

# **Condensed Consolidated Financial Information**

**(Japanese Standard)  
for the Fiscal Year  
Ended March 31, 2019**

(April 1, 2018 through March 31, 2019)

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,			
	2019		2018	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	161,599	(0.1%)	161,692	7.7%
Operating profit	12,919	7.7%	11,999	(12.1%)
Ordinary profit	15,205	9.7%	13,866	(9.6%)
Profit attributable to owners of parent	5,345	(42.3%)	9,272	(9.0%)
Comprehensive income	(760)	—%	11,356	1.4%

	Year ended March 31,	
	2019	2018
	Yen	Yen
Net income per share	242.50	420.57
Net income per share, diluted	—	—

	Year ended March 31,	
	2019	2018
	%	%
Return on equity	4.1	7.4
Ordinary profit to total assets	7.7	7.2
Operating profit to net sales	8.0	7.4

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

Year ended March 31, 2019: ¥1,307 million

Year ended March 31, 2018: ¥834 million

## 1-2. Financial Conditions

	As of March 31,	
	2019	2018
	Millions of Yen	Millions of Yen
Total assets	193,630	199,179
Net assets	132,623	136,270
Shareholder's equity ratio	66.8%	65.3%
Net assets per share (Yen)	5,868.58	5,901.23

(Reference) Equity: Year ended March 31, 2019: ¥129,371 million

Year ended March 31, 2018: ¥130,099 million

## 1-3. Cash Flows

	Year ended March 31,	
	2019	2018
	Millions of Yen	Millions of Yen
Net cash provided by (used in) operating activities	14,603	15,710
Net cash provided by (used in) investing activities	(11,312)	(14,198)
Net cash provided by (used in) financing activities	(1,492)	(7,328)
Cash and cash equivalents at end of period	19,151	17,377

## 2. Cash Dividend

	Year ended March 31,		
	2018	2019	2020 (Forecast)
Cash dividend per share	Yen	Yen	Yen
1Q (as of June 30)	-	-	-
2Q (as of Sept. 30)	55.00	60.00	70.00
3Q (as of Dec. 31)	-	-	-
4Q (as of March 31)	55.00	65.00	70.00
Total	110.00	125.00	140.00

	Year ended March 31,		
	2018	2019	2020 (Forecast)
	Millions of yen	Millions of yen	Millions of yen
Total dividends paid (annual)	2,425	2,764	

	Year ended March 31,		
	2018	2019	2020 (Forecast)
	%	%	%
Payout ratio(consolidated)	26.2	51.5	29.4
Dividends to net assets(consolidated)	1.9	2.1	

## 3. Earnings Forecasts

(% indicates changes from the previous corresponding term)

	Fiscal year ending March 31, 2020			
	First half		Full year	
	Millions of Yen	%	Millions of Yen	%
Net sales	83,000	1.3	170,000	5.2
Operating profit	7,100	4.6	14,500	12.2
Ordinary profit	7,900	(7.9)	16,000	5.2
Profit attributable to owners of parent	5,200	(12.6)	10,500	96.4

	Fiscal year ending March 31, 2020	
	First half	Full year
	Yen	Yen
Net income per share	235.88	476.30

#### 4. Notes

**(1) Significant changes in subsidiaries during the fiscal year ended March 31, 2019 (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, 2019:	23,534,752 shares
Year ended March 31, 2018:	23,534,752 shares
b. Total number of treasury stock at the end of the period	
Year ended March 31, 2019:	1,489,963 shares
Year ended March 31, 2018:	1,488,561 shares
c. Average number of shares during the period	
Year ended March 31, 2019:	22,045,422 shares
Year ended March 31, 2018:	22,046,861 shares

\* 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 and 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.

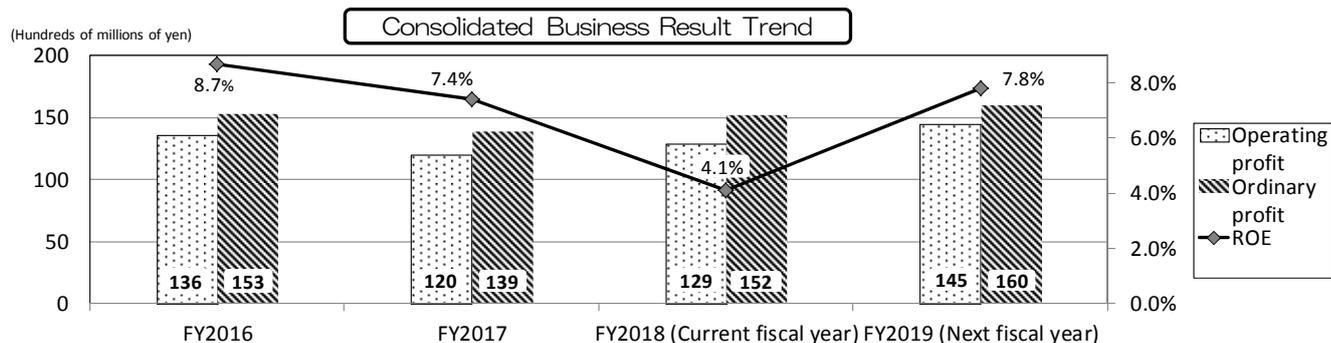
## <Reference> Consolidated Business Result Trend and the Feature

(Millions of yen)

	FY2016		FY2017	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year
Net sales	150,166	(5.0%)	161,692	7.7%
Operating profit	13,647	9.3%	11,999	(12.1%)
Ordinary profit	15,341	15.4%	13,866	(9.6%)
Profit attributable to owners of parent	10,192	47.1%	9,272	(9.0%)
Share of profit of entities accounted for using equity method	1,190		834	
Profit attributable to non-controlling interests	641		92	
Total net assets	127,651	7.9%	136,270	6.8%
Total assets	186,863	6.6%	199,179	6.6%
ROE (Return on equity)		8.7%		7.4%

(Millions of yen)

	FY2018 (Current fiscal year)		FY2019 (Next fiscal year)		Changed amount	
	Amount	Percentage change from previous fiscal year	Amount	Percentage change from previous fiscal year	FY2018 - FY2017	FY2019 - FY2018
Net sales	161,599	(0.1%)	170,000	5.2%	(93)	8,400
Operating profit	12,919	7.7%	14,500	12.2%	920	1,580
Ordinary profit	15,205	9.7%	16,000	5.2%	1,338	794
Profit attributable to owners of parent	5,345	(42.3%)	10,500	96.4%	(3,926)	5,154
Share of profit of entities accounted for using equity method	1,307		820		473	(487)
Profit attributable to non-controlling interests	(2,563)		300		(2,656)	2,863
Total net assets	132,623	(2.7%)	141,280	6.5%	(3,646)	8,656
Total assets	193,630	(2.8%)	198,700	2.6%	(5,549)	5,069
ROE (Return on equity)		4.1%		7.8%	(3.3 points)	3.7 points



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

Decreased sales and profit: Net sales were flat by decreased sales amount, despite appropriate sales price revision to respond to a rise in raw materials costs. In terms of profit, we recorded decreases mainly due to impairment loss of non-current assets in SDP GLOBAL (MALAYSIA) SDN. BHD., despite an improvement of spread between sales and purchase and an increase in sales volume of profitable products.

(Billions of yen)

			Main factors
Net sales	(0.0)	(Flat sales)	• Decreased sales amount and appropriate sales price revision to respond to a rise in raw materials costs
Operating profit	+0.9	(Increased profit)	• Improvement of spread between sales and purchase and an increase in sales volume of profitable products
Ordinary profit	+1.3	(Increased profit)	• Increase in share of loss (profit) of entities accounted for using equity method
Profit attributable to owners of parent	(3.9)	(Decreased profit)	• Appropriation of extraordinary losses: impairment loss: (8.8), gain on sales of investment securities: 2.4

### Feature of FY 2019, Next Fiscal Year (Comparison with the Current Fiscal Year)

Increased sales and profit: Net sales will increase by growing sales amount. Profit will increase due to an improvement of spread between sales and purchase, and shift to profitable products.

(Billions of yen)

			Main factors
Net sales	+8.4	(Increased sales)	• Growing sales amount of superabsorbent polymers and products of high unit price
Operating profit	+1.6	(Increased profit)	• Improvement of spread between sales and purchase, and shift to profitable products
Ordinary profit	+0.8	(Increased profit)	• Decrease in share of loss (profit) of entities accounted for using equity method and foreign exchange gains
Profit attributable to owners of parent	+5.2	(Increased profit)	• Decrease of extraordinary losses noted above

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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, 2018 through March 31, 2019), Japanese economy is trading water mainly due to stagnation of export, despite mild increase of capacity investment and continuous recovery of private consumption. And, the unclear outlook for the world economic circumstance increases such as impact by economic slowdown in developing countries including China, in spite of steady economy in USA.

In the chemical industry, business environment faces severe situation because raw material costs has risen once again in this 4Q after reversing an upward trend during the previous 3Q, though exchange rate has moved steadily.

Under these circumstances, net sales of current fiscal year decreased by 0.1% from the previous fiscal year, to ¥161,599 million mainly due to decrease of sales amount in spite of sales price revision to respond to a rise in raw material costs and other factors. In terms of profit, Sanyo Chemical Group increased from the previous fiscal year mainly because of improvement of spread between sales and purchase and an increase in sales volume of profitable products. As a result, operating profit was ¥12,919 million (a 7.7% increase from the previous fiscal year), and ordinary profit was ¥15,205 million (a 9.7% increase). Profit attributable to owners of parent was ¥5,345 million (a 42.3% decrease) mainly due to appropriation of impairment loss in SDP GLOBAL (MALAYSIA) SDN. BHD., our consolidated subsidiary.

#### 1) Business Performance

(Millions of yen)

	Previous fiscal year	Current fiscal year	Changed amount	
			(Amount)	(Ratio)
Net sales	161,692	161,599	(93)	(0.1%)
Operating profit	11,999	12,919	920	7.7%
Ordinary profit	13,866	15,205	1,339	9.7%
Profit attributable to owners of parent	9,272	5,345	(3,926)	(42.3%)
Profit per share	¥420.57	¥242.50	(¥178.07)	(42.3%)
ROA (Return on assets*)	7.2%	7.7%	-	0.5point
ROE (Return on equity)	7.4%	4.1%	-	(3.3point)
Currency exchange (US\$, CNY)	US\$=¥110.86	US\$=¥110.93	¥0.07	
	CNY=¥16.74	CNY=¥16.54	(¥0.2)	
Naphtha price	¥41,900/kl	¥49,500/kl	¥7,600/kl	

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

#### 2) Business Performance by Segment

Results by product group (segment) were as follows.

(Millions of yen)

	Previous fiscal year		Current fiscal year		Changed amount	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	59,950	1,132	55,293	1,176	(4,656)	43
Petroleum and Automotives	41,115	2,719	43,109	3,059	1,993	339
Plastics and Textiles	22,191	3,964	22,169	3,388	(21)	(575)
Information and Electrics/Electronics	20,487	3,207	22,761	4,003	2,274	795
Environmental Protection, Construction and Others	17,948	974	18,264	1,292	316	317

#### Toiletries and Health Care

Sales in the Toiletries segment increased briskly because of positive demand for polyethyleneglycol especially on the foreign market and continuous brisk demand for liquid laundry detergents.

In the Health Care segment, sales were weak because of a substantial decrease in sales of superabsorbent polymers, our main products.

As a result, total net sales in this segment decreased by 7.8% from the previous fiscal year, to ¥55,293 million. Operating profit was ¥1,176 million (a 3.8% increase).

### **Petroleum and Automotives**

In the Petroleum and Automotives segment, sales increased. Sales of high function products of thermoplastic polyurethane beads for the interior parts of automobiles increased substantially, because varieties of vehicle mounted these products were expanded. Domestic sales of lubricating oil additives and raw materials for polyurethane foams used in automobile seats and other applications were brisk. As a result, total net sales in this segment increased by 4.8% from the previous fiscal year, to ¥43,109 million. Operating profit was ¥3,059 million (a 12.5% increase).

### **Plastics and Textiles**

In the Plastics segment, sales were flat. Sales of permanent antistatic agents increased on the foreign market, and demand of surfactants used for rubber and plastics was steady, though sales of resin modifiers were weak due to customers' temporary inventory adjustment.

The Textiles segment was weak in sales because export to China of spin finish oil used in the manufacturing process of tire cord yarns and other items experienced a downturn due to the impact of the export tariff between USA and China, though chemicals for carbon fibers, and polyurethane resins for elastomer fiber and synthetic leather were flat.

As a result, total net sales in this segment decreased by 0.1% from the previous fiscal year, to ¥22,169 million. Operating profit was ¥3,388 million (a 14.5% decrease).

### **Information and Electrics/Electronics**

In the Information segment, sales increased because demand of polyester beads as a core component of polymerization toners was recovered, in spite of sales decrease of toner resins for pulverized toners due to customers' temporary inventory adjustment.

Sales in the Electrics/Electronics segment increased briskly because of a brisk increase in sales of UV/EB curing resins and substantial demand increase for adhesives for electronic parts.

As a result, total net sales in this segment increased by 11.1% from the same period of the previous fiscal year, to ¥22,761 million. Operating profit was ¥4,003 million (a 24.8% increase).

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

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

In the Construction segment, sales increased. Domestic sales of raw materials for polyurethane foams used in furniture and heat insulating materials increased briskly, in spite of weak sales of cement agents as materials for civil engineering and building work.

As a result, total net sales in this segment increased by 1.8 % from the previous fiscal year, to ¥18,264 million. Operating profit was ¥1,292 million (a 32.6% increase).

### **Fiscal Year 2019 Forecast**

Japanese economy is trading water due to stagnation of export, though domestic demand remains steadily. And the unclear outlook for the world economic circumstance seems to continue such as impact by economic slowdown in developing countries including China. The business environment is expected to remain in the balance mainly due to the trends of raw materials costs and exchange rate.

We make efforts to improve earning capacity by sales expansion of high-value added products, disposal of underperforming businesses and other actions.

For the fiscal year ending March 31, 2020, we forecast at this time net sales of ¥170,000 million, operating profit of ¥14,500 million, ordinary profit of ¥16,000 million, and profit attributable to owners of parent of ¥10,500 million.

In addition, the above consolidated earnings forecast assumes the price of domestically produced Naphtha at ¥48,000/KL and an exchange rate of ¥110 to US\$1.

## (2) Analysis of Financial Position

Total assets at fiscal year-end (March 31, 2019) decreased by ¥5,549 million compared with the previous fiscal year-end to ¥193,630 million. Current assets increased by ¥6,110 million from the previous fiscal year-end to ¥95,053 million mainly due to a ¥1,773 million increase in cash and deposits and a ¥3,044 million increase in merchandise and finished goods. Non-current assets decreased by ¥11,659 million from the previous fiscal year-end to ¥98,577 million mainly due to a ¥7,558 million decrease in property, plant and equipment, and a ¥4,779 million decrease in investment securities.

Current liabilities increased by ¥2,327 million from the previous fiscal year-end to ¥52,524 million mainly due to a ¥3,596 million increase in short-term loans payable. Long-term liabilities decreased by ¥4,229 million from the previous fiscal year-end to ¥8,482 million mainly due to a ¥1,962 million decrease in long-term loans payable.

Net assets at fiscal year-end (March 31, 2019) decreased by ¥3,646 million compared with the previous fiscal year-end to ¥132,623 million. The shareholder's equity ratio (net assets after deduction of minority interest to total assets) increased by 1.5 percentage points to 66.8% from 65.3% at the previous fiscal year-end.

Net assets per share (after deduction of minority interest) increased by ¥32.65 to ¥5,868.58 from ¥5,901.23 as of the end of the previous fiscal year.

	Millions of Yen		
	Year Ended March 31,		Change
	2018	2019	
Cash flows from operating activities	15,710	14,603	(1,107)
Cash flows from investing activities	(14,198)	(11,312)	2,885
Cash flows from financing activities	(7,328)	(1,492)	5,836
Effect of exchange rate changes on cash and cash equivalents	55	(24)	(80)
Net increase (decrease) in cash and cash equivalents	(5,760)	1,773	7,533
Cash and cash equivalents at the end of period	17,377	19,151	1,773

At the end of the current fiscal year, cash and cash equivalents ("Cash") were ¥19,151 million, an increase of ¥1,773 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 ¥14,603 million (compared to ¥15,710 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 ¥7,541 million, and depreciation and amortization of ¥9,168 million, which outweighed the outflow from the decrease in income tax payments of ¥2,893 million.

### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥11,312 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 ¥11,551 million for fixed assets.

### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,492 million (compared to ¥7,328 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥2,536 million in dividend payments, which outweighed the cash inflow from the increase in cash to repay debt of ¥1,390 million.

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

	Year ended March 31,				
	2015	2016	2017	2018	2019
Equity ratio (%)	61.8	63.9	65.1	65.3	66.8
Equity ratio on a market value basis (%)	57.6	49.9	55.2	55.2	58.3
Cash flows/interest-bearing debt ratio (years)	1.6	0.7	0.7	0.7	0.8
Interest coverage ratio (times)	42.1	101.7	134.9	126.8	124.5

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.

\* Our Group applied Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28) from the current fiscal year. The main management indicators and others concerned with the previous fiscal year are applied this Accounting Standard retroactively.

### (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 ¥65 per share (an annual dividend of ¥125 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 2019 of ¥70 each, for an annual dividend of ¥140 per share in order to further increase returns to shareholders.

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

	Year ended March 31,				
	2016	2017	2018	2019 Current fiscal year	2020 Next fiscal year (forecast)
Interim	¥40.0	¥45.0	¥55.0	¥60.0	¥70.0
Year-end	¥45.0	¥55.0	¥55.0	¥65.0	¥70.0
Annual	¥85.0	¥100.0	¥110.0	¥125.0	¥140.0
Payout Ratio	27.1%	21.6%	26.2%	51.5%	29.4%

## 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, 2019 (FY2018) and 2018 (FY2017)

	Millions of Yen	
	FY2017	FY2018
<b>Assets</b>		
Current assets		
Cash and deposits	17,377	19,151
Notes and accounts receivable – trade	46,075	47,223
Electronically recorded monetary claims – operating	2,601	2,037
Merchandise and finished goods	12,342	15,387
Semi-finished goods	3,442	3,765
Work in process	586	492
Raw materials and supplies	4,376	5,372
Other	2,179	1,663
Allowance for doubtful accounts	(38)	(38)
Total current assets	88,942	95,053
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,829	46,412
Accumulated depreciation	(27,111)	(27,878)
Buildings and structures, net	17,717	18,533
Machinery, equipment and vehicles	150,470	153,626
Accumulated depreciation	(120,070)	(122,290)
Machinery, equipment and vehicles, net	30,399	31,336
Land	8,894	8,900
Construction in progress	10,339	994
Other	12,924	13,058
Accumulated depreciation	(10,391)	(10,498)
Other, net	2,532	2,560
Total property, plant and equipment	69,883	62,324
Intangible assets		
Software	948	1,255
Goodwill	667	—
Other	1,167	1,160
Total intangible assets	2,782	2,416
Investments and other assets		
Investment securities	33,644	28,864
Long-term loans receivable	7	984
Deferred tax assets	721	452
Retirement benefit asset	1,750	1,611
Other	1,470	1,952
Allowance for doubtful accounts	(24)	(28)
Total investments and other assets	37,570	33,835
Total non-current assets	110,236	98,577
<b>Total assets</b>	<b>199,179</b>	<b>193,630</b>

	Millions of Yen	
	FY2017	FY2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	25,144	22,248
Electronically recorded obligations – operating	7,156	7,402
Short-term loans payable	2,625	6,221
Current portion of long-term loans payable	2,212	1,964
Accrued expenses	3,264	3,542
Income taxes payable	1,436	3,137
Provision for bonuses	1,978	2,113
Provision for bonuses for directors (and other officers)	104	114
Electronically recorded obligations – non-operating	1,154	945
Other	5,119	4,834
Total current liabilities	50,197	52,524
Non-current liabilities		
Long-term loans payable	5,762	3,800
Deferred tax liabilities	4,568	3,044
Provision for retirement benefits for directors (and other officers)	354	—
Provision for loss on factory closing	360	—
Stock-based compensation allowance	—	77
Retirement benefit liability	513	76
Asset retirement obligations	400	—
Other	753	1,485
Total non-current liabilities	12,712	8,482
Total liabilities	62,909	61,007
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,051	13,051
Capital surplus	12,194	12,290
Retained earnings	95,544	98,350
Treasury shares	(5,752)	(5,856)
Total shareholders' equity	115,037	117,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,656	10,263
Foreign currency translation adjustment	1,126	1,189
Remeasurements of defined benefit plans	279	82
Total accumulated other comprehensive income	15,062	11,535
Non-controlling interests	6,170	3,251
Total net assets	136,270	132,623
<b>Total liabilities and net assets</b>	<b>199,179</b>	<b>193,630</b>

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

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

Years ended March 31, 2019 (FY2018) and 2018 (FY2017)

	Millions of Yen	
	FY2017	FY2018
Net sales	161,692	161,599
Cost of sales	127,651	126,152
Gross profit	34,041	35,446
Selling, general and administrative expenses		
Freight and storage charges	6,406	6,157
Salaries and compensations	3,402	3,573
Employees' bonuses	1,232	1,339
Retirement benefit expenses	221	199
Welfare expenses	1,068	1,095
Depreciation	372	435
Research and development expenses	5,365	5,569
Other	3,971	4,154
Total selling, general and administrative expenses	22,042	22,526
Operating profit	11,999	12,919
Non-operating income		
Interest income	40	52
Dividend income	757	816
Real estate rent	332	363
Share of profit of entities accounted for using equity method	834	1,307
Foreign exchange gains	222	247
Other	192	288
Total non-operating income	2,379	3,076
Non-operating expenses		
Interest expenses	119	119
Rent cost of real estate	103	104
Loss on abandonment of inventories	78	94
Other	211	472
Total non-operating expenses	512	791
Ordinary profit	13,866	15,205
Extraordinary income		
Gain on sales of non-current assets	—	55
Gain on sales of investment securities	—	2,416 *1
Insurance income	147	113
Other	—	16
Total extraordinary income	147	2,602
Extraordinary losses		
Loss on sales of non-current assets	—	27
Loss on retirement of non-current assets	1,045	857
Impairment loss	—	8,796 *2
Loss on closing of factory	760	—
Amortization of goodwill-EL	—	534 *3
Other	63	49
Total extraordinary losses	1,868	10,265
Profit before income taxes	12,144	7,541
Income taxes – current	2,832	4,594
Income taxes – deferred	(52)	164
Total income taxes	2,779	4,759
Profit	9,365	2,782
Profit (loss) attributable to non-controlling interests	92	(2,563)
Profit attributable to owners of parent	9,272	5,345

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

Years ended March 31, 2019 (FY2018) and 2018 (FY2017)

	Millions of Yen	
	FY2017	FY2018
Profit	9,365	2,782
Other comprehensive income		
Valuation difference on available-for-sale securities	865	(3,393)
Foreign currency translation adjustment	1,065	48
Remeasurements of defined benefit plans, net of tax	60	(197)
Total other comprehensive income	1,991	(3,542)
Comprehensive income	11,356	(760)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	10,928	1,818
Comprehensive income attributable to non-controlling interests	427	(2,578)

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

Years ended March 31, 2019 (FY2018) and 2018 (FY2017)

[Previous 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
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	6,847	(7)	6,839
Balance at 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
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 end of current period	13,656	1,126	279	15,062	6,170	136,270

[Current Consolidated Fiscal Year (April 1, 2018 through March 31, 2019)]

(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	95,544	(5,752)	115,037
Changes of items during period					
Dividends of surplus			(2,539)		(2,539)
Profit attributable to owners of parent			5,345		5,345
Purchase of treasury shares				(388)	(388)
Disposal of treasury shares		96		285	381
Net changes of items other than shareholders' equity					
Total changes of items during period	—	96	2,806	(103)	2,799
Balance at end of current period	13,051	12,290	98,350	(5,856)	117,836

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	13,656	1,126	279	15,062	6,170	136,270
Changes of items during period						
Dividends of surplus						(2,539)
Profit attributable to owners of parent						5,345
Purchase of treasury shares						(388)
Disposal of treasury shares						381
Net changes of items other than shareholders' equity	(3,393)	63	(197)	(3,527)	(2,918)	(6,445)
Total changes of items during period	(3,393)	63	(197)	(3,527)	(2,918)	(3,646)
Balance at end of current period	10,263	1,189	82	11,535	3,251	132,623

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

Years ended March 31, 2019 (FY2018) and 2018 (FY2017)

	Millions of Yen	
	FY2017	FY2018
Cash flows from operating activities		
Profit before income taxes	12,144	7,541
Depreciation	8,380	9,168
Loss on retirement of non-current assets	1,045	857
Loss on closing of factory	760	—
Impairment loss	—	8,796
Amortization of goodwill	133	667
Increase (decrease) in provision for bonuses	(64)	134
Changes in net defined benefit asset and liability	(152)	(195)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	79	20
Increase (decrease) in provision for bonuses for directors (and other officers)	—	9
Increase(decrease)in provision stock-based compensation	—	77
Interest and dividend income	(797)	(869)
Interest expenses	119	119
Share of loss (profit) of entities accounted for using equity method	(834)	(1,307)
Loss (gain) on sales of investment securities	—	(2,416)
Decrease (increase) in notes and accounts receivable – trade	(7,435)	(663)
Decrease (increase) in inventories	(2,172)	(4,143)
Increase (decrease) in notes and accounts payable – trade	8,100	(2,590)
Other, net	(1,921)	342
Subtotal	17,383	15,547
Interest and dividend income received	1,600	2,066
Interest expenses paid	(123)	(117)
Income taxes paid	(3,149)	(2,893)
Net cash provided by (used in) operating activities	15,710	14,603
Cash flows from investing activities		
Purchase of non-current assets	(13,008)	(11,551)
Proceeds from sales of property, plant and equipment	—	84
Purchase of investment securities	(304)	(559)
Proceeds from sales of investment securities	—	3,273
Payments of long-term loans receivable	—	(994)
Collection of long-term loans receivable	1	2
Payment for other investment activities	(918)	(1,625)
Proceeds from other investment activities	31	58
Net cash provided by (used in) investing activities	(14,198)	(11,312)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,052)	3,597
Repayments of long-term loans payable	(1,540)	(2,206)
Net decrease (increase) in treasury shares	(7)	(7)
Cash dividends paid	(2,424)	(2,536)
Dividends paid to non-controlling interests	(304)	(340)
Net cash provided by (used in) financing activities	(7,328)	(1,492)
Effect of exchange rate change on cash and cash equivalents	55	(24)
Net increase (decrease) in cash and cash equivalents	(5,760)	1,773
Cash and cash equivalents at beginning of period	23,138	17,377
Cash and cash equivalents at end of period	17,377	19,151

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

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

None

### **(Change in Presentation)**

[Application of Partial Amendments to Accounting Standard for Tax Effect Accounting]

Our Group applied Partial Amendments to Accounting Standard for Tax Effect Accounting, (ASBJ Statement No. 28) from the current fiscal year. In addition, deferred tax assets have been recorded in "Investments and other assets" and deferred tax liabilities have been recorded in "Non-current liabilities" in the Consolidated Balance Sheets.

As a result of the changes in presentation, in the consolidated balance sheet as of March 31, 2018, "Deferred tax assets" of 1,180 million of yen under "Current assets", "Deferred tax assets" of 486 million of yen under "Investments and other assets" and "Deferred tax liabilities" of 5,513 million of yen under "Non-current liabilities" have been restated as "Deferred tax assets" of 721 million of yen under "Investments and other assets" and "Deferred tax liabilities" of 4,568 million of yen under "Non-current liabilities".

### **(Additional Information)**

[Stock Compensation Plan for Directors and Corporate Officers]

The company introduced Stock Compensation Plan for Directors (excluding outside directors) and Corporate Officers (hereinafter, referred to as Directors), which was resolved in the 94th Ordinary General Meeting of Shareholders held on June 22th, 2018.

The purpose of the plan is to clarify the link between the market value of our shares and remuneration of Directors. Under the plan, the Directors share with the shareholders not only the benefits deriving from future appreciation of share prices, but also the risks associated with a fall in the same. This is intended ultimately to enhance the awareness of the Directors with respect to making a contribution to an improvement in our mid and long-term performance and its corporate value.

#### **(1) Outline of the Transactions**

The trust established under the Plan acquires our shares by cash contributed by the Company. The plan is a share-based compensation plan in which we will grant points to Directors and distribute to them the number of shares of our equivalent to the cumulative number of points granted to them. Directors shall in principle receive the Company's shares upon their retirement.

#### **(2) The Company's Shares Remaining in the Trust**

The Company's shares remaining in the trust are recorded under net assets as treasury shares at the book value in the trust (excluding related costs). The book value and the number of such treasury shares are ¥381 million and 73,800 as of March 31, 2019.

### (Consolidated Statements of Income)

#### ※1 Gain on Sales of Investment Securities

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

#### ※2 Loss on Impairment of Property, Plant and Equipment

Certain consolidated subsidiaries have recognized loss on impairment of the following classes of property, plant and equipment.

Current consolidated fiscal year (April 1, 2018 through March 31, 2019)

Location	Main use	Class
SDP GLOBAL (MALAYSIA) SDN. BHD. Johor, Malaysia	Facilities related to toiletries and health care	Machinery and buildings*1
Sanyo Chemical & Resins, LLC Pennsylvania, USA	Facilities related to Petroleum and Automotives	Machinery*2

Our Group classifies their property, plant and equipment primarily based on factories.

(\*1) An overseas consolidated subsidiary reduced the carrying value of operating assets, which are anticipated to generate operating losses continuously, to their recoverable amounts. And, loss on impairment of their property, plant and equipment was appropriated ¥8,721 million. Main breakdown of the loss is consisted of ¥1,525 million for buildings, ¥6,681 million for machinery and ¥514 million for others. The recoverable amounts are estimated from the net sales value; indicators include value estimates prepared by appraisers.

(\*2) An overseas consolidated subsidiary, as a result of re-examination of the business plan, reduced the carrying full value, which is anticipated to generate cash flow losses in the future, except the parts to convert another use. And, loss on impairment of their property, plant and equipment was appropriated ¥75 million (main breakdown: ¥75 million for machinery).

#### ※3 Amortization of Goodwill

Current consolidated fiscal year (April 1, 2018 through March 31, 2019)

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

## 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, 2017 through March 31, 2018)]

(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	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	52,055	199,179
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

[Current Consolidated Fiscal Year (April 1, 2018 through March 31, 2019)]

(Millions of yen)

	Reporting Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Auto-motives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to third parties	55,293	43,109	22,169	22,761	18,264	161,599	—	161,599
Intersegment sales/transfers	—	—	4	—	64	69	(69)	—
Subtotal	55,293	43,109	22,174	22,761	18,329	161,668	(69)	161,599
Segment income (loss)	1,176	3,059	3,388	4,003	1,292	12,919	—	12,919
Segment assets	41,827	36,860	23,090	27,353	14,608	143,740	49,889	193,630
Other items								
Depreciation	3,016	2,140	1,168	2,109	652	9,087	—	9,087
Amortization of goodwill	667	—	—	—	—	667	—	667
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	4,565	—	547	—	—	5,112
Increase in Tangible and Intangible Fixed assets	3,506	2,910	1,656	2,013	761	10,848	—	10,848

Note: Amortization of goodwill concerning the toiletries and health care segment includes ¥534 million for amortization of goodwill-EL appropriated in extraordinary losses.

## (2) Information Regarding Impairment Loss in Non-Current Assets by Reporting Segment

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

(Millions of yen)

	Reporting Segment					Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/ Electronics	Environmental Protection, Construction and Others	
Impairment loss	400	—	—	—	—	400

Note: In the consolidated statements of income, ¥400 million for impairment loss concerning the toiletries and health care segment is included in loss on closing of factory.

[Current Consolidated Fiscal Year (April 1, 2018 through March 31, 2019)]

(Millions of yen)

	Reporting Segment					Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/ Electronics	Environmental Protection, Construction and Others	
Impairment loss	8,721	75	—	—	—	8,796

## (3) Information Regarding Amortization of Goodwill-EL and Unamortized Balance by Reporting Segment

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

(Millions of yen)

	Reporting Segment					Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/ Electronics	Environmental Protection, Construction and Others	
Amortization	133	—	—	—	—	133
Unamortized balance	667	—	—	—	—	667

[Current Consolidated Fiscal Year (April 1, 2018 through March 31, 2019)]

(Millions of yen)

	Reporting Segment					Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/ Electronics	Environmental Protection, Construction and Others	
Amortization	667	—	—	—	—	667
Unamortized balance	—	—	—	—	—	—

Note: Amortization of goodwill concerning the toiletries and health care segment includes ¥534 million for amortization of goodwill-EL appropriated in extraordinary losses.

**<Reference>****[Information by Geographic Segment]**

[Previous 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	187,115	5,432	20,449	14,871	227,869

	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	(28,690)	199,179

[Current Consolidated Fiscal Year (April 1, 2018 through March 31, 2019)]

(Millions of yen)

	Japan	USA	China	Other	Total
I. Net sales and operating profit and loss					
Net sales					
(1) Sales to third parties	124,783	6,453	26,271	4,090	161,599
(2) Inter-segment sales/transfers	7,491	—	1,912	60	9,463
Subtotal	132,274	6,453	28,183	4,151	171,062
Operating expense	118,978	6,246	27,649	5,353	158,229
Operating profit (loss)	13,296	206	534	(1,202)	12,833
II. Assets	183,606	5,848	18,015	8,295	215,765

	Elimination or Common Assets	Consolidated Total
I. Net sales and operating profit and loss		
Net sales		
(1) Sales to third parties	—	161,599
(2) Inter-segment sales/transfers	(9,463)	—
Subtotal	(9,463)	161,599
Operating expense	(9,549)	148,679
Operating profit (loss)	85	12,919
II. Assets	(22,135)	193,630

**[Overseas Sales]**

[Previous 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

[Current Consolidated Fiscal Year (April 1, 2018 through March 31, 2019)]

(Millions of yen)

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

## 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 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

Current Fiscal Year

(Millions of yen)

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

### 2. Investment in Plant and Equipment

(Millions of yen)

	Consolidated	Unconsolidated
FY2018	10,848	6,903
FY2017	13,923	9,693

### 3. Depreciation and Amortization

(Millions of yen)

	Consolidated	Unconsolidated
FY2018	9,087	5,867
FY2017	8,299	5,582

### 4. Research and Development Cost

(Millions of yen)

	Consolidated	Unconsolidated
FY2018	5,569	4,789
FY2017	5,365	4,470

### 5. Number of Employees

(Number)

	Consolidated	Unconsolidated
FY2018	2,078	1,356
FY2017	2,053	1,280