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January 26, 2023

## Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: DKS Co. Ltd.  
 Listing: Tokyo Stock Exchange  
 Security code: 4461  
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 Scheduled date to file quarterly securities report: February 7, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for individual and institutional investors)  
 (Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022, to December 31, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	49,098	5.1	988	(73.5)	1,079	(67.2)	(395)	–
December 31, 2021	46,697	7.6	3,725	25.0	3,290	17.0	1,860	12.0

Note: Comprehensive income For the nine months ended December 31, 2022 ¥997 million [(63.1)%]  
 For the nine months ended December 31, 2021 ¥2,705 million [(1.6)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	(40.33)	–
December 31, 2021	182.77	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	87,868	38,918	39.6	3,641.24
March 31, 2022	86,469	40,383	42.5	3,610.31

Reference: Equity  
 As of December 31, 2022 ¥34,803 million  
 As of March 31, 2022 ¥36,767 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	35.00	–	45.00	80.00
Fiscal year ending March 31, 2023	–	40.00	–		
Fiscal year ending March 31, 2023 (Forecast)				40.00	80.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022, to March 31, 2023)

(Percentages indicate year-on-year changes.)

	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
Full year	64,000	2.1	1,400	(69.7)	1,400	(66.6)	(200)	–	(20.54)

Note: Revisions to the earnings forecasts most recently announced: Yes

Regarding the revisions to the consolidated earnings forecasts, please refer to the “Notice Concerning Revisions to Earnings Forecasts” published on January 26, 2023.

### \* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies

Excluded: – companies

- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

- (3) 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 reasons other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, kindly refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” in page 9 of attached materials.

- (4) Number of issued shares (ordinary shares)

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

As of December 31, 2022	10,684,321 shares
As of March 31, 2022	10,684,321 shares

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

As of December 31, 2022	1,126,163 shares
As of March 31, 2022	500,351 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	9,797,236 shares
Nine months ended December 31, 2021	10,180,936 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

(Notice concerning forward-looking statements)

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, no statements herein constitute assurances regarding actual results by the Company. Results may differ materially from the consolidated forecasts due to various factors.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the nine months ended December 31, 2022, the Japanese economy showed signs of normalization of socioeconomic activities while the relaxation of restricting movement to combat COVID-19 made progress. At the same time, risks that provide downward pressure on the domestic economy, such as the prolonged Russia-Ukraine conflict, the continuing depreciation of the yen, and the pressure on household budgets due to higher prices, have not yet been dispelled.

Under this environment, the Group was struggling to secure profits due to the shortage of materials and components, such as semiconductors, a delay in efforts to adjust product prices in response to soaring energy and raw material prices, and other factors. The Company plans to focus its management resources to realize the targets of the medium-term management plan, “FELIZ 115,” i.e., the expansion of income in the fields of electronics and information, and environment and energy, and the early achievement of the target in the Life Sciences business. DKS will thoroughly conduct its Uni-Top strategy of providing unique products (without pursuit of scale) and its customer-oriented stance in a bid to strengthen its earning power.

Concerning the results for the nine months ended December 31, 2022, net sales were ¥49,098 million (up 5.1% year on year), thanks to significant sales growth of flame retardants for overseas markets in the Functional Materials segment.

Operating income was ¥988 million (down 73.5% year on year). Profit decreased mainly in the Surfactants and Functional Materials segments due primarily to an increase in R&D expenses for the future and a sharp rise in raw material prices that exceeded price pass-on measures. In addition, ordinary income was ¥1,079 million (down 67.2% year on year), despite recovery of non-operating income and expenses. On top of this, an impairment loss was recorded for non-current assets in the Polyurethane Materials segment as an extraordinary loss, so the loss attributable to owners of parent after deducting income tax expenses came to ¥395 million (profit of ¥1,860 million in the same period of the previous year).

Results by segment are as follows.

#### Surfactants

Net sales in the Surfactants segment were generally firm.

In Japan, sales were sluggish in IT and electronics applications, and paint and coloring agent applications, but remained firm in machinery and metal applications. Sales for soap and detergent applications grew significantly.

Overseas, sales for rubber and plastic applications were sluggish, but sales remained firm in textile applications.

As a result, net sales in this segment were ¥14,454 million (up 3.8% year on year).

Operating income was ¥1,375 million (down 31.7% year on year) due to the impact of soaring raw materials prices.

#### Amenity Materials

Net sales in the Amenity Materials segment were generally firm.

In Japan, sales of cellulose polymers were sluggish in energy and environmental applications. Sales of sucrose fatty acid esters remained firm for food applications, and sales of vinyl polymers were also firm for rubber and plastic applications.

Overseas, sales of sucrose fatty acid esters were robust in food applications and personal care (cosmetics) applications.

As a result, net sales in this segment were ¥6,134 million (up 3.0% year on year).

Operating income was ¥88 million (down 79.2% year on year) due to the impact of soaring raw materials prices and increased operating expenses.

#### Polyurethane Materials

Net sales in the Polyurethane Materials segment were generally firm.

Sales of civil engineering chemicals related to public works fell significantly, but sales of environmentally friendly synthetic lubricants related to CFC regulations grew significantly.

Demand for functional polyurethane was firm for IT and electronics applications.

As a result, net sales in this segment were ¥6,499 million (up 2.6% year on year).

The Company posted an operating loss of ¥226 million for the period (recorded ¥41 million operating income for the same period of the previous year) due to the impact of soaring raw materials prices.

#### Functional Materials

Net sales in the Functional Materials segment generally increased significantly.

In Japan, sales of waterborne polyurethane for IT and electronics applications were sluggish, but sales of radcure resin materials for IT and electronics applications grew significantly. Sales of flame retardants for rubber and plastic applications also grew significantly.

Overseas, sales of flame retardants for rubber and plastics grew significantly, and sales of radcure resin materials for IT and electronics applications also grew significantly.

As a result, net sales in this segment were ¥16,942 million (up 17.8% year on year).

Operating income was ¥208 million (down 80.1% year on year) due to an increase in operating expenses, mainly R&D expenses, in addition to the impact of soaring raw material prices.

#### Electronic Device Materials

Net sales in the Electronic Device Materials segment fell significantly overall.

Sales of ionic liquids for display applications and conductive pastes for solar cell applications fell significantly.

As a result, net sales in this segment were ¥4,693 million (down 18.4% year on year).

Due to the significant drop in net sales, operating income was ¥147 million (down 74.8% year on year).

#### Life Sciences

Net sales in the Life Sciences segment increased by ¥25 million (7.3%) year on year to ¥374 million. We launched our new brand “TENCHUKASOU” and are promoting brand recognition. Improvement of cognitive function has been confirmed for intake of I. Japonica-Bombyx Fungus containing “Naturido” in clinical trials targeting healthy adults and persons with mild cognitive impairment. Based on the results of this research, we will move on to the notification phase for food with functional claims and work on new product development.

The OEM business for pharmaceutical additives and health foods made through the concentration and pulverization of extracts from natural materials was firm.

As for operating income, although net sales increased, with upfront operating expenses for establishment of brand image, the result was an operating loss of ¥605 million (operating loss of ¥387 million in the same period of the previous year).

**(2) Explanation of Financial Position**(Assets)

Current assets as of December 31, 2022, were ¥48,385 million, up ¥1,850 million from the end of the previous fiscal year. This was primarily due to an increase of ¥2,169 million in notes and accounts receivable - trade and an increase in inventories such as merchandise and finished goods of ¥1,893 million, despite a decrease of ¥3,890 million in cash and deposits. Non-current assets totaled ¥39,483 million, down ¥452 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥636 million in property, plant and equipment.

As a result, total assets amounted to ¥87,868 million, up ¥1,398 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of December 31, 2022, were ¥23,489 million, up ¥1,762 million from the end of the previous fiscal year. This was primarily due to a ¥1,517 million increase in notes and accounts payable-trade and a ¥383 million increase in short-term borrowings. Non-current liabilities totaled ¥25,460 million, up ¥1,101 million from the end of the previous fiscal year. This was primarily due to an increase of ¥1,603 million in long-term borrowings.

As a result, total liabilities at the end of the period under review were ¥48,949 million, up ¥2,863 million from the end of the previous fiscal year.

(Net assets)

Total net assets as of December 31, 2022, were ¥38,918 million, down ¥1,465 million from the end of the previous fiscal year. This was primarily due to an increase in treasury shares of ¥1,466 million due to purchase of treasury shares and a decrease in retained earnings of ¥1,235 million resulting from loss attributable to owners of parent of ¥395 million and dividend of surplus of ¥840 million, despite an increase in foreign currency translation adjustment of ¥566 million and an increase in non-controlling interests of ¥498 million.

As a result, the equity ratio came to 39.6% (42.5% as of the end of the previous fiscal year).

**(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information**

The consolidated earnings forecast for the fiscal year ending March 31, 2023 has been revised in light of our recent operating results. For details, please refer to the “Notice Concerning Revisions to Earnings Forecasts” published on January 26, 2023.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	12,224	8,333
Notes and accounts receivable - trade	14,959	17,128
Electronically recorded monetary claims - operating	1,532	2,632
Merchandise and finished goods	11,582	13,386
Work in process	21	19
Raw materials and supplies	3,905	3,996
Prepaid expenses	317	470
Other	1,996	2,422
Allowance for doubtful accounts	(4)	(4)
Total current assets	46,534	48,385
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,541	13,158
Machinery, equipment and vehicles, net	5,555	4,881
Tools, furniture and fixtures, net	730	788
Land	9,638	9,914
Leased assets, net	2,800	2,465
Construction in progress	1,091	1,513
Total property, plant and equipment	33,358	32,721
Intangible assets		
Goodwill	213	-
Other	405	342
Total intangible assets	618	342
Investments and other assets		
Investment securities	4,004	4,352
Long-term loans receivable	16	15
Long-term prepaid expenses	231	207
Deferred tax assets	172	148
Retirement benefit asset	1,228	1,315
Other	310	385
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	5,958	6,419
Total non-current assets	39,935	39,483
Total assets	86,469	87,868



(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,204	11,722
Electronically recorded obligations - operating	429	488
Short-term borrowings	6,711	7,094
Lease liabilities	558	498
Accrued expenses	348	357
Income taxes payable	576	147
Accrued business office taxes	41	31
Provision for bonuses	816	520
Other	2,040	2,627
Total current liabilities	21,726	23,489
Non-current liabilities		
Corporate bonds	6,000	6,000
Long-term borrowings	15,051	16,654
Lease liabilities	2,551	2,234
Deferred tax liabilities	318	126
Retirement benefit liability	107	106
Asset retirement obligations	74	74
Other	255	264
Total non-current liabilities	24,359	25,460
Total liabilities	46,086	48,949
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,895	8,895
Capital surplus	7,278	7,276
Retained earnings	20,498	19,262
Treasury shares	(1,021)	(2,488)
Total shareholders' equity	35,650	32,946
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	181	398
Foreign currency translation adjustment	507	1,073
Remeasurements of defined benefit plans	427	384
Total accumulated other comprehensive income	1,116	1,857
Non-controlling interests	3,616	4,115
Total net assets	40,383	38,918
Total liabilities and net assets	86,469	87,868

**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income****Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	46,697	49,098
Cost of sales	34,741	39,216
Gross profit	11,955	9,881
Selling, general and administrative expenses	8,230	8,893
Operating income	3,725	988
Non-operating income		
Interest income	5	8
Dividend income	39	53
Share of profit of entities accounted for using equity method	43	45
Foreign exchange gains	22	183
Other	67	97
Total non-operating income	178	388
Non-operating expenses		
Interest expenses	140	144
Corporate bond interest	28	28
Inactive facility expenses	333	-
Other	110	125
Total non-operating expenses	613	298
Ordinary income	3,290	1,079
Extraordinary income		
Reversal for provision for waste disposal costs	139	-
Total extraordinary income	139	-
Extraordinary losses		
Impairment losses	-	786
Amortization of goodwill	-	137
Loss on disposal of non-current assets	164	70
Loss on valuation of investment securities	33	-
Total extraordinary losses	198	994
Profit before income taxes	3,231	84
Income taxes - current	759	322
Income taxes - deferred	158	(183)
Total income taxes	918	139
Profit (loss)	2,312	(55)
Profit attributable to non-controlling interests	452	340
Profit (loss) attributable to owners of parent	1,860	(395)

**Quarterly consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss)	2,312	(55)
Other comprehensive income		
Valuation difference on available-for-sale securities	(284)	217
Foreign currency translation adjustment	522	822
Remeasurements of defined benefit plans net of tax	121	(42)
Share of other comprehensive income of entities accounted for using equity method	32	55
Total other comprehensive income	392	1,052
Comprehensive income	2,705	997
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,024	345
Comprehensive income attributable to non- controlling interests	680	651

**(3) Notes to Quarterly Consolidated Financial Statements**  
**(Notes on premise of going concern)**

Not applicable.

**(Notes when there are significant changes in amounts of equity)**

Purchase of treasury shares

The Company purchased treasury shares as outlined below under the provisions of Article 156 of the Companies Act, which is applied after replacing the applicable words under the provisions of Article 165, paragraph (3) of the Companies Act. The purchase of treasury shares based on the resolution at the board of directors meeting held on June 24, 2022, has been completed with purchases made through August 22, 2022.

- (1) Classes of shares subject to acquisition  
Ordinary shares of the Company
- (2) Total number of shares acquired  
641,700 shares
- (3) Total acquisition cost of shares  
1,499,961,900 yen
- (4) Acquisition period  
July 1–August 22, 2022 (contract basis)

**(Changes in accounting policies)**

Application of Implementation Guidance for Accounting Standard for Fair Value Measurement

We have applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; “Fair Value Measurement Implementation Guidance”) from the beginning of the first quarter and decided to apply new accounting standards set forth in the Fair Value Measurement Implementation Guidance prospectively in accordance with the transitional treatment provided for in Section 27-2 of the Fair Value Measurement Implementation Guidance.

There is no impact of application of this implementation guidance on the quarterly consolidated financial statements.

**(Notes on quarterly consolidated statement of income)**Inactive facility expenses

Expenses related to inactive equipment in the nine months ended December 31, 2021, are fixed costs related to the period during which production of radcure resin material manufacturing equipment in the Chitose Plant of the Yokkaichi Branch was suspended, etc.

Impairment losses

First nine months ended December 31, 2022 (from April 1, 2022, to December 31, 2022)

(1) The Group recorded impairment losses on the asset group(s) below.

Location	Use	Class	Amount (Millions of yen)
DKS Co., Ltd. Yokkaichi Branch (Yokkaichi City, Mie)	Polyurethane material manufacturing equipment	Buildings and structures	67
		Machinery, equipment and vehicles	718
Total			786

(2) Background behind recognition of impairment loss

The above assets are non-current assets belonging to the asset group of the Company's Polyurethane Materials segment.

During the nine months ended December 31, 2022, the profitability of the above assets declined due to delays in product price adjustments in response to soaring raw material prices and new development activities. In conjunction with this, the book value of the above assets was reduced to the recoverable amount, and that amount was recorded under extraordinary losses as an impairment loss.

The recoverable amount of this asset group is measured by utility value, which is zero because no future cash flows are expected.

(3) Method of asset grouping

Categories corresponding to product composition and manufacturing method are the smallest units for grouping assets. Idle assets are grouped individually.

Amortization of goodwill

Amortization of goodwill recorded under extraordinary losses for the nine months ended December 31, 2022, was calculated based on the provisions of paragraph (32) of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (final revision of JICPA Accounting Practice Committee Statement No. 7, February 16, 2018).

**(Segment information, etc.)**

## Segment information

## I First nine months ended December 31, 2021 (from April 1, 2021, to December 31, 2021)

Disclosure of sales and profit (loss) for each reportable segment and information on breakdown of revenues

(Millions of yen)

	Surfactants	Amenity Materials	Polyurethane Materials	Functional Materials	Electronic Device Materials	Life Sciences	Total
Net sales							
Revenue from contracts with customers	13,919	5,958	6,334	14,386	5,750	348	46,697
Revenues from external customers	13,919	5,958	6,334	14,386	5,750	348	46,697
Transactions with other segments	–	–	–	–	–	–	–
Total	13,919	5,958	6,334	14,386	5,750	348	46,697
Segment profit (loss) operating income (loss)	2,014	427	41	1,044	585	(387)	3,725

Note: Total amount of profit or loss in reportable segments and operating income in the quarterly consolidated statement of income coincide.

## II First nine months ended December 31, 2022 (from April 1, 2022, to December 31, 2022)

Disclosure of sales and profit (loss) for each reportable segment and information on breakdown of revenues

(Millions of yen)

	Surfactants	Amenity Materials	Polyurethane Materials	Functional Materials	Electronic Device Materials	Life Sciences	Total
Net sales							
Revenue from contracts with customers	14,454	6,134	6,499	16,942	4,693	374	49,098
Revenues from external customers	14,454	6,134	6,499	16,942	4,693	374	49,098
Transactions with other segments	–	–	–	–	–	–	–
Total	14,454	6,134	6,499	16,942	4,693	374	49,098
Segment profit (loss) operating income (loss)	1,375	88	(226)	208	147	(605)	988

Note: Total amount of profit or loss in reportable segments and operating income in the quarterly consolidated statement of income coincide.

**(Notes on revenue recognition)**

Information on revenue from contracts with customers is as stated in Notes (Segment information, etc.)