

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

January 31, 2024

**Tokuyama Corporation**

**Stock exchange listings:**

**Tokyo**

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

**Local Code :**

**4043**

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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 Third quarter ended Dec. 31, 2023 (Apr. 1, 2023 – Dec. 31, 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 [%]
Third Quarter Fiscal 2023	250,255	(3.4)	16,937	28.7	16,980	27.5
Third Quarter Fiscal 2022	259,010	22.4	13,161	(23.1)	13,313	(24.6)

(Note) Comprehensive income: 3rd Q FY23: 16,734 million yen [97.4%] 3rd Q FY22: 8,478 million yen [(42.1)%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Third Quarter Fiscal 2023	11,907	39.6	165.49	-
Third Quarter Fiscal 2022	8,526	(36.3)	118.51	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
December 31, 2023	457,603	250,998	52.5	3,338.84
March 31, 2023	478,342	241,602	48.0	3,189.01

(Reference) Shareholders' equity: Dec. 31, 2023: 240,229 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	345,000	(1.9)	26,000	81.3	26,000	75.9	18,000	92.2	250.17

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

\* The Company announced the release, "Notice concerning Revision of Performance Forecast for Fiscal 2023," on Jan. 31, 2024.

**\*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 12 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 12 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):	3rd Quarter Fiscal 2023:	72,088,327	Fiscal 2022:	72,088,327
ii. Number of treasury stock at end of period:	3rd Quarter Fiscal 2023:	138,192	Fiscal 2022:	137,882
iii. Average number of shares over period:	3rd Quarter Fiscal 2023:	71,951,137	3rd Quarter Fiscal 2022:	71,951,249

(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 third quarter fiscal 2023 (April 1, 2023 – December 31, 2023) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
<b>Third Quarter Fiscal 2023</b>	<b>250,255</b>	<b>16,937</b>	<b>16,980</b>	<b>11,907</b>
Third Quarter Fiscal 2022	259,010	13,161	13,313	8,526
Rate of change (%)	(3.4)	28.7	27.5	39.6

#### Net sales

Consolidated net sales decreased 3.4%, or ¥ 8,754 million compared with the corresponding period of the previous year, to ¥ 250,255 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 on the back of a slowdown in the semiconductor market.

#### Cost of sales

Cost of sales decreased 5.8%, or ¥ 10,947 million compared with the corresponding period of the previous year, to ¥ 177,719 million. This was mainly due to the decline in sales volume and drop in fuel and raw material prices.

#### SG&A expenses

SG&A expenses decreased 2.8%, or ¥ 1,582 million compared with the corresponding period of the previous year, to ¥ 55,598 million mainly due to the decline in logistics costs coinciding with sluggishness in sales volume.

#### Operating profit

Operating profit increased 28.7%, or ¥ 3,775 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 16,937 million. Despite weak sales of semiconductor related products on the back of a slowdown in the semiconductor market, this upswing was essentially attributable to 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 ¥ 108 million compared with the corresponding period of the previous fiscal year. Despite the decline in foreign exchange losses, this deterioration largely reflected a downturn in share of profit of entities accounted for using equity method.

As a result of the above, ordinary profit decreased 27.5 %, or ¥ 3,667 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 16,980 million.

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

Extraordinary income/losses improved by ¥ 446 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes increased 31.2%, or ¥ 4,113 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 17,283 million.

Profit after deducting income taxes calculated in an appropriate way increased 39.0%, or ¥ 3,306 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 11,778 million.

Profit attributable to owners of parent increased 39.6%, or ¥ 3,380 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 11,907 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)

	Third Quarter Fiscal 2023		Third Quarter Fiscal 2022		Rate of change (%)	
	Net sales	Operating Profit (loss)	Net sales	Operating Profit (loss)	Net sales	Operating profit
Chemicals	86,285	8,881	86,432	4,729	(0.2)	87.8
Cement	50,663	4,769	43,852	(2,898)	15.5	-
Electronic & Advanced Materials	54,064	551	67,076	6,955	(19.4)	(92.1)
Life Science	29,433	5,963	27,940	5,696	5.3	4.7
Eco Business	5,438	(355)	10,365	316	(47.5)	-
Others	32,301	1,232	33,597	2,114	(3.9)	(41.7)
Total	258,186	21,044	269,265	16,914	(4.1)	24.4
Adjustment	(7,930)	(4,107)	(10,255)	(3,752)	-	-
Figures in quarterly consolidated profit statement	250,255	16,937	259,010	13,161	(3.4)	28.7

(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 such factors as the decline in sales volumes of both products as well as the downturn in overseas vinyl chloride monomer market price.

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

As a result of the above, segment net sales decreased 0.2% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 86,285 million and operating profit increased 87.8 % to ¥ 8,881 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 15.5% compared with the corresponding period of the previous year, to ¥ 50,663 million and operating profit amounted to ¥ 4,769 million (Posted operating loss of ¥ 2,898 million in the corresponding period of the previous year).

## **Electronic & Advanced Materials**

Semiconductor-grade polycrystalline silicon earnings declined. This was mainly due to the decline in sales volume owing to a slowdown in the semiconductor market.

IC chemical earnings improved. This mainly reflected the increase in operating rates at Formosa Tokuyama Advanced Chemicals Co., Ltd. in Taiwan and successful efforts to reduce 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.

Thermal management material earnings increased. This reflected robust sales volumes of power device applications.

As a result of the above, segment net sales decreased 19.4% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 54,064 million and operating profit decreased 92.1% to ¥ 551 million. The segment reported lower earnings on lower sales.

## **Life Science**

Dental materials results remained in line with the corresponding period of the previous fiscal year thanks largely to robust sales in Japan and overseas.

API and intermediate results were also in line with the corresponding period of the previous fiscal year. Despite a decrease in the sales volume of generic pharmaceutical, this was mainly due to successful efforts to reduce costs.

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 5.3% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 29,433 million and operating profit increased 4.7% to ¥ 5,963 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.

In plastic window sashes, Excel Shanon Corporation was removed from the Company's scope of consolidation effective from the second quarter of the fiscal year under review. This reflected the transfer of a portion of the company's shares.

Segment net sales decreased 47.5% compared with the corresponding period of the previous year, to ¥ 5,438 million and operating loss amounted to ¥ 355 million (posted operating profit of ¥ 316 million in the corresponding period of the previous year).



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

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

As of December 31, 2023, total assets amounted to ¥ 457,603 million, an decrease of ¥ 20,738 million compared with those as of March 31, 2023.

Despite the increase of property, plant and equipment, merchandise and finished goods, investment securities of ¥ 10,313 million, ¥ 7,407 million, ¥ 4,092 million respectively, this decrease primarily reflects the decrease of cash and deposits, accounts receivable - trade, raw materials and supplies of ¥ 16,554 million, ¥ 14,238 million, and ¥ 11,663 million respectively.

Total liabilities amounted to ¥ 206,604 million, an decrease of ¥ 30,134 million compared with those as of March 31, 2023.

Despite the increase of short-term borrowings, and commercial papers of ¥ 15,738 million, and ¥ 15,000 million respectively, this decrease primarily reflects the decrease of long-term borrowings and current portion of long-term borrowings, other current liabilities, notes and accounts payable - trade of ¥ 55,292 million, ¥ 3,537 million, ¥ 3,407 million.

Net assets totaled ¥ 250,998 million, an increase of ¥ 9,396 million compared with those as of March 31, 2023.

This mainly reflected the increase of ¥ 6,722 million in retained earnings primarily due to posting profit attributable, and the increase of ¥ 3,128 million in Valuation difference on available-for-sale securities.

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

Based on the trends in the semiconductor market, etc., the Company has revised the performance forecast, announced on October 27, 2023. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast for Fiscal 2023," dated January 31, 2024.

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	12/31/2023
<b>Assets</b>		
Current assets		
Cash and deposits	68,080	51,526
Notes receivable - trade	8,672	9,644
Accounts receivable - trade	83,388	69,150
Lease receivables	11	11
Merchandise and finished goods	24,111	31,519
Work in process	19,902	19,780
Raw materials and supplies	37,310	25,646
Other	12,282	11,915
Allowance for doubtful accounts	(71)	(80)
Total current assets	253,689	219,114
Non-current assets		
Property, plant and equipment		
Buildings and structures	116,841	118,310
Accumulated depreciation	(80,555)	(80,118)
Buildings and structures, net	36,285	38,191
Machinery, equipment and vehicles	487,746	493,048
Accumulated depreciation	(430,082)	(431,692)
Machinery, equipment and vehicles, net	57,663	61,355
Tools, furniture and fixtures	24,395	24,148
Accumulated depreciation	(21,125)	(20,597)
Tools, furniture and fixtures, net	3,269	3,551
Land	33,033	33,083
Leased assets	9,788	10,709
Accumulated depreciation	(4,124)	(4,201)
Leased assets, net	5,664	6,507
Construction in progress	19,419	22,960
Total property, plant and equipment	155,336	165,649
Intangible assets		
Goodwill	349	272
Leased assets	17	23
Other	3,098	3,164
Total intangible assets	3,465	3,460
Investments and other assets		
Investment securities	29,499	33,592
Long-term loans receivable	2,185	2,135
Deferred tax assets	19,416	19,347
Retirement benefit asset	10,023	9,629
Other	4,777	4,728
Allowance for investment loss	(7)	(7)
Allowance for doubtful accounts	(44)	(47)
Total investments and other assets	65,850	69,379
Total non-current assets	224,653	238,489
<b>Total assets</b>	<b>478,342</b>	<b>457,603</b>

(Millions of yen)

	3/31/2023	12/31/2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	49,822	46,414
Short-term borrowings	2,491	18,229
Commercial papers	—	15,000
Current portion of long-term borrowings	1,407	1,966
Lease liabilities	1,196	1,202
Income taxes payable	1,231	4,177
Provision for bonuses	2,768	1,326
Provision for repairs	3,922	4,230
Provision for decommissioning and removal	519	347
Provision for product warranties	72	69
Provision for loss on compensation for damage	129	20
Provision for environmental measures	5	—
Provision for loss on disaster	15	—
Provision for contract loss	469	—
Asset retirement obligations	63	—
Other	24,129	20,591
Total current liabilities	88,244	113,575
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	118,333	62,481
Lease liabilities	4,019	4,809
Deferred tax liabilities	228	242
Provision for retirement benefits for directors (and other officers)	197	127
Provision for share awards	37	77
Provision for repairs	1,513	1,855
Provision for decommissioning and removal	631	309
Allowance for loss on compensation for building materials	48	22
Provision for environmental measures	90	81
Retirement benefit liability	2,113	1,775
Asset retirement obligations	11	13
Other	6,269	6,232
Total non-current liabilities	148,495	93,029
<b>Total liabilities</b>	<b>236,739</b>	<b>206,604</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,443	22,960
Retained earnings	184,852	191,574
Treasury shares	(414)	(413)
Total shareholders' equity	217,880	224,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,053	7,182
Deferred gains or losses on hedges	(3)	(0)
Foreign currency translation adjustment	5,630	7,393
Remeasurements of defined benefit plans	1,889	1,533
Total accumulated other comprehensive income	11,569	16,108
Non-controlling interests	12,151	10,768
<b>Total net assets</b>	<b>241,602</b>	<b>250,998</b>
<b>Total liabilities and net assets</b>	<b>478,342</b>	<b>457,603</b>

## (2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q3 FY2022 YTD	Q3 FY2023 YTD
Net sales	259,010	250,255
Cost of sales	188,666	177,719
Gross profit	70,343	72,536
Selling, general and administrative expenses		
Selling expenses	36,147	32,775
General and administrative expenses	21,034	22,823
Total selling, general and administrative expenses	57,181	55,598
Operating profit	13,161	16,937
Non-operating income		
Interest income	112	173
Dividend income	559	541
Share of profit of entities accounted for using equity method	1,465	678
Outsourcing service income	787	411
Rental income from non-current assets	367	385
Foreign exchange gains	—	4
Other	1,733	1,445
Total non-operating income	5,026	3,639
Non-operating expenses		
Interest expenses	1,182	1,095
Foreign exchange losses	796	—
Other	2,896	2,501
Total non-operating expenses	4,875	3,596
Ordinary profit	13,313	16,980
Extraordinary income		
Gain on sale of non-current assets	62	53
Gain on sale of investment securities	141	609
Subsidy income	44	76
Gain on insurance claims	17	—
Gain on step acquisitions	5	—
Other	19	—
Total extraordinary income	289	739
Extraordinary losses		
Loss on sale of non-current assets	9	48
Impairment losses	14	—
Loss on disaster	50	17
Loss on tax purpose reduction entry of non-current assets	26	28
Loss on disposal of non-current assets	268	279
Loss on sale of shares of subsidiaries and associates	—	25
Retirement benefit expenses	62	—
Other	—	35
Total extraordinary losses	432	436
Profit before income taxes	13,170	17,283
Income taxes	4,698	5,505
Profit	8,471	11,778
Loss attributable to non-controlling interests	(54)	(128)
Profit attributable to owners of parent	8,526	11,907

### (3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q3 FY2022 YTD	Q3 FY2023 YTD
Profit	8,471	11,778
Other comprehensive income		
Valuation difference on available-for-sale securities	(140)	3,126
Deferred gains or losses on hedges	5	2
Foreign currency translation adjustment	219	1,931
Remeasurements of defined benefit plans, net of tax	(172)	(355)
Share of other comprehensive income of entities accounted for using equity method	92	251
Total other comprehensive income	6	4,956
Comprehensive income	8,478	16,734
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,463	16,458
Comprehensive income attributable to non-controlling interests	14	276

#### **(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 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 third quarter of the fiscal year under review is concerned, operating profit increased ¥2,245 million, and both ordinary profit and profit before income taxes climbed ¥2,280 million compared with the corresponding amounts based on the previous depreciation method.