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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 3, 2023

Company name: TOSOH CORPORATION

Stock exchange listing: Tokyo

Code number: 4042

URL: <https://www.tosoh.co.jp/>

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Scheduled date of filing quarterly securities report: February 13, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	794,586	18.7	58,900	(44.9)	72,302	(37.1)	46,314	(40.2)
December 31, 2021	669,468	29.6	106,884	111.2	114,923	124.2	77,420	124.5

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 63,205 million [(25.9)%]
 Nine months ended December 31, 2021: ¥ 85,272 million [107.3%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	145.52	145.46
December 31, 2021	243.32	243.18

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2022	1,206,799	792,139	61.1
March 31, 2022	1,087,667	759,724	65.2

(Reference) Equity: As of December 31, 2022: ¥ 737,929 million
 As of March 31, 2022: ¥ 708,916 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	30.00	-	50.00	80.00
Fiscal year ending March 31, 2023	-	40.00	-		
Fiscal year ending March 31, 2023 (Forecast)				40.00	80.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,110,000	20.8	83,000	(42.4)	102,000	(36.4)	66,000	(38.9)	207.36

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2022: 325,080,956 shares

March 31, 2022: 325,080,956 shares

2) Total number of treasury shares at the end of the period:

December 31, 2022: 6,747,346 shares

March 31, 2022: 6,873,424 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 318,279,851 shares

Nine months ended December 31, 2021: 318,181,202 shares

* Quarterly financial results reports are not subject to quarterly review by certified public accountants or an auditing firm.

* Explanations regarding appropriate use of financial results forecasts and other special notes

(Cautionary statement on forward-looking statements)

The forward-looking statements, including financial results forecasts, contained in these materials are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and may be substantially different from the actual performance because of various factors that may arise from now on. Please refer to page 4 of the attached document for further information on the above forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Operating Results

The Company's consolidated net sales increased ¥125.1 billion (18.7%) year-on-year to ¥794.6 billion (US\$5.8 billion). The rise was attributable to higher sales prices that reflected increased prices for raw materials and fuels, such as naphtha, and the progressively weaker yen.

Operating income, meanwhile, decreased ¥48.0 billion (44.9%) year-on-year to ¥58.9 billion (US\$431.5 million). This decrease resulted from worsening trade conditions as higher sales prices could not offset the impact of increased raw material and fuel prices. Ordinary income was ¥72.3 billion (US\$529.7 million), a decrease of ¥42.6 billion (37.1%), from the same period of the previous year due to an improvement in non-operating income resulting from foreign exchange gains from the progressively weaker yen. Profit attributable to owners of the parent company was down ¥31.1 billion (40.2%), to ¥46.3 billion (US\$339.2 million).

During the nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022), uncertainty pervaded the global economy, as supply-side constraints, rising resource prices, sharp inflation, and tight monetary policies combined to exert downward pressure on the economy amid the prolonged invasion of Ukraine and China's zero-COVID policy. This is in spite of certain countries having made progress in balancing economic activities against measures to mitigate the spread of COVID-19.

Results by business segment are as follows.

Petrochemical

Petrochemical Group net sales increased ¥24.6 billion (18.2%) year-on-year to ¥160.0 billion (US\$1.2 billion). Operating income, however, decreased ¥2.2 billion (17.0%) year-on-year to ¥10.6 billion (US\$77.7 million). Decreased shipments of olefin products such as ethylene and propylene as well as polyethylene resin contributed to the decline.

Shipments of ethylene, propylene, and cumene decreased owing to a decline in production volume due to this being a scheduled maintenance year. Moreover, selling prices of ethylene and propylene increased, reflecting higher naphtha prices. Selling prices of cumene increased due to the progressively weaker yen.

Shipments of polyethylene resin declined both domestically and globally, but selling prices rose, reflecting higher naphtha prices and overseas market conditions. Shipments of chloroprene rubber decreased in both domestic and export markets, but selling prices rose amidst a tight supply-demand environment and soaring raw material prices.

Chlor-alkali

The Chlor-alkali Group's net sales increased ¥47.9 billion (18.6%) year-on-year to ¥305.2 billion (US\$2.2 billion), while the group's operating income fell, ¥59.4 billion, resulting in a loss of ¥8.8 billion (US\$64.5 million) on worsening trade conditions resulting from higher prices of raw materials and fuels such as naphtha and coal.

Shipments of caustic soda increased, owing to higher production volume. Moreover, selling prices rose due to domestic price revisions and improved market conditions overseas. While shipments of vinyl chloride monomer increased, declining market conditions overseas led to export prices falling. Shipments of polyvinyl chloride (PVC) resin decreased in both domestic and export markets. Although overseas market prices were down, selling prices rose due to the progressively weaker yen and domestic price corrections. Domestic shipments of cement declined on weak demand, but selling prices rose in both domestic and export markets.

Shipments of methylene diphenyl diisocyanate (MDI) increased as production volume grew. In addition, although overseas market conditions declined, selling prices increased because of the progressively weaker yen and domestic price corrections. And shipments of hexamethylene diisocyanate (HDI) hardening agents decreased, but selling prices rose on higher overseas market prices and other factors.

Specialty

Net sales by the Specialty Group increased ¥33.1 billion (19.7%) year-on-year to ¥200.8 billion (US\$1.5 billion). Operating income was up ¥9.4 billion, (27.7%) year-on-year to ¥43.6 billion (US\$319.4 million), with the rise attributable to increased shipments of silica glass and other products, improved trade conditions owing to foreign exchange, and an improvement in the inventory receipt and payment.

Shipments of ethyleneamine decreased due to lower demand caused by worsening business sentiment, but selling prices increased on higher overseas market prices.

Among its separation-related products, shipments of packing materials for liquid chromatography remained robust. In its diagnostic-related products, shipments of in vitro diagnostic reagents to China declined due to the spread of COVID-19, but shipments of genetic COVID-19 test kits for Japan increased.

A slowdown in demand in China for automotive applications led to a decrease in high-silica zeolite shipments. Shipments of zirconia increased, chiefly for dental material applications in Europe. Growing demand for semiconductors boosted silica glass shipments. Shipments of electrolytic manganese dioxide decreased as the supply and demand balance relaxed in the US, but domestic and overseas product prices rose due to price revisions.

Engineering

Engineering Group net sales rose ¥15.2 billion (18.6%) year-on-year to ¥96.7 billion (US\$708.4 million). Operating income likewise increased, ¥4.3 billion (58.3%) year on year to ¥11.7 billion (US\$85.7 million).

Sales in the Engineering Group's water treatment business increased due to steady progress in construction of large-scale projects ordered in the electronics industry and robust sales of maintenance and other service solutions.

Sales by the Engineering Group's construction subsidiaries decreased.

Other

Other net sales increased ¥4.3 billion (15.5%) year-on-year to ¥32.1 billion (US\$235.2 million), but operating income decreased ¥0.2 billion (9.7%) year-on-year to ¥1.9 billion (US\$13.9 million).

Sales in other operations such as transportation and warehousing, inspection and analysis, and information processing increased.

(2) Explanation regarding Financial Position

Total assets grew ¥119.1 billion from the end of the previous period to ¥1,206.8 billion (US\$8.8 billion), chiefly due to an increase in notes and accounts receivable-trade, and contract assets, and merchandise and finished goods, in spite of a decline in cash and deposits. Liabilities increased by ¥86.7 billion from the end of the previous period to ¥414.7 billion (US\$3.0 billion), owing mainly to increases in notes and accounts payable-trade and short-term borrowings, in spite of a decrease in income taxes payable.

Net assets amounted to ¥792.1 billion (US\$5.8 billion), up ¥32.4 billion from the end of the previous year, mainly due to the recording of profit attributable to owners of the parent company and a rise in foreign currency translation adjustments.

(3) Explanation regarding Consolidated Financial Results Forecast and Other Forward-Looking Statements

There is no change in the full-year earnings forecast for the fiscal year ending March 31, 2023 from the forecast announced on November 1, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	161,516	119,783
Notes and accounts receivable - trade, and contract assets	259,631	306,420
Merchandise and finished goods	119,145	153,767
Work in process	15,535	29,358
Raw materials and supplies	56,983	69,199
Other	30,125	42,091
Allowance for doubtful accounts	(659)	(725)
Total current assets	642,278	719,897
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	114,632	129,184
Land	68,599	68,319
Other, net	143,474	167,112
Total property, plant and equipment	326,706	364,616
Intangible assets	6,945	10,664
Investments and other assets		
Investment securities	59,323	57,204
Assets for retirement benefit	30,251	31,000
Other	22,940	23,866
Allowance for doubtful accounts	(778)	(451)
Total investments and other assets	111,737	111,620
Total non-current assets	445,389	486,902
Total assets	1,087,667	1,206,799

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	113,441	131,265
Short-term borrowings	63,662	152,688
Income taxes payable	34,584	8,344
Provisions	15,309	5,819
Other	42,881	52,245
Total current liabilities	269,878	350,364
Non-current liabilities		
Long-term borrowings	28,243	31,161
Provisions	1,348	2,951
Liabilities for retirement benefit	20,787	21,205
Other	7,685	8,977
Total non-current liabilities	58,064	64,296
Total liabilities	327,943	414,660
Net assets		
Shareholders' equity		
Common stock	55,173	55,173
Capital surplus	45,327	44,748
Retained earnings	601,344	618,974
Treasury stock	(10,018)	(9,834)
Total shareholders' equity	691,826	709,061
Accumulated other comprehensive income		
Net unrealized gains on securities	10,479	9,251
Deferred gains (losses) on hedges	(25)	(28)
Foreign currency translation adjustments	759	14,346
Accumulated adjustments for retirement benefit	5,876	5,298
Total accumulated other comprehensive income	17,089	28,868
Stock acquisition rights	178	89
Non-controlling interests	50,629	54,119
Total net assets	759,724	792,139
Total liabilities and net assets	1,087,667	1,206,799

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	669,468	794,586
Cost of sales	469,383	629,260
Gross profit	200,085	165,325
Selling, general and administrative expenses	93,201	106,425
Operating income	106,884	58,900
Non-operating income		
Interest income	245	471
Dividend income	1,646	1,799
Foreign exchange gains	3,651	6,692
Equity in earnings of affiliates	1,730	2,013
Other	1,926	3,956
Total non-operating income	9,199	14,932
Non-operating expenses		
Interest expense	775	1,034
Other	385	495
Total non-operating expenses	1,160	1,529
Ordinary income	114,923	72,302
Extraordinary income		
Gain on sale of property, plant and equipment	513	979
Gain on sale of investment securities	164	818
Total extraordinary income	677	1,797
Extraordinary losses		
Loss on sales of property, plant and equipment	65	29
Loss on disposal of property, plant and equipment	1,436	1,666
Loss on sales of investment securities	1	1
Loss on valuation of investment securities	7	137
Impairment loss	0	3
Total extraordinary losses	1,511	1,837
Income before income taxes	114,089	72,263
Income taxes	33,827	22,342
Net income	80,261	49,920
Profit attributable to non-controlling interests	2,841	3,606
Profit attributable to owners of parent	77,420	46,314

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net income	80,261	49,920
Other comprehensive income		
Net unrealized gains on securities	552	(1,204)
Deferred gains (losses) on hedges	(0)	(3)
Foreign currency translation adjustments	4,933	14,630
Adjustments for retirement benefit	(564)	(574)
Share of other comprehensive income of affiliates applied for equity method	89	437
Total other comprehensive income	5,010	13,284
Comprehensive income	85,272	63,205
Breakdown of comprehensive income		
Comprehensive income attributable to shareholders of parent	81,726	58,093
Comprehensive income attributable to non-controlling interests	3,545	5,112

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the fiscal year including the nine months ended December 31, 2022, and multiplying income before income taxes by this estimated effective tax rate. However, for those companies that would be significantly irrational if tax expenses were calculated using the estimated effective tax rate, the results calculated using the statutory tax rate were recorded.

Income taxes-deferred are included in income taxes.

(Segment Information)

I For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Net Sales and Income by Segment

(Million yen)

	Petrochemical	Chlor-alkali	Specialty	Engineering	Other (1)	Total	Adjustment	Figures in consolidated statements (2)
Net sales								
External customers	135,316	257,222	167,681	81,485	27,762	669,468	—	669,468
Inter-segment	81,991	30,384	12,770	11,722	43,705	180,573	(180,573)	—
Total	217,308	287,607	180,451	93,207	71,467	850,042	(180,573)	669,468
Segment income	12,715	50,536	34,120	7,374	2,137	106,884	—	106,884

Notes (1) "Other" is an additional category for service-related business, such as transportation and warehousing, inspection and analysis, and information processing.

(2) Segment income is equal to operating income of quarterly consolidated statements of income.

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

Not applicable.

II For the nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

1. Net Sales and Income (loss) by Segment

(Million yen)

	Petrochemical	Chlor-alkali	Specialty	Engineering	Other (1)	Total	Adjustment	Figures in consolidated statements (2)
Net sales								
External customers	159,952	305,150	200,766	96,660	32,056	794,586	—	794,586
Inter-segment	114,315	43,183	18,860	20,919	47,781	245,060	(245,060)	—
Total	274,267	348,334	219,627	117,580	79,837	1,039,647	(245,060)	794,586
Segment income (loss)	10,559	(8,837)	43,569	11,677	1,930	58,900	—	58,900

Notes (1) "Other" is an additional category for service-related business, such as transportation and warehousing, inspection and analysis, and information processing.

(2) Segment income is equal to operating income of quarterly consolidated statements of income.

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

Not applicable.

3. Additional information

Summary of Consolidated Operating Results for the Nine Months ended December 31, 2022

February 3, 2023
TOSOH CORPORATION

(1) Operating Results

	Nine months ended December 31, 2021 (4.1.21-12.31.21) (Actual)	Nine months ended December 31, 2022 (4.1.22-12.31.22) (Actual)	Change	Fiscal year ended March 31, 2022 (4.1.21-3.31.22) (Actual)	Fiscal year ended March 31, 2023 (4.1.22-3.31.23) (Forecast)
					(Billion yen)
Net sales	669.5	794.6	125.1	918.6	1,110.0
Operating income	106.9	58.9	(48.0)	144.0	83.0
Ordinary income	114.9	72.3	(42.6)	160.5	102.0
Profit attributable to owners of parent	77.4	46.3	(31.1)	107.9	66.0
Basic earnings per share (¥)	243.32	145.52	(97.80)	339.23	207.36

(2) Business and Financial Fundamentals

	Nine months ended December 31, 2021 (4.1.21-12.31.21) (Actual)	Nine months ended December 31, 2022 (4.1.22-12.31.22) (Actual)	Change	Fiscal year ended March 31, 2022 (4.1.21-3.31.22) (Actual)	Fiscal year ended March 31, 2023 (4.1.22-3.31.23) (Forecast)
Exchange rate (¥/US\$) Average TTM	111.1	136.5	25.4	112.4	138.0
Exchange rate (¥/EUR) Average TTM	130.6	140.6	10.0	130.6	139.4
Domestic standard naphtha price (¥/kl)	53,967	79,833	25,867	56,625	75,825

(3) Net Sales and Operating Income(Loss) by Business Segment

		Nine months ended December 31, 2021 (4.1.21-12.31.21) (Actual)	Nine months ended December 31, 2022 (4.1.22-12.31.22) (Actual)	Change	Breakdown of change			
					Volume effect	Price effect	Terms of trade	Fixed costs, etc.
Petrochemical	Net sales	135.3	160.0	24.6	(19.2)	43.8	-	-
	Operating income	12.7	10.6	(2.2)	(1.9)	-	0.0	(0.2)
Chlor-alkali	Net sales	257.2	305.2	47.9	(4.5)	52.4	-	-
	Operating income(loss)	50.5	(8.8)	(59.4)	2.3	-	(54.4)	(7.3)
Specialty	Net sales	167.7	200.8	33.1	(1.4)	34.4	-	-
	Operating income	34.1	43.6	9.4	1.2	-	6.7	1.5
Engineering	Net sales	81.5	96.7	15.2	10.9	4.3	-	-
	Operating income	7.4	11.7	4.3	4.3	-	0.0	0.0
Other	Net sales	27.8	32.1	4.3	0.4	3.9	-	-
	Operating income	2.1	1.9	(0.2)	(0.2)	-	0.0	0.0
Total	Net sales	669.5	794.6	125.1	(13.7)	138.9	-	-
	Operating income	106.9	58.9	(48.0)	5.8	-	(47.7)	(6.0)

(Note) Amounts less than 0.1 billion yen are rounded off