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Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (under Japanese GAAP)

May 8, 2020

Company name: **Sanyo Chemical Industries, Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 4471
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 Representative: Takao Ando, President & CEO
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 Scheduled date of ordinary general meeting of shareholders: June 19, 2020
 Scheduled date to commence dividend payments: June 5, 2020
 Scheduled date to file securities report: June 22, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

(% indicates 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	%
Fiscal year ended								
March 31, 2020	155,503	(3.8)	12,439	(3.7)	12,704	(16.4)	7,668	43.4
March 31, 2019	161,599	(0.1)	12,919	7.7	15,205	9.7	5,345	(42.3)

Note: Comprehensive income: Fiscal year ended March 31, 2020 ¥2,178 million [-%]
 Fiscal year ended March 31, 2019 ¥(760) million [-%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2020	347.87	—	6.0	6.8	8.0
March 31, 2019	242.50	—	4.1	7.7	8.0

Reference: Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2020 ¥231 million
 Fiscal year ended March 31, 2019 ¥1,307 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2020	178,873	130,097	71.4	5,789.88
March 31, 2019	193,630	132,623	66.8	5,868.58

Reference: Equity: As of March 31, 2020 ¥127,635 million
 As of March 31, 2019 ¥129,371 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2020	17,232	(11,115)	(7,084)	18,009
March 31, 2019	14,603	(11,312)	(1,492)	19,151

2. Cash dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q (as of June 30)	2Q (as of Sept. 30)	3Q (as of Dec. 31)	4Q (as of Mar. 31)	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	–	60.00	–	65.00	125.00	2,764	51.5	2.1
Fiscal year ended March 31, 2020	–	70.00	–	70.00	140.00	3,096	40.2	2.4
Fiscal year ending March 31, 2021 (Forecast)	–	–	–	–	–		–	

Note: Our dividends for the fiscal year ending March 31, 2021 are undecided at present.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Regarding our consolidated earnings forecast for the fiscal year ending March 31, 2021, considering the unclear future business environment due to the novel coronavirus disease (COVID-19) global pandemic and the plunge in the oil and petroleum product markets, we have decided that it is too difficult to reasonably calculate our earnings forecasts at the current stage, and have left them undecided. We will promptly release the earnings forecasts at the point in the future when we can make reasonable calculations.

*** Notes**

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries resulting in the change in scope of consolidation): None

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

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

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of the period (including treasury shares)

As of March 31, 2020	23,534,752 shares
As of March 31, 2019	23,534,752 shares

b. Number of treasury shares at the end of the period

As of March 31, 2020	1,490,245 shares
As of March 31, 2019	1,489,963 shares

c. Average number of shares outstanding during the period

For the fiscal year ended March 31, 2020	22,044,872 shares
For the fiscal year ended March 31, 2019	22,045,422 shares

Note: Shares of Sanyo Chemical Industries, Ltd. (the "Company") owned by the trust whose beneficiaries are directors, etc. of the Company are included in the treasury shares that are excluded in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results

(% indicates 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	%
Fiscal year ended								
March 31, 2020	103,807	(5.7)	9,065	(8.2)	10,133	(23.8)	4,829	(18.0)
March 31, 2019	110,061	5.9	9,871	12.9	13,292	13.2	5,888	(33.6)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2020	219.08	—
March 31, 2019	267.11	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2020	151,873	115,605	76.1	5,244.17
March 31, 2019	165,908	117,901	71.1	5,348.26

Reference: Equity: As of March 31, 2020 ¥115,605 million
As of March 31, 2019 ¥117,901 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

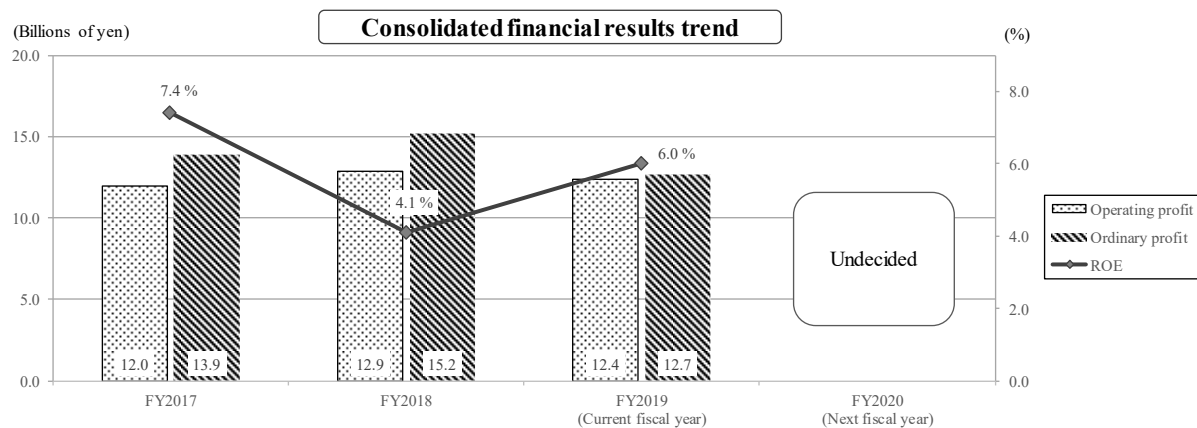
* Appropriate use of earnings forecasts and other special items

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual earnings may differ significantly due to various factors. See page 2, “1. Analysis of results of operations and financial position, (1) Qualitative information regarding operating 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 financial results trend and the feature

(Millions of yen)

	FY2017 (Fiscal year ended March 31, 2018)		FY2018 (Fiscal year ended March 31, 2019)		FY2019 (Fiscal year ended March 31, 2020)		FY2020 (Fiscal year ending March 31, 2021)		Changed amount	
	Amount	YoY change	Amount	YoY change	Amount	YoY change	Amount	YoY change	FY2019 – FY2018	FY2020 – FY2019
Net sales	161,692	7.7%	161,599	(0.1)%	155,503	(3.8)%	–	–	(6,095)	–
Operating profit	11,999	(12.1)%	12,919	7.7%	12,439	(3.7)%	–	–	(480)	–
Ordinary profit	13,866	(9.6)%	15,205	9.7%	12,704	(16.4)%	–	–	(2,500)	–
Profit attributable to owners of parent	9,272	(9.0)%	5,345	(42.3)%	7,668	43.4%	–	–	2,322	–
Share of profit of entities accounted for using equity method	834		1,307		231		–	–	(1,076)	–
Profit attributable to non-controlling interests	92		(2,563)		84		–	–	2,648	–
Net assets	136,270	6.8%	132,623	(2.7)%	130,097	(1.9)%	–	–%	(2,525)	–
Total assets	199,179	6.6%	193,630	(2.8)%	178,873	(7.6)%	–	–%	(14,756)	–
ROE (Return on equity)		7.4%		4.1%		6.0%		–%	Percentage points 1.9	Percentage points –



Feature of the fiscal year ended March 31, 2020 (FY2019) (Comparison with the previous fiscal year)

- ◎ Decreased sales and increased profit: Net sales decreased due to appropriate sales price revision to respond to a drop in raw materials costs, despite increased sales amount. In terms of profit, we recorded increases mainly due to impairment loss of non-current assets in SDP GLOBAL (MALAYSIA) SDN. BHD. recorded in the previous fiscal year, despite a decrease in sales volume of profitable products and a decrease in share of profit of entities accounted for using equity method and other factors.

(Billions of yen)

			Main factors
Net sales	(6.0)	(Decreased sales)	• Appropriate price revision to respond to a drop in raw materials costs
Operating profit	(0.4)	(Decreased profit)	• Decrease in sales volume of profitable products and improvement of spread between sales and purchase
Ordinary profit	(2.5)	(Decreased profit)	• Decrease in share of profit of entities accounted for using equity method and deterioration in foreign exchange gains (losses)
Profit attributable to owners of parent	+2.3	(Increased profit)	• Decrease in extraordinary losses recorded in the previous fiscal year: impairment loss: (8.8) gain on sales of investment securities: 2.4

Feature of the fiscal year ending March 31, 2021 (FY2020) (Comparison with current fiscal year)

Considering the unclear future business environment due to the COVID-19 global pandemic and the plunge in the oil and petroleum product markets, we have decided that it is too difficult to reasonably calculate our earnings forecasts at the current stage, and have left them undecided.

Attached Material Index

- 1. Analysis of results of operations and financial position** 2
 - (1) Qualitative information regarding operating results..... 2
 - (2) Analysis of financial position..... 4
 - (3) Basic policy on appropriation of profits and dividend payment for the current fiscal year and the next..... 5
- 2. Status of the corporate group**..... 6
- 3. Basic policy on selection of accounting standards** 7
- 4. Consolidated financial statements and significant notes thereto** 8
 - (1) Consolidated balance sheets 8
 - (2) Consolidated statements of income and consolidated statements of comprehensive income 10
 - Consolidated statements of income 10
 - Consolidated statements of comprehensive income 12
 - (3) Consolidated statements of changes in net assets..... 13
 - (4) Consolidated statements of cash flows..... 15
 - (5) Notes to consolidated financial statements..... 17
 - Notes to going concern assumptions 17
 - Changes in accounting policies 17
 - Consolidated Statements of Income 17
 - Segment information 18
 - Per share information 22
 - Significant subsequent events..... 22
- 5. Supplementary information** 23

1. Analysis of results of operations and financial position

(1) Qualitative information regarding operating results

During the fiscal year ended March 31, 2020, the Japanese economy was treading water mainly due to stagnant exports which resulted from the slowdown in the Chinese economy, despite a gradual recovery in private consumption. Beginning in the fourth quarter, with a severe contraction in economic activities due to the COVID-19 global pandemic, the future has become unclear.

Regarding the global economy, while there were continued effects of trade friction between the US and China on the real economy, from the fourth quarter, demand evaporated due to turmoil in the supply chain caused by the COVID-19 pandemic and stay-at-home orders, leading to a critical situation.

In the chemical industry, while raw material costs are unstable mainly due to increasing tension in the Middle East, and the forex market is experiencing yen appreciation due a shift to easing in US monetary policy and other factors, from the fourth quarter, the COVID-19 pandemic has had great effects on the business environment, including plunging oil prices and turmoil in the currency market, creating an unpredictable situation.

Under these circumstances, net sales for the fiscal year under review decreased by 3.8% year on year, to ¥155,503 million. In terms of profit, operating profit was ¥12,439 million (a decrease of 3.7% year on year) mainly due to a decrease in net sales, and ordinary profit was ¥12,704 million (a decrease of 16.4% year on year) mainly due to foreign exchange losses and a decrease in share of profit of entities accounted for using equity method. Profit attributable to owners of parent was ¥7,668 million (an increase of 43.4% year on year).

1) Business performance

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change	
			(Amount)	(Ratio)
Net sales	161,599	155,503	(6,095)	(3.8)%
Operating profit	12,919	12,439	(480)	(3.7)%
Ordinary profit	15,205	12,704	(2,500)	(16.4)%
Profit attributable to owners of parent	5,345	7,668	2,322	43.4%
Basic earnings per share	¥242.50	¥347.87	¥105.37	43.5%
ROA (Return on assets*)	7.7%	6.8%	–	(0.9) percentage point
ROE (Return on equity)	4.1%	6.0%	–	1.9 percentage point
Currency exchange (US\$, CNY)	US\$=¥110.93	US\$=¥108.72		¥(2.21)
	CNY=¥16.54	CNY=¥15.60		¥(0.94)
Naphtha price in Japan	¥49,400/kl	¥42,800/kl		¥(6,600)/kl

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

2) Business performance by segment
Results by product group (segment) were as follows.

(Millions of yen)

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	55,293	1,176	53,726	1,590	(1,567)	414
Petroleum and Automotives	43,109	3,059	42,770	3,740	(339)	681
Plastics and Textiles	22,169	3,388	21,453	3,003	(716)	(384)
Information and Electrics/Electronics	22,761	4,003	20,985	2,937	(1,775)	(1,065)
Environmental Protection, Construction and Others	18,264	1,292	16,567	1,166	(1,696)	(126)

<Toiletries and Health Care>

In the Toiletries segment, sales were weak because of flat sales for surfactants for liquid laundry detergents and weak sales of polyethyleneglycol in both domestic and foreign markets.

In the Health Care segment, sales were flat, as product prices fell for our mainstay superabsorbent polymers due to the drop in raw material costs while SDP GLOBAL (MALAYSIA) SDN. BHD. began real operations.

As a result, total net sales in this segment decreased by 2.8% year on year, to ¥53,726 million. Operating profit was ¥1,590 million (an increase of 35.2% year on year).

<Petroleum and Automotives>

In the Petroleum and Automotives segment, sales were flat. This was due to a decrease in sales of raw materials for polyurethane foams used in automobile seats and other applications, despite flat sales of lubricant additives and increased sales of thermoplastic polyurethane beads for interior parts of automobiles due to an increase in vehicle models using high-performance parts.

As a result, total net sales in this segment decreased by 0.8% year on year, to ¥42,770 million. Operating profit was ¥3,740 million (an increase of 22.3% year on year).

<Plastics and Textiles>

In the Plastics segment, while sales of paint coating agents and additives were strong, sales of our mainstay permanent antistatic agents and resin modifiers did not increase. As a result, sales in the Plastics segment were flat.

The Textiles segment experienced a large-scale decline in sales, as polyurethane resins for synthetic leather and elastomer fiber and the spin finish oil used in the manufacturing process of tire cord yarns and other items experienced a downturn due to reasons such as the impact of the issue between the US and China of export tariffs on exports to China, despite increased sales of chemicals for carbon fibers due to an increase in demand.

As a result, total net sales in this segment decreased by 3.2% year on year, to ¥21,453 million. Operating profit was ¥3,003 million (a decrease of 11.4% year on year).

<Information and Electrics/Electronics>

In the Information segment, sales were weak due to decreased sales of polyester beads as a core component of polymerization toners due to users' inventory adjustments, despite flat sales of toner resins for pulverized toners.

In the Electrics/Electronics segment, sales were weak due to weak sales of electrolytes for aluminum electrolytic capacitors, despite brisk sales of adhesives for electronic parts.

As a result, total net sales in this segment decreased by 7.8% year on year, to ¥20,985 million. Operating profit was ¥2,937 million (a decrease of 26.6% year on year).

<Environmental Protection, Construction and Others>

In the Environmental Protection segment, sales were weak due to the continued stagnation of the polymer flocculants market and a lack of increase in sales of cationic monomer, the raw material used to make polymer flocculants.

In the Construction segment, sales were weak. This was because domestic sales of raw materials for building sealants were weak despite increased overseas sales of the materials, and because sales of raw materials for polyurethane foams mainly used in furniture and heat insulating materials were also weak. As a result, total net sales in this segment decreased by 9.3% year on year, to ¥16,567 million. Operating profit was ¥1,166 million (a decrease of 9.8% year on year).

<Forecast for the fiscal year ending March 31, 2021>

Regarding our consolidated earnings forecast for the fiscal year ending March 31, 2021, considering the unclear future business environment due to the COVID-19 global pandemic and the plunge in the oil and petroleum product markets, we have decided that it is too difficult to reasonably calculate our earnings forecasts at the current stage, and have left them undecided. We will promptly release the earnings forecasts at the point in the future when we can make reasonable calculations.

(2) Analysis of financial position

Total assets at the end of the fiscal year under review decreased by ¥14,756 million compared with the end of the previous fiscal year, amounting to ¥178,873 million. Current assets decreased by ¥9,217 million from the end of the previous fiscal year to ¥85,835 million mainly due to a ¥6,268 million decrease in notes and accounts receivable - trade and a ¥1,141 million decrease in cash and deposits. Non-current assets decreased by ¥5,539 million from the end of the previous fiscal year to ¥93,038 million mainly due to a ¥6,162 million decrease in investment securities.

Current liabilities decreased by ¥9,757 million from the end of the previous fiscal year to ¥42,766 million mainly due to a ¥4,803 million decrease in accounts payable - trade and a ¥2,529 million decrease in electronically recorded obligations - operating. Non-current liabilities decreased by ¥2,473 million from the end of the previous fiscal year to ¥6,009 million mainly due to a ¥1,400 million decrease in long-term borrowings and a ¥1,286 million decrease in deferred tax liabilities.

Net assets at the end of the fiscal year under review decreased by ¥2,525 million from the end of the previous fiscal year, to ¥130,097 million. Equity ratio rose by 4.6 percentage points to 71.4% from 66.8% as of the end of the previous fiscal year. Net assets per share decreased by ¥78.70 to ¥5,789.88 from ¥5,868.58 as of the end of the previous fiscal year.

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Cash flows from operating activities	14,603	17,232	2,629
Cash flows from investing activities	(11,312)	(11,115)	197
Cash flows from financing activities	(1,492)	(7,084)	(5,592)
Effect of exchange rate changes on cash and cash equivalents	(24)	(173)	(149)
Net increase (decrease) in cash and cash equivalents	1,773	(1,141)	(2,914)
Cash and cash equivalents at the end of period	19,151	18,009	(1,141)

Cash and cash equivalents (“cash”) as of the end of the fiscal year under review amounted to ¥18,009 million. This marked a decrease of ¥1,141 million compared with the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥17,232 million (compared to ¥14,603 million in net cash provided during the previous fiscal year). This result was mainly due to the cash inflow

from profit before income taxes of ¥11,008 million and depreciation of ¥9,159 million, which outweighed the cash outflow mainly from the decrease in income taxes paid of ¥5,305 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥11,115 million (compared to ¥11,312 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥8,194 million for purchase of non-current assets.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥7,084 million (compared to ¥1,492 million in net cash used during the previous fiscal year). This result was mainly due to the cash outflow from dividends paid of ¥2,973 million and net decrease in borrowings of ¥2,282 million.

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

	Fiscal year ended March 31,				
	2016	2017	2018	2019	2020
Equity ratio (%)	63.9	65.1	65.3	66.8	71.4
Equity ratio on a market value basis (%)	49.9	55.2	55.2	58.3	48.7
Cash flows / interest-bearing debt ratio (years)	0.7	0.7	0.7	0.8	0.6
Interest coverage ratio (times)	101.7	134.9	126.8	124.5	164.0

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 treasury shares]).

* Net cash provided by operating activities is as reported on the consolidated statements of cash flows. Interest payments are reported under interest paid on the consolidated statements of cash flow.

(3) Basic policy on 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.

The Company plans to pay the year-end dividend of ¥70 per share (an annual dividend of ¥140 per share) for the fiscal year ended March 31, 2020.

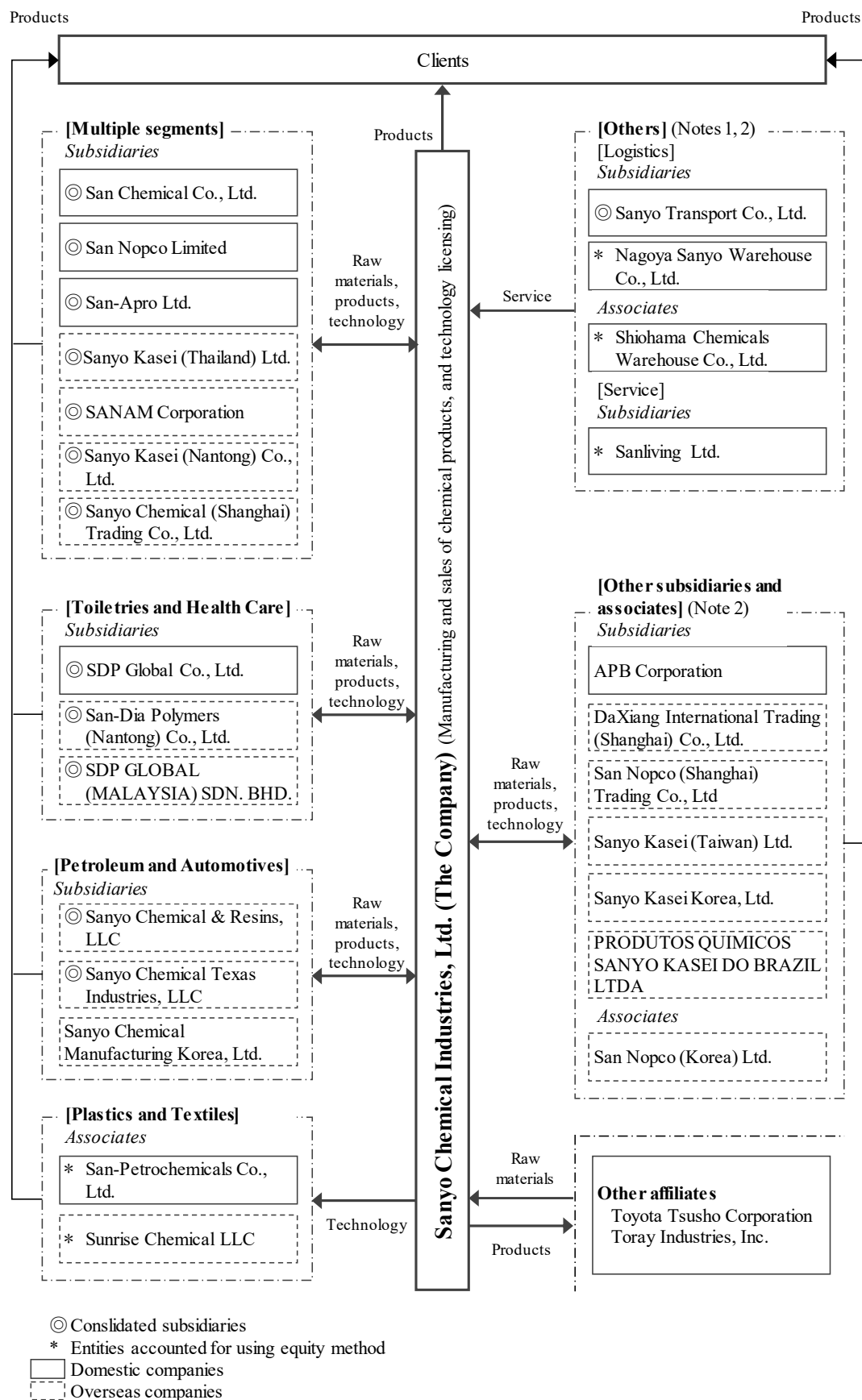
Furthermore, regarding our dividend forecast for the fiscal year ending March 31, 2021, we cannot provide an outlook of the effects of the COVID-19 worldwide outbreak at this time. Due to the difficulty in providing reasonable dividend forecasts, we have left our dividend forecast for the second quarter-end and the year-end dividends undecided.

<Consolidated dividends per share & payout ratio trend>

	Fiscal year ended March 31,				
	2017	2018	2019	2020 Current fiscal year	2021 Next fiscal year (forecast)
Interim	¥45.0	¥55.0	¥60.0	¥70.0	¥-
Year-end	¥55.0	¥55.0	¥65.0	¥70.0	¥-
Annual	¥100.0	¥110.0	¥125.0	¥140.0	¥-
Payout ratio	21.6%	26.2%	51.5%	40.2%	-%

2. Status of the corporate group

The Company's corporate group is composed of the Company, 22 subsidiaries and four associates. The transactions of the corporate group are shown in the below graphic.



- Notes: 1. On April 1, 2020, Sanyo Transport Co., Ltd. and Nagoya Sanyo Warehouse Co., Ltd. merged, and the trade name was changed to Sanyo Chemical Logistics Co., Ltd.
2. These companies have not been classified by segment.

3. Basic policy on selection of accounting standards

Sanyo Chemical Group prepares its consolidated financial statements in accordance with the Japanese accounting standards taking into consideration the comparability between consolidated financial statements over different accounting periods and of different companies.

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

4. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	19,151	18,009
Notes and accounts receivable - trade	47,223	40,954
Electronically recorded monetary claims - operating	2,037	1,621
Merchandise and finished goods	15,387	14,729
Semi-finished goods	3,765	3,926
Work in process	492	435
Raw materials and supplies	5,372	4,873
Other	1,663	1,316
Allowance for doubtful accounts	(38)	(32)
Total current assets	95,053	85,835
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,412	46,750
Accumulated depreciation	(27,878)	(28,794)
Buildings and structures, net	18,533	17,956
Machinery, equipment and vehicles	153,626	155,050
Accumulated depreciation	(122,290)	(125,065)
Machinery, equipment and vehicles, net	31,336	29,985
Land	8,900	8,875
Construction in progress	994	1,330
Other	13,058	13,464
Accumulated depreciation	(10,498)	(10,895)
Other, net	2,560	2,568
Total property, plant and equipment	62,324	60,716
Intangible assets		
Software	1,255	1,405
Other	1,160	1,091
Total intangible assets	2,416	2,497
Investments and other assets		
Investment securities	28,864	22,701
Long-term loans receivable	984	2,232
Deferred tax assets	452	311
Retirement benefit asset	1,611	983
Other	1,952	3,624
Allowance for doubtful accounts	(28)	(29)
Total investments and other assets	33,835	29,823
Total non-current assets	98,577	93,038
Total assets	193,630	178,873

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	22,248	17,444
Electronically recorded obligations - operating	7,402	4,872
Short-term borrowings	6,221	5,867
Current portion of long-term borrowings	1,964	1,400
Accrued expenses	3,542	3,146
Income taxes payable	3,137	715
Provision for bonuses	2,113	1,916
Provision for bonuses for directors (and other officers)	114	107
Electronically recorded obligations - non-operating	945	799
Provision for loss on factory closing	–	541
Other	4,834	5,954
Total current liabilities	52,524	42,766
Non-current liabilities		
Long-term borrowings	3,800	2,400
Deferred tax liabilities	3,044	1,758
Provision for stock-based compensation	77	189
Retirement benefit liability	76	27
Other	1,485	1,633
Total non-current liabilities	8,482	6,009
Total liabilities	61,007	48,775
Net assets		
Shareholders' equity		
Share capital	13,051	13,051
Capital surplus	12,290	11,246
Retained earnings	98,350	103,033
Treasury shares	(5,856)	(5,858)
Total shareholders' equity	117,836	121,473
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,263	6,122
Foreign currency translation adjustment	1,189	471
Remeasurements of defined benefit plans	82	(431)
Total accumulated other comprehensive income	11,535	6,161
Non-controlling interests	3,251	2,462
Total net assets	132,623	130,097
Total liabilities and net assets	193,630	178,873

(2) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	161,599	155,503
Cost of sales	126,152	120,748
Gross profit	35,446	34,755
Selling, general and administrative expenses		
Freight and storage charges	6,157	6,386
Salaries and compensations	3,573	3,654
Employees' bonuses	1,339	1,216
Retirement benefit expenses	199	204
Welfare expenses	1,095	1,092
Depreciation	435	401
Research and development expenses	5,569	5,322
Other	4,154	4,037
Total selling, general and administrative expenses	22,526	22,316
Operating profit	12,919	12,439
Non-operating income		
Interest income	52	95
Dividend income	816	700
Rental income from real estate	363	361
Share of profit of entities accounted for using equity method	1,307	231
Foreign exchange gains	247	–
Other	288	225
Total non-operating income	3,076	1,615
Non-operating expenses		
Interest expenses	119	98
Rental costs on real estate	104	105
Loss on abandonment of inventories	94	146
Foreign exchange losses	–	474
Other	472	525
Total non-operating expenses	791	1,350
Ordinary profit	15,205	12,704
Extraordinary income		
Gain on sales of non-current assets	55	–
Gain on sales of investment securities	*1 2,416	*1 160
Insurance claim income	113	125
Other	16	–
Total extraordinary income	2,602	286
Extraordinary losses		
Loss on valuation of investment securities	–	182
Loss on sales of non-current assets	27	–
Loss on retirement of non-current assets	857	1,185
Loss on closing of factory	–	*2 541
Impairment loss	*3 8,796	–
Amortization of goodwill	*4 534	–
Other	49	73
Total extraordinary losses	10,265	1,983

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit before income taxes	7,541	11,008
Income taxes - current	4,594	2,958
Income taxes - deferred	164	295
Total income taxes	4,759	3,254
Profit	2,782	7,753
Profit (loss) attributable to non-controlling interests	(2,563)	84
Profit attributable to owners of parent	5,345	7,668

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	2,782	7,753
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,393)	(4,141)
Foreign currency translation adjustment	48	(920)
Remeasurements of defined benefit plans, net of tax	(197)	(513)
Total other comprehensive income	(3,542)	(5,575)
Comprehensive income	(760)	2,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,818	2,295
Comprehensive income attributable to non-controlling interests	(2,578)	(116)

(3) Consolidated statements of changes in net assets
Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,051	12,194	95,544	(5,752)	115,037
Changes during period					
Dividends of surplus			(2,539)		(2,539)
Change in ownership interest of parent due to transactions with non-controlling interests		-			-
Capital increase of consolidated subsidiaries		-			-
Profit attributable to owners of parent			5,345		5,345
Purchase of treasury shares				(388)	(388)
Disposal of treasury shares		96		285	381
Net changes in items other than shareholders' equity					
Total changes during period	-	96	2,806	(103)	2,799
Balance at end of period	13,051	12,290	98,350	(5,856)	117,836

	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 period	13,656	1,126	279	15,062	6,170	136,270
Changes during period						
Dividends of surplus						(2,539)
Change in ownership interest of parent due to transactions with non-controlling interests						-
Capital increase of consolidated subsidiaries						-
Profit attributable to owners of parent						5,345
Purchase of treasury shares						(388)
Disposal of treasury shares						381
Net changes in items other than shareholders' equity	(3,393)	63	(197)	(3,527)	(2,918)	(6,445)
Total changes during period	(3,393)	63	(197)	(3,527)	(2,918)	(3,646)
Balance at end of period	10,263	1,189	82	11,535	3,251	132,623

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,051	12,290	98,350	(5,856)	117,836
Changes during period					
Dividends of surplus			(2,985)		(2,985)
Change in ownership interest of parent due to transactions with non-controlling interests		(1,017)			(1,017)
Capital increase of consolidated subsidiaries		(26)			(26)
Profit attributable to owners of parent			7,668		7,668
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		0		5	5
Net changes in items other than shareholders' equity					
Total changes during period	-	(1,044)	4,682	(1)	3,637
Balance at end of period	13,051	11,246	103,033	(5,858)	121,473

	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 period	10,263	1,189	82	11,535	3,251	132,623
Changes during period						
Dividends of surplus						(2,985)
Change in ownership interest of parent due to transactions with non-controlling interests						(1,017)
Capital increase of consolidated subsidiaries						(26)
Profit attributable to owners of parent						7,668
Purchase of treasury shares						(6)
Disposal of treasury shares						5
Net changes in items other than shareholders' equity	(4,141)	(718)	(513)	(5,373)	(789)	(6,162)
Total changes during period	(4,141)	(718)	(513)	(5,373)	(789)	(2,525)
Balance at end of period	6,122	471	(431)	6,161	2,462	130,097

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	7,541	11,008
Depreciation	9,168	9,159
Loss on retirement of non-current assets	857	1,185
Loss on closing of factory	–	541
Impairment loss	8,796	–
Amortization of goodwill	667	–
Increase (decrease) in provision for bonuses	134	(193)
Changes in retirement benefit asset and liability	(195)	(161)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	20	–
Increase (decrease) in provision for bonuses for directors (and other officers)	9	(6)
Increase (decrease) in provision for stock-based compensation	77	115
Interest and dividend income	(869)	(796)
Interest expenses	119	98
Share of loss (profit) of entities accounted for using equity method	(1,307)	(231)
Loss (gain) on sales of investment securities	(2,416)	(160)
Loss (gain) on valuation of investment securities	–	182
Decrease (increase) in trade receivables	(663)	6,456
Decrease (increase) in inventories	(4,143)	753
Increase (decrease) in trade payables	(2,590)	(7,135)
Other, net	342	301
Subtotal	15,547	21,115
Interest and dividends received	2,066	1,527
Interest paid	(117)	(105)
Income taxes paid	(2,893)	(5,305)
Net cash provided by (used in) operating activities	14,603	17,232
Cash flows from investing activities		
Purchase of non-current assets	(11,551)	(8,194)
Proceeds from sales of property, plant and equipment	84	105
Purchase of investment securities	(559)	(5)
Proceeds from sales of investment securities	3,273	239
Long-term loan advances	(994)	(1,403)
Payment for other investment activities	(1,625)	(1,894)
Proceeds from other investment activities	58	35
Net cash provided by (used in) investing activities	(11,312)	(11,115)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,597	(330)
Repayments of long-term borrowings	(2,206)	(1,952)
Net decrease (increase) in treasury shares	(7)	(4)
Dividends paid	(2,536)	(2,973)
Dividends paid to non-controlling interests	(340)	(350)
Proceeds from share issuance to non-controlling shareholders	–	533
Additional purchase of shares of subsidiaries	–	(1,900)
Other, net	–	(107)
Net cash provided by (used in) financing activities	(1,492)	(7,084)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Effect of exchange rate change on cash and cash equivalents	(24)	(173)
Net increase (decrease) in cash and cash equivalents	1,773	(1,141)
Cash and cash equivalents at beginning of period	17,377	19,151
Cash and cash equivalents at end of period	19,151	18,009

(5) Notes to consolidated financial statements

Notes to going concern assumptions

None

Changes in accounting policies

The Company has applied IFRS 16 Leases to certain overseas consolidated subsidiaries from the fiscal year under review. As a result of this change, in principle, the borrower now recognizes both assets and liabilities in all leases.

The effects of the application of this standard on the consolidated financial statements are immaterial.

Consolidated Statements of Income

*1 Gain on sales of investment securities

The Group sold investment securities in order to reduce cross-holding securities based on revised Japan's Corporate Governance Code.

*2 Loss on closing of factory

This is the amount of the expected losses from the closing of the factory at the Company's consolidated subsidiary Sanyo Chemical & Resins, LLC.

*3 Impairment loss

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Location	Main use	Class and amount
SDP GLOBAL (MALAYSIA) SDN. BHD. Johor, Malaysia	Facilities related to Toiletries and Health Care	Machinery and buildings ¥8,721 million
Sanyo Chemical & Resins, LLC Pennsylvania, USA	Facilities related to Petroleum and Automotives	Machinery ¥75 million

*4 Amortization of goodwill

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Immediate amortization of goodwill was recognized based on Item 32 of the "Practical Guideline Related to Capital Consolidation Procedures in Consolidated Financial Statements" (Final Revision on November 28, 2014, the Accounting Practice Committee Report No. 7 issued by the Japanese Institute of Certified Public Accountants).

Segment information

[Segment information]

1. Overview of reportable segments

We can acquire isolated data for each of the Group's reportable segments, which have been linked to the market domains that form the foundation of the Group's research and development and strategy formulation. Furthermore, the Group's reportable segments are composed of product categories based on the uses of the Group's products. There are five reportable segments: "Toiletries and Health Care," "Petroleum and Automotives," "Plastics and Textiles," "Information and Electrics/Electronics," and "Environmental Protection, Construction and Others."

The "Toiletries and Health Care" segment manufactures and sells surfactants for detergents, surfactants for toiletries, pharmaceutical additives, and superabsorbent polymers. The "Petroleum and Automotives" segment manufactures and sells thermoplastic polyurethane beads for interior parts of automobiles, polyurethane foam raw materials, and lubricant additives. The "Plastics and Textiles" segment manufactures and sells permanent antistatic agents, chemicals for carbon fibers and fiberglass agents. The "Information and Electrics/Electronics" segment manufactures and sells core components of polymerization toners, toner resins, and electrolytes for aluminum electrolytic capacitors. The "Environmental Protection, Construction, and Others" segment manufactures and sells polymer flocculants for wastewater treatment and polyurethane insulation raw materials.

2. Method of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting treatment methods used for the reportable segments are the same as those listed in the "Significant matters forming the basis of preparing consolidated financial statements."

Figures for profits for the reportable segments use an operating profit base.

Market prices and other factors are considered in deciding internal sales and transfer among segments.

3. Information regarding net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	55,293	43,109	22,169	22,761	18,264	161,599	–	161,599
Intersegment sales/transfers	–	–	4	–	64	69	(69)	–
Total	55,293	43,109	22,174	22,761	18,329	161,668	(69)	161,599
Segment profit	1,176	3,059	3,388	4,003	1,292	12,919	–	12,919
Segment assets	41,827	36,860	23,090	27,353	14,608	143,740	49,889	193,630
Other items								
Depreciation	3,016	2,140	1,168	2,109	652	9,087	–	9,087
Amortization of goodwill	667	–	–	–	–	667	–	667
Investments in entities accounted for using equity method	–	–	4,565	–	547	5,112	–	5,112
Increase in property, plant and equipment and intangible assets	3,506	2,910	1,656	2,013	761	10,848	–	10,848

Note: Amortization of goodwill concerning the Toiletries and Health Care segment includes ¥534 million for amortization of goodwill appropriated in extraordinary losses.

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	53,726	42,770	21,453	20,985	16,567	155,503	–	155,503
Intersegment sales/transfers	–	–	–	–	70	70	(70)	–
Total	53,726	42,770	21,453	20,985	16,638	155,574	(70)	155,503
Segment profit	1,590	3,740	3,003	2,937	1,166	12,439	–	12,439
Segment assets	41,337	34,214	21,438	25,939	12,938	135,868	43,005	178,873
Other items								
Depreciation	2,609	2,422	1,229	2,164	652	9,078	–	9,078
Investments in entities accounted for using equity method	–	–	3,941	–	558	4,499	–	4,499
Increase in property, plant and equipment and intangible assets	1,507	2,589	1,791	1,657	673	8,219	–	8,219

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

The total amount of segment profit or losses matches operating profit in the consolidated statement of income, and totals for other items match the amounts recorded in the consolidated financial statement.

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales		
Reportable segment total	161,668	155,574
Intersegment eliminations	(69)	(70)
Net sales in the consolidated financial statements	161,599	155,503

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Assets		
Reportable segment total	143,740	135,868
Intersegment eliminations	–	–
Corporate assets (Note)	49,889	43,005
Total assets in the consolidated financial statements	193,630	178,873

Note: The corporate assets are mainly cash and deposits, investment securities, etc. that have not been attributed to a reportable segment.

<Reference>

[Information by geographic segment]

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
I. Net sales and operating profit (loss)							
Net sales							
(1) Sales to external customers	124,783	6,453	26,271	4,090	161,599	–	161,599
(2) Intersegment sales/transfers	7,491	–	1,912	60	9,463	(9,463)	–
Total	132,274	6,453	28,183	4,151	171,062	(9,463)	161,599
Operating expense	118,978	6,246	27,649	5,353	158,229	(9,549)	148,679
Operating profit (loss)	13,296	206	534	(1,202)	12,833	85	12,919
II. Assets	183,606	5,848	18,015	8,295	215,765	(22,135)	193,630

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
I. Net sales and operating profit (loss)							
Net sales							
(1) Sales to external customers	117,290	7,183	23,857	7,172	155,503	–	155,503
(2) Intersegment sales/transfers	7,395	–	2,135	53	9,584	(9,584)	–
Total	124,685	7,183	25,992	7,225	165,087	(9,584)	155,503
Operating expense	112,283	6,868	25,317	8,241	152,710	(9,646)	143,064
Operating profit (loss)	12,402	315	674	(1,015)	12,377	62	12,439
II. Assets	168,686	5,542	17,427	9,557	201,213	(22,340)	178,873

[Overseas net sales]

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	48,362	[26,913]	7,939	5,236	61,537
II. Consolidated net sales	–	[–]	–	–	161,599
III. Percentage of overseas net sales to consolidated net sales (%)	29.9	[16.7]	5.0	3.2	38.1

Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	48,561	[28,963]	9,066	2,552	60,179
II. Consolidated net sales	–	[–]	–	–	155,503
III. Percentage of overseas net sales to consolidated net sales (%)	31.2	[18.6]	5.9	1.6	38.7

- Notes: 1. The term “overseas net sales” refers to net sales of the Company (non-consolidated) 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: South Korea, China, Indonesia, India, Thailand, etc.
 - (2) Americas: USA, Mexico, Brazil, etc.
 - (3) Other: Australia, Europe, Russia, the Middle East, etc.

Per share information

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	¥5,868.58	¥5,789.88
Basic earnings per share	¥242.50	¥347.87

- Notes: 1. Diluted earnings per share is not provided because the Company had no potential dilutive shares.
2. Shares of Sanyo Chemical Industries, Ltd. (the “Company”) owned by the trust whose beneficiaries are directors, etc. that were recorded as treasury shares in shareholders’ equity are included in the treasury shares that are excluded from the total number of treasury shares issued at the end of the period in calculating net assets per share (73,800 shares in the previous fiscal year and 72,900 shares in the current fiscal year).
3. Shares of the Company owned by the trust whose beneficiaries are directors, etc. that were recorded as treasury shares in shareholders’ equity are included in the treasury shares that are excluded in calculating the average number of shares outstanding during the period in calculating the basic earnings per share (45,415 shares in the previous fiscal year and 73,223 shares in the current fiscal year).
4. The basis for calculation of basic earnings per share is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit attributable to owners of parent (Millions of yen)	5,345	7,668
Amount not attributed to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common stock (Millions of yen)	5,345	7,668
Average number of shares outstanding during the period (Thousand shares)	22,045	22,044

Significant subsequent events

None

5. Supplementary information

1. Trend of quarterly consolidated earnings

Fiscal year ended March 31, 2019

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2018 to June 2018	July 2018 to September 2018	October 2018 to December 2018	January 2019 to March 2019	April 2018 to March 2019
Net sales	41,293	40,664	41,237	38,404	161,599
Operating profit	3,590	3,200	3,405	2,723	12,919
Ordinary profit	4,654	3,924	3,792	2,833	15,205
Profit attributable to owners of parent	3,170	2,778	3,200	(3,802)	5,345
Comprehensive income	4,164	4,430	(1,868)	(7,486)	(760)

Fiscal year ended March 31, 2020

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2019 to June 2019	July 2019 to September 2019	October 2019 to December 2019	January 2020 to March 2020	April 2019 to March 2020
Net sales	39,277	38,671	39,779	37,775	155,503
Operating profit	2,905	3,000	2,811	3,721	12,439
Ordinary profit	2,898	2,995	3,313	3,496	12,704
Profit attributable to owners of parent	1,794	1,998	2,126	1,749	7,668
Comprehensive income	1,021	729	3,569	(3,142)	2,178

2. Investment in plant and equipment

(Millions of yen)

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2020	8,219	5,457
Fiscal year ended March 31, 2019	10,848	6,903

3. Depreciation and amortization

(Millions of yen)

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2020	9,078	6,229
Fiscal year ended March 31, 2019	9,087	5,867

4. Research and development cost

(Millions of yen)

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2020	5,322	4,609
Fiscal year ended March 31, 2019	5,569	4,789

5. Number of employees

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2020	2,060	1,346
Fiscal year ended March 31, 2019	2,078	1,356