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

April 26, 2024

Tokuyama Corporation		**Stock exchange listings:**	**Tokyo**
(URL https://www.tokuyama.co.jp/eng/)		**Local Code :**	**4043**

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Scheduled date for the Ordinary General Meeting of Shareholders: June 25, 2024

Scheduled date of year-end dividends payout: June 26, 2024

Scheduled date for the filing of the consolidated financial statements: June 26, 2024

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 year ended Mar. 31, 2023 (Apr. 1, 2023 – Mar. 31, 2024)

(1) Performance

Note: All amounts are rounded down to the nearest million yen. % indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2023	341,990	(2.8)	25,637	78.8	26,292	77.9	17,751	89.6
Fiscal 2022	351,790	19.7	14,336	(41.6)	14,783	(42.8)	9,364	(66.6)

(Note) Comprehensive income: FY23: 25,753 million yen [157.0%] FY22: 10,021 million yen [(67.8)%]

	Basic earnings per share	Diluted net income per share	Net income to shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2023	246.72	—	7.4	5.6	7.5
Fiscal 2022	130.15	—	4.1	3.2	4.1

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY23: 905 million yen FY22: 1,592 million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2024	457,360	259,948	54.5	3,464.47
Mar 31, 2023	478,342	241,602	48.0	3,189.01

(Reference) Shareholders' equity: FY23: 249,256 million yen FY22: 229,450 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2023	55,828	(30,405)	(46,508)	47,905
Fiscal 2022	(11,800)	(33,757)	30,151	67,556

2. Dividends

(Period)	Annual dividends					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2022	--	35.00	--	35.00	70.00	5,040	53.8	2.2
Fiscal 2023	--	35.00	--	45.00	80.00	5,765	32.4	2.4
Fiscal 2024 (Forecast)	--	50.00	--	50.00	100.00		28.8	

3. Consolidated performance forecast for fiscal 2024 (April 1, 2024 - March 31, 2025)

(% 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 2024	352,000	2.9	33,000	28.7	31,000	17.9	25,000	40.8	347.48

***Notes**

(1) Changes in significant subsidiaries during this period

: No

(2) 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 (5) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)” on page 18 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

i.	Number of shares issued at end of period (including treasury stock):	Fiscal 2023:	72,088,327	Fiscal 2022:	72,088,327
ii.	Number of treasury stock at end of period:	Fiscal 2023:	141,799	Fiscal 2022:	137,882
iii.	Average number of shares over period:	Fiscal 2023:	71,950,166	Fiscal 2022:	71,951,091

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Net profit	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2023	243,402	(6.7)	11,230	461.3	14,544	431.6	11,262	685.5
Fiscal 2022	260,763	21.1	2,000	(86.3)	2,735	(83.9)	1,433	(93.7)

	Net profit per share	Diluted net profit per share
	(yen)	(yen)
Fiscal 2023	156.54	—
Fiscal 2022	19.93	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2024	356,276	177,060	49.7	2,461.01
Mar 31, 2023	385,901	165,770	43.0	2,303.96

(Reference) Shareholders' equity: FY23: 177,060 million yen FY22: 165,770 million yen

(Note) This summary of consolidated financial statements is not inside the scope of audit procedure by certified public accountants or audit corporations.

(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. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

<1> Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

During the period under review, there were rising geopolitical risks from conflict in Ukraine as well as in the Middle East conflict. Against this backdrop, there were concerns about a rapid economic slowdown due to monetary tightening in the U.S. and Europe as well as the real estate recession in China. Despite the aforementioned, the global economy slowed only moderately, supported by the resilience of the U.S. and emerging economies.

In the Japanese economy, while the recovery in inbound demand, corporate investment in plant and equipment, and rising wages were expected to help break Japan out of a period of prolonged deflation, these factors were not sufficient to stimulate consumer spending.

Under these circumstances, the Company has been working on the priority measures of its Medium-Term Management Plan 2025: transform business portfolio, contribute to mitigation of global warming, and practice socially responsible management.

Turning to earnings, sales declined as semiconductor market sluggishness resulted in weak semiconductor-related sales and Excel Shanon Corporation was removed from the Company's scope of consolidation after a portion of the company's shares were transferred. However, profits increased owing mainly to progress in revising domestic sales prices for cement and chemicals as well as reducing manufacturing costs.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal 2023	**341,990**	**25,637**	**26,292**	**17,751**
Fiscal 2022	351,790	14,336	14,783	9,364
Rate of change (%)	(2.8)	78.8	77.9	89.6

Net sales

Consolidated net sales decreased 2.8%, or ¥ 9,800 million compared with the previous consolidated fiscal year, to ¥ 341,990 million. Despite domestic sales price revisions for cement and solid sales for healthcare-related products, this decline largely reflected sluggish semiconductor market conditions, weakening sales of semiconductor-related products, and Excel Shanon Corporation removal from the Company's scope of consolidation effective from the second quarter of the fiscal year under review.

Cost of sales

Cost of sales decreased 7.1%, or ¥ 18,539 million compared with the previous consolidated fiscal year, to ¥ 242,470 million. This was mainly due to the decline in sales volume and drop in fuel and raw material prices.

SG&A expenses

SG&A expenses decreased 3.4%, or ¥ 2,561 million compared with the previous consolidated fiscal year, to ¥ 73,882 mainly due to the decline in logistics costs coinciding with sluggishness in sales volume.

Operating profit

Operating profit increased 78.8%, or ¥ 11,300 million compared with the previous consolidated fiscal year, to ¥ 25,637 million. Despite weak sales of semiconductor-related products on the back of a slowdown in the semiconductor market, this upswing was essentially attributable to higher sales prices for cement and chemicals in Japan and progress in reducing manufacturing costs.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved by ¥ 208 million compared with the previous consolidated fiscal year. Despite a downturn in the share of profit from entities accounted for using the equity method, this improvement largely reflected foreign exchange gains in the consolidated fiscal year under review compared with foreign exchange losses in the previous consolidated fiscal year.

As a result of the above, ordinary profit increased 77.9%, or ¥ 11,509 million compared with the previous consolidated fiscal year, to ¥ 26,292 million.

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

Extraordinary income/losses deteriorated by ¥ 77 million compared with the previous consolidated fiscal year.

As a result of the above, profit before income taxes increased 79.2%, or ¥ 11,431 million compared with the previous consolidated fiscal year, to ¥ 25,856 million.

Profit after deducting income taxes calculated in an appropriate way increased 86.0%, or ¥ 8,048 million compared with the previous consolidated fiscal year, to ¥ 17,411 million.

Profit attributable to owners of parent increased 89.6%, or ¥ 8,387 million compared with the previous consolidated fiscal year, to ¥ 17,751 million.

[2] Operating performance by business 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 previous consolidated fiscal year reflects this change in segment name.

(Unit: Millions of yen)

	Fiscal 2023		Fiscal 2022		Rate of change (%)	
	Net sales	**Operating Profit (loss)**	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)
Chemicals	**115,594**	**11,530**	116,263	6,887	(0.6)	67.4
Cement	**67,187**	**6,710**	58,511	(3,718)	14.8	-
Electronic & Advanced Materials	**77,969**	**3,341**	91,589	7,011	(14.9)	(52.3)
Life Science	**41,424**	**8,476**	37,567	7,377	10.3	14.9
Eco Business	**7,392**	**(102)**	13,842	46	(46.6)	-
Others	**43,653**	**1,476**	47,331	2,036	(7.8)	(27.5)
Total	**353,222**	**31,432**	365,105	19,640	(3.3)	60.0
Adjustment	**(11,231)**	**(5,795)**	(13,314)	(5,303)	-	-
Figures in quarterly consolidated profit statement	**341,990**	**25,637**	351,790	14,336	(2.8)	78.8

(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 profits declined due mainly to decreases in overseas market prices for vinyl chloride monomer as well as sales volumes for vinyl chloride resin.

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

As a result of the above, segment net sales decreased 0.6% compared with the previous consolidated fiscal year, to ¥ 115,594 million and operating profit increased 67.4% to ¥ 11,530 million. The segment reported higher earnings on lower sales.

Cement

Despite a slight decrease in sales volume year-on-year in Japan, cement earnings grew owing to successful efforts to revise sales prices.

As a result of the above, segment net sales increased 14.8% compared with the previous consolidated fiscal year, to ¥ 67,187 million and operating profit amounted to ¥ 6,710 million (Posted operating loss of ¥ 3,718 million in the previous consolidated fiscal year).

Electronic & Advanced Materials

In semiconductor-grade polycrystalline silicon profits fell due to sluggish semiconductor market conditions, which placed downward pressure on sales volumes.

IC chemical earnings improved. This mainly reflected the increase in operating rates at Formosa Tokuyama Advanced Chemicals Co., Ltd. in Taiwan and successful efforts to reduce costs.

Fumed silica profits decreased due to lower sales volumes amid weak semiconductor market and Chinese economic conditions.

Thermal management material earnings increased. This reflected robust sales volumes of power device applications.

As a result of the above, segment net sales decreased 14.9% compared with the previous consolidated fiscal year, to ¥ 77,969 million and operating profit decreased 52.3% to ¥ 3,341 million. The segment reported lower earnings on lower sales.

Life Science

Dental materials results remained in line with the previous consolidated fiscal year thanks largely to robust sales in Japan and overseas.

Medical diagnosis systems profits rose owing to higher sales of laboratory information systems, laboratory automation systems , and electrolyte analyzers.

As a result of the above, segment net sales increased 10.3% compared with the previous consolidated fiscal year, to ¥ 41,424 million and operating profit increased 14.9% to ¥ 8,476 million. The segment reported higher earnings on higher sales.

Eco Business

Ion exchange membrane earnings decreased owing to the decline in shipments.

In waste gypsum board recycling, earnings decreased owing mainly to a decline in the volume of waste gypsum board collected.

In plastic window sashes, Excel Shanon Corporation was removed from the Company's scope of consolidation effective from the second quarter of the fiscal year under review. This reflected the transfer of a portion of the company's shares.

As a result of the above, segment net sales decreased 46.6% compared with the previous consolidated fiscal year, to ¥ 7,392 million and operating loss amounted to ¥ 102 million (posted operating profit of ¥ 46 million in the previous consolidated fiscal year).

<2> Outlook for fiscal 2024

[1] Outlook for operating forecasts for fiscal 2024

In the next fiscal year, uncertainty remains amid geopolitical risks in Europe and the Middle East as well as future monetary policies in various countries. Despite the aforementioned, the economy is expected to gradually pick up in the second half of the year mainly as semiconductor demand recovers.

The Group will strongly promote the fields of electronics, health, and the environment, which are defined as growth businesses in the Medium-Term Management Plan 2025 announced on February 25, 2021, while aiming for growth. Our Chemicals and Cement businesses will promote increased efficiency while generating sustainable cash flows.

Based on current information, we forecast net sales of ¥ 352 billion, an increase of 2.9% (¥ 10.0 billion) compared with the consolidated fiscal year under review, operating profit of ¥33 billion, an increase of 28.7% (¥ 7.3 billion), ordinary profit of ¥31 billion, an increase of 17.9% (¥ 4.7 billion) and profit attributable to owners of parent of ¥25 billion, an increase of 40.8% (¥ 7.2 billion).

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal 2024	**352,000**	**33,000**	**31,000**	**25,000**
Fiscal 2023	341,990	25,637	26,292	17,751
Rate of change (%)	2.9	28.7	17.9	40.8

These forecasts are calculated based on an exchange rate of ¥140/$ and a domestic naphtha price of ¥65,000/kl.

[2] Outlook for segment forecasts for fiscal 2024

Chemicals

From a sales and profit perspective, the high risk of fluctuation is expected to continue owing mainly to trends in raw material and fuel costs as well as overseas market conditions for mainstay products. Against this backdrop, Tokuyama will strive to secure earnings by implementing measures to address changing business conditions that include strengthening sales capabilities through a new sales structure.

Cement

As far as demand in Japan is concerned, private-sector demand is solid for redevelopment projects and factory construction in urban areas. In contrast, shipments are expected to remain at the fiscal 2023 level due to longer construction periods and labor shortages mainly among contractors and logistics providers. Under these conditions, we will work to increase earnings by maintaining reasonable sales prices.

Electronic & Advanced Materials

The timing of a semiconductor market recovery will vary depending on position in the supply chain, though demand is expected to increase over the medium to long term. In addition, as miniaturization progresses, customers are increasingly demanding higher quality and more stable supply. Under these conditions, we are working to differentiate Tokuyama from other companies by further pursuing quality in semiconductor-grade polycrystalline silicon. In IC chemicals, we aim to increase shipments from Taiwan bases and will focus on establishing a global supply system to meet demand growth by upgrading production and sales facilities in South Korea. In fumed silica and thermal management materials, we will increase sales of existing products and pursue the commercialization of products under development.

Life Science

The overseas shipment volumes of plastic lens-related materials and dental materials are on an increase trend. We will continue to focus on new product development and sales activities in response to changes in customer needs and the market, while aiming to increase profits. As far as medical diagnosis systems are concerned, energies will be directed toward expanding sales of mainstay products in a bid to increase sales and profit, promoting the development of diagnostic reagents.

Eco Business

In addition to expanding existing businesses such as ion-exchange membranes and the recycling of waste gypsum board, we will accelerate the development and commercialization of technologies that contribute to the reduction of GHG emissions, as well as contribute to the transformation of our business portfolio.

Others

The “Others” segment includes businesses which are responsible for the Group’s product sales, logistics, utilities and other functions. The segment will work to increase Group-wide earnings by continuing to reduce costs.

(2) Analysis of Financial Position

<1> Analysis of assets, liabilities and net assets

Summary of Consolidated Balance Sheets

(Unit: Millions of yen)

	Mar 31, 2023	Mar 31, 2024	Amount of change	Rate of change (%)
Assets	478,342	457,360	(20,982)	(4.4)
Liabilities	236,739	197,411	(39,328)	(16.6)
(Interest-bearing debt)	142,447	105,784	(36,662)	(25.7)
Net assets	241,602	259,948	18,346	7.6
(Shareholders' equity)	229,450	249,256	19,806	8.6

Financial indicators

	Mar 31, 2023	Mar 31, 2024	Amount of change
D/E ratio	0.62	0.42	(0.20)
Net D/E ratio	0.32	0.23	(0.09)
Shareholders’ equity ratio (%)	48.0	54.5	6.5
Shareholders’ equity ratio based on market price (%)	31.7	42.7	11.0

(Note)

*D/E ratio : interest-bearing debt / shareholders' equity
Net D/E ratio : (interest-bearing debt - Cash and cash equivalents) / shareholders' equity
Shareholders’ equity ratio (%) : interest-bearing debt / total assets
Shareholders’ equity ratio based on market price (%) : market capitalization / total assets

(Assets)

Property, plant and equipment increased by ¥ 13,419 million, despite decrease in cash and deposits and raw materials and supplies of ¥ 19,396 and ¥ 12,371, respectively.

As a result, total assets amounted to ¥ 457,360 million, a decrease of ¥ 20,982 million compared with those as of March 31, 2023.

(Liabilities)

Long-term loans payable and the current portion of long-term loans payable decreased ¥ 54,252 million, in spite of an increase in commercial papers of ¥ 15,000.

As a result, total liabilities amounted to ¥ 197,411 million, down ¥ 39,328 million compared with those as of March 31, 2023.

(Net assets)

Retained earnings increased ¥ 12,566 million as a result of posting profit attributable to owners of parent mainly, and valuation difference on available-for-sale securities increased ¥ 5,168 million. As a result, net assets totaled ¥ 259,948 million, an increase of ¥ 18,346 million compared with those as of March 31, 2023.

(Financial indicators)

With regard to the consolidated fiscal year under review, the D/E ratio improved 0.20 compared with the previous consolidated fiscal year to 0.42 times due to a ¥ 19,806 million increase in shareholders' equity and a ¥ 36,662 decrease in interest-bearing debt.

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<2> Analysis of cash flows

Summary of Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Fiscal 2022	Fiscal 2023
Cash flows from operating activities	(11,800)	55,828
Cash flows from investing activities	(33,757)	(30,405)
Cash flows from financing activities	30,151	(46,508)
Effect of exchange rate changes on cash and cash equivalents	445	1,461
Net increase (decrease) in cash and cash equivalents	(14,961)	(19,623)
Increase/decrease in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	-	(27)
Increase/decrease in cash and cash equivalents resulting from change in scope of consolidation	21	0
Cash and cash equivalents at end of year	67,566	47,905

(Cash flows from operating activities)

Net cash provided in operating activities totaled ¥ 55,828 million (Posted net cash used in operating activities of ¥ 11,800 million in the previous consolidated fiscal year). This change primarily reflects profit before income taxes of ¥ 25,856 million, depreciation of ¥ 17,690 million, decrease in inventories of ¥ 8,834 million and decrease in trade receivables of ¥ 3,705 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥ 30,405 million, a decrease of ¥ 3,352 million compared with the previous consolidated fiscal year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥ 31,591 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥ 46,508 million (Posted net cash provided in financing activities of ¥ 30,151 million in the previous consolidated fiscal year).

This change primarily reflects repayments of long-term borrowings of ¥ 61,396 million and dividends paid of ¥ 5,038 million, despite increase in commercial papers of ¥ 15,000 million, and proceeds from long-term borrowings of ¥ 6,582 million.

<3> Procurement of Funds and Liquidity

(Procurement of Funds)

The Tokuyama Group recognizes the need to retain a certain level of funds in order to secure the working capital required to finance its business activities, for priority investments in growth fields for the purpose of transforming its business portfolio and capital investments for the purpose of contributing to the mitigation of global warming, such as rationalization, energy saving, and measures to reduce CO_2 emissions, as well as to promote strategic investments. While the principal method of procuring these funds is to accumulate cash on hand through the continuous posting of business earnings, the Group will also pursue other avenues. These include borrowing from financial institutions and the issuing of unsecured bonds.

Furthermore, the Tokuyama Group's intended capital investment amount for the next fiscal year is ¥32.3 billion. Plans are in place to utilize cash on hand and borrowings from financial institutions.

(Liquidity)

Cash and cash equivalents stood at ¥ 47,905 million as of the end of the fiscal year under review. On this basis, the Tokuyama Group is confident that it maintains more than ample liquidity to promote its business activities. In addition, Tokuyama has executed revolving credit facility, overdraft, and credit liquidation agreements with a financial institution. Accounting for these factors, the Company is more than capable of maintain a certain level of liquidity should any impediment arise. To secure liquidity funds in preparation for unforeseen circumstances, we will also set up commitment lines on an as needed basis.

(3) Achievement of Medium-Term Management Plan 2025

The growth rate of sales (CAGR) for growth businesses was only 8.5%, below the target of 10%, given lower sales volumes in the Electronic & Advanced Materials segment amid the slump semiconductor market conditions and the decrease in sales in the Eco Business segment due to the transfer of the plastic window sash business. ROE was 7.4%, higher level than the previous consolidated fiscal year.

(4) Basic Policy for Profit Distribution and Dividends for Fiscal 2023 and 2024

The Company regards the return of profits to shareholders as one of its most important management policies. Tokuyama's basic policy is to continuously return profits to shareholders while maintaining a sound financial structure and also stable dividends. To this end, the Company secures the retained earnings required to increase shareholder value in the future and to respond to changes in the business environment. Under this policy, the Company aims to achieve a dividend payout ratio of 30% or more for the next fiscal year, targeting a DOE (dividend on equity) ratio of 3%, which is less sensitive to earnings for a single fiscal year, by comprehensively reflecting earnings trends, medium- to long-term business plans, cost of capital, and other factors

The Company's basic policy is to pay dividends from capital surplus twice a year, an interim dividend and a year-end dividend. The year-end dividend is determined by the General Meeting of Shareholders and the interim dividend by the Board of Directors. The Articles of Incorporation stipulate that interim dividends may be paid by a resolution of the Board of Directors in accordance with Article 454, Paragraph 5 of the Companies Act.

Prior to the application of the aforementioned policy, the Company has decided to pay a year-end dividend of ¥45 per share for the fiscal year under review in order to further increase shareholder value. This, together with the interim dividend of ¥35 per share paid in December 2023, brings the annual dividend to ¥80 per share, an increase of ¥10 over the previous fiscal year. This in turn brings the dividend payout ratio for the fiscal year under review to 32.4%.

For the next fiscal year, the Company plans to pay an annual dividend of ¥ 100 per share (including an interim dividend of ¥ 50 per share), an increase of ¥ 20 per share over the previous year, based on the assumptions outlined in "<2> Outlook for fiscal 2024 of (1) Analysis of Operating Results."

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	3/31/2023	3/31/2024
Assets		
Current assets		
Cash and deposits	68,080	48,684
Notes receivable - trade	8,672	9,850
Accounts receivable - trade	83,388	77,279
Lease receivables	11	11
Merchandise and finished goods	24,111	28,522
Work in process	19,902	18,428
Raw materials and supplies	37,310	24,938
Other	12,282	10,159
Allowance for doubtful accounts	(71)	(99)
Total current assets	253,689	217,776
Non-current assets		
Property, plant and equipment		
Buildings and structures	116,841	119,122
Accumulated depreciation	(80,555)	(80,870)
Buildings and structures, net	36,285	38,252
Machinery, equipment and vehicles	487,746	496,906
Accumulated depreciation	(430,082)	(434,655)
Machinery, equipment and vehicles, net	57,663	62,251
Tools, furniture and fixtures	24,395	24,729
Accumulated depreciation	(21,125)	(20,673)
Tools, furniture and fixtures, net	3,269	4,056
Land	33,033	33,117
Leased assets	9,788	11,038
Accumulated depreciation	(4,124)	(4,463)
Leased assets, net	5,664	6,575
Construction in progress	19,419	24,503
Total property, plant and equipment	155,336	168,755
Intangible assets		
Goodwill	349	252
Leased assets	17	20
Other	3,098	3,190
Total intangible assets	3,465	3,463
Investments and other assets		
Investment securities	29,499	36,196
Long-term loans receivable	2,185	2,046
Deferred tax assets	19,416	14,834
Retirement benefit asset	10,023	9,816
Other	4,777	4,522
Allowance for investment loss	(7)	(7)
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	65,850	67,365
Total non-current assets	224,653	239,583
Total assets	478,342	457,360

(Millions of yen)

	3/31/2023	3/31/2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,822	48,093
Short-term borrowings	2,491	4,234
Commercial papers	—	15,000
Current portion of long-term borrowings	1,407	2,225
Lease liabilities	1,196	1,247
Income taxes payable	1,231	3,195
Provision for bonuses	2,768	3,241
Provision for repairs	3,922	4,656
Provision for decommissioning and removal	519	186
Provision for product warranties	72	77
Provision for loss on compensation for damage	129	202
Provision for environmental measures	5	14
Provision for loss on disaster	15	—
Provision for contract loss	469	499
Asset retirement obligations	63	—
Other	24,129	21,061
Total current liabilities	88,244	103,935
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	118,333	63,262
Lease liabilities	4,019	4,814
Deferred tax liabilities	228	251
Provision for retirement benefits for directors (and other officers)	197	135
Provision for share awards	37	53
Provision for repairs	1,513	1,671
Provision for decommissioning and removal	631	224
Allowance for loss on compensation for building materials	48	13
Provision for environmental measures	90	67
Retirement benefit liability	2,113	1,741
Asset retirement obligations	11	19
Other	6,269	6,220
Total non-current liabilities	148,495	93,475
Total liabilities	236,739	197,411
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,443	22,947
Retained earnings	184,852	197,418
Treasury shares	(414)	(422)
Total shareholders' equity	217,880	229,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,053	9,221
Deferred gains or losses on hedges	(3)	(0)
Foreign currency translation adjustment	5,630	8,446
Remeasurements of defined benefit plans	1,889	1,645
Total accumulated other comprehensive income	11,569	19,312
Non-controlling interests	12,151	10,691
Total net assets	241,602	259,948
Total liabilities and net assets	478,342	457,360

(2) Consolidated Statements of Income

(Millions of yen)

	FY2022	FY2023
Net sales	351,790	341,990
Cost of sales	261,009	242,470
Gross profit	90,781	99,519
Selling, general and administrative expenses		
Selling expenses	47,440	43,286
General and administrative expenses	29,004	30,595
Total selling, general and administrative expenses	76,444	73,882
Operating profit	14,336	25,637
Non-operating income		
Interest income	184	234
Dividend income	574	564
Share of profit of entities accounted for using equity method	1,592	905
Foreign exchange gains	—	679
Rental income from non-current assets	591	616
Outsourcing service income	938	548
Other	2,332	1,852
Total non-operating income	6,214	5,401
Non-operating expenses		
Interest expenses	1,592	1,333
Foreign exchange losses	565	—
Other	3,610	3,413
Total non-operating expenses	5,768	4,746
Ordinary profit	14,783	26,292
Extraordinary income		
Gain on sale of non-current assets	80	69
Gain on sale of investment securities	145	609
Subsidy income	110	106
Gain on sales of know-how	85	—
Gain on insurance claims	22	108
Gain on step acquisitions	5	—
Other	20	—
Total extraordinary income	469	894
Extraordinary losses		
Loss on sale of non-current assets	11	50
Impairment losses	12	83
Loss on disaster	70	20
Loss on tax purpose reduction entry of non-current assets	63	41
Loss on disposal of non-current assets	607	762
Loss on sale of shares of subsidiaries and associates	—	25
Provision for loss on compensation for damage	—	197
Compensation for damage	—	148
Other	62	—
Total extraordinary losses	827	1,330
Profit before income taxes	14,424	25,856
Income taxes - current	2,703	4,741
Income taxes - deferred	2,358	3,703
Total income taxes	5,061	8,445
Profit	9,362	17,411
Loss attributable to non-controlling interests	(1)	(340)
Profit attributable to owners of parent	9,364	17,751

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022	FY2023
Profit	9,362	17,411
Other comprehensive income		
Valuation difference on available-for-sale securities	466	5,213
Deferred gains or losses on hedges	5	2
Foreign currency translation adjustment	584	3,170
Remeasurements of defined benefit plans, net of tax	(637)	(245)
Share of other comprehensive income of entities accounted for using equity method	239	201
Total other comprehensive income	658	8,342
Comprehensive income	10,021	25,753
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,001	25,553
Comprehensive income attributable to non-controlling interests	20	200

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022	FY2023
Cash flows from operating activities		
Profit before income taxes	14,424	25,856
Depreciation	20,773	17,690
Increase (decrease) in provisions	(1,293)	1,387
Increase (decrease) in retirement benefit liability	30	31
Decrease (increase) in retirement benefit asset	(458)	(190)
Interest and dividend income	(759)	(799)
Foreign exchange losses (gains)	(317)	(527)
Loss (gain) on sale of property, plant and equipment	(68)	(19)
Loss (gain) on sale of investment securities	(145)	(609)
Loss (gain) on sale of shares of subsidiaries and associates	—	25
Share of loss (profit) of entities accounted for using equity method	(1,592)	(905)
Subsidy income	(110)	(106)
Interest expenses	1,592	1,333
Loss on tax purpose reduction entry of non-current assets	63	41
Impairment losses	12	83
Loss (gain) on disposal of non-current assets	607	762
Gain on insurance claims	(22)	(108)
Loss (gain) on step acquisitions	(5)	—
Compensation for damage	—	148
Decrease (increase) in trade receivables	(13,527)	3,705
Decrease (increase) in inventories	(25,407)	8,834
Decrease (increase) in other current assets	(4,703)	1,220
Increase (decrease) in trade payables	561	(1,475)
Increase (decrease) in other current liabilities	3,074	1,307
Other, net	155	474
Subtotal	(7,115)	58,160
Interest and dividends received	1,441	1,301
Interest paid	(1,541)	(1,362)
Proceeds from insurance income	22	108
Compensation paid for damage	(1)	(124)
Income taxes refund (paid)	(4,606)	(2,254)
Net cash provided by (used in) operating activities	(11,800)	55,828

(Millions of yen)

	FY2022	FY2023
Cash flows from investing activities		
Payments into time deposits	(1,301)	(480)
Proceeds from withdrawal of time deposits	1,400	250
Purchase of property, plant and equipment	(31,916)	(31,591)
Proceeds from sale of property, plant and equipment	135	962
Purchase of investment securities	(146)	(583)
Proceeds from sale of investment securities	718	1,368
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(370)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,604
Long-term loan advances	(316)	(128)
Proceeds from collection of long-term loans receivable	190	563
Subsidies received	110	106
Other, net	(2,261)	(2,478)
Net cash provided by (used in) investing activities	(33,757)	(30,405)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	2,116	1,726
Increase (decrease) in commercial papers	—	15,000
Proceeds from long-term borrowings	51,504	6,582
Repayments of long-term borrowings	(20,827)	(61,396)
Proceeds from issuance of shares	4,103	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(312)	(1,908)
Dividends paid	(5,036)	(5,038)
Dividends paid to non-controlling interests	(144)	(145)
Decrease (increase) in treasury shares	(3)	(12)
Other, net	(1,249)	(1,313)
Net cash provided by (used in) financing activities	30,151	(46,508)
Effect of exchange rate change on cash and cash equivalents	445	1,461
Net increase (decrease) in cash and cash equivalents	(14,961)	(19,623)
Cash and cash equivalents at beginning of period	82,496	67,556
Increase/decrease in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	—	(27)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	21	0
Cash and cash equivalents at end of period	67,556	47,905

(5) Notes on Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in significant subsidiaries during this period)

Not applicable.

(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 consolidated fiscal year under review is concerned, operating profit increased ¥3,311 million, and both ordinary profit and profit before income taxes climbed ¥3,360 million compared with the corresponding amounts based on the previous depreciation method.

(6) Segment information

<1> Summary of reportable segments

The reportable segments of the Tokuyama Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.

The Company has business divisions by product group, and the Tokuyama Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.

The Tokuyama Group is, therefore, composed of segments by product group based on business divisions, and has five reportable segments, "Chemicals," "Cement," "Electronic & Advanced Materials" "Life & Amenity," and "Eco Business".

Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium bicarbonate, sodium silicate, hydrogen, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, and chlorinated solvents
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resource recycling business
Electronic & Advanced Materials	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity isopropyl alcohol for the electronics industry, photoresist developer and isopropyl alcohol for industrial use
Life Science	Medical diagnosis systems, dental materials and equipment, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses and microporous film
Eco Business	Waste gypsum board recycling, ion exchange membranes and plastic window sashes

<2> Information on sales, income, assets and other items by reportable 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 segment information for the previous consolidated fiscal year reflects this change in segment name.

Fiscal 2022 (April 1, 2022 –March 31, 2023)

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business				
Sales									
Sales to customers	115,866	57,785	90,876	37,543	13,597	36,121	351,790	-	351,790
Inter-segment sales/transfer	397	725	713	23	245	11,209	13,314	(13,314)	-
Total	116,263	58,511	91,589	37,567	13,842	47,331	365,105	(13,314)	351,790
Segment profit (loss)	6,887	(3,718)	7,011	7,377	46	2,036	19,640	(5,303)	14,336
Segment assets	66,147	66,382	115,317	43,987	14,515	70,990	377,340	101,001	478,342
Other items									
Depreciation expenses*4	3,317	3,848	5,634	1,399	640	3,847	18,686	2,087	20,773
Increase in tangible and intangible fixed assets*5	4,571	6,374	14,113	1,359	2,125	4,092	32,636	4,054	36,690

*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 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥ 139,726 million).

*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 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

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

Fiscal 2023 (April 1, 2023 –March 31, 2024)

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business				
Sales									
Sales to customers	115,401	66,308	77,316	41,404	7,024	34,534	341,990	-	341,990
Inter-segment sales/transfer	193	878	652	20	368	9,119	11,231	(11,231)	-
Total	115,594	67,187	77,969	41,424	7,392	43,653	353,222	(11,231)	341,990
Segment profit (loss)	11,530	6,710	3,341	8,476	(102)	1,476	31,432	(5,795)	25,637
Segment assets	71,590	71,993	123,902	47,203	11,264	60,316	386,270	71,089	457,360
Other items									
Depreciation expenses*4	2,350	3,319	4,862	1,171	576	3,071	15,350	2,339	17,690
Increase in tangible and intangible fixed assets*5	2,986	4,524	9,500	3,827	547	2,927	24,312	6,481	30,794

*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 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥ 115,136million).

*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 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

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

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

Tokuyama and its consolidated subsidiaries in Japan have to date largely adopted the declining balance method when depreciating property, plant and equipment. Effective from the fiscal year under review, the Company has changed its accounting policy for depreciation, adopting the straight-line method. As a result, operating profit in the fiscal year under review increased ¥ 821 million in the Chemicals segment, ¥ 979 million in the Cement segment, ¥ 530 million in the Electronic & Advanced Materials segment, ¥ 191 million in the Life Science segment, ¥ 105 million in the Eco Business segment, and ¥ 218 million in the Others segment compared with the amounts calculated using the previous method. The total increase in operating profit after taking into account Company-wide expenses was ¥ 3,311 million.

(7) Material Subsequent Event

(Posting of extraordinary income)

On June 29, 2023, the Company had executed an integration agreement with Rengo Co., Ltd. (hereinafter referred to as "Rengo") and Mitsui Chemicals, Inc. (hereinafter referred to as "Mitsui Chemicals") to merge Sun-Tox Co., Ltd., (hereinafter referred to as "Sun-Tox"), a joint venture of Rengo and the Company and an equity method affiliate of the Company, with Mitsui Chemicals Tocello, Inc. ("Mitsui Chemicals Tocello"). Under the terms of the agreement, an absorption-type merger have taken effect on April 1, 2024, with Mitsui Chemicals Tocello as the surviving company and Sun-Tox as the company being merged. As a result , in the first quarter of the fiscal year ending March 31, 2025, the Company will post around 2,313 million yen of extraordinary income for the difference between the book value of Sun-Tox shares on a consolidated basis and the consideration received which is the shares of Mitsui Chemicals Tocello. As a result, Sun-Tox will removed from the Company's scope of the company's equity method affiliates as of April 1, 2024.

In addition, Mitsui Chemicals Tocello changed its name to RM Tocello Corporation as of April 1, 2024.