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Supplemental Information Financial Results For FY 2024 1Q

2024/5/15

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

1. Consolidated Financial Results

Financial highlights

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Net sales increased but operating profit decreased YoY due to increased costs; however, ordinary profit and net profit increased thanks to the foreign exchange gains.

Million yen

	FY2023 1Q	FY2024 1Q	Change／Rate	Remarks
Net sales	14,685	17,358	+2,672 +18.2%	・Chemicals operations increased due to the recovery of market conditions and the depreciation in the yen ・Housing Materials operations decreased due to a deterioration in the building market conditions
Operating profit	2,408	2,405	▲3 ▲0.1%	・Operating profit decreased due to the impact of sales mix and increased costs (transportation and labor costs)
Ordinary profit	2,610	2,903	+293 +11.2%	・Foreign exchange gains 343 (YoY+286) ・Interest earned 106 (YoY+47)
Profit attributable to owners of parent	1,744	1,803	+58 +3.4%	・Almost no extraordinary profit or loss
Exchange rate	1USD = 133 JPY 1EUR = 142 JPY 1RMB = 19.3 JPY	1USD = 148 JPY 1EUR = 161 JPY 1RMB = 20.4 JPY	Net sales **+7** billion yen Operating Profit **+4** billion yen	・Foreign exchange impact on PL included in the change from the previous year (total of Chemicals and Housing Materials) Only the impact of exchange rate fluctuations on foreign currency transactions is shown. Many yen-denominated transactions are also substantially affected by changes in foreign exchange rates; however, they are not included.

Trends in Net sales and Operating profit (YTD)

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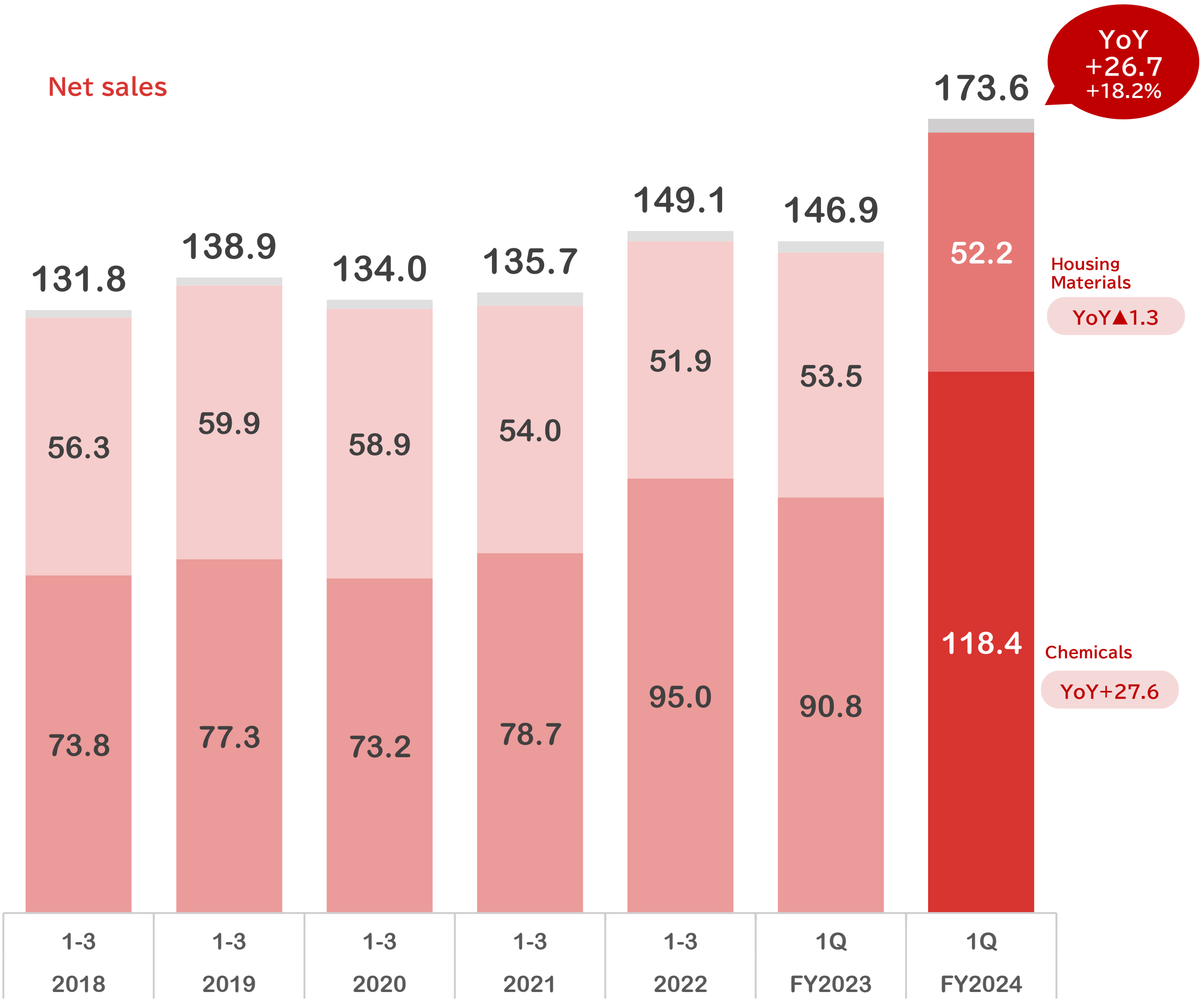
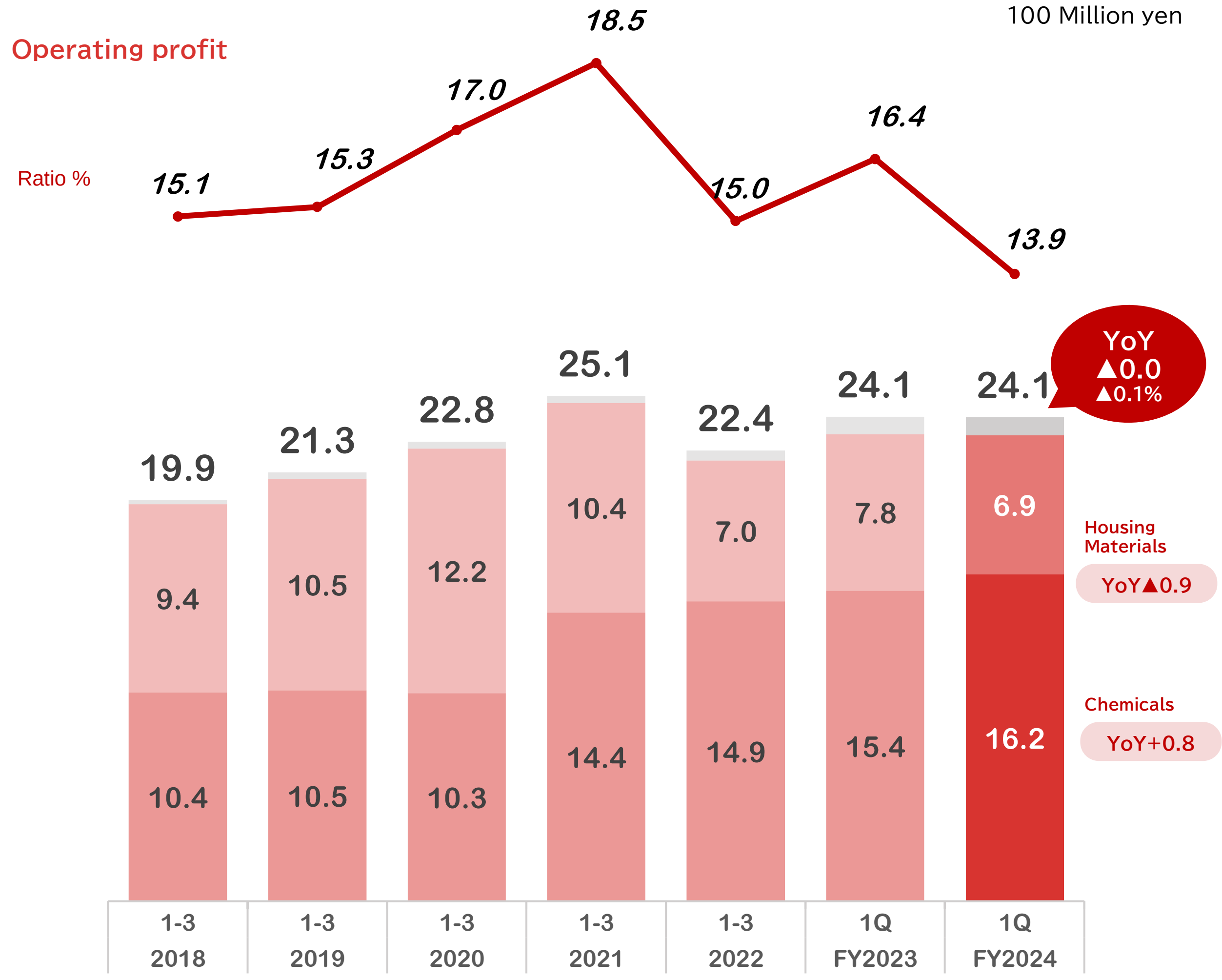
Net sales increased in Chemicals (+2.76B) but decreased in Housing Materials (-130M), resulting in a companywide increase in sales (+2.67B).
Total operating profit remained unchanged (-0M) due to sluggish performance in both Chemicals (-80M) and Housing Materials (-90M).

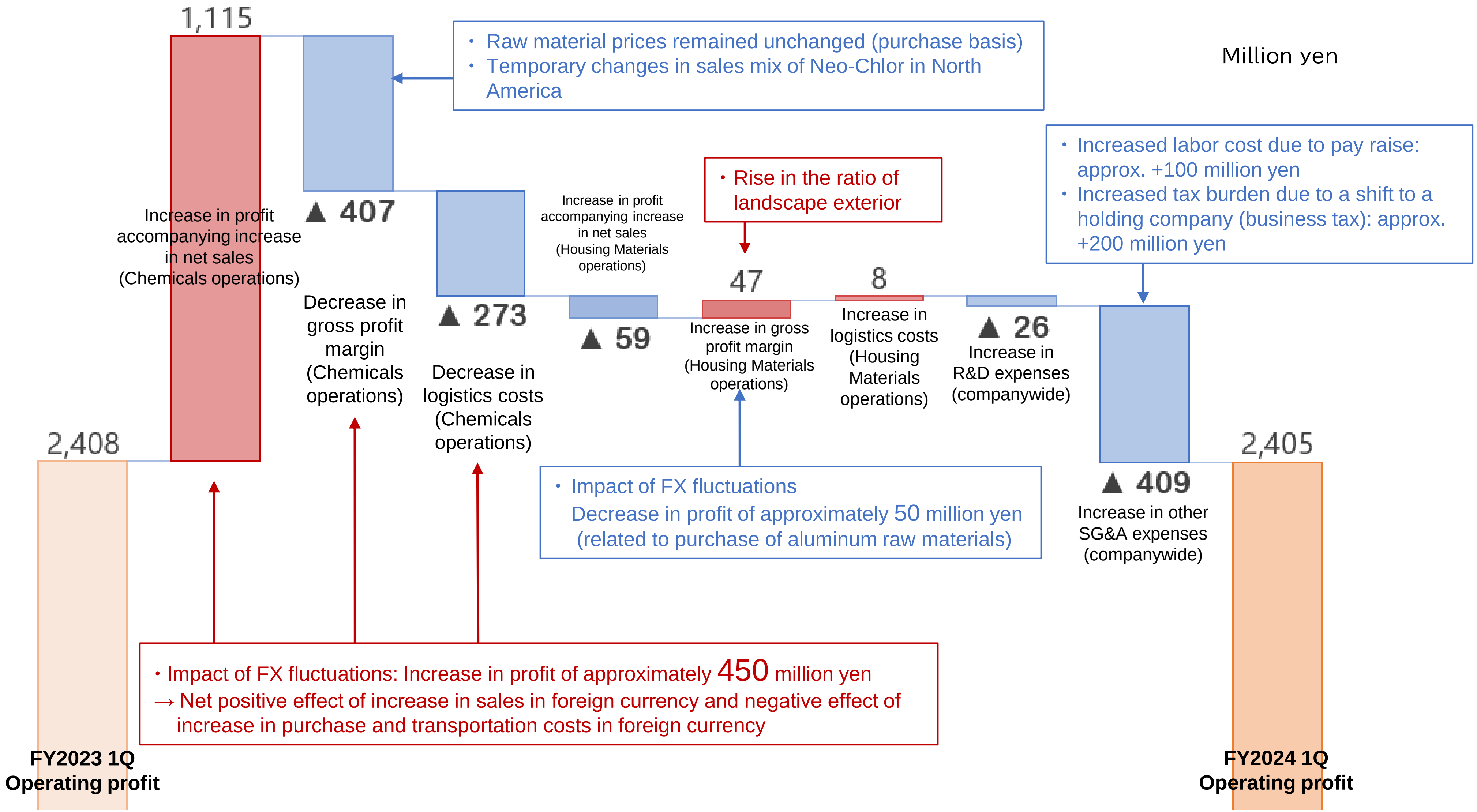




* Results before FY2022 were recalculated for the same period of the current year (January to March).

YoY Changes in Operating profit

The positive impact of increased sales in Chemicals and a weaker yen was offset by the negative impact of changes in sales mix in Chemicals and increased costs (transportation and SG&A costs).

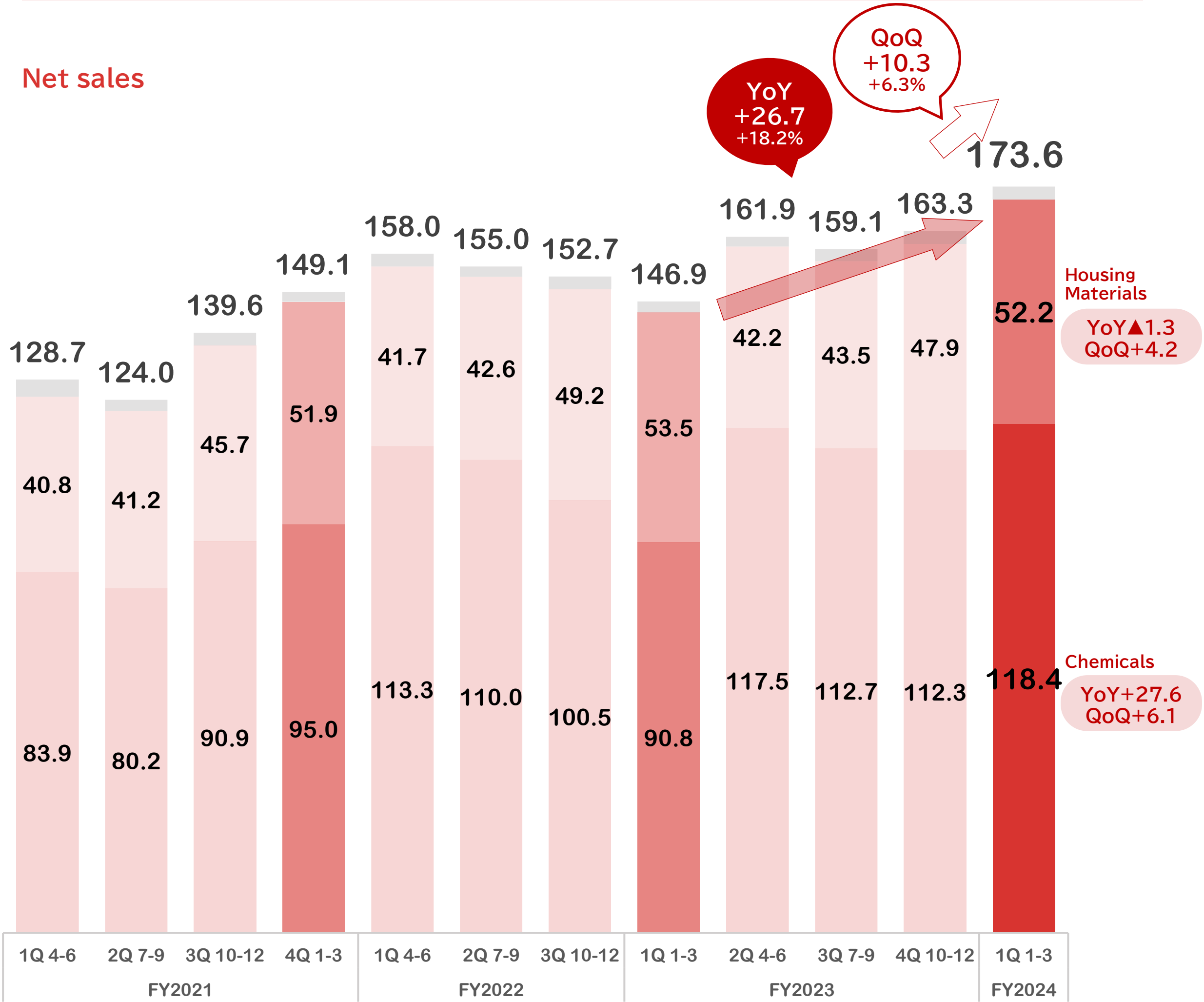


Trends in Net sales and Operating profit (QTD)

- Total sales increased by 2.67 billion yen YoY. Chemicals operations achieved significant growth of 2.76 billion yen due a reactive increase from sluggish performance in the previous year and bottoming out of the market conditions. Housing Materials operations slightly decreased by 130 million yen due to the worsening of market conditions caused by increased construction costs.
- Sales increased by 1.03 billion yen QoQ. In Chemicals operations, sales increased by 610 million yen due to the recovery of the market conditions and a seasonal factor in organic products in North America.
  Sales of Housing Materials operations increased by 420 million yen due to a seasonal rise in housing demand.

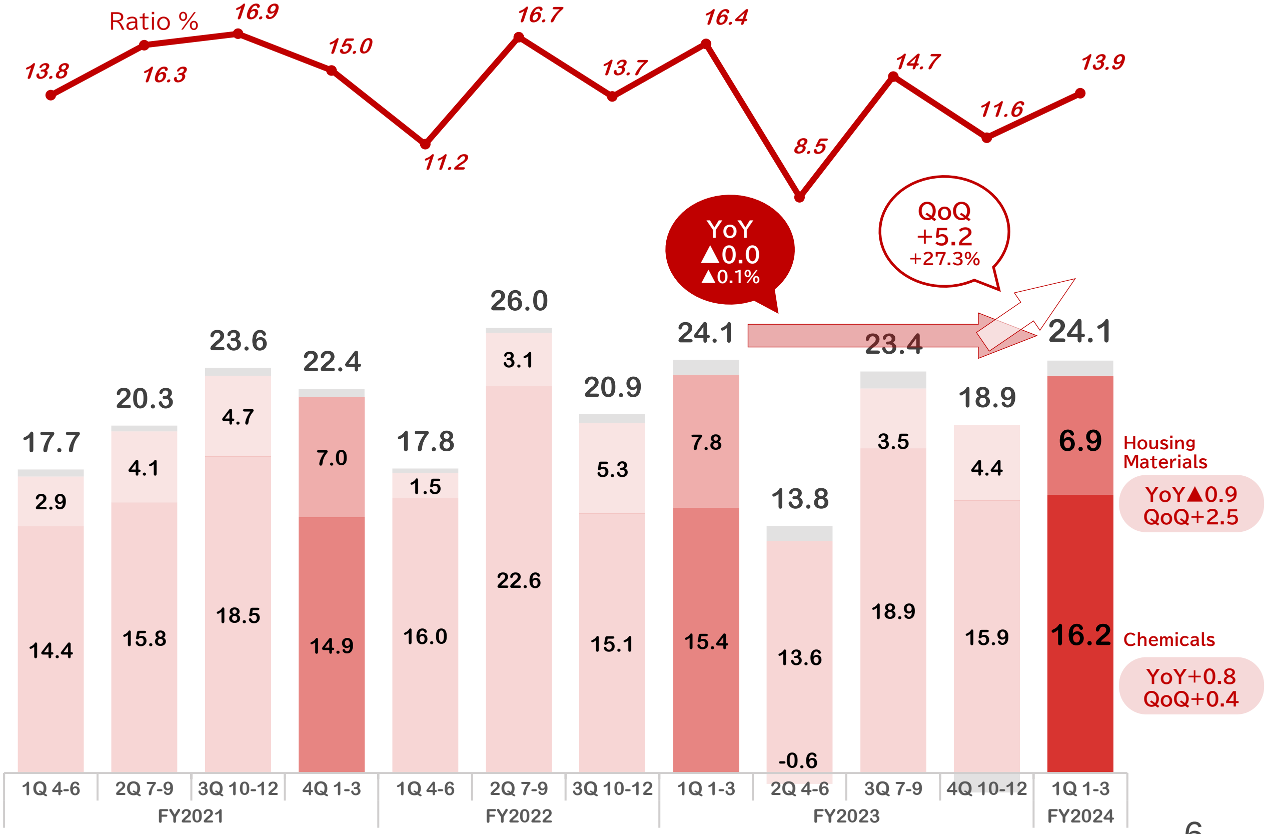
- Total operating profit decreased by 0 million yen YoY. Chemicals operations slightly increased by 80 million yen as positive factors such as increased sales and weaker yen were offset by lower profit margin due to changes in sales mix and higher costs. Housing Materials operations slightly decreased by 90 million yen due to sales decrease.
- Operating profit increased by 520 million yen QoQ. Chemicals operations slightly increased by 40 million yen as sales of low-profit products increased.
  Housing Materials operations increased by 250 million yen due to a seasonal factor. Corporate and Other increased by 230 million yen reflected by the adjustment in the previous quarter (year-end).

Net sales



Operating profit

100 Million yen



Operating results by segment: Chemicals (QTD)

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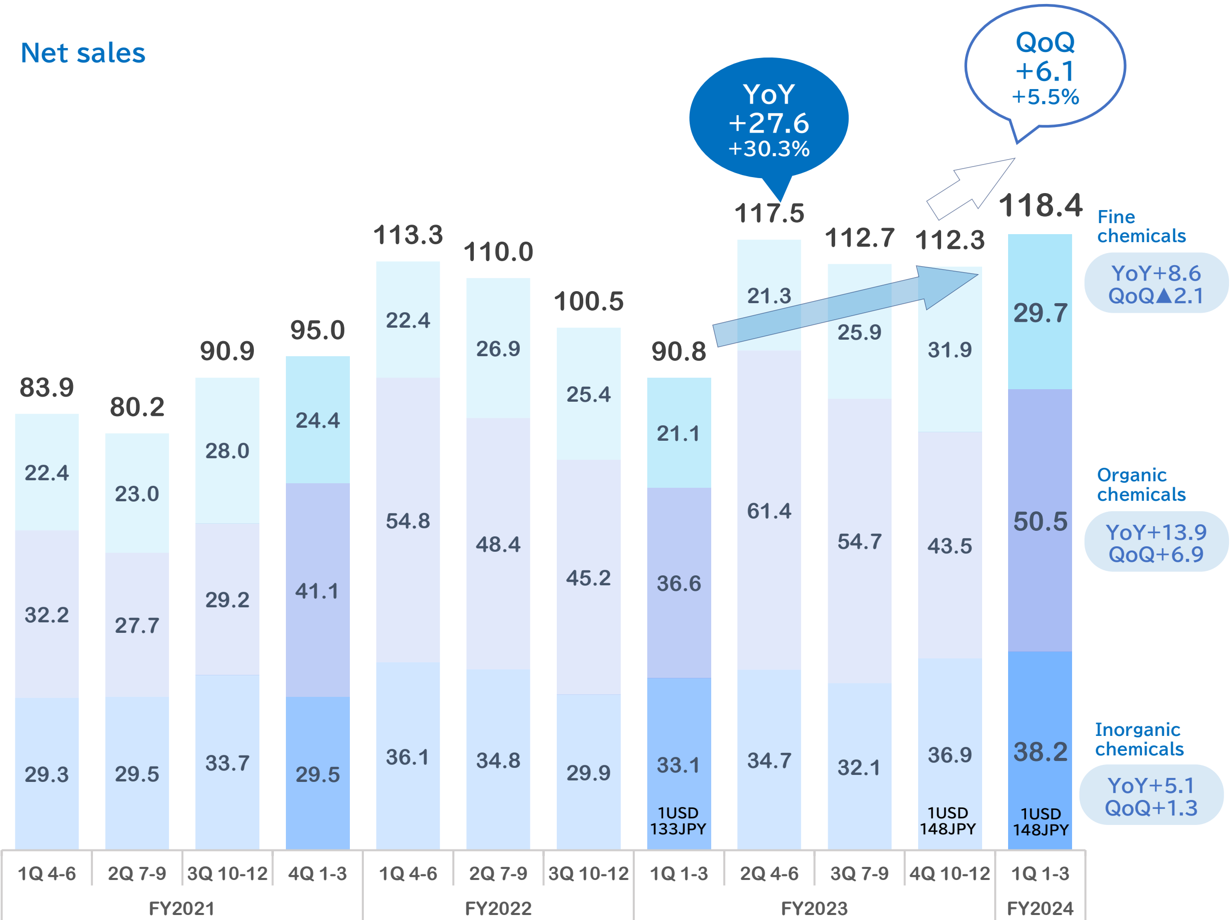
- Sales of inorganic chemical products showed strong growth with increases of 510 million yen YoY and 130 million yen QoQ. Contributors were the progress of sales expansion of insoluble sulfur to North America and concentrated shipment (first-out) due to logistics concerns.
- In terms of organic chemical products (Neo-Chlor), sales increased by 1.39 billion yen YoY and 690 million yen QoQ as the cargo movement showed a sign of recovery after inventory adjustment in the North American market. Many of the products sold in North America are manufactured by other companies, and the profit contribution is low.
- Fine chemicals showed a recovery trend in general, with a sales increase of 860 million yen YoY and a decrease of 210 million yen QoQ. Sales of functional materials (IMZ and resin modifiers), whose shipment was concentrated in the previous 4Q, increased YoY but decreased QoQ.
  Electronic chemicals (Glicoat-SMA) showed a bottoming-out and GliCAP (a newly developed product) was also launched.
- The impact of foreign exchange was about +700 million yen (JPY/USD: 133→148) YoY and almost flat (JPY/USD: 148→148) QoQ.

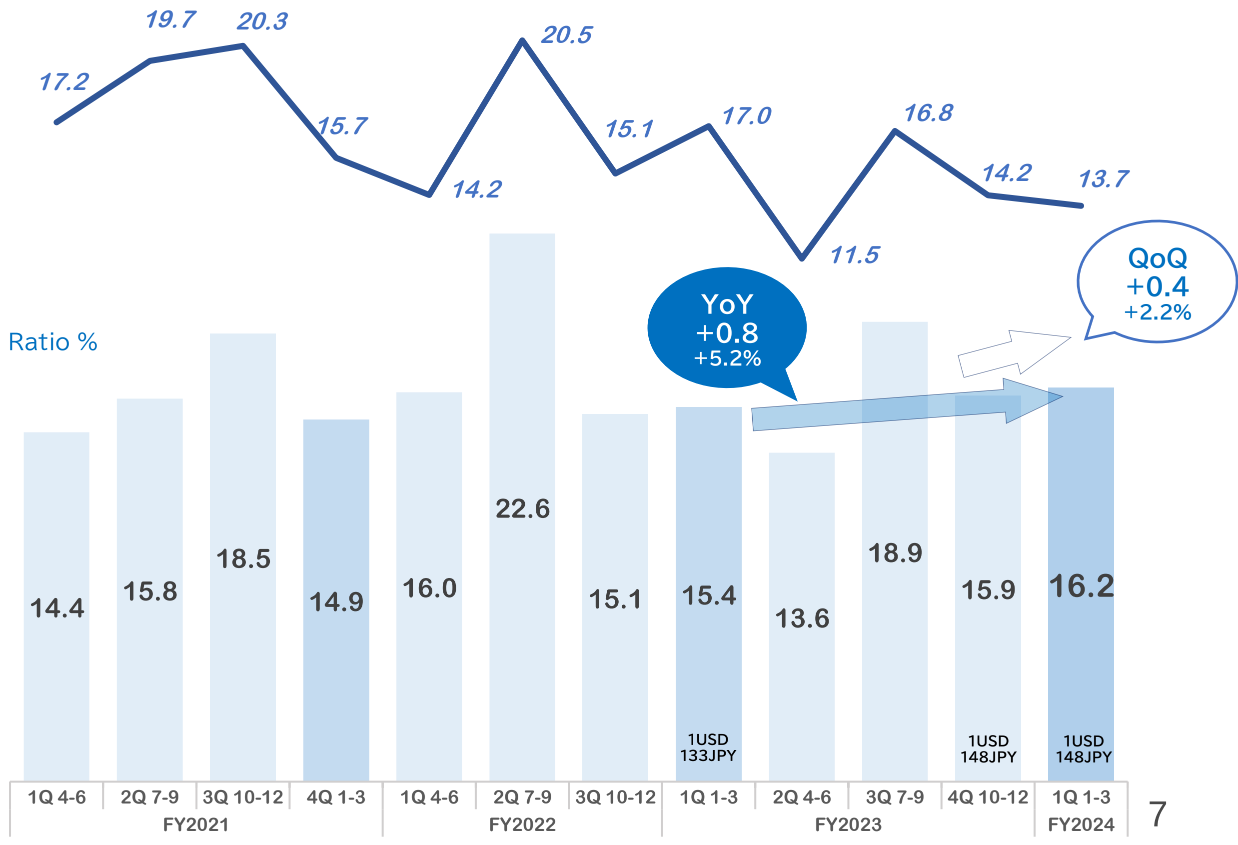
- Operating profit increased by 80 million yen YoY. The weaker yen contributed to a profit increase of about 450 million yen.
  Gross profit increased mainly due to strong sales of high-profitable fine chemicals, which were offset by higher SG&A costs (freight, salaries, etc.). Profit of organic chemical products decreased due to changes in sales mix (higher sales of other companies' products) but they are expected to contribute to profit as in-house products will increase supply and sales after 2Q.
- QoQ profit increased by 40 million yen. Both sales and profit were strong, but the 1Q operating profit leveled off due to higher SG&A costs including salaries because of a positive factor in internal transaction adjustment such as corporate expenses in the previous 4Q.

Net sales



Operating profit

100 Million yen

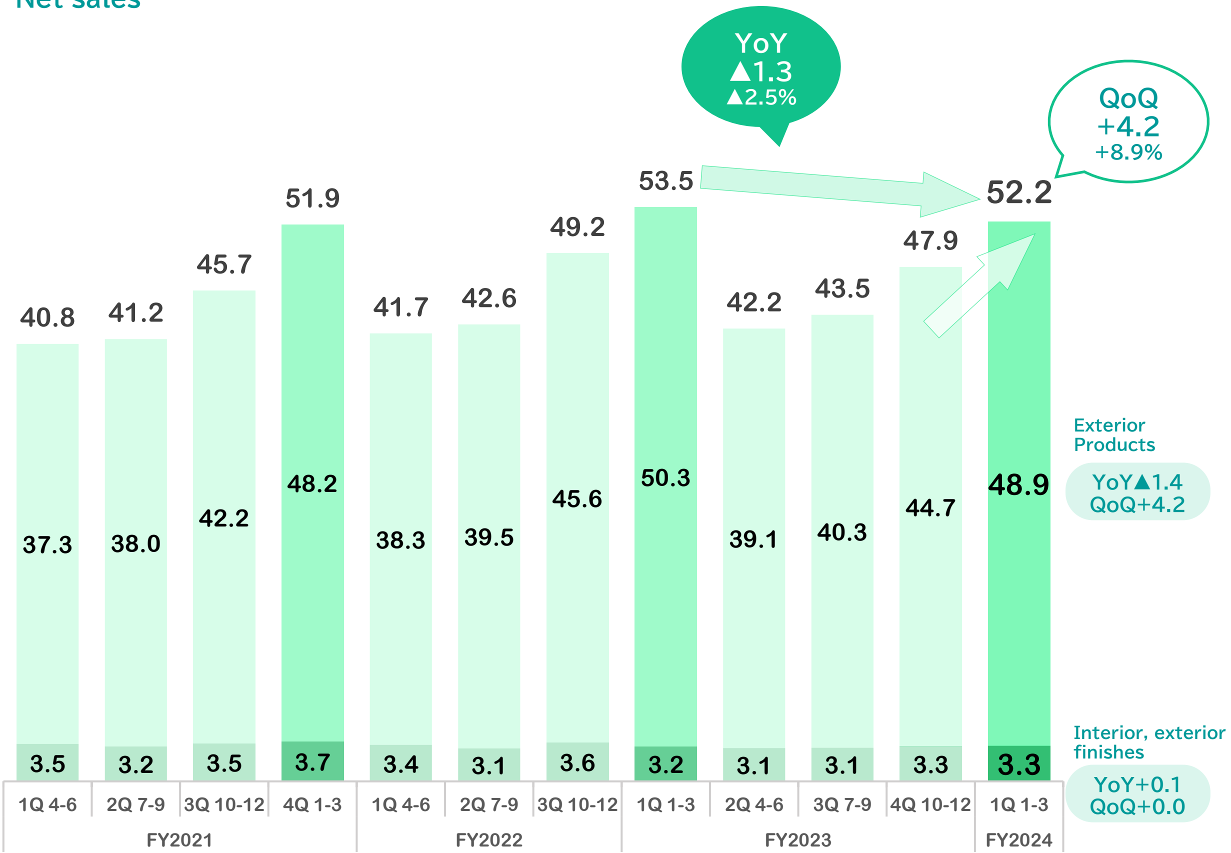


Operating results by segment: Housing Materials (QTD)

- Housing Materials operations total sales decreased by 130 million yen YoY.
- Sales of interior, exterior finished, and paving materials remained weak, with increases of 10 million yen YoY and 0 million yen QoQ.
- Sales of exterior products decreased by 140 million yen YoY. Sales of housing exteriors were particularly low due to sluggish new housing styles (detached houses). Sales of landscape exteriors increased from a year earlier due to price revisions amid soaring construction costs.
- Sales increased by 420 million yen QoQ, including a seasonable rise of year-end demand for landscape exteriors.

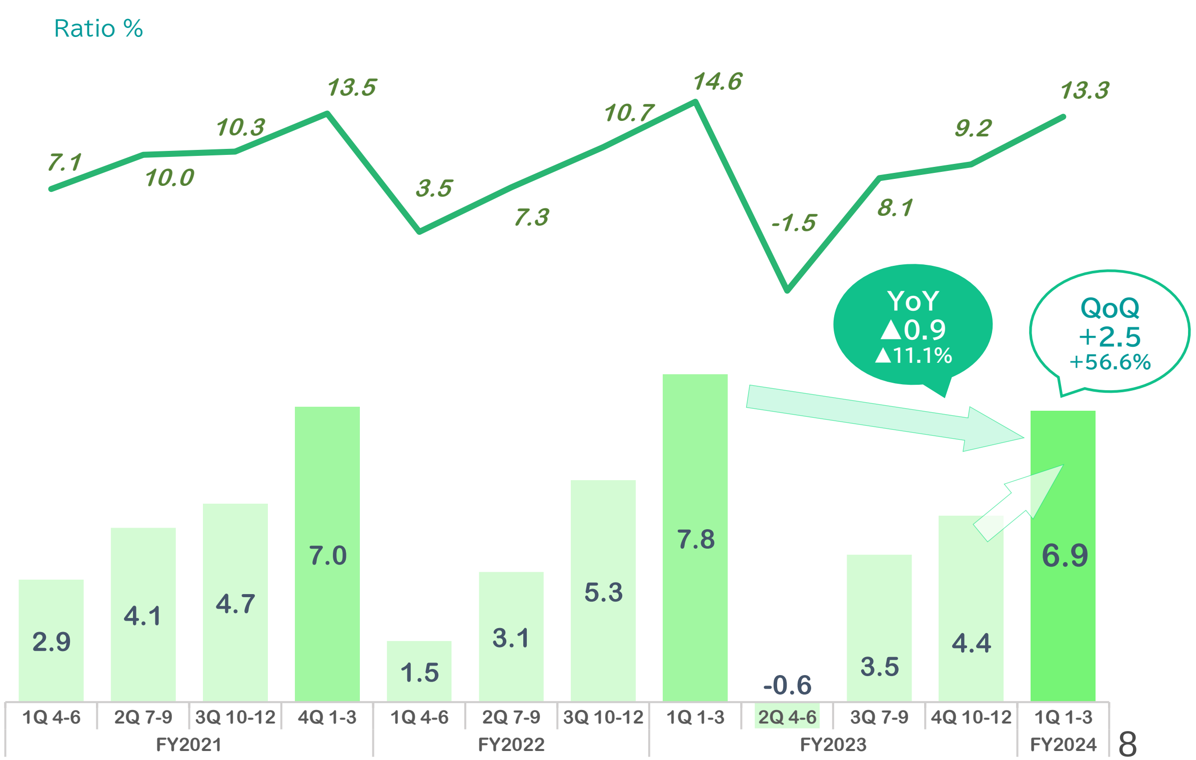
- In Housing Materials operations, total operating profit decreased by 90 million yen YoY.
- In exteriors, gross profit remained unchanged as profit margin improved from a year earlier but sales of housing exteriors decreased. In the previous year, profit margin was still low as many orders were shipped at old prices before price revision.
- However, operating profit decreased due to higher SG&A cost (personnel and operating expenses).
- Raw material prices including aluminum ingot remained stable at high prices, resulting in limiting impact on profitability.
- Operating profit increased by 250 million yen QoQ as the ratio of highly-profitable landscape exteriors grew due to a seasonal rise.

Net sales



Operating profit

100 Million yen



2. Financial Forecast for the Fiscal Year Ending 2024

Forecast of Consolidated Financial Results

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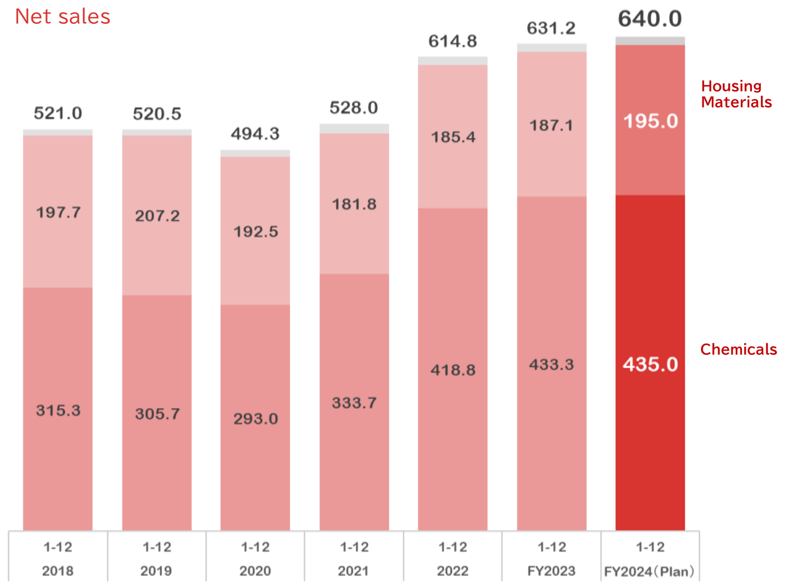
No changes in the full-year forecasts. Performance is slightly ahead of the plan.

Comparison of initial and revised forecast

Million yen

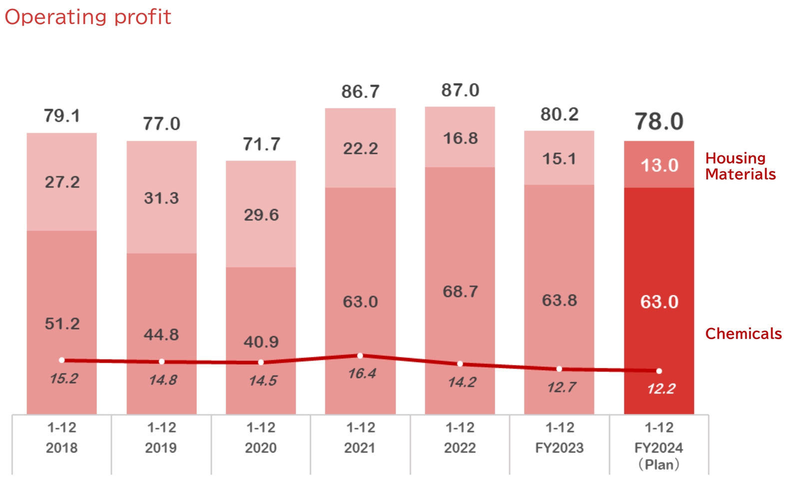
	FY2023	FY2024	Change／Rate	Remark
Net sales	63,117 (Chemicals) 43,332 (Housing Materials) 18,712	64,000 (Chemicals) 43,500 (Housing Materials) 19,500	+883 +1.4%	・Sales of Chemicals operations are expected to increase due to the sales expansion of insoluble sulfur and recovery of the fine chemicals market. ・Sales of Housing Materials operations are expected to increase due to the recovery of the housing market.
Operating profit	8,019 (Chemicals) 6,381 (Housing Materials) 1,508	7,800 (Chemicals) 6,300 (Housing Materials) 1,300	▲219 ▲2.7%	・Operating profit of Chemicals operations is expected to be stable due to a lower unit sales price and an increase in fixed costs (repair costs of plants). ・Operating profit of Housing Materials operations is expected to decrease due to an increase in fixed costs associated with various sales promotion initiatives.
Ordinary profit	9,280	8,200	▲1,080 ▲11.6%	・Ordinary profit is expected to decrease further due to the non-recurrence of foreign exchange gain recorded in FY2023 (Foreign exchange gain in FY2023: 549 million yen)
Profit attributable to owners of parent	7,853	5,500	▲2,353 ▲30.0%	・Ordinary profit is expected to decrease considerably due to the non-recurrence of gain on sale of investment securities recorded in FY2023 (Gain on sale of investment securities recorded in FY2023: 2,088 million yen)
Exchange rate	1USD = 140 JPY 1EUR = 148 JPY 1RMB = 19.8 JPY	1USD = 140 JPY 1EUR = 150 JPY 1RMB = 19.0 JPY		・One yen change against the US dollar has a positive impact of approximately 180 million yen in sales and 70 million yen in operating profit.

100 Million yen



1Q progress rate

	FY2024	FY2024 1Q	Change／Rate	Remark
Net sales	64,000 (Chemicals)43,500 (Housing Materials) 19,500	17,358 (Chemicals)11,840 (Housing Materials) 5,218	27% (Chemicals) 27% (Housing Materials) 27%	・Chemical operations showed significant progress, exceeding the plan, with concentrated shipments beyond our expectations (including month-to-month lag) and a weaker yen. ・Sales of Housing Materials operations fell short of the plan as the building materials market has shrunk beyond our expectations while the landscape field has performed solidly.
Operating profit	7,800 (Chemicals)6,300 (Housing Materials) 1,300	2,405 (Chemicals)1,624 (Housing Materials) 692	31% (Chemicals) 26% (Housing Materials) 53%	・In Chemicals operations, the progress of operating profit was almost as planned due to a lower profit margin associated with changes in sales mix, despite strong sales. ・In Housing Materials operations, the progress of operating profit was almost as planned due to a higher ratio of landscape exteriors (increase in profit margin), whereas sales were slightly lower than planned.
Ordinary profit	8,200	2,903	35%	・The recording of a foreign exchange gain of 343 million yen contributed to exceeding the plan.
Profit attributable to owners of parent	5,500	1,803	33%	
Exchange rate	1USD = 140 JPY 1EUR = 150 JPY 1RMB = 19.0 JPY	1USD = 148 JPY 1EUR = 161 JPY 1RMB = 20.4 JPY		・The yen depreciated against the estimated rate, resulting in a positive impact on sales of 380 million yen and operating profit of 260 million yen in 1Q compared to the plan.



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Capital investment and Depreciation

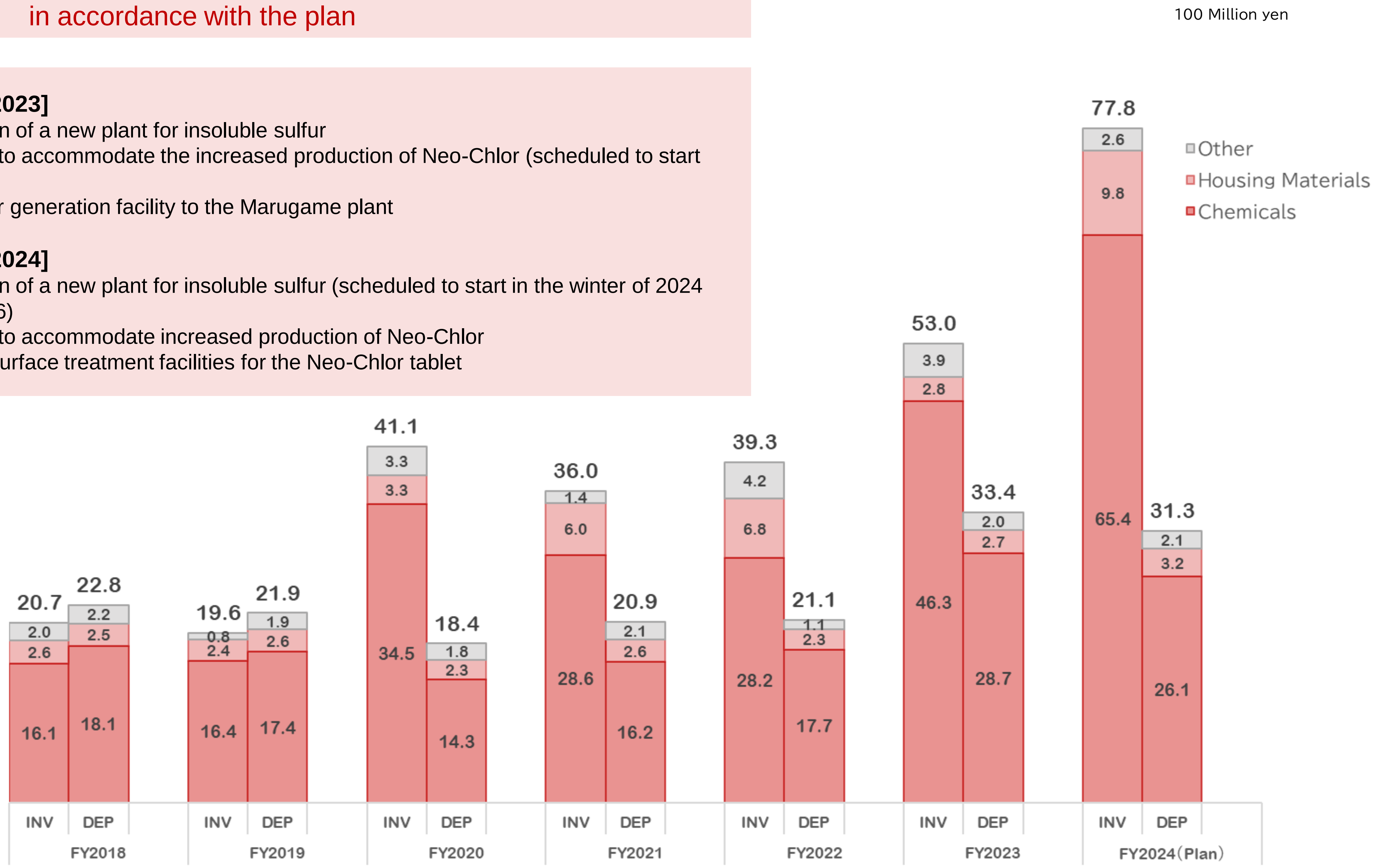
No change from the plan at the beginning of the period; conducting capital investment in accordance with the plan

[Major capital investment in FY2023]

- 2,230 million yen for the construction of a new plant for insoluble sulfur
- 800 million yen for the construction to accommodate the increased production of Neo-Chlor (scheduled to start operating in the autumn of 2024)
- 180 million yen to add a solar power generation facility to the Marugame plant

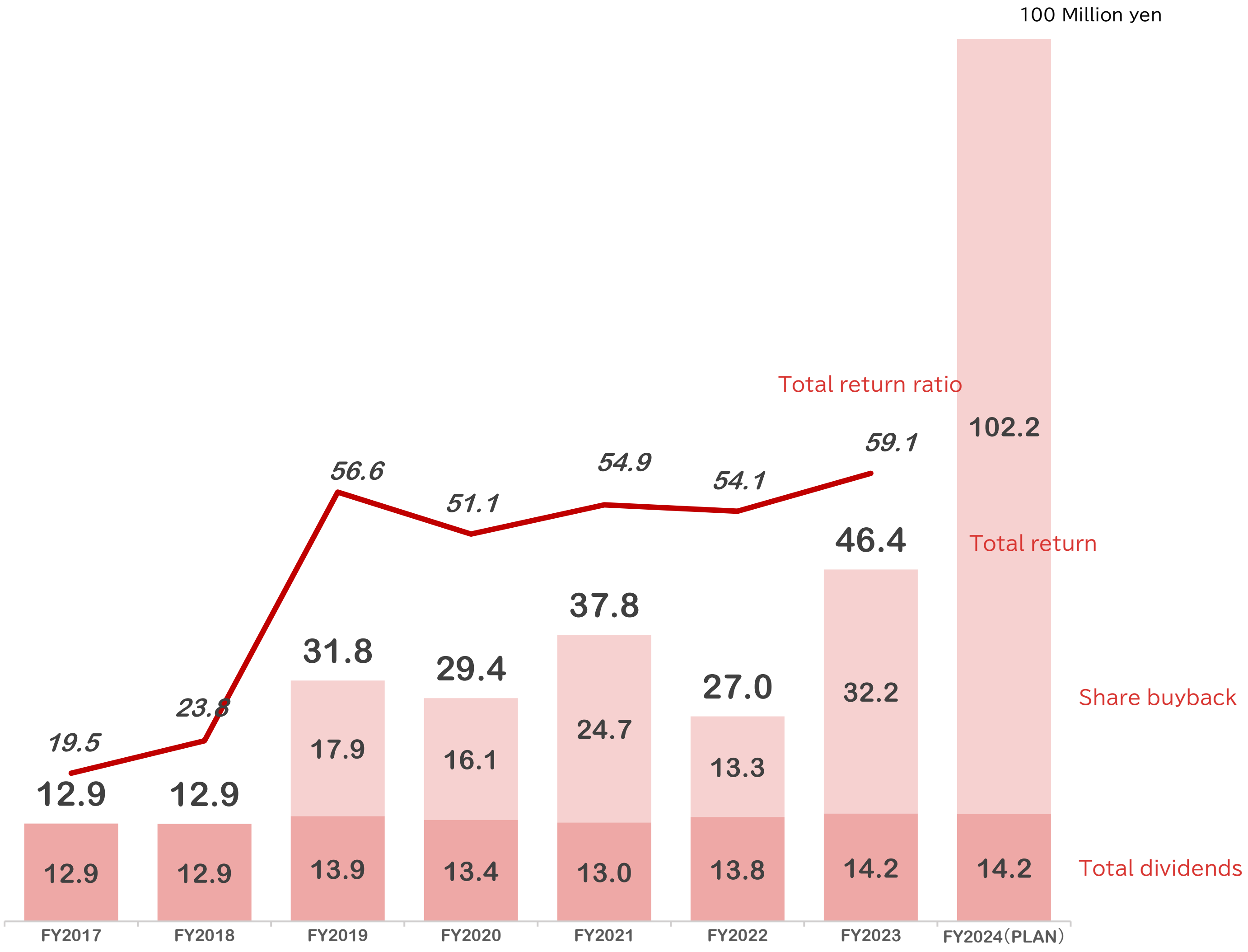
[Major capital investment in FY2024]

- 2,550 million yen for the construction of a new plant for insoluble sulfur (scheduled to start in the winter of 2024 and start full-scale operation in 2026)
- 380 million yen for the construction to accommodate increased production of Neo-Chlor
- 540 million yen for production and surface treatment facilities for the Neo-Chlor tablet



Dividend and Share buyback Trends

In February, the Company repurchased a large amount of its own shares and worked hard to reduce its capital.



[Shareholder Return Policy]

- The Company aims to achieve "a dividend 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.

[FY2023 Shareholder Return Policy]

- Annual dividends were 28 yen per share (interim dividend of 14 yen and year-end dividend of 14 yen).
- Repurchased the Company shares of 3,220 million yen in total in June and November 2023 through ToSTNet-3. Total shareholder returns including dividends of 1,420 million yen are 4,640 million yen, with a total payout ratio of 59.1%.

[FY2024 Shareholder Return Policy (plan)]

- Plans to maintain dividends of 28 yen per share (interim dividend of 14 yen and year-end dividend of 14 yen).
- Repurchased Company shares of 10,220 million yen (5,891,100 shares) in total in February 2024 through ToSTNet-3. At this point, total shareholder returns including dividends of 1,420 million yen are 11,640 million yen, and a total payout ratio is expected to greatly exceed that of the previous term.

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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Although ROIC by business remained unchanged (Housing Materials operations increased due to seasonal factors), ROE substantially improved due to the reduction of net assets resulting from the share buyback.
(In FY2023, ROIC rose temporarily due to higher extraordinary profit)

Consolidated Balance Sheets (as of 3/31/2024)

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

FY2023	FY2024 1Q
69.8bn	**67.5bn**
	(▲2.3bn from the beginning of the year)

[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 if there is no urgent demand for funds.
In particular, the reduction of cross-shareholdings is prioritized while working on creating business synergies with companies of cross-shareholdings.

(Financial income)

FY2023	FY2024 1Q
0.69bn	**0.17bn**

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

	FY2023	FY2024 1Q
【Chemicals】	43.1bn	**44.1bn**
		(+1.0bn from the beginning of the year)
【Housing Materials】	14.4bn	**15.1bn**
		(+0.6bn from the beginning of the year)
【Group】	61.1bn	**63.3bn**
		(+2.1bn from the beginning of the year)

[Investment capital]
(Profit indicators to be compared)
Operating profit after tax by business → ROIC by business

	FY2023	FY2024 1Q
【Chemicals】	30.1bn	**29.9bn**
		(▲0.2bn from the beginning of the year)
ROIC by business	15.2%	**15.1%**
【Housing Materials】	8.1bn	**8.7bn**
		(+0.6bn from the beginning of the year)
ROIC by business	12.0%	**23.0%**
【Group】	39.2bn	**39.5bn**
		(+0.3bn from the beginning of the year)

[Business liabilities]
Trade payable
Labor liabilities and provisions

[Group capital invested]
(Profit indicators to be compared)
Profit after tax (operating profit + financial revenue) → Group ROIC

(Target ROIC)
Set to WACC as a hurdle rate of ROIC, and aim to achieve WACC of 6% or less by reducing the cost of equity through leverage.

(Current status)
There is a gap between business ROIC and Group ROIC, and the return on invested capital as a whole is declining due to excess capital with low yields.
Aims to improve the return on Group ROIC by reducing excess capital to an appropriate amount.

	FY2023	FY2024 1Q
	109.0bn	**107.1bn**
		(▲1.9 bn from the beginning of the year)
Group ROIC	5.8%	**6.7%**

[Future earnings to be acquired (FCF)]
(Shareholder return)
Carry out promptly, targeting 50% of profit

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

[Net assets in carrying amount]
(Profit indicators 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 by capital reduction

	FY2023	FY2024 1Q
	86.1bn	**78.1bn**
		(▲7.9bn from the beginning of the year)
ROE	9.4%	**8.8%**

[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

FY2023	FY2024 1Q
22.2bn	**28.1bn**
	(+5.9bn from the beginning of the year)

[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 and preferential treatment) and incentive plans that make employees and management more aware of share value.

* Quarterly ROIC・ROE is converted to the annual rate, and in 1Q, returns are divided by 4.

Analysis of ROIC Tree

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Both Chemicals and Housing Materials operations maintained high capital turnover due to high added value based on low cost ratio and high ROS arising from their niche business areas and R&D capabilities as well as a lower investment burden on production facilities.

Chemicals

	FY2024 1Q	FY2023
ROIC	15.1%	15.2%
Ratio of operating profit to sales	13.7%	14.7%
Ratio of cost to sales	63.0%	64.9%
Ratio of SG&A to sales	23.3%	20.4%
Ratio of R&D to sales	2.6%	3.2%
Ratio of transportation cost to sales	10.1%	8.3%
Turnover of invested capital	1.58	1.44
Turnover of working capital	3.42	2.96
Receivables turnover	3.63	3.69
Inventory turnover	5.21	4.71
Payables turnover	5.71	6.88
Fixed asset turnover (tangible/intangible)	2.37	2.01

Housing Materials

	FY2024 1Q	FY2023
ROIC	23.0%	12.0%
Ratio of operating profit to sales	13.3%	14.7%
Ratio of cost to sales	55.1%	57.8%
Ratio of SG&A to sales	31.6%	34.1%
Ratio of R&D to sales	1.9%	1.9%
Ratio of transportation cost to sales	8.9%	9.8%
Turnover of invested capital	2.39	2.31
Turnover of working capital	2.96	2.81
Receivables turnover	3.30	3.34
Inventory turnover	5.17	4.57
Payables turnover	6.32	6.16
Fixed asset turnover (tangible/intangible)	6.24	3.99

* Quarterly ROIC is converted to the annual rate, and in 1Q, returns are divided by 4.

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- ◆ 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.

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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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