

## Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2020 (JPGAAP)

October 28, 2020

### 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 : December 1, 2020

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 Sept. 30, 2020 (Apr. 1, 2020 – Sept. 30, 2020)

(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 2020	143,289	(6.2)	12,941	(11.4)	12,498	(8.4)
Second Quarter Fiscal 2019	152,749	0.0	14,612	(14.1)	13,643	(11.8)

(Note) Comprehensive income: 2nd Q FY20: 11,696 million yen [25.0%] 2nd Q FY19: 9,359 million yen [(25.9)%]

	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 2020	9,994	(3.9)	143.90	-
Second Quarter Fiscal 2019	10,400	(19.0)	149.75	-

#### (2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
September 30, 2020	379,306	190,371	46.9	2,560.17
March 31, 2020	383,447	180,429	44.0	2,431.21

(Reference) Shareholders' equity: Sept. 30, 2020: 177,821 million yen Mar. 31, 2020: 168,861 million yen

### 2. Dividends

(Period)	Annual dividends per share				
	1st quarter (yen)	2nd quarter (yen)	3rd quarter (yen)	Year-end (yen)	Total (yen)
Fiscal 2019, ended Mar 31, 2020	-	35.00	-	35.00	70.00
Fiscal 2020, ending Mar 31, 2021	-	35.00			
Fiscal 2020 (Forecast)			-	35.00	70.00

(Note) Revision of the latest dividends forecast: Yes

\* The Company announced the release, "Notice concerning Revision of Performance Forecast and Dividend Forecast for Fiscal 2020," on Oct. 28, 2020.

### 3. Consolidated performance forecast for fiscal 2020 (April 1, 2020 - March 31, 2021)

(% 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 2020	300,000	(5.1)	28,000	(18.3)	28,000	(14.7)	22,000	10.3	316.75

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

\* The Company announced the release, "Notice concerning Revision of Performance Forecast and Dividend Forecast for Fiscal 2020," on Oct. 28, 2020.

**\*Notes**

**(1) Changes in significant subsidiaries during this period**

: Yes

**Addition to the scope of consolidation:** -

**Reduction from the scope of consolidation:** 1 (Company Name: Tianjin Tokuyama Plastics Co., Ltd.)

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (5) Notes on Quarterly Consolidated Financial Statements (Changes in significant subsidiaries during this period)” on page 14 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

: Yes

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (5) Notes on Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)” on page 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 of accounting policies by revision of accounting standards: No
- ii. Changes of accounting policies other than the above: No
- iii. Changes in accounting estimates: No
- iv. Retrospective restatements: No

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

i. Number of shares issued at end of period (including treasury stock):	2nd Quarter Fiscal 2020:	69,934,375	Fiscal 2019:	69,934,375
ii. Number of treasury stock at end of period:	2nd Quarter Fiscal 2020:	477,506	Fiscal 2019:	478,862
iii. Average number of shares over period:	2nd Quarter Fiscal 2020:	69,456,302	2nd Quarter Fiscal 2019:	69,454,574

(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 supplementary materials “Presentation for IR Meeting” through TDnet at the same date.

Contents for Accompanying Materials

- 1. Qualitative information on consolidated results for this quarter ..... P. 2
  - (1) Explanation concerning business results ..... P. 2
  - (2) Explanation concerning financial position ..... P. 6
  - (3) Explanation concerning information related to future prediction such as consolidated performance forecast ..... P. 7
- 2. Quarterly Consolidated Financial Statements ..... P. 8
  - (1) Quarterly Consolidated Balance Sheets ..... P. 8
  - (2) Quarterly Consolidated Statements of Income ..... P. 10
  - (3) Quarterly Consolidated Statements of Comprehensive Income ..... P. 11
  - (4) Consolidated Statements of Cash Flows ..... P. 12
  - (5) Notes on Quarterly Consolidated Financial Statements ..... P. 14
  - (6) Segment Information ..... P. 15
  - (7) Material Subsequent Event ..... P. 16

## 1. Qualitative information on consolidated results for this quarter

### (1) Explanation concerning business results

Consolidated results for the second quarter fiscal 2020 (April 1, 2020 - September 30, 2020) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
<b>Second Quarter Fiscal 2020</b>	<b>143,289</b>	<b>12,941</b>	<b>12,498</b>	<b>9,994</b>
Second Quarter Fiscal 2019	152,749	14,612	13,643	10,400
Rate of change (%)	(6.2)	(11.4)	(8.4)	(3.9)

#### Net sales

Consolidated net sales decreased 6.2%, or ¥9,460 million compared with the corresponding period of the previous year, to ¥143,289 million. Despite firm sales of semiconductor-related products, this decrease was largely attributable to the impact of the novel coronavirus (COVID-19) pandemic, which triggered the drop in sales volumes of caustic soda in Japan, weak petrochemical product sales prices, and lower export volumes of dental materials to Europe and the United States.

#### Cost of sales

Cost of sales decreased 7.0%, or ¥7,484 million compared with the corresponding period of the previous year, to ¥98,777 million. This was due mainly to a downturn in raw material and fuel costs.

#### SG&A expenses

SG&A expenses decreased 1.0%, or ¥305 million compared with the corresponding period of the previous year, to ¥31,570 million. While R&D and other expenses increased, this decrease largely reflected the drop in advertising expenses and such operating costs as travel expenses due to the COVID-19 pandemic.

**Operating profit**

Operating profit decreased 11.4 %, or ¥1,670 million compared with the corresponding period of the previous consolidated fiscal year, to ¥12,941 million. Despite lower raw material and fuel costs, this decrease in operating profit was mainly due to the impact of COVID-19, which triggered a drop in sales volumes of caustic soda in Japan, and weak petrochemical product sales prices.

**Non-operating income/expenses, Ordinary profit**

Non-operating income/expenses improved by ¥525 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 8.4%, or ¥1,145 million compared with the corresponding period of the previous consolidated fiscal year, to ¥12,498 million.

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

Extraordinary income/losses deteriorated by ¥148 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes decreased 9.6%, or ¥1,293 million compared with the corresponding period of the previous consolidated fiscal year, to ¥12,117 million.

Profit after deducting income taxes calculated in an appropriate way decreased 3.5%, or ¥376 million compared with the corresponding period of the previous consolidated fiscal year, to ¥10,340 million.

Profit attributable to owners of parent decreased 3.9%, or ¥406 million compared with the corresponding period of the previous consolidated fiscal year, to ¥9,994 million.

(Operating results by segment)

Sales

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>Second Quarter Fiscal 2020</b>	<b>38,527</b>	<b>26,052</b>	<b>42,726</b>	<b>24,945</b>	<b>27,701</b>	<b>159,954</b>	<b>(16,664)</b>	<b>143,289</b>
Second Quarter Fiscal 2019	46,348	24,603	42,719	27,722	32,261	173,655	(20,905)	152,749
Rate of change (%)	(16.9)	5.9	0.0	(10.0)	(14.1)	(7.9)	-	(6.2)

Operating profit

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>Second Quarter Fiscal 2020</b>	<b>5,386</b>	<b>2,746</b>	<b>2,335</b>	<b>823</b>	<b>2,873</b>	<b>14,164</b>	<b>(1,222)</b>	<b>12,941</b>
Second Quarter Fiscal 2019	7,511	2,813	1,185	1,562	2,462	15,535	(923)	14,612
Rate of change (%)	(28.3)	(2.4)	96.9	(47.3)	16.7	(8.8)	-	(11.4)

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

## Chemicals

Caustic soda earnings declined. This downturn in earnings was largely due to the drop in sales volumes in Japan owing to the spread of COVID-19 and a deterioration in overseas market conditions.

Vinyl chloride monomer (VCM) earnings decreased. Despite a downturn in manufacturing costs as a result of the drop in domestic naphtha prices, this decrease in earnings was mainly attributable to COVID-19, which placed downward pressure on overseas market conditions.

Results in vinyl chloride resin were essentially in line with the corresponding period of the previous consolidated fiscal year. This largely reflected robust demand in overseas market and the Company's ability to maintain the spread between raw material costs and selling prices.

Soda ash earnings declined. This downturn in earnings was largely due to the drop in sales volumes in Japan owing to the spread of COVID-19.

As a result of the above, segment net sales decreased 16.9% compared with the corresponding period of the previous consolidated fiscal year, to ¥38,527 million and operating profit decreased 28.3% to ¥5,386 million. The segment reported lower earnings on lower sales.

## **Specialty Products**

Semiconductor-grade polycrystalline silicon results were also in line with the corresponding period of the previous consolidated fiscal year owing to firm sales on the back of the introduction of 5G and an increase in remote work.

Earnings from high-purity chemicals for electronic manufacturing increased. This was due to an increase in the volume mainly overseas.

Earnings of fumed silica decreased largely due to the drop in sales volumes owing to the spread of COVID-19.

As a result of the above, segment net sales increased 5.9% compared with the corresponding period of the previous consolidated fiscal year, to ¥26,052 million and operating profit decreased 2.4% to ¥2,746 million. The segment reported lower earnings on higher sales.

## **Cement**

Cement earnings increased. This upswing in earnings reflected the limited impact of COVID-19 on domestic shipments and successful steps to reduce manufacturing costs on the back of a decline in raw material prices.

As a result of the above, segment net sales increased 0.0% compared with the corresponding period of the previous consolidated fiscal year, to ¥42,726 million and operating profit increased 96.9% to ¥2,335 million. The segment reported higher earnings on higher sales.

## **Life & Amenity**

Earnings from plastic lens-related materials decreased as a result of COVID-19, which pushed down export volumes of photochromic materials for eyeglass lenses to Europe and the United States.

With regard to microporous film, earnings increased as robust demand for sanitary articles including disposable diapers.

Earnings from polyolefin film increased. While sales volumes were weak, this largely reflected the Company's ability to improve the spread between raw material costs and selling prices.

Impacted by the spread of COVID-19, export volumes of dental materials to Europe and the United States also declined resulting in a drop in earnings.

As a result of the above, segment net sales decreased 10.0% compared with the corresponding period of the previous consolidated fiscal year, to ¥24,945 million and operating profit decreased 47.3% to ¥823 million. The segment reported lower earnings on lower sales.

## **(2) Explanation concerning financial position**

### **(Status of assets, liabilities and net assets)**

As of September 30, 2020, total assets amounted to ¥ 379,306 million, an decrease of ¥ 4,140 million compared with those as of March 31, 2020.

This decrease primarily reflects the decrease of notes and accounts receivable - trade of ¥9,658 million, despite the increase of investment securities due to valuation of investment securities, other current assets, merchandise and finished goods, and work in process of ¥2,372, ¥1,438, ¥800, and ¥769 million, respectively.

Total liabilities amounted to ¥ 188,935 million, down ¥ 14,082 million compared with those as of March 31, 2020.

The principal factors are a decrease in long-term loans payable and current portion of long-term loans payable, other current liabilities mainly due to accounts payable – facilities paid, and notes and accounts payable-trade of ¥6,171 million, ¥4,846 million, and ¥3,340 million, respectively.

Net assets totaled ¥190,371 million, an increase of ¥9,941 million compared with those as of March 31, 2020.

This mainly reflected the increase of retained earnings primarily due to posting profit attributable and valuation difference on available-for-sale securities of ¥7,560 million and ¥1,352 million respectively.

### **(Status of cash flows)**

As of September 30, 2020, cash and cash equivalents were ¥81,406 million, an increase of ¥487 million compared with those as of March 31, 2020.

Net cash provided by operating activities totaled ¥20,702 million, an decrease of ¥8,554 million compared with the corresponding period of the previous year.

Principal items included profit before income taxes of ¥12,117 million , decrease of accounts receivable of 9,725 million and depreciation of ¥8,180 million.

Net cash used in investing activities totaled ¥11,237 million, an increase of ¥508 million compared with the corresponding period of the previous year.

Major contributory factor was payments for purchases of property, plant and equipment of ¥11,491 million.

Net cash used in financing activities amounted to ¥9,016 million, an increase of ¥467 million compared with the corresponding period of the previous year.

This was primarily attributed to payments for repayment of long-term loans payable of ¥6,175 million and dividends paid of ¥ 2,429 million.



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

Based on the current performance trend and other factors, the Company has revised the performance forecast and dividend forecast, announced on May 15, 2020. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast and Dividend Forecast for Fiscal 2020," dated October 28, 2020.

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)

	3/31/2020	9/30/2020
<b>Assets</b>		
Current assets		
Cash and deposits	81,524	82,032
Notes and accounts receivable - trade	72,929	63,270
Lease receivables	34	32
Merchandise and finished goods	18,506	19,306
Work in process	10,051	10,821
Raw materials and supplies	16,088	15,619
Other	4,823	6,262
Allowance for doubtful accounts	(108)	(104)
Total current assets	203,849	197,240
Non-current assets		
Property, plant and equipment		
Buildings and structures	108,636	109,426
Accumulated depreciation	(78,109)	(78,270)
Buildings and structures, net	30,526	31,155
Machinery, equipment and vehicles	465,761	465,902
Accumulated depreciation	(420,631)	(421,907)
Machinery, equipment and vehicles, net	45,129	43,994
Tools, furniture and fixtures	22,488	22,804
Accumulated depreciation	(20,024)	(20,247)
Tools, furniture and fixtures, net	2,463	2,557
Land	33,363	32,775
Leased assets	5,011	5,596
Accumulated depreciation	(2,370)	(2,587)
Leased assets, net	2,641	3,008
Construction in progress	9,067	9,485
Total property, plant and equipment	123,192	122,976
Intangible assets		
Goodwill	3	—
Leased assets	59	49
Other	1,594	1,604
Total intangible assets	1,657	1,653
Investments and other assets		
Investment securities	19,385	21,757
Long-term loans receivable	2,302	2,237
Deferred tax assets	19,164	18,839
Retirement benefit asset	9,569	9,863
Other	4,382	4,798
Allowance for doubtful accounts	(56)	(62)
Total investments and other assets	54,747	57,435
Total non-current assets	179,597	182,065
<b>Total assets</b>	<b>383,447</b>	<b>379,306</b>

(Millions of yen)

	3/31/2020	9/30/2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	42,795	39,454
Short-term borrowings	3,082	2,886
Current portion of long-term borrowings	16,106	16,468
Lease obligations	870	980
Income taxes payable	2,896	2,034
Provision for bonuses	3,175	3,091
Provision for share-based remuneration	—	103
Provision for repairs	5,159	4,643
Provision for decommissioning and removal	439	837
Provision for product warranties	84	32
Provision for loss on compensation for damage	84	111
Other	20,545	15,699
<b>Total current liabilities</b>	<b>95,241</b>	<b>86,344</b>
Non-current liabilities		
Long-term borrowings	94,255	87,721
Lease obligations	2,028	2,252
Deferred tax liabilities	204	243
Provision for retirement benefits for directors (and other officers)	239	214
Provision for share-based remuneration	86	—
Provision for repairs	944	1,490
Provision for decommissioning and removal	529	1,267
Allowance for loss on compensation for building materials	158	142
Provision for loss on compensation for damage	—	19
Provision for environmental measures	196	159
Retirement benefit liability	2,277	2,024
Asset retirement obligations	6	56
Other	6,848	6,998
<b>Total non-current liabilities</b>	<b>107,775</b>	<b>102,590</b>
<b>Total liabilities</b>	<b>203,017</b>	<b>188,935</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	20,018	20,072
Retained earnings	137,665	145,226
Treasury shares	(1,809)	(1,803)
<b>Total shareholders' equity</b>	<b>165,874</b>	<b>173,495</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	332	1,684
Deferred gains or losses on hedges	(35)	(27)
Foreign currency translation adjustment	703	675
Remeasurements of defined benefit plans	1,986	1,993
<b>Total accumulated other comprehensive income</b>	<b>2,986</b>	<b>4,326</b>
<b>Non-controlling interests</b>	<b>11,568</b>	<b>12,549</b>
<b>Total net assets</b>	<b>180,429</b>	<b>190,371</b>
<b>Total liabilities and net assets</b>	<b>383,447</b>	<b>379,306</b>

## (2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q2 FY2019 YTD	Q2 FY2020 YTD
Net sales	152,749	143,289
Cost of sales	106,261	98,777
Gross profit	46,488	44,512
Selling, general and administrative expenses		
Selling expenses	21,089	20,116
General and administrative expenses	10,786	11,453
Total selling, general and administrative expenses	31,876	31,570
Operating profit	14,612	12,941
Non-operating income		
Interest income	90	48
Dividend income	207	264
Share of profit of entities accounted for using equity method	435	493
Outsourcing service income	483	482
Rental income from non-current assets	229	237
Other	1,119	661
Total non-operating income	2,564	2,188
Non-operating expenses		
Interest expenses	866	794
Fiduciary obligation expenses	507	468
Provision for decommissioning and removals	550	368
Other	1,609	1,000
Total non-operating expenses	3,533	2,631
Ordinary profit	13,643	12,498
Extraordinary income		
Gain on sales of non-current assets	8	38
Gain on sales of investment securities	2	4
Subsidy income	13	—
Gain on insurance claims	83	—
Gain on sales of patent right and other	—	1,477
Gain on liquidation of subsidiaries and associates	—	197
Total extraordinary income	108	1,717
Extraordinary losses		
Loss on sales of non-current assets	16	—
Impairment loss	—	826
Loss on disaster	45	99
Loss on tax purpose reduction entry of non-current assets	1	—
Loss on disposal of non-current assets	277	228
Provision for decommissioning and removals	—	862
Other	—	83
Total extraordinary losses	341	2,098
Profit before income taxes	13,410	12,117
Income taxes	2,693	1,776
Profit	10,717	10,340
Profit attributable to non-controlling interests	316	346
Profit attributable to owners of parent	10,400	9,994

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q2 FY2019 YTD	Q2 FY2020 YTD
Profit	10,717	10,340
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	1,344
Deferred gains or losses on hedges	8	8
Foreign currency translation adjustment	(1,085)	90
Remeasurements of defined benefit plans, net of tax	(144)	7
Share of other comprehensive income of entities accounted for using equity method	(127)	(95)
Total other comprehensive income	(1,358)	1,355
Comprehensive income	9,359	11,696
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,057	11,334
Comprehensive income attributable to non-controlling interests	301	362

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Q2 FY2019 YTD	Q2 FY2020 YTD
<b>Cash flows from operating activities</b>		
Profit before income taxes	13,410	12,117
Depreciation	7,664	8,180
Increase (decrease) in provisions	476	1,145
Increase (decrease) in retirement benefit liability	36	(214)
Decrease (increase) in retirement benefit asset	(628)	(325)
Interest and dividend income	(297)	(313)
Foreign exchange losses (gains)	347	53
Loss (gain) on sales of property, plant and equipment	7	(38)
Loss (gain) on sales of investment securities	(2)	(4)
Share of loss (profit) of entities accounted for using equity method	(435)	(493)
Subsidy income	(13)	—
Interest expenses	866	794
Loss on tax purpose reduction entry of non-current assets	1	—
Impairment loss	—	826
Loss (gain) on disposal of non-current assets	277	228
Gain on insurance claims	(83)	—
Gain on sales of patent right and other	—	(1,477)
Gain on liquidation of subsidiaries and associates	—	(197)
Decrease (increase) in trade receivables	12,990	9,725
Decrease (increase) in inventories	(266)	(1,052)
Decrease (increase) in other current assets	(1,130)	(1,221)
Increase (decrease) in trade payables	(5,190)	(3,383)
Increase (decrease) in other current liabilities	(459)	(1,123)
Other, net	(103)	138
Subtotal	27,467	23,365
Interest and dividends received	843	750
Interest paid	(874)	(801)
Proceeds from insurance income	83	—
Compensation for damage received	5,865	—
Compensation for damage paid	(832)	—
Income taxes (paid) refund	(3,296)	(2,611)
Net cash provided by (used in) operating activities	29,256	20,702
<b>Cash flows from investing activities</b>		
Payments into time deposits	(51)	(103)
Proceeds from withdrawal of time deposits	171	200
Purchase of property, plant and equipment	(10,014)	(11,491)
Proceeds from sales of property, plant and equipment	52	157
Purchase of investment securities	(9)	(241)
Proceeds from sales of investment securities	3	10
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(110)	—
Long-term loan advances	(2)	(27)
Collection of long-term loans receivable	91	89
Subsidies received	13	—
Gain on sales of patent right and other	—	720
Other, net	(871)	(550)
Net cash provided by (used in) investing activities	(10,728)	(11,237)

(Millions of yen)

	Q2 FY2019 YTD	Q2 FY2020 YTD
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(1,494)	(276)
Proceeds from long-term borrowings	1,503	75
Repayments of long-term borrowings	(6,291)	(6,175)
Proceeds from issuance of shares	—	821
Dividends paid	(1,735)	(2,429)
Dividends paid to non-controlling interests	(129)	(122)
Decrease (increase) in treasury shares	2	(0)
Other, net	(405)	(909)
Net cash provided by (used in) financing activities	(8,549)	(9,016)
Effect of exchange rate change on cash and cash equivalents	(638)	39
Net increase (decrease) in cash and cash equivalents	9,339	487
Cash and cash equivalents at beginning of period	67,991	80,918
Cash and cash equivalents at end of period	77,331	81,406

## **(5) Notes on Quarterly Consolidated Financial Statements**

### **(Going Concern Assumption)**

Not applicable.

### **(Changes in significant subsidiaries during this period)**

The Company's subsidiary, Tianjin Tokuyama Plastics Co., Ltd., has been removed from the Company's consolidation during the second quarter consolidated accounting period for the consolidated fiscal year ending March 31, 2021 due to completion of liquidation as of July 17 2020.

### **(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, 2021, 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)**

(Application of tax effect accounting associated with the transition from the consolidated taxation system to the group tax sharing system)

With regard to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the nonconsolidated taxation system was revised in line with the transition to the group tax sharing system, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, issued on March 31, 2020), the Company and certain domestic consolidated subsidiaries did not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision.



## (6) Segment information

### Second Quarter Fiscal 2019 (April 1, 2019 – September 30, 2019)

#### 1. Information on sales and profit by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	45,802	18,799	42,467	26,759	18,921	152,749	-	152,749
Inter-segment sales/transfer	545	5,804	251	963	13,340	20,905	(20,905)	-
Total	46,348	24,603	42,719	27,722	32,261	173,655	(20,905)	152,749
Segment profit	7,511	2,813	1,185	1,562	2,462	15,535	(923)	14,612

\*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 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, 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.

(Information on amortization of goodwill and unamortized balance by reportable segment)

Not applicable.

### Second Quarter Fiscal 2020 (April 1, 2020– September 30, 2020)

#### 1. Information on sales and profit by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment *2	Figures in quarterly consolidated profit statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	38,127	20,430	42,501	24,354	17,876	143,289	-	143,289
Inter-segment sales/transfer	400	5,622	225	591	9,824	16,664	(16,664)	-
Total	38,527	26,052	42,726	24,945	27,701	159,954	(16,664)	143,289
Segment profit	5,386	2,746	2,335	823	2,873	14,164	(1,222)	12,941

\*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 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, 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.

(Information on amortization of goodwill and unamortized balance by reportable segment)

An impairment loss on fixed assets in the amount of ¥745 million is recorded as extraordinary loss in the Life & Amenity segment for the second quarter fiscal 2020.

## **(7) Material Subsequent Event**

### **(Simplified share exchange to convert A&T Corporation a wholly owned subsidiary of Tokuyama Corporation)**

Tokuyama Corporation (“Tokuyama”) hereby announces that Tokuyama resolved at a meeting of the Thomson’s Board of Directors held on October 28, 2020 regarding a share exchange (the “Share Exchange”) whereby Tokuyama will be a wholly owning parent company of A&T Corporation (“A&T;” and Tokuyama and A&T, collectively the “Companies”) and A&T will be a wholly owned subsidiary of Tokuyama. The Share Exchange is scheduled to become effective on February 1, 2021.

Tokuyama plans to implement the Share Exchange in the form of a simplified share exchange (kan-i kabushiki kokan) pursuant to the provisions of the main clause of Article 796, Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; the same applies hereinafter), without obtaining approval of its general meeting of shareholders for the Share Exchange Agreement and A&T plans to implement the Share Exchange after the Share Exchange Agreement is approved by resolution of the extraordinary meeting of shareholders of A&T that is scheduled to be held on December 22, 2020.

Prior to the effective date of the Share Exchange, common stock of A&T (the “A&T Shares”) are scheduled to be delisted from the JASDAQ (Standard) market of the Tokyo Stock Exchange, Inc. as of January 28, 2021 (the last trading date of the A&T Shares is scheduled to be January 27, 2021).

#### **(1) Purpose of Making A&T a Wholly Owned Subsidiary of Tokuyama through the Share Exchange**

Tokuyama aims to reform its portfolio in order to achieve growth amid the global move towards the creation of a carbon-free and sustainable society and boost Tokuyama’s health care business in the Life & Amenities segment with A&T at its core. A&T aims to accelerate overseas operations and bolster cooperation between R&D and manufacturing with proactive support from Tokuyama. It leads to improvement of the corporate value of both Tokuyama and A&T, thereby Tokuyama aims to maximize the corporate value and profit of the entire Tokuyama Group.

## (2) Schedule for the Share Exchange

Date on which execution of the Share Exchange Agreement is resolved at Meetings of Board of Directors

Date on which execution of the Share Exchange Agreement is resolved at Meetings of Board of Directors (the Companies)	October 28, 2020
Execution date of the Share Exchange Agreement (the Companies)	October 28, 2020
Date of announcement of record date of extraordinary meeting of shareholders (A&T)	October 28, 2020 (scheduled)
Record date of extraordinary meeting of shareholders (A&T)	November 12, 2020 (scheduled)
Date of extraordinary meeting of shareholders (A&T)	December 22, 2020 (scheduled)
Last trading date (A&T)	January 27, 2021 (scheduled)
Delisting date (A&T)	January 28, 2021 (scheduled)
Effective date of the Share Exchange	February 1, 2021 (scheduled)

(Note) If necessary due to the progress of procedures of the Share Exchange or for any other reasons, the schedule set out above may be changed upon consultation and agreement between the Companies.

## (3) Allotment in the Share Exchange

Company name	Tokuyama (wholly owning parent company in share exchange)	A&T (wholly owned subsidiary in share exchange)
Ratio of allotment in the Share Exchange	1	0.68
Number of shares to be delivered upon the Share Exchange	Common stock of Tokuyama: 2,543,952 shares (scheduled)	

(Note 1) Share allotment ratio

0.68 shares of common stock of Tokuyama (the “Tokuyama Shares”) will be allotted and delivered in exchange for each share of A&T Shares; provided, however, that no shares will be allotted in the Share Exchange for the A&T Shares held by Tokuyama (2,515,700 shares as of October 28, 2020). Tokuyama and A&T may consult and agree to change the ratio of allotment in the Share Exchange (the “Share Exchange Ratio”) described in the table above in the event of any material changes to the conditions that served as the basis of the calculation.

(Note 2) Number of Tokuyama Shares to be delivered upon the Share Exchange

Upon the Share Exchange, Tokuyama plans to allot and deliver the number of shares of Tokuyama calculated based on the Share Exchange Ratio described in the table above to the shareholders of A&T (excluding Tokuyama) as of the time immediately preceding the time when Tokuyama acquires all issued shares of A&T (excluding A&T Shares held by Tokuyama; the “Base Time”) in exchange for A&T Shares held by such shareholders. The Tokuyama Shares to be allotted and delivered will comprise new shares to be issued by Tokuyama and treasury shares of Tokuyama (385,018 shares as of September 30, 2020).

In accordance with a resolution of the meeting of the Board of Directors that will be held prior to the day immediately preceding the effective date of the Share Exchange, A&T will cancel all of its treasury shares it holds at the time immediately preceding the Base Time (including the treasury shares to be acquired by A&T through the purchase of shares pertaining to the dissenters’ appraisal right exercised pursuant to the provisions of Article 785, Paragraph 1 of the Companies Act upon the Share Exchange). The total number of common stock to be allotted and delivered upon the Share Exchange may be subject to change in the future due to reasons such as the acquisition or cancellation of the treasury shares by A&T.

#### (4) Basis for Calculation of the Allotment Concerning the Share Exchange

In order to ensure the fairness and validity in their decisions of the Share Exchange Ratio, the Companies decided to have third-party valuation institutions independent of the Companies calculate the Share Exchange Ratio respectively. Tokuyama appointed Nomura Securities Co., Ltd. and A&T appointed Mizuho Securities Co., Ltd. as their respective financial advisors and third-party valuation institutions. Also, Tokuyama appointed Mori Hamada & Matsumoto and A&T appointed Anderson Mori & Tomotsune, as their respective legal advisors.

Each of the Companies engaged in careful review based on the results of the due diligence conducted by each company with respect to the other company, referring to the calculation results obtained from each third-party valuation institution, and engaged in negotiations and discussions while taking into consideration the financial condition, business performance trends, share price trends, and other factors related to the other company. As a result, the Companies came to the conclusion that the Share Exchange Ratio is appropriate and contributes to the interests of their respective shareholders, and therefore, the Companies agreed to implement the Share Exchange with the Share Exchange Ratio. Based on resolution at meetings of each of the Company's Board of Directors on October 28, 2020, they decided to execute a share exchange agreement.

The Share Exchange Ratio may be subject to change upon consultation and mutual agreement between the Companies in the case of any material changes to the conditions that served as the basis of the calculation.

#### (5) Overview of Accounting Practices

In accordance with "Accounting Standard for Business Combinations" (the Accounting Standards Board of Japan ("ASBJ") Statement No.21 as of January 16, 2019), and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Statement No.10 as of January 16, 2019), the Share Exchange will be treated as a transaction under common control.