

Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]



April 25, 2024

Company name: SHIKOKU KASEI HOLDINGS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 4099

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Scheduled date of filing quarterly securities report: May 15, 2024

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
March 31, 2024	17,358	18.2	2,405	(0.1)	2,903	11.2	1,803	3.4
March 31, 2023	14,685	–	2,408	–	2,610	–	1,744	–

(Note) Comprehensive income: Three months ended March 31, 2024: ¥3,003 million [29.8%]

Three months ended March 31, 2023: ¥2,313 million [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2024	36.72	–
March 31, 2023	33.06	–

The Company has changed the account closing date from March 31 to December 31 beginning with the fiscal year ended December 31, 2022. Accordingly, changes from the previous corresponding period are not presented as the first quarter periods of the fiscal year 2023 (January 1, 2023 to March 31, 2023) and the fiscal year 2022 (April 1, 2022 to June 30, 2022) do not match.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2024	130,908	78,940	59.7
As of December 31, 2023	131,046	86,867	65.7

(Reference) Equity: As of March 31, 2024: ¥78,179 million

As of December 31, 2023: ¥86,157 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2023	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
Fiscal year ending December 31, 2024	—				
Fiscal year ending December 31, 2024 (Forecast)		14.00	—	14.00	28.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	64,000	1.4	7,800	(2.7)	8,200	(11.6)	5,500	(30.0)	108.73

(Note) Revisions to the financial results forecast most recently announced: None

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (ordinary shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - March 31, 2024: 44,869,563 shares
 - December 31, 2023: 50,760,663 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 31, 2024: 176,592 shares
 - December 31, 2023: 176,415 shares
 - 3) Average number of shares during the period:
 - Three months ended March 31, 2024: 49,111,426 shares
 - Three months ended March 31, 2023: 52,769,141 shares

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

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

Forward-looking statements such as operating results forecasts and other projections contained in this report are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions underlying the

operating results forecasts and cautionary notes concerning their use, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results for the Period under Review” on page 3 of the attached documents to the quarterly financial statements.

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

(1) Explanation of Operating Results

The Japanese economy during the three months ended March 31, 2024 saw a continued recovery in business sentiment against a backdrop of rising wages and stock prices. However, with the yen continuing to depreciate in spite of the policy change by the Bank of Japan, with the resulting high prices putting downward pressure on consumer spending, this has meant that the recovery of the domestic economy has been lacking in strength. In overseas economies, the U.S. economy has performed steadily, particularly in terms of consumer spending; however, the economies in both Europe and China have continued to be on a weak footing.

Under these circumstances, for the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024), the Group posted net sales of ¥17,358 million (up 18.2% year-on-year), operating profit of ¥2,405 million (down 0.1% year-on-year), ordinary profit of ¥2,903 million (up 11.2% year-on-year), and profit attributable to owners of parent of ¥1,803 million (up 3.4% year-on-year).

Net sales renewed record highs in the first three months ended March 31, 2024 due to strong sales in overseas markets for our Chemicals operations. Operating profit decreased owing to increases in cost of sales and selling, general, and administrative expenses; however, ordinary profit and profit attributable to owners of parent both increased due to the recording of foreign exchange gains.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, continued to expand in overseas markets, exceeding those of the previous year. Sales of carbon disulfide for rayon and cellophane were down on the previous year, due mainly to sluggish performance in the rayon market. Sales of sodium sulfate for bath agents and detergents remained solid, exceeding those of the previous year.

(Organic chemicals)

Regarding chlorinated isocyanurates for disinfectants, sales exceeded those of the previous year in the domestic market due to solid sales of household sanitary products. In the U.S. market, sales exceeded those of the previous year due to inventory adjustments in distribution and a tightening of supply and demand.

(Fine chemicals)

Sales of electronic chemicals, particularly Gliccoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, exceeded those of the previous year owing to the bottoming out of the semiconductor and electronics markets and the on-going customers' inventory adjustment. Sales of advanced & specialty chemicals exceeded those of the previous year owing to a recovery in the epoxy resin curing agent (imidazoles) and resin modifier (glycoluril derivatives, etc.) markets and the increased demand accompanying this. As for sales of semiconductor process materials, we saw progress in customer evaluations and the expansion of new demand for prototype production.

As a result, net sales for the chemicals operations segment were ¥11,840 million (up 30.3% year-on-year) and segment profit was ¥1,624 million (up 5.2% year-on-year), with both up on the previous year.

2) Housing Materials operations

In addition to the continued decline in the number of new housing starts, particularly for owned houses, due to a surge in construction costs and other factors, the market for non-residential type constructions was also sluggish owing to delays of construction period on the back of nationwide manpower shortages. Demand for interior, exterior finishes and paving materials and exterior products also remained sluggish, all of which resulted in sales down on the previous year.

As a result, net sales for the housing materials operations segment were ¥5,218 million (down 2.5% year-on-year) and segment profit was ¥692 million (down 11.1% year-on-year).

Reference information

[Overseas net sales]

	Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)		Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	1,342	9.1	1,966	11.3
North America	2,564	17.5	4,127	23.8
Other regions	374	2.5	428	2.5
Total	4,281	29.2	6,523	37.6
Consolidated net sales	14,685		17,358	

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets decreased by ¥138 million from the end of the previous fiscal year to ¥130,908 million. Major increases were ¥1,666 million in accounts receivable – trade and ¥847 million in construction in progress. Major decreases were ¥3,060 million in cash and deposits and ¥519 million in machinery, equipment and vehicles.

Liabilities increased by ¥7,789 million from the end of the previous fiscal year to ¥51,967 million. Major increases were ¥4,191 million in current portion of long-term borrowings and ¥2,175 million in notes and accounts payable – trade, and a major decrease was ¥1,318 million in income taxes payable.

Net assets decreased by ¥7,927 million from the end of the previous fiscal year to ¥78,940 million. A major decrease was ¥9,116 million in retained earnings.

As a result, equity ratio fell to 59.7% from 65.7% at the end of the previous fiscal year.

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

The full-year financial results forecast has not been revised from the initial plan (announced on January 30, 2024). Assumptions for the exchange rates of major currencies are ¥140 to U.S. dollar and ¥150 to Euro.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	29,947	26,886
Notes receivable - trade	589	607
Electronically recorded monetary claims - operating	3,021	3,262
Accounts receivable - trade	13,907	15,574
Securities	17,505	17,505
Merchandise and finished goods	8,947	8,911
Work in process	37	54
Raw materials and supplies	4,400	4,126
Other	1,278	1,330
Allowance for doubtful accounts	(3)	(3)
Total current assets	79,631	78,255
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,926	5,853
Machinery, equipment and vehicles, net	6,648	6,129
Land	8,693	8,799
Construction in progress	3,446	4,293
Other, net	645	665
Total property, plant and equipment	25,360	25,740
Intangible assets	699	658
Investments and other assets		
Investment securities	21,844	22,605
Deferred tax assets	1,909	2,079
Retirement benefit asset	532	530
Other	1,070	1,038
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	25,355	26,253
Total non-current assets	51,415	52,652
Total assets	131,046	130,908

(Million yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,940	11,115
Electronically recorded obligations - operating	523	540
Short-term borrowings	3,530	5,030
Current portion of long-term borrowings	5,783	9,974
Accrued expenses	1,476	1,825
Income taxes payable	2,696	1,378
Accrued consumption taxes	558	336
Notes payable - facilities	4	—
Electronically recorded obligations - facilities	84	283
Other	3,097	3,290
Total current liabilities	26,694	33,775
Non-current liabilities		
Long-term borrowings	12,906	13,177
Deferred tax liabilities	2,191	2,634
Deferred tax liabilities for land revaluation	998	998
Provision for retirement benefits for directors (and other officers)	64	62
Retirement benefit liability	591	582
Asset retirement obligations	370	371
Provision for share awards	43	48
Other	317	317
Total non-current liabilities	17,483	18,192
Total liabilities	44,178	51,967
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,711	5,711
Retained earnings	66,077	56,961
Treasury shares	(226)	(237)
Total shareholders' equity	78,430	69,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,044	6,056
Revaluation reserve for land	2,274	2,274
Foreign currency translation adjustment	252	390
Remeasurements of defined benefit plans	155	155
Total accumulated other comprehensive income	7,726	8,876
Non-controlling interests	710	760
Total net assets	86,867	78,940
Total liabilities and net assets	131,046	130,908

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

(Million yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	14,685	17,358
Cost of sales	8,521	10,488
Gross profit	6,164	6,869
Selling, general and administrative expenses		
Transportation and storage costs	1,403	1,667
Advertising expenses	206	142
Salaries	573	643
Retirement benefit expenses	37	31
Provision for retirement benefits for directors (and other officers)	3	6
Research and development expenses	383	410
Other	1,148	1,559
Total selling, general and administrative expenses	3,755	4,463
Operating profit	2,408	2,405
Non-operating income		
Interest income	59	106
Dividend income	60	65
Foreign exchange gains	57	343
Miscellaneous income	33	6
Total non-operating income	210	522
Non-operating expenses		
Interest expenses	7	9
Donations	—	10
Miscellaneous losses	1	3
Total non-operating expenses	8	23
Ordinary profit	2,610	2,903
Extraordinary income		
Subsidy income	—	0
Total extraordinary income	—	0
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Total extraordinary losses	0	3
Profit before income taxes	2,610	2,901
Income taxes	857	1,047
Profit	1,753	1,853
Profit attributable to non-controlling interests	8	50
Profit attributable to owners of parent	1,744	1,803

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31

(Million yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	1,753	1,853
Other comprehensive income		
Valuation difference on available-for-sale securities	545	1,011
Foreign currency translation adjustment	10	138
Remeasurements of defined benefit plans, net of tax	4	(0)
Total other comprehensive income	560	1,150
Comprehensive income	2,313	3,003
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,304	2,953
Comprehensive income attributable to non-controlling interests	8	50

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

(Purchase of treasury shares)

The Company resolved on February 28, 2024 to purchase its treasury shares pursuant to the provisions of the articles of incorporation, as set forth in Article 459, Paragraph 1 of the Companies Act, and purchased 5,891,100 shares of treasury shares. As a result, during the three months ended March 31, 2024, treasury shares increased by ¥10,221 million.

(Cancellation of treasury shares)

The Company resolved on February 28, 2024 to cancel its treasury shares pursuant to the provisions in Article 178 of the Companies Act, and cancelled 5,891,100 shares of treasury shares on March 8, 2024. As a result, during the three months ended March 31, 2024, retained earnings and treasury shares decreased by ¥10,209 million and ¥10,209 million, respectively.

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

(Calculation of tax expenses)

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

Income taxes - deferred is included in income taxes.

(Segment information, etc.)

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

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

(Million yen)

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

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

2. The adjustment for segment profit of ¥47 million includes profit (loss) and others not allocated to each reportable segment.

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

For the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

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

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	3,820	–	3,820	–	3,820	–	3,820
Organic chemicals	5,046	–	5,046	–	5,046	–	5,046
Fine chemicals	2,974	–	2,974	–	2,974	–	2,974
Interior, exterior finishes and paving materials	–	330	330	–	330	–	330
Exterior products	–	4,887	4,887	–	4,887	–	4,887
Other	–	–	–	293	293	–	293
Revenue from contracts with customers	11,840	5,218	17,059	293	17,352	–	17,352
Other revenue	–	–	–	5	5	–	5
Net sales to outside customers	11,840	5,218	17,059	298	17,358	–	17,358
Inter-segment net sales or transfers	1	0	1	77	79	(79)	–
Total	11,842	5,218	17,060	376	17,437	(79)	17,358
Segment profit	1,624	692	2,316	44	2,361	44	2,405

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

2. The adjustment for segment profit of ¥44 million includes profit (loss) and others not allocated to each reportable segment.

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