



## Consolidated Financial Results for the Six Months Ended September 30, 2023 [JGAAP]

November 10, 2023

Company Name: Kanto Denka Kogyo Co., Ltd.

Stock Exchange Listing: Tokyo

Code Number: 4047 URL: <https://www.kantodenka.co.jp/english/>

Representative: Jun'ichi Hasegawa, President

Contact: Masanobu Shirokura, General Manager, Public Relations & Investor Relations Dept.

Phone: +81-3-4236-8804

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

Scheduled date to commence dividend payments: December 7, 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 first half of the fiscal year ending March 31, 2024 (April 1, 2023–September 30, 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	%
Six months ended September 30, 2023	34,840	-6.6	-428	—	137	-98.1	257	-95.0
Six months ended September 30, 2022	37,307	32.3	6,581	48.9	7,346	67.6	5,192	71.2

(Note) Comprehensive income:

Six months ended September 30, 2023: ¥2,077 million (-68.5%)

Six months ended September 30, 2022: ¥6,592 million (80.7%)

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Six months ended September 30, 2023	4.48	—
Six months ended September 30, 2022	90.38	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	124,468	69,502	54.7	1,184.63
As of March 31, 2023	130,762	68,774	51.6	1,174.54

(Reference) Equity capital:

As of September 30, 2023: ¥68,060 million

As of March 31, 2023: ¥67,480 million

### 2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	10.00	—	23.00	33.00
Fiscal year ending March 31, 2024	—	7.00	—	—	—
Fiscal year ending March 31, 2024 (Forecast)	—	—	—	7.00	14.00

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

### 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
Full year	63,800	-18.9	-2,000	—	-1,600	—	-1,600	—	-27.85

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

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)

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

iii. Average number of shares during the period

As of September 30, 2023	57,546,050 shares	As of March 31, 2023	57,546,050 shares
As of September 30, 2023	93,137 shares	As of March 31, 2023	93,137 shares
As of September 30, 2023	57,452,913 shares	As of September 30, 2022	57,450,059 shares

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.

(How to obtain supplementary financial results briefing materials)

The Company plans to hold a financial results briefing for institutional investors and securities analysts on Wednesday, November 22, 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. Qualitative information on the first six months ended September 30, 2023 ..... 2
  - (1) Operating results..... 2
  - (2) Financial position ..... 3
  - (3) Consolidated earnings forecasts ..... 3
  
- 2. Consolidated financial statements and notes..... 4
  - (1) Consolidated balance sheet..... 4
  - (2) Consolidated statement of income and consolidated statement of comprehensive income..... 6
    - (Consolidated statement of income) ..... 6
    - (Consolidated statement of comprehensive income) ..... 7
  - (3) Notes to the consolidated financial statements ..... 8
    - (Notes on premise of going concern)..... 8
    - (Notes on significant changes in the amount of shareholders' equity) ..... 8
    - (Special accounting for preparing quarterly consolidated financial statements) ..... 8
    - (Segment information)..... 9

## 1. Qualitative information on the first six months ended September 30, 2023

### (1) Operating results

In the first half of the fiscal year ending March 31, 2024, the Japanese economy showed signs of a gradual recovery due to the positive effects of various government policies under an improving employment and income environment. However, severe conditions continued to prevail. Overseas, the outlook remained uncertain due to the need for caution amid downside risks from such fluctuations in financial and capital markets due to factors as continued global monetary tightening and concerns over the outlook for the Chinese economy.

Amid this business environment, net sales for the first half of the fiscal year ending March 31, 2024 amounted to ¥34,840 million, down ¥2,466 million or 6.6% year on year, mainly due to the substantial decline in demand in the Fine Chemicals Division, despite the Group's active efforts in marketing. On the profit front, the Group recorded ordinary profit of ¥137 million, down ¥7,208 million or 98.1% year on year. This decrease was mainly due to the cost of sales remaining at a high level due to an inventory balance affected by the surge in the price of raw materials for batteries and a loss on valuation of inventories to reflect the deterioration in selling prices since the end of the previous period, in addition to the decrease in net sales. Profit attributable to owners of parent amounted to ¥257 million, down ¥4,934 million or 95.0% year on year.

The following provides an overview for each segment.

#### a. Fundamental Chemicals Division

For inorganic products, sales of caustic soda were up year on year due to effects from price revisions, despite lower sales volume. Hydrochloric acid sales volume was down and sales decreased year on year.

For organic products, a decline in trichloroethylene and perchloroethylene sales volumes caused sales to decline year on year.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥4,393 million, up ¥263 million or 6.4% year on year. An operating loss of ¥3 million (versus an operating profit of ¥84 million in the first half of the previous fiscal year) resulted mainly from the increase in fixed costs related to inventories.

#### b. Fine Chemicals Division

For fluorochemicals for semiconductors, sales decreased due to a decline in sales volume for nitrogen trifluoride and tungsten hexafluoride, and a decline in sales volume and decrease in selling price for hexafluoro-1,3-butadiene.

Sales of lithium hexafluorophosphate, a battery material, were down due to a decrease in sales volume and decrease in selling price.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥28,203 million, down ¥2,107 million or 7.0% year on year. An operating loss of ¥887 million was recorded (compared to operating profit of ¥6,007 million in the first half of the previous fiscal year). The loss was mainly due to the persistent high cost of sales for battery materials and recognition of a loss on valuation of inventories, in addition to the decline in net sales.

#### c. Ferrochemicals Division

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

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥845 million, down ¥600 million or 41.5% year on year. Operating profit amounted to ¥60 million, down ¥337 million or 84.8% year on year.

#### d. Commercial Business Division

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

As a result of the above, net sales in the Commercial Business Division amounted to ¥317 million, down ¥38 million or 10.9% year on year. Operating profit amounted to ¥115 million, up ¥24 million or 27.0% year on year.

#### 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 ¥1,080 million, up ¥16 million or 1.6% year on year. Operating profit amounted to ¥362 million, down ¥22 million or 5.9% year on year.

## **(2) Financial position**

As of the end of the first half of the fiscal year ending March 31, 2024, total assets amounted to ¥124,468 million, down ¥6,294 million from the end of the previous consolidated fiscal year, mainly due to decreases in notes and accounts receivable—trade, contract assets, and inventories, which exceeded the increase in property, plant and equipment.

Total liabilities amounted to ¥54,966 million, down ¥7,021 million, mainly due to decreases in borrowings and income taxes payable.

Net assets amounted to ¥69,502 million, up ¥727 million, mainly due to increases in the foreign currency translation adjustment and the valuation difference on available-for-sale securities, which exceeded the decrease in retained earnings. The equity ratio was 54.7%, versus 51.6% at the end of the previous fiscal year.

## **(3) Consolidated earnings forecasts**

The consolidated earnings forecast for the full fiscal year ending March 31, 2024 remains unchanged from the previous forecast announced on October 25, 2023.

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, 2023	As of September 30, 2023
<b>Assets:</b>		
Current assets		
Cash and deposits	22,355	21,495
Notes and accounts receivable—trade, and contract assets	20,560	16,132
Electronically recorded monetary claims—operating	1,130	1,269
Merchandise and finished goods	7,055	8,646
Work in process	9,332	7,121
Raw materials and supplies	7,516	5,265
Other	5,030	3,206
Allowance for doubtful accounts	(62)	(49)
<b>Total current assets</b>	<b>72,919</b>	<b>63,087</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,930	10,973
Machinery and equipment, net	19,291	18,573
Construction in progress	10,512	13,970
Other, net	6,669	6,630
<b>Total property, plant and equipment</b>	<b>47,404</b>	<b>50,148</b>
<b>Intangible assets</b>	<b>676</b>	<b>676</b>
Investments and other assets		
Investment securities	7,399	8,380
Retirement benefit assets	14	22
Deferred tax assets	1,404	1,244
Other	950	915
Allowance for doubtful accounts	(7)	(7)
<b>Total investments and other assets</b>	<b>9,762</b>	<b>10,555</b>
<b>Total non-current assets</b>	<b>57,842</b>	<b>61,380</b>
<b>Total assets</b>	<b>130,762</b>	<b>124,468</b>

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities:</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	9,620	8,586
Electronically recorded obligations—operating	1,022	1,480
Short-term borrowings	4,516	4,640
Current portion of long-term borrowings	6,914	8,009
Income taxes payable	2,701	290
Provision for bonuses for directors (and other officers)	134	—
Other	8,769	7,974
<b>Total current liabilities</b>	<b>33,680</b>	<b>30,980</b>
<b>Non-current liabilities</b>		
Long-term borrowings	25,591	21,202
Provision for retirement benefits for directors (and other officers)	143	142
Provision for share awards for directors (and other officers)	18	25
Retirement benefit liability	1,805	1,859
Other	748	756
<b>Total non-current liabilities</b>	<b>28,308</b>	<b>23,985</b>
<b>Total liabilities</b>	<b>61,988</b>	<b>54,966</b>
<b>Net assets:</b>		
<b>Shareholders' equity</b>		
Capital	2,877	2,877
Capital surplus	1,859	1,859
Retained earnings	58,486	57,420
Treasury shares	(65)	(65)
<b>Total shareholders' equity</b>	<b>63,157</b>	<b>62,091</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,512	3,314
Foreign currency translation adjustment	1,534	2,386
Remeasurements of defined benefit plans	275	267
<b>Total accumulated other comprehensive income</b>	<b>4,323</b>	<b>5,968</b>
<b>Non-controlling interests</b>	<b>1,293</b>	<b>1,441</b>
<b>Total net assets</b>	<b>68,774</b>	<b>69,502</b>
<b>Total liabilities and net assets</b>	<b>130,762</b>	<b>124,468</b>

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

## Consolidated statement of income

(Millions of yen)

	From April 1, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023
Net sales	37,307	34,840
Cost of sales	26,047	30,709
Gross profit	11,259	4,131
Selling, general and administrative expenses	4,678	4,560
Operating profit (loss)	6,581	(428)
Non-operating profit		
Interest income	6	31
Dividend income	145	152
Foreign exchange gains	720	749
Gain on sale of trial products	111	—
Other	123	97
Total non-operating profit	1,107	1,030
Non-operating expenses		
Interest expenses	184	249
Loss on valuation of derivatives	116	118
Loss on sale of trial products	—	71
Other	41	25
Total non-operating expenses	342	463
Ordinary profit	7,346	137
Extraordinary income		
Gain on sale of investment securities	—	449
Total extraordinary income	—	449
Extraordinary losses		
Loss on retirement of non-current assets	130	118
Loss on valuation of investment securities	15	—
Total extraordinary losses	146	118
Profit before income taxes	7,199	468
Income taxes payable	1,987	106
Profit	5,211	362
Profit attributable to non-controlling interests	19	104
Profit attributable to owners of parent	5,192	257



## Consolidated Statement of Comprehensive Income

(Millions of yen)

	From April 1, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023
Profit	5,211	362
Other comprehensive income		
Valuation difference on available-for-sale securities	(386)	866
Foreign currency translation adjustment	1,610	856
Remeasurements of defined benefit plans	155	(8)
Total other comprehensive income	1,380	1,715
Comprehensive income	6,592	2,077
Comprehensive income attributable to:		
Owners of parent	6,579	1,902
Non-controlling interests	12	174

### **(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.

(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, 2024, including the first half. 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, 2022 to September 30, 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	4,130	30,310	1,446	356	1,063	37,307	—	37,307
(2) Inter-segment net sales or transfers	—	—	0	650	1,851	2,502	(2,502)	—
Total	4,130	30,310	1,446	1,006	2,915	39,809	(2,502)	37,307
Segment profit	84	6,007	398	90	384	6,966	(385)	6,581

(Notes) 1. The segment loss adjustment of –¥385 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.

II. From April 1, 2023 to September 30, 2023

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	4,393	28,203	845	317	1,080	34,840	—	34,840
(2) Inter-segment net sales or transfers	—	—	0	847	2,056	2,904	(2,904)	—
Total	4,393	28,203	845	1,165	3,137	37,745	(2,904)	34,840
Segment profit (loss)	(3)	(887)	60	115	362	(352)	(76)	(428)

(Notes) 1. The segment loss adjustment of –¥76 million is elimination of inter-segment transactions.

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

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

Not applicable.