

Q1 FY2015 - Apr 1, 2015 to Jun 30, 2015 -

Presentation for IR Meeting

Tokuyama Corporation

July 31, 2015



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- 1** Financial Results for Q1 FY2015
- 2** Revised Performance Forecasts for FY2015
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1 Financial Results for Q1 FY2015

1. Financial Highlights

**2. Net Sales / Operating Income
by Business Segment**



1. Financial Highlights Consolidated (year-on-year change)

(Billions of yen)

	Q1 FY2014	Q1 FY2015	Difference	
			Amount	%
Net sales	71.2	73.7	+2.5	+4
Operating income	5.5	2.9	(2.6)	(47)
Ordinary income	4.5	1.4	(3.0)	(67)
Profit attributable to owners of parent	3.5	0.0	(3.5)	(98)
Basic earnings per share (yen)	10.28	0.17		
Exchange rate (¥/\$)	102	121		
Domestic naphtha price (¥/kl)	69,900	48,800		

Qualitative information

(Net sales) ¥73.7 billion, up 4%

Pluses: increased sales volume of soda ash and calcium chloride as well as solar-grade polycrystalline silicon

Minuses: declined sales volume of cement;

weak selling prices of petro chemicals on the back of downturn in domestic naphtha prices

(Operating income) ¥2.9 billion, down 47%

Plus: downturn in raw material costs as a result of the drop in domestic naphtha prices

Minuses: declined sales volume of cement; increased depreciation expenses at Tokuyama Malaysia

1. Financial Highlights Consolidated (year-on-year change)

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Exchange rate (¥/\$)	102	121		
Domestic naphtha price (¥/kl)	69,900	48,800		

Qualitative information

(Ordinary income) ¥1.4 billion, down 67%

Minuses: decreased operating income; posting of trial production expenses at Tokuyama Malaysia

(Profit attributable to owners of parent) ¥0.0 billion, down 98%

Minuses: decreased ordinary income; increased tax expenses

1. Financial Highlights Consolidated (compared with the previous fiscal year-end)

(Billions of yen, except Shareholders' equity ratio and D/E ratio)

	As of Mar 31, 2015	As of Jun 30, 2015	Changes
Total assets	554.5	548.6	(5.8)
Shareholders' equity	162.5	164.4	+1.8
Shareholders' equity ratio	29.3%	30.0%	+0.7 Pts
Interest-bearing debt	283.1	278.6	(4.5)
D/E ratio	1.74	1.69	(0.05)
Net D/E ratio*	1.03	1.00	(0.03)
Net assets per share (yen)	467.36	472.78	

Qualitative information

(Total assets)

Decrease factor: decrease in notes and accounts receivable – trade

(Shareholders' equity)

Increase factor: increase in valuation difference on available-for-sale securities

(Interest-bearing debt)

Decrease factor: decrease in long-term loans payable and commercial paper

*Net D/E ratio: (Interest-bearing debt – Cash and deposits, Cash equivalents)/Shareholders' equity

2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

(Billions of yen)

	Q1 FY2014		Q1 FY2015		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	22.6	1.2	22.8	1.4	+0.1	+1	+0.2	+17
Specialty Products	11.1	0.9	13.0	(1.5)	+1.9	+17	(2.5)	-
Cement	19.3	1.4	20.4	0.9	+1.0	+5	(0.5)	(36)
Life & Amenity	14.0	1.1	14.2	1.7	+0.2	+2	+0.5	+44
Others	12.8	1.5	12.9	1.0	+0.0	+1	(0.5)	(33)
Total	80.1	6.5	83.6	3.6	+3.5	+4	(2.8)	(44)
Inter-segment eliminations and corporate-wide expenses	(8.8)	(0.9)	(9.8)	(0.7)	(0.9)	-	+0.1	-
Consolidated results	71.2	5.5	73.7	2.9	+2.5	+4	(2.6)	(47)

(Note) Sales and operating income shown above include inter-segment transactions.

(Reference)

Tokuyama Malaysia	-	(0.2)	1.8	(3.1)	+1.8	-	(2.8)	-
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2 Revised Performance Forecasts for FY2015

- 1. Revised Performance Forecasts**
- 2. Revised Performance Forecasts
by Business Segment**

2 Revised Performance Forecasts for FY2015

1. Revised Performance Forecasts

Consolidated
(compared with the previous forecast)
(Billions of yen)

	FY2015 Previous forecast (April 30, 2015)	FY2015 Revised forecast (Jul 31, 2015)	Difference	Q1 FY2015 Results
Net sales	312.0	309.0	(3.0)	73.7
Operating income	21.0	18.0	(3.0)	2.9
Ordinary income	14.0	12.0	(2.0)	1.4
Profit attributable to owners of parent	8.0	6.0	(2.0)	0.0
Net income per share (yen)	23.0	17.25		0.17
Exchange rate (¥/\$)	115	124		121
Domestic naphtha price (¥/kl)	46,000	50,900		48,800

Reasons for the revision:

(Operating income)

Minuses: drop in selling prices of solar-grade polycrystalline silicon
lower than anticipated operating rates at Tokuyama Malaysia

(Ordinary income)

Minus: decreased operating income

(Profit)

Minus: decreased ordinary income

2 Revised Performance Forecasts for FY2015

2. Revised Performance Forecasts by Business Segment

(Compared with the previous forecast)

(Billions of yen)

	FY20145 previous forecast (Apr 30, 2015)		FY2015 revised forecast (Jul 31, 2015)		Deference		Q1 FY2015 Results	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	87.0	6.0	90.0	6.0	+3.0	0.0	22.8	1.4
Specialty Products	66.0	1.0	65.0	(1.0)	(1.0)	(2.0)	13.0	(1.5)
Cement	86.0	7.0	81.0	5.5	(5.0)	(1.5)	20.4	0.9
Life & Amenity	58.0	5.5	58.0	6.0	0.0	+0.5	14.2	1.7
Others	56.0	4.0	55.0	4.5	(1.0)	+0.5	12.9	1.0
Total	353.0	23.5	349.0	21.0	(4.0)	(2.5)	83.6	3.6
Inter-segment eliminations and corporate-wide expenses	(41.0)	(2.5)	(40.0)	(3.0)	+1.0	(0.5)	(9.8)	(0.7)
Consolidated Results	312.0	21.0	309.0	18.0	(3.0)	(3.0)	73.7	2.9

(Note) Sales and operating income shown above include inter-segment transactions.

(Reference)

Tokuyama Malaysia	12.9	(8.1)	9.6	(11.2)	(3.2)	(3.0)	1.8	(3.1)
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3 Medium-Term Management Plan 2017

1. Outline
2. Strengthen Business Profitability
3. Generate Profits at Tokuyama Malaysia
4. Rebuild the Company's Financial Platform



1. Outline

Basic Policy of the Medium-Term Management Plan 2017

Adopt a customer-oriented approach in strengthening the profitability of businesses, ensure that Tokuyama Malaysia Sdn. Bhd. generates a profit and rebuild the financial platform thereby laying the foundation for the revitalization of the Tokuyama Group

Period: Fiscal 2015～2017
(April 1, 2015 to March 31, 2018)

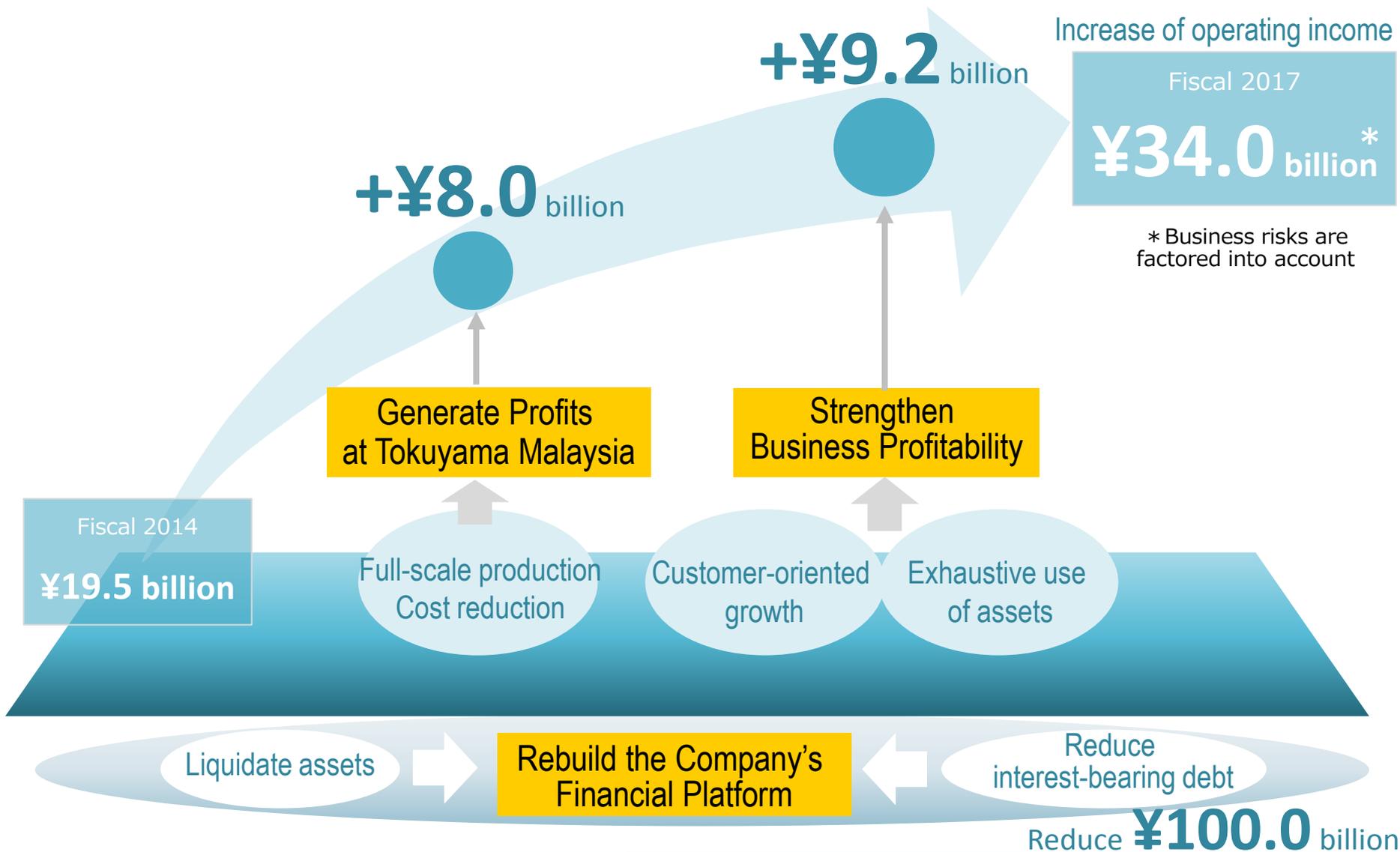
1. Outline

Numerical Target (Consolidated)

	Fiscal 2014 Results	Fiscal 2017 Plan
Net sales	¥302.0 billion	¥335.0 billion
Operating income	¥19.5 billion	¥34.0 billion
Operating margin	6.5 %	10%
Interest-bearing debt	¥283.1 billion	¥180.0 billion
Exchange rate (¥/\$)	110	115
Domestic naphtha price (¥/kl)	63,500	46,000

1. Outline

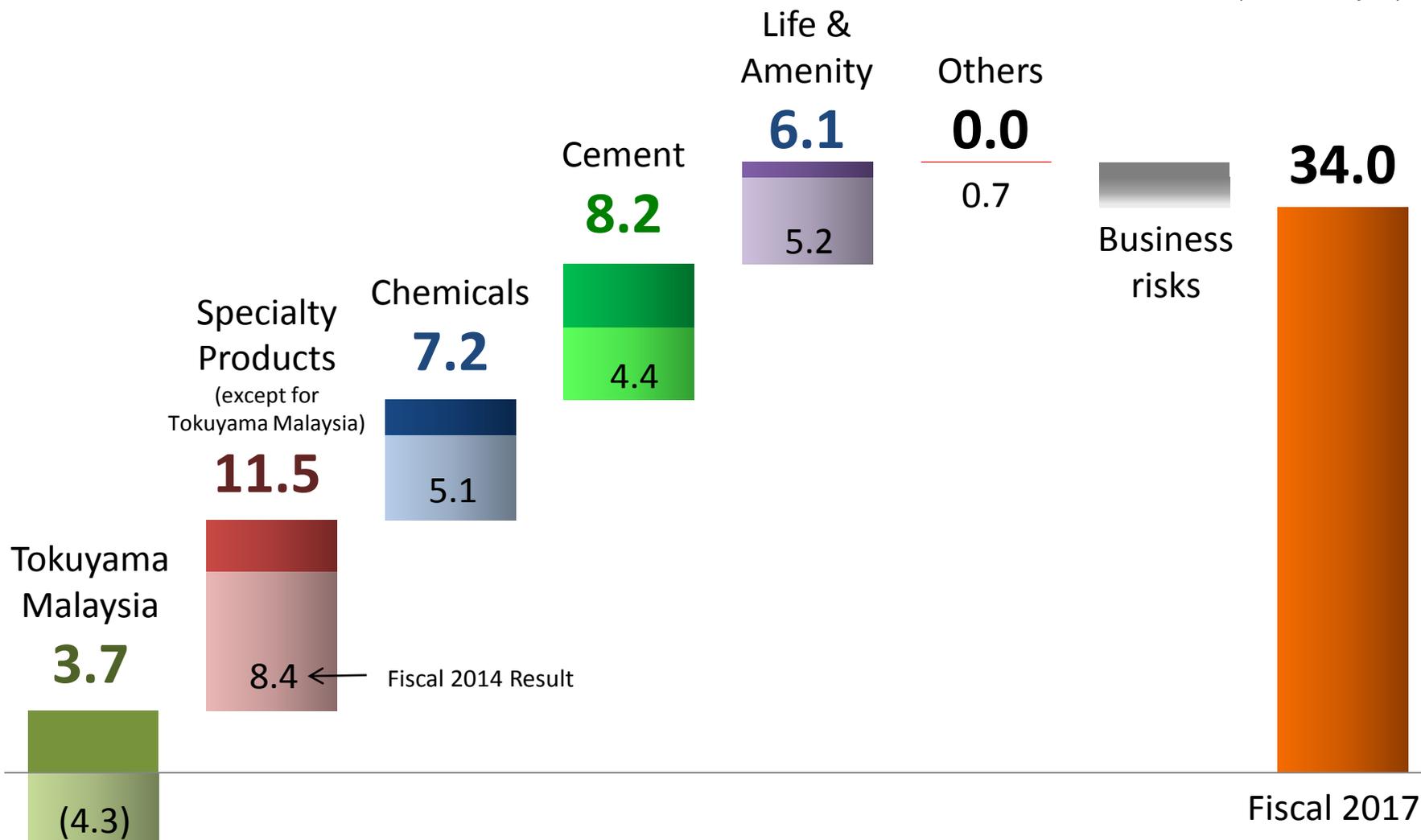
Issues of the utmost priority, relevant countermeasures and effects



1. Outline

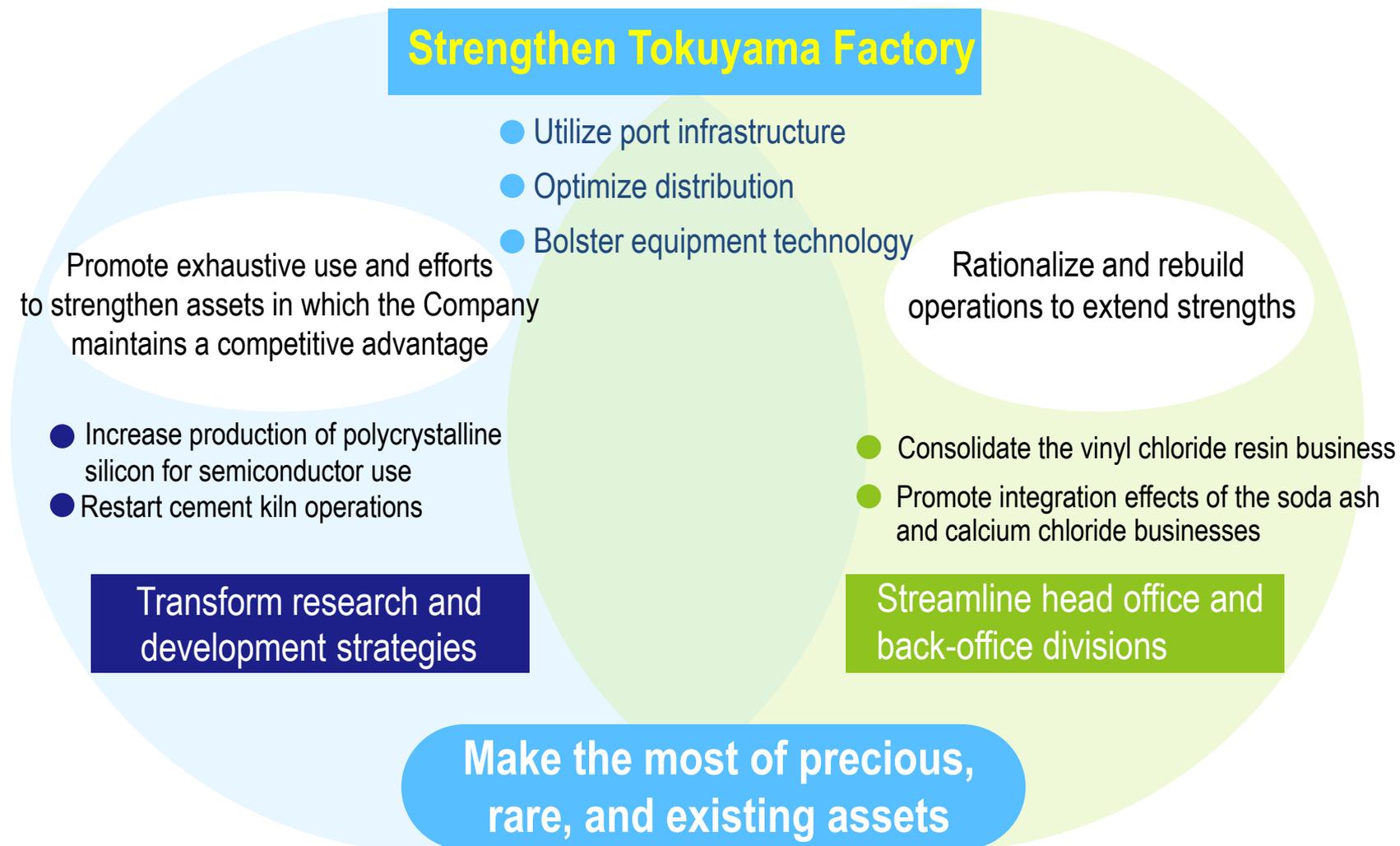
Operating income by business segment (Fiscal 2017 plan)

(Billions of yen)



2. Strengthen Business Profitability

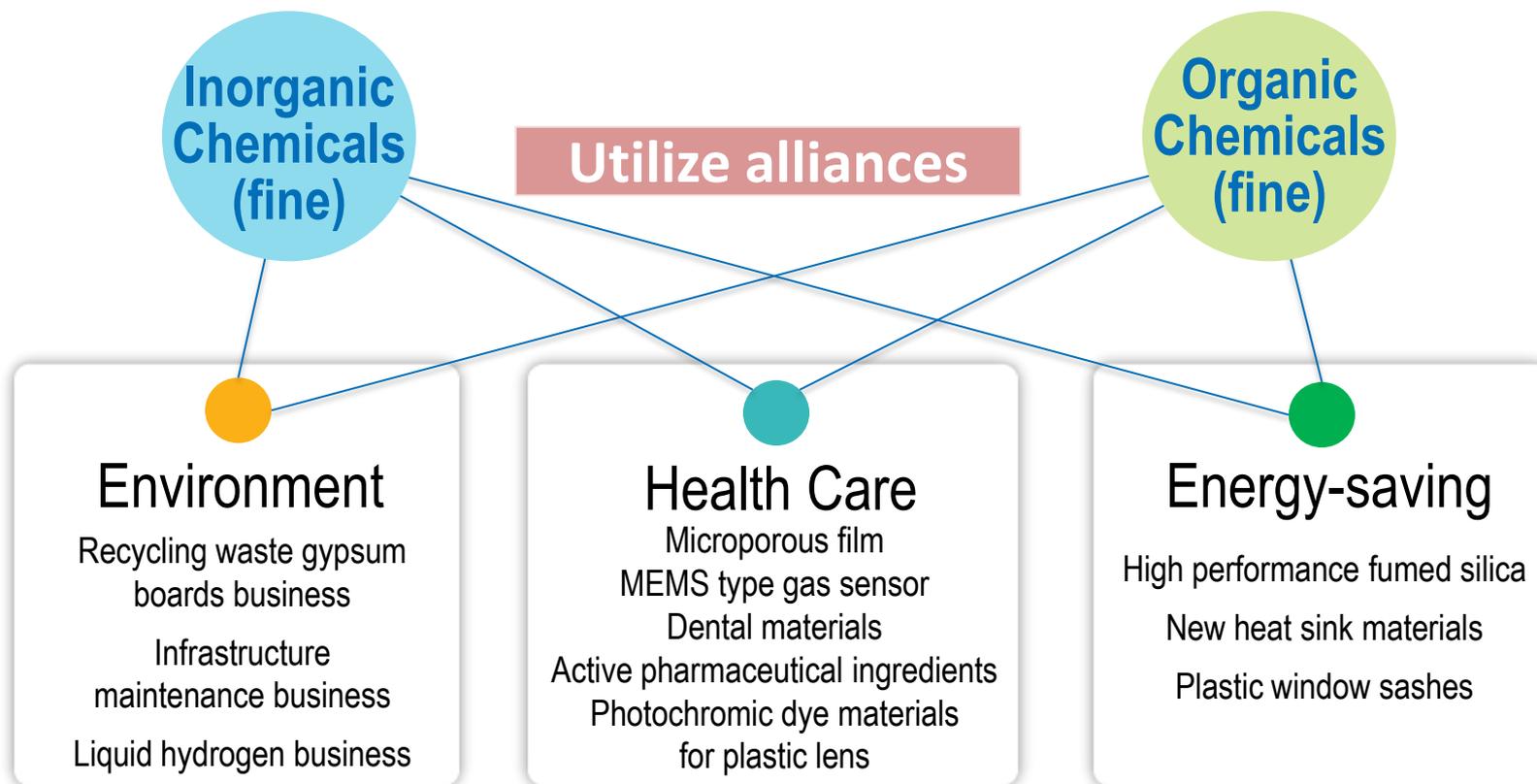
(1) Exhaustive Use of Assets



2. Strengthen Business Profitability

(2) Customer-oriented Growth

Adopt an uncompromising stance toward other and alternative core technologies



Research and development that is committed to each business

3. Generate Profits at Tokuyama Malaysia

Numerical Target

(Billions of yen)

		FY2014	FY2015 (forecast)	FY2017 (plan)
Tokuyama Malaysia	Net Sales	4.3	9.6	26.0
	Operating income	(4.3)	(11.2)	3.7

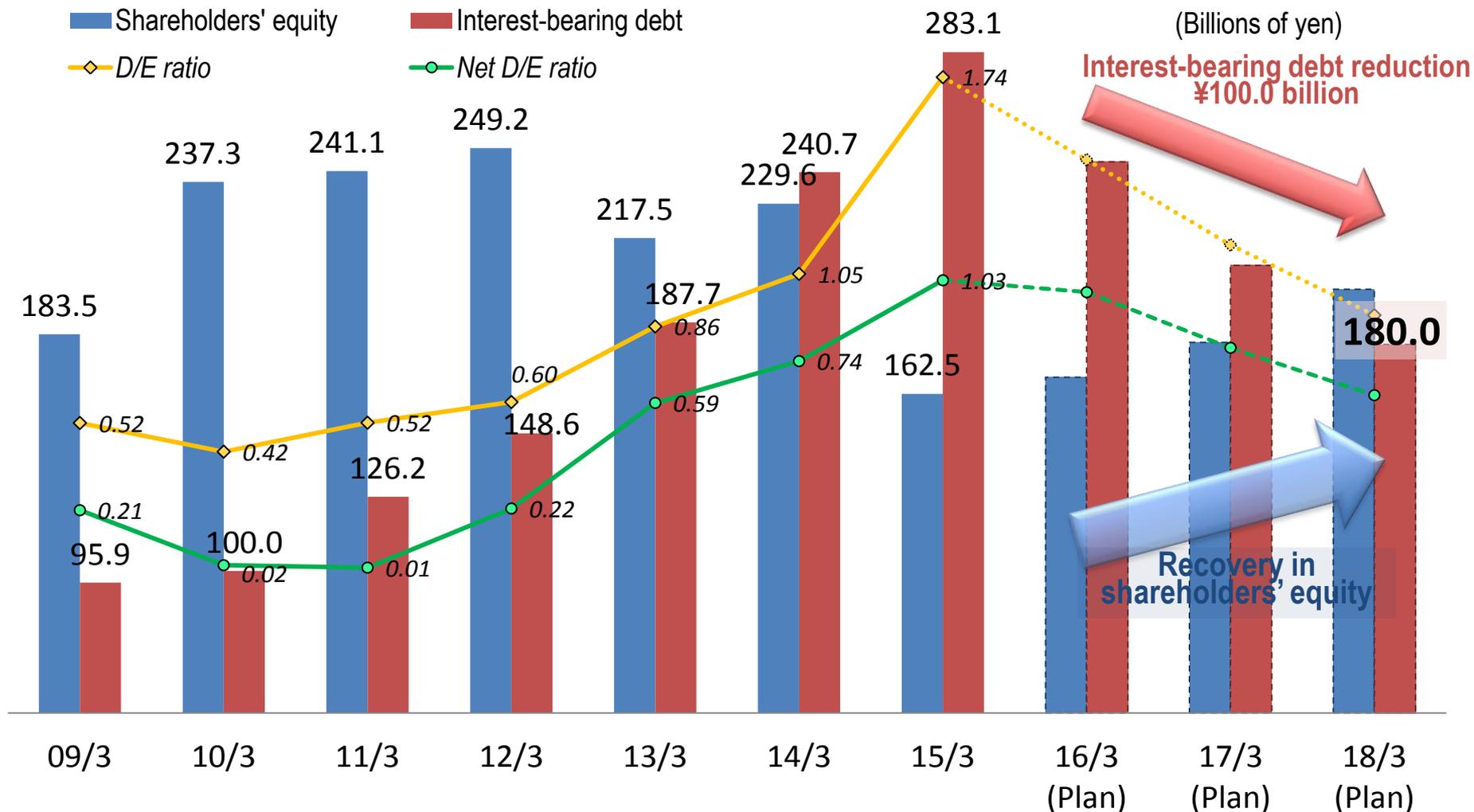
Schedule going forward

		FY2015	FY2016	FY2017
 <p>Tokuyama Malaysia (Solar-grade polycrystalline silicon)</p>	P S 1  Consider the promoting effective use			
	P S 2  Establish a full-scale production structure after the periodic maintenance (Oct~)	 Implement cost reduction and generate profits on a single month basis	 Achieve profitable operations for the full period	

4. Rebuild the Company's Financial Platform

(1) Financial platform rebuilding plan

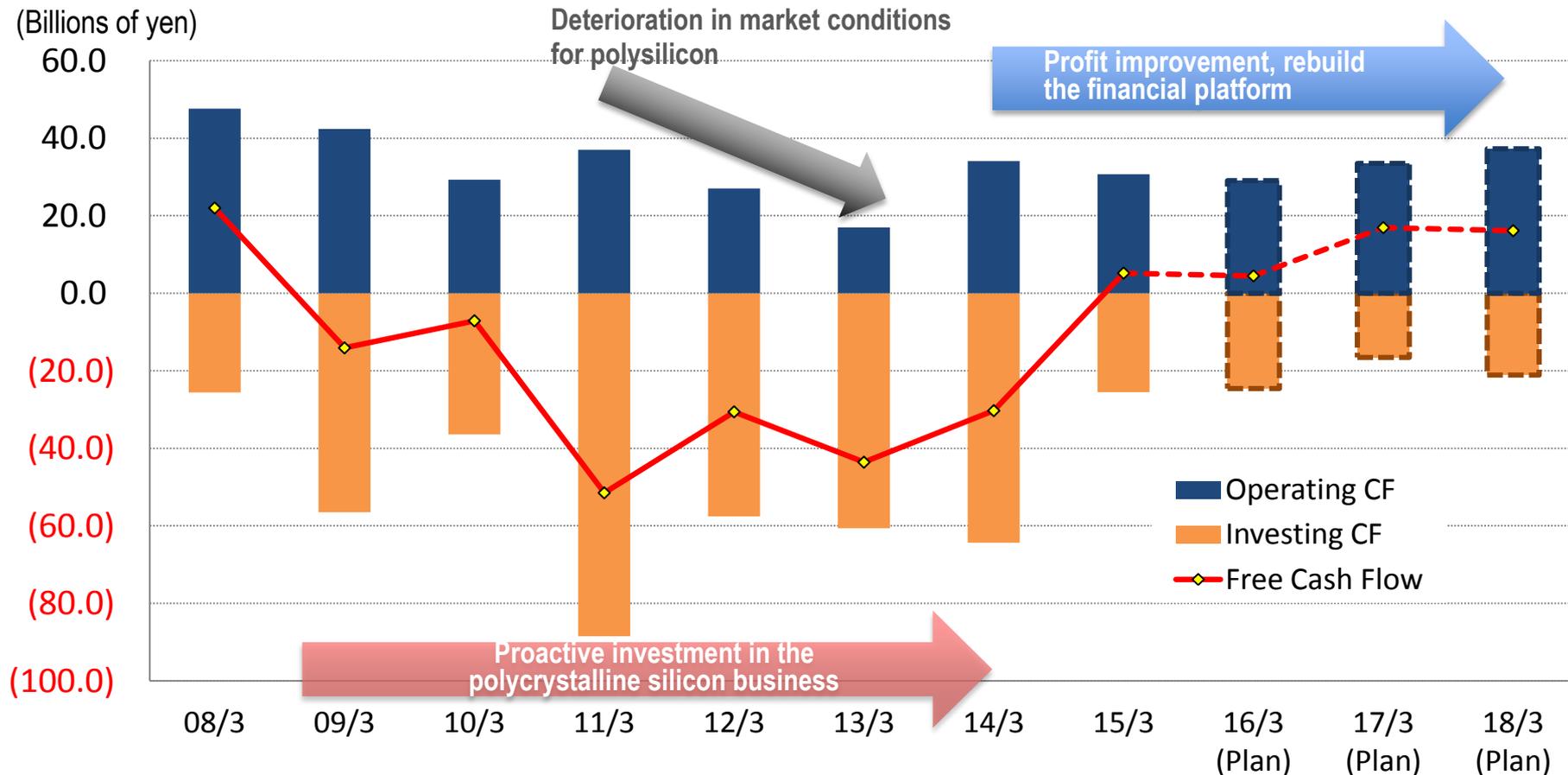
(Consolidated)



4. Rebuild the Company's Financial Platform

(2) Cash Flow Plan

(Consolidated)



CAPEX (based on cash flow)	25.0	15.0	20.0
Depreciation	23.0	23.0	23.0

Chemistry with a heart

TOKUYAMA



4 Supplementary Data

- 1. Consolidated Financial Statements**
- 2. Operating Income Change**
- 3. Net Sales/Operating Income by Business Segment**
- 4. Performance Trend**
- 5. Revised Performance Forecasts (1H/2H)**
- 6. Polysilicon Market**
- 7. PV Market**
- 8. History of Medium-Term Management Plan**

1. Consolidated Financial Statements

Income Statements

(Billions of yen)

	Q1 FY2014	Q1 FY2015	Difference	
			Amount	%
Net sales	71.2	73.7	+2.5	+4
Cost of sales	50.1	55.3	+5.2	+10
Selling, general and administrative expenses	15.4	15.4	(0.0)	(0)
Operating income	5.5	2.9	(2.6)	(47)
Non-operating income/expenses	(1.0)	(1.4)	(0.4)	-
Ordinary income	4.5	1.4	(3.0)	(67)
Extraordinary income/expenses	(0.0)	+0.0	+0.0	-
Income/loss before income taxes	4.5	1.4	(3.0)	(67)
Income taxes and non-controlling interests	0.9	1.4	+0.4	+47
Profit attributable to owners of parent	3.5	0.0	(3.5)	(98)

1. Consolidated Financial Statements Balance Sheets

(Billions of yen)

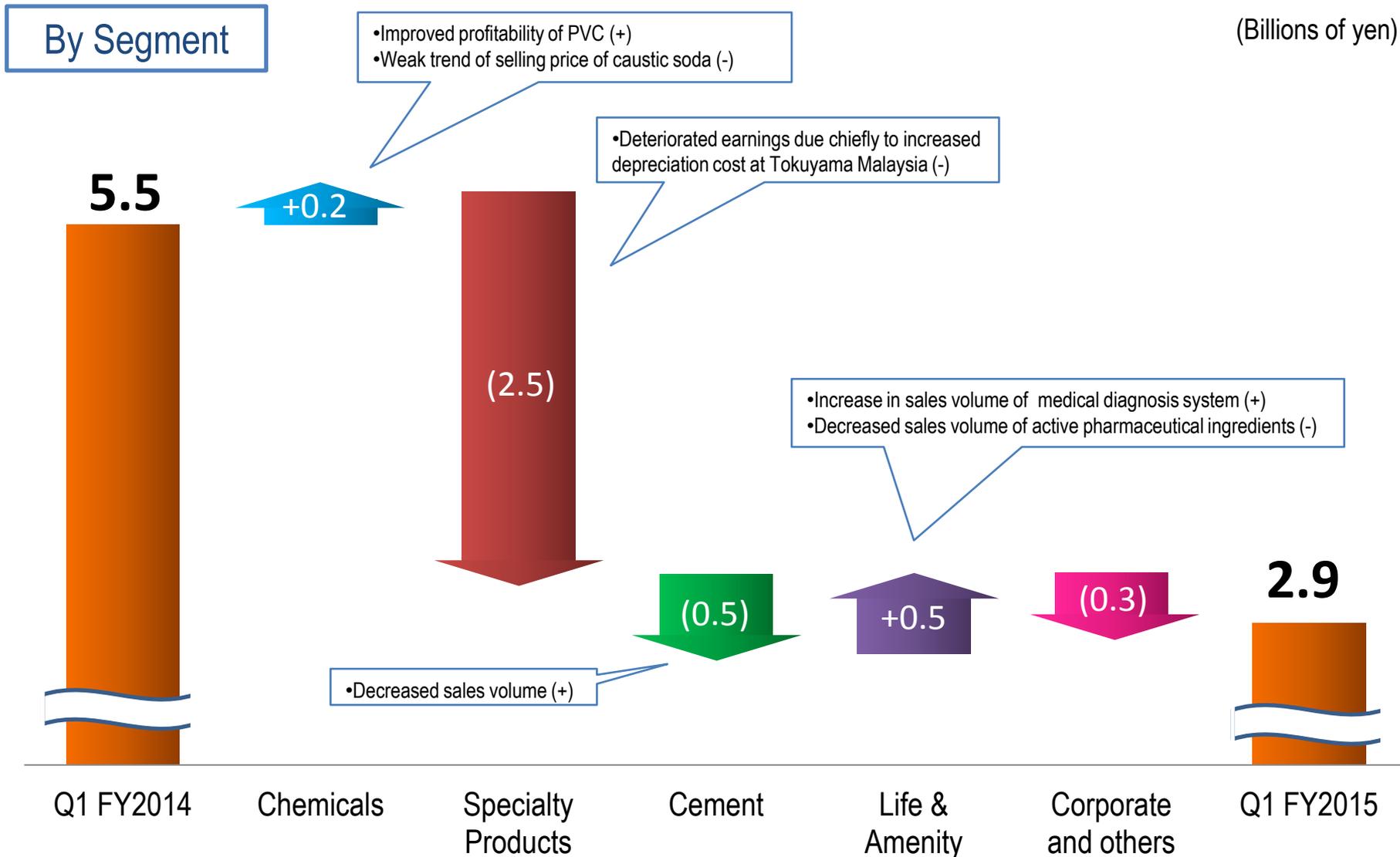
	3/31/2015	6/30/2015	Changes	
			Amount	%
Total assets	554.5	548.6	(5.8)	(1)
Current assets	243.9	239.1	(4.8)	(2)
Tangible fixed assets	253.3	250.8	(2.4)	(1)
Intangible fixed assets	9.7	9.0	(0.6)	(7)
Investments and other assets	47.4	49.5	+2.0	+4

	3/31/2015	6/30/2015	Changes	
			Amount	%
Total liabilities	385.0	377.3	(7.7)	(2)
Current liabilities	117.2	114.8	(2.4)	(2)
Long-term liabilities	267.7	262.4	(5.3)	(2)
Total net assets	169.4	171.3	+1.9	+1

2. Changes in Operating Income

(Year-on-year change)

(Billions of yen)



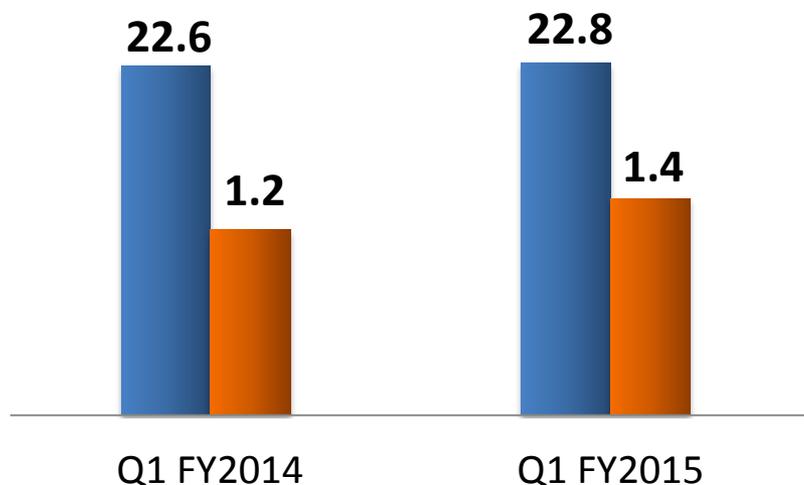
3. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Chemicals

Higher earnings on higher sales

■ Net Sales ■ Operating Income
(Billions of yen)



Qualitative information

(Caustic soda)

- Decreased net sales due to weak trend of selling price

(Vinyl chloride monomer (VCM))

- Improved profitability owing to drop in raw material cost arising from domestic naphtha price down

(Vinyl chloride resin)

- Decreased sales volume due to the slowdown in housing starts

(Soda ash and calcium chloride)

- Increased net sales due to commencement of the operation of TOKUYAMA & CENTRAL SODA Inc.

3. Net Sales/Operating Income by Business Segment

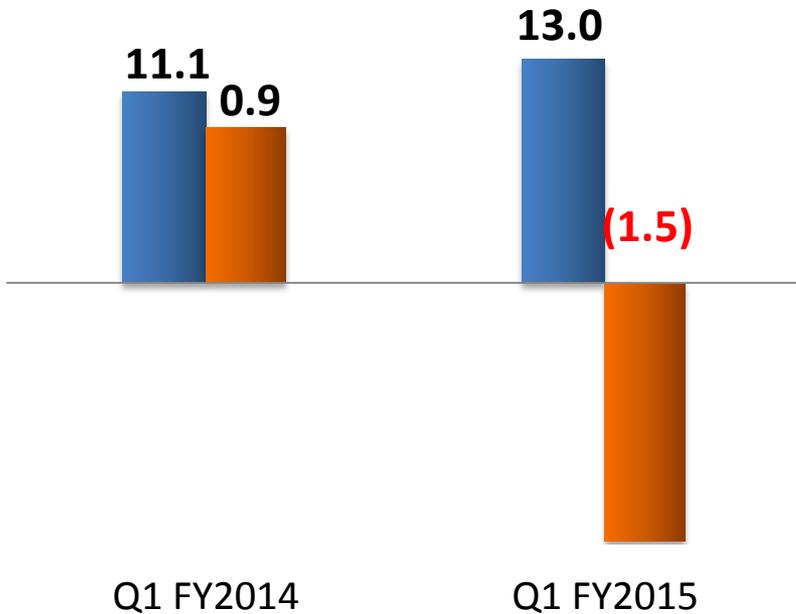
(Year-on-year change)

Specialty Products

Loss on higher sales

■ Net Sales ■ Operating Income

(Billions of yen)



Qualitative information

(Semiconductor-grade polycrystalline silicon)

- Decreased sales volume on the back of such factors as inventory adjustments with respect to the supply chain despite firm trends in mobile terminal demand including smartphones

(Solar-grade polycrystalline silicon)

- While sales volume of solar-grade polycrystalline silicon increased reflecting commencement of shipments from Tokuyama Malaysia, earnings deteriorated due to increased depreciation cost

(Fumed silica)

- Increased sales volume, mainly of its application as a polishing material for semiconductors

(High-purity chemicals for electronics manufacturing)

- Higher sales volume of such applications as semiconductor and liquid crystal production

3. Net Sales/Operating Income by Business Segment

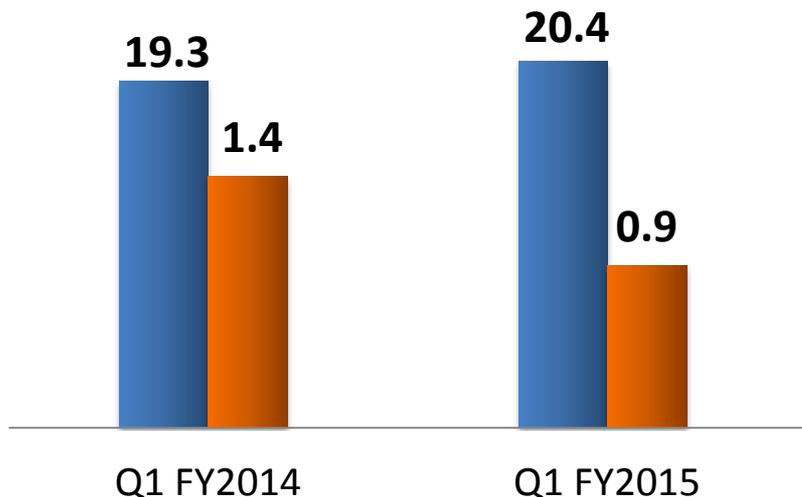
(Year-on-year change)

Cement

Lower earnings on higher sales

■ Net Sales ■ Operating Income

(Billions of yen)



Qualitative information

(Cement)

- Decreased sales volume in domestic market due to delay in construction work caused mainly by a labor shortage
- Increased net sales owing to commencement of the operation of Hiroshima Tokuyama Ready Mixed Concrete Co., Ltd.

(Recycling and environment-related business)

- The Company accepted a lower volume of waste as a result of its lower clinker production

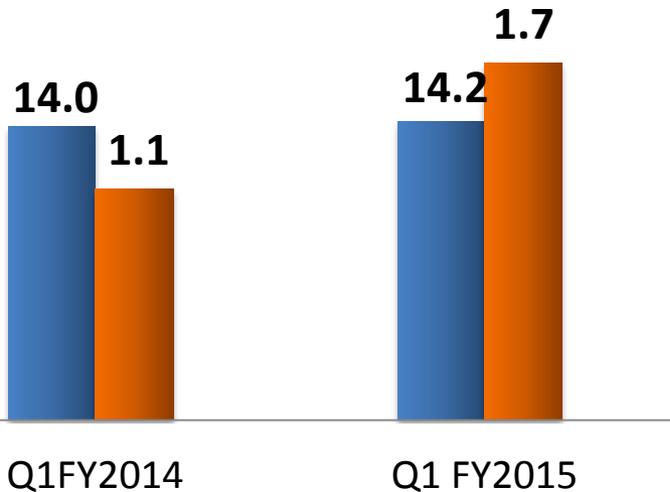
3. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Life & Amenity

Higher earnings on higher sales

■ Net Sales ■ Operating Income
(Billions of yen)



Qualitative information

(Active pharmaceutical ingredient)

- Decreased sales volume, mainly of such applications as generic pharmaceuticals

(Plastic lens-related materials)

- Increased sales volume of photochromic materials

(Microporous film)

- Increased sales volume of products mainly for disposable diapers

(Polyolefin film)

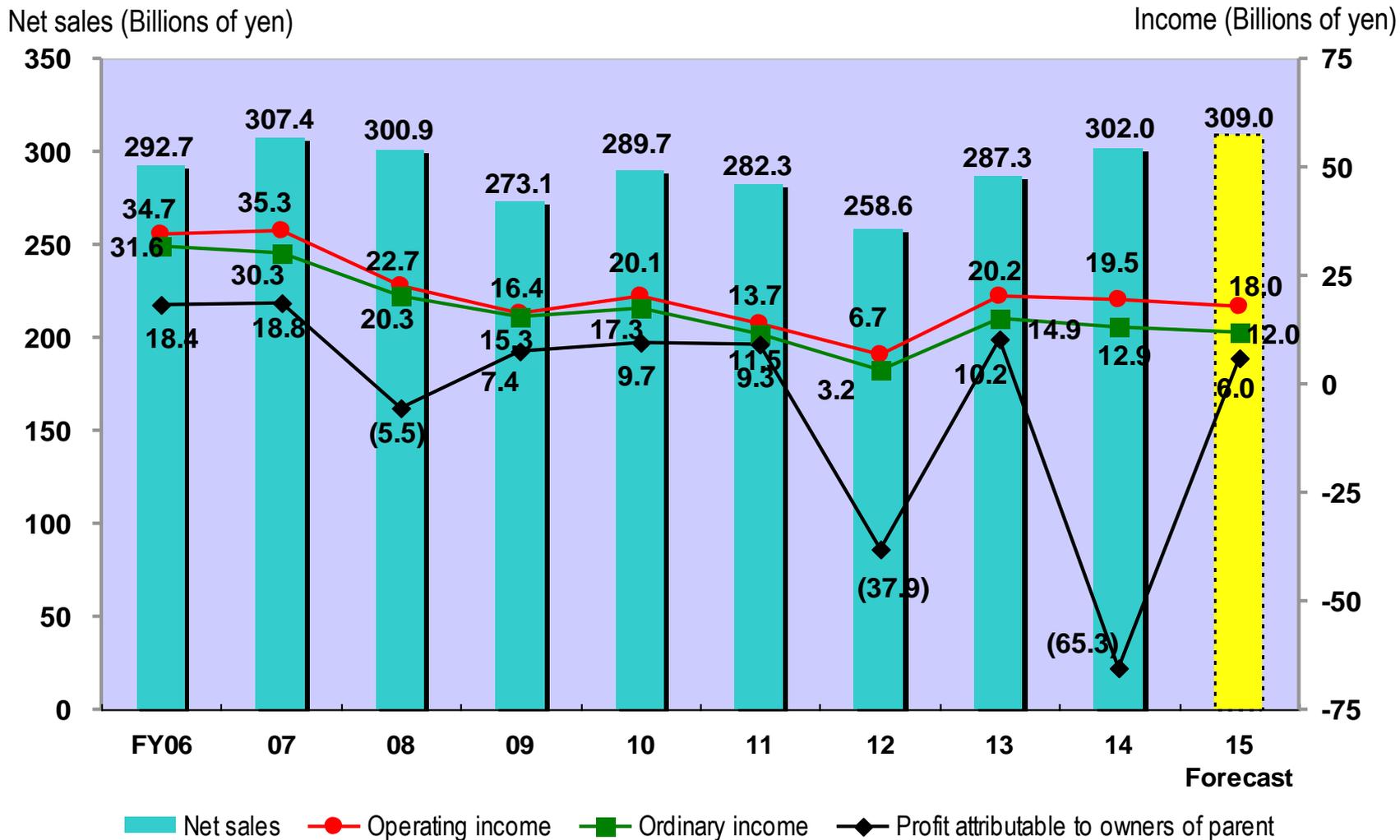
- Increased sales volume of products mainly for convenience stores
- Weak trends in selling price on the back of the decline in domestic naphtha price

(Medical diagnosis system)

- Increase sales volume of products for blood testing owing primarily to the upswing in large-scale orders

4. Performance Trend

Consolidated (Annual)

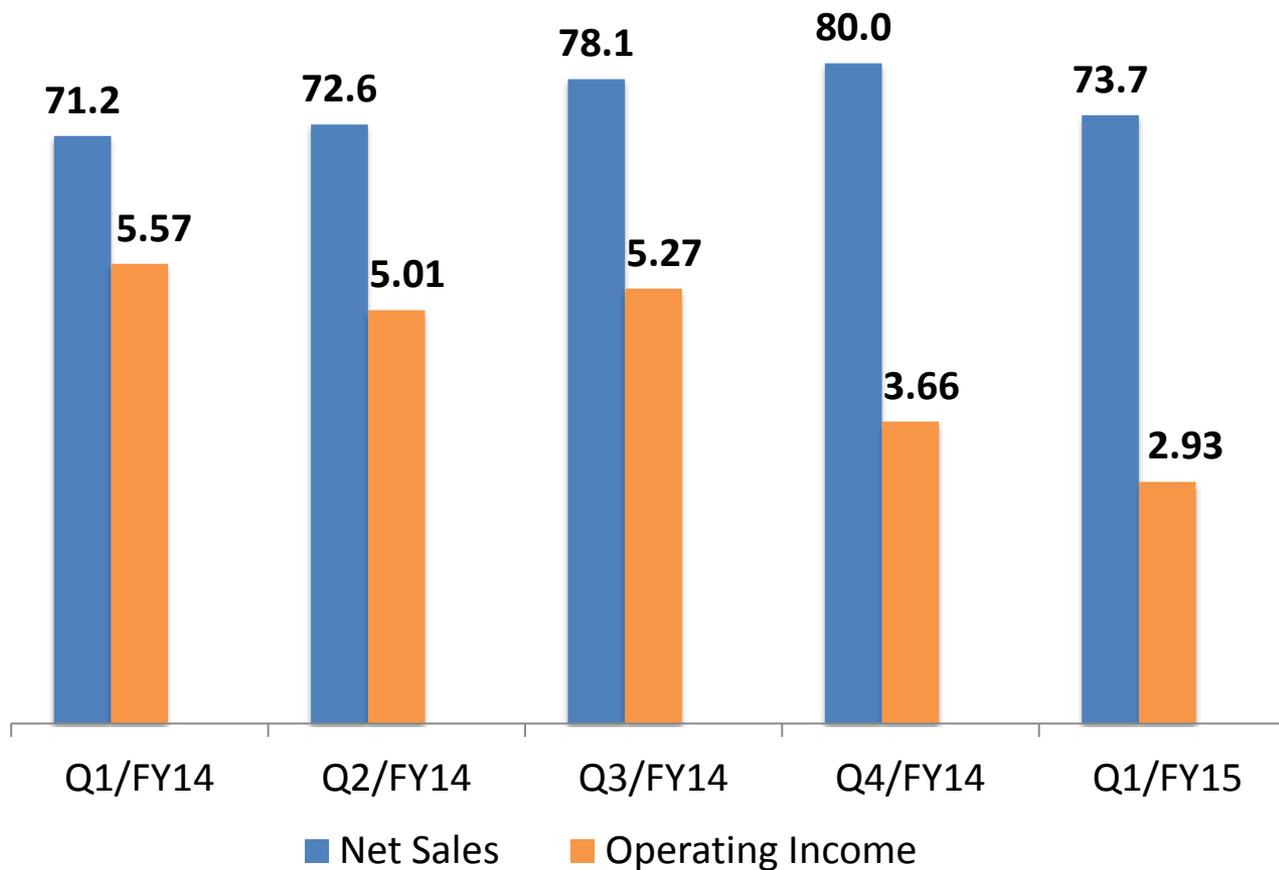


4. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

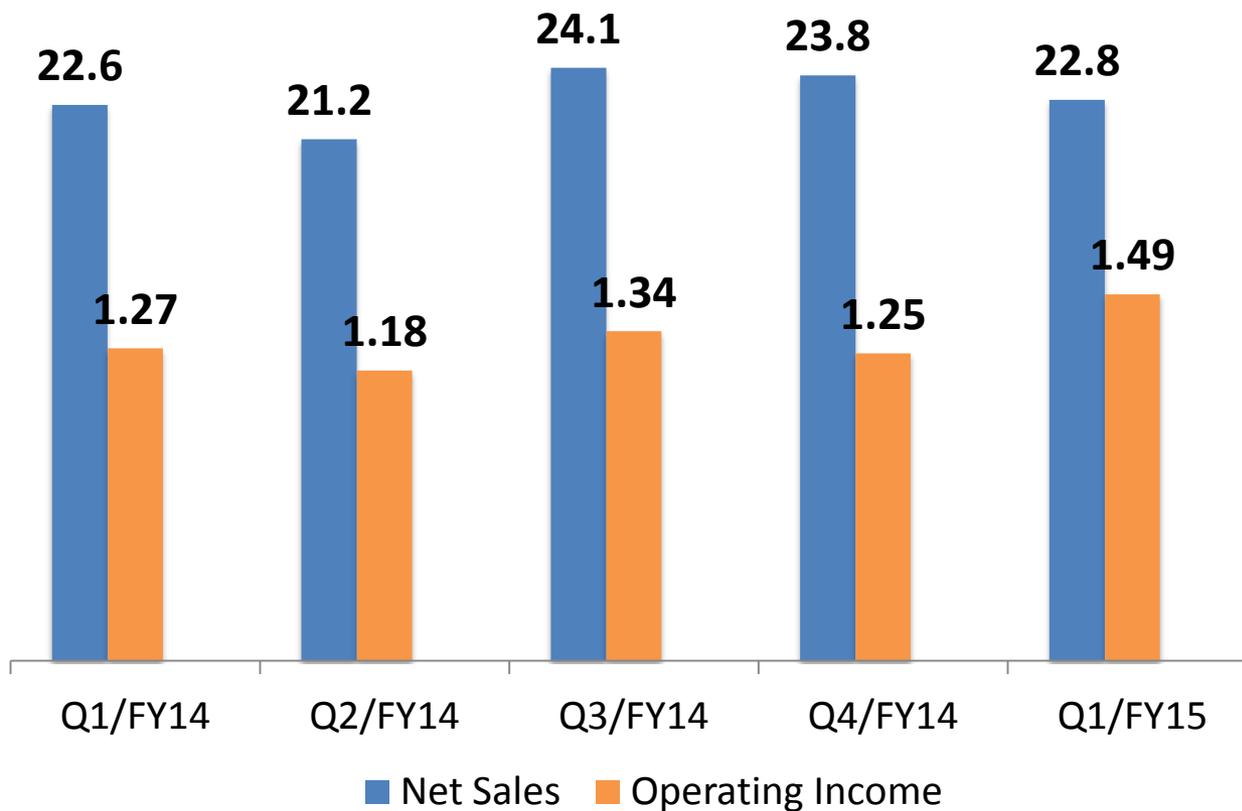


4. Performance Trend

(Quarter)

Chemicals

(Billions of yen)

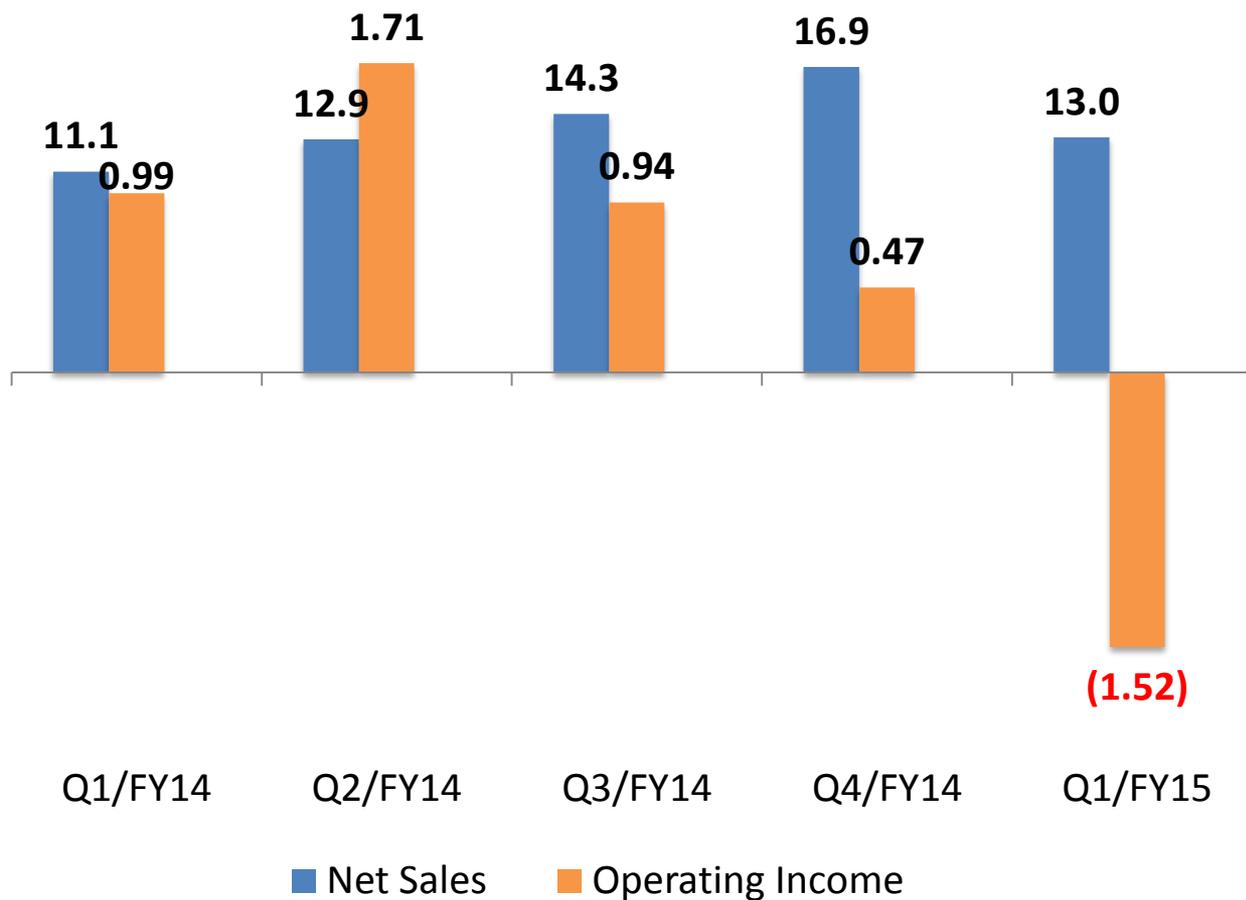


4. Performance Trend

(Quarter)

Specialty Products

(Billions of yen)

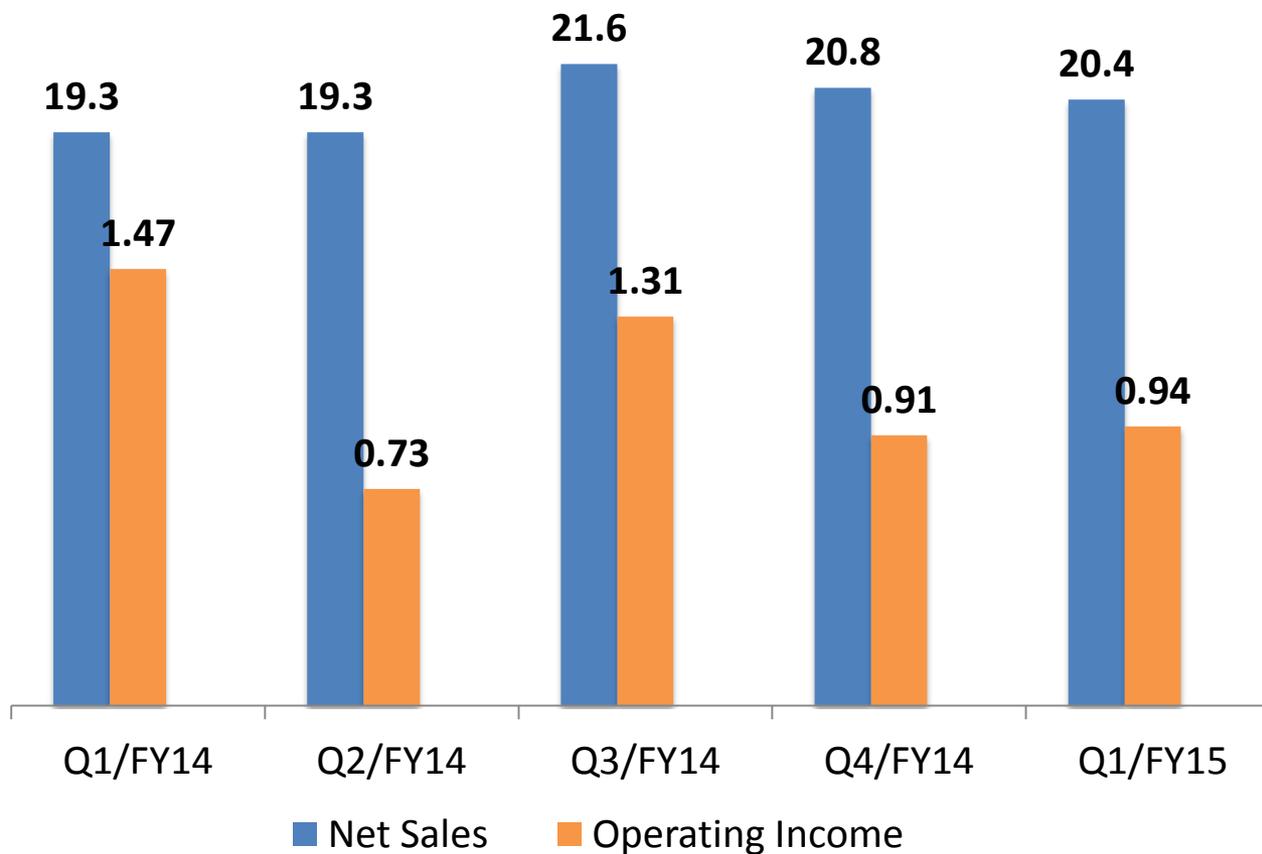


4. Performance Trend

(Quarter)

Cement

(Billions of yen)

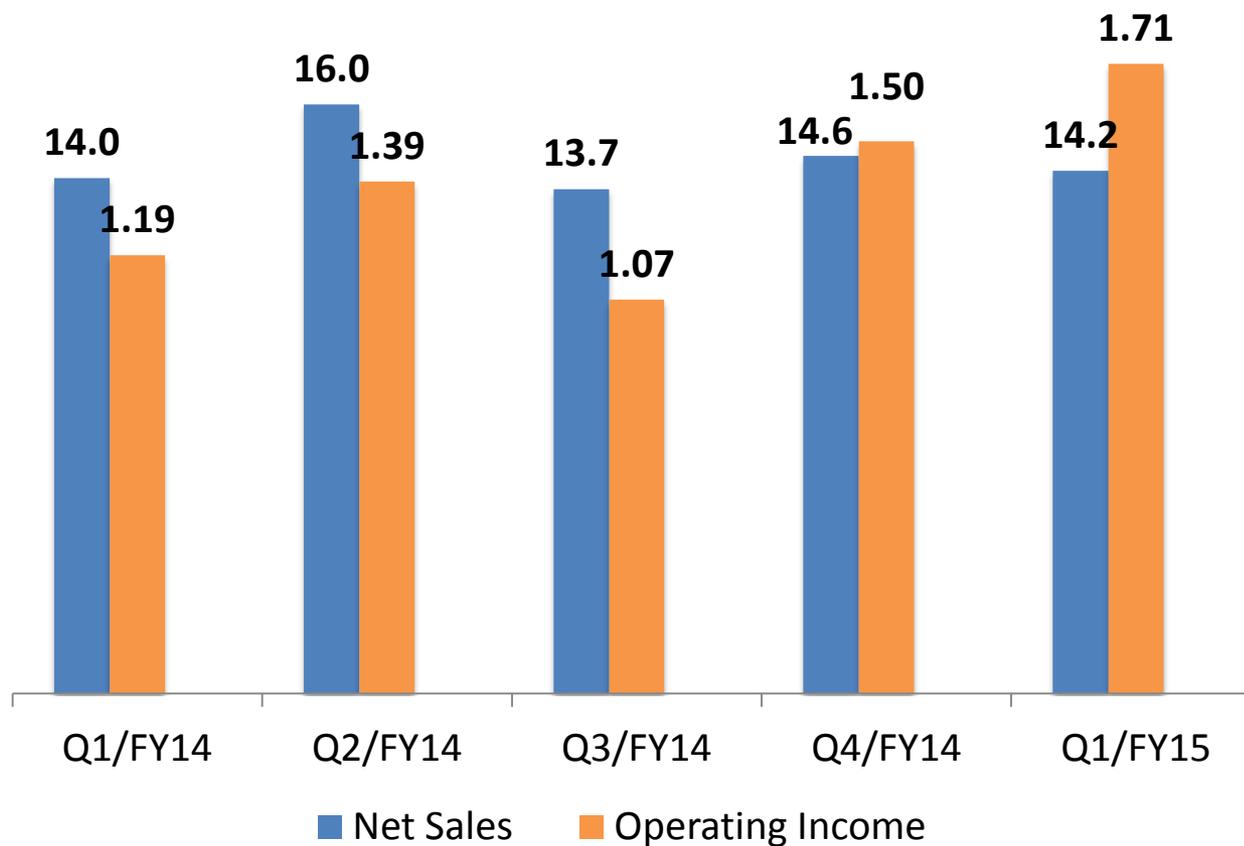


4. Performance Trend

(Quarter)

Life & Amenity

(Billions of yen)



4 Supplementary Data

5. Revised Performance Forecasts (1H/2H)

(Compared with previous forecasts)

(Billions of yen)

	FY2015 previous forecast (Apr 30, 2015)			FY2015 revised forecasts (Jul 31, 2015)		
	1H	2H	Total	1H	2H	Total
Net sales	151.0	161.0	312.0	148.0	161.0	309.0
Operating income	8.5	12.5	21.0	5.5	12.5	18.0
Ordinary income	6.0	8.0	14.0	2.5	9.5	12.0
Net income attributable to owners of parent	3.0	5.0	8.0	0.5	5.5	6.0
Basic earnings per share (yen)	8.62	14.38	23.00	1.44	15.81	17.25
Exchange rate (¥/\$)	115	115	115	123	125	124
Domestic naphtha price (¥/kl)	46,000	46,000	46,000	50,300	51,500	50,900

4 Supplementary Data

5. Revised Performance Forecasts (1H/2H)

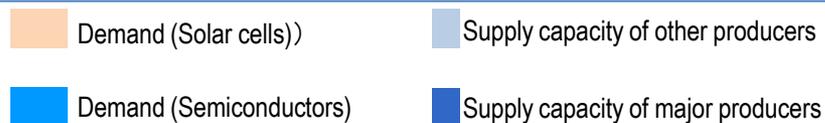
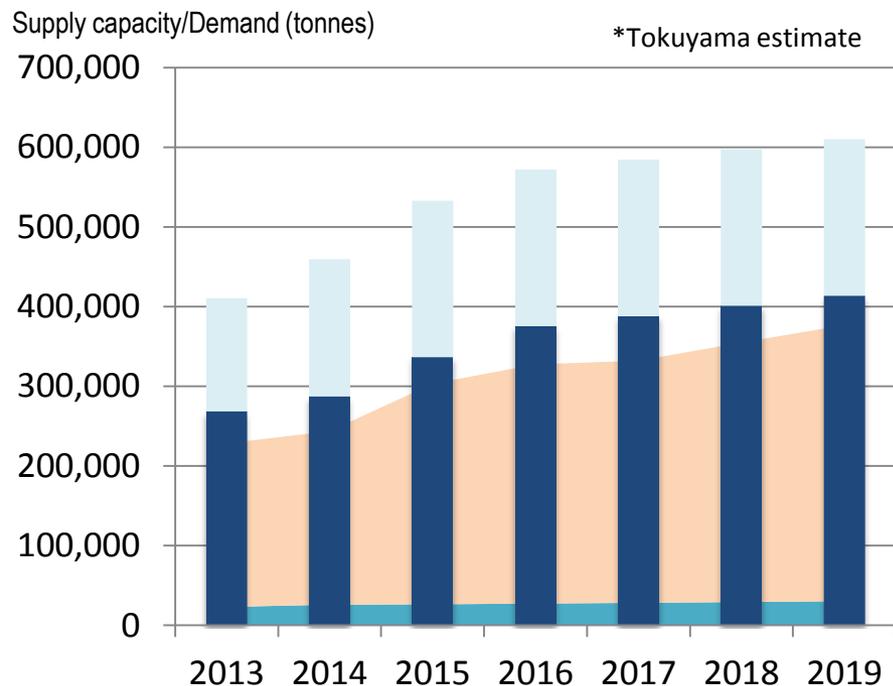
(By business segment, compared with previous forecasts)

(Billions of yen)

	FY2015 previous forecast (Apr 30, 2015)						FY2015 revised forecast (Jul 31, 2015)					
	1H		2H		Total		1H		2H		Total	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	42.0	2.0	45.0	4.0	87.0	6.0	44.0	2.0	46.0	4.0	90.0	6.0
Specialty Products	31.0	0.0	35.0	1.0	66.0	1.0	28.0	(2.5)	37.0	1.5	65.0	(1.0)
Cement	42.0	3.0	44.0	4.0	86.0	7.0	40.0	2.5	41.0	3.0	81.0	5.5
Life & Amenity	29.0	2.5	29.0	3.0	58.0	5.5	29.0	3.0	29.0	3.0	58.0	6.0
Others	27.0	2.0	29.0	2.0	56.0	4.0	27.0	2.0	28.0	2.5	55.0	4.5
Total	171.0	9.5	182.0	14.0	353.0	23.5	168.0	7.0	181.0	14.0	349.0	21.0
Inter-segment eliminations and corporate-wide expenses	(20.0)	(1.0)	(21.0)	(1.5)	(41.0)	(2.5)	(20.0)	(1.5)	(20.0)	(1.5)	(40.0)	(3.0)
Consolidated Results	151.0	8.5	161.0	12.5	312.0	21.0	148.0	5.5	161.0	12.5	309.0	18.0
Tokuyama Malaysia	5.9	(4.4)	7.0	(3.6)	12.9	(8.1)	4.0	(6.9)	5.6	(4.3)	9.6	(11.2)

6. Polysilicon Market

Supply-demand forecast of polysilicon



(Note 1) Major producers mean Tier1 manufactures in the classification by IHS.

(Note 2) Demand is estimated by Tokuyama based on IHS

Forecasts

<Semiconductor-grade polysilicon demand>

- Projected annual increase of 3-4% on the back of an upswing in demand for use in tablet terminals and smartphones

<Solar cell-grade polysilicon demand>

- Despite a substantial decline in installed PV capacity in Europe and some areas, projected annual increase in demand is around 10% largely reflecting forecast growth due attributable to aggressive installation initiatives in such countries as China, the U.S. and India

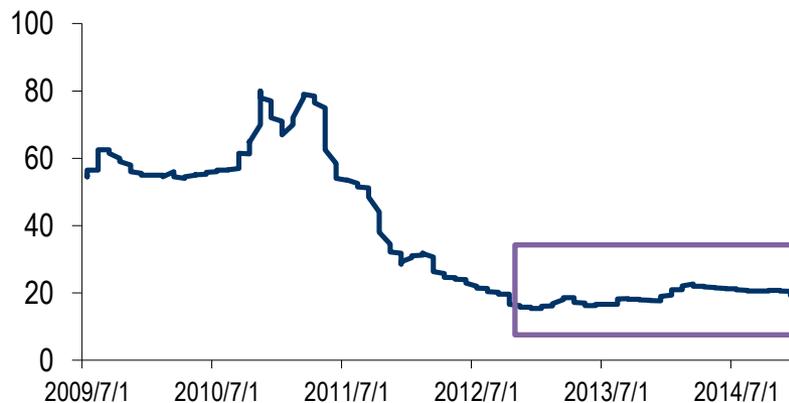
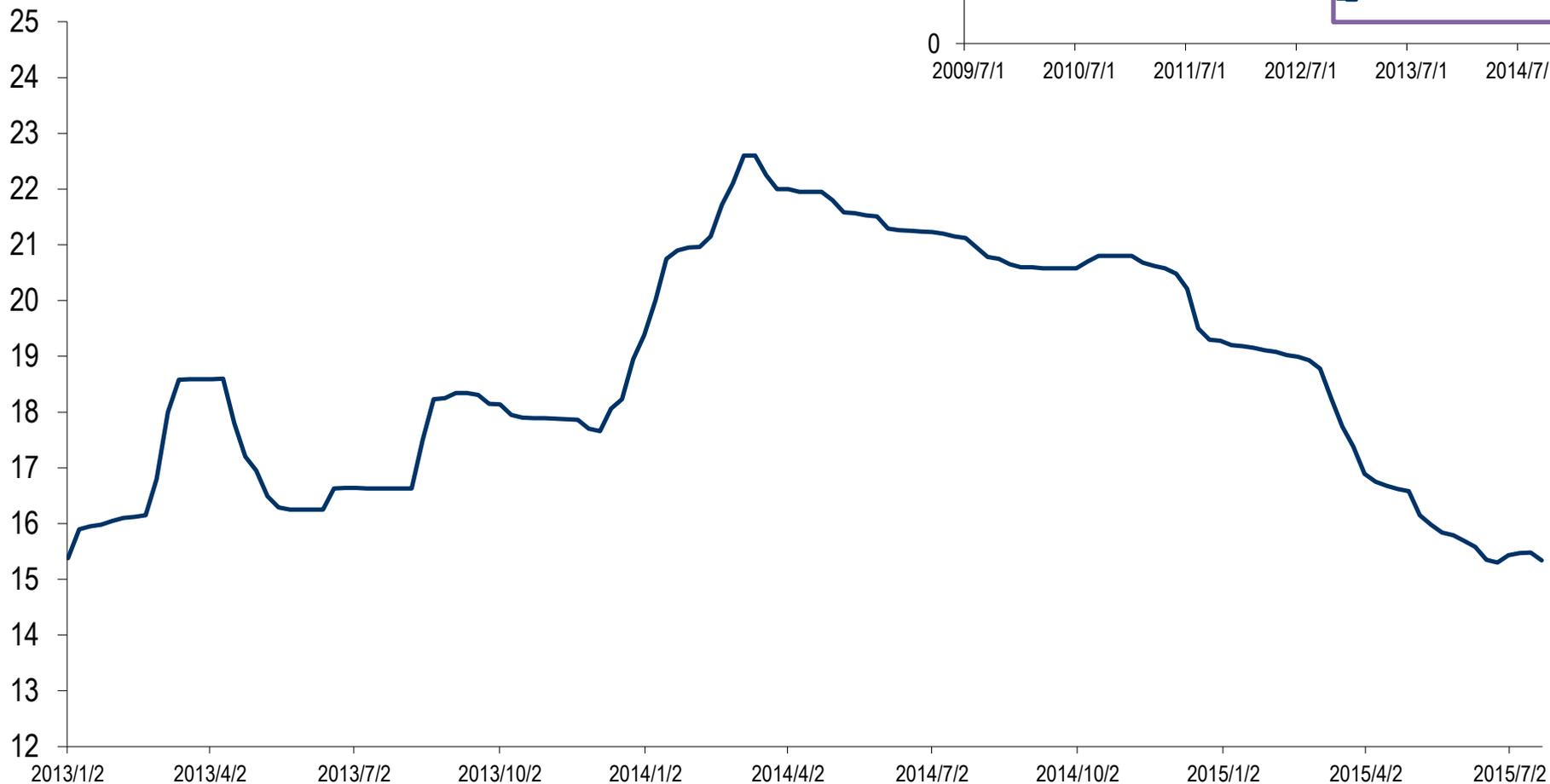
<Supply side>

- Excess supply capacity expected to continue for the foreseeable future; cost competitiveness recognized as the key to survival

6. Polysilicon Market

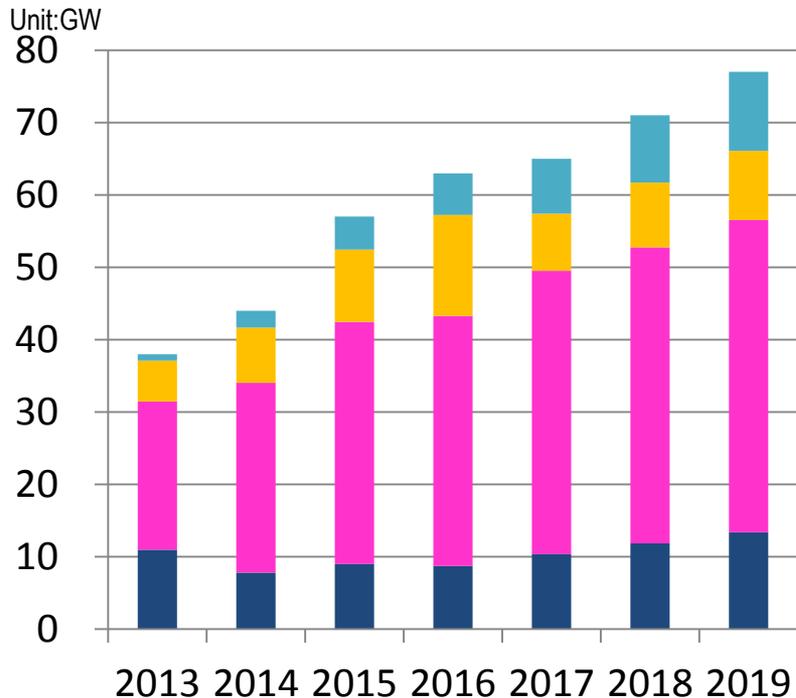
Solar-cell grade Polysilicon Spot Price Trend

(US\$/KG)



7. PV Market

Forecasts of installed PV capacity by region



Europe (Big 9) Asia N. America ROW

(Note) Tokuyama estimate based on IHS Market Tracker (PV Integrated) Q2 2015

Conditions in each country

<China>

◆ In a bid to ensure sound industry growth, the government announced specific targets for the introduction of solar power generation facilities: A cumulative total of 70GW by 2017

◆ China's National Energy Administration has upwardly revised its 2015 solar power energy installation target from 15GW to 17.8GW

<India>

◆ The Modi government announced plans to target an installation volume of 100GW by 2022

<Japan>

◆ Since the launch of the existing feed-in tariff system in July 2012, Japan has witnessed a rapid surge in the amount of solar power generation introduction

◆ The recommended composition ratio of power in 2030 for solar power is set at 7% with respect to the long-term energy supply and demand outlook

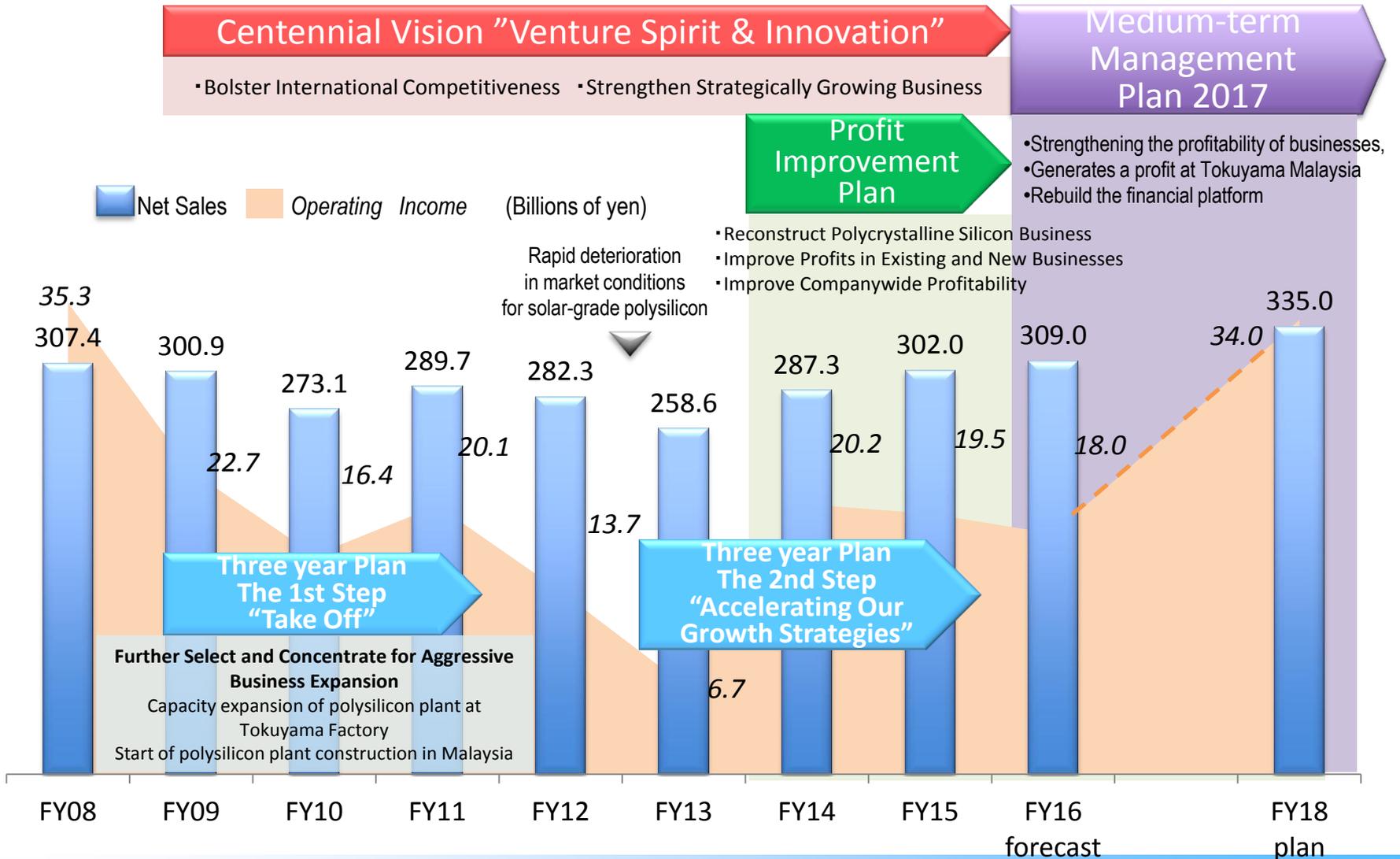
<U.S.>

◆ Policy measures aimed at promoting the widespread use of a variety of solar power generation facilities is driving market growth; in particular, public policy measures at the state level are pushing forward the large-scale solar power generation market

<Europe>

◆ The solar power generation market contracted slightly in 2014 due to the successive shrinking and termination of policy support measures; From 2015, the market is expected to enter a growth trend on the back of a recovery in demand after four years

8. History of Medium-Term Management Plan



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Chemistry with a heart

TOKUYAMA

