

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Three Months Ended March 31, 2024 (Based on Japanese GAAP)

May 9, 2024

Company name: Nippon Denko Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 5563 <https://www.nippondenko.co.jp/en/>
 Representative: President & CEO Yasushi Aoki
 Executive Officer and General Manager of
 Inquiries: General Affairs Department Toru Tanaka TEL 03-6860-6800
 Scheduled date to file Quarterly Securities Report: May 9, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2024	17,708	(16.3)	827	(38.6)	18	(96.3)	(317)	–
Three months ended March 31, 2023	21,159	7.1	1,348	(63.4)	491	(87.9)	100	(96.7)

Note: Comprehensive income For the three months ended March 31, 2024: ¥ (549) million [-%]
 For the three months ended March 31, 2023: ¥ (604) million [-%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2024	(2.32)	–
Three months ended March 31, 2023	0.73	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	99,127	70,063	70.7
As of December 31, 2023	100,750	71,436	70.9

Reference: Equity As of March 31, 2024: ¥70,063 million
 As of December 31, 2023: ¥71,436 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2023	–	3.00	–	6.00	9.00
Year ending December 31, 2024	–				
Year ending December 31, 2024 (Forecast)		4.00	–	TBD	TBD

Note: Revisions to the forecast of cash dividends most recently announced: Yes
 For details, please refer to the "Notice Concerning Consolidated Earnings and Dividend Forecasts" announced on May 9, 2024.

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	76,000	(3.0)	3,000	23.9	–	–	–

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

4. Notes

- (1) Changes in significant subsidiaries during the three months ended March 31, 2024
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- | | |
|--|------|
| Changes in accounting policies due to revisions to accounting standards and other regulations: | None |
| Changes in accounting policies due to other reasons: | Yes |
| Changes in accounting estimates: | None |
| Restatement of prior period financial statements: | None |

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	137,217,772 shares	As of December 31, 2023	137,217,772 shares
----------------------	--------------------	-------------------------	--------------------

Number of treasury shares at the end of the period

As of March 31, 2024	2,720 shares	As of December 31, 2023	2,497 shares
----------------------	--------------	-------------------------	--------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2024	137,215,228 shares	Three months ended March 31, 2023	138,311,438 shares
-----------------------------------	--------------------	-----------------------------------	--------------------

* Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2024 is calculated based on information available at the present time, and since it contains considerable uncertain elements, actual results may differ significantly from the forecast figures.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	7,867	8,421
Notes and accounts receivable - trade	10,973	9,857
Merchandise and finished goods	18,694	18,171
Work in process	282	263
Raw materials and supplies	11,651	11,496
Other	2,117	2,468
Total current assets	51,587	50,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,452	6,676
Machinery, equipment and vehicles, net	11,488	11,300
Land	5,327	5,327
Leased assets, net	3,142	3,098
Construction in progress	154	362
Other, net	355	380
Total property, plant and equipment	26,919	27,145
Intangible assets	362	403
Investments and other assets		
Investment securities	13,260	12,541
Long-term loans receivable	5,201	5,298
Retirement benefit asset	723	676
Deferred tax assets	2,412	2,105
Other	282	276
Total investments and other assets	21,880	20,898
Total non-current assets	49,162	48,448
Total assets	100,750	99,127

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,230	4,717
Short-term borrowings	2,000	3,000
Current portion of long-term borrowings	3,528	4,385
Lease liabilities	156	156
Income taxes payable	96	90
Provision for bonuses	222	642
Provision for bonuses for directors (and other officers)	23	7
Notes payable - facilities	10	0
Other	5,821	4,194
Total current liabilities	16,090	17,194
Non-current liabilities		
Long-term borrowings	8,866	7,516
Lease liabilities	4,003	3,998
Other	353	354
Total non-current liabilities	13,223	11,869
Total liabilities	29,313	29,064
Net assets		
Shareholders' equity		
Share capital	11,096	11,096
Capital surplus	17,450	17,450
Retained earnings	38,685	37,544
Treasury shares	(0)	(1)
Total shareholders' equity	67,231	66,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,488	1,696
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	1,824	1,402
Remeasurements of defined benefit plans	891	873
Total accumulated other comprehensive income	4,204	3,973
Total net assets	71,436	70,063
Total liabilities and net assets	100,750	99,127

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	21,159	17,708
Cost of sales	18,111	15,268
Gross profit	3,048	2,440
Selling, general and administrative expenses	1,700	1,613
Operating profit	1,348	827
Non-operating income		
Interest income	50	55
Dividend income of insurance	56	57
Other	75	60
Total non-operating income	182	173
Non-operating expenses		
Interest expenses	122	146
Share of loss of entities accounted for using equity method	785	618
Loss on retirement of non-current assets	85	173
Other	44	43
Total non-operating expenses	1,038	982
Ordinary profit	491	18
Extraordinary income		
Gain on sale of investment securities	224	–
Total extraordinary income	224	–
Extraordinary losses		
Loss on disaster	–	76
Loss on retirement of non-current assets	21	–
Loss on sale of shares of subsidiaries and associates	47	–
Total extraordinary losses	69	76
Profit (loss) before income taxes	646	(58)
Income taxes - current	274	35
Income taxes - deferred	271	223
Total income taxes	545	259
Profit (loss)	100	(317)
Profit attributable to non-controlling interests	0	–
Profit (loss) attributable to owners of parent	100	(317)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit (loss)	100	(317)
Other comprehensive income		
Valuation difference on available-for-sale securities	206	207
Deferred gains or losses on hedges	(3)	0
Remeasurements of defined benefit plans, net of tax	(8)	(17)
Share of other comprehensive income of entities accounted for using equity method	(900)	(421)
Total other comprehensive income	<u>(704)</u>	<u>(231)</u>
Comprehensive income	<u>(604)</u>	<u>(549)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(605)	(549)
Comprehensive income attributable to non- controlling interests	1	—