

Summary of Consolidated Financial Statements for the First Quarter Fiscal 2018 (JPGAAP)

July 31, 2018

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, 2018 (April 1, 2018 - June 30, 2018)

(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 [%] |
| First Quarter Fiscal 2018 | 75,825 | 4.6 | 8,883 | 4.6 | 8,677 | 11.9 |
| First Quarter Fiscal 2017 | 72,473 | (0.9) | 8,493 | (8.7) | 7,752 | 19.8 |

(Note) Comprehensive income: 1st Q FY18: 6,056 million yen [- %] 1st Q FY17: (3,734) million yen [- %]

| | 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 2018 | 6,658 | - | 95.73 | - |
| First Quarter Fiscal 2017 | (8,143) | - | (140.44) | - |

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

(2) Consolidated financial position

| | Total assets (millions of yen) | Net assets (millions of yen) | Shareholders' Equity ratio (%) | Net assets per share (yen) |
|--------------|-----------------------------------|---------------------------------|-----------------------------------|-------------------------------|
| Jun 30, 2018 | 358,025 | 141,080 | 36.3 | 1,870.87 |
| Mar 31, 2018 | 361,949 | 136,591 | 34.7 | 1,806.56 |

(Reference) Shareholders' equity: Jun 30, 2018: 130,128 million yen Mar 31, 2018: 125,656 million yen

2. Dividends

| (Period) | Annual dividends per share | | | | |
|----------------------------------|----------------------------|---------------|-------------|----------------|------------|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Total |
| Fiscal 2017, ended Mar 31, 2018 | (yen) - | (yen) 2.00 | (yen) - | (yen) 20.00 | (yen) - |
| Fiscal 2018, ending Mar 31, 2019 | - | | | | |
| Fiscal 2018 (Forecast) | | 25.00 | - | 25.00 | 50.00 |

(Note) Revision of the latest dividends forecast: No

* 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 interim dividend per share for the fiscal year ending March 31, 2018 converted after the share consolidation and the annual dividend per share are ¥10.00 and ¥30.00, respectively.

3. Consolidated performance forecast for fiscal 2018 (April 1, 2018 - March 31, 2019)

(% 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 2018 | 328,000 | 6.5 | 38,000 | (7.9) | 34,000 | (6.1) | 27,000 | 37.1 | 388.15 |

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

*Notes

(1) Changes in significant subsidiaries during this period

: No

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

: Yes

(Note) For more details, please refer to “2. Quarterly Consolidated Financial Statements and (4) 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 2018: | 69,934,375 | Fiscal 2017: | 69,934,375 |
| ii. Number of treasury stock at end of period: | First Quarter Fiscal 2018: | 379,248 | Fiscal 2017: | 378,378 |
| iii. Average number of shares over period: | First Quarter Fiscal 2018: | 69,555,356 | First Quarter Fiscal 2017: | 69,563,849 |

* 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 and average number of shares over period 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.

Contents for Accompanying Materials

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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 2018 (April 1, 2018 - June 30, 2018) are summarized as follows:

(Unit: Millions of yen)

| | Net sales | Operating profit | Ordinary profit | Profit/loss attributable to owners of parent |
|----------------------------------|---------------|------------------|-----------------|--|
| First Quarter Fiscal 2018 | 75,825 | 8,883 | 8,677 | 6,658 |
| First Quarter Fiscal 2017 | 72,473 | 8,493 | 7,752 | (8,143) |
| Rate of change (%) | 4.6 | 4.6 | 11.9 | - |

Net sales

Consolidated net sales increased 4.6%, or ¥3,351 million compared with the corresponding period of the previous year, to ¥75,825 million. This was largely attributable to an increased sales volume in products such as semiconductor-related products and revision in selling prices of products such as caustic soda.

Cost of sales

Cost of sales increased 4.9%, or ¥2,402 million compared with the corresponding period of the previous year, to ¥51,752 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 increased 3.8%, or ¥557 million compared with the corresponding period of the previous year, to ¥15,188 million. This was largely attributable to the increase in logistics costs.

Operating profit

Operating profit increased 4.6%, or ¥390 million compared with the corresponding period of the previous year, to ¥8,883 million. Despite an increase in fuel and raw material costs, this was due mainly to an increased sales volume in major products and improved profitability with the effect of the revision in selling prices.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved by ¥533 million compared with the corresponding period of the previous year.

As a result of the above, ordinary profit increased 11.9%, or ¥924 million compared with the corresponding period of the previous year, to ¥8,677 million.

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

Extraordinary income/losses improved by ¥8,064 million compared with the corresponding period of the previous year.

As a result of the above, profit before income taxes was ¥8,446 million, which improved by ¥8,988 million compared with the corresponding period of the previous year.

Profit after deducting income taxes calculated in an appropriate way was ¥6,849 million, which improved by ¥11,516 million compared with the corresponding period of the previous year.

Profit attributable to owners of parent was ¥6,658 million, which improved by ¥14,801 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 profit statement |
|----------------------------------|--------------------|--------------------|---------------|----------------|---------------|---------------|----------------|--|
| | Chemicals | Specialty Products | Cement | Life & Amenity | | | | |
| First Quarter Fiscal 2018 | 25,119 | 13,005 | 22,172 | 12,389 | 13,006 | 85,693 | (9,868) | 75,825 |
| First Quarter Fiscal 2017 | 22,708 | 13,032 | 21,002 | 11,826 | 13,113 | 81,682 | (9,208) | 72,473 |
| Rate of change (%) | 10.6 | (0.2) | 5.6 | 4.8 | (0.8) | 4.9 | - | 4.6 |

Operating profit

(Unit: Millions of yen)

| | Reportable segment | | | | Others | Total | Adjustment | Figures in quarterly consolidated profit statement |
|----------------------------------|--------------------|--------------------|------------|----------------|------------|--------------|--------------|--|
| | Chemicals | Specialty Products | Cement | Life & Amenity | | | | |
| First Quarter Fiscal 2018 | 4,896 | 1,922 | 870 | 838 | 952 | 9,479 | (595) | 8,883 |
| First Quarter Fiscal 2017 | 3,568 | 1,551 | 1,068 | 781 | 1,538 | 8,507 | (14) | 8,493 |
| Rate of change (%) | 37.2 | 23.9 | (18.5) | 7.3 | (38.1) | 11.4 | - | 4.6 |

(Note) 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. Sales volume was steady mainly due to exports to Asia and the revision of selling prices was also progressed.

With regard to vinyl chloride monomer (VCM), despite decrease in the volume of export, the market trend was advancing. As a result of this, sales was almost same as the corresponding period of the previous year.

Sales of vinyl chloride resin increased. The volume of sales increased on the back of robust domestic demand.

Meanwhile, manufacturing costs increased due to a rise in raw material prices such as domestic naphtha.

As a result of the above, segment net sales increased 10.6% compared with the corresponding period of the previous year, to ¥25,119 million and operating profit increased 37.2% to ¥4,896 million. The segment reported higher earnings on higher sales.

Specialty Products

Sales of polycrystalline silicon decreased. Despite an increase in 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 in May 2017.

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

With regard to high-purity chemicals for electronics manufacturing, sales increased compared the corresponding period of the previous year, mainly due to an increase in sales volume in such applications as semiconductor manufacturing.

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

As a result of the above, segment net sales decreased 0.2% compared with the corresponding period of the previous year, to ¥13,005 million and operating profit increased 23.9% to ¥1,922 million. The segment reported higher earnings on lower sales.

Cement

With regard to cement, despite a weak sales volume, the export prices was advancing. As a result of this, sales was almost same as the corresponding period of the previous year. 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 the previous year.

Consolidated subsidiary net sales increased. This mainly reflected the robust shipping trends of cement-related products.

As a result of the above, segment net sales increased 5.6% compared with the corresponding period of the previous year, to ¥22,172 million and operating profit decreased 18.5% to ¥870 million. The segment reported lower earnings on higher sales.

Life & Amenity

Sales of active pharmaceutical ingredients and intermediates increased compared with the corresponding period of the previous year, owing mainly to a robust sales volume of generic pharmaceuticals.

With regard to plastic lens-related materials, sales increased from the corresponding period of the previous year. This reflected robust sales volumes of photochromic dye materials for eyeglass lenses.

With regard to polyolefin film, sales were increased compared with the corresponding period of the previous year. This was due mainly to trends in sales mainly for application in packaging materials for products sold at convenience stores.

With regard to ion exchange membranes, sales were up compared with the corresponding period of the previous year due to robust sales.

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.

As a result of the above, segment net sales increased 4.8% compared with the corresponding period of the previous year, to ¥12,389 million and operating profit increased 7.3% to ¥838 million. The segment reported higher earnings on higher sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of June 30, 2018, total assets amounted to ¥358,025 million, an decrease of ¥3,924 million compared with those as of March 31, 2018.

This decrease primarily reflects the decrease of notes and accounts receivable-trade of ¥ 3,392 million.

Total liabilities amounted to ¥216,944 million, down ¥8,412 million compared with those as of March 31, 2018.

The principal factors are a decrease in long-term loans payable and current portion of long-term loans payable, income taxes payable, and notes and accounts payable-trade of ¥3,042 million, ¥2,561, and ¥2,367, respectively.

Net assets totaled ¥141,080 million, an increase of ¥4,488 million compared with those as of March 31, 2018.

This mainly reflected the increase of retained earnings of ¥5,267. This was primarily due to posting profit attributable to owners of parent, despite decrease due to the payment of dividend.

(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 27, 2018.

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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | 3/31/2018 | 6/30/2018 |
|--|-----------|-----------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 57,229 | 65,445 |
| Notes and accounts receivable - trade | 79,660 | 76,267 |
| Lease receivables | 28 | 29 |
| Securities | 10,000 | — |
| Merchandise and finished goods | 14,028 | 16,508 |
| Work in process | 10,075 | 9,300 |
| Raw materials and supplies | 15,327 | 15,392 |
| Other | 4,809 | 4,173 |
| Allowance for doubtful accounts | △127 | △108 |
| Total current assets | 191,031 | 187,007 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 102,761 | 102,838 |
| Accumulated depreciation | △73,455 | △73,884 |
| Buildings and structures, net | 29,305 | 28,953 |
| Machinery, equipment and vehicles | 446,278 | 445,769 |
| Accumulated depreciation | △404,441 | △404,240 |
| Machinery, equipment and vehicles, net | 41,836 | 41,529 |
| Tools, furniture and fixtures | 21,887 | 21,739 |
| Accumulated depreciation | △19,748 | △19,692 |
| Tools, furniture and fixtures, net | 2,138 | 2,046 |
| Land | 30,995 | 30,988 |
| Leased assets | 3,760 | 3,760 |
| Accumulated depreciation | △1,753 | △1,886 |
| Leased assets, net | 2,007 | 1,873 |
| Construction in progress | 3,959 | 5,349 |
| Total property, plant and equipment | 110,242 | 110,741 |
| Intangible assets | | |
| Goodwill | 1,158 | 831 |
| Leased assets | 51 | 57 |
| Other | 1,556 | 1,517 |
| Total intangible assets | 2,766 | 2,406 |
| Investments and other assets | | |
| Investment securities | 24,302 | 23,664 |
| Long-term loans receivable | 2,627 | 2,621 |
| Deferred tax assets | 18,300 | 18,453 |
| Net defined benefit asset | 9,657 | 10,162 |
| Other | 3,162 | 3,103 |
| Allowance for doubtful accounts | △141 | △136 |
| Total investments and other assets | 57,908 | 57,869 |
| Total non-current assets | 170,917 | 171,017 |
| Total assets | 361,949 | 358,025 |

(Millions of yen)

| | 3/31/2018 | 6/30/2018 |
|---|----------------|----------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 47,610 | 45,242 |
| Short-term loans payable | 2,549 | 2,340 |
| Current portion of long-term loans payable | 15,684 | 15,282 |
| Lease obligations | 641 | 632 |
| Income taxes payable | 3,688 | 1,127 |
| Provision for bonuses | 2,557 | 1,479 |
| Provision for repairs | 4,332 | 4,649 |
| Provision for product warranties | 98 | 47 |
| Other | 15,870 | 16,433 |
| Total current liabilities | 93,032 | 87,235 |
| Non-current liabilities | | |
| Long-term loans payable | 119,521 | 116,880 |
| Lease obligations | 1,521 | 1,387 |
| Deferred tax liabilities | 298 | 257 |
| Provision for directors' retirement benefits | 143 | 130 |
| Provision for repairs | 1,594 | 1,763 |
| Allowance for loss on compensation for building materials | 261 | 250 |
| Provision for environmental measures | 253 | 252 |
| Net defined benefit liability | 1,527 | 1,523 |
| Asset retirement obligations | 5 | 5 |
| Other | 7,197 | 7,258 |
| Total non-current liabilities | 132,325 | 129,709 |
| Total liabilities | 225,357 | 216,944 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 10,000 | 10,000 |
| Capital surplus | 20,008 | 20,008 |
| Retained earnings | 90,752 | 96,019 |
| Treasury shares | △1,472 | △1,475 |
| Total shareholders' equity | 119,288 | 124,552 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,352 | 895 |
| Deferred gains or losses on hedges | △151 | △144 |
| Foreign currency translation adjustment | 2,093 | 1,810 |
| Remeasurements of defined benefit plans | 3,074 | 3,014 |
| Total accumulated other comprehensive income | 6,368 | 5,576 |
| Non-controlling interests | 10,935 | 10,951 |
| Total net assets | 136,591 | 141,080 |
| Total liabilities and net assets | 361,949 | 358,025 |

(2) Consolidated Statements of Income

| | (Millions of yen) | |
|---|-------------------|-----------|
| | Q1 FY2017 | Q1 FY2018 |
| Net sales | 72,473 | 75,825 |
| Cost of sales | 49,349 | 51,752 |
| Gross profit | 23,124 | 24,072 |
| Selling, general and administrative expenses | | |
| Selling expenses | 9,752 | 10,033 |
| General and administrative expenses | 4,878 | 5,155 |
| Total selling, general and administrative expenses | 14,631 | 15,188 |
| Operating profit | 8,493 | 8,883 |
| Non-operating income | | |
| Interest income | 57 | 18 |
| Dividend income | 138 | 232 |
| Share of profit of entities accounted for using equity method | 295 | 204 |
| Fiduciary obligation fee | 40 | 436 |
| Trial products income | 104 | 247 |
| Dividends Income Of Group Term Insurance | 155 | 181 |
| Other | 238 | 462 |
| Total non-operating income | 1,032 | 1,783 |
| Non-operating expenses | | |
| Interest expenses | 1,029 | 801 |
| Fiduciary obligation expenses | 38 | 415 |
| Group Term Insurance Expenses | 224 | 229 |
| Trial products expenses | 75 | 217 |
| Other | 402 | 325 |
| Total non-operating expenses | 1,772 | 1,989 |
| Ordinary profit | 7,752 | 8,677 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 28 | 5 |
| Subsidy income | 45 | — |
| Gain on insurance adjustment | 31 | 44 |
| Total extraordinary income | 105 | 50 |
| Extraordinary losses | | |
| Loss on reduction of non-current assets | 34 | — |
| Loss on disposal of non-current assets | 214 | 148 |
| Litigation expenses | 35 | 132 |
| Loss on transfer of business | 8,059 | — |
| Other | 56 | — |
| Total extraordinary losses | 8,400 | 281 |
| Profit (loss) before income taxes | △542 | 8,446 |
| Income taxes | 4,124 | 1,597 |
| Profit (loss) | △4,666 | 6,849 |
| Profit attributable to non-controlling interests | 3,476 | 190 |
| Profit (loss) attributable to owners of parent | △8,143 | 6,658 |

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Q1 FY2017 | Q1 FY2018 |
|--|-----------|-----------|
| Profit (loss) | △4,666 | 6,849 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 565 | △447 |
| Deferred gains or losses on hedges | △7 | 7 |
| Foreign currency translation adjustment | 269 | △174 |
| Remeasurements of defined benefit plans, net of tax | 46 | △59 |
| Share of other comprehensive income of entities accounted for using equity | 58 | △118 |
| Total other comprehensive income | 932 | △793 |
| Comprehensive income | △3,734 | 6,056 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | △7,240 | 5,866 |
| Comprehensive income attributable to non-controlling interests | 3,506 | 190 |

(4) Notes on Quarterly Consolidated Financial Statements

(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 first quarter consolidated accounting period for the fiscal year ending March 31, 2019, 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.

(Additional Information)

(Application of the Partial Amendments to the Accounting Standard for Tax Effect Accounting)

Effective from the first quarter of the fiscal year under review, Tokuyama has applied the Partial Amendments to the Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018). Accordingly, deferred tax assets have been reclassified and included in the investment and other assets section of the Company's balance sheet, and deferred tax liabilities have been reclassified and included in the non-current liabilities section of the Company's balance sheet.

(5) Segment information

First Quarter Fiscal 2017 (April 1, 2017 – June 30, 2017)

1. Information on sales and profit by reportable segment

(Millions of yen)

| | Reportable segments | | | | Others*1 | Total | Adjustment*2 | Figures in quarterly consolidated profit 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 profit | 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 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 profit has been calculated by making an adjustment to the sum total of the reportable segments’ profit and the “Others” segment’s profit.

First Quarter Fiscal 2018 (April 1, 2018– June 30, 2018)

1. Information on sales and profit by reportable segment

(Millions of yen)

| | Reportable segments | | | | Others*1 | Total | Adjustment*2 | Figures in quarterly consolidated profit statement*3 |
|------------------------------|---------------------|--------------------|--------|----------------|----------|--------|--------------|--|
| | Chemicals | Specialty Products | Cement | Life & Amenity | | | | |
| Sales | | | | | | | | |
| Sales to customers | 24,952 | 10,013 | 21,969 | 11,808 | 7,081 | 75,825 | - | 75,825 |
| Inter-segment sales/transfer | 166 | 2,992 | 202 | 580 | 5,925 | 9,868 | (9,868) | - |
| Total | 25,119 | 13,005 | 22,172 | 12,389 | 13,006 | 85,693 | (9,868) | 75,825 |
| Segment profit | 4,896 | 1,922 | 870 | 838 | 952 | 9,479 | (595) | 8,883 |

*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 profit has been calculated by making an adjustment to the sum total of the reportable segments’ profit and the “Others” segment’s profit.