Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [JGAAP]

May 15, 2024

Company Name: Kanto Denka Kogyo Co., Ltd. Stock Exchange Listing: Tokyo
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Scheduled date of Ordinary General Shareholders' Meeting: June 27, 2024
Scheduled date to commence dividend payments: June 28, 2024
Scheduled date for submitting the Annual Securities Report: June 27, 2024
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, 2024 (April 1, 2023–March 31, 2024)

(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, 2024	64,768	(17.7)	(1,968)	—	(1,304)	—	(4,610)	—
Fiscal year ended March 31, 2023	78,675	26.3	12,947	16.0	13,679	22.7	9,382	20.9

(Note) Comprehensive income:
Fiscal year ended March 31, 2024: ¥(1,443) million (–%)
Fiscal year ended March 31, 2023: ¥10,704 million (27.8%)

	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, 2024	(80.25)	—	(7.0)	(1.0)	(3.0)
Fiscal year ended March 31, 2023	163.32	—	14.9	11.4	16.5

(Reference) Equity gains (losses) of affiliated companies:
Fiscal year ended March 31, 2024: ¥— million
Fiscal year ended March 31, 2023: ¥— 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, 2024	125,302	65,578	51.1	1,114.07
As of March 31, 2023	130,762	68,774	51.6	1,174.54

(Reference) Equity capital:
As of March 31, 2024: ¥64,006 million
As of March 31, 2023: ¥67,480 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, 2024	11,208	(10,554)	1,780	25,225
Fiscal year ended March 31, 2023	7,291	(16,627)	4,424	21,987

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, 2023	—	10.00	—	23.00	33.00	1,898	20.2	3.0
Fiscal year ended March 31, 2024	—	7.00	—	7.00	14.00	805	—	1.2
Fiscal year ending March 31, 2025 (Forecast)	—	8.00	—	8.00	16.00		31.7	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024–March 31, 2025)

(% 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	31,000	(11.0)	1,000	—	1,000	625.3	300	16.6	5.22
Full year	69,000	6.5	4,900	—	4,800	—	2,900	—	50.48

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)	As of March 31, 2024	57,546,050 shares	As of March 31, 2023	57,546,050 shares
ii. Number of treasury shares at the end of the period	As of March 31, 2024	93,207 shares	As of March 31, 2023	93,137 shares
iii. Average number of shares during the period	As of March 31, 2024	57,452,894 shares	As of March 31, 2023	57,451,484 shares

(Reference) Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023–March 31, 2024)

(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, 2024	55,691	(22.7)	(4,217)	—	(2,846)	—	(5,247)	—
Fiscal year ended March 31, 2023	72,044	29.2	11,211	24.3	12,217	30.0	8,404	26.3

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Fiscal year ended March 31, 2024	(91.34)	—
Fiscal year ended March 31, 2023	146.28	—

(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, 2024	105,804	52,662	49.8	916.62
As of March 31, 2023	110,267	58,241	52.8	1,013.73

(Reference) Equity capital:

Fiscal year ended March 31, 2024: ¥52,662 million

Fiscal year ended March 31, 2023: ¥58,241 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 Thursday, May 23, 2024. Supplementary financial results briefing materials to be used at this briefing will be posted on the Company's website after the session.

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1. Overview of operating results, etc.

(1) Operating results

i. Operating results for the fiscal year under review

In the fiscal year ended 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.

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.

Against this backdrop, although the Kanto Denka Group has been actively promoting sales activities, business performance was greatly impacted, primarily due to a significant decline in demand in the Fine Chemicals Division.

Net sales amounted to ¥64,768 million, down ¥13,906 million, or 17.7%, year on year. Meanwhile, ordinary loss totaled ¥1,304 million compared with ordinary profit of ¥13,679 million in 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. In terms of net profit and loss, the loss attributable to owners of parent amounted to ¥4,610 million compared with profit attributable to owners of parent of ¥9,382 million in the previous fiscal year. This was due to the decreased profitability of battery materials, which led to the inability to recover a portion of the investment, resulting in the recording of impairment losses as extraordinary losses.

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, a decline in trichloroethylene sales volume caused sales to decrease 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 ¥8,836 million, down ¥572 million, or 6.1%, year on year. Operating loss stood at ¥139 million versus operating profit of ¥325 million in 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 ¥51,253 million, down ¥12,689 million or 19.8% year on year. An operating loss of ¥2,824 million was recorded, compared with operating profit of ¥11,450 million in 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 due to lower sales of colorants.

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥1,813 million, down ¥853 million or 32.0% year on year. Operating profit totaled ¥172 million, down ¥513 million or 74.9% year on year.

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 ¥698 million, down ¥48 million or 6.4%. Operating profit totaled ¥190 million, down ¥8 million or 4.2% 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 ¥2,165 million, up ¥257 million or 13.5%. Operating profit amounted to ¥668 million, up ¥66 million or 11.0%.

(2) Financial position

Total assets at the end of the consolidated fiscal year under review amounted to ¥125,302 million, down ¥5,460 million from the end of the previous consolidated fiscal year.

Current assets amounted to ¥63,268 million, up ¥9,651 million from the end of the previous fiscal year. The main factors were a ¥3,054 million increase in cash and deposits, which offset a ¥6,493 million decrease in inventories and a ¥5,724 million decrease in notes and accounts receivable—trade, and contract assets.

Non-current assets amounted to ¥62,034 million, up ¥4,191 million from the end of the previous fiscal year. The main factors were a ¥1,824 million increase in investment securities and a ¥1,638 million increase in property, plant and equipment.

Current liabilities amounted to ¥30,891 million, down ¥2,788 million from the end of the previous fiscal year. The main factors were a ¥2,429 million decrease in income taxes payable and a ¥2,332 million decrease in notes and accounts receivable—trade, which offset a ¥2,107 million increase in current portion of long-term borrowings.

Non-current liabilities amounted to ¥28,832 million, up ¥524 million from the end of the previous fiscal year. The main factor was a ¥1,280 million increase in long-term borrowings. The balance of interest-bearing debt was ¥41,682 million, up ¥3,888 million from the end of the previous fiscal year.

Total net assets amounted to ¥65,578 million, down ¥3,196 million from the end of the previous fiscal year. The main factor was a ¥6,336 million decrease in retained earnings due to loss attributable to owners of parent.

(3) Cash flows

Cash and cash equivalents at the end of the consolidated fiscal year under review amounted to ¥25,225 million, up ¥3,237 million from the end of the previous fiscal year.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥11,208 million (compared with net cash of ¥7,291 million provided in the previous fiscal year). This was mainly due to cash inflows such as ¥8,496 million in depreciation, ¥6,700 million in decrease in inventories, and ¥5,690 million in decrease in trade receivables, while recording cash outflows such as ¥5,317 million in loss before income taxes.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥10,554 million (compared with net cash of ¥16,627 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 ¥1,780 million (compared with net cash of ¥4,424 million provided in the previous fiscal year). This was mainly due to proceeds from long-term borrowings of ¥10,170 million, while repayments of long-term borrowings amounted to ¥6,920 million.

(Cash flow indicators)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio	54.8%	55.2%	53.0%	51.6%	51.1%
Equity ratio on a market value basis	53.0%	55.7%	56.5%	45.3%	46.2%
Ratio of interest-bearing debt to cash flows	2.4%	2.3%	2.8%	5.2%	3.7%
Interest coverage ratio	51.7%	61.1%	36.3%	22.6%	28.6%

(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 continue rebounding moderately on the back of various governmental policies under an improving employment and income environment. Nonetheless, attention must be paid to the risk of downward pressure on the Japanese economy caused by the slowdown in the global economy, the risk of soaring raw material and energy prices squeezing corporate earnings, 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,” in the fiscal year ended March 31, 2023 with the goal of achieving ¥100 billion in consolidated net sales in the fiscal year ending March 31, 2025. However, taking into account the evolving business landscape and performance trends, we have reevaluated the plan and extended it by two years. We will implement new strategies and measures in addition to the initially planned key strategies to enhance corporate value. Specifically, we will expand business, predominantly in the Fine Chemicals Division, reform our business portfolio, pursue management leveraging return on invested capital (ROIC), strengthen investor relations (IR) activities, and reduce cross-shareholdings. These and other efforts seek to revitalize profitability while also prioritizing management mindful of capital costs.

As we look ahead to the society we envision in 2030, we are committed to providing a safe work environment that fosters job satisfaction and supporting technologies that are cutting-edge on a global stage with our superior, original products. By building on a stable management foundation, we aim to grow into an innovative, development-driven company that contributes to a sustainable society.

In terms of consolidated earnings forecast for the fiscal year ending March 31, 2025, we project net sales of ¥69,000 million, marking a year-on-year increase, primarily due to expected growth in sales volume of fluorochemicals for semiconductors. We also forecast operating profit of ¥4,900 million and ordinary profit of ¥4,800 million, mainly due to the expected sales gains coupled with a reduction in sales expenses for battery materials.

(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 appropriately returning profits while securing funds for capital investment, an indispensable driver of greater earnings, and to strengthen 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.

In addition, although we set a target dividend payout ratio of 20% in our medium-term management plan, "Dominate 1000," introduced in April 2022, we have increased this to 30% following a review of the plan in November 2023.

For the fiscal year ended March 31, 2024, the Company plans to pay a year-end dividend of ¥7 per share, to be decided at the Board of Directors' meeting on May 28, 2024, based on comprehensive consideration of performance for the year and the business environment, among other factors. This makes the annual dividend per share ¥14, including the interim dividend of ¥7 already paid.

For the fiscal year ending March 31, 2025, the Company plans to pay an annual dividend of ¥16 per share (interim: ¥8, year-end: ¥8), 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, 2023	As of March 31, 2024
Assets:		
Current assets		
Cash and deposits	22,355	25,409
Notes and accounts receivable—trade, and contract assets	20,560	14,835
Electronically recorded monetary claims—operating	1,130	1,292
Merchandise and finished goods	7,055	6,943
Work in process	9,332	6,475
Raw materials and supplies	7,516	3,993
Other	5,030	4,359
Allowance for doubtful accounts	(62)	(41)
Total current assets	72,919	63,268
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,930	12,719
Machinery and equipment, net	19,291	19,767
Land	2,657	2,677
Lease assets, net	266	256
Construction in progress	10,512	10,012
Other, net	3,745	3,609
Total property, plant and equipment	47,404	49,042
Intangible assets		
Other	676	752
Total intangible assets	676	752
Investments and other assets		
Investment securities	7,399	9,224
Retirement benefit assets	14	11
Deferred tax assets	1,404	2,093
Other	950	916
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	9,762	12,238
Total non-current assets	57,842	62,034
Total assets	130,762	125,302

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities:		
Current liabilities		
Notes and accounts payable—trade	9,620	7,287
Electronically recorded obligations—operating	1,022	1,021
Short-term borrowings	4,516	5,028
Current portion of long-term borrowings	6,914	9,022
Lease obligations	135	160
Income taxes payable	2,701	272
Provision for bonuses for directors (and other officers)	134	60
Other	8,634	8,038
Total current liabilities	33,680	30,891
Non-current liabilities		
Long-term borrowings	25,591	26,872
Lease obligations	635	598
Deferred tax liabilities	36	10
Provision for retirement benefits for directors (and other officers)	143	151
Provision for share awards for directors (and other officers)	18	33
Retirement benefit liability	1,805	1,084
Other	75	81
Total non-current liabilities	28,308	28,832
Total liabilities	61,988	59,724
Net assets:		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,859	1,859
Retained earnings	58,486	52,149
Treasury shares	(65)	(66)
Total shareholders' equity	63,157	56,821
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,512	3,939
Foreign currency translation adjustment	1,534	2,402
Remeasurements of defined benefit plans	275	843
Total accumulated other comprehensive income	4,323	7,185
Non-controlling interests	1,293	1,572
Total net assets	68,774	65,578
Total liabilities and net assets	130,762	125,302

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

Consolidated statement of income

(Millions of yen)

	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Net sales	78,675	64,768
Cost of sales	56,107	57,602
Gross profit	22,567	7,166
Selling, general and administrative expenses	9,619	9,135
Operating profit (loss)	12,947	(1,968)
Non-operating profit		
Interest income	20	58
Dividend income	248	255
Foreign exchange gains	112	831
Gain on sale of trial products	515	—
Miscellaneous income	268	373
Total non-operating profit	1,164	1,519
Non-operating expenses		
Interest expenses	318	473
Loss on valuation of derivatives	59	173
Loss on sale of trial products	—	146
Miscellaneous loss	53	61
Total non-operating expenses	432	855
Ordinary profit (loss)	13,679	(1,304)
Extraordinary income		
Gain on sale of investment securities	—	586
Total extraordinary income	—	586
Extraordinary losses		
Loss on retirement of non-current assets	242	336
Impairment losses	—	4,262
Loss on valuation of investment securities	11	—
Total extraordinary losses	254	4,598
Profit (loss) before income taxes	13,425	(5,317)
Income taxes—current	4,166	415
Income taxes—deferred	(244)	(1,335)
Total income taxes	3,921	(919)
Profit (loss)	9,503	(4,397)
Profit attributable to non-controlling interests	121	212
Profit (loss) attributable to owners of parent	9,382	(4,610)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Profit (loss)	9,503	(4,397)
Other comprehensive income		
Valuation difference on available-for-sale securities	(45)	1,514
Foreign currency translation adjustment	1,162	872
Remeasurements of defined benefit plans	84	567
Total other comprehensive income	1,200	2,954
Comprehensive income	10,704	(1,443)
Comprehensive income attributable to:		
Owners of parent	10,574	(1,748)
Non-controlling interests	130	305

(3) Consolidated Statement of Changes in Equity

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 (loss) 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 (loss) 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

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,877	1,859	58,486	(65)	63,157
Changes during period					
Dividends of surplus			(1,725)		(1,725)
Profit (loss) attributable to owners of parent			(4,610)		(4,610)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
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	—	—	(6,336)	(0)	(6,336)
Balance at end of period	2,877	1,859	52,149	(66)	56,821

	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	2,512	1,534	275	4,323	1,293	68,774
Changes during period						
Dividends of surplus						(1,725)
Profit (loss) attributable to owners of parent						(4,610)
Purchase of treasury shares						(0)
Disposal of treasury shares						—
Increase (decrease) in capital surplus due to changes in ownership interests in consolidated subsidiaries						—
Net changes in items other than shareholders' equity	1,427	867	567	2,861	278	3,140
Total changes during period	1,427	867	567	2,861	278	(3,196)
Balance at end of period	3,939	2,402	843	7,185	1,572	65,578

(4) Consolidated Statement of Cash Flows

	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
		(Millions of yen)
Net cash provided by operating activities		
Profit (loss) before income taxes	13,425	(5,317)
Depreciation	7,697	8,496
Impairment losses	—	4,262
Interest and dividend income	(268)	(313)
Interest expenses	318	473
Foreign exchange losses (gains)	58	(673)
Loss on retirement of non-current assets	242	336
Loss (gain) on sale of investment securities	0	(586)
Loss (gain) on valuation of investment securities	11	—
Decrease (increase) in trade receivables	(3,479)	5,690
Decrease (increase) in inventories	(10,555)	6,700
Increase (decrease) in trade payables	1,533	(2,571)
Decrease (increase) in other current assets	(1,091)	745
Increase (decrease) in other current liabilities	2,912	(3,071)
Other	635	(143)
Subtotal	11,441	14,027
Interest and dividends received	278	280
Interest paid	(322)	(391)
Income taxes paid	(4,106)	(2,707)
Net cash provided by operating activities	7,291	11,208
Net cash used in investing activities		
Purchase of property, plant and equipment	(15,799)	(10,966)
Proceeds from sale of investment securities	10	691
Purchase of investment securities	(20)	(22)
Other	(817)	(257)
Net cash used in investing activities	(16,627)	(10,554)
Net cash provided by financing activities		
Net increase (decrease) in short-term borrowings	316	512
Proceeds from long-term borrowings	12,080	10,170
Repayments of long-term borrowings	(5,911)	(6,920)
Dividends paid	(1,380)	(1,725)
Dividends paid to non-controlling interests	(22)	(26)
Purchase of treasury shares	(0)	(0)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(438)	—
Other	(218)	(228)
Net cash provided by financing activities	4,424	1,780
Effect of exchange rate change on cash and cash equivalents	526	802
Net increase (decrease) in cash and cash equivalents	(4,385)	3,237
Cash and cash equivalents at beginning of period	26,372	21,987
Cash and cash equivalents at end of period	21,987	25,225

(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.
Kanto Denka Finetech Co., Ltd.
Kanto Denka Korea Co., Ltd.
Taiwan Kanto Denka Co., Ltd.
Kanto Denka Fine Products Korea Co., Ltd.
Xuancheng KDK Technology Co., Ltd.

(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 or loss by reportable segment is based on operating profit or operating loss.

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

II. From April 1, 2023 to March 31, 2024

(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	8,836	51,253	1,813	698	2,165	64,768	—	64,768
Inter-segment net sales or transfers	—	—	0	1,379	3,967	5,347	(5,347)	—
Total	8,836	51,253	1,814	2,078	6,133	70,116	(5,347)	64,768
Segment profit (loss)	(139)	(2,824)	172	190	668	(1,932)	(35)	(1,968)
Segment assets	12,354	108,506	4,013	3,358	7,361	135,594	(10,292)	125,302
Other items								
Depreciation	974	7,654	99	38	38	8,805	(309)	8,496
Increase in property, plant and equipment and intangible assets	765	13,208	128	61	62	14,226	(351)	13,875

(Notes) 1. The segment loss adjustment of –¥35 million is elimination of inter-segment transactions.

The segment assets adjustment of –¥10,292 million includes inter-segment eliminations of –¥14,935 million and corporate assets of ¥4,643 million that are not allocated to any reportable segment.

The adjustment of –¥309 million for depreciation under other items is inter-segment elimination.

The adjustment of –¥351 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 (loss) in the consolidated statement of income.

[Related information]

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	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

From April 1, 2023 to March 31, 2024

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	Total
29,574	27,817	7,376	64,768

(Notes) 1. Net sales are based on customer location and are classified by country or region.
2. Net sales to the Asia region include ¥15,390 million in South Korea, which accounts 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
30,160	18,882	49,042

(Note) Property, plant and equipment in the Asia region includes property, plant and equipment of ¥10,274 million in South Korea, and ¥8,211 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
Samsung Electronics Co., Ltd.	13,354	Fine Chemicals
KIOXIA Corporation	6,494	Fine Chemicals

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

From April 1, 2022 to March 31, 2023

Not applicable.

From April 1, 2023 to March 31, 2024

Impairment loss of non-current assets was recorded in the Fine Chemicals Division in the amount of ¥4,262 million.

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

From April 1, 2022 to March 31, 2023

Not applicable.

From April 1, 2023 to March 31, 2024

Not applicable.

[Information about gain on bargain purchase by reportable segment]

From April 1, 2022 to March 31, 2023

Not applicable.

From April 1, 2023 to March 31, 2024

Not applicable.

(Per share information)

(Yen)

	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Net assets per share	1,174.54	1,114.07
Basic earnings (loss) per share	163.32	(80.25)

(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, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Profit (loss) attributable to owners of parent (Millions of yen)	9,382	(4,610)
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (Millions of yen)	9,382	(4,610)
Average number of common shares during the period (Shares)	57,451,484	57,452,894

(Significant subsequent events)

Not applicable.