

## Summary of Consolidated Financial Statements for the Third Quarter Fiscal 2022 (JPGAAP)

January 31, 2023

### Tokuyama Corporation

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

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Stock exchange listings:

Tokyo

Local Code :

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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, 2022 (Apr. 1, 2022 – Dec. 31, 2022)

#### (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 2022	259,010	22.4	13,161	(23.1)	13,313	(24.6)
Third Quarter Fiscal 2021	211,609	(4.2)	17,118	(21.1)	17,665	(16.6)

(Note) Comprehensive income: 3rd Q FY22: 8,478 million yen [(42.1)%] 3rd Q FY21: 14,644 million yen [(33.4)%]

	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 2022	8,526	(36.3)	118.51	-
Third Quarter Fiscal 2021	13,376	(30.8)	185.87	-

#### (2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
December 31, 2022	480,431	240,102	47.4	3,167.63
March 31, 2022	433,210	232,917	51.8	3,120.25

(Reference) Shareholders' equity: Dec. 31, 2022: 227,913 million yen Mar. 31, 2022: 224,506 million yen

### 2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2021, ended Mar 31, 2022	-	35.00	-	35.00	70.00
Fiscal 2022, ending Mar 31, 2023	-	35.00			
Fiscal 2022 (Forecast)			-	35.00	70.00

(Note) Revision of the latest dividends forecast: No

### 3. Consolidated performance forecast for fiscal 2022 (April 1, 2022 - March 31, 2023)

(% 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 2022	356,000	21.2	18,000	(26.6)	18,000	(30.4)	12,000	(57.1)	166.78

(Note) Revision of the latest consolidated performance forecast: Yes.

\* The Company announced the release, "Notice concerning Revision of Performance Forecast for Fiscal 2022," on Jan. 31, 2023.

**\*Notes**

**(1) Changes in significant subsidiaries during this period**

: Yes

**Addition to the scope of consolidation:** 1 (Company Name: STAC Co., Ltd.)

**Reduction from the scope of consolidation:** -

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (4) Notes on Quarterly Consolidated Financial Statements (Changes in significant subsidiaries during this period)” on page 11 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

**(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 11 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: | No |
| ii. Changes in accounting policy other than the above:               | No |
| iii. Changes in accounting estimates:                                | No |
| iv. Retrospective restatements:                                      | No |

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

i. Number of shares issued at end of period (including treasury stock):	3rd Quarter Fiscal 2022:	72,088,327	Fiscal 2021:	72,088,327
ii. Number of treasury stock at end of period:	3rd Quarter Fiscal 2022:	137,495	Fiscal 2021:	136,954
iii. Average number of shares over period:	3rd Quarter Fiscal 2022:	71,951,249	3rd Quarter Fiscal 2021:	71,968,075

(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 provides supplementary materials “Presentation for IR Meeting” through TDnet at the same date.

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## 1. Qualitative information on consolidated results for this quarter

### (1) Explanation concerning business results

Consolidated results for the third quarter fiscal 2022 (April 1, 2022 – December 31, 2022) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
<b>Third Quarter Fiscal 2022</b>	<b>259,010</b>	<b>13,161</b>	<b>13,313</b>	<b>8,526</b>
Third Quarter Fiscal 2021	211,609	17,118	17,665	13,376
Rate of change (%)	22.4	(23.1)	(24.6)	(36.3)

#### Net sales

Consolidated net sales increased 22.4%, or ¥ 47,401 million compared with the corresponding period of the previous year, to ¥ 259,010 million, largely reflecting progress made in passing along elevated fuel and raw materials prices to sales prices.

#### Cost of sales

Cost of sales increased 33.0%, or ¥ 46,821 million compared with the corresponding period of the previous year, to ¥ 188,666 million. This was due mainly to a upturn in raw material and fuel costs.

#### SG&A expenses

SG&A expenses increased 8.6%, or ¥ 4,536 million compared with the corresponding period of the previous year, to ¥ 57,181 million mainly due to increases in logistics costs and R&D expenses.

#### Operating profit

Operating profit decreased 23.1%, or ¥ 3,956 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 13,161 million. This decrease in operating profit was mainly due to higher logistics, raw material, fuel, and other costs and deterioration in overseas vinyl chloride monomer market conditions.

**Non-operating income/expenses, Ordinary profit**

Non-operating income/expenses deteriorated by ¥ 395 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 24.6%, or ¥ 4,351 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 13,313 million.

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

Extraordinary income/losses deteriorated by ¥ 2,290 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 33.5%, or ¥ 6,642 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 13,170 million.

Profit after deducting income taxes calculated in an appropriate way decreased 36.7%, or ¥ 4,915 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 8,471 million.

Profit attributable to owners of parent decreased 36.3%, or ¥ 4,849 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 8,526 million.

(Operating results by segment)

(Unit: Millions of yen)

	Third Quarter Fiscal 2022		Third Quarter Fiscal 2021		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	86,432	4,729	72,486	9,918	19.2	(52.3)
Cement	43,852	(2,898)	38,219	(1,087)	14.7	-
Electronic Materials	67,076	6,955	53,499	4,967	25.4	40.0
Life Science	27,940	5,696	23,464	4,099	19.1	39.0
Eco Business	10,365	316	7,051	(520)	47.0	-
Others	33,597	2,114	26,310	2,860	27.7	(26.1)
Total	269,265	16,914	221,031	20,238	21.8	(16.4)
Adjustment	(10,255)	(3,752)	(9,422)	(3,119)	-	-
Figures in quarterly consolidated profit statement	259,010	13,161	211,609	17,118	22.4	(23.1)

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

### Chemicals

In caustic soda, earnings rose despite higher fuel and raw materials costs. This gain reflected progress in passing these costs onto domestic sales prices and higher export prices.

In Vinyl chloride monomer and vinyl chloride resin, earnings decreased owing to such factors as the upswing in raw material and fuel prices, which resulted in an increase in manufacturing costs, and deterioration in overseas vinyl chloride monomer market conditions.

As a result of the above, segment net sales increased 19.2% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 86,432 million and operating profit decreased 52.3% to ¥ 4,729 million. The segment reported lower earnings on higher sales.

### Cement

In cement, earnings deteriorated despite domestic shipments of being in line with the corresponding period of the previous year and revision of sales prices and other factors. This downturn largely reflected manufacturing costs rising as a result of higher raw material costs.

As a result of the above, segment net sales increased 14.7% compared with the corresponding period of the previous year, to ¥ 43,852 million and operating loss amounted to ¥ 2,898 million (Posted operating loss of ¥ 1,087 million in the corresponding period of the previous year).

## **Electronic Materials**

In semiconductor-grade polycrystalline silicon, despite the upswing in manufacturing costs associated with such factors as the increase in raw material and fuel prices, earnings grew owing to a variety of factors including successful efforts to promote the revision of sales prices.

In IC Chemicals, while demand for semiconductor applications were on par with the previous year, earnings decreased due to such factors as the increase in raw material and fuel prices despite efforts to promote the revision of sales prices.

In fumed silica, earnings increased despite higher raw material prices, largely owing to revisions to domestic sales price and higher export prices.

In thermal management materials, earnings increased on the back of firm sales volumes mainly for semiconductor manufacturing equipment.

As a result of the above, segment net sales increased 25.4% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 67,076 million and operating profit increased 14.7% to ¥ 6,955 million. The segment reported higher earnings on higher sales.

## **Life Science**

Dental materials earnings grew thanks to an increase in shipments to overseas.

APIs and intermediates earnings increased owing mainly to a robust sales volume of generic pharmaceuticals.

As a result of the above, segment net sales increased 19.1% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 27,940 million and operating profit increased 39.0% to ¥ 5,696 million. The segment reported higher earnings on higher sales.

## **Eco Business**

In ion exchange membranes, earnings grew largely owing to higher shipments.

In waste gypsum board recycling, despite the steady acceptance of waste gypsum board, earnings decreased owing to a variety of factors including the increase in fuel costs.

Segment net sales increased 47.0% compared with the corresponding period of the previous year, to ¥ 10,365 million and operating profit amounted to ¥ 316 million (posted operating loss of ¥ 520 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, 2022, total assets amounted to ¥ 480,431 million, an increase of ¥ 47,221 million compared with those as of March 31, 2022.

Despite the decrease of cash and deposits of ¥ 11,757 million, this increase primarily reflects the increase of raw materials and supplies, property, plant and equipment, accounts receivable - trade, merchandise and finished goods, and work in process, other current assets of ¥ 19,782 million, ¥ 10,066 million, ¥ 8,126 million, ¥ 6,781 million, and ¥ 5,954 million respectively.

Total liabilities amounted to ¥ 240,329 million, up ¥ 40,036 million compared with those as of March 31, 2022.

The principal factor is the increase in long-term loans borrowings and current portion of long-term loans borrowings, commercial papers, other current liabilities and notes and accounts payable – trade of ¥ 30,966 million, ¥ 5,000 million, ¥ 3,523 million and ¥ 2,376 million respectively.

Net assets totaled ¥ 240,102 million, an increase of ¥ 7,184 million compared with those as of March 31, 2022.

This mainly reflected the increase of ¥ 3,777 million in non-controlling interests, and the increase of ¥ 3,479 million in retained earnings primarily due to posting profit attributable.

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

Based on overseas vinyl chloride products market conditions and other factors, the Company has revised the performance forecast, announced on October 28, 2022. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast for Fiscal 2022," dated January 31, 2023.

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.

(Millions of yen)

	3/31/2022	12/31/2022
<b>Assets</b>		
Current assets		
Cash and deposits	83,116	71,359
Notes receivable - trade	7,212	9,461
Accounts receivable - trade	70,989	79,116
Lease receivables	11	11
Merchandise and finished goods	19,194	25,975
Work in process	14,264	18,470
Raw materials and supplies	22,265	42,048
Other	6,968	12,923
Allowance for doubtful accounts	(72)	(71)
Total current assets	223,950	259,294
Non-current assets		
Property, plant and equipment		
Buildings and structures	108,926	114,955
Accumulated depreciation	(78,815)	(80,210)
Buildings and structures, net	30,111	34,745
Machinery, equipment and vehicles	475,226	487,911
Accumulated depreciation	(424,410)	(431,773)
Machinery, equipment and vehicles, net	50,815	56,137
Tools, furniture and fixtures	23,356	24,038
Accumulated depreciation	(20,368)	(20,970)
Tools, furniture and fixtures, net	2,987	3,067
Land	32,112	32,688
Leased assets	8,682	9,840
Accumulated depreciation	(3,302)	(3,944)
Leased assets, net	5,379	5,896
Construction in progress	18,195	17,133
Total property, plant and equipment	139,602	149,668
Intangible assets		
Goodwill	68	619
Leased assets	25	20
Other	2,588	2,986
Total intangible assets	2,682	3,627
Investments and other assets		
Investment securities	28,255	28,571
Long-term loans receivable	2,094	2,040
Deferred tax assets	21,111	21,744
Retirement benefit asset	10,482	10,710
Other	5,077	4,817
Allowance for doubtful accounts	(46)	(44)
Total investments and other assets	66,974	67,840
Total non-current assets	209,259	221,137
Total assets	433,210	480,431

(Millions of yen)

	3/31/2022	12/31/2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	49,055	51,431
Short-term borrowings	463	1,333
Commercial papers	—	5,000
Current portion of long-term borrowings	20,823	811
Lease liabilities	1,225	1,189
Income taxes payable	2,157	2,595
Provision for bonuses	3,462	1,290
Provision for repairs	5,409	3,550
Provision for decommissioning and removal	908	861
Provision for product warranties	73	28
Provision for loss on compensation for damage	108	108
Provision for environmental measures	14	—
Provision for restructuring	47	—
Asset retirement obligations	—	63
Other	18,587	22,111
Total current liabilities	102,337	90,377
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	67,951	118,931
Lease liabilities	3,754	4,265
Deferred tax liabilities	248	204
Provision for retirement benefits for directors (and other officers)	194	186
Provision for share awards	33	67
Provision for repairs	1,181	2,106
Provision for decommissioning and removal	874	631
Allowance for loss on compensation for building materials	88	61
Provision for environmental measures	118	122
Retirement benefit liability	2,081	2,087
Asset retirement obligations	57	13
Other	6,370	6,273
Total non-current liabilities	97,954	149,952
Total liabilities	200,292	240,329
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,453	23,443
Retained earnings	180,534	184,014
Treasury shares	(414)	(413)
Total shareholders' equity	213,573	217,043
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,587	3,447
Deferred gains or losses on hedges	(8)	(2)
Foreign currency translation adjustment	4,849	5,091
Remeasurements of defined benefit plans	2,505	2,334
Total accumulated other comprehensive income	10,932	10,869
Non-controlling interests	8,411	12,188
Total net assets	232,917	240,102
Total liabilities and net assets	433,210	480,431

	(Millions of yen)	
	Q3 FY2021 YTD	Q3 FY2022 YTD
Net sales	211,609	259,010
Cost of sales	141,845	188,666
Gross profit	69,763	70,343
Selling, general and administrative expenses		
Selling expenses	33,513	36,147
General and administrative expenses	19,131	21,034
Total selling, general and administrative expenses	52,645	57,181
Operating profit	17,118	13,161
Non-operating income		
Interest income	111	112
Dividend income	471	559
Share of profit of entities accounted for using equity method	885	1,465
Outsourcing service income	452	787
Other	2,675	2,100
Total non-operating income	4,596	5,026
Non-operating expenses		
Interest expenses	1,041	1,182
Foreign exchange losses	—	796
Fiduciary obligation expenses	314	588
Other	2,693	2,307
Total non-operating expenses	4,049	4,875
Ordinary profit	17,665	13,313
Extraordinary income		
Gain on sale of non-current assets	468	62
Gain on sale of investment securities	137	141
Subsidy income	86	44
Compensation for damage income	2,218	—
Gain on insurance claims	—	17
Gain on step acquisitions	—	5
Other	35	19
Total extraordinary income	2,946	289
Extraordinary losses		
Loss on sale of non-current assets	36	9
Impairment losses	3	14
Loss on disaster	155	50
Loss on tax purpose reduction entry of non-current assets	67	26
Loss on disposal of non-current assets	419	268
Retirement benefit expenses	—	62
Other	117	—
Total extraordinary losses	799	432
Profit before income taxes	19,812	13,170
Income taxes	6,425	4,698
Profit	13,386	8,471
Profit (loss) attributable to non-controlling interests	10	(54)
Profit attributable to owners of parent	13,376	8,526

	(Millions of yen)	
	Q3 FY2021 YTD	Q3 FY2022 YTD
Profit	13,386	8,471
Other comprehensive income		
Valuation difference on available-for-sale securities	(131)	(140)
Deferred gains or losses on hedges	10	5
Foreign currency translation adjustment	1,371	219
Remeasurements of defined benefit plans, net of tax	23	(172)
Share of other comprehensive income of entities accounted for using equity method	(15)	92
Total other comprehensive income	1,257	6
Comprehensive income	14,644	8,478
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,557	8,463
Comprehensive income attributable to non-controlling interests	86	14

#### **(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)**

The newly established STAC Co., Ltd. was included in the scope of consolidation during the second quarter consolidated accounting period for the consolidated fiscal year ending March 31, 2023 .

##### **(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, 2023, 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.

##### **(Additional Information)**

(Transition from the consolidated taxation system to the group tax sharing system)

Tokuyama and certain domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system effective from the first quarter of the fiscal year ending March 31, 2023. In line with this transition, accounting treatment and disclosure of corporate and local income tax as well as tax effect accounting is in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, issued on August 12, 2021). Based on the provisions outlined in Paragraph 32 (1) of PITF No. 42, the Company has deemed that there is no effect of the change in accounting policy due to the application of PITF No. 42.

## (5) Segment information

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

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

(Millions of yen)

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

Not applicable.

### Third Quarter Fiscal 2022 (April 1, 2022 –December 31, 2022)

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

(Millions of yen)

	Sales			Operating Profit (loss)
	Sales to customers	Inter-segment sales/transfer	Total	
Chemicals	86,153	279	86,432	4,729
Cement	43,333	518	43,852	(2,898)
Electronic Materials	66,456	619	67,076	6,955
Life Science	27,923	17	27,940	5,696
Eco Business	10,251	114	10,365	316
Others*1	24,891	8,705	33,597	2,114
Total	259,010	10,255	269,265	16,914
Adjustment*2	-	(10,255)	(10,255)	(3,752)
Figures in quarterly consolidated profit statement*3	259,010	-	259,010	13,161

\*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 amortization of goodwill and unamortized balance by reportable segment

In the Others segment, the Company acquired shares of Super Nano Design Co.,Ltd so that it would become the Company’s subsidiary.

During the third quarter fiscal 2022 (April 1, 2022 – December 31, 2022), the amount of increase in goodwill brought by the said event was ¥249 million.