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Notice concerning the Posting of an Extraordinary Loss, Revision of Performance Forecasts, and the Return of Executive Compensation

Tokuyama Corporation (hereinafter referred to as “Tokuyama” or “the Company”) today announced details of its decision to post an extraordinary loss in accordance with a resolution of the Board of Directors at a meeting held on January 29, 2016.

In addition, the Company has revised its performance forecasts for full fiscal 2015 (April 1, 2015 to March 31, 2016), announced on October 30, 2015, as described below.

Brief details of the aforementioned are presented as follows.

1. Extraordinary Loss

(1) Decision to post an extraordinary loss

Tokuyama recognized an impairment loss of ¥123,486 million in connection with the polycrystalline silicon plant of its consolidated subsidiary Tokuyama Malaysia Sdn. Bhd., located in Sarawak, Malaysia, in line with a review of the Company’s business plan. Taking this into consideration, the Company decided to record this impairment loss as an extraordinary loss during the third quarter of the fiscal year ending March 31, 2016.

(2) Background leading up to the posting of the impairment loss

Tokuyama Malaysia has undertaken the production of solar-grade polycrystalline silicon at its polycrystalline silicon plant since operations commenced in October 2014. However, against the backdrop of the continued marked decline in selling prices as a result of the worldwide supply glut, future price forecasts are projected to fall substantially below the Company’s business plan.

Taking into consideration the downturn in polycrystalline silicon market conditions, which has triggered a deterioration in the business environment, together with the conditions of plant operation following periodic maintenance at Tokuyama Malaysia’s polycrystalline silicon plant conducted from October to November 2015, steps were taken to review the medium- to long-term business plan of Tokuyama Malaysia and to reexamine the likelihood of recouping the Company’s investment going forward. As a result, Tokuyama has decided to post the aforementioned extraordinary loss.

2. Revision of Performance Forecasts for Fiscal 2015 (April 1, 2015 to March 31, 2016)

(1) Non-consolidated

(Unit: Millions of yen)

	Net sales	Ordinary income	Profit (loss)	Basic earnings (loss) per share (yen)
Previous forecast : (A) (Oct. 30, 2015)	185,000	8,000	8,500	24.44
Newly revised forecast : (B)	185,000	22,000	(104,000)	(298.97)
Change : (B) - (A)	0	14,000	(112,500)	—
Rate of change (%)	—	175.0	—	—
[Reference] Fiscal 2014	184,043	18,665	(62,950)	(180.96)

(2) Consolidated

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Profit (loss) attributable to owners of parent	Basic earnings (loss) per share (yen)
Previous forecast : (A) (Oct. 30, 2015)	306,000	20,000	14,000	14,000	40.25
Newly revised forecast : (B)	306,000	20,000	15,000	(103,000)	(296.10)
Change : (B) - (A)	0	0	1,000	(117,000)	—
Rate of change (%)	—	—	7.1	—	—
[Reference] Fiscal 2014	302,085	19,530	12,920	(65,349)	(187.85)

(3) Reasons for the revision

With regard to the non-consolidated performance forecast for the full fiscal year ending March 31, 2016, net sales are expected to be level with the previous forecast.

Ordinary income is expected to exceed the previous forecast. This is attributable to the posting of allowance for investment loss on Tokuyama Malaysia Sdn. Bhd., which was to be recorded as a non-operating expense, as a loss on valuation of stocks of subsidiaries and affiliates in the extraordinary losses section.

Profit/loss is expected to be substantially worse than the previous forecast, due mainly to the posting of the aforementioned extraordinary loss. As a result, the Company is projecting a loss for the fiscal year under review.

With regard to the consolidated performance forecast for the full fiscal year ending March 31, 2016, net sales, operating income, and ordinary income are expected to be about level with the previous forecasts.

Profit/loss attributable to owners of parent is expected to be substantially worse than the previous forecast, due mainly to the posting of the aforementioned extraordinary loss. As a result, the Tokuyama Group is projecting a loss for the fiscal year under review.

3. Decision to Forego a Portion of the Compensation Payable to Executives

Tokuyama takes most seriously the posting of an extraordinary loss of ¥123,486 million in connection with the polycrystalline silicon plant of its consolidated subsidiary Tokuyama Malaysia Sdn. Bhd. for the third quarter of the fiscal year under review. Accordingly, the Company executives have decided to voluntarily waive (return) a portion of their compensation until June 2016 as follows.

Details of the decision by executives to voluntarily waive (return) a portion of their compensation:

Chairman, President

Voluntarily waive (return) 50% of their annual compensation

Other executive officers and deputy executive officers

Voluntarily waive (return) 30% of their annual compensation

(Note) The performance forecasts 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 because of various factors that may arise from now on.