



"Performance" Through Chemistry

A Statement of Accounts
For the Nine Months Ended December 31, 2016
3rd Quarter in Fiscal Year 2016
(3Q-FY2016)

SANYO CHEMICAL INDUSTRIES, LTD.

<https://www.sanyo-chemical.co.jp/>
Code: 4471



<Notice>

Yen amounts described in this presentation material are rounded down.
Ratios described in this presentation material are rounded off.

<Cautionary Statement with Respect to Forward-Looking Statement>

This presentation material contains projections based on the assumptions, forward-looking statements and plans about the future of SANYO CHEMICAL INDUSTRIES, LTD. as of January 31, 2017. Actual performance results may vary significantly due to a variety of factors affecting the sphere of business that include but are not limited to: the world economy, competitive position, and fluctuations in the exchange rate, raw material costs, and others.

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SANYO CHEMICAL INDUSTRIES, LTD.

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Corporate Data

Date of Establishment: November 1, 1949

Head Office: Higashiyama-ku, Kyoto

Capital: ¥13,051 million

Domestic Sales & Marketing Offices:

Tokyo, Osaka, Nagoya, Hiroshima, Fukuoka, Toyama

Domestic Factories:

Nagoya, Kinuura, Kashima, Kyoto, Kawasaki (San Chemical)

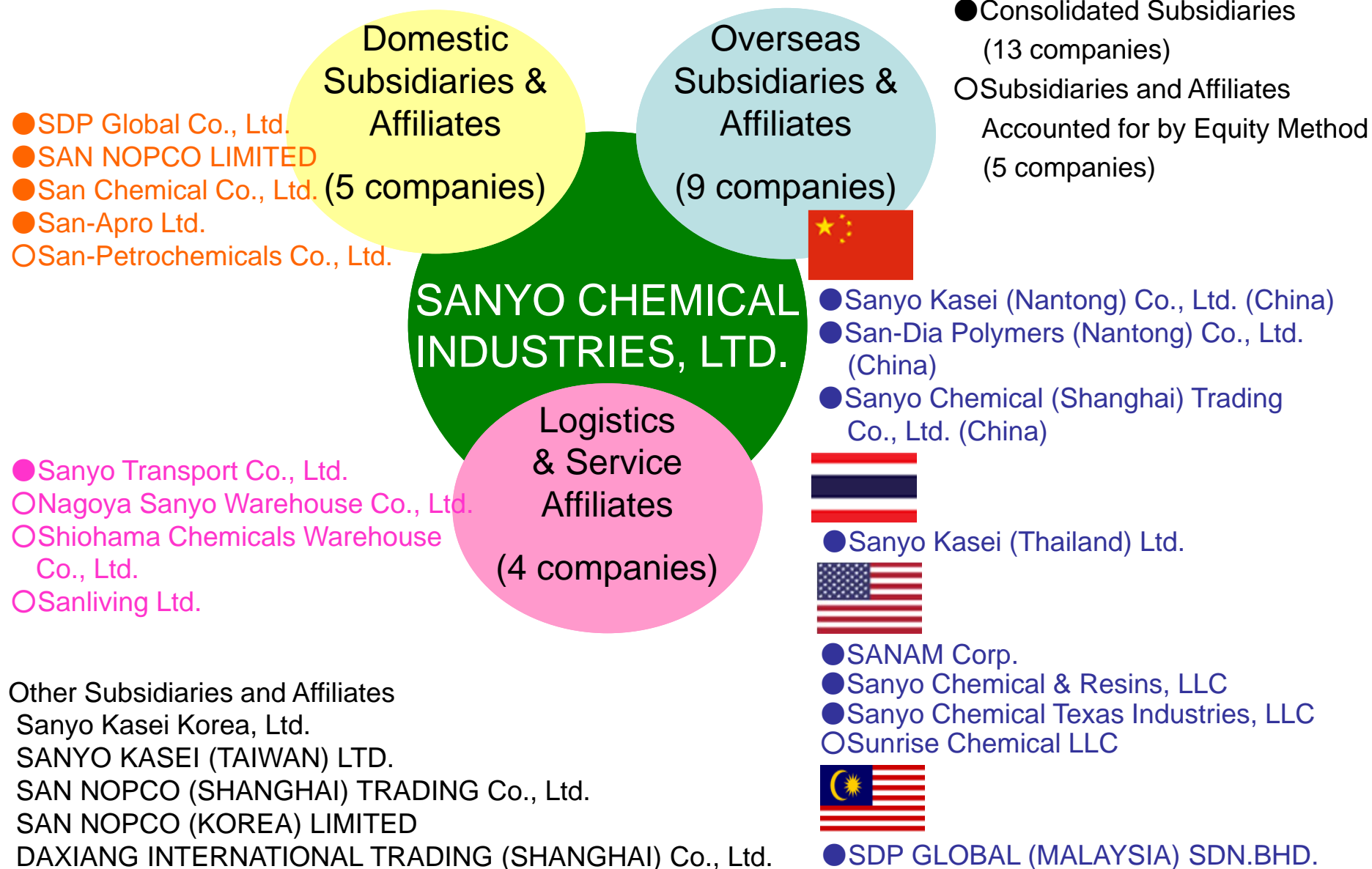
Consolidated Number of Employees:

2,018 (as of Dec. 31, 2016)

Line of Business:

Manufacture & sales of approx. 3,000 types of performance chemicals

Sanyo Chemical Group



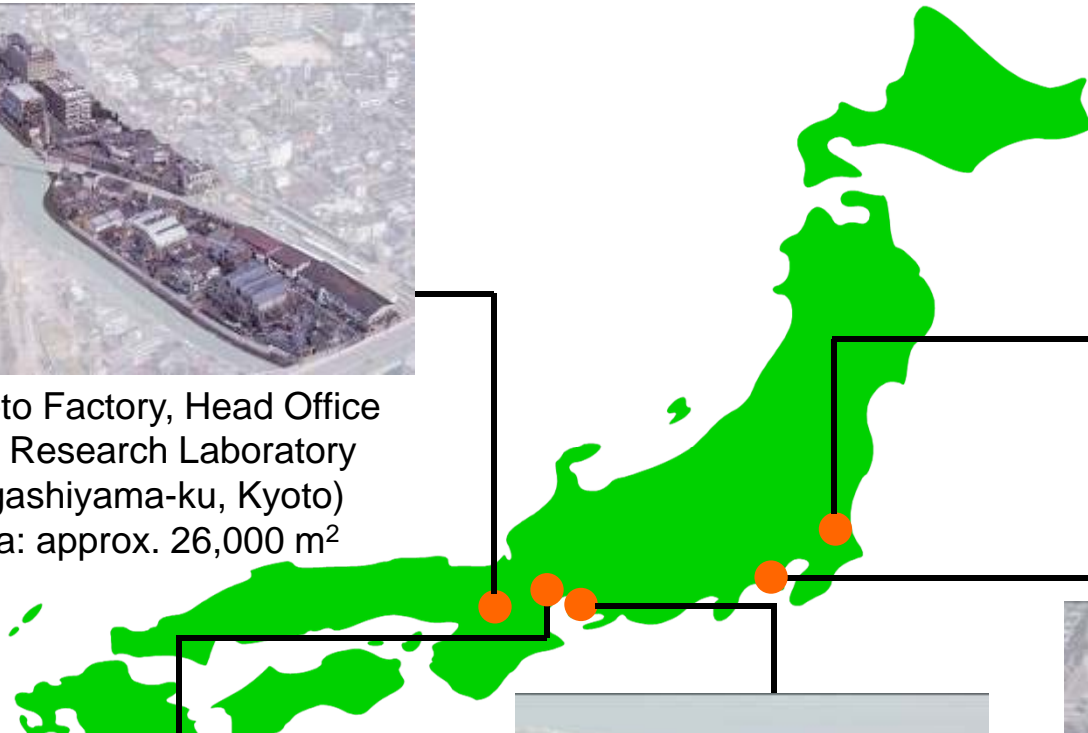
Domestic Production Bases



Kyoto Factory, Head Office and Research Laboratory (Higashiyama-ku, Kyoto)
Area: approx. 26,000 m²



Kashima Factory (Kamisu, Ibaraki)
Area: approx. 130,000 m²



Nagoya Factory (Tokai, Aichi)
Area: approx. 100,000 m²




Kinuura Factory (Handa, Aichi)
Area: approx. 140,000 m²



San Chemical Co., Ltd. Kawasaki Factory (Kawasaki, Kanagawa)
Area: approx. 11,000 m²

Overseas Production Bases

 Sanyo Kasei (Nantong) Co., Ltd.



 San-Dia Polymers (Nantong) Co., Ltd.



 Sanyo Chemical & Resins, LLC



 Sanyo Kasei (Thailand) Ltd.



Under construction



SDP GLOBAL(MALAYSIA)SDN.BHD.



 Sanyo Chemical Texas Industries, LLC

Overseas Sales Office

-  Sanyo Chemical (Shanghai) Trading Co., Ltd.
-  SAN NOPCO (SHANGHAI) TRADING Co., Ltd.
-  DaXiang International Trading (SHANGHAI) Co., Ltd.



-  Sanyo Kasei Korea, Ltd.
-  SAN NOPCO (KOREA) LTD.



-  Sanyo Kasei (Thailand) Ltd.



-  SANYO KASEI (TAIWAN) LTD.

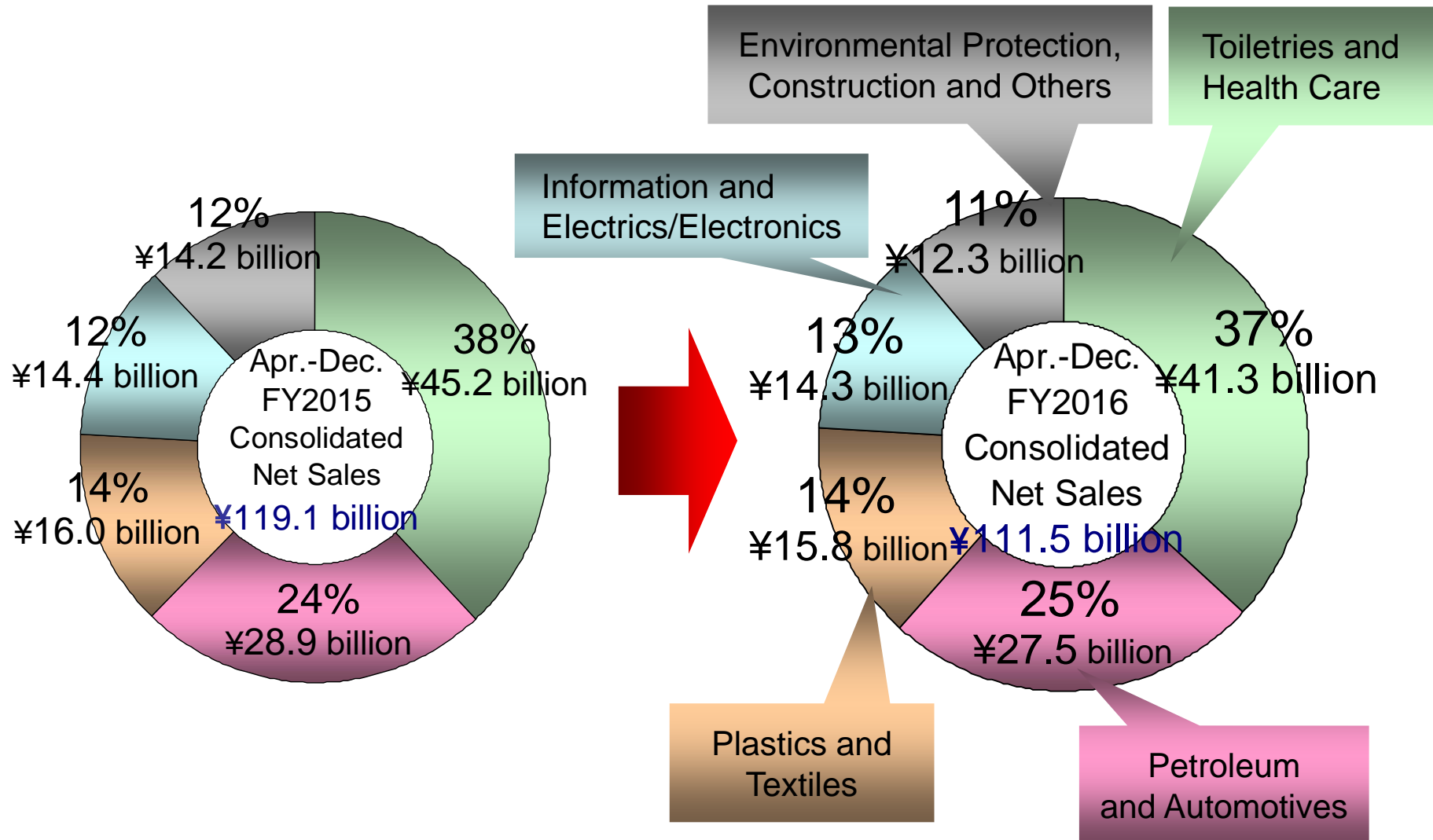


-  SANAM Corp.

Principal Products by Product Group

Class.	Sub-Category	Principal Products
Toiletries and Health Care	Toiletries	Surfactants for Detergents, Surfactants for Hair Care Products, Agents for Papermaking
	Health Care	Superabsorbent Polymers (SAPs), Base Materials for Pharmaceuticals, Germicides/Disinfectants, Surgical Hemostatic Agent, EIA Diagnostic Reagents, Potting Resins for Artificial Kidneys
Petroleum and Automotives		Thermoplastic Polyurethane Beads for the Interior Parts of Automobiles (TUBs), Raw Materials for Polyurethane Foams (PPG), Lubricating Oil Additives, Additives for Fuel Oils, Water-Soluble Cutting Fluids, Halogen-Free Cleaning Agents, Base Materials for Synthetic Lubricants, Paste Resins for Design Models, Resins for Automobile Paints
Plastics and Textiles	Plastics	Permanent Antistatic Agents, Pigment Dispersants, Resin Modifiers, Base Materials for Polyurethane Elastomers, Paint Resins, Chemical Boards for Models
	Textiles	Agents for Textile Manufacturing, Chemicals for Carbon Fibers, Agents for Fiberglass, Polyurethane Resins for Synthetic Leather
Information and Electrics /Electronics	Information	Polyester Beads (PEBs) Used as a Core Component of Polymerization Toners, Toner Resins
	Electrics /Electronics	Electrolytes for Aluminum Electrolytic Capacitors, Electrolytes for Electric Double-Layer Capacitors, Adhesive for Electronic Parts, Agents for Use in Electronic Parts Manufacturing, UV/EB Curing Resins
Environmental Protection, Construction and Others		Polymer Flocculants for Wastewater Treatment, Cationic Monomer PPG for Furniture and Heat Insulating Materials, Slurry Agents, Reactive Hot-Melt Adhesives, Raw materials for Building Sealants, Cement Agents

Net Sales by Product Group



Results of Operations for Cumulative 3Q in FY2016

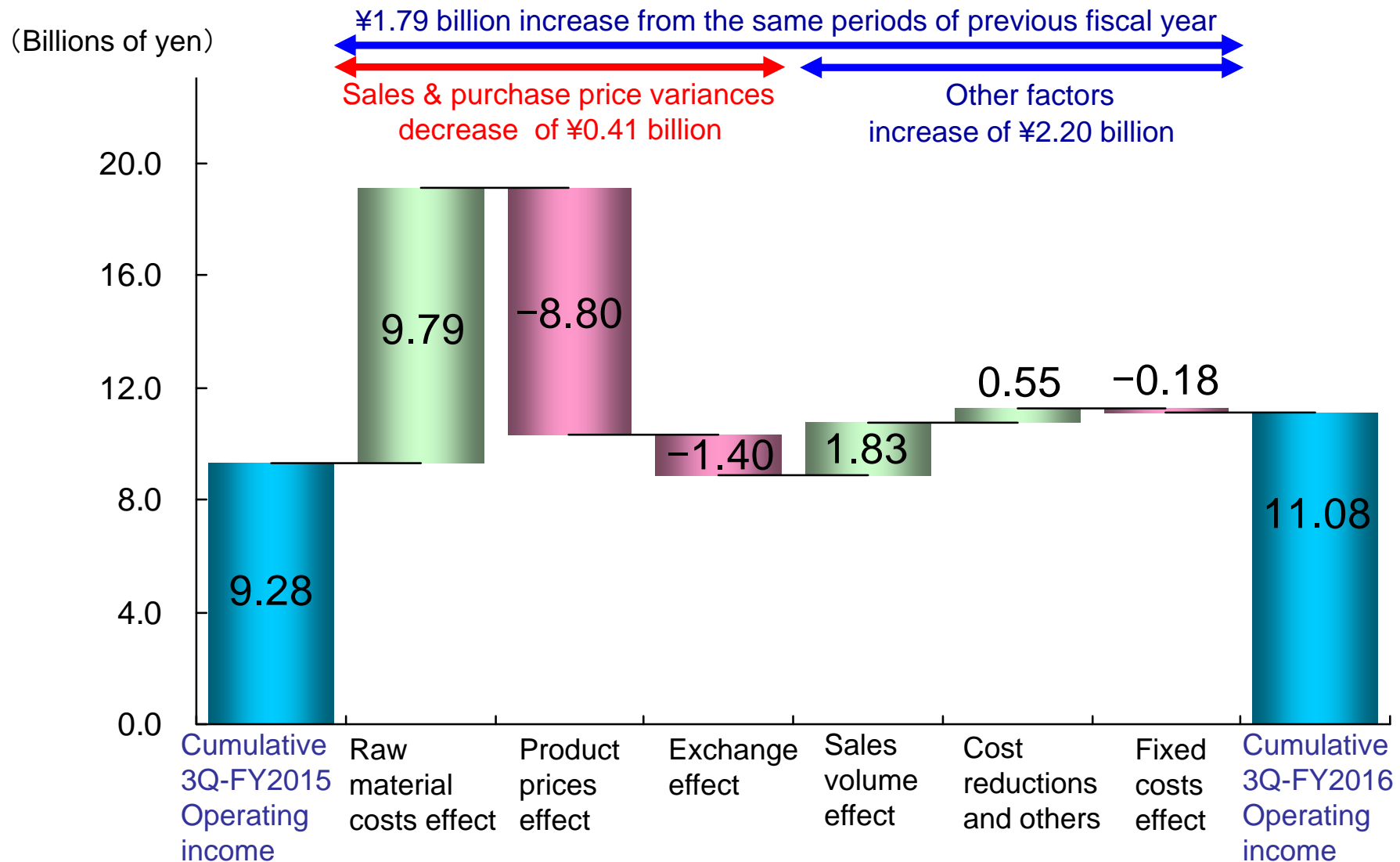
(Billions of yen)

Consolidated	Apr.-Dec.		Year on Year Change	
	FY2015	FY2016	Amount	Ratio (%)
Net sales	119.13	111.53	(7.60)	(6)
Operating income	9.28	11.08	1.79	19
Ordinary income	10.24	12.47	2.22	22
Profit attributable to owners of parent	6.08	8.58	2.50	41
Comprehensive income	5.27	9.14	3.87	73

(Billions of yen)

Non-consolidated	Apr.-Dec.		Year on Year Change	
	FY2015	FY2016	Amount	Ratio (%)
Net sales	75.07	72.61	(2.45)	(3)
Operating income	4.33	6.64	2.31	53
Ordinary income	6.16	9.36	3.20	52
Net income	4.69	7.47	2.77	59

Change in Consolidated Operating Income



Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment, adopted the straight-line method from this consolidated fiscal year. 10

Change in Consolidated Net Income

(Billions of yen)

	Apr.-Dec.		Year on Year Change
	FY2015	FY2016	
Operating income	9.28	11.08	1.79
Equity in losses or earnings of unconsolidated subsidiaries and affiliates	0.50	0.64	0.13
Gain or loss on foreign exchange	(0.00)	0.10	0.10
Other non-operating profit and loss	0.46	0.64	0.18
Ordinary income	10.24	12.47	2.22
Gain and Loss on disposal/sales of property, plant and equipment	(0.48)	(0.48)	0.00
Other extraordinary income or loss	0.12	0.02	(0.10)
Income before income taxes and minority interests	9.89	12.01	2.12
Income taxes, etc.	(3.22)	(2.79)	0.43
Profit attributable to non-controlling interests	(0.58)	(0.63)	(0.05)
Profit attributable to owners of parent	6.08	8.58	2.50

Consolidated Balance Sheet

(Billions of yen)

	Mar. 31 2016	Dec. 31 2016	Changed amount	Main Change Factor*
Current assets	80.9	87.2	6.2	Cash and deposits: 1.7, Notes and accounts receivable-trade, and Electronically recorded monetary claims-operating: 3.6
Fixed assets	94.3	97.6	3.3	Construction in progress: 0.7, Investment securities: 2.8
Assets	175.3	184.8	9.5	
Current liabilities	42.7	45.7	2.9	Notes and accounts payable-trade, and Electronically recorded obligations-operating: 3.5, Short-term debt: 1.7
Long-term liabilities	14.2	13.5	(0.7)	Long-term debt: (1.2)
Liabilities	57.0	59.2	2.2	
Shareholder's equity	99.6	106.5	6.9	Profit: 8.5, Cash dividends paid: (1.9),
Other comprehensive income	12.3	12.8	0.4	
Non-controlling interests	6.2	6.1	(0.0)	
Net assets	118.2	125.6	7.3	
Total Liabilities and net assets	175.3	184.8	9.5	

* Each figure indicates the changed amount.

Consolidated Cash Flows

(Billions of yen)

	April-Dec.		Changed amount	Special Instruction
	FY2015	FY2016		
Operating activities	16.9	14.9	(2.0)	
Income before income taxes and minority interests	9.8	12.0	2.1	
Depreciation and amortization	6.7	5.4	(1.2)	
Equity in earning of unconsolidated subsidiaries and affiliates	(0.5)	(0.6)	(0.1)	
(Increase) decrease in operating capital	3.7	0.2	(3.5)	Increase in notes and accounts receivable-trade: 2.4, Increase in inventories: 2.3
Income taxes	(1.8)	(2.9)	(1.0)	
Others	(1.1)	0.7	1.8	
Investing activities	(8.2)	(10.5)	(2.2)	Purchase of non-current assets: (2.0)
Free cash flows	8.6	4.3	(4.3)	
Financing activities	(4.4)	(1.2)	3.2	(3Q in FY2016) Loans, Repayment: 1.0 (3Q in FY2015) Loans, Repayment: (2.4)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.7)	(0.5)	
Increase (decrease) in cash and cash equivalents	4.0	2.3	(1.6)	
Cash and cash equivalents at beginning of period	16.0	19.3	3.3	
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	-	(0.6)	(0.6)	
Cash and cash equivalents at end of period	20.0	21.0	1.0	

Forecast for FY2016 and Progress in Cumulative 3Q

(Billions of yen)

Consolidated	FY2016 Annual	Apr. -Dec. FY2016		FY2015 Annual
	Forecast*	Result	Progress to Forecast (%)	Result
Net sales	158.00	111.53	71	157.99
Operating income	13.80	11.08	80	12.48
Ordinary income	14.50	12.47	86	13.29
Profit attributable to owners of parent	9.70	8.58	88	6.92

* Forecasts announced on Apr. 28, 2016

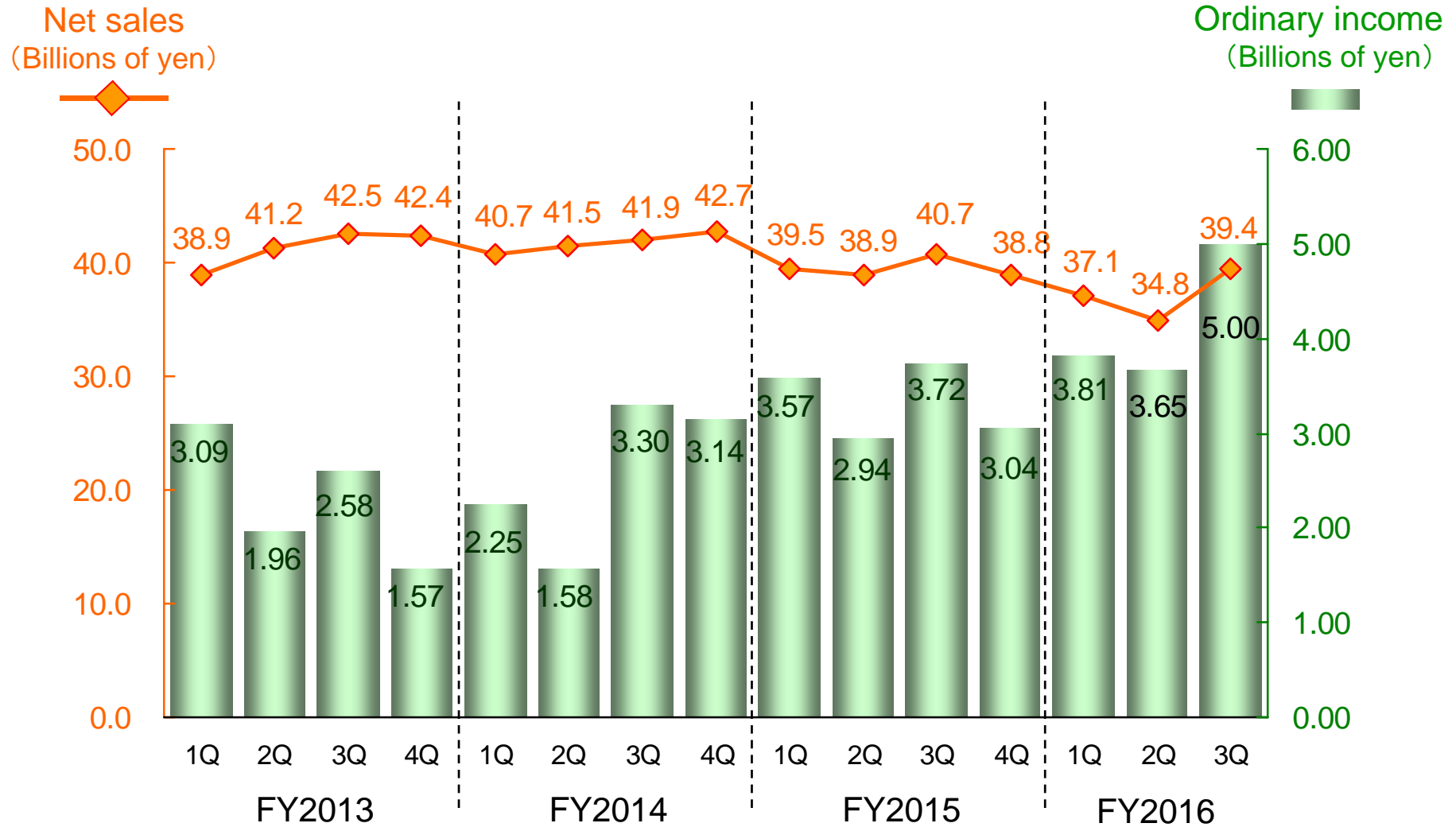
Non-consolidated	FY2016 Annual	Apr.-Dec. FY2016		FY2015 Annual
	Forecast*	Result	Progress to Forecast (%)	Result
Net sales	99.00	72.61	73	99.69
Operating income	7.20	6.64	92	5.64
Ordinary income	9.80	9.36	96	7.88
Net income	7.80	7.47	96	5.82

* Forecasts announced on Apr. 28, 2016

Sanyo Chemical and its Japanese consolidated subsidiaries adopt the straight-line method for depreciation from FY2016. This is expected to result in a decline of approx. ¥1.6 billion in consolidated depreciation and approx. ¥1.3 billion in unconsolidated one.

<Precondition for the forecast> Domestic naphtha price: 35 thousand of Yen/kl, Exchange rate: 109 Yen/US\$

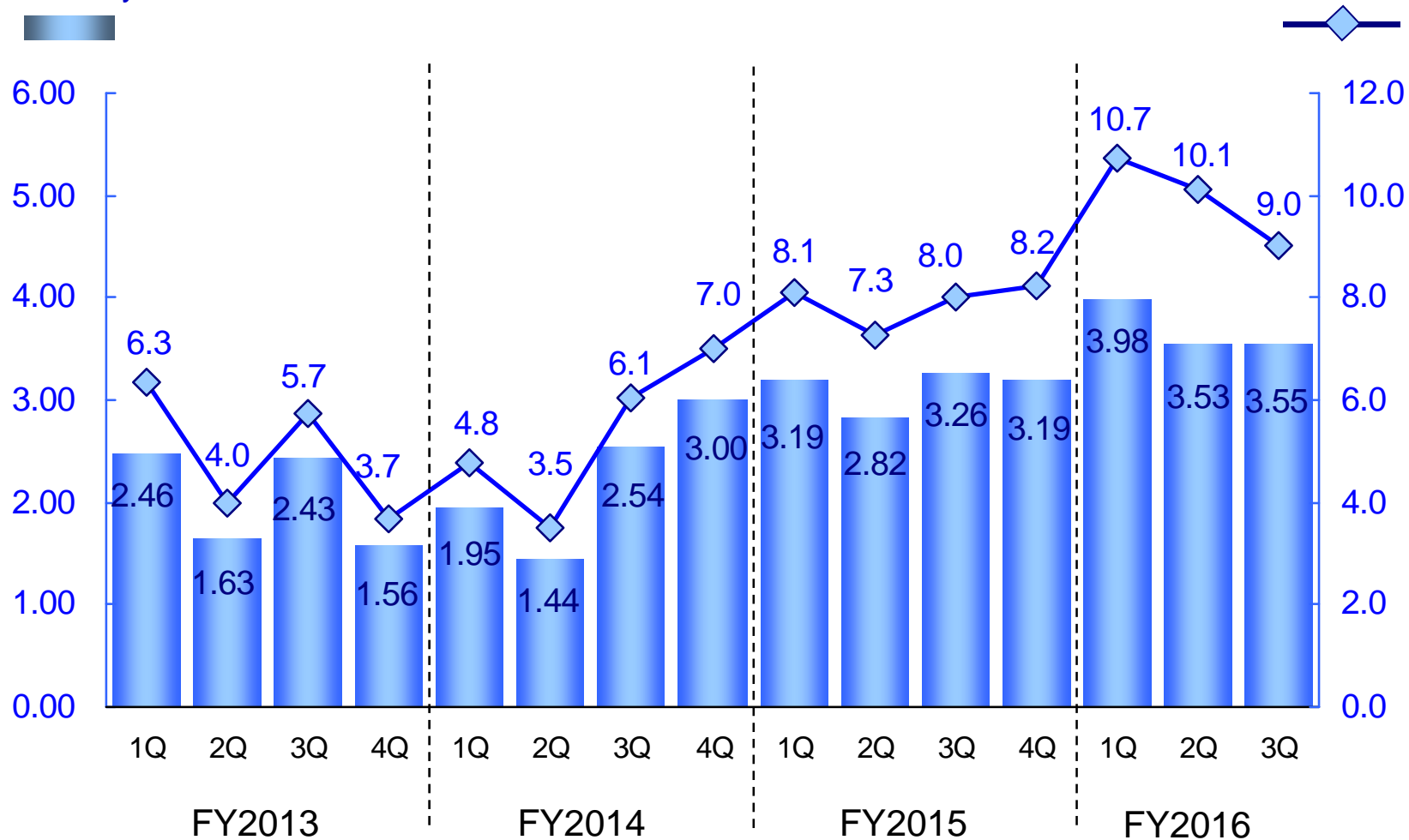
Consolidated Business Result Trend



Consolidated Operating Income Trend

Operating income
(Billions of yen)

Operating income ratio
(%)

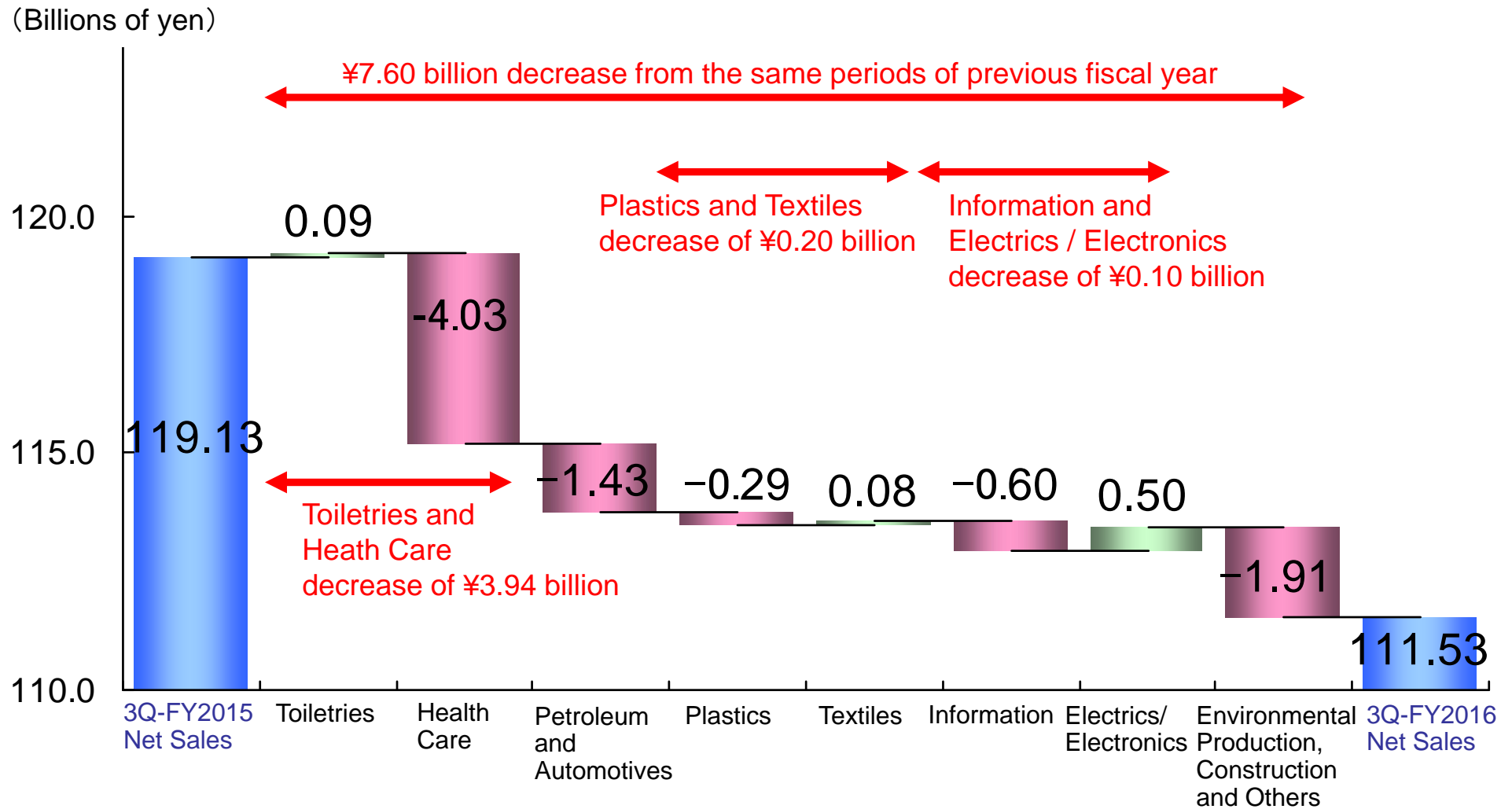


Results of Operations by Product Group for Cumulative 3Q

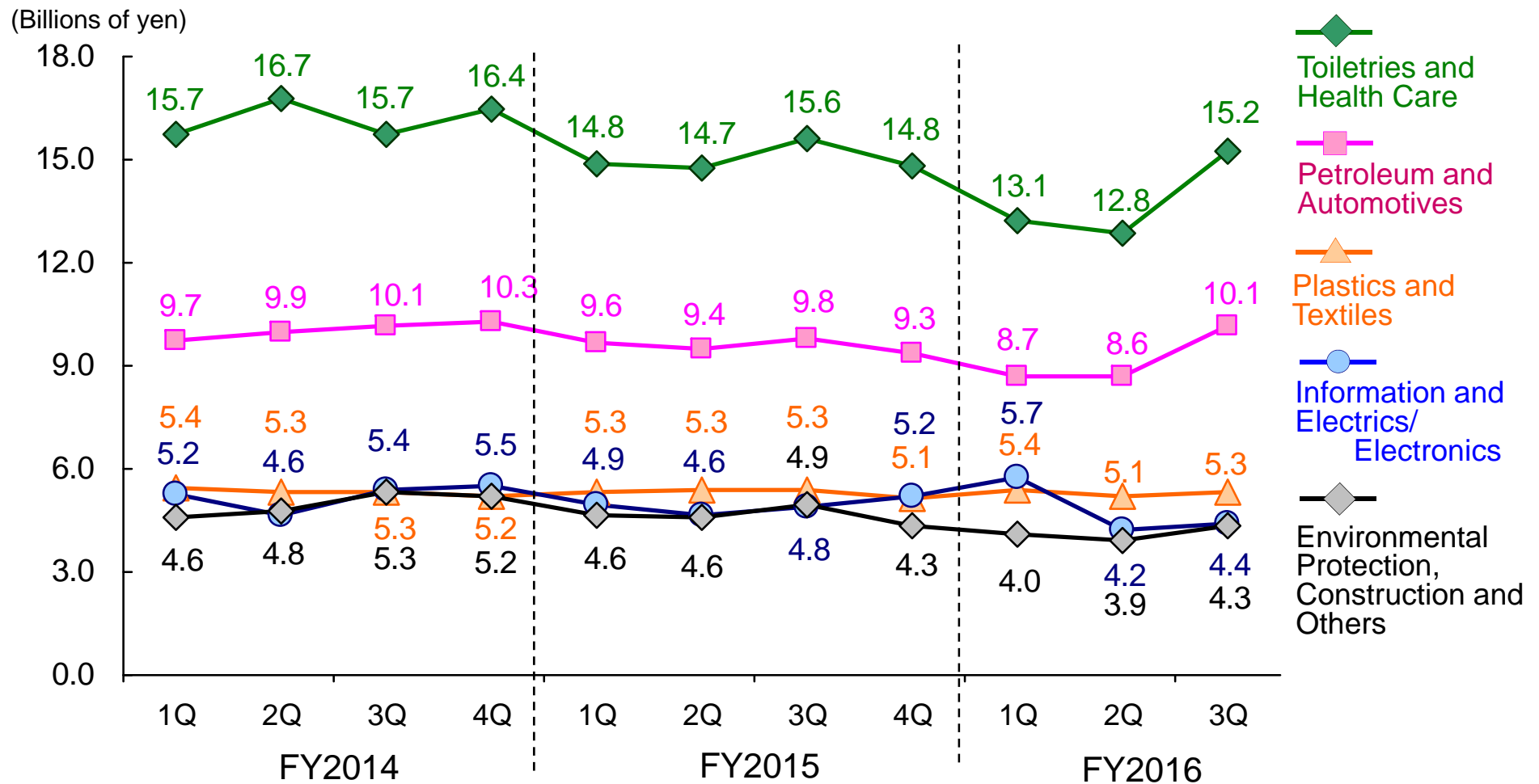
(Billions of yen)

Product Group	Net Sales			Operating Income		
	Apr.-Dec. FY2015	Apr.-Dec. FY2016	Changed Amount	Apr.-Dec. FY2015	Apr.-Dec. FY2016	Changed Amount
Toiletries and Health Care	45.27	41.33	(3.94)	3.66	3.47	(0.18)
Toiletries	9.69	9.78	0.09			
Health Care	35.58	31.54	(4.03)			
Petroleum and Automotives	28.98	27.55	(1.43)	1.40	1.58	0.18
Plastics and Textiles	16.09	15.89	(0.20)	2.39	3.13	0.74
Plastics	10.96	10.67	(0.29)			
Textiles	5.13	5.21	0.08			
Information and Electrics/Electronics	14.49	14.38	(0.10)	1.18	2.10	0.92
Information	9.99	9.38	(0.60)			
Electrics/Electronics	4.49	5.00	0.50			
Environmental Protection, Construction and Others	14.28	12.36	(1.91)	0.64	0.77	0.12
Total	119.13	111.53	(7.60)	9.28	11.08	1.79

Change in Consolidated Net Sales by Product Group

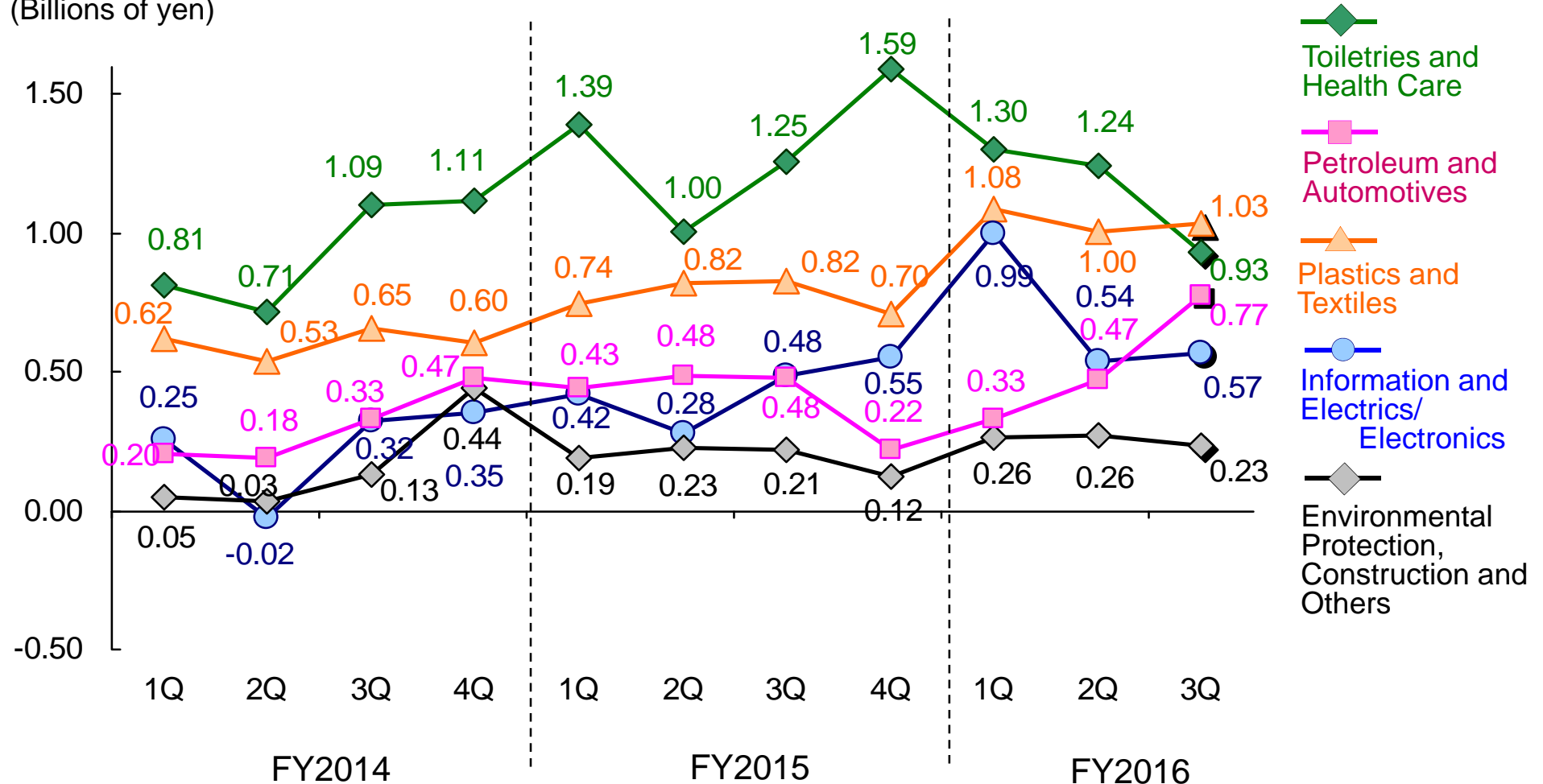


Consolidated Net Sales Trend by Product Group



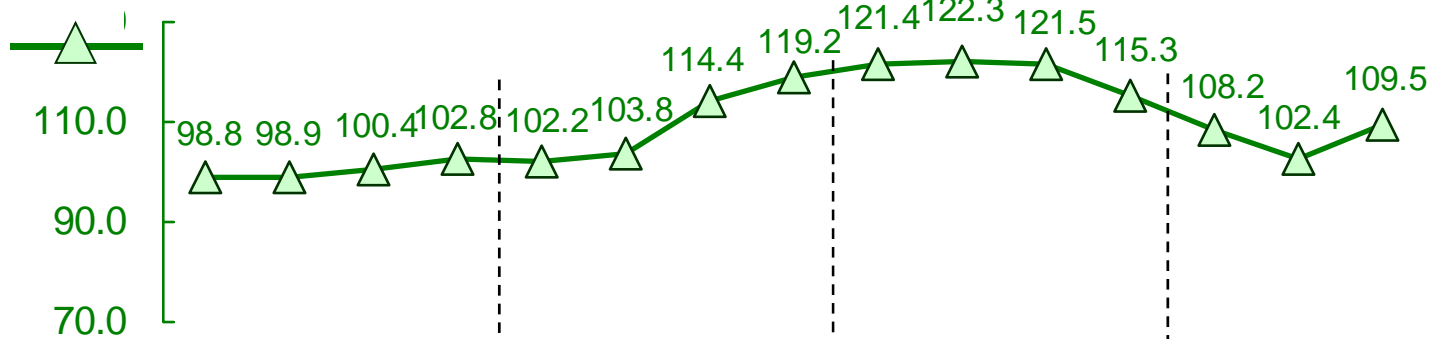
Consolidated Operating Income Trend by Product Group

(Billions of yen)

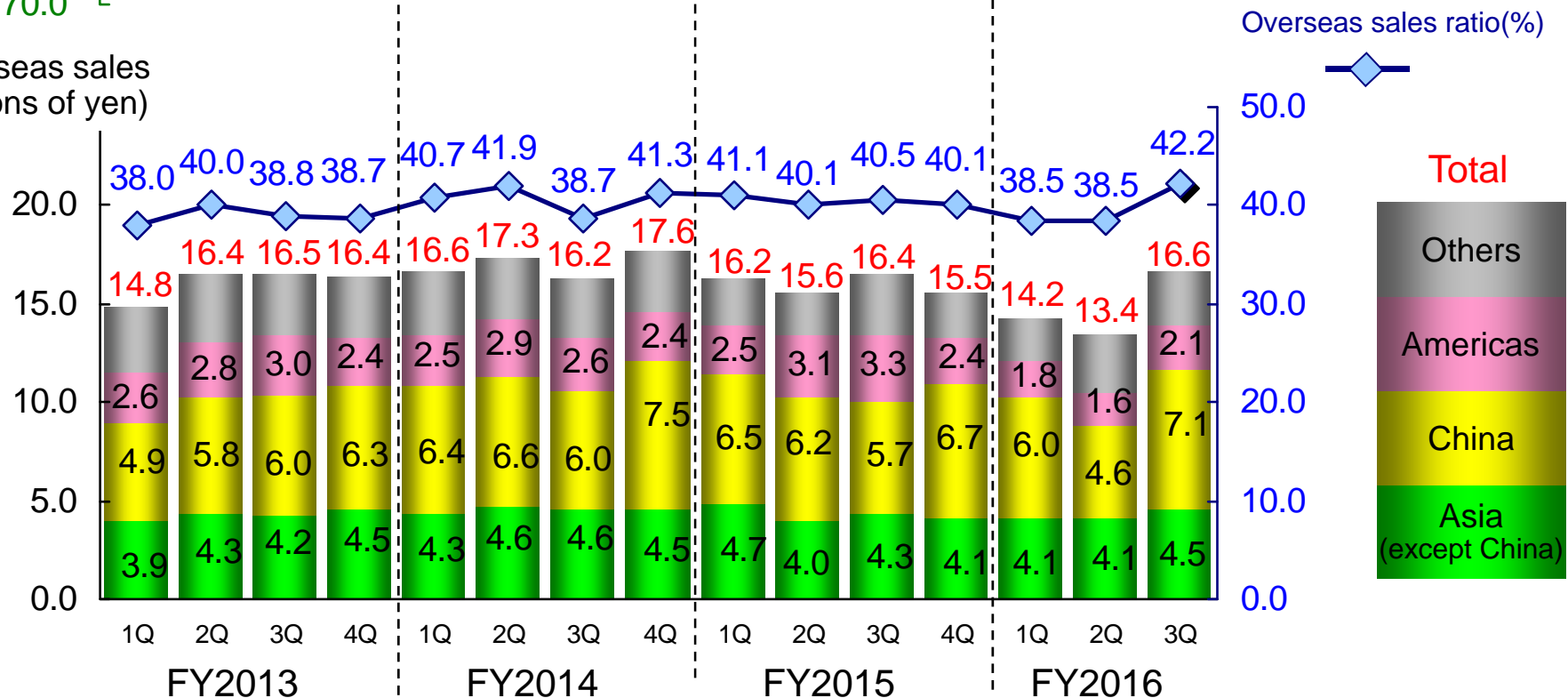


Consolidated Overseas Sales Trend

Average exchange rate
(Yen/US\$)



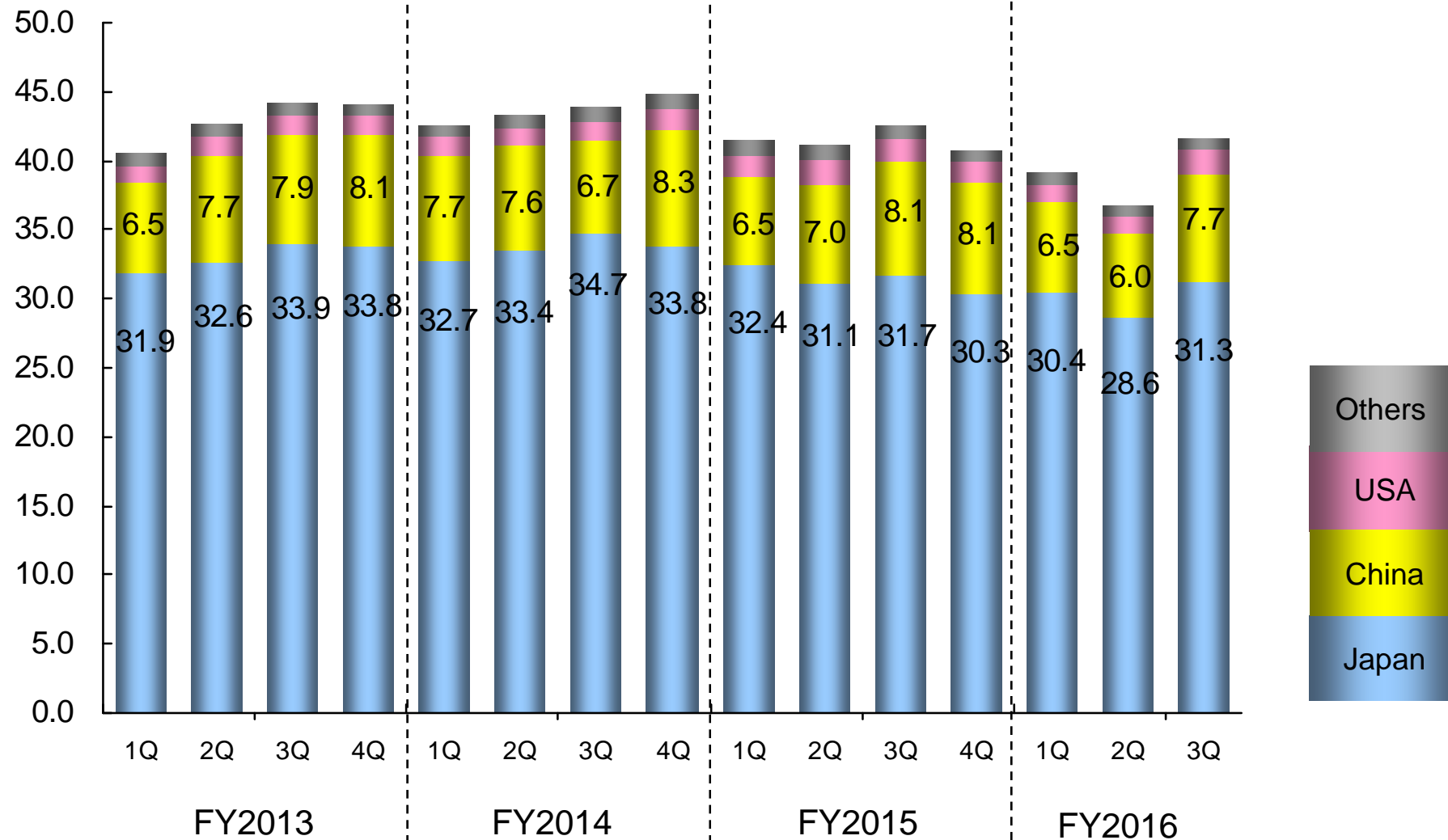
Overseas sales
(Billions of yen)



Consolidated Net Sales Trend by Geographic Segments

Internal sales among Sanyo Chemical Group are not eliminated.

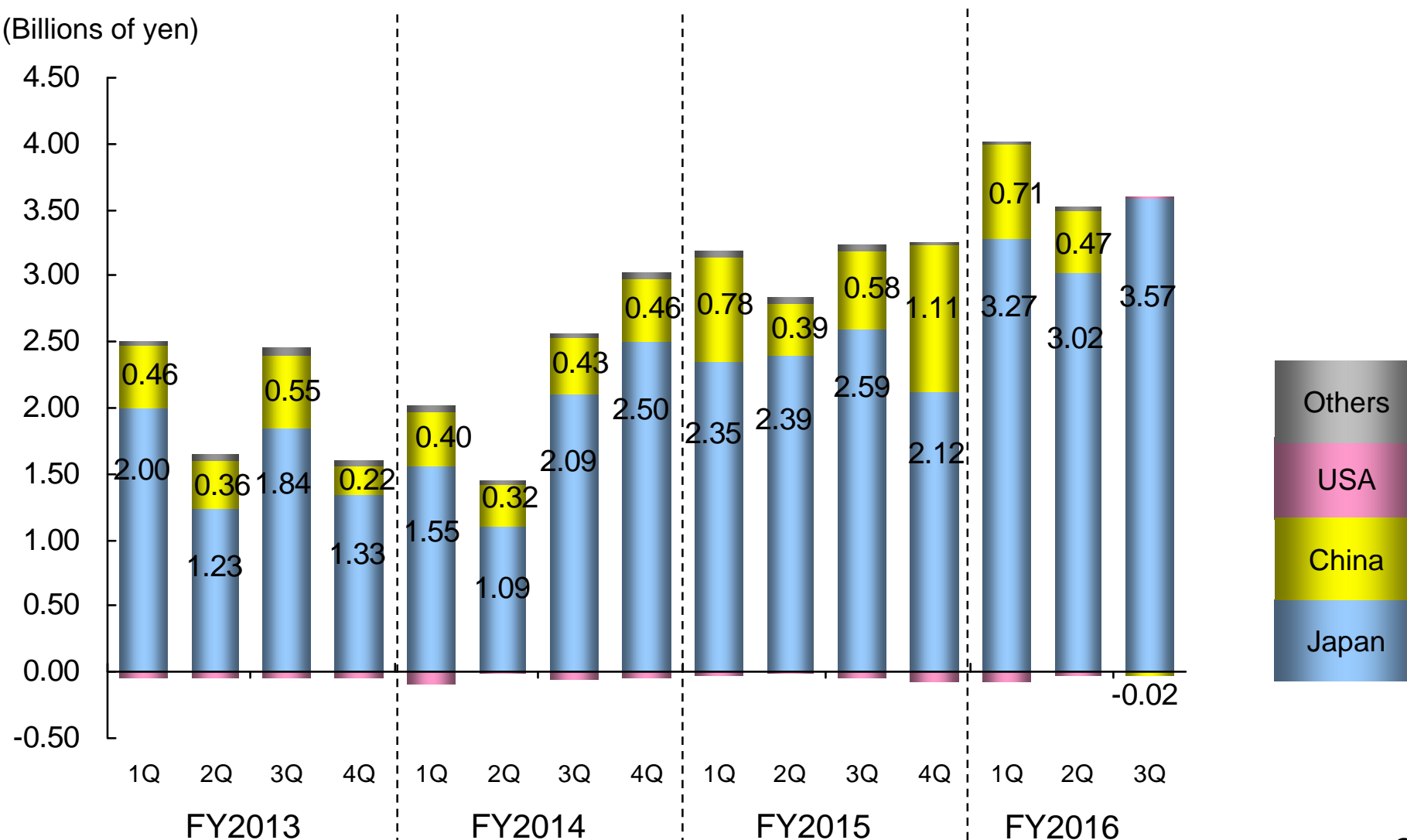
(Billions of yen)



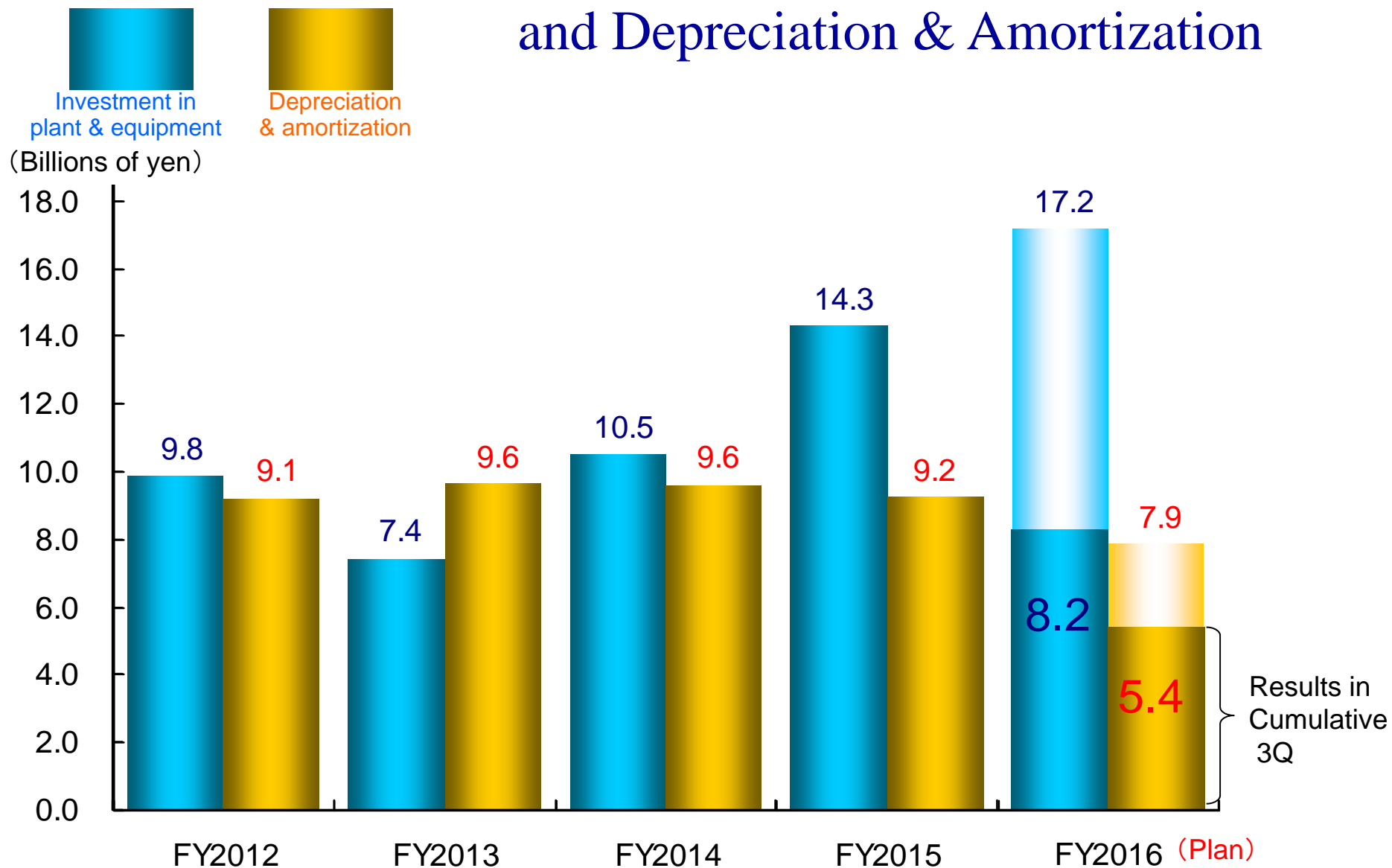
Consolidated Operating Income Trend by Geographic Segments

Internal sales among Sanyo Chemical Group are not eliminated.

(Billions of yen)



Consolidated Investment in Plant & Equipment, and Depreciation & Amortization

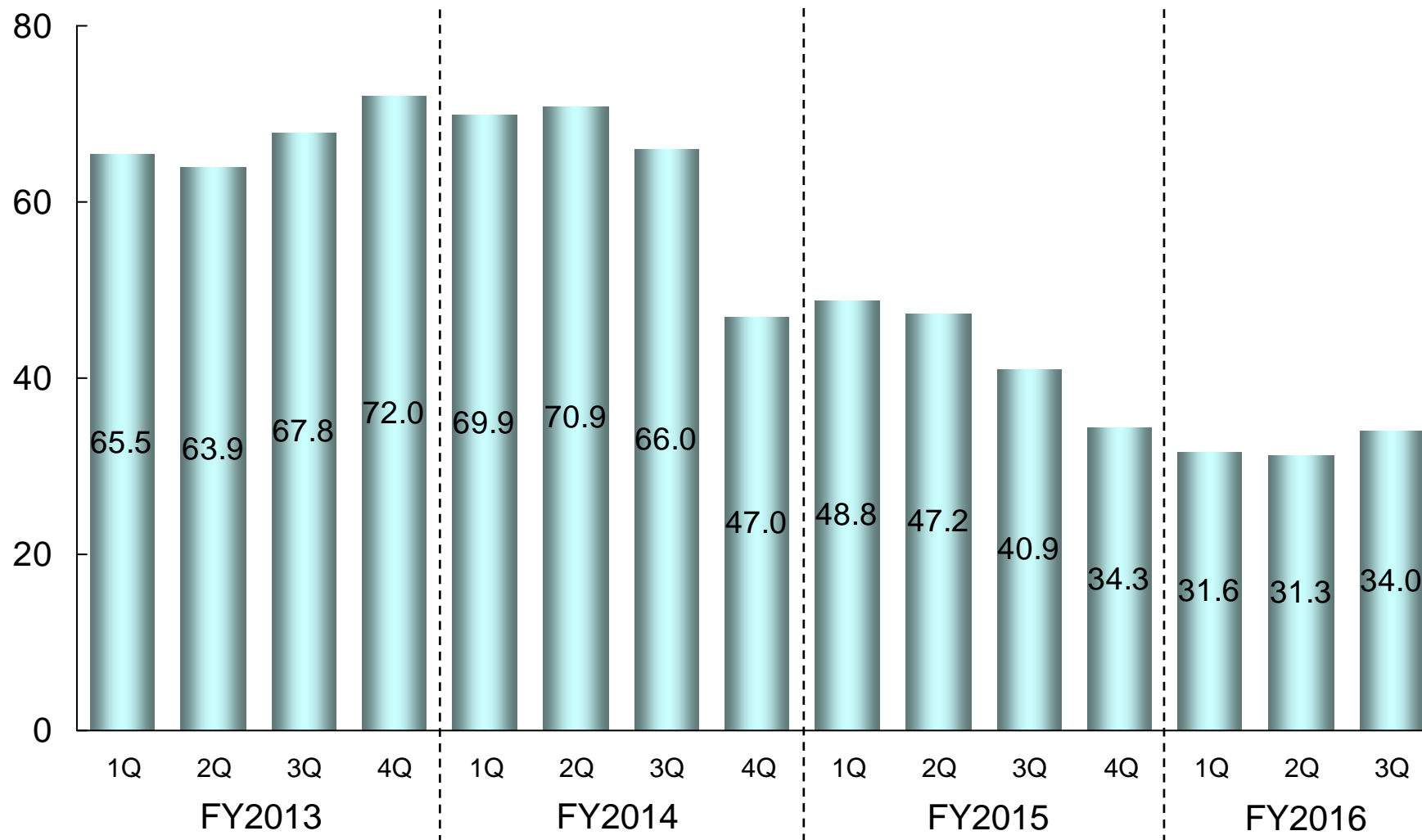


Sanyo Chemical and its Japanese consolidated subsidiaries, which had mostly been using the declining balance method for depreciation of property, plant and equipment, adopted the straight-line method from this consolidated fiscal year.

Reference

Transition of Price of Domestically Produced Naphtha

Domestic naphtha price
(Thousands of yen/kl)



Domestic Consolidated Subsidiaries (5 companies)

Company Name	Abbr.	Equity Ownership	Line of Business
SDP Global Co., Ltd.	SDP	Sanyo Chemical Toyota Tsusho 70% 30%	Manufacture and sales of superabsorbent polymers
SAN NOPCO LIMITED	SNL	Sanyo Chemical 100%	Manufacture and sales of agents for pulp & paper, coating agents, a wide range of industrial agents, etc.
San Chemical Co., Ltd.	SCC	Sanyo Chemical JX Nippon Oil & Energy 50% 50%	Manufacture of raw materials for polyurethane foams, etc.
San-Apro Ltd.	SA	Sanyo Chemical Evonik International Holding B.V. 50% 50%	Manufacture and sales of curing accelerators for epoxy resins, urethane catalysts, etc.
Sanyo Transport Co., Ltd.	—	Sanyo Chemical 100%	General trucking

Overseas Consolidated Subsidiaries (8 companies)

Company Name	Abbr.	Equity Ownership		Line of Business
Sanyo Kasei (Nantong) Co., Ltd. [China]	SKN	Sanyo Chemical	100%	Manufacture of surfactants, polyurethane resins, etc.
San-Dia Polymers (Nantong) Co., Ltd. [China]	SDN	SDP Global	100%	Manufacture and sales of superabsorbent polymers
Sanyo Chemical (Shanghai) Trading Co., Ltd. [China]	SCST	Sanyo Chemical	100%	Sales of surfactants, polyurethane resins, etc.
Sanyo Kasei (Thailand) Ltd. [Thailand]	SKT	Sanyo Chemical Toyota Tsusho and others	89% 11%	Manufacture and sales of surfactants, polyurethane resins, etc.
SANAM Corporation [USA]	SANAM	Sanyo Chemical	100%	Holding company of U.S. consolidated subsidiaries. Sales of lubricating oil additives, toner resins, etc.
Sanyo Chemical & Resins, LLC [USA]	SCR	SANAM	100%	Manufacture of lubricating oil additives
Sanyo Chemical Texas Industries, LLC [USA]	SCTI	SANAM	100%	Manufacture of polyurethane beads
SDP GLOBAL (MALAYSIA) SDN.BHD. [Malaysia]	SDPM	SDP Global	100%	Manufacture and sales of superabsorbent polymers

Subsidiaries and Affiliates Accounted for by Equity Method (5 companies)

Company Name	Abbr.	Equity Ownership	Line of Business
San-Petrochemicals Co., Ltd.	SPCC	Sanyo Chemical 50% JX Nippon Oil & Energy 50%	Manufacture of raw materials for synthetic rubbers
Sunrise Chemical LLC [USA]	SRC	SANAM 50% JX Nippon Chemical Texas 50%	Manufacture of raw materials for synthetic rubbers
Nagoya Sanyo Warehouse Co., Ltd.	—	Sanyo Chemical 100%	Warehousing
Shiohama Chemicals Warehouse Co., Ltd.	—	Sanyo Chemical 50% JX Nippon Oil & Energy 50%	Warehousing
Sanliving Ltd.	SL	Sanyo Chemical 100%	Real estate, insurance and agency