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December 22, 2016

Company name: Tokuyama Corporation

Representative: Hiroshi Yokota,

President and Representative Director

(Code No. 4043, First Section TSE)

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## Notice concerning Absorption-type Merger (Simplified Merger) of Consolidated Subsidiary

With a resolution at a meeting of Board of Directors held on December 21, 2016, Tokuyama Corporation (hereinafter referred to as the “Company,” “Tokuyama” or “we”) hereby announces that the Company will absorb Tokuyama Siltech Co., Ltd. (hereinafter referred to as “Tokuyama Siltech”), the Company’s wholly owned subsidiary, effective April 1, 2017.

Since the merger is simplified merger of a wholly owned subsidiary, therefore certain disclosure items and details are omitted.

### 1. Purpose of Merger

Tokuyama Siltech is manufacturing and selling sodium silicate at the Company’s Tokuyama Factory. The Company has decided to absorb Tokuyama Siltech to achieve the better operation of the business of sodium silicate.

### 2. Outline of Merger

#### (1) Schedule of Merger

- Resolution of the Company’s Board of Directors relating to the merger December 21, 2016
- Conclusion of merger agreement December 30, 2016 (planned)
- Date of merger (effective date) April 1, 2017 (planned)

Note: The merger is, for the Company, a simplified merger under the provisions of Paragraph 2 of Article 796 of the Company Act. Therefore the Company will not hold a general meeting of shareholders to carry out the merger.

#### (2) Method of Merger

It is an absorption-type merger in which the Company is the surviving company, and Tokuyama Siltech will be dissolved.

#### (3) Allotment Details pertaining to Merger

The Company, which owns all outstanding shares in Tokuyama Siltech, neither grants nor allots any shares or other consideration included money pertaining to the merger

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights of the merged company  
Not applicable.

### 3. Overview of the Companies involved in Merger

	Surviving company	Company being merged
(1) Company Name	Tokuyama Corporation	Tokuyama Siltech Co., Ltd.
(2) Location	1-1 Mikage-cho, Shunan City, Yamaguchi	7-38 Harumi-cho, Shunan City, Yamaguchi
(3) Name and Title of Representative	Hiroshi Yokota, Representative Director, President and Executive Officer	Noriaki Saiki, Representative Director and President
(4) Description of Business	Production and sales of inorganic and organic industrial chemicals, cement ,building materials, electrical materials, functional materials, synthetic resin and film, medical materials	Production and sales of sodium silicate
(5) Capital	10,000 million yen	200 million yen
(6) Establishment	February 1918	November 1993
(7) Number of Outstanding Shares	349,671,876 shares (as of March 31, 2016)	20,000 shares (as of March 31, 2016)
(8) Fiscal Year End	March 31	March 31
(9) Major Shareholders and Ratios of Shareholding	The Master Trust Bank of Japan, Ltd. (trust account) 6.82% Japan Trustee Services Bank, Ltd. (trust account) 3.59% Nippon Life Insurance Company 3.13% JP MORGAN CHASE BANK 380634 2.60% The Yamaguchi Bank, Ltd. 2.37% (as of September 30, 2016)	Tokuyama Corporation 100%
(10) Financial Position and Results in Preceding Fiscal Year (Unit: Millions of yen, except per share amounts)		
	Fiscal year ended March 31, 2016 (Consolidated)	Fiscal year ended March 31, 2016 (Non-consolidated)
Total Assets	401,342	1,024
Net Assets	60,205	759
Net Assets per share	147.98	37,967.74
Sales	307,115	882
Operating Income	23,071	270
Ordinary Income	17,725	137
Profit (Loss)	(100,563)	95
Earnings (Loss) per share	(289.10)	4,769.12

### 4. Conditions after Merger

The merger does not affect the Company's name, location, representative's title and name, business content, paid in capital or fiscal year end.

### 5. Future Outlook

Since the merger only involves the Company and its wholly-owned subsidiary, and has no significant impact on the consolidated financial results of the Company, its impact on consolidated business performance of the

fiscal year ending March 31, 2017 will be negligible.

Reference: Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2017 (released on October 28, 2016) and Actual Result of the Fiscal Year Ended March 31, 2016.

	Net Sales	Operating Income	Ordinary Income	Profit (Loss) attributable to owners of parent
Consolidated earnings forecast for FY ending March 31, 2017	Millions of Yen 291,000	Millions of Yen 33,000	Millions of Yen 27,000	Millions of Yen 21,000
Actual result for FY ended March 31, 2016	307,115	23,071	17,725	(100,563)

(Note) The performance forecast 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.