Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]

April 28, 2022

Company name: SHIKOKU CHEMICALS CORPORATION
Stock exchange listing: Tokyo Stock Exchange
Code number: 4099
URL: https://www.shikoku.co.jp/
Representative: Naoto Tanaka, President and C.E.O.
Contact: Yoshinori Manabe, Executive Officer, Deputy Head of Corporate Strategy & Business Promotion
Phone: +81-877-22-4111
Scheduled date of annual general shareholders' meeting: June 24, 2022
Scheduled date of commencing dividend payments: June 6, 2022
Scheduled date of filing annual securities report: June 24, 2022
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 Year Ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	54,137	9.2	8,400	13.5	9,291	16.2	6,878	19.4
March 31, 2021	49,590	(3.8)	7,401	(5.7)	7,997	(0.3)	5,760	2.7

(Note) Comprehensive income: Year ended March 31, 2022: ¥8,138 million [5.3%]
Year ended March 31, 2021: ¥7,732 million [75.2%]

	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
Year ended	Yen	Yen	%	%	%
March 31, 2022	125.52	–	8.8	8.4	15.5
March 31, 2021	103.27	–	7.9	7.7	14.9

(Reference) Share of profit (loss) of entities accounted for using equity method: Year ended March 31, 2022: –
Year ended March 31, 2021: –

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	113,805	80,908	70.3	1,487.55
As of March 31, 2021	107,344	76,566	70.5	1,360.26

(Reference) Equity: As of March 31, 2022: ¥80,049 million
As of March 31, 2021: ¥75,718 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 year-end
Year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	5,089	(5,087)	(1,809)	35,755
March 31, 2021	7,411	(2,999)	89	37,207

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	%	%
Year ended March 31, 2021	–	12.00	–	12.00	24.00	1,338	23.2	1.8
Year ended March 31, 2022	–	12.00	–	12.00	24.00	1,304	19.1	1.7
Year ending December 31, 2022 (Forecast)	–	13.00	–	13.00	26.00		37.8	

3. Forecast of Consolidated Financial Results for the Year Ending December 31, 2022 (from April 1, 2022 to December 31, 2022)

(% 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	46,000	–	5,800	–	6,100	–	3,700	–	68.76

(Note) The Company plans to change its fiscal year-end (the last day of the fiscal year) from March 31 to December 31 of each year beginning with the 103rd fiscal year, conditional upon the approval for an associated amendment to the Articles of Incorporation at the 102nd Annual General Meeting of Shareholders to be held on June 24, 2022. Due to this change in fiscal year-end, the 103rd fiscal year will be a transitional period of nine months from April 1, 2022 to December 31, 2022. Therefore, the above forecast of consolidated financial results for the year ending December 31, 2022 represents nine-month forecast figures, and the percentage changes from the previous corresponding period are omitted.

*** 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: Yes
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):
March 31, 2022: 54,018,563 shares
March 31, 2021: 55,877,263 shares
2) Total number of treasury shares at the end of the period:
March 31, 2022: 205,788 shares
March 31, 2021: 212,603 shares
3) Average number of shares during the period:
Year ended March 31, 2022: 54,802,469 shares
Year ended March 31, 2021: 55,782,227 shares

* 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

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. For information about the above financial results forecasts, please refer to "(4) Future Outlook" under "1. Overview of Operating Results, etc." on page 4 of the attached documents to the financial statements.

Table of Contents

1. Overview of Operating Results, etc. 2
(1) Overview of Operating Results for the Year under Review 2
(2) Overview of Financial Position for the Year under Review 3
(3) Overview of Cash Flows for the Year under Review 3
(4) Future Outlook 4
(5) Basic Policy regarding Distribution of Earnings and Dividends for the Current and Next Fiscal Years 4
2. Basic Policy on Selection of Accounting Standards 5
3. Consolidated Financial Statements and Primary Notes 6
(1) Consolidated Balance Sheet 6
(2) Consolidated Statements of Income and Comprehensive Income 8
(3) Consolidated Statement of Changes in Shareholders' Equity 10
(4) Consolidated Statement of Cash Flows 12
(5) Notes to Consolidated Financial Statements 13
(Notes on going concern assumption) 13
(Changes in accounting policies) 13
(Segment information, etc.) 13
(Per share information) 16
(Significant subsequent events) 17

1. Overview of Operating Results, etc.

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

The Japanese economy during the fiscal year under review saw signs of a temporary recovery following the lifting of the state of emergency on September 30. However, the pace of the economic activity resumption has remained slow due to delayed vaccination rollout and the effects of production constraints centered on the automobile industry, etc. since the rapid spread of Omicron strain from the beginning of the year. Overseas economies continue to pick up globally, especially in Europe and the United States. However, economic outlook is extremely uncertain due to global issues becoming more serious, as exemplified by prolonged constraints on supply of semiconductors and other materials, high energy and resources prices accelerated by Russia's invasion of Ukraine, and rising logistics costs due to a global shortage of containers and soaring sea freight rates.

Under these circumstances, for the fiscal year under review, the Group posted net sales of ¥54,137 million (up 9.2% year-on-year), operating profit of ¥8,400 million (up 13.5% year-on-year), ordinary profit of ¥9,291 million (up 16.2% year-on-year) and profit attributable to owners of parent of ¥6,878 million (up 19.4% year-on-year), all of which increased from the previous year's results. In addition, net sales, operating profit, ordinary profit, and profit attributable to owners of parent all hit record highs and achieved high levels against the backdrop of global economic recovery from the COVID-19 pandemic.

Operating results by segment are as follows.

1) Chemicals operations

(Inorganic chemicals)

Sales of insoluble sulfur, a material for radial tires, largely surpassed those of the previous fiscal year, which was affected by the spread of COVID-19, due to solid demand for replacement tires and industrial vehicle tires, despite a decline in automobile production resulting from semiconductor shortages. Sales of carbon disulfide for rayon and cellophane, and sodium sulfate for bath agents and detergents increased year on year due to a rebound from the COVID-19 pandemic.

(Organic chemicals)

Regarding chlorinated isocyanuric acid for disinfectants, the domestic market performed better than the previous year mainly due to a recovery in sales of agents for swimming pools following the partial resumption of swimming lessons at schools. In the U.S. market, the balance between supply and demand is tightening mainly due to a recovery in economic conditions and stay-at-home demand, and the Company tried to improve profitability by passing on soaring resource prices and distribution costs, which resulted in a significant increase in profitability.

(Fine chemicals)

Regarding Glicoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, sales remained solid, against a backdrop of the growth of electronics markets worldwide. Sales of advanced & specialty chemicals such as epoxy resin curing agent (imidazoles), resin modifier (glycoluril derivatives, etc.) and semiconductor processing materials increased year on year, backed by an increase in demand for use in electronic components.

As a result, net sales for the chemicals operations segment were ¥34,995 million (up 17.2% year-on-year), and segment profit was ¥7,545 million (up 33.2% year-on-year), both surpassing the previous year's results.

2) Housing Materials operations

Although the number of new housing starts showed signs of a slight recovery, sales of interior, exterior finishes and paving materials and exterior products remained sluggish, as governments and private companies

deferred or had a wait-and-see attitude for their projects or capital investment, against a backdrop of falling consumer sentiment and uncertainty about the future. Profitability also declined due to soaring prices of raw materials including aluminum ingots.

As a result, net sales for the housing materials operations segment were ¥17,961 million (down 4.3% year-on-year), and segment profit was ¥2,576 million (down 26.5% year-on-year), both falling below the previous year's results.

Reference information

[Overseas net sales]

	Year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)		Year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	7,319	14.8	8,372	15.5
North America	5,943	12.0	8,465	15.6
Other regions	1,741	3.5	2,130	3.9
Total	15,004	30.3	18,968	35.0
Consolidated net sales	49,590		54,137	

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

(Status of assets, liabilities and net assets)

Total assets increased by ¥6,461 million from the end of the previous fiscal year to ¥113,805 million. Major increases were ¥2,625 million in investment securities and ¥1,767 million in accounts receivable - trade.

Liabilities increased by ¥2,119 million from the end of the previous fiscal year to ¥32,897 million. A major increase was ¥2,000 million in current portion of long-term borrowings.

Net assets increased by ¥4,342 million from the end of the previous fiscal year to ¥80,908 million. Major increases were ¥3,334 million in retained earnings and ¥1,064 million in valuation difference on available-for-sale securities.

As a result, equity ratio fell to 70.3%, from 70.5% at the end of the previous fiscal year.

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

Cash flows provided by operating activities totaled ¥5,089 million (a decrease of ¥2,321 million year-on-year). Major cash inflows were profit before income taxes of ¥9,710 million and depreciation of ¥2,090 million, while a major cash outflow was income taxes paid of ¥2,739 million.

Cash flows used in investing activities totaled ¥5,087 million (an increase of ¥2,087 million year-on-year). The major component was purchase of property, plant and equipment of ¥4,153 million.

Cash flows used in financing activities totaled ¥1,809 million (an increase of ¥1,898 million year-on-year). A major cash inflow was proceeds from long-term borrowings of ¥2,160 million, while major cash outflows were purchase of treasury shares of ¥2,474 million and dividends paid of ¥1,326 million.

As a result, cash and cash equivalents totaled ¥35,755 million (a decrease of ¥1,451 million from the end of the previous fiscal year).

(4) Future Outlook

Consolidated financial results forecast for the year ending December 31, 2022 is as follows.

These financial results forecasts are based upon the assumption that the effect of COVID-19, soaring resource prices and logistics costs, and the impact of the situation in Russia and Ukraine on the world economy will not deteriorate any further.

Net sales are expected to grow at a higher rate year-on-year, driven primarily by exports of insoluble sulfur and chlorinated isocyanuric acid, against the backdrop of the recovery of the global economy. Even though the Company has been flexibly passing on resource prices and logistics costs, the chlorinated isocyanuric acid manufacturing facility, which is under construction at a cost of approximately ¥5 billion, will start operation in July 2022. Therefore, profit is expected to be lower year-on-year due to the advancement of depreciation burden associated with the declining balance method for depreciation of the asset.

The business environment surrounding the Company is expected to remain extremely uncertain. If it becomes necessary to revise the financial results forecasts due to changes in the situation, the Company will promptly announce the revision.

(Million yen)

	Net Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Year ending December 31, 2022 (full year)	46,000	5,800	6,100	3,700
Year ended March 31, 2022 (full year)	54,137	8,400	9,291	6,878
Change (%)	–	–	–	–

(Notes) 1. The major exchange rates assumed in the above financial results forecast were ¥120 to $1 and ¥130 to €1.

2. The Company plans to change its fiscal year-end (the last day of the fiscal year) from March 31 to December 31 of each year beginning with the 103rd fiscal year, conditional upon the approval for an associated amendment to the Articles of Incorporation at the 102nd Annual General Meeting of Shareholders to be held on June 24, 2022. Due to this change in fiscal year-end, the 103rd fiscal year will be a transitional period of nine months from April 1, 2022 to December 31, 2022. Therefore, the above forecast of consolidated financial results for the year ending December 31, 2022 represents nine-month forecast figures, and the percentage changes from the previous corresponding period are omitted.

3. 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 dividend 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 pay an annual dividend of ¥24 per share for the fiscal year under review, or a year-end dividend of ¥12 per share after deducting the interim dividend already paid (¥12).

As for the interim dividend for the year ending December 31, 2022, in consideration of the above policy, business performance and financial situation, the Company plans to pay a dividend of ¥13 yen per share, which is made up of ¥12 per share and additional ¥1 as a commemorative dividend to celebrate the Company’s 75th anniversary since the establishment on October 10 of this year.

As for the year-end dividend forecast, the Company plans to increase the dividend by ¥1 as a commemorative dividend as well and expects to pay ¥13 per share as described above. As a result, the annual dividend forecast for the year ending December 31, 2022 will be ¥26 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 Sheet

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	25,907	23,155
Notes receivable - trade	1,360	1,271
Electronically recorded monetary claims - operating	2,678	2,622
Accounts receivable - trade	11,276	13,044
Securities	13,999	15,600
Merchandise and finished goods	6,259	7,373
Work in process	46	41
Raw materials and supplies	3,024	3,689
Other	471	870
Allowance for doubtful accounts	(1)	(1)
Total current assets	65,024	67,668
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,040	5,238
Machinery, equipment and vehicles, net	3,176	4,136
Land	8,857	8,523
Construction in progress	3,771	3,776
Other, net	646	692
Total property, plant and equipment	21,492	22,366
Intangible assets	165	356
Investments and other assets		
Investment securities	19,705	22,331
Deferred tax assets	324	319
Retirement benefit asset	309	364
Other	325	403
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	20,662	23,414
Total non-current assets	42,319	46,137
Total assets	107,344	113,805

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,602	7,993
Electronically recorded obligations - operating	338	471
Short-term borrowings	2,530	2,530
Current portion of long-term borrowings	74	2,074
Accrued expenses	1,418	1,449
Income taxes payable	1,389	1,849
Accrued consumption taxes	201	116
Notes payable - facilities	17	36
Electronically recorded obligations-facilities	75	49
Other	3,055	2,537
Total current liabilities	15,702	19,109
Non-current liabilities		
Long-term borrowings	10,957	11,017
Deferred tax liabilities	16	295
Deferred tax liabilities for land revaluation	1,111	1,008
Provision for retirement benefits for directors (and other officers)	77	90
Retirement benefit liability	2,134	625
Asset retirement obligations	379	380
Provision for share awards	32	50
Other	365	318
Total non-current liabilities	15,075	13,788
Total liabilities	30,778	32,897
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,740	5,740
Retained earnings	57,140	60,475
Treasury shares	(236)	(250)
Total shareholders' equity	69,512	72,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,789	4,853
Deferred gains or losses on hedges	(27)	–
Revaluation reserve for land	2,533	2,298
Foreign currency translation adjustment	(90)	32
Remeasurements of defined benefit plans	0	30
Total accumulated other comprehensive income	6,205	7,215
Non-controlling interests	847	859
Total net assets	76,566	80,908
Total liabilities and net assets	107,344	113,805

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Million yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net sales	49,590	54,137
Cost of sales	29,506	31,363
Gross profit	20,083	22,774
Selling, general and administrative expenses		
Transportation and storage costs	4,525	5,964
Advertising expenses	410	473
Salaries	2,222	2,228
Retirement benefit expenses	193	149
Provision for retirement benefits for directors (and other officers)	17	17
Research and development expenses	1,207	1,392
Other	4,105	4,147
Total selling, general and administrative expenses	12,682	14,374
Operating profit	7,401	8,400
Non-operating income		
Interest income	47	66
Dividend income	452	478
Foreign exchange gains	169	359
Miscellaneous income	98	65
Total non-operating income	767	969
Non-operating expenses		
Interest expenses	20	23
Sales discounts	125	–
Donations	–	50
Miscellaneous losses	24	4
Total non-operating expenses	171	78
Ordinary profit	7,997	9,291
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on sale of investment securities	478	856
Subsidy income	35	28
Total extraordinary income	513	885
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	39	23
Impairment losses	66	436
Loss on sale of investment securities	147	–
Loss on valuation of investment securities	–	6
Total extraordinary losses	252	466
Profit before income taxes	8,258	9,710
Income taxes - current	2,452	3,145
Income taxes - deferred	7	(319)
Total income taxes	2,459	2,825
Profit	5,798	6,884
Profit attributable to non-controlling interests	38	6
Profit attributable to owners of parent	5,760	6,878

Consolidated Statement of Comprehensive Income

(Million yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Profit	5,798	6,884
Other comprehensive income		
Valuation difference on available-for-sale securities	1,821	1,073
Deferred gains or losses on hedges	(23)	27
Foreign currency translation adjustment	18	122
Remeasurements of defined benefit plans, net of tax	116	29
Total other comprehensive income	1,933	1,253
Comprehensive income	7,732	8,138
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,689	8,124
Comprehensive income attributable to non-controlling interests	42	14

(3) Consolidated Statement of Changes in Shareholders' Equity

Year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,867	5,815	56,063	(2,183)	66,563
Changes during period					
Dividends of surplus			(1,354)		(1,354)
Profit attributable to owners of parent			5,760		5,760
Purchase of treasury shares				(1,605)	(1,605)
Disposal of treasury shares		9		137	146
Cancellation of treasury shares		(84)	(3,329)	3,413	–
Disposal of treasury shares by stocks payment trust				2	2
Net changes in items other than shareholders' equity					
Total changes during period	–	(75)	1,076	1,947	2,949
Balance at end of period	6,867	5,740	57,140	(236)	69,512

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	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	1,972	(4)	2,533	(109)	(115)	4,276	808	71,647
Changes during period								
Dividends of surplus								(1,354)
Profit attributable to owners of parent								5,760
Purchase of treasury shares								(1,605)
Disposal of treasury shares								146
Cancellation of treasury shares								–
Disposal of treasury shares by stocks payment trust								2
Net changes in items other than shareholders' equity	1,816	(23)	–	18	116	1,928	39	1,968
Total changes during period	1,816	(23)	–	18	116	1,928	39	4,918
Balance at end of period	3,789	(27)	2,533	(90)	0	6,205	847	76,566

Year ended March 31, 2022 (from April 1, 2021 to March 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	57,140	(236)	69,512
Changes during period					
Dividends of surplus			(1,326)		(1,326)
Profit attributable to owners of parent			6,878		6,878
Purchase of treasury shares				(2,474)	(2,474)
Cancellation of treasury shares			(2,452)	2,452	–
Reversal of revaluation reserve for land			235		235
Disposal of treasury shares by stocks payment trust				8	8
Net changes in items other than shareholders' equity					
Total changes during period	–	–	3,334	(13)	3,321
Balance at end of period	6,867	5,740	60,475	(250)	72,833

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	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	3,789	(27)	2,533	(90)	0	6,205	847	76,566
Changes during period								
Dividends of surplus								(1,326)
Profit attributable to owners of parent								6,878
Purchase of treasury shares								(2,474)
Cancellation of treasury shares								–
Reversal of revaluation reserve for land								235
Disposal of treasury shares by stocks payment trust								8
Net changes in items other than shareholders' equity	1,064	27	(235)	122	29	1,009	11	1,021
Total changes during period	1,064	27	(235)	122	29	1,009	11	4,342
Balance at end of period	4,853	–	2,298	32	30	7,215	859	80,908

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	8,258	9,710
Depreciation	1,835	2,090
Impairment losses	66	436
Increase (decrease) in retirement benefit liability	(36)	(27)
Decrease (increase) in retirement benefit asset	29	6
Contribution to employees' retirement benefits trust	–	(1,500)
Interest and dividend income	(499)	(544)
Interest expenses	20	23
Loss (gain) on valuation of investment securities	–	6
Loss (gain) on sale of investment securities	(331)	(856)
Subsidy income	(35)	(28)
Loss on retirement of property, plant and equipment	39	23
Loss (gain) on sale of property, plant and equipment	(0)	(0)
Decrease (increase) in trade receivables	(131)	(1,317)
Decrease (increase) in inventories	747	(1,627)
Increase (decrease) in trade payables	(22)	1,366
Increase (decrease) in accrued consumption taxes	(126)	(440)
Other, net	(527)	(44)
Subtotal	9,286	7,276
Interest and dividends received	500	547
Interest paid	(21)	(23)
Subsidies received	35	28
Income taxes paid	(2,388)	(2,739)
Net cash provided by (used in) operating activities	7,411	5,089
Cash flows from investing activities		
Purchase of securities	(3,200)	(2,300)
Proceeds from redemption of securities	4,500	2,000
Purchase of property, plant and equipment	(3,618)	(4,153)
Proceeds from sale of property, plant and equipment	0	5
Payments for retirement of property, plant and equipment	(32)	(19)
Purchase of investment securities	(3,255)	(1,235)
Proceeds from sale and redemption of investment securities	1,613	1,006
Decrease (increase) in time deposits	1,000	–
Other, net	(6)	(391)
Net cash provided by (used in) investing activities	(2,999)	(5,087)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200)	–
Proceeds from long-term borrowings	3,900	2,160
Repayments of long-term borrowings	(718)	(100)
Purchase of treasury shares	(1,605)	(2,474)
Proceeds from sale of treasury shares	146	–
Dividends paid	(1,354)	(1,326)
Dividends paid to non-controlling interests	(3)	(3)
Other, net	(75)	(64)
Net cash provided by (used in) financing activities	89	(1,809)
Effect of exchange rate change on cash and cash equivalents	98	355
Net increase (decrease) in cash and cash equivalents	4,599	(1,451)
Cash and cash equivalents at beginning of period	32,607	37,207
Cash and cash equivalents at end of period	37,207	35,755

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") from the beginning of the fiscal year under review to recognize revenue when control of promised goods or services is transferred to a customer in the estimated amount to be received in exchange for those goods or services.

The application of the Revenue Recognition Accounting Standard follows the transitional measures set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, but has no impact on the beginning balance of retained earnings.

In addition, the adoption of the Revenue Recognition Accounting Standard has no impact on Consolidated Financial Statements for the fiscal year under review.

"Notes and accounts receivable - trade" presented in "Current assets" in the Consolidated Balance Sheet of the previous fiscal year are presented in "Notes receivable - trade" and "Accounts receivable - trade" from the fiscal year under review. Accordingly, the Company made reclassification of the previous fiscal year's Consolidated Balance Sheet due to the change.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Faire Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") from the beginning of the fiscal year under review. In accordance with the transitional measures set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has applied the new accounting policies set forth in the Fair Value Measurement Accounting Standard into the future. This application has no impact on the consolidated financial statements.

(Segment information, etc.)

1. 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.

Each business division of the Company formulates comprehensive strategies for domestic and overseas businesses in relation to the products and services it handles and carries out business activities accordingly.

Therefore, the Group is comprised of segments that are classified according to products and services based on its business divisions. 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.

2. Calculation methods of net sales, profit, loss, assets and other items by reportable segment

The method of accounting for the business segments reported are the same as those described in "Important Matters that Form the Basis for Preparing Consolidated Financial Statements."

Profit of the reportable segments is based on operating profit.

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

3. Information on net sales, profit (loss), assets and other items by reportable segment and information on composition of revenue

Year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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							
Net sales to outside customers	29,850	18,760	48,611	979	49,590	–	49,590
Inter-segment net sales or transfers	0	2	3	266	270	(270)	–
Total	29,851	18,763	48,615	1,246	49,861	(270)	49,590
Segment profit	5,664	3,505	9,170	130	9,301	(1,899)	7,401
Segment assets	45,681	15,620	61,302	2,156	63,458	43,885	107,344
Other items							
Depreciation	1,425	225	1,651	53	1,705	129	1,835
Impairment losses	–	66	66	–	66	–	66
Increase in property, plant and equipment and intangible assets	3,446	328	3,775	110	3,886	220	4,106

(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 ¥(1,899) million includes inter-segment eliminations of ¥0 million and corporate expenses in the amount of ¥(1,900) million not allocated to each reportable segment. The relevant corporate expenses are mainly general and administrative expenses not allocated to the reportable segments.
The adjustment for segment assets of ¥43,885 million includes inter-segment eliminations of ¥(4) million and corporate assets in the amount of ¥43,890 million not allocated to each reportable segment.
The adjustment for increase in property, plant and equipment and intangible assets of ¥220 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 statement of income.

Year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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	12,192	–	12,192	–	12,192	–	12,192
Organic chemicals	13,023	–	13,023	–	13,023	–	13,023
Fine chemicals	9,778	–	9,778	–	9,778	–	9,778
Interior, exterior finishes and paving materials	–	1,395	1,395	–	1,395	–	1,395
Exterior products	–	16,565	16,565	–	16,565	–	16,565
Other	–	–	–	1,181	1,181	–	1,181
Revenue from contracts with customers	34,995	17,961	52,956	1,181	54,137	–	54,137
Net sales to outside customers	34,995	17,961	52,956	1,181	54,137	–	54,137
Inter-segment net sales or transfers	1	1	2	273	276	(276)	–
Total	34,996	17,962	52,959	1,454	54,413	(276)	54,137
Segment profit	7,545	2,576	10,122	171	10,293	(1,893)	8,400
Segment assets	52,061	15,569	67,631	2,192	69,823	43,982	113,805
Other items							
Depreciation	1,621	262	1,884	62	1,946	143	2,090
Impairment losses	–	436	436	–	436	–	436
Increase in property, plant and equipment and intangible assets	2,860	595	3,455	5	3,461	138	3,599

(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 ¥(1,893) million includes inter-segment eliminations of ¥1 million and corporate expenses in the amount of ¥(1,895) million not allocated to each reportable segment. The relevant corporate expenses are mainly general and administrative expenses not allocated to the reportable segments.

   The adjustment for segment assets of ¥43,982 million includes inter-segment eliminations of ¥(7) million and corporate assets in the amount of ¥43,990 million not allocated to each reportable segment.

   The adjustment for increase in property, plant and equipment and intangible assets of ¥138 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 statement of income.

(Per share information)

	Year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	1,360.26 yen	1,487.55 yen
Basic earnings per share	103.27 yen	125.52 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 143 thousand shares, while the average number of shares during the period excluded for the previous fiscal year was 148 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:

	Year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (Million yen)	5,760	6,878
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent related to ordinary shares (Million yen)	5,760	6,878
Average number of ordinary shares during the period (Thousand shares)	55,782	54,802

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

	As of March 31, 2021	As of March 31, 2022
Total net assets (Million yen)	76,566	80,908
Amount deducted from total net assets (Million yen)	847	859
(Non-controlling interests included in above) (Million yen)	[847]	[859]
Amount of net assets related to ordinary shares at end of period (Million yen)	75,718	80,049
Number of ordinary shares used in the calculation of net assets per share at end of period (Thousand shares)	55,664	53,812

(Significant subsequent events)

(Transition to Holding Company Structure by Company Split)

At the meeting of Board of Directors held on April 28, 2022, the Company resolved to conclude an absorption-type company split agreement with three successor preparatory companies (Shikoku Chemical Chemicals Operations Successor Preparatory Corporation, Shikoku Chemical Housing Materials Operations Successor Preparatory Corporation and Shikoku Chemical Shared Service Successor Preparatory Corporation), effective January 1, 2023 (scheduled).

After the absorption-type split, the Company will change its trade name to "SHIKOKU KASEI HOLDINGS CORPORATION" on January 1, 2023 (scheduled) along with the business purpose according to the business after the transition to the holding company structure. The implementation of the absorption-type company split and amendments to the Articles of Incorporation (change of trade name and partial change of business purpose) are subject to the prescribed resolution by the 102nd Annual General Meeting of Shareholders to be held on June 24, 2022, and the approval of relevant government agencies as necessary.

Further, the Company resolved at the meeting of Board of Directors held on April 28, 2022 to change the fiscal year-end (the last day of the fiscal year), subject to the resolution of the proposal for the change of the fiscal year specified in the current Articles of Incorporation at the 102nd Annual General Meeting of Shareholders to be held on June 24, 2022.

1. Overview of the Company Split

(1) Method of the Company Split

Through the absorption-type split, with the Company as the absorption-type splitting company and the three newly established successor preparatory companies as the absorption-type successor companies, the Company will shift to a holding company structure while maintaining its listing status.

(2) Schedule of the Company Split

Date of the resolution of the Board of Directors for the establishment of successor preparatory companies: October 26, 2021

Date of the establishment of successor preparatory companies: January 11, 2022

Date of the resolution of the Board of Directors for the absorption-type company split agreement: April 28, 2022

Date of conclusion of the absorption-type company split agreement: April, 28 2022

Date of the resolution of the Annual General Meeting of Shareholders for the absorption-type company split agreement: June 24, 2022 (scheduled)

Effective date of the company split: January 1, 2023 (scheduled)

2. Overview of the Successor Companies

(Chemicals operations)

(1) Trade name	SHIKOKU CHEMICALS CORPORATION CHEMICALS OPERATIONS SPLIT PREPARATION CORPORATION The trade name will change to "SHIKOKU CHEMICALS CORPORATION" on January 1, 2023
(2) Address	8-537-1 Dokichōhigashi, Marugame City, Kagawa Prefecture
(3) Name and title of representative	Naoto Tanaka, President
(4) Nature of business	Manufacturing, processing, sale, etc. of industrial chemicals, pharmaceuticals, quasi-drugs, fertilizers and pesticides
(5) Amount of capital, etc.	10 million yen
(6) Founded	January 11, 2022
(7) Number of shares issued	1,000 shares
(8) Fiscal year end	December 31
(9) Major shareholders and shareholding ratios	The Company: 100%

(Housing Materials operations)

(1) Trade name	SHIKOKU CHEMICALS CORPORATION HOUSING MATERIAL OPERATIONS SPLIT PREPARATION CORPORATION The trade name will change to "SHIKOKU KASEI KENZAI CORPORATION" on January 1, 2023
(2) Address	8-537-1 Dokichōhigashi, Marugame City, Kagawa Prefecture
(3) Name and title of representative	Naoto Tanaka, President
(4) Nature of business	Manufacturing, processing and sale of various construction and civil engineering materials and products for houses and retail stores as well as designing, construction, etc. of related facilities
(5) Amount of capital, etc.	10 million yen
(6) Founded	January 11, 2022
(7) Number of shares issued	1,000 shares
(8) Fiscal year end	December 31
(9) Major shareholders and shareholding ratios	The Company: 100%

(Shared Service)

(1) Trade name	SHIKOKU CHEMICALS CORPORATION SHARED SERVICES SPLIT PREPARATION CORPORATION The trade name will change to "SHIKOKU KASEI CORPORATE SERVICE CO., LTD." on January 1, 2023
(2) Address	8-537-1 Dokichōhigashi, Marugame City, Kagawa Prefecture
(3) Name and title of representative	Naoto Tanaka, President
(4) Nature of business	Support services related to accounting, finance, personnel, legal affairs, tax, labor, compliance, internal control and asset management
(5) Amount of capital, etc.	10 million yen
(6) Founded	January 11, 2022
(7) Number of shares issued	1,000 shares
(8) Fiscal year end	December 31
(9) Major shareholders and shareholding ratios	The Company: 100%

3. Overview of the Accounting Treatment to Be Carried Out

The Company plans to process the company split as a common control transaction pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).