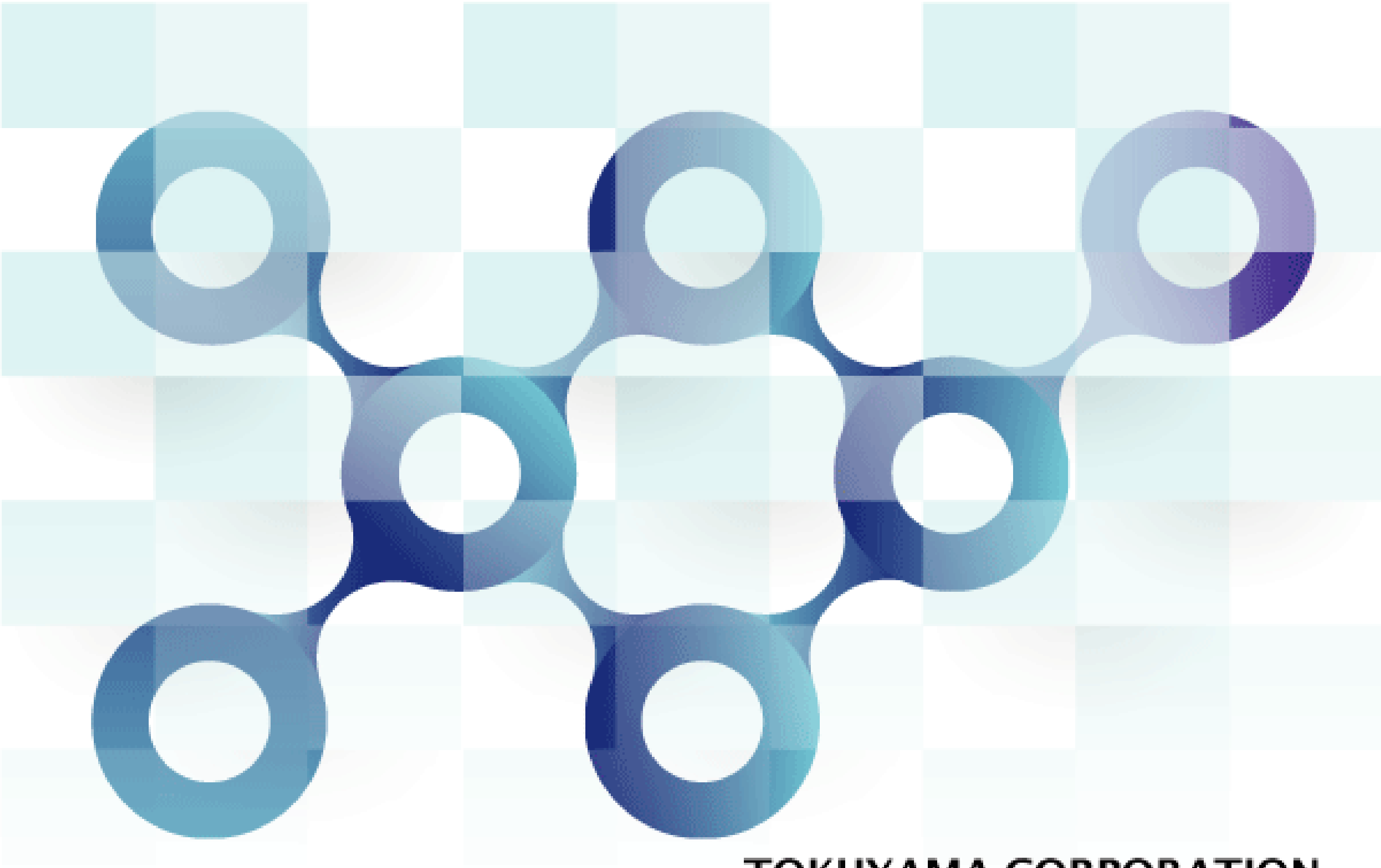
Chemistry with a heart
TOKUYAMA



TOKUYAMA CORPORATION

Annual Report 2018

Year ended March 31, 2018

Our Vision

Mission

Centered on the field of chemistry,
the Tokuyama Group will continue
to create value that enhances people's lives

Aspirations

Shift from a focus on quantity to quality

<FY2025>

Global leader in advanced materials

Leader in its traditional businesses in Japan

Values

Customer satisfaction is the source of profits

A higher and broader perspective

Personnel who consistently surpass their predecessors

Integrity, perseverance, and a sense of fun

Contents

CAUTIONARY NOTES:

FORWARD-LOOKING STATEMENTS

This annual report contains information about forward-looking statements related to such matters as the Company’s plans, strategies and business results. These forward-looking statements represent judgments made by the Company based on information available at the time of preparing this report, and are inherently subject to a variety of risks and uncertainties. The Company’s actual activities and business results could differ significantly from the forward-looking statements due to changes including, but not limited to, those in the economic environment, business environment, demand and exchange rates.

DISCLAIMER

This annual report is supplied to provide information of the Company, and is not intended as a solicitation for investment or other actions. The Company assumes no responsibility whatever for any losses or deficits resulting from investment decisions based entirely on projections, numerical targets and other information contained in this report.

Profile

Tokuyama Corporation was founded in 1918 to begin production in Japan of soda ash, also known as sodium carbonate, which was being imported at that time. As a fundamental material for industry, soda ash was indispensable for facilitating the country's industrial development in the early 20th century.

The company has gone on to produce and supply a wide range of chemical products. Building on this foundation, Tokuyama is currently expanding its main businesses globally, with a special focus on its information and electronics business, which markets semiconductor-related products, the life and healthcare business, which includes eyeglass lens materials, dental materials and other products, as well as cement, recycling and environment-related businesses.

On February 16, 2018, Tokuyama celebrated the 100th anniversary of its foundation. We at the Tokuyama Group are committed to creating new value centered on the field of chemistry. In creating a constant stream of new value, we will contribute to people’s happiness as well as the growth and development of society.

Company History

The Factory as it was established

1960’s Cement kiln (length: 185m)

Tokuyama Factory (Current)

1918～1944 Establishment and specialization in soda production

1918 Nihon Soda Kogyo Co., Ltd. (currently Tokuyama Corporation) was established to produce soda ash
1938 Commenced cement business
1940 Expansion of inorganic chemicals business

1945～1960 Further expansion of inorganic chemicals business

1952 Commenced electrolytic chlor-alkali business

1961～1974 Entry into petrochemicals business

1964 Commenced petrochemicals business
1966 Commenced polyvinyl chloride business
1967 Commenced ion exchange membrane business
1970 Commenced polypropylene business

1975～1989 Entry into specialty and processing business

1976 Commenced polyolefin film business
1978 Commenced dental materials and equipment business
1981 Commenced building materials business
1982 Commenced life-related business
Commenced fine chemicals business
1983 Commenced IC chemicals business (high-purity chemicals for electronics manufacturing)
Commenced medical diagnosis systems business
1984 Commenced electronic materials business (polycrystalline silicon)
1985 Commenced aluminum nitride business
Commenced gas sensors business

1990～2004 Strengthening and restructuring of business

1992 Established Sun • Tox Co., Ltd. as a joint venture for manufacture and sale of polyolefin film
1995 Established Shin Dai-ichi Vinyl Corporation as a joint concern for manufacture and sale of polyvinyl chloride
2000 Commenced recycling & environment-related business

2005～ Accelerating overseas business expansion

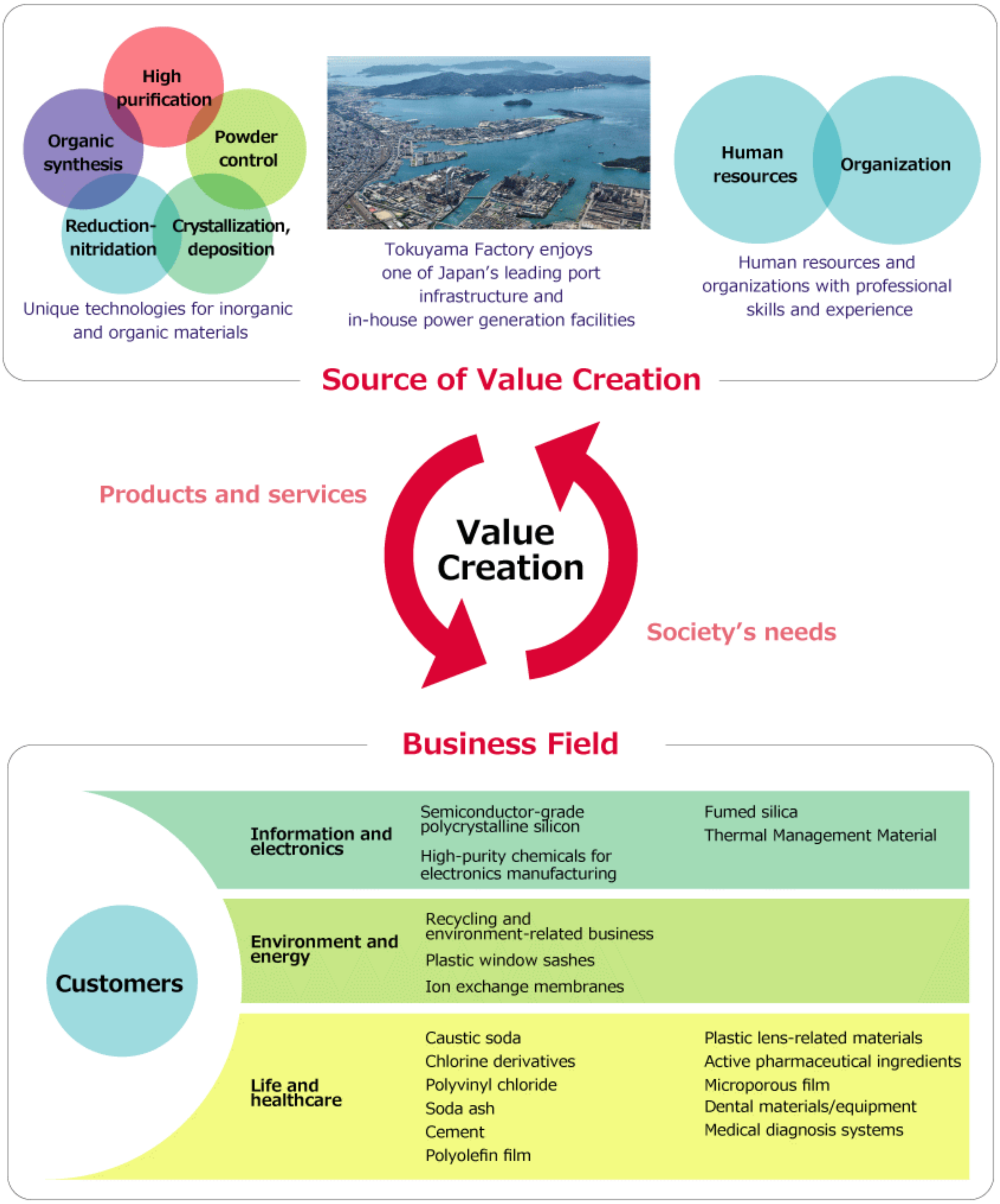
2005 Established Tokuyama Chemicals (Zhejiang) Co., Ltd. in Zhejiang, China as a manufacturing and sales company of fumed silica
Established Tokuyama Trading (Shanghai) Co., Ltd., as a China-based local subsidiary.
2013 Established Tokuyama Nouvelle Calédonie S.A., in New Caledonia, as a manufacturing and sales company of cement.

A Value Creation Cycle that Spans Close to a Century

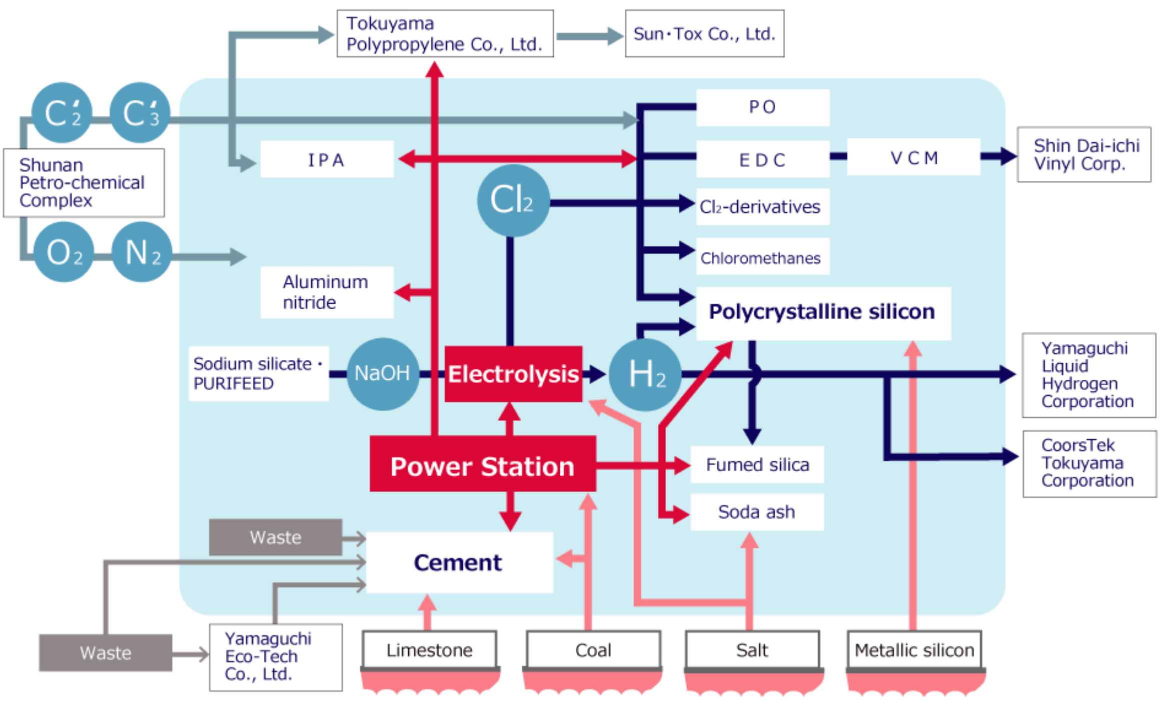
Drawing on its unique technologies in the manufacture and development of inorganic and organic chemicals, Tokuyama has continued to refine its capabilities as the driving force behind its value creation endeavors for just short of a century.

As a platform for the manufacture and seamless delivery of products that employ these technologies to reduce costs to an unprecedented level, the Company also makes full use of the industry-leading port infrastructure and in-house power generation facilities owned and operated by Tokuyama Factory. Located in the Shunan Industrial Complex, Tokuyama Factory works diligently to deepen ties with neighboring companies. In addition to the supply of electric power and raw materials, Tokuyama Factory actively engages in the collection of waste. As the Group's main manufacturing facility, Tokuyama Factory boasts a highly efficient production structure and systems that link several plants and operational units to ensure the integrated and effective use of raw materials, products, byproducts, and waste.

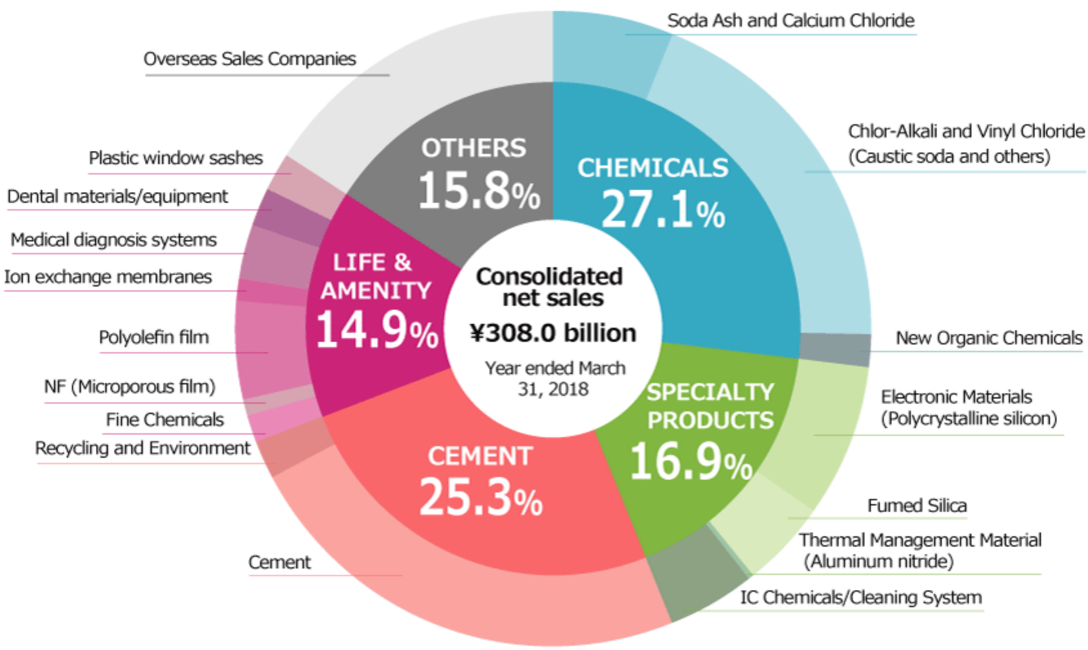
Taking full advantage of its tangible and intangible asset including unique technologies, competitive manufacturing facilities as well as human resources and organizations with professional skills and experience, the Tokuyama Group provides products and services that match the needs of the market. With a proven track record of creating value with our customers for a century, we will continue to fine tune our business model as a core and inherent strength.



Open Integration in the Tokuyama Factory



Our Business Portfolio

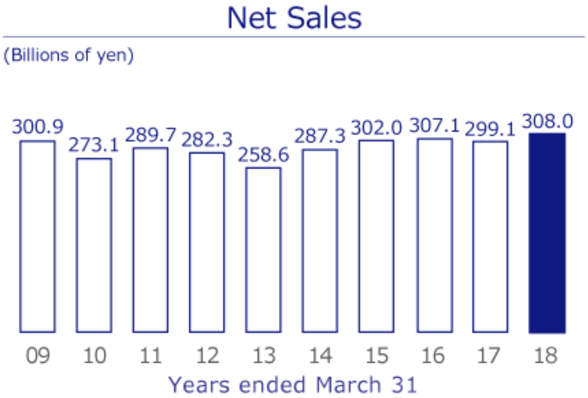


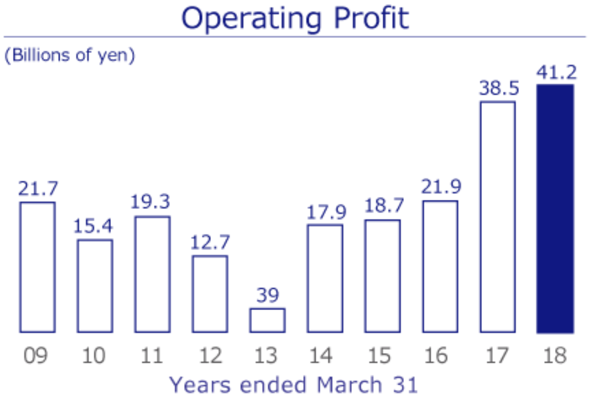
Consolidated Financial Highlights

Tokuyama Corporation and Consolidated Subsidiaries   Years ended March 31

	Millions of yen				
	2009	2010	2011	2012	2013
Net sales	300,999	273,154	289,786	282,381	258,632
Operating profit (Note 1)	21,796	15,486	19,313	12,721	3,993
Profit (loss) attributable to owners of parent	(5,597)	7,458	9,765	9,351	(37,916)
Per share amounts (in yen) (Note 2)					
Basic earnings (loss)	(102.08)	117.58	140.32	134.37	(544.88)
Cash dividends	6.00	6.00	6.00	6.00	3.00
Net assets	3,349.01	3,410.17	3,465.91	3,581.95	3,126.42
Total assets	403,613	452,893	474,708	501,181	518,251
Net assets	189,757	243,606	247,656	255,460	223,871
Cash flows from operating activities	42,480	29,380	37,043	27,060	17,071
Cash flows from investing activities	(56,506)	(36,468)	(88,508)	(57,666)	(60,673)
Cash flows from financing activities	29,246	46,990	23,994	20,791	36,465
Cash and cash equivalents at end of the year	55,365	95,945	68,624	58,476	52,431
Capital expenditures	52,550	26,557	35,807	77,602	97,549
Depreciation and amortization (Note 3)	22,986	37,688	31,476	28,492	23,242
R&D expenses	11,872	11,817	11,469	11,704	10,076
Shareholders' equity ratio (%)	45.5	52.4	50.8	49.7	42.0
Return on equity (%)	(2.9)	3.5	4.1	3.8	(16.2)
Number of employees	5,295	5,444	5,493	5,506	5,651
Consolidated subsidiaries	46	49	50	48	49

(Note 1): Regarding the calculation of operating profit, “Cost of idle operations” is included in “Cost of sales” from the fiscal year ending March 31, 2018, and for before the fiscal year ended March 31, 2017, it was reclassified from “Non-operating expenses” to “Cost of sales”.
(Note 2): The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. On this basis, basic earnings (loss) per share and net assets per share are calculated on the assumption that the consolidation of shares was conducted as of the beginning fiscal year ending March 31, 2009. The cash dividends per share for the fiscal year ending March 31, 2018 is the total after the share consolidation. The cash dividends per share before the fiscal year ended March 31, 2016 are not re-calculated retrospectively.
(Note 3): Depreciation and amortization includes amortization of long-term prepaid expenses.





	Millions of yen					Thousands of U.S. dollars (Note4)
	2014	2015	2016	2017	**2018**	**2018**
Net sales	287,330	302,085	307,115	299,106	308,061	2,906,239
Operating profit (Note 1)	17,960	18,705	21,936	38,533	41,268	389,323
Profit (loss) attributable to owners of parent	10,218	(65,349)	(100,563)	52,165	19,698	185,833
Per share amounts (in yen, U.S. dollars) (Note 2)						
Basic earnings (loss)	146.86	(939.26)	(1,445.49)	738.92	259.81	2.45
Cash dividends	6.00	-	-	-	30.00	0.283
Net assets	3,300.88	2,336.78	739.90	1,527.42	1,806.56	17.04
Total assets	576,315	554,527	401,342	424,433	361,949	3,414,619
Net assets	236,453	169,445	60,205	135,976	136,591	1,288,601
Cash flows from operating activities	34,105	30,772	30,098	20,012	61,885	583,825
Cash flows from investing activities	(64,402)	(25,519)	13,400	(10,089)	(12,665)	(119,484)
Cash flows from financing activities	45,939	40,502	(37,689)	(11,911)	(101,209)	(954,806)
Cash and cash equivalents at end of the year	69,973	116,122	121,166	118,819	66,807	630,255
Capital expenditures	61,051	25,345	13,945	17,360	15,941	150,391
Depreciation and amortization (Note 3)	16,770	18,845	20,084	14,215	13,985	131,940
R&D expenses	8,709	10,156	8,522	7,508	7,903	74,559
Shareholders' equity ratio (%)	39.9	29.3	12.8	29.9	34.7	-
Return on equity (%)	4.6	(33.3)	(94.0)	58.5	15.6	-
Number of employees	5,756	5,852	5,759	5,406	4,889	-
Consolidated subsidiaries	53	54	55	51	49	-

(Note 1): Regarding the calculation of operating profit, "Cost of idle operations" is included in "Cost of sales" from the fiscal year ending March 31, 2018, and for before the fiscal year ended March 31, 2017, it was reclassified from "Non-operating expenses" to "Cost of sales".

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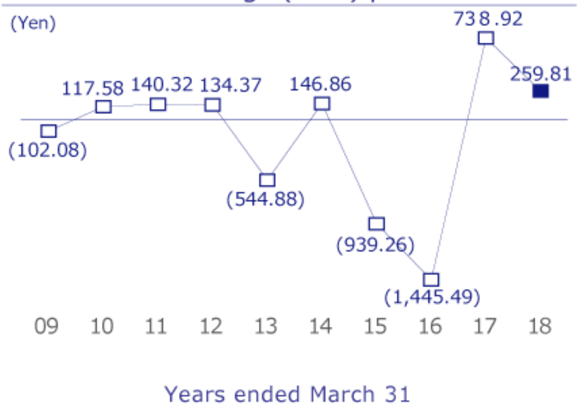
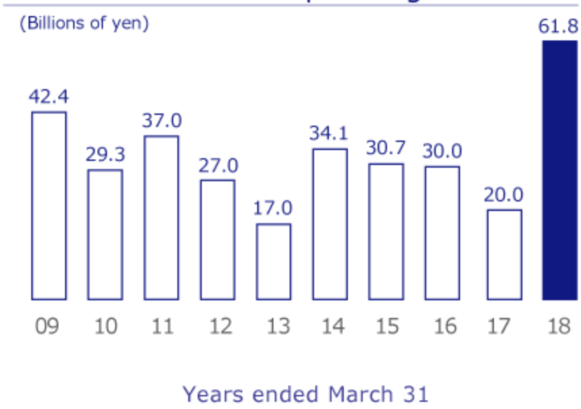
(Note 3): Depreciation and amortization includes amortization of long-term prepaid expenses.

(Note 4):U.S. dollar amounts above and elsewhere in this annual report are converted from Japanese yen, for convenience only, at the rate of ¥106=US$1.

Basic Earnings (Loss) per Share



Cash Flows from Operating Activities



Segment Information

CHEMICALS

Tokuyama's Chemicals segment handles basic chemicals used as raw materials for an array of products that are essential for people's livelihoods. Among these are soda ash, which Tokuyama has been producing since its founding in 1918, and caustic soda, a material which is said to be “essential for the manufacture of products in factories.” These and other chlorine derivatives are used in a very wide range of applications and are essential for all kinds of industries. The caustic soda business also plays an additional role in Tokuyama's earnings platform, as its manufacturing process generates chlorine and hydrogen that are used in processes for producing the Company's polycrystalline silicon. In addition, Yamaguchi Liquid Hydrogen Corporation, a joint venture for liquid hydrogen production, commenced operations in 2013. Through these operations, the Company’s hydrogen is also used for rocket fuel at the Tanegashima Space Center of Japan Aerospace Exploration Agency (JAXA). In this way, the segment is contributing to the development of space exploration.

With the goal to continue ensuring that Tokuyama is the preferred choice of customers, the Chemicals segment oversees three business units and Group companies while working to provide a stable supply of products and services that meet the expectations and needs of customers in a timely manner.

Business Unit	Major Products
Soda Ash and Calcium Chloride	Soda ash, Calcium chloride and Sodium silicate
Chlor-Alkali and Vinyl Chloride	Caustic soda, Vinyl chloride monomer (VCM), Propylene oxide and Chlorinated solvents
New Organic Chemicals	Isopropyl alcohol (IPA)
Group Companies	Soda ash and Calcium chloride [Tokuyama & Central Soda Inc.] Polyvinyl chloride (PVC) [Shin Dai-ichi Vinyl Corp.]

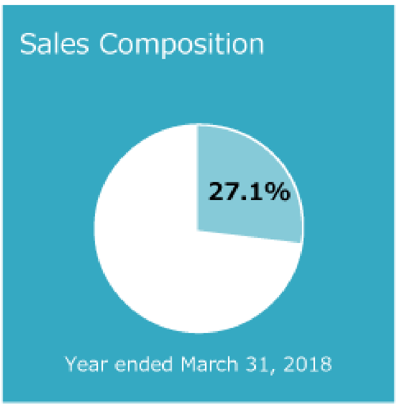
Operating Results for the Fiscal Year ended March 31, 2018

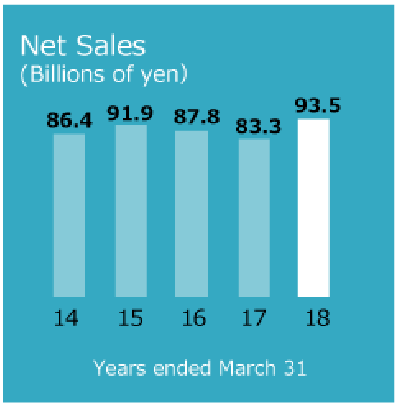
Sales of caustic soda were up compared with the previous fiscal year both domestic sales and export volumes increased due to the upward trend of Asian market, and the revision of selling prices was also progressed.

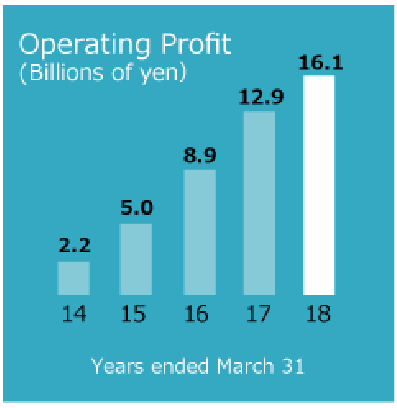
Sales of vinyl chloride monomer (VCM) were up compared with the previous fiscal year. The volume of export mainly for Asian market increased and the selling prices were steady.

Sales of vinyl chloride resin increased. The revision of selling price was progressed.

As a result of the above, segment net sales increased 12.2% compared with the previous fiscal year, to ¥93,546 million and operating profit increased 24.4% to ¥16,175 million. The segment reported higher earnings on higher sales.







Strategies Going Forward

Tokuyama will contribute to the development of customers' businesses by delivering high-quality, cost-competitive basic chemical materials and services that properly and promptly reflect customers' needs. At the same time, we will help to ensure the Company's stable and continuous earnings growth, all through our activities as the core business of the Company.

Guided by this basic policy, we will push forward the following priority measures.

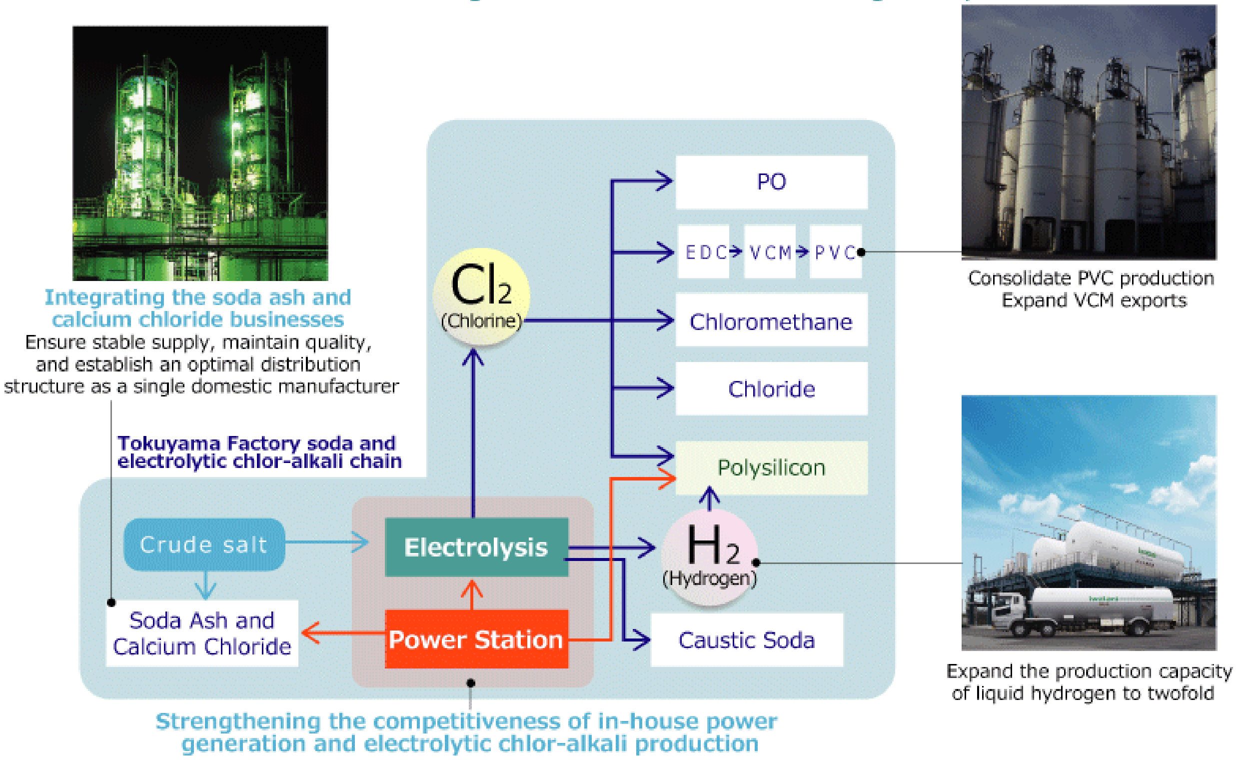
■ Soda Ash and Calcium Chloride Business

We will ensure the stable supply while maintaining the quality of products as a sole domestic manufacturer.

■ Chlor-Alkali and Vinyl Chloride Business

We will strengthen the competitiveness of our in-house power generation and electrolytic chlor-alkali production with the aim of further reducing the cost of caustic soda and chlorine. We will expand VCM exports and maintain plant operations at full capacity. At the same time, we will strengthen the profitability of the chlorine derivatives business including vinyl chloride, propylene oxide, and chloromethane.

Activities Aimed at Reconstructing Businesses and Reinforcing Competitiveness



SPECIALTY PRODUCTS

The Specialty Products segment offers products for a wide range of fields including energy, electronics and the environment. Our high-purity polycrystalline silicon is used for semiconductors and solar cells. Tokuyama is one of the leading companies in the world's polycrystalline silicon market. Fumed silica, which is produced from a by-product of polycrystalline silicon manufacture, is used for silicone rubber, polishing material for semiconductors manufacturing, copier toner and other applications. Aluminum nitride, which boasts excellent heat dissipation properties, is used for semiconductor production equipment and energy-saving applications such as inverters and LEDs. Our high-purity chemicals for electronics manufacturing are used chiefly for production of semiconductors and LCD panels.

The Specialty Products segment will continue to build on its advanced chemical technologies such as high purification, powder control and others, to create unique products that are useful to society.

Business Unit	Major Products
Electronic Materials	Polycrystalline silicon
Fumed Silica	Fumed silica and Tetrachlorosilane
Thermal Management Material	Aluminum nitride
IC Chemicals	High-purity chemicals for electronics manufacturing and photoresist developer
Cleaning System	Methylene chloride for metal cleaning
Group Companies	Fumed silica [Tokuyama Chemicals (Zhejiang) Co., Ltd.] Aluminum nitride substrate [Tokuyama-Dowa Power Materials Co., Ltd.] High-purity chemicals for electronics manufacturing [Taiwan Tokuyama Corporation]

Operating Results for the Fiscal Year ended March 31, 2018

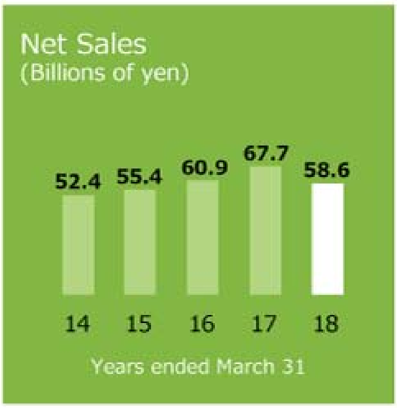
Sales of polycrystalline silicon decreased. Despite a robust sales volume of semiconductor-grade polycrystalline silicon, this was primarily due to removal of Tokuyama Malaysia Sdn. Bhd. from the Company's scope of consolidation.

Sales of fumed silica increased compared with the previous fiscal year due to increased sales of such applications as a polishing material for semiconductors.

With regard to high-purity chemicals for electronics manufacturing, sales increased compared with the previous fiscal year, mainly due to the robust sales volume in such applications as semiconductor manufacturing.

With regard to thermal management material, sales increased compared with the previous fiscal year. This was attributable to an increase in sales volumes of such applications used for semiconductor manufacturing equipment.

As a result of the above, segment net sales decreased 13.4% compared with the previous fiscal year, to ¥58,678 million and operating profit increased 19.4% to ¥11,003 million. The segment reported higher earnings on lower sales.



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.

Strategies Going Forward

Tokuyama will expand business activities and earnings by supplying products and putting forward development product proposals that are consistently preferred by customers. To achieve this end, we will undertake the following priority measures.

■Semiconductor-grade Polycrystalline Silicon Business
We will accurately grasp the customers' quality requirements of products including the latest ones; achieve world-leading quality while minimizing costs.

■ Fumed Silica Business
In addition to upgrading and expanding highly functional products on top of CMP-related and silicone-related products, we will try to reduce production cost and promote high added value at Tokuyama Chemicals (Zhejiang) Co., Ltd.

■ IC Chemicals Business
We will expand sales and improve the quality of products that target the advanced semiconductor field.

■Thermal Management Material Business
We have increased production capacity of aluminum nitride powder by 120 tons per year to 600 tons per year with the start of commercial operations in April 2018.
We will expand the product lineup such as the boron nitride and aluminum nitride filler.

Tokuyama's Semiconductor-Related Products that Underpin Advances in ICT

CEMENT

Tokuyama launched its cement business in 1938 out of a desire to efficiently make use of by-products produced at the Tokuyama Factory, an environmental approach that was ahead of its time in Japan. The segment produces cement and such related products as cement-type soil solidifiers at the Nanyo Plant of the Tokuyama Factory. These products are used for ready-mixed concrete and secondary concrete items, which in turn are used to help build infrastructure essential for people's lives, including residences, buildings, structures which support essential utilities, and transportation facilities such as ports, bridges, and roads.

In the cement production process, we accept a large volume of waste matter, including waste plastic and household garbage incineration ash from outside the Company as well as inside the Company, and utilize it as raw materials or fuel sources. In this way, the segment is promoting a recycling approach that is responsive to the needs of society, thereby helping promote a recycling-oriented society that effectively makes use of resources as much as possible.

Tokuyama Mtech Corporation manufactures and sells various types of building materials products including cement- and mortar-type products. Moreover, the Cement segment strives to develop products that can create new business possibilities by employing the technologies it has developed in the cement and building material fields. For example, steps are being taken to roll out Fresco Graph and other cutting-edge techniques that incorporate 3-D modeling technologies using Shikkui Lemarge interior design materials and other classic style fresco painting plaster techniques.

Business Unit	Major Products and Services
Cement	Cement, Ready-mixed concrete and Cement-type soil solidifier
Recycling and Environment	Resource recycling business
Group Companies	Cement and Ready-mixed concrete [Hiroshima Ready Mixed Concrete Co., Ltd and Tokuyama Tsusho Trading Co., Ltd., etc.]

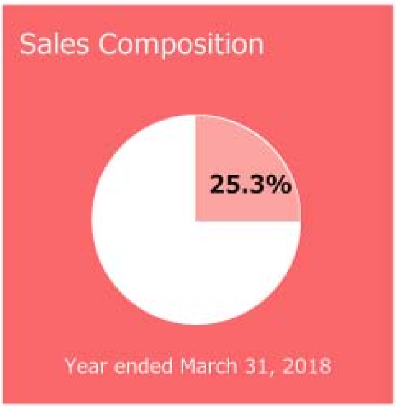
Operating Results for the Fiscal Year ended March 31, 2018

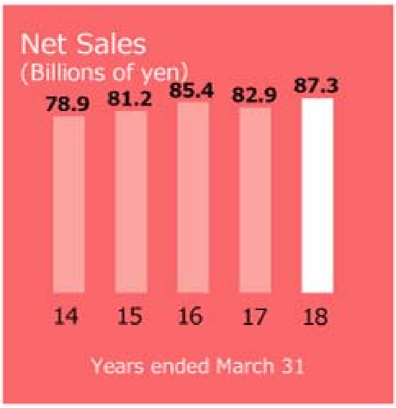
Sales of cement increased. While the construction of infrastructure related to Tokyo Olympic was becoming more active, domestic sales increased at Tokyo and the other areas, and the volume of exports increased on the back of robust demand in the Asia region. Meanwhile, manufacturing costs increased due to a rise in raw material prices such as coal.

In the resource recycling business, despite the Company accepted a lower volume of waste, the waste disposable fees increased compared with the previous fiscal year. As a result of this, sales was almost same as the previous fiscal year.

Consolidated subsidiary net sales increased. This mainly reflected the robust shipping trends of such products as ready-mixed concrete.

As a result of the above, segment net sales increased 5.2% compared with the previous fiscal year, to ¥87,345 million and operating profit decreased 39.5% to ¥4,568 million. The segment reported lower earnings on higher sales.





Strategies Going Forward

We will upgrade and build optimal production, sales, and distribution systems that are capable of flexibly addressing changes in the business environment, while maximizing waste acceptance earnings by increasing exports and working to strengthen competitive advantage by reducing costs. To achieve this end, we will undertake the following priority measures.

■ Cement Business

Tokuyama will improve production efficiency as well as unit consumption while reducing costs focusing mainly on efforts to increase the use/intake of waste. We will endeavor to secure earnings by expanding exports that maximize the use of the No. 4 kiln. Energies will also be channeled toward upgrading and expanding the infrastructure maintenance and reinforcement business through Tokuyama Mtech Corporation.

■ Recycling and Environment Business

We will optimize the application of raw materials and promote the use of combustible waste and optimize the fuel plant business. We will also promote stable operations in existing recycling businesses including the recycling of waste gypsum boards; create new recycling businesses.

Expand Cement Clinker Exports

Clinker ship loader (Tokuyama Factory)

Tokuyama Nouvelle Calédonie S.A.

LIFE & AMENITY

The Life & Amenity Division consists of Group companies that handle such wide-ranging products as polyolefin films, medical diagnosis systems, dental materials, ion exchange membranes and plastic window sashes. The Division is also in charge of the Tokuyama's fine chemicals and NF businesses. From April 2013, the Advanced Components segment was renamed the Life & Amenity segment.

In the fine chemicals business, utilizing our organic synthetic technology to advantage, we are expanding this business with eyeglass lens materials, active pharmaceutical ingredients for generic pharmaceuticals, and intermediates as our main products. In the NF business, we manufacture and sell air-permeable films (microporous films) that repel water but allow air and moisture to penetrate.

Shanghai Tokuyama Plastics Co., Ltd., one of the Group companies we are responsible for, manufactures and sells air-permeable films used for disposable diapers.

Business Unit	Major Products
Fine Chemicals	Active pharmaceutical ingredients and intermediates, Plastic lens-related materials
NF	Microporous film
Group Companies	Polyolefin film [Sun•Tox Co., Ltd.] Medical diagnosis systems [A&T Corp.] Dental materials/equipment [Tokuyama Dental Corp.] Ion exchange membranes [ASTOM Corp.] Plastic window sashes [Excel Shanon Corp.]

Operating Results for the Fiscal Year ended March 31, 2018

With regard to dental materials and equipment, sales increased compared with the previous fiscal year, due to higher sales volumes of new products and an increase in the volume of export.

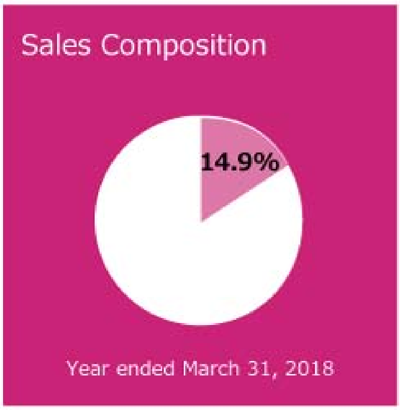
With regard to ion exchange membranes, sales were up compared with the previous fiscal year. This largely reflected the increase of sales on large-scale projects compared with the previous fiscal year.

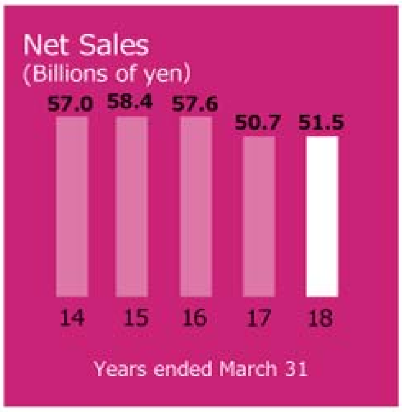
Sales of active pharmaceutical ingredients and intermediates decreased compared with the previous fiscal year, owing mainly to the downswing in the sales volumes of generic pharmaceuticals.

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

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

As a result of the above, segment net sales increased 1.6% compared with the previous fiscal year, to ¥ 51,579 million and operating profit decreased 30.8% to ¥ 3,728 million. The segment reported lower earnings on higher sales.





Strategies Going Forward

Tokuyama is securing a position of advantage in markets both in Japan and overseas, pursuing business expansion, and contributing to the improvement of people's quality of life by establishing and strengthening its customer-oriented development, manufacturing, and sales structure. Driven by this policy, we will advance the following priority measures.

■ NF Business (Microporous Film)
We will endeavor to improve earnings by improving the quality and reducing costs at subsidiaries in China.

■ Fine Chemicals Business
We will expand market share and cultivate new applications in photochromic dye materials for use in eyeglass lenses.

■ Dental Materials/Equipment Business (Tokuyama Dental Corporation)
Steps will be taken to accelerate the pace of overseas business development focusing mainly on aesthetic filling materials (composite resins).

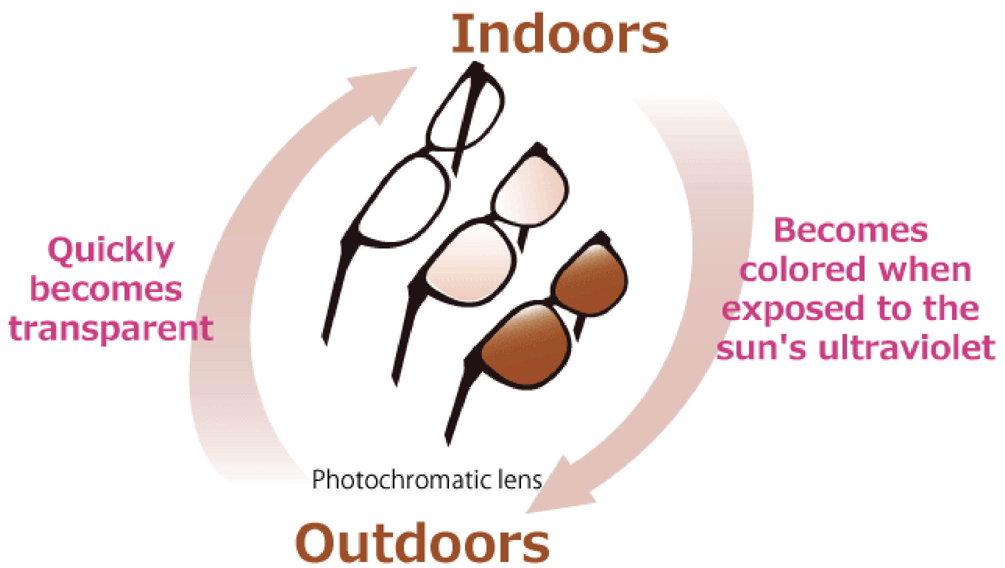
■ Polyolefin Film Business (Sun・Tox Co., Ltd.)
Every effort will be made to expand sales by using the manufacturing facilities implemented scrap and build.

■ Plastic Sash Business (Excel Shanon Corp.)
We will expand Zero Energy House (ZEH)-related sales.

Photochromic Dye Materials

Photochromic Dye Materials

Photochromic dye materials are clear resins that change color to either gray or brown when exposed to the sun's ultraviolet rays, and return to their colorless state when no longer exposed



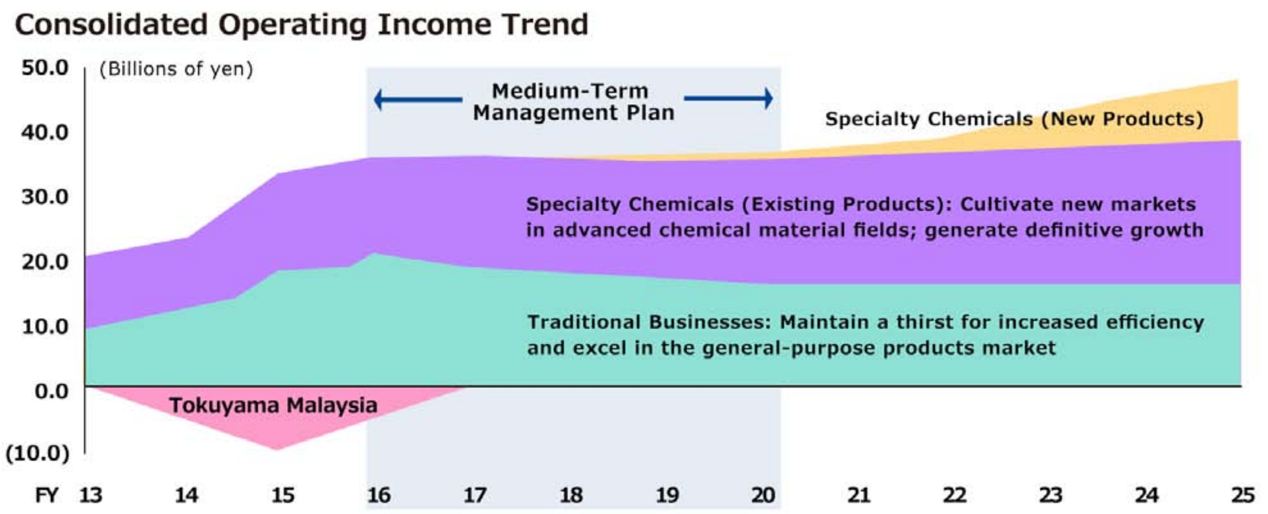
Features of Our Products

- Offers a number of color variations and can be colored with the three primary colors of red, blue, and yellow
- Quickly changes between transparent and colored
- Allows users to see fully vivid colors even on hot summer days
- Highly durable
- Blocks over 99% of ultraviolet rays

Medium-Term Management Plan

Outline

Looking ahead, forecasts for certain existing businesses indicate that the general-purpose product market in Japan will contract. At the same time, a slowdown in electronic materials business growth is also expected. Under these circumstances, Tokuyama recognized the need to create the necessary driving force to propel new profit growth. Guided by the overarching vision toward “New Foundation” in May 2016, the Company put in place a five-year medium-term management plan, commencing from fiscal 2016, as the “cornerstone of the Group’s revitalization.”



Going forward, Tokuyama is committed to carrying out the following two priority management strategies by fiscal 2025, 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 segments 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 low-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.

Tokuyama is cognizant of the vital need to create the necessary driving force to propel new profit growth. With this in mind, the Company will accordingly work to definitively change its organizational climate, rebuild its business strategies, strengthen Group management, and improve its financial position.

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 adopted a new performance-based personnel system for management and employees over the age of 60. Looking ahead, we plan to expand this system to all employees. In order to incorporate fresh perspectives in the Group’s business promotion activities, we will also actively recruit outside personnel with specialized skills and a wealth of experience as a part of our human resources development system.

2. Rebuild its business strategies

In order to realize the aspirations of becoming a leader in its traditional businesses in Japan and a global leader in advanced materials identified under its Medium-Term Management Plan, Tokuyama will strengthen the competitiveness of each business utilizing ICT and accelerate the pace of overseas business development.

In addition, steps will be taken to introduce a new business evaluation system that focuses on capital efficiency and to optimize the business portfolio.

As far as research and development is concerned, we will rebuild our R&D structure so that it is more in tune with customers’ needs and cultivate new business domains by implementing open innovation with other companies.

3. Strengthen Group management
In order to fully capitalize on synergies within the Tokuyama Group, every effort was made to accelerate the pace of sales strategies with strong support for a human resource perspective and management decision-making based on flexible capital policies. As a result, reform of the Group as a whole will also gather pace. In addition to applying the new business evaluation system to consolidated subsidiaries and clarifying the degree of contribution to enhancing corporate value, we will work to reinforce internal control at Group companies.

4. Improve its financial structure
Steps were taken to execute an unsecured bond trust-type debt assumption agreement, undertake the repayment in advance of loan agreements with financial covenants, and reduce interest-bearing debt in order to quickly stabilize the Company's financial position. Moving forward, Tokuyama will continue to reduce interest-bearing debt while working to enhance its shareholders' equity by building up profits for the period.

Progress

		FY2015	FY2017	FY2020 Target	Progress evaluation
Net sales		¥307.1 billion	¥308.0 billion	¥335.0 billion	On track
Operating profit		¥23.0 billion	¥41.2 billion	¥36.0 billion	Target achieved, continued
ROA		5.7%	10.5 %	10%	On track
	Operating margin	7.5%	13.4 %	10%	
	Total asset turnover	0.77 times	0.78 times	1.0 times	
Financial indicators	CCC	69 days	62 days	55 days	On track
	D/E ratio	4.7	1.1	1.0	On track
Exchange rate (¥/US$)		120	111	110	
Domestic naphtha price (¥/kl)		42,800	41,900	58,000	

Note : Cash Conversion Cycle (CCC): Accounts receivable turnover period + Inventory turnover period – Accounts payable turnover period;
ROA: Operating income / Total assets

ROA (operating profit/total assets) came in at 10.5%, surpassing the numerical target of 10% set under the Medium-Term Management Plan. In addition to the increase in operating profit, this improvement in the Company's ROA largely reflected the contraction in total assets as a result of such factors as the decrease in cash and deposits following the execution of an unsecured bond debt assumption agreement and the repayment of long-term loans payable. The Company's cash conversion cycle (CCC) improved six days compared with the previous fiscal year, to 62 days. This was largely attributable to the contraction in inventory and changes in the trading terms and conditions of certain purchased products. Tokuyama's D/E ratio also came in at 1.11, an improvement of 0.57 compared with the previous fiscal year. This was mainly due to the accumulation of profits and cutbacks in interest-bearing debt.

Message from the President

Hiroshi Yokota, President

Looking Back, Up Until Fiscal 2017

Looking back, my first year as the Company's president started with the posting of a huge impairment loss related to our solar-grade polycrystalline silicon business. Given this situation, we took decisive action, implementing various reform measures that placed priority on rebuilding our financial platform to ensure the revitalization of the Tokuyama Group. In fiscal 2016, my second year, amid this difficult management situation, operating income substantially exceeded forecasts at the beginning of the fiscal year owing to the fair winds of falling raw material and fuel costs, among other factors. We also reached the decision to transfer the shares of the consolidated subsidiary engaged in the solar-grade polycrystalline silicon business that had been the cause of so much concern, Tokuyama Malaysia Sdn. Bhd., to a Korean firm. In my third year, fiscal 2017, we marked the completion of this sale of Tokuyama Malaysia shares, and together with this, on June 14, 2017, we also acquired and canceled a total of ¥20 billion worth of Class A shares issued in fiscal 2016 as a cash consideration.

In terms of profitability, despite the headwinds of soaring raw materials and fuel costs, a reversal from the previous fiscal year, in fiscal 2017 we were able to post record-setting net sales and operating income. This was attributable to a firm foundation of manufacturing, such as with cost cutting and stable operations. On top of this, though, we also endeavored to revise selling prices of caustic soda and polyvinyl chloride in our Chemicals segment, and in Specialty Products, we were able to increase sales volumes as we were recognized for our distinctive products in the semiconductor-related market.

With regard to cash dividends, we set the fiscal 2017 interim dividend at ¥2 per share (the Company consolidated its common shares at a ratio of one share for each five shares, effective as of October 1, 2017. After the consolidation, the dividend essentially became ¥10 per share). The year-end dividend per share amounted to ¥20, which was comprised of a base dividend of ¥10 per share, as well as an additional ¥10 per share as a 100th anniversary commemorative dividend. This essentially made for fiscal year dividends of ¥30 per share. We are planning fiscal 2018 interim and year-end dividends of ¥25 per share, respectively, for a total of ¥50 per share.

Hiroshi Yokota, President

Medium-Term Management Plan Foundation: “Change the Group’s Organizational Culture and Structure”

Two years have passed since we launched the Medium-Term Management Plan in May 2016. This fiscal year we welcome a turnaround point.

With regard to planning, we newly formulated our “Tokuyama Vision” as a revision of our corporate basic policy, which after 27 years had become outdated. In tandem with this, as our vision of an ideal Tokuyama Group in 2025, we set forth a goal of becoming a “global leader in advanced materials through unique technologies” in growth businesses such as Specialty Products and Life & Amenity, and in our traditional Chemicals and Cement businesses, to become “a leader in Japan through strengthening competitiveness.” For this Medium-Term Management Plan, we also formulated management numerical targets for fiscal 2020 that we would treat as milestones, and we are addressing priority issues toward achieving those targets.

In promoting the Medium-Term Management Plan, the theme of critical importance is to change the Group’s organizational culture and structure. I am aware that Tokuyama’s insular corporate culture has emerged as a factor that has contributed to the posting of enormous losses for two consecutive fiscal years and that has hindered business growth. I believe that bringing back the vital culture of “focusing on our customers” and having an “outward-looking approach,” which Tokuyama had lost over a period of many years, will result in achieving our targets for fiscal 2020 and realizing an ideal Tokuyama Group in fiscal 2025.

On the other hand, it is not easy to change a culture and a mindset that have been entrenched for many years. It is my belief that when those in senior management seize the initiative to drive things forward, this is what will greatly motivate division leaders and division staff members.

For this reason, from fiscal 2016, the first year of the Medium-Term Management Plan, we endeavored to exchange opinions and provide on-site guidance to employees, particularly those in the managerial class who will bear the responsibilities of the Company going forward. This guidance concerned transformation, specifically of business functions, the work itself, and of their consciousness so as to instill the “Tokuyama Vision” in each and every employee of the Tokuyama Group. This initiative is ongoing even today. Together with this, we revised overall personnel systems so as to reflect the results we achieve to how we do things.

Toward “Global Leader in Advanced Materials” and “Leader in Japan through Strengthening Competiveness in Traditional Business”

Enhanced Profitability by Restructuring of Business Strategies

We will build a lean and sturdy business structure that stands up well to changes in the economic environment so that we can successfully accomplish the Medium-Term Management Plan. At the same time, we will also endeavor to strengthen profitability from the Medium-Term Management Plan’s two underpinning pillars, namely, “Growth Businesses” and “Traditional Businesses.”

In semiconductor-related products, which represent an important business domain, we will further hone the high quality and high purity that are Tokuyama’s strengths amid ever-increasing demand for miniaturization and build a value chain that meets qualitative and quantitative requirements.

In the healthcare domain, we will cultivate business as four pillars: plastic lens-related materials; diagnostic reagent and clinical systems; dental materials and equipment; and active pharmaceutical ingredients (API). Here, the key to monetization lies in marketing. By firmly putting in place sales channels for our healthcare-related materials, we will accelerate the growth of our market share.

In the traditional business segments of Chemicals and Cement, although Japan is a market of mature industries, surging demand in overseas markets remains unabated. Amid the dramatic changes swelling up outside of Japan, I would like to see us gain the trust of customers so as to achieve business continuity and maximize profits.

A “Global Leader in Advanced Materials” and a “Leader in Japan through Strengthening Competitiveness in Traditional Business”

As was the case last fiscal year, raw materials costs are projected to continue to soar in fiscal 2018. Our concerted efforts to promote changes to the Group’s organizational culture and structure are ongoing, and we will work to foster a vibrant corporate culture in which we execute business operations with a sense of urgency. In this way we aim to achieve our budget, and furthermore, to surpass those results of the previous fiscal year. For myself as well, I will work to fulfill my role in top management so that we will be able to achieve these results.

All of us in the Company will work vigorously and as one to achieve the fiscal 2020 targets of the Medium-Term Management Plan, and to realize our vision of the Tokuyama Group in fiscal 2025. As we move toward achieving those targets, we kindly request the continued support and understanding of all our shareholders and other stakeholders.

Hiroshi Yokota

Hiroshi Yokota
President
June 2018

Research and Development

Research and Development Principles and Policies

Contributing to the world by applying chemistry-based technologies lies at the heart of Tokuyama’s research and development philosophy. Guided by this philosophy, the Company adheres strictly to a process of internal and external collaboration in a bid to promote a customer-focused approach. At the same time, we endeavor to integrate new technologies drawing on the strengths of our inherently unique and specialist capabilities and engage in research and development activities with the aim of producing advanced materials that lead the world.

In order to take another step toward a research and development promotion structure that is committed to producing technologies and materials with genuine commercial application, we organized our research and development activities of the Research and Development Division into three broad groups, the Tsukuba Research Laboratory, the Tokuyama Research Laboratory, and the New Business Promotion Dept. from July 2017. At each laboratory, we undertake development with our eyes fixed firmly on end results (a genuine commercial outcome) in collaboration with business segments in the medical and healthcare- as well as ICT-related domains. The New Business Promotion Dept. manages market information on a centralized basis. This information is then used to uncover and anticipate customers’ needs and the underlying platform to put forward new proposals.

Research and Development Bases

Tokuyama’s two-pronged R&D structure comprises Tsukuba Research Laboratory in Tsukuba City, Ibaraki Prefecture, in Eastern Japan, and Tokuyama Research Laboratory in Shunan City, Yamaguchi Prefecture, in Western Japan.

Tsukuba Research Laboratory

The Tsukuba Research Laboratory is a development base that focuses on the medical and healthcare-related domain. The lab pursues leading-edge technologies from a medium- to long-term perspective, conducting research and development of analysis techniques as platform technologies, composite materials used especially in the field of dentistry, and high-value-added products targeting the organic fine chemicals field.

Tsukuba Research Laboratory

Tokuyama Research Laboratory

Tokuyama Research Laboratory

The Tokuyama Research Laboratory is a development base that focuses on the ICT-related domain. Spanning a wide variety of fields from basic chemicals to cement, the Laboratory engages in a broad array of research and development activities including basic research, application research, and the development of processes.

R&D Activities in Fiscal 2017

Based on our basic philosophy of "Centered on the field of chemistry, the Tokuyama Group will continue to create value that enhances people’s lives ", Tokuyama is doing Research and Development with aiming to expand and develop each business based on chemistry, with priority areas being "Specialty Chemicals for ICT and Healthcare".

In combination with the existing Analytical Science Department and Intellectual Property Department, the Tokuyama Group R&D Divisions consist of a five-department system after dividing the previous Corporate Development Department into the Tsukuba Research Laboratory, Tokuyama Research Laboratory, and New Business Promotion Department in July 2017. The purpose of this reorganization is to help accelerate development based on a clear responsibility-taking system and creating marketing functions based on successful Group development themes that anticipate customer/market needs and technological changes.

The Tsukuba Research Laboratory and Tokuyama Research Laboratory have continued to develop scintillator materials for neutron detectors, single crystal aluminum nitride substrates, and battery materials while also establishing new development themes for semiconductor peripheral materials, organic inorganic composite materials, nano particle materials, chlorine compound materials, medical materials, and veterinary peripheral materials. In November 2017, the

Company commenced domestic sales of livestock nipple protective material Teatner , which is the first product developed under the new system.

The New Business Promotion Department engages in marketing in cooperation with internal and external organizations, fine-tuning its business strategies and proprietary technologies starting with customers, and is tasked with creating new themes in the fields of IoT and life sciences.

In fiscal year ended March 31, 2018, the Tokuyama Group's R&D spending totaled ¥7,903 million, including ¥1,564 million for basic research expenditures that are not allocable to a specific segment.

Below is a description of R&D projects underway and spending by segment.

Chemicals Segment
Tokuyama develops technologies to cope with needs of environmental load reduction of chlorine-related products, reduce costs by improving production efficiency, and maintain and improve product quality. With vinyl chloride resin, Tokuyama also strengthened its technical services to supply products according to customers' requests, and actively worked on developing new grades that make use of the findings acquired from technical service. In developing inorganic chemicals, Tokuyama focused on investigating marketability based on customer evaluation, improvement of physical properties and manufacturing process.

R&D expenditures totaled ¥ 627 million in the Chemicals segment.

Specialty Products Segment
Regarding polycrystalline silicon, Tokuyama upgrades and develops technologies in order to both improve the purity and quality of polycrystalline silicon for semiconductors as well as reduce costs through more efficient production.
With regards to silica, Tokuyama has not only upgraded its existing fumed silica products, but also developed new conformal silica to meet customer requests.
As for heat dissipating materials, in addition to aluminum nitride and boron nitride fillers used in heat dissipation materials such as power semiconductors and LEDs, Tokuyama has begun developing silicon nitrides.
With regard to high-purity chemicals for the electronics industry, Tokuyama has redoubled its efforts to continually reduce impurities.

R&D expenditures came to ¥ 1,958 million in the Specialty Products segment.

Cement Segment
Tokuyama has continued to aggressively pursue R&D in the use of various wastes as raw materials and fuels for the production of cement. In particular, Tokuyama focused on exploring substitutes for coal. Focusing on applications outside of cement manufacturing processes, Tokuyama has concentrated on developing technologies to effectively use coal ash and waste gypsum boards. As basic research on cement, Tokuyama continued to examine the reduction of burning temperature of cement clinker from the viewpoint of energy saving. As cement-related products, Tokuyama promoted development and improvement of various building materials products applied to repair and reinforce concrete structures such as cross section repairing materials, development and improvement of various grades of cement-based soil solidifiers.

R&D expenditures were ¥712 million in the Cement segment.

Life & Amenity Segment
We made progress developing next-generation photochromic dye materials for lenses-related materials. We also worked on the development of manufacturing processes for active pharmaceutical ingredients. In the healthcare and clinical testing fields, marked progress was made on the integrated development of products including diagnostic reagents and laboratory information systems, clinical analyzers, and laboratory automation systems. In the dental care field, continued steps were taken to develop products such as restorative composite resins, dental adhesives and dental resin composite block. In ion exchange membranes, progress was made on the development of high-efficiency bipolar membrane electrodialysis technology, highly functional ion exchange membranes, and other products.

R&D expenditures totaled ¥3,039 million in the Life & Amenity segment.

CSR Initiatives

Tokuyama works diligently to fulfill its corporate social responsibility (CSR) in an effort to nurture sound relationships with all stakeholders in accordance with its basic philosophy of CSR-oriented management. Recognizing that the purpose and purport of the Corporate Governance Code—ensuring sustainable corporate growth while enhancing corporate value over the medium to long term— is directly linked to the principles of CSR, Tokuyama has positioned internal control at the heart of its CSR activities and is taking practical steps to adhere to the Corporate Governance Code. In this regard, we are placing considerable weight on both risk management and compliance as the key elements of our internal control endeavors. As a company that manufactures chemicals, we are also aware of the importance that responsible care plays in advancing CSR. In addition to putting in place a Companywide promotion structure, we are working to ensure the proper operation and continuous upgrade of our safety, environmental and quality management systems.

In order to realize sustainable growth as the corporate group of choice for our customers, we have put in place the Tokuyama Group Code of Conduct as well as the Tokuyama Group's Five Conscience Clauses for each and every executive and employee. In order to ensure that all executives and employees are fully aware of both this Code of Conduct and Conscience Clauses, posters are displayed at the Group's business establishments and offices and a handbook distributed to all staff. Moreover, we have issued the Tokuyama Group Guidelines for Business Activities as a means to clarify the principles for actions taken by members of the Tokuyama Group and to establish parameters for a relationship with each stakeholder.

Involvement in the Environment

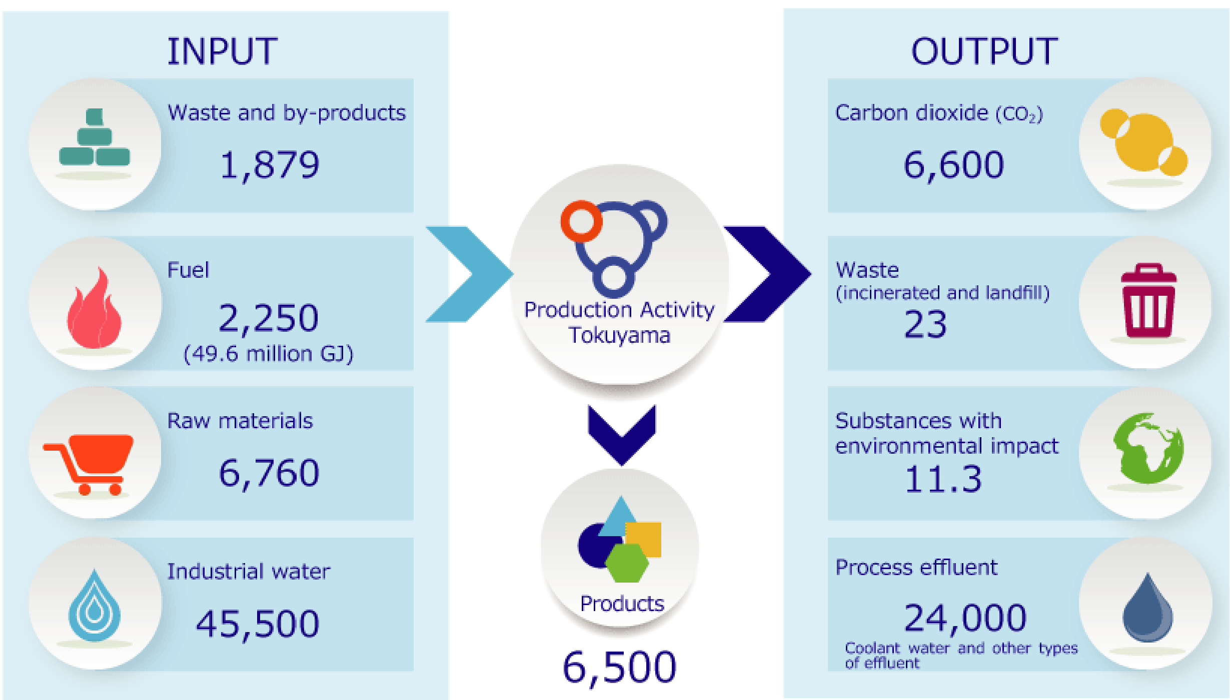
One of our most important corporate social responsibilities is to actively protect the global environment. Tokuyama practices environmental management with an emphasis on environmental perspectives in all of its business activities.

Tokuyama's Environmental Performance for Fiscal 2017

Tokuyama strives to obtain accurate data on the input and output of materials and substances in its business activities and reduce the environmental impact of these activities to meet its environmental targets.

In fiscal 2017, Tokuyama achieved its goals for unit energy consumption, recycling and zero emissions. Regarding other performance data, Tokuyama has set a separate numerical management target for each department to maintain the current low-impact situation.

Flow of Materials in Business Activities (Unit: 1,000 tonnes)



* Result for Fiscal 2017 (Non-consolidated)

Involvement in Society

Tokuyama places great importance on communication with its stakeholders as a means of remaining a company needed by communities and society as a whole.

Social Contribution Activities

In an effort to deepen understanding toward the Company's process safety, disaster prevention, and environmental protection activities, Tokuyama places the utmost emphasis on promoting communication and dialogue with the local community. We engage in a wide range of activities in a bid to remain an essential partner to the local community and society at large.

Donations under the Mikage Bunko Program

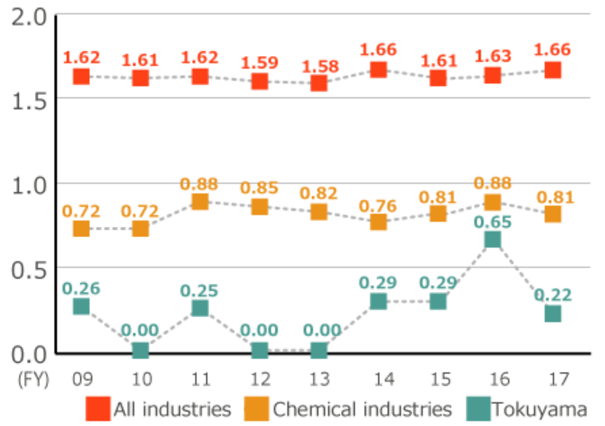
This year, the Tokuyama Factory ran its 41st Mikage Bunko charity program, which began in 1978 as a part of the Company's 60th anniversary celebrations. Under the program, library bookstore gift certificates are donated to elementary and junior high schools in Shunan City each year. The total amount of donations to date has exceeded ¥200 million.

The Company donated ¥100,000 each to 41 elementary and junior high schools in Shunan City in 2018 together with bookcases to mark its 100th anniversary. Mr. Kenichiro Kimura, Mayor of Shunan City, in expressing his sincere gratitude and commenting that many children who grew up reading Mikage Bunko were now thriving at the heart of society presented Mr. Hideki Adachi, General Manager of Tokuyama Factory, with a certificate of appreciation.

Process Safety, Disaster Prevention and Occupational Health and Safety

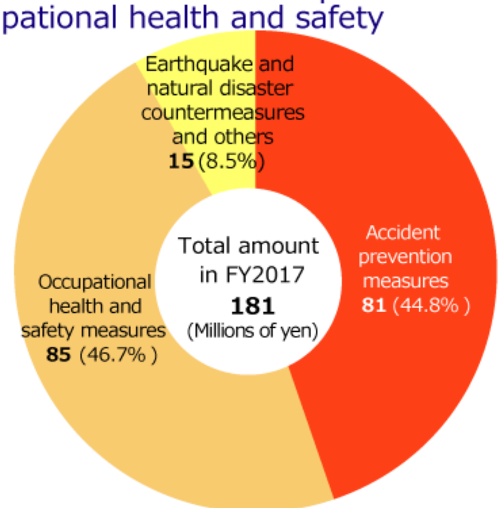
Tokuyama believes that safety is an essential part of business activities and that ensuring safety is the first step in achieving coexistence with society. In taking this stance on safety, Tokuyama thoroughly conducts process safety and disaster prevention activities as well as occupational health and safety efforts. By doing so, the Company endeavors to prevent accidents and disasters while striving to provide a favorable working environment.

Trend in the Accident Frequency Rate*1



*1 The accident frequency rate refers to the number of workers forced into absence through industrial accidents per one million cumulative working hours. This reflects the frequency at which industrial accidents occur.

Expenditures for accident prevention and occupational health and safety



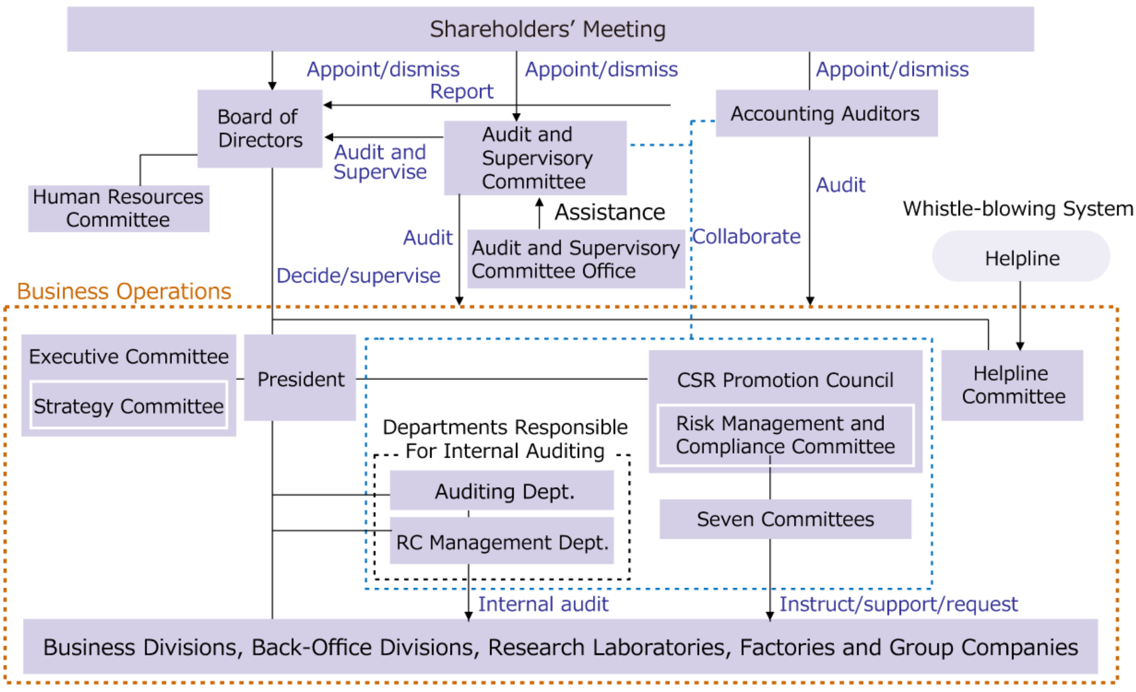
For more information on Tokuyama's CSR initiatives, see the Company's *CSR Report* or the Company's website: http://www.tokuyama.co.jp/eng/csr/index.html

Corporate Governance

Tokuyama strongly believes creating and continuously providing new value is made possible through the trust of and cooperation with its stakeholders, which include shareholders, customers, trading partners, employees and local communities. This in turn enables the Company to grow on a sustainable basis and to increase its corporate value over the medium to long term. In order to make this a reality, Tokuyama has positioned corporate governance as a key management priority. Tokuyama has always been working to improve corporate governance. Taking into consideration the introduction of the Corporate Governance Code in Japan, the Company places the utmost emphasis on ensuring the rights and equality of its shareholders while strengthening the supervisory function and securing the independence of the Board of Directors. At the same time, Tokuyama works diligently to accelerate decision making and to clarify the business execution responsibilities of its Board of Directors while ensuring appropriate disclosure and transparency and promoting constructive dialogue with shareholders.

Corporate Governance Structure

The Company introduced an executive officer system to separate the supervision and execution functions in April 2011, assigning external directors in June of the said year. The number of external directors was subsequently increased in stages. On June, 2017, the Company transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee selects three external directors from five Committee members and endeavors to ensure management transparency and fairness. By doing so, it strives to maintain management soundness. As a company with an Audit and Supervisory Committee, the Company seeks to enhance corporate governance at all times by making the best of its rapid decision-making functions and effective supervising/auditing functions.



Board of Directors and Executive Officer System

In addition to deliberating and making resolutions on important matters relating to the activities of the Company, the Board of Directors supervises business operations. During fiscal 2017, the Board of Directors met on 20 occasions.

As of June 25, 2018, Tokuyama's Board of Directors comprised 11 members. The Company appointed three external directors thereby bolstering the supervisory function of the Board of Directors. Meanwhile, the term of office of directors (excluding directors who are Audit and Supervisory Committee members) is set at one year in order to ensure clear accountability as well as the ability to swiftly address changes in the operating environment.

Tokuyama adopted an executive officer system in April 2011 with the aim of separating the executive and supervisory functions for business operations. As of June 25, 2018, the Company had 13 executive officers.

Based on the rules for approval determined by the Board of Directors, authority is delegated to the business executive system.

Audit and Supervisory Committee

Directors who are Audit and Supervisory Committee members attend meetings of the Board of Directors and other important internal meetings for purposes such as gathering information on the status of the execution of businesses, and conduct audits of how the executive officers are executing their duties. During fiscal 2017, Audit and Supervisory Committee met on 18 occasions, making reports, consultations and resolutions on important matters. As of June 25, 2018, the Audit and Supervisory Committee consists of five directors who are the members of the Committee, including three external directors who are Audit and Supervisory Committee members.

Human Resources Committee

The Human Resources Committee consists of representative directors and external directors. This committee holds discussions on such matters as the remuneration for directors and executive officers and the selection of director and executive officer candidates before Board of Directors meetings take place.

Executive Committee

Members of the Executive Committee are selected by the president and executive officer from among the Company’s executive officers. The Executive Committee serves as the Company’s decision-making body with respect to the execution of business operations. In principle, the committee meets two times each month. Based on the approval rules and regulations determined by the Board of Directors, the Executive Committee deliberates and makes decisions on strategies and other important matters.

Strategy Committee

Members of the Strategy Committee are selected by the president from among the Company’s executive officers. The committee meets once a month and serves as an advisory body to the president. In addition to deliberating on the direction of business execution, the Committee takes steps to confirm the allocation of management resources aimed at evaluating conditions relating to the execution of business with respect to important matters requiring approval while setting the direction of policies relating to the execution of business with respect to specific projects.

CSR Promotion Council

Chaired by the president, the CSR Promotion Council is comprised of all executive officers working in Japan. The Council sets policies on CSR and lays out the goals of our CSR activities, facilitating the execution and attainment of all such activities and goals. The Council focuses on maintaining appropriate corporate governance and internal control, which together are the foundations of CSR. It also discusses important matters regarding internal control.

Risk Management and Compliance Committee

Tokuyama’s Risk Management and Compliance Committee, chaired by the director supervising the Corporate Social Responsibility Division, operates under the CSR Promotion Council. The Committee takes the initiative in promoting risk management and compliance, which are central to effective internal control.

Seven Committees of Experts

With regard to areas requiring specialist expertise and of great importance from the viewpoint of risk management and compliance, the Company has set up and is developing the activities of seven committees of experts—covering accounting, antitrust law and competition law compliance, trade control, information security, environmental measures, safety measures, product safety and quality—under the CSR Promotion Committee and separate from the Risk and Compliance Committee.

Helpline Committee

The Helpline Committee is responsible for the administration of Tokuyama’s helpline (whistle-blowing) system, which has been established for the purpose of enabling the internal reporting of legally questionable actions and behavior by Group executives and employees.

Departments Responsible for Internal Auditing

Tokuyama has established the Auditing Department and the RC Management Department, which are responsible for internal auditing. These departments perform internal audits of individual divisions and departments of the Company as well as of Group companies.

Policies and Procedures for Appointing Management Executives and Nominating Director and Auditor Candidates

To enable supervision of appropriate decision making and business execution with regard to the Company's business operations that are centered on chemicals, the selection of internal candidates for directorships appoints people who are well-balanced in terms of their knowledge of each business segment and area as well as the experience they possess. By adding external directors who possess high-level insight and wide-ranging experience as managers, the Company ensures the balance and diversity of the Board of Directors as a whole.

When nominating director (excluding directors who are Audit and Supervisory Committee members) candidates, discussions are held at a Human Resources Committee meeting in advance of the subject appearing on the agenda at a Board of Directors' meeting. Comprising representative directors and external directors, the Human Resources Committee is the entity that nominates directors, executive officers and others, and discusses such matters as remuneration. The Board of Directors makes its decisions in response to the Human Resources Committee's report.

In the case of the nomination of directors who are Audit and Supervisory Committee members candidates, the Board of Directors makes its decisions having received the assent of the Audit and Supervisory Committee.

Policies and Procedures for Determining the Company's Executives Remuneration

The policy relating to the amount of remuneration for the Company's executives and determining method to calculate such amounts is based on rules of executive remuneration, which are as follows.

1. The remuneration of directors who are Audit and Supervisory Committee members and other directors shall be within a range of remuneration obtained by resolution at a Shareholders' Meeting.
2. Having received the proposals of remuneration of directors (excluding directors who are Audit and Supervisory Committee members) from the president and executive officer in advance, such proposals shall be discussed at a Human Resources Committee meeting.
3. Individual directors (excluding directors who are Audit and Supervisory Committee members) remuneration shall be in accordance with the amounts decided for each executive and determined by Board of Directors' resolution.
4. The specific amounts of remuneration for directors who are Audit and Supervisory Committee members shall be determined by the resolution of Audit & Supervisory Board.

At its 154th Ordinary General Meeting of Shareholders, which was held on June 22, 2018, the Company decided to introduce a performance-based stock remuneration program for directors of the Company (excluding directors who are Audit and Supervisory Committee members, non-executive directors, external directors, and persons not resident in Japan) and executive officers (excluding persons not resident in Japan; hereinafter collectively referred to with directors as "Directors, etc."). The aim of introducing the program is to clarify the interrelationship between the remuneration of Directors, etc., and the Company's corporate value toward the realization of the Medium-Term Management Plan, which was formulated in 2016, to enhance motivation to achieve the business performance targets in the Medium-Term Management Plan, and further ensure interests are shared with shareholders by promoting the holding of the Company's shares by Directors, etc.

In fiscal 2017, a total of ¥171 million and ¥32 million was paid to seven directors (excluding external directors) and two Audit and Supervisory Board members (excluding external directors), respectively. In addition to the aforementioned compensation, a total of ¥9 million and ¥49 million was paid to two corporate auditors (excluding external directors) and seven external officers, respectively.
In addition to the aforementioned compensation, an amount of ¥42 million was paid as salaries to four employees, who hold the concurrent position of director.

Anti-takeover Measures

Tokuyama recognizes the need to put in place appropriate countermeasures to protect both the interests of the Company's shareholders and the Company's corporate value from large-scale purchases of its shares (hereinafter referred to as a "Large-Scale Purchase") by another party (hereinafter referred to as a "Large-Scale Purchaser") in cases where the Large-Scale Purchase is judged to significantly damage the common interests of Tokuyama's shareholders and Tokuyama's corporate value.

The decision of whether to accept a Large-Scale Purchase is ultimately left to the discretion of Tokuyama's shareholders. Consequently, in cases where a Large-Scale Purchase is being attempted, we believe that the Large-Scale Purchaser's provision of an adequate amount of information is necessary. In addition, we believe that the appraisal and opinions of Tokuyama's Board of Directors, as well as the provision of information and the like based on the business features pertaining to any Large-Scale Purchase, are critical for the shareholders to make a decision of whether to accept said

Large-Scale Purchase, and contribute to the common interests of Tokuyama's shareholders.

Accordingly, the Company established a set of large-scale purchase rules to ensure that these interests and the Company's corporate value are preserved. Under these rules, each Large-Scale Purchaser is required to provide an adequate amount of information to Tokuyama's Board of Directors prior to undertaking a Large-Scale Purchase. Moreover, an appropriate amount of time must be set aside to allow the Company's Board of Directors to assess and consider the terms and conditions of the Large-Scale Purchase and to put forward its opinion as well as alternative proposals.

In cases where a Large-Scale Purchaser fails to comply with the large-scale purchase rules, or when a Large-Scale Purchaser complies with the large-scale purchase rules, but is deemed to significantly damage the common interests of the Company's shareholders and the Company's corporate value, Tokuyama's Board of Directors may take such measures as the allotment of share options without contribution as stipulated under Article 277 and the following provisions of Japan's Companies Act and oppose the Large-Scale Purchase on the condition that the Company obtains approval at the Ordinary General Meeting of Shareholders concerning.

Specific details outlined above were collated into the Company's "Policy regarding Large-scale Purchases of Tokuyama Corporation's Company Shares (Anti-Takeover Measures)." This policy was approved by the Company's shareholders at the 151th Ordinary General Meeting of Shareholders held on June 22, 2018.

Details of the Policy have been posted on the Company's website:
URL: http://www.tokuyama.co.jp/eng/company/governance/anti_takeover.html

Business and Other Risks

Set out below are those matters relevant to the Tokuyama Group's business status and financial conditions that could potentially have a significant influence on investor decisions. Please note that the matters listed do not cover all risks relevant to the Tokuyama Group, and it is thought that there are risks other than those matters listed that could potentially influence investor decisions.

The matters listed are those regarded as relevant as at June 26, 2017.

(1) Procurement/Market Conditions of Raw Materials and Fuels, etc.

Tokuyama Group procures the raw materials and fuels essential to conduct production operations from various area in the world. Also, for some of its products, Tokuyama Group uses special raw materials and materials which have a limited number of suppliers. With regard to the procurement of raw materials and fuels, Tokuyama Group engages in long-term, stable, low-cost procurement by combining, for example, medium- to long-term contracts and purchases on spot markets. However, in the event that a soaring market or resource nationalism causes the tight supply of raw materials and fuels or delays in delivery hinders Tokuyama Group's production operations causing manufacturing costs to rise drastically, there is the possibility that any such situation greatly affects Tokuyama Group's business performance and financial condition.

(2) Electronic Materials Business Market Environment

While the Electronic Materials Business is one of Tokuyama Group's main businesses, in the event that the economical trough in the information and electronics industry leads to a deterioration of the earnings from Electronics Materials Business, there is the possibility that any such situation greatly affects Tokuyama Group's business performance and financial condition.

(3) Environmental Regulations, etc.

Tokuyama Group operates a range of businesses that use natural resources and energy in large quantities. Tokuyama Group enhances the investment in resource recycling systems and the facility designed to reduce its environmental impact and accepts waste as an alternative fuel and raw materials. At the same time, Tokuyama Group also works to reduce its environmental impact by, for example, promoting Zero Emission initiatives and improving its unit energy consumption. However, in the event that more stringent environment-related regulation is approved or a new social responsibility for environmental protection becomes required, there is the possibility that any such situation greatly affects Tokuyama Group's business performance and financial condition.

(4) Contractual Disputes/Litigation

The Legal & Credit Management Department and the Intellectual Property Department of Tokuyama Groups take lead in day-to-day precaution against patent or contract disputes and litigation. However, in both its domestic and overseas businesses, there exists the possibility that Tokuyama Group becomes the subject of a legal dispute or litigation. In the event that a major lawsuit is filed, there is the possibility that such a situation greatly affects Tokuyama Group's business performance and financial condition.

(5) Effect of Disasters/Accidents

Tokuyama Group performs day-to-day and periodic facility maintenance to minimize the adverse effects from any disruption to its production operations. Such maintenance, however, is unable to completely prevent or may not effectively reduce the adverse effects on production facilities from disasters or accidents (including earthquakes and other natural disasters). Also, while Tokuyama Group manufactures products for which alternative production arrangements could not immediately be made, should events lead to a significant decrease in production volume or, in the worst case, Tokuyama Group be forced to discontinue production for a protracted period, there is the possibility that any such situation greatly affects Tokuyama Group's business performance and financial condition.

(6) Product Liability

Tokuyama Group makes an honest effort to ensure the proper quality in accordance with product characteristics. However, in the event that, due to unexpected circumstances, a quality problem leads to a product recall or a product safety-related product liability (PL) issue arises, there is the possibility that any such situation greatly affects Tokuyama Group's business performance and financial condition.

(7) Market Economic Trends/Conditions

The supply of and demand for Tokuyama Group products are subject to the trends of their respective markets, which are primarily the chemical industries, the construction and construction material industries as well as the information and electronic industries. The products from Tokuyama Group are sold mainly in Japan, the United States, Asia, and Europe, and the economic conditions in such country could exert a great influence on the sales. Tokuyama Group targets production improvements and higher quality and also promotes cost reductions however a fall in demand in the market and industries or an economic slowdown in the sales area may greatly affect Tokuyama Group’s business performance and financial condition.

(8) Price Competitiveness

In each of the business that Tokuyama Group conducts, similar products may be available from competitors. Tokuyama Group supplies products to customers maintaining a competitive advantage in terms of quality and price. However, in the event that low-cost imported products flood the market or a price war breaks out between rival companies due to unforeseen circumstances, and that the situation continues for a prolonged period of time deteriorating Tokuyama Group’s profitability, there is the possibility that any such situation greatly affects Tokuyama Group’s business performance and financial condition.

(9) Overseas Business Development

The polycrystalline silicon factory that Tokuyama Group built in the Malaysian state of Sarawak is comparatively larger in scale than Tokuyama Group’s other existing overseas facilities. In the event that the stable operation or sales is disturbed, unexpected changes are made to the society system, laws and regulations or labor-management problems arise, there is the possibility that any such situation greatly affects Tokuyama Group’s business performance and financial condition.

(10) Financing Arrangements

Tokuyama Group arranges financing through loans or issuance of unsecured bonds, and in preparation for changes in the market environment such as interest rates, in principle, measures to mitigate risks by hedging transactions such as fixed rate contracts or fixed interest rate swaps, however, there is a possibility that with some borrowing, cost of financing arrangements could increase due to changes in the market environment such as interest rate, which may have a significant impact on the performance and financial contents of the Tokuyama Group. In addition to changes in the market environment such as interest rates, since the amount of interest-bearing debt exceeded the amount of equity capital at the end of the consolidated fiscal year, or depending on the credit ratings or other conditions, there is no guarantee that the financing is always available under same conditions in arranging financing through a new loan from a financial institution or the issuance of unsecured bonds.

(11) Fluctuation of Exchange Rate

Tokuyama Group exports products and imports raw materials, fuels, etc in foreign currencies. Although Tokuyama Group has taken measures to reduce risks by currency exposure management by balancing assets and liabilities denominated in foreign currencies or hedging transactions such as forward exchange contracts, there is a possibility that performance and financial content of the Tokuyama Group will be greatly affected by fluctuations in exchange rates. There is also the possibility that it will adversely affect the yen converted value of the financial statements of overseas consolidated subsidiaries when preparing consolidated financial statements.

(12) Impairment of Fixed Assets

Tokuyama Group adopts the accounting standard for impairment of fixed assets. In the event that there is a significant deterioration in the business environment or a decline in real estate prices, etc, there is a possibility that performance and financial content of the Tokuyama Group will be greatly affected by the recognition of impairment loss.

Corporate Officers

(As of June 25, 2018)

Masao Kusunoki
Representative Director
Chairman and Executive Officer

Hiroshi Yokota
Representative Director
President and Executive Officer

Takeshi Nakahara
Director
Managing Executive Officer

Hideki Adachi
Director
Managing Executive Officer

Akihiro Hamada
Director
Managing Executive Officer

Hideo Sugimura
Director
Managing Executive Officer

Masaki Akutagawa
Director, Audit &
Supervisory Committee
Chair

Youji Miyamoto
Director, Audit &
Supervisory Committee
Member

Shin Kato
Director, Audit &
Supervisory Committee
Member
（External Director）

Toshihide Mizuno
Director, Audit &
Supervisory Committee
Member
（External Director）

Yoshikazu Tsuda
Director, Audit &
Supervisory Committee
Member
（External Director）

Executive Officers

Chairman and Executive Officer	Masao Kusunoki	
President and Executive Officer	Hiroshi Yokota	
Managing Executive Officer	Takeshi Nakahara	General Manager of Social Responsibility Div.
	Hideki Adachi	General Manager of Tokuyama Factory
	Akihiro Hamada	General Manager of Financial Div.
	Masao Fukuoka	General Manager of General & Personnel Affairs Div.
	Toshihiko Annaka	General Manager of Procurement & Logistics Div.
	Ryo Sugiyama	General Manager of Life & Amenity Business Div.
	Hideo Sugimura	General Manager of Corporate Planning Div.
	Hiroshi Nomura	General Manager of Specialty Products Business Div.
Executive Officer	Kazuo Matsuya	General Manager of Chemicals Business Div.
	Fumiaki Iwasaki	General Manager of Research & Development Div., Tsukuba Research Laboratory and Medical Associated Dept.
	Takahide Taniguchi	General Manager of Cement Business Div.

Financial Section

Financial Review

Income Analysis

In the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018), the momentum of recovery across the global economy gathered strength. This was largely due to an upswing in investment in developed countries, smartphone penetration and growth in emerging nations, increased application of information technology in the automobile, home appliance, and other sectors, and growing use of IoT and big data.

As far as the Japanese economy is concerned, export and manufacturing activities continued to improve with corporate earnings reaching record highs. In addition to improvements in employment and disposable income conditions, domestic demand also exhibited signs of a recovery on the back of such factors as personal consumption and private-sector capital investment. Taking the aforementioned into consideration, Japan advanced toward a positive economic cycle.

Under these circumstances, the Tokuyama Group continued to implement the priority measures identified in its Medium-Term Management Plan.

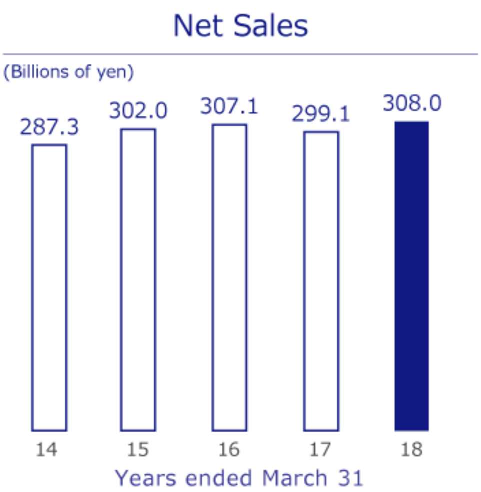
As a result, despite increases in raw material and fuel costs including coal and naphtha, Tokuyama benefitted from such factors as an increase in sales volume and efforts to adjust selling prices. As a result, both net sales and operating profit improved.

Consolidated net sales increased 3.0%, or ¥8,954 million compared with the previous fiscal year, to ¥308,061 million (US$2,906 million). This was largely attributable to an increased sales volume in major products such as cement and revision in selling prices of caustic soda and petroleum products.

Cost of sales increased 2.6%, or ¥5,222 million compared with the previous fiscal year, to ¥207,715 million (US$1,959 million). This was due mainly to an increase in raw material and fuel costs as a result of the surge in coal and domestic naphtha prices.

SG&A expenses increased 1.7%, or ¥997 million compared with the previous fiscal year, to ¥59,077 million (US$557 million). This was largely attributable to the increase in logistics costs associated with the increased sales volumes.

Operating profit increased 7.1%, or ¥2,735 million compared with the previous fiscal year, to ¥41,268 million (US$389 million). Despite an increase in fuel and raw material costs, this was due mainly to an increased sales volume in major products and improved profitability with the effect of the revision in selling prices. The operating margin (the ratio of operating profit to net sales) was 13.4 %, an increase of 0.5 percentage points compared with the figure of 12.9% recorded in the previous fiscal year.



Non-operating income/expenses deteriorated ¥537 million compared with the previous fiscal year.

As a result of the above, ordinary profit increased 6.5%, or ¥2,197 million compared with the previous fiscal year, to ¥36,196 million (US$341 million).

Extraordinary income/losses deteriorated by ¥7,827 million compared with the previous fiscal year. This was largely attributable to the posting of a loss on transfer of business due to the completion of transfer of Tokuyama Malaysia Sdn. Bhd.

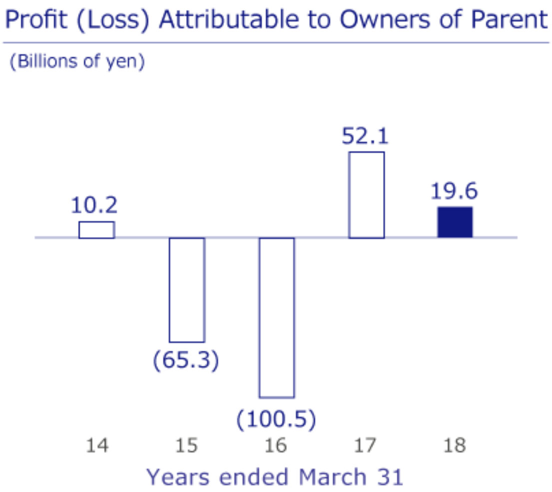
As a result of the above, profit before income taxes decreased 14.6%, or ¥5,630 million compared with the previous fiscal year, to ¥32,895 million (US$310 million).

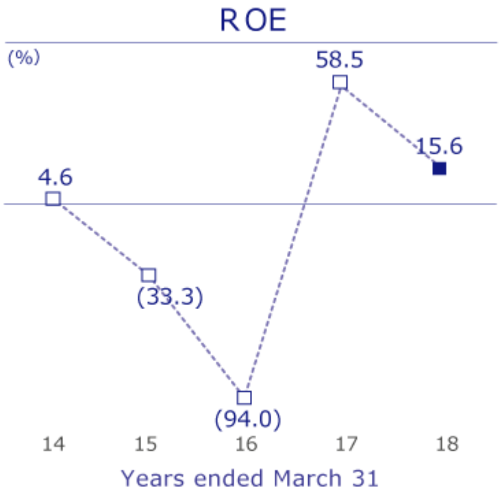
Profit after deducting income taxes calculated in an appropriate way decreased 52.5%, or ¥28,015 million compared with the previous fiscal year, to ¥25,381 million (US$239 million).

Profit attributable to owners of parent decreased 62.2%, or ¥32,467 million compared with the previous fiscal year, to ¥19,698 million (US$185 million).

Basic earnings per share was profit of ¥259.81 (US$2.451), down from ¥738.92 in the previous fiscal year. Dividends per share were ¥30.00 (US$0.283).

Return on equity (ROE) and return on assets (ROA:operating profit/total assets) were15.6% and 5.4%, respectively, compared with 58.5% and 12.3% in the previous fiscal year.





Segment Information

The Tokuyama Group is composed of the parent company, Tokuyama Corporation ("the Company"), 49 subsidiaries and 29 affiliated companies. The Group's operations are divided into the four business segments of Chemicals, Specialty Products, Cement, and Life & Amenity. For accounting purposes, 49 of the Company's subsidiaries are consolidated, while 10 affiliates are accounted for using the equity method.

Chemicals

The Chemicals segment includes the operations of the Company and three consolidated subsidiaries.

Sales of caustic soda were up compared with the previous fiscal year both domestic sales and export volumes increased due to the upward trend of Asian market, and the revision of selling prices was also progressed.

Sales of vinyl chloride monomer (VCM) were up compared with the previous fiscal year. The volume of export mainly for Asian market increase and the selling prices were steady.

Sales of vinyl chloride resin increased. The revision of selling price was progressed.

As a result of the above, segment net sales increased 12.2% compared with the previous fiscal year, to ¥93,546 million (US$882 million) and operating profit increased 24.4% to ¥16,175 million (US$152 million). The segment reported higher earnings on higher sales.

Specialty Products

The Specialty Products segment includes the operations of the Company, five consolidated subsidiaries and one equity-method affiliate.

Sales of polycrystalline silicon decreased. Despite a robust sales volume of semiconductor-grade polycrystalline silicon, this was primarily due to exclusion of Tokuyama Malaysia Sdn. Bhd. from the Company's scope of consolidation.

Sales of fumed silica increased compared with the previous fiscal year due to increased sales of such applications as a polishing material for semiconductors.

With regard to high-purity chemicals for electronics manufacturing, sales increased compared with the previous fiscal year, mainly due to the robust sales volume in such applications as semiconductor manufacturing.

With regard to thermal management material, sales increased compared with the previous fiscal year. This was attributable to an increase in sales volumes of such applications used for semiconductor manufacturing equipment.

As a result of the above, segment net sales decreased 13.4% compared with the previous fiscal year, to ¥58,678 million (US$553 million) and operating profit increased 19.4% to ¥11,003 million (US$103 million). The segment reported higher earnings on lower sales.

Cement

The Cement segment comprises the operations of the Company, 17 consolidated subsidiaries and five equity-method affiliates.

Sales of cement increased. While the construction of infrastructure related to Tokyo Olympic was becoming more active, domestic sales increased at Tokyo and the other areas, and the volume of exports increased on the back of robust demand in the Asia region. Meanwhile, manufacturing costs increased due to a rise in raw material prices such as coal.

In the resource recycling business, despite the Company accepted a lower volume of waste, the waste disposable fees increased compared with the previous fiscal year. As a result of this, sales was almost same as the previous fiscal year.

Consolidated subsidiary net sales increased. This mainly reflected the robust shipping trends of such products as ready-mixed concrete.

As a result of the above, segment net sales increased 5.2% compared with the previous fiscal year, to ¥87,345 million (US$824 million) and operating profit decreased 39.5% to ¥4,568 million (US$43 million). The segment reported lower earnings on higher sales.

Life & Amenity

The Life & Amenity segment includes the operations of the Company, 11 consolidated subsidiaries and one equity-method affiliate.

With regard to dental materials and equipment, sales increased compared with the previous fiscal year, due to higher sales volumes of new products and an increase in the volume of export.

With regard to ion exchange membranes, sales were up compared with the previous fiscal year. This largely reflected the increase of sales on large-scale projects compared with the previous fiscal year.

Sales of active pharmaceutical ingredients and intermediates decreased compared with the previous fiscal year, owing mainly to the downswing in the sales volumes of generic pharmaceuticals.

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

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

As a result of the above, segment net sales increased 1.6% compared with the previous fiscal year, to ¥ 51,579 million (US$486 million) and operating profit decreased 30.8% to ¥ 3,728 million (US$35 million). The segment reported lower earnings on higher sales.

Financial Position and Liquidity

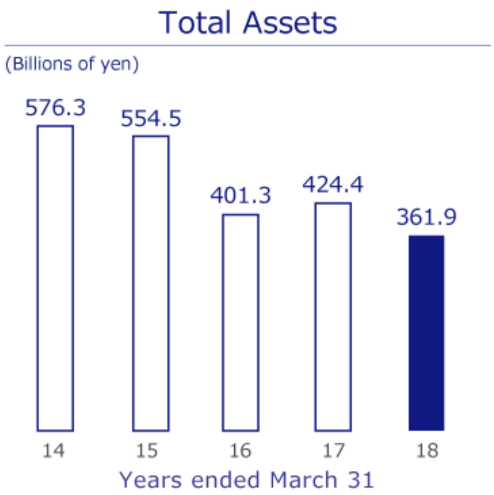
As of March 31, 2018, total assets amounted to ¥361,949 million (US$3,414 million), a decrease of ¥62,483 million compared with the previous fiscal year-end.

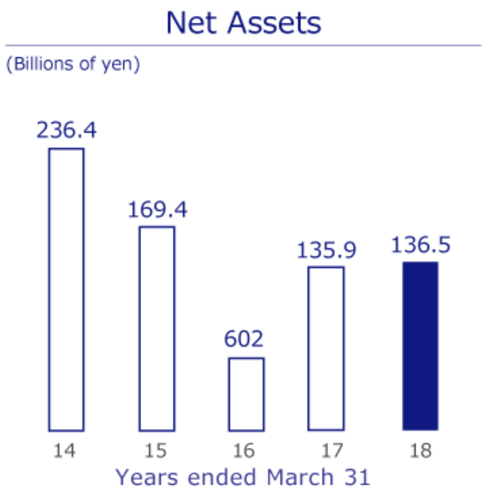
Current assets decreased 19.9% compared with the previous fiscal year-end to ¥197,652 million (US$1,864 million). This was due primarily to a decrease in cash and cash equivalents. Current liabilities increased 17.5% to ¥93,032 million (US$877 million). This mainly reflected an increase in notes and accounts payable. As a result, the current ratio was down to 2.12 times, from 3.12 times as of the previous fiscal year-end.

Property, plant and equipment decreased 7.5% in comparison with the previous fiscal year-end to ¥110,242 million (US$1,040 million). This was primarily due to the removal of Tokuyama Malaysia Sdn. Bhd. from the consolidation. Intangible assets and investments and other assets decreased 7.7% over the previous fiscal year-end to ¥54,054 million (US$509 million). This was primarily due to a decrease in deferred tax asset.

As of March 31, 2018, total liabilities amounted to ¥225,357 million (US$2,126 million), a decrease of 21.9% compared with the previous fiscal year-end figure of ¥288,457 million. The main contributory factor was a decrease in bonds payable, long-term loans payable and current portion of long-term loans payable. Interest-bearing debt decreased 34.6% from ¥213,955 million as of the previous fiscal year-end to ¥139,917 million (US$1,319 million).

Non-controlling interests increased 22.0% from ¥8,960 million as of the previous fiscal year-end to ¥10,935 million (US$103 million). Net assets increased 0.5% compared with the previous fiscal year-end, from ¥135,976 million to ¥136,591 million (US$1,288 million). The ratio of shareholders' equity to total assets was 34.7%, up from 29.9% as of the previous fiscal year-end. The amount of net assets per share was ¥1,806.56 (US$17.04), up from ¥1,527.42 as of the previous fiscal year-end.





Capital Expenditures

Capital expenditures totaled ¥15,941 million (US$150 million), a decrease of 8.2% compared with the previous fiscal year's figure of ¥17,360 million.

Cash Flows

Net cash provided by operating activities totaled ¥61,885 million (US$583 million). Principal items included profit before income tax of ¥32,895 million (US$310 million) (¥38,525 million in the previous fiscal year) and depreciation of ¥13,985 million (US$131 million) (¥14,215 million in the previous fiscal year).

Net cash used by investing activities totaled ¥12,665 million (US$119 million). Major contributory factors were payments for purchases of property, plant and equipment of ¥15,526 million (US$146 million) (¥16,693 million in the previous fiscal year), proceeds from sales of shares in subsidiary of ¥5,362 million (US$50 million) (¥2,926 million in the previous fiscal year).

Net cash used in financing activities came to ¥101,209 million (US$954 million). This was primarily attributable to repayment of long-term loans payable of ¥50,384 million (US$475 million) (¥17,297 million in the previous fiscal year), redemption of bonds of ¥36,014 million (US$339 million) (¥10,000 million in the previous fiscal year), increase in treasury shares of ¥21,650 (US$204 million) (¥7 million in the previous fiscal year).

As a result of the above, cash and cash equivalents decreased by ¥52,012 million (US$490 million) compared with the previous fiscal year-end, to ¥66,807 million (US$630 million).

Consolidated Balance Sheets

Tokuyama Corporation and Consolidated Subsidiaries   Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Assets :			
Current assets :			
Cash and deposits *Note(2)	57,229	121,598	539,900
Notes and accounts receivable - trade *Note(2),(7)	79,660	73,945	751,511
Lease receivables	28	6	273
Securities	10,000	-	94,339
Merchandise and finished goods	14,028	12,348	132,344
Work in process	10,075	9,919	95,051
Raw materials and supplies	15,327	16,567	144,596
Deferred tax assets	6,620	1,627	62,457
Other	4,809	10,798	45,377
Allowance for doubtful accounts	(127)	(150)	(1,206)
Total current assets	197,652	246,661	1,864,645
Non-current assets :			
Property, plant and equipment :			
Buildings and structures *Note(2),(3)	102,761	100,430	969,446
Accumulated depreciation	(73,455)	(72,723)	(692,977)
Buildings and structures, net	29,305	27,707	276,468
Machinery, equipment and vehicles *Note(2),(3)	446,278	450,926	4,210,170
Accumulated depreciation	(404,441)	(404,912)	(3,815,488)
Machinery, equipment and vehicles, net	41,836	46,014	394,682
Tools, furniture and fixtures *Note(3)	21,887	22,015	206,484
Accumulated depreciation	(19,748)	(20,222)	(186,307)
Tools, furniture and fixtures, net	2,138	1,793	20,176
Land *Note(2)	30,995	31,289	292,411
Leased assets	3,760	3,533	35,476
Accumulated depreciation	(1,753)	(1,329)	(16,540)
Leased assets, net	2,007	2,203	18,936
Construction in progress	3,959	10,225	37,349
Total property, plant and equipment	110,242	119,233	1,040,024
Intangible assets			
Goodwill	1,158	2,367	10,925
Leased assets	51	35	487
Other *Note(3)	1,556	2,384	14,688
Total intangible assets	2,766	4,787	26,101
Investments and other assets			
Investment securities *Note(1),(2)	24,302	19,083	229,271
Long-term loans receivable	2,627	2,833	24,784
Deferred tax assets	11,680	19,824	110,188
Net defined benefit asset	9,657	8,936	91,104
Other	3,162	3,221	29,833
Allowance for doubtful accounts	(141)	(148)	(1,334)
Total investments and other assets	51,287	53,750	483,848
Total non-current assets	164,297	177,771	1,549,974
Total assets	361,949	424,433	3,414,619

See notes to consolidated financial statements

Consolidated Balance Sheets

Tokuyama Corporation and Consolidated Subsidiaries Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Liabilities :			
Current liabilities :			
Notes and accounts payable-trade *Note(2)	47,610	37,035	449,152
Short-term loans payable *Note(2)	2,549	2,138	24,049
Current portion of long-term loans payable *Note(2)	15,684	15,235	147,967
Lease obligations	641	577	6,048
Income taxes payable	3,688	1,335	34,801
Deferred tax liabilities	0	-	-
Provision for bonuses	2,557	2,103	24,126
Provision for repairs	4,332	1,628	40,874
Provision for product warranties	98	81	930
Provision for loss on purchase contract	-	2,671	-
Other *Note(2)	15,870	16,346	149,717
Total current liabilities	93,032	79,153	877,667
Noncurrent liabilities :			
Bonds payable	-	34,400	-
Long-term loans payable *Note(2)	119,521	160,555	1,127,558
Lease obligations	1,521	1,787	14,354
Deferred tax liabilities	298	268	2,812
Provision for directors' retirement benefits	143	143	1,358
Provision for repairs	1,594	2,829	15,042
Allowance for loss on compensation for building materials	261	318	2,467
Provision for environmental measures	253	287	2,388
Net defined benefit liability	1,527	1,430	14,409
Asset retirement obligations	5	6	56
Other	7,197	7,275	67,902
Total noncurrent liabilities	132,325	209,303	1,248,349
Total liabilities	225,357	288,457	2,126,017
Net assets :			
Shareholders' equity :			
Capital stock			
Authorized : 200,000,000 shares			
Issued : 69,934,375 shares	10,000	10,000	94,339
Capital surplus	20,008	41,545	188,757
Retained earnings	90,752	72,511	856,152
Treasury stock			
2017 : 370,156 shares			
2018 : 378,378 shares	(1,472)	(1,446)	(13,889)
Total shareholders' equity	119,288	122,609	1,125,360
Accumulated other comprehensive income :			
Valuation difference on available-for-sale securities	1,352	319	12,757
Deferred gains or losses on hedges	(151)	(274)	(1,432)
Foreign currency translation adjustment	2,093	1,528	19,746
Remeasurements of defined benefit plans	3,074	2,833	29,008
Total accumulated other comprehensive income	6,368	4,406	60,080
Non-controlling interests	10,935	8,960	103,160
Total net assets	136,591	135,976	1,288,601
Total liabilities and net assets	361,949	424,433	3,414,619

See notes to consolidated financial statements

Consolidated Statements of Income

Tokuyama Corporation and Consolidated Subsidiaries Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net sales	308,061	299,106	2,906,239
Cost of sales *Note(1),(4)	207,715	202,492	1,959,578
Gross profit	100,346	96,613	946,661
Selling, general and administrative expenses :			
Selling expenses *Note(2)	39,268	37,916	370,453
General and administrative expenses *Note(3),(4)	19,809	20,164	186,884
Total selling, general and administrative expenses	59,077	58,080	557,337
Operating profit	41,268	38,533	389,323
Non-operating income :			
Interest income	210	54	1,989
Dividend income	272	249	2,573
Share of profit of entities accounted for using equity method	957	900	9,034
Fiduciary obligation fee	878	53	8,283
Trial products income	540	27	5,102
Compensation income	-	464	-
Foreign exchange gains	-	115	-
Other	1,785	1,293	16,844
Total non-operating income	4,645	3,159	43,827
Non-operating expenses :			
Interest expenses	3,714	4,224	35,045
Loss on bond retirement	1,604	-	15,135
Other	4,398	3,469	41,495
Total non-operating expenses	9,717	7,693	91,676
Ordinary profit	36,196	33,998	341,475
Extraordinary income :			
Gain on sales of noncurrent assets *Note(5)	528	20	4,981
Gain on sales of investment securities	6	1	60
Gain on sales of shares of subsidiaries and associates	-	1,934	-
Compensation income for damage	7,705	-	72,688
Subsidy income	144	2,298	1,366
Gain on insurance adjustment	145	255	1,372
Gain on write-off debts	-	1,268	-
Gain on sales of patent right and other	-	836	-
Settlement received	-	500	-
Other	-	202	-
Total extraordinary income	8,529	7,317	80,469
Extraordinary loss :			
Loss on sales of non-current assets *Note(6)	5	5	49
Impairment loss *Note(7)	1,098	1,683	10,365
Loss on disaster	4	90	40
Loss on reduction of non-current assets	110	50	1,043
Loss on disposal of noncurrent assets	715	560	6,753
Loss on sales of investment securities	6	-	60
Loss on transfer of business	8,059	-	76,030
Loss on contract cancellation	1,431	-	13,507
Other	398	399	3,756
Total extraordinary losses	11,830	2,790	111,607
Profit before income taxes	32,895	38,525	310,336
Income taxes :			
Current	4,777	2,967	45,075
Deferred	2,736	(17,838)	25,817
Total income taxes	7,514	(14,870)	70,892
Profit	25,381	53,396	239,444
Profit attributable to non-controlling interests	5,682	1,231	53,610
Profit attributable to owners of parent	19,698	52,165	185,833

	Yen		U.S. dollars (Note 2)
	2018	2017	**2018**
Per share amounts :			
Net income	259.81	738.92	2.451
Cash dividends	30	-	0

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Tokuyama Corporation and Consolidated Subsidiaries Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Profit	25,381	53,396	239,444
Other comprehensive income			
Valuation difference on available-for-sale securities	1,039	1,333	9,804
Deferred gains or losses on hedges	178	240	1,685
Foreign currency translation adjustment	425	(717)	4,010
Remeasurements of defined benefit plans, net of tax	241	448	2,278
Share of other comprehensive income of entities accounted for using equity	170	(138)	1,609
Total other comprehensive income *Note(1)	2,055	1,166	19,388
Total comprehensive income	27,436	54,562	258,832
Attributable to:			
Owners of parent	21,660	53,369	204,343
Non-controling interests	5,775	1,193	54,489

See notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets

Tokuyama Corporation and Consolidated Subsidiaries Years ended March 31, 2018 and 2017

[2018]

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at biginning of year	10,000	41,545	72,511	(1,446)	122,609	319	(274)	1,528	2,833	4,406	8,960	135,976
Changes during the fiscal year												
Profit attributable to owners of parent			19,698		19,698							19,698
Dividends of surplus			(1,457)		(1,457)							(1,457)
Purchase of treasury stock				(21,651)	(21,651)							(21,651)
Retirement of treasury shares		(21,626)		21,626	-							-
Disposal of treasury stock		(0)		0	0							0
Purchase of shares of consolidated subsidiaries		89			89							89
Net changes of items other than shareholders' equity						1,032	122	564	241	1,962	1,974	3,936
Total changes of items during the period	-	(21,536)	18,241	(25)	(3,321)	1,032	122	564	241	1,962	1,974	615
Balance at end of year	10,000	20,008	90,752	(1,472)	119,288	1,352	(151)	2,093	3,074	6,368	10,935	136,591

[2017]

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at biginning of year	53,458	57,532	(61,281)	(1,439)	48,270	(1,020)	(526)	2,362	2,386	3,202	8,732	60,205
Changes during the fiscal year												
Issuance of new shares	10,000	10,000			20,000							20,000
Transfer to other capital surplus from capital stock	(53,458)	53,458			-							-
Deficit disposition		(81,928)	81,928		-							-
Profit attributable to owners of parent			52,165		52,165							52,165
Purchase of treasury stock				(7)	(7)							(7)
Disposal of treasury stock		(0)		0	0							0
Change of scope of consolidation			(302)		(302)							(302)
Capital increase of consolidated subsidiaries		2,482			2,482							2,482
Net changes of items other than shareholders' equity						1,339	251	(834)	446	1,203	228	1,432
Total changes of items during the period	(43,458)	(15,987)	133,792	(7)	74,338	1,339	251	(834)	446	1,203	228	75,770
Balance at end of year	10,000	41,545	72,511	(1,446)	122,609	319	(274)	1,528	2,833	4,406	8,960	135,976

[2018]

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at biginning of year	94,339	391,934	684,067	(13,650)	1,156,691	3,014	(2,592)	14,418	26,729	41,570	84,534	1,282,796
Changes during the fiscal year												
Profit attributable to owners of parent			185,833		185,833							185,833
Dividends of surplus			(13,747)		(13,747)							(13,747)
Purchase of treasury stock				(204,258)	(204,258)							(204,258)
Retirement of treasury shares		(204,019)		204,019	-							-
Disposal of treasury stock		(0)		0	0							0
Purchase of shares of consolidated subsidiaries		842			842							842
Net changes of items other than shareholders' equity						9,742	1,159	5,328	2,279	18,509	18,626	37,135
Total changes of items during the period	-	(203,177)	172,085	(239)	(31,330)	9,742	1,159	5,328	2,279	18,509	18,626	5,805
Balance at end of year	94,339	188,757	856,152	(13,889)	1,125,360	12,757	(1,432)	19,746	29,008	60,080	103,160	1,288,601

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Tokuyama Corporation and Consolidated Subsidiaries Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash flows from operating activities			
Profit before income taxes	32,895	38,525	310,336
Depreciation and amortization	13,985	14,215	131,940
Increase (decrease) in provision	1,433	(3,149)	13,522
Increase(decrease) in net defined benefit liability	95	135	902
Decrease(increase) in net defined benefit asset	(485)	(290)	(4,582)
Interest and dividends income	(483)	(304)	(4,562)
Foreign exchange losses (gains)	(56)	(13)	(531)
Loss (gain) on sales of property, plant and equipment	(522)	(14)	(4,931)
Loss (gain) on sales of investment securities	(0)	(1)	(0)
Loss (gain) on sales of shares of subsidiaries and associates	-	(1,934)	-
Share of profit of entities accounted for using equity method	(957)	(900)	(9,034)
Subsidy income	(144)	(2,298)	(1,366)
Interest expenses	3,714	4,224	35,045
Loss on reduction of noncurrent assets	110	50	1,043
Impairment loss	1,098	1,683	10,365
Loss (gain) on disposal of noncurrent assets	715	560	6,753
Gain on transfer from business divestitures	-	98	-
Gain on write-off of debts	-	(1,268)	-
Gain on insurance adjustment	(145)	(255)	(1,372)
Settlement received	-	(500)	-
Gain on sales of patent right and other	-	(836)	-
Loss on transfer of business	8,059	-	76,030
Conpensation income for damage	(7,705)	-	(72,688)
Loss on contract cancellation	1,431	-	13,507
Loss on redemption of bonds	1,604	-	15,135
Decrease (increase) in notes and accounts receivable - trade	(5,857)	(7,744)	(55,262)
Decrease (increase) in inventories	(6,463)	824	(60,974)
Decrease (increase) in other current assets	(414)	(574)	(3,912)
Increase (decrease) in notes and accounts payable - trade	11,344	3,095	107,027
Increase (decrease) in other current liabilities	1,673	(815)	15,787
Other, net	972	(1,693)	9,178
Subtotal	55,899	40,818	527,356
Interest and dividends income received	805	750	7,603
Interest expenses paid	(3,775)	(4,246)	(35,617)
Proceeds from insurance income	145	255	1,372
Settlement package received	-	500	-
Proceeds from conpensation income	7,705	-	72,688
Payments for contract cancellation	(959)	-	(9,056)
Income taxes (paid) refund	2,064	(18,065)	19,477
Net cash provided by (used in) operating activities	61,885	20,012	583,825
Cash flows from investing activities			
Payments into time deposits	(288)	(84)	(2,717)
Proceeds from withdrawal of time deposits	161	130	1,526
Purchase of property, plant and equipment	(15,526)	(16,693)	(146,479)
Proceeds from sales of property, plant and equipment	1,618	197	15,267
Purchase of investment securities	(3,359)	(305)	(31,695)
Proceeds from sales of investment securities	76	341	718
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	5,362	2,926	50,590
Payments of long-term loans receivable	(7)	(9)	(74)
Collection of long-term loans receivable	234	270	2,215
Proceeds from subsidy income	144	2,298	1,366
Proceeds from sales of patent right and other	-	905	-
Other, net	(1,081)	(65)	(10,202)
Net cash provided by (used in) investing activities	(12,665)	(10,089)	(119,484)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	2	(6,625)	24
Proceeds of long-term loans payable	10,120	3,116	95,480
Repayment of long-term loans payable	(50,384)	(17,297)	(475,325)
Redemption of bonds	(36,014)	(10,000)	(339,757)
Proceeds from issuance of common shares	78	19,712	736
Cash dividends paid	(1,454)	(0)	(13,724)
Cash dividends paid to non-controlling interests	(406)	(294)	(3,837)
Decrease (increase) in treasury stock	(21,650)	(7)	(204,246)
Other, net	(1,500)	(514)	(14,155)
Net cash provided by (used in) financing activities	(101,209)	(11,911)	(954,806)
Effect of exchange rate change on cash and cash equivalents	(23)	(358)	(220)
Net increase (decrease) in cash and cash equivalents	(52,012)	(2,346)	(490,686)
Cash and cash equivalents at beginning of period	118,819	121,166	1,120,942
Cash and cash equivalents at end of period *Note(1)	66,807	118,819	630,255

See notes to consolidated financial statements

1. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Tokuyama Corporation (the "Company") and its subsidiaries. The Company and its consolidated domestic subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Companies Act (the "Act") and the Financial Instruments and Exchange Act and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included in the consolidated financial statements and notes represent the arithmetic results of translating Japanese yen to U.S. dollars at the rate of ¥106=US$1, the approximate exchange rate on March 31, 2018. The U.S. dollar amounts are included solely for the convenience of readers outside Japan, and are not intended to imply that the assets and liabilities that originated in yen have been or could be readily converted, realized, or settled in U.S. dollars at this or at any other rate.

3. SCOPE OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its 49 significant subsidiaries (51 in 2017). Significant intercompany transactions and accounts have been eliminated in consolidation.

Major consolidated subsidiaries are as follows;

- Sun•Tox Co., Ltd.
- Shin Dai-ichi Vinyl Corporation
- A&T Corporation
- Excel Shanon Corporation
- Tokuyama Dental Corporation
- ASTOM Corporation
- Hiroshima Tokuyama Ready Mixed Concrete Co., Ltd.
- Tokuyama Mtech Corporation
- Tokuyama Chemicals (Zhejiang) Co., Ltd.
- Taiwan Tokuyama Corporation

A wholly owned subsidiary up until the previous consolidated fiscal year, Tokuyama Siltech Co., Ltd. was dissolved following an absorption-type merger in which the Company was the surviving company and has been excluded from the scope of consolidation with effect from the fiscal year under review.

As the Company sold all the shares owned in Tokuyama Malaysia Sdn. Bhd., which had also been a wholly owned subsidiary up until the previous consolidated accounting fiscal year, that company has been excluded from the scope of consolidation with effect from the fiscal year under review. However, as the completion date for the transfer of the shares was May 31, 2017, the results for the fiscal year under review include the Tokuyama Malaysia results from April 1 to May 31, 2017.

Of consolidated subsidiaries, A&T Corporation closes its accounts on December 31. Its financial statements as of December 31 are used in the preparation of consolidated financial statements, and adjustments necessary for consolidation purposes are made to material transactions arising between that date and the consolidated fiscal year-end.

Of consolidated subsidiaries, Tokuyama Chemicals (Zhejiang) Co., Ltd. and other four companies whose original fiscal year-end is December 31, are consolidated by performing provisional settlement of accounts on March 31, the consolidated fiscal year-end, in compliance with the regular settlement of accounts.

Investments in 10 affiliates (10 in 2017) are accounted for by the equity method.

Major equity method affiliate is Hantok Chemicals Co., Ltd.
The equity method does not apply to them because they have little impact on the consolidated financial statements when they are excluded from the scope of application of the equity method, nor have any material impact on an aggregate basis.
Major affiliate that are not accounted for by the equity is Oita Mining Co., Ltd.
Of equity method affiliates, with regard to the company of which the last date of its fiscal year is different from the consolidated fiscal year-end, the financial statements of its fiscal year are used in the preparation of consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation basis and valuation methods for significant assets
(i) Securities
Available-for-sale securities
Securities with fair value
Stated at the fair value based on the quoted market price as of the fiscal year-end (Valuation differences are recognized in net assets; The cost of securities sold is calculated by the moving-average method).
Securities without fair value
Stated at cost by moving-average method.
(ii) Derivatives
Derivatives are stated at fair value.
(iii) Inventories
Inventories held for sale in the ordinary course of business
Stated at cost mainly by the moving-average method. (The balance sheet value of the inventories is calculated by write-down based on the decreased profitability.)

(2) Depreciation and amortization methods of significant depreciable and amortizable assets
(i) Property, plant and equipment (excluding leased assets)

Buildings and structures acquired on or after April 1, 2016:	Depreciated mainly by the straight-line method.
Other than the above:	Depreciated mainly by the declining-balance method.

The estimated useful lives of major items are as follows:
Buildings and structures: 2 to 75 years
Machinery, equipment and vehicles: 2 to 20 years
(ii) Intangible assets (excluding leased assets)

Mining right:	Amortized by the unit-of-production method.
Other:	Amortized mainly by the straight-line method.

Internal use software is amortized by the straight-line method over the internally expected useful life (5 years).
(iii) Leased assets
Leased assets in finance lease transactions that do not transfer ownership
Depreciated by the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.

(3) Significant allowances and provisions
(i) Allowance for doubtful accounts
To cover possible bad debt expenses on notes and accounts receivable – trade, loans receivable and others, the allowance for doubtful accounts is provided at the estimated uncollectable amounts based on the historical default rate for normal receivables, or taking into account collectability on a case-by-case basis for certain receivables such as doubtful receivables with higher possibility of default.
(ii) Provision for bonuses
To prepare for the payment of next bonuses to employees, provision for bonuses is recorded based on the portion of the estimated amount of bonus payments attributable to the fiscal year under review.
(iii) Provision for repairs
Repair expenses are calculated individually and recorded to prepare for periodic repairs of manufacturing facilities.
(iv) Provision for product warranties
For required expenses incurred during the warranty period with free servicing (warranty expenses for free servicing) for clinical test information systems and laboratory test automation systems, the estimated amount of expenses is recorded based on the historical rate of incurrence (proportion of expenses paid to net sales).

(v) Provision for directors' retirement benefits
At certain consolidated subsidiaries, the amount to be required at the end of the fiscal year under review in accordance with internal rules is recorded to prepare for payment of directors' retirement benefits.
(vi) Allowance for loss on compensation for building materials
The estimated amount of losses incurred in replacement, renovation, etc. is recorded to prepare for repairs and maintenance of plastic sashes for houses and buildings (fire protection and resistance grade).
(vii) Provision for environmental measures
Pursuant to the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes," the estimated amount at the end of the fiscal year under review is recorded to prepare for payments for disposal of PCB waste.

(4) Accounting method of retirement benefits
(i) Methods of attributing estimated retirement benefits to accounting periods
When calculating retirement benefit obligations, the benefit formula basis is used to attribute estimated retirement benefits to the period through the end of the fiscal year under review.
(ii) Amortization of actuarial differences
Actuarial differences are amortized by using the straight-line method over a period of time within the average remaining service period of employees (14 years), from the subsequent fiscal year when they are incurred.
(iii) Application of simplified accounting method used by small companies
In calculating net defined benefit liability and retirement benefit expenses, some of the consolidated subsidiaries apply a simplified accounting method in which an assumed amount of benefits to be paid for voluntary base retirement at the fiscal year-end is deemed as retirement benefit obligations.

(5) Accounting method for deferred assets
All deferred assets are charged to expenses when incurred.

(6) Translation of significant assets or liabilities denominated in foreign currencies into Japanese yen
Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rate in effect at the balance sheet date and the resulting exchange gains or losses are credited or charged to income as incurred.
Assets and liabilities of overseas subsidiaries and the like are translated into yen at the exchange rate in effect at the balance sheet date, while their revenues and expenses are translated into yen at the average rates of exchange prevailing during the year. The resulting translation adjustments are included in "Foreign currency translation adjustment" and "Non-controlling interests" in net assets.

(7) Method of significant hedge accounting
(i) Method of hedge accounting
For the method of hedge accounting, in general, the deferral hedge accounting is applied. Among hedging instruments, forward exchange contracts that fulfill the requirement for allocation method are subjected to the allocation method. Interest rate swaps that fulfill the requirement for special treatment are subjected to the special treatment.
(ii) Hedging instruments and hedged items
Hedging instruments and hedged items to which hedge accounting has been applied in the fiscal year under review are as follows:

Hedging instruments:	Forward exchange contracts, interest rate swaps
Hedged items:	Forecast transactions in foreign currencies, accounts receivable denominated in foreign currencies and loans payable

(iii) Hedging policy
Foreign exchange risk and interest rate risk of hedged items are hedged within a certain range.
(iv) Method of assessing hedge effectiveness
Hedge effectiveness is assessed by comparing cumulative changes in cash flows or market fluctuations of hedged items and cumulative changes in cash flows or market fluctuations of hedging instruments on a quarterly basis and based on changes in the both, etc. For interest rate swaps to which the special treatment is applied, assessment of hedge effectiveness is omitted.

(8) Amortization method and amortization period of goodwill
Goodwill is equally amortized over five years.

(9) Scope of cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, at-call deposits with

banks, and short-term investments that have maturities within three months from acquisition, are readily convertible to cash, and are subject to an insignificant risk of changes in value.

(10) Other significant matters forming the basis of preparing the consolidated financial statements
Accounting for consumption taxes
Consumption tax and local consumption tax are accounted for using the tax-excluded method. Non-deductible consumption tax and local consumption tax are accounted for as expenses for the fiscal year under review.

5. CHANGES IN ACCOUNTING POLICY

Not applicable.

6. NEW ACCOUNTING STANDARDS NOT YET APPLIED

· "Implementation Guidance on Tax Effect Accounting ," (Accounting Standards Board of Japan [ASBJ] Corporate Accounting Standards Implementation Guidance No. 28, revised February 16, 2018)
· "Implementation Guidance on Recoverability of Deferred Tax Assets," (ASBJ Corporate Accounting Standards Implementation Guidance No. 26, final revision February 16, 2018)

1. Summary
In the case of the "Implementation Guidance on Tax Effect Accounting," when transferring control of the practical guidelines on tax effect accounting at the Japanese Institute of Certified Public Accountants to the ASBJ, the content was basically followed, but the following revisions were thought necessary and made.
(Main treatments that were subjected to review of the accounting process)
· Treatment of taxable temporary differences pertaining to subsidiary stock, etc. in non-consolidated financial statements
· Treatments pertaining to recoverability of deferred tax assets in companies falling under (Category 1)

2. Planned date for implementation
The Company will implement these accounting standards from the beginning of the fiscal year ending March 2019.

3. Impact of implementing said accounting standards
The impact of applying the "Implementation Guidance on Tax Effect Accounting" on the consolidated financial statements is being evaluated at this time.

· "Accounting Standard for Revenue Recognition ," (ASBJ Corporate Accounting Standard No. 29, revised March 30, 2018)
· "Implementation Guidance on Accounting Standard for Revenue Recognition," (ASBJ Corporate Accounting Standard Implementation Guidance No. 30, dated March 30, 2018)

1. Summary
Having jointly developed comprehensive accounting standards pertaining to revenue recognition, the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) officially announced Revenue from Contracts with Customers (issued as International Financial Reporting Standards (IFRS) 15 by the IASB, as Topic 606 by the FASB) in May 2014. On the basis of IFRS 15 being applied from the fiscal year beginning on or after January 1, 2018, and Topic 606 being applied from the fiscal year beginning after December 15, 2017, a comprehensive accounting standard on revenue recognition was developed by the ASBJ Committee and officially announced in conjunction with the application guidelines.
As a basic policy in developing the ASBJ's accounting standards pertaining to revenue recognition from the viewpoint of the comparability between financial statements, which is one of the benefits of conformity with IFRS 15, accounting standards were formulated for which it was decided to incorporate the basic principles of IFRS 15 as the starting point. In addition, in the event of there being items that should be taken into consideration, such as any practical work that has previously been conducted in Japan, alternative treatments will be added to the extent needed for comparability not be compromised.

2. Planned date for implementation
The Company will implement this accounting standard from the beginning of the fiscal year ending March 2022.

3. Impact of implementing said accounting standards

The impact of implementing the “Accounting Standard for Revenue Recognition ” to the consolidated financial statements is being evaluated at this time.

7. CHANGES IN PRESENTATION

(Consolidated Statements of Income)

” Cost of idle operations” which was included in “Non-operating expenses” in the previous fiscal year was reviewed for the purpose of stricter cost control, and some amount of “Cost of idle operations” is included under “Cost of sales” from the fiscal year under review. In order to reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥1,187million (US$11 million) of ¥1,200million (US$11 million) that was stated in “Cost of idle operations” under “Non-operating expenses” in the previous fiscal year has been reclassified under “Cost of sales.”

In the fiscal year under review, “Fiduciary obligation fee” in “Non-operating income” is separately presented due to its increased significance. Items in the consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation.

Consequently, ¥53 million (US$1 million) that was presented in “Other” under “Non-operating income” in the previous fiscal year has been reclassified to “Fiduciary obligation fee.”

In the fiscal year under review, “Trial products income” in “Non-operating income” is separately presented due to its increased significance. Items in the consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation.

Consequently, ¥ 27 million (US$0 million) that was presented in “Other” under “Non-operating income” in the previous fiscal year has been reclassified to “Trial products income.”

As the significance of “Trial production expenses” of “Non-operating expenses” declined in the fiscal year under review, this is now included in “Other” under “Non-operating expenses”. Items in the consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation.

Consequently, ¥ 1,853 million (US$17 million) that was presented in “Trial production expenses” in the previous fiscal year has been reclassified to “Other” in “Non-operating expenses.”

(Consolidated Statements of Cash Flows)

As the significance of “Increase (decrease) in allowance for loss on compensation for building materials” under “Cash flows from operating activities” declined in the fiscal year under review, this is now included in “Increase (decrease) in provision”. In order to reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the decrease of ¥65 million (US$1 million) presented as “Increase (decrease) in allowance for loss on compensation for building materials” under “Cash flows from operating activities” in the previous fiscal year has been reclassified under “Increase (decrease) in provision.”

As the significance of “Increase (decrease) in provision for loss on purchase contract” under “Cash flows from operating activities” declined in the fiscal year under review, this is now included in “Increase (decrease) in provision.” In order to reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the decrease of ¥2,701 million (US25 million) presented as “Increase (decrease) in provision for loss on purchase contract” under “Cash flows from operating activities” in the previous fiscal year has been reclassified under “Increase (decrease) in provision.”

8. CHANGES IN ACCOUNTING ESTIMATES

Not applicable.

9. ADDITIONAL INFORMATION

(Application of the consolidated corporate-tax system)

The Company is applying the “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)” (ASBJ Practical Issues Task Force No. 5, January 16, 2015) and “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)” (ASBJ Practical Issues Task Force No. 7, January 16, 2015)” from the current fiscal year on the premise that the Company file a tax return as a consolidated entity, since the Commissioner of the National Tax Agency has approved the application of the consolidated corporate-tax system by the Company and some consolidated subsidiaries from the fiscal year started on or after April 1, 2018.

10. CONSOLIDATED BALANCE SHEETS

(1) Items corresponding to unconsolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Investment securities	7,803	5,954	73,618

(2) Assets pledged as collateral and liabilities for which collateral is pledged

Assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Pledged Assets			
Cash and deposits	1	869	9
Notes and accounts receivable - trade	-	7	-
Buildings and structures	73	1,876	693
Machinery, equipment and vehicles	-	1,514	-
Land	562	562	5,305
Investment securities	26	34	247
Total	663	4,864	6,255

(Note) In addition to the above, although there was ¥195 million (US2 million) at the end of the previous fiscal year for shares of subsidiaries that had been eliminated in consolidation, there are no corresponding assets at the end of the fiscal year under review.

Liabilities for which collateral is pledged are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Pledged Debts			
Notes and accounts payable - trade	1	228	9
Short-term loans payable	351	325	3,315
Curent portion of long-term loans payable	33	559	315
Long-term loans payable	117	3,560	1,104
Other	19	18	181
Total	522	4,692	4,926

(3) Reduction entry

In the fiscal year under review, reduction entries of ¥1 million (US$0 million) for buildings and structures, ¥96 million (US$0 million) for machinery, equipment and vehicles, and ¥12 million (US$0 million) for tools, furniture and fixtures were made due to receipt of subsidies, etc.

In addition, as a result of the retirement of machinery, equipment and vehicles that were subject to the reduction entry, cumulative reduction entries decreased by ¥1 million (US$0 million), and as a result of the retirement of tools, furniture and fixtures that were subject to the reduction entry, cumulative reduction entries decreased by ¥15 million (US$0 million).

The cumulative reduction entries due to the receipt of subsidies, etc. in association with property, plant and equipment are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Buildings and structures	1,441	1,439	13,598
Machinery, equipment and vehicles	2,784	2,688	26,265
Tools, furniture and fixtures	183	186	1,728
Software	4	4	38
Total	4,412	4,319	41,631

(4) Guarantee obligation

The Company provides guarantee of obligations concerning loans from financial institutions by the following companies, etc.

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Employee	90	90	854

(5) Contingent liabilities pertaining to unsecured bond debt assumption agreements

With regard to the next unsecured bonds, the Company will be delegating the performance of the obligation based on an unsecured bond trust-type debt assumption agreement that has been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, the obligation to redeem the Company's unsecured bonds to bondholders continue until the time of their redemption.

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
20th unsecured bonds without collateral	10,000	-	94,339
22th unsecured bonds without collateral	15,000	-	141,509
24th unsecured bonds without collateral	9,400	-	88,679
Total	34,400	-	324,528

(6) Notes receivable endorsed

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Notes endorsed	480	508	4,535

(7) Trade notes that mature on last day of consolidated fiscal year

Settlement processing for trade notes that mature at the end of the fiscal year is carried out on their clearing days.

As the last day of the fiscal year under review fell on a weekend and financial institutions were closed, trade notes maturing at the end of the current fiscal year are included in the fiscal year-end balance.

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Notes receivable- - trade	1,055	-	9,954

(8) Financial covenants

The Company is working to reduce its interest-bearing debt in an effort to improve its financial structure, which is stated as a priority issue under the Medium-Term Management Plan. As a result of having undertaken repayments in advance with the agreement of financial institutions, as of the fiscal year under review, all borrowing agreements with financial covenants were terminated as follows.

With regard to the term out-type, medium-term commitment line contract signed with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (contract date September 30, 2011), the Company paid the full principal amount and settled the clearing amount on September 29, 2017. In addition, the following financial covenant provisions were attached to this contract.

The borrower must not let the amount calculated after deducting subscription rights to shares, non-controlling interests, deferred gains or losses on hedges, foreign currency translation adjustment, and valuation difference on available-for-sale securities from total net assets on the borrower's consolidated balance sheet at the end of each fiscal year, fall below 75% of identically calculated amounts at the end of the first half and second half of the preceding fiscal year.

With regard to the syndicated loan contract (contract date December 22, 2011) co-financed by seven companies with the Development Bank of Japan, Inc. acting as coordinator, the Company paid the full principal amount and settled the clearing amount on December 29, 2017. In addition, the following financial covenant provisions were attached to this contract.

(1) The amount calculated after deducting subscription rights to shares, non-controlling interests, deferred gains or losses on hedges, foreign currency translation adjustment, and valuation difference on available-for-sale securities from total net assets on the borrower's consolidated balance sheet at the end of each fiscal year, must not fall below 75% of the larger of either (i) the identically calculated amount as of the end of the preceding fiscal year or (ii) the identically calculated amount as of March 31, 2016.

(2) There must not be two consecutive fiscal years of ordinary losses.

(3) The borrower must maintain a credit rating of better than BB+ from Rating and Investment Information, Inc.

With regard to the syndicated loan contract (contract date July 24, 2012) co-financed by six companies with The Bank of Tokyo-Mitsubishi UFJ, Ltd. acting as coordinator, the Company paid the full principal amount and settled the clearing amount on January 29, 2018. In addition, the following financial covenant provisions were attached to this contract.

(1) The borrower promises to not let the amount calculated after deducting subscription rights to shares, non-controlling interests, deferred gains or losses on hedges, foreign currency translation adjustment, and valuation difference on available-for-sale securities from total net assets on the borrower's consolidated balance sheet at the end of each fiscal year, fall below 75% of the larger of either the identically calculated amount as of the end of the preceding fiscal year or the identically calculated amount as of March 31, 2016.

(2) The borrower firmly promises to not record two consecutive fiscal years of ordinary losses on its consolidated statements of income.

11. CONSOLIDATED STATEMENTS OF INCOME

(1) Inventories at the fiscal year-end represent the amount after the book value was reduced in connection with a decline in the profitability, and the following losses on valuation of inventories (the amount in parentheses represents gains on reversal) are included in cost of sales.

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Loss on valuation of inventories	185	(26)	1,748

(2) Major items and amounts of selling expenses are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Selling expenses :			
Freight-out expenses	22,276	21,367	210,158
Shipping charges	5,582	5,668	52,662
Salaries and bonuses	5,066	5,017	47,800
Provision for bonuses	360	289	3,397
Retirement benefit expenses	53	66	500
Provision for repairs	14	-	132
Provision of allowance for doubtful accounts	(6)	(28)	(62)

(3) Major items and amounts of general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
General and administrative expenses :			
Technical research expenses	6,798	6,473	64,136
Salaries and bonuses	3,663	3,997	34,557
Provision for bonuses	326	261	3,076
Provision for directors' retirement benefits	56	47	536
Retirement benefit expenses	33	68	311

(Note) Technical research expenses for the previous fiscal year include provision for bonuses of ¥215 million and retirement benefit expenses of ¥42 million.

Technical research expenses for the fiscal year under review include provision for bonuses of ¥272 million (US$2 million) and retirement benefit expenses of ¥22 million (US$0 million).

(4) Total amount of research and development expenses included in general and administrative expenses and production cost

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Research and development expenses	7,903	7,508	74,559

(5) The breakdown of gain on sales of non-current assets is as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Buildings and structures	-	5	-
Machinery, equipment and vehicles	13	12	124
Tools, furniture and fixtures	5	2	52
Land	68	0	646
Construction in progress	440	-	4,157
Total	528	20	4,981

(6) The breakdown of loss on sales of non-current assets is as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Buildings and structures	-	0	-
Machinery, equipment and vehicles	3	-	30
Tools, furniture and fixtures	1	0	13
Land	0	4	5
Total	5	5	49

(7) Impairment loss

Fiscal year ended March 31, 2018

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. During the fiscal year ended March 31, 2018, the Group recorded impairment losses for the following asset groups.

Details of the Company’s impairment loss have been omitted due to the low level of importance except for those items, which are presented briefly as follows.

Use	Location	Asset category	Millions of yen 2018	Thousands of U.S. Dollars 2018
Manufacturing facilities for microporous film	Shnghai,China	Building and structures	152	1,437
		Machinery, equipment and vehicles	480	4,529
		Tools, furniture and fixtures	4	41
		Intangible assets-other	37	356
		Total	674	6,364

Shanghai Tokuyama Plastics Co., Ltd. decided to write down the book value of the above asset to its recoverable amount and to post the amount of write-down as an impairment loss in extraordinary losses due to deterioration in market conditions for microporous film.

The recoverable amount has been determined using value in use and a discount rate of 11.72% for calculating the value in use based on future cash flows.

Fiscal year ended March 31, 2017

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. During the fiscal year ended March 31, 2017, the Group recorded impairment losses for the following asset groups.

Use	Location	Asset category	Millions of yen 2017
Idle fixed assets	Oita-shi, Oita	Land	33
		Total	33

The Company recognized a notable difference between the book value and market value of the idle land described above owned by the Company owing to the drop in land prices. As a result, the Company decided to write down the book value of idle land to its recoverable amount and to post the amount of write-down as an impairment loss in extraordinary losses.

The recoverable amount represents an estimate of net realizable value based on the real estate appraisal value.

Use	Location	Asset category	Millions of yen 2017
Manufacturing facilities for polycrystalline silicon	Shunan-shi, Yamaguchi	Construction in progress	31
		Total	31

Since expectations cannot be established for operation of the above construction in progress of the Company, which is for reinforcing facilities, the Company decided to write down the book value of construction in progress to its recoverable amount and to post the amount of write-down as an impairment loss in extraordinary losses.

The recoverable amount has been determined using value in use and written down to its memorandum value for the above reason.

Use	Location	Asset category	Millions of yen 2017
Manufacturing facilities for ethylene dichloride	Shunan-shi, Yamaguchi	Construction in progress	128
		Total	128

Since the Company is no longer able to form a concrete business plan to use the above construction in progress, which is a process package for expanding facilities, the Company decided to write down the book value of construction in progress to its recoverable amount and to post the amount of write-down as an impairment loss in extraordinary losses.

The recoverable amount has been determined using value in use and written down to its memorandum value for the above reason.

Use	Location	Asset category	Millions of yen 2017
Manufacturing facilities for microporous film	Tianjin,China	Machinery, equipment and vehicles	1,278
		Investments and other assets-other	212
		Total	1,490

Tianjin Tokuyama Plastics Co., Ltd. decided to write down the book value of the above asset to its recoverable amount and to post the amount of write-down as an impairment loss in extraordinary losses due to deterioration in market conditions for microporous film.

The recoverable amount has been determined using value in use and a discount rate of 8.71% for calculating the value in use based on future cash flows.

12. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(1) Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Valuation difference on available-for-sale securities :			
Gains arising during the year	1,499	1,916	14,148
Reclassification adjustment to profit or loss	-	(1)	-
Amount before income tax effect	1,499	1,914	14,148
Income tax effect	(460)	(581)	(4,343)
Total valuation difference on available-for-sale securities	1,039	1,333	9,804
Deferred gains or losses on hedges :			
Gains arising during the year	168	373	1,592
Reclassification adjustment to profit or loss	-	(10)	-
Amount before income tax effect	168	363	1,592
Income tax effect	9	(122)	93
Total deferred gains or losses on hedges	178	240	1,685
Foreign currency translation adjustment :			
Gains arising during the year	425	(663)	4,010
Reclassification adjustment to profit or loss	-	(53)	-
Total Foreign currency translation adjustment	425	(717)	4,010
Remeasurements of defined benefit plans, net of tax :			
Gains arising during the year	49	755	471
Reclassification adjustment to profit or loss	183	(106)	1,735
Amount before income tax effect	233	648	2,206
Income tax effect	7	(200)	71
Total remeasurements of defined benefit plans, net of tax	241	448	2,279
Share of other comprehensive income of entities accounted for using equity :			
Gains arising during the year	170	(138)	1,609
Total Share of other comprehensive income of entities accounted for using equity	170	(138)	1,609
Total other comprehensive income	2,055	1,166	19,388

13. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2018

(1) Class and total number of shares issued and class and number of treasury stock

[2018]	Thousand shares			
	Beginning of year	Increase during the fiscal year	Decrease during the fiscal year	End of year
Issuanced shares				
Common shares (Note 1,2)	349,671	-	279,737	69,934
Class A shares (Note 3)	20	-	20	-
Total	349,691	-	279,757	69,934
Treasury shares				
Common shares (Note 1,4,5)	1,850	15	1,488	378
Total	1,850	15	1,488	378

(Note 1) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017.

(Note 2) The 279,737,000 decrease in the total number of common shares outstanding is due to consolidation of shares.

(Note 3) The 20,000 decrease in issued and outstanding Class A shares is due to cancellation.

(Note 4) The 15,000 increase in the number of treasury stock of common stock is due to an increase of 1,000 shares due to purchase of fractional shares in accordance with the consolidation of shares and an increase of 13,000 shares purchased in less than a share-trading unit (9,000 shares before, 4,000 shares after consolidation of shares).

(Note 5) The 1,488,000 decrease in the number of treasury stock of common stock is due to a decrease of 1,488,000 shares following the consolidation of shares and a decrease of 0 thousand shares (0 thousand shares after the consolidation of shares) due to requests for the additional purchase of shares constituting less than one unit.

(2) Dividends

(i) Dividend amount paid

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders (June 23, 2017)	Class A shares	761	38,082.20	March 31, 2017	June 26, 2017
Board of Directors (October 27, 2017)	Common shares	695	2.00	September 30, 2017	November 30, 2017

Resolution	Class of shares	Dividend (Thousands of U.S. Dollars)	Dividend per shares (U.S. Dollars)	Reference date	Effective date
Ordinary General Meeting of Shareholders (June 23, 2017)	Class A shares	7,185	359.27	March 31, 2017	June 26, 2017
Board of Directors (October 27, 2017)	Common shares	6,562	0.02	September 30, 2017	November 30, 2017

(Note) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. The amount of dividend for the end of the fiscal year ending March 31, 2018 is presented as the amount of dividend prior to share consolidation.

(ii) Dividends whose record date is within the fiscal year and whose effective date is in the following fiscal year

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders (June 22, 2018)	Common shares	1,391	20.00	March 31, 2018	June 25, 2018

Resolution	Class of shares	Dividend (Thousands of U.S. Dollars)	Dividend per shares (U.S. Dollars)	Reference date	Effective date
Ordinary General Meeting of Shareholders (June 22, 2018)	Common shares	13,123	0.19	March 31, 2018	June 25, 2018

(Note) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. The amount of dividend for the end of the fiscal year ending March 31, 2018 is presented as the amount of dividend after share consolidation and includes a 100th anniversary commemorative dividend of 10.00 per share.

Fiscal year ended March 31, 2017

(1) Class and total number of shares issued and class and number of treasury stock

[2017]	Thousand shares			
	Beginning of year	Increase during the fiscal year	Decrease during the fiscal year	End of year
Issuanced shares				
Common shares	349,671	-	-	349,671
Class A shares (Note 1)	-	20	-	20
Total	349,671	20	-	349,691
Treasury shares				
Common shares (Note 2,3)	1,832	18	0	1,850
Total	1,832	18	0	1,850

(Note 1) The increase of 20 thousand shares in the total number of issued Class A shares is an increase in issuance of new shares by third-party allotment.

(Note 2) The increase of 18 thousand shares in the number of treasury stock of common stock is an increase due to the purchase of shares constituting less than one share unit.

(Note 3) The decrease of 0 thousand shares in the number of treasury stock of common stock is a decrease due to the request for additional purchase of shares constituting less than one share unit.

(2) Dividends

(i) Dividend amount paid

Not applicable.

(ii) Dividends whose record date is within the fiscal year and whose effective date is in the following fiscal year

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per shares (yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders (June 23, 2017)	Class A shares	761	38,082.20	March 31, 2017	June 26, 2017

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Reconciliation between the balance of cash and cash equivalents at end of period and relevant amount on the consolidated balance sheets

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Cash and deposits	57,229	121,598	539,900
Restricted cash	-	(2,482)	-
Securities (negotiable certificate of deposit)	10,000	-	94,339
Time deposit whose deposit period exceeds 3 months	(422)	(296)	(3,984)
Cash and cash equivalents	66,807	118,819	630,255

15. LEASE TRANSACTIONS

(Lessee)

(1) Operating Lease transactions

Future lease payments related to noncancelable operating leases transactions

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Due within one year	472	505	4,458
Due beyond one year	1,450	1,030	13,681
Total	1,922	1,535	18,140

(Lessor)

(1) Operating Lease transactions

Future lease payments related to noncancelable operating leases transactions

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Due within one year	129	120	1,223
Due beyond one year	1,121	1,183	10,579
Total	1,251	1,304	11,803

16. FINANCIAL INSTRUMENTS

(1) Matters Regarding Financial Instruments

(i) Management policy on financial instruments

The Group raises funds as required (mainly through bank loans and the issuance of corporate bonds) in line with its business investment program aimed at implementing a customer-oriented approach toward “strengthening the profitability of its businesses.” The Group invests temporary surplus funds in highly secure financial assets, and raises short-term operating capital with bank loans and CP (commercial paper). We use derivatives only to hedge risks described below, and have a policy of not implementing derivative transactions for speculative purposes.

(ii) Type and risk of financial instruments

Notes and accounts receivable – trade, which are operating receivables, are exposed to credit risks of customers. Investment securities are mainly shares related to business or capital tie-ups with counterparties, etc., and available-for-sale securities are exposed to the risk of market price fluctuations. In addition, the Group provides long-term loans to counterparties and others.

Notes and accounts payable – trade, which are operating payables, mostly become due within one year. Loans payable and bonds payable are principally for raising funds necessary for capital investments, and the repayment date comes up to 55 years after the balance sheet date. Some of these loans and bonds are exposed to interest volatility risk because they bear floating interest rates, but the risk is hedged using derivative transactions (interest rate swap transactions). Interest rate swap transactions are used in order to fix interest rates on loans payable or reduce interest payable. For hedging instruments and hedged items, hedging policy, method of assessing hedge effectiveness, etc., see “4. (7) Method of significant hedge accounting.”

(iii) Risk management system for financial instruments

(a) Management of credit risk (risk related to default of counterparties, etc.)

With regard to operating receivables and loans receivable, the Company has a division in charge in each business department monitor the status of major counterparties regularly and manage maturities and balances for each counterparty in accordance with the credit management rules and others, while making efforts to early identify and mitigate any concerns about collection arising from deterioration in the economic environment, their financial position, etc. Consolidated subsidiaries also conduct similar management as necessary, in conformity with the Company’s credit management rules and others.

In the use of derivative transactions, the Company conducts transactions only with financial institutions with high credit ratings to mitigate counterparty risk.

(b) Management of market risk (fluctuation risk of foreign exchange, interest rates, etc.)

The Company and certain consolidated subsidiaries use interest rate swap transactions to reduce fluctuation risk of interest rate payable on loans payable.

The Company periodically assesses the fair value of securities and investment securities as well as financial conditions of issuers (counterparty companies), etc., and continuously reviews the holding status in view of relationships with counterparty companies.

With regard to derivative transactions, the Management Support Center conducts transactions based on management policy of the interest rate risk and the foreign exchange risk approved by the Board of Directors, makes entries and collates the balances with contract partners, etc. For consolidated subsidiaries, the Management Support Center also manages derivative transactions by having them report the content of derivative transactions to the center when they conduct such transactions or by other means.

(c) Management of liquidity risk associated with financing (risk of inability to make a payment on due date)

The Company manages liquidity risk through timely preparation and updating of the cash flow management plan by the Management Support Center based on reports from each division and by maintaining liquidity on hand at a certain level and other means.

(iv) Supplemental remarks on fair values of financial instruments

Fair values of financial instruments comprise values based on market prices and reasonably determined values where market prices are unavailable. Since variable factors are incorporated in calculation of the fair value, the value may vary depending on different preconditions employed. In addition, the contract amounts of derivative transactions described in “(2) Fair values of financial instruments” should not be, in themselves, considered indicative of the market risk associated with derivative transactions.

(2) Fair values of financial instruments

The book value of financial instruments, their fair value, and the differences between the two were as follows. The financial instruments whose fair value is extremely difficult to determine are not given in the table below.

As of March 31, 2018
Fiscal year ended March 31, 2018

[2018]	Millions of yen		
	Book value	**Fair value**	**Difference**
Cash and deposits	57,229	57,229	-
Notes and accounts receivable - trade	79,660	79,660	-
Securities and Investment securities			
Securities	10,000	10,000	-
Available-for-sale securities	14,635	14,635	-
Long-term loans receivable	2,627	2,627	-
Total assets	164,152	164,152	-
Notes and accounts payable - trade	47,610	47,610	-
Short-term loans payable	2,549	2,549	-
Bonds payable	-	-	-
Long-term loans payable *1	135,205	136,052	846
Total liabilities	185,365	186,212	846
Derivative financial instruments *2			
In which hedge accounting is applied	(218)	(225)	(7)
Total derivative financial instruments	(218)	(225)	(7)

[2018]	Thousands of U.S. Dollars		
	Book value	**Fair value**	**Difference**
Cash and deposits	539,900	539,900	-
Notes and accounts receivable - trade	751,511	751,511	-
Securities and Investment securities			
Securities	94,339	94,339	-
Available-for-sale securities	138,068	138,068	-
Long-term loans receivable	24,784	24,784	-
Total assets	1,548,605	1,548,605	-
Notes and accounts payable - trade	449,152	449,152	-
Short-term loans payable	24,049	24,049	-
Bonds payable	-	-	-
Long-term loans payable *1	1,275,525	1,283,516	7,990
Total liabilities	1,748,727	1,756,718	7,990
Derivative financial instruments *2			
In which hedge accounting is applied	(2,060)	(2,127)	(67)
Total derivative financial instruments	(2,060)	(2,127)	(67)

(*1) The book value and fair value of long-term loans payable include current portion of long-term loans payable.

(*2) Receivables and payables arising from derivative transactions are presented on a net basis, and a value of a net payable after totaling receivables and payables is shown in parentheses.

As of March 31, 2017

[2017]	Millions of yen		
	Book value	**Fair value**	**Difference**
Cash and deposits	121,598	121,598	-
Notes and accounts receivable - trade	73,945	73,945	-
Securities and Investment securities			
Available-for-sale securities	11,355	11,355	-
Long-term loans receivable	2,833	2,833	-
Total assets	209,733	209,733	-
Notes and accounts payable - trade	37,035	37,035	-
Short-term loans payable	2,138	2,138	-
Bonds payable	34,400	33,185	(1,214)
Long-term loans payable *1	175,791	176,622	831
Total liabilities	249,364	248,981	(383)
Derivative financial instruments *2			
In which hedge accounting is applied	(390)	(1,427)	(1,037)
Total derivative financial instruments	(390)	(1,427)	(1,037)

(*1) The book value and fair value of long-term loans payable include current portion of long-term loans payable.
(*2) Receivables and payables arising from derivative transactions are presented on a net basis, and a value of a net payable after totaling receivables and payables is shown in parentheses.

(Note 1) Method for calculating the fair value of financial instruments, and matters regarding securities and derivative transactions
Assets
(i) Cash and deposits, (ii) Notes and accounts receivable – trade
Because these assets are mostly settled in a short period, their fair value is nearly equal to their book value. Therefore, their fair value is based on the book value.
(iii) Securities and investment securities
Because negotiable certificate of deposit are settled in a short period, their fair value is nearly equal to their book value. Therefore, their fair value is based on the book value.
The fair value of available-for-sale securities is based on the price on the relevant exchange.
For matters to be noted on securities for each holding purpose, refer to the note “17. SECURITIES.”
(iv) Long-term loans receivable
Because all long-term loans receivable bear floating interest rates and reflect market interest rates in a short period, and credit standing of borrowers has not changed significantly since the loans were extended, their fair value is based on the book value.

Liabilities
(i) Notes and accounts payable – trade, (ii) Short-term loans payable
Because these liabilities are settled in a short period, their fair value is nearly equal to their book value. Therefore, their fair value is based on the book value.
(iii) Bonds payable
The fair value of these liabilities is based on market price for those with market price, and determined as the present value, which is calculated by discounting the total of principal and interest using the interest rate that takes into account the remaining period and credit risk of the bond payable, for those with no market price.
(iv) Long-term loans payable
The fair value of these liabilities is determined as the present value, which is calculated by discounting the total of principal and interest using the interest rate that would be charged for a new similar loan.

Derivatives
Refer to the note “18. DERIVATIVES.”

(Note 2) Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unlisted shares	1,863	1,773	17,583
Shares of associates	6,723	5,954	63,430
Bonds of associates	1,080	-	10,188
Total	9,667	7,727	91,202

These financial instruments have no market price, and estimation of their future cash flows is expected to require excessive cost. Therefore, since it is considered extremely difficult to determine the fair value, they are not included in "Securities and investment securities."

(Note 3) Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date

As of March 31, 2018

[2018] Millions of yen

	Within 1 year	**More than 1 year, within 5 years**	**More than 5 year, within 10 years**	**More than 10 years**
Cash and deposits	57,229	-	-	-
Notes and accounts receivable - trade	79,660	-	-	-
Securities and Investment securities				
Securities	10,000	-	-	-
Long-term loans receivable	208	708	849	1,069
Total	147,098	708	849	1,069

[2018] Thousands of U.S. Dollars

	Within 1 year	**More than 1 year, within 5 years**	**More than 5 year, within 10 years**	**More than 10 years**
Cash and deposits	539,900	-	-	-
Notes and accounts receivable - trade	751,511	-	-	-
Securities and Investment securities				
Securities	94,339	-	-	-
Long-term loans receivable	1,970	6,682	8,016	10,085
Total	1,387,721	6,682	8,016	10,085

As of March 31, 2017

[2017] Millions of yen

	Within 1 year	**More than 1 year, within 5 years**	**More than 5 year, within 10 years**	**More than 10 years**
Cash and deposits	121,598	-	-	-
Notes and accounts receivable - trade	73,945	-	-	-
Long-term loans receivable	229	744	849	1,238
Total	195,774	744	849	1,238

(Note 4) Repayment schedule by term for bonds payable, long-term loans payable, and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2018

[2018] Millions of yen

	Within 1 year	**More than 1 year, within 2 years**	**More than 2 year, within 3 years**	**More than 3 year, within 4 years**	**More than 4 year, within 5 years**	**More than 5 years**
Short-term loans payable	2,549	-	-	-	-	-
Bonds payable(*1)	-	-	-	-	-	-
Long-term loans payable	15,684	12,076	15,434	9,419	21,589	61,001
Total	18,233	12,076	15,434	9,419	21,589	61,001

[2018] Thousands of U.S. Dollars

	Within 1 year	**More than 1 year, within 2 years**	**More than 2 year, within 3 years**	**More than 3 year, within 4 years**	**More than 4 year, within 5 years**	**More than 5 years**
Short-term loans payable	24,049	-	-	-	-	-
Bonds payable(*1)	-	-	-	-	-	-
Long-term loans payable	147,967	113,925	145,606	88,864	203,675	575,487
Total	172,016	113,925	145,606	88,864	203,675	575,487

(*1) In the cases of the 20th, 22nd and 24th series of unsecured bonds, we delegated the performance of the obligation based on an unsecured bond trust-type debt assumption agreement that had been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, since the obligation to redeem the Company’s unsecured bonds to bondholders continue until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.

As of March 31, 2017

[2017] Millions of yen

	Within 1 year	**More than 1 year, within 2 years**	**More than 2 year, within 3 years**	**More than 3 year, within 4 years**	**More than 4 year, within 5 years**	**More than 5 years**
Short-term loans payable	2,138	-	-	-	-	-
Bonds payable	-	-	10,000	15,000	9,400	-
Long-term loans payable	15,235	19,708	15,337	18,967	12,362	94,180
Total	17,373	19,708	25,337	33,967	21,762	94,180

17. SECURITIES

(1) Trading securities

Not applicable.

(2) Held-to-maturity debt securities

Not applicable.

(3) Available-for-sale securities
As of March 31, 2018

	Millions of yen		
	Book value	**Acquisition cost**	**Unrealized gain**
Available-for-sale securities:			
Securities with book values exceeding acquisition costs	6,980	3,965	3,015
Securities with book values not exceeding acquisition costs	7,654	8,679	(1,024)
Total	14,635	12,644	1,990

	Thousands of U.S. Dollars		
	Book value	**Acquisition cost**	**Unrealized gain**
Available-for-sale securities:			
Securities with book values exceeding acquisition costs	65,854	37,408	28,445
Securities with book values not exceeding acquisition costs	72,214	81,883	(9,668)
Total	138,068	119,291	18,777

As of March 31, 2017

	Millions of yen		
	Book value	**Acquisition cost**	**Unrealized gain**
Available-for-sale securities:			
Securities with book values exceeding acquisition costs	4,620	2,714	1,905
Securities with book values not exceeding acquisition costs	6,735	8,145	(1,409)
Total	11,355	10,859	496

(4)Available-for-sale securities sold
As of March 31, 2018

	Millions of yen		
	Proceeds	**Gain on sales**	**Loss on sales**
Available-for-sale securities sold during 2018 :			
Equity securities	38	6	6
Debt securities			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Total	38	6	6

	Thousands of U.S. Dollars		
	Proceeds	**Gain on sales**	**Loss on sales**
Available-for-sale securities sold during 2018 :			
Equity securities	365	60	60
Debt securities			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Total	365	60	60

As of March 31, 2017

	Millions of yen		
	Proceeds	**Gain on sales**	**Loss on sales**
Available-for-sale securities sold during 2017 :			
Equity securities	4,632	1,936	0
Debt securities			
Government and municipal bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Other	-	-	-
Total	4,632	1,936	0

18. DERIVATIVES

(1) Derivative transactions to which hedge accounting is not applied
Not applicable.

(2) Derivative transactions to which hedge accounting is applied
(i)Currency-related derivatives
As of March 31, 2018
Not applicable.

As of March 31, 2017
[2017]

		Millions of yen		
	Main hedging targets	**Notional value**	**Maturing after one year**	**Fair value**
Hedge accounting method				
Principle-based accounting				
Forward exchange agreements				
Call				
Euros	Forecast transaction in foreign currencies	90	-	(9)
Total		90	-	(9)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

(ii) Interest
As of March 31, 2018

[2018]

	Main hedging targets	Millions of yen Notional value	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term loans payable	67,000	5,400	(218)
Subtotal		67,000	5,400	(218)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term loans payable	810	630	(7)
Subtotal		810	630	(7)
Total		67,810	6,030	(225)

[2018]

	Main hedging targets	Thousands of U.S. Dollars Notional value	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term loans payable	632,075	50,943	(2,060)
Subtotal		632,075	50,943	(2,060)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term loans payable	7,641	5,943	(67)
Subtotal		7,641	5,943	(67)
Total		639,716	56,886	(2,127)

(Note) Method for calculation of fair value
Fair values are calculated based on the price presented by counterparty financial institutions, etc.

As of March 31, 2017

[2017]

	Main hedging targets	Millions of yen Notional value	Maturing after one year	Fair value
Hedge accounting method				
Principle-based accounting				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term loans payable	60,792	60,792	(380)
Subtotal		60,792	60,792	(380)
Special accounting procedures for interest rate swaps				
Interest rate swaps				
Pay fixed rate, receive floating rate	Long-term loans payable	38,967	33,321	(1,037)
Subtotal		38,967	33,321	(1,037)
Total		99,759	94,113	(1,418)

(Note) Method for calculation of fair value

Fair values are calculated based on the price presented by counterparty financial institutions, etc.

19. RETIREMENT BENEFITS

(1) Outline of adopted retirement benefit plans

The Company and its consolidated domestic subsidiaries have lump-sum severance benefits plans and defined benefit pension plans as vested benefits system (DB scheme). They also have defined contribution pension plans as DC scheme. The Company and its consolidated domestic subsidiaries may pay, under certain circumstances, extra retirement allowances when their employees leave the companies. The Company has a retirement benefit trust.

(2) Defined benefit plans

(i) Reconciliation of beginning and ending balances of retirement benefit obligations

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance of defined benefit obligations at beginning of year	17,286	18,764	163,076
Service cost	850	917	8,020
Interest cost	128	140	1,214
Occurrence of actuarial gain and loss	(417)	(400)	(3,935)
Payments of retirement benefits	(903)	(2,135)	(8,522)
Other	8	-	78
Balance of defined benefit obligations at end of year	16,952	17,286	159,932

(Note) The consolidated domestic subsidiaries, except for two companies, have adopted the simplified accounting method in calculating retirement benefit obligations.

(ii) Reconciliation of beginning and ending balances of pension assets

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance of pension assets at beginning of year	24,792	25,467	233,895
Expected return on pension assets	467	576	4,407
Occurrence of actuarial gain and loss	0	141	9
Corporation's contributions	582	609	5,498
Payments of retirement benefits	(761)	(2,001)	(7,182)
Balance of pension assets at end of year	25,082	24,792	236,628

(iii) Reconciliation of ending balances of retirement benefit obligations and pension assets to net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Funded defined benefit obligations	15,567	15,995	146,867
Pension assets	(25,082)	(24,792)	(236,628)
	(9,514)	(8,797)	(89,760)
Unfunded defined benefit obligations	1,384	1,290	13,065
Net amount shown on balance sheets	(8,129)	(7,506)	(76,695)
Net defined benefit liability	1,527	1,430	14,409
Net defined benefit asset	(9,657)	(8,936)	(91,104)
Net amount shown on balance sheets	(8,129)	(7,506)	(76,695)

(iv) Retirement benefit expenses and a breakdown of the retirement benefit expenses

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Service cost	850	917	8,020
Interest cost	128	140	1,214
Expected return on pension assets	467	576	4,407
Recognized actuarial gain and loss	(183)	106	(1,735)
Periodic benefit costs of retirement benefit plan	1,262	1,740	11,907

(Note) Retirement benefit expenses of the consolidated domestic subsidiaries that have adopted the simplified accounting method are included in "Service cost."

(v) Adjustment of retirement benefit

A breakdown of items recorded in adjustment of retirement benefit (before deduction of tax effects) is as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Actuarial gain and loss	(233)	(648)	(2,206)
Total	(233)	(648)	(2,206)

(vi) Accumulated adjustment of retirement benefits

A breakdown of items recorded in accumulated adjustment of retirement benefit plans (before deduction of tax effects) is as follows:

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrecognized actuarial gain and loss	(4,412)	(4,178)	(41,624)
Total	(4,412)	(4,178)	(41,624)

(vii) Matters relating to pension assets

(a) Principal items of pension assets

The proportion of each principal category to the total of pension assets is as follows:

%		
	2018	2017
Domestic stocks	10	5
Foreign stocks	7	6
Domestic bonds	27	32
Foreign bonds	12	12
Insurance product (General account)	16	15
Deposits	21	28
Other	7	1
Total	100	100

(Note 1) Total of pension assets as of March 31, 2017 and March 31, 2018 included a retirement benefit trust, established for the Company's pension plans that represented 10% and 10% of the total of pension assets, respectively.

(Note 2) Assets included under "Other" in the previous fiscal year have been separately listed as "Deposits " from the fiscal year under review to enhance the clarity of disclosure. In order to reflect the changes in presentation method, the notes in the previous fiscal year have been reclassified. As a result, the 29% indicated under "Other" in the previous fiscal year has been reclassified as "Deposits" 28% and "Other" 1%.

(b) Method for setting the expected long-term rate of return

The expected long-term rate of return on pension assets has been set based on the allocation of the pension assets as well as the current and expected rate of return from each category of the pension assets.

(viii) Matters relating to the basis for calculation used in the actuarial calculation

Main basis for calculation used in the actuarial calculation (principally represented by the rate used)

	2018	2017
Discount rate	0.8%	0.8%
Expected long-term return on pension assets	2.1%	2.5%

(3) Defined contribution plans

The amount which the Company and its consolidated subsidiaries were required to contribute to the defined contribution plans was ¥529 million for the previous fiscal year and ¥527 million (US$4 million) for the fiscal year under review.

20. STOCK OPTION

Not applicable.

21. TAX EFFECT ACCOUNTING

(1) Major breakdown of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Deferred tax assets：			
Deficits	60,832	28,961	573,889
Property, plant and equipment	3,308	3,901	31,216
Provision for repairs	1,656	1,345	15,631
Provision for bonuses	792	655	7,478
Inventories	578	173	5,460
Provision for retirement benefits	500	463	4,720
Other	2,176	10,604	20,531
Subtotal	69,846	46,105	658,928
Less valuation allowance	(46,541)	(19,930)	(439,067)
Total deferred tax assets	23,305	26,175	219,860
Deferred tax liabilities：			
Prepaid benefit cost	(2,751)	(2,602)	(25,956)
Reserve for reduction entry	(1,154)	(1,163)	(10,887)
Valuation difference on available-for-sale securities	(604)	(147)	(5,699)
Retained earnings of subsidiaries and affiliates	(576)	(530)	(5,441)
Other	(216)	(547)	(2,042)
Total deferred tax liabilities	(5,302)	(4,992)	(50,027)
Net deferred tax assets	18,002	21,183	169,833

(Note) Net deferred tax assets as of March 31, 2017 and March 31, 2018 are included in the items below of the consolidated balance sheets.

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Current assets - Deferred tax assets	6,620	1,627	62,457
Non-current assets - Deferred tax assets	11,680	19,824	110,188
Current liabilities - Deferred tax liabilities	(0)	-	(0)
Non-current liabilities - Deferred tax liabilities	(298)	(268)	(2,812)

(2) Reconciliation of significant difference between the statutory tax rate and the effective tax rate after applying tax effect accounting

	2018	2017
Statutory tax rate	30.7 %	30.7 %
Increase (decrease) in income taxes resulting from：		
Change in valuation allowance allocated to income tax expenses	(13.2)	(55.9)
Effect of exclusion of subsidiary from consolidation	12.0	0.9
Impact of adoption of consolidated tax payment system in next year	(6.9)	-
Dividend and other items excluded permanently from taxable income	(1.8)	(2.3)
Inter-company eliminations of dividends income	1.5	2.1
Inter-company eliminations of allowance for doubtful accounts	(1.3)	(14.4)
Other	1.9	0.4
Effective income tax rate	22.8 %	(38.6) %

22. BUSINESS COMBINATION

Business separation (sale of subsidiary shares)

The company has transferred the whole shares of Tokuyama Malaysia Sdn. Bhd., which had been a wholly owned subsidiary up until the previous consolidated accounting fiscal year, to OCI Company Ltd. on May 31, 2017.

1. Business separation summary

(1) Name of successor company

OCI Company Ltd.

(2) Content of separated business

Name :Tokuyama Malaysia Sdn. Bhd.

Business :Production and sale of polycrystalline silicon

(3) Main reason for business separation

Tokuyama Malaysia was established in August 2009 to expand the semiconductor-grade and solar-grade polycrystalline silicon business. Due to the technological issues of manufacturing facilities and deteriorating market condition of solar-grade polycrystalline silicon, two huge impairment losses in connection with plants were posted. To continue Tokuyama Malaysia's business, the efforts to improve the manufacturing facilities and the productivity were taken, and certain level of productivity has been achieved. In addition, to further strengthen Tokuyama Malaysia's business structure, the Company has been evaluating every option including Tokuyama Malaysia's alliance with other company.

As a result, the Company has reached to the conclusion that transferring the business of Tokuyama Malaysia to OCI, a global player of solar power business including the production of polycrystalline silicon, will be the best choice for parties, and finally the Company reached an agreement with OCI about transfer of shares of Tokuyama Malaysia to OCI.

(4) Date of business separation

May 31, 2017

(5) Matters concerning outline of other transactions, including legal form

Transfer of business limiting consideration received to asset such as cash

2. Outline of accounting processes implemented

(1) Amount of gain/loss transferred

Loss on transfer of business ¥8,059 million (US$76 million)

(2) Appropriate carrying amount of assets and liabilities relating to the transferred business and major breakdown of them.

	Millions of yen	Thousands of U.S. Dollars
	2018	**2018**
Current assets	21,538	203,194
Non-current assets	9,839	92,828
Total assets	31,378	296,023
Current liabilities	3,655	34,485
Total liabilities	3,655	34,485

(3) Accounting treatment

The difference between the consolidated carrying amount of Tokuyama Malaysia Sdn. Bhd. and the selling price is recorded as "Loss on transfer of business" under "extraordinary loss".

3. Reportable segments that included separated businesses

Specialty Products

4. Approximate amount of gain/loss on separated businesses recorded in the consolidated income statement for the fiscal year under review

	Millions of yen	Thousands of U.S. Dollars
	2018	**2018**
Net sales	1,632	15,401
Operating profit	(682)	(6,438)

23. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations included in the consolidated balance sheets

The Group has obligations to restore site to its original state at the time of leaving or termination of the business and after termination of mining for branches, etc. that use an office under an real estate lease agreement or certain business offices that use a plant or site for sales facilities, as well as mines. Of these obligations, for certain obligations to restore site to its original state at the time of leaving a rental building under a building lease agreement for which the timing of performance and amount can be reasonably estimated at the present moment based on past records, asset retirement obligations have been recorded. The note on the content of asset retirement obligations is omitted because of immateriality.

(2) Asset retirement obligations not included in the consolidated balance sheets

Because past records, other than those stated in (1) above, are poor, the period of use of the leased asset related to the obligations is uncertain, and there is no plan for relocation, etc. or mine closure at the present moment, it is difficult to reasonably estimate the timing and scope of performance and probability for the obligations. Therefore, asset retirement obligations corresponding to the obligations have not been recorded.

24. INVESTMENT AND RENTAL PROPERTIES

Information is omitted because of immateriality of the total amount of investment and rental properties.

25. SEGMENT INFORMATION

BUSINESS SEGMENT INFORMATION

(1) Summary of reportable segments

The reportable segments in the Company Group are defined as individual units, where separate financial information is available and which are subject to regular review to evaluate their results and decide the allocation of management resources by the board of directors of the Company.

The Company has business divisions by product group, and the Company Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.

The Company Group is, therefore, composed of reportable 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:

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, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

(2) Calculation of sales, income (loss), assets and other financial items by reportable segment

The accounting treatment methods applied to reportable segments are identical to those stated in “4. SIGNIFICANT ACCOUNTING POLICIES.”

Inter-segment sales or transfer are based on market prices.

Reportable segment’s profit (loss) is based on operating profit.

(3) Information on net sales, profit (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2018

[2018] Millions of yen

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others (Note 1)**	**Total**	**Adjustment (Note 2)**	**Consolidated (Note 3)**
Sales								
Sales to customers	92,512	47,640	87,058	49,586	31,263	308,061	-	308,061
Inter-segment sales/transfer	1,034	11,038	286	1,993	23,262	37,615	(37,615)	-
Total sales	93,546	58,678	87,345	51,579	54,526	345,676	(37,615)	308,061
Segment profit	16,175	11,003	4,568	3,728	6,214	41,691	(422)	41,268
Segment assets	53,981	52,471	53,835	57,577	46,862	264,728	97,221	361,949
Other items								
Depreciation and amortization(Note 4)	2,244	2,445	3,195	2,086	3,159	13,131	854	13,985
Increase in tangible and intangible fixed assets(Note 5)	2,753	3,386	3,059	4,857	1,813	15,871	424	16,295

[2018] Thousands of U.S. Dollars

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others (Note 1)**	**Total**	**Adjustment (Note 2)**	**Consolidated (Note 3)**
Sales								
Sales to customers	872,759	449,438	821,305	467,797	294,938	2,906,239	-	2,906,239
Inter-segment sales/transfer	9,756	104,132	2,707	18,805	219,459	354,861	(354,861)	-
Total sales	882,516	553,570	824,012	486,603	514,398	3,261,101	(354,861)	2,906,239
Segment profit	152,598	103,811	43,097	35,178	58,626	393,311	(3,988)	389,323
Segment assets	509,255	495,018	507,881	543,186	442,097	2,497,438	917,180	3,414,619
Other items								
Depreciation and amortization(Note 4)	21,174	23,071	30,144	19,680	29,810	123,881	8,059	131,940
Increase in tangible and intangible fixed assets(Note 5)	25,977	31,944	28,866	45,827	17,111	149,727	4,006	153,734

(Note 1) The “Others” segment comprises businesses other than those of the reportable segments, and includes overseas sales companies, a distribution company, a real estate business, etc.

(Note 2) Adjustments are as follows:

(i) The segment profit adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

(ii) The segment assets adjustment amount includes corporate assets that are not allocated to a specific reportable segment (¥124,248 million / US$1,172 million).

(Note 3) Segment profit is adjusted for operating profit in the consolidated financial statements.

(Note 4) Depreciation includes amortization of long-term prepaid expenses.

(Note 5) Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

(Items related to the changes in reportable segment)

As referred to “7. CHANGES IN PRESENTATION”, ”Cost of idle operations” which was included in “Non-operating expenses” in the previous fiscal year was reviewed for the purpose of stricter cost control, and some amount of “Cost of idle operations” is included under “Cost of sales” from the fiscal year under review. In order to reflect this change in presentation method, the segment information for the previous fiscal year have been reclassified.

Fiscal year ended March 31, 2017

[2017]

	Millions of yen							
	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others (Note 1)**	**Total**	**Adjustment (Note 2)**	**Consolidated (Note 3)**
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 sales	83,346	67,726	82,995	50,751	52,124	336,943	(37,836)	299,106
Segment profit	12,999	9,215	7,552	5,389	5,965	41,122	(2,589)	38,533
Segment assets	47,663	65,555	53,511	53,631	42,696	263,057	161,375	424,433
Other items								
Depreciation and amortization(Note 4)	2,276	2,679	3,194	1,824	3,286	13,261	953	14,215
Increase in tangible and intangible fixed assets(Note 5)	2,410	1,474	3,907	6,425	2,473	16,692	898	17,591

(Note 1) The "Others" segment comprises businesses other than those of the reportable segments, and includes overseas sales companies, a distribution company, a real estate business, etc.

(Note 2) Adjustments are as follows:

(i) The segment profit adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment.

(ii) The segment assets adjustment amount includes corporate assets that are not allocated to a specific reportable segment (¥194,566 million).

(Note 3) Segment profit is adjusted for operating profit in the consolidated financial statements.

(Note 4) Depreciation includes amortization of long-term prepaid expenses.

(Note 5) Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

[Related information]

Fiscal year ended March 31, 2018

(1) Information by product and service

Information is omitted as identical information is disclosed in segment information.

(2) Information by region

(i) Net sales

	Millions of yen	Thousands of U.S. Dollars
	2018	**2018**
Japan	244,135	2,303,166
Asia	53,032	500,311
Others	10,892	102,761
Total	308,061	2,906,239

(Note) Net sales are categorized into countries or regions based on the location of customers.

(ii) Property, plant and equipment

	Millions of yen	Thousands of U.S. Dollars
	2018	**2018**
Japan	102,207	964,217
Others	8,035	75,807
Total	110,242	1,040,024

(Changes in presentation)

As the significance of "Asia" declined in the fiscal year under review, this is now included in "Others." In order to reflect this change in presentation method, notes to consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, ¥17,021 million (US$161 million) that was presented in "Asia" in the previous fiscal year has been reclassified to "Others."

(3) Information by major customer

Information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statements of income.

Fiscal year ended March 31, 2017

(1) Information by product and service

Information is omitted as identical information is disclosed in segment information.

(2) Information by region

(i) Net sales

	Millions of yen
	2017
Japan	237,832
Asia	50,979
Others	10,295
Total	299,106

(Note) Net sales are categorized into countries or regions based on the location of customers.

(ii) Property, plant and equipment

	Millions of yen
	2017
Japan	101,133
Others	18,100
Total	119,233

(3) Information by major customer

Information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statements of income.

[Information on impairment loss of non-current assets by reportable segment]

Fiscal year ended March 31, 2018

[2018] Millions of yen

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others**	**Adjustment**	**Total**
Impairment loss	-	22	-	1,076	-	-	1,098

[2018] Thousands of U.S. Dollars

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others**	**Adjustment**	**Total**
Impairment loss	-	208	-	10,156	-	-	10,365

Fiscal year ended March 31, 2017

[2017] Millions of yen

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others**	**Adjustment**	**Total**
Impairment loss	128	31	-	1,490	-	33	1,683

(Note) The amount of “Adjustment” is impairment loss related to corporate assets that are not attributable to any segment.

[Information on amortization of goodwill and unamortized balance by reportable segment]
Fiscal year ended March 31, 2018

[2018] Millions of yen

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others**	**Adjustment**	**Total**
Amortization of goodwill	-	7	1,282	-	-	-	1,289
Unamortized balance	-	17	1,140	-	-	-	1,158

[2018] Thousands of U.S. Dollars

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others**	**Adjustment**	**Total**
Amortization of goodwill	-	66	12,100	-	-	-	12,166
Unamortized balance	-	165	10,760	-	-	-	10,925

There is neither amortization of negative goodwill nor unamortized balance arising from business combinations conducted on and before April 1, 2010.

Fiscal year ended March 31, 2017
[2017] Millions of yen

	Chemicals	**Specialty Products**	**Cement**	**Life & Amenity**	**Others**	**Adjustment**	**Total**
Amortization of goodwill	-	7	1,246	-	-	-	1,253
Unamortized balance	-	24	2,343	-	-	-	2,367

There is neither amortization of negative goodwill nor unamortized balance arising from business combinations conducted on and before April 1, 2010.

[Information on gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2018
Not applicable.

Fiscal year ended March 31, 2017
Not applicable.

26. INFORMATION ON RELATED PARTIES

Fiscal years ended March 31, 2018 and 2017
Not applicable.

27. PER SHARE INFORMATION

	yen		U.S. Dollars
	2018	2017	**2018**
Net assets per share	1,806.56	1,527.42	17.04
Earnings per share	259.81	738.92	2.45
Diluted earnings per share	-	599.66	-

(*1)Diluted earnings per share for the fiscal year ended March 31, 2018 are not presented because there were no dilutive shares.
(Note 1) The basis for calculation

1 Net assets per share

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Total net assets on Blance Sheets	136,591	135,976	1,288,601
Net assets related to common shares	125,656	106,254	1,185,441
Major breakdown of difference			
Net assets pertaining to class A shares	-	20,761	-
Non-controling interests	10,935	8,960	103,160

	Thousand shares	
	2018	2017
Number of shares outstanding of common shares	69,934	69,934
Number of treasury shares of common shares	378	370
Number of common shares used to calculate net assets per share	69,555	69,564

2 Earnings per share

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Profit attributable to owners of parent	19,698	52,165	185,833
Amount not attributable to common shareholders	1,626	761	15,339
Profit related to common shares attributable to owners of parent	18,072	51,403	170,493

	Thousand shares	
	2018	2017
Average number of common shares during the period	69,560	69,566

3 Diluted earnings per share

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Adjustment amount of profit attributable to owners of parent	-	761	-
Preferred Dividend	-	761	-

	Thousand shares	
	2018	2017
Increase in number of common shares	-	17,426

(Note 2) All of the Class A shares issued by the Company (total paid-in amount: 20 billion yen) have been acquired and cancelled on June 14, 2017.

(Note 3) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. On this basis, net assets per share, earnings per share and diluted earnings per share data are calculated on the assumption that the consolidation of shares was conducted as of the beginning of the preceding fiscal year.

28. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

29. ANNEXED CONSOLIDATED DETAILED SCHEDULES

(1) Schedule of bonds payable

Company	Issue	Date of Issuance	Interest rate	collateral	the term of redemption	2018	2017	2018
Tokuyama	20th unsecured bonds without collateral	March 10, 2010	1.760%	No	March 10, 2020	10,000	10,000	94,339
Tokuyama	22nd unsecured bonds without collateral	September 9, 2010	1.478%	No	September 9, 2020	15,000	15,000	141,509
Tokuyama	24th unsecured bonds without collateral	September 8, 2011	1.371%	No	September 8, 2021	9,400	9,400	88,679
Total		—	—	—	—	34,400	34,400	324,528
The amounts to be redeemed within 1 year						-	-	-

(Note 1) In the cases of the 20th, 22nd and 24th series of unsecured bonds, we delegated the performance of the obligation based on an unsecured bond trust-type debt assumption agreement (debt assumption agreement) that had been executed with a bank. Accordingly, although the liabilities pertaining to those unsecured bonds and the amount paid under that same contract offset each other, since the obligation to redeem the Company's unsecured bonds to bondholders continued until the time of their redemption, this is noted as a contingent liability on the consolidated balance sheets.

(Note 2) Amounts of redemption within five years after the consolidated balance sheet date are as follows:

	Millions of yen	Thousands of U.S. Dollars
Year ending March 31		
2019	-	-
2020	10,000	94,339
2021	15,000	141,509
2022	9,400	88,679
2023	-	-

(2) Schedule of loans payable

	Millions of yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Short-term loans payable (1.33%)	2,549	2,138	24,049
Current portion of long-term loans payable (1.25%)	15,684	15,235	147,967
Current portion of lease obligations	641	577	6,048
Long-term loans payable, due in 2019-2074 (2.17%)	119,521	160,555	1,127,558
Lease obligations, due in 2019-2025	1,521	1,787	14,354
Total	139,917	180,294	1,319,978

(Note 1) "Average interest rate" shows the weighted average interest rate on the ending balance of loans payable, etc.

(Note 2)The average interest rate on lease obligations is not presented because lease obligations are recorded at the amount before deduction of the amount equivalent to interest included in total lease payments, in the consolidated balance sheets.

(Note 3)The amounts of long-term loans payable and lease obligations (excluding current portion of them) to be repaid within five years after the consolidated balance sheet date are as follows:

Long-term loans payable	Millions of yen	Thousands of U.S. Dollars
Year ending March 31		
2020	12,076	113,925
2021	15,434	145,606
2022	9,419	88,864
2023	21,589	203,675

Lease liabilities	Millions of yen	Thousands of U.S. Dollars
Year ending March 31		
2020	555	5,239
2021	428	4,039
2022	332	3,138
2023	154	1,462

(3) Schedule of asset retirement obligations

Information is omitted since the amounts of asset retirement obligations at the beginning and end of the fiscal year under review are 1% or less of the total of liabilities and net assets at the beginning and end of the fiscal year under review.

(4) Others

Quarterly information for the fiscal year ended March 31, 2018

【Millions of yen】

Accumulated period	**1Q**	**2Q**	**3Q**	**Current consolidated fiscal year**
Net sales (Millions of yen)	72,473	146,166	226,090	308,061
Profit (loss) before income taxes (Millions of yen)	(542)	13,952	24,564	32,895
Profit (loss) attributable to owners of parent (Millions of yen)	(8,143)	174	7,342	19,698
Net income (loss) per share (yen)	(140.44)	(20.87)	82.18	259.81

Accumulated period	**1Q**	**2Q**	**3Q**	**4Q**
Net income (loss) per share (yen)	(140.44)	119.57	103.05	177.64

【Thousands of U.S. Dollars】

Accumulated period	**1Q**	**2Q**	**3Q**	**Current consolidated fiscal year**
Net sales (Thousands of U.S. Dollars)	683,716	1,378,931	2,132,927	2,906,239
Profit (loss) before income taxes (Thousands of U.S. Dollars)	(5,114)	131,630	231,737	310,336
Profit (loss) attributable to owners of parent (Thousands of U.S. Dollars)	(76,824)	1,645	69,267	185,833
Net income (loss) per share (U.S. Dollars)	(1.32)	(0.19)	0.77	2.45

Accounting period	**1Q**	**2Q**	**3Q**	**4Q**
Net income (loss) per share (U.S. Dollars)	(1.32)	1.12	0.97	1.67

(Note 1) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. On this basis, net income (loss) per share is calculated on the assumption that the consolidation of shares was conducted as of the beginning of the fiscal year.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

Grant Thornton Taiyo LLC

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To the Board of Directors of
Tokuyama Corporation

We have audited the accompanying consolidated financial statements of Tokuayma Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokuyama Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Grant Thornton Taiyo LLC

July 10, 2018
Osaka, Japan

Member of Grant Thornton International Ltd

Major Subsidiaries and Affiliates

(As of March 31, 2018)

Company	Capital (millions of yen)	Ownership (%)	Scope
Chemicals			
Tokuyama & Central Soda Inc.	10	100	Sale of soda ash and calcium chloride
Shin Dai-ichi Vinyl Corporation	2,000	85.5	Production and sale of polyvinyl chloride
Sun Arrow Kasei Co., Ltd.	98	100	Production and sale of polyvinyl chloride compounds
Category also includes another 4 affiliates			
Specialty Products			
Tokuyama Chemicals (Zhejiang) Co., Ltd.	CNY 407 million	100	Production and sale of fumed silica
Tokuyama-Dowa Power Materials Co., Ltd.	250	65.0	Production and sale of aluminum nitride
Tokuyama Electronic Chemicals Pte. Ltd.	SGD 11,000 thousand	100	Production and sale of high purity chemicals for electronics manufacturing
Taiwan Tokuyama Corporation	TWD 200 million	100	Production and sale of high purity chemicals for electronics manufacturing
*Hantok Chemicals Co., Ltd.	KRW 4,500 million	50.0	Production and sale of photoresist developer
Category also includes another 1 consolidated subsidiary			
Cement			
Hiroshima Ready Mixed Concrete Co., Ltd	100	67.2	Production and sale of ready-mixed concrete
Tokuyama Nouvelle Calédonie S.A.	XPF 210 million	75.6	Production and sale of cement
Tokyo Tokuyama Concrete Co., Ltd.	80	99.9	Production and sale of ready-mixed concrete and concrete products
Seibu Tokuyama Ready Mixed Concrete Co., Ltd.	100	100	Production and sale of ready-mixed concrete
Kawasaki Tokuyama Ready Mixed Concrete Co., Ltd.	40	100	Production and sale of ready-mixed concrete
Kyushu Tokuyama Ready Mixed Concrete Co., Ltd.	50	100	Production and sale of ready-mixed concrete
Chugoku Ready Mixed Concrete Co., Ltd.	80	52.3	Production and sale of ready-mixed concrete
Notsuharu Co., Ltd	3	100	Production and sale of ready-mixed concrete
Tokuyama Tsusho Trading Co., Ltd.	95	100	Sale of cement and ready-mixed concrete
Kansai Tokuyama Trading Co., Ltd.	80	100	Sale of cement and ready-mixed concrete
Tokusho Co., Ltd.	40	100	Sale of cement and ready-mixed concrete
Tokushin Co., Ltd.	40	100	Sale of cement and ready-mixed concrete
Tokuyama Mtech Corporation	50	100	Processing and sale of building materials
*Yamaguchi Eco-tech Corporation	90	50.0	Recycling business of incinerated ash of wastes
Category also includes another 4 consolidated subsidiaries, 4 equity method affiliates and 13 affiliates			
Life & Amenity			
Shanghai Tokuyama Plastics Co., Ltd.	CNY 85 million	100	Production and sale of microporous film
Tianjin Tokuyama Plastics Co., Ltd.	CNY 129 million	100	Production and sale of microporous film
Sun•Tox Co., Ltd.	300	80.0	Production and sale of polyolefin films
A&T Corporation	577	40.2	Production and sale of diagnostic reagents, analyzers and systems
Tokuyama Dental Corporation	100	100	Production and sale of dental and medical materials

Company	Capital (millions of yen)	Ownership (%)	Scope
ASTOM Corporation	450	55.0	Production, sale and maintenance of ion-exchange membranes and related equipment
Excel Shanon Corporation	495	100	Production and sale of plastic window sashes
Tohoku Shanon Co., Ltd.	300	72.0	Production of plastic window sashes
* Figaro Engineering Inc.	99	33.4	Production and sale of sensor devices
Category also includes another 3 consolidated subsidiary			
Other			
Tokuyama Asia Pacific Pte. Ltd.	SGD 800 thousand	100	Sale of Tokuyama's products
Tokuyama Europe GmbH	EUR 255 thousand	100	Sale of Tokuyama's products
Tokuyama Trading (Shanghai) Co., Ltd.	CNY 5 million	100	Sale of Tokuyama's products
Tokuyama Korea Co., Ltd.	KRW 500 million	100	Sale of Tokuyama's products
Tokuyama (Shanghai) Co., Ltd.	CNY 12 million	100	Management company to provide services for other group companies in China
Tomitec Co., Ltd.	100	60.0	Production and sale of plastic molded products
Shunan System Sangyo Co., Ltd.	100	100	Real estate, civil engineering, construction
Tokuyama Logistics Corporation	100	100	Transportation and warehousing
Tokuyama Information Service Corporation	20	100	Information processing services
Shunan Bulk Terminal Co., Ltd.	150	72.2	Warehouse operations for bulk cargoes of coal etc.
* CoorsTek Tokuyama Corporation	100	30.0	Production and sale of ceramics and electrochemical products
* Tokuyama Polypropylene Co., Ltd.	100	50.0	Production and sale of polypropylene
* Nishinihon Resicoat Co., Ltd.	50	50.0	Production of metal parts and anti-rust surface coating materials
Category also includes another 3 consolidated subsidiaries and 2 affiliates			

*Equity method affiliates

Corporate Data and Stock Information

(As of March 31, 2018)

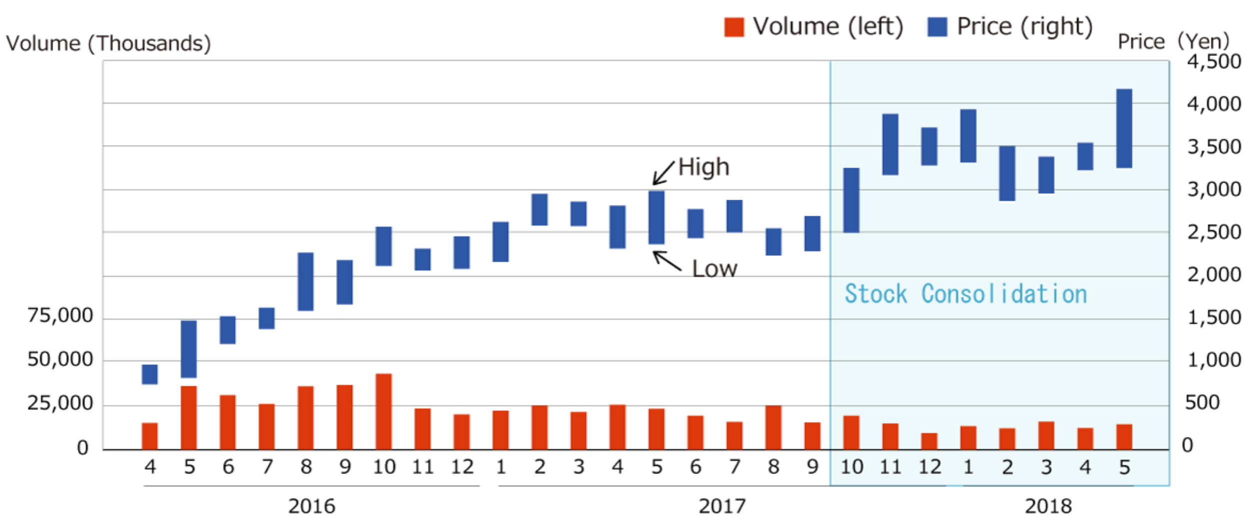
Company Name:	Tokuyama Corporation
Established:	February 16, 1918
Capital:	¥10,000 million
Employees:	4,889 (Consolidated)
Fiscal Year:	From April 1 to March 31
General Meeting of Shareholders:	June
Stock Listing:	Tokyo
Minimum Number of Shares per Trade:	100 shares
Stock:	4043

Composition of Shareholders

Major Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares
The Master Trust Bank of Japan, Ltd. (trust account)	8,144	11.71
Japan Trustee Services Bank, Ltd. (trust account)	7,399	10.64
Nippon Life Insurance Company	2,174	3.13
The Yamaguchi Bank, Ltd.	1,649	2.37
Meiji Yasuda Life Insurance Company	1,488	2.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,419	2.04
Sojitsu Corporation	1,296	1.86
Sumitomo Metal Mining Co., Ltd.	1,180	1.70
Mitsubishi UFJ Trust and Banking Corporation	1,170	1.68
Japan Trustee Services Bank, Ltd. (trust account 5)	1,161	1.67

Stock Chart



Tokuyama Corporation

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