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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [JGAAP]

February 14, 2025

Company Name: Kanto Denka Kogyo Co., Ltd.

Stock Exchange Listing: Tokyo

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

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Scheduled date to commence dividend payments:—

Availability of supplementary briefing material on financial results: Yes

Financial results briefing session: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2025

(April 1, 2024–December 31, 2024)

(1) Consolidated operating results

(% figures are the rate of year-on-year increase or decrease)

	Net sales		Operating profit (loss)		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, 2024	46,621	−5.0	2,606	—	3,081	—	1,869	726.5
Nine months ended December 31, 2023	49,051	−14.3	(611)	—	24	−99.8	226	−97.1

(Note) Comprehensive income:

Nine months ended December 31, 2024: ¥1,795 million (−15.7%)

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

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Nine months ended December 31, 2024	32.53	—
Nine months ended December 31, 2023	3.94	—

(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, 2024	125,887	66,484	51.5	1,129.43
As of March 31, 2024	125,302	65,578	51.1	1,114.07

(Note) Equity capital:

As of December 31, 2024: ¥64,894 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	—	8.00	—	—	—
Fiscal year ending March 31, 2025 (Forecast)	—	—	—	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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	63,400	−2.1	3,800	—	4,400	—	2,850	—	49.60

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

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)

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

iii. Average number of shares during the period

As of December 31, 2024	57,546,050 shares	As of March 31, 2024	57,546,050 shares
As of December 31, 2024	88,481 shares	As of March 31, 2024	93,207 shares
As of December 31, 2024	57,455,163 shares	As of December 31, 2023	57,452,906 shares

Note: Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm:

Yes (optional)

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 nine 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 high interest rates in Europe and the United States and the stagnation of the real estate market in China, as well as inflation, U.S. policy developments, geopolitical tensions in the Middle East, and fluctuations in financial and capital markets.

Amid this business environment, net sales for the first nine months amounted to ¥46,621 million, down ¥2,430 million or 5.0% year on year, due to decreased sales primarily 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 ¥3,081 million and profit attributable to owners of parent of ¥1,869 million. In the first nine months of the previous year, we recorded an ordinary profit of ¥24 million and a profit attributable to owners of parent of ¥226 million. This was 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.

Fundamental Chemicals Division

For inorganic products, sales of caustic soda decreased year on year due to a reduction in sales volume resulting from the discontinuation of certain product lines and a decline in selling price caused by worsening market conditions. Hydrochloric acid sales increased due to price adjustments.

For organic products, an increase in trichloroethylene and perchloroethylene sales volumes caused sales to rise year on year, despite a decline in selling prices.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥6,001 million, down ¥336 million or 5.3% year on year. Due to the decline in net sales, an operating loss of ¥521 million was recorded (compared to an operating loss of ¥31 million in the first nine months of the previous fiscal year).

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. Technical support fees received under license agreements decreased.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥37,052 million, down ¥2,279 million or 5.8% year on year. Operating profit was ¥2,507 million compared to an operating loss of ¥1,317 million in the first nine months of the previous year, which was mainly due to the persistent high cost of sales for battery materials and recognition of a loss on valuation of inventories.

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 ¥1,750 million, up ¥483 million or 38.2% year on year. Operating profit totaled ¥277 million, surging ¥181 million or 188.5%.

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 ¥494 million, down

¥30 million or 5.7% year on year. Operating profit totaled ¥92 million, down ¥51 million or 35.8%.

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 ¥1,321 million, down ¥268 million or 16.9% year on year. Operating profit totaled ¥256 million, down ¥269 million or 51.3%.

(2) Financial position

As of the end of the third quarter of the fiscal year ending March 31, 2025, total assets amounted to ¥125,887 million, up ¥584 million from the end of the previous consolidated fiscal year. This was mainly due to increases in property, plant and equipment, notes and accounts receivable—trade, and contract assets, despite decreases in cash and deposits, other current assets, and investment securities.

Total liabilities amounted to ¥59,402 million, down ¥321 million, mainly due to a decrease in other under current liabilities, despite increases in electronically recorded obligations - operating, income taxes payable, and borrowings.

Net assets amounted to ¥66,484 million, up ¥905 million, mainly due to an increase in retained earnings. The equity ratio was 51.5%, versus 51.1% at the end of the previous fiscal year.

(3) Consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending March 31, 2025 remains unchanged from the previous forecast announced on November 8, 2024.

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 December 31, 2024
Assets:		
Current assets		
Cash and deposits	25,409	22,479
Notes and accounts receivable—trade, and contract assets	14,835	16,500
Electronically recorded monetary claims—operating	1,292	1,271
Merchandise and finished goods	6,943	7,213
Work in process	6,475	6,343
Raw materials and supplies	3,993	4,225
Other	4,359	3,921
Allowance for doubtful accounts	(41)	(30)
Total current assets	63,268	61,924
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,719	12,803
Machinery and equipment, net	19,767	17,994
Construction in progress	10,012	14,571
Other, net	6,543	6,242
Total property, plant and equipment	49,042	51,612
Intangible assets	752	643
Investments and other assets		
Investment securities	9,224	8,938
Retirement benefit assets	11	10
Deferred tax assets	2,093	2,059
Other	916	707
Allowance for doubtful accounts	(7)	(8)
Total investments and other assets	12,238	11,707
Total non-current assets	62,034	63,962
Total assets	125,302	125,887

	As of March 31, 2024	As of December 31, 2024
Liabilities:		
Current liabilities		
Notes and accounts payable—trade	7,287	7,464
Electronically recorded obligations—operating	1,021	2,043
Short-term borrowings	5,028	4,899
Current portion of long-term borrowings	9,022	9,228
Income taxes payable	272	1,057
Provision for bonuses for directors (and other officers)	60	22
Other	8,198	5,570
Total current liabilities	30,891	30,286
Non-current liabilities		
Long-term borrowings	26,872	27,153
Provision for retirement benefits for directors (and other officers)	151	154
Provision for share awards for directors (and other officers)	33	46
Retirement benefit liability	1,084	1,193
Other	691	569
Total non-current liabilities	28,832	29,116
Total liabilities	59,724	59,402
Net assets:		
Shareholders' equity		
Capital	2,877	2,877
Capital surplus	1,859	1,859
Retained earnings	52,149	53,156
Treasury shares	(66)	(62)
Total shareholders' equity	56,821	57,830
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,939	3,836
Foreign currency translation adjustment	2,402	2,435
Remeasurements of defined benefit plans	843	791
Total accumulated other comprehensive income	7,185	7,063
Non-controlling interests	1,572	1,589
Total net assets	65,578	66,484
Total liabilities and net assets	125,302	125,887

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

Consolidated statement of income

(Millions of yen)

	From April 1, 2023 to December 31, 2023	From April 1, 2024 to December 31, 2024
Net sales	49,051	46,621
Cost of sales	42,846	36,791
Gross profit	6,205	9,829
Selling, general and administrative expenses	6,816	7,223
Operating profit (loss)	(611)	2,606
Non-operating profit		
Interest income	42	32
Dividend income	254	434
Foreign exchange gains	717	240
Other	239	252
Total non-operating profit	1,255	960
Non-operating expenses		
Interest expenses	357	322
Loss on valuation of derivatives	136	86
Other	124	76
Total non-operating expenses	618	485
Ordinary profit	24	3,081
Extraordinary income		
Gain on sale of investment securities	580	434
Total extraordinary income	580	434
Extraordinary losses		
Loss on retirement of non-current assets	193	77
Environmental expenses	—	300
Total extraordinary losses	193	377
Profit before income taxes	411	3,138
Income taxes payable	6	1,155
Profit	405	1,982
Profit attributable to non-controlling interests	178	113
Profit attributable to owners of parent	226	1,869

Consolidated Statement of Comprehensive Income

(Millions of yen)

	From April 1, 2023 to December 31, 2023	From April 1, 2024 to December 31, 2024
Profit	405	1,982
Other comprehensive income		
Valuation difference on available-for-sale securities	615	(172)
Foreign currency translation adjustment	1,122	36
Remeasurements of defined benefit plans	(12)	(51)
Total other comprehensive income	1,725	(187)
Comprehensive income	2,130	1,795
Comprehensive income attributable to:		
Owners of parent	1,899	1,747
Non-controlling interests	231	48

(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 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, 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 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.

II. From April 1, 2024 to December 31, 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	6,001	37,052	1,750	494	1,321	46,621	—	46,621
(2) Inter-segment net sales or transfers	—	—	0	815	1,943	2,758	(2,758)	—
Total	6,001	37,052	1,750	1,309	3,265	49,380	(2,758)	46,621
Segment profit (loss)	(521)	2,507	277	92	256	2,612	(6)	2,606

(Notes) 1. The segment loss adjustment of ¥6 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 nine months has not been prepared. Depreciation expenses (including amortization expenses related to intangible assets) for the first nine months are as follows.

	(Millions of yen)	
	From April 1, 2023 to December 31, 2023	From April 1, 2024 to December 31, 2024
Depreciation	6,230	6,126