

# **Condensed Consolidated Financial Information**

**(Japanese Standard)  
for the Fiscal Year  
Ended March 31, 2018**

**(April 1, 2017 through March 31, 2018)**

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

**SANYO CHEMICAL INDUSTRIES, LTD.**

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

## **Cautionary Statement with Respect to Forward-Looking Statement**

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

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

Ticker code: 4471

# 1.Consolidated Financial Highlights

(Figures are rounded down to the nearest million yen)

## 1-1. Results of Operations

(% indicates changes from the previous corresponding term)

	Year ended March 31,			
	2018		2017	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	161,692	7.7%	150,166	(5.0%)
Operating profit	11,999	(12.1%)	13,647	9.3%
Ordinary profit	13,866	(9.6%)	15,341	15.4%
Profit attributable to owners of parent	9,272	(9.0%)	10,192	47.1%
Comprehensive income	11,356	1.4%	11,196	326.0%

	Year ended March 31,	
	2018	2017
	Yen	Yen
Net income per share	420.57	462.28
Net income per share, diluted	—	—

	Year ended March 31,	
	2018	2017
	%	%
Return on equity	7.4	8.7
Ordinary profit to total assets	7.2	8.5
Operating profit to net sales	7.4	9.1

(Reference) Share of profit of entities accounted for using equity method

Year ended March 31, 2018: ¥834 million

Year ended March 31, 2017: ¥1,190 million

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

## 1-2. Financial Conditions

	As of March 31,	
	2018	2017
	Millions of Yen	Millions of Yen
Total assets	200,125	186,863
Net assets	136,270	127,651
Shareholder's equity ratio	65.0%	65.1%
Net assets per share (Yen)	5,901.23	5,515.51

(Reference) Equity: Year ended March 31, 2018: ¥130,099 million

Year ended March 31, 2017: ¥121,603 million

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

## 1-3. Cash Flows

	Year ended March 31,	
	2018	2017
	Millions of Yen	Millions of Yen
Net cash provided by (used in) operating activities	15,710	20,416
Net cash provided by (used in) investing activities	(14,198)	(14,198)
Net cash provided by (used in) financing activities	(7,328)	(1,043)
Cash and cash equivalents at end of period	17,377	23,138

## 2. Cash Dividend

	Year ended March 31,		
	2017	2018	2019 (Forecast)
Cash dividend per share	Yen	Yen	Yen
1Q (as of June 30)	–	–	–
2Q (as of Sept. 30)	9.00	55.00	60.00
3Q (as of Dec. 31)	–	–	–
4Q (as of March 31)	55.00	55.00	60.00
Total	–	110.00	120.00

	Year ended March 31,		
	2017	2018	2019 (Forecast)
	Millions of yen	Millions of yen	Millions of yen
Total dividends paid (annual)	2,204	2,425	

	Year ended March 31,		
	2017	2018	2019 (Forecast)
	%	%	%
Payout ratio(consolidated)	21.6	26.2	26.5
Dividends to net assets(consolidated)	1.9	1.9	

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

## 3. Earnings Forecasts

(% indicates changes from the previous corresponding term)

	Fiscal year ending March 31, 2019			
	First half		Full year	
	Millions of Yen	%	Millions of Yen	%
Net sales	84,000	7.6	172,000	6.4
Operating profit	6,300	7.1	13,000	8.3
Ordinary profit	7,100	2.4	14,500	4.6
Profit attributable to owners of parent	4,900	2.5	10,000	7.8

	Fiscal year ending March 31, 2019	
	First half	Full year
	Yen	Yen
Net income per share	222.26	453.59

#### 4. Notes

**(1) Significant changes in subsidiaries during the fiscal year ended March 31, 2018 (changes in specific subsidiaries causing a change in the scope of consolidation):** None

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

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

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

a. Total number of shares issued at the end of the period (including treasury stock)	
Year ended March 31, 2018:	23,534,752 shares
Year ended March 31, 2017:	23,534,752 shares
b. Total number of treasury stock at the end of the period	
Year ended March 31, 2018:	1,488,561 shares
Year ended March 31, 2017:	1,487,184 shares
c. Average number of shares during the period	
Year ended March 31, 2018:	22,046,861 shares
Year ended March 31, 2017:	22,048,817 shares

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

\* This financial result is not required to be audited by the qualified accountant or the audit corporation.

\*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.

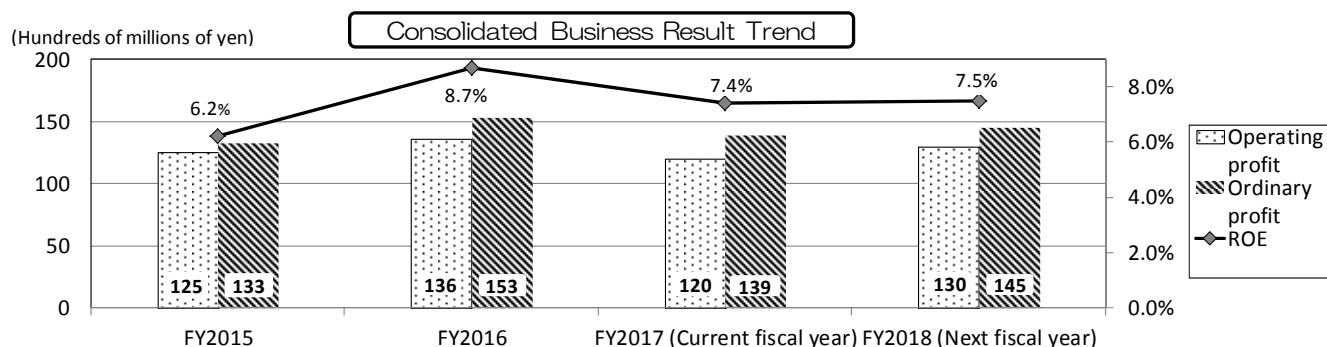
## <Reference> Consolidated Business Result Trend and the Feature

(Millions of yen)

	FY2015		FY2016	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year
Net sales	157,992	(5.4%)	150,166	(5.0%)
Operating profit	12,486	39.6%	13,647	9.3%
Ordinary profit	13,294	29.3%	15,341	15.4%
Profit attributable to owners of parent	6,926	17.9%	10,192	47.1%
Share of profit of entities accounted for using equity method	529		1,190	
Profit attributable to non-controlling interests	925		641	
Total net assets	118,284	0.5%	127,651	7.9%
Total assets	175,321	(3.2%)	186,863	6.6%
ROE (Return on equity)		6.2%		8.7%

(Millions of yen)

	FY2017 (Current fiscal year)		FY2018 (Next fiscal year)		Changed amount	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year	FY2017 - FY2016	FY2018 - FY2017
Net sales	161,692	7.7%	172,000	6.4%	11,526	10,307
Operating profit	11,999	(12.1%)	13,000	8.3%	(1,647)	1,000
Ordinary profit	13,866	(9.6%)	14,500	4.6%	(1,475)	633
Profit attributable to owners of parent	9,272	(9.0%)	10,000	7.8%	(920)	727
Share of profit of entities accounted for using equity method	834		930		(356)	95
Profit attributable to non-controlling interests	92		30		(548)	(62)
Total net assets	136,270	6.8%	143,000	4.9%	8,619	6,729
Total assets	200,125	7.1%	211,900	5.9%	13,261	11,774
ROE (Return on equity)		7.4%		7.5%	(1.3 points)	0.1 points



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

Increased sales and decreased profit: Net sales increased by growing sales amount and appropriate sales price revision to respond to a rise in raw materials costs. In terms of profit, however, we recorded decreases due to deterioration of profit in the sales transaction greatly influenced by a rise in raw materials costs, despite appropriate sales price revision.

(Billions of yen)

			Main factors
Net sales	+11.5	(Increased sales)	<ul style="list-style-type: none"> <li>• Growing sales amount in Sanyo Chemical and SDP Global group and appropriate sales price revision to respond to a rise in raw materials costs</li> </ul>
Operating profit	(1.6)	(Decreased profit)	<ul style="list-style-type: none"> <li>• Reduction of spread between sales and purchase (A rise in raw materials costs &gt; appropriate sales price revision)</li> </ul>
Ordinary profit	(1.4)	(Decreased profit)	<ul style="list-style-type: none"> <li>• Decrease in share of profit of entities accounted for using equity method, dividend income increase and generation of foreign exchange gains</li> </ul>
Profit attributable to owners of parent	(0.9)	(Decreased profit)	<ul style="list-style-type: none"> <li>• Increase of loss on retirement of non-current assets, decrease of impairment loss of non-current assets, recording of loss on closing of factory and decrease of profit attributable to non-controlling interests</li> </ul>

## Feature of FY 2018, Next Fiscal Year (Comparison with the Current Fiscal Year)

Increased sales and profit: Net sales will increase by appropriate sales price revision to respond to a rise in raw materials costs. Profit will increase due to improvement of spread between sales and purchase and growing sales amount of high revenue products.

(Billions of yen)

			Main factors
Net sales	+10.3	(Increased sales)	<ul style="list-style-type: none"> <li>• Appropriate sales price revision to respond to a rise in raw materials costs</li> </ul>
Operating profit	+1.0	(Increased profit)	<ul style="list-style-type: none"> <li>• Improvement of spread between sales and purchase (A rise in raw materials costs &lt; appropriate sales price revision)</li> </ul>
Ordinary profit	+0.6	(Increased profit)	<ul style="list-style-type: none"> <li>• Growing sales amount of high revenue products</li> </ul>
Profit attributable to owners of parent	+0.7	(Increased profit)	<ul style="list-style-type: none"> <li>• Decrease of foreign exchange gains</li> <li>• Decrease of extraordinary losses such as loss on closing of factory</li> </ul>

# Contents

1. Analysis of Results of Operations and Financial Position .....	8
(1) Qualitative Information Concerning Consolidated Business Results .....	8
(2) Analysis of Financial Position.....	10
(3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next.....	11
2. Basic Policy on Selection of Accounting Standards .....	11
3. Consolidated Financial Statements .....	12
(1) Consolidated Balance Sheets .....	12
(2) Consolidated Statements of Income and Comprehensive Income .....	14
(2)- (1) Consolidated Statements of Income.....	14
(2)- (2) Consolidated Statements of Comprehensive Income .....	15
(3) Consolidated Statements of Changes in Net Assets.....	16
(4) Consolidated Statements of Cash Flows .....	18
(5) Notes to Consolidated Financial Statements.....	19
4. Segment Information .....	20
(1) Information Regarding Sales, Operating Profit or Loss, Assets, Liabilities and Other Items by Reporting Segment.....	20
5. Supplementary Information .....	24



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

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

During the current fiscal year (April 1, 2017 through March. 31, 2018), the Japanese economy continues a mild upswing due to recovery of private consumption and export increase in addition to steady capacity investment. And, the outlook for the circumstance surrounding Japan performed smoothly such as a moderate speed-up of economic expansion in Europe and a break in Chinese economic slowdown in addition to steady economy in the United States.

In the chemical industry, business environment increases severe because a downside in raw materials costs is increasing and exchange rate kept steadily is turning stronger.

Under these circumstances, net sales of the current fiscal year increased by 7.7% from the previous fiscal year, to ¥161,692 million due to sales volume increase, appropriate sales price revision to respond to a rise in raw materials costs and other factors. In terms of profit, however, Sanyo Chemical Group decreased from the previous fiscal year mainly because of the reduction of spread between sales and purchase to respond to a rise in raw materials costs, despite sales volume increase. As a result, operating profit was ¥11,999 million (a 12.1% decrease from the previous fiscal year), and ordinary profit was ¥13,866 million (a 9.6% decrease). Profit attributable to owners of parent was ¥9,272 million (a 9.0% decrease).

#### 1) Business Performance

(Millions of yen)

	Previous fiscal year	Current fiscal year	Changed amount	
			(Amount)	(Ratio)
Net sales	150,166	161,692	11,526	7.7%
Operating profit	13,647	11,999	(1,647)	(12.1%)
Ordinary profit	15,341	13,866	(1,475)	(9.6%)
Profit attributable to owners of parent	10,192	9,272	(920)	(9.0%)
Profit per share	¥462.28	¥420.57	(¥41.71)	(9.0%)
ROA (Return on assets*)	8.5%	7.2%	-	(1.3point)
ROE (Return on equity)	8.7%	7.4%	-	(1.3point)
Currency exchange (US\$, CNY)	US\$=¥108.39 CNY=¥16.10	US\$=¥110.86 CNY=¥16.74	¥2.47 ¥0.64	
Naphtha price	¥34,700/kl	¥41,900/kl	¥7,200/kl	

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

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

#### 2) Business Performance by Segment

Results by product group (segment) were as follows.

(Millions of yen)

	Previous fiscal year		Current fiscal year		Changed amount	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	55,442	3,598	59,950	1,132	4,507	(2,465)
Petroleum and Automotives	37,496	2,110	41,115	2,719	3,618	608
Plastics and Textiles	21,155	4,177	22,191	3,964	1,035	(213)
Information and Electrics/Electronics	19,368	2,774	20,487	3,207	1,118	433
Environmental Protection, Construction and Others	16,702	986	17,948	974	1,246	(11)

## **Toiletries and Health Care**

Sales in the Toiletries segment remained unchanged because demand for some surfactants using for liquid laundry detergents decreased, though sales for hair care products increased briskly.

In the Health Care segment, sales increased due to foreign sales expansion of superabsorbent polymers and successful sales expansion of their new products. Profit decreased substantially because of reduction of spread between sales and purchase to respond to a rise in raw materials costs.

As a result, total net sales in this segment increased by 8.1% from the previous fiscal year, to ¥59,950 million. Operating profit was ¥1,132 million (a 68.5% decrease).

## **Petroleum and Automotives**

The Petroleum and Automotives segment increased briskly in sales. This was due to domestic and foreign sales expansion of lubricating oil additives, though flat sales of thermoplastic polyurethane beads for the interior parts of automobiles.

As a result, total net sales in this segment increased by 9.7% from the previous fiscal year, to ¥41,115 million. Operating profit was ¥2,719 million (a 28.8% increase).

## **Plastics and Textiles**

In the Plastics segment, sales increased briskly because of substantial sales increase of permanent antistatic agents on the domestic and foreign market, and substantial sales increase of resins for special gravure ink.

The Textiles segment stayed flat in sales due to weak sales of fiberglass agents, though sales of chemicals for carbon fibers steadily increased mainly abroad, and sales of polyurethane resins used for synthetic leather and elastomer fiber increased briskly.

As a result, total net sales in this segment increased by 4.9% from the previous fiscal year, to ¥22,191 million. Operating profit was ¥3,964 million (a 5.1% decrease).

## **Information and Electrics/Electronics**

Sales in the Information segment increased steadily. This was because of steady demand increase for polyester beads as a core component of polymerization toners and toner resins for pulverized toners.

Sales in the Electrics/Electronics segment increased because of brisk demand for UV/EB curing resins, etc.

As a result, total net sales in this segment increased by 5.8% from the previous fiscal year, to ¥20,487 million. Operating profit was ¥3,207 million (a 15.6% increase).

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

Sales in the Environmental Protection segment increased because of brisk demand for cationic monomers (polymer flocculant materials), though the market of polymer flocculants remained weak.

Sales of the Construction segment increased. This was mainly thanks to brisk sales increase of cement agents as materials used for civil engineering and building work, and raw materials for polyurethane foams used in furniture and heat insulating materials in Japan.

As a result, total net sales in this segment increased by 7.5% from the previous fiscal year, to ¥17,948 million. Operating profit was ¥974 million (a 1.2% decrease).

## **Fiscal Year 2018 Forecast**

Japanese economy continues a mild upswing mainly thanks to steady capacity investment and private consumption, and global economy is expected to mostly perform smoothly because of economic expansion in the United States and Europe. However, the outlook for the business environment is forecasted to remain unclear mainly due to the trends of raw materials costs and exchange rate.

For the fiscal year ending March 31, 2019, we forecast at this time net sales of ¥172,000 million, operating profit of ¥13,000 million, ordinary profit of ¥14,500 million, and profit attributable to owners of parent of ¥10,000 million.

In addition, the above consolidated earnings forecast assumes the price of domestically produced Naphtha at ¥47,000/KL and an exchange rate of ¥110 to US\$1.

## (2) Analysis of Financial Position

Total assets at fiscal year-end (March 31, 2018) increased by ¥13,261 million compared with the previous fiscal year-end to ¥200,125 million. Current assets increased by ¥4,789 million from the previous fiscal year-end to ¥90,123 million mainly due to a ¥7,385 million increase in notes and accounts receivable-trade mainly because of the effects of the period-end holiday, despite a ¥5,760 million decrease in cash and deposits. Non-current assets increased by ¥8,472 million from the previous fiscal year-end to ¥110,001 million mainly due to a ¥6,353 million increase in property, plant and equipment. Current liabilities increased by ¥5,732 million from the previous fiscal year-end to ¥50,197 million mainly due to a ¥5,591 million increase in accounts payable-trade mainly because of the effects of the period-end holiday. Long-term liabilities decreased by ¥1,089 million from the previous fiscal year-end to ¥13,658 million mainly due to a ¥2,219 million decrease in long-term loans payable.

Net assets at fiscal year-end (March 31, 2018) increased by ¥8,619 million compared with the previous fiscal year-end to ¥136,270 million. This increase was mainly due to inflows in profit attributable to owners of parent of ¥9,272 million. The shareholder's equity ratio (net assets after deduction of minority interest to total assets) decreased by 0.1 percentage points to 65.0% from 65.1% at the previous fiscal year-end.

Net assets per share (after deduction of minority interest) increased by ¥385.72 to ¥5,901.23 from ¥5,515.51 as of the end of the previous fiscal year. Sanyo Chemical conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2016. The figures for net assets per share are amounts on the assumption that Sanyo Chemical conducts the reverse stock split on the beginning of the previous fiscal year.

	Millions of Yen		
	Year Ended March 31,		Change
	2017	2018	
Cash flows from operating activities	20,416	15,710	(4,705)
Cash flows from investing activities	(14,198)	(14,198)	0
Cash flows from financing activities	(1,043)	(7,328)	(6,284)
Effect of exchange rate changes on cash and cash equivalents	(750)	55	805
Net increase (decrease) in cash and cash equivalents	4,423	(5,760)	(10,183)
Cash and cash equivalents at the end of period	23,138	17,377	(5,760)

At the end of the current fiscal year, cash and cash equivalents ("Cash") were ¥17,377 million, an decrease of ¥5,760 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 ¥15,710 million (compared to ¥20,416 million in net cash provided during the previous fiscal year). This result was mainly due to the cash inflow from income before income taxes and minority interests of ¥12,144 million, and depreciation and amortization of ¥8,380 million, which outweighed the outflow from the decrease in income tax payments of ¥3,149 million.

### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥14,198 million (compared to ¥14,198 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥13,008 million for fixed assets.

### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥7,328 million (compared to ¥1,043 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥4,592 million in loans payable and ¥2,424 million in dividend payments.

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

	Year ended March 31,				
	2014	2015	2016	2017	2018
Equity ratio (%)	59.5	61.8	63.9	65.1	65.0
Equity ratio on a market value basis (%)	43.8	57.6	49.9	55.2	54.9
Cash flows/interest-bearing debt ratio (years)	1.2	1.6	0.7	0.7	0.7
Interest coverage ratio (times)	43.1	42.1	101.7	134.9	126.8

Equity ratio: Equity / Total assets

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

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

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

\* All indicators are calculated based on consolidated financial statements.

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

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

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

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

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

Our company revised to pay the year-end dividend of ¥55 per share (an annual dividend of ¥110 per share).

(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 2018 of ¥60 each, for an annual dividend of ¥120 per share (increasing ¥5 each, for an annual dividend of ¥10) in order to further increase returns to shareholders.

#### <Consolidated Dividends per Share & Payout Ratio Trend>

	Year ended March 31,				
	2015	2016	2017	2018 Current fiscal year	2019 Next fiscal year (forecast)
Interim	¥37.5	¥40.0	¥45.0	¥55.0	¥60.0
Year-end	¥40.0	¥45.0	¥55.0	¥55.0	¥60.0
Annual	¥77.5	¥85.0	¥100.0	¥110.0	¥120.0
Payout Ratio	29.1%	27.1%	21.6%	26.2%	26.5%

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

## 2. Basic Policy on Selection of Accounting Standards

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

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

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

As of March 31, 2018 (FY2017) and 2017 (FY2016)

	Millions of Yen	
	FY2016	FY2017
<b>Assets</b>		
Current assets		
Cash and deposits	23,138	17,377
Notes and accounts receivable – trade	38,689	46,075
Electronically recorded monetary claims – operating	2,406	2,601
Merchandise and finished goods	10,607	12,342
Semi-finished goods	3,321	3,442
Work in process	518	586
Raw materials and supplies	3,969	4,376
Deferred tax assets	1,226	1,180
Other	1,489	2,179
Allowance for doubtful accounts	(34)	(38)
Total current assets	85,334	90,123
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,853	44,829
Accumulated depreciation	(26,277)	(27,111)
Buildings and structures, net	17,576	17,717
Machinery, equipment and vehicles	145,778	150,470
Accumulated depreciation	(117,415)	(120,070)
Machinery, equipment and vehicles, net	28,362	30,399
Land	8,764	8,894
Construction in progress	6,489	10,339
Other	12,397	12,924
Accumulated depreciation	(10,060)	(10,391)
Other, net	2,337	2,532
Total property, plant and equipment	63,530	69,883
Intangible assets		
Software	866	948
Goodwill	801	667
Other	1,121	1,167
Total intangible assets	2,788	2,782
Investments and other assets		
Investment securities	32,370	33,644
Long-term loans receivable	3	7
Deferred tax assets	216	486
Net defined benefit asset	1,491	1,750
Other	1,160	1,470
Allowance for doubtful accounts	(32)	(24)
Total investments and other assets	35,210	37,335
Total non-current assets	101,529	110,001
Total assets	186,863	200,125

	Millions of Yen	
	FY2016	FY2017
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	19,552	25,144
Electronically recorded obligations – operating	4,546	7,156
Short-term loans payable	5,708	2,625
Current portion of long-term loans payable	1,515	2,212
Accrued expenses	3,041	3,264
Income taxes payable	1,873	1,436
Provision for bonuses	2,041	1,978
Provision for directors' bonuses	104	104
Electronically recorded obligations – non-operating	1,347	1,154
Other	4,732	5,119
Total current liabilities	44,464	50,197
Non-current liabilities		
Long-term loans payable	7,981	5,762
Deferred tax liabilities	5,170	5,513
Provision for directors' retirement benefits	275	354
Provision for loss on factory closing	–	360
Net defined benefit liability	494	513
Asset retirement obligations	–	400
Other	826	753
Total non-current liabilities	14,747	13,658
Total liabilities	59,212	63,855
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,051	13,051
Capital surplus	12,194	12,194
Retained earnings	88,697	95,544
Treasury shares	(5,745)	(5,752)
Total shareholders' equity	108,197	115,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,790	13,656
Foreign currency translation adjustment	396	1,126
Remeasurements of defined benefit plans	219	279
Total accumulated other comprehensive income	13,405	15,062
Non-controlling interests	6,047	6,170
Total net assets	127,651	136,270
Total liabilities and net assets	186,863	200,125

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

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

Years ended March 31, 2018 (FY2017) and 2017 (FY2016)

	Millions of Yen	
	FY2016	FY2017
Net sales	150,166	161,692
Cost of sales	114,728	127,651
Gross profit	35,437	34,041
Selling, general and administrative expenses		
Freight and storage charges	6,151	6,406
Salaries and compensations	3,316	3,402
Employees' bonuses	1,249	1,232
Retirement benefit expenses	265	221
Welfare expenses	1,079	1,068
Depreciation	371	372
Research and development expenses	5,443	5,365
Other	3,913	3,971
Total selling, general and administrative expenses	21,790	22,042
Operating profit	13,647	11,999
Non-operating income		
Interest income	57	40
Dividend income	617	757
Real estate rent	282	332
Share of profit of entities accounted for using equity method	1,190	834
Foreign exchange gains	—	222
Other	178	192
Total non-operating income	2,326	2,379
Non-operating expenses		
Interest expenses	139	119
Rent cost of real estate	86	103
Loss on abandonment of inventories	122	78
Foreign exchange losses	143	—
Other	140	211
Total non-operating expenses	632	512
Ordinary profit	15,341	13,866
Extraordinary income		
Gain on sales of investment securities	4	—
Insurance income	27	147
Other	2	—
Total extraordinary income	34	147
Extraordinary losses		
Loss on retirement of non-current assets	685	1,045
Impairment loss	831	—
Loss on closing of factory	—	760
Other	3	63
Total extraordinary losses	1,521	1,868
Profit before income taxes	13,854	12,144
Income taxes – current	3,288	2,832
Income taxes – deferred	(268)	(52)
Total income taxes	3,020	2,779
Profit	10,834	9,365
Profit attributable to non-controlling interests	641	92
Profit attributable to owners of parent	10,192	9,272

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

Years ended March 31, 2018 (FY2017) and 2017 (FY2016)

	Millions of Yen	
	FY2016	FY2017
Profit	10,834	9,365
Other comprehensive income		
Valuation difference on available-for-sale securities	3,114	865
Foreign currency translation adjustment	(2,796)	1,065
Remeasurements of defined benefit plans, net of tax	44	60
Total other comprehensive income	362	1,991
Comprehensive income	11,196	11,356
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	11,253	10,928
Comprehensive income attributable to non-controlling interests	(57)	427



### (3) Consolidated Statements of Changes in Net Assets

Years ended March 31, 2018 (FY2017) and 2017 (FY2016)

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

(Millions of yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9,676	2,493	174	12,345	6,265	118,284
Changes of items during period						
Dividends of surplus						(1,984)
Profit attributable to owners of parent						10,192
Purchase of treasury shares						(10)
Disposal of treasury shares						0
Changes due to the change of fiscal year-end of consolidated subsidiaries						325
Net changes of items other than shareholders' equity	3,114	(2,097)	44	1,060	(218)	842
Total changes of items during period	3,114	(2,097)	44	1,060	(218)	9,366
Balance at the end of current period	12,790	396	219	13,405	6,047	127,651

[Current Consolidated Fiscal Year (April 1, 2017 through March 31, 2018)]

(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	88,697	(5,745)	108,197
Changes of items during period					
Dividends of surplus			(2,425)		(2,425)
Profit attributable to owners of parent			9,272		9,272
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		0		0	0
Changes due to the change of fiscal year-end of consolidated subsidiaries			-		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	6,847	(7)	6,839
Balance at the end of current period	13,051	12,194	95,544	(5,752)	115,037

	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	12,790	396	219	13,405	6,047	127,651
Changes of items during period						
Dividends of surplus						(2,425)
Profit attributable to owners of parent						9,272
Purchase of treasury shares						(7)
Disposal of treasury shares						0
Changes due to the change of fiscal year-end of consolidated subsidiaries						-
Net changes of items other than shareholders' equity	865	730	60	1,656	123	1,779
Total changes of items during period	865	730	60	1,656	123	8,619
Balance at the end of current period	13,656	1,126	279	15,062	6,170	136,270

#### (4) Consolidated Statements of Cash Flows

Years ended March 31, 2018 (FY2017) and 2017 (FY2016)

	Millions of Yen	
	FY2016	FY2017
Cash flows from operating activities		
Profit before income taxes	13,854	12,144
Depreciation	7,495	8,380
Loss on retirement of non-current assets	685	1,045
Loss on closing of factory	—	760
Impairment loss	831	—
Amortization of goodwill	133	133
Increase (decrease) in provision for bonuses	110	(64)
Changes in net defined benefit asset and liability	(112)	(152)
Increase (decrease) in provision for directors' retirement benefits	(138)	79
Increase (decrease) in provision for directors' bonuses	2	—
Interest and dividend income	(674)	(797)
Interest expenses	139	119
Share of loss (profit) of entities accounted for using equity method	(1,190)	(834)
Loss (gain) on sales of investment securities	(4)	—
Decrease (increase) in notes and accounts receivable – trade	45	(7,435)
Decrease (increase) in inventories	(171)	(2,172)
Increase (decrease) in notes and accounts payable – trade	1,496	8,100
Other, net	(370)	(1,921)
Subtotal	22,131	17,383
Interest and dividend income received	1,519	1,600
Interest expenses paid	(151)	(123)
Income taxes paid	(3,083)	(3,149)
Net cash provided by (used in) operating activities	20,416	15,710
Cash flows from investing activities		
Purchase of non-current assets	(13,390)	(13,008)
Purchase of investment securities	(503)	(304)
Proceeds from sales of investment securities	5	—
Collection of loans receivable	0	1
Payment for other investment activities	(346)	(918)
Proceeds from other investment activities	35	31
Net cash provided by (used in) investing activities	(14,198)	(14,198)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	834	(3,052)
Proceeds from long-term loans payable	1,538	—
Repayments of long-term loans payable	(1,118)	(1,540)
Net decrease (increase) in treasury shares	(10)	(7)
Cash dividends paid	(1,984)	(2,424)
Dividends paid to non-controlling interests	(303)	(304)
Net cash provided by (used in) financing activities	(1,043)	(7,328)
Effect of exchange rate change on cash and cash equivalents	(750)	55
Net increase (decrease) in cash and cash equivalents	4,423	(5,760)
Cash and cash equivalents at beginning of period	19,323	23,138
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	23,138	17,377

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

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

None

### **(Consolidated Statements of Income)**

#### **[Loss on Closing of Factory]**

The expected loss is due to closing of the Ogaki factory owned by our consolidated subsidiary, SDP Global Co., Ltd.. Main breakdown of the loss on closing of factory is impairment loss of Asset Retirement Obligations of ¥400 million and other expenses due to closing of ¥360 million.

### **(Asset Retirement Obligations)**

Asset retirement obligations recognized in the consolidated balance sheets are as follows:

#### **1. Outline of Asset Retirement Obligations**

The Group recognized the obligation for the cost of restoration to the original state based on land lease agreement because our consolidated subsidiary, SDP Global Co., Ltd. decided to close its Ogaki factory 2 years later and made a proposal to the lessor in the fiscal year ended March 31, 2018.

#### **2. Calculation Method for Asset Retirement Obligations**

Asset retirement obligations is calculated without discounts, because the factory is planned to close approx. 2 years later and the estimated discount amount is insignificant.

#### **3. Changes in the Balance of Asset Retirement Obligations for the fiscal year ended March 31, 2018**

Balance at beginning of the period	- million
Incurring asset retirement obligations	
<u>associated with a proposal to close the factory</u>	<u>¥400 million</u>
Balance at end of the period	¥400 million

## 4. Segment Information

### (1) Information Regarding Sales, Operating Profit or Loss, Assets, Liabilities and Other Items by Reporting Segment

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

(Millions of yen)

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

[Current Consolidated Fiscal Year (April 1, 2017 through March 31, 2018)]

(Millions of yen)

	Reporting Segment						Adjust- ment	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	59,950	41,115	22,191	20,487	17,948	161,692	—	161,692
Intersegment sales/ transfers	—	—	11	—	275	287	(287)	—
Subtotal	59,950	41,115	22,203	20,487	18,223	161,980	(287)	161,692
Segment income (loss)	1,132	2,719	3,964	3,207	974	11,999	—	11,999
Segment assets	50,674	33,099	22,615	26,173	14,561	147,123	53,001	200,125
Other items								
Depreciation	2,504	1,900	1,153	1,979	762	8,299	—	8,299
Amortization of goodwill	133	—	—	—	—	133	—	133
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	4,270	—	570	4,840	—	4,840
Increase in Tangible and Intangible Fixed assets	4,304	4,687	1,761	2,191	977	13,923	—	13,923

<Reference>

[Information by Geographic Segment]

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

(Millions of yen)

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

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

[Current Consolidated Fiscal Year (April 1, 2017 through March 31, 2018)]

(Millions of yen)

	Japan	USA	China	Other	Total
I. Net sales and operating profit and loss					
Net sales					
(1) Sales to third parties	121,222	6,677	30,363	3,429	161,692
(2) Inter-segment sales/transfers	7,411	35	1,930	53	9,432
Subtotal	128,633	6,713	32,294	3,482	171,124
Operating expense	116,694	6,366	32,533	3,585	159,180
Operating profit (loss)	11,939	346	(239)	(102)	11,944
II. Assets	187,930	5,432	20,504	14,871	228,739

	Elimination or Common Assets	Consolidated Total
I. Net sales and operating profit and loss		
Net sales		
(1) Sales to third parties	—	161,692
(2) Inter-segment sales/transfers	(9,432)	—
Subtotal	(9,432)	161,692
Operating expense	(9,486)	149,693
Operating profit (loss)	54	11,999
II. Assets	(28,613)	200,125

**[Overseas Sales]**

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

(Millions of yen)

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

[Current Consolidated Fiscal Year (April 1, 2017 through March 31, 2018)]

(Millions of yen)

	Asia	(of which, China)	Americas	Other	Total
I. Overseas sales	48,730	(28,216)	9,085	10,123	67,940
II. Consolidated net sales	—	(—)	—	—	161,692
III. Percentage of overseas sales to consolidated sales (%)	30.1	(17.5)	5.6	6.3	42.0

## 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: South Korea, China, Indonesia, India, and Thailand
  - (2) Americas: USA, Mexico, and Brazil
  - (3) Other: Australia, Europe, Russia, and the Middle East



## 5. Supplementary Information

### 1. Trend of Each Quarter Consolidated Results

#### Previous Fiscal Year

(Millions of yen)

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

#### Current Fiscal Year

(Millions of yen)

	FY 2017				
	1Q	2Q	3Q	4Q	Total
	April 2017 through June 2017	July 2017 through Sept. 2017	Oct. 2017 through Dec. 2017	Jan. 2018 through March 2018	April 2017 through March 2018
Net sales	38,735	39,339	42,908	40,708	161,692
Operating profit	3,175	2,704	3,531	2,587	11,999
Ordinary profit	3,793	3,137	4,243	2,692	13,866
Profit attributable to owners of parent	2,543	2,236	2,952	1,539	9,272
Comprehensive income	2,907	4,748	4,726	(1,025)	11,356

### 2. Investment in Plant and Equipment

(Millions of yen)

	Consolidated	Unconsolidated
FY2017	13,923	9,693
FY2016	13,500	6,848

### 3. Depreciation and Amortization

(Millions of yen)

	Consolidated	Unconsolidated
FY2017	8,299	5,582
FY2016	7,412	4,635

### 4. Research and Development Cost

(Millions of yen)

	Consolidated	Unconsolidated
FY2017	5,365	4,470
FY2016	5,443	4,567

### 5. Number of Employees

(Number)

	Consolidated	Unconsolidated
FY2017	2,053	1,280
FY2016	1,996	1,269