

Condensed Consolidated Financial Information

(Japanese Standard)
**for the Fiscal Year
Ended March 31, 2017**

(April 1, 2016 through March 31, 2017)

Note: The English version of these financial results contains key items only. The English version of the financial statements is provided for reference purposes only and is based on the original Japanese version, which takes precedence. In the event that a difference in interpretation arises, please refer to the original Japanese version.

SANYO CHEMICAL INDUSTRIES, LTD.

URL <https://www.sanyo-chemical.co.jp>

Cautionary Statement with Respect to Forward-Looking Statement

This financial information contains forward-looking statements that are based on Sanyo Chemical Group's current plans, strategies and results. These forward-looking statements were formulated by managers based on currently-available information, however actual results may vary significantly depending on the economic environment where Sanyo Chemical Group conduct its business, competitive conditions, changes in the states of product development, relevant laws and regulations, and fluctuations in the currency exchange rate. Moreover, the factors that can affect these forward-looking statements are not limited to those listed here.

The following summary of the business results that Sanyo Chemical Group submitted Tokyo Stock Exchange is unaudited and for reference only.

Ticker code: 4471

1.Consolidated Financial Highlights

(Figures are rounded down to the nearest million yen)

1-1. Results of Operations

(% indicates changes from the previous corresponding term)

	Year ended March 31,			
	2017		2016	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	150,166	(5.0%)	157,992	(5.4%)
Operating income	13,647	9.3%	12,486	39.6%
Ordinary income	15,341	15.4%	13,294	29.3%
Profit attributable to owners of parent	10,192	47.1%	6,926	17.9%
Comprehensive income	11,196	326.0%	2,627	(82.9%)

	Year ended March 31,	
	2017	2016
	Yen	Yen
Net income per share	462.28	314.13
Net income per share, diluted	-	-

	Year ended March 31,	
	2017	2016
	%	%
Return on equity	8.7	6.2
Ordinary income to total assets	8.5	7.5
Operating income to net sales	9.1	7.9

(Reference)Equity in earnings of affiliated companies: Year ended March 31, 2017: ¥1,190 million

Year ended March 31, 2016: ¥529 million

*Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for the earnings per share are amounts on the assumption that Sanyo Chemical conducts the reverse stock split on the beginning of previous fiscal year.

1-2. Financial Conditions

	As of March 31,	
	2017	2016
	Millions of Yen	Millions of Yen
Total assets	186,863	175,321
Net assets	127,651	118,284
Equity ratio	65.1%	63.9%
Net assets per share (Yen)	5,515.51	5,080.28

(Reference)Equity: Year ended March 31, 2017: ¥121,603 million

Year ended March 31, 2016: ¥112,019 million

*Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for the net assets per share are amounts on the assumption that Sanyo Chemical conducts the reverse stock split on the beginning of previous fiscal year.

1-3. Cash Flows

	Year ended March 31,	
	2017	2016
	Millions of Yen	Millions of Yen
Net cash provided by (used in) operating activities	20,416	22,625
Net cash provided by (used in) investing activities	(14,198)	(13,510)
Net cash provided by (used in) financing activities	(1,043)	(5,493)
Cash and cash equivalents at end of period	23,138	19,323

2. Cash Dividend

	Year ended March 31,		
	2016	2017	2018 (Forecast)
Cash dividend per share	Yen	Yen	Yen
1Q (as of June 30)	-	-	-
2Q (as of Sept. 30)	8.00	9.00	55.00
3Q (as of Dec. 31)	-	-	-
4Q (as of March 31)	9.00	55.00	55.00
Total	17.00	-	110.00

	Year ended March 31,		
	2016	2017	2018 (Forecast)
	Millions of yen	Millions of yen	Millions of yen
Total dividends paid (annual)	1,874	2,204	

	Year ended March 31,		
	2016	2017	2018 (Forecast)
	%	%	%
Payout ratio(consolidated)	27.1	21.6	22.0
Dividends to net assets(consolidated)	1.7	1.9	

*As Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016, figures for the dividends per share for FY 2016 are amounts that take into account the reverse stock split, and total annual dividends are shown as "-."

3. Earnings Forecasts

(% indicates changes from the previous corresponding term)

	Fiscal year ending March 31, 2018			
	First half		Full year	
	Millions of Yen	%	Millions of Yen	%
Net sales	80,000	11.1	167,000	11.2
Operating income	6,600	(12.3)	14,000	2.6
Ordinary income	7,500	0.5	15,500	1.0
Net income attributable to owners of parent	5,300	2.8	11,000	7.9

	Fiscal year ending March 31, 2018	
	First half	Full year
	Yen	Yen
Net income per share	240.39	498.92

4. Notes

(1) Significant changes in subsidiaries during the fiscal year ended March 31, 2017 (changes in specific subsidiaries causing a change in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

- a. Changes in accounting policies associated with revised accounting standards, etc.: None
- b. Any changes in accounting policies other than 1) above: Yes
- c. Changes in accounting estimates: Yes
- d. Restatements: None

(Note) Sanyo Chemical and its Japanese consolidated subsidiaries changed the method for depreciation of property, plant and equipment from the first three months of this consolidated fiscal year. And it is applicable for "Change in accounting policy that is difficult to distinguish from change in accounting estimate". See Page 19 "3. Consolidated Financial Statements (Notes), (5) Notes to Consolidated Financial Statements (Changes in accounting policies)" for more information.

(3) Number of shares issued (common stock)

a. Total number of shares issued at the end of the period (including treasury stock)	
Year ended March 31, 2017:	23,534,752 shares
Year ended March 31, 2016:	23,534,752 shares
b. Total number of treasury stock at the end of the period	
Year ended March 31, 2017:	1,487,184 shares
Year ended March 31, 2016:	1,484,951 shares
c. Average number of shares during the period	
Year ended March 31, 2017:	22,048,816 shares
Year ended March 31, 2016:	22,051,245 shares

*Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for the total number of shares issued at the end of the period, total number of treasury stock at the end of the period and average number of shares during the period are amounts on the assumption that Sanyo Chemical conducts the reverse stock split on the beginning of previous fiscal year.

***Disclosure of Implementation Status of Review Procedures**

This financial report is not subject to review procedures under Japanese Financial Instruments and Exchange Law.

***Explanation of appropriate use of business performance forecasts**

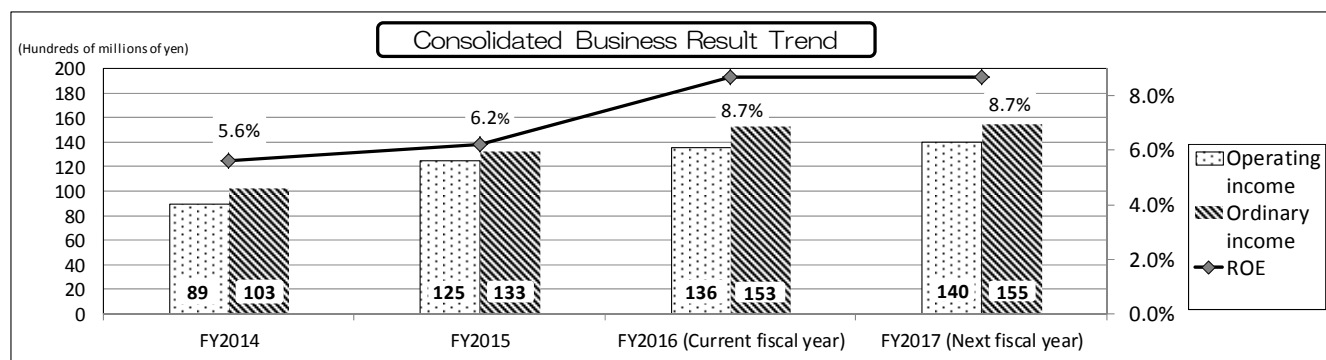
The above forecasts are based on data available as of the date of release of this document as well as assumptions based on uncertain factors, which might have a material effect on Sanyo Chemical's performance in the future. Therefore, Sanyo Chemical cannot guarantee that it will achieve the results. Actual earnings may differ significantly due to various factors. See Financial Report (attachments) Page 8 "1. Analysis of Results of Operations and Financial Position (1) Qualitative Information Concerning Consolidated Business Results" for more information regarding the circumstances behind the assumptions used in earnings forecasts and matters to be noted when relying on earnings forecasts.

<Reference> Consolidated Business Result Trend and the Feature

(Millions of yen)

	FY2014		FY2015	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year
Net sales	167,045	1.1%	157,992	(5.4%)
Operating income	8,944	10.3%	12,486	39.6%
Ordinary income	10,278	11.6%	13,294	29.3%
Profit attributable to owners of parent	5,876	19.5%	6,926	17.9%
Share of profit of entities accounted for using equity method	492		529	
Profit attributable to non-controlling interests	889		925	
Total net assets	117,688	13.3%	118,284	0.5%
Total assets	181,029	8.7%	175,321	(3.2%)
ROE (Return on equity)		5.6%		6.2%

	FY2016 (Current fiscal year)		FY2017 (Next fiscal year)		Changed amount	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year	FY2016 - FY2015	FY2017 - FY2016
Net sales	150,166	(5.0%)	167,000	11.2%	(7,826)	16,833
Operating income	13,647	9.3%	14,000	2.6%	1,161	352
Ordinary income	15,341	15.4%	15,500	1.0%	2,046	158
Profit attributable to owners of parent	10,192	47.1%	11,000	7.9%	3,265	807
Share of profit of entities accounted for using equity method	1,190		850		661	(340)
Profit attributable to non-controlling interests	641		370		(284)	(271)
Total net assets	127,651	7.9%	137,000	7.3%	9,366	9,348
Total assets	186,863	6.6%	194,100	3.9%	11,542	7,236
ROE (Return on equity)		8.7%		8.7%	2.5 points	-



Feature of FY 2016, Current Fiscal Year (Comparison with the Previous Fiscal Year)

Decreased sales and increased profit: Net sales decreased by appropriate sales price revision to respond to a fall in raw materials costs. In terms of profit, however, we recorded increases because of growing sales amount, cost down measurements and other factors, despite declining profit margins due to yen appreciation.

(Billions of yen)

			Main factors
Net sales	(7.8)	(Decreased sales)	<ul style="list-style-type: none"> Decreased sales due to appropriate sales price revision to respond to a fall in raw materials costs, despite full-year increased sales volume thanks to successful addition of production facilities began operations in San-Dia Polymers (Nantong) Co., Ltd. in the second half of the previous fiscal year
Operating income	+1.1	(Increased profit)	<ul style="list-style-type: none"> Increased profit mainly due to growing sales amount, cost down measurements and other factors, despite declining profit margins due to yen appreciation
Ordinary income	+2.0	(Increased profit)	<ul style="list-style-type: none"> Increase in share of profit of entities accounted for using equity method
Profit attributable to owners of parent	+3.2	(Increased profit)	<ul style="list-style-type: none"> Reduction of impairment loss of non-current assets

Feature of FY 2017, Next Fiscal Year (Comparison with the Current Fiscal Year)

Increased sales and profit: Net sales will increase by appropriate sales price revision to respond to a hike in raw materials costs and increased sales volume. Profit will increase due to sales volume increase, despite reduction of spread to respond to a hike in raw materials costs.

(Billions of yen)

			Main factors
Net sales	+16.8	(Increased profit)	<ul style="list-style-type: none"> Increased sales volume of super absorbent polymer business Appropriate sales price revision to respond to a hike in raw materials costs
Operating income	+0.3	(Increased profit)	<ul style="list-style-type: none"> Increased profit due to sales volume increase, despite reduction of spread to respond to a hike in raw materials costs
Ordinary income	+0.1	(Increased profit)	<ul style="list-style-type: none"> Decrease in share of profit of entities accounted for using equity method
Profit attributable to owners of parent	+0.8	(Increased profit)	<ul style="list-style-type: none"> No impairment loss of non-current assets

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1. Analysis of Results of Operations and Financial Position

(1) Qualitative Information Concerning Consolidated Business Results

During the current fiscal year (April 1, 2016 through March. 31, 2017), Japanese economy could marginally break free of the economy leveling off mainly because export showed signs of recovery, despite a long-term stagnation in capacity investment and private consumption. In addition, the outlook for the circumstance surrounding Japan is heading for mild recovery such as a continued economic recovery in the United States and a break in Chinese economic slowdown, despite a continued low growth in European economy.

In the chemical industry, business environment remained severe, because a continuing decline in raw material costs turned upward, the yen got weaker from the trend of the strong yen and other factors.

Under these circumstances, net sales of the current fiscal year decreased by 5.0% from the previous fiscal year, to ¥150,166 million mainly by appropriate sales price revision in each segment to respond to a fall in raw material costs. However, profit increased from the previous fiscal year because of growing sales amount, cost down measurements and other factors, despite declining profit margins due to yen appreciation. As a result, operating income was ¥13,647 million (a 9.3% increase from the previous fiscal year), and ordinary income was ¥15,341 million (a 15.4% increase). Profit attributable to owners of parent was ¥10,192 million (a 47.1% increase).

1) Business Performance

(Millions of yen)

	Previous fiscal year	Current fiscal year	Changed amount	
			(Amount)	(Ratio)
Net sales	157,992	150,166	(7,826)	(5.0%)
Operating income	12,486	13,647	1,161	9.3%
Ordinary income	13,294	15,341	2,046	15.4%
Profit attributable to owners of parent	6,926	10,192	3,265	47.1%
Profit per share	¥314.13	¥462.28	¥148.15	47.2%
ROA (Return on assets*)	7.5%	8.5%	-	1.0point
ROE (Return on equity)	6.2%	8.7%	-	2.5point
Currency exchange(\$, CNY)	\$=¥121.11	\$=¥108.39	(¥12.72)	
	CNY=¥19.22	CNY=¥16.10	(¥3.12)	
Naphtha price	¥42,800/kl	¥34,600/kl	(¥8,200/kl)	

*ROA (Return on assets) is calculated based on ordinary income.

[Note] Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for earnings per share are amounts on the assumption that Sanyo Chemical conducts the reverse stock split on the beginning of previous fiscal year.

2) Business Performance by Segment

Results by product group (segment) were as follows.

(Millions of yen)

	Previous fiscal year		Current fiscal year		Changed amount	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Toiletries and Health Care	60,089	5,254	55,442	3,598	(4,647)	(1,656)
Petroleum and Automotives	38,344	1,625	37,496	2,110	(847)	484
Plastics and Textiles	21,233	3,103	21,155	4,177	(77)	1,074
Information and Electrics/Electronics	19,702	1,739	19,368	2,774	(333)	1,034
Environmental Protection, Construction and Others	18,622	762	16,702	986	(1,920)	223

Toiletries and Health Care

Sales in the Toiletries segment increased slightly because demand for some surfactants used for liquid laundry detergents decreased, though sales for hair care products increased steadily.

In Health Care segment, sales were weak mainly due to appropriate sales price revision to respond to a fall in raw materials costs, though demand for superabsorbent polymers remained briskly.

As a result, total net sales in this segment decreased by 7.7% from the previous fiscal year, to ¥55,442 million. Operating income was ¥3,598 million (a 31.5% decrease).

Petroleum and Automotives

Petroleum and Automotives segment remained unchanged. This was due to appropriate sales price revision to respond to a fall in cost of raw materials for polyurethane foams used in automobile seats and other applications, and lubricating oil additives, despite sales expansion of new products of thermoplastic polyurethane beads for the interior parts of automobiles.

As a result, total net sales in this segment decreased by 2.2% from the previous fiscal year, to ¥37,496 million. Operating income was ¥2,110 million (a 29.8% increase).

Plastics and Textiles

In Plastics segment, sales were flat because of flat sales of permanent antistatic agents, and stagnant sales of active agents for rubbers and plastics, despite brisk sales increases of resin modifiers.

The Textiles segment was flat in sales mainly due to weak sales of polyurethane resins used for synthetic leather and elastomer fiber, though sales of fiberglass agents and chemicals for carbon fibers increased mainly abroad and sales of agents used in textile manufacturing processes for seat belt and tire cord yarns increased because of recovery trend in Chinese market.

As a result, total net sales in this segment decreased by 0.4% from the previous fiscal year, to ¥21,155 million. Operating income was ¥4,177 million (a 34.6% increase) due to improvement of product mix.

Information and Electrics/Electronics

Sales in the Information segment were weak. This was mainly because of sales decrease of toner resins for pulverized toners in Europe and the United States and appropriate sales price revision to respond to a fall in raw materials costs, despite increases of steady demand for polyester beads as a core component of polymerization toners.

Sales in the Electrics/Electronics segment increased briskly. This was because demand for pressure-sensitive adhesives used for electronic components increased substantially.

As a result, total net sales in this segment decreased by 1.7% from the previous fiscal year, to ¥19,368 million. Operating income was ¥2,774 million (a 59.4% increase) due to improvement of product mix.

Environmental Protection, Construction and Others

Sales in the Environmental Protection segment were weak because the market of polymer flocculants remained weak and cationic monomers of polymer flocculant materials decreased in sales.

Sales of Construction segment decreased substantially. This was mainly because of weak sales of raw materials for polyurethane foams used in furniture and heat insulating materials, and raw materials for building sealants.

As a result, total net sales in this segment decreased by 10.3% from the previous fiscal year, to ¥16,702 million. However, operating income was ¥986 million (a 29.4% increase).

Fiscal Year 2017 Forecast

Japanese economy remains at a standstill as a whole because of staginations in private consumption and leveling-off in export situation and is expected to continue uncertain situation. Moreover, the outlook for the circumstance surrounding Japan remains unclear amid the stagnation such as a slowdown of economic expansion in emerging countries including China and a destabilization of international financial market.

For the fiscal year ending March 31, 2018, we forecast at this time net sales of ¥167,000 million, operating income of ¥14,000 million, ordinary income of ¥15,500 million, and profit attributable to owners of parent of ¥11,000 million.

In addition, the above consolidated earnings forecast assumes the price of domestically produced Naphtha at ¥40,000/KL and an exchange rate of ¥110 to US\$1.

(2) Analysis of Financial Position

Total assets at fiscal year-end (March 31, 2017) increased by ¥11,542 million compared with the previous fiscal year-end to ¥186,863 million. Current assets increased by ¥4,336 million from the previous fiscal year-end to ¥85,334 million mainly due to a ¥3,815 million increase in cash and deposits. Non-current assets increased by ¥7,206 million from the previous fiscal year-end to ¥101,529 million mainly due to a ¥4,886 million increase in investment securities caused by reappraisal of their market valuation and a ¥2,659 million increase in property, plant and equipment.

Current liabilities increased by ¥1,687 million from the previous fiscal year-end to ¥44,464 million mainly due to a ¥1,550 million increase in electronically recorded obligations-operating. Long-term liabilities increased by ¥488 million from the previous fiscal year-end to ¥14,747 million mainly due to a ¥955 million increase in deferred tax liabilities, despite a ¥339 million decrease in long-term loans payable.

Net assets at fiscal year-end (March 31, 2017) increased by ¥9,366 million compared with the previous fiscal year-end to ¥127,651 million. This increase was mainly due to inflows in profit attributable to owners of parent of ¥10,192 million. The shareholder's equity ratio (net assets after deduction of minority interest to total assets) increased by 1.2 percentage points to 65.1% from 63.9% at the previous fiscal year-end.

Net assets per share (after deduction of minority interest) also increased by ¥435.23 to ¥5,515.51 from ¥5,080.28 as of the end of the previous fiscal year. Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for net assets per share are amounts on the assumption that Sanyo Chemical conducts the reverse stock split on the beginning of previous fiscal year.

	Millions of Yen		
	Year Ended March 31,		Change
	2016	2017	
Cash flows from operating activities	22,625	20,416	(2,209)
Cash flows from investing activities	(13,510)	(14,198)	(688)
Cash flows from financing activities	(5,493)	(1,043)	4,449
Effect of exchange rate changes on cash and cash equivalents	(315)	(750)	(434)
Net increase (decrease) in cash and cash equivalents	3,306	4,423	1,116
Cash and cash equivalents at end of period	19,323	23,138	3,815

At the end of the current fiscal year, cash and cash equivalents ("Cash") were ¥23,138 million, an increase of ¥3,815 million compared to the previous fiscal year-end.

The cash flow movements during the period and the factors influencing them were as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥20,416 million (compared to ¥22,625 million in net cash provided during the previous fiscal year). This result was mainly due to the cash inflow from income before income taxes and minority interests of ¥13,854 million, and depreciation and amortization of ¥7,495 million, which outweighed the outflow from the decrease in income tax payments of ¥3,083 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥14,198 million (compared to ¥13,510 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥13,390 million for fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,043 million (compared to ¥5,493 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥1,984 million in dividend payments, which outweighed the cash inflow from the increase in cash to repay debt of ¥1,254 million.

Trends in Sanyo Chemical Group's cash flow indicators are as follows.

	Year ended March 31,				
	2013	2014	2015	2016	2017
Equity ratio (%)	58.7	59.5	61.8	63.9	65.1
Equity ratio on a market value basis (%)	36.4	43.8	57.6	49.9	55.2
Cash flows/interest-bearing debt ratio (years)	1.4	1.2	1.6	0.7	0.7
Interest coverage ratio (times)	38.1	43.1	42.1	101.7	134.9

Equity ratio: Equity / Total assets

Equity ratio on a market value basis: Market capitalization / Total assets

Cash flows / interest-bearing debt ratio: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payment

* All indicators are calculated based on consolidated financial statements.

* Market capitalization is (Closing price at period end) × (Number of outstanding shares at period end [less own shares]).

* Net cash provided by operating activities is as reported on the consolidated statements of cash flows.

Interest payments are reported under interest expenses paid on the consolidated statements of cash flow.

(3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next

We regard increasing returns to shareholders while attempting to reinforce the corporate base for the future through an improvement in Sanyo Chemical Group's profitability as our important management issue. Our fundamental policy is to maintain stable dividends, targeting a consolidated payout ratio of 30% or higher.

Our company revised to pay the year-end dividend of ¥55 per share (increasing ¥10 from ¥45 per share) in order to further increase returns to shareholders because the profit in the current fiscal year recorded highest increase to date.

(This year-end dividend will be decided officially at the Board of Directors on mid-May after receiving the Audit Report by the accounting auditors and the Board of Auditors.)

In addition, we forecast an interim and year-end dividend in fiscal year 2017 of ¥55 each, for an annual dividend of ¥110 per share.

<Consolidated Dividends per Share & Payout Ratio Trend>

	Year ended March 31,				
	2014	2015	2016	2017 Current fiscal year	2018 Next fiscal year (forecast)
Interim	¥37.5	¥37.5	¥40.0	¥45.0	¥55.0
Year-end	¥37.5	¥40.0	¥45.0	¥55.0	¥55.0
Annual	¥75.0	¥77.5	¥85.0	¥100.0	¥110.0
Payout Ratio	33.6%	29.1%	27.1%	21.6%	22.0%

[Note] Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures above for consolidated dividends per share are converted after Sanyo Chemical conducts the reverse stock split.

2. Basic Policy on Selection of Accounting Standards

Sanyo Chemical Group has a policy to prepare in accordance with the Japanese accounting standards for the meantime taking into consideration availability of periodical comparison of its consolidated financial statements and availability of comparison among other companies.

Our Group considers the application of the International Financial Reporting Standards (IFRS) in the future.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of Yen	
	FY2015	FY2016
Assets		
Current assets		
Cash and deposits	19,323	23,138
Notes and accounts receivable – trade	41,438	38,689
Electronically recorded monetary claims – operating	243	2,406
Merchandise and finished goods	10,338	10,607
Semi-finished goods	3,107	3,321
Work in process	423	518
Raw materials and supplies	4,098	3,969
Deferred tax assets	1,133	1,226
Other	925	1,489
Allowance for doubtful accounts	(35)	(34)
Total current assets	80,997	85,334
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,677	43,853
Accumulated depreciation	(25,575)	(26,277)
Buildings and structures, net	17,101	17,576
Machinery and vehicles	143,059	145,778
Accumulated depreciation	(115,027)	(117,415)
Machinery, equipment and vehicles, net	28,032	28,362
Land	8,807	8,764
Construction in progress	4,913	6,489
Other	12,446	12,397
Accumulated depreciation	(10,431)	(10,060)
Other, net	2,015	2,337
Total property, plant and equipment	60,870	63,530
Intangible assets		
Software	869	866
Goodwill	934	801
Other	1,293	1,121
Total intangible assets	3,097	2,788
Investments and other assets		
Investment securities	27,484	32,370
Long-term loans receivable	3	3
Deferred tax assets	263	216
Net defined benefit asset	1,377	1,491
Other	1,258	1,160
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	30,354	35,210
Total non-current assets	94,323	101,529
Total assets	175,321	186,863

	Millions of Yen	
	FY2015	FY2016
Liabilities		
Current liabilities		
Notes and accounts payable – trade	20,302	19,552
Electronically recorded obligations – operating	2,995	4,546
Short-term loans payable	5,371	5,708
Current portion of long-term loans payable	1,171	1,515
Accrued expenses	2,927	3,041
Income taxes payable	1,299	1,873
Provision for bonuses	1,959	2,041
Provision for directors' bonuses	102	104
Notes payable – facilities	26	–
Electronically recorded obligations – non-operating	1,328	1,347
Other	5,293	4,732
Total current liabilities	42,777	44,464
Non-current liabilities		
Long-term loans payable	8,320	7,981
Deferred tax liabilities	4,214	5,170
Provision for directors' retirement benefits	413	275
Net defined benefit liability	555	494
Other	754	826
Total non-current liabilities	14,258	14,747
Total liabilities	57,036	59,212
Net assets		
Shareholders' equity		
Capital stock	13,051	13,051
Capital surplus	12,194	12,194
Retained earnings	80,163	88,697
Treasury shares	(5,734)	(5,745)
Total shareholders' equity	99,674	108,197
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,676	12,790
Foreign currency translation adjustment	2,493	396
Remeasurements of defined benefit plans	174	219
Total accumulated other comprehensive income	12,345	13,405
Non-controlling interests	6,265	6,047
Total net assets	118,284	127,651
Total liabilities and net assets	175,321	186,863

(2) Consolidated Statements of Income and Comprehensive Income

(2)- (1) Consolidated Statements of Income

Years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of Yen	
	FY2015	FY2016
Net sales	157,992	150,166
Cost of sales	123,678	114,728
Gross profit	34,314	35,437
Selling, general and administrative expenses		
Freight and storage charges	6,025	6,151
Salaries and compensations	3,340	3,316
Employees' bonuses	1,272	1,249
Retirement benefit expenses	299	265
Welfare expenses	1,043	1,079
Depreciation	435	371
Research and development expenses	5,622	5,443
Other	3,788	3,913
Total selling, general and administrative expenses	21,828	21,790
Operating income	12,486	13,647
Non-operating income		
Interest income	75	57
Dividend income	552	617
Real estate rent	287	282
Share of profit of entities accounted for using equity method	529	1,190
Other	115	178
Total non-operating income	1,559	2,326
Non-operating expenses		
Interest expenses	212	139
Rent cost of real estate	65	86
Loss on abandonment of inventories	163	122
Foreign exchange losses	135	143
Other	174	140
Total non-operating expenses	751	632
Ordinary income	13,294	15,341
Extraordinary income		
Gain on sales of investment securities	103	4
Insurance income	23	27
Other	1	2
Total extraordinary income	127	34
Extraordinary losses		
Loss on sales of non-current assets	64	-
Loss on retirement of non-current assets	641	685
Impairment loss	1,046	831
Other	29	3
Total extraordinary losses	1,781	1,521
Profit before income taxes	11,640	13,854
Income taxes - current	2,743	3,288
Income taxes - deferred	1,045	(268)
Total income taxes	3,788	3,020
Profit	7,852	10,834
Profit attributable to non-controlling interests	925	641
Profit attributable to owners of parent	6,926	10,192

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

Years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of Yen	
	FY2015	FY2016
Profit	7,852	10,834
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,924)	3,114
Foreign currency translation adjustment	(1,100)	(2,796)
Remeasurements of defined benefit plans, net of tax	(199)	44
Total other comprehensive income	(5,224)	362
Comprehensive income	2,627	11,196
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,968	11,253
Comprehensive income attributable to non-controlling interests	659	(57)

(3) Consolidated Statements of Changes in Net Assets

Years ended March 31, 2017 (FY2016) and 2016 (FY2015)

[Previous Consolidated Fiscal Year (April 1, 2015 through March 31, 2016)]

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,051	12,194	75,000	(5,722)	94,523
Changes of items during period					
Dividends of surplus			(1,764)		(1,764)
Profit attributable to owners of parent			6,926		6,926
Purchase of treasury shares				(12)	(12)
Disposal of treasury shares		0		0	0
Changes due to the change of fiscal year-end of consolidated subsidiaries			-		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	5,162	(12)	5,150
Balance at end of current period	13,051	12,194	80,163	(5,734)	99,674

	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	13,601	3,328	374	17,303	5,860	117,688
Changes of items during period						
Dividends of surplus						(1,764)
Profit attributable to owners of parent						6,926
Purchase of treasury shares						(12)
Disposal of treasury shares						0
Changes due to the change of fiscal year-end of consolidated subsidiaries						-
Net changes of items other than shareholders' equity	(3,924)	(834)	(199)	(4,958)	404	(4,553)
Total changes of items during period	(3,924)	(834)	(199)	(4,958)	404	596
Balance at end of current period	9,676	2,493	174	12,345	6,265	118,284

[Current Consolidated Fiscal Year (April 1, 2016 through March 31, 2017)]

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,051	12,194	80,163	(5,734)	99,674
Changes of items during period					
Dividends of surplus			(1,984)		(1,984)
Profit attributable to owners of parent			10,192		10,192
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares		0		0	0
Changes due to the change of fiscal year-end of consolidated subsidiaries			325		325
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	8,533	(10)	8,523
Balance at end of current period	13,051	12,194	88,697	(5,745)	108,197

	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	9,676	2,493	174	12,345	6,265	118,284
Changes of items during period						
Dividends of surplus						(1,984)
Profit attributable to owners of parent						10,192
Purchase of treasury shares						(10)
Disposal of treasury shares						0
Changes due to the change of fiscal year-end of consolidated subsidiaries						325
Net changes of items other than shareholders' equity	3,114	(2,097)	44	1,060	(218)	842
Total changes of items during period	3,114	(2,097)	44	1,060	(218)	9,366
Balance at end of current period	12,790	396	219	13,405	6,047	127,651

(4) Consolidated Statements of Cash Flows

Years ended March 31, 2017 (FY2016) and 2016 (FY2015)

	Millions of Yen	
	FY2015	FY2016
Cash flows from operating activities		
Profit before income taxes	11,640	13,854
Depreciation	9,302	7,495
Loss on retirement of non-current assets	641	685
Impairment loss	1,046	831
Amortization of goodwill	133	133
Increase (decrease) in provision for bonuses	40	110
Changes in net defined benefit asset and liability	(928)	(112)
Increase (decrease) in provision for directors' retirement benefits	31	(138)
Increase (decrease) in provision for directors' bonuses	11	2
Interest and dividend income	(628)	(674)
Interest expenses	212	139
Share of (profit) loss of entities accounted for using equity method	(529)	(1,190)
Loss (gain) on sales of property, plant and equipment	64	—
Loss (gain) on sales of investment securities	(103)	(4)
Decrease (increase) in notes and accounts receivable – trade	3,746	45
Decrease (increase) in inventories	2,249	(171)
Increase (decrease) in notes and accounts payable – trade	(2,578)	1,496
Other, net	(364)	(370)
Subtotal	23,991	22,131
Interest and dividend income received	1,025	1,519
Interest expenses paid	(222)	(151)
Income taxes paid	(2,168)	(3,083)
Net cash provided by (used in) operating activities	22,625	20,416
Cash flows from investing activities		
Purchase of non-current assets	(13,193)	(13,390)
Proceeds from sales of non-current assets	17	—
Purchase of investment securities	(3)	(503)
Proceeds from sales of investment securities	108	5
Collection of loans receivable	0	0
Payment for other investment activities	(451)	(346)
Proceeds from other investment activities	11	35
Net cash provided by (used in) investing activities	(13,510)	(14,198)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(8,333)	834
Proceeds from long-term loans payable	5,750	1,538
Repayments of long-term loans payable	(877)	(1,118)
Net decrease (increase) in treasury shares	(12)	(10)
Cash dividends paid	(1,765)	(1,984)
Dividends paid to non-controlling interests	(255)	(303)
Net cash provided by (used in) financing activities	(5,493)	(1,043)
Effect of exchange rate change on cash and cash equivalents	(315)	(750)
Net increase (decrease) in cash and cash equivalents	3,306	4,423
Cash and cash equivalents at beginning of period	16,016	19,323
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year end of subsidiaries	—	(607)
Cash and cash equivalents at end of period	19,323	23,138

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

None

(Changes in Basis of Presenting Consolidated Financial Statements)

[Changing of fiscal year and other of consolidated subsidiaries]

Consolidated subsidiaries that settled the account in 31 December were consolidated with the financial statements as of 31 December and made necessary adjustments for consolidation regarding important transactions that occurred between 31 December of these companies' fiscal year-end and the end of consolidated account settlement date. To increase the appropriateness of consolidated accounting information, SANAM Corporation, Sanyo Chemical & Resins, LLC, Sanyo Chemical Texas Industries, LLC, Sanyo Kasei (Nantong) Co., Ltd., San-Dia Polymers (Nantong) Co., Ltd. and SANYO CHEMICAL (SHANGHAI) TRADING CO., LTD. have changed the settlement date to prepare provisional financial statements for hypothetical financial fiscal years ending March 31, and these provisional financial statements are used to prepare consolidated financial statements.

With regard to these changing mentioned above, the profit (loss) of three months from 1 January to 31 March 2016 has been recognized in retained earnings.

As a result, retained earnings increased by ¥325million. Increase (decrease) in cash and cash equivalent is indicated as "Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries" in the consolidated quarterly statement of cash flows.

(Changes in accounting policies)

[Change in accounting policy that is difficult to distinguish from change in accounting estimate]

Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment (using the straight-line method for the buildings acquired after April 1, 1998, except building facilities) adopted the straight-line method from this consolidated fiscal year.

Sanyo Chemical Group formulated the Ninth Medium-Term Management Plan, which covers the four-year period from FY2015 through FY2018. It leverages the 4 basic businesses, which seek to expand through process innovation and aggressive investment in large markets.

Superabsorbent polymers (SAP) and lubricating oil additives businesses: We plan to invest in plant and equipment for focusing on global expansion under the policy to expand overseas sales and build a global production management system. While the overseas capital investment ratio will increase, domestic investment will shift to mainly maintenance and replacement of the facilities in corresponds to the market.

Imaging materials and alkylene oxide adducts (AOA): We plan to increase profitability by expansion of the sales of highly profitable developed products and process innovation. For these businesses, we will shift to invest on the maintenance and replacement of the existing facilities.

As we execute the plan, Sanyo Chemical Group promotes concrete measurements, such as to establish the overseas new company in the previous fiscal year. Going forward, we ensure the development of overseas businesses and the establishment of the production management system. Based on them, because we kick into gear to overseas investments in FY2016-the second year of the Ninth Medium Term Management Plan-, which are one of the main measurements of the plan, we reviewed the operating ratio of the facilities of existing and to be scheduled for introduction.

The decision to adopt the straight-line method for depreciation of the property, plant and equipment at Sanyo Chemical and its Japanese consolidated subsidiaries came as a result in estimates of stable operation of the facilities in the future. We deem the method, which allocates average costs over usable period, is more appropriate to reflect actual characteristics of such stable operation.

The change caused to unify the method of depreciation of Sanyo Chemical Group to the straight-line method, which consolidated overseas subsidiaries have conventionally used. Compared with the previous method, the depreciation by the straight-line method decreased by ¥1,836 million, operating income increased by ¥1,664 million, ordinary income and profit before income taxes increased by 1,704 million respectively for this consolidated fiscal year.

(Additional Information)

[Application of Implementation Guidance on Recoverability of Deferred Tax Assets]

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Statement No.26, 28 March 2016) has been applied from the first quarter of this consolidated fiscal year.

4. Segment Information

(1) Information regarding sales, operating income or loss, assets, liabilities and other items by Reporting Segment

[Previous Consolidated Fiscal Year (April 1, 2015 through March 31, 2016)]

(Millions of yen)

	Reporting Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Auto-motives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to third parties	60,089	38,344	21,233	19,702	18,622	157,992	—	157,992
Intersegment sales/transfers	0	—	16	—	380	396	(396)	—
Subtotal	60,089	38,344	21,250	19,702	19,002	158,389	(396)	157,992
Segment income (loss)	5,254	1,625	3,103	1,739	762	12,486	—	12,486
Segment assets	43,922	26,209	21,518	23,492	13,219	128,362	46,958	175,321
Other items								
Depreciation	2,757	2,085	1,520	1,950	942	9,256	—	9,256
Amortization of goodwill	133	—	—	—	—	133	—	133
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	4,418	—	509	4,928	—	4,928
Increase in Tangible and Intangible Fixed assets	6,170	2,402	1,549	3,434	776	14,333	—	14,333

[Current Consolidated Fiscal Year (April 1, 2016 through March 31, 2017)]

(Millions of yen)

	Reporting Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Auto-motives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to third parties	55,442	37,496	21,155	19,368	16,702	150,166	—	150,166
Intersegment sales/transfers	—	—	16	—	336	352	(352)	—
Subtotal	55,442	37,496	21,172	19,368	17,038	150,519	(352)	150,166
Segment income (loss)	3,598	2,110	4,177	2,774	986	13,647	—	13,647
Segment assets	44,861	27,062	21,861	24,541	12,323	130,650	56,213	186,863
Other items								
Depreciation	2,374	1,711	1,109	1,608	608	7,412	—	7,412
Amortization of goodwill	133	—	—	—	—	133	—	133
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	4,432	—	585	5,017	—	5,017
Increase in Tangible and Intangible Fixed assets	6,372	2,061	1,430	2,735	901	13,500	—	13,500

(Changes in Method for Depreciation of Property, Plant and Equipment)

As described in Page 19 “3. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Changes in accounting policies) [Change in accounting policy that is difficult to distinguish from change in accounting estimate]”, Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment (using the straight-line method for the buildings acquired after April 1, 1998, except building facilities) adopted the straight-line method from this consolidated fiscal year.

As a result, compared with the previous method, the income of Toiletries and Health Care segment increased by ¥359 million, Petroleum and Automotives segment increased by ¥381 million, Plastics and Textiles segment increased by ¥264 million, Information and Electrics/Electronics segment increased by ¥516 million, and Environmental Protection, Construction and Others segment increased by ¥143 million respectively for this consolidated fiscal year.

<Reference>

[Information by Geographic Segment]

[Previous Consolidated Fiscal Year (April 1, 2015 through March 31, 2016)]

(Millions of yen)

	Japan	USA	China	Other	Total
I. Net sales and operating profit and loss					
Net sales					
(1) Sales to third parties	119,622	6,540	28,087	3,741	157,992
(2) Inter-segment sales/transfers	6,035	—	1,715	19	7,770
Subtotal	125,658	6,540	29,802	3,760	165,763
Operating expense	116,187	6,685	26,911	3,621	153,405
Operating income (loss)	9,471	(145)	2,890	139	12,357
II. Assets	155,273	7,303	24,751	6,612	193,941

	Elimination or Common Assets	Consolidated Total
I. Net sales and operating profit and loss		
Net sales		
(1) Sales to third parties	—	157,992
(2) Inter-segment sales/transfers	(7,770)	—
Subtotal	(7,770)	157,992
Operating expense	(7,899)	145,506
Operating income (loss)	129	12,486
II. Assets	(18,620)	175,321

[Current Consolidated Fiscal Year (April 1, 2016 through March 31, 2017)]

(Millions of yen)

	Japan	USA	China	Other	Total
I. Net sales and operating profit and loss					
Net sales					
(1) Sales to third parties	115,576	5,905	25,470	3,214	150,166
(2) Inter-segment sales/transfers	6,600	—	1,647	33	8,282
Subtotal	122,177	5,905	27,117	3,247	158,448
Operating expense	109,357	5,954	26,417	3,177	144,906
Operating income (loss)	12,820	(49)	700	70	13,541
II. Assets	175,054	6,268	19,599	11,537	212,459

	Elimination or Common Assets	Consolidated Total
I. Net sales and operating profit and loss		
Net sales		
(1) Sales to third parties	—	150,166
(2) Inter-segment sales/transfers	(8,282)	—
Subtotal	(8,282)	150,166
Operating expense	(8,387)	136,519
Operating income (loss)	105	13,647
II. Assets	(25,595)	186,863

[Overseas Sales]

[Previous Consolidated Fiscal Year (April 1, 2015 through March 31, 2016)]

(Millions of yen)

	Asia	(of which, China)	Americas	Other	Total
I. Overseas sales	42,632	(25,348)	11,442	9,839	63,914
II. Consolidated net sales	—	(—)	—	—	157,992
III. Percentage of overseas sales to consolidated sales (%)	27.0	(16.0)	7.3	6.2	40.5

[Current Consolidated Fiscal Year (April 1, 2016 through March 31, 2017)]

(Millions of yen)

	Asia	(of which, China)	Americas	Other	Total
I. Overseas sales	41,617	(24,169)	7,951	10,238	59,807
II. Consolidated net sales	—	(—)	—	—	150,166
III. Percentage of overseas sales to consolidated sales (%)	27.7	(16.1)	5.3	6.8	39.8

Notes:

1. The term “overseas sales” refers to sales of the parent company and its consolidated subsidiaries registered in countries and regions outside Japan.
2. Areas included in each country or region are determined based on their degree of proximity.
3. Main countries or regions included in each geographic segment
 - (1) Asia: Korea, China, Indonesia, India, and Thailand
 - (2) Americas: USA, Mexico, and Brazil
 - (3) Other: Australia, Europe, Russia, and the Middle East

5. Supplementary Information

1. Trend of Each Quarter Consolidated Results

Previous Fiscal Year

(Millions of yen)

	FY 2015				
	1Q	2Q	3Q	4Q	Total
	April 2015 through June 2015	July 2015 through Sept. 2015	Oct. 2015 through Dec. 2015	Jan. 2016 through March 2016	April 2015 through March 2016
Net sales	39,500	38,932	40,701	38,856	157,992
Operating income	3,192	2,827	3,268	3,197	12,486
Ordinary income	3,579	2,948	3,720	3,045	13,294
Profit attributable to owners of parent	2,171	1,427	2,483	843	6,926
Comprehensive income	2,253	73	2,947	(2,645)	2,627

Current Fiscal Year

(Millions of yen)

	FY 2016				
	1Q	2Q	3Q	4Q	Total
	April 2016 through June 2016	July 2016 through Sept. 2016	Oct. 2016 through Dec. 2016	Jan. 2017 through March 2017	April 2016 through March 2017
Net sales	37,141	34,893	39,496	38,635	150,166
Operating income	3,987	3,536	3,555	2,567	13,647
Ordinary income	3,810	3,655	5,005	2,870	15,341
Profit attributable to owners of parent	2,550	2,604	3,428	1,608	10,192
Comprehensive income	(2,048)	3,454	7,741	2,048	11,196

2. Investment in Plant and Equipment

(Millions of yen)

	Consolidated	Unconsolidated
FY2016	13,500	6,848
FY2015	14,333	7,477

3. Depreciation and Amortization

(Millions of yen)

	Consolidated	Unconsolidated
FY2016	7,412	4,635
FY2015	9,256	6,132

4. Research and Development Cost

(Millions of yen)

	Consolidated	Unconsolidated
FY2016	5,443	4,567
FY2015	5,622	4,800

5. Number of Employees

(Number)

	Consolidated	Unconsolidated
FY2015	1,996	1,269
FY2015	1,973	1,260