

Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2021 (JPGAAP)

October 28, 2021

Tokuyama Corporation

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

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Stock exchange listings:

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Local Code :

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Scheduled date of dividends payout : December 1, 2021-

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, 2021 (Apr. 1, 2021 – Sep. 30, 2021)

(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 2021	132,660	(7.4)	11,665	(9.9)	11,998	(4.0)
Second Quarter Fiscal 2020	143,289	(6.2)	12,941	(11.4)	12,498	(8.4)

(Note) Comprehensive income: 2nd Q FY21: 9,454 million yen [(19.2)%] 2nd Q FY20: 11,696 million yen [25.0%]

	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 2021	9,257	(7.4)	128.61	-
Second Quarter Fiscal 2020	9,994	(3.9)	143.90	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
September 30, 2021	396,866	213,771	51.8	2,858.68
March 31, 2021	386,794	205,261	51.3	2,758.37

(Reference) Shareholders' equity: Sep. 30, 2021: 205,688 million yen Mar. 31, 2021: 198,561 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Corporate Accounting Standard No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2021 in accordance with transitional treatment. For more details, please refer to "2. Quarterly Consolidated Financial Statements and (5) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policy)" on page 15 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2020, ended Mar 31, 2021	(yen) -	(yen) 35.00	(yen) -	(yen) 35.00	(yen) 70.00
Fiscal 2021, ending Mar 31, 2022	-	35.00			
Fiscal 2021 (Forecast)			-	35.00	70.00

(Note) Revision of the latest dividends forecast: No

3. Consolidated performance forecast for fiscal 2021 (April 1, 2021 - March 31, 2022)

(% 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 2021	293,000	(3.1)	22,000	(28.9)	22,000	(28.6)	22,000	(10.3)	305.66

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

* The Company announced the release, "Notice concerning Revision of Performance Forecast for Fiscal 2021," on Oct. 28, 2021.

*Notes

(1) Changes in significant subsidiaries during this period

: No

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

: Yes

(Note) For more details, please refer to "2. Quarterly Consolidated Financial Statements and (5) Notes on Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of the quarterly consolidated financial statements)" on page 14 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

- | | |
|--|-----|
| i. Changes in accounting policy by revision of accounting standards: | Yes |
| ii. Changes in accounting policy other than the above: | No |
| iii. Changes in accounting estimates: | No |
| 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 policy)" on page 15 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

- | | | | | |
|---|--------------------------|------------|--------------------------|------------|
| i. Number of shares issued at end of period (including treasury stock): | 2nd Quarter Fiscal 2021: | 72,088,327 | Fiscal 2020: | 72,088,327 |
| ii. Number of treasury stock at end of period: | 2nd Quarter Fiscal 2021: | 135,900 | Fiscal 2020: | 103,403 |
| iii. Average number of shares over period: | 2nd Quarter Fiscal 2021: | 71,976,167 | 2nd Quarter Fiscal 2020: | 69,456,302 |

(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.

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the second quarter fiscal 2021 (April 1, 2021 - September 30, 2021) are summarized as follows:

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Corporate Accounting Standard No. 29, March 31, 2020), etc. effective from the beginning of the first quarter ended June 30, 2021 in accordance with transitional treatment. The effect of this change was to decrease net sales by ¥23,873 million and cost of sales by ¥23,873 million compared with the previous accounting method. For more details, please refer to “2. Quarterly Consolidated Financial Statements and (5) Notes on Quarterly Consolidated Financial Statements (Changes in accounting policy).”

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Second Quarter Fiscal 2021	132,660	11,665	11,998	9,257
Second Quarter Fiscal 2020	143,289	12,941	12,498	9,994
Rate of change (%)	(7.4)	(9.9)	(4.0)	(7.4)

Net sales

Sales rose owing to higher petrochemical product sales prices and solid sales of semiconductor-related products. Nevertheless, net sales decreased 7.4%, or ¥ 10,629 million compared with the corresponding period of the previous year, to ¥ 132,660 million due to the application of Accounting Standard for Revenue Recognition, etc.

Cost of sales

Although raw material and fuel costs increased, cost of sales decreased 12.1%, or ¥ 11,912 million compared with the corresponding period of the previous year, to ¥ 86,865 million due to the application of Accounting Standard for Revenue Recognition, etc.

SG&A expenses

SG&A expenses increased 8.1%, or ¥ 2,559 million compared with the corresponding period of the previous year, to ¥ 34,130 million mainly due to increases in logistics costs and R&D expenses.

Operating profit

Operating profit decreased 9.9 %, or ¥ 1,276 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 11,665 million. Despite solid sales of semiconductor-related products, this decrease in operating profit was mainly due to higher raw material and fuel costs.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved by ¥ 776 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, ordinary profit decreased 4.0 %, or ¥ 499 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 11,998 million.

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

Extraordinary income/losses improved by ¥ 2,413 million compared with the corresponding period of the previous consolidated fiscal year.

As a result of the above, profit before income taxes increased 15.8%, or ¥ 1,913 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 14,031 million.

Profit after deducting income taxes calculated in an appropriate way decreased 10.7%, or ¥ 1,110 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 9,229 million.

Profit attributable to owners of parent decreased 7.4%, or ¥ 737 million compared with the corresponding period of the previous consolidated fiscal year, to ¥ 9,257 million.

(Operating results by segment)

Effective from the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, the Company has reviewed our business segment and changed them to six segments: Chemicals, Cement, Electronics Materials, Life Science, Eco Business and Others.

Data for the corresponding period of the previous fiscal year has been adjusted to reflect this change to enable the year-on-year comparison presented as follows.

Sales

(Unit: Millions of yen)

	Reportable segment					Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Second Quarter Fiscal 2021	43,891	24,964	33,824	15,395	4,478	16,701	139,256	(6,596)	132,660
Second Quarter Fiscal 2020	36,630	42,118	27,950	12,815	4,134	36,069	159,718	(16,429)	143,289
Rate of change (%)	19.8	(40.7)	21.0	20.1	8.3	(53.7)	(12.8)	-	(7.4)

Operating profit (loss)

(Unit: Millions of yen)

	Reportable segment					Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Second Quarter Fiscal 2021	5,578	5	4,073	2,634	(354)	1,883	13,819	(2,154)	11,665
Second Quarter Fiscal 2020	5,080	2,311	3,052	1,029	(332)	2,999	14,140	(1,198)	12,941
Rate of change (%)	9.8	(99.8)	33.5	155.9	-	(37.2)	(2.3)	-	(9.9)

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

Chemicals

Caustic soda earnings declined. This downturn in earnings was due to manufacturing costs rising as a result of higher raw material and fuel costs.

Earnings from vinyl chloride monomer increased due to the upturn in export prices.

Vinyl chloride resin earnings were in line with the corresponding period of the previous year. While manufacturing costs rose as a result of higher raw material and fuel costs, unchanged earnings reflected progress made in revising selling prices.

As a result of the above, segment net sales increased 19.8% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 43,891 million and operating profit increased 9.8 % to ¥ 5,578 million. The segment reported higher earnings on higher sales.

Cement

Cement earnings decreased despite shipments being in line with the corresponding period of the previous year. Lower earnings reflected manufacturing costs rising as a result of higher raw material costs.

As a result of the above, segment net sales decreased 40.7% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 24,964 million and operating profit decreased 99.8% to ¥ 5 million. The segment reported lower earnings on lower sales.

Electronic Materials

With regard to Semiconductor-grade polycrystalline silicon, earnings increased owing to firm sales on the back of the introduction of 5G and an increase in remote work.

IC Chemicals earnings decreased despite sales volumes increasing mainly overseas. This downturn largely reflected higher raw material costs.

Fumed Silica earnings increased owing to higher sales volume centered on applications for semiconductor abrasives.

Thermal management materials earnings were in line with the corresponding period of the previous year. Although sales volume was solid, this largely reflected higher R&D expenses at the Center for Commercialization of Advanced Technology.

As a result of the above, segment net sales increased 21.0% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 33,824 million and operating profit increased 33.5% to ¥ 4,073 million. The segment reported higher earnings on higher sales.

Life Science

Dental materials earnings grew thanks to a recovery in shipments to Europe and the United States, which had declined as a result of the spread of COVID-19.

Plastic lens-related materials earnings increased owing to a recovery in shipments to Europe and the United States of eyeglass lens photochromic materials, which had declined as a result of the spread of COVID-19.

Pharmaceutical ingredients and intermediates earnings increased, owing mainly to a robust sales volume of generic pharmaceuticals.

Earnings of medical diagnostic systems decreased. This largely reflected a decline in sales volumes of laboratory information systems and laboratory automation systems.

As a result of the above, segment net sales increased 20.1% compared with the corresponding period of the previous consolidated fiscal year, to ¥ 15,395 million and operating profit increased 155.9% to ¥ 2,634 million. The segment reported higher earnings on higher sales.

Eco Business

To make the environment segment one of our business pillars of the future, we consolidated the environment-related businesses scattered within the Group and newly established them as a segment that aims for new business development from the current fiscal year.

Segment net sales increased 8.3% compared with the corresponding period of the previous year, to ¥ 4,478 million and operating loss amounted to ¥ 354 million (posted operating loss of ¥ 332 million in the corresponding period of the previous year).

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of September 30, 2021, total assets amounted to ¥ 396,866 million, an increase of ¥ 10,071 million compared with those as of March 31, 2021.

This increase primarily reflects the increase of property, plant and equipment, raw materials and supplies, other current assets, merchandise and finished goods and work in process of ¥ 8,498 million, ¥ 6,945 million, ¥ 2,494 million, ¥ 1,915 million and ¥ 1,306 million respectively, despite the decrease of cash and deposits and accounts receivable - trade of ¥ 7,865 million and ¥ 3,744 million respectively.

Total liabilities amounted to ¥ 183,095 million, up ¥ 1,561 million compared with those as of March 31, 2021.

The principal factor is the increase in notes and accounts payable - trade and income taxes payable of ¥ 7,777 million, despite decrease in long-term loans borrowings and current portion of long-term loans borrowings of ¥ 5,295 million and other current liabilities mainly due to a decrease in accounts payable of ¥ 1,782 million.

Net assets totaled ¥ 213,771 million, an increase of ¥ 8,510 million compared with those as of March 31, 2021.

This mainly reflected the increase of ¥ 6,981 in retained earnings primarily due to posting profit attributable, in spite of decrease due to the payment of dividends.

(Status of cash flows)

As of September 30, 2021, cash and cash equivalents were ¥ 75,205 million, a decrease of ¥ 7,845 million compared with those as of March 31, 2021.

Net cash provided by operating activities totaled ¥ 16,359 million, a decrease of ¥ 4,342 million compared with the corresponding period of the previous year.

This decrease primarily reflects the increase in inventories of ¥ 10,103 million despite positive factors, such as profit before income taxes of ¥ 14,031 million, depreciation of ¥ 9,075 million and increase in trade payables of ¥ 7,496 million

Net cash used in investing activities totaled ¥ 16,928 million, an increase of ¥ 5,691 million compared with the corresponding period of the previous year.

Major contributory factor was payments for purchases of property, plant and equipment of ¥ 16,204 million.

Net cash used in financing activities amounted to ¥ 8,209 million, a decrease of ¥ 807 million compared with the corresponding period of the previous year.

This was primarily attributed to payments for repayment of long-term loans payable of ¥ 6,358 million and dividends paid of ¥ 2,516 million.

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

Based on the current raw material and fuel prices and other factors, the Company has revised the performance forecast, announced on April 28, 2021. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast for Fiscal 2021," dated October 28, 2021.

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)

	3/31/2021	9/30/2021
Assets		
Current assets		
Cash and deposits	83,681	75,815
Notes and accounts receivable - trade	70,901	—
Notes receivable - trade	—	8,294
Accounts receivable - trade	—	58,696
Lease receivables	25	14
Merchandise and finished goods	14,674	16,590
Work in process	10,995	12,301
Raw materials and supplies	13,930	20,876
Other	5,666	8,161
Allowance for doubtful accounts	(115)	(85)
Total current assets	199,760	200,666
Non-current assets		
Property, plant and equipment		
Buildings and structures	105,028	107,147
Accumulated depreciation	(76,427)	(77,520)
Buildings and structures, net	28,601	29,626
Machinery, equipment and vehicles	459,039	467,782
Accumulated depreciation	(413,493)	(417,541)
Machinery, equipment and vehicles, net	45,545	50,241
Tools, furniture and fixtures	22,827	22,959
Accumulated depreciation	(19,995)	(20,135)
Tools, furniture and fixtures, net	2,831	2,823
Land	31,903	31,870
Leased assets	6,900	7,994
Accumulated depreciation	(2,431)	(2,814)
Leased assets, net	4,469	5,180
Construction in progress	10,674	12,782
Total property, plant and equipment	124,025	132,524
Intangible assets		
Goodwill	86	77
Leased assets	43	34
Other	1,751	1,912
Total intangible assets	1,882	2,024
Investments and other assets		
Investment securities	27,171	27,580
Long-term loans receivable	2,094	1,989
Deferred tax assets	16,407	16,389
Retirement benefit asset	10,660	11,035
Other	4,854	4,702
Allowance for doubtful accounts	(61)	(44)
Total investments and other assets	61,126	61,652
Total non-current assets	187,034	196,200
Total assets	386,794	396,866

(Millions of yen)

	3/31/2021	9/30/2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	39,547	47,325
Short-term borrowings	1,850	1,050
Current portion of long-term borrowings	8,899	23,261
Lease obligations	1,204	1,170
Income taxes payable	2,375	4,662
Provision for bonuses	3,057	3,135
Provision for share awards	33	—
Provision for repairs	4,884	3,833
Provision for decommissioning and removal	1,100	1,392
Provision for product warranties	95	51
Provision for loss on compensation for damage	122	111
Provision for environmental measures	40	14
Provision for loss on disaster	17	—
Other	20,079	18,297
Total current liabilities	<u>83,308</u>	<u>104,304</u>
Non-current liabilities		
Long-term borrowings	82,812	63,154
Lease obligations	3,671	3,496
Deferred tax liabilities	247	335
Provision for retirement benefits for directors (and other officers)	201	183
Provision for share awards	—	9
Provision for repairs	1,340	2,007
Provision for decommissioning and removal	1,028	745
Allowance for loss on compensation for building materials	124	105
Provision for environmental measures	137	128
Retirement benefit liability	1,991	2,046
Asset retirement obligations	56	56
Other	6,613	6,521
Total non-current liabilities	<u>98,224</u>	<u>78,791</u>
Total liabilities	<u>181,533</u>	<u>183,095</u>
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	23,455	23,455
Retained earnings	157,332	164,313
Treasury shares	(349)	(412)
Total shareholders' equity	<u>190,438</u>	<u>197,357</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,274	3,002
Deferred gains or losses on hedges	(19)	(58)
Foreign currency translation adjustment	2,165	2,668
Remeasurements of defined benefit plans	2,702	2,718
Total accumulated other comprehensive income	<u>8,122</u>	<u>8,331</u>
Non-controlling interests	<u>6,700</u>	<u>8,082</u>
Total net assets	<u>205,261</u>	<u>213,771</u>
Total liabilities and net assets	<u>386,794</u>	<u>396,866</u>

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Q2 FY2020 YTD	Q2 FY2021 YTD
Net sales	143,289	132,660
Cost of sales	98,777	86,865
Gross profit	44,512	45,795
Selling, general and administrative expenses		
Selling expenses	20,116	21,797
General and administrative expenses	11,453	12,332
Total selling, general and administrative expenses	31,570	34,130
Operating profit	12,941	11,665
Non-operating income		
Interest income	48	70
Dividend income	264	289
Share of profit of entities accounted for using equity method	493	534
Trial products income	93	346
Other	1,288	2,016
Total non-operating income	2,188	3,256
Non-operating expenses		
Interest expenses	794	704
Other	1,836	2,218
Total non-operating expenses	2,631	2,923
Ordinary profit	12,498	11,998
Extraordinary income		
Gain on sale of non-current assets	38	313
Gain on sale of investment securities	4	1
Subsidy income	—	75
Compensation for damage income	—	2,178
Gain on sales of patent right and other	1,477	—
Gain on liquidation of subsidiaries and associates	197	—
Total extraordinary income	1,717	2,568
Extraordinary losses		
Loss on sale of non-current assets	—	35
Impairment losses	826	3
Loss on disaster	99	77
Loss on tax purpose reduction entry of non-current assets	—	67
Loss on disposal of non-current assets	228	279
Compensation for damage	—	70
Provision for decommissioning and removals	862	—
Other	83	2
Total extraordinary losses	2,098	536
Profit before income taxes	12,117	14,031
Income taxes	1,776	4,801
Profit	10,340	9,229
Profit (loss) attributable to non-controlling interests	346	(27)
Profit attributable to owners of parent	9,994	9,257

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q2 FY2020 YTD	Q2 FY2021 YTD
Profit	10,340	9,229
Other comprehensive income		
Valuation difference on available-for-sale securities	1,344	(266)
Deferred gains or losses on hedges	8	(39)
Foreign currency translation adjustment	90	449
Remeasurements of defined benefit plans, net of tax	7	15
Share of other comprehensive income of entities accounted for using equity method	(95)	65
Total other comprehensive income	1,355	224
Comprehensive income	11,696	9,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,334	9,470
Comprehensive income attributable to non-controlling interests	362	(16)

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Q2 FY2020 YTD	Q2 FY2021 YTD
Cash flows from operating activities		
Profit before income taxes	12,117	14,031
Depreciation	8,180	9,075
Increase (decrease) in provisions	1,145	(63)
Increase (decrease) in retirement benefit liability	(214)	70
Decrease (increase) in retirement benefit asset	(325)	(366)
Interest and dividend income	(313)	(359)
Foreign exchange losses (gains)	53	80
Loss (gain) on sale of property, plant and equipment	(38)	(278)
Loss (gain) on sale of investment securities	(4)	(1)
Share of loss (profit) of entities accounted for using equity method	(493)	(534)
Subsidy income	—	(75)
Interest expenses	794	704
Loss on tax purpose reduction entry of non-current assets	—	67
Impairment losses	826	3
Loss (gain) on disposal of non-current assets	228	279
Gain on sales of patent right and other	(1,477)	—
Gain on liquidation of subsidiaries and associates	(197)	—
Compensation for damage income	—	(2,178)
Compensation for damage	—	70
Decrease (increase) in trade receivables	9,725	3,669
Decrease (increase) in inventories	(1,052)	(10,103)
Decrease (increase) in other current assets	(1,221)	(808)
Increase (decrease) in trade payables	(3,383)	7,496
Increase (decrease) in other current liabilities	(1,123)	(2,256)
Other, net	138	(16)
Subtotal	23,365	18,508
Interest and dividends received	750	881
Interest paid	(801)	(706)
Income taxes refund (paid)	(2,611)	(2,323)
Net cash provided by (used in) operating activities	20,702	16,359
Cash flows from investing activities		
Payments into time deposits	(103)	(9)
Proceeds from withdrawal of time deposits	200	26
Purchase of property, plant and equipment	(11,491)	(16,204)
Proceeds from sale of property, plant and equipment	157	345
Purchase of investment securities	(241)	(384)
Proceeds from sale of investment securities	10	303
Long-term loan advances	(27)	(1)
Proceeds from collection of long-term loans receivable	89	92
Subsidies received	—	75
Gain on sales of patent right and other	720	—
Other, net	(550)	(1,170)
Net cash provided by (used in) investing activities	(11,237)	(16,928)

(Millions of yen)

	Q2 FY2020 YTD	Q2 FY2021 YTD
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(276)	(1,200)
Proceeds from long-term borrowings	75	1,184
Repayments of long-term borrowings	(6,175)	(6,358)
Proceeds from issuance of shares	821	1,514
Dividends paid	(2,429)	(2,516)
Dividends paid to non-controlling interests	(122)	(120)
Decrease (increase) in treasury shares	(0)	-99
Other, net	(909)	(612)
Net cash provided by (used in) financing activities	(9,016)	(8,209)
Effect of exchange rate change on cash and cash equivalents	39	62
Net increase (decrease) in cash and cash equivalents	487	(8,715)
Cash and cash equivalents at beginning of period	80,918	83,050
Increase/decrease in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	—	870
Cash and cash equivalents at end of period	81,406	75,205

(5) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Major Changes in Shareholders' Equity)

Not applicable.

(Changes in significant subsidiaries during this period)

Not applicable.

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

(Calculation of Tax Expense)

The Company rationally estimated the effective tax rate after the application of accounting policy for deferred tax, which was applied to the profit/loss before income tax for the consolidated fiscal year under review including the second quarter consolidated accounting period for the consolidated fiscal year ending March 31, 2022, 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 policy)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Corporate Accounting Standard No. 29, March 31, 2020) and other related standards from the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, and has decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

The main change due to the adoption of the Accounting Standard for Revenue Recognition is the revenue recognition for agent transactions.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended June 30, 2021 was added to or subtracted from the beginning balance of retained earnings of the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, and thus the new accounting policy was applied from the beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the beginning of the first quarter ended June 30, 2021 were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the second quarter consolidated accounting period for the fiscal year ending March 31, 2022, net sales decreased by ¥ 23,873 million and cost of sales decreased by ¥ 23,873 million. In addition, there was no impact on operating profit, ordinary profit, profit before income taxes, and retained earnings at the beginning of the fiscal year ending March 31, 2022.

Due to the application of Accounting Standard for Revenue Recognition, “Notes and accounts receivable – trade” which were included in “Current assets” in the consolidated balance sheets for the previous fiscal year, are divided into “Notes receivable – trade” and “accounts receivable – trade” from the first quarter ended June 30, 2021. In accordance with transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Corporate Accounting Standard No. 30, July 4, 2019) from the beginning of the first quarter ended June 30, 2021, and the new accounting policies set forth by the Accounting Standard for Fair Value Measurement will be applied in the future in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Corporate Accounting Standard No. 10, July 4, 2019). There is no effect on quarterly consolidated statements.

(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 2020 (April 1, 2020 –September 30, 2020)

1. Information on net sales as well as profit and loss by reportable segment

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Sales									
Sales to customers	36,248	41,893	22,308	12,360	3,982	26,495	143,289	-	143,289
Inter-segment sales/transfer	381	224	5,641	455	151	9,574	16,429	(16,429)	-
Total	36,630	42,118	27,950	12,815	4,134	36,069	159,718	(16,429)	143,289
Segment profit (loss)	5,080	2,311	3,052	1,029	(332)	2,999	14,140	(1,198)	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 (loss) adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

*3 With regard to segment profit (loss), operating profit in the quarterly consolidated statement of profit has been calculated by making an adjustment to the sum total of the reportable segments’ profit and the “Others” segment’s profit.

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss on fixed assets)

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

Second Quarter Fiscal 2021 (April 1, 2021 –September 30, 2021)

1. Information on net sales as well as profit and loss by reportable segment and a breakdown of earnings

(Millions of yen)

	Reportable segments					Others*1	Total	Adjustment *2	Figures in quarterly consolidated income statement*3
	Chemicals	Cement	Electronic Materials	Life Science	Eco Business				
Sales									
Sales to customers	43,703	24,560	33,116	15,344	4,374	11,561	132,660	-	132,660
Inter-segment sales/transfer	188	404	707	51	104	5,139	6,596	(6,596)	-
Total	43,891	24,964	33,824	15,395	4,478	16,701	139,256	(6,596)	132,660
Segment profit (loss)	5,578	5	4,073	2,634	(354)	1,883	13,819	(2,154)	11,665

*1 The “Others” segment comprises businesses other than those of the reportable segments. Specifically, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 The segment profit (loss) adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

*3 With regard to segment profit (loss), operating profit in the quarterly consolidated statement of profit has been calculated by making an adjustment to the sum total of the reportable segments’ profit and the “Others” segment’s profit.

*4 Net sales are not presented separately from earnings derived from contracts with customers and other earnings because the amount of other earnings is insignificant.

2. Information on changes in reportable segments

Effective from the first quarter consolidated accounting period for the fiscal year ending March 31, 2022, the Company has reviewed our business segment and changed them to six segments: Chemicals, Cement, Electronics Materials, Life Science, Eco Business and Others.

The segment information for the second quarter of the consolidated accounting period for the fiscal year ending March 31, 2021 is disclosed based on the reporting segment classification after this change.

The Company has applied the Accounting Standard for Revenue Recognition, etc. and changed the method of accounting for revenue recognition from the beginning of the first quarter ended June 30, 2021 as described in above “Changes in accounting policy.” Therefore, the Company has similarly changed the measuring method of segment profit or loss.

As a result of this change, net sales in the Chemicals, Cement, Electronics Materials, Eco Business and Others segments decreased by ¥ 683 million, ¥ 21,961 million, ¥ 51 million, ¥ 363 million and ¥ 10,836 million, respectively, compared with the previous method for the second quarter consolidated accounting period for the fiscal year ending March 31, 2022.

The total decrease in net sales after taking into account intersegment eliminations and corporate expenses is ¥ 23,873 million.

There is no effect on segment profit (loss).

3. Information on amortization of goodwill and unamortized balance by reportable segment

Not applicable.