



Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [JGAAP]

May 15, 2023

Company Name: Kanto Denka Kogyo Co., Ltd.
Code Number: 4047 <https://www.kantodenka.co.jp/english/>

Stock Exchange Listing: Tokyo

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Scheduled date of Ordinary General Shareholders' Meeting: June 29, 2023
Scheduled date to commence dividend payments: June 30, 2023

Scheduled date for submitting the Annual Securities Report: June 29, 2023

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, 2023 (April 1, 2022–March 31, 2023)

(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, 2023 | 78,675 | 26.3 | 12,947 | 16.0 | 13,679 | 22.7 | 9,382 | 20.9 |
| Fiscal year ended March 31, 2022 | 62,286 | 19.9 | 11,164 | 97.0 | 11,145 | 99.6 | 7,762 | 115.3 |

(Note) Comprehensive income:

Fiscal year ended March 31, 2023: ¥10,704 million (27.8%)

Fiscal year ended March 31, 2022: ¥8,374 million (39.5%)

| | 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, 2023 | 163.32 | — | 14.9 | 11.4 | 16.5 |
| Fiscal year ended March 31, 2022 | 135.12 | — | 14.2 | 11.0 | 17.9 |

(Reference) Equity gains (losses) of affiliated companies:

Fiscal year ended March 31, 2023: ¥— million

Fiscal year ended March 31, 2022: ¥— 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, 2023 | 130,762 | 68,774 | 51.6 | 1,174.54 |
| As of March 31, 2022 | 109,902 | 59,908 | 53.0 | 1,014.01 |

(Reference) Equity capital:

As of March 31, 2023: ¥67,480 million

As of March 31, 2022: ¥58,254 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, 2023 | 7,291 | (16,627) | 4,424 | 21,987 |
| Fiscal year ended March 31, 2022 | 11,176 | (11,120) | 2,416 | 26,372 |

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, 2022 | — | 8.00 | — | 14.00 | 22.00 | 1,265 | 16.3 | 2.3 |
| Fiscal year ended March 31, 2023 | — | 10.00 | — | 23.00 | 33.00 | 1,898 | 20.2 | 3.0 |
| Fiscal year ending March 31, 2024 (Forecast) | — | 7.00 | — | 7.00 | 14.00 | | 20.6 | |

(Note) The year-end dividend for the fiscal year ended March 31, 2023 was increased by ¥1 per share from ¥22 to ¥23 per share. For details, please refer to "Notice of Revised Dividend Forecast" (in Japanese only) announced today.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023–March 31, 2024)

(% 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 | 36,300 | -2.7 | 1,500 | -77.2 | 1,500 | -79.6 | 1,000 | -80.7 | 17.41 |
| Full year | 78,300 | -0.5 | 6,000 | -53.7 | 5,700 | -58.3 | 3,900 | -58.4 | 67.88 |

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.: None
- 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)
- ii. Number of treasury shares at the end of the period
- iii. Average number of shares during the period

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of March 31, 2023 | 57,546,050 shares | As of March 31, 2022 | 57,546,050 shares |
| As of March 31, 2023 | 93,137 shares | As of March 31, 2022 | 96,900 shares |
| As of March 31, 2023 | 57,451,484 shares | As of March 31, 2022 | 57,448,551 shares |

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023)

(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, 2023 | 72,044 | 29.2 | 11,211 | 24.3 | 12,217 | 30.0 | 8,404 | 26.3 |
| Fiscal year ended March 31, 2022 | 55,750 | 18.4 | 9,020 | 101.8 | 9,400 | 108.7 | 6,652 | 129.7 |

| | Basic earnings per share | Diluted basic earnings per share |
|----------------------------------|--------------------------|----------------------------------|
| | Yen | Yen |
| Fiscal year ended March 31, 2023 | 146.28 | — |
| Fiscal year ended March 31, 2022 | 115.81 | — |

(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, 2023 | 110,267 | 58,241 | 52.8 | 1,013.73 |
| As of March 31, 2022 | 93,410 | 51,219 | 54.8 | 891.57 |

(Reference) Equity capital:

Fiscal year ended March 31, 2023: ¥58,241 million

Fiscal year ended March 31, 2022: ¥51,219 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 Tuesday, May 23, 2023. 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. 2
 - (1) Operating results2
 - (2) Financial position3
 - (3) Cash flows.....3
 - (4) Future outlook4
 - (5) Basic policy on profit distribution and dividends for the current and next fiscal years5
- 2. Basic approach to the selection of accounting standards 5
- 3. Consolidated financial statements and notes..... 6
 - (1) Consolidated balance sheet6
 - (2) Consolidated statement of income and consolidated statement of comprehensive income8
 - Consolidated statement of income8
 - Consolidated statement of comprehensive income9
 - (3) Consolidated statement of changes in equity10
 - (4) Consolidated statement of cash flows12
 - (5) Notes to the consolidated financial statements.....13
 - (Notes on premise of going concern).....13
 - (Significant matters forming the basis for preparation of the consolidated financial statements)13
 - (Segment information, etc.)15
 - (Per share information)19
 - (Significant subsequent events)20

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, 2023, while the Japanese economy showed signs of a moderate recovery due to the 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.

The chemical industry also continued to face a challenging business environment, with rising raw material, fuel and logistics prices coupled with the impact of production adjustments in the semiconductor and electronic materials industries.

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 ¥78,675 million, up ¥16,388 million or 26.3% year on year, mainly due to higher sales in the Fine Chemicals Division. For profit and loss, ordinary profit amounted to ¥13,679 million, up ¥2,534 million or 22.7% year on year, and profit attributable to owners of parent amounted to ¥9,382 million, up ¥1,620 million or 20.9% year on year, mainly due to higher sales in the Fine Chemicals Division, despite increases in raw material and fuel prices and depreciation.

ii. Overview by reporting segment

a. Fundamental Chemicals Division

For inorganic products, sales of caustic soda and hydrochloric acid were up year on year due to effects from price revisions, despite lower sales volumes.

For organic products, sales of trichloroethylene and 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 ¥9,409 million, up ¥1,442 million or 18.1%. Operating profit amounted to ¥325 million (versus operating loss of ¥69 million in the previous fiscal year).

b. Fine Chemicals Division

For fluorochemicals for semiconductors, 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 effects from price revisions. As a result of the above, net sales in the Fine Chemicals Division amounted to ¥63,943 million, up ¥14,943 million or 30.5%. Operating profit amounted to ¥11,450 million, up ¥1,407 million or 14.0%.

c. Ferrochemicals Division

Sales of reprographic carriers, used in developers for copiers and printers, were up year on year amid a continued shift to new products. 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 ¥2,666 million, up ¥86 million or 3.4%. Operating profit amounted to ¥685 million, up ¥145 million or 27.0%.

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 ¥746 million, down ¥91 million or 10.9%. Operating profit amounted to ¥199 million, up ¥4 million or 2.6%.

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 ¥1,908 million, up ¥6 million or 0.4%. Operating profit amounted to ¥602 million, up ¥222 million or 58.7%.

(2) Financial position

Total assets at the end of the consolidated fiscal year under review amounted to ¥130,762 million, up ¥20,860 million from the end of the previous consolidated fiscal year.

Current assets amounted to ¥72,919 million, up ¥11,214 million from the end of the previous fiscal year. The main factors were a ¥10,779 million increase in inventories and a ¥3,639 million increase in notes and accounts receivable—trade, and contract assets, which offset a ¥4,372 million decrease in cash and deposits.

Non-current assets amounted to ¥57,842 million, up ¥9,646 million from the end of the previous fiscal year. The main factor was a ¥9,182 million increase in property, plant and equipment.

Current liabilities amounted to ¥33,680 million, up ¥6,414 million from the end of the previous fiscal year. The main factors were a ¥3,194 million increase in other current liabilities and a ¥1,552 million increase in notes and accounts payable—trade.

Non-current liabilities amounted to ¥28,308 million, up ¥5,580 million from the end of the previous fiscal year. The main factor was a ¥5,425 million increase in long-term borrowings. The balance of interest-bearing debt, including discounted notes receivable—trade and bonds payable, totaled ¥37,794 million, up ¥6,882 million from the end of the previous fiscal year.

Total net assets amounted to ¥68,774 million, up ¥8,865 million from the end of the previous fiscal year. The main factor was a ¥8,002 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 ¥21,987 million, down ¥4,385 million from the end of the previous fiscal year.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥7,291 million (compared with net cash of ¥11,176 million provided in the previous fiscal year). This was mainly due to cash inflows such as ¥13,425 million in profit before income taxes and ¥7,697 million in depreciation, while recording cash outflows such as ¥10,555 million in inventories, ¥4,106 million in income taxes payable, and ¥3,479 million in increase

in trade receivables.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥16,627 million (compared with net cash of ¥11,120 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 ¥4,424 million (compared with net cash of ¥2,416 million provided in the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥5,911 million, while proceeds from long-term borrowings amounted to ¥12,080 million.

(Cash flow indicators)

| | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Equity ratio | 52.7% | 54.8% | 55.2% | 53.0% | 51.6% |
| Equity ratio on a market value basis | 52.6% | 53.0% | 55.7% | 56.5% | 45.3% |
| Ratio of interest-bearing debt to cash flows | 2.3 | 2.4 | 2.3 | 2.8 | 5.2 |
| Interest coverage ratio | 83.6 | 51.7 | 61.1 | 36.3 | 22.6 |

(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, the economy is expected to rebound moderately on the back of various governmental policies amid an uptick in social and economic activity. Nonetheless, attention must be paid to the risk of downward pressure on the Japanese economy caused by the slowdown in the global economy, worldwide geopolitical risks, and the risk of fluctuations in financial and capital markets. As such, the future remains highly uncertain, and the business environment is expected to remain a challenging one.

Against this backdrop, the Group launched its new medium-term management plan, "Dominate 1000," starting in fiscal 2022, ended March 31, 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, 2024, we forecast

net sales to remain roughly on par with the fiscal year ended March 31, 2023, mainly due to the impact of production adjustments in the semiconductor and electronics industries. For profit and loss, we forecast operating profit of ¥6,000 million and ordinary profit of ¥5,700 million after factoring in increases in depreciation and other fixed costs and the lingering impact of high raw material prices in the first half, as in the fiscal year ended March 31, 2023.

(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 provide 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 in business performance.

The target dividend payout ratio is 20% pursuant to the medium-term management plan, "Dominate 1000," introduced in April 2022.

In accordance with the above policy, the Company plans to pay a year-end dividend of 23 yen per share for the fiscal year ended March 31, 2023 at the Board of Directors meeting to be held on May 26, 2023. This makes the annual dividend per share ¥33, including the interim dividend of ¥10 already paid.

For the fiscal year ending March 31, 2024, the Company plans to pay an annual dividend of ¥14 per share (interim: ¥7, year-end: ¥7), taking into consideration the above policy, 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, 2022 | As of March 31, 2023 |
|--|-------------------------|-------------------------|
| Assets: | | |
| Current assets | | |
| Cash and deposits | 26,728 | 22,355 |
| Notes and accounts receivable—trade, and contract assets | 16,921 | 20,560 |
| Electronically recorded monetary claims—operating | 1,101 | 1,130 |
| Merchandise and finished goods | 5,182 | 7,055 |
| Work in process | 4,416 | 9,332 |
| Raw materials and supplies | 3,526 | 7,516 |
| Other | 3,896 | 5,030 |
| Allowance for doubtful accounts | (68) | (62) |
| Total current assets | 61,705 | 72,919 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 8,872 | 10,930 |
| Machinery and equipment, net | 11,655 | 19,291 |
| Land | 2,633 | 2,657 |
| Lease assets, net | 351 | 266 |
| Construction in progress | 11,001 | 10,512 |
| Other, net | 3,707 | 3,745 |
| Total property, plant and equipment | 38,221 | 47,404 |
| Intangible assets | | |
| Other | 728 | 676 |
| Total intangible assets | 728 | 676 |
| Investments and other assets | | |
| Investment securities | 7,464 | 7,399 |
| Retirement benefit assets | — | 14 |
| Deferred tax assets | 1,165 | 1,404 |
| Other | 621 | 950 |
| Allowance for doubtful accounts | (4) | (7) |
| Total investments and other assets | 9,246 | 9,762 |
| Total non-current assets | 48,196 | 57,842 |
| Total assets | 109,902 | 130,762 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|-------------------------|-------------------------|
| Liabilities: | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 8,068 | 9,620 |
| Electronically recorded obligations—operating | 835 | 1,022 |
| Short-term borrowings | 4,200 | 4,516 |
| Current portion of long-term borrowings | 5,886 | 6,914 |
| Lease obligations | 100 | 135 |
| Income taxes payable | 2,600 | 2,701 |
| Provision for bonuses for directors (and other officers) | 134 | 134 |
| Other | 5,439 | 8,634 |
| Total current liabilities | 27,265 | 33,680 |
| Non-current liabilities | | |
| Long-term borrowings | 20,166 | 25,591 |
| Lease obligations | 558 | 635 |
| Deferred tax liabilities | 23 | 36 |
| Provision for retirement benefits for directors (and other officers) | 137 | 143 |
| Provision for share awards for directors (and other officers) | 11 | 18 |
| Retirement benefit liability | 1,754 | 1,805 |
| Other | 75 | 75 |
| Total non-current liabilities | 22,727 | 28,308 |
| Total liabilities | 49,993 | 61,988 |
| Net assets: | | |
| Shareholders' equity | | |
| Capital | 2,877 | 2,877 |
| Capital surplus | 1,829 | 1,859 |
| Retained earnings | 50,483 | 58,486 |
| Treasury shares | (68) | (65) |
| Total shareholders' equity | 55,122 | 63,157 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,527 | 2,512 |
| Foreign currency translation adjustment | 413 | 1,534 |
| Remeasurements of defined benefit plans | 191 | 275 |
| Total accumulated other comprehensive income | 3,132 | 4,323 |
| Non-controlling interests | 1,654 | 1,293 |
| Total net assets | 59,908 | 68,774 |
| Total liabilities and net assets | 109,902 | 130,762 |

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

Consolidated statement of income

(Millions of yen)

| | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 |
|--|---|---|
| Net sales | 62,286 | 78,675 |
| Cost of sales | 42,421 | 56,107 |
| Gross profit | 19,864 | 22,567 |
| Selling, general and administrative expenses | 8,700 | 9,619 |
| Operating profit | 11,164 | 12,947 |
| Non-operating profit | | |
| Interest income | 10 | 20 |
| Dividend income | 204 | 248 |
| Foreign exchange gains | 243 | 112 |
| Gain on sale of trial products | — | 515 |
| Miscellaneous income | 235 | 268 |
| Total non-operating profit | 694 | 1,164 |
| Non-operating expenses | | |
| Interest expenses | 313 | 318 |
| Loss on valuation of derivatives | 84 | 59 |
| Loss on sale of trial products | 204 | — |
| Miscellaneous loss | 110 | 53 |
| Total non-operating expenses | 713 | 432 |
| Ordinary profit | 11,145 | 13,679 |
| Extraordinary income | | |
| Gain on sale of investment securities | 131 | — |
| Total extraordinary income | 131 | — |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 116 | 242 |
| Loss on valuation of investment securities | — | 11 |
| Total extraordinary losses | 116 | 254 |
| Profit before income taxes | 11,160 | 13,425 |
| Income taxes—current | 3,234 | 4,166 |
| Income taxes—deferred | (36) | (244) |
| Total income taxes | 3,198 | 3,921 |
| Profit | 7,961 | 9,503 |
| Profit attributable to non-controlling interests | 198 | 121 |
| Profit attributable to owners of parent | 7,762 | 9,382 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 |
|---|---|---|
| Profit | 7,961 | 9,503 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (271) | (45) |
| Foreign currency translation adjustment | 649 | 1,162 |
| Remeasurements of defined benefit plans | 35 | 84 |
| Total other comprehensive income | 413 | 1,200 |
| Comprehensive income | 8,374 | 10,704 |
| Comprehensive income attributable to: | | |
| Owners of parent | 8,135 | 10,574 |
| Non-controlling interests | 239 | 130 |

(3) Consolidated Statement of Changes in Equity

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 |
| Increase (decrease) in capital surplus due to changes in ownership interests in consolidated subsidiaries | | | | | — |
| 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 |
| Increase (decrease) in capital surplus due to changes in ownership interests in consolidated subsidiaries | | | | | | — |
| 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 |

From April 1, 2022 to March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,877 | 1,829 | 50,483 | (68) | 55,122 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,380) | | (1,380) |
| Profit attributable to owners of parent | | | 9,382 | | 9,382 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | | | 2 | 2 |
| Increase (decrease) in capital surplus due to changes in ownership interests in consolidated subsidiaries | | 30 | | | 30 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 30 | 8,002 | 2 | 8,035 |
| Balance at end of period | 2,877 | 1,859 | 58,486 | (65) | 63,157 |

| | 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 | 2,527 | 413 | 191 | 3,132 | 1,654 | 59,908 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (1,380) |
| Profit attributable to owners of parent | | | | | | 9,382 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 2 |
| Increase (decrease) in capital surplus due to changes in ownership interests in consolidated subsidiaries | | | | | | 30 |
| Net changes in items other than shareholders' equity | (14) | 1,121 | 84 | 1,191 | (360) | 830 |
| Total changes during period | (14) | 1,121 | 84 | 1,191 | (360) | 8,865 |
| Balance at end of period | 2,512 | 1,534 | 275 | 4,323 | 1,293 | 68,774 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 11,160 | 13,425 |
| Depreciation | 6,680 | 7,697 |
| Interest and dividend income | (215) | (268) |
| Interest expenses | 313 | 318 |
| Loss on retirement of non-current assets | 116 | 242 |
| Loss (gain) on sale of investment securities | (131) | 0 |
| Loss (gain) on valuation of investment securities | — | 11 |
| Decrease (increase) in trade receivables | (3,286) | (3,479) |
| Decrease (increase) in inventories | (2,417) | (10,555) |
| Increase (decrease) in trade payables | 2,070 | 1,533 |
| Decrease (increase) in other current assets | (2,155) | (1,091) |
| Increase (decrease) in other current liabilities | 231 | 2,912 |
| Other | 147 | 694 |
| Subtotal | 12,516 | 11,441 |
| Interest and dividends received | 218 | 278 |
| Interest paid | (308) | (322) |
| Income taxes paid | (1,250) | (4,106) |
| Net cash provided by operating activities | 11,176 | 7,291 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (10,906) | (15,799) |
| Proceeds from sale of investment securities | 167 | 10 |
| Purchase of investment securities | (19) | (20) |
| Other | (362) | (817) |
| Net cash used in investing activities | (11,120) | (16,627) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (194) | 316 |
| Proceeds from long-term borrowings | 8,988 | 12,080 |
| Repayments of long-term borrowings | (5,309) | (5,911) |
| Dividends paid | (862) | (1,380) |
| Dividends paid to non-controlling interests | (22) | (22) |
| Purchase of treasury shares | (0) | (0) |
| Purchase of shares of subsidiaries not resulting in changes in scope of consolidation | — | (438) |
| Other | (183) | (218) |
| Net cash provided by financing activities | 2,416 | 4,424 |
| Effect of exchange rate change on cash and cash equivalents | 561 | 526 |
| Net increase (decrease) in cash and cash equivalents | 3,033 | (4,385) |
| Cash and cash equivalents at beginning of period | 23,339 | 26,372 |
| Cash and cash equivalents at end of period | 26,372 | 21,987 |

(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.

Morishita Bengara Kogyo Co., Ltd. was renamed Kanto Denka Finetech Co., Ltd. on April 1, 2023.

(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 its primary performance obligation is to deliver these finished goods to the customer. For domestic transactions, control of finished products is deemed to be transferred to the customer upon delivery. However, revenue is recognized at the time of shipment, in principle, since the period between shipment and delivery is typically within a normal timeframe and an alternative treatment for materiality, etc. is applied. For export sales, performance obligations are deemed satisfied when risk is transferred to the customer based on trade terms set forth in Incoterms and other trade rules. Revenue is recognized when these performance obligations are satisfied.

In the commercial business, the Company mainly sells merchandise. Its primary performance obligation is to deliver this merchandise to the customer and this obligation is deemed to be satisfied upon delivery pursuant to the contract with the customer. Revenue is recognized when this obligation is satisfied. 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, the Company undertakes construction pursuant to the contract with the customer and has an obligation to deliver completed facilities, etc. to the customer. Revenue is recognized over a specified period of time as control of the goods or services is transferred to the customer over the contract period. Costs incurred are deemed to be proportional to the degree of progress toward satisfying the performance obligation, and the ratio of actual costs to total estimated costs is used to determine the degree of progress (input method).

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.

(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, 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.

II. From April 1, 2022 to March 31, 2023

(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 | 9,409 | 63,943 | 2,666 | 746 | 1,908 | 78,675 | — | 78,675 |
| Inter-segment net sales or transfers | — | — | 0 | 1,444 | 3,831 | 5,275 | (5,275) | — |
| Total | 9,409 | 63,943 | 2,667 | 2,190 | 5,740 | 83,950 | (5,275) | 78,675 |
| Segment profit | 325 | 11,450 | 685 | 199 | 602 | 13,262 | (315) | 12,947 |
| Segment assets | 11,247 | 116,846 | 3,744 | 3,731 | 7,006 | 142,576 | (11,814) | 130,762 |
| Other items | | | | | | | | |
| Depreciation | 863 | 6,931 | 90 | 40 | 31 | 7,957 | (259) | 7,697 |
| Increase in property, plant and equipment and intangible assets | 1,515 | 15,429 | 180 | 16 | 34 | 17,176 | (552) | 16,624 |

(Notes) 1. The segment profit adjustment of ¥315 million is elimination of inter-segment transactions.

The segment assets adjustment of ¥11,814 million includes inter-segment eliminations of ¥14,540 million and corporate assets of ¥2,726 million that are not allocated to any reportable segment.

The adjustment of ¥259 million for depreciation under other items is inter-segment elimination.

The adjustment of ¥552 million for increase in property, plant and equipment and intangible assets under other items is inter-segment elimination.

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

[Related information]

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 |

From April 1, 2022 to March 31, 2023

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 |
|--------|--------|--------------------------|-------|--------|
| 35,261 | 32,828 | 10,584 | — | 78,675 |

(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 ¥15,252 million in South Korea and net sales of ¥9,435 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 |
|--------|--------|--------|
| 29,834 | 17,569 | 47,404 |

(Note) Property, plant and equipment in the Asia region includes property, plant and equipment of ¥9,863 million in South Korea, and ¥7,300 million in China, which each account 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 |
|---------------------------------|-----------|---|
| Mitsubishi Chemical Corporation | 14,072 | Fine Chemicals Fundamental Chemicals |
| Samsung Electronics Co., Ltd. | 14,035 | Fine Chemicals |
| KIOXIA Corporation | 7,888 | Fine Chemicals |

[Information about impairment loss of non-current assets by reportable segment]

From April 1, 2021 to March 31, 2022

Not applicable.

From April 1, 2022 to March 31, 2023

Not applicable.

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

From April 1, 2021 to March 31, 2022

Not applicable.

From April 1, 2022 to March 31, 2023

Not applicable.

[Information about gain on bargain purchase by reportable segment]

From April 1, 2021 to March 31, 2022

Not applicable.

From April 1, 2022 to March 31, 2023

Not applicable.

(Per share information)

(Yen)

| | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 |
|--------------------------|---|---|
| Net assets per share | 1,014.01 | 1,174.54 |
| Basic earnings per share | 135.12 | 163.32 |

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

| | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 |
|--|---|---|
| Profit attributable to owners of parent (Millions of yen) | 7,762 | 9,382 |
| Amount not attributable to common shareholders (Millions of yen) | — | — |
| Profit attributable to owners of parent for common shares (Millions of yen) | 7,762 | 9,382 |
| Average number of common shares during the period (Shares) | 57,448,551 | 57,451,484 |

(Significant subsequent events)

Not applicable.