

Translation

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

November 7, 2023

Company name: Nippon Denko Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 5563 URL: <https://www.nippondenko.co.jp/en/>
 Representative: President & CEO Yasushi Aoki
 Executive Officer and General Manager of
 Inquiries: General Affairs Department Toru Tanaka TEL 03-6860-6800
 Scheduled date to file Quarterly Securities Report: November 7, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes (The supplementary explanatory materials are attached to this document.)
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2023 (from January 1, 2023 to September 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	%
Nine months ended September 30, 2023	57,298	(2.8)	2,669	(63.9)	1,165	(87.4)	764	(89.7)
Nine months ended September 30, 2022	58,959	23.0	7,392	16.2	9,262	102.5	7,450	115.7

Note: Comprehensive income For the nine months ended September 30, 2023: ¥ 1,133 million [-87.5%]
 For the nine months ended September 30, 2022: ¥ 9,032 million [94.5%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 30, 2023	5.56		–	
Nine months ended September 30, 2022	50.73		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	99,164	67,673	68.2
As of December 31, 2022	104,943	69,225	65.9

Reference: Equity

As of September 30, 2023: ¥67,673 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				
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: No

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended September 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 September 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 September 30, 2023	2,324 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)

Nine months ended September 30, 2023	137,562,803 shares	Nine months ended September 30, 2022	146,878,992 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.

Attached Documents

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1. 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	8,911	7,199
Notes and accounts receivable - trade	11,720	9,553
Merchandise and finished goods	19,892	18,375
Work in process	284	191
Raw materials and supplies	13,430	13,590
Other	2,716	2,566
Allowance for doubtful accounts	(15)	-
Total current assets	56,940	51,475
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,027	6,283
Machinery, equipment and vehicles, net	11,125	11,668
Land	5,298	5,298
Leased assets, net	3,309	3,182
Construction in progress	364	259
Other, net	285	336
Total property, plant and equipment	26,410	27,028
Intangible assets	164	343
Investments and other assets		
Investment securities	14,327	13,471
Long-term loans receivable	5,109	5,280
Retirement benefit asset	546	514
Deferred tax assets	1,107	759
Other	337	289
Total investments and other assets	21,428	20,315
Total non-current assets	48,003	47,688
Total assets	104,943	99,164

	(Millions of yen)	
	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,621	5,170
Short-term borrowings	8,000	2,000
Current portion of long-term borrowings	2,558	3,528
Lease liabilities	156	155
Income taxes payable	819	289
Provision for bonuses	332	778
Provision for bonuses for directors (and other officers)	70	20
Notes payable - facilities	424	77
Other	4,945	4,943
Total current liabilities	24,929	16,964
Non-current liabilities		
Long-term borrowings	6,192	10,116
Lease liabilities	4,144	4,058
Deferred tax liabilities	5	-
Other	446	352
Total non-current liabilities	10,789	14,526
Total liabilities	35,718	31,490
Net assets		
Shareholders' equity		
Share capital	11,084	11,096
Capital surplus	21,439	17,450
Retained earnings	36,244	35,338
Treasury shares	(3,001)	(0)
Total shareholders' equity	65,767	63,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,020	1,463
Deferred gains or losses on hedges	5	1
Foreign currency translation adjustment	1,599	1,575
Remeasurements of defined benefit plans	794	747
Total accumulated other comprehensive income	3,419	3,787
Non-controlling interests	37	-
Total net assets	69,225	67,673
Total liabilities and net assets	104,943	99,164

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

	(Millions of yen)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	58,959	57,298
Cost of sales	46,694	49,637
Gross profit	12,264	7,661
Selling, general and administrative expenses	4,871	4,991
Operating profit	7,392	2,669
Non-operating income		
Interest income	115	158
Dividend income	113	82
Share of profit of entities accounted for using equity method	1,888	–
Foreign exchange gains	463	146
Other	216	273
Total non-operating income	2,797	660
Non-operating expenses		
Interest expenses	363	396
Share of loss of entities accounted for using equity method	–	1,227
Loss on retirement of non-current assets	396	400
Other	168	139
Total non-operating expenses	928	2,163
Ordinary profit	9,262	1,165
Extraordinary income		
Gain on sale of investment securities	146	564
Total extraordinary income	146	564
Extraordinary losses		
Loss on retirement of non-current assets	31	21
Loss on sale of shares of subsidiaries and associates	–	47
Other	3	5
Total extraordinary losses	35	74
Profit before income taxes	9,373	1,656
Income taxes - current	1,153	743
Income taxes - deferred	758	148
Total income taxes	1,912	892
Profit	7,461	764
Profit attributable to non-controlling interests	10	0
Profit attributable to owners of parent	7,450	764

Consolidated statements of comprehensive income (cumulative)

	(Millions of yen)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	7,461	764
Other comprehensive income		
Valuation difference on available-for-sale securities	(161)	444
Deferred gains or losses on hedges	2	(4)
Remeasurements of defined benefit plans, net of tax	(14)	(46)
Share of other comprehensive income of entities accounted for using equity method	1,744	(24)
Total other comprehensive income	1,570	368
Comprehensive income	9,032	1,133
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,028	1,132
Comprehensive income attributable to non-controlling interests	3	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]

Third quarter of FY2022 (From January 1, 2022 to September 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									
Revenue from contracts with customers	42,985	8,769	4,389	1,216	57,360	1,598	58,959	—	58,959
Net sales from external customers	42,985	8,769	4,389	1,216	57,360	1,598	58,959	—	58,959
Intersegment sales or transfers	103	150	—	—	254	136	390	(390)	—
Total	43,088	8,920	4,389	1,216	57,615	1,735	59,350	(390)	58,959
Segment profit	7,878	474	394	361	9,107	154	9,262	—	9,262

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

Third quarter of FY2023 (From January 1, 2023 to September 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	40,662	9,804	4,561	920	55,949	1,349	57,298	—	57,298
Net sales from external customers	40,662	9,804	4,561	920	55,949	1,349	57,298	—	57,298
Intersegment sales or transfers	66	46	—	—	112	56	169	(169)	—
Total	40,729	9,851	4,561	920	56,061	1,405	57,467	(169)	57,298
Segment profit (loss)	(359)	931	301	186	1,059	105	1,165	—	1,165

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 or loss 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