



Consolidated Financial Results for the Six Months Ended September 30, 2022 [JGAAP]

November 11, 2022

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Scheduled date for submitting the Quarterly Securities Report:
 November 11, 2022

Scheduled date to commence dividend payments:
 December 7, 2022

Availability of supplementary briefing material on financial results: Yes

Financial results briefing session: Yes (For institutional investors and analysts)

1. Consolidated financial results for the first half of the fiscal year ending March 31, 2023 (April 1, 2022–September 30, 2022)

(Amounts are rounded down to the nearest million yen)

(1) Consolidated operating results

(% figures are the rate of year-on-year increase or decrease)

	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, 2022	37,307	32.3	6,581	48.9	7,346	67.6	5,192	71.2
Six months ended September 30, 2021	28,202	15.6	4,418	139.1	4,383	154.3	3,033	269.1

(Note) Comprehensive income:

Six months ended September 30, 2022: ¥6,592 million (80.7%)

Six months ended September 30, 2021: ¥3,647 million (150.2%)

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Six months ended September 30, 2022	90.38	—
Six months ended September 30, 2021	52.80	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	114,981	65,676	55.7	1,114.50
As of March 31, 2022	109,902	59,908	53.0	1,014.01

(Reference) Equity capital:

As of September 30, 2022: ¥64,031 million

As of March 31, 2022: ¥58,254 million

2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	8.00	—	14.00	22.00
Fiscal year ending March 31, 2023	—	10.00	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	22.00	32.00

(Note) Revision of dividend forecast from the latest announcement: Yes

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022–March 31, 2023)

(% figures are the rate of year-on-year increase or decrease)

	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	82,300	32.1	12,300	10.2	13,100	17.5	9,100	17.2	158.40

(Note) Revision of performance forecast from the latest announcement: Yes

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation):

Not applicable

New: — companies (company names); Removed: — companies (company names)

- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- i. Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- ii. Changes in accounting policies other than i.: None
- iii. Changes in accounting estimates: None
- iv. Retrospective restatement: None

- (4) Number of shares issued (common stock)

i. Number of shares issued at the end of the period
(including treasury shares)

As of September 30, 2022	57,546,050 shares	As of March 31, 2022	57,546,050 shares
As of September 30, 2022	93,120 shares	As of March 31, 2022	96,900 shares
As of September 30, 2022	57,450,059 shares	As of September 30, 2021	57,447,954 shares

ii. Number of treasury shares at the end of the period

iii. Average number of shares during the period

Notes:

- Summary of financial results are not subject to audit by a certified public accountant or an auditing firm.

- Proper use of performance forecasts, and other special matters

(Notes to forward-looking statements)

The performance outlooks and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended to be a promise by the Company that they will be realized. Actual results may differ significantly due to various factors. Please refer to "Consolidated earnings forecasts" on page 3 of the attached materials for information on the performance forecasts.

(How to obtain supplementary financial results briefing materials)

The Company plans to hold a financial results briefing for institutional investors and securities analysts on Tuesday, November 22, 2022. Supplementary financial results briefing materials to be used at this briefing will be posted on the Company's website after the session.

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1. Qualitative information on the first six months ended September 30, 2022

(1) Operating results

In the first half of the fiscal year ending March 31, 2023, while the Japanese economy showed signs of recovery due to effects of various government policies, severe conditions continued to prevail amid factors such as rising raw material and fuel prices, sharp fluctuations in exchange rates and distribution restrictions. Overseas, outlooks remained uncertain due to the need for caution amid downside risks from such factors as the prolonged situation in Ukraine and fluctuations in financial and capital markets.

Amid this business environment, net sales for the first half of the fiscal year ending March 31, 2023 amounted to ¥37,307 million, up ¥9,104 million or 32.3% year on year, due to significantly higher sales in the Fine Chemicals Division supported by strong demand. For profits, ordinary profit amounted to ¥7,346 million, up ¥2,962 million or 67.6%, mainly due to higher sales in the Fine Chemicals Division despite increased raw material and fuel prices. Profit attributable to owners of parent amounted to ¥5,192 million, up ¥2,159 million or 71.2%.

The following provides an overview for each segment.

a. Fundamental Chemicals Division

Sales of caustic soda and hydrochloric acid were up due to effects from price revisions, despite lower sales volumes.

For organic products, sales of trichloroethylene and perchloroethylene were up due to effects from price revisions, despite lower sales volumes.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥4,130 million, up ¥394 million or 10.6% year on year. Operating profit amounted to ¥84 million (versus operating loss of ¥84 million in the previous fiscal year).

b. Fine Chemicals Division

For fluorochemicals for semiconductors and liquid crystals, sales of nitrogen trifluoride were up due to an increase in sales volumes and effects from price revisions. Sales of tungsten hexafluoride and hexafluoro-1,3-butadiene were up due to higher sales volumes.

Sales of lithium hexafluorophosphate, a battery material, were up due to higher sales volumes and effects from price revisions.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥30,310 million, up ¥8,324 million or 37.9% year on year. Operating profit amounted to ¥6,007 million, up ¥2,087 million or 53.2%.

c. Ferrochemicals Division

Sales of reprographic carriers, used in developers for copiers and printers, were up year on year due to higher sales volumes. Sales of iron oxide were down due to lower sales of colorants.

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥1,446 million, up ¥218 million or 17.8% year on year. Operating profit amounted to ¥398 million, up ¥162 million or 69.2%.

d. Commercial Business Division

Sales increased slightly compared with the previous fiscal year due to growth in sales of industrial chemicals. As a result of the above, net sales in the Commercial Business Division amounted to ¥356 million, up ¥0 million or 0.2% year on year. Operating profit amounted to ¥90 million, down ¥1 million or 1.9%.

e. Facilities Division

Net sales in chemical facility plant and general industrial plant construction were up year on year due to an increase in contract work.

As a result of the above, net sales in the Facilities Division amounted to ¥1,063 million, up ¥166 million or 18.6%. Operating profit amounted to ¥384 million, up ¥160 million or 71.2%.

(2) Financial position

As of the end of the second quarter of the fiscal year ending March 31, 2023, assets amounted to ¥114,981 million, up ¥5,079 million from the end of the previous fiscal year, mainly due to increases in property, plant and equipment, and inventories, which offset a decrease in cash and deposits.

Liabilities totaled ¥49,305 million, down ¥687 million, mainly due to a decrease in borrowings, which

offset increases in notes and accounts payable—trade and other current liabilities.

Net assets amounted to ¥65,676 million, up ¥5,767 million, mainly due to increases in retained earnings and foreign currency translation adjustments. The equity ratio was 55.7%, versus 53.0% at the end of the previous fiscal year.

(3) Consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending March 31, 2023 has been revised from the previous forecast announced on August 10, 2022. The dividend forecast has also been revised. For details, please refer to the “Notice of Revision of Earnings and Dividend Forecasts” (in Japanese only) released separately.

The above forecasts were created based on information available as of the date of this document's publishing, and actual results may differ versus forecast figures due to a variety of factors arising in the future.

2. Consolidated financial statements and notes

(1) Consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2022	As of September 30, 2022
Assets:		
Current assets		
Cash and deposits	26,728	18,518
Notes and accounts receivable—trade, and contract assets	16,921	19,075
Electronically recorded monetary claims—operating	1,101	1,153
Merchandise and finished goods	5,182	5,096
Work in process	4,416	7,171
Raw materials and supplies	3,526	5,431
Other	3,896	4,550
Allowance for doubtful accounts	(68)	(68)
Total current assets	61,705	60,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,872	9,784
Machinery and equipment, net	11,655	17,935
Construction in progress	11,001	9,451
Other, net	6,692	6,907
Total property, plant and equipment	38,221	44,079
Intangible assets	728	769
Investments and other assets		
Investment securities	7,464	6,947
Deferred tax assets	1,165	1,297
Other	621	963
Allowance for doubtful accounts	(4)	(5)
Total investments and other assets	9,246	9,202
Total non-current assets	48,196	54,051
Total assets	109,902	114,981

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities:		
Current liabilities		
Notes and accounts payable—trade	8,068	8,734
Electronically recorded obligations—operating	835	1,305
Short-term borrowings	4,200	4,515
Current portion of long-term borrowings	5,886	6,666
Income taxes payable	2,600	2,160
Provision for bonuses for directors (and other officers)	134	53
Other	5,540	6,332
Total current liabilities	27,265	29,769
Non-current liabilities		
Long-term borrowings	20,166	17,002
Provision for retirement benefits for directors (and other officers)	137	132
Provision for share awards for directors (and other officers)	11	13
Retirement benefit liability	1,754	1,598
Other	657	789
Total non-current liabilities	22,727	19,535
Total liabilities	49,993	49,305
Net assets:		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,829	1,829
Retained earnings	50,483	54,870
Treasury shares	(68)	(65)
Total shareholders' equity	55,122	59,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,527	2,195
Foreign currency translation adjustment	413	1,976
Remeasurements of defined benefit plans	191	347
Total accumulated other comprehensive income	3,132	4,519
Non-controlling interests	1,654	1,644
Total net assets	59,908	65,676
Total liabilities and net assets	109,902	114,981

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	From April 1, 2021 to September 30, 2021	From April 1, 2022 to September 30, 2022
Net sales	28,202	37,307
Cost of sales	19,646	26,047
Gross profit	8,556	11,259
Selling, general and administrative expenses	4,137	4,678
Operating profit	4,418	6,581
Non-operating profit		
Interest income	2	6
Dividend income	122	145
Foreign exchange gains	58	720
Gain on sale of trial products	-	111
Other	136	123
Total non-operating profit	319	1,107
Non-operating expenses		
Interest expenses	137	184
Loss on valuation of derivatives	35	116
Loss on sale of trial products	137	-
Other	45	41
Total non-operating expenses	355	342
Ordinary profit	4,383	7,346
Extraordinary losses		
Loss on retirement of non-current assets	20	130
Loss on valuation of investment securities	-	15
Total extraordinary losses	20	146
Profit before income taxes	4,362	7,199
Income taxes payable	1,217	1,987
Profit	3,144	5,211
Profit attributable to non-controlling interests	111	19
Profit attributable to owners of parent	3,033	5,192

Consolidated Statement of Comprehensive Income

(Millions of yen)

	From April 1, 2021 to September 30, 2021	From April 1, 2022 to September 30, 2022
Profit	3,144	5,211
Other comprehensive income		
Valuation difference on available-for-sale securities	122	(386)
Foreign currency translation adjustment	381	1,610
Remeasurements of defined benefit plans	(1)	155
Total other comprehensive income	502	1,380
Comprehensive income	3,647	6,592
Comprehensive income attributable to:		
Owners of parent	3,472	6,579
Non-controlling interests	174	12

(3) Notes to the consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Application of special accounting for preparing quarterly consolidated financial statements)

Tax expenses are calculated by multiplying profit before income taxes by the reasonably estimated effective tax rate after the application of tax effect accounting to profit before income taxes for the fiscal year ending March 31, 2023, including the first half. However, in cases where calculating tax expenses using the estimated effective tax rate would significantly lack rationality, tax expenses are calculated using the statutory effective tax rate.

(Segment information)

I. From April 1, 2021 to September 30, 2021

1. Information on net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded on the statement of income (Note 2)
	Fundamental Chemicals	Fine Chemicals	Ferrochemicals	Commercial Business	Facilities	Total		
Net sales								
(1) Net sales to external customers	3,735	21,986	1,227	355	897	28,202	—	28,202
(2) Inter-segment net sales or transfers	—	—	0	691	1,451	2,143	(2,143)	—
Total	3,735	21,986	1,227	1,047	2,348	30,345	(2,143)	28,202
Segment profit (loss)	(84)	3,920	235	92	224	4,389	28	4,418

(Notes) 1. The segment profit (loss) adjustment of ¥28 million is elimination of inter-segment transactions.

2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

2. Information about impairment loss and goodwill on non-current assets by reportable segment

Not applicable.

II. From April 1, 2022 to September 30, 2022

1. Information on net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded on the statement of income (Note 2)
	Fundamental Chemicals	Fine Chemicals	Ferrochemicals	Commercial Business	Facilities	Total		
Net sales								
(1) Net sales to external customers	4,130	30,310	1,446	356	1,063	37,307	—	37,307
(2) Inter-segment net sales or transfers	—	—	0	650	1,851	2,502	(2,502)	—
Total	4,130	30,310	1,446	1,006	2,915	39,809	(2,502)	37,307
Segment profit	84	6,007	398	90	384	6,966	(385)	6,581

(Notes) 1. The segment profit adjustment of ¥385 million is elimination of inter-segment transactions.

2. Segment profit is adjusted with operating profit in the consolidated statement of income.

2. Information about impairment loss and goodwill on non-current assets by reportable segment

Not applicable.