

Fiscal Year Ending December 2024

Consolidated Financial Report for the First Quarter

May 9, 2024



TSE Prime Market
5563

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1-1. Five Core Businesses

Our Group aims to be a company on a constant quest for a better future by supporting people's lives through "Materials" and "Environment"

From 4 to 5
Core Businesses

From January 2024, we divided the "Environment business" into the "Incineration Ash Recycling business (formerly, Melting & Solidification of Incineration Ash)" and the "Aqua Solutions business (formerly, Environmental Systems)" and changed the names accordingly

Materials

Ferroalloys

Facility: Tokushima Plant, Pertama Ferroalloys Sdn. Bhd. (overseas affiliates)

- Top domestic manganese ferroalloy supplier
Consistent supply of high-quality ferroalloys with outstanding global competitiveness
- Green ferroalloy production using hydroelectric power (overseas affiliates)

Main Products	High-carbon ferromanganese / SLP ferromanganese / Silicomanganese / Ferrosilicon
Main Applications	Additives for steel to improve its hardness, tensile strength, and other properties Desulfurization and deoxidation agent in steel



High-carbon ferromanganese

Functional Materials

Facility: Toyama Plant (Imizu and Takaoka areas), Myoko Plant, Tokushima Plant

- Providing materials for advanced components supporting a decarbonization and digitalization society
- Distinctive material lineup, such as "No.1" and domestically produced "One-of-a-kind" products in the Japanese market

Main Products	Zirconium oxide / Boron oxide / Ferroboron / Metal hydride alloys / Cathode materials for lithium-ion batteries/ Manganese inorganic chemical products
Main Applications	Ceramic capacitors / Glass substrates for displays / Neodymium magnets / Anode materials for HVs' nickel-hydride batteries / Cathode materials for EVs' lithium-ion batteries / Additives for electronic components



Zirconium oxide

Environment

Incineration Ash Recycling

Facility: Chuo Denki Kogyo (Kashima City)

- Contributing to a recycling-oriented society by recovering resources from incineration ash
 - To increase the capacity of landfill sites by collecting and treating incineration ash
 - To extract metals containing valuable metals from incineration ash
 - To recycle incineration ash as roadbed material

Main Services & Products	Collection and treatment of incineration ash Metals containing valuable metals ECOLAROCK (Roadbed material)
Main Applications	Precious and nonferrous metals for industrial purposes Construction materials such as roadbed materials



Metals containing valuable metals

Aqua Solutions

Facility: Koriyama Plant

- Contribute to the realization of circular economy and carbon-neutral society through our wastewater purification and pure water production technology and services

Main Products	Wastewater treatment equipment Pure water production system
Main Applications	Treatment of industrial wastewater Production of pure water for hydrogen stations, etc.



Pure water production system

Electric Power

Facility: Hidaka Office

- Stable sale of electricity by utilizing renewable energy Feed-In Tariff system (FIT)
- Stable supply of green electricity through the largest private-sector owned dams
- Introducing the environmental advantages of green electricity



Horomangawa Hydroelectric power plants

*On March 27, the Board of Directors of the Company resolved to merge Chuo Denki Kogyo Co., Ltd. into Nippon Denko Co., Ltd., with July 1, 2024 being an effective date.

2-1. FY2024 1Q Financial Results

FY2024
1Q Results

- Functional Materials business benefited from positive effects such as an increased production capacity and the resumption of facilities; however, margin decline in the domestic Ferroalloys business decreased ordinary profit by ¥0.5 B YoY (Underlying profit decreased by ¥1.1 B YoY)
- The Toyama and Myoko plants, which serve as the production sites of our Functional Materials business, suffered from damages by the Noto Peninsula Earthquake on January 1, 2024; however, we resumed the production of all product types from March 12. (Recorded extraordinary losses: ¥76 million)

(bil. yen)

	FY2023 1Q	FY2024 1Q	YoY
Net Sales	21.2	17.7	-3.5
Operating Profit	1.3	0.8	-0.5
Ordinary Profit	0.5	0.0	-0.5
Underlying ordinary profit*	1.7	0.6	-1.1
Profit attributable to owners of parent	0.1	-0.3	-0.4

Note: The accounting treatment of valuable metals recovered from the melting process of incineration ash in the Incineration Ash Recycling business has been changed from a recognition of cost reduction to a recognition of net sales. (From FY2024)
(Figures for FY2023 are also retroactively revised)

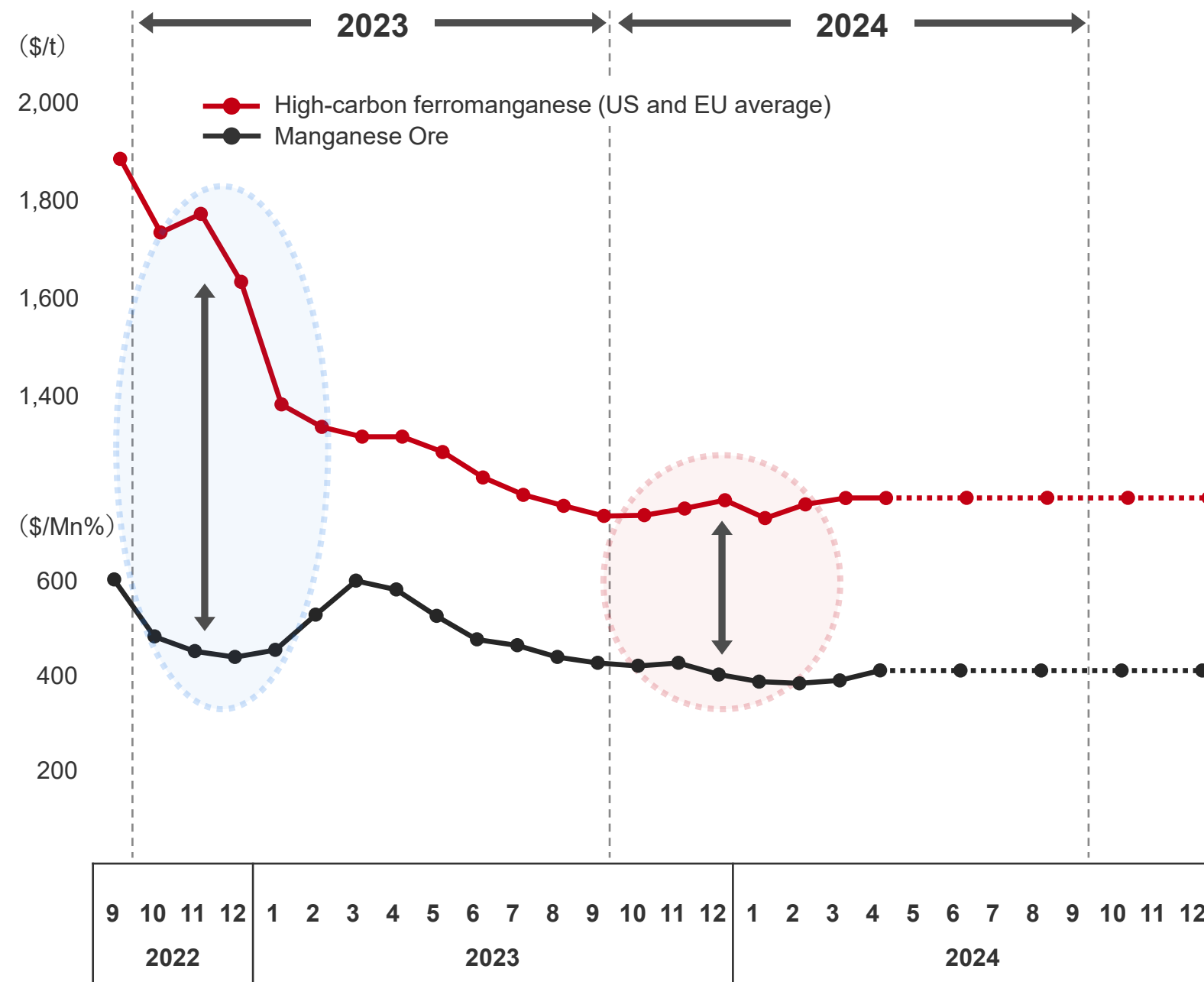
* Earnings excluding inventory impact and one-time factors

2-2. FY2024 1Q Financial Results Ferroatloy / Manganese Ore Market

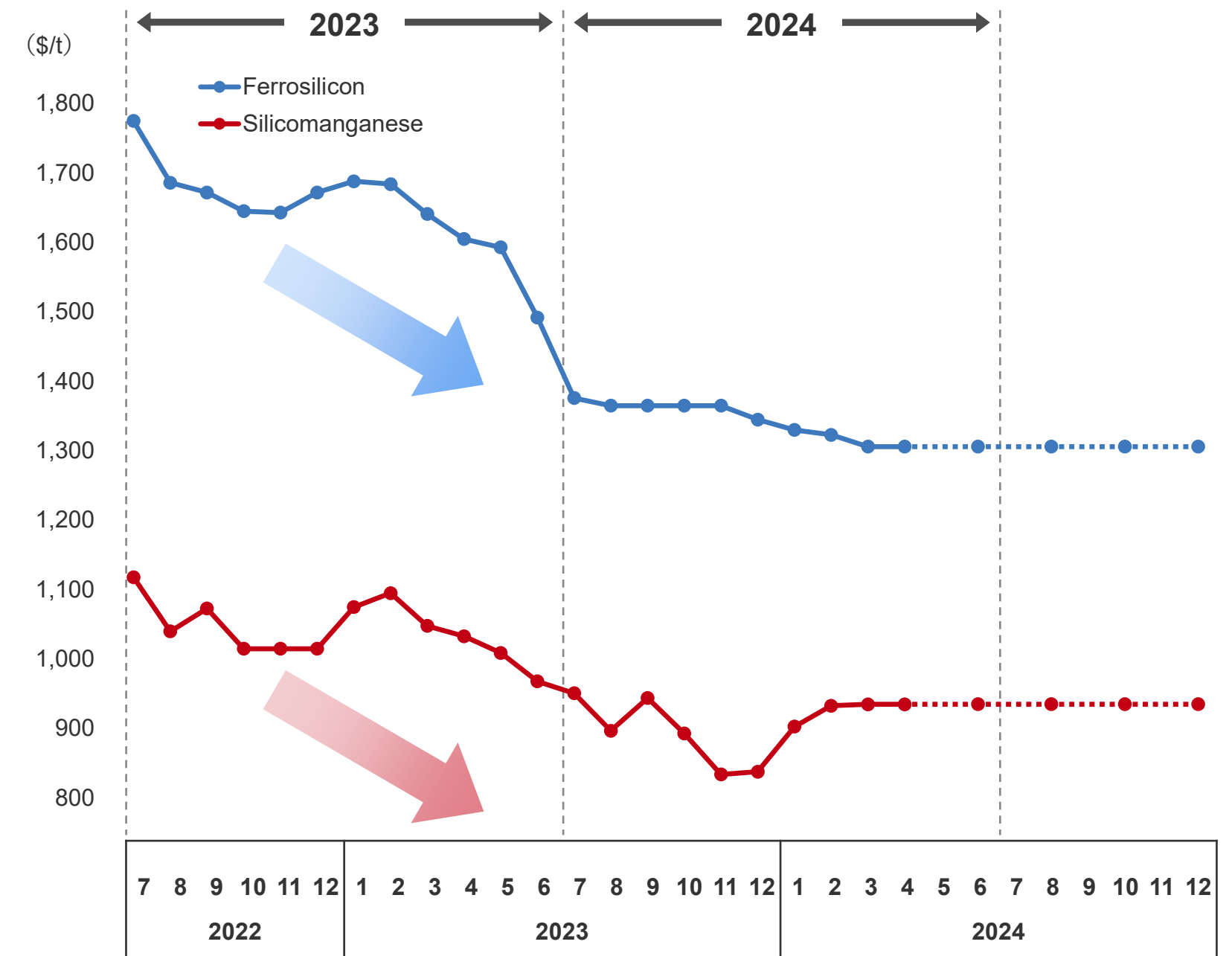
FY2024
1Q Results

- Margins declined due to the drop in the high-carbon ferromanganese market
- The market conditions for ferrosilicon and silicomanganese were on a downward trend throughout FY2023
- The manganese ore market prices are rising due to the impact of the cyclone in Australia

High-Carbon Ferromanganese & Manganese Ore Market Prices



Ferrosilicon & Silicomanganese Market Prices



2-3. FY2024 1Q Financial Results by Segments (Underlying Profit Basis*)

FY2024
1Q Results

* Ordinary profit excluding inventory impact and one-time factors

(bil. yen)

		FY2023 1Q		FY2024 1Q		YoY	
		Net Sales	Ordinary Profit (Underlying profit basis)	Net Sales	Ordinary Profit (Underlying profit basis)	Net Sales	Ordinary Profit (Underlying profit basis)
Ferroalloys		15.9	1.7	12.4	0.2	-3.5	-1.5
	Domestic	15.9	1.8	12.4	0.3	-3.5	-1.5
	Overseas	-	-0.1	-	-0.1	-	0.0
Functional Materials		2.7	0.0	3.0	0.4	0.3	0.4
Incineration Ash Recycling		1.6	0.0	1.5	0.1	-0.0	0.1
Aqua Solutions		0.4	0.0	0.4	0.0	-0.0	-0.0
Electric Power		0.2	-0.1	0.2	-0.1	-0.0	-0.0
Others		0.4	0.0	0.3	0.0	-0.1	0.0
Total		21.2	1.7	17.7	0.6	-3.5	-1.1

3-1. FY2024 Earnings Projection

FY2024
Projection

- Ordinary profit: Expect an increase by ¥0.6 B to ¥3.0 B YoY
- Underlying ordinary profit: ¥0.7 B decrease YoY due to the margin decline arising from the drop in the product market price of the Ferroalloys business; however, expect ¥4.2 B, the exceeding level as FY2023, from 2Q onwards

(bil. yen)

	FY2023			FY2024 Projection			YoY		
	1Q	2Q +2H	Full Year	1Q Results	2Q +2H	Full Year	1Q	2Q +2H	Full Year
Net Sales	21.2	57.2	78.4	17.7	58.3	76.0	-3.5	1.1	-2.4
Ordinary Profit	0.5	1.9	2.4	0.0	3.0	3.0	-0.5	1.1	0.6
Underlying ordinary profit*1	1.7	3.8	5.5	0.6	4.2	4.8	-1.1	0.4	-0.7
Profit attributable to owners of parent	0.1	4.2	4.3 ^{*2}	-0.3	-	-	-0.4	-	-
Interim dividend per share (yen)	3			4			1		
Annual dividend per share (yen)	6			-			-		

* 1 Earnings excluding inventory impact and one-time factors

* 2 Including additional deferred tax assets following the progress in structural reform, etc.

Shareholder Return

Interim dividend

¥4 per share
(forecast)



¥1 increase from
FY2023 actual

Annual dividend

Plan to determine a dividend policy to
ensure a proactive shareholder return



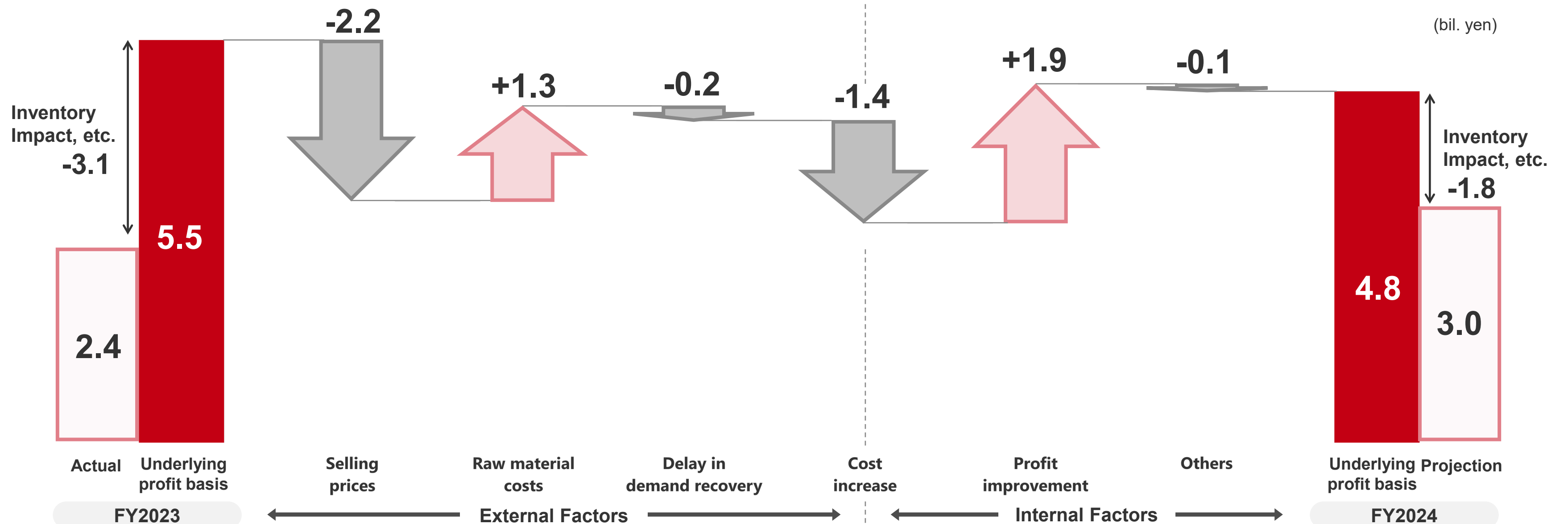
Schedule to be disclosed at the time of
announcement of financial results in 2Q

3-2. FY2024 Earnings Projection (Underlying Ordinary Profit Variance)

FY2024
Projection

- Deal with the impacts of wage increases and interest rate hike etc., by a price pass-through and cost improvement
- Underlying ordinary profit: Estimate ¥4.8 B due to the significant margin decline arising from the drop in the product market price of the Ferroalloys business

Ordinary Profit Variance Analysis



3-3. FY2024 Earnings Projection by Segments (Underlying Profit Basis*)

FY2024
Projection

* Ordinary profit excluding inventory impact and one-time factors

(bil. yen)

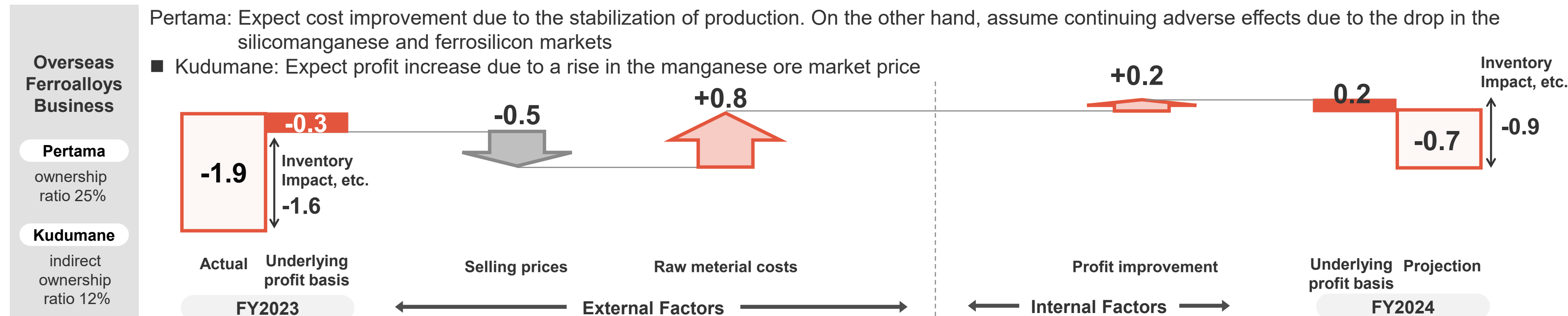
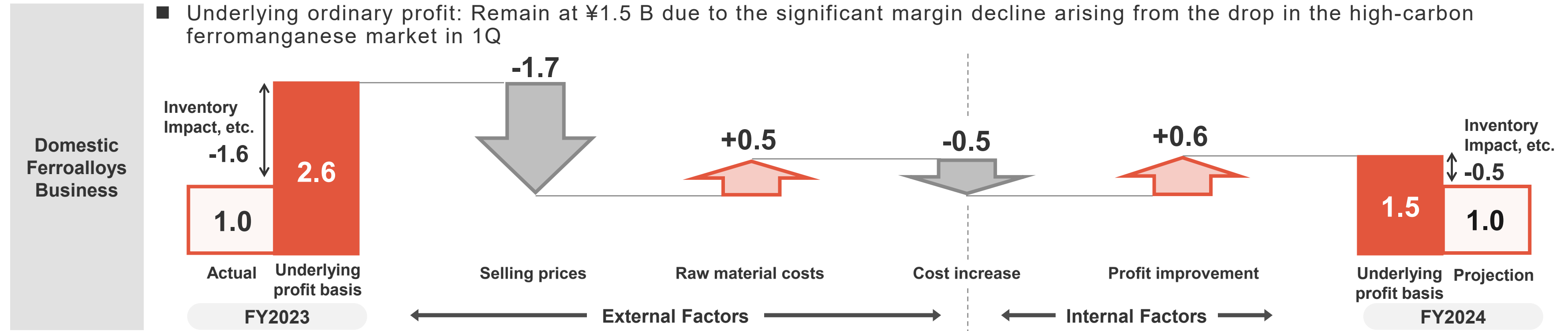
		FY2023		FY2024 Projection		YoY	
		Net Sales	Ordinary Profit (Underlying profit basis)	Net Sales	Ordinary Profit (Underlying profit basis)	Net Sales	Ordinary Profit (Underlying profit basis)
		52.9	2.3	50.7	1.7	-2.2	-0.6
Ferroalloys	Domestic	52.9	2.6	50.7	1.5	-2.2	-1.1
	Overseas	-	-0.3	-	0.2	-	0.5
Functional Materials		13.8	1.8	13.6	1.6	-0.2	-0.2
Incineration Ash Recycling		6.9	0.8	7.3	1.0	0.4	0.2
Aqua Solutions		1.7	0.1	1.7	0.1	0.0	0.0
Electric Power		1.4	0.4	1.4	0.3	0.0	-0.1
Others		1.7	0.1	1.3	0.1	-0.4	0.0
Total		78.4	5.5	76.0	4.8	-2.4	-0.7

3-4. FY2024 Earnings Projection by Segment (Underlying Ordinary Profit Variance) (1)

FY2024
Projection

Ordinary Profit Variance Analysis

(bil. yen)



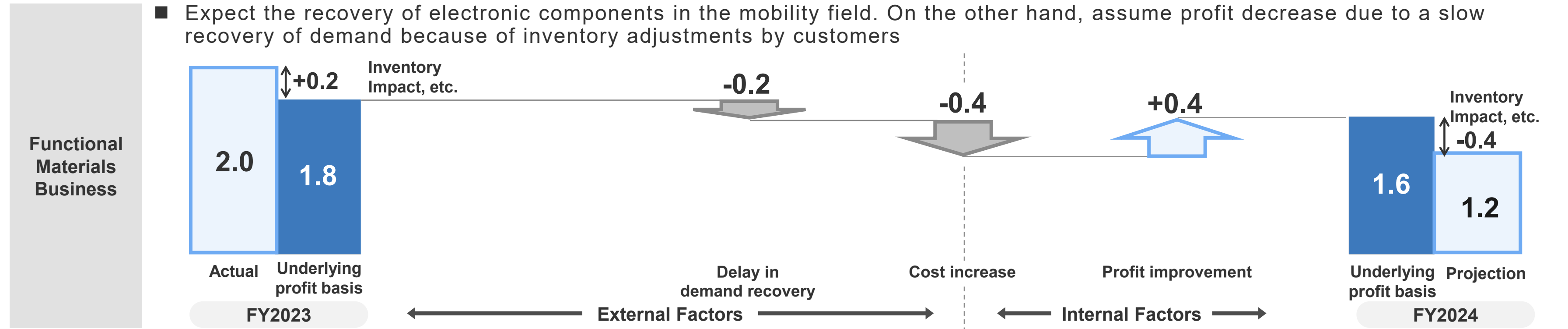
3-5. FY2024 Earnings Projection by Segment (Underlying Ordinary Profit Variance) (2)

FY2024
Projection

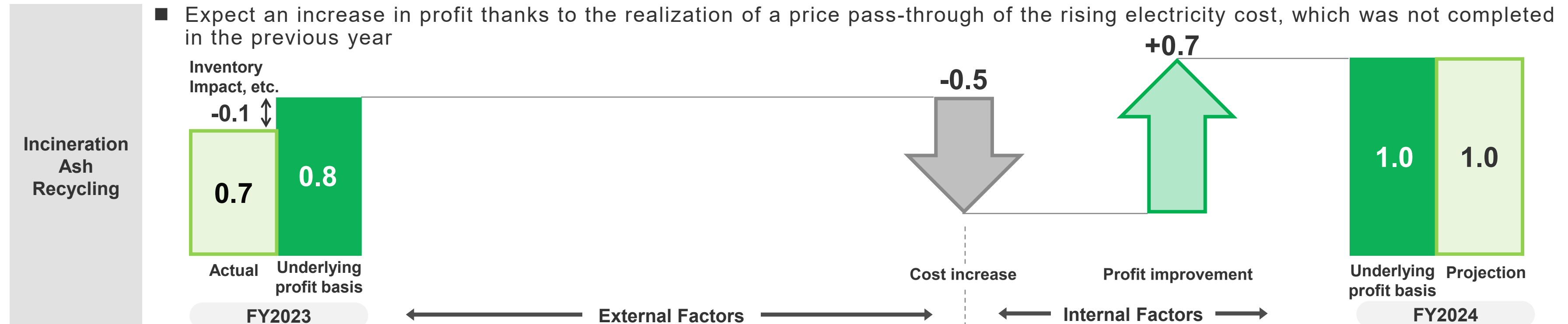
Ordinary Profit Variance Analysis

(bil. yen)

- Expect the recovery of electronic components in the mobility field. On the other hand, assume profit decrease due to a slow recovery of demand because of inventory adjustments by customers



- Expect an increase in profit thanks to the realization of a price pass-through of the rising electricity cost, which was not completed in the previous year



3-6. Measures in FY2024

FY2024
Projection

Business and Manufacturing Divisions

Steady progress in building a foundation for "Our Ideal State" in 2030

Ferroalloys

- Building a more stable production system
[Domestic] Response to the increased production demand by extending periodic repairing cycle
[Overseas] Expand the use of inexpensive raw materials and demonstrate the benefits of improved productivity (electric furnace renovation in 2023)
- Streamlining of inventories based on DX

Functional Materials

- Expand the sales of domestically produced one-of-a-kind products (ferroboron, etc.)
- Ensure appropriate profit commensurate with added value (manganese inorganic chemical products, etc.)
- Consider production plan in anticipation of changes in the business environment (zirconium oxide, etc.)

Incineration Ash Recycling

- Steady implementation of the price pass-through of the rise in electricity costs
- Promote sales activities with a focus on the arrival of circular economy
 - Expand sales areas while assuming a shortage of remaining capacity of landfill sites

Aqua Solutions

- Establish a production system for meeting growing demand (recovery and recycling of boron-adsorbent resin, etc.)
- Develop new adsorbents (inorganic adsorbents) (Shinshu University / Verne Crystal)

Research and Function Divisions

Support for business divisions and steady promotion of sustainability-related measures

R&D

Approx. ¥0.8 B

- Accelerate R&D for new product development to be finished by 2030
 - Develop high functional products (electronic components and battery materials)
 - Strengthen collaboration with universities and research institutes

GX

Approx. ¥1.2 B

- Steady promotion of R&D towards carbon neutrality in 2050
 - Test of wood cokes with actual equipment to be used in 2030
 - Explore innovative high-carbon ferromanganese reduction technologies for 2050
- Promote GX strategic investment (introduction of internal carbon pricing)

DX (Production DX, Operation DX, Business DX)

Approx. ¥0.6 B

- Production: Infrastructure development for smart factories (visualization of production information)
- Operation: Concentrate resources in high value-added services through core system upgrades
- Business: Enhance inventory management by visualizing the supply chain

Human Capital Management

- Establish a system for diverse working styles (establish a career-track system for a specific area)
- Secure personnel to strengthen each business (expand initiatives to improve regional presence)
- DE&I (enhance training systems for the development of female leaders)

4-1. Management Indicators

Appendix

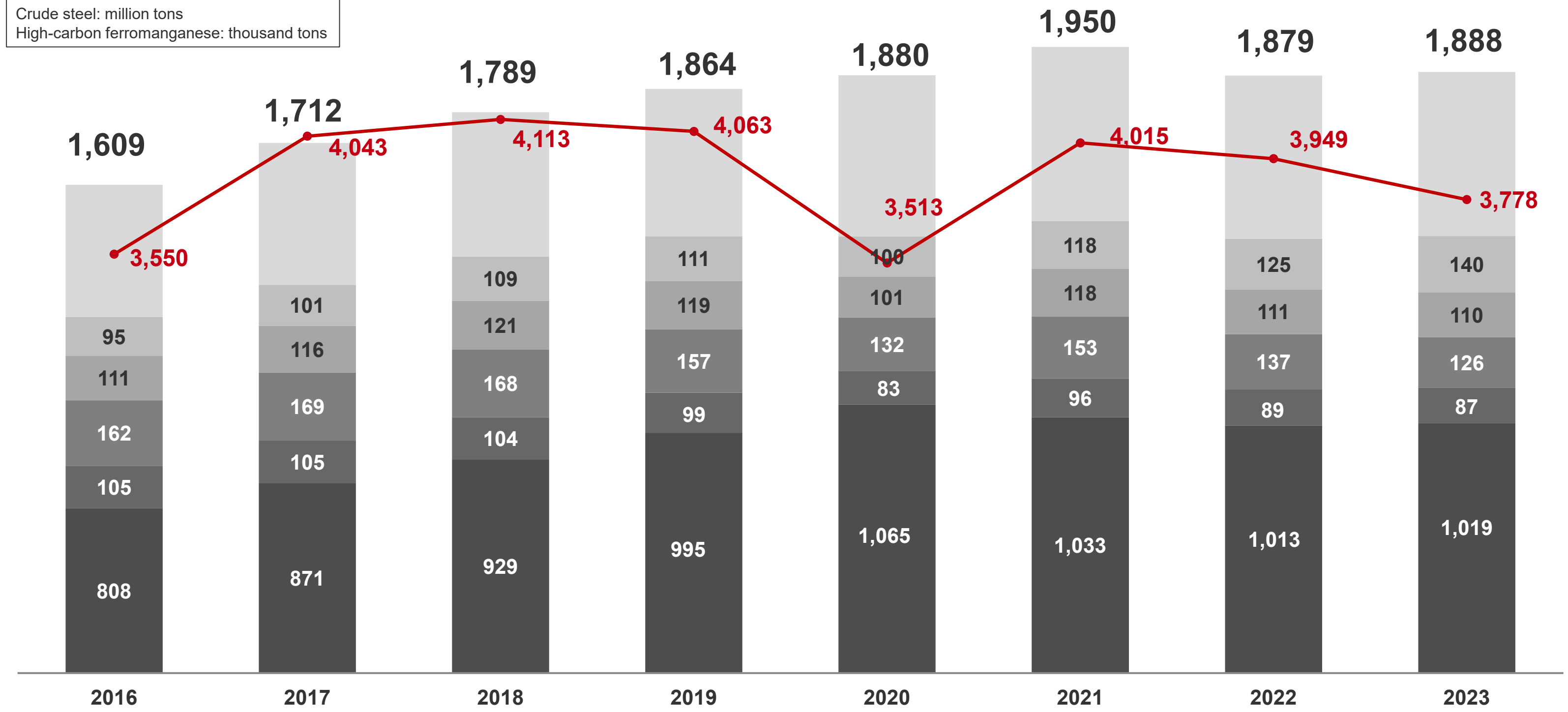
	(mil. yen)							
	2016	2017	2018	2019	2020	2021	2022	2023
Net sales	58,486	71,346	73,944	70,477	54,004	65,978	79,341	78,390
Operating profit	1,717	9,639	1,701	-5,572	5,434	8,436	8,815	4,696
Ordinary profit	1,614	9,239	1,947	-6,426	3,063	6,870	10,367	2,420
Profit attributable to owners of parent	-116	7,988	2,352	-14,240	2,615	7,768	7,949	4,330
Total assets (end of FY)	84,563	98,447	99,786	85,224	86,171	95,888	104,943	100,750
Shareholder equity (end of FY)	61,232	70,702	69,009	54,206	56,367	64,256	69,187	71,436
Interest-bearing debt (end of FY)	7,891	7,230	12,749	18,704	19,354	17,759	21,052	18,554
Equity-to-asset ratio (end of FY)	72.4%	71.8%	69.2%	63.6%	65.4%	67.0%	65.9%	70.9%
Total number of issued shares (thousands of shares)	146,741	146,741	146,741	146,568	146,776	146,853	146,931	137,217
Treasury shares (thousands of shares)	306	308	309	1	2	8	7,092	2
Net assets per share (yen)	418.16	482.83	471.28	369.84	384.04	437.58	494.76	520.62
Basic earnings per share (yen)	-0.80	54.55	16.06	-97.20	17.83	52.91	54.45	31.50
Dividends per share (yen)	5.00	13.00	5.00	-	5.00	16.00	17.00	9.00
Return on equity (ROE)	-0.2%	12.1%	3.4%	-23.1%	4.7%	12.9%	11.9%	6.2%
Return on assets (ROA)	-0.1%	8.1%	2.4%	-16.7%	3.0%	8.1%	7.6%	4.3%
Return on sales (ROS)	2.8%	13.0%	2.6%	-9.1%	6.5%	10.4%	13.1%	3.1%
Highest share price during the period (yen)	266	545	528	249	320	410	459	394
Lowest share price during the period (yen)	145	242	193	148	108	263	272	259

Note: The accounting treatment of valuable metals recovered from the melting process of incineration ash in the Incineration Ash Recycling business has been changed from a recognition of cost reduction to a recognition of net sales. (From FY2024)
(Figures for FY2023 are also retroactively revised)

4-2. Crude Steel & High-Carbon Ferromanganese Production Trend

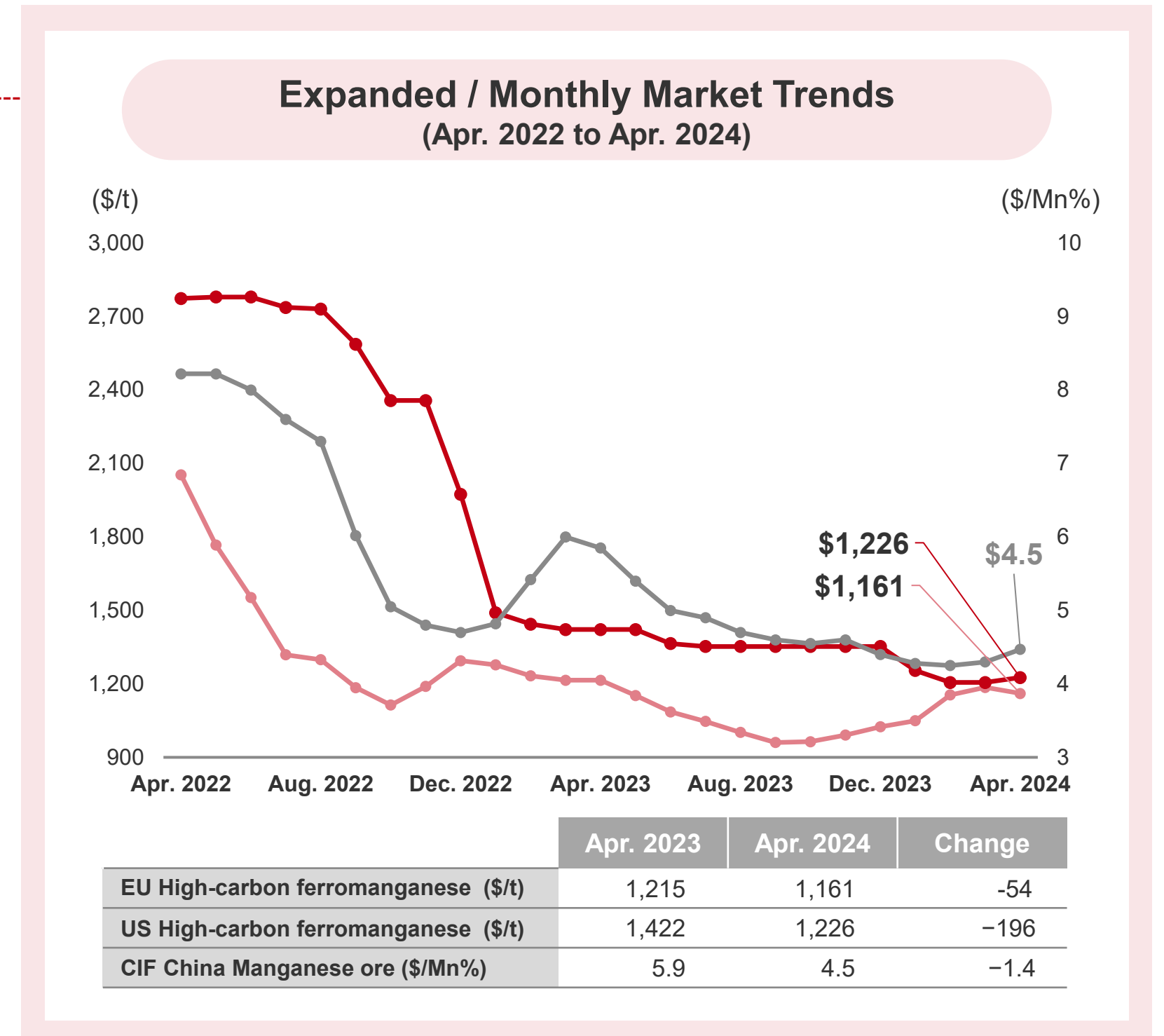
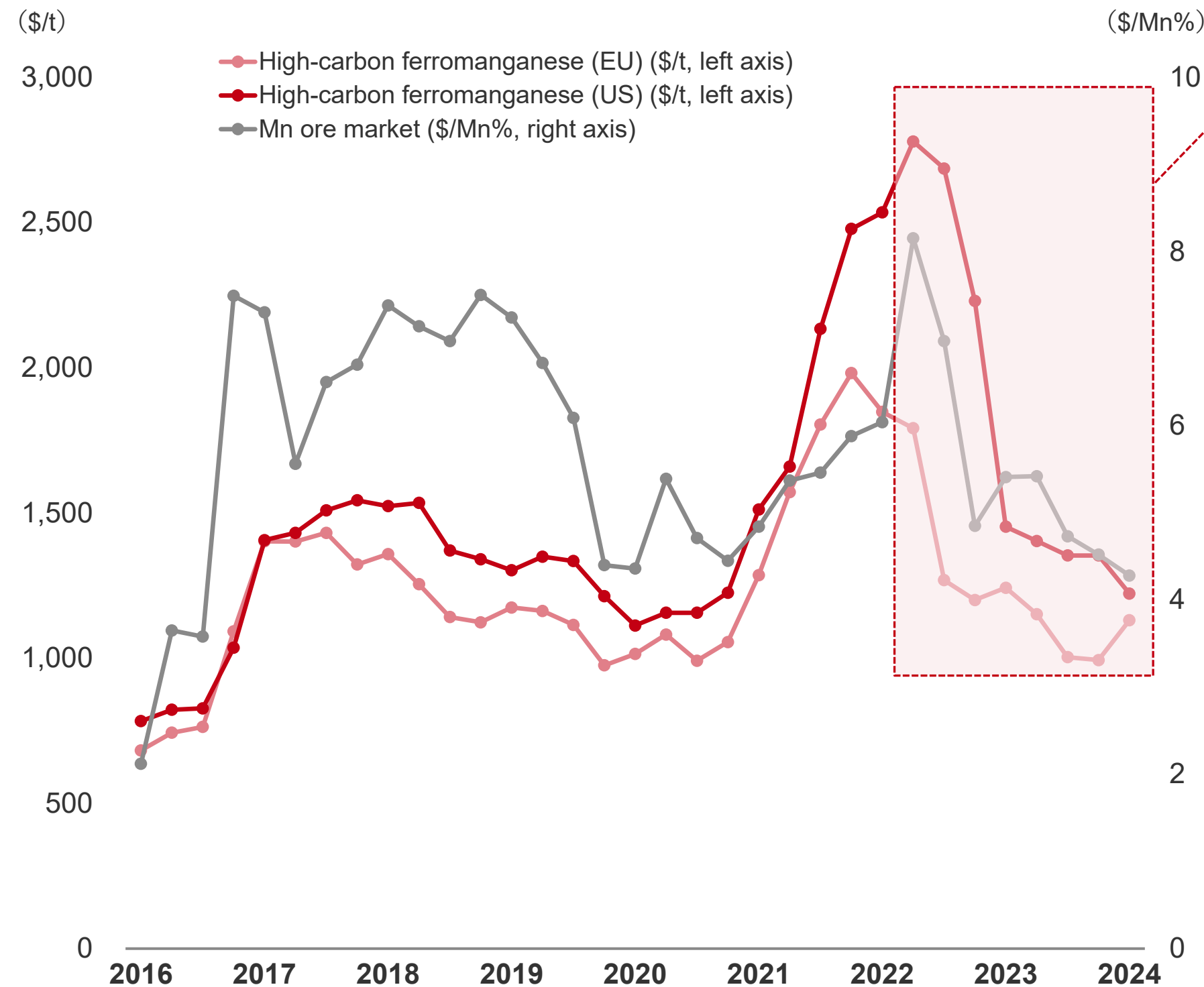
Crude steel (China)
 Crude steel (Japan)
 Crude steel (EU)
 Crude steel (North America)
 Crude steel (India)
 Crude steel (Other)
 High-carbon ferromanganese

Crude steel: million tons
 High-carbon ferromanganese: thousand tons



4-3. High-Carbon Ferromanganese / Manganese Ore Market Prices

Quarterly Market Trends





General Affairs Department, Nippon Denko Co., Ltd.

TEL

03-6860-6800

Website

<https://www.nippondenko.co.jp/en/>

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