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Consolidated Financial Results
for the Nine Months Ended December 31, 2023
[Under Japanese GAAP]



February 13, 2024

Company name: STELLA CHEMIFA CORPORATION

Listing: Tokyo Stock Exchange

Securities code: 4109

URL: <https://www.stella-chemifa.co.jp>

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Scheduled date to file quarterly securities report: February 14, 2024

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 - December 31, 2023)

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

	Sales revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	23,311	(17.5)	2,284	(25.6)	2,537	(32.3)	1,707	2.9
December 31, 2022	28,270	4.2	3,068	(12.8)	3,750	(4.7)	1,658	(47.5)

(Note) Comprehensive income: For nine months ended December 31, 2023: ¥2,756 million [16.4%]

For nine months ended December 31, 2022: ¥2,368 million [(27.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	141.98	—
December 31, 2022	134.42	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	57,641	44,813	77.3	3,705.18
As of March 31, 2023	55,471	43,162	77.3	3,568.67

(Reference) Equity: As of December 31, 2023: ¥44,566 million

As of March 31, 2023: ¥42,875 million

2. Cash Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	30.00	–	30.00	60.00
Fiscal year ending March 31, 2024	–	60.00	–		
Fiscal year ending March 31, 2024 (Forecast)				85.00	145.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Sales revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	32,300	(8.7)	2,800	(20.3)	2,450	(43.7)	1,650	(27.7)	137.33

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly included: – (Company name: –)

Excluded: – (Company name: –)

(2) Adoption of accounting treatment specific to 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 revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Total number of issued shares (common shares)

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

As of December 31, 2023: 13,213,248 shares

As of March 31, 2023: 13,213,248 shares

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

As of December 31, 2023: 1,185,204 shares

As of March 31, 2023: 1,198,814 shares

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

Nine months ended December 31, 2023: 12,023,615 shares

Nine months ended December 31, 2022: 12,341,012 shares

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

* Explanation of the proper use of financial results forecast and other notes

The forward-looking statements in this document, including financial results forecasts, are based on the information in current possession of the Company and the assumptions it believes are reasonable. They are not intended as the Company's promise to achieve them. Note also that actual financial results may differ significantly from them. For the assumptions that form the basis of financial results forecasts and notes on their use, see "1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information" on page 3 of the Attachments of quarterly consolidated financial results.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the nine months ended December 31, 2023, the Japanese economy showed signs of a gradual recovery as behavioral restrictions in place to counter COVID-19 were eased. However, the economic outlook remains uncertain due to concerns of an economic slowdown against a backdrop of monetary tightening mainly in Europe and the United States, continued depreciation of the yen, heightened tensions in the global situation and other factors.

In this environment, the Group continued to supply a diverse range of fluoride products in line with the needs of customers mainly in the information and communication industry in Japan and overseas, as well as developing the chemical product distribution business based on the unique know-how acquired in the transportation of special cargo.

In regard to the performance for the nine months ended December 31, 2023, in the Semiconductors, shipment volume declined due to deterioration in the semiconductor market, and shipment volume also fell in the Industrial Hydrofluoric Acid and the General Products. As a result, sales revenue decreased to 23,311 millions of yen (down 17.5% year on year).

In terms of profits, having been buffeted by a decline in sales revenue, operating profit amounted to 2,284 millions of yen (down 25.6% year on year), ordinary profit amounted to 2,537 millions of yen (down 32.3% year on year), and profit attributable to owners of parent amounted to 1,707 millions of yen (up 2.9 % year on year) mainly as a result of impairment losses that were recorded as extraordinary losses in relation to production facilities for additives for lithium-ion secondary batteries in the High-purity Chemical Business.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the third quarter of the fiscal year under review increased by 1,114 millions of yen (3.9%) from the end of the previous fiscal year to 29,729 millions of yen. The main reasons for this increase were an increase of 1,632 millions of yen in cash and deposits, and a decrease of 501 millions of yen in notes and accounts receivable - trade. Non-current assets increased by 1,055 millions of yen (3.9%) from the end of the previous fiscal year to 27,911 millions of yen. The main reason for this increase was an increase of 1,015 millions of yen in property, plant and equipment.

Consequently, total assets at the end of the third quarter of the fiscal year under review increased by 2,170 millions of yen from the end of the previous fiscal year to 57,641 millions of yen.

(Liabilities)

Current liabilities at the end of the third quarter of the fiscal year under review decreased by 1,413 millions of yen (15.9%) from the end of the previous fiscal year to 7,480 millions of yen. The main reasons for this decline were decreases of 498 millions of yen in electronically recorded obligations facilities, 448 millions of yen in accounts payable - other, and 359 millions of yen in accounts payable - trade. Non-current liabilities increased by 1,932 millions of yen (56.6%) from the end of the previous fiscal year to 5,347 millions of yen. The main reason for this increase was an increase of 1,115 millions of yen in long-term borrowings.

Consequently, total liabilities at the end of the third quarter of the fiscal year under review increased by 518 millions of yen from the end of the previous fiscal year to 12,828 millions of yen.

(Net assets)

Total net assets at the end of the third quarter of the fiscal year under review amounted to 44,813 millions of yen, an increase of 1,651 millions of yen from the end of the previous fiscal year. The main reasons for this growth were increases of 1.0 billion of yen in foreign currency translation adjustment and 612 millions of yen in retained earnings.

Consequently, the equity-to-asset ratio was 77.3% (77.3% at the end of the previous fiscal year).

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

Consolidated financial results forecasts for the fiscal year ending March 31, 2024 have not been revised from the forecasts announced on May 9, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes
(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	15,097	16,730
Notes and accounts receivable - trade	7,069	6,567
Electronically recorded monetary claims - operating	41	27
Merchandise and finished goods	2,124	2,043
Work in process	1,701	1,666
Raw materials and supplies	1,671	1,749
Other	924	958
Allowance for doubtful accounts	(14)	(13)
Total current assets	28,615	29,729
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,567	8,714
Machinery, equipment and vehicles, net	4,527	4,559
Land	5,467	5,467
Leased assets	165	152
Construction in progress	1,833	2,486
Other, net	2,063	2,260
Total property, plant and equipment	22,625	23,640
Intangible assets		
Other	261	178
Total intangible assets	261	178
Investments and other assets		
Other	3,970	4,092
Total investments and other assets	3,970	4,092
Total non-current assets	26,856	27,911
Total assets	55,471	57,641

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,469	1,109
Electronically recorded obligations - operating	799	624
Short-term borrowings	1,920	2,000
Current portion of long-term borrowings	932	1,033
Accounts payable - other	1,322	873
Income taxes payable	384	82
Provision for bonuses	387	189
Provision for bonuses for directors (and other officers)	36	—
Electronically recorded obligations facilities	1,069	570
Other	573	998
Total current liabilities	8,894	7,480
Non-current liabilities		
Long-term borrowings	1,070	2,185
Provision for retirement benefits for directors (and other officers)	34	25
Provision for share awards	121	138
Retirement benefit liability	950	959
Asset retirement obligations	689	716
Other	548	1,321
Total non-current liabilities	3,414	5,347
Total liabilities	12,309	12,828
Net assets		
Shareholders' equity		
Share capital	4,829	4,829
Capital surplus	8,793	8,797
Retained earnings	30,904	31,517
Treasury shares	(2,991)	(2,957)
Total shareholders' equity	41,536	42,186
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	42	82
Foreign currency translation adjustment	1,296	2,297
Total accumulated other comprehensive income	1,339	2,379
Share acquisition rights	48	—
Non-controlling interests	238	247
Total net assets	43,162	44,813
Total liabilities and net assets	55,471	57,641

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Sales revenue	28,270	23,311
Cost of sales	22,252	18,200
Gross profit	6,017	5,110
Selling, general and administrative expenses	2,949	2,826
Operating profit	3,068	2,284
Non-operating income		
Share of profit of entities accounted for using equity method	561	—
Gain on valuation of derivatives	—	74
Subsidy income	28	12
Foreign exchange gains	279	221
Other	78	116
Total non-operating income	947	425
Non-operating expenses		
Interest expenses	21	17
Share of loss of entities accounted for using equity method	—	148
Loss on valuation of derivatives	240	—
Other	4	6
Total non-operating expenses	266	172
Ordinary profit	3,750	2,537
Extraordinary income		
Gain on sale of non-current assets	9	14
Gain on change in equity	—	104
Gain on sale of investment securities	1,258	—
Gain on reversal of share acquisition rights	—	48
Total extraordinary income	1,267	167
Extraordinary losses		
Loss on abandonment of non-current assets	454	172
Loss on sale of non-current assets	0	—
Impairment losses	1,926	426
Total extraordinary losses	2,380	598
Profit before income taxes	2,636	2,106
Income taxes	1,283	408
Profit	1,353	1,698
Loss attributable to non-controlling interests	(305)	(8)
Profit attributable to owners of parent	1,658	1,707

Quarterly Consolidated Statement of Comprehensive Income
 Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	1,353	1,698
Other comprehensive income		
Valuation difference on available-for-sale securities	(20)	39
Deferred gains or losses on hedges	(46)	—
Foreign currency translation adjustment	867	854
Share of other comprehensive income of entities accounted for using equity method	213	163
Total other comprehensive income	1,014	1,058
Comprehensive income	2,368	2,756
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,608	2,747
Comprehensive income attributable to non-controlling interests	(239)	9

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on Significant Changes to Shareholders' Equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company has calculated tax expenses by reasonably estimating the effective tax rate after the application of tax effect accounting to profit before income taxes for the fiscal year including the third quarter of the fiscal year under review and multiplying profit before income taxes by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on sales revenue and profit or loss by reportable segment

(Millions of yen)

	Reportable segment			Other (Note)	Total
	High-purity Chemical	Transportation	Total		
Sales revenue					
Sales revenue to outside customers	24,700	3,453	28,153	116	28,270
Inter-segment sales revenue or transfers	0	2,561	2,561	176	2,738
Total	24,700	6,014	30,714	293	31,008
Segment profit	2,619	441	3,060	16	3,077

(Note) The "Other" category is for non-reportable business segments, including insurance agency business and automobile maintenance business.

2. Difference between the total amount of reportable segment profit or loss and the amount in the quarterly consolidated statement of income and main details of this difference (matters relating to difference adjustments)

(Millions of yen)

Profit	Amount
Reportable segment total	3,060
Profit in "Other" category	16
Inter-segment elimination	(8)
Operating profit in the quarterly consolidated statement of income	3,068

3. Matters relating to changes in reportable segments, etc.

Not applicable.

4. Information on impairment losses on non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

In the High-purity Chemical segment, impairment losses in property, plant and equipment (construction in progress), which is held for the purpose of raising the production, was recorded as extraordinary losses regarding additives for lithium-ion secondary batteries, as a result of revising future business plans. The amount recorded as impairment losses for the nine months ended December 31, 2022 was 1,926 millions of yen.

II. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on sales revenue and profit or loss by reportable segment

(Millions of yen)

	Reportable segment			Other (Note)	Total
	High-purity Chemical	Transportation	Total		
Sales revenue					
Sales revenue to outside customers	20,059	3,127	23,186	124	23,311
Inter-segment sales revenue or transfers	0	2,342	2,342	193	2,535
Total	20,059	5,469	25,528	318	25,847
Segment profit	1,964	317	2,281	13	2,294

(Note) The “Other” category is for non-reportable business segments, including insurance agency business and automobile maintenance business.

2. Difference between the total amount of reportable segment profit or loss and the amount in the quarterly consolidated statement of income and main details of this difference (matters relating to difference adjustments)

(Millions of yen)

Profit	Amount
Reportable segment total	2,281
Profit in “Other” category	13
Inter-segment elimination	(10)
Operating profit in the quarterly consolidated statement of income	2,284

3. Matters relating to changes in reportable segments, etc.

Not applicable.

4. Information on impairment losses on non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

In the High-purity Chemical segment, impairment losses of 426 millions of yen were recorded as extraordinary losses for the nine months ended December 31, 2023, as existing production facilities for additives for lithium-ion secondary batteries were treated as idle assets due to a significant decrease in the immediate operations outlook, as a result of taking into consideration the current market environment and production status.