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## **Notice Concerning the Procurement of Funds through a New Subordinated Loan and the Early Repayment of an Existing Subordinated Loan**

Tokuyama Corporation (hereinafter “the Company,” “Tokuyama” or “we”) today announces that its Board of Directors, at a meeting held on August 29, 2018, had decided to procure funds totaling ¥60 billion by drawing down a new subordinated loan (hereinafter the “New Subordinated Loan”) and to prepay an existing subordinated loan (hereinafter the “Existing Subordinated Loan”) concluded on March 20, 2014. Brief details are presented as follows.

### 1. Objective and Significance of the New Subordinated Loan

This New Subordinated Loan helps enhance the flexibility of the Company’s financial strategy by further diversifying refinancing methods and reducing financial expenses while fulfilling the replacement clause\*1 of the Existing Subordinated Loan.

In similar fashion to the Existing Subordinated Loan, it is expected that ratings agencies (Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.) will recognize the New Subordinated Loan as having equity credit attributes. This will then help in maintaining the continued financial soundness of the Company. Moreover, procuring funds in this manner will not lead to any subsequent dilutive effect on Tokuyama’s shares because the New Subordinated Loan does not include any conversion rights into common stock. Taking into consideration the financial market’s positive environment compared with conditions at the time the Existing Subordinated Loan was concluded, the potential also exists to reduce financial expenses.

\*1 A clause to the effect that Tokuyama will procure funds within a 12-month period before the date on which it will make an early repayment that have been approved by ratings agencies as having equity credit attributes equal to or greater than the Existing Subordinated Loan in the case of an early repayment of the Existing Subordinated Loan.

## 2. Overview of the New Subject Subordinated Loan

A final decision regarding the terms and conditions of the New Subordinated Loan is scheduled to be made on September 13, 2018. Tokuyama is currently considering the following terms and conditions. The Company will disclose all pertinent details as and when determined in a timely manner.

Total amount of the funds to be procured (planned):	¥60 billion
Scheduled date of agreement execution:	September 13, 2018
Scheduled drawdown date:	September 20, 2018
Application of funds:	Early repayment of the Existing Subordinated Loan
Scheduled final repayment date:	September 20, 2078 However, Tokuyama may make an early repayment of all or a portion of the principal of the New Subordinated Loan on any interest payment date on a date five years or later after the drawdown of the New Subordinated Loan.
Replacement clause:	<p>In the case of an early repayment of the New Subordinated Loan, Tokuyama intends to procure funds, within a six-month period before the date on which it will make that early repayment, that have been approved by ratings agencies as having equity credit attributes equal to or greater than the New Subordinated Loan. However, the Company may make an early repayment of the New Subordinated Loan five years or later after the drawdown of the New Subordinated Loan except in those cases that satisfy any of the following:</p> <ol style="list-style-type: none"><li>(1) The amount of shareholders' equity in the Company's most recent consolidated balance sheet at the time the announcement to make an early repayment is made stands at ¥179.2 billion or more, and</li><li>(2) The Company's D/E ratio based on its most recent consolidated balance sheet at the time the announcement to make an early repayment is made comes in at 0.9 times or less</li></ol>

### 3. Details of Early Repayment of the Existing Subordinated Loan

Scheduled date of early repayment:	September 20, 2018
Planned early repayment amount:	¥60 billion
Matters relating to early repayment:	In accordance with the early repayment clause of the Existing Subordinated Loan, repayment is based on the consent of all lenders prior to the possible early repayment date of March 20, 2019

For further details on the Existing Subordinated Loan, please refer to the release, “Notice concerning the Procurement of Funds through a Subordinated Loan,” on March 11, 2014.

### 4. Impact on the Company’s Performance

The impact of the aforementioned activities on the Company’s consolidated performance forecasts for the fiscal year ending March 31, 2019 is minimal.