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## Consolidated Financial Results for the Three Months Ended June 30, 2024 [JGAAP]

August 9, 2024

Company Name: Kanto Denka Kogyo Co., Ltd.

Stock Exchange Listing: Tokyo

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

Representative: Jun'ichi Hasegawa, President

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Scheduled date to commence dividend payments:—

Availability of supplementary briefing material on financial results: Yes

Financial results briefing session: None

### 1. Consolidated financial results for the first quarter of the fiscal year ending March 31, 2025 (April 1, 2024–June 30, 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	%
Three months ended June 30, 2024	15,445	(5.3)	1,266	—	1,918	—	1,165	—
Three months ended June 30, 2023	16,301	(11.3)	(1,411)	—	(859)	—	(310)	—

(Note) Comprehensive income:

Three months ended June 30, 2024: ¥2,151 million (—%)

Three months ended June 30, 2023: ¥(22) million (—%)

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Three months ended June 30, 2024	20.29	—
Three months ended June 30, 2023	(5.40)	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2024	126,314	67,297	52.1	1,144.38
As of March 31, 2024	125,302	65,578	51.1	1,114.07

(Reference) Equity capital:

As of June 30, 2024: ¥65,747 million

As of March 31, 2024: ¥64,006 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, 2024	—	7.00	—	7.00	14.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		8.00	—	8.00	16.00

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

### 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	31,100	(10.7)	1,900	—	2,000	—	950	269.1	16.54
Full year	69,000	6.5	4,900	—	4,800	—	2,900	—	50.48

(Note) Revision of performance forecast from the latest announcement: Yes

Notes:

(1) Significant changes in the scope of consolidation during the current quarter: 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)

As of June 30, 2024	57,546,050 shares	As of March 31, 2024	57,546,050 shares
As of June 30, 2024	93,207 shares	As of March 31, 2024	93,207 shares
As of June 30, 2024	57,452,843 shares	As of June 30, 2023	57,452,913 shares

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

iii. Average number of shares during the period

Notes: 1. Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: Yes (optional)

2. 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. Overview of operating results, etc.

### (1) Operating results

In the first three months of the fiscal year ending March 31, 2025, 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 persistent high interest rates in Europe and the United States 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 three months of the fiscal year ending March 31, 2025 amounted to ¥15,445 million, down ¥856 million or 5.3% year on year, due to decreased sales in the Fine Chemicals Division and Fundamental Chemicals Division, despite the Group's active efforts in marketing. On the profit front, the Group recorded an ordinary profit of ¥1,918 million and profit attributable to owners of parent of ¥1,165 million. (In the first quarter of the previous year, we recorded an ordinary loss of ¥859 million and a loss attributable to owners of parent of ¥310 million. These losses were mainly due to the cost of sales remaining at a high level owing 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.)

The following provides an overview for each segment.

#### a. Fundamental Chemicals Division

For inorganic products, sales of caustic soda were down year on year due to a decrease in sales volume and selling price. Sales of hydrochloric acid were up year on year due to effects from price revisions, despite lower sales volume.

For organic products, trichlorethylene sales were up year on year due to an increase in sales volume, despite a lower selling price. Sales of perchloroethylene were down year on year due to a lower selling price, despite higher sales volume.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥1,981 million, down ¥430 million or 17.8% year on year. Operating loss totaled ¥316 million (versus operating profit of ¥76 million in the first three months of the previous fiscal year).

#### b. Fine Chemicals Division

Sales of specialty gases for semiconductors increased year on year due to higher 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 selling price.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥12,229 million, down ¥514 million or 4.0% year on year. Operating income was ¥1,335 million (compared to an operating loss of ¥1,720 million in the first quarter of the previous year, mainly due to the persistent high cost of sales for battery materials and recognition of a loss on valuation of inventories).

#### c. Ferrochemicals Division

Sales of reprographic carriers, used in developers for copiers and printers, were up year on year due to higher 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 ¥592 million, up ¥144 million or 32.2% year on year. Operating profit totaled ¥87 million, up ¥40 million or 85.9% 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 ¥158 million, down ¥15 million or 8.8% year on year. Operating profit totaled ¥43 million, down ¥37 million or 46.6% year on year.

e. Facilities Division

Net sales in chemical facility plant and general industrial plant construction were down year on year due to a decrease in contract work.

As a result of the above, net sales in the Facilities Division amounted to ¥482 million, down ¥40 million or 7.8% year on year. Operating profit totaled ¥94 million, up ¥31 million or 49.8% year on year.

**(2) Financial position**

As of the end of the first quarter of the fiscal year ending March 31, 2025, assets amounted to ¥126,314 million, up ¥1,011 million from the end of the previous consolidated fiscal year. This was mainly due to increases in notes and accounts receivable—trade, and contract assets, property, plant and equipment, and investment securities, despite a decrease in cash and deposits.

Total liabilities amounted to ¥59,016 million, down ¥707 million, mainly due to decreases in borrowings, despite an increase in current liabilities and others.

Net assets amounted to ¥67,297 million, up ¥1,718 million, mainly due to increases in retained earnings, the valuation difference on available-for-sale securities, and foreign currency translation adjustments. The equity ratio was 52.1%, versus 51.1% at the end of the previous fiscal year.

**(3) Consolidated earnings forecasts**

The consolidated earnings forecast for the first half of the fiscal year ending March 31, 2025 has been revised from the previous forecast announced on May 15, 2024. For details, please refer to the "Notice Regarding Revision of Earnings Forecast" released separately.

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, 2024	As of June 30, 2024
<b>Assets:</b>		
Current assets		
Cash and deposits	25,409	22,065
Notes and accounts receivable—trade, and contract assets	14,835	15,754
Electronically recorded monetary claims—operating	1,292	1,212
Merchandise and finished goods	6,943	6,224
Work in process	6,475	7,900
Raw materials and supplies	3,993	3,185
Other	4,359	4,578
Allowance for doubtful accounts	(41)	(37)
<b>Total current assets</b>	<b>63,268</b>	<b>60,883</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,719	13,086
Machinery and equipment, net	19,767	19,633
Construction in progress	10,012	12,687
Other, net	6,543	6,534
<b>Total property, plant and equipment</b>	<b>49,042</b>	<b>51,941</b>
Intangible assets	752	732
Investments and other assets		
Investment securities	9,224	9,825
Retirement benefit assets	11	10
Deferred tax assets	2,093	2,022
Other	916	905
Allowance for doubtful accounts	(7)	(8)
<b>Total investments and other assets</b>	<b>12,238</b>	<b>12,755</b>
<b>Total non-current assets</b>	<b>62,034</b>	<b>65,430</b>
<b>Total assets</b>	<b>125,302</b>	<b>126,314</b>

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
<b>Liabilities:</b>		
Current liabilities		
Notes and accounts payable—trade	7,287	7,823
Electronically recorded obligations—operating	1,021	1,358
Short-term borrowings	5,028	4,603
Current portion of long-term borrowings	9,022	8,868
Income taxes payable	272	205
Provision for bonuses for directors (and other officers)	60	13
Other	8,198	9,347
Total current liabilities	30,891	32,219
Non-current liabilities		
Long-term borrowings	26,872	24,806
Provision for retirement benefits for directors (and other officers)	151	153
Provision for share awards for directors (and other officers)	33	37
Retirement benefit liability	1,084	1,124
Other	691	675
Total non-current liabilities	28,832	26,797
Total liabilities	59,724	59,016
<b>Net assets:</b>		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,859	1,859
Retained earnings	52,149	52,913
Treasury shares	(66)	(66)
Total shareholders' equity	56,821	57,584
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,939	4,444
Foreign currency translation adjustment	2,402	2,892
Remeasurements of defined benefit plans	843	825
Total accumulated other comprehensive income	7,185	8,163
Non-controlling interests	1,572	1,549
Total net assets	65,578	67,297
Total liabilities and net assets	125,302	126,314

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

## Consolidated statement of income

(Millions of yen)

	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Net sales	16,301	15,445
Cost of sales	15,492	11,790
Gross profit	808	3,654
Selling, general and administrative expenses	2,220	2,388
Operating profit (loss)	(1,411)	1,266
Non-operating profit		
Interest income	13	5
Dividend income	179	308
Foreign exchange gains	523	468
Other	36	83
Total non-operating profit	753	866
Non-operating expenses		
Interest expenses	77	111
Loss on valuation of derivatives	111	79
Other	13	22
Total non-operating expenses	202	214
Ordinary profit (loss)	(859)	1,918
Extraordinary income		
Gain on sale of investment securities	449	-
Total extraordinary income	449	-
Extraordinary losses		
Loss on retirement of non-current assets	25	26
Total extraordinary losses	25	26
Profit (Loss) before income taxes	(436)	1,891
Income taxes payable	(166)	688
Profit (Loss)	(269)	1,203
Profit attributable to non-controlling interests	40	37
Profit (Loss) attributable to owners of parent	(310)	1,165



## Consolidated statement of comprehensive income

(Millions of yen)

	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Profit (Loss)	(269)	1,203
Other comprehensive income		
Valuation difference on available-for-sale securities	346	470
Foreign currency translation adjustment	(95)	495
Remeasurements of defined benefit plans	(4)	(17)
Total other comprehensive income	247	948
Comprehensive income	(22)	2,151
Comprehensive income attributable to:		
Owners of parent	(91)	2,144
Non-controlling interests	68	7

### (3) Notes to the consolidated financial statements

(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, 2025, including the first 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, 2023 to June 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	2,412	12,743	448	173	523	16,301	—	16,301
(2) Inter-segment net sales or transfers	—	—	0	416	827	1,243	(1,243)	—
Total	2,412	12,743	448	590	1,350	17,545	(1,243)	16,301
Segment profit (loss)	76	(1,720)	46	80	62	(1,454)	42	(1,411)

(Notes) 1. The segment profit (loss) adjustment of ¥42 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.

II. From April 1, 2024 to June 30, 2024

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	1,981	12,229	592	158	482	15,445	—	15,445
(2) Inter-segment net sales or transfers	—	—	0	322	643	965	(965)	—
Total	1,981	12,229	592	480	1,126	16,411	(965)	15,445
Segment profit (loss)	(316)	1,335	87	43	94	1,243	22	1,266

(Notes) 1. The segment profit (loss) adjustment of ¥22 million is elimination of inter-segment transactions.

2. Segment profit (loss) 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.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on premise of going concern)

Not applicable.

(Notes on statement of cash flows)

A quarterly consolidated cash flow statement for the first quarter has not been prepared. Depreciation expenses (including amortization expenses related to intangible assets) for the first quarter are as follows.

	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Depreciation	¥1,965 million	¥1,981 million