

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

January 31, 2018

Tokuyama Corporation

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

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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 third quarter ended Dec. 31, 2017 (Apr. 1, 2017 – Dec. 31, 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 [%]
Third Quarter Fiscal 2017	226,090	3.7	30,150	6.6	26,477	5.2
Third Quarter Fiscal 2016	218,100	(3.8)	28,278	118.5	25,173	168.2

(Note) Comprehensive income: 3rd Q FY17: 15,454 million yen [(42.0) %]

3rd Q FY16: 26,637 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)
Third Quarter Fiscal 2017	7,342	(70.5)	82.18	-
Third Quarter Fiscal 2016	24,866	-	350.05	291.84

* 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 third 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.

* 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 third quarter of fiscal 2016 and the third 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 (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Dec. 31, 2017	359,091	124,815	31.8	1,640.41
Mar. 31, 2017	424,433	135,976	29.9	1,527.42

(Reference) Shareholders' equity: Dec. 31, 2017: 114,102 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	308,000	3.0	39,000	1.2	34,000	0.0	15,000	(71.2)	192.26

(Note) Revision of the latest consolidated performance forecast: Yes

* The Company announced the release, “Notice concerning Revision of Performance Forecast for Full Fiscal 2017,” on Jan. 31, 2018.

* 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 ¥38.45.

*Notes

(1) Changes in significant subsidiaries during this period (Apr. 1, 2017 – Dec. 31, 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 – Dec. 31, 2017).

For more details, please refer to “(4) Notes on Quarterly Consolidated Financial Statements (Change in significant consolidated subsidiaries during the cumulative third quarter)” in “2. Quarterly Consolidated Financial Statements” on page 12 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 (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

(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):	Third Quarter Fiscal 2017:	69,934,375	Fiscal 2016:	69,934,375
ii. Number of treasury stock at end of period:	Third Quarter Fiscal 2017:	377,061	Fiscal 2016:	370,156
iii. Average number of shares over period:	Third Quarter Fiscal 2017:	69,561,756	Third Quarter Fiscal 2016:	69,566,654

* 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.

(Supplementary quarterly explanatory materials)

Supplementary quarterly explanatory materials will be available on our website on January 31 2018.

(Reference) Dividends for Class A shares

Dividends per share related to class shares are as follows:

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

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the third quarter fiscal 2017 (accumulated figures, April 1, 2017 - December 31, 2017) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Third Quarter Fiscal 2017	226,090	30,150	26,477	7,342
Third Quarter Fiscal 2016	218,100	28,278	25,173	24,866
Rate of change (%)	3.7	6.6	5.2	(70.5)

Net sales

Consolidated net sales increased 3.7%, or ¥7,989 million compared with the corresponding period of the previous year, to ¥226,090 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 increased 4.0%, or ¥5,906 million compared with the corresponding period of the previous year, to ¥152,100 million. This was due mainly to a upturn in raw material and fuel costs as a result of the increase in coal and domestic naphtha prices.

SG&A expenses

SG&A expenses increased 0.5%, or ¥211 million compared with the corresponding period of the previous year, to ¥43,839 million. This was largely attributable to the increase in distribution costs associated with the increased sales volumes.

Operating profit

Operating profit increased 6.6%, or ¥1,871 million compared with the corresponding period of the previous year, to ¥30,150 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 ¥567 million compared with the corresponding period of the previous year.

As a result of the above, ordinary profit increased 5.2%, or ¥1,303 million compared with the corresponding period of the previous year, to ¥26,477 million.

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

Extraordinary income/losses deteriorated by ¥6,470 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 17.4%, or ¥5,166 million compared with the corresponding period of the previous year, to ¥24,564 million.

Profit after deducting income taxes calculated in an appropriate way decreased 51.1%, or ¥13,150 million compared with the corresponding period of the previous year, to ¥12,577 million. Profit attributable to owners of parent decreased 70.5%, or ¥17,524 million compared with the corresponding period of the previous year, to ¥7,342 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				
Third Quarter Fiscal 2017	67,889	41,756	65,750	37,795	41,047	254,238	(28,148)	226,090
Third Quarter Fiscal 2016	60,003	47,369	61,392	38,296	39,468	246,531	(28,430)	218,100
Rate of change (%)	13.1	(11.8)	7.1	(1.3)	4.0	3.1	-	3.7

Operating profit

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Third Quarter Fiscal 2017	11,405	7,306	3,656	2,383	5,024	29,777	373	30,150
Third Quarter Fiscal 2016	9,669	5,141	6,049	3,962	4,593	29,417	(1,138)	28,278
Rate of change (%)	18.0	42.1	(39.5)	(39.8)	9.4	1.2	-	6.6

(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 13.1% compared with the corresponding period of the previous year, to ¥67,889 million and operating profit increased 18.0% to ¥11,405 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 11.8% compared with the corresponding period of the previous year, to ¥41,756 million and operating profit increased 42.1% to ¥7,306 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 7.1% compared with the corresponding period of the previous year, to ¥65,750 million and operating profit decreased 39.5% to ¥3,656 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 overseas 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 1.3% compared with the corresponding period of the previous year, to ¥37,795 million and operating profit decreased 39.8% to ¥2,383 million. The segment reported lower earnings on lower sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of December 31, 2017, total assets amounted to ¥359,091 million, a decrease of ¥65,342 million compared with those as of March 31, 2017.

This decrease primarily reflects the decrease of cash and deposits, property, deferred tax asset – plant and equipment, buildings and structures of ¥49,551 million, ¥8,410 million and ¥8,162 million respectively. Due to the removal of Tokuyama Malaysia Sdn. Bhd. from the consolidation, asset decreased by ¥20,522 million.

Total liabilities amounted to ¥234,275 million, down ¥54,181 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 ¥25,023 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 ¥124,815 million, an decrease of ¥11,160 million compared with those as of March 31, 2017.

Despite an increase in retained earnings of ¥7,342 million as a result of posting profit attributable to owners of parent, 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.

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

Based on the current performance trend, the Company has revised the performance forecast, announced on April 28, 2017. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast for Full Fiscal 2017," dated January 31, 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.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	3/31/2017	12/31/2017
Assets		
Current assets		
Cash and deposits	121,598	72,047
Notes and accounts receivable - trade	73,945	74,993
Lease receivables	6	28
Merchandise and finished goods	12,348	13,892
Work in process	9,919	9,549
Raw materials and supplies	16,567	15,535
Deferred tax assets	1,627	1,614
Other	10,798	5,610
Allowance for doubtful accounts	△150	△124
Total current assets	246,661	193,148
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,430	102,916
Accumulated depreciation	△72,723	△73,070
Buildings and structures, net	27,707	29,846
Machinery, equipment and vehicles	450,926	446,564
Accumulated depreciation	△404,912	△404,456
Machinery, equipment and vehicles, net	46,014	42,108
Tools, furniture and fixtures	22,015	22,023
Accumulated depreciation	△20,222	△19,987
Tools, furniture and fixtures, net	1,793	2,036
Land	31,289	31,313
Leased assets	3,533	3,662
Accumulated depreciation	△1,329	△1,651
Leased assets, net	2,203	2,010
Construction in progress	10,225	3,756
Total property, plant and equipment	119,233	111,071
Intangible assets		
Goodwill	2,367	1,500
Leased assets	35	57
Other	2,384	1,566
Total intangible assets	4,787	3,125
Investments and other assets		
Investment securities	19,083	25,243
Long-term loans receivable	2,833	2,713
Deferred tax assets	19,824	11,427
Net defined benefit asset	8,936	9,316
Other	3,221	3,188
Allowance for doubtful accounts	△148	△143
Total investments and other assets	53,750	51,746
Total non-current assets	177,771	165,943
Total assets	424,433	359,091
Total assets	401,342	405,362

	(Millions of yen)	
	3/31/2017	12/31/2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,035	44,856
Short-term loans payable	2,138	2,062
Current portion of long-term loans payable	15,235	16,097
Lease obligations	577	610
Income taxes payable	1,335	3,295
Provision for bonuses	2,103	1,090
Provision for repairs	1,628	3,641
Provision for product warranties	81	58
Provision for loss on purchase contract	2,671	—
Other	16,346	14,889
Total current liabilities	79,153	86,601
Non-current liabilities		
Bonds payable	34,400	—
Long-term loans payable	160,555	134,670
Lease obligations	1,787	1,564
Deferred tax liabilities	268	317
Provision for directors' retirement benefits	143	139
Provision for repairs	2,829	1,782
Allowance for loss on compensation for building materials	318	271
Provision for environmental measures	287	255
Net defined benefit liability	1,430	1,501
Asset retirement obligations	6	6
Other	7,275	7,164
Total non-current liabilities	209,303	147,673
Total liabilities	288,457	234,275
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	41,545	20,000
Retained earnings	72,511	78,396
Treasury shares	△1,446	△1,467
Total shareholders' equity	122,609	106,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	319	2,093
Deferred gains or losses on hedges	△274	△194
Foreign currency translation adjustment	1,528	2,458
Remeasurements of defined benefit plans	2,833	2,815
Total accumulated other comprehensive income	4,406	7,173
Non-controlling interests	8,960	10,713
Total net assets	135,976	124,815
Total liabilities and net assets	424,433	359,091
Non-controlling interests	8,732	8,681
Total net assets	60,205	108,157
Total liabilities and net assets	401,342	405,362

(2) Quarterly Consolidated Statements of Income

	(Millions of yen)	
	Q3 FY2016 YTD	Q3 FY2017 YTD
Net sales	218,100	226,090
Cost of sales	146,194	152,100
Gross profit	71,906	73,989
Selling, general and administrative expenses		
Selling expenses	28,274	29,385
General and administrative expenses	15,352	14,453
Total selling, general and administrative expenses	43,627	43,839
Operating profit	28,278	30,150
Non-operating income		
Interest income	39	174
Dividend income	234	253
Share of profit of entities accounted for using equity method	723	811
Trial products income	27	450
Compensation income	464	—
Other	1,603	1,654
Total non-operating income	3,093	3,344
Non-operating expenses		
Interest expenses	3,187	2,894
Loss on bond retirement	—	1,605
Other	3,011	2,517
Total non-operating expenses	6,198	7,017
Ordinary profit	25,173	26,477
Extraordinary income		
Gain on sales of non-current assets	14	478
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	—
Other	1,044	—
Total extraordinary income	6,818	8,359
Extraordinary losses		
Loss on sales of non-current assets	3	1
Impairment loss	1,475	—
Loss on disaster	15	4
Loss on reduction of non-current assets	50	110
Loss on disposal of non-current assets	423	489
Loss on transfer of business	—	8,059
Loss on contract cancellation	—	1,431
Provision for environmental measures	101	—
Loss on transfer from business divestitures	98	—
Other	91	176
Total extraordinary losses	2,261	10,273
Profit before income taxes	29,730	24,564
Income taxes	4,003	11,986
Profit	25,727	12,577
Profit attributable to non-controlling interests	860	5,235
Profit attributable to owners of parent	24,866	7,342

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q3 FY2016 YTD	Q3 FY2017 YTD
Profit	25,727	12,577
Other comprehensive income		
Valuation difference on available-for-sale securities	1,451	1,778
Deferred gains or losses on hedges	230	135
Foreign currency translation adjustment	△593	946
Remeasurements of defined benefit plans, net of tax	55	△17
Share of other comprehensive income of entities accounted for using equity	△235	34
Total other comprehensive income	909	2,877
Comprehensive income	26,637	15,454
Comprehensive income attributable to		
Owners of the Parent	25,827	10,109
Non-controlling interests	809	5,345

(4) Notes on Quarterly Consolidated Financial Statements

(Change of Significant Consolidated Subsidiaries during the cumulative third 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 third 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 third 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 third 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 third quarter of the previous fiscal year.

As a result, for the cumulative third quarter of the previous consolidated fiscal year, ¥863 million which was included in "Others" under "Non-operating expenses" has been reclassified under "Cost of sales."

(5) Segment information

Third Quarter Fiscal 2016 (accumulated figures, Apr. 1, 2016– Dec. 31, 2016)

1. Information on sales and profit 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	59,384	39,080	61,299	36,714	21,621	218,100	-	218,100
Inter-segment sales/transfer	618	8,289	93	1,581	17,847	28,430	(28,430)	-
Total	60,003	47,369	61,392	38,296	39,468	246,531	(28,430)	218,100
Segment profit	9,669	5,141	6,049	3,962	4,593	29,417	(1,138)	28,278

*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.

Third Quarter Fiscal 2017 (accumulated figures, Apr. 1, 2017– Dec. 31, 2017)

1. Information on sales and profit 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	67,153	33,396	65,495	36,194	23,851	226,090	-	226,090
Inter-segment sales/transfer	735	8,360	255	1,601	17,195	28,148	(28,148)	-
Total	67,889	41,756	65,750	37,795	41,047	254,238	(28,148)	226,090
Segment profit	11,045	7,306	3,656	2,383	5,024	29,777	373	30,150

*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 “(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 cumulative third 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.