

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 7, 2023

Company name: Nippon Denko Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 5563 URL <https://www.nippondenko.co.jp/en/>
 Representative: President 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: August 7, 2023
 Scheduled date to commence dividend payments: September 8, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(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	%
Six months ended June 30, 2023	39,416	2.6	1,937	(67.1)	1,099	(84.5)	800	(85.6)
Six months ended June 30, 2022	38,433	24.2	5,894	48.7	7,114	166.4	5,557	202.5

Note: Comprehensive income For the six months ended June 30, 2023: ¥ 213 million [-96.6%]
 For the six months ended June 30, 2022: ¥ 6,203 million [127.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	5.81		-	
Six months ended June 30, 2022	37.84		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	99,201	67,164	67.7
As of December 31, 2022	104,943	69,225	65.9

Reference: Equity

As of June 30, 2023: ¥67,164 million
 As of December 31, 2022: ¥69,187 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, 2022	-	8.00	-	9.00	17.00
Year ending December 31, 2023	-	3.00	-	-	-
Year ending December 31, 2023 (Forecast)	-	-	-	4.00	7.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	78,000	(1.7)	2,500	(75.9)	3,000	(62.3)	21.78

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

For details, please refer to the "Notice Concerning Revisions to Consolidated Earnings Forecast" announced on August 7, 2023.

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2023	137,217,772 shares	As of December 31, 2022	146,931,567 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	2,194 shares	As of December 31, 2022	7,092,135 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	137,739,311 shares	Six months ended June 30, 2022	146,857,956 shares
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* 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 earnings forecasts aforementioned are calculated based on information available at the present time, and since they contain considerable uncertain elements, actual results may differ significantly from the forecast figures.

Consolidated financial statements for the quarter and primary notes**(1) Consolidated balance sheets for the quarter**

	(Millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,911	7,949
Notes and accounts receivable - trade	11,720	9,728
Merchandise and finished goods	19,892	22,134
Work in process	284	229
Raw materials and supplies	13,430	10,568
Other	2,716	2,560
Allowance for doubtful accounts	(15)	-
Total current assets	56,940	53,171
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,027	6,103
Machinery, equipment and vehicles, net	11,125	10,919
Land	5,298	5,298
Leased assets, net	3,309	3,227
Construction in progress	364	175
Other, net	285	318
Total property, plant and equipment	26,410	26,044
Intangible assets	164	279
Investments and other assets		
Investment securities	14,327	12,723
Long-term loans receivable	5,109	5,233
Retirement benefit asset	546	572
Deferred tax assets	1,107	886
Other	337	290
Total investments and other assets	21,428	19,706
Total non-current assets	48,003	46,030
Total assets	104,943	99,201

	(Millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,621	5,020
Short-term borrowings	8,000	3,000
Current portion of long-term borrowings	2,558	3,528
Lease liabilities	156	156
Income taxes payable	819	774
Provision for bonuses	332	255
Provision for bonuses for directors (and other officers)	70	17
Notes payable - facilities	424	92
Other	4,945	4,065
Total current liabilities	24,929	16,911
Non-current liabilities		
Long-term borrowings	6,192	10,668
Lease liabilities	4,144	4,095
Deferred tax liabilities	5	-
Other	446	361
Total non-current liabilities	10,789	15,125
Total liabilities	35,718	32,037
Net assets		
Shareholders' equity		
Share capital	11,084	11,096
Capital surplus	21,439	17,450
Retained earnings	36,244	35,786
Treasury shares	(3,001)	(0)
Total shareholders' equity	65,767	64,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,020	1,202
Deferred gains or losses on hedges	5	1
Foreign currency translation adjustment	1,599	871
Remeasurements of defined benefit plans	794	756
Total accumulated other comprehensive income	3,419	2,831
Non-controlling interests	37	-
Total net assets	69,225	67,164
Total liabilities and net assets	104,943	99,201

(2) Consolidated statements of income and consolidated statements of comprehensive income for the quarter**Consolidated statements of income**

	(Millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	38,433	39,416
Cost of sales	29,305	34,126
Gross profit	9,128	5,290
Selling, general and administrative expenses	3,233	3,353
Operating profit	5,894	1,937
Non-operating income		
Interest income	72	103
Dividend income	110	78
Share of profit of entities accounted for using equity method	1,065	–
Foreign exchange gains	331	164
Other	152	217
Total non-operating income	1,732	564
Non-operating expenses		
Interest expenses	242	245
Share of loss of entities accounted for using equity method	–	853
Loss on retirement of non-current assets	157	212
Other	112	89
Total non-operating expenses	512	1,402
Ordinary profit	7,114	1,099
Extraordinary income		
Gain on sale of investment securities	146	564
Total extraordinary income	146	564
Extraordinary losses		
Loss on retirement of non-current assets	27	21
Loss on sale of shares of subsidiaries and associates	–	47
Other	–	1
Total extraordinary losses	27	70
Profit before income taxes	7,233	1,593
Income taxes - current	940	660
Income taxes - deferred	726	132
Total income taxes	1,667	793
Profit	5,566	800

Consolidated statements of comprehensive income

	(Millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	5,566	800
Other comprehensive income		
Valuation difference on available-for-sale securities	(161)	183
Deferred gains or losses on hedges	3	(4)
Remeasurements of defined benefit plans, net of tax	(13)	(38)
Share of other comprehensive income of entities accounted for using equity method	808	(728)
Total other comprehensive income	637	(587)
Comprehensive income	6,203	213
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,201	212
Comprehensive income attributable to non-controlling interests	2	1

(3) Notes relating to consolidated financial statements for the quarter

(Note on premise of going concern)

Not applicable

(Note on significant change in the amount of shareholders' equity)

Not applicable

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and our domestic consolidated subsidiaries have transitioned from a consolidated taxation system to a group tax sharing system from the first quarter of the fiscal year 2023. Consequently, the accounting and disclosure of income tax, local income tax and tax effect accounting are in accordance with "The Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter referred to as "PITF No. 42"). In addition, based on Paragraph 32(1) of PITF No. 42, the Company expects no impact of the change in accounting policies.

(Segment information, etc.)

[Segment information]

Second quarter of FY2022 (From January 1, 2022 to June 30, 2022)

1. Information on net sales and profit (loss) by reportable segment and breakdown information

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjust- ment	Amount on consoli- dated financial state- ments (Note) 2
	Ferro- alloys business	Func- tional Materials business	Environ- mental business	Electric Power business	Total				
Net sales	28,026	5,949	2,838	668	37,482	951	38,433	—	38,433
Net sales from external customers	28,026	5,949	2,838	668	37,482	951	38,433	—	38,433
Intersegment sales or transfers	70	111	—	—	181	89	271	(271)	—
Total	28,096	6,060	2,838	668	37,663	1,041	38,704	(271)	38,433
Segment profit (loss)	6,117	533	265	142	7,059	55	7,114	—	7,114

Notes: 1. The "Other" classification is business segments that are not included in reportable segments, and is mainly sales of chemicals, etc., and other subsidiary businesses.

2. The total of segment profit matches ordinary profit in the consolidated statement of income.

2. Impairment losses on fixed assets & information concerning goodwill by reportable segment

(Significant Impairment losses related to Non-current assets)

Not applicable

Second quarter of FY2023 (From January 1, 2023 to June 30, 2023)

1. Information on net sales and profit (loss) by reportable segment and breakdown information

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjust- ment	Amount on consoli- dated financial state- ments (Note) 2
	Ferro- alloys business	Func- tional Materials business	Environ- mental business	Electric Power business	Total				
Net sales									
Revenue from contracts with customers	28,497	6,317	3,201	614	38,629	787	39,416	—	39,416
Net sales from external customers	28,497	6,317	3,201	614	38,629	787	39,416	—	39,416
Intersegment sales or transfers	44	46	—	—	90	50	141	(141)	—
Total	28,541	6,363	3,201	614	38,720	837	39,558	(141)	39,416
Segment profit (loss)	314	506	151	121	1,093	6	1,099	—	1,099

Notes: 1. The "Other" classification is business segments that are not included in reportable segments, and is mainly sales of chemicals, etc., and other subsidiary businesses.

2. The total of segment profit matches ordinary profit in the consolidated statement of income.

2. Impairment losses on fixed assets & information concerning goodwill by reportable segment

(Significant Impairment losses related to Non-current assets)

Not applicable