

Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]



April 28, 2023

Company name: SHIKOKU KASEI HOLDINGS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 4099

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Scheduled date of filing quarterly securities report: May 15, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(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	%
Three months ended								
March 31, 2023	14,685	—	2,408	—	2,610	—	1,744	—
June 30, 2022	15,796	22.7	1,775	0.3	2,561	29.6	1,578	16.8

(Note) Comprehensive income: Three months ended March 31, 2023: ¥2,313 million [- %]
Three months ended June 30, 2022: ¥1,219 million [21.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2023	33.06	—
June 30, 2022	29.33	—

The Company has changed the account closing date from March 31 to December 31 beginning with the fiscal year ended December 31, 2022. Accordingly, the previous first quarter period (from April 1, 2022 to June 30, 2022), which is a period for comparison, does not match the period of the first quarter under review (from January 1, 2023 to March 31, 2023). Therefore, the percentage changes from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023	124,792	83,432	66.5
As of December 31, 2022	117,176	81,806	69.4

(Reference) Equity: As of March 31, 2023: ¥82,941 million

As of December 31, 2022: ¥81,323 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2022	Yen —	Yen 13.00	Yen —	Yen 13.00	Yen 26.00
Fiscal year ending December 31, 2023	—				
Fiscal year ending December 31, 2023 (Forecast)		13.00	—	13.00	26.00

(Note) Revisions to the cash dividends forecasts most recently announced: None

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

(Notes) 1. Revisions to the financial results forecast most recently announced: None

2. The Company has changed the account closing date from March 31 to December 31 beginning with the fiscal year ended December 31, 2022. The fiscal year ended December 31, 2022 is therefore a transitional period comprising the nine months from April 1, 2022 to December 31, 2022 for the Company and all of its consolidated subsidiaries. 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) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) 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
- (4) Total number of issued shares (ordinary shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
 - March 31, 2023: 52,973,563 shares
 - December 31, 2022: 52,973,563 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 31, 2023: 203,935 shares
 - December 31, 2022: 206,031 shares
 - 3) Average number of shares during the period:
 - Three months ended March 31, 2023: 52,769,141 shares
 - Three months ended June 30, 2022: 53,812,706 shares

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

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

Forward-looking statements such as operating results forecasts and other projections contained in this report are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions underlying the operating results forecasts and cautionary notes concerning their use, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results for the Period under Review” on page 4 of the attached documents to the quarterly financial statements.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

The Company has changed the last day of the fiscal year from March 31 to December 31, beginning with the previous fiscal year. All consolidated subsidiaries of the Company have also changed their fiscal year-end date from March to December. Therefore, for the comparison with the previous period, the three-month period from January 2022 to March 2022 is compared with the reference figure calculated for the “same period of the previous year.”

In addition, as described in “(3) Notes the Quarterly Consolidated Financial Statements (Segment information, etc.), the Company has changed the measurement method of segment profit starting from the three months ended March 31, 2023. The following comparison with the same period of the previous years is calculated by restating the figures for the same period of the previous year after the change.

The Japanese economy during the three months ended March 31, 2023 continued to pick up moderately, particularly in consumer spending, as COVID-19 has been contained and economic activities have normalized. In overseas economies, although the current employment situation and consumer spending in the U.S. remained strong, the economy was expected to enter a recession because of high inflation and prolonged monetary tightening. The economic slowdown in China was becoming clear due to the disruption following the removal of the zero-COVID-19 policy. The business environment surrounding the Company was increasingly more challenging.

Under these circumstances, for the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023), the Group posted net sales of ¥14,685 million (down 1.5% year-on-year), operating profit of ¥2,408 million (up 7.5% year-on-year), ordinary profit of ¥2,610 million (up 1.6% year-on-year) and profit attributable to owners of parent of ¥1,744 million (down 16.3% year-on-year). Operating profit increased due to improved profitability in the Chemicals and Housing Materials operations despite severe market conditions. Significant foreign exchange gains and gain on sale of investment securities were reported in the same period of the previous year, while profit attributable to owners of parent decreased due to the absence of those in the first quarter under review.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, remained sluggish due to a slowdown in supply and demand caused by weak production resulting from a decline in demand in the Chinese automobile market. As for sales of carbon disulfide for rayon and cellophane, domestic sales increased, and exports also remained solid due to the development of new customers. As for sales of sodium sulfate for bath agents and detergents, the Company strove to improve profitability by the price pass-through of the impact of hiking purchase price due to yen depreciation in exchange rates in domestic sales.

(Organic chemicals)

Regarding chlorinated isocyanurates for disinfectants, the domestic market remained at the same level as the previous year. In the U.S. market, the market was beginning to show signs of saturation as customer inventory buildups caused by supply chain disruptions had taken a round, and a reactionary decline was seen compared to the previous year.

(Fine chemicals)

Regarding electronic chemicals, particularly Glicoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, sales continued to be sluggish due to worsening market conditions in the semiconductor and electronics markets. For advanced & specialty chemicals, the sale of semiconductor process materials remained solid due to evaluation demands and project wins.

As a result, net sales for the chemicals operations segment were ¥9,084 million (down 4.3% year-on-year). However, segment profit was ¥1,543 million (up 3.6% year-on-year), exceeding the previous year because of

improved profitability due to the impact of yen depreciation in exchange rates and lower export logistics costs.

2) Housing Materials operations

The number of new housing starts remained weak for owned houses, and demand for interior, exterior finishes, and paving materials and exterior products remained sluggish. Meanwhile, net sales and operating profit exceeded those of the previous year resulting from the price revision implemented in January 2023 of the current fiscal year and efforts to pass on high raw material costs.

As a result, net sales for the housing materials operations segment were ¥5,351 million (up 3.1% year-on-year), and segment profit was ¥778 million (up 11.0% year-on-year), surpassing the previous year's results.

Reference information

[Overseas net sales]

	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)		Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	2,023	13.6	1,342	9.1
North America	2,877	19.3	2,564	17.5
Other regions	570	3.8	374	2.5
Total	5,472	36.7	4,281	29.2
Consolidated net sales	14,908		14,685	

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets increased by ¥7,615 million from the end of the previous fiscal year to ¥124,792 million. Major increases were ¥2,298 million in cash and deposits and ¥1,555 million in construction in progress, and major decreases were ¥541 million in machinery, equipment and machinery and ¥412 million in accounts receivable - trade.

Liabilities increased by ¥5,989 million from the end of the previous fiscal year to ¥41,359 million. Major increases were ¥1,991 million in current portion of long-term borrowings and ¥1,709 million in deferred tax liabilities, and a major decrease was ¥1,017 million in long-term borrowings.

Net assets increased by ¥1,626 million from the end of the previous fiscal year to ¥83,432 million. A major increase was ¥1,056 million in retained earnings.

As a result, equity ratio fell to 66.5% from 69.4% at the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The full-year financial results forecast has not been changed from the initial plan (announced on January 27, 2023). Assumptions for the exchange rates of major currencies are ¥125 to U.S. dollar and ¥135 to Euro.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	23,283	25,582
Notes receivable - trade	879	1,002
Electronically recorded monetary claims - operating	3,166	3,194
Accounts receivable - trade	13,362	12,949
Securities	16,400	16,900
Merchandise and finished goods	8,770	9,077
Work in process	37	56
Raw materials and supplies	4,140	4,310
Other	602	1,104
Allowance for doubtful accounts	(0)	—
Total current assets	70,642	74,177
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,780	6,192
Machinery, equipment and vehicles, net	7,969	7,427
Land	8,509	8,510
Construction in progress	687	2,243
Other, net	685	709
Total property, plant and equipment	23,632	25,082
Intangible assets	501	518
Investments and other assets		
Investment securities	21,008	21,795
Deferred tax assets	412	1,878
Retirement benefit asset	411	412
Other	572	929
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	22,400	25,013
Total non-current assets	46,533	50,614
Total assets	117,176	124,792

(Million yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,483	8,401
Electronically recorded obligations - operating	570	528
Short-term borrowings	2,530	2,530
Current portion of long-term borrowings	3,083	5,074
Accrued expenses	1,105	1,465
Income taxes payable	160	783
Accrued consumption taxes	117	239
Notes payable - facilities	25	25
Electronically recorded obligations - facilities	140	1,086
Other	3,068	3,506
Total current liabilities	18,284	23,641
Non-current liabilities		
Long-term borrowings	14,534	13,517
Deferred tax liabilities	49	1,758
Deferred tax liabilities for land revaluation	1,004	1,004
Provision for retirement benefits for directors (and other officers)	67	56
Retirement benefit liability	656	635
Asset retirement obligations	381	381
Provision for share awards	64	35
Other	328	329
Total non-current liabilities	17,085	17,718
Total liabilities	35,370	41,359
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,711	5,711
Retained earnings	62,808	63,865
Treasury shares	(240)	(237)
Total shareholders' equity	75,147	76,207
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,766	4,311
Revaluation reserve for land	2,288	2,288
Foreign currency translation adjustment	136	146
Remeasurements of defined benefit plans	(15)	(12)
Total accumulated other comprehensive income	6,175	6,734
Non-controlling interests	482	491
Total net assets	81,806	83,432
Total liabilities and net assets	117,176	124,792

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30 and March 31

(Million yen)

	Three months ended June 30, 2022	Three months ended March 31, 2023
Net sales	15,796	14,685
Cost of sales	9,522	8,521
Gross profit	6,274	6,164
Selling, general and administrative expenses		
Transportation and storage costs	2,187	1,403
Advertising expenses	192	206
Salaries	571	573
Retirement benefit expenses	38	37
Provision for retirement benefits for directors (and other officers)	4	3
Research and development expenses	368	383
Other	1,135	1,148
Total selling, general and administrative expenses	4,498	3,755
Operating profit	1,775	2,408
Non-operating income		
Interest income	18	59
Dividend income	172	60
Foreign exchange gains	589	57
Miscellaneous income	14	33
Total non-operating income	794	210
Non-operating expenses		
Interest expenses	7	7
Miscellaneous losses	1	1
Total non-operating expenses	9	8
Ordinary profit	2,561	2,610
Extraordinary losses		
Loss on retirement of non-current assets	11	0
Loss on valuation of investment securities	324	—
Total extraordinary losses	336	0
Profit before income taxes	2,225	2,610
Income taxes	690	857
Profit	1,535	1,753
Profit (loss) attributable to non-controlling interests	(43)	8
Profit attributable to owners of parent	1,578	1,744

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30 and March 31

(Million yen)

	Three months ended June 30, 2022	Three months ended March 31, 2023
Profit	1,535	1,753
Other comprehensive income		
Valuation difference on available-for-sale securities	(481)	545
Foreign currency translation adjustment	162	10
Remeasurements of defined benefit plans, net of tax	3	4
Total other comprehensive income	(316)	560
Comprehensive income	1,219	2,313
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,264	2,304
Comprehensive income attributable to non-controlling interests	(45)	8

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company makes a reasonable estimate of the effective tax rate after the application of tax effect accounting to profit before income taxes for the current fiscal year, including the first quarter under review, and multiplies profit before income taxes for the quarter by the estimated effective tax rate.

Income taxes - deferred is included in income taxes.

(Segment information, etc.)

I. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on net sales and profit (loss) by reportable segment and information on composition of revenue

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	3,610	–	3,610	–	3,610	–	3,610
Organic chemicals	5,476	–	5,476	–	5,476	–	5,476
Fine chemicals	2,239	–	2,239	–	2,239	–	2,239
Interior, exterior finishes and paving materials	–	339	339	–	339	–	339
Exterior products	–	3,834	3,834	–	3,834	–	3,834
Other	–	–	–	288	288	–	288
Revenue from contracts with customers	11,327	4,174	15,501	288	15,790	–	15,790
Other revenue	–	–	–	6	6	–	6
Net sales to outside customers	11,327	4,174	15,501	294	15,796	–	15,796
Inter-segment net sales or transfers	0	0	0	67	67	(67)	–
Total	11,327	4,174	15,502	362	15,864	(67)	15,796
Segment profit	1,604	145	1,749	26	1,775	(0)	1,775

(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 ¥(0) million includes profit (loss) and others not allocated to each reportable segment.

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

II. For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

1. Information on net sales and profit (loss) by reportable segment and information on composition of revenue

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	3,310	–	3,310	–	3,310	–	3,310
Organic chemicals	3,659	–	3,659	–	3,659	–	3,659
Fine chemicals	2,114	–	2,114	–	2,114	–	2,114
Interior, exterior finishes and paving materials	–	323	323	–	323	–	323
Exterior products	–	5,028	5,028	–	5,028	–	5,028
Other	–	–	–	242	242	–	242
Revenue from contracts with customers	9,084	5,351	14,436	242	14,678	–	14,678
Other revenue	–	–	–	6	6	–	6
Net sales to outside customers	9,084	5,351	14,436	249	14,685	–	14,685
Inter-segment net sales or transfers	2	0	3	72	75	(75)	–
Total	9,087	5,352	14,439	321	14,761	(75)	14,685
Segment profit	1,543	778	2,322	38	2,361	47	2,408

(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 ¥47 million includes profit (loss) and others not allocated to each reportable segment.

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

2. Matters related to changes in reportable segments

(Changes in measurement methods)

Beginning with the three months ended March 31, 2023, due to the change in management structure resulting from the shift to a pure holding company, corporate expenses previously not allocated to each segment are now allocated to each segment based on reasonable standards. Segment information for the previous year’s first quarter is disclosed based on the measurement method after the change.