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September 28, 2016

Company name: Tokuyama Corporation

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President and Representative Director

(Code No. 4043, First Section TSE)

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Notice concerning Third-Party Allotment of the New Shares and Transfer of the Shares of Consolidated Subsidiary

With a resolution at a meeting of Board of Directors held today, Tokuyama Corporation (hereinafter referred to as the “Company,” “Tokuyama” or “we”) hereby announces that the Company’s consolidated subsidiary in Malaysia, Tokuyama Malaysia Sdn. Bhd. (hereinafter referred to as “Tokuyama Malaysia”) will issue new shares to OCI Company Ltd. in Korea (hereinafter referred to as “OCI”) as a third-party allotment and the Company will transfer all shares of Tokuyama Malaysia to OCI.

As a consequence of the above-mentioned transactions, Tokuyama Malaysia will be excluded from the consolidation of the Company.

1. Reason for the Third-Party Allotment of New Shares and Transfer of Shares

Tokuyama Malaysia was established in August 2009 to expand the semiconductor-grade and solar-grade polycrystalline silicon business. Due to the technological issues of manufacturing facilities and deteriorating market condition of solar-grade polycrystalline silicon, two huge impairment losses in connection with plants were posted. To continue Tokuyama Malaysia’s business, the efforts to improve the manufacturing facilities and the productivity were taken, and certain level of productivity has been achieved. In addition, to further strengthen Tokuyama Malaysia’s business structure, the Company has been evaluating every option including Tokuyama Malaysia’s alliance with other company.

As a result, the Company has reached to the conclusion that transferring the business of Tokuyama Malaysia to OCI, a global player of solar power business including the production of polycrystalline silicon, will be the best choice for parties, and finally the Company reached an agreement with OCI about the third-party allotment of new share and transfer of shares of Tokuyama Malaysia to OCI.

2. Outline of the consolidated subsidiary whose shares are to be transferred

(1) Name	Tokuyama Malaysia Sdn. Bhd.		
(2) Location	Samalaju Industrial Park, Sarawak, Malaysia		
(3) Name and Title of Representative	Hiroshi Nomura (President and Representative Director)		
(4) Business	Production and sale of polycrystalline silicon		
(5) Capital	6,567 million yen		
(6) Date of Establishment	August 18, 2009		
(7) Major Shareholder and Ratio of Shareholding	Tokuyama Corporation 100%		
(8) Relationships between the Parties	Capital Relationship	Relevant company is Tokuyama's consolidated subsidiary and Tokuyama's ratio of shareholding is 100%.	
	Personnel Relationship	One executive officer and four employees of Tokuyama serve five board members of the relevant company concurrently. No related parties or affiliates of Tokuyama have any significant personnel relationship with the relevant company.	
	Transaction Relationship	Tokuyama is lending the fund to the relevant company.	
(9) Results of Operations and Financial Conditions for Previous Three Fiscal Years (Expressed in millions of Japanese Yen unless otherwise specified)			
Fiscal Year Ended	March 2014	March 2015	March 2016
Net Assets	126,355	32,582	(101,551)
Total Assets	208,965	148,936	22,298
Sales	-	4,387	8,849
Operating Loss	(952)	(4,344)	(10,298)
Ordinary Loss	(2,099)	(6,987)	(11,449)
Net Loss	(2,099)	(93,772)	(135,475)

3. Outline of the other party of the third-party allotment and the share transfer

(1) Name	OCI Company Ltd.
(2) Location	94, Sogong-ro, Jung-gu, Seoul, Korea
(3) Name and Title of Representative	Lee Woo Hyun (President and Representative Director)
(4) Business	Production and sales of inorganic chemicals, petro and coal chemicals, fine chemicals, and raw materials for solar panels
(5) Capital	127,247 million Korean Won
(6) Date of Establishment	August 5, 1959

(7)	Net Assets	3,242,206 million Korean Won	
(8)	Total Assets	7,298,775 million Korean Won	
(9)	Major Shareholders and Ratios of Shareholdings	Lee Soo-Young 10.92 %, National Pension Service 10.33 %, Samsung Asset Management Company, Ltd. 6.44%, Lee Hwa-Young 5.43%, Lee Bok-Young 5.40%	
(10)	Relationships between the Parties	Capital Relationship	Tokuyama and the relevant company have no significant capital relationship.
		Personnel Relationship	Tokuyama and the relevant company have no significant personnel relationship.
		Transaction Relationship	Tokuyama and the relevant company have no significant transaction relationship.
		Status as a Related Party	The relevant company does not belong to Tokuyama's related parties.

4. The outline of third-party allotment

(1)	Number of shares to be issued	First allotment 50,000,000 shares (Tokuyama's shareholding after the first allotment: 83%) Second allotment 210,000,000 shares (Tokuyama's shareholding after the second allotment: 49%)
(2)	Amounts of procurement funds	USD 24 million (first allotment) USD 78 million (second allotment)
(3)	Allottee	OCI Company Ltd.
(4)	Payment date	First allotment October 7, 2016 (planned) Second allotment March 31, 2017 (planned)

* The third-party allotment and share transfer to OCI will be subject to the acquisition of permission of notification or the like regarding business combination from competition authorities of the relevant countries.

5. The number of shares to be transferred and the status of the shares before and after the transfer

(1)	Number of shares before the transfer	252,356,839 shares (Tokuyama's shareholding: 49%)
(2)	Number of shares to be transferred	252,356,839 shares
(3)	Transfer price	USD 98 million
(4)	Number of shares after the transfer	0 shares (Tokuyama's shareholding: 0%)

6. Timetable

(1)	Resolution of the Company's Board of Directors relating to the transfer of shares	September 28, 2016
(2)	Conclusion of share transfer agreement	September 29, 2016 (planned)
(3)	OCI's payment for third-party allotment (First allotment)	October 7, 2016 (planned)

(4)	OCI's payment for third-party allotment (Second allotment)	March 31, 2017 (planned)
(5)	Share transfer	March 31, 2017 (planned)

7. Extraordinary Loss and Future Prospect

As a consequence of the above-mentioned transactions, Tokuyama Malaysia will be excluded from the consolidation of Tokuyama. With the transfer of Tokuyama Malaysia to OCI, it is expected that around 8 billion yen of loss on business transfer will be recorded as the extraordinary loss during the fourth quarter of the fiscal year ending March 31, 2017, however, the total amount of loss would be changed due to the performance of Tokuyama Malaysia until the exclusion from the consolidation or other factor. The tax expense for the fiscal year ending March 31, 2017 is expected to be reduced by around 8 billion yen as a result of above transactions.

Any impact of the share transfer on Tokuyama's consolidated financial results for the fiscal year ending March 31, 2017, is currently being assessed. If and when a material impact is expected, Tokuyama will make a timely announcement as the impact is fixed.

Transfer of Shares in Tokuyama Malaysia

Tokuyama Corporation

September 28, 2016



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1 Transfer of Shares in Tokuyama Malaysia

1. Overview

With a resolution at a meeting of Board of Directors held today, Sep 28, 2016, Tokuyama Corporation decided to transfer its shares in Tokuyama Malaysia Sdn. Bhd, its consolidated subsidiary, to OCI Company Ltd. (OCI), South Korea

(1) Tokuyama Malaysia will undertake the issuance of new shares by way of a third-party allotments to OCI

Number of shares to be issued:

First allotment: 50,000,000 shares (Tokuyama's shareholding after the allotment: 83%)

Second allotment: 210,000,000 shares (Tokuyama's shareholding after the allotment: 49%)

Amounts of procurement funds:

First allotment: US\$ 24 million

Second allotment: US\$ 78 million

Payment date:

First allotment: October 7, 2016 (planned)

Second allotment: March 31, 2017 (planned)

(2) Tokuyama Corporation will transfer all of its shares in Tokuyama Malaysia to OCI

Number of shares to be transferred: 252,356,839 shares (Number of shares after the transfer: 0 shares)

Amounts of procurement funds: US\$98 million

Date of share transfer: March 31, 2017

As a result of the aforementioned, Tokuyama Malaysia will be excluded from the Company's scope of consolidation from April 2017.

1. Overview

Outline of the consolidated subsidiary whose shares are to be transferred

Name:	Tokuyama Malaysia Sdn. Bhd.
Location:	Samalaju Industrial Park, Sarawak, Malaysia
Representative:	Hiroshi Nomura, President and Representative Director
Business:	Production and sale of polycrystalline silicon
Capital:	6.5 billion yen
Date of Establishment:	August 18, 2009
Major Shareholder:	Tokuyama Corporation (Ratio of shareholding: 100%)
Sales:	8.8 billion yen (Fiscal year ended March 2016)

Outline of the other party of the third-party allotment and the share transfer

Name:	OCI Company Ltd.
Location:	94, Sogong-ro, Jung-gu, Seoul, Korea
Representative:	Lee Woo Hyun, President and Representative Director
Business:	Production and sales of inorganic chemicals, petro and coal chemicals, fine chemicals, and raw materials for solar panels
Capital:	127.2 billion Korean Won
Date of Establishment:	August 5, 1959
Total assets:	7,298.7 billion Korean Won (Fiscal year ended December 2015)

2. Background

◆ Tokuyama Malaysia was established with the aim of expanding the Group's polycrystalline silicon business in 2009. Despite the construction of the PS-1 and PS-2 plants, impairment losses for virtually the entire book values of both plants have been incurred due to engineering issues with regard to plant facilities and the substantial deterioration in polycrystalline silicon market conditions.

◆ While steps have been taken to secure productivity by promoting improvements in facilities and other measures in an effort to ensure the ongoing viability of Tokuyama Malaysia, evaluation of various options including alliance with other companies was made aiming at further strengthening Tokuyama Malaysia's business structure.



After evaluating the merits of a business alliance with OCI, a company that is active across a broad range of fields in the solar cell market, the transfer of shares in Tokuyama Malaysia to OCI was considered the best option for further developing the business.

3. Impact on Results for the Current Period

Date of the first third-party allotment (October 7, 2016, the third quarter of the current accounting period)

- There is no impact on results

Date of the second third-party allotment and transfer of equity interest
(March 31, 2017, the fourth quarter of the current accounting period)

- While an extraordinary loss of approximately ¥8.0 billion in connection with the business transfer of Tokuyama Malaysia is projected, the actual amount of the loss may change as a result of such factors as the future performance of Tokuyama Malaysia.
- Decrease in income taxes of approximately ¥8.0 billion as a result of this undertaking is projected in the current accounting period.

The Company is currently taking steps to review its consolidated financial results forecasts for the fiscal year ending March 31, 2017. Details will be disclosed in a timely manner should any revision to financial results forecasts arise.

4. Impact on Medium-term Management Plan

Items	Numerical Targets (FY2020) (May 12, 2016)	
	Profit and loss	Net sales
Operating income		¥36.0 billion
Financial position	ROA	10%
	Total asset turnover	1.0 times
	CCC	55 days
	D/E ratio	1 times
Cash flows	Free CF (5 years)	Approx ¥100.0 billion

While the share transfer will have a certain effect on the target indicators of the Medium-Term Management Plan (decreased net sales of ¥18 bn and decreased operating income of ¥2 bn in FY2020), we will look to minimize any downside impact through the reallocation of management resources and work to secure improvements in excess of targets.

In addition, free cash flow will be improved as a result of decreased tax expenses of Tokuyama Corp in connection with the business transfer and other factors

5. Summary

While a loss will be incurred as a result of the business transfer, this undertaking is expected to generate the following benefits.

- Enable the Company to definitively reduce the volatility of financial results and rebuild its financial position
- Enable the Company to direct management resources to core businesses that can better harness its strengths including unique technologies
- Enable the Company to improve its cash flows for certain period by taking advantage of the benefits related to taxation and others

Tokuyama will accelerate efforts to rebuild its financial platform and expand earnings, priority measures under its medium-term management plan.

As we work toward achieving these goals, we kindly request the continued support and understanding of stakeholders.

Chemistry with a heart

TOKUYAMA



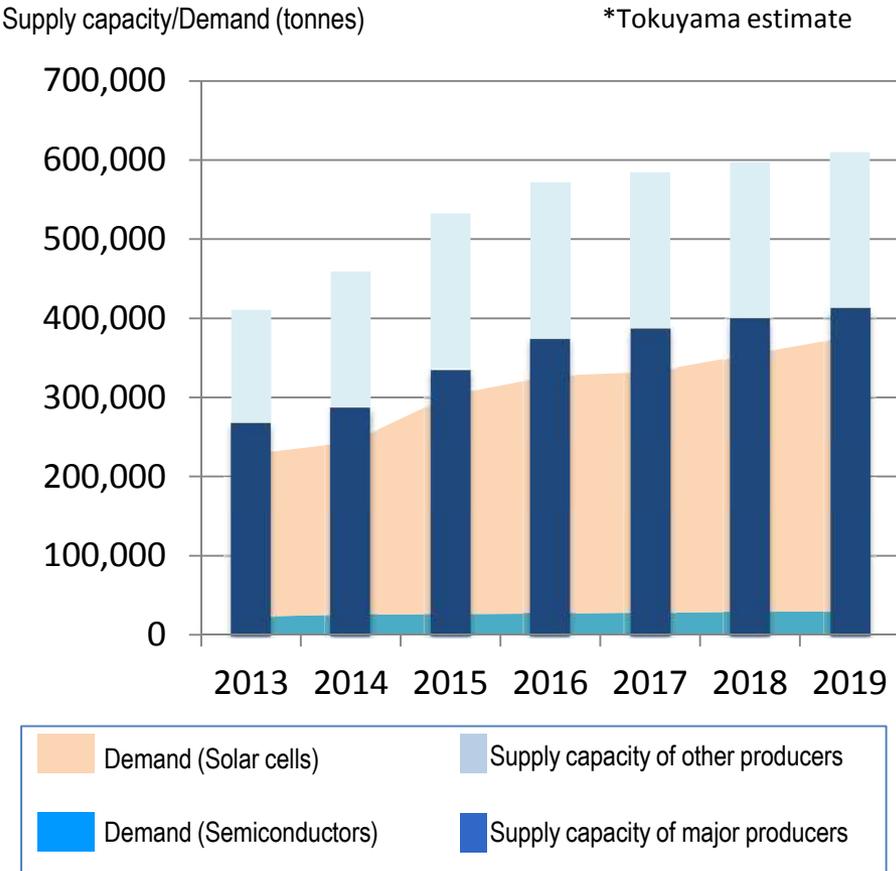
2 Supplementary Data

1. Polysilicon Market

2. PV Market

1. Polysilicon Market

Supply-demand forecast of polysilicon



Forecasts

<Semiconductor-grade polysilicon demand>

- Demand projected to increase on the back of higher functionality of mobile devices

<Solar-grade polysilicon demand>

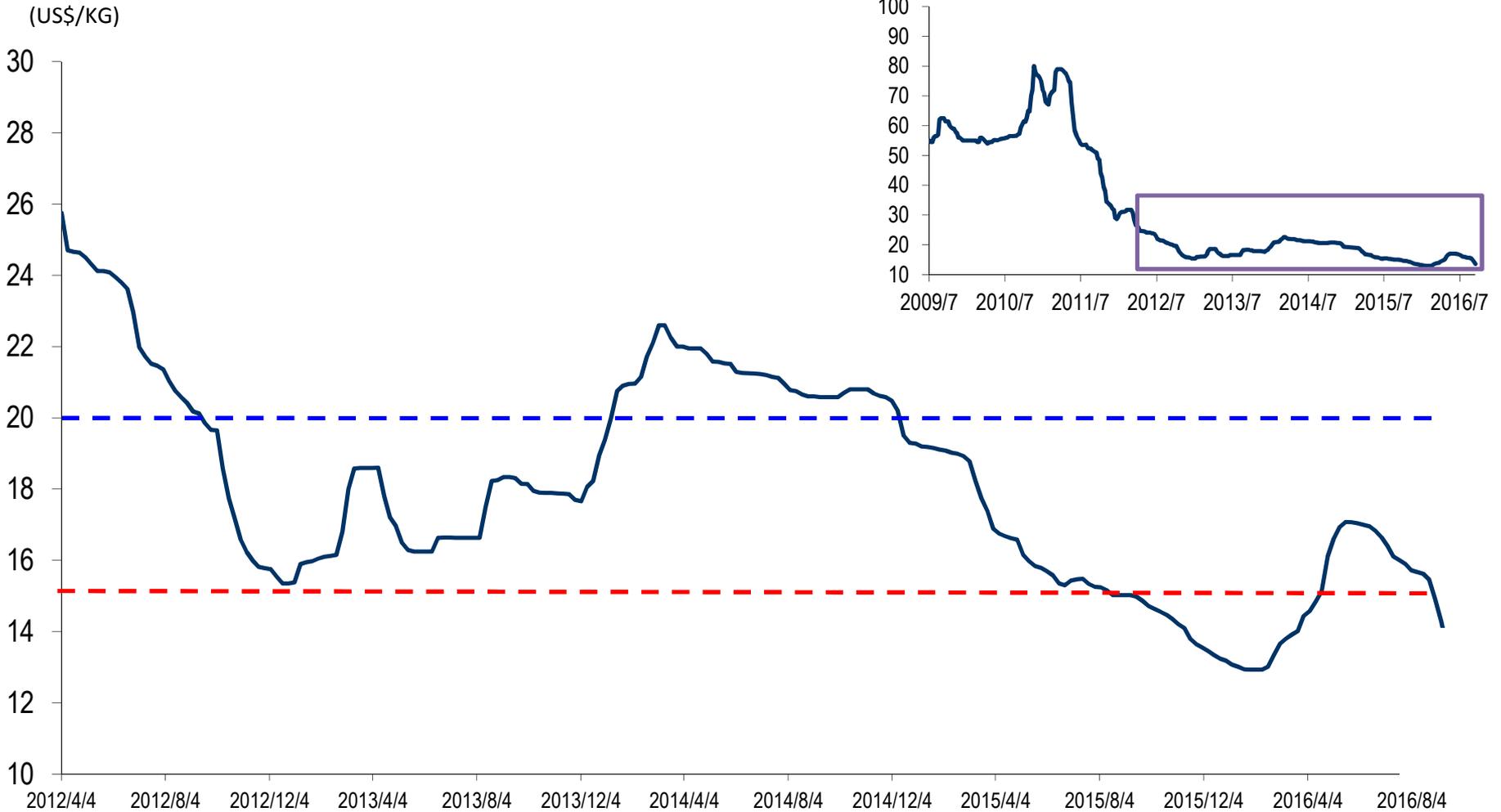
- A new framework regarding reductions on CO2 emissions in Paris Agreement is expected to generate favorable conditions
- Despite a substantial decline in installed PV capacity in Europe and certain other areas, the projected annual increase in demand is around 10% largely reflecting forecast growth due to aggressive installation initiatives in such countries as China, the U.S. and India

<Supply side>

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

1. Polysilicon Market

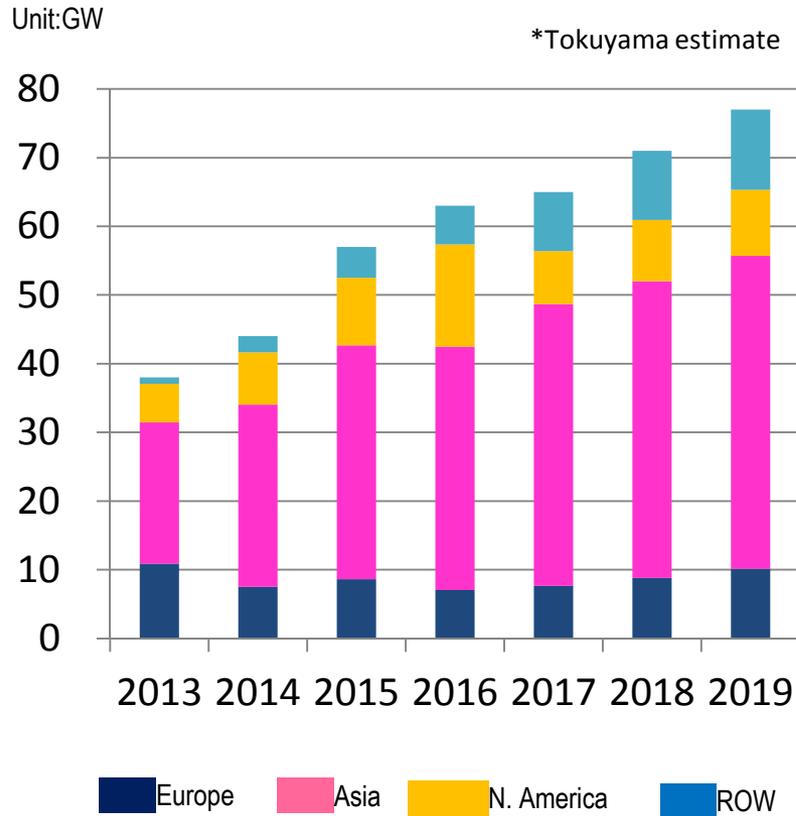
Solar-cell grade Polysilicon Spot Price Trend



Source : PV insights

2. PV Market

Forecasts of installed PV capacity by region



Conditions in each country

<China>

◆ Achieved a cumulative solar cell output total of 43.18GW as of the end of 2015; secured the global top position surpassing Germany

◆ Projected capacity installed in 2016 to be 18.1GW (20% increase yoy)

◆ Identify renewable energy as one of eight major items in the energy field under the 13th five-year plan; expectations of a further increase in solar cell demand over the long term

<U.S.>

◆ Investment tax credit (ITC) extension passed by the U.S. Congress; expectations of an increase in the amount of solar power generation system installation by 2020

<Japan>

◆ Since the launch of the existing feed-in tariff system in July 2012, Japan has witnessed a rapid surge in the amount of solar power generation introduction

◆ Installed capacity in 2015 came to 9.8GW (8.6GW in 2014)

◆ Stable installation can be expected though further market expansion is not anticipated.

<India>

◆ The Modi government announced plans to target an installed capacity of 100GW by 2022

◆ Policy in place to authorize new clean energy targets (ratio of renewable energy in 2030 of 40%: solar cells approx. 250GW)

<Europe>

◆ Expectations of moderate growth over the medium to long term despite the impact of the successive shrinking and termination of policy support measures

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