

"Performance" Through Chemistry

Material for
Financial Results Presentation
For the Three Months
Ended June 30, 2020

Sanyo Chemical Industries, Ltd.

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

Securities code: 4471

Sanyo
Chemical

<Notice>

Yen amounts described in this presentation material are rounded down to the nearest unit.
Other figures such as ratios are rounded off.

<Disclaimer>

This presentation material contains forward-looking statements including projections based on the assumptions, forecasts and plans as of July 31, 2020. Actual results may differ significantly from such projections due to risks and uncertainties relating to changes in the global economy, state of competition, foreign currency exchange rates, trends in raw material costs and other factors.

<Inquiries about IR>

Media and Investor Relation Dept.
Corporate Communications Division
Sanyo Chemical Industries, Ltd.

E-mail: pr-group@sanyo-chemical.group

Corporate Data

Date of Establishment: November 1, 1949

Head Office: Higashiyama-ku, Kyoto-shi

Share Capital: ¥13,051 million

Domestic Branches Offices and Sales & Marketing Offices:

Tokyo, Osaka, Nagoya, Hiroshima, Fukuoka

Domestic Factories:

Nagoya, Kinuura, Kashima, Kyoto, Kawasaki (San Chemical)

Number of Employees (Consolidated Basis):

2,107 (as of June 30, 2020)

Line of Business:

Manufacturing & sales of approx. 3,000 types of performance chemicals

Sanyo Chemical Group

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Sanyo Chemical Group

- Consolidated Subsidiaries: 13 Companies
- Entities Accounted for Using the Equity Method: 4 Companies

Domestic (5 Companies)

- SDP Global Co., Ltd.
- SAN NOPCO LIMITED
- San Chemical Co., Ltd.

- San-Apro Ltd.
- San-Petrochemicals Co., Ltd.

Overseas (9 Companies)



- Sanyo Kasei (Nantong) Co., Ltd.
- San-Dia Polymers (Nantong) Co., Ltd.
- Sanyo Chemical (Shanghai) Trading Co., Ltd.



- Sanyo Kasei (Thailand) Ltd.



- SANAM Corporation
- Sanyo Chemical & Resins, LLC
- Sanyo Chemical Texas Industries, LLC
- Sunrise Chemical LLC



- SDP GLOBAL (MALAYSIA) SDN. BHD.

Logistics and Service
Subsidiaries (3 Companies)

- Sanyo Chemical Logistics Co., Ltd.
- Shiohama Chemicals Warehouse Co., Ltd.
- Sanliving Ltd.

Other Subsidiaries and Affiliates:

Sanyo Kasei Korea, Ltd.
SANYO KASEI (TAIWAN) LTD.
SAN NOPCO (KOREA) LIMITED

Sanyo Chemical Manufacturing Korea, Ltd.
SAN NOPCO (SHANGHAI) TRADING Co., Ltd.
DaXiang International Trading (SHANGHAI) Co., Ltd.

APB Corporation

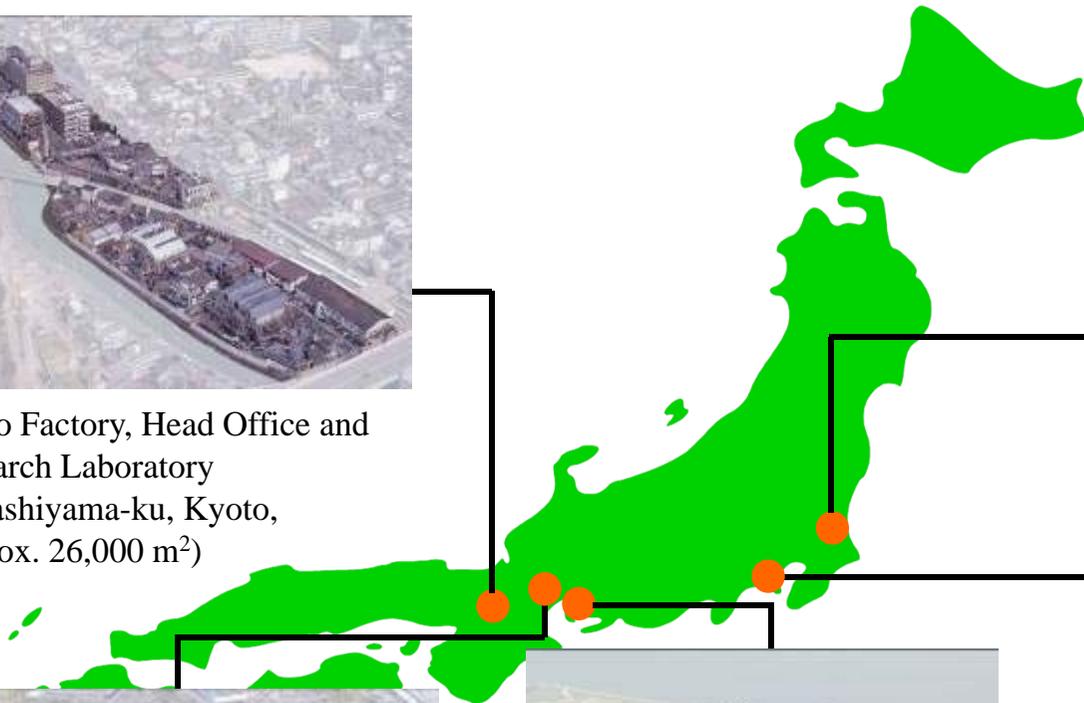
Domestic Production Bases



Kyoto Factory, Head Office and Research Laboratory
(Higashiyama-ku, Kyoto, Approx. 26,000 m²)



Kashima Factory
(Kamisu-shi, Ibaraki, Approx. 130,000 m²)



Nagoya Factory
(Tokai-shi, Aichi, Approx. 100,000 m²)



Kinuura Factory
(Handa-shi, Aichi, Approx. 140,000 m²)



San Chemical Co., Ltd., Kawasaki Factory
(Kawasaki-shi, Kanagawa, Approx. 11,000 m²)

Overseas Production Bases

 Sanyo Kasei (Nantong) Co., Ltd.



 San-Dia Polymers (Nantong) Co., Ltd.



 Sanyo Chemical & Resins, LLC



 Sanyo Chemical Manufacturing Korea, Ltd.



 Sanyo Kasei (Thailand) Ltd.



SDP GLOBAL (MALAYSIA) SDN. BHD.



Sanyo Chemical Texas Industries, LLC



Overseas Sales Offices



Sanyo Chemical (Shanghai) Trading Co., Ltd.
SAN NOPCO (SHANGHAI) TRADING Co., Ltd.
DaXiang International Trading (SHANGHAI) Co., Ltd.



Sanyo Kasei Korea, Ltd.
SAN NOPCO (KOREA) LIMITED



Sanyo Kasei (Thailand) Ltd.



SANYO KASEI (TAIWAN) LTD.

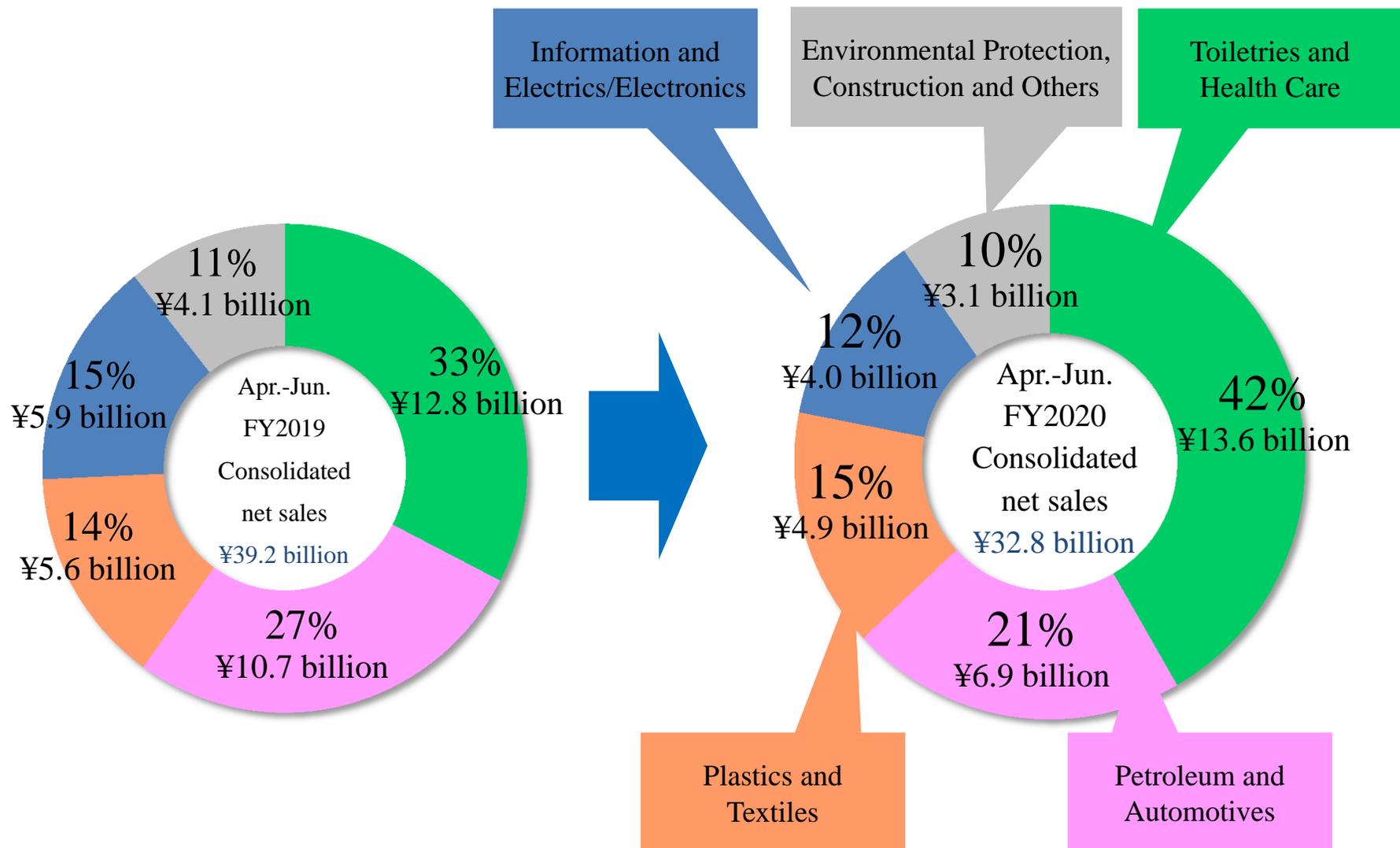


SANAM Corporation

Principal Products by Industrial Field (Segment)

Broad category	Middle category	Principal products
Toiletries and Health Care	Toiletries	Surfactants for Detergents, Surfactants for Hair Care Products, Agents for Paper-making
	Health Care	Superabsorbent Polymers (SAP), Raw Materials for Pharmaceuticals, Germicides/Disinfectants, Surgical Hemostatic Agent, Clinical Diagnostic Reagents for Enzyme Immunoassay (EIA), Potting Resins for Artificial Kidneys
Petroleum and Automotives		Thermoplastic Polyurethane Beads (TUB) for the Interior Parts of Automobiles, Raw Materials for Polyurethane Foams (PPG), Lubricant Additives, Additives for Fuel Oil, Water-Soluble Cutting Oil, Halogen-Free Cleaning Agents, Base Materials for Synthetic Lubricants, Paste Resins for Design Models, Resins for Automobile Paints
Plastics and Textiles	Plastics	Permanent Antistatic Agents, Pigment Dispersants, Resin Modifiers, Paint Resins, Defoaming Agents, Raw Materials for Polyurethane Elastomers, Chemical Boards for Models
	Textiles	Chemicals for Textile Manufacturing, Chemicals for Carbon Fibers, Chemicals for Fiberglass, Polyurethane Resins for Artificial and Synthetic Leather
Information and Electrics/ Electronics	Information	Polyester Beads (PEB) Used as a Core Component of Polymerization Toners, Toner Binder
	Electrics/ Electronics	Electrolytes for Aluminum Electrolytic Capacitors, Electrolytes for Electric Double-Layer Capacitors, Adhesive for Electronic Parts, Chemicals for Use in Electronic Parts Manufacturing, UV/EB Curing Resins
Environmental Protection, Construction and Others		Polymer Flocculants for Wastewater Treatment, Cationic Monomer, PPG for Furniture and Heat Insulating Materials, Slurry Chemicals, Reactive Hot-Melt Adhesives, Raw materials for Building Sealants, Cement Chemicals

Consolidated Net Sales by Segment

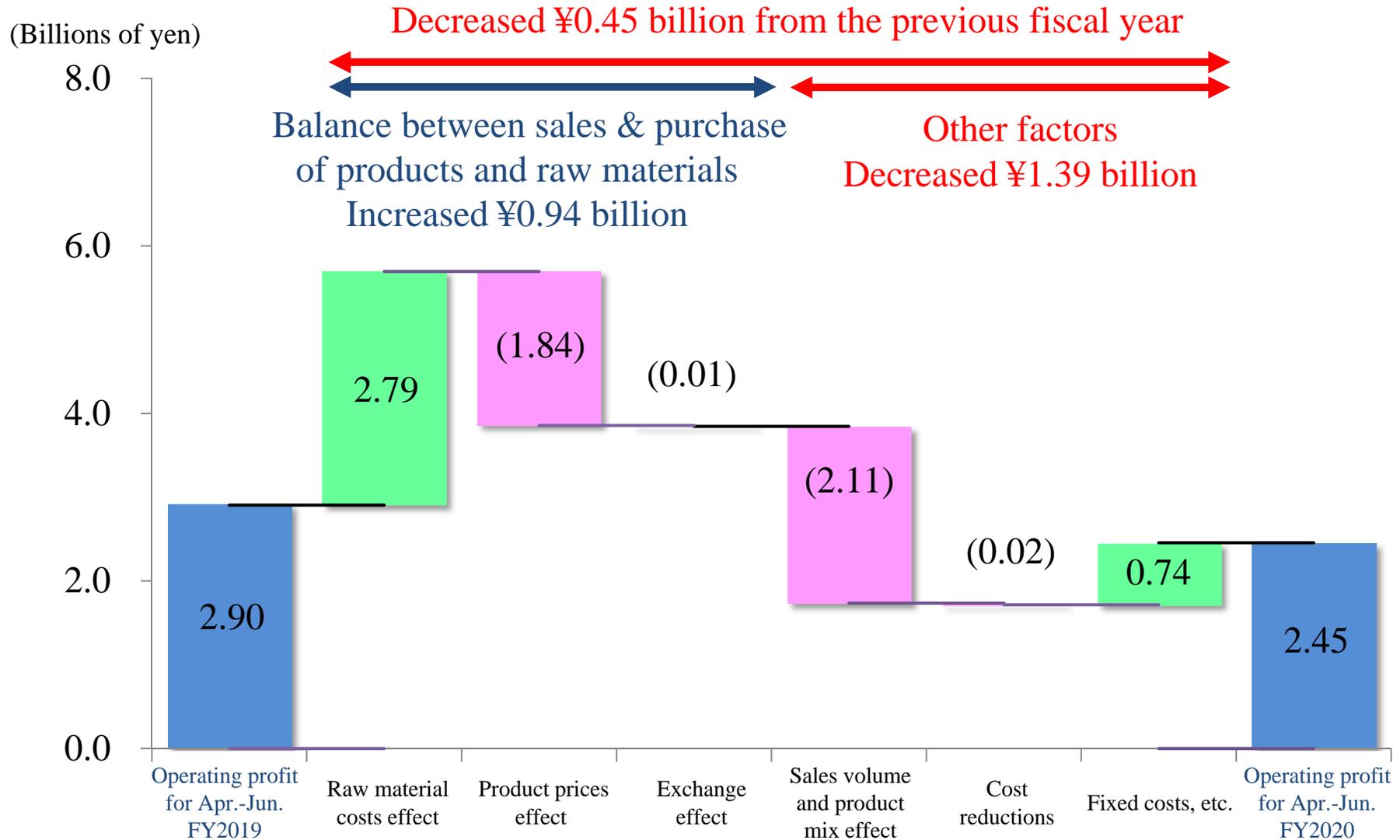


Earnings for Apr.-Jun. FY2020

(Billions of yen)

Consolidated	Apr.-Jun.		Year-on-Year Change	
	FY2019	FY2020	Amount	Ratio (%)
Net sales	39.27	32.81	(6.46)	(16)
Operating profit	2.90	2.45	(0.45)	(16)
Ordinary profit	2.89	2.60	(0.29)	(10)
Profit attributable to owners of parent	1.79	1.49	(0.30)	(17)
Comprehensive income	1.02	3.32	2.30	225

Year-on-Year Change in Consolidated Operating Profit by Factor



Year-on-Year Change in Consolidated Profit by Factor

(Billions of yen)

	Apr.-Jun.		Change amount
	FY2019	FY2020	
Operating profit	2.90	2.45	(0.45)
Share of profit (loss) of entities accounted for using equity method	0.12	(0.05)	(0.17)
Gain (loss) on foreign exchange	(0.46)	(0.04)	0.41
Other non-operating income (loss)	0.33	0.25	(0.07)
Ordinary profit	2.89	2.60	(0.29)
Gain (loss) on sales of non-current assets, loss on retirement of non-current assets	(0.19)	(0.25)	(0.06)
Other extraordinary income (loss)	0.00	0.01	0.00
Profit before income taxes	2.70	2.36	(0.34)
Income taxes	(0.92)	(0.77)	0.14
Profit attributable to non-controlling interests	0.01	(0.09)	(0.11)
Profit attributable to owners of parent	1.79	1.49	(0.30)

Consolidated Balance Sheet



(Billions of yen)

	March 31, 2020	June 30, 2020	Change amount	Main factors for changes
Current assets	85.8	82.1	(3.6)	Cash and deposits: (0.1), Notes and accounts receivable - trade, Electronically recorded monetary claims - operating: (5.3), Inventories: 0.9
Non-current assets	93.0	95.1	2.1	Property, plant and equipment: 0.3, Investment securities: 1.8
Total assets	178.8	177.3	(1.5)	
Current liabilities	42.7	39.4	(3.3)	Accounts payable - trade, Electronically recorded obligations - operating: (3.4)
Non-current liabilities	6.0	6.5	0.5	Deferred tax liabilities: 0.6
Total liabilities	48.7	46.0	(2.7)	
Shareholders' equity	121.4	121.4	(0.0)	Profit: 1.4, Cash dividends paid: (1.5)
Other comprehensive income	6.1	7.5	1.4	Valuation difference on available-for-sale securities: 1.6, Foreign currency translation adjustment: (0.2)
Non-controlling interests	2.4	2.3	(0.1)	
Total net assets	130.0	131.3	1.2	
Total liabilities and net assets	178.8	177.3	(1.5)	

Consolidated Statements of Cash Flows

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(Billions of yen)

	Apr.-Jun.		Change amount	Special notes
	FY2019	FY2020		
Cash flows from operating activities	3.68	4.18	0.49	
Profit before income taxes	2.70	2.36	(0.34)	
Depreciation	2.20	2.34	0.14	
Share of loss (profit) of entities accounted for using equity method	(0.12)	0.05	0.17	
(Increase) decrease in operating capital	2.65	1.05	(1.59)	
Income taxes	(3.13)	(0.60)	2.49	
Other, net	(0.61)	(1.00)	(0.38)	
Cash flows from investing activities	(2.67)	(3.18)	(0.51)	Purchase of non-current assets 1Q FY2019: (2.52), 1Q FY2020: (2.64)
Free cash flows	1.01	0.99	(0.01)	
Cash flows from financing activities	(3.60)	(0.59)	3.01	Loans and Repayment 1Q FY2019: (1.9), 1Q FY2020: 1.1
Effect of exchange rate change on cash and cash equivalents	(0.20)	(0.01)	0.18	
Net increase (decrease) in cash and cash equivalents	(2.79)	0.39	3.18	
Cash and cash equivalents at beginning of period	19.15	18.00	(1.14)	
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of consolidated subsidiaries	—	(0.65)	(0.65)	
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	0.11	0.11	
Cash and cash equivalents at end of period	16.35	17.86	1.50	

Earnings Forecast for FY2020

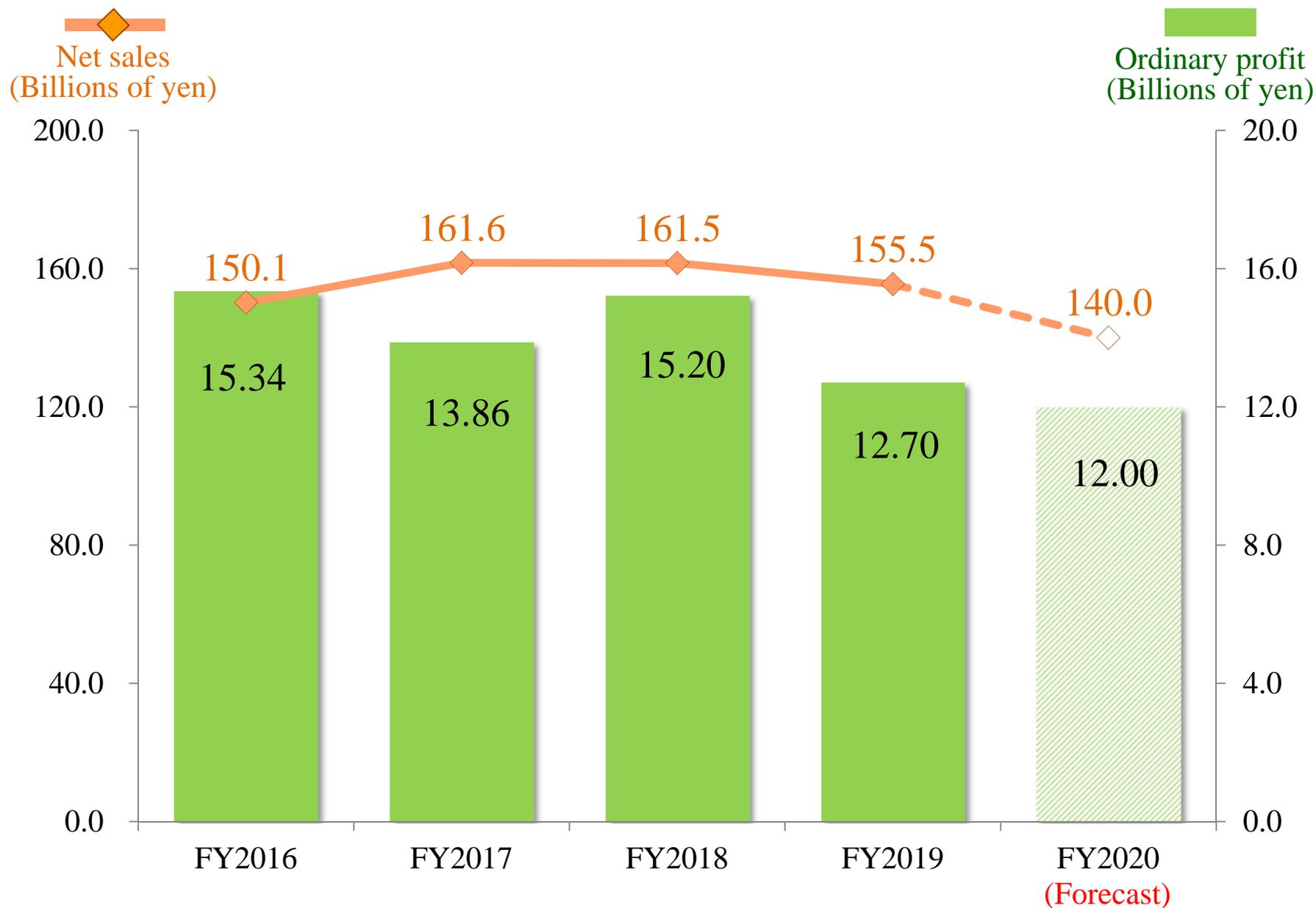
<Assumptions for below forecasts>

Price of naphtha produced in Japan: 30 thousand yen/kl, Exchange rate: 108 yen/U.S. dollar

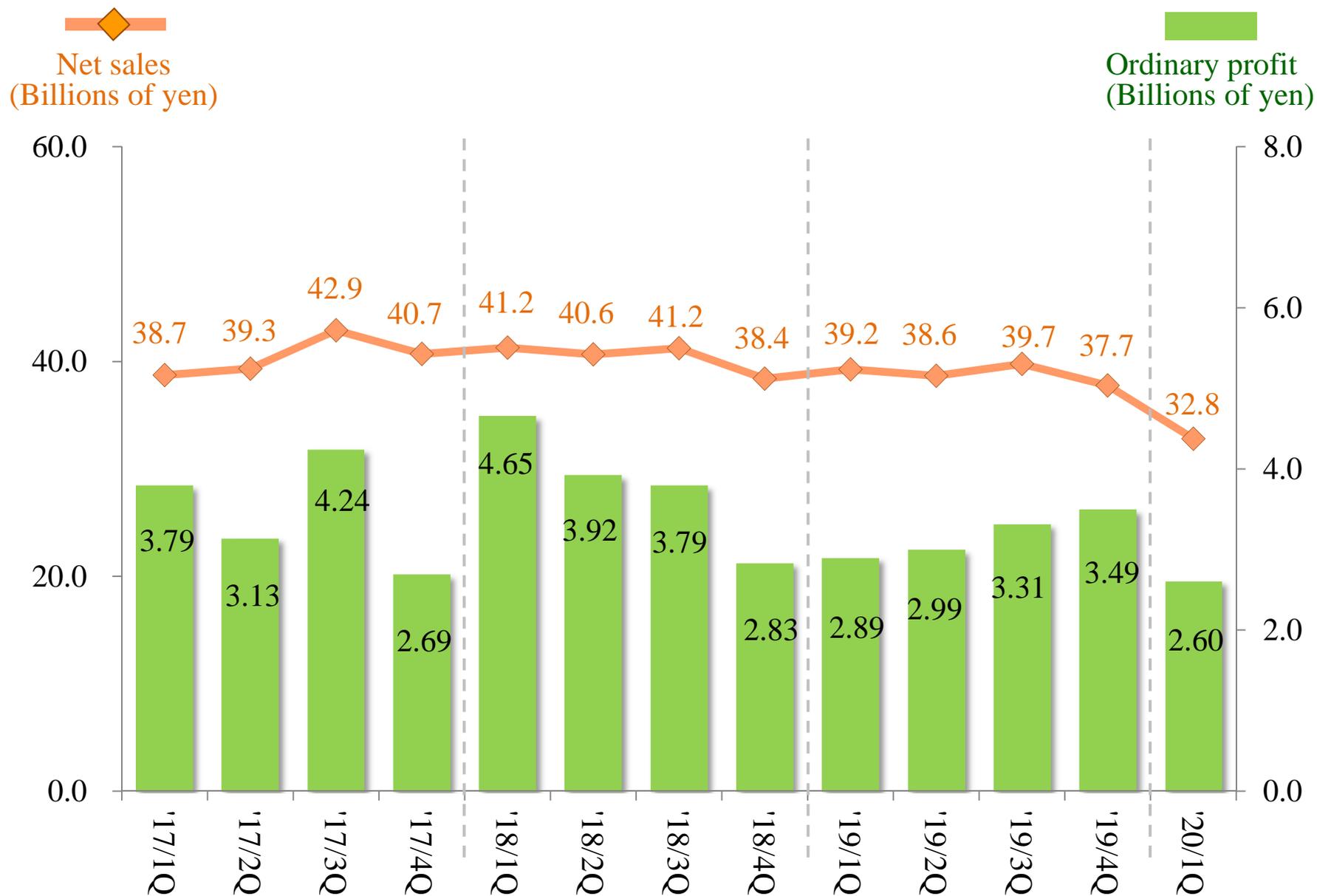
(Billions of yen)

Consolidated	Full-year			2Q (Apr.-Sep.)		
	FY2020 Forecast	FY2019 Result	Rate of change (%)	FY2020 Forecast	FY2019 Result	Rate of change (%)
Net sales	140.00	155.50	(10)	66.00	77.94	(15)
Operating profit	11.50	12.43	(8)	4.50	5.90	(24)
Ordinary profit	12.00	12.70	(6)	4.70	5.89	(20)
Profit attributable to owners of parent	7.00	7.66	(9)	2.60	3.79	(31)

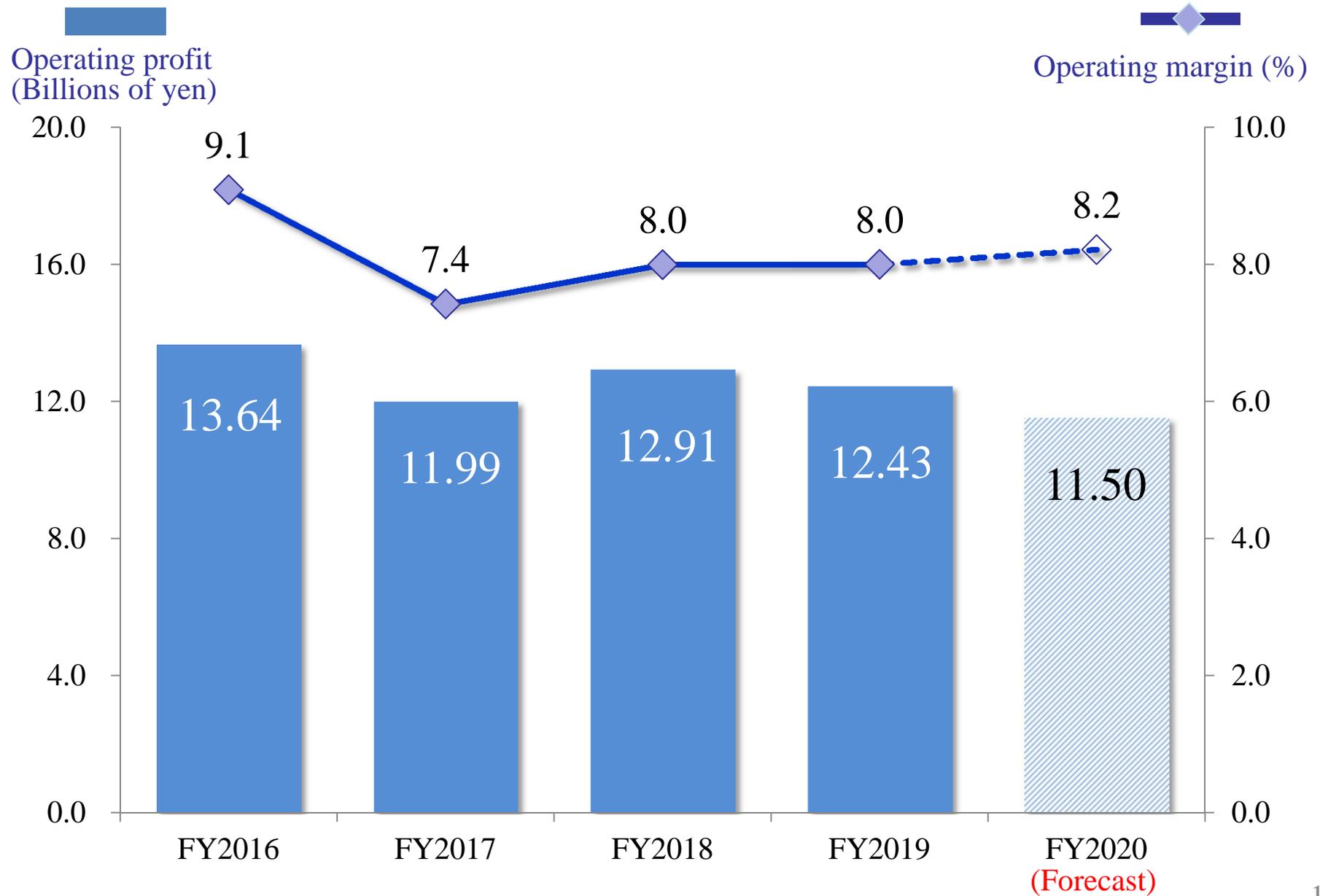
Trends in Consolidated Earnings



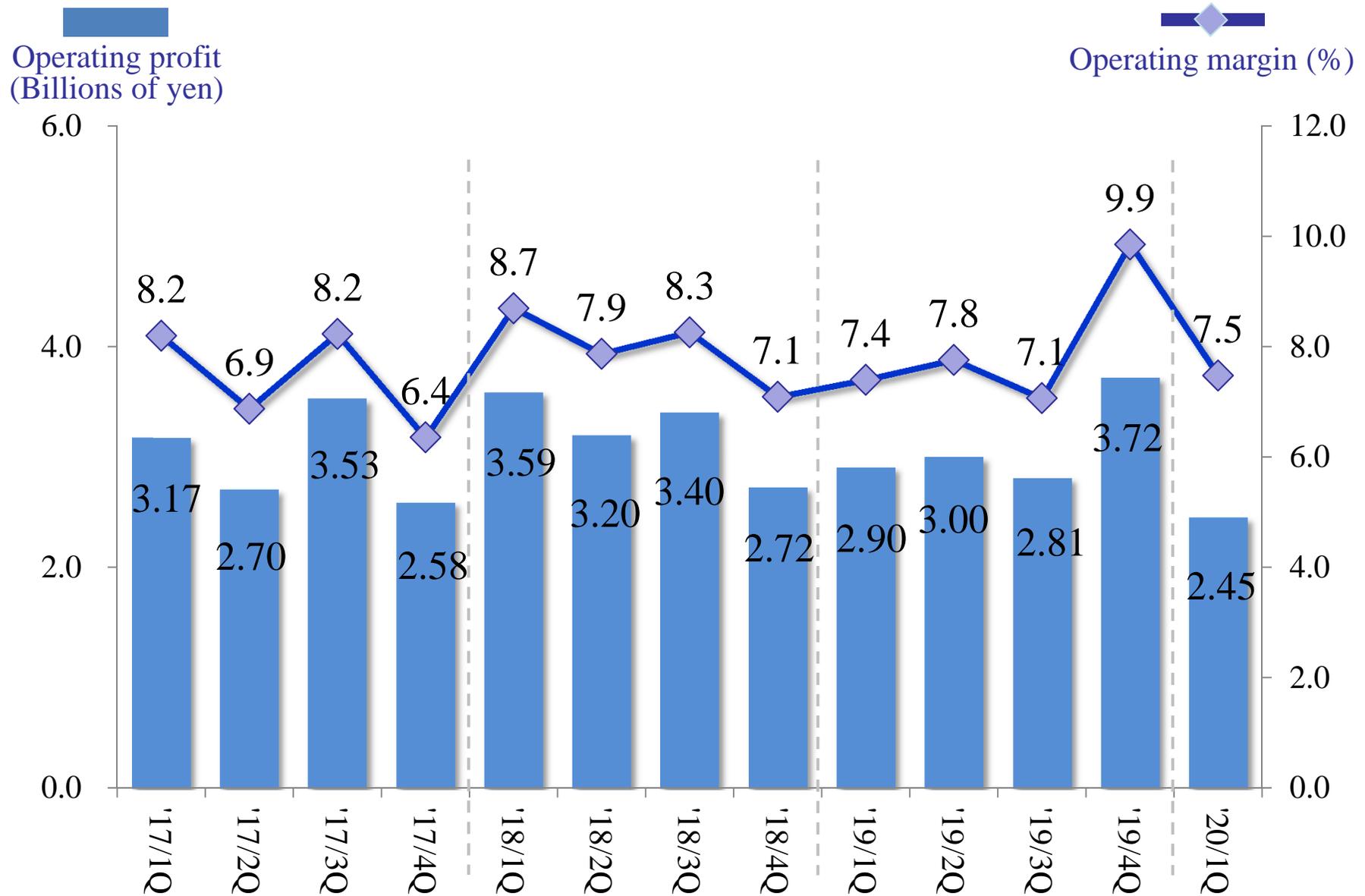
Trends in Consolidated Earnings (Quarter Period)



Trends in Consolidated Operating Profit and Operating Margin



Trends in Consolidated Operating Profit and Operating Margin (Quarter Period)



Consolidated Earnings by Segment

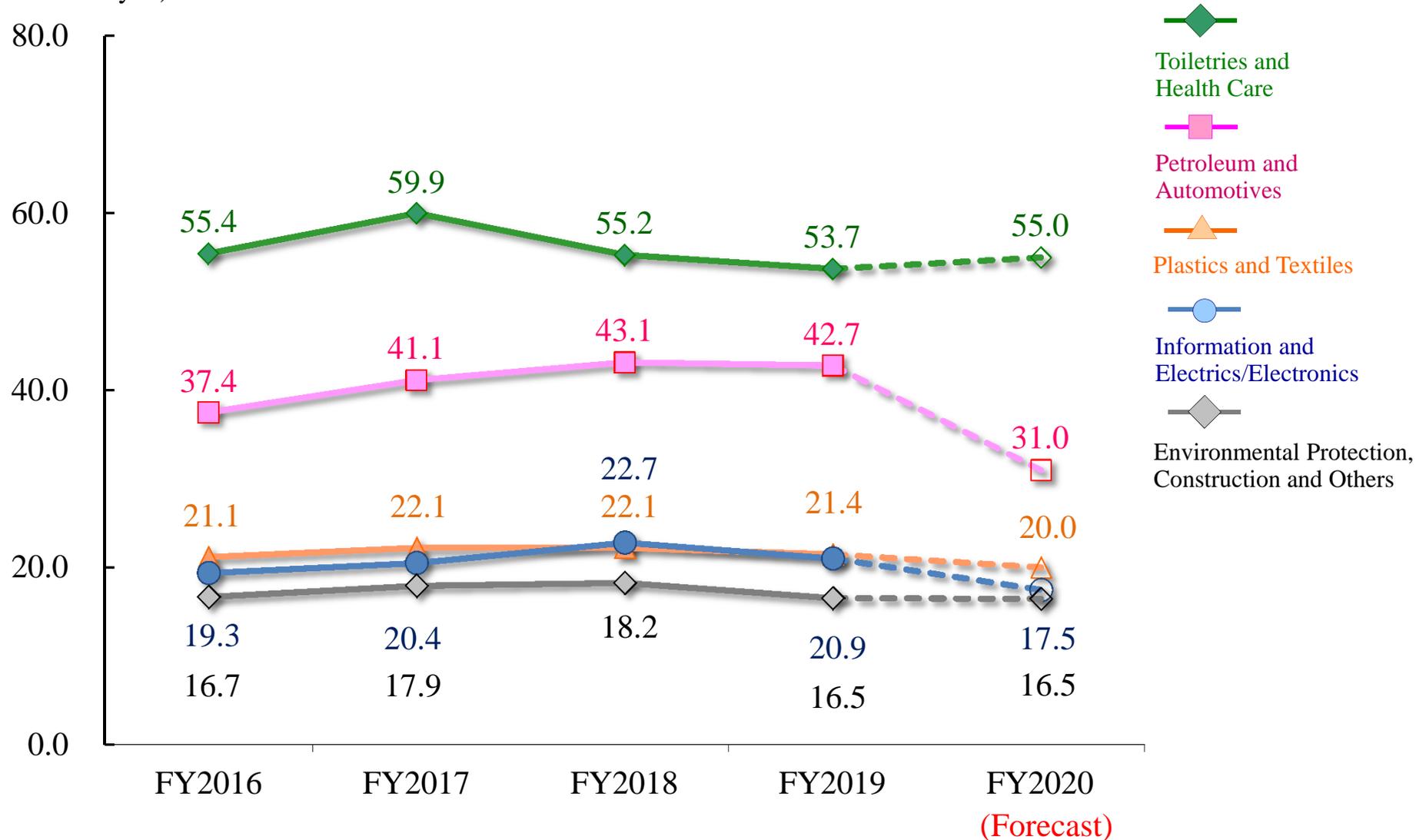
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Chemical**

(Billions of yen)

Segment	Net sales			Operating profit		
	Apr.-Jun. FY2019	Apr.-Jun. FY2020	Change amount	Apr.-Jun. FY2019	Apr.-Jun. FY2020	Change amount
Toiletries and Health Care	12.80	13.67	0.87	0.17	1.07	0.89
Toiletries	3.41	3.16	(0.24)			
Health Care	9.38	10.50	1.11			
Petroleum and Automotives	10.72	6.99	(3.72)	0.74	0.31	(0.42)
Plastics and Textiles	5.64	4.94	(0.69)	0.77	0.52	(0.24)
Plastics	4.13	3.63	(0.50)			
Textiles	1.50	1.31	(0.18)			
Information and Electrics/Electronics	5.92	4.01	(1.90)	1.04	0.32	(0.72)
Information	4.16	2.29	(1.87)			
Electrics/Electronics	1.75	1.72	(0.03)			
Environmental Protection, Construction and Others	4.18	3.17	(1.00)	0.17	0.21	0.04
Total	39.27	32.81	(6.46)	2.90	2.45	(0.45)

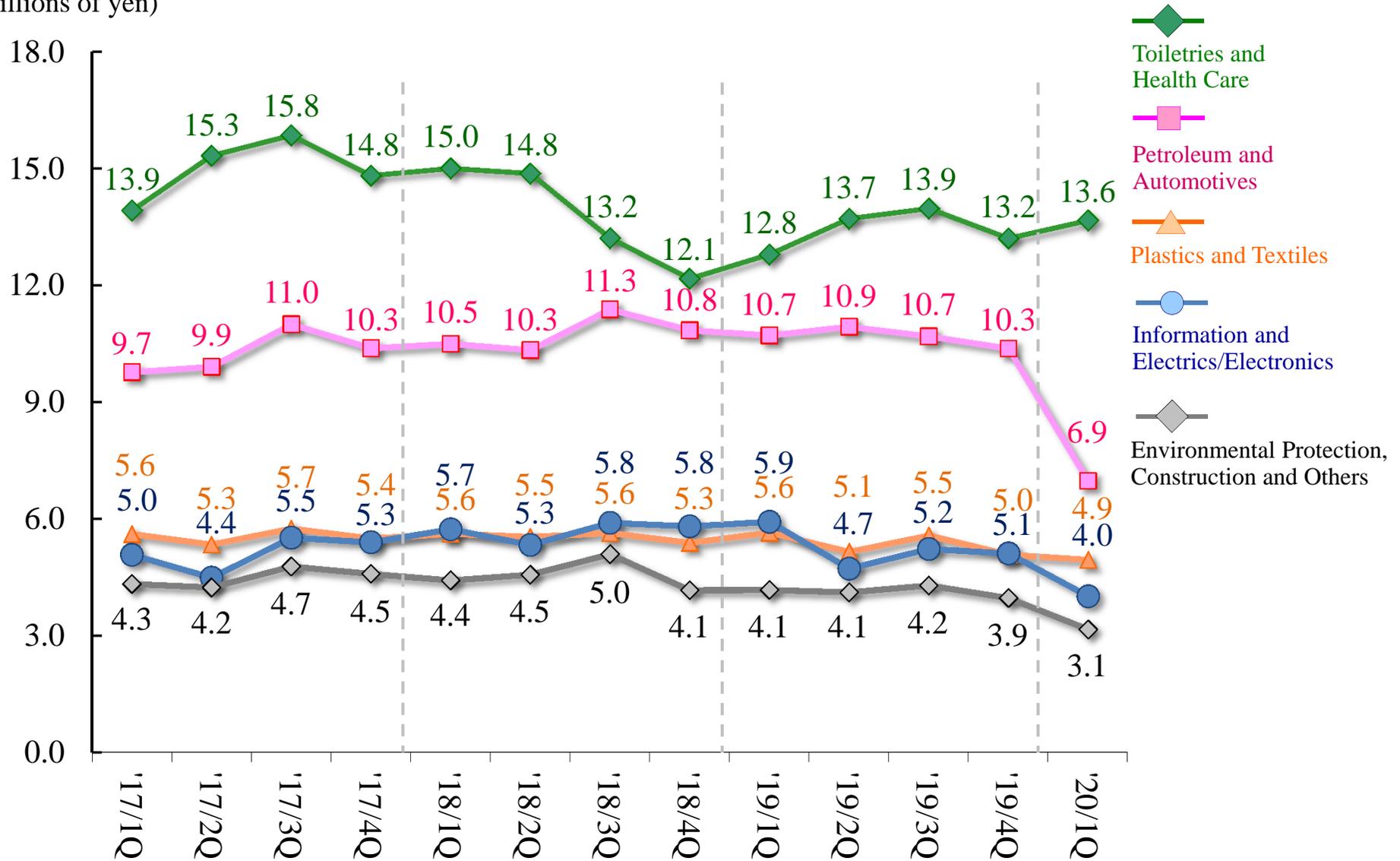
Trends in Consolidated Net Sales by Segment

(Billions of yen)



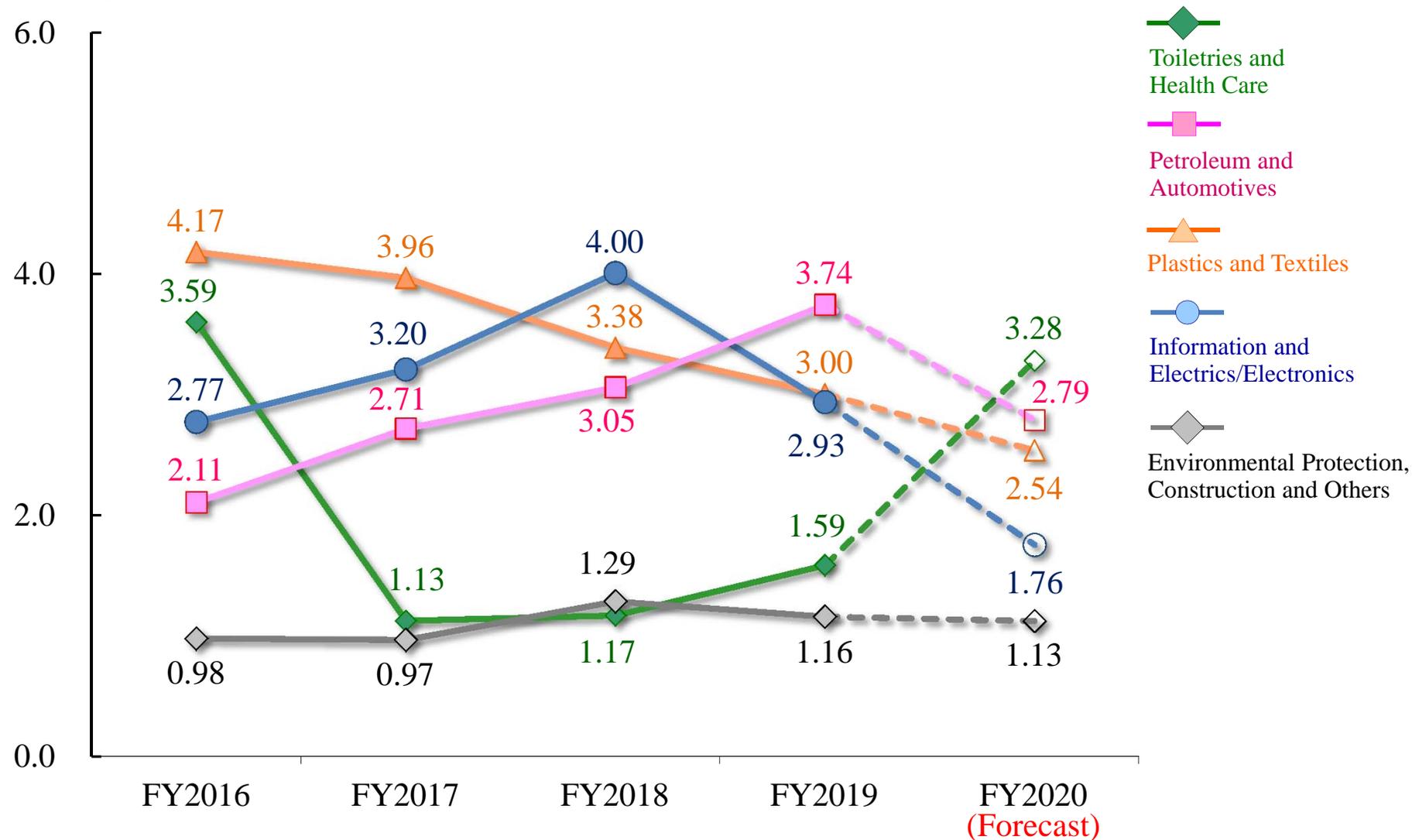
Trends in Consolidated Net Sales by Segment (Quarter Period)

(Billions of yen)



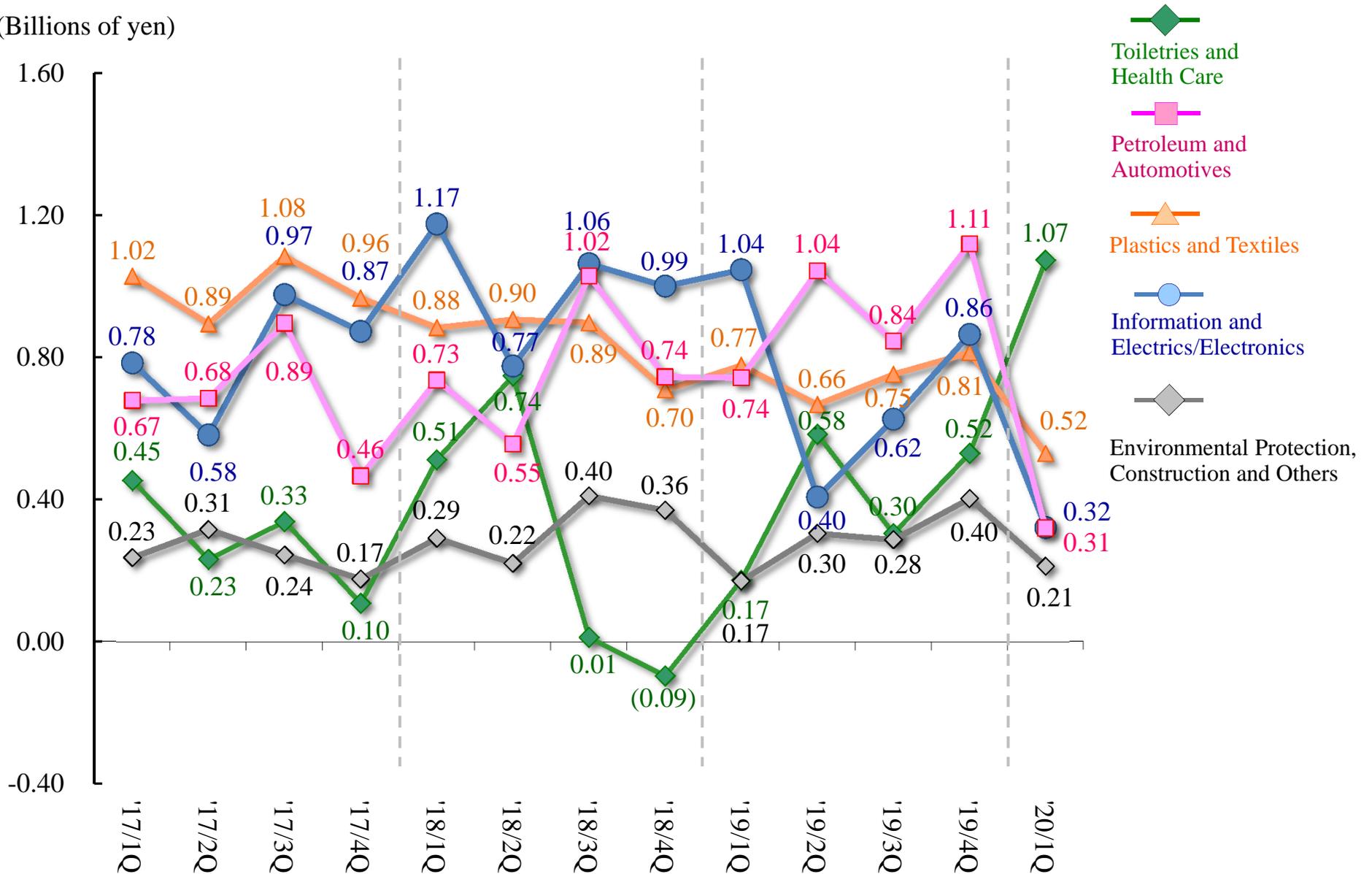
Trends in Consolidated Operating Profit by Segment

(Billions of yen)



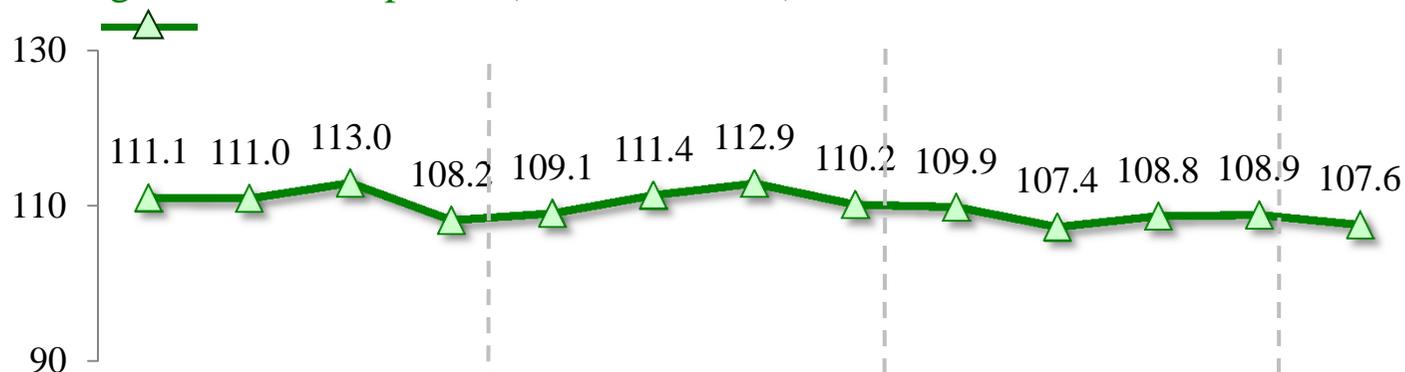
Trends in Consolidated Operating Profit by Segment (Quarter Period)

(Billions of yen)



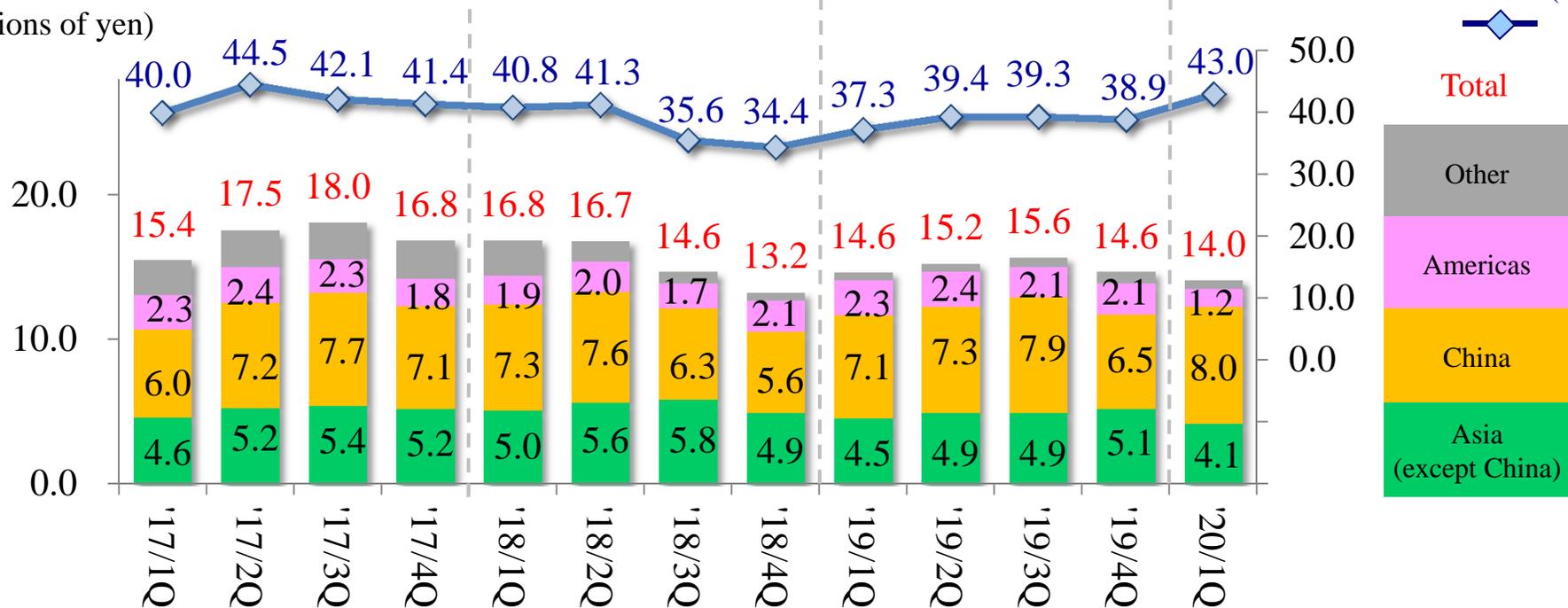
Trends in Overseas Net Sales

Exchange rate for each period (Yen/U.S. dollar)



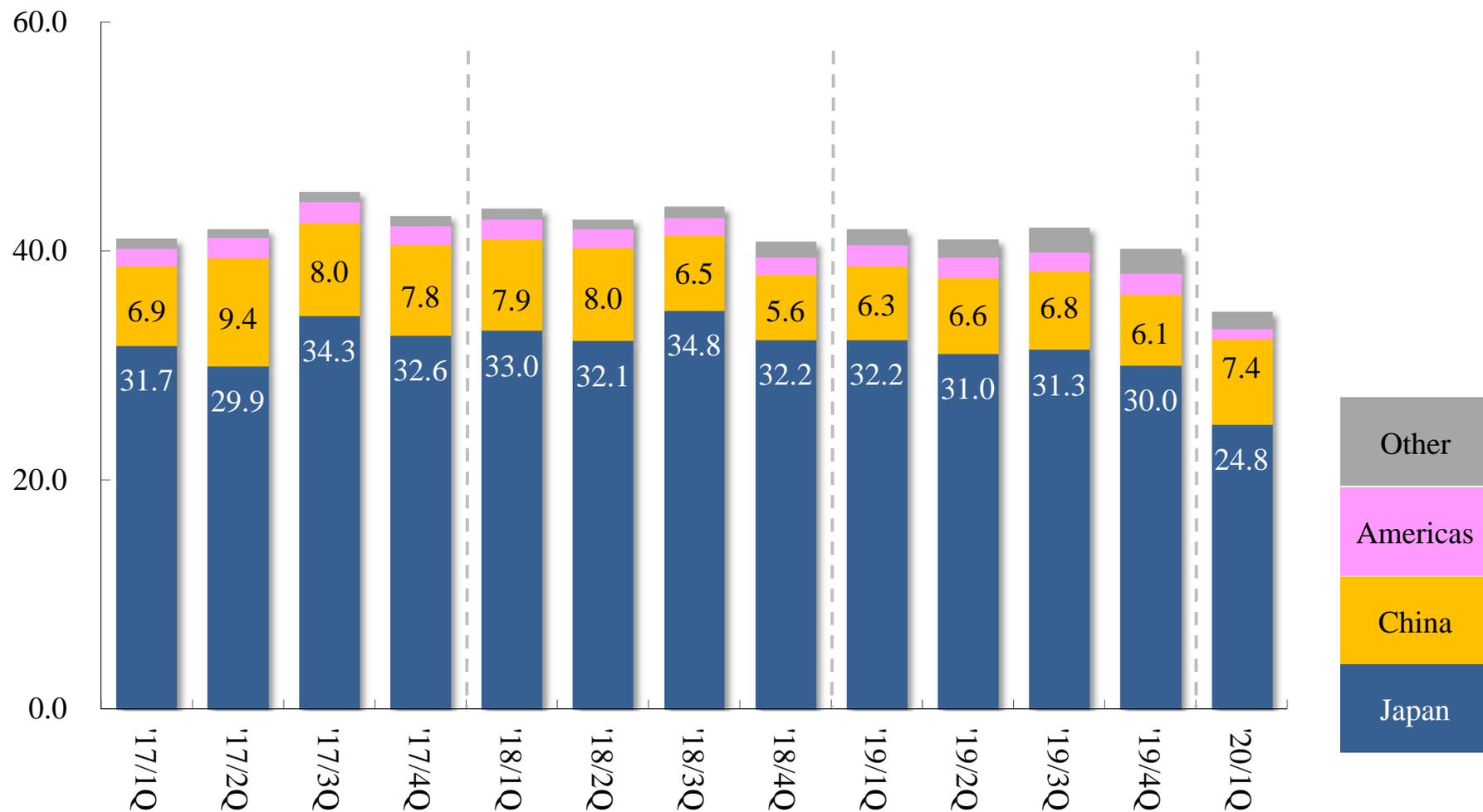
Net sales
(Billions of yen)

Overseas net sales ratio (%)



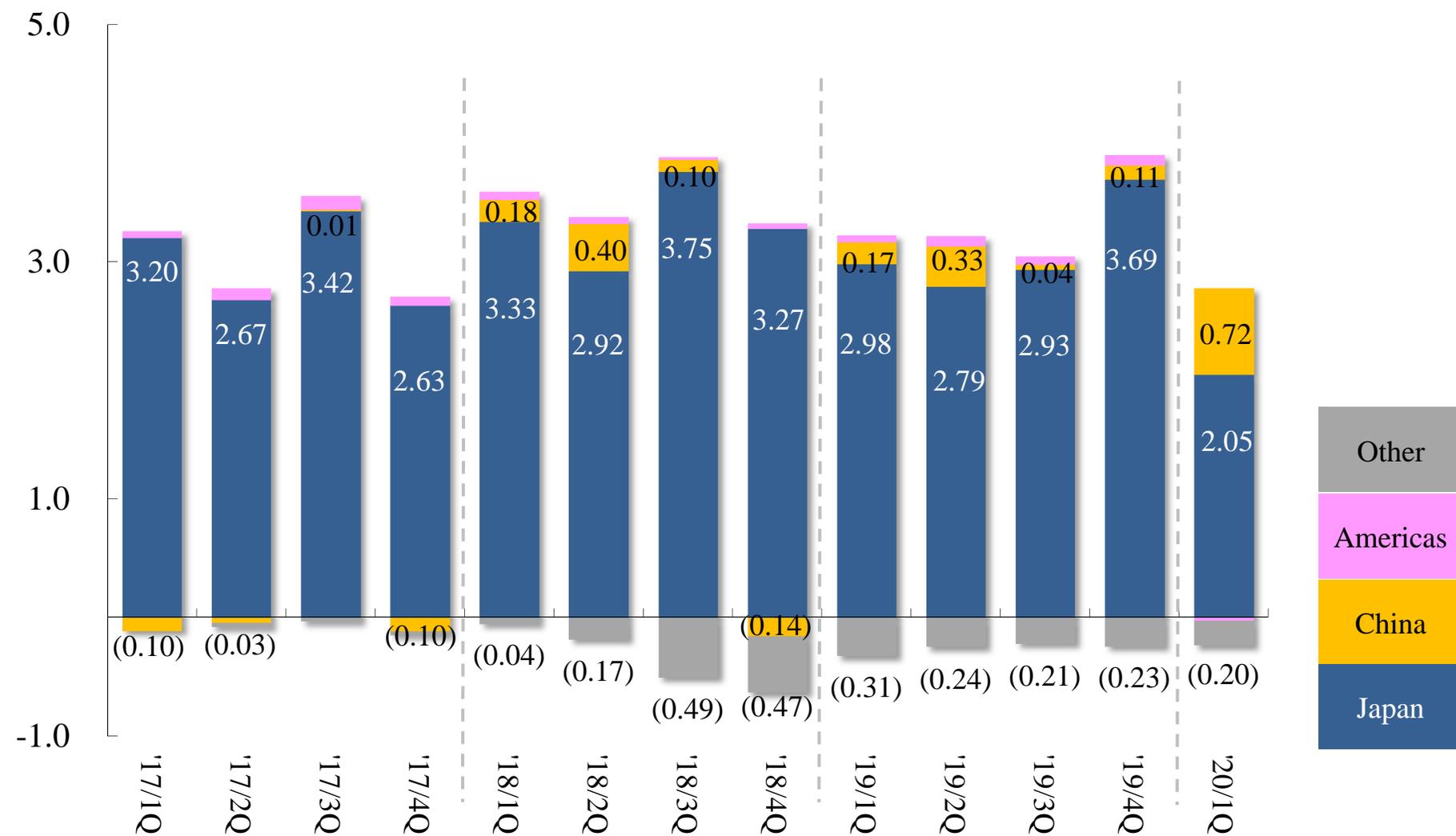
Trends in Consolidated Net Sales by Geographic Segments (Simple Addition)

(Billions of yen)



Trends in Consolidated Operating Profit by Geographic Segment (Simple Addition)

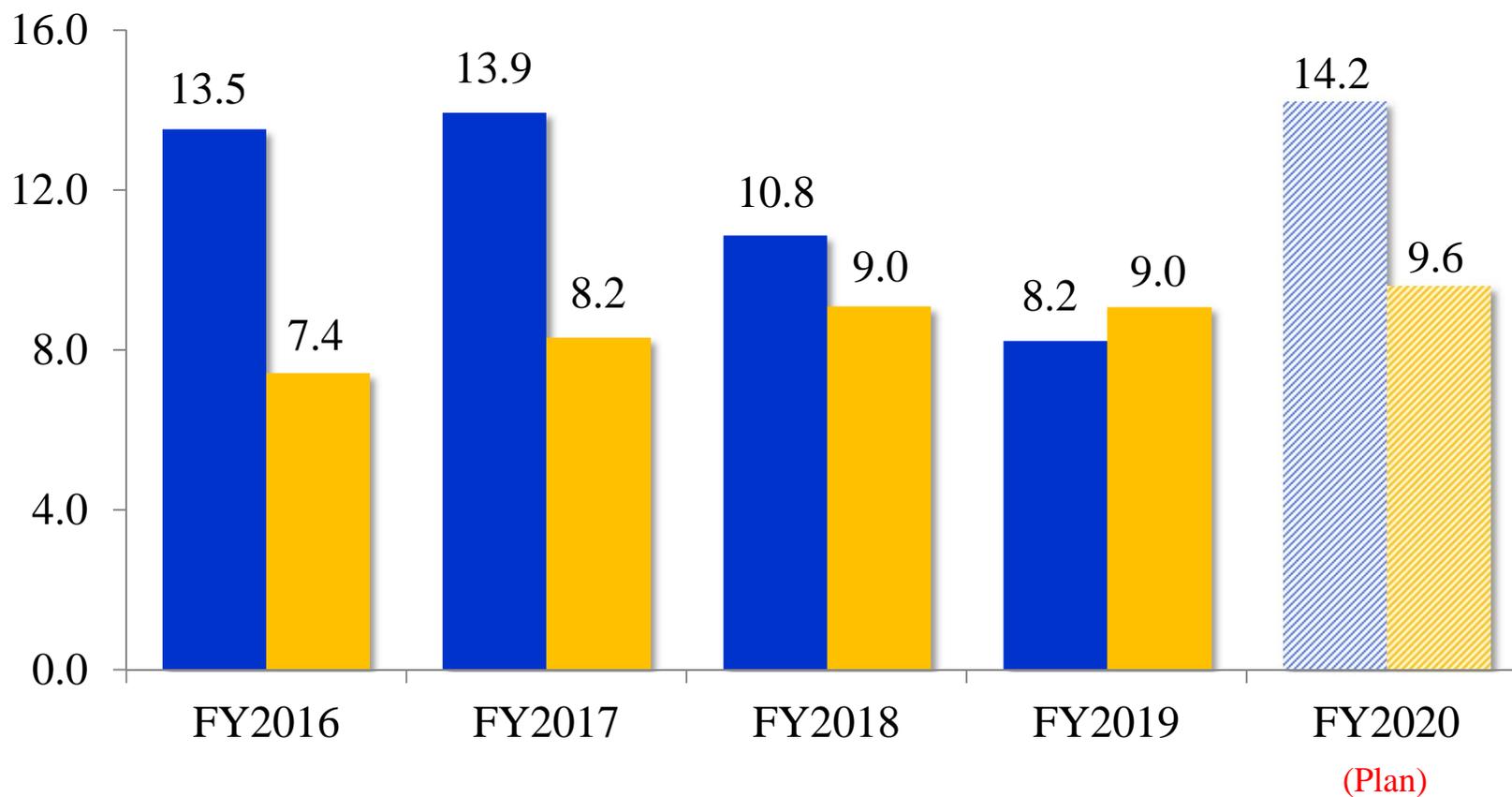
(Billions of yen)



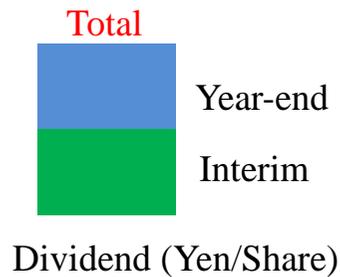
Capital Investment and Depreciation (Consolidated)



(Billions of yen)



Trends in Dividend per Share and Dividend Payout Ratio (Consolidated)

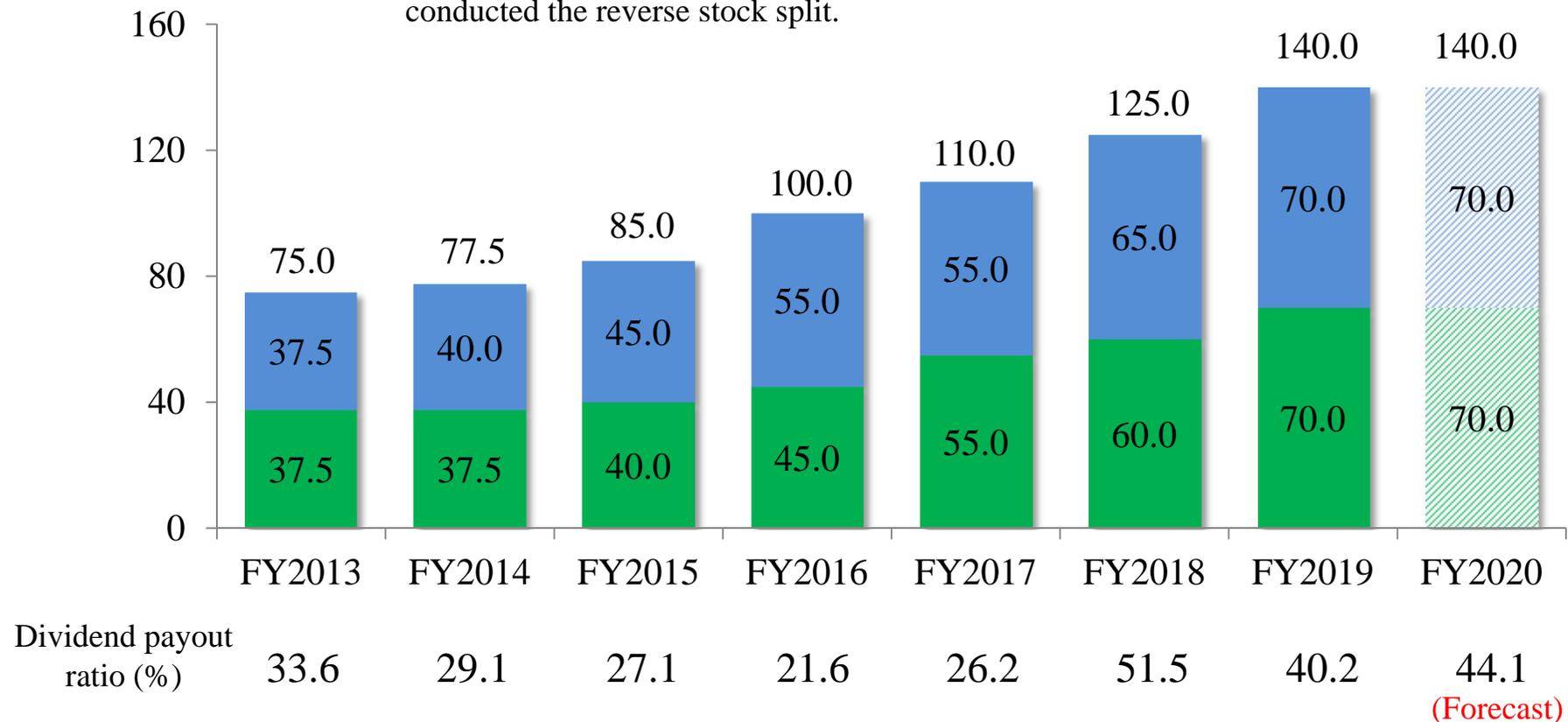


<Principles of dividend payment>

We maintain stable dividends, targeting a consolidated payout ratio of 30% or higher

Sanyo Chemical conducted a reverse stock split of common stock at a ratio of one share for every five shares on October 1, 2016.

The figures below for dividends per share are converted after Sanyo Chemical conducted the reverse stock split.



Topics (all polymer battery)

Demonstration trials have begun into installing all polymer battery (APB) in AUV (autonomous underwater vehicle) manufactured by Kawasaki Heavy Industries, Ltd. (Press release on July 20)



July 20 press conference (at Sanyo Chemical Head Office)
Left: President Horie of APB; right: President Ando of Sanyo Chemical



All polymer battery used (external casing)



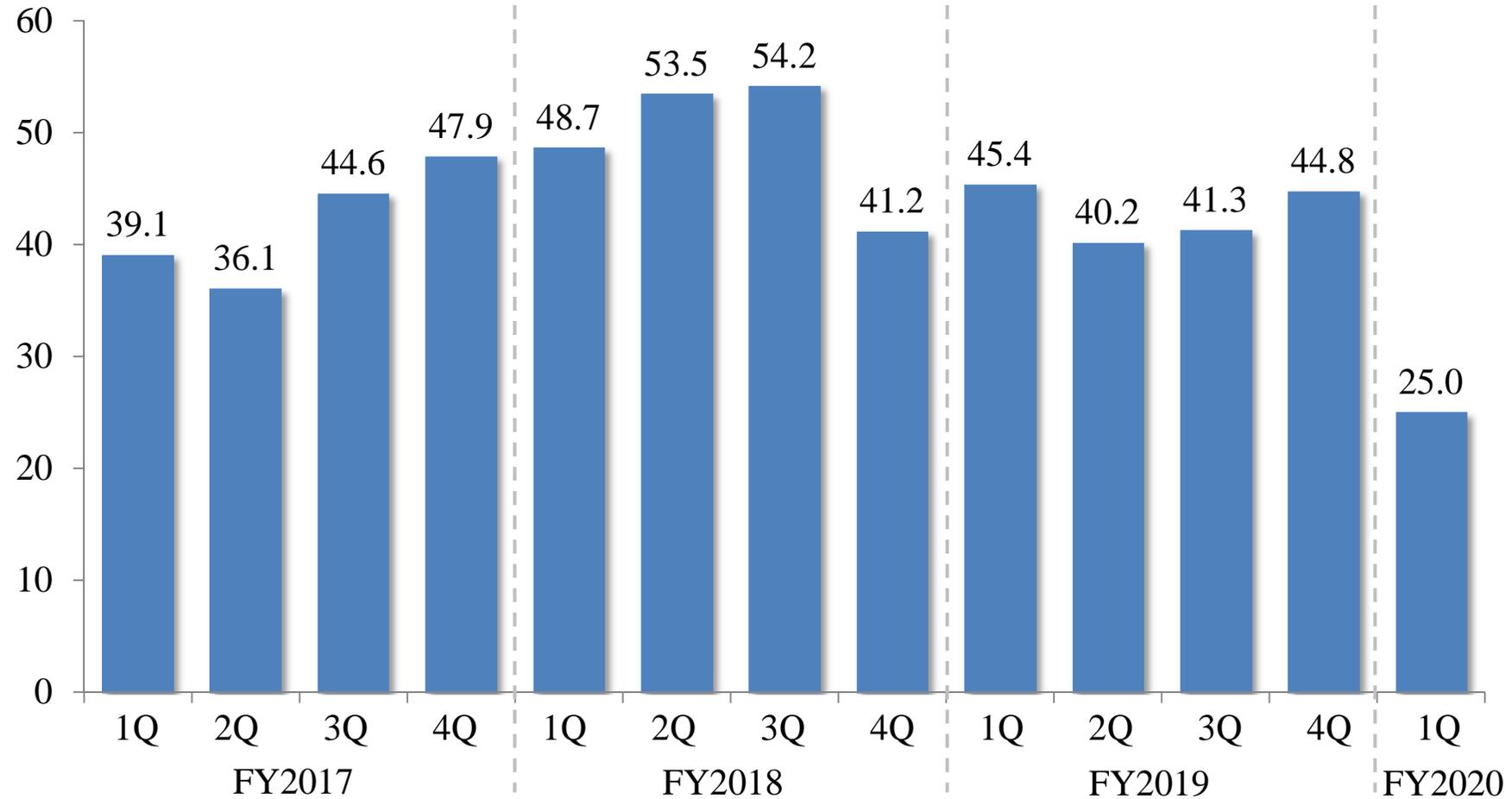
Exterior of AUV made by Kawasaki Heavy Industries

It is hoped this demonstration trial will mark the start of the development of applications for APBs, such as large-scale stationary storage batteries, and we aim to develop APBs into a new social infrastructure in the future.

Reference

Trends in Price of Naphtha Produced in Japan

Price of Naphtha
(Thousands of yen/kl)



(Researched by Sanyo Chemical)

Domestic Consolidated Subsidiaries (5 Companies)

Company Name	Abbr.	Share of Voting Rights	Line of Business
SDP Global Co., Ltd.	SDP	Sanyo Chemical Industries, Ltd. 100%	Manufacture and sales of superabsorbent polymers
SAN NOPCO LIMITED	SNL	Sanyo Chemical Industries, Ltd. 100%	Manufacture and sales of chemicals for pulp & paper, coating chemicals, a wide range of industrial chemicals, etc.
San Chemical Co., Ltd.	SCC	Sanyo Chemical Industries, Ltd. 50% ENEOS Corporation 50%	Manufacture of raw materials for polyurethane foams, etc.
San-Apro Ltd.	SA	Sanyo Chemical Industries, Ltd. 50% Evonik International Holding B.V. 50%	Manufacture and sales of curing accelerators for epoxy resins, urethane catalysts, etc.
Sanyo Chemical Logistics Co., Ltd.	—	Sanyo Chemical Industries, Ltd. 100%	General trucking business

Overseas Consolidated Subsidiaries (8 Companies)



Company Name	Country of incorporation	Abbr.	Share of Voting Rights	Line of Business
Sanyo Kasei (Nantong) Co., Ltd.	China	SKN	Sanyo Chemical Industries, Ltd. 100%	Manufacture of surfactants, polyurethane resins, etc.
San-Dia Polymers (Nantong) Co., Ltd.	China	SDN	SDP Global Co., Ltd. 100%	Manufacture and sales of superabsorbent polymers
Sanyo Chemical (Shanghai) Trading Co., Ltd.	China	SCST	Sanyo Chemical Industries, Ltd. 100%	Sales of surfactants, polyurethane resins, etc.
Sanyo Kasei (Thailand) Ltd.	Thailand	SKT	Sanyo Chemical Industries, Ltd. 79% VIV Interchem Co. Ltd., Toyota Tsusho Corporation, etc. 21%	Manufacture and sales of surfactants, polyurethane resins, etc.
SANAM Corporation	USA	SANAM	Sanyo Chemical Industries, Ltd. 100%	Holding company of U.S. consolidated subsidiaries Sales of lubricant additives, polyurethane beads, etc.
Sanyo Chemical & Resins, LLC	USA	SCR	SANAM Corporation 100%	Manufacture of lubricant additives
Sanyo Chemical Texas Industries, LLC	USA	SCTI	SANAM Corporation 100%	Manufacture of polyurethane beads
SDP GLOBAL (MALAYSIA) SDN. BHD.	Malaysia	SDPM	SDP Global Co., Ltd. 100%	Manufacture and sales of superabsorbent polymers

Entities Accounted for Using the Equity Method (4 Companies)

Company Name	Abbr.	Share of Voting Rights	Line of Business
San-Petrochemicals Co., Ltd.	SPCC	Sanyo Chemical Industries, Ltd. 50% ENEOS Corporation 50%	Manufacture of raw materials for synthetic rubbers
Sunrise Chemical LLC [USA]	SRC	SANAM Corporation 50% JX Nippon Chemical Texas Inc. 50%	Manufacture of raw materials for synthetic rubbers
Shiohama Chemicals Warehouse Co., Ltd.	–	Sanyo Chemical Industries, Ltd. 50% ENEOS Corporation 50%	Warehousing
Sanliving Ltd.	SL	Sanyo Chemical Industries, Ltd. 100%	Real estate, insurance agency