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

January 29, 2016

Tokuyama Corporation **Stock exchange listings: Tokyo**
(URL http://www.tokuyama.co.jp/eng/) **Local Code : 4043**
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Scheduled date for the filing of the quarterly consolidated financial statements : February 12, 2016
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 third quarter ended Dec. 31, 2015 (Apr. 1, 2015 – Dec. 31, 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 [%]
Third Quarter Fiscal 2015	226,658	2.1	12,940	(18.4)	9,386	(15.1)
Third Quarter Fiscal 2014	222,029	6.8	15,867	26.9	11,057	12.4

(Note) Comprehensive income: 3rd Q FY15: (118,527) million yen [-%] 3rd Q FY14: (73,623) million yen [-%]

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	(millions of yen)	Year-on-year change [%]	(yen)	(yen)
Third Quarter Fiscal 2015	(115,806)	-	(332.91)	-
Third Quarter Fiscal 2014	(78,878)	-	(226.73)	-

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' Equity ratio (%)	Net assets per share (yen)
Dec. 31, 2015	412,242	51,856	10.5	124.51
Mar. 31, 2015	554,527	169,445	29.3	467.36

(Reference) Shareholders' equity: Dec. 31, 2015: 43,310 million yen Mar. 31, 2015: 162,577 million yen

2. Dividends

	Annual dividends per share				
(Period)	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2014, ended Mar 31, 2015	-	0.00	-	0.00	0.00
Fiscal 2015, ending Mar 31, 2016	-	0.00			
Fiscal 2015 (Forecast)				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)
Fiscal 2015	306,000	1.3	20,000	2.4	15,000	16.1	(103,000)	–	(296.10)

(Note) Revision of the latest consolidated performance forecast: Yes
*The Company announced the release, “Notice concerning the Posting of an Extraordinary Loss, Revision of Performance Forecasts, and the Return of Executive Compensation,” on Jan. 29, 2016.

*Notes

(1) Changes in significant subsidiaries during this period (Apr. 1, 2015 – Dec. 31, 2015)

: 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 (Apr. 1, 2015 – Dec. 31, 2015).

(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):	Third Quarter Fiscal 2015:	349,671,876	Fiscal 2014:	349,671,876
ii.	Number of treasury stock at end of period:	Third Quarter Fiscal 2015:	1,825,977	Fiscal 2014:	1,805,814
iii.	Average number of shares over period:	Third Quarter Fiscal 2015:	347,856,264	Third Quarter Fiscal 2014:	347,899,311

(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.

Contents for Accompanying Materials

1. Qualitative information on consolidated results for this quarter

(1) Explanation concerning business results

Consolidated results for the third quarter fiscal 2015 (accumulated figures, April 1, 2015 - December 31, 2015) are summarized as follows:

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent
Third Quarter Fiscal 2015	**226,658**	**12,940**	**9,386**	**(115,806)**
Third Quarter Fiscal 2014	222,029	15,867	11,057	(78,878)
Rate of change (%)	2.1	(18.4)	(15.1)	—

Net sales

Consolidated net sales increased 2.1%, or ¥4,628 million compared with the corresponding period of the previous year, to ¥226,658 million. Despite weaker selling prices of petroleum chemicals 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 4.3%, or ¥6,847 million compared with the corresponding period of the previous year, to ¥166,240 million. Despite a downturn in raw material costs as a result of the drop in domestic naphtha prices, this was due mainly to the increased burden of depreciation expenses at Tokuyama Malaysia Sdn. Bhd.

SG&A expenses

SG&A expenses increased 1.5%, or ¥707 million compared with the corresponding period of the previous year, to ¥47,476 million. Despite our efforts to reduce Companywide expenses, this increase primarily reflected the increase in distribution costs associated with the increase in sales volumes of such products as soda ash and calcium chloride.

Operating income

Operating income decreased 18.4%, or ¥2,926 million compared with the corresponding period of the previous year, to ¥12,940 million. Despite profitability improvement of petroleum chemicals impacted by the drop in domestic naphtha prices and the weaker yen, this was largely attributable to the increased burden of depreciation expenses at Tokuyama Malaysia Sdn. Bhd.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses improved ¥1,254 million compared with the corresponding period of the previous year, due chiefly to a change from foreign exchange losses recorded in the corresponding period of the previous year to foreign exchange gains.

As a result of the above, ordinary income decreased 15.1%, or ¥1,671 million compared with the corresponding period of the previous year, to ¥9,386 million.

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

Extraordinary income/losses deteriorated by ¥28,386 million compared with the corresponding period of the previous year. This was largely attributable to the posting of an impairment loss on the polycrystalline silicon manufacturing facilities at Tokuyama Malaysia Sdn. Bhd.

As a result of the above, loss before income taxes was ¥107,221 million, which deteriorated by ¥30,058 million compared with the corresponding period of the previous year.

After deducting income taxes calculated in an appropriate way, the Company recorded a loss of ¥115,176 million, which deteriorated by ¥36,046 million compared with the corresponding period of the previous year.

Loss attributable to owners of parent was ¥115,806 million, which deteriorated by ¥36,928 million compared with the corresponding period of the previous year.

(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				
Third Quarter Fiscal 2015	**66,122**	**40,856**	**64,993**	**43,333**	**40,565**	**255,871**	**(29,213)**	**226,658**
Third Quarter Fiscal 2014	68,105	38,478	60,396	43,836	38,305	249,123	(27,093)	222,029
Rate of change (%)	(2.9)	6.2	7.6	(1.1)	5.9	2.7	-	2.1

Operating income (loss) (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in quarterly consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Third Quarter Fiscal 2015	**5,623**	**(3,784)**	**4,131**	**4,986**	**4,065**	**15,022**	**(2,081)**	**12,940**
Third Quarter Fiscal 2014	3,800	3,645	3,530	3,659	4,404	19,040	(3,173)	15,867
Rate of change (%)	47.9	-	17.0	36.3	(7.7)	(21.1)	-	(18.4)

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

Chemicals

Sales of caustic soda were down compared with the corresponding period of the previous year. While domestic sales volumes were steady, this decrease was 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 to the downturn in domestic naphtha prices.

Sales of polyvinyl chloride (PVC) declined compared with the corresponding period of the previous year. Although housing starts were on a recovery track, this was due to the decline in sales volumes owning mainly to continued inventory adjustments with respect to the supply chain.

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

As a result of the above, segment net sales decreased 2.9% compared with the corresponding period of the previous year, to ¥66,122 million, while operating income increased 47.9% to ¥5,623 million. The segment reported higher earnings on lower sales.

Specialty Products

Sales of semiconductor-grade polycrystalline silicon were down compared with the corresponding period of previous year. This decline was due to the downturn in sales volumes on the back of such factors as inventory adjustments with respect to the supply chain of semiconductor-related products.

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 increased burden of depreciation expenses.

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

As a result of the above, the segment reported a loss on higher sales. Segment net sales increased 6.2% compared with the corresponding period of the previous year, to ¥40,856 million. However, this segment incurred an operating loss of ¥3,784 million during the period under review.

Cement

In the cement business, sales declined compared with the corresponding period of the previous year, as a result of decreased sales volumes. This decrease reflected sluggish trends in both public and private-sector demand impacted by such factors as the decrease in public works and delays in construction attributable to unseasonably bad weather in Japan.

In the recycling and environment-related business, the Company accepted a higher volume of waste including construction waste soil compared with the corresponding period of the previous year. As a result of this, sales increased from the corresponding period of the previous year.

With regard to consolidated subsidiaries, sales increased compared with the corresponding period of the previous year, because sales volumes of such products as ready mixed concrete for large-scale projects increased in certain areas.

As a result of the above, segment net sales increased 7.6% compared with the corresponding period of the previous year, to ¥64,993 million and operating income increased 17.0% to ¥4,131 million. The segment reported higher earnings on higher sales.

Life & Amenity

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

With regard to plastic lens-related materials, sales volumes of photochromic dye materials for eyeglass lenses increased. As a result of this, sales increased compared with the corresponding period of the previous year.

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

With regard to dental materials and equipment, sales increased compared with the corresponding period of the previous year, due to increased sales volumes of new products and products for overseas markets.

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

As a result of the above, segment net sales decreased 1.1% compared with the corresponding period of the previous year, to ¥43,333 million, while operating income increased 36.3% to ¥4,986 million. The segment reported higher earnings on lower sales.

(2) Explanation concerning financial position

(Status of assets, liabilities and net assets)

As of December 31, 2015, total assets amounted to ¥412,242 million, a decrease of ¥142,285 million compared with those as of March 31, 2015.

This decrease largely reflected the decline in property, plant and equipment resulting from the posting of a loss on the impairment of polycrystalline silicon manufacturing facilities at Tokuyama Malaysia Sdn. Bhd.

Total liabilities amounted to ¥360,385 million, down ¥24,696 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, bonds payable and current portion of bonds, and allowance for loss on purchase agreements of ¥18,206 million, ¥5,000 million, and ¥3,554 million, respectively.

Net assets totaled ¥51,856 million, a decrease of ¥117,588 million compared with those as of March 31, 2015.

This was largely attributable to the decrease in retained earnings resulting from the posting of the impairment loss.

As a result of the above, although Tokuyama may infringe financial covenants of certain loan agreements it has with various financial institutions at the end of the fiscal year under review, the Company has taken steps to approach the financial institutions and to request that the Company be exempted from certain loan agreement financial covenants, obtain approval to continuous transactions, and avoid possible infringements.

Tokuyama has also taken steps to confirm that it has secured ample cash-in-hand to fund the Company's working capital needs and debt repayments as well as the ability to procure funds on a stable basis.

(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 October 30, 2015. For further details, please see the Company's news release, "Notice concerning the Posting of an Extraordinary Loss, Revision of Performance Forecasts, and the Return of Executive Compensation," dated January 29, 2016.

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 Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	Millions of yen	
	3/31/2015	12/31/2015
Assets		
Current assets		
Cash and deposits	61,364	38,213
Notes and accounts receivable - trade	69,371	69,543
Lease receivables and investment assets	30	55
Securities	55,053	75,500
Merchandise and finished goods	15,456	16,998
Work in process	11,606	10,112
Raw materials and supplies	18,026	17,469
Deferred tax assets	4,772	3,891
Other	8,396	9,389
Allowance for doubtful accounts	(103)	(147)
Total current assets	243,975	241,026
Non-current assets		
Property, plant and equipment		
Buildings and structures	137,347	103,990
Accumulated depreciation	(74,090)	(75,157)
Buildings and structures, net	63,257	28,832
Machinery, equipment and vehicles	546,388	460,120
Accumulated depreciation	(401,461)	(409,314)
Machinery, equipment and vehicles, net	144,927	50,806
Tools, furniture and fixtures	23,261	22,706
Accumulated depreciation	(20,974)	(21,014)
Tools, furniture and fixtures, net	2,286	1,691
Land	33,149	32,694
Leased assets	2,135	2,215
Accumulated depreciation	(936)	(981)
Leased assets, net	1,199	1,233
Construction in progress	8,511	7,545
Total property, plant and equipment	253,331	122,805
Intangible assets		
Goodwill	5,097	4,127
Leased assets	44	40
Other	4,641	3,062
Total intangible assets	9,784	7,229
Investments and other assets		
Investment securities	31,062	24,010
Long-term loans receivable	3,248	3,144
Deferred tax assets	669	639
Net defined benefit asset	8,765	9,211
Other	4,015	4,471
Allowance for investment loss	(22)	(22)
Allowance for doubtful accounts	(303)	(275)
Total investments and other assets	47,436	41,180
Total non-current assets	310,552	171,216
Total assets	554,527	412,242

	Millions of yen	
	3/31/2015	12/31/2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,567	40,350
Short-term loans payable	12,212	9,808
Commercial papers	3,000	4,000
Current portion of long-term loans payable	25,110	18,893
Current portion of bonds	5,000	10,000
Lease obligations	340	347
Income taxes payable	1,318	6,251
Deferred tax liabilities	—	3
Provision for bonuses	1,911	1,191
Provision for repairs	1,284	1,809
Provision for product warranties	132	44
Provision for loss on compensation for damage	50	—
Provision for loss on purchase contract	3,183	2,759
Other	23,186	25,239
Total current liabilities	117,298	120,699
Non-current liabilities		
Bonds payable	45,000	35,000
Long-term loans payable	191,552	179,562
Lease obligations	981	986
Deferred tax liabilities	6,409	4,409
Provision for directors' retirement benefits	226	213
Provision for repairs	3,458	3,421
Allowance for loss on compensation for building materials	574	417
Provision for environmental measures	91	90
Provision for loss on purchase contract	6,250	3,119
Net defined benefit liability	1,162	1,225
Asset retirement obligations	5	5
Other	12,071	11,235
Total non-current liabilities	267,783	239,686
Total liabilities	385,082	360,385
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,541
Retained earnings	39,286	(76,523)
Treasury shares	(1,434)	(1,438)
Total shareholders' equity	148,981	33,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,829	3,565
Deferred gains or losses on hedges	330	181
Foreign currency translation adjustment	4,196	3,288
Remeasurements of defined benefit plans	3,239	3,236
Total accumulated other comprehensive income	13,596	10,271
Non-controlling interests	6,868	8,545
Total net assets	169,445	51,856
Total liabilities and net assets	554,527	412,242

(2) Consolidated Quarterly Statements of Income

	Millions of yen	
	Q3 FY2014	Q3 FY2015
Net sales	222,029	226,658
Cost of sales	159,393	166,240
Gross profit	62,636	60,417
Selling, general and administrative expenses		
Selling expenses	27,545	28,772
General and administrative expenses	19,223	18,703
Total selling, general and administrative expenses	46,768	47,476
Operating income	15,867	12,940
Non-operating income		
Interest income	85	105
Dividend income	624	448
Share of profit of entities accounted for using equity method	584	593
Foreign exchange gains	—	414
Other	1,116	1,083
Total non-operating income	2,411	2,646
Non-operating expenses		
Interest expenses	3,533	3,611
Cost of idle operations	516	826
Other	3,171	1,762
Total non-operating expenses	7,221	6,201
Ordinary income	11,057	9,386
Extraordinary income		
Gain on sales of non-current assets	50	4,066
Gain on bargain purchase	5	—
Gain on sales of investment securities	—	3,318
Gain on sales of shares of subsidiaries and associates	20	—
State subsidy	—	25
Reversal of provision for loss on purchase contract	—	1,051
Other	—	16
Total extraordinary income	76	8,477
Extraordinary losses		
Loss on sales of non-current assets	—	71
Impairment loss	75,942	124,600
Loss on disaster	4	5
Loss on reduction of non-current assets	2	26
Loss on disposal of non-current assets	294	324
Loss on sales of shares of subsidiaries and associates	8	—
Provision for loss on purchase contract	10,881	—
Loss on purchase contract	567	—
Other	594	56
Total extraordinary losses	88,297	125,085
Income (loss) before income taxes and minority interests	(77,163)	(107,221)
Income taxes	1,967	7,955
Profit (loss)	(79,130)	(115,176)
Profit (loss) attributable to non-controlling interests	(252)	629
Profit (loss) attributable to owners of parent	(78,878)	(115,806)

(3) Consolidated Quarterly Statements of Comprehensive Income

	Millions of yen	
	Q3 FY2014	Q3 FY2015
Profit (loss)	(79,130)	(115,176)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,912	(2,258)
Deferred gains or losses on hedges	(420)	(150)
Foreign currency translation adjustment	1,864	(787)
Remeasurements of defined benefit plans, net of tax	86	(3)
Share of other comprehensive income of entities accounted for using equity	63	(151)
Total other comprehensive income	5,507	(3,350)
Comprehensive income	(73,623)	(118,527)
Comprehensive income attributable to		
Owners of the Parent	(73,414)	(119,130)
Non-controlling interests	(208)	603

(4) Segment information

Third Quarter Fiscal 2014 (accumulated figures, April 1, 2014 – December 31, 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	67,487	29,801	60,317	42,566	21,856	222,029	-	222,029
Inter-segment sales/transfer	618	8,676	79	1,270	16,449	27,093	(27,093)	-
Total	68,105	38,478	60,396	43,836	38,305	249,123	(27,093)	222,029
Segment income	3,800	3,645	3,530	3,659	4,404	19,040	(3,173)	15,867

*1 The "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 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.

2. Information on impairment loss of non-current assets or goodwill by reportable segment
There were no material facts to be reported.

Third Quarter Fiscal 2015 (accumulated figures, April 1, 2015– December 31, 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	65,592	30,259	64,879	41,819	24,107	226,658	-	226,658
Inter-segment sales/transfer	529	10,596	114	1,514	16,457	29,213	(29,213)	-
Total	66,122	40,856	64,993	43,333	40,565	255,871	(29,213)	226,658
Segment income (loss)	5,623	(3,784)	4,131	4,986	4,065	15,022	(2,081)	12,940

*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 (loss) adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment.

*3 With regard to segment income (loss), 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.

2. Information on changes in reportable segments

(Adoption of the accounting standard for business combination)

Effective from the first quarter of fiscal 2015, the Company adopted the “Accounting Standard for Business Combination,” and has changed its accounting method. Under the new accounting policy, the difference arising from changes in the Company’s ownership interests in its controlled subsidiaries was recorded as capital surplus, and at the same time, the expenses related to the acquisitions are recorded as expenses in the consolidated fiscal year in which they arise. Furthermore, regarding a business combination that is implemented after the beginning of the first quarter of fiscal 2015, in line with the newly-adopted accounting standard, the reallocation of acquisition costs resulting from the settlement of a provisional accounting treatment is reflected in the quarterly consolidated financial statements for the consolidated quarterly fiscal period during which the business combination occurs. The effect of these changes on segment information was immaterial.

3. Information on impairment loss of non-current assets or goodwill by reportable segment

(Significant impairment loss for non-current assets)

In the Specialty Products segment, the Company recorded impairment loss of ¥123,875 million during the third quarter of fiscal 2015 (April 1, 2015 to December 31, 2015).

During the third quarter of fiscal 2015 (April 1, 2015 to December 31, 2015), impairment losses that were not allocated to the reportable segments amounted to ¥708 million.