

Fiscal 2014 - Apr 1, 2014 to Jun 30, 2014 -

# Financial Results

**Tokuyama Corporation**

Jul 31, 2014



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- 1 Financial Results for Q1 FY2014
- 2 Revised Performance Forecasts for FY2014
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# **1** Financial Results for Q1 FY2014

1. Financial Highlights
2. Changes in Operating Income
3. Net Sales/Operating Income by Business Segment



# 1. Financial Highlights

Consolidated (year-on-year change)

(Billions of yen)

	Q1 FY2013	Q1 FY2014	Difference	
			Amount	%
Net sales	64.3	71.2	+6.8	+11
Operating income	3.1	5.5	+2.4	+80
Ordinary income	2.5	4.5	+2.0	+82
Net income	2.0	3.5	+1.5	+76
Net income per share (yen)	5.82	10.28		
Exchange rate (¥/\$)	99	102		
Domestic naphtha price (¥/kl)	65,500	69,900		

## Qualitative information

(Net sales) ¥71.2 billion, up 11%

Pluses: increased sales volume of cement, caustic soda, active pharmaceutical ingredients and other products, selling price revisions of petrochemicals, caustic soda and other products

(Operating income) ¥5.5 billion, up 80%

Pluses: increased sales volume, profitability improvement of petrochemicals

# 1. Financial Highlights

Consolidated (year-on-year change)

(Billions of yen)

	Q1 FY2013	Q1 FY2014	Difference	
			Amount	%
Net sales	64.3	71.2	+6.8	+11
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Net income per share (yen)	5.82	10.28		
Exchange rate (¥/\$)	99	102		
Domestic naphtha price (¥/kl)	65,500	69,900		

## Qualitative information

(Ordinary income) ¥4.5 billion, up 82%

Pluses: increased operating income, decrease in costs of idle operations

Minuses: increase in interest expenses, change from foreign exchange gains recorded in the corresponding period of the previous year to foreign exchange losses

(Net income) ¥3.5 billion, up 76%

Plus: increased ordinary income

Minus: increased income tax expenses

# 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, 2014	As of Jun 30, 2014	Changes
Total assets	576.3	580.4	+4.1
Shareholders' equity	229.6	231.4	+1.7
Shareholders' equity ratio	39.9%	39.9%	+0.0pts
Interest-bearing debt	240.7	243.4	+2.6
D/E ratio	1.05	1.05	+0.00
Net D/E ratio*	0.74	0.72	(0.02)
Net assets per share (yen)	660.18	665.33	

## Qualitative information

(Total assets)

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

(Shareholders' equity)

Increase factor: increase in retained earnings resulting from the recording of net income

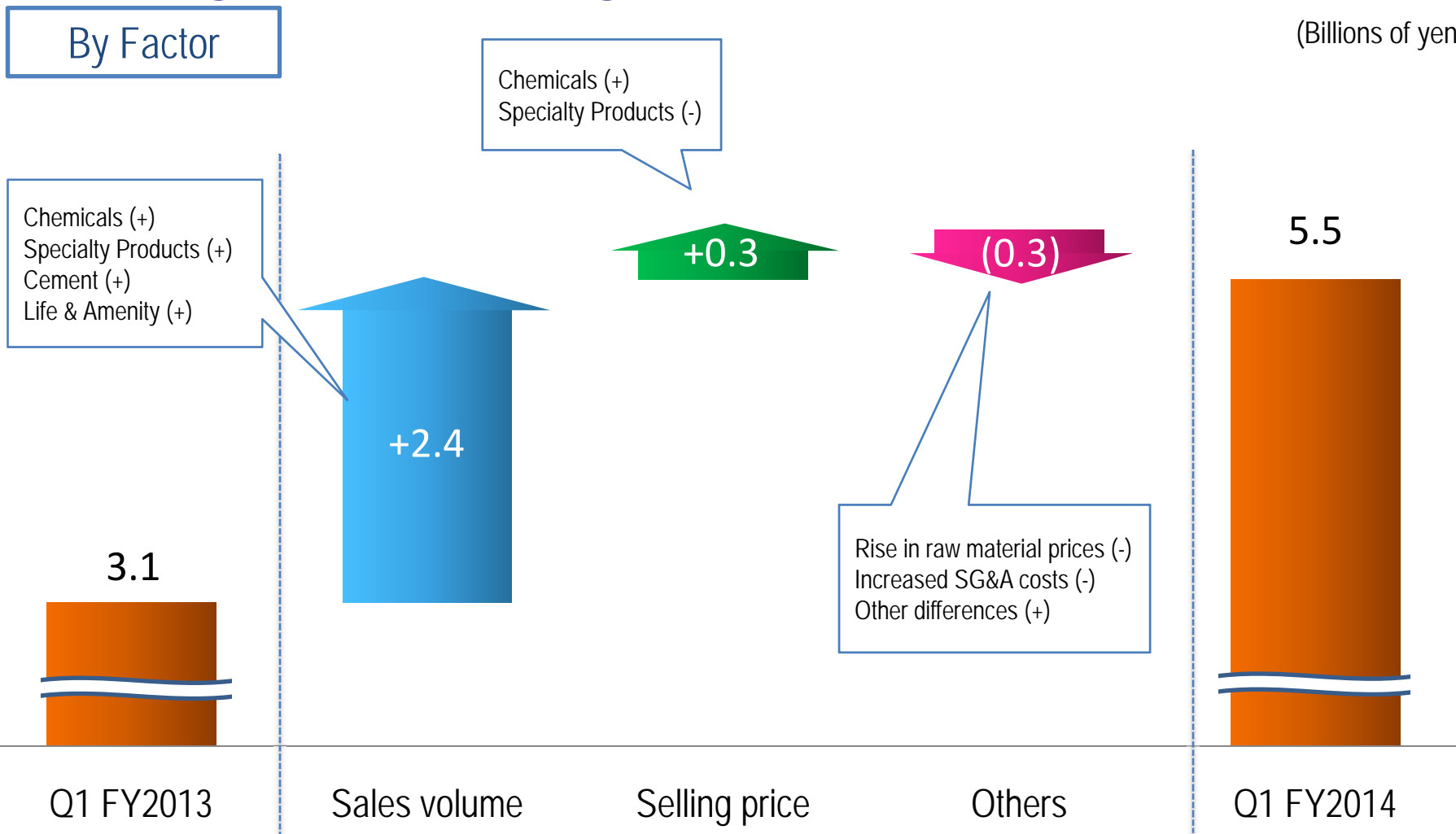
Decrease factor: decrease in retained earnings arising from a change in calculation method of retirement benefit obligations

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

## 2. Changes in Operating Income

(Year-on-year change)

(Billions of yen)



(Notes) Sales volume = (sales volume in Q1 FY2014 – sales volume in Q1 FY2013) x (unit selling price in Q1 FY2013 – unit variable cost in Q1 FY2013)

Selling price = (unit selling price in Q1 FY2014 – unit selling price in Q1 FY2013) x sales volume in Q1 FY2014

Others includes change in unit variable cost, fixed cost and others

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

(Year-on-year change)

(Billions of yen)

	Q1 FY2013		Q1 FY2014		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales	%	Operating income	%
Chemicals	21.1	0.3	22.6	1.2	+1.5	+7	+0.9	+253
Specialty Products	10.2	0.5	11.1	0.9	+0.8	+8	+0.4	+83
Cement	17.3	1.3	19.3	1.4	+2.0	+12	+0.1	+11
Life & Amenity	12.5	0.7	14.0	1.1	+1.4	+11	+0.4	+63
Others	11.1	0.8	12.8	1.5	+1.6	+15	+0.7	+83
<b>Total</b>	<b>72.4</b>	<b>3.8</b>	<b>80.1</b>	<b>6.5</b>	<b>+7.6</b>	<b>+11</b>	<b>+2.6</b>	<b>+70</b>
Inter-segment eliminations and corporate-wide expenses	(8.1)	(0.7)	(8.8)	(0.9)	(0.7)	-	(0.2)	-
<b>Consolidated results</b>	<b>64.3</b>	<b>3.1</b>	<b>71.2</b>	<b>5.5</b>	<b>+6.8</b>	<b>+11</b>	<b>+2.4</b>	<b>+80</b>

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

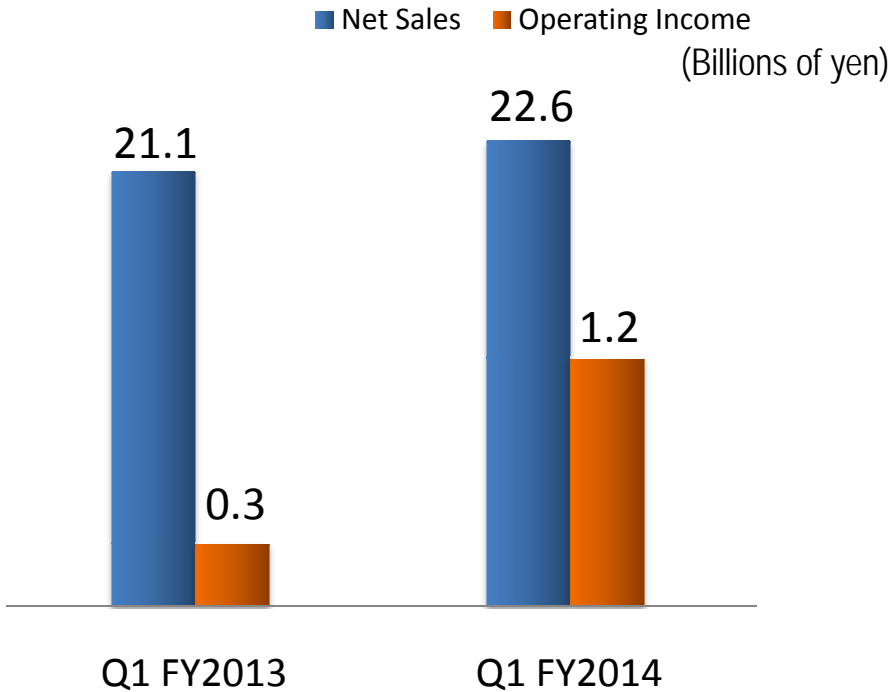


# 3. Net Sales/Operating Income by Business Segment

(Year-on-year change)

## Chemicals

*Higher earnings on higher sales*



### Qualitative information

(Caustic soda)

- Sales volume increase in domestic and overseas market
- Selling price revision in order to absorb a rise in raw material prices

(Vinyl chloride monomer (VCM))

- Increase in raw material costs arising from domestic naphtha price hikes
- Improved profitability owing to high export prices against the backdrop stronger Asian market conditions

(Vinyl chloride resin)

- Increase in raw material costs arising from domestic naphtha price hikes
- Selling price revision in order to absorb a rise in raw material prices

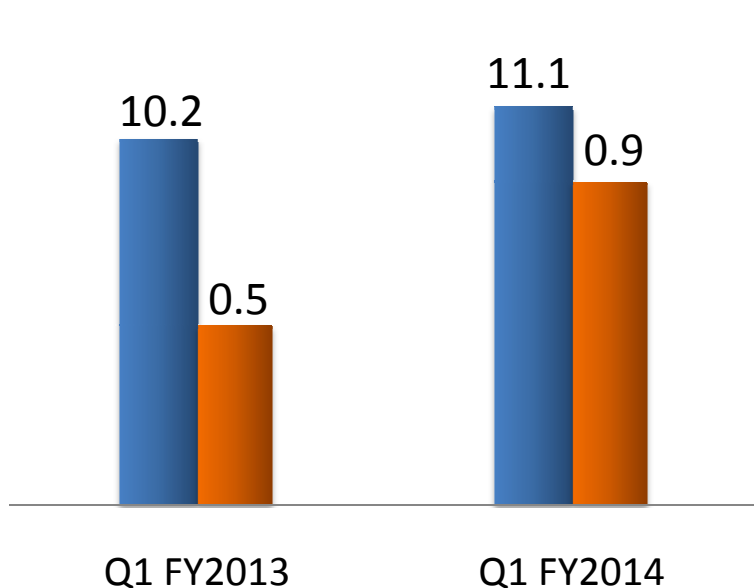
## 3. Net Sales/Operating Income by Business Segment

(Year-on-year change)

### Specialty Products

*Higher earnings on higher sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



#### Qualitative information

(Polycrystalline silicon)

- Increased sales volume of semiconductor-grade polycrystalline silicon owing mainly to strong demand for mobile terminals including smartphones
- Lower sales volume of solar-grade polycrystalline silicon resulting from the adoption of a sales strategy that focused on profits

(Fumed silica)

- Increased sales volume, mainly of its application as a polishing material for semiconductors

(Aluminum nitride)

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

(High-purity chemicals for electronics manufacturing)

- Higher sales volume of such applications as semiconductor and liquid crystal production

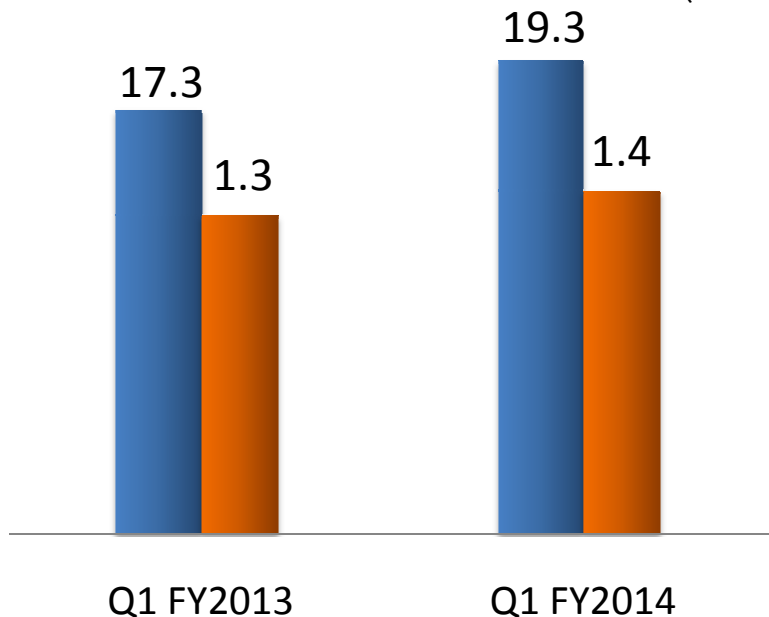
### 3. Net Sales/Operating Income by Business Segment

(Year-on-year change)

#### Cement

*Higher earnings on higher sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



#### Qualitative information

(Cement)

- Increased sales volume of cement and ready-mixed concrete against the backdrop of demand on a recovery path in Japan

(Recycling and environment-related business)

- The Company accepted a larger volume of waste as a result of its higher cement production

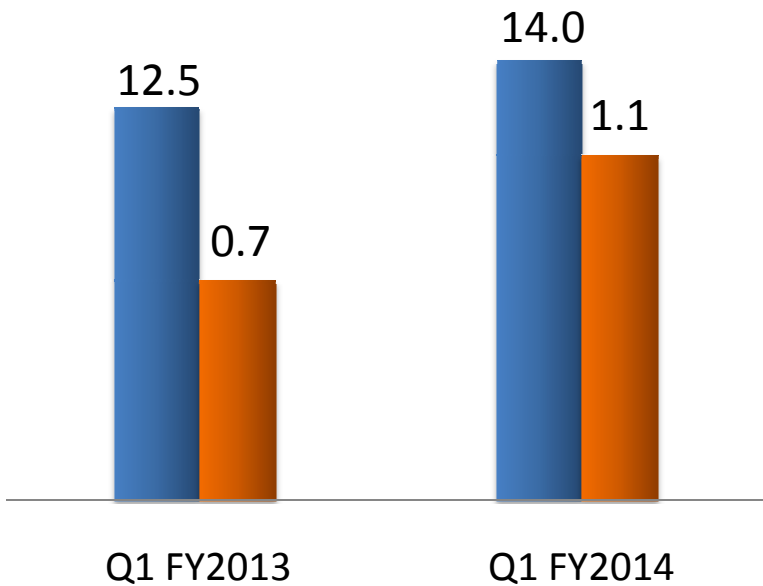
# 3. Net Sales/Operating Income by Business Segment

(Year-on-year change)

## Life & Amenity

*Higher earnings on higher sales*

■ Net Sales ■ Operating Income  
(Billions of yen)



### Qualitative information

(Active pharmaceutical ingredient)

- Increased sales volume, mainly of such applications as generic drugs

(Polyolefin film)

- Selling price revision in order to absorb a rise in raw material prices

(Gas sensor)

- Increase sales volume of such applications as gas alarm devices and air cleaners

(Medical diagnosis system)

- Increase sales volume of products for blood testing
- Improved profitability resulting from cost reduction efforts



## **2** Revised Performance Forecasts for FY2014

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

## 2 Revised Performance Forecasts for FY2014

# 1. Revised Performance Forecasts

Consolidated (compared with the previous forecast)

(Billions of yen)

	FY2014 Forecast (Apr 30, 2014)	FY2014 Revised Forecast (Jul 31, 2014)	Difference	FY2013 Results (reference)
Net sales	303.0	300.5	(2.5)	287.3
Operating income	16.5	18.5	+2.0	20.2
Ordinary income	10.0	13.5	+3.5	14.9
Net income	6.5	9.5	+3.0	10.2
Net income per share (yen)	18.68	27.31		29.37
Exchange rate (¥/\$)	100	101		100
Domestic naphtha price (¥/kl)	67,000	71,200		67,300

Reasons for the revision:

(Operating income)

Plus: cost reductions

(Ordinary income)

Plus: increased operating income

(Net income)

Plus: increased ordinary income

2 Revised Performance Forecasts for FY2014

# 1. Revised Performance Forecasts

Consolidated (Compared with the previous forecast for Q2 YTD)

(Billions of yen)

	Q2 FY2014 YTD Forecast (Apr 30, 2014)	Q2 FY2014 YTD Revised Forecast (Jul 31, 2014)	Difference	Q2 FY2013 YTD Results (reference)
Net sales	146.0	144.0	(2.0)	135.0
Operating income	7.5	10.0	+2.5	7.8
Ordinary income	4.5	7.5	+3.0	6.0
Net income	3.0	6.0	+3.0	4.5
Net income per share (yen)	8.62	17.25		12.99
Exchange rate (¥/\$)	100	101		99
Domestic naphtha price (¥/kl)	67,000	71,100		64,700

## 2. Revised Performance Forecasts by Business Segment

(Compared with the previous forecast)

(Billions of yen)

	FY2014 Forecast (Apr 30, 2014)		FY2014 Revised Forecast (Jul 31, 2014)		Deference		FY2013 Results (Reference)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	91.5	4.0	96.5	3.5	+5.0	(0.5)	86.4	2.2
Specialty Products	60.5	3.0	57.5	4.0	(3.0)	+1.0	52.4	6.0
Cement	81.0	5.5	80.5	6.0	(0.5)	+0.5	78.9	6.6
Life & Amenity	58.0	4.0	57.0	4.5	(1.0)	+0.5	57.0	4.8
Others	49.5	5.0	50.0	5.5	+0.5	+0.5	47.2	4.1
<b>Total</b>	<b>340.5</b>	<b>21.5</b>	<b>341.5</b>	<b>23.5</b>	<b>+1.0</b>	<b>+2.0</b>	<b>322.2</b>	<b>24.0</b>
Inter-segment eliminations and corporate-wide expenses	(37.5)	(5.0)	(41.0)	(5.0)	(3.5)	0.0	(34.9)	(3.7)
<b>Consolidated Results</b>	<b>303.0</b>	<b>16.5</b>	<b>300.5</b>	<b>18.5</b>	<b>(2.5)</b>	<b>+2.0</b>	<b>287.3</b>	<b>20.2</b>

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



2 Revised Performance Forecasts for FY2014

## 2. Revised Performance Forecasts by Business Segment

(Compared with the previous forecast for Q2 YTD)

(Billions of yen)

	Q2 FY2014 YTD Forecast (Apr 30, 2014)		Q2 FY2014 YTD Revised Forecast (Jul 31, 2014)		Deference		Q2 FY2013 YTD Results (Reference)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Chemicals	44.0	2.0	44.0	2.0	0.0	0.0	41.5	0.7
Specialty Products	26.0	1.0	25.0	2.0	(1.0)	+1.0	23.4	1.5
Cement	40.0	2.5	39.5	3.0	(0.5)	+0.5	36.4	2.7
Life & Amenity	29.5	2.0	29.0	2.5	(0.5)	+0.5	27.1	2.0
Others	24.5	2.5	25.0	2.5	+0.5	0.0	23.2	2.1
<b>Total</b>	<b>164.0</b>	<b>10.0</b>	<b>162.5</b>	<b>12.0</b>	<b>(1.5)</b>	<b>+2.0</b>	<b>151.8</b>	<b>9.3</b>
Inter-segment eliminations and corporate-wide expenses	(18.0)	(2.5)	(18.5)	(2.0)	(0.5)	+0.5	(16.8)	(1.5)
<b>Consolidated Results</b>	<b>146.0</b>	<b>7.5</b>	<b>144.0</b>	<b>10.0</b>	<b>(2.0)</b>	<b>+2.5</b>	<b>135.0</b>	<b>7.8</b>

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

## **3** Malaysia Project

1. Progress and Schedule Going Forward
2. Polysilicon Market Conditions



# 1. Progress and Schedule Going Forward

## 【Tokuyama Malaysia】

### <Semiconductor-Grade>

- In the process of confirming optimal production conditions from both the facility and quality perspectives in the lead-up to certification
- Shipments of samples for customer certification scheduled to commence from FY2015

### <Solar cell-Grade>

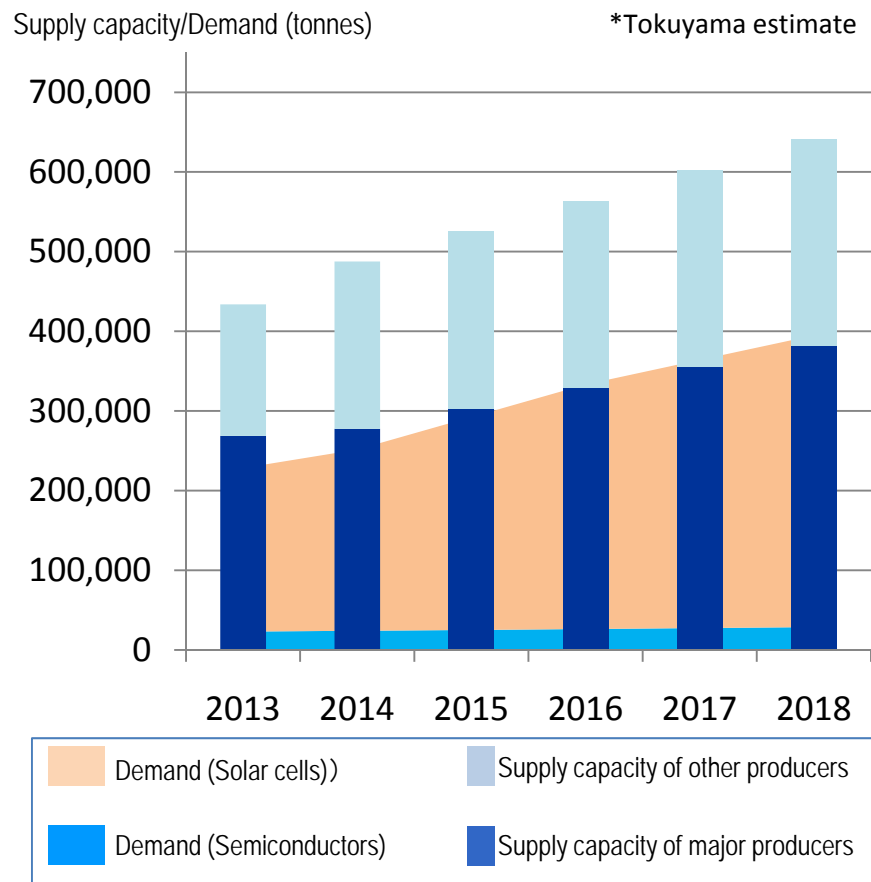
- Shipments of sample for customers' quality evaluation have commenced from July
- Contracts concluded with certain customers; other contract negotiations underway
- Sales scheduled to commence during the 2Q



Tokuyama Malaysia

## 2. Polysilicon Market Conditions

### Supply-demand forecast of polysilicon



(Note 1) Major producers mean Tier1 manufactures in the classification by Solarbuzz.

(Note 2) Demand is estimated by Tokuyama based on iSuppli and Solarbuzz.

### Forecasts

<Semiconductor-grade polysilicon demand>

- Projected annual increase of 5% on the back of an upswing in demand for use in tablet terminals and smartphones
- Continued inventory adjustments across the entire supply chain

<Solar cell-grade polysilicon demand>

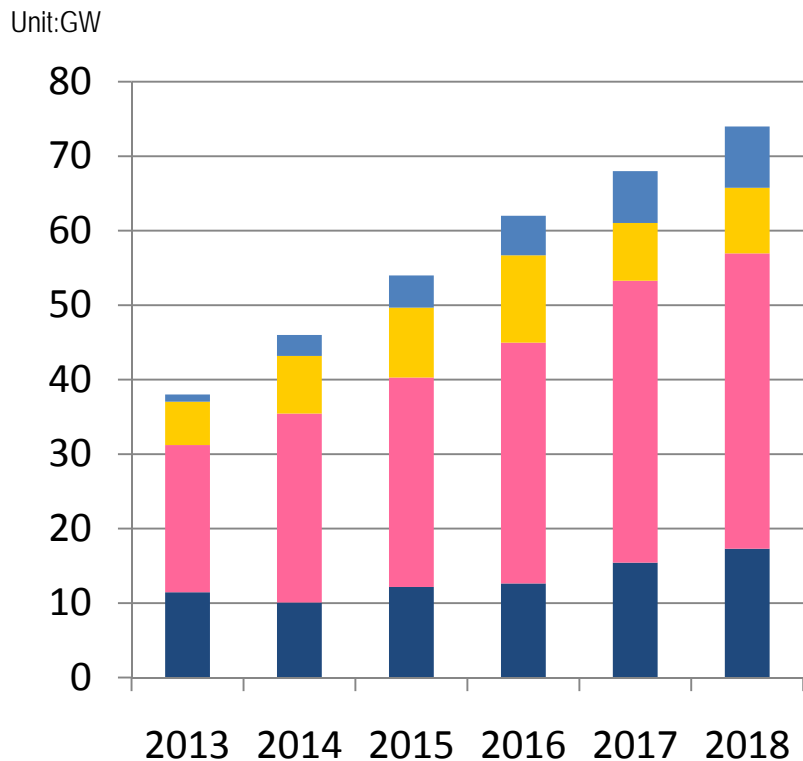
- Despite a substantial decline in installed PV capacity owing mainly to cutbacks in subsidies in Europe, projected annual increase in demand exceeding 15% largely reflecting forecast growth due attributable to aggressive installation initiatives in such countries as Japan, China, and the U.S.

<Supply side>

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

## 2. Polysilicon Market Conditions

Forecasts of installed PV capacity by region



Europe (Big 9)
  Asia
  N. America
  ROW

(Note) Tokuyama estimate based on IHS iSuppli Market Tracker (PV Integrated) Q2 2014

### Conditions by Country

<China>

- ◆ Announcement of policy measures aimed at ensuring sound growth in the photovoltaics industry

- ◆ Set a cumulative installation target of 70GW by 2017

<Japan>

- ◆ Growing trend toward the use of renewable energy as a result of the Fukushima nuclear power station disaster in the immediate wake of the Great East Japan Earthquake and other factors

- ◆ Sudden surge in volumes following the introduction of the current feed-in tariff system in July 2012, installation results exceeded 6GW in 2013

<The U.S.>

- ◆ The existence of wide-ranging photovoltaic power generation proliferation policy measures providing the underlying strength for market growth: policy measures at the state level in particular serving as a driving force for further expansion in the large-scale photovoltaics market

<Germany>

- ◆ Signs of more affordably priced sources of electric power through the use of grid-connected power as a result of the trend toward lower prices photovoltaic power generation systems; expectations of the shift to self-supporting growth and renewed increase in demand going forward



## **4** Supplementary Data

1. Consolidated Financial Statements
2. Performance Trend
3. Revised Performance Forecasts (1H/2H)
4. Revised Performance Forecasts by Business Segment (1H/2H)

# 1. Consolidated Financial Statements

## Income Statements

(Billions of yen)

	Q1 FY2013	Q1 FY2014	Difference	
			Amount	%
Net sales	64.3	71.2	+6.8	+11
Cost of sales	46.7	50.1	+3.4	+7
Selling, general and administrative expenses	14.5	15.4	+0.9	+6
Operating income	3.1	5.5	+2.4	+80
Non-operating income/expenses	(0.6)	(1.0)	(0.4)	-
Ordinary income	2.5	4.5	+2.0	+82
Extraordinary income/expenses	(0.0)	(0.0)	+0.0	-
Income before income taxes and minority interests	2.4	4.5	+2.0	+83
Income taxes and minority interests	0.4	0.9	+0.5	+115
Net income	2.0	3.5	+1.5	+76

# 1. Consolidated Financial Statements

## Balance Sheets

(Billions of yen)

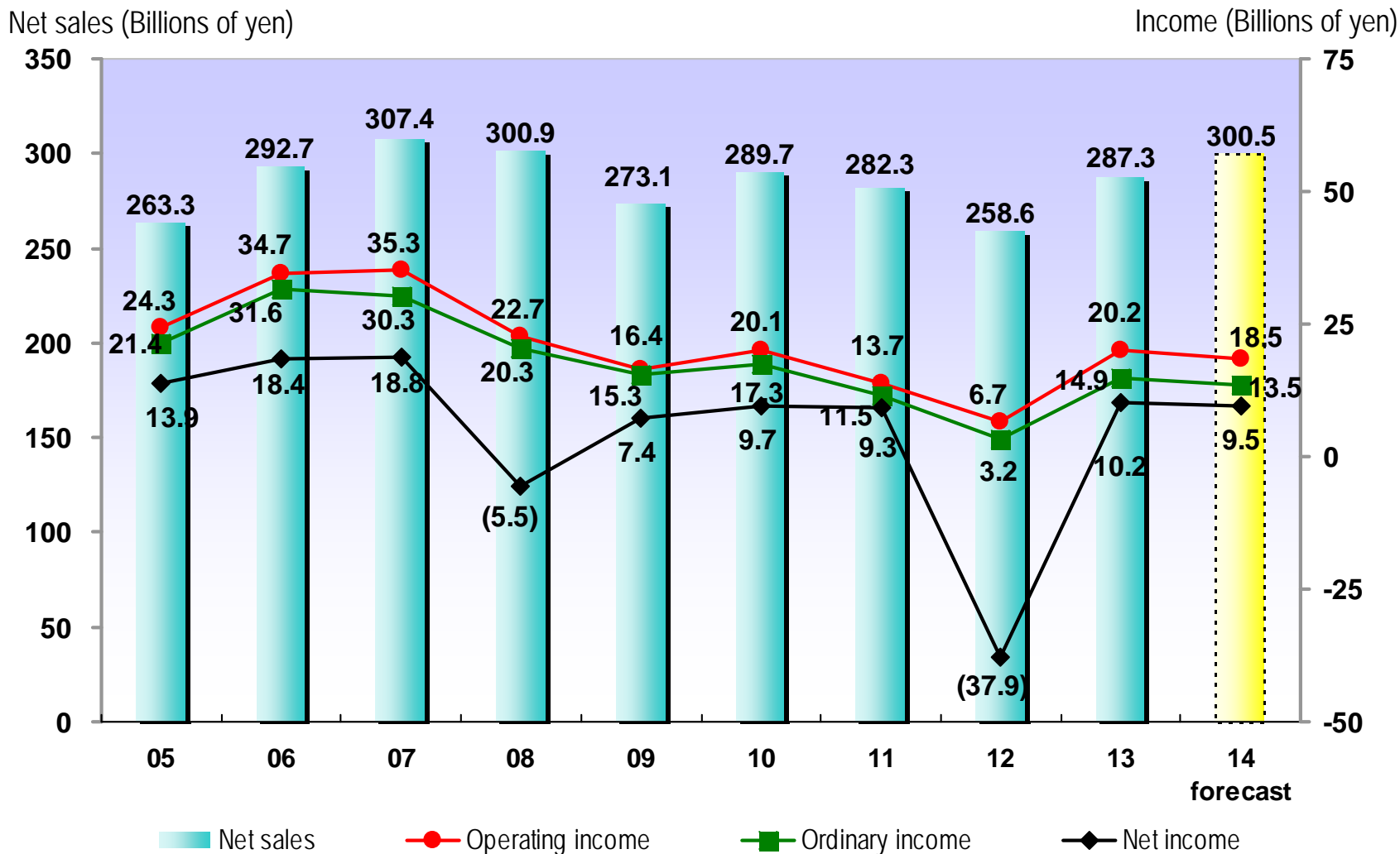
	3/31/2014	6/30/2014	Changes	
			Amount	%
Total assets	576.3	580.4	+4.1	+1
Current assets	191.6	193.5	+1.9	+1
Tangible fixed assets	323.1	326.7	+3.6	+1
Intangible fixed assets	10.1	9.2	(0.8)	(8)
Investments and other assets	51.4	50.8	(0.5)	(1)

	3/31/2014	6/30/2014	Changes	
			Amount	%
Total liabilities	339.8	341.7	+1.9	+1
Current liabilities	99.2	97.8	(1.4)	(1)
Long-term liabilities	240.5	243.9	+3.3	+1
Total net assets	236.4	238.6	+2.2	+1



# 2. Performance Trend

Consolidated (Annual)

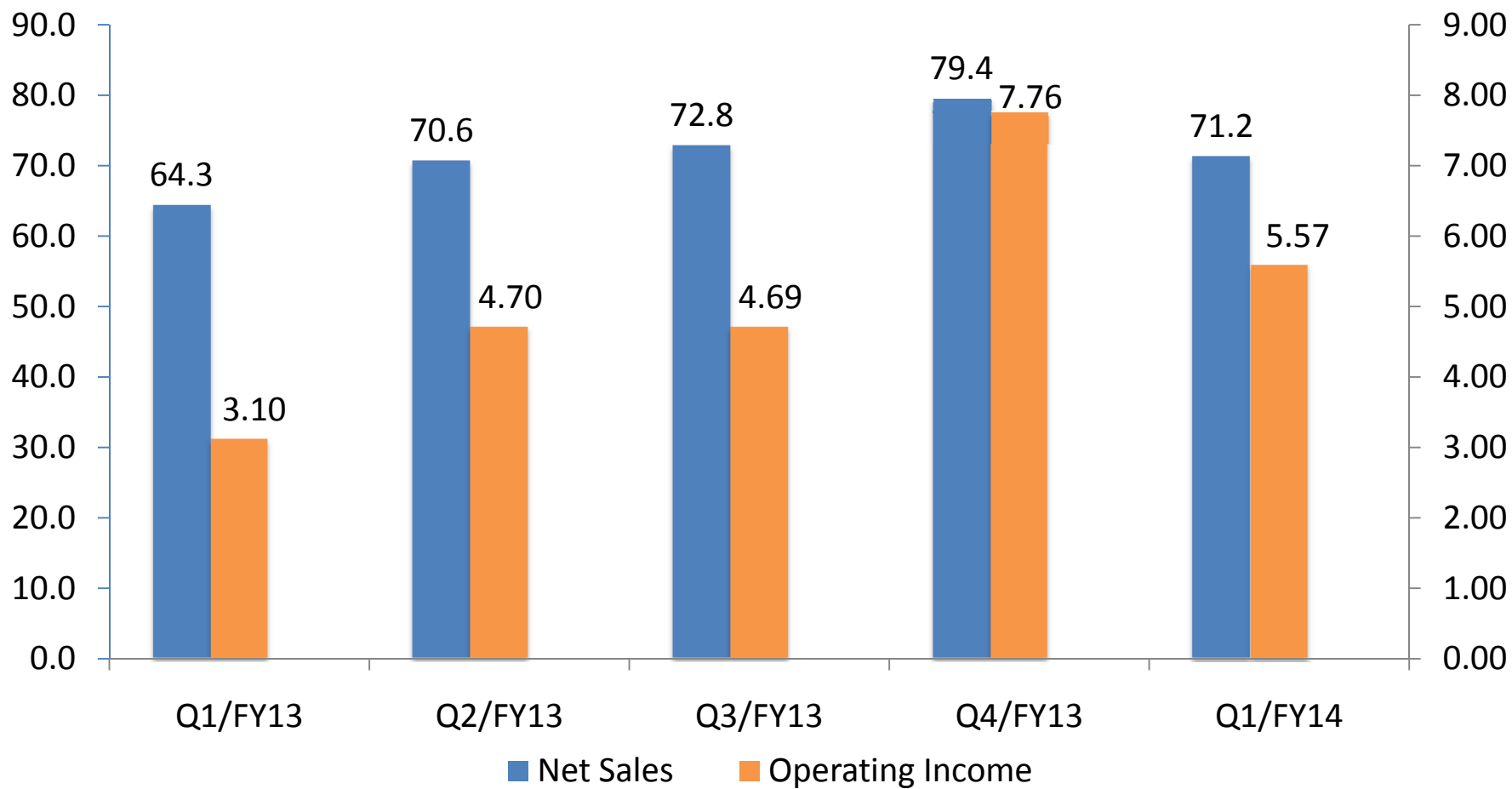


## 2. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

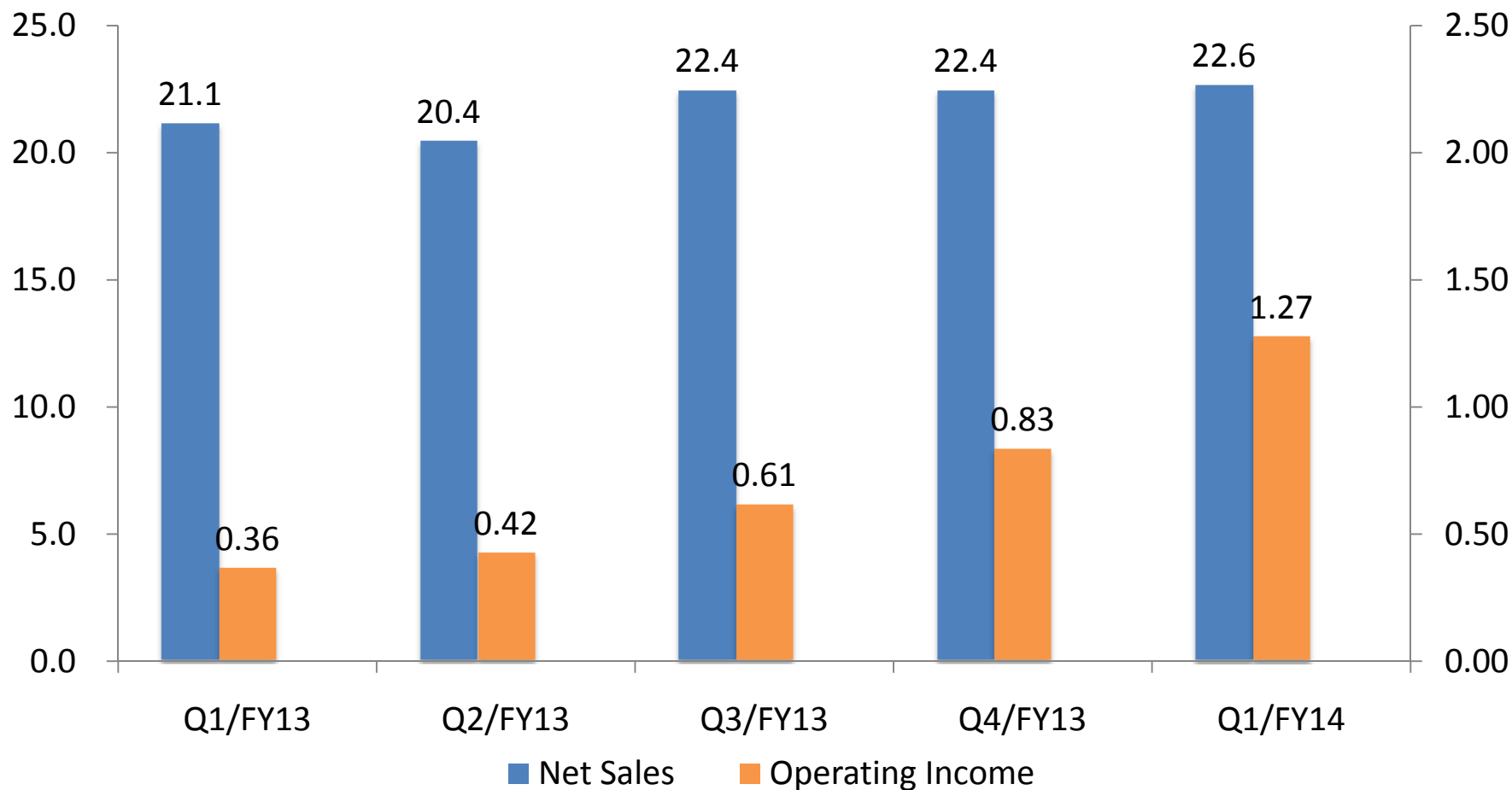


## 2. Performance Trend

(Quarter)

Chemicals

(Billions of yen)

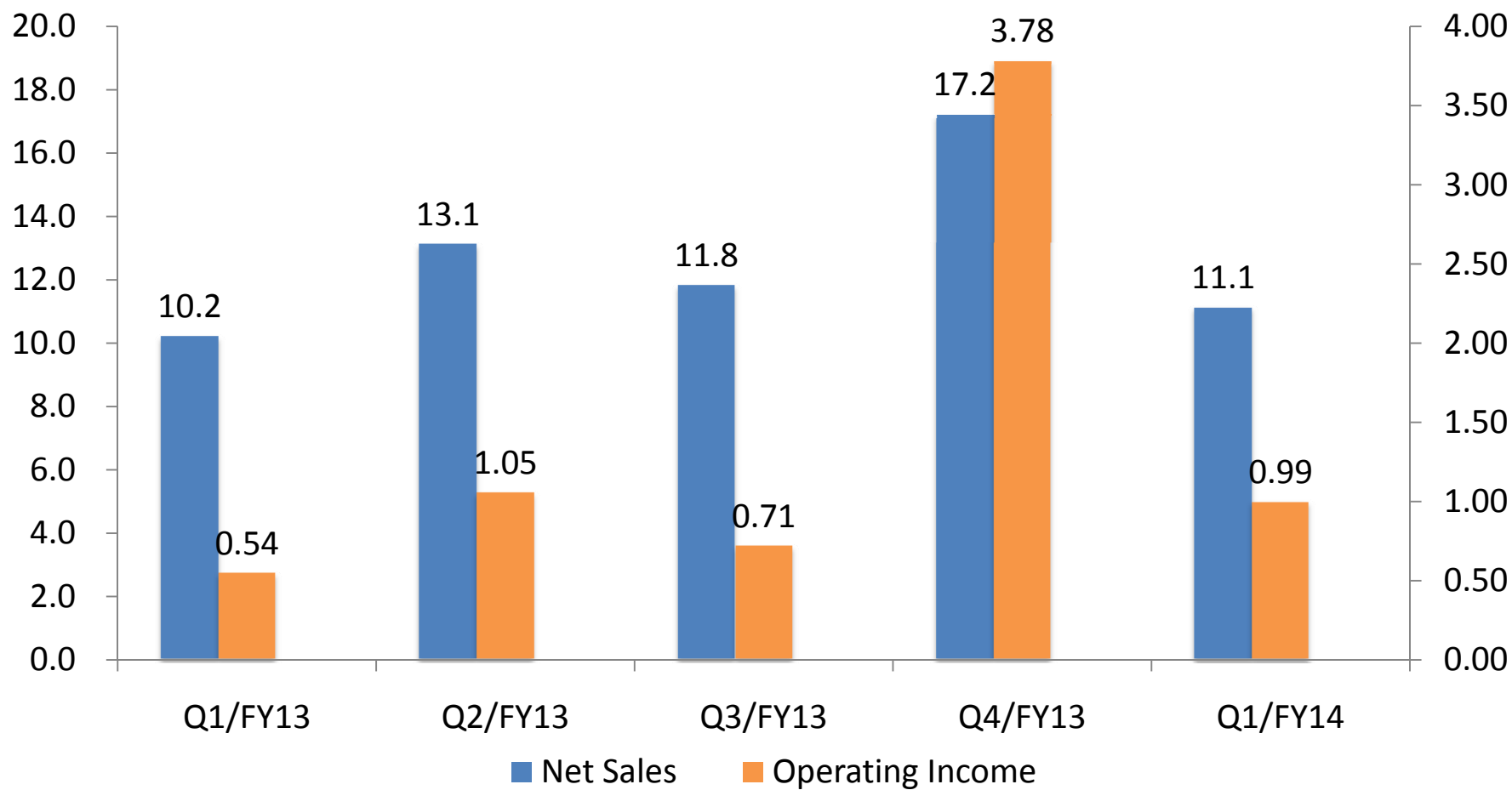


## 2. Performance Trend

(Quarter)

### Specialty Products

(Billions of yen)

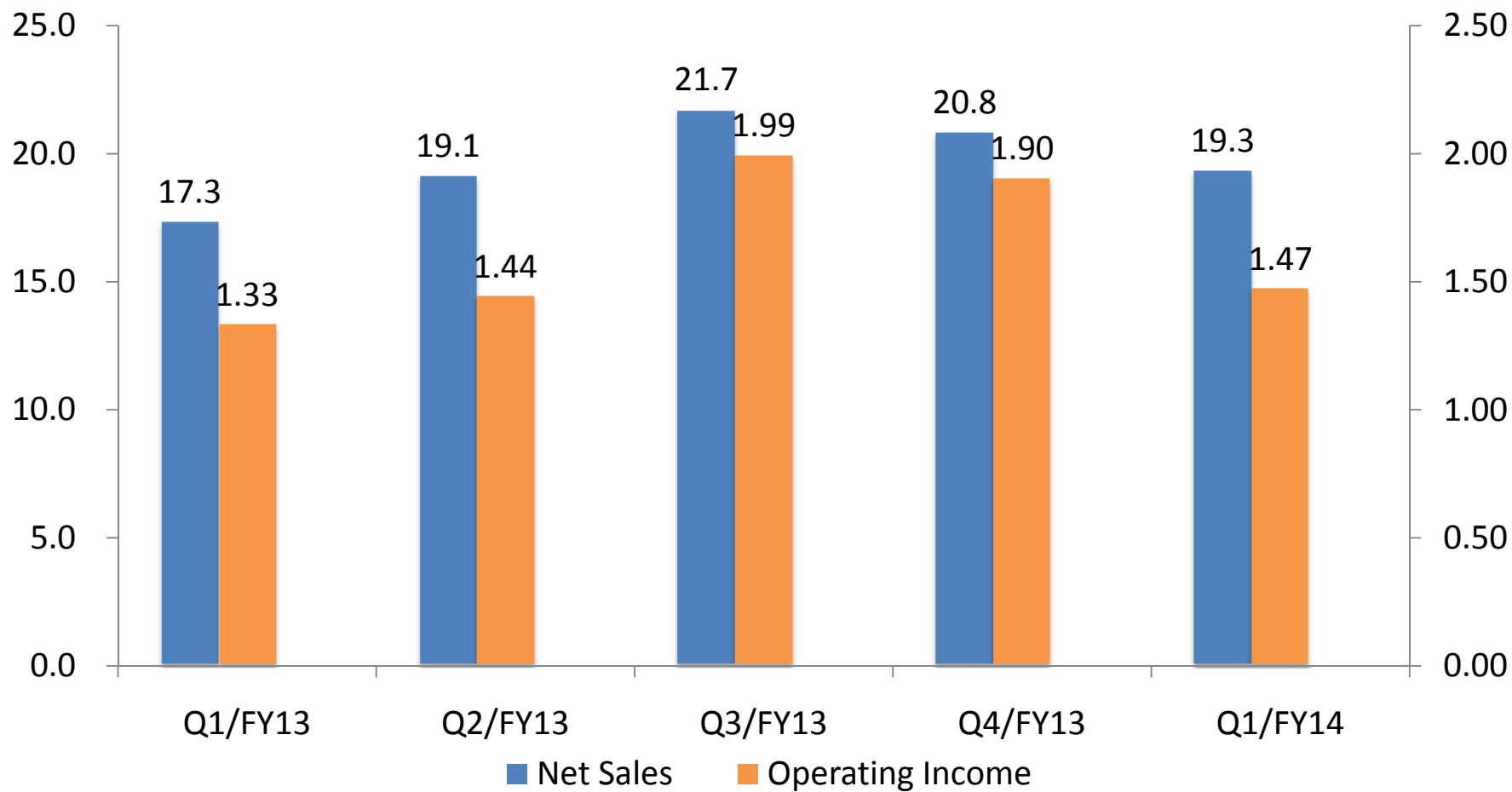


## 2. Performance Trend

(Quarter)

Cement

(Billions of yen)

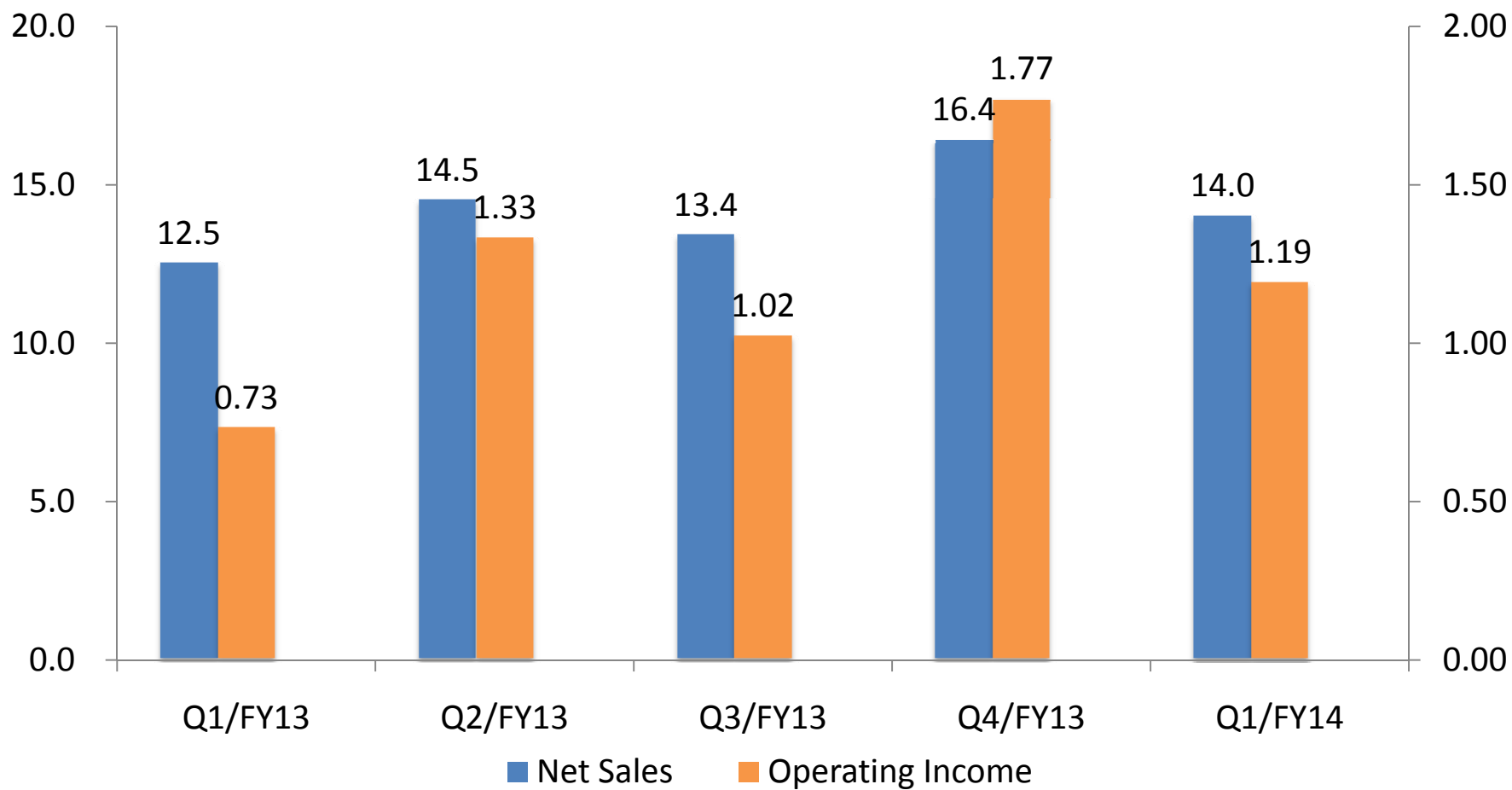


## 2. Performance Trend

(Quarter)

### Life & Amenity

(Billions of yen)



#### 4 Supplementary Data

### 3. Revised Performance Forecasts (1H/2H)

(Compared with previous forecasts)

(Billions of yen)

	FY2014 Forecast (Apr 30, 2014)			FY2014 Revised Forecast (Jul 31, 2014)		
	1H	2H	Total	1H	2H	Total
Net sales	146.0	157.0	303.0	144.0	156.5	300.5
Operating income	7.5	9.0	16.5	10.0	8.5	18.5
Ordinary income	4.5	5.5	10.0	7.5	6.0	13.5
Net income	3.0	3.5	6.5	6.0	3.5	9.5
Net income per share (yen)	8.62	10.06	18.68	17.25	10.06	27.31
Exchange rate (¥/\$)	100	100	100	101	100	101
Domestic naphtha price (¥/kl)	67,000	67,000	67,000	71,100	71,300	71,200

#### 4 Supplementary Data

## 4. Revised Performance Forecasts by Business Segment (1H/2H)

(Compared with previous forecasts)

(Billions of yen)

	FY2014 Forecast (Apr 30, 2014)						FY2014 Revised Forecast (Jul 31, 2014)					
	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	2.0	47.5	2.0	91.5	4.0	44.0	2.0	52.5	1.5	96.5	3.5
Specialty Products	26.0	1.0	34.5	2.0	60.5	3.0	25.0	2.0	32.5	2.0	57.5	4.0
Cement	40.0	2.5	41.0	3.0	81.0	5.5	39.5	3.0	41.0	3.0	80.5	6.0
Life & Amenity	29.5	2.0	28.5	2.0	58.0	4.0	29.0	2.5	28.0	2.0	57.0	4.5
Others	24.5	2.5	25.0	2.5	49.5	5.0	25.0	2.5	25.0	3.0	50.0	5.5
<b>Total</b>	<b>164.0</b>	<b>10.0</b>	<b>176.5</b>	<b>11.5</b>	<b>340.5</b>	<b>21.5</b>	<b>162.5</b>	<b>12.0</b>	<b>179.0</b>	<b>11.5</b>	<b>341.5</b>	<b>23.5</b>
Inter-segment eliminations and corporate-wide expenses	(18.0)	(2.5)	(19.5)	(2.5)	(37.5)	(5.0)	(18.5)	(2.0)	(22.5)	(3.0)	(41.0)	(5.0)
<b>Consolidated Results</b>	<b>146.0</b>	<b>7.5</b>	<b>157.0</b>	<b>9.0</b>	<b>303.0</b>	<b>16.5</b>	<b>144.0</b>	<b>10.0</b>	<b>156.5</b>	<b>8.5</b>	<b>300.5</b>	<b>18.5</b>



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Chemistry with a heart

**TOKUYAMA**

