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Notice concerning the Company's Medium-Term Management Plan

Tokuyama Corporation (hereinafter referred to as "Tokuyama" or "the Company") today announced details of its Medium-Term Management Plan that covers the period from fiscal 2016, the fiscal year ending March 31, 2017 to fiscal 2020, the fiscal year ending March 31, 2021. Brief details are presented as follows.

1. Overview of the Previous Medium-Term Management Plan and Details of the New Medium-Term Management Plan

Tokuyama announced its Medium-Term Management Plan 2017 in July 2015 with the view of rebuilding its financial platform. In the ensuing period, the Group as a whole worked in unison to rebuild its management structure in a bid to secure profits. Based on these endeavors, the Company reported an increase in both net sales and operating income in fiscal 2015, the fiscal year ended March 31, 2016. Despite achieving a certain level of success, however, Tokuyama was forced to incur a net loss for the period owing mainly to a substantial impairment loss.

Looking ahead, forecasts for certain existing businesses indicate that the general-purpose product market in Japan will contract. At the same time, a slowdown in electronic materials business growth is also expected. Under these circumstances, and recognizing the need to create the necessary driving force to propel new profit growth, Tokuyama undertook a fundamental review of its previous Medium-Term Management Plan. Guided by the overarching vision of "New Foundation," the Company put in place a five-year medium-term management plan, commencing from fiscal 2016, as the "cornerstone of the Group's revitalization."

A number of factors led to the Company's difficult position. On top of the massive loss in the Group's overseas business, this is largely due to delays in new product development, low levels of investment efficiency, and weakening corporate governance. Taking these factors into consideration, Tokuyama is cognizant of the vital need to overcome these issues and to create the necessary driving force to propel new profit growth. With this in mind, the Company will accordingly work to definitively change its organizational climate, rebuild its business strategies, strengthen Group management, and improve its financial position.

2. Pertinent Details of the New Medium-Term Management Plan

(1) Term of the Plan

April 1, 2016 to March 31, 2021

(2) Priority issues and measures

1. Change the Group's organizational culture and structure

Steps will be taken to review personnel evaluation systems, actively promote the exchange of human resources between Group companies, and drastically reform structures and systems through a variety of initiatives including the vigorous introduction of outside personnel.

2. Rebuild the Group's business strategies

The Group will strictly adhere to a customer-oriented approach on the conduct of its business activities. At the same time, the Group will transition to a research and development structure that is in tune with customers' needs. Through these means, energies will be channeled toward cultivating new business domains that employ unique technologies.

The Group will reinforce management resources including personnel and information through alliance with other companies.

3. Strengthen Group management

Each company of the Tokuyama Group will once again clarify its role and position. Seeking to contribute to the Group's growth strategy as well as the reduction of costs, particular emphasis will be placed on further strengthening the management of the Group as a whole.

4. Improve the Company's financial position

Every effort will be made to restore the Company's shareholders' equity by steadily building up profits.

Tokuyama will issue classified stock (preferred stock) to quickly stabilize the Company's financial position, thereby ensuring that the Group is well positioned to flexibly pursue opportunities including M&As that are designed to accelerate the pace of growth.

(3) Targets to be achieved by the final fiscal year of the Medium-Term Management Plan

Net sales:	¥335.0 billion
Operating income:	¥36.0 billion
ROA:	10%
CCC:	55 days
D/E ratio	1.0

[Assumptions]

Exchange rate:	¥110/US\$
Domestic naphtha price:	¥58,000/kL

3 Medium-Term Management Plan

- 1. Current Understanding of Conditions**
- 2. Management Policy**
- 3. Medium-Term Management Plan**
- 4. Financial Strategy**



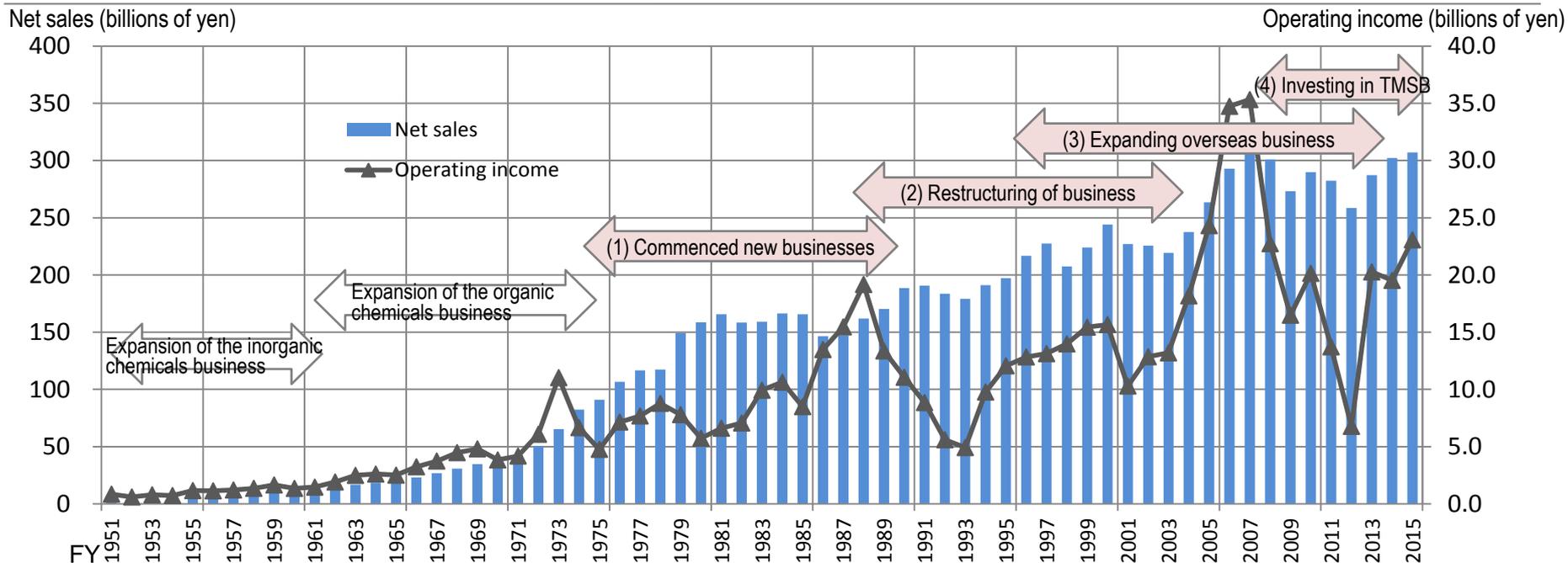
1. Current Understanding of Conditions

Results to Date
~ Performance Trends ~

With a business platform that is grounded in inorganic and organic chemicals, Tokuyama weathered the oil crises of the 1970s and has continued to explore opportunities in the specialty chemicals field, pursue overseas business development, and steadily expand its operations.

Long-term Performance Trend

*TMSB: Tokuyama Malaysia



- (1) Commenced new businesses**
- 1976 Commenced film business
 - 1978 Commenced dental products business
 - 1981 Commenced plastic sashes business
 - 1983 Commenced high-purity chemicals business
 - 1984 Commenced polysilicon business

- (2) Restructuring of business**
- 1992 Established Sun-Tox Co., Ltd.
 - 1995 Established Shin Dai-ichi Vinyl Corp.
 - 2001 Established Tokuyama Polypropylene Co., Ltd.
 - 2004 Consolidated membrane business to ASTOM Corp.

- (3) Expanding overseas business**
- 1996 Established Tokuyama Electronic Chemicals Pte. Ltd
 - 1996 Established Taiwan Tokuyama Corp.
 - 2002 Established Shanghai Tokuyama Plastics Co., Ltd.
 - 2005 Established Tokuyama Chemicals (Zhejiang) Co., Ltd.
 - 2013 Established Tokuyama Nouvelle Calédonie S.A.

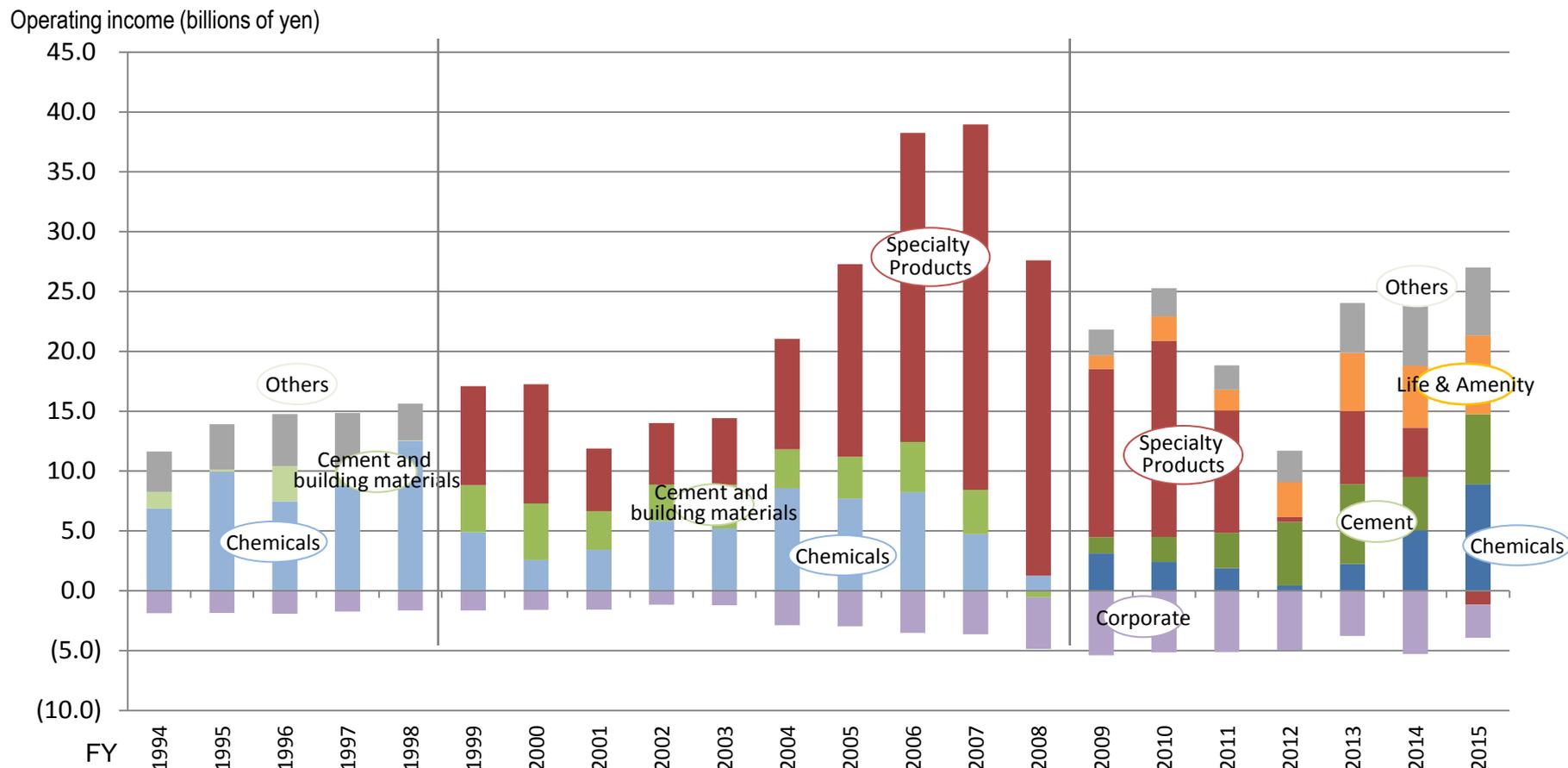
- (4) Investing in TMSB**
- 2009 Established Tokuyama Malaysia
 - 2011 Commenced construction of PS-1
 - 2012 Commenced construction of PS-2
 - 2014 Completed construction of PS-2

1. Current Understanding of Conditions

Results to Date
~ Performance Trends ~

Tokuyama reported increased profitability in its Specialty Products business during the second half of the 2000s. In its general-purpose product activities centered on the Chemicals and Cement businesses, the Company has witnessed a drop in profitability due to shrinking markets in Japan.

Performance Trend by Business Segment



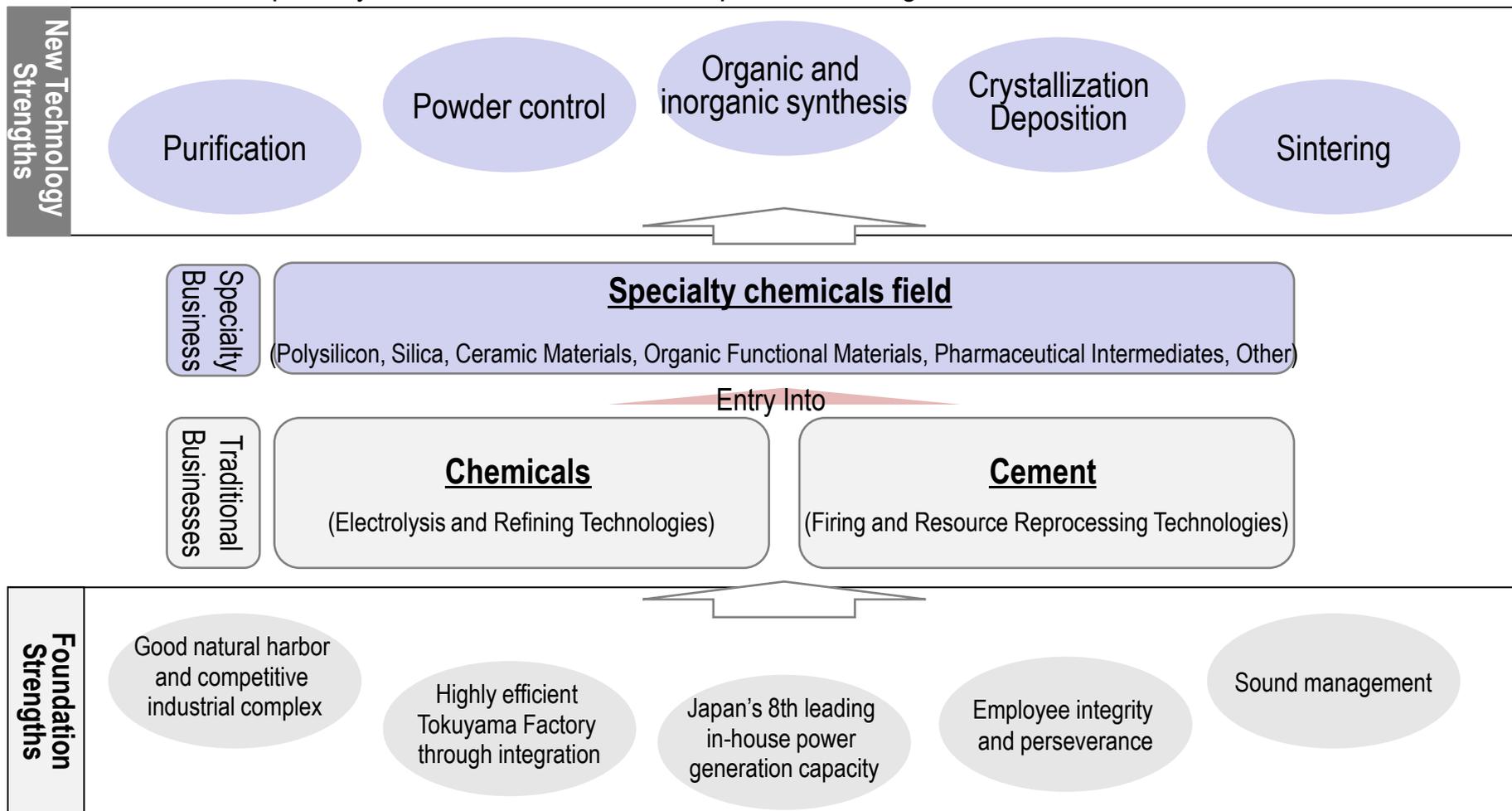
3 Medium-Term Management Plan

1. Current Understanding of Conditions

Results to Date

~ Accumulated Strengths and Technologies to which the Company Will Entrust Its Future ~

Building on its chemicals, cement, and other foundation activities that make the most of the Company's inherent strengths including its highly efficient factory and Japan's leading in-house power generation capacity, Tokuyama has advanced into the specialty chemicals field and developed new strengths.

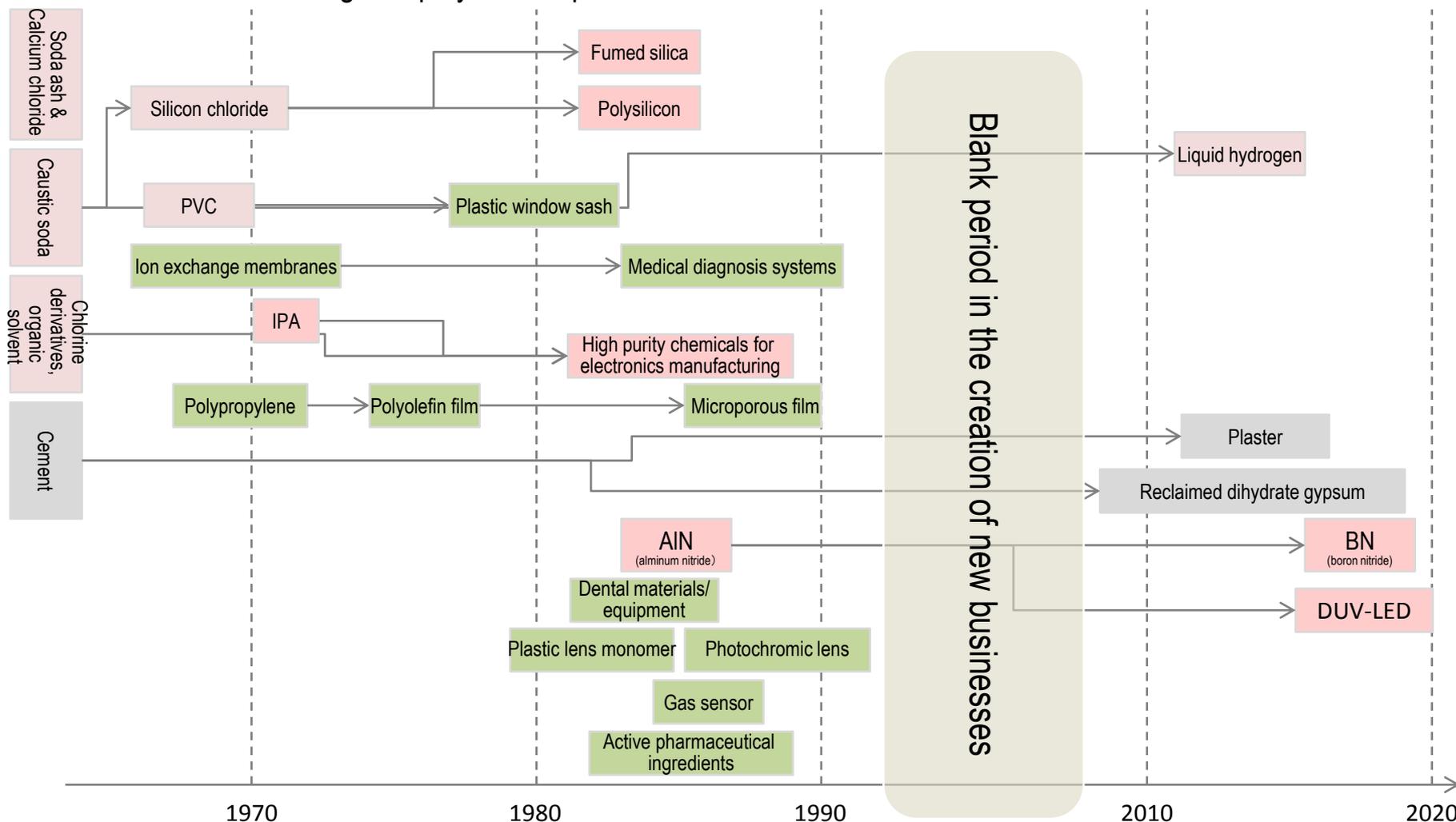


3 Medium-Term Management Plan

1. Current Understanding of Conditions

Reflecting on the Past
~ Delays in New Product Development ~

Unable to fully expand technological capabilities developed in the specialty chemicals field into businesses outside semiconductor-grade polysilicon operations

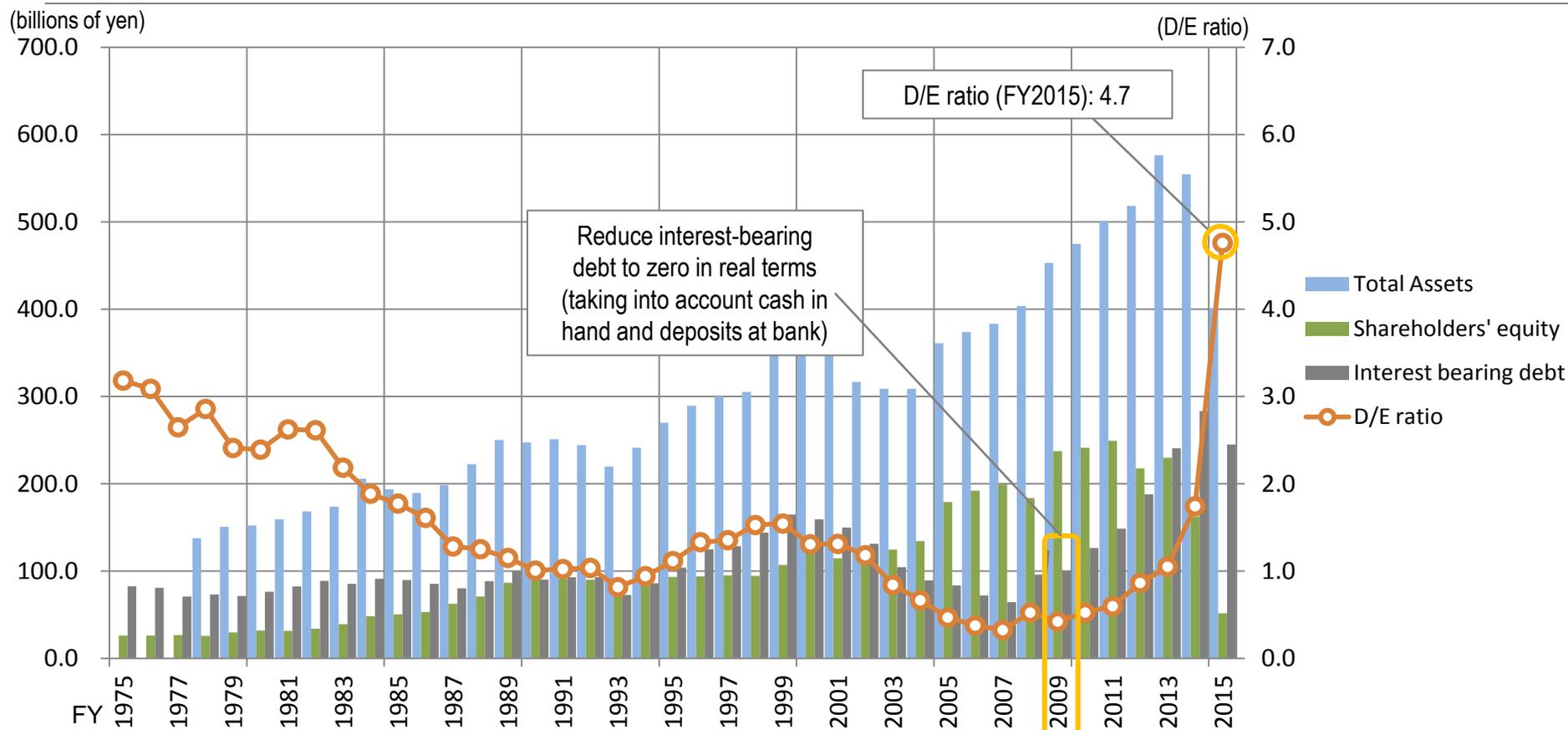


1. Current Understanding of Conditions

Reflecting on the Past
 ~ Substantial Loss in Overseas Operations ~

Despite reducing net interest-bearing debt to nearly zero in real terms in 2009, dramatic increase following the procurement of funds to finance large-scale investment in Malaysia and substantial deterioration in financial position

Long-term Trend of Financial Position and Financial Indicator



(Note) D/E ratio = Interest-bearing debt / Shareholders' equity etc.

1. Current Understanding of Conditions

Reflecting on the Past
~ Points to be Improved ~

Forecasts for traditional businesses indicate that the general-purpose product markets in Japan will contract. At the same time, a slowdown in electronic materials business growth is also expected. Under these circumstances, it is vital that Tokuyama overcomes the issues mentioned below and creates the necessary driving force to propel new profit growth.

Reflecting on the Past – Points to be Improved as Tokuyama Enters the Next Century –

Point to be Improved (1)

Overconfidence in and dependence on Tokuyama Factory

Point to be Improved (2)

Inward and passive posture spread among employees

Point to be Improved (3)

Corporate governance

Point to be Improved (4)

Uncertainty surrounding the strategic direction of the Group and each department

It is vital that Tokuyama overcomes these issues and creates the necessary driving force to propel new profit growth.

2. Management Policy

New Foundation

Mission

Centered on the field of chemistry, the Tokuyama Group will continue to create value that enhances people's lives

Aspirations

Shift from a focus on quantity to quality

FY2025 Global leader in advanced materials

Leader in its traditional businesses in Japan

Values

Customer satisfaction is the source of profits

A higher and broader perspective

Personnel who consistently surpass their predecessors

Integrity, perseverance, and a sense of fun

2. Management Policy

Medium to Long-term Management Strategies

The Tokuyama Group has positioned the following medium- to long-term management strategies as the driving force behind its business activities. The goal is to carry out each of these strategies by fiscal 2025.

Management Strategies

■ Transition to a robust business structure that is resilient against changes in its operating environment and capable of sustainable growth

- Growth businesses: Become a global leader in advanced materials through unique technologies
- Traditional businesses: Become a leader in Japan in each of the Cement and Chemicals businesses through strengthening competitiveness

■ Transition to a Group-wide low-cost structure by undertaking a comprehensive review of existing work practices

2. Management Policy

Rebuild Business Strategies

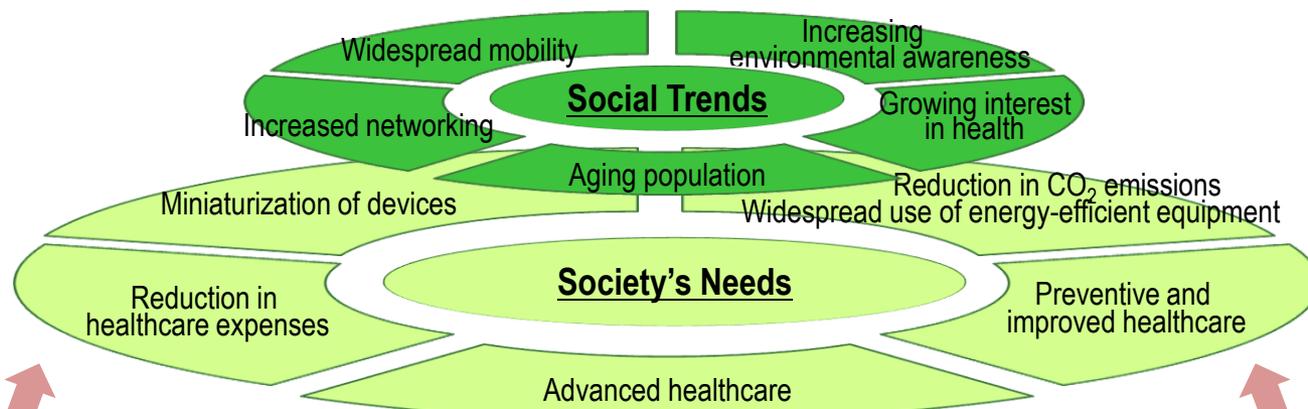
Strive toward definitive profit growth by becoming a global leader in advanced materials through unique technologies in growth businesses. Work to become a leader in traditional businesses in Japan by strengthening competitiveness and overcome competition in the domestic general-purpose product market.

	Aspirations	Means of Achieving Goals	Key Management Indicators
<p><u>Growth Businesses</u></p> <p>(Specialty Products Life & Amenity New businesses)</p>	<p>Become a global leader in advanced materials through unique technologies</p> <ul style="list-style-type: none"> • Thoroughly understand customers' needs, and meet requirements through unique technologies 	<ul style="list-style-type: none"> ■ Adhere strictly to customer-oriented business activities ■ Utilize open innovation ■ Leverage alliances ■ Review the research and development structure 	<p>EBITDA growth rate</p>
<p><u>Traditional Businesses</u></p> <p>(Chemicals Cement)</p>	<p>Become a leader in Japan through strengthening competitiveness</p> <ul style="list-style-type: none"> • Overcome competition in the general-purpose products market • Become an entity that maintains a thirst for increased efficiency 	<ul style="list-style-type: none"> ■ Adopt a stringent approach toward maintaining and renewing investments; undertake strategic investments aimed at strengthening competitiveness ■ Increase the efficiency of repairs and maintenance expenses by shortening the periods of periodic maintenance ■ Strengthen cross-departmental improvement activities ■ Leverage alliances 	<p>ROA, Cash conversion cycle (CCC)</p>

2. Management Policy

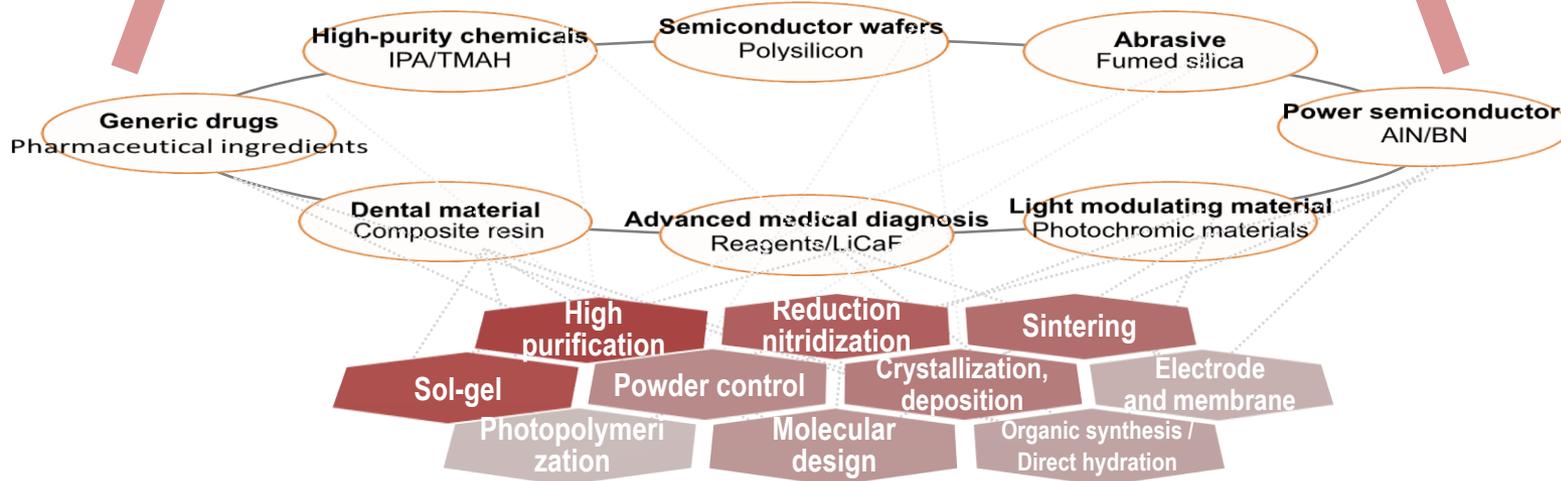
Steadily Expand Growth Businesses

Utilize the Company's unique technologies that draw on capabilities nurtured in advanced fields and develop products that address the needs of society



Addressing society's needs

Addressing society's needs



Tokuyama's Unique Technologies

3 Medium-Term Management Plan

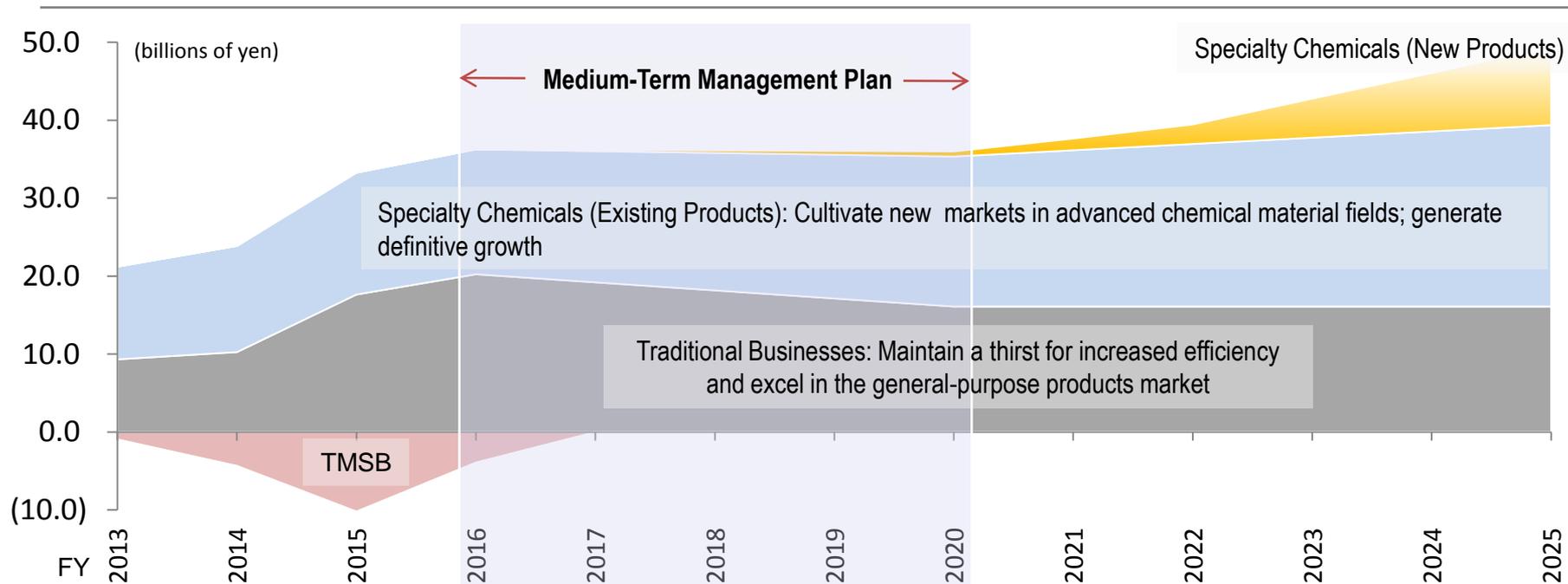
3. Medium-Term Management Plan

Outline of the Plan

Medium-Term Management Plan Cornerstone of the Group's Revitalization

Positioning of the Plan	The Medium-Term Management Plan has been set up as a milestone toward achieving the Group's aspirations. Through implementing the Plan, the Tokuyama Group will lay the cornerstone for the Group's revitalization. Period: From April 1, 2016 to March 31, 2021
Priority Issues	(1) Change the Group's organizational culture and structure (2) Rebuild the Group's business strategies (3) Strengthen Group management (4) Improve the Company's financial position

Consolidated Operating Income Trend



3 Medium-Term Management Plan

3. Medium-Term Management Plan

Target Indicators

Set numerical targets for FY2020 as a milestone toward achieving the Group's aspirations in FY2025

Numerical Targets under the Medium-Term Management Plan

		<u>FY2015</u>		<u>FY2020 Target</u>
Net sales		¥307.1 billion	Emphasize quality over quantity	¥335.0 billion
	Operating income	¥23.0 billion	Shift toward high-value-added products and reduce costs	¥36.0 billion
ROA		5.7%	Realize Tokuyama Factory's potential	10%
	Operating margin	7.5%	Pursue a thirst for increased efficiency	10%
	Total asset turnover	0.77 times	Promote improvements through various measures including efforts to shorten the periods of periodic maintenance	1.0 times
Financial indicators	CCC	69 days	Reduce inventories, improve trading terms and conditions	55 days
	D/E ratio	4.7	Promote improvement by building up profits and utilizing external capital	1.0

Note 1: Cash Conversion Cycle (CCC): Accounts receivable turnover period + Inventory turnover period – Accounts payable turnover period;
ROA: Operating income / Total assets

(Assumptions)

Exchange rate : ¥110/US\$

Domestic naphtha price : ¥58,000/kl

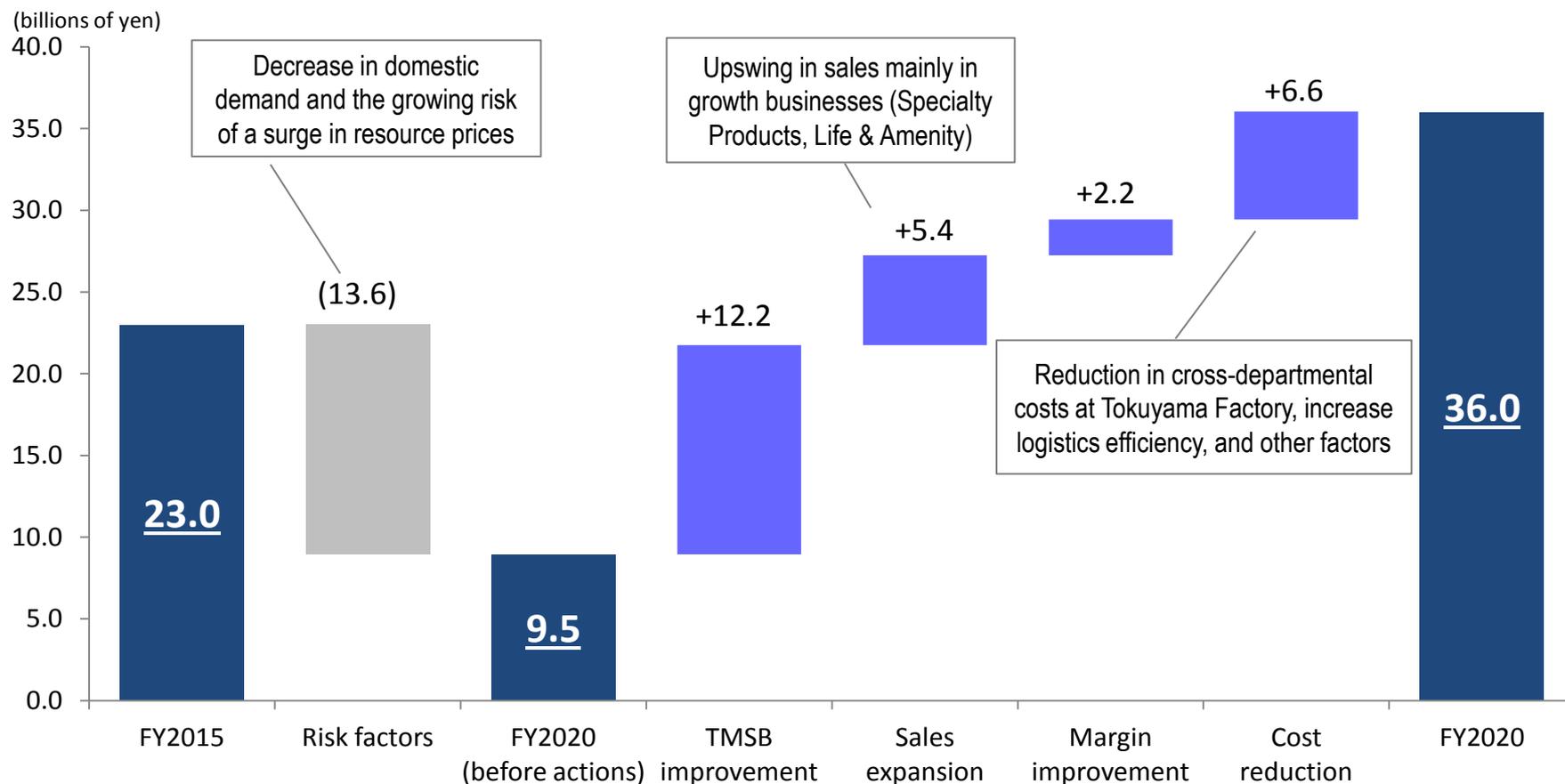
3 Medium-Term Management Plan

3. Medium-Term Management Plan

Changes in Operating Income by Factor

Build up the effects of measures implemented by each department including those taken in the Specialty Products segment and cost reduction efforts at Tokuyama Factory, and target operating income of ¥36.0 billion in the lead-up to FY2020

Changes in Operating Income by Factor

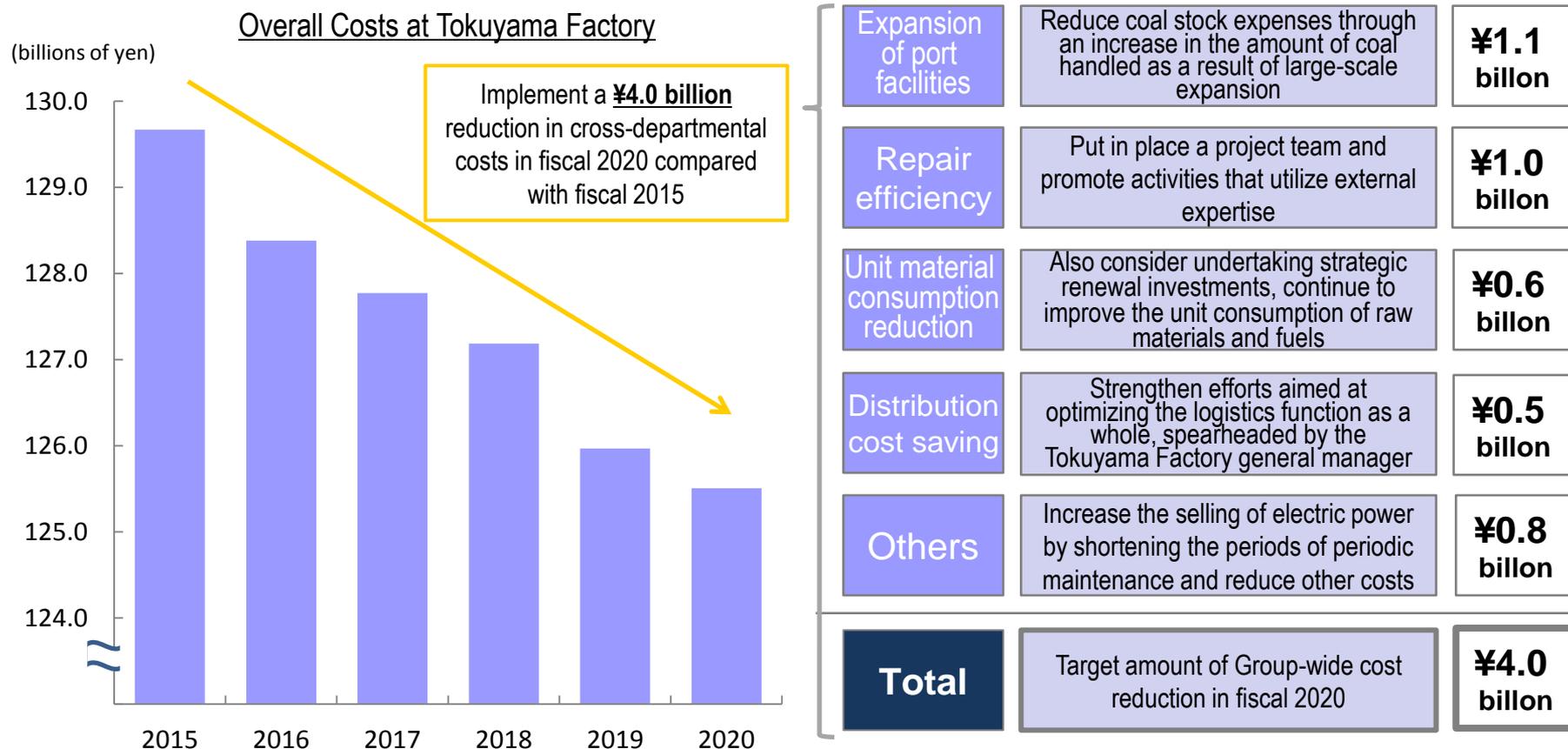


3 Medium-Term Management Plan

3. Medium-Term Management Plan Cross-Departmental Cost Reduction Activities

Adopt a cross-departmental approach that differs from conventional methods and work to reduce costs by undertaking strategic capital expenditures as a part of efforts to cutback principal costs including raw material, fuel, repairs and maintenance, and distribution expenses

Cross-Departmental Cost Reduction at Tokuyama Factory

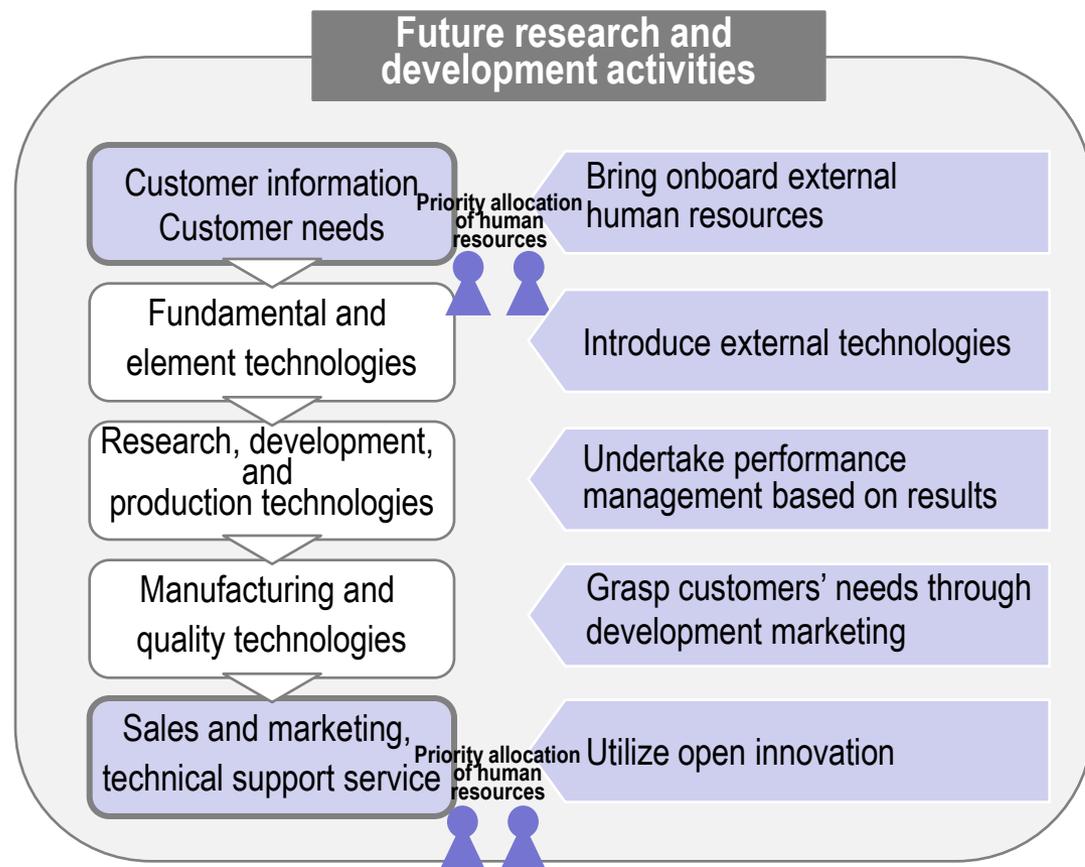


3 Medium-Term Management Plan

3. Medium-Term Management Plan

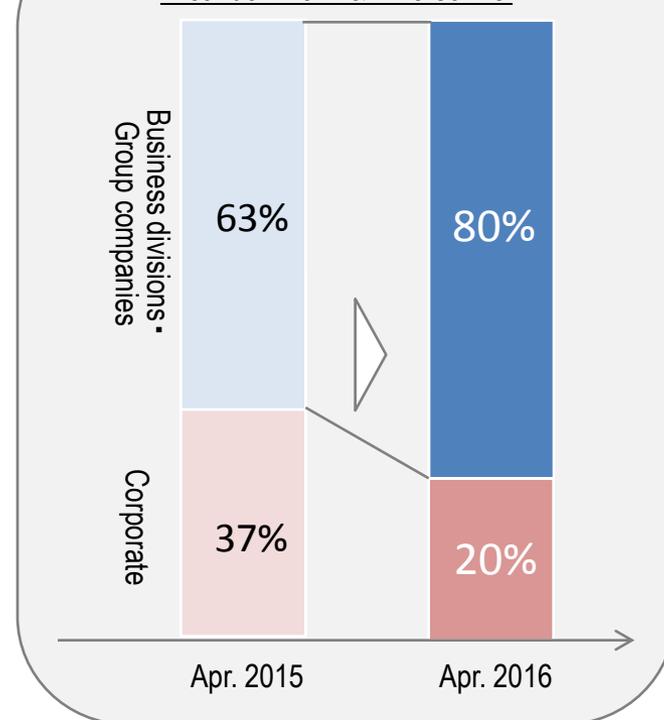
Make changes to the Group's research and develop structure to better reflect the needs of customers as a part of efforts to expand existing businesses and develop opportunities in new areas by utilizing its unique technologies

Research and Development



Optimize the allocation of human resources

Breakdown of R&D Personnel



Promote customer-oriented research and development as well as development marketing

3 Medium-Term Management Plan

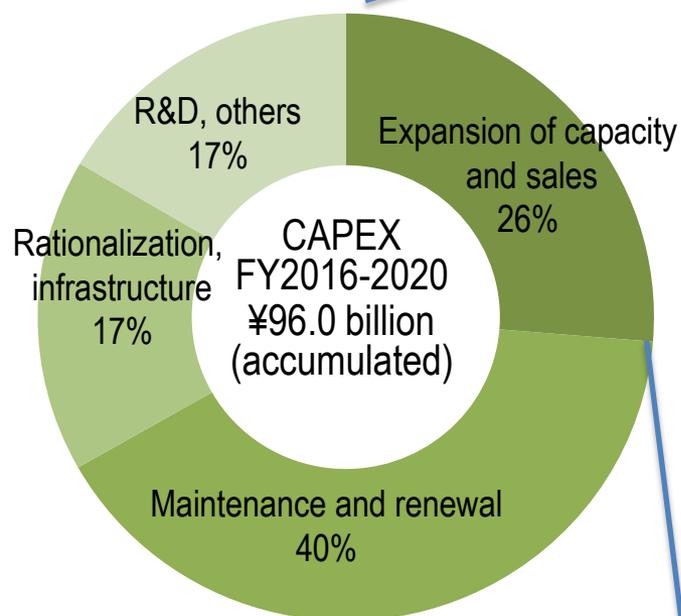
3. Medium-Term Management Plan

Capital Expenditure Plan and Strategic Investment Limit

Build a platform for growth by allocating 26% of capital expenditures to the construction of new and additional facilities. At the same time, set aside a separate amount of ¥20.0 billion for strategic investments aimed at expanding growth businesses and enhancing the competitiveness of traditional businesses.

CAPEX Plan

(FY2016 – FY2020: ¥96.0 billion)

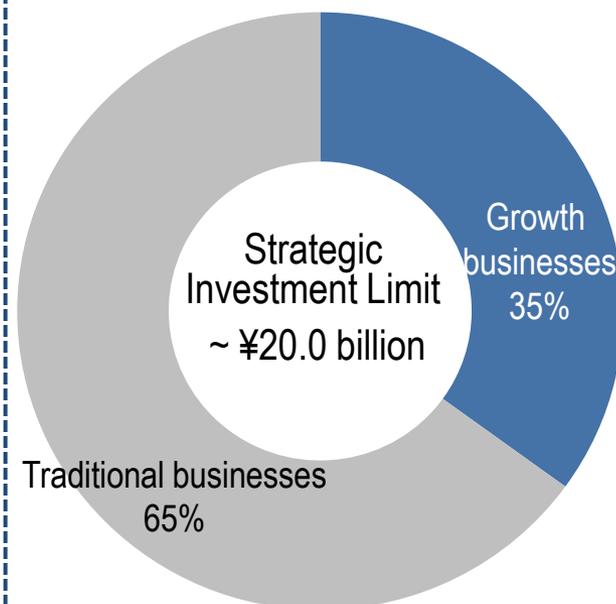


Major Capital Investment Plans

- Expand shipping and receiving facilities (Shunan Bulk Terminal)
- Expand the coal storage and waste acceptance facilities of Tokuyama Factory
- Investments aimed at increasing the quality of polysilicon
- Investments aimed at increasing the quality of IPA-SE
- Investments aimed at upgrading and expanding heat dissipation materials
- Investments aimed at upgrading and expanding healthcare-related products
- Introduction of the latest polyolefin film facilities (Sun・Tox)
- Investments aimed at increasing the quality of microporous film

Strategic Investment Limit

(~ ¥20.0 billion)



3 Medium-Term Management Plan

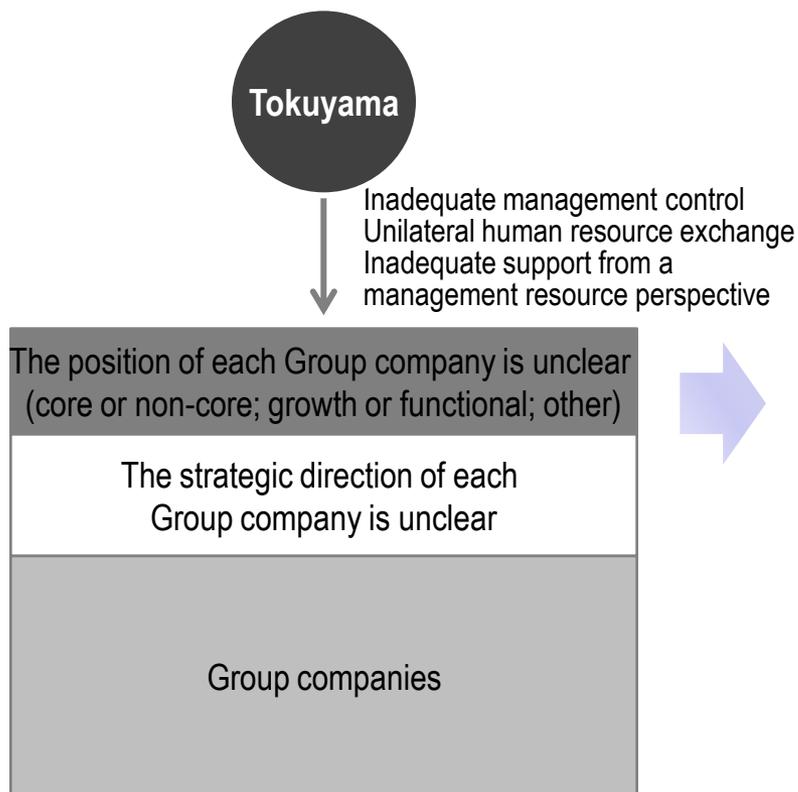
3. Medium-Term Management Plan

Strengthen Group Management

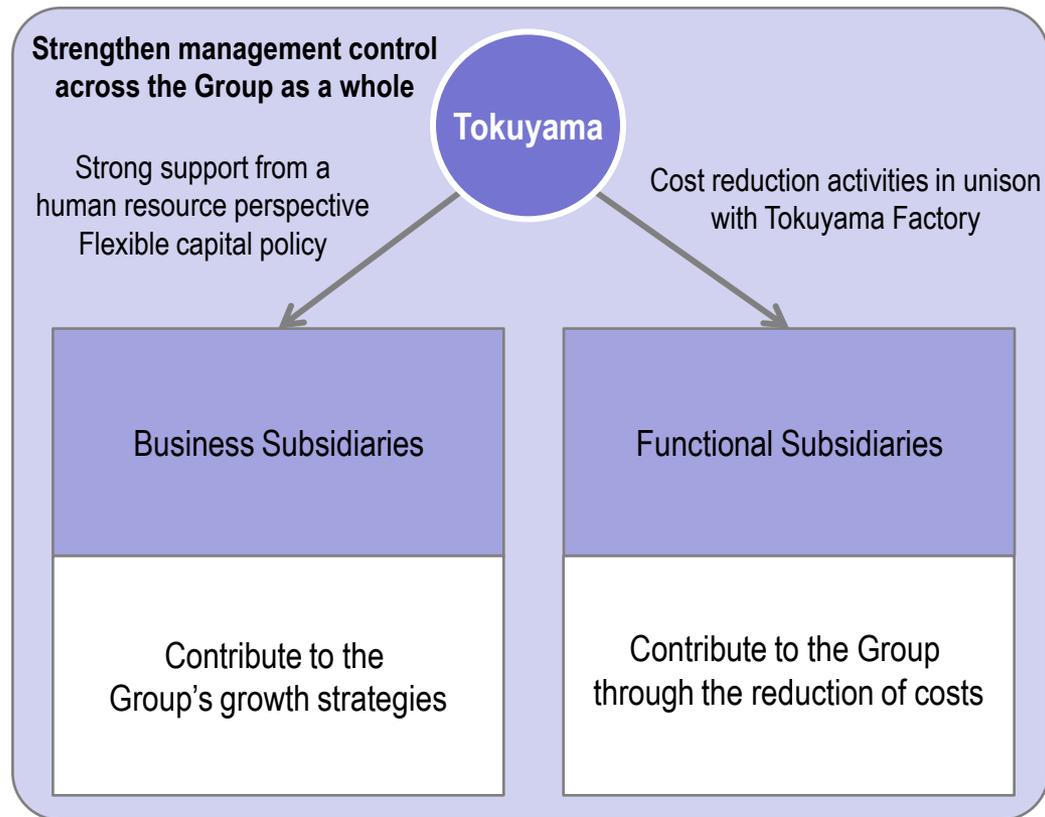
Take steps to again clarify the position of each company within the Group. Call on each Group company to boost its contributions toward carrying out the Group's growth strategies and reducing costs while further strengthening management control of the Group as a whole

Clarify the position of each company within the Group and its expected role

Conventional Group Management



Ideal Group Management



3. Medium-Term Management Plan

Tokuyama Malaysia

Schedule Going Forward

		FY2015 (ending Mar-16)	FY2016 (ending Mar-17)	FY2018 (ending Mar-19)
 <p>Tokuyama Malaysia</p>	P S 1	Consider promoting effective use	Utilize as a backup for PS-2	
	P S 2	(Posted impairment loss in 3Q)	Implement cost reduction	Achieve profitable operations

Tokuyama Malaysia Business Plan

(Billions of yen)

Net sales	8.8	11.0	18.0
Operating income	(10.2)	(4.0)	2.0
Spot price of solar-grade polysilicon	US\$14.6./kg	US\$13.5/kg	US\$15.0/kg
Sales Qty	5,000 tonnes	8,000 tonnes	11,000 tonnes
Exchange rate (¥/US\$)	120	110	110
Exchange rate (¥/MYR)	30	28	28

4. Financial Strategy

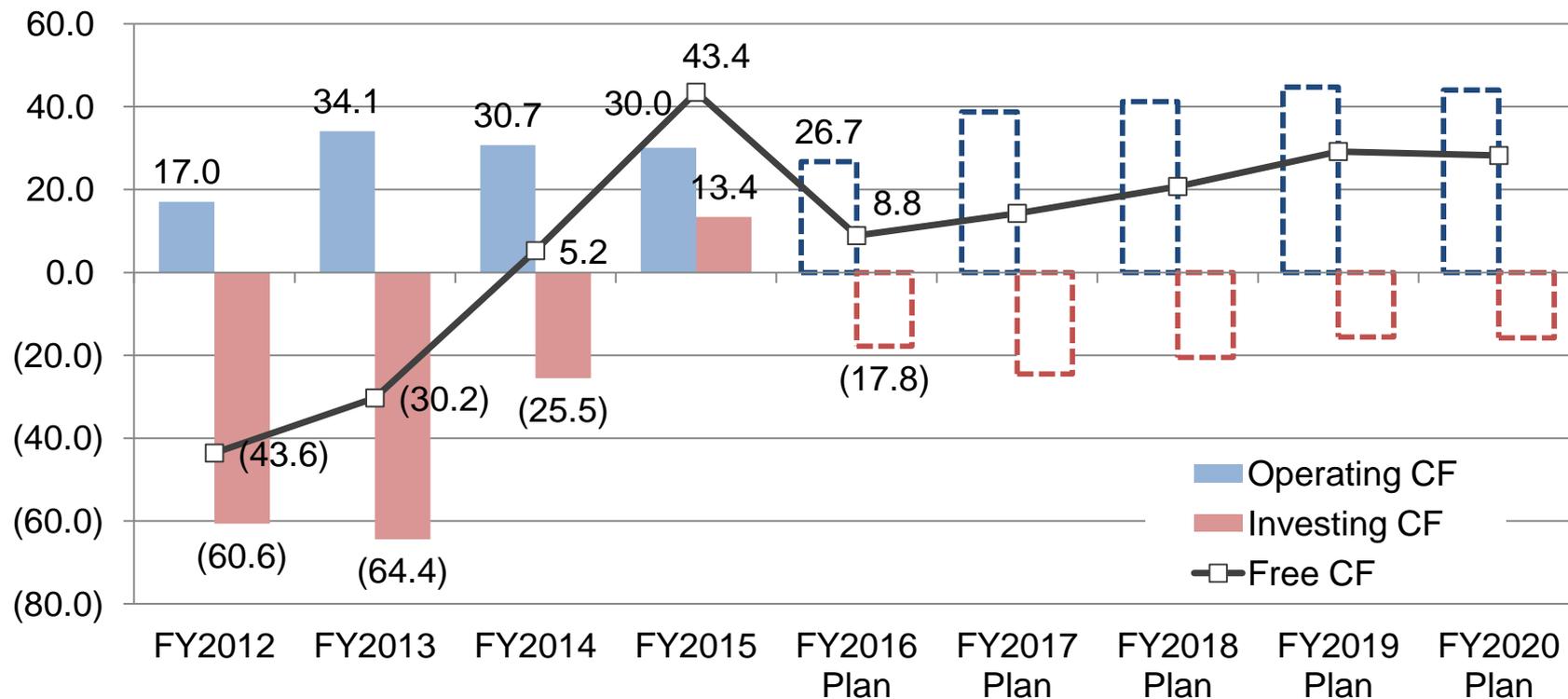
Cash Flow Plan

Posted cash inflows of ¥28.7 billion from the sales of assets and investment securities in fiscal 2015. Continue to secure stable free cash flows by undertaking certain activities including the increase of business profits and the control of investments.

Cash Flow Trend

(Billions of yen)

*In addition to the below, we plan to utilize strategic investment limit of ¥20 billion



4. Financial Strategy

Issuance of Classified Stock (Preferred Stock)

Issue A-classified stock in a total amount of ¥20.0 billion in order to quickly rebuild a stable financial platform and put in place a robust business operating structure that is capable of carrying out the new Medium-Term Management Plan.

A-classified stock to be issued to Japan Industrial Solutions Fund 1.

Objectives for the Issuance of Classified Stock

1	Strengthen the Group's financial platform	<ul style="list-style-type: none">• Address substantial deterioration in the Company's net assets due to impairment losses on Tokuyama Malaysia PS-1 and PS-2• Quickly address the Company's thin capital base and secure a robust business operating structure
2	Secure strategic investment funds	<ul style="list-style-type: none">• Secure strategic investment funds aimed at expanding growth businesses and enhancing the competitiveness of traditional businesses• Undertake investments totaling ¥9.5 billion in capital expenditures aimed at expanding sales of advanced materials, ¥4.8 billion in rationalization expenditures aimed at increasing the competitiveness of Tokuyama Factory, and ¥5.4 billion in M&As

4. Financial Strategy

Issuance of Classified Stock (Preferred Stock)

Avoid the favorable issuance and stock that may have a dilutive effect as much as possible. Design the issuance of stock that takes into consideration existing shareholders

Features of the Design of Classified Stock

JIS put option restricted to a period of three years after issuance	<ul style="list-style-type: none"> In principle, JIS cannot exercise its common stock, monetary, and B-classified stock put options until July 1, 2019 Tokuyama plans to redeem the amount in full after putting in place a robust financial platform through the buildup of profits
Terms and conditions allow for conversion to advantageous C-classified stock	<ul style="list-style-type: none"> Tokuyama holds a right of conversion allowing the Company to convert stock to C-classified stock, which has a lower dividend yield and redemption premium compared with A-classified stock in the event that the amount available for distribution is a certain amount or more* after March 31, 2018
The Company's call option takes preference	<ul style="list-style-type: none"> The Company's call option will take preference within the scope of the amount available for distribution even in the event JIS exercised its common stock put option
Partial redemption is allowed	<ul style="list-style-type: none"> Partial redemption in lots of ¥5.0 billion is allowed. Monetary redemption is allowed on a flexible basis depending on financial conditions

*The number of A-classified stock outstanding × ¥1 million + ¥40 billion or more

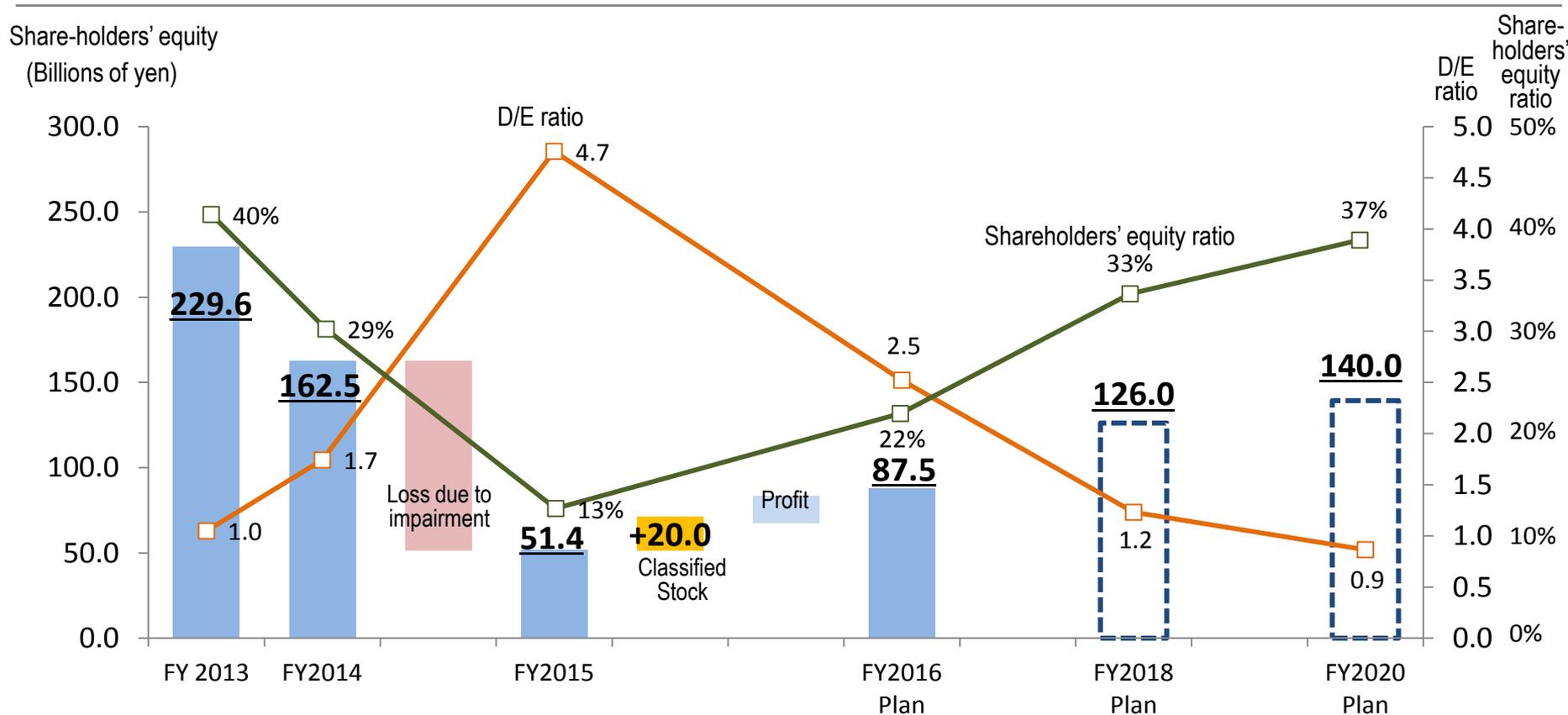
4. Financial Strategy

Shareholders' Equity and Interest-Bearing Debt

Promote the reduction of interest-bearing debt as previously planned.

Quickly address the substantial deterioration in the Company's shareholders' equity attributable to two consecutive periods of net loss through the sale of assets, buildup of business profits, and the issuance of classified stock totaling ¥20.0 billion

Shareholders' Equity and Financial Index Trend



4. Financial Strategy

Basic Policy for Profit Distribution and Dividends

After taking into consideration the negative impact on net assets after posting a net loss and the decision to prioritize efforts aimed at restoring the Company's sound financial position, after accounting for business risks, Tokuyama deeply regrets that it has decided to forego the payment of a year-end dividend for the fiscal year under review.

For the reasons stated above, we have also decided to forego the payment of an interim and year-end dividend for the next fiscal year. Tokuyama is committed to quickly restoring its financial condition and to securing stable earnings power. We will work diligently to ensure a resumption in the payment of dividends to shareholders at the earliest possible opportunity.

In Closing

Tokuyama's Medium-Term Management Plan as well as its associated financial strategies was determined in a bid to further enhance the Company's shareholder value after extensive deliberation at meetings of the Board of Directors.

In order to achieve its Medium-Term Management Plan and to implement the appropriate financial strategies, Tokuyama will also review its corporate governance structure and systems going forward.

As we work toward achieving our goals, we sincerely ask for the continued support and understanding of shareholders and investors.