

**Fiscal 2015** - Apr 1, 2015 to Mar 31, 2016-

# Presentation for IR Meeting

**Tokuyama Corporation**

**May 12, 2016**



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# **1** Financial Results for FY2015

**1. Financial Highlights**

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



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

(Billions of yen)

	FY2014	FY2015	Difference	
			Amount	%
Net sales	302.0	307.1	+5.0	+2
Operating income	19.5	23.0	+3.5	+18
Ordinary income	12.9	17.7	+4.8	+37
Profit (loss) attributable to owners of parent	(65.3)	(100.5)	(35.2)	-
Basic earnings per share (yen)	(187.85)	(289.10)		
Exchange rate (¥/\$)	110	120		
Domestic naphtha price (¥/kl)	63,500	42,800		

## Qualitative information

(Net sales) ¥307.1 billion, up 2%

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

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

(Operating income) ¥23.0 billion, up 18%

Plus: improved profitability owing to drop in domestic naphtha prices and the weaker yen

Minus: expansion in loss at Tokuyama Malaysia

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

(Billions of yen)

	FY2014	FY2015	Difference	
			Amount	%
Net sales	302.0	307.1	+5.0	+2
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Basic earnings per share (yen)	(187.85)	(289.10)		
Exchange rate (¥/\$)	110	120		
Domestic naphtha price (¥/kl)	63,500	42,800		

## Qualitative information

(Ordinary income) ¥17.7 billion, up 37%

Pluses: increase in operating income; change from foreign exchange losses, posted in the previous year, to foreign exchange gains

(Loss attributable to owners of parent) loss of ¥100.5 billion (deficit expansion)

Pluses: Increase in gains from the sale of fixed assets

Minus: posting of impairment loss on the polycrystalline silicon 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, 2015	As of Mar 31, 2016	Changes
Total assets	554.5	401.3	(153.1)
Shareholders' equity	162.5	51.4	(111.1)
Shareholders' equity ratio	29.3%	12.8%	(16.5 Pts)
Interest-bearing debt	283.1	244.1	(39.0)
D/E ratio	1.74	4.74	+3.00
Net D/E ratio*	1.03	2.38	+1.36
Net assets per share (yen)	467.36	147.98	

## Qualitative information

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

### (Total assets)

Decrease factor: decrease in property, plant and equipment resulting from the impairment of polycrystalline silicon manufacturing facilities of Tokuyama Malaysia

### (Shareholders' equity)

Decrease factor: decrease in retained earnings resulting from the posting of loss attributable to owners of parent

### (Interest-bearing debt)

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

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

(Year-on-year change)

(Billions of yen)

	FY2014		FY2015		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	91.9	5.0	87.8	8.9	(4.1)	(4)	+3.8	+76
Specialty Products	55.4	4.1	60.9	(1.1)	+5.4	+10	(5.2)	-
Cement	81.2	4.4	85.4	5.8	+4.2	+5	+1.3	+31
Life & Amenity	58.4	5.1	57.6	6.5	(0.7)	(1)	+1.4	+28
Others	51.4	6.0	53.6	5.6	+2.2	+4	(0.3)	(6)
<b>Total</b>	<b>338.5</b>	<b>24.8</b>	<b>345.5</b>	<b>25.8</b>	<b>+7.0</b>	<b>+2</b>	<b>+1.0</b>	<b>+4</b>
Inter-segment eliminations and corporate-wide expenses	(36.4)	(5.2)	(38.4)	(2.7)	(1.9)	-	+2.5	-
<b>Consolidated results</b>	<b>302.0</b>	<b>19.5</b>	<b>307.1</b>	<b>23.0</b>	<b>+5.0</b>	<b>+2</b>	<b>+3.5</b>	<b>+18</b>

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

(Reference)

Tokuyama Malaysia	4.3	(4.3)	8.8	(10.2)	+4.4	+102	(5.9)	-
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## **2** Performance Forecasts for FY2016

- 1. Future Business Environment and Countermeasures**
- 2. Performance Forecasts**
- 3. Performance Forecasts by Business Segment**



# 1. Future Business Environment and Countermeasures

## Chemicals

- ◆ Earnings conditions throughout the Chemicals segment are expected to be affected by the persistent and significant risk of a fluctuation. While raw material and fuel costs are down owing mainly to a drop in the market prices of such commodities as crude oil and coal, this drop also adversely affects petrochemicals selling prices.
  - Tokuyama will endeavor to strengthen its cost competitiveness including its unit consumption of raw materials and energy and fixed cost efficiency, thereby securing stable earnings.

## Specialty Products

- ◆ Demand for semiconductors for use in electronics equipment is forecast to experience a mild recovery. Customers' requests for higher quality in line with miniaturization as well as stable supply are expected to increase even further.
  - In working to secure earnings, Tokuyama will also endeavor to increase the pace of efforts aimed at improving the quality of semiconductor-related products while focusing on the reduction of costs.

## Cement

- ◆ Private-sector demand is anticipated to exhibit a modest recovery on the back of Olympic-related construction. Public-sector demand is expected to decline due mainly to a downturn in public-sector investment and the extension of construction periods. Trends in domestic demand are forecast to remain essentially unchanged.
  - We will strive to secure earnings through a variety of initiatives including efforts to expand the volume of exports, accept a higher volume of waste, and thoroughly reduce manufacturing costs

## Life & Amenity

- ◆ The market in Japan is expected to continue along a path of modest recovery. In overseas markets, however, there are concerns of a slowdown in the pace of economic growth especially in emerging nations including China and resource-rich countries.
  - Tokuyama will work to boost earnings by focusing on developing and marketing products that meet customer needs and changes in the market

## 2 Performance Forecasts for FY2016

# 2. Performance Forecasts

**Consolidated**  
(Year-on-year change based on FY2016 forecasts)  
(Billions of yen)

	FY2015 Results	FY2016 Forecasts
Net sales	307.1	302.0
Operating income	23.0	32.0
Ordinary income	17.7	27.0
Profit (loss) attributable to owners of parent	(100.5)	17.0
Basic earnings per share (yen)	(289.10)	48.87
Exchange rate (¥/\$)	120	110
Domestic naphtha price (¥/kl)	42,800	35,000

Difference	
Amount	%
(5.1)	(2)
+8.9	+39
+9.2	+52
+117.5	-

### Qualitative information

#### (Net sales)

Plus: increased sales volumes of polysilicon and cement for export  
Minus: weak trends in selling price of petrochemicals

#### (Operating income)

Plus: improved profitability at Tokuyama Malaysia  
Minus: deteriorated profitability of petrochemicals

#### (Ordinary income)

Plus: increase in operating income

#### (Profit attributable to owners of parent)

Plus: Improvement in extraordinary gain/loss due to absence of the impairment loss posted in the previous fiscal year

2 Performance Forecasts for FY2016

### 3. Performance Forecasts by Business Segment

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

(Billions of yen)

	FY2015 Results		FY2016 Forecasts		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)
<b>Total</b>	<b>345.5</b>	<b>25.8</b>	<b>340.0</b>	<b>34.5</b>	<b>(5.5)</b>	<b>(2)</b>	<b>+8.6</b>	<b>+34</b>
Inter-segment eliminations and corporate-wide expenses	(38.4)	(2.7)	(38.0)	(2.5)	+0.4	-	+0.2	-
<b>Consolidated Results</b>	<b>307.1</b>	<b>23.0</b>	<b>302.0</b>	<b>32.0</b>	<b>(5.1)</b>	<b>(2)</b>	<b>+8.9</b>	<b>+39</b>

(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** Medium-Term Management Plan

- 1. Current Understanding of Conditions**
- 2. Management Policy**
- 3. Medium-Term Management Plan**
- 4. Financial Strategy**



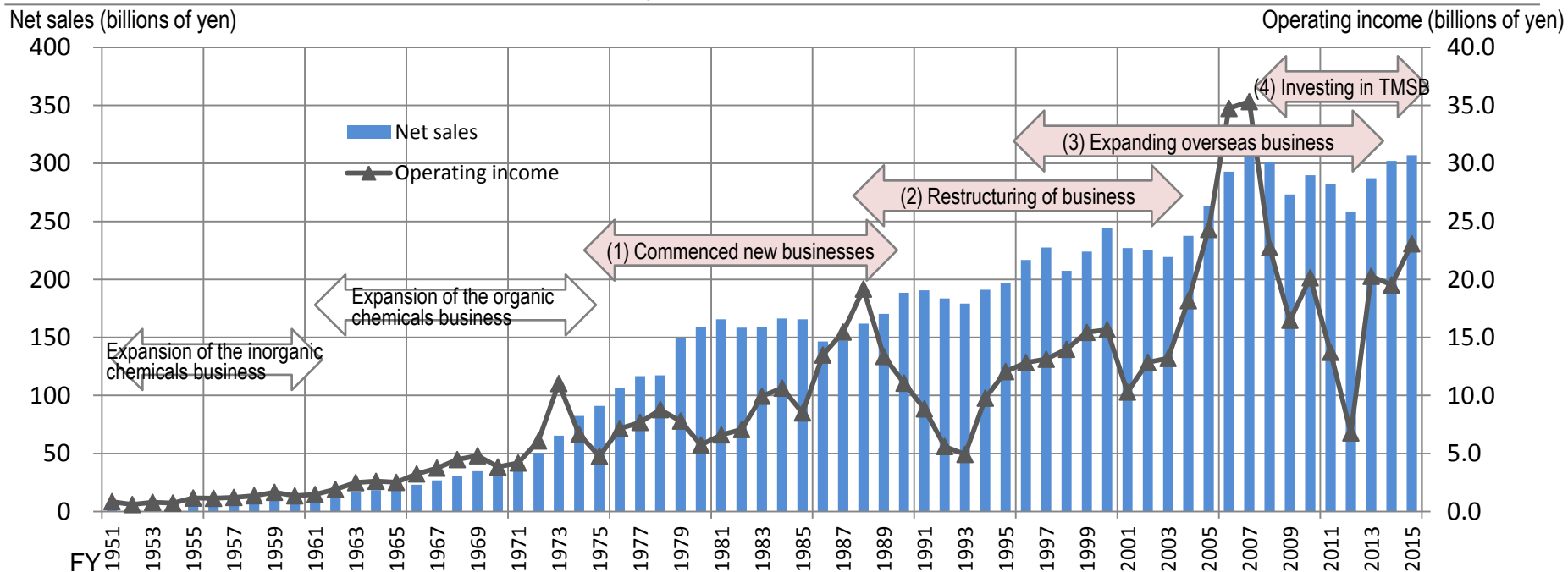
# 1. Current Understanding of Conditions

Results to Date  
~ Performance Trends ~

With a business platform that is grounded in inorganic and organic chemicals, Tokuyama weathered the oil crises of the 1970s and has continued to explore opportunities in the specialty chemicals field, pursue overseas business development, and steadily expand its operations.

Long-term Performance Trend

\*TMSB: Tokuyama Malaysia



- (1) Commenced new businesses**
- 1976 Commenced film business
  - 1978 Commenced dental products business
  - 1981 Commenced plastic sashes business
  - 1983 Commenced high-purity chemicals business
  - 1984 Commenced polysilicon business

- (2) Restructuring of business**
- 1992 Established Sun-Tox Co., Ltd.
  - 1995 Established Shin Dai-ichi Vinyl Corp.
  - 2001 Established Tokuyama Polypropylene Co., Ltd.
  - 2004 Consolidated membrane business to ASTOM Corp.

- (3) Expanding overseas business**
- 1996 Established Tokuyama Electronic Chemicals Pte. Ltd
  - 1996 Established Taiwan Tokuyama Corp.
  - 2002 Established Shanghai Tokuyama Plastics Co., Ltd.
  - 2005 Established Tokuyama Chemicals (Zhejiang) Co., Ltd.
  - 2013 Established Tokuyama Nouvelle Calédonie S.A.

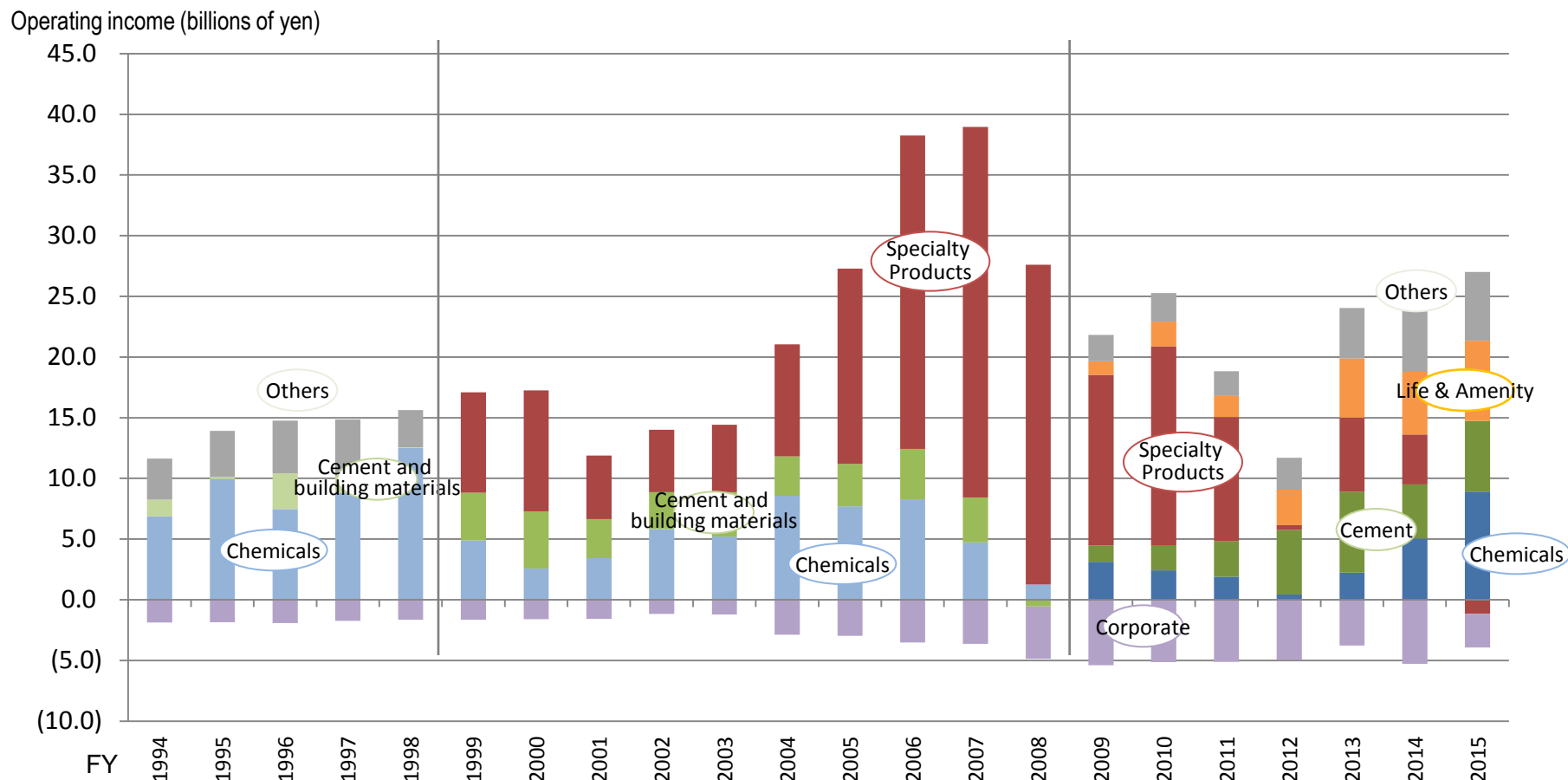
- (4) Investing in TMSB**
- 2009 Established Tokuyama Malaysia
  - 2011 Commenced construction of PS-1
  - 2012 Commenced construction of PS-2
  - 2014 Completed construction of PS-2

# 1. Current Understanding of Conditions

Results to Date  
~ Performance Trends ~

Tokuyama reported increased profitability in its Specialty Products business during the second half of the 2000s. In its general-purpose product activities centered on the Chemicals and Cement businesses, the Company has witnessed a drop in profitability due to shrinking markets in Japan.

Performance Trend by Business Segment



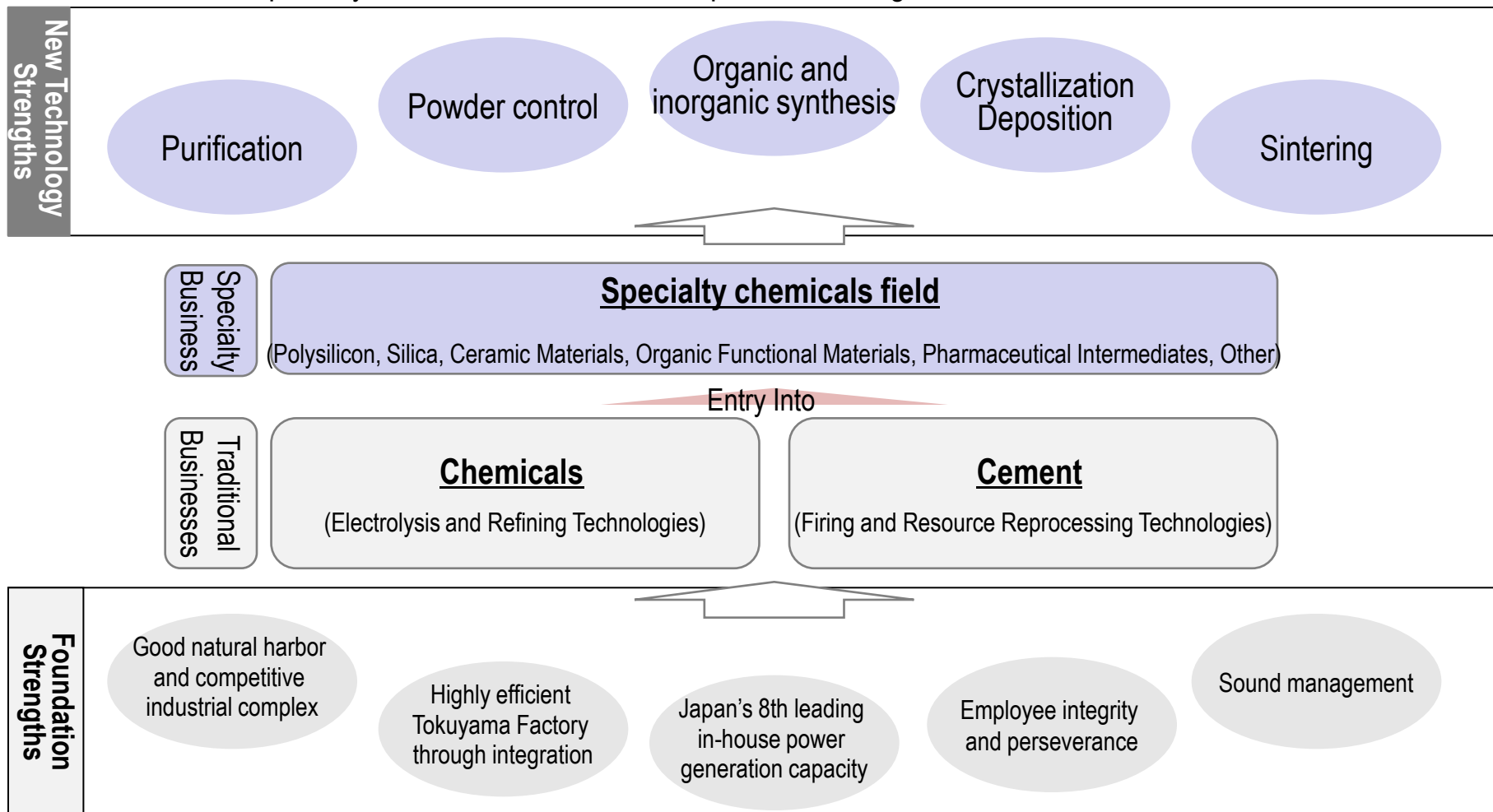
### 3 Medium-Term Management Plan

# 1. Current Understanding of Conditions

## Results to Date

~ Accumulated Strengths and Technologies to which the Company Will Entrust Its Future ~

Building on its chemicals, cement, and other foundation activities that make the most of the Company's inherent strengths including its highly efficient factory and Japan's leading in-house power generation capacity, Tokuyama has advanced into the specialty chemicals field and developed new strengths.

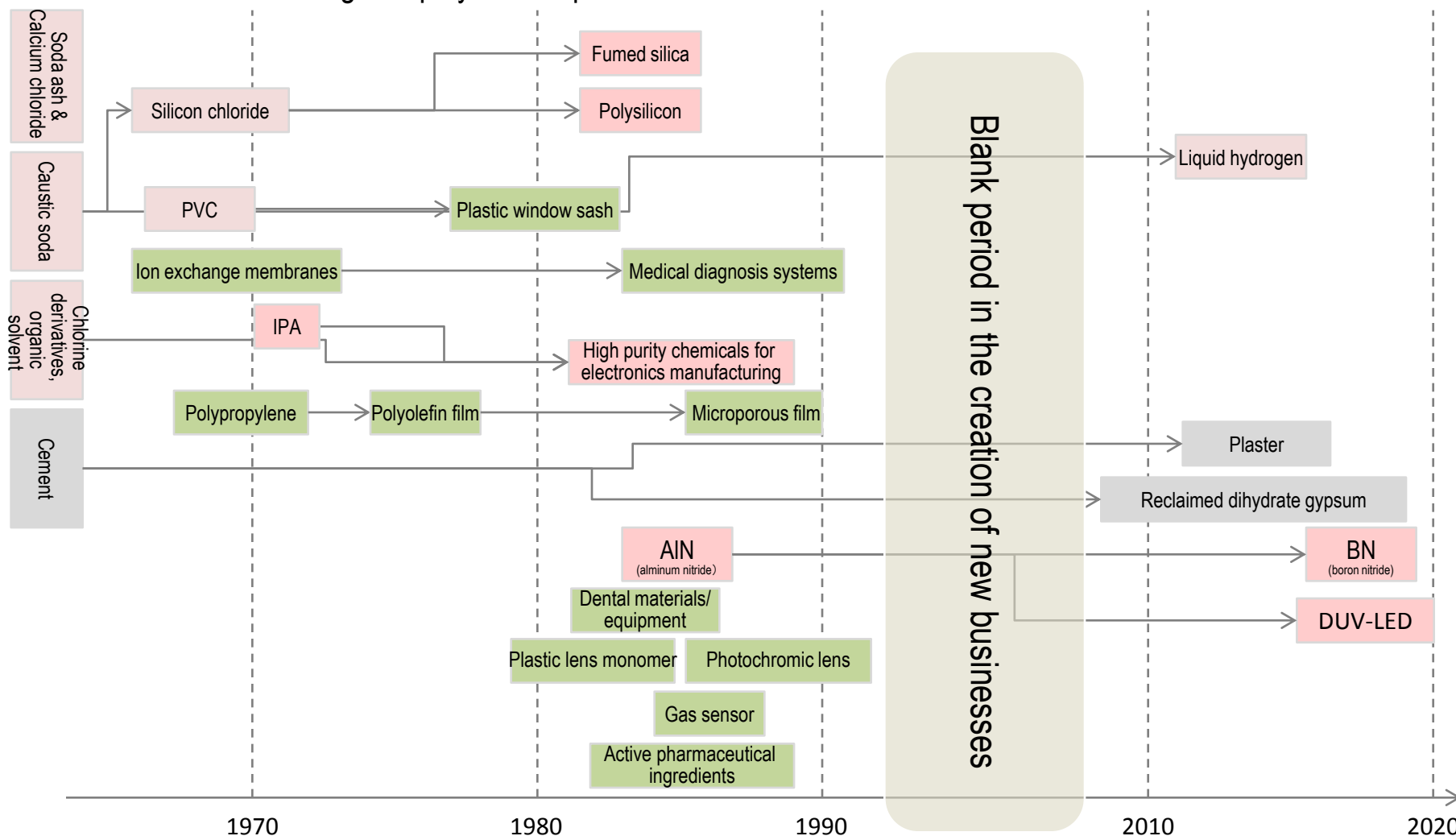


### 3 Medium-Term Management Plan

# 1. Current Understanding of Conditions

Reflecting on the Past  
~ Delays in New Product Development ~

Unable to fully expand technological capabilities developed in the specialty chemicals field into businesses outside semiconductor-grade polysilicon operations



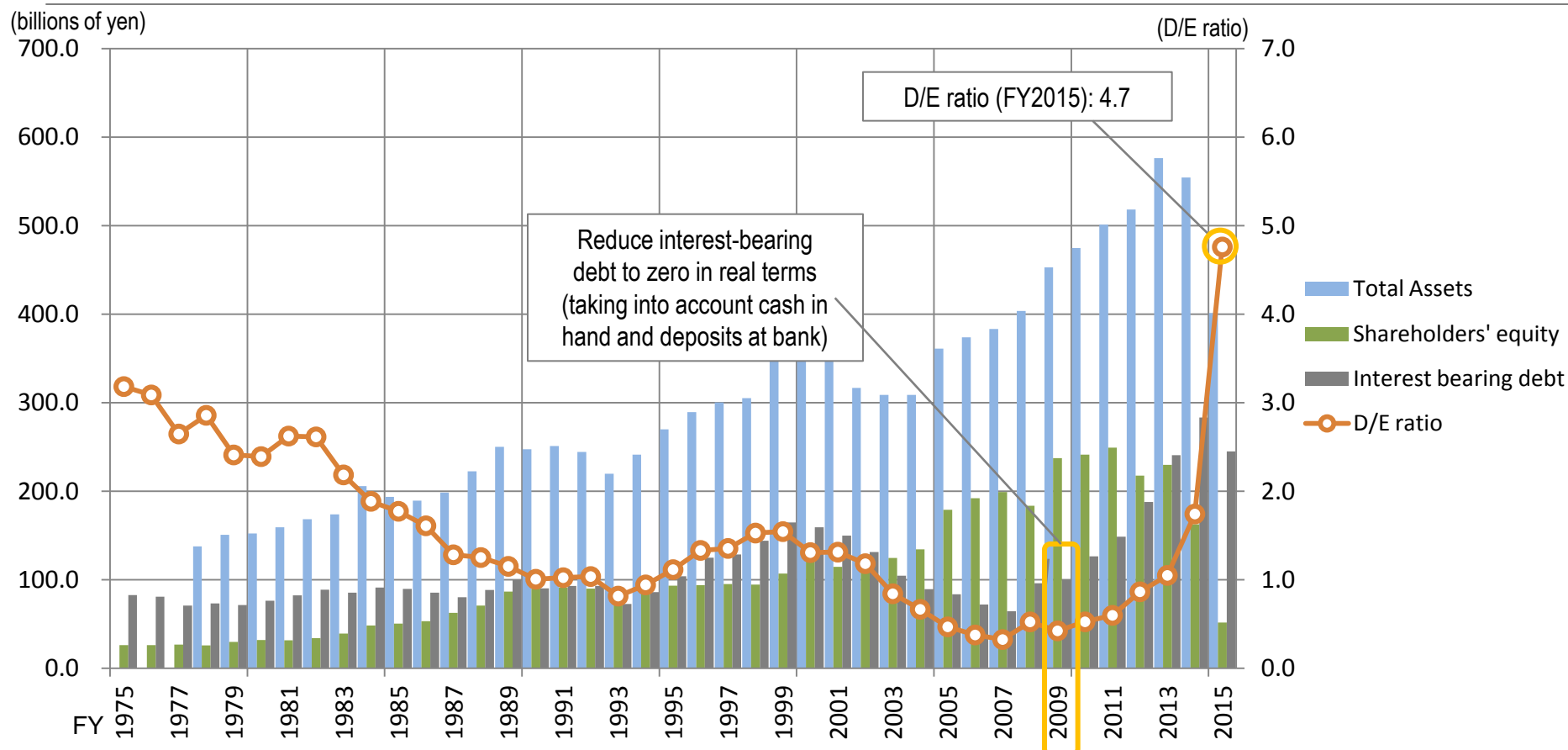


# 1. Current Understanding of Conditions

Reflecting on the Past  
 ~ Substantial Loss in Overseas Operations ~

Despite reducing net interest-bearing debt to nearly zero in real terms in 2009, dramatic increase following the procurement of funds to finance large-scale investment in Malaysia and substantial deterioration in financial position

Long-term Trend of Financial Position and Financial Indicator



(Note) D/E ratio = Interest-bearing debt / Shareholders' equity etc.

# 1. Current Understanding of Conditions

Reflecting on the Past  
~ Points to be Improved ~

Forecasts for traditional businesses indicate that the general-purpose product markets in Japan will contract. At the same time, a slowdown in electronic materials business growth is also expected. Under these circumstances, it is vital that Tokuyama overcomes the issues mentioned below and creates the necessary driving force to propel new profit growth.

Reflecting on the Past – Points to be Improved as Tokuyama Enters the Next Century –

Point to be Improved (1)

Overconfidence in and dependence on Tokuyama Factory

Point to be Improved (2)

Inward and passive posture spread among employees

Point to be Improved (3)

Corporate governance

Point to be Improved (4)

Uncertainty surrounding the strategic direction of the Group and each department

It is vital that Tokuyama overcomes these issues and creates the necessary driving force to propel new profit growth.

## 2. Management Policy

### New Foundation

#### Mission

Centered on the field of chemistry, the Tokuyama Group will continue to create value that enhances people's lives

#### Aspirations

Shift from a focus on quantity to quality

FY2025 Global leader in advanced materials

Leader in its traditional businesses in Japan

#### Values

Customer satisfaction is the source of profits

A higher and broader perspective

Personnel who consistently surpass their predecessors

Integrity, perseverance, and a sense of fun

## 2. Management Policy

### Medium to Long-term Management Strategies

The Tokuyama Group has positioned the following medium- to long-term management strategies as the driving force behind its business activities. The goal is to carry out each of these strategies by fiscal 2025.

#### Management Strategies

##### ■ Transition to a robust business structure that is resilient against changes in its operating environment and capable of sustainable growth

- Growth businesses: Become a global leader in advanced materials through unique technologies
- Traditional businesses: Become a leader in Japan in each of the Cement and Chemicals businesses through strengthening competitiveness

##### ■ Transition to a Group-wide low-cost structure by undertaking a comprehensive review of existing work practices

## 2. Management Policy

### Rebuild Business Strategies

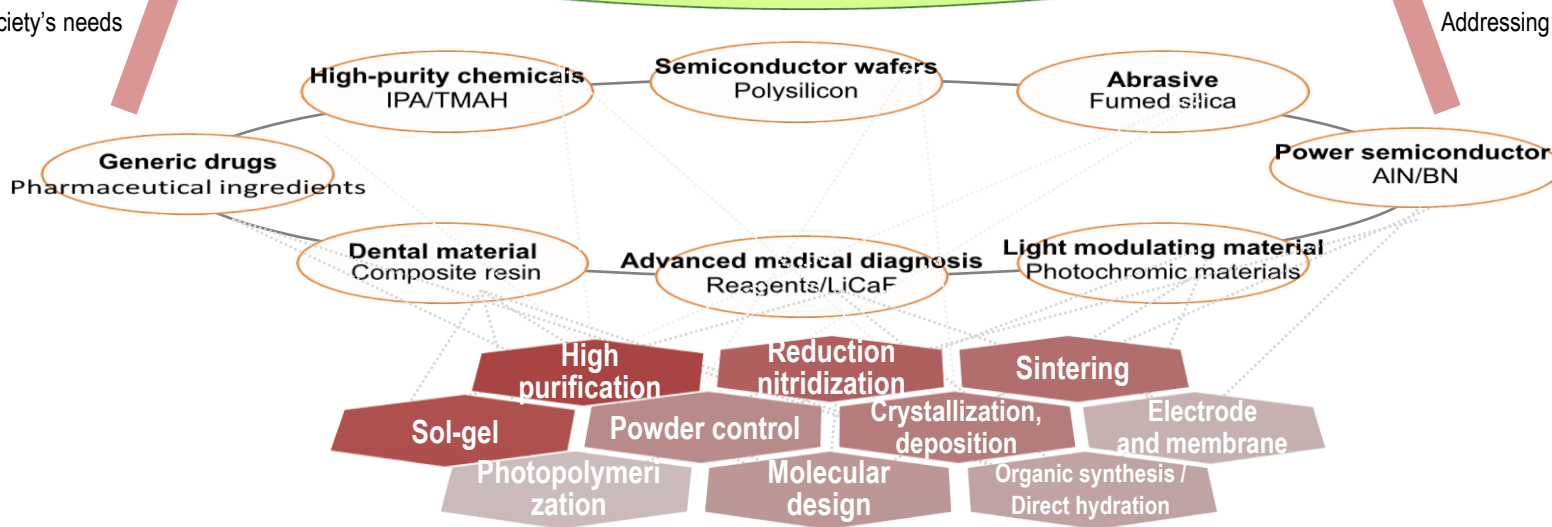
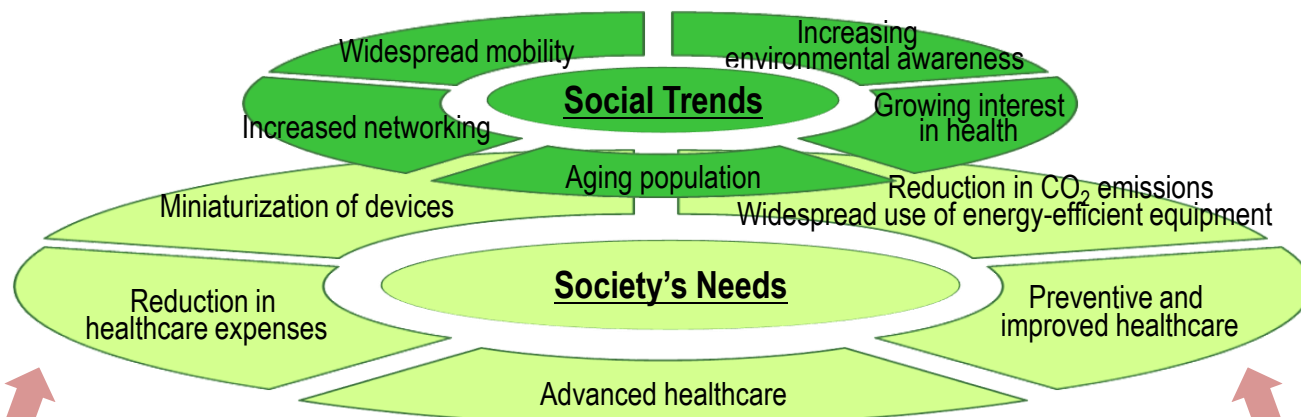
Strive toward definitive profit growth by becoming a global leader in advanced materials through unique technologies in growth businesses. Work to become a leader in traditional businesses in Japan by strengthening competitiveness and overcome competition in the domestic general-purpose product market.

	Aspirations	Means of Achieving Goals	Key Management Indicators
<p><b><u>Growth Businesses</u></b></p> <p>(Specialty Products Life &amp; Amenity New businesses)</p>	<p><b>Become a global leader in advanced materials through unique technologies</b></p> <ul style="list-style-type: none"> <li>• Thoroughly understand customers' needs, and meet requirements through unique technologies</li> </ul>	<ul style="list-style-type: none"> <li>■ Adhere strictly to customer-oriented business activities</li> <li>■ Utilize open innovation</li> <li>■ Leverage alliances</li> <li>■ Review the research and development structure</li> </ul>	<p>EBITDA growth rate</p>
<p><b><u>Traditional Businesses</u></b></p> <p>(Chemicals Cement)</p>	<p><b>Become a leader in Japan through strengthening competitiveness</b></p> <ul style="list-style-type: none"> <li>• Overcome competition in the general-purpose products market</li> <li>• Become an entity that maintains a thirst for increased efficiency</li> </ul>	<ul style="list-style-type: none"> <li>■ Adopt a stringent approach toward maintaining and renewing investments; undertake strategic investments aimed at strengthening competitiveness</li> <li>■ Increase the efficiency of repairs and maintenance expenses by shortening the periods of periodic maintenance</li> <li>■ Strengthen cross-departmental improvement activities</li> <li>■ Leverage alliances</li> </ul>	<p>ROA, Cash conversion cycle (CCC)</p>

## 2. Management Policy

Steadily Expand Growth Businesses

Utilize the Company's unique technologies that draw on capabilities nurtured in advanced fields and develop products that address the needs of society



### Tokuyama's Unique Technologies

### 3 Medium-Term Management Plan

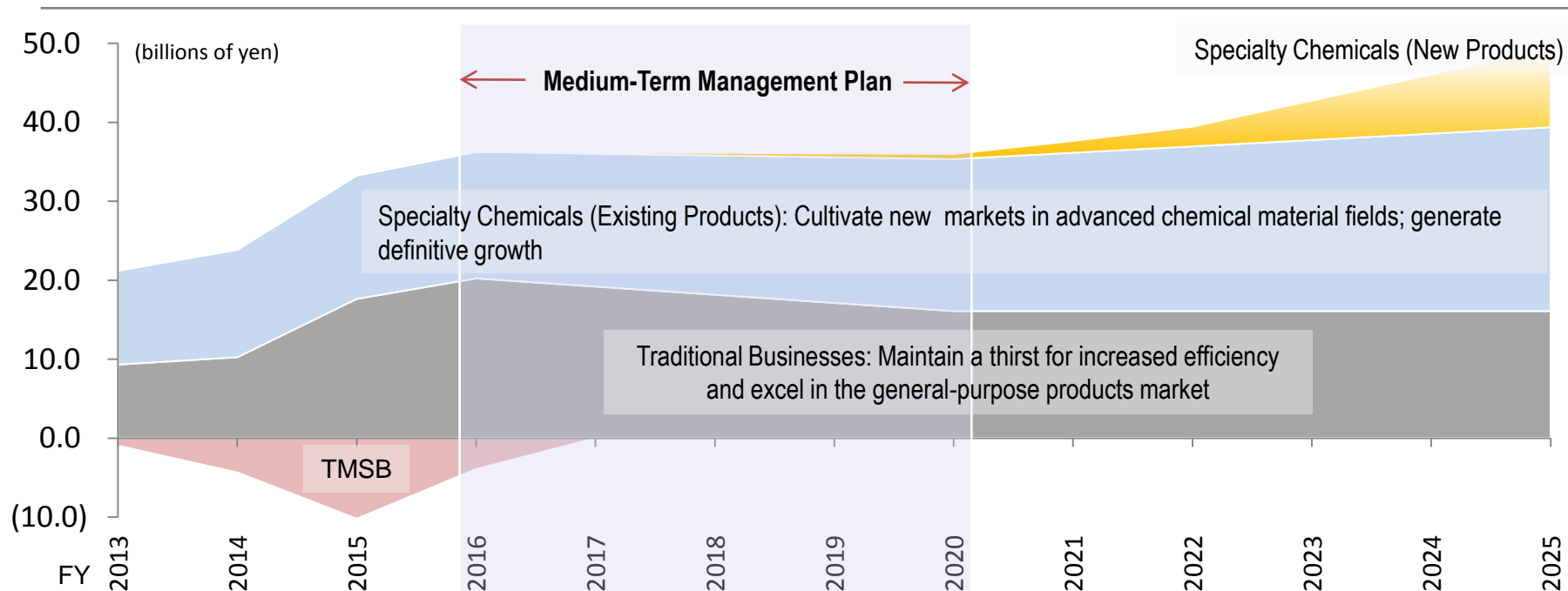
# 3. Medium-Term Management Plan

## Outline of the Plan

### Medium-Term Management Plan Cornerstone of the Group's Revitalization

<b>Positioning of the Plan</b>	The Medium-Term Management Plan has been set up as a milestone toward achieving the Group's aspirations. Through implementing the Plan, the Tokuyama Group will lay the cornerstone for the Group's revitalization. Period: From April 1, 2016 to March 31, 2021
<b>Priority Issues</b>	(1) Change the Group's organizational culture and structure (2) Rebuild the Group's business strategies (3) Strengthen Group management (4) Improve the Company's financial position

Consolidated Operating Income Trend



# 3. Medium-Term Management Plan

## Target Indicators

Set numerical targets for FY2020 as a milestone toward achieving the Group's aspirations in FY2025

Numerical Targets under the Medium-Term Management Plan

	<u>FY2015</u>		<u>FY2020 Target</u>
<b>Net sales</b>	¥307.1 billion	Emphasize quality over quantity	¥335.0 billion
<b>Operating income</b>	¥23.0 billion	Shift toward high-value-added products and reduce costs	¥36.0 billion
<b>ROA</b>	5.7%	Realize Tokuyama Factory's potential	10%
Operating margin	7.5%	Pursue a thirst for increased efficiency	10%
Total asset turnover	0.77 times	Promote improvements through various measures including efforts to shorten the periods of periodic maintenance	1.0 times
Financial indicators	CCC	Reduce inventories, improve trading terms and conditions	55 days
	D/E ratio	Promote improvement by building up profits and utilizing external capital	1.0

Note 1: Cash Conversion Cycle (CCC): Accounts receivable turnover period + Inventory turnover period – Accounts payable turnover period;  
 ROA: Operating income / Total assets

(Assumptions)  
 Exchange rate : ¥110/US\$  
 Domestic naphtha price : ¥58,000/kl



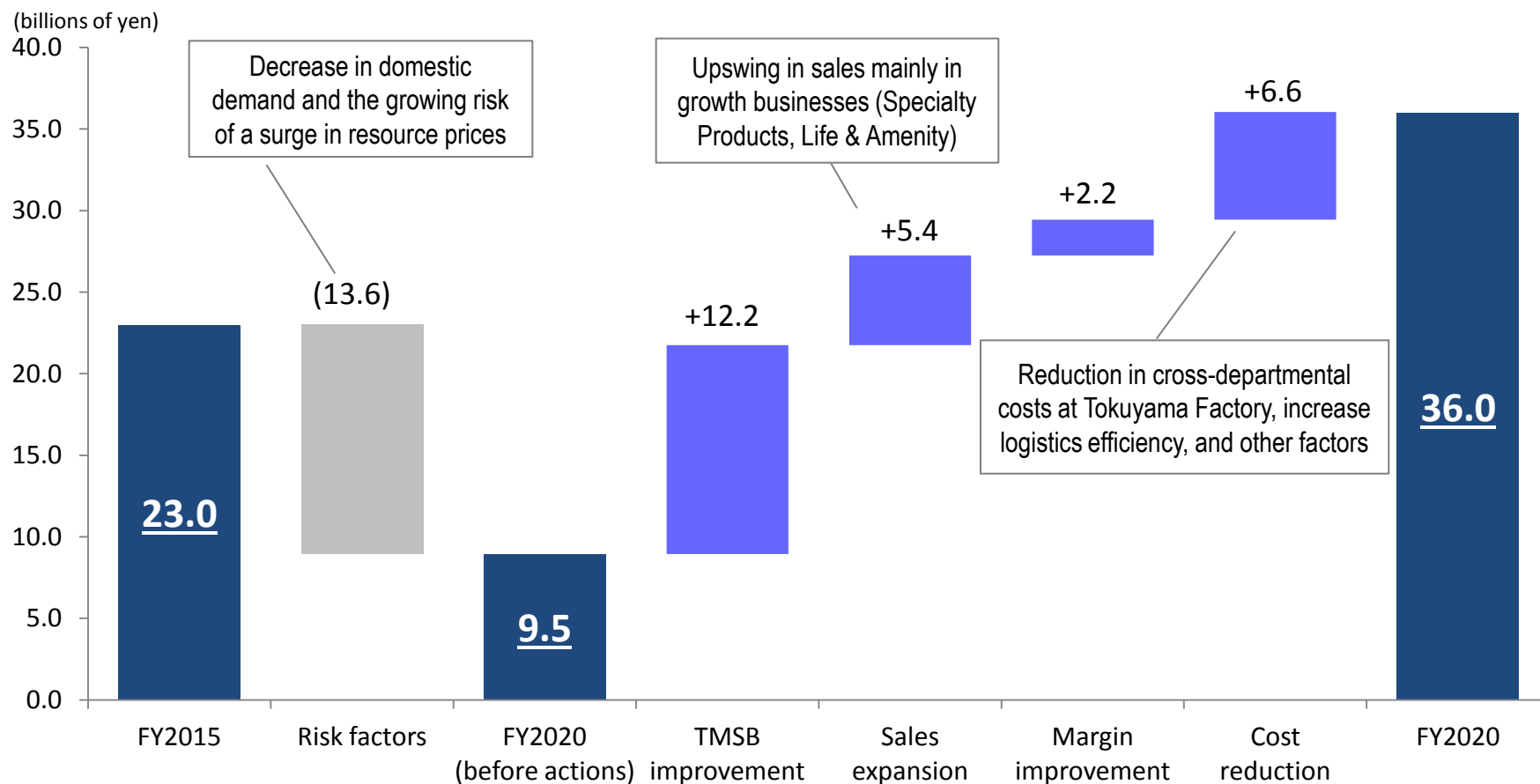
### 3 Medium-Term Management Plan

## 3. Medium-Term Management Plan

### Changes in Operating Income by Factor

Build up the effects of measures implemented by each department including those taken in the Specialty Products segment and cost reduction efforts at Tokuyama Factory, and target operating income of ¥36.0 billion in the lead-up to FY2020

Changes in Operating Income by Factor

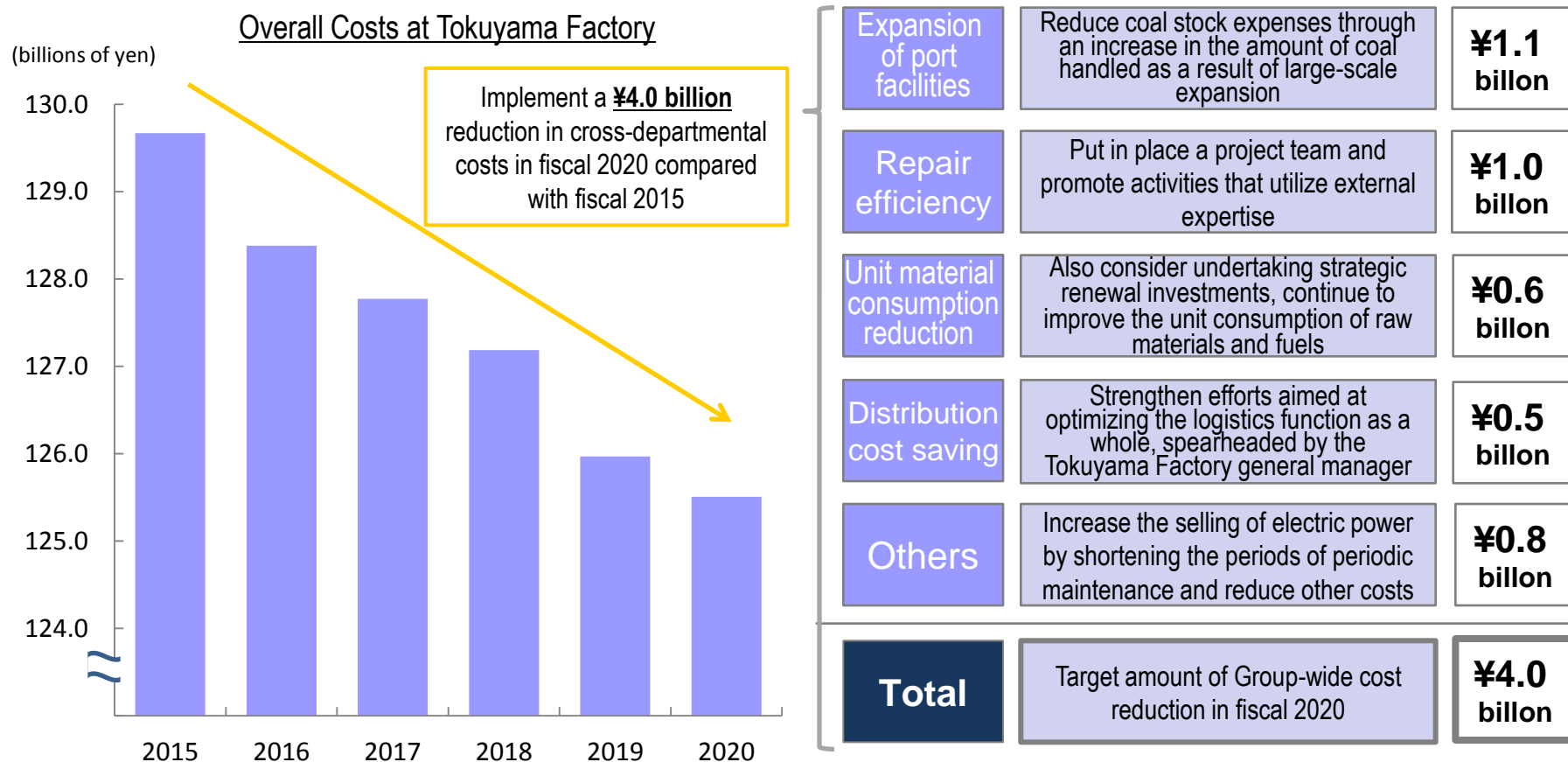


### 3 Medium-Term Management Plan

## 3. Medium-Term Management Plan Cross-Departmental Cost Reduction Activities

Adopt a cross-departmental approach that differs from conventional methods and work to reduce costs by undertaking strategic capital expenditures as a part of efforts to cutback principal costs including raw material, fuel, repairs and maintenance, and distribution expenses

### Cross-Departmental Cost Reduction at Tokuyama Factory

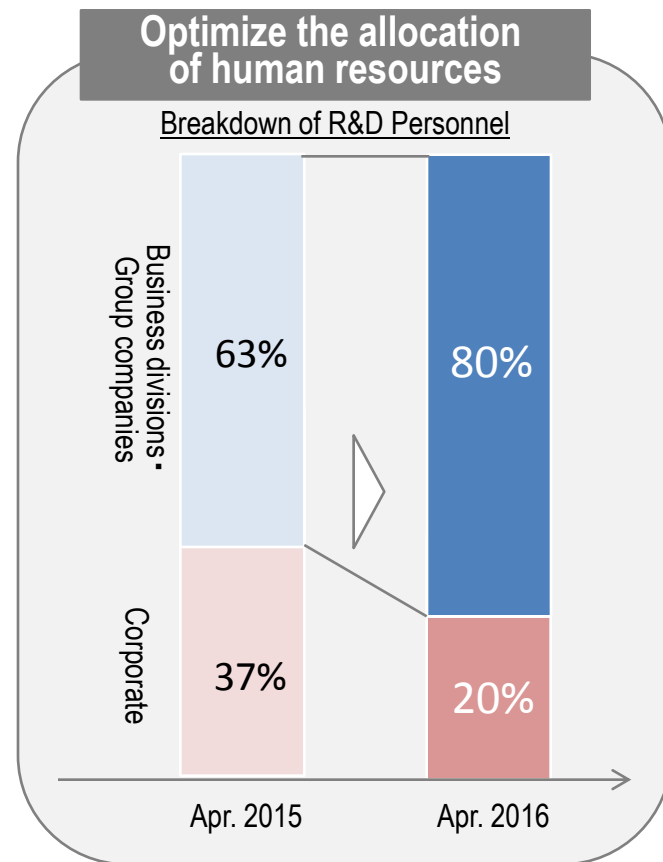
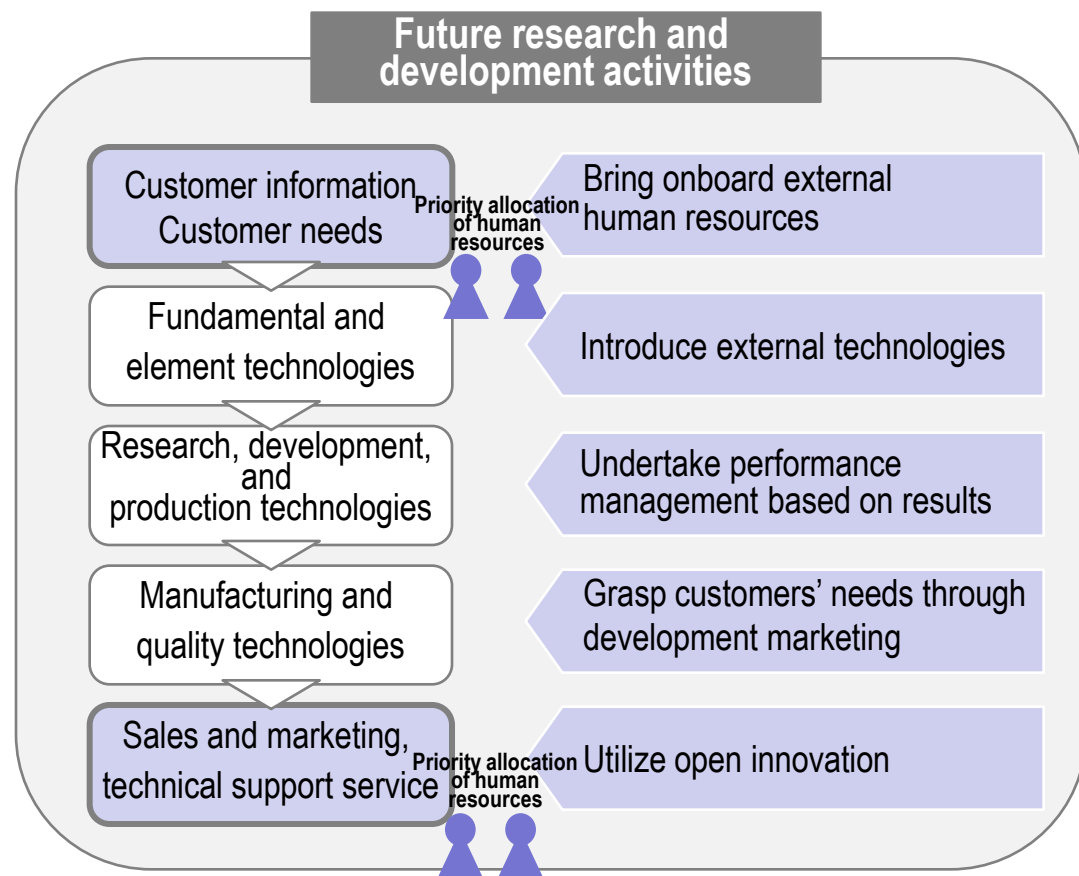


### 3 Medium-Term Management Plan

## 3. Medium-Term Management Plan

Make changes to the Group's research and develop structure to better reflect the needs of customers as a part of efforts to expand existing businesses and develop opportunities in new areas by utilizing its unique technologies

### Research and Development



Promote customer-oriented research and development as well as development marketing

### 3 Medium-Term Management Plan

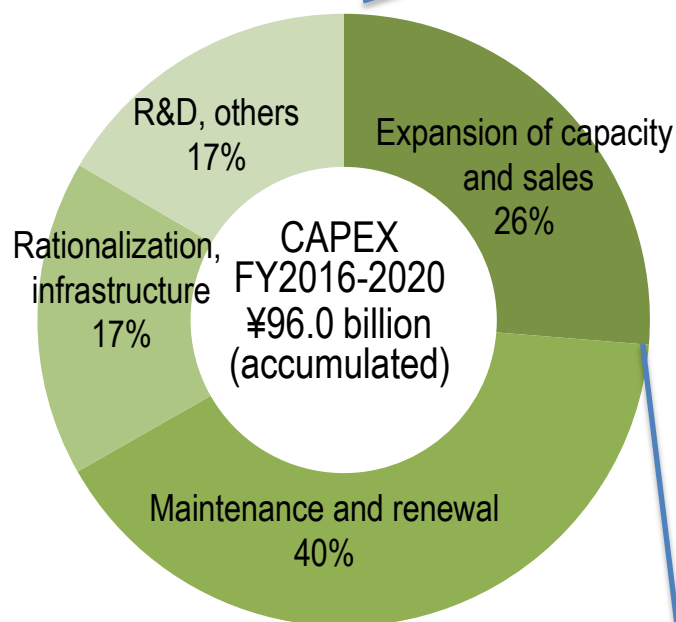
## 3. Medium-Term Management Plan

### Capital Expenditure Plan and Strategic Investment Limit

Build a platform for growth by allocating 26% of capital expenditures to the construction of new and additional facilities. At the same time, set aside a separate amount of ¥20.0 billion for strategic investments aimed at expanding growth businesses and enhancing the competitiveness of traditional businesses.

#### CAPEX Plan

(FY2016 – FY2020: ¥96.0 billion)

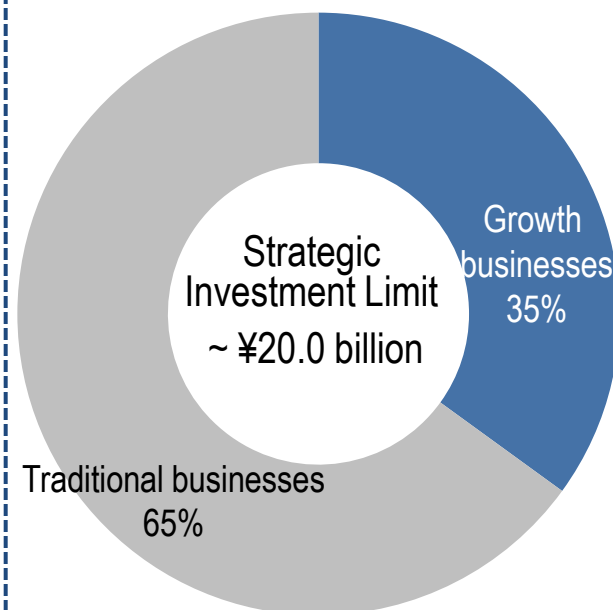


#### Major Capital Investment Plans

- Expand shipping and receiving facilities (Shunan Bulk Terminal)
- Expand the coal storage and waste acceptance facilities of Tokuyama Factory
- Investments aimed at increasing the quality of polysilicon
- Investments aimed at increasing the quality of IPA-SE
- Investments aimed at upgrading and expanding heat dissipation materials
- Investments aimed at upgrading and expanding healthcare-related products
- Introduction of the latest polyolefin film facilities (Sun・Tox)
- Investments aimed at increasing the quality of microporous film

#### Strategic Investment Limit

(~ ¥20.0 billion)



### 3 Medium-Term Management Plan

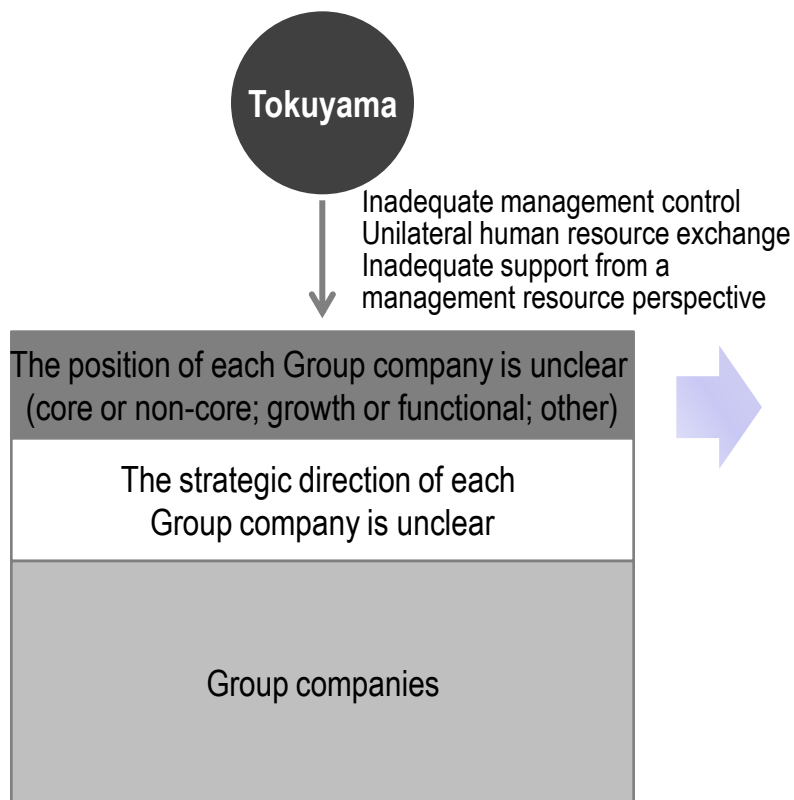
## 3. Medium-Term Management Plan

Strengthen Group Management

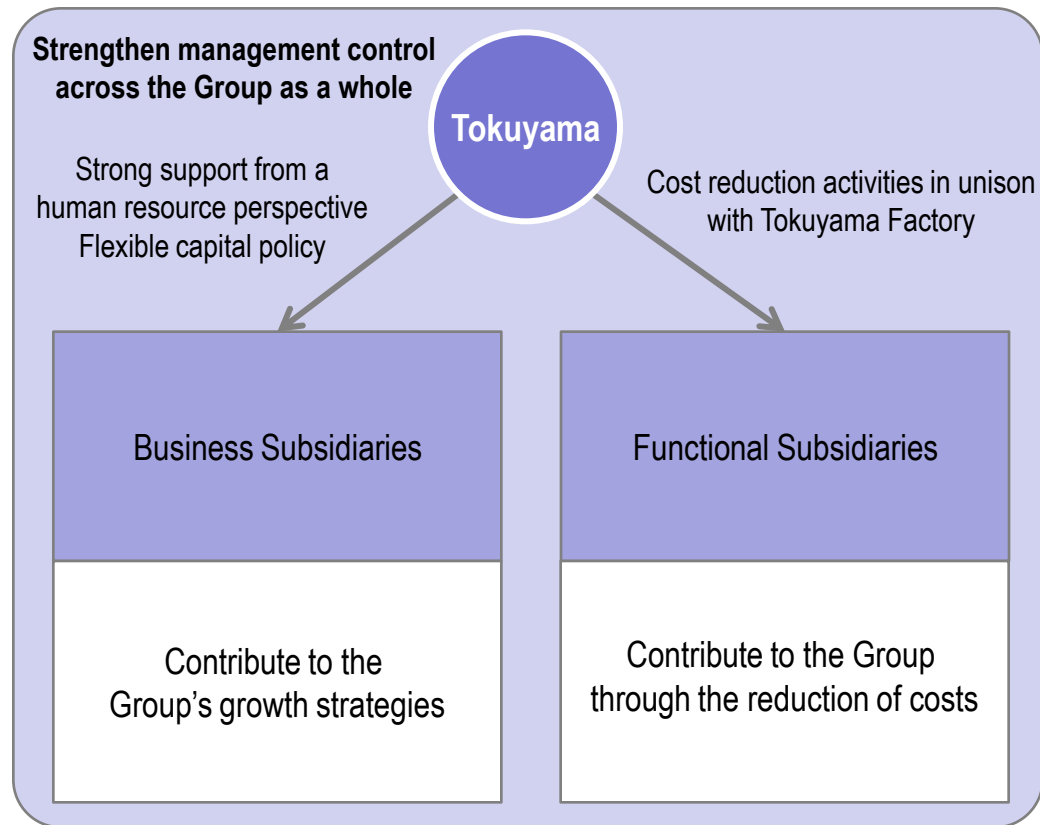
Take steps to again clarify the position of each company within the Group. Call on each Group company to boost its contributions toward carrying out the Group's growth strategies and reducing costs while further strengthening management control of the Group as a whole

Clarify the position of each company within the Group and its expected role

### Conventional Group Management




### Ideal Group Management



# 3. Medium-Term Management Plan

Tokuyama Malaysia

## Schedule Going Forward

		FY2015 (ending Mar-16)	FY2016 (ending Mar-17)	FY2018 (ending Mar-19)
 <p>Tokuyama Malaysia</p>	P S 1	Consider promoting effective use	Utilize as a backup for PS-2	
	P S 2	(Posted impairment loss in 3Q)	Implement cost reduction	Achieve profitable operations

## Tokuyama Malaysia Business Plan

(Billions of yen)

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

# 4. Financial Strategy

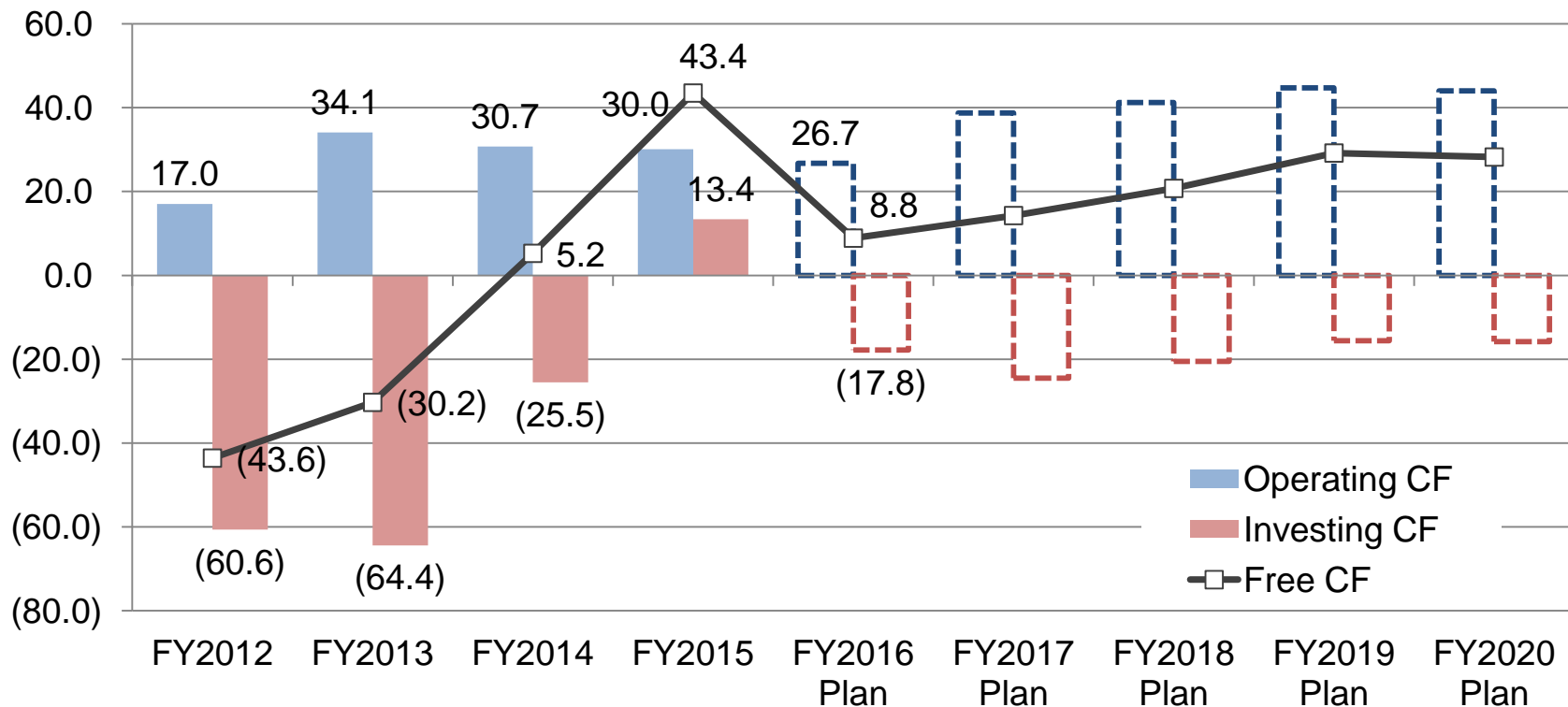
## Cash Flow Plan

Posted cash inflows of ¥28.7 billion from the sales of assets and investment securities in fiscal 2015. Continue to secure stable free cash flows by undertaking certain activities including the increase of business profits and the control of investments.

Cash Flow Trend

(Billions of yen)

\*In addition to the below, we plan to utilize strategic investment limit of ¥20 billion



## 4. Financial Strategy

### Issuance of Classified Stock (Preferred Stock)

Issue A-classified stock in a total amount of ¥20.0 billion in order to quickly rebuild a stable financial platform and put in place a robust business operating structure that is capable of carrying out the new Medium-Term Management Plan.

A-classified stock to be issued to Japan Industrial Solutions Fund 1.

#### Objectives for the Issuance of Classified Stock

1	Strengthen the Group's financial platform	<ul style="list-style-type: none"><li>• Address substantial deterioration in the Company's net assets due to impairment losses on Tokuyama Malaysia PS-1 and PS-2</li><li>• Quickly address the Company's thin capital base and secure a robust business operating structure</li></ul>
2	Secure strategic investment funds	<ul style="list-style-type: none"><li>• Secure strategic investment funds aimed at expanding growth businesses and enhancing the competitiveness of traditional businesses</li><li>• Undertake investments totaling ¥9.5 billion in capital expenditures aimed at expanding sales of advanced materials, ¥4.8 billion in rationalization expenditures aimed at increasing the competitiveness of Tokuyama Factory, and ¥5.4 billion in M&amp;As</li></ul>



## 4. Financial Strategy

### Issuance of Classified Stock (Preferred Stock)

Avoid the favorable issuance and stock that may have a dilutive effect as much as possible. Design the issuance of stock that takes into consideration existing shareholders

#### Features of the Design of Classified Stock

JIS put option restricted to a period of three years after issuance	<ul style="list-style-type: none"> <li>In principle, JIS cannot exercise its common stock, monetary, and B-classified stock put options until July 1, 2019</li> <li>Tokuyama plans to redeem the amount in full after putting in place a robust financial platform through the buildup of profits</li> </ul>
Terms and conditions allow for conversion to advantageous C-classified stock	<ul style="list-style-type: none"> <li>Tokuyama holds a right of conversion allowing the Company to convert stock to C-classified stock, which has a lower dividend yield and redemption premium compared with A-classified stock in the event that the amount available for distribution is a certain amount or more* after March 31, 2018</li> </ul>
The Company's call option takes preference	<ul style="list-style-type: none"> <li>The Company's call option will take preference within the scope of the amount available for distribution even in the event JIS exercised its common stock put option</li> </ul>
Partial redemption is allowed	<ul style="list-style-type: none"> <li>Partial redemption in lots of ¥5.0 billion is allowed. Monetary redemption is allowed on a flexible basis depending on financial conditions</li> </ul>

\*The number of A-classified stock outstanding × ¥1 million + ¥40 billion or more

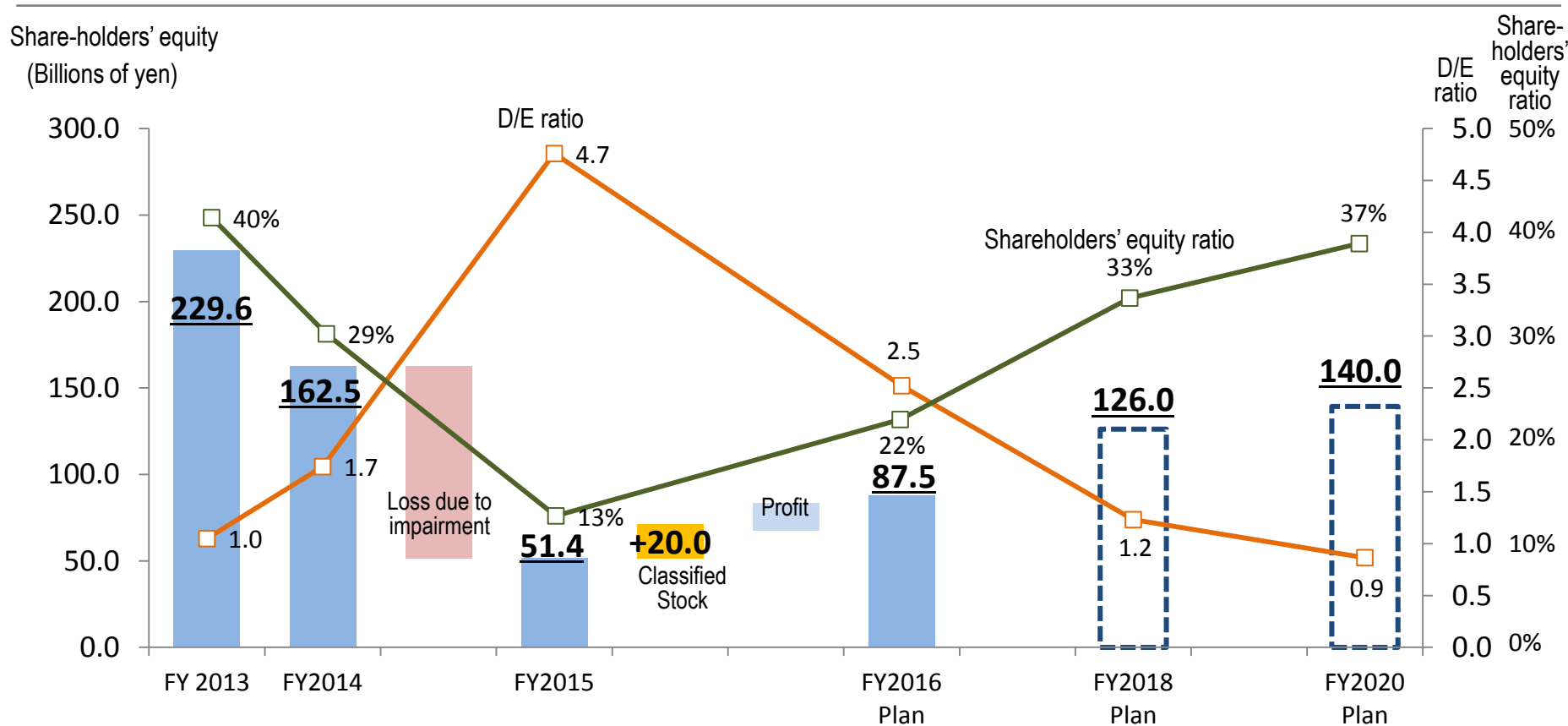
# 4. Financial Strategy

## Shareholders' Equity and Interest-Bearing Debt

Promote the reduction of interest-bearing debt as previously planned.

Quickly address the substantial deterioration in the Company's shareholders' equity attributable to two consecutive periods of net loss through the sale of assets, buildup of business profits, and the issuance of classified stock totaling ¥20.0 billion

Shareholders' Equity and Financial Index Trend



## 4. Financial Strategy

### Basic Policy for Profit Distribution and Dividends

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 a year-end dividend for the fiscal year under review.

For the reasons stated above, we have also decided to forego the payment of an interim and year-end dividend for the next fiscal year. Tokuyama is committed to quickly restoring its financial condition and to securing stable earnings power. We will work diligently to ensure a resumption in the payment of dividends to shareholders at the earliest possible opportunity.

## In Closing

Tokuyama's Medium-Term Management Plan as well as its associated financial strategies was determined in a bid to further enhance the Company's shareholder value after extensive deliberation at meetings of the Board of Directors.

In order to achieve its Medium-Term Management Plan and to implement the appropriate financial strategies, Tokuyama will also review its corporate governance structure and systems going forward.

As we work toward achieving our goals, we sincerely ask for the continued support and understanding of shareholders and investors.



## **4 Business Strategies**

- 1. Chemicals Segment**
- 2. Specialty Products Segment**
- 3. Cement Segment**
- 4. Life & Amenity Segment**
- 5. Tokuyama Factory**

# 1. Chemicals Segment

## Basic Policy

● Contribute to the development of customers' businesses by delivering high-quality, cost competitive basic chemical materials and services that accurately reflect customers' needs while helping to ensure the Company's stable and continuous earnings growth as a core business segment

## Measures

### <Soda Ash and Calcium Chloride Business>

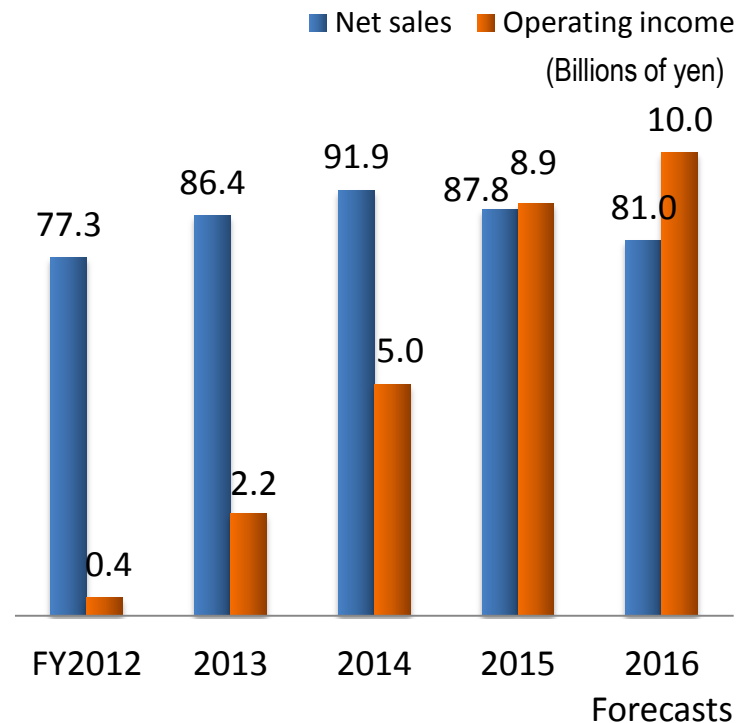
● Ensure stable supply and maintain quality as a single domestic manufacturer

### <Chlor-Alkali and Vinyl Chloride Business>

● Strengthen the competitiveness of in-house power generation and electrolytic chlor-alkali production with the aim of further reducing the cost of caustic soda and chlorine

● Strengthen profitability in the chlorine derivatives business (vinyl chloride, propylene oxide, chloromethane, etc.)

● Expand liquid hydrogen plants



# 1. Chemicals Segment

Activities aimed at restructuring businesses and reinforcing competitiveness



## Integrating the soda ash and calcium chloride businesses

Ensure stable supply, maintain quality, and establish an optimal distribution structure as a single domestic manufacturer



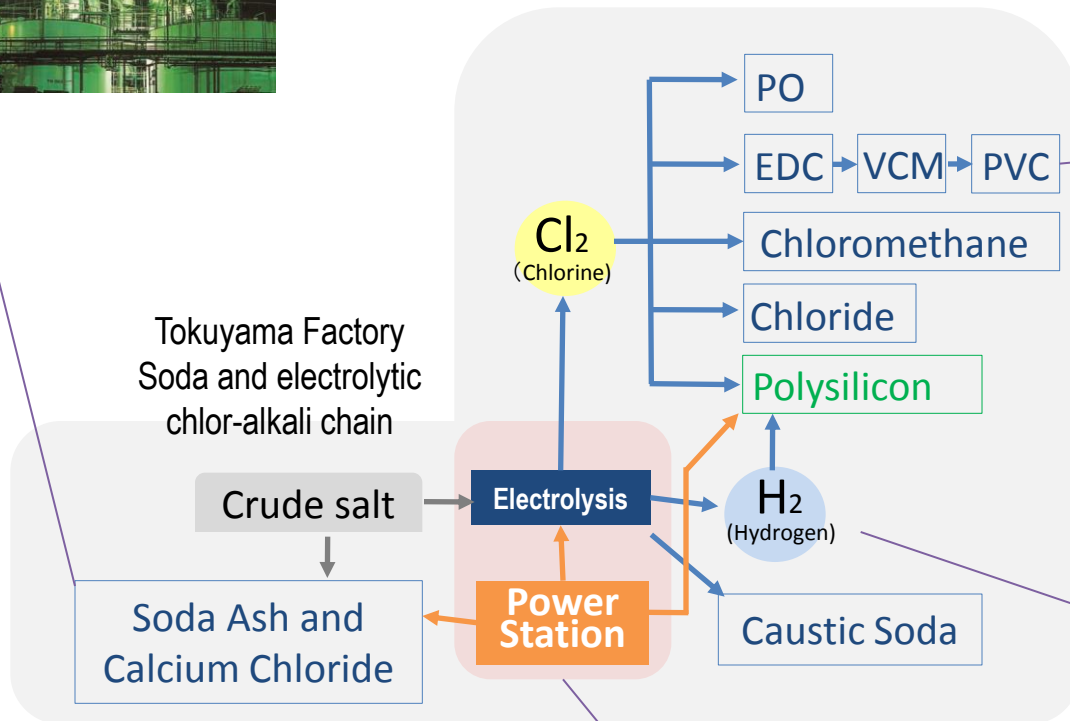
## Consolidate PVC production

Consolidate PVC production at the highly competitive Tokuyama Factory



## Expand facilities of liquid hydrogen

Expand the production capacity of liquid hydrogen to twofold



## Strengthening the competitiveness of in-house power generation and electrolytic chlor-alkali production

## 2. Specialty Products Segment

### Basic Policy

● Adhere strictly to a policy of QCD improvement while continuing to put forward development product proposals in order to remain the preferred supplier of customers

### Measures

#### <Semiconductor-grade Polycrystalline Silicon Business>

● Accurately grasp the needs of customers with respect to product quality, reflect these requirements in efforts to improve the quality of the Company's own products and underpin growth in the semiconductor industry

#### <Solar-grade Polycrystalline Silicon Business >

● Promptly secure stable operations at Tokuyama Malaysia and work to expand market share by drawing on the Group's quality strengths and cost competitiveness

#### <IC Chemicals Business>

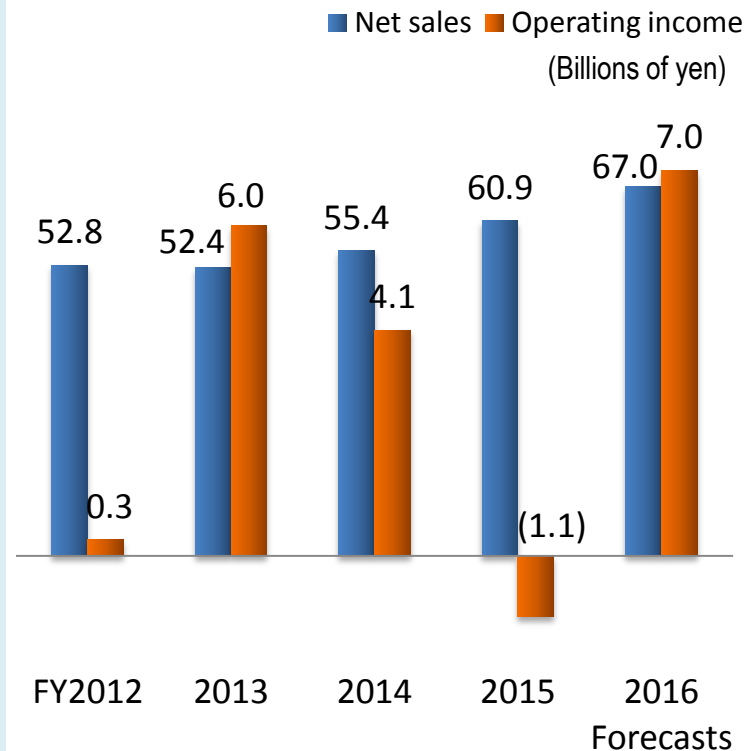
● Expand sales and improve the quality of products that target the advanced semiconductor field

#### <Fumed Silica Business>

● Upgrade and expand highly functional products; establish optimal production with Tokuyama Chemicals (Zhejiang) Co., Ltd.

#### <Shapal (Aluminum Nitride) Business>

● Expand business in the heat sink market targeting the power device and semiconductor equipment fields





## 2. Specialty Products Segment

### IC Chemicals Business (High-Purity Chemicals for Electronics Manufacturing)

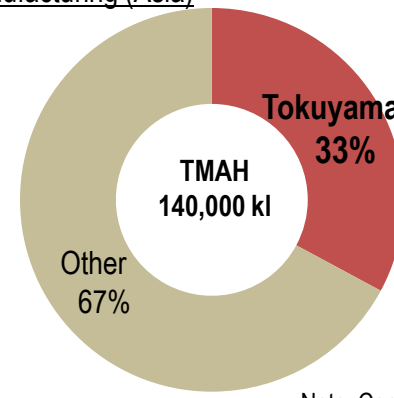
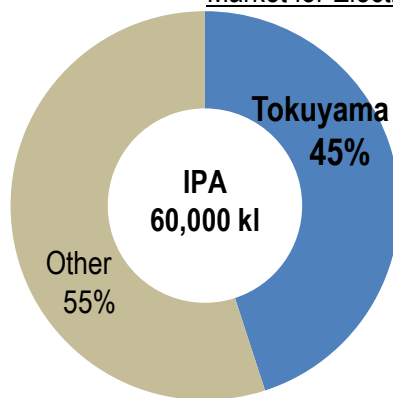
In line with the miniaturization of semiconductor patterns, demand for high-purity chemicals for ultra-low residue continues to grow in the advanced semiconductor field

- IPA for electronics manufacturing is an isopropyl alcohol that draws on proprietary manufacturing techniques to deliver an ultra-high purity level of 99.9999%. For use in the electronics industry, this product boasts outstanding quality and competitive advantage as a cleaning solution in the advanced semiconductor field
- Tokuyama's photoresist developer, tetramethylammonium hydroxide (TMAH) also achieves a high level of purity on the back of proprietary technologies and is used by a substantial number of advanced semiconductor users. Moreover, TMAH has a wide range of additional applications as a high-purity alkali



High-Purity Chemicals for Electronics Manufacturing

Tokuyama's Share of the High-Purity Chemicals Market for Electronics Manufacturing (Asia)



Note: Company estimate

## 3. Cement Segment

### Basic Policy

- Put in place an optimal production, sales, and distribution structure that is capable of addressing changes in the business environment while cultivating and strengthening overseas as well as new businesses

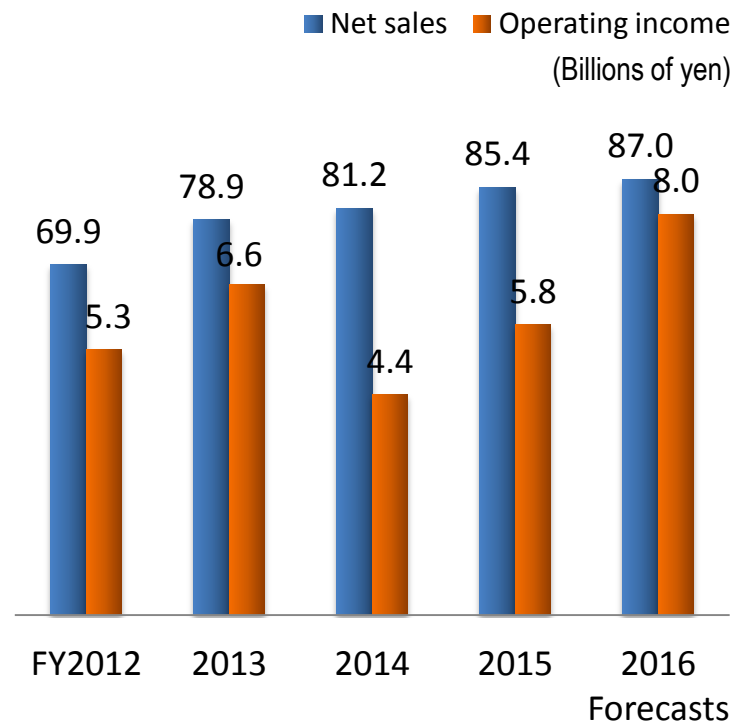
### Measures

#### <Cement Business>

- Cut back costs by focusing on efforts aimed at reducing the use of coal and increasing the use/intake of combustible waste
- Secure earnings by expanding exports that maximize the use of the No.4 kiln
- Upgrade and expand the infrastructure maintenance and reinforcement business through Tokuyama Mtech Corp.

#### <Recycling and Environment Business>

- Promote the use of combustible waste and optimize the fuel plant business
- Expand the business for recycling waste gypsum boards through Tokuyama Chiyoda Gypsum Co., Ltd. (Kanto Plant scheduled to come online in July 2016)



### 3. Cement Segment

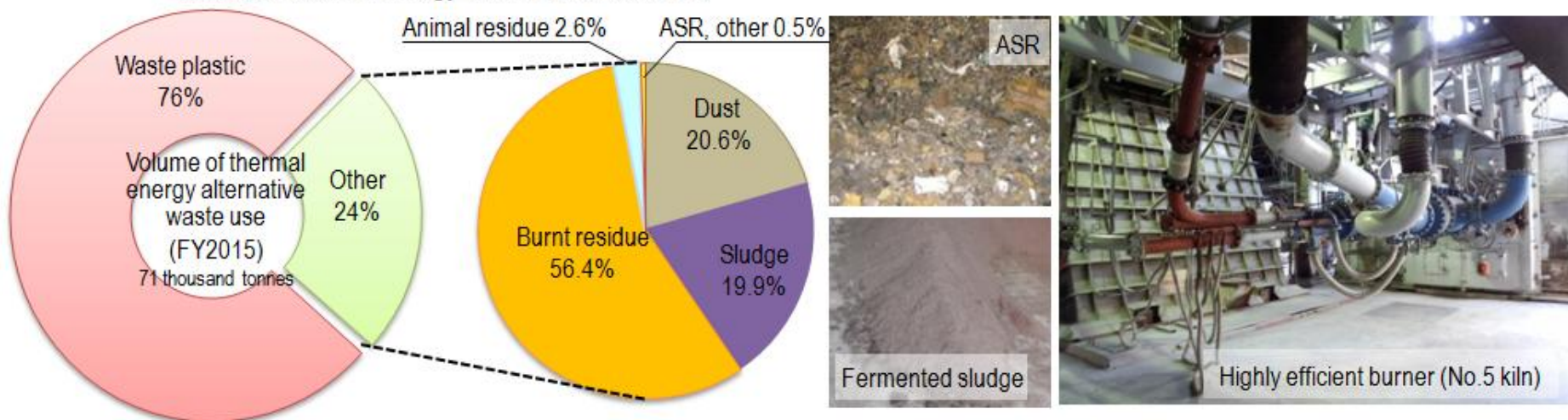
Reduce manufacturing costs by promoting the use of combustible waste

Steps have been taken to promote the use of combustible waste focusing mainly on waste plastic as an alternative to thermal energy.

Waste that is difficult to treat, including chlorinated products as well as flame retardant waste, continues to attract strong treatment needs in the cement field

- Increase combustibility through the introduction of a highly efficient burner; put in place a structure for the intake of waste that is difficult to treat by expanding chlorine removal facilities
- Work to optimize the use of thermal energy sources including valuables as well as combustible waste; strive to thoroughly reduce unit energy consumption and manufacturing costs

Status of thermal energy alternative waste use



## 4. Life & Amenity Segment

### Basic Policy

- Secure a position of advantage in markets both in Japan and overseas, pursue business expansion, and contribute to improving people's quality of life by establishing and strengthening a customer-oriented development, manufacturing, and sales structure

### Measures

#### <Microporous Film Business>

- Expand earnings at two companies in China

#### <Fine Chemicals Business>

- Expand market share in photochromic dye materials for use in eyeglass lenses; continue to expand sales of active pharmaceutical ingredients for generic drugs

#### <Dental Materials Business (Tokuyama Dental Corporation)>

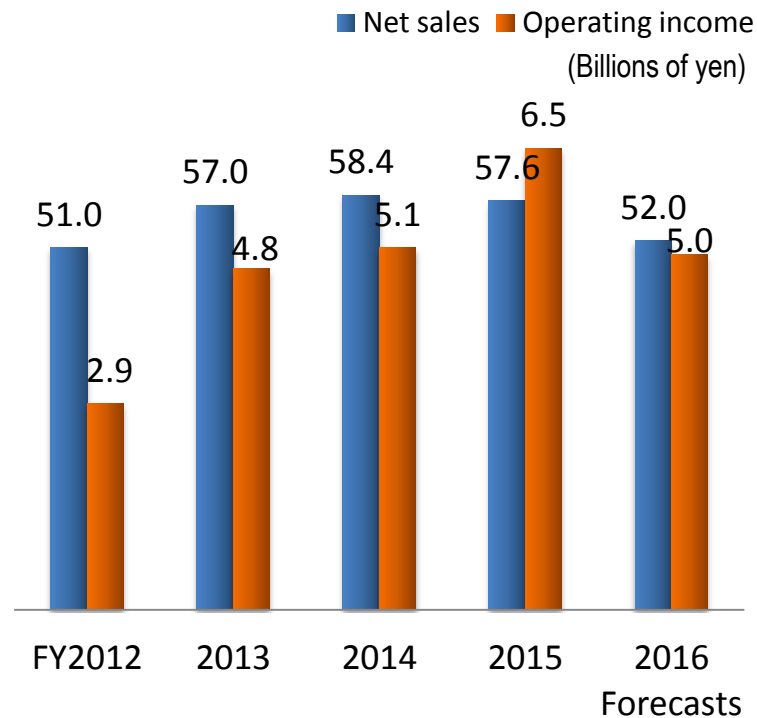
- Accelerate the pace of overseas business development focusing mainly on aesthetic filling materials (composite resins)

#### <Medical Diagnosis System Business (A&T Corporation)>

- Strengthen the OEM business; expand overseas sales channels

#### <Polyolefin Film Business (Sun・Tox Co., Ltd.)>

- Improve productivity by implementing a scrap and build approach toward manufacturing facilities



# 4. Life & Amenity Segment

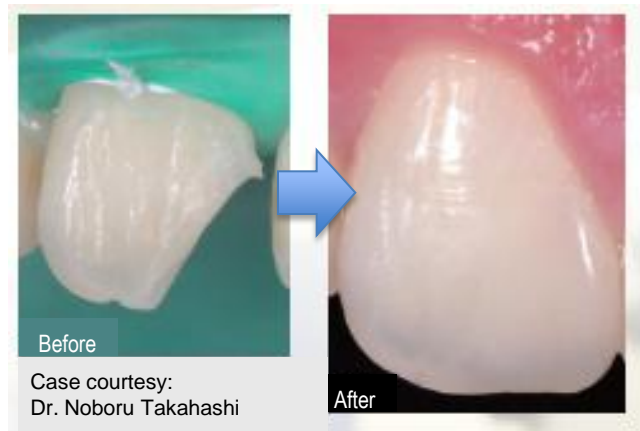
## Dental Materials and Equipment Business (Tokuyama Dental Corporation)

The global dental materials market is projected to expand at an annual rate of around 5% going forward. This largely reflects market expansion mainly in emerging nations and growth in the market for cosmetic materials mainly led by the U.S.

- Accelerate the pace of sales growth in Japan and overseas focusing mainly on aesthetic filling materials (composite resins), which have been selected as the most outstanding product by US's dental material evaluation organization for six consecutive years
- Work to enhance brand awareness and expand the Group's share of overseas markets that continue to enjoy growth through a variety of measures. This includes efforts to recruit new distributors and strengthen the ability to provide technological support, advance quality assurance, and address pharmaceutical requirements and regulations in emerging and other countries.



Received the outstanding product award



An example of treatment using composite resins



Note: Graph with FY2010 as a base of 100.  
Forecast data for FY2016 to FY2020.





## **5** Supplementary Data

- 1. Consolidated Financial Statements**
- 2. Cash Flows**
- 3. Changes in Operating Income**
- 4. Non-Operating Income/Expenses**
- 5. Extraordinary Gains/Losses**
- 6. Net Sales/Operating Income by Business Segment**
- 7. Principal Indicators**
- 8. Performance Trend**
- 9. Price Trend of Main Raw Material and Fuel**
- 10. CAPEX and Depreciation Trend**
- 11. Interest-bearing Debts Trend**
- 12. Free Cash Flow Trend**
- 13. Performance Forecasts (1H/2H)**
- 14. Polysilicon Market**
- 15. PV Market**
- 16. Overview of Classified Stock**

# 1. Consolidated Financial Statements

## Income Statements

(Billions of yen)

	FY2015	FY2016	Difference	
			Amount	%
Net sales	302.0	307.1	+5.0	+2
Cost of sales	218.9	220.6	+1.7	+1
Selling, general and administrative expenses	63.6	63.4	(0.2)	(0)
Operating income	19.5	23.0	+3.5	+18
Non-operating income/expenses	(6.6)	(5.3)	+1.2	-
Ordinary income	12.9	17.7	+4.8	+37
Extraordinary income/expenses	(77.9)	(104.2)	(26.3)	-
Income/loss before income taxes and minority interests	(64.9)	(86.5)	(21.5)	-
Income taxes and minority interests	0.3	14.0	+13.7	+3777
Profit (loss) attributable to owners of parent	(65.3)	(100.5)	(35.2)	-



# 1. Consolidated Financial Statements

## Balance Sheets

(Billions of yen)

	3/31/2015	3/31/2016	Changes	
			Amount	%
Total assets	554.5	401.3	(153.1)	(28)
Current assets	243.9	243.7	(0.2)	(0)
Tangible fixed assets	253.3	119.7	(133.5)	(53)
Intangible fixed assets	9.7	6.3	(3.3)	(35)
Investments and other assets	47.4	31.4	(16.0)	(34)

	3/31/2015	3/31/2016	Changes	
			Amount	%
Total liabilities	385.0	341.1	(43.9)	(11)
Current liabilities	117.2	113.2	(4.0)	(3)
Long-term liabilities	267.7	227.9	(39.8)	(15)
Total net assets	169.4	60.2	(109.2)	(64)

## 2. Cash Flows

Consolidated (year-on-year change)

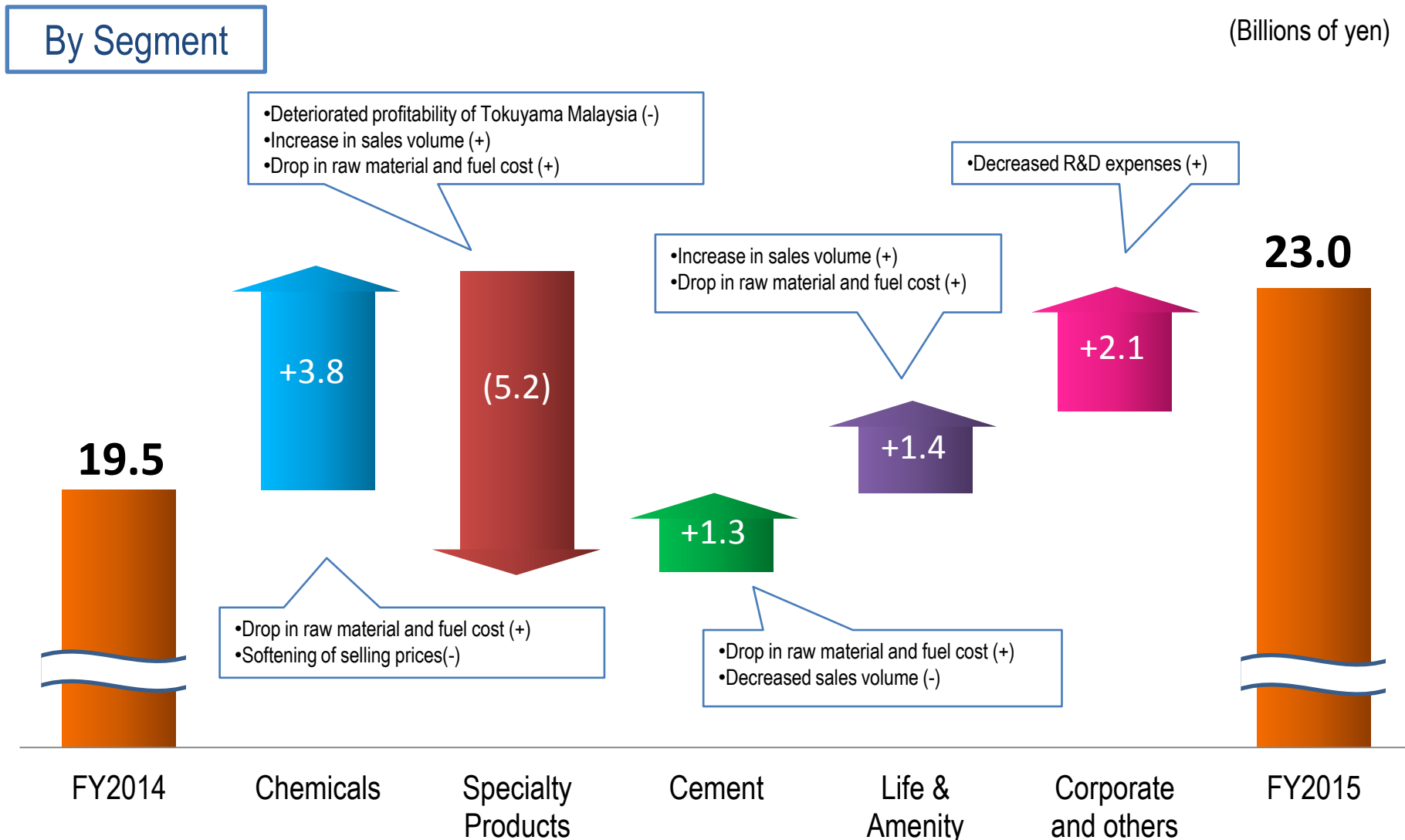
(Billions of yen)

	FY2014	FY2015
Cash flows from operating activities (1)	30.7	30.0
Cash flows from investing activities (2)	(25.5)	13.4
Free cash flows (3) ((1)+(2))	5.2	43.4
Cash flows from financing activities (4)	40.5	(37.6)
Effect of exchange rate changes on cash and cash equivalents (5)	0.3	(0.7)
Net increase (decrease) in cash and cash equivalents (6) ((3)+(4)+(5))	46.1	5.0
Cash and cash equivalents at beginning of the year (7)	69.9	116.1
Increase (decrease) in cash and cash equivalents due to changes of scope of consolidation and change in fiscal period of consolidated subsidiaries (8)	0.0	0.0
Cash and cash equivalents at end of the year (9) ((6)+(7)+(8))	116.1	121.1

# 3. Changes in Operating Income

(Year-on-year change)

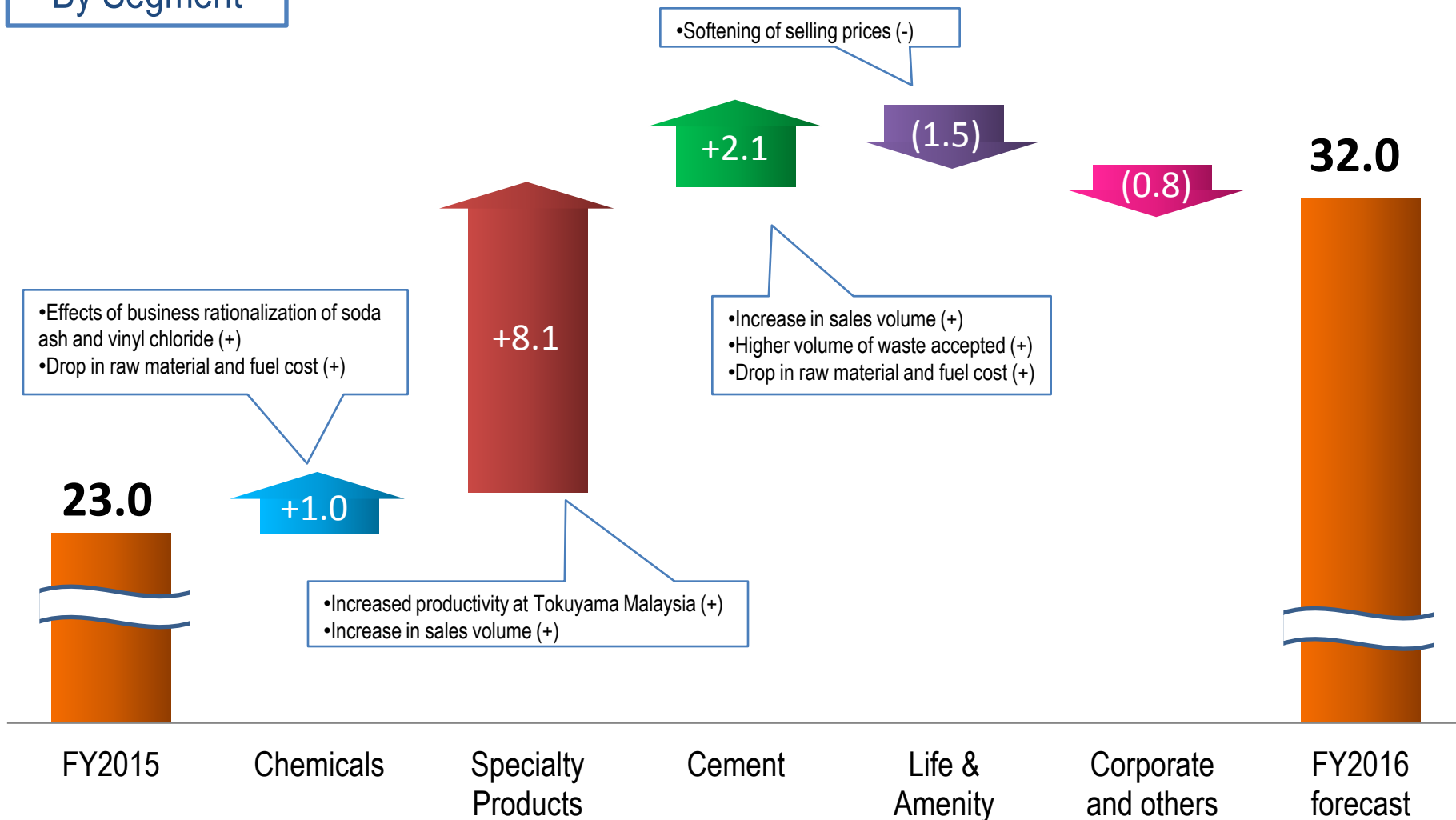
(Billions of yen)



# 3. Changes in Operating Income (Year-on-year change based on FY2016 forecasts)

(Billions of yen)

By Segment



## 4. Non-Operating Income/Expenses Consolidated (year-on-year change)

(Billions of yen)

		FY2014	FY2015	Changes	Notes
Non-operating income	Interest and dividend income	0.7	0.5	(0.1)	
	Other income	2.1	2.7	+0.6	Increased foreign exchange gains +0.5
	<b>Total</b>	<b>2.8</b>	<b>3.3</b>	<b>+0.4</b>	
Non-operating expenses	Interest expenses	4.7	4.6	+0.0	
	Other expenses	4.7	4.0	+0.7	Increase in costs of idle operations (0.3) Decreased trial production expenses +0.9 Decreased foreign exchange losses +0.4
	<b>Total</b>	<b>9.4</b>	<b>8.6</b>	<b>+0.8</b>	
<b>Non-operating income/expenses</b>		<b>(6.6)</b>	<b>(5.3)</b>	<b>+1.2</b>	

## 5. Extraordinary Gains/Losses

Consolidated (year-on-year change)

(Billions of yen)

	FY2014	FY2015	Changes	Notes
Extraordinary gains	10.5	21.4	+10.9	Gains from the sale of non-current assets +14.0 Decreased gain on sales of investment securities (4.2)
Extraordinary losses	88.4	125.7	(37.2)	Impairment loss for fixed assets (48.6) Loss on purchase contract (including provision) +10.9
Extraordinary gains/losses	(77.9)	(104.2)	(26.3)	

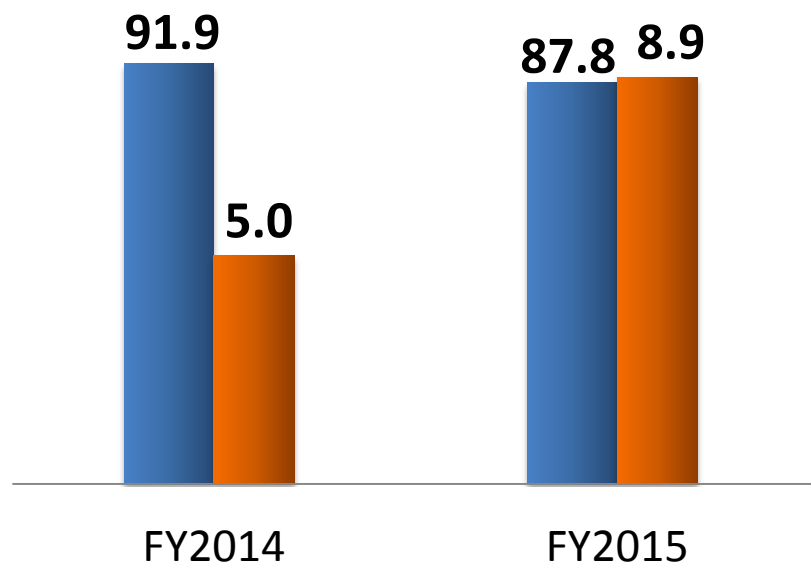
## 6. Net Sales/Operating Income by Business Segment

(Year-on-year change)

### Chemicals

*Higher earnings on lower sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



### Qualitative information

(Caustic soda)

- Lower sales due to weak trends in selling prices

(Vinyl chloride monomer (VCM))

- Improved profitability on the back of a drop in raw material costs due to the downturn in domestic naphtha prices

(Vinyl chloride resin)

- Drop in sales volumes following the closure of the Chiba factory

(Soda ash and calcium chloride)

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

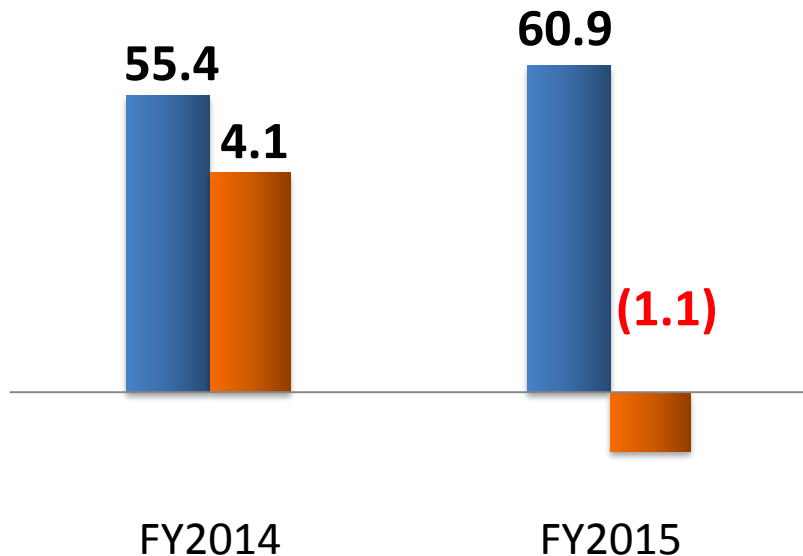
## 6. Net Sales/Operating Income by Business Segment

(Year-on-year change)

### Specialty Products

*Loss on higher sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



#### Qualitative information

(Semiconductor-grade polycrystalline silicon)

- Sales unchanged from the previous fiscal year, reflected firm overall trends in sales volumes, which offset the slowdown in demand for certain semiconductor products targeting various fields including smartphones

(Solar-grade polycrystalline silicon)

- Despite the increased sales volume, profitability deteriorated owing to such factors as the marked drop in spot price and sluggish operating rates at Tokuyama Malaysia

(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 production

(Aluminum nitride)

- Higher sales volume of such applications as sink materials used for power devices and LEDs



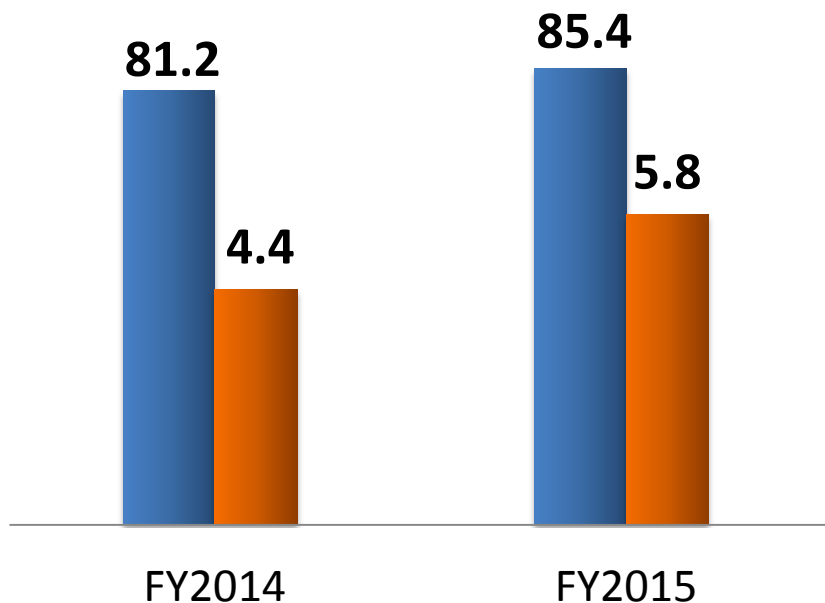
## 6. Net Sales/Operating Income by Business Segment

(Year-on-year change)

### Cement

*Higher earnings on higher sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



#### Qualitative information

(Cement)

- Decreased sales volume in domestic market due to decrease in public works and delays in construction attributable to unreasonably bad weather
- Increased sales volume of ready mixed concrete for large-scale projects in a certain area

(Recycling and environment-related business)

- The Company accepted a higher volume of waste including construction waste soil

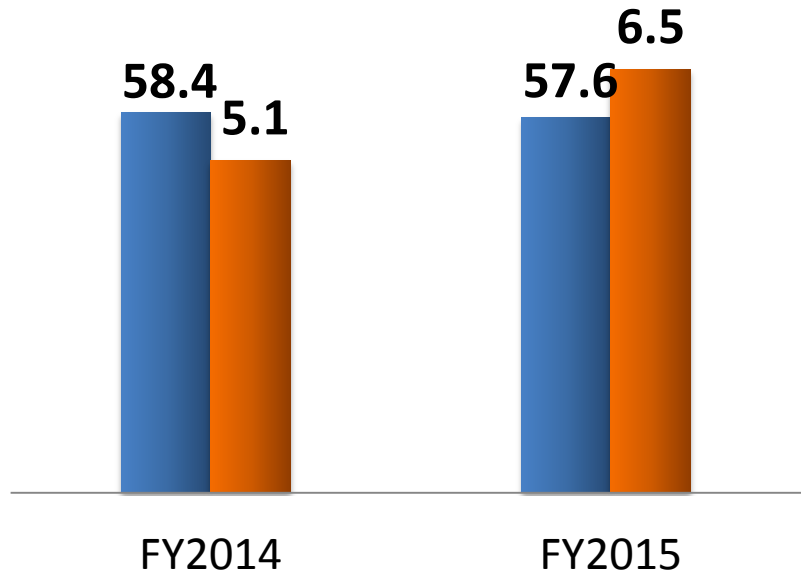
## 6. Net Sales/Operating Income by Business Segment

(Year-on-year change)

### Life & Amenity

*Higher earnings on lower sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



#### Qualitative information

(Active pharmaceutical ingredient)

- Sales were on per mainly for such applications as generic pharmaceuticals.

(Plastic lens-related materials)

- Increased sales volume of photochromic materials

(Microporous film)

- Sound sales 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 raw material price

(Dental materials and equipment)

- Increased sales volume of new products and products for overseas markets

(Medical diagnosis system)

- Increase sales volume of products for blood testing

(Gas sensor)

- Increase sales volume of such applications as gas alarm devices

## 7. Principal Indicators ①

Consolidated (year-on-year change)

(Billions of yen)

	FY2014	FY2015	Changes
Capital expenditures	25.3	13.9	(11.4)
Depreciation and amortization	18.8	20.0	+1.2
R&D expenses	10.1	8.5	(1.6)
Financial income and expenses	(4.0)	(4.1)	(0.0)

## 7. Principal Indicators ②

Consolidated  
(compared with the previous fiscal year-end)

		3/31/2015	3/31/2016	Changes
Interest-bearing debts	Billions of yen	283.1	244.1	(39.0)
Number of employees	Persons	5,852	5,759	(93)

## 7. Principal Indicators ③

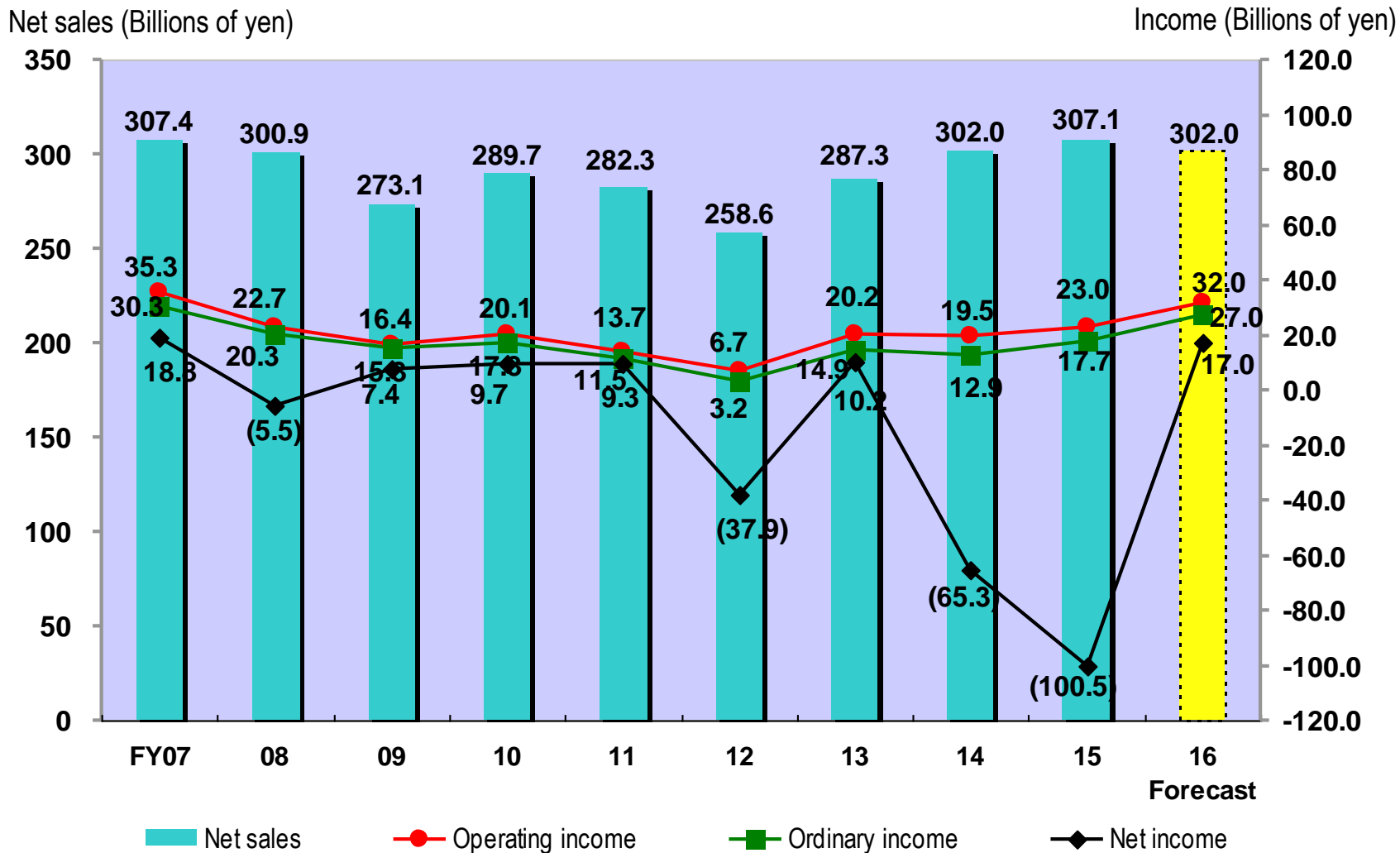
Consolidated  
(year-on-year change based on FY16 forecasts)

(Billions of yen)

	FY2015 Results	FY2016 Forecast	Changes
Capital expenditures	13.9	13.4	(0.4)
Depreciation and amortization	20.0	15.3	(4.6)
R&D expenses	8.5	8.7	+0.1

# 8. Performance Trend

Consolidated (Annual)

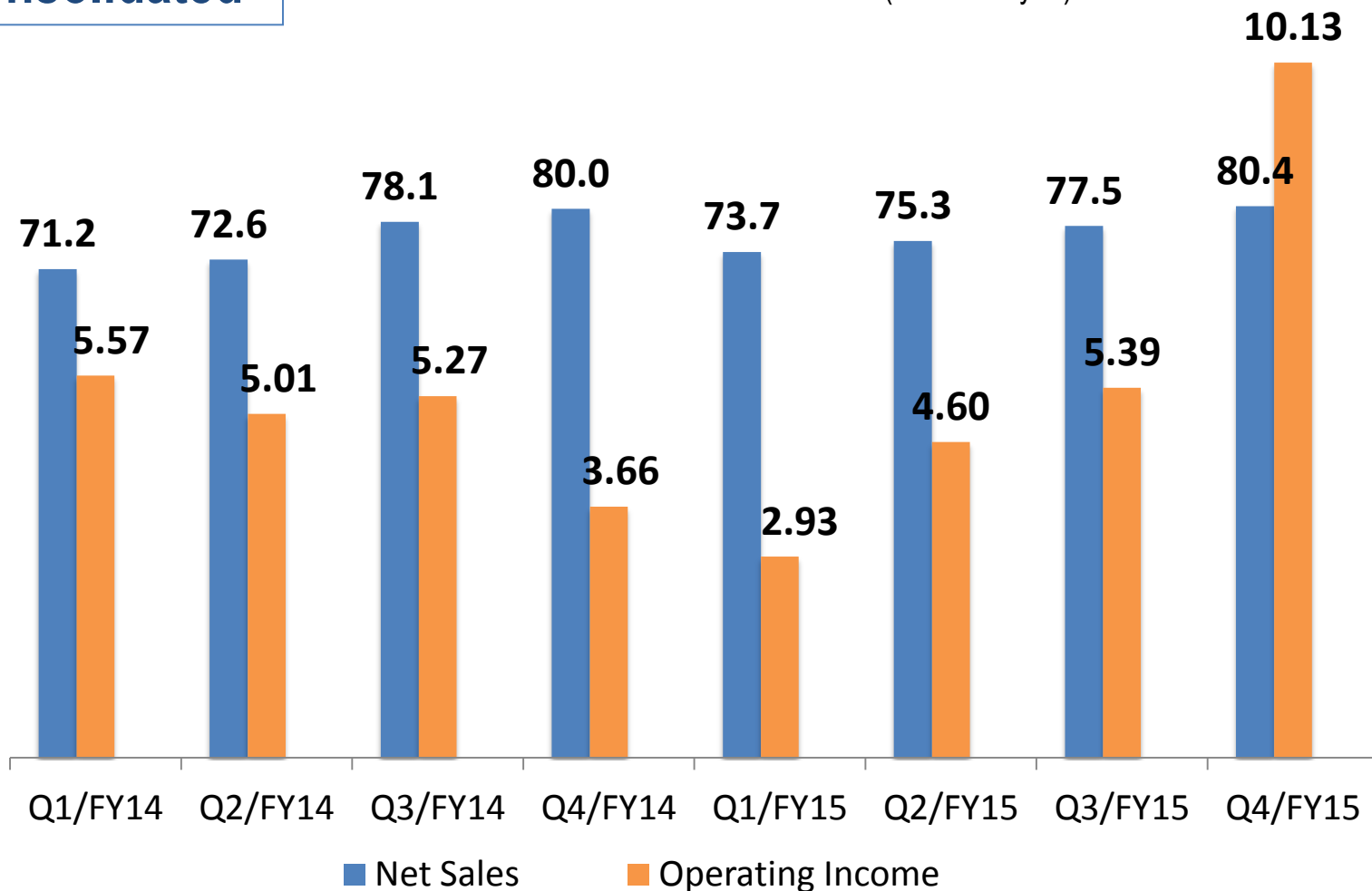


# 8. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

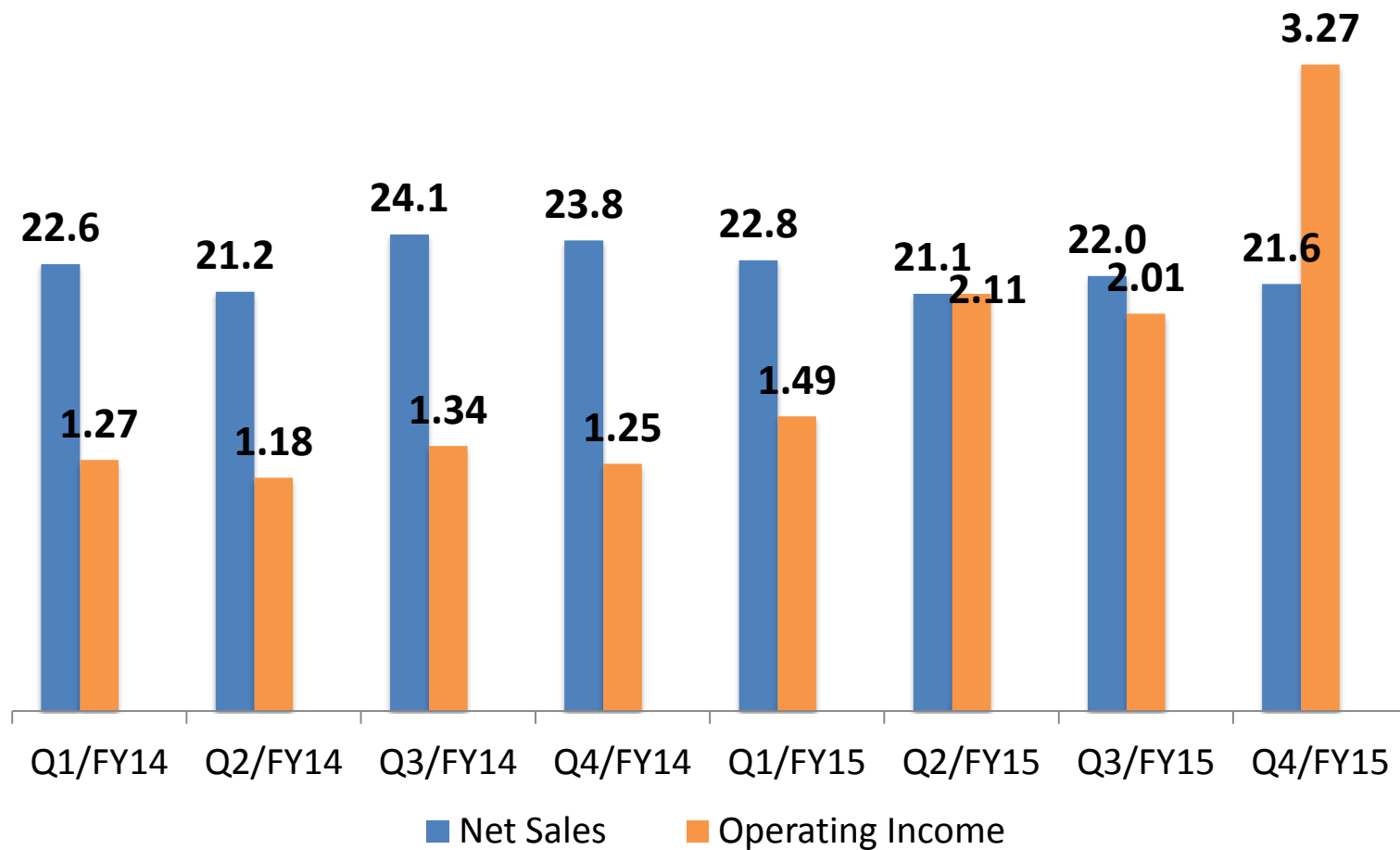


# 8. Performance Trend

(Quarter)

## Chemicals

(Billions of yen)



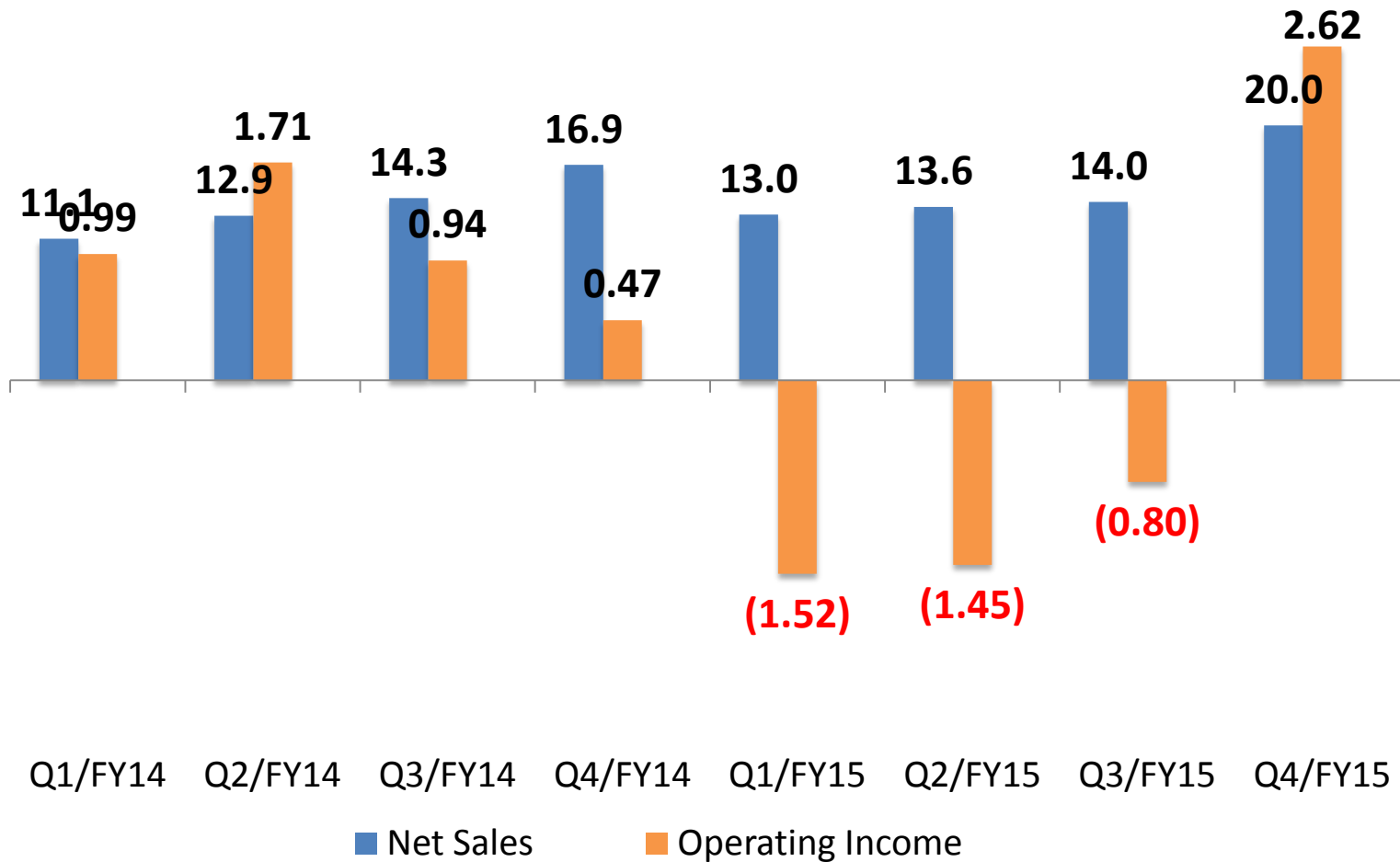


# 8. Performance Trend

(Quarter)

## Specialty Products

(Billions of yen)

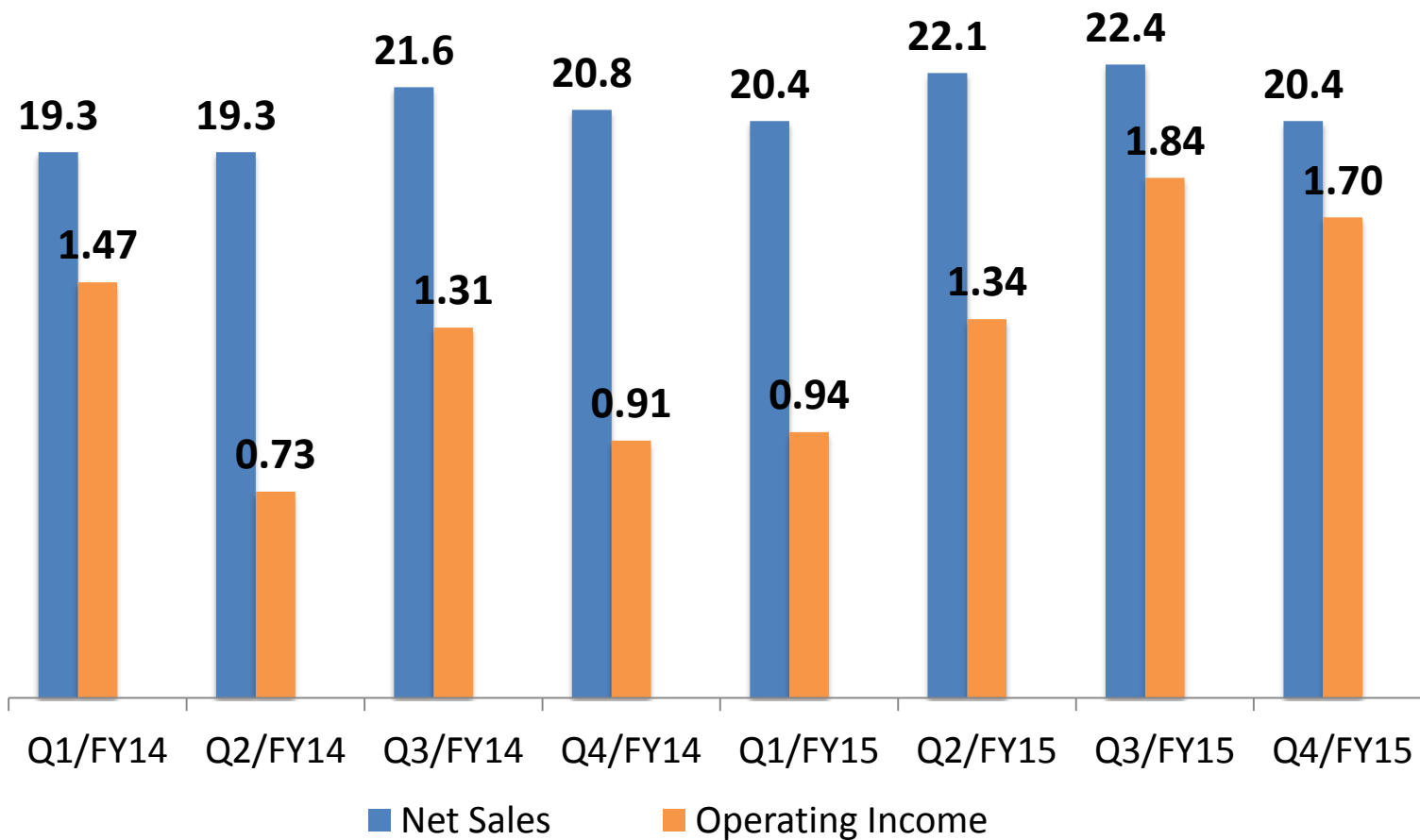


# 8. Performance Trend

(Quarter)

Cement

(Billions of yen)

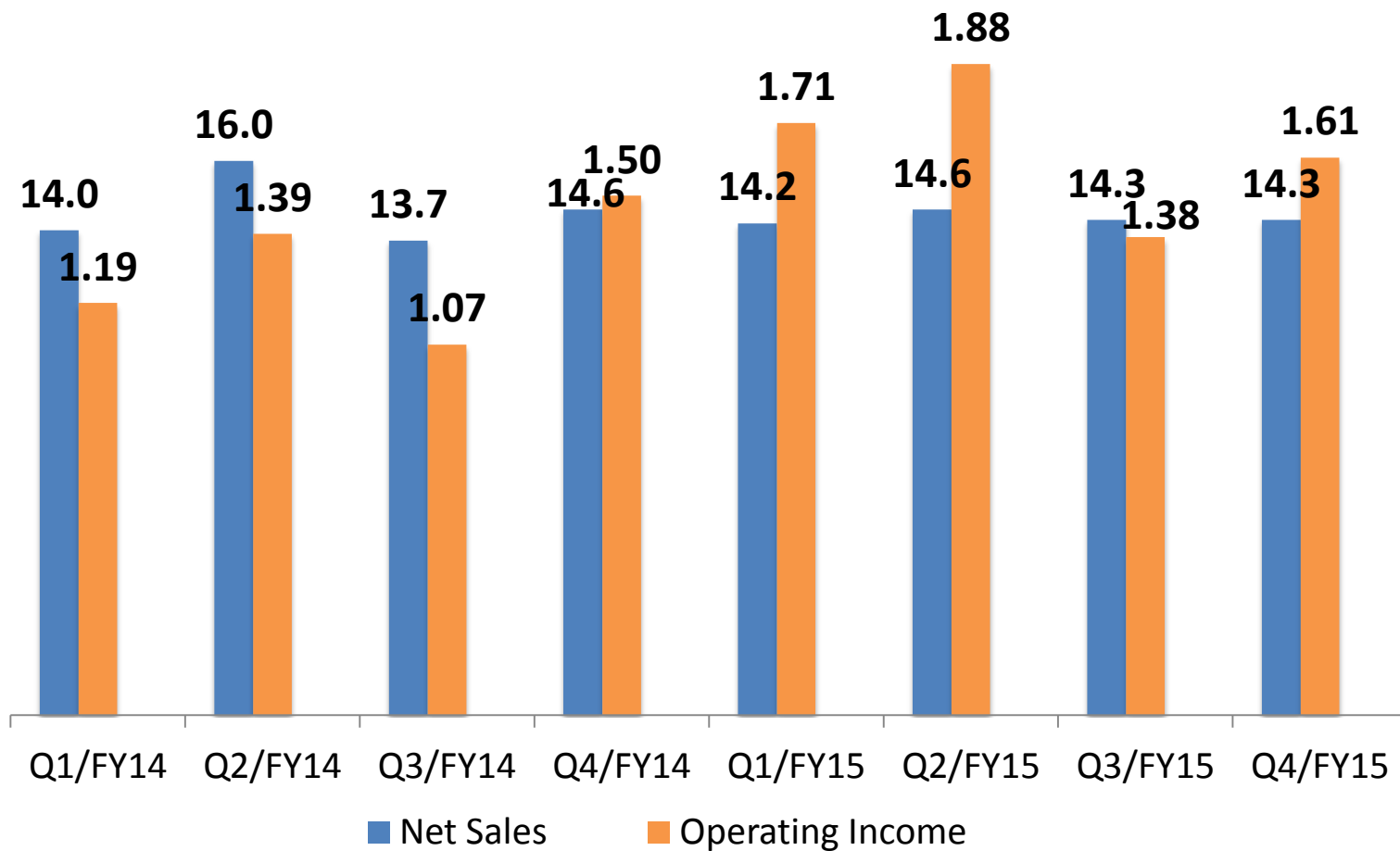


# 8. Performance Trend

(Quarter)

## Life & Amenity

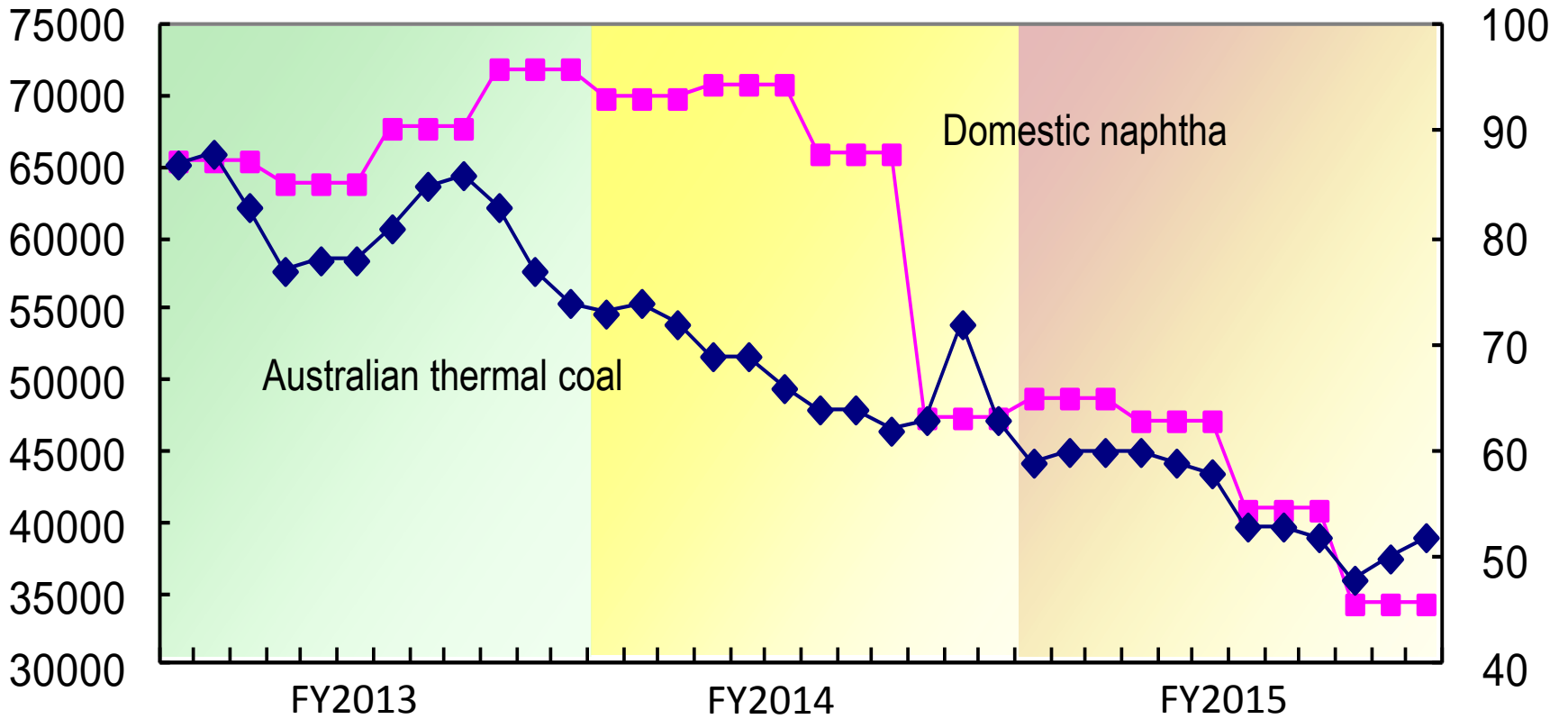
(Billions of yen)



# 9. Price Trend of Main Raw Material and Fuel

Domestic naphtha price  
(¥/KL)

Australian thermal  
coal spot price (\$/t)

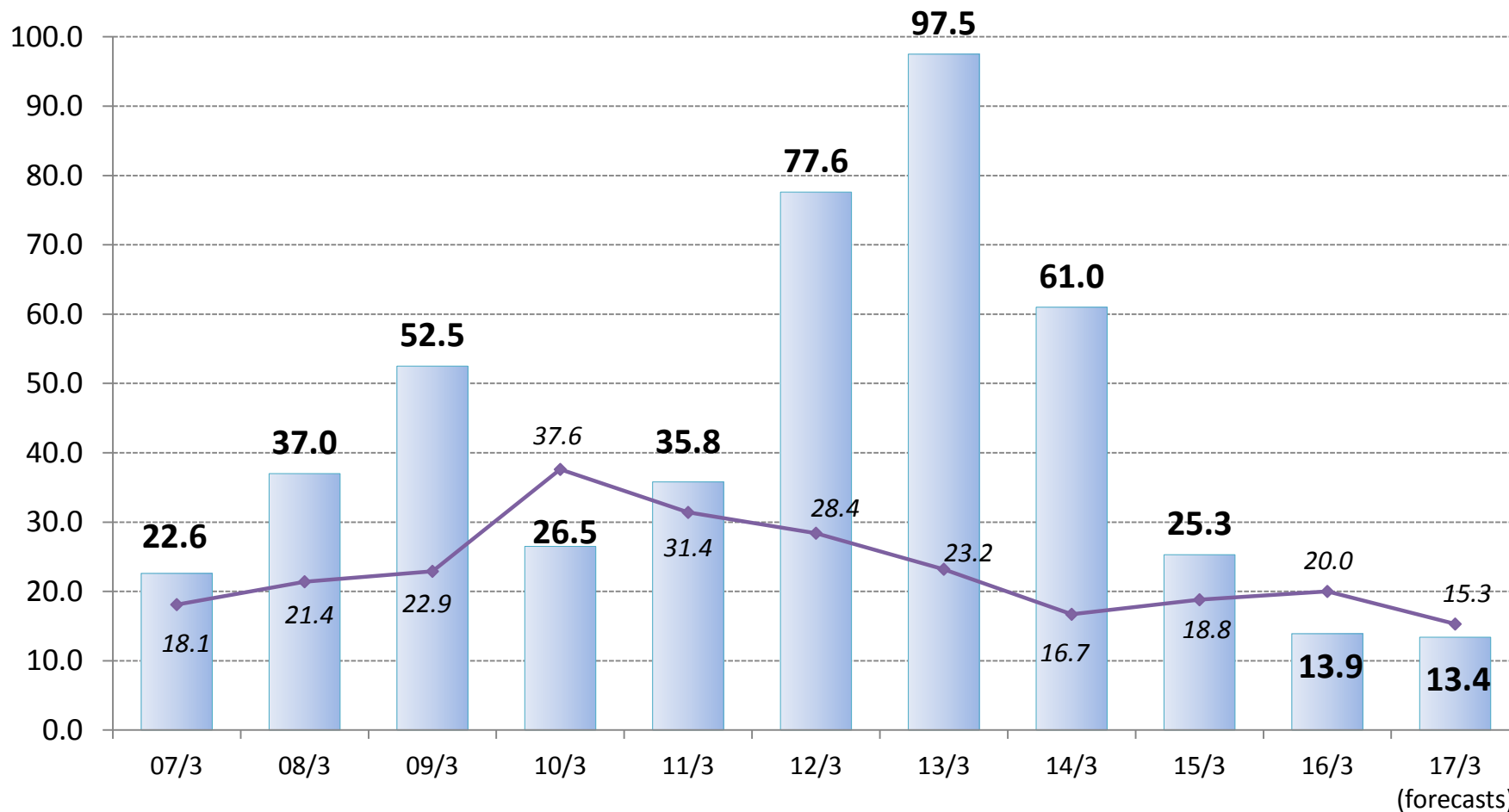


# 10. CAPEX and Depreciation Trend

Consolidated

(Billions of yen)

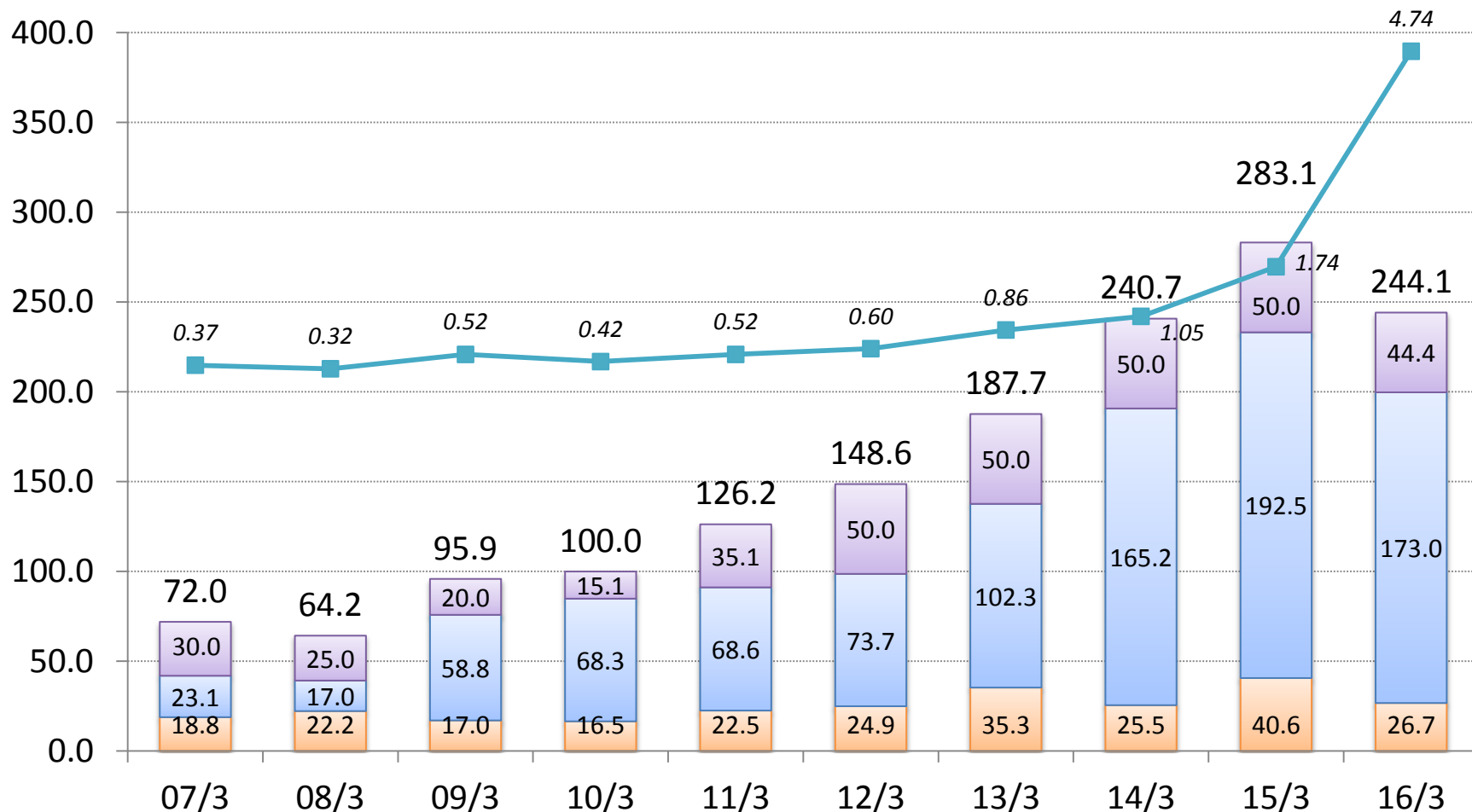
CAPEX Depreciation



# 11. Interest-Bearing Debts Trend Consolidated

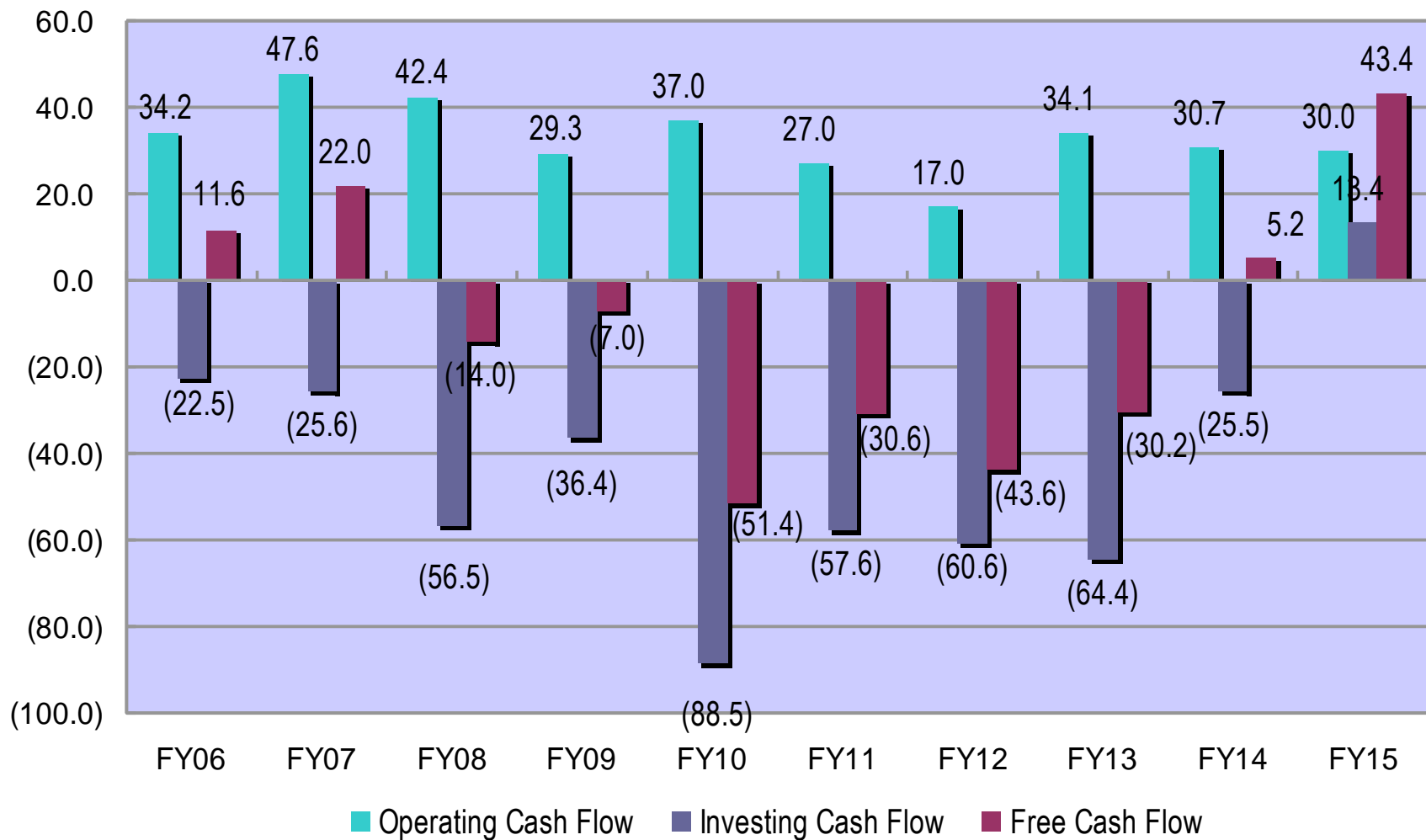
(Billions of yen)

■ Short-term debt   
 ■ Long-term debt   
 ■ Unsecured bonds   
 ■ D/E ratio



# 12. Free Cash Flow Trend

(Billions of yen)



# 13. Performance Forecasts (1H/2H)

(Compared with previous forecasts)

(Billions of yen)

	FY2015 Results			FY2016 Forecasts		
	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)	20.12	28.75	48.87
Exchange rate (¥/\$)	122	118	120	110	110	110
Domestic naphtha price (¥/kl)	48,000	37,600	42,800	35,000	35,000	35,000



# 13. Performance Forecasts (1H/2H)

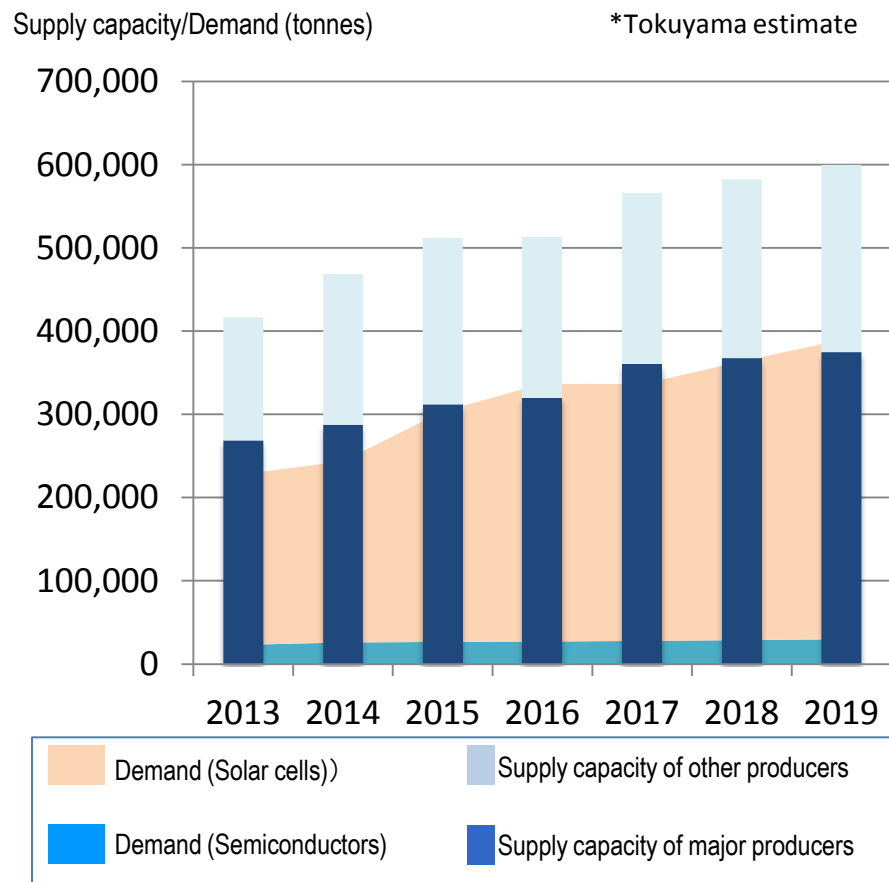
(By business segment, compared with previous forecasts)

(Billions of yen)

	FY2015 Results						FY2016 Forecasts					
	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
<b>Total</b>	<b>169.1</b>	<b>9.0</b>	<b>176.4</b>	<b>16.7</b>	<b>345.5</b>	<b>25.8</b>	<b>165.0</b>	<b>15.5</b>	<b>175.0</b>	<b>19.0</b>	<b>340.0</b>	<b>34.5</b>
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)
<b>Consolidated Results</b>	<b>149.1</b>	<b>7.5</b>	<b>157.9</b>	<b>15.5</b>	<b>307.1</b>	<b>23.0</b>	<b>145.0</b>	<b>14.5</b>	<b>157.0</b>	<b>17.5</b>	<b>302.0</b>	<b>32.0</b>

# 14. 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 IHS

### 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 at COP21 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

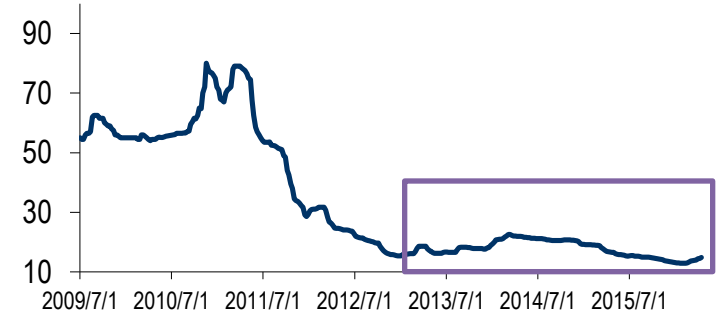
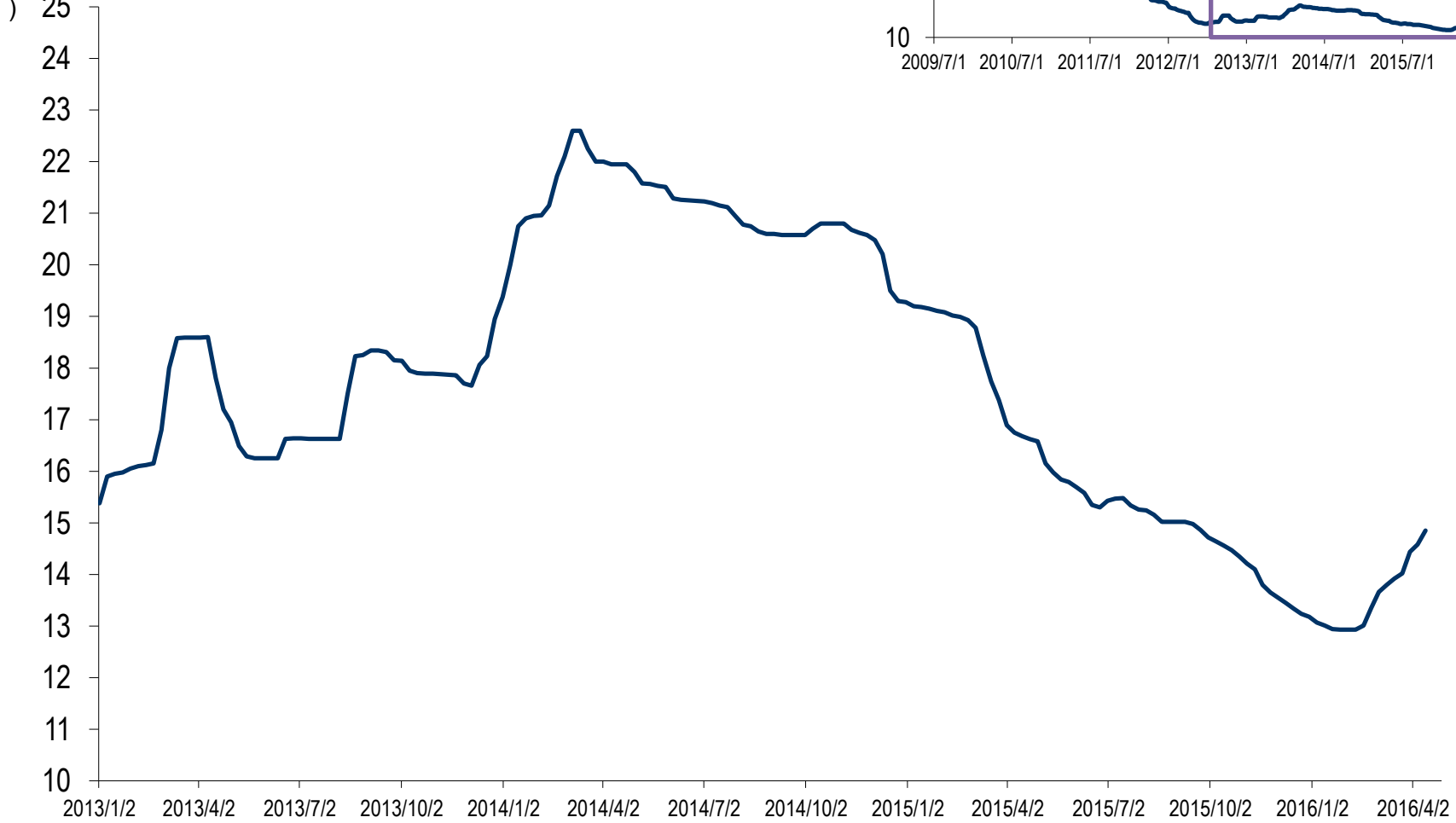
#### <Supply side>

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

# 14. Polysilicon Market

## Solar-cell grade Polysilicon Spot Price Trend

(US\$/KG  
) 25

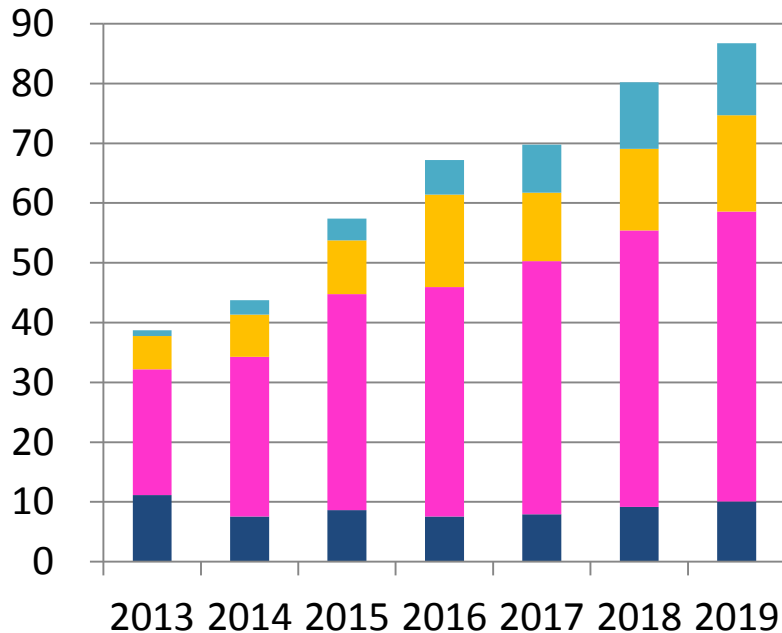


Source : PV insights

# 15. PV Market

Forecasts of installed PV capacity by region

Unit:GW



Europe (Big 9)
  Asia
  N. America
  ROW

(Note) Tokuyama estimate based on IHS Market Tracker (PV Integrated) Q1 2016

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
- ◆ Expectations of a rush in demand in the first half of 2016 prior to reductions attributable to the feed-in-tariff system
- ◆ 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

<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)
- ◆ In the Long-term Energy Supply-demand Outlook collated by Japan's Ministry of Economy, Trade and Industry, solar cells make up 7% (equivalent to approx. 64GW) of the nation's ideal power source structure in fiscal 2030

<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

<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

# 16. Overview of Classified Stock

The Company's rights\*1

		JIS's rights*2		The Company's rights*1	
		A-classified stock	B-classified stock	C-classified stock	
<b>Issuance Amount</b>		¥20.0 billion		Maximum ¥4.4 billion <sup>3</sup>	
<b>Voting Rights</b>		None		None	
<b>Preferred Dividend Yield (Cumulative)</b>		16/6/27 ~ 17/3/31 5.0% 17/4/1 ~ 18/3/31 5.5% 18/4/1 ~ 19/3/31 6.0% 19/4/1 ~ 6.5%	5.0% (Fixed)	5.0% (Fixed)	
<b>Monetary Redemption Premium</b>		16/6/27 ~ 17/6/30 7.0% 17/7/1 ~ 18/6/30 13.0% 18/7/1 ~ 19/6/30 19.0% 19/7/1 ~ 20/6/30 25.0% 20/7/1 ~ 30.0%	16/6/27 ~ 17/6/30 7.0% 17/7/1 ~ 18/6/30 13.0% 18/7/1 ~ 19/6/30 19.0% 19/7/1 ~ 20/6/30 25.0% 20/7/1 ~ 30.0%	~ 18/6/30 10.0% 18/7/1 ~ 19/6/30 16.0% 19/7/1 ~ 20/6/30 18.0% 20/7/1 ~ 20.0%	
<b>Call Option</b>	<b>Compensation</b>	• Cash • Cash as well as C-classified stock		Cash	
	<b>Conversion Date</b>	• Redeemable in cash at any time • Refer to Note 1 below for information regarding conversion into C-classified stock		Redeemable in cash at any time	
<b>Put Option</b>	<b>Compensation</b>	• Cash as well as B-classified stock • Common stock*4		Common stock	
	<b>Conversion Date</b>	In principle on or after July 1, 2019		Exercisable at any time	
<b>Maximum Dilution Rate</b> <sup>5</sup>		41.3%		9.1%	
				41.3%	

Notes: 1. Rights may be exercised from the fiscal year ending March 31, 2018 in the event that the amount available for distribution as of the end of the fiscal year is more than the number of issued A-classified stock x ¥1 million + ¥40.0 billion.

2. Rights may only be exercised on or after July 1, 2019, or in the event that certain conversion restriction cancellation conditions are met.

3. Issuance of B-classified stock in line with the transitional period following the issuance of A-classified stock in connection with the premium redemption portion.

4. The exercise of rights is not allowed in the event that the amount available for distribution as of the end of each fiscal year is more than the number of issued A-classified (C-classified) stock x ¥1,050,000.

5. Dilution rate when converted at the minimum acquisition price of ¥139.8

# Disclaimer

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Chemistry with a heart

**TOKUYAMA**

