

Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]



July 30, 2024

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 Stock exchange listing: Tokyo Stock Exchange
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 Availability of supplementary briefing material on financial results: Available
 Schedule of financial results briefing session: Scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended June 30, 2024 (from January 1, 2024 to June 30, 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	%
Six months ended								
June 30, 2024	35,225	14.1	4,835	27.7	5,936	25.8	4,032	25.5
June 30, 2023	30,880	—	3,786	—	4,720	—	3,212	—

(Note) Comprehensive income: Six months ended June 30, 2024: ¥5,335 million [(0.5)%]
 Six months ended June 30, 2023: ¥5,361 million [— %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2024	85.41	—
June 30, 2023	61.22	—

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 semi-annual periods of the fiscal year 2023 (January 1, 2023 to June 30, 2023) and the fiscal year 2022 (April 1, 2022 to September 30, 2022) do not match.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	131,878	81,271	61.1
As of December 31, 2023	131,046	86,867	65.7

(Reference) Equity: As of June 30, 2024: ¥80,512 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	—	25.00			
Fiscal year ending December 31, 2024 (Forecast)			—	25.00	50.00

(Notes) 1. Revisions to the cash dividends forecast most recently announced: Yes

2. For details, please also refer to the Notice Regarding Revision of Basic Policy for Shareholder Returns, Dividends of Surplus (Interim Dividend), Revision of Year-end Dividend Forecast, and Abolition of Shareholder Special Benefit Program (Japanese only) released today (July 30, 2024).

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
	68,000	7.7	8,200	2.2	9,500	2.4	7,900	0.6	171.54

(Note) Revisions to the financial results forecast most recently announced: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: No

(2) Accounting policies adopted specially for the preparation of semi-annual 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):

June 30, 2024: 44,869,563 shares

December 31, 2023: 50,760,663 shares

2) Total number of treasury shares at the end of the period:

June 30, 2024: 176,804 shares

December 31, 2023: 176,415 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended June 30, 2024: 47,217,749 shares

Six months ended June 30, 2023: 52,476,931 shares

* These semi-annual financial results are outside the scope of 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 4 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 six months ended June 30, 2024 showed signs of recovery in corporate production activities and capital expenditure, but consumer sentiment showed a lack of strength due to the depreciation of the yen, high resource prices, and high commodity prices, resulting in sluggish performance in housing investment and other areas. In overseas economies, the U.S. economy has performed steadily, particularly in terms of consumer spending, but the global shipping environment remains in turmoil due to heightened geopolitical risks, posing one of the business risks for the Company.

Under these circumstances, for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024), the Group posted net sales of ¥35,225 million (up 14.1% year-on-year), operating profit of ¥4,835 million (up 27.7% year-on-year), ordinary profit of ¥5,936 million (up 25.8% year-on-year), and profit attributable to owners of parent of ¥4,032 million (up 25.5% year-on-year), showing year-on-year growth in all of the aforementioned indicators.

Strong sales in overseas markets for our Chemicals operations combined with the depreciation of the yen, resulting in renewed record highs in terms of net sales, operating profit, ordinary profit, and profit attributable to owners of parent.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, exceeded those of the previous year due to expansion in overseas markets. Sales of carbon disulfide for rayon and cellophane were also higher than the previous year due to strong export sales. Sales of sodium sulfate for bath agents and detergents were down on the previous year, due to sluggish demand.

(Organic chemicals)

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

(Fine chemicals)

Sales of electronic chemicals exceeded those of the previous year due to strong export sales of Gliccoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, owing to the bottoming out of the semiconductor and electronics markets. Chemical adhesion process GliCAP also performed well due to an increase in the number of orders for use in server boards.

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 resulting growth in export sales. As for sales of semiconductor process materials, we saw progress in customer evaluations and the acquisition of new prototype production orders.

As a result, net sales for the Chemicals operations segment were ¥25,242 million (up 21.2% year-on-year) and segment profit was ¥4,090 million (up 41.1% year-on-year), with both up on the previous year.

2) Housing Materials operations

As housing-related demand has fallen amid the continued decline in the number of new housing starts, particularly for owned houses, due to a surge in construction costs and other factors, we have poured our efforts into expanding landscape exterior products for non-residential purposes, which is one of our strengths. Nevertheless, sales were down on the previous year.

As a result, net sales for the Housing Materials operations segment were ¥9,458 million (down 1.2% year-on-year) and segment profit was ¥546 million (down 23.6% year-on-year).

Reference information

[Overseas net sales]

	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)		Six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	2,657	8.6	3,840	10.9
North America	7,464	24.2	9,659	27.4
Other regions	954	3.1	1,056	3.0
Total	11,075	35.9	14,555	41.3
Consolidated net sales	30,880		35,225	

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets increased by ¥831 million from the end of the previous fiscal year to ¥131,878 million. Major increases were ¥4,358 million in investment securities and ¥1,766 million in accounts receivable – trade, while a major decrease was ¥5,820 million in cash and deposits.

Liabilities increased by ¥6,428 million from the end of the previous fiscal year to ¥50,606 million. Major increases were ¥3,312 million in long-term borrowings, ¥2,217 million in current portion of long-term borrowings, and ¥1,500 million in short-term borrowings.

Net assets decreased by ¥5,596 million from the end of the previous fiscal year to ¥81,271 million. A major increase was ¥959 million in valuation difference on available-for-sale securities, while a major decrease was ¥6,886 million in retained earnings.

As a result, equity ratio fell to 61.1% from 65.7% at the end of the previous fiscal year.

(Status of cash flows)

Cash flows provided by operating activities totaled ¥3,114 million (a decrease of ¥2,895 million year-on-year). Major cash inflows were profit before income taxes of ¥5,883 million and depreciation of ¥1,442 million, while major cash outflows were income taxes paid of ¥2,564 million and increase in trade receivables of ¥1,454 million.

Cash flows used in investing activities totaled ¥19,309 million (an increase of ¥16,147 million year-on-year). Major cash outflows were purchase of securities of ¥13,207 million, purchase of investment securities of ¥4,919 million and purchase of property, plant and equipment of ¥2,089 million.

Cash flows used in financing activities totaled ¥3,902 million (an increase of ¥2,088 million year-on-year). A major cash inflow was proceeds from long-term borrowings of ¥8,600 million, while major cash outflows were purchase of treasury shares of ¥10,221 million and repayments of long-term borrowings of ¥3,070 million.

As a result, cash and cash equivalents totaled ¥24,076 million (a decrease of ¥19,520 million from 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 been revised from the initial plan (announced on January 30, 2024) as follows.

1. Revisions to the consolidated financial results forecast figures for the fiscal year ending December 31, 2024 (January 1, 2024 – December 31, 2024)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	64,000	7,800	8,200	5,500	108.73
Revised forecast (B)	68,000	8,200	9,500	7,900	171.54
Change (B - A)	4,000	400	1,300	2,400	
Change rate (%)	6.3	5.1	15.9	43.6	

2. Reasons for the revision

Net sales were revised upward due to the revision of assumed exchange rates to ¥150 to U.S. dollar and ¥160 to Euro (from the original plan of ¥140 to U.S. dollar and ¥150 to Euro), reflecting the depreciation of the yen, and to the better-than-expected progression of the Chemicals operations plan in the first half of the fiscal year.

On the other hand, operating profit is expected to benefit only partially from the effect of the depreciating yen on the exchange rate, due to soaring prices of resources and various raw materials.

In addition, since foreign exchange gains are expected in non-operating income and gain on sale of investment securities resulting from the sale of cross-shareholdings are expected in extraordinary income, ordinary profit and profit attributable to owners of parent are also expected to exceed the initial plan.

(Note) The above financial results forecasts are based on information currently available to the Company as of the date of this report. Actual results may differ significantly from these forecasts due to a wide range of factors.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	29,947	24,126
Notes receivable - trade	589	468
Electronically recorded monetary claims - operating	3,021	3,331
Accounts receivable - trade	13,907	15,674
Securities	17,505	18,011
Merchandise and finished goods	8,947	8,728
Work in process	37	48
Raw materials and supplies	4,400	4,347
Other	1,278	755
Allowance for doubtful accounts	(3)	(3)
Total current assets	79,631	75,488
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,926	5,960
Machinery, equipment and vehicles, net	6,648	6,768
Land	8,693	8,800
Construction in progress	3,446	3,792
Other, net	645	626
Total property, plant and equipment	25,360	25,947
Intangible assets	699	625
Investments and other assets		
Investment securities	21,844	26,202
Deferred tax assets	1,909	2,056
Retirement benefit asset	532	549
Other	1,070	1,008
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	25,355	29,816
Total non-current assets	51,415	56,389
Total assets	131,046	131,878

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,940	8,654
Electronically recorded obligations - operating	523	612
Short-term borrowings	3,530	5,030
Current portion of long-term borrowings	5,783	8,000
Accrued expenses	1,476	1,628
Income taxes payable	2,696	1,938
Accrued consumption taxes	558	190
Notes payable - facilities	4	1
Electronically recorded obligations - facilities	84	374
Other	3,097	2,987
Total current liabilities	26,694	29,416
Non-current liabilities		
Long-term borrowings	12,906	16,219
Deferred tax liabilities	2,191	2,614
Deferred tax liabilities for land revaluation	998	998
Provision for retirement benefits for directors (and other officers)	64	65
Retirement benefit liability	591	549
Asset retirement obligations	370	371
Provision for share awards	43	55
Other	317	317
Total non-current liabilities	17,483	21,190
Total liabilities	44,178	50,606
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,711	5,711
Retained earnings	66,077	59,190
Treasury shares	(226)	(238)
Total shareholders' equity	78,430	71,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,044	6,003
Revaluation reserve for land	2,274	2,274
Foreign currency translation adjustment	252	532
Remeasurements of defined benefit plans	155	170
Total accumulated other comprehensive income	7,726	8,980
Non-controlling interests	710	758
Total net assets	86,867	81,271
Total liabilities and net assets	131,046	131,878

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Million yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	30,880	35,225
Cost of sales	19,137	21,349
Gross profit	11,742	13,875
Selling, general and administrative expenses		
Transportation and storage costs	2,788	3,266
Advertising expenses	467	515
Salaries	1,181	1,338
Retirement benefit expenses	75	64
Provision for retirement benefits for directors (and other officers)	5	9
Research and development expenses	867	839
Other	2,568	3,005
Total selling, general and administrative expenses	7,955	9,040
Operating profit	3,786	4,835
Non-operating income		
Interest income	103	148
Dividend income	271	241
Foreign exchange gains	554	737
Miscellaneous income	35	16
Total non-operating income	964	1,143
Non-operating expenses		
Interest expenses	17	28
Donations	10	10
Miscellaneous losses	3	4
Total non-operating expenses	31	42
Ordinary profit	4,720	5,936
Extraordinary income		
Subsidy income	—	0
Gain on bargain purchase	32	—
Total extraordinary income	32	0
Extraordinary losses		
Loss on retirement of non-current assets	52	5
Loss on sale of investment securities	—	47
Total extraordinary losses	52	53
Profit before income taxes	4,700	5,883
Income taxes	1,482	1,802
Profit	3,217	4,081
Profit attributable to non-controlling interests	4	48
Profit attributable to owners of parent	3,212	4,032

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	3,217	4,081
Other comprehensive income		
Valuation difference on available-for-sale securities	1,976	959
Foreign currency translation adjustment	161	280
Remeasurements of defined benefit plans, net of tax	6	14
Total other comprehensive income	2,143	1,254
Comprehensive income	5,361	5,335
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,356	5,286
Comprehensive income attributable to non-controlling interests	4	48

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,700	5,883
Depreciation	1,623	1,442
Gain on bargain purchase	(32)	–
Increase (decrease) in retirement benefit liability	15	(34)
Decrease (increase) in retirement benefit asset	(6)	(3)
Interest and dividend income	(374)	(389)
Interest expenses	17	28
Loss (gain) on sale of investment securities	–	47
Subsidy income	–	(0)
Loss on retirement of property, plant and equipment	52	5
Decrease (increase) in trade receivables	134	(1,454)
Decrease (increase) in inventories	86	456
Increase (decrease) in trade payables	(95)	(430)
Increase (decrease) in accrued consumption taxes	57	(40)
Other, net	(355)	(194)
Subtotal	5,823	5,317
Interest and dividends received	375	389
Interest paid	(18)	(28)
Subsidies received	–	0
Income taxes refund (paid)	(169)	(2,564)
Net cash provided by (used in) operating activities	6,010	3,114
Cash flows from investing activities		
Purchase of securities	(3,000)	(13,207)
Proceeds from redemption of securities	3,000	–
Purchase of property, plant and equipment	(2,358)	(2,089)
Payments for retirement of property, plant and equipment	(28)	(5)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(81)	–
Purchase of investment securities	(706)	(4,919)
Proceeds from sale and redemption of investment securities	500	894
Other, net	(488)	19
Net cash provided by (used in) investing activities	(3,162)	(19,309)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,000	1,500
Proceeds from long-term borrowings	3,000	8,600
Repayments of long-term borrowings	(2,080)	(3,070)
Purchase of treasury shares	(3,039)	(10,221)
Dividends paid	(687)	(709)
Other, net	(6)	(0)
Net cash provided by (used in) financing activities	(1,814)	(3,902)
Effect of exchange rate change on cash and cash equivalents	363	577
Net increase (decrease) in cash and cash equivalents	1,397	(19,520)
Cash and cash equivalents at beginning of period	36,683	43,597
Cash and cash equivalents at end of period	38,080	24,076

(4) Notes to Semi-annual 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 six months ended June 30, 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 six months ended June 30, 2024, retained earnings and treasury shares decreased by ¥10,209 million and ¥10,209 million, respectively.

(Accounting policies adopted specially for the preparation of semi-annual 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 six months ended June 30, 2024, and multiplies profit before income taxes for the semi-annual period by the estimated effective tax rate.

Income taxes - deferred is included in income taxes.

(Segment information, etc.)

I. For the six months ended June 30, 2023 (from January 1, 2023 to June 30, 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 semi-annual consolidated statements of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	6,785	—	6,785	—	6,785	—	6,785
Organic chemicals	9,796	—	9,796	—	9,796	—	9,796
Fine chemicals	4,249	—	4,249	—	4,249	—	4,249
Interior, exterior finishes and paving materials	—	633	633	—	633	—	633
Exterior products	—	8,937	8,937	—	8,937	—	8,937
Other	—	—	—	465	465	—	465
Revenue from contracts with customers	20,830	9,570	30,401	465	30,866	—	30,866
Other revenue	—	—	—	13	13	—	13
Net sales to outside customers	20,830	9,570	30,401	478	30,880	—	30,880
Inter-segment net sales or transfers	3	1	5	150	155	(155)	—
Total	20,834	9,572	30,406	629	31,036	(155)	30,880
Segment profit	2,898	715	3,614	56	3,671	115	3,786

(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 ¥115 million includes profit (loss) and others not allocated to each reportable segment.

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

II. For the six months ended June 30, 2024 (from January 1, 2024 to June 30, 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 semi-annual consolidated statements of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	7,564	—	7,564	—	7,564	—	7,564
Organic chemicals	12,001	—	12,001	—	12,001	—	12,001
Fine chemicals	5,676	—	5,676	—	5,676	—	5,676
Interior, exterior finishes and paving materials	—	624	624	—	624	—	624
Exterior products	—	8,833	8,833	—	8,833	—	8,833
Other	—	—	—	512	512	—	512
Revenue from contracts with customers	25,242	9,458	34,701	512	35,213	—	35,213
Other revenue	—	—	—	11	11	—	11
Net sales to outside customers	25,242	9,458	34,701	523	35,225	—	35,225
Inter-segment net sales or transfers	2	1	3	144	148	(148)	—
Total	25,245	9,460	34,705	668	35,373	(148)	35,225
Segment profit	4,090	546	4,637	71	4,708	127	4,835

(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 ¥127 million includes profit (loss) and others not allocated to each reportable segment.

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