

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

October 27, 2023

Tokuyama Corporation

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

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Stock exchange listings:

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Scheduled date of dividends payout : December 1, 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 Second quarter ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)

(1) Performance

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

	Net sales		Operating profit		Ordinary profit	
	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]
Second Quarter Fiscal 2023	166,105	(0.2)	8,576	3.4	8,962	(17.5)
Second Quarter Fiscal 2022	166,370	25.4	8,296	(28.9)	10,870	(9.4)

(Note) Comprehensive income: 2nd Q FY23: 11,324 million yen [48.8%] 2nd Q FY22: 7,608 million yen [(19.5)%]

	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 2023	6,228	(5.1)	86.56	-
Second Quarter Fiscal 2022	6,565	(29.1)	91.25	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
September 30, 2023	459,301	248,135	51.7	3,298.13
March 31, 2023	478,342	241,602	48.0	3,189.01

(Reference) Shareholders' equity: Sep. 30, 2023: 237,306 million yen Mar. 31, 2023: 229,450 million yen

2. Dividends

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

(Note) Revision of the latest dividends forecast: No

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

(% indicates the rate of change over the corresponding previous periods respectively)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
Fiscal 2023	355,000	0.9	30,000	109.2	30,000	102.9	22,000	134.9	305.76

(Note) Revision of the latest consolidated performance forecast: Yes

* The Company announced the release, "Notice concerning Revision of Performance Forecast for Fiscal 2023," on Oct. 27, 2023.

***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 (5) Notes on Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)” on page 14 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

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

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (5) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)” on page 14 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

i. Number of shares issued at end of period (including treasury stock):	2nd Quarter Fiscal 2023:	72,088,327	Fiscal 2022:	72,088,327
ii. Number of treasury stock at end of period:	2nd Quarter Fiscal 2023:	136,502	Fiscal 2022:	137,882
iii. Average number of shares over period:	2nd Quarter Fiscal 2023:	71,951,156	2nd Quarter Fiscal 2022:	71,951,355

(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.

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

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

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Second Quarter Fiscal 2023	166,105	8,576	8,962	6,228
Second Quarter Fiscal 2022	166,370	8,296	10,870	6,565
Rate of change (%)	(0.2)	3.4	(17.5)	(5.1)

Net sales

Consolidated net sales decreased 0.2%, or ¥ 265 million compared with the corresponding period of the previous year, to ¥ 166,105 million. Despite higher sales prices for cement and robust growth in sales of healthcare related products, this decline largely reflected weak sales of semiconductor related products and chemicals.

Cost of sales

Cost of sales increased 0.1%, or ¥ 175 million compared with the corresponding period of the previous year, to ¥ 120,704 million. Despite the decline in sales volume, this was mainly due to the write-down of coal inventories.

SG&A expenses

SG&A expenses decreased 1.9%, or ¥ 720 million compared with the corresponding period of the previous year, to ¥ 36,824 million mainly due to the decline in logistics costs coinciding with sluggishness in sales volume.

Operating profit

Operating profit increased 3.4%, or ¥ 279 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 8,576 million. Despite the decrease in sales volume of semiconductor related products and weak market conditions for chemicals overseas, this largely reflects higher sales prices for cement and chemicals in Japan as well as robust growth in sales of healthcare related products.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses deteriorated by ¥ 2,187 million compared with the corresponding period of the previous consolidated fiscal year mainly due to the decline in foreign exchange gains and share of profit of entities accounted for using equity method.

As a result of the above, ordinary profit decreased 17.5 %, or ¥ 1,907 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 8,962 million.

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

Extraordinary income/losses improved by ¥ 632 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 11.9%, or ¥ 1,275 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 9,438 million.

Profit after deducting income taxes calculated in an appropriate way decreased 6.8%, or ¥ 448 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 6,123 million.

Profit attributable to owners of parent decreased 5.1%, or ¥ 337 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 6,228 million.

(Operating results by segment)

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

(Unit: Millions of yen)

	Second Quarter Fiscal 2023		Second Quarter Fiscal 2022		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	55,805	5,254	57,789	4,754	(3.4)	10.5
Cement	32,573	2,261	28,861	(1,811)	12.9	-
Electronic Materials	35,918	625	41,341	3,363	(13.1)	(81.4)
Life Science	20,356	4,073	18,011	3,316	13.0	22.8
Eco Business	4,341	(307)	6,336	298	(31.5)	-
Others	22,199	(970)	20,379	853	8.9	-
Total	171,194	10,937	172,719	10,773	(0.9)	1.5
Adjustment	(5,089)	(2,361)	(6,349)	(2,476)	-	-
Figures in quarterly consolidated profit statement	166,105	8,576	166,370	8,296	(0.2)	3.4

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

Chemicals

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

Vinyl chloride monomer and vinyl chloride resin earnings declined due to the impact of overseas market conditions.

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

As a result of the above, segment net sales decreased 3.4% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 55,805 million and operating profit increased 10.5 % to ¥ 5,254 million. The segment reported higher earnings on lower sales.

Cement

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

As a result of the above, segment net sales increased 12.9% compared with the corresponding period of the previous year, to ¥ 32,573 million and operating profit amounted to ¥ 2,261 million (Posted operating loss of ¥ 1,811 million in the corresponding period of the previous year).

Electronic Materials

Semiconductor-grade polycrystalline silicon earnings declined. Despite efforts to revise sales prices, this was mainly due to the decline in sales volume owing to a slowdown in the semiconductor market.

IC chemical earnings improved. While sales volume decreased owing to a slowdown in the semiconductor market, this largely reflected the decline in raw material and fuel costs.

Fumed silica earnings declined due to the decrease in sales volume attributable to a slowdown in the semiconductor market and economic conditions in China.

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

As a result of the above, segment net sales decreased 13.1% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 35,918 million and operating profit decreased 81.4% to ¥ 625 million. The segment reported lower earnings on lower sales.

Life Science

Dental materials earnings grew thanks largely to robust shipments in Japan and overseas.

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

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

As a result of the above, segment net sales increased 13.0% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 20,356 million and operating profit increased 22.8% to ¥ 4,073 million. The segment reported higher earnings on higher sales.

Eco Business

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

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

Segment net sales decreased 31.5% compared with the corresponding period of the previous year,

to ¥ 4,341 million and operating loss amounted to ¥ 307 million (posted operating profit of ¥ 298 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, 2023, total assets amounted to ¥ 459,301 million, a decrease of ¥ 19,040 million compared with those as of March 31, 2023.

Despite the increase of property, plant and equipment, and merchandise and finished goods of ¥ 8,212 million, and ¥ 5,923 million respectively, this decrease primarily reflects the decrease of Accounts receivable - trade, raw materials and supplies, and cash and deposits of ¥ 17,125 million, ¥ 9,558 million, and ¥ 6,483 million respectively.

Total liabilities amounted to ¥ 211,165 million, a decrease of ¥ 25,573 million compared with those as of March 31, 2023.

Despite the increase of short-term borrowings, and commercial papers of ¥ 15,914 million, and ¥ 15,000 million respectively, this decrease primarily reflects the decrease of Long-term borrowings and current portion of long-term borrowings of ¥ 57,235 million.

Net assets totaled ¥ 248,135 million, an increase of ¥ 6,533 million compared with those as of March 31, 2023.

This mainly reflected the increase of ¥ 3,584 million in retained earnings primarily due to posting profit attributable, and the increase of ¥ 2,606 million in Valuation difference on available-for-sale securities.

(Status of cash flows)

As of September 30, 2023, cash and cash equivalents were ¥ 61,249 million, a decrease of ¥ 6,307 million compared with those as of March 31, 2023.

Net cash provided by operating activities totaled ¥ 38,671 million in the period of the second quarter fiscal 2023 (net cash provided by operating activities was ¥ 349 million in the corresponding period of the previous fiscal year). Cash provided included ¥9,438 million from income before income taxes and noncontrolling interests, ¥14,983 million decrease in trade receivables, ¥8,472 million in depreciation and amortization, and ¥3,994 million increase in trade payables.

Net cash used in investing activities totaled ¥ 14,255 million in the period of the second quarter fiscal 2023 (net cash used in investing activities was ¥ 16,270 million in the corresponding period of the previous fiscal year). Cash provided included ¥1,435 million from proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation. Cash used included ¥ 16,947 million from payments for purchases of property, plant and equipment.

Net cash used in financing activities totaled ¥31,937 million in the period of the second quarter fiscal 2023 (net cash provided by financing activities was ¥ 31,792 million in the corresponding period of the previous fiscal year). Cash provided included ¥15,000 million from increase in commercial papers. Cash used included ¥ 60,325 million from repayment of long-term loans

payable.

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

Performance forecasts announced on April 28, 2023 revised in light of such factors as trends in the semiconductor market; for details, please refer to “Notice Concerning Revision of Performance Forecasts for Fiscal 2023” dated October 27, 2023

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

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	3/31/2023	9/30/2023
Assets		
Current assets		
Cash and deposits	68,080	61,596
Notes receivable - trade	8,672	9,586
Accounts receivable - trade	83,388	66,263
Lease receivables	11	11
Merchandise and finished goods	24,111	30,035
Work in process	19,902	19,510
Raw materials and supplies	37,310	27,751
Other	12,282	9,115
Allowance for doubtful accounts	△71	△74
Total current assets	253,689	223,796
Non-current assets		
Property, plant and equipment		
Buildings and structures	116,841	118,194
Accumulated depreciation	△80,555	△79,734
Buildings and structures, net	36,285	38,459
Machinery, equipment and vehicles	487,746	490,233
Accumulated depreciation	△430,082	△429,557
Machinery, equipment and vehicles, net	57,663	60,676
Tools, furniture and fixtures	24,395	24,241
Accumulated depreciation	△21,125	△20,622
Tools, furniture and fixtures, net	3,269	3,619
Land	33,033	33,092
Leased assets	9,788	11,156
Accumulated depreciation	△4,124	△4,523
Leased assets, net	5,664	6,632
Construction in progress	19,419	21,067
Total property, plant and equipment	155,336	163,548
Intangible assets		
Goodwill	349	293
Leased assets	17	26
Other	3,098	3,136
Total intangible assets	3,465	3,456
Investments and other assets		
Investment securities	29,499	32,413
Long-term loans receivable	2,185	2,057
Deferred tax assets	19,416	19,619
Retirement benefit asset	10,023	9,764
Other	4,777	4,700
Allowance for investment loss	△7	△7
Allowance for doubtful accounts	△44	△47
Total investments and other assets	65,850	68,500
Total non-current assets	224,653	235,505
Total assets	478,342	459,301

(Millions of yen)

	3/31/2023	9/30/2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,822	53,405
Short-term borrowings	2,491	18,405
Commercial papers	—	15,000
Current portion of long-term borrowings	1,407	2,554
Lease liabilities	1,196	1,219
Income taxes payable	1,231	3,011
Provision for bonuses	2,768	2,833
Provision for repairs	3,922	3,212
Provision for decommissioning and removal	519	455
Provision for product warranties	72	64
Provision for loss on compensation for damage	129	20
Provision for environmental measures	5	3
Provision for loss on disaster	15	—
Provision for contract loss	469	—
Asset retirement obligations	63	63
Other	24,129	20,662
Total current liabilities	88,244	120,911
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	118,333	59,951
Lease liabilities	4,019	4,802
Deferred tax liabilities	228	252
Provision for retirement benefits for directors (and other officers)	197	129
Provision for share awards	37	62
Provision for repairs	1,513	1,781
Provision for decommissioning and removal	631	326
Allowance for loss on compensation for building materials	48	32
Provision for environmental measures	90	81
Retirement benefit liability	2,113	1,747
Asset retirement obligations	11	13
Other	6,269	6,074
Total non-current liabilities	148,495	90,254
Total liabilities	236,739	211,165
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,443	22,960
Retained earnings	184,852	188,436
Treasury shares	△414	△409
Total shareholders' equity	217,880	220,987
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,053	6,660
Deferred gains or losses on hedges	△3	△1
Foreign currency translation adjustment	5,630	8,007
Remeasurements of defined benefit plans	1,889	1,652
Total accumulated other comprehensive income	11,569	16,318
Non-controlling interests	12,151	10,829
Total net assets	241,602	248,135
Total liabilities and net assets	478,342	459,301

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q2 FY2022 YTD	Q2 FY2023 YTD
Net sales	166,370	166,105
Cost of sales	120,528	120,704
Gross profit	45,842	45,401
Selling, general and administrative expenses		
Selling expenses	23,503	21,742
General and administrative expenses	14,041	15,082
Total selling, general and administrative expenses	37,545	36,824
Operating profit	8,296	8,576
Non-operating income		
Interest income	53	109
Dividend income	370	349
Share of profit of entities accounted for using equity method	1,065	428
Foreign exchange gains	1,934	638
Other	2,219	1,596
Total non-operating income	5,642	3,122
Non-operating expenses		
Interest expenses	779	874
Other	2,288	1,861
Total non-operating expenses	3,068	2,736
Ordinary profit	10,870	8,962
Extraordinary income		
Gain on sale of non-current assets	41	17
Gain on sale of investment securities	11	609
Subsidy income	42	76
Gain on forgiveness of debts	19	—
Gain on insurance claims	16	—
Gain on step acquisitions	5	—
Total extraordinary income	138	703
Extraordinary losses		
Loss on sale of non-current assets	—	1
Impairment losses	14	—
Loss on disaster	17	13
Loss on tax purpose reduction entry of non-current assets	26	28
Loss on disposal of non-current assets	174	171
Loss on sale of shares of subsidiaries and associates	—	12
Retirement benefit expenses	61	—
Total extraordinary losses	295	227
Profit before income taxes	10,713	9,438
Income taxes	4,140	3,314
Profit	6,572	6,123
Profit (loss) attributable to non-controlling interests	7	△104
Profit	6,565	6,228

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q2 FY2022 YTD	Q2 FY2023 YTD
Profit	6,572	6,123
Other comprehensive income		
Valuation difference on available-for-sale securities	△874	2,603
Deferred gains or losses on hedges	3	1
Foreign currency translation adjustment	1,816	2,634
Remeasurements of defined benefit plans, net of tax	△114	△236
Share of other comprehensive income of entities accounted for using equity method	204	197
Total other comprehensive income	1,035	5,200
Comprehensive income	7,608	11,324
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,609	10,988
Comprehensive income attributable to non-controlling interests	△1	336

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Q2 FY2022 YTD	Q2 FY2023 YTD
Cash flows from operating activities		
Profit before income taxes	10,713	9,438
Depreciation	9,725	8,472
Increase (decrease) in provisions	△855	△1,008
Increase (decrease) in retirement benefit liability	65	2
Decrease (increase) in retirement benefit asset	△520	△90
Interest and dividend income	△423	△458
Foreign exchange losses (gains)	△758	△467
Loss (gain) on sale of property, plant and equipment	△41	△15
Loss (gain) on sale of investment securities	△11	△609
Loss (gain) on sale of shares of subsidiaries and associates	—	12
Share of loss (profit) of entities accounted for using equity method	△1,065	△428
Loss (gain) on step acquisitions	△5	—
Subsidy income	△42	△76
Interest expenses	779	874
Loss on tax purpose reduction entry of non-current assets	26	28
Impairment losses	14	—
Loss (gain) on disposal of non-current assets	174	171
Gain on insurance claims	△16	—
Decrease (increase) in trade receivables	3,421	14,983
Decrease (increase) in inventories	△27,267	3,401
Decrease (increase) in other current assets	△5,502	2,026
Increase (decrease) in trade payables	13,286	3,994
Increase (decrease) in other current liabilities	686	△1,242
Other, net	103	567
Subtotal	2,487	39,575
Interest and dividends received	1,096	949
Interest paid	△718	△908
Proceeds from insurance income	16	—
Income taxes refund (paid)	△2,532	△945
Net cash provided by (used in) operating activities	349	38,671
Cash flows from investing activities		
Payments into time deposits	△26	△11
Proceeds from withdrawal of time deposits	110	200
Purchase of property, plant and equipment	△14,853	△16,947
Proceeds from sale of property, plant and equipment	59	853
Purchase of investment securities	△329	△544
Proceeds from sale of investment securities	59	1,364
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△140	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,435
Long-term loan advances	△43	△15
Proceeds from collection of long-term loans receivable	94	452
Subsidies received	42	76
Other, net	△1,243	△1,118
Net cash provided by (used in) investing activities	△16,270	△14,255

(Millions of yen)

	Q2 FY2022 YTD	Q2 FY2023 YTD
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	240	15,772
Increase (decrease) in commercial papers	—	15,000
Proceeds from long-term borrowings	51,504	2,846
Repayments of long-term borrowings	△20,493	△60,325
Proceeds from issuance of shares	4,103	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△304	△1,913
Dividends paid	△2,517	△2,518
Dividends paid to non-controlling interests	△61	△145
Decrease (increase) in treasury shares	△1	△0
Other, net	△678	△652
Net cash provided by (used in) financing activities	31,792	△31,937
Effect of exchange rate change on cash and cash equivalents	1,127	1,240
Net increase (decrease) in cash and cash equivalents	16,998	△6,280
Cash and cash equivalents at beginning of period	82,496	67,556
Increase/decrease in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	—	△27
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	21	0
Cash and cash equivalents at end of period	99,516	61,249

(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)

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 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.

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

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

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

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

As far as the second quarter of the fiscal year under review is concerned, operating profit increased ¥1,317 million, and both ordinary profit and profit before income taxes climbed ¥1,339 million compared with the corresponding amounts based on the previous depreciation method. In addition, segment operating profit for Chemicals, Cement, Electronic & Advanced Materials, Life Science, Eco Business, and Others increased ¥334 million, ¥374 million, ¥187 million, ¥112 million, ¥66 million, and ¥98 million, respectively, in the second quarter of the fiscal year under review.