

A New Year's Message(Summary)

I would like to wish all of Tokuyama's stakeholders a very happy New Year.

After Tokuyama posted an impairment loss of 123.4 billion yen in connection with the second plant at Tokuyama Malaysia Sdn. Bhd. in the third quarter of the fiscal year ended March 31, 2016, we laid out a roadmap for rebuilding the Company and successfully implemented a wide range of independent initiatives aimed at its restructuring over the past year. They included moving the Tokyo Head Office, transferring certain head office functions, formulating a new medium-term management plan and the Tokuyama Vision, decreasing the Company's capital stock, and issuing preferred shares. Then from July onward, we worked to boost the earning power of the Tokuyama Group, which involved reorganizing a number of group companies and concluding an agreement to transfer shares of Tokuyama Malaysia Sdn. Bhd. to the South Korean-based OCI Corporation. As a result of those efforts, earnings climbed steadily in the first half of the current fiscal year, and we finally reached the starting line of our corporate reconstruction.

This year will provide opportunities for the Tokuyama Group to prove its true strength. Therefore, under the Tokuyama Vision, we are striving to make the Group a leader in its traditional businesses in Japan and a global leader in advanced materials. To accomplish those aspirations, we will work to make steady progress in implementing drastic reforms, listed below.

- We will switch to a robust and low-cost structure that can generate sustainable growth by stepping up our Bright-II cost-reduction initiative at the Tokuyama Factory and achieving our goals for return on assets (ROA) and the cash conversion cycle (CCC).
- We intend to enhance marketing with an integrated production, sales and development system, improve our ability to create businesses and generate earnings, and incorporate best practices from those efforts to reform our corporate culture.
- Recognizing that plant-maintenance technologies are the most important for enhancing our competitiveness, we will work to improve our organizations and functions related to plant maintenance.
- Accident prevention and environmental conservation are top priorities in the manufacturing industry. Regrettably, however, last year at the Tokuyama Factory there was one accident requiring employees to take time off along with two more accidents that required no time off. Therefore, we are strengthening our resolve to ensure that no workplace accidents or injuries happen while always keeping in mind that human resources training is of key importance.

Tokuyama will celebrate its centennial anniversary in February 2018. While we have overcome the critical challenges we faced in the recent past, we recognize that it will be crucial this year to make solid progress toward laying a foundation for revitalizing the Tokuyama Group and creating a new corporate culture. Therefore, all of the Group's officers and employees are committed to working together to make 2017 a very productive year, we kindly request the continued support and understanding of all stakeholders.

Hiroshi Yokota
President
January 4, 2017