

Summary of Consolidated Financial Statements for Second Quarter of Fiscal Year Ending March 31, 2023(Japan GAAP)

November 10, 2022
Listed Exchanges: TSE

Name of Listed Company: Ishihara Sangyo Kaisha, Ltd.
Code: 4028 URL <http://www.iskweb.co.jp>
Representative: (Title) Executive Director President (Name) Hideo Takahashi
Contact: (Title) Director (Name) Yasunobu Kawazoe Tel +81-6-6444-1850
Scheduled date of securities report submission: November 11, 2022
Scheduled date of dividend payment commencement: —

(Any amount less than one million yen is rounded down to the nearest million yen or nil.)

1. Consolidated Financial Results for Second Quarter of Fiscal Year Ending March 31, 2023(April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results

(Percentages represent changes from same period in previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
2Q, 2022	64,227	14.4	3,362	-31.3	6,420	33.7	4,411	5.7
2Q, 2021	56,134	15.0	4,892	—	4,800	—	4,173	—

(Note) Comprehensive income: As of September 30, 2022: 6,431million yen (30.3 %)
As of September 30, 2021: 4,936million yen (— %)

	Net income per share	Net income per share after full dilution
	Yen	Yen
2Q, 2022	110.39	—
2Q, 2021	104.46	—

(Note)The year-on-year changes in operating income and ordinary income for the second quarter of fiscal year ending March 31,2022 exceeded 1,000% and therefor are referred to as “—”.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	millions of yen	Millions of yen	%
2Q, 2022	190,836	96,879	50.8
Year ended March 31, 2022	185,758	91,869	49.5

(Reference) Equity capital: As of September 30, 2022: 96,879million yen
As of March 31, 2022: 91,869million yen

2. Dividends

	Dividends per share				
	June 30 (Q1-end)	September 30 (Q2-end)	December 31 (Q3-end)	March 31 (Year-end)	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	0.00	—	36.00	36.00
Year ending March 31, 2023	—	0.00	—	—	—
Year ending March 31, 2023 (Forecast)	—	—	—	40.00	40.00

(Note) 1. Modification in the dividend forecast for current quarter: Modification

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

(Percentages represent forecasted changes from the previous year for the full year results, and forecasted changes from the same period in the previous year for the interim results.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full year	138,000	24.4	8,500	-26.5	10,500	-20.9	7,000	-40.1	175.15

(Note) Modification in the dividend forecast for current quarter: Modified

The Company resolved to repurchase its own shares at the board of directors meeting held on November 10, 2022. The impact of repurchase of own shares is not taken into account in regards to“EPS”in the forecast of consolidated financial results for FY2023.

4. Other information

- (1) Significant changes in subsidiaries during the period
(changes in specified subsidiaries resulting in the change in consolidation scope): No change
- (2) Adoption of simplified accounting treatment and special accounting treatment for quarterly consolidated statement: Not adopted
- (3) Changes in accounting principles, procedures, and the method of presentation
- | | |
|--|---------------|
| 1) Changes due to revisions of accounting standards etc. | : Not adopted |
| 2) Changes other than those defined in 1) above | : Not adopted |
| 3) Changes in accounting procedures | : Not adopted |
| 4) Changes in the method of presentation | : Not adopted |
- (4) Issued shares (common shares)
- | | |
|---|---|
| 1) Issued shares as of period-end (including repurchased treasury shares) | |
| As of September 30, 2022: 40,383,943 shares | As of March 31, 2022: 40,383,943 shares |
| 2) Number of shares of treasury stock as of period-end | |
| As of September 30, 2022: 414,096 shares | As of March 31, 2022: 430,740 shares |
| 3) Average number of outstanding shares during period | |
| 2Q 2022:39,960,493 shares | 2Q 2021:39,955,705 shares |

*Quarterly financial results are outside the scope of quarterly review.

*Notes on proper use of forecast and other matters

The forecast of financial results presented in this document is the result of management's assessment based upon currently available assumptions, prospects and plans for the future. Actual results and dividend payments may differ from these forecasts, due to risks and uncertain factors, such as the global economy, competition, and foreign currency fluctuations.

5. Consolidated Financial Statements, and Main Notes

(1) Consolidated Balance Sheet

(Unit: millions of yen)

Account Category	As of March,2022 (summary)	As of September,2022
ASSETS		
Current Assets		
Cash and deposits	27,073	20,208
Notes and accounts receivable-trade and contract assets	33,736	35,951
Merchandise and finished goods	32,813	35,127
Work in process	4,633	5,978
Raw materials and supplies	20,051	25,392
Other	4,190	5,731
Allowance for doubtful accounts	-1,109	-1,159
Total current assets	121,389	127,29
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	20,723	20,761
Others, net	25,812	23,762
Total property, plant and equipment	46,535	44,513
Intangible assets	1,018	1,439
Investments and other assets		
Investment securities	7,456	8,465
Deferred tax assets	8,883	8,267
Net defined benefit asset	10	16
Other	550	953
Allowance for doubtful accounts	-85	-49
Total investments and other assets	16,815	17,653
Total non-current assets	64,369	63,606
Total Assets	185,758	190,836

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(Unit: millions of yen)

Account Category	As of March,2022 (summary)	As of September, 2022
LIABILITIES		
Current Liabilities		
Notes and accounts payable – trade	17,739	22,243
Short-term loans payable	16,068	15,682
Current portion of bonds	1,118	1,028
Income taxes payable	1,242	824
Reserve	1,438	1,436
Other	9,124	10,192
Total current liabilities	46,731	51,408
Noncurrent liabilities		
Bonds payable	3,898	3,429
Long-term loans payable	24,831	21,055
Provision for environment and safety improvement	1,384	1,260
Other provision	83	114
Net defined benefit liability	13,058	12,827
Other	3,901	3,860
Total non-current liabilities	47,157	42,548
Total Liabilities	93,889	93,956
NET ASSETS		
Shareholders' equity		
Capital stock	43,420	43,420
Capital surplus	10,627	10,636
Retained earnings	38,592	41,565
Treasury stock	-734	-726
Total shareholders' equity	91,905	94,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	405	313
Foreign currency translation adjustment	-297	1,763
Remeasurements of defined benefit plans	-143	-93
Total accumulated other comprehensive income	-36	1,983
Total net assets	91,869	96,879
Total Liabilities and Net Assets	185,758	190,836

(2) Consolidated Statements of Income

(Unit: millions of yen)

Account Category	Q2 2021 (April 1,2021 to September 30,2021)	Q2 2022 (April 1,2022 to September 30,2022)
Net sales	56,134	64,227
Cost of sales	40,978	48,391
Gross profit	15,156	15,836
Selling, general and administrative expenses	10,263	12,474
Operating income	4,892	3,362
Non-operating income		
Interest income	8	8
Dividend income	150	153
Equity in earnings of affiliates	—	866
Foreign exchange income	251	2,308
Gain on sales of raw materials	99	92
Other	224	144
Total non-operating income	733	3,573
Non-operating expenses		
Interest expenses	281	242
Financial Fees	163	177
Equity in losses of affiliates	260	—
Other	120	96
Total non-operating expenses	825	515
Ordinary income	4,800	6,420
Extraordinary income		
Gain on forgiveness of debts	552	—
Gain on sale of investment securities	31	37
Other	73	—
Total extraordinary income	657	37
Extraordinary loss		
Loss on disposal of non-current assets	391	468
Total extraordinary loss	391	468
Income before income taxes and minority interests	5,066	5,989
Income taxes-current	688	838
Income taxes – deferred	203	739
Total income taxes	892	1,577
Net income	4,173	4,411
Profit attributable to owners of parent	4,173	4,411

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(Unit: millions of yen)

Account Category	Q2 2021 (April 1,2021 to September 30,2021)	Q2 2022 (April 1,2022 to September 30,2022)
Profit	4,173	4,411
Other comprehensive income		
Valuation difference on available-for-sale securities	150	-91
Foreign currency translation adjustment	615	1,833
Remeasurements of defined benefit plans, net of tax	26	49
Share of other comprehensive income of entities accounted for using equity method	-29	227
Total other comprehensive income	762	2,019
Comprehensive income	4,936	6,431
(Breakdown)		
Comprehensive income attributable to owners of parent	4,936	6,431

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(3) Statement of Consolidated Cash Flows

(Unit: millions of yen)

Account Category	Previous consolidated FY (April 1, 2021 to September 30, 2021)	Current consolidated FY (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Income before income taxes	5,066	5,989
Depreciation and amortization	2,097	2,677
Gain on forgiveness of debt	-552	—
Increase (decrease) in allowance for doubtful accounts	12	6
Increase (decrease) in net defined benefit liability	-40	-201
Increase (decrease) in allowance for doubtful accounts	-124	-205
Increase (decrease) in other provision	96	110
Interest and dividend income	-158	-162
Interest expenses	281	242
Foreign exchange losses (gains)	-92	-60
Share of (profit) loss of entities accounted for using equity method	260	-866
Loss (gain) on sale of investment securities	-31	-37
Loss (gain) on disposal of noncurrent assets	91	71
Decrease (increase) in notes and accounts receivable-trade	1,282	-1,163
Decrease (increase) in inventories	5,227	-7,665
Decrease (increase) in other current assets	-939	-1,499
Increase (decrease) in notes and accounts payable-trade	1,234	2,912
Increase (decrease) in other current liabilities	895	826
Other	-21	-9
Subtotal	14,585	964
Interest and dividends income received	158	162
Interest expenses paid	-278	-235
Proceeds from insurance income	22	10
Income taxes refund (paid)	-458	-1,205
Cash flows from operating activities	14,029	-303

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(Unit: millions of yen)

Account Category	Previous consolidated FY (April 1, 2021 to September 30, 2021)	Current consolidated FY (April 1, 2022 to September 30, 2022)
Cash flows from investing activities		
Purchase of investment securities	-6	-6
Purchase of non-current assets	-1,818	-297
Proceeds from sales of non-current assets	40	34
Payments of loans receivable	-9	-43
Collection of loans receivable	60	83
Proceeds from sales and redemption of short-term and long-term investment securities	39	84
Others	-1	-576
Cash flows from investing activities	-1,696	-722
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-330	-
Repayments of long-term loans payable	-3,933	-4,162
Redemption of bonds	-559	-559
Cash dividends paid	-719	-1,438
Repayments of lease obligations	-217	-206
Repayments of installment payables	-246	-290
Net decrease (increase) in treasury shares	-2	-1
Cash flows from financing activities	-6,009	-6,658
Effect of exchange rate change on cash and cash equivalents	359	820
Net increase (decrease) in cash and cash equivalents	6,683	-6,864
Cash and cash equivalents at beginning of period	25,941	27,073
Cash and cash equivalents at end of period	32,624	20,208

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6. Segment Information

【Business Segment Information】

2Q of Fiscal Year Ended March 31, 2022(April 1, 2021 to September 30, 2021)

(1) Information relating sales, profits, losses, for each reporting unit

(Unit: millions of yen)

	Inorganic Chemicals	Organic Chemicals	Other Businesses	Total	Elimination/Corporate	Consolidated
Sales						
(1) Sales to external customers	28,918	25,686	1,529	56,134	—	56,134
(2) Intersegment sales and transfers	—	—	1,577	1,577	-1,577	—
Total	28,918	25,686	3,106	57,711	-1,577	56,134
Segment profit	3,692	2,182	194	6,068	-1,176	4,892

(Note) 1. Adjustment include the following items

- (1) Adjustment in segment profit (- ¥ 1,176million) includes elimination of transaction between segments(¥ 36million) and corporate expenses not allocated to reporting segments(- ¥ 1,213million). Corporate expenses mainly comprise general expenses not allocated segments.
- (2) Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated income statement.

(2) Geographical information

Net Sales

(Unit: millions of yen)

Japan	Asia	America	Europe	Other	Total
22,365	11,844	9,474	12,232	218	56,134

(Note) 1. Net sales by geographic segment are based on nations or regions where customers reside.

2. Grouping of countries and regions is based on the geographic proximity and relevance of businesses.

Countries and regions included in each geographic segment are follows, excluding Japan:

- (1) Asia : China, Taiwan, South Korea, Thailand, Indonesia, Singapore, and India
- (2) Americas: United States of America, Canada, Brazil, Argentina, and Mexico
- (3) Europe : Germany, Netherlands, France, the United Kingdom, Belgium, Italy, and East Europe and Middle East regions
- (4) Other : Australia, New Zealand and Africa

(3) Information concerning impairment loss or goodwill on fixed assets by segment

We do not note any significant changes.

【Business Segment Information】

2Q of Fiscal Year Ending March 31, 2023(April 1, 2022 to September 30, 2022)

(1) Information relating sales, profits, losses, for each reporting unit

(Unit: millions of yen)

	Inorganic Chemicals	Organic Chemicals	Other Businesses	Total	Adjustment	Amount reported on consolidated financial statements
Sales						
(1) Sales to external customers	31,536	31,312	1,379	64,227	—	64,227
(2) Intersegment sales and transfers	—	0	1,140	1,140	-1,140	—
Total	31,536	31,312	2,519	65,367	-1,140	64,227
Segment profit	2,517	2,353	-27	4,843	-1,480	3,362

(Note) 1. Adjustment include the following items

- (1) Adjustment in segment profit or loss (- ¥ 1,480million) includes elimination of transaction between segments (¥ 104million) and corporate expenses not allocated to reporting segments(- ¥ 1,585million). Corporate expenses mainly comprise general expenses not allocated segments.
- (2) Segment profit or loss is adjusted to be consistent with operating income shown on the quarterly consolidated income statement.

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(2) Geographical information

Net Sales					(Unit: millions of yen)
Japan	Asia	America	Europe	Other	Total
25,333	12,924	13,597	12,045	326	64,227

(Note) 1. Net sales by geographic segment are based on nations or regions where customers reside.

2. Grouping of countries and regions is based on the geographic proximity and relevance of businesses.

Countries and regions included in each geographic segment are follows, excluding Japan:

- (1) Asia : China, Taiwan, South Korea, Thailand, Indonesia, Singapore, and India
- (2) Americas : United States of America, Canada, Brazil, Argentina, and Mexico
- (3) Europe : Germany, Netherlands, France, the United Kingdom, Belgium, Italy, and East Europe and Middle East regions
- (4) Other : Australia, New Zealand and Africa

(3) Information concerning impairment loss or goodwill on noncurrent assets by segment

We do not note any significant changes.

(Significant Subsequent Event)

(Stock repurchase)

We hereby announces that, at a meeting of its Board of Directors held November 10, 2022, we authorized repurchases of shares of its common stock pursuant to Article 156 of the Companies Act of Japan (the "Companies Act"), as applied pursuant to Paragraph 3, Article 165 of the Companies Act, as described below.

(1) Purpose of stock repurchase

We consider the return of profits to shareholders to be an important goal for our management along with increasing corporate value.

We will continue to flexibly repurchase its common stock while comprehensively considering factors such as its investment in growth, level of its dividends, its cash reserves and the price level of its common stock to promote its capital efficiency.

(2) Details of repurchases

①Class of share:	Common stock of the company
②Total number of shares of common stock to be repurchased:	Up to 2.3 million shares (5.75% of the total number of shares of common stock outstanding excluding treasury stock)
③Total amount:	Up to 2 billion yen
④Period:	From November 11, 2022 to March 31, 2023
⑤Repurchase method :	Purchase on the Tokyo Stock Exchange

(For reference) Number of shares of treasury stock (as of September 30, 2022)

Number of outstanding shares*: 39,969,847 shares

Number of shares of treasury stock: 414,096 shares

*Excluding shares of treasury stock