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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Under Japanese GAAP]



February 10, 2023

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 13, 2023

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, 2022 (April 1, 2022 - December 31, 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	%
Nine months ended December 31, 2022	28,270	4.2	3,068	(12.8)	3,750	(4.7)	1,658	(47.5)
December 31, 2021	27,124	8.8	3,520	21.3	3,936	42.4	3,159	59.9

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

For nine months ended December 31, 2021: ¥3,285million [97.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	134.42	—
December 31, 2021	248.02	—

(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, 2022	54,913	42,920	77.6	3,546.05
As of March 31, 2022	56,598	42,728	74.5	3,369.93

(Reference) Equity: As of December 31, 2022: ¥42,603 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	—	30.00	—		
Fiscal year ending March 31, 2023 (Forecast)				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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	35,600	(4.5)	3,750	(18.2)	4,300	(24.7)	2,000	(62.7)	163.13

(Note) Revision to the financial results forecast announced most recently: Yes

* 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, 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 December 31, 2022: 1,198,891 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):

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

Nine months ended December 31, 2021: 12,739,620 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

The Japanese economy is expected to return to having full-blown economic activities for the nine months ended December 31, 2022, with eased COVID-19 restrictions. The outlook, however, still remains uncertain due to the prolonged Russia-Ukraine conflict and the impact of factors, including the sharp rise in resources and energy prices, as well as higher prices in general, provoked by the weakening of the yen in the foreign exchange market.

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, 2022, while the shipment volume remained on a similar level as the same period of the previous fiscal year in the Semiconductors, the Company made efforts to pass through the sharp rise in prices of raw materials. As a result, sales revenue increased to 28,270 millions of yen (up 4.2% year on year).

In terms of profits, operating profit amounted to 3,068 millions of yen (down 12.8% year on year), as the impact of supply and demand in the Chinese market and the weakening yen led to a significant year-on-year increase in the price of anhydrous hydrofluoric acid, a key raw material. Ordinary profit amounted to 3,750 millions of yen (down 4.7% year on year) due to a decline in operating profit, despite recording share of profit of entities accounted for using equity method with the robust operating results of the Quzhou BDX New Chemical Materials Co., Ltd., an equity method affiliate. Moreover, while recording gain on sale of investment securities as extraordinary income due to sale of an unlisted security, impairment loss 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 in the High-purity Chemical Business. As a result, profit attributable to owners of parent amounted to 1,658 millions of yen (down 47.5% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the third quarter of the fiscal year under review decreased by 1,635 millions of yen (5.3%) from the end of the previous fiscal year to 28,945 millions of yen. The main reasons for this decline included a decrease of 1,141 millions of yen in cash and deposits. Non-current assets decreased by 48 millions of yen (0.2%) from the end of the previous fiscal year to 25,968 millions of yen. The main reasons for this decline included a decrease of 23 millions of yen in property, plant and equipment.

Consequently, total assets at the end of the third quarter of the fiscal year under review decreased by 1,684 millions of yen from the end of the previous fiscal year to 54,913 millions of yen.

(Liabilities)

Current liabilities at the end of the third quarter of the fiscal year under review decreased by 1,428 millions of yen (14.6%) from the end of the previous fiscal year to 8,375 millions of yen. The main reason for this decline included a decrease of 1,221 millions of yen in income taxes payable. Non-current liabilities decreased by 447 millions of yen (11.0%) from the end of the previous fiscal year to 3,617 millions of yen. The main reason for this decline included a decrease of 733 millions of yen in long-term borrowings.

Consequently, total liabilities at the end of the third quarter of the fiscal year under review decreased by 1,876 millions of yen from the end of the previous fiscal year to 11,993 millions of yen.

(Net assets)

Total net assets at the end of the third quarter of the fiscal year under review amounted to 42,920 millions of yen, an increase of 192 millions of yen from the end of the previous fiscal year. The main reason for this growth included an increase of 832 millions of yen in retained earnings.

Consequently, the equity-to-asset ratio was 77.6% (74.5% at the end of the previous fiscal year).

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

Considering recent financial results, the consolidated financial results forecasts for the fiscal year ending March 31, 2023 announced on May 10, 2022 have been revised.

For details, please refer to “Recording of Impairment Loss and Revisions to Financial Results Forecasts for the Fiscal Year” released on February 10, 2023.

Moreover, financial results forecasts are based on the information currently available on the day of announcement for this document. Actual financial results may differ from the numbers in the forecasts due to various factors in the future.

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

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	15,895	14,754
Notes and accounts receivable - trade	8,577	8,504
Electronically recorded monetary claims - operating	65	45
Merchandise and finished goods	2,175	2,081
Work in process	1,510	1,566
Raw materials and supplies	1,584	1,572
Other	789	437
Allowance for doubtful accounts	(17)	(16)
Total current assets	30,581	28,945
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,535	6,179
Machinery, equipment and vehicles, net	4,772	4,285
Land	5,467	5,467
Leased assets	132	164
Construction in progress	3,147	3,906
Other, net	1,611	1,641
Total property, plant and equipment	21,667	21,644
Intangible assets		
Other	375	293
Total intangible assets	375	293
Investments and other assets		
Other	3,973	4,030
Total investments and other assets	3,973	4,030
Total non-current assets	26,016	25,968
Total assets	56,598	54,913

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,743	1,773
Electronically recorded obligations - operating	876	943
Short-term borrowings	1,920	1,950
Current portion of long-term borrowings	1,494	1,095
Income taxes payable	1,370	149
Provision for bonuses	379	190
Provision for bonuses for directors (and other officers)	55	31
Electronically recorded obligations facilities	401	390
Other	1,563	1,852
Total current liabilities	9,804	8,375
Non-current liabilities		
Long-term borrowings	2,003	1,269
Retirement benefit liability	956	959
Provision for retirement benefits for directors (and other officers)	31	33
Provision for share awards	99	115
Asset retirement obligations	645	684
Other	329	554
Total non-current liabilities	4,065	3,617
Total liabilities	13,869	11,993
Net assets		
Shareholders' equity		
Share capital	4,829	4,829
Capital surplus	8,793	8,793
Retained earnings	29,450	30,282
Treasury shares	(1,642)	(2,991)
Total shareholders' equity	41,430	40,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50	29
Deferred gains or losses on hedges	46	—
Foreign currency translation adjustment	643	1,659
Total accumulated other comprehensive income	739	1,689
Share acquisition rights	49	48
Non-controlling interests	508	268
Total net assets	42,728	42,920
Total liabilities and net assets	56,598	54,913

(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, 2021	For the nine months ended December 31, 2022
Sales revenue	27,124	28,270
Cost of sales	20,407	22,252
Gross profit	6,717	6,017
Selling, general and administrative expenses	3,196	2,949
Operating profit	3,520	3,068
Non-operating income		
Share of profit of entities accounted for using equity method	382	561
Subsidy income	37	28
Foreign exchange gains	19	279
Other	67	78
Total non-operating income	506	947
Non-operating expenses		
Interest expenses	22	21
Share issuance costs	37	—
Depreciation	6	—
Loss on valuation of derivatives	—	240
Other	25	4
Total non-operating expenses	91	266
Ordinary profit	3,936	3,750
Extraordinary income		
Gain on sale of non-current assets	15	9
Gain on sale of shares of subsidiaries and associates	259	—
Gain on sale of investment securities	—	1,258
Total extraordinary income	275	1,267
Extraordinary losses		
Loss on abandonment of non-current assets	49	454
Loss on sale of non-current assets	—	0
Impairment loss	—	1,926
Total extraordinary losses	49	2,380
Profit before income taxes	4,162	2,636
Income taxes	1,308	1,283
Profit	2,853	1,353
Loss attributable to non-controlling interests	(306)	(305)
Profit attributable to owners of parent	3,159	1,658

Quarterly Consolidated Statement of Comprehensive Income
 Nine Months Ended December 31

(Millions of yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	2,853	1,353
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(20)
Deferred gains or losses on hedges	43	(46)
Foreign currency translation adjustment	350	867
Share of other comprehensive income of entities accounted for using equity method	27	213
Total other comprehensive income	431	1,014
Comprehensive income	3,285	2,368
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,551	2,608
Comprehensive income attributable to non-controlling interests	(266)	(239)

(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, 2021 (from April 1, 2021 to December 31, 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	23,399	3,515	84	27,000	124	27,124
Inter-segment sales revenue or transfers	250	2,277	—	2,528	165	2,693
Total	23,650	5,793	84	29,529	289	29,818
Segment profit (loss)	3,658	606	(511)	3,754	13	3,767

(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	3,754
Profit in “Other” category	13
Inter-segment elimination	(246)
Operating profit in the quarterly consolidated statement of income	3,520

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 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.

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 from the first quarter of the fiscal year.

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 loss 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 loss for the nine months ended December 31, 2022 was 1,926 millions of yen.