Supplemental Information Financial Results For FY 2024 3Q

2024/10/30

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

1. Consolidated Financial Results

Financial highlights

Both net sales and profits increased to record highs on the backs of strong sales overseas and the depreciation in the yen

Million yen

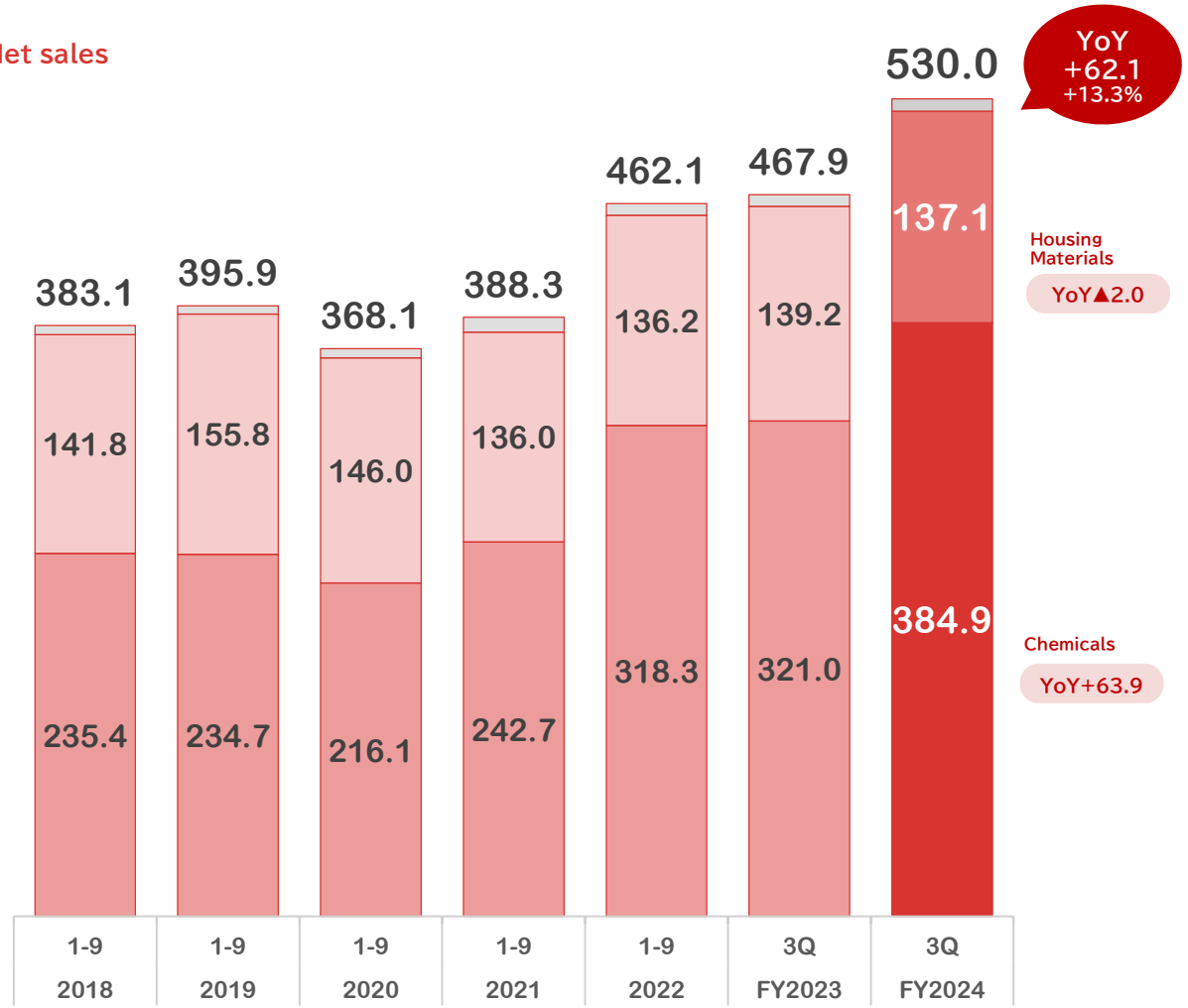
	FY2023 3Q	FY2024 3Q	Change / Rate	Remarks
Net Sales	46,789	52,999	+6,209 +13.3%	・Chemicals operations increased due to increased sales overseas and the depreciation in the yen ・Housing Materials operations decreased due to a deterioration in the detached houses market
Operating profit	6,129	7,555	+1,425 +23.3%	・Increased sales in Chemicals and a weaker yen absorbed the higher costs (transportation and SG&A expenses), yielding higher profits
Ordinary profit	7,413	7,884	+471 +6.4%	・Foreign exchange gains and losses ▲150 (YoY▲920) ・Interest income 215 (YoY+45)
Profit attributable to owners of parent	6,520	6,764	+243 +3.7%	・Gain and loss on sale of investment securities 1,807 (YoY▲263) ・Loss on retirement of non-current assets ▲20 (YoY▲32)
Exchange rate	1USD 136 JPY 1EUR 146 JPY 1RMB 19.6 JPY	1USD 150 JPY 1EUR 165 JPY 1RMB 20.6 JPY	Net Sales +20 billion yen Operating Profit +11 billion yen	・Foreign exchange impact on PL included in the change from the previous year (total of Chemicals and Housing Materials) Only the impact of exchange rate fluctuations on foreign currency transactions is shown. Many yen-denominated transactions are also substantially affected by changes in foreign exchange rates; however, they are not included.

Trends in Net sales and Operating profit (YTD)

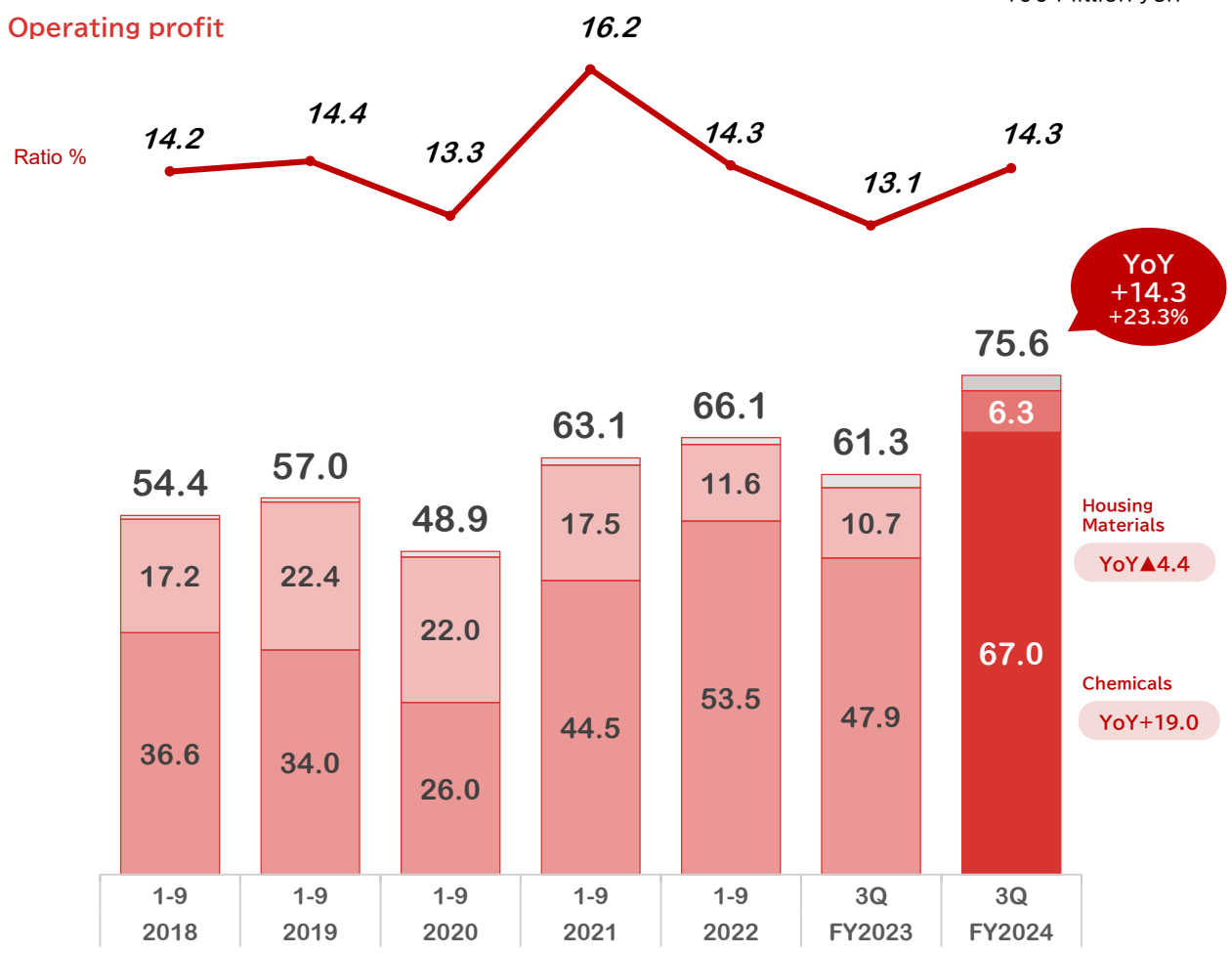
Net sales increased in Chemicals (+6.39B) but decreased in Housing Materials (-200M), resulting in a companywide increase in sales (+6.21B)
Total operating profit increased (+1.43B) due to increased profits in Chemicals (+1.90B) and decreased profits in Housing Materials (-440M)

100 Million yen

Net sales



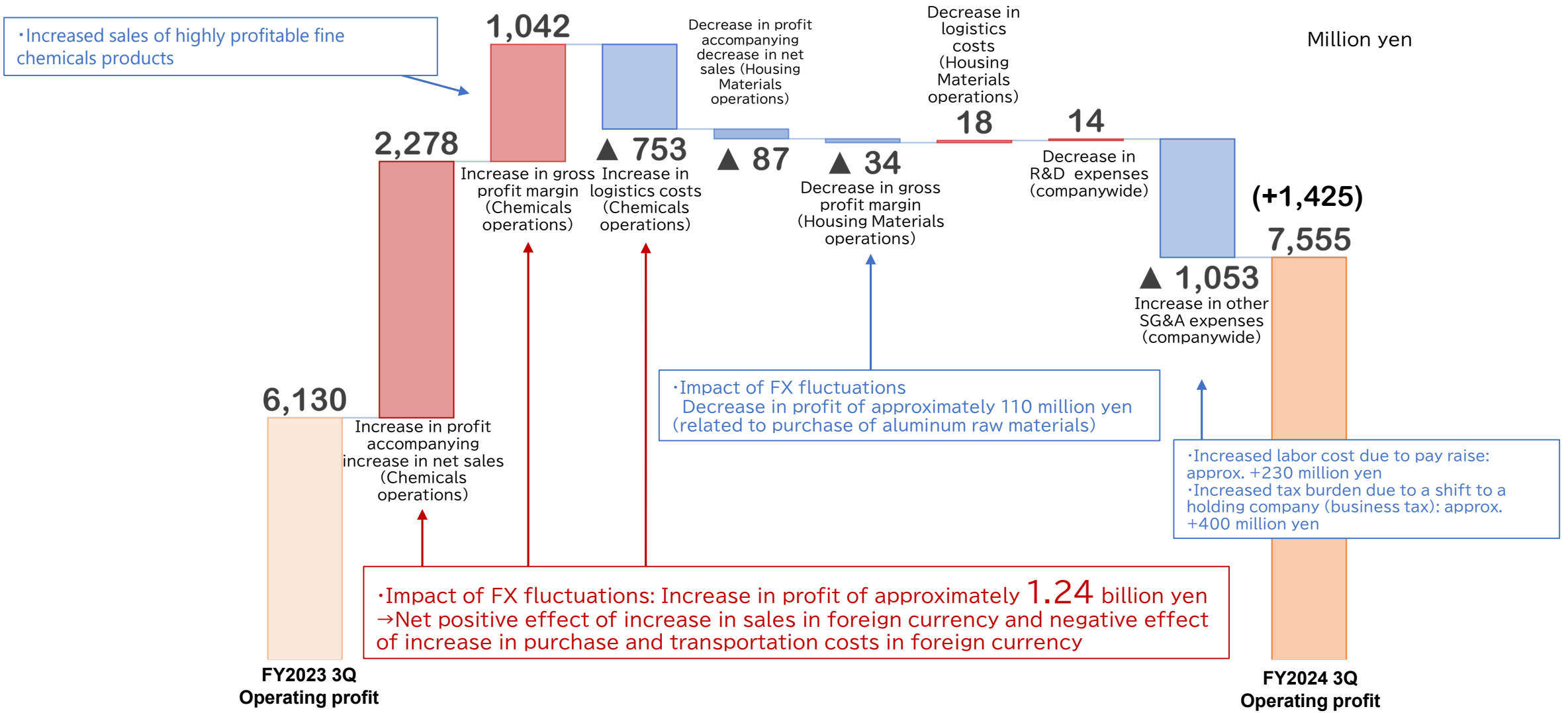
Operating profit



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

YoY Changes in Operating profit

Increased sales in Chemicals and a weaker yen absorbed the increased costs in transportation, SG&A and other areas, yielding higher profits overall

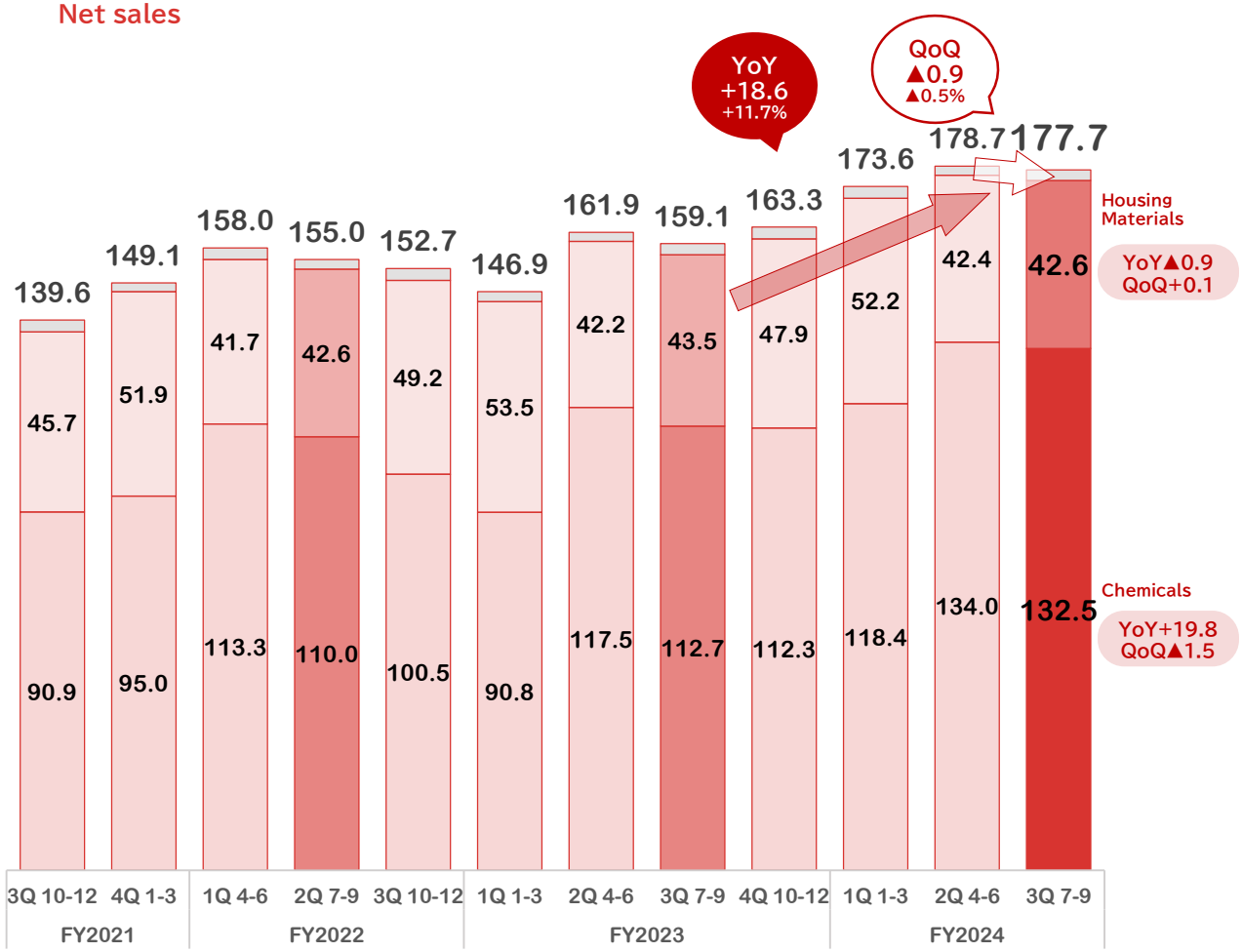


Trends in Net sales and Operating profit (QTD)

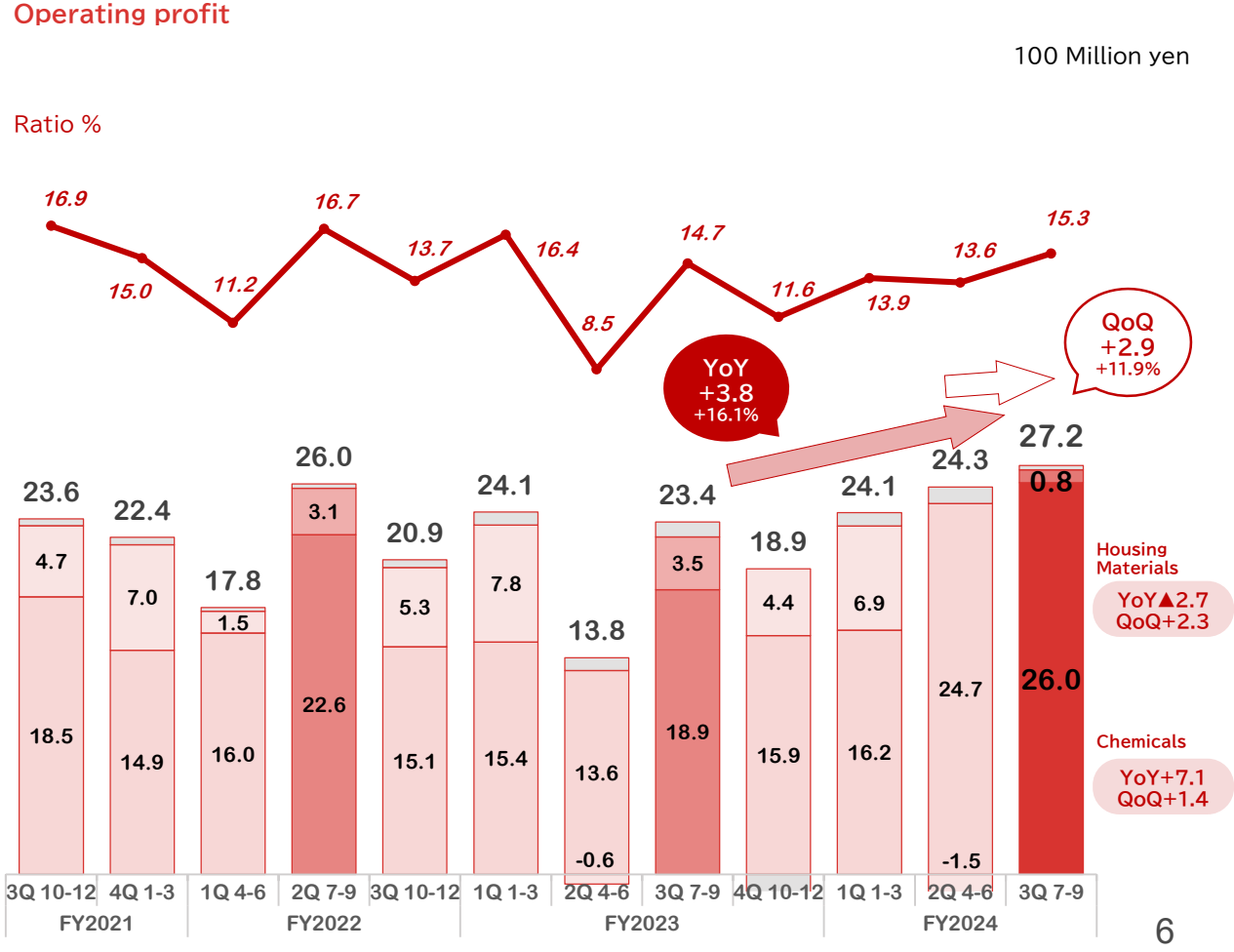
- Total sales increased by 1.86 billion yen YoY. Chemicals operations achieved growth of 1.98 billion yen due to increased sales of organic chemicals, fine chemicals, and inorganic chemicals, as well as a weaker yen. Housing Materials operations declined by 90 million yen due to continued sluggish performance in the detached housing market.
- Sales decreased by 90 million yen QoQ. In Chemicals operations, overall sales decreased by 150 million yen due to decreased sales of organic chemicals (including seasonal factors), despite increased sales of fine chemicals. Sales of Housing Materials operations were around the same level as 2Q (+10 million yen).

- Total operating profit increased by 380 million yen YoY. Chemicals operations increased by 710 million yen due to increased sales and a weaker yen. Housing Materials operations decreased by 270 million yen due to soaring prices of aluminum ingots and other raw materials, as well as increased SG&A expenses.
- Operating profit increased by 290 million yen QoQ. Chemicals operations increased by 140 million yen due to increased sales of highly profitable fine chemicals. Housing Materials operations increased by 230 million yen due to increased sales of highly profitable landscape exterior products.

Net sales



Operating profit

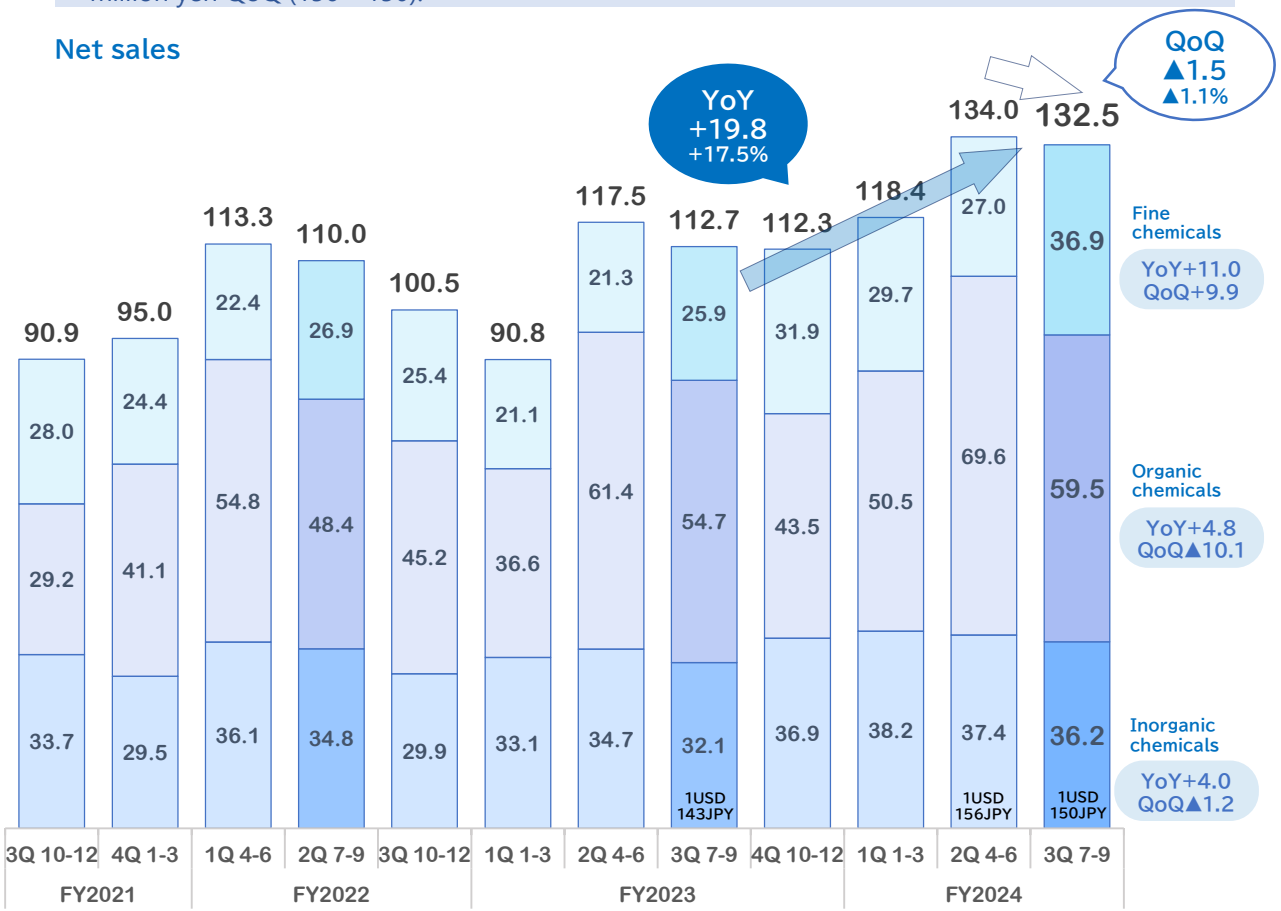


Operating results by segment: Chemicals (QTD)

- Sales of inorganic chemicals increased by 400 million yen YoY due to sales expansion of insoluble sulfur to North America, but decreased by 120 million yen QoQ due mainly to inventory adjustments at delivery destinations.
- The market for organic chemicals (Neo-Chlor) remained solid, with sales increasing by 480 million yen YoY. On the other hand, sales decreased by 1.01 billion yen QoQ due mainly to seasonal factors.
- Fine chemicals sales increased by 1.1 billion yen YoY and 990 million yen QoQ. Sales of advanced & specialty chemicals and electronic chemicals are showing a recovery in market conditions, and the number of orders for the newly developed product GliCAP for use in server boards increased.
- The impact of foreign exchange was +350 million yen YoY (JPY/USD: 143→150) and -240 million yen QoQ (156→150).

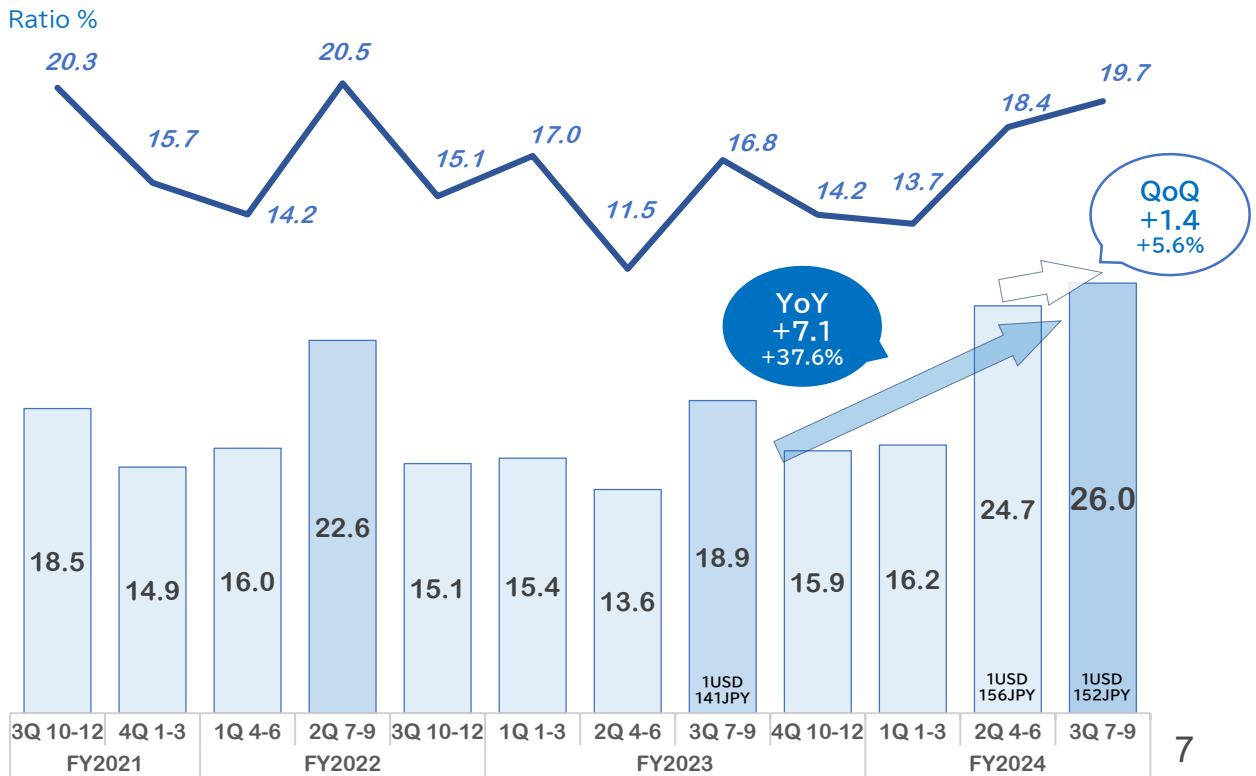
- Operating profit increased by 710 million yen YoY. The weaker yen contributed to a profit increase of about 200 million yen.
  Profits increased due to an increase in sales volume, mainly of highly profitable fine chemicals, and the weaker yen.
- QoQ profit increased by 140 million yen. The increase in sales volume of fine chemicals contributed to the higher profit.
  The decrease in sales of inorganic chemicals and organic chemicals was covered by highly profitable fine chemicals, and the profit margin rose to 19.7% due to the decrease in sales but increase in profits.

Net sales



Operating profit

100 Million yen

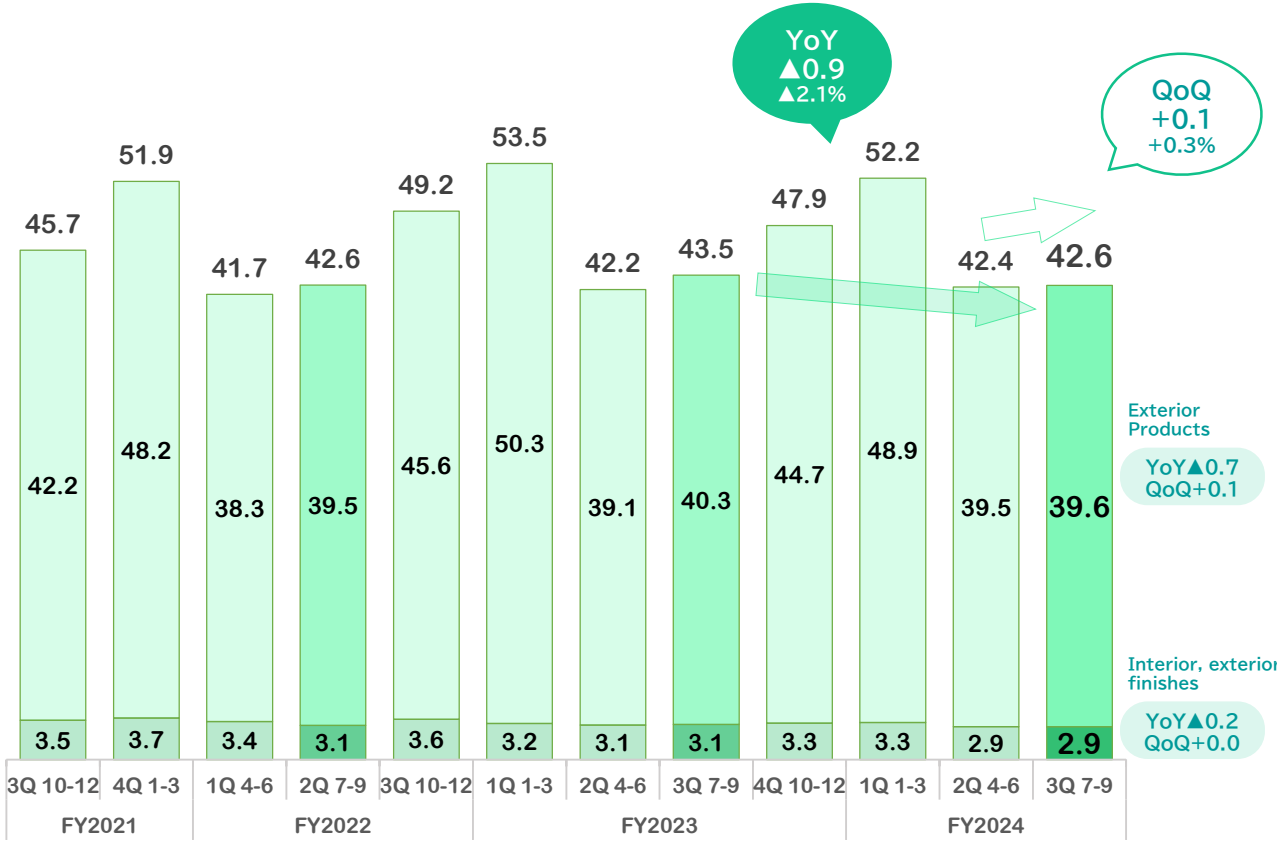


Operating results by segment: Housing Materials (QTD)

- Housing Materials operations total sales decreased by 90 million yen YoY.
- Sales of interior, exterior finishes, and paving materials remained weak, with a decrease of 20 million yen YoY.
- Sales of exterior products decreased by 70 million yen YoY. Sales of landscape exterior products increased, but sales of housing exteriors were low due to sluggish performance in new housing starts (detached houses), resulting in an overall decrease in sales.
- Sales of interior, exterior finishes, and paving materials remained unchanged QoQ, while sales of exterior products increased slightly QoQ, resulting in an overall increase of 10 million yen.

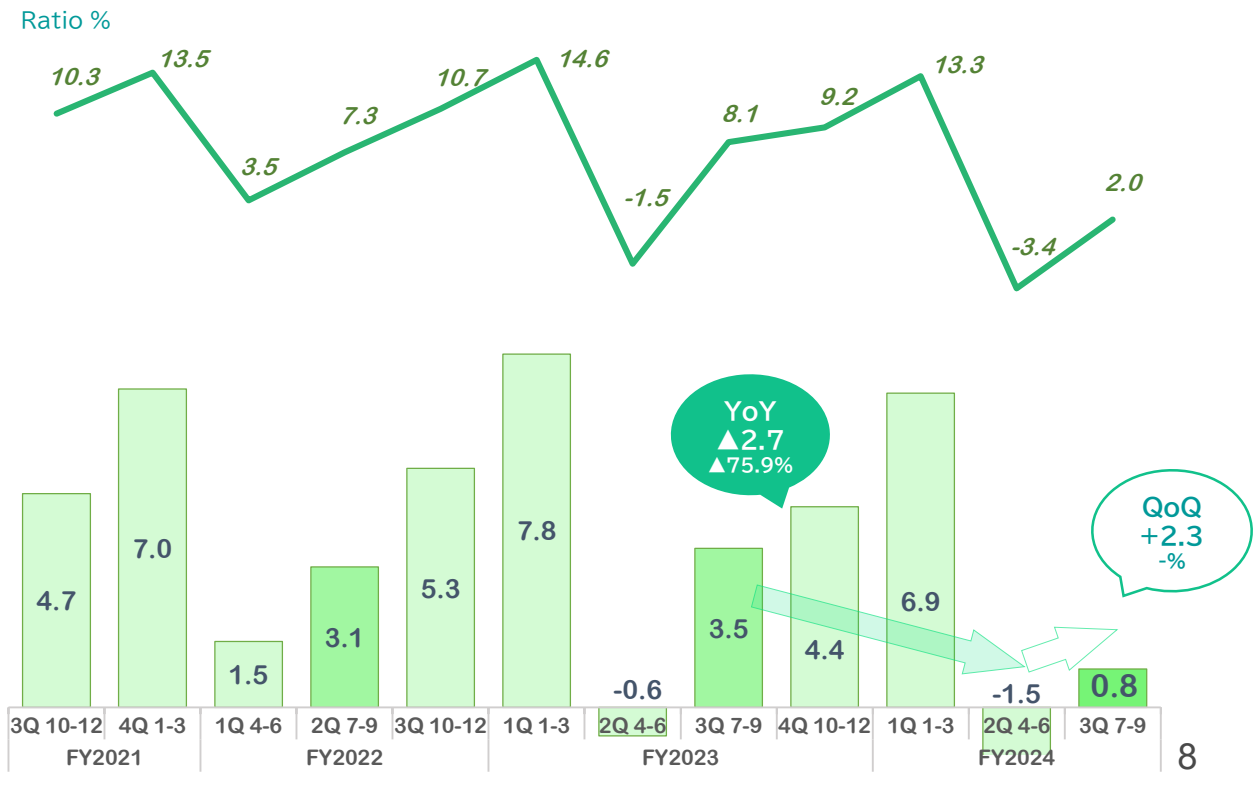
- In Housing Materials operations, total operating profit decreased by 270 million yen YoY.
- Sales of interior, exterior finishes, and paving materials failed to recover, remaining sluggish.
- In exterior products, profits decreased due to a decrease in the sales volume and an increase in the cost of aluminum ingots compared to the previous year.
- On a QoQ basis, operating losses in 2Q improved and profits increased by 80 million yen, but the situation remains severe.

Net sales



Operating profit

100 Million yen



2. Financial Forecast
for the Fiscal Year Ending 2024

Forecast of Consolidated Financial Results

The full-year financial forecast was revised upwards, as progress in the first half of the fiscal year exceeded initial forecasts

Revisions of the forecast

Million yen

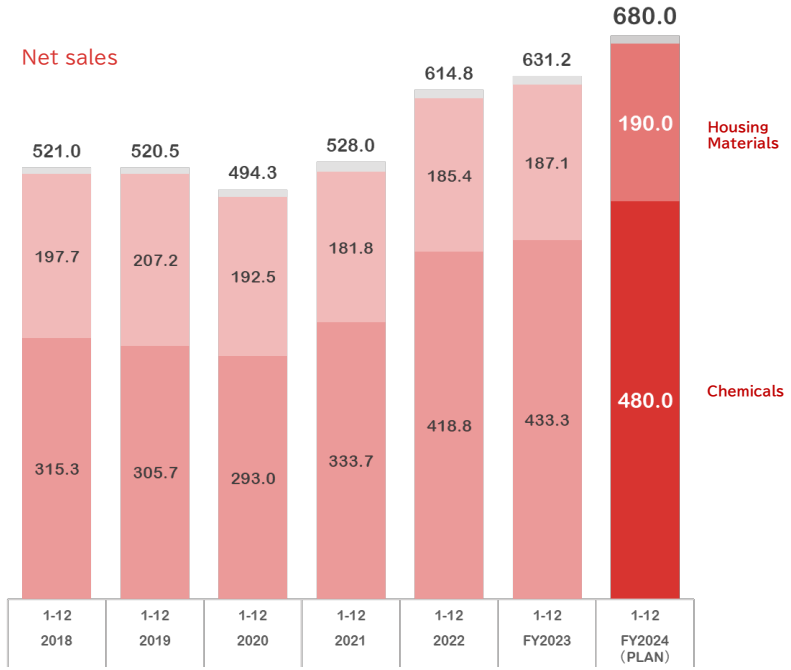
	FY2023	Revisions of the forecast (released July 30, 2024)	Change / Rate	Remark
Net Sales	**63,117** (Chemicals)43,332 (Housing Materials)18,712	**68,000** (Chemicals)48,000 (Housing Materials)19,000	+4,883 +7.7%	・Sales of Chemicals operations are expected to increase due to the expansion of overseas sales in the first half of the fiscal year and a revision of the forecasted exchange rate (weaker yen) in the second half. ・Expected sales of Housing Materials operations are being revised downward due to weak market conditions.
Operating profit	**8,019** (Chemicals)6,381 (Housing Materials)1,508	**8,200** (Chemicals)7,200 (Housing Materials)800	+181 +2.2%	・Operating profit of Chemicals operations is being revised upward, as the positive effects of the weak yen in the first half of the fiscal year will cover for the negative effects of rising raw materials costs in the second half. ・Operating profit of Housing Materials operations is being revised downward to reflect the recent sharp rise in aluminum ingot prices in the plan.
Ordinary profit	**9,280**	**9,500**	+220 +2.4%	・Ordinary profit is being revised upward due to foreign exchange gains, etc., accompanying the weak yen in the first half of the fiscal year (foreign exchange gains +737)
Profit attributable to owners of parent	**7,853**	**7,900**	+47 +0.6%	・Profit attributable to owners of parent is being revised upward due to expected gain on sale of investment securities in the second half of the fiscal year.
Exchange rate	**1USD 140JPY** 1EUR 148JPY 1RMB 19.8JPY	**1USD 150JPY** 1EUR 160JPY 1RMB 20.0JPY		・One yen change against the US dollar has a positive impact of approximately 180 million yen in sales and 110 million yen in operating profit.

3Q progress rate

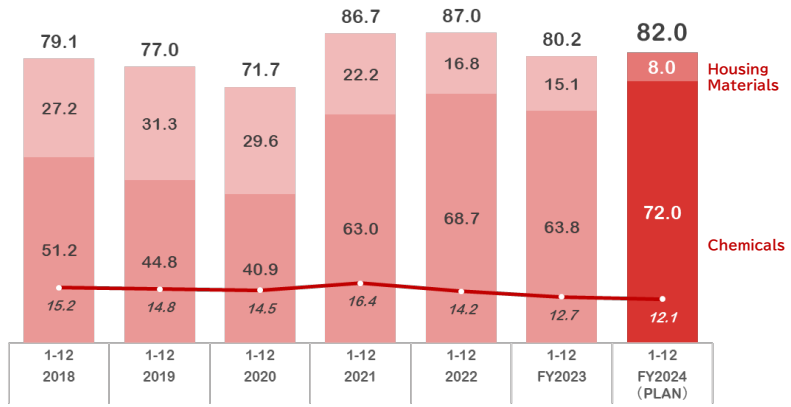
	Revisions of the forecast (released FY2024/2Q)	FY2024/3Q	Progress rate	Remark
Net Sales	**68,000** (Chemicals)48,000 (Housing Materials)19,000	**52,999** (Chemicals)38,491 (Housing Materials)13,714	**78%** (Chemicals)80% (Housing Materials)72%	・Chemicals operations performed at a pace that exceeded the plan, with the North American market conditions for organic chemicals exceeding expectations and sales of fine chemicals remaining solid. ・Sales of Housing Materials operations fell short of the plan due to weak market conditions.
Operating profit	**8,200** (Chemicals)7,200 (Housing Materials)800	**7,555** (Chemicals)6,695 (Housing Materials)630	**92%** (Chemicals)93% (Housing Materials)79%	・In Chemicals operations, operating profit progressed faster than net sales due to increased sales of highly profitable fine chemicals. ・In Housing Materials operations, operating profit progressed at a pace that exceeded net sales due to an increase in the sales ratio of highly profitable landscape exterior products.
Ordinary profit	**9,500**	**7,884**	**83%**	・Foreign exchange losses (YoY▲920) occurred.
Profit attributable to owners of parent	**7,900**	**6,764**	**86%**	
Exchange rate	**1USD 150JPY** 1EUR 160JPY 1RMB 20.0JPY	**1USD 150JPY** 1EUR 165JPY 1RMB 20.6JPY		・Progressed in line with the estimated rate.

100 Million yen

Net sales



Operating profit



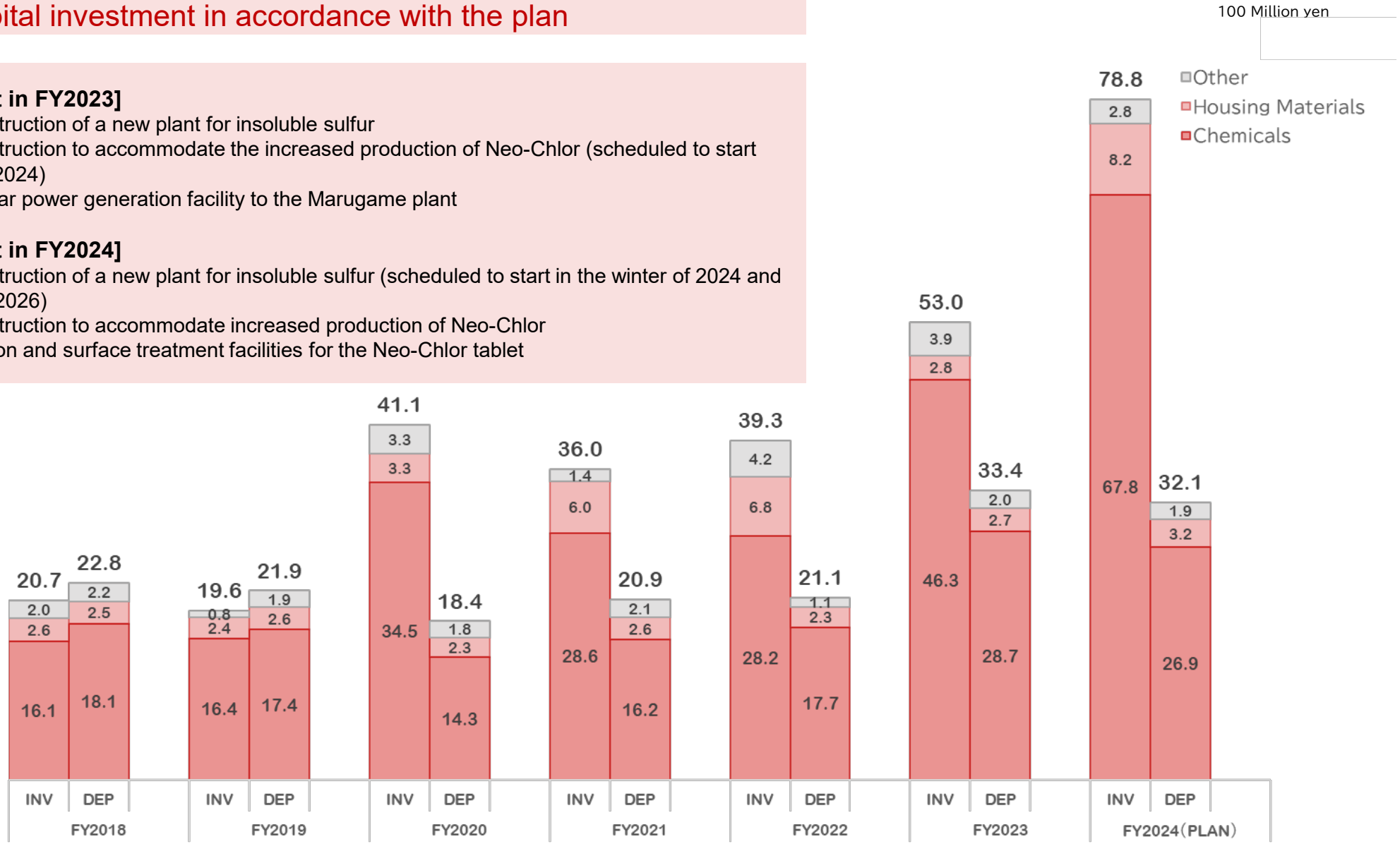
* In comparison and in the graphs, performance in prior years is adjusted to the same period in FY2022 (January to December).

Capital investment and Depreciation

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

[Major capital investment in FY2023]
- 2.23 billion yen for the construction of a new plant for insoluble sulfur
- 800 million yen for the construction to accommodate the increased production of Neo-Chlor (scheduled to start operating in the autumn of 2024)
- 180 million yen to add a solar power generation facility to the Marugame plant

[Major capital investment in FY2024]
- 2.55 billion yen for the construction of a new plant for insoluble sulfur (scheduled to start in the winter of 2024 and start full-scale operation in 2026)
- 380 million yen for the construction to accommodate increased production of Neo-Chlor
- 540 million yen for production and surface treatment facilities for the Neo-Chlor tablet



Dividend and Share buyback Trends

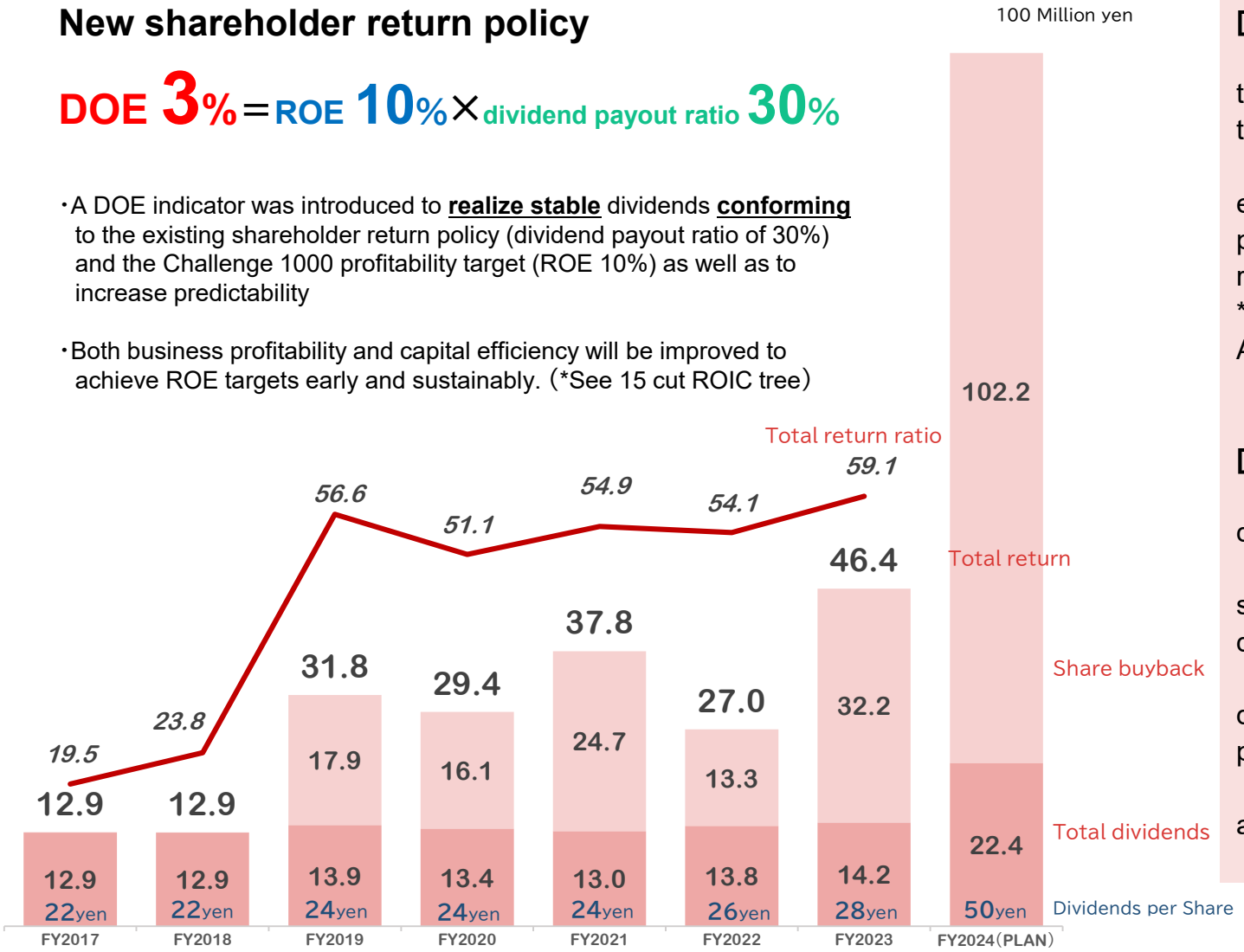
No changes in the year-end dividend forecast or shareholder return policy

New shareholder return policy

DOE 3%＝ROE 10%×dividend payout ratio 30%

・A DOE indicator was introduced to **realize stable** dividends **conforming** to the existing shareholder return policy (dividend payout ratio of 30%) and the Challenge 1000 profitability target (ROE 10%) as well as to increase predictability

・Both business profitability and capital efficiency will be improved to achieve ROE targets early and sustainably. (*See 15 cut ROIC tree)



[New (added) shareholder return policy]

・The Company aims to achieve “a dividend payout ratio of 30% and a total return ratio of 50% based on consolidated financial results” under the “Challenge 1000” long-term vision for 2030.

・In addition, a dividend on equity* (DOE) ratio of 3% has been established as an indicator for determining dividend amounts, and progressive dividends will be paid while taking both the dividend payout ratio and DOE indicators into consideration.

*Consolidated shareholders' equity (Consolidated net assets - Accumulated other comprehensive income)

・At the same time, special shareholder benefits will be abolished.

[FY2024 Shareholder Return Policy (incl. plan)]

・Dividend will be increased to 50 yen per share (25 for interim dividend, 25 for year-end dividend)

・Repurchased Company shares of 10.22 billion yen (5,891,100 shares) in total in February 2024 through ToSTNet-3. It was done as a dissolution of cross-holdings with financial institutions.

・Dividends will be 2.24 billion yen including expected year-end dividends and total shareholder returns will be 12.46 billion yen at this point.

・The expected payout ratio against projected year-end earnings is around 29%. The total return ratio is expected to be around 158%.

3. Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Analysis of current situation and policies for the present

While ROIC by business increased for Chemicals, it decreased for Housing Materials. ROIC/ROE increased companywide due to the reduction of net assets resulting from the share buyback carried out in February.

Consolidated Balance Sheets (as of 9/30/2024)

[Financial assets]

	FY2023	FY2024 3Q
	69.8bn	**68.0bn** (▲1.77bn from the beginning of the year)
Cash and deposits	29.9bn	**23.9bn**
Securities		
Investment grade bond scheduled to be redeemed within one year	17.5bn	**18.7bn**
Investment securities		
Investment grade bond	7.0bn	**13.7bn**
Cross-Shareholdings	15.3bn	**11.7bn**

[Excess capital]

Financial income	FY2023	FY2024 3Q
	0.69bn	**0.52bn**

(Risk buffer retention policy)
Retain 1/3 of annual net sales
(Allocable funds)
Consider shareholder returns, with the amount excluding risk buffers as the capital that can be reduced if there is no urgent demand for funds.
In particular, the reduction of cross-shareholdings is prioritized while working on creating business synergies with companies of cross-shareholdings.

[Business assets]

Trade receivables
Inventories
Property, plant, and equipment/ Intangible assets

	FY2023	FY2024 3Q
【Chemicals】	43.1bn	**42.8bn** (▲0.3bn from the beginning of the year)
【Housing Materials】	14.4bn	**14.4bn** (▲0.0bn from the beginning of the year)
【Group】	61.1bn	**61.2bn** (+0.0bn from the beginning of the year)

[Investment capital]

(Profit indicators to be compared)
Operating profit after tax by business → ROIC by business

	FY2023	FY2024 3Q
【Chemicals】	30.1bn	**32.4bn** (+2.3bn from the beginning of the year)
ROIC by business	15.2%	**20.0%**
【Housing Materials】	8.1bn	**9.0bn** (+0.9bn from the beginning of the year)
ROIC by business	12.0%	**6.9%**
【Group】	39.2bn	**42.6bn** (+3.4bn from the beginning of the year)

[Business liabilities]

Trade payable
Labor liabilities and provisions

[Group capital invested]

(Profit indicators to be compared)
Profit after tax (operating profit + financial revenue) → **Group ROIC**

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

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

	FY2023	FY2024 3Q
	109.0bn	**110.7bn** (▲1.6 bn from the beginning of the year)
Group ROIC	5.8%	**6.9%**

[Future earnings to be acquired (FCF)]

(Shareholder return)
Carry out promptly, targeting 50% of profit

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

[Net assets in carrying amount]

(Profit indicators to be compared)
Profit → **ROE**

(Assumed cost of shareholders' equity)
6-8%

(Target ROE)
Set to 8% as a hurdle rate in the short term, and aim to stably exceed 10% by capital reduction.

	FY2023	FY2024 3Q
	86.1bn	**80.3bn** (▲5.7bn from the beginning of the year)
ROE	9.4%	**10.8%**

[Interest-bearing debt]

(Basic policy on leverage)
・Actively utilize low-cost funds to the extent that the credit rating can be maintained
・Set D/E ratio to the 30% level

	FY2023	FY2024 3Q
	22.2bn	**29.6bn** (+7.4bn from the beginning of the year)

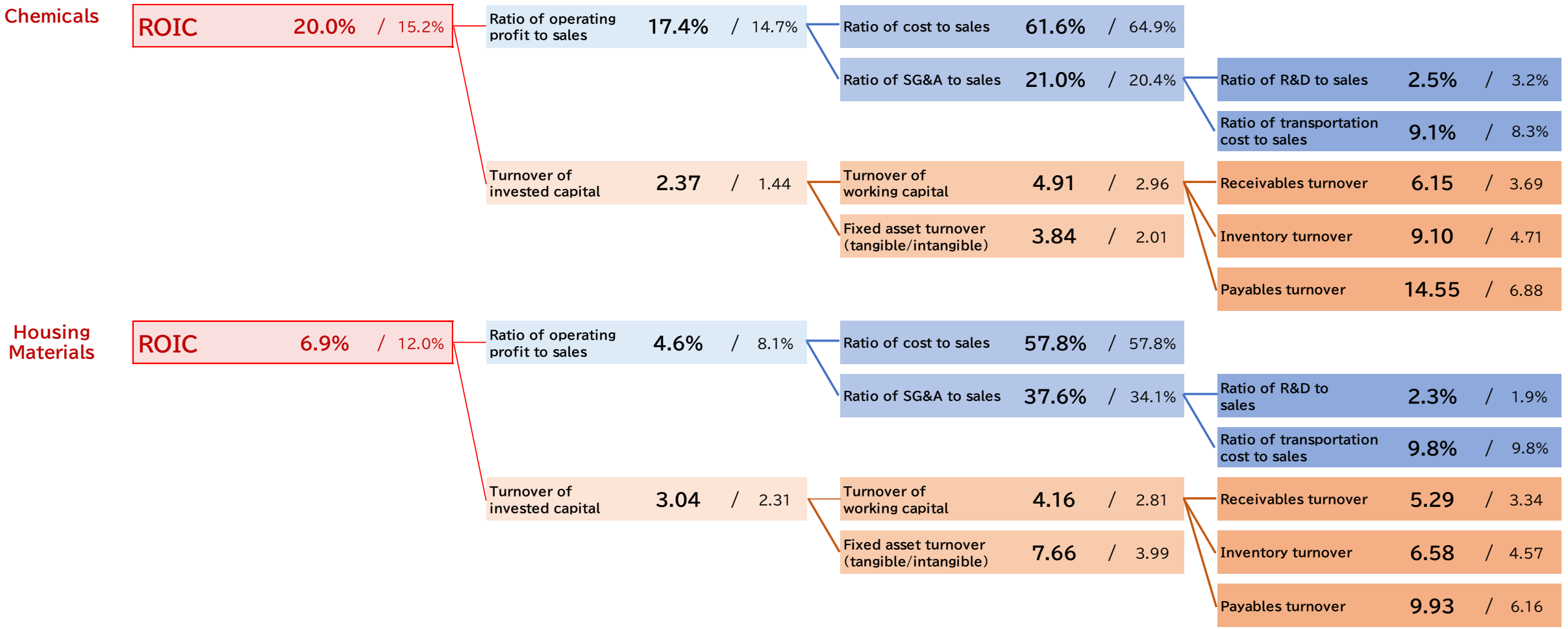
[Future net assets]

Maintain ROE and net asset levels that exceed the cost of capital at all times through balance sheet management to secure both aggressive growth strategies and capital efficiency.

* Quarterly ROIC・ROE is converted to the annual rate, and in 3Q, returns are divided by 4/3.

Analysis of ROIC Tree

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



* Quarterly ROIC is converted to the annual rate, and in 3Q, returns are divided by 4/3.

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