May 12, 2016

Summary of Fiscal 2015

(The Fiscal Year ended March 31, 2016)

Tokuyama Corporation

1. Consolidation

Classification	Fiscal 2015	Fiscal 2014	Changes
The number of consolidated subsidiaries	55	54	+1
The number of subsidiaries and affiliates by the equity method	10	10	-

2. Summary of performance and other corporate data (consolidated)

(Unit: Billions of yen, except number of employees)

	Fiscal 2015	Fiscal 2014	Changes
Net sales	307.1	302.0	+5.0
Operating income	23.0	19.5	+3.5
Ordinary income	17.7	12.9	+4.8
Profit attributable to owners of parent	(100.5)	(65.3)	(35.2)
Basic earnings per share (Unit: yen)	(289.10)	(187.85)	(101.25)
Capital expenditures	13.9	25.3	(11.4)
Depreciation and amortization	20.0	18.8	+1.2
R&D expenses	8.5	10.1	(1.6)
Financial income and expenses	(4.1)	(4.0)	(0.0)

	As of March 31, 2016	As of March 31, 2015	Changes
Interest-bearing debt	244.1	283.1	(39.0)
Number of employees	5,759	5,852	(93)

3. Net sales and operating income by business segment (year on year)

(Unit: Billions of yen)

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

○ In the Chemicals segment, operating income was up despite a downturn in sales during the fiscal year under review. This was largely attributable to the decline in domestic naphtha prices as well as other raw material and fuel prices.

- In the Specialty Products segment, the Company incurred an operating loss despite an increase in sales in the fiscal year ended March 31, 2016. While sales volumes of semiconductor-related products and solar-grade polycrystalline silicon were up, this operating loss was mainly due to the deterioration in earnings at Tokuyama Malaysia Sdn. Bhd.
- In the Cement segment, both sales and operating income increased in the fiscal year ended March 31, 2016. Despite a decrease in the volume of cement sales in Japan, higher sales and profit in this segment reflected the upswing in sales volumes of ready-mixed concrete and other products, an increase in the volume of waste accepted, and the drop in raw material and fuel prices.
- In the Life & Amenity segment, operating income increased despite a decrease in sales. In the fiscal year under review, sales prices were soft due to the drop in domestic naphtha prices. Earnings, on the other hand, were buoyed by an increase in the sales volumes of medical diagnosis systems, gas sensors, and other products.

4. Net sales and operating income by business segment (forecasts)

(1) Net sales and operating income by business segment (full year comparison)

(Unit: Billions of yen)

	FY2016 Forecast		FY2015 Results		Changes	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	81.0	10.0	87.8	8.9	(6.8)	+1.0
Specialty Products	67.0	7.0	60.9	(1.1)	+6.0	+8.1
Cement	87.0	8.0	85.4	5.8	+1.5	+2.1
Life & Amenity	52.0	5.0	57.6	6.5	(5.6)	(1.5)
Others	53.0	4.5	53.6	5.6	(0.6)	(1.1)
Total	340.0	34.5	345.5	25.8	(5.5)	+8.6
Inter-segment eliminations and corporate-wide expenses	(38.0)	(2.5)	(38.4)	(2.7)	+0.4	+0.2
Consolidated results	302.0	32.0	307.1	23.0	(5.1)	+8.9

(2) Assumptions of performance forecasts for fiscal 2016

	Fiscal 2016	**Oct 2015-Mar 2016**	**Apr-Sep 2015**
Domestic Naphtha Price (¥/kl)	**35,000**	**37,400**	**48,000**
Exchange Rate (¥/$)	**110**	**118**	**122**

The Tokuyama Group is projecting a decrease in sales and an increase in operating income in the fiscal year ending March 31, 2017. Expectations of an increase in operating income are largely based on forecast improvements in Tokuyama Malaysia's profitability as a result of increased productivity as well as further reductions in raw material and fuel costs.

- In the Chemicals segment, steps have been taken to factor in the softening of selling prices in line with the drop in domestic naphtha prices as well as the effects of business rationalization of soda ash and vinyl chloride.
- In the Specialty Products segment, an improvement in profitability as a result of increased productivity at Tokuyama Malaysia Sdn. Bhd. has been taken into account.
- In the Cement segment, the Tokuyama Group has factored in a recovery in domestic sales volumes.
- In the Life & Amenity segment, the Group has taken into account the softening of selling prices in line with the drop in domestic naphtha prices as well as an increase in sales in overseas markets.

Summary of Consolidated Financial Statements for Fiscal 2015 (JP GAAP)
(The Fiscal Year ended March 31, 2016)

May 12, 2016

Tokuyama Corporation		Stock exchange listings:	Tokyo
(URL http://www.tokuyama.co.jp/)		Code number:	4043
Representative:	Hiroshi Yokota President and Representative Director		
Contact:	Taro Kobayashi General Manager, Corporate Communications & Investor Relations Dept. +81-3-5207-2552		

Scheduled date for the Ordinary General Meeting of Shareholders: June 24, 2016
Scheduled date of year-end dividends payout: -
Scheduled date for the filing of the consolidated financial statements: June 27, 2016
Preparation of supplementary explanatory materials: Yes
Business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2015	307,115	1.7	23,071	18.1	17,725	37.2	(100,563)	―
Fiscal 2014	302,085	5.1	19,530	(3.7)	12,920	(13.7)	(65,349)	―

(Note) Comprehensive income: FY15: (110,043) million yen [―%] FY14: (64,536) million yen [―%]

	Basic earnings per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2015	(289.10)	―	(94.0)	3.7	7.5
Fiscal 2014	(187.85)	―	(33.3)	2.3	6.5

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY15: 668 million yen FY14: 684 million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2016	401,342	60,205	12.8	147.98
Mar 31, 2015	554,527	169,445	29.3	467.36

(Reference) Shareholders' equity: FY15: 51,473 million yen FY14: 162,577 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2015	30,098	13,400	(37,689)	121,166
Fiscal 2014	30,772	(25,519)	40,502	116,122

2. Dividends

(Period)	Annual dividends					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2014	–	0.00	–	0.00	0.00	–	–	–
Fiscal 2015	–	0.00	–	0.00	0.00	–	–	–
Fiscal 2016 (Forecast)	–	0.00	–	0.00	0.00		―	

3. Consolidated performance forecast for fiscal 2016 (April 1, 2016 – March 31, 2017)

(% 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 2016	145,000	(2.8)	14,500	92.1	11,500	118.5	7,000	151.5	20.12
Fiscal 2016	302,000	(1.7)	32,000	38.7	27,000	52.3	17,000	ー	48.87

* Cautions pertaining to the appropriate use of performance forecasts 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 etc. because of various factors that may arise from now on.

*Notes

(1) Changes of significant subsidiaries in the scope of consolidation during this period

: No

Addition to the scope of consolidation: -

Reduction from the scope of consolidation: -

(2) 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

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

i.	Number of shares issued at end of period (including treasury stock):	FY15:	349,671,876	FY14:	349,671,876
ii.	Number of treasury stock at end of period:	FY15:	1,832,788	FY14:	1,805,814
iii.	Average number of shares over period:	FY15:	347,852,553	FY14:	347,876,356

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2015	184,755	0.4	25,648	33.3	27,216	45.8	(97,875)	ー
Fiscal 2014	184,043	3.5	19,247	18.0	18,665	81.1	(62,950)	ー

	Net income per share	Diluted net income per share
	(yen)	(yen)
Fiscal 2015	(281.37)	ー
Fiscal 2014	(180.96)	ー

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2016	329,286	28,554	8.7	82.09
Mar 31, 2015	462,042	133,993	29.0	385.19

(Reference) Shareholders' equity: FY15: 28,554 million yen FY14: 133,993 million yen

(Note) Notice on the implementation of audit procedures

This Summary of Consolidated Financial Statements is not subject to audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act. At the point of disclosure of this Summary of Consolidated Financial Statements, audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act are underway.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

<1> Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

In fiscal 2015 (April 1, 2015 to March 31, 2016), signs of a slowdown in the pace of economic growth in China became increasingly clear. As a result, the prices of resources including crude oil declined substantially. Due to the decision by the U.S. Federal Reserve Board to raise interest rates for the first time in around nine years, the outflow of investment funds from emerging and resource-rich countries gathered pace. At the same time, signs of uncertainty surrounding growth in emerging countries and especially the BRICS nations began to emerge. Taking each of these factors into consideration, conditions throughout the global economy witnessed significant change during the fiscal year under review.

Meanwhile, the Japanese economy remained shrouded in uncertainty. Despite expectations of growth on the back of lower crude oil prices and the weaker yen, this uncertainty largely reflected faltering personal consumption, capital expenditure, and export activity.

Against this backdrop, the Tokuyama Group was able to make some headway toward addressing the priority issues identified in its Medium-Term Management Plan 2017 announced in July 2015. Under the guidance of a new management structure, the Group took steps to strengthen business profitability, generate profits at Tokuyama Malaysia, and rebuild the Company's financial platform. Despite these endeavors, the net loss for the period increased after posting an impairment loss of ¥123,875 million in connection with Tokuyama Malaysia Sdn. Bhd., a consolidated subsidiary.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (Loss) attributable to owners of parerent
Fiscal 2015	**307,115**	**23,071**	**17,725**	**(100,563)**
Fiscal 2014	302,085	19,530	12,920	(65,349)
Rate of change (%)	1.7	18.1	37.2	-

Net sales

Consolidated net sales increased 1.7%, or ¥5,029 million compared with the previous fiscal year, to ¥307,115 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 0.8%, or ¥1,720 million compared with the previous fiscal year, to ¥220,638 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 sales volume of solar-grade polycrystalline silicon.

SG&A expenses

SG&A expenses decreased 0.4%, or ¥231 million compared with the previous fiscal year, to ¥63,405 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 reflected our efforts to reduce Companywide expenses.

Operating income

Operating income increased 18.1%, or ¥3,540 million compared with the previous fiscal year, to ¥23,071 million. Despite the deteriorated profitability of solar-grade polycrystalline silicon at Tokuyama Malaysia Sdn. Bhd., this was largely attributable to profitability improvement of petroleum chemicals impacted by the drop in domestic naphtha prices and the weaker yen.

Non-operating income/expenses, Ordinary income

Non-operating income/expenses improved ¥1,264 million compared with the previous fiscal year, due chiefly to a change from foreign exchange losses, recorded in the previous fiscal year, to foreign exchange gains.

As a result of the above, ordinary income increased 37.2%, or ¥4,804 million compared with the previous fiscal year, to ¥17,725 million.

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

Extraordinary income/losses deteriorated by ¥26,318 million compared with the previous fiscal year. Despite the redcording of gains on sales of fixed assets, 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 ¥86,500 million, which deteriorated by ¥21,513 million compared with the previous fiscal year.

After deducting income taxes calculated in an appropriate way, the Company recorded a loss of ¥99,520 million, which deteriorated by ¥34,192 million compared with the previous fiscal year.

Loss attributable to owners of parent was ¥100,563 million, which deteriorated by ¥35,214 million compared with the previous fiscal year.

[2] Operating performance by business segment

(Operating results by segment)

Sales (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2015	**87,801**	**60,902**	**85,469**	**57,677**	**53,684**	**345,535**	**(38,420)**	**307,115**
Fiscal 2014	91,927	55,450	81,219	58,457	51,468	338,523	(36,438)	302,085
Rate of change (%)	(4.5)	9.8	5.2	(1.3)	4.3	2.1	-	1.7

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

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2015	**8,900**	**(1,157)**	**5,832**	**6,598**	**5,668**	**25,842**	**(2,771)**	**23,071**
Fiscal 2014	5,056	4,122	4,446	5,159	6,023	24,808	(5,278)	19,530
Rate of change (%)	76.0	-	31.1	27.9	(5.9)	4.2	-	18.1

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

Chemicals

Sales of caustic soda were down compared with the previous fiscal 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.

Despite a favorable export environment, sales of polyvinyl chloride (PVC) declined. This was mainly due to a drop in sales volumes following the closure of the Chiba factory.

With regard to soda ash and calcium chloride, sales increased compared with the previous fiscal 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 4.5% compared with the previous fiscal year, to ¥87,801 million, while operating income increased 76.0% to ¥8,900 million. The segment reported higher earnings on lower sales.

Specialty Products

Sales of semiconductor-grade polycrystalline silicon were essentially unchanged from the previous fiscal year. This largely reflected firm overall trends in sales volumes, which offset the slowdown in demand for certain semiconductor products targeting various fields including smartphones.

Sales of solar-grade polycrystalline silicon increased on the back of higher sales volumes. This was mainly due to the start of sales and marketing by Tokuyama Malaysia in October 2014. In contrast, profitability deteriorated owing to such factors as the marked drop in spot price and sluggish operating rates.

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

Sales volme of high-purity chemicals for electronic manufacturing were firm thanks largely to semiconductor product applications. However, sales declined as a result of soft trends in selling prices.

With regard to aluminum nitride, sales increased compared with the previous fiscal year. This was attributable to an increase in sales volumes of such applications as heat sink materials used for power devices for industrial machinery and LEDs.

As a result of the above, the segment reported a loss on higher sales. Segment net sales increased 9.8% compared with the previous fiscal year, to ¥60,902 million. However, this segment incurred an operating loss of ¥1,157 million during the fiscal year under review.

Cement

In the cement business, sales declined compared with the previous fiscal 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 previous fiscal year. As a result of this, sales increased from the previous fiscal year.

With regard to consolidated subsidiaries, sales increased compared with the previous fiscal 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 5.2% compared with the previous fiscal year, to ¥85,469 million and operating income increased 31.1% to ¥5,832 million. The segment reported higher earnings on higher sales.

Life & Amenity

Sales of active pharmaceutical ingredients were on par with the previous fiscal year. This was in large part due to solid 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 previous fiscal year.

With regard to microporous film, sales increased year on year. This was mainly the result of sound sales for use as sanitary articles including disposable diapers.

With regard to polyolefin film, sales declined compared with the previous fiscal 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 previous fiscal 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 previous fiscal year. This was due to the upswing in large-scale orders in Japan for blood testing products.

With regard to gas sensors, sales increased compared with the previous fiscal year. This was attributable to strong overseas sales volume of such applications as gas alarm devices.

As a result of the above, segment net sales decreased 1.3% compared with the previous fiscal year, to ¥57,677 million, while operating income increased 27.9% to ¥6,598 million. The segment reported higher earnings on lower sales.

<2> Outlook for fiscal 2016

[1] Outlook for operating results

While the U.S. is projected to enjoy the fruits of ongoing robust economic activity, the global economy is expected to feel the weight of shrinking investment as a result of weak crude oil prices and other factors in fiscal 2016, the fiscal year ending March 31, 2017. In addition, emerging and resource-rich nations are forecast to confront difficult conditions. Growth rates in China, for example, are anticipated to fall below previous levels with investment and manufacturing activities also projected to stall. Countries such as Brazil and Russia are expected to experience a slowdown in their rates of economic growth due mainly to the drop in resource prices. On a more positive note, Europe is anticipated to enjoy stable growth on the back of such factors as easy monetary policies.

In Japan, business conditions are expected to remain shrouded in uncertainty. The Tokuyama Group is anticipating stagnant economic activity largely as a result of the strong yen and a slowdown in the rates of economic growth in emerging countries.

Under these circumstances, energies will be directed toward carrying out the Medium-Term Management Plan announced on May 12, 2016 and to lay the necessary foundation to revitalize the Tokuyama Group. Guided by this plan, Tokuyama will transition toward a robust business structure that is resilient against changes in the Company's operating environment and is capable of sustainable growth.

Based on the current information, we forecast net sales of ¥302.0 billion, a decrease of 1.7% (¥5.1 billion) compared with the fiscal year under review, operating income of ¥32.0 billion, an increase of 38.7% (¥8.9 billion), ordinary income of ¥27.0 billion, up 52.3% (¥9.2 billion) and profit attributable to owners of parerent of ¥17.0 billion, up ¥117.5 billion.

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (Loss) attributable to owners of parerent
Fiscal 2016	**302,000**	**32,000**	**27,000**	**17,000**
Fiscal 2015	307,115	23,071	17,725	(100,563)
Rate of change (%)	(1.7)	38.7	52.3	-

These forecasts are calculated based on an exchange rate of ¥110/$ and a domestic naphtha price of ¥35,000/kl.

[2] Outlook for segment results for fiscal 2016

Chemicals

Raw material and fuel costs are down on the back of a downturn in the market prices of such commodities as crude oil and coal. At the same time, the risk of profitability fluctuation is expected to linger, owing mainly to the substantial impact of lower raw material and fuel costs on petrochemical product selling prices. Under this operating environment, the Tokuyama Group will work to strengthen its cost competitiveness including its unit consumption of raw marerials and energy as well as the efficiency of its fixed costs. Every effort will be made to secure stable earnings.

Specialty Products

The round of inventory adjustments that took place in the semiconductor market during the second half of the previous fiscal year is expected to come to an end. Semiconductor demand targeting electronic devices including smartphones is also projected to enjoy a modest recovery. Against this backdrop, customers' demands for higher levels of quality in line with semiconductor miniaturization as well as stable supply are expanding. Under these circumstances, the Tokuyama Group will endeavor to adhere strictly to a policy of cost reduction while urgently increasing the quality of its semiconductor-related products including semiconductor-grade polycrystalline silicon and putting in place a production structure that is capable of meeting demand, thereby securing earnings. Turning to fumed silica, aluminum nitride, and related products, where demand is high, the Group will look to boost earnings by expanding sales of high-value-added products.

Cement

In overall terms, demand in Japan is projected to remain unchanged from fiscal 2015. While private-sector demand is expected to exhibit a mild recovery as a result of construction work relating to the 2020 Tokyo Olympic and Paralympic Games, this will be offset by the forecast drop in public-sector demand due to a downturn in public-sector investment and the extension of construction periods. Amid these operating conditions, the Tokuyama Group will work diligently to secure earnings by expanding the volumes of exports and waste accepted and thoroughly reducing manufacturing costs.

Life & Amenity

The Tokuyama Group believes that the market in Japan will continue along a modest recovery trajectory. In contrast, the Group holds concerns over the economic conditions of overseas markets on a forseenable future. This is especially true for China as well as emerging countries including resource-rich nations where there are fears of a slowdown in the rates of economic growth. Against this backdrop, the Tokuyama Group will place particular emphasis on developing and marketing products that address customers' needs and changes in the market while working to expand earnings.

Others

The "Others" segment includes businesses which are responsible for the Group's sales, logistics, utilities and other functions. The segment will work to increase Group-wide earnings by continuing to reduce costs.

(2) Analysis of Financial Position

<1> Analysis of assets, liabilities and net assets

As of March 31, 2016, total assets amounted to ¥401,342 million, a decrease of ¥153,185 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 ¥341,136 million, down ¥43,945 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 payable, and allowance for loss on purchase agreements of ¥26,749 million, ¥5,600 million, and ¥4,059 million, respectively.

Net assets totaled ¥60,205 million, a decrease of ¥109,239 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.

While the possibility existed that Tokuyama may infringe upon certain financial covenants stipulated in certain loan agreements executed with several financial institutions as of the end of the fiscal year under review, the issues in question have been resolved as of March 31, 2016. Please refer to the Company's press release, "Notice concerning Resolution of Infringements of Certain Loan Agreement Financial Covenants," dated March 31, 2016 for details.

<2> Analysis of cash flows

(Unit: Millions of yen)

	Fiscal 2014	**Fiscal 2015**
Cash flows from operating activities	30,772	**30,098**
Cash flows from investing activities	(25,519)	**13,400**
Cash flows from financing activities	40,502	**(37,689)**
Effect of exchange rate changes on cash and cash equivalents	392	**(792)**
Net increase (decrease) in cash and cash equivalents	46,147	**5,016**
Increase (decrease) in cash and cash equivalents due to changes of scope of consolidation	10	**27**
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(8)	**-**
Cash and cash equivalents at end of year [Cash and cash equivalents at end of previous fiscal year]	116,122 [69,973]	**121,166** **[116,122]**

As of March 31, 2016, cash and cash equivalents were ¥121,166 million, an increase of ¥5,044 million compared with those as of April 1, 2015.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥30,098 million, a decrease of ¥673 million compared with the previous fiscal year. Principal items included depreciation expenses of ¥20,084 million.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥13,400 million, an increase of ¥38,919 million compared with the previous fiscal year. Major contributory factors were payments for purchases of property, plant and equipment resulting from construction of polycrystalline silicon manufacturing facilities at Tokuyama Malaysia Sdn. Bhd., proceeds from sales of property, plant and equipment, and proceeds from sales of investment securities of ¥14,334 million, ¥17,841 million, and ¥10,932 million, respectively.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥37,689 million, a decrease of ¥78,192 million compared with the previous fiscal year.

This was primarily attributed to repayment of long-term loans payable of ¥31,175 million and redemption of bonds of ¥5,600 million.

(3) Basic Policy for Profit Distribution and Dividends for Fiscal 2015 and 2016

On January 29, 2016, Tokuyama issued a press release titled "Notice concerning the Posting of an Extraordinary Loss, Revision of Performance Forecasts, and the Return of Executive Compensation." 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 an interim and year-end dividend for the fiscal year under review. For the same reasons, Tokuyama is expecting that it will forego the payment of an interim and year-end dividend for the fiscal year ending March 31, 2017.

Moving forward, we will do everything within our power to quickly restore our financial platform and to secure stable profitability in a bid to resume the payment of dividends to shareholders at the earliest possible opportunity.

2. Management Policy

(1) Basic Management Policy

Tokuyama has put in place a renewed Group vision in a bid to further clarify its role and significance. As a key component of this vision, the Tokuyama Group is determined to help realize a prosperous society by creating value that enhances people's lives centered on the field of chemistry. Drawing on the chemical technologies that it has nurtured over many years, the Group will contribute to the well-being, growth, and development of society by continuously creating and proposing new value.

(2) Medium- to Long-Term Management Strategies and Performance Targets

After incurring a substantial loss for a second consecutive accounting term in the fiscal year ended March 31, 2016, Tokuyama undertook a comprehensive review of its Medium-Term Management Plan 2017 formulated in 2015. In order to rebuild the Company and ensure its ongoing growth, steps have been taken to put in place a new Medium-Term Management Plan with the emphasis on laying the foundation necessary to revitalize the Tokuyama Group.

Going forward, Tokuyama is committed to carrying out the following two priority management strategies by fiscal 2025, the fiscal year ending March 31, 2026.

1. Transition toward a robust business structure that is resilient against changes in the Company's operating environment and is capable of sustainable growth
The Tokuyama Group has set the goal of becoming a global leader in advanced materials through unique technologies across growth businesses including the Specialty Products as well as Life & Amenity segment together with the development of new products. In such traditional businesses as the Cement and Chemicals segments, the Group will work to become a leader in Japan through strengthening competitiveness.

2. Transition to a Group-wide lost-cost structure by undertaking a comprehensive review of existing work practices
The Tokuyama Group will reduce costs by adopting a cross-departmental approach that differs from conventional methods and undertaking strategic capital expenditures as a part of efforts to cut back principal costs including raw material, fuel, repairs and maintenance, and distribution expenses.

In addition, Tokuyama has identified specific numerical targets as a measure of its success in carrying out these strategies. The goals are to achieve an ROA, cash conversion cycle, and debt-to-equity ratio of at least 10%, not more than 55 days, and not more than 1.0, respectively, as of the end of fiscal 2020, the fiscal year ending March 31, 2021.

(3) Pending Issues

In order to reinforce the Company's net assets that were damaged by its polycrystalline silicon business, Tokuyama placed the utmost priority on rebuilding its financial platform. Buoyed by concerted efforts to carry out a raft of management reforms, including steps to strengthen business profitability and generate profits at Tokuyama Malaysia, the Company achieved a modicum of success. In addition to growth in both sales and operating income, Tokuyama was able to lift the operating rates of polycrystalline silicon manufacturing facilities at Tokuyama Malaysia. Following a review of the business plan for Tokuyama Malaysia, however, Tokuyama recorded an impairment loss. This in turn had a severe negative impact on the Company's net assets. Tokuyama recognizes that this substantial downturn in its net assets is the direct result of a variety of factors. On top of the massive loss in the Group's overseas business, deterioration in the Company's financial position is largely due to delays in new products development, low levels of investment efficiency, and weakening corporate governance. Taking these factors into consideration, Tokuyama is cognizant of the vital need to overcome these issues and to create the necessary driving force to propel new profit growth. Reflecting on the events and its activities to date, the Tokuyama Group will steadfastly carry out the following priority measures under its Medium-Term Management Plan.

1. Change its organizational climate

Every effort will be made to drastically reform the Group's structure and systems in order to nurture a vibrant organizational climate in which each and every employee maintains a strong spirit of independence while carrying out activities with a sense of speed. Among a host of reforms, the Tokuyama Group will review its personnel evaluation systems, actively promote the exchange of human resources, and vigorously introduce outside personnel.

2. Rebuild its business strategies

The Tokuyama Group will strictly adhere to a customer-oriented approach in the conduct of its business activities. At the same time, the Group will transition to a research and development structure that is in tune with customers' needs. Through these means, energies will be channeled toward cultivating new business domains that employ unique technologies.

3. Strengthen Group management

Each company of the Tokuyama Group will once again clarify its role and position. Seeking to contribute to the Group's growth strategy as well as the reduction of costs, particular emphasis will be placed on further strengthening the management of the Group as a whole.

4. Improve its financial structure

The Company will work to restore its shareholders' equity by steadily building up profits and increasing the efficiency of its capital. In addition, Tokuyama will issue preferred stock to ensure that the Group is well positioned to flexibly pursue opportunities including M&As that are designed to accelerate the pace of growth while quickly stabilizing the Company's financial position.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	3/31/2015	3/31/2016
Assets		
Current assets		
Cash and deposits	61,364	121,508
Notes and accounts receivable - trade	69,371	68,569
Lease receivables	30	6
Securities	55,053	―
Merchandise and finished goods	15,456	14,012
Work in process	11,606	10,882
Raw materials and supplies	18,026	15,933
Deferred tax assets	4,772	4,256
Other	8,396	8,788
Allowance for doubtful accounts	(103)	(192)
Total current assets	243,975	243,766
Non-current assets		
Property, plant and equipment		
Buildings and structures	137,347	101,982
Accumulated depreciation	(74,090)	(74,022)
Buildings and structures, net	63,257	27,959
Machinery, equipment and vehicles	546,388	461,619
Accumulated depreciation	(401,461)	(410,707)
Machinery, equipment and vehicles, net	144,927	50,912
Tools, furniture and fixtures	23,261	22,661
Accumulated depreciation	(20,974)	(20,890)
Tools, furniture and fixtures, net	2,286	1,771
Land	33,149	31,327
Leased assets	2,135	2,237
Accumulated depreciation	(936)	(1,041)
Leased assets, net	1,199	1,196
Construction in progress	8,511	6,597
Total property, plant and equipment	253,331	119,764
Intangible assets		
Goodwill	5,097	3,738
Leased assets	44	41
Other	4,641	2,613
Total intangible assets	9,784	6,393
Investments and other assets		
Investment securities	31,062	15,765
Long-term loans receivable	3,248	3,094
Deferred tax assets	669	610
Net defined benefit asset	8,765	8,057
Other	4,015	4,190
Allowance for investment loss	(22)	(22)
Allowance for doubtful accounts	(303)	(278)
Total investments and other assets	47,436	31,417
Total non-current assets	310,552	157,575
Total assets	554,527	401,342

	Millions of yen	
	3/31/2015	3/31/2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,567	35,388
Short-term loans payable	12,212	9,382
Commercial papers	3,000	—
Current portion of long-term loans payable	25,110	17,036
Current portion of bonds	5,000	10,000
Lease obligations	340	356
Income taxes payable	1,318	11,888
Deferred tax liabilities	—	2
Provision for bonuses	1,911	1,830
Provision for repairs	1,284	1,480
Provision for product warranties	132	85
Provision for loss on compensation for damage	50	—
Provision for loss on purchase contract	3,183	2,656
Other	23,186	23,093
Total current liabilities	117,298	113,200
Non-current liabilities		
Bonds payable	45,000	34,400
Long-term loans payable	191,552	172,877
Lease obligations	981	931
Deferred tax liabilities	6,409	457
Provision for directors' retirement benefits	226	231
Provision for repairs	3,458	3,691
Allowance for loss on compensation for building materials	574	384
Provision for environmental measures	91	85
Provision for loss on purchase contract	6,250	2,716
Net defined benefit liability	1,162	1,354
Asset retirement obligations	5	6
Other	12,071	10,799
Total non-current liabilities	267,783	227,935
Total liabilities	385,082	341,136
Net assets		
Shareholders' equity		
Capital stock	53,458	53,458
Capital surplus	57,670	57,532
Retained earnings	39,286	(61,281)
Treasury shares	(1,434)	(1,439)
Total shareholders' equity	148,981	48,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,829	(1,020)
Deferred gains or losses on hedges	330	(526)
Foreign currency translation adjustment	4,196	2,362
Remeasurements of defined benefit plans	3,239	2,386
Total accumulated other comprehensive income	13,596	3,202
Non-controlling interests	6,868	8,732
Total net assets	169,445	60,205
Total liabilities and net assets	554,527	401,342

(2) Consolidated Statements of Income

	Millions of yen	
	FY2014	FY2015
Net sales	302,085	307,115
Cost of sales	218,917	220,638
Gross profit	83,167	86,476
Selling, general and administrative expenses		
Selling expenses	36,566	38,099
General and administrative expenses	27,070	25,305
Total selling, general and administrative expenses	63,636	63,405
Operating income	19,530	23,071
Non-operating income		
Interest income	110	121
Dividend income	629	443
Share of profit of entities accounted for using equity method	684	668
Foreign exchange gains	—	542
Other	1,465	1,576
Total non-operating income	2,889	3,353
Non-operating expenses		
Interest expenses	4,756	4,668
Cost of idle operations	825	1,134
Other	3,917	2,896
Total non-operating expenses	9,499	8,699
Ordinary income	12,920	17,725
Extraordinary income		
Gain on sales of non-current assets	73	14,144
Gain on bargain purchase	5	—
Gain on sales of investment securities	10,442	6,190
Gain on sales of shares of subsidiaries and associates	20	—
State subsidy	24	50
Other	—	1,092
Total extraordinary income	10,566	21,477
Extraordinary losses		
Loss on sales of non-current assets	8	130
Impairment loss	76,010	124,706
Loss on disaster	383	5
Loss on reduction of non-current assets	27	108
Loss on disposal of non-current assets	420	486
Loss on sales of shares of subsidiaries and associates	8	—
Provision for loss on purchase contract	9,433	—
Loss on purchase contract	1,489	—
Other	692	264
Total extraordinary losses	88,473	125,702
Profit (loss) before income taxes	(64,986)	(86,500)
Income taxes - current	3,747	14,408
Income taxes - deferred	(3,405)	(1,387)
Total income taxes	341	13,020
Profit (loss)	(65,327)	(99,520)
Profit attributable to non-controlling interests	21	1,043
Profit (loss) attributable to owners of parent	(65,349)	(100,563)

(3) Consolidated Statements of Comprehensive Income

	Millions of yen	
	FY2014	FY2015
Profit (loss)	(65,327)	(99,520)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,535)	(6,851)
Deferred gains or losses on hedges	(419)	(901)
Foreign currency translation adjustment	1,299	(1,758)
Remeasurements of defined benefit plans, net of tax	2,257	(861)
Share of other comprehensive income of entities accounted for using equity	189	(150)
Total other comprehensive income	791	(10,522)
Comprehensive income	(64,536)	(110,043)
Comprehensive income attributable to		
Owners of the Parent	(64,564)	(110,957)
Non-controlling interests	28	913

(4) Consolidated Statements of Cash Flows

	Millions of yen FY2014	FY2015
Cash flows from operating activities		
Profit (loss) before income taxes	(64,986)	(86,500)
Depreciation	18,845	20,084
Increase(decrease) in allowance for loss on compensation for building	(268)	(189)
Increase (decrease) in provision for loss on purchase contract	9,433	(4,059)
Increase (decrease) in other provision	450	322
Increase (decrease) in net defined benefit liability	79	93
Increase (decrease) in net defined benefit asset	442	(431)
Interest and dividend income	(739)	(565)
Foreign exchange losses (gains)	1,070	(176)
Gain on bargain purchase	(5)	—
Loss (gain) on sales of property, plant and equipment	(64)	(14,013)
Loss (gain) on sales of investment securities	(10,442)	(6,190)
Loss (gain) on sales of shares of subsidiaries and associates	(12)	—
Share of (profit) loss of entities accounted for using equity method	(684)	(668)
Subsidy income	(24)	(50)
Interest expenses	4,756	4,668
Loss on reduction of non-current assets	27	108
Impairment loss	76,010	124,706
Loss (gain) on disposal of non-current assets	420	486
Decrease (increase) in notes and accounts receivable - trade	(2,520)	301
Decrease (increase) in inventories	1,136	4,402
Decrease (increase) in other current assets	681	(355)
Increase (decrease) in notes and accounts payable - trade	1,443	(4,750)
Increase (decrease) in other current liabilities	808	(130)
Other, net	2,689	607
Subtotal	38,546	37,701
Interest and dividend income received	1,189	1,178
Interest expenses paid	(4,732)	(4,725)
Income taxes paid	(4,232)	(4,055)
Net cash provided by (used in) operating activities	30,772	30,098
Cash flows from investing activities		
Payments into time deposits	(34)	(84)
Proceeds from withdrawal of time deposits	429	34
Purchase of property, plant and equipment	(32,470)	(14,334)
Proceeds from sales of property, plant and equipment	109	17,841
Purchase of investment securities	(7,967)	(12)
Proceeds from sales of investment securities	16,746	10,932
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(633)	—
Additional purchase of investments in consolidated subsidiaries	(23)	—
Payments of long-term loans receivable	(20)	(40)
Collection of long-term loans receivable	244	239
Proceeds from subsidy income	2,659	50
Payments for transfer of business	(3,750)	(37)
Other, net	(810)	(1,187)
Net cash provided by (used in) investing activities	(25,519)	13,400

	FY2014	FY2015
	Millions of yen	
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(5)	(2,648)
Increase (decrease) in commercial papers	(1,000)	(3,000)
Proceeds from long-term loans payable	84,311	4,631
Repayments of long-term loans payable	(41,286)	(31,175)
Redemption of bonds	—	(5,600)
Payments from changes in ownership interests in subsidiaries that do not	—	(25)
Cash dividends paid	(1,043)	(1)
Dividends paid to non-controlling interests	(437)	(386)
Decrease (increase) in treasury shares	(75)	(6)
Other, net	40	523
Net cash provided by (used in) financing activities	40,502	(37,689)
Effect of exchange rate change on cash and cash equivalents	392	(792)
Net increase (decrease) in cash and cash equivalents	46,147	5,016
Cash and cash equivalents at beginning of period	69,973	116,122
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	10	27

(5)Segment information

1. Summary of reportable segments

The reportable segments of the Touyama Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.
The Company has business divisions by product group, and the Tokuyama Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.
The Tokuyama Group is, therefore, composed of segments by product group based on business divisions, and has four reportable segments, "Chemicals," "Specialty Products," "Cement," and "Life & Amenity."
Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium silicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, isopropyl alcohol and chlorinated solvents
Specialty Products	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity chemicals for electronics manufacturing, and photoresist developer
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resourece recycling business
Life & Amenity	Polyolefin film, plastic window sashes, medical diagnosis systems, dental materials and equipment, gas sensors, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

2. Information on sales, income (loss), assets and other items by reportable segment

Fiscal 2014 (April 1, 2014 – March 31, 2015)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	91,122	43,787	81,100	56,683	29,391	302,085	-	302,085
Inter-segment sales/transfer	805	11,663	118	1,774	22,076	36,438	(36,438)	-
Total	91,927	55,450	81,219	58,457	51,468	338,523	(36,438)	302,085
Segment income	5,056	4,122	4,446	5,159	6,023	24,808	(5,278)	19,530
Segment assets	55,785	194,868	60,770	51,352	28,260	391,037	163,490	554,527
Other items								
Depreciation expenses*4	2,706	4,314	2,841	2,341	1,447	13,650	5,194	18,845
Increase in tangible and intangible fixed assets*5	2,054	17,456	3,734	1,693	1,085	26,023	239	26,262

*1 "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 Adjustment is as follows:

(1) The segment income adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥190,190 million).

*3 With regard to segment income, operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's income.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

Fiscal 2015 (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	87,042	47,664	85,320	55,679	31,408	307,115	-	307,115
Inter-segment sales/transfer	759	13,237	148	1,998	22,275	38,420	(38,420)	-
Total	87,801	60,902	85,469	57,677	53,684	345,535	(38,420)	307,115
Segment income (loss)	8,900	(1,157)	5,832	6,598	5,668	25,842	(2,771)	23,071
Segment assets	46,381	66,287	55,952	56,649	43,825	269,097	132,244	401,342
Other items								
Depreciation expenses*4	2,517	5,956	3,211	2,132	3,565	17,384	2,700	20,084
Increase in tangible and intangible fixed assets*5	2,000	4,588	2,437	3,111	1,595	13,733	585	14,319

*1 "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 Adjustment is as follows:

(1) The segment income (loss) adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥174,924 million).

*3 With regard to segment income (loss), operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's income.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.