

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

April 28, 2023

Tokuyama Corporation

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

Stock exchange listings:

Tokyo

Local Code :

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 : June 26, 2023

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, 2022 (Apr. 1, 2022 – Mar. 31, 2023)

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

(1) Performance

% 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 2022	351,790	19.7	14,336	(41.6)	14,783	(42.8)	9,364 (66.6)
Fiscal 2021	293,830	(2.8)	24,539	(20.6)	25,855	(16.0)	28,000 14.1

(Note) Comprehensive income: FY22: 10,021 million yen [(67.8)%] FY21: 31,160 million yen [2.1%]

	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 2022	130.15	—	4.1	3.2	4.1
Fiscal 2021	389.09	—	13.2	6.3	8.4

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY22: 1,592 million yen FY21: 1,043 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, 2023	478,342	241,602	48.0	3,189.01
Mar 31, 2022	433,210	232,917	51.8	3,120.25

(Reference) Shareholders' equity: FY22: 229,450 million yen FY21: 224,506 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 2022	(11,800)	(33,757)	30,151	67,556
Fiscal 2021	25,986	(33,797)	5,118	82,496

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 2021	--	35.00	--	35.00	70.00	5,045	18.0	2.4
Fiscal 2022	--	35.00	--	35.00	70.00	5,040	53.8	2.2
Fiscal 2023 (Forecast)	--	35.00	--	35.00	70.00		22.9	

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) The depreciation method for Property, plant and equipment has been changed to the straight-line method from the beginning of the fiscal year ending March 31, 2024. Forecasts for the fiscal year ending March 31, 2024 have been prepared to reflect this change. For more details, please refer to “<2> Outlook for fiscal 2023 of (1) Analysis of Operating Results of 1. Analysis of Operating Results and Financial Position” on page 6 of the Accompanying Materials to this Summary of Financial Statement.

*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 “(5) Notes on Consolidated Financial Statements (Changes in significant subsidiaries during this period) of 2. Consolidated Financial Statements” on page 18 of the Accompanying Materials to this Summary of Consolidated Financial Statement.

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

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

(Note) For more details, please refer to “(5) Notes on Consolidated Financial Statements (Changes in accounting policy) of 2. Consolidated Financial Statements” on page 18 of the Accompanying Materials to this Summary of Consolidated Financial Statement.

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

- i. Number of shares issued at end of period (including treasury stock):

Fiscal 2022:	72,088,327	Fiscal 2021:	72,088,327
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- ii. Number of treasury stock at end of period:

Fiscal 2022:	137,882	Fiscal 2021:	136,954
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- iii. Average number of shares over period:

Fiscal 2022:	71,951,091	Fiscal 2021:	71,963,931
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(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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 2022	260,763	21.1	2,000	(86.3)	2,735	(83.9)	1,433	(93.7)
Fiscal 2021	215,374	19.0	14,641	(34.1)	16,947	(26.7)	22,614	0.4

	Net profit per share	Diluted net profit per share
	(yen)	(yen)
Fiscal 2022	19.93	—
Fiscal 2021	314.24	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2023	385,901	165,770	43.0	2,303.96
Mar 31, 2022	354,316	168,828	47.6	2,346.42

(Reference) Shareholders' equity: FY22: 165,770 million yen FY21: 168,828 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.

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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

In the fiscal year ended March 31, 2023, economic activities throughout the global economy began returning to normal as restrictions on people's movements due to COVID-19 eased. In contrast, global inflation triggered by shortages in the supply of energy as well as mineral and other resources due to the protracted conflict in Ukraine forced countries to tighten monetary policies and stabilize consumer prices. On the domestic front, signs of a modest recovery began to emerge in the Japanese economy as consumer spending and corporate capital investment picked up amid the start of the “with-Corona” era and the lifting of priority measures aimed at preventing the spread of the pandemic in March 2022. While the relevant authorities maintain their monetary easing policies to end deflation in Japan, the pace of the yen's depreciation continues to accelerate due to the series of interest rate hikes in the U.S. and Europe. As a result, the surge in imported product prices, including raw materials and fuel, is placing considerable pressure on corporate earnings household budgets. 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.

In terms of business performance, despite higher sales by revision of sales prices of products such as chemicals, cement, and semiconductor-related products, earnings decreased owing to such factors as the increase in costs including raw material and fuel prices as well as logistics expenses and the deterioration in market conditions.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal 2022	351,790	14,336	14,783	9,364
Fiscal 2021	293,830	24,539	25,855	28,000
Rate of change (%)	19.7	(41.6)	(42.8)	(66.6)

Net sales

Consolidated net sales increased 19.7%, or ¥ 57,960 million compared with the corresponding period of the previous year, to ¥ 351,790 million, largely reflecting progress made in passing along elevated fuel and raw materials prices to sales prices.

Cost of sales

Cost of sales increased 31.5%, or ¥ 62,591 million compared with the corresponding period of the previous year, to ¥ 261,009 million. This was due mainly to a upturn in raw material and fuel costs.

SG&A expenses

SG&A expenses increased 7.9%, or ¥ 5,571 million compared with the corresponding period of the previous year, to ¥ 76,444 million mainly due to increases in logistics costs and R&D expenses.

Operating profit

Operating profit decreased 41.6%, or ¥ 10,202 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 14,336 million. This decrease in operating profit was mainly due to higher logistics, raw material, fuel, and other costs and deterioration in overseas vinyl chloride monomer market conditions.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses deteriorated by ¥ 869 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 42.8%, or ¥ 11,071 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 14,783 million.

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

Extraordinary income/losses deteriorated by ¥ 2,153 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 47.8%, or ¥ 13,225 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 14,424 million.

Profit after deducting income taxes calculated in an appropriate way decreased 66.8%, or ¥ 18,812 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 9,362 million.

Profit attributable to owners of parent decreased 66.6%, or ¥ 18,636 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 9,364 million.

[2] Operating performance by business segment

(Operating results by segment)

(Unit: Millions of yen)

	Fiscal 2022		Fiscal 2021		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	116,263	6,887	101,482	14,225	14.6	(51.6)
Cement	58,511	(3,718)	50,366	(1,912)	16.2	-
Electronic Materials	91,589	7,011	74,966	7,232	22.1	(3.1)
Life Science	37,567	7,377	33,564	6,036	11.9	22.2
Eco Business	13,842	46	10,305	(468)	34.3	-
Others	47,331	2,036	36,302	3,851	30.4	(47.1)
Total	365,105	19,640	307,018	28,964	18.9	(32.2)
Adjustment	(13,314)	(5,303)	(13,188)	(4,425)	-	-
Figures in quarterly consolidated profit statement	351,790	14,336	293,830	24,539	19.7	(41.6)

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

Chemicals

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

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

Profit from soda ash and calcium chloride increased. Despite higher raw material and fuel costs, this was mainly due to successful efforts aimed at passing on the upswing in cost of sales to selling prices in Japan.

As a result of the above, segment net sales increased 14.6% compared with the previous consolidated fiscal year, to ¥ 116,263 million and operating profit decreased 51.6% to ¥ 6,887 million. The segment reported lower earnings on higher sales.

Cement

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

As a result of the above, segment net sales increased 16.2% compared with the previous consolidated fiscal year, to ¥ 58,511 million and operating loss amounted to ¥ 3,718 million (Posted operating loss of ¥ 1,912 million in the previous consolidated fiscal year).

Electronic Materials

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

Profit from IC chemicals declined. Despite progress in the revision of selling prices, this largely reflected the increase in raw material and fuel costs as well as the downturn in sales volumes as a result of the slowdown in semiconductor market conditions.

Profit from fumed silica increased. Despite higher raw material and fuel costs, this was mainly due to progress in the revision of selling prices.

Profit from thermal management materials increased. In addition to firm sales volumes mainly for semiconductor manufacturing equipment, this was largely due to efforts aimed at promoting the revision of sales prices.

As a result of the above, segment net sales increased 22.1% compared with the previous consolidated fiscal year, to ¥ 91,589 million and operating profit decreased 3.1% to ¥ 7,011 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 11.9% compared with the previous consolidated fiscal year, to ¥ 37,567 million and operating profit increased 22.2% to ¥ 7,377 million. The segment reported higher earnings on higher sales.

Eco Business

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

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

As a result of the above, segment net sales increased 34.3% compared with the previous consolidated fiscal year, to ¥ 13,842 million and operating profit amounted to ¥ 46 million (posted operating loss of ¥ 468 million in the previous consolidated fiscal year).

<2> Outlook for fiscal 2023

[1] Outlook for operating forecasts for fiscal 2023

In the fiscal year ending March 31, 2024, while social activities are expected to return increasingly to normal as the with-Corona era firmly takes hold, the outlook for the future is projected to remain extremely uncertain. This is largely due to the rapid tightening of monetary conditions and the rise in raw material and fuel prices attributable to the protracted conflict in Ukraine.

Based on current information, we forecast net sales of ¥ 380 billion, an increase of 8.0% (¥ 28.2 billion) compared with the consolidated fiscal year under review, operating profit of ¥30 billion, a increase of 109.2% (¥ 15.6 billion), ordinary profit of ¥30 billion, a increase of 102.9% (¥ 15.2 billion) and profit attributable to owners of parent of ¥22 billion, a increase of 134.9% (¥ 12.6 billion).

Effective from the fiscal year ending March 31, 2024, the Electronic Materials Segment will be renamed the Electronic & Advanced Materials Segment. There is no impact on segment information as a result of the change in segment name.

In addition, the Company will change its depreciation method for Property, plant and equipment to the straight-line method from the beginning of the fiscal year ending March 31, 2024. This change is expected to reduce depreciation by approximately ¥5.4 billion. The effect of this change on the Company's profit and loss has been factored into data for Operating profit, Ordinary profit, and Profit attributable to owners of parent shown below.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal 2023	380,000	30,000	30,000	22,000
Fiscal 2022	351,790	14,336	14,783	9,364
Rate of change (%)	8.0	109.2	102.9	134.9

These forecasts are calculated based on an exchange rate of ¥130/\$ and a domestic naphtha price of ¥67,000/kl.

[2] Outlook for segment forecasts for fiscal 2023

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. Under these circumstances, the Company will work to secure revenue and earnings by implementing measures to address changes in the business environment, including efforts to strengthen cost competitiveness through the reduction of fixed expenses.

Cement

Domestic demand is expected to remain on par with fiscal 2022 due to sluggish public investment and other factors. However, conditions are projected to recover moderately owing mainly to full-

scale redevelopment work in urban areas. However, we anticipate that the environment surrounding the business, such as trends in raw material prices, will remain beset with uncertainty. Under these circumstances, Tokuyama will work to secure a return to profit by thoroughly reducing manufacturing costs in conjunction with efforts to promote the revision of sales prices.

Electronic & Advanced Materials

Despite a temporary slowdown, the semiconductor market is expected to expand over the medium to long term. In line with the progress being made toward miniaturization, customer demands for higher quality and stable supply are increasing. In such an environment, we will pursue higher quality polycrystalline silicon for semiconductors and thereby set ourselves apart from other companies. Establishing manufacturing and sales bases in Taiwan and South Korea, in IC chemicals we will focus on establishing a global supply system that responds to growing demand. In the case of thermal management materials, we will continue to expand sales of existing products while commercializing new products.

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, Tokuyama will accelerate the development and commercialization of technologies that help reduce CO2 emissions while contributing to a shift in its business portfolio in a bid to realize a sustainable society.

Others

The “Others” segment includes businesses which are responsible for the Group’s 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, 2022	Mar 31, 2023	Amount of change	Rate of change (%)
Assets	433,210	478,342	45,131	10.4
Liabilities	200,292	236,739	36,447	18.2
(Interest-bearing debt)	109,219	142,447	33,227	30.4
Net assets	232,917	241,602	8,684	3.7
(Shareholders' equity)	224,506	229,450	4,944	2.2

Financial indicators

	Mar 31, 2022	Mar 31, 2023	Amount of change
D/E ratio	0.49	0.62	0.13
Net D/E ratio	0.12	0.32	0.20
Shareholders' equity ratio (%)	51.8	48.0	(3.8)
Shareholders' equity ratio based on market price (%)	28.5	31.7	3.2

(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, raw materials and supplies, accounts receivable – trade, investment securities increased by ¥ 15,733 million, ¥ 15,044 million, ¥ 12,399 million, ¥ 1,244 million, respectively.

As a result, total assets amounted to ¥ 478,342 million, an increase of ¥ 45,131 million compared with those as of March 31, 2022.

(Liabilities)

Long-term loans payable and the current portion of long-term loans payable increased ¥ 30,965 million, and short-term loans payable increased ¥ 2,027 million.

As a result, total liabilities amounted to ¥ 236,739 million, up ¥36,447 million compared with those as of March 31, 2022.

(Net assets)

Retained earnings increased ¥ 4,317 million as a result of posting profit attributable to owners of parent mainly, and non-controlling interests increased ¥ 3,740 million.

As a result, net assets totaled ¥ 241,602 million, an increase of ¥ 8,684 million compared with those as of March 31, 2022.

(Financial indicators)

With regard to the consolidated fiscal year under review, the D/E ratio deteriorated 0.13 compared with the previous consolidated fiscal year to 0.62 times due to a ¥ 33,227 million increase in interest-bearing debt, in spite of a ¥ 4,944 increase in shareholders' equity.

<2> Analysis of cash flows

Summary of Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Fiscal 2021	Fiscal 2022
Cash flows from operating activities	25,986	(11,800)
Cash flows from investing activities	(33,797)	(33,757)
Cash flows from financing activities	5,118	30,151
Effect of exchange rate changes on cash and cash equivalents	1,267	445
Net increase (decrease) in cash and cash equivalents	(1,424)	(14,961)
Increase/decrease in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	870	-
Cash and cash equivalents at end of year	82,496	67,566

(Cash flows from operating activities)

Net cash used in operating activities totaled ¥ 11,800 million, a decrease ¥ 37,786 million compared with the previous consolidated fiscal year. This decrease primarily reflects the increase in inventories of ¥ 25,407 million, the increase in trade receivables of ¥ 13,527 million, and the increase in other current assets of ¥ 4,703 million, despite positive factors, such as profit before income taxes of ¥ 14,424 million and depreciation of ¥ 20,773 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥ 33,757 million, an increase of ¥ 39 million compared with the previous consolidated fiscal year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥ 31,916 million.

(Cash flows from financing activities)

Net cash provided in financing activities amounted to ¥ 30,151 million, an increase of ¥ 25,032 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 ¥ 20,827 million and dividends paid of ¥ 5,036 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 CO₂ 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 ¥38.2 billion. Plans are in place to utilize cash on hand and borrowings from financial institutions.

(Liquidity)

Cash and cash equivalents stood at ¥ 67,556 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 business net sales growth rate (CAGR) was 20.1%, which exceeded the target of 10%. This resulted from increases in sales volumes and in the selling prices of semiconductor-related products in the electronic materials segment as well as an increase in overseas shipments of life science segment products such as dental materials. ROE was 4.1%, lower level than the previous consolidated fiscal year.

(4) Basic Policy for Profit Distribution and Dividends for Fiscal 2022 and 2023

As far as the distribution of profits is concerned, Tokuyama's basic policy is to ensure the continuous and stable payment of dividends to its shareholders. Our basic policy remains the taking into consideration of business performance, dividend payout ratio, our medium- to long-term business plans and other factors. Meanwhile, the Company will apply internal reserves to investment and lending as well as capital expenditures with the aim of further enhancing its corporate value.

Tokuyama's basic policy is to pay dividends from surplus twice a year, as an interim and a year-end dividend. The year-end dividend is determined at the Company's Ordinary General Meeting of Shareholders and the interim dividend by the Board of Directors. Tokuyama's 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 Japan's Companies Act.

In fiscal 2022, the Company expects to pay out a year-end dividend of ¥35 per share in line with the basic policy mentioned above.

As far as dividends for the next period are concerned, Tokuyama plans to undertake the payment of an interim and year-end dividend of ¥35 per share respectively based on the assumptions outlined in "<2> Outlook for fiscal 2023 of (1) Analysis of Operating Results."

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	3/31/2022	3/31/2023
Assets		
Current assets		
Cash and deposits	83,116	68,080
Notes receivable - trade	7,212	8,672
Accounts receivable - trade	70,989	83,388
Lease receivables	11	11
Merchandise and finished goods	19,194	24,111
Work in process	14,264	19,902
Raw materials and supplies	22,265	37,310
Other	6,968	12,282
Allowance for doubtful accounts	(72)	(71)
Total current assets	223,950	253,689
Non-current assets		
Property, plant and equipment		
Buildings and structures	108,926	116,841
Accumulated depreciation	(78,815)	(80,555)
Buildings and structures, net	30,111	36,285
Machinery, equipment and vehicles	475,226	487,746
Accumulated depreciation	(424,410)	(430,082)
Machinery, equipment and vehicles, net	50,815	57,663
Tools, furniture and fixtures	23,356	24,395
Accumulated depreciation	(20,368)	(21,125)
Tools, furniture and fixtures, net	2,987	3,269
Land	32,112	33,033
Leased assets	8,682	9,788
Accumulated depreciation	(3,302)	(4,124)
Leased assets, net	5,379	5,664
Construction in progress	18,195	19,419
Total property, plant and equipment	139,602	155,336
Intangible assets		
Goodwill	68	349
Leased assets	25	17
Other	2,588	3,098
Total intangible assets	2,682	3,465
Investments and other assets		
Investment securities	28,255	29,499
Long-term loans receivable	2,094	2,185
Deferred tax assets	21,111	19,416
Retirement benefit asset	10,482	10,023
Other	5,077	4,777
Allowance for investment loss	—	(7)
Allowance for doubtful accounts	(46)	(44)
Total investments and other assets	66,974	65,850
Total non-current assets	209,259	224,653
Total assets	433,210	478,342

(Millions of yen)

	3/31/2022	3/31/2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,055	49,822
Short-term borrowings	463	2,491
Current portion of long-term borrowings	20,823	1,407
Lease liabilities	1,225	1,196
Income taxes payable	2,157	1,231
Asset retirement obligations	—	63
Provision for bonuses	3,462	2,768
Provision for repairs	5,409	3,922
Provision for decommissioning and removal	908	519
Provision for product warranties	73	72
Provision for loss on compensation for damage	108	129
Provision for environmental measures	14	5
Provision for loss on disaster	—	15
Provision for restructuring	47	—
Provision for contract loss	—	469
Other	18,587	24,129
Total current liabilities	102,337	88,244
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	67,951	118,333
Lease liabilities	3,754	4,019
Deferred tax liabilities	248	228
Provision for retirement benefits for directors (and other officers)	194	197
Provision for share awards	33	37
Provision for repairs	1,181	1,513
Provision for decommissioning and removal	874	631
Allowance for loss on compensation for building materials	88	48
Provision for environmental measures	118	90
Retirement benefit liability	2,081	2,113
Asset retirement obligations	57	11
Other	6,370	6,269
Total non-current liabilities	97,954	148,495
Total liabilities	200,292	236,739
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,453	23,443
Retained earnings	180,534	184,852
Treasury shares	(414)	(414)
Total shareholders' equity	213,573	217,880
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,587	4,053
Deferred gains or losses on hedges	(8)	(3)
Foreign currency translation adjustment	4,849	5,630
Remeasurements of defined benefit plans	2,505	1,889
Total accumulated other comprehensive income	10,932	11,569
Non-controlling interests	8,411	12,151
Total net assets	232,917	241,602
Total liabilities and net assets	433,210	478,342

(2) Consolidated Statements of Income

(Millions of yen)

	FY2021	FY2022
Net sales	293,830	351,790
Cost of sales	198,417	261,009
Gross profit	95,412	90,781
Selling, general and administrative expenses		
Selling expenses	44,854	47,440
General and administrative expenses	26,017	29,004
Total selling, general and administrative expenses	70,872	76,444
Operating profit	24,539	14,336
Non-operating income		
Interest income	139	184
Dividend income	502	574
Share of profit of entities accounted for using equity method	1,043	1,592
Outsourcing service income	618	938
Trial products income	610	668
Foreign exchange gains	1,000	—
Other	2,979	2,256
Total non-operating income	6,894	6,214
Non-operating expenses		
Interest expenses	1,382	1,592
Fiduciary obligation expenses	410	684
Foreign exchange losses	—	565
Other	3,785	2,926
Total non-operating expenses	5,578	5,768
Ordinary profit	25,855	14,783
Extraordinary income		
Gain on sale of non-current assets	474	80
Gain on sale of investment securities	161	145
Subsidy income	203	110
Gain on sales of know-how	—	85
Gain on insurance claims	36	22
Gain on step acquisitions	—	5
Compensation income for damages	2,218	—
Other	35	20
Total extraordinary income	3,129	469
Extraordinary losses		
Loss on sale of non-current assets	14	11
Impairment losses	3	12
Loss on disaster	157	70
Loss on tax purpose reduction entry of non-current assets	115	63
Loss on disposal of non-current assets	820	607
Other	224	62
Total extraordinary losses	1,334	827
Profit before income taxes	27,649	14,424
Income taxes - current	4,306	2,703
Income taxes - deferred	(4,831)	2,358
Total income taxes	(525)	5,061
Profit	28,175	9,362
Profit (loss) attributable to non-controlling interests	174	(1)
Profit attributable to owners of parent	28,000	9,364

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2021	FY2022
Profit	28,175	9,362
Other comprehensive income		
Valuation difference on available-for-sale securities	317	466
Deferred gains or losses on hedges	10	5
Foreign currency translation adjustment	2,805	584
Remeasurements of defined benefit plans, net of tax	(199)	(637)
Share of other comprehensive income of entities accounted for using equity method	51	239
Total other comprehensive income	2,985	658
Comprehensive income	31,160	10,021
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,814	10,001
Comprehensive income attributable to non-controlling interests	346	20

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2021	FY2022
Cash flows from operating activities		
Profit before income taxes	27,649	14,424
Depreciation	19,716	20,773
Increase (decrease) in provisions	1,451	(1,293)
Increase (decrease) in retirement benefit liability	102	30
Decrease (increase) in retirement benefit asset	(121)	(458)
Interest and dividend income	(641)	(759)
Foreign exchange losses (gains)	(458)	(317)
Loss (gain) on sale of property, plant and equipment	(460)	(68)
Loss (gain) on sale of investment securities	(161)	(145)
Share of loss (profit) of entities accounted for using equity method	(1,043)	(1,592)
Subsidy income	(203)	(110)
Interest expenses	1,382	1,592
Loss on tax purpose reduction entry of non-current assets	115	63
Impairment losses	3	12
Loss (gain) on disposal of non-current assets	820	607
Gain on insurance claims	(36)	(22)
Loss (gain) on step acquisitions	—	(5)
Compensation for damage income	(2,218)	—
Decrease (increase) in trade receivables	(6,796)	(13,527)
Decrease (increase) in inventories	(15,704)	(25,407)
Decrease (increase) in other current assets	(1,207)	(4,703)
Increase (decrease) in trade payables	8,538	561
Increase (decrease) in other current liabilities	(1,928)	3,074
Other, net	(251)	155
Subtotal	28,547	(7,115)
Interest and dividends received	1,174	1,441
Interest paid	(1,386)	(1,541)
Proceeds from insurance income	36	22
Compensation for damage received	2,218	—
Compensation paid for damage	(117)	(1)
Income taxes refund (paid)	(4,486)	(4,606)
Net cash provided by (used in) operating activities	25,986	(11,800)

	(Millions of yen)	
	FY2021	FY2022
Cash flows from investing activities		
Payments into time deposits	(259)	(1,301)
Proceeds from withdrawal of time deposits	275	1,400
Purchase of property, plant and equipment	(31,887)	(31,916)
Proceeds from sale of property, plant and equipment	713	135
Purchase of investment securities	(428)	(146)
Proceeds from sale of investment securities	547	718
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-370
Long-term loan advances	(201)	(316)
Proceeds from collection of long-term loans receivable	187	190
Subsidies received	203	110
Other, net	(2,948)	(2,261)
Net cash provided by (used in) investing activities	(33,797)	(33,757)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,787)	2,116
Proceeds from long-term borrowings	6,218	51,504
Repayments of long-term borrowings	(9,150)	(20,827)
Proceeds from issuance of bonds	14,926	—
Proceeds from issuance of shares	1,514	4,103
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(312)
Dividends paid	(5,034)	(5,036)
Dividends paid to non-controlling interests	(158)	(144)
Decrease (increase) in treasury shares	(101)	(3)
Other, net	(1,307)	(1,249)
Net cash provided by (used in) financing activities	5,118	30,151
Effect of exchange rate change on cash and cash equivalents	1,267	445
Net increase (decrease) in cash and cash equivalents	(1,424)	(14,961)
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	82,496	67,556

(5) Notes on Consolidated Financial Statements

(Going Concern Assumption)

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 .

(Changes in accounting policy)

Not applicable.

(Additional Information)

Not applicable.

(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,” “Specialty Products,” “Cement,” “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 silicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, chlorinated solvents, and hydrogen
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resource recycling business
Electronic 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

Fiscal 2021 (April 1, 2021 –March 31, 2022)

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Sales									
Sales to customers	101,093	49,679	74,332	33,439	9,935	25,349	293,830	-	293,830
Inter-segment sales/transfer	388	687	664	125	370	10,953	13,188	(13,188)	-
Total	101,482	50,366	74,996	33,564	10,305	36,302	307,018	(13,188)	293,830
Segment profit (loss)	14,225	(1,912)	7,232	6,036	(468)	3,851	28,964	(4,425)	24,539
Segment assets	59,472	58,670	91,008	39,294	12,364	60,593	321,403	111,807	433,210
Other items									
Depreciation expenses*4	2,969	3,953	4,952	1,361	605	4,177	18,020	1,696	19,716
Increase in tangible and intangible fixed assets*5	4,891	4,806	14,348	1,657	924	5,238	31,865	3,190	35,056

*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 (¥ 149,158 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 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 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 (¥ 139,726million).

*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.

(7) Material Subsequent Event

Not applicable.