

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2017
(Based on Japanese GAAP)**

May 11, 2017

Company name: Sakai Chemical Industry Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4078 URL <http://www.sakai-chem.co.jp>
 Representative: President, Representative Director Masaaki Yabe
 Director, General Manager of Accounting & Finance Department Toshiaki Sano
 Inquiries: TEL 072-223-4111
 Scheduled date of ordinary general meeting of shareholders: June 28, 2017
 Scheduled date to file Securities Report: June 28, 2017
 Scheduled date to commence dividend payments: June 6, 2017
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate 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	%
Year ended March 31, 2017	83,938	(1.8)	4,551	(1.4)	4,290	(3.0)	2,037	(13.0)
Year ended March 31, 2016	85,520	(1.7)	4,615	10.8	4,421	4.8	2,340	2.9

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	21.92	–	2.6	3.6	5.4
Year ended March 31, 2016	24.36	–	3.0	3.8	5.4

(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, 2017	120,321	81,938	65.9	865.85
As of March 31, 2016	117,734	79,610	65.4	815.04

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	6,722	(4,824)	(1,003)	14,598
Year ended March 31, 2016	3,572	(7,550)	1,445	13,759

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	–	4.00	–	4.00	8.00	765	32.8	1.0
Year ended March 31, 2017	–	4.00	–	4.00	8.00	739	36.5	1.0
Year ending March 31, 2018 (Forecast)	–	4.00	–	4.00	8.00		43.1	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	42,000	3.7	1,900	1.7	1,500	11.7	800	22.2	8.74
Full year	86,000	2.5	3,900	(14.3)	3,300	(23.1)	1,700	(16.6)	18.57

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2017	104,939,559 shares	As of March 31, 2016	104,939,559 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	13,397,942 shares	As of March 31, 2016	10,448,217 shares
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Average number of shares during the period

Year ended March 31, 2017	92,949,721 shares	Year ended March 31, 2016	96,082,592 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	13,989	14,824
Notes and accounts receivable - trade	25,685	25,887
Merchandise and finished goods	10,234	10,012
Work in process	2,409	2,478
Raw materials and supplies	5,299	4,732
Deferred tax assets	792	921
Other	1,168	1,094
Allowance for doubtful accounts	(69)	(63)
Total current assets	59,509	59,889
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,558	38,893
Accumulated depreciation	(25,320)	(25,670)
Buildings and structures, net	11,237	13,222
Machinery, equipment and vehicles	65,972	69,348
Accumulated depreciation	(58,919)	(59,880)
Machinery, equipment and vehicles, net	7,053	9,467
Land	18,276	17,597
Construction in progress	4,826	830
Other	5,740	6,204
Accumulated depreciation	(5,003)	(5,224)
Other, net	736	979
Total property, plant and equipment	42,130	42,097
Intangible assets		
Goodwill	2,348	2,084
Other	614	709
Total intangible assets	2,962	2,794
Investments and other assets		
Investment securities	11,370	14,163
Net defined benefit asset	41	48
Deferred tax assets	1,136	556
Other	635	803
Allowance for doubtful accounts	(51)	(30)
Total investments and other assets	13,132	15,540
Total non-current assets	58,224	60,432
Total assets	117,734	120,321

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,457	9,350
Short-term loans payable	11,312	11,364
Income taxes payable	744	531
Provision for bonuses	1,153	1,233
Other provision	123	129
Other	4,838	4,329
Total current liabilities	27,630	26,938
Non-current liabilities		
Long-term loans payable	4,587	5,238
Provision for environmental measures	114	119
Net defined benefit liability	4,878	4,812
Deferred tax liabilities	545	1,114
Other	367	159
Total non-current liabilities	10,493	11,444
Total liabilities	38,124	38,383
Net assets		
Shareholders' equity		
Capital stock	21,838	21,838
Capital surplus	19,025	19,025
Retained earnings	36,611	37,897
Treasury shares	(3,462)	(4,464)
Total shareholders' equity	74,012	74,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,310	5,140
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustment	(185)	(223)
Remeasurements of defined benefit plans	(124)	50
Total accumulated other comprehensive income	3,001	4,963
Non-controlling interests	2,595	2,676
Total net assets	79,610	81,938
Total liabilities and net assets	117,734	120,321

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	85,520	83,938
Cost of sales	67,385	65,451
Gross profit	18,135	18,486
Selling, general and administrative expenses	13,519	13,935
Operating profit	4,615	4,551
Non-operating income		
Interest income	9	7
Dividend income	249	279
Subsidy income	202	–
Other	181	142
Total non-operating income	642	429
Non-operating expenses		
Interest expenses	118	101
Foreign exchange losses	118	24
Depreciation of inactive non-current assets	127	127
Other	471	436
Total non-operating expenses	835	690
Ordinary profit	4,421	4,290
Extraordinary income		
Gain on sales of non-current assets	–	70
Gain on sales of investment securities	68	460
Compensation for transfer	256	–
Total extraordinary income	324	531
Extraordinary losses		
Loss on sales of non-current assets	–	655
Impairment loss	1	170
Loss on retirement of non-current assets	125	481
Business structure improvement expenses	710	–
Other	64	34
Total extraordinary losses	902	1,342
Profit before income taxes	3,843	3,478
Income taxes - current	1,337	1,121
Income taxes - deferred	179	201
Total income taxes	1,517	1,323
Profit	2,326	2,155
Profit (loss) attributable to non-controlling interests	(14)	118
Profit attributable to owners of parent	2,340	2,037

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	2,326	2,155
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,397)	1,844
Deferred gains or losses on hedges	4	(4)
Foreign currency translation adjustment	(20)	(56)
Remeasurements of defined benefit plans, net of tax	49	175
Total other comprehensive income	(2,364)	1,958
Comprehensive income	(37)	4,113
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7	4,000
Comprehensive income attributable to non-controlling interests	(45)	113

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,838	19,025	35,045	(2,460)	73,448
Changes of items during period					
Dividends of surplus			(775)		(775)
Profit attributable to owners of parent			2,340		2,340
Purchase of treasury shares				(1,001)	(1,001)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,565	(1,001)	564
Balance at end of current period	21,838	19,025	36,611	(3,462)	74,012

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,697	(1)	(186)	(174)	5,334	2,666	81,449
Changes of items during period							
Dividends of surplus							(775)
Profit attributable to owners of parent							2,340
Purchase of treasury shares							(1,001)
Net changes of items other than shareholders' equity	(2,386)	2	1	49	(2,333)	(70)	(2,404)
Total changes of items during period	(2,386)	2	1	49	(2,333)	(70)	(1,839)
Balance at end of current period	3,310	0	(185)	(124)	3,001	2,595	79,610

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,838	19,025	36,611	(3,462)	74,012
Changes of items during period					
Dividends of surplus			(750)		(750)
Profit attributable to owners of parent			2,037		2,037
Purchase of treasury shares				(1,001)	(1,001)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,286	(1,001)	284
Balance at end of current period	21,838	19,025	37,897	(4,464)	74,297

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,310	0	(185)	(124)	3,001	2,595	79,610
Changes of items during period							
Dividends of surplus							(750)
Profit attributable to owners of parent							2,037
Purchase of treasury shares							(1,001)
Net changes of items other than shareholders' equity	1,829	(3)	(38)	175	1,962	80	2,043
Total changes of items during period	1,829	(3)	(38)	175	1,962	80	2,328
Balance at end of current period	5,140	(2)	(223)	50	4,963	2,676	81,938

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	3,843	3,478
Depreciation	2,169	2,877
Increase (decrease) in allowance for doubtful accounts	(1)	(26)
Increase (decrease) in provision for bonuses	21	79
Increase (decrease) in net defined benefit liability	11	183
Interest and dividend income	(259)	(286)
Interest expenses	118	101
Decrease (increase) in notes and accounts receivable - trade	(382)	(162)
Decrease (increase) in inventories	926	691
Increase (decrease) in notes and accounts payable - trade	(991)	(41)
Other, net	(467)	997
Subtotal	4,988	7,894
Interest and dividend income received	259	286
Interest expenses paid	(118)	(103)
Income taxes paid	(1,557)	(1,354)
Net cash provided by (used in) operating activities	3,572	6,722
Cash flows from investing activities		
Payments into time deposits	(24)	(22)
Proceeds from withdrawal of time deposits	20	20
Purchase of property, plant and equipment	(7,133)	(4,636)
Proceeds from sales of property, plant and equipment	11	92
Purchase of investment securities	(232)	(593)
Proceeds from sales of investment securities	91	834
Payments of loans receivable	-	(70)
Collection of loans receivable	15	15
Other, net	(299)	(464)
Net cash provided by (used in) investing activities	(7,550)	(4,824)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,049	280
Proceeds from long-term loans payable	2,550	2,190
Repayments of long-term loans payable	(1,350)	(1,692)
Purchase of treasury shares	(1,001)	(1,001)
Cash dividends paid	(776)	(752)
Dividends paid to non-controlling interests	(26)	(26)
Net cash provided by (used in) financing activities	1,445	(1,003)
Effect of exchange rate change on cash and cash equivalents	(52)	(56)
Net increase (decrease) in cash and cash equivalents	(2,584)	838
Cash and cash equivalents at beginning of period	16,344	13,759
Cash and cash equivalents at end of period	13,759	14,598