

Summary of Consolidated Financial Statements for the First Quarter Fiscal 2017 (JPGAAP)

July 28, 2017

Tokuyama Corporation

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

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Stock exchange listings:

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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, 2017 (April 1, 2017 - June 30, 2017)

(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 2017	72,473	(0.9)	8,493	(8.7)	7,752	19.8
First Quarter Fiscal 2016	73,163	(0.8)	9,302	216.5	6,470	335.2

(Note) Comprehensive income: 1st Q FY17: 3,734 million yen [- %] 1st Q FY16: 3,056 million yen [40.6%]

	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 2017	(8,143)	-	(28.09)	-
First Quarter Fiscal 2016	5,545	-	15.91	15.89

*From the first quarter consolidated accounting period for the fiscal year ending March 31, 2018, the Company has changed its presentation method and, for the first quarter consolidated accounting period of the fiscal year ended March 31, 2017, has stated the reclassified numerical values and the rate of change from the same quarter of the previous fiscal year after having retroactively applied the appropriate presentation method. For more details, please refer to “(4) Notes on Quarterly Consolidated Financial Statements (Changes of Presentation Method)” in “2. Quarterly Consolidated Financial Statements” on page 12 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Jun 30, 2017	390,571	106,575	24.9	279.99
Mar 31, 2017	424,433	135,976	29.9	305.49

(Reference) Shareholders' equity: Jun 30, 2017: 97,385 million yen Mar 31, 2017: 127,015 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2016, ended Mar 31, 2017	-	0.00	-	0.00	0.00
Fiscal 2017, ending Mar 31, 2018	-				
Fiscal 2017 (Forecast)		2.00	-	10.00	-

(Note) Revision of the latest dividends forecast: Yes

*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 4 of this Summary of Quarterly Consolidated Financial Statement.

* As the Company is planning to implement a common share consolidation on a five into one basis, with October 1, 2017, deemed its effective date, the (forecast) amount for the year-end dividend per share for the fiscal year ending March 31, 2018, is stated having taking into account the impact of the share consolidation, while the annual dividend amount is given as “-”. In the event of the share consolidation not being taken into account, the (forecast) year-end dividend for the fiscal year ending March 31, 2018, will be ¥2 per common share , and the annual dividend per share will be ¥4 per common share. For more details, please refer to “Caution Pertaining to Appropriate Use of Performance Forecast and Other Particular Items” on page 3 of this Summary of Quarterly Consolidated Financial Statement.

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
Fiscal 2017	300,000	0.3	36,000	(6.6)	32,000	(5.9)	13,000	(75.1)	163.50

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

* From the first quarter consolidated accounting period for the fiscal year ending March 31, 2018, the Company has changed its presentation method, and the change in the appropriate presentation method has been retroactively applied and reclassified for the numerical values relating to the fiscal year ended March 31, 2017. For this reason, the change in consolidated performance forecast for the fiscal year ending March 31, 2018, is calculated by comparison with the numerical value after reclassification.

* With regard to the net income per share in the consolidated performance forecast for the full fiscal year ending March 31, 2018, the impact of the share consolidation is taken into account. For more details, please refer to “Caution Pertaining to Appropriate Use of Performance Forecast and Other Particular Items” on page 3 of this Summary of Quarterly Consolidated Financial Statement.

*Notes

(1) Changes in significant subsidiaries during this period

: Yes

Addition to the scope of consolidation: -

Reduction from the scope of consolidation: 1 (Company Name: Tokuyama Malaysia Sdn. Bhd.)

(Note) This item means changes in significant subsidiaries with changes in the scope of consolidation during this period.

For more details, please refer to “(3) Notes on Quarterly Consolidated Financial Statements (Change in significant consolidated subsidiaries during the three months ended June 30, 2017)” in “2. Quarterly Consolidated Financial Statements” on page 9 of the Accompanying Materials.

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

: Yes

(Note) For more details, please refer to “2. Notes on Quarterly Consolidated Financial Statements and (3) Notes on Quarterly Consolidated Financial Statements (Change in accounting process specific to preparing quarterly consolidated financial statement)” on page 12 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

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

- i. Changes of accounting policies by revision of accounting standards: No
- 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 2017:	349,671,876	Fiscal 2016:	349,671,876
ii. Number of treasury stock at end of period:	First Quarter Fiscal 2017:	1,853,332	Fiscal 2016:	1,850,780
iii. Average number of shares over period:	First Quarter Fiscal 2017:	347,819,249	First Quarter Fiscal 2016:	347,838,880

(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

(Cautions related to Forward-looking statement)

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.

(Regarding Dividend and Performance Forecast after Share Consolidation)

At the 153rd Ordinary General Meeting of Shareholders held on June 23, 2017, the Company approved a reverse stock consolidation and plans to consolidate shares at 1 share per 5 shares of common stock with October 1, 2017, as the effective date. In accordance with this decision, the dividend forecast and consolidated performance forecast for the fiscal year ending March 31, 2018, converted prior to the share consolidation are as follows:

1. Dividend forecast for fiscal year ending March 31, 2018:

Dividend per share at September 30, 2017: ¥2 (Note 1), at March 31, 2018: ¥2, annual dividend per share: ¥4.

(Note 1) Dividends at the end of the second quarter will be paid for the number of shares held before the share consolidation.

2. Consolidated performance forecast for full fiscal year ending March 31, 2018, net income per share ¥32.70 at March 31, 2018.

(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	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2016, ended Mar 31, 2017	(yen) —	(yen) —	(yen) —	(yen) 38,082.20	(yen) 38,082.20
Fiscal 2017, ending Mar 31, 2018	—				

(Note) The Company, at its Board of Directors meeting held on April 28, 2017, made a resolution to acquire all of the Class A shares issued by the Company (total paid-in amount: 20 billion yen) in exchange for cash in accordance with the provisions of Article 6-2, paragraph 5 of the Company's Articles of Incorporation (call options, the consideration for which is cash) and cancel the shares on condition of the acquisition thereof in accordance with the provisions of Article 178 of the Companies Act. All of the Class A shares have been acquired and cancelled on June 14, 2017.

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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 2017 (April 1, 2017 - June 30, 2017) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit/loss attributable to owners of parent
First Quarter Fiscal 2017	72,473	8,493	7,752	(8,143)
First Quarter Fiscal 2016	73,163	9,302	6,470	5,545
Rate of change (%)	(0.9)	(8.7)	19.8	-

Net sales

Consolidated net sales decreased 0.9%, or ¥689 million compared with the corresponding period of the previous year, to ¥72,473 million. Despite an increased sales volume in major products and revision in selling prices of caustic soda and petroleum products, this was largely attributable to removal of Tokuyama Malaysia Sdn. Bhd. and Figaro Engineering Inc. from the Company's scope of consolidation.

Cost of sales

Cost of sales increase 1.2%, or ¥606 million compared with the corresponding period of the previous year, to ¥49,349 million. This was due mainly to a upturn in raw material and fuel costs as a result of the increase in domestic naphtha and coal prices.

SG&A expenses

SG&A expenses decreased 3.2%, or ¥486 million compared with the corresponding period of the previous year, to ¥14,631 million. Despite the increase in distribution costs associated with the increase in sales volumes, this decrease primarily reflects removal of Figaro Engineering Inc. from the Company's scope of consolidation.

Operating income

Operating income decreased 8.7%, or ¥809 million compared with the corresponding period of the previous year, to ¥8,493 million. This was due mainly to a upturn in fuel and raw material costs.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses improved ¥2,091 million compared with the corresponding period of the previous year.

As a result of the above, ordinary income increased 19.8%, or ¥1,282 million compared with the corresponding period of the previous year, to ¥7,752 million.

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

Extraordinary income/losses deteriorated by ¥10,724 million compared with the corresponding period of the previous 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, loss before income taxes was ¥542 million, which deteriorated by ¥9,442 million compared with the corresponding period of the previous year.

Loss after deducting income taxes calculated in an appropriate way was ¥4,666 million, which deteriorated by ¥10,544 million compared with the corresponding period of the previous year. Loss attributable to owners of parent was ¥8,143 million, which deteriorated by ¥13,688 million 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				
First Quarter Fiscal 2017	22,708	13,032	21,002	11,826	13,113	81,682	(9,208)	72,473
First Quarter Fiscal 2016	20,210	16,134	19,404	13,853	13,161	82,765	(9,601)	73,163
Rate of change (%)	12.4	(19.2)	8.2	(14.6)	(0.4)	(1.3)	-	(0.9)

Operating income

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
First Quarter Fiscal 2017	3,568	1,551	1,068	781	1,538	8,507	(14)	8,493
First Quarter Fiscal 2016	2,870	2,055	1,575	1,772	1,595	9,868	(566)	9,302
Rate of change (%)	24.3	(24.5)	(32.2)	(55.9)	(3.6)	(13.8)	-	(8.7)

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

Chemicals

Sales of caustic soda were up compared with the corresponding period of the previous 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 corresponding period of the previous year. The volume of export mainly for Asian market increase and the selling prices was steady.

Sales of vinyl chloride resin increased. Sales for the domestic customers was steady and the revision of selling price was progressed.

With regard to soda ash and calcium chloride, sales was almost same as the corresponding period of previous fiscal year. Sales volume remained at the same level.

As a result of the above, segment net sales increased 12.4% compared with the corresponding period of the previous year, to ¥22,708 million and operating income increased 24.3% to ¥3,568 million. The segment reported higher earnings on higher sales.

Specialty Products

Sales of polycrystalline silicon decreased. Although there is a strong trend to the market of semiconductor-related products, this was primarily due to the decline of the sales amount of solar-grade polycrystalline silicon and the difference of shipment schedule of semiconductor-grade polycrystalline silicon compared with the corresponding period of previous fiscal year.

Sales of fumed silica increased compared with the corresponding period of 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 corresponding period of the previous year, mainly due to the robust sales volume in such applications as semiconductor manufacturing.

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 decreased 19.2% compared with the corresponding period of the previous year, to ¥13,032 million and operating income decreased 24.5% to ¥1,551 million. The segment reported lower earnings on lower sales.

Cement

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 recycling and environment-related business, the Company accepted a higher volume of waste for the higher waste disposable fees compared with the previous fiscal year. As a result of this, sales increased from 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 8.2% compared with the corresponding period of the previous year, to ¥21,002 million and operating income decreased 32.2% to ¥1,068 million. The segment reported lower earnings on higher sales.

Life & Amenity

Sales of active pharmaceutical ingredients decreased compared with the corresponding period of the previous 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 corresponding period of the previous year.

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 the decrease of sales targeting large-scale projects compared with the corresponding period of 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 decreased 14.6% compared with the corresponding period of the previous year, to ¥11,826 million and operating income decreased 55.9% to ¥781 million. The segment reported lower earnings on lower sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of June 30, 2017, total assets amounted to ¥390,571 million, an decrease of ¥33,862 million compared with those as of March 31, 2017.

This decrease primarily reflects the decrease of cash and deposits, property, plant and equipment, buildings and structures, notes and accounts receivable – trade, raw materials and supplies of ¥22,671 million, ¥6,964 million, ¥4,483 million and ¥4,137 million respectively. Due to the removal of Tokuyama Malaysia Sdn. Bhd. from the consolidation, asset decreased by ¥20,522 million.

Total liabilities amounted to ¥283,995 million, down ¥4,461 million compared with those as of March 31, 2017.

This largely reflected the downturn in the balances of provision for loss on purchase contract, notes and accounts payable—trade of ¥2,671 million and ¥2,091 million, respectively. Due to the removal of Tokuyama Malaysia Sdn. Bhd. from the consolidation, liabilities decreased by ¥4,512 million.

Net assets totaled ¥106,575 million, an decrease of ¥29,400 million compared with those as of March 31, 2017.

This mainly reflected the decrease of shareholders' equity of ¥22,387 million due to the payment of dividend for class A shares and acquisition and cancellation of class A shares, and decrease of accumulated other comprehensive income of ¥8,143 million as a result of posting of loss attributable to non-controlling interests.

(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 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 April 28, 2017.

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. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	Millions of yen	
	3/31/2017	6/30/2017
Assets		
Current assets		
Cash and deposits	121,598	98,927
Notes and accounts receivable - trade	73,945	69,462
Lease receivables	6	6
Merchandise and finished goods	12,348	13,506
Work in process	9,919	9,584
Raw materials and supplies	16,567	12,429
Deferred tax assets	1,627	1,621
Other	10,798	17,550
Allowance for doubtful accounts	△150	△170
Total current assets	246,661	222,918
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,430	98,830
Accumulated depreciation	△72,723	△72,230
Buildings and structures, net	27,707	26,599
Machinery, equipment and vehicles	450,926	440,840
Accumulated depreciation	△404,912	△401,205
Machinery, equipment and vehicles, net	46,014	39,635
Tools, furniture and fixtures	22,015	21,890
Accumulated depreciation	△20,222	△19,963
Tools, furniture and fixtures, net	1,793	1,927
Land	31,289	31,298
Leased assets	3,533	3,548
Accumulated depreciation	△1,329	△1,435
Leased assets, net	2,203	2,113
Construction in progress	10,225	10,695
Total property, plant and equipment	119,233	112,269
Intangible assets		
Goodwill	2,367	2,113
Leased assets	35	32
Other	2,384	1,624
Total intangible assets	4,787	3,770
Investments and other assets		
Investment securities	19,083	20,185
Long-term loans receivable	2,833	2,818
Deferred tax assets	19,824	16,184
Net defined benefit asset	8,936	9,437
Other	3,221	3,135
Allowance for doubtful accounts	△148	△147
Total investments and other assets	53,750	51,612
Total non-current assets	177,771	167,652
Total assets	424,433	390,571

	Millions of yen	
	3/31/2017	6/30/2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,035	34,943
Short-term loans payable	2,138	2,367
Current portion of long-term loans payable	15,235	16,049
Lease obligations	577	574
Income taxes payable	1,335	944
Provision for bonuses	2,103	1,292
Provision for repairs	1,628	3,914
Provision for product warranties	81	71
Provision for loss on purchase contract	2,671	—
Other	16,346	18,085
Total current liabilities	79,153	78,241
Non-current liabilities		
Bonds payable	34,400	34,400
Long-term loans payable	160,555	158,083
Lease obligations	1,787	1,684
Deferred tax liabilities	268	286
Provision for directors' retirement benefits	143	126
Provision for repairs	2,829	1,914
Allowance for loss on compensation for building materials	318	301
Provision for environmental measures	287	287
Net defined benefit liability	1,430	1,448
Asset retirement obligations	6	6
Other	7,275	7,213
Total non-current liabilities	209,303	205,754
Total liabilities	288,457	283,995
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	41,545	19,919
Retained earnings	72,511	63,606
Treasury shares	△1,446	△1,448
Total shareholders' equity	122,609	92,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	319	882
Deferred gains or losses on hedges	△274	△281
Foreign currency translation adjustment	1,528	1,828
Remeasurements of defined benefit plans	2,833	2,879
Total accumulated other comprehensive income	4,406	5,309
Non-controlling interests	8,960	9,189
Total net assets	135,976	106,575
Total liabilities and net assets	424,433	390,571
Non-controlling interests	8,732	8,960
Total net assets	60,205	135,976
Total liabilities and net assets	401,342	424,433

(2) Quarterly Consolidated Statements of Income

	Millions of yen	
	Q1 FY2016	Q1 FY2017
Net sales	73,163	72,473
Cost of sales	48,743	49,349
Gross profit	24,420	23,124
Selling, general and administrative expenses		
Selling expenses	9,394	9,752
General and administrative expenses	5,722	4,878
Total selling, general and administrative expenses	15,117	14,631
Operating profit	9,302	8,493
Non-operating income		
Interest income	11	57
Dividend income	144	138
Share of profit of entities accounted for using equity method	212	295
Dividends Income Of Group Term Insurance	175	155
Trial products income	23	104
Refund of fixed asset tax	250	—
Other	237	279
Total non-operating income	1,055	1,032
Non-operating expenses		
Interest expenses	1,096	1,029
Group Term Insurance Expenses	206	224
Other	2,583	517
Total non-operating expenses	3,886	1,772
Ordinary profit	6,470	7,752
Extraordinary income		
Gain on sales of non-current assets	3	28
Gain on sales of investment securities	1	—
Subsidy income	2,298	45
Gain on insurance adjustment	—	31
reversal of provision for loss on purchase contract	517	—
Total extraordinary income	2,820	105
Extraordinary losses		
Loss on sales of non-current assets	1	—
Loss on disaster	4	—
Loss on reduction of non-current assets	50	34
Loss on disposal of non-current assets	101	214
Loss on transfer of business	—	8,059
Provision for environmental measures	101	—
Loss on transfer from business divestitures	98	—
Other	33	92
Total extraordinary losses	391	8,400
Profit (loss) before income taxes	8,900	△542
Income taxes	3,022	4,124
Profit (loss)	5,877	△4,666
Profit attributable to non-controlling interests	332	3,476
Profit (loss) attributable to owners of parent	5,545	△8,143
Total income taxes	13,020	(14,870)
Profit (loss)	(99,520)	53,396
Profit attributable to non-controlling interests	1,043	1,231
Profit (loss) attributable to owners of parent	(100,563)	52,165

(3) Quarterly Consolidated Statements of Comprehensive Income

	Millions of yen	
	Q1 FY2016	Q1 FY2017
Profit (loss)	5,877	△4,666
Other comprehensive income		
Valuation difference on available-for-sale securities	△468	565
Deferred gains or losses on hedges	△169	△7
Foreign currency translation adjustment	△2,086	269
Remeasurements of defined benefit plans, net of tax	18	46
Share of other comprehensive income of entities accounted for using equity	△115	58
Total other comprehensive income	△2,821	932
Comprehensive income	3,056	△3,734
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,873	△7,240
Comprehensive income attributable to non-controlling interests	182	3,506

(4) Notes on Quarterly Consolidated Financial Statements

(Change of Significant Consolidated Subsidiaries during the Three Months ended June 30, 2017)

The Company's subsidiary, Tokuyama Malaysia Sdn. Bhd., has been removed from the Company's consolidation during the first quarter consolidated accounting period for the fiscal year ending March 31, 2018 due to the transfer of all shares owned by the Company. As the transfer of the share has been done on May 31, 2017, the performance of Tokuyama Malaysia Sdn. Bhd. from April 1, 2017 to May 31, 2017 is included in the consolidation for the first quarter consolidated accounting period for the fiscal year ending March 31, 2018.

(Change of Accounting Process Specific to Preparing Quarterly Consolidated Financial Statement)

(Calculation of Tax Expense)

The Company rationally estimated the effective tax rate after the application of accounting policy for deferred tax, which was applied to the income/loss before income tax for the fiscal year under review including the first quarter consolidated accounting period for the fiscal year ending March 31, 2018, and calculated the tax expense by multiplying the estimated effective tax rate to the income/loss before income tax. However, if the application of said estimated effective tax rate reduces the rationality of the calculation of tax expense, the Company applies the effective statutory tax rate.

(Change of Presentation Method)

(Relating to Quarterly Consolidated Income Statements)

"Cost of idle operations," which was included in "Others" under "Non-operating "Cost of idle operations," which was included in "Others" under "Non-operating expenses" during the first quarter of the previous fiscal year, is included under "Cost of sales" from the first quarter consolidated cumulative period for the purpose of stricter cost control. In order to reflect this change in presentation method, we have reclassified the quarterly consolidated financial statements for the first quarter of the previous fiscal year.

As a result, for the first quarter of the previous consolidated fiscal year, ¥228 million which was included in "Others" under "Non-operating expenses" has been reclassified under "Cost of sales."

(5) Segment information

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	2,870	2,055	1,575	1,772	1,595	9,868	(566)	9,302

*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 2017 (April 1, 2017– June 30, 2017)

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	22,532	10,094	20,956	11,389	7,500	72,473	-	72,473
Inter-segment sales/transfer	175	2,937	46	436	5,612	9,208	(9,208)	-
Total	22,708	13,032	21,002	11,826	13,113	81,682	(9,208)	72,473
Segment income	3,568	1,551	1,068	781	1,538	8,507	(14)	8,493

*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.

2. Items related to the changes in reportable segment

As referred at “(4) Notes on Quarterly Consolidated Financial Statements (Changes in Presentation)” in “2. Quarterly Consolidated Financial Statements”, “Cost of idle operations,” which was included in “Others” under “Non-operating expenses” during the first quarter of the previous fiscal year, is included under “Cost of sales” from the first quarter consolidated cumulative period for the purpose of stricter cost control.