

Condensed Consolidated Financial Information

(Japanese Standard)
**for the Fiscal Year
Ended March 31, 2016**

(April 1, 2015 through March 31, 2016)

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 <http://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,			
	2016		2015	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	157,992	(5.4%)	167,045	1.1%
Operating income	12,486	39.6%	8,944	10.3%
Ordinary income	13,294	29.3%	10,278	11.6%
Net income	6,926	17.9%	5,876	19.5%
Comprehensive income	2,627	(82.9%)	15,341	38.6%

	Year ended March 31,	
	2016	2015
	Yen	Yen
Net income per share	62.83	53.29
Net income per share, diluted	-	-

	Year ended March 31,	
	2016	2015
	%	%
Return on equity	6.2	5.6
Ordinary income to total assets	7.5	5.9
Operating income to net sales	7.9	5.4

(Reference)Equity in earnings of affiliated companies: Year ended March 31, 2016:¥529 million
Year ended March 31, 2015:¥492 million

1-2. Financial Conditions

	As of March 31,	
	2016	2015
	Millions of Yen	Millions of Yen
Total assets	175,321	181,029
Net assets	118,284	117,688
Equity ratio	63.9%	61.8%
Net assets per share (Yen)	1,016.06	1,014.19

(Reference)Equity: Year ended March 31, 2016:¥112,019 million
Year ended March 31, 2015:¥111,827 million

1-3. Cash Flows

	Year ended March 31,	
	2016	2015
	Millions of Yen	Millions of Yen
Net cash provided by (used in) operating activities	22,625	11,518
Net cash provided by (used in) investing activities	(13,510)	(8,656)
Net cash provided by (used in) financing activities	(5,493)	(2,922)
Cash and cash equivalents at end of period	19,323	16,016

2. Cash Dividend

	Year ended March 31,		
	2015	2016	2017 (Forecast)
Cash dividend per share	Yen	Yen	Yen
1Q (as of June 30)	-	-	-
2Q (as of Sept. 30)	7.50	8.00	9.00
3Q (as of Dec. 31)	-	-	-
4Q (as of March 31)	8.00	9.00	9.00
Total	15.50	17.00	18.00

	Year ended March 31,		
	2015	2016	2017 (Forecast)
	Millions of yen	Millions of yen	Millions of yen
Total dividends paid (annual)	1,709	1,874	

	Year ended March 31,		
	2015	2016	2017 (Forecast)
	%	%	%
Payout ratio(consolidated)	29.1	27.1	20.5
Dividends to net assets(consolidated)	1.6	1.7	

3. Earnings Forecasts

(% indicates changes from the previous corresponding term)

	Fiscal year ending March 31, 2017			
	First half		Full year	
	Millions of Yen	%	Millions of Yen	%
Net sales	76,000	(3.1)	158,000	0.0
Operating income	6,600	9.6	13,800	10.5
Ordinary income	7,000	7.2	14,500	9.1
Net income attributable to owners of parent	4,700	30.6	9,700	40.0

	Fiscal year ending March 31, 2017	
	First half	Full year
	Yen	Yen
Net income per share	42.63	87.98

4. Notes

(1) Significant changes in subsidiaries during the fiscal year ended March 31, 2016 (changes in specific subsidiaries causing a change in the scope of consolidation): None

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

- 1) Changes in accounting policies associated with revised accounting standards, etc.: Yes
- 2) Any changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(Note) See Paragraph 2 (changes in accounting policies) of Page 23 “4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements” for more information.

(3) Number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury stock)	
Year ended March 31, 2016:	117,673,760 shares
Year ended March 31, 2015:	117,673,760 shares
2) Total number of treasury stock at the end of the period	
Year ended March 31, 2016:	7,424,755 shares
Year ended March 31, 2015:	7,411,647 shares
3) Average number of shares during the period	
Year ended March 31, 2016:	110,256,223 shares
Year ended March 31, 2015:	110,268,292 shares

***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.

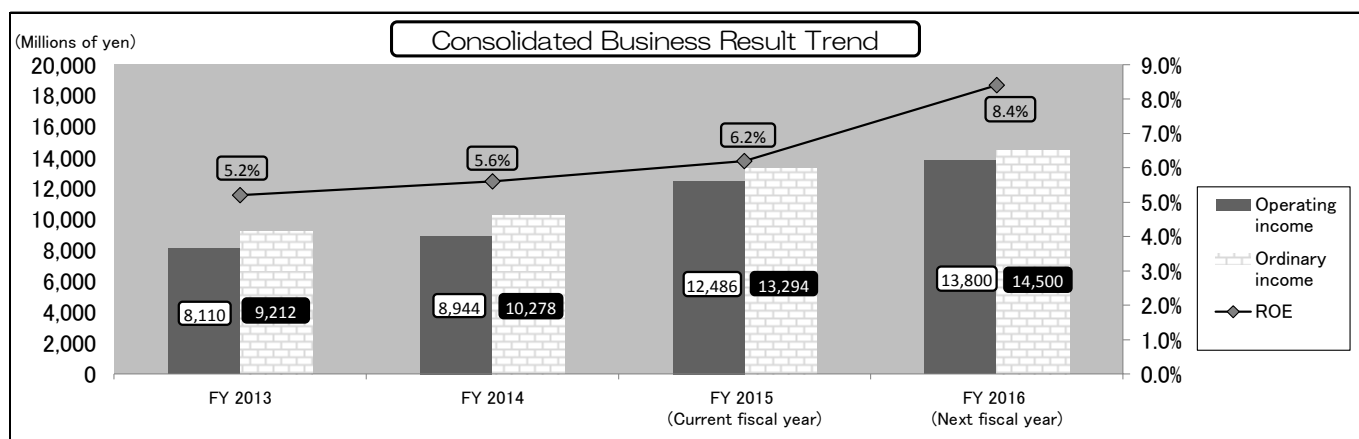
<Reference> Consolidated Business Result Trend and the Feature

(Millions of yen)

	FY2013		FY2014	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year
Net sales	165,183	15.8%	167,045	1.1%
Operating income	8,110	31.1%	8,944	10.3%
Ordinary income	9,212	26.8%	10,278	11.6%
Profit attributable to owners of parent	4,918	17.7%	5,876	19.5%
Share of profit of entities accounted for using equity method	17		492	
Profit attributable to non-controlling interests	761		889	
Total net assets	103,907	10.2%	117,688	13.3%
Total assets	166,529	7.1%	181,029	8.7%
ROE (Return on equity)		5.2%		5.6%

	FY2015 (Current fiscal year)		FY2016 (Next fiscal year)		Changed amount	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year	FY2015 to FY2014	FY2016 to FY2015
Net sales	157,992	(5.4%)	158,000	0.0%	(9,052)	7
Operating income	12,486	39.6%	13,800	10.5%	3,541	1,313
Ordinary income	13,294	29.3%	14,500	9.1%	3,016	1,205
Profit attributable to owners of parent	6,926	17.9%	9,700	40.0%	1,050	2,773
Share of profit of entities accounted for using equity method	529		300		36	(229)
Profit attributable to non-controlling interests	925		1,000		35	74
Total net assets	118,284	0.5%	125,400	6.0%	596	7,115
Total assets	175,321	(3.2%)	191,000	8.9%	(5,708)	15,678
ROE (Return on equity)		6.2%		8.4%	0.6 points	2.2 points

Further, the impact by change of method for depreciation has been incorporated into the forecast of FY2016 (Next fiscal year). See Financial Report (attachments) Page 10 "Fiscal Year 2016 Forecast" for more information.



Feature of FY 2015, Current Fiscal Year (Comparison with the Previous Fiscal Year)

Decreased sales and increased profit: Net sales of the current fiscal year decreased in each segment mainly by appropriate sales price to respond to a fall in raw materials costs. In terms of profit, however, we recorded substantial increases from the previous fiscal year because of a fall in raw material costs, depreciation of the yen, cost down measurement and other factors.

(Billions of yen)

		Main factors
Net sales	(9.1) (Decreased sales)	<ul style="list-style-type: none"> • Decreased sales in each segment due to appropriate sales price revision to respond to a fall in raw materials costs • Increased sales volume mainly because additional production facilities in San-Dia Polymers (Nantong) Co., Ltd. began operations in the second half
Operating income	+3.5 (Increased profit)	<ul style="list-style-type: none"> • Increased profit due to a fall in raw materials costs, widened spreads owing to weak yen, cost down measurement and other factors
Ordinary income	+3.0 (Increased profit)	
Profit attributable to owners of parent	+1.1 (Increased profit)	<ul style="list-style-type: none"> • Booking of impairment loss of non-current assets

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

Increased sales and profit: Net sales will remain unchanged from the previous fiscal year by appropriate sales price to respond to a fall in raw materials costs, despite increased sales volume. Profit will increase mainly due to increased sales volume.

(Billions of yen)

		Main factors
Net sales	0.0 (Flat sales)	<ul style="list-style-type: none"> • Full-year sales volume increase 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 • Flat sales compared to the previous fiscal year due to appropriate sales price to respond to a fall in raw materials costs
Operating income	+1.3 (Increased profit)	<ul style="list-style-type: none"> • Increased profit mainly due to sales volume increase • Reduction of spread widened in the previous fiscal year
Ordinary income	+1.2 (Increased profit)	
Profit attributable to owners of parent	+2.8 (Increased profit)	<ul style="list-style-type: none"> • Decrease in share of profit of entities accounted for using equity method • 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, 2015 through Mar. 31, 2016), Japanese economy remains at a standstill as a whole because of stagnations in private consumption and leveling-off in export situation, despite an upturn sign in capacity investment. In addition, 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, despite a continued economic recovery in the United States.

In the chemical industry, business environment were favorable, because raw material costs remained downside and the yen rate was lower than that in the previous fiscal year though the yen continued to appreciate most recently.

Under these circumstances, net sales of the current fiscal year decreased by 5.4% from the previous fiscal year, to ¥157,992 million mainly by appropriate sales price in each segment to respond to a fall in raw materials costs. In terms of profit, however, Sanyo Chemical Group recorded substantial increases from the previous fiscal year because of a fall in raw material costs, depreciation of the yen, cost down measurement and other factors. As a result, operating income was ¥12,486 million (a 39.6% increase from the previous fiscal year), and ordinary income was ¥13,294 million (a 29.3% increase). Profit attributable to owners of parent was ¥6,926 million (a 17.9% increase).

1) Business Performance

(Millions of yen)

	Previous fiscal year	Current fiscal year	Changed amount	
			(Amount)	(Ratio)
Net sales	167,045	157,992	(9,052)	(5.4%)
Operating income	8,944	12,486	3,541	39.6%
Ordinary income	10,278	13,294	3,016	29.3%
Profit attributable to owners of parent	5,876	6,926	1,050	17.9%
Net income per share	¥53.29	¥62.83	¥9.54	17.9%
ROA (Return on assets*)	5.9%	7.5%	-	1.6point
ROE (Return on equity)	5.6%	6.2%	-	0.6point
Currency exchange(\$, CNY)	\$=¥105.79	\$=¥121.11	¥15.32	
	CNY=¥17.18	CNY=¥19.22	¥2.04	
Naphtha price	¥63,500/kl	¥42,700/kl	(¥20,800/kl)	

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

2) Business Performance by Segment

Results by product group (segment) were as follows.

Note: From this consolidated current fiscal year, in order to evaluate segment performances more appropriately, cost allocation rules were changed. Operating income of each segment of the previous fiscal year was reclassified based on the changed cost allocation rules, and compared with current one.

(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	64,720	3,742	60,089	5,254	(4,630)	1,512
Petroleum and Automotives	40,169	1,200	38,344	1,625	(1,824)	425
Plastics and Textiles	21,288	2,423	21,233	3,103	(55)	679
Information and Electrics/Electronics	20,871	917	19,702	1,739	(1,168)	822
Environmental Protection, Construction and Others	19,995	660	18,622	762	(1,373)	101

Toiletries and Health Care

Sales in the Toiletries segment remained unchanged mainly because of steady sales increases of hair care products and sales expansion of the new surfactants for household detergents, though demand for parts of surfactants using for liquid laundry detergents decreased.

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

As a result, total net sales in this segment decreased by 7.2% from the previous fiscal year, to ¥60,089 million. Operating income was ¥5,254 million (a 40.4% increase).

Petroleum and Automotives

In Petroleum and Automotives segment, sales were weak. This was mainly because of sales decrease of raw materials for polyurethane foams used in automobile seats and other applications, and lubricating oil additives due to price revision to respond to a fall in their raw materials costs, 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 4.5% from the previous fiscal year, to ¥38,344 million. Operating income was ¥1,625 million (a 35.5% increase).

Plastics and Textiles

In Plastics segment, sales increased briskly because of sales expansion of permanent antistatic agents used for medical device overseas, and sales increases of surfactants used in the rubber, plastic, etc. manufacturing process, despite sales decrease of permanent antistatic agents used for the transport tray in the production of electronic components

The Textiles segment was weak in sales mainly because of substantial demand decrease for agents used in textile manufacturing processes including seat belt and tire cord yarns due to a stagnation in Chinese market, though sales of fiberglass agents and carbon fiber agents increased mainly in Japan.

As a result, total net sales in this segment decreased by 0.3% from the previous fiscal year, to ¥21,233 million. Operating income was ¥3,103 million (a 28.0% increase).

Information and Electrics/Electronics

Sales in the Information segment were weak. This was mainly because the switch to new development product of polyester beads as a core component of polymerization toners was delayed and overseas production of pulverized toner resins was stopped.

Sales in the Electrics/Electronics segment weakly decreased. This was mainly because sales of electrolytes for aluminum electrolytic capacitors were flat and demand for pressure-sensitive adhesives using for electronic components and flat panel display (FPD) resins decreased substantially.

As a result, total net sales in this segment decreased by 5.6% from the previous fiscal year, to ¥19,702 million. Operating income was ¥1,739 million (a 89.6% increase) mainly due to withdrawal from underperforming business in U.S.A..

Environmental Protection, Construction and Others

Sales in the Environmental Protection segment did well because cationic monomer of polymer flocculant material increased in sales, though the market of polymer flocculant remained slow.

Sales of Construction segment were weak. This was mainly because the price of raw materials of building sealants was revised to respond to a fall in their raw materials costs, despite their steady demand and brisk sales increase of raw materials of polyurethane foams used in furniture and heat insulating materials in overseas.

As a result, total net sales in this segment decreased by 6.9% from the previous fiscal year, to ¥18,622 million. Operating income was ¥762 million (a 15.4% increase).

Fiscal Year 2016 Forecast

Japanese economy remains at a standstill as a whole because of stagnations 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, 2017, we forecast at this time net sales of ¥158,000 million, operating income of ¥13,800 million, ordinary income of ¥14,500 million, and net income attributable to owners of parent of ¥9,700 million.

Further, Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment, will adopt the straight-line method from the fiscal year through March 31, 2017. This is expected to result in a decline of approximately ¥1.7 billion in depreciation and its impact has been incorporated into the forecast.

In addition, the above consolidated earnings forecast assumes the price of domestically produced Naphtha at ¥35,000/KL and an exchange rate of ¥110 to US\$1.

(2) Analysis of Financial Position

Total assets at fiscal year-end (March 31, 2016) decreased by ¥5,708 million compared with the previous fiscal year-end to ¥175,321 million. Current assets decreased by ¥3,512 million from the previous fiscal year-end to ¥80,997 million. This decrease was mainly due to a ¥4,051 million decrease in notes and accounts receivable-trade, a ¥2,601 million decrease in merchandise and finished goods and other factors, despite a ¥3,306 million increase in cash and deposits. Fixed assets decreased by ¥2,196 million from the previous fiscal year-end to ¥94,323 million mainly due to a ¥5,831 million decrease in investment securities caused by reappraisal of their market valuation, despite a ¥2,104 million increase in property, plant and equipment.

Current liabilities decreased by ¥9,489 million from the previous fiscal year-end to ¥42,777 million mainly due to a ¥8,457 million decrease in short-term loans payable. Long-term liabilities increased by ¥3,183 million from the previous fiscal year-end to ¥14,258 million mainly due to a ¥4,536 million increase in long-term loans payable.

Net assets at fiscal year-end (March 31, 2016) increased by ¥596 million compared with the previous fiscal year-end to ¥118,284 million. This increase was due to inflows in profit attributable to owners of parent of ¥6,926 million, which outweighed outflows including ¥3,924 million in valuation difference on available-for-sale securities. The shareholder's equity ratio (net assets after deduction of minority interest to total assets) increased by 2.1 percentage points to 63.9% from 61.8% at the previous fiscal year-end. Net assets per share (after deduction of minority interest) also increased by ¥1.87 to ¥1,016.06 from ¥1,014.19 as of the end of the previous fiscal year.

	Millions of Yen		
	Year Ended March 31,		Change
	2015	2016	
Cash flows from operating activities	11,518	22,625	11,107
Cash flows from investing activities	(8,656)	(13,510)	(4,853)
Cash flows from financing activities	(2,922)	(5,493)	(2,570)
Effect of exchange rate changes on cash and cash equivalents	601	(315)	(916)
Net increase (decrease) in cash and cash equivalents	540	3,306	2,765
Cash and cash equivalents at end of period	16,016	19,323	3,306

At the end of the current fiscal year, cash and cash equivalents ("Cash") were ¥19,323 million, an increase of ¥3,306 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 ¥22,625 million (compared to ¥11,518 million in net cash provided during the previous fiscal year). This result was mainly due to cash inflow from income before income taxes and minority interests of ¥11,640 million, and depreciation and amortization of ¥9,302 million, which outweighed the outflow from the decrease in notes and accounts payable-trade of ¥2,578 million and income tax payments of ¥2,168 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥13,510 million (compared to ¥8,656 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥13,193 million for fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥5,493 million (compared to ¥2,922 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥1,765 million in dividend payments and ¥3,459 million (net) decrease in cash to repay debt.

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

	Year ended March 31,				
	2012	2013	2014	2015	2016
Equity ratio (%)	58.5	58.7	59.5	61.8	63.9
Equity ratio on a market value basis (%)	40.8	36.4	43.8	57.6	49.9
Cash flows/interest-bearing debt ratio (years)	1.7	1.4	1.2	1.6	0.7
Interest coverage ratio (times)	33.0	38.1	43.1	42.1	101.7

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.

Condensed Consolidated Financial Information for the Nine months Ended Dec, 31, 2015, which was released on Jan. 29, 2016, announced to pay the year-end dividend of ¥8.00 per share. However, our company revised to pay the year-end dividend of ¥9 per share (increasing ¥1 from ¥8 per share) in order to further increase returns to shareholders because the next operating results is expected increase in profit.

We plan to pay an annual dividend of ¥17 per share in fiscal year 2015, which includes an interim dividend of ¥8.

(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 2016 of ¥9 each, for an annual dividend of ¥18 per share.

<Consolidated Dividends per Share & Payout Ratio Trend>

	Year ended March 31,				
	2013	2014	2015	2016 Current fiscal year	2017 Next fiscal year (forecast)
Interim	¥7.5	¥7.5	¥7.5	¥8.0	¥9.0
Year-end	¥7.5	¥7.5	¥8.0	¥9.0	¥9.0
Annual	¥15.0	¥15.0	¥15.5	¥17.0	¥18.0
Payout Ratio	39.6%	33.6%	29.1%	27.1%	20.5%

2. Management Policy

(1) Basic Management Policy of the Company

Guided by our Company Motto of *Let us contribute to building a better society through our corporate activities*, our management policy is to strive to achieve dynamic growth by constantly taking on challenges through the pursuit of individual-based management so that we remain a valuable company to our shareholders, customers, business partners, employees, and society.

Based on this policy, Sanyo Chemical Group believes that it must turn itself into a company that is attractive to all of its stakeholders including shareholders and investors. Therefore, it has focused on the research and development of original, high-value-added products and the aggressive pursuit of business activities through perfection in safety and harmony with the environment.

(2) Key Performance Indicators and the Company's Medium- to Long-Term Management Strategy

Sanyo Chemical Group has set the long term goal to become a major corporation both in name and substance by creating valuable products with customers and growing in the global market. The Ninth Medium-Term Management Plan, which covers the four-year period from FY 2015 through FY 2018, was formulated toward this goal. Under the slogan of "Sanyo Global Innovation 200" with the keywords of "globalization and innovation," the plan seeks to achieve consolidated net sales of ¥230.0 billion or higher, operating income of ¥20.0 billion or higher, and return on equity (ROE) of 10% or higher by FY 2018, the final fiscal year of the plan.

The results of FY 2015, the first year of the Ninth Medium-Term Management Plan made good progress according to the Plan.

(3) Issues to be Addressed

Japanese economy remains at a standstill as a whole and is expected to continue uncertain situation. In addition, the circumstance surrounding Japan also remains unclear such as an economic slowdown in emerging countries including China.

Sanyo Chemical Group will steadily implement the following main policies and measures, drastically reform our business structure, and reinforce our foundation in order to achieve earnings growth under our basic policy of business operation utilizing our R&D capabilities of new products and technical power.

1. Increase of Corporate Value by Promotion of CSR Management
2. Reinforcement of R&D Capabilities
3. Step-Up of Globalization
4. Strengthening of Business Base
5. Improvement of Management Efficiency

We will enhance management's governance functions, which we view as one of our top-priority management issues, and focus on achieving strict compliance and improving the internal control system.

(4) Establishment of New Company

In Oct, 2015, we established a new company in Malaysia as production base following the ones in Japan and China, to meet the expected further growth of superabsorbent polymers.

Company name	SDP GLOBAL (MALAYSIA) SDN. BHD.
Beginning of operation	The second quarter of 2018
Total construction cost	11,000 millions yen

(5) Other Material Matters

None.

3. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2016 (FY2015) and 2015 (FY2014)

	Millions of Yen	
	FY2014	FY2015
Assets		
Current assets		
Cash and deposits	16,016	19,323
Notes and accounts receivable – trade	45,733	41,682
Merchandise and finished goods	12,940	10,338
Semi-finished goods	3,192	3,107
Work in process	516	423
Raw materials and supplies	3,814	4,098
Deferred tax assets	1,105	1,133
Other	1,230	925
Allowance for doubtful accounts	(39)	(35)
Total current assets	84,510	80,997
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,137	42,677
Accumulated depreciation	(24,399)	(25,575)
Buildings and structures, net	16,738	17,101
Machinery, equipment and vehicles	136,410	143,059
Accumulated depreciation	(110,755)	(115,027)
Machinery, equipment and vehicles, net	25,655	28,032
Land	8,829	8,807
Construction in progress	5,578	4,913
Other	12,194	12,446
Accumulated depreciation	(10,231)	(10,431)
Other, net	1,963	2,015
Total property, plant and equipment	58,766	60,870
Intangible assets		
Software	826	869
Goodwill	1,068	934
Other	505	1,293
Total intangible assets	2,400	3,097
Investments and other assets		
Investment securities	33,315	27,484
Long-term loans receivable	2	3
Deferred tax assets	320	263
Net defined benefit asset	732	1,377
Other	1,016	1,258
Allowance for doubtful accounts	(35)	(32)
Total investments and other assets	35,353	30,354
Total non-current assets	96,519	94,323
Total assets	181,029	175,321

	Millions of Yen	
	FY2014	FY2015
Liabilities		
Current liabilities		
Notes and accounts payable – trade	26,153	23,298
Short-term loans payable	13,829	5,371
Current portion of long-term loans payable	879	1,171
Accrued expenses	2,977	2,927
Income taxes payable	651	1,299
Provision for bonuses	1,921	1,959
Provision for directors' bonuses	91	102
Notes payable – facilities	804	1,355
Other	4,959	5,293
Total current liabilities	52,266	42,777
Non-current liabilities		
Long-term loans payable	3,784	8,320
Deferred tax liabilities	5,342	4,214
Provision for directors' retirement benefits	382	413
Net defined benefit liability	540	555
Other	1,026	754
Total non-current liabilities	11,074	14,258
Total liabilities	63,341	57,036
Net assets		
Shareholders' equity		
Capital stock	13,051	13,051
Capital surplus	12,194	12,194
Retained earnings	75,000	80,163
Treasury shares	(5,722)	(5,734)
Total shareholders' equity	94,523	99,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,601	9,676
Foreign currency translation adjustment	3,328	2,493
Remeasurements of defined benefit plans	374	174
Total accumulated other comprehensive income	17,303	12,345
Non-controlling interests	5,860	6,265
Total net assets	117,688	118,284
Total liabilities and net assets	181,029	175,321

(2) Consolidated Statements of Income and Comprehensive Income

(2)- (1) Consolidated Statements of Income

Years ended March 31, 2016 (FY2015) and 2015 (FY2014)

	Millions of Yen	
	FY2014	FY2015
Net sales	167,045	157,992
Cost of sales	137,435	123,678
Gross profit	29,609	34,314
Selling, general and administrative expenses		
Freight and storage charges	5,674	6,025
Salaries and compensations	3,192	3,340
Employees' bonuses	1,092	1,272
Retirement benefit expenses	306	299
Welfare expenses	998	1,043
Depreciation	419	435
Research and development expenses	5,515	5,622
Other	3,466	3,788
Total selling, general and administrative expenses	20,664	21,828
Operating income	8,944	12,486
Non-operating income		
Interest income	97	75
Dividend income	455	552
Real estate rent	303	287
Share of profit of entities accounted for using equity method	492	529
Foreign exchange gains	771	—
Other	68	115
Total non-operating income	2,188	1,559
Non-operating expenses		
Interest expenses	274	212
Rent cost of real estate	63	65
Loss on abandonment of inventories	391	163
Foreign exchange losses	—	135
Other	126	174
Total non-operating expenses	855	751
Ordinary income	10,278	13,294

	Millions of Yen	
	FY2014	FY2015
Extraordinary income		
Gain on sales of investment securities	2	103
Insurance income	41	23
Other	0	1
Total extraordinary income	44	127
Extraordinary loss		
Loss on sales of non-current assets	—	64
Loss on retirement of non-current assets	602	641
Impairment loss	—	1,046
Loss on liquidation of business	148	—
Other	17	29
Total extraordinary losses	768	1,781
Profit before income taxes	9,554	11,640
Income taxes – current	2,051	2,743
Income taxes – deferred	736	1,045
Total income taxes	2,788	3,788
Profit	6,765	7,852
Profit attributable to non-controlling interests	889	925
Profit attributable to owners of parent	5,876	6,926

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

Years ended March 31, 2016 (FY2015) and 2015 (FY2014)

	Millions of Yen	
	FY2014	FY2015
Profit	6,765	7,852
Other comprehensive income		
Valuation difference on available-for-sale securities	5,501	(3,924)
Foreign currency translation adjustment	2,507	(1,100)
Remeasurements of defined benefit plans, net of tax	566	(199)
Total other comprehensive income	8,575	(5,224)
Comprehensive income	15,341	2,627
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	13,962	1,968
Comprehensive income attributable to non-controlling interests	1,379	659

(3) Consolidated Statements of Changes in Net Assets

Years ended March 31, 2016 (FY2015) and 2015 (FY2014)

[Previous Consolidated Fiscal Year (April 1, 2014 through March 31, 2015)]

(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	70,412	(5,714)	89,943
Cumulative effects of changes in accounting policies			366		366
Restated balance	13,051	12,194	70,778	(5,714)	90,309
Changes of items during period					
Dividends of surplus			(1,654)		(1,654)
Profit attributable to owners of parent			5,876		5,876
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	4,222	(8)	4,213
Balance at end of current period	13,051	12,194	75,000	(5,722)	94,523

	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	8,099	1,310	(191)	9,217	4,746	103,907
Cumulative effects of changes in accounting policies						366
Restated balance	8,099	1,310	(191)	9,217	4,746	104,273
Changes of items during period						
Dividends of surplus						(1,654)
Profit attributable to owners of parent						5,876
Purchase of treasury shares						(8)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	5,501	2,017	566	8,085	1,114	9,200
Total changes of items during period	5,501	2,017	566	8,085	1,114	13,414
Balance at end of current period	13,601	3,328	374	17,303	5,860	117,688

[Current 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
Cumulative effects of changes in accounting policies					—
Restated balance	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
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
Cumulative effects of changes in accounting policies						—
Restated balance	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
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

(4) Consolidated Statements of Cash Flows

Years ended March 31, 2016 (FY2015) and 2015 (FY2014)

	Millions of Yen	
	FY2014	FY2015
Operating activities		
Profit before income taxes	9,554	11,640
Depreciation	9,617	9,302
Loss on retirement of non-current assets	602	641
Loss on liquidation of business	148	—
Impairment loss	—	1,046
Amortization of goodwill	133	133
Increase (decrease) in provision for bonuses	192	40
Changes in net defined benefit asset and liability	(777)	(928)
Increase (decrease) in provision for directors' retirement benefits	(224)	31
Increase (decrease) in provision for directors' bonuses	9	11
Interest and dividend income	(552)	(628)
Interest expenses	274	212
Share of (profit) loss of entities accounted for using equity method	(492)	(529)
Loss (gain) on sales of property, plant and equipment	—	64
Loss (gain) on sales of investment securities	(2)	(103)
Decrease (increase) in notes and accounts receivable – trade	(1,322)	3,746
Decrease (increase) in inventories	284	2,249
Increase (decrease) in notes and accounts payable – trade	(2,987)	(2,578)
Other, net	(915)	(364)
Subtotal	13,541	23,991
Interest and dividend income received	851	1,025
Interest expenses paid	(273)	(222)
Income taxes paid	(2,600)	(2,168)
Net cash provided by (used in) operating activities	11,518	22,625

	Millions of Yen	
	FY2014	FY2015
Investing activities		
Purchase of non-current assets	(8,686)	(13,193)
Proceeds from sales of non-current assets	0	17
Purchase of investment securities	(2)	(3)
Proceeds from sales of investment securities	45	108
Collection of loans receivable	0	0
Proceeds from withdrawal of time deposits	200	—
Payment for other investment activities	(282)	(451)
Proceeds from other investment activities	67	11
Net cash provided by (used in) investing activities	(8,656)	(13,510)
Financing activities		
Net increase (decrease) in short-term loans payable	3,250	(8,333)
Proceeds from long-term loans payable	1,634	5,750
Repayments of long-term loans payable	(5,878)	(877)
Net decrease (increase) in treasury shares	(8)	(12)
Cash dividends paid	(1,655)	(1,765)
Dividends paid to non-controlling interests	(265)	(255)
Net cash provided by (used in) financing activities	(2,922)	(5,493)
Effect of exchange rate change on cash and cash equivalents	601	(315)
Net increase (decrease) in cash and cash equivalents	540	3,306
Cash and cash equivalents at beginning of period	15,476	16,016
Cash and cash equivalents at end of period	16,016	19,323

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

None

(Changes in Accounting Policy)

[Application of Accounting Standard for Business Combinations]

The “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, 13 September 2013, hereinafter the “Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, 13 September 2013, hereinafter the “Consolidated Financial Statements Standard”), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, 13 September 2013, hereinafter the “Business Divestitures Standard”) and others have been applied since beginning of this consolidated fiscal year. Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in ownership interest in a subsidiary when the Company continues to have control is recorded as capital surplus, acquisition-related costs are recognized as expenses in the consolidated fiscal year when they are incurred. Also, regarding business combinations to be performed at and after the beginning of this consolidated fiscal year, a method was changed with regard to the retrospective adjustment of the purchase price allocation based on provisional accounting applicable to the consolidated financial statements of the fiscal period in which the business combination occurred. In addition, the Company has changed expression of net income, etc. and changed minority interests to non-controlling interests. To reflect these changes in presentation, consolidated financial statements in the previous fiscal year have been reclassified.

In accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard, and Paragraph 57-4 (4) of the Business Divestitures Standard, the Business Combinations Standard and others have been applied from the beginning of this consolidated fiscal year.

The effect in the consolidated financial statements as a result of the adoption of these accounting standards is no impact in this consolidated fiscal year.

5. Segment Information

(1) Changes on Reporting Segment (Changes in Calculation Method of Segment Profits)

From the first three months of the current fiscal year, in order to evaluate segment performances more appropriately, cost allocation rules were changed. Operating income of each segment in the previous fiscal year was reclassified based on the changed cost allocation rules, and disclosed.

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

[Previous Consolidated Fiscal Year (April 1, 2014 through March 31, 2015)]

(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	64,720	40,169	21,288	20,871	19,995	167,045	—	167,045
Intersegment sales/transfers	—	—	21	—	520	542	(542)	—
Subtotal	64,720	40,169	21,310	20,871	20,515	167,587	(542)	167,045
Segment income (loss)	3,742	1,200	2,423	917	660	8,944	—	8,944
Segment assets	44,931	27,923	21,775	23,320	14,207	132,159	48,870	181,029
Other items								
Depreciation	2,694	2,251	1,458	2,324	875	9,604	—	9,604
Amortization of goodwill	133	—	—	—	—	133	—	133
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	4,275	—	521	4,797	—	4,797
Increase in Tangible and Intangible Fixed assets	5,431	1,557	1,375	1,451	704	10,520	—	10,520

[Current 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

<Reference>

[Information by Geographic Segment]

[Previous Consolidated Fiscal Year (April 1, 2014 through March 31, 2015)]

(Millions of yen)

	Japan	USA	China	Other	Total
I. Net sales and operating profit and loss					
Net sales					
(1) Sales to third parties	129,035	5,572	28,739	3,696	167,045
(2) Inter-segment sales/transfers	5,775	4	1,653	23	7,457
Subtotal	134,811	5,577	30,393	3,720	174,502
Operating expense	127,546	5,778	28,756	3,571	165,653
Operating income (loss)	7,264	(201)	1,636	149	8,848
II. Assets	157,951	7,341	26,889	3,476	195,659

	Elimination or Common Assets	Consolidated Total
I. Net sales and operating profit and loss		
Net sales		
(1) Sales to third parties	—	167,045
(2) Inter-segment sales/transfers	(7,457)	—
Subtotal	(7,457)	167,045
Operating expense	(7,553)	158,100
Operating income (loss)	95	8,944
II. Assets	(14,629)	181,029

[Current 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

[Overseas Sales]

[Previous Consolidated Fiscal Year (April 1, 2014 through March 31, 2015)]

(Millions of yen)

	Asia	(of which, China)	Americas	Other	Total
I. Overseas sales	44,999	(26,719)	10,644	12,262	67,905
II. Consolidated net sales	—	(—)	—	—	167,045
III. Percentage of overseas sales to consolidated sales (%)	26.9	(16.0)	6.4	7.4	40.7

[Current 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

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

6. Supplementary Information

1. Trend of Each Quarter Consolidated Results

Previous Fiscal Year	(Millions of yen)				
	FY 2014				
	1Q	2Q	3Q	4Q	Total
	April 2014 through June 2014	July 2014 through Sept. 2014	Oct. 2014 through Dec. 2014	Jan. 2015 through March 2015	April 2014 through March 2015
Net sales	40,793	41,524	41,994	42,733	167,045
Operating income	1,950	1,449	2,544	3,000	8,944
Ordinary income	2,251	1,582	3,301	3,142	10,278
Profit attributable to owners of parent	1,359	917	1,932	1,665	5,876
Comprehensive income	1,791	678	6,617	6,254	15,341

Current 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

2. Investment in Plant and Equipment

(Millions of yen)

	Consolidated	Unconsolidated
FY2015	14,333	7,477
FY2014	10,520	4,896

3. Depreciation and Amortization

(Millions of yen)

	Consolidated	Unconsolidated
FY2015	9,256	6,132
FY2014	9,604	6,693

4. Research and Development Cost

(Millions of yen)

	Consolidated	Unconsolidated
FY2015	5,622	4,800
FY2014	5,515	4,782

5. Number of Employees

(Number)

	Consolidated	Unconsolidated
FY2015	1,973	1,260
FY2014	1,960	1,262