

Q3 FY2014 Tokuyama Corporation Earnings Conference Call (January 30, 2015)

Q&A (Excerpts)

Participants:

Tatsuo Segawa, Representative Director and Senior Managing Executive Officer

Taro Kobayashi, General Manager of Corporate Communications & Investor Relations Dept.

1. Question regarding resolution of infringements of certain loan agreement financial covenants

Q: The Company has averted infringing certain loan agreement covenants. Can you provide us with more details including changes in other terms and conditions?

A: As outlined in today's press release, we have received notifications of approval from all subject financial institutions regarding our requests to exempt the Company from the application of financial covenants or to amend the financial covenants without amending the other terms and conditions including applicable interest rates of loan agreements, and to engage in continuous transactions. While incurring the payment of a commission, the amount is immaterial. Moreover, the aforementioned will not involve the issuance of financial products that have a dilutive effect.

2. Question regarding the Company's 3Q FY2014 financial results

Q: Tell us more about the trial production expenses totaling ¥1.1 billion posted as a non-operating expense.

A: During the period under review, the Company posted trial production expenses totaling ¥1.1 billion. This expense was incurred to determine how best to improve activities at Tokuyama Malaysia PS-1 where trial operations are ongoing. Around half of this total was incurred during November and December and directed toward periodic maintenance. The remainder was directed toward such payments as raw materials and personnel expenses. Tokuyama has posted any incidence of trial operating expenditure up to the 2Q of FY2014 as construction in progress while reporting an impairment loss. As a result, this expenditure is not included the aforementioned amount.

3. Question regarding forecasts for the full fiscal year

Q: Can you explain about movements in operating income from the 3Q to 4Q in each of the Chemicals and Specialty Products businesses?

A: While raw material and fuel prices are projected to decline, we have adopted a conservative approach toward forecasts in the Chemicals business after taking into consideration the impact on product sales prices. In the Specialty Products business, sales volumes of semiconductor-grade polycrystalline silicon are expected to increase over the 4Q. However, we are taking a harsh view toward forecasts as Malaysia operations are estimated to fall below expectations as of the end of October 2014.

4. Question regarding Tokuyama Malaysia PS-1 which posted the impairment loss in 2Q

Q: Can you elaborate on your claim for compensation to equipment manufacturers?

A: We continue to undertake preparations with the view that the Company has solid grounds to pursue compensation. Any claim will result in litigation and progress through to the appropriate arbitration tribunal. Recognizing that any claim will incur expenses, we are taking all necessary steps including an assessment of the subject manufacturers' current financial position while determining the precise timing to lodge a claim.

5. Questions regarding Tokuyama Malaysia PS-2

Q: Can you provide us with details in connection with the status of Tokuyama Malaysia PS-2?

A: While Tokuyama Malaysia PS-2 came online on October 1 last year, we encountered minor equipment malfunction and defects during the course of operations. This resulted in a partial shut-down of certain equipment. The possibility therefore exists of a slight rise in manufacturing and cash costs. Recently, cash costs have declined. For a certain period during December, levels also fell below current targets. Sales for the January-March quarter are projected to surpass results for October-December quarter.

Q: What were the amounts posted for depreciation for each of the Group as a whole and Tokuyama Malaysia PS-2 for the 3Q, the three-month period from October 2014 to December 2014?

A: We recorded depreciation expenses of over ¥5 billion for the Group as a whole. The annual depreciation expense for Tokuyama Malaysia PS-2 is around ¥5 billion, one-quarter of which is approximately ¥1.2 billion.

6. Question regarding the change in Company president

Q: What are the reasons for appointing Hiroshi Yokota, whose background is in specialty products

including Tokuyama Malaysia, as the Company's new president?

A: Mr. Yokota is recognized as the individual best suited to lead the Group through current critical conditions, take us back to our roots, and then carry out growth strategies. Mr. Yokota assumed the position of General Manager of the Specialty Products Business Division last year.