

## Summary of Consolidated Financial Statements for the Second Quarter Fiscal 2014 (JPGAAP)

October 31, 2014

### Tokuyama Corporation

(URL <http://www.tokuyama.co.jp/>)

Representative:

Kazuhisa Kogo, President and Representative Director

Contact:

Taro Kobayashi, General Manager, Corporate Communications & Investor Relations Dept.  
+81-3-6205-4832

Stock exchange listings:

Tokyo

Local Code :

4043

Scheduled date for the filing of the quarterly consolidated financial statements : November 14, 2014

Scheduled date of dividends payout : -

Preparation of supplementary quarterly explanatory materials: Yes

Quarterly business results IR briefing to be held: Yes (for institutional investors and analysts)

### 1. Consolidated results for fiscal second quarter ended Sept. 30, 2014 (April 1, 2014 - Sept. 30, 2014)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]
Second Quarter Fiscal 2014	143,880	6.6	10,590	35.6	8,284	35.9
Second Quarter Fiscal 2013	135,034	7.2	7,811	885.3	6,094	-

(Note) Comprehensive income: 2nd Quarter FY14: (79,135) million yen [-%]; 2nd Quarter FY13: 6,361 million yen [-%]

	Net income		Net income per share	Diluted net income per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Second Quarter Fiscal 2014	(80,504)	-	(231.40)	-
Second Quarter Fiscal 2013	4,518	-	12.99	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Sept. 30, 2014	552,667	154,990	26.8	426.31
Mar. 31, 2014	576,315	236,453	39.9	660.18

(Reference) Shareholders' equity: Sept. 30, 2014: 148,302 million yen Mar. 31, 2014: 229,667 million yen

### 2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2013, ended Mar 31, 2014	(yen) -	(yen) 3.00	(yen) -	(yen) 3.00	(yen) 6.00
Fiscal 2014, ending Mar 31, 2015	-	0.00			
Fiscal 2014 (Forecast)			-	0.00	0.00

(Note) Revision of the latest dividends forecast: Yes

### 3. Consolidated performance forecast for fiscal 2014 (April 1, 2014 - March 31, 2015)

(% indicates the rate of change over the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
Fiscal 2014	309,000	7.5	21,000	3.6	15,000	0.2	(75,000)	-	(215.58)

(Note) Revision of the latest consolidated performance forecast: Yes

\*The Company announced the news release, "Notice concerning the Posting of Extraordinary Loss, Revision of Performance Forecasts, Distribution of Surplus, and the Return of Executive Compensation," on October 31, 2014.

## \*Notes

### (1) Changes in significant subsidiaries during this period (Apr. 1, 2014 – Sept. 30, 2014)

: No

**Addition to the scope of consolidation:** -

**Reduction from the scope of consolidation:** -

(Note) This item means changes in significant subsidiaries with changes in the scope of consolidation during this period (Apr. 1, 2014 – Sept. 30, 2014).

### (2) Application of accounting methods specific to the preparation of the quarterly consolidated financial statements

: Yes

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

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

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

iii. Changes in accounting estimates: No

iv. Retrospective restatements: No

### (4) Number of shares issued (in common stock)

i. Number of shares issued at end of period (including treasury stock):	Second Quarter Fiscal 2014:	349,671,876	Fiscal 2013:	349,671,876
ii. Number of treasury stock at end of period:	Second Quarter Fiscal 2014:	1,796,294	Fiscal 2013:	1,782,644
iii. Average number of shares over period:	Second Quarter Fiscal 2014:	347,895,825	Second Quarter Fiscal 2013:	347,919,018

(Note) Notice on the implementation of quarterly review procedures

This summary of quarterly consolidated financial statements is not subject to quarterly review procedures in line with the Financial Instruments and Exchange Act. At the point of disclosure of this summary of quarterly consolidated financial statements, the quarterly consolidated financial statements review procedures in line with the Financial Instruments and Exchange Act are underway.

(Note) Cautions pertaining to appropriate use of performance forecast and other particular items

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

Contents for Accompanying Materials

- 1. **Qualitative information on consolidated quarterly results** ..... P. 2
  - (1) **Explanation concerning business results** ..... P. 2
  - (2) **Explanation concerning financial position** ..... P. 7
  - (3) **Explanation concerning information related to future prediction such as consolidated performance forecast** ..... P. 9
- 2. **Consolidated Quarterly Financial Statements** ..... P. 10
  - (1) **Consolidated Quarterly Balance Sheets** ..... P. 10
  - (2) **Consolidated Quarterly Statements of Income** ..... P. 12
  - (3) **Consolidated Quarterly Statements of Comprehensive Income** ..... P. 13
  - (4) **Consolidated Quarterly Statements of Cash Flows** ..... P. 14
  - (5) **Segment Information** ..... P. 16

## 1. Qualitative information on consolidated quarterly results

### (1) Explanation concerning business results

Consolidated results for the second quarter fiscal 2014 (accumulated figures, April 1, 2014 - September 30, 2014) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income (loss)
<b>Second Quarter Fiscal 2014</b>	<b>143,880</b>	<b>10,590</b>	<b>8,284</b>	<b>(80,504)</b>
Second Quarter Fiscal 2013	135,034	7,811	6,094	4,518
Rate of change (%)	6.6	35.6	35.9	-

#### Net sales

Consolidated net sales increased 6.6%, or ¥8.8 billion compared with the corresponding period of the previous year, to ¥143.8 billion. In addition to increased sales volumes of cement and caustic soda and selling price revisions of petrochemicals and caustic soda, this was attributable to strong sales of active pharmaceutical ingredients and other products.

#### Cost of sales

Cost of sales increased 3.8%, or ¥3.7 billion compared with the corresponding period of the previous year, to ¥102.0 billion, due chiefly to increased sales volumes and a rise in raw material costs arising from domestic naphtha price hikes.

#### SG&A expenses

SG&A expenses increased 8.0%, or ¥2.3 billion compared with the corresponding period of the previous year, to ¥31.2 billion, due mainly to higher distribution costs resulting from increased sales volumes.

#### Operating income

Operating income increased 35.6%, or ¥2.7 billion compared with the corresponding period of the previous year, to ¥10.5 billion, due chiefly to

increased sales volumes and profitability improvement of petrochemicals.

**Non-operating income/expenses, Ordinary income**

Despite a decrease in costs of idle operations, non-operating income/expenses deteriorated by ¥0.5 billion compared with the corresponding period of the previous year, due chiefly to an increase in interest expenses and a change from foreign exchange gains recorded in the corresponding period of the previous year to foreign exchange losses.

As a result, ordinary income increased 35.9%, or ¥2.1 billion compared with the corresponding period of the previous year, to ¥8.2 billion.

**Extraordinary income/losses, Income/loss before income taxes and minority interests, Income/loss before minority interests, Net income/loss**

Extraordinary income/losses deteriorated by ¥87.5 billion compared with the corresponding period of the previous year. This was largely attributable to the posting of an impairment loss on the polycrystalline silicon manufacturing facilities of Tokuyama Malaysia Sdn. Bhd.

As a result of the above, income/loss before income taxes and minority interests deteriorated by ¥85.3 billion compared with the corresponding period of the previous year, to a loss of ¥79.6 billion.

Income/loss before minority interests deteriorated by ¥85.2 billion compared with the corresponding period of the previous year, to a loss of ¥80.7 billion. After deducting minority interests, the Company recorded a net loss of ¥80.5 billion. Consequently, net income/loss deteriorated by ¥85.0 billion compared with the corresponding period of the previous year.

(Operating results by segment)

Sales

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>Second Quarter Fiscal 2014</b>	<b>43,990</b>	<b>24,107</b>	<b>38,698</b>	<b>30,088</b>	<b>24,903</b>	<b>161,788</b>	<b>(17,907)</b>	<b>143,880</b>
Second Quarter Fiscal 2013	41,593	23,415	36,444	27,174	23,255	151,884	(16,850)	135,034
Rate of change (%)	5.8	3.0	6.2	10.7	7.1	6.5	-	6.6

Operating income

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>Second Quarter Fiscal 2014</b>	<b>2,460</b>	<b>2,704</b>	<b>2,211</b>	<b>2,586</b>	<b>2,695</b>	<b>12,657</b>	<b>(2,066)</b>	<b>10,590</b>
Second Quarter Fiscal 2013	787	1,596	2,780	2,063	2,124	9,352	(1,541)	7,811
Rate of change (%)	212.4	69.4	(20.5)	25.3	26.9	35.3	-	35.6

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

## Chemicals

With regard to caustic soda, sales increased compared with the corresponding period of the previous year. In addition to steady domestic sales, this was attributable to our efforts to revise selling prices in order to absorb a rise in raw materials prices.

With regard to vinyl chloride monomer (VCM), despite an increase in raw material costs arising from domestic naphtha price hikes, profitability improved owing to high export prices against the backdrop of stronger Asian market conditions.

With regard to polyvinyl chloride (PVC), sales were steady despite a slowdown in demand for some of its applications. We revised selling prices to absorb a rise in

raw materials prices, and as a result, sales increased compared with the corresponding period of the previous year.

As a result of the above, segment net sales increased 5.8% compared with the corresponding period of the previous year, to ¥43.9 billion and operating income increased 212.4% to ¥2.4 billion. The segment reported higher earnings on higher sales.

### **Specialty Products**

With regard to semiconductor-grade polycrystalline silicon, sales volume increased owing mainly to strong demand for mobile terminals including smartphones. On the other hand, with regard to solar cell-grade polycrystalline silicon, although the market was on the path of recovery against the backdrop of the growth in demand for solar panels, sales decreased compared with the corresponding period of the previous year. This was due to the fact that we decreased shipments in line with a sales strategy that focused on profits.

With regard to fumed silica, sales were steady, mainly of its application as a polishing material for semiconductors.

With regard to aluminum nitride, sales increased compared with the corresponding period of the previous year. This was attributable to an increase in sales volumes of such applications as heat dissipation materials used for power devices for industrial machinery and LEDs.

With regard to high-purity chemicals for electronics manufacturing, sales increased compared with the corresponding period of the previous year, owing to strong sales of such applications as semiconductor and liquid crystal production.

As a result of the above, segment net sales increased 3.0% compared with the corresponding period of the previous year, to ¥24.1 billion and operating

income increased 69.4% to ¥2.7 billion. The segment reported higher earnings on higher sales.

## **Cement**

In the cement business, domestic sales volume grew at a sluggish pace due chiefly to unseasonably bad weather. On the other hand, exports to Asia increased against the backdrop of steady demand in the Asian market, as a result, total sales volumes increased compared with the corresponding period of the previous year. On the cost front, distribution costs increased due to the construction of new cement tankers.

In the recycling and environment-related business, the amount of waste the Company accepted remained almost flat.

As a result of the above, segment net sales increased 6.2% compared with the corresponding period of the previous year, to ¥38.6 billion, while operating income decreased 20.5% to ¥2.2 billion. The segment reported lower earnings on higher sales.

## **Life & Amenity**

Sales of active pharmaceutical ingredients grew owing to increased sales volumes of generic drugs and other applications.

With regard to microporous film, the manufacturing facilities of Tianjin Tokuyama Plastics Co., Ltd. commenced operations, and due to this, sales volumes of such applications as sanitary articles including disposable diapers increased. As a result of this, sales increased compared with the corresponding period of the previous year.

With regard to polyolefin film, we revised selling prices to absorb a rise in raw material prices, and as a result of this, sales increased compared with the



corresponding period of the previous year.

With regard to gas sensors, sales increased compared with the corresponding period of the previous year. This was attributable to strong overseas sales of such applications as gas alarm devices and air cleaners.

With regard to medical diagnosis systems, profitability rose compared with the corresponding period of the previous year. In addition to steady sales of products for blood testing, this was attributable to our cost reduction efforts.

With regard to plastic window sashes, sales decreased compared with the corresponding period of the previous year. This was attributable to a decrease in sales volume arising from reaction to the rush demand before the consumption tax increase.

As a result of the above, segment net sales increased 10.7% compared with the corresponding period of the previous year, to ¥30.0 billion and operating income increased 25.3% to ¥2.5 billion. The segment reported higher earnings on higher sales.

## **(2) Explanation concerning financial position**

### **(Status of assets, liabilities and net assets)**

As of September 30, 2014, total assets amounted to ¥552.6 billion, a decrease of ¥23.6 billion compared with those as of March 31, 2014.

This was largely attributable to a decrease in property, plant and equipment resulting from the posting of a loss on the impairment of polycrystalline silicon manufacturing facilities of Tokuyama Malaysia Sdn. Bhd.

Total liabilities amounted to ¥397.6 billion, an increase of ¥57.8 billion compared with those as of March 31, 2014.

This was largely attributable to long-term loans payable through a medium-term commitment line agreement.

Net assets totaled ¥154.9 billion, a decrease of ¥81.4 billion compared with those as of March 31, 2014.

This was largely attributable to a decrease in retained earnings resulting from the posting of the impairment loss.

As a result of the above, although some of the loan agreements the Company has with some financial institutions have conflicted with the financial covenants, the Company has already asked the financial institutions to negotiate with us about exemption from the financial covenants and continuous transactions. In addition, the Company has got sufficient funds on hand, and is certain that it is able to raise funds in a stable manner at present.

**(Status of cash flows)**

As of September 30, 2014, cash and cash equivalents were ¥110.4 billion, an increase of ¥40.5 billion compared with those as of March 31, 2014.

Net cash provided by operating activities totaled ¥16.5 billion, an increase of ¥5.5 billion compared with the corresponding period of the previous year. Principal items included depreciation expenses of ¥8.0 billion.

Net cash used in investing activities totaled ¥29.4 billion, a decrease of ¥25.4 billion compared with the corresponding period of the previous year. Major contributory factor was payments for purchases of property, plant and equipment of ¥27.5 billion, which arose largely from construction of polycrystalline silicon manufacturing facilities of Tokuyama Malaysia Sdn. Bhd.

Net cash provided by financing activities amounted to ¥53.1 billion, an increase of ¥32.0 billion compared with the corresponding period of the previous year. This was primarily attributed to proceeds from long-term loans payable of ¥55.3 billion.

**(3) Explanation concerning information related to future prediction such as consolidated performance forecasts**

Based on the current performance trend, the Company has revised the performance forecasts, announced on July 31, 2014. For further details, please see the Company's news release, "Notice concerning the Positioning of Extraordinary Loss, Revision of Performance Forecasts, Distribution of Surplus, and the Return of Executive Compensation," dated October 31, 2014.

The performance forecasts have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from actual performance because of various factors that may arise from now on.

2. Consolidated Quarterly Financial Statements  
(1) Consolidated Quarterly Balance Sheets

	Millions of yen	
	3/31/2014	9/30/2014
<b>Assets</b>		
Current assets		
Cash and deposits	27,605	53,739
Notes and accounts receivable - trade	67,495	63,814
Securities	43,050	57,053
Merchandise and finished goods	14,131	15,352
Work in process	9,896	9,155
Raw materials and supplies	17,878	18,717
Deferred tax assets	1,068	1,290
Other	10,635	13,091
Allowance for doubtful accounts	(138)	(126)
Total current assets	<u>191,623</u>	<u>232,088</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,709	101,240
Accumulated depreciation	(71,685)	(71,400)
Buildings and structures, net	<u>31,024</u>	<u>29,840</u>
Machinery, equipment and vehicles	441,874	438,764
Accumulated depreciation	(392,062)	(389,530)
Machinery, equipment and vehicles, net	<u>49,812</u>	<u>49,233</u>
Tools, furniture and fixtures	23,002	22,458
Accumulated depreciation	(21,360)	(20,969)
Tools, furniture and fixtures, net	<u>1,642</u>	<u>1,488</u>
Land	32,667	32,662
Leased assets	2,156	2,126
Accumulated depreciation	(895)	(890)
Leased assets, net	<u>1,261</u>	<u>1,236</u>
Construction in progress	206,692	143,693
Total property, plant and equipment	<u>323,100</u>	<u>258,154</u>
Intangible assets		
Goodwill	3,608	5,949
Leased assets	29	46
Other	6,493	5,357
Total intangible assets	<u>10,131</u>	<u>11,353</u>
Investments and other assets		
Investment securities	33,334	36,016
Long-term loans receivable	3,473	3,363
Deferred tax assets	839	848
Net defined benefit asset	7,804	6,133
Other	6,264	5,077
Allowance for investment loss	(21)	(21)
Allowance for doubtful accounts	(233)	(347)
Total investments and other assets	<u>51,460</u>	<u>51,070</u>
Total non-current assets	<u>384,692</u>	<u>320,579</u>
Total assets	<u>576,315</u>	<u>552,667</u>

Millions of yen  
3/31/2014                      9/30/2014

Liabilities	3/31/2014	9/30/2014
Current liabilities		
Notes and accounts payable - trade	40,089	39,593
Short-term loans payable	12,347	14,638
Commercial papers	4,000	4,000
Current portion of long-term loans payable	8,811	20,733
Current portion of bonds	—	5,000
Lease obligations	376	349
Income taxes payable	1,865	1,029
Deferred tax liabilities	1	4
Provision for bonuses	2,056	2,355
Provision for repairs	1,429	1,334
Provision for product warranties	132	28
Provision For Restructuring	13	6
Provision for loss on purchase contract	—	3,108
Other	28,173	21,142
<b>Total current liabilities</b>	<b>99,297</b>	<b>113,325</b>
Non-current liabilities		
Bonds payable	50,000	45,000
Long-term loans payable	164,278	204,481
Lease obligations	953	956
Deferred tax liabilities	7,338	8,318
Provision for directors' retirement benefits	207	199
Provision for repairs	2,747	3,214
Allowance for loss on compensation for building materials	842	688
Provision for environmental measures	131	95
Provision for loss on purchase contract	—	8,099
Net defined benefit liability	1,112	1,128
Asset retirement obligations	5	5
Other	12,946	12,162
<b>Total non-current liabilities</b>	<b>240,565</b>	<b>284,351</b>
<b>Total liabilities</b>	<b>339,862</b>	<b>397,676</b>
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,670
Retained earnings	107,155	24,144
Treasury shares	(1,428)	(1,432)
<b>Total shareholders' equity</b>	<b>216,856</b>	<b>133,840</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,369	10,193
Deferred gains or losses on hedges	749	258
Foreign currency translation adjustment	2,710	2,969
Remeasurements of defined benefit plans	982	1,039
<b>Total accumulated other comprehensive income</b>	<b>12,811</b>	<b>14,461</b>
Minority interests	6,785	6,687
<b>Total net assets</b>	<b>236,453</b>	<b>154,990</b>
<b>Total liabilities and net assets</b>	<b>576,315</b>	<b>552,667</b>

## (2) Consolidated Quarterly Statements of Income

	Millions of yen	
	Q2 FY2013	Q2 FY2014
Net sales	135,034	143,880
Cost of sales	98,284	102,044
Gross profit	36,749	41,836
Selling, general and administrative expenses		
Selling expenses	16,863	18,057
General and administrative expenses	12,074	13,188
Total selling, general and administrative expenses	28,938	31,245
Operating income	7,811	10,590
Non-operating income		
Interest income	25	48
Dividend income	312	349
Share of profit of entities accounted for using equity method	269	392
Foreign exchange gains	351	—
Group term insurance dividend	181	209
Other	546	558
Total non-operating income	1,684	1,559
Non-operating expenses		
Interest expenses	1,288	2,309
Other	2,113	1,556
Total non-operating expenses	3,401	3,865
Ordinary income	6,094	8,284
Extraordinary income		
Gain on sales of non-current assets	185	47
Gain on bargain purchase	—	5
Gain on sales of investment securities	379	—
Total extraordinary income	564	52
Extraordinary losses		
Loss on sales of non-current assets	37	—
Impairment loss	220	75,942
Loss on disaster	—	4
Loss on disposal of non-current assets	215	232
Loss on sales of shares of subsidiaries and associates	78	8
Provision for loss on purchase contract	—	11,207
Other	384	567
Total extraordinary losses	936	87,962
Income (loss) before income taxes and minority interests	5,722	(79,624)
Income taxes	1,204	1,151
Income (loss) before minority interests	4,517	(80,775)
Minority interests in loss	0	(271)
Net income (loss)	4,518	(80,504)

(3) Consolidated Quarterly Statements of Comprehensive Income

	Millions of yen	
	Q2 FY2013	Q2 FY2014
Income (loss) before minority interests	4,517	(80,775)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,313	1,821
Deferred gains or losses on hedges	(1,431)	(490)
Foreign currency translation adjustment	1,826	266
Remeasurements of defined benefit plans, net of tax	—	57
Share of other comprehensive income of entities accounted for using equity	134	(13)
Total other comprehensive income	1,843	1,640
Comprehensive income	6,361	(79,135)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,255	(78,854)
Comprehensive income attributable to minority interests	106	(280)

## (4) Consolidated Quarterly Statements of Cash Flows

Millions of yen

Q2 FY2013      Q2 FY2014

	Q2 FY2013	Q2 FY2014
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	5,722	(79,624)
Depreciation	8,119	8,056
Increase (decrease) in allowance for loss on compensation for building	(258)	(154)
Increase (decrease) in provision for loss on purchase contract	—	11,207
Increase (decrease) in other provision	(213)	566
Increase (decrease) in net defined benefit liability	—	30
Increase (decrease) in net defined benefit asset	—	(90)
Interest and dividend income	(337)	(398)
Foreign exchange losses (gains)	84	526
Gain on bargain purchase	—	(5)
Loss (gain) on sales of property, plant and equipment	(147)	(47)
Loss (gain) on sales of investment securities	(379)	—
Loss (gain) on sales of shares of subsidiaries and associates	78	8
Share of (profit) loss of entities accounted for using equity method	(269)	(392)
Interest expenses	1,288	2,309
Impairment loss	220	75,942
Loss (gain) on disposal of non-current assets	215	232
Decrease (increase) in notes and accounts receivable - trade	4,497	3,628
Decrease (increase) in inventories	2,007	342
Decrease (increase) in other current assets	(1,259)	(21)
Increase (decrease) in notes and accounts payable - trade	(2,817)	(164)
Increase (decrease) in other current liabilities	(2,234)	(1,756)
Other, net	(1,557)	366
<b>Subtotal</b>	<b>12,759</b>	<b>20,561</b>
Interest and dividend income received	709	444
Interest expenses paid	(1,296)	(2,238)
Income taxes (paid) refund	(1,144)	(2,217)
<b>Net cash provided by (used in) operating activities</b>	<b>11,028</b>	<b>16,549</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(19)	(18)
Proceeds from withdrawal of time deposits	19	389
Purchase of property, plant and equipment	(16,669)	(27,571)
Proceeds from sales of property, plant and equipment	367	70
Purchase of investment securities	(703)	(5)
Proceeds from sales of investment securities	808	30
Purchase of shares of subsidiaries resulting in change in scope of	(4,115)	—
Payments of long-term loans receivable	(8)	(13)
Collection of long-term loans receivable	131	126
Purchase of money held in trust	(34,300)	—
Payments for transfer of business	—	(3,750)
Other, net	(445)	1,266
<b>Net cash provided by (used in) investing activities</b>	<b>(54,936)</b>	<b>(29,476)</b>



	Millions of yen	
	Q2 FY2013	Q2 FY2014
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	21,273	2,494
Proceeds from long-term loans payable	5,300	55,340
Repayments of long-term loans payable	(3,885)	(3,496)
Cash dividends paid	(1,039)	(1,125)
Cash dividends paid to minority shareholders	(310)	(246)
Decrease (increase) in treasury shares	(5)	(72)
Other, net	(183)	304
<b>Net cash provided by (used in) financing activities</b>	<b>21,149</b>	<b>53,197</b>
Effect of exchange rate change on cash and cash equivalents	622	230
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(22,135)</b>	<b>40,501</b>
Cash and cash equivalents at beginning of period	52,431	69,973
Increase (decrease) in cash and cash equivalents resulting from change of	414	10
Increase (decrease) in cash and cash equivalents resulting from change in	—	(8)
<b>Cash and cash equivalents at end of period</b>	<b>30,710</b>	<b>110,476</b>

## (5) Segment information

Second Quarter Fiscal 2013 (accumulated figures, April 1, 2013 – September 30, 2013)

### 1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	41,074	18,482	36,371	26,410	12,696	135,034	-	135,034
Inter-segment sales/transfer	519	4,933	73	764	10,559	16,850	(16,850)	-
Total	41,593	23,415	36,444	27,174	23,255	151,884	(16,850)	135,034
Segment income	787	1,596	2,780	2,063	2,124	9,352	(1,541)	7,811

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

\*2 The segment income adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment.

\*3 With regard to segment income, operating income in the quarterly consolidated statement of income has been calculated by making an adjustment to the sum total of the reportable segments’ income and the “Others” segment’s income.

### 2. Information on impairment loss of non-current assets or goodwill by reportable segment

(Significant impairment loss for non-current assets)

There were no material facts to be reported in the reportable segments. During the second quarter fiscal 2013 (April 1, 2013 to September 30, 2013), impairment losses that were not allocated to the reportable segments amounted to ¥220 million.

(Significant change of the amount of goodwill)

In the Cement segment, the Company acquired shares of Holcim (Nouvelle Calédonie) S.A. so that it would become the Company’s subsidiary. (The subsidiary’s name was changed to Tokuyama Nouvelle Calédonie S.A. as of June 28, 2013.) During the second quarter fiscal 2013 (April 1, 2013 to September 30, 2013), the amount of increase in goodwill brought by the said event was ¥3,356 million.

## Second Quarter Fiscal 2014 (accumulated figures, April 1, 2014 – September 30, 2014)

### 1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	43,626	18,279	38,645	29,247	14,082	143,880	-	143,880
Inter-segment sales/transfer	363	5,828	53	841	10,821	17,907	(17,907)	-
Total	43,990	24,107	38,698	30,088	24,903	161,788	(17,907)	143,880
Segment income	2,460	2,704	2,211	2,586	2,695	12,657	(2,066)	10,590

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

\*2 The segment income adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment.

\*3 With regard to segment income, operating income in the quarterly consolidated statement of income has been calculated by making an adjustment to the sum total of the reportable segments' income and the "Others" segment's income.

## 2. Information on changes in reportable segments

(Adoption of the accounting standard for retirement benefits)

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012; hereinafter "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter "Retirement Benefits Implementation Guidance"), effective from the first quarter of fiscal 2014, the Company adopted the provisions specified under the main clause of Section 35 of Retirement Benefits Accounting Standard and the main clause of Section 67 of Retirement Benefits Implementation Guidance. Under the new accounting policy, the Company has revised a method for calculating retirement benefit obligations and service costs and changed the attribution method for estimated retirement benefits from a fixed amount standard to a payment calculation standard. At the same time, the Company has changed a method for determining the discount rate from using a discount rate based on the years similar to the average remaining service period of employees to using a single weighted average discount rate which reflects the projected retirement benefit payment period and an amount by projected payment period. The effect of this change on segment information was immaterial.

## 3. Information on impairment loss of non-current assets or goodwill by reportable segment

(Significant impairment loss for non-current assets)

In the Chemicals segment, the Company recorded impairment loss of ¥1,089 million during the second quarter fiscal 2014 (April 1, 2014 to September 30, 2014).

In the Specialty Products segment, the Company recorded impairment loss of ¥74,820 million during the second quarter fiscal 2014 (April 1, 2014 to September 30, 2014).

(Significant change of the amount of goodwill)

In the Cement segment, the rights and obligations in connection with the manufacturing and marketing activities, etc. of three ready-mixed concrete businesses were inherited by Hiroshima Tokuyama Ready Mixed Concrete Co., Ltd., a newly-established succeeding company in an absorption-type split. During the second quarter fiscal 2014 (April 1, 2014 to September 30, 2014), the amount of increase in goodwill brought by the said event was ¥2,970 million.