

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

October 28, 2022

Tokuyama Corporation

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

Stock exchange listings:

Local Code :

Tokyo

4043

Representative: Hiroshi Yokota, President and Representative Director

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

Scheduled date of dividends payout :

December 1, 2022

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 Second quarter ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 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 [%]
Second Quarter Fiscal 2022	166,370	25.4	8,296	(28.9)	10,870	(9.4)
Second Quarter Fiscal 2021	132,660	(7.4)	11,665	(9.9)	11,998	(4.0)

(Note) Comprehensive income: 2nd Q FY22: 7,608 million yen [(19.5)%] 2nd Q FY21: 29,454 million yen [(19.2)%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Second Quarter Fiscal 2022	6,565	(29.1)	91.25	-
Second Quarter Fiscal 2021	9,257	(7.4)	128.61	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
September 30, 2022	488,569	241,702	47.0	3,190.93
March 31, 2022	433,210	232,917	51.8	3,120.25

(Reference) Shareholders' equity:

Sep. 30, 2022: 229,591 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	360,000	22.5	24,500	(0.2)	25,000	(3.3)	17,500	(37.5)	243.22

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

* The Company announced the release, "Notice concerning Revision of Performance Forecast for Fiscal 2022," on Oct. 28, 2022.

***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 13 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 (5) Notes on Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)” on page 13 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):	2nd Quarter Fiscal 2022:	72,088,327	Fiscal 2021:	72,088,327
ii. Number of treasury stock at end of period:	2nd Quarter Fiscal 2022:	137,033	Fiscal 2021:	136,954
iii. Average number of shares over period:	2nd Quarter Fiscal 2022:	71,951,355	2nd Quarter Fiscal 2021:	71,976,167

(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) Consolidated Statements of Cash Flows	.....	P. 11
(5) Notes on Quarterly Consolidated Financial Statements	.....	P. 13
(6) Segment Information	.....	P. 14

1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the second quarter fiscal 2022 (April 1, 2022 – September 30, 2022) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Second Quarter Fiscal 2022	166,370	8,296	10,870	6,565
Second Quarter Fiscal 2021	132,660	11,665	11,998	9,257
Rate of change (%)	25.4	(28.9)	(9.4)	(29.1)

Net sales

Consolidated net sales increased 25.4%, or ¥ 33,710 million compared with the corresponding period of the previous year, to ¥ 166,370 million, largely reflecting progress made in passing along elevated fuel and raw materials prices to sales prices.

Cost of sales

Cost of sales increased 38.8%, or ¥ 33,663 million compared with the corresponding period of the previous year, to ¥ 120,528 million. This was due mainly to a upturn in raw material and fuel costs.

SG&A expenses

SG&A expenses increased 10.0%, or ¥ 3,415 million compared with the corresponding period of the previous year, to ¥ 37,545 million mainly due to increases in logistics costs and R&D expenses.

Operating profit

Operating profit decreased 28.9%, or ¥ 3,368 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 8,296 million. This decrease in operating profit was mainly due to higher logistics costs, and raw material and fuel costs.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved by ¥ 2,240 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 9.4 %, or ¥ 1,128 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 10,870 million.

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

Extraordinary income/losses deteriorated by ¥ 2,189 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 23.6%, or ¥ 3,317 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 10,713 million.

Profit after deducting income taxes calculated in an appropriate way decreased 28.8%, or ¥ 2,657 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 6,572 million.

Profit attributable to owners of parent decreased 29.1%, or ¥ 2,691 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 6,565 million.

(Operating results by segment)

(Unit: Millions of yen)

	Second Quarter Fiscal 2022		Second Quarter Fiscal 2021		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	57,789	4,754	43,891	5,578	31.7	(14.8)
Cement	28,861	(1,811)	24,964	5	15.6	-
Electronic Materials	41,341	3,363	33,824	4,073	22.2	(17.4)
Life Science	18,011	3,316	15,395	2,634	17.0	25.9
Eco Business	6,336	298	4,478	(354)	41.5	-
Others	20,379	853	16,701	1,883	22.0	(54.7)
Total	172,719	10,773	139,256	13,819	24.0	(22.0)
Adjustment	(6,349)	(2,476)	(6,596)	(2,154)	-	-
Figures in quarterly consolidated profit statement	166,370	8,296	132,660	11,665	25.4	(28.9)

(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.

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

As a result of the above, segment net sales increased 31.7% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 57,789 million and operating profit decreased 14.8 % to ¥ 4,754 million. The segment reported lower earnings on higher sales.

Cement

Cement earnings deteriorated despite shipments of being in line with the corresponding period of the previous year and revision of sales prices. 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 15.6% compared with the corresponding period of the previous year, to ¥ 28,861 million and operating loss amounted to ¥ 1,811 million (Posted operating profit of ¥ 5 million in the corresponding period of the previous year).

Electronic Materials

Earnings for semiconductor-grade polycrystalline silicon decreased despite revising sales prices. This downturn in earnings largely reflected rising manufacturing costs as a result of higher raw material and fuel costs.

In IC chemicals, although demand for semiconductor applications was solid and revision of sales prices, earnings decreased largely due to higher raw materials prices.

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

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

As a result of the above, segment net sales increased 22.2% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 41,341 million and operating profit decreased 17.4% to ¥ 3,363 million. The segment reported lower 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 17.0% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 18,011 million and operating profit increased 25.9% to ¥ 3,316 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, earnings were all in line with the corresponding period of the previous year as a result of steady acceptance of waste gypsum board, which offset mainly higher fuel costs.

Segment net sales increased 41.5% compared with the corresponding period of the previous year, to ¥ 6,336 million and operating profit amounted to ¥ 298 million (posted operating loss of ¥ 354 million in the corresponding period of the previous year).

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of September 30, 2022, total assets amounted to ¥ 488,569 million, an increase of ¥ 55,359 million compared with those as of March 31, 2022.

This increase primarily reflects the increase of raw materials and supplies, cash and deposits, property, plant and equipment, merchandise and finished goods, and work in process of ¥ 18,142 million, ¥ 16,935 million, ¥ 7,107 million, ¥ 6,269 million and ¥ 3,219 million respectively.

Total liabilities amounted to ¥ 246,867 million, up ¥ 46,574 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 and notes and accounts payable – trade of ¥ 31,338 million and ¥ 13,906 million respectively.

Net assets totaled ¥ 241,702 million, an increase of ¥ 8,784 million compared with those as of March 31, 2022.

This mainly reflected the increase of ¥ 4,040 million in retained earnings primarily due to posting profit attributable, and the increase of ¥ 3,699 million in non-controlling interests.

(Status of cash flows)

As of September 30, 2022, cash and cash equivalents were ¥ 99,516 million, a increase of ¥ 17,020 million compared with those as of March 31, 2022.

Net cash provided by operating activities totaled ¥ 349 million, a decrease of ¥ 16,010 million compared with the corresponding period of the previous year.

This decrease primarily reflects the increase in inventories of ¥ 27,267 million and the increase in other current assets of ¥ 5,502 million, despite positive factors, such as profit before income taxes of ¥ 10,713 million, depreciation of ¥ 9,725 million and increase in trade payables of ¥ 13,286 million.

Net cash used in investing activities totaled ¥ 16,270 million, a decrease of ¥ 658 million compared with the corresponding period of the previous year.

Major contributory factor was payments for purchases of property, plant and equipment of ¥ 14,853 million.

Net cash provided in financing activities amounted to ¥ 31,792 million, an increase of ¥ 40,001 million compared with the corresponding period of the previous year.

This increase primarily reflects proceeds from long-term borrowings of ¥ 51,504 million, and proceeds from issuance of shares of ¥ 4,103 million despite negative factors, such as repayments

of long-term borrowings of ¥ 20,493 million and dividends paid of ¥ 2,517 million.

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

Based on the current raw material and fuel prices and other factors, the Company has revised the performance forecast, announced on April 28, 2022. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast for Fiscal 2022," dated October 28, 2022.

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)

	3/31/2022	9/30/2022
Assets		
Current assets		
Cash and deposits	83,116	100,051
Notes receivable - trade	7,212	7,744
Accounts receivable - trade	70,989	67,650
Lease receivables	11	11
Merchandise and finished goods	19,194	25,463
Work in process	14,264	17,483
Raw materials and supplies	22,265	40,408
Other	6,968	12,123
Allowance for doubtful accounts	(72)	(73)
Total current assets	223,950	270,864
Non-current assets		
Property, plant and equipment		
Buildings and structures	108,926	111,706
Accumulated depreciation	(78,815)	(79,924)
Buildings and structures, net	30,111	31,781
Machinery, equipment and vehicles	475,226	482,763
Accumulated depreciation	(424,410)	(430,738)
Machinery, equipment and vehicles, net	50,815	52,025
Tools, furniture and fixtures	23,356	24,146
Accumulated depreciation	(20,368)	(20,927)
Tools, furniture and fixtures, net	2,987	3,219
Land	32,112	32,731
Leased assets	8,682	8,932
Accumulated depreciation	(3,302)	(3,794)
Leased assets, net	5,379	5,137
Construction in progress	18,195	21,815
Total property, plant and equipment	139,602	146,710
Intangible assets		
Goodwill	68	428
Leased assets	25	16
Other	2,588	2,832
Total intangible assets	2,682	3,277
Investments and other assets		
Investment securities	28,255	28,130
Long-term loans receivable	2,094	2,037
Deferred tax assets	21,111	21,794
Retirement benefit asset	10,482	10,829
Other	5,077	4,970
Allowance for doubtful accounts	(46)	(45)
Total investments and other assets	66,974	67,717
Total non-current assets	209,259	217,705
Total assets	433,210	488,569

(Millions of yen)

	3/31/2022	9/30/2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,055	62,961
Short-term borrowings	463	709
Current portion of long-term borrowings	20,823	811
Lease liabilities	1,225	1,142
Income taxes payable	2,157	3,755
Provision for bonuses	3,462	3,123
Provision for repairs	5,409	4,404
Provision for decommissioning and removal	908	874
Provision for product warranties	73	38
Provision for loss on compensation for damage	108	109
Provision for environmental measures	14	4
Provision for restructuring	47	—
Asset retirement obligations	—	63
Other	18,587	19,791
Total current liabilities	102,337	97,791
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	67,951	119,302
Lease liabilities	3,754	3,544
Deferred tax liabilities	248	224
Provision for retirement benefits for directors (and other officers)	194	178
Provision for share awards	33	55
Provision for repairs	1,181	1,473
Provision for decommissioning and removal	874	631
Allowance for loss on compensation for building materials	88	71
Provision for environmental measures	118	118
Retirement benefit liability	2,081	2,139
Asset retirement obligations	57	13
Other	6,370	6,322
Total non-current liabilities	97,954	149,075
Total liabilities	200,292	246,867
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,453	23,451
Retained earnings	180,534	184,575
Treasury shares	(414)	(412)
Total shareholders' equity	213,573	217,614
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,587	2,711
Deferred gains or losses on hedges	(8)	(5)
Foreign currency translation adjustment	4,849	6,879
Remeasurements of defined benefit plans	2,505	2,391
Total accumulated other comprehensive income	10,932	11,976
Non-controlling interests	8,411	12,111
Total net assets	232,917	241,702
Total liabilities and net assets	433,210	488,569

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q2 FY2021 YTD	Q2 FY2022 YTD
Net sales	132,660	166,370
Cost of sales	86,865	120,528
Gross profit	45,795	45,842
Selling, general and administrative expenses		
Selling expenses	21,797	23,503
General and administrative expenses	12,332	14,041
Total selling, general and administrative expenses	34,130	37,545
Operating profit	11,665	8,296
Non-operating income		
Interest income	70	53
Dividend income	289	370
Share of profit of entities accounted for using equity method	534	1,065
Foreign exchange gains	119	1,934
Outsourcing service income	296	641
Other	1,947	1,577
Total non-operating income	3,256	5,642
Non-operating expenses		
Interest expenses	704	779
Fiduciary obligation expenses	228	491
Other	1,990	1,797
Total non-operating expenses	2,923	3,068
Ordinary profit	11,998	10,870
Extraordinary income		
Gain on sale of non-current assets	313	41
Gain on sale of investment securities	1	11
Subsidy income	75	42
Compensation for damage income	2,178	—
Gain on forgiveness of debts	—	19
Gain on insurance claims	—	16
Gain on step acquisitions	—	5
Total extraordinary income	2,568	138
Extraordinary losses		
Loss on sale of non-current assets	35	—
Impairment losses	3	14
Loss on disaster	77	17
Loss on tax purpose reduction entry of non-current assets	67	26
Loss on disposal of non-current assets	279	174
Retirement benefit expenses	—	61
Compensation for damage	70	—
Other	2	—
Total extraordinary losses	536	295
Profit before income taxes	14,031	10,713
Income taxes	4,801	4,140
Profit	9,229	6,572
Profit (loss) attributable to non-controlling interests	(27)	7
Profit attributable to owners of parent	9,257	6,565

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q2 FY2021 YTD	Q2 FY2022 YTD
Profit	9,229	6,572
Other comprehensive income		
Valuation difference on available-for-sale securities	(266)	(874)
Deferred gains or losses on hedges	(39)	3
Foreign currency translation adjustment	449	1,816
Remeasurements of defined benefit plans, net of tax	15	(114)
Share of other comprehensive income of entities accounted for using equity method	65	204
Total other comprehensive income	224	1,035
Comprehensive income	9,454	7,608
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,470	7,609
Comprehensive income attributable to non-controlling interests	(16)	(1)

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Q2 FY2021 YTD	Q2 FY2022 YTD
Cash flows from operating activities		
Profit before income taxes	14,031	10,713
Depreciation	9,075	9,725
Increase (decrease) in provisions	(63)	(855)
Increase (decrease) in retirement benefit liability	70	65
Decrease (increase) in retirement benefit asset	(366)	(520)
Interest and dividend income	(359)	(423)
Foreign exchange losses (gains)	80	(758)
Loss (gain) on sale of property, plant and equipment	(278)	(41)
Loss (gain) on sale of investment securities	(1)	(11)
Share of loss (profit) of entities accounted for using equity method	(534)	(1,065)
Loss (gain) on step acquisitions	—	(5)
Subsidy income	(75)	(42)
Interest expenses	704	779
Loss on tax purpose reduction entry of non-current assets	67	26
Impairment losses	3	14
Loss (gain) on disposal of non-current assets	279	174
Gain on insurance claims	—	(16)
Compensation for damage income	(2,178)	—
Compensation for damage	70	—
Decrease (increase) in trade receivables	3,669	3,421
Decrease (increase) in inventories	(10,103)	(27,267)
Decrease (increase) in other current assets	(808)	(5,502)
Increase (decrease) in trade payables	7,496	13,286
Increase (decrease) in other current liabilities	(2,256)	686
Other, net	(16)	103
Subtotal	18,508	2,487
Interest and dividends received	881	1,096
Interest paid	(706)	(718)
Proceeds from insurance income	—	16
Income taxes refund (paid)	(2,323)	(2,532)
Net cash provided by (used in) operating activities	16,359	349
Cash flows from investing activities		
Payments into time deposits	(9)	(26)
Proceeds from withdrawal of time deposits	26	110
Purchase of property, plant and equipment	(16,204)	(14,853)
Proceeds from sale of property, plant and equipment	345	59
Purchase of investment securities	(384)	(329)
Proceeds from sale of investment securities	303	59
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(140)
Long-term loan advances	(1)	(43)
Proceeds from collection of long-term loans receivable	92	94
Subsidies received	75	42
Other, net	(1,170)	(1,243)
Net cash provided by (used in) investing activities	(16,928)	(16,270)

	(Millions of yen)	
	Q2 FY2021 YTD	Q2 FY2022 YTD
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,200)	240
Proceeds from long-term borrowings	1,184	51,504
Repayments of long-term borrowings	(6,358)	(20,493)
Proceeds from issuance of shares	1,514	4,103
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(304)
Dividends paid	(2,516)	(2,517)
Dividends paid to non-controlling interests	(120)	(61)
Decrease (increase) in treasury shares	(99)	(1)
Other, net	(612)	(678)
Net cash provided by (used in) financing activities	(8,209)	31,792
Effect of exchange rate change on cash and cash equivalents	62	1,127
Net increase (decrease) in cash and cash equivalents	(8,715)	16,998
Cash and cash equivalents at beginning of period	83,050	82,496
Increase/decrease in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	870	—
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	21
Cash and cash equivalents at end of period	75,205	99,516

(5) 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 second 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.

(6) Segment information

Second Quarter Fiscal 2021 (April 1, 2021 –September 30, 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	43,703	188	43,891	5,578
Cement	24,560	404	24,964	5
Electronic Materials	33,116	707	33,824	4,073
Life Science	15,344	51	15,395	2,634
Eco Business	4,374	104	4,478	(354)
Others*1	11,561	5,139	16,701	1,883
Total	132,660	6,596	139,256	13,819
Adjustment*2	-	(6,596)	(6,596)	(2,154)
Figures in quarterly consolidated profit statement*3	132,660	-	132,660	11,665

*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.

Second Quarter Fiscal 2022 (April 1, 2022 – September 30, 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	57,594	194	57,789	4,754
Cement	28,617	244	28,861	(1,811)
Electronic Materials	41,021	319	41,341	3,363
Life Science	17,994	16	18,011	3,316
Eco Business	6,227	108	6,336	298
Others*1	14,914	5,465	20,379	853
Total	166,370	6,349	172,719	10,773
Adjustment*2	-	(6,349)	(6,349)	(2,476)
Figures in quarterly consolidated profit statement*3	166,370	-	166,370	8,296

*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 Life Science segment, the Company acquired shares of ASM Inc. so that it would become the Company’s subsidiary.

During the second quarter fiscal 2022 (April 1, 2022 – September 30, 2022), the amount of increase in goodwill brought by the said event was ¥370 million.