

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

July 27, 2022

Tokuyama Corporation

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

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Stock exchange listings:

Tokyo

Local Code :

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Scheduled date of dividends payout : -

Preparation of supplementary quarterly explanatory materials: Yes

Quarterly business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal first quarter ended Jun. 30, 2022 (Apr. 1, 2022 – Jun. 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 [%]
First Quarter Fiscal 2022	84,017	24.5	5,108	(31.9)	7,109	(10.1)
First Quarter Fiscal 2021	67,497	(4.4)	7,496	12.7	7,904	18.4

(Note) Comprehensive income: 1st Q FY22: 5,670 million yen [20.0%] 1st Q FY21: 4,724 million yen [(26.1)%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
First Quarter Fiscal 2022	4,482	(9.3)	62.29	-
First Quarter Fiscal 2021	4,941	(5.1)	68.65	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
June 30, 2022	455,661	235,725	49.9	3,161.97
March 31, 2022	433,210	232,917	51.8	3,120.25

(Reference) Shareholders' equity: Jun. 30, 2022: 227,507 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	-				
Fiscal 2022 (Forecast)		35.00	-	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

***Notes**

(1) Changes in significant subsidiaries during this period

: No

(2) Application of accounting methods specific to the preparation of the quarterly consolidated financial statements

: Yes

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (4) Notes on Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)” on page 11 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

- | | |
|--|----|
| i. Changes in accounting policy by revision of accounting standards: | No |
| ii. Changes in accounting policy other than the above: | 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):	1st Quarter Fiscal 2022:	72,088,327	Fiscal 2021:	72,088,327
ii. Number of treasury stock at end of period:	1st Quarter Fiscal 2022:	137,090	Fiscal 2021:	136,954
iii. Average number of shares over period:	1st Quarter Fiscal 2022:	71,951,164	1st Quarter Fiscal 2021:	71,985,131

(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

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

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

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
First Quarter Fiscal 2022	84,017	5,108	7,109	4,482
First Quarter Fiscal 2021	67,497	7,496	7,904	4,941
Rate of change (%)	24.5	(31.9)	(10.1)	(9.3)

Net sales

Consolidated net sales increased 24.5%, or ¥ 16,520 million compared with the corresponding period of the previous year, to ¥ 84,017 million owing to higher sales prices of petrochemical products, cement, and semiconductor-related products.

Cost of sales

Cost of sales increased 38.6%, or ¥ 16,696 million compared with the corresponding period of the previous year, to ¥ 59,900 million. This was due mainly to a upturn in raw material and fuel costs.

SG&A expenses

SG&A expenses increased 13.2%, or ¥ 2,211 million compared with the corresponding period of the previous year, to ¥ 19,008 million mainly due to increases in logistics costs and R&D expenses.

Operating profit

Operating profit decreased 31.9%, or ¥ 2,388 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 5,108 million. Despite upturn in export prices of caustic soda, 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 ¥ 1,593 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 10.1 %, or ¥ 794 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 7,109 million.

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

Extraordinary income/losses improved by ¥ 102 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 8.9%, or ¥ 692 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 7,070 million.

Profit after deducting income taxes calculated in an appropriate way decreased 10.8%, or ¥ 536 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 4,450 million.

Profit attributable to owners of parent decreased 9.3%, or ¥ 459 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 4,482 million.

(Operating results by segment)

(Unit: Millions of yen)

	First Quarter Fiscal 2022		First Quarter Fiscal 2021		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	31,649	4,252	24,046	4,068	31.6	4.5
Cement	14,506	(325)	12,214	562	18.8	-
Electronic Materials	20,479	1,393	16,570	2,132	23.6	(34.6)
Life Science	8,364	1,380	7,496	1,134	11.6	21.7
Eco Business	2,551	(182)	2,218	(194)	15.0	-
Others	9,690	522	7,874	875	23.1	(40.4)
Total	87,242	7,041	70,421	8,579	23.9	(17.9)
Adjustment	(3,224)	(1,932)	(2,923)	(1,082)	-	-
Figures in quarterly consolidated profit statement	84,017	5,108	67,497	7,496	24.5	(31.9)

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

Chemicals

Despite an increase in raw material and fuel costs, earnings from caustic soda increased due to the upturn in 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 31.6% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 31,649 million and operating profit increased 4.5 % to ¥ 4,252 million. The segment reported higher 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 18.8% compared with the corresponding period of the previous year, to ¥ 14,506 million and operating loss amounted to ¥ 325 million (Posted operating profit of ¥ 562 million in the corresponding period of the previous year).

Electronic Materials

Earnings from semiconductor-grade polycrystalline silicon decreased despite firm sales due to the spread of 5G and the expansion of data centers. This downturn largely reflected higher raw material and fuel costs.

Despite robust sales, IC Chemicals earnings decreased since raw material prices rose.

Despite an upswing in raw material costs, earnings from fumed silica increased owing to 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 at the Center for Commercialization of Advanced Technology.

As a result of the above, segment net sales increased 23.6% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 20,479 million and operating profit decreased 34.6% to ¥ 1,393 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 11.6% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 8,364 million and operating profit increased 21.7% to ¥ 1,380 million. The segment reported higher earnings on higher sales.

Eco Business

To make the environment segment one of our business pillars of the future, we consolidated the environment-related businesses scattered within the Group and aims for new business development.

Segment net sales increased 15.0% compared with the corresponding period of the previous year, to ¥ 2,551 million and operating loss amounted to ¥ 182 million (posted operating loss of ¥ 194 million in the corresponding period of the previous year).

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of June 30, 2022, total assets amounted to ¥ 455,661 million, an increase of ¥ 22,450 million compared with those as of March 31, 2022.

This increase primarily reflects the increase of cash and deposits, raw materials and supplies, property, plant and equipment, merchandise and finished goods, and work in process of ¥ 7,893 million, ¥ 6,119 million, ¥ 3,276 million, ¥ 3,015 million and ¥ 1,602 million respectively.

Total liabilities amounted to ¥ 219,935 million, up ¥ 19,642 million compared with those as of March 31, 2022.

The principal factor is the increase in notes and accounts payable – trade, long-term loans borrowings and current portion of long-term loans borrowings, and other current liabilities of ¥ 15,740 million, ¥ 2,735 million, and ¥ 2,190 million respectively, despite decrease in provision for bonuses of ¥ 1,867 million.

Net assets totaled ¥ 235,725 million, an increase of ¥ 2,808 million compared with those as of March 31, 2022.

This mainly reflected the increase of ¥ 1,958 million in retained earnings primarily due to posting profit attributable, and the increase of ¥ 1,968 in foreign currency translation adjustment.

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

Notwithstanding anxieties toward raw material and fuel prices, and other factors, Tokuyama's business performance is currently trending within anticipated parameters. Therefore, the Company has not revised the performance forecasts, announced on April 28, 2022. Details will be disclosed in a timely manner should the need to revise performance forecasts.

The performance forecast has been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	3/31/2022	6/30/2022
Assets		
Current assets		
Cash and deposits	83,116	91,010
Notes receivable - trade	7,212	7,129
Accounts receivable - trade	70,989	70,756
Lease receivables	11	11
Merchandise and finished goods	19,194	22,209
Work in process	14,264	15,866
Raw materials and supplies	22,265	28,385
Other	6,968	7,316
Allowance for doubtful accounts	(72)	(73)
Total current assets	223,950	242,612
Non-current assets		
Property, plant and equipment		
Buildings and structures	108,926	111,063
Accumulated depreciation	(78,815)	(79,373)
Buildings and structures, net	30,111	31,690
Machinery, equipment and vehicles	475,226	480,704
Accumulated depreciation	(424,410)	(428,079)
Machinery, equipment and vehicles, net	50,815	52,625
Tools, furniture and fixtures	23,356	24,046
Accumulated depreciation	(20,368)	(20,675)
Tools, furniture and fixtures, net	2,987	3,370
Land	32,112	32,165
Leased assets	8,682	8,969
Accumulated depreciation	(3,302)	(3,579)
Leased assets, net	5,379	5,390
Construction in progress	18,195	17,636
Total property, plant and equipment	139,602	142,878
Intangible assets		
Goodwill	68	63
Leased assets	25	20
Other	2,588	2,768
Total intangible assets	2,682	2,853
Investments and other assets		
Investment securities	28,255	27,605
Long-term loans receivable	2,094	2,095
Deferred tax assets	21,111	21,675
Retirement benefit asset	10,482	10,965
Other	5,077	5,019
Allowance for doubtful accounts	(46)	(45)
Total investments and other assets	66,974	67,316
Total non-current assets	209,259	213,048
Total assets	433,210	455,661

(Millions of yen)

	3/31/2022	6/30/2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,055	64,795
Short-term borrowings	463	610
Current portion of long-term borrowings	20,823	12,148
Lease liabilities	1,225	1,195
Income taxes payable	2,157	2,377
Provision for bonuses	3,462	1,594
Provision for repairs	5,409	5,597
Provision for decommissioning and removal	908	599
Provision for product warranties	73	31
Provision for loss on compensation for damage	108	109
Provision for environmental measures	14	4
Provision for restructuring	47	—
Other	18,587	20,778
Total current liabilities	102,337	109,841
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	67,951	79,362
Lease liabilities	3,754	3,789
Deferred tax liabilities	248	244
Provision for retirement benefits for directors (and other officers)	194	178
Provision for share awards	33	45
Provision for repairs	1,181	1,891
Provision for decommissioning and removal	874	874
Allowance for loss on compensation for building materials	88	80
Provision for environmental measures	118	118
Retirement benefit liability	2,081	2,066
Asset retirement obligations	57	70
Other	6,370	6,371
Total non-current liabilities	97,954	110,093
Total liabilities	200,292	219,935
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,453	23,451
Retained earnings	180,534	182,493
Treasury shares	(414)	(413)
Total shareholders' equity	213,573	215,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,587	2,716
Deferred gains or losses on hedges	(8)	(5)
Foreign currency translation adjustment	4,849	6,817
Remeasurements of defined benefit plans	2,505	2,448
Total accumulated other comprehensive income	10,932	11,976
Non-controlling interests	8,411	8,218
Total net assets	232,917	235,725
Total liabilities and net assets	433,210	455,661

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q1 FY2021 YTD	Q1 FY2022 YTD
Net sales	67,497	84,017
Cost of sales	43,203	59,900
Gross profit	24,293	24,116
Selling, general and administrative expenses		
Selling expenses	10,745	11,981
General and administrative expenses	6,051	7,026
Total selling, general and administrative expenses	16,796	19,008
Operating profit	7,496	5,108
Non-operating income		
Interest income	15	16
Dividend income	281	356
Share of profit of entities accounted for using equity method	303	583
Foreign exchange gains	74	1,210
Outsourcing service income	156	481
Other	1,124	834
Total non-operating income	1,956	3,484
Non-operating expenses		
Interest expenses	353	357
Fiduciary obligation expenses	146	402
Comprehensive welfare group term insurance expenses	182	183
Cost of idle operations	118	151
Other	749	387
Total non-operating expenses	1,549	1,483
Ordinary profit	7,904	7,109
Extraordinary income		
Gain on sale of non-current assets	1	35
Subsidy income	76	40
Gain on forgiveness of debts	—	19
Gain on insurance claims	—	1
Total extraordinary income	78	97
Extraordinary losses		
Impairment losses	—	8
Loss on disaster	31	3
Loss on tax purpose reduction entry of non-current assets	67	26
Loss on disposal of non-current assets	120	97
Total extraordinary losses	218	135
Profit before income taxes	7,763	7,070
Income taxes	2,777	2,620
Profit	4,986	4,450
Profit (loss) attributable to non-controlling interests	44	(31)
Profit attributable to owners of parent	4,941	4,482

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2021 YTD	Q1 FY2022 YTD
Profit	4,986	4,450
Other comprehensive income		
Valuation difference on available-for-sale securities	(584)	(869)
Deferred gains or losses on hedges	4	3
Foreign currency translation adjustment	245	2,040
Remeasurements of defined benefit plans, net of tax	7	(57)
Share of other comprehensive income of entities accounted for using equity method	64	102
Total other comprehensive income	(261)	1,220
Comprehensive income	4,724	5,670
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,685	5,526
Comprehensive income attributable to non-controlling interests	39	144

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Major Changes in Shareholders' Equity)

Not applicable.

(Changes in significant subsidiaries during this period)

Not applicable.

(Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)

(Calculation of Tax Expense)

The Company rationally estimated the effective tax rate after the application of accounting policy for deferred tax, which was applied to the profit/loss before income tax for the consolidated fiscal year under review including the first quarter consolidated accounting period for the consolidated fiscal year ending March 31, 2023, and calculated the tax expense by multiplying the estimated effective tax rate to the profit/loss before income tax. However, if the application of said estimated effective tax rate reduces the rationality of the calculation of tax expense, the Company applies the effective statutory tax rate.

(Additional Information)

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

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

(5) Segment information

First Quarter Fiscal 2021 (April 1, 2021 – June 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	23,955	90	24,046	4,068
Cement	12,031	182	12,214	562
Electronic Materials	16,377	192	16,570	2,132
Life Science	7,491	5	7,496	1,134
Eco Business	2,217	0	2,218	(194)
Others*1	5,423	2,451	7,874	875
Total	67,497	2,923	70,421	8,579
Adjustment*2	-	(2,923)	(2,923)	(1,082)
Figures in quarterly consolidated profit statement*3	67,497	-	67,497	7,496

*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.

First Quarter Fiscal 2022 (April 1, 2022 –June 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	31,574	75	31,649	4,252
Cement	14,270	235	14,506	(325)
Electronic Materials	20,346	133	20,479	1,393
Life Science	8,361	3	8,364	1,380
Eco Business	2,534	16	2,551	(182)
Others*1	6,930	2,760	9,690	522
Total	84,017	3,224	87,242	7,041
Adjustment*2	-	(3,224)	(3,224)	(1,932)
Figures in quarterly consolidated profit statement*3	84,017	-	84,017	5,108

*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

Not applicable.