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

August 9, 2024

Company name: ADEKA CORPORATION
Listing: Tokyo
Securities code: 4401
URL: https://www.adeka.co.jp/en/
Representative: HIDETAKA SHIROZUME PRESIDENT & CHIEF EXECUTIVE OFFICER, REPRESENTATIVE DIRECTOR
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	98,160	3.8	8,688	17.1	9,731	19.4	6,821	33.2
June 30, 2023	94,596	(7.0)	7,422	(18.1)	8,150	(21.9)	5,120	(16.6)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 12,626 million [(5.6)%]
Three months ended June 30, 2023: ¥ 13,371 million [2.6%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	66.79	-
June 30, 2023	50.03	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	543,854	345,543	53.5
March 31, 2024	543,057	339,682	52.5

(Reference) Equity: As of June 30, 2024: ¥ 290,851 million
As of March 31, 2024: ¥ 285,143 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 March 31, 2024	-	40.00	-	50.00	90.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		45.00	-	45.00	90.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	197,000	5.0	17,000	14.9	16,900	8.8	11,700	10.9	114.56
Full year	426,000	6.6	39,200	10.6	38,400	7.4	24,200	5.3	236.95

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

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):
June 30, 2024: 103,768,142 shares
March 31, 2024: 103,768,142 shares

2) Number of treasury shares at the end of the period:
June 30, 2024: 1,636,629 shares
March 31, 2024: 1,636,449 shares

3) Average number of shares outstanding during the period:
Three months ended June 30, 2024: 102,131,553 shares
Three months ended June 30, 2023: 102,347,262 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None
* Proper use of earnings forecasts, and other special matters

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1. Overview of Operating Results, etc.

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

During the three months ended June 30, 2024, the global economy continued to show solid growth, benefiting in part from the economic and monetary policies of countries aimed at economic recovery and price stabilization, despite concerns over the slowdown in Chinese economy and the outlook for the situation in the Middle East, among other factors.

Under these circumstances, the consolidated operating results for the three months under review were as follows.

Consolidated Operating Results (100 million yen)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Change	Change (%)
Net sales	**981**	**945**	**35**	**3.8**
Chemicals	564	497	66	13.4
Polymer Additives	*277*	*246*	*31*	*12.9*
Electronics and IT Materials	*107*	*94*	*13*	*13.8*
Functional Chemicals	*179*	*157*	*21*	*13.9*
Food Products	209	207	2	1.1
Life Science	192	221	(29)	(13.3)
Others	14	18	(3)	(20.3)
Operating profit (loss)	**86**	**74**	**12**	**17.1**
Chemicals	75	55	19	36.0
Polymer Additives	*31*	*17*	*13*	*74.7*
Electronics and IT Materials	*23*	*25*	*(1)*	*(5.0)*
Functional Chemicals	*20*	*12*	*7*	*63.2*
Food Products	13	3	10	272.7
Life Science	(3)	11	(15)	–
Others	1	3	(2)	(61.1)
Ordinary profit	**97**	**81**	**15**	**19.4**
Profit attributable to owners of parent	**68**	**51**	**17**	**33.2**

Note: Amounts of less than 100 million yen are rounded down. Percentage changes are rounded to the first decimal place.

An overview by reportable segment is as follows.

(Chemicals Business) Increased sales and profit

Overviews of the Polymer Additives, Electronics and IT Materials, and Functional Chemicals that comprise the Chemicals Products Business are as follows.

1) Polymer Additives: Increased sales and profit

Sales of flame retardants for home appliance enclosures and electric vehicle components, and light stabilizers for automobiles remained strong as excess inventories in the supply chain were dissolved and automobile production recovered.

○ Major contributors

Net sales	Strong	- Flame retardants (home appliance enclosures, electric vehicle components) - Light stabilizers (automotive components) - PVC stabilizers (home interior materials)
	Weak	- General-purpose antioxidants (plastic products in general)
Operating profit	Positive	- Prices - Sales volume - Foreign exchange
	Negative	- Fixed costs

2) Electronics and IT Materials: Increased sales / Decreased profit

Sales of high-K materials for advanced DRAM and photoacid generators for advanced photo resists remained strong supported by a recovery in demand for semiconductors on the back of robust investments in AI-related fields. Profit decreased partly due to an increase in fixed costs resulting from the capital investment.

○ Major contributors

Net sales	Strong	- High-K materials (advanced DRAM) - Black matrix resin (displays) - Photoacid generators (advanced photo resists)
	Weak	- Etching materials (displays)
Operating profit	Negative	- Prices - Fixed costs
	Positive	- Sales volume - Foreign exchange

3) Functional Chemicals: Increased sales and profit

Sales of lubricant additives used in engine oils of automobiles remained strong against the backdrop of expanded customer adoption in the United States and China, as well as the recovery of automobile production such as hybrid vehicles. In addition, sales of reactive emulsifiers used in architectural coatings were solid, on the back of expanded customer adoption in India and China.

○ Major contributors

Net sales	Strong	- Lubricant additives (automotive engine oils) - Reactive emulsifiers (architectural coatings) - Special epoxy resins (structural adhesives of automobiles)
Operating profit	Positive	- Sales volume - Foreign exchange
	Negative	- Fixed costs

(Food Products Business) Increased sales and profit

Sales of functional fats and oils remained strong in Southeast Asia. In addition, domestic sales of high value-added products, such as the *Marvelous series* of functional margarines, which contribute to food loss reduction, were favorable. The number of adoptions of the *Deli-PLANTS series* of plant-based foods, which are mindful of dietary diversity and environment, experienced a steady growth in the use for breads and cafe menus in Japan.

○ Major contributors

Net sales	Strong	- *Marvelous series* of functional margarines (breads) - Whipping cream (confectionery, desserts) - *Deli-PLANTS series* of plant-based foods (breads and cafes)
Operating profit	Positive	- Sales volume - Prices
	Negative	- Fixed costs

(Life Science Business) Decreased sales, Operating loss

Sales of agrochemicals remained weak affected by inventory adjustment in India, as well as a reaction to the front-loaded shipments of fungicides in North America at the end of the previous fiscal year. In terms of profit, the business posted an operating loss due to sluggish sales of agrochemicals overseas and a drop in unit selling prices in Brazil.

○ Major contributors

Net sales	Weak	- India: Agrochemicals in general - Europe: Insecticide ingredients - North America: Fungicides
	Steady	- Brazil: Fungicides
Operating loss	Negative	- Sales volume - Fixed costs
	Positive	- Foreign exchange

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

Consolidated Financial Position (100 million yen)

	June 30, 2024	March 31, 2023	Change	Change (%)
Total assets	5,438	5,430	7	0.1
Total liabilities	1,983	2,033	(50)	(2.5)
Total net assets	3,455	3,396	58	1.7

Note: Amounts of less than 100 million yen are rounded down. Percentage changes are rounded to the first decimal place.

○ Major contributors

- Total assets: An increase in inventories
- Total liabilities: Decreases in provision for bonuses and short-term borrowings
- Total net assets: An increase in foreign currency translation adjustment

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

In view of the operating results for the three months ended June 30, 2024 and the recent development of business performance, the Company has revised its consolidated earnings forecast for the first half and full year.

For detailed information, please refer to the "Notice of revision of consolidated financial forecasts" released today (August 9, 2024).

- "Notice of revision of consolidated financial forecasts"
  https://adeka.co.jp/en/ir/library/en/pdf/240809pe_e.pdf

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	98,429	93,816
Notes and accounts receivable - trade, and contract assets	116,937	113,844
Securities	5,498	5,498
Merchandise and finished goods	64,236	67,791
Work in process	8,464	8,476
Raw materials and supplies	41,919	41,430
Other	12,490	11,509
Allowance for doubtful accounts	(1,378)	(1,437)
Total current assets	346,598	340,931
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,134	40,570
Machinery, equipment and vehicles, net	35,684	35,840
Land	31,467	31,660
Other, net	19,553	21,811
Total property, plant and equipment	126,840	129,883
Intangible assets		
Technical assets	4,476	4,227
Customer related assets	2,328	2,288
Other	9,692	9,858
Total intangible assets	16,497	16,374
Investments and other assets		
Investment securities	42,013	42,396
Other	11,106	14,268
Total investments and other assets	53,119	56,664
Total non-current assets	196,458	202,923
Total assets	543,057	543,854

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	64,903	63,799
Short-term borrowings	26,780	25,038
Income taxes payable	4,827	3,829
Provision for bonuses	3,587	1,755
Other provisions	126	21
Other	34,202	29,777
Total current liabilities	134,427	124,221
Non-current liabilities		
Bonds payable	14,381	14,537
Long-term borrowings	22,283	27,394
Retirement benefit liability	20,526	20,658
Other provisions	71	382
Other	11,684	11,115
Total non-current liabilities	68,947	74,089
Total liabilities	203,374	198,310
Net assets		
Shareholders' equity		
Share capital	23,048	23,048
Capital surplus	20,181	20,256
Retained earnings	213,125	214,818
Treasury shares	(3,375)	(3,451)
Total shareholders' equity	252,979	254,672
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,665	11,736
Revaluation reserve for land	3,330	3,330
Foreign currency translation adjustment	17,147	21,082
Remeasurements of defined benefit plans	20	30
Total accumulated other comprehensive income	32,163	36,179
Non-controlling interests	54,539	54,691
Total net assets	339,682	345,543
Total liabilities and net assets	543,057	543,854

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	94,596	98,160
Cost of sales	71,105	71,779
Gross profit	23,490	26,380
Selling, general and administrative expenses	16,068	17,691
Operating profit	7,422	8,688
Non-operating income		
Interest income	542	623
Dividend income	319	284
Share of profit of entities accounted for using equity method	265	202
Foreign exchange gains	615	537
Other	213	445
Total non-operating income	1,955	2,092
Non-operating expenses		
Interest expenses	774	937
Loss on valuation of derivatives	364	-
Other	88	112
Total non-operating expenses	1,227	1,049
Ordinary profit	8,150	9,731
Extraordinary income		
Gain on sale of non-current assets	37	27
Total extraordinary income	37	27
Extraordinary losses		
Loss on abandonment of non-current assets	130	122
Loss on valuation of investment securities	-	21
Total extraordinary losses	130	144
Profit before income taxes	8,057	9,614
Income taxes - current	2,695	3,419
Income taxes - deferred	(418)	(913)
Total income taxes	2,276	2,506
Profit	5,780	7,108
Profit attributable to non-controlling interests	660	286
Profit attributable to owners of parent	5,120	6,821

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	5,780	7,108
Other comprehensive income		
Valuation difference on available-for-sale securities	1,376	(25)
Deferred gains or losses on hedges	(22)	-
Foreign currency translation adjustment	6,174	5,495
Remeasurements of defined benefit plans, net of tax	0	(4)
Share of other comprehensive income of entities accounted for using equity method	61	52
Total other comprehensive income	7,590	5,517
Comprehensive income	13,371	12,626
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,950	10,836
Comprehensive income attributable to non-controlling interests	2,420	1,789

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in accounting policies)

(Application of the accounting standard for current income taxes, etc.)

The Company has adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. since the beginning of the first quarter under review.

The amendment to categories in which current income taxes should be recorded (taxation on other comprehensive income) follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso to (2) of paragraph 65-2 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Guidance 2022"). These changes in accounting policies have no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies are deferred for tax purposes, the Company has applied the Revised Guidance 2022 since the beginning of the first quarter under review. This change in accounting policies has been applied retrospectively, and the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been prepared reflecting the retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Notes on accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

For certain subsidiaries, the Company has adopted a method of making a reasonable estimate of the effective tax rate after application of tax effect accounting to profit before income taxes for the consolidated fiscal year to which the first quarter under review belongs and multiplying the profit before income taxes by such estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Chemicals Business	Food Products Business	Life Science Business	Total				
Net sales								
(1) Net sales to outside customers	49,794	20,775	22,180	92,750	1,845	94,596	–	94,596
(2) Inter-segment net sales or transfers	34	48	3	85	5,217	5,303	(5,303)	–
Total	49,829	20,823	22,183	92,836	7,063	99,900	(5,303)	94,596
Segment profit	5,534	370	1,146	7,051	326	7,377	45	7,422

(Notes) 1. "Others" refers to business segments not included in the reportable segments and includes construction and construction management, logistics, and real estate businesses.

2. The adjustment of segment profit of 45 million yen includes the elimination of inter-segment transactions.

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

II. For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Chemicals Business	Food Products Business	Life Science Business	Total				
Net sales								
(1) Net sales to outside customers	56,455	20,995	19,239	96,689	1,470	98,160	–	98,160
(2) Inter-segment net sales or transfers	36	37	1	75	2,988	3,063	(3,063)	–
Total	56,491	21,032	19,241	96,765	4,458	101,224	(3,063)	98,160
Segment profit (loss)	7,524	1,381	(361)	8,544	74	8,618	70	8,688

(Notes) 1. “Others” refers to business segments not included in the reportable segments and includes construction and construction management, logistics, and real estate businesses.

2. The adjustment of segment profit (loss) of 70 million yen includes the elimination of inter-segment transactions.

3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statements of income.

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

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including depreciation of intangible assets other than goodwill amortization) for the first three months under review are as follows.

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	4,076	4,385