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November 8, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4046
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 Scheduled date to file quarterly securities report: November 11, 2024
 Scheduled date to commence dividend payments: December 5, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	50,167	7.6	6,967	41.7	7,185	19.4	4,866	20.4
September 30, 2023	46,622	(10.2)	4,917	(49.4)	6,020	(44.5)	4,042	(46.1)

Note: Comprehensive income For the Six months ended September 30, 2024: ¥4,105million [(45.4)%]
 For the Six months ended September 30, 2023: ¥7,516 million [(10.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	38.36	—
September 30, 2023	31.78	—

Note: The Company implemented a 5-for-1 stock split for common shares with an effective October 1, 2024. Basic earnings per share is calculated based on the assumption that the stock split was implemented at the beginning of previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2024	153,061	112,739	73.7
March 31, 2024	150,541	109,765	72.9

Reference: Equity
 As of September 30, 2024: ¥112,732 million
 As of March 31, 2024: ¥109,760 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	45.00	—	45.00	90.00
Fiscal year ending March 31, 2025	—	45.00			
Fiscal year ending March 31, 2025 (Forecast)			—	10.00	—

Note: 1. Revisions to the forecast of cash dividends most recently announced: None
2. The Company implemented a 5-for-1 stock split for common shares with an effective October 1, 2024. Concerning the projected year-end dividend per share for the fiscal year ending March 31, 2025, the dividend amount based on the number of shares after the stock split is shown, and the total full-year dividend is displayed as “-”. Based on the number of shares prior to the stock split, the projected year-end dividend for the fiscal year ending March 31, 2025, is 50 yen for a full-year dividend of 95 yen per share.

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2025 (from 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	103,000	8.9	16,000	52.5	16,800	39.9	11,500	50.3	90.65

Note: 1. Revisions to the forecast of consolidated financial results most recently announced: None
2. The Company implemented a 5-for-1 stock split for common shares with an effective October 1, 2024. Projected basic earnings per share for the year ending March 31, 2025, uses the number of shares after the stock split. Based on the number of shares prior to the stock split, basic earnings per share are expected to be 453.24 yen

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	26,732,017 shares
As of March 31, 2024	26,732,017 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2024	1,358,263 shares
As of March 31, 2024	1,359,017 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	25,373,015 shares
Six months ended September 30, 2023	25,440,958 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

In this document, statements other than historical facts are forward looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Qualitative Information Concerning Results for the Six months ended September 30, 2024 (3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts" on page 4 of the attached documents.

(Attached Documents)

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1. Qualitative Information Concerning Results for the Six months ended September 30, 2024

(1) Analysis of Operating Results

During the first six months of the current consolidated fiscal year, the Japanese economy continued its gradual recovery, with an improvement in the employment situation and a pickup in consumer spending and capital investment. On the other hand, the situation remained difficult due to not only issues such as soaring raw material and fuel prices and rising commodity prices, but also the impact of the prolonged situation in Ukraine, the situation surrounding the Middle East, the continued high interest rates in the U.S. and Europe, and the impact of the stagnant real estate market in China.

In light of these circumstances, our group has been steadily implementing specific measures in line with the basic policies set forth in our new medium-term management plan, Shape the Future-2025 (FY2023 to FY2025). The three basic policies are continuous strengthening of our base in existing businesses, strengthening of new product creation capabilities, and promotion of sustainability management and we have been steadily implementing specific measures in line with these basic policies.

In terms of the “continuous strengthening of our base in existing businesses,” we have been working to enhance our business base by generating stable cash flows and actively investing in growth areas. In the Basic chemicals business, the Allyl Chloride main manufacturing equipment problems that occurred at the Mizushima Plant in April 2023 were repaired at the end of June 2024, and the supply problem has been resolved. We are striving to restore confidence by continuing safe and stable operation through strengthened facility management and fulfilling our supply responsibilities to customers. In the Functional chemicals business, sales of synthetic rubber and synthetic resin increased as a result of sales expansion activities for existing customers and the promotion of new business development. In the Healthcare business, the demand for pharmaceutical purification materials for diabetes and obesity treatments continued to expand, and sales volume has steadily increased. To meet growing demand, construction of the new Matsuyama Plant was completed in September, and expansion of the Amagasaki Plant is progressing as planned. The market for anti-obesity drugs is growing rapidly, and we have begun to re-examine demand forecasts and consider further expansion of our manufacturing facilities.

In terms of the “strengthening of new product creation capabilities,” the development of materials for next-generation storage batteries, such as ultra-high ionic conductive polymers for all-solid batteries, which were selected as a NEDO Green Innovation Fund project, is progressing as originally planned. In the area of pharmaceutical purification materials, we are developing ultra-high surface area gels for EPA purification and supercritical fluid chromatography applications, for which demand is expected to grow in the future, and have begun marketing activities to customers. In the area of material recycling, which has been the focus of much attention in recent years, we are developing materials for trace metal adsorbents and plan to enter the demonstration stage with customers.

In terms of the “promotion of sustainability management,” we have been promoting “management initiatives that take into account cost of capital and stock price” by establishing cash allocation aimed at proactively investing in future growth and shareholder returns, as well as by increasing opportunities for dialogue with investors.

Aiming to develop human resources by promoting operational reform activities as part of our investment in human capital, we have decided to relocate our head office (scheduled for August 2025) in order to create a comfortable work environment and improve employee engagement. We are committed to becoming a “company where employees can fully demonstrate their abilities,” which is our ideal image for 2035, the 120th anniversary since our founding.

Net sales for the first six months of the current consolidated fiscal year increased 7.6% year on year to ¥50,167 million. In terms of profit, operating profit increased 41.7% year on year to ¥6,967 million, ordinary profit increased 19.4% year on year to ¥7,185 million, and profit attributable to owners of parent increased 19.4% year on year to ¥4,866 million.

<Basic Chemicals>

The sales volume of Chlor-Alkali products increased due to resolving the supply issues caused by the manufacturing equipment problems at the Mizushima Plant, but net sales decreased due in part to unit sales price adjustments following softening market conditions.

Although Epichlorohydrin was affected by the softening of overseas market conditions, net sales increased due to resolving the supply issues caused by manufacturing equipment problems and an increase in overseas sales volume.

As a result of the above, net sales in the Basic chemicals business increased 0.8% year on year to ¥18,403 million.

<Functional Chemicals>

In the Synthetic rubbers business, net sales increased as sales of Epichlorohydrin Rubber for automotive applications were favorable and price revisions were implemented in response to soaring raw material and fuel prices.

Net sales of DAP resin increased due to new adoption for UV ink applications, primarily in China.

Net sales of Allyl Ethers increased due to strong demand for Silane coupling agents in China, particularly for paint applications.

As a result of the above, net sales in the Functional chemicals business increased 18.4% year on year to ¥15,963 million.

<Healthcare>

Net sales of pharmaceutical purification materials increased due to a steady growth in demand for applications such as diabetes treatments in Europe, the Americas, and Asia.

Net sales of active pharmaceutical ingredients (APIs) and their intermediates decreased, as although sales of intermediates for treatments for diabetes complications and muscle disease drug substances expanded, sales of nucleic acid APIs and antiulcer drug intermediates decreased.

As a result of the above, net sales in the Healthcare business increased 14.9% year on year to ¥6,172 million.

<Trading and Others>

Net sales of consumer products increased as sales of imported building materials expanded and demand for glass fiber recovered, especially for electronic materials and automotive products.

As a result of the above, net sales in the Trading and others business increased 1.3% year on year to ¥9,627 million.

(2) Analysis of Financial Position

(Assets)

Current assets were ¥94,021 million, an increase of 1.7% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥6,539 million in cash and deposits.

Non-current assets were ¥59,039 million, an increase of 1.6% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥2,019 million in construction in progress.

As a result, total assets at the end of the first six months of the consolidated accounting period were ¥153,061 million, an increase of 1.7% compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities were ¥32,927 million, an increase of 0.2% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥1,232 million in income taxes payable.

Non-current liabilities were ¥7,394 million, a decrease of 6.6% compared to the end of the previous fiscal year. This was mainly due to a decrease of ¥354 million in deferred tax liabilities.

As a result, liabilities at the end of the first six months of the consolidated accounting period were ¥40,321 million, a decrease of 1.1% compared to the end of the previous fiscal year.

(Net assets)

Net assets at the end of the first six months of the consolidated accounting period were ¥112,739 million, an increase of 2.7% compared to the end of the previous fiscal year. This was mainly due to increases of ¥3,725 million in retained earnings.

(Cash flows)

Cash and cash equivalents at the end of the first six months of the consolidated accounting period increased by ¥4,531 million compared to the end of the previous fiscal year to ¥42,963 million. Cash flows for the first six months of the consolidated fiscal year and their factors are as follows.

- ① Cash flow from operating activities was ¥10,117 million (compared to ¥5,149 million in the same period of the previous fiscal year). This was mainly due to a profit before income taxes of ¥7,100 million, a decrease in accounts receivable and contract assets of ¥3,619 million and depreciation expenses of ¥1,873 million as increasing factors, and a decrease in trade payables of ¥1,238 million as decreasing factors.
- ② Cash flow from investment activities was ¥4,483 million (compared to ¥815 million in the same period of the previous fiscal year). This was mainly due to the purchase of property, plant and equipment of ¥3,457 million.
- ③ Cash flow from financing activities was ¥1,226 million (compared to ¥1,167 million in the same period of the previous fiscal year). This was mainly due to the payment of ¥1,127 million yen in dividends.

(3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts

There is no change to the earnings forecast for the fiscal year ending March 31, 2025, which was announced on May 10, 2024. If there are any changes in the future, we will disclose them appropriately.

2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	14,433	20,973
Notes and accounts receivable - trade, and contract assets	30,068	26,762
Electronically recorded monetary claims - operating	4,710	4,619
Securities	23,998	22,490
Merchandise and finished goods	10,065	10,255
Work in process	2,354	2,169
Raw materials and supplies	5,502	5,676
Other	1,314	1,079
Allowance for doubtful accounts	△3	△4
Total current assets	92,444	94,021
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,272	8,149
Machinery, equipment and vehicles, net	12,570	12,069
Land	2,301	2,301
Leased assets, net	614	577
Construction in progress	3,807	5,827
Other, net	365	365
Total property, plant and equipment	27,932	29,290
Intangible assets		
Goodwill	162	140
Software	105	87
Other	504	1,289
Total intangible assets	772	1,517
Investments and other assets		
Investment securities	28,224	26,721
Deferred tax assets	441	534
Long-term loans receivable	12	10
Other	735	987
Allowance for doubtful accounts	△21	△22
Total investments and other assets	29,391	28,231
Total non-current assets	58,096	59,039
Total assets	150,541	153,061

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,108	14,113
Short-term borrowings	7,172	7,172
Income taxes payable	1,194	2,427
Provision for bonuses	927	928
Current portion of long-term borrowings	65	79
Other	8,392	8,206
Total current liabilities	32,860	32,927
Non-current liabilities		
Long-term borrowings	393	405
Lease liabilities	787	733
Deferred tax liabilities	3,999	3,644
Retirement benefit liability	1,999	1,902
Asset retirement obligations	556	557
Other	179	150
Total non-current liabilities	7,915	7,394
Total liabilities	40,776	40,321
Net assets		
Shareholders' equity		
Share capital	15,871	15,871
Capital surplus	17,014	17,020
Retained earnings	68,102	71,827
Treasury shares	△4,611	△4,609
Total shareholders' equity	96,377	100,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,156	11,447
Deferred gains or losses on hedges	71	△209
Foreign currency translation adjustment	871	1,106
Remeasurements of defined benefit plans	283	276
Total accumulated other comprehensive income	13,383	12,621
Non-controlling interests	4	7
Total net assets	109,765	112,739
Total liabilities and net assets	150,541	153,061

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	46,622	50,167
Cost of sales	34,466	35,513
Gross profit	12,156	14,654
Selling, general and administrative expenses	7,238	7,686
Operating profit	4,917	6,967
Non-operating income		
Interest income	10	27
Dividend income	372	456
Share of profit of entities accounted for using equity method	3	10
Foreign exchange gains	474	—
Subsidy income	253	99
Other	76	86
Total non-operating income	1,191	679
Non-operating expenses		
Interest expenses	39	55
Foreign exchange losses	—	299
Loss on tax purpose reduction entry of non-current assets	26	25
Other	23	81
Total non-operating expenses	89	462
Ordinary profit	6,020	7,185
Extraordinary losses		
Loss on retirement of non-current assets	94	84
Total extraordinary losses	94	84
Profit before income taxes	5,925	7,100
Income taxes - current	1,833	2,237
Income taxes - deferred	52	△0
Total income taxes	1,886	2,236
Profit	4,039	4,864
Loss attributable to non-controlling interests	△3	△2
Profit attributable to owners of parent	4,042	4,866

Consolidated statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	4,039	4,864
Other comprehensive income		
Valuation difference on available-for-sale securities	2,977	△708
Deferred gains or losses on hedges	261	△280
Foreign currency translation adjustment	213	236
Remeasurements of defined benefit plans, net of tax	15	△7
Share of other comprehensive income of entities accounted for using equity method	8	2
Total other comprehensive income	3,476	△758
Comprehensive income	7,516	4,105
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,516	4,105
Comprehensive income attributable to non-controlling interests	△0	0

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,925	7,100
Depreciation	1,863	1,873
Amortization of goodwill	28	22
Increase (decrease) in allowance for doubtful accounts	16	0
Increase (decrease) in provision for bonuses	△5	1
Increase (decrease) in retirement benefit liability	△82	△97
Interest and dividend income	△383	△483
Interest expenses	39	55
Foreign exchange losses (gains)	△236	121
Loss on retirement of non-current assets	94	84
Loss on tax purpose reduction entry of non-current assets	26	24
Share of loss (profit) of entities accounted for using equity method	△3	△10
Subsidy income	△253	△99
Decrease (increase) in accounts receivable - trade, and contract assets	△607	3,619
Decrease (increase) in inventories	△1,701	△120
Increase (decrease) in trade payables	980	△1,238
Increase (decrease) in accrued consumption taxes	△167	4
Other, net	2,554	△107
Subtotal	8,087	10,751
Subsidies received	48	25
Interest and dividends received	390	483
Interest paid	△39	△55
Income taxes paid	△3,337	△1,087
Net cash provided by (used in) operating activities	5,149	10,117

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	△1,131	△3,457
Purchase of intangible assets	△337	△789
Purchase of investment securities	△10	△10
Proceeds from sale of shares of subsidiaries and associates	588	—
Subsidies received	205	74
Other, net	△128	△300
Net cash provided by (used in) investing activities	△815	△4,483
Cash flows from financing activities		
Repayments of long-term borrowings	△34	△39
Purchase of treasury shares	△1	△1
Dividends paid	△1,143	△1,127
Other, net	11	△57
Net cash provided by (used in) financing activities	△1,167	△1,226
Effect of exchange rate change on cash and cash equivalents	440	123
Net increase (decrease) in cash and cash equivalents	3,607	4,531
Cash and cash equivalents at beginning of period	36,843	38,432
Cash and cash equivalents at end of period	40,450	42,963

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes on Major Changes in Shareholders' Equity)

Not applicable

(Segment Information and Other Items)

The Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Millions of yen)

	Basic chemicals	Functional chemicals	Healthcare	Trading and Others	Total	Adjustments *1	Consolidated *2
Net sales							
Japan	17,604	3,787	2,327	8,361	32,080	—	32,080
China	—	3,942	543	821	5,307	—	5,307
Asia	396	2,960	759	313	4,431	—	4,431
Europe	143	1,585	1,306	3	3,037	—	3,037
Others	122	1,201	435	6	1,765	—	1,765
Revenue from Contracts with Customers	18,266	13,477	5,372	9,507	46,622	—	46,622
Other Revenue	—	—	—	—	—	—	—
External sales	18,266	13,477	5,372	9,507	46,622	—	46,622
Intersegment sales or reclassifications	0	551	—	1,376	1,928	(1,928)	—
Total	18,266	14,028	5,372	10,883	48,551	(1,928)	46,622
Segment income	59	2,107	2,661	698	5,527	(609)	4,917

Notes:

- (1) Adjustments of segment income of ¥ (609) million are corporate expenses not allocated to reportable segments. Most of above-mentioned corporate expenses are not attributable to a reporting segment and related to fundamental research and development.
- (2) Segment income is adjusted to operating income of consolidated statement of income.

The Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Millions of yen)

	Basic chemicals	Functional chemicals	Healthcare	Trading and Others	Total	Adjustments *1	Consolidated *2
Net sales							
Japan	17,250	4,387	1,504	7,512	30,654	—	30,654
China	—	4,388	653	1,759	6,801	—	6,801
Asia	815	2,991	1,195	244	5,246	—	5,246
Europe	166	2,391	2,345	105	5,008	—	5,008
Others	171	1,804	472	5	2,454	—	2,454
Revenue from Contracts with Customers	18,403	15,963	6,172	9,627	50,167	—	50,167
Other Revenue	—	—	—	—	—	—	—
External sales	18,403	15,963	6,172	9,627	50,167	—	50,167
Intersegment sales or reclassifications	0	376	—	1,812	2,189	(2,189)	—
Total	18,404	16,339	6,172	11,440	52,356	(2,189)	50,167
Segment income	1,047	2,560	3,424	570	7,603	(635)	6,967

Notes:

- (1) Adjustments of segment income of ¥ (635) million are corporate expenses not allocated to reportable segments. Most of above-mentioned corporate expenses are not attributable to a reporting segment and related to fundamental research and development.
- (2) Segment income is adjusted to operating income of consolidated statement of income.