

Consolidated Financial Statements

For the year ended December 31, 2023



I . Consolidated Financial Results

Feb. 14, 2024

(¥ in millions, US\$ in thousands, except for

(1) Results of operations : net income attributable to owners of the parent per share)

	Results for the year ended December 31			
	2022	2023	Increase (Decrease)	2023
	¥	¥	%	\$
Net sales	1,392,621	1,288,869	(7.5)	9,087,421
Operating income	61,726	(3,764)	—	(26,536)
Ordinary income	61,711	(14,773)	—	(104,162)
Net income attributable to owners of the parent	32,422	(18,955)	—	(133,645)
Net income attributable to owners of the parent per share: Basic	179.02	(104.65)		(0.74)
Net income attributable to owners of the parent per share: Diluted	—	—		—
	%	%		
Net income on equity	6.1	(3.4)		
Ordinary income on total assets	2.9	(0.7)		
Operating income to net sales	4.4	(0.3)		

Notes

Important changes in accounting policies : applicable

Comprehensive income :

Results for the year ended December 31,2023

¥16,227million

Results for the year ended December 31,2022

¥68,745million

(¥ in millions, US\$ in thousands,

(2) Financial position : except for total equity per share)

	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2023
	¥	¥	\$
Total assets	2,093,744	2,031,953	14,326,676
Total equity	574,718	578,668	4,080,008
Total equity per share	3,038.35	3,052.07	21.52
	%	%	%
Stockholders' equity ratio	26.3	27.2	27.2

(3) Cash flows :

(¥ in millions, US\$ in thousands)

	Results for the year ended December 31		
	2022	2023	2023
	¥	¥	\$
Cash flows from operating activities	99,376	118,686	836,819
Cash flows from investing activities	(54,667)	(61,869)	(436,219)
Cash flows from financing activities	(103,267)	(62,880)	(443,348)
Cash and cash equivalents at end of the year	186,056	189,915	1,339,033

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.

(4) Dividends :

	2022	2023	2024 forecast
End of Q1 dividends per share (¥)	—	—	—
End of Q2 dividends per share (¥)	0.00	0.00	0.00
End of Q3 dividends per share (¥)	—	—	—
End of Term dividends per share (¥)	65.00	65.00	65.00
Total of dividend per share above (¥)	65.00	65.00	65.00
Total dividends (¥ in millions)	11,788	11,788	
	%	%	%
Payout ratio (consolidated)	36.3	—	117.7
Net assets dividend yield (consolidated)	2.2	2.1	

II. Forecast of performance for the year ending December 31, 2024

(¥ 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	4,512,444	1,330,000	9,377,424
Operating income	(5,000)	(35,253)	28,000	197,419
Ordinary income	(13,000)	(91,659)	13,000	91,659
Net income attributable to owners of the parent	(15,000)	(105,760)	10,000	70,507
Net income attributable to owners of the parent per share: Basic	(82.81)	(0.58)	55.21	0.39

*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.

Notes

Yen amounts have been translated into U.S.dollars for convenience only, at the rate of ¥141.83 to US\$1.00, the approximate rate of exchange as of December 31, 2023.

[Business Results and Financial Conditions]

1. Analysis of business results

(1) Summary

In the year ended December 31, 2023 (“2023”), the global economy continued to normalize and recover due to the easing of restrictions on activities related to the COVID-19 pandemic. However, the semiconductor industry continued the adjustment phase, and the global inflation and the prolonged situation in Ukraine continued to raise energy and raw material costs, as well as supply constraints, resulting in weaknesses in some regions. In the Japanese economy, consumer spending and corporate capital investment showed a gradual recovery.

Consolidated sales for 2023, decreased to ¥1,288,869 million from the year ended December 31, 2022 (“2022”), mainly due to a decrease in sales volume in all segments, including the Semiconductor and Electronic Materials segment, which decreased due to adjustments in the semiconductor and electronic materials-related industries. Consolidated operating income of 2023 decreased to a loss of ¥3,764 million. Operating income increased in the Mobility segment due to an increase in the volume of automotive parts and in the Innovating Materials segment due to price increase in some products. Operating income in the Semiconductor and Electronic Materials segment declined significantly. And in the Chemicals segment, operating income declined mainly due to the negative impact of the difference between receipt and payment of graphite electrodes. Ordinary income for 2023 was a loss of ¥14,773 million due to a decrease in foreign exchange gains from 2022.

Net income attributable to owners of the parent for 2023 was a loss of ¥18,955 million, decreased from 2022, mainly due to changes in ordinary income and a decrease in tax expenses resulting from the recognition of deferred tax assets.

(Unit: millions of yen)

	2022 Jan.-Dec.	2023 Jan.-Dec.	Increase/ decrease	Increase/ decrease rate
Sales	1,392,621	1,288,869	(103,752)	(7.5)%
Operating income	61,726	(3,764)	(65,490)	—
Ordinary income	61,711	(14,773)	(76,484)	—
Net income attributable to owners of the parent	32,422	(18,955)	(51,377)	—

(2) A breakdown of net sales and operating income by segment (January 1 - December 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 2022. In the Device Solutions subsegment, sales decreased significantly due to continued weakness in HD media demand for data centers from the fourth quarter of 2022, while SiC epitaxial wafers' sales increased.

As a result, sales in this segment decreased from 2023. 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 Jan.-Dec.	2023 Jan.-Dec.	Increase/ decrease	Increase/ decrease rate
Sales	427,171	338,126	(89,044)	(20.8)%
Operating income	45,533	(9,422)	(54,955)	—

[Mobility]

In the Mobility segment, the decrease in sales of the Automotive Products subsegment due to the impact of the divestiture of ISOLITE GmbH in 2022 was offset by an increase in volume due to the recovery of automobile production and the launch of new models. Sales of the Lithium-ion Battery Materials subsegment decreased due to a slowdown in consumer demand.

As a result, sales in this segment increased and operating income increased from 2022.

(Unit: millions of yen)

	2022 Jan.-Dec.	2023 Jan.-Dec.	Increase/ decrease	Increase/ decrease rate
Sales	180,626	178,950	(1,676)	(0.9)%
Operating income	(735)	1,934	2,669	—

[Innovation Enabling Materials]

In the Innovation Enabling Materials segment, from 2022, sales decreased due to a decrease in volume, and on the other hand, operating income increased due to higher selling prices caused by a rise in raw material prices.

(Unit: millions of yen)

	2022 Jan.-Dec.	2023 Jan.-Dec.	Increase/ decrease	Increase/ decrease rate
Sales	141,081	130,093	(10,988)	(7.8)%
Operating income	10,126	11,307	1,182	11.7%

[Chemicals segment]

In the Chemicals segment, sales of the Petrochemicals subsegment decreased due to a decline in naphtha prices, despite an increase in volume from 2022 due to the absence of shutdowns related to large-scale maintenance. Operating income, on the other hand, increased mainly due to widened product-naphtha spreads. In the Basic Chemicals subsegment, despite volume declines in some products, sales remained unchanged from 2022 and operating income increased due to the progress in passing on higher raw material and fuel prices to selling prices. Sales of the Graphite Electrodes subsegment decreased due to a decline in both sales volume and product sales price compared to 2022. And operating income also decreased due to a negative impact of the inventory valuation difference and a write-down of inventory assets.

(Unit: millions of yen)

	2022 Jan.-Dec.	2023 Jan.-Dec.	Increase/ decrease	Increase/ decrease rate
Sales	527,825	516,333	(11,492)	(2.2)%
Operating income	24,910	7,718	(17,192)	(69.0)%

(3) Projections for 2024

We expect global economy to continue its moderate recovery in the next fiscal year, despite the risks of stagnation due to global monetary tightening and rising inflation, as well as uncertainty over the future of rising energy and raw material costs due to the prolonged situation in Ukraine and the Middle East. Trends in demand decline and inventory adjustments in the semiconductor and electronic materials industries have bottomed out and started to move toward recovery. Against the backdrop of recovering demand for semiconductors, our company will continue to aggressively invest in its core growth businesses, including semiconductor materials, while continuing to reform its business portfolio and implement various measures.

The Group's performance forecast for 2024 is as follows.

(Unit: millions of yen)

	2023 Jan.-Dec.	2024 Jan.-Dec.	Increase/ decrease	Increase/ decrease rate
Sales	1,288,869	1,330,000	41,131	3.2%
Operating income	(3,764)	28,000	31,764	—
Ordinary income	(14,773)	13,000	27,773	—
Net income attributable to owners of the parent	(18,955)	10,000	28,955	—

(Unit: millions of yen)

Segments		2023	2024	Increase/ decrease
Semiconductor and Electronic Materials	Sales	338,126	390,000	51,874
	Operating income	(9,422)	19,000	28,422
Mobility	Sales	178,950	210,000	31,050
	Operating income	1,934	7,000	5,066
Innovation Enabling Materials	Sales	130,093	90,000	(40,093)
	Operating income	11,307	8,000	(3,307)
Chemicals	Sales	516,333	525,000	8,667
	Operating income	7,718	10,000	2,282
Others, Adjustments	Sales	125,367	115,000	(10,367)
	Operating income	(15,301)	(16,000)	(699)
Total	Sales	1,288,869	1,330,000	41,131
	Operating income	(3,764)	28,000	31,764

* Since the fiscal year ending December 2024, Aluminum Specialty Components Business Unit shifts from the Innovating Materials segment to the Mobility segment.

The above forecast is based on the information available as of February 14, 2024, 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, 2023 period

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

Total assets at the end of 2023, decreased by ¥61,791 million from the end of the previous fiscal year 2022 to ¥2,031,953 million due to a decrease in inventories and intangible fixed assets such as goodwill. Total liabilities decreased by ¥65,741 million to ¥1,453,285 million due to a decrease in interest-bearing debt. Net assets increased by ¥3,949 million, to ¥578,668 million, mainly due to an increase in foreign currency translation adjustments.

(Unit: millions of yen)

	Dec. 31, 2022	Dec. 31, 2023	Increase/ decrease
Total Assets	2,093,744	2,031,953	(61,791)
Total Liabilities	1,519,026	1,453,285	(65,741)
Net assets	574,718	578,668	3,949

(2) Situation of cash flows in 2023

Net cash provided by operating activities during the current fiscal year 2023 was ¥118,686 million, an increase of ¥19,310 million from the previous fiscal year 2022, mainly due to a decrease in inventories, despite a net loss before income taxes. Net cash used in investing activities was ¥61,869 million, an increase of ¥7,202 million from 2022, mainly due to a decrease in income from the sale of property, plant and equipment and income from the sale of investment securities, despite the recording of income from the sale of subsidiary shares accompanied by a change in the scope of consolidation.

As a result, free cash flow was ¥56,817 million, an increase of ¥12,108 million from 2022.

Net cash used in financing activities was ¥62,880 million, a decrease of ¥40,387 mainly due to a decrease in expenditures for repayment of long-term debt.

As a result, cash and cash equivalents was ¥189,915 million, an increase of ¥3,859 million, including the impact of currency fluctuations.

(3) Trends in cash flow indexes

	2020	2021	2022	2023
Equity ratio	18.4%	24.0%	26.3%	27.2%
Equity ratio on a market value basis	14.5%	20.4%	17.5%	25.0%
Debt maturity (years)	9.7	7.4	10.7	8.6
Interest coverage ratio (times)	20.3	11.5	6.4	9.7

[Notes]

Equity ratio: Equity / Total assets

Equity ratio on a market value basis: Total market value of listed shares / Total assets

Debt maturity (years): Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / 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, bonds and lease liabilities 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

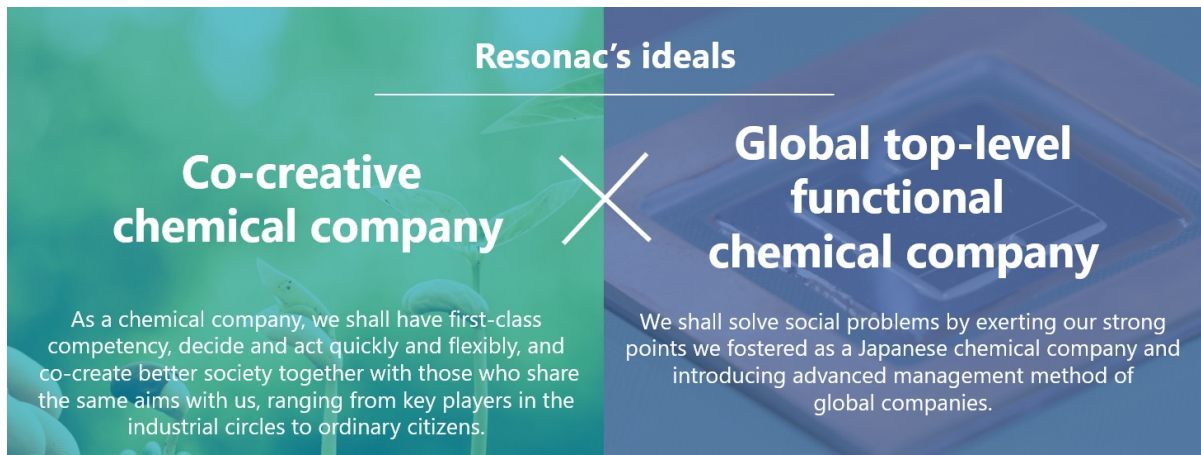
In January 2023, the former Showa Denko K.K. and the former Hitachi Chemical Co., Ltd. (the former Showa Denko Materials Co., Ltd.) integrated to make a new start as Resonac Group.

“Corporate Philosophy of Resonac”

The Group’s corporate philosophy is the Purpose “Change society through the power of chemistry,” and the four Values which we believe the Group’s employees should consider important, “Passionate & Results-Driven,” “Agile & Flexible,” “Open Minds Open Connections,” and “Solid Vision & Solid Integrity.”

To change society through the power of chemistry based on the Group’s purpose, we are strengthening our business execution system in accordance with the belief that we must position the concept of sustainability as an essential component of management. As part of these efforts, we have established Sustainability Vision 2030 and identified key sustainability issues for implementing the main strategies of our long-term vision, and we are working to ensure that these issues are disseminated throughout the Group. We will work together as a group to engage in business activities, strengthen human resource development, promote transparency in personnel evaluation, and thoroughly implement meritocracy.

“Ideal states of Resonac”



Co-creative Chemical Company

Our foundation remains our wide range of cutting-edge functional materials technologies, which encompass areas spanning from midstream to downstream sectors. We will leverage this solid base to ascertain the roots of today’s challenges and take the initiative in finding new solutions. To achieve this objective, we will think beyond the conventional boundaries of our individual business activities. We are committed to co-creating a better society together with stakeholders who share our ideals, ranging from consumers to industry leaders, and to accumulating the strength expected of a global company as well as acting and making decisions in an agile and flexible manner. As a “Co-creative Chemical Company,” Resonac will “Change society through the power of chemistry.”

Global top-level functional chemical company

We aim to become one of the global top-level functional chemical companies. We are committed to become a "Company that can compete on the world stage" with both qualitative and numerical aspects, a "Company that contributes to a sustainable global society" with innovation and business development capabilities, and a "Company that develops co-creative talent that represents Japan’s manufacturing industry " that will attract attention from various stakeholders.

(2) Target management indexes

	2023 actual results	Image for 2025
Net sales (¥ trillion)	1.29	Over 1.0
EBITDA margin (%)	8.2%	20%
ROIC (%)	0.5%	10% in medium- to long-term
Net Debt/Equity Ratio (times)	1.0	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 industry in medium- to long term.

4. Our view on selection of accounting standard

Our 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, 2022	Dec. 31, 2023	Dec. 31, 2023
	¥	¥	\$
Assets			
Current assets			
Cash and deposits	186,499	190,318	1,341,871
Notes and accounts receivable-trade	266,093	266,122	1,876,347
Merchandise and finished goods	121,172	115,123	811,700
Work in process	34,130	23,687	167,013
Raw materials and supplies	95,151	86,383	609,064
Other	85,248	72,019	507,782
Allowance for doubtful accounts	(1,254)	(1,731)	(12,204)
Total current assets	787,037	751,922	5,301,570
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	138,242	154,659	1,090,450
Machinery, equipment and vehicles, net	214,718	218,346	1,539,493
Tools, furniture and fixtures, net	24,280	25,021	176,415
Land	233,987	230,806	1,627,345
Leased assets	15,973	12,403	87,449
Construction in progress	50,866	37,351	263,351
Total property, plant and equipment	678,064	678,586	4,784,504
Intangible assets			
Goodwill	295,355	285,199	2,010,851
Customer related assets	133,639	128,908	908,893
Other	64,695	56,482	398,235
Total intangible assets	493,689	470,589	3,317,979
Investments and other assets			
Investment securities	83,341	72,503	511,197
Net defined benefit asset	18,046	28,038	197,688
Deferred tax assets	16,671	14,965	105,512
Other	17,517	16,513	116,425
Allowance for doubtful accounts	(622)	(1,163)	(8,199)
Total investments and other assets	134,953	130,856	922,623
Total noncurrent assets	1,306,706	1,280,031	9,025,106
Total assets	2,093,744	2,031,953	14,326,676

(¥ in millions, US\$ in thousands)

	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2023
	¥	¥	\$
Liabilities			
Current liabilities			
Notes and accounts payable-trade	194,054	177,375	1,250,617
Short-term loans payable	72,419	52,489	370,086
Current portion of long-term loans payable	42,677	23,552	166,056
Commercial papers	-	10,000	70,507
Current portion of bonds	-	40,000	282,028
Provision for repairs	19	794	5,598
Provision for bonuses	9,489	10,593	74,691
Provision for bonuses for directors	47	109	766
Provision for stock payment	21	81	570
Provision for business structure improvement	-	621	4,378
Other	140,152	146,267	1,031,285
Total current liabilities	458,877	461,881	3,256,582
Noncurrent liabilities			
Bonds payable	260,000	250,000	1,762,674
Long-term loans payable	672,446	625,840	4,412,607
Deferred tax liabilities	51,379	36,321	256,086
Deferred tax liabilities for land revaluation	29,525	28,448	200,576
Provision for repairs	1,260	2,430	17,134
Provision for stock payment	302	353	2,492
Provision for business structure improvement	772	577	4,069
Net defined benefit liability	9,981	9,961	70,231
Other	34,484	37,474	264,219
Total noncurrent liabilities	1,060,148	991,404	6,990,086
Total liabilities	1,519,026	1,453,285	10,246,668
Net assets			
Shareholders' equity			
Capital stock	182,146	182,146	1,284,257
Capital surplus	108,140	108,140	762,463
Retained earnings	165,902	137,269	967,844
Treasury stock	(11,612)	(11,593)	(81,737)
Total shareholders' equity	444,576	415,963	2,932,827
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	355	194	1,370
Deferred gains or losses on hedges	1,461	1,196	8,432
Revaluation reserve for land	27,915	26,113	184,118
Foreign currency translation adjustment	72,008	99,217	699,548
Remeasurements of defined benefit plans	3,980	10,154	71,596
Total accumulated other comprehensive income	105,719	136,875	965,064
Non-controlling interests	24,423	25,830	182,117
Total net assets	574,718	578,668	4,080,008
Total liabilities and net assets	2,093,744	2,031,953	14,326,676

Consolidated Statements of Income

(¥ in millions, US\$ in thousands)

	Results for the year ended Dec.31 2022 and 2023		
	2022	2023	2023
	¥	¥	\$
Net sales	1,392,621	1,288,869	9,087,421
Cost of sales	1,087,775	1,042,252	7,348,602
Gross profit	304,847	246,617	1,738,820
Selling, general and administrative expenses	243,120	250,380	1,765,356
Operating income (loss)	61,726	(3,764)	(26,536)
Non-operating income			
Interest income	1,068	1,840	12,974
Dividends income	766	400	2,822
Equity in earnings of affiliates	3,630	3,589	25,305
Rent income on noncurrent assets	1,516	1,599	11,273
Foreign exchange gains	10,632	1,967	13,867
Miscellaneous income	4,949	4,859	34,256
Total non-operating income	22,561	14,253	100,497
Non-operating expenses			
Interest expenses	15,762	13,370	94,266
Miscellaneous expenses	6,815	11,893	83,857
Total non-operating expenses	22,576	25,263	178,123
Ordinary income (loss)	61,711	(14,773)	(104,162)
Extraordinary income			
Gain on sales of noncurrent assets	13,578	3,720	26,231
Gain on sale of businesses	251	24,638	173,716
Other	9,451	5,976	42,138
Total extraordinary income	23,280	34,335	242,085
Extraordinary loss			
Loss on sales and retirement of noncurrent assets	6,153	5,889	41,523
Impairment loss	10,091	26,183	184,608
Extra retirement payments	434	6,573	46,347
Loss on sale of businesses	3,504	-	-
Loss related to the Antimonopoly Act	5,579	-	-
Other	8,303	7,100	50,063
Total extraordinary losses	34,064	45,746	322,540
Profit (loss) before income taxes	50,927	(26,184)	(184,617)
Income taxes	11,240	(8,159)	(57,524)
Net income (loss)	39,687	(18,026)	(127,093)
Net income attributable to non-controlling interests	7,265	929	6,553
Net income (loss) attributable to owners of the parent	32,422	(18,955)	(133,645)

Consolidated Statements of Comprehensive Income

(¥ in millions, US\$ in thousands)

	Results for the year ended Dec.31 2022 and 2023		
	2022	2023	2023
	¥	¥	\$
Net income (loss)	39,687	(18,026)	(127,093)
Other comprehensive income:			
Valuation difference on available-for-sale securities	(2,035)	(255)	(1,795)
Deferred gains or losses on hedges	294	(265)	(1,867)
Remeasurements of defined benefit plans, net of tax	32,932	27,695	195,266
Share of other comprehensive income of entities accounted for using equity method	(3,895) 1,763	6,190 887	43,641 6,256
Total other comprehensive income	29,058	34,252	241,501
Comprehensive income	68,745	16,227	114,408
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	60,319	14,003	98,732
Comprehensive income attributable to non-controlling interests	8,426	2,223	15,677

Consolidated Statements of Changes in Net Assets

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
Cumulative effects of changes in accounting policies			847		847	(415)				(1,141)	(1,556)		(709)
Restated balance at December 31, 2021	182,146	119,772	144,182	(11,655)	434,445	2,423	1,167	28,928	38,421	7,896	78,835	304,463	817,743
Changes of items during the period													
Dividends from surplus			(11,788)		(11,788)								(11,788)
Net profit attributable to owners of parent			32,422		32,422								32,422
Purchase of treasury stock				(3)	(3)								(3)
Disposal of treasury stock		(0)		46	46								46
Increase by decrease of consolidated subsidiaries			72		72								72
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						(2,068)	294	(1,013)	33,587	(3,916)	26,884	(280,040)	(253,156)
Total changes of items during the period		(11,632)	21,720	43	10,131	(2,068)	294	(1,013)	33,587	(3,916)	26,884	(280,040)	(243,025)
Balance at December 31, 2022	182,146	108,140	165,902	(11,612)	444,576	355	1,461	27,915	72,008	3,980	105,719	24,423	574,718

For the year ended December 31, 2023

For the year ended December
31, 2023

(¥ 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, 2022	182,146	108,140	165,902	(11,612)	444,576	355	1,461	27,915	72,008	3,980	105,719	24,423	574,718
Cumulative effects of changes in accounting policies			-		-	-				-	-		-
Restated balance at December 31, 2022	182,146	108,140	165,902	(11,612)	444,576	355	1,461	27,915	72,008	3,980	105,719	24,423	574,718
Changes of items during the period													
Dividends from surplus			(11,788)		(11,788)								(11,788)
Net profit attributable to owners of parent			(18,955)		(18,955)								(18,955)
Purchase of treasury stock				(4)	(4)								(4)
Disposal of treasury stock		(0)		23	23								23
Increase by decrease of consolidated subsidiaries			309		309								309
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			1,801		1,801								1,801
Net changes of items other than shareholders' equity						(160)	(265)	(1,802)	27,209	6,174	31,156	1,406	32,563
Total changes of items during the period		(0)	(28,632)	19	(28,613)	(160)	(265)	(1,802)	27,209	6,174	31,156	1,406	3,949
Balance at December 31, 2023	182,146	108,140	137,269	(11,593)	415,963	194	1,196	26,113	99,217	10,154	136,875	25,830	578,668

For the year ended December 31, 2023

For the year ended December
31, 2023

(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, 2022	1,284,257	762,463	1,169,723	(81,872)	3,134,570	2,502	10,299	196,821	507,707	28,062	745,389	172,203	4,052,162
Cumulative effects of changes in accounting policies			-		-	-				-	-		-
Restated balance at December 31, 2022	1,284,257	762,463	1,169,723	(81,872)	3,134,570	2,502	10,299	196,821	507,707	28,062	745,389	172,203	4,052,162
Changes of items during the period													
Dividends from surplus			(83,110)		(83,110)								(83,110)
Net profit attributable to owners of parent			(133,645)		(133,645)								(133,645)
Purchase of treasury stock				(27)	(27)								(27)
Disposal of treasury stock		(0)		162	161								161
Increase by decrease of consolidated subsidiaries			2,178		2,178								2,178
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			12,699		12,699								12,699
Net changes of items other than shareholders' equity						(1,131)	(1,867)	(12,703)	191,842	43,534	219,675	9,915	229,589
Total changes of items during the period		(0)	(201,878)	135	(201,744)	(1,131)	(1,867)	(12,703)	191,842	43,534	219,675	9,915	27,846
Balance at December 31, 2023	1,284,257	762,463	967,844	(81,737)	2,932,827	1,370	8,432	184,118	699,548	71,596	965,064	182,117	4,080,008

Consolidated Statements of Cash Flows

(¥ in millions, US\$ in thousands)

	Results for the year (Jan. 1-Dec. 31)		
	2022	2023	2023
	¥	¥	\$
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	50,927	(26,184)	(184,615)
Depreciation and amortization	91,964	92,516	652,302
Impairment loss	10,091	26,183	184,608
Amortization of goodwill	16,843	16,953	119,530
Increase (decrease) in net defined benefit liability	(2,383)	(10,292)	(72,566)
Interest and dividends income	(1,834)	(2,240)	(15,794)
Interest expenses	15,762	13,370	94,268
Equity in (earnings) losses of affiliates	(3,630)	(3,589)	(25,305)
Loss (gain) on sales and valuation of investment securities	(4,952)	462	3,257
Loss on retirement of noncurrent assets	6,045	5,803	40,915
Loss (gain) on sales of noncurrent assets	(13,470)	(3,634)	(25,622)
Loss (gain) on sales of businesses	3,504	(24,638)	(173,715)
Loss related to the Antimonopoly Act	5,579	-	-
Decrease (increase) in notes and accounts receivable-trade	23,377	1,131	7,974
Decrease (increase) in inventories	(39,961)	28,081	197,991
Increase (decrease) in notes and accounts payable-trade	(19,894)	(16,570)	(116,830)
Other, net	30	34,077	240,267
Subtotal	137,998	131,429	926,666
Interest and dividends income received	8,686	7,064	49,806
Interest expenses paid	(15,641)	(12,233)	(86,251)
Income taxes paid	(31,667)	(7,574)	(53,402)
Net cash provided by (used in) operating activities	99,376	118,686	836,819

(¥ in millions, US\$ in thousands)

	Results for the year (Jan. 1-Dec. 31)		
	2022	2023	2023
	¥	¥	\$
Net cash provided by (used in) investing activities			
Payments into time deposits	(1,606)	(1,146)	(8,080)
Proceeds from withdrawal of time deposits	2,570	1,096	7,728
Purchase of property, plant and equipment	(87,857)	(87,105)	(614,151)
Proceeds from sales of property, plant and equipment	20,960	6,169	43,496
Purchase of investment securities	(1,667)	(38)	(268)
Proceeds from sales of investment securities	22,019	3,283	23,147
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,552)	(32,095)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	31,692	223,451
Net decrease (increase) in short-term loans receivable	774	(12)	(85)
Payments of long-term loans receivable	(410)	(892)	(6,289)
Collection of long-term loans receivable	251	910	6,416
Other, net	(9,701)	(11,274)	(79,490)
Net cash provided by (used in) investing activities	(54,667)	(61,869)	(436,219)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	11,838	(20,138)	(141,987)
Net increase (decrease) in commercial papers	(15,000)	10,000	70,507
Proceeds from long-term loans payable	409,600	65,300	460,410
Repayment of long-term loans payable	(285,642)	(131,665)	(928,330)
Proceeds from issuance of bonds	112,536	29,843	210,414
Redemption of bonds	(20,000)	-	-
Purchase of treasury shares	(3)	(4)	(28)
Cash dividends paid	(11,758)	(11,794)	(83,156)
Cash dividends paid to non controlling shareholders	(13,025)	(1,263)	(8,905)
Purchase of investments in subsidiaries without change in scope of consolidation	(287,635)	-	-
Other, net	(4,178)	(3,159)	(22,273)
Net cash provided by (used in) financing activities	(103,267)	(62,880)	(443,348)
Effect of exchange rate change on cash and cash equivalents	10,027	9,922	69,957
Net increase (decrease) in cash and cash equivalents	(48,531)	3,859	27,209
Cash and cash equivalents at beginning of period	234,587	186,056	1,311,824
Cash and cash equivalents at end of period	186,056	189,915	1,339,033

(Reference)

SEGMENT INFORMATION

(a) The operations of the Companies for the year ended December 31, 2022 and 2023 were summarized by business segment as follows :

Year ended December 31, 2022	Millions of yen						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
Sales							
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)	¥ 45,533	¥ (735)	¥ 10,126	¥ 24,910	¥ (284)	¥ (17,823)	¥ 61,726

Year ended December 31, 2023	Millions of yen						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
Sales							
Outside customers	¥ 338,126	¥ 178,950	¥ 130,093	¥ 516,333	¥ 125,367	¥ -	¥ 1,288,869
Inter-segment ...	3,406	5,199	13,052	12,797	4,133	(38,587)	-
Total	341,532	184,149	143,145	529,130	129,500	(38,587)	1,288,869
Operating income (loss)	¥ (9,422)	¥ 1,934	¥ 11,307	¥ 7,718	¥ (2,276)	¥ (13,025)	¥ (3,764)

Year ended December 31, 2023	Thousands of U.S. dollars						
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination	Consolidated
Sales							
Outside customers	\$ 2,384,025	\$ 1,261,722	\$ 917,247	\$ 3,640,504	\$ 883,923	\$ -	\$ 9,087,421
Inter-segment ...	24,012	36,658	92,023	90,227	29,142	(272,062)	-
Total	2,408,037	1,298,380	1,009,270	3,730,731	913,065	(272,062)	9,087,421
Operating income (loss)	\$ (66,429)	\$ 13,638	\$ 79,723	\$ 54,416	\$ (16,049)	\$ (91,835)	\$ (26,536)

(b) The operations of the Companies for the year ended December 31, 2022 and 2023 were summarized by geographic area as follows :

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	¥ 450,009	¥ 135,588	¥ 92,467	¥ 678,064	

Year ended December 31, 2023	Millions of yen				
	Japan	China	Asia (exc. China)	Others	Total
Sales	¥ 607,079	¥ 174,207	¥ 266,417	¥ 241,166	¥ 1,288,869
	Japan	Asia	Others	Total	
Tangible fixed assets	¥ 443,080	¥ 138,662	¥ 96,845	¥ 678,586	

Year ended December 31, 2023	Thousands of U.S. dollars				
	Japan	China	Asia (exc. China)	Others	Total
Sales	\$ 4,280,331	\$ 1,228,278	\$ 1,878,425	\$ 1,700,388	\$ 9,087,421
	Japan	Asia	Others	Total	
Tangible fixed assets	\$ 3,124,020	\$ 977,662	\$ 682,821	\$ 4,784,504	

(c) The impairment loss and the (negative) goodwill of the Companies for the year ended December 31, 2022 and 2023 were summarized by business segment as follows :

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, 2023	Millions of yen							Consolidated
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination		
Impairment loss	¥ 14,280	¥ 3	¥ 395	¥ 968	¥ 10,538	¥ -	¥ 26,183	
Goodwill Amortization	13,294	2,135	1,040	79	624	-	17,171	
Unamortized balance	218,636	35,220	15,547	6,189	10,289	-	285,881	
Negative goodwill Amortization	33	-	184	-	2	-	218	
Unamortized balance	¥ 130	¥ -	¥ 551	¥ -	¥ 1	¥ -	¥ 682	

Year ended December 31, 2023	Thousands of U.S. dollars							Consolidated
	Semiconductor and Electronic Materials	Mobility	Innovation Enabling Materials	Chemicals	Others	Elimination		
Impairment loss	\$ 100,683	\$ 21	\$ 2,784	\$ 6,822	\$ 74,297	\$ -	\$ 184,608	
Goodwill Amortization	93,729	15,050	7,332	557	4,397	-	121,065	
Unamortized balance	1,541,538	248,322	109,619	43,637	72,544	-	2,015,660	
Negative goodwill Amortization	229	-	1,295	-	11	-	1,535	
Unamortized balance	\$ 917	\$ -	\$ 3,885	\$ -	\$ 6	\$ -	\$ 4,808	

2023 Consolidated Financial Results (Summary)

I. Results for 2023

1. Summary

(Unit: billions of yen)

Items	2022 Jan.1 - Dec.31	2023 Jan.1 - Dec.31	Increase/ decrease
Net Sales	1,392.6	1,288.9	(103.8)
Operating Income	61.7	(3.8)	(65.5)
Net Income Attributable to Owners of the Parent	32.4	(19.0)	(51.4)
Net Income Attributable to Owners of the Parent per Share	179.02	(104.65)	(283.67)
Net Assets per Share	3,038.35	3,052.07	13.72
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		2022 Jan.1 - Dec.31	2023 Jan.1 - Dec.31	Increase/ decrease
Semiconductor and Electronic Materials	Net Sales	427.2	338.1	(89.0)
	Op. Income	45.5	(9.4)	(55.0)
Mobility	Net Sales	180.6	179.0	(1.7)
	Op. Income	(0.7)	1.9	2.7
Innovation Enabling Materials	Net Sales	141.1	130.1	(11.0)
	Op. Income	10.1	11.3	1.2
Chemicals	Net Sales	527.8	516.3	(11.5)
	Op. Income	24.9	7.7	(17.2)
Others, Adjustments	Net Sales	115.9	125.4	9.4
	Op. Income	(18.1)	(15.3)	2.8
Total	Net Sales	1,392.6	1,288.9	(103.8)
	Op. Income	61.7	(3.8)	(65.5)

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

(Unit: billions of yen)

Segment		2023 Jan.1 - Mar.31	2023 Apr.1 - Jun.30	2023 Jul.1 - Sep.30	2023 Oct.1 - Dec.31
Semiconductor and Electronic Materials	Net Sales	69.4	84.0	88.3	96.4
	Op. Income	(10.4)	(2.7)	0.6	3.0
Mobility	Net Sales	42.5	43.1	46.0	47.4
	Op. Income	(0.5)	(0.3)	0.8	1.9
Innovation Enabling Materials	Net Sales	30.0	31.9	33.6	34.6
	Op. Income	2.0	2.3	4.0	3.0
Chemicals	Net Sales	127.1	127.8	129.8	131.6
	Op. Income	3.9	0.9	5.4	(2.5)
Others, Adjustments	Net Sales	29.9	30.4	28.5	36.6
	Op. Income	(4.3)	(4.1)	(2.0)	(4.9)
Total	Net Sales	298.9	317.2	326.2	346.6
	Op. Income	(9.2)	(4.0)	8.9	0.5

II. Forecast for 2024
1. Summary

(Unit: billions of yen)

Items	2023	2024 Forecast	Increase/ decrease
Net Sales	1,288.9	1,330.0	41.1
Operating Income	(3.8)	28.0	31.8
Net Income Attributable to Owners of the Parent	(19.0)	10.0	29.0
Net Income Attributable to Owners of the Parent per Share	(104.65)	55.21	159.86
Annual Dividend per Share	¥65.00 (planned)	¥65.00	—

2. Net sales and Operating income by Segment

(Unit: billions of yen)

Segment	2023	2024 Forecast	Increase/ decrease	
Semiconductor and Electronic Materials	Net Sales	338.1	390.0	51.9
	Op. Income	(9.4)	19.0	28.4
Mobility	Net Sales	179.0	210.0	31.0
	Op. Income	1.9	7.0	5.1
Innovation Enabling Materials	Net Sales	130.1	90.0	(40.1)
	Op. Income	11.3	8.0	(3.3)
Chemicals	Net Sales	516.3	525.0	8.7
	Op. Income	7.7	10.0	2.3
Others, Adjustments	Net Sales	125.4	115.0	(10.4)
	Op. Income	(15.3)	(16.0)	(0.7)
Total	Net Sales	1,288.9	1,330.0	41.1
	Op. Income	(3.8)	28.0	31.8

Note : Since the fiscal year ending December 2024, Aluminum Specialty Components Business Unit shifts from the Innovating Materials segment to the Mobility segment.

III. Cash flow

(Unit: billions of yen)

Items	2022	2023	Increase/ decrease	2024 Forecast	Increase/ decrease
Operating Activities	99.4	118.7	19.3	87.0	(31.7)
Investing Activities	(54.7)	(61.9)	(7.2)	(101.0)	(39.1)
Free Cash Flow	44.7	56.8	12.1	(14.0)	(70.8)
Financing Activities	(103.3)	(62.9)	40.4	6.0	68.9
Others	10.0	9.9	(0.1)	—	—
Net increase in Cash	(48.5)	3.9	52.4	—	—

IV. Reference

(Unit: billions of yen, except for exchange rate, and domestic naphtha price)

Items	2022	2023	Increase/ decrease	2024 Forecast	Increase/ decrease
Capital expenditures	107.1	96.6	(10.4)	133.4	36.8
Depreciation and amortization	92.0	92.5	0.6	92.7	0.2
R&D expenditures	47.1	42.7	(4.4)	47.1	4.4
Gap between interest expense and interest & dividend income	(13.9)	(11.1)	2.8	(14.7)	(3.6)
Exchange rate (yen/US\$)	131.4	140.6	Yen depreciation by 9.1	135.0	Yen appreciation by 5.6
Domestic naphtha price (yen/kl)	76,150	67,600	(8,550)	70,400	2,800
Interest-bearing debt	1,062.6	1,016.5	(46.1)	1,040.9	24.4
Total assets	2,093.7	2,032.0	(61.8)		

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.