

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



January 27, 2023

Company name: SHIKOKU KASEI HOLDINGS CORPORATION
(Formerly SHIKOKU CHEMICALS CORPORATION)
Stock exchange listing: Tokyo Stock Exchange
Code number: 4099
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Scheduled date of annual general shareholders' meeting: March 29, 2023
Scheduled date of commencing dividend payments: March 8, 2023
Scheduled date of filing annual securities report: March 29, 2023
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2022	46,566	—	6,462	—	7,270	—	4,997	—
March 31, 2022	54,137	9.2	8,400	13.5	9,291	16.2	6,878	19.4

(Note) Comprehensive income: Fiscal year ended December 31, 2022: ¥3,988 million [-%]
Fiscal year ended March 31, 2022: ¥8,138 million [5.3%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	93.78	—	6.2	6.3	13.9
March 31, 2022	125.52	—	8.8	8.4	15.5

(Reference) Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended December 31, 2022: —

Fiscal year ended March 31, 2022: —

The Company has changed the last day of the fiscal year from March 31 to December 31 beginning with the fiscal year under review following the approval of “Partial Amendments to the Articles of Incorporation (2)” at the 102nd Annual General Meeting of Shareholders held on June 24, 2022. All consolidated subsidiaries of the Company have also changed the date of their fiscal year-end to December 31. The fiscal year under review is therefore a transitional period with an irregular accounting period comprising the nine months from April 1, 2022 to December 31, 2022. Therefore, the percentage changes from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	117,176	81,806	69.4	1,541.17
As of March 31, 2022	113,805	80,908	70.3	1,487.55

(Reference) Equity: As of December 31, 2022: ¥81,323 million

As of March 31, 2022: ¥80,049 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2022	2,919	(3,669)	1,423	36,683
March 31, 2022	5,089	(5,087)	(1,809)	35,755

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended March 31, 2022	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
	–	12.00	–	12.00	24.00	1,304	19.1	1.7
Fiscal year ended December 31, 2022	–	13.00	–	13.00	26.00	1,375	27.7	1.7
Fiscal year ending December 31, 2023 (Forecast)	–	13.00	–	13.00	26.00		28.0	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	64,000	–	6,500	–	7,000	–	4,900	–	92.86

The Company has changed the last day of the fiscal year from March 31 to December 31 beginning with the fiscal year under review. All consolidated subsidiaries of the Company have also changed the date of their fiscal year-end to December 31. The fiscal year under review is therefore a transitional period with an irregular accounting period comprising the nine months from April 1, 2022 to December 31, 2022. Therefore, the percentage changes from the previous corresponding period are not presented.

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (ordinary shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - December 31, 2022: 52,973,563 shares
 - March 31, 2022: 54,018,563 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2022: 206,031 shares
 - March 31, 2022: 205,788 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended December 31, 2022: 53,290,127 shares
 - Fiscal year ended March 31, 2022: 54,802,469 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Non-Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
December 31, 2022	38,827	—	5,355	—	6,370	—	4,451	—
March 31, 2022	48,435	8.2	7,523	18.9	8,582	20.2	6,523	22.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
December 31, 2022	83.54	—
March 31, 2022	119.04	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	108,029	73,275	67.8	1,388.66
As of March 31, 2022	104,745	72,549	69.3	1,348.19

(Reference) Equity: As of December 31, 2022: ¥73,275 million

As of March 31, 2022: ¥72,549 million

* These annual financial results are outside the scope of audit by certified public accountants or audit firms

* Explanation regarding the appropriate use of financial results forecasts and other special items

The above financial results forecasts are based on information currently available to the Company as of the date of this report, and do not constitute a guarantee of future results. Actual results may differ significantly from these forecasts due to a wide range of factors. For information about the above financial results forecasts, please refer to “(4) Future Outlook” under “1. Overview of Operating Results, etc.” on page 4 of the attached documents to the financial statements.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

The Company has changed the last day of the fiscal year from March 31 to December 31 beginning with the fiscal year under review. All consolidated subsidiaries of the Company have also changed the date of their fiscal year-end to December 31. The fiscal year under review is therefore a transitional period with an irregular accounting period comprising the nine months from April 1, 2022 to December 31, 2022. For this reason, the results for the previous fiscal year have been adjusted to reflect the same period as the fiscal year under review for the purpose of year-on-year comparisons.

The Japanese economy during the fiscal year under review continued to recover with personal consumption showing signs of recovery as restrictions on economic activities were eased and such activities were normalized. However, uncertainty increased, with the Bank of Japan ending the year by expanding the range of fluctuations tolerated under its long-term interest rate operations, as well as substantial movements in the foreign exchange and interest rate environments. Overseas economies saw the continuation of a dramatic rise in prices and monetary tightening in response to this rise, especially in Europe and the United States, while the economic slowdown in China has been thrown into relief by a renewed surge in cases of infection. The economic environment surrounding the Company therefore has become increasingly severe.

Under these circumstances, for the fiscal year under review, the Group posted net sales of ¥46,566 million (up 18.7% year-on-year), operating profit of ¥6,462 million (up 4.9% year-on-year), ordinary profit of ¥7,270 million (up 8.2% year-on-year) and profit attributable to owners of parent of ¥4,997 million (up 4.2% year-on-year), all of which increased from the previous fiscal year's results. In addition, net sales, operating profit, ordinary profit, and profit attributable to owners of parent all hit record highs, driven by improved profitability in export sales as a result of factors such as yen depreciation in exchange rates and the appropriate price pass-through of soaring raw materials prices.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, were subdued, with an apparent slackening of demand due to a decline in automobile production resulting from semiconductor shortages and a decline in operation at tire factories in China associated with the spread of COVID-19. Domestic sales of carbon disulfide for rayon and cellophane were robust. Regarding domestic sales of sodium sulfate for bath agents and detergents, the Company strove to improve profitability by the price pass-through of the impact of the sharp rise in procurement prices due to yen depreciation in exchange rates.

(Organic chemicals)

Regarding chlorinated isocyanurates for disinfectants, the domestic market performed better than the previous fiscal 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 fiscal year as the Company passed soaring resource prices and distribution costs on selling prices.

(Fine chemicals)

Regarding electronic chemicals, particularly Glicoat-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 surpassed those of the previous fiscal year, mainly thanks to an increase in demand for resin modifier (glycoluril derivatives, etc.) and the acquisition of new projects for semiconductor process materials.

As a result, net sales for the chemicals operations segment were ¥32,380 million (up 27.0% year-on-year), and segment profit was ¥6,491 million (up 13.2% year-on-year), both surpassing the previous fiscal year's results.

2) Housing Materials operations

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 fiscal 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 fiscal year.

As a result, net sales for the housing materials operations segment were ¥13,353 million (up 4.5% year-on-year), and segment profit was ¥1,490 million (down 12.0% year-on-year).

Reference information

[Overseas net sales]

	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)		Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	6,348	16.2	4,688	10.1
North America	5,587	14.2	11,274	24.2
Other regions	1,560	4.0	1,196	2.6
Total	13,495	34.4	17,160	36.9
Consolidated net sales	39,229		46,566	

(Note) Net sales are classified based on the actual destinations of products

(2) Overview of Financial Position for the Fiscal Year under Review

(Status of assets, liabilities and net assets)

Total assets increased by ¥3,370 million from the end of the previous fiscal year to ¥117,176 million. Major increases were ¥3,833 million in machinery, equipment and vehicles and ¥1,397 million in merchandise and finished goods.

Liabilities increased by ¥2,472 million from the end of the previous fiscal year to ¥35,370 million. A major increase was ¥3,517 million in long-term borrowings.

Net assets increased by ¥897 million from the end of the previous fiscal year to ¥81,806 million. A major increase was ¥2,333 million in retained earnings.

As a result, equity ratio fell to 69.4%, from 70.3% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash flows provided by operating activities totaled ¥2,919 million (a decrease of ¥2,170 million year-on-year). Major cash inflows were profit before income taxes of ¥6,848 million and depreciation of ¥2,112 million, while a major cash outflow was income taxes paid of ¥3,351 million.

Cash flows used in investing activities totaled ¥3,669 million (a decrease of ¥1,417 million year-on-year). The major component was purchase of property, plant and equipment of ¥3,018 million.

Cash flows provided by financing activities totaled ¥1,423 million (an increase of ¥3,232 million year-on-year). A major cash inflow was proceeds from long-term borrowings of ¥4,600 million, while major cash outflows were dividends paid of ¥1,335 million and purchase of treasury shares of ¥1,328 million.

As a result, cash and cash equivalents totaled ¥36,683 million (an increase of ¥927 million from the end of the previous fiscal year).

(4) Future Outlook

Consolidated financial results forecast for the fiscal year ending December 31, 2023 is as follows.

(Million yen)

	Net Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ending December 31, 2023 (full year)	64,000	6,500	7,000	4,900
Fiscal year ended December 31, 2022 (full year)	46,566	6,462	7,270	4,997
Change (%)	—	—	—	—

- (Notes)
1. The major exchange rates assumed in the above financial results forecast were ¥125 to \$1 and ¥135 to €1.
 2. The Company has changed the last day of the fiscal year from March 31 to December 31 beginning with the fiscal year under review. All consolidated subsidiaries of the Company have also changed the date of their fiscal year-end to December 31. The fiscal year under review is therefore a transitional period with an irregular accounting period comprising the nine months from April 1, 2022 to December 31, 2022. Therefore, the percentage changes from the previous corresponding period are not presented.
 3. The above financial results forecasts are based on information currently available to the Company as of the date of this report, and do not constitute a guarantee of future results. Actual results may differ significantly from these forecasts due to a wide range of factors.

(5) Basic Policy regarding Distribution of Earnings and Dividends for the Current and Next Fiscal Years

As a basic policy for shareholder returns, the Company aims to achieve “a total payout ratio of 50% based on consolidated financial results” under the “Challenge 1000” long-term vision towards 2030.

The Company has decided to increase the annual dividend of ¥24 per share by ¥2 as a commemorative dividend to celebrate the Company’s 75th anniversary of establishment on October 10, 2022, bringing the dividend for the fiscal year under review to ¥26 per share, or a year-end dividend of ¥13 per share after deducting the interim dividend already paid (¥13).

As for the interim dividend for the fiscal year ending December 31, 2023, in consideration of the above policy, business performance and financial situation, the Company plans to pay a dividend of ¥13 per share, which is made up of ¥12 per share and an additional ¥1 per share. The Company also plans to increase the year-end dividend of ¥12 by ¥1 and expects to pay ¥13 per share. As a result, the annual dividend forecast for the fiscal year ending December 31, 2023 will be ¥26 per share.

2. Basic Policy on Selection of Accounting Standards

The Group plans to adopt Japanese GAAP in preparing its consolidated financial statements for the time being, given that the Group has little need to raise funds from overseas and considering the burden of preparing its consolidated financial statements based on the International Financial Reporting Standards (IFRS). However, the Group will consider the adoption of IFRS depending on future needs.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	23,155	23,283
Notes receivable – trade	1,271	879
Electronically recorded monetary claims – operating	2,622	3,166
Accounts receivable – trade	13,044	13,362
Securities	15,600	16,400
Merchandise and finished goods	7,373	8,770
Work in process	41	37
Raw materials and supplies	3,689	4,140
Other	870	602
Allowance for doubtful accounts	(1)	(0)
Total current assets	67,668	70,642
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,238	5,780
Machinery, equipment and vehicles, net	4,136	7,969
Land	8,523	8,509
Construction in progress	3,776	687
Other, net	692	685
Total property, plant and equipment	22,366	23,632
Intangible assets	356	501
Investments and other assets		
Investment securities	22,331	21,008
Deferred tax assets	319	412
Retirement benefit asset	364	411
Other	403	572
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	23,414	22,400
Total non-current assets	46,137	46,533
Total assets	113,805	117,176

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,993	7,483
Electronically recorded obligations – operating	471	570
Short-term borrowings	2,530	2,530
Current portion of long-term borrowings	2,074	3,083
Accrued expenses	1,449	1,105
Income taxes payable	1,849	160
Accrued consumption taxes	116	117
Notes payable – facilities	36	25
Electronically recorded obligations-facilities	49	140
Other	2,537	3,068
Total current liabilities	19,109	18,284
Non-current liabilities		
Long-term borrowings	11,017	14,534
Deferred tax liabilities	295	49
Deferred tax liabilities for land revaluation	1,008	1,004
Provision for retirement benefits for directors (and other officers)	90	67
Retirement benefit liability	625	656
Asset retirement obligations	380	381
Provision for share awards	50	64
Other	318	328
Total non-current liabilities	13,788	17,085
Total liabilities	32,897	35,370
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,740	5,711
Retained earnings	60,475	62,808
Treasury shares	(250)	(240)
Total shareholders' equity	72,833	75,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,853	3,766
Revaluation reserve for land	2,298	2,288
Foreign currency translation adjustment	32	136
Remeasurements of defined benefit plans	30	(15)
Total accumulated other comprehensive income	7,215	6,175
Non-controlling interests	859	482
Total net assets	80,908	81,806
Total liabilities and net assets	113,805	117,176

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended December 31, 2022
Net sales	54,137	46,566
Cost of sales	31,363	27,723
Gross profit	22,774	18,843
Selling, general and administrative expenses		
Transportation and storage costs	5,964	5,337
Advertising expenses	473	580
Salaries	2,228	1,695
Retirement benefit expenses	149	108
Provision for retirement benefits for directors (and other officers)	17	12
Research and development expenses	1,392	1,180
Other	4,147	3,465
Total selling, general and administrative expenses	14,374	12,381
Operating profit	8,400	6,462
Non-operating income		
Interest income	66	74
Dividend income	478	395
Foreign exchange gains	359	334
Miscellaneous income	65	28
Total non-operating income	969	832
Non-operating expenses		
Interest expenses	23	19
Donations	50	–
Miscellaneous losses	4	4
Total non-operating expenses	78	24
Ordinary profit	9,291	7,270
Extraordinary income		
Gain on sale of non-current assets	1	–
Gain on sale of investment securities	856	12
Subsidy income	28	21
Total extraordinary income	885	33
Extraordinary losses		
Loss on sale of non-current assets	0	–
Loss on retirement of non-current assets	23	31
Impairment losses	436	400
Loss on valuation of investment securities	6	–
Loss on revision of retirement benefit plan	–	24
Total extraordinary losses	466	456
Profit before income taxes	9,710	6,848
Income taxes - current	3,145	1,666
Income taxes - deferred	(319)	159
Total income taxes	2,825	1,826
Profit	6,884	5,022
Profit attributable to non-controlling interests	6	24
Profit attributable to owners of parent	6,878	4,997

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended December 31, 2022
Profit	6,884	5,022
Other comprehensive income		
Valuation difference on available-for-sale securities	1,073	(1,090)
Deferred gains or losses on hedges	27	–
Foreign currency translation adjustment	122	103
Remeasurements of defined benefit plans, net of tax	29	(46)
Total other comprehensive income	1,253	(1,033)
Comprehensive income	8,138	3,988
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,124	3,967
Comprehensive income attributable to non-controlling interests	14	21

(3) Consolidated Statement of Changes in Shareholders' Equity
Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,867	5,740	57,140	(236)	69,512
Changes during period					
Dividends of surplus			(1,326)		(1,326)
Profit attributable to owners of parent			6,878		6,878
Purchase of treasury shares				(2,474)	(2,474)
Cancellation of treasury shares			(2,452)	2,452	–
Reversal of revaluation reserve for land			235		235
Disposal of treasury shares by stocks payment trust				8	8
Net changes in items other than shareholders' equity					
Total changes during period	–	–	3,334	(13)	3,321
Balance at end of period	6,867	5,740	60,475	(250)	72,833

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,789	(27)	2,533	(90)	0	6,205	847	76,566
Changes during period								
Dividends of surplus								(1,326)
Profit attributable to owners of parent								6,878
Purchase of treasury shares								(2,474)
Cancellation of treasury shares								–
Reversal of revaluation reserve for land								235
Disposal of treasury shares by stocks payment trust								8
Net changes in items other than shareholders' equity	1,064	27	(235)	122	29	1,009	11	1,021
Total changes during period	1,064	27	(235)	122	29	1,009	11	4,342
Balance at end of period	4,853	–	2,298	32	30	7,215	859	80,908

Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,867	5,740	60,475	(250)	72,833
Changes during period					
Dividends of surplus			(1,335)		(1,335)
Profit attributable to owners of parent			4,997		4,997
Purchase of treasury shares				(1,328)	(1,328)
Cancellation of treasury shares			(1,338)	1,338	–
Reversal of revaluation reserve for land			9		9
Change in ownership interest of parent due to transactions with non-controlling interests		(29)			(29)
Net changes in items other than shareholders' equity					
Total changes during period	–	(29)	2,333	9	2,314
Balance at end of period	6,867	5,711	62,808	(240)	75,147

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,853	2,298	32	30	7,215	859	80,908
Changes during period							
Dividends of surplus							(1,335)
Profit attributable to owners of parent							4,997
Purchase of treasury shares							(1,328)
Cancellation of treasury shares							–
Reversal of revaluation reserve for land							9
Change in ownership interest of parent due to transactions with non-controlling interests							(29)
Net changes in items other than shareholders' equity	(1,086)	(9)	103	(46)	(1,039)	(377)	(1,416)
Total changes during period	(1,086)	(9)	103	(46)	(1,039)	(377)	897
Balance at end of period	3,766	2,288	136	(15)	6,175	482	81,806

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	9,710	6,848
Depreciation	2,090	2,112
Impairment losses	436	400
Increase (decrease) in retirement benefit liability	(27)	(19)
Decrease (increase) in retirement benefit asset	6	(64)
Contribution to employees' retirement benefits trust	(1,500)	–
Interest and dividend income	(544)	(470)
Interest expenses	23	19
Loss (gain) on valuation of investment securities	6	–
Loss (gain) on sale of investment securities	(856)	(12)
Subsidy income	(28)	(21)
Loss on retirement of property, plant and equipment	23	31
Loss (gain) on sale of property, plant and equipment	(0)	–
Decrease (increase) in trade receivables	(1,317)	(162)
Decrease (increase) in inventories	(1,627)	(1,693)
Increase (decrease) in trade payables	1,366	(574)
Increase (decrease) in accrued consumption taxes	(440)	192
Other, net	(44)	(792)
Subtotal	7,276	5,794
Interest and dividends received	547	472
Interest paid	(23)	(17)
Subsidies received	28	21
Income taxes paid	(2,739)	(3,351)
Net cash provided by (used in) operating activities	5,089	2,919
Cash flows from investing activities		
Purchase of securities	(2,300)	–
Proceeds from redemption of securities	2,000	–
Purchase of property, plant and equipment	(4,153)	(3,018)
Proceeds from sale of property, plant and equipment	5	–
Payments for retirement of property, plant and equipment	(19)	(27)
Purchase of investment securities	(1,235)	(308)
Proceeds from sale and redemption of investment securities	1,006	70
Other, net	(391)	(385)
Net cash provided by (used in) investing activities	(5,087)	(3,669)
Cash flows from financing activities		
Proceeds from long-term borrowings	2,160	4,600
Repayments of long-term borrowings	(100)	(74)
Purchase of treasury shares	(2,474)	(1,328)
Dividends paid	(1,326)	(1,335)
Dividends paid to non-controlling interests	(3)	(3)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(424)
Other, net	(64)	(9)
Net cash provided by (used in) financing activities	(1,809)	1,423
Effect of exchange rate change on cash and cash equivalents	355	253
Net increase (decrease) in cash and cash equivalents	(1,451)	927
Cash and cash equivalents at beginning of period	37,207	35,755
Cash and cash equivalents at end of period	35,755	36,683

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information, etc.)

1. Overview of reportable segments

The Group's reportable segments are components within the Group for which discrete financial information is available and are regularly reviewed by the Company's Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

Each business division of the Company formulates comprehensive strategies for domestic and overseas businesses in relation to the products and services it handles and carries out business activities accordingly.

Therefore, the Group is comprised of segments that are classified according to products and services based on its business divisions. The two reportable segments of the Group are "Chemicals operations" and "Housing Materials operations."

The "Chemicals operations" segment is engaged in the production and sale of chemical products such as inorganic chemicals, organic chemicals and fine chemicals. The "Housing Materials operations" segment is engaged in the production and sale of building and construction materials such as interior and exterior decorative walls, exterior products and aluminum shutters.

2. Calculation methods of net sales, profit, loss, assets, liabilities and other items by reportable segment

The method of accounting for the business segments reported are based on the accounting methods adopted in the preparation of the consolidated financial statements.

Profit of the reportable segments is based on operating profit.

Inter-segment net sales and transfers are based on market price.

(Change in method used to allocate segment assets)

The Group transitioned to a holding company structure by company split, effective January 1, 2023. Accordingly, from the fiscal year under review, the Company has changed to an allocation method based on the amounts of assets planned to be succeeded by the splitting company. As it is not possible to allocate segment assets for the previous fiscal year using the calculation methods effective at the time of the transition to a holding company structure, these assets have been allocated using the previous calculation method.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment
Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	12,192	–	12,192	–	12,192	–	12,192
Organic chemicals	13,023	–	13,023	–	13,023	–	13,023
Fine chemicals	9,778	–	9,778	–	9,778	–	9,778
Interior, exterior finishes and paving materials	–	1,395	1,395	–	1,395	–	1,395
Exterior products	–	16,565	16,565	–	16,565	–	16,565
Other	–	–	–	1,181	1,181	–	1,181
Revenue from contracts with customers	34,995	17,961	52,956	1,181	54,137	–	54,137
Net sales to outside customers	34,995	17,961	52,956	1,181	54,137	–	54,137
Inter-segment net sales or transfers	1	1	2	273	276	(276)	–
Total	34,996	17,962	52,959	1,454	54,413	(276)	54,137
Segment profit	7,545	2,576	10,122	171	10,293	(1,893)	8,400
Segment assets	52,061	15,569	67,631	2,192	69,823	43,982	113,805
Other items							
Depreciation	1,621	262	1,884	62	1,946	143	2,090
Impairment losses	–	436	436	–	436	–	436
Increase in property, plant and equipment and intangible assets	2,860	595	3,455	5	3,461	138	3,599

(Notes) 1. The “Other” category represents business segments not included in the reportable segments, and includes the IT systems operations and food operations.

2. The adjustment for segment profit of ¥(1,893) million includes inter-segment eliminations of ¥1 million and corporate expenses in the amount of ¥(1,895) million not allocated to each reportable segment. The relevant corporate expenses are mainly general and administrative expenses not allocated to the reportable segments.

The adjustment for segment assets of ¥43,982 million includes inter-segment eliminations of ¥(7) million and corporate assets in the amount of ¥43,990 million not allocated to each reportable segment. The adjustment for increase in property, plant and equipment and intangible assets of ¥138 million is the amount of capital expenditure related to corporate assets not allocated to each reportable segment.

3. Segment profit is adjusted with operating profit on the consolidated statement of income.

Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	10,081	–	10,081	–	10,081	–	10,081
Organic chemicals	14,832	–	14,832	–	14,832	–	14,832
Fine chemicals	7,466	–	7,466	–	7,466	–	7,466
Interior, exterior finishes and paving materials	–	1,009	1,009	–	1,009	–	1,009
Exterior products	–	12,344	12,344	–	12,344	–	12,344
Other	–	–	–	833	833	–	833
Revenue from contracts with customers	32,380	13,353	45,733	833	46,566	–	46,566
Net sales to outside customers	32,380	13,353	45,733	833	46,566	–	46,566
Inter-segment net sales or transfers	0	1	2	184	186	(186)	–
Total	32,380	13,355	45,736	1,017	46,753	(186)	46,566
Segment profit	6,491	1,490	7,981	110	8,091	(1,628)	6,462
Segment assets	48,888	16,639	65,527	2,212	67,740	49,435	117,176
Other items							
Depreciation	1,769	229	1,998	32	2,031	81	2,112
Impairment losses	–	400	400	–	400	–	400
Increase in property, plant and equipment and intangible assets	2,821	684	3,506	9	3,516	410	3,926

(Notes) 1. The “Other” category represents business segments not included in the reportable segments, and includes the IT systems operations and food operations.

2. The adjustment for segment profit of ¥(1,628) million includes inter-segment eliminations of ¥(0) million and corporate expenses in the amount of ¥(1,628) million not allocated to each reportable segment. The relevant corporate expenses are mainly general and administrative expenses not allocated to the reportable segments.

The adjustment for segment assets of ¥49,435 million includes inter-segment eliminations of ¥(1) million and corporate assets in the amount of ¥49,437 million not allocated to each reportable segment. The adjustment for increase in property, plant and equipment and intangible assets of ¥410 million is the amount of capital expenditure related to corporate assets not allocated to each reportable segment.

3. Segment profit is adjusted with operating profit on the consolidated statement of income.

(Per share information)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)
Net assets per share	1,487.55 yen	1,541.17 yen
Basic earnings per share	125.52 yen	93.78 yen

(Notes) 1. The Company's shares held in the trust related to the stock compensation plan, which are recorded as treasury shares under shareholders' equity, are included in treasury shares that are excluded from the calculation of the average number of shares during the period when calculating basic earnings per share, and are also included in treasury shares that are excluded from the total number of issued shares at the end of the period when calculating net assets per share.

The average number of shares during the period excluded for the fiscal year under review was 140 thousand shares, while the average number of shares during the period excluded for the previous fiscal year was 143 thousand shares. Diluted earnings per share are not provided, as there are no dilutive shares.

2. The basis for calculation of basic earnings per share is as follows:

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)
Profit attributable to owners of parent (Million yen)	6,878	4,997
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent related to ordinary shares (Million yen)	6,878	4,997
Average number of ordinary shares during the period (Thousand shares)	54,802	53,290

3. The basis for calculation of net assets per share is as follows:

	As of March 31, 2022	As of December 31, 2022
Total net assets (Million yen)	80,908	81,806
Amount deducted from total net assets (Million yen)	859	482
(Non-controlling interests included in above) (Million yen)	[859]	[482]
Amount of net assets related to ordinary shares at end of period (Million yen)	80,049	81,323
Number of ordinary shares used in the calculation of net assets per share at end of period (Thousand shares)	53,812	52,767

(Significant subsequent events)

(Transition to Holding Company Structure)

1. Transition to Holding Company Structure by Company Split

As approved by the meeting of Board of Directors held on April 28, 2022 and the Annual General Meeting of Shareholders held on June 24, 2022, the Company executed a company split on January 1, 2023, with its wholly-owned subsidiaries SHIKOKU CHEMICALS CORPORATION (renamed from SHIKOKU CHEMICALS CORPORATION CHEMICALS OPERATIONS SPLIT PREPARATION CORPORATION on January 1, 2023), SHIKOKU KASEI KENZAI CORPORATION (renamed from SHIKOKU CHEMICALS CORPORATION HOUSING MATERIAL OPERATIONS SPLIT PREPARATION CORPORATION on January 1, 2023) and SHIKOKU KASEI CORPORATE SERVICE CO., LTD. (renamed from SHIKOKU CHEMICALS CORPORATION SHARED SERVICES SPLIT PREPARATION CORPORATION on January 1, 2023), and transitioned to a pure holding company structure.

The Company changed its trade name to “SHIKOKU KASEI HOLDINGS CORPORATION” on January 1, 2023.

2. Purposes of the Transition to Holding Company Structure

(1) Strengthen the structure of business operations

By boldly delegating responsibility to each business subsidiary, the Company will expedite decision-making, vertically integrate the sections responsible for the production, sales, and development functions, enable a closer and more unified organization, and implement a consistent strategy.

(2) Redefine the governance system and the roles of head office divisions

The holding company, specializing in the Group management function, is charged with the governance of the business subsidiaries and promoting Group-wide management strategy, including decision-making on strategic investments and M&A activities to achieve “Challenge 1000,” to further clarify the corporate governance structure. Back-office divisions at the head office will be split off into the shared services company to eliminate overlapping services across the Group and optimize operations.

(3) Strengthen the development of management personnel

The Company will promote the development of future management personnel from the perspective of sustainably strengthening management capabilities in the context of autonomous operations by business subsidiaries.

3. Overview of the Company Split

(1) Method of the Company Split

Through the absorption-type split, with the Company as the absorption-type splitting company and the Company’s subsidiaries, SHIKOKU CHEMICALS CORPORATION, SHIKOKU KASEI KENZAI CORPORATION and SHIKOKU KASEI CORPORATE SERVICE CO., LTD. as the absorption-type successor companies, the Company will shift to a holding company structure while maintaining its listing status.

(2) Schedule of the Company Split

Date of the resolution of the Board of Directors for the establishment of successor preparatory companies: October 26, 2021

Date of the establishment of successor preparatory companies: January 11, 2022

Date of the resolution of the Board of Directors for the absorption-type company split agreement: April 28, 2022

Date of conclusion of the absorption-type company split agreement: April 28, 2022

Date of the resolution of the Annual General Meeting of Shareholders for the absorption-type company split agreement: June 24, 2022

Effective date of the company split: January 1, 2023

(3) Overview of the Successor Companies

(Chemicals operations)

(1) Trade name	SHIKOKU CHEMICALS CORPORATION (renamed from SHIKOKU CHEMICALS CORPORATION CHEMICALS OPERATIONS SPLIT PREPARATION CORPORATION on January 1, 2023)
(2) Address	8-537-1 Dokichōhigashi, Marugame City, Kagawa Prefecture
(3) Name and title of representative	Makoto Hamazaki, President
(4) Nature of business	Manufacturing, processing, sale, etc. of industrial chemicals, pharmaceuticals, quasi-drugs, fertilizers and pesticides
(5) Amount of capital	300 million yen
(6) Founded	January 11, 2022
(7) Number of shares issued	1,000 shares
(8) Fiscal year end	December 31
(9) Major shareholders and shareholding ratios	The Company: 100%

(Housing Materials operations)

(1) Trade name	SHIKOKU KASEI KENZAI CORPORATION (renamed from SHIKOKU CHEMICALS CORPORATION HOUSING MATERIAL OPERATIONS SPLIT PREPARATION CORPORATION on January 1, 2023)
(2) Address	8-537-1 Dokichōhigashi, Marugame City, Kagawa Prefecture
(3) Name and title of representative	Yoshinori Manabe, President
(4) Nature of business	Manufacturing, processing and sale of various construction and civil engineering materials and products for houses and retail stores as well as designing, construction, etc. of related facilities
(5) Amount of capital	300 million yen
(6) Founded	January 11, 2022
(7) Number of shares issued	1,000 shares
(8) Fiscal year end	December 31
(9) Major shareholders and shareholding ratios	The Company: 100%

(Shared Service)

(1) Trade name	SHIKOKU KASEI CORPORATE SERVICE CO., LTD. (renamed from SHIKOKU CHEMICALS CORPORATION SHARED SERVICES SPLIT PREPARATION CORPORATION on January 1, 2023)
(2) Address	8-537-1 Dokichōhigashi, Marugame City, Kagawa Prefecture
(3) Name and title of representative	Yoshiaki Ando, President
(4) Nature of business	Support services related to accounting, finance, personnel, legal affairs, tax, labor, compliance, internal control and asset management
(5) Amount of capital	100 million yen
(6) Founded	January 11, 2022
(7) Number of shares issued	1,000 shares
(8) Fiscal year end	December 31
(9) Major shareholders and shareholding ratios	The Company: 100%

(4) Businesses of the Split Divisions

- 1) Chemicals operations
- 2) Housing Materials operations
- 3) Provision of shared services related to accounting, general affairs, personnel, IT, etc., and operations incidental or related to these services

(5) Operating Results of the Split Divisions (Fiscal Year Ended December 31, 2022)

1) Chemicals operations

	Split operations (a)	Splitting company (non-consolidated basis) (b)	Proportion (a/b)
Net sales	25,547 million yen	38,827 million yen	66%

2) Housing Materials operations

	Split operations (a)	Splitting company (non-consolidated basis) (b)	Proportion (a/b)
Net sales	13,219 million yen	38,827 million yen	34%

3) Shared services operations

As these are intra-Group shared services-related operations, there are no matters to display with regard to operating results.

(6) Overview of the Accounting Treatment to Be Carried Out

The Company plans to process the company split as a common control transaction pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).