

Summary of Consolidated Financial Statements for the First Quarter Fiscal 2015 (JPGAAP)

July 31, 2015

Tokuyama Corporation

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

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Stock exchange listings:

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Scheduled date for the filing of the quarterly consolidated financial statements : August 11, 2015

Scheduled date of dividends payout : -

Preparation of supplementary quarterly explanatory materials: Yes

Quarterly business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal first quarter ended June 30, 2015 (April 1, 2015 - June 30, 2015)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]	(millions of yen)	Year-on-year change [%]
First Quarter Fiscal 2015	73,740	3.5	2,939	(47.3)	1,486	(67.3)
First Quarter Fiscal 2014	71,215	10.6	5,579	79.9	4,553	82.1

(Note) Comprehensive income: 1st Q FY15: 2,173 million yen [(50.5)%] 1st Q FY14: 4,390 million yen [51.1%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
First Quarter Fiscal 2015	60	(98.3)	0.17	-
First Quarter Fiscal 2014	3,575	76.5	10.28	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
June 30, 2015	548,658	171,350	30.0	472.78
Mar. 31, 2015	554,527	169,445	29.3	467.36

(Reference) Shareholders' equity: June 30, 2015: 164,460 million yen Mar. 31, 2015: 162,577 million yen

2. Dividends

(Period)	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Fiscal 2014, ended Mar 31, 2015	(yen) -	(yen) 0.00	(yen) -	(yen) 0.00	(yen) 0.00
Fiscal 2015, ending Mar 31, 2016	-				
Fiscal 2015 (Forecast)		0.00	-	0.00	0.00

(Note) Revision of the latest dividends forecast: No

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		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
First Half Fiscal 2015	148,000	2.9	5,500	(48.1)	2,500	(69.8)	500	-	1.44
Fiscal 2015	309,000	2.3	18,000	7.8	12,000	7.1	6,000	-	17.25

(Note) Revision of the latest consolidated performance forecast: Yes

*The Company announced the release, "Notice concerning Revision of Performance Forecast," on July 31, 2015.

*Notes

(1) Changes in significant subsidiaries during this period

: No

Addition to the scope of consolidation: -

Reduction from the scope of consolidation: -

(Note) This item means changes in significant subsidiaries with changes in the scope of consolidation during this period.

(2) Application of accounting methods specific to the preparation of the quarterly consolidated financial statements

: Yes

(3) 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

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

i. Number of shares issued at end of period (including treasury stock):	First Quarter Fiscal 2015:	349,671,876	Fiscal 2014:	349,671,876
ii. Number of treasury stock at end of period:	First Quarter Fiscal 2015:	1,811,560	Fiscal 2014:	1,805,814
iii. Average number of shares over period:	First Quarter Fiscal 2015:	347,862,055	First Quarter Fiscal 2014:	347,892,060

(Note) Notice on the implementation of quarterly review procedures

This summary of quarterly consolidated financial statements is not subject to quarterly review procedures in line with the Financial Instruments and Exchange Act. At the point of disclosure of this summary of quarterly consolidated financial statements, the quarterly consolidated financial statements review procedures in line with the Financial Instruments and Exchange Act are underway.

(Note) Cautions pertaining to appropriate use of performance forecast and other particular items

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

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1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the first quarter fiscal 2015 (April 1, 2015 - June 30, 2015) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
First Quarter Fiscal 2015	73,740	2,939	1,486	60
First Quarter Fiscal 2014	71,215	5,579	4,553	3,575
Rate of change (%)	3.5	(47.3)	(67.3)	(98.3)

Net sales

Consolidated net sales increased 3.5%, or ¥2,525 million compared with the corresponding period of the previous year, to ¥73,740 million. Despite a declined sales volume in the cement business and weak selling prices of petroleum products on the back of a downturn in domestic naphtha prices, this was largely attributable to the upswing in sales volumes of soda ash and calcium chloride as well as solar-grade polycrystalline silicon.

Cost of sales

Cost of sales increased 10.4%, or ¥5,210 million compared with the corresponding period of the previous year, to ¥55,380 million. Despite a downturn in raw material costs as a result of the drop in domestic naphtha prices, this was owing mainly to higher depreciation expenses at Tokuyama Malaysia Sdn. Bhd.

SG&A expenses

SG&A expenses decreased 0.3%, or ¥44 million compared with the corresponding period of the previous year, to ¥15,420 million. Despite the increase in distribution costs associated with the increase in sales volumes of such products as soda ash and calcium chloride, this decrease primarily reflects Companywide cutbacks in expenses.

Operating income

Operating income decreased 47.3%, or ¥2,639 million compared with the corresponding period of the previous year, to ¥2,939 million, due mainly to the increase in depreciation expenses at Tokuyama Malaysia Sdn. Bhd. and the decrease in sales volumes of cement.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses deteriorated ¥426 million compared with the corresponding period of the previous year, due chiefly to the posting of trial production expenses at Tokuyama Malaysia Sdn. Bhd..

As a result of the above, ordinary income decreased 67.3%, or ¥3,066 million compared with the corresponding period of the previous year, to ¥1,486 million.

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

Extraordinary income/losses improved by ¥10 million compared with the corresponding period of the previous year.

As a result of the above, income before income taxes decreased 67.2%, or ¥3,056 million compared with the corresponding period of the previous year, to ¥1,488 million.

Profit decreased 91.6%, or ¥3,414 million compared with the corresponding period of the previous year, to ¥313 million. Profit attributable to owners of parent decreased 98.3%, or ¥3,515 million compared with the corresponding period of the previous year, to ¥60 million.

(Operating results by segment)

Sales

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
First Quarter Fiscal 2015	22,875	13,080	20,418	14,289	12,952	83,615	(9,875)	73,740
First Quarter Fiscal 2014	22,694	11,149	19,396	14,019	12,853	80,114	(8,899)	71,215
Rate of change (%)	0.8	17.3	5.3	1.9	0.8	4.4	-	3.5

Operating income

(Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
First Quarter Fiscal 2015	1,493	(1,528)	941	1,718	1,045	3,670	(731)	2,939
First Quarter Fiscal 2014	1,278	992	1,477	1,192	1,567	6,508	(928)	5,579
Rate of change (%)	16.9	-	(36.3)	44.1	(33.3)	(43.6)	-	(47.3)

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

Chemicals

Sales of caustic soda were down compared with the corresponding period of the previous year. While sales volumes were essentially unchanged from the corresponding period of the previous fiscal year, this decrease was largely attributable to weak trends in selling prices.

With regard to vinyl chloride monomer (VCM), profitability improved on the back of a drop in raw material costs due mainly to the downturn in domestic naphtha prices.

Sales of polyvinyl chloride (PVC) were declined compared with the corresponding period of the previous year. This was due mainly to the decline in sales volumes owing mainly to the continued slowdown in housing starts.

With regard to soda ash and calcium chloride, sales increased compared with the corresponding period of previous fiscal year. This largely reflected the startup of operations by Tokuyama & Central Soda Inc. in October 2014.

As a result of the above, segment net sales increased 0.8% compared with the corresponding period of the previous year, to ¥22,875 million and operating income increased 16.9% to ¥1,493 million. The segment reported higher earnings on higher sales.

Specialty Products

Sales of semiconductor-grade polycrystalline silicon were down compared with the corresponding period of previous fiscal year. Despite firm trends in mobile terminal demand including smartphones, the decline was primarily due to the downturn in sales volumes on the back of such factors as inventory adjustments with respect to the supply chain.

While sales of solar-grade polycrystalline silicon increased on the back of higher sales volumes, reflecting the start of sales and marketing by Tokuyama Malaysia Sdn. Bhd. in October 2014, earnings deteriorated due to such factors as the impact of depreciation expenses.

Sales of fumed silica increased compared with the corresponding period of previous fiscal year due to steady sales of such applications as a polishing material for semiconductors.

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

As a result of the above, the segment reported a loss on higher sales. Segment net sales increased 17.3% compared with the corresponding period of the previous year, to ¥13,080 million. However, this segment incurred an operating loss of ¥1,528 million in the period under review.

Cement

In the cement business, sales declined compared with the corresponding period of previous fiscal year, owing mainly to sluggish trends in private-sector demand in Japan impacted by such factors as delays in construction attributable to the shortage of labor in the construction industry.

In the recycling and environment-related business, the Company accepted a lower volume of waste compared with the corresponding period of previous fiscal year, 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 in August 2014.

As a result of the above, segment net sales increased 5.3% compared with the corresponding period of the previous year, to ¥20,418 million and operating income decreased 36.3% to ¥941 million. The segment reported lower earnings on higher sales.

Life & Amenity

Sales of active pharmaceutical ingredients decreased compared with the corresponding period of the previous year, owing mainly to the drop in the sales volumes of generic pharmaceuticals.

With regard to plastic lens-related materials, sales volumes of photochromic dye materials

increased. As a result of this, sales increased compared with the corresponding period of the previous year.

With regard to microporous film, sales of such applications as sanitary articles including disposable diapers increased. As a result of this, sales increased compared with the corresponding period of the previous year.

With regard to polyolefin film, sales were declined compared with the corresponding period of the previous year. Despite firm trends in sales mainly for application in packaging materials for products sold at convenience stores, this decrease was largely the result of weak trends in selling prices on the back of the decline in domestic naphtha prices.

With regard to medical diagnosis systems, sales were up compared with the corresponding period of the previous year. This was owing primarily to the upswing in large-scale orders in Japan for blood testing products.

As a result of the above, segment net sales increased 1.9% compared with the corresponding period of the previous year, to ¥14,289 million and operating income increased 44.1% to ¥1,718 million. The segment reported higher earnings on higher sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of June 30, 2015, total assets amounted to ¥548,658 million, a decrease of ¥5,869 million compared with those as of March 31, 2015.

This decrease largely reflected the decline of ¥5,718 million in notes and accounts receivable—trade.

Total liabilities amounted to ¥377,308 million, down ¥7,774 million compared with those as of March 31, 2015.

This largely reflected the downturn in the balances of long-term loans payable and current portion of long-term loans payable, commercial paper, and notes and accounts payable—trade of ¥2,853 million, ¥2,000 million, and ¥1,723 million, respectively.

Net assets totaled ¥171,350 million, an increase of ¥1,905 million compared with those as of March 31, 2015.

The principal movement was the increase in valuation difference on available-for-sale securities of ¥1,305 million.

(3) Explanation concerning information related to future prediction such as consolidated performance forecast

Based on the current performance trend, the Company has revised the performance forecast, announced on April 30, 2015. For further details, please see the Company's news release, "Notice concerning Revision of Performance Forecast," dated July 31, 2015.

The performance forecast has been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance because of various factors that may arise from now on.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	3/31/2015	6/30/2015
Assets		
Current assets		
Cash and deposits	61,364	26,874
Notes and accounts receivable - trade	69,371	63,653
Lease receivables and investment assets	30	38
Securities	55,053	87,303
Merchandise and finished goods	15,456	16,209
Work in process	11,606	12,766
Raw materials and supplies	18,026	18,416
Deferred tax assets	4,772	4,788
Other	8,396	9,267
Allowance for doubtful accounts	(103)	(151)
Total current assets	243,975	239,165
Non-current assets		
Property, plant and equipment		
Buildings and structures	137,347	137,686
Accumulated depreciation	(74,090)	(74,859)
Buildings and structures, net	63,257	62,827
Machinery, equipment and vehicles	546,388	548,788
Accumulated depreciation	(401,461)	(405,247)
Machinery, equipment and vehicles, net	144,927	143,540
Tools, furniture and fixtures	23,261	23,415
Accumulated depreciation	(20,974)	(21,127)
Tools, furniture and fixtures, net	2,286	2,287
Land	33,149	33,169
Leased assets	2,135	2,080
Accumulated depreciation	(936)	(935)
Leased assets, net	1,199	1,145
Construction in progress	8,511	7,928
Total property, plant and equipment	253,331	250,899
Intangible assets		
Goodwill	5,097	4,856
Leased assets	44	46
Other	4,641	4,186
Total intangible assets	9,784	9,088
Investments and other assets		
Investment securities	31,062	32,762
Long-term loans receivable	3,248	3,234
Deferred tax assets	669	667
Net defined benefit asset	8,765	9,300
Other	4,015	3,864
Allowance for investment loss	(22)	(22)
Allowance for doubtful accounts	(303)	(302)
Total investments and other assets	47,436	49,504
Total non-current assets	310,552	309,492
Total assets	554,527	548,658

Millions of yen

3/31/2015 6/30/2015

Liabilities	3/31/2015	6/30/2015
Current liabilities		
Notes and accounts payable - trade	40,567	38,843
Short-term loans payable	12,212	12,576
Commercial papers	3,000	1,000
Current portion of long-term loans payable	25,110	27,222
Current portion of bonds	5,000	5,000
Lease obligations	340	326
Income taxes payable	1,318	1,058
Deferred tax liabilities	—	8
Provision for bonuses	1,911	1,349
Provision for repairs	1,284	1,898
Provision for product warranties	132	111
Provision for loss on compensation for damage	50	—
Provision for loss on purchase contract	3,183	3,178
Other	23,186	22,279
Total current liabilities	117,298	114,853
Non-current liabilities		
Bonds payable	45,000	45,000
Long-term loans payable	191,552	186,587
Lease obligations	981	929
Deferred tax liabilities	6,409	7,011
Provision for directors' retirement benefits	226	203
Provision for repairs	3,458	3,750
Allowance for loss on compensation for building materials	574	521
Provision for environmental measures	91	91
Provision for loss on purchase contract	6,250	5,365
Net defined benefit liability	1,162	1,188
Asset retirement obligations	5	5
Other	12,071	11,798
Total non-current liabilities	267,783	262,455
Total liabilities	385,082	377,308
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,670
Retained earnings	39,286	39,343
Treasury shares	(1,434)	(1,435)
Total shareholders' equity	148,981	149,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,829	7,135
Deferred gains or losses on hedges	330	324
Foreign currency translation adjustment	4,196	4,725
Remeasurements of defined benefit plans	3,239	3,238
Total accumulated other comprehensive income	13,596	15,423
Non-controlling interests	6,868	6,889
Total net assets	169,445	171,350
Total liabilities and net assets	554,527	548,658

(2) Consolidated Statements of Income

Millions of yen

	Q1 FY2014	Q1 FY2015
Net sales	71,215	73,740
Cost of sales	50,170	55,380
Gross profit	21,044	18,359
Selling, general and administrative expenses		
Selling expenses	9,006	9,260
General and administrative expenses	6,458	6,159
Total selling, general and administrative expenses	15,464	15,420
Operating income	5,579	2,939
Non-operating income		
Interest income	23	36
Dividend income	344	251
Share of profit of entities accounted for using equity method	215	199
Dividends Income Of Group Term Insurance	209	198
Other	231	218
Total non-operating income	1,025	904
Non-operating expenses		
Interest expenses	1,157	1,175
Other	893	1,181
Total non-operating expenses	2,051	2,356
Ordinary income	4,553	1,486
Extraordinary income		
Gain on sales of non-current assets	46	1
Gain on bargain purchase	5	—
State subsidy	—	19
reversal of Provision for loss on purchase contract	—	11
Gain on insurance adjustment	—	16
Total extraordinary income	51	49
Extraordinary losses		
Impairment loss	32	—
Loss on reduction of non-current assets	—	23
Loss on disposal of non-current assets	27	24
Total extraordinary losses	59	47
Income before income taxes	4,545	1,488
Income taxes	816	1,175
Profit	3,728	313
Profit attributable to non-controlling interests	153	253
Profit attributable to owners of parent	3,575	60

(3) Consolidated Statements of Comprehensive Income

	Millions of yen	
	Q1 FY2014	Q1 FY2015
Profit	3,728	313
Other comprehensive income		
Valuation difference on available-for-sale securities	1,700	1,308
Deferred gains or losses on hedges	(3)	(5)
Foreign currency translation adjustment	(1,001)	570
Remeasurements of defined benefit plans, net of tax	28	(1)
Share of other comprehensive income of entities accounted for using equity	(62)	(11)
Total other comprehensive income	661	1,860
Comprehensive income	4,390	2,173
(Breakdown)		
Comprehensive income attributable to owners of parent	4,296	1,887
Comprehensive income attributable to non-controlling interests	93	286

(4) Segment information

First Quarter Fiscal 2014 (April 1, 2014 – June 30, 2014)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	22,503	8,174	19,369	13,620	7,548	71,215	-	71,215
Inter-segment sales/transfer	191	2,975	27	398	5,305	8,899	(8,899)	-
Total	22,694	11,149	19,396	14,019	12,853	80,114	(8,899)	71,215
Segment income	1,278	992	1,477	1,192	1,567	6,508	(928)	5,579

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

*2 The segment income adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment.

*3 With regard to segment income, operating income in the quarterly consolidated statement of income has been calculated by making an adjustment to the sum total of the reportable segments’ income and the “Others” segment’s income.

First Quarter Fiscal 2015 (April 1, 2015– June 30, 2015)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in quarterly consolidated income statement*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	22,723	9,267	20,387	13,761	7,600	73,740	-	73,740
Inter-segment sales/transfer	152	3,812	30	527	5,351	9,875	(9,875)	-
Total	22,875	13,080	20,418	14,289	12,952	83,615	(9,875)	73,740
Segment income	1,493	(1,528)	941	1,718	1,045	3,670	(731)	2,939

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

*2 The segment income adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment.

*3 With regard to segment income, operating income in the quarterly consolidated statement of income has been calculated by making an adjustment to the sum total of the reportable segments’ income and the “Others” segment’s income.