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Consolidated Financial Results for the Nine Months Ended December 31, 2024 (under Japanese GAAP)

February 5, 2025

Company name: **Sanyo Chemical Industries, Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 4471
 URL: <https://www.sanyo-chemical.co.jp/>
 Representative: Akinori Higuchi, President & CEO
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: None
 Holding of financial results presentation meeting: None

(Figures are rounded down to the nearest million yen)

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2025 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative) (% indicates 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 | % |
| Nine months ended | | | | | | | | |
| December 31, 2024 | 111,108 | (9.0) | 6,872 | 62.9 | 8,588 | 24.8 | 3,640 | 22.1 |
| December 31, 2023 | 122,132 | (9.0) | 4,217 | (35.0) | 6,884 | (22.6) | 2,980 | (52.6) |

Note: Comprehensive income: Nine months ended December 31, 2024 ¥1,681 million [(56.8)%]
 Nine months ended December 31, 2023 ¥3,892 million [(40.7)%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended | | |
| December 31, 2024 | 164.70 | – |
| December 31, 2023 | 135.00 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of | | | | |
| December 31, 2024 | 184,295 | 139,256 | 74.1 | 6,170.93 |
| March 31, 2024 | 205,818 | 141,577 | 67.6 | 6,295.31 |

Reference: Equity: As of December 31, 2024 ¥136,514 million
 As of March 31, 2024 ¥139,037 million

2. Cash dividends

| | Cash dividends per share | | | | |
|--|--------------------------|---------------------|--------------------|--------------------|--------|
| | 1Q (as of June 30) | 2Q (as of Sept. 30) | 3Q (as of Dec. 31) | 4Q (as of Mar. 31) | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2024 | – | 85.00 | – | 85.00 | 170.00 |
| Fiscal year ending March 31, 2025 | – | 85.00 | – | | |
| Fiscal year ending March 31, 2025 (Forecast) | | | | 85.00 | 170.00 |

Note: Revisions of the latest forecasts for cash dividends announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(% indicates year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|--------------------------------------|-----------------|-------|------------------|------|-----------------|------|---|---|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending March 31, 2025 | 145,000 | (9.1) | 9,000 | 84.2 | 10,000 | 22.1 | 4,000 | – | 180.92 |

Note: Revisions of the latest forecasts for earnings announced: None

*** Notes**

- (1) Significant changes in subsidiaries during the nine months ended December 31, 2024 (changes in specific subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: 1 company (San-Dia Polymers (Nantong) Co., Ltd.)

Note: See page 10, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Significant changes in subsidiaries during the period” for more information.

- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

Note: See page 10, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Application of special accounting methods for the preparation of quarterly consolidated financial statements” for more information.

- (3) Changes in accounting policies, accounting estimates, and restatements

- | | |
|---|------|
| a. Changes in accounting policies associated with revised accounting standards, etc.: | Yes |
| b. Changes in accounting policies other than a. above: | None |
| c. Changes in accounting estimates: | Yes |
| d. Restatements: | None |

Note: See page 10, “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Changes in accounting policies and Changes in accounting estimates” for more information.

- (4) Number of shares issued (common stock)

- a. Number of shares issued at the end of the period (including treasury shares)

| | |
|-------------------------|-------------------|
| As of December 31, 2024 | 23,534,752 shares |
| As of March 31, 2024 | 23,534,752 shares |

- b. Number of treasury shares at the end of the period

| | |
|-------------------------|------------------|
| As of December 31, 2024 | 1,412,502 shares |
| As of March 31, 2024 | 1,448,955 shares |

- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

| | |
|---|-------------------|
| For the nine months ended December 31, 2024 | 22,105,143 shares |
| For the nine months ended December 31, 2023 | 22,080,516 shares |

Note: Shares of Sanyo Chemical Industries, Ltd. (the “Company”) owned by the trust whose beneficiaries are directors, etc. of the Company are included in the treasury shares that are excluded in calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * Appropriate use of earnings forecasts and other special items

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual earnings may differ significantly due to various factors. See page 4, “1. Qualitative information regarding financial results for the nine months ended December 31, 2024, (3) Information concerning future forecast such as consolidated earnings forecasts” for more information regarding the circumstances behind the assumptions used in earnings forecasts and matters to be noted when relying on earnings forecasts.

Attached Material Index

- 1. Qualitative information regarding financial results for the nine months ended December 31, 2024....** 2
 - (1) Financial position and operating results 2
 - (2) Cash flows 4
 - (3) Information concerning future forecast such as consolidated earnings forecasts 4
- 2. Quarterly consolidated financial statements and significant notes thereto** 5
 - (1) Consolidated balance sheets 5
 - (2) Consolidated statements of income and consolidated statements of comprehensive income 7
 - Consolidated statements of income (cumulative) 7
 - Consolidated statements of comprehensive income (cumulative) 8
 - (3) Consolidated statements of cash flows 9
 - (4) Notes to quarterly consolidated financial statements..... 10
 - Notes to going concern assumptions 10
 - Significant changes in subsidiaries during the period..... 10
 - Notes on significant changes in the amount of shareholders' equity 10
 - Application of special accounting methods for the preparation of quarterly consolidated financial statements 10
 - Changes in accounting policies..... 10
 - Changes in accounting estimates 10
 - Consolidated statements of income 11
 - Consolidated statements of cash flows 12
 - Notes on segment information, etc. 13
- 3. Supplementary information** 16

1. Qualitative information regarding financial results for the nine months ended December 31, 2024

(1) Financial position and operating results

During the first nine months (April 1, 2024 to December 31, 2024) of the fiscal year ending March 31, 2025, Japanese economy showed a gradual recovery against a backdrop of an improvement in the employment and income environment. In the global economy, while the U.S. economy has remained resilient and the European economy showed a recovery trend, China's economic recovery has lagged due to factors such as deteriorating real estate market conditions. In addition, resource and energy prices remained high and inflationary against the backdrop of the prolonged situation in Russia and Ukraine and emergence of the geopolitical risk over the Middle East, making the outlook uncertain.

In the chemical industry, despite wild fluctuations the trend of the forex market was one of yen depreciation, as there was not only a limited tightening of the gap between Japanese and U.S. interest rates but also an expectation that the pace of interest rate cuts would slow, given the risk that the policies of the new administration would reignite inflation. Furthermore, oil prices dropped amid concerns about the future economic outlook in China with rising geopolitical risk over the Middle East on one hand. As such, the business environment has been unpredictable.

Under these circumstances, net sales for the period under review decreased by 9.0% year on year to ¥111,108 million primarily due to the impact of withdrawal from the superabsorbent polymer business. In term of profit, operating profit was ¥6,872 million (an increase of 62.9% year on year), ordinary profit was ¥8,588 million (an increase of 24.8% year on year), and profit attributable to owners of parent was ¥3,640 million (an increase of 22.1% year on year), mainly due to an improvement in profitability associated with the abovementioned business withdrawal, as well as favorable conditions in the advanced semiconductor field.

1) Business performance

(Millions of yen)

| | Nine months ended December 31, 2023 | Nine months ended December 31, 2024 | Change | | FY2023 |
|---|---|---|----------|----------------------|----------------------------|
| | | | (Amount) | (Change) | |
| Net sales | 122,132 | 111,108 | (11,023) | (9.0)% | 159,510 |
| Operating profit | 4,217 | 6,872 | 2,654 | 62.9% | 4,886 |
| Ordinary profit | 6,884 | 8,588 | 1,704 | 24.8% | 8,186 |
| Profit attributable to owners of parent | 2,980 | 3,640 | 659 | 22.1% | (8,501) |
| Basic earnings per share | ¥135.00 | ¥164.70 | ¥29.70 | 22.0% | ¥(384.99) |
| ROA (Return on assets*) | 4.5% | 5.9% | – | 1.4 percentage point | 4.0% |
| ROE (Return on equity) | 2.7% | 3.5% | – | 0.8 percentage point | (6.0)% |
| ROIC (Return on invested capital) | 1.7% | 4.4% | – | 2.7 percentage point | 2.4% |
| Currency exchange (US\$, CNY) | US\$=¥143.33 CNY=¥19.98 | US\$=¥152.64 CNY=¥21.17 | | ¥9.31 ¥1.19 | US\$=¥144.59 CNY=¥20.14 |
| Naphtha price in Japan | ¥68,000/kl | ¥76,400/kl | | ¥8,400/kl | ¥69,100/kl |

*ROA (Return on assets) is calculated based on ordinary profit.

Note: ROA, ROE and ROIC for the nine months ended December 31, 2023 and 2024 are annualized.

2) Business performance by segment

(Millions of yen)

| | Nine months ended December 31, 2023 | | Nine months ended December 31, 2024 | | Change | | FY2023 | |
|---|--|---------------------|--|---------------------|-----------|---------------------|-----------|---------------------|
| | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit | Net sales | Operating profit |
| Toiletries and Health Care | 35,356 | (1,111) | 25,940 | 209 | (9,416) | 1,321 | 45,895 | (1,421) |
| Petroleum and Automotives | 38,719 | 2,142 | 37,536 | 3,092 | (1,182) | 950 | 50,479 | 2,819 |
| Plastics and Textiles | 19,176 | 1,895 | 20,432 | 2,256 | 1,255 | 360 | 25,235 | 2,367 |
| Information and Electrics/Electronics | 17,113 | 1,652 | 15,888 | 2,086 | (1,224) | 434 | 22,870 | 1,831 |
| Environmental Protection, Construction and Others | 11,765 | 565 | 11,311 | 40 | (454) | (524) | 15,030 | 539 |

<Toiletries and Health Care>

In the Toiletries segment, both the domestic and global markets for polyethyleneglycol recovered, resulting in strong sales.

In the Health Care segment, sales declined significantly as a result of withdrawal from the superabsorbent polymer business.

As a result, total net sales in this segment decreased by 26.6% year on year, to ¥25,940 million. Operating profit was ¥209 million (compared to operating loss of ¥1,111 million during the same period of the previous fiscal year).

<Petroleum and Automotives>

In the Petroleum segment, a recovery in demand for lubricant additives led to favorable sales.

In the Automotives segment, with automobile production flat, sales were sluggish as a result of raw materials for polyurethane foams used in automobile seats and other applications being weak due to the inflow of low-cost products from overseas, in addition to which there was a decrease in polyurethane beads for interior parts of automobiles to overseas destinations.

As a result, total net sales in this segment decreased by 3.1% year on year, to ¥37,536 million. Operating profit was ¥3,092 million (an increase of 44.4% year on year).

<Plastics and Textiles>

In the Plastics segment, sales performed well because sales of permanent antistatic agents grew due to a recovery in demand, and sales of paint coating agents and additives were also strong.

In the Textiles segment, sales were brisk, despite sluggishness in agents for synthetic leather, due to a sharp increase in sales of spin finish oil used in the manufacturing process of tire cord yarns following a recovery in demand, and a rebound in chemicals for carbon fibers used in wind turbines for wind power generation.

As a result, total net sales in this segment increased by 6.5% year on year, to ¥20,432 million. Operating profit was ¥2,256 million (an increase of 19.0% year on year).

<Information and Electrics/Electronics>

In the Information segment, sales decreased significantly, reflecting weak sales of polymerization toner-related materials, mainly due to the withdrawal from production operations in China, despite a recovery trend in demand for toner resins.

In the Electrics/Electronics segment, sales of electrolyte for aluminum electrolytic capacitors were flat, but materials associated with advanced semiconductors performed strongly, and sales increased.

As a result, total net sales in this segment decreased by 7.2% year on year, to ¥15,888 million. Operating profit was ¥2,086 million (an increase of 26.3% year on year).

<Environmental Protection, Construction and Others>

In the Environmental Protection segment, sales were weak due to sluggish market conditions for cationic monomer for polymer flocculants.

In the Construction segment, a slump in sales of cement agents was offset by a recovery in sales of raw materials for polyurethane foams used in furniture, insulation agents, and other applications, leading to flat sales.

As a result, total net sales in this segment decreased by 3.9% year on year, to ¥11,311 million. Operating profit was ¥40 million (a decrease of 92.8% year on year).

The Group's financial position at the end of the period under review was as follows:

Total assets decreased by ¥21,522 million compared with the end of the previous fiscal year, amounting to ¥184,295 million.

Net assets decreased by ¥2,321 million from the end of the previous fiscal year, to ¥139,256 million.

Equity ratio rose by 6.5 percentage points from the end of the previous fiscal year, to 74.1%.

(2) Cash flows

Cash and cash equivalents ("cash") as of the end of the period under review amounted to ¥16,837 million. This marked a decrease of ¥10,351 million compared with the end of the previous fiscal year.

The cash flow movements during the period under review and the factors influencing them were as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥9,441 million (compared to ¥14,366 million in net cash provided during the same period of the previous fiscal year). This result was mainly due to the cash inflow from profit before income taxes of ¥6,302 million and depreciation of ¥7,381 million, which outweighed the cash outflow mainly from income taxes paid of ¥2,448 million and payment for business restructuring of ¥4,669 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥8,458 million (compared to ¥4,416 million in net cash used during the same period of the previous fiscal year). This was mainly due to purchase of non-current assets of ¥5,342 million, and payments for sale of investments in capital of subsidiaries and associates resulting in change in scope of consolidation of ¥3,589 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥11,475 million (compared to ¥4,097 million in net cash used during the same period of the previous fiscal year). This result was mainly due to the cash outflow from net decrease in short-term borrowings of ¥7,007 million and dividends paid of ¥3,748 million.

(3) Information concerning future forecast such as consolidated earnings forecasts

Performance for the nine months ended December 31, 2024 was in line with the forecasts announced on November 12, 2024, and so the Company has left its full-year consolidated earnings forecasts unchanged.

The rates of progress made during the period under review in comparison to the full-year consolidated earnings forecasts announced on November 12, 2024 are shown in the table below.

(Millions of yen)

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|---|-----------|------------------|-----------------|---|
| Consolidated earnings forecasts | 145,000 | 9,000 | 10,000 | 4,000 |
| [Progress to forecasts (%)] | [76.6] | [76.4] | [85.9] | [91.0] |
| Results for the previous fiscal year (Fiscal year ended March 31, 2024) | 159,510 | 4,886 | 8,186 | (8,501) |

* These earnings forecasts were based on information available at the time of announcement. Actual earnings may differ due to various factors occurring in the future.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2024 | As of December 31, 2024 |
|---|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 27,240 | 16,908 |
| Notes and accounts receivable - trade | 44,967 | 40,864 |
| Electronically recorded monetary claims - operating | 492 | 185 |
| Merchandise and finished goods | 19,842 | 13,591 |
| Semi-finished goods | 5,082 | 5,228 |
| Work in process | 350 | 24 |
| Raw materials and supplies | 5,859 | 4,504 |
| Other | 2,576 | 8,692 |
| Allowance for doubtful accounts | (484) | (479) |
| Total current assets | 105,929 | 89,521 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 16,003 | 14,771 |
| Machinery, equipment and vehicles, net | 22,266 | 20,164 |
| Land | 8,869 | 8,948 |
| Construction in progress | 1,936 | 500 |
| Other, net | 2,401 | 1,852 |
| Total property, plant and equipment | 51,477 | 46,237 |
| Intangible assets | | |
| Software | 6,348 | 5,387 |
| Other | 1,214 | 958 |
| Total intangible assets | 7,563 | 6,345 |
| Investments and other assets | | |
| Investment securities | 30,701 | 32,987 |
| Long-term loans receivable | 3,545 | 2,683 |
| Deferred tax assets | 417 | 235 |
| Retirement benefit asset | 3,672 | 3,729 |
| Other | 2,541 | 2,586 |
| Allowance for doubtful accounts | (30) | (30) |
| Total investments and other assets | 40,848 | 42,191 |
| Total non-current assets | 99,889 | 94,774 |
| Total assets | 205,818 | 184,295 |

(Millions of yen)

| | As of March 31, 2024 | As of December 31, 2024 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 23,849 | 20,890 |
| Electronically recorded obligations - operating | 4,911 | 4,140 |
| Short-term borrowings | 8,682 | 1,906 |
| Current portion of long-term borrowings | 505 | 566 |
| Accounts payable - other | 8,491 | 3,982 |
| Income taxes payable | 1,384 | 898 |
| Provision for bonuses | 2,064 | 1,030 |
| Provision for bonuses for directors (and other officers) | 36 | 61 |
| Electronically recorded obligations - non-operating | 557 | 723 |
| Other | 3,035 | 2,814 |
| Total current liabilities | 53,519 | 37,014 |
| Non-current liabilities | | |
| Long-term borrowings | 1,516 | 1,517 |
| Deferred tax liabilities | 2,938 | 3,134 |
| Provision for share-based payments | 431 | 338 |
| Retirement benefit liability | 102 | 139 |
| Provision for business restructuring | 4,706 | 2,261 |
| Other | 1,026 | 634 |
| Total non-current liabilities | 10,720 | 8,025 |
| Total liabilities | 64,240 | 45,039 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 13,051 | 13,051 |
| Capital surplus | 13,270 | 13,289 |
| Retained earnings | 99,488 | 99,357 |
| Treasury shares | (5,675) | (5,525) |
| Total shareholders' equity | 120,134 | 120,172 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,584 | 13,054 |
| Foreign currency translation adjustment | 5,978 | 2,023 |
| Remeasurements of defined benefit plans | 1,339 | 1,263 |
| Total accumulated other comprehensive income | 18,902 | 16,342 |
| Non-controlling interests | 2,540 | 2,741 |
| Total net assets | 141,577 | 139,256 |
| Total liabilities and net assets | 205,818 | 184,295 |

(2) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2023 | Nine months ended December 31, 2024 |
|---|--|--|
| Net sales | 122,132 | 111,108 |
| Cost of sales | 99,625 | 86,239 |
| Gross profit | 22,506 | 24,869 |
| Selling, general and administrative expenses | 18,288 | 17,996 |
| Operating profit | 4,217 | 6,872 |
| Non-operating income | | |
| Interest income | 126 | 138 |
| Dividend income | 931 | 1,114 |
| Rental income from real estate | 106 | 68 |
| Foreign exchange gains | 1,328 | 76 |
| Share of profit of entities accounted for using equity method | 124 | 721 |
| Other | 442 | 68 |
| Total non-operating income | 3,060 | 2,187 |
| Non-operating expenses | | |
| Interest expenses | 108 | 99 |
| Rental costs on real estate | 52 | 51 |
| Other | 232 | 320 |
| Total non-operating expenses | 394 | 471 |
| Ordinary profit | 6,884 | 8,588 |
| Extraordinary income | | |
| Gain on sale of investment securities | 2,030 | 49 |
| Insurance claim income | – | 39 |
| Total extraordinary income | 2,030 | 88 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 941 | 465 |
| Impairment losses | *1 2,971 | *1 308 |
| Loss on valuation of investment securities | – | 8 |
| Business restructuring expenses | – | *2 1,574 |
| Other | – | 18 |
| Total extraordinary losses | 3,913 | 2,374 |
| Profit before income taxes | 5,001 | 6,302 |
| Income taxes | 2,261 | 2,106 |
| Profit | 2,739 | 4,196 |
| Profit (loss) attributable to non-controlling interests | (241) | 555 |
| Profit attributable to owners of parent | 2,980 | 3,640 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2023 | Nine months ended December 31, 2024 |
|--|--|--|
| Profit | 2,739 | 4,196 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 562 | 1,470 |
| Foreign currency translation adjustment | 626 | (3,909) |
| Remeasurements of defined benefit plans, net of tax | (36) | (75) |
| Total other comprehensive income | 1,152 | (2,514) |
| Comprehensive income | 3,892 | 1,681 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,088 | 1,081 |
| Comprehensive income attributable to non-controlling interests | (196) | 600 |

(3) Consolidated statements of cash flows

(Millions of yen)

| | Nine months ended December 31, 2023 | Nine months ended December 31, 2024 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,001 | 6,302 |
| Depreciation | 8,145 | 7,381 |
| Loss on retirement of non-current assets | 941 | 465 |
| Impairment losses | 2,971 | 308 |
| Increase (decrease) in provision for bonuses | (694) | (977) |
| Increase (decrease) in retirement benefit asset and liability | (46) | (140) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (28) | 24 |
| Increase (decrease) in provision for share-based payments | 73 | 79 |
| Interest and dividend income | (1,058) | (1,253) |
| Interest expenses | 108 | 99 |
| Share of loss (profit) of entities accounted for using equity method | (124) | (721) |
| Loss (gain) on sale of investment securities | (2,030) | (49) |
| Loss (gain) on valuation of investment securities | - | 8 |
| Decrease (increase) in trade receivables | (3,306) | 2,183 |
| Decrease (increase) in inventories | 1,685 | 2,869 |
| Increase (decrease) in trade payables | 6,576 | (1,541) |
| Business restructuring expenses | - | 1,574 |
| Other, net | (3,088) | (1,638) |
| Subtotal | 15,128 | 14,974 |
| Interest and dividends received | 1,938 | 1,693 |
| Interest paid | (102) | (109) |
| Income taxes paid | (2,597) | (2,448) |
| Payment for business restructuring | - | (4,669) |
| Net cash provided by (used in) operating activities | 14,366 | 9,441 |
| Cash flows from investing activities | | |
| Purchase of non-current assets | (5,515) | (5,342) |
| Proceeds from sale of investment securities | 2,062 | 87 |
| Payments for sale of investments in capital of subsidiaries and associates resulting in change in scope of consolidation | - | * (3,589) |
| Proceeds from collection of loans receivable | 584 | 823 |
| Loan advances | (88) | (86) |
| Other, net | (1,459) | (351) |
| Net cash provided by (used in) investing activities | (4,416) | (8,458) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 258 | (7,007) |
| Repayments of long-term borrowings | (150) | (168) |
| Net decrease (increase) in treasury shares | (1) | (3) |
| Dividends paid | (3,747) | (3,748) |
| Dividends paid to non-controlling interests | (300) | (400) |
| Other, net | (156) | (147) |
| Net cash provided by (used in) financing activities | (4,097) | (11,475) |
| Effect of exchange rate change on cash and cash equivalents | 220 | 141 |
| Net increase (decrease) in cash and cash equivalents | 6,073 | (10,351) |
| Cash and cash equivalents at beginning of period | 17,042 | 27,188 |
| Cash and cash equivalents at end of period | 23,115 | 16,837 |

(4) Notes to quarterly consolidated financial statements

Notes to going concern assumptions

None

Significant changes in subsidiaries during the period

As a result of the Company transferring its interest in specific subsidiary San-Dia Polymers (Nantong) Co., Ltd. to Nantong Jiangtian Chemical Co., Ltd. during the third quarter of the fiscal year ending March 31, 2025, San-Dia Polymers (Nantong) Co., Ltd. ceased to be a specific subsidiary, and was excluded from the scope of consolidation in the third quarter of the fiscal year ending March 31, 2025.

Notes on significant changes in the amount of shareholders' equity

None

Application of special accounting methods for the preparation of quarterly consolidated financial statements

After applying tax effect accounting to profit before income taxes for the fiscal year, which includes the third quarter under review, the Company makes a reasonable estimate of the effective tax rate and multiply the profit before income taxes by that estimated effective tax rate. Furthermore, income tax adjustments are included in the presentation of income taxes.

Changes in accounting policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the start of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022, and the transitional treatment in the proviso of paragraph 65-2 (2) of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022").

Furthermore, there is no impact on the quarterly consolidated financial statements from this change in accounting policy.

In addition, for revisions concerning the review of the treatment in the consolidated financial statements when a gain or loss on the sale of the shares of subsidiaries, etc., between consolidated companies is deferred for tax purposes, the Revised Guidance of 2022 has been applied from the start of the first quarter of the current fiscal year. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the same period of the previous fiscal year and consolidated financial statements for the previous fiscal year reflect the change. There is no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year from this change in accounting policy.

Changes in accounting estimates

(Provision for business restructuring)

As part of the structural reform under the "New Medium-Term Management Plan 2025," in the previous fiscal year the Company made a provision for business restructuring expenses that were expected to occur in future in relation to its withdrawal from the superabsorbent polymer business and the cessation of production of surfactants and urethane resin products, etc. in Nantong, Jiangsu Province, China. However, as the withdrawal from this business progressed it became possible to form a more detailed estimate of expenses associated with the disposal of non-current assets, etc. and accordingly the estimate was changed in the third quarter under review.

As a result of this change, business restructuring expenses and provision for business restructuring for the nine months ended December 31, 2024, decreased by ¥868 million, and profit before income taxes increased by ¥868 million.

Consolidated statements of income

*1 Impairment losses

Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

The Group recorded impairment losses on the following asset groups.

| Location | Main use | Key breakdown components |
|---|---|---|
| Sanyo Kasei (Thailand) Ltd. Bangkok and Rayong, Thailand | Facilities related to Plastics and Textiles, etc. | Buildings and structures ¥876 million Machinery, equipment and vehicles ¥1,286 million Construction in progress ¥697 million Others ¥110 million |

In principle, the Group classifies its assets into groups by factory.

Profit or loss arising from operations has been continuously negative, and as a result of assessing the future recoverability, the carrying amount has been reduced to the recoverable amount, and ¥2,971 million has been recorded as an impairment loss under extraordinary losses. The recoverable amount is measured by value in use, which is calculated by discounting the estimated future cash flows at 12.5%.

Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

The Group recorded impairment losses on the following asset groups.

| Location | Main use | Key breakdown components |
|---|--|--|
| San-Dia Polymers (Nantong) Co., Ltd. Jiangsu Province, China | Facilities related to Toiletries and Health Care | Machinery, equipment and vehicles ¥270 million Others ¥37 million |

In principle, the Group classifies its assets into groups by factory.

As certain facilities are no longer expected to be used, the carrying amount has been reduced to the recoverable amount, and ¥308 million has been recorded as an impairment loss under extraordinary losses. The recoverable amount is measured by net realizable value, which is assessed based on professional appraisals.

*2 Business restructuring expenses

Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

None

Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

Business restructuring expenses refer to those associated with the decision, made in the previous fiscal year, to withdraw from the superabsorbent polymer business and cease production of surfactants and urethane resin products, etc. in Nantong, Jiangsu Province, China as part of the structural reform under the “New Medium-Term Management Plan 2025.”

The breakdown of business restructuring expenses was mainly ¥2,057 million for impairment losses, ¥(868) million for reversal of provision for business restructuring, and ¥386 million for others.

Details concerning impairment losses are outlined below.

| Location | Main use | Key breakdown components |
|---|--|--|
| San-Dia Polymers (Nantong) Co., Ltd. Jiangsu Province, China | Facilities related to Toiletries and Health Care | Buildings and structures ¥664 million Machinery, equipment and vehicles ¥1,046 million Others ¥346 million |

In principle, the Group classifies its assets into groups by factory.

In accordance with the conclusion of an equity interest transfer agreement concerning San-Dia Polymers (Nantong) Co., Ltd. on September 27, 2024, the carrying amount of the above facilities has been reduced to the recoverable amount, and the decrement has been recorded in business restructuring expenses as an impairment loss under extraordinary losses. The recoverable amount is measured by net realizable value, which is assessed based on the equity interest transfer agreement.

Consolidated statements of cash flows

- * Breakdown of the key components of assets and liabilities for company that ceased to be a consolidated subsidiary as a result of the transfer of equity interest

Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

None

Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

Following San-Dia Polymers (Nantong) Co., Ltd. ceasing to be a consolidated subsidiary due to a transfer of equity interest, a breakdown of the key components of assets and liabilities at the time of transfer, transfer price, and net disbursement for transfer are as follows.

| | (Millions of yen) |
|---|-------------------|
| Current assets | 11,393 |
| Non-current assets | 1,331 |
| Current liabilities | (2,764) |
| Non-current liabilities | (69) |
| Foreign currency translation adjustment | (4,157) |
| Gain on transfer of investments in capital of subsidiaries and associates | 85 |
| <hr/> | |
| Transfer price of investments in capital | 5,818 |
| Cash and cash equivalents (Note) | (3,589) |
| Portion of transfer price uncollected | (5,818) |
| <hr/> | |
| Balance: disbursement for transfer | (3,589) |

(Note) This was the balance for San-Dia Polymers (Nantong) Co., Ltd. as of September 30, and has decreased as a result of it being excluded from the scope of consolidation.

Notes on segment information, etc.

[Segment information]

I Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

1. Information regarding net sales, profit or loss by reportable segment

(Millions of yen)

| | Reportable Segment | | | | | | Adjustment | Total |
|------------------------------|----------------------------|---------------------------|-----------------------|---------------------------------------|---|----------|------------|---------|
| | Toiletries and Health Care | Petroleum and Automotives | Plastics and Textiles | Information and Electrics/Electronics | Environmental Protection, Construction and Others | Subtotal | | |
| Net sales | | | | | | | | |
| Sales to external customers | 35,356 | 38,719 | 19,176 | 17,113 | 11,765 | 122,132 | – | 122,132 |
| Intersegment sales/transfers | – | – | – | – | 101 | 101 | (101) | – |
| Total | 35,356 | 38,719 | 19,176 | 17,113 | 11,867 | 122,233 | (101) | 122,132 |
| Segment profit (loss) | (1,111) | 2,142 | 1,895 | 1,652 | 565 | 5,143 | (925) | 4,217 |

Notes: 1. Company-wide expenses of ¥925 million not allocated to reportable segments are included in the adjustment to segment profit (loss). Company-wide expenses are research and development expenses for new businesses, etc. not belonging to reportable segments.

2. Total amount of segment profit (loss) has been adjusted with operating profit in the quarterly consolidated statements of income.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment

(Millions of yen)

| | Toiletries and Health Care | Petroleum and Automotives | Plastics and Textiles | Information and Electrics/Electronics | Environmental Protection, Construction and Others | Total |
|-------------------|----------------------------|---------------------------|-----------------------|---------------------------------------|---|-------|
| Impairment losses | 36 | 4 | 2,893 | 36 | 0 | 2,971 |

II Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

1. Information regarding net sales, profit or loss by reportable segment

(Millions of yen)

| | Reportable Segment | | | | | | Adjustment | Total |
|------------------------------|----------------------------|---------------------------|-----------------------|--|---|----------|------------|---------|
| | Toiletries and Health Care | Petroleum and Automotives | Plastics and Textiles | Information and Electrics/ Electronics | Environmental Protection, Construction and Others | Subtotal | | |
| Net sales | | | | | | | | |
| Sales to external customers | 25,940 | 37,536 | 20,432 | 15,888 | 11,311 | 111,108 | – | 111,108 |
| Intersegment sales/transfers | – | – | – | – | 94 | 94 | (94) | – |
| Total | 25,940 | 37,536 | 20,432 | 15,888 | 11,405 | 111,202 | (94) | 111,108 |
| Segment profit (loss) | 209 | 3,092 | 2,256 | 2,086 | 40 | 7,685 | (813) | 6,872 |

Notes: 1. Company-wide expenses of ¥813 million not allocated to reportable segments are included in the adjustment to segment profit. Company-wide expenses are research and development expenses for new businesses, etc. not belonging to reportable segments.

2. Total amount of segment profit has been adjusted with operating profit in the quarterly consolidated statements of income.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment

(Millions of yen)

| | Toiletries and Health Care | Petroleum and Automotives | Plastics and Textiles | Information and Electrics/ Electronics | Environmental Protection, Construction and Others | Total |
|---------------------------------|----------------------------|---------------------------|-----------------------|--|---|-------|
| Impairment losses | 308 | – | – | – | – | 308 |
| Business restructuring expenses | 2,057 | – | – | – | – | 2,057 |
| Total | 2,365 | – | – | – | – | 2,365 |

Note: Of the impairment losses, ¥2,057 million is included in “Business restructuring expenses” in the quarterly consolidated statements of income.

<Reference>

[Information by geographic segment]

Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(Millions of yen)

| | Japan | USA | China | Other | Total | Elimination or common assets | Consolidated total |
|----------------------------------|--------|-------|--------|-------|---------|------------------------------|--------------------|
| Net sales | | | | | | | |
| (1) Sales to external customers | 87,679 | 7,608 | 18,682 | 8,161 | 122,132 | – | 122,132 |
| (2) Intersegment sales/transfers | 7,694 | 31 | 1,679 | 773 | 10,179 | (10,179) | – |
| Total | 95,374 | 7,639 | 20,362 | 8,935 | 132,311 | (10,179) | 122,132 |
| Operating profit (loss) | 4,305 | 116 | 257 | (558) | 4,121 | 96 | 4,217 |

Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(Millions of yen)

| | Japan | USA | China | Other | Total | Elimination or common assets | Consolidated total |
|----------------------------------|--------|-------|--------|-------|---------|------------------------------|--------------------|
| Net sales | | | | | | | |
| (1) Sales to external customers | 83,781 | 7,716 | 14,260 | 5,349 | 111,108 | – | 111,108 |
| (2) Intersegment sales/transfers | 11,437 | 29 | 311 | 979 | 12,757 | (12,757) | – |
| Total | 95,219 | 7,745 | 14,571 | 6,329 | 123,866 | (12,757) | 111,108 |
| Operating profit (loss) | 5,920 | 306 | 89 | 570 | 6,886 | (13) | 6,872 |

[Overseas net sales]

Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(Millions of yen)

| | Asia | [Of which, China] | Americas | Other | Total |
|---|--------|-------------------|----------|-------|---------|
| I. Overseas net sales | 41,348 | [22,828] | 8,747 | 3,780 | 53,875 |
| II. Consolidated net sales | – | [–] | – | – | 122,132 |
| III. Percentage of overseas net sales to consolidated net sales (%) | 33.9 | [18.7] | 7.2 | 3.1 | 44.1 |

Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(Millions of yen)

| | Asia | [Of which, China] | Americas | Other | Total |
|---|--------|-------------------|----------|-------|---------|
| I. Overseas net sales | 34,904 | [20,250] | 8,608 | 3,500 | 47,013 |
| II. Consolidated net sales | – | [–] | – | – | 111,108 |
| III. Percentage of overseas net sales to consolidated net sales (%) | 31.4 | [18.2] | 7.7 | 3.2 | 42.3 |

Notes: 1. The term “overseas net sales” refers to net sales of the Company (non-consolidated) and its consolidated subsidiaries registered in countries and regions outside Japan.

2. Areas included in each country or region are determined based on their degree of proximity.

3. Main countries or regions included in each geographic segment outside Japan

(1) Asia: South Korea, China, Indonesia, India, Thailand, etc.

(2) Americas: USA, Mexico, Brazil, etc.

(3) Other: Australia, Europe, Russia, the Middle East, etc.

3. Supplementary information

Trend of quarterly consolidated earnings

Fiscal year ended March 31, 2024

(Millions of yen)

| | 1Q | 2Q | 3Q | 4Q | Total |
|--|----------------------------|--------------------------------|----------------------------------|-------------------------------|-----------------------------|
| | April 2023 to June 2023 | July 2023 to September 2023 | October 2023 to December 2023 | January 2024 to March 2024 | April 2023 to March 2024 |
| Net sales | 38,914 | 40,363 | 42,853 | 37,378 | 159,510 |
| Operating profit | 704 | 1,315 | 2,197 | 668 | 4,886 |
| Ordinary profit | 2,842 | 2,105 | 1,936 | 1,302 | 8,186 |
| Profit (loss) attributable to owners of parent | 2,960 | 1,437 | (1,417) | (11,482) | (8,501) |
| Comprehensive income | 3,787 | 2,828 | (2,724) | (7,291) | (3,399) |

Fiscal year ending March 31, 2025

(Millions of yen)

| | 1Q | 2Q | 3Q | Change (%) | |
|--|----------------------------|--------------------------------|----------------------------------|---|--------------------------------|
| | April 2024 to June 2024 | July 2024 to September 2024 | October 2024 to December 2024 | The same period of the previous fiscal year | The previous period |
| | | | | October 2023 to December 2023 | July 2024 to September 2024 |
| Net sales | 39,654 | 37,375 | 34,078 | (20.5) | (8.8) |
| Operating profit | 2,183 | 2,270 | 2,418 | 10.1 | 6.5 |
| Ordinary profit | 3,571 | 1,419 | 3,597 | 85.8 | 153.4 |
| Profit (loss) attributable to owners of parent | 2,402 | (1,462) | 2,700 | – | – |
| Comprehensive income | 4,278 | (4,823) | 2,227 | – | – |