

Q2 FY2016 - Apr 1, 2016 to Sep 30, 2016 -

Presentation for IR Meeting

Tokuyama Corporation

October 28, 2016



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1 Financial Results for Q2 FY2016

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- 2. Net Sales / Operating Income by Business Segment**
- 3. Changes in Operating Income**



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

(Billions of yen)

	Q2 FY2015 YTD	Q2 FY2016 YTD	Difference	
			Amount	%
Net sales	149.1	142.5	(6.5)	(4)
Operating income	7.5	18.0	+10.4	+139
Ordinary income	5.2	14.5	+9.2	+176
Profit attributable to owners of parent	2.7	18.4	+15.6	+563
Basic earnings per share (yen)	8.00	52.28		
Exchange rate (¥/\$)	122	105		
Domestic naphtha price (¥/kl)	48,000	31,400		

Qualitative information

(Net sales) ¥142.5 billion, down 4%

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

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

(Operating income) ¥18.0 billion, up 139%

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

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

(Billions of yen)

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Exchange rate (¥/\$)	122	105		
Domestic naphtha price (¥/kl)	48,000	31,400		

Qualitative information

(Ordinary income) ¥14.5 billion, up 176%

Plus: increased operating income

Minus: increased trial production expenses at Tokuyama Malaysia

(Profit attributable to owners of parent) ¥18.4 billion, up 563%

Pluses: increased ordinary income;

posting of a subsidy income related to manufacturing facilities of Tokuyama Malaysia and a gain on sales of shares of subsidiary; decreased income taxes owing to the decision on the business transfer of Tokuyama Malaysia

1. Financial Highlights Consolidated (compared with the previous fiscal year-end)

(Billions of yen, except ratios)

	As of Mar 31, 2016	As of Sep 30, 2016	Changes
Total assets	401.3	388.2	(13.1)
Shareholders' equity	51.4	87.6	+36.1
Shareholders' equity ratio	12.8%	22.6%	+9.8 pts
Interest-bearing debt	244.1	219.8	(24.2)
D/E ratio	4.74	2.51	(2.23)
Net D/E ratio*	2.38	1.16	(1.23)
Net assets per share (yen)	147.98	193.71	

Qualitative information

(Total assets)

Decrease factors: decrease in notes and accounts receivable – trade, and cash and deposits

(Shareholders' equity)

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

Increase in retained earnings as a result of posting profit attributable to owners of parent

(Interest-bearing debt)

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

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

2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

(Billions of yen)

	Q2 FY2015 YTD		Q2 FY2016 YTD		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	44.0	3.6	38.9	6.0	(5.0)	(12)	+2.4	+68
Specialty Products	26.7	(2.9)	31.6	3.3	+4.8	+18	+6.3	-
Cement	42.5	2.2	39.5	3.9	(2.9)	(7)	+1.6	+71
Life & Amenity	28.9	3.6	25.6	2.8	(3.3)	(11)	(0.7)	(20)
Others	26.7	2.5	25.8	2.6	(0.9)	(3)	+0.1	+6
Total	169.1	9.0	161.7	18.9	(7.4)	(4)	+9.8	+109
Inter-segment eliminations and corporate-wide expenses	(19.9)	(1.5)	(19.1)	(0.8)	+0.8	-	+0.6	-
Consolidated results	149.1	7.5	142.5	18.0	(6.5)	(4)	+10.4	+139

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

(Reference)

Tokuyama Malaysia	3.6	(6.4)	7.5	(0.9)	+3.8	+105	+5.5	-
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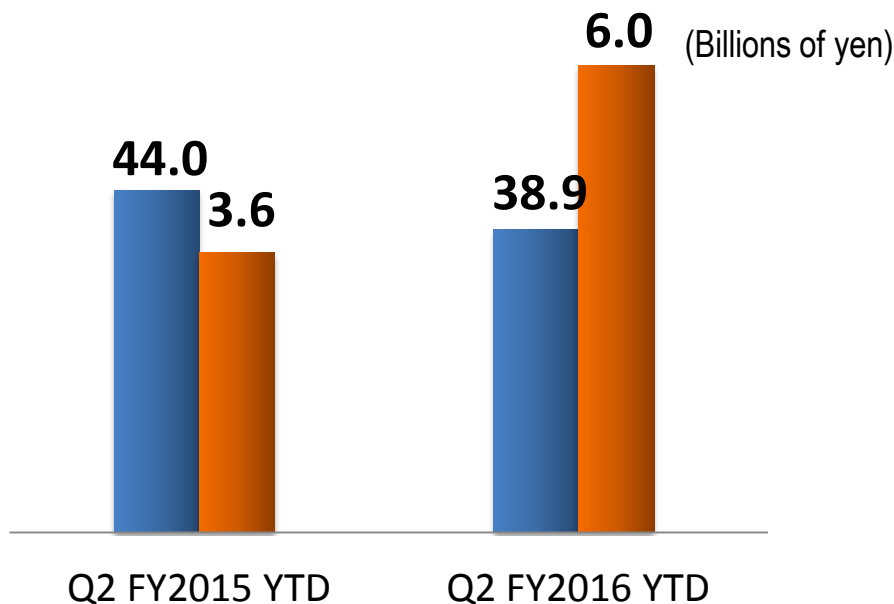
2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Chemicals

Higher earnings on lower sales

■ Net Sales ■ Operating Income
(Billions of yen)



Qualitative information

(Caustic soda)

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

(Vinyl chloride monomer (VCM))

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

(Vinyl chloride resin)

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

(Soda ash and calcium chloride)

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

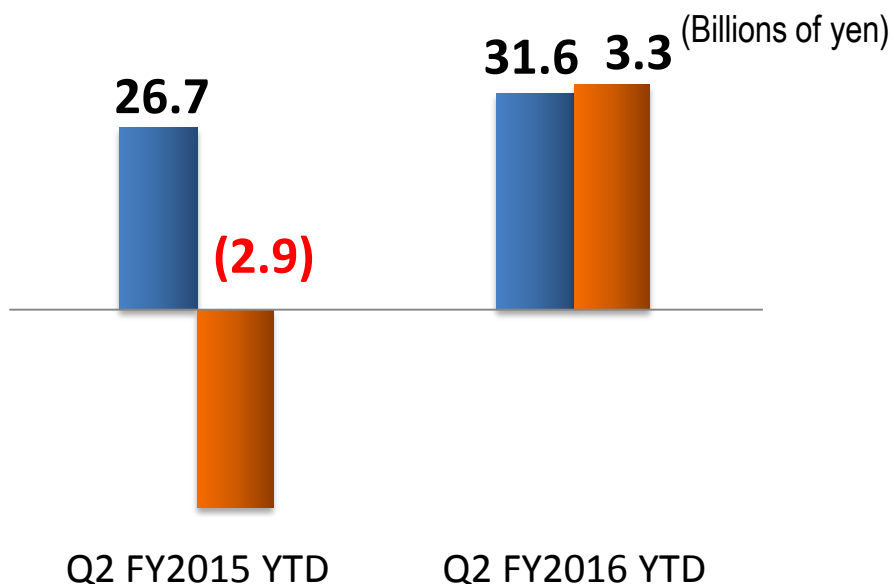
2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Specialty Products

Higher earnings on higher sales

■ Net Sales ■ Operating Income



Qualitative information

(Semiconductor-grade polycrystalline silicon)

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

(Solar-grade polycrystalline silicon)

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

(Fumed silica)

Net sales were down due to appreciated yen, despite steady sales volume of such applications as a polishing material for semiconductors

(High-purity chemicals for electronics manufacturing)

- Net sales were down due to appreciated yen, despite robust sales product used for semiconductor manufacturing

(Aluminum nitride)

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

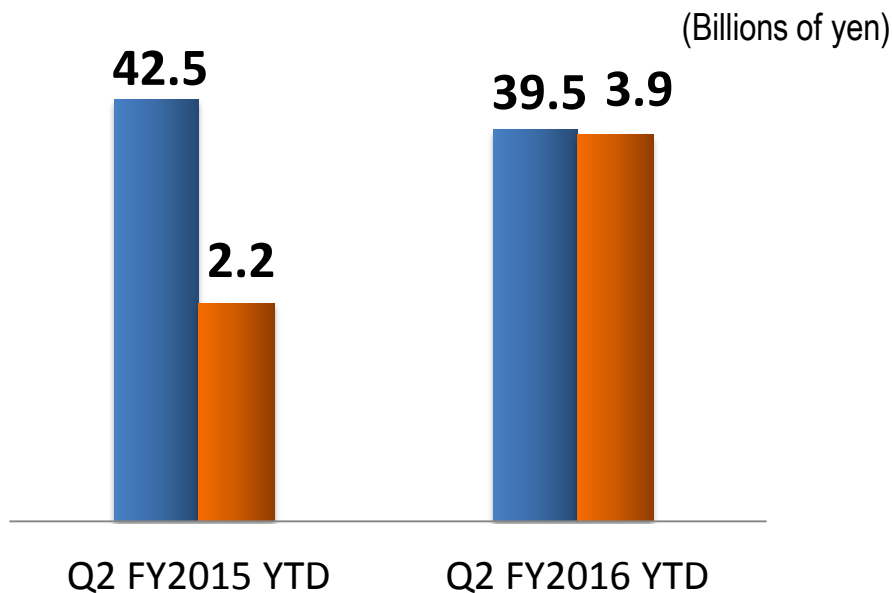
2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Cement

Higher earnings on lower sales

■ Net Sales ■ Operating Income



Qualitative information

(Cement)

- Net sales were down due to downturn in domestic sales volumes attributable to weak public- and private-sector demand in Japan and weak trends in export prices as a result of weaker yen, despite of an increase in the volume of exports on the back of robust demand in the Asia region
- Consolidated subsidiary net sales declined, reflecting corrections to robust shipping targeting large-scale projects in the corresponding period of the previous fiscal year

(Recycling and environment-related business)

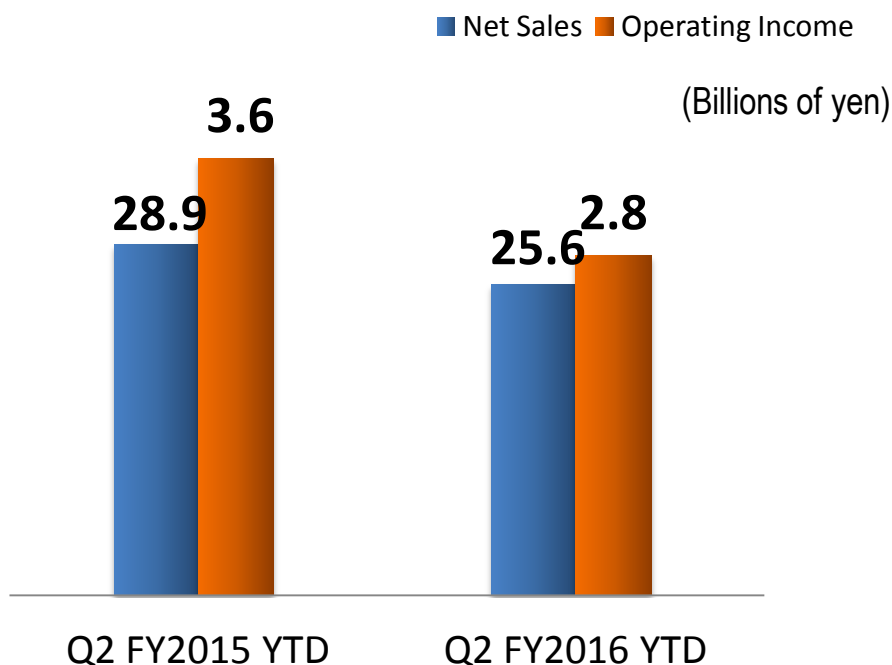
- The Company accepted higher volume of waste including coal ash

2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

Life & Amenity

Lower earnings on lower sales



Qualitative information

(Active pharmaceutical ingredient)

- Decreased sales volume, reflecting corrections to favorable shipments in the corresponding period of the previous fiscal year

(Microporous film)

- Lower sales volume of products mainly for disposable diapers

(Polyolefin film)

- Increased sales volume of products mainly for convenience stores

- Weak trends in selling price on the back of the decline in domestic naphtha price

(Dental materials and equipment)

- Net sales were flat due to the fact that higher sales volumes of new products and increased export volume were offset by continuing appreciated yen

(Medical diagnosis system)

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

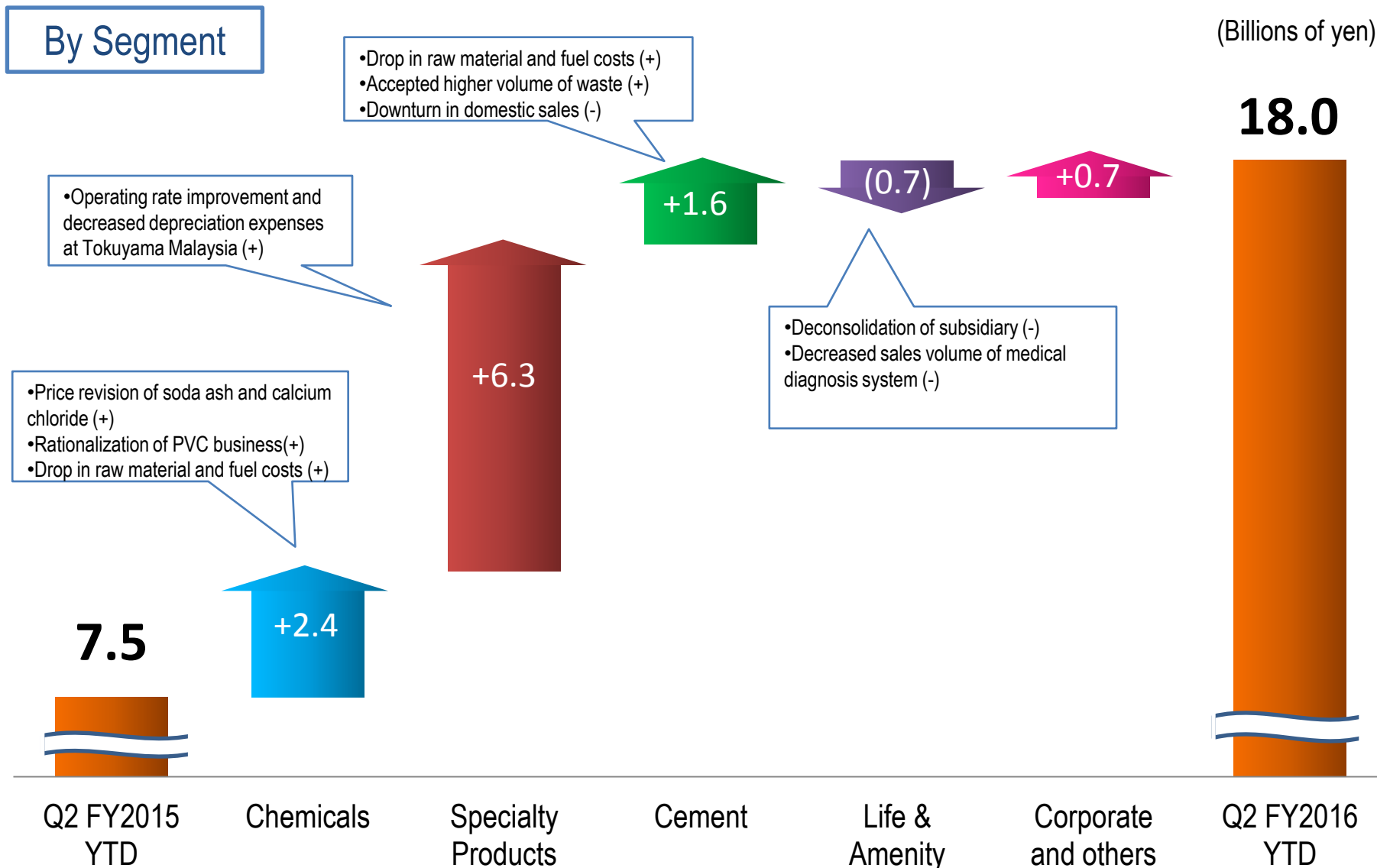
(Gas sensor)

- Deconsolidation of Figaro Engineering Inc. from Q2 FY2016 due to the sales of shares in the company

3. Changes in Operating Income

(Year-on-year change)

(Billions of yen)





2 Revised Performance Forecasts for FY2016

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

2 Revised Performance Forecasts for FY2016

1. Revised Performance Forecasts

Consolidated
(compared with the previous forecast)
(Billions of yen)

	FY2016 Previous forecast (May 12, 2016)	FY2016 Revised forecast (Oct 28, 2016)	Difference	Q2 FY2016 YTD Results
Net sales	302.0	291.0	(11.0)	142.5
Operating income	32.0	33.0	+1.0	18.0
Ordinary income	27.0	27.0	0.0	14.5
Profit attributable to owners of parent	17.0	21.0	+4.0	18.4
Net income per share (yen)	46.68	58.18		52.28
Exchange rate (¥/\$)	110	103		105
Domestic naphtha price (¥/kl)	35,000	32,200		31,400

Reasons for the revision:

(Net sales)

Minuses: decreased sales volume of cement;
drop in export price due to appreciated yen

(Operating income)

Plus: improved profitability of petro chemicals
Minus: drop in export price due to appreciated yen

(Profit attributable to owners of parent)

Pluses: decreased income taxes as a result of the decision on
the business transfer of Tokuyama Malaysia;
posting of extraordinary income including gains from the
sale of non-current assets and other incomes
Minus: loss on business transfer of Tokuyama Malaysia

2 Revised Performance Forecasts for FY2016

2. Revised Performance Forecasts by Business Segment

(Compared with the previous forecast)

(Billions of yen)

	FY2016 previous forecast (May 12, 2016)		FY2016 revised forecast (Oct 28, 2016)		Difference		Q2 FY2016 YTD Results	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	81.0	10.0	80.0	11.5	(1.0)	+1.5	38.9	6.0
Specialty Products	67.0	7.0	64.0	6.5	(3.0)	(0.5)	31.6	3.3
Cement	87.0	8.0	82.0	7.5	(5.0)	(0.5)	39.5	3.9
Life & Amenity	52.0	5.0	50.0	5.0	(2.0)	0.0	25.6	2.8
Others	53.0	4.5	52.0	5.0	(1.0)	+0.5	25.8	2.6
Total	340.0	34.5	328.0	35.5	(12.0)	+1.0	161.7	18.9
Inter-segment eliminations and corporate-wide expenses	(38.0)	(2.5)	(37.0)	(2.5)	+1.0	0.0	(19.1)	(0.8)
Consolidated Results	302.0	32.0	291.0	33.0	(11.0)	+1.0	142.5	18.0

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

(Reference)

Tokuyama Malaysia	11.0	(4.0)	11.5	(3.2)	+0.5	+0.7	7.5	(0.9)
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3 Topics

1. Tokuyama Malaysia
2. Tokuyama Factory BRIGHT-II
Cost Reduction Activities



3 Topics

1. Tokuyama Malaysia

Schedule Going Forward

Fiscal Year	FY2015 (16/3)	FY2016 (17/3)
Progress and schedule going forward	(Posted impairment loss in 3Q)	<ul style="list-style-type: none"> ▶ Sep 28 Decided transfer of Tokuyama Malaysia ▶ Oct 7 Completed third-party allotment of new shares (1st) (Tokuyama's portion of shares: 83.5%) ▶ Mar 31 Complete third-party allotment of (scheduled) new shares (2nd) Transfer all shares of Tokuyama Malaysia to OCI

(billions of yen)

Business Plan	(Results)	(Results (1H))	(Forecasts (2H))	(Revised Forecasts)	(Previous forecast)
Net sales	8.8	7.5	4.0	11.5	11.0
Operating income	(10.2)	(0.9)	(2.3)	(3.2)	(4.0)
Spot price of solar-grade polysilicon	US\$14.6/kg	US\$15.7/kg	US\$13.5/kg	US\$14.6/kg	US\$13.5/kg
Sales Qty	5,000 tonnes	5,000 tonnes	3,300 tonnes	8,300 tonnes	8,000 tonnes
Exchange rate (¥/US\$)	120	105	100	103	110
Exchange rate (¥/MYR)	30	26	25	25	28

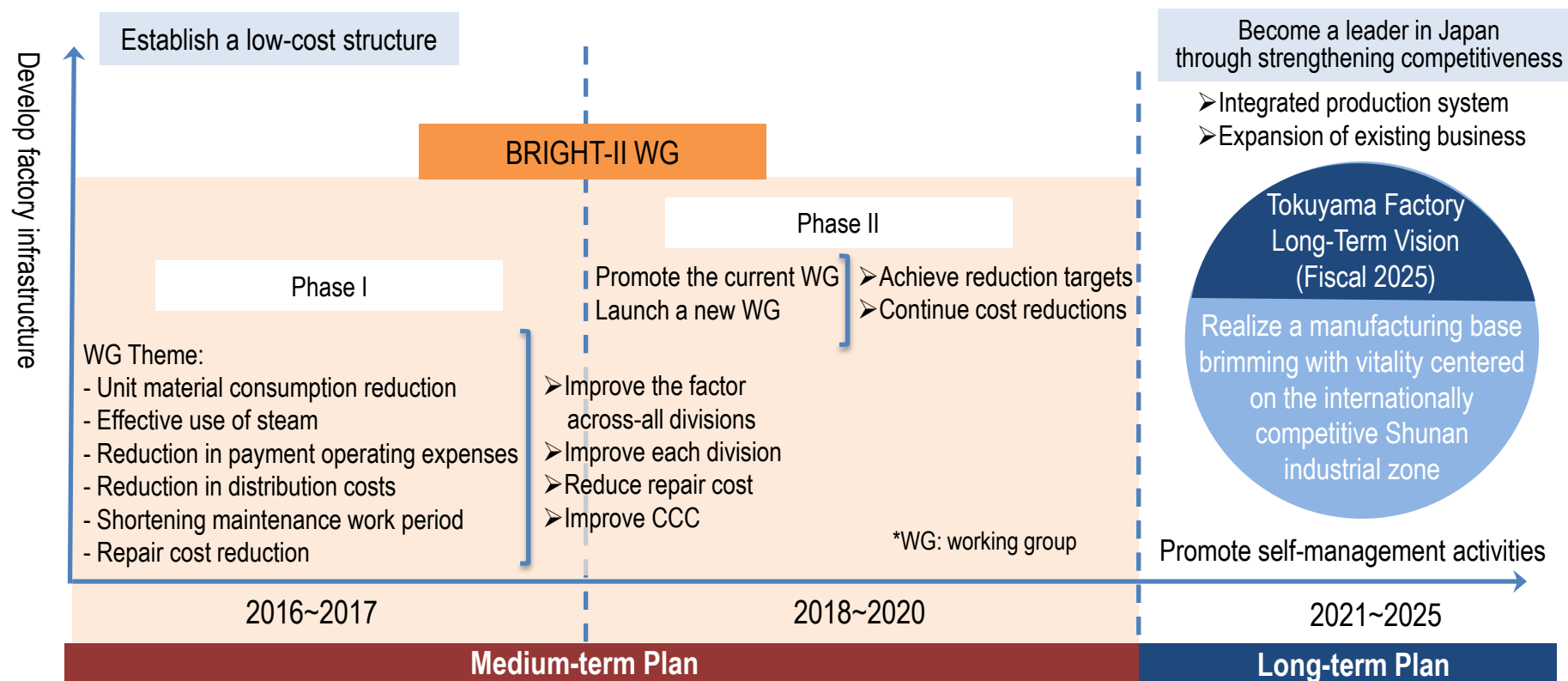
3 Topics

2. Tokuyama Factory BRIGHT-II Cost Reduction Activities

- The Tokuyama Group has launched the BRIGHT-II initiative at Tokuyama Factory in an effort to secure a leading competitive advantage in Japan, to improve the unit material consumption, and reduce major costs across all divisions.

Objectives	<ul style="list-style-type: none"> Reduce manufacturing costs Reduce costs with a view toward overall optimization 	Target	Reduce costs by ¥4.0 billion (In fiscal 2020 compared with fiscal 2015)
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BRIGHT-II Medium-to-Long Term Vision



Chemistry with a heart

TOKUYAMA





4 Supplementary Data

- 1. Consolidated Financial Statements**
- 2. Cash Flows**
- 3. Non-Operating Income/Expenses**
- 4. Extraordinary Gains/Losses**
- 5. Principal Indicators**
- 6. Performance Trend**
- 7. Price Trend of Main Raw Material and Fuel**
- 8. CAPEX and Depreciation Trend**
- 9. Interest-bearing Debts Trend**
- 10. Revised Performance Forecasts (1H/2H)**
- 11. Polysilicon Market**

1. Consolidated Financial Statements

Income Statements

(Billions of yen)

	Q2 FY2015 YTD	Q2 FY2016 YTD	Difference	
			Amount	%
Net sales	149.1	142.5	(6.5)	(4)
Cost of sales	110.1	95.4	(14.7)	(13)
Selling, general and administrative expenses	31.3	29.1	(2.2)	(7)
Operating income	7.5	18.0	+10.4	+139
Non-operating income/expenses	(2.2)	(3.5)	(1.2)	-
Ordinary income	5.2	14.5	+9.2	+176
Extraordinary income/expenses	0.6	5.9	+5.2	+814
Income/loss before income taxes	5.9	20.4	+14.5	+246
Income taxes and non-controlling interests	3.1	1.9	(1.1)	(37)
Profit attributable to owners of parent	2.7	18.4	+15.6	+563

1. Consolidated Financial Statements Balance Sheets

(Billions of yen)

	3/31/2016	9/30/2016	Changes	
			Amount	%
Total assets	401.3	388.2	(13.1)	(3)
Current assets	243.7	231.5	(12.1)	(5)
Tangible fixed assets	119.7	117.4	(2.3)	(2)
Intangible fixed assets	6.3	5.5	(0.8)	(14)
Investments and other assets	31.4	33.6	+2.2	+7

	3/31/2016	9/30/2016	Changes	
			Amount	%
Total liabilities	341.1	292.1	(48.9)	(14)
Current liabilities	113.2	74.7	(38.4)	(34)
Long-term liabilities	227.9	217.3	(10.5)	(5)
Total net assets	60.2	96.0	+35.8	+59

2. Cash Flows

Consolidated (year-on-year change)

(Billions of yen)

	Q2 FY2015 YTD	Q2 FY2016 YTD
Cash flows from operating activities (1)	10.2	4.1
Cash flows from investing activities (2)	(6.2)	(0.7)
Free cash flows (3) ((1)+(2))	4.0	3.4
Cash flows from financing activities (4)	(17.8)	(5.3)
Effect of exchange rate changes on cash and cash equivalents (5)	(0.1)	(1.0)
Net increase (decrease) in cash and cash equivalents (6) ((3)+(4)+(5))	(13.9)	(3.0)
Cash and cash equivalents at beginning of the year (7)	116.1	121.1
Increase (decrease) in cash and cash equivalents due to changes of scope of consolidation(8)	0.0	0.0
Cash and cash equivalents at end of the year (9) ((6)+(7)+(8))	102.1	118.1

4 Supplementary Data

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

(Billions of yen)

		Q2 FY2015 YTD	Q2 FY2016 YTD	Changes	Notes
Non-operating income	Interest and dividend income	0.3	0.1	(0.1)	
	Other income	1.5	1.8	+0.2	Increased compensation income +0.4 Decreased foreign exchange gains (0.4)
	Total	1.8	2.0	+0.1	
Non-operating expenses	Interest expenses	2.4	2.1	+0.2	
	Other expenses	1.7	3.3	(1.6)	Increased trial production expense (1.3)
	Total	4.1	5.5	(1.3)	
Non-operating income/expenses		(2.2)	(3.5)	(1.2)	

4. Extraordinary Gains/Losses

Consolidated (year-on-year change)

(Billions of yen)

	Q2 FY2015 YTD	Q2 FY2016 YTD	Changes	Notes
Extraordinary gains	1.4	6.4	+5.0	Increased subsidy income +2.2 Increased gain on sales of shares of subsidiaries and associates +1.9 Increased gain on write-off debts +1.2 Decreased reversal of provision for loss on purchase contract (0.6)
Extraordinary losses	0.7	0.5	+0.1	Decreased impairment loss for fixed assets +0.5
Extraordinary gains/losses	0.6	5.9	+5.2	

5. Principal Indicators ①

Consolidated
(year-on-year change)

(Billions of yen)

	Q2 FY2015 YTD	Q2 FY2016 YTD	Changes
Capital expenditures	5.3	6.0	+0.6
Depreciation and amortization	10.4	6.9	(3.4)
R&D expenses	4.4	3.8	(0.6)
Financial income and expenses	(2.0)	(1.9)	+0.0

5. Principal Indicators ②

Consolidated
(compared with the previous fiscal year-end)

		3/31/2016	9/30/2016	Changes
Interest-bearing debts	Billions of yen	244.1	219.8	(24.2)
Number of employees	Persons	5,759	5,464	(295)

5. Principal Indicators ③

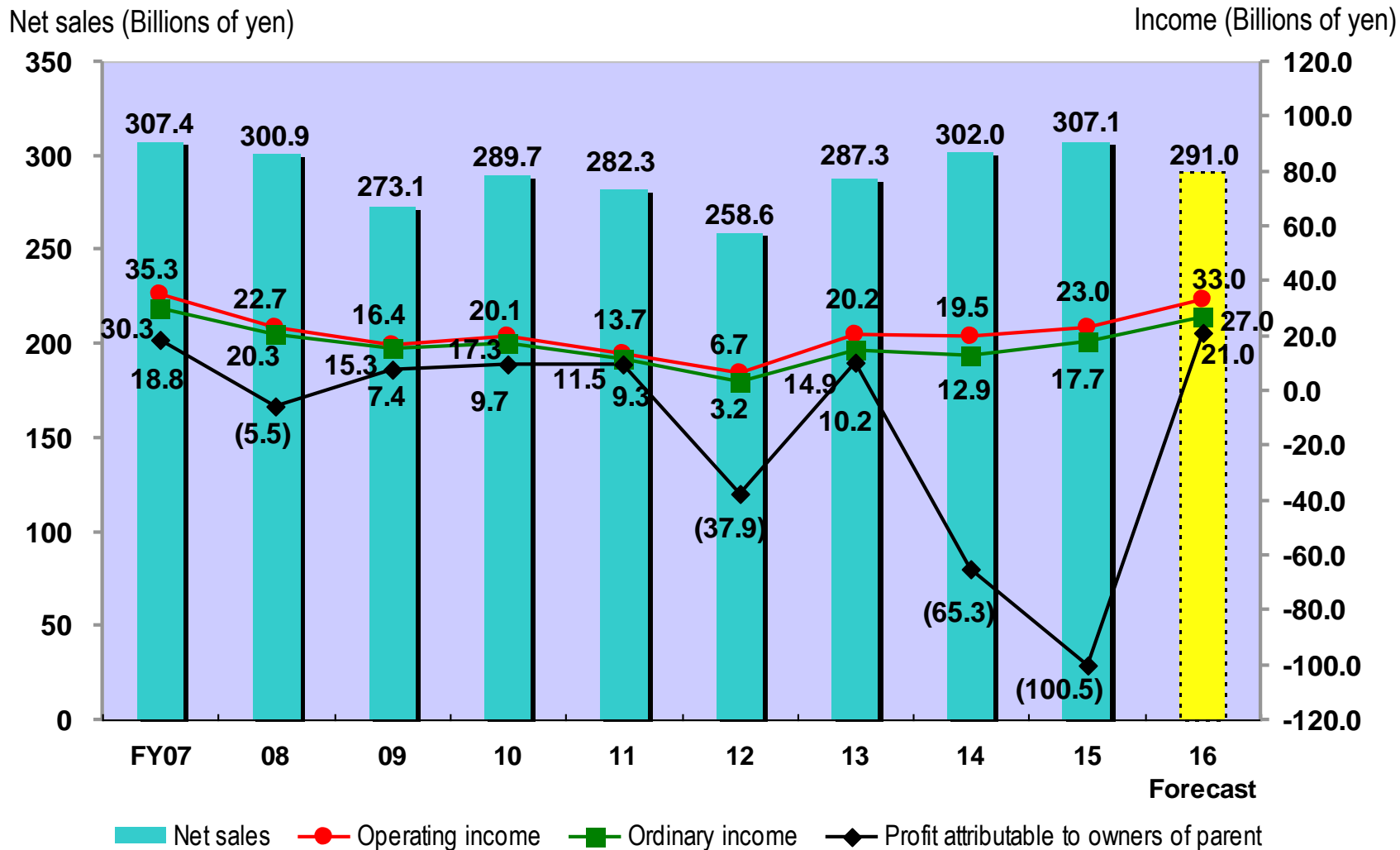
Consolidated
(year-on-year change based on FY16 forecasts)

(Billions of yen)

		FY2016 Forecast	FY2015 Results	Changes
Capital expenditures	Approved limit total	13.4	—	—
	Estimates (FY16) Results (FY15)	19.1	13.9	+5.1
Depreciation and amortization		14.3	20.0	(5.7)
R&D expenses		7.9	8.5	(0.5)

6. Performance Trend

Consolidated (Annual)

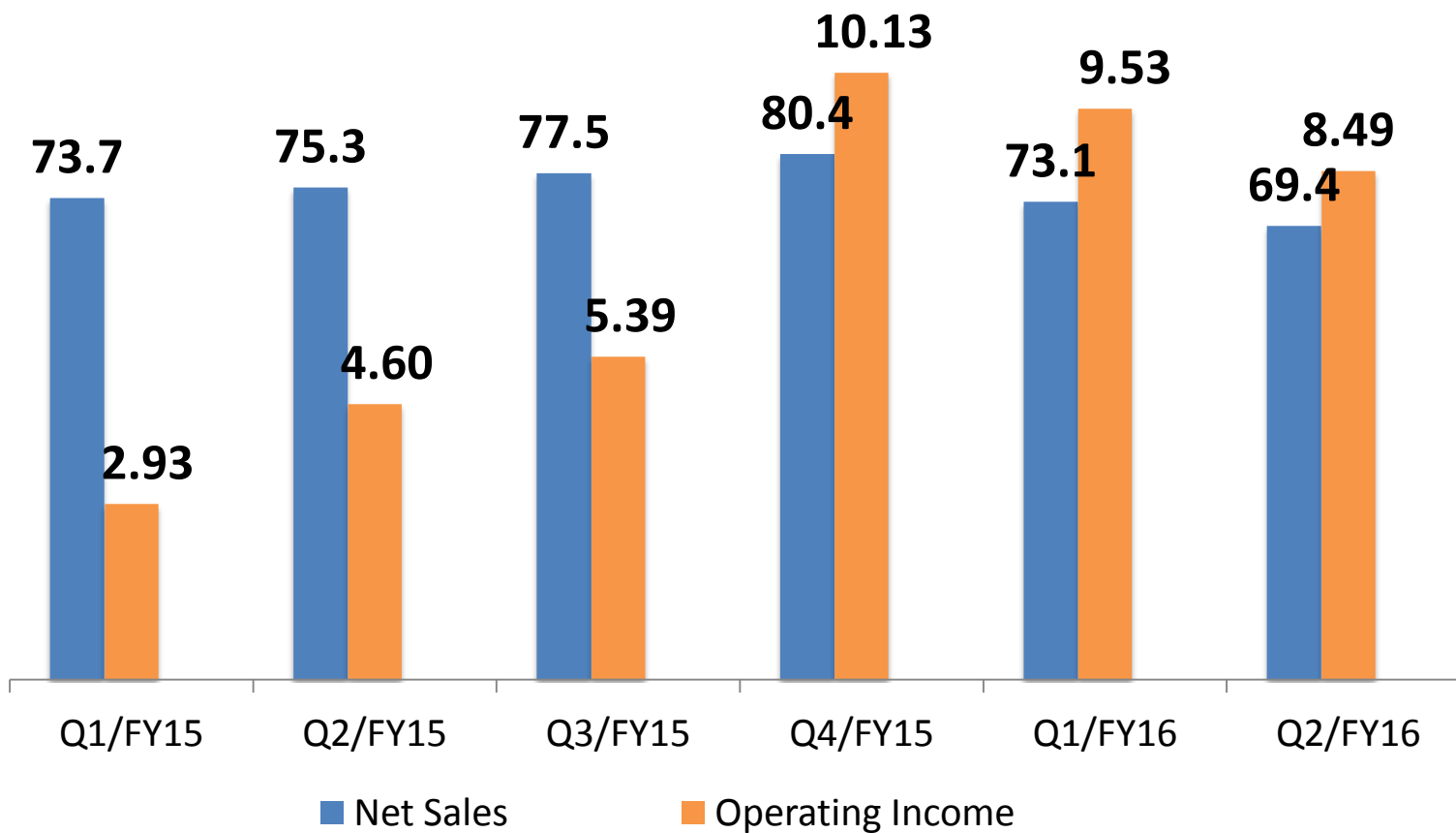


6. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

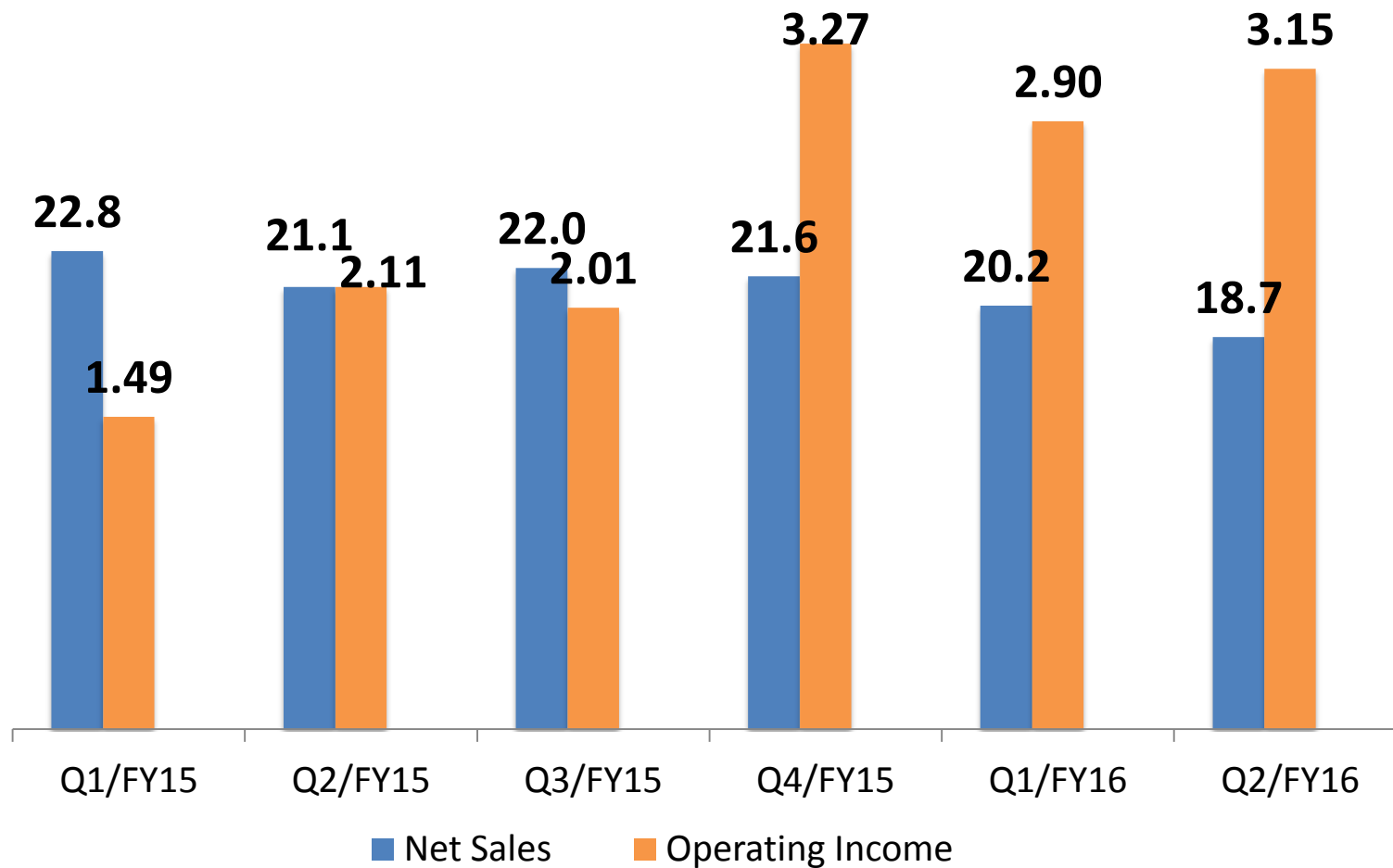


6. Performance Trend

(Quarter)

Chemicals

(Billions of yen)

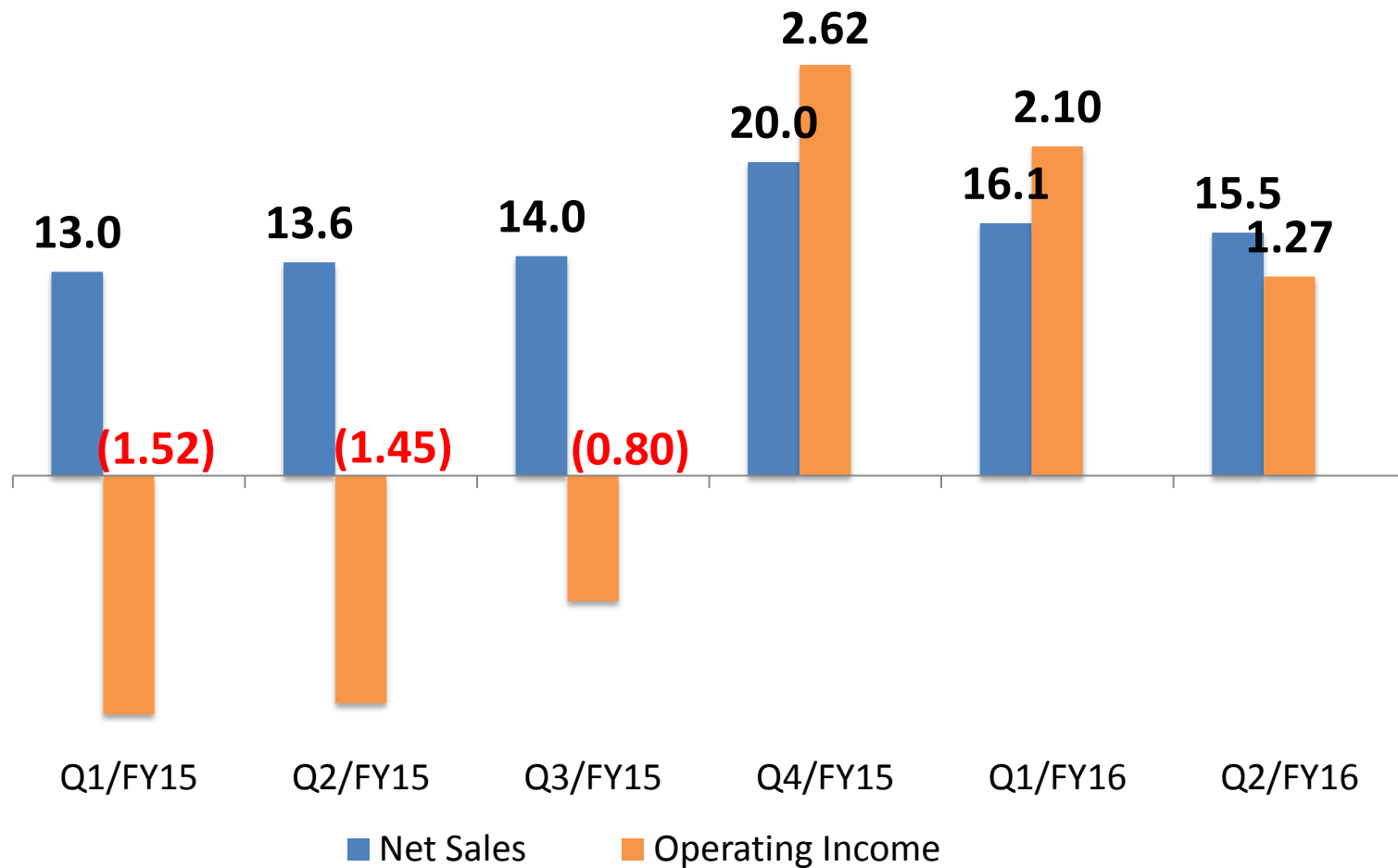


6. Performance Trend

(Quarter)

Specialty Products

(Billions of yen)

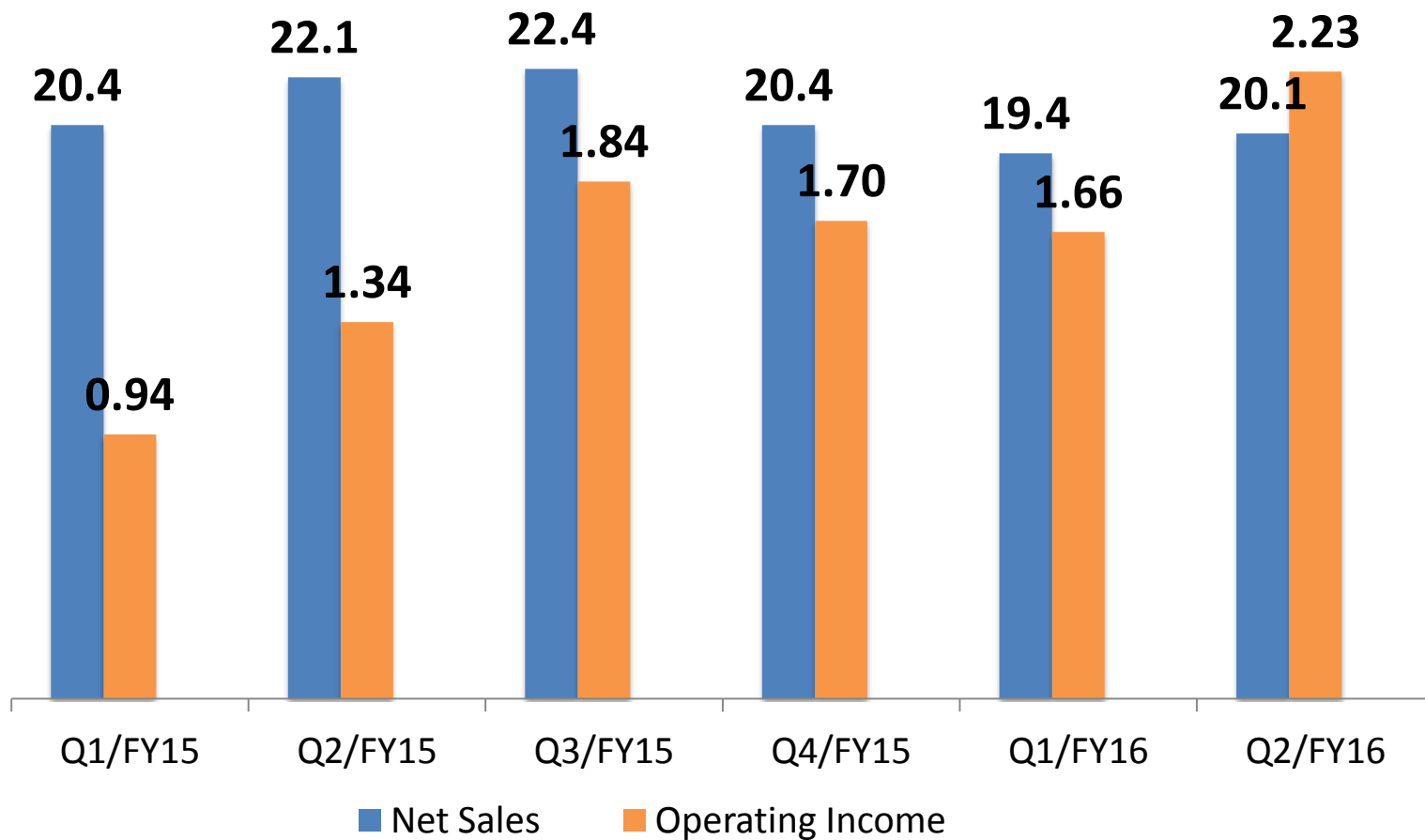


6. Performance Trend

(Quarter)

Cement

(Billions of yen)

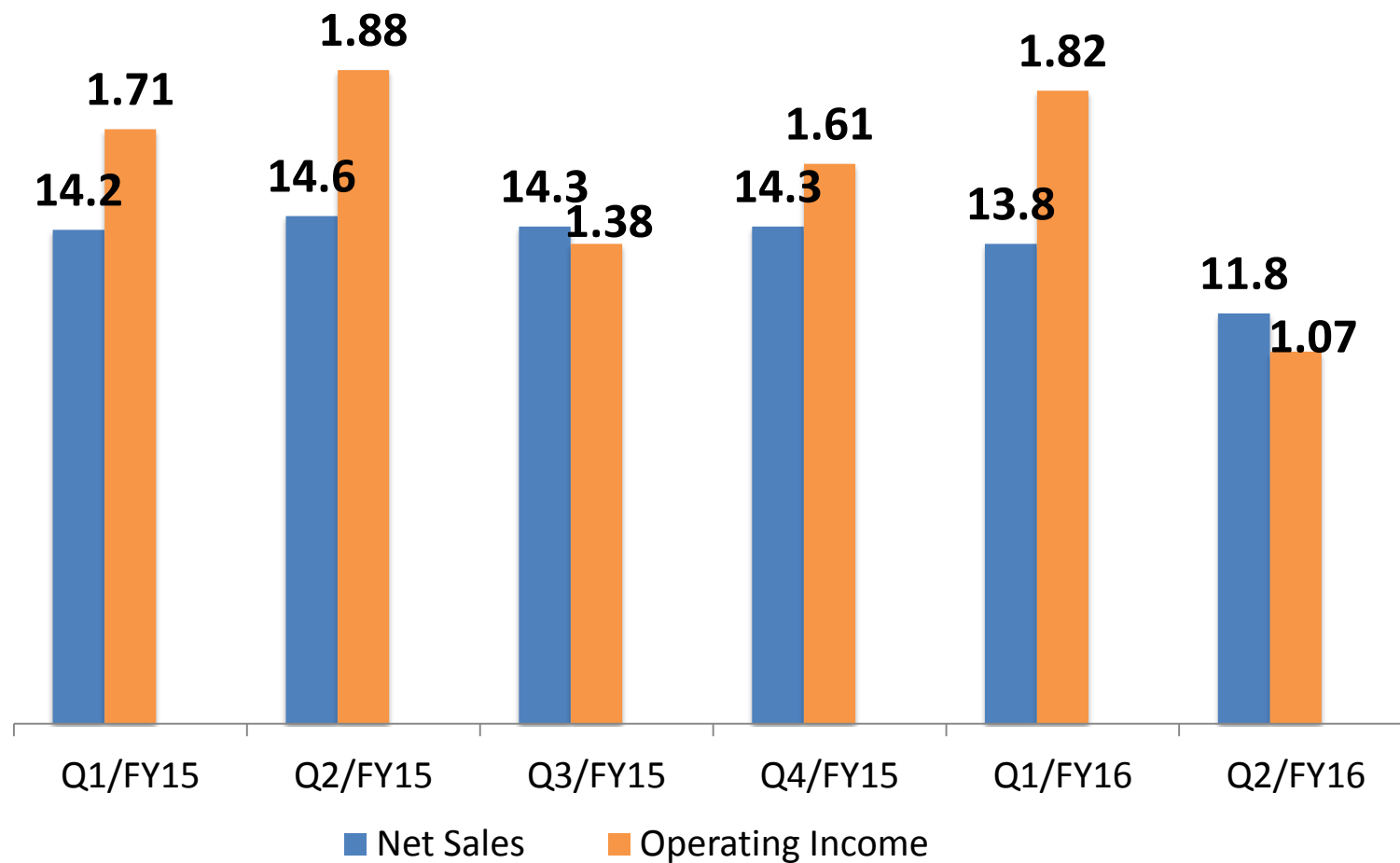


6. Performance Trend

(Quarter)

Life & Amenity

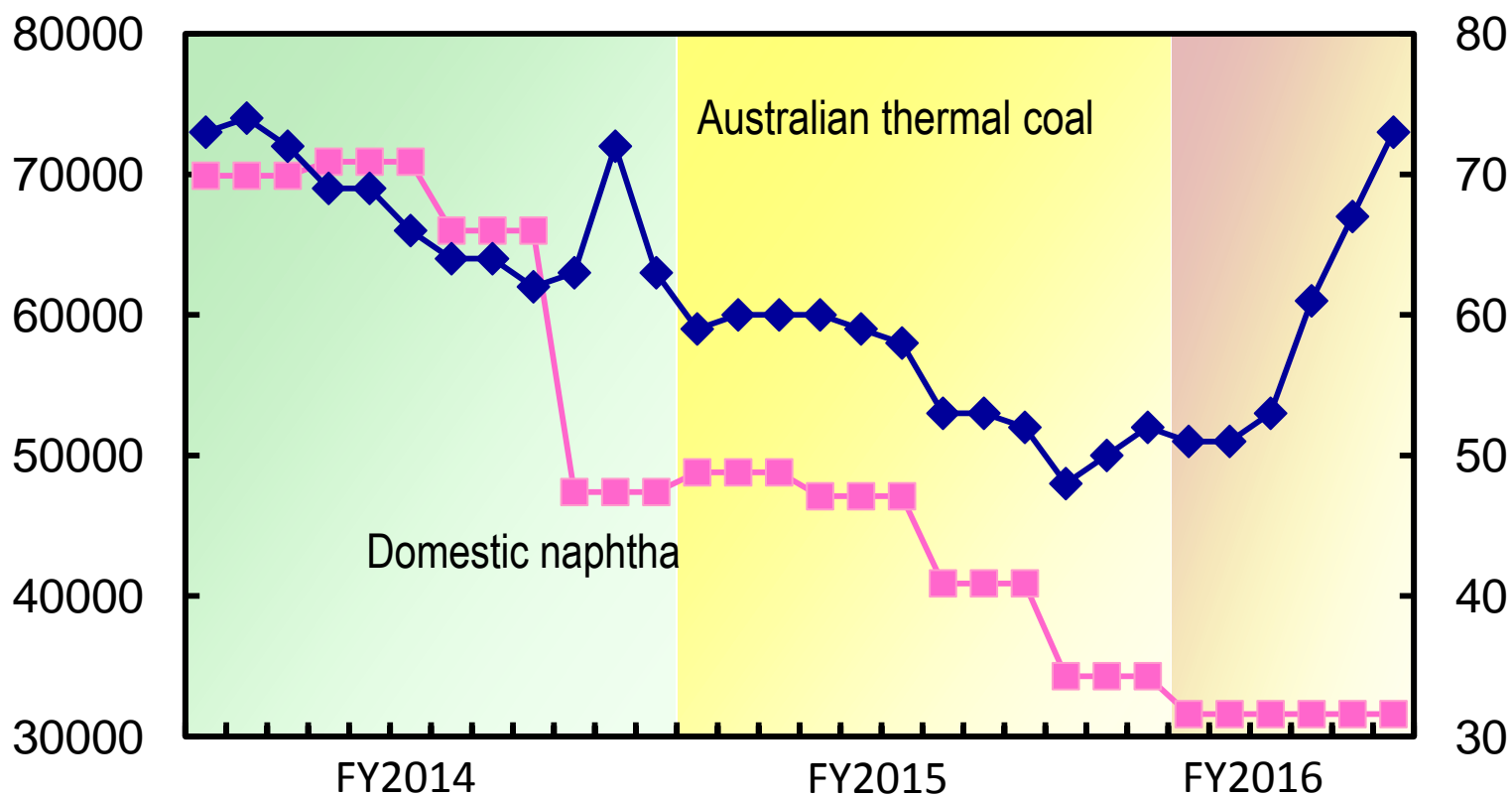
(Billions of yen)



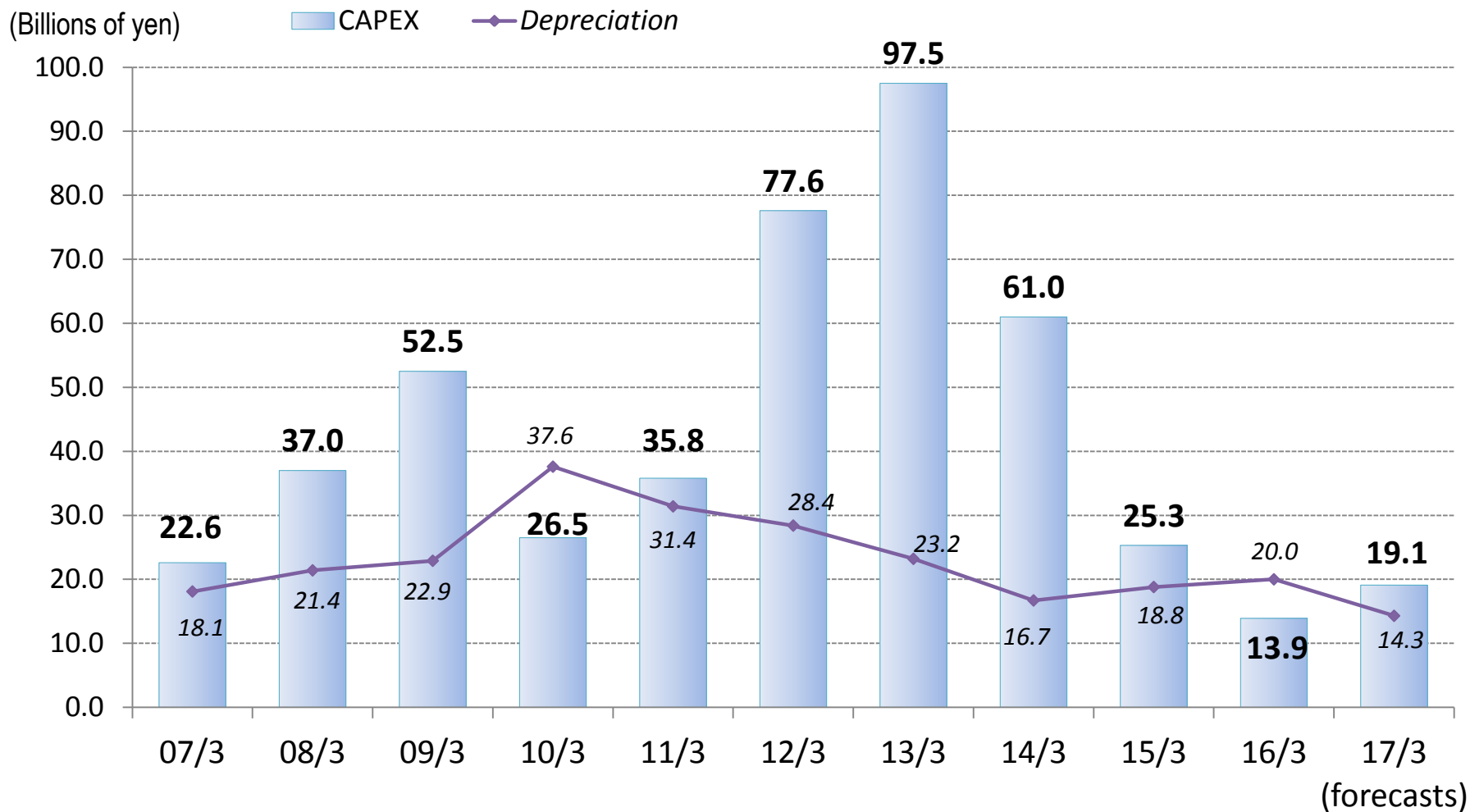
7. Price Trend of Main Raw Material and Fuel

Domestic naphtha price
(¥/KL)

Australian thermal coal spot price (\$/t)



8. CAPEX and Depreciation Trend

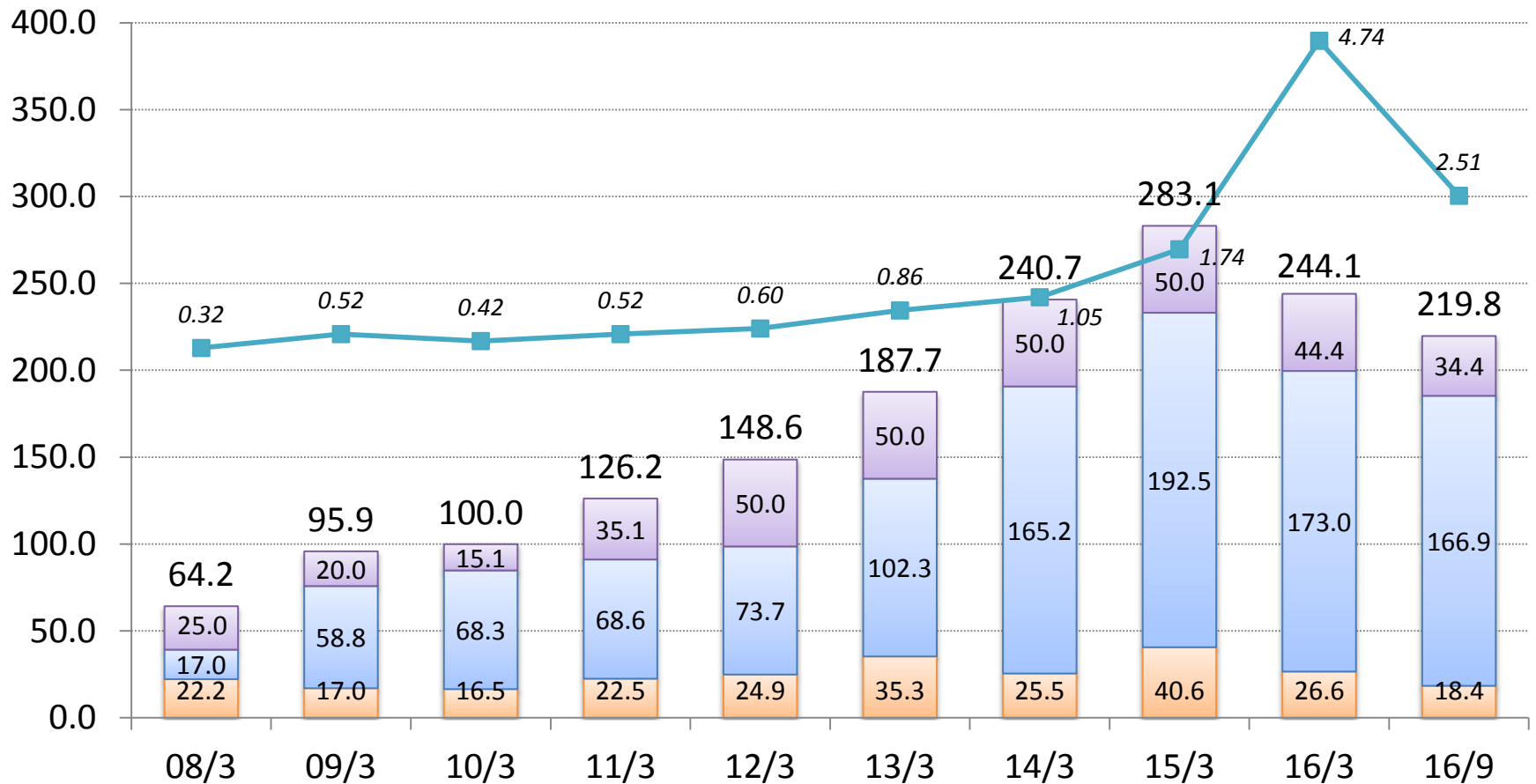


9. Interest-Bearing Debts Trend

Consolidated

(Billions of yen)

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



10. Revised Performance Forecasts (1H/2H)

(Compared with previous forecasts)

(Billions of yen)

	FY2016 previous forecast (May 12, 2016)			FY2016 revised forecasts (Oct 28, 2016)		
	1H	2H	Total	1H	2H	Total
Net sales	145.0	157.0	302.0	142.5	148.5	291.0
Operating income	14.5	17.5	32.0	18.0	15.0	33.0
Ordinary income	11.5	15.5	27.0	14.5	12.5	27.0
Net income attributable to owners of parent	7.0	10.0	17.0	18.4	2.6	21.0
Basic earnings per share (yen)	19.37	27.31	46.68	52.28	5.90	58.18
Exchange rate (¥/\$)	110	110	110	105	100	103
Domestic naphtha price (¥/kl)	35,000	35,000	35,000	31,400	33,000	32,200

4 Supplementary Data

10. Revised Performance Forecasts (1H/2H)

(By business segment, compared with previous forecasts)

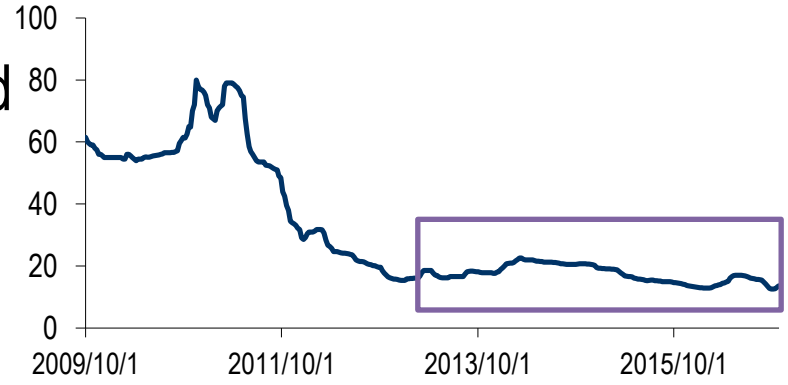
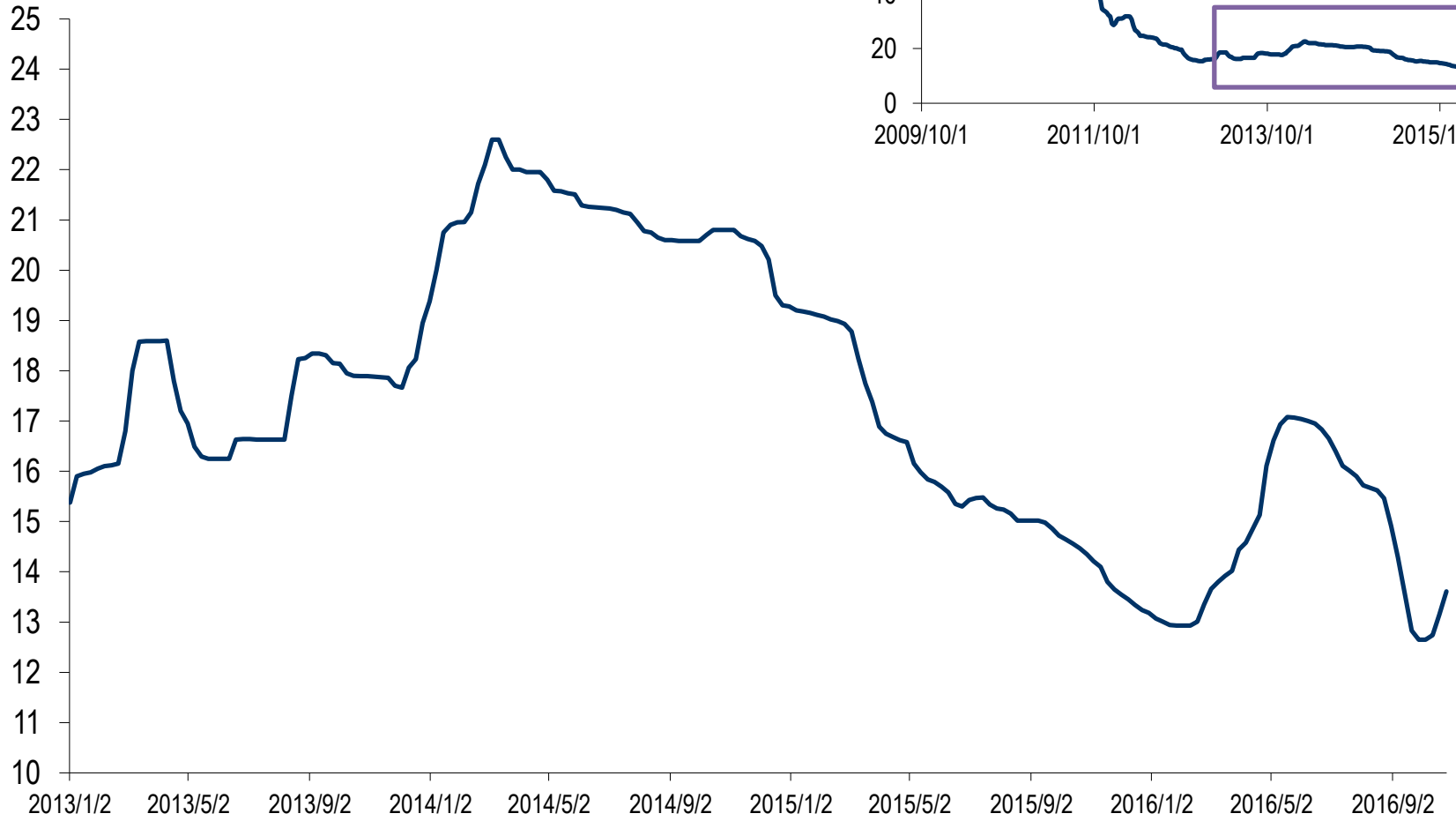
(Billions of yen)

	FY2016 previous forecast (May 12, 2016)						FY2016 revised forecast (Oct 28, 2016)					
	1H		2H		Total		1H		2H		Total	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	38.0	5.0	43.0	5.0	81.0	10.0	38.9	6.0	41.1	5.5	80.0	11.5
Specialty Products	31.0	2.0	36.0	5.0	67.0	7.0	31.6	3.3	32.4	3.2	64.0	6.5
Cement	42.0	3.5	45.0	4.5	87.0	8.0	39.5	3.9	42.5	3.6	82.0	7.5
Life & Amenity	27.0	2.5	25.0	2.5	52.0	5.0	25.6	2.8	24.4	2.2	50.0	5.0
Others	27.0	2.5	26.0	2.0	53.0	4.5	25.8	2.6	26.2	2.4	52.0	5.0
Total	165.0	15.5	175.0	19.0	340.0	34.5	161.7	18.9	166.3	16.6	328.0	35.5
Inter-segment eliminations and corporate-wide expenses	(20.0)	(1.0)	(18.0)	(1.5)	(38.0)	(2.5)	(19.1)	(0.8)	(17.9)	(1.7)	(37.0)	(2.5)
Consolidated Results	145.0	14.5	157.0	17.5	302.0	32.0	142.5	18.0	148.5	15.0	291.0	33.0

11. Polysilicon Market

Solar-cell grade Polysilicon Spot Price Trend

(US\$/KG)



Source : PV insights

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Chemistry with a heart

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