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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (under Japanese GAAP)

May 12, 2023

Company name: **Sanyo Chemical Industries, Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 4471
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 Scheduled date of ordinary general meeting of shareholders: June 23, 2023
 Scheduled date to commence dividend payments: June 7, 2023
 Scheduled date to file securities report: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(% 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	%
Fiscal year ended March 31, 2023	174,973	7.7	8,405	(29.2)	9,918	(22.3)	5,684	(15.2)
March 31, 2022	162,526	12.3	11,868	(0.5)	12,771	6.4	6,699	(8.0)

Note: Comprehensive income: Fiscal year ended March 31, 2023 ¥5,725 million [(29.2)%]
 Fiscal year ended March 31, 2022 ¥8,082 million [(47.1)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	257.57	—	3.9	4.9	4.8
March 31, 2022	303.76	—	4.7	6.5	7.3

Reference: Share of profit of entities accounted for using equity method: Fiscal year ended March 31, 2023 ¥468 million
 Fiscal year ended March 31, 2022 ¥(1,104) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	202,182	148,994	72.2	6,617.11
March 31, 2022	200,194	147,032	72.2	6,549.60

Reference: Equity: As of March 31, 2023 ¥146,067 million
 As of March 31, 2022 ¥144,479 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	10,852	(10,172)	(2,336)	17,042
March 31, 2022	11,328	(11,704)	(5,979)	18,171

2. Cash dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	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	Millions of yen	%	%
Fiscal year ended March 31, 2022	—	85.00	—	85.00	170.00	3,759	56.0	2.6
Fiscal year ended March 31, 2023	—	85.00	—	85.00	170.00	3,766	66.0	2.6
Fiscal year ending March 31, 2024 (Forecast)	—	85.00	—	85.00	170.00		57.7	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(% 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, 2023	88,000	(0.5)	4,500	14.4	5,000	(32.1)	3,000	(36.4)	135.90
Fiscal year ending March 31, 2024	180,000	2.9	10,000	19.0	11,000	10.9	6,500	14.4	294.46

*** Notes**

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries resulting in the change in scope of consolidation): None

(2) 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: None
- c. Changes in accounting estimates: None
- d. Restatements: None

(3) Number of shares issued (common stock)

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

As of March 31, 2023	23,534,752 shares
As of March 31, 2022	23,534,752 shares

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

As of March 31, 2023	1,460,503 shares
As of March 31, 2022	1,475,417 shares

c. Average number of shares outstanding during the period

For the fiscal year ended March 31, 2023	22,069,014 shares
For the fiscal year ended March 31, 2022	22,054,766 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.

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	116,289	6.6	4,961	(30.1)	7,812	(23.5)	5,931	(7.4)
March 31, 2022	109,104	18.2	7,094	5.9	10,207	11.3	6,405	19.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2023	268.79	—
March 31, 2022	290.44	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2023	165,295	125,630	76.0	5,691.27
March 31, 2022	167,171	124,183	74.3	5,629.52

Reference: Equity: As of March 31, 2023 ¥125,630 million
As of March 31, 2022 ¥124,183 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Appropriate use of earnings forecasts and other special items

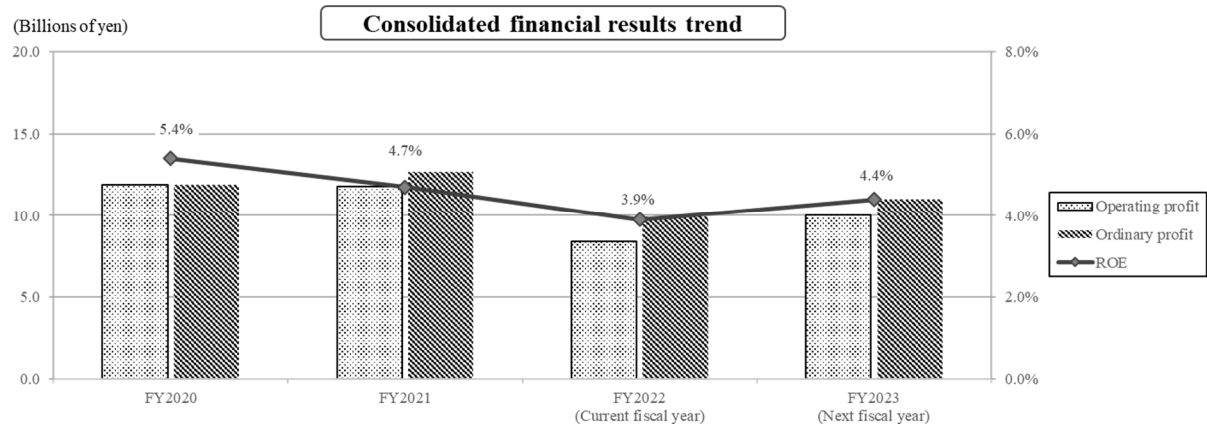
The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable.

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 2, “1. Analysis of results of operations and financial position, (1) Qualitative information regarding operating 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 financial results trend and the feature

(Millions of yen)

	FY2020 (Fiscal year ended March 31, 2021)		FY2021 (Fiscal year ended March 31, 2022)		FY2022 (Fiscal year ended March 31, 2023)		FY2023 (Fiscal year ending March 31, 2024)		Changed amount	
	Amount	YoY change	Amount	YoY change	Amount	YoY change	Amount	YoY change	FY2023 – FY2022	FY2024 – FY2023
Net sales	144,757	(6.9)%	162,526	12.3%	174,973	7.7%	180,000	2.9%	12,446	5,026
Operating profit	11,932	(4.1)%	11,868	(0.5)%	8,405	(29.2)%	10,000	19.0%	(3,463)	1,595
Ordinary profit	11,999	(5.6)%	12,771	6.4%	9,918	(22.3)%	11,000	10.9%	(2,853)	1,082
Profit attributable to owners of parent	7,282	(5.0)%	6,699	(8.0)%	5,684	(15.2)%	6,500	14.4%	(1,015)	816
Share of profit of entities accounted for using equity method	(963)		(1,104)		468		740		1,573	272
Profit attributable to non-controlling interests	456		458		544		660		85	116
Net assets	142,951	9.9%	147,032	2.9%	148,994	1.3%	151,800	1.9%	1,962	2,806
Total assets	195,723	9.4%	200,194	2.3%	202,182	1.0%	209,700	3.7%	1,988	7,517
ROE (Return on equity)	5.4%		4.7%		3.9%		4.4%		Percentage points (0.8)	Percentage points 0.5



Feature of the fiscal year ended March 31, 2023 (FY2022) (Comparison with the previous fiscal year)

- ◎ Net sales increased due to appropriate sales price revision to respond to a rise in raw material costs.
Profit decreased due to lower sales volume.

(Billions of yen)

			Main factors
Net sales	12.4	(Increased sales)	• Appropriate price revision to respond to a rise in raw material costs
Operating profit	(3.4)	(Decreased profit)	• Sales volume decrease, fixed cost increase
Ordinary profit	(2.8)	(Decreased profit)	• Improvement in share of profit of entities accounted for using equity method and decrease in foreign exchange gains
Profit attributable to owners of parent	(1.0)	(Decreased profit)	• Improvement in extraordinary losses This period: Gain on sale of investment securities 2.7, loss on valuation of investments in capital (0.6), Loss on retirement of non-current assets (1.1), Impairment losses (1.3), etc., Total (0.5) Previous period: Loss on valuation of investment securities (0.9), etc., Total (2.0)

Features of the fiscal year ending March 31, 2024 (FY2023) (Comparison with current fiscal year)

- ◎ Increased sales and profits due to expanded sales that maintained the spread between sales and purchase.

(Billions of yen)

			Main factors
Net sales	5.0	(Increased sales)	• Sales volume increase
Operating profit	1.6	(Increased profit)	• Expanded sales that maintained the spread between sales and purchase, and expanded sales of highly profitable products
Ordinary profit	1.1	(Increased profit)	• Increase in share of profit of entities accounted for using equity method and decrease in foreign exchange gains
Profit attributable to owners of parent	0.8	(Increased profit)	• Decrease in extraordinary losses

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1. Analysis of results of operations and financial position

(1) Qualitative information regarding operating results

During the fiscal year ended March 31, 2023, the Japanese economy remained in a severe situation as supply chain disruptions and supply constraints on raw materials and parts continued, although restrictions on economic activities due to the impact of the novel coronavirus disease (COVID-19) eased and consumer spending and exports showed signs of picking up. The global economy is in an uncertain situation, with concerns of an economic slowdown in the U.S. and Europe through monetary tightening, China's lack of strength in its recovery from the economic downturn caused by restrictions on movement, and resource and energy prices remaining high and inflation due to the prolonged situation in Russia and Ukraine.

In the chemical industry, the business environment remains unpredictable, as the yen's sharp depreciation due to interest rate hikes in the U.S. and Europe was followed by a reversal to a stronger yen due to concerns about the economic slowdown in the U.S. and Europe and revisions to the Bank of Japan's monetary easing measures, while the price of crude oil has been moving without a sense of direction due to a mix of speculation about rising and falling prices caused by concerns about a global economic slowdown and supply concerns.

Under these circumstances, net sales for the fiscal year under review increased by 7.7% year on year, to ¥174,973 million, mainly due to the revision of selling prices in response to rising raw material prices. In terms of profit, operating profit was ¥8,405 million (a decrease of 29.2% year on year), and ordinary profit was ¥9,918 million (a decrease of 22.3% year on year) mainly due to decreased sales volume and increased selling, general and administrative expenses. Profit attributable to owners of parent was ¥5,684 million (a decrease of 15.2% year on year).

1) Business performance

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change	
			(Amount)	(Change)
Net sales	162,526	174,973	12,446	7.7%
Operating profit	11,868	8,405	(3,463)	(29.2)%
Ordinary profit	12,771	9,918	(2,853)	(22.3)%
Profit attributable to owners of parent	6,699	5,684	(1,015)	(15.2)%
Basic earnings per share	¥303.76	¥257.57	¥(46.19)	(15.2)%
ROA (Return on assets*)	6.5%	4.9%		(1.6) percentage point
ROE (Return on equity)	4.7%	3.9%		(0.8) percentage point
Currency exchange (US\$, CNY)	US\$=¥112.40	US\$=¥135.51		¥23.11
	CNY=¥17.52	CNY=¥19.75		¥2.23
Naphtha price in Japan	¥56,600/kl	¥76,500/kl		¥19,900/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)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Change	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Toiletries and Health Care	54,922	1,966	57,068	113	2,145	(1,853)
Petroleum and Automotives	42,540	3,759	48,279	2,988	5,738	(771)
Plastics and Textiles	25,466	3,713	28,177	2,837	2,711	(875)
Information and Electrics/Electronics	20,989	2,511	23,163	2,558	2,174	46
Environmental Protection, Construction and Others	18,607	1,589	18,284	1,408	(323)	(180)

Note that, starting in the fiscal year under review, we revised the allocation method of research and development expenses for new businesses not belonging to reportable segments. Operating profit figures for the previous fiscal year have been calculated using the allocation method following the change. Refer to “4. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements, Segment information” for more information.

<Toiletries and Health Care>

In the Toiletries segment, sales were steady as demand for polyethyleneglycol declined due to the lockdown in Shanghai, China, but sales of papermaking chemicals remained strong.

In the Health Care segment, sales of superabsorbent polymers decreased in volume at all locations, and although sales increased slightly due to the revision of selling prices in response to rising raw material prices, operating profit declined significantly.

As a result, total net sales in this segment increased by 3.9% year on year to ¥57,068 million. Operating profit was ¥113 million (a decrease of 94.2% year on year).

<Petroleum and Automotives>

In the Petroleum and Automotives segment, sales increased due to price revisions caused by soaring raw material prices, despite a decrease in demand for raw materials for polyurethane foams used in automobile seats and other applications, thermoplastic polyurethane beads for interior parts of automobiles, and lubricant additives due to automobile production adjustments.

As a result, total net sales in this segment increased by 13.5% year on year to ¥48,279 million. Operating profit was ¥2,988 million (a decrease of 20.5% year on year) due to a decrease in sales volume.

<Plastics and Textiles>

In the Plastics segment, sales of permanent antistatic agents were weak, but sales of paint coating agents and additives increased overseas, resulting in strong sales.

In the Textiles segment, sales experienced a large increase as sales of chemicals for carbon fibers increased steadily and sales of polyurethane resins for synthetic leather and elastomer fiber were strong.

As a result, total net sales in this segment increased by 10.6% year on year, to ¥28,177 million. Operating profit was ¥2,837 million (a decrease of 23.6% year on year) due to a decrease in sales volume.

<Information and Electrics/Electronics>

In the Information segment, sales experienced a large increase. This was mainly due to recovery of office printing demand, which had stagnated due to the COVID-19 pandemic, as well as strong sales of raw materials for polyester beads as a core component of polymerization toners and toner resins for pulverized toners.

In the Electrics/Electronics segment, although demand for the raw materials used in general-purpose resists declined due to the slowdown in the semiconductor market, sales of photosensitized materials used as raw materials in cutting-edge resists increased, and sales of electrolytes for aluminum electrolytic capacitors also increased, resulting in strong sales.

As a result, total net sales in this segment increased by 10.4% year on year, to ¥23,163 million. Operating profit was ¥2,558 million (an increase of 1.9% year on year).

<Environmental Protection, Construction and Others>

In the Environmental Protection segment, although demand for cationic monomers for polymer flocculants for overseas markets was sluggish, sales increased due to price revisions caused by soaring raw material prices.

In the Construction segment, sales of raw materials for polyurethane foams mainly used in furniture and heat insulating materials were weak due to a lull in demand for stay-at-home.

As a result, total net sales in this segment decreased by 1.7% year on year, to ¥18,284 million. Operating profit was ¥1,408 million (a decrease of 11.3% year on year).

<Forecast for the fiscal year ending March 31, 2024>

During the fiscal year ended March 31, 2023, the Japanese economy saw a recovery in individual consumption and exports as restrictions on economic activities due to the impact of COVID-19 were eased. However, overall conditions remained challenging amid continuing supply chain disruptions and supply restrictions on raw materials and parts.

While we anticipate that the economy will recover due to the normalization of social and economic activities in the fiscal year ending March 31, 2024, conditions including trends in raw material prices and foreign exchange caused by the emergence of geopolitical risk remain extremely unpredictable.

Under these circumstances, for the Group's consolidated earnings forecasts for the fiscal year ending March 31, 2024, mainly due to expanded sales for high-value-added products, we forecast net sales of ¥180,000 million, operating profit of ¥10,000 million, ordinary profit of ¥11,000 million, and profit attributable to owners of parent of ¥6,500 million.

(2) Analysis of financial position

Total assets as of the end of the fiscal year under review increased by ¥1,988 million compared with the end of the previous fiscal year, amounting to ¥202,182 million. Current assets increased by ¥3,560 million from the end of the previous fiscal year to ¥97,324 million mainly due to a ¥3,561 million increase in merchandise and finished goods, and a ¥1,118 million increase in raw materials and supplies, despite a ¥1,057 million decrease in cash and deposits. Non-current assets decreased by ¥1,571 million from the end of the previous fiscal year to ¥104,857 million, mainly due to decreases of ¥1,698 million in investment securities and ¥1,597 million in property, plant and equipment, despite an increase of ¥2,628 million in intangible assets.

Current liabilities decreased by ¥966 million from the end of the previous fiscal year to ¥46,938 million, mainly due to a ¥570 million decrease in income taxes payable and a ¥304 million decrease in provision for bonuses. Non-current liabilities increased by ¥992 million from the end of the previous fiscal year to ¥6,249 million, mainly due to a ¥1,759 million increase in long-term borrowings, despite a ¥578 million decrease in deferred tax liabilities.

Net assets as of the end of the fiscal year under review increased by ¥1,962 million from the end of the previous fiscal year, to ¥148,994 million. Equity ratio was 72.2%, unchanged from the end of the previous fiscal year. Net assets per share increased by ¥67.51 from ¥6,549.60 at the end of the previous fiscal year to ¥6,617.11.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change
Cash flows from operating activities	11,328	10,852	(476)
Cash flows from investing activities	(11,704)	(10,172)	1,531
Cash flows from financing activities	(5,979)	(2,336)	3,642
Effect of exchange rate change on cash and cash equivalents	878	193	(685)
Net increase (decrease) in cash and cash equivalents	(5,475)	(1,462)	4,012
Cash and cash equivalents at end of period	18,171	17,042	(1,129)

Cash and cash equivalents ("cash") as of the end of the fiscal year under review amounted to ¥17,042 million. This marked a decrease of ¥1,129 million compared with the end 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 ¥10,852 million (compared to ¥11,328 million in net cash provided during the previous fiscal year). This result was mainly due to the cash inflow from profit before income taxes of ¥9,414 million and depreciation of ¥10,239 million, which outweighed the cash outflow mainly from the increase in inventories of ¥4,351 million and income taxes paid of ¥3,839 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥10,172 million (compared to ¥11,704 million in net cash used during the previous fiscal year). This result was mainly due to a cash outlay of ¥9,382 million for purchase of non-current assets.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥2,336 million (compared to ¥5,979 million in net cash used during the previous fiscal year). This result was mainly due to the cash outflow from dividends paid of ¥3,743 million and repayments of long-term borrowings of ¥850 million, which was below the cash inflow mainly from the increase in proceeds from long-term borrowings of ¥2,188 million.

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

	Fiscal year ended March 31,				
	2019	2020	2021	2022	2023
Equity ratio (%)	66.8	71.4	71.8	72.2	72.2
Equity ratio on a market value basis (%)	58.3	48.7	63.1	55.5	46.6
Cash flows / interest-bearing debt ratio (years)	0.8	0.6	0.4	0.7	0.9
Interest coverage ratio (times)	124.5	164.0	423.7	233.3	91.6

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 treasury shares]).

* Net cash provided by operating activities is as reported on the consolidated statements of cash flows. Interest payments are reported under interest paid on the consolidated statements of cash flow.

- (3) Basic policy on appropriation of profits and dividend payment for the current and next fiscal years
- 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. We aim to improve our dividend payout in the medium- to long-term, targeting a consolidated payout ratio of 30% or higher. Furthermore, we intend to use our internal reserves for investment in future growth.

The Company plans to pay the year-end dividend of ¥85 per share (an annual dividend of ¥170 per share) for the fiscal year ended March 31, 2023. (This year-end dividend will be decided officially at the Board of Directors meeting in mid-May after receiving the Audit Report by the accounting auditor and the Audit & Supervisory Board.)

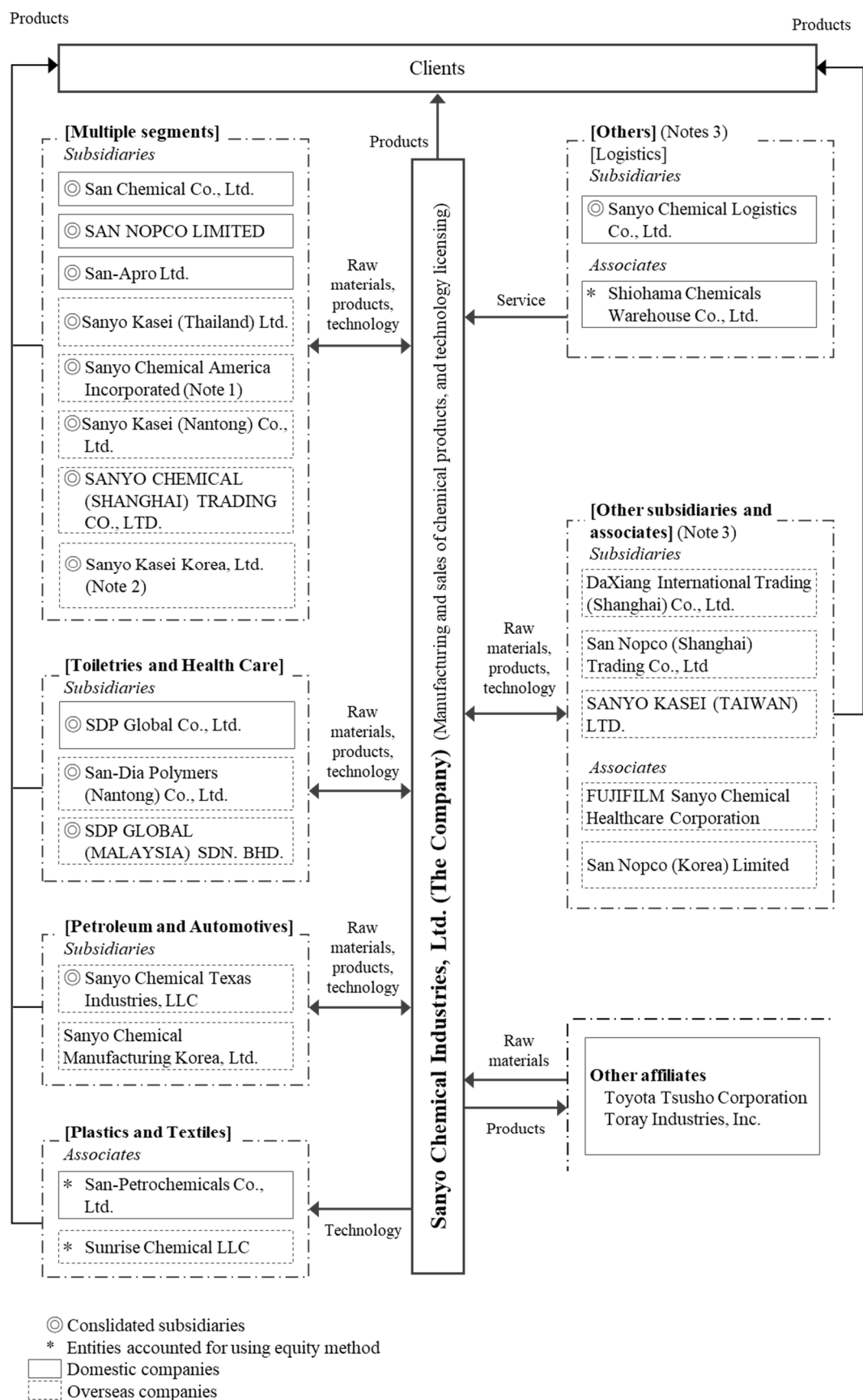
In addition, we forecast an interim and year-end dividend in the next fiscal year of ¥85 each, for an annual dividend of ¥170 per share.

<Consolidated dividends per share & payout ratio trend>

	Fiscal year ended March 31,				Fiscal year ending March 31, 2024 Next fiscal year (forecast)
	2020	2021	2022	2023 current fiscal year	
Interim	¥70.0	¥70.0	¥85.0	¥85.0	¥85.0
Year-end	¥70.0	¥80.0	¥85.0	¥85.0	¥85.0
Annual	¥140.0	¥150.0	¥170.0	¥170.0	¥170.0
Payout ratio	40.2%	45.4%	56.0%	66.0%	57.7%

2. Status of the corporate group

An organizational chart of the businesses of the Group's main companies is provided below.



- Notes:
1. On April 1, 2022, SANAM Corporation changed its trade name to Sanyo Chemical America Incorporated.
 2. Sanyo Kasei Korea, Ltd. has become a consolidated subsidiary from the fiscal year under review due to its increased importance.
 3. These companies have not been classified by segment.

3. Basic policy on selection of accounting standards

Sanyo Chemical Group prepares its consolidated financial statements in accordance with the Japanese accounting standards taking into consideration the comparability between consolidated financial statements over different accounting periods and of different companies.

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

4. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	18,171	17,114
Notes and accounts receivable - trade	44,849	45,326
Electronically recorded monetary claims - operating	1,509	917
Merchandise and finished goods	16,561	20,123
Semi-finished goods	4,314	4,986
Work in process	596	5
Raw materials and supplies	6,115	7,233
Other	1,681	2,080
Allowance for doubtful accounts	(35)	(464)
Total current assets	93,764	97,324
Non-current assets		
Property, plant and equipment		
Buildings and structures	48,608	51,207
Accumulated depreciation	(30,541)	(31,900)
Buildings and structures, net	18,066	19,306
Machinery, equipment and vehicles	162,395	163,648
Accumulated depreciation	(134,496)	(136,504)
Machinery, equipment and vehicles, net	27,898	27,144
Land	8,853	8,879
Construction in progress	3,635	1,435
Other	14,610	15,022
Accumulated depreciation	(11,674)	(11,998)
Other, net	2,936	3,024
Total property, plant and equipment	61,389	59,791
Intangible assets		
Software	1,283	1,170
Other	3,965	6,707
Total intangible assets	5,248	7,877
Investments and other assets		
Investment securities	29,274	27,575
Long-term loans receivable	4,012	4,145
Deferred tax assets	378	350
Retirement benefit asset	2,337	2,085
Other	3,819	3,064
Allowance for doubtful accounts	(30)	(32)
Total investments and other assets	39,791	37,188
Total non-current assets	106,429	104,857
Total assets	200,194	202,182

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	20,575	20,307
Electronically recorded obligations - operating	4,539	4,535
Short-term borrowings	6,887	7,847
Current portion of long-term borrowings	850	474
Accrued expenses	4,247	4,249
Income taxes payable	1,892	1,321
Provision for bonuses	2,117	1,813
Provision for bonuses for directors (and other officers)	121	88
Electronically recorded obligations - non-operating	945	732
Provision for loss on factory closing	12	—
Other	5,713	5,565
Total current liabilities	47,904	46,938
Non-current liabilities		
Long-term borrowings	150	1,909
Deferred tax liabilities	3,350	2,772
Provision for stock-based compensation	376	391
Retirement benefit liability	38	53
Other	1,341	1,123
Total non-current liabilities	5,257	6,249
Total liabilities	53,161	53,187
Net assets		
Shareholders' equity		
Share capital	13,051	13,051
Capital surplus	13,243	13,270
Retained earnings	109,713	111,762
Treasury shares	(5,781)	(5,730)
Total shareholders' equity	130,226	132,353
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,623	8,816
Foreign currency translation adjustment	4,093	4,579
Remeasurements of defined benefit plans	537	317
Total accumulated other comprehensive income	14,253	13,714
Non-controlling interests	2,552	2,927
Total net assets	147,032	148,994
Total liabilities and net assets	200,194	202,182

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	162,526	174,973
Cost of sales	127,749	142,437
Gross profit	34,777	32,536
Selling, general and administrative expenses		
Freight and storage charges	6,104	6,222
Salaries and compensations	3,807	4,115
Employees' bonuses	1,300	1,343
Retirement benefit expenses	250	243
Welfare expenses	1,195	1,300
Depreciation	491	611
Research and development expenses	5,650	5,691
Other	4,107	4,602
Total selling, general and administrative expenses	22,908	24,131
Operating profit	11,868	8,405
Non-operating income		
Interest income	148	169
Dividend income	760	821
Rental income from real estate	133	137
Foreign exchange gains	1,560	1,107
Share of profit of entities accounted for using equity method	—	468
Other	262	187
Total non-operating income	2,866	2,892
Non-operating expenses		
Interest expenses	48	118
Rental costs on real estate	58	70
Loss on abandonment of inventories	285	281
Share of loss of entities accounted for using equity method	1,104	—
Compensation expenses	266	394
Other	199	514
Total non-operating expenses	1,963	1,379
Ordinary profit	12,771	9,918
Extraordinary income		
Gain on sale of investment securities	17	2,716
Insurance claim income	31	21
Total extraordinary income	48	2,737
Extraordinary losses		
Loss on valuation of investment securities	863	106
Loss on valuation of investments in capital	—	688
Impairment losses	—	*1 1,328
Loss on retirement of non-current assets	936	1,093
loss on suspension of operation	279	—
Other	7	24
Total extraordinary losses	2,086	3,241
Profit before income taxes	10,734	9,414
Income taxes - current	3,437	3,239
Income taxes - deferred	138	(53)
Total income taxes	3,576	3,185
Profit	7,157	6,228
Profit attributable to non-controlling interests	458	544
Profit attributable to owners of parent	6,699	5,684

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	7,157	6,228
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,446)	(806)
Foreign currency translation adjustment	2,326	522
Remeasurements of defined benefit plans, net of tax	43	(219)
Total other comprehensive income	924	(503)
Comprehensive income	8,082	5,725
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,587	5,125
Comprehensive income attributable to non-controlling interests	494	599

(3) Consolidated statements of changes in net assets
Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,051	13,243	106,662	(5,848)	127,109
Changes during period					
Dividends of surplus			(3,649)		(3,649)
Profit attributable to owners of parent			6,699		6,699
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		72	72
Change in scope of consolidation					—
Net changes in items other than shareholders' equity					
Total changes during period	—	0	3,050	66	3,117
Balance at end of period	13,051	13,243	109,713	(5,781)	130,226

	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 period	11,069	1,802	493	13,364	2,477	142,951
Changes during period						
Dividends of surplus						(3,649)
Profit attributable to owners of parent						6,699
Purchase of treasury shares						(5)
Disposal of treasury shares						72
Change in scope of consolidation						—
Net changes in items other than shareholders' equity	(1,446)	2,290	43	888	75	963
Total changes during period	(1,446)	2,290	43	888	75	4,080
Balance at end of period	9,623	4,093	537	14,253	2,552	147,032

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,051	13,243	109,713	(5,781)	130,226
Changes during period					
Dividends of surplus			(3,759)		(3,759)
Profit attributable to owners of parent			5,684		5,684
Purchase of treasury shares				(323)	(323)
Disposal of treasury shares		26		374	401
Change in scope of consolidation			124		124
Net changes in items other than shareholders' equity					
Total changes during period	–	26	2,049	51	2,127
Balance at end of period	13,051	13,270	111,762	(5,730)	132,353

	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 period	9,623	4,093	537	14,253	2,552	147,032
Changes during period						
Dividends of surplus						(3,759)
Profit attributable to owners of parent						5,684
Purchase of treasury shares						(323)
Disposal of treasury shares						401
Change in scope of consolidation						124
Net changes in items other than shareholders' equity	(806)	486	(219)	(539)	374	(164)
Total changes during period	(806)	486	(219)	(539)	374	1,962
Balance at end of period	8,816	4,579	317	13,714	2,927	148,994

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	10,734	9,414
Depreciation	9,662	10,239
Loss on retirement of non-current assets	936	1,093
Impairment losses	—	1,328
Increase (decrease) in provision for bonuses	(72)	(310)
Increase (decrease) in retirement benefit asset and liability	4	(58)
Increase (decrease) in provision for bonuses for directors (and other officers)	21	(32)
Increase (decrease) in provision for stock-based compensation	133	96
Interest and dividend income	(909)	(991)
Interest expenses	48	118
Share of loss (profit) of entities accounted for using equity method	1,104	(468)
Loss (gain) on sale of investment securities	(17)	(2,716)
Loss (gain) on valuation of investment securities	863	106
Loss on valuation of investments in capital	—	688
Decrease (increase) in trade receivables	(4,052)	546
Decrease (increase) in inventories	(4,101)	(4,351)
Increase (decrease) in trade payables	2,020	(839)
Other, net	(2,924)	(1,319)
Subtotal	13,452	12,543
Interest and dividends received	909	2,266
Interest paid	(48)	(118)
Income taxes paid	(2,984)	(3,839)
Net cash provided by (used in) operating activities	11,328	10,852
Cash flows from investing activities		
Purchase of non-current assets	(8,597)	(9,382)
Purchase of investment securities	(1,061)	(151)
Proceeds from sale of investment securities	28	2,884
Long-term loan advances	(1,125)	(758)
Proceeds from collection of long-term loans receivable	372	614
Payment for other investment activities	(1,730)	(3,658)
Proceeds from other investment activities	408	279
Net cash provided by (used in) investing activities	(11,704)	(10,172)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(390)	492
Proceeds from long-term borrowings	—	2,188
Repayments of long-term borrowings	(1,400)	(850)
Net decrease (increase) in treasury shares	(4)	(3)
Dividends paid	(3,634)	(3,743)
Dividends paid to non-controlling interests	(419)	(225)
Other, net	(130)	(196)
Net cash provided by (used in) financing activities	(5,979)	(2,336)
Effect of exchange rate change on cash and cash equivalents	878	193
Net increase (decrease) in cash and cash equivalents	(5,475)	(1,462)
Cash and cash equivalents at beginning of period	23,647	18,171
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	333
Cash and cash equivalents at end of period	18,171	17,042

(5) Notes to consolidated financial statements

Notes to going concern assumptions

None

Consolidated statements of income

*1 Impairment losses

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

None

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

The Group recorded impairment losses on the following asset groups.

Location	Main use	Class
SDP Global Co., Ltd. Tokai City, Aichi Prefecture Kyoto City, Kyoto Prefecture, etc.	Facilities related to Toiletries and Health Care, etc.	Machinery and buildings, etc.

In principle, the Group conduct asset grouping by factory.

Due to the deterioration of the business environment and expected decline in profitability, the book value of this asset group was reduced to the recoverable amount, and a loss of ¥1,328 million was recorded.

The breakdown of these losses was ¥59 million for buildings and structures, ¥1,225 million for machinery, ¥14 million for software, and ¥28 million for others.

The recoverable amount is measured by net realizable value, which is assessed based on professional appraisals.

Segment information

[Segment information]

1. Overview of reportable segments

We can acquire isolated data for each of the Group's reportable segments, which have been linked to the market domains that form the foundation of the Group's research and development and strategy formulation.

Furthermore, the Group's reportable segments are composed of product categories based on the uses of the Group's products. There are five reportable segments: "Toiletries and Health Care," "Petroleum and Automotives," "Plastics and Textiles," "Information and Electrics/Electronics," and "Environmental Protection, Construction and Others."

The "Toiletries and Health Care" segment manufactures and sells surfactants for detergents, surfactants for toiletries, pharmaceutical additives, and superabsorbent polymers. The "Petroleum and Automotives" segment manufactures and sells thermoplastic polyurethane beads for interior parts of automobiles, polyurethane foam raw materials, and lubricant additives. The "Plastics and Textiles" segment manufactures and sells permanent antistatic agents, chemicals for carbon fibers and fiberglass agents. The "Information and Electrics/Electronics" segment manufactures and sells core components of polymerization toners, toner resins, and electrolytes for aluminum electrolytic capacitors. The "Environmental Protection, Construction, and Others" segment manufactures and sells polymer flocculants for wastewater treatment and polyurethane insulation raw materials.

2. Method of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting treatment methods used for the reportable segments are the same as those listed in the "Significant matters forming the basis of preparing consolidated financial statements."

Figures for profits for the reportable segments use an operating profit base.

Market prices and other factors are considered in deciding internal sales and transfer among segments.

3. Information regarding net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	54,922	42,540	25,466	20,989	18,607	162,526	—	162,526
Intersegment sales/transfers	—	—	—	—	81	81	(81)	—
Total	54,922	42,540	25,466	20,989	18,688	162,608	(81)	162,526
Segment profit	1,966	3,759	3,713	2,511	1,589	13,540	(1,671)	11,868
Segment assets	43,601	36,251	27,936	26,041	14,534	148,364	51,829	200,194
Other items								
Depreciation	2,674	2,545	1,474	2,146	692	9,533	—	9,533
Investments in entities accounted for using equity method	—	—	5,409	553	331	6,295	—	6,295
Increase in property, plant and equipment and intangible assets	1,802	2,844	2,299	1,971	929	9,847	—	9,847

Note: Total amount of segment profit has been adjusted with operating profit in the consolidated statements of income.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Segment						Adjustment	Total
	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/Electronics	Environmental Protection, Construction and Others	Subtotal		
Net sales								
Sales to external customers	57,068	48,279	28,177	23,163	18,284	174,973	—	174,973
Intersegment sales/transfers	—	—	—	—	151	151	(151)	—
Total	57,068	48,279	28,177	23,163	18,435	175,125	(151)	174,973
Segment profit	113	2,988	2,837	2,558	1,408	9,906	(1,501)	8,405
Segment assets	40,582	36,068	36,778	27,262	13,308	154,000	48,182	202,182
Other items								
Depreciation	2,900	2,597	1,858	2,106	619	10,083	—	10,083
Investments in entities accounted for using equity method	—	—	5,498	—	337	5,835	—	5,835
Increase in property, plant and equipment and intangible assets	2,777	2,919	3,373	2,059	903	12,033	—	12,033

Note: Total amount of segment profit has been adjusted with operating profit in the consolidated statements of income.

4. Items related to changes in reporting segments

Revisions to the allocation method of company-wide expenses

Starting in the fiscal year under review, research and development expenses for new businesses that had previously been allocated to reportable segments have been reclassified as company-wide expenses to gauge operating results more appropriately for each reportable segment.

As a result of this change, compared to the previous calculation method, segment profit for the fiscal year under review increased by ¥328 million for the Toiletries and Health Care segment, by ¥367 million for the Petroleum and Automotives segment, by ¥362 million for the Plastics and Textiles segment, by ¥266 million for the Information and Electrics/Electronics segment, and by ¥178 million for the Environmental Protection, Construction and Others segment, and the adjustment for segment profit decreased by ¥1,501 million.

Furthermore, provided segment information for the previous fiscal year was created using the allocation method following the change.

5. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

The total amount of other items matches the amounts recorded in the consolidated statement of income.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales		
Reportable segment total	162,608	175,125
Intersegment eliminations	(81)	(151)
Net sales in the consolidated financial statements	162,526	174,973

(Millions of yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	13,540	9,906
Intersegment eliminations	—	—
Corporate expenses (Note)	(1,671)	(1,501)
Operating profit in the consolidated financial statements	11,868	8,405

Note: Company-wide expenses are research and development expenses for new businesses not belonging to reportable segments.

(Millions of yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	148,364	154,000
Intersegment eliminations	—	—
Corporate assets (Note)	51,829	48,182
Total assets in the consolidated financial statements	200,194	202,182

Note: The corporate assets are mainly cash and deposits, investment securities, etc. that have not been attributed to a reportable segment.

[Information regarding impairment losses of non-current assets by reportable segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

None

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Toiletries and Health Care	Petroleum and Automotives	Plastics and Textiles	Information and Electrics/ Electronics	Environmental Protection, Construction and Others	Total
Impairment losses	1,328	—	—	—	—	1,328

<Reference>

[Information by geographic segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
I. Net sales and operating profit (loss)							
Net sales							
(1) Sales to external customers	120,342	6,894	23,558	11,730	162,526	—	162,526
(2) Intersegment sales/transfers	8,042	17	1,608	394	10,063	(10,063)	—
Total	128,385	6,912	25,167	12,125	172,590	(10,063)	162,526
Operating expenses	116,939	6,641	24,461	12,685	160,728	(10,070)	150,658
Operating profit (loss)	11,445	270	705	(560)	11,861	6	11,868
II. Assets	184,185	6,817	20,912	13,637	225,553	(25,359)	200,194

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Japan	USA	China	Other	Total	Elimination or common assets	Consolidated total
I. Net sales and operating profit (loss)							
Net sales							
(1) Sales to external customers	127,664	9,277	23,306	14,724	174,973	—	174,973
(2) Intersegment sales/transfers	9,253	60	1,990	1,129	12,433	(12,433)	—
Total	136,917	9,337	25,297	15,854	187,407	(12,433)	174,973
Operating expenses	129,355	9,104	25,003	15,534	178,997	(12,428)	166,568
Operating profit (loss)	7,562	233	294	319	8,410	(4)	8,405
II. Assets	190,032	8,144	17,156	15,727	231,060	(28,877)	202,182

[Overseas net sales]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	56,835	[33,653]	7,900	5,168	69,903
II. Consolidated net sales	—	[—]	—	—	162,526
III. Percentage of overseas net sales to consolidated net sales (%)	35.0	[20.7]	4.9	3.2	43.0

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Asia	[Of which, China]	Americas	Other	Total
I. Overseas net sales	59,513	[31,204]	11,145	5,719	76,378
II. Consolidated net sales	—	[—]	—	—	174,973
III. Percentage of overseas net sales to consolidated net sales (%)	34.0	[17.8]	6.4	3.3	43.7

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 outside Japan

(1) Asia: South Korea, China, Indonesia, India, Thailand, etc.

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

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

Per share information

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	¥6,549.60	¥6,617.11
Basic earnings per share	¥303.76	¥257.57

Notes: 1. Diluted earnings per share is not provided because the Company had no potential dilutive shares.

2. Shares of the Company owned by the trust whose beneficiaries are directors, etc. that were recorded as treasury shares in shareholders' equity are included in the treasury shares that are excluded from the total number of treasury shares issued at the end of the period in calculating net assets per share (56,600 shares in the previous fiscal year and 116,700 shares in the current fiscal year).

3. Shares of the Company owned by the trust whose beneficiaries are directors, etc. that were recorded as treasury shares in shareholders' equity are included in the treasury shares that are excluded in calculating the average number of shares outstanding during the period in calculating the basic earnings per share (61,638 shares in the previous fiscal year and 58,238 shares in the current fiscal year).

4. The basis for calculation of basic earnings per share is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent (Millions of yen)	6,699	5,684
Amount not attributed to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	6,699	5,684
Average number of shares of common stock outstanding during the period (Thousand shares)	22,054	22,069

Significant subsequent events

None

5. Supplementary information

1. Trend of quarterly consolidated earnings

Fiscal year ended March 31, 2022

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2021 to June 2021	July 2021 to September 2021	October 2021 to December 2021	January 2022 to March 2022	April 2021 to March 2022
Net sales	38,057	39,461	43,327	41,680	162,526
Operating profit	3,091	2,826	3,681	2,268	11,868
Ordinary profit	3,581	3,280	4,511	1,398	12,771
Profit attributable to owners of parent	2,193	2,224	3,083	(802)	6,699
Comprehensive income	1,837	2,402	3,689	152	8,082

Fiscal year ended March 31, 2023

(Millions of yen)

	1Q	2Q	3Q	4Q	Total
	April 2022 to June 2022	July 2022 to September 2022	October 2022 to December 2022	January 2023 to March 2023	April 2022 to March 2023
Net sales	44,336	44,103	45,744	40,789	174,973
Operating profit	1,956	1,976	2,724	1,748	8,405
Ordinary profit	4,259	3,108	1,531	1,019	9,918
Profit attributable to owners of parent	2,536	2,182	1,564	(599)	5,684
Comprehensive income	3,986	2,341	230	(832)	5,725

2. Investment in plant and equipment

(Millions of yen)

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2023	12,033	8,364
Fiscal year ended March 31, 2022	9,847	7,603

3. Depreciation and amortization

(Millions of yen)

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2023	10,083	6,509
Fiscal year ended March 31, 2022	9,533	6,449

4. Research and development expenses

(Millions of yen)

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2023	5,691	4,866
Fiscal year ended March 31, 2022	5,650	4,748

5. Number of employees

	Consolidated	Non-consolidated
Fiscal year ended March 31, 2023	2,089	1,325
Fiscal year ended March 31, 2022	2,106	1,350