Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

October 30, 2024

Company name: SHIKOKU KASEI HOLDINGS CORPORATION
Stock exchange listing: Tokyo Stock Exchange
Code number: 4099
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Scheduled date of commencing dividend payments: –
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Not scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (from January 1, 2024 to September 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	52,999	13.3	7,555	23.3	7,884	6.4	6,764	3.7
September 30, 2023	46,789	–	6,129	–	7,413	–	6,520	–

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥6,334 million [(16.5)%]
Nine months ended September 30, 2023: ¥7,584 million [– %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	145.59	–
September 30, 2023	125.54	–

The Company has changed the account closing date from March 31 to December 31 beginning with the fiscal year ended December 31, 2022. Accordingly, in the consolidated fiscal year before the previous consolidated fiscal year, which is a transitional period, the quarterly consolidated financial statements for the third quarter were not prepared. Therefore, the percentage changes from the previous corresponding period for the nine months ended September 30, 2023 are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	129,330	81,150	62.1
As of December 31, 2023	131,046	86,867	65.7

(Reference) Equity: As of September 30, 2024: ¥80,378 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	14.00	–	14.00	28.00
Fiscal year ending December 31, 2024	–	25.00	–		
Fiscal year ending December 31, 2024 (Forecast)				25.00	50.00

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	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: None

*** Notes:**

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

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

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (ordinary shares)
1) Total number of issued shares at the end of the period (including treasury shares):
September 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:
September 30, 2024: 176,904 shares
December 31, 2023: 176,415 shares
3) Average number of shares during the period:
Nine months ended September 30, 2024: 46,460,222 shares
Nine months ended September 30, 2023: 51,942,228 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or audit firms: No

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

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

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

(1) Explanation of Operating Results

The Japanese economy during the nine months ended September 30, 2024 continued to show signs of gradual recovery, supported by solid consumer spending against a backdrop of the spread of wage increases and a recovery in automobile production, despite the volatility of stock prices and foreign exchange rates. In overseas economies, the U.S. economy continues to expand under a favorable employment environment, while the Chinese economy continues to stagnate as the effects of various economic policies have yet to become fully apparent.

Under these circumstances, for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024), the Group posted net sales of ¥52,999 million (up 13.3% year-on-year), operating profit of ¥7,555 million (up 23.3% year-on-year), ordinary profit of ¥7,884 million (up 6.4% year-on-year), and profit attributable to owners of parent of ¥6,764 million (up 3.7% year-on-year), showing year-on-year growth in all of the aforementioned indicators.

Strong sales in overseas markets for our Chemicals operations resulted 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 higher than the previous year, due to the price pass-through.

(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 strong market conditions against a backdrop of favorable economic and weather conditions.

(Fine chemicals)

Regarding electronic chemicals, sales of Glicoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, exceeded those of the previous year owing to the continued recovery 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 ¥38,491 million (up 19.9% year-on-year) and segment profit was ¥6,695 million (up 39.7% 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. In addition, prices of aluminum ingots and other raw materials have risen sharply, causing profitability to deteriorate.

As a result, net sales for the Housing Materials operations segment were ¥13,714 million (down 1.5% year-on-year) and segment profit was ¥630 million (down 40.8% year-on-year).

Reference information

[Overseas net sales]

	Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)		Nine months ended September 30, 2024 (from January 1, 2024 to September 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	4,203	9.0	6,158	11.6
North America	11,716	25.0	14,381	27.1
Other regions	1,305	2.8	1,415	2.7
Total	17,226	36.8	21,955	41.4
Consolidated net sales	46,789		52,999	

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets decreased by ¥1,715 million from the end of the previous fiscal year to ¥129,330 million. Major increases were ¥3,096 million in investment securities and ¥1,200 million in securities, while a major decrease was ¥6,027 million in cash and deposits.

Liabilities increased by ¥4,001 million from the end of the previous fiscal year to ¥48,179 million. Major increases were ¥3,293 million in long-term borrowings and ¥2,108 million in current portion of long-term borrowings, while a major decrease was ¥1,445 million in income taxes payable.

Net assets decreased by ¥5,717 million from the end of the previous fiscal year to ¥81,150 million. This was mainly due to the payment of dividends of surplus of ¥1,829 million and purchase of treasury shares of ¥10,222 million, despite the recording of profit attributable to owners of parent of ¥6,764 million.

As a result, equity ratio fell to 62.1% from 65.7% at the end of the previous fiscal year.

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

The full-year financial results forecast has not been revised from the plan most recently announced (announced on July 30, 2024). Assumptions for the exchange rates of major currencies are ¥150 to U.S. dollar and ¥160 to Euro.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	29,947	23,920
Notes receivable - trade	589	391
Electronically recorded monetary claims - operating	3,021	3,008
Accounts receivable - trade	13,907	14,369
Securities	17,505	18,705
Merchandise and finished goods	8,947	8,213
Work in process	37	56
Raw materials and supplies	4,400	4,384
Other	1,278	905
Allowance for doubtful accounts	(3)	(3)
Total current assets	79,631	73,951
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,926	6,181
Machinery, equipment and vehicles, net	6,648	6,652
Land	8,693	8,798
Construction in progress	3,446	3,754
Other, net	645	735
Total property, plant and equipment	25,360	26,122
Intangible assets	699	616
Investments and other assets		
Investment securities	21,844	24,941
Deferred tax assets	1,909	1,992
Retirement benefit asset	532	549
Other	1,070	1,157
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	25,355	28,640
Total non-current assets	51,415	55,379
Total assets	131,046	129,330

(Million yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,940	7,496
Electronically recorded obligations - operating	523	600
Short-term borrowings	3,530	5,530
Current portion of long-term borrowings	5,783	7,891
Accrued expenses	1,476	1,899
Income taxes payable	2,696	1,250
Accrued consumption taxes	558	157
Notes payable - facilities	4	1
Electronically recorded obligations - facilities	84	257
Other	3,097	2,553
Total current liabilities	26,694	27,638
Non-current liabilities		
Long-term borrowings	12,906	16,200
Deferred tax liabilities	2,191	1,970
Deferred tax liabilities for land revaluation	998	998
Provision for retirement benefits for directors (and other officers)	64	67
Retirement benefit liability	591	543
Asset retirement obligations	370	371
Provision for share awards	43	65
Other	317	324
Total non-current liabilities	17,483	20,541
Total liabilities	44,178	48,179
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,711	5,711
Retained earnings	66,077	60,802
Treasury shares	(226)	(238)
Total shareholders' equity	78,430	73,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,044	4,534
Revaluation reserve for land	2,274	2,274
Foreign currency translation adjustment	252	255
Remeasurements of defined benefit plans	155	170
Total accumulated other comprehensive income	7,726	7,234
Non-controlling interests	710	772
Total net assets	86,867	81,150
Total liabilities and net assets	131,046	129,330

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended September 30

(Million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	46,789	52,999
Cost of sales	29,063	32,055
Gross profit	17,726	20,943
Selling, general and administrative expenses		
Transportation and storage costs	4,138	4,874
Advertising expenses	572	720
Salaries	1,786	2,018
Retirement benefit expenses	113	98
Provision for retirement benefits for directors (and other officers)	8	12
Research and development expenses	1,300	1,286
Other	3,676	4,377
Total selling, general and administrative expenses	11,596	13,388
Operating profit	6,129	7,555
Non-operating income		
Interest income	170	215
Dividend income	335	305
Foreign exchange gains	769	–
Miscellaneous income	47	22
Total non-operating income	1,323	544
Non-operating expenses		
Interest expenses	25	47
Foreign exchange losses	–	150
Donations	10	10
Miscellaneous losses	4	6
Total non-operating expenses	39	214
Ordinary profit	7,413	7,884
Extraordinary income		
Gain on sale of investment securities	2,088	1,895
Subsidy income	73	58
Gain on bargain purchase	32	–
Total extraordinary income	2,194	1,953
Extraordinary losses		
Loss on retirement of non-current assets	53	20
Loss on sale of investment securities	16	87
Total extraordinary losses	69	108
Profit before income taxes	9,537	9,730
Income taxes	3,013	2,903
Profit	6,524	6,826
Profit attributable to non-controlling interests	3	62
Profit attributable to owners of parent	6,520	6,764

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	6,524	6,826
Other comprehensive income		
Valuation difference on available-for-sale securities	821	(509)
Foreign currency translation adjustment	228	3
Remeasurements of defined benefit plans, net of tax	9	15
Total other comprehensive income	1,059	(491)
Comprehensive income	7,584	6,334
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,580	6,272
Comprehensive income attributable to non-controlling interests	3	62

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

(Purchase of treasury shares)

The Company resolved on February 28, 2024 to purchase its treasury shares pursuant to the provisions of the articles of incorporation, as set forth in Article 459, Paragraph 1 of the Companies Act, and purchased 5,891,100 shares of treasury shares. As a result, during the nine months ended September 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 nine months ended September 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 quarterly consolidated financial statements)

(Calculation of tax expenses)

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

Income taxes - deferred is included in income taxes.

(Segment information, etc.)

I. For the nine months ended September 30, 2023 (from January 1, 2023 to September 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 quarterly consolidated statements of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	9,999	—	9,999	—	9,999	—	9,999
Organic chemicals	15,263	—	15,263	—	15,263	—	15,263
Fine chemicals	6,840	—	6,840	—	6,840	—	6,840
Interior, exterior finishes and paving materials	—	947	947	—	947	—	947
Exterior products	—	12,971	12,971	—	12,971	—	12,971
Other	—	—	—	747	747	—	747
Revenue from contracts with customers	32,103	13,918	46,022	747	46,769	—	46,769
Other revenue	—	—	—	19	19	—	19
Net sales to outside customers	32,103	13,918	46,022	767	46,789	—	46,789
Inter-segment net sales or transfers	5	2	8	209	217	(217)	—
Total	32,109	13,921	46,030	976	47,006	(217)	46,789
Segment profit	4,792	1,066	5,858	73	5,932	197	6,129

(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 ¥197 million includes profit (loss) and others not allocated to each reportable segment.

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

II. For the nine months ended September 30, 2024 (from January 1, 2024 to September 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 quarterly consolidated statements of income (Note) 3
	Chemicals operations	Housing Materials operations	Total				
Net sales							
Inorganic chemicals	11,180	—	11,180	—	11,180	—	11,180
Organic chemicals	17,947	—	17,947	—	17,947	—	17,947
Fine chemicals	9,364	—	9,364	—	9,364	—	9,364
Interior, exterior finishes and paving materials	—	919	919	—	919	—	919
Exterior products	—	12,794	12,794	—	12,794	—	12,794
Other	—	—	—	775	775	—	775
Revenue from contracts with customers	38,491	13,714	52,206	775	52,981	—	52,981
Other revenue	—	—	—	17	17	—	17
Net sales to outside customers	38,491	13,714	52,206	792	52,999	—	52,999
Inter-segment net sales or transfers	5	2	7	204	211	(211)	—
Total	38,497	13,716	52,213	997	53,210	(211)	52,999
Segment profit	6,695	630	7,325	86	7,412	142	7,555

(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 ¥142 million includes profit (loss) and others not allocated to each reportable segment.

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

(Notes to statements of cash flows)

No quarterly consolidated statements of cash flows were prepared for the nine months ended September 30, 2024. Depreciation (including amortization related to intangible assets) for the nine months ended September 30 is as follows.

(Million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation	2,467	2,219