

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2018  
(Based on Japanese GAAP)**

May 11, 2018

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 Corporate Strategy Division Atsuya Nakanishi TEL 072-223-4111  
 Inquiries: Atsuya Nakanishi  
 Scheduled date of ordinary general meeting of shareholders: June 27, 2018  
 Scheduled date to file Securities Report: June 27, 2018  
 Scheduled date to commence dividend payments: June 5, 2018  
 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, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018	87,223	3.9	4,690	3.1	4,279	(0.3)	2,329	14.4
Year ended March 31, 2017	83,938	(1.8)	4,551	(1.4)	4,290	(3.0)	2,037	(13.0)

	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, 2018	130.29	–	3.0	3.6	5.4
Year ended March 31, 2017	109.59	–	2.6	3.6	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, 2018	117,954	80,763	66.1	4,450.92
As of March 31, 2017	120,321	81,938	65.9	4,329.25

(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, 2018	3,941	(487)	(4,209)	13,848
Year ended March 31, 2017	6,722	(4,824)	(1,003)	14,598

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, 2017	–	4.00	–	4.00	8.00	739	36.5	1.0
Year ended March 31, 2018	–	4.00	–	20.00	–	707	30.7	0.9
Year ending March 31, 2019 (Forecast)	–	30.00	–	20.00	50.00		26.5	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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, 2018	45,000	4.8	2,300	(0.9)	2,200	(0.5)	1,500	24.5	85.65
Full year	90,000	3.2	5,400	15.1	5,000	16.8	3,300	41.6	188.43

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(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, 2018	20,987,911 shares	As of March 31, 2017	20,987,911 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	3,474,922 shares	As of March 31, 2017	2,679,588 shares
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Average number of shares during the period

Year ended March 31, 2018	17,883,750 shares	Year ended March 31, 2017	18,589,944 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	14,824	14,091
Notes and accounts receivable - trade	25,887	28,032
Merchandise and finished goods	10,012	9,948
Work in process	2,478	2,641
Raw materials and supplies	4,732	5,113
Deferred tax assets	921	1,048
Other	1,094	963
Allowance for doubtful accounts	(63)	(51)
Total current assets	59,889	61,787
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,893	38,293
Accumulated depreciation	(25,670)	(25,832)
Buildings and structures, net	13,222	12,461
Machinery, equipment and vehicles	69,348	68,307
Accumulated depreciation	(59,880)	(58,851)
Machinery, equipment and vehicles, net	9,467	9,456
Land	17,597	14,866
Construction in progress	830	2,026
Other	6,204	6,284
Accumulated depreciation	(5,224)	(5,287)
Other, net	979	997
Total property, plant and equipment	42,097	39,807
Intangible assets		
Goodwill	2,084	1,554
Other	709	650
Total intangible assets	2,794	2,205
Investments and other assets		
Investment securities	14,163	12,830
Net defined benefit asset	48	58
Deferred tax assets	556	727
Other	803	569
Allowance for doubtful accounts	(30)	(32)
Total investments and other assets	15,540	14,154
Total non-current assets	60,432	56,166
Total assets	120,321	117,954

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,350	8,756
Short-term loans payable	11,364	11,055
Income taxes payable	531	1,446
Provision for bonuses	1,233	1,259
Other provision	129	119
Other	4,329	5,342
Total current liabilities	26,938	27,978
Non-current liabilities		
Long-term loans payable	5,238	3,521
Provision for environmental measures	119	121
Net defined benefit liability	4,812	4,877
Deferred tax liabilities	1,114	551
Other	159	139
Total non-current liabilities	11,444	9,212
Total liabilities	38,383	37,190
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,838	21,838
Capital surplus	19,025	19,025
Retained earnings	37,897	39,504
Treasury shares	(4,464)	(6,466)
Total shareholders' equity	74,297	73,901
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,140	4,234
Deferred gains or losses on hedges	(2)	(2)
Foreign currency translation adjustment	(223)	(243)
Remeasurements of defined benefit plans	50	58
Total accumulated other comprehensive income	4,963	4,047
Non-controlling interests	2,676	2,815
Total net assets	81,938	80,763
Total liabilities and net assets	120,321	117,954

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	83,938	87,223
Cost of sales	65,451	68,338
Gross profit	18,486	18,884
Selling, general and administrative expenses	13,935	14,194
Operating profit	4,551	4,690
Non-operating income		
Interest income	7	6
Dividend income	279	267
Other	142	105
Total non-operating income	429	378
Non-operating expenses		
Interest expenses	101	95
Foreign exchange losses	24	120
Depreciation of inactive non-current assets	127	112
Other	436	460
Total non-operating expenses	690	789
Ordinary profit	4,290	4,279
Extraordinary income		
Gain on sales of non-current assets	70	605
Gain on sales of investment securities	460	1,898
Total extraordinary income	531	2,503
Extraordinary losses		
Loss on sales of non-current assets	655	0
Impairment loss	170	2,060
Loss on retirement of non-current assets	481	121
Loss on sales of shares of subsidiaries	–	292
Factory rebuilding expense	–	719
Other	34	10
Total extraordinary losses	1,342	3,204
Profit before income taxes	3,478	3,578
Income taxes - current	1,121	1,766
Income taxes - deferred	201	(573)
Total income taxes	1,323	1,192
Profit	2,155	2,385
Profit attributable to non-controlling interests	118	55
Profit attributable to owners of parent	2,037	2,329

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	2,155	2,385
Other comprehensive income		
Valuation difference on available-for-sale securities	1,844	(899)
Deferred gains or losses on hedges	(4)	(0)
Foreign currency translation adjustment	(56)	(12)
Remeasurements of defined benefit plans, net of tax	175	8
Total other comprehensive income	1,958	(903)
Comprehensive income	4,113	1,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,000	1,413
Comprehensive income attributable to non-controlling interests	113	69

## Consolidated statements of changes in equity

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)
Change in ownership interest of parent due to transactions with non-controlling interests					
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)
Change in ownership interest of parent due to transactions with non-controlling interests							
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

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,838	19,025	37,897	(4,464)	74,297
Changes of items during period					
Dividends of surplus			(723)		(723)
Profit attributable to owners of parent			2,329		2,329
Purchase of treasury shares				(2,002)	(2,002)
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	1,606	(2,002)	(395)
Balance at end of current period	21,838	19,025	39,504	(6,466)	73,901

	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	5,140	(2)	(223)	50	4,963	2,676	81,938
Changes of items during period							
Dividends of surplus							(723)
Profit attributable to owners of parent							2,329
Purchase of treasury shares							(2,002)
Change in ownership interest of parent due to transactions with non-controlling interests							0
Net changes of items other than shareholders' equity	(905)	(0)	(19)	8	(916)	138	(778)
Total changes of items during period	(905)	(0)	(19)	8	(916)	138	(1,174)
Balance at end of current period	4,234	(2)	(243)	58	4,047	2,815	80,763



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,478	3,578
Depreciation	2,877	3,005
Impairment loss	170	2,060
Factory rebuilding expense	–	719
Gain on sales of investment securities	(460)	(1,898)
Increase (decrease) in allowance for doubtful accounts	(26)	(6)
Increase (decrease) in provision for bonuses	79	44
Increase (decrease) in net defined benefit liability	183	88
Interest and dividend income	(286)	(273)
Interest expenses	101	95
Decrease (increase) in notes and accounts receivable - trade	(162)	(2,436)
Decrease (increase) in inventories	691	(630)
Increase (decrease) in notes and accounts payable - trade	(41)	(179)
Other, net	1,287	500
Subtotal	7,894	4,667
Interest and dividend income received	286	274
Interest expenses paid	(103)	(95)
Income taxes paid	(1,354)	(904)
Net cash provided by (used in) operating activities	6,722	3,941
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,636)	(3,771)
Proceeds from sales of property, plant and equipment	92	975
Purchase of investment securities	(593)	(123)
Proceeds from sales of investment securities	834	2,101
Payments of loans receivable	(70)	–
Collection of loans receivable	15	123
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	313
Other, net	(467)	(105)
Net cash provided by (used in) investing activities	(4,824)	(487)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	280	(486)
Proceeds from long-term loans payable	2,190	400
Repayments of long-term loans payable	(1,692)	(1,471)
Purchase of treasury shares	(1,001)	(2,002)
Cash dividends paid	(752)	(724)
Dividends paid to non-controlling interests	(26)	(26)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	0
Proceeds from share issuance to non-controlling shareholders	–	101
Net cash provided by (used in) financing activities	(1,003)	(4,209)
Effect of exchange rate change on cash and cash equivalents	(56)	4
Net increase (decrease) in cash and cash equivalents	838	(750)
Cash and cash equivalents at beginning of period	13,759	14,598
Cash and cash equivalents at end of period	14,598	13,848