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July 30, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Security code: 4461
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	17,531	26.3	1,058	-	1,194	-	608	-
June 30, 2023	13,884	(10.1)	(572)	-	(557)	-	(477)	-

Note: Comprehensive income For the three months ended June 30, 2024 ¥1,480 million [- %]
 For the three months ended June 30, 2023 ¥16 million [(97.2) %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	63.63	-
June 30, 2023	(49.96)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	94,555	42,109	39.6	3,911.05
March 31, 2024	94,537	41,297	38.9	3,839.89

Reference: Equity
 As of June 30, 2024 ¥37,428 million
 As of March 31, 2024 ¥36,747 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	–	20.00	–	45.00	65.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		35.00	-	35.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings 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 income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	33,000	13.0	1,500	-	1,400	-	800	–	83.60
Full year	70,000	10.9	4,000	92.6	3,900	89.3	2,000	70.2	208.99

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

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

Newly included: – companies

Excluded: – companies

(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: Yes

(ii) Changes in accounting policies due to reasons other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, kindly refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” in page 9 of attached materials.

(4) Number of issued shares (ordinary shares)

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

As of June 30, 2024	10,684,321 shares
As of March 31, 2024	10,684,321 shares

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

As of June 30, 2024	1,114,393 shares
As of March 31, 2024	1,114,373 shares

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

Three months ended June 30, 2024	9,569,935 shares
Three months ended June 30, 2023	9,557,771 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

(Notice concerning forward-looking statements)

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, no statements herein constitute assurances regarding actual results by the Company. Results may differ materially from the consolidated forecasts due to various factors.

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1. Overview of Operating Results

(1) Overview of Quarterly Operating Results

During the three months ended June 30, 2024, the Japanese economy had been on a gradual path of recovery against a backdrop of improvements in employment rates and earnings. On the other hand, the outlook remains uncertain due to concerns about a global economic recession caused by prolonged geopolitical risks and monetary tightening in the U.S. and EU.

In this environment, the recovery of market conditions, growth in electronic materials for high-end servers, and the bottoming out of sluggish demand enabled the Company to break out of the severe earnings environment of the previous fiscal year and land on higher sales and profits compared to the same period last year.

FY2024 is the final year of our five-year medium-term management plan “FELIZ 115”. In the focused areas of Electronics & Information, Environment & Energy, and Life Sciences, we will strengthen our sales proposal and R&D capabilities and aim to achieve the target values by realizing new developments as early as possible.

Concerning the results for the three months ended June 30, 2024, net sales amounted to ¥17,531 million (up 26.3% year on year), due to the significant growth of radcure resin materials in the Functional Materials segment and increased sales in the Surfactants segment and Amenity Materials segment.

As for profit and loss there was an operating income of ¥1,058 million (an operating loss of ¥572 million in the same period of the previous fiscal year), an ordinary income of ¥1,194 million (an ordinary loss of ¥557 million in the same period of the previous fiscal year), and a profit attributable to owners of parent of ¥608 million (a loss attributable to owners of parent of ¥477 million in the same period of the previous fiscal year), due to sales growth mainly in the Functional Materials segment.

Results by segment are as follows.

Surfactants

Net sales in the Surfactants segment were generally increased significantly.

In Japan, sales were firm in IT and electronics applications and rubber and plastic applications, and sales for soap and detergent applications increased significantly.

Overseas, sales were weak in rubber and plastic applications and paint and coloring agent applications.

As a result, net sales in this segment were ¥4,886 million (up 14.0% year on year).

Operating income was ¥418 million (up 82.3% year on year) due to increased net sales.

Amenity Materials

Net sales in the Amenity Materials segment were generally increased significantly.

In Japan, sales of vinyl polymers were firm for rubber and plastic applications, as were sales of cellulose polymers for energy and environmental applications. Sales of sucrose fatty acid esters were firm in food applications.

Overseas, sales of sucrose fatty acid esters were firm in food applications and personal care (cosmetics) applications.

As a result, net sales in this segment were ¥2,306million (up 17.1% year on year).

Operating income was ¥221 million (operating loss of ¥25 million in the same period of the previous fiscal year) due to increased net sales.

Polyurethane Materials

Net sales in the Polyurethane Materials segment were generally firm.

Sales of civil engineering chemicals related to public works were sluggish while sales of environmentally friendly synthetic lubricants related to CFC regulations were firm. Sales of functional polyurethane were firm in IT and electronics applications.

As a result, net sales in this segment were ¥2,228 million (up 3.6% year on year).

Operating loss was ¥77 million (operating loss of ¥152 million in the same period of the previous fiscal year).

Functional Materials

Net sales in the Functional Materials segment were generally increased significantly.

In Japan, sales of flame retardants for rubber and plastic applications were sluggish while sales of waterborne polyurethane for textile applications and IT and electronics applications were firm. Sales of radcure resin materials for IT and electronics applications were increased significantly.

Overseas, sales of radcure resin materials for IT and electronics applications were increased significantly as did sales of flame retardants for rubber and plastic applications.

As a result, net sales in this segment were ¥6,525 million (up 64.7% year on year)

Operating income was ¥796 million (operating loss of ¥333 million in the same period of the previous fiscal year) due to increased net sales.

Electronic Device Materials

Net sales in the Electronic Device Materials segment were generally firm.

Sales of ionic liquids for display applications and conductive pastes for solar cell applications were firm.

As a result, net sales in this segment were ¥1,504 million (up 5.7% year on year).

Operating loss was ¥129 million (operating loss of ¥36 million in the same period of the previous fiscal year) due to operating expenses, mainly R&D costs, despite firm sales.

Life Sciences

Net sales in the Life Sciences segment decreased by ¥9 million to ¥79 million (down 10.9% year on year).

The OEM business for pharmaceutical additives and health foods made through the concentration and pulverization of extracts from natural materials was sluggish.

Operating loss was ¥171 million (operating loss of ¥253 million in the same period of the previous fiscal year) due to a decrease in operating expenses, despite weak sales.

(2) Overview of Financial Position

(Assets)

Current assets as of June 30, 2024 were ¥53,178 million, down ¥436 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥733 million in cash and deposits, and a decrease of ¥499 million in inventories such as merchandise and finished goods, despite an increase of ¥976 million in notes and accounts receivable - trade. Non-current assets totaled ¥41,376 million, up ¥454 million from the end of the previous fiscal year. This was primarily due to an increase of ¥462 million in investment securities.

As a result, total assets amounted to ¥94,555 million, up ¥17 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of June 30, 2024, were ¥25,827 million, up ¥668 million from the end of the previous fiscal year. This was primarily due to a ¥431 million increase in short-term borrowings and a ¥737 million increase in other (current liabilities) such as accounts payable-other, despite a decrease of ¥348 million notes and accounts payable - trade. Non-current liabilities totaled ¥26,618 million, down ¥1,462 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥1,605 million in long-term borrowings.

As a result, total liabilities at the end of the period under review were ¥52,446 million, down ¥794 million from the end of the previous fiscal year.

(Net assets)

Total net assets as of June 30, 2024 were ¥42,109 million, up ¥811 million from the end of the previous fiscal year. This was primarily due to a profit attributable to owners of parent of ¥608 million and dividends of surplus of ¥430 million resulting in increase retained earnings of ¥178 million, combined with increases of ¥310 million in valuation difference on available-for-sale securities, of ¥203 million in foreign currency translation adjustment, and of ¥130 million in non-controlling interests.

As a result, the equity ratio came to 39.6% (38.9% as of the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

Consolidated financial results forecast has not changed from the forecast for the full year announced as of May 14, 2024.

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, the actual results for the Company may significantly differ due to various factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	16,126	15,392
Notes and accounts receivable - trade	18,299	19,275
Electronically recorded monetary claims - operating	2,364	2,602
Merchandise and finished goods	11,029	10,355
Work in process	20	20
Raw materials and supplies	3,091	3,266
Prepaid expenses	403	516
Other	2,282	1,751
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,614	53,178
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,583	12,440
Machinery, equipment and vehicles, net	5,717	5,632
Tools, furniture and fixtures, net	939	1,026
Land	9,948	10,031
Leased assets, net	2,115	2,028
Construction in progress	1,162	1,335
Total property, plant and equipment	32,467	32,495
Intangible assets	290	272
Investments and other assets		
Investment securities	5,641	6,104
Long-term loans receivable	10	10
Long-term prepaid expenses	346	326
Deferred tax assets	127	126
Retirement benefit asset	1,601	1,603
Other	437	438
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	8,164	8,608
Total non-current assets	40,922	41,376
Total assets	94,537	94,555

(Millions of yen)

	As of March 31, 2024	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,979	11,630
Electronically recorded obligations - operating	562	602
Short-term borrowings	7,847	8,279
Lease liabilities	516	511
Accrued expenses	278	313
Income taxes payable	361	379
Accrued business office taxes	41	10
Provision for bonuses	823	615
Other	2,747	3,484
Total current liabilities	25,159	25,827
Non-current liabilities		
Corporate bonds	6,000	6,000
Long-term borrowings	18,950	17,344
Lease liabilities	1,823	1,719
Deferred tax liabilities	880	1,125
Retirement benefit liability	85	84
Asset retirement obligations	74	74
Other	266	269
Total non-current liabilities	28,081	26,618
Total liabilities	53,240	52,446
Net assets		
Shareholders' equity		
Capital stock	8,895	8,895
Capital surplus	7,266	7,266
Retained earnings	19,851	20,029
Treasury shares	(2,462)	(2,462)
Total shareholders' equity	33,551	33,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,670	1,980
Foreign currency translation adjustment	1,073	1,276
Remeasurements of defined benefit plans	452	441
Total accumulated other comprehensive income	3,196	3,699
Non-controlling interests	4,549	4,680
Total net assets	41,297	42,109
Total liabilities and net assets	94,537	94,555

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	13,884	17,531
Cost of sales	11,583	13,450
Gross profit	2,300	4,081
Selling, general and administrative expenses	2,872	3,022
Operating income (loss)	(572)	1,058
Non-operating income		
Interest income	1	7
Dividend income	8	5
Share of profit of entities accounted for using equity method	-	9
Rental income	8	8
Foreign exchange gains	72	184
Other	21	20
Total non-operating income	113	235
Non-operating expenses		
Interest expenses	53	61
Corporate bond interest	9	9
Share of loss of entities accounted for using equity method	1	-
Other	34	28
Total non-operating expenses	99	99
Ordinary income (loss)	(557)	1,194
Extraordinary losses		
Loss on disposal of non-current assets	19	10
Total extraordinary losses	19	10
Profit (loss) before income taxes	(577)	1,184
Income taxes - current	63	199
Income taxes - deferred	(218)	118
Total income taxes	(155)	318
Profit (loss)	(422)	865
Profit attributable to non-controlling interests	55	256
Profit (loss) attributable to owners of parent	(477)	608

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit (loss)	(422)	865
Other comprehensive income		
Valuation difference on available-for-sale securities	332	310
Foreign currency translation adjustment	106	306
Remeasurements of defined benefit plans net of tax	(8)	(10)
Share of other comprehensive income of entities accounted for using equity method	8	9
Total other comprehensive income	438	614
Comprehensive income	16	1,480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(78)	1,111
Comprehensive income attributable to non- controlling interests	95	368

(3) Notes to Quarterly Consolidated Financial Statements**(Notes on premise of going concern)**

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes", etc.)

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan ;"Revised Accounting Standard") and others from the beginning of the first quarter of the current consolidated fiscal year.

With respect to the revision concerning the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso of "Revised Accounting Standard" 20-3 and the proviso of Paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, March 22, 2024, Accounting Standards Board of Japan;"Revised Guidance" is followed. There is no effect of this change in accounting policy on the quarterly consolidated financial statements.

With respect to the revision related to the revised treatment in consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries and other securities among consolidated companies, the "Revised Accounting Standard" was applied from the beginning of the first quarter of the current consolidated fiscal year. The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous year's first quarter and the previous fiscal year have been prepared on a retrospective basis. The change in accounting policy has no effect on the quarterly consolidated financial statements for the three months ended June 30, 2024 and the consolidated financial statements for the year ended March 31, 2024.

(Notes on quarterly consolidated statement of cash flow)

The consolidated statement of cash flow for the first quarter of the current fiscal year has not been prepared. Depreciation expenses (including amortization expenses related to intangible fixed assets and long- term prepaid expenses) for the first quarter of the current fiscal year are as follows.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	772	798

(Segment information, etc.)

Segment information

I First three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Disclosure of sales and profit (loss) for each reportable segment and information on breakdown of revenues

(Millions of yen)

	Surfactants	Amenity Materials	Polyurethane Materials	Functional Materials	Electronic Device Materials	Life Sciences	Total
Net sales							
Revenue from contracts with customers	4,287	1,969	2,151	3,961	1,423	89	13,884
Revenues from external customers	4,287	1,969	2,151	3,961	1,423	89	13,884
Transactions with other segments	–	–	–	–	–	–	–
Total	4,287	1,969	2,151	3,961	1,423	89	13,884
Segment profit (loss) operating income (loss)	229	(25)	(152)	(333)	(36)	(253)	(572)

Note: Total amount of profit or loss in reportable segments and operating income in the quarterly consolidated statement of income coincide.

II First three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Disclosure of sales and profit (loss) for each reportable segment and information on breakdown of revenues

(Millions of yen)

	Surfactants	Amenity Materials	Polyurethane Materials	Functional Materials	Electronic Device Materials	Life Sciences	Total
Net sales							
Revenue from contracts with customers	4,886	2,306	2,228	6,525	1,504	79	17,531
Revenues from external customers	4,886	2,306	2,228	6,525	1,504	79	17,531
Transactions with other segments	–	–	–	–	–	–	–
Total	4,886	2,306	2,228	6,525	1,504	79	17,531
Segment profit (loss) operating income (loss)	418	221	(77)	796	(129)	(171)	1,058

Note: Total amount of profit or loss in reportable segments and operating income in the quarterly consolidated statement of income coincide.

(Notes on revenue recognition)

Information on revenue from contracts with customers is as stated in Notes (Segment information, etc.).