

Briefings on Financial Results

For the Three Months of ended Jun. 30, 2020

ADEKA CORPORATION Aug. 31, 2020

【TSE 4401】



Financial Results Overview

FY2020 1st Quarter

Apr. 1, 2020 – Jun. 30, 2020

President and Chief Executive Officer

Hidetaka Shirozume



- 1. FY2020 Prospective Performance**
- 2. FY2020 1st Quarter Consolidated Performance**
- 3. Progress of mid-term management plan BEYOND 300**
- 4. For Reference**

1. FY2020 Prospective Performance



FY2020 Prospective Performance

Unit: 100 million yen

Consolidated	FY2020			FY2019 Result	Amounts	Rate (%)
	1H Forecast	2H Forecast	Annual Forecast			
Net sales	1,350	1,550	2,900	3,041	△ 141	△ 4.6
Operating profit	58	102	160	225	△ 65	△ 28.9
Ordinary profit	51	109	160	219	△ 59	△ 27.2
Profit attributable to owners of parent	34	66	100	152	△ 52	△ 34.3
Net profit per share - yen/share -	32.9	63.9	96.9	147.7	△ 50.8	
Dividend - yen/share -	24	24	48	48	—	

		Premise of FY2020 1H Beginning of the period	FY2019 Result
Exchange rates	¥ / \$	108.00	108.65
	¥ / €	120.00	120.82
Naphtha	¥ / KL	45,000	42,925

Note1 : Figures are expressed in units of 100 million yen and have been rounded off.

Note2 : Effect of exchange rate when 1 yen depreciation (operating profit) :

Profit plus about 100 million yen per year and about 50 million yen per euro

Impact of COVID-19 on Business Performance

Premise

In FY2020, we calculated the consolidated business forecast based on the premise that demand will decline particularly in the first half of the year, and will gradually recover from the second half.

Segment	Market	Impact on business
Chemicals	 Automotive, Building materials	 Polymer additives (Additives, Plasticizers, PVC Stabilizers) Functional Chemicals (Lubricant Additives, Special Type Epoxy Resins, Painting materials, Industrial Agents)
	 Hand wash, Disinfectant	 Functional Chemicals (Surfactants)
	 Electronic device (PCs / TVs)	 Electronics and IT materials (Photo(Light) Curing Resins, Photoinitiator, Photoacid generator)
Food	 Tourism, Restaurant industry (Souvenir sweets)	 Foods products (Margarines, shortening, fillings)
	 Consumption from staying at home (Plain bread, Assorted sweets)	 Foods products (Margarines, shortening)
Life Science	 Agrochemicals has little negative impact from COVID-19 However, direct impact on production and procurement and indirect impact due to changes in the environment surrounding agriculture are assumed.	

FY2020 Prospective Performance - By segment -

Consolidated

Unit: 100 million yen

	FY2020			FY2019 Results	YoY change	
	1H Forecast	2H Forecast	Annual Forecast		Amounts	Rate (%)
Sales	1,350	1,550	2,900	3,041	△ 141	△ 4.6
Chemicals	720	780	1,500	1,641	△ 141	△ 8.6
<i>Polymer Additives</i>	350	371	721	821	△ 100	△ 12.2
<i>Electronics and IT materials</i>	126	139	265	264	0	0.2
<i>Functional chemicals</i>	244	270	514	556	△ 42	△ 7.6
Food products	325	345	670	710	△ 40	△ 5.6
Life Science	270	385	655	604	50	8.4
Other	35	40	75	85	△ 10	△ 12.2
Operating profit	58	102	160	225	△ 65	△ 28.9
Chemicals	58	71	129	175	△ 46	△ 26.4
<i>Polymer Additives</i>	19	26	45	66	△ 21	△ 32.0
<i>Electronics and IT materials</i>	26	31	57	59	△ 2	△ 4.8
<i>Functional chemicals</i>	13	14	27	49	△ 22	△ 45.2
Food products	2	6	8	15	△ 7	△ 49.1
Life Science	△ 2	23	21	26	△ 5	△ 19.9
Other	0	2	2	7	△ 5	△ 74.8

Note : Figures are expressed in units of 100 million yen and have been rounded off.

Change the scope of consolidation and equity method

■ Change the scope of consolidation

Included in the scope of consolidation from FY2020 due to the increase in the importance of the following three companies.

- **ADEKA FINE CHEMICAL (ZHEJIANG) CO.,LTD.**
CHINA | Manufacture and sales of chemical products such as polymer additives.
- **ADEKA AL OTAIBA MIDDLE EAST**
UAE | Manufacture and sales of polymer additives, Sales for Chemicals and Foods
- **NICHINO EUROPE**
UK | Sales and R&D of agrochemicals in Europe

■ Change the scope of equity method

Included in the scope of equity method from FY2020 due to the increase in the importance of the following company.

- **NICHINO VIETNAM**
VIETNAM | Development, sales, marketing, import and export of agrochemicals in Vietnam

2. FY2020 1st Quarter Consolidated Performance



Consolidated

Unit: 100 million yen

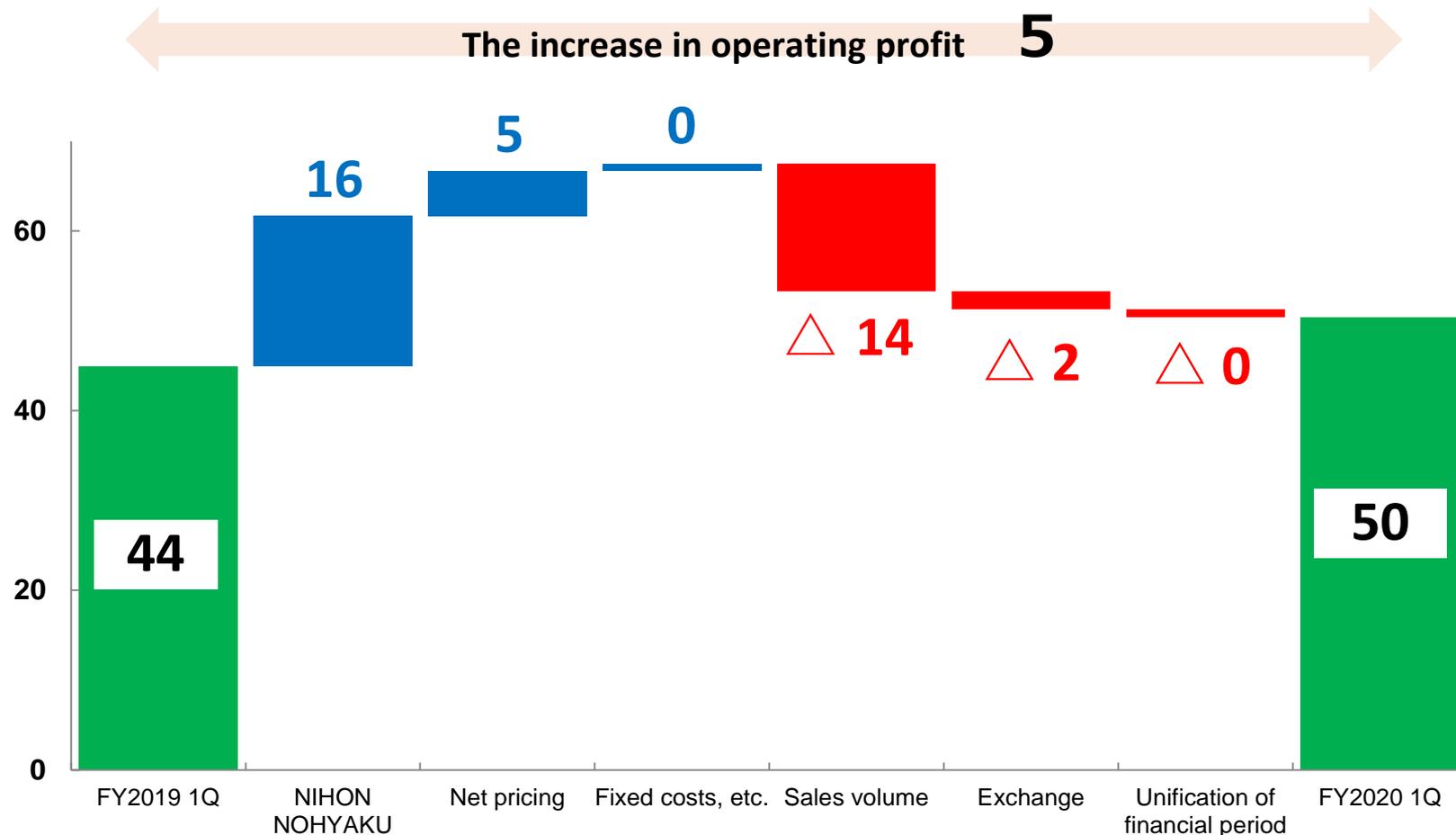
	FY2019 1Q	FY2020 1Q	Amounts	Rate (%)
Net sales	701	678	△ 23	△ 3.3
Operating profit	44	50	5	12.3
Ordinary profit	42	45	2	6.7
Profit attributable to owners of parent	32	31	△ 1	△ 3.4
Net profit per share - yen/share -	31.2	30.1	△ 1.1	

Note : Figures are expressed in units of 100 million yen and have been rounded off.

Analysis of Operating Profit

Consolidated

Unit: 100 million yen



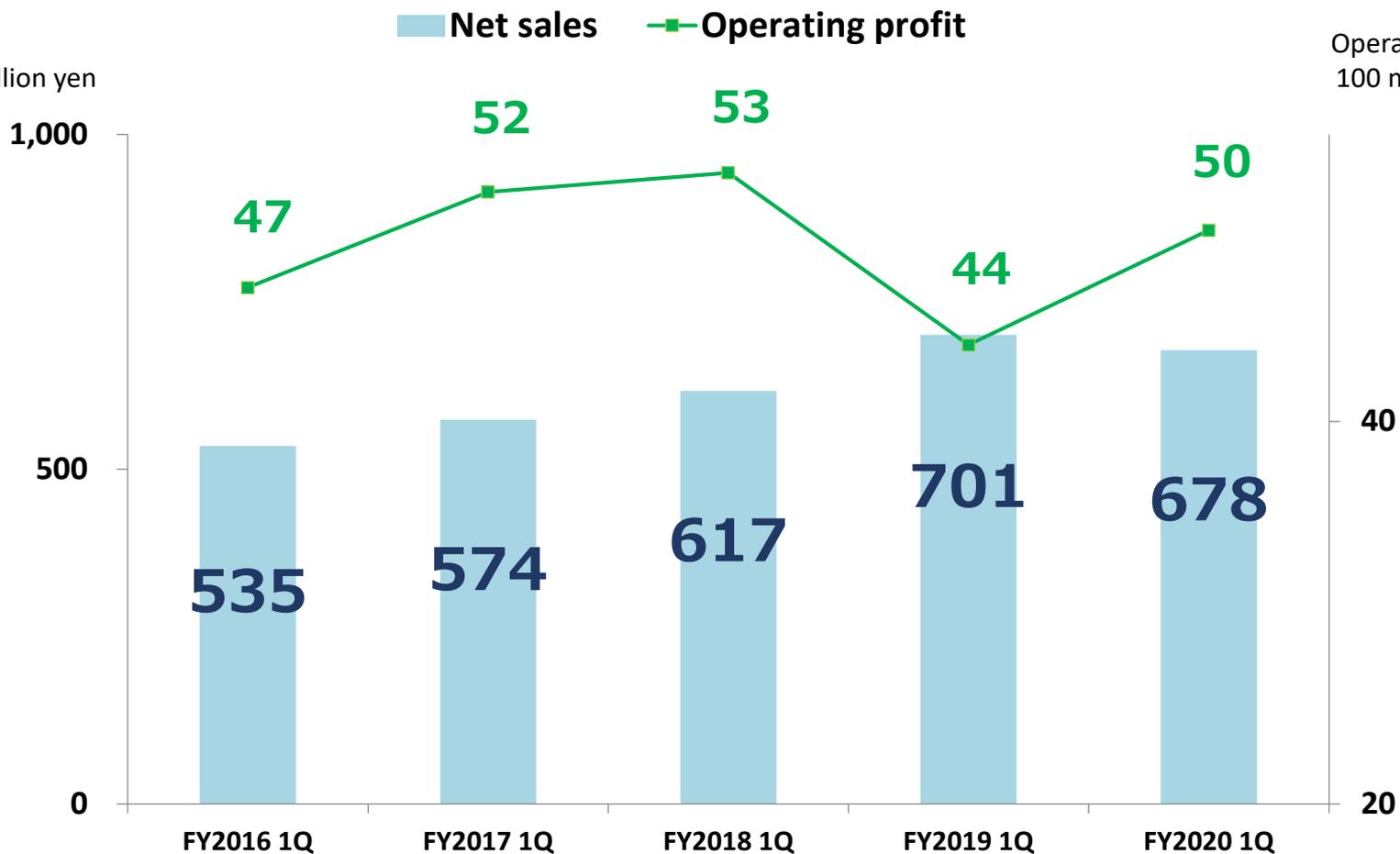
Note : Figures are expressed in units of 100 million yen and have been rounded off.

Trends in Consolidated Performance

FY2020 1st Quarter

Consolidated

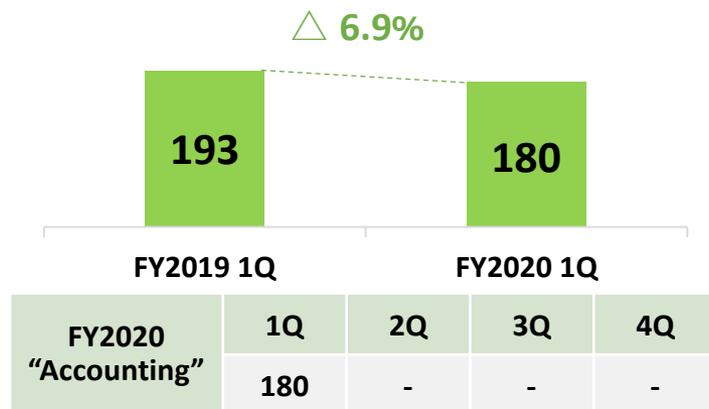
Sales:
100 million yen



Note : Figures are expressed in units of 100 million yen and have been rounded off.

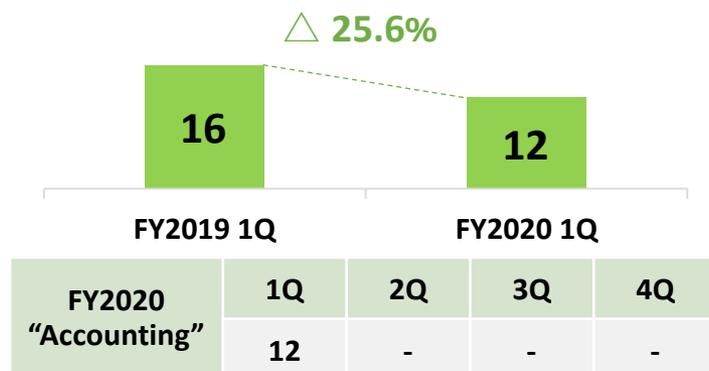
◆ Sales

Unit: 100 million yen



◆ Operating profit

Unit: 100 million yen



Main factor (YoY)

- ◆ **Automobile**
weak Nucleating Agents, Light Stabilizers, Plasticizers for Rubbers
- ◆ **Building material**
weak PVC Stabilizers
- ◆ **Food packaging, Medical use**
grew Clarifying Agents, PVC Stabilizers
- ◆ **All plastic products**
weak Antioxidants
- ◆ **Home appliances frame**
steady Flame retardants for Engineering plastics

Main factor (YoY)

Unit: 100 million yen

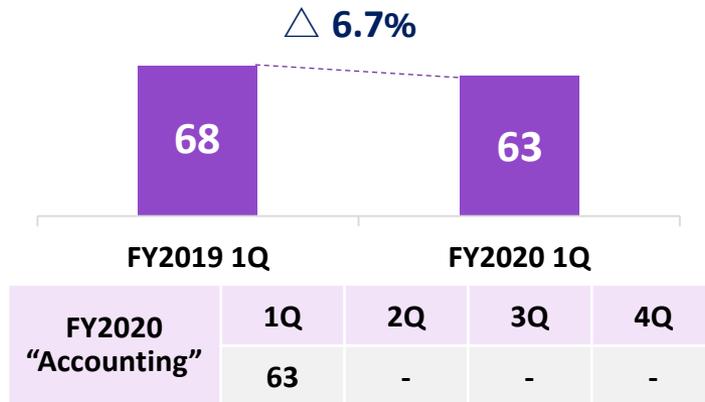


Note : Figures are expressed in units of 100 million yen and have been rounded off.

Chemicals “Electronics and IT materials”

◆ Sales

Unit: 100 million yen



Main factor (YoY)

◆ Semiconductor

strong

Photoacid generator used for semiconductor lithography

weak

High-k material for existing DRAM

◆ Display

weak

Photo(Light) Curing Resins, Photoinitiator, Etchants for printed circuit boards

◆ Operating profit

Unit: 100 million yen



Main factor (YoY)

Unit: 100 million yen

Net pricing

△ 1

Sales volume

△ 0

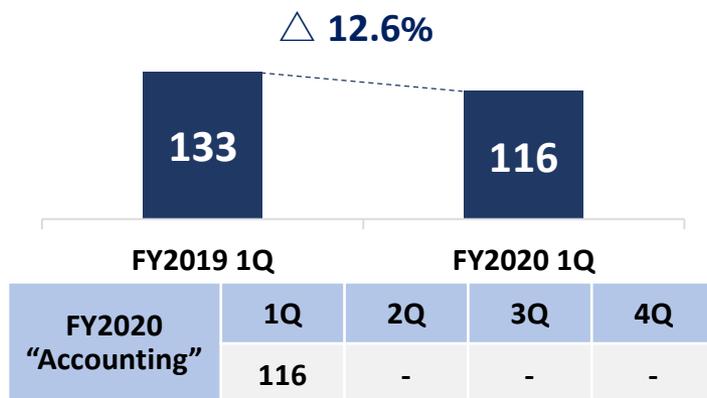
Exchange

△ 0

Note : Figures are expressed in units of 100 million yen and have been rounded off.

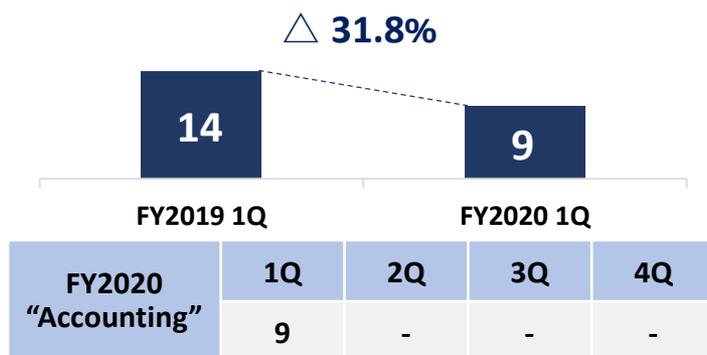
◆ Sales

Unit: 100 million yen



◆ Operating profit

Unit: 100 million yen



Main factor (YoY)

◆ Automobile

weak

Lubricant additive for engine oil,
Special Type Epoxy Resins

◆ Industrial Agents

weak

Surfactants, Peroxygen Chemicals,
Propylene Glycol

◆ Cosmetics, toiletries

steady

Surfactants for hand wash, disinfectant

weak

Cosmetic Ingredients

Main factor (YoY)

Sales volume

△ 5

Net pricing

4

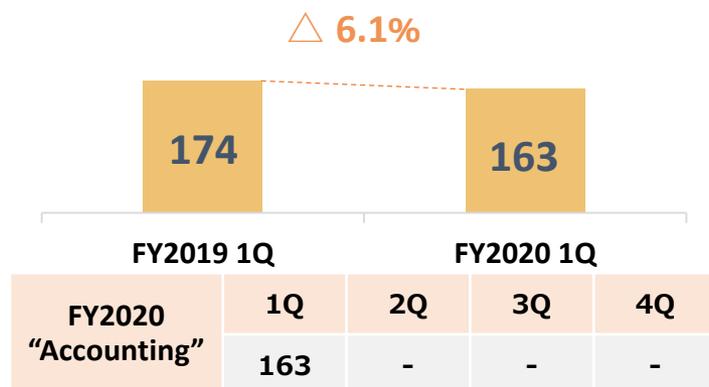
Fixed costs, etc.

△ 2

Note : Figures are expressed in units of 100 million yen and have been rounded off.

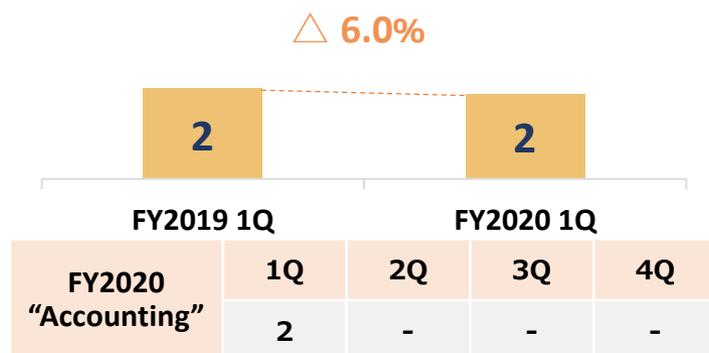
◆ Sales

Unit: 100 million yen



◆ Operating profit

Unit: 100 million yen



Main factor (YoY)

- ◆ Bread, confectionery, curry, ramen in JAPAN
 - steady Margarines, shortening
- ◆ Bread in CHINA, SOUTHEAST ASIA
 - weak Margarines
- ◆ Western confectionery, dessert
 - steady Whipping cream
- ◆ Souvenir sweets
 - weak Margarines, shortening, fillings

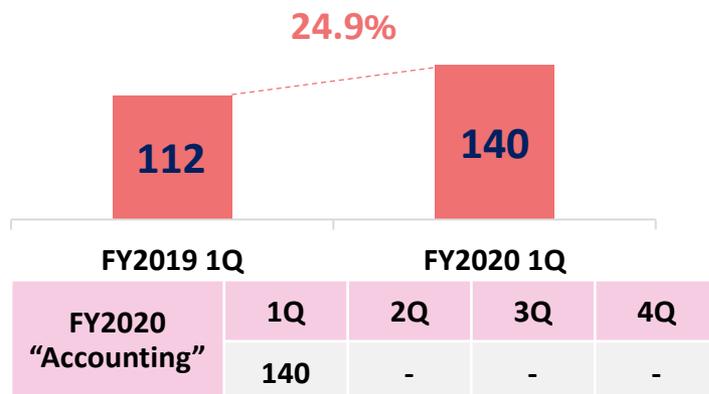
Main factor (YoY)



Note : Figures are expressed in units of 100 million yen and have been rounded off.

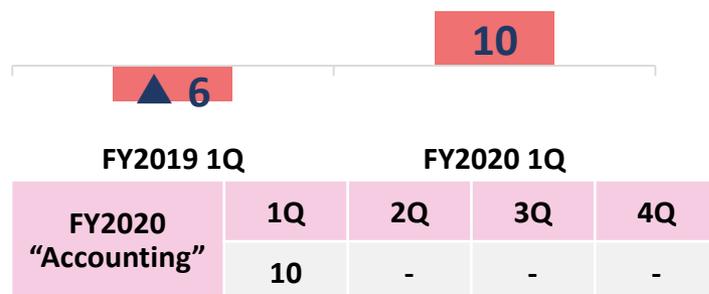
◆ Sales

Unit: 100 million yen



◆ Operating profit

Unit: 100 million yen



Note : Figures are expressed in units of 100 million yen and have been rounded off.

Main factor (YoY)

◆ Agrochemicals

strong

JAPAN, NORTH AMERICA, EUROPE, INDIA

weak

BRAZIL

◆ Pharmaceuticals, others

strong

Field of Nail Athlete's foot
Topical antifungal agent *Luliconazole*

Main factor (YoY)

Earnings rose due to higher sales resulting from expanded sales of agrochemicals overseas and improved business practices in Japan.

< Expanding sales of agrochemicals overseas >

- Demand anticipated to continue in FY2020 Q1 due to concerns about the impact of COVID-19 on distribution
- Demand for herbicides expanded due to stricter regulations in Europe (switching from competitors' products)

< To improve business practices in Japan >

- Normalized sales according to the time of use and distribution of Agrochemicals

3. Progress of mid-term management plan BEYOND 300



Progress of mid-term management plan BEYOND 300

	FY2018 Performance 1st year of <i>BEYOND 300</i>	FY2019 Performance 2nd year of <i>BEYOND 300</i>	FY2020 Forecast Final-year of <i>BEYOND 300</i>	FY2020 Target Final-year of <i>BEYOND 300</i>
Consolidated sales	299.3 billion yen	304.1 billion yen	290.0 billion yen	Over 300 billion yen - Via organic growth -
<i>Organic growth</i>	255.0 billion yen	238.8 billion yen		
Operating income margin	8.9%	7.4%	5.5%	10%
ROE	8.5%	7.3%	4.8%	10%
Investment and finance	36.2 billion yen/year	17.2 billion yen/year	15.0 billion yen/year	100 billion yen/3 years
<i>Capital investment</i>	17.4 billion yen/year	17.2 billion yen/year	15.0 billion yen/year	50 billion yen/3 years
<i>M&A funds</i>	18.8 billion yen execution	—	—	50 billion yen/3 years
Dividend	Dividend payout ratio 27.1%	Dividend payout ratio 32.5%	Dividend payout ratio 49.5%	Dividend payout ratio 30% (Target for the final year of the plan after incremental increases)

Organic growth : Aims to reach sales exceeding 300 billion yen with business growth from polymer additives, chemicals and food products.

- Excluding contributions from M&A -

4. For Reference



Established Corporate Slogan

Add Goodness

Everything can be made better.
We can add functionality to materials.
We can add durability and
environmental friendliness.
This in turn makes our lives more
enjoyable, convenient, and secure.
We raise the value of materials.
In doing so, we change the world.
We are ADEKA.

ADEKA
Add Goodness



FY2020 1st Quarter Supplemental Documents for Financial Results Overview

1. Supplementary Data for consolidated Closing of Accounts
2. Management indexes, etc.
3. For Reference



1. Supplementary Data for consolidated Closing of Accounts

Consolidated Balance Sheet

Consolidated	As of Mar. 31, 2020	As of Jun. 31, 2020	increase/ decrease
Assets			
Current assets	2,276	2,196	△ 80
Fixed assets	1,818	1,793	△ 24
Tangible fixed assets	1,132	1,190	58
Intangible fixed assets	163	163	△ 0
Investment and other assets	522	439	△ 82
Total assets ①	4,094	3,990	△ 104
Liabilities			
Current liabilities	927	903	△ 23
Long-term liabilities	661	591	△ 69
Total liabilities ②	1,588	1,495	△ 93
Net assets			
Shareholders' equity	2,014	2,011	△ 2
Capital stock	229	229	-
Capital surplus	199	199	-
Retained earnings	1,588	1,586	△ 2
Treasury stock	△ 4	△ 4	△ 0
Accumulated other comprehensive income	88	88	0
Valuation difference on available-for-sale securities	65	77	11
Reserve for land revaluation	42	42	-
Translation adjustment	1	△ 10	△ 12
Adjustments for retirement Benefits	△ 20	△ 20	0
Minority interests	403	394	△ 9
Total net assets	2,506	2,494	△ 11
Total liabilities and net assets	4,094	3,990	△ 104

Unit: 100 million yen

POINT①

Decrease in total assets △ 104

Decrease in notes and accounts receivable - trade △ 66

POINT②

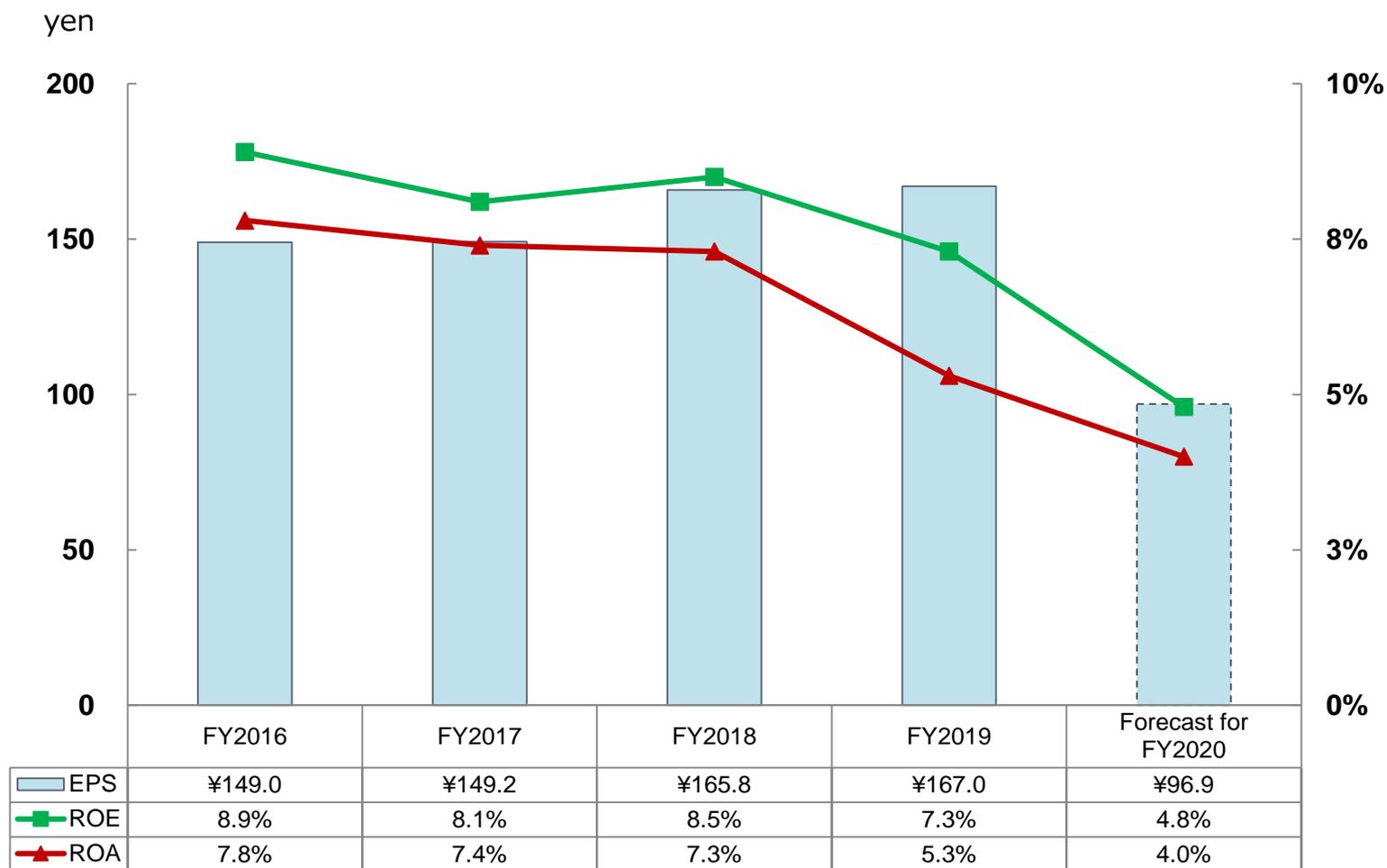
Decrease in total liabilities △ 93

Decrease in notes and accounts payable - trade △ 59

Note : Figures are expressed in units of 100 million yen and have been rounded off.

1 Profitability

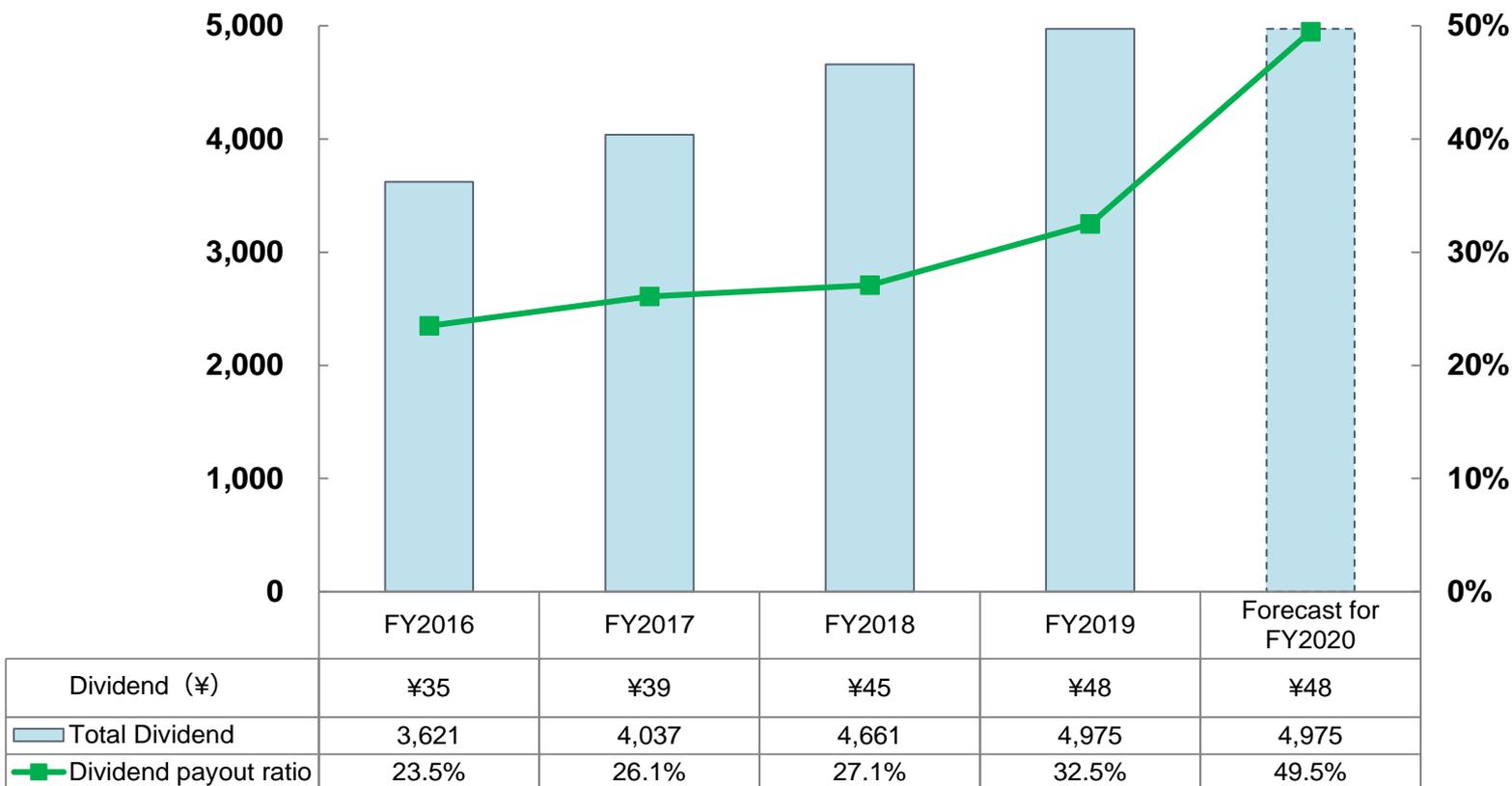
Consolidated



2 Dividend payout ratio and dividends

Consolidated

million yen

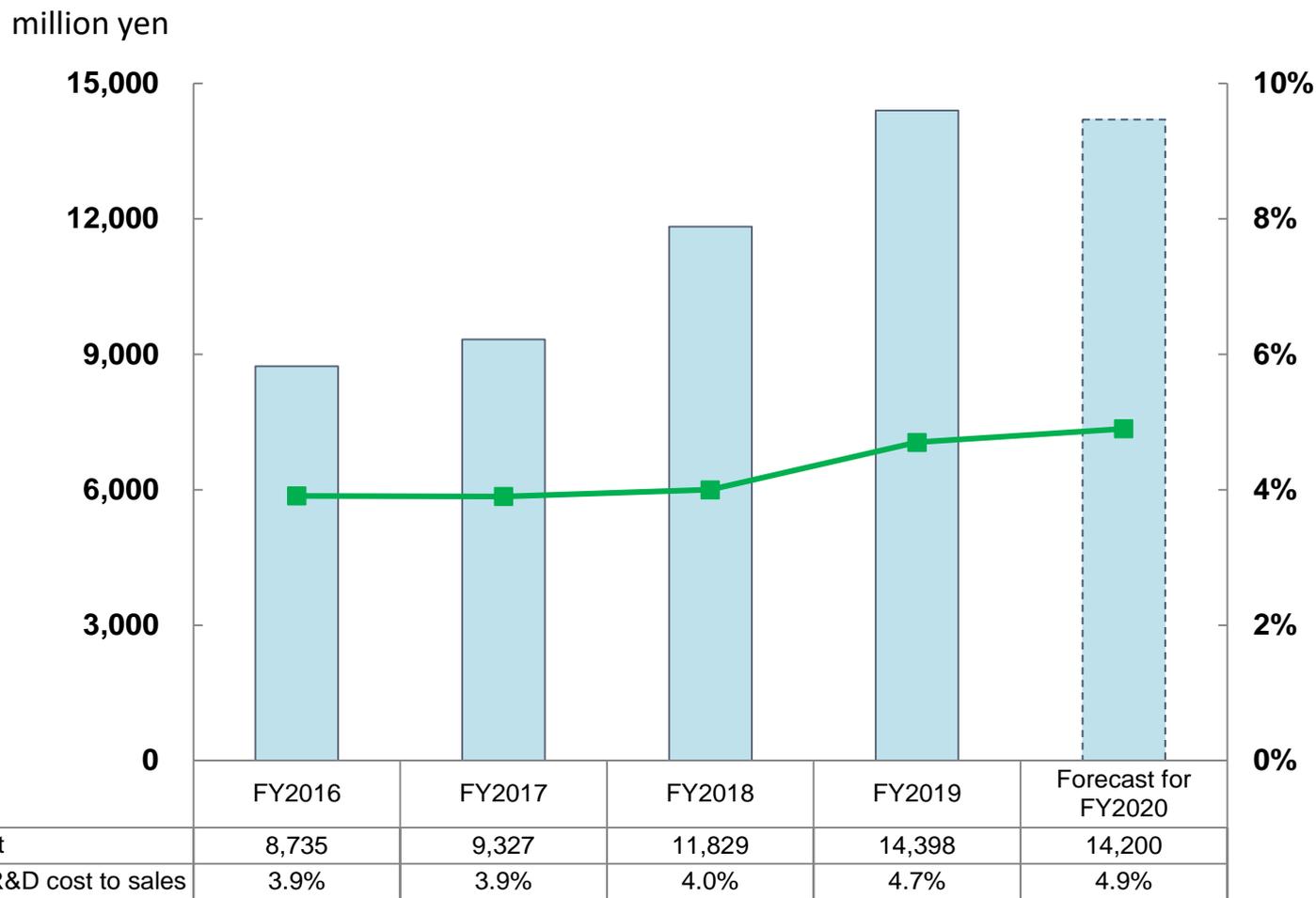


Note 1: Dividends in FY2016 include a commemorative dividend of 5 yen in commemoration of the 100th anniversary of our founding.

Note 2: Figures are expressed in units of million yen and have been rounded off.

3 Research and development costs

Consolidated

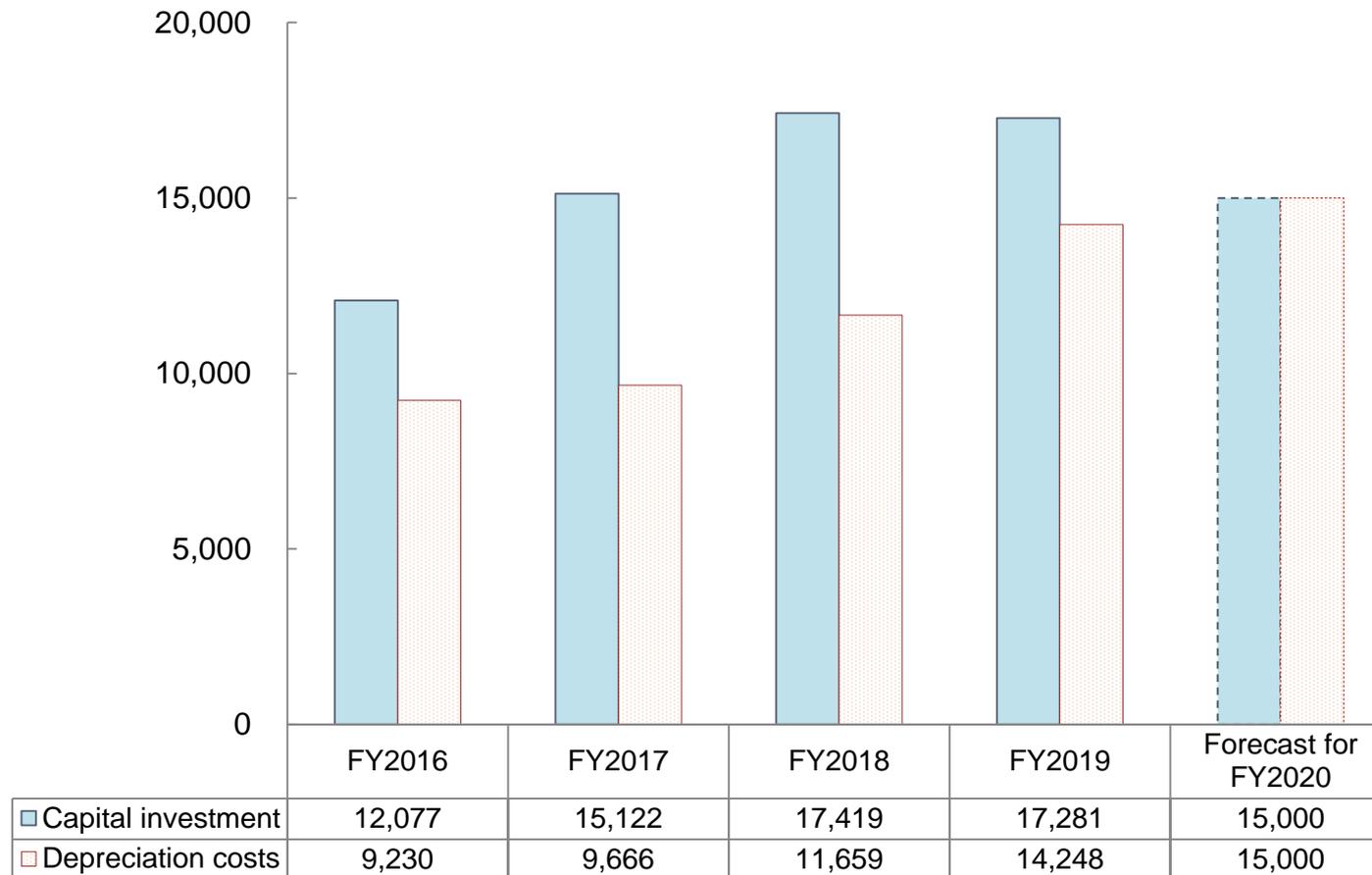


Note : Research and development expense are expressed in units of million yen and have been rounded off.

4 Capital investment

Consolidated

million yen



Note : Capital investment and depreciation are expressed in units of million yen and have been rounded off.

3. For Reference

Core products of each business segments

Business category		Core products	
Reporting segment	Chemicals	Polymer Additives	Additives for polyolefins, PVC plasticizers/stabilizers, Flame retardants, and others.
		Electronics and IT materials	High-purity materials for semiconductors, AFES System and etching agents, Photo(Light)/heat curing materials, photoinitiators, Imaging materials, and others.
		Functional Chemicals	Epoxy resins, Polyurethanes, Water-borne resins, Surfactants, Lubricant additives, Kitchen detergent, Cosmetic ingredients, Polypropylene glycol, Hydrogen peroxide and derivative products, Water-swelling sealing materials, and others.
	Food products	Margarines, Shortenings, Oil and fats for chocolate, Oils and fats for frying, Whipping cream, Kneading cream, Fillings, Frozen pie crusts, Mayonnaise dressing, functional foods, and others.	
	Life science	Agrochemicals, Agricultural materials, Pharmaceuticals & Veterinary products, Wood preservative, and others.	
Other business		Designing of equipment plants, Construction and construction management, Maintenance of equipment, Logistic services, Warehousing, Leasing of vehicles, Real estate and insurance business, and others.	

Notice on Forecast Performance and Business Plans

The forecast performance and business plans specified in this document have been prepared based on information available as of the date of publication, as well as on various prerequisites; therefore, the actual results may differ from these forecasts or plans depending on various factors that may arise hereafter.

In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.