

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2017 (Based on Japanese GAAP)

November 13, 2017

Company name: NIHON NOHYAKU CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 4997 URL <http://www.nichino.co.jp/>
 Representative: President Yosuke Tomoi
 Inquiries: Executive Officer, General Manager of Toyokazu Iijima
 General Affairs Department TEL +81-3-6361-1400
 Scheduled date of ordinary general meeting of shareholders: December 19, 2017
 Scheduled date to file Securities Report: December 20, 2017
 Scheduled date to commence dividend payments: December 20, 2017
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2017 (from October 1, 2016 to September 30, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2017	60,033	18.5	3,496	(21.0)	3,597	(6.9)	1,717	65.9
Year ended September 30, 2016	50,641	(11.0)	4,426	(55.5)	3,864	(58.8)	1,035	(81.6)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2017	25.70	–	3.7	4.1	5.8
Year ended September 30, 2016	15.49	–	2.1	4.5	8.7

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2017	88,713	48,867	52.8	700.65
As of September 30, 2016	88,791	48,697	52.1	692.53

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2017	2,515	(441)	(5,932)	10,128
Year ended September 30, 2016	3,968	(958)	2,069	13,629

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2016	–	7.50	–	7.50	15.00	1,002	96.8	2.1
Year ended September 30, 2017	–	7.50	–	7.50	15.00	1,002	58.4	2.2
Year ending September 30, 2018 (Forecast)	–	7.50	–	7.50	15.00		45.6	

3. Forecast of consolidated financial results for the year ending September 30, 2018 (from October 1, 2017 to September 30, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending March 31, 2018	39,500	11.3	3,600	–	3,400	(10.4)	2,400	0.6	35.91
Full year	68,000	13.3	4,400	25.8	3,800	5.6	2,200	28.1	32.92

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2017	70,026,782 shares	As of September 30, 2016	70,026,782 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	3,189,804 shares	As of September 30, 2016	3,189,034 shares
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Average number of shares during the period

Year ended September 30, 2017	66,837,428 shares	Year ended September 30, 2016	66,838,202 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	15,159	11,620
Notes and accounts receivable - trade	19,465	21,220
Electronically recorded monetary claims - operating	603	895
Merchandise and finished goods	10,065	9,986
Work in process	454	660
Raw materials and supplies	4,273	4,465
Deferred tax assets	529	710
Other	3,211	3,158
Allowance for doubtful accounts	(418)	(441)
Total current assets	53,344	52,276
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,565	5,648
Machinery, equipment and vehicles	3,553	3,521
Land	6,354	6,458
Construction in progress	194	176
Other	823	732
Total property, plant and equipment	16,491	16,536
Intangible assets		
Goodwill	7,150	6,745
Software	181	224
Other	796	853
Total intangible assets	8,128	7,824
Investments and other assets		
Investment securities	6,156	7,156
Deferred tax assets	1,659	1,597
Net defined benefit asset	281	378
Other	2,744	2,971
Allowance for doubtful accounts	(13)	(27)
Total investments and other assets	10,827	12,076
Total non-current assets	35,446	36,436
Total assets	88,791	88,713

(Millions of yen)

As of September 30, 2016

As of September 30, 2017

	As of September 30, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,833	9,546
Electronically recorded obligations - operating	460	753
Short-term loans payable	4,449	3,838
Accrued expenses	4,840	5,627
Income taxes payable	119	642
Provision for bonuses	630	722
Provision for directors' bonuses	1	1
Provision for sales returns	22	29
Provision for environmental measures	–	114
Provision for product recall related costs	1,044	137
Electronically recorded obligations - non-operating	138	100
Other	1,968	1,654
Total current liabilities	22,509	23,168
Non-current liabilities		
Bonds payable	1,848	2,014
Long-term loans payable	11,567	10,405
Deferred tax liabilities	822	1,126
Provision for directors' retirement benefits	91	58
Net defined benefit liability	1,418	1,423
Other	1,834	1,648
Total non-current liabilities	17,583	16,676
Total liabilities	40,093	39,845
Net assets		
Shareholders' equity		
Capital stock	10,939	10,939
Capital surplus	13,235	11,057
Retained earnings	26,351	27,067
Treasury shares	(1,726)	(1,726)
Total shareholders' equity	48,801	47,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,353	2,077
Foreign currency translation adjustment	(3,766)	(2,487)
Remeasurements of defined benefit plans	(101)	(97)
Total accumulated other comprehensive income	(2,514)	(507)
Non-controlling interests	2,410	2,038
Total net assets	48,697	48,867
Total liabilities and net assets	88,791	88,713

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

	(Millions of yen)	
	Year ended September 30, 2016	Year ended September 30, 2017
Net sales	50,641	60,033
Cost of sales	30,496	38,980
Gross profit	20,144	21,052
Selling, general and administrative expenses	15,718	17,556
Operating profit	4,426	3,496
Non-operating income		
Interest income	39	276
Dividend income	88	101
Share of profit of entities accounted for using equity method	–	257
Foreign exchange gains	353	165
Real estate rent	82	83
Other	111	164
Total non-operating income	676	1,048
Non-operating expenses		
Interest expenses	166	410
Share of loss of entities accounted for using equity method	903	–
Loss on valuation of derivatives	–	227
Sales discounts	13	122
Other	153	186
Total non-operating expenses	1,237	947
Ordinary profit	3,864	3,597
Extraordinary income		
Gain on sales of non-current assets	84	–
Gain on sales of investment securities	–	289
Total extraordinary income	84	289
Extraordinary losses		
Loss on disposal of non-current assets	119	129
Impairment loss	–	547
Product recall related costs	1,356	113
Environmental expenses	–	184
Other	3	–
Total extraordinary losses	1,479	974
Profit before income taxes	2,470	2,912
Income taxes - current	1,056	1,217
Income taxes - deferred	329	(112)
Total income taxes	1,385	1,105
Profit	1,084	1,807
Profit attributable to non-controlling interests	49	89
Profit attributable to owners of parent	1,035	1,717

Consolidated statements of comprehensive income

	(Millions of yen)	
	Year ended September 30, 2016	Year ended September 30, 2017
Profit	1,084	1,807
Other comprehensive income		
Valuation difference on available-for-sale securities	(412)	723
Foreign currency translation adjustment	(2,408)	1,688
Remeasurements of defined benefit plans, net of tax	58	3
Share of other comprehensive income of entities accounted for using equity method	(1,947)	(153)
Total other comprehensive income	(4,710)	2,262
Comprehensive income	(3,625)	4,069
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,771)	3,724
Comprehensive income attributable to non-controlling interests	(854)	345

Consolidated statements of changes in equity

Year ended September 30, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,939	13,235	26,319	(1,725)	48,768
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling interests					–
Dividends of surplus			(1,002)		(1,002)
Profit attributable to owners of parent			1,035		1,035
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	32	(0)	32
Balance at end of current period	10,939	13,235	26,351	(1,726)	48,801

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,766	(314)	(159)	1,292	972	51,034
Changes of items during period						
Change in ownership interest of parent due to transactions with non-controlling interests						–
Dividends of surplus						(1,002)
Profit attributable to owners of parent						1,035
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(412)	(3,452)	58	(3,807)	1,438	(2,368)
Total changes of items during period	(412)	(3,452)	58	(3,807)	1,438	(2,336)
Balance at end of current period	1,353	(3,766)	(101)	(2,514)	2,410	48,697

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,939	13,235	26,351	(1,726)	48,801
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling interests		(2,178)			(2,178)
Dividends of surplus			(1,002)		(1,002)
Profit attributable to owners of parent			1,717		1,717
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(2,178)	715	(0)	(1,464)
Balance at end of current period	10,939	11,057	27,067	(1,726)	47,337

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,353	(3,766)	(101)	(2,514)	2,410	48,697
Changes of items during period						
Change in ownership interest of parent due to transactions with non-controlling interests						(2,178)
Dividends of surplus						(1,002)
Profit attributable to owners of parent						1,717
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	723	1,279	3	2,006	(372)	1,633
Total changes of items during period	723	1,279	3	2,006	(372)	169
Balance at end of current period	2,077	(2,487)	(97)	(507)	2,038	48,867

Consolidated statements of cash flows

(Millions of yen)

	Year ended September 30, 2016	Year ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	2,470	2,912
Depreciation	1,403	1,420
Impairment loss	–	547
Amortization of goodwill	425	571
Decrease (increase) in net defined benefit asset	(171)	(39)
Increase (decrease) in net defined benefit liability	(91)	(53)
Increase (decrease) in provision for directors' retirement benefits	(6)	(33)
Increase (decrease) in provision for product recall related costs	1,044	(906)
Increase (decrease) in provision for environmental measures	–	114
Increase (decrease) in allowance for doubtful accounts	(41)	1
Increase (decrease) in provision for bonuses	(38)	91
Increase (decrease) in provision for directors' bonuses	(25)	(0)
Increase (decrease) in provision for sales returns	(2)	7
Interest and dividend income	(128)	(378)
Interest expenses	166	410
Share of (profit) loss of entities accounted for using equity method	903	(257)
Loss on retirement of property, plant and equipment	36	3
Loss (gain) on sales of investment securities	–	(289)
Decrease (increase) in notes and accounts receivable - trade	(1,813)	(1,083)
Decrease (increase) in inventories	1,066	238
Increase (decrease) in notes and accounts payable - trade	1,205	(15)
Increase (decrease) in accrued consumption taxes	48	(352)
Other, net	(625)	326
Subtotal	5,828	3,237
Interest and dividend income received	267	384
Interest expenses paid	(177)	(399)
Income taxes paid	(1,950)	(706)
Net cash provided by (used in) operating activities	3,968	2,515
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,069)	(785)
Purchase of intangible assets	(110)	(166)
Purchase of investment securities	(533)	(64)
Proceeds from sales of investment securities	–	361
Payments for investments in capital of subsidiaries and associates	–	(109)
Payments into time deposits	(288)	(500)
Proceeds from withdrawal of time deposits	785	563
Payments of short-term loans receivable	(258)	(139)
Collection of loans receivable	367	336
Other, net	149	63
Net cash provided by (used in) investing activities	(958)	(441)

(Millions of yen)

	Year ended September 30, 2016	Year ended September 30, 2017
Cash flows from financing activities		
Increase in short-term loans payable	6,607	7,656
Decrease in short-term loans payable	(6,653)	(8,148)
Proceeds from long-term loans payable	6,000	1,924
Repayments of long-term loans payable	(2,774)	(3,336)
Repayments of lease obligations	(79)	(128)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,002)	(1,002)
Dividends paid to non-controlling interests	(26)	(22)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(2,874)
Net cash provided by (used in) financing activities	2,069	(5,932)
Effect of exchange rate change on cash and cash equivalents	(341)	357
Net increase (decrease) in cash and cash equivalents	4,738	(3,501)
Cash and cash equivalents at beginning of period	7,835	13,629
Increase in cash and cash equivalents from newly consolidated subsidiary	1,056	–
Cash and cash equivalents at end of period	13,629	10,128