Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [JGAAP]

May 13, 2022

Company Name: Kanto Denka Kogyo Co., Ltd.
Stock Exchange Listing: Tokyo
Code Number: 4047 https://www.kantodenka.co.jp/english/
Representative: Jun'ichi Hasegawa, President
Contact: Ryoji Masujima,
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Scheduled date of Ordinary General Shareholders' Meeting: June 29, 2022
Scheduled date to commence dividend payments: June 30, 2022
Scheduled date for submitting the Annual Securities Report: June 29, 2022
Availability of supplementary briefing material on financial results: Yes
Financial results briefing session: Yes (For institutional investors and analysts)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

(Amounts are rounded down to the nearest million yen)

(1) Consolidated operating results

(% figures are the rate of year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2022	62,286	19.9	11,164	97.0	11,145	99.6	7,762	115.3
Fiscal year ended March 31, 2021	51,927	–3.3	5,668	–26.7	5,582	–28.8	3,605	–28.2

(Note) Comprehensive income:
Fiscal year ended March 31, 2022: ¥8,374 million (39.5%)
Fiscal year ended March 31, 2021: ¥6,005 million (52.3%)

	Basic earnings per share	Diluted basic earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	135.12	—	14.2	11.0	17.9
Fiscal year ended March 31, 2021	62.73	—	7.4	6.3	10.9

(Reference) Equity gains (losses) of affiliated companies:
Fiscal year ended March 31, 2022: ¥— million
Fiscal year ended March 31, 2021: ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	109,902	59,908	53.0	1,014.01
As of March 31, 2021	92,324	52,423	55.2	887.42

(Reference) Equity capital: Fiscal year ended March 31, 2022: ¥58,254 million; Fiscal year ended March 31, 2021: ¥50,980 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2022	11,176	(11,120)	2,416	26,372
Fiscal year ended March 31, 2021	11,984	(9,872)	4,350	23,339

2. Dividends

	Annual dividends per share					Total dividend amount	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	—	7.00	—	7.00	14.00	805	22.3	1.7
Fiscal year ended March 31, 2022	—	8.00	—	14.00	22.00	1,265	16.3	2.3
Fiscal year ending March 31, 2023 (Forecast)	—	10.00	—	12.00	22.00		17.8	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022–March 31, 2023)

(% figures are the rate of year-on-year increase or decrease)

	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
First half	36,200	28.4	5,300	20.0	5,200	18.6	3,400	12.1	59.18
Full year	76,000	22.0	10,900	–2.4	10,800	–3.1	7,100	–8.5	123.59

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Not applicable

New: — companies (company names); Removed: — companies (company names)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

i. Changes in accounting policies accompanying amendments to accounting standards, etc.: Yes
ii. Changes in accounting policies other than i.: None
iii. Changes in accounting estimates: None
iv. Retrospective restatement: None

(3) Number of shares issued (common stock)

i. Number of shares issued at the end of the period (including treasury shares)	As of March 31, 2022	57,546,050 shares	As of March 31, 2021	57,546,050 shares
ii. Number of treasury shares at the end of the period	As of March 31, 2022	96,900 shares	As of March 31, 2021	98,474 shares
iii. Average number of shares during the period	As of March 31, 2022	57,448,551 shares	As of March 31, 2021	57,477,105 shares

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022)

(1) Non-consolidated operating results (% figures are the rate of year -on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2022	55,750	18.4	9,020	101.8	9,400	108.7	6,652	129.7
Fiscal year ended March 31, 2021	47,071	–1.5	4,470	–38.0	4,505	–39.1	2,895	–42.2

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Fiscal year ended March 31, 2022	115.81	—
Fiscal year ended March 31, 2021	50.38	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	93,410	51,219	54.8	891.57
As of March 31, 2021	80,031	45,725	57.1	795.95

(Reference) Equity capital: Fiscal year ended March 31, 2022: ¥51,219 million
Fiscal year ended March 31, 2021: ¥45,725 million

Notes:

- Summary of financial results are not subject to audit by a certified public accountant or an auditing firm.
- Proper use of performance forecasts, and other special matters

(Notes to performance forecasts and other forward-looking statements)

The performance outlooks and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended to be a promise by the Company that they will be realized. Actual results may differ significantly due to various factors. Please refer to "1. Overview of operating results, etc., (4) Future outlook" on page 4 of the attached materials for information on the performance forecasts.

(How to obtain supplementary financial results briefing materials)

The Company plans to hold a financial results briefing for institutional investors and securities analysts on Monday, May 23, 2022. Supplementary financial results briefing materials to be used at this briefing will be posted on the Company's website after the session.

Contents

1. Overview of operating results, etc.

(1) Operating results

i. Operating results for the fiscal year under review

In the consolidated fiscal year ended March 31, 2022, while the Japanese economy showed signs of recovery due to effects of various government policies, severe conditions continued to prevail. Overseas, outlooks remained uncertain due to the impact on economic activities from the resurgence of COVID-19 infections, as well as the need for caution amid such factors as heightened geopolitical risks and fluctuations in financial and capital markets.

The chemical industry also continued to face a challenging business environment, with rising raw material and fuel prices and disruptions in distribution networks, despite movements toward recovery in demand.

Amid these circumstances, the Kanto Denka Group worked to strengthen the earning power of its fundamental chemicals, fine chemicals, and ferrochemicals businesses, while striving to develop new products that leverage its competitive fluorochemical technologies.

Net sales for the fiscal year under review amounted to ¥62,286 million, up ¥10,359 million or 19.9% year on year, mainly due to higher sales in the Fine Chemicals Division. For profit and loss, ordinary profit amounted to ¥11,145 million, up ¥5,562 million or 99.6% year on year, and profit attributable to owners of parent amounted to ¥7,762 million, up ¥4,157 million or 115.3% year on year.

Note that the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other provisions were applied from the beginning of the consolidated fiscal year under review.

As a result, net sales decreased by ¥242 million, cost of sales decreased by ¥203 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥38 million, compared with the previous accounting method.

For details, please refer to “3. Consolidated financial statements and notes, (5) Notes to the consolidated financial statements (Changes in accounting policies).”

ii. Overview by reporting segment

a. Fundamental Chemicals Division

Sales of caustic soda and hydrochloric acid were up year on year due to higher sales volumes, despite lower sales prices.

For organic products, sales of trichloroethylene were up due to effects from price revisions. Sales of perchloroethylene were up due to effects from price revisions, despite lower sales volumes.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥7,966 million, up ¥2,190 million or 37.9%. Operating loss amounted to ¥69 million (versus operating loss of ¥240 million in the previous fiscal year).

b. Fine Chemicals Division

For fluorochemicals for semiconductors and liquid crystals, sales of nitrogen trifluoride were up year on year due to effects from price revisions, despite lower sales volumes. Sales of tungsten hexafluoride were down due to lower sales prices, despite higher sales volumes. Sales of hexafluoro-1,3-butadiene were up due to higher sales volumes, despite lower sales prices.

Sales of lithium hexafluorophosphate, a battery material, were up due to higher sales volumes and effects from price revisions.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥49,000 million, up ¥8,666 million or 21.5%. Operating profit amounted to ¥10,042 million, up ¥4,671 million or 87.0%.

c. Ferrochemicals Division

Sales of reprographic carriers, used in developers for copiers and printers, were up year on year due to higher sales volumes. Sales of iron oxide were up due to higher sales of colorants.

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥2,580 million, up ¥752 million or 41.2%. Operating profit amounted to ¥539 million, up ¥333 million or 161.3%.

d. Commercial Business Division

Commercial business sales were down year on year due to factors such as impact from the application of the Accounting Standard for Revenue Recognition from the fiscal year under review.

As a result of the above, net sales in the Commercial Business Division amounted to ¥837 million, down ¥1,576 million or 65.3%. Operating profit amounted to ¥194 million, up ¥41 million or 27.4%.

e. Facilities Division

Sales in chemical facility plant and general industrial plant construction were up year on year due to an increase in contract work.

As a result of the above, net sales in the Facilities Division amounted to ¥1,901 million, up ¥325 million or 20.7%. Operating profit amounted to ¥379 million, up ¥135 million or 55.3%.

(2) Financial position

Total assets at the end of the consolidated fiscal year under review amounted to ¥109,902 million, up ¥17,577 million from the end of the previous consolidated fiscal year.

Current assets amounted to ¥61,705 million, up ¥11,004 million from the end of the previous fiscal year. The main factors were a ¥3,117 million increase in notes and accounts receivable—trade, and contract assets ("notes and accounts receivable—trade" in the previous consolidated fiscal year), a ¥3,044 million increase in cash and deposits, and a ¥2,550 million increase in inventories.

Non-current assets amounted to ¥48,196 million, up ¥6,572 million from the end of the previous fiscal year. The main factor was a ¥6,790 million increase in property, plant and equipment.

Current liabilities amounted to ¥27,265 million, up ¥6,527 million from the end of the previous fiscal year. The main factors were a ¥2,200 million increase in notes and accounts payable—trade, a ¥2,048 million increase in income taxes payable, and a ¥1,709 million increase in other current liabilities.

Non-current liabilities amounted to ¥22,727 million, up ¥3,564 million from the end of the previous fiscal year. The main factor was a ¥3,116 million increase in long-term borrowings. The balance of interest-bearing debt, including discounted notes receivable—trade and bonds payable, totaled ¥30,911 million, up ¥3,943 million from the end of the previous fiscal year.

Total net assets amounted to ¥59,908 million, up ¥7,485 million from the end of the previous fiscal year. The main factor was a ¥6,899 million increase in retained earnings due to profit attributable to owners of parent.

(3) Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review amounted to ¥26,372 million, up ¥3,033 million from the end of the previous fiscal year.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥11,176 million (compared with net cash of ¥11,984 million provided in the previous fiscal year). This was mainly due to increases from profit before income taxes of ¥11,160 million and depreciation of ¥6,680 million, and decreases from a ¥3,286 million increase in trade receivables and a ¥2,417 million increase in inventories.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥11,120 million (compared with net cash of ¥9,872 million used in the previous fiscal year). This was mainly due to the acquisition of property, plant and equipment.

c. Cash flows from financing activities

Net cash provided by financing activities amounted to ¥2,416 million (compared with net cash of ¥4,350 million provided in the previous fiscal year). This was mainly due to proceeds from long-term borrowings of ¥8,988 million, while repayments of long-term borrowings amounted to ¥5,309 million.

(Cash flow indicators)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio	54.7%	52.7%	54.8%	55.2%	53.0%
Equity ratio on a market value basis	87.8%	52.6%	53.0%	55.7%	56.5%
Ratio of interest-bearing debt to cash flows	2.3	2.3	2.4	2.3	2.8
Interest coverage ratio	62.3	83.6	51.7	61.1	36.3

(Notes) Equity ratio: Equity capital / Total assets
Equity ratio on a market value basis: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payments

All calculations are based on consolidated financial figures.
Market capitalization is calculated based on the number of shares issued, minus treasury shares.
Operating cash flows are used for cash flows.
Interest-bearing debt is all debt on the consolidated balance sheet for which interest is paid.

(4) Future outlook

Looking ahead, as social and economic activities increase in intensity, impact from various policies and improvement in overseas economies are expected to lead to a rebound. However, attention must be paid to worldwide geopolitical risks, the risk of a resurgent COVID-19, as well as the risk of fluctuations in financial and capital markets. Amid these factors, the future remains highly uncertain, and the business environment is expected to remain a challenging one.

Here, the Group has launched its new medium-term management plan, “Dominate 1000,” starting in fiscal 2022. In this plan, we will strive to achieve our target of ¥100 billion in consolidated net sales in fiscal 2024 through the core strategies of “promote expansion of the fine chemicals business,” “raise the level of the production technology,” “enhance human resource development,” and “increase social value.”

Furthermore, we have established the prime initiatives of our business activity as “giving the highest priority to safety,” “being a profitable company,” and “development by and for everyone.” With this, a stable management foundation, and an eye on where we want to be in 2030, we will provide a safe work environment with job satisfaction, support technologies that are cutting-edge on a global stage with our superior, original products, and aim to be an innovative, development-driven company to contribute to a sustainable society.

In our full-year consolidated earnings outlook for the fiscal year ending March 31, 2023, we forecast net sales of ¥76,000 million, exceeding net sales in the fiscal year ended March 31, 2022. By segment, we expect sales to increase mainly in the fine chemicals business. For profit and loss, despite the effect of increased sales, we forecast operating profit of ¥10,900 million and ordinary profit of ¥10,800 million, due to factors such as rising raw materials prices and increasing fixed manufacturing costs.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

In determining dividends from surplus, the Company's basic policy is to make the appropriate return of profits to shareholders its first duty. Here, it provides consistent, proper dividends while securing funds for capital investment, an indispensable driver of greater earnings, and strengthening its financial position. These actions are founded in its business plans over the medium- to long-term and take into consideration trends business performance over time.

In accordance with the above policy, the Company plans to pay a year-end dividend of 14 yen per share for the fiscal year ended March 31, 2022 at the Board of Directors meeting to be held on May 27, 2022. This makes the annual dividend per share ¥22, including the interim dividend of ¥8 already paid.

For the next fiscal year, ending March 31, 2023, the Company plans to pay an annual dividend of ¥22 per share (interim: ¥10, year-end: ¥12), taking into consideration trends in business performance and other factors.

2. Basic approach to the selection of accounting standards

The Group has adopted Japanese generally accepted accounting principles due to the lack of need to raise funds from overseas, and has no immediate plans to change this policy.

3. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets:		
Current assets		
Cash and deposits	23,684	26,728
Notes and accounts receivable—trade	13,804	—
Notes and accounts receivable—trade, and contract assets	—	16,921
Electronically recorded monetary claims—operating	1,003	1,101
Merchandise and finished goods	4,294	5,182
Work in process	3,737	4,416
Raw materials and supplies	2,543	3,526
Other	1,703	3,896
Allowance for doubtful accounts	(69)	(68)
Total current assets	50,700	61,705
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,838	8,872
Machinery and equipment, net	13,663	11,655
Land	2,627	2,633
Lease assets, net	223	351
Construction in progress	2,699	11,001
Other, net	3,378	3,707
Total property, plant and equipment	31,430	38,221
Intangible assets		
Other	681	728
Total intangible assets	681	728
Investments and other assets		
Investment securities	7,845	7,464
Deferred tax assets	997	1,165
Other	671	621
Allowance for doubtful accounts	(2)	(4)
Total investments and other assets	9,512	9,246
Total non-current assets	41,624	48,196
Total assets	92,324	109,902

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities:		
Current liabilities		
Notes and accounts payable—trade	5,868	8,068
Electronically recorded obligations—operating	735	835
Short-term borrowings	4,390	4,200
Current portion of long-term borrowings	5,304	5,886
Lease obligations	77	100
Income taxes payable	551	2,600
Provision for bonuses for directors (and other officers)	79	134
Other	3,730	5,439
Total current liabilities	20,738	27,265
Non-current liabilities		
Long-term borrowings	17,049	20,166
Lease obligations	145	558
Deferred tax liabilities	30	23
Provision for retirement benefits for directors (and other officers)	128	137
Provision for share awards for directors (and other officers)	6	11
Retirement benefit liability	1,704	1,754
Other	98	75
Total non-current liabilities	19,163	22,727
Total liabilities	39,901	49,993
Net assets:		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,829	1,829
Retained earnings	43,584	50,483
Treasury shares	(70)	(68)
Total shareholders' equity	48,221	55,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,817	2,527
Foreign currency translation adjustment	(214)	413
Remeasurements of defined benefit plans	156	191
Total accumulated other comprehensive income	2,759	3,132
Non-controlling interests	1,443	1,654
Total net assets	52,423	59,908
Total liabilities and net assets	92,324	109,902

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Net sales	51,927	62,286
Cost of sales	38,362	42,421
Gross profit	13,564	19,864
Selling, general and administrative expenses	7,896	8,700
Operating profit	5,668	11,164
Non-operating profit		
Interest income	3	10
Dividend income	185	204
Surrender value of insurance policies	54	—
Foreign exchange gains	82	243
Miscellaneous income	135	235
Total non-operating profit	461	694
Non-operating expenses		
Interest expenses	203	313
Loss on valuation of derivatives	62	84
Loss on sale of trial products	220	204
Miscellaneous loss	60	110
Total non-operating expenses	547	713
Ordinary profit	5,582	11,145
Extraordinary income		
Gain on sale of investment securities	—	131
Total extraordinary income	—	131
Extraordinary losses		
Loss on retirement of non-current assets	139	116
Loss on valuation of investment securities	265	—
Total extraordinary losses	404	116
Profit before income taxes	5,178	11,160
Income taxes—current	1,508	3,234
Income taxes—deferred	(80)	(36)
Total income taxes	1,428	3,198
Profit	3,750	7,961
Profit attributable to non-controlling interests	144	198
Profit attributable to owners of parent	3,605	7,762

Consolidated statement of comprehensive income

(Millions of yen)

	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Profit	3,750	7,961
Other comprehensive income		
Valuation difference on available-for-sale securities	1,996	(271)
Foreign currency translation adjustment	52	649
Remeasurements of defined benefit plans	206	35
Total other comprehensive income	2,255	413
Comprehensive income	6,005	8,374
Comprehensive income attributable to:		
Owners of parent	5,809	8,135
Non-controlling interests	195	239

(3) Consolidated statement of changes in equity

From April 1, 2020 to March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,877	1,829	40,783	(12)	45,478
Changes during period					
Dividends of surplus			(805)		(805)
Profit attributable to owners of parent			3,605		3,605
Purchase of treasury shares				(57)	(57)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,800	(57)	2,742
Balance at end of period	2,877	1,829	43,584	(70)	48,221

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	868	(263)	(50)	555	1,180	47,214
Changes during period						
Dividends of surplus						(805)
Profit attributable to owners of parent						3,605
Purchase of treasury shares						(57)
Disposal of treasury shares						—
Net changes in items other than shareholders' equity	1,948	48	206	2,203	263	2,466
Total changes during period	1,948	48	206	2,203	263	5,209
Balance at end of period	2,817	(214)	156	2,759	1,443	52,423

From April 1, 2021 to March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,877	1,829	43,584	(70)	48,221
Changes during period					
Dividends of surplus			(862)		(862)
Profit attributable to owners of parent			7,762		7,762
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1	1
Net changes in items other than shareholders' equity					
Total changes during period	—	—	6,899	1	6,901
Balance at end of period	2,877	1,829	50,483	(68)	55,122

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,817	(214)	156	2,759	1,443	52,423
Changes during period						
Dividends of surplus						(862)
Profit attributable to owners of parent						7,762
Purchase of treasury shares						(0)
Disposal of treasury shares						1
Net changes in items other than shareholders' equity	(289)	627	35	372	211	584
Total changes during period	(289)	627	35	372	211	7,485
Balance at end of period	2,527	413	191	3,132	1,654	59,908

(4) Consolidated statement of cash flows

(Millions of yen)

	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,178	11,160
Depreciation	6,767	6,680
Interest and dividend income	(189)	(215)
Interest expenses	203	313
Loss on retirement of non-current assets	139	116
Loss (gain) on sale of investment securities	—	(131)
Loss (gain) on valuation of investment securities	265	—
Decrease (increase) in trade receivables	381	(3,286)
Decrease (increase) in inventories	1,306	(2,417)
Increase (decrease) in trade payables	(158)	2,070
Decrease (increase) in other current assets	(88)	(2,155)
Increase (decrease) in other current liabilities	120	231
Other	(93)	147
Subtotal	13,832	12,516
Interest and dividends received	180	218
Interest paid	(196)	(308)
Income taxes paid	(1,833)	(1,250)
Net cash provided by operating activities	11,984	11,176
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,604)	(10,906)
Proceeds from sale and redemption of investment securities	99	167
Purchase of investment securities	(17)	(19)
Other	(350)	(362)
Net cash used in investing activities	(9,872)	(11,120)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	171	(194)
Proceeds from long-term borrowings	8,732	8,988
Repayments of long-term borrowings	(3,586)	(5,309)
Dividends paid	(805)	(862)
Dividends paid to non-controlling interests	(26)	(22)
Purchase of treasury shares	(57)	(0)
Other	(76)	(183)
Net cash provided by financing activities	4,350	2,416
Effect of exchange rate change on cash and cash equivalents	110	561
Net increase (decrease) in cash and cash equivalents	6,572	3,033
Cash and cash equivalents at beginning of period	16,321	23,339
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	445	—
Cash and cash equivalents at end of period	23,339	26,372

(5) Notes to the consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Significant matters forming the basis for preparation of the consolidated financial statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: 7 companies

Name of consolidated subsidiaries

Kanden Kosan Co., Ltd.
Jobi Engineering Co., Ltd.
Morishita Bengara Kogyo Co., Ltd.
Kanto Denka Korea Co., Ltd.
Taiwan Kanto Denka Co., Ltd.
Kanto Denka Fine Products Korea Co., Ltd.
Xuancheng KDK Technology Co., Ltd.

(2) Name of non-consolidated subsidiaries

Kanto Denka Sangyo Co., Ltd.
Gunma Tekkojo Co., Ltd.
Kanden Mizushima Sangyo Co., Ltd.
Kanden Shibukawa Sangyo Co., Ltd.
Kanto Denka Kogyo (Shanghai) Co., Ltd.

Reason for exclusion from scope of consolidation

All non-consolidated subsidiaries are small companies, with none of total assets, net sales, net profit (commensurate with equity holdings), or retained earnings (commensurate with equity holdings) exerting any important influence on consolidated financial statements.

2. Matters concerning the application of the equity method

There are no non-consolidated subsidiaries for which the equity method is applied. There are also no affiliated companies.

Non-consolidated subsidiaries for which the equity method is not applied Kanto Denka Sangyo Co., Ltd.

Gunma Tekkojo Co., Ltd.
Kanden Mizushima Sangyo Co., Ltd.
Kanden Shibukawa Sangyo Co., Ltd.
Kanto Denka Kogyo (Shanghai) Co., Ltd.

Reason for non-application of the equity method

Non-consolidated subsidiaries for which the equity method is not applied do not have a material impact on net profit or retained earnings and are not significant as a whole, and therefore the equity method is not applied.

3. Matters concerning the fiscal year of consolidated subsidiaries

The fiscal year end of Kanto Denka Korea Co. Ltd., Taiwan Kanto Denka Co., Ltd., Kanto Denka Fine Products Korea Co., Ltd., and Xuancheng KDK Technology Co., Ltd. is December 31. In preparing consolidated financial statements, financial statements as of this day are used, making necessary adjustments for important transactions occurring between this day and the consolidated closing date.

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for significant assets

i. Securities

Available-for-sale securities

Securities other than stocks, etc. with no market price

Stated at market value.

(All valuation differences are processed by the direct net assets method, and selling cost is calculated by the moving average method.)

Stocks, etc. with no market price

Stated at cost determined by the moving average method.

ii. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies

Mainly stated at cost determined by the monthly moving average method (the balance sheet amount is calculated by the method of writing down book value based on decline in profitability).

(2) Method of depreciation and amortization of significant depreciable assets

i. Property, plant and equipment (excluding lease assets)

While the Company and its domestic consolidated subsidiaries mainly use the straight-line method, the declining-balance method is used for “Machinery” within the Fine Chemicals Division. Overseas consolidated subsidiaries mainly use the straight-line method.

ii. Intangible assets (excluding lease assets)

The straight-line method is used.

Software for internal use is amortized over the estimated internal useful life (five years).

iii. Lease assets

Lease assets related to finance lease transactions with transfer of ownership

The same depreciation method is used as that applied to internally held non-current assets.

Lease assets related to finance lease transactions without transfer of ownership

The straight-line method is used, with useful life set as the leasing term and the remaining value set at zero.

(3) Standards for recognition of significant allowances and provisions

i. Allowance for doubtful accounts

To provide for bad debt expenses on receivables such as trade receivable and loans receivable, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables, and the estimated amount of irrecoverable debt is booked based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

ii. Provision for bonuses for directors (and other officers)

To provide for the payment of bonuses to officers, an amount is recorded based on the estimated amount to be paid in the fiscal year under review.

iii. Provision for retirement benefits for directors (and other officers)

To provide for the payment of retirement benefits to directors and other officers of consolidated subsidiaries, a standard amount is recorded based on internal regulations.

iv. Provision for share awards for directors (and other officers)

To provide for the award of the Company shares to directors (excluding outside directors) in accordance with the rules on share issuance, an amount is recorded based on the estimated share award as of the end of the consolidated fiscal year under review.

(4) Accounting treatment for defined benefits

i. Method for period attribution of expected defined benefit amount

When calculating defined benefit obligations, the method of attributing expected defined benefit amounts to the period up to the end of the current consolidated fiscal year shall be based on the benefit formula.

ii. Method for amortization of actuarial variances and expenses for past service

Actuarial variances are amortized by the straight-line method over a fixed number of years (15 years) within the average remaining service period of employees at the time of occurrence of each consolidated fiscal year, starting from the consolidated fiscal year following each occurrence.

Expenses for past service are amortized by the straight-line method over a fixed number of years (15 years) within the average remaining service period of employees at the time of occurrence.

(5) Standards for recognition of significant revenue and expenses

i. Sales of finished goods and merchandise

In the fundamental chemicals, fine chemicals, and ferrochemicals businesses, the Company manufactures and sells finished goods and recognizes revenue when control of the promised goods or services is transferred to the customer. However, for domestic sales like these, revenue is recognized at the time of shipment, in principle.

In the commercial business, the Company mainly sells merchandise and recognizes revenue when control of the promised goods or services is transferred to the customer. For sales of merchandise for which the Group is deemed to be an agent, revenue is recognized at the net amount received from the customer less the amount paid to the supplier.

ii. Work contracts, etc.

For work contracts, etc. in the facilities business, revenue is recognized over a certain period of time as performance obligations are satisfied.

When the degree of progress toward satisfying the performance obligation in question cannot be reasonably estimated, but it is probable that the costs incurred in satisfying the obligation will be recovered, revenue is recognized on a cost recovery basis for performance obligations that will be satisfied over a specified period of time.

(6) Standards for translating significant foreign currency denominated assets or liabilities into Japanese currency

The assets and liabilities of overseas subsidiaries are converted to yen at the spot exchange rate on the day of the overseas subsidiaries' fiscal year end, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments and non-controlling interests under net assets.

(7) Scope of funds in the consolidated statement of cash flows

The funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the consolidated fiscal year under review, and it recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes resulting from the application of this accounting standard and other regulations are as follows.

(Revenue recognition for agent transactions)

For certain transactions in the commercial business, the Company previously recognized as revenue the gross amount of consideration received from customers. However, for commercial business transactions providing goods or services to a customer in which the Company's role is that of an agent, the Company now recognizes revenue at the net amount received from customers less the amount paid to suppliers.

Note that while there was no effect on the consolidated statement of income, as described in the notes to "(Segment information, etc.), 3. Matters related to changes in reportable segments," there were effects on net sales per segment in the Fundamental Chemicals Division, Fine Chemicals Division, Ferrochemicals Division, and Commercial Business Division.

(Revenue recognition for work contracts, etc.)

For work contracts, etc. in the facilities business, the Company previously recognized revenue on a completed work basis. However, as of the beginning of the consolidated fiscal year under review, revenue is recognized over a certain period of time as performance obligations are satisfied. Note that for work in which the degree of progress toward satisfying the performance obligation in question cannot be reasonably estimated, revenue is recognized on a cost recovery basis.

(Revenue recognition for export sales of finished goods)

For export sales of finished goods, the Company previously recognized revenue mainly on a free on board (FOB) basis. However, the Company now recognizes revenue at the time when the risk burden is transferred to the customer, mainly based on trade terms and conditions stipulated by Incoterms.

The application of the Accounting Standard for Revenue Recognition and relevant regulations is subject to the transitional treatment provided in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application assuming the new accounting policy had been applied to periods prior to the start of the consolidated fiscal year under review was added to or subtracted from the opening balance of retained earnings of the consolidated fiscal year under review, and thus the new accounting policy is applied from such opening balance. This is provided, however, that the new accounting policy is not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the consolidated fiscal year under review are subject to the previous treatment by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, net sales decreased by ¥242 million, cost of sales decreased by ¥203 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥38 million for the consolidated fiscal year under review. In addition, there was no effect on the opening balance of retained earnings.

Due to the application of the Accounting Standard for Revenue Recognition and relevant regulations, "notes and accounts receivable—trade," which were presented in "current assets" in the consolidated balance sheet in the previous consolidated fiscal year, are included in "notes and accounts receivable—trade, and contract assets" in the consolidated fiscal year under review.

In accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated with the new approach to presentation.

In addition, in accordance with transitional treatment as stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the previous consolidated fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the consolidated fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement and relevant regulations prospectively in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard For Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). Note that there was no effect on the consolidated financial statements.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are those for which separate financial information is available and are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Company's reportable segments are the Fundamental Chemicals Division, Fine Chemicals Division, Ferrochemicals Division, Commercial Business Division, and Facilities Division.

In the Fundamental Chemicals Division, the Company manufactures and sells fundamental chemicals such as inorganic and organic chemicals. In the Fine Chemicals Division, the Company manufactures and sells fine chemicals including fluorinated gases and battery materials. In the Ferrochemicals Division, the Company manufactures and sells ferrochemical products. In the Commercial Business Division, the Company sells fundamental chemicals and fine chemicals, and provides maintenance for containers and other services. In the Facilities Division, the Company engages in facility-related construction work.

2. Calculation method of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting treatment methods for reported business segments are the same as those described in “Significant matters forming the basis for preparation of the consolidated financial statements.”

Profit by reportable segment is based on operating profit.

Inter-segment revenues and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities, and other items by reportable segment

I. From April 1, 2020 to March 31, 2021

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Fundamental Chemicals	Fine Chemicals	Ferrochemicals	Commercial Business	Facilities	Total		
Net sales								
Net sales to external customers	5,776	40,333	1,827	2,413	1,575	51,927	—	51,927
Inter-segment net sales or transfers	1,158	400	45	3,985	2,417	8,007	(8,007)	—
Total	6,934	40,734	1,872	6,399	3,993	59,934	(8,007)	51,927
Segment profit (loss)	(240)	5,371	206	152	244	5,734	(66)	5,668
Segment assets	10,575	75,785	3,321	2,902	5,372	97,957	(5,632)	92,324
Other items								
Depreciation	821	6,075	86	46	32	7,061	(294)	6,767
Increase in property, plant and equipment and intangible assets	953	7,558	137	17	31	8,699	(264)	8,435

(Notes) 1. The segment profit (loss) adjustment of ¥66 million is elimination of inter-segment transactions.

The segment assets adjustment of ¥5,632 million includes inter-segment eliminations of ¥7,855 million and corporate assets of ¥2,222 million that are not allocated to any reportable segment.

The adjustment of ¥294 million for depreciation under other items is inter-segment elimination.

The adjustment of ¥264 million for increase in property, plant and equipment and intangible assets under other items is inter-segment elimination.

2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

II. From April 1, 2021 to March 31, 2022

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Fundamental Chemicals	Fine Chemicals	Ferrochemicals	Commercial Business	Facilities	Total		
Net sales								
Net sales to external customers	7,966	49,000	2,580	837	1,901	62,286	—	62,286
Inter-segment net sales or transfers	—	—	—	1,329	2,979	4,309	(4,309)	—
Total	7,966	49,000	2,580	2,166	4,881	66,595	(4,309)	62,286
Segment profit (loss)	(69)	10,042	539	194	379	11,086	77	11,164
Segment assets	10,864	96,426	3,789	3,150	6,173	120,404	(10,502)	109,902
Other items								
Depreciation	877	5,870	87	42	32	6,910	(229)	6,680
Increase in property, plant and equipment and intangible assets	640	11,633	85	14	38	12,412	(128)	12,284

(Notes) 1. The segment profit (loss) adjustment of ¥77 million is elimination of inter-segment transactions.
The segment assets adjustment of ¥10,502 million includes inter-segment eliminations of ¥12,881 million and corporate assets of ¥2,379 million that are not allocated to any reportable segment.
The adjustment of ¥229 million for depreciation under other items is inter-segment elimination.
The adjustment of ¥128 million for increase in property, plant and equipment and intangible assets under other items is inter-segment elimination.
2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

4. Matters related to changes in reportable segments

As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant regulations from the beginning of the consolidated fiscal year under review, changing its accounting treatment method for revenue recognition. As a result, measurement methods have similarly been changed for business segment profit and loss.

The results of this change were as follows for the consolidated fiscal year under review compared with the previous treatment methods. For the Fundamental Chemicals Division, (1) net sales to external customers increased by ¥1,210 million, and (2) inter-segment net sales or transfers decreased by ¥1,210 million. As a result, total net sales did not change.

For the Fine Chemicals Division, (1) net sales to external customers increased by ¥195 million, and (2) inter-segment net sales or transfers decreased by ¥374 million. As a result, total net sales decreased ¥178 million, segment profit decreased by ¥38 million, and segment assets decreased by ¥38 million.

For the Ferrochemicals Division, (1) net sales to external customers increased by ¥95 million, and (2) inter-segment net sales or transfers decreased by ¥95 million. As a result, total net sales did not change.

For the Commercial Business Division, (1) net sales to external customers decreased by ¥1,680 million, and (2) inter-segment net sales or transfers decreased by ¥3,758 million. As a result, total net sales decreased by ¥5,438 million.

For the Facilities Division, (1) net sales to external customers decreased by ¥63 million, and (2) inter-segment net sales or transfers increased by ¥552 million. As a result, total net sales increased by ¥489 million.

There was no impact on segment profit for the Fundamental Chemicals Division, Ferrochemicals Division, Commercial Business Division, or Facilities Division.

[Related information]

From April 1, 2020 to March 31, 2021

1. Information by product and service

This information is omitted because the same information is disclosed in "Segment information."

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	Europe and North America	Other	Total
26,331	23,088	2,508	—	51,927

(Notes) 1. Net sales are based on customer location and are classified by country or region.

2. Net sales to the Asia region include net sales of ¥12,933 million in South Korea, which accounts for more than 10% of the net sales on the consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Total
24,711	6,719	31,430

(Note) Property, plant and equipment in the Asia region includes property, plant and equipment of ¥5,628 million in South Korea, which accounts for more than 10% of the property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Samsung Electronics Co., Ltd.	10,116	Fine Chemicals
KIOXIA Corporation	6,362	Fine Chemicals

From April 1, 2021 to March 31, 2022

1. Information by product and service

This information is omitted because the same information is disclosed in "Segment information."

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	Europe and North America	Other	Total
29,534	29,384	3,368	—	62,286

(Notes) 1. Net sales are based on customer location and are classified by country or region.

2. Net sales to the Asia region include net sales of ¥14,125 million in South Korea and net sales of ¥8,995 million in China, which account for more than 10% of the net sales on the consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Total
26,676	11,544	38,221

(Note) Property, plant and equipment in the Asia region includes property, plant and equipment of ¥7,829 million in South Korea, which accounts for more than 10% of the property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Samsung Electronics Co., Ltd.	12,144	Fine Chemicals

[Information about amortization and unamortized balance of goodwill by reportable segment]

From April 1, 2020 to March 31, 2021

Not applicable.

From April 1, 2021 to March 31, 2022

Not applicable.

[Information about gain on bargain purchase by reportable segment]

From April 1, 2020 to March 31, 2021

Not applicable.

From April 1, 2021 to March 31, 2022

Not applicable.

(Per share information)

(Yen)

	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Net assets per share	887.42	1,014.01
Basic earnings per share	62.73	135.12

(Notes) 1. Diluted basic earnings per share is not shown in the above table, as there are no dilutive shares.

2. Calculation of net assets per share includes the Company's shares held in its stock benefit trust in the treasury shares deducted from the total number of shares issued at the end of the period.

Also, calculation of basic earnings per share includes treasury shares deducted from the average number of shares during the period.

3. As described in “Changes in accounting policies,” the Company applies the Accounting Standard for Revenue Recognition and relevant regulations. As a result, basic earnings per share for the consolidated fiscal year under review decreased by ¥0.47.

4. The basis for calculation of basic earnings per share is as follows:

	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Profit attributable to owners of parent (Millions of yen)	3,605	7,762
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent for common shares (Millions of yen)	3,605	7,762
Average number of common shares during the period (Shares)	57,477,105	57,448,551

(Significant subsequent events)

Not applicable.