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## Consolidated Financial Results for the Three Months Ended June 30, 2020 (under Japanese GAAP)

July 31, 2020

Company name: **Sanyo Chemical Industries, Ltd.**  
 Listing: Tokyo Stock Exchange  
 Securities code: 4471  
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 Scheduled date to file quarterly securities report: August 7, 2020  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results presentation meeting: None

(Figures are rounded down to the nearest million yen)

### 1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative) (% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	32,813	(16.5)	2,453	(15.6)	2,608	(10.0)	1,490	(16.9)
June 30, 2019	39,277	(4.9)	2,905	(19.1)	2,898	(37.7)	1,794	(43.4)

Note: Comprehensive income: Three months ended June 30, 2020 ¥3,322 million [225.3%]  
 Three months ended June 30, 2019 ¥1,021 million [(75.5)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	67.61	–
June 30, 2019	81.41	–

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2020	177,317	131,307	72.8	5,851.91
March 31, 2020	178,873	130,097	71.4	5,789.88

Reference: Equity: As of June 30, 2020 ¥129,002 million  
 As of March 31, 2020 ¥127,635 million

## 2. Cash dividends

	Cash dividends per share				
	1Q (as of June 30)	2Q (as of Sept. 30)	3Q (as of Dec. 31)	4Q (as of Mar. 31)	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	70.00	—	70.00	140.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		70.00	—	70.00	140.00

- Notes: 1. Revisions of the latest forecasts for cash dividends announced: Yes
2. For revisions to dividend forecasts, please see the “Notification on Consolidated Earnings Forecasts and Dividend Forecasts for the Fiscal Year Ending March 31, 2021” released today (July 31, 2020).

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	66,000	(15.3)	4,500	(23.8)	4,700	(20.3)	2,600	(31.4)	117.94
Fiscal year ending March 31, 2021	140,000	(10.0)	11,500	(7.6)	12,000	(5.5)	7,000	(8.7)	317.54

- Notes: 1. Revisions of the latest forecasts for earnings announced: Yes
2. For revisions to consolidated earnings forecasts, please see the “Notification on Consolidated Earnings Forecasts and Dividend Forecasts for the Fiscal Year Ending March 31, 2021” released today (July 31, 2020).

**\* Notes**

- (1) Significant changes in subsidiaries during the three months ended June 30, 2020 (changes in specific subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

Note: See page 11, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Application of special accounting methods for the preparation of quarterly consolidated financial statements” for more information.

- (3) Changes in accounting policies, accounting estimates, and restatements

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

Note: See page 11, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Changes in accounting policies” for more information.

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

- a. Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2020	23,534,752 shares
As of March 31, 2020	23,534,752 shares

- b. Number of treasury shares at the end of the period

As of June 30, 2020	1,490,281 shares
As of March 31, 2020	1,490,245 shares

- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2020	22,044,498 shares
For the three months ended June 30, 2019	22,044,667 shares

Note: Shares of Sanyo Chemical Industries, Ltd. (the “Company”) owned by the trust whose beneficiaries are directors, etc. of the Company are included in the treasury shares that are excluded in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

- \* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

- \* Appropriate use of earnings forecasts and other special items

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual earnings may differ significantly due to various factors. See page 4, “1. Qualitative information regarding financial results for the three months ended June 30, 2020, (3) Information concerning future forecast such as consolidated earnings forecasts” for more information regarding the circumstances behind the assumptions used in earnings forecasts and matters to be noted when relying on earnings forecasts.

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## 1. Qualitative information regarding financial results for the three months ended June 30, 2020

### (1) Information regarding operating results

During the first three months (April 1, 2020 to June 30, 2020) of the fiscal year ending March 31, 2021 in the Japanese economy, the COVID-19 pandemic caused a large drop in private consumption, and the large-scale decline in inbound demand due to entry restrictions is expected to continue. Furthermore, while there appears to have been a bottoming out of exports to China, large declines in exports are expected to continue particularly in those of automobiles and capital goods to Europe and the US. In the global economy, although China is recovering to last year's levels with the reopening of economic activities, Europe and the US will likely need time to return to last year's levels even as they are reopening their economic activities.

In the chemical industry, the forex market is seesawing as the US is expected to maintain easing in its monetary policy, and raw material costs are recovering somewhat after they plunged sharply with the decline in oil prices and the global economy. Amid these unstable conditions and concerns over a second wave of COVID-19, the business environment remains unpredictable.

Under these circumstances, net sales for the period under review decreased by 16.5% year on year, to ¥32,813 million mainly due to a decrease in sales amount. In terms of profit, operating profit was ¥2,453 million (a decrease of 15.6% year on year) mainly due to a decrease in net sales, and ordinary profit was ¥2,608 million (a decrease of 10.0% year on year). Profit attributable to owners of parent was ¥1,490 million (a decrease of 16.9% year on year).

### 1) Business performance

(Millions of yen)					
	Three months ended June 30, 2019	Three months ended June 30, 2020	Change		FY2019
			(Amount)	(Ratio)	
Net sales	39,277	32,813	(6,463)	(16.5)%	155,503
Operating profit	2,905	2,453	(452)	(15.6)%	12,439
Ordinary profit	2,898	2,608	(290)	(10.0)%	12,704
Profit attributable to owners of parent	1,794	1,490	(304)	(16.9)%	7,668
Basic earnings per share	¥81.41	¥67.61	¥(13.80)	(17.0)%	¥347.87
ROA (Return on assets*)	6.1%	5.9%	—	(0.2) percentage point	6.8%
ROE (Return on equity)	5.6%	4.6%	—	(1.0) percentage point	6.0%
Currency exchange (US\$, CNY)	US\$=¥109.91 CNY=¥16.08	US\$=¥107.64 CNY=¥15.17	¥(2.27) ¥(0.91)		US\$=¥108.72 CNY=¥15.60
Naphtha price in Japan	¥45,400/kl	¥25,600/kl	¥(19,800)/kl		¥42,900/kl

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

Note: ROA and ROE for the three months ended June 30, 2019 and 2020 are annualized.

## 2) Business performance by segment

(Millions of yen)

	Three months ended June 30, 2019		Three months ended June 30, 2020		Change		FY2019	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	12,804	173	13,676	1,070	871	896	53,726	1,590
Petroleum and Automotives	10,725	740	6,996	319	(3,728)	(421)	42,770	3,740
Plastics and Textiles	5,644	775	4,949	528	(694)	(247)	21,453	3,003
Information and Electrics/Electronics	5,921	1,043	4,018	321	(1,902)	(722)	20,985	2,937
Environmental Protection, Construction and Others	4,180	171	3,171	213	(1,009)	41	16,567	1,166

### <Toiletries and Health Care>

In the Toiletries segment, sales decreased because of weak sales of polyethyleneglycol in both domestic and foreign markets due to a decline in the market as well as weak sales of surfactants for liquid laundry detergents. In the Health Care segment, sales increased due to increased demand for germicides and continued strong customer sales of our mainstay superabsorbent polymers.

As a result, total net sales in this segment increased by 6.8% year on year, to ¥13,676 million. Operating profit was ¥1,070 million (an increase of 515.7% year on year).

### <Petroleum and Automotives>

In the Petroleum and Automotives segment, sales experienced a large decline. This was due to the decline in the automotive industry which caused weak sales of raw materials for polyurethane foams used in automobile seats and other applications, lubricant additives, and thermoplastic polyurethane beads for interior parts of automobiles.

As a result, total net sales in this segment decreased by 34.8% year on year, to ¥6,996 million. Operating profit was ¥319 million (a decrease of 56.8% year on year).

### <Plastics and Textiles>

In the Plastics segment, sales experienced a large decline. This was due to weak sales of paint coating agents and additives, and automotive modeling materials as well as resin modifiers used as paint binders, despite strong sales of our mainstay permanent antistatic agents.

The Textiles segment experienced a large-scale decline in sales, as polyurethane resins for synthetic leather and elastomer fiber and the spin finish oil used in the manufacturing process of tire cord yarns and other items experienced a downturn in sales, despite brisk sales of chemicals for carbon fibers due to an increase in demand. As a result, total net sales in this segment decreased by 12.3% year on year, to ¥4,949 million. Operating profit was ¥528 million (a decrease of 31.9% year on year).

### <Information and Electrics/Electronics>

In the Information segment, sales experienced a large decline. This was due to a decline in office use of multifunction devices, etc. reflecting the increased teleworking, which caused weak sales of toner materials for those devices, including toner resins for pulverized toners and polyester beads as a core component of polymerization toners.

In the Electrics/Electronics segment, sales were flat. This was due to the decline in the automotive industry that led to weak sales of electrolytes for aluminum electrolytic capacitors and flat sales of adhesives for electronic parts.

As a result, total net sales in this segment decreased by 32.1% year on year, to ¥4,018 million. Operating profit was ¥321 million (a decrease of 69.2% year on year).

### <Environmental Protection, Construction and Others>

In the Environmental Protection segment, sales declined due to the continued stagnation of the polymer flocculants market and weak sales of cationic monomer, the raw material used to make polymer flocculants.

In the Construction segment, sales experienced a large decline. This was due to weak sales for both raw materials for building sealants and raw materials for polyurethane foams mainly used in furniture and heat insulating materials, reflecting a decline in the market.

As a result, total net sales in this segment decreased by 24.2% year on year, to ¥3,171 million. Operating profit was ¥213 million (an increase of 24.0% year on year).

(2) Analysis of financial position

The Group's financial position at the end of the period under review was as follows:

Total assets decreased by ¥1,556 million compared with the end of the previous fiscal year, amounting to ¥177,317 million.

Net assets increased by ¥1,209 million from the end of the previous fiscal year, to ¥131,307 million.

Equity ratio rose by 1.4 percentage points from the end of the previous fiscal year, to 72.8%.

Cash and cash equivalents ("cash") as of the end of the period under review amounted to ¥17,862 million. This marked a decrease of ¥147 million compared with the end of the previous fiscal year (cash decreased by ¥2,793 million during the same period of the previous fiscal year).

The cash flow movements during the period under review and the factors influencing them were as follows:

*Cash flows from operating activities*

Net cash provided by operating activities amounted to ¥4,183 million (compared to ¥3,687 million in net cash provided during the same period of the previous fiscal year). This result was mainly due to the cash inflow from profit before income taxes of ¥2,363 million, depreciation of ¥2,346 million and the decrease in trade receivables of ¥5,582 million, which outweighed the cash outflow from the decrease in trade payables of ¥3,535 million and income taxes paid of ¥636 million.

*Cash flows from investing activities*

Net cash used in investing activities amounted to ¥3,186 million (compared to ¥2,672 million in net cash used during the same period of the previous fiscal year). This result was mainly due to a cash outlay of ¥2,643 million for purchase of non-current assets.

*Cash flows from financing activities*

Net cash used in financing activities amounted to ¥590 million (compared to ¥3,606 million in net cash used during the same period of the previous fiscal year). This result was mainly due to the cash outflow from dividends paid of ¥1,524 million, which outweighed the cash inflow from net increase in short-term borrowings of ¥1,182 million.

(3) Information concerning future forecast such as consolidated earnings forecasts

Regarding the consolidated earnings forecast for the fiscal year ending March 31, 2021, we have postponed releasing forecasts due to the uncertainty in the future business environment such as the impact of the COVID-19 pandemic and have released the following earnings forecasts that include information and forecasts presently available.

Consolidated earnings forecasts for the six months ending September 30, 2020

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecast (A)	—	—	—	—	—
Current forecast (B)	66,000	4,500	4,700	2,600	117.94
Difference (B – A)	—	—	—	—	—
Change (%)	—	—	—	—	—
(Reference) Results for the previous fiscal year (First six months of the fiscal year ended March 31, 2020)	77,948	5,906	5,894	3,792	172.04

Consolidated earnings forecasts for the fiscal year ending March 31, 2021

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecast (A)	—	—	—	—	—
Current forecast (B)	140,000	11,500	12,000	7,000	317.54
Difference (B – A)	—	—	—	—	—
Change (%)	—	—	—	—	—
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2020)	155,503	12,439	12,704	7,668	347.87

\* These earnings forecasts were based on information available at the time of announcement. Actual earnings may differ due to various factors occurring in the future.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	18,009	17,862
Notes and accounts receivable - trade	40,954	35,391
Electronically recorded monetary claims - operating	1,621	1,841
Merchandise and finished goods	14,729	15,939
Semi-finished goods	3,926	3,945
Work in process	435	199
Raw materials and supplies	4,873	4,805
Other	1,316	2,192
Allowance for doubtful accounts	(32)	(30)
Total current assets	85,835	82,147
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,956	17,781
Machinery, equipment and vehicles, net	29,985	29,022
Land	8,875	8,851
Construction in progress	1,330	3,082
Other, net	2,568	2,375
Total property, plant and equipment	60,716	61,114
Intangible assets		
Software	1,405	1,337
Other	1,091	1,075
Total intangible assets	2,497	2,412
Investments and other assets		
Investment securities	22,701	24,577
Long-term loans receivable	2,232	2,434
Deferred tax assets	311	285
Retirement benefit asset	983	992
Other	3,624	3,383
Allowance for doubtful accounts	(29)	(29)
Total investments and other assets	29,823	31,643
Total non-current assets	93,038	95,170
Total assets	178,873	177,317

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	17,444	15,331
Electronically recorded obligations - operating	4,872	3,507
Short-term borrowings	5,867	7,045
Current portion of long-term borrowings	1,400	1,400
Accrued expenses	3,146	3,412
Income taxes payable	715	694
Provision for bonuses	1,916	1,016
Provision for bonuses for directors (and other officers)	107	22
Electronically recorded obligations - non-operating	799	1,053
Provision for loss on factory closing	541	314
Other	5,954	5,622
Total current liabilities	42,766	39,421
Non-current liabilities		
Long-term borrowings	2,400	2,400
Deferred tax liabilities	1,758	2,359
Provision for stock-based compensation	189	219
Retirement benefit liability	27	26
Other	1,633	1,582
Total non-current liabilities	6,009	6,587
Total liabilities	48,775	46,009
<b>Net assets</b>		
Shareholders' equity		
Share capital	13,051	13,051
Capital surplus	11,246	11,246
Retained earnings	103,033	102,984
Treasury shares	(5,858)	(5,858)
Total shareholders' equity	121,473	121,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,122	7,742
Foreign currency translation adjustment	471	251
Remeasurements of defined benefit plans	(431)	(415)
Total accumulated other comprehensive income	6,161	7,578
Non-controlling interests	2,462	2,305
Total net assets	130,097	131,307
Total liabilities and net assets	178,873	177,317

(2) Consolidated statements of income and consolidated statements of comprehensive income  
Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	39,277	32,813
Cost of sales	30,636	25,171
Gross profit	8,641	7,641
Selling, general and administrative expenses	5,735	5,188
Operating profit	2,905	2,453
Non-operating income		
Interest income	18	24
Dividend income	312	272
Share of profit of entities accounted for using equity method	120	—
Rental income from real estate	89	34
Other	40	54
Total non-operating income	580	385
Non-operating expenses		
Interest expenses	21	17
Rental costs on real estate	26	14
Loss on abandonment of inventories	19	29
Foreign exchange losses	464	49
Share of loss of entities accounted for using equity method	—	53
Other	56	65
Total non-operating expenses	587	229
Ordinary profit	2,898	2,608
Extraordinary income		
Insurance claim income	—	13
Gain on sales of investment securities	4	—
Total extraordinary income	4	13
Extraordinary losses		
Loss on retirement of non-current assets	198	258
Total extraordinary losses	198	258
Profit before income taxes	2,704	2,363
Income taxes	924	774
Profit	1,780	1,589
Profit (loss) attributable to non-controlling interests	(13)	99
Profit attributable to owners of parent	1,794	1,490

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,780	1,589
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	1,620
Foreign currency translation adjustment	(747)	95
Remeasurements of defined benefit plans, net of tax	(8)	16
Total other comprehensive income	(759)	1,732
Comprehensive income	1,021	3,322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,194	3,187
Comprehensive income attributable to non-controlling interests	(173)	134

## (3) Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,704	2,363
Depreciation	2,204	2,346
Loss on retirement of non-current assets	198	258
Increase (decrease) in provision for bonuses	(1,028)	(922)
Changes in retirement benefit asset and liability	(26)	14
Increase (decrease) in provision for bonuses for directors (and other officers)	(82)	(85)
Increase (decrease) in provision for stock-based compensation	29	29
Interest and dividend income	(330)	(296)
Interest expenses	21	17
Share of loss (profit) of entities accounted for using equity method	(120)	53
Loss (gain) on sales of investment securities	(4)	—
Decrease (increase) in trade receivables	3,202	5,582
Decrease (increase) in inventories	1,325	(989)
Increase (decrease) in trade payables	(1,874)	(3,535)
Other, net	65	(370)
Subtotal	6,283	4,464
Interest and dividends received	565	373
Interest paid	(26)	(17)
Income taxes paid	(3,134)	(636)
Net cash provided by (used in) operating activities	3,687	4,183
Cash flows from investing activities		
Purchase of non-current assets	(2,522)	(2,643)
Proceeds from sales of property, plant and equipment	82	3
Purchase of investment securities	—	(100)
Proceeds from sales of investment securities	6	—
Long-term loan advances	(98)	(177)
Other, net	(140)	(269)
Net cash provided by (used in) investing activities	(2,672)	(3,186)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,700)	1,182
Repayments of long-term borrowings	(274)	—
Net decrease (increase) in treasury shares	(1)	(0)
Dividends paid	(1,419)	(1,524)
Dividends paid to non-controlling interests	(210)	(220)
Other, net	—	(27)
Net cash provided by (used in) financing activities	(3,606)	(590)
Effect of exchange rate change on cash and cash equivalents	(201)	(12)
Net increase (decrease) in cash and cash equivalents	(2,793)	393
Cash and cash equivalents at beginning of period	19,151	18,009
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of consolidated subsidiaries	—	(652)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	111
Cash and cash equivalents at end of period	16,358	17,862

(4) Notes to quarterly consolidated financial statements

*Notes to going concern assumptions*

None

*Notes on significant changes in the amount of shareholders' equity*

None

*Changes in scope of consolidation or scope of application of equity method*

(i) Significant changes in scope of consolidation

In the first quarter under review, Nagoya Sanyo Warehouse Co., Ltd., one of the Company's unconsolidated subsidiaries accounted for using equity method, and Sanyo Transport Co., Ltd., a consolidated subsidiary, conducted an absorption-type merger with Nagoya Sanyo Warehouse Co., Ltd. as the surviving company, and the trade name was changed to Sanyo Chemical Logistics Co., Ltd. Sanyo Chemical Logistics Co., Ltd has been included in the scope of consolidation due to its increased importance as a result of the merger. As Sanyo Transport Co., Ltd. was the absorbed company in the merger, it has been removed from the scope of consolidation.

(ii) Significant changes in scope of application of equity method

In the first quarter under review, as Nagoya Sanyo Warehouse Co., Ltd. increased in importance and was included in the scope of consolidation as the surviving company in the absorption-type merger, it has been excluded from the scope of application of equity method.

(iii) Changes to items related to the fiscal year of consolidated subsidiaries

In the past, with regard to Sanyo Kasei (Thailand) Ltd., a consolidated subsidiary with a closing date of December 31, the Company used its financial statements prepared as of that date and made necessary consolidation adjustments for important transactions occurring in the period through the consolidated closing date. However, to ensure more proper disclosure of consolidated financial statements, starting in the first quarter under review, the Company has changed to a consolidation method in which a tentative closing is made on the quarterly consolidated closing date.

Furthermore, profit or loss from the said consolidated subsidiary from January 1, 2020 through March 31, 2020 has been directly recorded in retained earnings. As a result of this change, retained earnings increased by ¥8 million, and the change in cash and cash equivalents is shown in the "increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of consolidated subsidiaries" in the consolidated statements of cash flows.

*Application of special accounting methods for the preparation of quarterly consolidated financial statements*

After applying tax effect accounting to profit before income taxes for the fiscal year, which includes the first quarter under review, the Company makes a reasonable estimate of the effective tax rate and multiply the profit before income taxes by that estimated effective tax rate. Furthermore, income tax adjustments are included in the presentation of income taxes.

*Changes in accounting policies*

(Application of Accounting Standard for Revenue Recognition and Its Implementation Guidance)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020) from the start of the first quarter under review, and it has recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said promised goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition and its Implementation Guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter under review, was added to or subtracted from the opening balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the first quarter under review, were subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the three months ended June 30, 2020, net sales decreased by ¥593 million and cost of sales decreased by ¥475 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥118 million.

Segment information

[Segment information]

I Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

Information regarding net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electronics/ Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	12,804	10,725	5,644	5,921	4,180	39,277	–	39,277
Intersegment sales/transfers	–	–	–	–	7	7	(7)	–
Total	12,804	10,725	5,644	5,921	4,188	39,284	(7)	39,277
Segment profit	173	740	775	1,043	171	2,905	–	2,905

Note: Total amount of the segment profit corresponds to operating profit described in the quarterly consolidated statements of income.

II Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)

1. Information regarding net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electronics/ Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	13,676	6,996	4,949	4,018	3,171	32,813	–	32,813
Intersegment sales/transfers	–	–	–	–	10	10	(10)	–
Total	13,676	6,996	4,949	4,018	3,181	32,824	(10)	32,813
Segment profit	1,070	319	528	321	213	2,453	–	2,453

Note: Total amount of the segment profit corresponds to operating profit described in the quarterly consolidated statements of income.

2. Items related to changes in reporting segments

As stated in the above changes in accounting policies, from the start of the first quarter under review, the Company applied the Accounting Standard for Revenue Recognition and its Implementation Guidance and changed the accounting processing methods related to revenue recognition, resulting in similar changes to the measurement method for profit or losses in the business segments.

As a result of these changes, net sales and profit for each segment declined compared to the previous method. In the three months ended June 30, 2020, net sales and segment profit for the Toiletries and Health Care segment decreased by ¥171 million and ¥34 million respectively, net sales and segment profit for the Petroleum and Automotives segment decreased by ¥98 million and ¥13 million respectively, net sales and segment profit for the Plastics and Textiles segment decreased by ¥127 million and ¥25 million respectively, net sales and segment profit for the Information and Electronics/Electronics segment decreased by ¥140 million and ¥36 million respectively, and net sales and segment profit for the Environmental Protection, Construction and Others segment decreased by ¥56 million and ¥7 million respectively.

<Reference>

[Information by geographic segment]

Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
Net sales							
(1) Sales to external customers	30,178	1,880	5,866	1,352	39,277	–	39,277
(2) Intersegment sales/transfers	2,076	–	526	8	2,611	(2,611)	–
Total	32,254	1,880	6,392	1,360	41,888	(2,611)	39,277
Operating profit (loss)	2,984	62	179	(319)	2,906	(0)	2,905

Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
Net sales							
(1) Sales to external customers	23,608	914	6,862	1,427	32,813	–	32,813
(2) Intersegment sales/transfers	1,251	23	540	84	1,900	(1,900)	–
Total	24,860	937	7,403	1,512	34,713	(1,900)	32,813
Operating profit (loss)	2,054	(21)	727	(207)	2,552	(99)	2,453

[Overseas net sales]

Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	11,674	[7,120]	2,381	580	14,635
II. Consolidated net sales	–	[–]	–	–	39,277
III. Percentage of overseas net sales to consolidated net sales (%)	29.7	[18.1]	6.1	1.5	37.3

Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	12,244	[8,080]	1,262	588	14,094
II. Consolidated net sales	–	[–]	–	–	32,813
III. Percentage of overseas net sales to consolidated net sales (%)	37.3	[24.6]	3.9	1.8	43.0

Notes: 1. The term “overseas net sales” refers to net sales of the Company (non-consolidated) 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, Thailand, etc.

(2) Americas: USA, Mexico, Brazil, etc.

(3) Other: Australia, Europe, Russia, the Middle East, etc.

### 3. Supplementary information

Trend of quarterly consolidated earnings

Fiscal year ended March 31, 2020

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2019 to June 2019	July 2019 to September 2019	October 2019 to December 2019	January 2020 to March 2020	April 2019 to March 2020
Net sales	39,277	38,671	39,779	37,775	155,503
Operating profit	2,905	3,000	2,811	3,721	12,439
Ordinary profit	2,898	2,995	3,313	3,496	12,704
Profit attributable to owners of parent	1,794	1,998	2,126	1,749	7,668
Comprehensive income	1,021	729	3,569	(3,142)	2,178

Fiscal year ending March 31, 2021

(Millions of yen)

	1Q	Change (%)	
	April 2020 to June 2020	The same period of the previous fiscal year	The previous period
		April 2019 to June 2019	January 2020 to March 2020
Net sales	32,813	(16.5)	(13.1)
Operating profit	2,453	(15.6)	(34.1)
Ordinary profit	2,608	(10.0)	(25.4)
Profit attributable to owners of parent	1,490	(16.9)	(14.8)
Comprehensive income	3,322	225.3	—