

Financial Results Presentation for the 2nd Quarter of FY 2022/12

November 1, 2022

SHIKOKU CHEMICALS CORPORATION

Code number : 4099

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0. Our Business

Chemicals

Inorganic
Chemicals



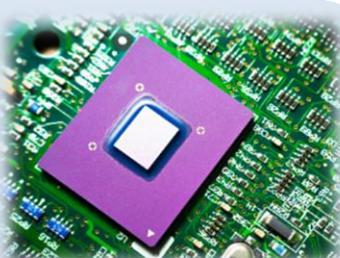
Raw materials for
tires, etc.

Organic
Chemicals



For swimming pool
and septic tank
disinfectants

Fine
Chemicals



Chemicals for electronic
components
(for printed wiring boards,
resin modifiers, etc.)

Housing Materials

Interior,
Exterior Finishes
and
Paving Materials



Interiors

Exterior
Products



Exterior Products
(carports, gates, etc.)



I . Financial Results for the FY 2022/12



I – 1. Consolidated Financial Results

◆ Net sales, operating profit, ordinary profit, and net income attributable to owners of the parent reached record highs.

- Sales in Chemicals and Housing Materials exceeded the previous year's level.
- Profits increased due to price pass-through in energy, resources, and ocean freight costs, which soared due to changes in the business environment, including COVID-19 and Russia's invasion of Ukraine, along with the yen depreciation.
- The yen weakened against the U.S. dollar and the euro, resulting in foreign exchange gains on sales of 2,040 million yen from the previous year.

(Millions of yen)

	Consolidated cumulative Q2				Increase of amount	Changes
	FY2022/3		FY2022/12			
	Amount	Percentage	Amount	Percentage		
Net sales	25,266	100.0%	31,297	100.0%	6,031	23.9%
Operating profit	3,795	15.0%	4,371	14.0%	576	15.2%
Ordinary profit	4,116	16.3%	5,480	17.5%	1,364	33.1%
Profit attributable to owners of parent	2,943	11.6%	3,707	11.8%	764	26.0%
Exchange rate (USD)	110		132			
Exchange rate (EUR)	131		136			

I – 2. Sales and Profit by Business segments(consolidated)

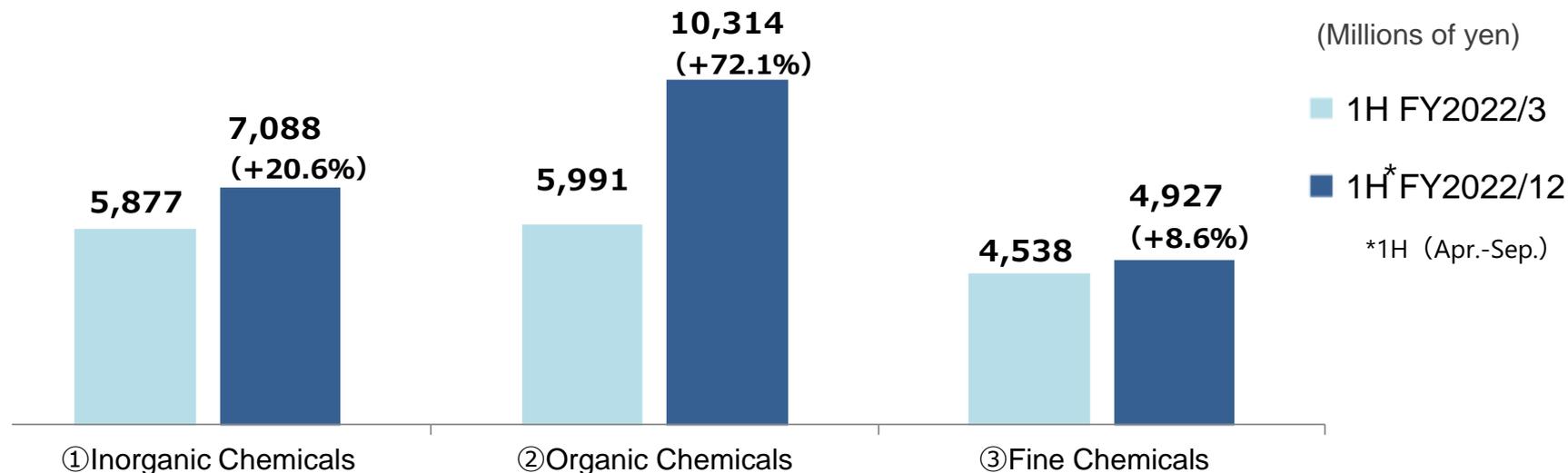
- ◆ Net sales increased year-on-year in both Chemicals and Housing Materials Operations
- ◆ Segment profits increased in Chemicals Operations but decreased in Housing Materials Operations

(Millions of yen)

Net Sales		1H FY2022/3	Percentage	1H*FY2022/12	Percentage	Changes
Chemicals Operations	Inorganic Chemicals	5,877	23.3%	7,088	22.6%	20.6%
	Organic Chemicals	5,991	23.7%	10,314	33.0%	72.1%
	Fine Chemicals	4,538	18.0%	4,927	15.7%	8.6%
	Subtotal	16,407	65.0%	22,330	71.3%	36.1%
Housing Materials Operations	Interior, Exterior Finishes and Paving Materials	672	2.7%	647	2.1%	▲ 3.7%
	Exterior Products	7,527	29.8%	7,784	24.9%	3.4%
	Subtotal	8,199	32.5%	8,432	27.0%	2.8%
Other	658	2.5%	534	1.7%	▲ 18.8%	
Total		25,266	100.0%	31,297	100.0%	23.9%

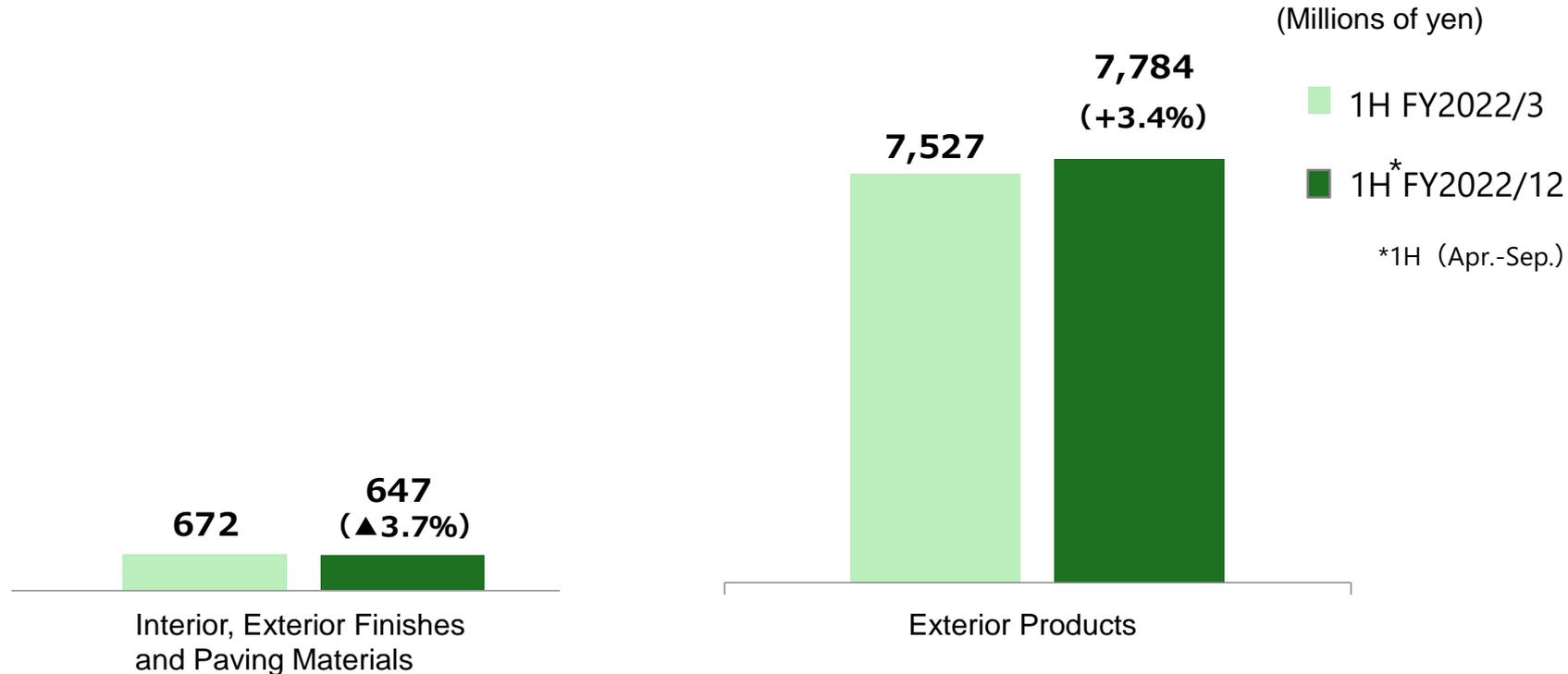
Segment Profit		1H FY2022/3	percentage	1H*FY2022/12	percentage	Changes
Total of Chemicals Operations		3,614	95.2%	4,521	103.4%	25.1%
Total of Housing Materials Operations		1,058	27.9%	758	17.3%	▲28.3%
Other		▲ 877	▲23.1%	▲ 908	▲20.8%	3.7%
Total		3,795	100.0%	4,371	100.0%	15.2%

I – 3. Overview of Sales by Segment (Chemicals Products)



- ① Sales of insoluble sulfur, a material for radial tires, remained almost unchanged from the previous year, despite the impact of a decline in automobile production resulting from semiconductor shortages. As for sales of carbon disulfide for rayon and cellophane, and sodium sulfate for bath agents and detergents, the Company strove to improve profitability by the price pass-through of the impact of yen depreciation in exchange rates and sharp rise in resource prices.
- ② Regarding chlorinated isocyanurates for disinfectants, the domestic market performed better than the previous year mainly due to a recovery in sales of agents for swimming pools. In the U.S. market, the pool market continues to be brisk, and production continues at high capacity. In addition, both sales and profits were higher than the previous year as the Company passed soaring resource prices and distribution costs on selling prices.
- ③ Regarding electronic chemicals, particularly Gliccoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, sales were sluggish due to the lockdown in Shanghai and adjustments in the semiconductor market. Sales of advanced & specialty chemicals, such as epoxy resin curing agent (imidazoles), resin modifier (glycoluril derivatives, etc.) and semiconductor processing materials, largely surpassed those of the previous year, thanks to the strong demand on the resin modifier.

I - 4. Overview of Sales by Segment (Housing Materials Products)



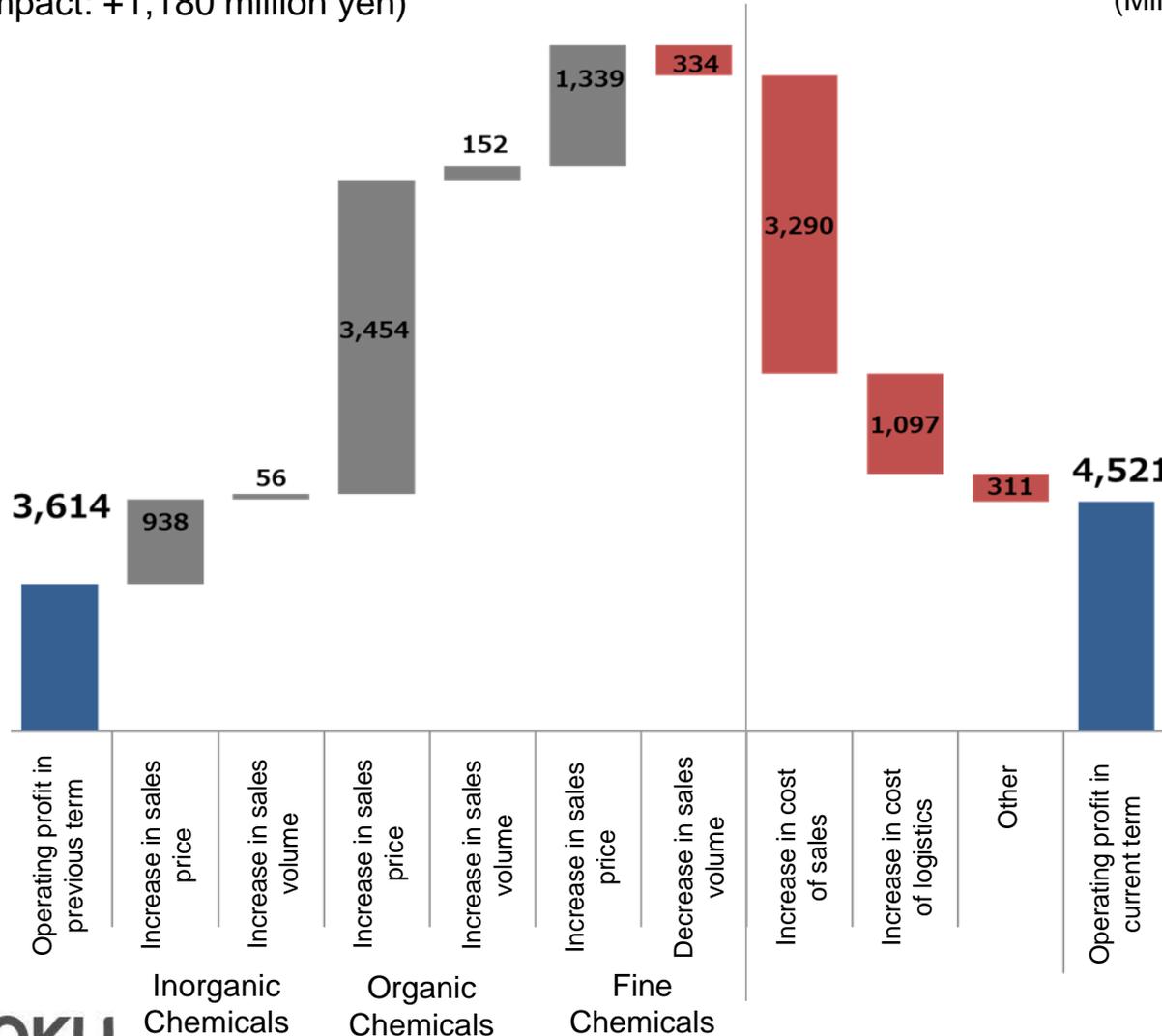
- ◆ The number of new housing starts continued to be weak for owned houses, and demand for interior, exterior finishes and paving materials and exterior products remained sluggish. However, net sales increased from the previous year due to the penetration of the price revision implemented in April 2022. On the other hand, the price revision failed to absorb soaring prices of raw materials, and therefore profitability declined from the previous year.

I – 5. Analysis of Increase/Decrease in Chemicals Segment Profit

- ◆ Profits increased due to the price pass-through of soaring materials and logistics costs, coupled with the yen depreciation.

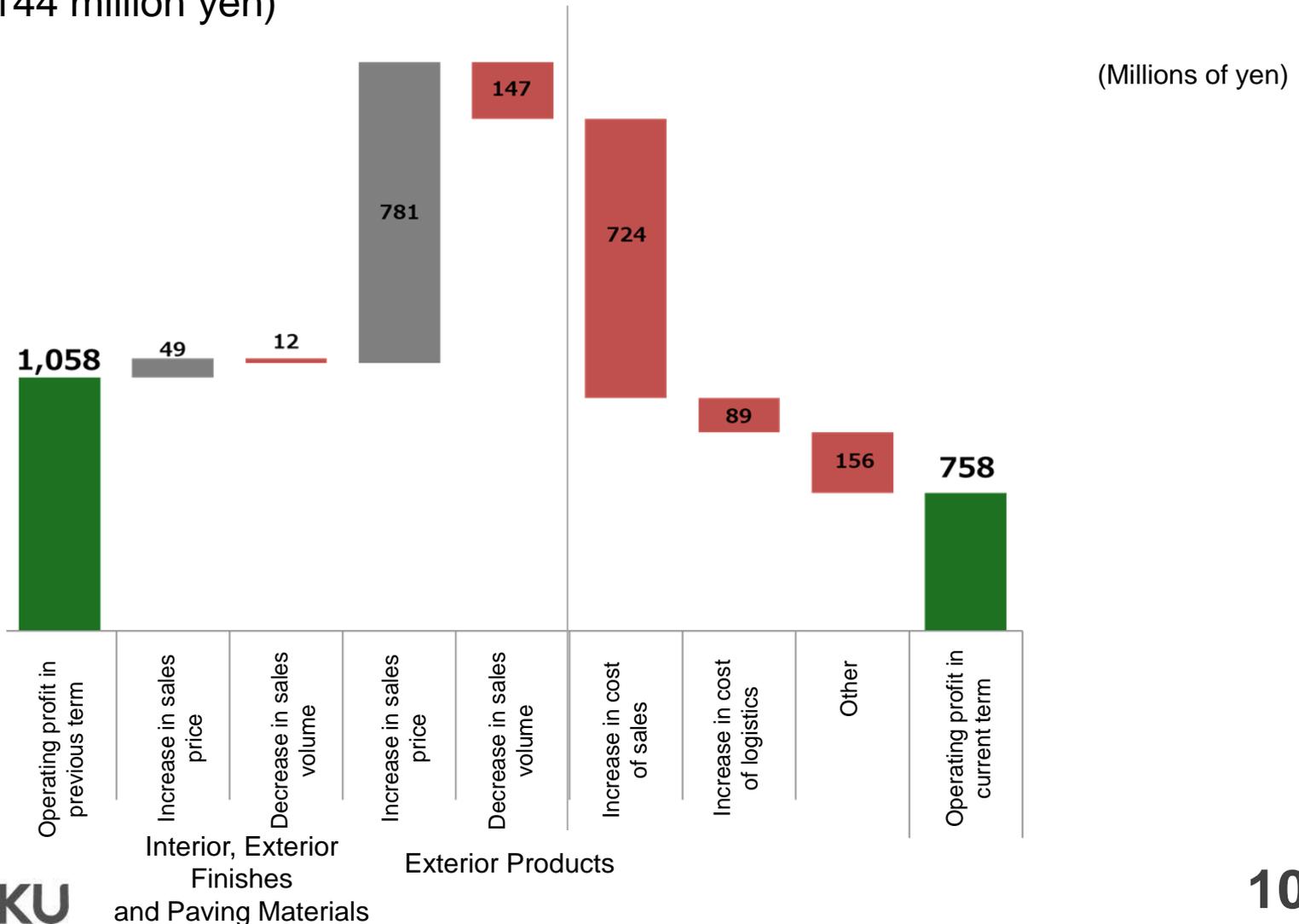
(FX impact: +1,180 million yen)

(Millions of yen)



I – 6. Analysis of Increase/Decrease in Housing Materials Segment Profit

Profits decreased due to price hikes of raw materials (aluminum) and production adjustment of wall finishes and exterior products, despite price increases of products.
(FX Impact: -144 million yen)

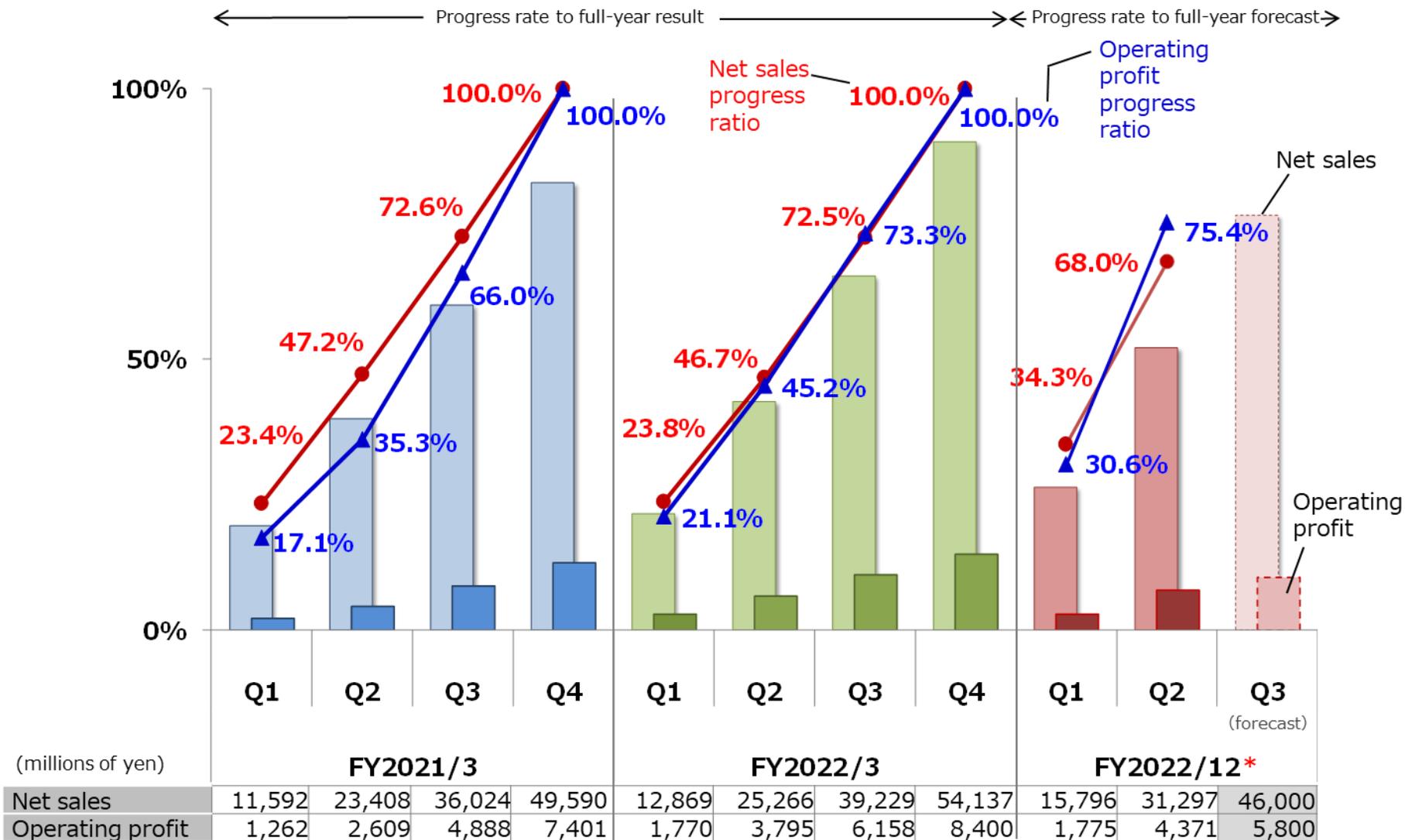




**II . Forecast of Financial
Results
for the FY 2022/12**



II – 1. The full-year financial results forecast (Consolidated)

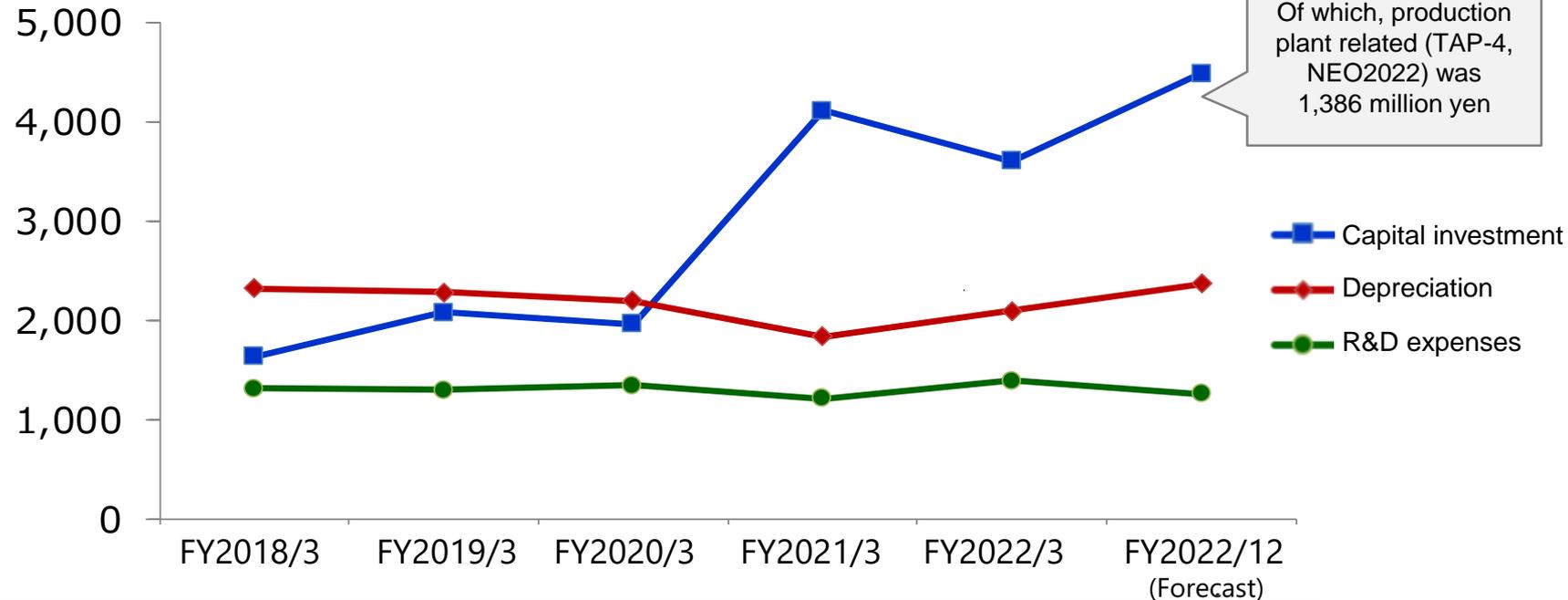


Note : Revisions to the consolidated earnings forecasts most recently announced : No

*Due to change in fiscal year-end, the fiscal year will be a transitional period of nine months from April 1,2022 to December 31,2022. Q3 is the end of this fiscal year.

II – 2. Capital investment, Depreciation, R&D expense (Consolidated)

(Millions of yen)



	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2022/12 (Forecast)
Capital investment	1,628	2,073	1,961	4,106	3,599	4,477
Depreciation	2,318	2,281	2,189	1,835	2,090	2,368
R&D expenses	1,310	1,295	1,338	1,207	1,392	1,259

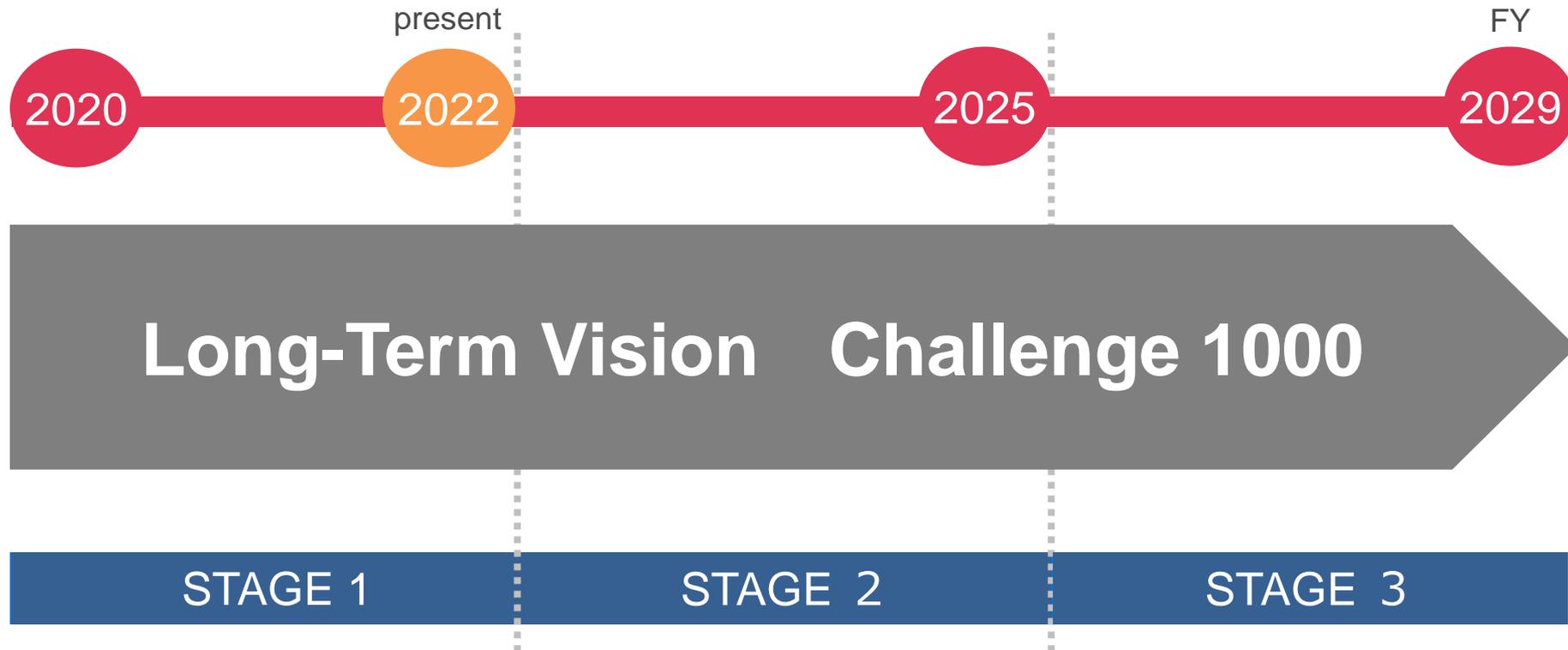
III. Long-term Vision

Challenge 1000

“STAGE 1”

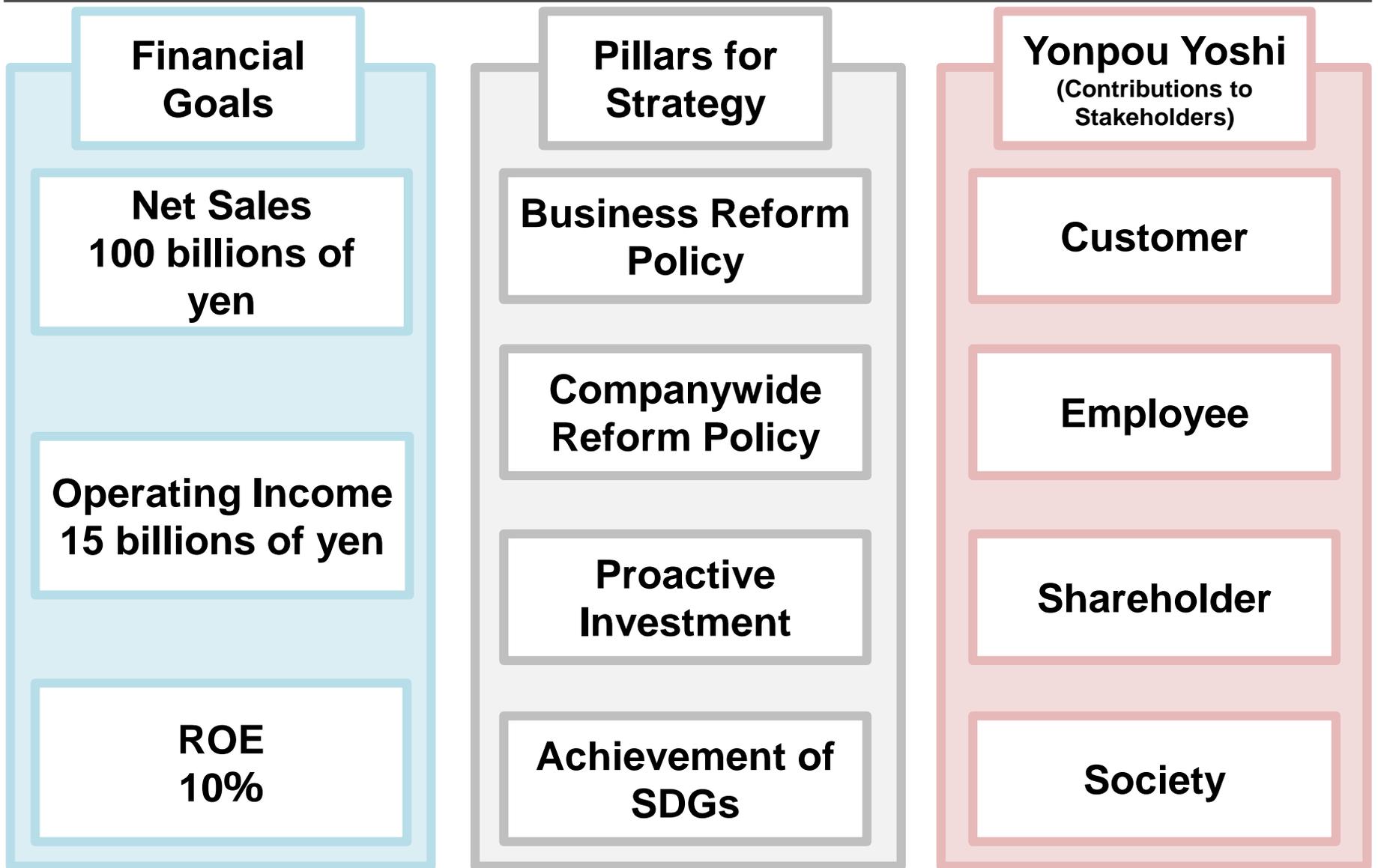
Progress Status

Ⅲ – 1. Outline of Challenge 1000 ①



With its corporate philosophy “Dokusouryoku (creativity)”, the Group established its long-term vision “Challenge 1000” to become a company that makes a proposal one step ahead with Dokusouryoku (creativity) by 2030.

Ⅲ – 2. Outline of Challenge 1000 ②



III – 3. Financial goals

Implementing various measures in line with the strategic pillars to achieve the goals set at each STAGE

(Billions of yen)

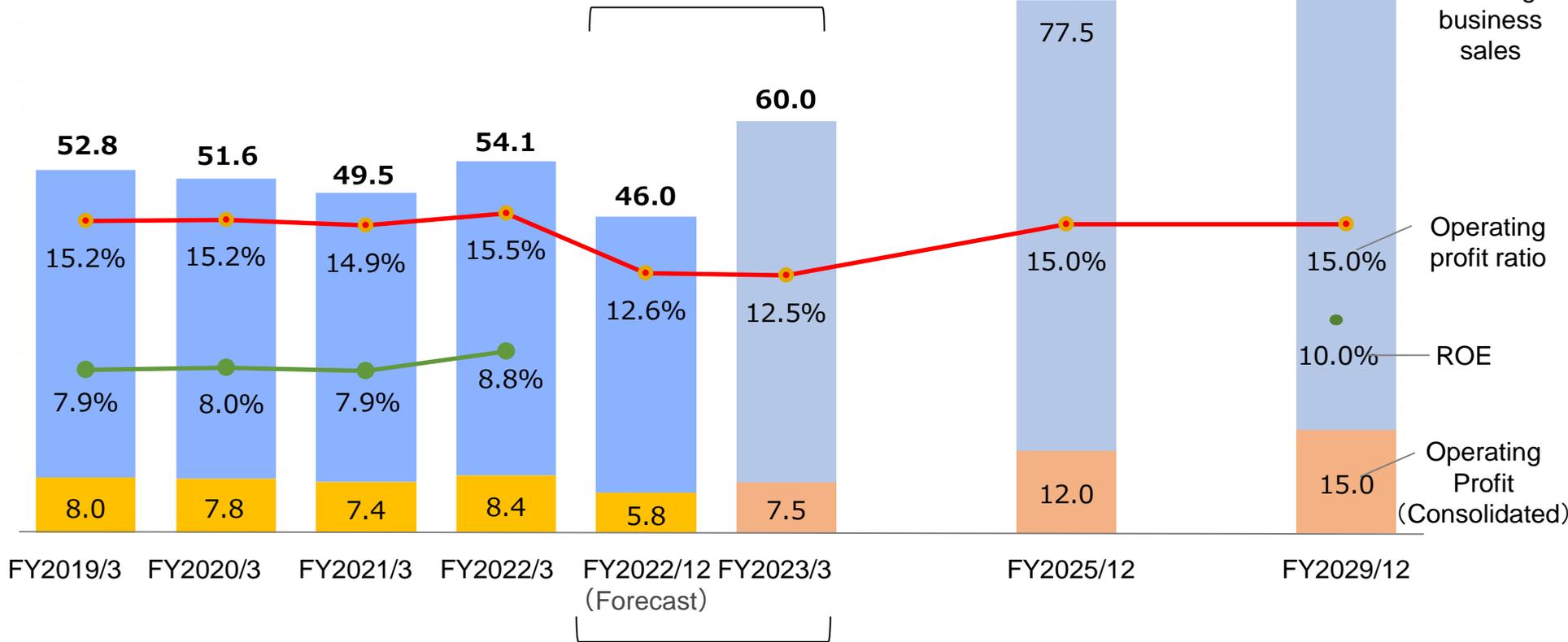
100.0 (Consolidated)
Net sales

5.0 New business sales
95.0 Existing business sales

15.0% Operating profit ratio

10.0% ROE

15.0 Operating Profit (Consolidated)



Ⅲ – 4. Progress Summary (From FY2022/3 onward)

Financial Targets

- ◆ Net sales for FY2022/12 are expected to exceed the previous year on a 9-month comparison basis.
- FY2022 is the final year of “STAGE 1.” For the 2nd quarter, net sales and profits hit a record high. Net sales are expected to increase from the previous year (on a 9-month comparison basis).

Investment Business

- ◆ Capital investment in production as planned
- Investment in production facilities for fine chemicals (TAP-4) and chlorinated isocyanurates (NEO 2022) was implemented as planned.
- In June 2022, the Group announced its plan to enhance production facilities for insoluble sulfur and chlorinated isocyanurates (For details, please see pages 19 and 20).

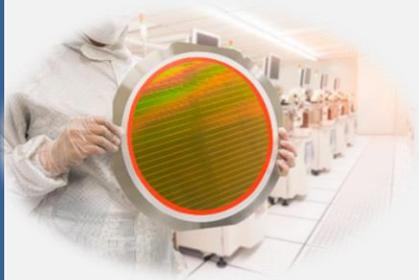
Yonpou-yoshi (Contributions to Stakeholders)

- ◆ Activities to contribute to each stakeholder
- Shareholders: Executed share buyback.
- Society: Installed a solar power generation system at Marugame Plant.
In-kind support to “Parklet” for the Setouchi Triennale 2022
Signed “Collaboration Agreement on Nigiwai (lively) Community Building” with Marugame City.



Parklet

Ⅲ – 5. Pillar for Strategy (Proactive Investment) Fine Chemicals, Inorganic Chemicals



Semiconductor silicon wafers

Established new fine chemicals production facilities (TAP-4)

Schedule:	Started operation in July 2021.
Construction site:	Kitajima location, Tokushima Plant.
Investment:	2.5 billion yen.
Special features:	Multi-plant capable of handling prototyping to mass production. Owning facilities, manufacturing technologies, and using analytical technologies capable of controlling foreign materials and metals at a low ppt (parts per trillion) level. Used in the semiconductor field to realize IoT technology
Sales target:	2 billion yen by 2030 in the semiconductor process materials field.



Insoluble Sulfur

To establish new production facilities for insoluble sulfur

Schedule:	To start operation in December 2024 (planned).
Construction site:	Marugame Plant.
Investment:	4.5 billion yen.
Production capacity:	1.2 times the current level.
Purpose of investment:	Promotion of efforts to improve the quality of insoluble sulfur, one of the raw materials of high-function tires that show increasing demand. Develop production technologies and establish a mass production framework for sales expansion.

Ⅲ – 6. Pillar for Strategy (Proactive Investment) Organic Chemicals



NEO2022(Tokushima Plant)

Established new production facilities for chlorinated isocyanurates (NEO2022)

Schedule:	Started operation in July 2022.
Construction site:	Newly established at Kitajima location, Tokushima Plant.
Investment:	5 billion yen.
Purpose of investment:	Increase production efficiency and stable supply to customers.



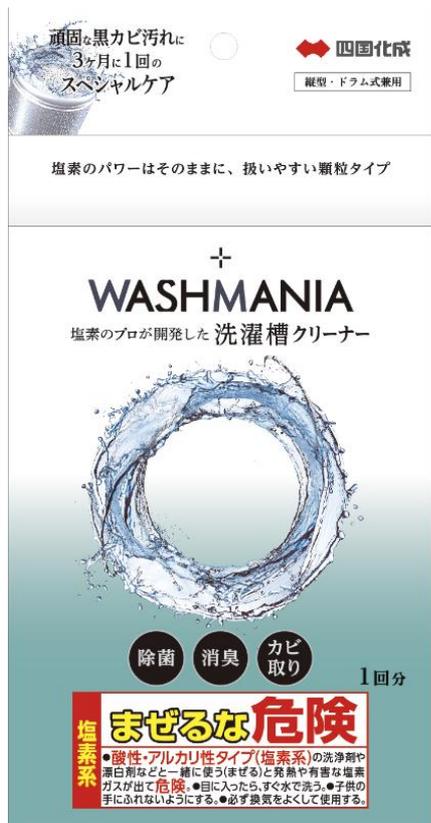
Chlorinated Isocyanurates

To increase production capacity of chlorinated isocyanurates

Schedule:	To start operation around October 2023 (planned).
Construction site:	Kitajima location, Tokushima Plant (Renovating the old plant).
Investment:	1.6 billion yen.
Production capacity:	1.6 times together with “NEO2022” before the start of operation of the facilities.
Purpose of investment:	Response to further expansion of demand for chlorinated isocyanurates. => Expansion of bacteria elimination and cleaning demand due to increasing home hygiene awareness. Provision of improved water hygiene environment to the world.

III – 7. Business Reform Policy (Organic Chemicals)

Released washing tub cleaner, "WASHMANIA"



Product website (in Japanese)

Expand the business domains, including downstream portions, under the vision of “Delivering cleanliness to people across the globe by protecting the environment and ensuring sanitation.”

III – 8. Pillar for Strategy (Achievement of SDGs)

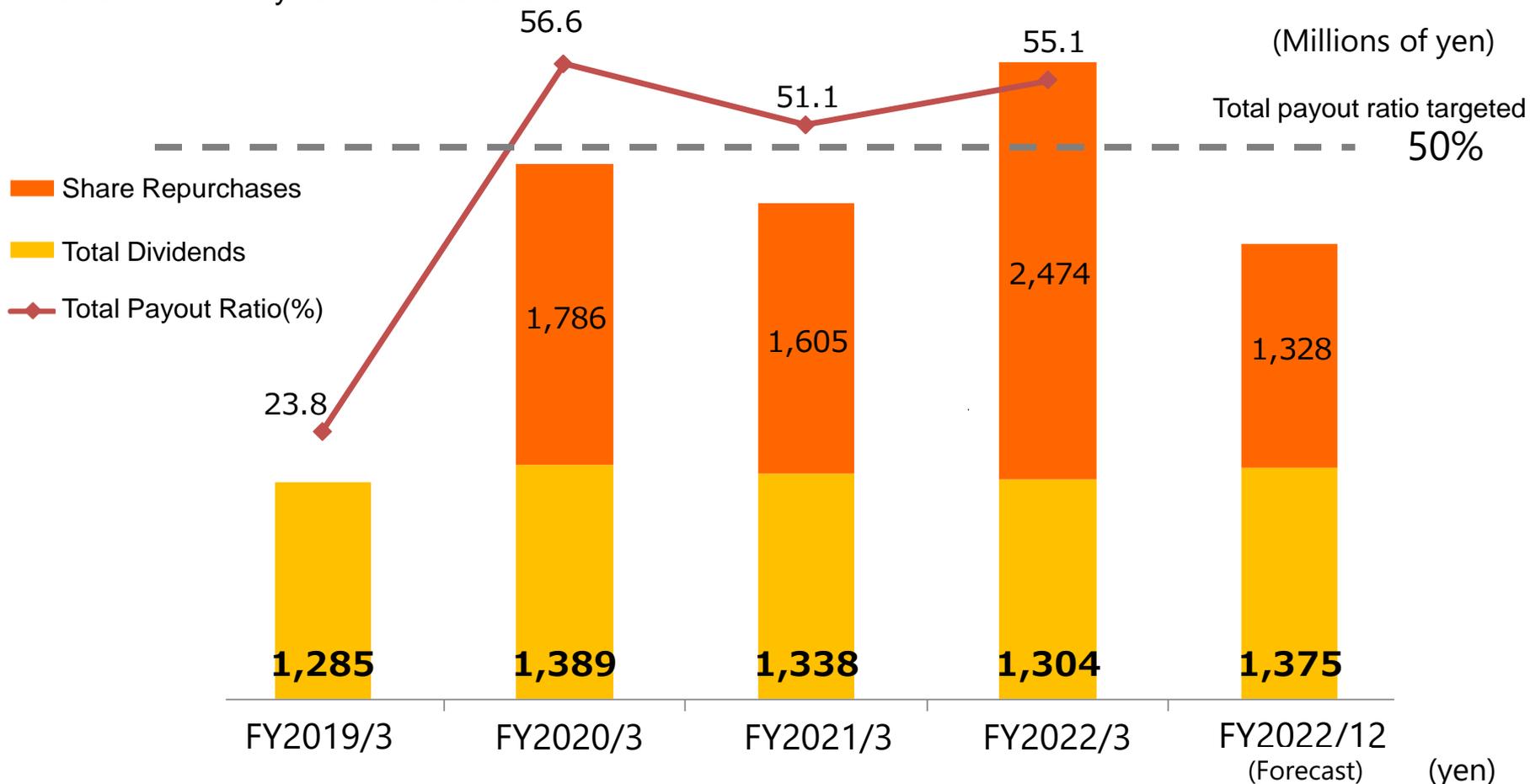
◆ Materiality themes: Identify and address high-priority issues for stakeholders and the Group.

Materiality	Initiatives	Target value at the end of 2025
<p>Creating a workplace where employees can work with enthusiasm</p> 	<ul style="list-style-type: none"> • Promotion of work-life balance • Action for flexible and diverse work styles • Promotion of mental and physical health of employees • Recruitment and performance of diverse human resources • Effective measures to eliminate harassment 	<ul style="list-style-type: none"> • High engagement ratio from the employee survey: Measurement and operation • Percentage of persons with high stress by stress check: 8% or less • Annual paid leave acquisition rate: 70%/person or higher • Certified as a Health and Productivity Management Outstanding Corporation • Ratio of female managers: 5% or more • Employment ratio of people with disabilities: 2.3% or more
<p>Pursue safe operations, environmental preservation, and stable quality</p>      	<ul style="list-style-type: none"> • Foster a culture of safety • Facilitate the transition to a decarbonized society • Capital investments in safety/environment/quality • Promote responsible care activities • Strengthen compliance and risk management • Establish a sustainable supply chain 	<ul style="list-style-type: none"> • Lost time accident: 0 case/FY • GHG emissions: Decreased 30%, compared to FY2013 • Ratio of renewable energy use: 10% or more • Incidence of critical environmental and quality problems: 0 cases • Reduction in water consumption (chemical production volume unit at three chemical plants): 3% reduction compared to FY2020 • Requesting new business partners to comply with CSR: 100%
<p>Taking on challenges of new business opportunities</p>     	<ul style="list-style-type: none"> • Creation of products and services to solve social issues • Promotion of open innovation • Create a culture, develop human resources, and design systems to address challenges 	<ul style="list-style-type: none"> • Sales from new sustainable products and services and the development of new businesses outside the framework of existing businesses: JPY 2.5 billion • Improvement of new business unit structure: Establishment of a basic operation system • Sales of existing businesses: JPY 77 billion

III – 9. Shareholders Return–Transitions in Dividend Payouts–

Share buyback of 1,328 million yen in September 2022.

The annual dividend per share is expected to increase by 2 yen to 26 yen as the commemorative dividend for the 75th anniversary of the foundation.

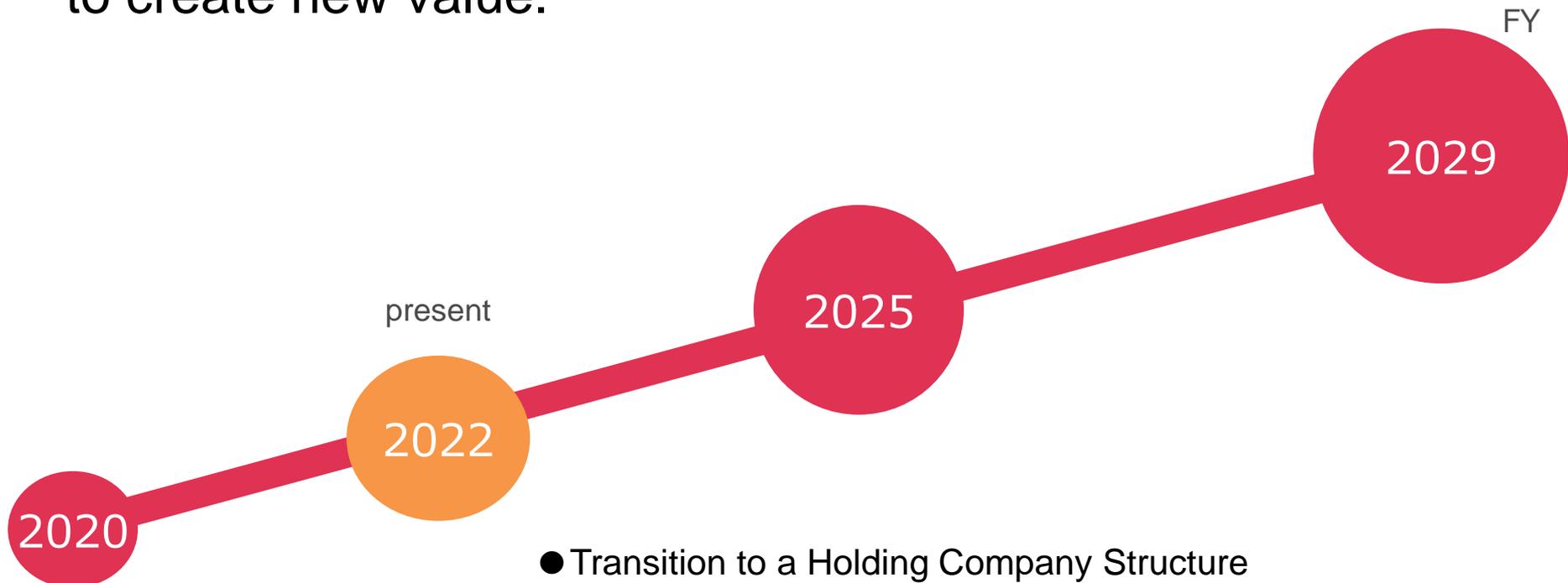


	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2022/12 (Forecast)
Dividends per share (annual)	22.0	24.0	24.0	24.0	26.0 (Forecast)

IV. New Organizational Structure

IV – 2. Transition to a Holding Company Structure-2

With the awareness of "management in which all employees participate," the Group will work together to create new value.



STAGE 1

STAGE 2

STAGE 3



**Thank you
for your attention!**

V. References



Financial Data

V – 1. Consolidated Balance Sheets

(Millions of yen)

	Mar.31, 2022	Sep.30,2022	Increase of amount	
Current assets	67,668	68,111	443	securities(+800)
Non-current assets	46,137	46,356	218	machinery, equipment and vehicles(+2,282) investment securities(▲1,585) construction in progress(▲1,298)
Total assets	113,805	114,467	661	
Current liabilities	19,109	18,919	▲ 189	notes and accounts payable - trade(▲1,260) electronically recorded obligations - facilities(+1,283)
non-current liabilities	13,788	13,534	▲ 253	
Total liabilities	32,897	32,453	▲ 443	
Total net assets	80,908	82,013	1,105	retained earnings(+1,722) valuation difference on available-for-sale securities(▲876)
Total liabilities and net assets	113,805	114,467	661	
Capital-to-asset ratio	70.3%	70.9%	0.6%	
ROE	8.8%	9.2%	0.4%	

V – 2. Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2022/3	1H* FY2022/12
Net cash provided by (used in) operating activities	2,275	3,386
Net cash provided by (used in) investing activities	(626)	(1,488)
Net cash provided by (used in) financing activities	(1,928)	(1,937)
Net increase (decrease) in cash and cash equivalents	(230)	617
Cash and cash equivalents at end of period	36,977	36,373
Flee cash flow = CF from operating activities - CF from investing activities	1,649	1,898

*1H (Apr.-Sep.)

◆ **Cash flows provided by operating activities totaled ¥3,386 million.**

Major sources of revenue : Profit before income taxes of ¥5,149 million and depreciation of ¥1,288 million
Major expenditure factors : Income taxes paid of ¥1,881 and decrease in trade payables of 1,481 million

◆ **Cash flows used in investing activities totaled ¥1,488 million.**

Major expenditure factors : Purchase of property, plant and equipment of ¥1,224 million

◆ **Cash flows used in financing activities totaled ¥1,937 million.**

Major expenditure factors : Purchase of treasury shares of ¥1,328 million



Corporate Profile

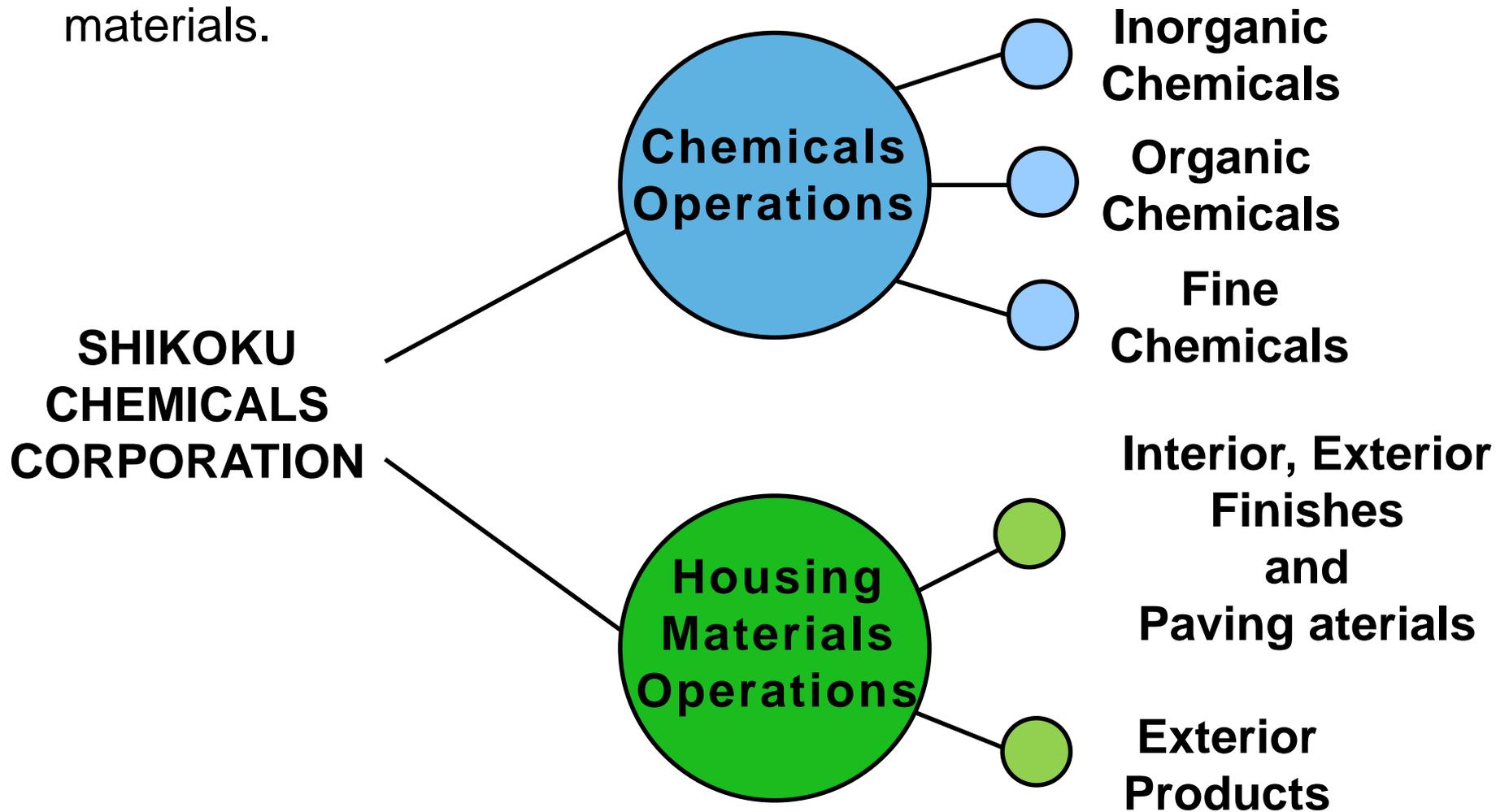
V – 3. Corporate Profile

(As of September 30, 2022)

■ Company name	SHIKOKU CHEMICALS CORPORATION	
■ Code number	4099	Industry : Chemicals
■ Stock exchange listing	Tokyo	
■ Incorporated	October 10, 1947	
■ Head office	Marugame, Kagawa Prefecture	
■ President and C.E.O.	Naoto Tanaka	
■ Capital	6,867 million yen	
■ Number of employees	1,227 (Consolidated)	
■ Net sales	54,137 million yen (Consolidated FY2022/3)	

V - 4 . Business Structure

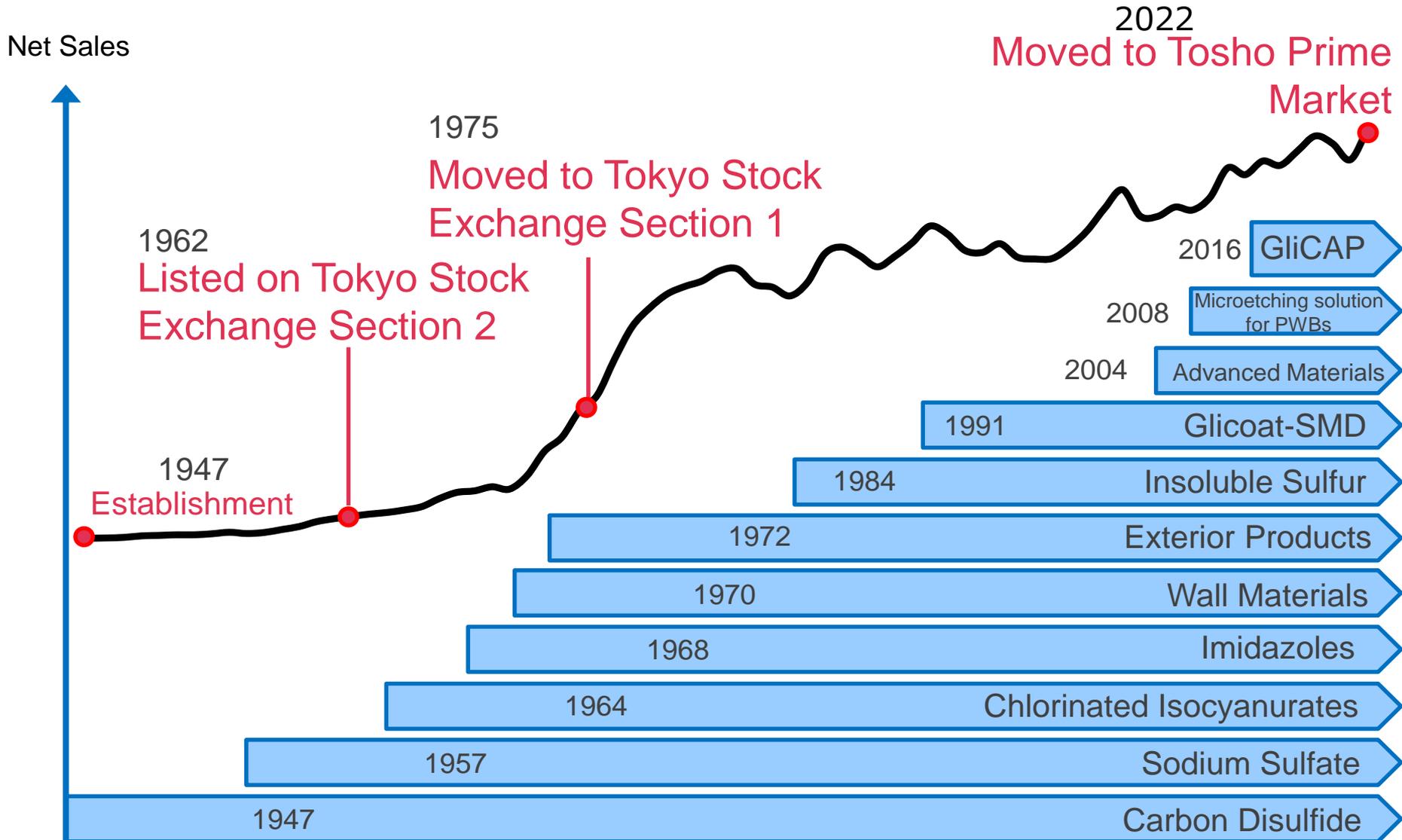
- Two main business pillars, which are chemical products and housing materials.



V – 5 . History

Oct 1947	Established in Marugame, Kagawa Prefecture with a capital of 2 million yen as a producer of carbon disulfide (=> inorganic chemical products)
Oct 1957	No. 1 Tokushima Plant (now Tokushima Plant's Yoshinari location) was constructed and began operations in the production of sodium sulfate (=> inorganic chemical products)
Jun 1962	No. 2 Tokushima Plant (now Tokushima Plant's Kitajima location) was constructed
Oct 1962	The Company's shares were listed on the Second Section of the Tokyo Stock Exchange
May 1964	Japan's first operations to produce chlorinated isocyanurates (=> organic chemical products) were launched at No. 2 Tokushima Plant
Dec 1969	The Company began production of OSP (Organic Solderability Preservative) (which was later called Gliccoat-SMD (=> Fine Chemicals) for PWBs (Printed Wired Board) and other electronic components
Sep 1970	The Company began production in the field of housing materials, launching production of interior finishes (JULUX) at No. 2 Tokushima Plant
Jun 1972	The Company began production and sales of accordion gates (=> Exterior Products)
Mar 1975	The Company moves its share listings from the Second to First Sections of the Tokyo Stock Exchange and Osaka Securities Exchange
Jul 1975	Tadotsu Plant was constructed in Tadotsu, Kagawa Prefecture
Nov 1975	Full-scale production of imidazole (=> Fine Chemicals) began at No. 2 Tokushima Plant (test production began in 1968)
Jun 1981	The Company opened a representative office in Los Angeles (which later became an overseas subsidiary as SIC in 1985)
Jul 1984	Production of insoluble sulfurs (=> Inorganic Chemicals) began at Marugame Plant
Sep 1992	The Research Center (now R&D Center) was constructed in Utazu, Kagawa Prefecture
Oct 1995	Ranzan Plant was constructed in Ranzan, Saitama Prefecture
Jul 2006	Shikoku (Shanghai) Co., Ltd. was established in Shanghai
2008	The Company began sales of a roughening agent for PWBs (=> Fine Chemicals), and constructed a new plant for Gliccoat-SMD at Marugame Plant
Aug 2013	Tokushima Advanced Chemicals Plant-3 (TAP-3) facility was constructed at Tokushima Plant
Sep 2014	Converted Nippon Ryutan Kogyo Co., Ltd., the only carbon disulfide production company in Japan, into a consolidated subsidiary
Apr 2015	Offices were established in Taiwan and Singapore
Apr 2017	Converted Nippon Koki Co., Ltd. into a subsidiary
Jul 2021	Tokushima Advanced Chemicals Plant-4 (TAP-4) facility was constructed at Tokushima Plant
Apr 2022	Moved to the prime market following the TSE's market reclassification
Apr 2022	New chlorinated isocyanurates production facilities (NEO2022) constructed at Tokushima Plant

V - 6 . History and Sales Trends





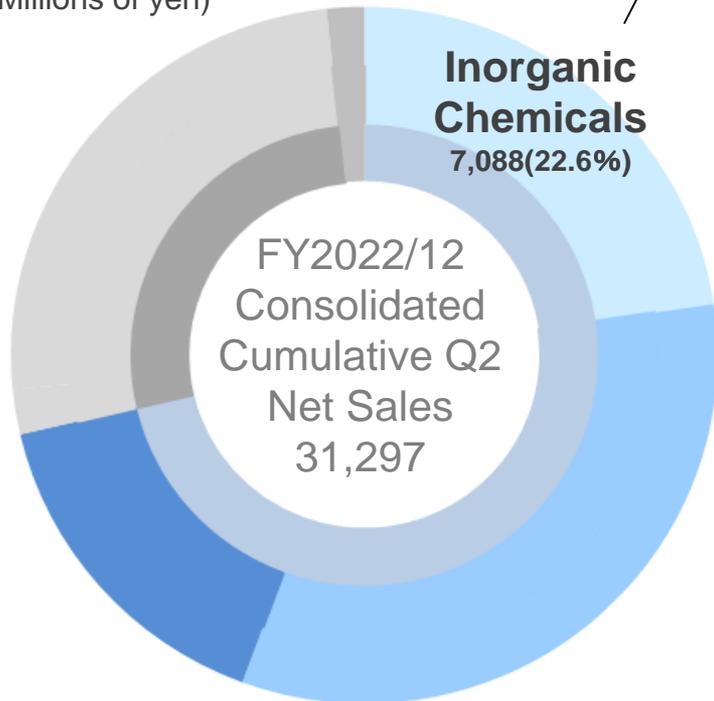
Chemicals Operations

Chemicals Operations

① Inorganic Chemicals

V - 7 . Inorganic Chemicals

(Millions of yen)



[Major products]

- Carbon Disulfide ...Essential materials for chemical fiber rayon
- **Insoluble Sulfur** ...**Rubber vulcanization agent**
- Sodium Sulfate ...Warm bath effect accelerator for bath additives
Synthetic detergent cleaning aid



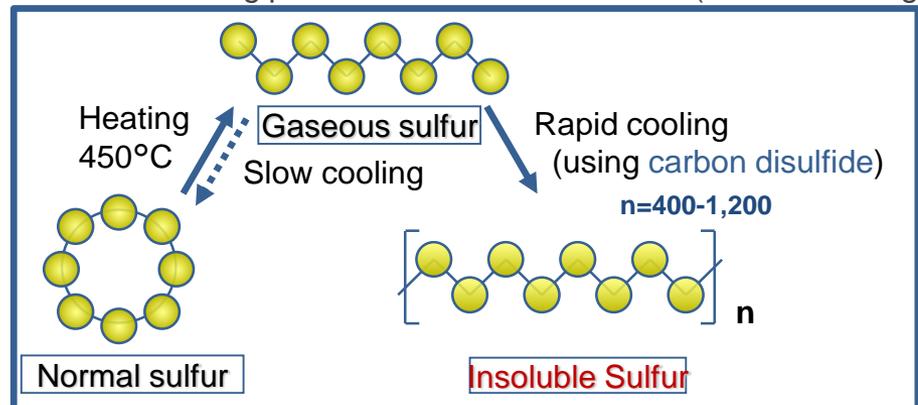
V – 8 . Insoluble Sulfur-Product Introduction-

- Application: Vulcanizing agent for rubber
- Main customers: Domestic and overseas tire manufacturers
- The raw material rubber is hard, and it acquires the characteristic to extend and contract by adding sulfur and heating (vulcanizing).
- When normal sulfur is used in the production process of radial tires, sulfur blooming (deposition) occurs on the surface of rubber and cause poor adhesion of rubber. Since insoluble sulfur is dispersed in the material rubber, it can be used to suppress blooming.
- For production of insoluble sulfur, polished handling technique for the company foundation product “carbon disulfide” is required.
- High quality is demanded in insoluble sulfur by tire manufacturers.
- In March 2017, production facility expansion was completed, and our production capacity was increased to 1.3 times.

■ Insoluble Sulfur



■ Manufacturing processes for insoluble sulfur (schematic diagram)

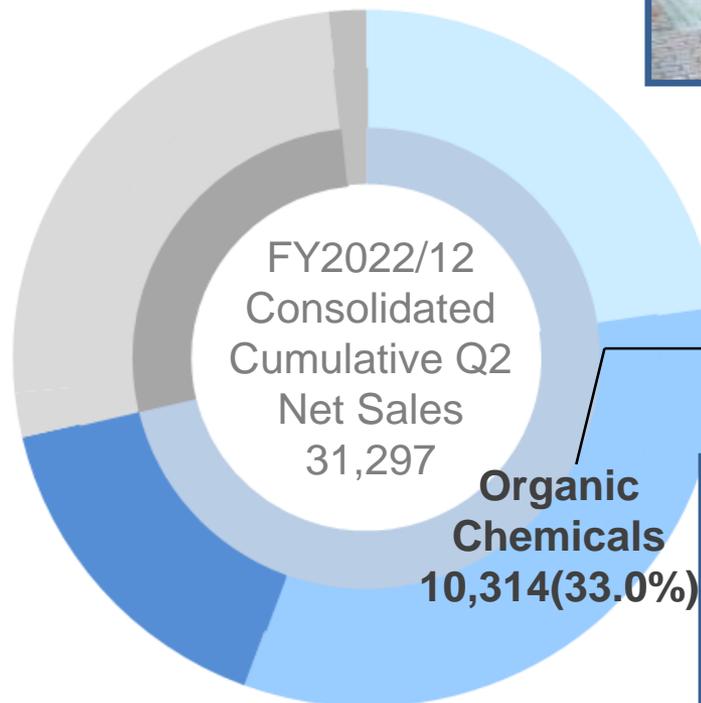


Chemicals Operations

②Organic Chemicals

V - 9 . Organic Chemicals

(Millions of yen)



[Major products]

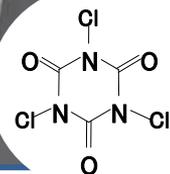
- Chlorinated Isocyanurates (NEO-CHLOR) ... for swimming pool and septic tank disinfectants
- HIPOLKA ... Wastewater/sludge treatment agent



V – 10. Chlorinated Isocyanurates-Product Introduction-

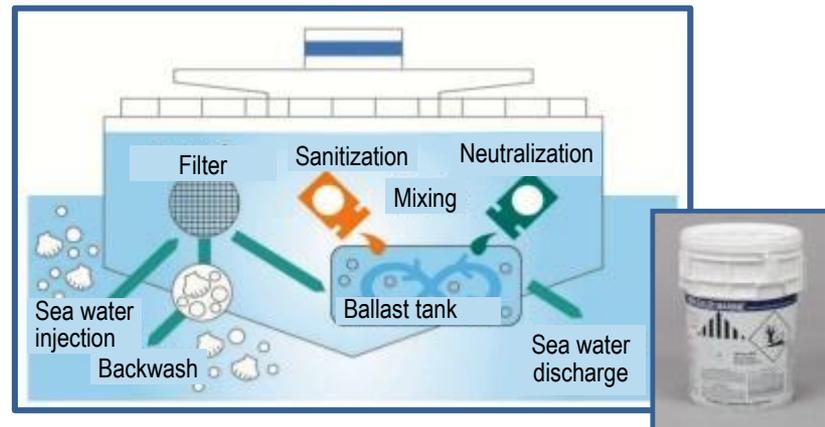
- Applications: Sanitizing agent for swimming pools and septic tanks, chlorine-based sanitizing agent for spas and home baths
- Main customers: Swimming pool operators, schools, general consumers (U.S.)
- Main component: Chlorinated Isocyanurates
- Compared to other disinfectant agents for swimming pools, “NEO-CHLOR” is characterized by longer duration in outdoor pools and little quality deterioration even after a long period of storage, as it undergoes little degradation caused by ultraviolet rays.
- It delivers strengths in “NAPIX,” an automatic chlorine feeder for swimming pools and business baths.
- Utilizing the strong oxidation, bleaching, and cleaning power of chlorine, we are developing various fields of application such as industrial and home sanitary field, ballast water (seawater used as weight on the bottom of the ship) treatment, drinking water application, and sanitation management applications in various facilities.

■ NEO-CHLOR product group



Chlorinated Isocyanurates

■ Image of ballast water sanitization



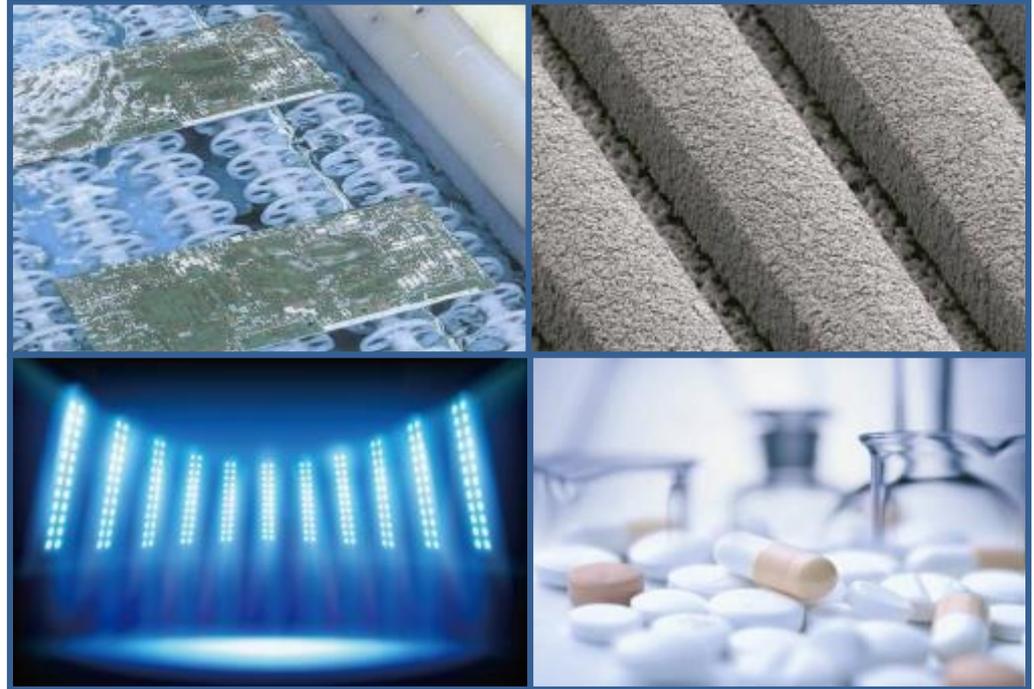
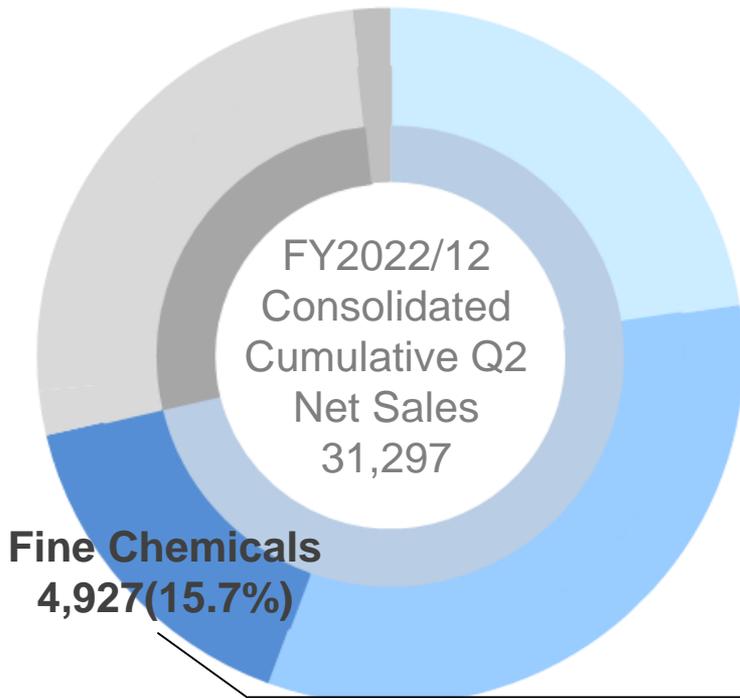
「NEO-CHLOR MARINE」

Chemicals Operations

③ Fine Chemicals

V - 1 1. Fine Chemicals

(Millions of yen)



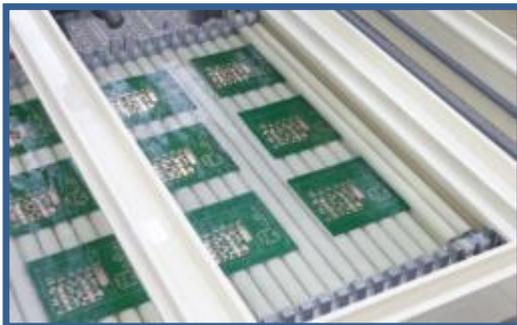
[Major products]

- **Gliccoat-SMD...** Water-soluble rust preventive agent for printed wiring boards (OSP)
- **Advanced & Specialty Chemicals...**
Imidazoles (curing agent of epoxy resin)
Resin modifier, raw material for drug
- **THEIC** ... Raw material for heat-resistant wire varnish
- **Solder resist**

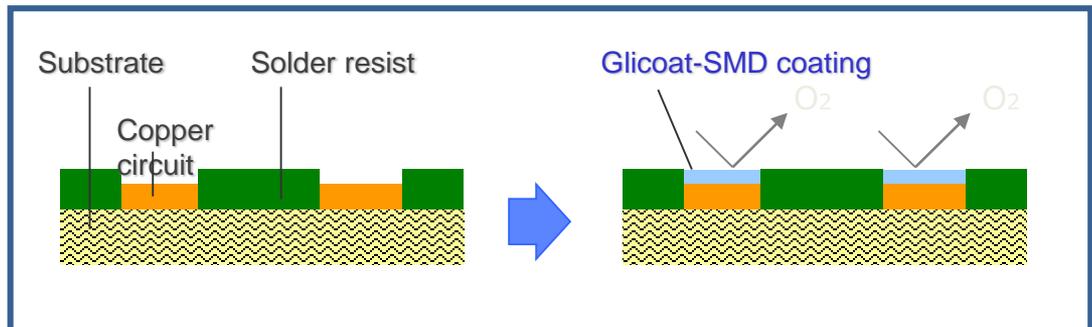
V – 1 2. OSP: Organic Solderability Preservative-Product Introduction-

- Application: Water-soluble rust preventive agent for printed wiring boards
OSP: Organic Solderability Preservative]
- Main customers: [Printed wiring board](#) manufacturers all over the world
- By forming an organic coating on the copper circuit of the printed wiring board to prevent oxidation of the exposed copper circuit, it ensures good soldering performance in the implementation process, and contributes to reliable electronic component manufacture.
- The main component of OSP is imidazole, which has a property to selectively undergo chemical reaction with copper. Our strength is that we are also an imidazole manufacturer and can synthesize the main ingredient to suit the required properties of OSP.
- While rust preventive agents for printed circuit boards include metal plating in addition to OSP, the percentage of OSP is still increasing.
- Gliccoat-SMD has acquired a lot of material designations from major electrical manufacturers, and has become an industry standard.
By increasing the environmental performance ahead of other companies, we are increasing the adoption results for [automotive electrical components](#) and [semiconductor package boards](#).

■ Printed wiring boards going through Gliccoat-SMD treatment tank



■ Treatment with Gliccoat-SMD (schematic diagram)



V – 1 3. Advanced & Specialty Chemicals-Imidazoles

- Application: Curing agent and curing accelerator for epoxy resin*, raw material for drugs
- Main customers: Resin material manufacturers and drug manufacturers
- Imidazole is used in a wide range of applications, including curing agent for epoxy resin and urethane resin, raw material of **drugs and agricultural chemicals**, and raw material of various industrial chemicals such as **rust preventive agents**.
- The majority of our company sales come from application as an epoxy resin curing agent. Epoxy resin which used imidazole as a component has optimal properties for **electrical and electronic component applications**.
- We have a lineup of various imidazoles to support the diverse curing speeds and properties demanded by the users.
- In the fields where competitive products (non-imidazole products) were strong, there is a movement for customers to newly adopt imidazole to improve the product performance.

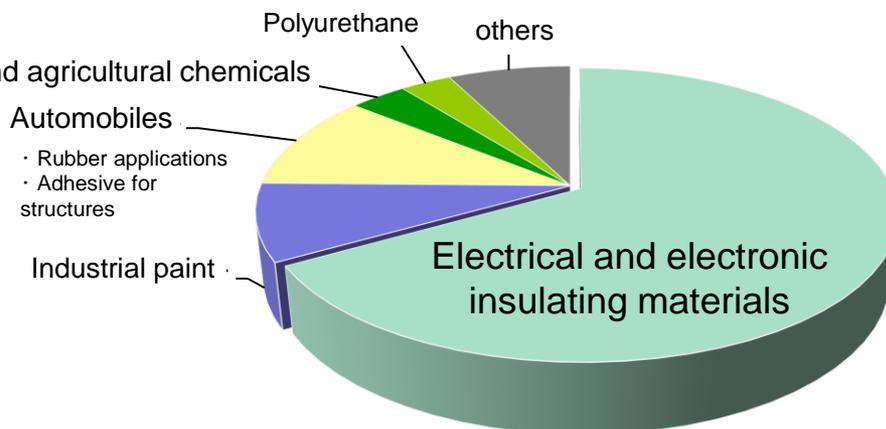
*Epoxy resin: A collective term for resin-like compounds with epoxy groups that readily react at the ends of a molecule, and thermosetting synthetic resins that are formed by polymerizing the compounds with curing agents. Used in printed circuit boards, paints, etc. in addition to adhesives.

■ Electronic part using epoxy resin (example)



Imidazole

■ Applications of imidazoles from our company



V – 1 4. Advanced & Specialty Chemicals-Imidazoles

Engine CPU

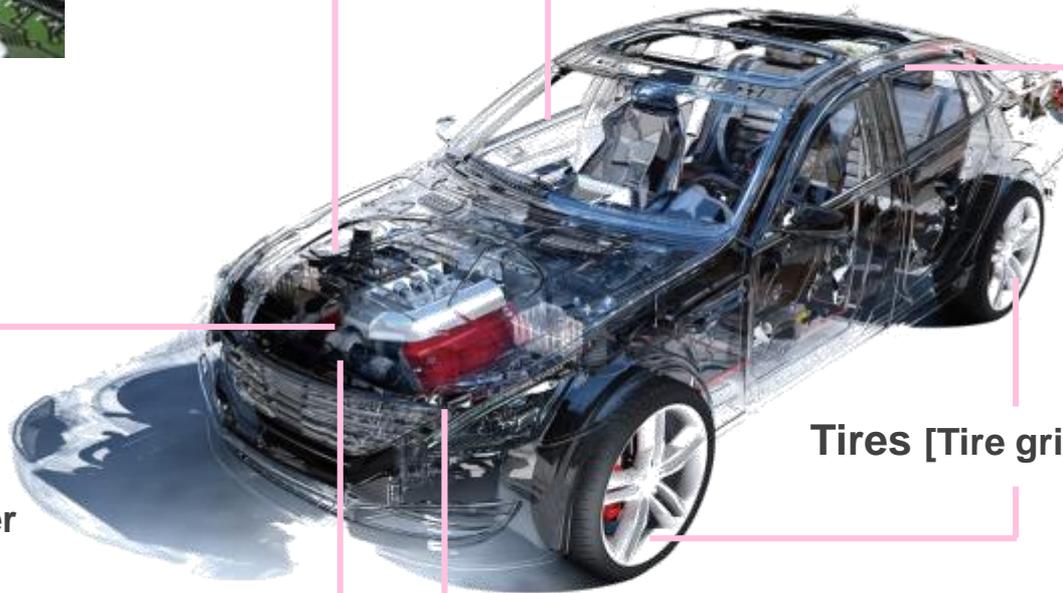
[Laminated plate, sealing agent, solder resist ink]



Engine hood
[CFRP (reinforced carbon fiber)]

Car navigation system

[Liquid crystal sealing material]



Frame structure
[Adhesive for structures]

Tires [Tire grip improving agent]

Electric motor
[Insulating powder paint]



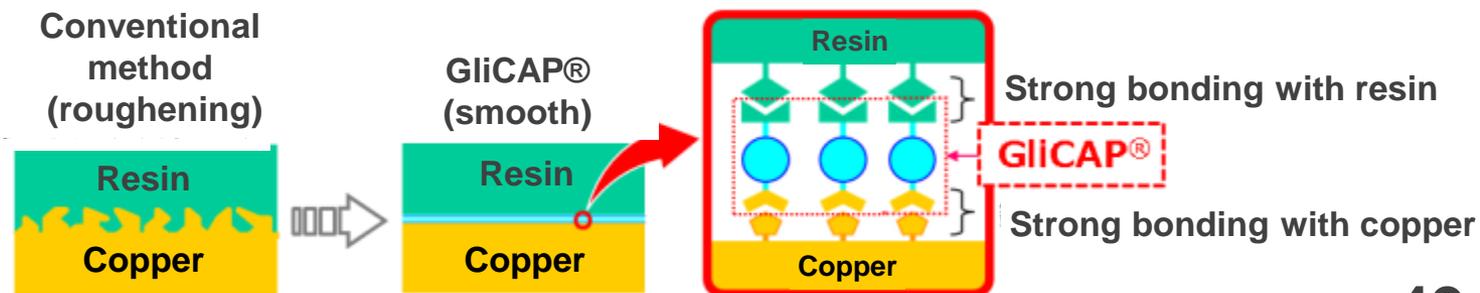
Air hose
[Acrylic rubber agent]



V – 1 5. Focused Products (Printed Wiring Boards Agents)

■ GliCAP®

- Adhesion improving agent between copper circuit and resin on printed wiring boards.
- Conventionally, unevenness was formed on surface by roughening (etching) the copper so that the adhesion to resin was improved by “mechanical bonding” (anchor effect).
- As the performance of semiconductors is improved, it is becoming more difficult to roughen the copper on **package boards** implementing high performance semiconductors, with the copper circuit width decreasing to ultrafine level.
- Copper circuits with smooth surface are required for high-frequency **server boards** for which further acceleration is being demanded to achieve practical application of the 5th generation mobile communication system (5G), since transmission loss is caused by the unevenness of the copper surface in the high-frequency range.
- GliCAP® has both properties to “strongly bind to resin” and “strongly bind to copper,” and can improve the adhesion “chemically” without roughening the copper surface.
- We are including applications other than those in printed circuit boards for GliCAP® in the future.



V – 1 6. Focused Products (Advanced & Specialty Chemicals)

■ Advanced materials

- Advanced materials at our company refer to the products (compounds) that can improve various functions by blending them as materials for electronic parts such as **semiconductors** that are used in **electronic devices**, etc.
- Demands for improvement in the properties of resin materials to be used (heat resistance, electrical properties, etc.) are increasing as electronic devices evolve, and there are increasing opportunities to consider the functional materials of our company.
- The range of examination for the functional materials of our company is quite wide, and examinations are being made even with **carbon fiber reinforced plastics (CFRPs)** that are used as structural materials for automobiles and aircrafts with a purpose to improve heat resistance and strength.
- Using the organic synthesis technology cultivated with imidazole and isocyanuric acid, our company is committed to research and development of new functional material products.

V – 17. Focused Products (Advanced & Specialty Chemicals)

- A new isocyanuric acid derivatives
 - We developed this material by utilizing isocyanuric acid synthesis technology we have accumulated.
 - It has excellent heat resistance, light resistance, and transparency, and is used as a **modifier** for **sealing agent**, etc.
- **New adhesion improver**
 - A **resin modifier** that improves adhesion to inorganic materials such as metals through addition to the resin. Since it delivers adhesion equivalent to the conventional modifiers while having no sulfur content, it can improve the metal corrosivity, which was a problem with the conventional product.
 - We are developing its application in a wide range of resin materials including epoxy system commonly used in electronic parts, acrylic system, urethane system and polyimide system.
- **Benzoxazine**
 - A **resin** with excellent heat resistance, flame resistance and electrical properties.
 - Examination is being made as a semiconductors **sealing agent** and **carbon fiber reinforced plastics (CFRPs)** .

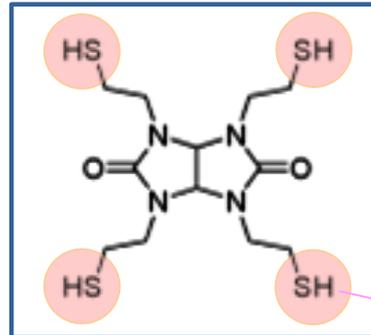
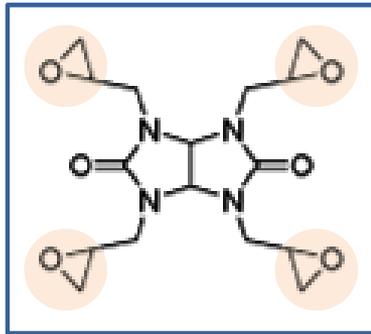
■ Benzoxazine



V – 1 8. Focused Products (Advanced & Specialty Chemicals)

■ Glycoluril derivatives

- A multi-functional resin modifier with transparency and high heat resistance.
- It has 4 functional groups and is expected to form hardened materials with a high crosslinking density.



Thiol group



- Products having a thiol groups (-SH) as a functional group will rapidly cure with epoxy resin at a low temperature. Compared to the conventional modifiers, cured resin has excellent heat resistance, moisture resistance, acid resistance, alkali resistance, and hardness, and it can significantly improve the resistance to heat and moisture, which had been a problem.
- It has been adopted in the field of electronic materials that continue to advance in performance and miniaturization.

V – 19. Focused Products (semiconductor process materials)

■ Semiconductor process materials

- Semiconductor process materials are used to **form circuits for semiconductor silicon wafers**. It becomes more complex due to the creation of ultra-fine circuits, and the difficulty of material synthesis dramatically increases.
- As impurities contained in materials cause failures during circuit formation, metal impurities, are especially required for strict control at the **ppt (parts per trillion)** level. The Company established a new plant (**TAP-4**) capable of producing this quality (started operation in July 2021).
- The evaluation speed of semiconductor materials is very fast, and the rapid construction of the compound synthesis route is required. Based on our original organic synthesis technology, the Company has created a manufacturing method that consists of a multi-step synthetic route to synthesize compounds with complex structures and a purification process that realizes the metal control at the ppt level, which allow us to provide new materials to customers promptly.
- Semiconductors using our products are used in electronic devices worldwide, such as state-of-the-art smartphones, PCs, and automobiles.
- We aim for sales of 2 billion yen by 2030 in this field.





Housing Materials Operations

Housing Materials Operations

④ Interior, Exterior Finishes and Paving Materials

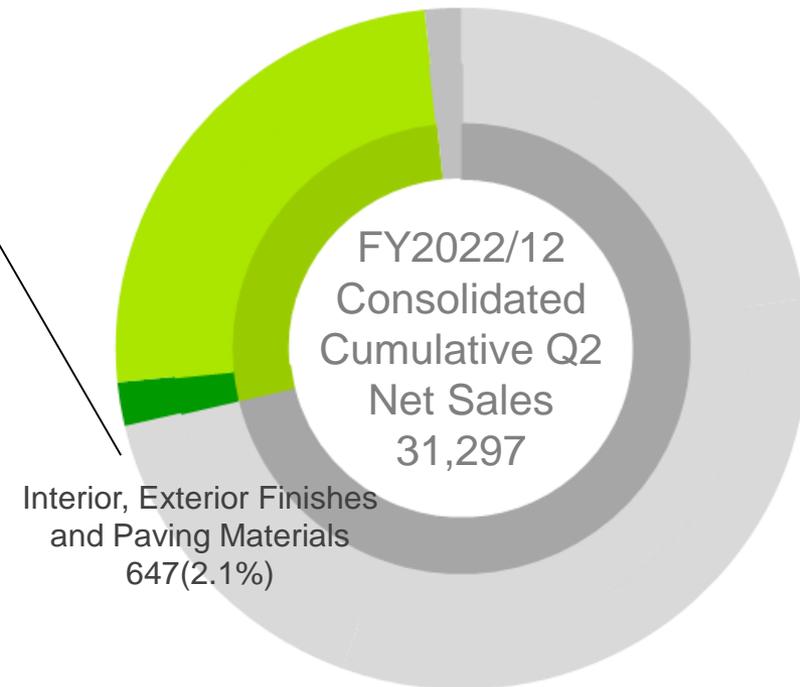
V – 2 0. Interior, Exterior Finishes and Paving Materials

[Major products]



- Interior materials (silicate walls, natural material walls)
Plastered wall materials with moisture control function and harmful chemical substance and daily odor adsorption/decomposition function
- Exterior materials
Wet exterior material for housing
- Paving materials
Natural stone paving materials, recycled glass paving materials
Rubber chip paving materials

(Millions of yen)

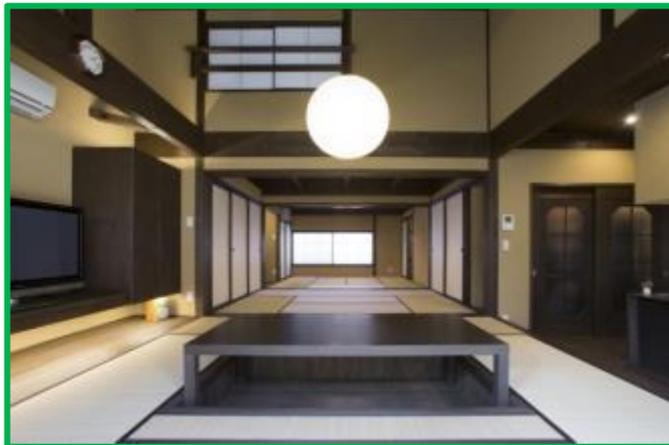


V – 2 1. Interior, Exterior Finishes and Paving Materials

□ Interior materials

- The business started with "JULUX," the first industrial product for plastered wall material in Japan, which was developed for in-house chemical glue CMC application.
- It is difficult to handle Juraku wall, traditional Japanese wall, but with our wall materials, uniform quality can be maintained only by mixing a specified amount of water. Our plastered wall material is freshly drawing attention because of its property of high adsorption of chemicals that cause sick building syndrome such as formaldehyde as well as odor.
- We are deploying the products characterized by high designability to our target market of commercial and public space design and custom-designed houses. Colors and expressions are brought to a space by three-dimensional and various patterns that can be only achieved with thick coating.

■ Interior materials



V – 2 2. Interior, Exterior Finishes and Paving Materials

□ Exterior and paving materials

- We also expand our business to “exterior” to cover the outside of buildings and exterior parts, and “paving” to cover the surfaces of roads and approaches.
- Our exterior materials come in wide variations including colors and can create subtle expressions as they are finished manually to the texture of the surface. As paving materials, we offer materials such as natural stone, natural sand, and rubber chips.
- For exterior materials and paving materials, we create synergistic effects by making use of our sales channels for exterior products.

■ Paving materials



Housing Materials operations

⑤ Exterior Products

V – 2 3. Exterior Products

[Major products]

Home Exterior Products

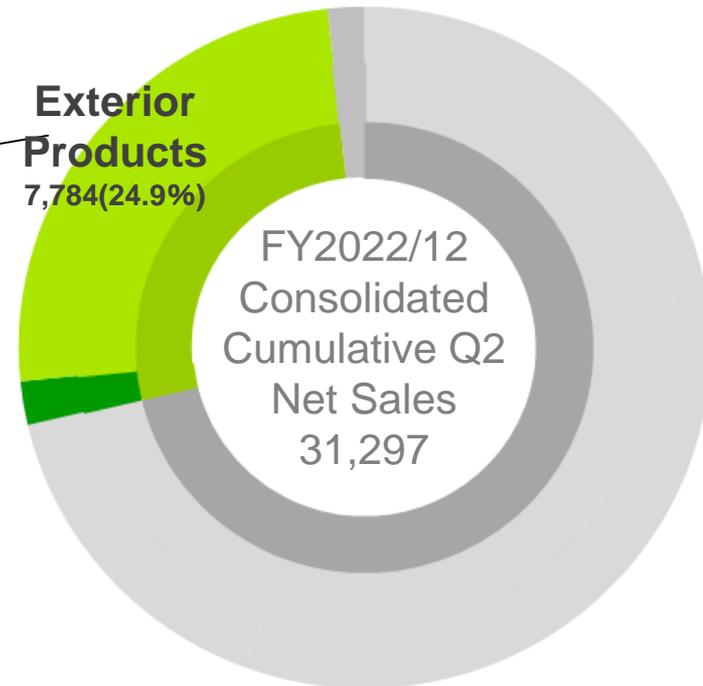
- Gates, fences, carports, and decks
- Accordion gates
(expansion type gates)
- Art Wall
(aluminum system fence)

First product
in industry
which was
developed by
our company

Decorative Exterior Products

- Large gates, fences, pathway shelters,
bicycle parking spaces
- Garbage accumulation storage (first product
in industry which was developed by our
company)
- Green roof, etc.

(Millions of yen)



V – 2 4. Home Exterior Products

- In 1971, when the motorization was rapidly progressing, we devised an “**accordion gate**,” which can be easily opened and closed with an expansion mechanism, and which can respond to the residential situation with limited space in Japan, and it became the standard for gates in front of the car shed.
- Since then, we have continued to add to the product lineup for general gates, car sheds (car ports), fences, deck materials, terraces, etc.
- We also devote our efforts in design, in addition to our focus on functions, and won the first “G mark” (current Good Design Award) in the exterior industry in 1984.
- ‘Fun roof,’ our terrace roof with a sample design which harmonizes to the house using flat, wood-like ceiling materials received the 2019 Good Design Award.

■ Terrace



■ Carport



■ Accordion gate



V – 2 5. Decorative Exterior Products

■ Pathway shelter



■ Bicycle parking space



■ High strength car stops



■ Garbage accumulation storage



V – 2 6 . Efforts in Housing Materials Business

- We are adding to the lineup of high-strength exterior products that are resistant to wind and snow and promoting sales expansion, based on the fact that large-scale disasters such as typhoons have been recently happening one after another over the country.
- We deploy the strength standards and quality cultivated in the decorative area to all products and are developing products with high quality and strength.
- As parts of the lineup of high-strength products, we have commercialized fences for detached houses, and independent terraces in addition to the large fences, archways, Large fences, and car ports.

■ Fences



■ Shelter



■ Car port



■ Fences



■ Terrace



Long-Term Vision

V – 27. Progress on Business Reform Policy

Next FY2022/12 is the final year of “STAGE 1”.

We will achieve our goals and aim for further growth in “STAGE 2”.

Business Name	Topic	STAGE 1 Target
Inorganic Chemicals	<ul style="list-style-type: none"> Continue efforts to improve the quality of insoluble sulfur Consider commercialization of products developed from sulfur 	Consolidated sales of 14 billion yen (Results in 2022/3: 12.1 billion yen)
Organic Chemicals	<ul style="list-style-type: none"> Enhance production facilities (bulk products, ODM products, etc.) Strengthen sanitary products business 	Consolidated net sales: 10 billion yen (2022/3 results: 13.0 billion yen)
Fine Chemicals	<ul style="list-style-type: none"> Functional materials: Strengthen response to demand for semiconductor process materials. Develop new applications for resin modifiers (low dielectric, CFRP) Gliccoat-SMD: Aim to sell new OSPs that are halogen-free and have long-term storage stability GliAS: Start handling Gliccoat-SMD automatic analyzer. Aim to propose total solutions GliCAP: Approval of activities and achievements 	Consolidated sales of 8 billion yen (2021/3 results: 9.7 billion yen)
Housing Materials	<ul style="list-style-type: none"> Strengthen sales activities with high-intensity products Promote improvement of production efficiency through Smart Factory 	Consolidated net sales: 25 billion yen (2021/3 results: 17.9 billion yen)

V – 2 8. Progress on Companywide Reform Policy

We are working to build a foundation that can accommodate diverse work styles, fostering a sense of self-improvement, and creating a framework for change, and we are generally making progress as planned.

Item	Topic
Creation of values	<ul style="list-style-type: none"> ◆ Enhance brand value (Formulation of SHIKOKU QUALITY) ◆ Strengthen environmental initiatives (Issue CSR report) ◆ Implement measures to create new businesses (Implement internal recruitment)
Creation of reserve energy	<ul style="list-style-type: none"> ◆ Promotion of telework and other initiatives to improve work efficiency <ul style="list-style-type: none"> • Promote telework, which allows employees to work efficiently regardless of their physical location
Creating of operational bases	<ul style="list-style-type: none"> ◆ Consolidation of sales bases <ul style="list-style-type: none"> • Moved interior, exterior finishes and paving materials production base to Yoshinari location of Tokushima Plant
Creation of organization	<ul style="list-style-type: none"> ◆ Start discussion to determine the organizational structure to be pursued <ul style="list-style-type: none"> • Transition to a holding company structure (see page 27 for details)
Creation of company climate	<ul style="list-style-type: none"> ◆ Dissemination of long-term vision and exchange activities to eliminate barriers between divisions <ul style="list-style-type: none"> • Hold workshops, roundtable discussions, and other events
Creation of human resources	<ul style="list-style-type: none"> ◆ Create an environment in which employees can actively tackle challenges (Review the evaluation system, including the introduction of challenge goals with a point system)

V – 29. Business Reform Policy

Chemicals Operations

Continue to develop and advance for the sake of the world

Desired State

Inorganic

Make use of materials which are difficult to handle in a recycling-oriented manner and contribute to technological innovation and environmental preservation around the world

Organic

Deliver cleanliness to people across the globe by protecting the environment and ensuring sanitation

Fine

Contribute to technological advancement by providing highly functional products based on unique technologies

Create global standards with our new technologies

Strategic Scenario

Accumulate sulfur handling and synthesis reaction evaluation technologies

Create new value starting from making use of sulfur and expand the business domain

Anticipate customer needs based on social issues such as the water environment and sanitation and make optimal proposals concerning sterilization and cleaning with our unique technologies and services

Set unique themes by anticipating needs and establish technologies in cooperation with prosperous customers.
Develop highly functional products based on accumulated unique technologies

Set themes with an eye on market trends and develop products drawing on our strengths
Strive to propose comprehensive solutions from the point of view of customers

V – 3 0. Business Reform Policy

Housing
Materials
Operations

Design a new lifestyle in the future and contribute to the community development around the world for everyone's happiness

Housing
Materials

Desired state

Design a new lifestyle in the future and contribute to the community development around the world for everyone's happiness

Process to provide value

Attract and acquire human resources and engineers in Japan and overseas, with original products placing focus on the design and functionality

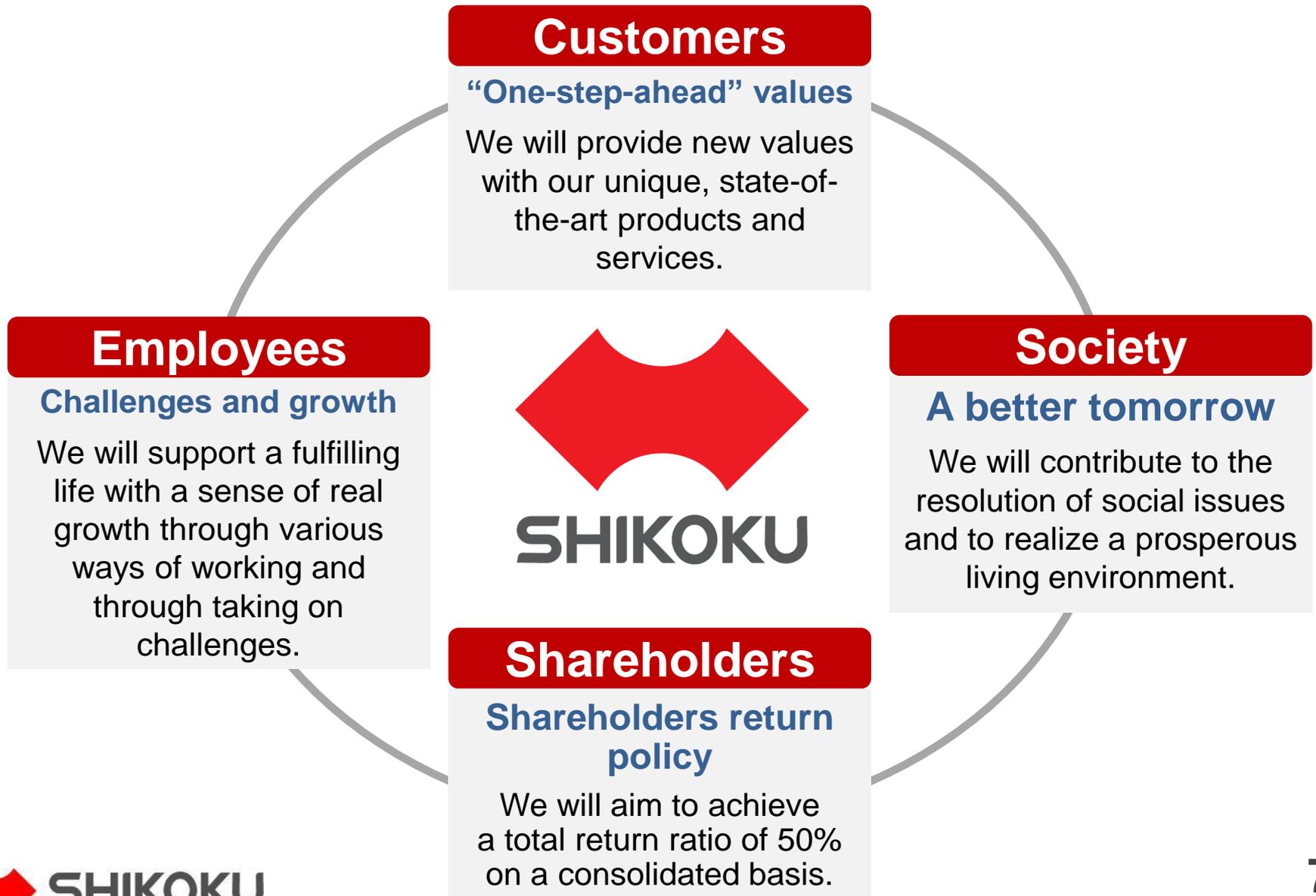
Promote alliance and extend operations globally with our unique product categories

V – 3 1. Companywide Reform Policy

- Set six companywide reform policies toward realization of the desired state in 2030 and push forward with them mobilizing group-wide efforts

Desired state in 2030	<p style="text-align: center;">Toward “one- step-ahead, proposal” company with Dokusouryoku (creativity)</p> <p style="text-align: center;">Solve social issues with creative ideas, leading the progress of the world</p>					
Company-wide reform policy	1 Creation of values	2 Creation of reserve energy	3 Creation of operational bases			
	<p style="text-align: center;">Increase brand value and take on challenges for new business</p> <ul style="list-style-type: none"> ● Improvement of SHIKOKU QUALITY ● Establishment of a framework that makes it easier for everyone to propose and take on challenges for new businesses and ideas for such businesses 	<p style="text-align: center;">Improve efficiency to secure resources for reforms</p> <ul style="list-style-type: none"> ● Elimination of inefficiencies and simplification and standardization of operations ● Efficiency improvement by making use of technology such as IT ● Optimal allocation of personnel and work style reforms 	<p style="text-align: center;">Gain a foothold into the world and accelerate global business expansion</p> <ul style="list-style-type: none"> ● Formulation of companywide operational base strategy ● Optimization of domestic production, development and sales operational bases ● Optimization of overseas production, development and sales operational bases 			
	4 Creation of organizations	5 Creation of company climate	6 Creation of human resources			
	<p style="text-align: center;">Establish a group governance structure to realize the vision</p> <ul style="list-style-type: none"> ● Building of an optimal group governance structure ● Establishment of a group governance structure in keeping with the business expansion overseas 	<p style="text-align: center;">Foster company climate which embraces diversity and encourages challenges</p> <ul style="list-style-type: none"> ● Spread of “proposal-based styles” among employees ● Fostering of company climate to develop “proposal-based styles” ● Establishment of a working environment which accommodates diverse work styles 	<p style="text-align: center;">Build a framework to encourage individuals to take on challenges and evaluate individuals fairly</p> <ul style="list-style-type: none"> ● Establishment of a framework for recruitment which attracts desired human resources ● Creation of opportunities for growth where each individual is respected ● Revision to and strengthening of management of the evaluation system 			

V – 3 2. Yonpou Yoshi – Contributions to Stakeholders –



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