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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 3, 2023

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 Stock exchange listing: Tokyo
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 Scheduled date of filing quarterly securities report: August 10, 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 Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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	%
Three months ended June 30, 2023	240,638	(4.6)	13,605	(55.1)	22,232	(49.0)	13,228	(53.5)
June 30, 2022	252,325	25.4	30,307	0.5	43,618	35.9	28,444	31.0

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 18,727 million [(44.3)%]
 Three months ended June 30, 2022: ¥ 33,635 million [39.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	41.56	41.55
June 30, 2022	89.39	89.34

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	1,207,030	799,391	61.6
March 31, 2023	1,194,251	794,198	61.9

(Reference) Equity: As of June 30, 2023: ¥ 743,597 million
 As of March 31, 2023: ¥ 738,803 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, 2023	-	40.00	-	40.00	80.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		40.00	-	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, 2024(April 1, 2023 to March 31, 2024)

(% 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
Six months ending September 30, 2023	520,000	(1.3)	33,000	(26.7)	32,000	(50.5)	19,000	(54.8)	59.69
Full year	1,080,000	1.5	95,000	27.3	95,000	5.6	60,000	19.2	188.51

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2023

(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):

June 30, 2023: 325,080,956 shares

March 31, 2023: 325,080,956 shares

2) Number of treasury shares at the end of the period:

June 30, 2023: 6,792,673 shares

March 31, 2023: 6,791,155 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 318,289,058 shares

Three months ended June 30, 2022: 318,207,206 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 decreased ¥11.7 billion (4.6%) year-on-year to ¥240.6 billion (US\$1.7 billion). The decrease was attributable to a drop in demand resulting from the economic slowdown and lower sales volume due to scheduled maintenance at the Nanyo Complex.

Operating income also decreased ¥16.7 billion (55.1%) year-on-year to ¥13.6 billion (US\$98.9 million), due to the difference between inventory receipts and payments deteriorating, and sales volume falling, despite improved terms of trade underpinned by lower prices of raw materials and fuels such as naphtha and coal. Ordinary income decreased ¥21.4 billion (49.0%) year-on-year to ¥22.2 billion (US\$161.5 million), despite foreign exchange gains resulting from the progressively weaker yen. And net profit attributable to owners of the parent totaled ¥13.2 billion (US\$96.0 million), down ¥15.2 billion (53.5%).

During the first quarter, austerity measures implemented to combat sustained high inflation in the U.S. and Europe resulted in business activity stagnating. In China, demand for services is recovering with the lifting of the country's zero-COVID policy, but demand for durable consumer goods such as automobiles and smartphones is still weak, and this combined with the sluggish real estate market has prevented demand from recovering to the degree anticipated. Moreover, the future outlook remains uncertain due to the growing upward pressure on prices resulting from factors including soaring costs for raw materials, fuel, and labor costs, as well as the protracted invasion of Ukraine.

Results by business segment are as follows.

Petrochemical

Petrochemical Group net sales increased ¥1.0 billion (2.1%) year-on-year to ¥49.7 billion (US\$361.5 million). Operating income increased ¥0.3 billion (10.1%) year-on-year to ¥2.9 billion (US\$21.1 million) owing to improved terms of trade for products such as polyethylene resins, while the difference between inventory receipts and payments deteriorated as prices of raw materials and fuel such as naphtha fell.

Shipments of olefin products, including ethylene, propylene, and cumene, increased due to increased production in line with the non-scheduled maintenance year at the Yokkaichi Complex, including ethylene plant. Moreover, selling prices for ethylene and propylene declined on decreased naphtha prices. Selling prices for cumene declined due to deteriorating market conditions overseas.

Polyethylene resin shipments declined in domestic and overseas markets as demand was sluggish in various industries. Selling prices did rise, however, on price corrections and other factors. Shipments both domestically and overseas of chloroprene rubber were down on stagnation in demand, but selling prices rose amidst the progressively weaker yen and soaring raw material prices.

Chlor-alkali

Chlor-alkali Group net sales decreased ¥19.2 billion (18.9%) year-on-year to ¥82.8 billion (US\$602.2 million). Operating income decreased ¥13.3 billion year-on-year to an operating loss of ¥3.6 billion (US\$26.0 million). Improved terms of trade owing to lower prices of raw materials and fuels such as naphtha and coal was offset by deterioration in the difference between inventory receipts and payments.

Shipments of caustic soda decreased due to a decline in production volume caused by factors such as scheduled maintenance. Domestic prices rose on price corrections while declining market conditions overseas pushed export prices downward. Shipments of vinyl chloride monomer also decreased due to a decline in production volume caused by scheduled maintenance and other factors. Shipments of polyvinyl chloride (PVC) resin decreased both domestically and overseas. Moreover, overseas selling prices of PVC products declined, reflecting the worsening of overseas market conditions.

Domestic shipments of cement were steady, and selling prices rose domestically.

Shipments of methylene diphenyl diisocyanate (MDI) were essentially unchanged from the same period of the previous year, but selling prices fell as overseas market conditions worsened.

Specialty

Specialty Group net sales increased ¥3.4 billion (5.4%) year-on-year to ¥66.0 billion (US\$480.0 million). The Group's operating income was down ¥3.7 billion (25.8%), to ¥10.5 billion (US\$76.4 million), due to deterioration in the difference between inventory receipts and payments, increased fixed costs, and decreased shipments of zirconia and silica glass, despite improvement in trade conditions driven by foreign exchange effects and reduced prices of raw materials and fuel, including coal.

Shipments of ethyleneamines decreased, attributable partially to a decline in demand caused by deteriorating global business confidence. However, selling prices rose due to price corrections in the previous fiscal year and the progressively weaker yen.

In separation-related products, shipments of packing materials for liquid chromatography decreased in Europe, the U.S., and China. Meanwhile, shipments of diagnostic-related products such as automated hemoglobin analyzers and related reagents were up domestically and overseas, but shipments of genetic test reagents for the domestic market were down.

A recovery in demand drove shipments of high-silica zeolite upward—mainly for automotive applications—and selling prices rose on the progressively weaker yen. Shipments of zirconia for decorative and dental applications declined, but the progressively weaker yen and price correction pushed selling prices upward. Silica glass shipments declined in line with a slowdown in semiconductor demand, but selling prices rose on the progressively weaker yen and price correction. Shipments of electrolytic manganese dioxide were up in Europe and Asia, and the progressively weaker yen and price correction resulted in higher selling prices.

Engineering

Engineering Group net sales increased ¥1.7 billion (6.1%) year-on-year to ¥30.4 billion (US\$221.1 million). However, operating income declined, ¥0.1 billion (4.3%), to ¥3.2 billion (US\$23.3 million) due to reduced profit margins at the Group's construction subsidiaries.

The Engineering Group's water treatment engineering business saw an increase in net sales due to steady progress in the construction of large-scale electronics industry projects in Japan and overseas for which orders had been received, as well as favorable results in maintenance and other service solutions.

Sales by the Group's construction subsidiaries decreased.

Other

Other net sales increased ¥1.4 billion (13.7%) year-on-year to ¥11.8 billion (US\$85.8 million). Operating income likewise increased ¥0.1 billion (17.9%) year-on-year to ¥0.6 billion (US\$4.4 million).

Net sales of other operating companies such as transportation and warehousing, inspection and analysis, and information processing increased.

(2) Explanation regarding Financial Position

Total assets increased ¥12.8 billion from the end of the previous period to ¥1,207.0 billion (US\$8.8 billion), owing primarily to increases in cash and deposits, property, plant and equipment, and investment securities, despite a decrease in notes and accounts receivable-trade and contract assets.

Liabilities increased ¥7.6 billion from the end of the previous period to ¥407.6 billion (US\$3.0 billion), mainly due to an increase in short-term borrowings, despite a decrease in notes and accounts payable-trade.

Net assets amounted to ¥799.4 billion (US\$5.8 billion), up ¥5.2 billion from the end of the previous period, mainly due to increases in net unrealized gains on securities and 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, 2024 from the forecast announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	120,153	131,696
Notes and accounts receivable - trade, and contract assets	292,069	279,704
Merchandise and finished goods	154,143	157,157
Work in process	32,443	17,301
Raw materials and supplies	70,544	67,554
Other	38,968	56,713
Allowance for doubtful accounts	(698)	(728)
Total current assets	707,625	709,399
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	122,585	123,403
Land	68,234	68,110
Other, net	167,123	173,427
Total property, plant and equipment	357,944	364,941
Intangible assets	10,461	10,389
Investments and other assets		
Investment securities	57,737	61,763
Assets for retirement benefit	33,949	34,221
Other	27,011	26,792
Allowance for doubtful accounts	(478)	(477)
Total investments and other assets	118,220	122,299
Total non-current assets	486,625	497,631
Total assets	1,194,251	1,207,030

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	122,903	109,953
Short-term borrowings	149,340	157,777
Income taxes payable	8,442	8,244
Provisions	11,764	10,826
Other	43,860	62,408
Total current liabilities	336,312	349,210
Non-current liabilities		
Long-term borrowings	27,390	23,704
Provisions	3,860	1,008
Liabilities for retirement benefit	20,411	20,009
Other	12,077	13,706
Total non-current liabilities	63,740	58,428
Total liabilities	400,052	407,639
Net assets		
Shareholders' equity		
Common stock	55,173	55,173
Capital surplus	44,347	44,347
Retained earnings	622,995	623,489
Treasury stock	(9,903)	(9,906)
Total shareholders' equity	712,612	713,103
Accumulated other comprehensive income		
Net unrealized gains on securities	9,960	12,677
Deferred gains (losses) on hedges	3	6
Foreign currency translation adjustments	8,669	10,558
Accumulated adjustments for retirement benefit	7,558	7,251
Total accumulated other comprehensive income	26,191	30,493
Stock acquisition rights	89	89
Non-controlling interests	55,305	55,704
Total net assets	794,198	799,391
Total liabilities and net assets	1,194,251	1,207,030

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	252,325	240,638
Cost of sales	187,467	190,775
Gross profit	64,857	49,863
Selling, general and administrative expenses	34,550	36,257
Operating income	30,307	13,605
Non-operating income		
Interest income	122	166
Dividend income	1,200	843
Foreign exchange gains	10,455	7,023
Equity in earnings of affiliates	601	524
Other	1,536	654
Total non-operating income	13,915	9,212
Non-operating expenses		
Interest expense	274	448
Other	328	137
Total non-operating expenses	603	586
Ordinary income	43,618	22,232
Extraordinary income		
Gain on sales of property, plant and equipment	12	18
Total extraordinary income	12	18
Extraordinary losses		
Loss on sales of property, plant and equipment	3	76
Loss on disposal of property, plant and equipment	1,009	577
Total extraordinary losses	1,013	654
Income before income taxes	42,618	21,595
Income taxes	13,483	7,445
Net income	29,134	14,149
Profit attributable to non-controlling interests	690	921
Profit attributable to owners of parent	28,444	13,228

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

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net income	29,134	14,149
Other comprehensive income		
Net unrealized gains on securities	(903)	2,766
Deferred gains (losses) on hedges	(1)	7
Foreign currency translation adjustments	5,399	1,875
Adjustments for retirement benefit	(202)	(311)
Share of other comprehensive income of affiliates applied for equity method	208	240
Total other comprehensive income	4,500	4,578
Comprehensive income	33,635	18,727
Breakdown of comprehensive income		
Comprehensive income attributable to shareholders of parent	32,402	17,531
Comprehensive income attributable to non-controlling interests	1,232	1,196

(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 three months ended June 30, 2023, 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 three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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	48,668	102,040	62,663	28,606	10,346	252,325	—	252,325
Inter-segment	39,624	12,064	5,730	12,934	15,793	86,148	(86,148)	—
Total	88,293	114,105	68,393	41,541	26,140	338,474	(86,148)	252,325
Segment income	2,665	9,685	14,131	3,314	510	30,307	—	30,307

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 three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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	49,693	82,801	66,028	30,352	11,763	240,638	—	240,638
Inter-segment	24,824	11,921	5,113	4,014	15,748	61,623	(61,623)	—
Total	74,517	94,723	71,141	34,366	27,512	302,261	(61,623)	240,638
Segment income (loss)	2,934	(3,580)	10,479	3,171	602	13,605	—	13,605

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 Three Months ended June 30, 2023

August 3, 2023

TOSOH CORPORATION

(1) Operating Results

(Billion yen)

	Three months ended June 30, 2022 (4.1.22-6.30.22) (Actual)	Three months ended June 30, 2023 (4.1.23-6.30.23) (Actual)	Change	Fiscal year ended March 31, 2023 (4.1.22-3.31.23) (Actual)	Fiscal year ended March 31, 2024 (4.1.23-3.31.24) (Forecast)
Net sales	252.3	240.6	(11.7)	1,064.4	1,080.0
Operating income	30.3	13.6	(16.7)	74.6	95.0
Ordinary income	43.6	22.2	(21.4)	90.0	95.0
Profit attributable to owners of parent	28.4	13.2	(15.2)	50.3	60.0
Basic earnings per share (¥)	89.39	41.56	(47.83)	158.14	188.51

(2) Business and Financial Fundamentals

	Three months ended June 30, 2022 (4.1.22-6.30.22) (Actual)	Three months ended June 30, 2023 (4.1.23-6.30.23) (Actual)	Change	Fiscal year ended March 31, 2023 (4.1.22-3.31.23) (Actual)	Fiscal year ended March 31, 2024 (4.1.23-3.31.24) (Forecast)
Exchange rate (¥/US\$) Average TTM	129.7	137.5	7.8	135.5	130.0
Exchange rate (¥/EUR) Average TTM	138.3	149.6	11.3	141.0	141.0
Domestic standard naphtha price (¥/kl)	86,100	67,000	(19,100)	76,625	67,000

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

(Billion yen)

		Three months ended June 30, 2022 (4.1.22-6.30.22) (Actual)	Three months ended June 30, 2023 (4.1.23-6.30.23) (Actual)	Change	Breakdown of change			
					Volume effect	Price effect	Terms of trade	Fixed costs, etc.
Petrochemical	Net sales	48.7	49.7	1.0	6.1	(5.1)	-	-
	Operating income	2.7	2.9	0.3	(0.1)	-	4.9	(4.5)
Chlor-alkali	Net sales	102.0	82.8	(19.2)	(13.1)	(6.2)	-	-
	Operating income(Loss)	9.7	(3.6)	(13.3)	(3.4)	-	2.3	(12.2)
Specialty	Net sales	62.7	66.0	3.4	(3.5)	6.9	-	-
	Operating income	14.1	10.5	(3.7)	(2.0)	-	4.1	(5.8)
Engineering	Net sales	28.6	30.4	1.7	1.3	0.5	-	-
	Operating income	3.3	3.2	(0.1)	0.4	-	0.0	(0.5)
Other	Net sales	10.3	11.8	1.4	0.2	1.2	-	-
	Operating income	0.5	0.6	0.1	0.1	-	0.0	0.0
Total	Net sales	252.3	240.6	(11.7)	(9.0)	(2.7)	-	-
	Operating income	30.3	13.6	(16.7)	(5.1)	-	11.4	(23.0)

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