April 28, 2017

Summary of Fiscal 2016

(The Fiscal Year ended March 31, 2017)

Tokuyama Corporation

1. Consolidation

Classification	Fiscal 2016	Fiscal 2015	Changes
The number of consolidated subsidiaries	51	55	(4)
The number of subsidiaries and affiliates by the equity method	10	10	-

2. Summary of performance and other corporate data (consolidated)

(Unit: Billions of yen, except number of employees)

	Fiscal 2016	Fiscal 2015	Changes
Net sales	299.1	307.1	(8.0)
Operating income	39.7	23.0	+16.6
Ordinary income	33.9	17.7	+16.2
Profit attributable to owners of parent	52.1	(100.5)	+152.7
Basic earnings per share (Unit: yen)	147.78	(289.10)	+436.88
Capital expenditures	17.3	13.9	+3.4
Depreciation and amortization	14.2	20.0	(5.8)
R&D expenses	7.5	8.5	(1.0)
Financial income and expenses	(3.9)	(4.1)	+0.1

	As of March 31, 2017	As of March 31, 2016	Changes
Interest-bearing debt	213.9	244.1	(30.1)
Number of employees	5,406	5,759	(353)

3. Net sales and operating income by business segment (year on year)

(Unit: Billions of yen)

	FY2016		FY2015		Changes	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	83.3	13.1	87.8	8.9	(4.4)	+4.2
Specialty Products	67.7	9.6	60.9	(1.1)	+6.8	+10.8
Cement	82.9	7.8	85.4	5.8	(2.4)	+2.0
Life & Amenity	50.7	5.6	57.6	6.5	(6.9)	(0.9)
Others	52.1	5.9	53.6	5.6	(1.5)	+0.2
Total	336.9	42.3	345.5	25.8	(8.5)	+16.4
Inter-segment eliminations and corporate-wide expenses	(37.8)	(2.5)	(38.4)	(2.7)	+0.5	+0.1
Consolidated results	299.1	39.7	307.1	23.0	(8.0)	+16.6

○ In the Chemicals segment, operating income was up despite a downturn in sales during the fiscal year under review. This was largely attributable to the downturn in domestic naphtha prices as well as other raw material and fuel prices.

- In the Specialty Products segment, both sales and operating income increased due to the operation rate improvement of Tokuyama Malaysia Sdn. Bhd. as well as the increased sales volumes of semiconductor-related products and solar-grade polycrystalline silicon.
- In the Cement segment, operating income increased despite a derecase in sales in the fiscal year ended March 31, 2017. Despite a decrease in the volume of cement sales in Japan and decline in sales price of export, higher profit in this segment reflected drop in raw material and fuel prices.
- In the Life & Amenity segment, both sales and operating income decreased. In the fiscal year under review, sales prices were soft due to the drop in domestic naphtha prices. Figaro Engineering Inc. was removed from the Company's scope of consolidation effective from the second quarter of the fiscal year under review. This reflected the transfer of a portion of the company's shares.

4. Net sales and operating income by business segment (forecasts)

(1) Net sales and operating income by business segment (full year comparison)

(Unit: Billions of yen)

	FY2017 Forecast		FY2016 Results		Changes	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	89.0	13.0	83.3	13.1	+5.6	(0.1)
Specialty Products	56.0	9.5	67.7	9.6	(11.7)	(0.1)
Cement	86.0	5.5	82.9	7.8	+3.0	(2.3)
Life & Amenity	54.0	4.0	50.7	5.6	+3.2	(1.6)
Others	52.0	5.5	52.1	5.9	(0.1)	(0.4)
Total	337.0	37.5	336.9	42.3	+0	(4.8)
Inter-segment eliminations and corporate-wide expenses	(37.0)	(1.5)	(37.8)	(2.5)	+0.8	+1.0
Consolidated results	300.0	36.0	299.1	39.7	+0.8	(3.7)

(2) Assumptions of performance forecasts for fiscal 2017

	Fiscal 2017	**Fiscal 2016**
Domestic Naphtha Price (¥/kl)	**40,000**	**34,700**
Exchange Rate (¥/$)	**105**	**108**

The Tokuyama Group is projecting an increase in sales and a decrease in operating income in the fiscal year ending March 31, 2018. Expectations of a decrease in operating income are largely based on upturn in raw material and fuel costs.

- In the Chemicals segment, the Group has taken into account the revision of selling prices in line with the increase in domestic naphtha prices.
- In the Specialty Products segment, the business transfer of Tokuyama Malaysia Sdn. Bhd. scheduled at the end of May 2017 has been taken into account.
- In the Cement segment, the Tokuyama Group has factored in increase in domestic sales and export volumes as well as an increase in raw material and fuel costs mainly due to the upturn in coal price.
- In the Life & Amenity segment, the Group has taken into account the revision of selling prices in line with the upturn in domestic naphtha prices as well as an increase in sales and depreciation cost due to the operaion startup of new production facility.

Summary of Consolidated Financial Statements for Fiscal 2016 (JP GAAP)
(The Fiscal Year ended March 31, 2017)

April 28, 2017

Tokuyama Corporation	Stock exchange listings:	Tokyo
(URL http://www.tokuyama.co.jp/)	Code number:	4043

Representative: Hiroshi Yokota
President and Representative Director
Contact: Taro Kobayashi
General Manager, Corporate Communications & Investor Relations Dept.
+81-3-5207-2552
Scheduled date for the Ordinary General Meeting of Shareholders: June 23, 2017
Scheduled date of year-end dividends payout: -
Scheduled date for the filing of the consolidated financial statements: June 26, 2017
Preparation of supplementary explanatory materials: Yes
Business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates 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)	[%]
Fiscal 2016	299,106	(2.6)	39,720	72.2	33,998	91.8	52,165	—
Fiscal 2015	307,115	1.7	23,071	18.1	17,725	37.2	(100,563)	—

(Note) Comprehensive income: FY16: 54,562 million yen [—%] FY15: (110,043) million yen [—%]

	Basic earnings per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2016	147.78	119.93	58.5	8.2	13.3
Fiscal 2015	(289.10)	—	(94.0)	3.7	7.5

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY16: 900 million yen FY15: 668 million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2017	424,433	135,976	29.9	305.49
Mar 31, 2016	401,342	60,205	12.8	147.98

(Reference) Shareholders' equity: FY16: 127,015 million yen FY15: 51,473 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2016	20,012	(10,089)	(11,911)	118,819
Fiscal 2015	30,098	13,400	(37,689)	121,166

2. Dividends

(Period)	Annual dividens					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2015	—	0.00	—	0.00	0.00	—	—	—
Fiscal 2016	—	0.00	—	0.00	0.00	—	—	—
Fiscal 2017 (Forecast)	—	2.00	—	2.00	4.00		10.9	

3. Consolidated performance forecast for fiscal 2017 (April 1, 2017 – March 31, 2018)

(% indicates the rate of change over the corresponding previous periods respectively)

	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)
Fiscal 2017	300,000	0.3	36,000	(9.4)	32,000	(5.9)	13,000	(75.1)	36.72

* Cautions pertaining to the appropriate use of performance forecasts and other particular items

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance etc. because of various factors that may arise from now on.

*Notes

(1) Changes of significant subsidiaries in the scope of consolidation during this period

: No

Addition to the scope of consolidation: -

Reduction from the scope of consolidation: -

(2) Changes of accounting policies, changes in accounting estimates, and retrospective restatements

i. Changes of accounting policies by revision of accounting standards: Yes

ii. Changes of accounting policies other than the above: No

iii. Changes in accounting estimates: No

iv. Retrospective restatements: No

(3) Number of shares issued (in common stock)

i.	Number of shares issued at end of period (including treasury stock):	FY16:	349,671,876	FY15:	349,671,876
ii.	Number of treasury stock at end of period:	FY16:	1,850,780	FY15:	1,832,788
iii.	Average number of shares over period:	FY16:	347,830,738	FY15:	347,852,553

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2016	173,055	(6.3)	33,276	29.7	29,745	9.3	28,316	ー
Fiscal 2015	184,755	0.4	25,648	33.3	27,216	45.8	(97,875)	ー

	Net income per share	Diluted net income per share
	(yen)	(yen)
Fiscal 2016	89.57	73.38
Fiscal 2015	(281.37)	ー

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2017	330,369	82,064	24.8	176.25
Mar 31, 2016	329,286	28,554	8.7	82.09

(Reference) Shareholders' equity: FY16: 82,064 million yen FY15: 28,554 million yen

(Note) Notice on the implementation of audit procedures

This Summary of Consolidated Financial Statements is not subject to audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act. At the point of disclosure of this Summary of Consolidated Financial Statements, audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act are underway.

(Reference) Dividends for Class A shares

Dividends per share related to class shares are as follows:

Class A shares	Annual dividends per share				
(Period)	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2015, ended Mar 31, 2016	—	—	—	—	—
Fiscal 2016, ending Mar 31, 2017	—	—	—	38,082.20	38,082.20
Fiscal 2017 (Forecast)	11,301.40	—	—	—	11,301.40

Contents for Accompanying Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

<1> Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

In fiscal 2016 (April 1, 2016 to March 31, 2017), the global economy experienced mixed conditions. In the first half, the pace of economic growth slowed owing mainly to concerns that the Chinese economy had stalled and confusion surrounding financial markets as a result of the U.K.'s decision to withdraw from the European Union. In the second half, however, the global economic conditions recovered. This was largely due to a pickup in the U.S. economy, various measures put forward by the Chinese government to arrest any decline, and the prompt action taken by the central banks of each country to prevent further confusion in financial markets.

Meanwhile, the Japanese economy continued to experience a modest recovery amid improvements in employment and disposable income conditions.

Against this backdrop, the Tokuyama Group worked diligently to implement the priority measures identified in its Medium-Term Management Plan announced in May 2016 in order to transition to a robust business structure that is resilient against changes in its operating environment and capable of sustainable growth.

As a result, and despite net sales falling below the level recorded in the previous fiscal year, the Company reported a substantial improvement in operating income for the fiscal year under review. This was mainly attributable to successful efforts aimed at narrowing the loss incurred by Tokuyama Malaysia Sdn. Bhd., a consolidated subsidiary, and reducing manufacturing costs in line with the downturn in raw material and fuel prices.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (Loss) attributable to owners of parerent
Fiscal 2016	**299,106**	**39,720**	**33,998**	**52,165**
Fiscal 2015	307,115	23,071	17,725	(100,563)
Rate of change (%)	(2.6)	72.2	91.8	-

Net sales

Consolidated net sales decreased 2.6%, or ¥8,008 million compared with the previous fiscal year, to ¥299,106 million. Despite an increased sales volume in polycrystalline silicon for both solar-cells and semiconductors, this was largely attributable to weak selling prices of petroleum products on the back of a downturn in domestic naphtha prices.

Cost of sales

Cost of sales decreased 8.8%, or ¥19,332 million compared with the previous fiscal year, to ¥201,305 million. Despite an increased sales volume in polycrystalline silicon, this was due mainly to a downturn in raw material costs as a result of the drop in domestic naphtha prices.

SG&A expenses

SG&A expenses decreased 8.4%, or ¥5,324 million compared with the previous fiscal year, to ¥58,080 million. This decrease primarily reflects a decrease in depreciation cost of mission-critical systems and lower R&D expenses.

Operating income

Operating income increased 72.2%, or ¥16,648 million compared with the previous fiscal year, to ¥39,720 million. In addition to a downturn in production costs as a result of the drop in raw material and fuel prices, this was due mainly to operating rate improvement and decreased depreciation expenses at Tokuyama Malaysia Sdn. Bhd.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses deteriorated ¥375 million compared with the previous fiscal year, due chiefly to increase in trial production expenses at Tokuyama Malaysia Sdn. Bhd.

As a result of the above, ordinary income increased 91.8%, or ¥16,273 million compared with the previous fiscal year, to ¥33,998 million.

Extraordinary income/losses, Profit (Loss) before income taxes, Profit (Loss), Profit (Loss) attributable to owners of parent

Extraordinary income/losses improved by ¥108,752 million compared with the previous fiscal year.

As a result of the above, income before income taxes improved by ¥125,025 million compared with the previous fiscal year, to income of ¥38,525 million.

Income taxes decreased ¥27,891 million compared with the previous fiscal year. This was attributable to the decision on the business transfer of Tokuyama Malaysia Sdn. Bhd. As a result of this, profit/loss improved by ¥152,917 million compared with the previous fiscal year, to profit of ¥53,396 million. Profit/loss attributable to owners of parent improved by ¥152,729 million compared with the previous fiscal year, to profit of ¥52,165 million.

[2] Operating performance by business segment

(Operating results by segment)

Sales (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2016	**83,346**	**67,726**	**82,995**	**50,751**	**52,124**	**336,943**	**(37,836)**	**299,106**
Fiscal 2015	87,801	60,902	85,469	57,677	53,684	345,535	(38,420)	307,115
Rate of change (%)	(5.1)	11.2	(2.9)	(12.0)	(2.9)	(2.5)	-	(2.6)

Operating income (loss) (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2016	**13,183**	**9,649**	**7,878**	**5,632**	**5,965**	**42,309**	**(2,589)**	**39,720**
Fiscal 2015	8,900	(1,157)	5,832	6,598	5,668	25,842	(2,771)	23,071
Rate of change (%)	48.1	-	35.1	(14.6)	5.2	63.7	-	72.2

(Note) Sales and operating income (loss) in each segment include inter-segment transactions.

Chemicals

Sales of caustic soda were down compared with the previous fiscal year. While domestic sales volumes were steady, this decrease was attributable to weak trends in selling prices.

Sales of vinyl chloride monomer (VCM) were down compared with the previous fiscal year. Despite an increase in the volume of export mainly for Asian market, the decline was primarily due to weak trends in selling prices as a result of the drop in domestic naphtha prices.

Sales of vinyl chloride resin declined. While a recovery in the number of housing starts and other factors contributed to firm trends in sales volumes, this downturn largely reflects weak selling prices as a result of the drop in domestic naphtha prices. Earnings on the other hand improved due mainly to the suspension of operations at the Chiba factory of Shin Dai-ichi Vinyl Corporation.

With regard to soda ash and calcium chloride, sales were essentially unchanged from the previous fiscal year. Despite decreased sales volume, this was mainly owing to efforts to revise selling prices.

As a result of the above, segment net sales decreased 5.1% compared with the previous fiscal year, to ¥83,346 million and operating income increased 48.1% to ¥13,183 million. The segment reported higher earnings on lower sales.

Specialty Products

Sales of semiconductor-grade polycrystalline silicon increased. This was primarily due to robust shipping reflecting the growing trend to highly functional mobile devices including smartphones.

Sales of solar-grade polycrystalline silicon increased on the back of higher sales volumes, reflecting the operating rate improvement at Tokuyama Malaysia Sdn. Bhd.

Sales of fumed silica increased compared with the previous fiscal year. This was mainly due to firm trend in sales of such applications as a polishing material for semiconductors.

With regard to high-purity chemicals for electronics manufacturing, sales decreased compared with the previous fiscal year. Despite robust sales volume in such applications as semiconductor manufacturing, this decrease was mainly owing to appreciated yen.

With regard to aluminum nitride, sales increased from the previous fiscal year. This was attributable to robust sales volumes in such applications used for semiconductor manufacturing equipment.

As a result of the above, segment net sales increased 11.2% compared with the previous fiscal year, to ¥67,726 million and operating income improved to income of ¥9,649 million (Posted operating loss of ¥1,157 million in the previous fiscal year). The segment reported higher earnings on higher sales.

Cement

Sales of cement decreased. Despite an increase in the volume of exports on the back of robust demand in the Asia region, this decrease was mainly due to the drop in export prices reflecting such factors as the impact of appreciation in the value of the yen as well as a downturn in sales volumes in Japan due to weak public- and private-sector demand. Meanwhile, successful steps were taken to reduce manufacturing costs. In addition to a drop in raw material and fuel prices, this reduction on manufacturing costs was mainly due to improvements in the basic unit of production.

In the recycling and environment-related business, the Company accepted a higher volume of waste including coal ash compared with the previous fiscal year. As a result of this, sales increased from the previous fiscal year.

Consolidated subsidiary net sales declined. This mainly reflected corrections to robust shipping trends of such products as ready-mixed concrete targeting large-scale projects in the previous fiscal year.

As a result of the above, segment net sales decreased 2.9% compared with the previous fiscal year, to ¥82,995 million and operating income increased 35.1% to ¥7,878 million. The segment reported higher earnings on lower sales.

Life & Amenity

Sales of active pharmaceutical ingredients decreased. This reflected the decreased sales volume of generic pharmaceuticals compared with the previous fiscal year.

With regard to plastic lens-related materials, sales increased from the previous fiscal year. This reflected robust sales volumes of photochromic dye materials for eyeglass lenses.

With regard to microporous film, sales of such applications as sanitary articles including disposable diapers at oversea consolidated subsidiaries decreased. As a result of this, sales decreased compared with the previous fiscal year.

With regard to polyolefin film, sales were declined compared with the previous fiscal year. Despite firm trends in sales mainly for application in packaging materials for products sold at convenience stores, this decrease was largely the result of weak trends in selling prices on the back of the decline in domestic naphtha prices.

With regard to dental materials and equipment, sales increased compared with the previous fiscal year, due to higher sales volumes of new products as well as products targeting overseas markets.

With regard to medical diagnosis systems, sales increased compared with the previous fiscal year. This largely reflected robust sales of blood testing products.

In gas sensors, Figaro Engineering Inc. was removed from the Company's scope of consolidation effective from the second quarter of the fiscal year under review. This reflected the transfer of a portion of the company's shares.

As a result of the above, segment net sales decreased 12.0% compared with the previous fiscal year, to ¥50,751 million and operating income decreased 14.6% to ¥5,632 million. The segment reported lower earnings on lower sales.

<2> Outlook for fiscal 2017

[1] Outlook for operating results

In fiscal 2017 (April 1, 2017 to March 31, 2018), the global economy is expected to exhibit signs of downside risk. In addition to the growing worldwide trend toward protectionism, we anticipate conditions will be impacted by the rapid rise in interest rates in the U.S. as well as rising geopolitical risks and other factors. Despite these concerns, growth rates are forecast to recover moderately due mainly to the positive turnaround on resource prices. On the domestic front, the pace of export and production activity increase is expected to remain unchanged as overseas economies continue to rally. Buoyed by improvements in corporate sector results, a modest upswing in capital expenditure is also anticipated to help prop up the Japanese economy.

Under these circumstances, the Tokuyama Group will transition to a robust business structure that looks ahead to trends in the global economy, is unaffected by changes in market conditions and movements in supply and demand, and is capable of sustainable growth. In the traditional Cement and Chemicals businesses, we will endeavor to strengthen our competitiveness by thoroughly reducing costs and increasing efficiency. In such growth businesses as Specialty Products, Life & Amenity, and Newly Developed Products, we will make every effort to bolster our product and development prowess by enhancing functions as well as quality in a bid to nurture the necessary driving force to proper new growth.

Based on the current information, we forecast net sales of ¥300.0 billion, an increase of 0.3% (¥0.8 billion) compared with the fiscal year under review, operating income of ¥36.0 billion, a decrease of 9.4% (¥3.7 billion), ordinary income of ¥32.0 billion, down 5.9% (¥1.9 billion) and profit attributable to owners of parerent of ¥13.0 billion, down ¥39.1billion.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (Loss) attributable to owners of parerent
Fiscal 2017	**300,000**	**36,000**	**32,000**	**13,000**
Fiscal 2016	299,106	39,720	33,998	52,165
Rate of change (%)	0.3	(9.4)	(5.9)	(75.1)

These forecasts are calculated based on an exchange rate of ¥105/$ and a domestic naphtha price of ¥40,000/kl.

[2] Outlook for segment results for fiscal 2017

Chemicals

Raw material and fuel costs are up on the back of a upturn in the market prices of such commodities as crude oil and coal. At the same time, the risk of profitability fluctuation is expected to linger, owing mainly to the substantial impact of higher raw material and fuel costs on petrochemical product selling prices. Under this operating environment, the Tokuyama Group will work to transfer the increase in raw material and fuel costs to selling prices, and strengthen its cost competitiveness including its unit consumption of raw marerials and energy as well as the efficiency of its fixed costs. Every effort will be made to secure stable earnings.

Specialty Products

Semiconductor demand targeting electronic devices including smartphones is projected to maintain the strong trend. Against this backdrop, customers' demands for higher levels of quality in line with semiconductor miniaturization as well as stable supply are expanding. Under these circumstances, the Tokuyama Group will endeavor to adhere strictly to a policy of cost reduction while urgently increasing the quality of its semiconductor-related products including semiconductor-grade polycrystalline silicon and putting in place a production structure that is capable of meeting demand, thereby securing earnings. In addition, the Group will look to boost earnings by pursuing the higher qulity and expanding sales of high-value-added products which are cleary differenciated from other companies' products..

Cement

In overall terms, demand in Japan is projected to increase from fiscal 2016. While private-sector demand is expected to exhibit a mild recovery in Tokyo area as a result of construction work relating to the 2020 Tokyo Olympic, this will be offset by the forecast drop in public-sector demand due to a downturn in public-sector investment and the extension of construction periods. Amid these operating conditions, the Tokuyama Group will work diligently to secure earnings by expanding the volumes of exports and waste accepted and thoroughly reducing manufacturing costs.

Life & Amenity

The Tokuyama Group believes that the market in Japan will continue along a modest recovery trajectory. In contrast, the Group holds concerns over the economic conditions of overseas markets on a forseenable future. This is especially true for China as well as emerging countries where there are fears of a slowdown in the rates of economic growth. Against this backdrop, the Tokuyama Group will place particular emphasis on developing and marketing products that address customers' needs and changes in the market while working to expand earnings.

Others

The "Others" segment includes businesses which are responsible for the Group's sales, logistics, utilities and other functions. The segment will work to increase Group-wide earnings by continuing to reduce costs.

(2) Analysis of Financial Position

<1> Analysis of assets, liabilities and net assets

As of March 31, 2017, total assets amounted to ¥424,433 million, an increase of ¥23,091 million compared with those as of March 31, 2016.

This increase primarily reflects an increase of ¥16,584 million in deferred tax asset, increase of ¥5,375 million in notes and accounts receivable and an increase of ¥3,318 million in investment securities owing to fair market valuation.

Total liabilities amounted to ¥288,457 million, down ¥52,679 million compared with those as of March 31, 2016.

This largely reflected the downturn in the balances of long-term loans payable and current portion of long-term loans payable, income taxes payable, current portion of bonds, short-term loans payable of ¥14,123 million, ¥10,552 million, ¥10,000 million, and ¥7,244 million, respectively.

Net assets totaled ¥135,976 million, an increase of ¥75,770 million compared with those as of March 31, 2016.

This increase mainly reflects the increase in retained earnings of ¥52,165 million as a result of posting profit attributable to owners of parent, and the increase in shareholders' equity of ¥20,000 million as a result of issuance of class A shares.

<2> Analysis of cash flows

(Unit: Millions of yen)

	Fiscal 2015	**Fiscal 2016**
Cash flows from operating activities	30,098	**20,012**
Cash flows from investing activities	13,400	**(10,089)**
Cash flows from financing activities	(37,689)	**(11,911)**
Effect of exchange rate changes on cash and cash equivalents	(792)	**(358)**
Net increase (decrease) in cash and cash equivalents	5,016	**(2,346)**
Increase (decrease) in cash and cash equivalents due to changes of scope of consolidation	27	-
Cash and cash equivalents at end of year	121,166	**118,819**
[Cash and cash equivalents at end of previous fiscal year]	[116,122]	**[121,166]**

As of March 31, 2017, cash and cash equivalents were ¥118,819 million, a decrease of ¥2,346 million compared with those as of April 1, 2016.

(Cash flows from operating activities)
Net cash provided by operating activities totaled ¥20,012 million, a decrease of ¥10,085 million compared with the previous fiscal year. Principal items included profit before income tax of ¥38,525 million and income tax paid of ¥18,065 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥10,089 million, an increase of ¥23,489 million compared with the previous fiscal year. Major contributory factors were payments for purchases of property, plant and equipment, prceeds from the sales of shares in subsidiary and subsidy income of ¥16,693 million, ¥2,926 million, and ¥2,298 million, respectively.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥11,911 million, a decrease of ¥25,778 million compared with the previous fiscal year.

This was primarily attributed to proceeds for issuance of shares of ¥19,732 million, repayment of long-term loans payable of ¥17,297 million and redemption of bonds of ¥10,000 million and repayment of short-term loans payable of ¥6,625 million.

(3) Basic Policy for Profit Distribution and Dividends for Fiscal 2016 and 2017

As far as the distribution of profits is concerned, Tokuyama's basic policy is the ensure the continuous and stable payment of dividends to its shareholders. In carrying out this policy, the Company takes into consideration performance trends and the roadmap established under its Medium-Term Management Plan.

Based on the aforementioned, and taking into account the deterioration in net assets attributable to the net losses incurred up to the previous fiscal year, Tokuyama has decided to prioritize efforts aimed at restoring the Company to a sound financial position after considering all business risks. Accordingly, we deeply regret our decision to forego the payment of a dividend on the Company's common stock for the fiscal year under review. However, we will pay a dividend on the Company's Class A shares in line with the calculation determined at the time of issue.

Turning to the payment of dividends with respect to Class A shares, we are looking to undertake the following while drawing on other retained earnings.

(1) Type of dividend
    Dividends will be paid in cash

(2) Matters concerning the allocation of dividends to shareholders and the total amount of dividends
    ¥38,082.2 per Class A share
    Total amount: ¥761,644,000

(3) Effective date of distribution of surplus
    June 26, 2017

Turning to dividends for fiscal 2017, the fiscal year ending March 31, 2018, we intend to restore and undertake the payment of an interim and period-end dividend of ¥2 per common share. This largely reflects the Company's greater than expected results in the fiscal year under review, the first year under the Medium-Term Management Plan and estimates that our profit performance in fiscal 2017 will follow the path of the Plan.

2. Management Policy

(1) Basic Management Policy

Tokuyama has put in place a renewed Group vision in a bid to further clarify its role and significance. As a key component of this vision, the Tokuyama Group is determined to help realize a prosperous society by creating value that enhances people's lives centered on the field of chemistry. Drawing on the chemical technologies that it has nurtured over many years, the Group will contribute to the well-being, growth, and development of society by continuously creating and proposing new value.

(2) Medium- to Long-Term Management Strategies and Performance Targets

Tokuyama incurred a substantial loss in each of the fiscal years ended March 31, 2015 and March 31, 2016. With the goals of rebuilding the Company and securing growth, Tokuyama put in place a medium-term management plan in May 2016. Under this plan, we have identified the following two medium- to long-term management strategies, which we intend to carry out over the next decade through to the fiscal year ending March 31, 2026

1. Transition toward a robust business structure that is resilient against changes in the Company's operating environment and is capable of sustainable growth

The Tokuyama Group has set the goal of becoming a global leader in advanced materials through unique technologies across growth businesses including the Specialty Products as well as Life & Amenity segment together with the development of new products. In such traditional businesses as the Cement and Chemicals segments, the Group will work to become a leader in Japan through strengthening competitiveness.

2. Transition to a Group-wide lost-cost structure by undertaking a comprehensive review of existing work practices

The Tokuyama Group will reduce costs by adopting a cross-departmental approach that differs from conventional methods and undertaking strategic capital expenditures as a part of efforts to cut back principal costs including raw material, fuel, repairs and maintenance, and distribution expenses.

In addition, Tokuyama has identified specific numerical targets as a measure of its success in carrying out these strategies. The goals are to achieve an ROA, cash conversion cycle, and debt-to-equity ratio of at least 10%, not more than 55 days, and not more than 1.0, respectively, as of the end of fiscal 2020, the fiscal year ending March 31, 2021.

(3) Pending Issues

Despite the decision to transfer Tokuyama Malaysia Sdn. Bhd., which was a major source of the Company's massive loss, to OCI Co., Ltd., based in South Korea, and positive steps to reform both management and the Company's operations, it remains vitally important that we strengthen Tokuyama's financial platform, which has suffered under the weight of substantial losses from its mainstay activities. It is also critical that we continue to push forward initiatives aimed at improving such issues as the inward posture spread among employees, corporate governance, and uncertainty surrounding business strategies, while creating the necessary driving force to propel new profit growth. In order to overcome each of these issues, we will steadfastly carry out the priority measures set out in our medium-term management plan.

1. Change its organizational climate

Recognizing the need to promote an environment in which key positions take the initiative to foster a vibrant corporate culture that encourages independent thinking and rapid business execution among employees, we revised our human resources structure and systems. Looking ahead, we will introduce drastic reforms including the exchange of staff between Group companies and the active recruitment of outside personnel.

2. Rebuild its business strategies

The Tokuyama Group will strictly adhere to a customer-oriented approach in the conduct of its business activities. At the same time, the Group will transition to a research and development structure that is in tune with customers' needs. Through these means, energies will be channeled toward cultivating new business domains that employ unique technologies.

In undertaking a drastic review of our research and development structure and activities, we are transitioning to a research and development structure that is in tune with customers' needs. Among a host of initiatives, we are, for example, reassigning personnel between the Company's head office Research & Development Division and its various business divisions. In addition, we are implementing open innovation with other companies and cultivating new business domains that employ unique technologies.

3. Strengthen Group management

Each company of the Tokuyama Group will once again clarify its role and position. Seeking to contribute to the Group's growth strategy as well as the reduction of costs, particular emphasis will be placed on further strengthening the management of the Group as a whole.

4. Improve its financial structure

We will put in place the necessary systems to flexibly pursue opportunities including M&As that are designed to accelerate the pace of growth while restoring the Company's shareholders' equity by steadily building up profits and improving capital efficiency.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	3/31/2016	3/31/2017
Assets		
Current assets		
Cash and deposits	121,508	121,598
Notes and accounts receivable - trade	68,569	73,945
Lease receivables	6	6
Merchandise and finished goods	14,012	12,348
Work in process	10,882	9,919
Raw materials and supplies	15,933	16,567
Deferred tax assets	4,256	1,627
Other	8,788	10,798
Allowance for doubtful accounts	(192)	(150)
Total current assets	243,766	246,661
Non-current assets		
Property, plant and equipment		
Buildings and structures	101,982	100,430
Accumulated depreciation	(74,022)	(72,723)
Buildings and structures, net	27,959	27,707
Machinery, equipment and vehicles	461,619	450,926
Accumulated depreciation	(410,707)	(404,912)
Machinery, equipment and vehicles, net	50,912	46,014
Tools, furniture and fixtures	22,661	22,015
Accumulated depreciation	(20,890)	(20,222)
Tools, furniture and fixtures, net	1,771	1,793
Land	31,327	31,289
Leased assets	2,237	3,533
Accumulated depreciation	(1,041)	(1,329)
Leased assets, net	1,196	2,203
Construction in progress	6,597	10,225
Total property, plant and equipment	119,764	119,233
Intangible assets		
Goodwill	3,738	2,367
Leased assets	41	35
Other	2,613	2,384
Total intangible assets	6,393	4,787
Investments and other assets		
Investment securities	15,765	19,083
Long-term loans receivable	3,094	2,833
Deferred tax assets	610	19,824
Net defined benefit asset	8,057	8,936
Other	4,190	3,221
Allowance for investment loss	(22)	—
Allowance for doubtful accounts	(278)	(148)
Total investments and other assets	31,417	53,750
Total non-current assets	157,575	177,771
Total assets	401,342	424,433

	Millions of yen	
	3/31/2016	3/31/2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	35,388	37,035
Short-term loans payable	9,382	2,138
Current portion of long-term loans payable	17,036	15,235
Current portion of bonds	10,000	—
Lease obligations	356	577
Income taxes payable	11,888	1,335
Deferred tax liabilities	2	—
Provision for bonuses	1,830	2,103
Provision for repairs	1,480	1,628
Provision for product warranties	85	81
Provision for loss on purchase contract	2,656	2,671
Other	23,093	16,346
Total current liabilities	113,200	79,153
Non-current liabilities		
Bonds payable	34,400	34,400
Long-term loans payable	172,877	160,555
Lease obligations	931	1,787
Deferred tax liabilities	457	268
Provision for directors' retirement benefits	231	143
Provision for repairs	3,691	2,829
Allowance for loss on compensation for building materials	384	318
Provision for environmental measures	85	287
Provision for loss on purchase contract	2,716	—
Net defined benefit liability	1,354	1,430
Asset retirement obligations	6	6
Other	10,799	7,275
Total non-current liabilities	227,935	209,303
Total liabilities	341,136	288,457
Net assets		
Shareholders' equity		
Capital stock	53,458	10,000
Capital surplus	57,532	41,545
Retained earnings	(61,281)	72,511
Treasury shares	(1,439)	(1,446)
Total shareholders' equity	48,270	122,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,020)	319
Deferred gains or losses on hedges	(526)	(274)
Foreign currency translation adjustment	2,362	1,528
Remeasurements of defined benefit plans	2,386	2,833
Total accumulated other comprehensive income	3,202	4,406
Non-controlling interests	8,732	8,960
Total net assets	60,205	135,976
Total liabilities and net assets	401,342	424,433

(2) Consolidated Statements of Income

	Millions of yen	
	FY2015	FY2016
Net sales	307,115	299,106
Cost of sales	220,638	201,305
Gross profit	86,476	97,800
Selling, general and administrative expenses		
Selling expenses	38,099	37,916
General and administrative expenses	25,305	20,164
Total selling, general and administrative expenses	63,405	58,080
Operating profit	23,071	39,720
Non-operating income		
Interest income	121	54
Dividend income	443	249
Share of profit of entities accounted for using equity method	668	900
Compensation income	—	464
Foreign exchange gains	542	115
Other	1,576	1,374
Total non-operating income	3,353	3,159
Non-operating expenses		
Interest expenses	4,668	4,224
Trial production expenses	636	1,853
Cost of idle operations	1,134	1,200
Other	2,259	1,602
Total non-operating expenses	8,699	8,880
Ordinary profit	17,725	33,998
Extraordinary income		
Gain on sales of non-current assets	14,144	20
Gain on sales of investment securities	6,190	1
Gain on sales of shares of subsidiaries and associates	—	1,934
Subsidy income	50	2,298
Gain on write-off debts	—	1,268
Gain on sales of patent right and other	—	836
Settlement received	—	500
Gain on insurance adjustment	21	255
Other	1,071	202
Total extraordinary income	21,477	7,317
Extraordinary losses		
Loss on sales of non-current assets	130	5
Impairment loss	124,706	1,683
Loss on disaster	5	90
Loss on reduction of non-current assets	108	50
Loss on disposal of non-current assets	486	560
Other	264	399
Total extraordinary losses	125,702	2,790
Profit (loss) before income taxes	(86,500)	38,525
Income taxes - current	14,408	2,967
Income taxes - deferred	(1,387)	(17,838)
Total income taxes	13,020	(14,870)
Profit (loss)	(99,520)	53,396
Profit attributable to non-controlling interests	1,043	1,231
Profit (loss) attributable to owners of parent	(100,563)	52,165

(3) Consolidated Statements of Comprehensive Income

	Millions of yen	
	FY2015	FY2016
Profit (loss)	(99,520)	53,396
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,851)	1,333
Deferred gains or losses on hedges	(901)	240
Foreign currency translation adjustment	(1,758)	(717)
Remeasurements of defined benefit plans, net of tax	(861)	448
Share of other comprehensive income of entities accounted for using equity	(150)	(138)
Total other comprehensive income	(10,522)	1,166
Comprehensive income	(110,043)	54,562
Comprehensive income attributable to		
Owners of the Parent	(110,957)	53,369
Non-controlling interests	913	1,193

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	FY2015	FY2016
Cash flows from operating activities		
Profit (loss) before income taxes	(86,500)	38,525
Depreciation	20,084	14,215
Increase(decrease) in allowance for loss on compensation for building	(189)	(65)
Increase (decrease) in provision for loss on purchase contract	(4,059)	(2,701)
Increase (decrease) in other provision	322	(381)
Increase (decrease) in net defined benefit liability	93	135
Decrease (increase) in net defined benefit asset	(431)	(290)
Interest and dividend income	(565)	(304)
Foreign exchange losses (gains)	(176)	(13)
Loss (gain) on sales of property, plant and equipment	(14,013)	(14)
Loss (gain) on sales of investment securities	(6,190)	(1)
Loss (gain) on sales of shares of subsidiaries and associates	—	(1,934)
Share of (profit) loss of entities accounted for using equity method	(668)	(900)
Subsidy income	(50)	(2,298)
Interest expenses	4,668	4,224
Loss on reduction of non-current assets	108	50
Impairment loss	124,706	1,683
Gain on write-off of debts	—	(1,268)
Gain on insurance claim	—	(255)
Settlement received	—	(500)
Gain on sales of patent right and other	—	(836)
Loss (gain) on disposal of non-current assets	486	560
Decrease (increase) in notes and accounts receivable - trade	301	(7,744)
Decrease (increase) in inventories	4,402	824
Decrease (increase) in other current assets	(355)	(574)
Increase (decrease) in notes and accounts payable - trade	(4,750)	3,095
Increase (decrease) in other current liabilities	(130)	(815)
Other, net	607	(1,594)
Subtotal	37,701	40,818
Interest and dividend income received	1,178	750
Interest expenses paid	(4,725)	(4,246)
Proceeds from insurance income	—	255
Settlement package received	—	500
Income taxes paid	(4,055)	(18,065)
Net cash provided by (used in) operating activities	30,098	20,012
Cash flows from investing activities		
Payments into time deposits	(84)	(84)
Proceeds from withdrawal of time deposits	34	130
Purchase of property, plant and equipment	(14,334)	(16,693)
Proceeds from sales of property, plant and equipment	17,841	197
Purchase of investment securities	(12)	(305)
Proceeds from sales of investment securities	10,932	341
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	2,926
Payments of long-term loans receivable	(40)	(9)
Collection of long-term loans receivable	239	270
Proceeds from subsidy income	50	2,298
Payments for transfer of business	(37)	—
Gain on sales of patent right and other	—	905
Other, net	(1,187)	(65)
Net cash provided by (used in) investing activities	13,400	(10,089)

	Millions of yen	
	FY2015	FY2016
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(2,648)	(6,625)
Increase (decrease) in commercial papers	(3,000)	—
Proceeds from long-term loans payable	4,631	3,116
Repayments of long-term loans payable	(31,175)	(17,297)
Redemption of bonds	(5,600)	(10,000)
Payments from changes in ownership interests in subsidiaries that do not	(25)	—
Proceeds from issuance of common shares	—	19,712
Cash dividends paid	(1)	0
Dividends paid to non-controlling interests	(386)	(294)
Decrease (increase) in treasury shares	(6)	(7)
Other, net	523	(514)
Net cash provided by (used in) financing activities	(37,689)	(11,911)
Effect of exchange rate change on cash and cash equivalents	(792)	(358)
Net increase (decrease) in cash and cash equivalents	5,016	(2,346)
Cash and cash equivalents at beginning of period	116,122	121,166
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	27	—
Cash and cash equivalents at end of period	121,166	118,819

(5)Segment information

1. Summary of reportable segments

The reportable segments of the Touyama Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.
The Company has business divisions by product group, and the Tokuyama Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.
The Tokuyama Group is, therefore, composed of segments by product group based on business divisions, and has four reportable segments, “Chemicals,” “Specialty Products,” “Cement,” and “Life & Amenity.”
Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium silicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, isopropyl alcohol and chlorinated solvents
Specialty Products	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity chemicals for electronics manufacturing, and photoresist developer
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resourece recycling business
Life & Amenity	Polyolefin film, plastic window sashes, medical diagnosis systems, dental materials and equipment, gas sensors, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

2. Information on sales, income (loss), assets and other items by reportable segment

Fiscal 2015 (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	87,042	47,664	85,320	55,679	31,408	307,115	-	307,115
Inter-segment sales/transfer	759	13,237	148	1,998	22,275	38,420	(38,420)	-
Total	87,801	60,902	85,469	57,677	53,684	345,535	(38,420)	307,115
Segment income	8,900	(1,157)	5,832	6,598	5,668	25,842	(2,771)	23,071
Segment assets	46,381	66,287	55,952	56,649	43,825	269,097	132,244	401,342
Other items								
Depreciation expenses*4	2,517	5,956	3,211	2,132	3,565	17,384	2,700	20,084
Increase in tangible and intangible fixed assets*5	2,000	4,588	2,437	3,111	1,595	13,733	585	14,319

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment income adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥174,922 million).

*3 With regard to segment income, operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's income.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

Fiscal 2016 (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	82,432	56,792	82,873	48,612	28,396	299,106	-	299,106
Inter-segment sales/transfer	913	10,934	121	2,139	23,728	37,836	(37,836)	-
Total	83,346	67,726	82,995	50,751	52,124	336,943	(37,836)	299,106
Segment income (loss)	13,183	9,649	7,878	5,632	5,965	42,309	(2,589)	39,720
Segment assets	47,633	65,555	53,511	53,631	42,696	263,057	161,375	424,433
Other items								
Depreciation expenses*4	2,276	2,679	3,194	1,824	3,286	13,261	953,228	14,215
Increase in tangible and intangible fixed assets*5	2,410	1,474	3,907	6,425	2,473	16,692	898	17,591

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment income (loss) adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥194,566 million).

*3 With regard to segment income (loss), operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's income.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.