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



August 5, 2022

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: August 10, 2022

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 Three Months Ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(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	%
Three months ended June 30, 2022	9,764	9.8	1,291	(0.0)	1,783	39.1	1,295	61.4
June 30, 2021	8,896	8.2	1,291	46.1	1,282	52.3	802	67.4

(Note) Comprehensive income: For three months ended June 30, 2022: ¥1,738 million [73.0%]

For three months ended June 30, 2021: ¥1,005 million [330.2%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2022	103.55	—	—	—
June 30, 2021	62.66	—	—	—

(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 June 30, 2022	56,495	44,011	76.9	3,471.87
As of March 31, 2022	56,598	42,728	74.5	3,369.93

(Reference) Equity: As of June 30, 2022: ¥43,446 million

As of March 31, 2022: ¥42,170 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, 2022		24.00		36.00	60.00
Fiscal year ending March 31, 2023					
Fiscal year ending March 31, 2023 (Forecast)		30.00		30.00	60.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Sales revenue		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	37,500	0.5	4,600	0.4	5,800	1.6	4,200	(21.7)	335.63

(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 June 30, 2022: 13,213,248 shares

As of March 31, 2022: 13,213,248 shares

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

As of June 30, 2022: 699,291 shares

As of March 31, 2022: 699,457 shares

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

Three months ended June 30, 2022: 12,513,797 shares

Three months ended June 30, 2021: 12,813,519 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 2 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

The Japanese economy showed signs of normalized economic activities for the three months ended June 30, 2022, with eased COVID-19 restrictions. The outlook, however, still remains uncertain due to the escalation of the Russia-Ukraine conflict and the impact of rapid weakening of the yen.

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 three months ended June 30, 2022, both domestic and overseas sales in the Semiconductors increased, backed by the booming global demand for semiconductors. As a result, sales revenue increased to 9,764 millions of yen (up 9.8% year on year).

In terms of profits, operating profit amounted to 1,291 millions of yen (down 0.0% year on year) despite the increased shipment volume in the Semiconductors, as the impact of supply and demand in the Chinese market led to a year-on-year increase in the price of anhydrous hydrofluoric acid, a key raw material. Ordinary profit amounted to 1,783 millions of yen (up 39.1% year on year) and profit attributable to owners of parent 1,295 millions of yen (up 61.4% year on year), as a result of recording share of profit of entities accounted for using equity method. This was due to a significant rise in the sales price following a surge in the market price in China for electrolytes for lithium-ion secondary batteries sold by the Quzhou BDX New Chemical Materials Co., Ltd., an equity method affiliate, resulting in the affiliate's robust operating results.

(2) Explanation of Financial Position

(Assets)

Current assets decreased by 1,130 millions of yen (3.7%) from the end of the previous fiscal year to 29,450 millions of yen. The main reasons for this decline included decreases of 537 millions of yen in raw materials and supplies and 381 millions of yen in merchandise and finished goods.

Non-current assets increased by 1,028 millions of yen (4.0%) from the end of the previous fiscal year to 27,045 millions of yen. The main reasons for this growth included increases of 605 millions of yen in property, plant and equipment and 451 millions of yen in investments and other assets.

Consequently, total assets decreased by 102 millions of yen from the end of the previous fiscal year to 56,495 millions of yen.

(Liabilities)

Current liabilities decreased by 1,148 millions of yen (11.7%) from the end of the previous fiscal year to 8,655 millions of yen. The main reasons for this decline included decreases of 921 millions of yen in income taxes payable and 208 millions of yen in accounts payable - other.

Non-current liabilities decreased by 236 millions of yen (5.8%) from the end of the previous fiscal year to 3,829 millions of yen. The main reason for this decline included a decrease of 296 millions of yen in long-term borrowings.

Consequently, total liabilities decreased by 1,385 millions of yen from the end of the previous fiscal year to 12,484 millions of yen.

(Net assets)

Net assets at the end of the first quarter of the fiscal year under review amounted to 44,011 millions of yen, an increase of 1,282 millions of yen from the end of the previous fiscal year. The main reason for this growth included an increase of 840 millions of yen in retained earnings.

Consequently, the equity-to-asset ratio was 76.9% (74.5% 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, 2023 have not been revised from the forecasts announced on May 10, 2022.

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

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	15,895	16,190
Notes and accounts receivable - trade	8,577	8,292
Electronically recorded monetary claims - operating	65	81
Merchandise and finished goods	2,175	1,793
Work in process	1,510	1,411
Raw materials and supplies	1,584	1,046
Other	789	652
Allowance for doubtful accounts	(17)	(18)
Total current assets	30,581	29,450
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,535	6,442
Machinery, equipment and vehicles, net	4,772	4,689
Land	5,467	5,467
Leased assets	132	130
Construction in progress	3,147	4,000
Other, net	1,611	1,542
Total property, plant and equipment	21,667	22,273
Intangible assets		
Other	375	347
Total intangible assets	375	347
Investments and other assets		
Other	3,973	4,425
Total investments and other assets	3,973	4,425
Total non-current assets	26,016	27,045
Total assets	56,598	56,495

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,743	1,986
Electronically recorded obligations – operating	876	790
Short-term borrowings	1,920	1,950
Current portion of long-term borrowings	1,494	1,388
Income taxes payable	1,370	449
Provision for bonuses	379	185
Provision for bonuses for directors (and other officers)	55	4
Electronically recorded obligations facilities	401	370
Other	1,563	1,529
Total current liabilities	9,804	8,655
Non-current liabilities		
Long-term borrowings	2,003	1,706
Retirement benefit liability	956	963
Provision for retirement benefits for directors (and other officers)	31	32
Provision for share awards	99	106
Asset retirement obligations	645	658
Other	329	361
Total non-current liabilities	4,065	3,829
Total liabilities	13,869	12,484
Net assets		
Shareholders' equity		
Share capital	4,829	4,829
Capital surplus	8,793	8,793
Retained earnings	29,450	30,290
Treasury shares	(1,642)	(1,642)
Total shareholders' equity	41,430	42,271
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50	46
Deferred gains or losses on hedges	46	17
Foreign currency translation adjustment	643	1,111
Total accumulated other comprehensive income	739	1,175
Share acquisition rights	49	48
Non-controlling interests	508	515
Total net assets	42,728	44,011
Total liabilities and net assets	56,598	56,495

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Sales revenue	8,896	9,764
Cost of sales	6,599	7,601
Gross profit	2,297	2,163
Selling, general and administrative expenses	1,005	871
Operating profit	1,291	1,291
Non-operating income		
Gain on valuation of derivatives	5	—
Share of profit of entities accounted for using equity method	—	375
Subsidy income	30	21
Foreign exchange gains	11	83
Other	19	22
Total non-operating income	67	503
Non-operating expenses		
Interest expenses	8	5
Share of loss of entities accounted for using equity method	26	—
Loss on valuation of derivatives	—	3
Share issuance costs	37	—
Other	5	3
Total non-operating expenses	77	11
Ordinary profit	1,282	1,783
Extraordinary income		
Gain on sale of non-current assets	2	4
Total extraordinary income	2	4
Extraordinary losses		
Loss on abandonment of non-current assets	32	1
Total extraordinary losses	32	1
Profit before income taxes	1,252	1,786
Income taxes	553	517
Profit	699	1,269
Loss attributable to non-controlling interests	(103)	(26)
Profit attributable to owners of parent	802	1,295

Quarterly Consolidated Statement of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	699	1,269
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(3)
Deferred gains or losses on hedges	0	(28)
Foreign currency translation adjustment	281	365
Share of other comprehensive income of entities accounted for using equity method	21	136
Total other comprehensive income	305	469
Comprehensive income	1,005	1,738
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,082	1,731
Comprehensive income attributable to non-controlling interests	(76)	7

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

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 first 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 three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable segment				Other (Note)	Total
	High-purity Chemical	Transportation	Medical	Total		
Sales revenue						
Sales revenue to outside customers	7,708	1,141	7	8,858	38	8,896
Inter-segment sales revenue or transfers	125	723	—	848	53	901
Total	7,833	1,864	7	9,706	91	9,798
Segment profit (loss)	1,401	193	(182)	1,412	2	1,414

(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	1,412
Profit in “Other” category	2
Inter-segment elimination	(123)
Operating profit in the quarterly consolidated statement of income	1,291

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

Not applicable.

II. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 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	8,577	1,146	9,724	40	9,764
Inter-segment sales revenue or transfers	0	750	750	58	808
Total	8,577	1,897	10,474	98	10,573
Segment profit	1,135	154	1,290	3	1,293

(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	1,290
Profit in “Other” category	3
Inter-segment elimination	(2)
Operating profit in the quarterly consolidated statement of income	1,291

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

In the previous fiscal year, the Company sold part of its shares in Stella Pharma Corporation, which became an equity method affiliate from a consolidated subsidiary. Accordingly, the “Medical” category has been excluded from reportable segments for the first quarter of the fiscal year under review.

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

Not applicable.

(Significant subsequent events)

(Sale of investment securities)

The Company, at the Board of Directors meeting held on July 20, 2022, resolved to sell its investment securities (one unlisted security). The sale was carried out on July 29, 2022.

Due to the sale, the Company expects to record gain on sale of investment securities of 1,237 millions of yen as extraordinary income for the six months ending September 30, 2022.