

## Consolidated Financial Statements

For the first quarter ended March 31, 2023



### I . Consolidated Financial Results

May 15th, 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 first quarter (Jan.1-Mar.31)			
	2022	2023	Increase (Decrease)	2023
	¥	¥	%	\$
Net sales	307,992	<b>298,919</b>	(2.9)	<b>2,238,594</b>
Operating income	15,771	<b>(9,208)</b>	—	<b>(68,955)</b>
Ordinary income	20,324	<b>(10,909)</b>	—	<b>(81,696)</b>
Net income attributable to owners of the parent	8,863	<b>(12,263)</b>	—	<b>(91,834)</b>
Net income attributable to owners of the parent per share: Basic	48.94	<b>(67.71)</b>	—	<b>(0.51)</b>
Net income attributable to owners of the parent per share: Diluted	—	—	—	—

Notes

Important changes in accounting policies : applicable

Comprehensive income :

Results for the year ended March 31, 2023 ¥(6,871) million

Results for the year ended March 31, 2022 ¥35,295 million

(2) Financial position: (¥ in millions, US\$ in thousands, except for stockholders' equity ratio)

	Dec. 31, 2022	Mar. 31, 2023	Mar. 31, 2023
	¥	¥	\$
Total assets	2,093,744	<b>2,026,325</b>	<b>15,175,051</b>
Total equity	574,718	<b>555,964</b>	<b>4,163,587</b>
	%	%	%
Stockholders' equity ratio	26.3	<b>26.2</b>	<b>26.2</b>

Note: For the fiscal year ended December 2022, figures are based on retroactive accounting due to changes in accounting policies for the current fiscal year.

(3) Dividends:

	2022	2023 Forecast
Q1 dividends per share (¥)	—	—
Q2 dividends per share (¥)	0.00	—
Q3 dividends per share (¥)	—	—
End of Term dividends per share (¥)	65.00	—
Annual dividends per share (¥)	65.00	—

Note: 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

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

	1st half		fiscal year	
	¥	\$	¥	\$
Net sales	640,000	4,792,930	1,340,000	10,035,198
Operating income	(20,000)	(149,779)	(20,000)	(149,779)
Ordinary income	(24,000)	(179,735)	(31,000)	(232,158)
Net income attributable to owners of the parent	(32,000)	(239,647)	(46,000)	(344,492)
Net income attributable to owners of the parent per share: Basic	(176.68)	(1.32)	(253.98)	(1.90)

\*The above forecast was announced on May 15, 2023.

The above forecast is based on the information available at this point of time. Actual results may differ materially due to a variety of reasons, including such economic factors as fluctuations in foreign currency exchange rates as well as market supply and demand conditions.

Note

The U.S. dollar is valued at ¥133.53 throughout this statement for convenience only.

[Business Results and Financial Conditions]

1. Analysis of business results

(1) Summary

In the three-month period ended March 31, 2023 (“2023 1Q”), 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 continued, and standstills in the recovery of consumption were seen in some regions. Also, we saw the adjustments in the semiconductor industry, which had been performing steadily, expanded. In the Japanese economy, consumer spending and corporate capital investment showed signs of a gradual recovery.

Consolidated sales for 2023 1Q decreased to ¥298,919 million, down 2.9% from the corresponding three-month period of the previous year (“2022 1Q”). Sales of the Chemicals segment increased from 2022 1Q, due to sales volume increase of the Petrochemicals subsegment, which was affected by the once-in-four-year large-scale maintenance shutdown in the corresponding period of the previous year, and due to sales increase of the Graphite Electrodes subsegment.

Sales of the Semiconductor and Electronic Materials segment decreased significantly, due to the adjustments in the semiconductor related market, while other two segments, the Mobility segment and the Innovation Enabling Materials segment, also decreased sales. Consolidated operating loss was ¥9,208 million for 2023 1Q, a deterioration of ¥24,979 million from 2022 1Q, due to significant decrease in the Semiconductor and Electronic Materials segment, despite the sales increase in the Chemicals segment.

Non-operating income decreased mainly due to a decrease in foreign exchange gains and an increase in interest expenses, and consolidated ordinary loss was ¥10,909 for 2023 1Q, a deterioration of ¥31,233 million from 2022 1Q. Net loss attributable to owners of the parent for 2023 1Q was ¥12,263 million, a deterioration of ¥21,125 million from 2022 1Q, mainly due to a decrease in income taxes payment.

(Unit: millions of yen)

	2022 1Q (Jan-Mar)	2023 1Q (Jan-Mar)	Increase/ decrease
Sales	307,992	298,919	(9,072)
Operating income	15,771	(9,208)	(24,979)
Ordinary income	20,324	(10,909)	(31,233)
Net income attributable to owners of the parent	8,863	(12,263)	(21,125)

(2) A breakdown of net sales and operating income by segment (January 1 - March 31, 2023)

[Semiconductor and Electronic Materials]

In the Semiconductor and Electronic Materials segment, sales of both Front-end Semiconductor Materials and Back-end Semiconductor Materials subsegments decreased due to continued weakness in the semiconductor market since the 2nd half of the previous year. In Device Solutions subsegment, sales decreased significantly due to continued weakness in HD media demand for data centers from the fourth quarter of the previous year, while SiC epitaxial wafers' sales increased.

As a result, sales in this segment decreased significantly from 2022 1Q. Operating loss was recorded due to a decrease in sales as well as inventory write-downs and loss on disposal of inventories of HD Media.

(Unit: millions of yen)

	2022 1Q (Jan-Mar)	2023 1Q (Jan-Mar)	Increase/ decrease	Increase/ decrease rate
Sales	107,344	69,389	(37,955)	(35.4)%
Operating income	13,176	(10,372)	(23,547)	-

[Mobility]

In the Mobility segment, sales of Automotive Products subsegment decreased due to the divestiture of ISOLITE GmbH in the July-September quarter of the previous fiscal year. Sales of Lithium-ion Battery Materials subsegment decreased due to a decline in consumer demand.

As a result, sales and operating income in this segment decreased from 2022 1Q.

(Unit: millions of yen)

	2022 1Q (Jan-Mar)	2023 1Q (Jan-Mar)	Increase/ decrease	Increase/ decrease rate
Sales	44,379	42,517	(1,862)	(4.2)%
Operating income	470	(513)	(982)	-

[Innovation Enabling Materials]

In the Innovation Enabling Materials segment, sales decreased due to a decrease in sales volume, although selling prices were raised due to higher raw material prices. Operating income decreased due to a time lag in price pass-through.

(Unit: millions of yen)

	2022 1Q (Jan-Mar)	2023 1Q (Jan-Mar)	Increase/ decrease	Increase/ decrease rate
Sales	34,304	29,997	(4,307)	(12.6)%
Operating income	2,912	2,032	(880)	(30.2)%

[Chemicals segment]

In the Chemicals segment, sales and operating income of the Petrochemicals subsegment increased significantly from 2022 1Q due to higher selling prices caused by higher naphtha prices, as well as the absence of shutdowns related to large-scale maintenance and earthquakes. In the Basic Chemicals subsegment, sales and operating income increased from 2022 1Q as a result of progress in passing on higher raw material and fuel prices. Sales of the Graphite Electrodes subsegment increased from 2022 1Q due to selling price increase based on the cost increase, while operating income decreased due to the negative impact of the inventory valuation difference.

(Unit: millions of yen)

	2022 1Q (Jan-Mar)	2023 1Q (Jan-Mar)	Increase/ decrease	Increase/ decrease rate
Sales	95,068	127,097	32,028	33.7%
Operating income	2,249	3,902	1,653	73.5%

2. Financial conditions for the January 1 - March 31, 2023 period (as compared with the conditions at December 31, 2022)

Total assets at the end of 2023 1Q decreased by ¥67,419 million from the end of the previous fiscal year 2022 to ¥2,026,325 million due to decreases in cash and deposits and notes and accounts receivable-trade. Total liabilities decreased by ¥48,665 million to ¥1,470,361 million due to decreases in notes and accounts payable-trade and interest-bearing debt. Net assets decreased by ¥18,754 million, to ¥555,964 million, due to a decrease in retained earnings due to the payment of dividends in the previous fiscal year, despite an increase in foreign currency translation adjustments account.

3. Performance forecast

In the current fiscal year (January-December 2023), the global economy is expected to recover moderately, despite continued global monetary tightening, price increases and supply constraints. Weak demand and inventory adjustments in the semiconductor and electronic materials industry, which have continued since the second half of the previous fiscal year, are expected to return to a gradual improvement trend during the period.

Our group, which has been affected by weak demand in the semiconductor and electronic materials industries since the beginning of the year, anticipates a shift to a recovery trend in demand in the second half of the fiscal year and forecasts full-year results as shown in the table below.

a) Overall performance forecast

(Unit: millions of yen)

	2022 Full year Results	2023 Full year Forecast	Increase/ decrease
Sales	1,392,621	1,340,000	(52,621)
Operating income	61,726	(20,000)	(81,726)
Net income attributable to owner of the parent	32,422	(46,000)	(78,422)

b) Net sales and operating income by business segment

(Unit: millions of yen)

Segments		2022 Full year Results	2023 Full year Forecast	Increase/ decrease
Semiconductor and Electronic Materials	Sales	427,171	350,000	(77,171)
	Operating income	45,533	(22,000)	(67,533)
Mobility	Sales	180,626	180,000	(626)
	Operating income	(735)	(2,500)	(1,765)
Innovation Enabling Materials	Sales	141,081	140,000	(1,081)
	Operating income	10,126	8,000	(2,126)
Chemicals	Sales	527,825	550,000	22,175
	Operating income	24,910	19,000	(5,910)
Others	Sales	115,919	120,000	4,081
	Operating income	(284)	7,500	7,784
Adjustments	Sales	—	—	—
	Operating income	(17,823)	(30,000)	(12,177)
Total	Sales	1,392,622	1,340,000	(52,622)
	Operating income	61,726	(20,000)	(81,726)

## Consolidated Balance Sheets

(¥ in millions, US\$ in thousands)

	Dec. 31, 2022	Mar. 31, 2023	Mar. 31, 2023
	¥	¥	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	187,287	170,876	1,279,681
Notes and accounts receivable-trade	265,305	231,774	1,735,746
Merchandise and finished goods	121,172	131,172	982,341
Work in process	34,130	27,892	208,879
Raw materials and supplies	95,151	93,729	701,935
Other	85,248	70,732	529,707
Allowance for doubtful accounts	(1,254)	(1,259)	(9,426)
<b>Total current assets</b>	<b>787,037</b>	<b>724,916</b>	<b>5,428,864</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures, net	138,242	145,347	1,088,501
Machinery, equipment and vehicles, net	214,718	213,949	1,602,254
Land	233,987	234,160	1,753,613
Other, net	91,118	86,250	645,924
<b>Total property, plant and equipment</b>	<b>678,064</b>	<b>679,707</b>	<b>5,090,292</b>
<b>Intangible assets</b>			
Goodwill	295,355	291,194	2,180,739
Other	198,334	196,291	1,470,013
<b>Total intangible assets</b>	<b>493,689</b>	<b>487,485</b>	<b>3,650,752</b>
<b>Investments and other assets</b>			
Investment securities	83,341	81,562	610,816
Other	52,233	53,348	399,517
Allowance for doubtful accounts	(622)	(693)	(5,189)
<b>Total investments and other assets</b>	<b>134,953</b>	<b>134,217</b>	<b>1,005,144</b>
<b>Total noncurrent assets</b>	<b>1,306,706</b>	<b>1,301,408</b>	<b>9,746,187</b>
<b>Total assets</b>	<b>2,093,744</b>	<b>2,026,325</b>	<b>15,175,051</b>

(¥ in millions, US\$ in thousands)

	Dec. 31, 2022	Mar. 31, 2023	Mar. 31, 2023
	¥	¥	\$
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	194,054	174,553	1,307,222
Short-term loans payable	72,419	58,737	439,876
Current portion of long-term loans payable	42,677	37,184	278,469
Commercial papers	—	20,000	149,779
Provision	9,576	16,843	126,136
Other	140,152	113,122	847,168
<b>Total current liabilities</b>	<b>458,877</b>	<b>420,439</b>	<b>3,148,650</b>
<b>Noncurrent liabilities</b>			
Bonds payable	260,000	260,000	1,947,128
Long-term loans payable	672,446	662,460	4,961,132
Provision	2,334	2,611	19,551
Net defined benefit liability	9,981	9,823	73,566
Other	115,389	115,028	861,437
<b>Total noncurrent liabilities</b>	<b>1,060,148</b>	<b>1,049,922</b>	<b>7,862,814</b>
<b>Total liabilities</b>	<b>1,519,026</b>	<b>1,470,361</b>	<b>11,011,464</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock	182,146	182,146	1,364,084
Capital surplus	108,140	108,140	809,856
Retained earnings	165,902	142,163	1,064,652
Treasury stock	(11,612)	(11,613)	(86,967)
<b>Total shareholders' equity</b>	<b>444,576</b>	<b>420,837</b>	<b>3,151,625</b>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	355	134	1,005
Deferred gains or losses on hedges	1,461	(25)	(184)
Revaluation reserve for land	27,915	27,915	209,051
Foreign currency translation adjustment	72,008	77,792	582,579
Remeasurements of defined benefit plans	3,980	3,856	28,880
<b>Total accumulated other comprehensive income</b>	<b>105,719</b>	<b>109,672</b>	<b>821,331</b>
<b>Non-controlling interests</b>	<b>24,423</b>	<b>25,455</b>	<b>190,630</b>
<b>Total net assets</b>	<b>574,718</b>	<b>555,964</b>	<b>4,163,587</b>
<b>Total liabilities and net assets</b>	<b>2,093,744</b>	<b>2,026,325</b>	<b>15,175,051</b>



## Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2022	2023	2023
	¥	¥	\$
Net sales	307,992	298,919	2,238,594
Cost of sales	233,942	247,178	1,851,102
Gross profit	74,049	51,742	387,492
Selling, general and administrative expenses	58,278	60,949	456,447
Operating income (loss)	15,771	(9,208)	(68,955)
Non-operating income			
Interest income	174	345	2,583
Dividends income	255	71	529
Equity in earnings of affiliates	1,149	885	6,628
Miscellaneous income	6,375	2,169	16,245
Total non-operating income	7,952	3,470	25,985
Non-operating expenses			
Interest expenses	1,703	3,292	24,657
Miscellaneous expenses	1,696	1,879	14,070
Total non-operating expenses	3,399	5,171	38,726
Ordinary income (loss)	20,324	(10,909)	(81,696)
Extraordinary income			
Gain on sales of investment securities	95	361	2,707
Gain on revision of retirement benefit plan	—	379	2,839
Gain on reversal of PCB disposal costs	—	347	2,598
Other	401	150	1,120
Total extraordinary income	496	1,237	9,264
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	734	1,189	8,908
Impairment loss	102	2,908	21,775
Other	1,958	977	7,320
Total extraordinary losses	2,794	5,075	38,003
Profit (loss) before income taxes	18,026	(14,746)	(110,435)
Income taxes	5,469	(3,501)	(26,222)
Net income (loss)	12,557	(11,245)	(84,213)
Net income attributable to non-controlling interests	3,694	1,018	7,622
Net income (loss) attributable to owners of the parent	8,863	(12,263)	(91,834)

## Consolidated Statements of Comprehensive Income

(¥ in millions, US\$ in thousands)

	Results for the first quarter (Jan.1-Mar.31)		
	2022	2023	2023
	¥	¥	\$
Net income	12,557	(11,245)	(84,213)
Other comprehensive income:			
Valuation difference on available-for-sale securities	371	(209)	(1,563)
Deferred gains or losses on hedges	479	(1,485)	(11,122)
Foreign currency translation adjustments	20,845	6,178	46,270
Remeasurements of defined benefit plans, net of tax	(228)	(124)	(926)
Share of other comprehensive income of entities accounted for using equity method	1,272	13	97
Total other comprehensive income	22,738	4,374	32,756
Comprehensive income	35,295	(6,871)	(51,457)
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	30,606	(8,308)	(62,221)
Comprehensive income attributable to non-controlling interests	4,690	1,437	10,764

**(Reference)****SEGMENT INFORMATION**

Information about sales and operating income :

3 months ended March 31, 2022	Millions of yen						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
<b>Sales</b>							
Outside customers	¥ 107,344	¥ 44,379	¥ 34,304	¥ 95,068	¥ 26,896	¥ —	¥ 307,992
Inter-segment	1,054	49	1,776	2,683	484	(6,046)	—
Total	108,398	44,428	36,080	97,751	27,380	(6,046)	307,992
Operating income (loss)	¥ 13,176	¥ 470	¥ 2,912	¥ 2,249	¥ (305)	¥ (2,730)	¥ 15,771

3 months ended March 31, 2023	Millions of yen						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
<b>Sales</b>							
Outside customers	¥ 69,389	¥ 42,517	¥ 29,997	¥ 127,097	¥ 29,920	¥ —	¥ 298,919
Inter-segment	830	551	2,632	3,178	1,471	(8,662)	—
Total	70,219	43,068	32,629	130,275	31,391	(8,662)	298,919
Operating income (loss)	¥ (10,372)	¥ (513)	¥ 2,032	¥ 3,902	¥ 2,712	¥ (6,969)	¥ (9,208)

3 months ended March 31, 2023	Thousands of U.S. dollars						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
<b>Sales</b>							
Outside customers	\$ 519,650	\$ 318,406	\$ 224,646	\$ 951,821	\$ 224,071	\$ —	\$ 2,238,594
Inter-segment	6,214	4,128	19,713	23,799	11,016	(64,871)	—
Total	525,865	322,534	244,359	975,621	235,087	(64,871)	2,238,594
Operating income (loss)	\$ (77,672)	\$ (3,839)	\$ 15,219	\$ 29,220	\$ 20,307	\$ (52,190)	\$ (68,955)

## First Quarter, 2023 Consolidated Financial Results (Summary)

### 1. First Quarter Results

#### (1) Summary

(Unit: billions of yen)

Items	2022 Jan.1 - Mar.31	2023 Jan.1 - Mar.31	Increase/ decrease
Net Sales	308.0	298.9	(9.1)
Operating Income	15.8	(9.2)	(25.0)
Net Income Attributable to Owners of the Parent	8.9	(12.3)	(21.1)

#### (2) Net Sales and Operating Income by Segment

(Unit: billions of yen)

Segment		2022 Jan.1 - Mar.31	2023 Jan.1 - Mar.31	Increase/ decrease
Semiconductor and Electronic Materials	Net Sales	107.3	69.4	(38.0)
	Op. Income	13.2	(10.4)	(23.5)
Mobility	Net Sales	44.4	42.5	(1.9)
	Op. Income	0.5	(0.5)	(1.0)
Innovation Enabling Materials	Net Sales	34.3	30.0	(4.3)
	Op. Income	2.9	2.0	(0.9)
Chemicals	Net Sales	95.1	127.1	32.0
	Op. Income	2.2	3.9	1.7
Others	Net Sales	26.9	29.9	3.0
	Op. Income	(0.3)	2.7	3.0
Adjustments	Net Sales	-	-	-
	Op. Income	(2.7)	(7.0)	(4.2)
Total	Net Sales	308.0	298.9	(9.1)
	Op. Income	15.8	(9.2)	(25.0)

### 2. Reference

Items	2022 Jan.1 - Mar.31	2023 Jan.1 - Mar.31	Increase/ decrease
Exchange Rate (yen/US\$)	116.2	132.3	Yen depreciated by 16.1
Domestic Naphtha Price (yen/kl)	64,600	66,500	1,900

(Unit: billions of yen)

Items	Dec.31, 2022	Mar.31, 2023	Increase/ decrease
Total Assets	2,093.7	2,026.3	(67.4)
Interest-Bearing Debt	1,062.6	1,053.7	(8.9)

### 3. Forecast for Full year 2023

#### (1) Summary

(Unit: billions of yen)

Segment	2022 Results	2023 Forecast	Increase/decrease
Net Sales	1,392.6	1,340.0	(52.6)
Operating Income	61.7	(20.0)	(81.7)
Net Income Attributable to Owners of the Parent	32.4	(46.0)	(78.4)
Net Income Attributable to Owners of the Parent per Share	¥179.02	(¥253.98)	(¥433.00)
Annual dividend per share	¥65.00	Undecided	-

#### (2) Net sales and Operating income by Segment

(Unit: billions of yen)

Segment		2022 Results	2023 Forecast	Increase/decrease
Semiconductor and Electronic Materials	Net Sales	427.2	350.0	(77.2)
	Op. Income	45.5	(22.0)	(67.5)
Mobility	Net Sales	180.6	180.0	(0.6)
	Op. Income	(0.7)	(2.5)	(1.8)
Innovation Enabling Materials	Net Sales	141.1	140.0	(1.1)
	Op. Income	10.1	8.0	(2.1)
Chemicals	Net Sales	527.8	550.0	22.2
	Op. Income	24.9	19.0	(5.9)
Others	Net Sales	115.9	120.0	4.1
	Op. Income	(0.3)	7.5	7.8
Adjustments	Net Sales	-	-	-
	Op. Income	(17.8)	(30.0)	(12.2)
Total	Net Sales	1,392.6	1,340.0	(52.6)
	Op. Income	61.7	(20.0)	(81.7)

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, but not limited to, 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.

Note: For the fiscal year ended December 2022, figures are based on retroactive accounting due to changes in accounting policies for the current fiscal year.