



Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [J-GAAP]

February 13, 2024

Company name: Tokyo Ohka Kogyo Co., Ltd.

Listing: Tokyo Stock Exchange (Prime Market)

Securities Code: 4186

URL: <https://www.tok.co.jp/eng>

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Scheduled date of ordinary general meeting of shareholders: March 28, 2024

Scheduled date to commence dividend payments: March 29, 2024

Scheduled date to file annual securities report: March 28, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for Institutional Investors and Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(% indicates the rate of increase/decrease year-on-year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	162,270	(7.5)	22,706	(24.8)	24,260	(21.7)	12,712	(35.4)
December 31, 2022	175,434	25.3	30,181	45.8	30,966	42.9	19,693	11.0

(Note) Comprehensive income: FY2023: ¥24,218 million [0.6%] FY2022: ¥24,079 million [4.7%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
December 31, 2023	105.10	104.97	7.2	9.9	14.0
December 31, 2022	163.18	162.93	12.1	13.6	17.2

(Note) The Company conducted a 3-for-1 stock split for common shares on January 1, 2024. "Basic earnings per share," "Diluted earnings per share," and "Net assets per share" in (2) Consolidated Financial Position below are calculated assuming that the stock split had been conducted on January 1, 2022.

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	251,864	195,480	72.9	1,516.99
December 31, 2022	238,075	180,960	71.3	1,404.75

(Reference) Equity: As of December 31, 2023: ¥183,654 million As of December 31, 2022: ¥169,745 million

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	17,210	(9,378)	(7,376)	42,788
December 31, 2022	18,991	(12,383)	(8,610)	40,856

2. Cash Dividends

Fiscal year ended	Annual dividends per share					Total cash dividends	Payout ratio	Dividend on equity ratio
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Total			
December 31, 2022	—	78.00	—	82.00	160.00	6,469	32.7	4.0
December 31, 2023	—	82.00	—	86.00	168.00	6,797	53.3	3.8
Fiscal year ending December 31, 2024 (Forecast)	—	29.00	—	29.00	58.00		39.9	

(Note) In light of the above stock split, the amounts before FY2023 are on a pre-split basis, and FY2024 (Forecast) reflects the effect of the stock split.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% indicates the rate of increase/decrease against the same period of the previous year.)

Period	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	83,100	7.0	11,100	1.8	11,600	(1.8)	6,800	27.0	56.11
Full year	179,200	10.4	26,800	18.0	27,700	14.2	17,600	38.4	145.19

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (Note): Please refer to “3. Consolidated Financial Statements and Major Notes, (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 13.

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	127,800,000 shares
As of December 31, 2022	127,800,000 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2023	6,735,402 shares
As of December 31, 2022	6,963,774 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023	120,955,808 shares
Fiscal year ended December 31, 2022	120,680,342 shares

- (Note) 1. The Company conducted a 3-for-1 stock split for common shares on January 1, 2024. “Total number of issued shares at the end of the period (including treasury shares),” “Number of treasury shares at the end of the period,” and “Average number of shares outstanding during the period” are calculated assuming that the stock split had been conducted on January 1, 2022.
2. Number of treasury shares include the number of the Company’s shares held by “Tokyo Ohka Employee Stockholding Association Trust.”

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Non-Consolidated Operating Results

(% indicates year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	91,349	(8.3)	8,462	(46.1)	13,335	(34.5)	10,297	(34.9)
December 31, 2022	99,617	18.1	15,709	35.9	20,363	24.2	15,819	(6.9)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	85.13	85.03
December 31, 2022	131.08	130.88

(Note) The Company conducted a 3-for-1 stock split for common shares on January 1, 2024. “Basic earnings per share” and “Diluted earnings per share” are calculated assuming that the stock split had been conducted on January 1, 2022.

(2) Non-Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	181,967	145,750	80.0	1,202.74
December 31, 2022	175,185	137,292	78.3	1,134.74

(Reference) Equity: As of December 31, 2023: ¥145,609 million As of December 31, 2022: ¥137,117 million

- * The Financial Results report is outside the scope of an audit by certified public accountants or an audit firm.
- * Explanation of the proper use of financial results forecast and other special notes

The financial results forecast stated in this report are based on the information available as of the date of the release of this report, and actual results may differ from the forecast due to a variety of factors.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year Ended December 31, 2023

(i) Operating results for the fiscal year ended December 31, 2023

For the fiscal year ended December 31, 2023, the electronics market which is the main customers for the Group's products faced a decrease in demand for smartphones and PCs from a year earlier, and the continued inventory adjustment by semiconductor manufacturers resulted in a year-on-year decrease in demand for semiconductors.

Under these circumstances, the Group launched “tok Medium-Term Plan 2024,” a three-year medium-term plan with FY2024 as the final year, under the management vision to become “The e-Material Global Company™” contributing to a sustainable future through chemistry. Under the slogan of the Plan “Boost up TOK!!,” we have worked to attain the long-term vision TOK Vision 2030 by promoting the following five company-wide strategies: (1) Increase global market share of cutting-edge photoresists, (2) Acquire and create core technologies in electronic materials and new fields, (3) Secure stable supply of high-quality products and establish an optimal production system for the Group, (4) Improve employee engagement and promote people-oriented management, and (5) Build sound and efficient management foundation.

First of all, in FY2023, we worked to increase global market share of cutting-edge photoresists by actively utilizing cutting-edge research facilities to further develop our core technologies of miniaturization and high-purity processing technology and meeting customer needs through the trinity collaboration between R&D, manufacturing and sales. We also promoted activities to acquire and create core technologies in electronic materials and new fields by strengthening cooperation with and support for promising venture companies and business-academia collaboration as part of our efforts toward future business expansion and focusing on collaborative business creation through open innovation.

Next, in anticipation of a future increase in semiconductor demand, we started construction of a new manufacturing plant in Kikuchi city, Kumamoto prefecture, decided to make investments to increase production capacity at the Koriyama Plant and overseas sites, and worked on optimization of the supply chain of high-purity chemicals in Asia, with an aim to secure stable supply of high-quality products and establish an optimal production system for the Group. In addition, in order to further grow the Material Business, we transferred the Equipment Business (excluding certain parts) to AIMECHATEC, Ltd. and are promoting a new Materials & Equipment (M&E) strategy in collaboration with the company.

Furthermore, as an effort to improve employee engagement, we have implemented various measures aimed at increasing employees' motivation, including the introduction of the Tokyo Ohka Global Employees Stockholding Association Plan and the enhancement of an employee commendation system and education tools. We have also worked on people-oriented management by introducing an employee career support system and promoting health and productivity management that will lead to maintenance and improvement of employees' health.

With the aim of realizing more transparent management and further expediting the decision-making, we shifted to a company with an Audit and Supervisory Committee from a company with a Board of Auditors and have been working to strength our corporate governance framework. In addition, we have enhanced our system to manage various risks such as economic security, information security, and climate change so as to be able to respond to the rapidly changing management environment. We have also taken various measures to strengthen our management foundation such that we developed a digital transformation (DX) environment that contributes to productivity improvement.

In spite of these various efforts, because of the stagnant semiconductor market compared to a year ago, for the fiscal year ended December 31, 2023, the Group recorded net sales of ¥162,270 million (down 7.5% year-on-year). In terms of profit, the Group recorded operating income of ¥22,706 million (down 24.8% year-on-year), ordinary income of ¥24,260 million (down 21.7% year-on-year), and profit attributable to owners of parent of ¥12,712 million (down 35.4% year-on-year), due to decreased sales and increased expenses associated with investments for future despite effects of the weakening yen.

Following the transfer of the Equipment Business (excluding certain parts) to AIMECHATEC, Ltd., we operate the Material Business as a single business segment from the fiscal year ended December 31, 2023. Accordingly, operating results by segment are not disclosed, but net sales by division are as follows.

Net sales in the Electronic Functional Materials Division amounted to ¥87,799 million (down 5.4% year-on-year), net sales in the High-Purity Chemicals Division amounted to ¥71,992 million (down 7.2% year-on-year), and net sales in Other amounted to ¥2,477 million (down 51.1% year-on-year). Net sales in the Equipment Business (excluding certain parts) are included in Other.

(2) Overview of Financial Position as of December 31, 2023

(Assets)

Total assets as of December 31, 2023 increased by ¥13,789 million from December 31, 2022 to ¥251,864 million.

Total current assets increased by ¥3,692 million from December 31, 2022 to ¥134,328 million mainly due to an increase in inventories of ¥3,076 million.

Total non-current assets increased by ¥10,097 million from December 31, 2022 to ¥117,536 million mainly due to an increase of ¥7,224 million in property, plant and equipment associated with capital investments.

(Liabilities)

Total liabilities as of December 31, 2023 decreased by ¥730 million from December 31, 2022 to ¥56,384 million mainly due to decreases of ¥1,916 million in income taxes payable and ¥1,286 million in notes and accounts payable – trade while deferred tax liabilities increased by ¥2,620 million.

(Net assets)

Total net assets as of December 31, 2023 increased by ¥14,520 million from December 31, 2022 to ¥195,480 million mainly due to increases of ¥6,079 million in retained earnings and ¥4,479 million in valuation difference on available-for-sale securities.

As a result, the equity ratio as of December 31, 2023 stood at 72.9%.

(3) Overview of Cash Flows for the Fiscal Year Ended December 31, 2023

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year ended December 31, 2023 decreased by ¥1,781 million from a year earlier to ¥17,210 million mainly because cash inflow decreased due to decreases in profit before income taxes and changes in inventories.

(Cash flows from investing activities)

Net cash used in investing activities was ¥9,378 million, a decrease of ¥3,005 million from a year earlier, mainly due to purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities increased by ¥1,234 million from a year earlier to ¥7,376 million mainly due to dividends paid.

As a result, cash and cash equivalents increased by ¥1,931 million from December 31, 2022 to ¥42,788 million.

(Reference) Cash flow indicators

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity ratio (%)	77.5	75.3	71.7	71.3	72.9
Equity ratio at market value (%)	95.0	149.6	125.7	101.3	149.6
Interest-bearing debt to cash flow ratio (%)	92.4	49.9	58.4	59.2	64.5
Interest coverage ratio (times)	200.2	377.0	272.3	258.8	210.1

Equity ratio: Equity/Total assets

Equity ratio at market value: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest payment

(Note 1) All ratios are calculated based on the financial figures on a consolidated basis.

(Note 2) Market capitalization is calculated based on the number of shares issued and outstanding excluding treasury shares.

(Note 3) Cash flow is derived from cash flows from operating activities.

(Note 4) Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet that are subject to interest payment.

(4) Future Outlook

Under the management vision to become “The e-Material Global Company™”, contributing to a sustainable future through chemistry, the Group will promote its business activities. The Electronic Functional Materials Division will continue to aim at increasing market share of photoresists used in front-end processes of semiconductor manufacturing including excimer laser photoresists and Extreme Ultraviolet (EUV) photoresists as well as expanding sales of high value-added products including materials used in back-end processes of semiconductor manufacturing such as packaging photoresists. The High-Purity Chemicals Division will focus on further improvement of quality and stable supply of chemicals attached to semiconductor photoresists to meet growing demand for semiconductor.

The foreign exchange rate is assumed to be \$1= ¥135.

	Fiscal year ended December 31, 2023 (Results)	Fiscal year ending December 31, 2024 (Forecast)	<Reference> (Millions of yen, %) Year-on-year
Net sales	162,270	179,200	10.4
Operating income	22,706	26,800	18.0
Ordinary income	24,260	27,700	14.2
Profit attributable to owners of parent	12,712	17,600	38.4

2. Basic Policy for Selection of Accounting Standards

The Group has adopted Japanese GAAP.

The Group is currently examining the potential application of International Financial Reporting Standards (IFRS) in light of the trend in convergence of Japanese GAAP and revisions to IFRS by taking into account the impact of the transition to IFRS and the response thereto on the management.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY12/22 (As of December 31, 2022)	FY12/23 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	55,371	56,816
Notes receivable - trade	911	916
Accounts receivable - trade	34,900	32,982
Securities	3,999	3,999
Merchandise and finished goods	11,084	11,060
Work in process	7,000	7,397
Raw materials and supplies	11,920	14,624
Other	5,535	6,604
Allowance for doubtful accounts	(89)	(74)
Total current assets	130,636	134,328
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,665	90,161
Accumulated depreciation	(47,163)	(49,496)
Buildings and structures, net	36,502	40,665
Machinery, equipment and vehicles	68,318	69,382
Accumulated depreciation	(59,327)	(59,462)
Machinery, equipment and vehicles, net	8,991	9,920
Tools, furniture and fixtures	26,873	26,669
Accumulated depreciation	(21,306)	(20,803)
Tools, furniture and fixtures, net	5,566	5,866
Right-of-use assets	1,060	759
Accumulated depreciation	(246)	(316)
Right-of-use assets, net	813	442
Land	10,570	10,687
Construction in progress	3,565	5,653
Total property, plant and equipment	66,010	73,235
Intangible assets	1,295	1,389
Investments and other assets		
Investment securities	16,104	22,774
Investments in capital	100	88
Long-term loans receivable	12	13
Retirement benefit asset	3,682	4,267
Deferred tax assets	1,176	1,299
Long-term time deposits	18,000	12,000
Other	1,063	2,476
Allowance for doubtful accounts	(6)	(7)
Total investments and other assets	40,133	42,912
Total non-current assets	107,439	117,536
Total assets	238,075	251,864

(Millions of yen)

	FY12/22 (As of December 31, 2022)	FY12/23 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,617	20,331
Short-term borrowings	—	486
Accounts payable - other	7,733	8,004
Income taxes payable	3,308	1,391
Advances received	97	193
Provision for bonuses	3,090	2,537
Provision for bonuses for directors (and other officers)	214	195
Provision for product warranties	17	—
Other	4,701	5,487
Total current liabilities	40,781	38,627
Non-current liabilities		
Long-term borrowings	10,222	10,000
Deferred tax liabilities	1,084	3,704
Retirement benefit liability	853	809
Asset retirement obligations	80	81
Other	4,092	3,161
Total non-current liabilities	16,333	17,756
Total liabilities	57,115	56,384
Net assets		
Shareholders' equity		
Share capital	14,640	14,640
Capital surplus	15,303	15,315
Retained earnings	137,551	143,630
Treasury shares	(11,276)	(10,940)
Total shareholders' equity	156,219	162,646
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,280	9,759
Foreign currency translation adjustment	8,877	11,603
Remeasurements of defined benefit plans	(630)	(354)
Total accumulated other comprehensive income	13,526	21,007
Share acquisition rights	174	140
Non-controlling interests	11,039	11,684
Total net assets	180,960	195,480
Total liabilities and net assets	238,075	251,864

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Millions of yen)

	FY 12/22 (January 1, 2022 – December 31, 2022)	FY 12/23 (January 1, 2023 – December 31, 2023)
Net sales	175,434	162,270
Cost of sales	*1, *3 112,319	*1, *3 104,319
Gross profit	63,115	57,950
Selling, general and administrative expenses	*2, *3 32,934	*2, *3 35,243
Operating income	30,181	22,706
Non-operating income		
Interest income	150	353
Dividend income	494	599
Share of profit of investments accounted for using equity method	—	6
Foreign exchange gains	280	198
Other	370	615
Total non-operating income	1,295	1,772
Non-operating expenses		
Interest expenses	73	81
Loss on valuation of derivatives	326	69
Other	110	66
Total non-operating expenses	510	218
Ordinary income	30,966	24,260
Extraordinary income		
Gain on sale of non-current assets	14	220
Gain on sale of investment securities	243	103
Other	—	39
Total extraordinary income	258	363
Extraordinary losses		
Impairment losses	*4 195	—
Loss on retirement of non-current assets	239	147
Loss on sale of shares of subsidiaries and associates	—	837
Loss on sale of businesses	—	1,720
Other	—	1
Total extraordinary losses	435	2,706
Profit before income taxes	30,790	21,918
Income taxes - current	7,537	5,332
Income taxes - deferred	97	532
Total income taxes	7,634	5,865
Profit	23,155	16,053
Profit attributable to non-controlling interests	3,461	3,340
Profit attributable to owners of parent	19,693	12,712

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY 12/22 (January 1, 2022 – December 31, 2022)	FY 12/23 (January 1, 2023 – December 31, 2023)
Profit	23,155	16,053
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,571)	4,479
Foreign currency translation adjustment	3,649	3,410
Remeasurements of defined benefit plans	(1,153)	276
Other comprehensive income	923	8,165
Comprehensive income	24,079	24,218
Comprehensive income attributable to:		
Owners of parent	20,226	20,193
Non-controlling interests	3,852	4,024

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,640	15,207	124,806	(11,818)	142,836
Changes during period					
Dividends of surplus			(6,948)		(6,948)
Profit attributable to owners of parent			19,693		19,693
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		95		542	638
Net changes in items other than shareholders' equity					
Total changes during period	—	95	12,745	541	13,383
Balance at end of period	14,640	15,303	137,551	(11,276)	156,219

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	6,851	5,618	522	12,993	215	9,146	165,190
Changes during period							
Dividends of surplus							(6,948)
Profit attributable to owners of parent							19,693
Purchase of treasury shares							(0)
Disposal of treasury shares					(40)		598
Net changes in items other than shareholders' equity	(1,571)	3,258	(1,153)	533	—	1,893	2,426
Total changes during period	(1,571)	3,258	(1,153)	533	(40)	1,893	15,769
Balance at end of period	5,280	8,877	(630)	13,526	174	11,039	180,960

For the fiscal year ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,640	15,303	137,551	(11,276)	156,219
Changes during period					
Dividends of surplus			(6,633)		(6,633)
Profit attributable to owners of parent			12,712		12,712
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		12		338	350
Net changes in items other than shareholders' equity					
Total changes during period	—	12	6,079	335	6,427
Balance at end of period	14,640	15,315	143,630	(10,940)	162,646

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	5,280	8,877	(630)	13,526	174	11,039	180,960
Changes during period							
Dividends of surplus							(6,633)
Profit attributable to owners of parent							12,712
Purchase of treasury shares							(2)
Disposal of treasury shares					(34)		316
Net changes in items other than shareholders' equity	4,479	2,726	276	7,481	—	645	8,126
Total changes during period	4,479	2,726	276	7,481	(34)	645	14,520
Balance at end of period	9,759	11,603	(354)	21,007	140	11,684	195,480

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY 12/22 (January 1, 2022 – December 31, 2022)	FY 12/23 (January 1, 2023 – December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	30,790	21,918
Depreciation	6,762	7,713
Impairment losses	195	—
Decrease in allowance for doubtful accounts	(31)	(10)
Increase (decrease) in provision for bonuses	593	(557)
Decrease in provision for bonuses for directors (and other officers)	(401)	(18)
Increase in retirement benefit asset	(371)	(170)
Decrease in retirement benefit liability	(77)	(74)
Interest and dividend income	(644)	(952)
Interest expenses	73	81
Foreign exchange gains	(1,066)	(725)
Loss on valuation of derivatives	326	69
Share of profit of investments accounted for using equity method	—	(6)
Gain on sale of non-current assets	(14)	(218)
Loss on retirement of non-current assets	239	147
Gain on sale of investment securities	(243)	(103)
Loss on sale of shares of subsidiaries and associates	—	837
Loss on sale of businesses	—	1,720
Increase in trade receivables	(858)	(262)
Increase in inventories	(7,510)	(4,887)
Increase in trade payables	1,870	140
Increase in advances received	66	752
Other	(2,721)	(1,493)
Subtotal	26,975	23,898
Interest and dividends received	646	951
Interest paid	(73)	(81)
Income taxes paid	(8,557)	(7,558)
Net cash provided by operating activities	18,991	17,210
Cash flows from investing activities		
Purchase of securities	(12,000)	(12,000)
Proceeds from redemption of securities	12,000	12,000
Purchase of property, plant and equipment	(10,698)	(14,712)
Proceeds from sale of property, plant and equipment	10	238
Purchase of intangible assets	(752)	(516)
Purchase of investment securities	(2,082)	(372)
Proceeds from sale of investment securities	371	133
Net decrease in time deposits	982	595
Payments into long-term time deposits	(14,000)	(6,000)
Proceeds from withdrawal of long-term time deposits	14,000	12,000
Proceeds from sale of businesses	—	682
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(2,012)
Other	(214)	586
Net cash used in investing activities	(12,383)	(9,378)

(Millions of yen)

	FY 12/22 (January 1, 2022 – December 31, 2022)	FY 12/23 (January 1, 2023 – December 31, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	482
Proceeds from long-term borrowings	3,900	—
Repayments of long-term borrowings	(4,289)	(222)
Proceeds from issuance of shares	184	—
Proceeds from sale of treasury shares	769	316
Purchase of treasury shares	(0)	(2)
Dividends paid	(6,941)	(6,628)
Dividends paid to non-controlling interests	(2,160)	(1,163)
Other	(71)	(159)
Net cash used in financing activities	(8,610)	(7,376)
Effect of exchange rate change on cash and cash equivalents	1,389	1,475
Net (decrease) increase in cash and cash equivalents	(612)	1,931
Cash and cash equivalents at beginning of period	41,469	40,856
Cash and cash equivalents at end of period	* 40,856	* 42,788

(5) Notes to Consolidated Financial Statements
(Notes Concerning Going Concern Assumption)

Not applicable.

(Changes in Scope of Consolidation or Equity Method Application)

From the fiscal year ended December 31, 2023, AIMECHATEC, Ltd. is included in the scope of equity method application as the Company's executive officer became an outside director of AIMECHATEC, Ltd.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021, "Implementation Guidance on Accounting Standard for Fair Value Measurement"), from January 1, 2023, and the new accounting policies stipulated in the "Implementation Guidance on Accounting Standard for Fair Value Measurement" are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement."

The application has no impact on the consolidated financial statements.

(Additional Information)

(Transaction to grant the Company's shares to employees, etc. through a trust)

Based on the resolution at the Board of Directors meeting held on August 7, 2019, the Company introduced "Trust-Type Employee Stock Ownership Plan" ("Plan") with an aim to enhance the Company's welfare program as well as to improve its medium- to long-term corporate value by providing employees with incentives for an increase in stock prices.

(1) Overview of the transaction

The Plan is an incentive plan for all employees in the "Tokyo Ohka Employees Stockholding Association" ("Stockholding Association"). Under the Plan, the Company sets up the "Tokyo Ohka Employees Stockholding Association Trust" ("Stockholding Trust") at a trust bank, and the Stockholding Trust purchases in advance the number of the Company's shares expected to be purchased by the Stockholding Association over five years from the date the trust is set up and sells the shares to the Stockholding Association every month on a certain date. Any gains on sale of shares accumulated in the trust upon expiry of the Stockholding Trust will be distributed as residual assets to those satisfying the beneficiary eligibility requirements. As the Company provides guarantee for the loans payable made by the Stockholding Trust to purchase the Company's shares, the Company is liable to pay the outstanding balance of the loans payable, equivalent to loss on sale of shares accumulated in the Stockholding Trust due to a decline in stock prices, upon expiry of the Stockholding Trust.

The Plan aims to improve our medium- to long-term corporate value by providing employees with incentives for an increase in stock prices and also to support employees' asset building as a measure to enhance our welfare program by promoting purchase and holding of shares through enhancement of the Stockholding Association.

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as Treasury shares in Net assets at the carrying amount at the Trust (excluding ancillary expenses). The carrying amount and number of treasury shares as of December 31, 2022 and 2023 were ¥643 million and 463 thousand shares and ¥437 million and 315 thousand shares, respectively. (Note) the Company conducted a 3-for-1 stock split for common shares on January 1, 2024. The number of shares above reflects the effect of the stock split.

(3) The carrying amount of the loans payable recorded under the gross method

FY12/22	¥222 million
FY12/23	Not applicable.

(Consolidated Statement of Income)

*1 Inventories as of December 31 are stated at written-down value to reflect a decline in profitability, and the following loss (gain on reversal of loss) on valuation of inventories is included in cost of sales.

	FY12/22 (January 1, 2022 - December 31, 2022)	FY12/23 (January 1, 2023 - December 31, 2023)
Loss on valuation of inventories	¥8 million	¥278 million

*2 Major components and amounts of selling, general and administrative expenses are as follows.

	FY12/22 (January 1, 2022 - December 31, 2022)	FY12/23 (January 1, 2023 - December 31, 2023)
Storage and transportation costs	¥4,981 million	¥4,268 million
Salaries and allowances	8,063	8,602
Provision for bonuses	1,605	1,289
Retirement benefit expenses	157	279
Research supplies expense	3,858	5,062
Depreciation	2,259	2,622

*3 R&D costs included in general and administrative expenses and manufacturing costs are as follows.

	FY12/22 (January 1, 2022 - December 31, 2022)	FY12/23 (January 1, 2023 - December 31, 2023)
General and administrative expenses	¥10,920 million	¥12,495 million
Manufacturing costs	118	162
Total R&D costs	11,038	12,658

*4 The Group recognized impairment losses for the following asset groups.
For the fiscal year ended December 31, 2022 (January 1, 2022 – December 31, 2022)

Location	Use	Type of assets	Impairment losses
Aso city, Kumamoto prefecture	Business assets, etc. for Material Business	Machinery, equipment and vehicles, Tools, furniture and fixtures, Construction in progress	¥81 million
Koza-gun, Kanagawa prefecture	Business assets, etc. for Equipment Business	Machinery, equipment and vehicles, Tools, furniture and fixtures, Construction in progress, Intangible assets	101
Koza-gun, Kanagawa prefecture	Idle properties	Machinery, equipment and vehicles, Tools, furniture and fixtures	12
Total			195

The Group classifies its assets into groups based on the business units used for management accounting purpose to measure revenues and expenses. Idle properties (including assets that are substantially in the idle state due to a decline in operating rates) are individually evaluated. For the fiscal year ended December 31, 2022, the carrying amounts of the above assets, from which investments are not expected to be recovered, were written down to the respective recoverable amounts, with the reduced amount of ¥195million recognized as an impairment loss in extraordinary losses. The breakdown is machinery, equipment and vehicles of ¥102 million, tools, furniture and fixtures of ¥42 million, construction in progress of ¥48 million, and intangible assets of ¥2 million.

The recoverable amount of the assets is measured by net selling price. Net selling price is calculated based on an appraisal value, and assets other than land and buildings are considered to have no real value and evaluated at their memorandum value.

For the fiscal year ended December 31, 2023 (January 1, 2023 – December 31, 2023)

Not applicable.

(Consolidated Statement of Cash Flows)

* Reconciliation between the ending balance of cash and cash equivalents and the balance in the consolidated balance sheet

	FY12/22 (January 1, 2022 – December 31, 2022)	FY12/23 (January 1, 2023 – December 31, 2023)
Cash and deposits	¥55,371 million	¥56,816 million
Securities	999	999
Term deposits with maturities over three months (including current portion of long-term deposits)	(15,514)	(15,027)
Cash and cash equivalents	40,856	42,788

(Segment Information, Etc.)

[Segment Information]

The Group segments its business based on products and services, with each business unit developing the comprehensive strategy on their respective products and services in Japan and overseas and conducting business activities.

The Group previously had two reportable segments of the Material Business and the Equipment Business but operates the Material Business as a single business segment from the three months ended March 31, 2023.

The Material Business engages in manufacturing and sales of mainly electronic functional materials and high-purity chemicals.

This change is a result of a review of segmentation following the transfer of the Equipment Business (excluding certain parts) to AIMECHATEC, Ltd. effective March 1, 2023.

Accordingly, segment information for the fiscal years ended December 31, 2022 and 2023 are omitted.

[Related Information]

Fiscal year ended December 31, 2022 (January 1, 2022 – December 31, 2022)

1. Information by product and service

The disclosure is omitted because the Group is now comprised of a single segment as described in the segment information section.

2. Information by geographic region

(1) Net sales

(Millions of yen)

Japan	Taiwan	South Korea	The U.S.	China	Other	Total
31,214	67,872	21,864	14,617	29,888	9,978	175,434

Fiscal year ended December 31, 2023 (January 1, 2023 - December 31, 2023)

1. Information by product and service

The disclosure is omitted as the Group is comprised of a single segment.

2. Information by geographic region

(1) Net sales

(Millions of yen)

Japan	Taiwan	South Korea	The U.S.	China	Other	Total
28,295	57,112	21,989	14,178	30,574	10,119	162,270

(Per Share Information)

	FY12/22 (January 1, 2022 – December 31, 2022)	FY12/23 (January 1, 2023 – December 31, 2023)
Net assets per share	¥1,404.75	¥1,516.99
Basic earnings per share	¥163.18	¥105.10
Diluted earnings per share	¥162.93	¥104.97

(Notes) 1. The Company conducted a 3-for-1 stock split for common shares on January 1, 2024. “Net assets per share,” “Basic earnings per share,” and “Diluted earnings per share” are calculated assuming that the stock split had been conducted on January 1, 2022.

2. Basis for calculation of net assets per share is as follows.

	FY12/22 (As of December 31, 2022)	FY12/23 (As of December 31, 2023)
Total net assets (millions of yen)	180,960	195,480
Amount deducted from net assets (millions of yen)	11,214	11,825
(of which, share acquisition rights) (millions of yen)	(174)	(140)
(of which non-controlling interest) (millions of yen)	(11,039)	(11,684)
Net assets as of year-end related to common shares (millions of yen)	169,745	183,654
Number of common shares issued and outstanding (thousand shares)	127,800	127,800
Number of treasury shares out of common shares (thousand shares)	6,963	6,735
Number of common shares at year-end used to calculate net assets per share (thousand shares)	120,836	121,064

(Note) The Company’s shares owned by “Tokyo Ohka Employees Stockholding Association Trust” are included in treasury shares which is excluded from the number of shares issued and outstanding at year-end in calculating “Net assets per share.” (463 thousand shares and 315 thousand shares as of December 31, 2022 and December 31, 2023, respectively)

3. Basis for calculation of basic and diluted earnings per share is as follows.

	FY12/22 (January 1, 2022 – December 31, 2022)	FY12/23 (January 1, 2023 – December 31, 2023)
(1) Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	19,693	12,712
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	19,693	12,712
Average number of common shares during the period (thousand shares)	120,680	120,955
(2) Diluted earnings per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Increase in number of common shares (thousand shares)	186	149
(of which, share acquisition rights) (thousand shares)	(186)	(149)
Dilutive shares not included in the calculation of diluted earnings per share because of their anti-dilutive effect	—	—

(Note) The Company’s shares owned by “Tokyo Ohka Employees Stockholding Association Trust” are included in treasury shares which is excluded in the calculation of the average number of shares during the period to calculate “Earnings per share” and “Diluted earnings per share.” (558 thousand shares and 400 thousand shares for the fiscal years ended December 31, 2022 and 2023, respectively)

(Significant Subsequent Event)

(Stock split)

The Company resolved at the Board of Directors meeting held on October 6, 2023 to conduct a stock split as detailed below.

1. Purpose of the stock split

By conducting the stock split to lower the price of share-trading units, we intend to make shares more affordable for investors, with a view to improving the liquidity of the Company's stock and expanding its shareholder base.

2. Outline of the stock split

(1) Method of the stock split

With December 31, 2023 as the record date of the stock split (since this day falls on a non-business day of the shareholder registry administrator, the record date in substance is December 29, 2023), each share of common shares owned by a shareholder whose name appears or is recorded in the shareholder registry as of the end of the record date was split into three shares.

(2) Increase in the number of shares as a result of the stock split

Total number of issued shares before the stock split:	42,600,000 shares
Increase in the number of shares as a result of the stock split:	85,200,000 shares
Total number of issued shares after the stock split:	127,800,000 shares
Total number of authorized shares after the stock split:	500,000,000 shares

(3) Schedule of the stock split

Date of public notice of the record date:	December 15, 2023
Record date:	December 31, 2023
Effective date:	January 1, 2024

“Per Share Information” is calculated assuming that the stock split had been conducted on January 1, 2022.