Supplemental Information
Financial Results
For FY 2023 3Q

2023/10/26

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

1. Consolidated Financial Results

Financial Highlights

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Increased revenues and decreased profits year on year (January-September)

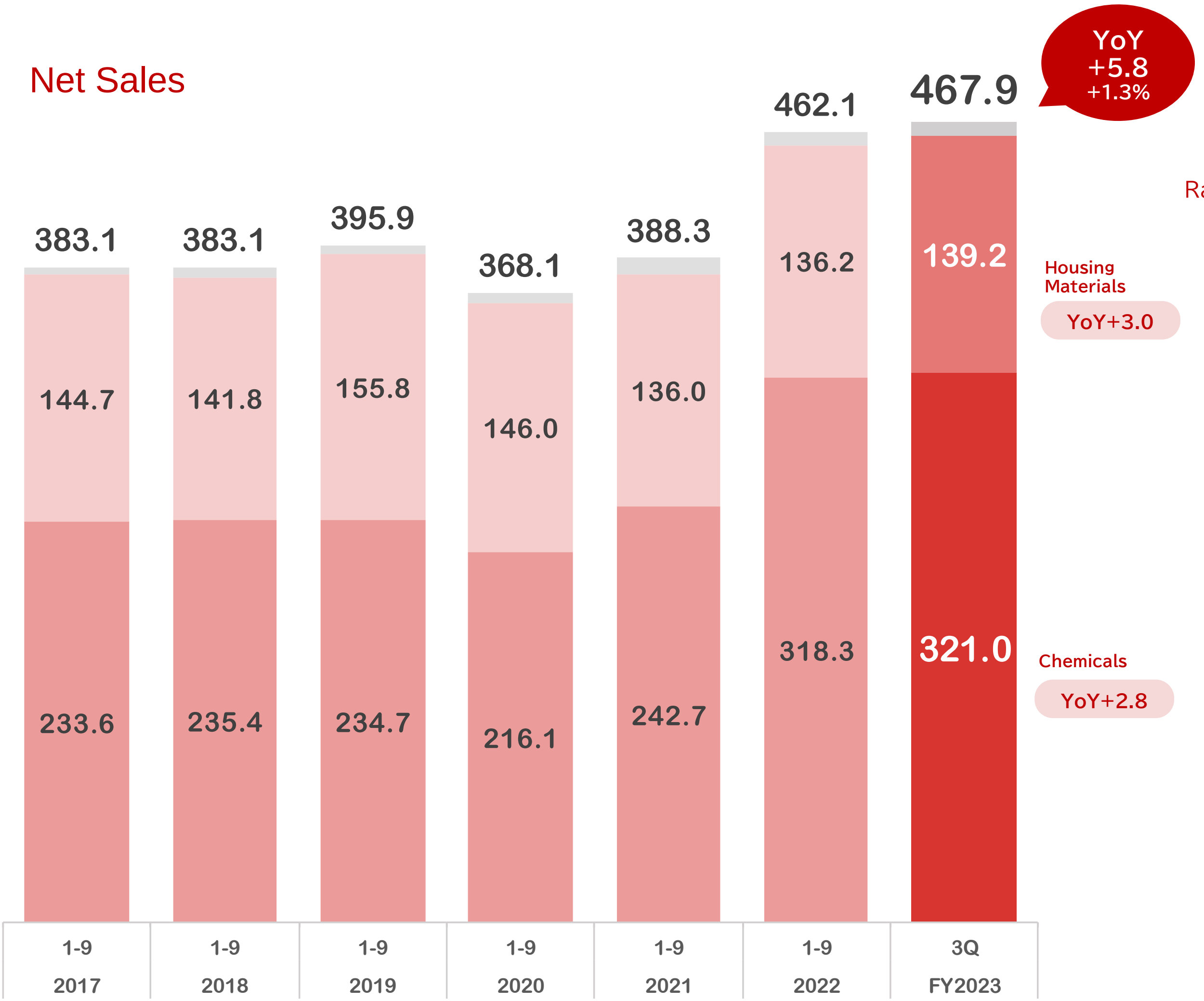
million yen

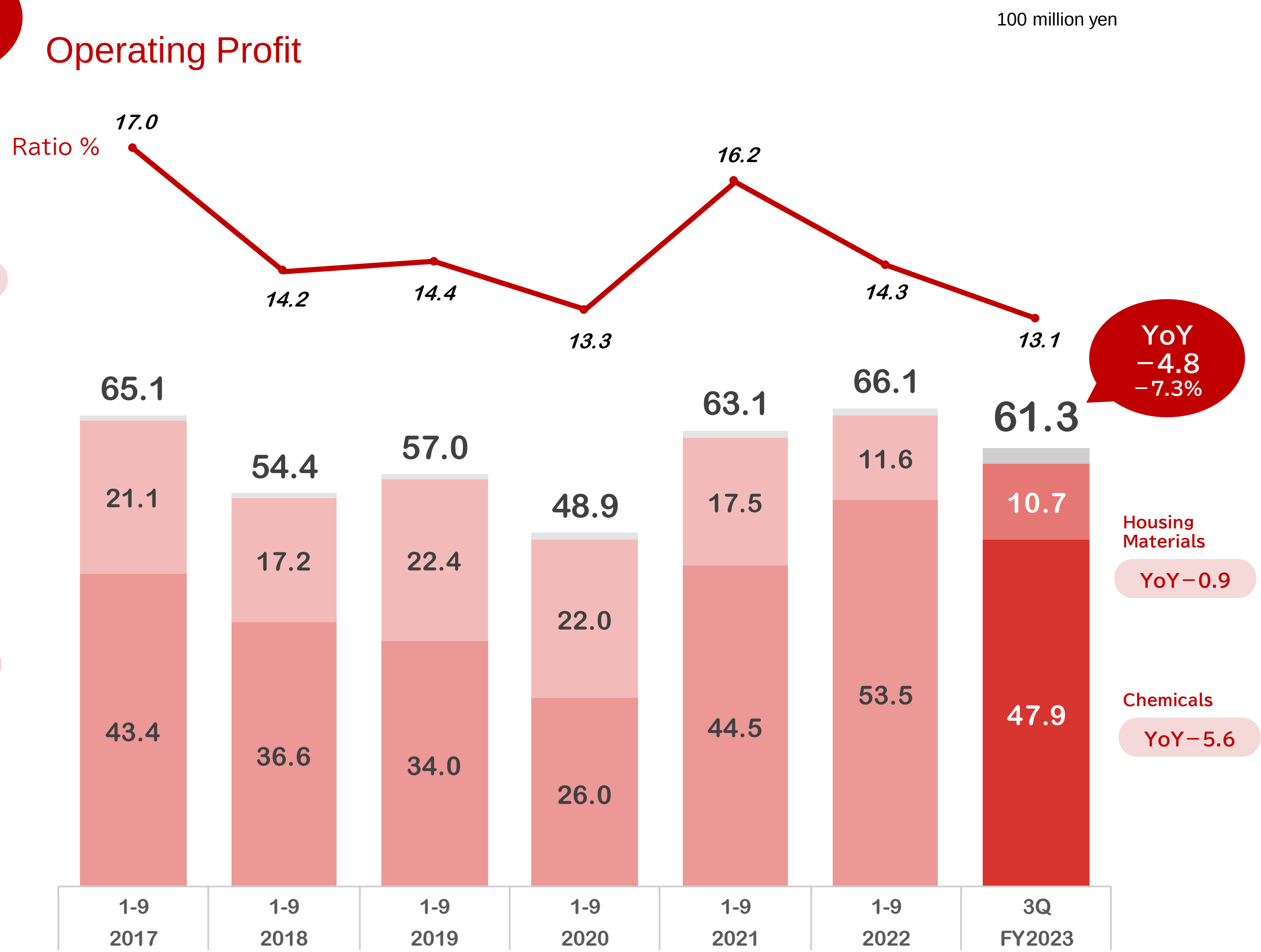
	Previous year* January to September 2022	FY2023 3Q	Change/Rate	Remarks
Net sales	46,206	46,789	+583 +1.3%	• Chemicals business increased slightly due to the depreciation of the yen, despite generally sluggish market conditions • Slight increase in Housing Materials business due to the penetration of price hikes being offset by a deterioration in market conditions
Operating profit	6,612	6,129	−483 −7.3%	• Profit decreased due to higher raw material, labor, and depreciation costs
Ordinary profit	8,049	7,413	−636 −7.9%	• Foreign exchange gains 769 (YoY -306)
Profit attributable to owners of parent	5,792	6,520	+728 +12.6%	• Gain on the sale of investment securities 2,071(YoY +1,215) • Impairment losses and loss on the valuation of investment securities - (YoY +764)
Exchange rate	**1 USD ＝ 126 JPY** 1 EUR ＝ 134JPY 1 RMB ＝ 18.7 JPY	**1 USD ＝ 136 JPY** 1 EUR ＝ 146JPY 1 RMB ＝ 19.6 JPY	Net sales **+1,500** Operating profit **+700**	• The impact of the yen's conversion of PL included in the YoY increase/decrease calculation. 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.

* 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 nine-month period from January to September 2022 is compared with the "same period previous year," as a reference.

Trends in Net Sales and Operating Profit (YTD)

Net sales increased in both Chemicals (+2.8) and Housing Materials (+3.0), resulting in a companywide increase in sales (+5.8 in total).
Operating profit decreased companywide (-4.8 in total) due to lower profit margins and lower profits in both Chemicals (-5.6) and Housing Materials (-0.9)

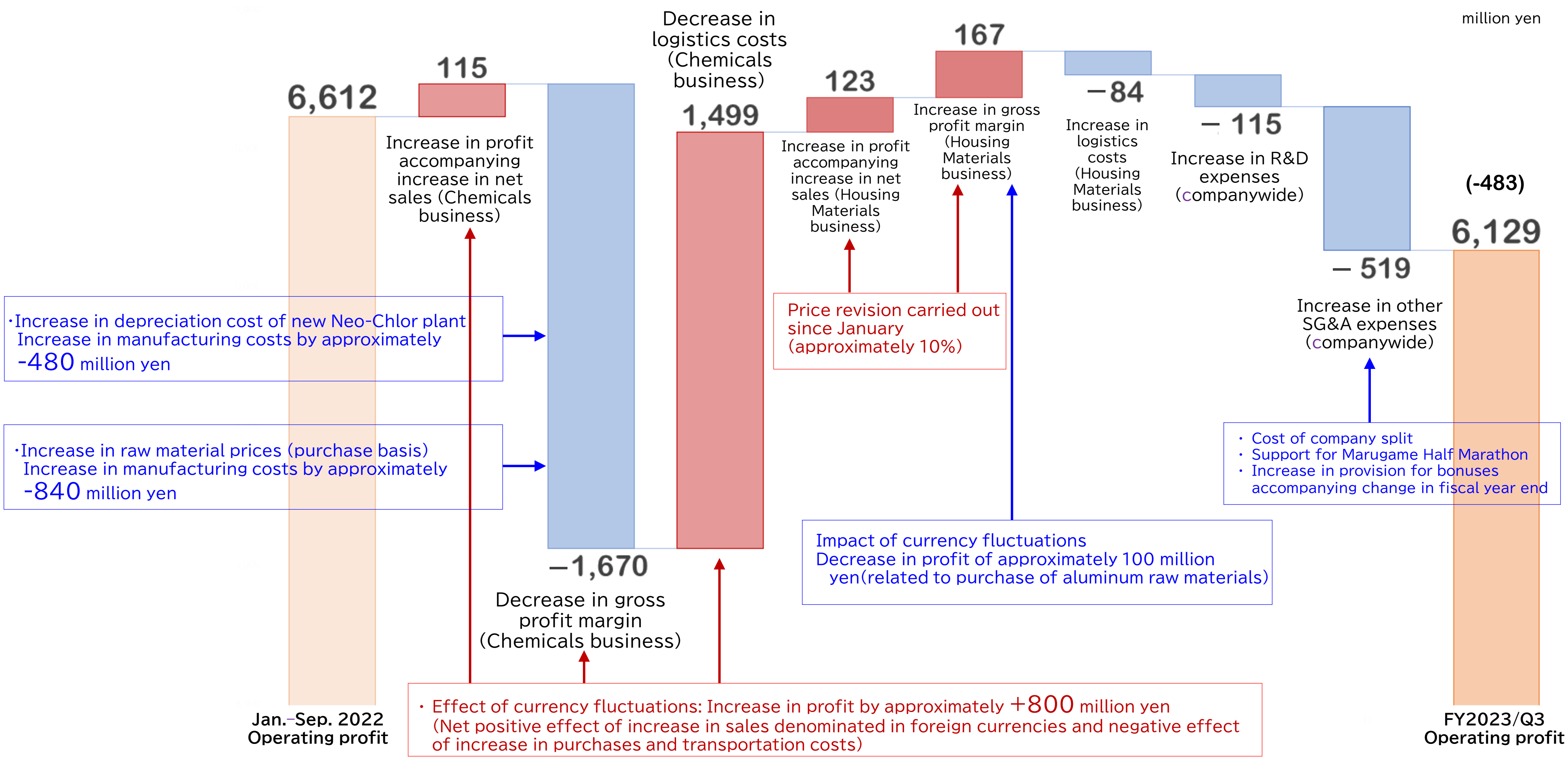




* Results for the previous year have been recalculated for the same period in the current year (January-September).
* From the current period, accompanying changes to the management framework, corporate expenses that were previously not allocated to each segment are now allocated to each segment based on reasonable criteria. In addition, the results before the previous year are also compared by using the revised measurement method.

YoY Changes in Operating Profit

The continued decline in profitability due to higher costs (raw material costs and depreciation costs) from the second quarter was partially offset by the positive impact of the weaker yen and the normalization of export logistics costs.

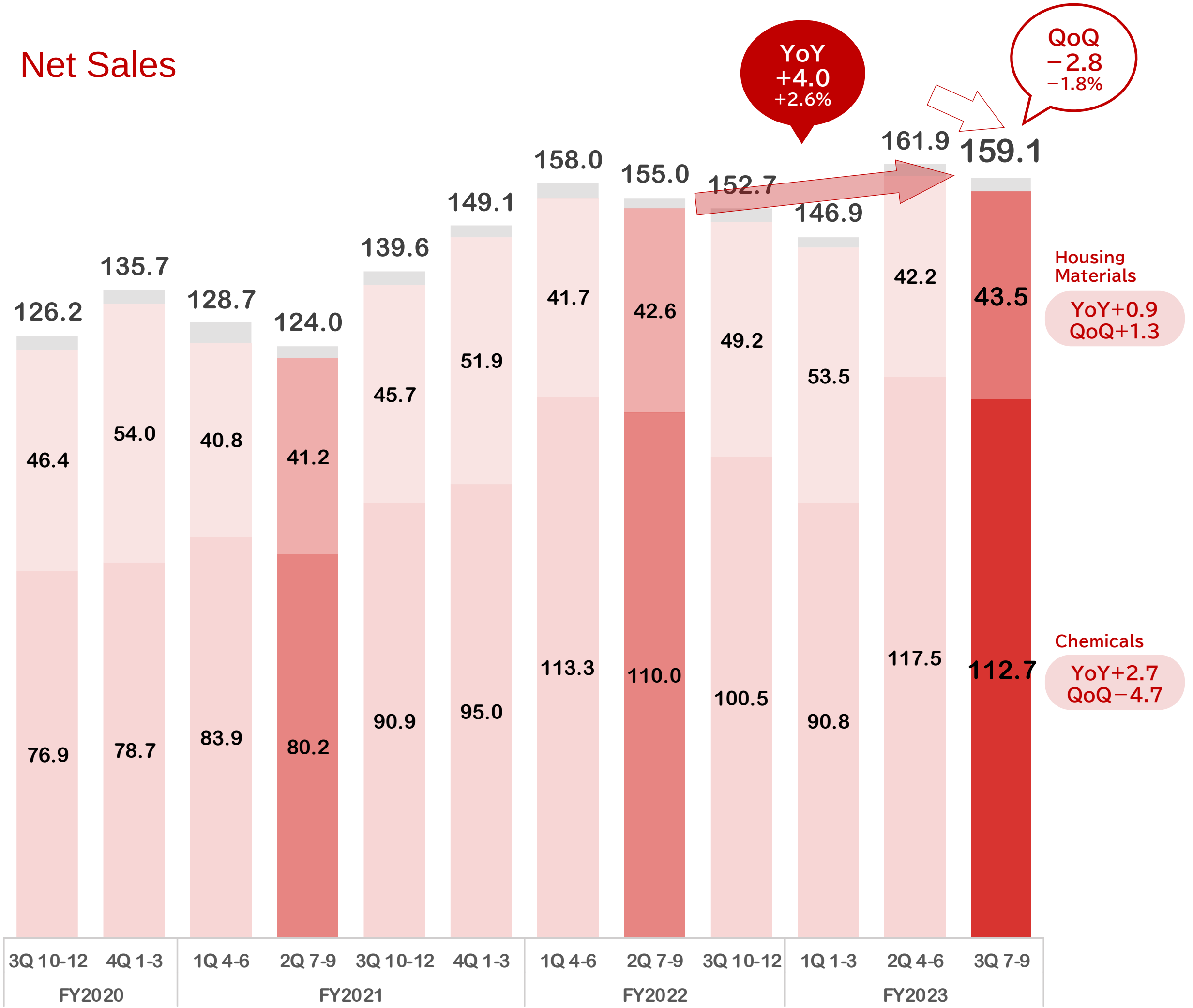


Trends in Net Sales and Operating Profit (QTD)

- Companywide, revenues increased by 400 million yen year on year. Chemicals business bottomed out slightly, but the market was sluggish; however, revenues increased (+2.7) due to the depreciation of the yen. Housing Materials increased slightly (+0.9) due to price revisions offset by volume declines.
- Quarter on quarter, revenues decreased by 280 million yen. Chemicals decreased (-4.7) due to a rebound in special demand for organic products in the previous quarter (2Q). Housing Materials increased slightly (+1.3) due to a moderate upturn in cargo movement, but remained sluggish.

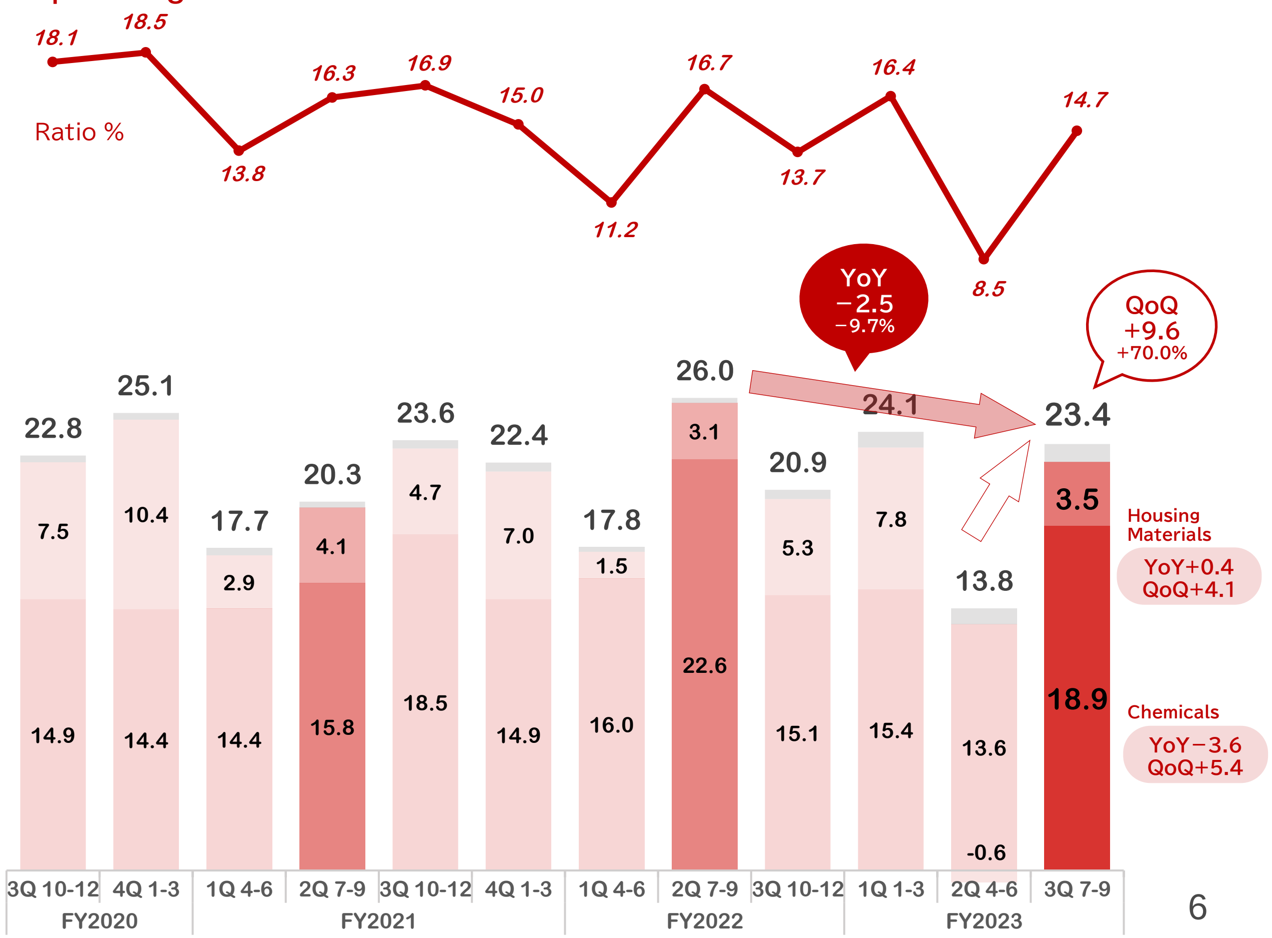
- Companywide, profit decreased by 250 million yen year on year. Chemicals posted a decline (-3.6) as positive factors such as increased sales, yen depreciation, and lower logistics costs were offset by raw material costs and other factors. Housing Materials also increased in profit (+0.4) due to a recovery in sales.
- Quarter on quarter, Chemicals posted a large increase in profit (+5.4) due to the bottoming out of fine chemicals, and Housing Materials showed a recovery in profit (+4.1) due to an increase in sales and a rise in the proportion of Landscape Exteriors (seasonal factor), resulting in a large increase in profit (+9.6) companywide.

Net Sales



Operating Profit

100 million yen

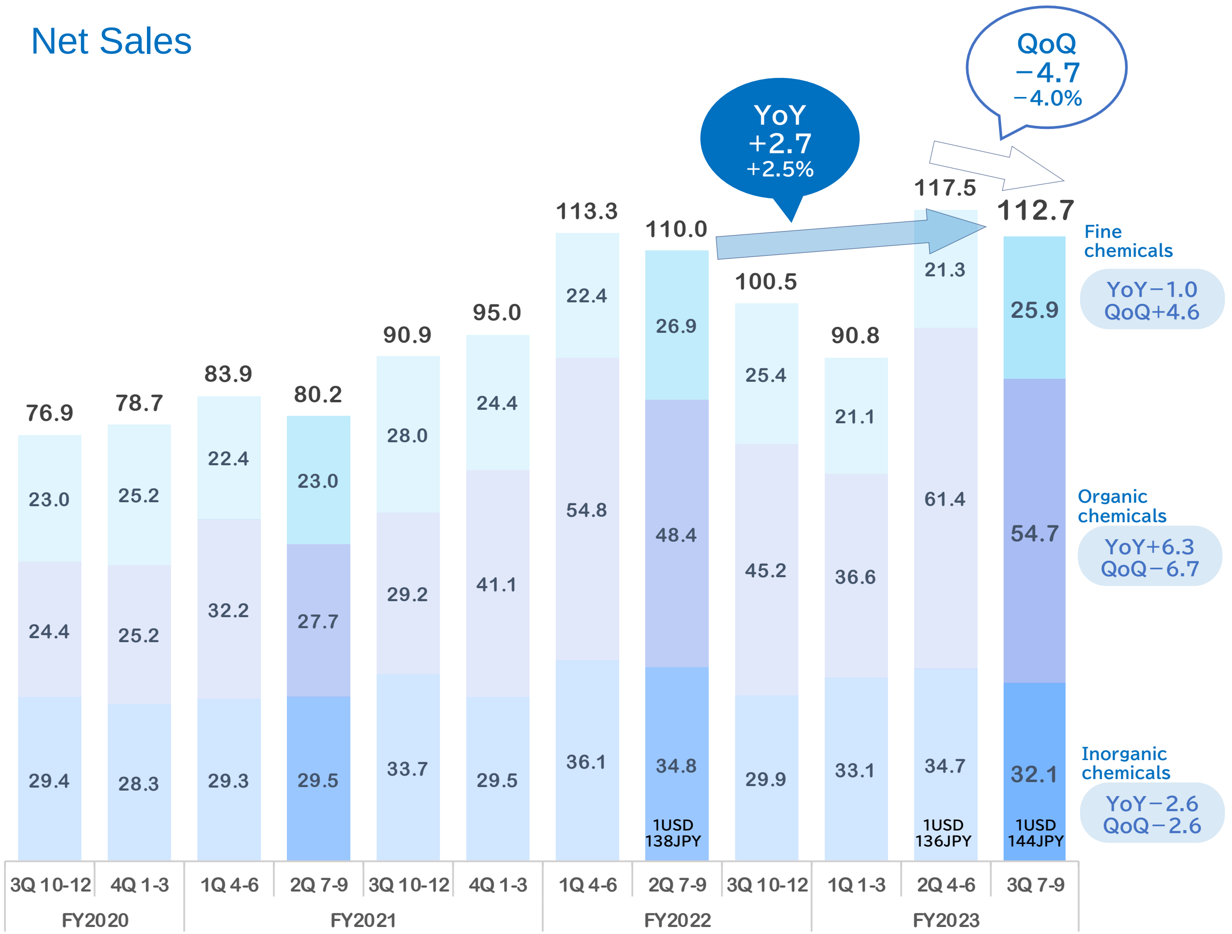


Operating Results by Segment: Chemicals (QTD)

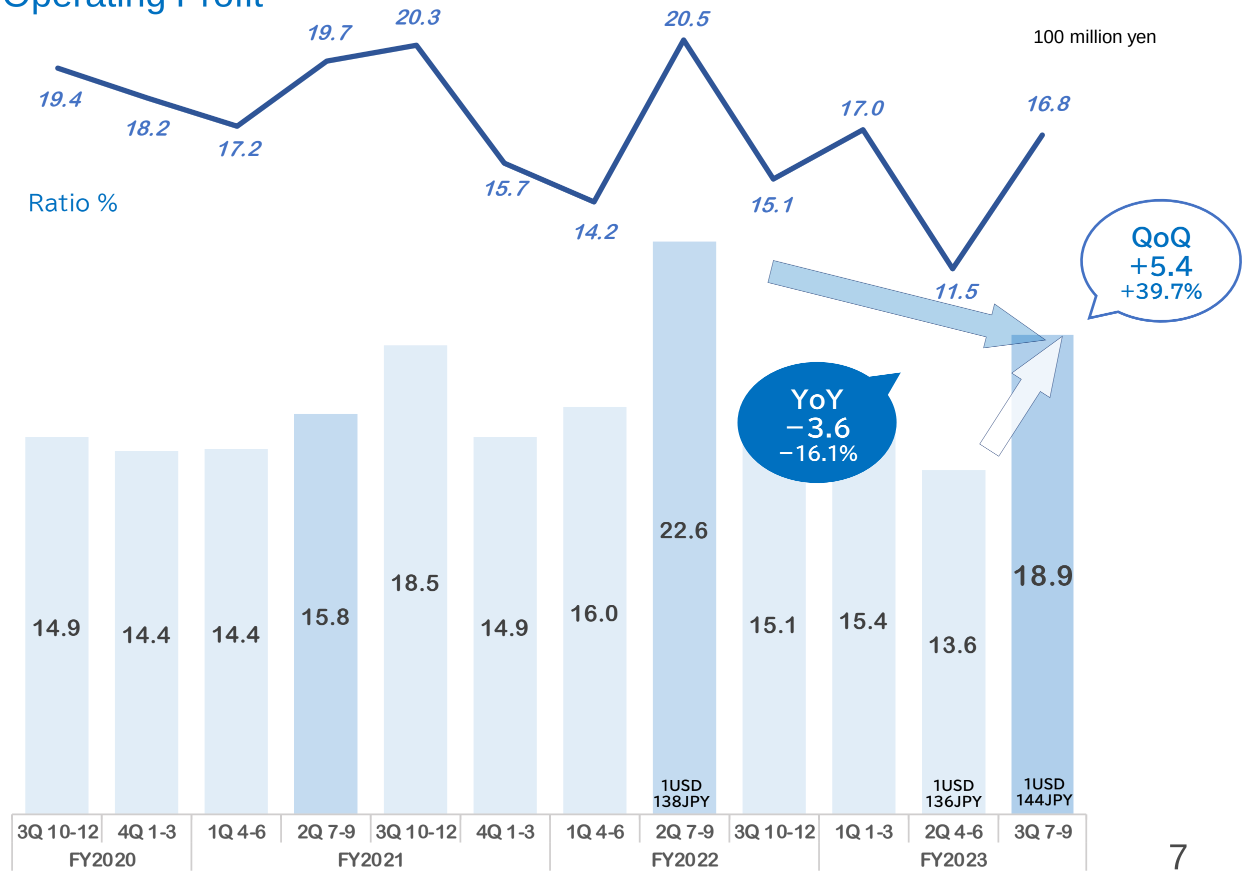
- Inorganic chemical products were down -2.6 on both a year-on-year and quarter-on-quarter basis.
  Insoluble sulfur remained weak in the Chinese and Asian markets, but orders increased due to a slight recovery in price competitiveness as a result of the weaker yen.
- Organic chemical products (Neo-Chlor) were up +6.3 year on year and -6.7 quarter on quarter, remaining at a high level, although the peak has passed.
  In the North American market, special demand continued in the third quarter due to our competitors' supply, but demand is beginning to show signs of saturation.
- Fine Chemicals posted -1.0 year on year and +4.6 quarter on quarter, while the semiconductor and electronics markets finally bottomed out, and the cargo movement of GLICOAT-SMD and the Imidazole type (electronics) somewhat recovered. On the other hand, in the Functional Materials segment, inventory adjustment of resin modifiers led to a decline, but demand for semiconductor processing materials for prototype production continued to expand.
- Currency impact was +300 million yen (138 yen -> 144 yen) year on year and +300 million yen (136 yen -> 144 yen) quarter on quarter.

- Despite strong sales of Organic Chemicals, profit declined due to lower profitability with -3.6 year on year. However, the July–September period of the previous fiscal year was the highest ever, and there was a significant recovery in profit, with a large increase of +5.4 quarter on quarter.
- Year on year, the weaker yen had a positive impact on profit at +150 million yen, and lower export logistics costs were also a positive factor, but the cost of various raw materials has risen sharply, and a bottoming-out trend is beginning to be seen. However, the negative impact of the sluggish sales of the highly profitable GLICOAT-SMD and the decline in the profitability of insoluble sulfur in the Chinese market outweighed the positive impacts, resulting in lower profits.
- Quarter on quarter, the weak yen and the recovery trend in the sales volume and profitability of insoluble sulfur and GLICOAT-SMD led to a reversal of the negative impacts and an increase in profit.

Net Sales



Operating Profit

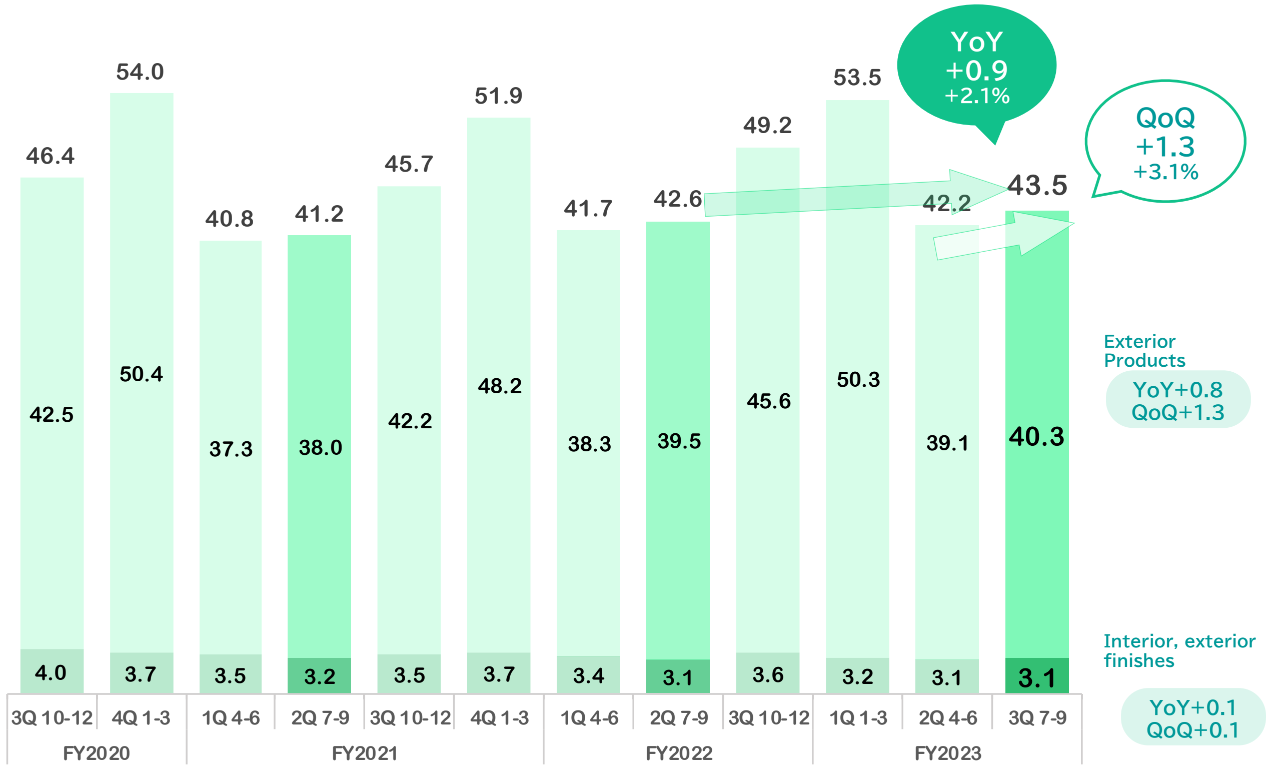


Operating Results by Segment: Housing Materials (QTD)

- Housing Materials business as a whole achieved a year-on-year increase of 90 million yen, or 2.1%.
- Wall materials remained low at +0.1 year on year and +0.1 quarter on quarter.
- Revenues for Exteriors increased by +0.8 year on year.
- The price revision effect (10%) was offset by a decline in volumes, resulting in only a slight increase.
Generally, the industry as a whole experienced weak cargo movement due to sluggish conditions in the detached housing market.
- Quarter on quarter, revenues increased by +1.3. Seasonal factors include an increase in demand for Landscape Exteriors, which, as usual, bottomed out in the April–June period.

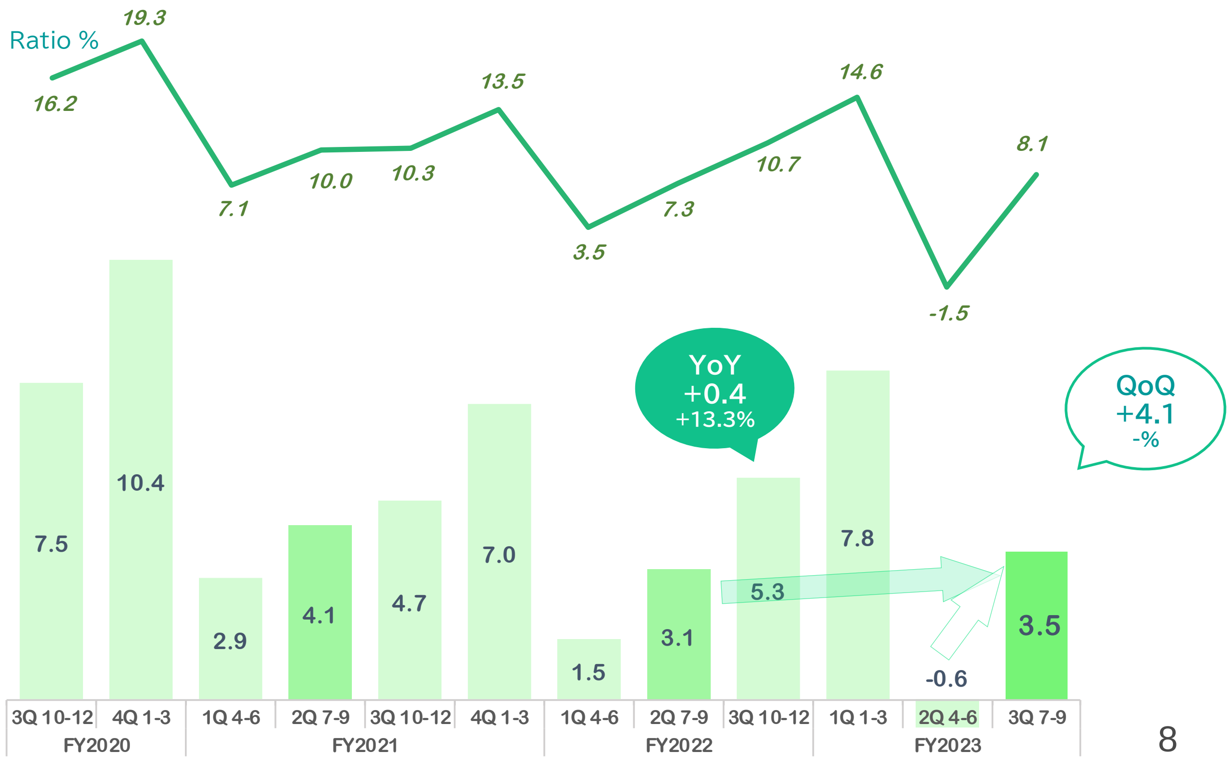
- Housing Materials business as a whole achieved a year-on-year increase in profit of 40 million yen.
- Profitability in Exteriors recovered after two price revisions, but this was not enough to offset the decline in volume, particularly in Landscape Exteriors. In addition, there was also the impact of the downsizing in the highly profitable wall materials business.
- In terms of raw material prices, the impact of price revisions on profitability was limited, as there was strong pressure to raise prices for plastic parts and materials derived from crude oil, and aluminum ingots remained stable at high prices.
- Quarter on quarter, profit rose sharply by +4.1 due to a rebound from the seasonal decline in profitability (decline in Landscape Exteriors) in the April–June period.

Net Sales



Operating Profit

100 million yen



2. Financial Forecast for the Fiscal Year Ending 2023

Revision of Consolidated Earnings Forecast

Consolidated earnings forecasts remain unchanged, but are slightly higher progress than expected.

Comparison of initial and revised forecast

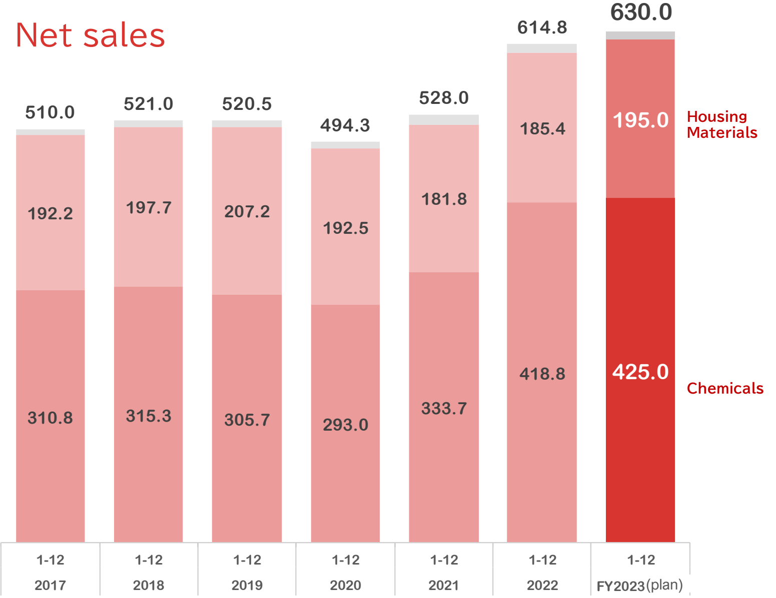
million yen

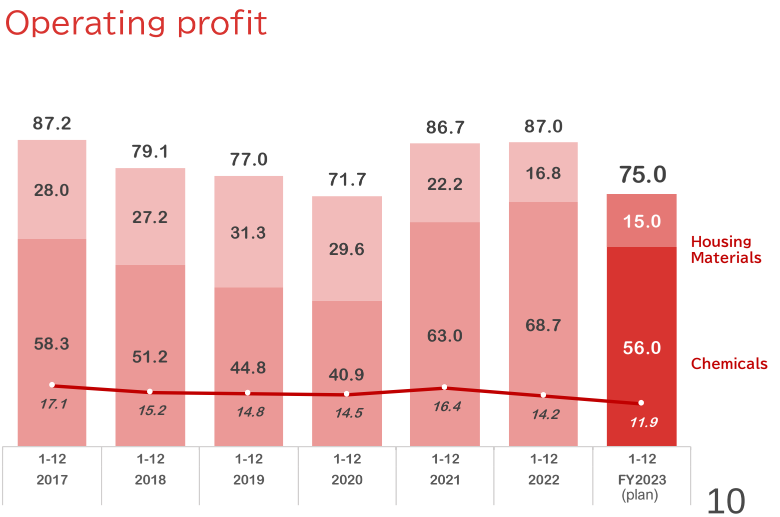
	Previous year* (January to December 2022)	Revisions of the forecast (released FY2023/2Q)	Change/Rate	Remarks
Net sales	61,475 (Chemicals)41,876 (Housing Materials)18,543	63,000 (Chemicals)42,500 (Housing Materials)19,500	+1,525 +2.5%	・In the Chemicals business, a growth in the export of organic chemicals to North America is expected to continue throughout the current fiscal year, offsetting the deterioration in the market for other products. ・In the Housing Materials business, revenue is expected to increase from the previous year due to two price hikes.
Operating profit	8,703 (Chemicals)6,865 (Housing Materials)1,682	7,500 (Chemicals)5,600 (Housing Materials)1,500	-1,203 -13.8%	・In Chemicals, revenue is expected to increase, and income is expected to decrease due to a significant impact of lower sales in Glicoat-SMD and lower profitability of insoluble sulfur. ・For the Housing Materials business, the profitability of the interior, exterior finishes is expected to decline.
Ordinary profit	9,840	8,300	-1,540 -15.7%	・Foreign exchange gains, which were extremely large in the previous year, will be a factor in reduced profit.
Profit attributable to owners of parent company	7,081	6,800	-281 -4.0%	・A decrease in profits was lessened by the gain from the sale of cross-shareholdings made in the current fiscal year.
Exchange rate	1 USD = 128 JPY 1 EUR = 135 JPY 1 RMB = 19.4 JPY	1 USD = 135 JPY 1 EUR = 150 JPY 1 RMB = 19 JPY		・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.

3Q progress rate

	Revisions of the forecast (released FY2023/2Q)	FY2023/3Q	Progress rate	Remarks
Net sales	63,000 (Chemicals)42,500 (Housing Materials)19,500	46,789 (Chemicals)32,103 (Housing Materials)13,918	74% (Chemicals)76% (Housing Materials)71%	・Chemicals business was in line with expectations, slightly above the plan due to the depreciation of the yen. ・Housing Materials business was slightly below the plan due to sluggish demand.
Operating profit	7,500 (Chemicals)5,600 (Housing Materials)1,500	6,129 (Chemicals)4,792 (Housing Materials)1,066	81% (Chemicals)85% (Housing Materials)71%	・In the Chemicals business, profits exceeded sales due to exchange rates and better-than-expected logistics costs for Neo-Chlor in North America. ・In the Housing Materials business, profits fell short accompanying a shortfall in sales.
Ordinary profit	8,300	7,413	89%	・Unplanned foreign exchange gains were recorded (+214 in Q3) due to the continued weakening of the yen.
Profit attributable to owners of parent company	6,800	6,520	95%	・Gain on sale of investment securities was higher than expected.
Exchange rate	1 USD = 135 JPY 1 EUR = 150 JPY 1 RMB = 19 JPY	1 USD = 136 JPY 1 EUR = 146 JPY 1 RMB = 19.6 JPY		・The yen depreciated slightly against the assumed exchange rate, which had a positive impact.

100 million yen





* 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

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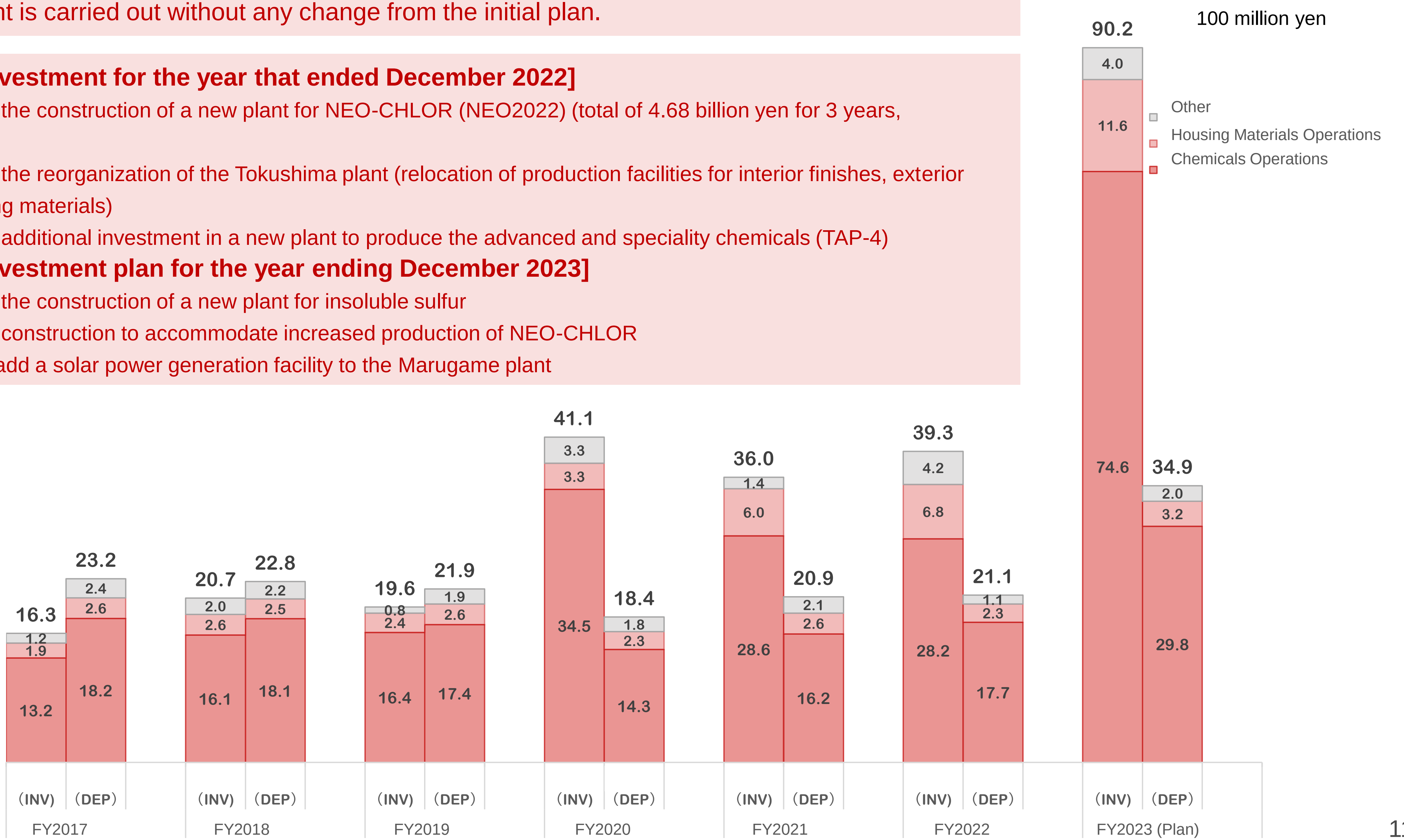
Capital investment is carried out without any change from the initial plan.

[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)

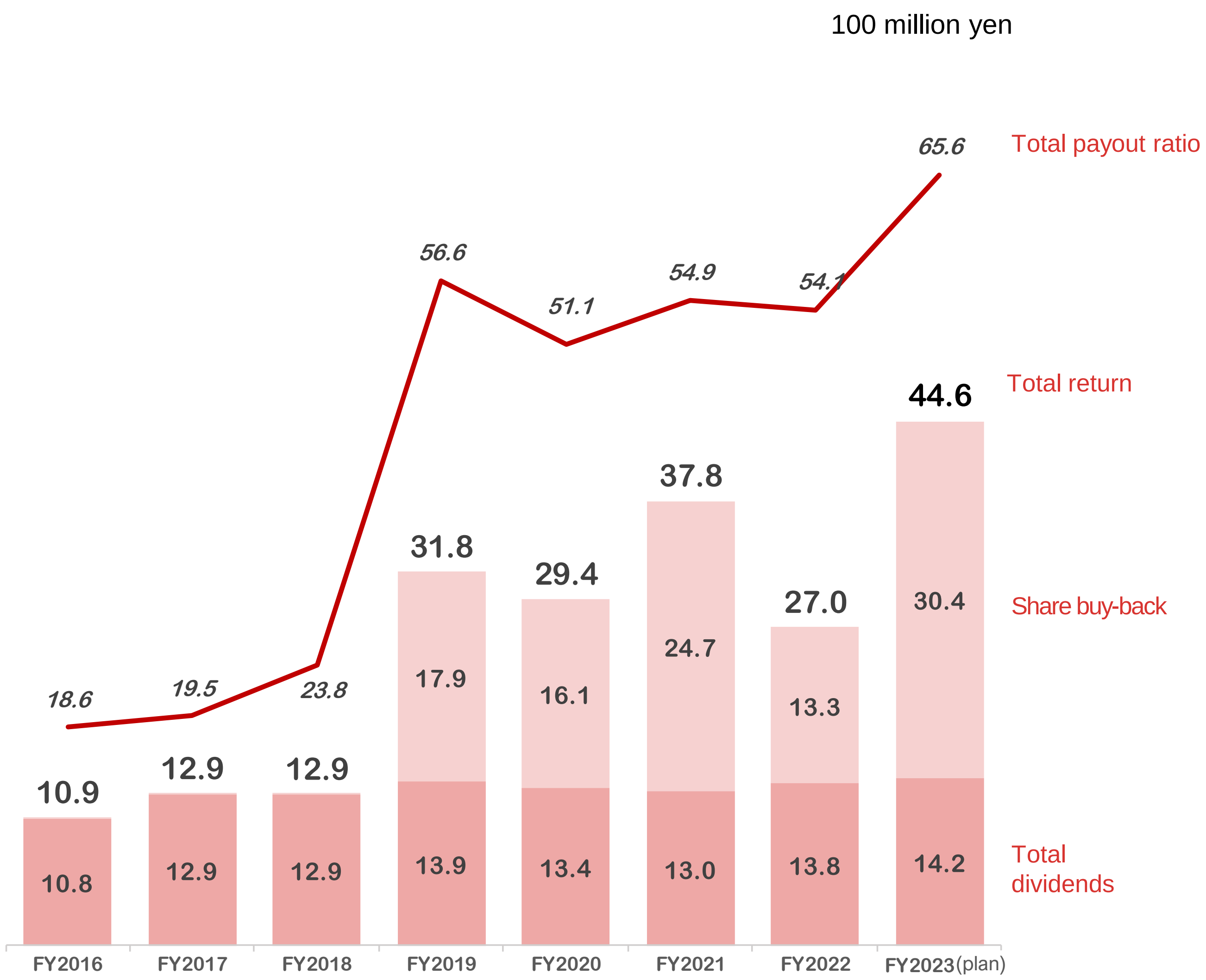
[Major capital investment plan for the year ending December 2023]

- 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



Dividend and Share Buy-Back Trends

The forecast for year-end dividends is unchanged, and we steadily improved returns to shareholders in line with the plan.



[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.

→ In FY2023 3Q, the Company sold 6 listed shares it held, recording an extraordinary gain of over 2 billion yen.

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

Analysis of current situation and Policies for the present

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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.
* Updated figures only from 2023 2Q disclosure documents (no change in content)

Consolidated Balance Sheet (estimated as of 9/30/2023)

[Financial assets]
Cash and deposits
Securities (short-term bonds)
Investment securities (long-term bonds)
Investment securities (cross-shareholdings)
Approx. ¥ 67 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.

[Business assets]
Trade receivables
Inventories
Property, plant, and equipment/Intangible assets

Chemicals: Approx. ¥ 43 bn
Housing Materials: Approx. ¥ 15 bn
Total approx. ¥ 58 bn

[Investment capital]
(Profit indicator to be compared) Operating profit after tax by business
-> ROIC by business
Chemicals business
Approx. ¥ 31 bn (ROIC 14% level)
Housing Materials business
Approx. ¥ 8 bn (ROIC 11% level)
Total approx. ¥ 39 bn

[Business liabilities]
Trade payable
Labor liabilities and provisions

[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)
Cary out promptly, targeting 50% of Profit

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

[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. ¥ 84.5 bn
ROE 10% level

[Interest-bearing debt]
(Basic Policy on Leverage)
・Actively utilize low-cost funds to the extent that the credit rating can be maintained
・Set D/E ratio to the 30% level

Approx. ¥ 22.3 bn

[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.

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- ◆ 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.

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