

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

October 27, 2017

Tokuyama Corporation

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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, 2017 (Apr. 1, 2017 – Sept. 30, 2017)

(1) Performance

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

	Net sales		Operating profit		Ordinary profit	
	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]
Second Quarter Fiscal 2017	146,166	2.5	18,878	7.1	15,697	8.2
Second Quarter Fiscal 2016	142,593	(4.4)	17,631	133.6	14,509	175.7

(Note) Comprehensive income: 2nd Q FY17: 6,939 million yen [(59.1) %]

2nd Q FY16: 16,974 million yen [782.0%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Second Quarter Fiscal 2017	174	(99.1)	(20.87)	-
Second Quarter Fiscal 2016	18,449	562.9	261.42	226.18

* 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 cumulative second 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 “(5) Notes on Quarterly Consolidated Financial Statements (Changes of Presentation Method)” in “2. Quarterly Consolidated Financial Statements” on page 14 of the Accompanying Materials to this Summary of Quarterly Consolidated Financial Statement.

* 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 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.

* Earnings per share data for each of the second quarter of fiscal 2016 and the second quarter of fiscal 2017 are calculated by dividing the applicable amount after deducting profit not attributable to common stock from profit attributable to owners of parent (the amount of Class A share call premium redemption or the amount of Class A daily prorated unpaid dividends) by the average number of shares of common stock over the period.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' Equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	(%)	(yen)
Sep 30, 2017	361,683	117,130	29.4	1,528.48
Mar 31, 2017	424,433	135,976	29.9	1,527.42

(Reference) Shareholders' equity: Sep 30, 2017: 106,324 million yen Mar 31, 2017: 127,015 million yen

* 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 data is calculated on the assumption that the consolidation of shares was conducted as of the beginning of the preceding fiscal year.

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	-	2.00			
Fiscal 2017 (Forecast)			-	10.00	-

(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 4 of this Summary of Quarterly Consolidated Financial Statement.

* 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 second quarter of the fiscal year ending March 31, 2018 is presented as the amount of dividend prior to share consolidation. The forecast amount for the year-end dividend per share for the fiscal year ending March 31, 2018 is stated after taking into the account the impact of the share consolidation. The annual dividend amount is presented as “-.” Meanwhile, the dividend per share for the end of the second quarter of the fiscal year ending March 31, 2018 converted after the share consolidation and the annual dividend per share are ¥10.00 and ¥20.00, respectively.

3. Consolidated performance forecast for fiscal 2017 (Apr. 1, 2017 – Mar. 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		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.

* The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. The impact of the share consolidation is taken into account with respect to net profit per share in the consolidated performance forecast for the full fiscal year ending March 31, 2018. Meanwhile, net profit per share in the consolidated performance forecast for the full fiscal year ending March 31, 2018 converted prior to the share consolidation is ¥32.70.

*Notes

(1) Changes in significant subsidiaries during this period (Apr. 1, 2017 – Sept. 30, 2017)

: 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 (Apr. 1, 2017 – Sept. 30, 2017).

For more details, please refer to “(5) Notes on Quarterly Consolidated Financial Statements (Change in significant consolidated subsidiaries during the cumulative second quarter)” in “2. Quarterly Consolidated Financial Statements” on page 14 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 (5) Notes on Quarterly Consolidated Financial Statements (Change in accounting process specific to preparing quarterly consolidated financial statement)” on page 14 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):	Second Quarter Fiscal 2017:	69,934,375	Fiscal 2016:	69,934,375
ii. Number of treasury stock at end of period:	Second Quarter Fiscal 2017:	372,084	Fiscal 2016:	370,156
iii. Average number of shares over period:	Second Quarter Fiscal 2017:	69,563,316	Second Quarter Fiscal 2016:	69,567,173

* 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, number of shares issued at end of period, number of treasury stock at end of period average number of shares over period data are calculated on the assumption that the consolidation of shares was conducted as of the beginning of the preceding fiscal year.

(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.

(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) 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.

Contents for Accompanying Materials

- 1. Qualitative information on consolidated results for this quarter P. 2
 - (1) Explanation concerning business results P. 2
 - (2) Explanation concerning financial position P. 6
 - (3) Explanation concerning information related to future prediction such as consolidated performance forecast P. 7
- 2. Quarterly Consolidated Financial Statements P. 8
 - (1) Quarterly Consolidated Balance Sheets P. 8
 - (2) Quarterly Consolidated Statements of Income P. 10
 - (3) Quarterly Consolidated Statements of Comprehensive Income P. 11
 - (4) Consolidated Statements of Cash Flows P. 12
 - (5) Notes on Quarterly Consolidated Financial Statements P. 14
 - (6) Segment Information P. 15

1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the second quarter fiscal 2017 (accumulated figures, April 1, 2017 - September 30, 2017) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit/loss attributable to owners of parent
Second Quarter Fiscal 2017	146,166	18,878	15,697	174
Second Quarter Fiscal 2016	142,593	17,631	14,509	18,449
Rate of change (%)	2.5	7.1	8.2	(99.1)

Net sales

Consolidated net sales increased 2.5%, or ¥3,573 million compared with the corresponding period of the previous year, to ¥146,166 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

Cost of sales increase 2.5%, or ¥2,390 million compared with the corresponding period of the previous year, to ¥98,204 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 0.2%, or ¥64 million compared with the corresponding period of the previous year, to ¥29,083 million. Despite the increase in distribution costs associated with the increase in sales volumes, this decrease primarily reflects removal of Figaro Engineering Inc. and Tokuyama Malaysia Sdn. Bhd. from the Company's scope of consolidation.

Operating profit

Operating profit increased 7.1%, or ¥1,246 million compared with the corresponding period of the previous year, to ¥18,878 million. Despite a upturn 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.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses deteriorated ¥58 million compared with the corresponding period of the previous year.

As a result of the above, ordinary profit increased 8.2%, or ¥1,188 million compared with the corresponding period of the previous year, to ¥15,697 million.

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

Extraordinary income/losses deteriorated by ¥7,650 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, profit before income taxes decreased 31.7%, or ¥6,461 million compared with the corresponding period of the previous year, to ¥13,952 million.

Profit after deducting income taxes calculated in an appropriate way decreased 72.1%, or ¥13,741 million compared with the corresponding period of the previous year, to ¥5,308 million. Profit attributable to owners of parent decreased 99.1%, or ¥18,274 million compared with the corresponding period of the previous year, to ¥174 million.

(Operating results by segment)

Net sales

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Second Quarter Fiscal 2017	43,357	27,270	42,526	25,346	26,608	165,110	(18,943)	146,166
Second Quarter Fiscal 2016	38,976	31,641	39,561	25,658	25,879	161,719	(19,125)	142,593
Rate of change (%)	11.2	(13.8)	7.5	(1.2)	2.8	2.1	-	2.5

Operating profit

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Second Quarter Fiscal 2017	6,963	4,335	2,258	1,497	3,165	18,220	657	18,878
Second Quarter Fiscal 2016	5,976	3,322	3,746	2,809	2,673	18,528	(896)	17,631
Rate of change (%)	16.5	30.5	(39.7)	(46.7)	18.4	(1.7)	-	7.1

(Note) Net sales and operating profit 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. The revision of selling price was progressed.

As a result of the above, segment net sales increased 11.2% compared with the corresponding period of the previous year, to ¥43,357 million and operating profit increased 16.5% to ¥6,963 million. The segment reported higher earnings on higher sales.

Specialty Products

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 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 13.8% compared with the corresponding period of the previous year, to ¥27,270 million and operating profit increased 30.5% to ¥4,335 million. The segment reported higher 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 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 corresponding period of 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 7.5% compared with the corresponding period of the previous year, to ¥42,526 million and operating profit decreased 39.7% to ¥2,258 million. The segment reported lower earnings on higher sales.

Life & Amenity

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 corresponding period of the previous year. This largely reflected the increase of sales on large-scale projects compared with the corresponding period of the previous fiscal year.

Sales of active pharmaceutical ingredients and intermediates 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.

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 1.2% compared with the corresponding period of the previous year, to ¥25,346 million and operating profit decreased 46.7% to ¥1,497 million. The segment reported lower earnings on lower sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of September 30, 2017, total assets amounted to ¥361,683 million, a decrease of ¥62,750 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 – deferred tax asset of ¥50,115 million, ¥7,929 million and ¥5,452 million respectively. Due to the removal of Tokuyama Malaysia Sdn. Bhd. from the consolidation, asset decreased by ¥20,522 million.

Total liabilities amounted to ¥244,552 million, down ¥43,904 million compared with those as of March 31, 2017.

The principal factors are a decrease in bonds payable of ¥34,400 million following the execution of a trust-type debt assumption agreement (debt assumption agreement) with a bank, and a decrease in long-term loans payable and current portion of long-term loans payable of ¥11,917 million owing mainly to normal scheduled repayment together with repayments in advance. Due to the removal of Tokuyama Malaysia Sdn. Bhd. from the consolidation, liabilities decreased by ¥4,512 million.

Net assets totaled ¥117,130 million, an decrease of ¥18,846 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.

(Status of cash flows)

As of September 30, 2017, cash and cash equivalents were ¥71,059 million, a decrease of ¥47,760 million compared with those as of March 31, 2017.

Net cash provided by operating activities totaled ¥26,559 million, an increase of ¥22,388 million compared with the corresponding period of the previous year.

Principal items included profit before income taxes of ¥13,952 million , depreciation cost of ¥6,686 million and income taxes refund of ¥3,411 million.

Net cash used in investing activities totaled ¥3,415 million, an increase of ¥2,660 million compared with the corresponding period of the previous year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥6,930 million and proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of ¥5,362 million.

Net cash used in financing activities amounted to ¥71,087 million, an increase of ¥65,703 million compared with the corresponding period of the previous year.

This was primarily attributed to payments for acquisition of shares such as class A shares, redemption of bonds and repayment of long-term loans payable of ¥21,630 million, ¥36,014 million, and ¥18,589 million, respectively.

(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	9/30/2017
Assets		
Current assets		
Cash and deposits	121,598	71,483
Notes and accounts receivable - trade	73,945	72,296
Lease receivables	6	28
Merchandise and finished goods	12,348	13,474
Work in process	9,919	9,034
Raw materials and supplies	16,567	13,230
Deferred tax assets	1,627	1,618
Other	10,798	14,022
Allowance for doubtful accounts	△150	△123
Total current assets	246,661	195,064
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,430	100,695
Accumulated depreciation	△72,723	△72,708
Buildings and structures, net	27,707	27,987
Machinery, equipment and vehicles	450,926	446,212
Accumulated depreciation	△404,912	△402,768
Machinery, equipment and vehicles, net	46,014	43,443
Tools, furniture and fixtures	22,015	22,021
Accumulated depreciation	△20,222	△19,960
Tools, furniture and fixtures, net	1,793	2,061
Land	31,289	31,299
Leased assets	3,533	3,608
Accumulated depreciation	△1,329	△1,542
Leased assets, net	2,203	2,065
Construction in progress	10,225	4,447
Total property, plant and equipment	119,233	111,304
Intangible assets		
Goodwill	2,367	1,818
Leased assets	35	29
Other	2,384	1,608
Total intangible assets	4,787	3,456
Investments and other assets		
Investment securities	19,083	22,362
Long-term loans receivable	2,833	2,723
Deferred tax assets	19,824	14,381
Net defined benefit asset	8,936	9,382
Other	3,221	3,156
Allowance for doubtful accounts	△148	△148
Total investments and other assets	53,750	51,857
Total non-current assets	177,771	166,618
Total assets	424,433	361,683

	Millions of yen	
	3/31/2017	9/30/2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,035	39,341
Short-term loans payable	2,138	2,142
Current portion of long-term loans payable	15,235	16,374
Lease obligations	577	579
Income taxes payable	1,335	3,563
Provision for bonuses	2,103	2,085
Provision for repairs	1,628	3,019
Provision for product warranties	81	41
Provision for loss on contract cancellation	-	1,060
Provision for loss on purchase contract	2,671	-
Other	16,346	15,726
Total current liabilities	79,153	83,934
Non-current liabilities		
Bonds payable	34,400	-
Long-term loans payable	160,555	147,499
Lease obligations	1,787	1,625
Deferred tax liabilities	268	291
Provision for directors' retirement benefits	143	129
Provision for repairs	2,829	1,769
Allowance for loss on compensation for building materials	318	282
Provision for environmental measures	287	278
Net defined benefit liability	1,430	1,479
Asset retirement obligations	6	6
Other	7,275	7,256
Total non-current liabilities	209,303	160,618
Total liabilities	288,457	244,552
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	41,545	19,919
Retained earnings	72,511	71,923
Treasury shares	△1,446	△1,451
Total shareholders' equity	122,609	100,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	319	1,089
Deferred gains or losses on hedges	△274	△148
Foreign currency translation adjustment	1,528	2,145
Remeasurements of defined benefit plans	2,833	2,847
Total accumulated other comprehensive income	4,406	5,933
Non-controlling interests	8,960	10,805
Total net assets	135,976	117,130
Total liabilities and net assets	424,433	361,683

(2) Quarterly Consolidated Statements of Income

	Millions of yen	
	Q2 FY2016 YTD	Q2 FY2017 YTD
Net sales	142,593	146,166
Cost of sales	95,813	98,204
Gross profit	46,779	47,962
Selling, general and administrative expenses		
Selling expenses	18,527	19,294
General and administrative expenses	10,620	9,789
Total selling, general and administrative expenses	29,148	29,083
Operating profit	17,631	18,878
Non-operating income		
Interest income	21	145
Dividend income	155	149
Share of profit of entities accounted for using equity method	416	515
Fiduciary obligation fee	14	258
Trial products income	18	248
Rent income on non-current assets	145	239
Compensation income	464	—
Refund of fixed asset tax	250	—
Other	518	712
Total non-operating income	2,006	2,267
Non-operating expenses		
Interest expenses	2,146	2,031
Loss on bond retirement	—	1,604
Other	2,981	1,812
Total non-operating expenses	5,128	5,448
Ordinary profit	14,509	15,697
Extraordinary income		
Gain on sales of non-current assets	9	473
Gain on sales of investment securities	1	—
Gain on sales of shares of subsidiaries and associates	1,934	—
Compensation income for damage	—	7,705
Subsidy income	2,298	144
Gain on insurance adjustment	255	31
Gain on write-off debts	1,268	—
Reversal of provision for loss on purchase contract	667	—
Other	50	—
Total extraordinary income	6,484	8,355
Extraordinary losses		
Loss on sales of non-current assets	1	1
Loss on disaster	7	3
Loss on reduction of non-current assets	50	110
Loss on disposal of non-current assets	251	364
Loss on transfer of business	—	8,059
Provision for loss on contract cancellation	—	1,060
Loss on contract cancellation	—	386
Provision for environmental measures	101	—
Loss on transfer from business divestitures	98	—
Other	68	114
Total extraordinary losses	579	10,100
Profit before income taxes	20,414	13,952
Income taxes	1,363	8,643
Profit	19,050	5,308
Profit attributable to non-controlling interests	601	5,134
Profit attributable to owners of parent	18,449	174

(3) Quarterly Consolidated Statements of Comprehensive Income

	Millions of yen	
	Q2 FY2016 YTD	Q2 FY2017 YTD
Profit	19,050	5,308
Other comprehensive income		
Valuation difference on available-for-sale securities	282	772
Deferred gains or losses on hedges	△61	181
Foreign currency translation adjustment	△2,070	643
Remeasurements of defined benefit plans, net of tax	37	14
Share of other comprehensive income of entities accounted for using equity method	△264	18
Total other comprehensive income	△2,076	1,630
Comprehensive income	16,974	6,939
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,471	1,701
Comprehensive income attributable to non-controlling interests	503	5,238

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	Q2 FY2016 YTD	Q2 FY2017 YTD
Cash flows from operating activities		
Profit before income taxes	20,414	13,952
Depreciation	6,988	6,686
Increase (decrease) in provision for loss on contract cancellation	—	1,060
Increase (decrease) in other provision	△2,191	△203
Increase (decrease) in net defined benefit liability	62	49
Decrease (increase) in net defined benefit asset	△429	△539
Interest and dividend income	△177	△294
Foreign exchange losses (gains)	173	△127
Loss (gain) on sales of property, plant and equipment	△7	△472
Loss (gain) on sales of investment securities	△1	—
Loss (gain) on sales of shares of subsidiaries and associates	△1,934	—
Share of (profit) loss of entities accounted for using equity method	△416	△515
Subsidy income	△2,298	△144
Interest expenses	2,146	2,031
Loss on reduction of non-current assets	50	110
Gain on transfer from business divestitures	98	—
Gain on write-off of debts	△1,268	—
Gain on insurance claim	△255	△31
Loss (gain) on disposal of non-current assets	251	364
Loss (gain) on transfer of business compensation income for damage	—	△7,705
Loss on contract cancellation	—	386
Loss on redemption of bonds	—	1,604
Decrease (increase) in notes and accounts receivable - trade	2,823	1,600
Decrease (increase) in inventories	△2,319	△2,752
Decrease (increase) in other current assets	△98	△714
Increase (decrease) in notes and accounts payable - trade	△1,457	2,988
Increase (decrease) in other current liabilities	△2,229	△301
Other, net	△127	△488
Subtotal	17,797	24,604
Interest and dividend income received	633	567
Interest expenses paid	△2,172	△2,055
Proceeds from insurance income	255	31
Income taxes (paid) refund	△12,342	3,411
Net cash provided by (used in) operating activities	4,171	26,559
Cash flows from investing activities		
Payments into time deposits	△18	△219
Proceeds from withdrawal of time deposits	17	92
Purchase of property, plant and equipment	△6,026	△6,930
Proceeds from sales of property, plant and equipment	69	155
Purchase of investment securities	△303	△1,702
Proceeds from sales of investment securities	304	35
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,926	5,362
Payments of long-term loans receivable	△4	△4
Collection of long-term loans receivable	118	119
Proceeds from subsidy income	2,298	144
Other, net	△138	△467
Net cash provided by (used in) investing activities	△755	△3,415

	Millions of yen	
	Q2 FY2016 YTD	Q2 FY2017 YTD
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	△6,424	△33
Increase (decrease) in commercial papers	1,000	—
Proceeds from long-term loans payable	498	6,613
Repayments of long-term loans payable	△9,720	△18,589
Redemption of bonds	△10,000	△36,014
Proceeds from issuance of common shares	19,732	—
Cash dividends paid	△0	△761
Dividends paid to non-controlling interests	△251	△238
Decrease (increase) in treasury shares	△2	△21,630
Other, net	△215	△433
Net cash provided by (used in) financing activities	△5,383	△71,087
Effect of exchange rate change on cash and cash equivalents	△1,078	183
Net increase (decrease) in cash and cash equivalents	△3,045	△47,760
Cash and cash equivalents at beginning of period	121,166	118,819
Cash and cash equivalents at end of period	118,120	71,059

(5) Notes on Quarterly Consolidated Financial Statements

(Change of Significant Consolidated Subsidiaries during the cumulative second quarter)

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 cumulative second 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 profit/loss before income tax for the fiscal year under review including the cumulative second 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 profit/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 expenses" during the cumulative second quarter of the previous fiscal year, is included under "Cost of sales" from the first quarter consolidated of this fiscal year 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 cumulative second quarter of the previous fiscal year.

As a result, for the cumulative second quarter of the previous consolidated fiscal year, ¥394 million which was included in "Others" under "Non-operating expenses" has been reclassified under "Cost of sales."

(6) Segment information

Second Quarter Fiscal 2016 (accumulated figures, Apr. 1, 2016– Sept. 30, 2016)

1. Information on sales and profit (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	38,568	26,032	39,504	24,585	13,902	142,593	-	142,593
Inter-segment sales/transfer	408	5,609	57	1,073	11,977	19,125	(19,125)	-
Total	38,976	31,641	39,561	25,658	25,879	161,719	(19,125)	142,593
Segment profit	5,976	3,322	3,746	2,809	2,673	18,528	(896)	17,631

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

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

Second Quarter Fiscal 2017 (accumulated figures, Apr. 1, 2017– Sept. 30, 2017)

1. Information on sales and profit (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	42,918	21,440	42,449	24,139	15,218	146,166	-	146,166
Inter-segment sales/transfer	439	5,830	77	1,207	11,389	18,943	(18,943)	-
Total	43,357	27,270	42,526	25,346	26,608	165,110	(18,943)	146,166
Segment profit	6,963	4,335	2,258	1,497	3,165	18,220	657	18,878

*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 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.

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

2. Items related to the changes in reportable segment

As referred at “(5) 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 cumulative second quarter of the previous fiscal year, is included under “Cost of sales” from the first quarter consolidated of this fiscal year for the purpose of stricter cost control.