asset	2,140	2,159
Other	3,186	3,188
Allowance for doubtful accounts	(110)	(110)
Total investments and other assets	<u>33,071</u>	<u>33,307</u>
Total non-current assets	<u>109,260</u>	<u>116,822</u>
Total assets	<u>298,715</u>	<u>301,382</u>

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,942	17,422
Short-term loans payable	25,327	35,442
Current portion of long-term loans payable	624	624
Income taxes payable	7,879	3,944
Provision for bonuses	2,413	776
Provision for business structure improvement	418	417
Other	15,556	18,681
Total current liabilities	<u>72,161</u>	<u>77,308</u>
Non-current liabilities		
Long-term loans payable	1,338	1,338
Deferred tax liabilities	98	1,122
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	351
Other	2,331	2,377
Total non-current liabilities	<u>5,027</u>	<u>6,007</u>
Total liabilities	<u>77,188</u>	<u>83,315</u>
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,613	13,613
Retained earnings	182,400	177,142
Treasury shares	(6,111)	(6,776)
Total shareholders' equity	<u>208,844</u>	<u>202,921</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,678	8,104
Foreign currency translation adjustment	1,735	3,403
Remeasurements of defined benefit plans	159	154
Total accumulated other comprehensive income	<u>9,574</u>	<u>11,662</u>
Non-controlling interests	<u>3,107</u>	<u>3,483</u>
Total net assets	<u>221,526</u>	<u>218,066</u>
Total liabilities and net assets	<u>298,715</u>	<u>301,382</u>

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

- Consolidated Statements of Income

(Million yen)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
Net sales	58,290	54,939
Cost of sales	28,026	26,634
Gross profit	30,263	28,305
Selling, general and administrative expenses	12,997	13,306
Operating income	17,266	14,998
Non-operating income		
Interest income	48	38
Dividend income	258	254
Equity in earnings of affiliates	232	536
Foreign exchange gains	1,694	1,476
Other	187	195
Total non-operating income	2,420	2,500
Non-operating expenses		
Interest expenses	41	124
Loss on disposal of non-current assets	83	275
Plant stop losses	—	10
Other	69	39
Total non-operating expenses	194	451
Ordinary income	19,492	17,046
Extraordinary income	—	—
Extraordinary losses	—	—
Income before income taxes and non-controlling interests	19,492	17,046
Income taxes - current	4,560	3,647
Income taxes - deferred	843	946
Total income taxes	5,403	4,594
Net income	14,089	12,452
Net income attributable to non-controlling interests	219	216
Net income attributable to owners of parent	13,869	12,236

- Consolidated Statements of Comprehensive Income

(Million yen)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
Net income	14,089	12,452
Other comprehensive income		
Valuation difference on available-for-sale securities	332	425
Foreign currency translation adjustment	1,250	1,856
Remeasurements of defined benefit plans, net of tax	372	(5)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	1,955	2,276
Comprehensive income	16,045	14,729
(Comprehensive income attributable to)		
Owners of parent	15,663	14,324
Non-controlling interests	382	405

(3) Consolidated Statements of Cash Flows

(Million yen)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
Cash flows from operating activities		
Income before income taxes and non-controlling interests	19,492	17,046
Depreciation	2,451	2,765
Amortization of goodwill	25	25
Interest and dividend income	(306)	(292)
Interest expenses	41	122
Loss (gain) on disposal of non-current assets	83	275
Decrease (increase) in notes and accounts receivable - trade	257	5,789
Decrease (increase) in inventories	(3,381)	(6,106)
Increase (decrease) in notes and accounts payable - trade	(1,153)	(3,239)
Other	2,661	2,729
Subtotal	20,171	19,117
Interest and dividend income received	490	660
Interest expenses paid	(38)	(121)
Income taxes paid	(7,515)	(7,362)
Net cash provided by (used in) operating activities	13,107	12,293
Cash flows from investing activities		
Purchase of investment securities	(441)	(10)
Proceeds from sales of investment securities	0	–
Purchase of shares of subsidiaries	(25)	–
Purchase of property, plant and equipment	(3,449)	(6,407)
Payments for retirement of property, plant and equipment	(79)	(253)
Purchase of intangible assets	(328)	(236)
Net decrease (increase) in short-term loans receivable	(16)	1,802
Purchase of long-term prepaid expenses	(5)	(32)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	93
Other	1	(33)
Net cash provided by (used in) investing activities	(4,345)	(5,078)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,706)	7,632
Cash dividends paid	(10,208)	(13,199)
Dividends paid to non-controlling interests	(105)	–
Share repurchase	(5,000)	(5,001)
Other	(2)	–
Net cash provided by (used in) financing activities	(18,023)	(10,568)
Effect of exchange rate change on cash and cash equivalents	852	154
Net increase (decrease) in cash and cash equivalents	(8,407)	(3,198)
Cash and cash equivalents at beginning of period	34,658	29,647
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	3,116	–
Cash and cash equivalents at end of period	29,366	26,449

(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 first 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. As a result, retained earnings and treasury shares decreased by 4,294 million yen during the first 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 first quarter of current consolidated fiscal year.

(Segment Information)

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

1) For the Three Months Ended June 30, 2022 (From April 1, 2022 to June 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)	7,313	17,910	17,644	1,654	17,426	2,874	64,824	(6,533)	58,290
Intersegment Sales	3,102	3,863	2,084	–	6,229	3,662	18,942	(18,942)	–
Total Sales	10,415	21,774	19,728	1,654	23,656	6,537	83,766	(25,476)	58,290
Segment Income or Loss (Operating Income or Loss)	1,716	7,888	6,825	757	1,033	133	18,355	(1,089)	17,266

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 as follows.

(1) (6,533) million yen adjustment in sales to outside customers includes (6,535) million yen in the elimination of agent transactions, and 1 million yen sales not attributable to any reporting segment.

(2) (1,089) million yen adjustment in segment income includes 201 million yen in intersegment eliminations, 1 million yen sales not attributable to any reporting segment, and (1,292) 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 Three Months Ended June 30, 2023 (From April 1, 2023 to June 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)	6,057	16,836	15,741	1,951	18,300	2,422	61,310	(6,370)	54,939
Intersegment Sales	3,036	3,966	3,054	–	6,044	3,974	20,076	(20,076)	–
Total Sales	9,094	20,803	18,795	1,951	24,345	6,397	81,387	(26,447)	54,939
Segment Income or Loss (Operating Income or Loss)	924	6,451	6,571	1,089	906	204	16,146	(1,148)	14,998

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 as follows.

(1) (6,370) million yen adjustment in sales to outside customers includes (6,373) million yen in the elimination of agent transactions, and 2 million yen sales not attributable to any reporting segment.

(2) (1,148) million yen adjustment in segment income includes 223 million yen in intersegment eliminations, 2 million yen sales not attributable to any reporting segment, and (1,375) 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 July 28, 2023, has decided to cancel its own shares under Article 178 of the Companies Act.

- (1) Class of shares to be cancelled : Common shares of company
- (2) Number of shares to be cancelled : 800,000 shares
(0.57% of issued shares prior to cancellation)
- (3) Scheduled date of cancellation : August 10, 2023

Reference

Number of issued shares subsequent to cancellation (including treasury shares) : 139,800,000 shares