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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 12, 2025

Company name: ADEKA CORPORATION

Listing: Tokyo

Securities code: 4401

URL: <https://www.adeka.co.jp/en/>

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		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, 2024	296,384	3.5	30,081	25.1	29,672	20.7	19,208	16.7
December 31, 2023	286,491	(3.3)	24,046	1.2	24,580	1.0	16,455	12.1

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ 23,922 million [(1.6)%]
 Nine months ended December 31, 2023: ¥ 24,305 million [18.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	188.42	-
December 31, 2023	161.01	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	547,714	350,120	53.9
March 31, 2024	543,057	339,682	52.5

(Reference) Equity: As of December 31, 2024: ¥ 295,365 million
 As of March 31, 2024: ¥ 285,143 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	40.00	-	50.00	90.00
Fiscal year ending March 31, 2025	-	48.00	-		
Fiscal year ending March 31, 2025 (Forecast)				49.00	97.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		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	426,000	6.6	41,100	16.0	39,200	9.6	24,500	6.6	240.82

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

* Notes:

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

(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 restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

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

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

December 31, 2024: 103,768,142 shares

March 31, 2024: 103,768,142 shares

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

December 31, 2024: 2,032,427 shares

March 31, 2024: 1,636,449 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 101,942,174 shares

Nine months ended December 31, 2023: 102,199,751 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

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

During the nine months ended December 31, 2024, the global economy recovered gradually, supported by the steady growth of the U.S. economy, despite continuing uncertainties about the future outlook arising from the sluggish Chinese economy and heightening geopolitical risks.

Under these circumstances, the consolidated operating results for the nine months under review were as follows.

Consolidated Operating Results

(100 million yen)

	Nine months ended December 31, 2024	Nine months ended December 31, 2023	Change	Change (%)
Net sales	2,963	2,864	98	3.5
Chemicals	1,674	1,534	140	9.2
<i>Polymer Additives</i>	803	754	49	6.6
<i>Electronic Materials</i>	325	289	35	12.4
<i>Environmental Materials</i>	545	490	54	11.2
Food Products	630	637	(6)	(1.0)
Life Science	613	632	(19)	(3.0)
Others	44	60	(15)	(26.4)
Operating profit (loss)	300	240	60	25.1
Chemicals	227	180	46	25.8
<i>Polymer Additives</i>	84	60	24	40.5
<i>Electronic Materials</i>	82	73	8	12.2
<i>Environmental Materials</i>	60	47	13	28.1
Food Products	37	28	8	30.2
Life Science	30	18	11	65.1
Others	5	12	(6)	(55.8)
Ordinary profit	296	245	50	20.7
Profit attributable to owners of parent	192	164	27	16.7

(Notes) Amounts of less than 100 million yen are rounded down. Percentage changes are rounded to the first decimal place.

An overview by reportable segment is as described in page 3.

We have changed the names of the sub-segments of the Chemicals Business following the reorganization effective July 1, 2024. The name of former Electronics and IT Materials was changed to Electronic Materials, and that of former Functional Chemicals, to Environmental Materials. In addition, Battery materials, which had been working on corporate research, was incorporated into Environmental Materials.

(Chemicals Business) Increased sales and profit

Overviews of the Polymer Additives, Electronic Materials, and Environmental Materials that comprise the Chemicals Business are as follows.

1) Polymer Additives: Increased sales and profit

Sales of one-pack granule additives and flame retardants remained stronger than in the same period of the previous fiscal year due to increased resin production by customers on the back of the elimination of excess inventories in the supply chain. Sales of PVC stabilizers were strong in North America mainly for home interior materials, although they were slow in Asia.

○ Major contributors

Net sales	Strong	- One-pack granule additives (plastic products in general) - Flame retardants (home appliance enclosures) - PVC stabilizers (home interior materials)
	Steady	- Antioxidants (engineering plastics)
Operating profit	Positive	- Prices - Sales volume - Foreign exchange
	Negative	- Fixed costs

2) Electronic Materials: Increased sales and profit

Among products for semiconductors, sales of high-K materials for advanced DRAM were strong, amid a continued growth of demand related to generative AI. Sales of photoacid generators for advanced photo resists to support finer wiring also expanded. Among display-related products, sales of black matrix resin were strong due to expansion in China and new customer adoption.

○ Major contributors

Net sales	Strong	- High-K materials (advanced DRAM) - Black matrix resin (displays)
	Steady	- Photoacid generators (advanced photo resists)
	Weak	- Etching materials (displays)
Operating profit	Positive	- Sales volume
	Negative	- Fixed costs - Prices

3) Environmental Materials: Increased sales and profit

Sales of reactive emulsifiers used in architectural coatings remained solid due to expansion in India and China. Sales of lubricant additives used in engine oils were steady due to expansion for hybrid vehicles and expanded customer adoption for motorcycles in Southeast Asia.

○ Major contributors

Net sales	Strong	- Reactive emulsifiers (architectural coatings) - Special epoxy resins (electronic devices)
	Steady	- Lubricant additives (engine oils for automobiles)
Operating profit	Positive	- Sales volume - Foreign exchange
	Negative	- Fixed costs

(Food Products Business) **Decreased sales and increased profit**

Sales decreased due to sluggish sales in China, the impact of reorganization of subsidiaries, and integration of the product portfolio. Meanwhile, sales of functional fats and oils remained strong in Southeast Asia. In Japan, sales of fats and oils for kneading, **the *Marvelous series*** of functional margarine, and **the *Deli-PLANTS series*** of plant-based foods were favorable.

○ Major contributors

Net sales	Strong	- Fats and oils for kneading, <i>Marvelous series</i> of functional margarines, etc. (breads) - <i>Deli-PLANTS series</i> of plant-based foods (breads, cafes, etc.)
Operating profit	Positive	- Prices - Sales volume
	Negative	- Fixed costs

(Life Science Business) **Decreased sales and increased profit**

Sales of agrochemicals were weak in India due to the impact of unfavorable weather conditions. Meanwhile, in terms of profit and loss, profitability improved as a result of the fall in raw material prices in Brazil. Among pharmaceuticals, sales of the topical antifungal agent ***Luliconazole*** were weak due to a decline in domestic demand for nail tinea.

○ Major contributors

Net sales	Weak	- India: Agrochemicals in general - Japan: Topical antifungal agent <i>Luliconazole</i> for nail tinea
	Strong	- North America and Europe: Herbicides
	Steady	- Brazil: Fungicides, etc.
Operating profit	Positive	- Prices - Foreign exchange
	Negative	- Fixed costs

(2) Overview of Financial Position for the Period under Review

Consolidated Financial Position

(100 million yen)

	December 31, 2024	March 31, 2024	Change	Change (%)
Total assets	5,477	5,430	46	0.9
Total liabilities	1,975	2,033	(57)	(2.8)
Total net assets	3,501	3,396	104	3.1

(Notes) Amounts of less than 100 million yen are rounded down. Percentage changes are rounded to the first decimal place.

○ Major contributors

- Total assets: An increase in inventories
- Total liabilities: A decrease in short-term borrowings
- Total net assets: An increase in retained earnings

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

There have been no changes to the forecast of consolidated financial results for the fiscal year ending March 31, 2025, announced on November 12, 2024.

2. Quarterly Consolidated Financial Statements and Principal Note

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	98,429	108,319
Notes and accounts receivable - trade, and contract assets	116,937	101,918
Securities	5,498	5,496
Merchandise and finished goods	64,236	69,996
Work in process	8,464	8,887
Raw materials and supplies	41,919	47,736
Other	12,490	11,461
Allowance for doubtful accounts	(1,378)	(1,480)
Total current assets	346,598	352,335
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,134	39,932
Machinery, equipment and vehicles, net	35,684	34,613
Land	31,467	30,121
Other, net	19,553	20,722
Total property, plant and equipment	126,840	125,389
Intangible assets		
Technical assets	4,476	3,730
Customer related assets	2,328	2,208
Other	9,692	9,380
Total intangible assets	16,497	15,319
Investments and other assets		
Investment securities	42,013	43,689
Other	11,106	10,979
Total investments and other assets	53,119	54,669
Total non-current assets	196,458	195,378
Total assets	543,057	547,714

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	64,903	69,158
Short-term borrowings	26,780	20,920
Income taxes payable	4,827	2,933
Provision for bonuses	3,587	1,874
Provision for environmental measures	-	1,057
Other provisions	126	63
Other	34,202	25,838
Total current liabilities	134,427	121,846
Non-current liabilities		
Bonds payable	14,381	15,465
Long-term borrowings	22,283	27,594
Retirement benefit liability	20,526	20,638
Provision for environmental measures	-	927
Other provisions	71	421
Other	11,684	10,700
Total non-current liabilities	68,947	75,747
Total liabilities	203,374	197,594
Net assets		
Shareholders' equity		
Share capital	23,048	23,048
Capital surplus	20,181	20,348
Retained earnings	213,125	222,298
Treasury shares	(3,375)	(4,669)
Total shareholders' equity	252,979	261,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,665	12,748
Deferred gains or losses on hedges	-	1
Revaluation reserve for land	3,330	3,330
Foreign currency translation adjustment	17,147	18,208
Remeasurements of defined benefit plans	20	51
Total accumulated other comprehensive income	32,163	34,339
Non-controlling interests	54,539	54,754
Total net assets	339,682	350,120
Total liabilities and net assets	543,057	547,714

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	286,491	296,384
Cost of sales	212,593	212,349
Gross profit	73,898	84,034
Selling, general and administrative expenses	49,851	53,953
Operating profit	24,046	30,081
Non-operating income		
Interest income	1,583	1,669
Dividend income	768	819
Share of profit of entities accounted for using equity method	502	668
Gain on valuation of derivatives	-	398
Foreign exchange gains	1,143	-
Other	480	873
Total non-operating income	4,478	4,428
Non-operating expenses		
Interest expenses	2,461	2,532
Loss on valuation of derivatives	938	-
Foreign exchange losses	-	1,854
Other	545	450
Total non-operating expenses	3,944	4,837
Ordinary profit	24,580	29,672
Extraordinary income		
Gain on sale of non-current assets	43	1,365
Gain on sale of investment securities	610	79
Total extraordinary income	653	1,445
Extraordinary losses		
Loss on abandonment of non-current assets	383	294
Loss on valuation of investment securities	-	22
Loss on valuation of shares of subsidiaries and associates	15	-
Environmental expenses	-	1,984
Total extraordinary losses	398	2,301
Profit before income taxes	24,835	28,815
Income taxes - current	7,526	8,400
Income taxes - deferred	(385)	(458)
Total income taxes	7,141	7,941
Profit	17,694	20,873
Profit attributable to non-controlling interests	1,238	1,665
Profit attributable to owners of parent	16,455	19,208

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	17,694	20,873
Other comprehensive income		
Valuation difference on available-for-sale securities	1,802	292
Deferred gains or losses on hedges	42	2
Foreign currency translation adjustment	4,143	2,013
Remeasurements of defined benefit plans, net of tax	2	(13)
Share of other comprehensive income of entities accounted for using equity method	620	753
Total other comprehensive income	6,610	3,048
Comprehensive income	24,305	23,922
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,444	21,384
Comprehensive income attributable to non-controlling interests	2,860	2,538

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in accounting policies)

(Application of the accounting standard for current income taxes, etc.)

The Company has adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. since the beginning of the first quarter of the fiscal year ending March 31, 2025.

The amendment to categories in which current income taxes should be recorded (taxation on other comprehensive income) follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso to (2) of paragraph 65-2 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Guidance 2022”). These changes in accounting policies have no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies are deferred for tax purposes, the Company has applied the Revised Guidance 2022 since the beginning of the first quarter of the fiscal year ending March 31, 2025. This change in accounting policies has been applied retrospectively, and the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been prepared reflecting the retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Notes on accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

For certain subsidiaries, the Company has adopted a method of making a reasonable estimate of the effective tax rate after application of tax effect accounting to profit before income taxes for the consolidated fiscal year to which the nine months under review belong and multiplying the profit before income taxes for the nine months under review by such estimated effective tax rate.

(Notes on segment information, etc.)

[Segment information]

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

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Chemicals Business	Food Products Business	Life Science Business	Total				
Net sales								
(1) Net sales to outside customers	153,415	63,740	63,283	280,440	6,051	286,491	–	286,491
(2) Inter-segment net sales or transfers	126	278	6	411	15,405	15,817	(15,817)	–
Total	153,542	64,019	63,290	280,852	21,456	302,309	(15,817)	286,491
Segment profit	18,079	2,884	1,839	22,803	1,137	23,941	105	24,046

(Notes) 1. “Others” refers to business segments not included in the reportable segments and includes construction and construction management, logistics, and real estate businesses.

2. The adjustment of segment profit of 105 million yen includes the elimination of inter-segment transactions.

3. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

II. For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Chemicals Business	Food Products Business	Life Science Business	Total				
Net sales								
(1) Net sales to outside customers	167,474	63,088	61,366	291,929	4,455	296,384	–	296,384
(2) Inter-segment net sales or transfers	153	118	8	280	11,189	11,469	(11,469)	–
Total	167,627	63,207	61,374	292,209	15,644	307,853	(11,469)	296,384
Segment profit	22,738	3,755	3,037	29,531	402	29,934	147	30,081

(Notes) 1. “Others” refers to business segments not included in the reportable segments and includes construction and construction management, logistics, and real estate businesses.

2. The adjustment of segment profit of 147 million yen includes the elimination of inter-segment transactions.

3. Segment profit is adjusted with operating profit in the quarterly consolidated statements of income.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended December 31, 2024 have not been prepared. Depreciation (including amortization of intangible assets other than goodwill amortization) for the nine months under review are as follows.

		(Million yen)
	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	12,500	13,145