

## Summary of Consolidated Financial Statements for the First Quarter Fiscal 2019 (JPGAAP)

July 29, 2019

### Tokuyama Corporation

(URL <https://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, 2019 (April 1, 2019 - June 30, 2019)

#### (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 2019	76,465	0.8	7,026	(20.9)	6,298	(27.4)
First Quarter Fiscal 2018	75,825	4.6	8,883	4.6	8,677	11.9

(Note) Comprehensive income: 1st Q FY19: 3,951 million yen [ (34.8) %] 1st Q FY18: 6,056 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 2019	4,859	(27.0)	69.97	-
First Quarter Fiscal 2018	6,658	-	95.73	-

#### (2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Jun 30, 2019	375,314	165,648	41.3	2,230.75
Mar 31, 2019	379,630	163,525	40.2	2,199.83

(Reference) Shareholders' equity: Jun 30, 2019: 154,933 million yen Mar 31, 2019: 152,781 million yen

### 2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2018, ended Mar 31, 2019	(yen) -	(yen) 25.00	(yen) -	(yen) 25.00	(yen) 50.00
Fiscal 2019, ending Mar 31, 2020	-				
Fiscal 2019 (Forecast)		35.00	-	35.00	70.00

(Note) Revision of the latest dividends forecast: No

### 3. Consolidated performance forecast for fiscal 2019 (April 1, 2019 - March 31, 2020)

(% 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 2019	343,000	5.7	39,000	10.6	39,000	16.8	30,500	(11.0)	438.88

(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 11 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 2019:	69,934,375	Fiscal 2018:	69,934,375
ii. Number of treasury stock at end of period:	First Quarter Fiscal 2019:	480,862	Fiscal 2018:	482,765
iii. Average number of shares over period:	First Quarter Fiscal 2019:	69,452,147	First Quarter Fiscal 2018:	69,555,356

(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.

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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 2019 (April 1, 2019 - June 30, 2019) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
<b>First Quarter Fiscal 2019</b>	<b>76,465</b>	<b>7,026</b>	<b>6,298</b>	<b>4,859</b>
First Quarter Fiscal 2018	75,825	8,883	8,677	6,658
Rate of change (%)	0.8	(20.9)	(27.4)	(27.0)

#### Net sales

Consolidated net sales increased 0.8%, or ¥640 million compared with the corresponding period of the previous year, to ¥76,465 million. Despite weak sales of semiconductor-related and other mainstay products, this increase was largely attributable to the inclusion of a subsidiary in the Company's scope of consolidation in July, 2018.

#### Cost of sales

Cost of sales increased 3.1%, or ¥1,590 million compared with the corresponding period of the previous year, to ¥53,343 million. This was due mainly to a upturn in raw material and fuel costs as a result of the increase in coal prices.

#### SG&A expenses

SG&A expenses increased 6.0%, or ¥906 million compared with the corresponding period of the previous year, to ¥16,095 million. In addition to the increase in advertising expenses associated with the release of new products to the market, this increase largely reflected the upswing in personnel expenses attributable to the inclusion of a subsidiary in the Company's scope of consolidation in July, 2018.

#### Operating profit

Operating profit decreased 20.9%, or ¥1,857 million compared with the corresponding period of the previous fiscal year, to ¥7,026 million. This was largely attributable to a weak sales volume in major products.

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

Non-operating income/expenses deteriorated by ¥521 million compared with the corresponding period of the previous fiscal year.

As a result of the above, ordinary profit decreased 27.4%, or ¥2,378 million compared with the corresponding period of the previous fiscal year, to ¥6,298 million.

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

Extraordinary income/losses improved by ¥90 million compared with the corresponding period of the previous fiscal year.

As a result of the above, profit before income taxes decreased 27.1%, or ¥2,288 million compared with the corresponding period of the previous fiscal year, to ¥6,158 million.

Profit after deducting income taxes calculated in an appropriate way decreased 28.0%, or ¥1,919 million compared with the corresponding period of the previous fiscal year, to ¥4,929 million.

Profit attributable to owners of parent decreased 27.0%, or ¥1,799 million compared with the corresponding period of the previous fiscal year, to ¥4,859 million.

## (Operating results by segment)

Tokuyama changed the management categorizations of a certain subsidiary effective from the first quarter of the fiscal year under review. Data for the corresponding period of the previous fiscal year has been adjusted to reflect this change to enable the year-on-year comparison presented as follows.

### Sales

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>First Quarter Fiscal 2019</b>	<b>24,292</b>	<b>12,118</b>	<b>21,480</b>	<b>13,513</b>	<b>15,811</b>	<b>87,216</b>	<b>(10,751)</b>	<b>76,465</b>
First Quarter Fiscal 2018	25,119	13,005	22,172	12,655	12,711	85,664	(9,839)	75,825
Rate of change (%)	(3.3)	(6.8)	(3.1)	6.8	24.4	1.8	-	0.8

### Operating profit

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated profit statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
<b>First Quarter Fiscal 2019</b>	<b>3,868</b>	<b>1,598</b>	<b>666</b>	<b>665</b>	<b>942</b>	<b>7,741</b>	<b>(715)</b>	<b>7,026</b>
First Quarter Fiscal 2018	4,896	1,922	870	847	942	9,479	(595)	8,883
Rate of change (%)	(21.0)	(16.8)	(23.4)	(21.4)	(0.0)	(18.3)	-	(20.9)

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

### Chemicals

Caustic soda earnings declined. Despite firm sales volume trends, this downturn in earnings was largely due to the increase in raw material and fuel prices coupled with a deterioration in overseas market conditions.

Vinyl chloride resin earnings increased on the back of efforts to maintain selling prices.

Propylene oxide earnings decreased owing to a drop in sales volume for use in automotive parts.

Calcium chloride earnings declined. This largely reflected weak sales volume and an increase in logistics costs.

As a result of the above, segment net sales decreased 3.3% compared with the corresponding period of the previous fiscal year, to ¥24,292 million and operating profit decreased 21.0% to ¥3,868 million. The segment reported lower earnings on lower sales.

## **Specialty Products**

Semiconductor-grade polycrystalline silicon and thermal management material results were in line with the corresponding period of the previous fiscal year owing to firm sales trends.

Earnings from high-purity chemicals for electronic manufacturing declined. This was due to a downturn in sales volume targeting the semiconductor industry.

As a result of the above, segment net sales decreased 6.8% compared with the corresponding period of the previous fiscal year, to ¥12,118 million and operating profit decreased 16.8% to ¥1,598 million. The segment reported lower earnings on lower sales.

## **Cement**

Cement earnings decreased. Despite the partial positive flow on effects of a revision to selling prices, this decrease was largely due to weak shipping trends in Japan.

In the resource recycling business, its business result was almost same as the corresponding period of the previous fiscal year.

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

As a result of the above, segment net sales decreased 3.1% compared with the corresponding period of the previous fiscal year, to ¥21,480 million and operating profit decreased 23.4% to ¥666 million. The segment reported lower earnings on lower sales.

## **Life & Amenity**

Earnings from plastic lens-related materials increased on the back of the robust shipping trends of photochromic materials for eyeglass lenses.

Dental materials earnings decreased. Despite an increase in sales volume mainly overseas, this decrease was mainly due to the increase in advertising expenses associated with the release of new products to the market.

Sales of medical diagnosis systems increased. This largely reflected successful efforts to capture large-scale laboratory automation system projects in Japan.

As a result of the above, segment net sales increased 6.8% compared with the corresponding period of the previous fiscal year, to ¥13,513 million and operating profit decreased 21.4% to ¥665 million. The segment reported lower earnings on higher sales.

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

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

As of June 30, 2019, total assets amounted to ¥375,314 million, an decrease of ¥4,315 million compared with those as of March 31, 2019.

This decrease primarily reflects the decrease of notes and accounts receivable - trade of ¥8,979 million, despite the increase of merchandise and finished goods, cash and deposits, and land of ¥2,352 million, ¥1,467 million, and ¥1,034 million, respectively.

Total liabilities amounted to ¥209,666 million, down ¥6,438 million compared with those as of March 31, 2019.

The principal factors are a decrease in income taxes payable, long-term loans payable and current portion of long-term loans payable, and provision for bonuses of ¥2,536 million, ¥1,949 million, and ¥1,007 million, respectively.

Net assets totaled ¥165,648 million, an increase of ¥2,123 million compared with those as of March 31, 2019.

This mainly reflected the increase of retained earnings of ¥3,120. 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 26, 2019.

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



## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	3/31/2019	6/30/2019
<b>Assets</b>		
Current assets		
Cash and deposits	68,613	70,080
Notes and accounts receivable - trade	80,358	71,378
Lease receivables	30	30
Merchandise and finished goods	16,458	18,810
Work in process	9,554	8,965
Raw materials and supplies	17,462	17,069
Other	10,554	11,044
Allowance for doubtful accounts	△94	△88
Total current assets	202,936	197,291
Non-current assets		
Property, plant and equipment		
Buildings and structures	106,214	106,690
Accumulated depreciation	△76,233	△76,668
Buildings and structures, net	29,981	30,021
Machinery, equipment and vehicles	459,535	460,083
Accumulated depreciation	△414,813	△416,061
Machinery, equipment and vehicles, net	44,721	44,022
Tools, furniture and fixtures	22,106	22,102
Accumulated depreciation	△19,905	△19,899
Tools, furniture and fixtures, net	2,201	2,202
Land	32,296	33,331
Leased assets	4,548	4,598
Accumulated depreciation	△2,237	△2,331
Leased assets, net	2,311	2,266
Construction in progress	4,592	5,294
Total property, plant and equipment	116,104	117,138
Intangible assets		
Goodwill	208	58
Leased assets	71	65
Other	1,693	1,655
Total intangible assets	1,973	1,779
Investments and other assets		
Investment securities	21,718	20,730
Long-term loans receivable	2,444	2,440
Deferred tax assets	21,091	21,945
Retirement benefit asset	9,796	10,277
Other	3,621	3,768
Allowance for doubtful accounts	△57	△57
Total investments and other assets	58,614	59,105
Total non-current assets	176,693	178,022
<b>Total assets</b>	<b>379,630</b>	<b>375,314</b>

(Millions of yen)

	3/31/2019	6/30/2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	47,268	47,079
Short-term borrowings	4,361	3,465
Current portion of long-term borrowings	12,667	12,696
Lease obligations	758	752
Income taxes payable	3,816	1,279
Provision for bonuses	2,664	1,657
Provision for repairs	3,569	3,763
Provision for product warranties	137	74
Provision for loss on compensation for damage	91	91
Provision for restructuring	233	222
Other	17,680	16,870
Total current liabilities	93,248	87,953
Non-current liabilities		
Long-term borrowings	109,411	107,432
Lease obligations	1,767	1,725
Deferred tax liabilities	220	173
Provision for retirement benefits for directors (and other officers)	224	222
Provision for share-based remuneration	48	62
Provision for repairs	1,546	2,013
Provision for decommissioning and removal	—	550
Allowance for loss on compensation for building materials	260	243
Provision for environmental measures	222	222
Retirement benefit liability	2,149	2,176
Asset retirement obligations	6	6
Other	6,999	6,882
Total non-current liabilities	122,856	121,712
<b>Total liabilities</b>	<b>216,104</b>	<b>209,666</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	20,018	20,018
Retained earnings	121,901	125,022
Treasury shares	△1,823	△1,817
Total shareholders' equity	150,095	153,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△1,566	△1,806
Deferred gains or losses on hedges	△61	△54
Foreign currency translation adjustment	1,672	1,009
Remeasurements of defined benefit plans	2,640	2,561
Total accumulated other comprehensive income	2,685	1,710
Non-controlling interests	10,743	10,715
<b>Total net assets</b>	<b>163,525</b>	<b>165,648</b>
<b>Total liabilities and net assets</b>	<b>379,630</b>	<b>375,314</b>

## (2) Consolidated Statements of Income

	(Millions of yen)	
	Q1 FY2018	Q1 FY2019
Net sales	75,825	76,465
Cost of sales	51,752	53,343
Gross profit	24,072	23,121
Selling, general and administrative expenses		
Selling expenses	10,033	10,633
General and administrative expenses	5,155	5,461
Total selling, general and administrative expenses	15,188	16,095
Operating profit	8,883	7,026
Non-operating income		
Interest income	18	89
Dividend income	232	191
Share of profit of entities accounted for using equity method	204	247
Outsourcing service income	436	421
Dividends Income Of Group Term Insurance	181	211
Other	710	564
Total non-operating income	1,783	1,725
Non-operating expenses		
Interest expenses	801	443
Provision for decommissioning and removals	—	550
Fiduciary obligation expenses	415	434
Foreign exchange losses	—	284
Other	772	741
Total non-operating expenses	1,989	2,453
Ordinary profit	8,677	6,298
Extraordinary income		
Gain on sales of non-current assets	5	4
Subsidy income	—	12
Gain on insurance claims	44	—
Total extraordinary income	50	16
Extraordinary losses		
Loss on sales of non-current assets	—	15
Loss on disaster	—	13
Loss on disposal of non-current assets	148	127
Litigation expenses	132	—
Total extraordinary losses	281	156
Profit before income taxes	8,446	6,158
Income taxes	1,597	1,228
Profit	6,849	4,929
Profit attributable to non-controlling interests	190	69
Profit attributable to owners of parent	6,658	4,859

## (3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2018	Q1 FY2019
Profit	6,849	4,929
Other comprehensive income		
Valuation difference on available-for-sale securities	△447	△232
Deferred gains or losses on hedges	7	6
Foreign currency translation adjustment	△174	△646
Remeasurements of defined benefit plans, net of tax	△59	△78
Share of other comprehensive income of entities accounted for using equity	△118	△27
Total other comprehensive income	△793	△978
Comprehensive income	6,056	3,951
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,866	3,884
Comprehensive income attributable to non-controlling interests	190	67

#### **(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, 2020, 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.

## (5) Segment information

### 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	12,084	6,805	75,825	-	75,825
Inter-segment sales/transfer	166	2,992	202	571	5,905	9,839	(9,839)	-
Total	25,119	13,005	22,172	12,655	12,711	85,664	(9,839)	75,825
Segment profit	4,896	1,922	870	847	942	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.

### First Quarter Fiscal 2019 (April 1, 2019– June 30, 2019)

#### 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	24,114	9,065	21,256	13,053	8,975	76,465	-	76,465
Inter-segment sales/transfer	178	3,053	224	459	6,835	10,751	(10,751)	-
Total	24,292	12,118	21,480	13,513	15,811	87,216	(10,751)	76,465
Segment profit	3,868	1,598	666	665	942	7,741	(715)	7,026

\*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.

#### 2. Changes in reportable segments

In accordance with the change in management categorizations of a certain subsidiary implemented from the first quarter of the fiscal year under review, a certain subsidiary previously included in the Others segment have now been included in the Life & Amenity segment.

Segment information for the corresponding period of the previous fiscal year has been prepared in accordance with this change.