

Q1 FY2013 - Apr 1, 2013 to Jun 30, 2013 -

# Financial Results

**Tokuyama Corporation**

Jul 31, 2013



# Disclaimer

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# 1 Financial Results for Q1 FY2013

1. Financial Highlights

2. Net Sales/Operating Income  
by Business Segment

3. Changes in Operating Income



1 Financial Results for Q1 FY2013

# 1. Financial Highlights

Consolidated (year-on-year change)

(Billions of yen)

	Q1 FY2012	Q1 FY2013	Difference	
			Amount	%
Net sales	63.8	64.3	+0.4	+1
Operating income	0.7	3.1	+2.3	+330
Ordinary income (loss)	(1.1)	2.5	+3.6	-
Net income (loss)	(1.7)	2.0	+3.8	-

Qualitative information

(Net sales) ¥64.3 billion, up 1%

Pluses: increased sales volume of vinyl chloride monomer (VCM) as a result of resolution of plant difficulties that occurred in the corresponding period of the previous year  
selling price revisions of petrochemicals and other products

Minus: decreased sales volume of polycrystalline silicon

(Operating income) ¥3.1 billion, up 330%

Plus: companywide thoroughgoing cutbacks in expenditure

1 Financial Results for Q1 FY2013

# 1. Financial Highlights

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(Billions of yen)

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## Qualitative information

(Ordinary income) ¥2.5 billion, back into the black

Plus: change from foreign exchange losses recorded in the corresponding period of the previous year to foreign exchange gains

Minus: increase in costs of idle operations

(Net income) ¥2.0 billion, back into the black

Plus: extraordinary gains/losses improved, because the Company did not record the provision for business restructuring charges relating to Excel Shanon Corporation which was recorded in the corresponding period of the previous year

Minus: increased income tax expenses

1 Financial Results for Q1 FY2013

# 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, 2013	As of Jun 30, 2013	Changes
Total assets	518.2	521.9	+3.7
Shareholders' equity	217.5	219.3	+1.8
Shareholders' equity ratio	42.0%	42.0%	+0.0Pts
Interest-bearing debt	187.7	198.0	+10.3
D/E ratio	0.86	0.90	+0.04

## Qualitative information

(Total assets)

Increase factor: increase in tangible fixed assets due to construction of polycrystalline silicon manufacturing facilities in Malaysia

Decrease factor: decrease in securities and deposits allocated for payment of construction expenses above

(Shareholders' equity)

Increase factor: increase in retained earnings as a result of recording net income

(Interest-bearing debt)

Increase factor: increased short- and long-term loans payable

1 Financial Results for Q1 FY2013

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

(Year-on-year change)

(Billions of yen)

	Q1 FY2012		Q1 FY2013		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	20.3	0.1	21.1	0.3	+0.7	+4	+0.2	+187
Specialty Products	12.9	0.1	10.2	0.5	(2.6)	(21)	+0.4	+361
Cement	17.1	1.1	17.3	1.3	+0.1	+1	+0.1	+18
Life & Amenity	11.7	0.4	12.5	0.7	+0.8	+7	+0.3	+70
Others	10.2	0.5	11.1	0.8	+0.8	+9	+0.2	+53
<b>Total</b>	<b>72.5</b>	<b>2.3</b>	<b>72.4</b>	<b>3.8</b>	<b>(0.0)</b>	<b>(0)</b>	<b>+1.4</b>	<b>+62</b>
Inter-segment eliminations and corporate-wide expenses	(8.7)	(1.6)	(8.1)	(0.7)	+0.5	-	+0.9	-
<b>Consolidated results</b>	<b>63.8</b>	<b>0.7</b>	<b>64.3</b>	<b>3.1</b>	<b>+0.4</b>	<b>+1</b>	<b>+2.3</b>	<b>+330</b>

(Note 1) Net sales in each business segment include inter-segment sales.

(Note 2) From Fiscal 2013, the Advanced Components segment has been renamed the Life & Amenity segment.

(Note 3) From Q1 FY 2013, the Company has changed its accounting method of allocating costs to each segment. Net sales and operating income for Q1 FY2012 have been recalculated reflecting this change.

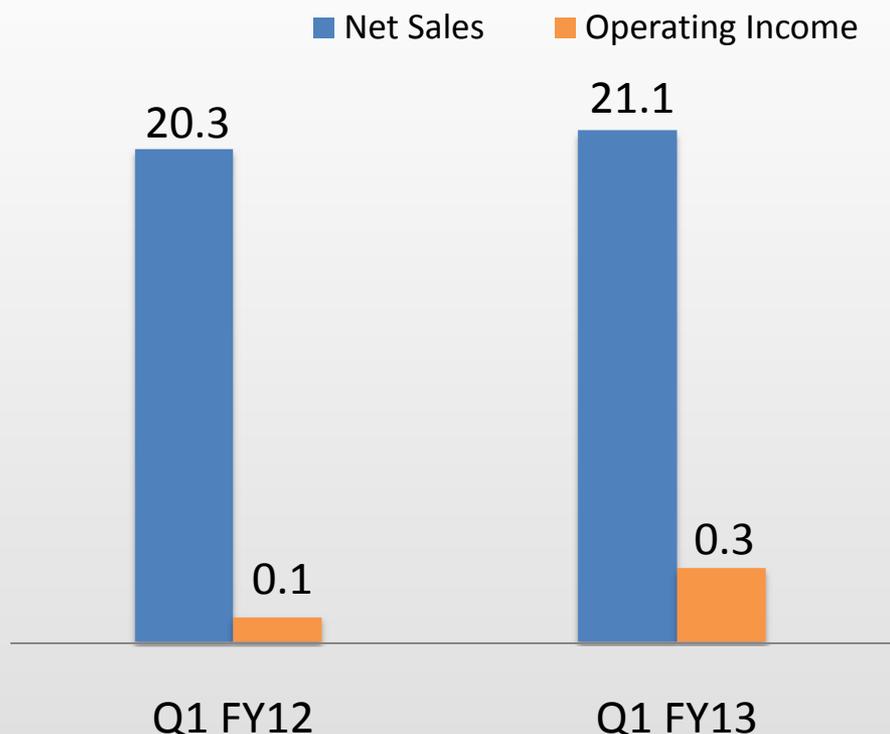
## 2. Net Sales/Operating Income by Business Segment

(Year-on-year change)

### Chemicals

*Higher earnings on higher sales*

(Billions of yen)



#### Qualitative information

(Vinyl chloride monomer (VCM))

- Sales volume recovery resulting from resolution of plant's difficulties that occurred in the corresponding period of the previous year
- Rise in export price resulting from the weaker yen

(Caustic soda)

- Domestic sales volume recovery due to improved operating rate of electrolysis facilities resulting from resolution of difficulties at VCM plant mentioned above

(Vinyl chloride resin)

- Selling price revision
- Increased cost of raw materials due to price rise of naphtha

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

(Year-on-year change)

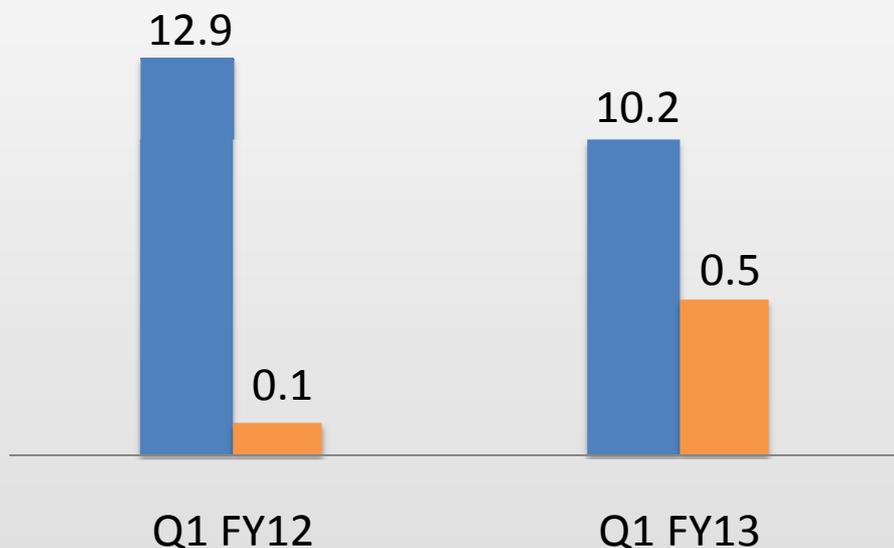
### Specialty Products

*Higher earnings on lower sales*

(Billions of yen)

#### Qualitative information

■ Net Sales    ■ Operating Income



(Polycrystalline silicon)

- Decreased sales volume of semiconductor-grade polycrystalline silicon due mainly to inventory adjustments in supply chains
- Lower sales volume of solar-grade polycrystalline silicon resulting from the adoption of a sales strategy that focused on profits under sluggish market conditions due to excess supply
- Rise in export price resulting from the weaker yen

(Fumed silica)

- Selling price revision

(Aluminum nitride, High-purity chemicals for electronics manufacturing)

- Increased sales volume due to semiconductor and LCD market recovery

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

(Year-on-year change)

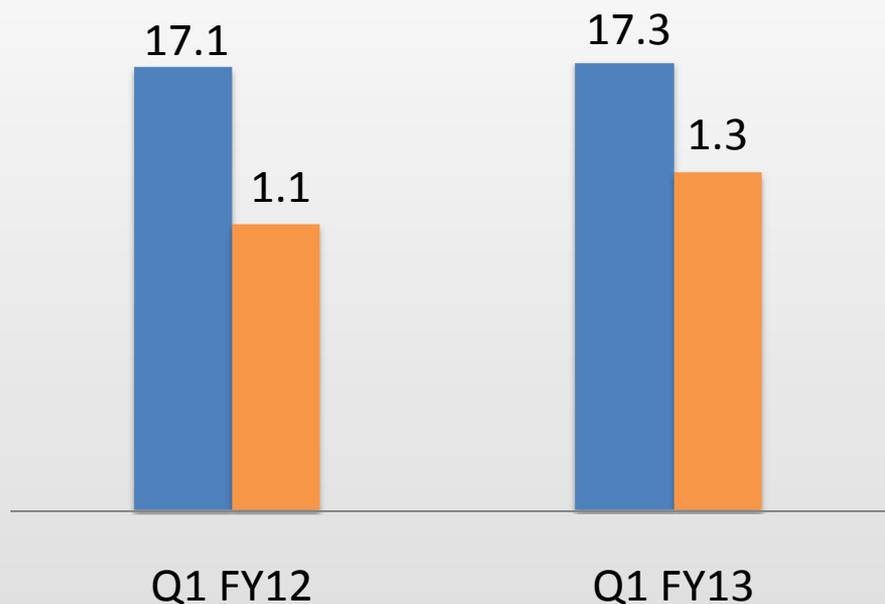
Cement

*Higher earnings on higher sales*

(Billions of yen)

Qualitative information

■ Net Sales    ■ Operating Income



(Cement)

- Steady sales due to the recovery in demand in Japan

(Recycling and environment-related business)

- The Company accepted steady volume of waste

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

(Year-on-year change)

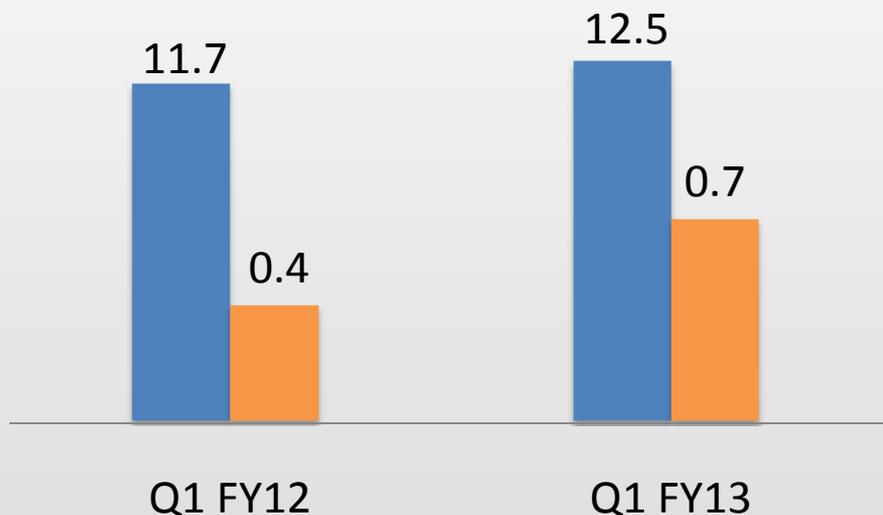
### Life & Amenity

*Higher earnings on higher sales*

(Billions of yen)

Qualitative information

■ Net Sales    ■ Operating Income



(Plastic lens-related materials)

- Increased sales volume due to the recovery from damage to supply chains caused by the flooding in Thailand that occurred in 2011

(Polyolefin film)

- Selling price revision

(Dental materials/equipment)

- Sales volume expansion of mainly new products

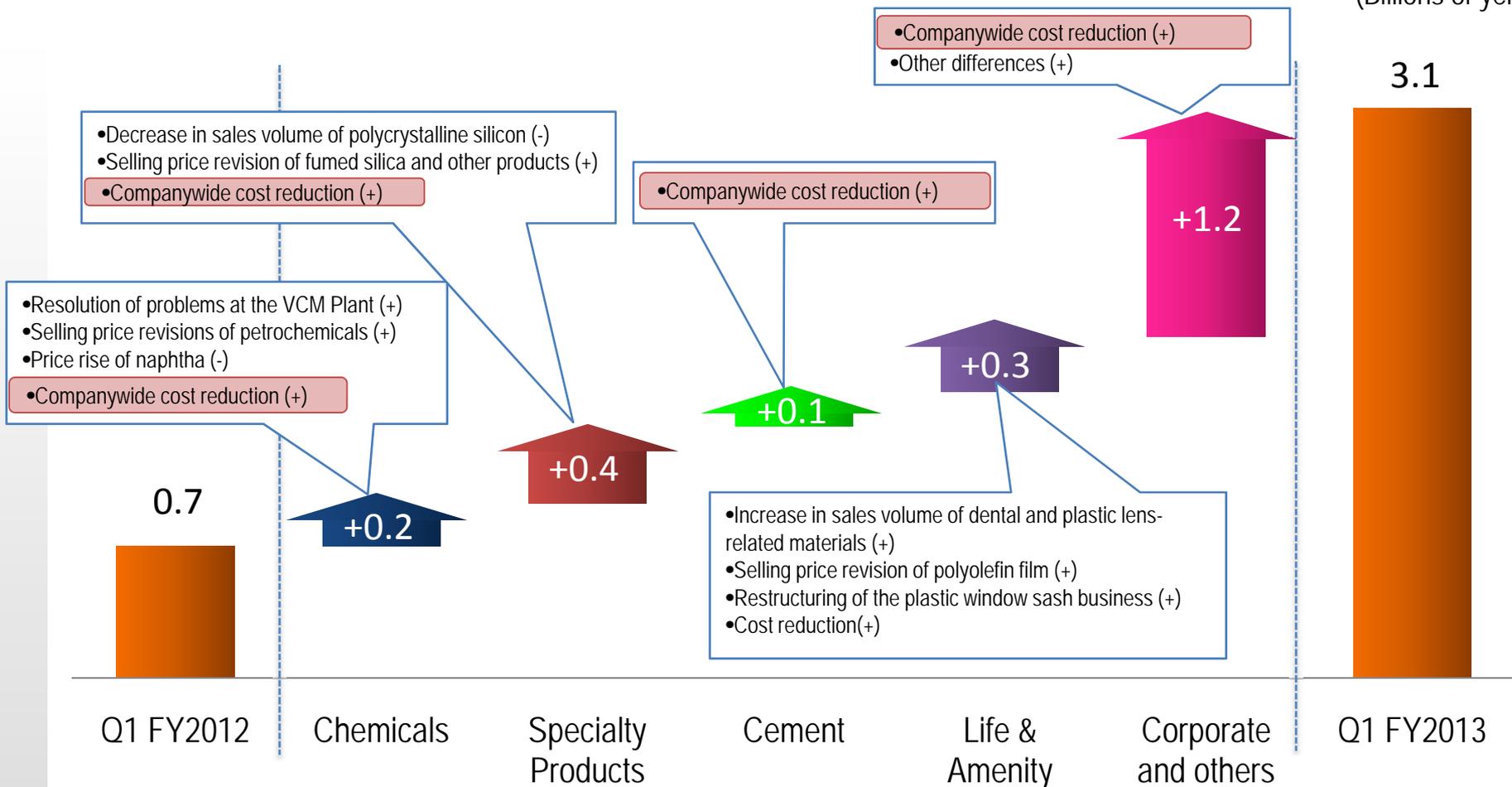
(Plastic window sashes)

- Improved profitability owing to business reconstruction

# 3. Changes in Operating Income

(Year-on-year change)

(Billions of yen)



(Note) All numbers are discarded after the first decimal place.



## **2** Performance Forecasts for FY2013

1. Performance Forecasts
2. Performance Forecasts by Business Segment
3. Progress in Companywide Profitability Improvement

2 Performance Forecasts for FY2013

# 1. Performance Forecasts

Consolidated  
(Year-on-year change based on FY2013 forecasts)

(Billions of yen)

The forecast, announced on April 30, 2013, has not been revised

	FY2012 Results	Q1 FY2013 Results	FY2013 Forecast (Apr 30, 2013)	Difference	
				Amount	%
Net sales	258.6	64.3	275.5	+16.8	+7
Operating income	6.7	3.1	14.0	+7.2	+107
Ordinary income	3.2	2.5	10.0	+6.7	+209
Net income (loss)	(37.9)	2.0	7.5	+45.4	-
Exchange rate (¥/\$)	83	99	95		
Domestic naphtha price (¥/kl)	57,500	65,500	60,500		

2 Performance Forecasts for FY2013

# 1. Performance Forecasts

Consolidated  
(Year-on-year change based on Q2 FY2013 YTD forecasts)

(Billions of yen)

The forecast, announced on April 30, 2013, has not been revised

	Q2 FY2012 YTD Results	Q1 FY2013 Results	Q2 FY2013 YTD Forecast (Apr 30,2013)
Net sales	125.9	64.3	132.0
Operating income	0.7	3.1	6.0
Ordinary income (loss)	(1.9)	2.5	4.0
Net income (loss)	(2.5)	2.0	2.5

Difference	
Amount	%
+6.0	+5
+5.2	+657
+5.9	-
+5.0	-

Exchange rate (¥/\$)	79	99	95
Domestic naphtha price (¥/kl)	55,200	65,500	60,500

2 Performance Forecasts for FY2013

## 2. Performance Forecasts by Business Segment

(Year-on-year change based on FY2013 forecasts)

(Billions of yen)

	FY2012 Results		FY2013				Difference	
			Q1 Results		Forecast (Apr 30, 2013)			
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	77.3	0.4	21.1	0.3	83.0	3.5	+5.6	+3.0
Specialty Products	52.8	0.3	10.2	0.5	49.5	2.5	(3.3)	+2.1
Cement	69.9	5.3	17.3	1.3	72.5	4.5	+2.5	(0.8)
Life & Amenity	51.0	2.9	12.5	0.7	58.5	4.5	+7.4	+1.5
Others	40.1	2.6	11.1	0.8	47.5	3.5	+7.3	+0.8
<b>Total</b>	<b>291.3</b>	<b>11.6</b>	<b>72.4</b>	<b>3.8</b>	<b>311.0</b>	<b>18.5</b>	<b>+19.6</b>	<b>+6.8</b>
Inter-segment eliminations and corporate-wide expenses	(32.6)	(4.9)	(8.1)	(0.7)	(35.5)	(4.5)	(2.8)	+0.4
<b>Consolidated Results</b>	<b>258.6</b>	<b>6.7</b>	<b>64.3</b>	<b>3.1</b>	<b>275.5</b>	<b>14.0</b>	<b>+16.8</b>	<b>+7.2</b>

(Note 1) Net sales in each business segment include inter-segment sales.

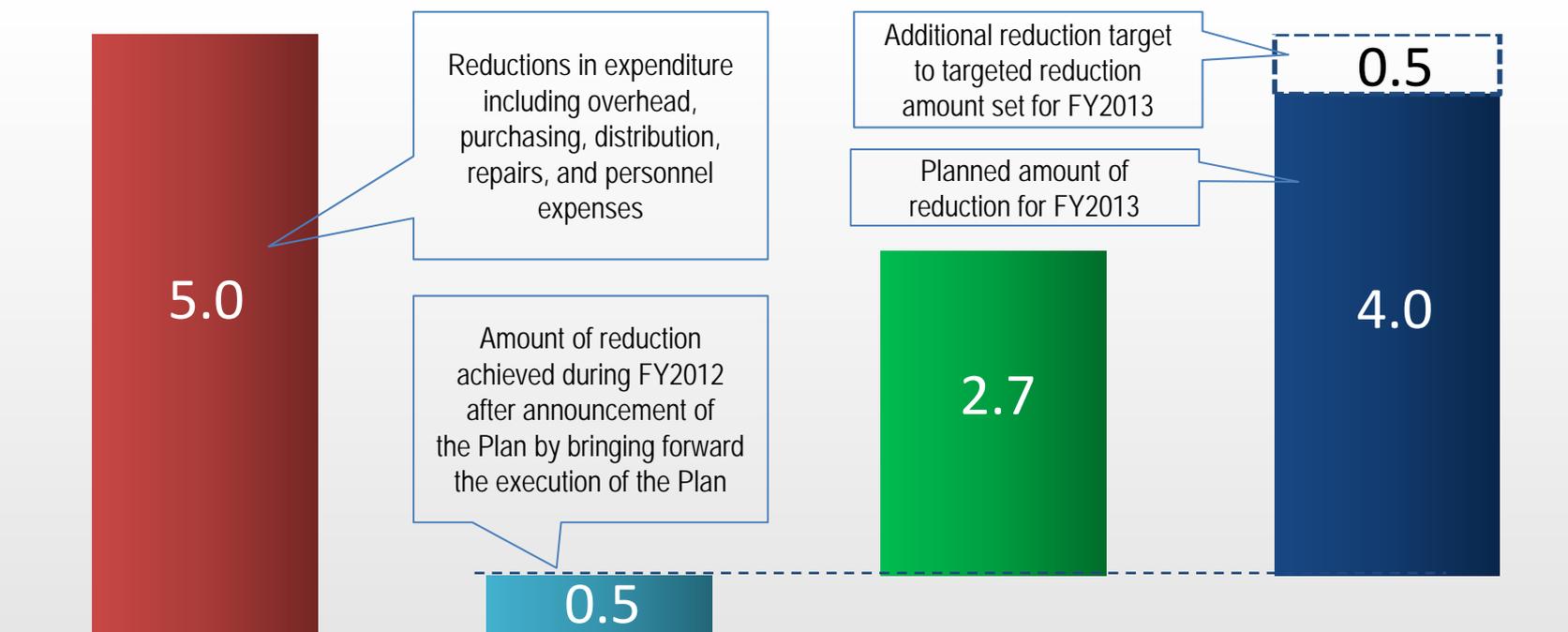
(Note 2) From fiscal 2013, the Advanced Components segment has been renamed the Life & Amenity segment.

(Note 3) From fiscal 2013, the Company has changed its accounting method of allocating costs to each segment. Net sales and operating income for fiscal 2012 have been recalculated reflecting this change.

2 Performance Forecasts for FY2013

# 3. Progress in Companywide Profitability Improvement

## Expenditure reduction for FY2013 (Billions of yen)



Targeted amount of expenditure reduction for FY2013 (compared with FY2012 forecasts, as of Feb. 28, 2013 when we announced the Plan)

Amount of expenditure reduction in FY2012 by bringing forward the execution of the Plan

Amount of expenditure reduction achieved in Q1 FY2013

Targeted amount of expenditure reduction for FY2013 (compared with FY2012 results, as of Apr. 30, 2013)

Note 1: As for purchasing and distribution expenses, increase or decrease arising from quantity or currency exchange rates are excluded.

Note 2: The amount of expenditure reduction achieved in Q1 FY2013 means a year-on-year decrease in expenses that are subject to our reduction policy.

### **3** Topics

1. Completion of Liquid Hydrogen Plant
2. Opening Ceremony for Tianjin Tokuyama Plastics
3. Overseas Development of Cement Operations



### 3 Topics

## 1. Completion of Liquid Hydrogen Plant

- On June 11, 2013, a ceremony for the completion of our liquid hydrogen plant was held at Tokuyama Factory
- In addition to its application as a fuel for rocket engines, liquid hydrogen is used in the solar cell and LED manufacturing processes. In the future, it is also anticipated to be used for fuel-cell vehicles. Looking ahead, this material is expected to enjoy a sharp increase in demand.
- Yamaguchi Liquid Hydrogen Corporation produces high-purity liquid hydrogen by using hydrogen gas supplied from Tokuyama.

Company name:  
Yamaguchi Liquid Hydrogen Corporation

Capital: 10 million yen  
(Iwatani: 65%, Tokuyama: 35%)

[Facilities]

Hydrogen Liquefier: 3,000L/h × 1

Liquid Hydrogen Storage Capacity: 270KL × 2



### 3 Topics

## 2. Opening Ceremony for Tianjin Tokuyama Plastics

- Tianjin Tokuyama Plastics, a second production base for microporous film in China, held its opening ceremony on June 17, 2013.
- The first production line, which produces 120 million m<sup>2</sup>/Y, started operations at the end of 2012.
- The second production line (120 million m<sup>2</sup>/Y) is in course of construction to commence operations this autumn.
- We have established a dual-based production system comprising Shanghai Tokuyama Plastics (240 million m<sup>2</sup>/Y) and Tianjin Tokuyama Plastics to meet growing demand for back sheets used for disposable diapers in China.

Company name: Tianjin Tokuyama Plastics Co., Ltd.

Capital: RMB 70 million (Approx. 0.88 billion yen)

Business: Production and sale of microporous film



### 3 Topics

## 3. Overseas Development of Cement Operations

### Acquisition of shares of Holcim (Nouvelle Calédonie) S.A.

- Tokuyama acquired 74.1% of issued ordinary shares of Holcim (Nouvelle Calédonie) S.A. on June 27, 2013
- We will maintain and strengthen the competitiveness of our cement business and build a new profit structure by securing a steady importer of our cement products.

Company name:

Tokuyama Nouvelle Calédonie S.A.

(The company name was changed after acquisition.)

Capital: 210 million Pacific Francs

(Approx. 210 million yen)

Business: Production and sale of cement





## 4 Supplementary Data

1. Consolidated Financial Statements
2. Performance Trend

#### 4 Supplementary Data

# 1. Consolidated Financial Statements Income Statements

(Billions of yen)

	Q1 FY2012	Q1 FY2013	Difference	
			Amount	%
Net sales	63.8	64.3	+0.4	+1
Cost of sales	47.7	46.7	(1.0)	(2)
Selling, general and administrative expenses	15.3	14.5	(0.8)	(6)
Operating income	0.7	3.1	+2.3	+330
Non-operating income/expenses	(1.8)	(0.6)	+1.2	-
Ordinary income (loss)	(1.1)	2.5	+3.6	-
Extraordinary income/expenses	(0.8)	(0.0)	+0.8	-
Income (loss) before income taxes and minority interests	(1.9)	2.4	+4.4	-
Income taxes and minority interests	(0.1)	0.4	+0.6	-
Net income (loss)	(1.7)	2.0	+3.8	-

#### 4 Supplementary Data

# 1. Consolidated Financial Statements Balance Sheets

(Billions of yen)

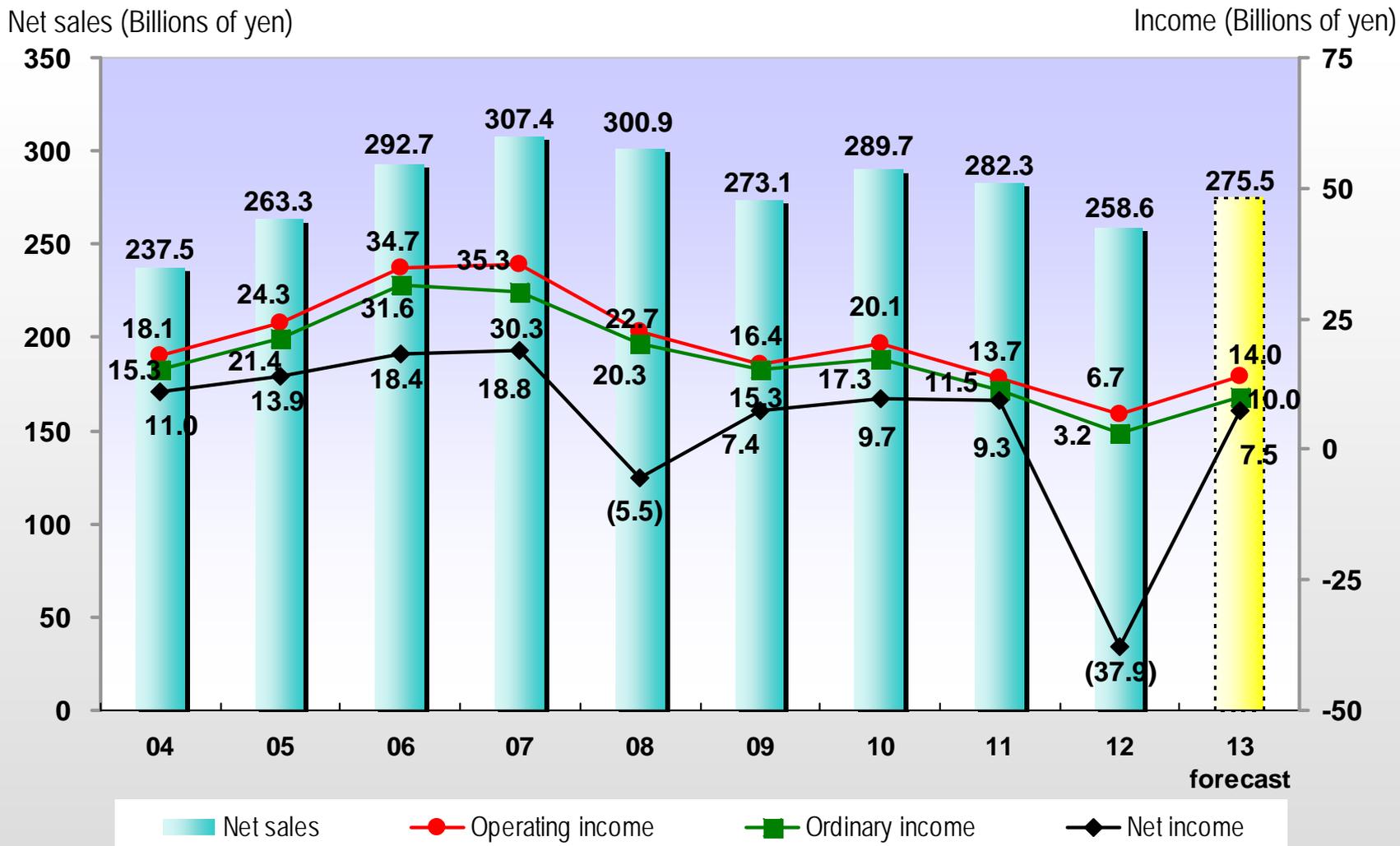
	3/31/2013	6/30/2013	Changes	
			Amount	%
Total assets	518.2	521.9	+3.7	+1
Current assets	186.1	160.4	(25.6)	(14)
Tangible fixed assets	274.3	299.7	+25.3	+9
Intangible fixed assets	7.9	11.1	+3.2	+40
Investments and other assets	49.8	50.6	+0.8	+2

	3/31/2013	6/30/2013	Changes	
			Amount	%
Total liabilities	294.3	295.9	+1.5	+1
Current liabilities	115.6	114.0	(1.5)	(1)
Long-term liabilities	178.7	181.8	+3.1	+2
Total net assets	223.8	226.0	+2.1	+1

4 Supplementary Data

# 2. Performance Trend

Consolidated (Fiscal Year)



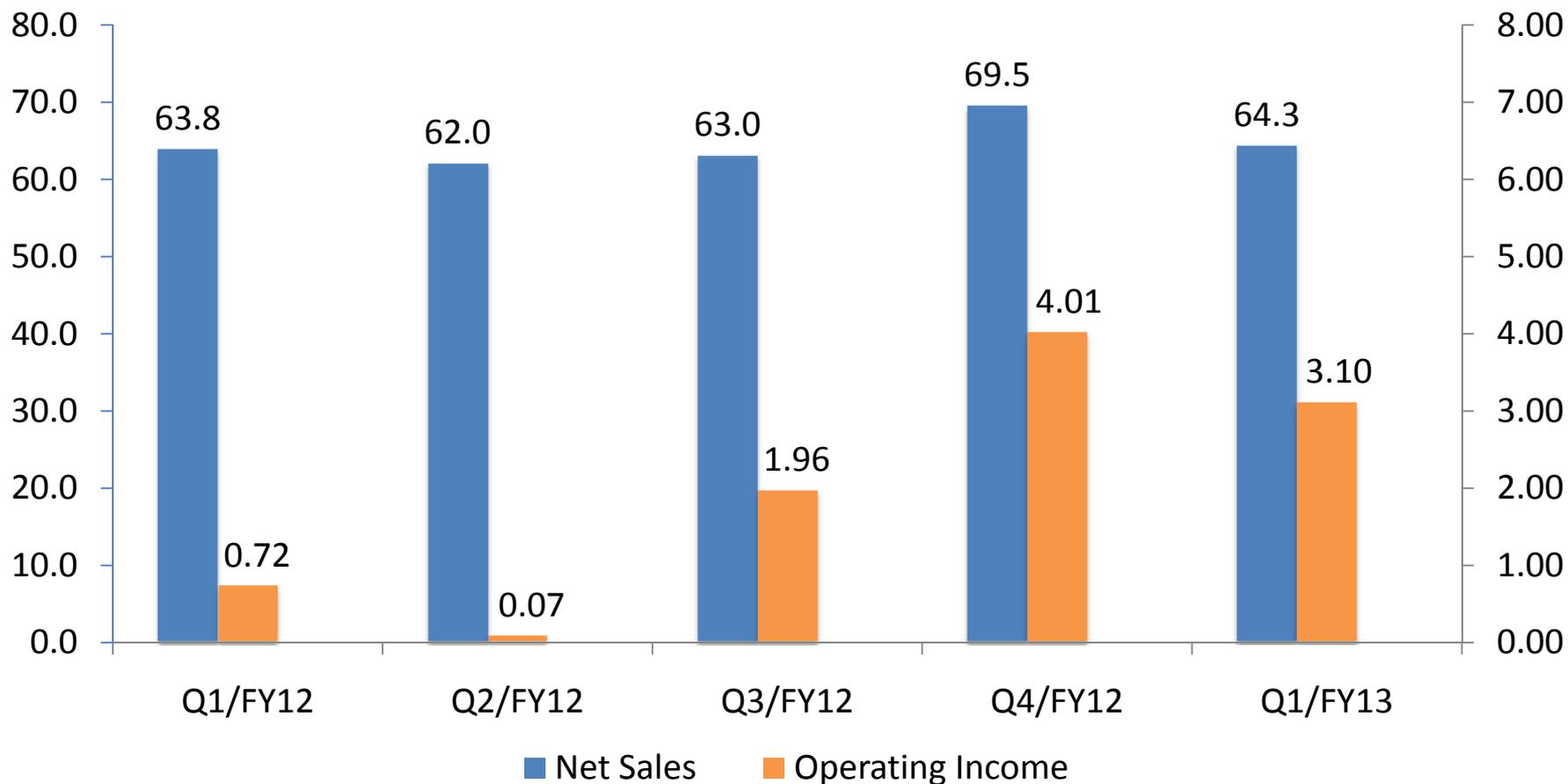
#### 4 Supplementary Data

## 2. Performance Trend

(Quarter)

Consolidated

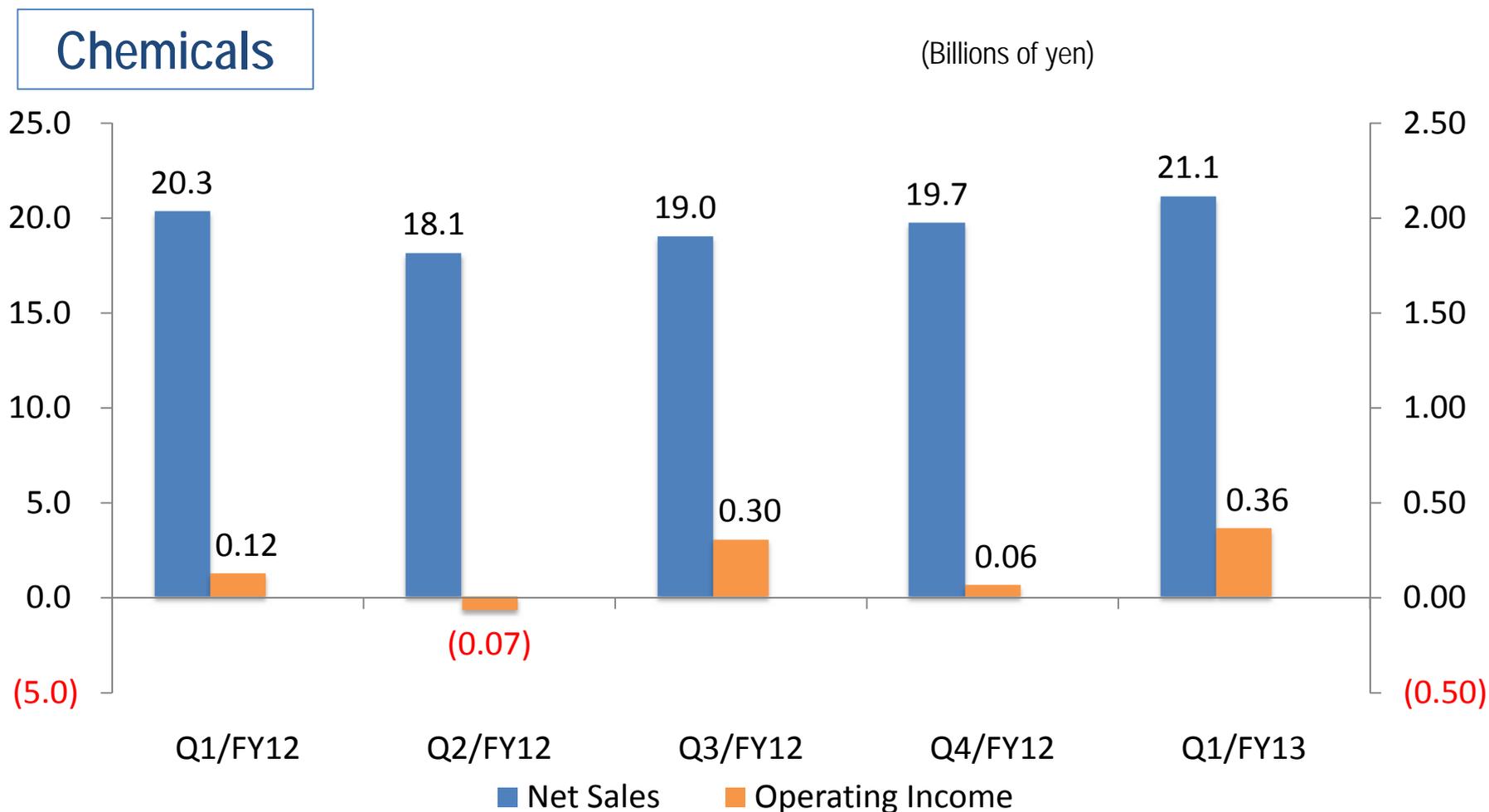
(Billions of yen)



#### 4 Supplementary Data

## 2. Performance Trend

(Quarter)



(Note ) Net sales by business segment include inter-segment sales.

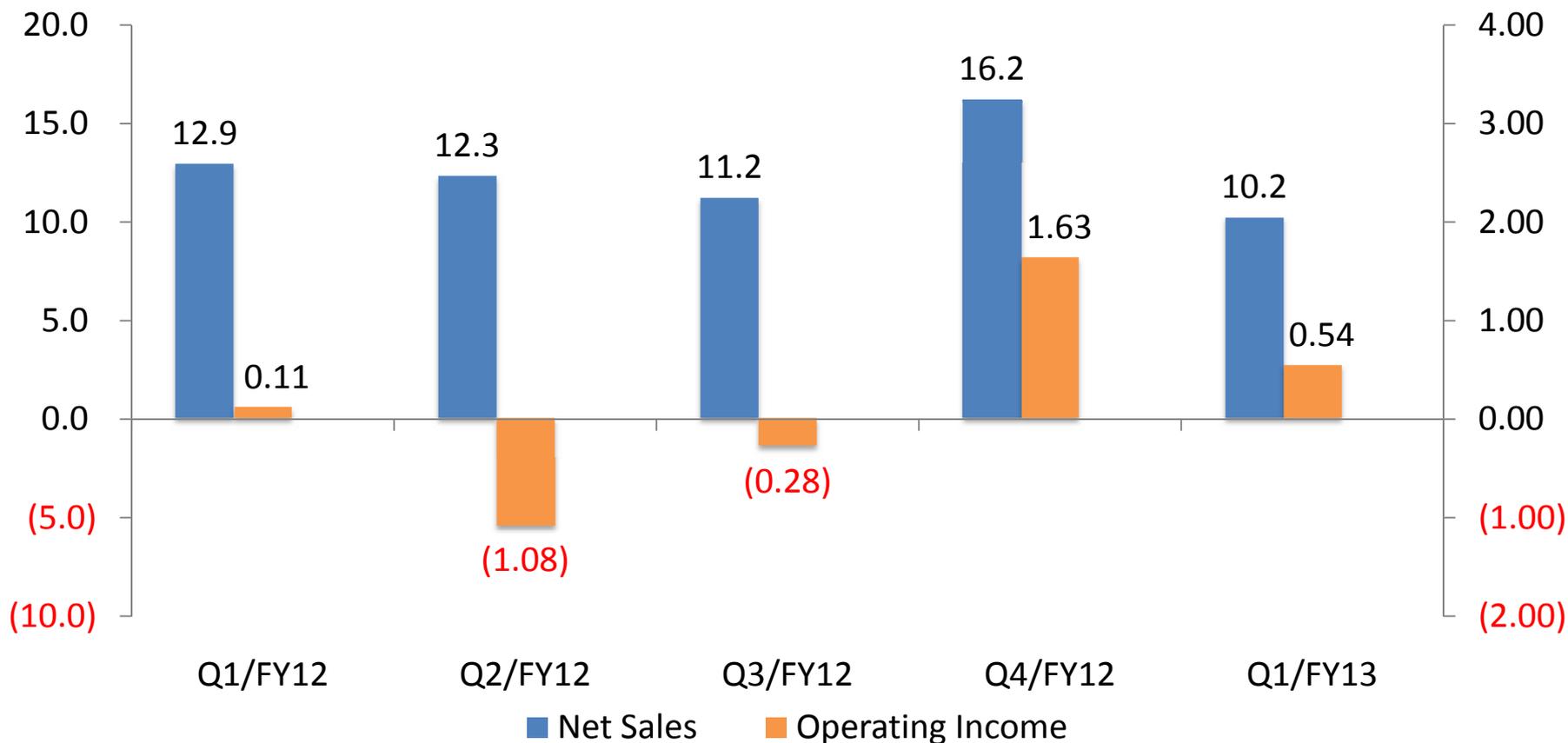
#### 4 Supplementary Data

## 2. Performance Trend

(Quarter)

### Specialty Products

(Billions of yen)

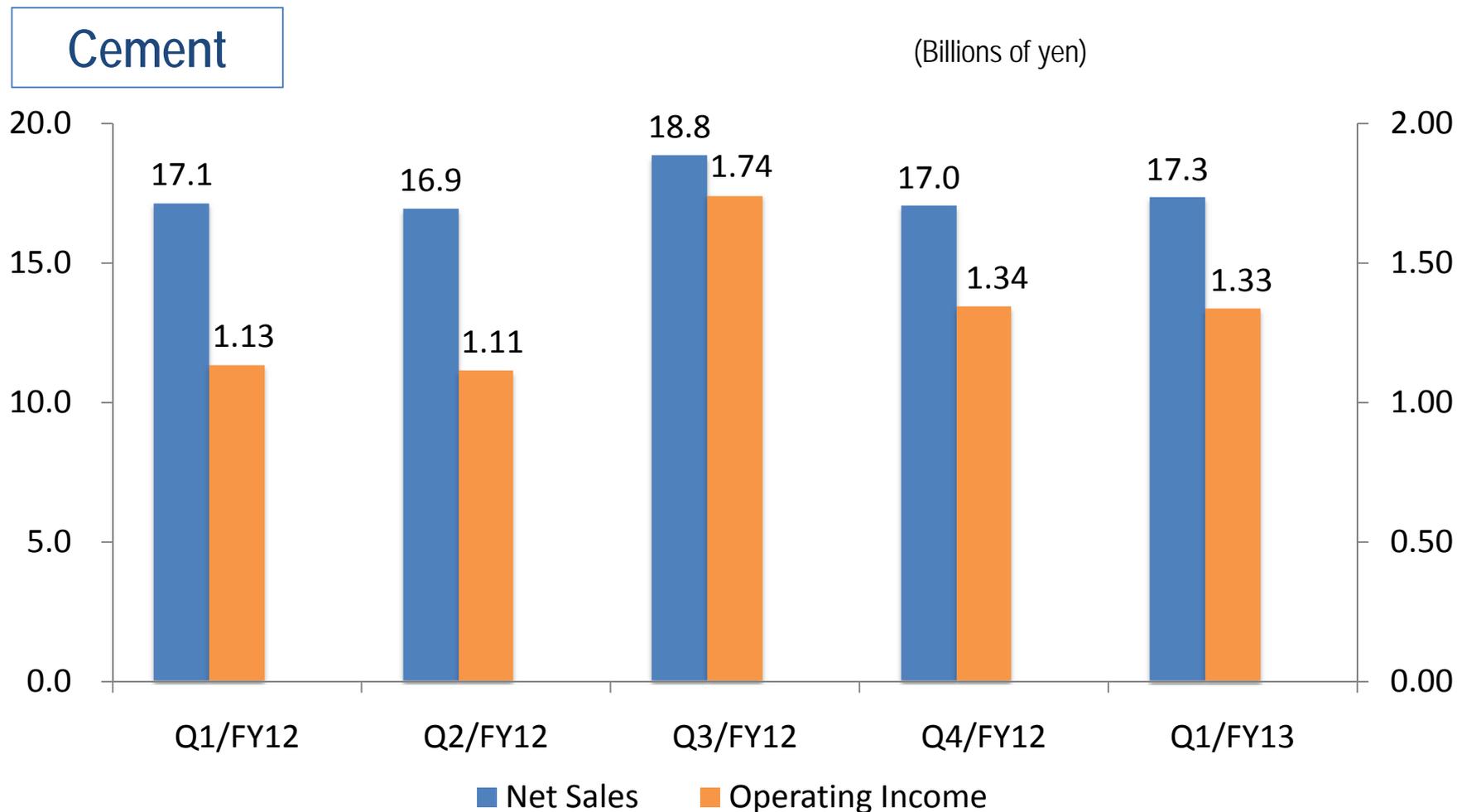


(Note) Net sales by business segment include inter-segment sales.

#### 4 Supplementary Data

## 2. Performance Trend

(Quarter)



(Note) Net sales by business segment include inter-segment sales.

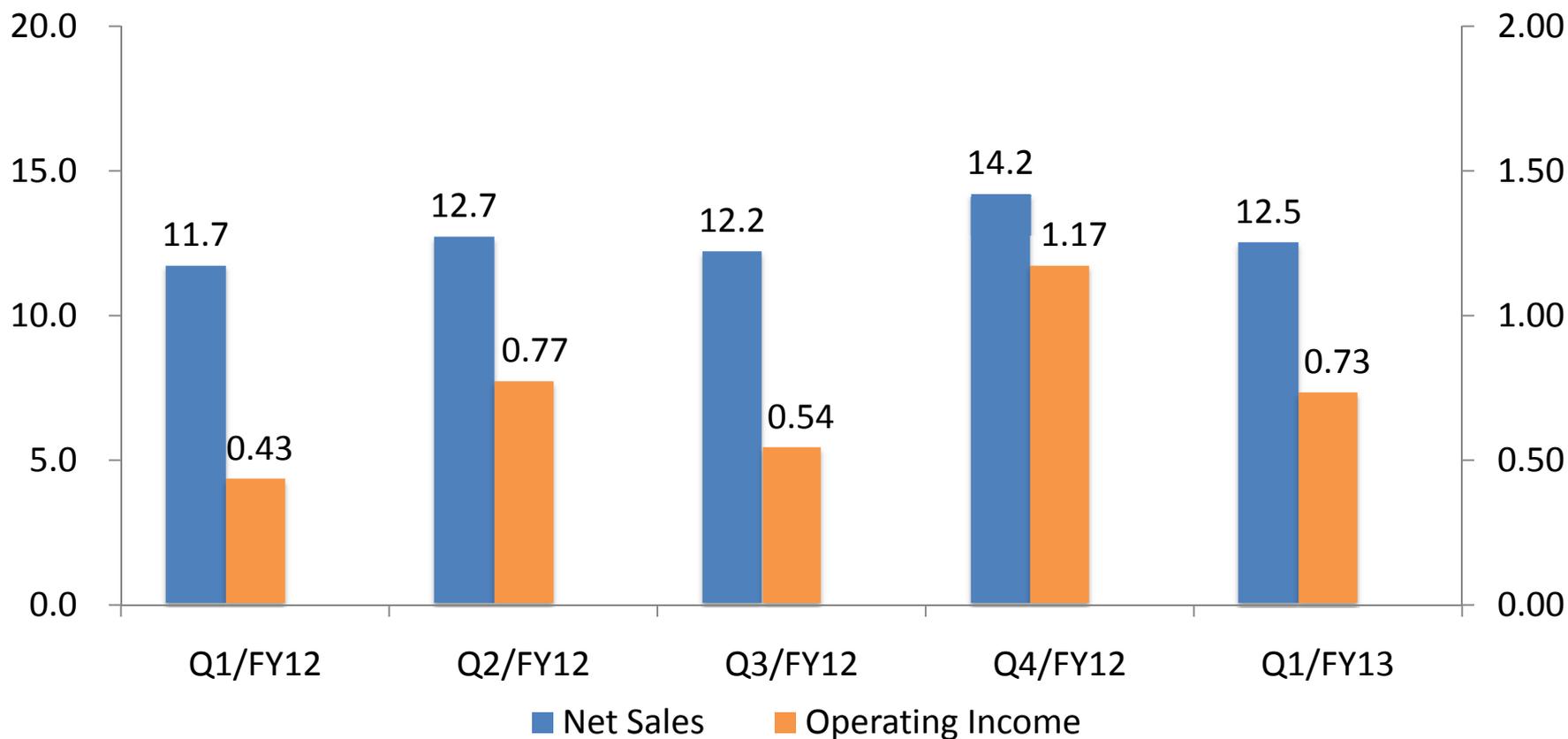
#### 4 Supplementary Data

## 2. Performance Trend

(Quarter)

### Life & Amenity

(Billions of yen)



(Note) Net sales by business segment include inter-segment sales.

Chemistry with a heart

**TOKUYAMA**

