

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 13, 2020

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 26, 2020
 Scheduled date to file Securities Report: June 26, 2020
 Scheduled date to commence dividend payments: June 4, 2020
 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, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020	87,177	(2.6)	4,015	(8.9)	4,208	(7.6)	2,535	(29.7)
Year ended March 31, 2019	89,541	2.7	4,404	(6.1)	4,553	6.4	3,606	54.8

	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, 2020	150.84	—	3.3	3.5	4.6
Year ended March 31, 2019	210.34	—	4.6	3.8	4.9

(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, 2020	121,648	81,492	64.4	4,657.04
As of March 31, 2019	120,082	80,291	64.3	4,598.89

(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, 2020	6,454	(8,424)	(68)	9,148
Year ended March 31, 2019	2,755	(5,458)	64	11,175

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, 2019	—	30.00	—	20.00	50.00	853	23.8	1.1
Year ended March 31, 2020	—	20.00	—	20.00	40.00	672	26.5	0.9
Year ending March 31, 2021 (Forecast)	—	—	—	—	—	—	—	—

3. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2020
 (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, 2020	17,000,000 shares	As of March 31, 2019	17,000,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	182,535 shares	As of March 31, 2019	199,093 shares
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Average number of shares during the period

Year ended March 31, 2020	16,811,986 shares	Year ended March 31, 2019	17,146,942 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	11,195	9,110
Notes and accounts receivable - trade	27,954	25,491
Merchandise and finished goods	11,398	13,072
Work in process	3,211	3,212
Raw materials and supplies	6,131	6,826
Other	1,477	1,079
Allowance for doubtful accounts	(51)	(33)
Total current assets	61,318	58,760
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,700	41,662
Accumulated depreciation	(26,010)	(26,369)
Buildings and structures, net	13,689	15,292
Machinery, equipment and vehicles	70,887	72,896
Accumulated depreciation	(59,728)	(60,949)
Machinery, equipment and vehicles, net	11,159	11,946
Land	14,600	14,690
Construction in progress	3,511	6,339
Other	6,460	6,654
Accumulated depreciation	(5,372)	(5,476)
Other, net	1,088	1,178
Total property, plant and equipment	44,048	49,446
Intangible assets		
Goodwill	1,549	1,420
Other	525	481
Total intangible assets	2,075	1,901
Investments and other assets		
Investment securities	10,496	9,185
Retirement benefit asset	53	24
Deferred tax assets	1,558	1,774
Other	561	585
Allowance for doubtful accounts	(28)	(29)
Total investments and other assets	12,640	11,539
Total non-current assets	58,763	62,888
Total assets	120,082	121,648

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,168	8,017
Short-term borrowings	7,159	9,238
Income taxes payable	568	686
Provision for bonuses	1,283	1,244
Other provisions	174	147
Other	5,640	6,104
Total current liabilities	23,994	25,438
Non-current liabilities		
Long-term borrowings	10,369	8,918
Provision for environmental measures	123	127
Retirement benefit liability	5,079	5,202
Deferred tax liabilities	91	117
Other	132	351
Total non-current liabilities	15,796	14,717
Total liabilities	39,790	40,156
Net assets		
Shareholders' equity		
Share capital	21,838	21,838
Capital surplus	16,292	16,301
Retained earnings	36,960	38,824
Treasury shares	(410)	(376)
Total shareholders' equity	74,681	76,587
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,841	1,929
Deferred gains or losses on hedges	0	3
Foreign currency translation adjustment	(249)	(181)
Remeasurements of defined benefit plans	(7)	(19)
Total accumulated other comprehensive income	2,584	1,732
Non-controlling interests	3,025	3,172
Total net assets	80,291	81,492
Total liabilities and net assets	120,082	121,648

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	89,541	87,177
Cost of sales	70,893	69,010
Gross profit	18,647	18,166
Selling, general and administrative expenses	14,242	14,151
Operating profit	4,404	4,015
Non-operating income		
Interest income	8	15
Dividend income	267	253
Insurance claim income	56	32
Other	120	111
Total non-operating income	452	412
Non-operating expenses		
Interest expenses	91	83
Foreign exchange losses	31	46
Other	179	90
Total non-operating expenses	303	219
Ordinary profit	4,553	4,208
Extraordinary income		
Gain on sales of non-current assets	746	2
Gain on sales of investment securities	311	330
Total extraordinary income	1,058	333
Extraordinary losses		
Impairment loss	192	18
Loss on retirement of non-current assets	92	246
Loss on valuation of investment securities	72	275
Other	15	2
Total extraordinary losses	372	542
Profit before income taxes	5,239	3,999
Income taxes - current	1,176	1,235
Income taxes - deferred	285	35
Total income taxes	1,461	1,271
Profit	3,777	2,728
Profit attributable to non-controlling interests	171	192
Profit attributable to owners of parent	3,606	2,535

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	3,777	2,728
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,399)	(928)
Deferred gains or losses on hedges	3	6
Foreign currency translation adjustment	(21)	77
Remeasurements of defined benefit plans, net of tax	(66)	(11)
Total other comprehensive income	(1,484)	(856)
Comprehensive income	2,293	1,871
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,140	1,684
Comprehensive income attributable to non-controlling interests	153	187

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,838	19,025	39,504	(6,466)	73,901
Changes 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
Cancellation of treasury shares		(8,031)		8,031	–
Transfer from retained earnings to capital surplus		5,283	(5,283)		–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(2,732)	(2,543)	6,056	779
Balance at end of 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 period	4,234	(2)	(243)	58	4,047	2,815	80,763
Changes 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
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes in items other than shareholders' equity	(1,392)	2	(5)	(66)	(1,462)	210	(1,252)
Total changes during period	(1,392)	2	(5)	(66)	(1,462)	210	(472)
Balance at end of period	2,841	0	(249)	(7)	2,584	3,025	80,291

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,838	16,292	36,960	(410)	74,681
Changes during period					
Dividends of surplus			(672)		(672)
Profit attributable to owners of parent			2,535		2,535
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		8		34	42
Cancellation of treasury shares					–
Transfer from retained earnings to capital surplus					–
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during period	–	8	1,863	34	1,905
Balance at end of period	21,838	16,301	38,824	(376)	76,587

	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 period	2,841	0	(249)	(7)	2,584	3,025	80,291
Changes during period							
Dividends of surplus							(672)
Profit attributable to owners of parent							2,535
Purchase of treasury shares							(0)
Disposal of treasury shares							42
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
Change in ownership interest of parent due to transactions with non-controlling interests							0
Net changes in items other than shareholders' equity	(912)	3	67	(11)	(851)	146	(704)
Total changes during period	(912)	3	67	(11)	(851)	146	1,201
Balance at end of period	1,929	3	(181)	(19)	1,732	3,172	81,492

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	5,239	3,999
Depreciation	3,189	3,686
Impairment loss	192	18
Gain on sales of investment securities	(311)	(330)
Increase (decrease) in allowance for doubtful accounts	(3)	(17)
Increase (decrease) in provision for bonuses	24	(38)
Increase (decrease) in retirement benefit liability	80	102
Loss on valuation of investment securities	72	275
Interest and dividend income	(275)	(268)
Interest expenses	91	83
Decrease (increase) in trade receivables	106	2,552
Decrease (increase) in inventories	(2,740)	(2,367)
Increase (decrease) in trade payables	210	(968)
Other, net	(1,198)	503
Subtotal	4,676	7,231
Interest and dividends received	274	269
Interest paid	(91)	(83)
Income taxes paid	(2,103)	(962)
Net cash provided by (used in) operating activities	2,755	6,454
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,891)	(8,403)
Proceeds from sales of property, plant and equipment	1,516	17
Purchase of investment securities	(40)	(201)
Proceeds from sales of investment securities	681	411
Collection of loans receivable	107	63
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(702)	–
Other, net	(129)	(312)
Net cash provided by (used in) investing activities	(5,458)	(8,424)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,824)	174
Proceeds from long-term borrowings	7,900	1,500
Repayments of long-term borrowings	(2,116)	(1,031)
Purchase of treasury shares	(2,001)	(0)
Dividends paid	(867)	(673)
Dividends paid to non-controlling interests	(26)	(37)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(0)
Net cash provided by (used in) financing activities	64	(68)
Effect of exchange rate change on cash and cash equivalents	(35)	11
Net increase (decrease) in cash and cash equivalents	(2,673)	(2,026)
Cash and cash equivalents at beginning of period	13,848	11,175
Cash and cash equivalents at end of period	11,175	9,148