

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

October 31, 2018

Tokuyama Corporation

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

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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, 2018 (Apr. 1, 2018 – Sept. 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 [%]
Second Quarter Fiscal 2018	152,699	4.5	17,019	(9.8)	15,470	(1.5)
Second Quarter Fiscal 2017	146,166	2.5	18,878	7.1	15,697	8.2

(Note) Comprehensive income: 2nd Q FY18: 12,625 million yen [81.9 %]
2nd Q FY17: 6,939 million yen [(59.1) %]

	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 2018	12,833	-	184.55	-
Second Quarter Fiscal 2017	174	(99.1)	(20.87)	-

* 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)
Sep 30, 2018	367,240	146,683	37.1	1,961.21
Mar 31, 2018	361,949	136,591	34.7	1,806.56

(Reference) Shareholders' equity: Sep 30, 2018: 136,212 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
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2017, ended Mar 31, 2018	-	2.00	-	20.00	-
Fiscal 2018, ending Mar 31, 2019	-	25.00			
Fiscal 2018 (Forecast)			-	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.

*Year-end dividend per share for the fiscal year ending March 31, 2018 of ¥20.00, includes ¥10.00 of a 100th anniversary commemorative dividend.

3. Consolidated performance forecast for fiscal 2018 (Apr. 1, 2018 – Mar. 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 (Apr. 1, 2018 – Sept. 30, 2018)

: 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 (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 2018:	69,934,375	Fiscal 2017:	69,934,375
ii. Number of treasury stock at end of period:	Second Quarter Fiscal 2018:	480,978	Fiscal 2017:	378,378
iii. Average number of shares over period:	Second Quarter Fiscal 2018:	69,538,081	Second Quarter Fiscal 2017:	69,563,316

* 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.

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the second quarter fiscal 2018 (accumulated figures, April 1, 2018 - September 30, 2018) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit/loss attributable to owners of parent
Second Quarter Fiscal 2018	152,699	17,019	15,470	12,833
Second Quarter Fiscal 2017	146,166	18,878	15,697	174
Rate of change (%)	4.5	(9.8)	(1.5)	-

Net sales

Consolidated net sales increased 4.5%, or ¥6,532 million compared with the corresponding period of the previous year, to ¥152,699 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 7.1%, or ¥6,999 million compared with the corresponding period of the previous year, to ¥105,203 million. This was due mainly to a upturn in raw material and fuel costs as a result of the increase in coal prices and domestic naphtha.

SG&A expenses

SG&A expenses increased 4.8%, or ¥1,392 million compared with the corresponding period of the previous year, to ¥30,476 million. This was largely attributable to the increase in logistics costs.

Operating profit

Operating profit decreased 9.8%, or ¥1,859 million compared with the corresponding period of the previous year, to ¥17,019 million. Despite sales in each business remained steady, the increase in manufacturing costs including the rise in raw material and fuel costs affected the operating profit of each segment.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved ¥1,631 million compared with the corresponding period of the previous year.

As a result of the above, ordinary profit decreased 1.5%, or ¥227 million compared with the corresponding period of the previous year, to ¥15,470 million.

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

Extraordinary income/losses improved by ¥2,180 million compared with the corresponding period of the previous year.

As a result of the above, profit before income taxes increased 14.0%, or ¥1,952 million compared with the corresponding period of the previous year, to ¥15,905 million.

Profit after deducting income taxes calculated in an appropriate way increased 147.8%, or ¥7,846 million compared with the corresponding period of the previous year, to ¥13,155 million.

Profit attributable to owners of parent increased ¥12,659 million compared with the corresponding period of the previous year, to ¥12,833 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 2018	48,176	26,816	43,922	25,632	28,713	173,261	(20,562)	152,699
Second Quarter Fiscal 2017	43,357	27,270	42,526	25,346	26,608	165,110	(18,943)	146,166
Rate of change (%)	11.1	(1.7)	3.3	1.1	7.9	4.9	-	4.5

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 2018	8,793	4,303	1,406	1,688	1,752	17,945	(926)	17,019
Second Quarter Fiscal 2017	6,963	4,335	2,258	1,497	3,165	18,220	657	18,878
Rate of change (%)	26.3	(0.7)	(37.7)	12.8	(44.7)	(1.5)	-	(9.8)

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

Chemicals

With regard to caustic soda, sales volume was steady mainly due to exports to Asia and the revision of selling prices was also progressed. As a result, its operating profit increased greatly.

Sales volume of vinyl chloride resin was steady. Meanwhile, manufacturing costs increased due to a rise in raw material prices such as domestic naphtha. As a result, its operating profit decreased.

As a result of the above, segment net sales increased 11.1% compared with the corresponding period of the previous year, to ¥48,176 million and operating profit increased 26.3% to ¥8,793 million. The segment reported higher earnings on higher sales.

Specialty Products

Sales volume of semiconductor-grade polycrystalline silicon was steady. Meanwhile, manufacturing costs increased due to a upturn in fuel and raw material costs. As a result, its operating profit decreased.

With regard to high-purity chemicals for electronics manufacturing, sales volume increased. Meanwhile, manufacturing costs increased due to a rise in raw material prices such as domestic naphtha. As a result, its operating profit decreased.

With regard to aluminum nitride, sales volume in such applications used for semiconductor manufacturing equipment increased and the business did well.

The decrease in sales due to removal of Tokuyama Malaysia Sdn. Bhd. from the Company's scope of consolidation in May 2017 was 1,632 million.

As a result of the above, segment net sales decreased 1.7% compared with the corresponding period of the previous year, to ¥26,816 million and operating profit decreased 0.7% to ¥4,303 million. The segment reported lower earnings on lower sales.

Cement

With regard to cement, domestic sales volume was weak and manufacturing costs increased due to a rise in raw material prices such as coal. As a result, its operating profit decreased.

In the resource recycling business, its business result 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 3.3% compared with the corresponding period of the previous year, to ¥43,922 million and operating profit decreased 37.7% to ¥1,406 million. The segment reported lower earnings on higher sales.

Life & Amenity

With regard to plastic lens-related materials, sales volume of photochromic dye materials for eyeglass lenses increased.

With regard to ion exchange membranes, despite sales volume was steady, its operating profit decreased due to large-scale project recorded in the corresponding period of the previous year.

As a result of the above, segment net sales increased 1.1% compared with the corresponding period of the previous year, to ¥25,632 million and operating profit increased 12.8% to ¥1,688 million. The segment reported higher earnings on higher sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of September 30, 2018, total assets amounted to ¥367,240 million, an increase of ¥5,290 million compared with those as of March 31, 2018.

This increase primarily reflects the increase of property, plant and equipment of ¥5,220 million due to the inclusion of subsidiaries in the Company's scope of consolidation from the second quarter consolidated accounting period for the fiscal year ending March 31, 2019.

Total liabilities amounted to ¥220,556 million, down ¥4,800 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 of ¥4,371 million.

Net assets totaled ¥146,683 million, an increase of ¥10,091 million compared with those as of March 31, 2018.

This mainly reflected the increase of retained earnings of ¥11,442. This was primarily due to posting profit attributable to owners of parent, despite decrease due to the payment of dividend.

(Status of cash flows)

As of September 30, 2018, cash and cash equivalents were ¥70,724 million, an increase of ¥3,917 million compared with those as of March 31, 2018.

Net cash provided by operating activities totaled ¥22,359 million, a decrease of ¥4,200 million compared with the corresponding period of the previous year.

Principal items included profit before income taxes of ¥15,905 million and depreciation cost of ¥7,083 million.

Net cash used in investing activities totaled ¥7,604 million, an increase of ¥4,188 million compared with the corresponding period of the previous year.

Major contributory factor was payments for purchases of property, plant and equipment of ¥8,485 million.

Net cash used in financing activities amounted to ¥10,954 million, a decrease of ¥60,133 million compared with the corresponding period of the previous year.

This was primarily attributed to payments for repayment of long-term loans payable of ¥67,720 million and proceeds from long-term loans payable of ¥59,315 million.

(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.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	Millions of yen	
	3/31/2018	9/30/2018
Assets		
Current assets		
Cash and deposits	57,229	71,153
Notes and accounts receivable - trade	79,660	71,787
Lease receivables	28	29
Securities	10,000	—
Merchandise and finished goods	14,028	17,778
Work in process	10,075	9,159
Raw materials and supplies	15,327	16,416
Other	4,809	4,787
Allowance for doubtful accounts	△127	△106
Total current assets	191,031	191,006
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,761	105,018
Accumulated depreciation	△73,455	△75,633
Buildings and structures, net	29,305	29,384
Machinery, equipment and vehicles	446,278	456,306
Accumulated depreciation	△404,441	△411,960
Machinery, equipment and vehicles, net	41,836	44,346
Tools, furniture and fixtures	21,887	22,052
Accumulated depreciation	△19,748	△19,875
Tools, furniture and fixtures, net	2,138	2,177
Land	30,995	32,200
Leased assets	3,760	3,873
Accumulated depreciation	△1,753	△1,995
Leased assets, net	2,007	1,878
Construction in progress	3,959	5,476
Total property, plant and equipment	110,242	115,463
Intangible assets		
Goodwill	1,158	510
Leased assets	51	58
Other	1,556	1,516
Total intangible assets	2,766	2,085
Investments and other assets		
Investment securities	24,302	24,652
Long-term loans receivable	2,627	2,535
Deferred tax assets	18,300	18,349
Net defined benefit asset	9,657	10,141
Other	3,162	3,080
Allowance for doubtful accounts	△141	△75
Total investments and other assets	57,908	58,684
Total non-current assets	170,917	176,233
Total assets	361,949	367,240

	Millions of yen	
	3/31/2018	9/30/2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	47,610	48,798
Short-term loans payable	2,549	3,520
Current portion of long-term loans payable	15,684	14,875
Lease obligations	641	645
Income taxes payable	3,688	2,201
Provision for bonuses	2,557	2,728
Provision for repairs	4,332	4,133
Provision for product warranties	98	35
Other	15,870	14,023
Total current liabilities	93,032	90,962
Non-current liabilities		
Long-term loans payable	119,521	115,958
Lease obligations	1,521	1,380
Deferred tax liabilities	298	497
Provision for directors' retirement benefits	143	197
Provision for share benefits	—	19
Provision for repairs	1,594	1,328
Allowance for loss on compensation for building materials	261	253
Provision for environmental measures	253	251
Net defined benefit liability	1,527	2,161
Asset retirement obligations	5	5
Other	7,197	7,539
Total non-current liabilities	132,325	129,594
Total liabilities	225,357	220,556
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	20,008	20,018
Retained earnings	90,752	102,194
Treasury shares	△1,472	△1,819
Total shareholders' equity	119,288	130,393
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,352	1,022
Deferred gains or losses on hedges	△151	△62
Foreign currency translation adjustment	2,093	1,897
Remeasurements of defined benefit plans	3,074	2,961
Total accumulated other comprehensive income	6,368	5,819
Non-controlling interests	10,935	10,470
Total net assets	136,591	146,683
Total liabilities and net assets	361,949	367,240
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 FY2017 YTD	Q2 FY2018 YTD
Net sales	146,166	152,699
Cost of sales	98,204	105,203
Gross profit	47,962	47,495
Selling, general and administrative expenses		
Selling expenses	19,294	20,215
General and administrative expenses	9,789	10,260
Total selling, general and administrative expenses	29,083	30,476
Operating profit	18,878	17,019
Non-operating income		
Interest income	145	50
Dividend income	149	246
Share of profit of entities accounted for using equity method	515	450
Fiduciary obligation fee	258	498
Rent income on non-current assets	239	343
Trial products income	248	308
Other	712	1,027
Total non-operating income	2,267	2,925
Non-operating expenses		
Interest expenses	2,031	1,577
Cost of loans payable	—	884
Fiduciary Obligation expenses	267	479
Loss on bond retirement	1,604	—
Other	1,544	1,533
Total non-operating expenses	5,448	4,474
Ordinary profit	15,697	15,470
Extraordinary income		
Gain on sales of non-current assets	473	18
Gain on bargain purchase	—	964
Gain on sales of investment securities	—	1
Subsidy income	144	33
Gain on insurance adjustment	31	45
Compensation income for damage	7,705	—
Total extraordinary income	8,355	1,063
Extraordinary losses		
Loss on sales of non-current assets	1	9
Loss on disaster	3	—
Loss on reduction of non-current assets	110	19
Loss on disposal of non-current assets	364	444
Litigation expenses	57	154
Loss on transfer of business	8,059	—
Provision for loss on contract cancellation	1,060	—
Loss on contract cancellation	386	—
Other	56	—
Total extraordinary losses	10,100	627
Profit before income taxes	13,952	15,905
Income taxes	8,643	2,749
Profit	5,308	13,155
Profit attributable to non-controlling interests	5,134	322
Profit attributable to owners of parent	174	12,833
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 FY2017 YTD	Q2 FY2018 YTD
Profit	5,308	13,155
Other comprehensive income		
Valuation difference on available-for-sale securities	772	△315
Deferred gains or losses on hedges	181	89
Foreign currency translation adjustment	643	△44
Remeasurements of defined benefit plans, net of tax	14	△113
Share of other comprehensive income of entities accounted for using equity method	18	△145
Total other comprehensive income	1,630	△529
Comprehensive income	6,939	12,625
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,701	12,284
Comprehensive income attributable to non-controlling interests	5,238	341

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	Q2 FY2017 YTD	Q2 FY2018 YTD
Cash flows from operating activities		
Profit before income taxes	13,952	15,905
Depreciation	6,686	7,083
Increase (decrease) in provision for loss on contract cancellation	1,060	—
Increase (decrease) in other provision	△203	△717
Increase (decrease) in net defined benefit liability	49	70
Decrease (increase) in net defined benefit asset	△539	△645
Interest and dividend income	△294	△296
Foreign exchange losses (gains)	△127	△48
Loss (gain) on sales of property, plant and equipment	△472	△9
Loss (gain) on sales of investment securities	—	△1
Share of loss (profit) of entities accounted for using equity method	△515	△450
Gain on bargain purchase	—	△964
Subsidy income	△144	△33
Interest expenses	2,031	1,577
Cost of loans payable	—	884
Loss on reduction of non-current assets	110	19
Gain on insurance claim	△31	△45
Loss (gain) on disposal of non-current assets	364	444
Loss (gain) on transfer of business	8,059	—
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	1,600	9,642
Decrease (increase) in inventories	△2,752	△3,915
Decrease (increase) in other current assets	△714	△409
Increase (decrease) in notes and accounts payable - trade	2,988	280
Increase (decrease) in other current liabilities	△301	△2,493
Other, net	△488	923
Subtotal	24,604	26,800
Interest and dividend income received	567	738
Interest expenses paid	△2,055	△1,590
Proceeds from insurance income	31	45
Income taxes (paid) refund	3,411	△3,634
Net cash provided by (used in) operating activities	26,559	22,359
Cash flows from investing activities		
Payments into time deposits	△219	△18
Proceeds from withdrawal of time deposits	92	439
Purchase of property, plant and equipment	△6,930	△8,485
Proceeds from sales of property, plant and equipment	155	67
Purchase of investment securities	△1,702	△12
Proceeds from sales of investment securities	35	3
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	583
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	5,362	—
Payments of long-term loans receivable	△4	△1
Collection of long-term loans receivable	119	115
Proceeds from subsidy income	144	33
Other, net	△467	△329
Net cash provided by (used in) investing activities	△3,415	△7,604

	Millions of yen	
	Q2 FY2017 YTD	Q2 FY2018 YTD
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	△ 33	△ 264
Proceeds from long-term loans payable	6,613	59,315
Repayments of long-term loans payable	△ 18,589	△ 67,720
Redemption of bonds	△ 36,014	—
Cash dividends paid	△ 761	△ 1,387
Dividends paid to non-controlling interests	△ 238	△ 208
Decrease (increase) in treasury shares	△ 21,630	△ 303
Other, net	△ 433	△ 385
Net cash provided by (used in) financing activities	△ 71,087	△ 10,954
Effect of exchange rate change on cash and cash equivalents	183	116
Net increase (decrease) in cash and cash equivalents	△ 47,760	3,917
Cash and cash equivalents at beginning of period	118,819	66,807
Cash and cash equivalents at end of period	71,059	70,724

(5) 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 second 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.

(6) Segment information

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

*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 2018 (accumulated figures, Apr. 1, 2018– Sept. 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 income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	47,815	20,476	43,489	24,595	16,322	152,699	-	152,699
Inter-segment sales/transfer	360	6,340	432	1,036	12,391	20,562	(20,562)	-
Total	48,176	26,816	43,922	25,632	28,713	173,261	(20,562)	152,699
Segment profit	8,793	4,303	1,406	1,688	1,752	17,945	(926)	17,019

*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

The Company posted ¥964 million of gain on bargain purchase in the “Others” segment in the second quarter consolidated accounting period for the fiscal year ending March 31, 2019.