

## Summary of Consolidated Financial Statements for the First Quarter Fiscal 2016 (JPGAAP)

July 29, 2016

### Tokuyama Corporation

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

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Stock exchange listings:

Tokyo

Local Code :

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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 first quarter ended June 30, 2016 (April 1, 2016 - June 30, 2016)

#### (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 [%]
First Quarter Fiscal 2016	73,163	(0.8)	9,531	224.2	6,470	335.2
First Quarter Fiscal 2015	73,740	3.5	2,939	(47.3)	1,486	(67.3)

(Note) Comprehensive income: 1st Q FY16: 3,056 million yen [40.6%] 1st Q FY15: 2,173 million yen [(50.5)%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
First Quarter Fiscal 2016	5,545	-	15.91	15.89
First Quarter Fiscal 2015	60	(98.3)	0.17	-

#### (2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Jun 30, 2016	404,950	83,150	18.4	156.22
Mar 31, 2016	401,342	60,205	12.8	147.98

(Reference) Shareholders' equity: Jun 30, 2016: 74,351 million yen Mar 31, 2016: 51,473 million yen

### 2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2015, ended Mar 31, 2016	(yen) -	(yen) 0.00	(yen) -	(yen) 0.00	(yen) 0.00
Fiscal 2016, ending Mar 31, 2017	-				
Fiscal 2016 (Forecast)		0.00	-	0.00	0.00

(Note) Revision of the latest dividends forecast: No

\*Dividends described above are the status of dividend related to common stock. As for the dividends related to class shares, please refer to "(Reference) Dividends for Class A shares" on page 3.

### 3. Consolidated performance forecast for fiscal 2016 (April 1, 2016 - March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
First Half Fiscal 2016	145,000	(2.8)	14,500	92.1	11,500	118.5	7,000	151.5	19.37
Fiscal 2016	302,000	(1.7)	32,000	38.7	27,000	52.3	17,000	—	46.68

(Note) Revision of the latest consolidated performance forecast: No

#### \*Notes

##### (1) Changes in significant subsidiaries during this period

: 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.

##### (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):	First Quarter Fiscal 2016:	349,671,876	Fiscal 2015:	349,671,876
ii. Number of treasury stock at end of period:	First Quarter Fiscal 2016:	1,835,150	Fiscal 2015:	1,832,788
iii. Average number of shares over period:	First Quarter Fiscal 2016:	347,838,880	First Quarter Fiscal 2015:	347,862,055

(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.

(Reference) Dividends for Class A shares

Dividends per share related to class shares are as follows

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

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## 1. Qualitative information on consolidated results for this quarter

### (1) Explanation concerning business results

Consolidated results for the first quarter fiscal 2016 (April 1, 2016 - June 30, 2016) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
<b>First Quarter Fiscal 2016</b>	<b>73,163</b>	<b>9,531</b>	<b>6,470</b>	<b>5,545</b>
First Quarter Fiscal 2015	73,740	2,939	1,486	60
Rate of change (%)	(0.8)	224.2	335.2	-

#### Net sales

Consolidated net sales decreased 0.8%, or ¥577 million compared with the corresponding period of the previous year, to ¥73,163 million. Despite an increased sales volume in polycrystalline silicon for both solar-cells and semiconductors, this was largely attributable to weak selling prices of petroleum products on the back of a downturn in domestic naphtha prices.

#### Cost of sales

Cost of sales decreased 12.4%, or ¥6,866 million compared with the corresponding period of the previous year, to ¥48,514 million. Despite an increased sales volume in polycrystalline silicon, this was due mainly to a downturn in raw material costs as a result of the drop in domestic naphtha prices.

#### SG&A expenses

SG&A expenses decreased 2.0%, or ¥302 million compared with the corresponding period of the previous year, to ¥15,117 million. Despite the increase in distribution costs associated with the increase in sales volumes, this decrease primarily reflects a decrease in depreciation cost of mission-critical systems.

#### Operating income

Operating income increased 224.2%, or ¥6,591 million compared with the corresponding period of the previous year, to ¥9,531 million. In addition to a downturn in production costs as a result of the drop in raw material and fuel prices, this was due mainly to operating rate improvement and decreased depreciation expenses at Tokuyama Malaysia Sdn. Bhd.

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

Non-operating income/expenses deteriorated ¥1,607 million compared with the corresponding period of the previous year, due chiefly to increase in trial production expenses at Tokuyama Malaysia Sdn. Bhd.

As a result of the above, ordinary income increased 335.2%, or ¥4,983 million compared with the corresponding period of the previous year, to ¥6,470 million.

**Extraordinary income/losses, Income before income taxes, Profit, Profit attributable to owners of parent**

Extraordinary income/losses improved by ¥2,427 million compared with the corresponding period of the previous year. This was largely attributable to the posting of a subsidy income related to manufacturing facilities of Tokuyama Malaysia Sdn. Bhd.

As a result of the above, income before income taxes increased 497.7%, or ¥7,411 million compared with the corresponding period of the previous year, to ¥8,900 million.

Profit after deducting income taxes calculated in an appropriate way increased ¥5,564 million compared with the corresponding period of the previous year, to ¥5,877 million. Profit attributable to owners of parent increased ¥5,485 million compared with the corresponding period of the previous year, to ¥5,545 million.

## (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>First Quarter Fiscal 2016</b>	<b>20,210</b>	<b>16,134</b>	<b>19,404</b>	<b>13,853</b>	<b>13,161</b>	<b>82,765</b>	<b>(9,601)</b>	<b>73,163</b>
First Quarter Fiscal 2015	22,875	13,080	20,418	14,289	12,952	83,615	(9,875)	73,740
Rate of change (%)	(11.6)	23.4	(5.0)	(3.0)	1.6	(1.0)	-	(0.8)

## Operating income

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>First Quarter Fiscal 2016</b>	<b>2,907</b>	<b>2,101</b>	<b>1,667</b>	<b>1,825</b>	<b>1,595</b>	<b>10,097</b>	<b>(566)</b>	<b>9,531</b>
First Quarter Fiscal 2015	1,493	(1,528)	941	1,718	1,045	3,670	(731)	2,939
Rate of change (%)	94.6	-	77.2	6.2	52.6	175.1	-	224.2

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

**Chemicals**

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

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

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

With regard to soda ash and calcium chloride, sales decreased compared with the corresponding period of previous fiscal year. Despite efforts to revise selling prices, this decrease primarily reflects decreased sales volume.

As a result of the above, segment net sales decreased 11.6% compared with the corresponding period of the previous year, to ¥20,210 million and operating income increased 94.6% to ¥2,907 million. The segment reported higher earnings on lower sales.

### **Specialty Products**

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

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

Sales of fumed silica were on par compared with the corresponding period of previous fiscal year due to steady sales of such applications as a polishing material for semiconductors.

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

With regard to aluminum nitride, 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 increased 23.4% compared with the corresponding period of the previous year, to ¥16,134 million and operating income increased to ¥2,101 million. The segment reported higher earnings on higher sales.

### **Cement**

Sales of cement were for the most part flat. During the period under review, the downturn in sales volumes attributable to weak public- and private-sector demand in Japan was offset by an increase in the volume of exports on the back of robust demand in the Asia region. Meanwhile, successful steps were taken to reduce manufacturing costs. In addition to a drop in raw material and fuel prices, this reduction on manufacturing costs was mainly due to improvements in the basic unit of production.

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

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

As a result of the above, segment net sales decreased 5.0% compared with the corresponding period of the previous year, to ¥19,404 million and operating income increased 77.2% to ¥1,667 million. The segment reported higher earnings on lower sales.



## **Life & Amenity**

Sales of active pharmaceutical ingredients increased compared with the corresponding period of the previous year, owing mainly to the upswing in the sales volumes of generic pharmaceuticals.

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

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

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

With regard to medical diagnosis systems, sales were down compared with the corresponding period of the previous year. This largely reflected corrections to robust shipping trends targeting large-scale projects in the corresponding period of the previous fiscal year.

As a result of the above, segment net sales decreased 3.0% compared with the corresponding period of the previous year, to ¥13,853 million and operating income increased 6.2% to ¥1,825 million. The segment reported higher earnings on lower sales.

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

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

As of June 30, 2016, total assets amounted to ¥404,950 million, an increase of ¥3,608 million compared with those as of March 31, 2016.

Despite a decrease of ¥5,901 million in notes and accounts receivable – trade, this increase primarily reflects an increase of ¥10,687 million in cash and deposits.

Total liabilities amounted to ¥321,799 million, down ¥19,336 million compared with those as of March 31, 2016.

This largely reflected the downturn in the balances of income taxes payable, long-term loans payable and current portion of long-term loans payable, short-term loans payable, notes and accounts payable—trade of ¥9,122 million, ¥5,293 million, ¥2,776 million, and ¥2,652 million, respectively.

Net assets totaled ¥83,150 million, an increase of ¥22,945 million compared with those as of March 31, 2016.

The principal movement was the increase in shareholders' equity of ¥20,000 million as a result of issuance of class A shares.

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

Although the future business environment is uncertain because of the fluctuations in spot price of such product as solar-grade polycrystalline silicon, exchange rate and raw material and fuel prices, the Company's results were in line with our expectations at this time. Therefore, the Company has not revised the performance forecasts, announced on May 12, 2016.

The performance forecast has 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.

## 2. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheets

	Millions of yen	
	3/31/2016	6/30/2016
<b>Assets</b>		
Current assets		
Cash and deposits	121,508	132,196
Notes and accounts receivable - trade	68,569	62,668
Lease receivables and investment assets	6	6
Merchandise and finished goods	14,012	14,869
Work in process	10,882	10,740
Raw materials and supplies	15,933	17,136
Deferred tax assets	4,256	3,277
Other	8,788	8,358
Allowance for doubtful accounts	(192)	(154)
Total current assets	243,766	249,100
Non-current assets		
Property, plant and equipment		
Buildings and structures	101,982	101,581
Accumulated depreciation	(74,022)	(73,990)
Buildings and structures, net	27,959	27,590
Machinery, equipment and vehicles	461,619	460,310
Accumulated depreciation	(410,707)	(411,515)
Machinery, equipment and vehicles, net	50,912	48,795
Tools, furniture and fixtures	22,661	22,498
Accumulated depreciation	(20,890)	(20,805)
Tools, furniture and fixtures, net	1,771	1,693
Land	31,327	31,261
Leased assets	2,237	2,381
Accumulated depreciation	(1,041)	(1,119)
Leased assets, net	1,196	1,262
Construction in progress	6,597	7,197
Total property, plant and equipment	119,764	117,800
Intangible assets		
Goodwill	3,738	3,230
Leased assets	41	44
Other	2,613	2,531
Total intangible assets	6,393	5,806
Investments and other assets		
Investment securities	15,765	15,177
Long-term loans receivable	3,094	3,079
Deferred tax assets	610	1,884
Net defined benefit asset	8,057	8,579
Other	4,190	3,722
Allowance for investment loss	(22)	(22)
Allowance for doubtful accounts	(278)	(178)
Total investments and other assets	31,417	32,243
Total non-current assets	157,575	155,850
<b>Total assets</b>	<b>401,342</b>	<b>404,950</b>

Millions of yen

3/31/2016

6/30/2016

Liabilities	3/31/2016	6/30/2016
Current liabilities		
Notes and accounts payable - trade	35,388	32,735
Short-term loans payable	9,382	6,606
Commercial papers	—	2,000
Current portion of long-term loans payable	17,036	14,913
Current portion of bonds	10,000	10,000
Lease obligations	356	358
Income taxes payable	11,888	2,765
Deferred tax liabilities	2	2
Provision for bonuses	1,830	1,220
Provision for repairs	1,480	2,914
Provision for product warranties	85	83
Provision for loss on purchase contract	2,656	2,512
Other	23,093	22,700
Total current liabilities	113,200	98,814
Non-current liabilities		
Bonds payable	34,400	34,400
Long-term loans payable	172,877	169,707
Lease obligations	931	999
Deferred tax liabilities	457	473
Provision for directors' retirement benefits	231	172
Provision for repairs	3,691	3,253
Allowance for loss on compensation for building materials	384	364
Provision for environmental measures	85	186
Provision for loss on purchase contract	2,716	1,728
Net defined benefit liability	1,354	1,368
Asset retirement obligations	6	6
Other	10,799	10,325
Total non-current liabilities	227,935	222,985
Total liabilities	341,136	321,799
Net assets		
Shareholders' equity		
Capital stock	53,458	10,000
Capital surplus	57,532	39,062
Retained earnings	(61,281)	26,198
Treasury shares	(1,439)	(1,440)
Total shareholders' equity	48,270	73,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,020)	(1,482)
Deferred gains or losses on hedges	(526)	(665)
Foreign currency translation adjustment	2,362	274
Remeasurements of defined benefit plans	2,386	2,404
Total accumulated other comprehensive income	3,202	531
Non-controlling interests	8,732	8,799
Total net assets	60,205	83,150
Total liabilities and net assets	401,342	404,950

## (2) Consolidated Quarterly Statements of Income

Millions of yen

	Q1 FY2015	Q1 FY2016
Net sales	73,740	73,163
Cost of sales	55,380	48,514
Gross profit	18,359	24,648
Selling, general and administrative expenses		
Selling expenses	9,260	9,394
General and administrative expenses	6,159	5,722
Total selling, general and administrative expenses	15,420	15,117
Operating income	2,939	9,531
Non-operating income		
Interest income	36	11
Dividend income	251	144
Share of profit of entities accounted for using equity method	199	212
Refund of fixed asset tax	—	250
Dividends Income Of Group Term Insurance	198	175
Other	218	261
Total non-operating income	904	1,055
Non-operating expenses		
Interest expenses	1,175	1,096
Trial production expenses	214	1,693
Other	967	1,325
Total non-operating expenses	2,356	4,115
Ordinary income	1,486	6,470
Extraordinary income		
Gain on sales of non-current assets	1	3
Gain on sales of investment securities	—	1
Subsidy income	19	2,298
Reversal of Provision for loss on purchase contract	11	517
Gain on insurance adjustment	16	—
Total extraordinary income	49	2,820
Extraordinary losses		
Loss on sales of non-current assets	—	1
Loss on disaster	—	4
Loss on reduction of non-current assets	23	50
Loss on disposal of non-current assets	24	101
Provision for environmental measures	—	101
Loss on transfer from business divestitures	—	98
Other	—	33
Total extraordinary losses	47	391
Profit before income taxes	1,488	8,900
Income taxes	1,175	3,022
Profit	313	5,877
Profit attributable to non-controlling interests	253	332
Profit attributable to owners of parent	60	5,545

### (3) Consolidated Quarterly Statements of Comprehensive Income

	Millions of yen	
	Q1 FY2015	Q1 FY2016
Profit	313	5,877
Other comprehensive income		
Valuation difference on available-for-sale securities	1,308	(468)
Deferred gains or losses on hedges	(5)	(169)
Foreign currency translation adjustment	570	(2,086)
Remeasurements of defined benefit plans, net of tax	(1)	18
Share of other comprehensive income of entities accounted for using equity	(11)	(115)
Total other comprehensive income	1,860	(2,821)
Comprehensive income	2,173	3,056
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,887	2,873
Comprehensive income attributable to non-controlling interests	286	182

#### \*Notes to Consolidated Quarterly Financial Statements

##### (Significant Changes in Shareholders' Equity)

On June 24, 2016, the Company transferred part of Capital stock to Capital surplus. The Company also transferred part of Capital surplus to Retained earnings. On June 27, 2016, the payment for the issuance of the Class A shares from Japan Industrial Solutions Fund I has been completed. And the Company transferred the total amount of the Capital stock, which increased as a result of issuance of Class shares, to Capital surplus. Due chiefly to the above, the Capital stock as of June 30, 2016, decreased by ¥43,458 million compared with those as of March 31, 2016, to ¥10,000 million, the Capital surplus decreased by ¥18,470 million to ¥39,062 million, and the Retained earnings increased ¥87,479 million to ¥26,198 million.

## (4) Segment information

First Quarter Fiscal 2015 (April 1, 2015 – June 30, 2015)

### 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	22,723	9,267	20,387	13,761	7,600	73,740	-	73,740
Inter-segment sales/transfer	152	3,812	30	527	5,351	9,875	(9,875)	-
Total	22,875	13,080	20,418	14,289	12,952	83,615	(9,875)	73,740
Segment income	1,493	(1,528)	941	1,718	1,045	3,670	(731)	2,939

\*1 The “Others” segment comprises businesses other than those of the reportable segments. Specifically, 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.

First Quarter Fiscal 2016 (April 1, 2016– June 30, 2016)

### 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	19,999	13,388	19,377	13,342	7,056	73,163	-	73,163
Inter-segment sales/transfer	211	2,746	26	511	6,105	9,601	(9,601)	-
Total	20,210	16,134	19,404	13,853	13,161	82,765	(9,601)	73,163
Segment income	2,907	2,101	1,667	1,825	1,595	10,097	(566)	9,531

\*1 The “Others” segment comprises businesses other than those of the reportable segments. Specifically, 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.