

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 8, 2024

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 of ordinary general meeting of shareholders: March 28, 2024
 Scheduled date to file Securities Report: March 28, 2024
 Scheduled date to commence dividend payments: March 29, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

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	%
Year ended December 31, 2023	76,406	(3.7)	4,741	(46.2)	2,465	(76.2)	4,375	(45.0)
Year ended December 31, 2022	79,341	20.3	8,815	4.5	10,367	50.9	7,949	2.3

Note: Comprehensive income Fiscal year ended December 31, 2023: ¥5,161 million [-52.4%]
 Fiscal year ended December 31, 2022: ¥10,849 million [18.1%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	31.83	–	6.2	2.4	6.2
Year ended December 31, 2022	54.45	–	11.9	10.3	11.1

Reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended December 31, 2023: ¥(1,873) million
 Fiscal year ended December 31, 2022: ¥1,906 million

(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, 2023	101,015	71,701	71.0	522.55
As of December 31, 2022	104,943	69,225	65.9	494.76

Reference: Equity

As of December 31, 2023: ¥71,701 million
 As of December 31, 2022: ¥69,187 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
Year ended December 31, 2023	8,776	(4,666)	(5,242)	7,851
Year ended December 31, 2022	6,280	(4,592)	(2,680)	8,895

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	8.00	–	9.00	17.00	2,433	31.2	3.6
Year ended December 31, 2023	–	3.00	–	6.00	9.00	1,234	28.3	1.8
Year ending December 31, 2024 (Forecast)	–	–	–	–	–		–	

Note: The dividend forecast for the fiscal year ending December 2024 is yet to be determined. Please refer to "1. Overview of operating results, etc., (3) Basic policy for profit distributions and dividends for current and next fiscal years" on page 4 of the supplementary materials.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2024

(From January 1, 2024 to December 31, 2024)

Forecasts of consolidated financial results for the fiscal year ending December 2024 are not provided because they cannot be calculated or forecasted with reasonable accuracy at this time. Please refer to "1. Overview of operating results, etc., (1) Analysis of operating results, (ii) Outlook for the next fiscal year" on page 2 of the supplementary materials for additional information.

* Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatement of prior period financial statements: None

(3) Number of issued shares (common shares)

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

As of December 31, 2023	137,217,772 shares	As of December 31, 2022	146,931,567 shares
-------------------------	--------------------	-------------------------	--------------------

Number of treasury shares at the end of the period

As of December 31, 2023	2,497 shares	As of December 31, 2022	7,092,135 shares
-------------------------	--------------	-------------------------	------------------

Average number of shares during the period

Year ended December 31, 2023	137,475,227 shares	Year ended December 31, 2022	145,977,368 shares
------------------------------	--------------------	------------------------------	--------------------

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

Supplementary Materials

Index

1. Overview of operating results, etc.....	2
(1) Analysis of operating results.....	2
(2) Analysis of financial position	3
(3) Basic policy for profit distributions and dividends for current and next fiscal years	4
2. Basic approach to selecting accounting standards.....	5
3. Consolidated financial statements	6
(1) Consolidated balance sheets	6
(2) Consolidated statements of income and consolidated statements of comprehensive income	8
(3) Consolidated statements of changes in equity	11
(4) Consolidated statements of cash flows	13
(5) Notes to consolidated financial statements	15
(Notes on premise of going concern).....	15
(Consolidated statement of income)	15
(Segment information, etc.)	16
(Per-share information).....	19
(Significant subsequent events)	19
4. Supplementary information	20
(1) Consolidated financial results.....	20
(2) Business results by segment	20

1. Overview of operating results, etc.

(1) Analysis of operating results

(i) Overview of operating results for fiscal 2023

During the fiscal year under review (January 1, 2023 to December 31, 2023), the global economy remained uncertain due to factors such as the fragmentation of the international community as a result of Russia's continued invasion against Ukraine, the economic slowdown resulting from continued monetary tightening in the U.S. and Europe, and the slowdown in GDP growth rate due to the delay in the recovery of the Chinese economy.

In Japan, the economy has witnessed a gradual recovery as economic activities are starting to normalize due to the easing of restrictions on COVID-19. On the other hand, the domestic manufacturing industry faced a challenging environment due to continued rises in energy and raw material prices.

Against this backdrop, net sales during the fiscal year under review decreased to ¥76,406 million due to a decline in global market prices in the Ferroalloys business. Regarding profit, operating profit and ordinary profit fell sharply year-on-year to ¥4,741 million and ¥2,465 million, respectively due to a significant inventory impact stemming from the decline in the manganese ore market. Meanwhile, ordinary profit remained almost unchanged from the same period of the previous fiscal year, excluding the impact of inventory, as a result of efforts for the price pass-through of rising electricity costs for selling prices and reducing costs in response to the decline in the global market prices in the Ferroalloys business and the surge in electricity prices.

During the period of the Eighth Medium-Term Business Plan, the Company made steady progress in structural reform within the domestic Ferroalloys business, thereby ensuring the stability of our future business results. As in 2021, the Company also recorded additional deferred tax assets in the fiscal year under review, resulting in ¥4,375 million of profit attributable to owners of parent, which exceeded the forecast (¥3,000 million) announced on August 7, 2023.

Operating results by segment are as follows.

Segment	123rd fiscal year (January 1, 2022 - December 31, 2022)				124th fiscal year (January 1, 2023 - December 31, 2023)				Percentage of change	
	Net sales		Ordinary profit		Net sales		Ordinary profit		Net sales	Ordinary profit
	Amount	Compo-sition	Amount	Compo-sition	Amount	Compo-sition	Amount	Compo-sition		
Ferroalloys business	58,351	73.5	9,072	87.5	52,876	69.2	(914)	(37.1)	(9.4)	—
Functional Materials business	11,291	14.2	323	3.1	13,844	18.1	1,995	80.9	22.6	517.4
Environment business	5,905	7.4	253	2.4	6,558	8.6	884	35.9	11.1	249.3
Electric Power business	1,667	2.1	531	5.1	1,391	1.8	380	15.5	(16.6)	(28.4)
Other	2,124	2.7	186	1.8	1,735	2.3	119	4.9	(18.3)	(35.9)
Total	79,341	100.0	10,367	100.0	76,406	100.0	2,465	100.0	(3.7)	(76.2)

(ii) Outlook for the next fiscal year

The business environment remains uncertain due to factors such as the possibility that the ferroalloys product market may remain bearish due to sluggish steel demand, and concerns about a decline in demand for electronic components and other products due to the economic downturn in China.

In addition, because there are uncertain factors such as price increases due to high electricity costs and pay hikes, and the impacts of the Noto Peninsula Earthquake, it is difficult to make a reasonable calculation at this time, so the Company has not yet determined its forecast for the fiscal year ending December 31, 2024 and will disclose it as soon as it becomes possible to make the calculation.

(2) Analysis of financial position**(i) Assets, liabilities and net assets**

The total assets at the end of the fiscal year under review decreased by ¥3,928 million from the end of the previous fiscal year to ¥101,015 million. Current assets decreased by ¥5,087 million from the end of the previous fiscal year to ¥51,852 million due to a decrease in inventories and other factors. Non-current assets increased by ¥1,159 million from the end of the previous fiscal year to ¥49,162 million as a result of an increase in deferred tax assets and other factors.

The total liabilities at the end of the fiscal year under review decreased by ¥6,405 million from the end of the previous fiscal year to ¥29,313 million due to decreases in short-term borrowings, notes and accounts payable-trade, etc. Interest-bearing debt (short-term borrowings, current portion of long-term borrowings, lease liabilities (current liabilities), long-term borrowings, and lease liabilities (non-current liabilities)) decreased by ¥2,497 million to ¥18,554 million.

The total net assets at the end of the fiscal year under review increased by ¥2,476 million from the end of the previous fiscal year to ¥71,701 million. This was primarily attributable to an increase in retained earnings.

(ii) Cash flowsCash flows from operating activities

Net cash provided by operating activities was ¥8,766 million (net cash of ¥6,280 million was provided in the previous fiscal year). Major factors for an increase were profit before income taxes amounting to ¥2,952 million and a decrease in inventories amounting to ¥2,693 million. The major factor for a decrease was a decrease in trade payables amounting to ¥1,564 million.

Cash flows from investing activities

Net cash used in investing activities was ¥4,666 million (net cash of ¥4,592 million was used in the previous fiscal year). The major factor was purchase of property, plant and equipment and intangible assets for ¥4,791 million.

Cash flows from financing activities

Net cash outflow from financing activities was ¥5,242 million (net cash outflow was ¥2,680 million in the previous fiscal year). The major factor for an increase was proceeds from long-term borrowings amounting to ¥6,649 million. The major factor for a decrease was a decrease in short-term borrowings amounting to ¥6,000 million.

As a result, cash and cash equivalents decreased by ¥1,044 million from the end of the previous fiscal year to ¥7,851 million.

(Reference) Cash flow-related indicators

	FY2020	FY2021	FY2022	FY2023
Equity-to-asset ratio (%)	65.4	67.0	65.9	71.0
Equity-to-asset ratio on mark-to-market basis (%)	50.9	44.7	46.9	37.5
Interest-bearing debt to cash flow ratio (years)	1.9	3.4	3.4	2.1
Interest coverage ratio (times)	21.2	10.8	12.8	16.0

Note: Equity-to-asset ratio: Equity/Total assets

Equity-to-asset ratio on mark-to-market basis: Total market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flows/Interest paid

- The above indicators are calculated based on consolidated financial figures.
- Total market capitalization is calculated based on the number of issued shares (excluding treasury shares).
- Cash flows here is "cash flows from operating activities."
- Interest-bearing debt is all debt subject to interest payments within liabilities shown on the consolidated balance sheet.

(3) Basic policy for profit distributions and dividends for current and next fiscal years

The Company's dividend policy is based on the distribution of profits according to consolidated business performance of each fiscal year, and it is determined based on comprehensive consideration of trends in business performance, etc. while securing internal reserves necessary for future business development and strengthening of the management structure.

We plan to pay a year-end dividend for the fiscal year ended December 31, 2023 of ¥6 per share, put on the agenda of the Annual General Meeting of Shareholders to be held on March 28, 2024. Please refer to the "Announcement of Revision in Forecasts for Dividend" announced today.

As it is difficult to calculate reasonably at this time, dividends from the next fiscal year's surplus will not be determined. The exact dividend amount will be disclosed as soon as the calculation becomes feasible.

2. Basic approach to selecting accounting standards

The Nippon Denko group intends to prepare consolidated financial statements based on Japanese GAAP for the time being, taking into account the period comparability of consolidated financial statements and comparability between companies.

With regard to the adoption of IFRS, we will respond appropriately, taking into account various circumstances in Japan and overseas.

3. Consolidated financial statements**(1) Consolidated balance sheets**

	(Millions of yen)	
	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	8,911	7,867
Notes and accounts receivable - trade	11,720	10,905
Merchandise and finished goods	19,892	18,668
Work in process	284	282
Raw materials and supplies	13,430	11,943
Other	2,716	2,186
Allowance for doubtful accounts	(15)	-
Total current assets	56,940	51,852
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,813	18,407
Accumulated depreciation	(11,785)	(11,955)
Buildings and structures, net	6,027	6,452
Machinery, equipment and vehicles	41,604	43,528
Accumulated depreciation	(30,479)	(32,040)
Machinery, equipment and vehicles, net	11,125	11,488
Land	5,298	5,327
Leased assets	4,138	4,131
Accumulated depreciation	(828)	(989)
Leased assets, net	3,309	3,142
Construction in progress	364	154
Other	1,401	1,491
Accumulated depreciation	(1,116)	(1,136)
Other, net	285	355
Total property, plant and equipment	26,410	26,919
Intangible assets	164	362
Investments and other assets		
Investment securities	14,327	13,260
Long-term loans receivable	5,109	5,201
Retirement benefit asset	546	723
Deferred tax assets	1,107	2,412
Other	337	282
Total investments and other assets	21,428	21,880
Total non-current assets	48,003	49,162
Total assets	104,943	101,015

	(Millions of yen)	
	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,621	4,230
Short-term borrowings	8,000	2,000
Current portion of long-term borrowings	2,558	3,528
Lease liabilities	156	156
Income taxes payable	819	96
Provision for bonuses	332	222
Provision for bonuses for directors (and other officers)	70	23
Notes payable - facilities	424	10
Other	4,945	5,821
Total current liabilities	24,929	16,090
Non-current liabilities		
Long-term borrowings	6,192	8,866
Lease liabilities	4,144	4,003
Deferred tax liabilities	5	-
Other	446	353
Total non-current liabilities	10,789	13,223
Total liabilities	35,718	29,313
Net assets		
Shareholders' equity		
Share capital	11,084	11,096
Capital surplus	21,439	17,450
Retained earnings	36,244	38,950
Treasury shares	(3,001)	(0)
Total shareholders' equity	65,767	67,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,020	1,488
Deferred gains or losses on hedges	5	0
Foreign currency translation adjustment	1,599	1,824
Remeasurements of defined benefit plans	794	891
Total accumulated other comprehensive income	3,419	4,204
Non-controlling interests	37	-
Total net assets	69,225	71,701
Total liabilities and net assets	104,943	101,015

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

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	79,341	76,406
Cost of sales	63,961	65,013
Gross profit	15,380	11,393
Selling, general and administrative expenses		
Packing and transportation costs	1,572	1,649
Other selling expenses	213	165
Salaries and allowances	1,518	1,503
Provision for bonuses	147	83
Provision for bonuses for directors (and other officers)	70	23
Retirement benefit expenses	98	73
Research and development expenses	559	631
Other	2,383	2,521
Total selling, general and administrative expenses	6,564	6,651
Operating profit	8,815	4,741
Non-operating income		
Interest income	163	213
Dividend income	197	139
Share of profit of entities accounted for using equity method	1,906	-
Foreign exchange gains	307	142
Gain on sale of goods	15	157
Other	189	180
Total non-operating income	2,779	833
Non-operating expenses		
Interest expenses	485	545
Share of loss of entities accounted for using equity method	-	1,873
Loss on retirement of non-current assets	*490	*511
Other	251	178
Total non-operating expenses	1,227	3,109
Ordinary profit	10,367	2,465

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Extraordinary income		
Gain on sale of investment securities	146	564
Total extraordinary income	146	564
Extraordinary losses		
Loss on retirement of non-current assets	*37	*21
Loss on sale of investment securities	58	-
Loss on sale of shares of subsidiaries and associates	-	47
Loss on valuation of golf club membership	3	7
Other	-	1
Total extraordinary losses	99	78
Profit before income taxes	10,415	2,952
Income taxes - current	1,178	154
Income taxes - deferred	1,275	(1,578)
Total income taxes	2,453	(1,423)
Profit	7,961	4,375
Profit attributable to non-controlling interests	12	0
Profit attributable to owners of parent	7,949	4,375

(Consolidated statements of comprehensive income)

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	7,961	4,375
Other comprehensive income		
Valuation difference on available-for-sale securities	185	468
Deferred gains or losses on hedges	4	(4)
Remeasurements of defined benefit plans, net of tax	573	96
Share of other comprehensive income of entities accounted for using equity method	2,124	224
Total other comprehensive income	2,888	785
Comprehensive income	10,849	5,161
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,844	5,160
Comprehensive income attributable to non- controlling interests	5	1

(3) Consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,072	21,427	31,233	(0)	63,732
Changes during period					
Issuance of new shares	12	12			24
Dividends of surplus			(2,937)		(2,937)
Profit attributable to owners of parent			7,949		7,949
Purchase of treasury shares				(3,000)	(3,000)
Net changes in items other than shareholders' equity					
Total changes during period	12	12	5,011	(3,000)	2,035
Balance at end of period	11,084	21,439	36,244	(3,001)	65,767

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	828	0	(524)	220	524	68	64,325
Changes during period							
Issuance of new shares							24
Dividends of surplus							(2,937)
Profit attributable to owners of parent							7,949
Purchase of treasury shares							(3,000)
Net changes in items other than shareholders' equity	192	4	2,124	573	2,895	(30)	2,864
Total changes during period	192	4	2,124	573	2,895	(30)	4,899
Balance at end of period	1,020	5	1,599	794	3,419	37	69,225

Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,084	21,439	36,244	(3,001)	65,767
Changes during period					
Issuance of new shares	11	11			23
Dividends of surplus			(1,670)		(1,670)
Profit attributable to owners of parent			4,375		4,375
Decrease in consolidated subsidiaries - non-controlling interests					-
Purchase of treasury shares				(1,000)	(1,000)
Disposal of treasury shares		(0)		0	0
Cancellation of treasury shares		(4,000)		4,000	-
Net changes in items other than shareholders' equity					
Total changes during period	11	(3,988)	2,705	3,000	1,729
Balance at end of period	11,096	17,450	38,950	(0)	67,496

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,020	5	1,599	794	3,419	37	69,225
Changes during period							
Issuance of new shares							23
Dividends of surplus							(1,670)
Profit attributable to owners of parent							4,375
Decrease in consolidated subsidiaries - non-controlling interests	(24)				(24)	(37)	(61)
Purchase of treasury shares							(1,000)
Disposal of treasury shares							0
Cancellation of treasury shares							-
Net changes in items other than shareholders' equity	492	(4)	224	96	809	-	809
Total changes during period	467	(4)	224	96	784	(37)	2,476
Balance at end of period	1,488	0	1,824	891	4,204	-	71,701

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	10,415	2,952
Depreciation	2,463	2,945
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in retirement benefit liability	500	–
Decrease (increase) in retirement benefit asset	(546)	2
Increase (decrease) in provision for bonuses	39	(100)
Increase (decrease) in provision for bonuses for directors (and other officers)	27	(47)
Interest and dividend income	(361)	(353)
Interest expenses	485	545
Foreign exchange losses (gains)	(303)	(128)
Share of loss (profit) of entities accounted for using equity method	(1,906)	1,873
Loss (gain) on sale of investment securities	(88)	(564)
Loss (gain) on sale of shares of subsidiaries and associates	–	47
Loss on retirement of non-current assets	527	532
Decrease (increase) in trade receivables	7,719	(1,053)
Decrease (increase) in inventories	(10,571)	2,693
Decrease (increase) in advance payments to suppliers	(384)	279
Decrease (increase) in accounts receivable - other	(96)	88
Increase (decrease) in trade payables	665	(1,564)
Increase (decrease) in deposits received	30	43
Increase (decrease) in accounts payable - other	(194)	187
Increase (decrease) in accrued expenses	207	126
Increase (decrease) in accrued consumption taxes	(996)	2,072
Other, net	40	(232)
Subtotal	7,675	10,346
Interest and dividends received	233	141
Interest paid	(488)	(547)
Income taxes refund (paid)	(1,149)	(1,193)
Receiving compensation	51	29
Payments associated with loss on liquidation of business	(41)	–
Net cash provided by (used in) operating activities	6,280	8,776

	(Millions of yen)	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(4,543)	(4,791)
Proceeds from sale of property, plant and equipment	8	9
Purchase of investment securities	(16)	(236)
Proceeds from sale of investment securities	407	745
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	27
Other, net	(447)	(420)
Net cash provided by (used in) investing activities	(4,592)	(4,666)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,000	(6,000)
Proceeds from long-term borrowings	–	6,649
Repayments of long-term borrowings	(2,558)	(3,058)
Purchase of treasury shares	(3,000)	(1,000)
Dividends paid	(2,937)	(1,670)
Dividends paid to non-controlling interests	(36)	(5)
Other, net	(148)	(157)
Net cash provided by (used in) financing activities	(2,680)	(5,242)
Effect of exchange rate change on cash and cash equivalents	124	88
Net increase (decrease) in cash and cash equivalents	(868)	(1,044)
Cash and cash equivalents at beginning of period	9,763	8,895
Cash and cash equivalents at end of period	8,895	7,851

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable

(Consolidated statement of income)

* Loss on retirement of non-current assets

Previous fiscal year (From January 1, 2022 to December 31, 2022)

The ¥37 million loss on retirement of non-current assets in the extraordinary loss category is a loss on the retirement of the ferroalloy facilities of the former Kashima plant, etc., which ceased operations.

The loss on retirement of non-current assets within non-operating expenses of ¥490 million is an ordinary loss related to the retirement of factory equipment, etc.

Current fiscal year (From January 1, 2023 to December 31, 2023)

The ¥21 million loss on retirement of non-current assets in the extraordinary loss category is a loss on the retirement of the ferroalloy facilities of the former Kashima plant, etc., which ceased operations.

The loss on retirement of non-current assets within non-operating expenses of ¥511 million is an ordinary loss related to the retirement of factory equipment, etc.

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

The Company's reportable segments have separate financial information available from constituent units of the Company and are subject to regular review by the Board of Directors to make decisions on management resource allocation and assess performance.

The Company has business divisions, etc. by product and service at its head office, and each business division, etc. formulates comprehensive strategies for products and services handled in Japan and overseas, and develops business activities.

Therefore, the Company consists of segments by product and service based on business divisions, etc., and has four reportable segments of "Ferrous alloys business," "Functional Materials business," "Environment business," and "Electric Power business".

The main products and services in each reportable segment are as follows.

Reportable segments	Overview
Ferrous alloys business	Manufacture and sale of ferromanganese, silicomanganese, ferrosilicon, sale of ferrochromium, ferrovanadium and other special metal products, warehousing, port cargo handling and on-site work contracts, manganese mine interests, etc.
Functional Materials business	Manufacture and sale of zirconium oxide, boron oxide, ferroboron, metal hydride alloys, cathode material for lithium-ion batteries, manganese inorganic chemical products, boric acid, etc.
Environment business	Wastewater treatment equipment: Manufacture and sale of the ion exchange towers (boron recovery, recovery of heavy metals such as nickel) Pure water production system: Manufacture and sale of the ion-exchange resin tower and reverse osmosis (RO) membrane system Melting and solidification of incineration ash by electric furnaces, etc.
Electric Power business	Electric power supply
Other	Manufacture and sale of analytical and measurement equipment for steel, such as samplers Processing and sales of plastics

2. Method for calculating amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting method for reported business segments is the same as the accounting method employed to prepare consolidated financial statements. Profit of reportable segments is ordinary profit. Internal revenue and transfers between segments are based on prevailing market prices.

3. Information on amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment and breakdown information

Previous fiscal year (From January 1, 2022 to December 31, 2022)

	Reportable segments					Other (Note) 1	Total	Adjust- ment (Note) 2	Amount on consoli- dated financial state- ments (Note) 3
	Ferro- alloys business	Func- tional Materials business	Environ- ment business	Electric Power business	Total				
Net sales									
Revenue from contracts with customers	58,351	11,291	5,905	1,667	77,216	2,124	79,341	—	79,341
Net sales from external customers	58,351	11,291	5,905	1,667	77,216	2,124	79,341	—	79,341
Intersegment sales or transfers	136	188	—	—	325	175	501	(501)	—
Total	58,487	11,480	5,905	1,667	77,542	2,300	79,842	(501)	79,341
Segment profit	9,072	323	253	531	10,181	186	10,367	—	10,367
Segment assets	57,934	17,109	10,231	5,047	90,323	4,058	94,381	10,562	104,943
Other items									
Depreciation	415	913	775	210	2,315	35	2,350	113	2,463
Interest income	162	0	0	0	163	0	163	—	163
Interest expenses	49	28	6	400	485	0	485	—	485
Share of profit of entities accounted for using equity method	1,906	—	—	—	1,906	—	1,906	—	1,906
Investments in entities accounted for using equity method	11,417	—	—	—	11,417	—	11,417	—	11,417
Increase in property, plant and equipment and intangible assets	1,365	1,612	2,103	143	5,225	42	5,268	287	5,555

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

2. Adjustments are as follows.

(1) Adjustments to segment assets were ¥10,562 million, including company-wide assets of ¥12,169 million, which are not allocated to each reportable segment, and elimination of internal transactions between segments of ¥(1,607) million. The main items of company-wide assets are surplus assets under management (cash and deposits) and long-term investment funds (investment securities, etc.) and deferred tax assets.

(2) Adjustments to depreciation and amortization totaling ¥113 million are depreciation and amortization related to company-wide assets.

(3) The ¥287 million adjustments to increase in property, plant and equipment and intangible assets represent an increase in company-wide property, plant and equipment and intangible assets.

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

Current fiscal year (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjust- ment (Note) 2	Amount on consoli- dated financial state- ments (Note) 3
	Ferro- alloys business	Func- tional Materials business	Environ- ment business	Electric Power business	Total				
Net sales									
Revenue from contracts with customers	52,876	13,844	6,558	1,391	74,670	1,735	76,406	–	76,406
Net sales from external customers	52,876	13,844	6,558	1,391	74,670	1,735	76,406	–	76,406
Intersegment sales or transfers	87	46	–	–	133	57	190	(190)	–
Total	52,963	13,890	6,558	1,391	74,803	1,793	76,597	(190)	76,406
Segment profit or loss	(914)	1,995	884	380	2,346	119	2,465	–	2,465
Segment assets	54,703	18,102	10,082	4,926	87,814	1,945	89,760	11,254	101,015
Other items									
Depreciation	578	1,022	953	213	2,769	31	2,801	144	2,945
Interest income	213	0	0	0	213	0	213	–	213
Interest expenses	117	30	6	390	545	0	545	–	545
Share of loss of entities accounted for using equity method	(1,873)	–	–	–	(1,873)	–	(1,873)	–	(1,873)
Investments in entities accounted for using equity method	9,768	–	–	–	9,768	–	9,768	–	9,768
Increase in property, plant and equipment and intangible assets	1,690	818	691	72	3,272	23	3,295	530	3,826

- Notes:
- The "Other" classification is business segments that are not included in reportable segments, and is mainly sales of other subsidiary businesses.
 - Adjustments are as follows.
 - Adjustments to segment assets were ¥11,254 million, including company-wide assets of ¥12,562 million, which are not allocated to each reportable segment, and elimination of internal transactions between segments of ¥(1,308) million. The main items of company-wide assets are surplus assets under management (cash and deposits) and long-term investment funds (investment securities, etc.) and deferred tax assets.
 - Adjustments to depreciation and amortization totaling ¥144 million are depreciation and amortization related to company-wide assets.
 - The ¥530 million adjustments to increase in property, plant and equipment and intangible assets represent an increase in company-wide property, plant and equipment and intangible assets.
 - The total of segment profit matches ordinary profit or loss in the consolidated statement of income.

(Per-share information)

(Yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net assets per share	494.76	522.55
Basic earnings per share	54.45	31.83

(Note) 1. Diluted earnings per share is not stated because there are no dilutive shares.

(Note) 2. The basis for calculating net assets per share is as follows.

	As of December 31, 2022	As of December 31, 2023
Total net assets (million yen)	69,225	71,701
Amount deducted from the total amount of net assets (million yen)	37	—
[Of which, non-controlling interests (million yen)]	[37]	[—]
Net assets at the end of the period pertaining to common shares (million yen)	69,187	71,701
Number of common shares at the end of the period used to calculate net assets per share (shares)	139,839,432	137,215,275

(Note) 3. The basis for calculating basic earnings per share is as follows.

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit attributable to owners of parent (million yen)	7,949	4,375
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent pertaining to common shares (million yen)	7,949	4,375
Average number of common shares outstanding during the period (shares)	145,977,368	137,475,227

(Significant subsequent events)

The Noto Peninsula Earthquake, which took place on January 1, 2024, resulted in damages to our non-current assets and inventories at the Toyama Plant and Myoko Plant. However, we have not identified any significant impact on our business operations at present.

While our plants are operating normally overall, certain production facilities have been found to require time for restoration following inspections. We are actively implementing measures to expedite the recovery process.

The extent of the damage caused by this earthquake is currently being investigated.

4. Supplementary information

(1) Consolidated financial results

(Billions of yen/Rounded to the nearest 100 million of yen)

	FY2022	FY2023			YoY	FY2023 projection (Announced on Aug. 7)
	Full Year	1 Half	2 Half	Full Year	Full Year	
Net sales	79.3	39.4	37.0	76.4	(2.9)	78.0
Ordinary profit	10.4	1.1	1.4	2.5	(7.9)	2.5
Underlying OP basis *	5.6	3.1	2.4	5.5	(0.1)	5.7
Ordinary profit margin (%)	13	0.3	0.4	3	–	3
Profit attributable to owners of parent	7.9	0.8	3.6	4.4	(3.6)	3.0
Earnings per share (yen)	54.5	5.8	26.0	31.8	(22.6)	21.8

*Underlying OP basis: Ordinary profit excluding the impact of inventory and one-time factors

During the fiscal year under review, ordinary profit decreased by ¥7.9 billion year-on-year to ¥2.5 billion due to the significant impact of inventory caused by the decline in the manganese ore market in the Ferroalloys business. On the other hand, as a result of efforts for the price pass-through of the rise in electricity costs for selling prices and reducing costs, underlying ordinary profit remained almost at the same level as the same period of the previous fiscal year at ¥5.5 billion, despite soaring electricity costs and a decline in the global market prices in the Ferroalloys business.

Additionally, due to the recording of additional deferred tax assets, profit attributable to owners of parent was ¥4.4 billion, an increase of ¥1.4 billion compared to the forecast.

(2) Business results by segment

(Billions of yen/Rounded to the nearest 100 million of yen)

	FY2022	FY2023			YoY	FY2023 projection (Announced on Aug. 7)
	Full Year	1 Half	2 Half	Full Year	Full Year	
Net sales						
Ferroalloys	58.4	28.5	24.4	52.9	(5.5)	54.0
Functional Materials	11.3	6.3	7.5	13.8	2.5	14.0
Environment	5.9	3.2	3.4	6.6	0.7	7.0
Electric Power	1.7	0.6	0.8	1.4	(0.3)	1.4
Other	2.1	0.8	0.9	1.7	(0.4)	1.6
Total	79.3	39.4	37.0	76.4	(2.9)	78.0

(Billions of yen/Rounded to the nearest 100 million of yen)

	FY2022	FY2023			YoY	FY2023 projection (Announced on Aug. 7)
	Full Year	1 Half	2 Half	Full Year	Full Year	
Ordinary profit						
Ferroalloys	9.1	0.3	(1.2)	(0.9)	(10.0)	(0.4)
(Domestic)	7.2	1.2	(0.2)	1.0	(6.2)	1.0
(Overseas)	1.9	(0.9)	(1.0)	(1.9)	(3.8)	(1.4)
Functional Materials	0.3	0.5	1.5	2.0	1.7	1.8
Environment	0.3	0.2	0.7	0.9	0.6	0.7
Electric Power	0.5	0.1	0.3	0.4	(0.2)	0.3
Other	0.2	0.0	0.1	0.1	(0.1)	0.1
Total	10.4	1.1	1.4	2.5	(7.9)	2.5

(Billions of yen/Rounded to the nearest 100 million of yen)

Underlying OP basis	FY2022	FY2023			YoY	FY2023
	Full Year	1 Half	2 Half	Full Year	Full Year	projection (Announced on Aug. 7)
Ferroalloys	3.7	2.1	0.2	2.3	(1.4)	2.5
Domestic	2.5	2.2	0.4	2.6	0.1	2.6
Overseas	1.2	(0.1)	(0.2)	(0.3)	(1.5)	(0.1)
Functional Materials	0.5	0.7	1.1	1.8	1.3	2.1
Environment	0.7	0.2	0.7	0.9	0.2	0.7
Electric Power	0.5	0.1	0.3	0.4	(0.1)	0.3
Other	0.2	0.0	0.1	0.1	(0.1)	0.1
Total	5.6	3.1	2.4	5.5	(0.1)	5.7

(Ferroalloys Business)

The market price of high-carbon ferromanganese, our mainstay product, and manganese ore market, our raw material, remained at a significant low level compared to the previous fiscal year, while the electricity cost kept at a high level. In particular, ordinary profit decreased by ¥10.0 billion year-on-year due to the considerable negative impact of inventories resulting from the low prices of manganese ore.

Despite the negative impacts of margin decline due to the stagnant high-carbon ferromanganese market and soaring electricity prices, the underlying ordinary profit remained almost at the same level as the previous fiscal year at ¥2.6 billion in the domestic Ferroalloys business. This was largely due to the effects of the price formula revision introduced as a structural reform under the Eighth Medium-Term Business Plan, which helped mitigate the margin decline, as well as our efforts for the price pass-through of the rise in electricity costs for selling prices and optimizing costs.

In the overseas Ferroalloy business, the equity-method affiliate Pertama Ferroalloys Sdn. Bhd., where our engineers were stationed to provide guidance, achieved stable production. This resulted in the cost optimization. However, profit declined by ¥1.5 billion year-on-year due to significant margin decline caused by the fall in silicomanganese and ferrosilicon markets.

(Functional Materials Business)

One of our main products, zirconium oxide, experienced a decrease in sales due to the delayed recovery in demand for automotive electronic components. However, we achieved a revenue increase of ¥2.5 billion year-on-year, thanks to increased sales of cathode materials for lithium-ion batteries, for which we expanded production capacity last year, the resumed sales of ferroboron, and other factors.

Ordinary profit increased significantly to ¥1.7 billion year-on-year due to steady progress in the price pass-through of the rise in electricity costs for selling prices, as well as the full-scale launch of the above-mentioned production capacity enhancement and other factors. On the other hand, underlying ordinary profit increased by ¥1.3 billion year-on-year.

(Environment Business)

In the Environmental Systems Business, results were roughly on par with those in the previous fiscal year due to steady progress in the price pass-through of the rise in electricity and raw material costs for selling prices. In addition, net sales in the Environment business increased by ¥0.7 billion year-on-year, mainly due to an increase in processing capacity accompanying the start-up of the No. 4 incineration ash melting furnace (EM4) in the Melting and Solidification of Incineration Ash business.

Meanwhile, ordinary profit increased by ¥0.6 billion compared to the same period of the previous fiscal year, when temporary negative factors such as costs for EM4 start-up were arose.

Underlying ordinary profit increased only by ¥0.2 billion as the price pass-through of the rise in electricity costs for selling prices is still halfway.

(Electric Power Business)

In the Electric Power business, the Company efficiently operated two hydroelectric power plants as a power sales business utilizing the Feed-in Tariff (FIT) system for renewable energy, and continued stable operation. However, profit decreased by ¥0.1 billion compared to the previous fiscal year when we achieved a record-high profit since the start of FIT operation under the favorable weather conditions.

<Reference Indicators>

1. High-carbon ferromanganese market (EU)

(\$/t)

	Q1	Q2	Q3	Q4	FY2023
FY2022	1,894	1,940	1,260	1,225	1,580
FY2023	1,264	1,153	1,009	1,026	1,113

2. Manganese ore market

(\$/Mn %)

	Q1	Q2	Q3	Q4	FY2023
FY2022	6.0	8.2	7.0	4.9	6.5
FY2023	5.4	5.4	4.7	4.5	5.0

3. Exchange rate

(Yen / \$ US)

	Q1	Q2	Q3	Q4	FY2023
FY2022	116	130	138	142	131
FY2023	132	137	144	148	141