

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 26, 2022

Company name: SHIKOKU CHEMICALS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 4099

URL: <https://www.shikoku.co.jp/>

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Scheduled date of filing quarterly securities report: August 10, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	15,796	22.7	1,775	0.3	2,561	29.6	1,578	16.8
June 30, 2021	12,869	11.0	1,770	40.3	1,975	37.1	1,351	42.8

(Note) Comprehensive income: Three months ended June 30, 2022: ¥1,219 million [21.9 %]

Three months ended June 30, 2021: ¥1,000 million [(46.5) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	29.33	—
June 30, 2021	24.40	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	113,820	81,477	70.9
As of March 31, 2022	113,805	80,908	70.3

(Reference) Equity: As of June 30, 2022: ¥80,665 million

As of March 31, 2022: ¥80,049 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	12.00	—	12.00	24.00
Year ending December 31, 2022	—				
Year ending December 31, 2022 (Forecast)		13.00	—	13.00	26.00

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

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

- (Notes) 1. Revisions to the financial results forecast most recently announced: None
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. 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) 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):
 - June 30, 2022: 54,018,563 shares
 - March 31, 2022: 54,018,563 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2022: 205,938 shares
 - March 31, 2022: 205,788 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2022: 53,812,706 shares
 - Three months ended June 30, 2021: 55,403,410 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms

* 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 three months ended June 30, 2022 continued to recover with personal consumption showing signs of recovery as restrictions on economic activities were eased and such activities were normalized. Overseas economies continued to pick up globally, especially in Europe and the United States. However, the effects of prolonged constraints on supply of semiconductors and other materials, chronically high energy and resource prices due to the prolonged Russian invasion of Ukraine, disruptions in global distribution networks and soaring sea freight rates are becoming more serious globally, and monetary tightening and rising interest rates in multiple countries against the backdrop of these global price increases posed downside risks to the economy.

Under these circumstances, for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022), the Group posted net sales of ¥15,796 million (up 22.7% year-on-year), operating profit of ¥1,775 million (up 0.3% year-on-year), ordinary profit of ¥2,561 million (up 29.6% year-on-year) and profit attributable to owners of parent of ¥1,578 million (up 16.8% year-on-year), all of which increased from the previous year's results. In addition, net sales, ordinary profit, and profit attributable to owners of parent all hit record highs and achieved high levels, driven by overseas demand, 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 due to solid demand for replacement tires and industrial vehicle tires, despite a decline in automobile production resulting from semiconductor shortages. As for sales of carbon disulfide for rayon and cellophane, and sodium sulfate for bath agents and detergents, the Company strove to improve profitability by the price pass-through of the impact of yen depreciation in exchange rates and resource prices.

(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. In the U.S. market, the pool market continues to be brisk, and the Tokushima Plant continues to be in full production. In addition, both sales and profits were significantly higher than the previous year as the Company passed soaring resource prices and distribution costs on selling prices amid the tightening balance between supply and demand.

(Fine chemicals)

Regarding electronic chemicals, particularly Glicoat-SMD, a heat-resistant soluble OSP (Organic Solderability Preservative) for printed wiring boards, and advanced & specialty chemicals, such as epoxy resin curing agent (imidazoles), resin modifier (glycoluril derivatives, etc.) and semiconductor processing materials, sales also remained strong, despite the current lockdown in China and Shanghai, against a backdrop of the favorable conditions in semiconductor and electronics markets that have recovered from the COVID-19 pandemic.

As a result, net sales for the chemicals operations segment were ¥11,327 million (up 35.0% year-on-year), and segment profit was ¥1,937 million (up 10.5% year-on-year), both surpassing the previous year's results.

2) Housing Materials operations

The number of new housing starts continued to be weak for owned houses, and sales of interior, exterior finishes and paving materials and exterior products remained sluggish. In response to soaring prices of aluminum ingots and other raw materials, the Company revised prices and strove to improve profitability, but the business environment remained severe as higher end-of-line prices acted to further reduce demand.

As a result, net sales for the housing materials operations segment were ¥4,174 million (up 2.4% year-on-year), and segment profit was ¥296 million (down 37.6% year-on-year).

Reference information

[Overseas net sales]

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)		Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	
	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)	Net sales (Million yen)	Overseas net sales to consolidated net sales (%)
Asia	1,844	14.3	2,293	14.5
North America	2,047	15.9	4,199	26.6
Other regions	476	3.7	679	4.3
Total	4,367	33.9	7,171	45.4
Consolidated net sales	12,869		15,796	

(Note) Net sales are classified based on the actual destinations of products.

(2) Explanation of Financial Position

(Status of assets, liabilities and net assets)

Total assets increased by ¥14 million from the end of the previous fiscal year to ¥113,820 million. Major increases were ¥2,319 million in machinery, equipment and vehicles, and ¥576 million in buildings and structures, and major decreases were ¥1,726 million in construction in progress and ¥1,016 million in investment securities.

Liabilities decreased by ¥553 million from the end of the previous fiscal year to ¥32,343 million. A major increase was ¥1,254 million in electronically recorded obligations - facilities, and major decreases were ¥1,202 million in income taxes payable and ¥797 million in notes and accounts payable - trade.

Net assets increased by ¥568 million from the end of the previous fiscal year to ¥81,477 million. A major increase was ¥931 million in retained earnings, and a major decrease was ¥479 million in valuation difference on available-for-sale securities.

As a result, the equity ratio rose to 70.9%, from 70.3% 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 changed from the initial plan (announced on April 28, 2022). Assumptions for the exchange rates of major currencies are ¥120 to U.S. dollar and ¥130 to Euro.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	23,155	22,552
Notes receivable - trade	1,271	995
Electronically recorded monetary claims - operating	2,622	2,889
Accounts receivable - trade	13,044	13,321
Securities	15,600	15,600
Merchandise and finished goods	7,373	7,218
Work in process	41	55
Raw materials and supplies	3,689	3,870
Other	870	1,014
Allowance for doubtful accounts	(1)	(0)
Total current assets	67,668	67,516
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,238	5,815
Machinery, equipment and vehicles, net	4,136	6,455
Land	8,523	8,524
Construction in progress	3,776	2,049
Other, net	692	633
Total property, plant and equipment	22,366	23,479
Intangible assets	356	411
Investments and other assets		
Investment securities	22,331	21,314
Deferred tax assets	319	335
Retirement benefit asset	364	366
Other	403	401
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	23,414	22,413
Total non-current assets	46,137	46,304
Total assets	113,805	113,820

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,993	7,196
Electronically recorded obligations - operating	471	566
Short-term borrowings	2,530	2,530
Current portion of long-term borrowings	2,074	2,100
Accrued expenses	1,449	1,290
Income taxes payable	1,849	646
Accrued consumption taxes	116	118
Notes payable - facilities	36	26
Electronically recorded obligations - facilities	49	1,304
Other	2,537	3,014
Total current liabilities	19,109	18,792
Non-current liabilities		
Long-term borrowings	11,017	11,068
Deferred tax liabilities	295	39
Deferred tax liabilities for land revaluation	1,008	1,008
Provision for retirement benefits for directors (and other officers)	90	59
Retirement benefit liability	625	608
Asset retirement obligations	380	380
Provision for share awards	50	56
Other	318	329
Total non-current liabilities	13,788	13,550
Total liabilities	32,897	32,343
Net assets		
Shareholders' equity		
Share capital	6,867	6,867
Capital surplus	5,740	5,740
Retained earnings	60,475	61,406
Treasury shares	(250)	(250)
Total shareholders' equity	72,833	73,764
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,853	4,373
Revaluation reserve for land	2,298	2,298
Foreign currency translation adjustment	32	194
Remeasurements of defined benefit plans	30	34
Total accumulated other comprehensive income	7,215	6,901
Non-controlling interests	859	811
Total net assets	80,908	81,477
Total liabilities and net assets	113,805	113,820

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	12,869	15,796
Cost of sales	7,717	9,522
Gross profit	5,151	6,274
Selling, general and administrative expenses		
Transportation and storage costs	1,353	2,187
Advertising expenses	121	192
Salaries	578	571
Retirement benefit expenses	41	38
Provision for retirement benefits for directors (and other officers)	4	4
Research and development expenses	261	368
Other	1,020	1,135
Total selling, general and administrative expenses	3,380	4,498
Operating profit	1,770	1,775
Non-operating income		
Interest income	15	18
Dividend income	164	172
Foreign exchange gains	19	589
Miscellaneous income	16	14
Total non-operating income	214	794
Non-operating expenses		
Interest expenses	7	7
Miscellaneous losses	1	1
Total non-operating expenses	9	9
Ordinary profit	1,975	2,561
Extraordinary income		
Subsidy income	28	—
Total extraordinary income	28	—
Extraordinary losses		
Loss on retirement of non-current assets	1	11
Loss on valuation of investment securities	—	324
Total extraordinary losses	1	336
Profit before income taxes	2,002	2,225
Income taxes	654	690
Profit	1,347	1,535
Loss attributable to non-controlling interests	(4)	(43)
Profit attributable to owners of parent	1,351	1,578

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,347	1,535
Other comprehensive income		
Valuation difference on available-for-sale securities	(359)	(481)
Deferred gains or losses on hedges	10	—
Foreign currency translation adjustment	(0)	162
Remeasurements of defined benefit plans, net of tax	3	3
Total other comprehensive income	(347)	(316)
Comprehensive income	1,000	1,219
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,000	1,264
Comprehensive income attributable to non-controlling interests	0	(45)

(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)

There is no relevant information.

(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 first quarter under review, and multiply 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 three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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	2,928	—	2,928	—	2,928	—	2,928
Organic chemicals	3,220	—	3,220	—	3,220	—	3,220
Fine chemicals	2,243	—	2,243	—	2,243	—	2,243
Interior, exterior finishes and paving materials	—	348	348	—	348	—	348
Exterior products	—	3,729	3,729	—	3,729	—	3,729
Other	—	—	—	399	399	—	399
Revenue from contracts with customers	8,391	4,077	12,469	399	12,869	—	12,869
Net sales to outside customers	8,391	4,077	12,469	399	12,869	—	12,869
Inter-segment net sales or transfers	0	0	0	79	80	(80)	—
Total	8,391	4,078	12,470	479	12,949	(80)	12,869
Segment profit	1,753	474	2,228	41	2,269	(499)	1,770

(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 ¥(499) million includes inter-segment eliminations of ¥0 million and corporate expenses in the amount of ¥(499) million not allocated to each reportable segment. The relevant corporate expenses are mainly general and administrative expenses not allocated to the reportable segments.

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

II. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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	3,610	—	3,610	—	3,610	—	3,610
Organic chemicals	5,476	—	5,476	—	5,476	—	5,476
Fine chemicals	2,239	—	2,239	—	2,239	—	2,239
Interior, exterior finishes and paving materials	—	339	339	—	339	—	339
Exterior products	—	3,834	3,834	—	3,834	—	3,834
Other	—	—	—	294	294	—	294
Revenue from contracts with customers	11,327	4,174	15,501	294	15,796	—	15,796
Net sales to outside customers	11,327	4,174	15,501	294	15,796	—	15,796
Inter-segment net sales or transfers	0	0	0	67	67	(67)	—
Total	11,327	4,174	15,502	362	15,864	(67)	15,796
Segment profit	1,937	296	2,233	27	2,261	(485)	1,775

(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 ¥(485) million includes inter-segment eliminations of ¥(0) million and corporate expenses in the amount of ¥(485) million not allocated to each reportable segment. The relevant corporate expenses are mainly general and administrative expenses not allocated to the reportable segments.

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