



Consolidated Financial Results for the Nine Months Ended December 31, 2022 [JGAAP]

February 10, 2023

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Scheduled date for submitting the Quarterly Securities Report:
 February 10, 2023

Scheduled date to commence dividend payments:
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Availability of supplementary briefing material on financial results: None

Financial results briefing session: None

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2023 (April 1, 2022–December 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	%
Nine months ended December 31, 2022	57,207	27.8	9,895	23.5	10,917	36.4	7,860	40.0
Nine months ended December 31, 2021	44,764	19.6	8,013	122.2	8,001	129.5	5,616	183.9

(Note) Comprehensive income:

Nine months ended December 31, 2022: ¥9,198 million (59.9%)

Nine months ended December 31, 2021: ¥5,753 million (78.6%)

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Nine months ended December 31, 2022	136.82	—
Nine months ended December 31, 2021	97.76	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	129,239	67,268	51.1	1,149.52
As of March 31, 2022	109,902	59,908	53.0	1,014.01

(Note) Equity capital:

As of December 31, 2022: ¥66,043 million

As of March 31, 2022: ¥58,254 million

2. Dividends

	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	8.00	—	14.00	22.00
Fiscal year ending March 31, 2023	—	10.00	—		
Fiscal year ending March 31, 2023 (Forecast)				22.00	32.00

(Note) Revision of dividend forecast from the latest announcement: None

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
Full year	80,000	28.4	12,300	10.2	13,400	20.2	9,300	19.8	161.87

(Note) Revision of performance forecast from the latest announcement: Yes

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) Application of special accounting for preparing quarterly consolidated financial statements: Yes

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

i. Changes in accounting policies accompanying amendments to accounting standards, etc.: None

ii. Changes in accounting policies other than i.: None

iii. Changes in accounting estimates: None

iv. Retrospective restatement: None

- (4) Number of shares issued (common stock)

i. Number of shares issued at the end of the period
(including treasury shares)

As of December 31, 2022	57,546,050 shares	As of March 31, 2022	57,546,050 shares
As of December 31, 2022	93,137 shares	As of March 31, 2022	96,900 shares
As of December 31, 2022	57,451,016 shares	As of December 31, 2021	57,448,354 shares

ii. Number of treasury shares at the end of the period

iii. Average number of shares during the period

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 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 "Consolidated earnings forecasts" on page 3 of the attached materials for information on the performance forecasts.

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1. Qualitative information on the first nine months ended December 31, 2022

(1) Operating results

In the first nine months of the fiscal year ending March 31, 2023, while the Japanese economy showed signs of recovery due to effects of various government policies, severe conditions continued to prevail amid factors such as rising raw material and fuel prices, and sharp fluctuations in exchange rates. Overseas, outlooks remained uncertain due to the need for caution amid downside risks from such factors as the prolonged situation in Ukraine and fluctuations in financial and capital markets.

Amid this business environment, net sales for the first nine months ended December 31, 2022 amounted to ¥57,207 million, up ¥12,442 million or 27.8% year on year, due to significantly higher sales in the Fine Chemicals Division supported by strong demand. For profits, ordinary profit amounted to ¥10,917 million, up ¥2,915 million or 36.4%, mainly due to higher sales in the Fine Chemicals Division despite increased raw material and fuel prices. Profit attributable to owners of parent amounted to ¥7,860 million, up ¥2,244 million or 40.0%.

The following provides an overview for each segment.

a. Fundamental Chemicals Division

Sales of caustic soda and hydrochloric acid were up due to effects from price revisions, despite lower sales volumes.

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

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥6,469 million, up ¥781 million or 13.7% year on year. Operating profit totaled ¥128 million (versus operating loss of ¥55 million in the previous nine months).

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 and hexafluoro-1,3-butadiene were up due to higher sales volumes.

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 ¥46,736 million, up ¥11,581 million or 32.9% year on year. Operating profit amounted to ¥8,984 million, up ¥1,895 million or 26.7%.

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 down due to lower sales of colorants.

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥2,016 million, up ¥98 million or 5.1% year on year. Operating profit amounted to ¥510 million, up ¥107 million or 26.7%.

d. Commercial Business Division

Commercial business sales were down due to lower sales of chemical products.

As a result of the above, net sales in the Commercial Business Division amounted to ¥565 million, down ¥29 million or 4.9% year on year. Operating profit amounted to ¥153 million, up ¥8 million or 5.6%.

e. Facilities Division

Net 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 ¥1,419 million, up ¥10 million or 0.7% year on year. Operating profit amounted to ¥470 million, up ¥96 million or 26.0%.

(2) Financial position

As of the end of the third quarter of the fiscal year ending March 31, 2023, assets amounted to ¥129,239 million, up ¥19,337 million from the end of the previous consolidated fiscal year, mainly due to increases in inventories, property, plant and equipment, notes and accounts receivable—trade, and contract assets, despite a decrease in cash and deposits.

Liabilities totaled ¥61,971 million, up ¥11,978 million, mainly due to increases in borrowings and notes and accounts payable—trade.

Net assets amounted to ¥67,268 million, up ¥7,359 million, mainly due to an increase in retained

earnings. The equity ratio was 51.1%, versus 53.0% at the end of the previous fiscal year.

(3) Consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending March 31, 2023 has been revised from the previous forecast announced on November 11, 2022. For details, please refer to the "Notice of Revision of Earnings Forecasts" (in Japanese only) released separately.

The above forecasts were created based on information available as of the date of this document's publishing, and actual results may differ versus forecast figures due to a variety of factors arising in the future.

2. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets:		
Current assets		
Cash and deposits	26,728	22,891
Notes and accounts receivable—trade, and contract assets	16,921	21,428
Electronically recorded monetary claims—operating	1,101	1,510
Merchandise and finished goods	5,182	6,545
Work in process	4,416	9,337
Raw materials and supplies	3,526	6,186
Other	3,896	5,903
Allowance for doubtful accounts	(68)	(64)
Total current assets	61,705	73,739
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,872	9,979
Machinery and equipment, net	11,655	18,203
Construction in progress	11,001	10,313
Other, net	6,692	6,766
Total property, plant and equipment	38,221	45,264
Intangible assets	728	730
Investments and other assets		
Investment securities	7,464	7,254
Deferred tax assets	1,165	1,289
Other	621	966
Allowance for doubtful accounts	(4)	(6)
Total investments and other assets	9,246	9,505
Total non-current assets	48,196	55,500
Total assets	109,902	129,239

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities:		
Current liabilities		
Notes and accounts payable—trade	8,068	10,435
Electronically recorded obligations—operating	835	1,724
Short-term borrowings	4,200	4,533
Current portion of long-term borrowings	5,886	7,029
Income taxes payable	2,600	1,432
Provision for bonuses for directors (and other officers)	134	75
Other	5,540	6,909
Total current liabilities	27,265	32,140
Non-current liabilities		
Long-term borrowings	20,166	27,257
Provision for retirement benefits for directors (and other officers)	137	137
Provision for share awards for directors (and other officers)	11	16
Retirement benefit liability	1,754	1,650
Other	657	768
Total non-current liabilities	22,727	29,830
Total liabilities	49,993	61,971
Net assets:		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,829	1,859
Retained earnings	50,483	56,963
Treasury shares	(68)	(65)
Total shareholders' equity	55,122	61,634
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,527	2,446
Foreign currency translation adjustment	413	1,617
Remeasurements of defined benefit plans	191	344
Total accumulated other comprehensive income	3,132	4,408
Non-controlling interests	1,654	1,225
Total net assets	59,908	67,268
Total liabilities and net assets	109,902	129,239

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

Consolidated statement of income

(Millions of yen)

	From April 1, 2021 to December 31, 2021	From April 1, 2022 to December 31, 2022
Net sales	44,764	57,207
Cost of sales	30,404	40,241
Gross profit	14,360	16,965
Selling, general and administrative expenses	6,346	7,069
Operating profit	8,013	9,895
Non-operating profit		
Interest income	2	12
Dividend income	203	243
Foreign exchange gains	94	618
Gain on sale of trial products	-	271
Other	212	194
Total non-operating profit	513	1,340
Non-operating expenses		
Interest expenses	206	232
Loss on valuation of derivatives	88	47
Loss on sale of trial products	179	-
Other	49	39
Total non-operating expenses	524	319
Ordinary profit	8,001	10,917
Extraordinary income		
Gain on sale of investment securities	131	-
Total extraordinary income	131	-
Extraordinary losses		
Loss on retirement of non-current assets	29	163
Loss on valuation of investment securities	-	17
Total extraordinary losses	29	180
Profit before income taxes	8,103	10,736
Income taxes payable	2,294	2,810
Profit	5,808	7,926
Profit attributable to non-controlling interests	192	65
Profit attributable to owners of parent	5,616	7,860

Consolidated Statement of Comprehensive Income

(Millions of yen)

	From April 1, 2021 to December 31, 2021	From April 1, 2022 to December 31, 2022
Profit	5,808	7,926
Other comprehensive income		
Valuation difference on available-for-sale securities	(202)	(133)
Foreign currency translation adjustment	149	1,251
Remeasurements of defined benefit plans	(2)	153
Total other comprehensive income	(54)	1,272
Comprehensive income	5,753	9,198
Comprehensive income attributable to:		
Owners of parent	5,491	9,136
Non-controlling interests	262	61

(3) Notes to the consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Application of special accounting for preparing quarterly consolidated financial statements)

Tax expenses are calculated by multiplying profit before income taxes by the reasonably estimated effective tax rate after the application of tax effect accounting to profit before income taxes for the fiscal year ending March 31, 2023, including the third quarter under review. However, in cases where calculating tax expenses using the estimated effective tax rate would significantly lack rationality, tax expenses are calculated using the statutory effective tax rate.

(Segment information)

I. From April 1, 2021 to December 31, 2021

1. Information on net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded on the statement of income (Note 2)
	Fundamental Chemicals	Fine Chemicals	Ferrochemicals	Commercial Business	Facilities	Total		
Net sales								
(1) Net sales to external customers	5,688	35,154	1,917	594	1,409	44,764	—	44,764
(2) Inter-segment net sales or transfers	—	—	0	1,010	2,255	3,266	(3,266)	—
Total	5,688	35,154	1,917	1,605	3,665	48,030	(3,266)	44,764
Segment profit (loss)	(55)	7,089	402	145	373	7,955	58	8,013

(Notes) 1. The segment profit (loss) adjustment of ¥58 million is elimination of inter-segment transactions.

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

2. Information about impairment loss and goodwill on non-current assets by reportable segment

Not applicable.

II. From April 1, 2022 to December 31, 2022

1. Information on net sales, profit or loss by reportable segment

(Millions of yen)

	Reportable segment						Adjustment (Note 1)	Amount recorded on the statement of income (Note 2)
	Fundamental Chemicals	Fine Chemicals	Ferrochemicals	Commercial Business	Facilities	Total		
Net sales								
(1) Net sales to external customers	6,469	46,736	2,016	565	1,419	57,207	—	57,207
(2) Inter-segment net sales or transfers	—	—	0	1,075	2,782	3,858	(3,858)	—
Total	6,469	46,736	2,016	1,641	4,202	61,065	(3,858)	57,207
Segment profit	128	8,984	510	153	470	10,246	(350)	9,895

(Notes) 1. The segment profit adjustment of ¥350 million is elimination of inter-segment transactions.

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

2. Information about impairment loss and goodwill on non-current assets by reportable segment

Not applicable.