

Q1 FY2016 - Apr 1, 2016 to Jun 30, 2016 -

Presentation for IR Meeting

Tokuyama Corporation

July 29, 2016



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1 Financial Results for Q1 FY2016

1. Financial Highlights

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

3. Changes in Operating Income



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

(Billions of yen)

	Q1 FY2015	Q1 FY2016	Difference	
			Amount	%
Net sales	73.7	73.1	(0.5)	(1)
Operating income	2.9	9.5	+6.5	+224
Ordinary income	1.4	6.4	+4.9	+335
Profit attributable to owners of parent	0.0	5.5	+5.4	-
Basic earnings per share (yen)	0.17	15.91		
Exchange rate (¥/\$)	121	108		
Domestic naphtha price (¥/kl)	48,800	31,600		

Qualitative information

(Net sales) ¥73.1 billion, down 1%

Plus: increased sales volume of polycrystalline silicon for both semiconductor and solar-cells

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

(Operating income) ¥9.5 billion, up 224%

Pluses: operating rate improvement and decreased depreciation expenses at Tokuyama Malaysia;
downturn in production costs as a result of the drop in raw material and fuel prices

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

(Billions of yen)

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Qualitative information

(Ordinary income) ¥6.4 billion, up 335%

Plus: increased operating income

Minus: increased trial production expenses at Tokuyama Malaysia

(Profit attributable to owners of parent) ¥5.5 billion

Pluses: increased ordinary income;

posting of a subsidy income related to manufacturing facilities of Tokuyama Malaysia

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, 2016	As of Jun 30, 2016	Changes
Total assets	401.3	404.9	+3.6
Shareholders' equity	51.4	74.3	+22.8
Shareholders' equity ratio	12.8%	18.4%	+5.5 pts
Interest-bearing debt	244.1	238.1	(5.9)
D/E ratio	4.74	3.20	(1.54)
Net D/E ratio*	2.38	1.43	(0.96)
Net assets per share (yen)	147.98	156.22	

Qualitative information

(Total assets)

Increase factor: increase in cash and deposits

Decrease factor: decrease in notes and accounts receivable – trade

(Shareholders' equity)

Increase factor: increase in shareholders' equity as a result of issuance of class shares

(Interest-bearing debt)

Decrease factor: decrease in long-term loans payable and others

*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 FY2015		Q1 FY2016		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	22.8	1.4	20.2	2.9	(2.6)	(12)	+1.4	+95
Specialty Products	13.0	(1.5)	16.1	2.1	+3.0	+23	+3.6	-
Cement	20.4	0.9	19.4	1.6	(1.0)	(5)	+0.7	+77
Life & Amenity	14.2	1.7	13.8	1.8	(0.4)	(3)	+0.1	+6
Others	12.9	1.0	13.1	1.5	+0.2	+2	+0.5	+53
Total	83.6	3.6	82.7	10.0	(0.8)	(1)	+6.4	+175
Inter-segment eliminations and corporate-wide expenses	(9.8)	(0.7)	(9.6)	(0.5)	+0.2	-	+0.1	-
Consolidated results	73.7	2.9	73.1	9.5	(0.5)	(1)	+6.5	+224

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

(Reference)

Tokuyama Malaysia	1.8	(3.1)	4.0	(0.0)	+2.1	+118	+3.1	-
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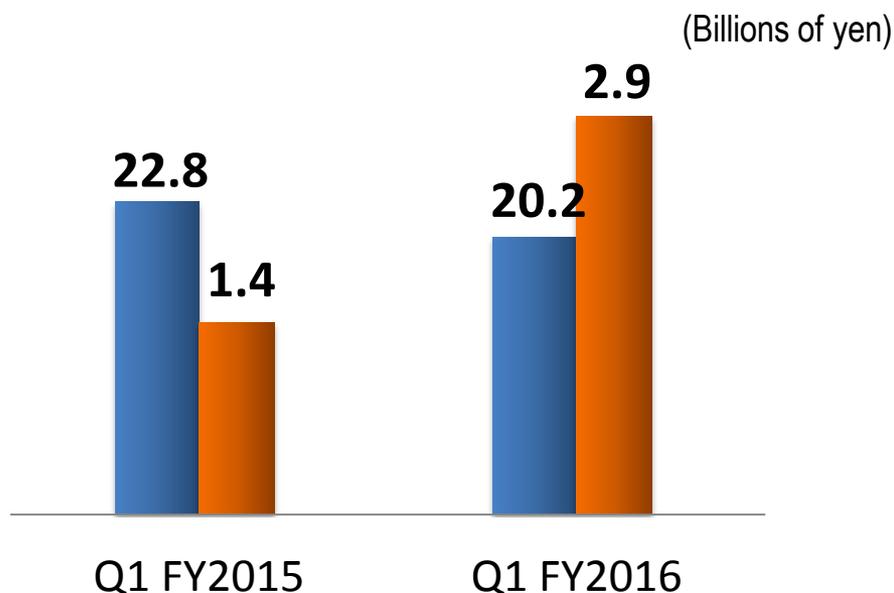
2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Chemicals

Higher earnings on lower sales

■ Net Sales ■ Operating Income



Qualitative information

(Caustic soda)

- Net sales decreased due to weak trends in selling prices, while domestic sales volumes were steady

(Vinyl chloride monomer (VCM))

- Net sales were down due to weak trends in selling prices as a result of the drop in domestic naphtha prices, despite increased export volume for Asian market

(Vinyl chloride resin)

- Improved earnings due to the suspension of operations at the Chiba factory

(Soda ash and calcium chloride)

- Net sales were down owing to decreased sales volume, despite efforts to revise selling prices

2. Net Sales/Operating Income by Business Segment

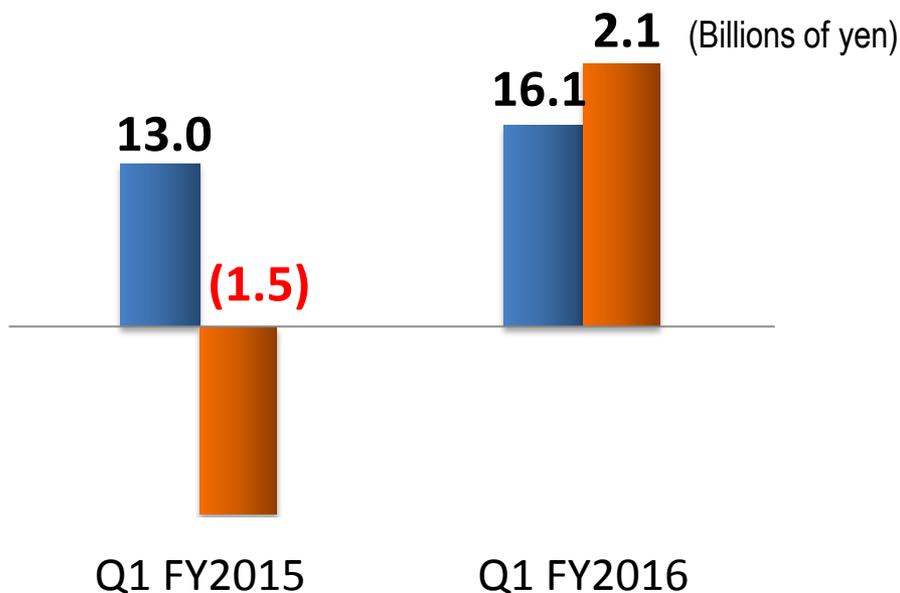
(Year-on-year change)

Specialty Products

Higher earnings on higher sales

■ Net Sales ■ Operating Income

Qualitative information



(Semiconductor-grade polycrystalline silicon)

- Increased sales volume, reflecting the growing trend to highly functional mobile devices including smartphones

(Solar-grade polycrystalline silicon)

- Higher sales volume, reflecting the operating rate improvement at Tokuyama Malaysia

(High-purity chemicals for electronics manufacturing)

- Net sales were down due to continuing appreciated yen, despite robust sales in such applications used for semiconductor manufacturing

(Aluminum nitride)

- Higher sales volume of such applications used for semiconductor manufacturing equipment

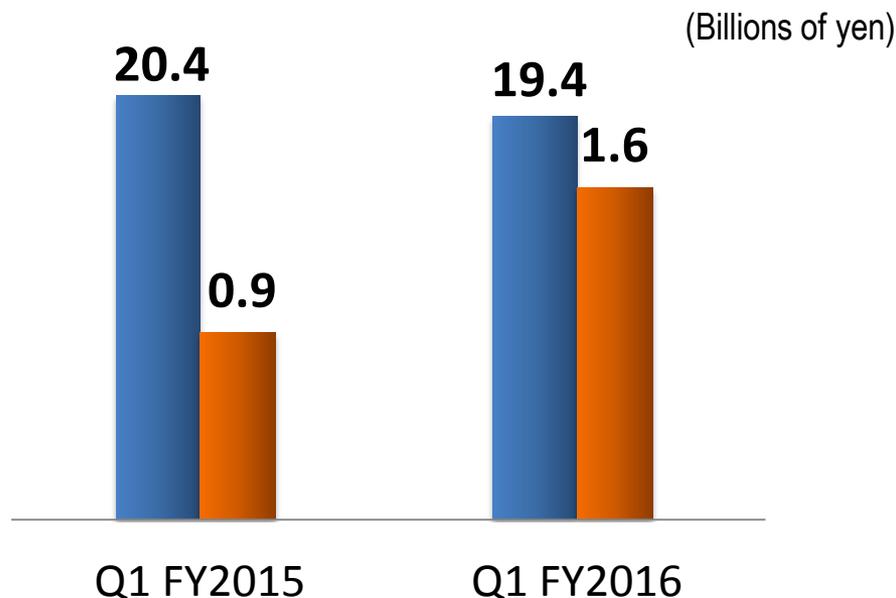
2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Cement

Higher earnings on lower sales

■ Net Sales ■ Operating Income



Qualitative information

(Cement)

- Sales of cement were flat due to the fact that downturn in sales volumes attributable to weak public- and private-sector demand in Japan was offset by an increase in the volume of exports on the back of robust demand in the Asia region
- Consolidated subsidiary net sales declined, reflecting corrections to robust shipping targeting large-scale projects in the corresponding period of the previous fiscal year.

(Recycling and environment-related business)

- The Company accepted higher volume of waste including coal ash

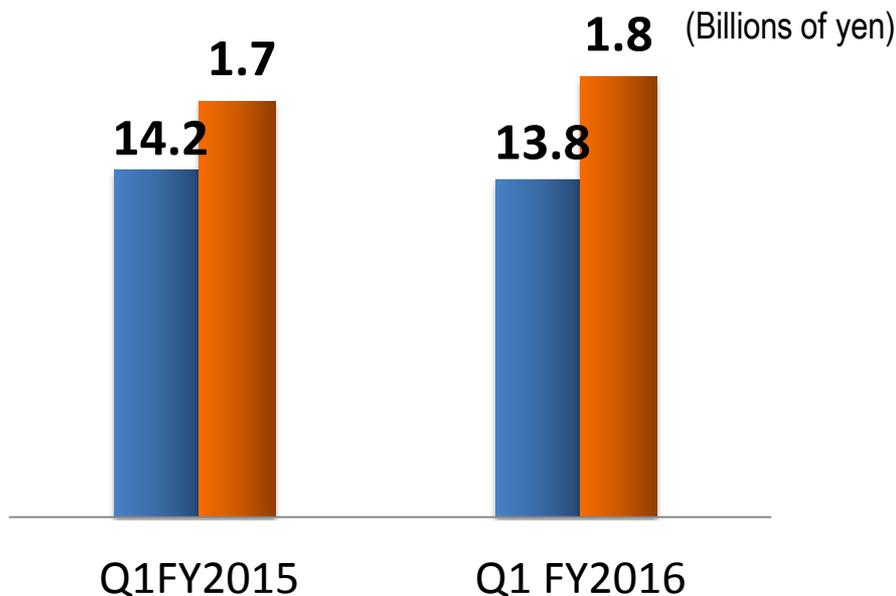
2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Life & Amenity

Higher earnings on lower sales

■ Net Sales ■ Operating Income



Qualitative information

(Active pharmaceutical ingredient)

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

(Microporous film)

- Decreased 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

(Dental materials and equipment)

- Higher sales volume of new products and increased export

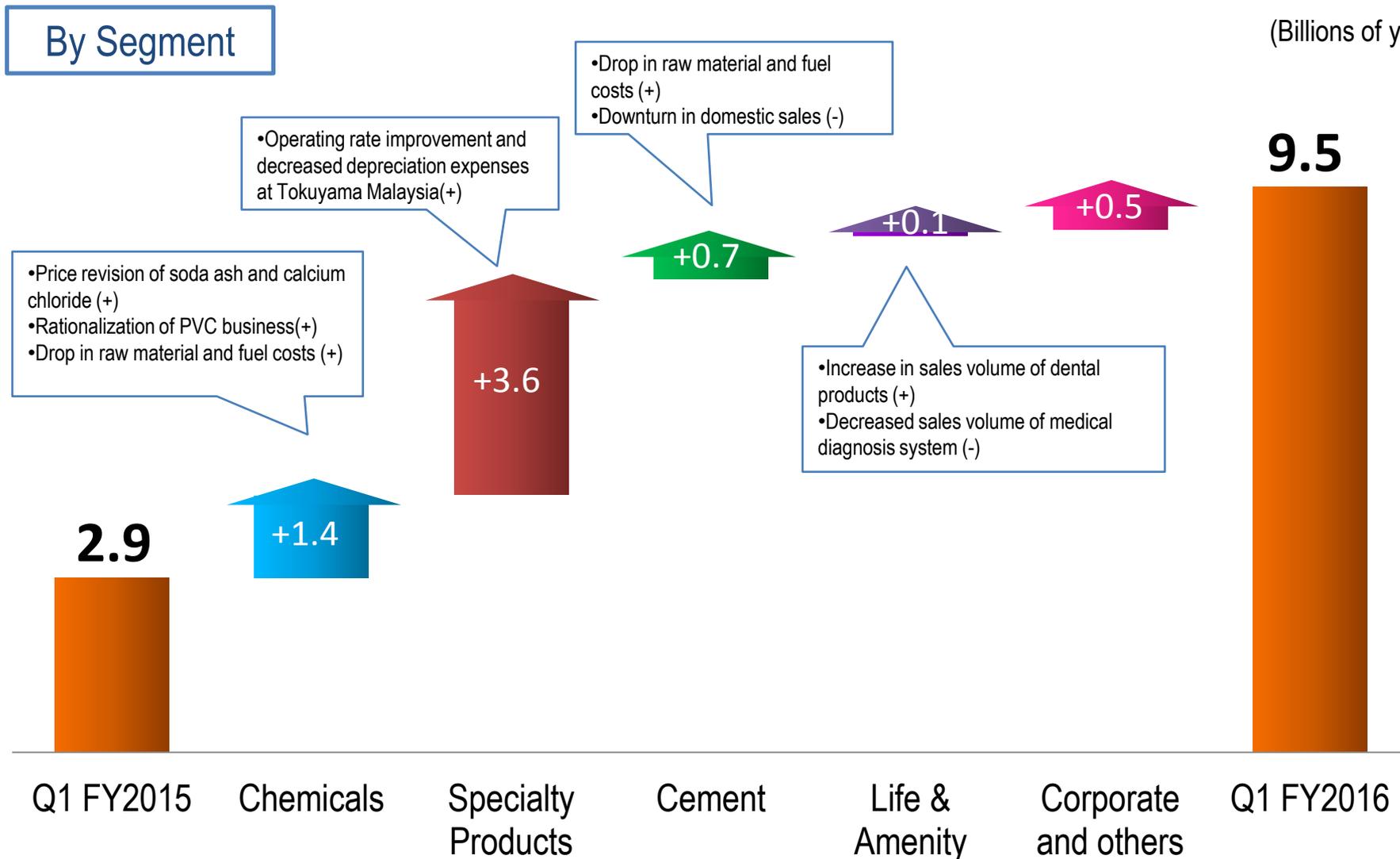
(Medical diagnosis system)

- Decreased sales volume, reflecting corrections to shipments targeting large-scale projects in the corresponding period of the previous fiscal year

3. Changes in Operating Income

(Year-on-year change)

(Billions of yen)





2 Performance Forecasts for FY2016

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

1. Performance Forecasts

Consolidated
(Year-on-year change based on FY2016 forecasts)

(Billions of yen)

	FY2015 Results	FY2016 Forecasts (May 12, 2016)	Difference	
			Amount	%
Net sales	307.1	302.0	(5.1)	(2)
Operating income	23.0	32.0	+8.9	+39
Ordinary income	17.7	27.0	+9.2	+52
Profit (loss) attributable to owners of parent	(100.5)	17.0	+117.5	-
Basic earnings per share (yen)	(289.10)	46.68		
Exchange rate (¥/\$)	120	110		
Domestic naphtha price (¥/kl)	42,800	35,000		

Although the future business environment is uncertain because of the fluctuations in spot price of such product as solar-grade polycrystalline silicon, exchange rate and raw material and fuel prices, the Company's results were in line with our expectations at this time. Therefore, the Company has not revised the performance forecasts, announced on May 12, 2016.

2. Performance Forecasts by Business Segment

(Year-on-year change based on FY2016 forecasts)

(Billions of yen)

	FY2015 Results		FY2016 Forecasts (May 12, 2016)		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	87.8	8.9	81.0	10.0	(6.8)	(8)	+1.0	+12
Specialty Products	60.9	(1.1)	67.0	7.0	+6.0	+10	+8.1	-
Cement	85.4	5.8	87.0	8.0	+1.5	+2	+2.1	+37
Life & Amenity	57.6	6.5	52.0	5.0	(5.6)	(10)	(1.5)	(24)
Others	53.6	5.6	53.0	4.5	(0.6)	(1)	(1.1)	(21)
Total	345.5	25.8	340.0	34.5	(5.5)	(2)	+8.6	+34
Inter-segment eliminations and corporate-wide expenses	(38.4)	(2.7)	(38.0)	(2.5)	+0.4	-	+0.2	-
Consolidated Results	307.1	23.0	302.0	32.0	(5.1)	(2)	+8.9	+39

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

(Reference)

Tokuyama Malaysia	8.8	(10.2)	11.0	(4.0)	+2.1	+24	+6.2	-
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3 Topics

- 1. Tokuyama Malaysia**
- 2. The Completion of New Waste Gypsum Board Recycling Factory**



1. Tokuyama Malaysia

Schedule Going Forward

		FY2015 (ending Mar-16)	FY2016 (ending Mar-17)	FY2018 (ending Mar-19)
 <p>Tokuyama Malaysia</p>	PS1	Utilize as a backup for PS-2		
	PS2	(Posted impairment loss in 3Q)	Implement cost reduction	Achieve profitable operations

Business Plan

	(Results)	(Forecasts)	(Billions of yen) (Plan)
Net sales	8.8	11.0	18.0
Operating income	(10.2)	(4.0)	2.0
Spot price of solar-grade polysilicon	US\$14.6./kg	US\$13.5/kg	US\$15.0/kg
Sales Qty	5,000 tonnes	8,000 tonnes	11,000 tonnes
Exchange rate (¥/US\$)	120	110	110
Exchange rate (¥/MYR)	30	28	28

Although the current trends of spot price and operating rate are better than expected, the future outlook is uncertain. Therefore, the forecast, announced on May 12, 2016, has not been revised.

3 Topics

2. The Completion of New Waste Gypsum Board Recycling Factory

- Following on from the Mie Headquarters Factory that came online in 2013, Tokuyama Chiyoda Gypsum Co., Ltd. has completed construction of its Kanto Factory in Sodegaura City, Chiba.
This factory will serve as a base in the Kanto region for the recycling of waste gypsum board.
- This new facility will undertake the collection of waste gypsum board from the areas surrounding eastern Japan focusing mainly on the Tokyo Metropolitan area as well as the manufacture and sale of gypsum utilizing continuous large-scale recrystallization technology.

Company name : Tokuyama Chiyoda Gypsum Co., Ltd. Kanto Factory

Capacity: 80,000 tons per year (waste gypsum board treatment amount)

Total business costs: Approx. ¥2.0 billion

Commercial operations commence: July 2016

Number of employees: Around 15

Business activities: The collection of waste gypsum board; the manufacture and sale of gypsum; waste gypsum board recycling activities



Chemistry with a heart

TOKUYAMA



4 Supplementary Data

- 1. Consolidated Financial Statements**
- 2. Performance Trend**
- 3. Performance Forecasts (1H/2H)**
- 4. Polysilicon Market**
- 5. PV Market**

1. Consolidated Financial Statements

Income Statements

(Billions of yen)

	Q1 FY2015	Q1 FY2016	Difference	
			Amount	%
Net sales	73.7	73.1	(0.5)	(1)
Cost of sales	55.3	48.5	(6.8)	(12)
Selling, general and administrative expenses	15.4	15.1	(0.3)	(2)
Operating income	2.9	9.5	+6.5	+224
Non-operating income/expenses	(1.4)	(3.0)	(1.6)	-
Ordinary income	1.4	6.4	+4.9	+335
Extraordinary income/expenses	0.0	2.4	+2.4	-
Income/loss before income taxes	1.4	8.9	+7.4	+498
Income taxes and non-controlling interests	1.4	3.3	+1.9	+135
Profit attributable to owners of parent	0.0	5.5	+5.4	-

1. Consolidated Financial Statements Balance Sheets

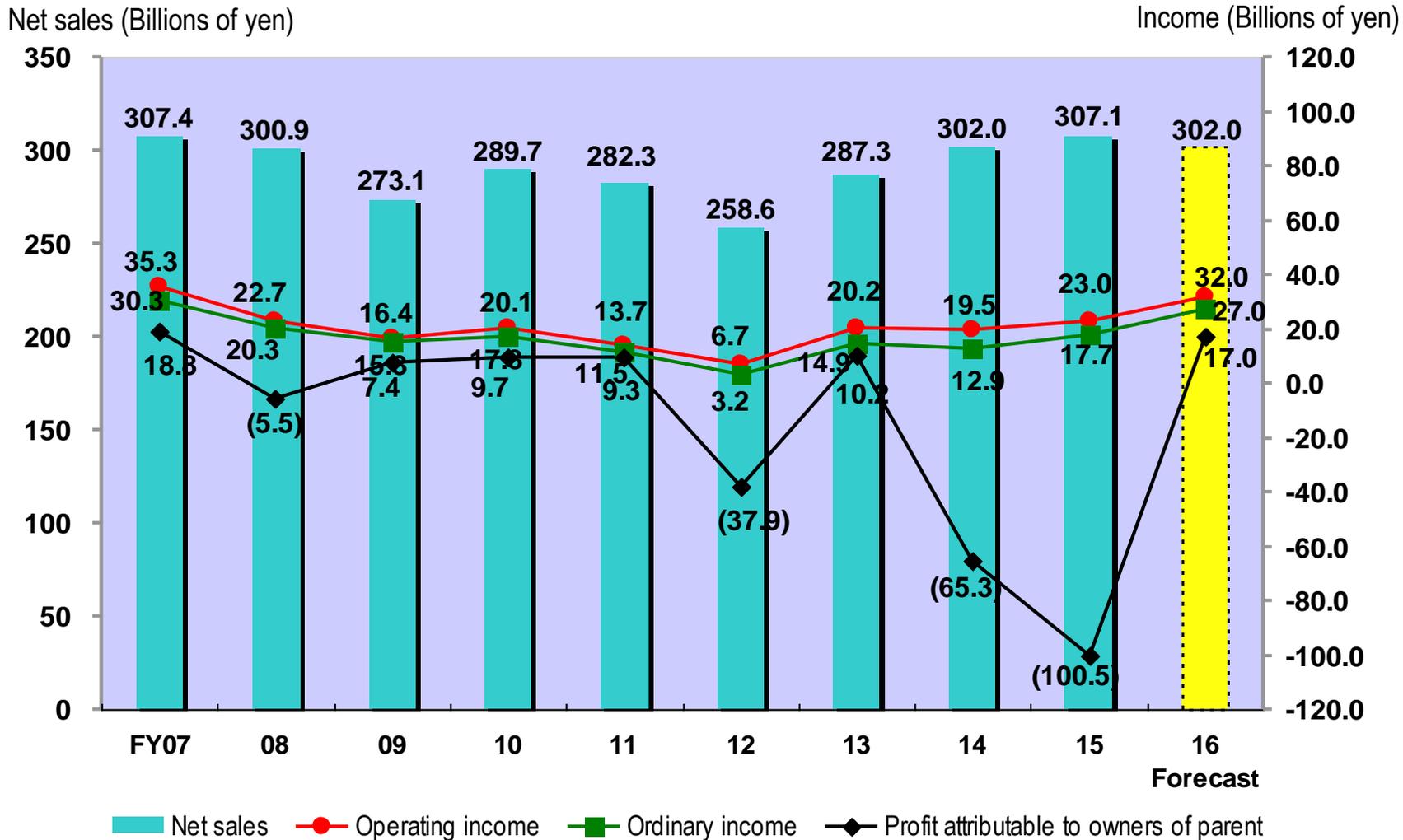
(Billions of yen)

	3/31/2016	6/30/2016	Changes	
			Amount	%
Total assets	401.3	404.9	+3.6	+1
Current assets	243.7	249.1	+5.3	+2
Tangible fixed assets	119.7	117.8	(1.9)	(2)
Intangible fixed assets	6.3	5.8	(0.5)	(9)
Investments and other assets	31.4	32.2	+0.8	+3

	3/31/2016	6/30/2016	Changes	
			Amount	%
Total liabilities	341.1	321.7	(19.3)	(6)
Current liabilities	113.2	98.8	(14.3)	(13)
Long-term liabilities	227.9	222.9	(4.9)	(2)
Total net assets	60.2	83.1	+22.9	+38

2. Performance Trend

Consolidated (Annual)

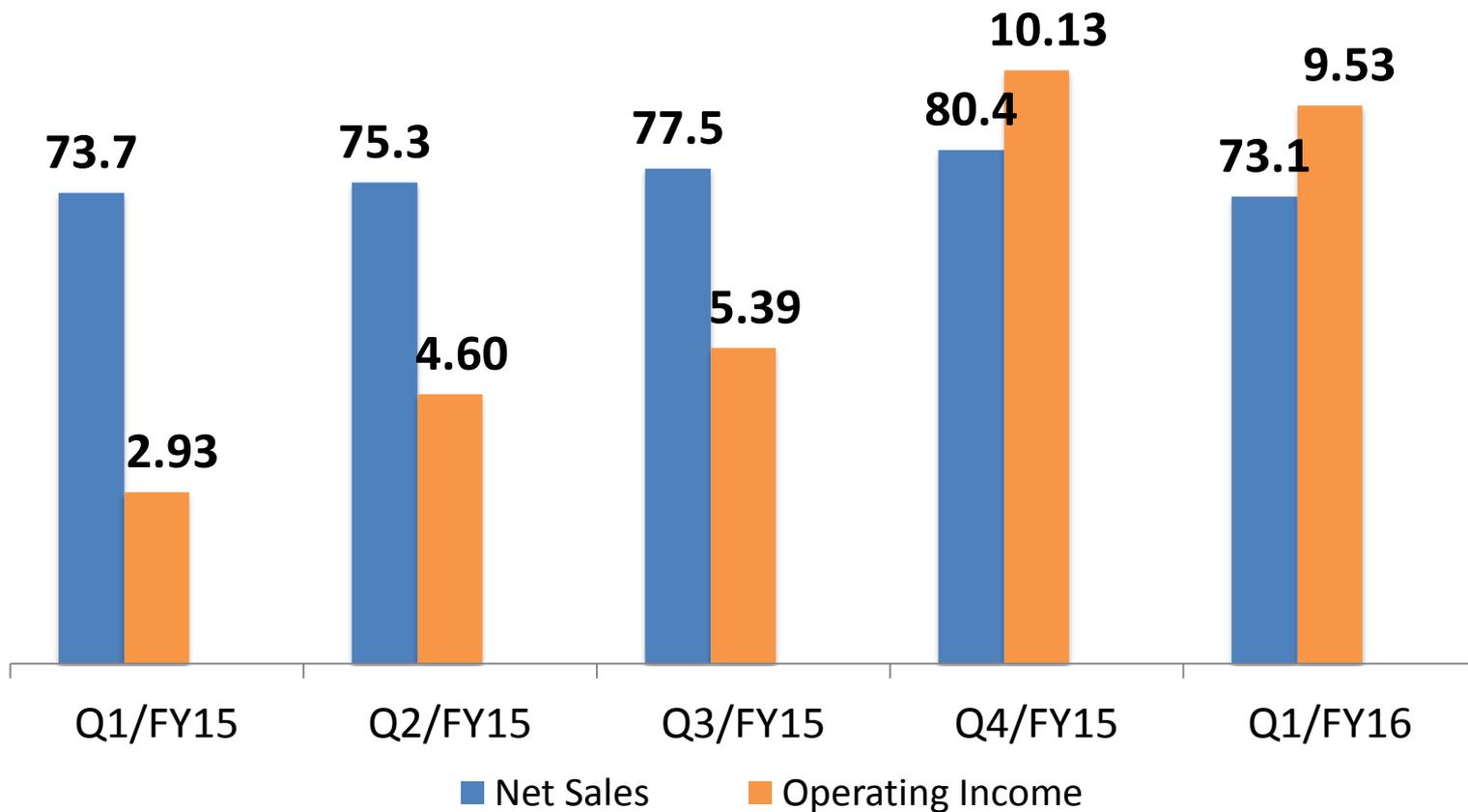


2. Performance Trend

(Quarter)

Consolidated

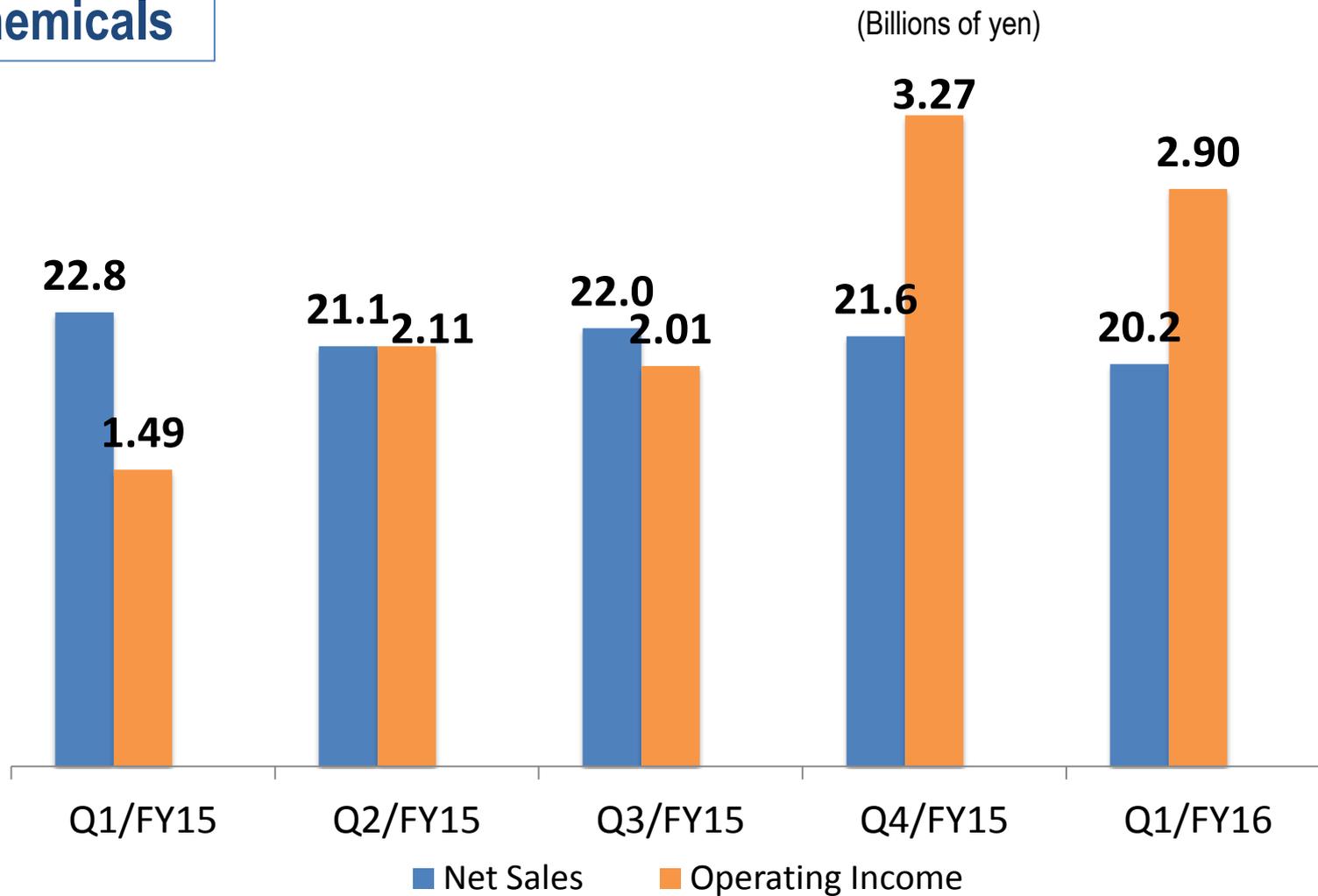
(Billions of yen)



2. Performance Trend

(Quarter)

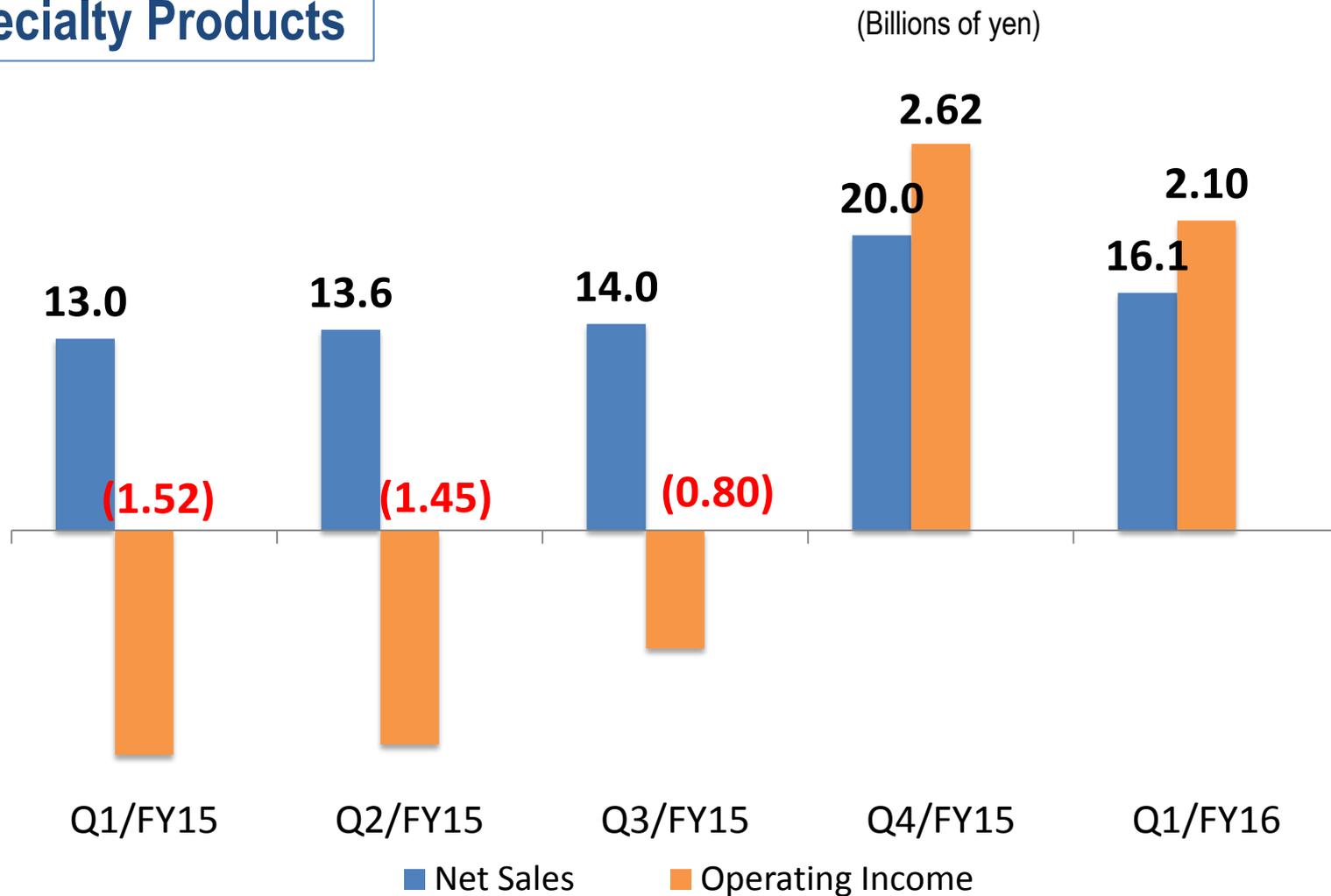
Chemicals



2. Performance Trend

(Quarter)

Specialty Products

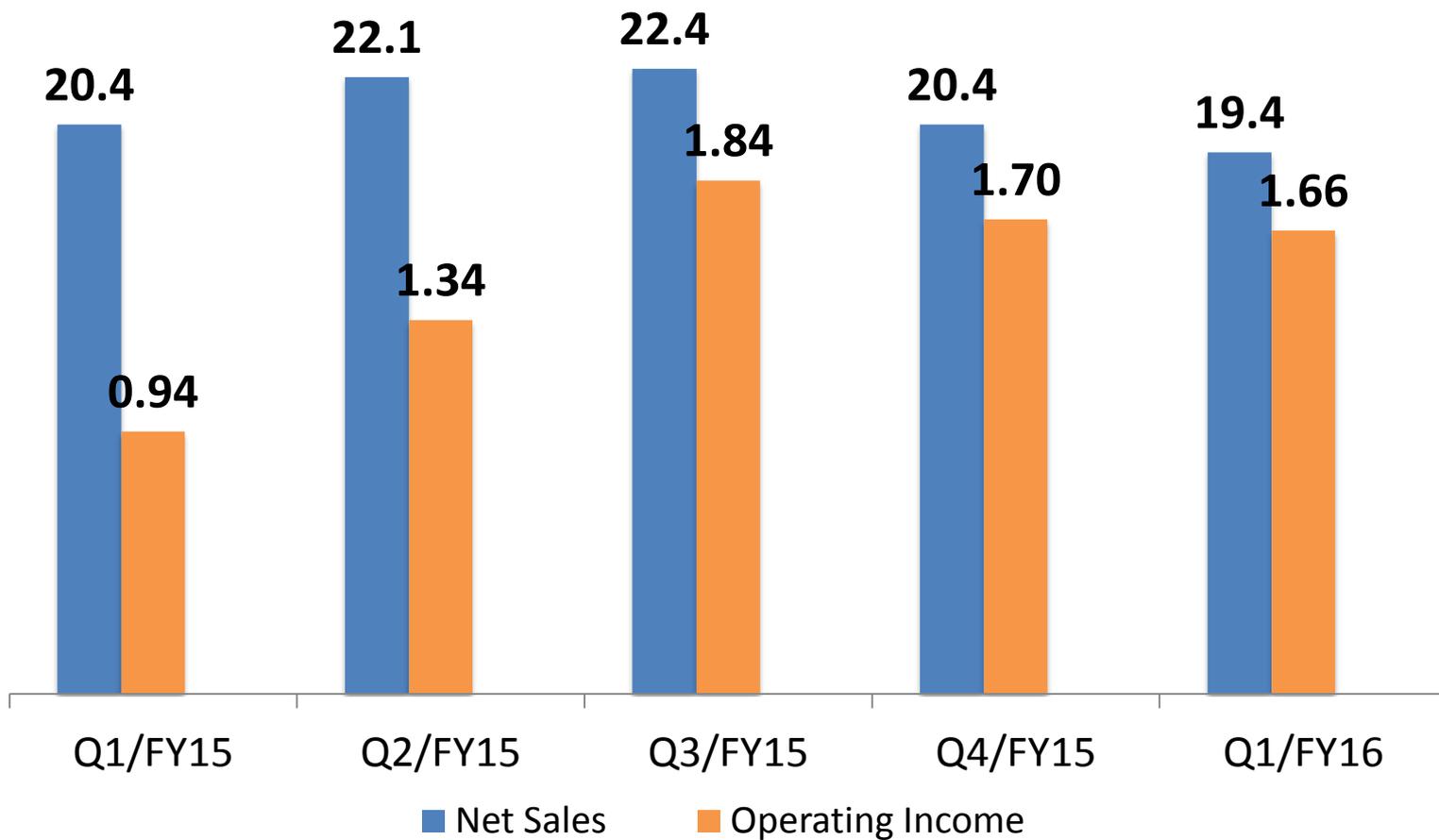


2. Performance Trend

(Quarter)

Cement

(Billions of yen)

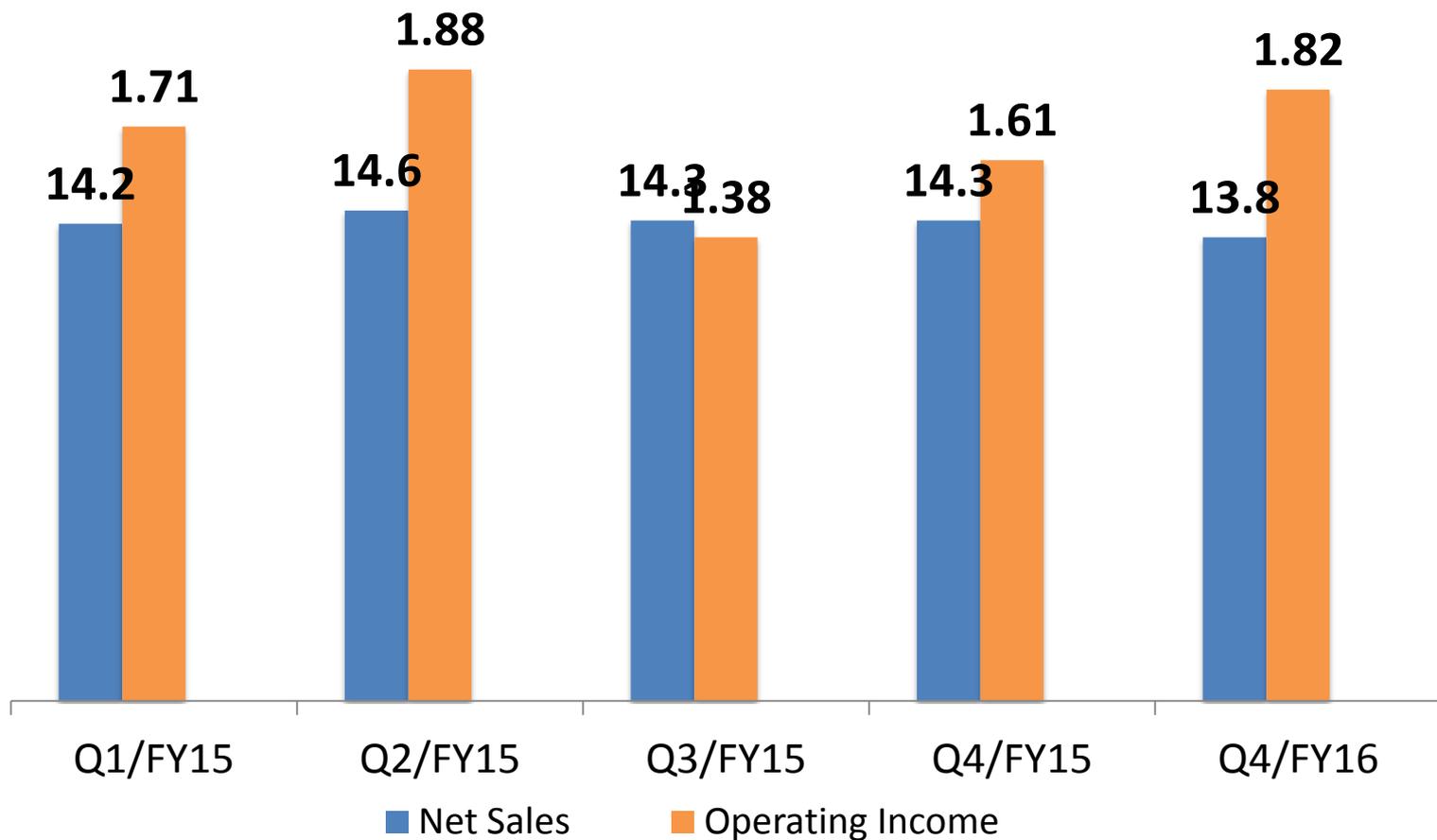


2. Performance Trend

(Quarter)

Life & Amenity

(Billions of yen)



3. Performance Forecasts (1H/2H)

(Year-on-year change based on FY2016 forecasts)

(Billions of yen)

	FY2015 Results			FY2016 Forecasts (May 12, 2016)		
	1H	2H	Total	1H	2H	Total
Net sales	149.1	157.9	307.1	145.0	157.0	302.0
Operating income	7.5	15.5	23.0	14.5	17.5	32.0
Ordinary income	5.2	12.4	17.7	11.5	15.5	27.0
Profit (loss) attributable to owners of parent	2.7	(103.3)	(100.5)	7.0	10.0	17.0
Basic earnings per share (yen)	8.00	(297.10)	(289.10)	19.37	27.31	46.68
Exchange rate (¥/\$)	122	118	120	110	110	110
Domestic naphtha price (¥/kl)	48,000	37,600	42,800	35,000	35,000	35,000

3. Performance Forecasts (1H/2H)

(Year-on-year change based on FY2016 forecasts)

(Billions of yen)

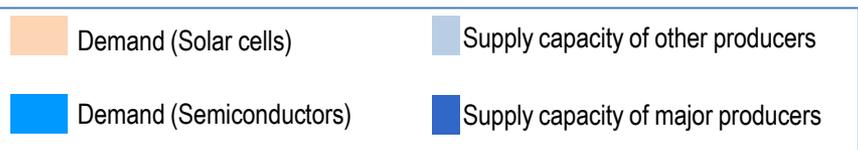
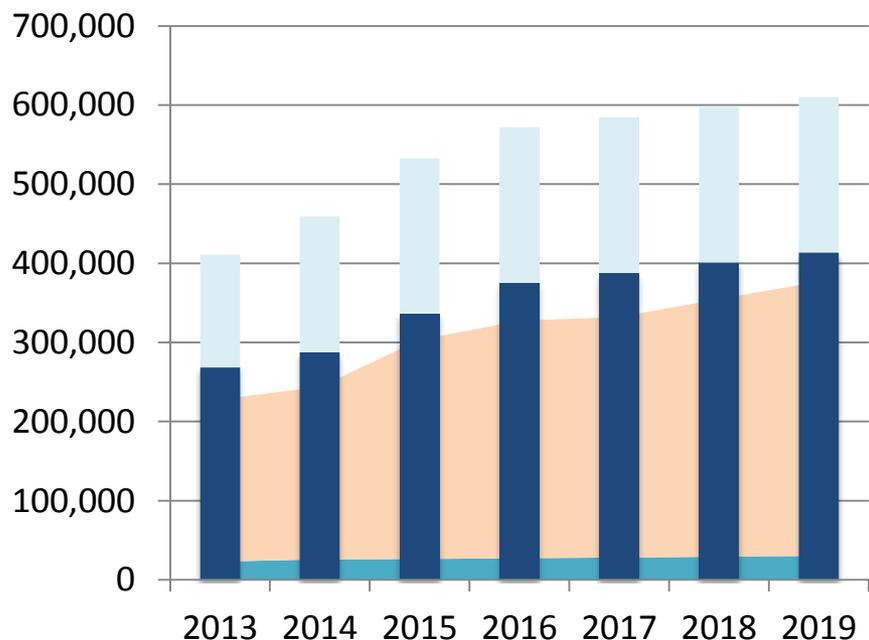
	FY2015 Results						FY2016 Forecasts (May 12, 2016)					
	1H		2H		Total		1H		2H		Total	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	44.0	3.6	43.7	5.2	87.8	8.9	38.0	5.0	43.0	5.0	81.0	10.0
Specialty Products	26.7	(2.9)	34.1	1.8	60.9	(1.1)	31.0	2.0	36.0	5.0	67.0	7.0
Cement	42.5	2.2	42.9	3.5	85.4	5.8	42.0	3.5	45.0	4.5	87.0	8.0
Life & Amenity	28.9	3.6	28.7	2.9	57.6	6.5	27.0	2.5	25.0	2.5	52.0	5.0
Others	26.7	2.5	26.8	3.1	53.6	5.6	27.0	2.5	26.0	2.0	53.0	4.5
Total	169.1	9.0	176.4	16.7	345.5	25.8	165.0	15.5	175.0	19.0	340.0	34.5
Inter-segment eliminations and corporate-wide expenses	(19.9)	(1.5)	(18.4)	(1.2)	(38.4)	(2.7)	(20.0)	(1.0)	(18.0)	(1.5)	(38.0)	(2.5)
Consolidated Results	149.1	7.5	157.9	15.5	307.1	23.0	145.0	14.5	157.0	17.5	302.0	32.0

4. Polysilicon Market

Supply-demand forecast of polysilicon

Supply capacity/Demand (tonnes)

*Tokuyama estimate



Forecasts

<Semiconductor-grade polysilicon demand>

- Demand projected to increase on the back of higher functionality of mobile devices

<Solar-grade polysilicon demand>

- A new framework regarding reductions on CO₂ emissions in Paris Agreement is expected to generate favorable conditions
- Despite a substantial decline in installed PV capacity in Europe and certain other areas, the projected annual increase in demand is around 10% largely reflecting forecast growth due 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

4. Polysilicon Market

Solar-cell grade Polysilicon Spot Price Trend

(US\$/KG)

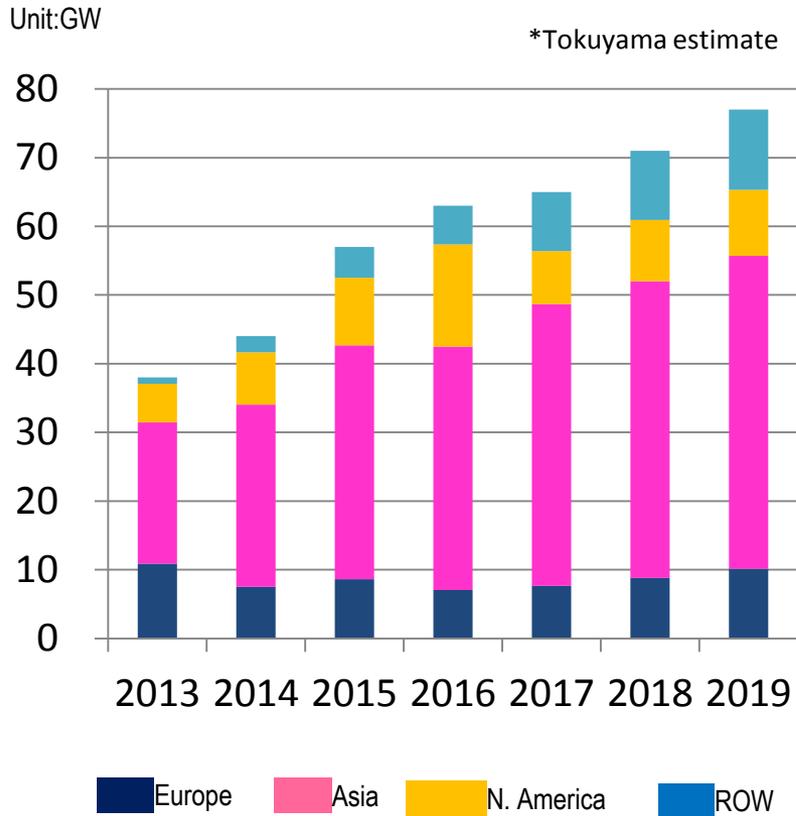


Source : PV insights

4 Supplementary Data

5. PV Market

Forecasts of installed PV capacity by region



Conditions in each country

<China>

◆ Achieved a cumulative solar cell output total of 43.18GW as of the end of 2015; secured the global top position surpassing Germany

◆ Projected capacity installed in 2016 to be 18.1GW (20% increase yoy)

◆ Identify renewable energy as one of eight major items in the energy field under the 13th five-year plan; expectations of a further increase in solar cell demand over the long term

<U.S.>

◆ Investment tax credit (ITC) extension passed by the U.S. Congress; expectations of an increase in the amount of solar power generation system installation by 2020

<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

◆ Installed capacity in 2015 came to 9.8GW (8.6GW in 2014)

◆ Stable installation can be expected though further market expansion is not anticipated.

<India>

◆ The Modi government announced plans to target an installed capacity of 100GW by 2022

◆ Policy in place to authorize new clean energy targets (ratio of renewable energy in 2030 of 40%: solar cells approx. 250GW)

<Europe>

◆ Expectations of moderate growth over the medium to long term despite the impact of the successive shrinking and termination of policy support measures

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Chemistry with a heart

TOKUYAMA

