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April 28, 2017

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President and Representative Director

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Notice concerning Acquisition and Cancellation of Class A Shares and Change in the Usage of Funds Related to Issuance of Class A Shares

Tokuyama Corporation (hereinafter referred to as the “Company,” “Tokuyama” or “we”) hereby announces that the Board of Directors of the Company, at its meeting held on April 28, 2017, made a resolution to acquire all of the Class A shares issued by the Company (total paid-in amount: 20 billion yen) in exchange for cash in accordance with the provisions of Article 6-2, paragraph 5 of the Company’s Articles of Incorporation (call options, the consideration for which is cash) and cancel the shares on condition of the acquisition thereof in accordance with the provisions of Article 178 of the Companies Act. Furthermore, the Company also announces that, in line with the acquisition of the Class A shares, it has determined to change the usage of funds procured in relation to the issuance of Class A shares, which was announced in “Notice concerning Issuance of Class Shares by Third-Party Allotment, Partial Amendments to the Articles of Incorporation, Reduction of Amounts of Capital Stock, Legal Capital Surplus and Legal Retained Earnings, Appropriation of Surplus, and Reduction of Capital Stock and Legal Capital Surplus Concurrent with Issuance of Shares” as of May 12, 2016, as follows.

1. Reason for Acquisition and Cancellation

We aimed to expand the polysilicon business at Tokuyama Malaysia Sdn. Bhd., our consolidated subsidiary, (hereinafter referred to as “Tokuyama Malaysia”). However, due to the failure to ensure the stabilization of the quality and productivity of semiconductor-grade polysilicon and a worsening business environment caused by a slump in the market of solar-grade polysilicon, we posted large impairment losses for the manufacturing facilities for both grades as a result of considering investment collectability. As a result, consolidated net assets decreased significantly. Hence, as described in “Notice concerning Issuance of Class Shares by Third-Party Allotment, Partial Amendments to the Articles of Incorporation, Reduction of Amounts

of Capital Stock, Legal Capital Surplus and Legal Retained Earnings, Appropriation of Surplus, and Reduction of Capital Stock and Legal Capital Surplus Concurrent with Issuance of Shares” as of May 12, 2016, to quickly restore the trust of our stakeholders, including business partners with whom we have had close transactions for a long time, it is imperative for us to reinforce the deteriorated shareholders’ equity and strengthen the financial platform. Accordingly, the Company issued a total of 20 billion yen of Class A shares to Japan Industrial Solutions Fund I (hereinafter referred to as “JIS”) on June 27, 2016.

Then, the medium-term management plan beginning in FY2016 started with its highest-ever operating profit recorded, largely thanks to lower prices of raw materials in addition to implementation of operational measures in line with the positioning of each business, execution of cross-business measures for strengthening the competitiveness of the Tokuyama Factory, promotion of cost reduction and others. Consolidated profit attributable to owners of parent amounted to 52.1 billion yen, and is expected to be 13.0 billion yen for FY2017. Moreover, the Company now has the prospect of selling Tokuyama Malaysia, and expects to accordingly recover and enhance consolidated net assets that were decreased, by further promoting the medium-term management plan and steadily generating revenue.

Based on the above, the Company has judged that acquisition and cancellation of all of Class A shares have now come into sight.

With this acquisition and cancellation of Class A shares, the Company can avoid increases in the future financial burden associated with dividend payment on Class A shares and in the amount of redemption caused by a rise in the redemption coefficient.

2. Contents of Acquisition

(1) Class of shares to be acquired	Class A shares
(2) Counterparty to the acquisition (shareholder)	JIS
(3) Total number of shares to be acquired	20,000 shares
(4) Acquisition price of shares	1,081,301.4 yen per share

(Note) The above acquisition price is the amount determined by adding the Class A daily prorated unpaid dividends (11,301.4 yen) to the amount that is calculated by multiplying the amount equivalent to the paid-in amount per Class A share (1,000,000 yen) by the redemption coefficient of 1.07. This amount has been calculated on the assumption that there is no amount equivalent to Class A accumulated unpaid dividends, since preferred dividends for Class A for the fiscal year ended March 31, 2017 (38,082.2 yen per Class A share) will be resolved at the Company’s Ordinary General Meeting of Shareholders scheduled to be held in June 2017 and paid.

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|-------------------------------------------------|--------------------|
| (5) Total amount of acquisition price of shares | 21,626,028,000 yen |
| (6) Date of notification to the shareholder | April 28, 2017 |
| (7) Acquisition date | June 14, 2017 |

3. Details of Cancellation

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|--------------------------------------------|----------------|
| (1) Class of shares to be cancelled | Class A shares |
| (2) Total number of shares to be cancelled | 20,000 shares |
| (3) Effective date of cancellation | June 14, 2017 |

This cancellation is subject to the condition that the Company acquires the Class A shares in accordance with 2. above.

4. Change in the Usage of Funds

(1) Reason for the change

Because the Company's performance has improved considerably due to the implementation of business measures and cost reduction and partly attributable to a change in the external environment, it will redeem Class A shares earlier than initially assumed. Consequently, 15,647 million yen has not been appropriated. With regard to this amount that has not yet been appropriated, the Company has decided to change the usage of the funds as of today and appropriate them to part of funds for the acquisition of Class A shares (hereinafter referred to as the "Change").

In line with the Change, the Company will use funds in hand for purposes of funds to which the proceeds from the issuance of Class A shares will not be appropriated.

(2) Contents of the change

[Before the change]

	Specific usage	Amount (million yen)	Planned time of spending
(i)	Investment for introduction and expansion of equipment to realize higher quality and improve productivity toward increasing sales of advanced materials	<u>9,500</u>	July 2016 to <u>June 2018</u>
(ii)	Investment for maintenance and renewal of machinery and equipment, etc., rationalization and others to improve the competitiveness of the Tokuyama Factory	<u>4,800</u>	July 2016 to <u>June 2019</u>
(iii)	Strategic investment in M&A, etc. that will lead to the establishment of stable markets overseas and industrial reorganization.	<u>5,400</u>	July 2016 to <u>June 2019</u>

[After the change]

	Specific usage	Amount (million yen)	Planned time of spending
(i)	Investment for introduction and expansion of equipment to realize higher quality and improve productivity toward increasing sales of advanced materials	<u>1,989</u>	July 2016 to <u>April 2017</u>
(ii)	Investment for maintenance and renewal of machinery and equipment, etc., rationalization and others to improve the competitiveness of the Tokuyama Factory	<u>2,064</u>	July 2016 to <u>April 2017</u>
(iii)	Strategic investment in M&A, etc. that will lead to the establishment of stable markets overseas and industrial reorganization.	<u>0</u>	July 2016 to <u>April 2017</u>
(iv)	<u>Funds for acquisition of Class A shares</u>	<u>15,647</u>	<u>June 2017 (Planned)</u>

5. Impact on performance

The impact of the acquisition and cancellation of Class A shares and a change in the usage of funds on the Company's and its consolidated performance is immaterial.