

**Manufacturer of basic chemicals mainly caustic soda**

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For inquiries concerning the report, please contact [info@stock-r.org](mailto:info@stock-r.org)

**[4040 NANKAI CHEMICAL Sector : Chemicals]**

Fiscal Year	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit	YoY	EPS	BPS	DPS
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Mar.2021	16,463	-	730	-	708	-	155	-	146.4	3,105.9	15.0
Mar.2022	17,434	5.9	739	1.1	716	1.2	462	198.1	359.8	3,595.6	15.0
Mar.2023	f 19,384	11.2	734	-0.7	784	9.5	496	7.4	385.9	-	15.0

Note: Consolidated basis. Figures for the fiscal year ending March 2023 are the company's forecasts.

**Manufacturer of Basic Chemicals Mainly Caustic Soda**

NANKAI CHEMICAL is a basic chemical manufacturer that handles caustic soda and its co-products. It was a group company of NAKAYAMA STEEL WORKS, but became independent through an MBO in 2013.

It is a medium-sized caustic soda manufacturer. In addition, as the second pillar, NANKAI CHEMICAL has clarified its policy to expand the environmental recycling business.

The company's business consists of the chemicals business and various salt businesses, with the chemicals business accounting for 81.1% of net sales and almost all of the operating profit in fiscal year ended March 2022. The chemicals business is divided into basic chemicals (50.5% of total sales), functional chemicals (11.2%), agriculture (12.9%) and environmental recycling (6.5%).

**Chemicals Business**

Caustic soda, a basic chemical, is strongly alkaline and is used in a wide range of applications such as metal dissolution and refining, impurity removal, bleaching and neutralization, and is supplied to industries including steel, papermaking, cosmetics, detergents and chemical industries. Since transportation costs are high for supplying to remote areas, the supply destinations are mainly the Kansai region, where the company's plants are located.

The company also handles products that utilize hydrogen and chlorine, which are co-products of caustic soda production. They include synthetic hydrochloric acid and sodium hypochlorite used for bleaching, sterilization and neutralization applications for medical and food fields, chlorine disinfectants and sanitizers and water treatment flocculants used in wastewater treatment.

As functional chemicals, the company mainly handles food additives primarily for food manufacturers such as sodium acetate used to improve the shelf life of food and glucosamine used as a material in health foods, as well as intermediates used in pharmaceuticals, agricultural chemicals, electronic materials and the like.

In the agriculture field, NANKAI CHEMICAL handles chloropicrin, which is used as a soil fungicide.

As environmental recycling, the company collects waste sulfuric acid from waste sulfuric acid suppliers, and refines sulfuric acid for sale.

**Various Salt Businesses**

NANKAI CHEMICAL processes and provides raw salt imported from Australia and Mexico. It is used for food production and snow melting on roads and such.

## Financial Statements

Statement of income	Fiscal Year	Mar.2021		Mar.2022		Nine months to Dec.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		16,463	100.0	17,434	100.0	13,862	100.0
Cost of sales		12,594	76.5	13,306	76.3	10,670	77.0
Gross profit		3,869	23.5	4,127	23.7	3,191	23.0
Selling, general and administrative expenses		3,138	19.1	3,388	19.4	2,738	19.8
Operating profit		730	4.4	739	4.2	452	3.3
Non-operating income		178	-	206	-	185	-
Non-operating expenses		201	-	229	-	126	-
Ordinary profit		708	4.3	716	4.1	512	3.7
Profit before income taxes		69	0.4	463	2.7	401	2.9
Profit attributable to owners of parent		155	0.9	462	2.6	329	2.4

Balance sheet	Fiscal Year	Mar.2021		Mar.2022		Dec.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		8,263	51.3	8,634	50.8	10,295	54.6
Cash and deposits		1,107	6.9	1,281	7.5	1,615	8.6
Accounts receivable-trade		5,097	31.6	5,246	30.9	5,861	31.1
Inventories		1,863	11.6	1,917	11.3	2,594	13.7
Non-current assets		7,858	48.7	8,347	49.2	8,551	45.3
Property, plant and equipment		6,632	41.1	6,607	38.9	6,754	35.8
Intangible assets		181	1.1	195	1.1	223	1.2
Investments and other assets		1,045	6.5	1,544	9.1	1,573	8.3
Total assets		16,122	100.0	16,982	100.0	18,866	100.0
Current liabilities		7,676	47.6	8,338	49.1	8,341	44.2
Accounts payable - trade		1,784	11.1	1,989	11.7	2,935	15.6
Non-current liabilities		4,409	27.3	3,967	23.4	5,439	28.8
Net assets		4,035	25.0	4,676	27.5	5,084	26.9
Owners' equity		3,994	24.8	4,625	27.2	5,036	26.7

Statement of cash flows	Fiscal Year	Mar.2021	Mar.2022
		(mn yen)	(mn yen)
Cash flows from operating activities		1,261	1,587
Depreciation		955	975
Cash flows from investing activities		-1,807	-614
Cash flows from financing activities		893	-858
Dividends paid		-15	-19
Net increase in cash and cash equivalents		347	173
Cash and cash equivalents		1,107	1,281

Note: Consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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