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

November 12, 2024

Company name: ADEKA CORPORATION
Listing: Tokyo
Securities code: 4401
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Scheduled date to file semi-annual securities report: November 12, 2024
Scheduled date to commence dividend payments: December 5, 2024
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 Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	195,075	4.0	18,296	23.6	16,866	8.6	11,485	8.9
September 30, 2023	187,660	(4.5)	14,798	(2.1)	15,531	(5.5)	10,550	5.7

(Notes) Comprehensive income: Six months ended September 30, 2024: ¥ 8,956 million [(57.1)%]
Six months ended September 30, 2023: ¥ 20,882 million [11.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	112.55	-
September 30, 2023	103.20	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	524,431	340,404	55.0
March 31, 2024	543,057	339,682	52.5

(Reference) Equity: As of September 30, 2024: ¥ 288,227 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	-	48.00			
Fiscal year ending March 31, 2025 (Forecast)			-	49.00	97.00

(Notes) Revision to the forecast for dividends announced most recently: Yes

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
Full year	426,000	6.6	41,100	16.0	39,200	9.6	24,500	6.6	240.88

(Notes) 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 semi-annual 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):

September 30, 2024: 103,768,142 shares
March 31, 2024: 103,768,142 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 2,059,144 shares
March 31, 2024: 1,636,449 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 102,052,393 shares
Six months ended September 30, 2023: 102,234,746 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 six months ended September 30, 2024, the global economy recovered gradually, benefiting in part from the economic recovery in emerging Asian countries as well as Europe and the U.S., despite concerns over an impact from the slowdown in Chinese economy and the outlook for the situation in the Middle East.

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

Consolidated Operating Results (100 million yen)

	Six months ended September 30, 2024	Six months ended September 30, 2023	Change	Change (%)
Net sales	**1,950**	**1,876**	**74**	**4.0**
Chemicals	1,116	1,015	100	9.9
Polymer Additives	*538*	*504*	*34*	*6.8*
Electronics Materials	*217*	*192*	*25*	*13.3*
Environmental Materials	*360*	*318*	*41*	*12.9*
Food Products	410	413	(3)	(0.8)
Life Science	391	406	(15)	(3.8)
Others	32	40	(7)	(19.4)
Operating profit (loss)	**182**	**147**	**34**	**23.6**
Chemicals	150	120	29	24.7
Polymer Additives	*56*	*40*	*16*	*39.7*
Electronics Materials	*53*	*52*	*0*	*1.5*
Environmental Materials	*40*	*27*	*12*	*47.1*
Food Products	22	13	9	72.8
Life Science	6	6	(0)	(9.9)
Others	3	7	(3)	(47.6)
Ordinary profit	**168**	**155**	**13**	**8.6**
Profit attributable to owners of parent	**114**	**105**	**9**	**8.9**

(Notes) 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 described in page 3.

We have changed the names of the sub-segments of the Chemicals Business following the reorganization effective July 1, 2024. The name of former Electronics and IT Materials was changed to Electronics Materials, and that of former Functional Chemicals, to Environmental Materials. In addition, Battery materials, which had been working on corporate research, was incorporated into Environmental Materials.

(Chemicals Business) Increased sales and profit

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

1) Polymer Additives: Increased sales and profit

Sales of PVC stabilizers for home interior materials were strong due to sales expansion and new customer adoption in North America. In addition, sales of clarifying agents for food packaging materials, antioxidants for automotive components, etc., were strong due in part to earlier-than-schedule orders from customers who were concerned about disruption in ocean transport.

○ Major contributors

Net sales	Strong	- PVC stabilizers (home interior materials) - Clarifying agents (food packaging materials) - Antioxidants (automotive components) - Flame retardants (home appliance enclosures)
Operating profit	Positive	- Prices - Foreign exchange - Sales volume
	Negative	- Fixed costs

2) Electronics Materials: Increased sales and profit

Among products for semiconductors, sales of high-K materials for advanced DRAM and photoacid generators for advanced photo resists were strong supported by a recovery in demand mainly related to generative AI. Among display-related products, sales of black matrix resin were strong due to sales expansion and new customer adoption in China.

○ 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	Positive	- Sales volume - Foreign exchange
	Negative	- Prices - Fixed costs

3) Environmental Materials: Increased sales and profit

Sales of lubricant additives used in engine oils of automobiles were strong due to expanded customer adoption in India and other Asian countries driven by the expanded sales of hybrid vehicles. In addition, sales of reactive emulsifiers used in architectural coatings were also solid due to expanded customer adoption in India and China.

○ Major contributors

Net sales	Strong	- Lubricant additives (engine oils for automobiles) - Reactive emulsifiers (architectural coatings) - Lubricants for wiredrawing (rubber tires of automobiles)
Operating profit	Positive	- Sales volume - Foreign exchange
	Negative	- Fixed costs

(Food Products Business) Decreased sales and increased profit

Sales decreased due to the impact of reorganization of subsidiaries and review of unprofitable products, in addition to sluggish sales in China. Meanwhile, sales of functional fats and oils remained strong in Southeast Asia, and domestic sales of the *Marvelous series* of functional margarines, which contribute to food loss reduction, were favorable mainly for breads.

○ Major contributors

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

(Life Science Business) Decreased sales and profit

Sales of agrochemicals were weak in India and Brazil due in part to an impact of channel inventory from the previous year. Among pharmaceuticals, sales of the topical antifungal agent *Luliconazole* were weak due to a decline in domestic demand for nail tinea.

○ Major contributors

Net sales	Weak	- India and Brazil: Generic agrochemicals, etc. - Japan: Topical antifungal agent *Luliconazole* for nail tinea
	Strong	- North America and Europe: Herbicides
Operating profit	Negative	- Fixed costs
	Positive	- Foreign exchange

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

Consolidated Financial Position (100 million yen)

	September 30, 2024	March 31, 2024	Change	Change (%)
Total assets	5,244	5,430	(186)	(3.4)
Total liabilities	1,840	2,033	(193)	(9.5)
Total net assets	3,404	3,396	7	0.2

(Notes) Amounts of less than 100 million yen are rounded down. Percentage changes are rounded to the first decimal place.

○ Major contributors

- Total assets: A decrease in notes and accounts receivable - trade, and contract assets
- Total liabilities: Decreases in notes and accounts payable - trade and short-term borrowings
- Total net assets: An increase in retained earnings and a decrease in non-controlling interests

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

In view of the operating results for the six months ended September 30, 2024 and the recent development of business performance, the Company has revised its consolidated earnings forecast for the full year, as well as the surplus and year-end dividend.

For detailed information, please refer to the following notice released today (November 12, 2024).

- "Notice of revision of consolidated financial forecast and distribution of dividends from Surplus (interim dividend) and the year-end dividend forecast (dividend increase)"

https://www.adeka.co.jp/en/ir/library/en/pdf/241112pe_e.pdf

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	98,429	103,900
Notes and accounts receivable - trade, and contract assets	116,937	92,701
Securities	5,498	5,496
Merchandise and finished goods	64,236	63,795
Work in process	8,464	8,534
Raw materials and supplies	41,919	45,341
Other	12,490	10,902
Allowance for doubtful accounts	(1,378)	(1,314)
Total current assets	346,598	329,358
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,134	39,043
Machinery, equipment and vehicles, net	35,684	33,756
Land	31,467	31,317
Other, net	19,553	21,699
Total property, plant and equipment	126,840	125,817
Intangible assets		
Technical assets	4,476	3,979
Customer related assets	2,328	2,248
Other	9,692	9,533
Total intangible assets	16,497	15,760
Investments and other assets		
Investment securities	42,013	42,130
Other	11,106	11,364
Total investments and other assets	53,119	53,494
Total non-current assets	196,458	195,072
Total assets	543,057	524,431

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	64,903	55,506
Short-term borrowings	26,780	20,856
Income taxes payable	4,827	4,338
Provision for bonuses	3,587	3,567
Other provisions	126	42
Other	34,202	30,102
Total current liabilities	134,427	114,413
Non-current liabilities		
Bonds payable	14,381	14,336
Long-term borrowings	22,283	23,855
Retirement benefit liability	20,526	20,438
Other provisions	71	396
Other	11,684	10,586
Total non-current liabilities	68,947	69,614
Total liabilities	203,374	184,027
Net assets		
Shareholders' equity		
Share capital	23,048	23,048
Capital surplus	20,181	20,295
Retained earnings	213,125	219,483
Treasury shares	(3,375)	(4,755)
Total shareholders' equity	252,979	258,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,665	11,655
Deferred gains or losses on hedges	-	11
Revaluation reserve for land	3,330	3,330
Foreign currency translation adjustment	17,147	15,117
Remeasurements of defined benefit plans	20	40
Total accumulated other comprehensive income	32,163	30,155
Non-controlling interests	54,539	52,176
Total net assets	339,682	340,404
Total liabilities and net assets	543,057	524,431

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

Semi-annual Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	187,660	195,075
Cost of sales	140,370	141,140
Gross profit	47,289	53,934
Selling, general and administrative expenses	32,490	35,638
Operating profit	14,798	18,296
Non-operating income		
Interest income	1,115	1,154
Dividend income	415	455
Share of profit of entities accounted for using equity method	430	550
Gain on valuation of derivatives	-	438
Foreign exchange gains	1,341	-
Other	370	504
Total non-operating income	3,673	3,103
Non-operating expenses		
Interest expenses	1,588	1,676
Loss on valuation of derivatives	1,087	-
Foreign exchange losses	-	2,557
Other	263	299
Total non-operating expenses	2,940	4,533
Ordinary profit	15,531	16,866
Extraordinary income		
Gain on sale of non-current assets	40	45
Gain on sale of investment securities	538	26
Total extraordinary income	578	71
Extraordinary losses		
Loss on abandonment of non-current assets	268	196
Loss on valuation of investment securities	-	22
Total extraordinary losses	268	218
Profit before income taxes	15,842	16,719
Income taxes - current	5,356	5,617
Income taxes - deferred	(685)	(870)
Total income taxes	4,670	4,746
Profit	11,171	11,972
Profit attributable to non-controlling interests	620	487
Profit attributable to owners of parent	10,550	11,485

Semi-annual Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	11,171	11,972
Other comprehensive income		
Valuation difference on available-for-sale securities	2,162	(572)
Deferred gains or losses on hedges	(81)	23
Foreign currency translation adjustment	7,344	(3,014)
Remeasurements of defined benefit plans, net of tax	0	(9)
Share of other comprehensive income of entities accounted for using equity method	284	557
Total other comprehensive income	9,710	(3,016)
Comprehensive income	20,882	8,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,683	9,478
Comprehensive income attributable to non-controlling interests	3,198	(521)

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	15,842	16,719
Depreciation	8,257	8,777
Share of loss (profit) of entities accounted for using equity method	(430)	(550)
Increase (decrease) in retirement benefit liability	264	(164)
Increase (decrease) in provision for environmental measures	(18)	-
Interest and dividend income	(1,530)	(1,610)
Interest expenses	1,588	1,676
Foreign exchange losses (gains)	(400)	730
Loss (gain) on sale of non-current assets	(40)	(45)
Loss on abandonment of non-current assets	268	196
Loss (gain) on sale of investment securities	(538)	(26)
Decrease (increase) in accounts receivable - trade, and contract assets	4,448	22,151
Decrease (increase) in inventories	(1,407)	(4,928)
Increase (decrease) in trade payables	319	(7,974)
Other, net	3,545	3,361
Subtotal	30,169	38,312
Interest and dividends received	2,346	2,292
Interest paid	(1,359)	(2,608)
Income taxes paid	(4,566)	(6,038)
Income taxes refund	74	1,041
Net cash provided by (used in) operating activities	26,664	33,000
Cash flows from investing activities		
Purchase of securities	(8,998)	(8,995)
Proceeds from sale and redemption of securities	8,998	8,998
Purchase of property, plant and equipment	(11,806)	(8,042)
Proceeds from sale of property, plant and equipment	77	89
Purchase of intangible assets	(1,245)	(1,323)
Purchase of investment securities	(81)	(11)
Purchase of shares of subsidiaries and associates	(2,539)	(45)
Net decrease (increase) in short-term loans receivable	(33)	(10)
Long-term loan advances	(300)	(225)
Other, net	644	124
Net cash provided by (used in) investing activities	(15,284)	(9,441)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,066)	(5,840)
Proceeds from long-term borrowings	3,451	6,942
Repayments of long-term borrowings	(6,188)	(7,808)
Redemption of bonds	-	(1,768)
Purchase of treasury shares	(1,235)	(1,446)
Dividends paid	(3,602)	(5,123)
Dividends paid to non-controlling interests	(2,158)	(1,680)
Other, net	(539)	(354)
Net cash provided by (used in) financing activities	(11,340)	(17,078)
Effect of exchange rate change on cash and cash equivalents	2,424	(880)
Net increase (decrease) in cash and cash equivalents	2,464	5,600
Cash and cash equivalents at beginning of period	79,537	96,901
Increase in cash and cash equivalents resulting from merger	44	-
Cash and cash equivalents at end of period	82,046	102,501

(4) Notes to Semi-annual 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 six months 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 semi-annual 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 six months under review. This change in accounting policies has been applied retrospectively, and the semi-annual consolidated financial statements for the same period 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 semi-annual consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Change in presentation)

(Consolidated Statements of Cash Flows)

"Income taxes refund" included in "Income taxes paid" under "Cash flows from operating activities" in the previous consolidated fiscal year is presented as a separate account in the six months under review due to its increased financial materiality. Semi-annual consolidated financial statements for the previous consolidated fiscal year have been reclassified in order to reflect this change in presentation.

As a result, in the Semi-annual Consolidated Statements of Cash Flows for the previous consolidated fiscal year, (4,492) million yen presented as "Income taxes paid" under "Cash flows from operating activities" is reclassified as "Income taxes paid" of (4,566) million yen and "Income taxes refund" of 74 million yen.

(Notes on accounting methods adopted particularly for the preparation of semi-annual 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 six months under review belong and multiplying the profit before income taxes for the six months under review by such estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2023 (from April 1, 2023 to September 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	101,555	41,383	40,666	183,606	4,054	187,660	－	187,660
(2) Inter-segment net sales or transfers	75	144	3	223	9,855	10,079	(10,079)	－
Total	101,631	41,527	40,670	183,830	13,909	197,739	(10,079)	187,660
Segment profit	12,041	1,302	699	14,043	680	14,723	75	14,798

(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 75 million yen includes the elimination of inter-segment transactions.
3. Segment profit is adjusted with operating profit in the semi-annual consolidated statements of income.

II. For the six months ended September 30, 2024 (from April 1, 2024 to September 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	111,651	41,034	39,123	191,808	3,266	195,075	－	195,075
(2) Inter-segment net sales or transfers	82	73	6	162	7,620	7,782	(7,782)	－
Total	111,733	41,107	39,129	191,970	10,887	202,857	(7,782)	195,075
Segment profit	15,019	2,250	630	17,900	301	18,202	93	18,296

(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 93 million yen includes the elimination of inter-segment transactions.
3. Segment profit is adjusted with operating profit in the semi-annual consolidated statements of income.

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

Not applicable.

(Notes on going concern assumption)

Not applicable.