April 26, 2019

Summary of Fiscal 2018

(The Fiscal Year ended March 31, 2019)

Tokuyama Corporation

1. Consolidation

Classification	Fiscal 2018	Fiscal 2017	Changes
The number of consolidated subsidiaries	52	49	+3
The number of subsidiaries and affiliates by the equity method	9	10	(1)

2. Summary of performance and other corporate data (consolidated)

(Unit: Billions of yen, except number of employees)

	Fiscal 2018	Fiscal 2017	Changes
Net sales	324.6	308.0	+16.5
Operating profit	35.2	41.2	(6.0)
Ordinary profit	33.4	36.1	(2.7)
Profit attributable to owners of parent	34.2	19.6	+14.5
Basic earnings per share (Unit: yen)	493.26	259.81	+233.45
Capital expenditures	18.5	15.9	+2.6
Depreciation and amortization	15.0	13.9	+1.1
R&D expenses	8.0	7.9	+0.1
Financial income and expenses	(1.9)	(3.2)	+1.2

* 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.

	As of March 31, 2019	As of March 31, 2018	Changes
Interest-bearing debt	128.9	139.9	(10.9)
Number of employees	5,471	4,889	+582

3. Net sales and operating profit by business segment (year on year)

(Unit: Billions of yen)

	FY2018		FY2017		Changes	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	98.3	16.8	93.5	16.1	+4.8	+0.6
Specialty Products	59.6	9.9	58.6	11.0	+0.9	(1.0)
Cement	92.3	3.2	87.3	4.5	+5.0	(1.3)
Life & Amenity	54.3	3.2	51.5	3.7	+2.8	(0.4)
Others	62.3	4.3	54.5	6.2	+7.8	(1.8)
Total	367.1	37.5	345.6	41.6	+21.4	(4.1)
Inter-segment eliminations and corporate-wide expenses	(42.5)	(2.3)	(37.6)	(0.4)	(4.8)	(1.8)
Consolidated results	324.6	35.2	308.0	41.2	+16.5	(6.0)

○ In the Chemicals segment, both sales and operating profit increased due to the revision of selling prices.

- In the Specialty Products segment, although sales volumes in the Specialty Products segment remained steady, production costs increased due to rising raw material and fuel prices, resulting in lower earnings on higher sales.
- In the Cement segment, there were lower earnings on higher sales due to rising raw material prices.
- In the Life & Amenity segment, although shipments of photochromic dye materials for use in eyeglass lenses were robust, earnings from ion exchange membranes decreased year on year, due to large-scale projects recorded in the corresponding period of the previous fiscal year. Consequently, the segment reported lower earnings on higher sales.

4. Net sales and operating profit by business segment (forecasts)

(1) Net sales and operating profit by business segment (full year comparison)

(Unit: Billions of yen)

	FY2019 Forecast		FY2018 Results		Changes	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	103.0	18.5	98.3	16.8	+4.6	+1.6
Specialty Products	67.0	11.0	59.6	9.9	+7.3	+1.0
Cement	94.0	3.5	92.3	3.2	+1.6	+0.2
Life & Amenity	58.0	4.0	54.3	3.2	+3.6	+0.7
Others	64.0	4.5	62.3	4.3	+1.6	+0.1
Total	386.0	41.5	367.1	37.5	+18.8	+3.9
Inter-segment eliminations and corporate-wide expenses	(43.0)	(2.5)	(42.5)	(2.3)	(0.4)	(0.1)
Consolidated results	343.0	39.0	324.6	35.2	+18.3	+3.7

(2) Assumptions of performance forecasts for fiscal 2018

	Fiscal 2019	**Fiscal 2018**
Domestic Naphtha Price (¥/kl)	**44,000**	**49,500**
Exchange Rate (¥/$)	**110**	**111**

The Tokuyama Group is forecasting increases in sales and operating income due to factors that include increases in the sales volumes of its major products.

- In the Chemicals segment, the Group has taken into account an increase in the sales volumes of its major products.
- In the Specialty Products segment, the Group has taken into account an increase in the sales volumes of semiconductor-related materials.
- In the Cement segment, the Group has taken into account the revision of selling prices as well as an increase in sales volume.
- In the Life & Amenity segment, the Group has taken into account an increase in sales in overseas markets.

Summary of Consolidated Financial Statements for Fiscal 2018 (JP GAAP)
(The Fiscal Year ended March 31, 2019)

April 26, 2019

Tokuyama Corporation Stock exchange listings: Tokyo
(URL http://www.tokuyama.co.jp/) Code number: 4043
Representative: Hiroshi Yokota
President and Representative Director
Contact: Taro Kobayashi
General Manager, Corporate Communications & Investor Relations Dept.
+81-3-5207-2552

Scheduled date for the Ordinary General Meeting of Shareholders: June 21, 2019
Scheduled date of year-end dividends payout: June 24, 2019
Scheduled date for the filing of the consolidated financial statements: June 24, 2019
Preparation of supplementary explanatory materials: Yes
Business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2018	324,661	5.4	35,262	(14.6)	33,400	(7.7)	34,279	74.0
Fiscal 2017	308,061	3.0	41,268	7.1	36,196	6.5	19,698	(62.2)

(Note) Comprehensive income: FY18: 31,321 million yen [14.2%] FY17: 27,436 million yen [(49.7)%]

	Basic earnings per share	Diluted net income per share	Net income to shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2018	493.26	—	24.6	9.0	10.9
Fiscal 2017	259.81	—	15.6	9.2	13.4

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY18: 921 million yen FY17: 957 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, 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) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2019	379,630	163,525	40.2	2,199.83
Mar 31, 2018	361,949	136,591	34.7	1,806.56

(Reference) Shareholders' equity: FY18: 152,781 million yen FY17: 125,656 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, 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.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2018	38,531	(16,174)	(21,104)	67,991
Fiscal 2017	61,885	(12,665)	(101,209)	66,807

2. Dividends

(Period)	Annual dividens 1st quarter	2nd quarter	3rd quarter	Year-end	Total	Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2017	–	2.00	–	20.00	–	2,086	11.5	1.8
Fiscal 2018	–	25.00	–	25.00	50.00	3,477	10.1	2.5
Fiscal 2019 (Forecast)	–	35.00	–	35.00	70.00		15.9	

(Note)

* 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 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

* Cautions pertaining to the appropriate use of performance forecasts and other particular items

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 etc. because of various factors that may arise from now on.

*Notes

(1) Changes of significant subsidiaries in the scope of consolidation during this period : No

Addition to the scope of consolidation: -
Reduction from the scope of consolidation: -

(2) 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

(3) Number of shares issued (in common stock)

i.	Number of shares issued at end of period (including treasury stock):	FY18:	69,934,375	FY17:	69,934,375
ii.	Number of treasury stock at end of period:	FY18:	482,765	FY17:	378,378
iii.	Average number of shares over period:	FY18:	69,495,230	FY17:	69,560,391

* 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.

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Net profit	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2018	195,233	3.6	27,614	(17.2)	25,009	(15.6)	28,955	(1.0)
Fiscal 2017	188,501	8.9	33,359	3.5	29,628	(0.4)	29,262	(8.3)

	Net profit per share	Diluted net profit per share
	(yen)	(yen)
Fiscal 2018	416.66	—
Fiscal 2017	397.30	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2019	290,701	111,884	38.5	1,610.98
Mar 31, 2018	281,360	89,184	31.7	1,282.20

(Reference) Shareholders' equity: FY18: 111,884 million yen FY17: 89,184 million yen

(Note) Notice on the implementation of audit procedures

This Summary of Consolidated Financial Statements is not subject to audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act. At the point of disclosure of this Summary of Consolidated Financial Statements, audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act are underway.

Contents for Accompanying Materials

1. Management Policy

(1) Basic Management Policy

Tokuyama has put in place a renewed Group vision in a bid to further clarify its role and significance. As a key component of this vision, the Tokuyama Group is determined to help realize a prosperous society by creating value that enhances people's lives centered on the field of chemistry. Drawing on the chemical technologies that it has nurtured over many years, the Group will contribute to the well-being, growth, and development of society by continuously creating and proposing new value.

(2) Medium- to Long-Term Management Strategies and Performance Targets

Under the Medium-Term Management Plan formulated in May 2016, we have identified the following two medium- to long-term management strategies, which we intend to carry out over the next decade through to the fiscal year ending March 31, 2026.

1. Transition toward a robust business structure that is resilient against changes in the Company's operating environment and is capable of sustainable growth

The Tokuyama Group has set the goal of becoming a global leader in advanced materials through unique technologies across growth businesses including the Specialty Products as well as Life & Amenity segment together with the development of new products. In such traditional businesses as the Cement and Chemicals segments, the Group will work to become a leader in Japan through strengthening competitiveness.

2. Transition to a Group-wide low-cost structure by undertaking a comprehensive review of existing work practices

The Tokuyama Group will reduce costs by adopting a cross-departmental approach that differs from conventional methods and undertaking strategic capital expenditures as a part of efforts to cut back principal costs including raw material, fuel, repairs and maintenance, and logistics costs.

In addition, Tokuyama has identified specific numerical targets as a measure of its success in carrying out these strategies. The goals are to achieve an ROA (operating profit/total assets), cash conversion cycle, and debt-to-equity ratio of at least 10%, not more than 55 days, and not more than 1.0, respectively, as of the end of fiscal 2020, the fiscal year ending March 31, 2021.

(3) Pending Issues

As the current fiscal year is the middle year of the Medium-Term Management Plan, we have taken stock of the Plan based on the progress made and the management environment. With a view to realizing its fiscal 2025 aspirations of becoming "a global leader in growth businesses" and "a leader in Japan in traditional businesses," the Company will formulate clear management strategies while accelerating efforts to prioritize issues to change to a corporate structure capable of regrowth.

Contributing to sustainable development goals (SDGs) is also essential to enable the Group to aim for sustainable growth over the long term. Accurately identifying the environmental and social issues, the Company would like to aim to realize both improvements in the corporate value of the entire Group and a sustainable society.

1. Change the Group's organizational culture and structure

Based on the recognition that changing the organizational climate is of the utmost importance in achieving the Medium-Term Management Plan, the Company is reforming its personnel systems while focusing on human resource development. Following on from the revision of the personnel evaluation system for managers and employees over the age of 60, we will revise the general personnel systems for union members and aim for the introduction of the new system in fiscal 2020. The Company expects that the training of human resources and in-house revitalization will be brought about by the appointment of talented employees at an early stage.

By holding roundtable discussions between the president and some employees and through direct dialog with top management, the Company will instill its management philosophy while promoting changes in its organizational culture and structure.

2. Rebuild the Group's business strategies

To strengthen its presence in ICT-related fields, which are its growth businesses, the Company decided to increase production plant for photoresist developer and high-purity aluminum nitride powder. By further expanding the supply system, the Company will aim for more stable supply and promote the development of a wide range of applications.

The Company also established a research laboratory in Taiwan as a new overseas base to expand and improve the competitiveness of its semiconductor-related products business. As a result of miniaturized and highly integrate semiconductors, this laboratory will operate as an information gathering and marketing base for new product creation in order to respond to the demand for high purification of chemical and materials received from semiconductor manufacturers. this laboratory will also play a role as a development base that will conduct joint development with semiconductor manufacturers and research institutes.

The Company recognizes that creating new businesses based on its technological prowess will remain an important issue in the years to come. For that reason, the Company will not only utilize internal resources but also, for example, move ahead with business expansion through open innovation and M&A, while pursuing a variety of possibilities.

3. Strengthen Group management

Having acquired all its shares, the Company made Tokuyama Kairiku Unso K.K. , which handles general logistics, a wholly owned subsidiary. Through this move, the company will cooperate with an existing Group company, Tokuyama Logistics Co., Ltd., to expand the logistics network, and it is expected that the stable supply of products to customers across the Group will be realized.

4. Improve the Company's financial position

Having made progress in reducing its interest-bearing debt, the Company achieved a D/E ratio of 1.0 times or less, one of the goals of the Medium-Term Management Plan, two years ahead of schedule. Subordinated loan refinancing was conducted with the objective of enhancing the flexibility of the Company's financial strategy by further diversifying refinancing methods and reducing financial expenses.

To achieve its financial targets, the Company will promote management efficiency and the reduction of its interest-bearing debt, while continue its efforts to build a sound financial position.

5. Initiatives toward SDGs

To realize a sustainable society, we extracted the social issues relevant to the Tokuyama Group and identified them as materiality (important issues to be addressed). Addressing these important issues is linked to the Company's mission of "Centered on the field of chemistry, the Tokuyama Group will continueto create value that enhances people's lives."

Based on this mission, the Company will contribute to the improvement of society and the Group's value and to sustainable development by resolving materiality.

2. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

<1> Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

In fiscal 2018 (April 1, 2018 to March 31, 2019), the Japanese economy initially recorded high growth, mainly due to increases in personal consumption and capital investment. From summer onwards, however, consumption decreased against a backdrop of delays in production and logistics due to the effects of a series of natural disasters and a decrease in customers. In addition, IT-related exports stagnated due to the sense of a lull in demand for smartphones and data centers, which had previously been expected to remain robust, and the onset of bearish stock market conditions due to the recovery in the Chinese economy being seen as having stalled.

Under these circumstances, the Tokuyama Group continued to implement the priority measures identified in its Medium-Term Management Plan.

As a result, sales increased due to efforts to increase sales volumes and revise sales prices, but operating profit decreased due to increases in raw material and fuel costs brought about by rising prices for coal and domestic naphtha.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parerent
Fiscal 2018	**324,661**	**35,262**	**33,400**	**34,279**
Fiscal 2017	308,061	41,268	36,196	19,698
Rate of change (%)	5.4	(14.6)	(7.7)	74.0

Net sales

Consolidated net sales increased 5.4%, or ¥16,599 million compared with the previous fiscal year, to ¥324,661 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 9.1%, or ¥18,949 million compared the previous fiscal year, to ¥226,664 million. This was due mainly to an 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 6.2%, or ¥3,655 million compared with the previous fiscal year, to ¥62,733 million. This was largely attributable to the increase in logistics costs.

Operating profit

Operating profit decreased 14.6%, or ¥6,005 million compared with the previous fiscal year, to ¥35,262 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 ¥3,209 million compared with the previous fiscal year.

As a result of the above, ordinary profit decreased 7.7%, or ¥2,795 million compared with the previous fiscal year, to ¥33,400 million.

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

Extraordinary income/losses improved by ¥7,917 million compared with the previous fiscal year.

As a result of the above, profit before income taxes increased 15.6%, or ¥5,122 million compared with the previous fiscal year, to ¥38,017 million.

Profit after deducting income taxes calculated in an appropriate way increased 38.0%, or ¥9,648 million compared with the previous fiscal year, to ¥35,029 million.

Profit attributable to owners of parent increased 74.0%, or ¥14,580 million compared with the previous fiscal year, to ¥34,279million.

[2] Operating performance by business segment

(Operating results by segment)

Sales (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2018	**98,380**	**59,668**	**92,366**	**54,380**	**62,377**	**367,172**	**(42,511)**	**324,661**
Fiscal 2017	93,546	58,678	87,345	51,579	54,526	345,676	(37,615)	308,061
Rate of change (%)	5.2	1.7	5.7	5.4	14.4	6.2	-	5.4

Operating profit (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2018	**16,850**	**9,934**	**3,204**	**3,238**	**4,335**	**37,564**	**(2,301)**	**35,262**
Fiscal 2017	16,175	11,003	4,568	3,728	6,214	41,691	(422)	41,268
Rate of change (%)	4.2	(9.7)	(29.9)	(13.1)	(30.2)	(9.9)	-	(14.6)

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

Chemicals

With regard to caustic soda, the revision of selling prices was 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

Calcium chloride sales volume decreased and operating profit was down due to the effects of a warm winter.

As a result of the above, segment net sales increased 5.2% compared with the previous fiscal year, to ¥98,380 million and operating profit increased 4.2% to ¥16,850 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 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.

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

As a result of the above, segment net sales increased 1.7% compared with the previous fiscal year, to ¥59,668 million and operating profit decreased 9.7% to ¥9,934 million. The segment reported lower earnings on higher 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 previous fiscal 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 5.7% compared with the previous fiscal year, to ¥92,366 million and operating profit decreased 29.9% to ¥3,204 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 previous fiscal year.

With regard to active pharmaceutical ingredients and intermediates as well as dental materials, the sales volume of each increased, and business performance was robust.

As a result of the above, segment net sales increased 5.4% compared with the previous fiscal year, to ¥54,380 million and operating profit decreased 13.1% to ¥3,238 million. The segment reported lower earnings on higher sales.

<2> Outlook for fiscal 2019

[1] Outlook for operating forcasts for fiscal 2019

With regard to the global economy, the economic slowdown is expected to end in a short period of time, due to a shift away from the tight fiscal policies of the central banks in each country and region and China's latest consumption stimulus measures. However, the U.S.-China trade dispute and other factors are a cause for concern and thus uncertainties remain. Although partial weaknesses remain, the Japanese economy is currently expected to continue its moderate recovery as a raft of government policies takes effect amid ongoing improvements in the employment and income environments.

Under these circumstances, the Tokuyama Group will continue to transition to a robust business structure that is unaffected by changes in market conditions and movements in supply and demand, and is capable of sustainable growth. In the traditional businesses as Cement and Chemicals, we will endeavor to strengthen our competitiveness by thoroughly reducing costs and increasing efficiency. In such growth businesses as Specialty Products, Life & Amenity, and Newly Developed Products, we will make every effort to bolster our product and development prowess by enhancing functions as well as quality in a bid to nurture the necessary driving force to proper new growth.

Based on the current information, we forecast net sales of ¥343.0 billion, an increase of 5.7% (¥18.3 billion) compared with the fiscal year under review, operating profit of ¥39.0 billion, an increase of 10.6% (¥3.7 billion), ordinary profit of ¥39.0 billion, an increase of 16.8% (¥5.5 billion) and profit attributable to owners of parerent of ¥30.5 billion, down 11.0% (¥3.7 billion).

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parerent
Fiscal 2019	**343,000**	**39,000**	**39,000**	**30,500**
Fiscal 2018	324,661	35,262	33,400	34,279
Rate of change (%)	5.7	10.6	16.8	(11.0)

These forecasts are calculated based on an exchange rate of ¥110/$ and a domestic naphtha price of ¥44,000/kl.

[2] Outlook for segment forcasts for fiscal 2019

Chemicals

Against a backdrop of burgeoning demand in the Asia region, sales volumes are expected to remain robust and focus primarily on caustic soda and vinyl chloride resin. Under such circumstances, the Company will promote the strengthening of its cost competitiveness by, for example, expanding sales of its major products and reducing unit consumption and fixed costs, while working to secure stable earnings.

Specialty Products

Although temporarily stagnant due to the economic slowdown in China and other factors, the semiconductor market is expected to grow over the long term. Due to the advances being made in miniaturization in accordance with the introduction of IoT and 5G, there will also be increasing demands from customers for higher quality and stable supply. Under such circumstances, in the case of semiconductor-grade polycrystalline silicon, the Company will pursue higher quality and aim to expand earnings by increasing sales of high-value-added products differentiated from those of other companies. In high-purity chemicals for electronics manufacturing, the Company is making progress in increasing its production capacity in Japan, Taiwan and China, while establishing a supply system that meets demand in Asia. In addition to increasing its production capacity in heat-dissipating materials, the Company is focusing on development to expand its product lineup.

Cement

Domestic private sector demand remained buoyant due to redevelopment construction work in the Tokyo area and other factors, and a certain amount of increase is expected in public works demand due to the promotion of the National Resilience project . Thus, a slight increase in overall demand is forecast. Under these circumstances, every effort will be made to secure earnings by transferring the increase in raw material costs to selling prices, expanding the volumes of exports and waste accepted, and thoroughly reducing manufacturing costs.

Life & Amenity

The Tokuyama Group believes that the market in Japan will continue along a modest recovery trajectory. In contrast, the Group holds concerns over the economic conditions of overseas markets on a forseenable future. This is especially true for China as well as emerging countries where there are fears of a slowdown in the rates of economic growth. Under such circumstances, the Company will focus on new product development and sales activities in response to customer needs for healthcare-related products and changes in the market.

Others

The “Others” segment includes businesses which are responsible for the Group’s sales, logistics, utilities and other functions. The segment will work to increase Group-wide earnings by continuing to reduce costs.

(2) Analysis of Financial Position

<1> Analysis of assets, liabilities and net assets

Summery of Consolidated Balance Sheets (Unit: Millions of yen)

	Mar 31, 2018	Mar 31, 2019	Ammount of change	Rate of change (%)
Assets	361,949	379,630	17,680	4.9
Liabilities	225,357	216,104	(9,252)	(4.1)
(Interest-bearing debt)	139,917	128,966	(10,951)	(7.8)
Net assets	136,591	163,525	26,933	19.7
(Shareholders' equity)	125,656	152,781	27,124	21.6

Financial indicators

	Mar 31, 2018	Mar 31, 2019	Ammount of change
D/E ratio	1.11	0.84	(0.27)
Net D/E ratio	0.58	0.40	(0.18)
Shareholders' equity ratio (%)	34.7	40.2	5.5 points
Shareholders' equity ratio based on market price (%)	65.1	47.8	(17.3) points

(Note)

*D/E ratio : interest-bearing debt / shareholders' equity
Net D/E ratio : (interest-bearing debt - Cash and cash equivalents) / shareholders' equity
Shareholders' equity ratio (%) : interest-bearing debt / total assets
Shareholders' equity ratio based on market price (%) : market capitalization / total assets

(Assets)

Property, plant and equipment increased ¥5,862 million due to the inclusion of a new subsidiary in the Company's scope of consolidation, current assets, other increased ¥5,744 million due to the claim for damages regarding the construction of a plant of Tokuyama Malaysia Sdn. Bhd., and deferred tax assets increased ¥2,791 million due to adoption of the Consolidated taxation system.

As a result, total assets amounted to ¥379,630 million, an increase of ¥17,680 million compared with those as of March 31, 2018.

(Liabilities)

Short-term loans payable increased ¥1,812 million due to the inclusion of a new subsidiary in the Company's scope of consolidation, while long-term loans payable and the current portion of long-term loans payable decreased ¥13,127 million due to scheduled repayments .

As a result, total liabilities amounted to ¥216,104 million, down ¥9,252 million compared with those as of March 31, 2018.

(Net assets)

Despite the decrease of valuation difference on available-for-sale securities of ¥2,918 million, this mainly reflected an increase in retained earnings of ¥31,149 million as a result of posting profit attributable to owners of parent.

As a result, net assets totaled ¥163,525 million, an increase of ¥26,933 million compared with those as of March 31, 2018.

(Financial indicators)

Under its Medium-Term Management Plan, the Company includes a D/E ratio of 1.0 or less as a management numerical target for fiscal 2020. With regard to the consolidated fiscal year under review, the D/E ratio improved 0.27 compared with the previous fiscal year to 0.84 times, due to a ¥10,951 million decrease in interest-bearing debt and a ¥27,124 increase in shareholders' equity.

The Company has achieved the management numerical target cited in its Medium-Term Management Plan, but will work to improve the D/E ratio on an ongoing basis from the current fiscal year onward.

<2> Analysis of cash flows

Summery of Consolidated Statements of Cash Flows (Unit: Millions of yen)

	Fiscal 2017	Fiscal 2018
Cash flows from operating activities	61,885	38,531
Cash flows from investing activities	(12,665)	(16,174)
Cash flows from financing activities	(101,209)	(21,104)
Effect of exchange rate changes on cash and cash equivalents	(23)	(49)
Net increase (decrease) in cash and cash equivalents	(52,012)	1,202
Cash and cash equivalents at end of year	66,807	67,991

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥38,531 million, down ¥23,353 million compared with the previous fiscal year. Principal items included profit before income tax of ¥38,017 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥16,174 million, an increase of ¥3,509 million compared with the previous fiscal year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥16,765 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥21,104 million, a decrease of ¥80,104 million compared with the previous fiscal year.

This was primarily attributed to inflow due to long-term loans from the procurement of funds through a new subordinated loan and the early repayment of an existing subordinated loan of ¥59,713 million, and outflow due to repayments of long-term loans of ¥76,512 million.

<3> Procurement of Funds and Liquidity

(Procurement of Funds)

The Tokuyama Group has identified efforts to improve its financial structure as one component of the financial policy outlined under its Medium-Term Management Plan. Against this backdrop, the Group is working to build up its shareholders' equity while reducing its interest-bearing debt. Turning to other policy targets, the Group is endeavoring to acquire a "single A" rating from relevant agencies by the end of the Medium-Term Management Plan. Under this policy, the Group worked to steadily improve its financial position, as evidenced by having achieved a D/E ratio of 1.0 or less, which is cited as a management numerical target, in the consolidated fiscal year under review.

Meanwhile, the Tokuyama Group recognizes the need to retain a certain level of funds in order to secure the working capital required to finance its business activities, expand its growth businesses, undertake capital expenditures geared toward strengthening the competitiveness of traditional business, and promote strategic investments. While the principal method of procuring these funds is to accumulate cash on hand through the continuous posting of business earnings, the Group will also pursue other avenues. This includes borrowing from financial institutions and issuing unsecured bonds. In addition, energies are being directed toward building a financial structure that is capable of engaging in business activities with less working capital. To this end, the Group is working to improve its cash conversion cycle (CCC), reduce inventories, and improve trading terms and conditions with business partners, issues raised under the Medium-Term Management Plan. Furthermore, the Tokuyama Group's intended investment amount for the next fiscal year is ¥28.6 billion. Plans are in place to utilize cash on hand and borrowings from financial institutions.

(Liquidity)

Cash and cash equivalents stood at ¥67,991 million as of the end of the fiscal year under review. On this basis, the Tokuyama Group is confident that it maintains more than ample liquidity to promote its business activities. In addition, Tokuyama has executed revolving credit facility, overdraft, and credit liquidation agreements with a financial institution. Accounting for these factors, the Company is more than capable of maintain a certain level of liquidity should any impediment arise.

(3) Progress under the Medium-Term Management Plan

Compared with the previous fiscal year ROA deteriorated by 0.99 of a percentage point to 9.5% due to the decrease in operating profit brought about by increased manufacturing costs, including the prices of raw materials, the inclusion of a subsidiary in the Company's scope of consolidation, the recording of a claim for damages under current assets, other, and increased total assets due to an increase in deferred tax assets. Despite an increase in inventories, cash conversion cycle (CCC) improved by two days compared with the previous fiscal year to 60 days, due to changes in the transaction conditions of partially purchased items. The D/E ratio was 0.84 times, an improvement of 0.27 compared with the previous fiscal year, due to the accumulation of profit, the reduction of interest-bearing debt and other factors, and thus the Company was able to achieve the Medium-Term Management Plan target value of 1.0 times or less ahead of time.

(4) Basic Policy for Profit Distribution and Dividends for Fiscal 2018 and 2019

As far as the distribution of profits is concerned, Tokuyama's basic policy is the ensure the continuous and stable payment of dividends to its shareholders. In carrying out this policy, the Company takes into consideration performance trends and the roadmap established under its Medium-Term Management Plan. Meanwhile, the Company will apply internal reserves to investment and lending as well as capital expenditures with the aim of further enhancing its corporate value.

In fiscal 2018, the Company expects to pay out a year-end dividend of ¥25 per share in line with the basic policy mentioned above.

Turning to dividends for fiscal 2019, the Company intends to undertake the payment of an interim and year-end dividend of ¥35 per share respectively.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	3/31/2018	3/31/2019
Assets		
Current assets		
Cash and deposits	57,229	68,613
Notes and accounts receivable - trade	79,660	80,358
Lease receivables	28	30
Securities	10,000	—
Merchandise and finished goods	14,028	16,458
Work in process	10,075	9,554
Raw materials and supplies	15,327	17,462
Other	4,809	10,554
Allowance for doubtful accounts	△127	△94
Total current assets	191,031	202,936
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,761	106,214
Accumulated depreciation	△73,455	△76,233
Buildings and structures, net	29,305	29,981
Machinery, equipment and vehicles	446,278	459,535
Accumulated depreciation	△404,441	△414,813
Machinery, equipment and vehicles, net	41,836	44,721
Tools, furniture and fixtures	21,887	22,106
Accumulated depreciation	△19,748	△19,905
Tools, furniture and fixtures, net	2,138	2,201
Land	30,995	32,296
Leased assets	3,760	4,548
Accumulated depreciation	△1,753	△2,237
Leased assets, net	2,007	2,311
Construction in progress	3,959	4,592
Total property, plant and equipment	110,242	116,104
Intangible assets		
Goodwill	1,158	208
Leased assets	51	71
Other	1,556	1,693
Total intangible assets	2,766	1,973
Investments and other assets		
Investment securities	24,302	21,718
Long-term loans receivable	2,627	2,444
Deferred tax assets	18,300	21,091
Retirement benefit asset	9,657	9,796
Other	3,162	3,621
Allowance for doubtful accounts	△141	△57
Total investments and other assets	57,908	58,614
Total non-current assets	170,917	176,693
Total assets	361,949	379,630
Total assets	424,433	361,949

(Millions of yen)

	3/31/2018	3/31/2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	47,610	47,268
Short-term loans payable	2,549	4,361
Current portion of long-term loans payable	15,684	12,667
Lease obligations	641	758
Income taxes payable	3,688	3,816
Provision for bonuses	2,557	2,664
Provision for repairs	4,332	3,569
Provision for product warranties	98	137
Provision for loss on compensation for damage	—	91
Provision for restructuring	—	233
Other	15,870	17,680
Total current liabilities	93,032	93,248
Non-current liabilities		
Long-term loans payable	119,521	109,411
Lease obligations	1,521	1,767
Deferred tax liabilities	298	220
Provision for retirement benefits for directors (and other officers)	143	224
Provision for share benefits	—	48
Provision for repairs	1,594	1,546
Allowance for loss on compensation for building materials	261	260
Provision for environmental measures	253	222
Retirement benefit liability	1,527	2,149
Asset retirement obligations	5	6
Other	7,197	6,999
Total non-current liabilities	132,325	122,856
Total liabilities	225,357	216,104
Net assets		
Shareholders' equity		
Capital stock	10,000	10,000
Capital surplus	20,008	20,018
Retained earnings	90,752	121,901
Treasury shares	△1,472	△1,823
Total shareholders' equity	119,288	150,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,352	△1,566
Deferred gains or losses on hedges	△151	△61
Foreign currency translation adjustment	2,093	1,672
Remeasurements of defined benefit plans	3,074	2,640
Total accumulated other comprehensive income	6,368	2,685
Non-controlling interests	10,935	10,743
Total net assets	136,591	163,525
Total liabilities and net assets	361,949	379,630

(2) Consolidated Statements of Income

(Millions of yen)

	FY2017	FY2018
Net sales	308,061	324,661
Cost of sales	207,715	226,664
Gross profit	100,346	97,996
Selling, general and administrative expenses		
Selling expenses	39,268	41,524
General and administrative expenses	19,809	21,208
Total selling, general and administrative expenses	59,077	62,733
Operating profit	41,268	35,262
Non-operating income		
Interest income	210	123
Dividend income	272	390
Share of profit of entities accounted for using equity method	957	921
Fiduciary obligation fee	878	716
Trial products income	540	666
Rent income on non-current assets	450	649
Other	1,335	1,333
Total non-operating income	4,645	4,802
Non-operating expenses		
Interest expenses	3,714	2,453
Cost of loans payable	-	884
Loss on bond retirement	1,604	-
Fiduciary obligation expenses	856	685
Other	3,541	2,640
Total non-operating expenses	9,717	6,664
Ordinary profit	36,196	33,400
Extraordinary income		
Gain on sales of non-current assets	528	47
Gain on bargain purchase	-	964
Gain on sales of investment securities	6	1
Compensation for damage income	-	6,006
Compensation income for damage	7,705	-
Subsidy income	144	133
Gain on insurance adjustment	145	169
Other	—	27
Total extraordinary income	8,529	7,351
Extraordinary losses		
Loss on sales of non-current assets	5	10
Impairment loss	1,098	363
Loss on disaster	4	30
Loss on reduction of non-current assets	110	100
Loss on disposal of non-current assets	715	807
Loss on sales of investment securities	6	-
Compensation for damage	-	851
Loss on sale of businesses	8,059	-
Loss on contract cancellation	1,431	-
Other	398	569
Total extraordinary losses	11,830	2,733
Profit before income taxes	32,895	38,017
Income taxes - current	4,777	5,074
Income taxes - deferred	2,736	△2,085
Total income taxes	7,514	2,988
Profit	25,381	35,029
Profit attributable to non-controlling interests	5,682	750
Profit attributable to owners of parent	19,698	34,279

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2017	FY2018
Profit	25,381	35,029
Other comprehensive income		
Valuation difference on available-for-sale securities	1,039	△2,919
Deferred gains or losses on hedges	178	90
Foreign currency translation adjustment	425	△304
Remeasurements of defined benefit plans, net of tax	241	△434
Share of other comprehensive income of entities accounted for using equity	170	△139
Total other comprehensive income	2,055	△3,707
Comprehensive income	27,436	31,321
Comprehensive income attributable to		
Owners of the Parent	21,660	30,596
Non-controlling interests	5,775	725

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2017	FY2018
Cash flows from operating activities		
Profit before income taxes	32,895	38,017
Depreciation	13,985	15,093
Increase (decrease) in provision	1,433	△693
Increase (decrease) in retirement benefit liability	95	58
Decrease (increase) in retirement benefit asset	△485	△761
Interest and dividend income	△483	△514
Foreign exchange losses (gains)	△56	8
Loss (gain) on sales of property, plant and equipment	△522	△36
Loss (gain) on sales of investment securities	△0	△1
Share of loss (profit) of entities accounted for using equity method	△957	△921
Gain on bargain purchase	—	△964
Subsidy income	△144	△133
Interest expenses	3,714	2,453
Cost of loans payable	—	884
Loss on reduction of non-current assets	110	100
Impairment loss	1,098	363
Loss (gain) on disposal of non-current assets	715	807
Gain on insurance claim	△145	△169
Loss on transfer of business	8,059	—
Compensation for damage income	—	△6,006
compensation income for damage	△7,705	—
Compensation for damage	—	851
Loss on contract cancellation	1,431	—
Loss on redemption of bonds	1,604	—
Decrease (increase) in notes and accounts receivable - trade	△5,857	928
Decrease (increase) in inventories	△6,463	△4,071
Decrease (increase) in other current assets	△414	335
Increase (decrease) in notes and accounts payable - trade	11,344	△1,090
Increase (decrease) in other current liabilities	1,673	△403
Other, net	972	943
Subtotal	55,899	45,077
Interest and dividend income received	805	938
Interest expenses paid	△3,775	△2,529
Proceeds from insurance income	145	169
Proceeds from conpensation income	7,705	—
Payments for contract cancellation	△959	—
Income taxes (paid) refund	2,064	△5,123
Net cash provided by (used in) operating activities	61,885	38,531
Income taxes (paid) refund	△18,065	2,064
Net cash provided by (used in) operating activities	20,012	61,885

(Millions of yen)

	FY2017	FY2018
Cash flows from investing activities		
Payments into time deposits	△288	△269
Proceeds from withdrawal of time deposits	161	498
Purchase of property, plant and equipment	△15,526	△16,765
Proceeds from sales of property, plant and equipment	1,618	219
Purchase of investment securities	△3,359	△22
Proceeds from sales of investment securities	76	3
Proceeds from purchase of shares of subsidiaries resulting in change in	―	583
Proceeds from sales of shares of subsidiaries resulting in change in scope	5,362	―
Payments of long-term loans receivable	△7	△3
Collection of long-term loans receivable	234	214
Proceeds from subsidy income	144	133
Other, net	△1,081	△765
Net cash provided by (used in) investing activities	△12,665	△16,174
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2	247
Proceeds from long-term loans payable	10,120	59,713
Repayments of long-term loans payable	△50,384	△76,512
Redemption of bonds	△36,014	―
Proceeds from issuance of common shares	78	―
Cash dividends paid	△1,454	△3,122
Dividends paid to non-controlling interests	△406	△357
Decrease (increase) in treasury shares	△21,650	△308
Other, net	△1,500	△764
Net cash provided by (used in) financing activities	△101,209	△21,104
Effect of exchange rate change on cash and cash equivalents	△23	△49
Net increase (decrease) in cash and cash equivalents	△52,012	1,202
Cash and cash equivalents at beginning of period	118,819	66,807
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	―	△18

(5) Segment information

1. Summary of reportable segments

The reportable segments of the Tokuyama Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.

The Company has business divisions by product group, and the Tokuyama Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.

The Tokuyama Group is, therefore, composed of segments by product group based on business divisions, and has four reportable segments, "Chemicals," "Specialty Products," "Cement," and "Life & Amenity."

Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium silicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, isopropyl alcohol and chlorinated solvents
Specialty Products	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity chemicals for electronics manufacturing, and photoresist developer
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resourece recycling business
Life & Amenity	Polyolefin film, plastic window sashes, medical diagnosis systems, dental materials and equipment, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

2. Information on sales, income, assets and other items by reportable segment

Fiscal 2017 (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	92,512	47,640	87,058	49,586	31,263	308,061	-	308,061
Inter-segment sales/transfer	1,034	11,038	286	1,993	23,262	37,615	(37,615)	-
Total	93,546	58,678	87,345	51,579	54,526	345,676	(37,615)	308,061
Segment profit	16,175	11,003	4,568	3,728	6,214	41,691	(422)	41,268
Segment assets	53,981	52,471	53,835	57,577	46,862	264,728	97,221	361,949
Other items								
Depreciation expenses*4	2,244	2,445	3,195	2,086	3,159	13,131	854	13,985
Increase in tangible and intangible fixed assets*5	2,753	3,386	3,059	4,857	1,813	15,871	424	16,295

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥124,248 million).

*3 With regard to segment profit, operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's profit.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

Fiscal 2018 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	97,471	47,193	91,491	52,338	36,165	324,661	-	324,661
Inter-segment sales/transfer	908	12,474	874	2,041	26,211	42,511	(42,511)	-
Total	98,380	59,668	92,366	54,380	62,377	367,172	(42,511)	324,661
Segment profit	16,850	9,934	3,204	3,238	4,335	37,564	(2,301)	35,262
Segment assets	53,995	62,916	55,427	58,352	52,180	282,872	96,757	379,630
Other items								
Depreciation expenses*4	2,582	2,533	3,359	2,370	3,470	14,315	777	15,093
Increase in tangible and intangible fixed assets*5	3,375	5,404	3,507	2,053	2,757	17,098	1,970	19,069

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥123,133 million).

*3 With regard to segment profit, operating profit in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' profit and the "Others" segment's profit.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.