

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Year Ended March 31, 2019
(Based on Japanese GAAP)**

May 13, 2019

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
 Inquiries: Atsuya Nakanishi TEL 072-223-4111
 Scheduled date of ordinary general meeting of shareholders: June 26, 2019
 Scheduled date to file Securities Report: June 26, 2019
 Scheduled date to commence dividend payments: June 4, 2019
 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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	89,541	2.7	4,404	(6.1)	4,553	6.4	3,606	54.8
Year ended March 31, 2018	87,223	3.9	4,690	3.1	4,279	(0.3)	2,329	14.4

	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, 2019	210.34	–	4.6	3.8	4.9
Year ended March 31, 2018	130.29	–	3.0	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, 2019	120,082	80,291	64.3	4,598.89
As of March 31, 2018	117,486	80,763	66.3	4,450.92

(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, 2019	2,755	(5,458)	64	11,175
Year ended March 31, 2018	3,941	(487)	(4,209)	13,848

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, 2018	–	4.00	–	20.00	–	707	30.7	0.9
Year ended March 31, 2019	–	30.00	–	20.00	50.00	853	23.8	1.1
Year ending March 31, 2020 (Forecast)	–	20.00	–	20.00	40.00		16.8	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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, 2019	47,000	7.4	3,100	33.1	3,100	28.5	2,100	37.4	124.99
Full year	93,000	3.9	6,000	36.2	6,000	31.8	4,000	10.9	238.08

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(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, 2019	17,000,000 shares	As of March 31, 2018	20,987,911 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2019	199,093 shares	As of March 31, 2018	3,474,922 shares
----------------------	----------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2019	17,146,942 shares	Year ended March 31, 2018	17,883,750 shares
---------------------------	-------------------	---------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	14,091	11,195
Notes and accounts receivable - trade	28,032	27,954
Merchandise and finished goods	9,948	11,398
Work in process	2,641	3,211
Raw materials and supplies	5,113	6,131
Other	963	1,477
Allowance for doubtful accounts	(51)	(51)
Total current assets	60,739	61,318
Non-current assets		
Property, plant and equipment		
Buildings and structures	38,293	39,700
Accumulated depreciation	(25,832)	(26,010)
Buildings and structures, net	12,461	13,689
Machinery, equipment and vehicles	68,307	70,887
Accumulated depreciation	(58,851)	(59,728)
Machinery, equipment and vehicles, net	9,456	11,159
Land	14,866	14,600
Construction in progress	2,026	3,511
Other	6,284	6,460
Accumulated depreciation	(5,287)	(5,372)
Other, net	997	1,088
Total property, plant and equipment	39,807	44,048
Intangible assets		
Goodwill	1,554	1,549
Other	650	525
Total intangible assets	2,205	2,075
Investments and other assets		
Investment securities	12,830	10,496
Retirement benefit asset	58	53
Deferred tax assets	1,306	1,558
Other	569	561
Allowance for doubtful accounts	(32)	(28)
Total investments and other assets	14,734	12,640
Total non-current assets	56,746	58,763
Total assets	117,486	120,082

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,756	9,168
Short-term loans payable	11,055	7,159
Income taxes payable	1,446	568
Provision for bonuses	1,259	1,283
Other provision	119	174
Other	5,342	5,640
Total current liabilities	27,978	23,994
Non-current liabilities		
Long-term loans payable	3,521	10,369
Provision for environmental measures	121	123
Retirement benefit liability	4,877	5,079
Deferred tax liabilities	83	91
Other	139	132
Total non-current liabilities	8,743	15,796
Total liabilities	36,722	39,790
Net assets		
Shareholders' equity		
Capital stock	21,838	21,838
Capital surplus	19,025	16,292
Retained earnings	39,504	36,960
Treasury shares	(6,466)	(410)
Total shareholders' equity	73,901	74,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,234	2,841
Deferred gains or losses on hedges	(2)	0
Foreign currency translation adjustment	(243)	(249)
Remeasurements of defined benefit plans	58	(7)
Total accumulated other comprehensive income	4,047	2,584
Non-controlling interests	2,815	3,025
Total net assets	80,763	80,291
Total liabilities and net assets	117,486	120,082

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	87,223	89,541
Cost of sales	68,338	70,893
Gross profit	18,884	18,647
Selling, general and administrative expenses	14,194	14,242
Operating profit	4,690	4,404
Non-operating income		
Interest income	6	8
Dividend income	267	267
Insurance income	0	56
Other	104	120
Total non-operating income	378	452
Non-operating expenses		
Interest expenses	95	91
Foreign exchange losses	120	31
Depreciation of inactive non-current assets	112	3
Rent expenses on real estates	42	33
Other	418	143
Total non-operating expenses	789	303
Ordinary profit	4,279	4,553
Extraordinary income		
Gain on sales of non-current assets	605	746
Gain on sales of investment securities	1,898	311
Total extraordinary income	2,503	1,058
Extraordinary losses		
Loss on sales of non-current assets	0	–
Impairment loss	2,060	192
Loss on retirement of non-current assets	121	92
Loss on valuation of investment securities	7	72
Loss on sales of shares of subsidiaries	292	–
Factory rebuilding expense	719	–
Other	2	15
Total extraordinary losses	3,204	372
Profit before income taxes	3,578	5,239
Income taxes - current	1,766	1,176
Income taxes - deferred	(573)	285
Total income taxes	1,192	1,461
Profit	2,385	3,777
Profit attributable to non-controlling interests	55	171
Profit attributable to owners of parent	2,329	3,606

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	2,385	3,777
Other comprehensive income		
Valuation difference on available-for-sale securities	(899)	(1,399)
Deferred gains or losses on hedges	(0)	3
Foreign currency translation adjustment	(12)	(21)
Remeasurements of defined benefit plans, net of tax	8	(66)
Total other comprehensive income	(903)	(1,484)
Comprehensive income	1,482	2,293
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,413	2,140
Comprehensive income attributable to non-controlling interests	69	153

Consolidated statements of changes in equity

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)
Disposal of treasury shares					–
Retirement of treasury shares					–
Transfer to capital surplus from retained earnings					–
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)
Disposal of treasury shares							–
Retirement of treasury shares							–
Transfer to capital surplus from retained earnings							–
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

Fiscal year ended March 31, 2019

(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	39,504	(6,466)	73,901
Changes of items during period					
Dividends of surplus			(867)		(867)
Profit attributable to owners of parent			3,606		3,606
Purchase of treasury shares				(2,001)	(2,001)
Disposal of treasury shares		15		25	41
Retirement of treasury shares		(8,031)		8,031	–
Transfer to capital surplus from retained earnings		5,283	(5,283)		–
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	–	(2,732)	(2,543)	6,056	779
Balance at end of current period	21,838	16,292	36,960	(410)	74,681

	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	4,234	(2)	(243)	58	4,047	2,815	80,763
Changes of items during period							
Dividends of surplus							(867)
Profit attributable to owners of parent							3,606
Purchase of treasury shares							(2,001)
Disposal of treasury shares							41
Retirement of treasury shares							–
Transfer to capital surplus from retained earnings							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes of items other than shareholders' equity	(1,392)	2	(5)	(66)	(1,462)	210	(1,252)
Total changes of items during period	(1,392)	2	(5)	(66)	(1,462)	210	(472)
Balance at end of current period	2,841	0	(249)	(7)	2,584	3,025	80,291

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,578	5,239
Depreciation	3,005	3,189
Impairment loss	2,060	192
Factory rebuilding expense	719	–
Gain on sales of investment securities	(1,898)	(311)
Increase (decrease) in allowance for doubtful accounts	(6)	(3)
Increase (decrease) in provision for bonuses	44	24
Increase (decrease) in retirement benefit liability	88	80
Interest and dividend income	(273)	(275)
Interest expenses	95	91
Decrease (increase) in notes and accounts receivable - trade	(2,436)	106
Decrease (increase) in inventories	(630)	(2,740)
Increase (decrease) in notes and accounts payable - trade	(179)	210
Other, net	500	(1,126)
Subtotal	4,667	4,676
Interest and dividend income received	274	274
Interest expenses paid	(95)	(91)
Income taxes paid	(904)	(2,103)
Net cash provided by (used in) operating activities	3,941	2,755
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,771)	(6,891)
Proceeds from sales of property, plant and equipment	975	1,516
Purchase of investment securities	(123)	(40)
Proceeds from sales of investment securities	2,101	681
Collection of loans receivable	123	107
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(702)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	313	–
Other, net	(105)	(129)
Net cash provided by (used in) investing activities	(487)	(5,458)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(486)	(2,824)
Proceeds from long-term loans payable	400	7,900
Repayments of long-term loans payable	(1,471)	(2,116)
Purchase of treasury shares	(2,002)	(2,001)
Cash dividends paid	(724)	(867)
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)	(0)
Proceeds from share issuance to non-controlling shareholders	101	–
Net cash provided by (used in) financing activities	(4,209)	64
Effect of exchange rate change on cash and cash equivalents	4	(35)
Net increase (decrease) in cash and cash equivalents	(750)	(2,673)
Cash and cash equivalents at beginning of period	14,598	13,848
Cash and cash equivalents at end of period	13,848	11,175