

Summary of Consolidated Financial Statements for the First Quarter Fiscal 2023 (JPGAAP)

July 27, 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 first quarter ended Jun. 30, 2023 (Apr. 1, 2023 – Jun. 30, 2023)

(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 [%]
First Quarter Fiscal 2023	84,886	1.0	5,142	0.7	5,653	(20.5)
First Quarter Fiscal 2022	84,017	24.5	5,108	(31.9)	7,109	(10.1)

(Note) Comprehensive income: 1st Q FY23: 7,046million yen [24.3%] 1st Q FY22: 5,670 million yen [20.0%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
First Quarter Fiscal 2023	4,304	(4.0)	59.82	-
First Quarter Fiscal 2022	4,482	(9.3)	62.29	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
June 30, 2023	476,381	244,005	48.9	3,239.04
March 31, 2023	478,342	241,602	48.0	3,189.01

(Reference) Shareholders' equity: Jun. 30, 2023: 233,051 million yen Mar. 31, 2023: 229,450 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2022, ended Mar 31, 2023	(yen) -	(yen) 35.00	(yen) -	(yen) 35.00	(yen) 70.00
Fiscal 2023, ending Mar 31, 2024	-				
Fiscal 2023 (Forecast)		35.00	-	35.00	70.00

(Note) Revision of the latest dividends forecast: No

3. Consolidated performance forecast for fiscal 2023 (April 1, 2023 - March 31, 2024)

(% 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 2023	380,000	8.0	30,000	109.2	30,000	102.9	22,000	134.9	305.77

(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 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: Yes
- iii. Changes in accounting estimates: Yes
- 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 policies that are difficult to distinguish from changes in accounting estimates)” on page 11 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):	1st Quarter Fiscal 2023:	72,088,327	Fiscal 2022:	72,088,327
ii. Number of treasury stock at end of period:	1st Quarter Fiscal 2023:	137,545	Fiscal 2022:	137,882
iii. Average number of shares over period:	1st Quarter Fiscal 2023:	71,950,340	1st Quarter Fiscal 2022:	71,951,164

(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.

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. 6
- 2. Quarterly Consolidated Financial Statements P. 7
 - (1) Quarterly Consolidated Balance Sheets P. 7
 - (2) Quarterly Consolidated Statements of Income P. 9
 - (3) Quarterly Consolidated Statements of Comprehensive Income P. 10
 - (4) Notes on Quarterly Consolidated Financial Statements P. 11

1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the first quarter fiscal 2023 (April 1, 2023 – June 30, 2023) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
First Quarter Fiscal 2023	84,886	5,142	5,653	4,304
First Quarter Fiscal 2022	84,017	5,108	7,109	4,482
Rate of change (%)	1.0	0.7	(20.5)	(4.0)

Net sales

Consolidated net sales increased 1.0%, or ¥ 868 million compared with the corresponding period of the previous year, to ¥ 84,886 million, largely reflecting higher sales prices for cement, chemicals, and other products, as well as robust growth in sales of life science related products.

Cost of sales

Cost of sales increased 1.8%, or ¥ 1,053 million compared with the corresponding period of the previous year, to ¥ 60,954 million owing in large part to elevated fuel and raw materials costs as a result of the impact of inventories.

SG&A expenses

SG&A expenses decreased 1.2%, or ¥ 218 million compared with the corresponding period of the previous year, to ¥ 18,789 million mainly due to a decline in logistics costs coinciding with sluggishness in export volumes.

Operating profit

Operating profit increased 0.7%, or ¥ 34 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 5,142 million, largely reflecting higher sales prices for cement, chemicals, and other products, as well as robust growth in sales of life science related products.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses deteriorated by ¥ 1,489 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 20.5 %, or ¥ 1,455 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 5,653 million.

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

Extraordinary income/losses improved by ¥ 647 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 11.4%, or ¥ 807 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 6,263 million.

Profit after deducting income taxes calculated in an appropriate way decreased 5.5%, or ¥ 243 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 4,206 million.

Profit attributable to owners of parent decreased 4.0%, or ¥ 178 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 4,304 million.

(Operating results by segment)

Effective from the first quarter of the fiscal year under review, the Company has reviewed the name of one of its reportable segments. In specific terms, the Electronic Materials Segment has been renamed the Electronic & Advanced Materials Segment. This change applies only to the aforementioned segment name and has no impact on segment information. The following comparison with the corresponding period of the previous fiscal year reflects this change in segment name.

(Unit: Millions of yen)

	First Quarter Fiscal 2023		First Quarter Fiscal 2022		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	28,639	2,093	31,649	4,252	(9.5)	(50.8)
Cement	16,487	456	14,506	(325)	13.7	-
Electronic & Advanced Materials	18,352	744	20,479	1,393	(10.4)	(46.6)
Life Science	10,170	2,148	8,364	1,380	21.6	55.6
Eco Business	2,744	(337)	2,551	(182)	7.6	-
Others	11,165	1,019	9,690	522	15.2	95.2
Total	87,559	6,125	87,242	7,041	0.4	(13.0)
Adjustment	(2,673)	(982)	(3,224)	(1,932)	-	-
Figures in quarterly consolidated profit statement	84,886	5,142	84,017	5,108	1.0	0.7

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

Chemicals

Despite a decrease in sales volume, caustic soda earnings grew owing to successful efforts to revise sales prices in Japan.

Vinyl chloride monomer and vinyl chloride resin earnings declined due to sluggish overseas market conditions.

Despite lower sales volume, soda ash and calcium chloride earnings increased owing to successful efforts to revise sales prices.

As a result of the above, segment net sales decreased 9.5% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 28,639 million and operating profit decreased 50.8 % to ¥ 2,093 million. The segment reported lower earnings on lower sales.

Cement

Cement earnings improved due to domestic shipments remaining in line with the corresponding period of the previous fiscal year and to successful efforts to revise sales prices.

As a result of the above, segment net sales increased 13.7% compared with the corresponding period of the previous year, to ¥ 16,487 million and operating profit amounted to ¥ 456 million (Posted operating loss of ¥ 325 million in the corresponding period of the previous year).

Electronic & Advanced Materials

Despite a decline in sales volume due to a slowdown in the semiconductor market, semiconductor-grade polycrystalline silicon results remained in line with the corresponding period of the previous fiscal year owing to successful efforts to revise sales prices.

IC chemical earnings declined due to lower sales volume as a result of a slowdown in the semiconductor market.

Despite domestic sales remaining at the same levels as the corresponding period of the previous fiscal year, fumed silica earnings declined due to weaker sales volume overseas as a result of a slowdown in the Chinese economy.

Despite lower sales volume due to a slowdown in the semiconductor market, thermal management material results remained in line with the corresponding period of the previous fiscal year thanks to successful efforts to revise sales prices.

As a result of the above, segment net sales decreased 10.4% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 18,352 million and operating profit decreased 46.6% to ¥ 744 million. The segment reported lower earnings on lower sales.

Life Science

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

API and intermediate earnings increased owing mainly to growth in the sales volume of generic pharmaceuticals.

Plastic lens-related material results remained in line with the corresponding period of the previous fiscal year. This reflected robust sales volumes of photochromic dye materials for eyeglass lenses.

As a result of the above, segment net sales increased 21.6% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 10,170 million and operating profit increased 55.6% to ¥ 2,148 million. The segment reported higher earnings on higher sales.

Eco Business

Ion exchange membrane earnings increased owing to the growth in shipments

Plastic window sash earnings decreased due to a decline in housing starts.

As a result of the above, segment net sales increased 7.6% compared with the corresponding period of the previous year, to ¥ 2,744 million and operating loss amounted to ¥ 337 million (posted operating loss of ¥ 182 million in the corresponding period of the previous year).

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of June 30, 2023, total assets amounted to ¥ 476,381 million, an decrease of ¥ 1,961 million compared with those as of March 31, 2023.

Despite the increase of property, plant and equipment, cash and deposits, merchandise and finished goods of ¥ 5,133 million, ¥ 5,112 million, ¥ 4,267 million respectively, this decrease primarily reflects the decrease of Accounts receivable - trade, raw materials and supplies of ¥ 11,674 million, and ¥ 4,927 million respectively.

Total liabilities amounted to ¥ 232,375 million, an decrease of ¥ 4,363 million compared with those as of March 31, 2023.

Despite the increase of Long-term borrowings and current portion of long-term borrowings of ¥ 1,433 million, this decrease primarily reflects the decrease of notes and accounts payable - trade, provision for bonuses of ¥ 4,431 million, and ¥ 1,315 million respectively.

Net assets totaled ¥ 244,005 million, an increase of ¥ 2,402 million compared with those as of March 31, 2023.

This mainly reflected the increase of ¥ 1,663 million in retained earnings primarily due to posting profit attributable, and the increase of ¥ 1,595 million in foreign currency translation adjustment.

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

Notwithstanding anxieties toward semiconductor market conditions, and other factors, Tokuyama's business performance is currently trending within anticipated parameters. Therefore, the Company has not revised the performance forecasts, announced on April 28, 2023. 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)

	3/31/2023	6/30/2023
Assets		
Current assets		
Cash and deposits	68,080	73,192
Notes receivable - trade	8,672	8,177
Accounts receivable - trade	83,388	71,714
Lease receivables	11	11
Merchandise and finished goods	24,111	28,378
Work in process	19,902	19,229
Raw materials and supplies	37,310	32,382
Other	12,282	13,340
Allowance for doubtful accounts	(71)	(70)
Total current assets	253,689	246,356
Non-current assets		
Property, plant and equipment		
Buildings and structures	116,841	116,820
Accumulated depreciation	(80,555)	(80,451)
Buildings and structures, net	36,285	36,368
Machinery, equipment and vehicles	487,746	485,639
Accumulated depreciation	(430,082)	(428,480)
Machinery, equipment and vehicles, net	57,663	57,158
Tools, furniture and fixtures	24,395	25,142
Accumulated depreciation	(21,125)	(21,420)
Tools, furniture and fixtures, net	3,269	3,721
Land	33,033	33,117
Leased assets	9,788	10,113
Accumulated depreciation	(4,124)	(4,307)
Leased assets, net	5,664	5,806
Construction in progress	19,419	24,296
Total property, plant and equipment	155,336	160,469
Intangible assets		
Goodwill	349	313
Leased assets	17	30
Other	3,098	3,114
Total intangible assets	3,465	3,458
Investments and other assets		
Investment securities	29,499	30,002
Long-term loans receivable	2,185	2,115
Deferred tax assets	19,416	19,501
Retirement benefit asset	10,023	9,895
Other	4,777	4,636
Allowance for investment loss	(7)	(7)
Allowance for doubtful accounts	(44)	(48)
Total investments and other assets	65,850	66,096
Total non-current assets	224,653	230,024
Total assets	478,342	476,381

(Millions of yen)

	3/31/2023	6/30/2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,822	45,390
Short-term borrowings	2,491	3,104
Current portion of long-term borrowings	1,407	1,585
Lease liabilities	1,196	1,212
Income taxes payable	1,231	1,164
Provision for bonuses	2,768	1,452
Provision for repairs	3,922	4,238
Provision for decommissioning and removal	519	849
Provision for product warranties	72	43
Provision for loss on compensation for damage	129	20
Provision for environmental measures	5	3
Provision for loss on disaster	15	—
Provision for contract loss	469	203
Asset retirement obligations	63	63
Other	24,129	23,056
Total current liabilities	88,244	82,389
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	118,333	119,588
Lease liabilities	4,019	4,134
Deferred tax liabilities	228	243
Provision for retirement benefits for directors (and other officers)	197	164
Provision for share awards	37	50
Provision for repairs	1,513	1,993
Provision for decommissioning and removal	631	301
Allowance for loss on compensation for building materials	48	37
Provision for environmental measures	90	81
Retirement benefit liability	2,113	2,104
Asset retirement obligations	11	13
Other	6,269	6,272
Total non-current liabilities	148,495	149,986
Total liabilities	236,739	232,375
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,443	22,959
Retained earnings	184,852	186,515
Treasury shares	(414)	(413)
Total shareholders' equity	217,880	219,062
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,053	4,993
Deferred gains or losses on hedges	(3)	(1)
Foreign currency translation adjustment	5,630	7,225
Remeasurements of defined benefit plans	1,889	1,771
Total accumulated other comprehensive income	11,569	13,989
Non-controlling interests	12,151	10,953
Total net assets	241,602	244,005
Total liabilities and net assets	478,342	476,381

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q1 FY2022 YTD	Q1 FY2023 YTD
Net sales	84,017	84,886
Cost of sales	59,900	60,954
Gross profit	24,116	23,931
Selling, general and administrative expenses		
Selling expenses	11,981	11,322
General and administrative expenses	7,026	7,466
Total selling, general and administrative expenses	19,008	18,789
Operating profit	5,108	5,142
Non-operating income		
Interest income	16	46
Dividend income	356	336
Share of profit of entities accounted for using equity method	583	262
Foreign exchange gains	1,210	401
Other	1,316	829
Total non-operating income	3,484	1,877
Non-operating expenses		
Interest expenses	357	420
Comprehensive welfare group term insurance expenses	183	192
Other	941	752
Total non-operating expenses	1,483	1,366
Ordinary profit	7,109	5,653
Extraordinary income		
Gain on sale of non-current assets	35	3
Gain on sale of investment securities	—	609
Subsidy income	40	47
Gain on forgiveness of debts	19	—
Gain on insurance claims	1	—
Total extraordinary income	97	660
Extraordinary losses		
Loss on sale of non-current assets	—	1
Impairment losses	8	—
Loss on disaster	3	2
Loss on tax purpose reduction entry of non-current assets	26	—
Loss on disposal of non-current assets	97	45
Total extraordinary losses	135	50
Profit before income taxes	7,070	6,263
Income taxes	2,620	2,056
Profit	4,450	4,206
Loss attributable to non-controlling interests	(31)	(97)
Profit attributable to owners of parent	4,482	4,304

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2022 YTD	Q1 FY2023 YTD
Profit	4,450	4,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(869)	940
Deferred gains or losses on hedges	3	1
Foreign currency translation adjustment	2,040	2,080
Remeasurements of defined benefit plans, net of tax	(57)	(117)
Share of other comprehensive income of entities accounted for using equity method	102	(65)
Total other comprehensive income	1,220	2,839
Comprehensive income	5,670	7,046
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,526	6,735
Comprehensive income attributable to non-controlling interests	144	310

(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 first 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.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Changes in the depreciation method for Property, plant and equipment)

Tokuyama and the vast majority of its consolidated subsidiaries in Japan have to date largely adopted the declining balance method when depreciating property, plant and equipment. Effective from the first quarter of the fiscal year under review, the Company has changed its accounting policy for depreciation, adopting the straight-line method. In light of the increased monetary significance of depreciation expenses attributable to the capital investment undertaken under Medium-Term Management Plan 2025, Tokuyama reexamined the method it had previously adopted when depreciating property, plant and equipment. As far as the capital investment undertaken to minimize the environmental impact of its operations while ensuring the long-term, stable use of existing equipment and facilities, including investments in improving processes, promoting efficient energy consumption, and renewing facilities, and to build the supply system necessary to expand vigorously into domestic and overseas

markets in growing businesses are concerned, the Company has determined that the equal allocation of acquisition costs over the useful life of each asset using the straight-line method will more accurately reflect the actual status of operations.

As far as the first quarter of the fiscal year under review is concerned, operating profit increased ¥543 million, and both ordinary profit and profit before income taxes climbed ¥550 million compared with the corresponding amounts based on the previous depreciation method. In addition, segment operating profit for Chemicals, Cement, Electronic & Advanced Materials, Life Science, Eco Business, and Others increased 147 million, ¥165 million, ¥78 million, ¥27 million, ¥49 million, and ¥47 million, respectively, in the first quarter of the fiscal year under review.