April 30, 2015

Summary of Fiscal 2014

(The Fiscal Year ended March 31, 2015)

Tokuyama Corporation

1. Consolidation

Classification	Fiscal 2014	Fiscal 2013	Changes
The number of consolidated subsidiaries	54	53	+1
The number of subsidiaries and affiliates by the equity method	10	9	+1

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

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

	Fiscal 2014	Fiscal 2013	Changes
Net sales	302.0	287.3	+14.7
Operating income	19.5	20.2	-0.7
Ordinary income	12.9	14.9	-2.0
Net income/loss	-65.3	10.2	-75.5
Net income/loss per share (Unit: yen)	-187.85	29.37	-217.22
Capital expenditures	25.3	61.0	-35.7
Depreciation and amortization	18.8	16.7	+2.1
R&D expenses	10.1	8.7	+1.4
Financial income and expenses	-4.0	-2.1	-1.8

	As of March 31, 2015	As of March 31, 2014	Changes
Interest-bearing debt	283.1	240.7	+42.4
Number of employees	5,852	5,756	+96

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

(Unit: Billions of yen)

	FY2014		FY2013		Changes	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	91.9	5.0	86.4	2.2	+5.4	+2.8
Specialty Products	55.4	4.1	52.4	6.0	+2.9	-1.9
Cement	81.2	4.4	78.9	6.6	+2.2	-2.2
Life & Amenity	58.4	5.1	57.0	4.8	+1.3	+0.2
Others	51.4	6.0	47.2	4.1	+4.1	+1.8
Total	338.5	24.8	322.2	24.0	+16.2	+0.7
Inter-segment eliminations and corporate-wide expenses	-36.4	-5.2	-34.9	-3.7	-1.5	-1.5
Consolidated results	302.0	19.5	287.3	20.2	+14.7	-0.7

○ In the Chemicals segment, sales and operating income increased during the fiscal year under review. This was largely attributable to successful efforts to revise selling prices, a decrease in raw material and fuel prices and contributions from the commencement of operations at TOKUYAMA & CENTRAL SODA Inc.

- In the Specialty Products segment, sales increased in the fiscal year ended March 31, 2015. Operating income, on the other hand, declined year on year. This mainly reflected the upswing in sales volumes of semiconductor-related products and higher depreciation expenses in line with the commencement of operations at Tokuyama Malaysia Sdn. Bhd.
- In the Cement segment, the Tokuyama Group reported lower operating income on higher sales. While operations were launched at a newly added consolidated subsidiary, sales volumes in Japan declined. The drop in operating income was also due to such factors as the increase in distribution costs on the back of the construction of new cement tankers.
- I n the Life & Amenity segment, both sales and operating income increased owing primarily to the upswing in sales volumes of such products as active pharmaceutical ingredients, plastic lens-related materials, and gas sensors.

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

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

(Unit: Billions of yen)

	FY2015 Forecast		FY2014 Results		Changes	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	87.0	6.0	91.9	5.0	-4.9	+0.9
Specialty Products	66.0	1.0	55.4	4.1	+10.5	-3.1
Cement	86.0	7.0	81.2	4.4	+4.7	+2.5
Life & Amenity	58.0	5.5	58.4	5.1	-0.4	+0.3
Others	56.0	4.0	51.4	6.0	+4.5	-2.0
Total	353.0	23.5	338.5	24.8	+14.4	-1.3
Inter-segment eliminations and corporate-wide expenses	-41.0	-2.5	-36.4	-5.2	-4.5	+2.7
Consolidated results	312.0	21.0	302.0	19.5	+9.9	+1.4

(2) Assumptions of performance forecasts for fiscal 2015

	Fiscal 2015	**Oct 2014-Mar 2015**	**Apr-Sep 2014**
Domestic Naphtha Price (¥/kl)	**46,000**	**56,500**	**70,400**
Exchange Rate (¥/$)	**115**	**117**	**103**

Despite an increase in sales volumes as well as an upswing in depreciation expenses at Tokuyama Malaysia Sdn. Bhd. and other factors, the Tokuyama Group is projecting higher sales and operating income on the back of efforts aimed at steadfastly carrying out its Profit Improvement Plan and further reductions in expenses.

- In the Chemicals segment, we have factored in a drop in domestic naphtha prices as well as a softening in the selling prices of caustic soda and vinyl chloride resin.
- In the Specialty Products segment, an increase in sales volumes as well as an upswing in depreciation expenses at Tokuyama Malaysia Sdn. Bhd. has been taken into account.
- In the Cement segment, the Tokuyama Group has factored in a recovery in domestic sales volumes.
- In the Life & Amenity segment, we have taken into account an increase in sales in overseas markets.

Summary of Consolidated Financial Statements for Fiscal 2014 (JP GAAP)
(The Fiscal Year ended March 31, 2015)

April 30, 2015

Tokuyama Corporation Stock exchange listings: Tokyo
(URL http://www.tokuyama.co.jp/) Code number: 4043
Representative: Kazuhisa Kogo
Chairman and Representative Director
Contact: Taro Kobayashi
General Manager, Corporate Communications & Investor Relations Dept.
+81-3-6205-4832

Scheduled date for the Ordinary General Meeting of Shareholders: June 24, 2015
Scheduled date of year-end dividends payout: -
Scheduled date for the filing of the consolidated financial statements: June 25, 2015
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, 2015 (April 1, 2014 – March 31, 2015)

(1) Performance

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

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2014	302,085	5.1	19,530	(3.7)	12,920	(13.7)	(65,349)	—
Fiscal 2013	287,330	11.1	20,270	199.3	14,965	363.0	10,218	—

(Note) Comprehensive income: FY14: (64,536) million yen [—%] FY13: 13,754 million yen [—%]

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2014	(187.85)	—	(33.3)	2.3	6.5
Fiscal 2013	29.37	—	4.6	2.7	7.1

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY14: 684 million yen FY13: 519 million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2015	554,527	169,445	29.3	467.36
Mar 31, 2014	576,315	236,453	39.9	660.18

(Reference) Shareholders' equity: FY14: 162,577 million yen FY13: 229,667 million yen

(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 2014	30,772	(25,519)	40,502	116,122
Fiscal 2013	34,105	(64,402)	45,939	69,973

2. Dividends

(Period)	Annual dividens					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2013	–	3.00	--	3.00	6.00	2,087	20.4	0.9
Fiscal 2014	–	0.00	--	0.00	0.00	--	--	--
Fiscal 2015 (Forecast)	–	0.00	--	0.00	0.00		—	

3. Consolidated performance forecast for fiscal 2015 (April 1, 2015 – March 31, 2016)

(% indicates the rate of change over the corresponding previous periods respectively)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
First Half Fiscal 2015	151,000	4.9	8,500	(19.7)	6,000	(27.6)	3,000	―	8.62
Fiscal 2015	312,000	3.3	21,000	7.5	14,000	8.4	8,000	―	23.00

<u>* Cautions pertaining to the appropriate use of performance forecasts and other particular items</u>

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: Yes

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):	FY14:	349,671,876	FY13:	349,671,876
ii.	Number of treasury stock at end of period:	FY14:	1,805,814	FY13:	1,782,644
iii.	Average number of shares over period:	FY14:	347,876,356	FY13:	347,909,049

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(1) Performance

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

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2014	184,043	3.5	19,247	18.0	18,665	81.1	(62,950)	―
Fiscal 2013	177,863	8.3	16,316	235.8	10,309	―	10,461	―

	Net income per share	Diluted net income per share
	(yen)	(yen)
Fiscal 2014	(180.96)	―
Fiscal 2013	30.07	―

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2015	462,042	133,993	29.0	385.19
Mar 31, 2014	490,778	202,865	41.3	583.13

(Reference) Shareholders' equity: FY14: 133,993 million yen FY13: 202,865 million yen

2. Non-consolidated performance forecast for fiscal 2015 (April 1, 2015 – March 31, 2016)

(% indicates the rate of change over the corresponding previous periods respectively)

	Net sales		Ordinary income		Net income		Net income per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
First Half Fiscal 2015	91,000	1.9	4,000	(58.7)	3,000	－	8.62
Fiscal 2015	189,000	2.7	8,000	(57.1)	5,000	－	14.37

(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.

* 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.

Contents for Accompanying Materials

1. 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

Throughout fiscal 2014 (April 1, 2014 to March 31, 2015), uncertainty clouded the future of the global economy as a whole. Despite firm trends in the United States on the back of high levels of personal consumption and a recovery in employment conditions, this uncertainty was largely attributable to a slowdown in the rate of economic growth in China and a growing sense of stagnation in Europe. Moreover, feelings of instability toward economic activity were exacerbated by the sudden drop in crude oil prices in the second half of the fiscal year under review.

Turning to the Japanese economy, conditions were supported by expectations toward the economic policy measures of the government and the Bank of Japan. Despite these expectations, however, the overall economy remained sluggish due mainly to the impact of the consumption tax rate hike on personal consumption.

Under these circumstances, the Tokuyama Group continued to reconstruct the polycrystalline silicon business, improve profits in existing and new businesses, and improve Companywide profitability. As a result, while net sales increased, the Company reported a decline in operating income and ordinary income due to such factors as the increase in depreciation expenses in line with the commencement of operations at consolidated subsidiary Tokuyama Malaysia Sdn. Bhd. Moreover, net income deteriorated substantially owing to the extraordinary loss of ¥85.7 billion recorded by Tokuyama Malaysia Sdn. Bhd.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income (loss)
Fiscal 2014	**302,085**	**19,530**	**12,920**	**(65,349)**
Fiscal 2013	287,330	20,270	14,965	10,218
Rate of change (%)	5.1	(3.7)	(13.7)	-

Net sales

Consolidated net sales increased 5.1%, or ¥14.7 billion compared with the previous fiscal year, to ¥302.0 billion. In addition to increased sales volumes of polycrystalline silicon and high-purity chemicals for electronics manufacturing and selling price revisions of caustic soda, this was largely attributable to strong sales mainly of active pharmaceutical ingredients and the commencement of the operation of the newly added consolidated subsidiaries.

Cost of sales

Despite a downturn in manufacturing costs as a result of the drop in the prices of such raw materials and fuel as coal and domestic naphtha, an increase in sales volumes of polycrystalline silicon attributable to the commencement of operations at Tokuyama Malaysia Sdn. Bhd. and other factors served to boost the cost of sales 5.8%, or ¥11.9 billion compared with the previous fiscal year, to ¥218.9 billion.

SG&A expenses

SG&A expenses increased 5.9%, or ¥3.5 billion compared with the previous fiscal year, to ¥63.6 billion, due mainly to higher distribution costs resulting from increased sales volumes and increases in R&D expenses and amortization of goodwill.

Operating income

Operating income decreased 3.7%, or ¥0.7 billion compared with the previous fiscal year to ¥19.5 billion. Despite such positive factors as improvement in the profitability of petrochemicals, this decrease was mainly due to the increase in depreciation expenses in line with the commencement of operations at Tokuyama Malaysia Sdn. Bhd.

Non-operating income/expenses, Ordinary income

Non-operating imcome/expenses deteriorated by ¥1.3 billion year on year. While non-operating activities benefited from a decrease in cost of idle operations and the absence of borrowing-related costs which arose from the procurement of funds through a subordinated loan recorded in the previous fiscal year, this deterioration was mainly due to the increase in interest expenses and the posting of trial production expenses at

Tokuyama Malaysia Sdn. Bhd.

As a result, ordinary income decreased 13.7%, or ¥2.0 billion compared with the previous fiscal year, to ¥12.9 billion.

Extraordinary income/losses, Income/loss before income taxes, Income/loss before minority interests, Net income/loss

In extraordinary income and losses, the Company recorded a gain on sales of investment securities. However, this was more than offset by such factors as the impairment loss on the polycrystalline silicon manufacturing facilities of Tokuyama Malaysia Sdn. Bhd. As a result, extraordinary imcome/losses deteriorated by ¥75.8 billion compared with the previous fiscal year.

As a result of the above, income/loss before income taxes and minority interests deteriorated by ¥77.9 billion compared with the previous fiscal year, to a loss of ¥64.9 billion.

Income/loss before minority interests deteriorated by ¥75.8 billion compared with the previous fiscal year, to a loss of ¥65.3 billion. After deducting minority interests, the Company recorded a net loss of ¥65.3 billion. Consequently, net income/loss deteriorated by ¥75.5 billion compared with the previous fiscal year

[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 2014	**91,927**	**55,450**	**81,219**	**58,457**	**51,468**	**338,523**	**(36,438)**	**302,085**
Fiscal 2013	86,457	52,483	78,981	57,057	47,281	322,262	(34,931)	287,330
Rate of change (%)	6.3	5.7	2.8	2.5	8.9	5.0	-	5.1

Operating income (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2014	**5,056**	**4,122**	**4,446**	**5,159**	**6,023**	**24,808**	**(5,278)**	**19,530**
Fiscal 2013	2,235	6,090	6,682	4,863	4,168	24,041	(3,770)	20,270
Rate of change (%)	126.1	(32.3)	(33.5)	6.1	44.5	3.2	-	(3.7)

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

Chemicals

With regard to caustic soda, sales increased compared with the previous fiscal year. In addition to steady domestic sales, this was attributable to our efforts to revise selling prices in order to absorb a rise in raw materials prices.

Vinyl chloride monomers (VCM) sales were essentially unchanged from the previous fiscal year. While domestic sales volumes declined, this was offset by an increase in the volume of exports where selling prices continued to hover at a high level due mainly to the impact of the weak yen.

Sales of vinyl chloride resin declined. Despite efforts to revise selling prices to account for the rise in raw material prices, this decline was largely attributable to market corrections following the rush in demand in the lead up to the consumption tax rate hike and the downturn in sales volume resulting from such factors as the slump in housing starts.

With regard to soda ash and calcium chloride, sales increased compared with the previous fiscal year. This was attributable to the commencement of the operation of TOKUYAMA & CENTRAL SODA Inc.

As a result of the above, segment net sales increased 6.3% compared with the previous fiscal year, to ¥91.9 billion and operating income increased 126.1% to ¥5.0 billion. The segment reported higher earnings on higher sales.

Specialty Products

With regard to semiconductor-grade polycrystalline silicon, sales volume increased owing mainly to strong demand for mobile terminals including smartphones. On the other hand, with regard to solar cell-grade polycrystalline silicon, the Company's consolidated subsidiary Tokuyama Malaysia Sdn. Bhd. commenced shipments of solar cell-grade polycrystalline silicon under circumstances where demand for solar panels continued to expand. As a result of the above, sales of polycrystalline silicon increased compared with the the previous fiscal year.

With regard to fumed silica, sales were steady, mainly of its application as a polishing material for semiconductors. As a result of this, sales increased compared with the previous fiscal year.

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 as heat dissipation materials used for power devices for industrial machinery and LEDs.

With regard to high-purity chemicals for electronics manufacturing, sales increased compared with the previous fiscal year, owing to strong sales of such applications as semiconductor and liquid crystal production.

As a result of the above, segment net sales increased 5.7% compared with the previous fiscal year, to ¥55.4 billion, while operating income decreased 32.3% to ¥4.1 billion. The segment reported lower earnings on higher sales.

Cement

In the cement business, total sales volumes declined slightly year on year. Despite an increase in exports mainly to Asia, which is exhibiting firm demand, this downturn was primarily due to labor shortages in the construction industry in Japan and delays in construction work caused by unseasonably bad weather. On the cost front, distribution costs increased due largely to the construction of new cement tankers.

In the recycling and environment-related business, the Company accepted a lower volume of waste owing mainly to a drop in the volume of clinker ash production.

With regard to consolidated subsidiaries, sales increased compared with the previous fiscal year, mainly because Hiroshima Tokuyama Ready Mixed Concrete Co., Ltd. launched its operations.

As a result of the above, segment net sales increased 2.8% compared with the previous fiscal year, to ¥81.2 billion, while operating income decreased 33.5% to ¥4.4 billion. The segment reported lower earnings on higher sales.

Life & Amenity

Sales of active pharmaceutical ingredients grew owing to increased sales volumes of generic drugs and other applications. As a result of this, sales increased compared with the previous fiscal year.

Wit regard to plastic lens-related materials, sales volumes of photochromic dye materials increased. As a result of this, sales increased compared with the previous fiscal year.

With regard to microporous film, the manufacturing facilities of Tianjin Tokuyama Plastics Co., Ltd. commenced operations, and due to this, sales volumes of such applications as sanitary articles including disposable diapers increased. As a result of this, sales increased compared with the previous fiscal year.

With regard to polyolefin film, in addition to steady sales mainly of its application as packaging material for everyday items at convenience stores, we revised selling prices to absorb a rise in raw material prices. As a result of the above, sales increased compared with the previous fiscal year.

With regard to gas sensors, sales increased compared with the previous fiscal year. This was attributable to strong overseas sales of such applications as gas alarm devices and air cleaners.

With regard to medical diagnosis systems, profitability rose compared with the previous fiscal year. In addition to steady sales of products for blood testing, this was attributable to our cost reduction efforts including in-house production.

With regard to plastic window sashes, sales decreased compared with the previous fiscal year. This was attributable to a decrease in sales volume arising from reaction to the rush demand before the consumption tax increase.

As a result of the above, segment net sales increased 2.5% compared with the previous fiscal year, to ¥58.4 billion and operating income increased 6.1% to ¥5.1 billion. The segment reported higher earnings on higher sales.

<2> Outlook for fiscal 2015

[1] Outlook for operating results

In fiscal 2015, the future of the global economy is expected to remain mired in a cloud of uncertainty. Despite ongoing expectations that the U.S. economy will remain firm, this uncertainty reflects the slowing pace of economic growth in China and delays in a positive turnaround in Europe due to sluggish economic conditions.

In Japan, the impact of the consumption tax rate hike is anticipated to wane. Personal consumption is expected to recover on the back of an increase in real income owing mainly to the increase in wages. Looking at the corporate sector, trends are forecast to improve thanks largely to corrections to the strong yen.

Against this backdrop, the Tokuyama Group will continue to steadfastly carry out its Profit Improvement Plan while rebuilding and strengthening its profitable platform..

Based on the current information, we forecast net sales of ¥312.0 billion, an increase of 3.3% (¥9.9 billion) compared with the fiscal year under review, operating income of ¥21.0 billion, an increase of 7.5% (¥1.4 billion), ordinary income of ¥14.0 billion, up 8.4% (¥1.0 billion) and net income of ¥8.0 billion, up ¥73.3 billion.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2015	**312,000**	**21,000**	**14,000**	**8,000**
Fiscal 2014	302,085	19,530	12,920	(65,349)
Rate of change (%)	3.3	7.5	8.4	-

These forecasts are calculated based on an exchange rate of ¥115/$ and a domestic naphtha price of ¥46,000/kl.

[2] Outlook for segment results for fiscal 2015

Chemicals

Conditions throughout the Chemicals segment are expected to remain uncertain with little room for complacency. This is largely attributable to sudden and dramatic changes in raw material and fuel prices including crude oil and coal as well as the impact on sales prices. Under these circumstances, we will work to secure earnings by rebuilding our business portfolio and adhering strictly to a policy of cost reduction.

Specialty Products

Although each of the semiconductor and solar cell markets are projected to experience firm global demand, the polycrystalline silicon business is forecast to confront a persistently harsh operating environment due to the unresolved glut in supply. Against this backdrop, the Tokuyama Group will endeavor to secure earnings by expanding production and sales of solar-grade polycrystalline silicon at Tokuyama Malaysia Sdn. Bhd. and accelerating the pace of efforts to establish a production structure for semiconductor-grade polycrystalline silicon at Tokuyama Factory attuned to demand as well as calls for higher quality. With regard to such products as fumed silica and aluminum nitride, where demand is strong, we will work toward increasing earnings by boosting production and expanding sales of high-value-added products.

Cement

We anticipate that more time will be required to resolve delays in construction work in Japan attributable to labor shortages throughout the construction industry. Against this backdrop, trends in domestic demand are forecast to remain essentially unchanged. While we are also projecting an increase in costs as a result of efforts to boost product shipping facilities and transportation capabilities, we will strive to secure earnings by thoroughly reducing overhead and other expenses.

Life & Amenity

In the domestic market, the effects of the consumption tax rate hike have begun to wane. As the recovery of economic conditions spread to wider areas of the economy, we are also anticipating growth in consumption. In contrast, there are concerns surrounding downside economic risks overseas and especially in newly emerging countries. Under these circumstances, we will focus on developing products that address customer needs as well as changes in market conditions. Through these means and efforts to strengthen relationships with customers, we will endeavor to secure an increase in earnings.

Others

The "Others" segment includes businesses which are responsible for the Group's overseas sales, logistics 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

As of March 31, 2015, total assets amounted to ¥554.5 billion, a decrease of ¥21.7 billion compared with those as of March 31, 2014. This was largely attributable to a decrease in property, plant and equipment resulting from the posting of a loss on the impairment of polycrystalline silicon manufacturing facilities of Tokuyama Malaysia Sdn. Bhd.

Total liabilities amounted to ¥385.0 billion, an increase of ¥45.2 billion compared with those as of March 31, 2014. This was largely attributable to an increase in long-term loans payable.

Net assets totaled ¥169.4 billion, a decrease of ¥67.0 billion compared with those as of March 31, 2014. This was largely attributable to a decrease in retained earnings resulting from the posting of the impairment loss.

<2> Analysis of cash flows

(Unit: Millions of yen)

	Fiscal 2013	**Fiscal 2014**
Cash flows from operating activities	34,105	**30,772**
Cash flows from investing activities	(64,402)	**(25,519)**
Cash flows from financing activities	45,939	**40,502**
Effect of exchange rate changes on cash and cash equivalents	1,485	**392**
Net increase (decrease) in cash and cash equivalents	17,127	**46,147**
Increase (decrease) in cash and cash equivalents due to changes of scope of consolidation	414	**10**
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	-	**(8)**
Cash and cash equivalents at end of year [Cash and cash equivalents at end of previous year]	69,973 [52,431]	**116,122** **[69,973]**

As of March 31, 2015, cash and cash equivalents were ¥116.1 billion, an increase of ¥46.1 billion compared with those as of April 1, 2014.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥30.7 billion, a decrease of ¥3.3 billion compared with the previous fiscal year. Principal items included depreciation expenses of ¥18.8 billion.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥25.5 billion, an inccrease of ¥38.8 billion compared with the previous fiscal year. Major contributory factors were payments for purchases of property, plant and equipment of ¥32.4 billion, including construction of polycrystalline silicon manufacturing facilities at Tokuyama Malaysia Sdn. Bhd, and proceeds from sales of investment securities of ¥16.7 billion.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥40.5 billion, a decrease of ¥5.4 billion compared with the previous fiscal year. This was primarily attributed to proceeds of long-term debt of ¥84.3 billion and repayments of long-term debt of ¥41.2 billion.

(3) Basic Policy for Profit Distribution and Dividends for Fiscal 2014 and 2015

Tokuyama maintains the basic policy for profit distribution of providing continuous, stable dividends to its shareholders while taking into consideration its performance trends and medium- and long-term business plans.

On October 31, 2014, Tokuyama issued a press release titled "Notice concerning the Posting of Extraordinary Loss, Revision of Performance Forecasts, Distribution of Surplus, and the Return of Executive Compensation." After taking into consideration the negative impact on net assets after posting a net loss and the decision to prioritize efforts aimed at restoring the Company's sound financial position, after accounting for business risks, Tokuyama deeply regrets that it has decided to forego the payment of an interim and period-end dividend for the fiscal year under review. For the same reasons, Tokuyama is expecting that it will forego the payment of an interim and period-end dividend for the fiscal year ending March 31, 2016.

Moving forward, we will do everything within our power to quickly restore our financial platform and to secure stable profitability in a bid to resume the payment of dividends to shareholders at the earliest possible opportunity.

2. Management Policy

(1) Basic Management Policy

The Tokuyama Group works diligently to increase its corporate value by adhering to a strict code of corporate ethics and ensuring thoroughgoing compliance. At the same time, the Group has identified the basic management policy of remaining the preferred choice of customers, while attracting wide-ranging acclaim from all stakeholders including shareholders, customers, employees, and local communities. To this end, the Tokuyama Group engages in corporate management that is responsive to society, and makes every effort to fulfill its corporate social responsibility (CSR). We also acknowledge the critical importance of carrying out business activities that take into consideration environmental concerns. In pursuing environmental management, we recognize that by aggressively tackling such environmental issues as global warming and helping to solve them, we are better positioned to promote sustainable growth and development while bolstering our competitive advantage.

In particular, we have positioned our long-standing ties of trust with customers, together with our comprehensive manufacturing capabilities as the cornerstones of efforts to increase our corporate value. Fully aware that changes in our business environment offer the opportunity to create new businesses, we are committed to proactive business innovation.

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

February 16, 2008 marked Tokuyama's 90th founding anniversary. Toward the centennial anniversary of its founding, which will be celebrated in February 2018, the Tokuyama Group set out its Centennial Vision. It defines the optimum form of the Group as "a prominent manufacturer that is responsive to society and creates a better future through the vitality of its human resources and the creativity of chemistry."

As a second step toward achieving its Centennial Vision, Tokuyama embarked on a three-year management plan from April 2012. Despite this endeavor, the polycrystalline silicon business, a core earnings pillar, witnessed a rapid deterioration in market conditions. As a result, the Company put in place its Profit Improvement Plan in February 2013. Regrettably, Tokuyama was unable to achieve the initially projected quality and stable production of polycrystalline silicon at the PS-1 plant of its consolidated subsidiary, Tokuyama Malaysia Sdn. Bhd. With little chance of generating future cash flow, the Company decided to post a substantial impairment loss, which has had a major negative impact on net assets.

In order to break free from this negative spiral and rebuild a profitable platform, we are working to improve the profitability of not only business divisions, but also back-office and functional divisions. We will also push forward drastic structural reforms in a bid to strengthen our financial position by increasing productivity. In this manner, we will work well beyond the scope of emergency measures and endeavor to secure enduring profits as a part of efforts to regain the trust of stakeholders. Moving forward, the Tokuyama Group is in the process of formulating a new medium-term management plan in order to realize its Centennial Vision.

(3) Pending Issues

As economic globalization increasingly takes hold, movements in international product prices and foreign currency exchange rate markets together with economic conditions as well as the monetary and fiscal policies of major nations are having a major impact on the economic activities of other countries and regions.

In Japan, a wide range of risks including market contraction attributable to the hollowing out of industry and decline in the pool of labor, energy issues, and delays in carrying out fiscal reform due to the decision to postpone a further increase in the consumption tax rate are making it difficult to cast aside the growing sense of uncertainty with respect to the future.

Under these circumstances, we have positioned efforts aimed at rebuilding our financial platform as our utmost priority in order to reinforce the net assets damaged by

Polycrystalline silicon business. On this basis, we are committed to pursuing management reform. In order to become a robust corporate entity that boasts high profitability from the standpoint of its customers, we will review the way we go about our business as well as our organizational structure and work to expand businesses that are capable of enhancing productivity and efficiency.

<1> Management Reform Policies

[1] Rebuild the financial platform

In addition to reducing corporate-wide expenses, an initiative that the Company has continued to advance under its Profit Improvement Plan since 2013, Tokuyama will work to thoroughly curtail fixed expenses through structural reforms across the Company as a whole.

In specific terms, we will review back-office and functional division, relocation of the Tokyo head office and Osaka branch, and pursue the optimal allocation of human resources. Energies will be directed toward streamlining the organization and reducing costs.

In addition to cutting back personnel expenses by controlling hiring activities and reducing executive remuneration and lump sum payments, the Company will substantially revise overhead expenses as well as maintenance and repair costs. Steps will also be made to lower the unit prices of purchasing and distribution costs.

Building on these initiatives, the Company will adopt a more selective approach toward research and development themes while reducing expenses through the reallocation of personnel. Moreover, we will adhere strictly to a policy of inventory management and selective capital expenditure in a bid to increase the efficiency of assets. We will concentrate on improving cash flow by liquidating non-business assets.

[2] Rebuild the polycrystalline silicon business

In the manufacture of polycrystalline silicon as solar cell materials, the Tokuyama Group continues to fall short of its initially projected levels of stable production at consolidated subsidiary Tokuyama Malaysia. Plans are in place to make the necessary facility improvements at the time of regular plant maintenance scheduled for the second half of fiscal 2015. Our goal is to lift production to full capacity and to secure a profit in fiscal 2017.

In the market for semiconductor-grade polycrystalline silicon, where demand is expected to grow for use in mobile terminals including smartphones, we will secure production volumes by concentrating resources in Tokuyama Factory. In addition to maximizing profits, we will address the needs of customers.

[3] Increase profits in existing and new businesses

In the Chemicals segment, we are nurturing the liquid hydrogen business that we first set up in June 2013. We are also working to rebuild the business through a soda ash and calcium chloride business sales company which commenced its operations in October 2014. Tokuyama made the decision to consolidate production bases in the vinyl chloride business in September 2014. Drastic measures will be taken to rebuild the production and shipping structure.

In the Cement segment, energies will be directed toward reinforcing the business for recycling waste gypsum board while at the same time strengthening overseas business development.

In the Specialty Products segment, in September 2014 we took steps to boost manufacturing facilities for high purity aluminum nitride, which is enjoying a sudden increase in demand. We are working to reduce the level of lost sales opportunities.

In the Life & Amenity segment, we are making every effort to provide solutions from our customers' perspectives. We are working to accelerate the pace of growth by developing and proposing products that help resolve customers' issues.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	3/31/2014	3/31/2015
Assets		
Current assets		
Cash and deposits	27,605	61,364
Notes and accounts receivable - trade	67,495	69,371
Lease receivables	—	30
Securities	43,050	55,053
Merchandise and finished goods	14,131	15,456
Work in process	9,896	11,606
Raw materials and supplies	17,878	18,026
Deferred tax assets	1,068	4,772
Other	10,635	8,396
Allowance for doubtful accounts	(138)	(103)
Total current assets	191,623	243,975
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,709	137,347
Accumulated depreciation	(71,685)	(74,090)
Buildings and structures, net	31,024	63,257
Machinery, equipment and vehicles	441,874	546,388
Accumulated depreciation	(392,062)	(401,461)
Machinery, equipment and vehicles, net	49,812	144,927
Tools, furniture and fixtures	23,002	23,261
Accumulated depreciation	(21,360)	(20,974)
Tools, furniture and fixtures, net	1,642	2,286
Land	32,667	33,149
Leased assets	2,156	2,135
Accumulated depreciation	(895)	(936)
Leased assets, net	1,261	1,199
Construction in progress	206,692	8,511
Total property, plant and equipment	323,100	253,331
Intangible assets		
Goodwill	3,608	5,097
Leased assets	29	44
Other	6,493	4,641
Total intangible assets	10,131	9,784
Investments and other assets		
Investment securities	33,334	31,062
Long-term loans receivable	3,473	3,248
Deferred tax assets	839	669
Net defined benefit asset	7,804	8,765
Other	6,264	4,015
Allowance for investment loss	(21)	(22)
Allowance for doubtful accounts	(233)	(303)
Total investments and other assets	51,460	47,436
Total non-current assets	384,692	310,552
Total assets	576,315	554,527

	Millions of yen	
	3/31/2014	3/31/2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,089	40,567
Short-term loans payable	12,347	12,212
Commercial papers	4,000	3,000
Current portion of long-term loans payable	8,811	25,110
Current portion of bonds	—	5,000
Lease obligations	376	340
Income taxes payable	1,865	1,318
Deferred tax liabilities	1	—
Provision for bonuses	2,056	1,911
Provision for repairs	1,429	1,284
Provision for product warranties	132	132
Provision for loss on compensation for damage	—	50
Provision for restructuring	13	—
Provision for loss on purchase contract	—	3,183
Other	28,173	23,186
Total current liabilities	99,297	117,298
Non-current liabilities		
Bonds payable	50,000	45,000
Long-term loans payable	164,278	191,552
Lease obligations	953	981
Deferred tax liabilities	7,338	6,409
Provision for directors' retirement benefits	207	226
Provision for repairs	2,747	3,458
Allowance for loss on compensation for building materials	842	574
Provision for environmental measures	131	91
Provision for loss on purchase contract	—	6,250
Net defined benefit liability	1,112	1,162
Asset retirement obligations	5	5
Other	12,946	12,071
Total non-current liabilities	240,565	267,783
Total liabilities	339,862	385,082
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,670
Retained earnings	107,155	39,286
Treasury shares	(1,428)	(1,434)
Total shareholders' equity	216,856	148,981
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,369	5,829
Deferred gains or losses on hedges	749	330
Foreign currency translation adjustment	2,710	4,196
Remeasurements of defined benefit plans	982	3,239
Total accumulated other comprehensive income	12,811	13,596
Minority interests	6,785	6,868
Total net assets	236,453	169,445
Total liabilities and net assets	576,315	554,527

(2) Consolidated Statements of Income

	FY2013	FY2014
	Millions of yen	
Net sales	287,330	302,085
Cost of sales	206,989	218,917
Gross profit	80,340	83,167
Selling, general and administrative expenses		
Selling expenses	35,275	36,566
General and administrative expenses	24,794	27,070
Total selling, general and administrative expenses	60,069	63,636
Operating income	20,270	19,530
Non-operating income		
Interest income	45	110
Dividend income	552	629
Share of profit of entities accounted for using equity method	519	684
Technical support fee	373	312
Foreign exchange gains	432	—
Other	1,143	1,153
Total non-operating income	3,067	2,889
Non-operating expenses		
Interest expenses	2,755	4,756
Trial production expenses	—	1,577
Other	5,617	3,165
Total non-operating expenses	8,372	9,499
Ordinary income	14,965	12,920
Extraordinary income		
Gain on sales of non-current assets	212	73
Gain on bargain purchase	—	5
Gain on sales of investment securities	379	10,442
Gain on sales of shares of subsidiaries and associates	—	20
State subsidy	3	24
Other	96	—
Total extraordinary income	692	10,566
Extraordinary losses		
Loss on sales of non-current assets	84	8
Impairment loss	374	76,010
Loss on disaster	120	383
Loss on reduction of non-current assets	1	27
Loss on disposal of non-current assets	1,671	420
Loss on sales of investment securities	1	—
Loss on sales of shares of subsidiaries and associates	78	8
Provision for loss on purchase contract	—	9,433
Loss on purchase contract	—	1,489
Cost of compensation for building materials	336	—
Other	49	692
Total extraordinary losses	2,717	88,473
Income (loss) before income taxes and minority interests	12,939	(64,986)
Income taxes - current	2,870	3,747
Income taxes - deferred	(423)	(3,405)
Total income taxes	2,446	341
Income (loss) before minority interests	10,493	(65,327)
Minority interests in income	274	21
Net income (loss)	10,218	(65,349)

(3) Consolidated Statements of Comprehensive Income

	Millions of yen	
	FY2013	FY2014
Income (loss) before minority interests	10,493	(65,327)
Other comprehensive income		
Valuation difference on available-for-sale securities	816	(2,535)
Deferred gains or losses on hedges	(1,488)	(419)
Foreign currency translation adjustment	3,540	1,299
Remeasurements of defined benefit plans, net of tax	—	2,257
Share of other comprehensive income of entities accounted for using equity	392	189
Total other comprehensive income	3,261	791
Comprehensive income	13,754	(64,536)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,265	(64,564)
Comprehensive income attributable to minority interests	488	28

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	FY2013	FY2014
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	12,939	(64,986)
Depreciation	16,642	18,845
Increase(decrease) in allowance for loss on compensation for building	(433)	(268)
Increase (decrease) in provision for loss on purchase contract	—	9,433
Increase (decrease) in other provision	(260)	450
Increase (decrease) in net defined benefit liability	118	79
Increase(decrease) in net defined benefit asset	629	442
Interest and dividend income	(598)	(739)
Foreign exchange losses (gains)	(78)	1,070
Gain on bargain purchase	—	(5)
Loss (gain) on sales of property, plant and equipment	(128)	(64)
Loss (gain) on sales of investment securities	(378)	(10,442)
Loss (gain) on sales of shares of subsidiaries and associates	78	(12)
Share of (profit) loss of entities accounted for using equity method	(519)	(684)
Subsidy income	(3)	(24)
Interest expenses	2,755	4,756
Loss on reduction of non-current assets	1	27
Impairment loss	374	76,010
Loss (gain) on disposal of non-current assets	1,671	420
Decrease (increase) in notes and accounts receivable - trade	(484)	(2,520)
Decrease (increase) in inventories	9,485	1,136
Decrease (increase) in other current assets	(1,619)	681
Increase (decrease) in notes and accounts payable - trade	710	1,443
Increase (decrease) in other current liabilities	(1,290)	808
Other, net	(1,510)	2,689
Subtotal	38,100	38,546
Interest and dividend income received	498	1,189
Interest expenses paid	(2,153)	(4,732)
Income taxes paid	(2,340)	(4,232)
Net cash provided by (used in) operating activities	34,105	30,772
Cash flows from investing activities		
Payments into time deposits	(37)	(34)
Proceeds from withdrawal of time deposits	211	429
Purchase of property, plant and equipment	(29,907)	(32,470)
Proceeds from sales of property, plant and equipment	520	109
Purchase of investment securities	(812)	(7,967)
Proceeds from sales of investment securities	984	16,746
Purchase of shares of subsidiaries resulting in change in scope of	(4,115)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(633)
Additional purchase of investments in consolidated subsidiaries	—	(23)
Payments of long-term loans receivable	(15)	(20)
Collection of long-term loans receivable	257	244
Purchase of money held in trust	(34,300)	—
Proceeds from cancellation of money held in trust	3,492	—
Proceeds from subsidy income	3	2,659
Payments for transfer of business	—	(3,750)
Other, net	(682)	(810)
Net cash provided by (used in) investing activities	(64,402)	(25,519)

	Millions of yen	
	FY2013	FY2014
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,668	(5)
Increase (decrease) in commercial papers	—	(1,000)
Proceeds from long-term loans payable	68,829	84,311
Repayments of long-term loans payable	(22,623)	(41,286)
Cash dividends paid	(2,080)	(1,043)
Cash dividends paid to minority shareholders	(397)	(437)
Decrease (increase) in treasury shares	(97)	(75)
Other, net	(359)	40
Net cash provided by (used in) financing activities	45,939	40,502
Effect of exchange rate change on cash and cash equivalents	1,485	392
Net increase (decrease) in cash and cash equivalents	17,127	46,147
Cash and cash equivalents at beginning of period	52,431	69,973
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	414	10
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	—	(8)
Cash and cash equivalents at end of period	69,973	116,122

(5)Segment information

1. Summary of reportable segments

The reportable segments of the Touyama 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 methylene chloride
Specialty Products	Polycrystalline silicon, fumed silica, aluminum nitride, metal washing solvent, high-purity chemicals for electronics manufacturing, and environment-related equipment
Cement	Ordinary Portland cement, high early-strength Portland cement, Portland blast-furnace slag cement, ready-mixed concrete, cement-type stabilizer and waste treatment
Life & Amenity	Polyolefin film, plastic window sashes, medical diagnosis systems, dental materials and equipment, gas sensors, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

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

Fiscal 2013 (April 1, 2013 – March 31, 2014)

(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	85,385	41,890	78,814	55,552	25,687	287,330	-	287,330
Inter-segment sales/transfer	1,071	10,593	166	1,505	21,594	34,931	(34,931)	-
Total	86,457	52,483	78,981	57,057	47,281	322,262	(34,931)	287,330
Segment income	2,235	6,090	6,682	4,863	4,168	24,041	(3,770)	20,270
Segment assets	55,421	256,736	58,058	51,133	28,374	449,724	126,590	576,315
Other items								
Depreciation expenses	2,967	1,676	2,776	2,005	1,349	10,774	5,868	16,642
Increase in tangible and intangible fixed assets	1,142	53,871	2,824	2,309	1,239	61,386	117	61,503

*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 income 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 (¥145,249 million).

*3 With regard to segment income, 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 income.

Fiscal 2014 (April 1, 2014 – March 31, 2015)

(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	91,122	43,787	81,100	56,683	29,391	302,085	-	302,085
Inter-segment sales/transfer	805	11,663	118	1,774	22,076	36,438	(36,438)	-
Total	91,927	55,450	81,219	58,457	51,468	338,523	(36,438)	302,085
Segment income	5,056	4,122	4,446	5,159	6,023	24,808	(5,278)	19,530
Segment assets	55,785	194,868	60,770	51,352	28,260	391,037	163,490	554,527
Other items								
Depreciation expenses*4	2,706	4,314	2,841	2,341	1,447	13,650	5,194	18,845
Increase in tangible and intangible fixed assets*4	2,054	17,456	3,734	1,693	1,085	26,023	239	26,262

*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 income 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 (¥190,190 million).

*3 With regard to segment income, 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 income.

*4 Long-term preaid expenses are included.