



Consolidated Financial Results for the Nine Months Ended December 31, 2023 [JGAAP]

February 9, 2024

Company Name: Kanto Denka Kogyo Co., Ltd.

Stock Exchange Listing: Tokyo

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

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Scheduled date to commence dividend payments:—

Availability of supplementary briefing material on financial results: None

Financial results briefing session: None

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2024 (April 1, 2023–December 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	%
Nine months ended December 31, 2023	49,051	-14.3	-611	—	24	-99.8	226	-97.1
Nine months ended December 31, 2022	57,207	27.8	9,895	23.5	10,917	36.4	7,860	40.0

(Note) Comprehensive income:

Nine months ended December 31, 2023: ¥2,130 million (-76.8%)

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

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Nine months ended December 31, 2023	3.94	—
Nine months ended December 31, 2022	136.82	—

(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, 2023	132,333	69,152	51.1	1,177.56
As of March 31, 2023	130,762	68,774	51.6	1,174.54

(Note) Equity capital:

As of December 31, 2023: ¥67,654 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 December 31, 2023	57,546,050 shares	As of March 31, 2023	57,546,050 shares
As of December 31, 2023	93,187 shares	As of March 31, 2023	93,137 shares
As of December 31, 2023	57,452,906 shares	As of December 31, 2022	57,451,016 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.

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1. Qualitative information on the first nine months ended December 31, 2023

(1) Operating results

In the first nine months 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 stemming from such factors as global monetary tightening and concerns over the prospects for the Chinese economy, as well as inflation, geopolitical tensions in the Middle East, and fluctuations in financial and capital markets.

Amid this business environment, net sales for the first nine months of the fiscal year ending March 31, 2024 amounted to ¥49,051 million, down ¥8,155 million or 14.3% 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 ¥24 million, down ¥10,892 million or 99.8% 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 ¥226 million, down ¥7,634 million or 97.1% year on year.

The following provides an overview for each segment.

a. Fundamental Chemicals Division

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

For organic products, a decline in trichloroethylene sales volume caused sales to decline year on year. Sales of perchloroethylene were down due to the lower sales volume and decrease in selling price.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥6,338 million, down ¥130 million or 2.0% year on year. Operating loss totaled ¥31 million (versus operating profit of ¥128 million in the first nine months of the previous fiscal year).

b. Fine Chemicals Division

Sales of fluorochemicals for semiconductors decreased year on year due to a decline in sales volume for nitrogen trifluoride, tungsten hexafluoride, and 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 ¥39,331 million, down ¥7,404 million or 15.8% year on year. An operating loss of ¥1,317 million was recorded (compared to operating profit of ¥8,984 million in the first nine months 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 ¥1,266 million, down ¥749 million or 37.2% year on year. Operating profit totaled ¥96 million, down ¥413 million or 81.1% 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 ¥524 million, down ¥40 million or 7.2% year on year. Operating profit totaled ¥144 million, down ¥9 million or 6.2% 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 ¥1,589 million, up ¥169 million or 12.0% year on year. Operating profit totaled ¥525 million, up ¥55 million or 11.7% year on year.

(2) Financial position

As of the end of the third quarter of the fiscal year ending March 31, 2024, assets amounted to ¥132,333 million, up ¥1,571 million from the end of the previous consolidated fiscal year, mainly due to increases in cash and deposits and property, plant and equipment, despite decreases in notes and accounts receivable—trade, and contract assets, and inventories.

Liabilities totaled ¥63,181 million, up ¥1,193 million, mainly due to an increase in borrowings, despite decreases in income taxes payable and notes and accounts payable—trade.

Net assets amounted to ¥69,152 million, up ¥378 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 51.1%, versus 51.6% at the end of the previous fiscal year.

(3) Consolidated earnings forecasts

The consolidated earnings forecast for the 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 December 31, 2023
Assets:		
Current assets		
Cash and deposits	22,355	28,099
Notes and accounts receivable—trade, and contract assets	20,560	13,831
Electronically recorded monetary claims—operating	1,130	1,370
Merchandise and finished goods	7,055	8,264
Work in process	9,332	8,038
Raw materials and supplies	7,516	4,755
Other	5,030	4,458
Allowance for doubtful accounts	(62)	(46)
Total current assets	72,919	68,772
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,930	11,531
Machinery and equipment, net	19,291	17,591
Construction in progress	10,512	16,372
Other, net	6,669	6,906
Total property, plant and equipment	47,404	52,401
Intangible assets	676	646
Investments and other assets		
Investment securities	7,399	8,025
Retirement benefit assets	14	21
Deferred tax assets	1,404	1,538
Other	950	935
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	9,762	10,513
Total non-current assets	57,842	63,561
Total assets	130,762	132,333

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities:		
Current liabilities		
Notes and accounts payable—trade	9,620	7,806
Electronically recorded obligations—operating	1,022	1,661
Short-term borrowings	4,516	4,674
Current portion of long-term borrowings	6,914	8,577
Income taxes payable	2,701	237
Provision for bonuses for directors (and other officers)	134	—
Other	8,769	8,392
Total current liabilities	33,680	31,349
Non-current liabilities		
Long-term borrowings	25,591	29,027
Provision for retirement benefits for directors (and other officers)	143	145
Provision for share awards for directors (and other officers)	18	29
Retirement benefit liability	1,805	1,898
Other	748	729
Total non-current liabilities	28,308	31,831
Total liabilities	61,988	63,181
Net assets:		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,859	1,859
Retained earnings	58,486	56,986
Treasury shares	(65)	(66)
Total shareholders' equity	63,157	61,657
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,512	3,083
Foreign currency translation adjustment	1,534	2,649
Remeasurements of defined benefit plans	275	263
Total accumulated other comprehensive income	4,323	5,996
Non-controlling interests	1,293	1,498
Total net assets	68,774	69,152
Total liabilities and net assets	130,762	132,333

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

Consolidated statement of income

(Millions of yen)

	From April 1, 2022 to December 31, 2022	From April 1, 2023 to December 31, 2023
Net sales	57,207	49,051
Cost of sales	40,241	42,846
Gross profit	16,965	6,205
Selling, general and administrative expenses	7,069	6,816
Operating profit (loss)	9,895	(611)
Non-operating profit		
Interest income	12	42
Dividend income	243	254
Foreign exchange gains	618	717
Gain on sale of trial products	271	—
Other	194	239
Total non-operating profit	1,340	1,255
Non-operating expenses		
Interest expenses	232	357
Loss on valuation of derivatives	47	136
Loss on sale of trial products	—	92
Other	39	32
Total non-operating expenses	319	618
Ordinary profit	10,917	24
Extraordinary income		
Gain on sale of investment securities	—	580
Total extraordinary income	—	580
Extraordinary losses		
Loss on retirement of non-current assets	163	193
Loss on valuation of investment securities	17	—
Total extraordinary losses	180	193
Profit before income taxes	10,736	411
Income taxes payable	2,810	6
Profit	7,926	405
Profit attributable to non-controlling interests	65	178
Profit attributable to owners of parent	7,860	226

Consolidated Statement of Comprehensive Income

(Millions of yen)

	From April 1, 2022 to December 31, 2022	From April 1, 2023 to December 31, 2023
Profit	7,926	405
Other comprehensive income		
Valuation difference on available-for-sale securities	(133)	615
Foreign currency translation adjustment	1,251	1,122
Remeasurements of defined benefit plans	153	(12)
Total other comprehensive income	1,272	1,725
Comprehensive income	9,198	2,130
Comprehensive income attributable to:		
Owners of parent	9,136	1,899
Non-controlling interests	61	231

(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 third quarter. 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 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.

II. From April 1, 2023 to December 31, 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	6,338	39,331	1,266	524	1,589	49,051	—	49,051
(2) Inter-segment net sales or transfers	—	—	—	1,079	3,023	4,103	(4,103)	—
Total	6,338	39,331	1,266	1,604	4,612	53,154	(4,103)	49,051
Segment profit (loss)	(31)	(1,317)	96	144	525	(582)	(29)	(611)

(Notes) 1. The segment profit (loss) adjustment of -¥29 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.