

# Supplemental Information Financial Results For FY 2023 1Q

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2023/4/28

**SHIKOKU KASEI HOLDINGS CORPORATION**  
(Tokyo Stock Exchange Prime Market 4099)

# 1. Consolidated Financial Results

## Decreased revenues and increased profits (operating income) year on year (January to March)

million yen

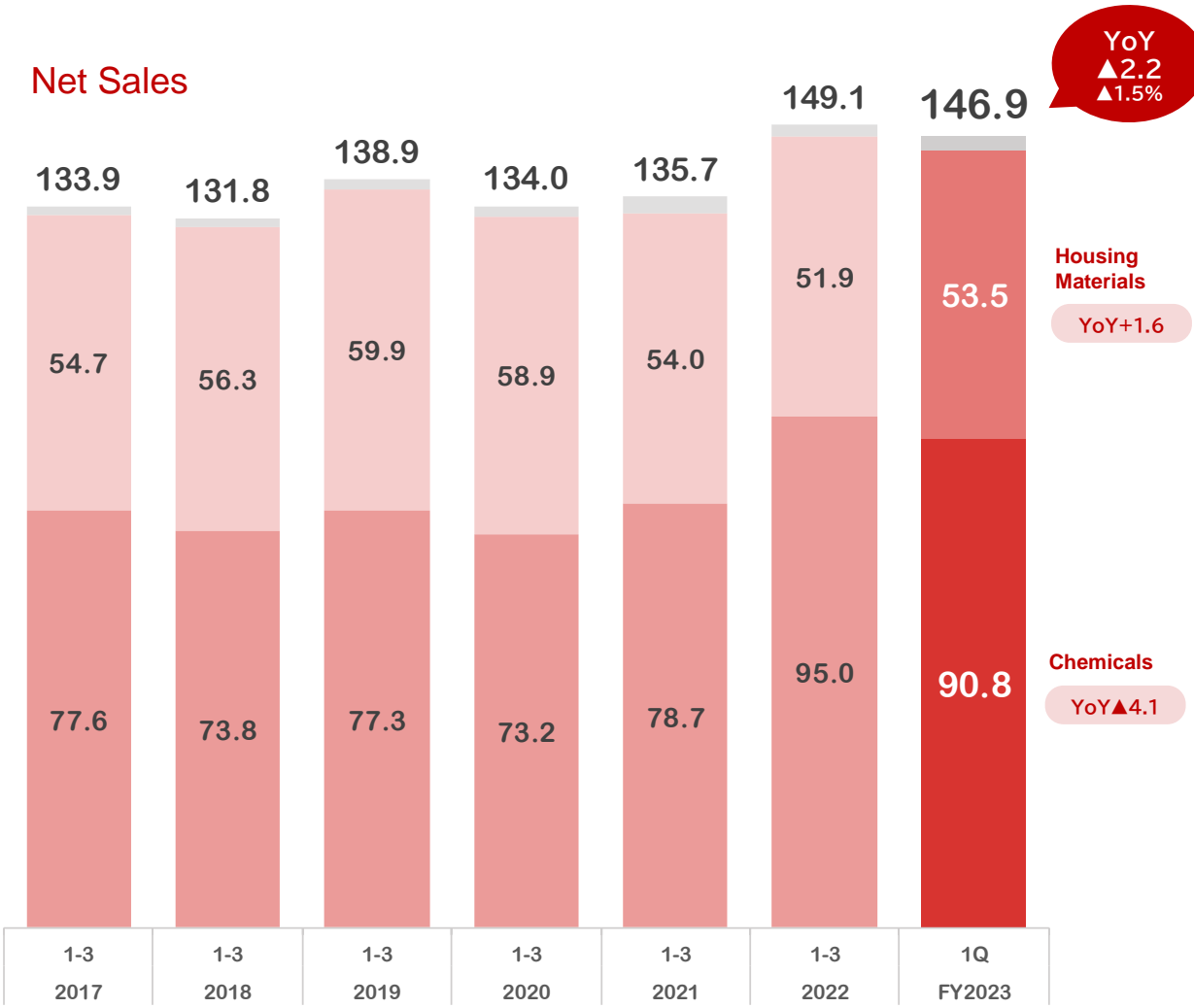
	Previous year* January to March 2022	FY2023 1Q	Change/Rate	Remarks
Net sales	<b>14,908</b>	<b>14,685</b>	▲223 ▲1.5%	• Decreased revenues due to decline in exports to North America in the Chemicals business
Operating profit	<b>2,241</b>	<b>2,408</b>	+167 +7.5%	• Increased profits due to price hike in the Housing Materials business and effect of the yen's depreciation against foreign exchange rate
Ordinary profit	<b>2,569</b>	<b>2,610</b>	+41 +1.6%	• Foreign exchange gains 57 (YoY▲192)
Profit attributable to owners of parent	<b>2,084</b>	<b>1,744</b>	▲339 ▲16.3%	• Grain on sale of investment securities – (YoY▲856) • Impairment losses – (YoY+436)
Exchange rate	<b>1 USD = 115 JPY</b> 1 EUR = 130 JPY 1 RMB = 18.0 JPY	<b>1USD = 133 JPY</b> 1 EUR = 142 JPY 1 RMB = 19.3 JPY	Net sales <b>+600</b> Operating profit <b>+400</b>	• Foreign exchange impact on PL included in change from the previous year Only the impact of changes in foreign exchange rates in foreign currency transactions is shown. Even in the case of transactions in Japanese yen, there are many transactions that are substantially affected by changes in foreign exchange rates, but they are not included.

\* Since the Company changed its fiscal year-end from March 31 to December 31 (starting from the previous fiscal year), a comparison is made with reference figures calculating the three-month period from January to March FY2022 as the "same period previous year." 3

# Trends in Net Sales and Operating Profit (YTD)

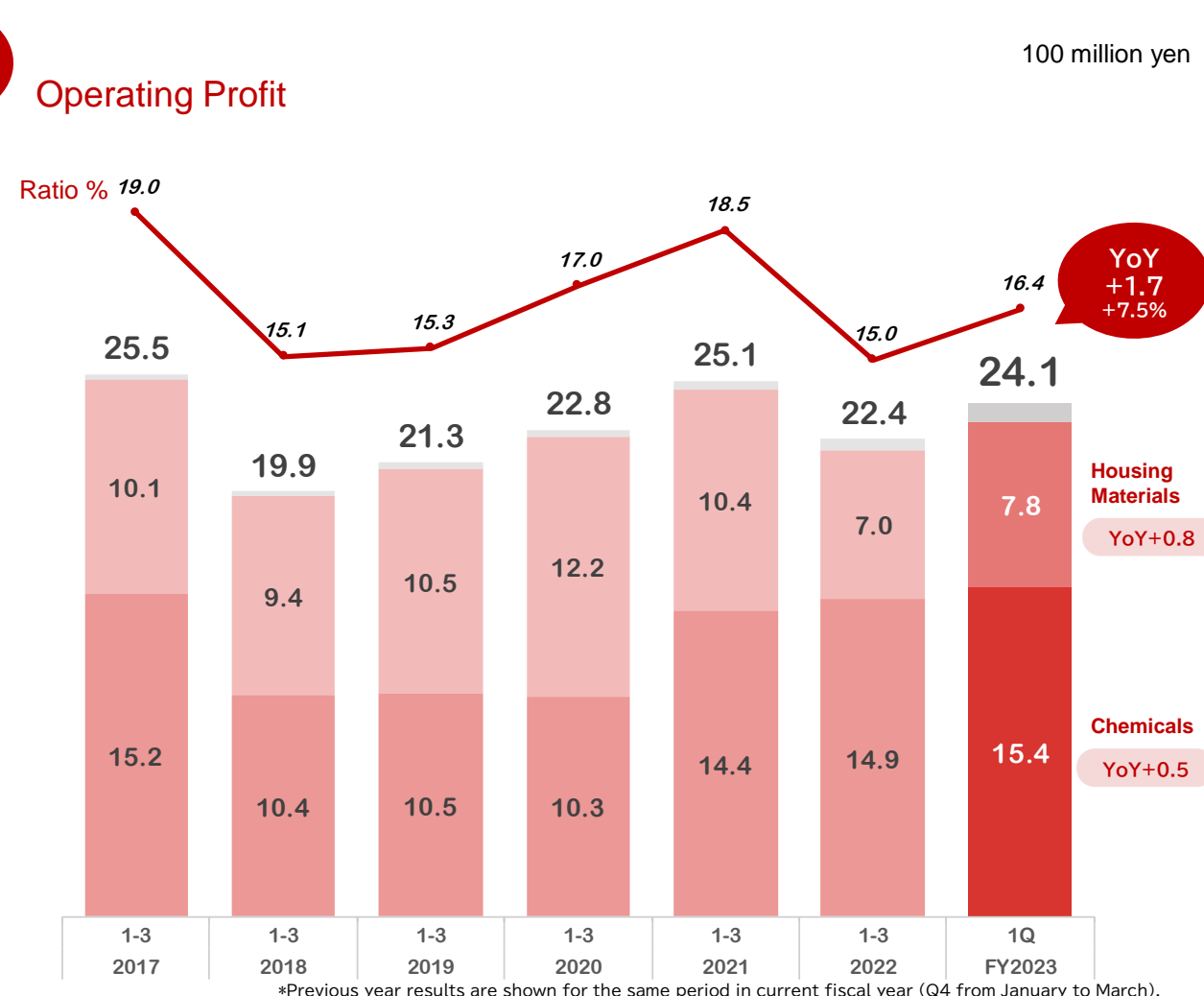
Net sales decreased in revenues (-410M) for Chemicals and increased (+160M) for Housing Materials but decreased (-220M) for the entire Company. Operating profit increased in both Chemicals (+50M) and Housing Materials (+80M) due to higher profit margins (+170M in total).

## Net Sales



## Operating Profit

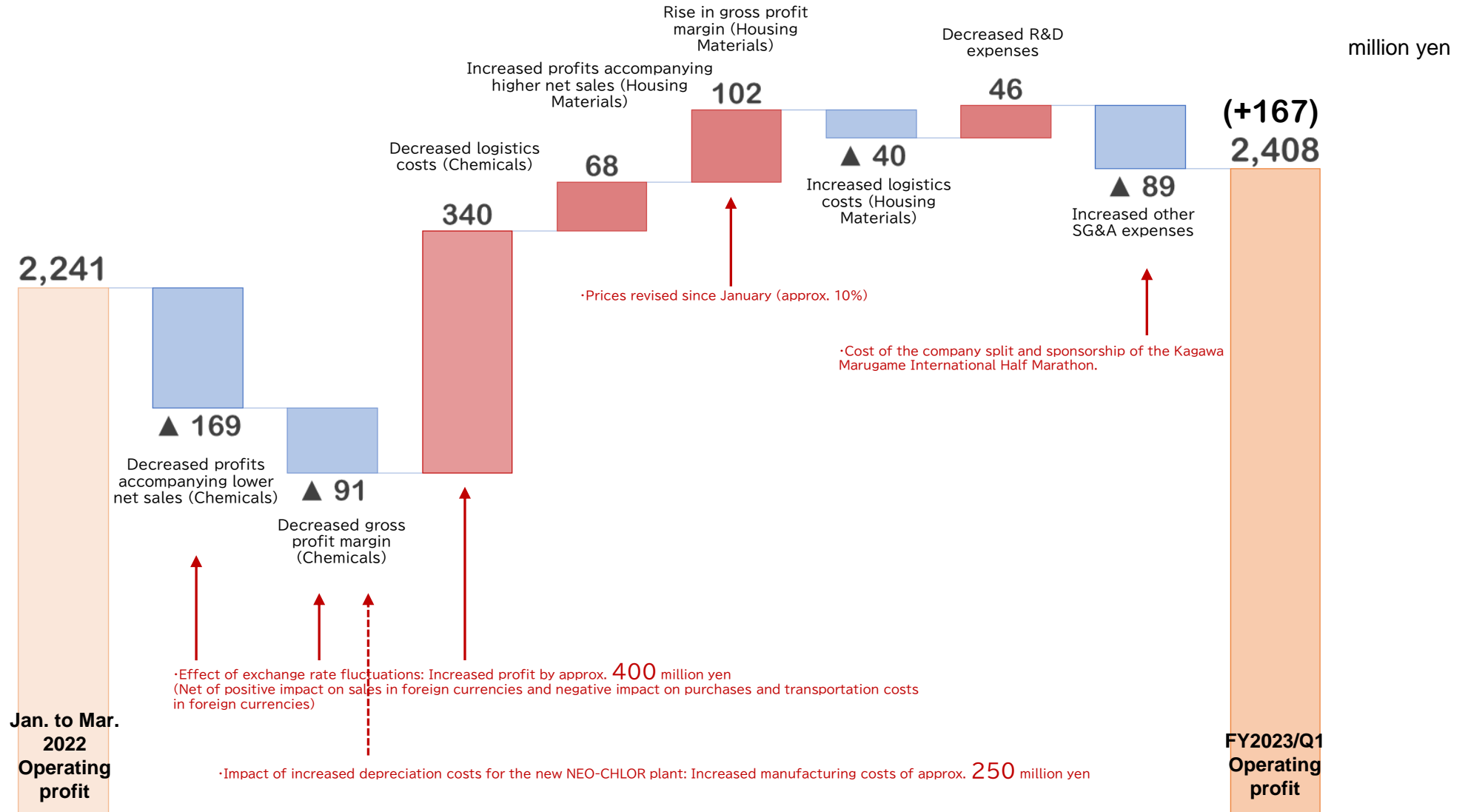
100 million yen



\*Previous year results are shown for the same period in current fiscal year (Q4 from January to March).  
\*From the current fiscal year, accompanying changes in the management framework, corporate expenses—previously not allocated—are now allocated to each segment based on reasonable standards. Furthermore, results for the previous fiscal year and earlier are compared, using the revised measurement method to reflect the change.

# YoY Changes in Operating Profit

The weaker yen and normalization of export logistics costs boosted profits in Chemicals. Regarding Housing Materials business, gross profit margins increased due to price hikes.

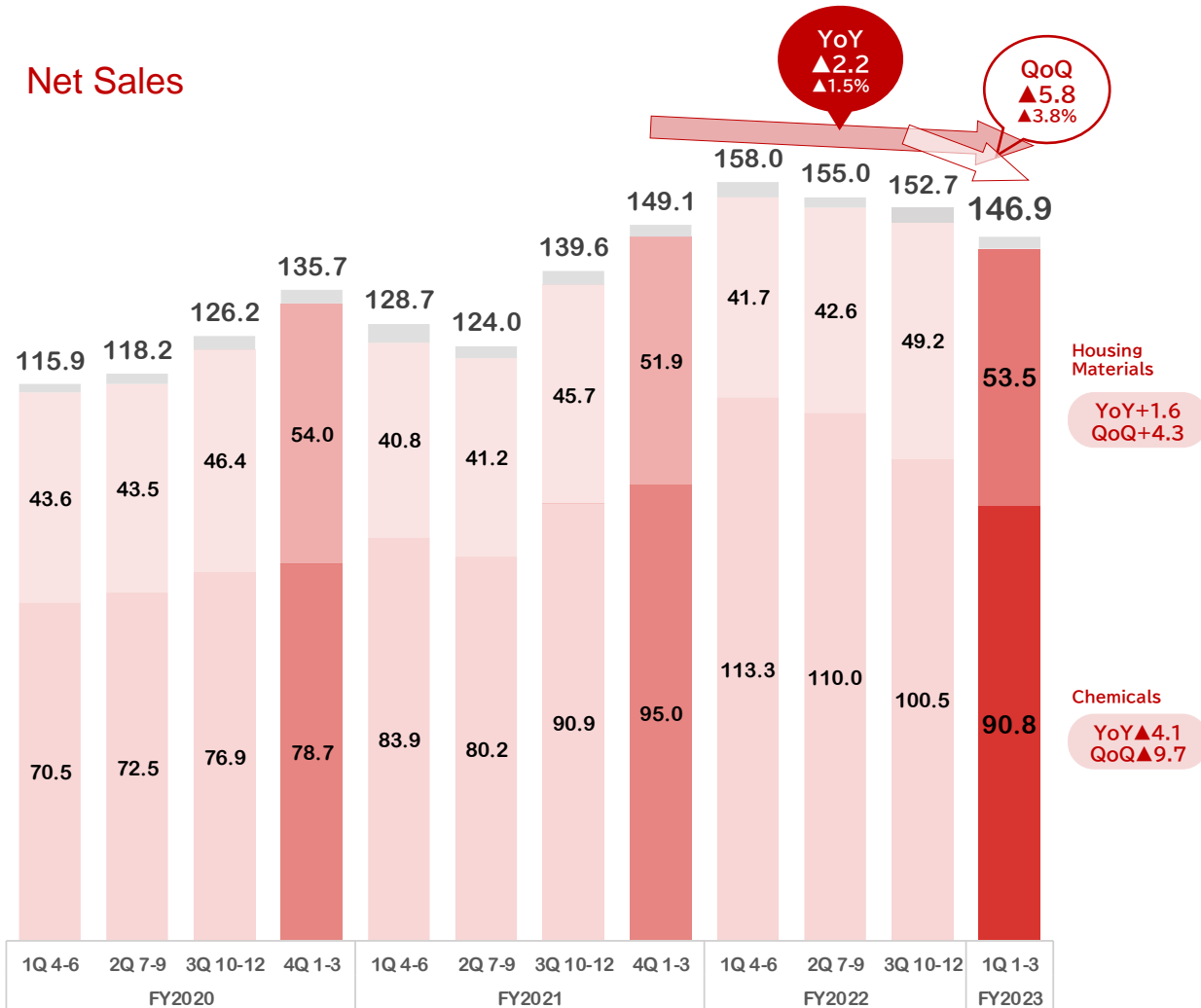


# Trends in Net Sales and Operating Profit (QTD)

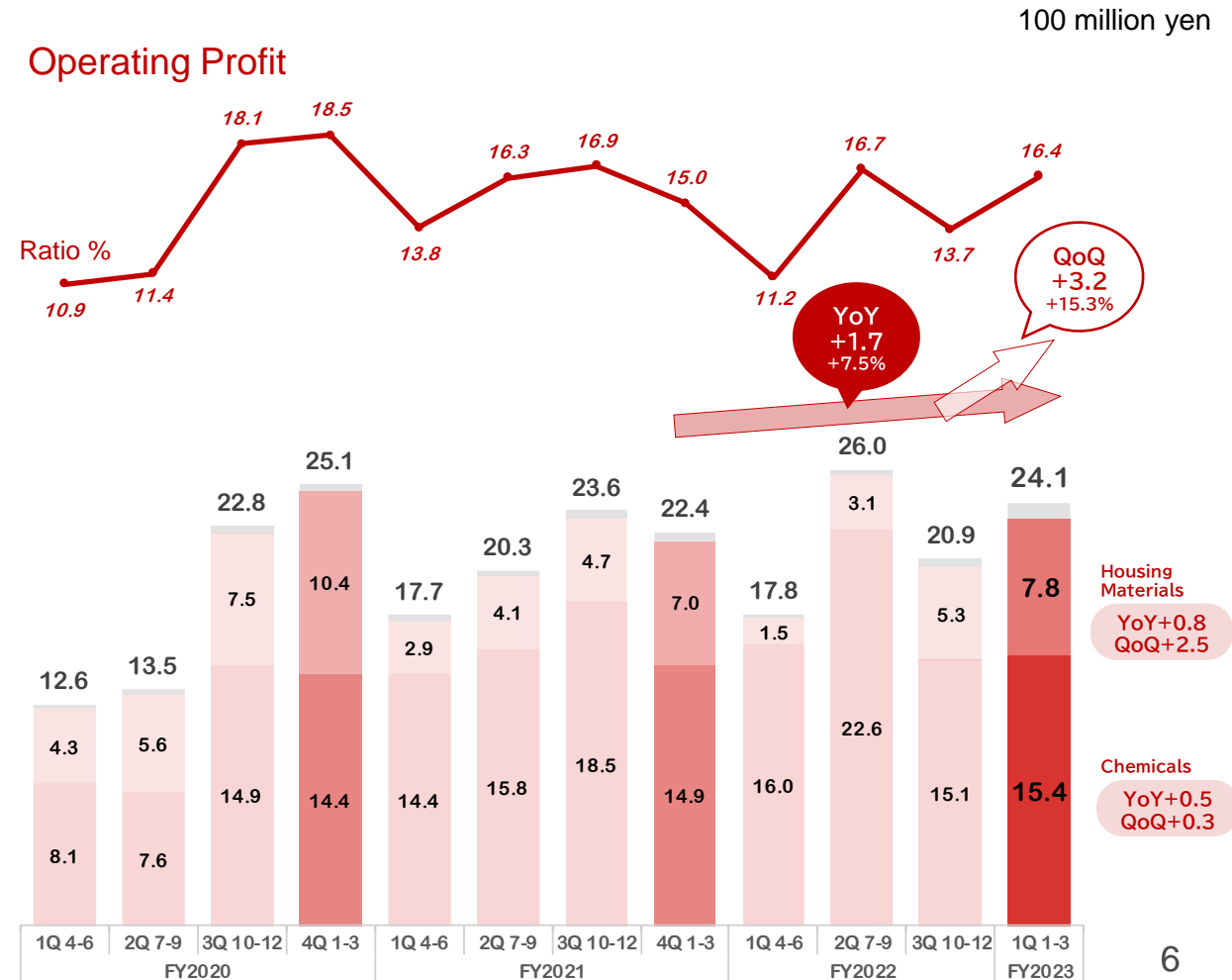
- Companywide, revenues decreased 220-million-yen YoY. In Chemicals, the increase in revenues in the first half of the previous year (April-September) was lost due to deteriorating market conditions. Housing Materials posted higher revenues (+160M) after two price revisions (April and January).
- QoQ revenues decreased by 580 million yen, as Chemicals marked a decline (-970M) due to a loss of revenues in the first half of FY2022 by the demand factor. Housing Materials revenues rose sharply (+430M) due to seasonal factors and price revisions.

- Companywide, revenues increased 170-million-yen YoY. Chemicals showed a slight increase in profit (+50M) due to the weaker yen and lower logistics costs, which offset the decrease in sales and the increase in depreciation costs. Housing Materials increased in profit (+80M) because of price hikes.
- In terms of QoQ, while Chemicals remained flat (+30M), the addition of seasonal factors in Housing Materials (+250M) led to a large increase in profit (+320M).

## Net Sales



## Operating Profit

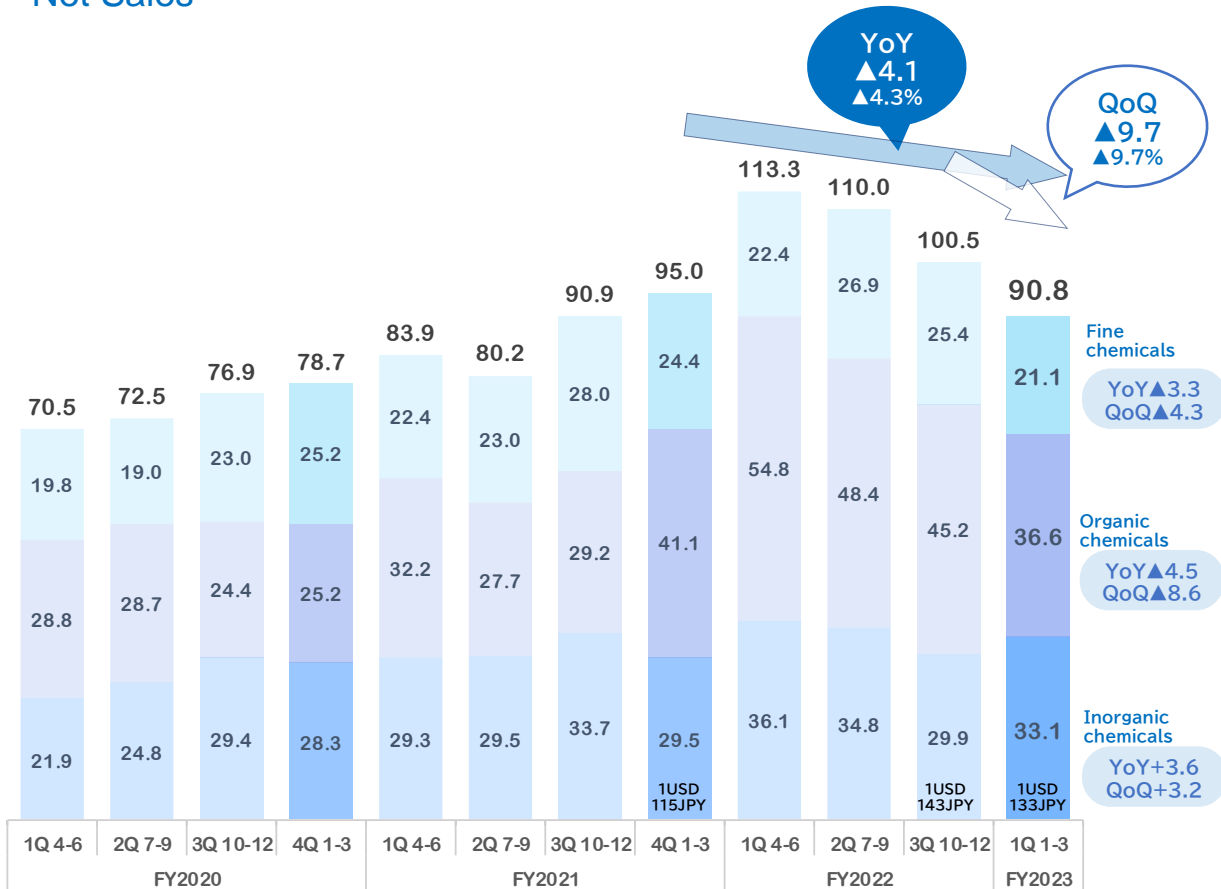


# Operating Results by Segment: Chemicals (QTD)

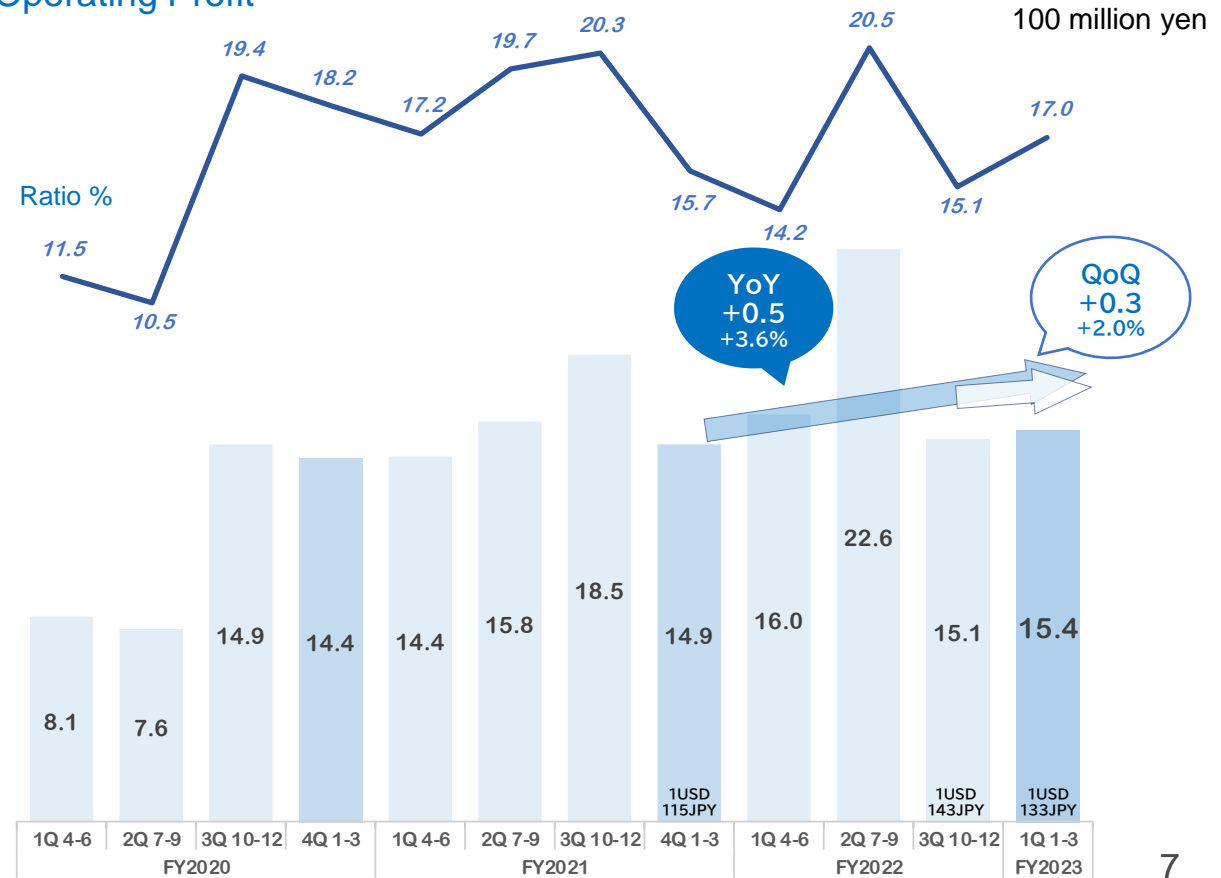
- Inorganic Chemical revenues increased in both YoY (+360M) and QoQ (+320M). Revenues from insoluble sulfur remained sluggish due to the weak market in China since Q3 of the previous fiscal year but increased due to strong domestic demand for carbon disulfide and sales expansion in exports.
- Organic Chemical revenues declined significantly in both YoY (-450M) and QoQ (-860M). In NEO-CHLOR, shipment volume decreased due to slack supply-demand conditions in the North American market, and unit sales prices remained at a high level, but revenues decreased.
- Revenues of Fine Chemicals decreased in both YoY (-330M) and QoQ (-430M). GLICOAT-SMD remained sluggish due to deteriorating semiconductor and electronics market conditions and customer utilization rates due to turmoil after the lifting of China's zero COVID policy. On the other hand, newly developed items of functional materials (semiconductor processing materials) are steadily expanding.
- Foreign exchange impact was +600-million-yen (115→133) YoY and -300-million-yen (143→133) QoQ.

- As a result, sales were slightly sluggish, +50-million-yen YoY and +30-million-yen QoQ, but operating profit remained at the same level.
- As for foreign exchange, the yen depreciation was a factor to boost +400-million-yen profits YoY, however, QoQ, yen appreciation was a declining factor by -200-million-yen profits.
- YoY, a negative impact of lower sales and profit margin accompanying depreciation of the new NEO-CHLOR plant was almost offset by the positive impact of the weaker yen and lower logistics costs, resulting in maintaining the same level.
- Although the yen appreciated QoQ, the change was mostly offset by a decrease in logistics costs and the expenses incurred by the Yoshinari plant relocation in the previous fiscal year.

## Net Sales



## Operating Profit

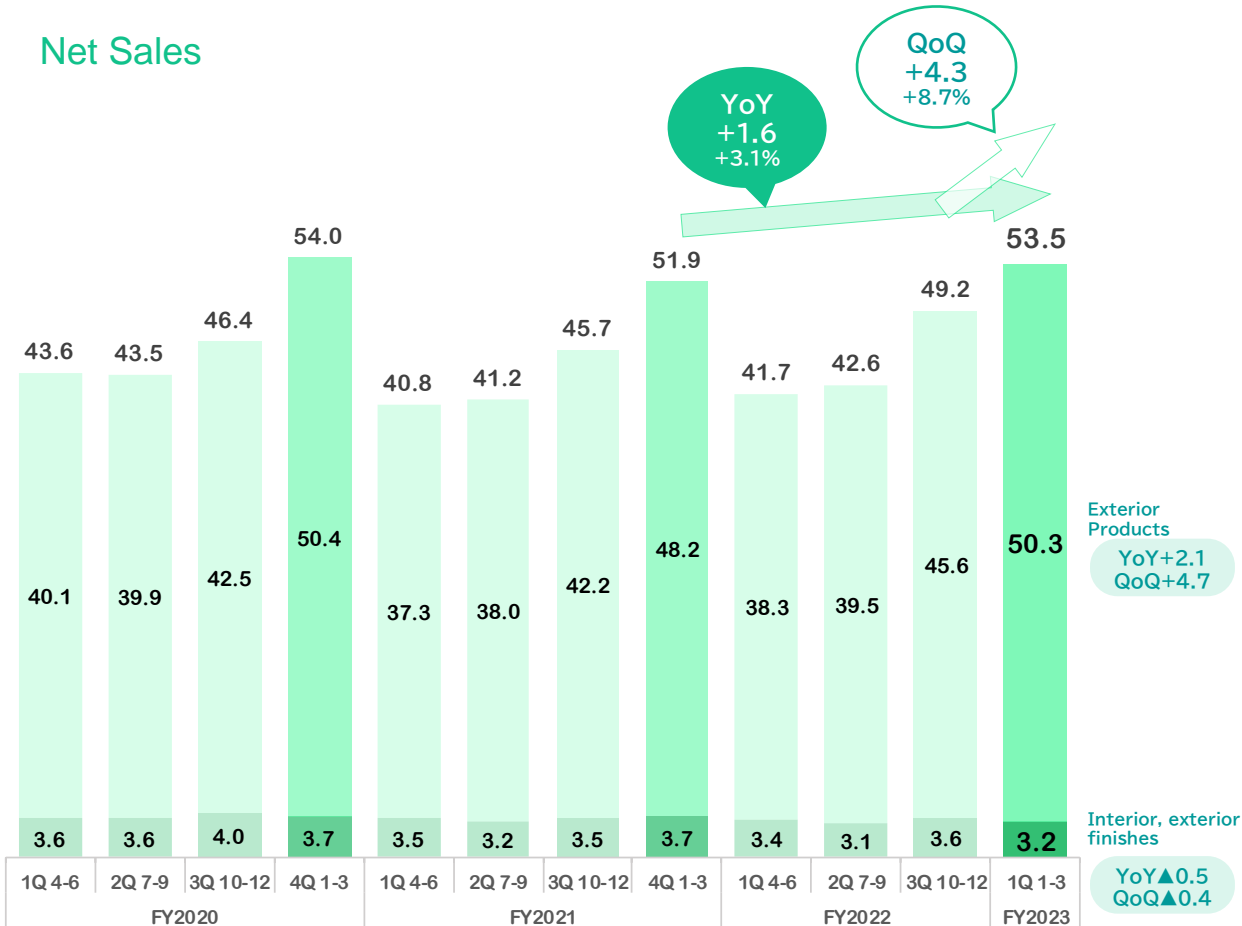


# Operating Results by Segment: Housing Materials (QTD)

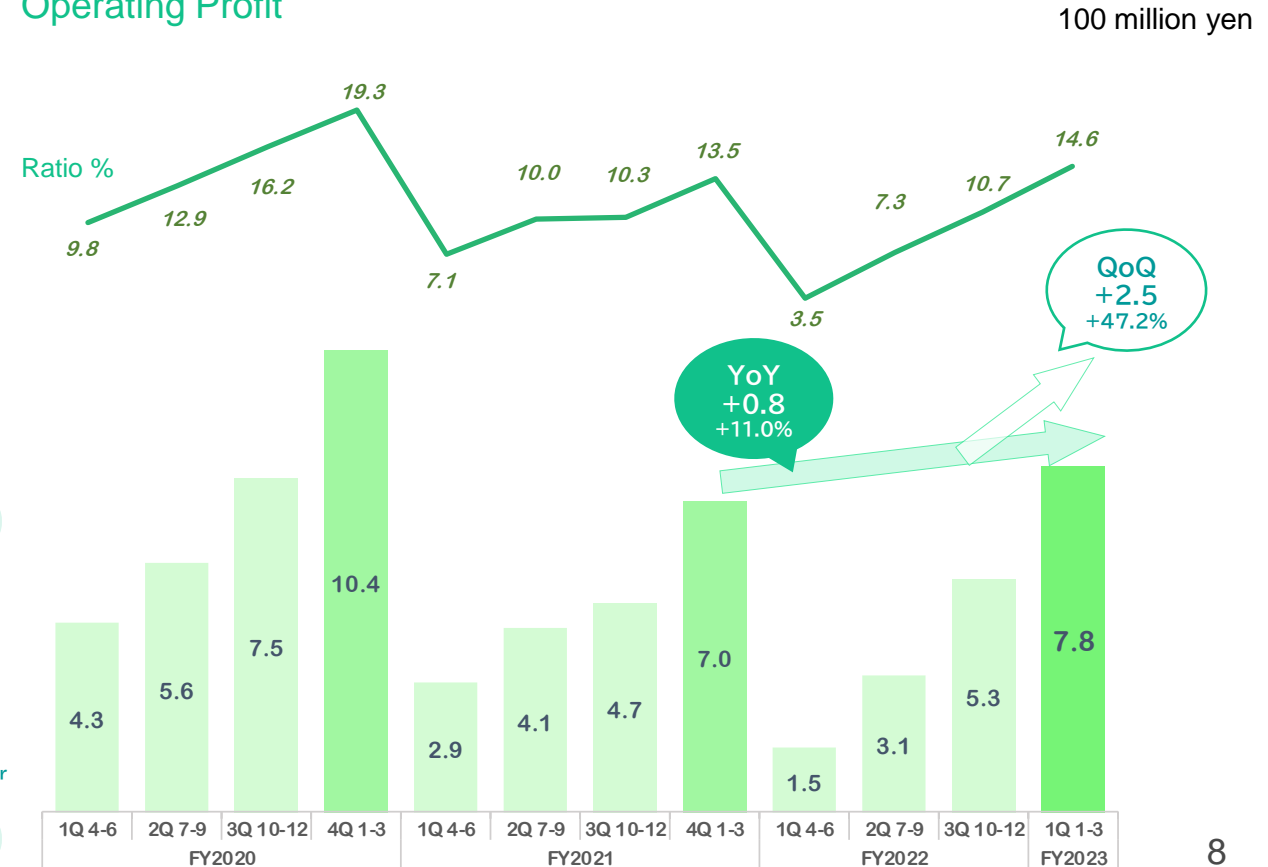
- Overall, the Housing Materials business achieved YoY revenue growth of +160 million or 3.1%.
- The wall materials decreased in revenues by -0.5% YoY; down YoY due to a reactionary drop from the rush of orders (for December sales) before the price hike.
- Revenues from exterior materials increased by +210 million YoY. Revenues increased because of two price revisions in April 2022 and January 2023 in response to a soaring aluminum ingot price.
- The QoQ revenue increase reflects seasonal factors such as demand for landscape and exterior construction work.

- Overall, the Housing Materials business achieved YoY profit growth of +80 million or 11.0%.
- The exterior business has recovered profitability after two price revisions. However, the January price hike will not make a full contribution to profits before Q2, as a large proportion of orders for the January price hike will be shipped at the old price.
- Raw material prices for crude oil-derived resin materials continued to soar, but prices for aluminum ingots were slightly lower than the peak in the same period previous year as the commodity market stabilized.

## Net Sales



## Operating Profit





## 2. Financial Forecast for the Fiscal Year Ending 2023

# Forecast of Consolidated Financial Results

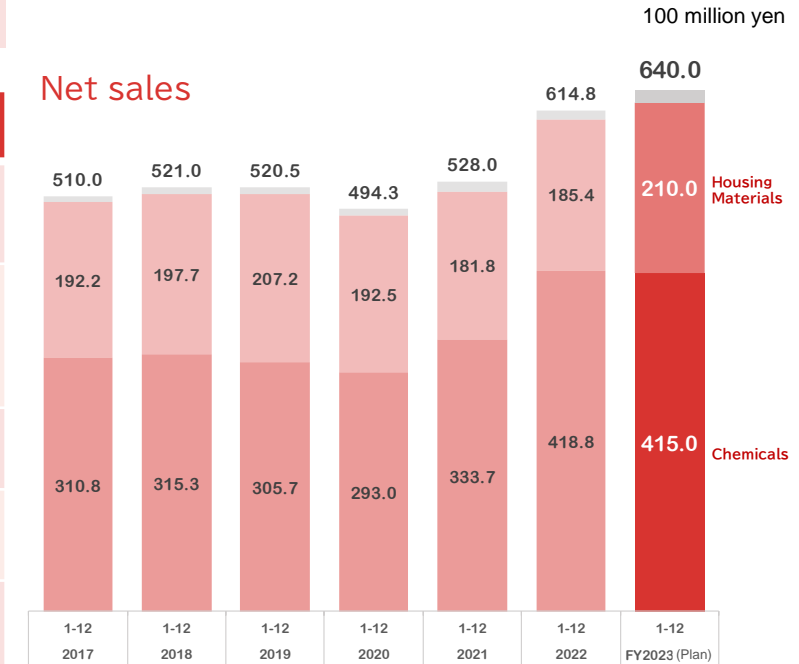
Change was not recorded in the full-year forecast figures; profits are slightly ahead of the plan.

Forecast at the beginning of period (re-posted)

million yen

	Previous year* (January to December 2022)	FY2023 (January to December)	Change/Rate	Remarks
Net sales	<b>61,475</b> (Chemicals)41,876 (Housing Materials)18,543	<b>64,000</b> (Chemicals)41,500 (Housing Materials)21,000	<b>+2,525</b> +4.1%	<ul style="list-style-type: none"> <li>Chemicals Operations' sales are expected to be stable due to the deterioration of the market conditions for insoluble sulfur and slack supply and demand of chlorinated isocyanurate.</li> <li>A sales increase is expected from Housing Materials Operations due to price revisions in January 2023</li> </ul>
Operating profit	<b>8,703</b> (Chemicals) 6,865 (Housing Materials) 1,682	<b>6,500</b> (Chemicals) 4,800 (Housing Materials) 1,500	<b>▲2,203</b> ▲25.3%	<ul style="list-style-type: none"> <li>The Chemicals Operations segment is expected to see reduced operating profit due to a decrease in the unit selling price and an increase in fixed expenses (depreciation expense).</li> <li>The operating profit of the Housing Materials Operations segment is expected to remain unchanged due to a drop in the marginal profit ratio associated with an increase in material prices.</li> </ul>
Ordinary profit	<b>9,840</b>	<b>7,000</b>	<b>▲2,840</b> ▲28.9%	<ul style="list-style-type: none"> <li>Ordinary profit is expected to decrease due to the non-recurrence of the effect of profit increase resulting from the foreign exchange gain recorded in the previous term (foreign exchange gains in the same period of the previous year: 583).</li> </ul>
Profit attributable to owners of parent company	<b>7,081</b>	<b>4,900</b>	<b>▲2,181</b> ▲30.8%	
Exchange rate	<b>1 USD = 128 JPY</b> 1 EUR = 135 JPY 1 RMB = 19.4 JPY	<b>1 USD = 125 JPY</b> 1 EUR = 135 JPY 1 RMB = 18 JPY		<ul style="list-style-type: none"> <li>FX Impact is approx. 150 million yen for sales and 70 million yen for operating profit against fluctuation of 1 yen.</li> </ul>

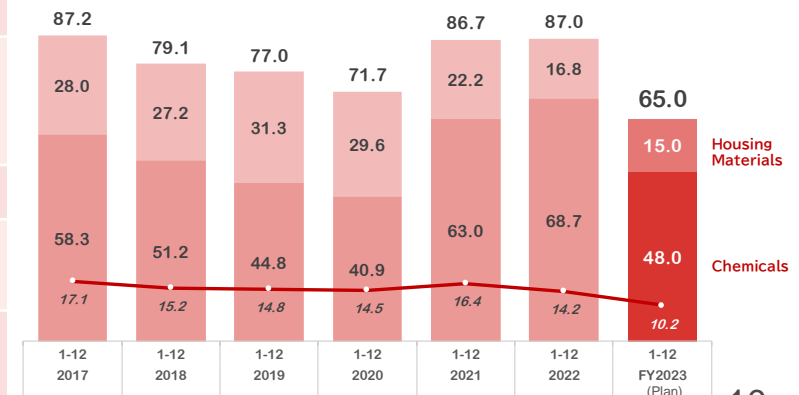
## Net sales



Q1 progress rate

	FY2023 (January to December)	FY2023/Q1	Progress rate	Remarks
Net sales	<b>64,000</b> (Chemicals)41,500 (Housing Materials)21,000	<b>14,685</b> (Chemicals)9,084 (Housing Materials)5,351	<b>23%</b> 22% (Chemicals) 25% (Housing Materials)	<ul style="list-style-type: none"> <li>The Chemicals business was in line with the forecast, and slightly ahead of the plan due to the yen's depreciation.</li> <li>In the Housing Materials business, the penetrating effects of price revision was as planned. However, the volume of goods decreased after the rush demand was exhausted, resulting in the demand period progressing at a pace that fell short of the plan.</li> </ul>
Operating profit	<b>6,500</b> (Chemicals) 4,800 (Housing Materials) 1,500	<b>2,408</b> (Chemicals) 1,543 (Housing Materials) 778	<b>37%</b> 32% (Chemicals) 52% (Housing Materials)	<ul style="list-style-type: none"> <li>In the Chemicals business, profits progressed significantly due to favorable foreign exchange rates for North America, unit sales prices of NEO-CHLOR in North America, and logistics costs.</li> <li>Sales of Housing Materials did not reach the target level, but progress against the plan was also good due to lower cost of sales than expected.</li> </ul>
Ordinary profit	<b>7,000</b>	<b>2,610</b>	<b>37%</b>	
Profit attributable to owners of parent company	<b>4,900</b>	<b>1,744</b>	<b>36%</b>	
Exchange rate	<b>1 USD = 125 JPY</b> 1 EUR = 135 JPY 1 RMB = 18 JPY	<b>1 USD = 133 JPY</b> 1 EUR = 142 JPY 1 RMB = 19.3 JPY		<ul style="list-style-type: none"> <li>The yen depreciated against the assumed exchange rate, resulting in a positive impact on net sales of +270 million yen and profit of +170 million yen in Q1 compared to the plan.</li> </ul>

## Operating profit



\* In comparison and in the graphs, performance in prior years is adjusted to the same period in FY2022 (January to December).

# Capital Investment and Depreciation

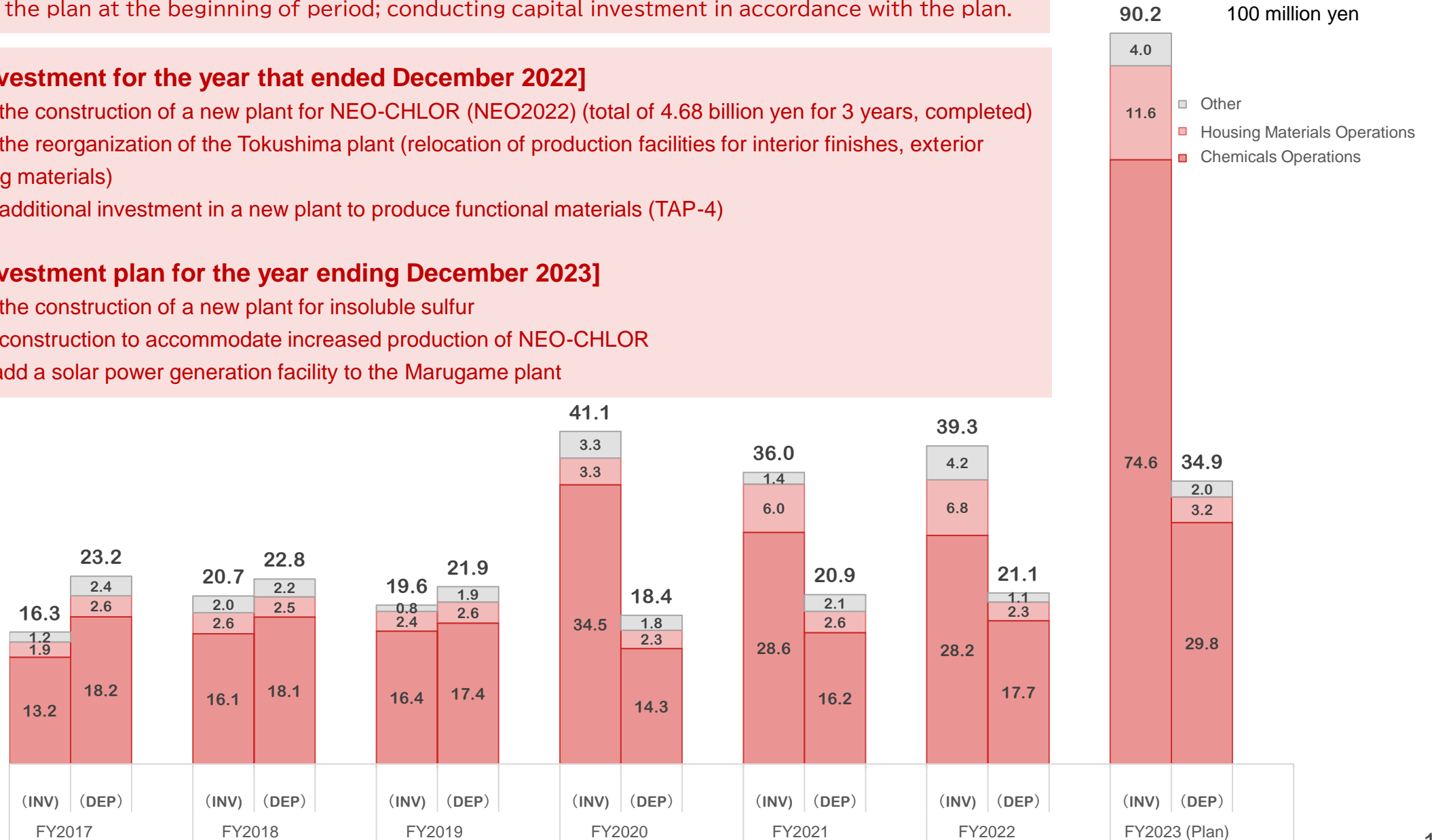
No change from the plan at the beginning of period; conducting capital investment in accordance with the plan.

## [Major capital investment for the year that ended December 2022]

- 1.23 billion yen for the construction of a new plant for NEO-CHLOR (NEO2022) (total of 4.68 billion yen for 3 years, completed)
- 500 million yen for the reorganization of the Tokushima plant (relocation of production facilities for interior finishes, exterior finishes, and paving materials)
- 140 million yen for additional investment in a new plant to produce functional materials (TAP-4)

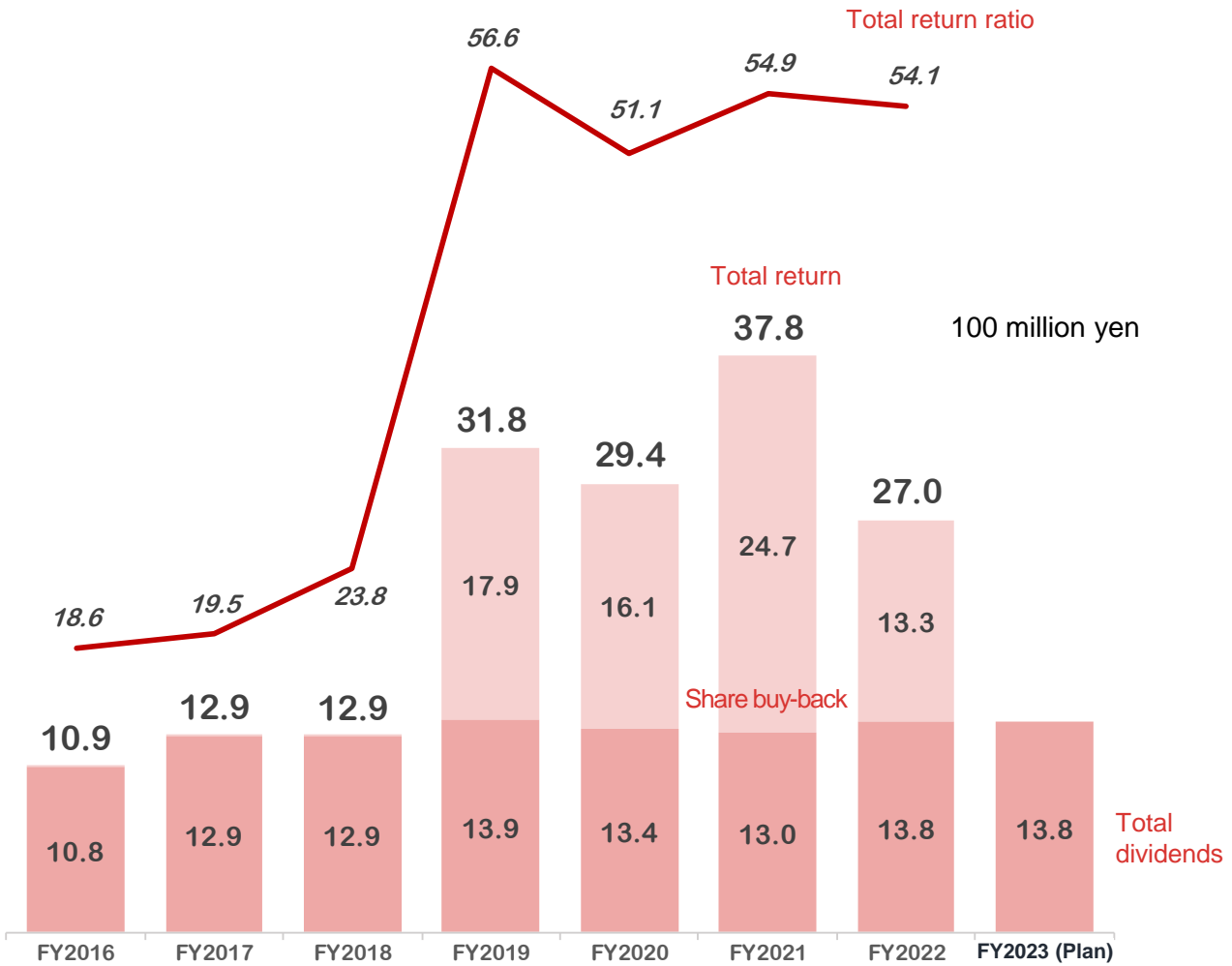
## [Major capital investment plan for the year ending December 2023]

- 4.09 billion yen for the construction of a new plant for insoluble sulfur
- 1.25 billion yen for construction to accommodate increased production of NEO-CHLOR
- 190 million yen to add a solar power generation facility to the Marugame plant



# Dividend and Share Buy-Back Trends

No change from the plan at the beginning of period; conducting shareholder returns in accordance with the plan.



### [Shareholder Return Policy]

- The Company aims to achieve “a total payout ratio of 50% based on consolidated financial results” under the “Challenge 1000” long-term vision for 2030.

### [FY2022 Shareholder Return Policy]

- The Company increased the annual dividend of 24 yen per share (interim dividend of 12 yen and year-end dividend of 12 yen) by 2 yen as a commemorative dividend to celebrate the Company’s 75th anniversary of establishment; the new annual dividend is 26 yen per share (interim dividend of 13 yen and year-end dividend of 13 yen).
- On August 29, 2022, we repurchased our own shares worth 1.33 billion yen through ToSTNeT-3. The total shareholder returns combined with dividends (1.38 billion yen) amounted to 2.7 billion yen, and the total payout ratio was 54.1%.

### [FY2023 Shareholder Return Policy]

- The Company plans to incorporate 2 yen of the commemorative dividend in FY2022 into the ordinary dividend and maintain the 26 yen per share dividend (interim dividend of 13 yen and year-end dividend of 13 yen).
- Additionally, premised upon the shareholder return policy, the Company will repurchase its own shares in a flexible manner and will also promote the reduction of surplus capital and cross-shareholdings in order to improve the value of shares.

# Disclaimer

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## Contact information

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