Consolidated Financial Results
for the Fiscal Year Ended December 31, 2023
[Japanese GAAP]

January 30, 2024

Company name: SHIKOKU KASEI HOLDINGS CORPORATION
Stock exchange listing: Tokyo Stock Exchange
Code number: 4099
URL: https://www.shikoku.co.jp/eng/
Representative: Mitsunori Watanabe, President
Contact: Yoshiaki Ando, Director in charge of Corporate Management
Phone: +81-877-22-4111
Scheduled date of annual general shareholders' meeting: March 28, 2024
Scheduled date of commencing dividend payments: March 7, 2024
Scheduled date of filing annual securities report: March 28, 2024
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	63,117	—	8,019	—	9,280	—	7,853	—
December 31, 2022	46,566	—	6,462	—	7,270	—	4,997	—

(Note) Comprehensive income: Fiscal year ended December 31, 2023: ¥9,449 million [–%]
Fiscal year ended December 31, 2022: ¥3,988 million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2023	152.12	—	9.4	7.5	12.7
December 31, 2022	93.78	—	6.2	6.3	13.9

(Reference) Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended December 31, 2023: ¥– million
Fiscal year ended December 31, 2022: ¥– million

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	131,046	86,867	65.7	1,703.25
As of December 31, 2022	117,176	81,806	69.4	1,541.17

(Reference) Equity: As of December 31, 2023: ¥86,157 million
As of December 31, 2022: ¥81,323 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2023	12,950	(3,559)	(2,810)	43,597
December 31, 2022	2,919	(3,669)	1,423	36,683

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2022	–	13.00	–	13.00	26.00	1,375	27.7	1.7
Fiscal year ended December 31, 2023	–	14.00	–	14.00	28.00	1,420	18.4	1.7
Fiscal year ending December 31, 2024 (Forecast)	–	14.00	–	14.00	28.00		25.8	

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	64,000	1.4	7,800	(2.7)	8,200	(11.6)	5,500	(30.0)	108.73

*** Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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

(3) Total number of issued shares (ordinary shares)
1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2023: 50,760,663 shares
December 31, 2022: 52,973,563 shares
2) Total number of treasury shares at the end of the period:
December 31, 2023: 176,415 shares
December 31, 2022: 206,031 shares
3) Average number of shares during the period:
Fiscal year ended December 31, 2023: 51,628,867 shares
Fiscal year ended December 31, 2022: - shares

(Note) The Company has changed the account closing date from March 31 to December 31 beginning from the fiscal year ended December 31, 2022. Accordingly, the average number of shares during the period for the fiscal year ended December 31, 2022 is not presented as the periods of the fiscal year under review (January 1, 2023 to December 31, 2023) and the previous fiscal year (April 1, 2022 to December 31, 2022) do not match.

* These annual financial results are outside the scope of audit 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 “(4) Future Outlook” under “1. Overview of Operating Results, etc.” on page 4 of the attached documents.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

The Company has changed the last day of the fiscal year from March 31 to December 31 beginning from the previous fiscal year. All consolidated subsidiaries of the Company have also changed their fiscal year-end date from March to December. Therefore, "year-on-year" comparisons of segments hereunder compare results of the fiscal year under review and reference figures for the twelve-month period from January 2022 to December 2022.

In addition, as described in "3. (5) Notes to Consolidated Financial Statements (Segment information, etc.)," the Company has changed the measurement method of segment profit starting from the fiscal year under review. The following year-on-year comparisons are calculated by restating the figures for the same period of the previous year after the change.

The Japanese economy during the fiscal year under review continued to recover moderately, but adverse effects such as higher prices resulting from increased labor and logistics costs and supply constraints due to manpower shortages are causing concern. In overseas economies, while the U.S. economy remained robust, driven by consumer spending, China's recovery has slowed down, and geopolitical risks are rising as seen in the prolonged conflict in Ukraine and growing tensions in the Middle East.

Under these circumstances, for the fiscal year under review, the Group posted net sales of ¥63,117 million (up 2.7% year-on-year), operating profit of ¥8,019 million (down 7.9% year-on-year), ordinary profit of ¥9,280 million (down 5.7% year-on-year) and profit attributable to owners of parent of ¥7,853 million (up 10.9% year-on-year). The Chemicals and Housing Materials operations secured an increase in revenue due to factors including the revision of selling prices and yen depreciation, renewing record highs, while operating profit and ordinary profit decreased due to increased production costs including raw material costs and the amortization load of new capital expenditure. On the other hand, profit attributable to owners of parent rose to another record high due to gain on sale of investment securities in extraordinary income.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, recently saw a slight recovery although supply and demand continued to loosen in the Chinese and other markets as we revised sales strategies in response to the depreciation of the yen. Sales of carbon disulfide for rayon and cellophane exceeded those of the previous year mainly due to increased sales to new overseas customers. As for sales of sodium sulfate for bath agents and detergents, the Company improved profitability by the price pass-through of the impact of hiking purchase price due to yen depreciation in the domestic market.

(Organic chemicals)

Regarding chlorinated isocyanurates for disinfectants, sales exceeded those of the previous year in the domestic market due to the penetration of price hikes and solid demand for pools and baths in the post-pandemic economy. In the U.S. market, sales declined slightly from the previous year, with customers' inventory adjustments and restrained purchasing under inflation persisting since the second half of the fiscal year under review.

(Fine chemicals)

Electronic chemicals, particularly Glicoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards saw recovery in recent cargo movement as semiconductor and electronics markets bottomed out and customers' inventory adjustment progressed since the second half of the fiscal year under review, after weak demand in the first half. For advanced & specialty chemicals, sales of epoxy resin curing agent (imidazoles) exceeded those of the previous year due to recovery in the electronics market while those of resin modifier (glycoluril derivatives, etc.) were sluggish due to factors including a decrease in demand for finished products, and sales of semiconductor process materials surpassed those of the previous year due mainly to progress in customer evaluations and the expansion of new demand for prototype production.

As a result, net sales for the chemicals operations segment were ¥43,332 million (up 3.5% year-on-year). However, segment profit was ¥6,381 million (down 7.0% year-on-year) due to soaring raw material costs, the amortization load of the Company’s new plant of chlorinated isocyanurates (NEO2022), which began operation, and a decrease in sales of highly profitable fine chemicals products, despite the favorable impact of yen depreciation and lower export logistics costs.

2) Housing Materials operations

The number of new housing starts continued to decline, particularly for owned houses, due to a surge in construction costs and other factors, and demand for interior, exterior finishes and paving materials and exterior products remained sluggish. Against this backdrop, the price revision implemented in January 2023 of the fiscal year under review and efforts to pass on high raw material costs contributed to increased revenue, but selling expenses increased as a result of factors including soaring raw material costs and resumption of face-to-face sales activities after COVID-19, which led to decreased profit.

As a result, net sales for the housing materials operations segment were ¥18,712 million (up 0.9% year-on-year), and segment profit was ¥1,508 million (down 10.4% year-on-year).

Reference information

[Overseas net sales]

	Twelve months ended December 31, 2022 (from January 1, 2022 to December 31, 2022)		Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	6,712	10.9	6,009	9.5
North America	14,152	23.0	15,011	23.8
Other regions	1,767	2.9	1,573	2.5
Total	22,632	36.8	22,594	35.8
Consolidated net sales	61,475		63,117	

(2) Overview of Financial Position for the Fiscal Year under Review

Status of assets, liabilities and net assets

Total assets increased by ¥13,870 million from the end of the previous fiscal year to ¥131,046 million. Major increases were ¥6,664 million in cash and deposits and ¥2,758 million in construction in progress.

Liabilities increased by ¥8,808 million from the end of the previous fiscal year to ¥44,178 million. Major increases were ¥2,700 million in the current portion of long-term borrowings and ¥2,535 million in income taxes payable.

Net assets increased by ¥5,061 million from the end of the previous fiscal year to ¥86,867 million. A major increase was ¥3,268 million in retained earnings.

As a result, equity ratio fell to 65.7%, from 69.4% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash flows provided by operating activities totaled ¥12,950 million (an increase of ¥10,031 million compared to the previous 9-month fiscal year). Major cash inflows were profit before income taxes of ¥11,369 million and depreciation of ¥3,344 million.

Cash flows used in investing activities totaled ¥3,559 million (a decrease of ¥110 million compared to the previous 9-month fiscal year). The major component was purchase of property, plant and equipment of ¥4,987 million.

Cash flows used in financing activities totaled ¥2,810 million (an increase in outflows of ¥4,234 million compared to the previous 9-month fiscal year). A major cash inflow was proceeds from long-term borrowings of ¥4,100 million, which was offset by major cash outflows in repayments of long-term borrowings of ¥3,244 million and purchase of treasury shares of ¥3,219 million.

As a result, cash and cash equivalents totaled ¥43,597 million (an increase of ¥6,914 million from the end of the previous fiscal year).

(4) Future Outlook

Consolidated financial results forecast for the fiscal year ending December 31, 2024 is as follows.

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ending December 31, 2024 (full year)	64,000	7,800	8,200	5,500
Fiscal year ended December 31, 2023 (full year)	63,117	8,019	9,280	7,853
Change (%)	1.4	(2.7)	(11.6)	(30.0)

(Notes) 1. The major exchange rates assumed in the above financial results forecast were ¥140 to $1 and ¥150 to €1.

2. The above financial results forecasts are based on information currently available to the Company as of the date of this report, and do not constitute a guarantee of future results. Actual results may differ significantly from these forecasts due to a wide range of factors.

(5) Basic Policy regarding Distribution of Earnings and Dividends for the Current and Next Fiscal Years

As a basic policy for shareholder returns, 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 towards 2030.

The Company has decided to increase the annual dividend by ¥2 per share compared to ¥26 per share in the previous fiscal year, bringing the total to ¥28 per share. The year-end dividend will be ¥14 per share after deducting the interim dividend already paid (¥14).

As for the fiscal year ending December 31, 2024, in consideration of the above policy, business performance and financial position, the Company plans to pay an interim dividend of ¥14 per share. The Company also plans to pay a year-end dividend of ¥14 per share. As a result, the annual dividend forecast for the fiscal year ending December 31, 2024 is ¥28 per share.

2. Basic Policy on Selection of Accounting Standards

The Group plans to adopt Japanese GAAP in preparing its consolidated financial statements for the time being, given that the Group has little need to raise funds from overseas and considering the burden of preparing its consolidated financial statements based on the International Financial Reporting Standards (IFRS). However, the Group will consider the adoption of IFRS depending on future needs.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	23,283	29,947
Notes receivable – trade	879	589
Electronically recorded monetary claims – operating	3,166	3,021
Accounts receivable – trade	13,362	13,907
Securities	16,400	17,505
Merchandise and finished goods	8,770	8,947
Work in process	37	37
Raw materials and supplies	4,140	4,400
Other	602	1,278
Allowance for doubtful accounts	(0)	(3)
Total current assets	70,642	79,631
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,780	5,926
Machinery, equipment and vehicles, net	7,969	6,648
Land	8,509	8,693
Construction in progress	687	3,446
Other, net	685	645
Total property, plant and equipment	23,632	25,360
Intangible assets	501	699
Investments and other assets		
Investment securities	21,008	21,844
Deferred tax assets	412	1,909
Retirement benefit asset	411	532
Other	572	1,070
Allowance for doubtful accounts	(3)	(0)
Total investments and other assets	22,400	25,355
Total non-current assets	46,533	51,415
Total assets	117,176	131,046

(Million yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,483	8,940
Electronically recorded obligations – operating	570	523
Short-term borrowings	2,530	3,530
Current portion of long-term borrowings	3,083	5,783
Accrued expenses	1,105	1,476
Income taxes payable	160	2,696
Accrued consumption taxes	117	558
Notes payable – facilities	25	4
Electronically recorded obligations-facilities	140	84
Other	3,068	3,097
Total current liabilities	18,284	26,694
Non-current liabilities		
Long-term borrowings	14,534	12,906
Deferred tax liabilities	49	2,191
Deferred tax liabilities for land revaluation	1,004	998
Provision for retirement benefits for directors (and other officers)	67	64
Retirement benefit liability	656	591
Asset retirement obligations	381	370
Provision for share awards	64	43
Other	328	317
Total non-current liabilities	17,085	17,483
Total liabilities	35,370	44,178
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,711	5,711
Retained earnings	62,808	66,077
Treasury shares	(240)	(226)
Total shareholders' equity	75,147	78,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,766	5,044
Revaluation reserve for land	2,288	2,274
Foreign currency translation adjustment	136	252
Remeasurements of defined benefit plans	(15)	155
Total accumulated other comprehensive income	6,175	7,726
Non-controlling interests	482	710
Total net assets	81,806	86,867
Total liabilities and net assets	117,176	131,046

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	46,566	63,117
Cost of sales	27,723	39,474
Gross profit	18,843	23,643
Selling, general and administrative expenses		
Transportation and storage costs	5,337	5,491
Advertising expenses	580	744
Salaries	1,695	2,353
Retirement benefit expenses	108	146
Provision for retirement benefits for directors (and other officers)	12	11
Research and development expenses	1,180	1,757
Other	3,465	5,118
Total selling, general and administrative expenses	12,381	15,623
Operating profit	6,462	8,019
Non-operating income		
Interest income	74	217
Dividend income	395	477
Foreign exchange gains	334	549
Miscellaneous income	28	67
Total non-operating income	832	1,313
Non-operating expenses		
Interest expenses	19	34
Donations	—	10
Miscellaneous losses	4	8
Total non-operating expenses	24	52
Ordinary profit	7,270	9,280
Extraordinary income		
Gain on sale of non-current assets	—	3
Gain on sale of investment securities	12	2,088
Subsidy income	21	398
Gain on bargain purchase	—	32
Total extraordinary income	33	2,522
Extraordinary losses		
Loss on sale of non-current assets	—	316
Loss on retirement of non-current assets	31	58
Impairment losses	400	41
Loss on sale of investment securities	—	16
Loss on revision of retirement benefit plan	24	—
Total extraordinary losses	456	432
Profit before income taxes	6,848	11,369
Income taxes - current	1,666	3,494
Income taxes - deferred	159	(9)
Total income taxes	1,826	3,485
Profit	5,022	7,884
Profit attributable to non-controlling interests	24	30
Profit attributable to owners of parent	4,997	7,853

Consolidated Statements of Comprehensive Income

(Million yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	5,022	7,884
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,090)	1,277
Foreign currency translation adjustment	103	115
Remeasurements of defined benefit plans, net of tax	(46)	171
Total other comprehensive income	(1,033)	1,565
Comprehensive income	3,988	9,449
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,967	9,418
Comprehensive income attributable to non-controlling interests	21	30

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,867	5,740	60,475	(250)	72,833
Changes during period					
Dividends of surplus			(1,335)		(1,335)
Profit attributable to owners of parent			4,997		4,997
Purchase of treasury shares				(1,328)	(1,328)
Cancellation of treasury shares			(1,338)	1,338	—
Reversal of revaluation reserve for land			9		9
Change in ownership interest of parent due to transactions with non-controlling interests		(29)			(29)
Net changes in items other than shareholders' equity					
Total changes during period	—	(29)	2,333	9	2,314
Balance at end of period	6,867	5,711	62,808	(240)	75,147

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	4,853	2,298	32	30	7,215	859	80,908
Changes during period							
Dividends of surplus							(1,335)
Profit attributable to owners of parent							4,997
Purchase of treasury shares							(1,328)
Cancellation of treasury shares							—
Reversal of revaluation reserve for land							9
Change in ownership interest of parent due to transactions with non-controlling interests							(29)
Net changes in items other than shareholders' equity	(1,086)	(9)	103	(46)	(1,039)	(377)	(1,416)
Total changes during period	(1,086)	(9)	103	(46)	(1,039)	(377)	897
Balance at end of period	3,766	2,288	136	(15)	6,175	482	81,806

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,867	5,711	62,808	(240)	75,147
Changes during period					
Dividends of surplus			(1,399)		(1,399)
Profit attributable to owners of parent			7,853		7,853
Purchase of treasury shares				(3,219)	(3,219)
Cancellation of treasury shares			(3,200)	3,200	—
Reversal of revaluation reserve for land			14		14
Disposal of treasury shares by stocks payment trust				33	33
Net changes in items other than shareholders' equity					
Total changes during period	—	—	3,268	14	3,282
Balance at end of period	6,867	5,711	66,077	(226)	78,430

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	3,766	2,288	136	(15)	6,175	482	81,806
Changes during period							
Dividends of surplus							(1,399)
Profit attributable to owners of parent							7,853
Purchase of treasury shares							(3,219)
Cancellation of treasury shares							—
Reversal of revaluation reserve for land							14
Disposal of treasury shares by stocks payment trust							33
Net changes in items other than shareholders' equity	1,277	(14)	115	171	1,550	227	1,778
Total changes during period	1,277	(14)	115	171	1,550	227	5,061
Balance at end of period	5,044	2,274	252	155	7,726	710	86,867

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	6,848	11,369
Depreciation	2,112	3,344
Impairment losses	400	41
Gain on bargain purchase	–	(32)
Increase (decrease) in retirement benefit liability	(19)	47
Decrease (increase) in retirement benefit asset	(64)	(35)
Interest and dividend income	(470)	(695)
Interest expenses	19	34
Loss (gain) on sale of investment securities	(12)	(2,071)
Subsidy income	(21)	(398)
Loss on retirement of property, plant and equipment	31	58
Loss (gain) on sale of property, plant and equipment	–	312
Decrease (increase) in trade receivables	(162)	170
Decrease (increase) in inventories	(1,693)	(240)
Increase (decrease) in trade payables	(574)	1,257
Increase (decrease) in accrued consumption taxes	192	93
Other, net	(792)	(195)
Subtotal	5,794	13,060
Interest and dividends received	472	696
Interest paid	(17)	(34)
Subsidies received	21	398
Income taxes paid	(3,351)	(1,171)
Net cash provided by (used in) operating activities	2,919	12,950
Cash flows from investing activities		
Purchase of securities	–	(3,705)
Proceeds from redemption of securities	–	3,000
Purchase of property, plant and equipment	(3,018)	(4,987)
Proceeds from sale of property, plant and equipment	–	82
Payments for retirement of property, plant and equipment	(27)	(32)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(81)
Purchase of investment securities	(308)	(712)
Proceeds from sale and redemption of investment securities	70	3,694
Other, net	(385)	(817)
Net cash provided by (used in) investing activities	(3,669)	(3,559)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	960
Proceeds from long-term borrowings	4,600	4,100
Repayments of long-term borrowings	(74)	(3,244)
Purchase of treasury shares	(1,328)	(3,219)
Dividends paid	(1,335)	(1,399)
Dividends paid to non-controlling interests	(3)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(424)	—
Other, net	(9)	(6)
Net cash provided by (used in) financing activities	1,423	(2,810)
Effect of exchange rate change on cash and cash equivalents	253	332
Net increase (decrease) in cash and cash equivalents	927	6,914
Cash and cash equivalents at beginning of period	35,755	36,683
Cash and cash equivalents at end of period	36,683	43,597

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Segment information, etc.)

(Segment information)

I. Overview of reportable segments

The Group’s reportable segments are components within the Group for which discrete financial information is available and are regularly reviewed by the Company’s Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

Under the pure holding company SHIKOKU KASEI HOLDINGS CORPORATION, SHIKOKU CHEMICALS CORPORATION and SHIKOKU KASEI KENZAI CORPORATION are engaged in business activities in their respective business domains together with subsidiaries operating in the same domains in an integrated manner.

Therefore, the Group’s businesses are comprised of segments classified according to the products and services attributed to each company. The two reportable segments of the Group are “Chemicals operations” and “Housing Materials operations.”

The “Chemicals operations” segment is engaged in the production and sale of chemical products such as inorganic chemicals, organic chemicals and fine chemicals. The “Housing Materials operations” segment is engaged in the production and sale of building and construction materials such as interior and exterior decorative walls, exterior products and aluminum shutters.

II. Calculation methods of net sales, profit (loss), assets, liabilities and other items by reportable segment

The method of accounting for the business segments reported are based on the accounting methods adopted in the preparation of the consolidated financial statements.

Profit of the reportable segments is based on operating profit.

Inter-segment net sales and transfers are based on market price.

III. Changes in reportable segments

(Changes in measurement methods)

Beginning from the three months ended March 31, 2023, due to the change in management structure resulting from the shift to a pure holding company, corporate expenses previously not allocated to each segment are now allocated to each segment based on reasonable standards.

Segment information for the previous fiscal year is disclosed based on the measurement method after the change.

IV. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

1. Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information on net sales, profit (loss), assets, liabilities and other items by reportable segment and disaggregation of revenue

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	10,081	–	10,081	–	10,081	–	10,081
Organic chemicals	14,832	–	14,832	–	14,832	–	14,832
Fine chemicals	7,466	–	7,466	–	7,466	–	7,466
Interior, exterior finishes and paving materials	–	1,009	1,009	–	1,009	–	1,009
Exterior products	–	12,344	12,344	–	12,344	–	12,344
Other	–	–	–	813	813	–	813
Revenue from contracts with customers	32,380	13,353	45,733	813	46,547	–	46,547
Other revenue				19	19	–	19
Net sales to outside customers	32,380	13,353	45,733	833	46,566	–	46,566
Inter-segment net sales or transfers	0	1	2	184	186	(186)	–
Total	32,380	13,355	45,736	1,017	46,753	(186)	46,566
Segment profit	5,374	980	6,355	106	6,462	(0)	6,462
Segment assets	48,888	16,639	65,527	2,212	67,740	49,435	117,176
Other items							
Depreciation	1,769	229	1,998	32	2,031	81	2,112
Impairment losses	–	400	400	–	400	–	400
Increase in property, plant and equipment and intangible assets	2,821	684	3,506	9	3,516	410	3,926

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

2. The adjustment for segment profit of ¥(0) million includes profit (loss) and others not allocated to business segments.

The adjustment for segment assets of ¥49,435 million includes inter-segment eliminations of ¥(1) million and corporate assets in the amount of ¥49,437 million not allocated to each reportable segment.

The adjustment for increase in property, plant and equipment and intangible assets of ¥410 million is the amount of capital expenditure related to corporate assets not allocated to each reportable segment.

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

2. Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

Information on net sales, profit (loss), assets, liabilities and other items by reportable segment and disaggregation of revenue

(Million yen)

	Reportable segment			Other (Note) 1	Total	Adjustment (Note) 2	Amount recorded in consolidated financial statements (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	13,686	–	13,686	–	13,686	–	13,686
Organic chemicals	19,615	–	19,615	–	19,615	–	19,615
Fine chemicals	10,029	–	10,029	–	10,029	–	10,029
Interior, exterior finishes and paving materials	–	1,274	1,274	–	1,274	–	1,274
Exterior products	–	17,438	17,438	–	17,438	–	17,438
Other	–	–	–	1,047	1,047	–	1,047
Revenue from contracts with customers	43,332	18,712	62,044	1,047	63,092	–	63,092
Other revenue	–	–	–	25	25	–	25
Net sales to outside customers	43,332	18,712	62,044	1,073	63,117	–	63,117
Inter-segment net sales or transfers	7	2	10	272	283	(283)	–
Total	43,339	18,715	62,055	1,345	63,401	(283)	63,117
Segment profit	6,381	1,508	7,889	103	7,992	26	8,019
Segment assets	60,614	21,595	82,210	1,841	84,052	46,994	131,046
Other items							
Depreciation	2,871	272	3,144	34	3,178	165	3,344
Impairment losses	–	41	41	–	41	–	41
Gain on bargain purchase	32	–	32	–	32	–	32
Increase in property, plant and equipment and intangible assets	4,634	275	4,909	23	4,932	362	5,295

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

2. The adjustment for segment profit of ¥26 million includes profit (loss) and others not allocated to business segments.

The adjustment for segment assets of ¥46,994 million includes inter-segment eliminations of ¥(791) million and corporate assets in the amount of ¥47,785 million not allocated to each reportable segment.

The adjustment for increase in property, plant and equipment and intangible assets of ¥362 million is the amount of capital expenditure related to corporate assets not allocated to each reportable segment.

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

(Per share information)

	Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net assets per share	1,541.17 yen	1,703.25 yen
Basic earnings per share	93.78 yen	152.12 yen

(Notes) 1. The Company's shares held in the trust related to the stock compensation plan, which are recorded as treasury shares under shareholders' equity, are included in treasury shares that are excluded from the calculation of the average number of shares during the period when calculating basic earnings per share, and are also included in treasury shares that are excluded from the total number of issued shares at the end of the period when calculating net assets per share.

The average number of shares during the period excluded for the fiscal year under review was 120 thousand shares, while the average number of shares during the period excluded for the previous fiscal year was 140 thousand shares. Diluted earnings per share are not provided, as there are no dilutive shares.

2. The basis for calculation of basic earnings per share is as follows:

	Fiscal year ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Profit attributable to owners of parent (Million yen)	4,997	7,853
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent related to ordinary shares (Million yen)	4,997	7,853
Average number of ordinary shares during the period (Thousand shares)	53,290	51,628

3. The basis for calculation of net assets per share is as follows:

	As of December 31, 2022	As of December 31, 2023
Total net assets (Million yen)	81,806	86,867
Amount deducted from total net assets (Million yen)	482	710
(Non-controlling interests included in above) (Million yen)	[482]	[710]
Amount of net assets related to ordinary shares at end of period (Million yen)	81,323	86,157
Number of ordinary shares used in the calculation of net assets per share at end of period (Thousand shares)	52,767	50,584

(Significant subsequent events)

There is no relevant information.