

Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2026 (JPGAAP)

October 29, 2026

Tokuyama Corporation

Stock exchange listings:

Tokyo

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

Local Code :

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Scheduled date of dividends payout:

Dec. 1, 2026

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, 2026 (Apr. 1, 2026 – Sep. 30, 2026)

(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 2026	178,676	9.1	13,564	(29.2)	13,546	(28.5)
Second Quarter Fiscal 2025	163,756	(1.1)	19,152	37.2	18,944	39.2

(Note) Comprehensive income: 2ndQ FY26: 12,441 million yen [(10.6)%] 2ndQ FY25: 13,919 million yen [69.8%]

	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 2026	9,981	(17.8)	139.26	-
Second Quarter Fiscal 2025	12,145	4.3	168.81	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
September 30, 2026	590,478	307,509	48.8	4,053.86
March 31, 2026	569,687	297,812	49.7	3,934.76

(Reference) Shareholders' equity: Sep. 30, 2026: 288,275 million yen Mar. 31, 2026: 283,086 million yen

(Note) The Company Group determined the provisional accounting treatment related to the business combination in the first quarter of the fiscal year ending March 2027. The finalized accounting treatment is being applied in each reported figure for the fiscal year ended March 2026.

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2025, ended Mar 31, 2026	(yen) -	(yen) 60.00	(yen) -	(yen) 60.00	(yen) 120.00
Fiscal 2026, ending Mar 31, 2027	-	60.00			
Fiscal 2026 (Forecast)			-	80.00	140.00

(Note) Revision of the latest dividends forecast: Yes

* The Company announced the release, "Notice concerning Revision of Consolidated Performance Forecast,

Variances between Non-Consolidated Performance Estimates and Previous Fiscal Year's Actual Results, and Revision of Dividend Forecast for Fiscal 2026," on Oct. 29, 2026.

3. Consolidated performance forecast for fiscal 2026 (April 1, 2026 - March 31, 2027)

(% 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 2026	392,000	12.2	34,000	(8.2)	34,000	(11.0)	46,500	109.4	648.80

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

* The Company announced the release, "Notice concerning Revision of Consolidated Performance Forecast,

Variances between Non-Consolidated Performance Estimates and Previous Fiscal Year's Actual Results, and Revision of Dividend Forecast for Fiscal 2026," on Oct. 29, 2026.

*Notes

(1) Significant changes in the scope of consolidation during this period

: No

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

: Yes

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

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

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

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

2nd Quarter	72,088,327	Fiscal 2025:	72,088,327
Fiscal 2026:			
- ii. Number of treasury stock at end of period:

2nd Quarter	976,836	Fiscal 2025:	143,164
Fiscal 2026:			
- iii. Average number of shares over period:

2nd Quarter	71,670,783	2nd Quarter	71,945,490
Fiscal 2026:		Fiscal 2025:	

* Review of the accompanying quarterly consolidated financial statements by certified public accountants or audit corporation : No

*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 has disclosed supplementary materials "Presentation for IR Meeting" through Company Announcement Service provided by Tokyo Stock Exchange at the same date.

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1. Qualitative Information on Consolidated Results

(1) Explanation concerning Business Results

Consolidated results for the second quarter fiscal 2026 (April 1, 2026 – September 30, 2026) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Second Quarter Fiscal 2026	178,676	13,564	13,546	9,981
Second Quarter Fiscal 2025	163,756	19,152	18,944	12,145
Rate of change (%)	9.1	(29.2)	(28.5)	(17.8)

Net sales

Net sales came in at ¥178,676 million, up 9.1%, or ¥14,919 million, compared with the corresponding period of the previous fiscal year. This was largely due to the inclusion of Tokuyama Life Science (TLS) Group in the Company's scope of consolidation and increased sales of semiconductor-related products.

Cost of sales

Cost of sales increased 13.0%, or ¥ 13,557 million compared with the corresponding period of the previous fiscal year, to ¥ 117,936 million. This was due mainly to the upturn in raw material and fuel costs.

SG&A expenses

SG&A expenses increased 17.3%, or ¥ 6,949 million compared with the corresponding period of the previous fiscal year, to ¥ 47,174 million largely due to the upswing in general and administrative expenses following inclusion of the TLS Group in the Company's scope of consolidation and logistics costs.

Operating profit

Operating profit decreased 29.2%, or ¥ 5,587 million, compared with the corresponding period of the previous fiscal year, to ¥ 13,564 million largely due to the upturn in raw material and fuel costs.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved by ¥ 189 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 28.5 %, or ¥ 5,397 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 13,546 million.

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

Extraordinary income/losses improved ¥ 2,407 million compared with the corresponding period of the previous fiscal year owing to a variety of factors, including an increase in gain on sale of investment securities in conjunction with a reduction in cross-shareholdings.

As a result of the above, profit before income taxes decreased 16.8 %, or ¥ 2,990 million compared with the corresponding period of the previous fiscal year, to ¥ 14,823 million.

Profit after deducting income taxes calculated in an appropriate way decreased 18.4 %, or ¥ 2,234 million compared with the corresponding period of the previous fiscal year, to ¥ 9,896 million.

Profit attributable to owners of parent decreased 17.8%, or ¥ 2,164 million compared with the corresponding period of the previous fiscal year, to ¥ 9,981 million

(Operating results by segment)

(Unit: Millions of yen)

	Second Quarter Fiscal 2026		Second Quarter Fiscal 2025		Rate of change (%)	
	Net sales	Operating Profit	Net sales	Operating Profit	Net sales	Operating profit
Chemicals	52,723	1,684	52,347	5,624	0.7	(70.1)
Cement	33,219	4,255	32,422	4,835	2.5	(12.0)
Electronic & Advanced Materials	46,557	6,756	42,586	6,972	9.3	(3.1)
Life Science	29,049	5,305	19,286	4,016	50.6	32.1
Eco Business	2,592	53	2,681	256	(3.3)	(79.0)
Others	20,715	890	20,139	1,377	2.9	(35.4)
Total	184,858	18,945	169,464	23,083	9.1	(17.9)
Adjustment	(6,182)	(5,380)	(5,708)	(3,931)	-	-
Figures in quarterly consolidated profit statement	178,676	13,564	163,756	19,152	9.1	(29.2)

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

Chemicals

Caustic soda earnings decreased owing to such factors as a decline in sales volumes and the increase in manufacturing costs.

Vinyl chloride monomer earnings decreased owing to such factors as an increase in manufacturing costs.

Despite the efforts to revise domestic sales prices, earnings from vinyl chloride resin decreased due to higher manufacturing costs and other factors.

Soda ash and calcium chloride earnings declined. This was mainly due to the increase in manufacturing and logistics costs

As a result of the above, segment net sales increased 0.7% compared with the corresponding period of the previous fiscal year, to ¥ 52,723 million and operating profit decreased 70.1% to ¥ 1,684 million. The segment reported lower earnings on higher sales.

Cement

Despite the efforts to revise domestic sales prices, earnings from cement decreased due to lower domestic shipment volumes compared with the same period of the previous year, as well as increased manufacturing costs resulting from higher raw material prices.

As a result of the above, segment net sales increased 2.5% compared with the corresponding period of the previous fiscal year, to ¥ 33,219 million and operating profit decreased 12.0% to ¥ 4,255 million. The segment reported lower earnings on higher sales.

Electronic & Advanced Materials

Semiconductor-grade polycrystalline earnings decreased due to a decrease in sales volume compared with the same period of the previous year and inventory valuation losses.

IC chemical earnings decreased despite the increase in sales volumes of high-purity isopropyl alcohol for electronic manufacturing. This downturn largely reflected higher raw material costs.

Fumed silica earnings increased. This largely reflected robust sales volumes and successful efforts to reduce manufacturing costs at Tokuyama Chemicals (Zhejiang) Co., Ltd.

Thermal management material earnings increased. This largely reflected robust sales volumes of such applications used for semiconductor production equipment.

As a result of the above, segment net sales increased 9.3% compared with the corresponding period of the previous fiscal year, to ¥ 46,557 million and operating profit decreased 3.1% to ¥ 6,756 million. The segment reported lower earnings on higher sales.

Life Science

Dental materials earnings increased. This largely reflected robust sales volumes and the impact of movements in foreign currency exchange rates as a result of the weak yen.

Diagnosis earnings increased. This largely reflected the inclusion of TLS Group in the Company's scope of consolidation and the sales growth in clinical laboratory systems at A&T Corporation.

As a result of the above, segment net sales increased 50.6% compared with the corresponding period of the previous fiscal year, to ¥ 29,049 million and operating profit increased 32.1% to ¥ 535 million. The segment reported higher earnings on higher sales.

Eco Business

Ion exchange membrane earnings decreased owing to a decrease in membrane and equipment shipments.

In waste gypsum board recycling, earnings improved, as a result of steady acceptance of waste gypsum board.

As a result of the above, segment net sales decreased 3.3% compared with the corresponding period of the previous fiscal year, to ¥ 2,592 million and operating profit decreased 79.0% to ¥ 53 million. The segment reported lower earnings on lower sales.

(2) Explanation concerning Financial Position

(Status of Assets, Liabilities and Net Assets)

Summary of Consolidated Balance Sheets

(Unit: Millions of yen)

	Mar 31, 2026	Sep 30, 2026	Amount of change	Rate of change (%)
Assets	569,687	590,478	20,791	3.6
Liabilities	271,874	282,969	11,094	4.1
(Interest-bearing debt)	162,020	165,544	3,524	2.2
Net assets	297,812	307,509	9,696	3.3
(Shareholders' equity)	283,086	288,275	5,189	1.8

Assets

Total assets amounted to ¥ 590,478 million, an increase of ¥ 20,791 million compared with those as of March 31, 2026.

This increase primarily reflects the increase in raw materials and supplies of ¥ 6,221 million, merchandise and finished goods of ¥ 4,681 million, property, plant and equipment of ¥ 4,377 million and investment securities of ¥ 3,165 million.

Liabilities

Total liabilities amounted to ¥ 282,969 million, up ¥ 11,094 million compared with those as of March 31, 2026.

This increase primarily reflects the increase in notes and accounts payable - trade of ¥ 10,438 million and short-term borrowings of ¥ 8,103 million despite the decrease in commercial papers of ¥ 5,000 million.

Net assets

Net assets totaled ¥ 307,509 million, an increase of ¥ 9,696 million compared with those as of March 31, 2026.

This increase primarily reflects the increase in retained earnings of ¥ 5,657 million as a result of posting profit attributable to owners of parent, and non-controlling interests of ¥ 4,507 million.

(Analysis of Financial Indicators for the Quarter under Review)

Tokuyama Group has set the following targets for the final year of its Medium-Term Management Plan 2030.

	Index	FY2030 (Target)	CAGR*2 (FY2025–FY2030)
	Net Sales	¥ 407.5 billion	3.1%
Profitability	Operating Profit	¥ 57.0 billion	9.0%
	Operating Profit Margin	14.0%	-
	EPS*1	¥ 551	-
Equity Efficiency	ROE	10.6%	-
	ROIC	9.1%	-
Shareholder Returns	DOE	4.0%	-

*1 The number of issued shares used for the calculation is based on the actual results for FY2025.

*2 CAGR・・・Compound Annual Growth Rate

These forward-looking statements are based on expectations and certain assumptions at the time this report was prepared and accordingly do not represent a guarantee of achievement or future performance. Meanwhile, plans are in place to report on the progress of financial indicators as of the end of the consolidated fiscal year.

(Analysis of Cash Flows)

Summary of Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Second Quarter Fiscal 2025	Second Quarter Fiscal 2026
Cash flows from operating activities	22,378	15,712
Cash flows from investing activities	(18,313)	(14,679)
Cash flows from financing activities	47,755	(1,445)
Effect of exchange rate changes on cash and cash equivalents	327	16
Net increase (decrease) in cash and cash equivalents	52,148	(396)
Increase/decrease in cash and cash equivalents resulting from change in scope of consolidation	247	-
Cash and cash equivalents	127,322	46,070

Cash flows from operating activities

Net cash provided in operating activities totaled ¥ 15,712 million, a decrease of ¥ 6,666 million compared with corresponding period of the previous fiscal year.

Major contributory factors were increase in inventories of ¥ 12,751 million, profit before income taxes of ¥ 14,823 million and depreciation of ¥ 11,756 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥ 14,679 million, a decrease of ¥ 3,633 million compared with corresponding period of the previous fiscal year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥ 14,542 million.

Cash flows from financing activities

Net cash used in financing activities totaled ¥1,445 million (net cash provided by financing activities was ¥ 47,755 million in the corresponding period of the previous fiscal year).

Major contributory factors were proceeds from short-term borrowings of ¥ 7,911 million, decrease in commercial papers of ¥ 5,000 million and dividends paid of ¥ 4,321 million.

(3) Explanation concerning Capital Resources and Funding Liquidity

(Analysis of Capital Resources)

The Tokuyama Group recognizes the need to retain a certain level of funds in order to secure the working capital required to finance its business activities, for priority investments in growth fields for the purpose of transforming its business portfolio and capital investments for the purpose of addressing climate change, such as energy saving and measures to reduce GHG emissions, as well as to promote strategic investments. While the principal method of procuring these funds is to accumulate cash on hand through the continuous posting of business earnings, the Group will also pursue other avenues. These include borrowing from financial institutions and the issuing of unsecured bonds. Furthermore, the Tokuyama Group's intended capital investment amount for the consolidated fiscal year under review is ¥ 40,993 million. Plans are in place to utilize cash on hand, borrowings from financial institutions, and the issuance of unsecured bonds.

(Analysis of Funding Liquidity)

Cash and cash equivalents stood at ¥ 46,070 million as of September 30, 2026. On this basis, the Tokuyama Group is confident that it maintains more than ample liquidity to promote its business activities. In addition, Tokuyama has executed revolving credit facility, overdraft, and credit liquidation agreements with a financial institution. Accounting for these factors, the Company is more than capable of maintaining a certain level of liquidity should any impediment arise. To secure liquidity funds in preparation for unforeseen circumstances, we will also set up commitment lines on an as needed basis.

(4) Research and Development (R&D) activities

Total R&D expenses for the second quarter of the consolidated fiscal year under review amounted to ¥ 9,422 million.

(5) Explanation concerning Information related to Future Prediction such as Consolidated Performance Forecast

Based on the current performance trend, the Company has revised the performance forecast and the dividend forecast announced on July 29, 2026. For further details, please see the Company's news release, "Notice concerning Revision of Consolidated Performance Forecast, Variances between Non-Consolidated Performance Estimates and Previous Fiscal Year's Actual Results, and Revision of Dividend Forecast for Fiscal 2026.", dated October 29, 2026.

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	3/31/2026	9/30/2026
Assets		
Current assets		
Cash and deposits	47,193	47,465
Notes receivable - trade	585	196
Electronically recorded monetary claims - operating	6,861	8,407
Accounts receivable - trade	75,285	70,188
Lease receivables	2	1
Merchandise and finished goods	26,298	30,980
Work in process	22,934	24,901
Raw materials and supplies	25,120	31,342
Other	7,849	12,703
Allowance for doubtful accounts	(61)	(58)
Total current assets	212,070	226,127
Non-current assets		
Property, plant and equipment		
Buildings and structures	135,775	139,707
Accumulated depreciation	(88,584)	(90,320)
Buildings and structures, net	47,191	49,386
Machinery, equipment and vehicles	516,229	533,578
Accumulated depreciation	(449,198)	(455,223)
Machinery, equipment and vehicles, net	67,031	78,354
Tools, furniture and fixtures	30,441	31,153
Accumulated depreciation	(24,491)	(24,842)
Tools, furniture and fixtures, net	5,950	6,311
Land	33,182	33,444
Leased assets	12,696	13,953
Accumulated depreciation	(5,806)	(6,165)
Leased assets, net	6,890	7,788
Construction in progress	30,038	19,377
Total property, plant and equipment	190,284	194,662
Intangible assets		
Goodwill	31,008	30,210
Leased assets	9	6
Customer-related intangible assets	39,993	39,338
Other	4,567	5,076
Total intangible assets	75,578	74,631
Investments and other assets		
Investment securities	58,816	61,982
Long-term loans receivable	1,602	1,539
Deferred tax assets	13,036	12,592
Retirement benefit asset	11,428	11,957
Other	6,941	7,047
Allowance for doubtful accounts	(71)	(60)
Total investments and other assets	91,754	95,057
Total non-current assets	357,617	364,351
Total assets	569,687	590,478

	(Millions of yen)	
	3/31/2026	9/30/2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,324	52,763
Short-term borrowings	5,883	13,986
Commercial papers	18,000	13,000
Current portion of long-term borrowings	3,613	4,414
Current portion of bonds payable	10,000	10,000
Lease liabilities	1,657	1,725
Income taxes payable	4,193	6,026
Provision for bonuses	4,226	4,344
Provision for share awards	98	—
Provision for repairs	7,034	4,933
Provision for decommissioning and removal	404	236
Provision for product warranties	113	74
Provision for loss on compensation for damage	58	57
Provision for contract loss	499	569
Allowance for loss on compensation for building materials	19	12
Other	23,367	20,166
Total current liabilities	121,493	132,311
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term borrowings	92,449	91,473
Long-term income taxes payable	121	—
Lease liabilities	5,417	5,944
Deferred tax liabilities	13,528	13,615
Provision for retirement benefits for directors (and other officers)	146	184
Provision for share awards	—	82
Provision for repairs	1,196	1,732
Provision for decommissioning and removal	79	24
Provision for contract loss	3,630	3,370
Retirement benefit liability	2,070	2,141
Asset retirement obligations	261	285
Other	6,480	6,804
Total non-current liabilities	150,380	150,657
Total liabilities	271,874	282,969
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	22,759	23,563
Retained earnings	228,233	233,890
Treasury shares	(427)	(3,898)
Total shareholders' equity	260,565	263,555
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,715	11,623
Foreign currency translation adjustment	10,936	11,511
Remeasurements of defined benefit plans	1,869	1,585
Total accumulated other comprehensive income	22,521	24,720
Non-controlling interests	14,725	19,233
Total net assets	297,812	307,509
Total liabilities and net assets	569,687	590,478

(2) Consolidated Statements of Income

(Millions of yen)

	Q2 FY2025 YTD	Q2 FY2026 YTD
Net sales	163,756	178,676
Cost of sales	104,378	117,936
Gross profit	59,377	60,739
Selling, general and administrative expenses		
Selling expenses	23,362	25,530
General and administrative expenses	16,862	21,643
Total selling, general and administrative expenses	40,225	47,174
Operating profit	19,152	13,564
Non-operating income		
Interest income	228	140
Dividend income	400	582
Share of profit of entities accounted for using equity method	638	743
Trial products income	263	1,000
Outsourcing service income	592	513
Other	1,090	1,125
Total non-operating income	3,213	4,106
Non-operating expenses		
Interest expenses	578	1,041
Trial products expenses	289	890
Fiduciary obligation expenses	532	659
Other	2,021	1,533
Total non-operating expenses	3,422	4,125
Ordinary profit	18,944	13,546
Extraordinary income		
Gain on sale of non-current assets	20	34
Gain on sale of investment securities	490	1,361
Subsidy income	38	157
Compensation for damage income	157	—
Other	—	52
Total extraordinary income	707	1,605
Extraordinary losses		
Loss on sale of non-current assets	10	0
Impairment losses	1,431	1
Loss on disaster	2	23
Loss on tax purpose reduction entry of non-current assets	45	—
Loss on disposal of non-current assets	156	294
Loss on sale of investment securities	—	7
Loss on sale of shares of subsidiaries and associates	2	—
Other	188	—
Total extraordinary losses	1,837	328
Profit before income taxes	17,814	14,823
Income taxes	5,683	4,927
Profit	12,131	9,896
Loss attributable to non-controlling interests	(14)	(84)
Profit attributable to owners of parent	12,145	9,981

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Q2 FY2025 YTD	Q2 FY2026 YTD
Profit	12,131	9,896
Other comprehensive income		
Valuation difference on available-for-sale securities	765	1,907
Foreign currency translation adjustment	1,295	680
Remeasurements of defined benefit plans, net of tax	(196)	(284)
Share of other comprehensive income of entities accounted for using	(76)	242
Total other comprehensive income	1,788	2,545
Comprehensive income	13,919	12,441
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,444	12,179
Comprehensive income attributable to non-controlling interests	474	261

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Q2 FY2025 YTD	Q2 FY2026 YTD
Cash flows from operating activities		
Profit before income taxes	17,814	14,823
Depreciation	9,860	11,756
Amortization of goodwill	12	832
Amortization of customer relationship	—	655
Increase (decrease) in provision for loss on cancellation of contracts	(291)	(189)
Increase (decrease) in provisions	(414)	(1,559)
Increase (decrease) in retirement benefit liability	40	27
Decrease (increase) in retirement benefit asset	(737)	(803)
Interest and dividend income	(629)	(722)
Foreign exchange losses (gains)	(43)	86
Loss (gain) on sale of property, plant and equipment	(10)	(33)
Loss (gain) on sale of investment securities	(490)	(1,353)
Loss (gain) on sale of shares of subsidiaries and associates	2	—
Share of loss (profit) of entities accounted for using equity method	(638)	(743)
Subsidy income	(38)	(157)
Interest expenses	578	1,041
Loss on tax purpose reduction entry of non-current assets	45	—
Impairment losses	1,431	1
Loss (gain) on disposal of non-current assets	156	294
Compensation for damage income	(157)	—
Decrease (increase) in trade receivables	6,542	3,935
Decrease (increase) in inventories	(1,086)	(12,751)
Decrease (increase) in other current assets	(543)	(5,116)
Increase (decrease) in trade payables	(3,722)	10,414
Increase (decrease) in other current liabilities	(2,902)	(1,235)
Other, net	266	70
Subtotal	25,042	19,276
Interest and dividends received	758	858
Interest paid	(738)	(1,054)
Compensation for damage received	—	108
Compensation paid for damage	(6)	(6)
Income taxes refund (paid)	(2,676)	(3,469)
Net cash provided by (used in) operating activities	22,378	15,712

	(Millions of yen)	
	Q2 FY2025 YTD	Q2 FY2026 YTD
Cash flows from investing activities		
Payments into time deposits	(600)	(676)
Proceeds from withdrawal of time deposits	370	—
Purchase of property, plant and equipment	(12,275)	(14,542)
Proceeds from sale of property, plant and equipment	1,564	85
Purchase of investment securities	(7,272)	(113)
Proceeds from sale of investment securities	764	2,058
Long-term loan advances	(4)	(1)
Proceeds from collection of long-term loans receivable	108	124
Subsidies received	38	157
Other, net	(1,007)	(1,770)
Net cash provided by (used in) investing activities	(18,313)	(14,679)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(3,635)	7,911
Increase (decrease) in commercial papers	20,000	(5,000)
Proceeds from long-term borrowings	35,731	919
Repayments of long-term borrowings	(1,543)	(2,064)
Proceeds from issuance of shares	1,619	4,527
Proceeds from sales of subsidiaries' shares without change in scope of consolidation	—	1,159
Dividends paid	(3,601)	(4,321)
Dividends paid to non-controlling interests	(90)	(179)
Decrease (increase) in treasury shares	0	(3,503)
Other, net	(724)	(893)
Net cash provided by (used in) financing activities	47,755	(1,445)
Effect of exchange rate change on cash and cash equivalents	327	16
Net increase (decrease) in cash and cash equivalents	52,148	(396)
Cash and cash equivalents at beginning of period	74,926	46,466
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	247	—
Cash and cash equivalents at end of period	127,322	46,070

(5) Notes on Quarterly Consolidated Financial Statements
(Going Concern Assumption)

Not applicable.

(Major Changes in Shareholders' Equity)

Not applicable.

(Significant Changes in the Scope of Consolidation During This Period)

Not applicable.

(Business Combinations, etc.)

(Finalization of provisional accounting treatment for business combinations)

As far as the acquisition of shares in JSR-01 Corporation and the change in the company's name to Tokuyama Life Science Corporation both on October 1, 2025 are concerned, Tokuyama applied provisional accounting treatment during the previous fiscal year. This accounting treatment was finalized during the first quarter of the fiscal year under review.

With this finalization of the provisional accounting treatment, the comparative data included in the consolidated financial statements for the first quarter of the fiscal year under review reflects a material revision to the initial allocation of the acquisition cost.

As a result, provisional goodwill totaling ¥60,139 million decreased ¥28,346 million following finalization of the accounting treatment, to ¥31,792 million. The decrease in goodwill was primarily attributable to increases of ¥40,649 million in customer-related assets and ¥12,455 million in deferred tax liabilities. In addition, customer-related assets, deferred tax liabilities, and retained earnings increased ¥39,993 million, ¥12,254 million, and ¥0 million, respectively, while goodwill decreased ¥27,638 million on a year-on-year consolidated balance sheet basis. There is no impact on the quarterly consolidated statements of income for the first quarter of the previous fiscal year. Meanwhile, the amortization period for goodwill is 20 years, while the amortization period for customer-related assets allocated to items other than goodwill is 31 years.

(Material Subsequent Event)

(Business Separation)

At a Board of Directors' meeting held on March 25, 2026, Tokuyama resolved to transfer its domestic sales business for cement and solidification agents (including shares in certain consolidated subsidiaries related to the said business) to a wholly owned subsidiary (hereinafter referred to as "the New Company") newly established on October 1, 2026 through an absorption-type split, and subsequently transfer all of the New Company's outstanding shares to TAIHEIYO CEMENT CORPORATION. On this basis, the Company entered into a share transfer agreement with TAIHEIYO CEMENT CORPORATION on the same date as its resolution.

Thereafter, Tokuyama undertook the absorption-type split and share transfer (hereinafter collectively referred to as "the Transaction") on October 1, 2026.

The absorption-type split qualifies as a simplified absorption-type split pursuant to Article 784, Paragraph 2, of Japan's Companies Act and was undertaken without obtaining approval at the Company's General Meeting of Shareholders.

1. Overview of the Business Separation

(1) Name of the Separated Entity

Taiheiyo Cement Corporation

(2) Content of the Business to be Separated

Domestic Sales Business for Cement and Solidification Materials

(3) Main Reasons for the Business Separation

It aims to further accelerate structural reforms and business transformation, strengthen competitiveness, and enhance the allocation of resources to growth businesses

(4) Business Separation Date

October 1, 2026

(5) Transfer Price

37,000 million yen

* The final transfer amount is expected to be an amount adjusted based on the price at the time of execution of the share transfer as stipulated in the share transfer agreement.

(6) Other

As far as the cement and solidification agent manufacturing equipment that the Company will retain is concerned, following completion of the Transaction, the recoverable amount based on future cash flows generated by the asset group after the Transaction is projected to fall below the book value. As a result, the Company expects to record an impairment loss on non-current assets of approximately ¥12,000 million as an extraordinary loss in the third quarter of the fiscal year ending March 31, 2027.

Please note that this amount is an estimate as of the present time and may change in the future.

2. Overview of Accounting Treatment

(1) Amount of gain or loss on relocation

Gain on sale of shares in affiliated companies ¥32,071 million

Note: This amount is calculated on a provisional basis as adjustments will be made in the future in accordance with the contract.

(2) Accounting Treatment

It is scheduled to be accounted for in accordance with the 'Accounting Standards for Business Separations, etc.' (Accounting Standards for Business, No. 7, September 13, 2013) and the 'Application Guidelines for Accounting Standards on Business Combinations and Business Separations, etc.' (Accounting Standards Application Guidelines No. 10, January 16, 2019).

3. Reporting Segment Containing the Separated Business Cement

4. Estimated profit or loss relating to the separated business posted in the interim consolidated statement of income

Net sales	¥4,895 million
Operating profit	¥497 million