

Summary of Consolidated Financial Statements for the Third Quarter Fiscal 2021 (JPGAAP)

January 31, 2022

Tokuyama Corporation

(URL <https://www.tokuyama.co.jp/eng/>)

Representative: Hiroshi Yokota, President and Representative Director

Contact: Tetsuya Nakano, General Manager, Corporate Communications & Investor Relations Dept.
+81-3-5207-2552

Stock exchange listings:

Tokyo

Local Code :

4043

Scheduled date of dividends payout : -

Preparation of supplementary quarterly explanatory materials: Yes

Quarterly business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal third quarter ended Dec. 31, 2021 (Apr. 1, 2021 – Dec. 31, 2021)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating profit		Ordinary profit	
	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]
Third Quarter Fiscal 2021	211,609	(4.2)	17,118	(21.1)	17,665	(16.6)
Third Quarter Fiscal 2020	220,923	(6.6)	21,700	(12.3)	21,181	(10.9)

(Note) Comprehensive income: 3rd Q FY21: 14,644 million yen [(33.4)%] 3rd Q FY20: 21,991 million yen [19.3%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Third Quarter Fiscal 2021	13,376	(30.8)	185.87	-
Third Quarter Fiscal 2020	19,318	7.3	278.14	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
December 31, 2021	402,253	216,437	51.8	2,894.33
March 31, 2021	386,794	205,261	51.3	2,758.37

(Reference) Shareholders' equity: Dec. 31, 2021: 208,252 million yen Mar. 31, 2021: 198,561 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Corporate Accounting Standard No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2021 in accordance with transitional treatment. For more details, please refer to "2. Quarterly Consolidated Financial Statements and (4) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policy)" on page 13 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2020, ended Mar 31, 2021	(yen) -	(yen) 35.00	(yen) -	(yen) 35.00	(yen) 70.00
Fiscal 2021, ending Mar 31, 2022	-	35.00	-		
Fiscal 2021 (Forecast)				35.00	70.00

(Note) Revision of the latest dividends forecast: No

3. Consolidated performance forecast for fiscal 2021 (April 1, 2021 - March 31, 2022)

(% indicates the rate of change over the corresponding previous periods respectively)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
Fiscal 2021	293,000	(3.1)	22,000	(28.9)	22,000	(28.6)	22,000	(10.3)	305.66

(Note) Revision of the latest consolidated performance forecast: No

*Notes

(1) Changes in significant subsidiaries during this period

: No

(2) Application of accounting methods specific to the preparation of the quarterly consolidated financial statements

: Yes

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (4) Notes on Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)” on page 12 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

(3) Changes of accounting policies, changes in accounting estimates, and retrospective restatements

- | | |
|--|-----|
| i. Changes in accounting policy by revision of accounting standards: | Yes |
| ii. Changes in accounting policy other than the above: | No |
| iii. Changes in accounting estimates: | No |
| iv. Retrospective restatements: | No |

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (4) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policy)” on page 13 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

(4) Number of shares issued (in common stock)

- | | | | | |
|---|-----------------------------|------------|-----------------------------|------------|
| i. Number of shares issued at end of period (including treasury stock): | 3rd Quarter
Fiscal 2021: | 72,088,327 | Fiscal 2020: | 72,088,327 |
| ii. Number of treasury stock at end of period: | 3rd Quarter
Fiscal 2021: | 136,675 | Fiscal 2020: | 103,403 |
| iii. Average number of shares over period: | 3rd Quarter
Fiscal 2021: | 71,968,075 | 3rd Quarter
Fiscal 2020: | 69,456,421 |

(Note) Notice on the implementation of quarterly review procedures

This summary of quarterly consolidated financial statements is not subject to quarterly review procedures in line with the Financial Instruments and Exchange Act. At the point of disclosure of this summary of quarterly consolidated financial statements, the quarterly consolidated financial statements review procedures in line with the Financial Instruments and Exchange Act are underway.

(Note) Cautions pertaining to appropriate use of performance forecast and other particular items

(Cautions related to Forward-looking statement)

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

(Access to supplementary explanations on business results)

The Company also supplementary materials “Presentation for IR Meeting” through TDnet at the same date.

Contents for Accompanying Materials

- 1. Qualitative information on consolidated results for this quarter P. 2
 - (1) Explanation concerning business results P. 2
 - (2) Explanation concerning financial position P. 6
 - (3) Explanation concerning information related to future prediction such as consolidated performance forecast P. 7
- 2. Quarterly Consolidated Financial Statements P. 8
 - (1) Quarterly Consolidated Balance Sheets P. 8
 - (2) Quarterly Consolidated Statements of Income P. 10
 - (3) Quarterly Consolidated Statements of Comprehensive Income P. 11
 - (4) Notes on Quarterly Consolidated Financial Statements P. 12
 - (5) Segment Information P. 15
 - (6) Material Subsequent Event P. 17

1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the third quarter fiscal 2021 (April 1, 2021 - December 31, 2021) are summarized as follows:

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Corporate Accounting Standard No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2021 in accordance with transitional treatment. The effect of this change was to decrease net sales by ¥ 35,509 million and cost of sales by ¥ 35,509 million compared with the previous accounting method. For more details, please refer to “2. Quarterly Consolidated Financial Statements and (4) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policy).”

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Third Quarter Fiscal 2021	211,609	17,118	17,665	13,376
Third Quarter Fiscal 2020	220,923	21,700	21,181	19,318
Rate of change (%)	(4.2)	(21.1)	(16.6)	(30.8)

Net sales

Sales rose owing to higher petrochemical product sales prices and solid sales of semiconductor-related products. Nevertheless, net sales decreased 4.2%, or ¥ 9,314 million compared with the corresponding period of the previous year, to ¥ 211,609 million due to the application of Accounting Standard for Revenue Recognition, etc.

Cost of sales

Although raw material and fuel costs increased, cost of sales decreased 6.4%, or ¥ 9,718 million compared with the corresponding period of the previous year, to ¥ 141,845 million due to the application of Accounting Standard for Revenue Recognition, etc.

SG&A expenses

SG&A expenses increased 10.5%, or ¥ 4,986 million compared with the corresponding period of the previous year, to ¥ 52,645 million mainly due to increases in logistics costs and R&D expenses.

Operating profit

Operating profit decreased 21.1%, or ¥ 4,581 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 17,118 million. Despite upturn in export prices of vinyl chloride monomer, this decrease in operating profit was mainly due to higher raw material and fuel costs.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved by ¥ 1,065 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 16.6 %, or ¥ 3,516 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 17,665 million.

Extraordinary income/losses, Profit before income taxes, Profit, Profit attributable to owners of parent

Extraordinary income/losses improved by ¥ 1,653 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 8.6%, or ¥ 1,863 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 19,812 million.

Profit after deducting income taxes calculated in an appropriate way decreased 32.1%, or ¥ 6,336 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 13,386 million.

Profit attributable to owners of parent decreased 30.8%, or ¥ 5,942 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 13,376 million.

(Operating results by segment)

Effective from the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, the Company has reviewed our business segment and changed them to six segments: Chemicals, Cement, Electronics Materials, Life Science, Eco Business and Others.

Data for the corresponding period of the previous fiscal year has been adjusted to reflect this change to enable the year-on-year comparison presented as follows.

Sales

(Unit: Millions of yen)

	Reportable segment					Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Third Quarter Fiscal 2021	72,486	38,219	53,499	23,464	7,051	26,310	221,031	(9,422)	211,609
Third Quarter Fiscal 2020	58,021	67,378	44,063	19,611	6,605	49,126	244,806	(23,883)	220,923
Rate of change (%)	24.9	(43.3)	21.4	19.6	6.8	(46.4)	(9.7)	-	(4.2)

Operating profit (loss)

(Unit: Millions of yen)

	Reportable segment					Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Third Quarter Fiscal 2021	9,918	(1,087)	4,967	4,099	(520)	2,860	20,238	(3,119)	17,118
Third Quarter Fiscal 2020	8,961	3,815	4,976	1,904	(416)	4,682	23,924	(2,223)	21,700
Rate of change (%)	10.7	-	(0.2)	115.3	-	(38.9)	(15.4)	-	(21.1)

(Note) Sales and operating profit (loss) in each segment include inter-segment transactions.

Chemicals

Caustic soda earnings declined. This downturn in earnings was due to manufacturing costs rising as a result of higher raw material and fuel costs.

Earnings from vinyl chloride monomer increased due to the upturn in export prices.

Downturn in vinyl chloride resin earnings was due to rising manufacturing costs as a result of higher raw material and fuel costs.

Decrease in earnings from soda ash and calcium chloride was owing to the upswing in raw material and fuel costs triggering an increase in manufacturing costs.

As a result of the above, segment net sales increased 24.9% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 72,486 million and operating profit increased 10.7 % to ¥ 9,918 million. The segment reported higher earnings on higher sales.

Cement

Despite shipments of being in line with the corresponding period of the previous year, cement earnings deteriorated due to manufacturing costs rising as a result of higher raw material costs.

As a result of the above, segment net sales decreased 43.3% compared with the corresponding period of the previous year, to ¥ 38,219 million and operating loss amounted to ¥ 1,087 million (Posted operating profit of ¥ 3,815 million in the corresponding period of the previous year).

Electronic Materials

Despite an increase in raw material costs, earnings from semiconductor-grade polycrystalline silicon increased owing to firm sales on the back of the introduction of 5G and an increase in remote work.

IC Chemicals earnings decreased despite sales volumes increasing mainly overseas. This downturn largely reflected higher raw material costs.

Despite an upswing in raw material costs, earnings from fumed silica increased owing to higher sales volume centered on applications for semiconductor abrasives.

Thermal management materials earnings were in line with the corresponding period of the previous year. Although sales volume was solid, this largely reflected higher R&D expenses at the Center for Commercialization of Advanced Technology.

As a result of the above, segment net sales increased 21.4% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 53,499 million and operating profit decreased 0.2% to ¥ 4,967 million. The segment reported lower earnings on higher sales.

Life Science

Dental materials earnings grew thanks to a recovery in shipments to Europe and the United States, which had declined as a result of the spread of COVID-19.

Plastic lens-related materials earnings increased owing to a recovery in shipments to Europe and the United States of eyeglass lens photochromic materials, which had declined as a result of the spread of COVID-19.

Pharmaceutical ingredients and intermediates earnings increased, owing mainly to a robust sales volume of generic pharmaceuticals.

As a result of the above, segment net sales increased 19.6% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 23,464 million and operating profit increased 115.3% to ¥ 4,099 million. The segment reported higher earnings on higher sales.

Eco Business

To make the environment segment one of our business pillars of the future, we consolidated the environment-related businesses scattered within the Group and newly established them as a segment that aims for new business development from the current fiscal year.

Segment net sales increased 6.8% compared with the corresponding period of the previous year, to ¥ 7,051 million and operating loss amounted to ¥ 520 million (posted operating loss of ¥ 416 million in the corresponding period of the previous year).

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of December 31, 2021, total assets amounted to ¥ 402,253 million, an increase of ¥ 15,458 million compared with those as of March 31, 2021.

This increase primarily reflects the increase of property, plant and equipment, raw materials and supplies, merchandise and finished goods, accounts receivable - trade, work in process and merchandise and finished goods of ¥ 11,078 million, ¥ 8,029 million, ¥ 7,200 million, ¥ 3,012 million and ¥ 2,781 million respectively, despite the decrease of cash and deposits of ¥ 18,157.

Total liabilities amounted to ¥ 185,815 million, up ¥ 4,282 million compared with those as of March 31, 2021.

The principal factor is the increase in notes and accounts payable - trade of ¥ 11,723 million, despite decrease in long-term loans borrowings and current portion of long-term loans borrowings of ¥ 5,067 million and other current liabilities of ¥ 2,340 million.

Net assets totaled ¥ 216,437 million, an increase of ¥ 11,176 million compared with those as of March 31, 2021.

This mainly reflected the increase of ¥ 8,578 million in retained earnings primarily due to posting profit attributable, and the increase of non-controlling interests and foreign currency translation adjustment of ¥ 1,485 million and ¥ 1,277 million respectively.

(3) Explanation concerning information related to future prediction such as consolidated performance forecast

Notwithstanding anxieties toward raw material and fuel prices, and other factors, Tokuyama's business performance is currently trending within anticipated parameters. Therefore, the Company has not revised the performance forecasts, announced on October 28, 2021. Details will be disclosed in a timely manner should the need to revise performance forecasts.

The performance forecast has been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	3/31/2021	12/31/2021
Assets		
Current assets		
Cash and deposits	83,681	65,523
Notes and accounts receivable - trade	70,901	—
Notes receivable - trade	—	8,569
Accounts receivable - trade	—	69,641
Lease receivables	25	12
Merchandise and finished goods	14,674	17,456
Work in process	10,995	14,008
Raw materials and supplies	13,930	21,960
Other	5,666	5,344
Allowance for doubtful accounts	(115)	(62)
Total current assets	199,760	202,455
Non-current assets		
Property, plant and equipment		
Buildings and structures	105,028	108,016
Accumulated depreciation	(76,427)	(78,065)
Buildings and structures, net	28,601	29,950
Machinery, equipment and vehicles	459,039	471,759
Accumulated depreciation	(413,493)	(420,755)
Machinery, equipment and vehicles, net	45,545	51,003
Tools, furniture and fixtures	22,827	23,083
Accumulated depreciation	(19,995)	(20,205)
Tools, furniture and fixtures, net	2,831	2,878
Land	31,903	31,960
Leased assets	6,900	8,678
Accumulated depreciation	(2,431)	(3,092)
Leased assets, net	4,469	5,586
Construction in progress	10,674	13,724
Total property, plant and equipment	124,025	135,104
Intangible assets		
Goodwill	86	72
Leased assets	43	29
Other	1,751	2,206
Total intangible assets	1,882	2,309
Investments and other assets		
Investment securities	27,171	27,962
Long-term loans receivable	2,094	1,986
Deferred tax assets	16,407	16,418
Retirement benefit asset	10,660	10,914
Other	4,854	5,146
Allowance for doubtful accounts	(61)	(44)
Total investments and other assets	61,126	62,383
Total non-current assets	187,034	199,798
Total assets	386,794	402,253

(Millions of yen)

	3/31/2021	12/31/2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	39,547	51,270
Short-term borrowings	1,850	1,050
Current portion of long-term borrowings	8,899	22,652
Lease obligations	1,204	1,248
Income taxes payable	2,375	4,234
Provision for bonuses	3,057	1,485
Provision for share awards	33	—
Provision for repairs	4,884	5,127
Provision for decommissioning and removal	1,100	1,227
Provision for product warranties	95	44
Provision for loss on compensation for damage	122	107
Provision for environmental measures	40	25
Provision for loss on disaster	17	—
Provision for restructuring	—	43
Other	20,079	17,739
Total current liabilities	83,308	106,257
Non-current liabilities		
Long-term borrowings	82,812	63,991
Lease obligations	3,671	3,882
Deferred tax liabilities	247	335
Provision for retirement benefits for directors (and other officers)	201	191
Provision for share awards	—	21
Provision for repairs	1,340	1,599
Provision for decommissioning and removal	1,028	728
Allowance for loss on compensation for building materials	124	96
Provision for environmental measures	137	116
Retirement benefit liability	1,991	2,043
Asset retirement obligations	56	56
Other	6,613	6,494
Total non-current liabilities	98,224	79,558
Total liabilities	181,533	185,815
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,455	23,455
Retained earnings	157,332	165,910
Treasury shares	(349)	(413)
Total shareholders' equity	190,438	198,952
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,274	3,138
Deferred gains or losses on hedges	(19)	(9)
Foreign currency translation adjustment	2,165	3,442
Remeasurements of defined benefit plans	2,702	2,727
Total accumulated other comprehensive income	8,122	9,299
Non-controlling interests	6,700	8,185
Total net assets	205,261	216,437
Total liabilities and net assets	386,794	402,253

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q3 FY2020 YTD	Q3 FY2021 YTD
Net sales	220,923	211,609
Cost of sales	151,563	141,845
Gross profit	69,359	69,763
Selling, general and administrative expenses		
Selling expenses	30,299	33,513
General and administrative expenses	17,359	19,131
Total selling, general and administrative expenses	47,659	52,645
Operating profit	21,700	17,118
Non-operating income		
Interest income	64	111
Dividend income	381	471
Share of profit of entities accounted for using equity method	735	885
Equipment sale income	575	—
Other	2,108	3,127
Total non-operating income	3,865	4,596
Non-operating expenses		
Interest expenses	1,161	1,041
Provision for decommissioning and removals	466	427
Equipment cost of sales	562	—
Other	2,193	2,580
Total non-operating expenses	4,384	4,049
Ordinary profit	21,181	17,665
Extraordinary income		
Gain on sale of non-current assets	94	468
Gain on sale of investment securities	5	137
Gain on sale of shares of subsidiaries and associates	746	—
Subsidy income	90	86
Gain on insurance claims	191	—
Compensation for damage income	—	2,218
Gain on sales of patent right and other	1,477	—
Gain on liquidation of subsidiaries and associates	197	—
Gain on step acquisitions	125	—
Other	54	35
Total extraordinary income	2,983	2,946
Extraordinary losses		
Loss on sale of non-current assets	—	36
Impairment losses	825	3
Loss on disaster	101	155
Loss on tax purpose reduction entry of non-current assets	—	67
Loss on disposal of non-current assets	488	419
Provision for decommissioning and removals	858	—
Other	215	117
Total extraordinary losses	2,489	799
Profit before income taxes	21,675	19,812
Income taxes	1,952	6,425
Profit	19,723	13,386
Profit attributable to non-controlling interests	404	10
Profit attributable to owners of parent	19,318	13,376

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q3 FY2020 YTD	Q3 FY2021 YTD
Profit	19,723	13,386
Other comprehensive income		
Valuation difference on available-for-sale securities	1,928	(131)
Deferred gains or losses on hedges	15	10
Foreign currency translation adjustment	387	1,371
Remeasurements of defined benefit plans, net of tax	9	23
Share of other comprehensive income of entities accounted for using equity method	(73)	(15)
Total other comprehensive income	2,268	1,257
Comprehensive income	21,991	14,644
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,578	14,557
Comprehensive income attributable to non-controlling interests	413	86

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Major Changes in Shareholders' Equity)

Not applicable.

(Changes in significant subsidiaries during this period)

Not applicable.

(Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)

(Calculation of Tax Expense)

The Company rationally estimated the effective tax rate after the application of accounting policy for deferred tax, which was applied to the profit/loss before income tax for the consolidated fiscal year under review including the third quarter consolidated accounting period for the consolidated fiscal year ending March 31, 2022, and calculated the tax expense by multiplying the estimated effective tax rate to the profit/loss before income tax. However, if the application of said estimated effective tax rate reduces the rationality of the calculation of tax expense, the Company applies the effective statutory tax rate.

(Changes in accounting policy)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Corporate Accounting Standard No. 29, March 31, 2020) and other related standards from the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, and has decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

The main change due to the adoption of the Accounting Standard for Revenue Recognition is the revenue recognition for agent transactions.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended June 30, 2021 was added to or subtracted from the beginning balance of retained earnings of the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, and thus the new accounting policy was applied from the beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the beginning of the first quarter ended June 30, 2021 were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the third quarter consolidated accounting period for the fiscal year ending March 31, 2022, net sales decreased by ¥ 35,509 million and cost of sales decreased by ¥ 35,509 million. In addition, there was no impact on operating profit, ordinary profit, profit before income taxes, and retained earnings at the beginning of the fiscal year ending March 31, 2022.

Due to the application of Accounting Standard for Revenue Recognition, “Notes and accounts receivable – trade” which were included in “Current assets” in the consolidated balance sheets for the previous fiscal year, are divided into “Notes receivable – trade” and “accounts receivable – trade” from the first quarter ended June 30, 2021. In accordance with transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Corporate Accounting Standard No. 30, July 4, 2019) from the beginning of the first quarter ended June 30, 2021, and the new accounting policies set forth by the Accounting Standard for Fair Value Measurement will be applied in the future in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Corporate Accounting Standard No. 10, July 4, 2019). There is no effect on quarterly consolidated statements.

(Additional Information)

(Application of tax effect accounting associated with the transition from the consolidated taxation system to the group tax sharing system)

With regard to the transition to the group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and the items for which the nonconsolidated taxation system was revised in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, issued on March 31, 2020), the Company and certain domestic consolidated subsidiaries did not apply the provision of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision.

(5) Segment information

Third Quarter Fiscal 2020 (April 1, 2020 –December 31, 2020)

1. Information on net sales as well as profit and loss by reportable segment

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Sales									
Sales to customers	57,440	66,905	35,338	18,788	6,322	36,126	220,923	-	220,923
Inter-segment sales/transfer	581	473	8,724	822	282	12,999	23,883	(23,883)	-
Total	58,021	67,378	44,063	19,611	6,605	49,126	244,806	(23,883)	220,923
Segment profit (loss)	8,961	3,815	4,976	1,904	(416)	4,682	23,924	(2,223)	21,700

*1 The “Others” segment comprises businesses other than those of the reportable segments. Specifically, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 The segment profit (loss) adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

*3 With regard to segment profit (loss), operating profit in the quarterly consolidated statement of profit has been calculated by making an adjustment to the sum total of the reportable segments’ profit and the “Others” segment’s profit.

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss on fixed assets)

Not applicable.

Third Quarter Fiscal 2021 (April 1, 2021 –December 31, 2021)

1. Information on net sales as well as profit and loss by reportable segment and a breakdown of earnings

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Sales									
Sales to customers	72,191	37,793	52,915	23,440	7,066	18,262	211,609	-	211,609
Inter-segment sales/transfer	294	425	584	24	45	8,047	9,422	(9,422)	-
Total	72,486	38,219	53,499	23,464	7,051	26,310	221,031	(9,422)	211,609
Segment profit (loss)	9,918	(1,087)	4,967	4,099	(520)	2,860	20,238	(3,119)	17,118

*1 The “Others” segment comprises businesses other than those of the reportable segments. Specifically, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 The segment profit (loss) adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

*3 With regard to segment profit (loss), operating profit in the quarterly consolidated statement of profit has been calculated by making an adjustment to the sum total of the reportable segments’ profit and the “Others” segment’s profit.

*4 Net sales are not presented separately from earnings derived from contracts with customers and other earnings because the amount of other earnings is insignificant.

2. Information on changes in reportable segments

Effective from the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, the Company has reviewed our business segment and changed them to six segments: Chemicals, Cement, Electronics Materials, Life Science, Eco Business and Others.

The segment information for the third quarter of the consolidated accounting period for the fiscal year ending March 31, 2021 is disclosed based on the reporting segment classification after this change.

The Company has applied the Accounting Standard for Revenue Recognition, etc. and changed the method of accounting for revenue recognition from the beginning of the first quarter ended June 30, 2021 as described in above “Changes in accounting policy.” Therefore, the Company has similarly changed the measuring method of segment profit or loss.

As a result of this change, net sales in the Chemicals, Cement, Electronics Materials, Eco Business and Others segments decreased by ¥ 1,033 million, ¥ 33,270 million, ¥ 110 million, ¥ 556 million and ¥ 17,348 million, respectively, compared with the previous method for the third quarter consolidated accounting period for the fiscal year ending March 31, 2022.

The total decrease in net sales after taking into account intersegment eliminations and corporate expenses is ¥ 35,509 million.

There is no effect on segment profit (loss).

3. Information on amortization of goodwill and unamortized balance by reportable segment

Not applicable.

(6) Material Subsequent Event

(Issuance of Bonds)

At a meeting of its Board of Directors held on January 26, 2022, Tokuyama passed a comprehensive resolution regarding the issuance of domestic unsecured straight bonds. Brief details are presented as follows.

1. Type of bond	Domestic unsecured straight bonds
2. Total amount of bonds offered	Up to ¥15,000,000,000 However, multiple issues within this range are not precluded
3. Coupon rate	Less than 0.6%
4. Redemption period	Less than 10 years
5. Redemption method	Redeemed in full upon maturity However, buy-back and early redemption provisions may be applied
6. Payment amount	¥100 per amount of ¥100 of each bond in each case
7. Collateral and guarantees	No collateral or guarantee will be provided
8. Issuance period	January 26, 2022 (date of the Board of Directors meeting) to March 31, 2022
9. Use of funds	Repayment of fiscal 2022 debt
10. Other	Decisions regarding matters listed above and all other matters necessary for the issuance of the offered bonds shall be made at the discretion of the Company's President within the scope specified above at the time of each issuance