

**Consolidated Financial Statements**

For the year ended December 31, 2022



**I . Consolidated Financial Results**

Feb. 14, 2023

(1) Results of operations : (¥ in millions, US\$ in thousands, except for net income attributable to owners of the parent per share)

	Results for the year ended December 31			
	2021	2022	Increase (Decrease)	2022
	¥	¥	%	\$
Net sales	1,419,635	<b>1,392,621</b>	(1.9)	<b>10,494,509</b>
Operating income	87,198	<b>59,371</b>	(31.9)	<b>447,410</b>
Ordinary income	86,861	<b>59,367</b>	(31.7)	<b>447,378</b>
Net income attributable to owners of the parent	(12,094)	<b>30,793</b>	—	<b>232,051</b>
Net income attributable to owners of the parent per share: Basic	(77.40)	<b>170.03</b>		<b>1.28</b>
Net income attributable to owners of the parent per share: Diluted	—	—		—
	%	%		
Net income on equity	(2.6)	<b>5.8</b>		
Ordinary income on total assets	4.0	<b>2.8</b>		
Operating income to net sales	6.1	<b>4.3</b>		

Notes

Important changes in accounting policies : applicable

Comprehensive income :

Results for the year ended December 31,2022

¥67,995million

Results for the year ended December 31,2021

¥50,925million

(2) Financial position : (¥ in millions, US\$ in thousands, except for total equity per share)

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2022
	¥	¥	\$
Total assets	2,142,390	<b>2,100,421</b>	<b>15,828,342</b>
Total equity	818,452	<b>574,677</b>	<b>4,330,649</b>
Total equity per share	2,838.51	<b>3,038.12</b>	<b>22.89</b>
	%	%	%
Stockholders' equity ratio	24.0	<b>26.2</b>	<b>26.2</b>

## (3) Cash flows :

(¥ in millions, US\$ in thousands)

	Results for the year ended December 31		
	2021	2022	2022
	¥	¥	\$
Cash flows from operating activities	115,283	<b>100,349</b>	<b>756,207</b>
Cash flows from investing activities	28,606	<b>(54,667)</b>	<b>(411,962)</b>
Cash flows from financing activities	(121,741)	<b>(103,964)</b>	<b>(783,451)</b>
Cash and cash equivalents at end of the year	234,938	<b>186,683</b>	<b>1,406,805</b>

## (4) Dividends :

	2021	2022	2023 forecast
End of Q1 dividends per share (¥)	—	—	—
End of Q2 dividends per share (¥)	0.00	<b>0.00</b>	—
End of Q3 dividends per share (¥)	—	—	—
End of Term dividends per share (¥)	65.00	<b>65.00</b>	—
Total of dividend per share above (¥)	65.00	<b>65.00</b>	—
Total dividends (¥ in millions)	11,788	<b>11,788</b>	
	%	%	%
Payout ratio (consolidated)	—	<b>38.2</b>	—
Net assets dividend yield (consolidated)	2.3	<b>2.2</b>	

## Notes

Dividend forecast for end of 2nd quarter and end of term of 2023 is undecided. We will promptly disclose when decision is made.

**II. Forecast of performance for the year ending December 31, 2023**

Considering the uncertain market situation, consolidated forecast for only 1st quarter (Jan-Mar), 2023, could be disclosed. We will promptly disclose 2023 full year consolidated forecast when rational estimation is possible in the future. For details, please refer to page 5, "Projections for 2023".

[Business Results and Financial Conditions]

1. Analysis of business results

(1) Summary

In the year ended December 31, 2022 (“2022”), while the global restraint caused by the pandemic of COVID-19 eased and normalization progressed, the global economy showed progress of inflation, energy and raw material price rise caused by the prolonged situation in Ukraine, occurrence of supply constraints, standstill in the recovery of consumption in some regions. Also we saw some adjustments in the semiconductor industry, which has been performing steadily. In the Japanese economy, consumer spending and corporate capital investment showed signs of a gradual recovery.

Consolidated sales for 2022, decreased to ¥1,392,621 million, down 1.9% from the year ended December 31, 2021 (“2021”). Although strong demand for semiconductors, a recovery in automobile production, and higher selling prices contributed to higher sales, there was a decline of approximately ¥160,000 million yen in sales in divestment, which was implemented in the previous fiscal year. The previous fiscal year figures for Energy Storage Devices and Systems business, Aluminum Can business, Aluminum Rolled Products business which were divested, and SHOKO CO., LTD. which was excluded from consolidated accounting due to reduction of stake, are included in the Others segment. Consolidated operating income for 2022, decreased to ¥59,371 million, down 31.9% from 2021. The delay to raise product prices after the rise in raw material prices and the divestments affected negatively. Non-operating income increased mainly due to foreign exchange gains, despite an increase in interest expenses, and consolidated ordinary income of 2022 decreased to ¥59,367 million, down 31.7% from 2021.

Net income attributable to owners of the parent of 2022 was ¥30,793 million, up ¥42,887 million from 2021 due to the absence of an extraordinary loss such as a business structure improvement charge related to the divestment of the Storage Devices and System business recorded in 2021.

(Unit: millions of yen)

	2021 Jan.-Dec.	2022 Jan.-Dec.	Increase/ decrease
Sales	1,419,635	1,392,621	(27,014)
Operating income	87,198	59,371	(27,827)
Ordinary income	86,861	59,367	(27,494)
Net income attributable to owners of the parent	(12,094)	30,793	42,887

(2) A breakdown of net sales and operating income by segment (January 1 - December 31, 2022)

[Semiconductor and Electronic Materials]

In the Semiconductor and Electronic Materials segment, sales of both Front-end Semiconductor Materials and Back-end Semiconductor Materials subsegments increased due to strong demand for semiconductors since the beginning of the year, despite the recent adjustments in semiconductor Back-end production. In Device Solutions subsegment, sales remained unchanged due to HD media volumes decrease caused by a slowdown in demand for data centers from the fourth quarter while SiC epitaxial wafers' sales increased. Sales and operating income for the previous fiscal year include the Printed Wiring Board business which was divested in the fourth quarter of the previous fiscal year, 2021.

As a result, the segment posted sales of ¥427,171 million (up 1.0% from 2021) and operating income of ¥44,228 million (down 10.8% from 2021) due to the impact of rising raw material prices.

(Unit: millions of yen)

	2021 Jan.-Dec.	2022 Jan.-Dec.	Increase/ decrease
Sales	422,941	427,171	4,230
Operating income	49,563	44,228	(5,334)

[Mobility]

In the Mobility segment, sales of Automotive Products subsegment increased due to automobile production recovery from the 2nd half of the year and the increase in demand from some customers. Sales of the Lithium-ion Battery Materials subsegment decreased due to a decline in consumer demand.

As a result, the segment posted sales of ¥180,626 million (up 3.9% from 2021) and operating loss of ¥1,489 million (up ¥532 million from 2021), due in part to the impact of rising raw material prices.

(Unit: millions of yen)

	2021 Jan.-Dec.	2022 Jan.-Dec.	Increase/ decrease
Sales	173,804	180,626	6,822
Operating income	(2,021)	(1,489)	532

[Innovation Enabling Materials]

In the Innovation Enabling Materials segment, sales decreased due to decline in sales volume, although selling prices were raised due to higher raw material prices.

As a result, the segment posted sales of ¥141,081 million (up 1.6% from 2021) and operating income of ¥9,838 million (down 27.9% from 2021).

(Unit: millions of yen)

	2021 Jan.-Dec.	2022 Jan.-Dec.	Increase/ decrease
Sales	143,319	141,081	(2,238)
Operating income	13,636	9,838	(3,799)

[Chemicals segment]

In the Chemicals segment, sales of Petrochemicals subsegment increased, mainly due to higher selling prices caused by the sharp rise in naphtha prices, despite once-in-four-year large-scale maintenance with shutdown. On the other hand, operating income decreased due to a decrease in sales volume caused by the large-scale maintenance with shutdown, and inventory valuation difference. Sales of the Basic Chemicals subsegment increased due to higher selling prices affected by higher raw material prices, however, operating income declined due to an increase in cost mainly caused by higher fuel prices. Sales and operating income of the Graphite Electrodes subsegment increased mainly due to higher selling prices.

As a result, the segment posted sales of ¥527,825 million (up 22.5% from 2021) and operating income of ¥24,910 million (down 34.3% from 2021).

(Unit: millions of yen)

	2021 Jan.-Dec.	2022 Jan.-Dec.	Increase/ decrease
Sales	431,018	527,825	96,806
Operating income	37,907	24,910	(12,997)

Note: Starting from FY2022, sales by segment above has been based on sales to external customers, which does not include intersegment sales.

### (3) Projections for 2023

We expect the global economy to continue its moderate recovery in the next fiscal year, despite the risk of stagnation due to global monetary tightening and rising inflation, and the uncertainty of high energy and raw material costs due to the prolonged situation in Ukraine.

On the other hand, the trend of demand and inventory adjustments in the semiconductor and electronic materials' industry is becoming increasingly uncertain, and it is extremely difficult to foresee a recovery from the adjustment at this time. Under such circumstances, it is difficult to rationally calculate the full-year consolidated earnings forecast for the fiscal year ending December 2023, especially in the semiconductor and electronic materials segment, and therefore only the consolidated earnings forecast for the first quarter is presented. The full-year forecast will be announced promptly when the calculation becomes possible in the future.

The Group's performance forecast for the three-month period end March 31, 2023 is as follows.

(Unit: millions of yen)

Segments	three-month period end March 31,2023	
Semiconductor and Electronic Materials	Sales	80,000
	Operating income	(10,500)
Mobility	Sales	43,000
	Operating income	(1,500)
Innovation Enabling Materials	Sales	33,000
	Operating income	1,500
Chemicals	Sales	134,000
	Operating income	2,000
Others	Sales	30,000
	Operating income	0
Adjustments	Sales	—
	Operating income	(5,500)
Total	Sales	320,000
	Operating income	(14,000)

The above forecast is based on the information available as of February 14, 2023 and our assumptions as of the same date about risk factors that could affect our future performance. Actual results may differ materially due to a variety of reasons.

## 2. Financial conditions for the January 1 – December 31, 2022 period

### (1) Situations of assets, liabilities, and net assets

Total assets at the end of the current fiscal year 2022 decreased by ¥41,969 million from the end of the previous fiscal year 2021 to ¥2,100,421 million due to increases in inventories, property, plant and equipment, despite decreases in cash and deposits, and intangible fixed assets including goodwill.

Total liabilities increased by ¥201,806 million to ¥1,525,744 million due to an increase in interest-bearing debts caused by borrowing a subordinated loan to acquire preferred stock issued by a subsidiary.

Net assets decreased by ¥243,775 million, to ¥574,677 million, due to a decrease in non-controlling interests resulting from the repurchase of preferred stock held by financial institutions, despite an increase in foreign currency translation adjustments account.

### (2) Situation of cash flows in 2022

Net cash provided by operating activities during the current fiscal year 2022 was ¥100,349 million, an increase of ¥14,934 million from the previous fiscal year, mainly due to an increase in income before income taxes.

Net cash used in investing activities decreased by ¥83,273 million from the previous fiscal year. This was mainly due to an increase in expenditure of ¥20,115 million from the acquisition of property, plant and equipment, an increase in income of ¥18,737 million for the sale of property, plant and equipment, and the impact of expenditure of 84,133 million yen for the sale of subsidiary shares accompanying a change in the scope of consolidation in the previous fiscal year.

As a result, free cash flow was ¥45,681 million yen, a decrease of ¥98,208 million from the previous fiscal year.

Net cash used in financing activities was ¥103,964 million, a decrease of ¥17,777 million, including ¥4,096 million used for long-term borrowings, ¥287,635 million yen used for acquisition of shares of subsidiaries without changes in the scope of consolidation, and the effect of ¥82,405 million in proceeds from the issuance of shares in the previous fiscal year.

As a result, cash and cash equivalents at the end of the fiscal year, including the impact of currency fluctuations, decreased by ¥48,255 million from the end of the previous fiscal year to ¥186,683 million.

### (3) Trends in cash flow indexes

	2019	2020	2021	2022
Equity ratio	46.4%	18.4%	24.0%	26.2%
Equity ratio on a market value basis	39.3%	14.5%	20.4%	17.4%
Debt maturity (years)	3.8	9.2	7.2	10.4
Interest coverage ratio	33.8	20.3	11.5	6.4

#### [Notes]

Equity ratio:  $\text{Equity} / \text{Total assets}$

Equity ratio on a market value basis:  $\text{Total market value of listed shares} / \text{Total assets}$

Debt maturity (years):  $\text{Interest-bearing debt} / \text{Cash flows from operating activities}$

Interest coverage ratio:  $\text{Cash flows from operating activities} / \text{Interest payment}$

- Each index is calculated by relevant formulas with financial figures quoted from the consolidated financial statements.
- Equity is calculated by deducting non-controlling interests from total net assets.
- Total market value of listed shares is calculated by multiplying the closing share price at the year-end by the number of shares issued, after deducting treasury stock.
- As to the cash flows, the amount of “cash flows from operating activities” in the consolidated cash flow statement is used.
- “Interest-bearing debt” refers to loans payable, commercial paper, and bonds as listed among liabilities on the consolidated balance sheet.
- As to the interest payment, the amount of “interest expense” in the consolidated cash flow statement is used.

### 3. Management policy

#### (1) Medium- to long-term business strategy

In January 2023, Showa Denko K.K. and Showa Denko Materials Co., Ltd. integrated to make a new start as Resonac Group.

#### **“Corporate Philosophy”**

The power of chemistry makes it possible for mankind and the earth to live in harmony.

We believe realization of the Purpose of the newly-integrated company, which is “Change society through the power of chemistry,” is an obligation of the newly-integrated chemical manufacturer. By embedding the idea of sustainability into the base of the Purpose of the newly-integrated company, we will deal with chemistry in earnest.

In addition to this Purpose, we established four Values which we believe the Group’s employees should consider important. The four Values are “Passionate & Results-Driven,” “Agile & Flexible,” “Open Minds Open Connections,” and “Solid Vision & Solid Integrity.” We defined the combination of the Purpose and the four Values as the newly-integrated company’s Corporate Philosophy.

We make this Corporate Philosophy permeate into the entire Resonac Group globally. The new Resonac Group promote its businesses as a body, strengthen human-resource-training programs, enhance transparency of personnel evaluation system, and promulgate the merit system.

#### **“Ideal state of the newly-integrated company”**

We will aim to be a **“global top-level functional chemical manufacturer.”**

As ideal states of the newly-integrated company, we will aim to be a **“company that can compete on the world stage”** which has competitive advantages in quality and measurable performance, a **“company that contributes to sustainable global society”** through innovation and power to develop new businesses, and a **“company that develops talents that represents Japan’s manufacturing industry”** which draws attention of various stakeholders, and we will achieve these aims.

#### **“Co-Creative Chemical Company”**

We aim to be a chemical manufacturer that takes the initiative in solution of social issues through provision of leading-edge functional materials ranging from midstream- to downstream-products to society. To achieve this target, we believe we should make our business activities go beyond the boundary of an ordinary chemical manufacturer and that of the conventional chemical industry.

We will have global top-level capability as a chemical manufacturer, act and make decisions quickly and flexibly, thereby co-creating better society together with communities and stakeholders of the chemical industry with whom we share ideals. This is the state of **“Co-Creative Chemical Company”** into which we aim to transform ourselves.

(2) Target management indexes

	2022 actual results	Image for 2025
Net sales (¥ trillion)	1.39	Over 1.0
EBITDA margin (%)	12.1%	20%
ROIC (%)	3.2%	10% in medium- to long-term
Net Debt/Equity Ratio (times)	1.08	Aim to achieve 1.0

We will aim to be in the top 25% of the ranking of total shareholders' return (TSR) in the chemical 10 industry in medium- to long term.

4. Our view on selection of accounting standard

The Showa Denko Group intends to execute its consolidated financial statements in accordance with Japanese standards for the moment, after careful consideration to comparability among consolidated financial statements of different terms or different companies. As for application of International Financial Reporting Standards (IFRS), we will continue carefully observing circumstances in and outside Japan and deal with the standards appropriate.



## Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2022
	¥	¥	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	236,237	<b>187,126</b>	<b>1,410,140</b>
Notes and accounts receivable-trade	278,641	<b>265,466</b>	<b>2,000,500</b>
Merchandise and finished goods	96,805	<b>121,238</b>	<b>913,622</b>
Work in process	27,993	<b>34,186</b>	<b>257,616</b>
Raw materials and supplies	79,080	<b>95,151</b>	<b>717,035</b>
Other	81,201	<b>86,272</b>	<b>650,125</b>
Allowance for doubtful accounts	(1,426)	<b>(1,254)</b>	<b>(9,449)</b>
<b>Total current assets</b>	<b>798,531</b>	<b>788,183</b>	<b>5,939,588</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures, net	136,541	<b>138,242</b>	<b>1,041,763</b>
Machinery, equipment and vehicles, net	199,209	<b>214,718</b>	<b>1,618,067</b>
Tools, furniture and fixtures, net	23,276	<b>24,280</b>	<b>182,966</b>
Land	242,556	<b>234,425</b>	<b>1,766,577</b>
Leased assets	19,157	<b>19,389</b>	<b>146,108</b>
Construction in progress	38,782	<b>50,866</b>	<b>383,313</b>
<b>Total property, plant and equipment</b>	<b>659,521</b>	<b>681,918</b>	<b>5,138,794</b>
<b>Intangible assets</b>			
Goodwill	311,766	<b>295,355</b>	<b>2,225,735</b>
Customer related assets	141,141	<b>133,639</b>	<b>1,007,079</b>
Other	69,582	<b>65,352</b>	<b>492,477</b>
<b>Total intangible assets</b>	<b>522,489</b>	<b>494,346</b>	<b>3,725,291</b>
<b>Investments and other assets</b>			
Investment securities	103,798	<b>84,041</b>	<b>633,318</b>
Net defined benefit asset	33,088	<b>18,046</b>	<b>135,990</b>
Deferred tax assets	15,207	<b>17,169</b>	<b>129,379</b>
Other	10,223	<b>17,340</b>	<b>130,667</b>
Allowance for doubtful accounts	(466)	<b>(622)</b>	<b>(4,687)</b>
<b>Total investments and other assets</b>	<b>161,850</b>	<b>135,973</b>	<b>1,024,668</b>
<b>Total noncurrent assets</b>	<b>1,343,859</b>	<b>1,312,238</b>	<b>9,888,753</b>
<b>Total assets</b>	<b>2,142,390</b>	<b>2,100,421</b>	<b>15,828,342</b>

(¥ in millions, US\$ in thousands)

	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2022
	¥	¥	\$
Liabilities			
Current liabilities			
Notes and accounts payable-trade	207,745	<b>195,356</b>	<b>1,472,164</b>
Short-term loans payable	59,451	<b>72,419</b>	<b>545,734</b>
Current portion of long-term loans payable	52,858	<b>42,677</b>	<b>321,603</b>
Commercial papers	15,000	-	-
Current portion of bonds	19,999	-	-
Provision for repairs	4,848	<b>19</b>	<b>143</b>
Provision for bonuses	8,815	<b>9,489</b>	<b>71,505</b>
Provision for bonuses for directors	71	<b>47</b>	<b>356</b>
Provision for stock payment	39	<b>21</b>	<b>155</b>
Other	119,824	<b>142,524</b>	<b>1,074,033</b>
Total current liabilities	488,650	<b>462,551</b>	<b>3,485,693</b>
Noncurrent liabilities			
Bonds payable	146,945	<b>259,954</b>	<b>1,958,960</b>
Long-term loans payable	536,503	<b>672,446</b>	<b>5,067,411</b>
Deferred tax liabilities	60,144	<b>51,416</b>	<b>387,457</b>
Deferred tax liabilities for land revaluation	30,128	<b>29,525</b>	<b>222,497</b>
Provision for repairs	96	<b>1,260</b>	<b>9,495</b>
Provision for stock payment	196	<b>302</b>	<b>2,272</b>
Provision for business structure improvement	812	<b>772</b>	<b>5,819</b>
Net defined benefit liability	17,523	<b>9,981</b>	<b>75,212</b>
Other	42,941	<b>37,538</b>	<b>282,877</b>
Total noncurrent liabilities	835,287	<b>1,063,192</b>	<b>8,011,999</b>
Total liabilities	1,323,937	<b>1,525,744</b>	<b>11,497,692</b>
Net assets			
Shareholders' equity			
Capital stock	182,146	<b>182,146</b>	<b>1,372,616</b>
Capital surplus	119,772	<b>108,140</b>	<b>814,922</b>
Retained earnings	143,335	<b>163,425</b>	<b>1,231,540</b>
Treasury stock	(11,655)	<b>(11,612)</b>	<b>(87,505)</b>
Total shareholders' equity	433,598	<b>442,100</b>	<b>3,331,573</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,838	<b>559</b>	<b>4,214</b>
Deferred gains or losses on hedges	1,167	<b>1,461</b>	<b>11,007</b>
Revaluation reserve for land	28,928	<b>27,915</b>	<b>210,362</b>
Foreign currency translation adjustment	38,421	<b>72,008</b>	<b>542,638</b>
Remeasurements of defined benefit plans	9,036	<b>6,211</b>	<b>46,804</b>
Total accumulated other comprehensive income	80,391	<b>108,154</b>	<b>815,026</b>
Non-controlling interests	304,463	<b>24,423</b>	<b>184,050</b>
Total net assets	818,452	<b>574,677</b>	<b>4,330,649</b>
Total liabilities and net assets	2,142,390	<b>2,100,421</b>	<b>15,828,342</b>

## Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the year ended Dec.31 2021 and 2022		
	2021	2022	2022
	¥	¥	\$
Net sales	1,419,635	<b>1,392,621</b>	<b>10,494,509</b>
Cost of sales	1,081,642	<b>1,089,639</b>	<b>8,211,295</b>
Gross profit	337,994	<b>302,983</b>	<b>2,283,214</b>
Selling, general and administrative expenses	250,796	<b>243,611</b>	<b>1,835,804</b>
Operating income	87,198	<b>59,371</b>	<b>447,410</b>
Non-operating income			
Interest income	741	<b>1,068</b>	<b>8,051</b>
Dividends income	1,527	<b>766</b>	<b>5,770</b>
Equity in earnings of affiliates	5,251	<b>3,630</b>	<b>27,352</b>
Foreign exchange gains	4,281	<b>10,632</b>	<b>80,124</b>
Miscellaneous income	6,840	<b>6,465</b>	<b>48,719</b>
Total non-operating income	18,640	<b>22,561</b>	<b>170,016</b>
Non-operating expenses			
Interest expenses	10,006	<b>15,744</b>	<b>118,642</b>
Miscellaneous expenses	8,971	<b>6,822</b>	<b>51,406</b>
Total non-operating expenses	18,977	<b>22,565</b>	<b>170,048</b>
Ordinary income	86,861	<b>59,367</b>	<b>447,378</b>
Extraordinary income			
Gain on sales of noncurrent assets	1,255	<b>13,578</b>	<b>102,319</b>
Gain on sales of investment securities	5,967	<b>5,187</b>	<b>39,089</b>
Other	15,811	<b>4,515</b>	<b>34,023</b>
Total extraordinary income	23,033	<b>23,280</b>	<b>175,431</b>
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	4,988	<b>6,153</b>	<b>46,370</b>
Impairment loss	11,564	<b>10,091</b>	<b>76,042</b>
Loss on sale of businesses	12,078	<b>3,504</b>	<b>26,405</b>
Business structuring expenses	32,767	-	-
Loss related to the Antimonopoly Act	-	<b>5,579</b>	<b>42,042</b>
Other	25,571	<b>8,737</b>	<b>65,839</b>
Total extraordinary losses	86,968	<b>34,064</b>	<b>256,698</b>
Profit before income taxes	22,926	<b>48,583</b>	<b>366,111</b>
Income taxes	20,270	<b>10,525</b>	<b>79,315</b>
Net income	2,657	<b>38,058</b>	<b>286,796</b>
Net income attributable to non-controlling interests	14,751	<b>7,265</b>	<b>54,746</b>
Net income (loss) attributable to owners of the parent	(12,094)	<b>30,793</b>	<b>232,051</b>

## Consolidated Statements of Comprehensive Income

(¥ in millions, US\$ in thousands)

	Results for the year ended Dec.31 2021 and 2022		
	2021	2022	2022
	¥	¥	\$
Net income (loss)	2,657	<b>38,058</b>	<b>286,796</b>
Other comprehensive income:			
Valuation difference on available-for-sale securities	(949)	<b>(2,246)</b>	<b>(16,925)</b>
Deferred gains or losses on hedges	259	<b>294</b>	<b>2,213</b>
Remeasurements of defined benefit plans, net of tax	39,074	<b>32,932</b>	<b>248,170</b>
Share of other comprehensive income of entities accounted for using equity method	8,927 958	<b>(2,805)</b> <b>1,763</b>	<b>(21,140)</b> <b>13,285</b>
Total other comprehensive income	48,268	<b>29,937</b>	<b>225,602</b>
Comprehensive income	50,925	<b>67,995</b>	<b>512,399</b>
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	35,111	<b>59,569</b>	<b>448,899</b>
Comprehensive income attributable to non-controlling interests	15,814	<b>8,426</b>	<b>63,499</b>

## Consolidated Statements of Changes in Net Assets

For the year ended December 31, 2021

For the year ended December  
31, 2021

(¥ in millions)

	Shareholders' equity					Total accumulated other comprehensive income						Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at December 31, 2020	140,564	78,190	165,572	(11,657)	372,669	3,728	908	29,034	(506)	128	33,292	312,119	718,080
Changes of items during the period													
Issuance of new shares	41,583	41,583			83,165								83,165
Dividends from surplus			(9,500)		(9,500)								(9,500)
Net loss attributable to owners of the parent			(12,094)		(12,094)								(12,094)
Purchase of treasury stock				(6)	(6)								(6)
Disposal of treasury stock		0		7	7								7
Increase by increase of consolidated subsidiaries			45		45								45
Increase by decrease of consolidated subsidiaries													-
Decrease by decrease of consolidated subsidiaries			(690)		(690)								(690)
Change in treasury shares of parent arising from transactions with non-controlling shareholders													-
Changes in liabilities for written put options over non-controlling interests													-
Reversal of revaluation reserve for land			1		1								1
Net changes of items other than shareholders' equity						(890)	259	(106)	38,928	8,909	47,099	(7,656)	39,443
Total changes of items during the period	41,583	41,583	(22,238)	2	60,929	(890)	259	(106)	38,928	8,909	47,099	(7,656)	100,372
Balance at December 31, 2021	182,146	119,772	143,335	(11,655)	433,598	2,838	1,167	28,928	38,421	9,036	80,391	304,463	818,452

For the year ended December 31, 2022

For the year ended December 31, 2022

(¥ in millions)

	Shareholders' equity					Total accumulated other comprehensive income						Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at December 31, 2021	182,146	119,772	143,335	(11,655)	433,598	2,838	1,167	28,928	38,421	9,036	80,391	304,463	818,452
Changes of items during the period													
Issuance of new shares													-
Dividends from surplus			(11,788)		(11,788)								(11,788)
Net profit attributable to owners of parent			30,793		30,793								30,793
Purchase of treasury stock				(3)	(3)								(3)
Disposal of treasury stock		(0)		46	46								46
Increase by increase of consolidated subsidiaries													-
Increase by decrease of consolidated subsidiaries			72		72								72
Decrease by decrease of consolidated subsidiaries													-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(29)			(29)								(29)
Changes in liabilities for written put options over non-controlling interests		(11,603)			(11,603)								(11,603)
Reversal of revaluation reserve for land			1,013		1,013								1,013
Net changes of items other than shareholders' equity						(2,279)	294	(1,013)	33,587	(2,826)	27,763	(280,040)	(252,277)
Total changes of items during the period	-	(11,632)	20,091	43	8,502	(2,279)	294	(1,013)	33,587	(2,826)	27,763	(280,040)	(243,775)
Balance at December 31, 2022	182,146	108,140	163,425	(11,612)	442,100	559	1,461	27,915	72,008	6,211	108,154	24,423	574,677

For the year ended December 31, 2022

For the year ended December 31, 2022

(US\$ in thousands)

	Shareholders' equity					Total accumulated other comprehensive income						Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at December 31, 2021	1,372,616	902,579	1,080,141	(87,830)	3,267,505	21,390	8,794	217,996	289,535	68,097	605,811	2,294,372	6,167,688
Changes of items during the period													
Issuance of new shares													-
Dividends from surplus			(88,829)		(88,829)								(88,829)
Net profit attributable to owners of parent			232,051		232,051								232,051
Purchase of treasury stock				(23)	(23)								(23)
Disposal of treasury stock		(1)		349	347								347
Increase by increase of consolidated subsidiaries													-
Increase by decrease of consolidated subsidiaries			544		544								544
Decrease by decrease of consolidated subsidiaries													-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(218)			(218)								(218)
Changes in liabilities for written put options over non-controlling interests		(87,438)			(87,438)								(87,438)
Reversal of revaluation reserve for land			7,634		7,634								7,634
Net changes of items other than shareholders' equity						(17,175)	2,213	(7,634)	253,103	(21,292)	209,215	(2,110,322)	(1,901,107)
Total changes of items during the period	-	(87,657)	151,400	325	64,068	(17,175)	2,213	(7,634)	253,103	(21,292)	209,215	(2,110,322)	(1,837,039)
Balance at December 31, 2022	1,372,616	814,922	1,231,540	(87,505)	3,331,573	4,214	11,007	210,362	542,638	46,804	815,026	184,050	4,330,649

## Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the year (Jan. 1-Dec. 31)		
	2021	2022	2022
	¥	¥	\$
<b>Net cash provided by (used in) operating activities</b>			
Income (loss) before income taxes and minority interests	22,926	<b>48,583</b>	<b>366,111</b>
Depreciation and amortization	97,726	<b>92,716</b>	<b>698,690</b>
Impairment loss	11,564	<b>10,091</b>	<b>76,042</b>
Amortization of goodwill	17,720	<b>16,843</b>	<b>126,923</b>
Increase (decrease) in net defined benefit liability	4,038	<b>(2,383)</b>	<b>(17,960)</b>
Interest and dividends income	(2,267)	<b>(1,834)</b>	<b>(13,821)</b>
Interest expenses	10,006	<b>15,744</b>	<b>118,642</b>
Equity in (earnings) losses of affiliates	(5,251)	<b>(3,630)</b>	<b>(27,352)</b>
Loss (gain) on sales and valuation of investment securities	(5,101)	<b>(4,952)</b>	<b>(37,318)</b>
Loss on retirement of noncurrent assets	4,838	<b>6,045</b>	<b>45,555</b>
Loss (gain) on sales of noncurrent assets	(1,104)	<b>(13,470)</b>	<b>(101,505)</b>
Loss (gain) on sales of businesses	(3,045)	<b>3,504</b>	<b>26,405</b>
Business structuring expenses	32,767	-	-
Loss related to the Antimonopoly Act	-	<b>5,579</b>	<b>42,042</b>
Decrease (increase) in notes and accounts receivable-trade	(51,628)	<b>23,653</b>	<b>178,242</b>
Decrease (increase) in inventories	(43,739)	<b>(40,083)</b>	<b>(302,058)</b>
Increase (decrease) in notes and accounts payable-trade	72,694	<b>(18,592)</b>	<b>(140,106)</b>
Other, net	(34,230)	<b>1,157</b>	<b>8,721</b>
Subtotal	127,914	<b>138,971</b>	<b>1,047,260</b>
Interest and dividends income received	7,266	<b>8,686</b>	<b>65,454</b>
Interest expenses paid	(9,999)	<b>(15,641)</b>	<b>(117,865)</b>
Income taxes paid	(9,898)	<b>(31,667)</b>	<b>(238,642)</b>
Net cash provided by (used in) operating activities	115,283	<b>100,349</b>	<b>756,207</b>



(¥ in millions, US\$ in thousands)

	Results for the year (Jan. 1-Dec. 31)		
	2021	2022	2022
	¥	¥	\$
<b>Net cash provided by (used in) investing activities</b>			
Payments into time deposits	(1,666)	(1,606)	(12,105)
Proceeds from withdrawal of time deposits	1,507	2,570	19,368
Purchase of property, plant and equipment	(67,741)	(87,857)	(662,069)
Proceeds from sales of property, plant and equipment	2,223	20,960	157,947
Purchase of investment securities	(3,270)	(1,667)	(12,561)
Proceeds from sales of investment securities	9,318	22,019	165,929
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	84,133	-	-
Net decrease (increase) in short-term loans receivable	(1,230)	774	5,830
Payments of long-term loans receivable	(246)	(410)	(3,088)
Collection of long-term loans receivable	14,271	251	1,893
Other, net	(8,692)	(9,701)	(73,106)
Net cash provided by (used in) investing activities	28,606	(54,667)	(411,962)
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	6,352	11,838	89,205
Net increase (decrease) in commercial papers	5,000	(15,000)	(113,037)
Proceeds from long-term loans payable	24,300	409,600	3,086,662
Repayment of long-term loans payable	(307,247)	(285,642)	(2,152,536)
Proceeds from issuance of bonds	99,539	112,536	848,045
Redemption of bonds	(25,000)	(20,000)	(150,716)
Proceeds from issuance of common stock	82,405	-	-
Purchase of treasury shares	(7)	(3)	(23)
Cash dividends paid	(9,479)	(11,758)	(88,609)
Proceeds from stock issuance to non controlling shareholders	29,766	-	-
Cash dividends paid to non controlling shareholders	(16,117)	(13,025)	(98,152)
Purchase of investments in subsidiaries without change in scope of consolidation	(5,293)	(287,635)	(2,167,558)
Other, net	(5,960)	(4,875)	(36,736)
Net cash provided by (used in) financing activities	(121,741)	(103,964)	(783,451)
<b>Effect of exchange rate change on cash and cash equivalents</b>	14,634	10,027	75,565
<b>Net increase (decrease) in cash and cash equivalents</b>	36,782	(48,255)	(363,641)
<b>Cash and cash equivalents at beginning of period</b>	197,928	234,938	1,770,446
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	229	-	-
<b>Cash and cash equivalents at end of period</b>	234,938	186,683	1,406,805

(Reference)

**SEGMENT INFORMATION**

(a) The operations of the Companies for the year ended December 31, 2021 and 2022 were summarized by business segment as follows :

Year ended December 31, 2021	Millions of yen						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
<b>Sales</b>							
Outside customers .....	¥ 422,941	¥ 173,804	¥ 143,319	¥ 431,018	¥ 248,553	¥ -	¥ 1,419,635
Inter-segment ...	3,864	87	12,702	14,134	5,445	(36,232)	-
Total .....	426,805	173,891	156,021	445,152	253,998	(36,232)	1,419,635
Operating income (loss) .....	¥ 49,563	¥ (2,021)	¥ 13,636	¥ 37,907	¥ 7,361	¥ (19,248)	¥ 87,198

Year ended December 31, 2022	Millions of yen						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
<b>Sales</b>							
Outside customers .....	¥ 427,171	¥ 180,626	¥ 141,081	¥ 527,825	¥ 115,919	¥ -	¥ 1,392,621
Inter-segment ...	5,358	209	6,432	14,318	3,831	(30,149)	-
Total .....	432,529	180,835	147,513	542,143	119,751	(30,149)	1,392,621
Operating income (loss) .....	¥ 44,228	¥ (1,489)	¥ 9,838	¥ 24,910	¥ (292)	¥ (17,823)	¥ 59,371

Year ended December 31, 2022	Thousands of U.S. dollars						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
<b>Sales</b>							
Outside customers .....	\$ 3,219,070	\$ 1,361,158	\$ 1,063,160	\$ 3,977,578	\$ 873,543	\$ -	\$ 10,494,509
Inter-segment ...	40,378	1,575	48,470	107,899	28,873	(227,195)	-
Total .....	3,259,449	1,362,733	1,111,630	4,085,477	902,415	(227,195)	10,494,509
Operating income (loss) .....	\$ 333,296	\$ (11,222)	\$ 74,133	\$ 187,714	\$ (2,204)	\$ (134,308)	\$ 447,410

**(b) The operations of the Companies for the year ended December 31, 2021 and 2022 were summarized by geographic area as follows :**

Year ended December 31, 2021	Millions of yen				
	Japan	China	Asia (exc. China)	Others	Total
Sales .....	¥ 657,369	¥ 202,936	¥ 346,069	¥ 213,261	¥ 1,419,635
	Japan	Asia	Others	Total	
Tangible fixed assets .....	¥ 456,825	¥ 120,624	¥ 82,071	¥ 659,521	

  

Year ended December 31, 2022	Millions of yen				
	Japan	China	Asia (exc. China)	Others	Total
Sales .....	¥ 617,309	¥ 190,346	¥ 340,418	¥ 244,548	¥ 1,392,621
	Japan	Asia	Others	Total	
Tangible fixed assets .....	¥ 453,863	¥ 135,588	¥ 92,467	¥ 681,918	

  

Year ended December 31, 2022	Thousands of U.S. dollars				
	Japan	China	Asia (exc. China)	Others	Total
Sales .....	\$ 4,651,912	\$ 1,434,410	\$ 2,565,322	\$ 1,842,865	\$ 10,494,509
	Japan	Asia	Others	Total	
Tangible fixed assets .....	\$ 3,420,217	\$ 1,021,765	\$ 696,813	\$ 5,138,794	

**(c) The impairment loss and the (negative) goodwill of the Companies for the year ended December 31, 2021 and 2022 were summarized by business segment as follows :**

Year ended December 31, 2021	Millions of yen							Consolidated
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination		
Impairment loss .....	¥ 1,576	¥ 9,524	¥ 205	¥ -	¥ 30,328	¥ -	¥ 41,633	
Goodwill Amortization .....	13,590	2,135	968	8	1,328	-	18,028	
Unamortized balance .....	245,224	39,489	16,625	13	11,536	-	312,886	
Negative goodwill Amortization .....	33	-	246	-	30	-	309	
Unamortized balance .....	¥ 195	¥ -	¥ 918	¥ -	¥ 6	¥ -	¥ 1,119	

Year ended December 31, 2022	Millions of yen							Consolidated
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination		
Impairment loss .....	¥ 121	¥ 3,357	¥ 385	¥ 953	¥ 5,275	¥ -	¥ 10,091	
Goodwill Amortization .....	13,294	2,135	1,002	8	624	-	17,062	
Unamortized balance .....	231,930	37,354	16,054	4	10,912	-	296,255	
Negative goodwill Amortization .....	33	-	184	-	4	-	220	
Unamortized balance .....	¥ 163	¥ -	¥ 735	¥ -	¥ 2	¥ -	¥ 900	

Year ended December 31, 2022	Thousands of U.S. dollars							Consolidated
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination		
Impairment loss .....	\$ 911	\$ 25,298	\$ 2,902	\$ 7,182	\$ 39,748	\$ -	\$ 76,042	
Goodwill Amortization .....	100,178	16,085	7,553	63	4,699	-	128,579	
Unamortized balance .....	1,747,777	281,493	120,979	32	82,234	-	2,232,514	
Negative goodwill Amortization .....	245	-	1,384	-	27	-	1,656	
Unamortized balance .....	\$ 1,225	\$ -	\$ 5,537	\$ -	\$ 17	\$ -	\$ 6,779	

**2022 Consolidated Financial Results (Summary)****I. Results for 2022****1. Summary**

(Unit: billions of yen, except for "per share" indicators)

Items	2021 Jan.1 - Dec.31	2022 Jan.1 - Dec.31	Increase/ decrease
Net sales	1,419.6	1,392.6	(27.0)
Operating income	87.2	59.4	(27.8)
Net income attributable to owners of the parent	(12.1)	30.8	42.9
Net income attributable to owners of the parent per share	(¥77.40)	¥170.03	¥247.43
Stockholders' equity per share	¥2,838.51	¥3,038.12	¥199.61
Annual dividend per share	¥65.00	¥65.00 (planned)	-

**2. Net sales and Operating income by Segment (Year to year comparison)**

(Unit: billions of yen)

Segment		2021 Jan.1 - Dec.31	2022 Jan.1 - Dec.31	Increase/ decrease
Semiconductor and Electronic Materials	Net Sales	422.9	427.2	4.2
	Op. Income	49.6	44.2	(5.3)
Mobility	Net Sales	173.8	180.6	6.8
	Op. Income	(2.0)	(1.5)	0.5
Innovation Enabling Materials	Net Sales	143.3	141.1	(2.2)
	Op. Income	13.6	9.8	(3.8)
Chemicals	Net Sales	431.0	527.8	96.8
	Op. Income	37.9	24.9	(13.0)
Others	Net Sales	248.6	115.9	(132.6)
	Op. Income	7.4	(0.3)	(7.7)
Adjustments	Net Sales	-	-	-
	Op. Income	(19.2)	(17.8)	1.4
Total	Net Sales	1,419.6	1,392.6	(27.0)
	Op. Income	87.2	59.4	(27.8)

In January 2022, we changed segmentation of our financial results, and segmentation in the table above is based on the new segmentation retrospectively to 2021. Segmentwise sales and operating incomes mentioned above are based on "sales to outside customers," not including inter-segment sales.

**3. Net sales and Operating income by Segment (Quarterly transition)**

(Unit: billions of yen)

Segment		2022 CQ1 Jan.1 - Mar.31	2022 CQ2 Apr.1 - Jun.30	2022 CQ3 Jul.1 - Sept.30	2022 CQ4 Oct.1 - Dec.31
Semiconductor and Electronic Materials	Net Sales	107.3	113.0	112.0	94.8
	Op. Income	12.9	13.9	13.0	4.4
Mobility	Net Sales	44.4	42.3	48.2	45.7
	Op. Income	0.4	(1.5)	(0.6)	0.3
Innovation Enabling Materials	Net Sales	34.3	35.7	35.6	35.5
	Op. Income	2.9	2.5	2.1	2.4
Chemicals	Net Sales	95.1	129.5	152.5	150.8
	Op. Income	2.2	10.9	6.2	5.6
Others	Net Sales	26.9	27.6	29.9	31.5
	Op. Income	(0.3)	0.0	0.0	0.0
Adjustments	Net Sales	-	-	-	-
	Op. Income	(2.7)	(4.0)	(4.3)	(6.8)
Total	Net Sales	308.0	348.0	378.1	358.5
	Op. Income	15.4	21.7	16.5	5.8

## Resonac Holdings Corporation

### II. Forecast for First Quarter, 2023

#### Net sales and Operating income by Segment

(Unit: billions of yen)

Segment		2023 CQ1 Jan.1 - Mar.31
Semiconductor and Electronic Materials	Net Sales	80.0
	Op. Income	(10.5)
Mobility	Net Sales	43.0
	Op. Income	(1.5)
Innovation Enabling Materials	Net Sales	33.0
	Op. Income	1.5
Chemicals	Net Sales	134.0
	Op. Income	2.0
Others	Net Sales	30.0
	Op. Income	0.0
Adjustments	Net Sales	-
	Op. Income	(5.5)
Total	Net Sales	320.0
	Op. Income	(14.0)

Note: Considering the uncertain market situation, consolidated forecast for only 1st quarter (Jan-Mar), 2023, could be disclosed. We will promptly disclose 2023 full year consolidated forecast when rational estimation is possible in the future.

### III. Cash flow

(Unit: billions of yen)

Cash flows from:	2021	2022	Increase/ decrease
Operating activities	115.3	100.3	(14.9)
Investing activities	28.6	(54.7)	(83.3)
Free cash flow	143.9	45.7	(98.2)
Financing activities	(121.7)	(104.0)	17.8
Other	14.6	10.0	(4.6)
Net increase in cash	36.8	(48.3)	(85.0)

### IV. Reference

(Unit: billions of yen, except for Total number of employees, Exchange rate, and Domestic naphtha price)

Items	2021	2022	Increase/ decrease
Capital expenditures	78.6	107.1	28.4
Depreciation and amortization	97.7	92.7	(5.0)
R&D expenditures	46.8	47.1	0.4
Gap between interest expense and interest & dividend income	(7.7)	(13.9)	(6.2)
Total number of employees	26,054	25,803	(251)
Exchange rate (yen/US\$)	109.8	131.4	Yen depreciated by 21.6
Domestic naphtha price (yen/kl)	50,200	76,150	25,950
Interest-bearing debt	850.6	1,066.1	215.5
Total assets	2,142.4	2,100.4	(42.0)

Note: The above forecast is based on the information available as of today and assumptions as of today regarding risk factors that could affect our future performance. Actual results may differ materially from the forecast due to a variety of risk factors, including not limited to, the influence of the coronavirus disease 2019 (COVID-19) on the world economy, the international situation, costs of naphtha and other raw materials, demand or market conditions for our products such as graphite electrodes and other commodities and foreign exchange rates. We undertake no obligation to update the forward-looking statements unless required by law.