

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2016  
(Based on Japanese GAAP)**

May 12, 2016

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  
 Inquiries: General Manager - Accounting Department Toshiaki Sano TEL 072-223-4111  
 Scheduled date of ordinary general meeting of shareholders: June 28, 2016  
 Scheduled date to file Securities Report: June 28, 2016  
 Scheduled date to commence dividend payments: June 6, 2016  
 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, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2016	85,520	(1.7)	4,615	10.8	4,421	4.8	2,340	2.9
Year ended March 31, 2015	86,973	1.0	4,164	17.1	4,218	27.4	2,275	69.7

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	24.36	–	3.0	3.8	5.4
Year ended March 31, 2015	23.01	–	3.0	3.7	4.8

(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, 2016	117,734	79,610	65.4	815.04
As of March 31, 2015	117,952	81,449	66.8	813.21

(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, 2016	3,572	(7,550)	1,445	13,759
Year ended March 31, 2015	5,324	(4,676)	(1,487)	16,344

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, 2015	–	4.00	–	4.00	8.00	785	34.8	1.0
Year ended March 31, 2016	–	4.00	–	4.00	8.00	765	32.8	1.0
Year ending March 31, 2017 (Forecast)	–	4.00	–	4.00	8.00		30.2	

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		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, 2016	43,000	(1.1)	2,200	(4.0)	1,900	(17.8)	1,200	(18.9)	12.70
Full year	87,000	1.7	4,700	1.8	4,500	1.8	2,500	6.8	26.46

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2016

(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: Yes

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: Yes

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, 2016	104,939,559 shares	As of March 31, 2015	104,939,559 shares
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Number of treasury shares at the end of the period

As of March 31, 2016	10,448,217 shares	As of March 31, 2015	8,060,043 shares
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Average number of shares during the period

Year ended March 31, 2016	96,082,592 shares	Year ended March 31, 2015	98,885,384 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	16,590	13,989
Notes and accounts receivable - trade	25,311	25,685
Merchandise and finished goods	10,642	10,234
Work in process	2,921	2,409
Raw materials and supplies	5,357	5,299
Deferred tax assets	907	792
Other	999	1,168
Allowance for doubtful accounts	(71)	(69)
Total current assets	62,658	59,509
Non-current assets		
Property, plant and equipment		
Buildings and structures	35,796	36,558
Accumulated depreciation	(25,145)	(25,320)
Buildings and structures, net	10,650	11,237
Machinery, equipment and vehicles	66,369	65,972
Accumulated depreciation	(61,176)	(58,919)
Machinery, equipment and vehicles, net	5,192	7,053
Land	18,171	18,276
Construction in progress	2,120	4,826
Other	5,536	5,740
Accumulated depreciation	(5,024)	(5,003)
Other, net	511	736
Total property, plant and equipment	36,646	42,130
Intangible assets		
Goodwill	2,649	2,348
Other	448	614
Total intangible assets	3,097	2,962
Investments and other assets		
Investment securities	14,653	11,370
Net defined benefit asset	30	41
Deferred tax assets	513	1,136
Other	404	635
Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	15,550	13,132
Total non-current assets	55,294	58,224
Total assets	117,952	117,734

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	11,083	9,457
Short-term loans payable	8,878	11,312
Income taxes payable	946	744
Provision for bonuses	1,132	1,153
Other provision	83	123
Other	4,183	4,838
Total current liabilities	26,307	27,630
Non-current liabilities		
Long-term loans payable	3,794	4,587
Net defined benefit liability	4,942	4,878
Provision	387	114
Deferred tax liabilities	873	545
Other	197	367
Total non-current liabilities	10,194	10,493
Total liabilities	36,502	38,124
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,838	21,838
Capital surplus	19,025	19,025
Retained earnings	35,045	36,611
Treasury shares	(2,460)	(3,462)
Total shareholders' equity	73,448	74,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,697	3,310
Deferred gains or losses on hedges	(1)	0
Foreign currency translation adjustment	(186)	(185)
Remeasurements of defined benefit plans	(174)	(124)
Total accumulated other comprehensive income	5,334	3,001
Non-controlling interests	2,666	2,595
Total net assets	81,449	79,610
Total liabilities and net assets	117,952	117,734

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	86,973	85,520
Cost of sales	69,926	67,385
Gross profit	17,047	18,135
Selling, general and administrative expenses	12,882	13,519
Operating income	4,164	4,615
Non-operating income		
Interest income	9	9
Dividend income	219	249
Insurance income	102	25
Foreign exchange gains	476	–
Subsidy income	–	202
Other	185	155
Total non-operating income	993	642
Non-operating expenses		
Interest expenses	121	118
Foreign exchange losses	–	118
Depreciation of inactive non-current assets	261	127
Other	556	471
Total non-operating expenses	940	835
Ordinary income	4,218	4,421
Extraordinary income		
Gain on sales of investment securities	273	68
Compensation for transfer	–	256
Other	0	–
Total extraordinary income	274	324
Extraordinary losses		
Loss on retirement of non-current assets	73	125
Impairment loss	6	1
Business structure improvement expenses	–	710
Restructuring loss	639	–
Other	19	64
Total extraordinary losses	738	902
Profit before income taxes	3,753	3,843
Income taxes - current	1,323	1,337
Income taxes - deferred	146	179
Total income taxes	1,469	1,517
Profit	2,283	2,326
Profit (loss) attributable to non-controlling interests	8	(14)
Profit attributable to owners of parent	2,275	2,340

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	2,283	2,326
Other comprehensive income		
Valuation difference on available-for-sale securities	3,222	(2,397)
Deferred gains or losses on hedges	(3)	4
Foreign currency translation adjustment	299	(20)
Remeasurements of defined benefit plans, net of tax	(97)	49
Total other comprehensive income	3,420	(2,364)
Comprehensive income	5,704	(37)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,613	7
Comprehensive income attributable to non-controlling interests	90	(45)

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2015

(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	33,799	(1,464)	73,199
Cumulative effects of changes in accounting policies			(234)		(234)
Restated balance	21,838	19,025	33,564	(1,464)	72,964
Changes of items during period					
Dividends of surplus			(795)		(795)
Profit attributable to owners of parent			2,275		2,275
Purchase of treasury shares				(996)	(996)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,480	(996)	483
Balance at end of current period	21,838	19,025	35,045	(2,460)	73,448

	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	2,497	0	(424)	(77)	1,996	2,422	77,618
Cumulative effects of changes in accounting policies							(234)
Restated balance	2,497	0	(424)	(77)	1,996	2,422	77,384
Changes of items during period							
Dividends of surplus							(795)
Profit attributable to owners of parent							2,275
Purchase of treasury shares							(996)
Net changes of items other than shareholders' equity	3,200	(2)	237	(97)	3,338	243	3,581
Total changes of items during period	3,200	(2)	237	(97)	3,338	243	4,065
Balance at end of current period	5,697	(1)	(186)	(174)	5,334	2,666	81,449

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
Cumulative effects of changes in accounting policies					–
Restated balance	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
Cumulative effects of changes in accounting policies							–
Restated balance	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



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	3,753	3,843
Depreciation	3,140	2,169
Increase (decrease) in allowance for doubtful accounts	37	(1)
Increase (decrease) in provision for bonuses	70	21
Increase (decrease) in net defined benefit liability	(72)	11
Interest and dividend income	(228)	(259)
Interest expenses	121	118
Decrease (increase) in notes and accounts receivable - trade	1,064	(382)
Decrease (increase) in inventories	(1,689)	926
Increase (decrease) in notes and accounts payable - trade	(441)	(991)
Other, net	(154)	(467)
Subtotal	5,602	4,988
Interest and dividend income received	228	259
Interest expenses paid	(122)	(118)
Income taxes paid	(384)	(1,557)
Net cash provided by (used in) operating activities	5,324	3,572
Cash flows from investing activities		
Payments into time deposits	(24)	(24)
Proceeds from withdrawal of time deposits	20	20
Purchase of property, plant and equipment	(3,680)	(7,133)
Proceeds from sales of property, plant and equipment	26	11
Purchase of shares of subsidiaries	(747)	-
Purchase of investment securities	(258)	(232)
Proceeds from sales of investment securities	427	91
Payments of loans receivable	(65)	-
Collection of loans receivable	3	15
Other, net	(378)	(299)
Net cash provided by (used in) investing activities	(4,676)	(7,550)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10	2,049
Proceeds from long-term loans payable	1,600	2,550
Repayments of long-term loans payable	(1,414)	(1,350)
Proceeds from share issuance to non-controlling shareholders	137	-
Purchase of treasury shares	(996)	(1,001)
Cash dividends paid	(799)	(776)
Dividends paid to non-controlling interests	(26)	(26)
Net cash provided by (used in) financing activities	(1,487)	1,445
Effect of exchange rate change on cash and cash equivalents	122	(52)
Net increase (decrease) in cash and cash equivalents	(717)	(2,584)
Cash and cash equivalents at beginning of period	17,061	16,344
Cash and cash equivalents at end of period	16,344	13,759