



日本化学工業株式会社

# 2<sup>nd</sup> Quarter of FY 2019 Financial Results Briefing

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Results for 2<sup>nd</sup> Quarter of FY 2019**
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Results for FY 2019**

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日本化学工業株式会社 4092

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# 1

## **Outline of Consolidated Financial Results for 2nd Quarter of FY 2019**

# Outline of Consolidated Financial Results

(Millions of yen)

	FY 2018 2Q	FY 2019 2Q	Change	Change rate
Net sales	17,888	18,302	413	2.3%
Operating profit	1,774	1,642	▲ 132	▲ 7.5%
Ordinary profit	1,851	1,694	▲ 157	▲ 8.5%
Profit	1,310	1,121	▲ 188	▲ 14.4%

# Revenue by Business Segment

(Millions of yen)

		FY 2018 2Q	FY 2019 2Q	Change	Change rate
Inorganic Chemicals	Net sales	7,833	7,828	▲ 4	▲0%
	Operating profit	392	401	9	2%
Specialty Chemicals	Net sales	7,258	8,098	839	12%
	Operating profit	816	979	163	20%
Leasing Business	Net sales	450	455	5	1%
	Operating profit	277	265	▲ 12	▲4%
Air-conditioning Business	Net sales	1,909	1,494	▲ 415	▲22%
	Operating profit	267	▲27	▲ 294	▲110%
Others	Net sales	437	425	▲ 12	▲3%
	Operating profit	9	11	2	22%
TOTAL	Net sales	17,888	18,302	413	2.3%
	Operating profit	1,774	1,642	▲ 132	▲7.5%

## Chromium Compounds

Products for plating were sluggish

## Silicates and Silica

Environmental products grew

## Inorganic Phosphorus Compounds

Optical glass products were sluggish

## Phosphine Derivatives

Products for overseas performed strongly

## Agrochemicals

Products for overseas performed strongly

## Battery Materials

Products for main customers performed steadily

## Electronic Ceramic Materials

Automotive and telecommunication products performed strongly

## Circuit Materials

Products for main customers performed strongly

## Leasing business

AEON TOWN Koriyama was extended

## Air-conditioning business

New designs and installations and maintenance were sluggish

## Book store operation

The book store business was sluggish

# Consolidated Balance Sheet (Assets)

(Millions of yen)

【Assets】	As of March 31, 2019	As of September 30, 2019	Change
Current assets	<b>30,794</b>	<b>27,738</b>	<b>▲ 3,056</b>
Cash and deposits	<b>9,051</b>	<b>5,854</b>	<b>▲ 3,196</b>
Notes and accounts receivable - trade	<b>10,861</b>	<b>11,535</b>	<b>674</b>
Inventories	<b>10,364</b>	<b>9,602</b>	<b>▲ 762</b>
Other	<b>518</b>	<b>747</b>	<b>229</b>
Non-current assets	<b>34,703</b>	<b>35,911</b>	<b>1,208</b>
Property, plant and equipment	<b>27,014</b>	<b>28,530</b>	<b>1,515</b>
Intangible assets	<b>319</b>	<b>399</b>	<b>80</b>
Investment securities	<b>6,597</b>	<b>6,160</b>	<b>▲ 436</b>
Other	<b>773</b>	<b>822</b>	<b>49</b>
Total assets	<b>65,497</b>	<b>63,650</b>	<b>▲ 1,847</b>

# Consolidated Balance Sheet (Liabilities and Net Assets)

(Millions of yen)

【Liabilities】	As of March 31, 2019	As of September 30, 2019	Change
Current liabilities	<b>18,925</b>	<b>15,960</b>	<b>▲ 2,965</b>
Notes and accounts payable - trade	<b>4,617</b>	<b>3,253</b>	<b>▲ 1,364</b>
Short-term borrowings	<b>9,143</b>	<b>7,772</b>	<b>▲ 1,370</b>
Other	<b>5,165</b>	<b>4,935</b>	<b>▲ 230</b>
Non-current liabilities	<b>11,073</b>	<b>11,661</b>	<b>588</b>
Long-term borrowings	<b>5,422</b>	<b>5,903</b>	<b>481</b>
Retirement benefit liability	<b>1,299</b>	<b>1,358</b>	<b>59</b>
Deferred tax liabilities	<b>2,118</b>	<b>2,010</b>	<b>▲ 108</b>
Other	<b>2,234</b>	<b>2,390</b>	<b>156</b>
Total liabilities	<b>29,999</b>	<b>27,622</b>	<b>▲ 2,377</b>
【Net assets】			
Shareholders' equity	<b>32,514</b>	<b>33,371</b>	<b>857</b>
Accumulated other comprehensive income	<b>2,983</b>	<b>2,656</b>	<b>▲ 327</b>
Total net assets	<b>35,497</b>	<b>36,028</b>	<b>530</b>
Total liabilities and net assets	<b>65,497</b>	<b>63,650</b>	<b>▲ 1,847</b>

# Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Six months ended September 30,2018	Six months ended September 30,2019	Change	Change rate
Net Sales	17,888	18,302	413	2.3%
Cost of sales	13,697	14,152	455	3.3%
Selling, general and administrative expenses	2,416	2,507	91	3.8%
Operating profit	1,774	1,642	▲ 132	▲7.5%
Non-operating income	210	137	▲ 73	
Non-operating expenses	134	85	▲ 49	
Ordinary profit	1,851	1,694	▲ 157	▲8.5%
Extraordinary income	—	21		
Extraordinary losses	36	129	93	
Profit before income taxes	1,815	1,586	▲ 229	▲12.6%
Income taxes-current	434	445	11	
Income taxes-deferred	70	19	▲ 51	
Profit	1,310	1,121	▲ 188	▲14.4%

# Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
I Cash flows from operating activities	<b>1,415</b>	<b>1,179</b>
Profit before income taxes	<b>1,815</b>	<b>1,586</b>
Depreciation	<b>1,039</b>	<b>1,255</b>
Decrease (increase) in inventories	<b>▲ 1,050</b>	<b>761</b>
Other	<b>▲ 389</b>	<b>▲ 2,423</b>
II Cash flows from investing activities	<b>▲ 1,665</b>	<b>▲ 3,219</b>
Capital expenditure	<b>▲ 1,599</b>	<b>▲ 3,238</b>
Other	<b>▲ 66</b>	<b>19</b>
III Cash flows from financing activities	<b>▲ 797</b>	<b>▲ 1,157</b>
Increase (decrease) in borrowings	<b>▲ 530</b>	<b>▲ 888</b>
Dividends paid	<b>▲ 263</b>	<b>▲ 263</b>
Other	<b>▲ 4</b>	<b>▲ 6</b>
Effect of exchange rate change on cash and cash equivalents	<b>2</b>	<b>▲ 0</b>
Net increase (decrease) in cash and cash equivalents	<b>▲ 1,044</b>	<b>▲ 3,196</b>
Cash and cash equivalents at beginning of period	<b>8,927</b>	<b>9,041</b>
Cash and cash equivalents at end of period	<b>7,882</b>	<b>5,844</b>



# 2

## **Forecast of Consolidated Financial Results for FY 2019**

**(There is no revision to the forecast for FY 2019)**

# Forecast of Consolidated Financial Results

## for FY 2019

(Millions of yen)

	<b>FY 2018</b> Actual	<b>FY 2019</b> Forecast	<b>Change</b>	<b>Change rate</b>
<b>Net sales</b>	<b>36,157</b>	<b>37,500</b>	<b>1,343</b>	<b>3.7%</b>
<b>Operating profit</b>	<b>3,084</b>	<b>3,100</b>	<b>16</b>	<b>0.5%</b>
<b>Ordinary profit</b>	<b>3,057</b>	<b>3,100</b>	<b>43</b>	<b>1.4%</b>
<b>Profit</b>	<b>2,154</b>	<b>2,200</b>	<b>46</b>	<b>2.1%</b>

# Revenue by Business Segment for FY 2019

(Millions of yen)

		FY 2018 Actual	FY 2019 Forecast	Change	Change rate
Inorganic Chemicals	Net sales	15,584	15,955	371	2%
	Operating profit	661	566	▲ 95	▲14%
Specialty Chemicals	Net sales	14,849	15,840	991	7%
	Operating profit	1,423	1,631	208	15%
Leasing Business	Net sales	893	905	12	1%
	Operating profit	548	590	42	8%
Air-conditioning Business	Net sales	3,869	3,953	84	2%
	Operating profit	350	291	▲ 59	▲17%
Others	Net sales	959	847	▲ 112	▲12%
	Operating profit	81	22	▲ 59	▲73%
TOTAL	Net sales	36,157	37,500	1,343	3.7%
	Operating profit	3,084	3,100	16	0.5%

## Chromium Compounds

Perform steadily

## Silicates and Silica

Likely to ship radioactive substance absorbents

## Inorganic Phosphorus Compounds

Grow due to price revisions and sales expansion

## Phosphine Derivatives

Perform steadily

## Agrochemicals

Perform steadily

## Battery Materials

Prices of raw material cobalt spike

## Electronic Ceramic Materials

Sales volume of products for MLCCs increases

## Circuit Materials

Perform smoothly

## Leasing business

Perform steadily

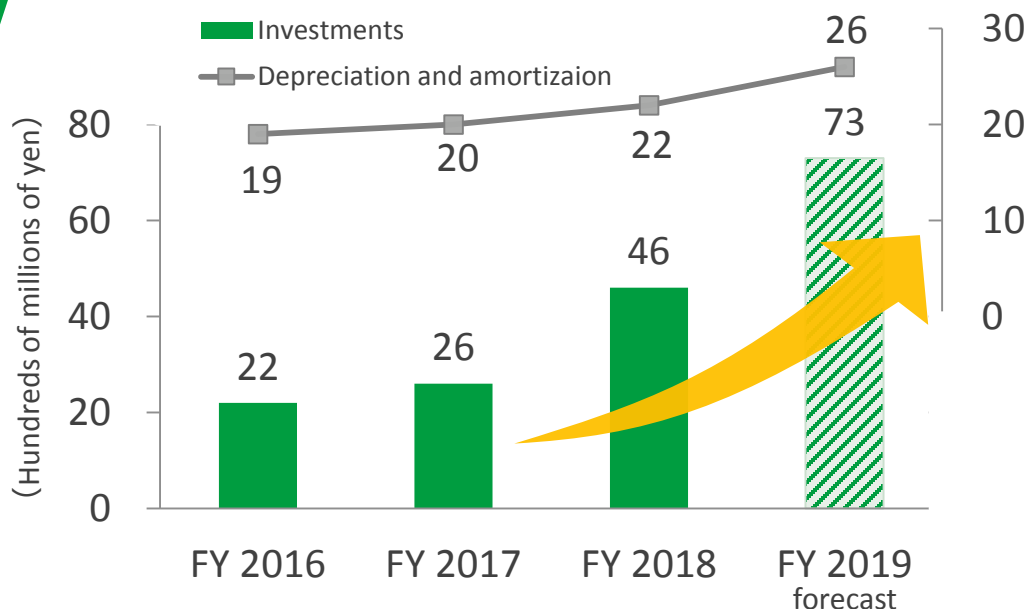
## Air-conditioning business

Perform steadily

## Book store operation

Sales decrease due to industry slump

# Investments and Depreciation and Amortization



## Main Investments for FY 2019

The business performance of electronic ceramic materials will remain strong

Continue to invest in growth products in a concentrated manner

Invest aggressively without losing growth opportunities

Recent main investments				
Product	Use	Plant	Background and description	Value
Organic electronic materials	Leading-edge organic electronic materials	Fukushima 2	Arrange for the construction of a new plant to meet the rising needs for leading-edge organic materials. Aim to double sales of organic electronic materials business.	2.0 billion yen
Electronic ceramic materials	MLCC materials	Fukushima 1	Add a new production line. Expand production capacity by 10%.	1.0 billion yen
		Aichi or Tokuyama	Cater to soaring MLCC demand stemming from a shift to EV cars as well as the installation of 5G base stations. Considering arranging for a new plant building to be constructed in Aichi or Tokuyama as a BCP measure.	Under consideration

# Disclaimer

- Earnings forecasts and business plans presented in this material are those prepared by the Company, based on various assumptions from information obtainable on the date of release of the document. It should be noted that these forecasts and plans are not intended to neither promise nor guarantee the achievement of the planned figures or measures presented herein.