

# Condensed Consolidated Financial Information

(Japanese Standard)  
**for the Six Months  
Ended Sept. 30, 2016**

(April 1, 2016 through Sept. 30, 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

## Consolidated Financial Highlights

### Notes:

1. Amounts are rounded down to the nearest million.
2. The percentage change is year-on-year change compared with the same period of the previous fiscal year.
3. The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

### 1-1. Results of Operations

	Six months ended Sept. 30,			
	2016		2015	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	72,035	(8.2%)	78,433	(4.7%)
Operating income	7,524	25.0%	6,019	77.0%
Ordinary income	7,466	14.4%	6,528	70.3%
Profit attributable to owners of parent	5,155	43.2%	3,599	58.0%
Comprehensive income	1,406	(39.5%)	2,326	(5.8%)

	Six months ended Sept. 30,	
	2016	2015
	Yen	Yen
Net income per share	233.80	163.21
Net income per share, diluted	-	-

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

### 1-2. Financial Conditions

	As of Sept. 30,	As of March 31,
	2016	2016
	Millions of Yen	Millions of Yen
Total assets	173,128	175,321
Net assets	119,015	118,284
Shareholders' equity ratio	65.5%	63.9%
Shareholders' equity	113,396	112,019

### 2. Cash Dividend

	Year ended March 31,		
	2016	2017	2017 (Forecast)
	Yen	Yen	Yen
Cash dividend per share			
1Q (as of June 30)	-	-	-
2Q (as of Sept. 30)	8.00	9.00	-
3Q (as of Dec. 31)	-	-	-
4Q (as of March 31)	9.00	-	45.00
Total	17.00	-	-

Note: Revisions to dividends forecast during the period: None

\*As Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016, figures for the dividends per share for FY 2016 (forecast) are amounts that take into account the reverse stock split, and total annual dividends are shown as "-." For details, please see "Appropriate use of business forecasts; other special items."

### 3. Earnings Forecasts

	Year ended March 31,	
	2017	
	Millions of Yen	Change
Net sales	158,000	0.0%
Operating income	13,800	10.5%
Ordinary income	14,500	9.1%
Profit attributable to owners of parent	9,700	40.0%

	Year ended March 31,	
	2017	
	Yen	
Net income per share	439.92	

Note: Revisions to consolidated earnings forecast during the period: None

\*Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for earnings per share of the Consolidated Financial Forecasts (Full year) for FY 2016 are amounts that take into account the reverse stock split. For details, please see "Appropriate use of business forecasts; other special items."

### 4. Notes

**(1) Significant changes in subsidiaries during the period under review (changes in specific subsidiaries causing a change in the scope of consolidation):** None

**(2) Application of special accounting methods for the preparation of consolidated quarterly financial statements:** Yes

(Note) See Page 9, "2. Matters related to Summary Information (Notes), (2) Application of special accounting methods for the preparation of consolidated quarterly financial statements" for more information.

**(3) Changes in accounting policies, changes in accounting estimates, and restatements**

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

(Note) Sanyo Chemical and its Japanese consolidated subsidiaries changed the method for depreciation of property, plant and equipment from the first three months of this consolidated fiscal year. And it is applicable for "Change in accounting policy that is difficult to distinguish from change in accounting estimate". See Page 9, "2. Matters related to Summary Information (Notes), (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements" for more information.

**(4) Number of shares issued (common stock)**

- Number of shares issued at the end of the period (including treasury shares)
  - End of six months (Sept. 30, 2016): 23,534,752 shares
  - End of previous period (March 31, 2016): 23,534,752 shares
- Treasury shares at the end of the period
  - End of six months (Sept. 30, 2016): 1,485,695 shares
  - End of previous period (March 31, 2016): 1,484,951 shares
- Average number of shares (cumulative for the quarter)
  - Reporting six months (ended Sept. 30, 2016): 22,049,477 shares
  - Previous six months (ended Sept. 30, 2015): 22,051,975 shares

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

**\*Disclosure of Implementation Status of Quarterly Review Procedures**

This quarterly financial report is not subject to quarterly review procedures under Japan's Financial Instruments and Exchange Law.

\* Appropriate Use of Business Forecasts; Other Special Items

1. 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 Quarterly Financial Report (attachments) Page 8, "1. Qualitative Information Concerning Quarterly Business Results, (3) Qualitative Information Concerning Future Forecast such as Consolidated Earnings Forecasts" for more information regarding the circumstances behind the assumptions used in earnings forecasts and matters to be noted when relying on earnings forecasts.
2. Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016, as the shareholders resolved to approve a reverse stock split at the 92nd Ordinary General Meeting of Shareholders held on June 17, 2016. Dividend forecasts and Consolidated Financial Forecasts for FY 2016 are as follows.

(1) Dividend for FY 2016

Dividends per share

	Without taking into account the reverse stock split	Taking into account the reverse stock split
End of 2Q	9yen *	45yen
Year-end (Forecasts)	9yen	45yen
Total	18yen	90yen

\*End of 2Q dividends will be paid based on the number of shares before the reverse stock split as of September 30, 2016.

(2) Consolidated Financial Forecasts for FY 2016

Earnings per share

	Without taking into account the reverse stock split	Taking into account the reverse stock split
Full year	87.98yen	439.92yen

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## 1. Analysis of Results of Operations and Financial Position

### (1) Qualitative Information Concerning Consolidated Business Results

During the first six months (April 1, 2016 through Sept. 30, 2016) of the current fiscal year, the Japanese economy couldn't completely break free of the economy leveling off mainly because capacity investment and private consumption made no progress and export remained on the same level. In addition, the unclear outlook for the circumstance surrounding Japan increases such as a slowdown in European economic recovery and a speed reduction of economic expansion in China, despite a continued moderate economic recovery in the United States.

In the chemical industry, business environment grows increasingly severe, because a continuing decline in raw material costs seemed to have bottomed out, the yen is getting stronger and the other factors.

Under these circumstances, net sales in the first six months of current fiscal year decreased by 8.2% from the same period of the previous fiscal year, to ¥72,035 million mainly by appropriate sales price in each segment to respond to a fall in raw material costs. In terms of profit, however, Sanyo Chemical Group increased from the same period of the previous fiscal year because of a fall in raw material costs, cost down measurements and other factors. As a result, operating income was ¥7,524 million (a 25.0% increase from the same period of the previous fiscal year), and ordinary income was ¥7,466 million (a 14.4% increase). Profit attributable to owners of parent was ¥5,155 million (a 43.2% increase).

### 1) Business Performance

(Millions of yen)

	2Q of FY 2015	2Q of FY 2016	Changed amount		FY 2015
			(Amount)	(Ratio)	
Net sales	78,433	72,035	(6,398)	(8.2%)	157,992
Operating income	6,019	7,524	1,505	25.0%	12,486
Ordinary income	6,528	7,466	937	14.4%	13,294
Profit attributable to owners of parent	3,599	5,155	1,556	43.2%	6,926
Net income per share	¥163.21	¥233.80	¥70.59	43.3%	¥314.11
ROA (Return on assets*)	7.3%	8.6%	-	1.3point	7.5%
ROE (Return on equity)	6.4%	9.1%	-	2.7point	6.2%
Currency exchange(\$, CNY)	\$=¥120.31 CNY=¥19.33	\$=¥105.26 CNY=¥15.93		(¥15.05) (¥3.40)	\$=¥121.11 CNY=¥19.22
Naphtha price	¥48,000/kl	¥31,400/kl		(¥16,600/kl)	¥42,700/kl

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

[Note] 1. The ROA and ROE figures shown for each six-month period are annualized.

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

### 2) Business Performance by Segment

(Millions of yen)

	2Q of FY2015		2Q of FY2016		Changed amount		FY2015	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Toiletries and Health Care	29,637	2,404	26,063	2,546	(3,574)	141	60,089	5,254
Petroleum and Automotives	19,164	922	17,405	808	(1,758)	(114)	38,344	1,625
Plastics and Textiles	10,717	1,566	10,593	2,097	(123)	531	21,233	3,103
Information and Electrics/Electronics	9,621	704	9,972	1,537	351	833	19,702	1,739
Environmental Protection, Construction and Others	9,293	421	7,999	535	(1,293)	113	18,622	762

## **Toiletries and Health Care**

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

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

As a result, total net sales in this segment decreased by 12.1% from the same period of the previous fiscal year, to ¥26,063 million. Operating income was ¥2,546 million (a 5.9% increase).

## **Petroleum and Automotives**

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

As a result, total net sales in this segment decreased by 9.2% from the same period of the previous fiscal year, to ¥17,405 million. Operating income was ¥808 million (a 12.5% decrease).

## **Plastics and Textiles**

In Plastics segment, sales were weak because stagnant sales of permanent antistatic agents used for the transport tray in the production of electronic components, despite sales increases of resin modifiers.

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

As a result, total net sales in this segment decreased by 1.2% from the same period of the previous fiscal year, to ¥10,593 million. Operating income was ¥2,097 million (a 33.9% increase) due to improvement of product mix.

## **Information and Electrics/Electronics**

Sales in the Information segment were flat. This was because sales decrease of toner resins for pulverized toners in Europe and the United States, despite temporary increases of demand for polyester beads as a core component of polymerization toners.

Sales in the Electrics/Electronics segment increased substantially. This was because sales for electrolytes for aluminum electrolytic capacitors did well and demand for pressure-sensitive adhesives used for electronic components increased substantially.

As a result, total net sales in this segment increased by 3.7% from the same period of the previous fiscal year, to ¥9,972 million. Operating income was ¥1,537 million (a 118.3% increase) due to improvement of product mix in addition to increased revenue.

## **Environmental Protection, Construction and Others**

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

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

As a result, total net sales in this segment decreased by 13.9% from the same period of the previous fiscal year, to ¥7,999 million. However, operating income was ¥535 million (a 27.0% increase).



## (2) Analysis of Financial Position

The Group's financial position at the end of this first six-month period was as follows:

Total assets decreased by ¥2,193 million compared to the previous consolidated fiscal year end, amounting to ¥173,128 million mainly because of a decrease in notes and accounts receivable-trade due to sales decrease.

Net assets increased by ¥730 million from the previous consolidated fiscal year end, to ¥119,015 million. Our shareholder's equity ratio increased by 1.6 percentage point from the previous consolidated fiscal year end, to 65.5%.

Cash and cash equivalents ("Cash") as of the end of this first six months of the current consolidated fiscal year amounted to ¥20,302 million. This marked an increase of ¥979 million compared to the end of the previous consolidated fiscal year (cash increased by ¥1,898 million during the same period of the previous fiscal year).

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 ¥9,070 million (¥12,889 million in net cash provided during the same period of the previous fiscal year). This result was mainly due to the cash inflow from income before income taxes and minority interests of ¥7,156 million, depreciation and amortization of ¥3,556 million, which outweighed the outflow from the decrease in income taxes paid of ¥1,720 million.

### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥6,625 million (¥5,765 million in net cash used during the same period of the previous fiscal year). This result was mainly due to cash outlays of ¥6,522 million for fixed assets.

### Cash Flows from Financing Activities

Net cash provided in financing activities amounted to ¥279 million (¥5,302 million in net cash used during the same period of the previous fiscal year). This result was mainly due to the cash inflow from short-term loans payable of ¥2,045 million (net), which outweighed the outflow from the decrease in cash dividends paid of ¥992 million.

## (3) Qualitative Information Concerning Future Forecast such as Consolidated Earnings Forecasts

Consolidated earnings during this first six-month period, due to uncertain factors such as trends in exchange and raw material costs, we have not made any change to the consolidated earnings forecasts for the full year that we announced on April 2016.

The rates of progress in the six months toward the full-year consolidated earnings forecasts announced on April 28, 2016 are shown in the table below.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Half year consolidated earnings forecasts	76,000	6,600	7,000	4,700
Progress to forecasts (%)	94.8	114.0	106.7	109.7
Full year consolidated earnings forecasts	158,000	13,800	14,500	9,700
Progress to forecasts (%)	45.6	54.5	51.5	53.1

Note: These earnings forecasts were based on information available at the time announced. Actual earnings may differ due to various factors occurring in the future.

## 2. Matters Related to Summary Information (Notes)

### (1) Significant changes in subsidiaries during the period under review

None

### (2) Application of special accounting methods for the preparation of consolidated quarterly financial statements

After applying tax effect accounting to income before income taxes and minority interests for the fiscal year, which includes this three months under review, we make a reasonable estimate of the effective tax rate and multiply income before income taxes and minority interests by that estimated effective tax rate. Furthermore, income tax adjustments are included in the presentation of income taxes.

### (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

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

Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment (using the straight-line method for the buildings acquired after April 1, 1998, except building facilities) adopted the straight-line method from the first three months of this consolidated fiscal year. Sanyo Chemical Group formulated the Ninth Medium-Term Management Plan, which covers the four-year period from FY2015 through FY2018. It leverages the 4 basic businesses, which seek to expand through process innovation and aggressive investment in large markets.

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

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

As we execute the plan, Sanyo Chemical Group promotes concrete measurements, such as to establish the overseas new company in the previous fiscal year. Going forward, we ensure the development of overseas businesses and the establishment of the production management system. Based on them, because we kick into gear to overseas investments in FY2016-the second year of the Ninth Medium Term Management Plan-, which are one of the main measurements of the plan, we reviewed the operating ratio of the facilities of existing and to be scheduled for introduction. The decision to adopt the straight-line method for depreciation of the property, plant and equipment at Sanyo Chemical and its Japanese consolidated subsidiaries came as a result in estimates of stable operation of the facilities in the future. We deem the method, which allocates average costs over usable period, is more appropriate to reflect actual characteristics of such stable operation.

The change caused to unify the method of depreciation of Sanyo Chemical Group to the straight-line method, which consolidated overseas subsidiaries have conventionally used. Compared with the previous method, the depreciation by the straight-line method decreased by ¥784 million, operating income increased by ¥658 million, ordinary income and net income before tax increased by 675 million respectively for the first six months of this consolidated fiscal year.

### (4) Additional Information

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

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

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	Millions of Yen	
	As of Mar. 31, 2016	As of Sept. 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	19,323	20,302
Notes and accounts receivable - trade	41,438	39,927
Electronically recorded monetary claims - operating	243	261
Merchandise and finished goods	10,338	11,689
Semi-finished goods	3,107	2,971
Work in process	423	373
Raw materials and supplies	4,098	3,677
Deferred tax assets	1,133	1,095
Other	925	1,321
Allowance for doubtful accounts	(35)	(32)
Total current assets	80,997	81,588
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,101	16,304
Machinery, equipment and vehicles, net	28,032	25,683
Land	8,807	8,727
Construction in progress	4,913	6,160
Other, net	2,015	1,786
Total property, plant and equipment	60,870	58,663
Intangible assets		
Software	869	800
Goodwill	934	867
Other	1,293	1,083
Total intangible assets	3,097	2,751
Investments and other assets		
Investment securities	27,484	27,285
Long-term loans receivable	3	4
Deferred tax assets	263	258
Net defined benefit asset	1,377	1,399
Other	1,258	1,209
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	30,354	30,125
Total non-current assets	94,323	91,539
Total assets	175,321	173,128

	Millions of Yen	
	As of Mar. 31, 2016	As of Sept. 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,302	18,611
Electronically recorded obligations - operating	2,995	3,363
Short-term loans payable	5,371	6,702
Current portion of long-term loans payable	1,171	962
Accrued expenses	2,927	2,896
Income taxes payable	1,299	1,384
Provision for bonuses	1,959	1,911
Provision for directors' bonuses	102	52
Notes payable - facilities	26	—
Electronically recorded obligations - non-operating	1,328	1,257
Other	5,293	3,733
Total current liabilities	42,777	40,876
Non-current liabilities		
Long-term loans payable	8,320	7,505
Deferred tax liabilities	4,214	4,183
Provision for directors' retirement benefits	413	236
Net defined benefit liability	555	457
Other	754	852
Total non-current liabilities	14,258	13,236
Total liabilities	57,036	54,112
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,051	13,051
Capital surplus	12,194	12,194
Retained earnings	80,163	84,652
Treasury shares	(5,734)	(5,737)
Total shareholders' equity	99,674	104,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,676	10,117
Foreign currency translation adjustment	2,493	(1,054)
Remeasurements of defined benefit plans	174	173
Total accumulated other comprehensive income	12,345	9,236
Non-controlling interests	6,265	5,619
Total net assets	118,284	119,015
<b>Total liabilities and net assets</b>	<b>175,321</b>	<b>173,128</b>

## (2) Consolidated Statements of Income and Comprehensive Income

### (2)- (1) Consolidated Statements of Income

	Millions of Yen	
	Six months ended Sept. 30,	
	2015	2016
Net sales	78,433	72,035
Cost of sales	61,775	53,767
Gross profit	16,657	18,267
Selling, general and administrative expenses	10,638	10,743
Operating income	6,019	7,524
Non-operating income		
Interest income	37	33
Dividend income	323	364
Share of profit of entities accounted for using equity method	166	429
Real estate rent	145	134
Foreign exchange gains	68	—
Other	51	94
Total non-operating income	792	1,055
Non-operating expenses		
Interest expenses	110	71
Rent cost of real estate	32	50
Loss on abandonment of inventories	69	39
Foreign exchange losses	—	914
Other	70	38
Total non-operating expenses	283	1,113
Ordinary income	6,528	7,466
Extraordinary income		
Gain on sales of investment securities	—	4
Insurance income	6	5
Other	1	—
Total extraordinary income	7	10
Extraordinary loss		
Loss on retirement of non-current assets	330	316
Other	2	2
Total extraordinary losses	332	319
Income before income taxes and minority interests	6,204	7,156
Income taxes	2,263	1,566
Profit	3,940	5,589
Profit attributable to non-controlling interests	341	434
Profit attributable to owners of parent	3,599	5,155

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

	Millions of Yen	
	Six months ended Sept. 30,	
	2015	2016
Profit	3,940	5,589
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,011)	441
Foreign currency translation adjustment	384	(4,622)
Remeasurements of defined benefit plans, net of tax	12	(1)
Total other comprehensive income	(1,614)	(4,183)
Comprehensive income	2,326	1,406
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,896	2,046
Comprehensive income attributable to non-controlling interests	429	(640)

### (3) Consolidated Statements of Cash Flows

	Millions of Yen	
	Six months ended Sept. 30,	
	2015	2016
Cash flows from operating activities		
Profit before income taxes	6,204	7,156
Depreciation	4,368	3,556
Loss on retirement of non-current assets	330	316
Amortization of goodwill	66	66
Increase (decrease) in provision for bonuses	(107)	(13)
Changes in net defined benefit asset and liability	(496)	(121)
Increase (decrease) in provision for directors' retirement benefits	(7)	(176)
Increase (decrease) in provision for directors' bonuses	(37)	(49)
Interest and dividend income	(360)	(397)
Interest expenses	110	71
Share of (profit) loss of entities accounted for using equity method	(166)	(429)
Loss (gain) on sales of investment securities	—	(4)
Decrease (increase) in notes and accounts receivable - trade	3,560	497
Decrease (increase) in inventories	2,224	(872)
Increase (decrease) in notes and accounts payable - trade	(1,481)	(153)
Other, net	(781)	342
Subtotal	13,425	9,789
Interest and dividend income received	643	1,084
Interest expenses paid	(116)	(82)
Income taxes paid	(1,062)	(1,720)
Net cash provided by (used in) operating activities	12,889	9,070
Cash flows from investing activities		
Purchase of non-current assets	(5,638)	(6,522)
Purchase of investment securities	(1)	(13)
Proceeds from sales of investment securities	—	5
Other, net	(125)	(94)
Net cash provided by (used in) investing activities	(5,765)	(6,625)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,010)	2,045
Proceeds from long-term loans payable	169	—
Repayments of long-term loans payable	(439)	(621)
Purchase of treasury shares	(4)	(3)
Cash dividends paid	(882)	(992)
Dividends paid to non-controlling interests	(135)	(148)
Net cash provided by (used in) financing activities	(5,302)	279
Effect of exchange rate change on cash and cash equivalents	77	(1,137)
Net increase (decrease) in cash and cash equivalents	1,898	1,587
Cash and cash equivalents at beginning of period	16,016	19,323
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	—	(607)
Cash and cash equivalents at end of period	17,915	20,302

#### **(4) Notes to Consolidated Financial Statements**

##### **(Notes to Going Concern Assumptions)**

None

##### **(Changes in Basis of Presenting Consolidated Financial Statements)**

###### **(Changing of fiscal year and other of consolidated subsidiaries)**

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

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

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

##### **(Notes on Significant Changes in the Amount of Shareholders' Equity)**

None



## (Segment Information)

[Previous Consolidated Fiscal Year (April 1, 2015 through Sept. 30, 2015)]

### Information regarding sales, operating income or loss, assets, liabilities and other items by reporting segment

(Millions of yen)

	Reporting 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 third parties	29,637	19,164	10,717	9,621	9,293	78,433	—	78,433
Intersegment sales/transfers	—	—	9	—	185	195	(195)	—
Subtotal	29,637	19,164	10,726	9,621	9,478	78,628	(195)	78,433
Segment income (loss)	2,404	922	1,566	704	421	6,019	—	6,019

Note: Segment income is adjusted for Operating Income described in Consolidated Statements of Income.

[Current Consolidated Fiscal Year (April 1, 2016 through Sept. 30, 2016)]

### (1) Information regarding sales, operating income or loss, assets, liabilities and other items by reporting segment

(Millions of yen)

	Reporting 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 third parties	26,063	17,405	10,593	9,972	7,999	72,035	—	72,035
Intersegment sales/transfers	—	—	9	—	155	165	(165)	—
Subtotal	26,063	17,405	10,603	9,972	8,155	72,200	(165)	72,035
Segment income (loss)	2,546	808	2,097	1,537	535	7,524	—	7,524

Note: Segment income is adjusted for Operating Income described in Consolidated Statements of Income.

### (2) Changes on Reporting Segment (Changes in Method for Depreciation of Property, Plant and Equipment)

As described in Page 9 "2. Matters Related to Summary Information (Notes), (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements", Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment (using the straight-line method for the buildings acquired after April 1, 1998, except building facilities) adopted the straight-line method from the first three months of this consolidated fiscal year.

As a result, compared with the previous method, the income of Toiletries and Health Care segment increased by ¥140 million, Petroleum and Automotives segment increased by ¥170 million, Plastics and Textiles segment increased by ¥107 million, Information and Electrics/Electronics segment increased by ¥170 million, and Environmental Protection, Construction and Others segment increased by ¥69 million respectively for the first six months of this consolidated fiscal year.

<Reference>

**[Information by Geographic Segment]**

[Cumulative Six Months of the Previous Consolidated Fiscal Year (April 1, 2015 through Sept. 30, 2015)]

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or Common Assets	Consolidated Total
Sales							
(1) Sales to third parties	60,314	3,380	12,726	2,012	78,433	—	78,433
(2) Sales from inter-segment transactions and transfers	3,259	—	825	10	4,096	(4,096)	—
Total	63,573	3,380	13,552	2,023	82,529	(4,096)	78,433
Operating income (loss)	4,750	(32)	1,185	86	5,990	29	6,019

[Cumulative Six Months of the Current Consolidated Fiscal Year (April 1, 2016 through Sept. 30, 2016)]

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or Common Assets	Consolidated Total
Sales							
(1) Sales to third parties	56,194	2,435	11,797	1,607	72,035	—	72,035
(2) Sales from inter-segment transactions and transfers	2,980	—	895	15	3,891	(3,891)	—
Total	59,175	2,435	12,692	1,623	75,926	(3,891)	72,035
Operating income (loss)	6,299	(103)	1,188	48	7,433	91	7,524

**[Overseas Sales]**

[Cumulative Six Months of the Previous Consolidated Fiscal Year (April 1, 2015 through Sept. 30, 2015)]

(Millions of yen)

	Asia	(of which, China)	Americas	Other	Total
I. Overseas sales	21,647	(12,839)	5,643	4,524	31,832
II. Consolidated sales	—	(—)	—	—	78,433
III. Percentage of overseas sales to consolidated sales (%)	27.6	(16.4)	7.2	5.8	40.6

[Cumulative Six Months of the Current Consolidated Fiscal Year (April 1, 2016 through Sept. 30, 2016)]

(Millions of yen)

	Asia	(of which, China)	Americas	Other	Total
I. Overseas sales	19,113	(10,745)	3,585	5,011	27,710
II. Consolidated sales	—	(—)	—	—	72,035
III. Percentage of overseas sales to consolidated sales (%)	26.5	(14.9)	5.0	7.0	38.5

Notes:

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

## 4. Supplementary Information

### Trend of Each Quarter Results

#### 1. Consolidated

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

Current Fiscal Year	(Millions of yen)			
	FY 2016		Change	
	1Q	2Q	Same term of previous fiscal year	Previous term
	April 2016 through June 2016	July 2016 through Sept. 2016	July 2015 through Sept. 2015	April 2016 through June 2016
Net sales	37,141	34,893	(10.4%)	(6.1%)
Operating income	3,987	3,536	25.1%	(11.3%)
Ordinary income	3,810	3,655	24.0%	(4.1%)
Net income attributable to owners of parent	2,550	2,604	82.4%	2.1%
Comprehensive income	(2,048)	3,454	-	-

#### 2. Non-consolidated

Previous Fiscal Year	(Millions of yen)				
	FY 2015				
	1Q	2Q	3Q	4Q	Total
	April 2015 through June 2015	July 2015 through Sept. 2015	Oct. 2015 through Dec. 2015	Jan. 2016 through March 2016	April 2015 through March 2016
Net sales	25,192	24,486	25,394	24,625	99,699
Operating income	1,379	1,341	1,609	1,318	5,648
Ordinary income	2,078	1,942	2,146	1,718	7,885
Net income(loss)	1,567	1,429	1,699	1,126	5,822

Current Fiscal Year	(Millions of yen)			
	FY 2016		Change	
	1Q	2Q	Same term of previous fiscal year	Previous term
	April 2016 through June 2016	July 2016 through Sept. 2016	July 2015 through Sept. 2015	April 2016 through June 2016
Net sales	24,516	23,149	(5.5%)	(5.6%)
Operating income	2,115	2,020	50.6%	(4.5%)
Ordinary income	2,655	2,701	39.1%	1.7%
Net income	2,093	2,139	49.7%	2.2%