

Q2 FY2017 - Apr 1, 2017 to Sep 30, 2017 -

Presentation for IR Meeting

Tokuyama Corporation

October 27, 2017



Key points of the second quarter of fiscal 2017

- Consolidated results in the second quarter of fiscal 2017 (from July to September) have performed robustly and the net profit/loss returned to profitability, which was a loss in first quarter of fiscal 2017. The current progress is better than the initial plan, and interim dividends will be distributed as planned.
- Electronic materials such as polycrystalline silicon and IC chemicals have performed well in active semiconductor market.
- Chemicals including Chlor-Alkali Business have remained brisk due to the tight supply-demand balance especially in Asian markets.
- Efforts to achieve objectives in Medium-Term Management Plan such as reducing interest-bearing debt and investments for future growth are also making steady progress.

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- 1 Financial Results for Q2 FY2017
- 2 Performance Forecasts for FY2017
- 3 Topics
- 4 Supplementary Data

Regarding the calculation of operating profit, "Cost of idle operations" is included in "Cost of sales" from this fiscal year, and for previous fiscal year it was reclassified from "Non-operating expenses" to "Cost of sales".

1 Financial Results for Q2 FY2017

1. Financial Highlights
2. Net Sales / Operating Profit by Business Segment
3. Changes in Operating Profit
4. Changes in Net Sales / Operating Profit by Business Segment



1. Financial Highlights Consolidated (year-on-year change)

(Billions of yen)

	Q2 FY2016	Q2 FY2017	Difference	
			Amount	%
Net sales	142.5	146.1	+3.5	+3
Operating profit	17.6	18.8	+1.2	+7
Ordinary profit	14.5	15.6	+1.1	+8
Profit attributable to owners of parent	18.4	0.1	(18.2)	(99)

Basic earnings per share (yen)	261.42	(20.87)
Exchange rate (¥/\$)	105	111
Domestic naphtha price (¥/kl)	31,400	37,700

Basic earnings per share is the amount after consideration of share consolidation

Qualitative information

(Net sales)

Plus: increased sales volume in major products such as cement and revision in selling prices of caustic soda and petroleum products.

(Operating profit)

Plus: increased sales volume in major products and revision in selling prices

Minuses: upturn in fuel and raw material costs

(Ordinary profit)

Plus: increased operating profit

(Profit attributable to owners of parent)

Minus: posting loss on the business transfer of Tokuyama Malaysia and profit attributable to non-controlling interests

1. Financial Highlights Consolidated (compared with the previous fiscal year-end)

(Billions of yen, except Shareholders' equity ratio and D/E ratio)

	As of Mar 31, 2017	As of Sep 30, 2017	Changes
Total assets	424.4	361.6	(62.7)
Shareholders' equity	127.0	106.3	(20.6)
Shareholders' equity ratio	29.9%	29.4%	(0.5) pts
Interest-bearing debt	213.9	167.5	(46.4)
D/E ratio	1.68	1.58	(0.11)
Net D/E ratio*	0.73	0.90	+0.18
Net assets per share (yen)	1,527.42	1,528.48	

* Net assets per share is amount after consideration of share consolidation

*Net D/E ratio: (Interest-bearing debt – Cash and deposits, Cash equivalents)/Shareholders' equity

Qualitative information

(Total assets)

Decrease factor: decrease in cash and deposits

(Shareholders' equity)

Decrease factor: decrease in shareholders' equity as a result of cancellation of class shares

(Interest-bearing debt)

Decrease factor: execution of a trust-type debt assumption agreement with a bank
decrease in long-term loans payable and current portion of long-term loans payable owing mainly to normal scheduled repayment together with repayments in advance

2. Net Sales/Operating Profit by Business Segment

(Year-on-year change)

(Billions of yen)

	Q2 FY2016		Q2 FY2017		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	38.9	5.9	43.3	6.9	+4.3	+12	+0.9	+17
Specialty Products	31.6	3.3	27.2	4.3	(4.3)	(14)	+1.0	+30
Cement	39.5	3.7	42.5	2.2	+2.9	+7	(1.4)	(40)
Life & Amenity	25.6	2.8	25.3	1.4	(0.3)	(1)	(1.3)	(47)
Others	25.8	2.6	26.6	3.1	+0.7	+3	(0.4)	+18
Total	161.7	18.5	165.1	18.2	+3.3	+2	(0.3)	(2)
Inter-segment eliminations and corporate-wide expenses	(19.1)	(0.8)	(18.9)	0.6	+0.1	-	+1.5	-
Consolidated results	142.5	17.6	146.1	18.8	+3.5	+3	+1.2	+7

(Note) Net sales and operating profit shown above include inter-segment transactions.

(Reference) Q2 FY 2017 is the amount from April 2017 to May 2017, on the other hand, Q2 FY 2016 is the amount from April 2016 to September 2016.

Tokuyama Malaysia	7.5	(0.9)	1.6	(0.6)	(5.9)	-	+0.2	-
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3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

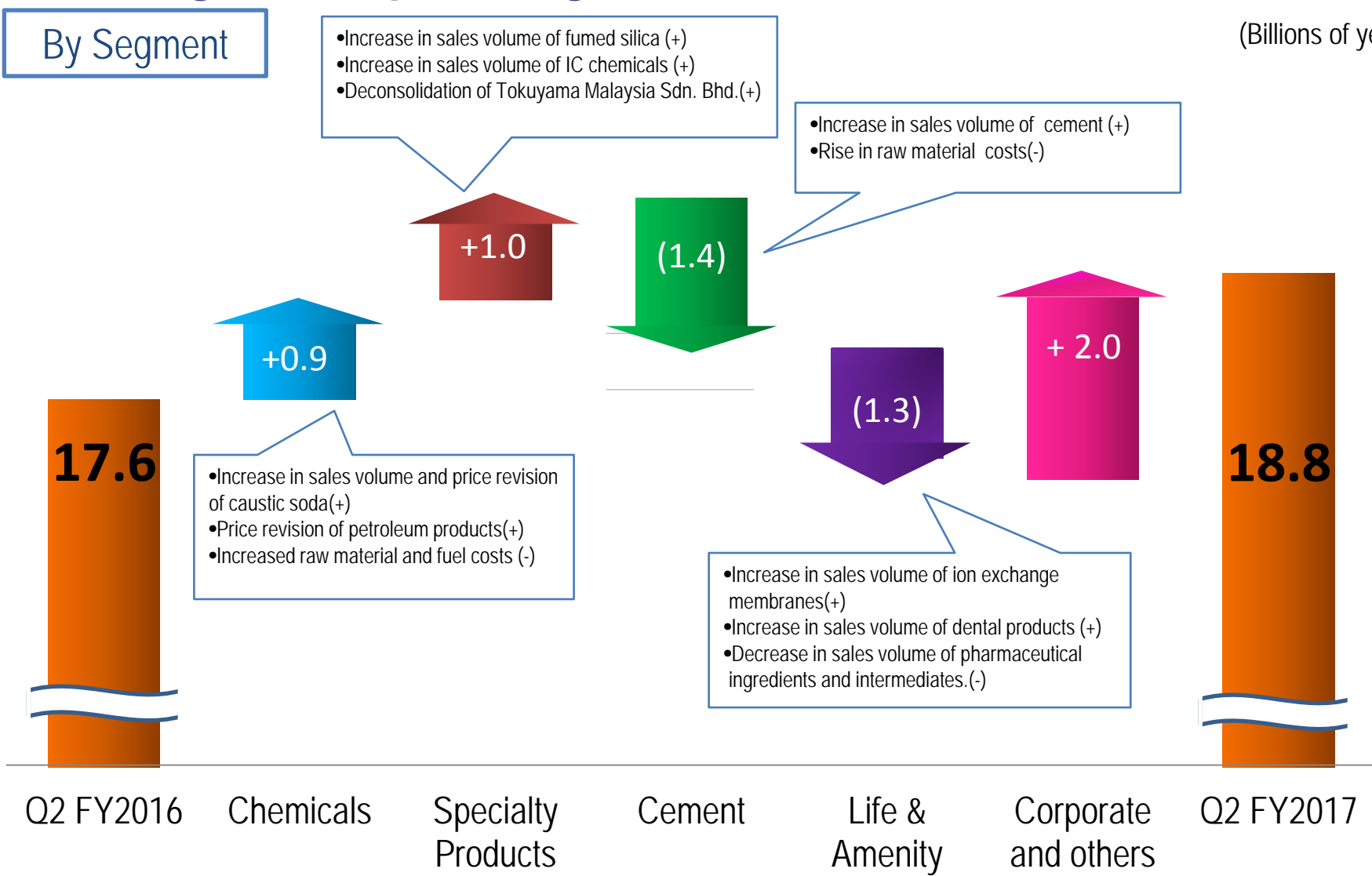
By Segment

- Increase in sales volume of fumed silica (+)
- Increase in sales volume of IC chemicals (+)
- Deconsolidation of Tokuyama Malaysia Sdn. Bhd.(+)

- Increase in sales volume of cement (+)
- Rise in raw material costs(-)

- Increase in sales volume and price revision of caustic soda(+)
- Price revision of petroleum products(+)
- Increased raw material and fuel costs (-)

- Increase in sales volume of ion exchange membranes(+)
- Increase in sales volume of dental products (+)
- Decrease in sales volume of pharmaceutical ingredients and intermediates.(-)

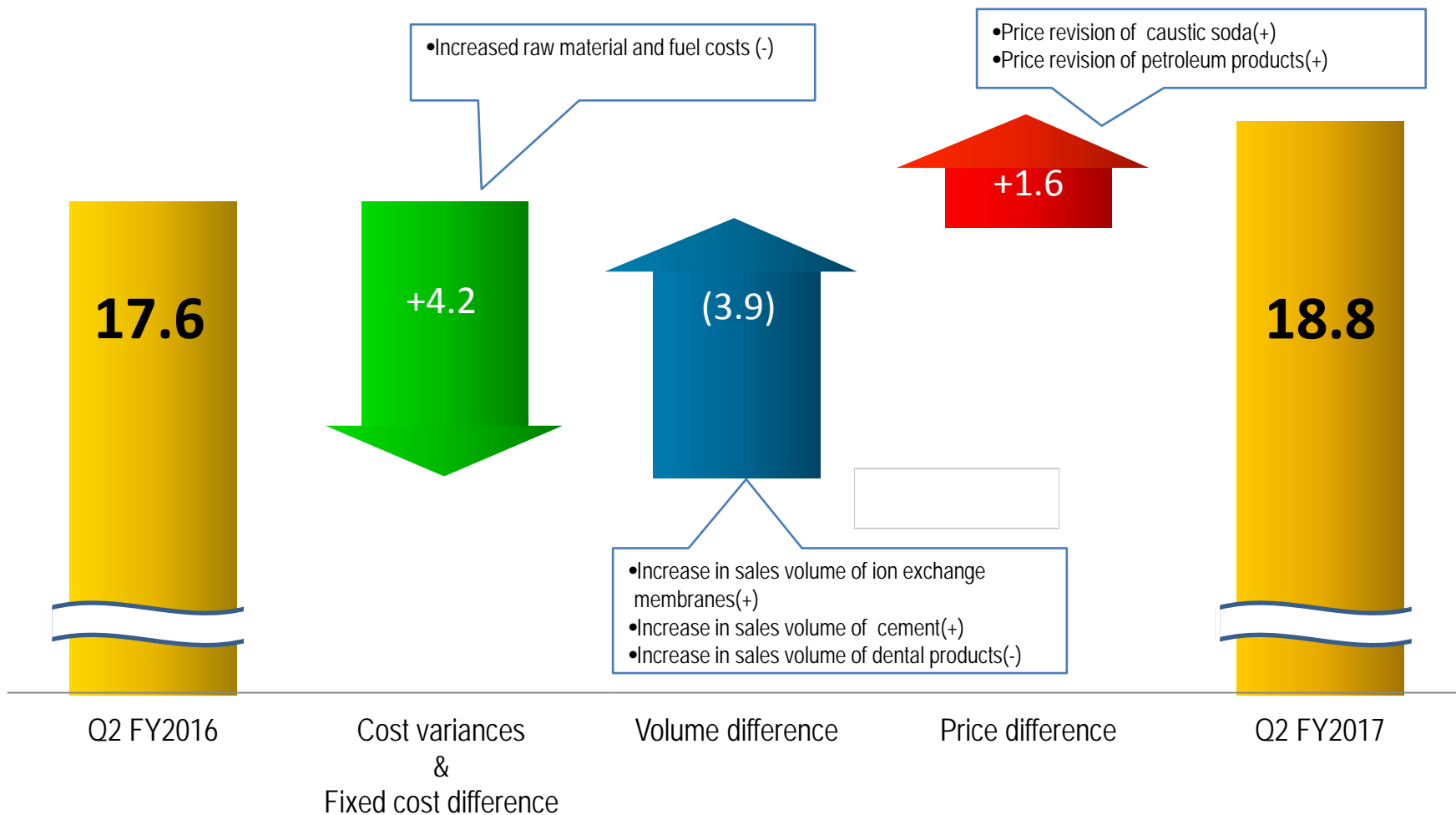


3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Factor



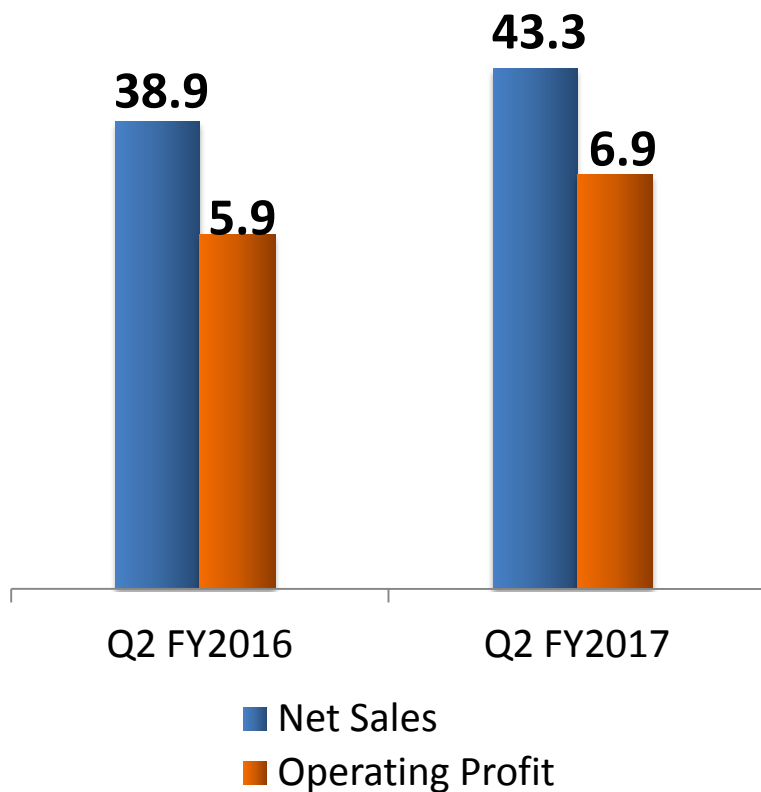
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Chemicals

Higher earnings on higher sales

(Billions of yen) Qualitative information



(Caustic soda)

- Net sales increased due to higher volume of domestic sales and exports, and the revision in selling prices

(Vinyl chloride monomer (VCM))

- Net sales increased due to higher sales volume of exports for Asian market

(Vinyl chloride resin)

- Net sales increased due to price revision

4. Changes in Net Sales / Operating Profit by Business Segment

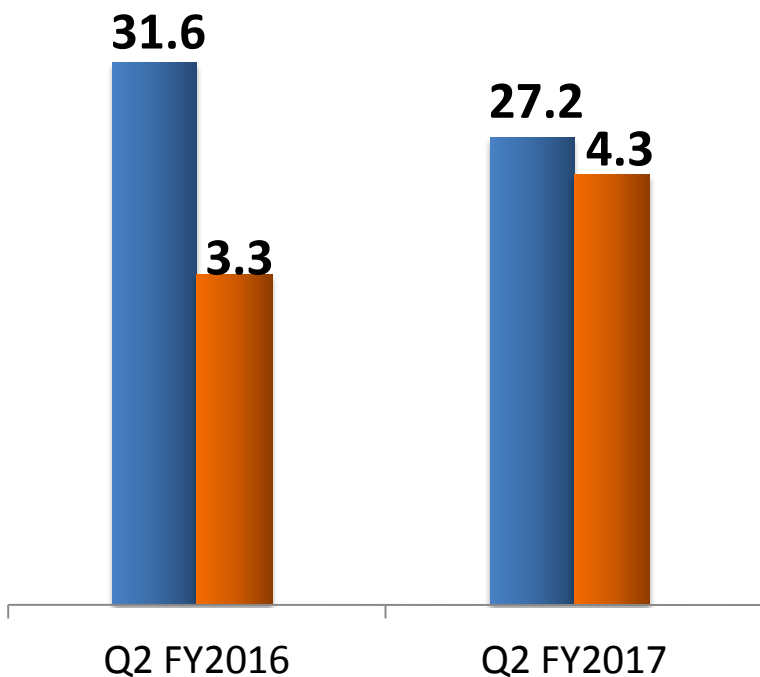
(Year-on-year change)

Specialty Products

Higher earnings on lower sales

(Billions of yen)

Qualitative information



(Semiconductor-grade polycrystalline silicon)

- Robust sales volume

(Fumed Silica)

- Higher sales volume to of such applications as a polishing material for semiconductors

(High-purity chemicals for electronics manufacturing)

- Net sales were steady in such applications used for semiconductor manufacturing

(Aluminum nitride)

- Higher sales volume of such applications used for semiconductor manufacturing equipment

■ Net Sales

■ Operating Profit

4. Changes in Net Sales / Operating Profit by Business Segment

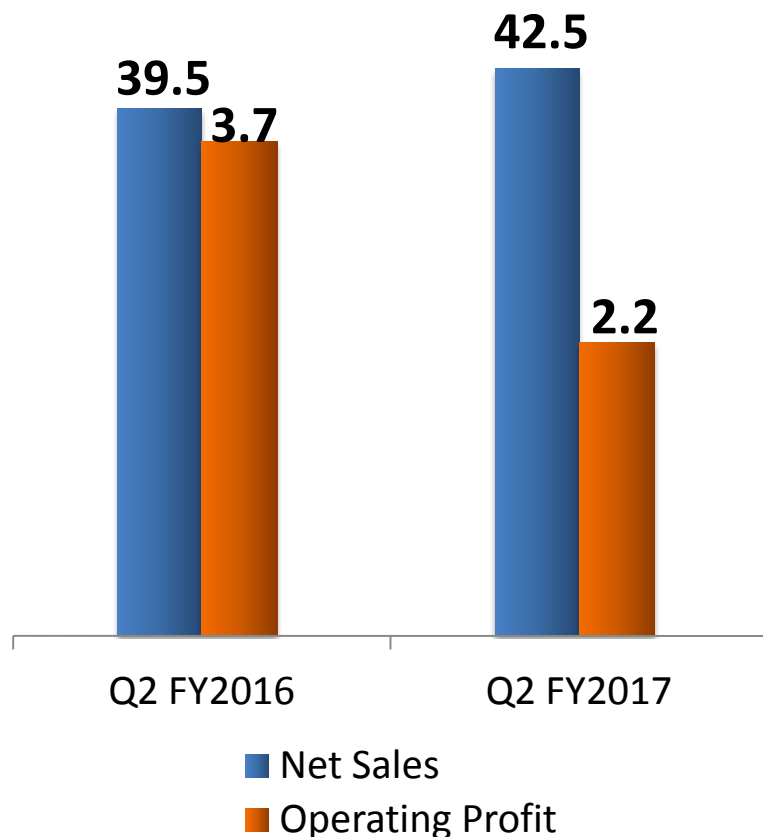
(Year-on-year change)

Cement

Lower earnings on higher sales

(Billions of yen)

Qualitative information



(Cement)

- Sales of cement increased. With the construction of infrastructure related to Tokyo Olympic becoming more active, domestic sales increased at Tokyo and other areas, and the volume of exports increased on the back of robust demand in the Asian region
- Consolidated subsidiary net sales increased, because of the robust shipping trends of such products as ready-mixed concrete
- Lower earnings due to increased production costs as a result of the rise in raw material costs such as coal

(Resource recycling business)

- Despite the Company accepted a lower volume of waste, the waste disposable fees increased compared with the previous fiscal year. As a result of this, sales was almost same as the corresponding period of previous fiscal year.

4. Changes in Net Sales / Operating Profit by Business Segment

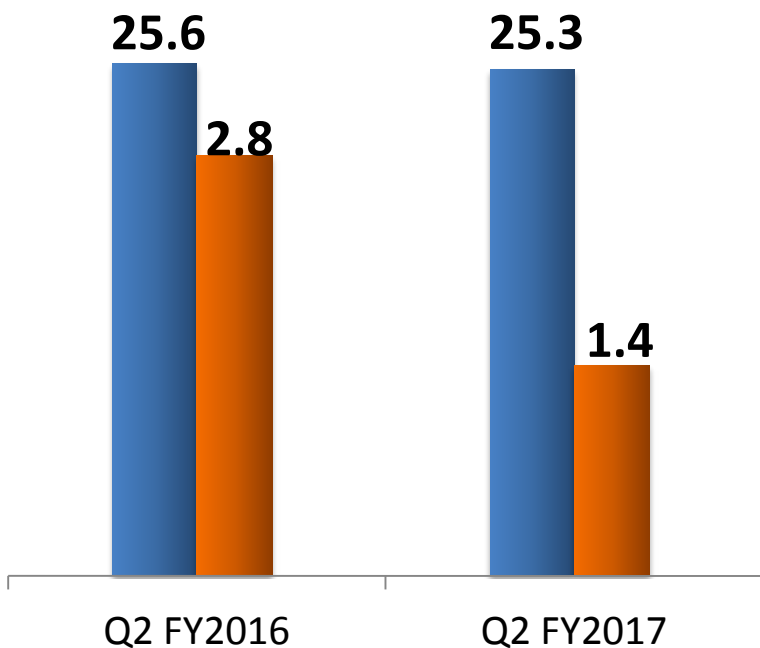
(Year-on-year change)

Life & Amenity

Lower earnings on lower sales

(Billions of yen)

Qualitative information



■ Net Sales
■ Operating Profit

(Dental materials and equipment)

- Higher sales volume of new products and increased export

(Ion exchange membranes)

- Higher sales volume due to increase of sales on large-scale projects

(Active pharmaceutical ingredients and intermediates)

- Decreased sales volume of products for generic pharmaceutical

(Microporous film)

- Decreased sales volume of products for sanitary articles at oversea subsidiaries



2 Performance Forecasts for FY2017

1. Performance Forecasts
2. Performance Forecasts by Business Segment

1. Performance Forecasts

Consolidated
(Year-on-year change based on FY2017 forecasts)

(Billions of yen)

	FY2016 Results	FY2017 Forecasts (April 28, 2017)	Difference	
			Amount	%
Net sales	299.1	300.0	+0.8	+0
Operating profit	38.5	36.0	(2.5)	(7)
Ordinary profit	33.9	32.0	(1.9)	(6)
Profit (loss) attributable to owners of parent	52.1	13.0	(39.1)	(75)
Basic earnings per share (yen)	738.92	163.50		
Exchange rate (¥/\$)	108	105		
Domestic naphtha price (¥/kl)	34,700	39,000		

Basic earnings per share is the amount after consideration of share consolidation

Although the future business environment is uncertain because of the fluctuations in spot price of such product as solar-grade polycrystalline silicon, exchange rate and raw material and fuel prices, the Company's results were in line with our expectations at this time. Therefore, the Company has not revised the performance forecasts, announced on April 28, 2017.

2. Performance Forecasts by Business Segment

(Year-on-year change based on FY2017 forecasts)

(Billions of yen)

	FY2016 Results		FY2017 Forecasts		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	83.3	12.9	89.0	13.0	+5.6	+7	+0.0	+0
Specialty Products	67.7	9.2	56.0	9.5	(11.7)	(17)	+0.2	+3
Cement	82.9	7.5	86.0	5.5	+3.0	+4	(2.0)	(27)
Life & Amenity	50.7	5.3	54.0	4.0	+3.2	+6	(1.3)	(26)
Others	52.1	5.9	52.0	5.5	(0.1)	(0)	(0.4)	(8)
Total	336.9	41.1	337.0	37.5	+0.0	+0	(3.6)	(9)
Inter-segment eliminations and corporate-wide expenses	(37.8)	(2.5)	(37.0)	(1.5)	+0.8	-	+1.0	-
Consolidated Results	299.1	38.5	300.0	36.0	+0.8	+0	(2.5)	(7)

(Note) Net sales and operating profit in each segment shown above include inter-segment transactions.

3 Topics

1. Regarding dividends
2. Reducing interest-bearing debt
3. New plant for IC chemicals in Taiwan



1. Regarding Dividends

Interim dividends of ¥2 per share for the current period will be distributed as planned. Year-end dividends for the current period are planned to be ¥10 per share (after consideration of share consolidation).

2. Reducing interest-bearing debt

- A trust-type debt assumption agreement regarding all of bonds payable was entered and executed.

Bonds payable has been removed from balance sheet by entrusting total amounts of bonds payable (¥34.4 billion) and expected interest payments less expected investment performance of entrusted amount (¥1.6 billion).

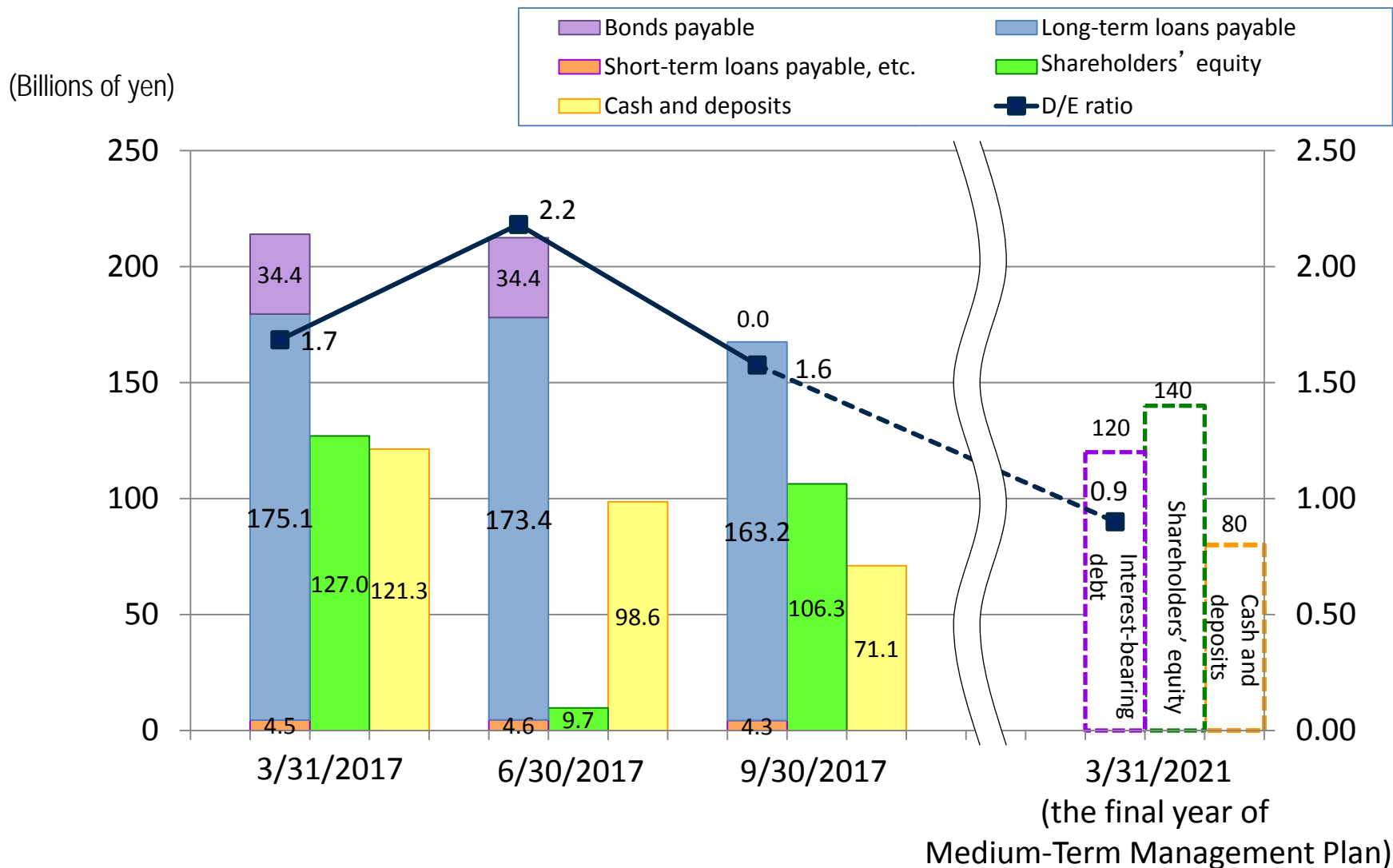
- The amount of long-term loans payable is down ¥11.9 billion owing mainly to normal scheduled repayment together with repayments in advance.



D/E ratio is 1.58 times, an improvement of 0.60 points compared with the figure of 2.18 recorded in the first quarter of fiscal 2017.

Continuing effort will be made to reduce interest-bearing debt with the cooperation financial institutions.

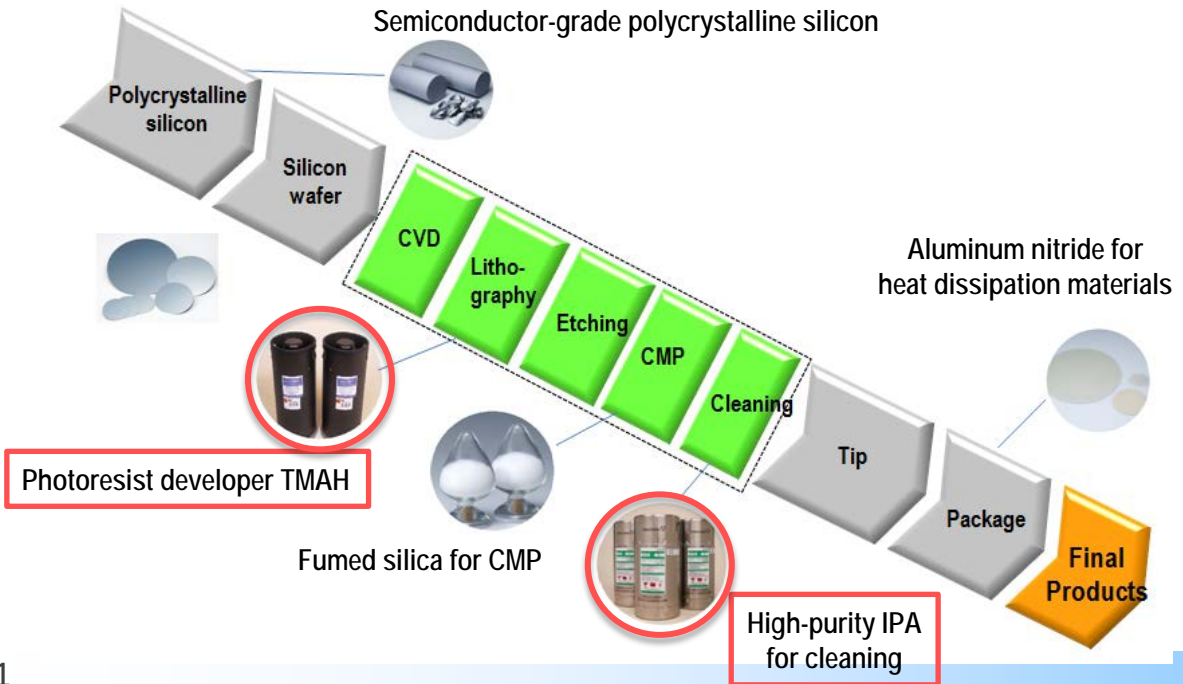
2. Reducing interest-bearing debt



3. New plant for IC chemicals in Taiwan

Construction of new plant for IC chemicals in Taiwan has been decided. Taiwan Tokuyama Corporation is specialized for production and sale of high purity chemicals for electronics manufacturing. This plant is scheduled to begin operation in January 2019.

As for active semiconductor market, IC chemicals business in Taiwan will be expanded by strengthen product development capability in order to deal with increase in demand and customer requirements for quality.



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4 Supplementary Data

1. Consolidated Financial Statements
2. Cash Flows
3. Non-Operating Income/Expenses
4. Extraordinary Income/Losses
5. Principal Indicators
6. Performance Trend
7. Price Trend of Main Raw Material and Fuel
8. CAPEX and Depreciation Trend
9. Interest-bearing Debts Trend

1. Consolidated Financial Statements

Profit and loss Statements (Billions of yen)

	Q2 FY2016	Q2 FY2017	Difference	
			Amount	%
Net sales	142.5	146.1	+3.5	+3
Cost of sales	95.8	98.2	+2.3	+2
Selling, general and administrative expenses	29.1	29.0	(0.0)	(0)
Operating profit	17.6	18.8	+1.2	+7
Non-operating income/expenses	(3.1)	(3.1)	(0.0)	-
Ordinary profit	14.5	15.6	+1.1	+8
Extraordinary income/losses	5.9	(1.7)	(7.6)	-
Profit/loss before income taxes	20.4	13.9	(6.4)	(32)
Income taxes	1.3	8.6	+7.2	+534
Non-controlling interests	0.6	5.1	+4.5	+753
Profit attributable to owners of parent	18.4	0.1	(18.2)	(99)

1. Consolidated Financial Statements Balance Sheets

(Billions of yen)

	3/31/2017	9/30/2017	Changes	
			Amount	%
Total assets	424.4	361.6	(62.7)	(15)
Current assets	246.6	195.0	(51.5)	(21)
Tangible fixed assets	119.2	111.3	(7.9)	(7)
Intangible fixed assets	4.7	3.4	(1.3)	(28)
Investments and other assets	53.7	51.8	(1.8)	(4)

	3/31/2017	9/30/2017	Changes	
			Amount	%
Total liabilities	288.4	244.5	(43.9)	(15)
Current liabilities	79.1	83.9	+4.7	+6
Long-term liabilities	209.3	160.6	(48.6)	(23)
Total net assets	135.9	117.1	(18.8)	(14)

2. Cash Flows

Consolidated (year-on-year change)

(Billions of yen)

	Q2 FY2016 YTD	Q2 FY2017 YTD
Cash flows from operating activities (1)	4.1	26.5
Cash flows from investing activities (2)	(0.7)	(3.4)
Free cash flows (3) ((1)+(2))	3.4	23.1
Cash flows from financing activities (4)	(5.3)	(71.0)
Effect of exchange rate changes on cash and cash equivalents (5)	(1.0)	0.1
Net increase (decrease) in cash and cash equivalents (6) ((3)+(4)+(5))	(3.0)	(47.7)
Cash and cash equivalents at beginning of the year (7)	121.1	118.8
Cash and cash equivalents at end of the year (8) ((6)+(7))	118.1	71.0

4 Supplementary Data

3. Non-Operating Income/Expenses Consolidated (year-on-year change)

(Billions of yen)

		Q2 FY2016 YTD	Q2 FY2017 YTD	Changes	Notes
Non-operating income	Interest and dividend income	0.1	0.2	+0.1	
	Other income	1.8	1.9	+0.1	Fiduciary obligation fee +0.2 Trial products income +0.2 Compensation income (0.4)
	Total	2.0	2.2	+0.2	
Non-operating expenses	Interest expenses	2.1	2.0	+0.1	
	Other expenses	2.9	3.4	(0.4)	Loss on bond retirement (1.6)
	Total	5.1	5.4	(0.3)	
Non-operating income/expenses		(3.1)	(3.1)	(0.0)	

4 Supplementary Data

4. Extraordinary Income/Losses Consolidated (year-on-year change)

(Billions of yen)

	Q2 FY2015 YTD	Q2 FY2016 YTD	Changes	Notes
Extraordinary income	6.4	8.3	+1.8	Compensation income for damage +7.7
				Gain on write-off debts (1.2)
				Gain on sales of shares of subsidiaries and associates (1.9)
				Subsidy income (2.1)
Extraordinary losses	0.5	10.1	(9.5)	Loss on contract cancellation (0.3)
				Provision for loss on contract cancellation (1.0)
				Loss on transfer of business (8.0)
Extraordinary income/losses	5.9	(1.7)	(7.6)	

5. Principal Indicators ①

Consolidated
(year-on-year change)

(Billions of yen)

	Q2 FY2016 YTD	Q2 FY2017 YTD	Changes
Capital expenditures	6.0	8.6	+2.6
Depreciation and amortization	6.9	6.6	(0.3)
R&D expenses	3.8	3.8	+0.0
Financial income and expenses	(1.9)	(1.7)	+0.2

5. Principal Indicators ②

Consolidated
(compared with the previous fiscal year-end)

		3/31/2017	9/30/2017	Changes
Interest-bearing debts	Billions of yen	213.9	167.5	(46.4)
Number of employees	Persons	5,406	4,845	(561)

5. Principal Indicators ③

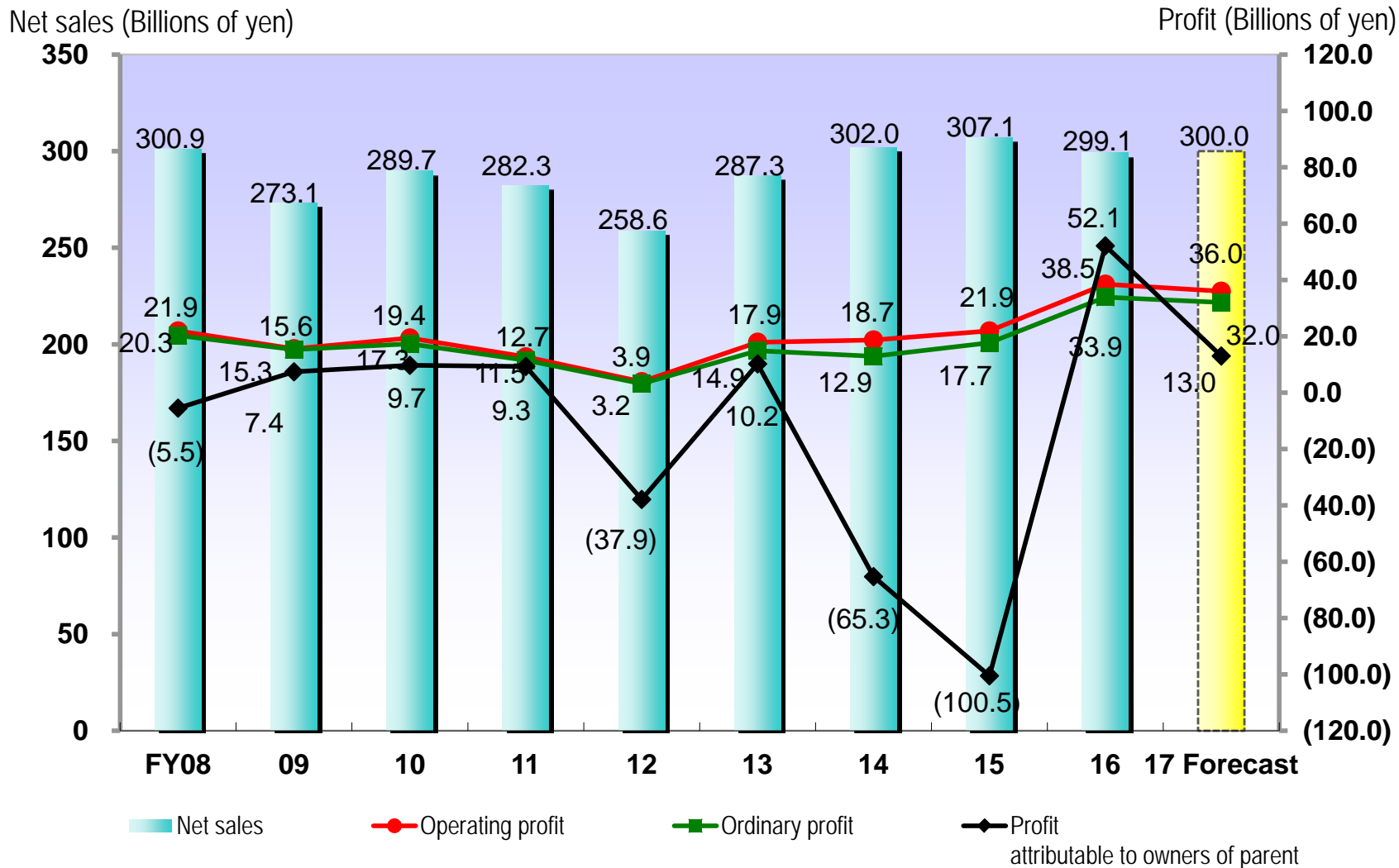
Consolidated
(year-on-year change based on FY17 forecasts)

(Billions of yen)

		FY2017 Forecast	FY2016 Results	Changes
Capital expenditures	Approved limit total	20.7	—	—
	Estimates (FY17) Results (FY16)	17.4	17.3	+0.1
Depreciation and amortization		14.1	14.2	(0.0)
R&D expenses		8.3	7.5	+0.7

6. Performance Trend

Consolidated (Annual)

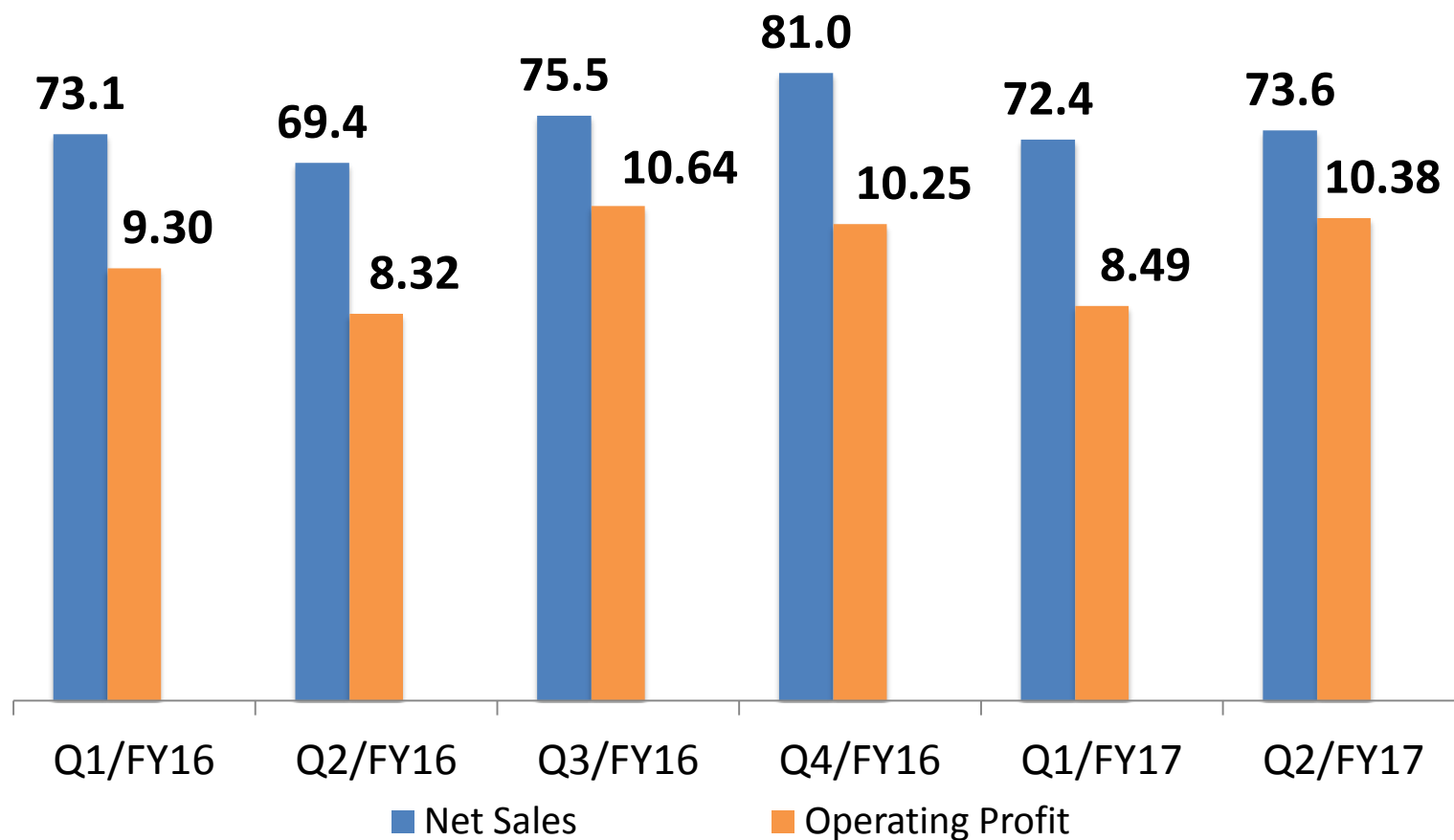


6. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

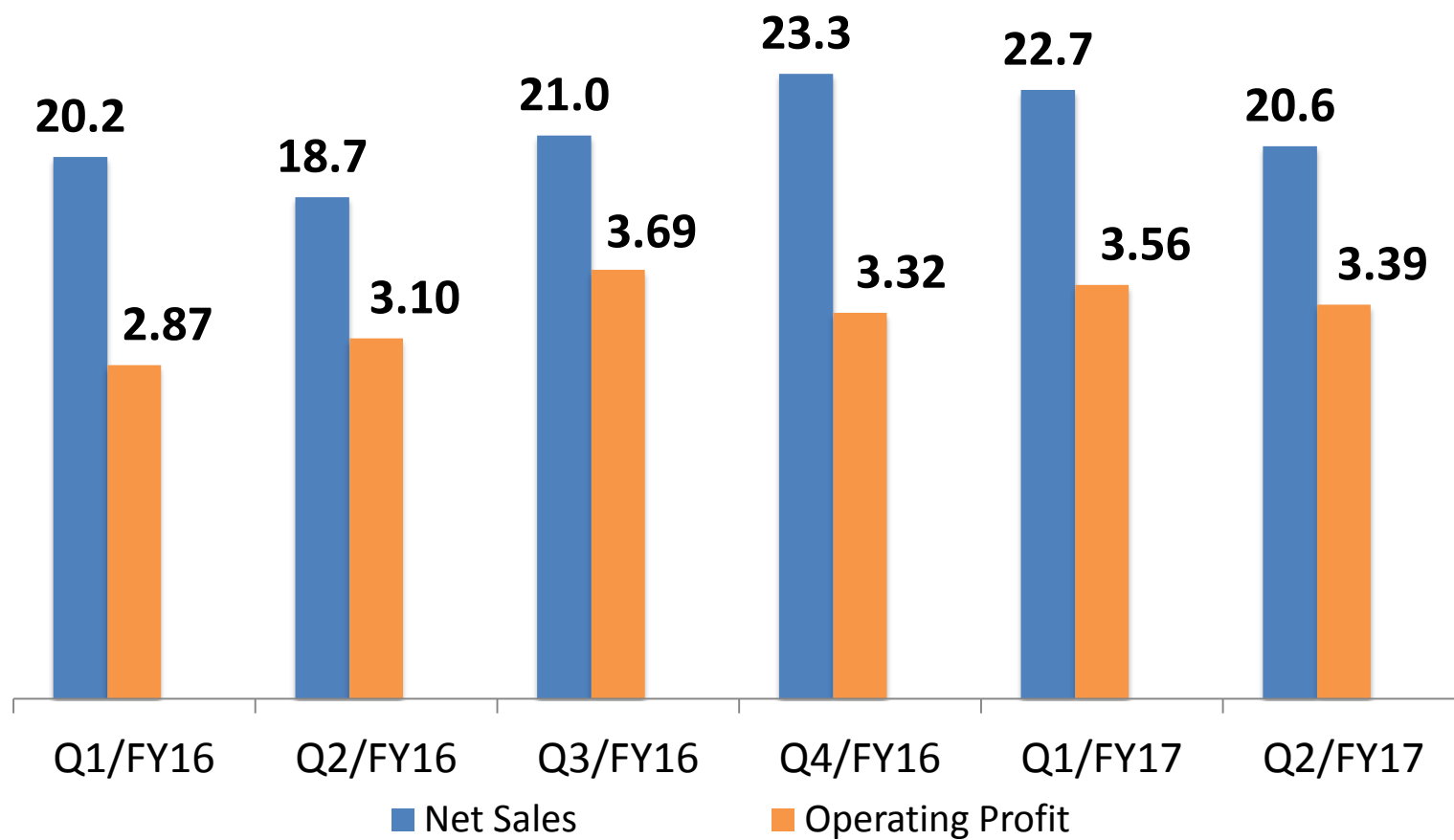


6. Performance Trend

(Quarter)

Chemicals

(Billions of yen)

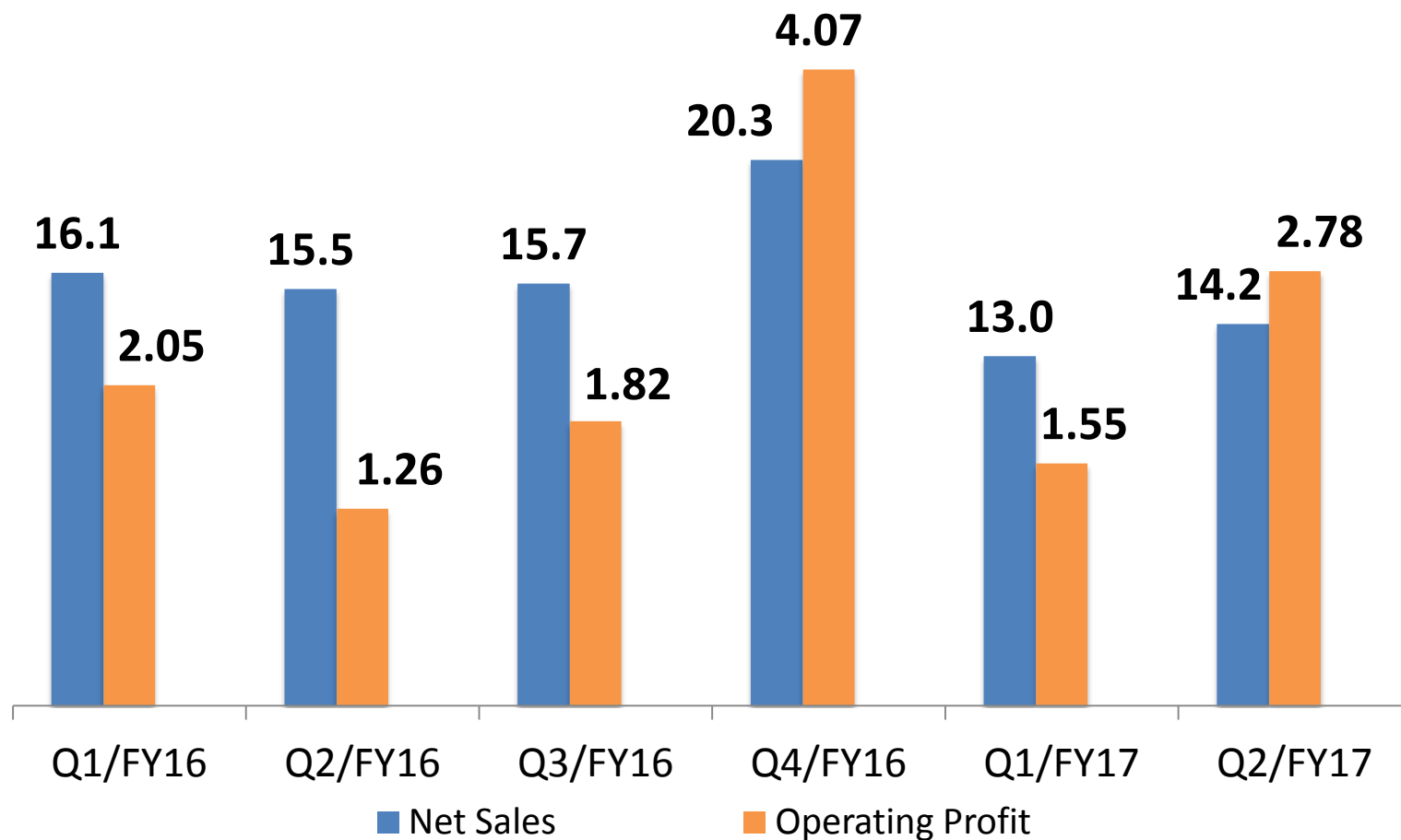


6. Performance Trend

(Quarter)

Specialty Products

(Billions of yen)

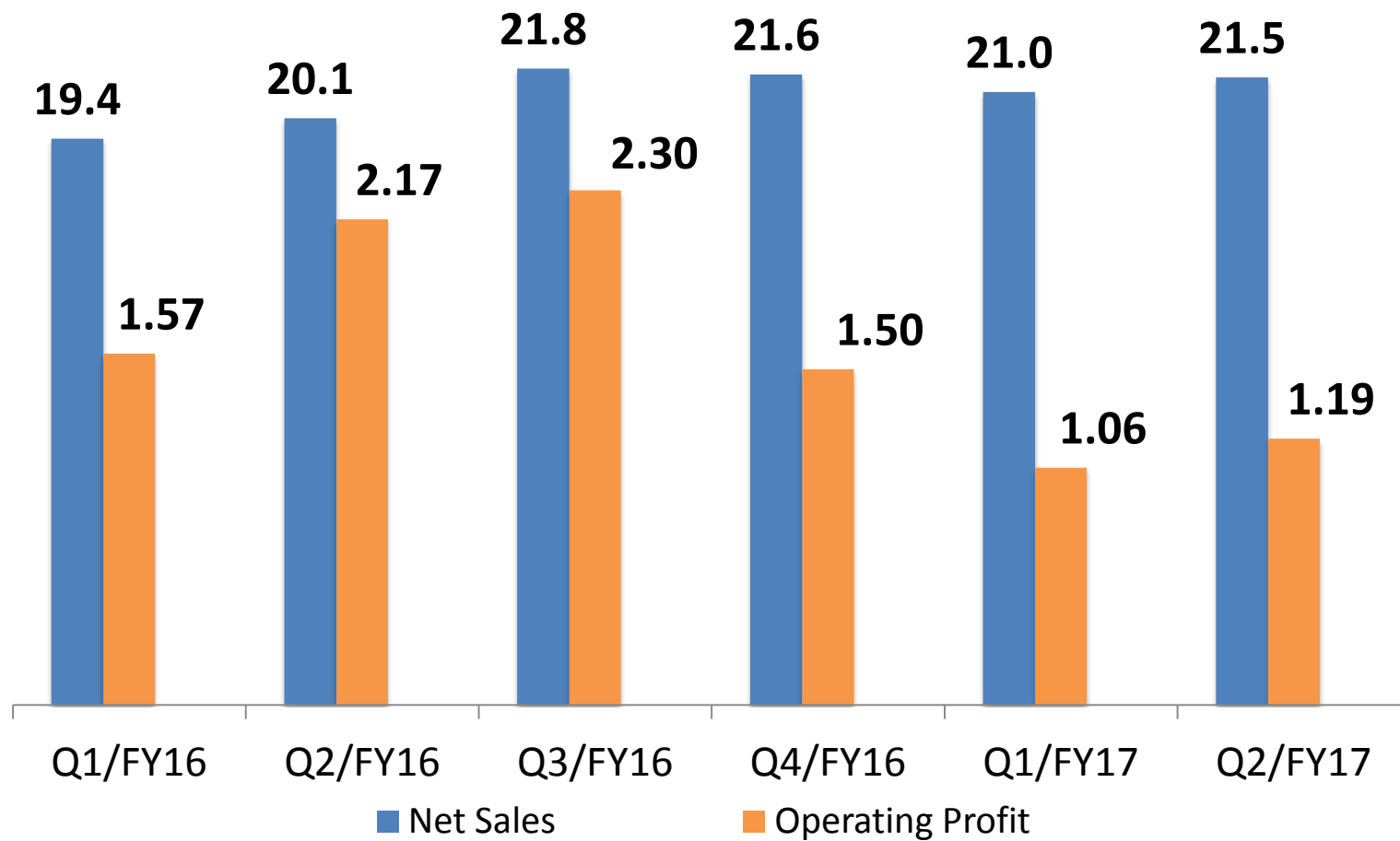


6. Performance Trend

(Quarter)

Cement

(Billions of yen)

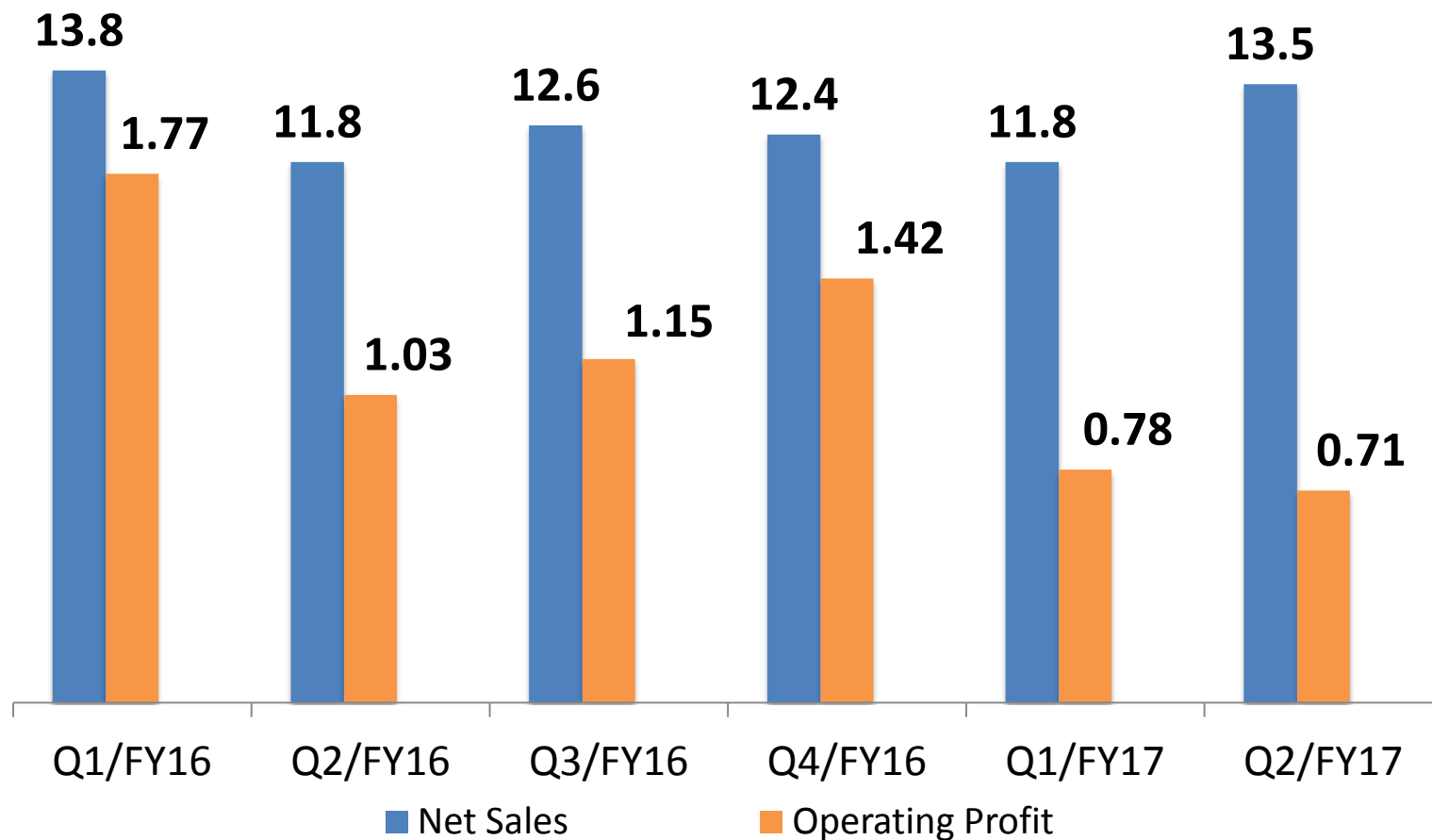


6. Performance Trend

(Quarter)

Life & Amenity

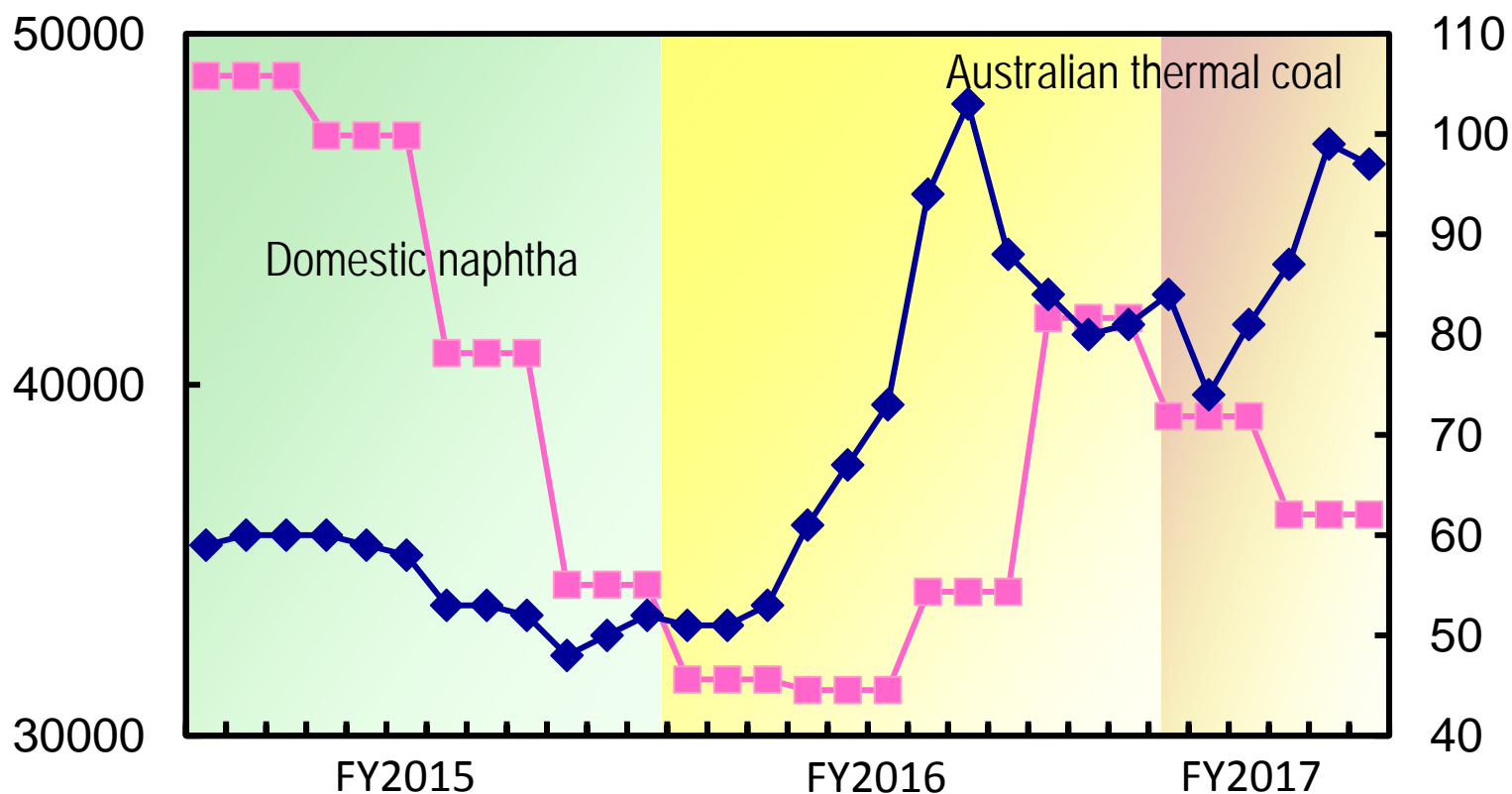
(Billions of yen)



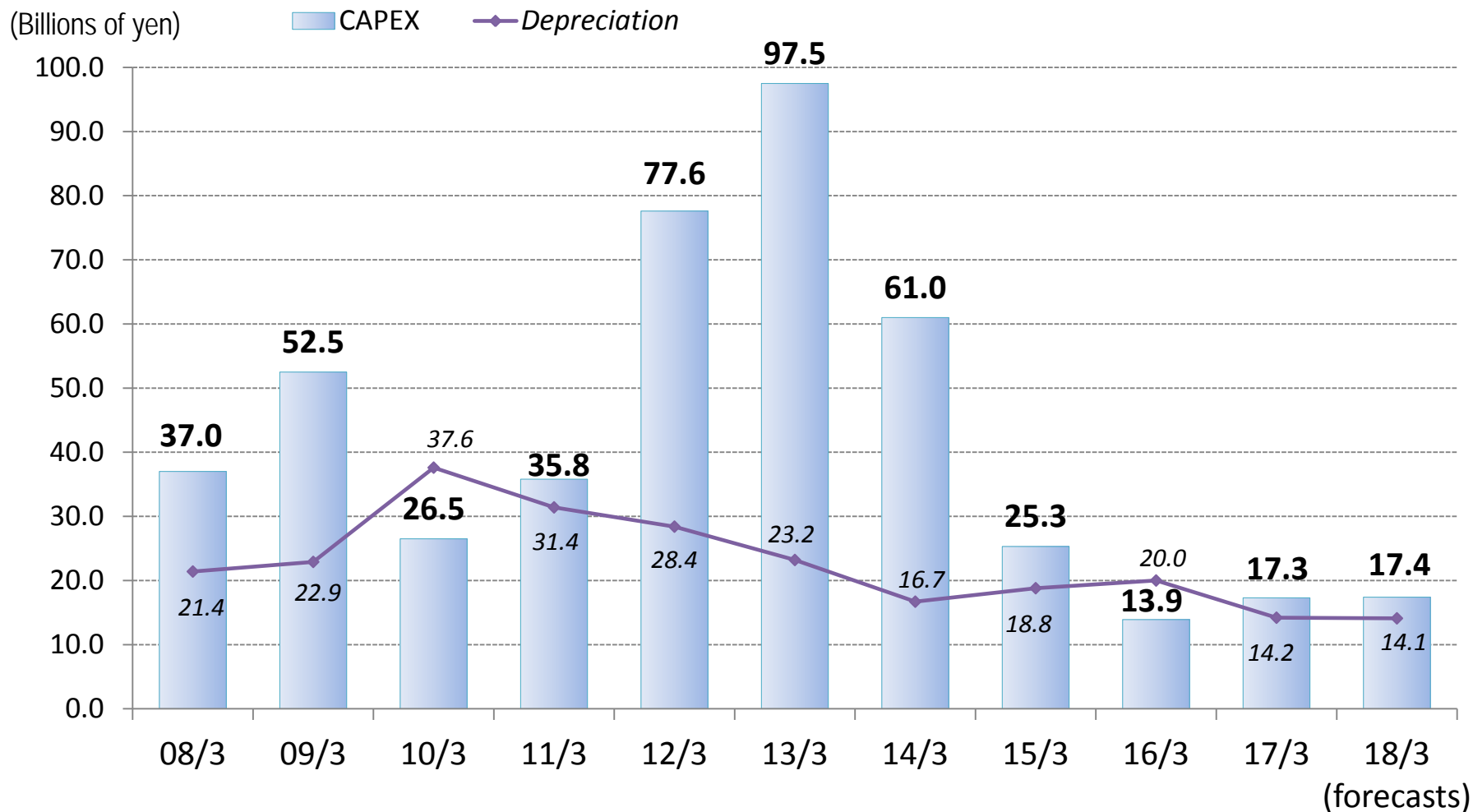
7. Price Trend of Main Raw Material and Fuel

Domestic naphtha price
(¥/KL)

Australian thermal coal spot price (\$/t)

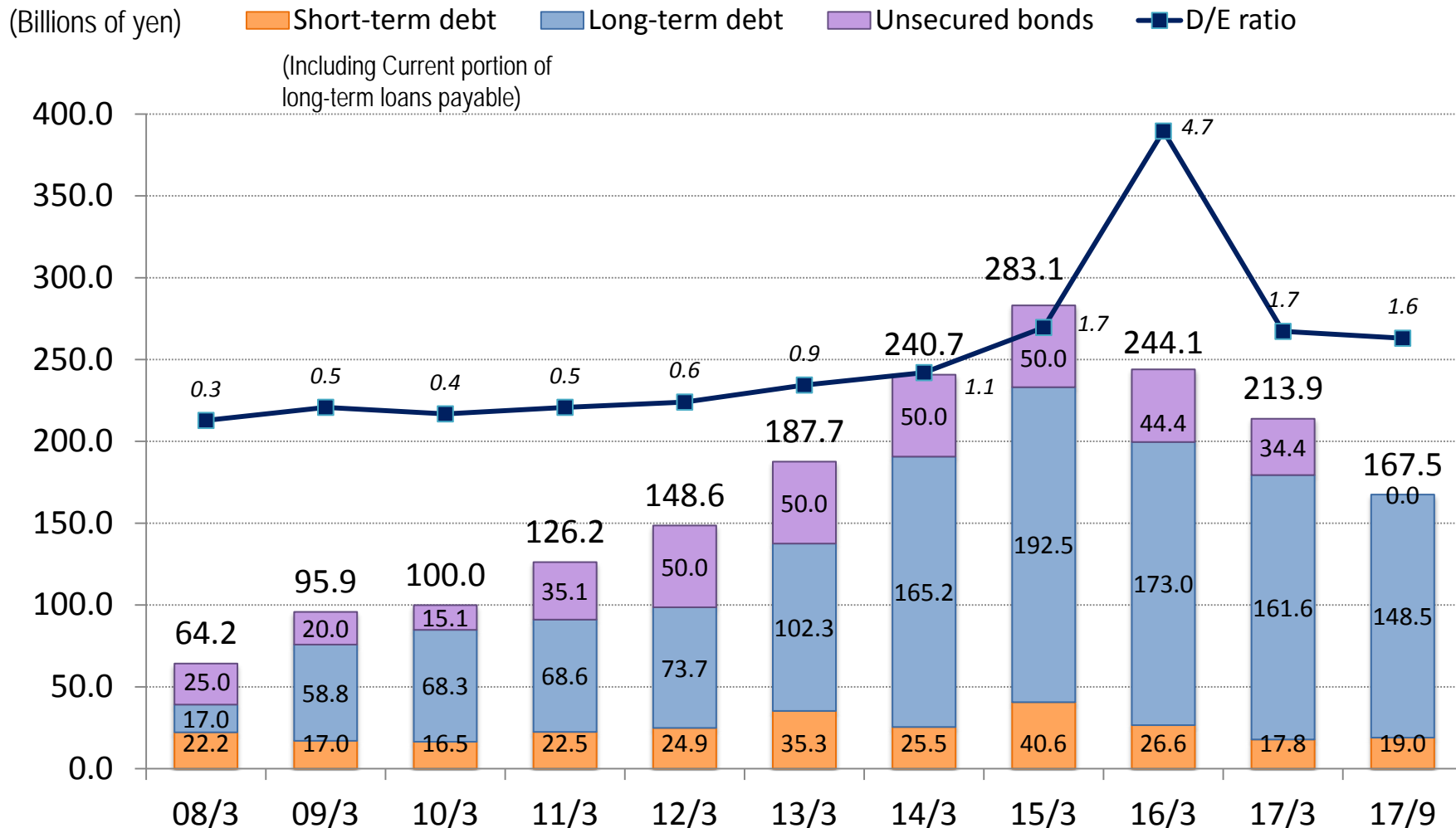


8. CAPEX and Depreciation Trend



9. Interest-Bearing Debts Trend

Consolidated



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