

# Investor Briefing Shikoku Kasei HD Corp. For FY 2023 2Q

2023/8/4

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

I am Watanabe (President and C.E.O.) of Shikoku Kasei Holdings Corporation.  
Thank you very much for taking the time out of your busy schedule to attend the investor briefing on the financial results of the Group.

## **1. Consolidated Financial Results**

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

## **3. Action to Implement Management that is Conscious of Cost of Capital and Stock Price**

## **4. Review of the First Half**

## **5. Appendix**

As you can see, I will explain the results for the first half of the fiscal year ending December 2023 and the forecast for the entire year ending December 2023. Subsequently, I will explain the details of the management that are illustrative of the cost of capital and stock price, which we have disclosed from this quarter.

Finally, I will report on the progress and activities in the first half of this year in our long-term vision, "Challenge 1000," that we are currently working on.

# 1. Consolidated Financial Results

First, I will explain the results for the first half of the fiscal year ending December 2023.

## Increased revenues and decreased profits year on year (January-June)

million yen

	Previous year* January to June 2022	FY2023 2Q	Change/Rate	Remarks
Net sales	30,705	30,880	+174 +0.6%	<ul style="list-style-type: none"> <li>The Chemicals business remained flat due to the yen's depreciation despite deteriorating market conditions</li> <li>The Housing Materials business increased its revenues due to the success of price hikes</li> </ul>
Operating profit	4,016	3,786	▲229 ▲5.7%	<ul style="list-style-type: none"> <li>Decrease in profits due to higher costs for raw materials, labor, depreciation, etc.</li> </ul>
Ordinary profit	5,130	4,720	▲410 ▲8.0%	<ul style="list-style-type: none"> <li>Foreign exchange gains 554 (YoY -283)</li> </ul>
Profit attributable to owners of parent	3,663	3,212	▲450 ▲12.3%	<ul style="list-style-type: none"> <li>Gain on the sale of investment securities - (YoY -856)</li> <li>Impairment losses and loss on the valuation of investment securities - (YoY +760)</li> </ul>
Exchange rate	1 USD = 122 JPY 1 EUR = 132 JPY 1 RMB = 18.4 JPY	1 USD = 134 JPY 1 EUR = 144 JPY 1 RMB = 19.4 JPY	Net sales <b>+1,100</b> Operating profit <b>+600</b>	<ul style="list-style-type: none"> <li>The impact of the yen's conversion of PL included in the YoY increase/decrease calculation.</li> <li>Only the impact of exchange rate fluctuations on foreign currency transactions are extracted. Many yen-denominated transactions are also substantially affected by exchange rate fluctuations but are not included.</li> </ul>

\* Since the Company has changed the fiscal year-end from March 31 to December 31 since the previous year, for comparison with the previous year, the six-month period from January to June 2022 is compared with the "same period previous year," as a reference.

4

The Company has changed the fiscal year-end from March 31 to December 31 in fiscal 2023. For comparison with the previous year, the six-month period from January to June 2022 is juxtaposed with the "same period during the previous year" as a reference.

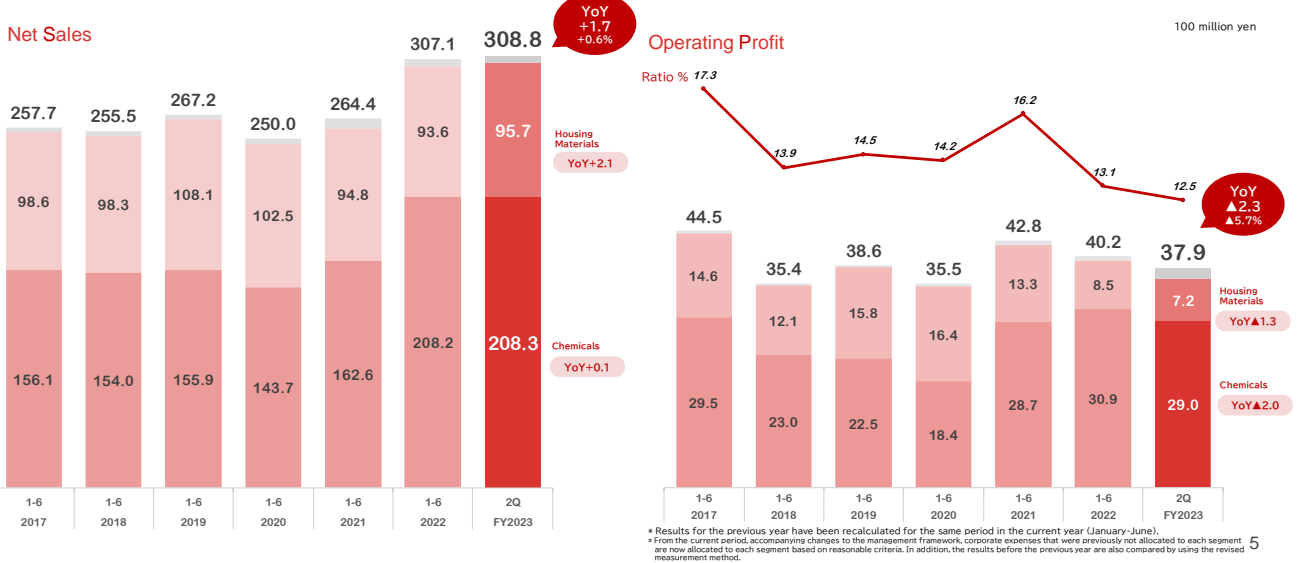
Regarding the consolidated financial results for the first half of the fiscal year ending December 2023, net sales increased 0.6% from the same period the previous year to ¥30.88 billion, operating profit decreased 5.7% to ¥3,786 million, ordinary profit decreased 8.0% to ¥4,720 million, and profit attributable to owners of parent dropped 12.3% to ¥3,212 million. Net sales increased, but profit decreased compared to the previous year.

I will explain net sales and operating profit in detail by segment later. Foreign exchange rates were ¥134 against the dollar and ¥144 against the euro, owing to the ongoing depreciation of the yen. FX impacts on profits, and losses were positive of ¥1.1 billion for net sales and about ¥600 million for operating profit.

For ordinary profit and profit attributable to owners of the parent, the amount of decrease in profit widened year on year since we recognized a large amount of gains, including foreign exchange gains and gains on sales of investment securities in the previous year.

Trends in Net Sales and Operating Profit (YTD)

Net sales soared companywide (+1.7 in total), with Chemicals remaining flat year-over-year (+0.1) and with Housing Materials up (+2.1)  
 Operating profit decreased slightly for the Chemicals (-2.0) and Housing Materials (-1.3) segments due to a decline in profit margin and a companywide decline (-2.3 in total).



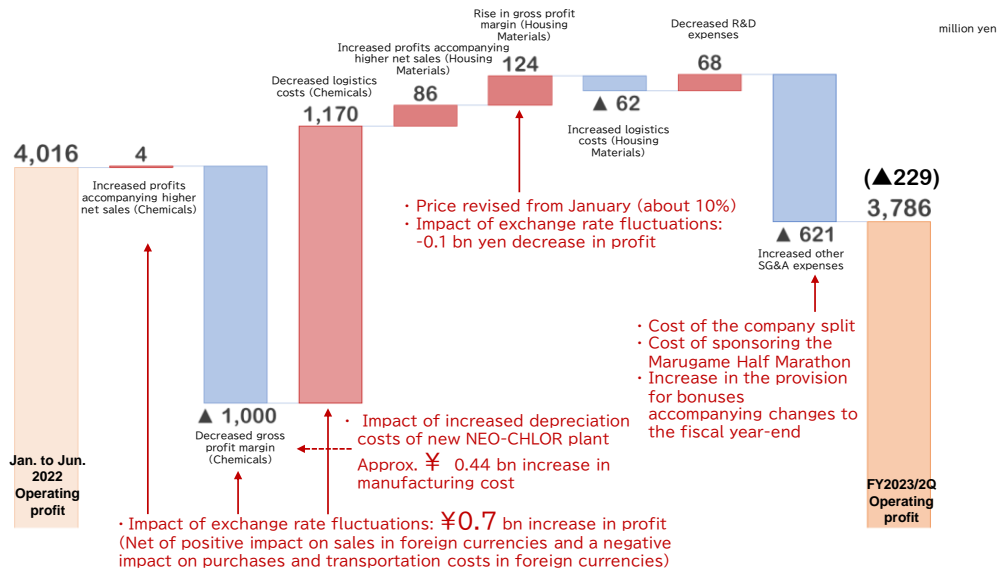
Let's look at each segment. From fiscal 2023, accompanying changes to the management framework, corporate expenses that were previously not allocated to each segment are now allocated to each segment to calculate segment profits. The results before the previous year are also compared using the revised measurement method. Please note that the figures differ from those disclosed in the previous period.

Now, I will explain net sales on the left. In the chemicals operations segment, net sales remained unchanged at ¥20.83 billion as organic chemicals performed well, but inorganic and fine chemicals were affected by the worsening market condition. In the housing materials operations segment, net sales increased ¥210 million to ¥9.57 billion due to the price revision in January this year and efforts to pass on high raw material costs.

Next, let's see the operating profit on the right. Operating profit decreased ¥200 million to ¥2.9 billion in the chemicals operations segment and ¥130 million to ¥720 million in the housing materials operations segment. I will explain operating profit in detail in the next slide considering the existence of various variation factors.

**YoY Changes in Operating Profit**

While profitability declined due to rising costs (raw material costs and depreciation), this was partially offset by the positive impact of the weaker yen in exchange rates and the normalization of export logistics costs.



The slide shows year-on-year changes in operating profit in a waterfall chart.

In the chemicals operations segment, the gross margin fell due to the deterioration of profitability affected by stagnant sales of electronics materials in the fine chemicals business, which is the most profitable in the Company, a decrease in sales prices of insoluble sulfur in the Chinese market, and rising prices of various raw materials. This is caused by a reduction in profit by approximately ¥1 billion. This includes a positive impact of the weaker yen of ¥700 million and a negative impact of ¥440 million due to an increase in depreciation costs associated with a new NEO-CHLOR plant that has started operation in this period. Most of the depreciation expenses of the new NEO-CHLOR plant are for machinery and equipment, which have been depreciated over eight years using the declining balance method, and the expenses are expected to decrease significantly year by year after the following year. On the other hand, marine freight costs associated with export have sharply dropped from the previous period. This resulted in a positive impact of over ¥1.1 billion after absorbing an increase in yen-denominated costs due to the weaker yen and offsetting a decrease in gross profit.

In the housing materials operations segment, net sales increased, and gross margin improved in association with the price revision in January. However, due to a rush of incoming orders before the price revision took effect, sales volume did not grow as expected, and profit was lower compared to a 10% increase in sales price.

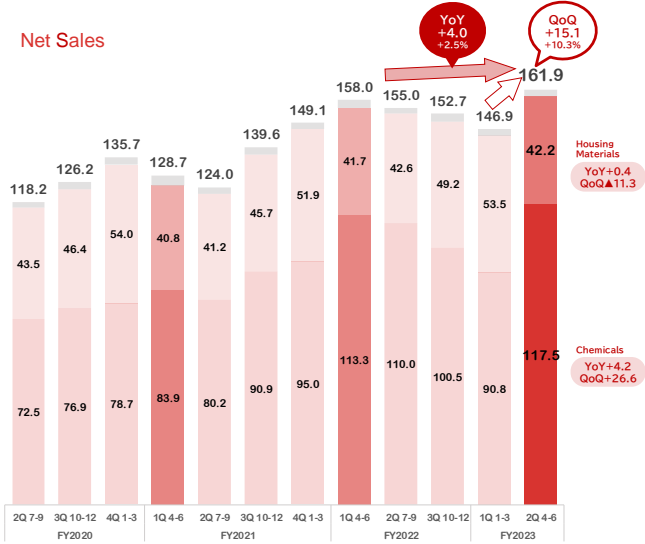
In terms of SG&A expenses, operating expenses in the housing materials operations segment increased due to the resumption of face-to-face sales activities after COVID-19 and the holding of various exhibitions, etc. Other SG&A expenses also increased due to an increase in the provision for bonuses associated with the change in the fiscal year-end and an increase in temporary expenses arising from a shift to a holding company. As a result, operating profit decreased.

### Trends in Net Sales and Operating Profit (QTD)

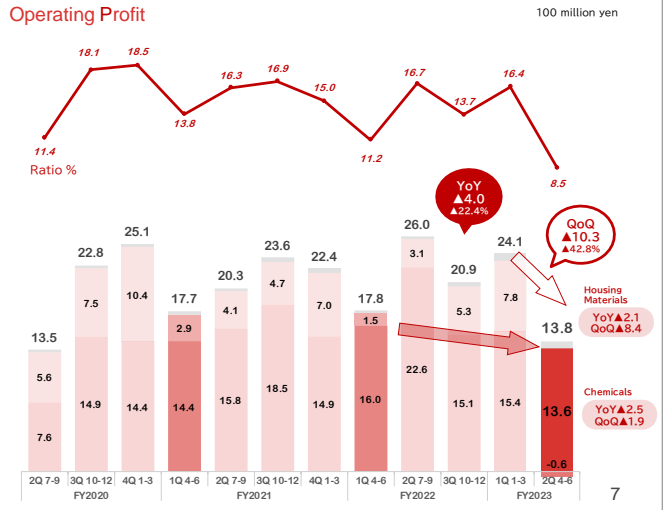
- Companywide, revenues increased by ¥0.4 bn YoY. The Chemicals business increased in revenue (+4.2) due to a tailwind from the yen's depreciation, although market conditions continued to deteriorate. The Housing Materials segment remained flat (+0.4) due to a reactionary decline after the January price revision.
- QoQ, revenues increased sharply by ¥ 1.51 bn. Revenue from Chemicals increased (+26.6) due to temporary supply and demand factors for organic chemical products, and that from Housing Materials declined (-11.3) due to seasonal factors (end-of-year demand) and a reactionary decline from price revisions.

- Companywide, profit decreased by ¥ 0.4 bn YoY. Chemicals posted a decline in profit (-2.5), as positive factors — such as higher sales, the yen's depreciation, and lower distribution costs were offset by higher costs for raw material, depreciation, and labor.
- Housing Materials posted an operating loss for the quarter due to sluggish sales, high raw material prices, and a year-over-year decline in profit (-2.1).
- QoQ, profit declined sharply (-10.3): profits from the Chemicals declined slightly (-1.9), but seasonal factors in Housing Materials added to the decline (-8.4).

Net Sales



Operating Profit



Next is the quarterly comparison.

Let's see the graph on the left, net sales. Total net sales increased ¥400 million year-on-year and ¥1.51 billion quarter-on-quarter. Net sales in the chemicals operations segment increased ¥420 million year-on-year and ¥2.66 billion quarter-on-quarter. As I will explain later, this is due to the substantial growth of organic chemicals.

On the other hand, though the price was revised in the housing materials operations segment, the shipment remained low, and net sales slightly increased ¥40 million year-on-year. Due to seasonal factors, net sales decreased by approximately ¥1.13 billion quarter-on-quarter.

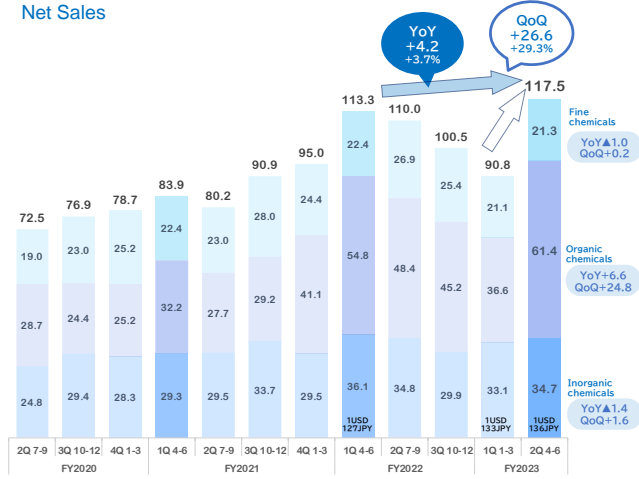
Let's move to the graph on the right, operating profit. Total operating profit decreased ¥400 million year-on-year and ¥1.03 billion quarter-on-quarter. In both the chemicals operations and housing materials operations segments, a rise in manufacturing costs is particularly accelerated, and price revision has not been able to cover all of them.

Operating Results by Segment: Chemicals (QTD)

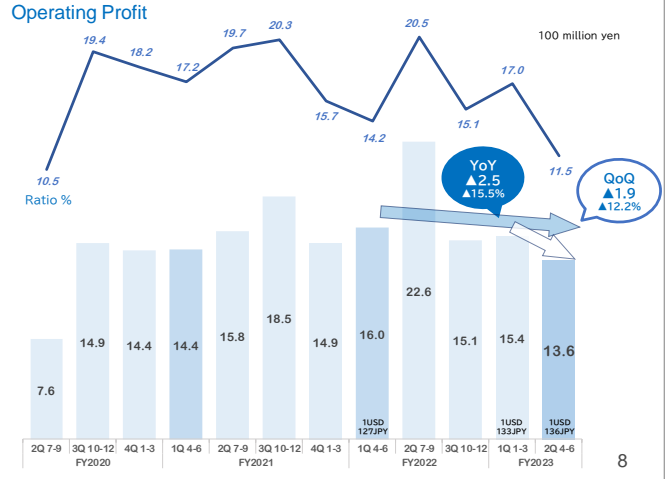
- Inorganic products registered a -1.4 YoY decline and growth of +1.6 QoQ. They are yet to break out of the slump considering the exchange rate. The insoluble sulfur business continued to face challenges as oversupply in the Chinese market prevented a recovery in selling prices, shrinking the room for sales expansion.
- Organic chemicals increased significantly both YoY +6.6 and QoQ +24.8. NEO-CHLOR entered the pool season, but the supply-demand balance in the North American market tightened again due to supply causes; unit sales prices remained in a high range, resulting in higher revenues.
- Fine Chemicals, with -1.0 YoY and +0.2 QoQ, show slow recovery. Glicoat-SMD's performance remained weak due to inventory adjustments in the supply chain in response to deteriorating semiconductor and electronics market conditions. However, newly developed advanced and speciality chemicals (semiconductor process materials) are steadily expanding.
- The impact of foreign exchange rate fluctuations was +0.5 bn yen (127->136) YoY and +0.2 bn yen (133->136) QoQ.

- With -2.5 YoY and -1.9 QoQ, profits declined due to lower profitability, despite an increase in sales of organic chemicals.
- A weak appreciation of the yen increased profit by ¥ +0.3 bn YoY, and lower export logistics costs were also a positive factor.
- However, the negative impact of cost factors, such as depreciation costs for the new NEO-CHLOR plant and soaring raw material costs, and the negative impact of sales factors, such as sluggish sales of the highly profitable Glicoat-SMD and declining profitability of insoluble sulfur in the Chinese market, outweighed the positive impact, resulting in lower earnings.
- Although the yen continued to depreciate QoQ, labor costs (provisions) increased due to a change in the period subject to bonus payments following a change in the fiscal year-end, resulting in a decrease in profit.

Net Sales



Operating Profit



First, I will explain the details by segment from the chemicals operations segment. Please see the graph on the left, net sales.

Net sales in the inorganic chemicals business decreased ¥140 million year-on-year but increased ¥160 million quarter-on-quarter. Unit selling prices of insoluble sulfur have not returned due to the loosening of supply and demand in the Chinese market, and severe conditions continue. However, it seems to bottom out from the previous period.

Net sales in the organic chemicals business increased ¥660 million year-on-year and ¥2.48 billion quarter-on-quarter, showing significant growth. In the second quarter, shipment of NEO-CHLOR tends to increase toward the pool season. In addition, the supply-demand balance in the North American market tightened again due to a temporary decrease in the supply capacity of other local companies. However, the supply-demand balance was slacked up to the previous quarter. As a result, sales growth has accelerated.

The fine chemicals business generally remained unchanged, with a decrease in net sales of ¥100 million year-on-year and an increase of ¥20 million quarter-on-quarter. However, because this figure included the positive impact of the yen depreciation, sales volume remained stagnant. Since the recovery of semiconductor and electronics market conditions was behind our expectations, inventory adjustments have extended throughout the supply chain. So, sales remained lower than the actual demand. On the other hand, sales of newly developed products such as semiconductor process materials and GlicAP steadily surpassed that of the previous year.

Next, please see the graph on the right. Operating profit decreased ¥250 million year-on-year and ¥190 million quarter-on-quarter. Positive factors included the strong performance of organic chemicals, the weaker yen, and a decrease in export logistics costs. Negative factors were mainly due to sales, including sluggish sales of highly profitable electronics chemicals materials and the deterioration of profitability of insoluble sulfur, and due to costs such as the rise in raw material costs without sign of stopping. Raw material costs only for the second quarter have a negative impact of about ¥400 million. As shown above, there were many positive and negative factors in the second quarter as various factors were involved complicatedly. But as a result, the first half results were slightly lower than those in the previous year.

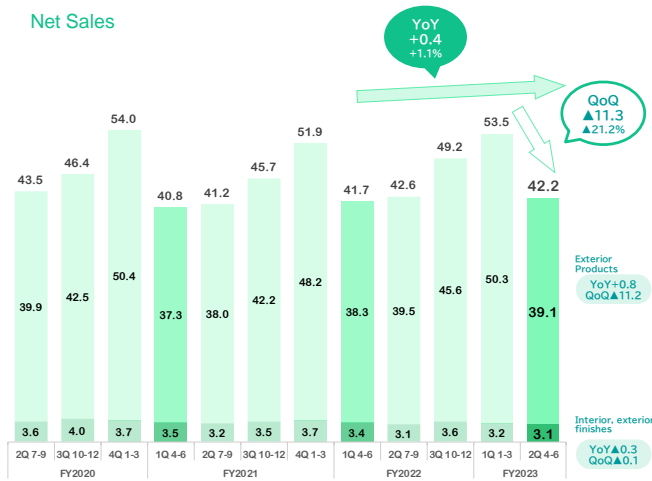


**Operating Results by Segment: Housing Materials (QTD)**

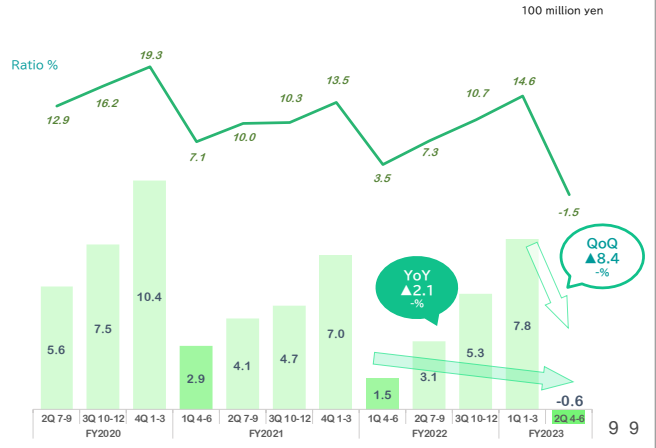
- Overall, the Housing Materials business achieved YoY revenue growth of ¥ 0.04 bn, or +1.1%.
- Revenues registered from interior, exterior finishes declined by -0.3 YoY. This decline from the previous year is due to a reactionary drop in rush orders (December sales) before the price hike.
- Exterior products: Revenues increased by +0.8 YoY. Revenue increased because of the effect of two price revisions in April 2022 and January 2023 (in response to soaring aluminum ingot prices).
- The QoQ decline in revenue was due to a reactionary drop from the end-of-year demand for landscape and exterior construction in 1Q.

- The Housing Materials business, as a whole, posted an operating loss of ¥ -0.21 bn for the quarter, although profitability usually declines from April to June due to seasonal factors.
- The Exterior product business recovered profits after two price revisions; however, this was not enough to make up for the decline in volume, especially for landscaping exterior products. In addition, the shrinkage of the highly profitable wall materials also had an impact.
- In terms of raw material prices, there is significant pressure to raise the price of resin and other materials derived from crude oil; aluminum ingots continue to remain stable at high prices — therefore, the effects of the price revision in improving profitability remain limited.

**Net Sales**



**Operating Profit**



Next, let's see the housing materials operations segment.

Net sales increased ¥40 million year-on-year but decreased ¥1.13 billion quarter-on-quarter. The QoQ decline in sales reflected a seasonal factor of a reactionary drop from demand for a large-scale project in March. But sales increased year on year. Although a 10% price increase in January has contributed, demand remained weak due to a reactionary drop in rush orders before the price hike. As a result, sales on a monetary basis were almost the same as in the previous period.

Operating profit decreased ¥210 million year-on-year, and we posted an operating loss of ¥60 million this quarter. In the housing materials operations segment, two price revisions in April last year and January this year were not enough to make up for a drop in highly profitable wall materials and a decline in volume in landscape exterior, one of our strengths. Therefore, the effects of the price revision in improving profitability remain limited.

Once again, we recognize that our top priority is to develop attractive new products that meet the current market needs and recover our competitiveness by strengthening and improving product appeals.

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

This is a summary of financial results for the first half of the fiscal year ending December 2023.  
Next, I will explain the consolidated earnings forecast for the fiscal year ending December 2023, especially the revisions.

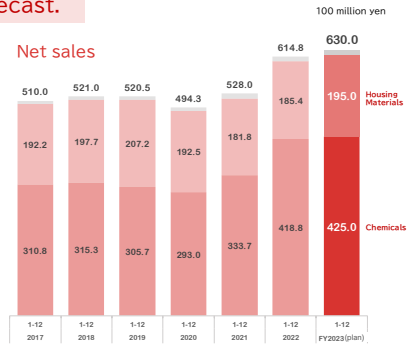
## Revision of Consolidated Earnings Forecast

The full-year forecast has been revised due to profits exceeding the initial forecast.

### Comparison of initial and revised forecast

	Forecast of the beginning of period	Revisions of the forecast (released July 26, 2023)	ChangeRate	Remarks
Net sales	64,000 (Chemicals)41,500 (Housing Materials)21,000	63,000 (Chemicals)42,500 (Housing Materials)19,500	▲1,000 ▲1.6%	<ul style="list-style-type: none"> <li>In the Chemicals business, inventory adjustment of fine chemicals will continue; however, the yen is expected to weaken, and the supply-demand balance of organic chemicals in North America will remain temporarily tight in the second half, leading to an upward revision.</li> <li>The Housing Materials business was revised downward due to a worse-than-expected fall in sales following a price revision.</li> </ul>
Operating profit	6,500 (Chemicals)4,800 (Housing Materials)1,500	7,500 (Chemicals)5,600 (Housing Materials)1,500	+1,000 +15.4%	<ul style="list-style-type: none"> <li>The Chemicals business was revised upward due to a weaker yen and a greater-than-expected fall in export freight rates.</li> <li>The Housing Materials business is expected to secure the initially assumed level of profit due to improved profitability, despite the decline in sales.</li> </ul>
Ordinary profit	7,000	8,300	+1,300 +18.6%	<ul style="list-style-type: none"> <li>The upward revision was due to the large amount of unplanned foreign exchange gains recorded up to 2Q. (Foreign exchange gains in 2Q was +554)</li> </ul>
Profit attributable to owners of parent company	4,900	6,800	+1,900 +38.8%	<ul style="list-style-type: none"> <li>The upward revision incorporates gains from the sale of cross-shareholdings to be implemented from 3Q onward.</li> </ul>
Exchange rate	1 USD = 125 JPY 1 EUR = 135 JPY 1 RMB = 18 JPY	1 USD = 135 JPY 1 EUR = 150 JPY 1 RMB = 19 JPY		<ul style="list-style-type: none"> <li>Change in exchange rate assumptions: calculated at 1 USD for ¥135 for both the second half and the full year.</li> <li>1 yen change in the exchange rate positively impacts about ¥150 yen on net sales and about ¥70 million on operating profit for the full year.</li> </ul>

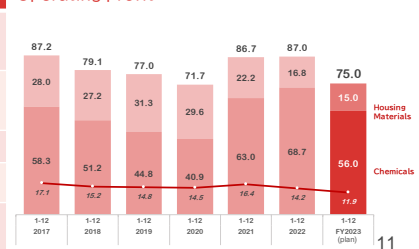
### Net sales



### Comparison of previous year and revised forecast

	Previous year* (January to December 2022)	Revisions of the forecast (released July 26, 2023)	ChangeRate	Remarks
Net sales	61,475 (Chemicals)41,876 (Housing Materials)18,543	63,000 (Chemicals)42,500 (Housing Materials)19,500	+1,525 +2.5%	<ul style="list-style-type: none"> <li>In the Chemicals business, a growth in the export of organic chemicals to North America is expected to continue throughout the current fiscal year, offsetting the deterioration in the market for other products.</li> <li>In the Housing Materials business, revenue is expected to increase from the previous year due to two price hikes.</li> </ul>
Operating profit	8,703 (Chemicals)6,565 (Housing Materials)1,682	7,500 (Chemicals)5,600 (Housing Materials)1,500	▲1,203 ▲13.8%	<ul style="list-style-type: none"> <li>In Chemicals, revenue is expected to increase, and income is expected to decrease due to a significant impact of lower sales in Glicat-SMD and lower profitability of insoluble sulfur.</li> <li>For the Housing Materials business, the profitability of the interior, exterior finishes is expected to decline.</li> </ul>
Ordinary profit	9,840	8,300	▲1,540 ▲15.7%	<ul style="list-style-type: none"> <li>Foreign exchange gains, which were extremely large in the previous year, will be a factor in reduced profit.</li> </ul>
Profit attributable to owners of parent company	7,081	6,800	▲281 ▲4.0%	<ul style="list-style-type: none"> <li>A decrease in profits was lessened by the gain from the sale of cross-shareholdings made in the current fiscal year.</li> </ul>
Exchange rate	1 USD = 128 JPY 1 EUR = 135 JPY 1 RMB = 15.4 JPY	1 USD = 135 JPY 1 EUR = 150 JPY 1 RMB = 19 JPY		<ul style="list-style-type: none"> <li>1 yen change in the exchange rate has a positive impact of about ¥150 million on net sales and about ¥70 million on operating profit for the full year.</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).

First, please see the table above for a comparison of the initial forecast and the revised figures.

Consolidated sales are reduced by ¥1 billion from the initial forecast to ¥63 billion. In the chemicals operations segment, we revised our forecast upward as the supply-demand balance of organic chemicals in North America is expected to remain tight in the second half, in addition to the change in the assumption of the exchange rate. On the other hand, the forecast of the housing materials operations segment was revised downward due to a worse-than-expected fall in sales. The table below shows the comparison with the same period the previous year, and sales are expected to increase by 2.5%, hitting a record high.

Operating profit is set at ¥7.5 billion, an increase of ¥1 billion from the initial forecast. We revised the forecast of the chemicals operations segment upward by reflecting the change in exchange rate assumptions and the normalization of export transportation costs. On the other hand, operating profit will decrease 13.8% from the same period the previous year, and we cannot deny the decline in profitability due to a steep rise in raw materials and the deterioration in market conditions. While organic chemicals maintain their good performance, we will try to put our business on the growth track again by contributing new products we are currently developing and exploitation of new customers of insoluble sulfur, which is currently stagnant, and with an expectation of improvement of the electronics market conditions due to bottoming out of the silicone cycle. Meanwhile, in terms of foreign exchange sensitivity, a one-yen change in the exchange rate has a positive impact of about ¥150 million on net sales and about ¥70 million on operating profit for the entire year, and there is no major change in this level.

Ordinary profit is set at ¥8.3 billion, up ¥1.3 billion from the initial plan. Ordinary profit will increase more than operating profit, which reflects the recording of a large amount of unplanned foreign exchange gains by the second quarter.

In addition, we revised upward the forecast of profit attributable to owners of a parent by ¥1.9 billion from the initial estimates to ¥6.8 billion, and an increase in profit has been further expanded. This is due to the recording of gain on the sale of investment securities associated with the sale of cross-shareholdings that are currently being promoted. This gain on sale is scheduled to be recorded in the third quarter. As a result, we plan to secure profit attributable to owners of parents at the same level as the previous year. Anyway, we recognize that recovery of profitability and return to the growth track of both chemicals and housing materials operations, our core businesses, are the most critical management issues.

## Capital Investment and Depreciation

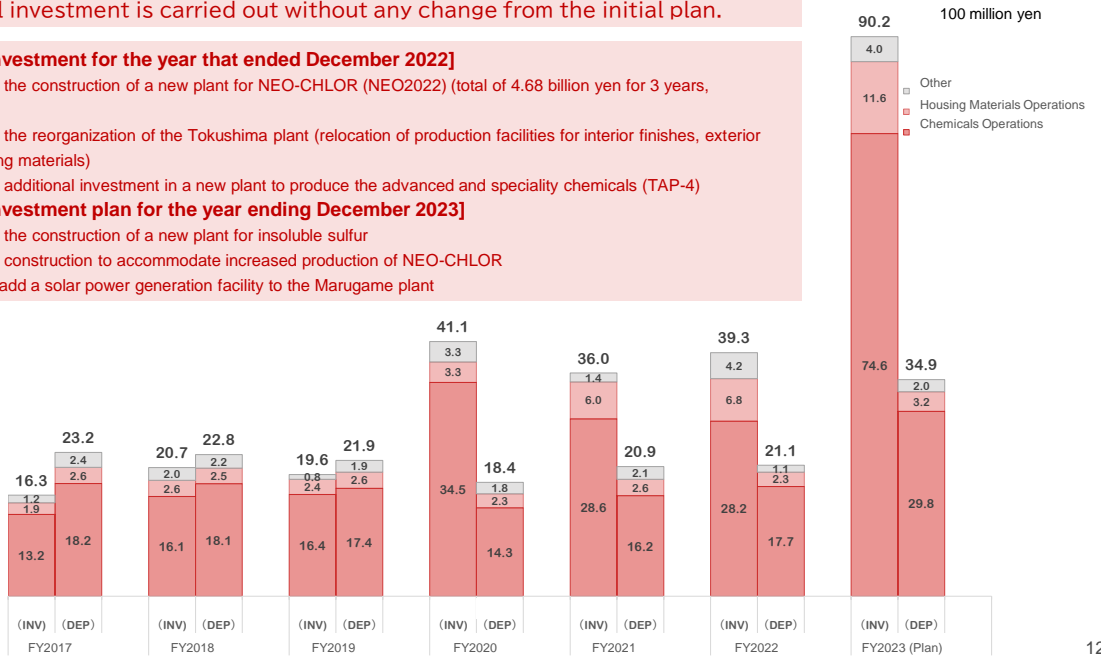
Capital investment is carried out without any change from the initial plan.

### [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 the advanced and speciality chemicals (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

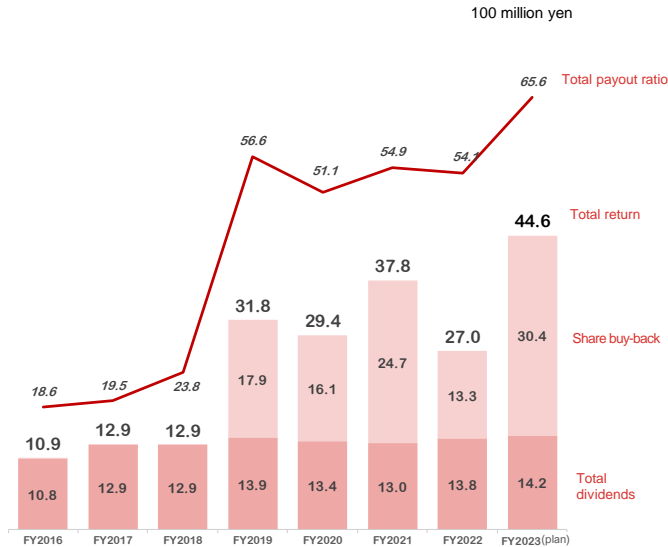


Next, let's move to the capital investment plan and depreciation.

Capital investment for the fiscal year ending December 2023 is planned to be ¥9 billion in total, and there is no change from the initial plan. We are proceeding as planned as an investment to expand our core business.

## Dividend and Share Buy-Back Trends

Enhancement of shareholder returns: We implemented a share buyback in May and decided to increase dividend by 2 yen.



### [Shareholder Return Policy]

•The Company aims to achieve "a payout ratio of 30% and a total payout ratio of 50% based on consolidated financial results" under the "Challenge 1000" long-term vision for 2030.

### [Shareholder Return Policy for the Fiscal Year Ending December 2023]

•Dividends equaled ¥28 per share (interim 14 yen, year-end 14 yen), an increase of 2 yen from the initial plan. This is the second consecutive year of increase in dividend payouts.  
 •On May 31, 2023, the Company repurchased 3.04 bn yen of its shares through ToSTNeT-3.  
 •A total return (estimated), including dividends (¥ 1.42 bn), is currently ¥ 4.46 bn, and the total payout ratio (estimated) is 65.6%, calculated based on projected financial results for the current fiscal year.

### [Share buybacks]

• As a top priority, the Company has been working with ten companies since FY2019 using ToSTNeT-3 to eliminate cross-shareholding relationships.  
 •This has resulted in a 13% decrease in outstanding shares — from 58,948 thousand to 50,870 thousand — and improved earnings per share.  
 • Shares held by the Company (investment securities) will also be sold at an appropriate time, and the proceeds will be used to invest in growth and return profits to shareholders.

Next, dividend forecast and share buy-back trends. During the "Challenge 1000" long-term vision for fiscal year 2030, we set a basic policy for shareholder return targeting "dividend payout ratio of 30% and total return ratio of 50%, based on consolidated financial results."

In accordance with this policy, we have decided to increase the annual dividend by ¥2 to ¥28 because the financial forecast is expected to exceed the initial plan.

Furthermore, we repurchased our own shares of ¥3.04 billion this May, and by combining with the total estimated dividends of ¥1.42 billion, the total returns are currently ¥4.46 billion, and the total return ratio calculated from the financial forecast will be 65.6%.

As you can see from this graph, the Company has significantly increased the total return ratio through repurchasing its own shares via ToSTNeT-3 in TSE since fiscal 2019, achieving over 50% at all times, while the dividend amount remained unchanged. This is because the Company has set the elimination of cross-shareholding relationships as a top priority of corporate governance reform and repurchased all of its shares that counterparties sold due to the elimination of such relationships. We have invested ¥10.2 billion in repurchasing our own shares of 7.88 million shares over five years, with an average purchase price of below ¥1,300. So, taking into account the current stock price level, we evaluated that our transactions were favorable for the existing shareholders.

In addition, a 13% decrease in the number of shares outstanding from 2020 has raised EPS, and reduced retained earnings have resulted in the improvement of ROE. As such, various financial indicators have improved.

In the future, we will focus on the return with dividends as soon as there is hope that we can eliminate cross-shareholding relationships. We are also promoting the sale of shares of counterparties under cross-shareholdings, to which we have no choice but to sell them to the market as appropriate, and we will strive to reduce assets.

### **3. Action to Implement Management that is Conscious of Cost of Capital and Stock Price**

Next, I will explain the current understanding and policy to realize management conscious of the capital cost and stock price required by TSE.

Since our PBR is always below one, we recognize that the capital market has assessed the Company as low. Hence, we have to accept it sincerely.

**Analysis of current situation and Policies for the present**

Since the ROIC of the business is high enough at present, we can achieve an ROE level that exceeds the cost of shareholders' equity by reducing excess capital.  
In accelerating the current direction, consider and carry out various capital policies.

**Consolidated Balance Sheet (estimated as of 6/30/2023)**

**[Financial assets]**

Cash and deposits  
Securities (short-term bonds)  
Investment securities (long-term bonds)  
Investment securities (cross-shareholdings)

Approx. ¥ 65 bn

**[Excess capital]**

(Risk buffer retention policy) Retain 1/3 of annual net sales

(Allocable funds)  
Consider shareholder returns, with the amount excluding risk buffers as the capital that can be reduced. In particular, the reduction in cross-shareholdings is prioritized.

**[Group capital invested]**

(Profit indicator to be compared)  
After tax (operating profit + financial revenue)  
-> Group ROIC

(Target WACC)  
Aiming for 6% or less by leveraging

Approx. ¥ 106 bn  
ROIC 6% level

**[Future earnings to be acquired (FCF)]**

(Shareholder return)  
Carry out promptly, targeting 50% of Profit

(Internal reserves)  
Prioritize investments in growth and human capital as risk capital

**[Future net assets]**

Maintain ROE and net asset levels that exceed the cost of capital at all times through balance sheet management to secure both aggressive growth strategies and capital efficiency.

In addition, consider capital policies that enhance the attractiveness of share value from perspectives other than profitability (increased liquidity, preferential treatment) and incentive plans that make employees and management more aware of share value.

**[Net assets in carrying amount]**

(Profit indicator to be compared) Profit -> ROE

(Assumed cost of shareholders' equity) 6-8%

(Target ROE)  
Set to 8% as a hurdle rate in the short term, and aim to exceed 10% in the future through a capital reduction

Approx. ¥ 83.6 bn  
ROE 8% level

**[Business assets]**

Trade receivables  
Inventories  
Property, plant, and equipment/Intangible assets

Chemicals: Approx. ¥ 45 bn  
Housing Materials:  
Approx. ¥ 15 bn  
Total approx. ¥ 60 bn

**[Investment capital]**

(Profit indicator to be compared) Operating profit after tax by business  
-> ROIC by business

Chemicals business  
Approx. ¥ 32 bn (ROIC 13% level)

Housing Materials business  
Approx. ¥ 9 bn (ROIC 10% level)

Total approx. ¥ 41 bn

**[Business liabilities]**

Trade payable  
Labor liabilities and provisions

**[Interest-bearing debt]**

(Basic Policy on Leverage)  
-Actively utilize low-cost funds to the extent that the credit ratings can be maintained  
-Set D/E ratio to the 30% level

Approx. ¥ 22.3 bn

This chart reconstructs the Company's balance sheet as of the end of June 2023. As the Company transferred to a holding company structure, the chemicals operations and the housing materials operations were divided into an operating company, which allows us to understand more accurate figures of assets, liabilities, and invested capital of each business without using proportional distribution or allocation. Consequently, we can efficiently perform balance sheet management and ROIC analysis for each business. We consider this as one of the major benefits of the holding company system.

According to the balance sheet as of the end of June, which was measured under the holding company structure, total assets invested in the business are approximately ¥65 billion. The main assets are operating receivables such as accounts receivable-trade, inventories, and property, plant, and equipment, such as production facilities. Investment capital was approximately ¥41 billion, calculated by deducting operating liabilities such as accounts payable-trade, labor liabilities, and business-related liabilities such as provisions from the total assets. Of which, ¥32 billion is for the chemicals operations, and ¥9 billion is for the housing materials operations. Profit to be compared with the invested capital is operating profit after tax, which is currently reported and managed at the management meeting, and the board of directors as ROIC by business. Both the chemicals operations and the housing materials operations achieved an annual ROIC of more than 10% in the first half, and we believe that we can secure the minimum profitability for the present.

Meanwhile, the Company has cash and deposits, which have been accumulated as internal reserves from the past, and securities, etc., which are a different form of these cash and deposits. However, these assets are not included in the calculation of ROIC by business. Still, they are included in the invested capital in the calculation of group ROIC as they are also our capital. Since these excess assets have a lower yield than business assets, we recognize that this is a cause of reducing group ROIC. Concurrently, group ROIC is around 6% on an annual basis.

However, excess assets and corresponding capital are expected to become a risk buffer in case of sudden changes in the business environment, such as the failure of Lehman Brothers. Therefore, we cannot reduce them to zero. Hence, we set a rough indication of necessary excess assets as one-third of annual sales, and we will consolidate any surplus preferentially. Specifically, as I explained earlier, we have been actively working on reducing cross-shareholdings from the perspective of corporate governance, and we continue to follow the same policy.

Next, regarding the point from group ROIC to ROE, the Company currently has an interest-bearing debt of more than ¥20 billion, showing a certain level of leverage effect. Specifically, group ROIC is 6%, but ROE has improved to about 8%. In the current interest rate environment, we consider active use of interest-bearing debt as low-cost funds, and we will leverage with a target D/E ratio of about 30%, which is a level that we assume to maintain the current rating of A- and not increase the liability costs. With this, ROE will maintain the level at which we can constantly achieve 8%, which is assumed to be our capital cost and aim for 10% or more.

In addition, from a viewpoint other than capital efficiency, we will consider and carry out initiatives to improve liquidity and enhance stock price incentives through stock grants to employees and management.

## 4. Review of the First Half

Finally, I will explain the progress and activities in the first half of this year in our long-term vision, "Challenge 1000."



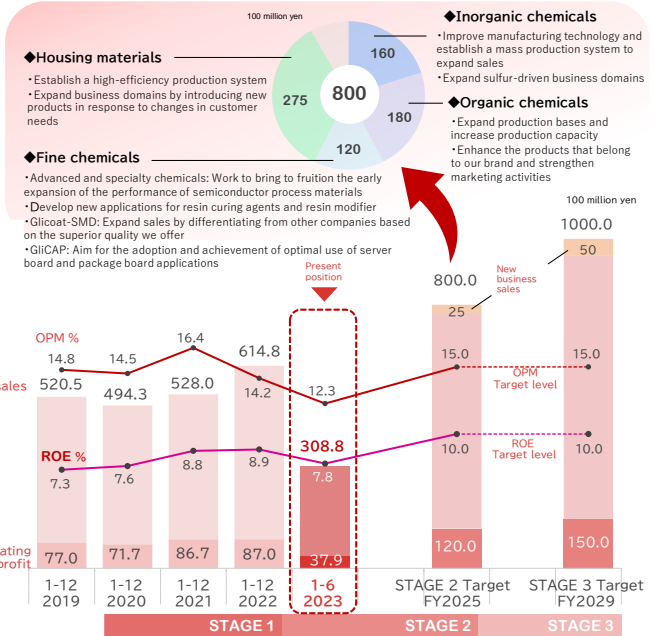
Progress of 'Challenge 1000'

Desired state in 2030

Toward "one-step-ahead, proposal" company with Dokusouryoku (creativity)

Solve social issues with creative ideas, leading the progress of the world

<b>Financial Goals</b>	<b>Net Sales</b> 100 billions of yen	<b>Operating Income</b> 15 billions of yen	<b>ROE</b> 10%	
<b>Pillars for Strategy</b>	<b>Business Reform Policy</b>	<b>Companywide Reform Policy</b>	<b>Proactive Investment</b>	<b>Achievement of SDGs</b>
<b>YONPO- YOSHI</b> (Contributions to Shareholders)	<b>Customers</b>	<b>Employees</b>	<b>Shareholders</b>	<b>Society</b>



\* In the graph, performance in prior years is adjusted to the same period in FY2023 (January to December). 17

The long-term vision "Challenge 1000" is a backcasting-type, long-term management plan that draws a desired state for the entire group and each business in 2030 and then schedules how to achieve such vision chronologically.

We have divided ten years, from April 2020 to December 2029, into three stages: STAGE 1, STAGE 2, and STAGE 3. And STAGE 2 has just started this year.

The current progress against STAGE 2 final financial targets is as described in the slide. I will briefly explain what we have tackled within the first half of the next slide. The details of "Challenge 1000" are described on Slide 51 and later. Please see it later.

## Activity information

The new "Shikoku Chemicals Group" has been launched. We promote corporate growth by realizing "Management participation from all."

## M&amp;A/Share buyback

## ◆ Take initiatives to enhance corporate value

- Executed M&A deal of one company each from Chemicals and Housing Materials business
- Execute share buybacks and reduce cross-shareholdings

■ Chemicals      ■ Housing Materials

YONPO-YOSHI  
(Contributions to Shareholders)

## ◆ Contribute to shareholders in various ways

- Placed an advertisement of WASHMANIA at Tokyo Station (Keiyo Line passageway) (Chemicals)
- Signed an "Agreement on Acceptance of Stranded People in Disaster" with Marugame City
- Main sponsor of "Kagawa Marugame International Half Marathon," to be held in February 2024
- Increased dividend by ¥ 2 per share per year (¥ 28/year)



## Change by transitioning HD

## ◆ Start multifaceted activities for "Management participation from all"

- Establishment of a satellite laboratory for the R&D division
- Reorganization of the Housing Materials business' sales base
- Holding of Group President Meetings
- Direct dialogue between management and employees (S-CAN)
- Initiatives for employees (Improvement of benefit programs, declaration of work environment improvement)

■ S-CAN\*



\* Shikoku Challenge And Next Generation

## Group companies

## ◆ Aim for further growth by expanding business areas

- Boned Chicken Kitchen Car, e-commerce (Shikoku Foods & Trading Company)
- Waste collection and recycling business (Shikoku Environmental Business Company)
- Asbestos analysis business (Shikoku Analytical Laboratories)



18

## (M&amp;A/Share buyback)

First, regarding M&A, we added two new small companies to our group, one for the chemicals operations and one for the housing materials operations. In the chemicals operations, a new company has strengths in manufacturing heterocyclic compounds containing nitrogen, and we expect it to utilize as a new production and development base for functional materials. In the housing materials operations, a new company manufactures resin-processed products, which produce parts for our exterior products. Since both companies already have a business relationship with us as contract manufacturers, their inclusion in our group has little impact on consolidated financial results. We will create synergy through their effective utilization in the future.

## (Change by establishing HD)

Next, as a change after transitioning to a holding company structure, we have promoted the reorganization of business bases in both operating companies in response to the post-pandemic era. Chemicals business companies are reviewing what their business bases should be in Japan and overseas from scratch without being caught in the current situation. Recently, a satellite laboratory for the R&D division was opened in Kanagawa Prefecture. In 2021, following the pandemic, housing materials business companies temporarily reorganized and abolished sales bases. However, as face-to-face sales activities resumed, we rebuilt our bases mainly in the Kanto area to strengthen sales capabilities.

In terms of in-house initiatives, with the philosophy of "Employee First," we are promoting investment in human capital, such as the establishment of the environment and provision of opportunities for reskilling, to encourage employees to challenge and grow.

As we have mentioned many times through various opportunities, the greatest objective of shifting to a holding company structure is to transfer powers boldly to each operating company to speed up decision-making and further integrate and tighten the organization to implement consistent strategies. At present, we are aware of the activation of discussions and the implementation of autonomous strategies at each operating company, and we have evaluated that their business operations are generally progressing smoothly.

## (YONPO-YOSHI)

I will introduce our activities of "YONPO-YOSHI" outlined in "Challenge 1000." We will pass out "WASHMANIA," a washing tub cleaner that has been launched in BtoC in the organic chemicals business, to you present at this venue, and we would appreciate it if you would use it. The product has been well received by general consumers, and in order to increase opportunities to come into contact with more people, we placed an advertisement for WASHMANIA at Tokyo Station (Keiyo Line passageway). If you have any opportunities, please see it.

In addition, we entered into an agreement with Marugame City, our home city, to use the Marugame Plant as a preliminary shelter to temporarily accept people who are unable to go home in the event of a disaster. We also decided to continue as the main sponsor of "Global Half Marathon, Marugame, Kagawa Prefecture," and we intend to contribute to a wide range of stakeholders through various activities in the future.

## (Group companies)

Our group companies have also begun new initiatives, and I will introduce some of them. Shikoku Foods & Trading Company took advantage of its in-store management know-how and began to sell "Boned Chicken," a local dish of Marugame City, our hometown, on a kitchen car and via the Internet on the EC site. For new businesses, Shikoku Analytical Laboratories launched the asbestos analysis business, and Shikoku Environmental Business Company began the waste collection and recycling business. We will work to grow these businesses to the third pillar as our environmental business.

# Thank you for your attention!

This concludes my explanation.  
Thank you for your continued understanding and cooperation with our group.  
Thank you for your attention.

SHIKOKU KASEI HOLDINGS CORPORATION

Q&A session on Investor Briefing for the first half of the fiscal year ending December 2023 (August 4, 2023)

Q1. You have explained that the housing materials operations are expected to recover in the second half of the year. Do you expect the business to move back into the black in the second half?

- A. Despite the price revision in January, the backlash from last-minute demands before the price hike and an increase in expenses to hold various exhibitions caused a drop in profit. We expect this to be normalized in the second half.

Q2. Please explain the status of fine chemicals (Glicoat-SMD, GliCAP, semiconductor process materials) in the first half.

- A. Regarding Glicoat-SMD, the recovery of electronics market conditions is far behind our expectations. In addition, inventory adjustment in the distribution has an impact on sales more than actual demand. On the other hand, GliCAP is now used for boards for servers by more than one company. It is also used for package boards, which are continuously evaluated according to the semiconductor manufacturer's plan. Semiconductor process materials are being evaluated for EUV in the years ahead. Since EUV has not been launched on a full scale, our materials are also under evaluation. Despite this, sales are increasing.

Q3. For package board applications, GliCAP seems to be a product that will contribute to low delay in packages, for example, in parts related to generative AI and graphic processors. Please tell us the status of such initiatives.

- A. GliCAP is being evaluated for GPU for generative AI, and one of these projects for which evaluation has progressed is scheduled to launch trial mass production next year. We believe that GliCAP will be further valued in the future as the market is expected to move toward the direction of micro-fine etching and eventually etchingless.

Q4. Do you plan to maintain a total return ratio of 50% in the future? In addition, regarding the risk buffer policy for excess capital in Slide 15, what assets will you hold for one-third of annual sales?

- A. We will maintain the policy of the total return ratio of 50%. The risk buffer is basically prepared for a sudden change in the business environment, and we plan to maintain it mainly in cash. With regard to short-term and long-term bonds, and cross-shareholdings other than those mentioned above, our policy is to reduce them preferentially as a rough category of capital that can be reduced.

Q5. You have explained that the profitability of insoluble sulfur has deteriorated due to intensified competition. Will you invest in equipment as planned?

- A. Capital investment will be made as scheduled. The global supply-demand balance is excess of supply, and we have a sense of crisis for reduced profit ratio. However, this sense of crisis is not only a matter of quantity. Notably, the quality of insoluble sulfur is always an issue, and we are working on improving it. We must make a fundamental change in the manufacturing method to improve the quality, but it is not possible with the current production facilities. We will learn about the new manufacturing method at a new plant that has started construction, leading to further quality improvement.

Q6. What is your outlook for insoluble sulfur in the second half?

- A. The demand for insoluble sulfur is affected by the production and sales of automobiles, and automobile production and new vehicle sales are recovering. So, we expect it to recover in the second half.

Q7. What is the level of operating margin usually?

- A. We originally wanted to achieve about 15%. While the operating margin was 12.5% in the first half, the recovery of the housing materials operations and highly profitable fine chemicals are expected to contribute in the second half. We want to achieve consistently, at least in the mid-10% level.

Q8 . In Slide 15, if you appropriate approximately ¥40 billion, excluding risk buffer for shareholder returns, the total return ratio may exceed 100% nominally. Is that right?

- A. Although it is possible theoretically, we recognize that the reduction of cross-shareholdings will not proceed in a short period due to the convenience of the other. The level we promise you is the total return ratio of 50%.

Q9 . Why have you formulated and disclosed a detailed capital policy, as shown in Slide 15, and how do you plan to use excess capital?

- A. Disclosure is requested. And we are fully aware that we have too many financial assets, and we need the assumption about how to eliminate cross-shareholdings and its consequence in our ongoing initiatives. Another reason is that shifting to a holding company structure allows us to calculate ROIC by business precisely. As an advantage of becoming a holding company, we believe that each business will operate taking into account its assets, which may speed up business. Off course, we will reduce excess capital. But, in "Challenge 1000," we initially laid out an active investment of ¥50 billion over ten years, and our financial strategies for the past few years were to increase interest-bearing debt by leveraging our cash position to generate funds to be allocated for such investment. In the future, we will consider the reduction of excess capital flexibly while carefully monitoring funding needs such as capital investment and M&A. We recognize that funding needs in business strategy are a matter of top priority, and the next is how to treat excess capital.

Q10. I believe it is the right strategy for companies to invest in expanding their business. Is there any change in discovering such projects or decision-making speed due to a shift to a holding company?

- A. There are various investments. We had focused on capital investment as a manufacturer, but investment in human resources and R&D is also an important strategy. R&D investment in terms of money, such as the ratio to R&D expenditure and investment in creating a pleasant working environment for our researchers, has been relatively small. In addition, especially for the chemicals operations, we have accelerated discussions on investment in the optimum production and sales environment from a global perspective, such as the concept of raw material location, due to the spin-off.

End

## 5. Appendix

## Corporate Profile

Corporate Profile

As of June 30, 2023

■ Company name	SHIKOKU KASEI HOLDINGS CORPORATION
■ Code number	4099 (Tokyo Stock Exchange Prime Market ) Industry: Chemicals
■ Incorporated	October 10, 1947
■ Head office	Marugame, Kagawa Prefecture
■ President	Mitsunori Watanabe
■ Capital	6,867 million yen
■ Number of employees	1,290 (Consolidated)
■ Net sales	46,566 million yen (Consolidated FY2022/12)

Our Business

Chemicals (SHIKOKU CHEMICALS CORPORATION)

Housing Materials (SHIKOKU KASEI KENZAI CORPORATION)

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.)

Interior, Exterior Finishes and Paving Materials



Interiors

Exterior Products

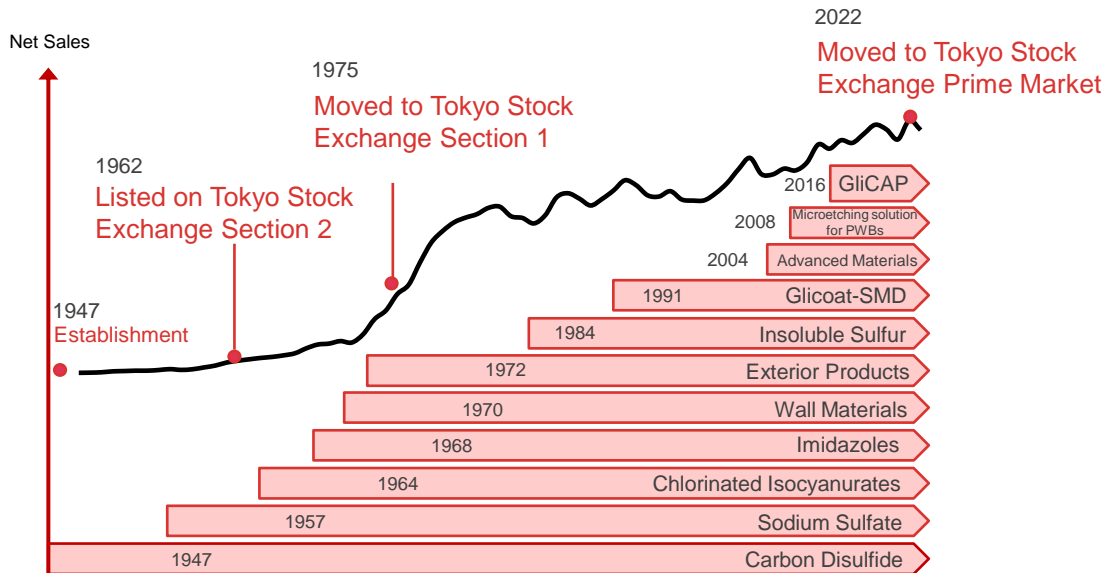


Exterior Products  
(carports, gates, etc.)

History

Oct 1947	Established in Marugame, Kagawa Prefecture with a capital of 2 million yen as a producer of <b>carbon disulfide</b> (=> <b>inorganic chemical products</b> )
Oct 1957	No. 1 Tokushima Plant (now Tokushima Plant's Yoshinani location) was constructed and began operations in the production of <b>sodium sulfate</b> (=> <b>inorganic chemical products</b> )
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 <b>chlorinated isocyanurates</b> (=> <b>organic chemical products</b> ) were launched at No. 2 Tokushima Plant
Dec 1969	The Company began production of OSP (Organic Solderability Preservative) (which was later called <b>Gliccoat-SMD</b> (=> <b>Fine Chemicals</b> )) for PWBs (Printed Wired Board) and other electronic components
Sep 1970	The Company began production in the field of housing materials, launching production of <b>interior finishes (JULUX)</b> at No. 2 Tokushima Plant
Jun 1972	The Company began production and sales of <b>accordion gates</b> (=> <b>Exterior Products</b> )
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 <b>imidazole</b> (=> <b>Fine Chemicals</b> ) 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 <b>insoluble sulfurs</b> (=> <b>Inorganic Chemicals</b> ) 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 <b>roughening agent for PWBs</b> (=> <b>Fine Chemicals</b> ), 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
Jan 2023	Reorganized into SHIKOKU KASEI HOLDINGS CORPORATION. Chemicals and Housing Materials business, and the shared service division spun off.

History and Sales Trends

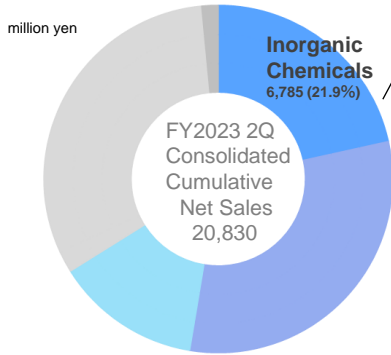




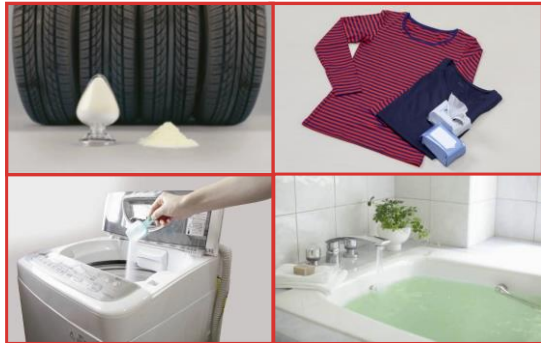
## Chemicals Operations

## Chemicals Operations Inorganic Chemicals

**Inorganic Chemicals**

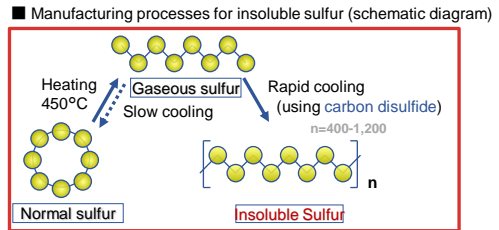


- [Major products]
- Carbon Disulfide ...Essential materials for chemical fiber rayon
  - **Insoluble Sulfur** ...**Rubber vulcanization agent**
  - Sodium Sulfate ...Warm bath effect accelerator for bath additives  
Synthetic detergent cleaning aid



**Insoluble Sulfur -Product Introduction-**

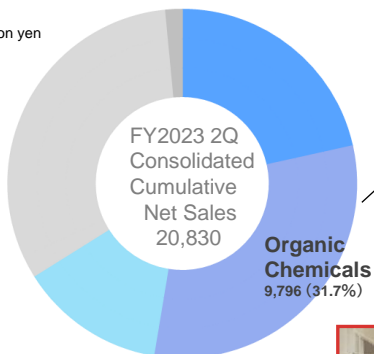
- Application: Vulcanizing agent for rubber
- Main customers: Domestic and overseas tire manufacturers
- The raw material rubber is hard, and it acquires the characteristic to extend and contract by adding sulfur and heating (vulcanizing).
- When normal sulfur is used in the production process of radial 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.
- The production capacity is planned to be increased by about 1.2 times by the expansion of the new plant in 2024.



Chemicals Operations  
Organic Chemicals

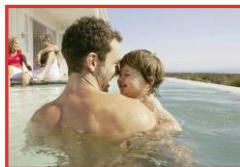
Organic Chemicals

million yen



[Major products]

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



Chlorinated Isocyanurates -Product Introduction-

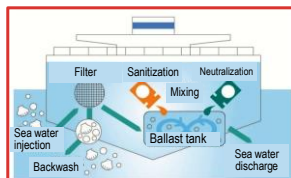
- Applications: Sanitizing agent for swimming pools and septic tanks, chlorine-based sanitizing agent for spas and home baths
- Main customers: Swimming pool operators, schools, general consumers (U.S.)
- Main component: Chlorinated Isocyanurates
- Compared to other disinfectant agents for swimming pools, "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.
- In October 2022, we launched our own branded washing tub cleaner "WASHMANIA," and expanded our business area to the BtoC market.

■ NEO-CHLOR product group



Chlorinated Isocyanurates

■ Image of ballast water sanitization



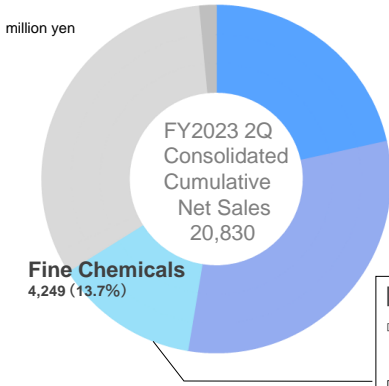
NEO-CHLOR MARINE

■ WASHMANIA



Chemicals Operations  
Fine Chemicals

Fine Chemicals



[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

OSP: Organic Solderability Preservative

Application: Water-soluble rust preventive agent for printed wiring boards

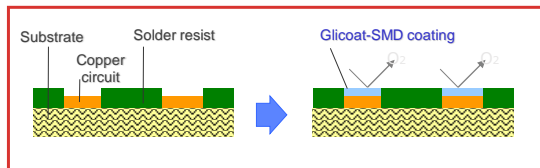
[OSP: Organic Solderability Preservative]

- 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



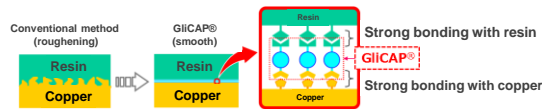
■ Treatment with Gliccoat-SMD (schematic diagram)



**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.
- GliCAP® has already been adopted for **high-frequency server boards**, and evaluation for adoption and mass production has progressed for the **package boards** as well. We are including applications other than those for printed circuit boards in future.



**Advanced & Specialty Chemicals –Imidazoles**

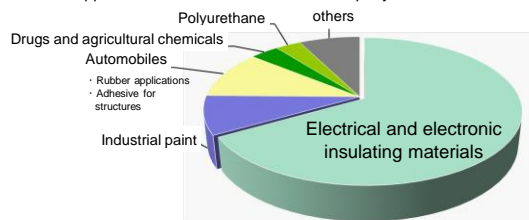
- Application: Curing agent and curing accelerator for epoxy resin\*, raw material for drugs
- Main customers: Resin material manufacturers and drug manufacturers
- Imidazole is used in a wide range of applications, including curing agent for epoxy resin and urethane resin, raw material of **drugs and 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)**



■ **Applications of imidazoles from our company**



Advanced & Specialty Chemicals -Imidazoles

**Engine CPU**  
[Laminated plate, sealing agent, solder resist ink]

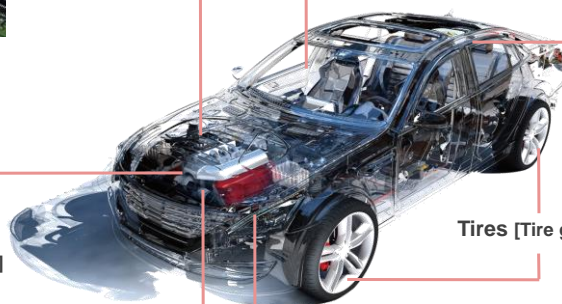


**Engine hood**  
[CFRP (reinforced carbon fiber)]

**Car navigation system**  
[Liquid crystal sealing material]



**Electric motor**  
[Insulating powder paint]



**Frame structure**  
[Adhesive for structures]

**Tires** [Tire grip improving agent]

**Air hose**  
[Acrylic rubber agent]



Focused Products (semiconductor process materials)

■ **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.
- **Semiconductor process materials**, which have been focusing on development in recent years, are becoming increasingly difficult to synthesize as semiconductors become ultra-microcircuits, but they are steadily acquiring new projects.
- The new plant「TAP-4」was constructed in anticipation of increased demand for advanced materials, and it started operation in July 2021.  
The 「TAP-4」is equipped for high quality control, such as **low metal management**.
- Using the various organic synthesis technologies we have cultivated, we are committed to conducting research and development related to new and functional material products such as low dielectric materials that will contribute to high-speed and high-capacity infrastructure and 5G.

■ TAP-4



**■ 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)**.

**■ 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.

**■ 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.
- 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.

**■ 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.

## Housing Materials Operations



## Housing Materials Operations

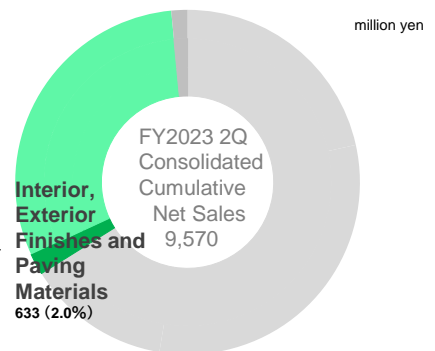
### 4. Interior, Exterior Finishes and Paving Materials

#### 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

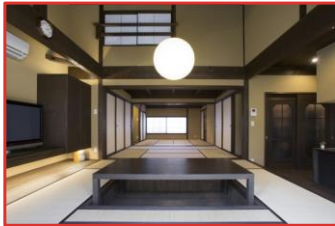


## Interior, Exterior Finishes and Paving Materials

### □ 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



## 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

### Exterior Products

[Major products]

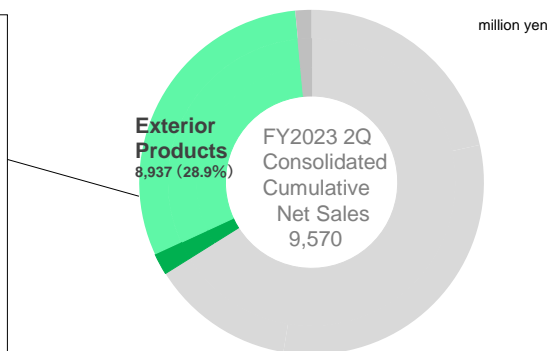
Home Exterior Products

- 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.



Home Exterior Products

- In 1972, 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 simple design which harmonizes to the house using flat, wood-like ceiling materials received the 2019 Good Design Award.

■ Terrace



■ Carport



■ Accordion gate



Decorative Exterior Products

■ Pathway shelter



■ Bicycle parking space



■ High strength car stops



■ Garbage accumulation storage



**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



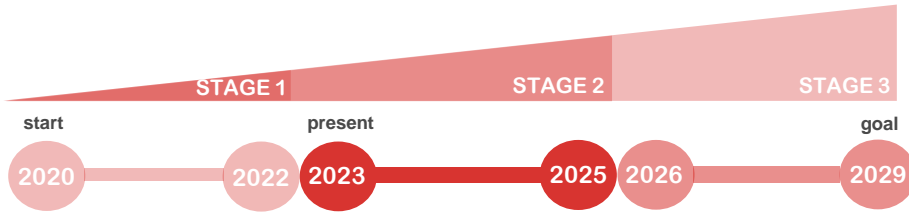
■ Gate



■ Terrace



**Long-term Vision Challenge 1000**



Desired state in 2030

**Toward "one-step-ahead, proposal" company with Dokusouryoku (creativity)**  
Solve social issues with creative ideas, leading the progress of the world



**Chemicals Operations** Continue to develop and advance for the sake of the world

	Desired State	Strategic Scenario
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	Accumulate sulfur handling and synthesis reaction evaluation technologies Create new value starting from making use of sulfur and expand the business domain
Organic	Deliver cleanliness to people across the globe by protecting the environment and ensuring sanitation	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
Fine	Contribute to technological advancement by providing highly functional products based on unique technologies Create global standards with our new technologies	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

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

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

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

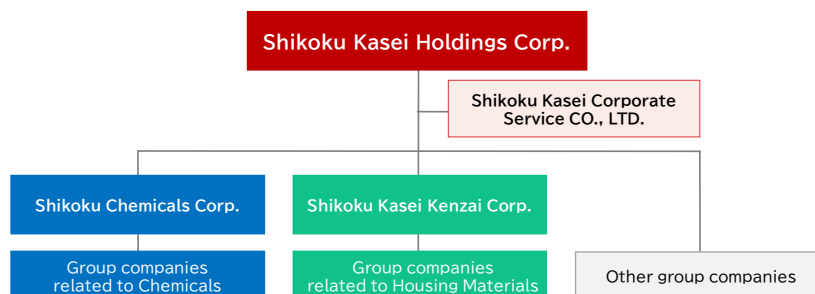
**YONPO-YOSHI – Contributions to Stakeholders –**





## Transition to Holding company

■ Group Management System after January 1, 2023



### 化成/Kasei

Meaning:

- 1 change for the better
- 2 transform to another
- 3 change to another by combining
- 4 achieve growth

## Disclaimer

- ◆ This material is intended to help shareholders, investors, etc., understand pertinent information such as the Company's management policy, plans, and financial status, and it does not solicit investment such as purchasing or selling stocks in the Company.
- ◆ The information contained in this document has been presented with the utmost care, but there is no guarantee as to whether the content is accurate or currently up to date. Additionally, the Company assumes no responsibility for any damage or disability arising out of or in connection with this document, such as published information or errors, regardless of the reason.
- ◆ Among the Company's current plans, forecasts, and strategies as presented in this material, those that are not historical facts are forward-looking statements or projections based on the judgment of the Company's management according to the information that was available at the time of the relevant decision; hence, risks and uncertainties are involved. Actual performance and business results may differ greatly from these prospects due to various factors.
- ◆ If you understand the above and are interested in exploring investment opportunities, please peruse additional materials such as the Company's securities report and make your investment decision at your own discretion.

Contact information  
 SHIKOKU KASEI HOLDINGS CORPORATION, Corporate Planning Dept.  
 TEL: +81-(0)877-21-4119  
<https://www.shikoku.co.jp>