

Fiscal 2017 - Apr 1, 2017 to Mar 31, 2018-

Presentation for IR Meeting

Tokuyama Corporation

April 27, 2018



Key points of fiscal 2017

- Prolonged period of full production across virtually all products in the fiscal year ended March 31, 2018; achieved record high operating profit of ¥41.2 billion; profit attributable to owners of parent totaled ¥19.6 billion, up 30% compared with financial results forecasts, due to the application of the consolidated taxation system
- Profit projected to decrease in the fiscal year ending March 31, 2019 owing mainly to the increase in raw material and fuel costs on the back of a surge in resource prices
- Progress in improving the Company's financial position; Tokuyama's D/E ratio decreased from 1.7 as of the beginning of the period to 1.1 owing to the acquisition and cancellation of preferred stock as well as the repayment of interest-bearing debt totaling ¥74 billion over a one-year period
- Progress under the Medium-Term Management Plan as originally projected

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1 Financial Results for FY2017

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



1. Financial Highlights

(Billions of yen)

	FY2016	FY2017	Difference		Main changing factors
			Amount	%	
Net sales	299.1	308.0	+8.9	+3	Upward revision in selling prices and increase in sales volumes of caustic soda and petrochemicals
Operating profit	38.5	41.2	+2.7	+7	Upward revision in selling prices of caustic soda and petrochemicals Deconsolidation of Tokuyama Malaysia
Ordinary profit	33.9	36.1	+2.1	+6	Increase in operating profit
Profit attributable to owners of parent	52.1	19.6	(32.4)	(62)	Decrease in deferred tax assets posted Posting of a loss on business transfer in connection with Tokuyama Malaysia
Basic earnings per share (yen)	738.92	259.81	-		-
Exchange rate (yen/USD)	108	111	-		-
Domestic naphtha price (yen/kl)	34,700	41,900	-		-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2017	As of Mar 31,2018	Difference	Main changing factors
Total assets	424.4	361.9	(62.4)	Decrease in cash and deposits by repayment of bonds and long-term loans payable
Shareholders' equity	127.0	125.6	(1.3)	Cancellation of class shares Posting profit attributable to owners of parent
Shareholders' equity ratio	29.9%	34.7%	+4.8pts	-
Interest-bearing debt	213.9	139.9	(74.0)	Decrease in bonds and long-term loans payable
D/E ratio	1.68	1.11	(0.57)	-
Net D/E ratio*	0.73	0.58	(0.15)	-
Net assets per share (yen)	1,527.42	1,806.56	-	-

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

2. Net Sales/Operating Profit by Business Segment

(Year-on-year change)

(Billions of yen)

	FY2016		FY2017		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	83.3	12.9	93.5	16.1	+10.2	+12	+3.1	+24
Specialty Products	67.7	9.2	58.6	11.0	(9.0)	(13)	+1.7	+19
Cement	82.9	7.5	87.3	4.5	+4.3	+5	(2.9)	(40)
Life & Amenity	50.7	5.3	51.5	3.7	+0.8	+2	(1.6)	(31)
Others	52.1	5.9	54.5	6.2	+2.4	+5	+0.2	+4
Total	336.9	41.1	345.6	41.6	+8.7	+3	+0.5	+1
Inter-segment eliminations and corporate-wide expenses	(37.8)	(2.5)	(37.6)	(0.4)	+0.2	-	+2.1	-
Consolidated results	299.1	38.5	308.0	41.2	+8.9	+3	+2.7	+7

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

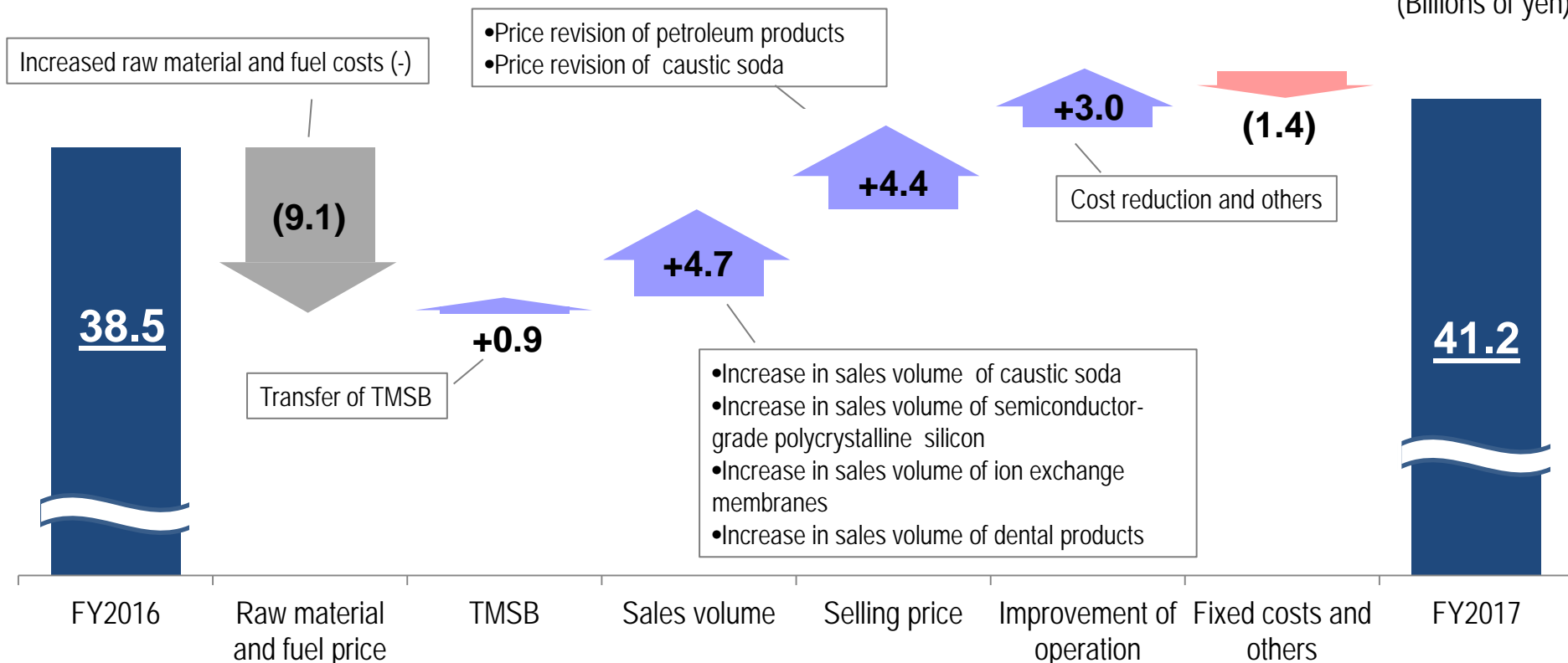
Tokuyama Malaysia	13.9	(1.6)	1.6	(0.6)	(12.3)	-	+0.9	-
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* FY 2017 is the amount from April 2017 to May 2017, on the other hand, FY 2016 is the amount from April 2016 to March 2017.

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)



*TMSB: Tokuyama Malaysia

2 Performance Forecasts for FY2018

1. Performance Forecasts
2. Performance Forecasts by Business Segment
3. Changes in Operating Profit
4. Future Business Environment and Countermeasures
5. Investment Plan



2 Performance Forecasts for FY2018

1. Performance Forecasts

(Billions of yen)

	FY2017	FY2018	Difference		Main changing factors
			Amount	%	
Net sales	308.0	328.0	+19.9	+6	Upward revision in selling prices and increase in sales volumes of caustic soda and petrochemicals
Operating profit	41.2	38.0	(3.2)	(8)	Upward revision in selling prices of cement, caustic soda and petrochemicals
Ordinary profit	36.1	34.0	(2.1)	(6)	Decrease in operating profit
Profit attributable to owners of parent	19.6	27.0	+7.3	+37	Revision in extraordinary income/losses
Basic earnings per share (yen)	259.81	388.15	-		-
Exchange rate (yen/USD)	111	110	-		-
Domestic naphtha price (yen/kl)	41,900	48,000	-		-

2 Performance Forecasts for FY2018

2. Performance Forecasts by Business Segment

(Year-on-year change based on FY2018 forecasts)

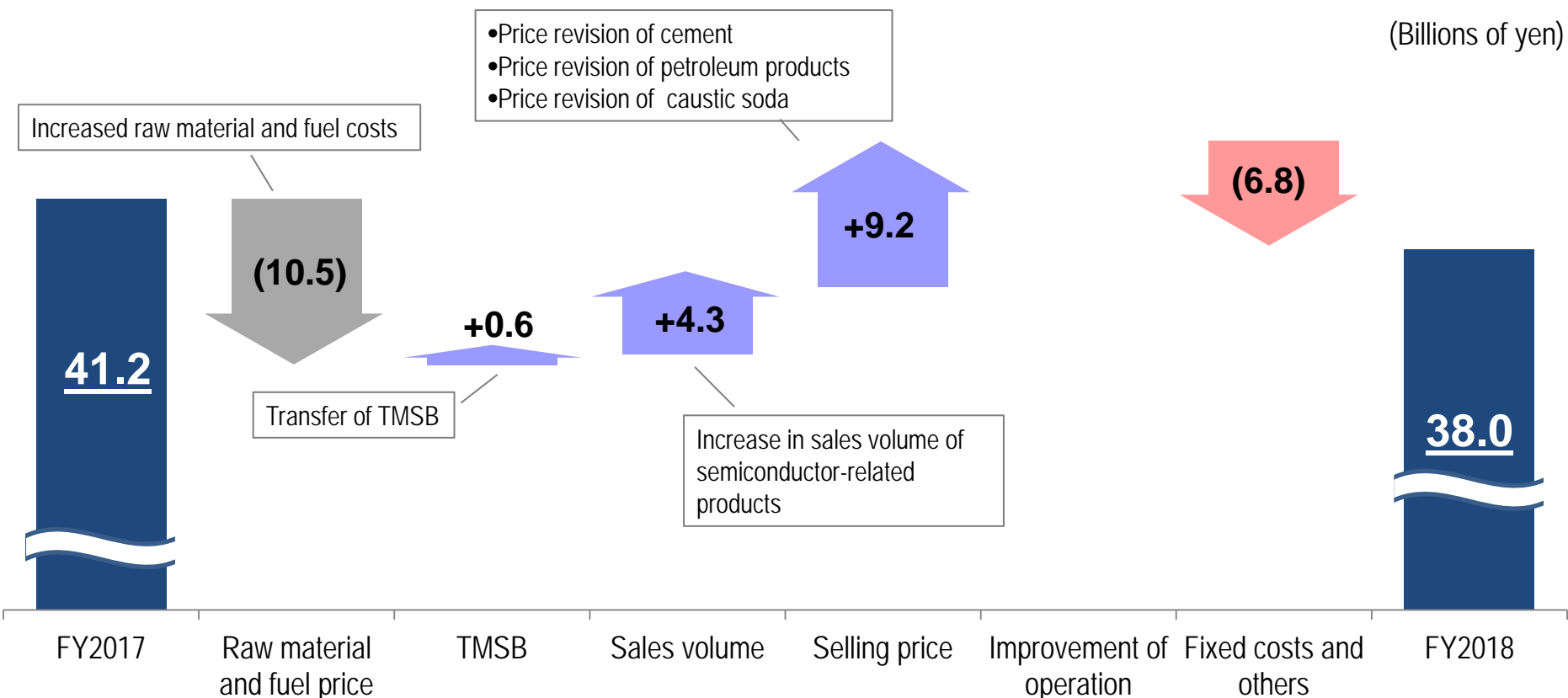
(Billions of yen)

	FY2017 Results		FY2018 Forecasts		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	93.5	16.1	102.0	18.0	+8.4	+9	+1.8	+11
Specialty Products	58.6	11.0	63.0	11.0	+4.3	+7	(0.0)	(0)
Cement	87.3	4.5	93.0	4.5	+5.6	+6	(0.0)	(1)
Life & Amenity	51.5	3.7	56.0	3.0	+4.4	+9	(0.7)	(20)
Others	54.5	6.2	54.0	3.5	(0.5)	(1)	(2.7)	(44)
Total	345.6	41.6	368.0	40.0	+22.3	+6	(1.6)	(4)
Inter-segment eliminations and corporate-wide expenses	(37.6)	(0.4)	(40.0)	(2.0)	(2.3)	-	(1.5)	-
Consolidated Results	308.0	41.2	328.0	38.0	+19.9	+6	(3.2)	(8)

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

3. Changes in Operating Profit

(Year-on-year change based on FY2018 forecasts)



*TMSB: Tokuyama Malaysia

4. Future Business Environment and Countermeasures

	Future Business Environment	Countermeasures
Chemicals	<ul style="list-style-type: none"> ■ Increase in raw material and fuel costs including crude oil and coal ■ Continued tight balance between caustic soda supply and demand both in Japan and overseas 	<ul style="list-style-type: none"> ■ Revise selling prices ■ Strengthen caustic soda exports
Specialty Products	<ul style="list-style-type: none"> ■ Robust semiconductor demand for use in electronics equipment ■ Growing customers' requirements for higher quality and stable supply 	<ul style="list-style-type: none"> ■ Deliver distinctive products by meeting calls for higher quality ■ Reinforce the production and supply structures in line with demand
Cement	<ul style="list-style-type: none"> ■ Upward trend in raw material costs including coal ■ Domestic demand projected to remain at around the same level as the previous fiscal year 	<ul style="list-style-type: none"> ■ Revise selling prices ■ Pursue the thoroughgoing reduction of manufacturing costs ■ Strengthen cement exports
Life & Amenity	<ul style="list-style-type: none"> ■ Growing consciousness toward health in line with such factors as the aging of society 	<ul style="list-style-type: none"> ■ Focus on development and sales activities that address customers' needs and changes in the market

5. Investment Plan

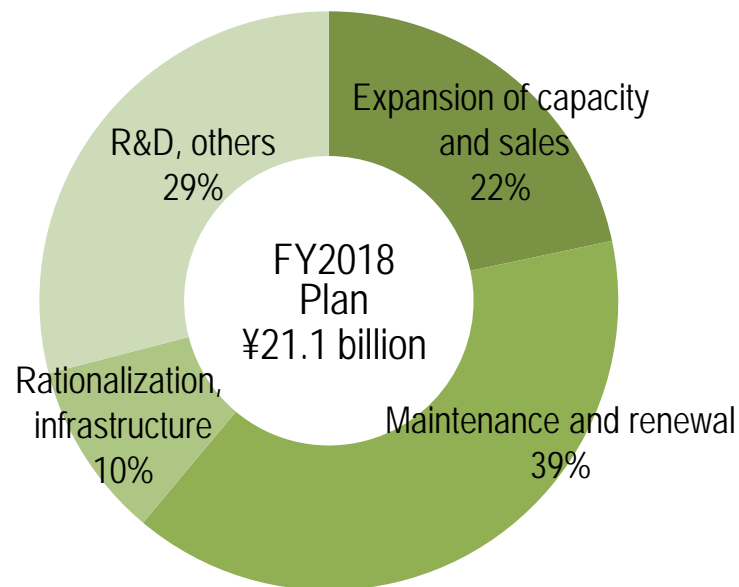
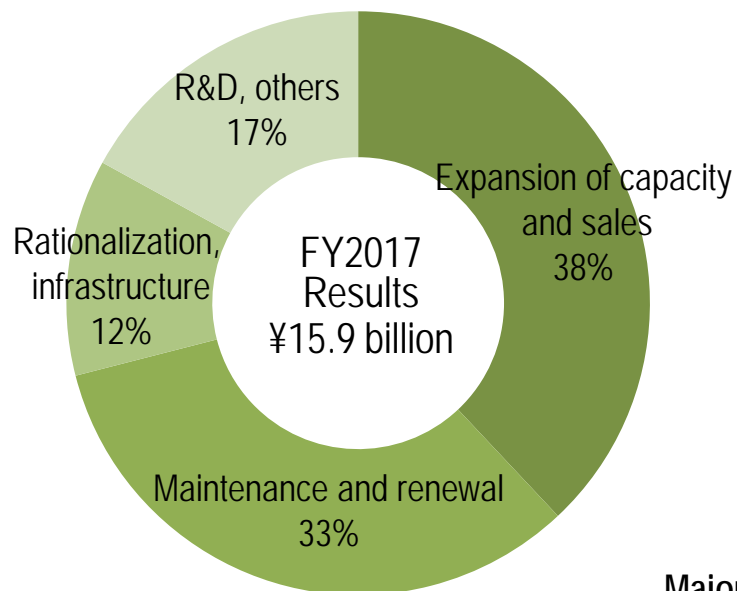
Consolidated

(Billions of yen)

	FY2017 Results	FY2018 Forecast	Changes
Capital expenditures	15.9	21.1	+5.1
Depreciation and amortization	13.9	15.3	+1.3
R&D expenses	7.9	9.5	+1.5

5. Investment Plan

Breakdown of CAPEX



Major Growth Investments

Investments aimed at increasing the quality of semiconductor-related materials
Increase production of aluminum nitride powder
Introduce the latest polyolefin film facilities (Sun・Tox)
Expand A&T Corporation's Esashi Factory (A&T)
Expansion of the yard (Shunan Bulk Terminal)

Increase production of aluminum nitride powder and granules
Expand capacity of tetramethylammonium hydroxide (TMAH)
Expand capacity of port in Tokuyama factory
Investments aimed at increasing the quality of semiconductor-related materials
Building a second plant in Taiwan

3 Progress under the Medium-Term Management Plan

1. Progress in Achieving Numerical Targets
2. Results after Addressing Priority Issues and Future Measures
3. Growth Businesses
4. Traditional Businesses
5. Improvement of Financial Position
6. Dividends



3 Progress under the Medium-Term Management Plan

1. Progress in Achieving Numerical Targets

	<u>FY2015</u>	<u>FY2017</u>	<u>FY2020 Target</u>	<u>Progress evaluation</u>
Net sales	¥307.1 billion	¥308.0 billion	¥335.0 billion	On track
Operating profit	¥23.0 billion	¥41.2 billion	¥36.0 billion	Target achieved, continued
ROA	5.7%	10.5%	10%	On track
Operating margin	7.5%	13.4%	10%	
Total asset turnover	0.77 times	0.78 times	1.0 times	
Financial indicators	CCC	69 days	55 days	On track
	D/E ratio	4.7	1.1	1.0
Exchange rate (¥/US\$)	120	111	110	
Domestic naphtha price (¥/kl)	42,800	41,900	58,000	

Note : Cash Conversion Cycle (CCC): Accounts receivable turnover period + Inventory turnover period – Accounts payable turnover period;

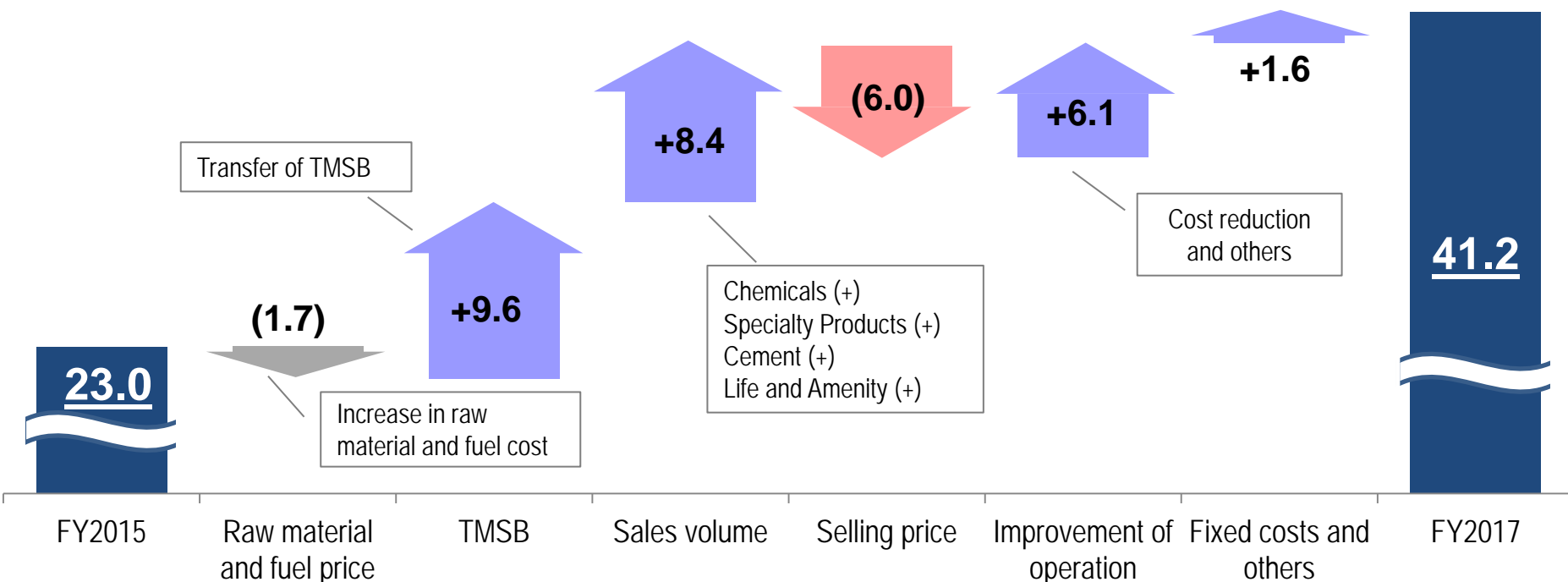
ROA: Operating profit / Total assets

3 Progress under the Medium-Term Management Plan

1. Progress in Achieving Numerical Target

(Changes in Operating Profit for two years)

(Billions of yen)



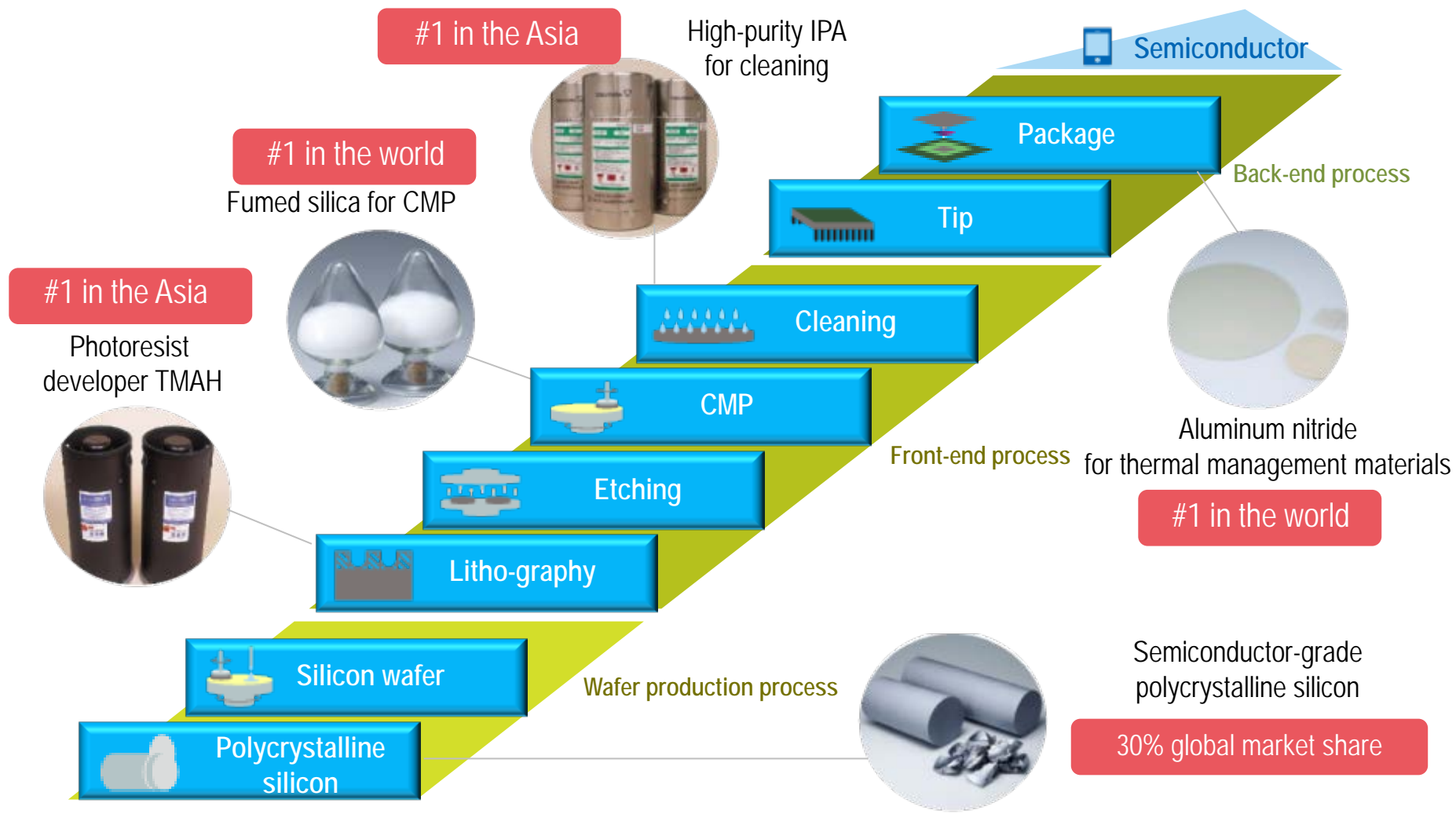
*TMSB: Tokuyama Malaysia

2. Results after Addressing Priority Issues and Future Measures

	<u>FY2017 Results</u>	<u>FY2018 Measures</u>
Change the Group's organizational culture and structure	<ul style="list-style-type: none">■ Operation of personnel systems for key positions■ Actively recruited outside personnel	<ul style="list-style-type: none">■ Operation of senior personnel systems■ Revise general personnel systems■ Continue to actively recruit outside personnel
Rebuild the Group's business strategies	<ul style="list-style-type: none">■ Completed work to expand high-purity aluminum nitride powder production facilities■ Decided to expand capacity of high-purity chemicals for electronics manufacturing in Taiwan	<ul style="list-style-type: none">■ Ensure that the semiconductor-grade polycrystalline silicon is distinguished by its high quality■ Expand the lineup of thermal management materials■ Accelerate the pace of healthcare-related product overseas business development■ Enhance business and plant operating efficiency through the use of IoT and AI
Strengthen Group management	<ul style="list-style-type: none">■ Resolved to transfer Tokuyama Malaysia■ Reviewed the capital structure of subsidiaries	<ul style="list-style-type: none">■ Improve profitability at the two microporous film companies in China as well as Excel Shanon Corporation■ Initiate new business evaluation management and activities
Improve the Company's financial position	<ul style="list-style-type: none">■ Redeemed preferred stock■ Reduced interest-bearing debt ¥74.0 billion	<ul style="list-style-type: none">■ Continue to reduce interest-bearing debt; decrease the Company's interest burden■ Subordinated loan

3. Growth Businesses

ICT-Related Products



3. Growth Businesses

ICT-Related Products

Polycrystalline silicon	<ul style="list-style-type: none"> ■ Maintain full capacity
Photoresist developer TMAH	<ul style="list-style-type: none"> ■ Maintain full capacity ■ Increase production capacity
High-purity IPA for cleaning	<ul style="list-style-type: none"> ■ Strengthen the supply structure by building a second plant in Taiwan ■ Increase in sales volume by adjusting the balance with industrial-use IPA
Fumed silica	<ul style="list-style-type: none"> ■ Increase in sales volume of products for CMP application; revise the selling prices ■ Expand the lineup of electronics industry-related (toner, LCD panel components, etc.) silica products
Thermal management material	<ul style="list-style-type: none"> ■ Increase the production capacity ■ Expand the product lineup

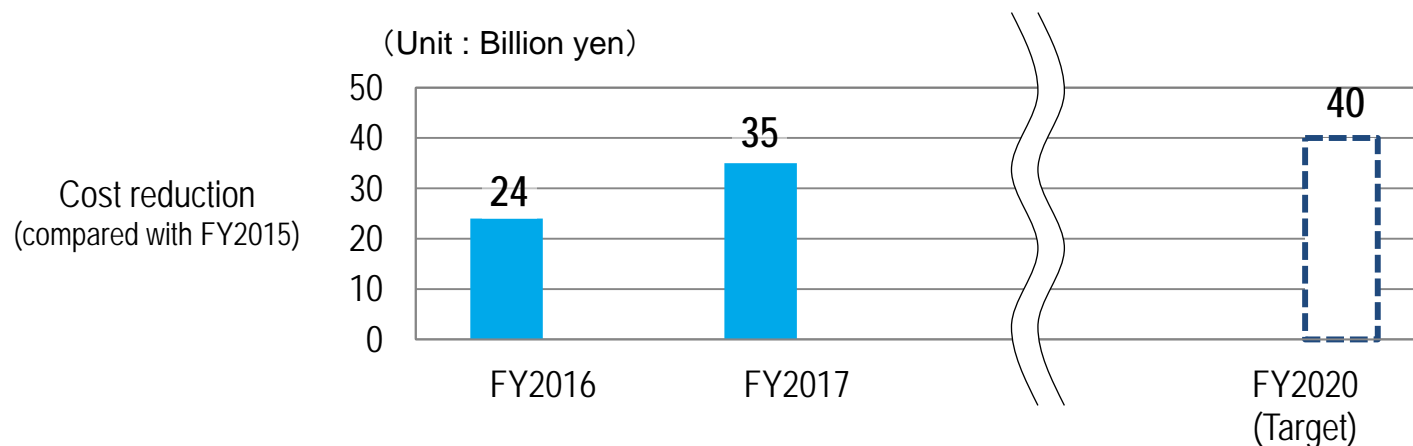
4. Traditional Businesses

■ Revision in selling prices

Segment	Products	Target based on current price	Timing of implementation
Chemicals	Liquid caustic soda	more than 22 yen / kg	January 16, 2018
	Industrial-use IPA	more than 30 yen / kg	January 1, 2018
	Polyvinyl chloride (PVC) resin	more than 15 yen / kg	February 15, 2018
Cement	Cement	more than 1,000 yen / t	April 1, 2018

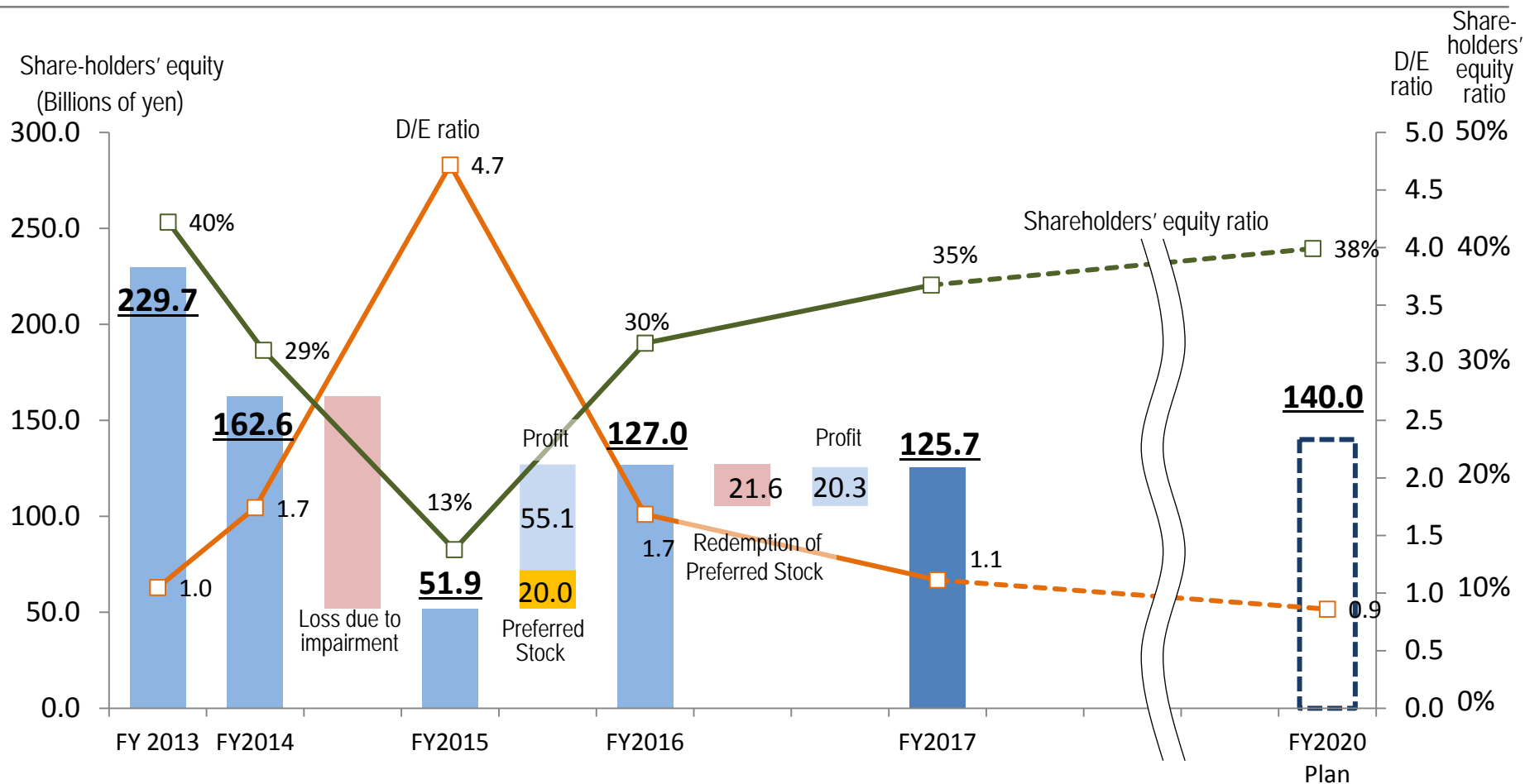
■ Reduce manufacturing costs

Progress of cost reduction activities (BRIGHT-II) in Tokuyama Factory



5. Improvement of Financial Position

Shareholders' Equity and Financial Index Trend



3 Progress under the Medium-Term Management Plan

6. Dividends

➤ FY2017

Declared a commemorative period-end dividend to mark the Company's centenary anniversary

	Interim	Year-end (forecast)	Annual (forecast)
Dividend per share	10 yen *	20 yen (ordinary 10 yen) (commemorative 10yen)	30 yen (ordinary 20 yen) (commemorative 10yen)

* The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. The interim dividend of the fiscal year ending March 31, 2018 is stated after taking into the account the impact of the share consolidation.

➤ FY2018

Profit expected to progress in line with the Medium-Term Management Plan from the fiscal year ending March 31, 2019

Plan to pay both an interim and period-end dividend of 25 yen per share

Chemistry with a heart

TOKUYAMA





4 Supplementary Data

1. Growth Business
2. Net Sales/Operating Profit by Business Segment
3. Consolidated Financial Statements
4. Reducing Interest-bearing Debts
5. Non-Operating Income/Expenses, Extraordinary Gains/Losses and Financial Cost
6. Performance Trend
7. Changes in Operating Income
8. CAPEX and Depreciation Trend
9. Interest-bearing Debts Trend
10. Cash Flow Plan

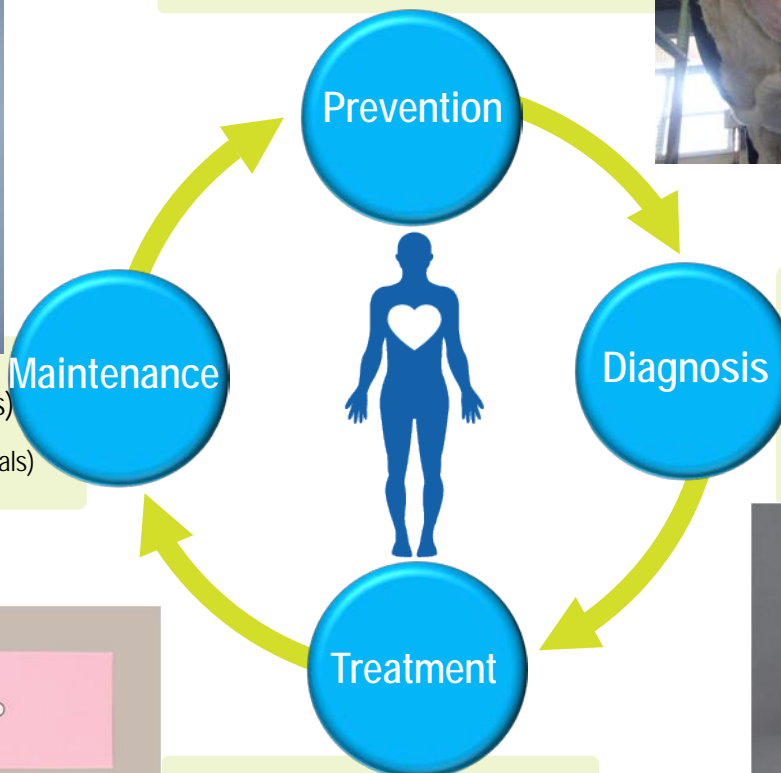
1. Growth Businesses

Healthcare-Related Products



- Polyolefin film (Food packaging materials)
- Microporous film (disposable diapers materials)

- Photochromic Dye Materials
- External Teat Sealant for cows



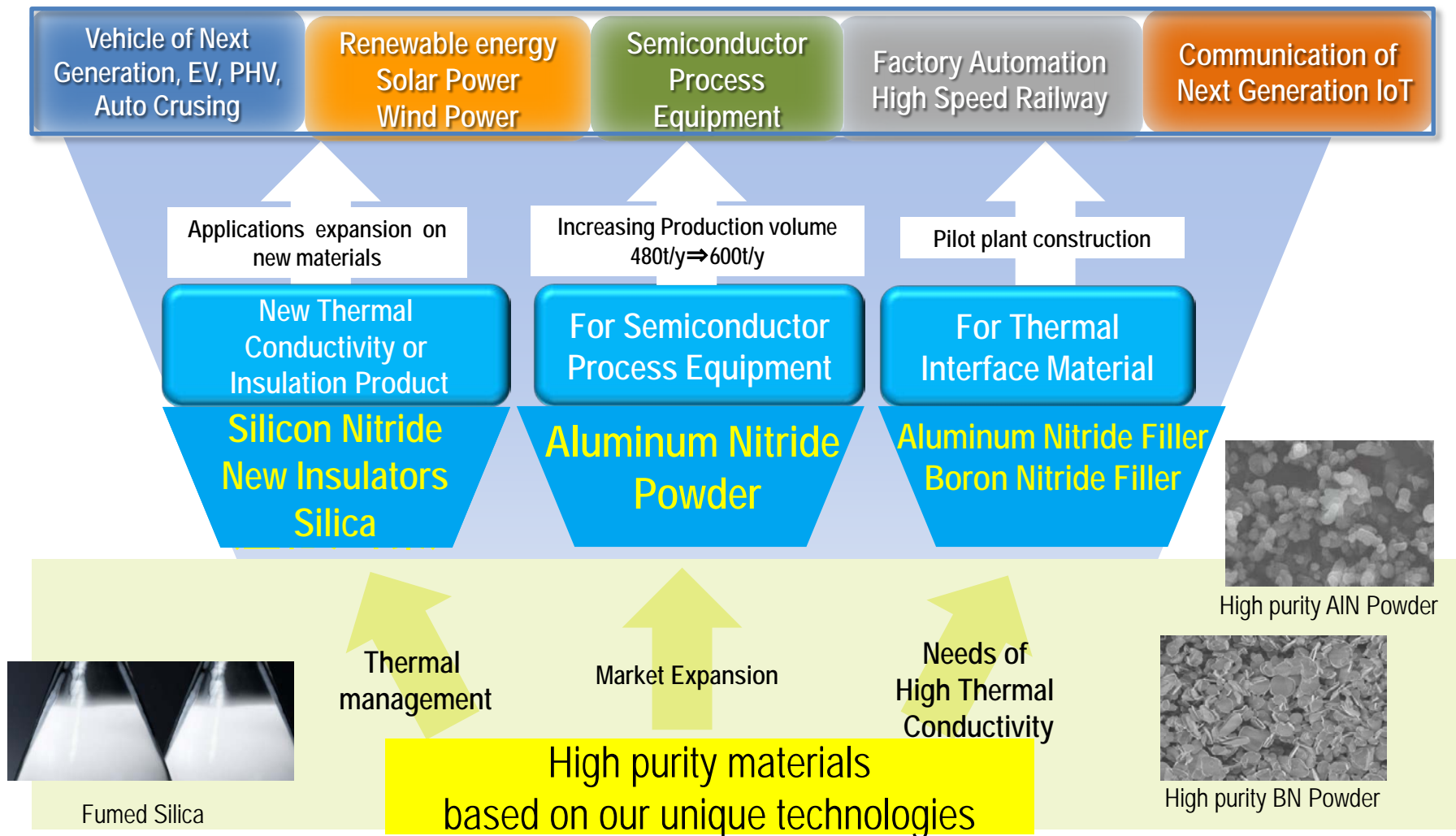
- Medical diagnosis systems
- Diagnostic reagents
- Neutron detection monitor materials
- Animal medical peripheral materials



- Dental materials
- Active pharmaceutical ingredients and intermediates

1. Growth Businesses

Thermal management material Business



2. Net Sales/Operating Profit by Business Segment (Chemicals Segment)

Measures

- Transfer the increase in raw material and fuel costs to selling prices
- Increase the volume of caustic soda exports
- Reduce manufacturing costs by improving unit consumption and implementing such measures as cutbacks in fixed costs
- Reduction in cost by utilizing in-house warehouses

FY2017 Results

Caustic soda

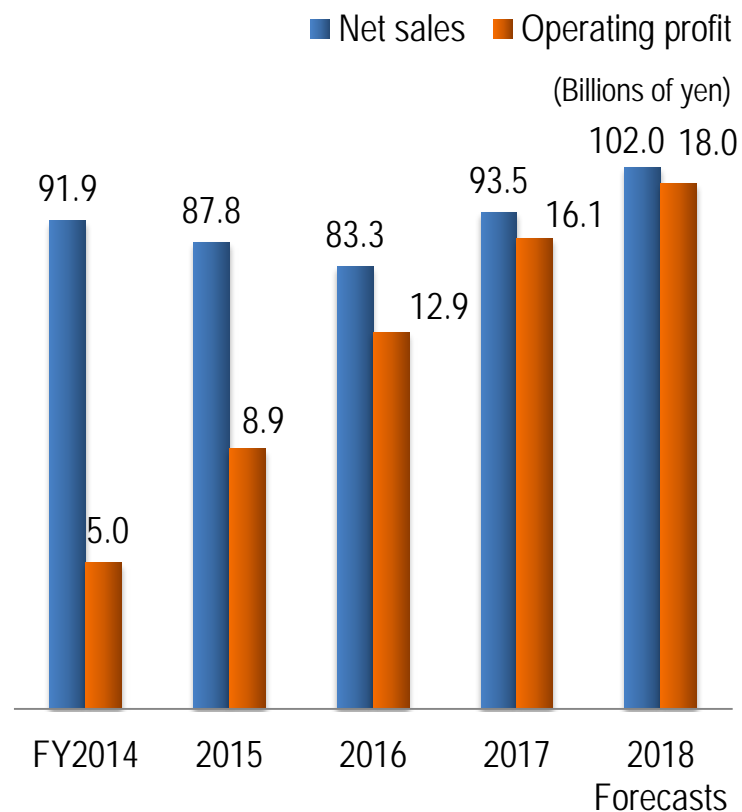
- Net sales increased due to the revision in selling prices and higher volume

Vinyl chloride monomer

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

Poly vinyl chloride

- Net sales increased due to price revision



* The impact of the Cost of idle operation is not taken into account with respect to the operating profit for FY2014 and FY2015.

2. Net Sales/Operating Profit by Business Segment (Specialty Products Segment)

Measures

< Electronic Materials Business >

- Develop technologies that address customers' requirements for increased performance

< Thermal management material Business >

- Expand the product lineup

< IC Chemicals Business >

- Strengthen the production and supply structures

FY2017 Results

High-purity chemicals for electronics manufacturing

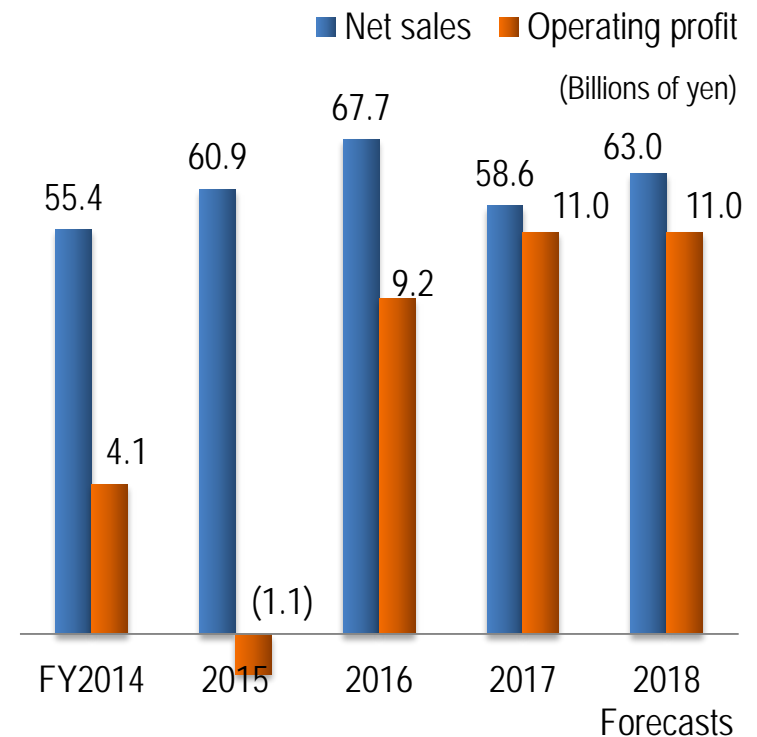
- Higher sales volume to of such applications used for semiconductor manufacturing

Aluminum nitride

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

Polycrystalline silicon

- A robust sales volume of semiconductor-grade polycrystalline silicon. On the other hand, sales decreased due to deconsolidation of Tokuyama Malaysia



* The impact of the Cost of idle operation is not taken into account with respect to the operating profit for FY2014 and FY2015.

2. Net Sales/Operating Profit by Business Segment (Cement Segment)

Measures

- Transfer the increase in raw material costs to selling prices
- Reduce the unit consumption of coal by increasing the use/intake of waste plastic
- Increase the volume of waste accepted by higher volume of cement exports
- Increase unit prices of waste accepted

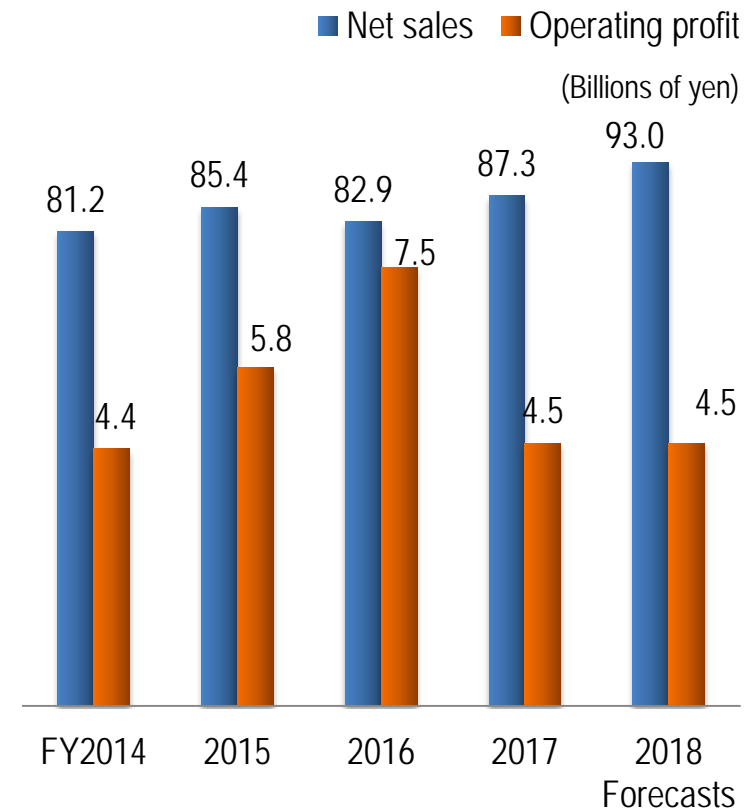
FY2017 Results

Cement

- Increase in sales volume of exports for Asian market
- Domestic sales increased at Tokyo and other areas
- Increased production costs as a results of the rise in raw material costs such as coal

Resource recycling business

- Increase in waste disposable fees



* The impact of the Cost of idle operation is not taken into account with respect to the operating profit for FY2014 and FY2015.

2. Net Sales/Operating Profit by Business Segment (Life & Amenity Segment)

Measures

- Strengthen the pipeline from product development to market release
- Increase the number of items by steadily bringing developed products to the market
- Expand production and sales overseas
- Increase the volume of sales through close collaboration with sales partners

FY2017 Results

Dental materials and equipment

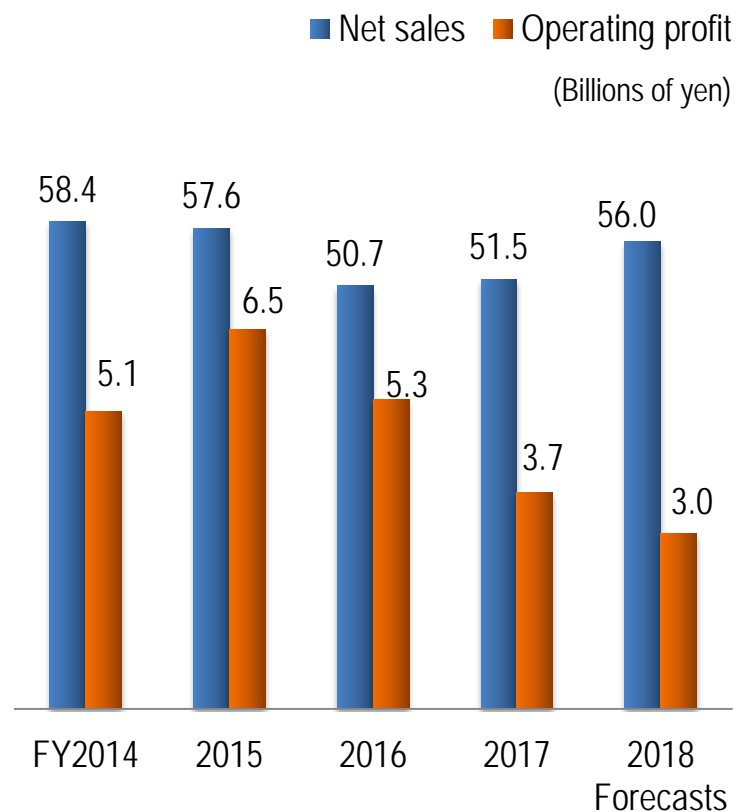
- Higher sales volume of new products and increased export

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



* The impact of the Cost of idle operation is not taken into account with respect to the operating profit for FY2014 and FY2015.

3. Consolidated Financial Statements Income Statements

(Billions of yen)

	FY2016	FY2017	Difference	
			Amount	%
Net sales	299.1	308.0	+8.9	+3
Cost of sales	202.4	207.7	+5.2	+3
Selling, general and administrative expenses	58.0	59.0	+0.9	+2
Operating profit	38.5	41.2	+2.7	+7
Non-operating income/expenses	(4.5)	(5.0)	(0.5)	-
Ordinary profit	33.9	36.2	+2.1	+6
Extraordinary income/expenses	4.5	(3.3)	(7.8)	-
Profit/loss before income taxes	38.5	32.9	(5.6)	(15)
Income taxes	(14.8)	7.5	+22.3	-
Non-controlling interests	1.2	5.6	+4.4	+362
Profit attributable to owners of parent	52.1	19.4	(32.7)	(63)

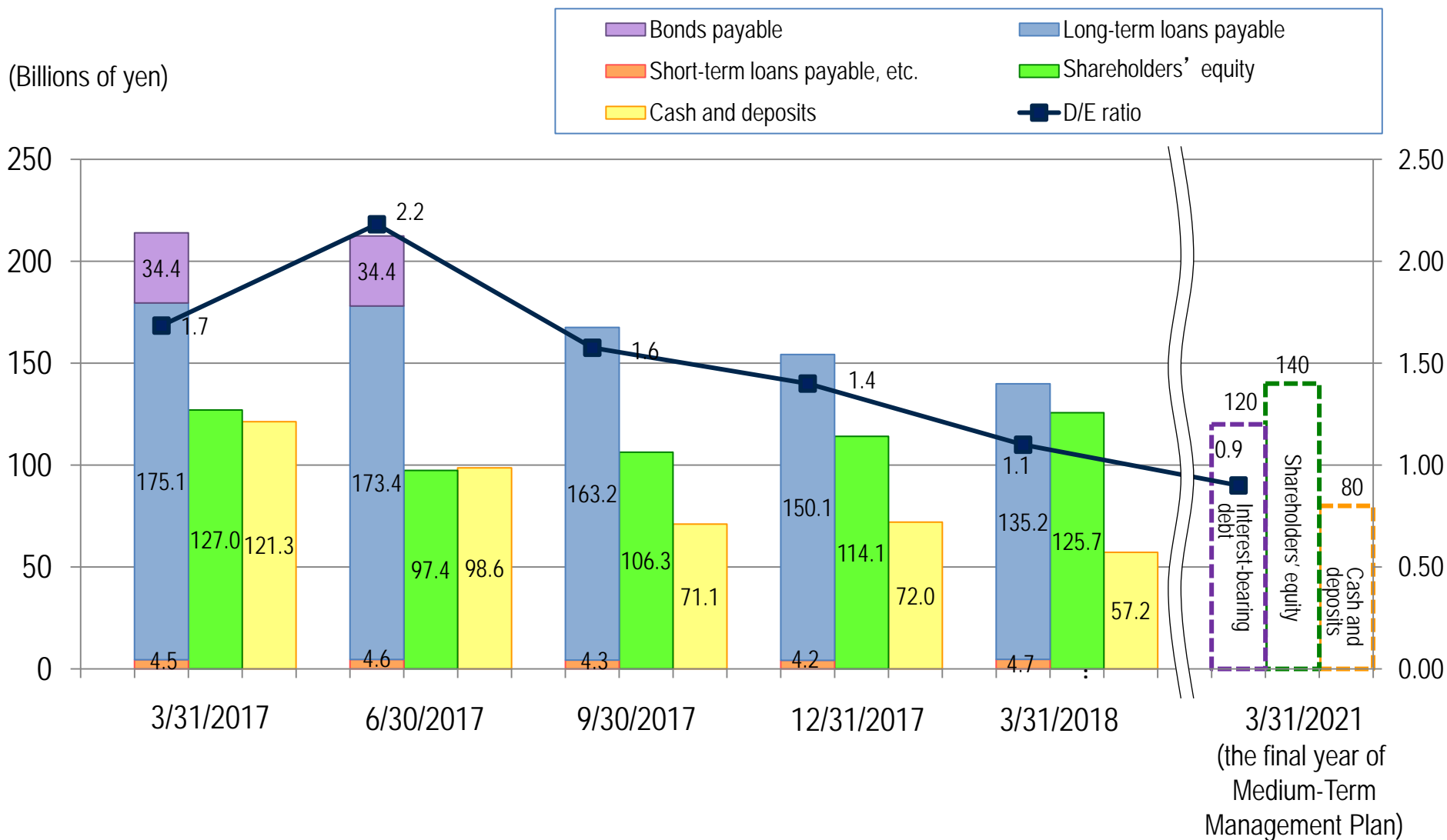
3. Consolidated Financial Statements Balance Sheets

(Billions of yen)

	3/31/2017	3/31/2018	Changes	
			Amount	%
Total assets	424.4	361.9	(62.4)	(15)
Current assets	246.6	197.6	(49.0)	(20)
Tangible fixed assets	119.2	110.2	(8.9)	(8)
Intangible fixed assets	4.7	2.7	(2.0)	(42)
Investments and other assets	53.7	51.2	(2.4)	(5)

	3/31/2017	3/31/2018	Changes	
			Amount	%
Total liabilities	288.4	225.3	(63.0)	(22)
Current liabilities	79.1	93.0	+13.8	+18
Long-term liabilities	209.3	132.3	(76.9)	(37)
Total net assets	135.9	136.5	+0.6	+0

4. Reducing interest-bearing debt

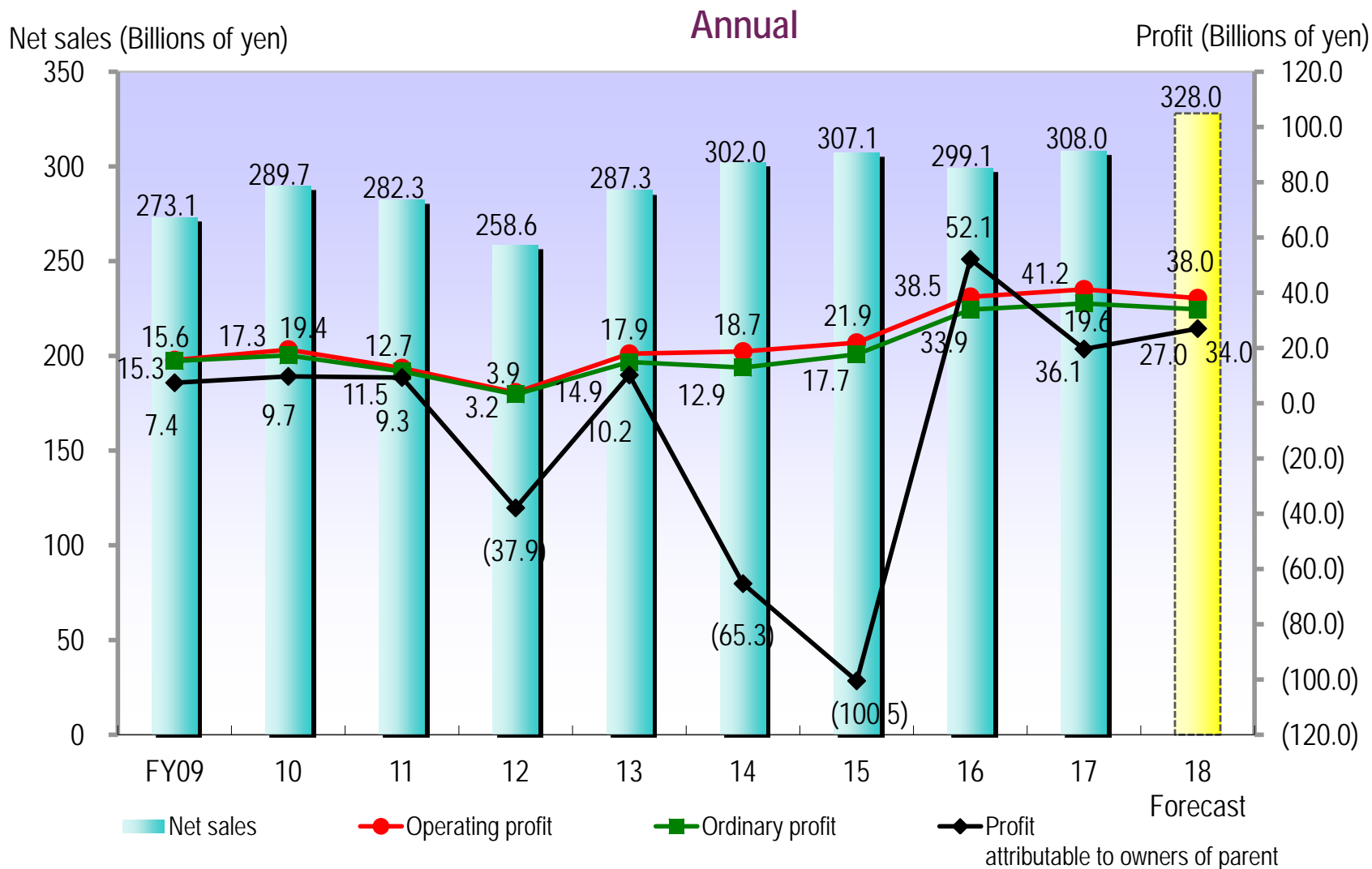


5. Non-Operating Income/Expenses, Extraordinary Gains/Losses and Financial Cost

Consolidated (year-on-year change)
(Billions of yen)

		FY2016	FY2017	Changes
Non-operating income	Interest and dividend income	0.3	0.4	+0.1
	Other income	2.8	4.1	+1.3
	Total	3.1	4.6	+1.4
Non-operating expenses	Interest expenses	4.2	3.7	+0.5
	Other expenses	3.4	6.0	(2.5)
	Total	7.6	9.7	(2.0)
Non-operating income/expenses		(4.5)	(5.0)	(0.5)
Extraordinary gains		7.3	8.5	+1.2
Extraordinary losses		2.7	11.8	(9.0)
Extraordinary gains/losses		4.5	(3.3)	(7.8)
Financial income and expenses		(3.9)	(3.2)	(0.6)

6. Performance Trend

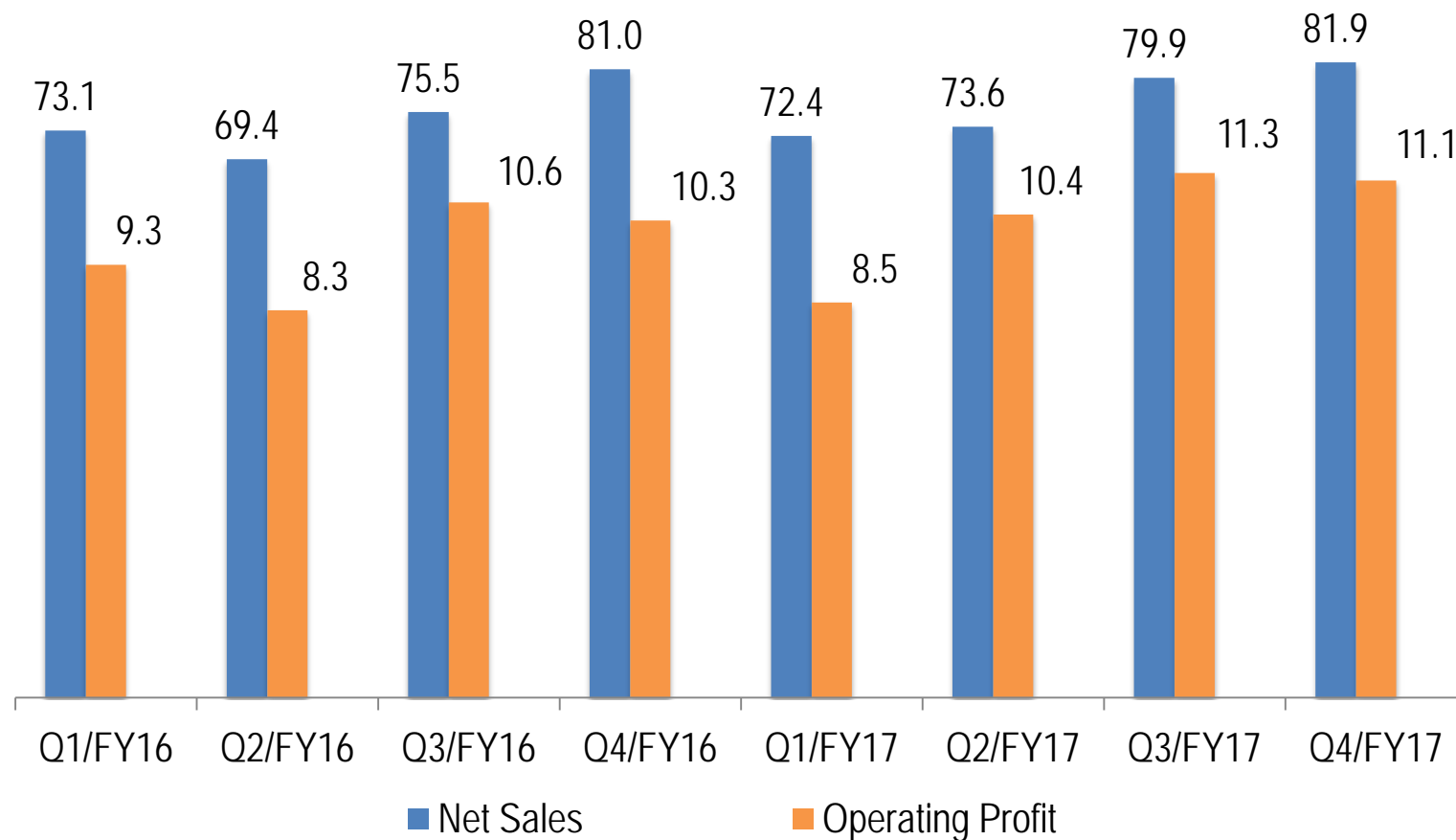


6. Performance Trend

Consolidated

Quarter

(Billions of yen)

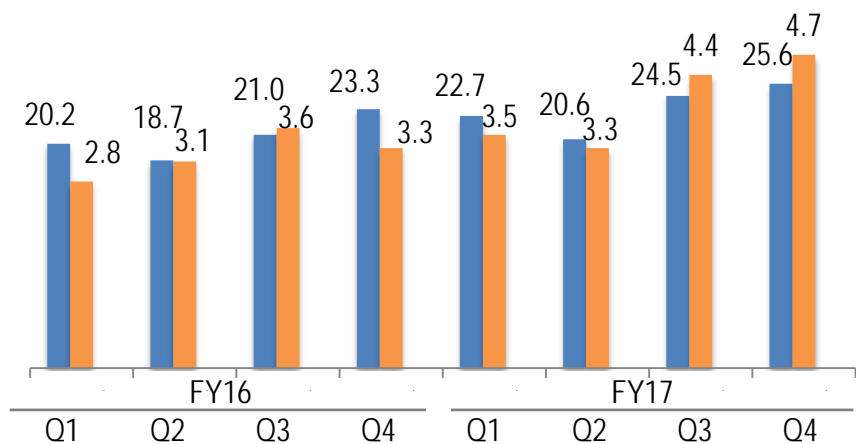


6. Performance Trend

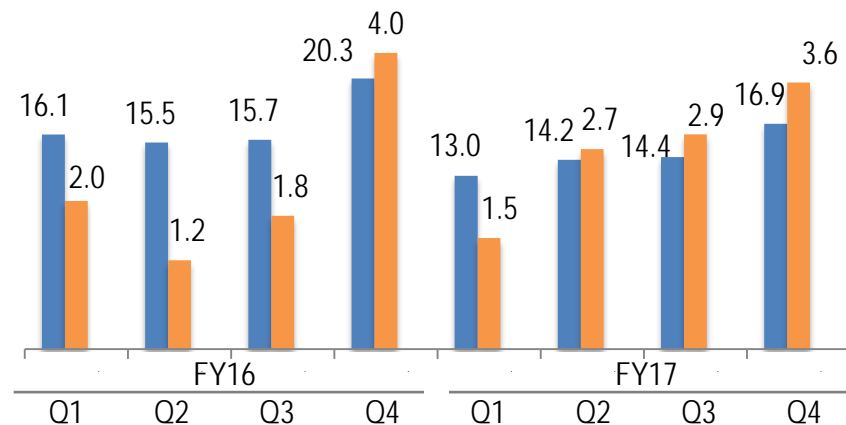
Quarter

(Billions of yen)

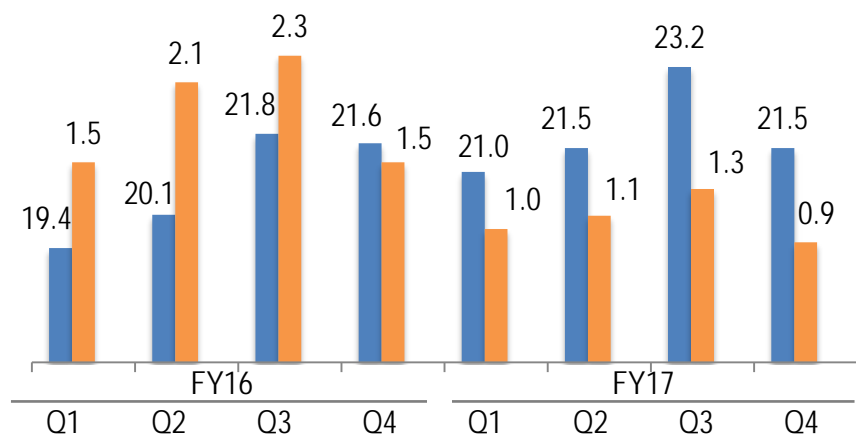
Chemicals



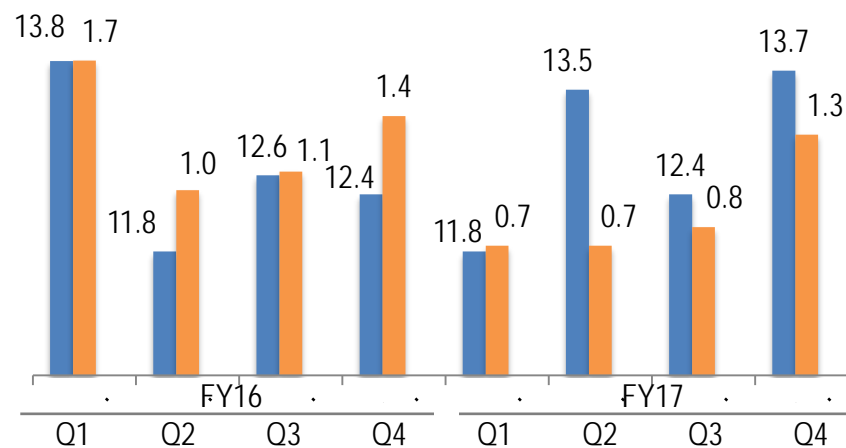
Specialty Products



Cement



Life & Amenity



■ Net Sales

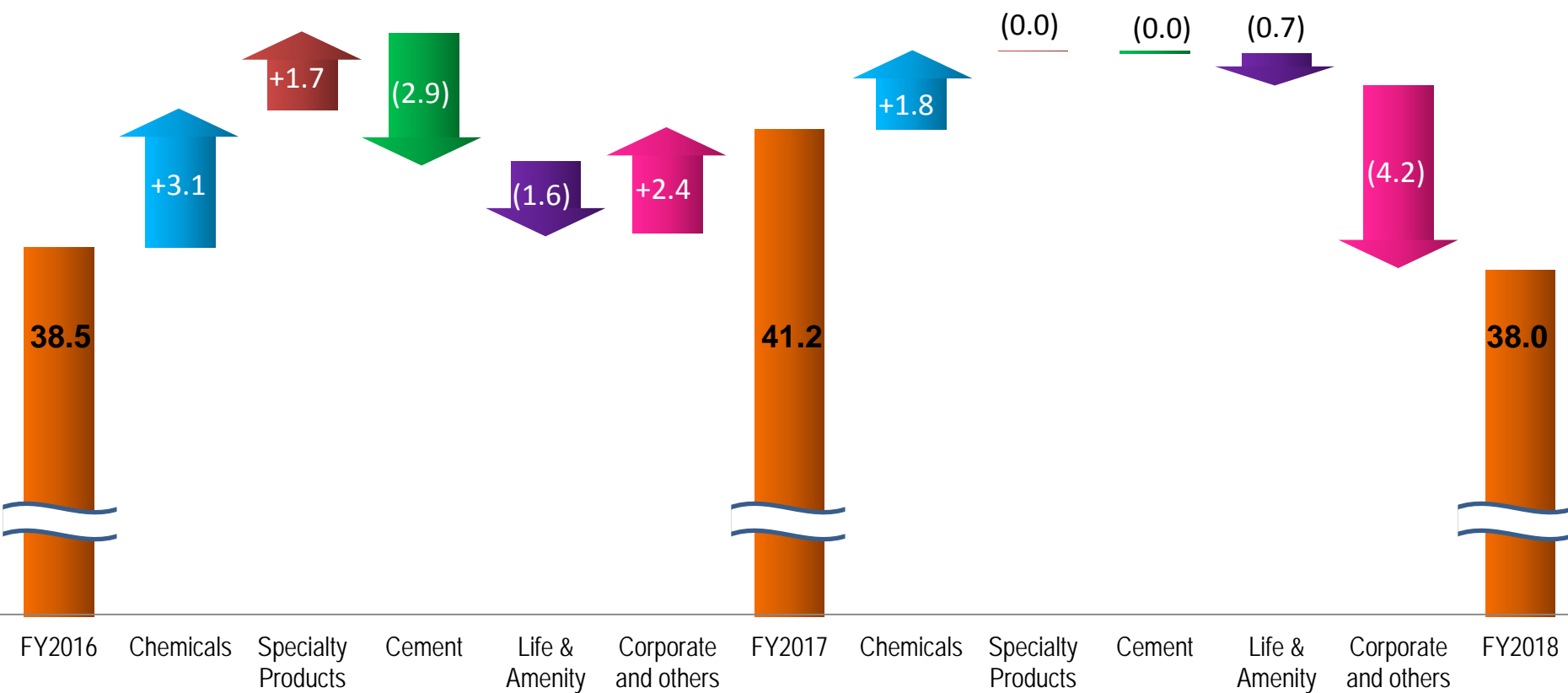
■ Operating Profit

7. Changes in Operating Profit

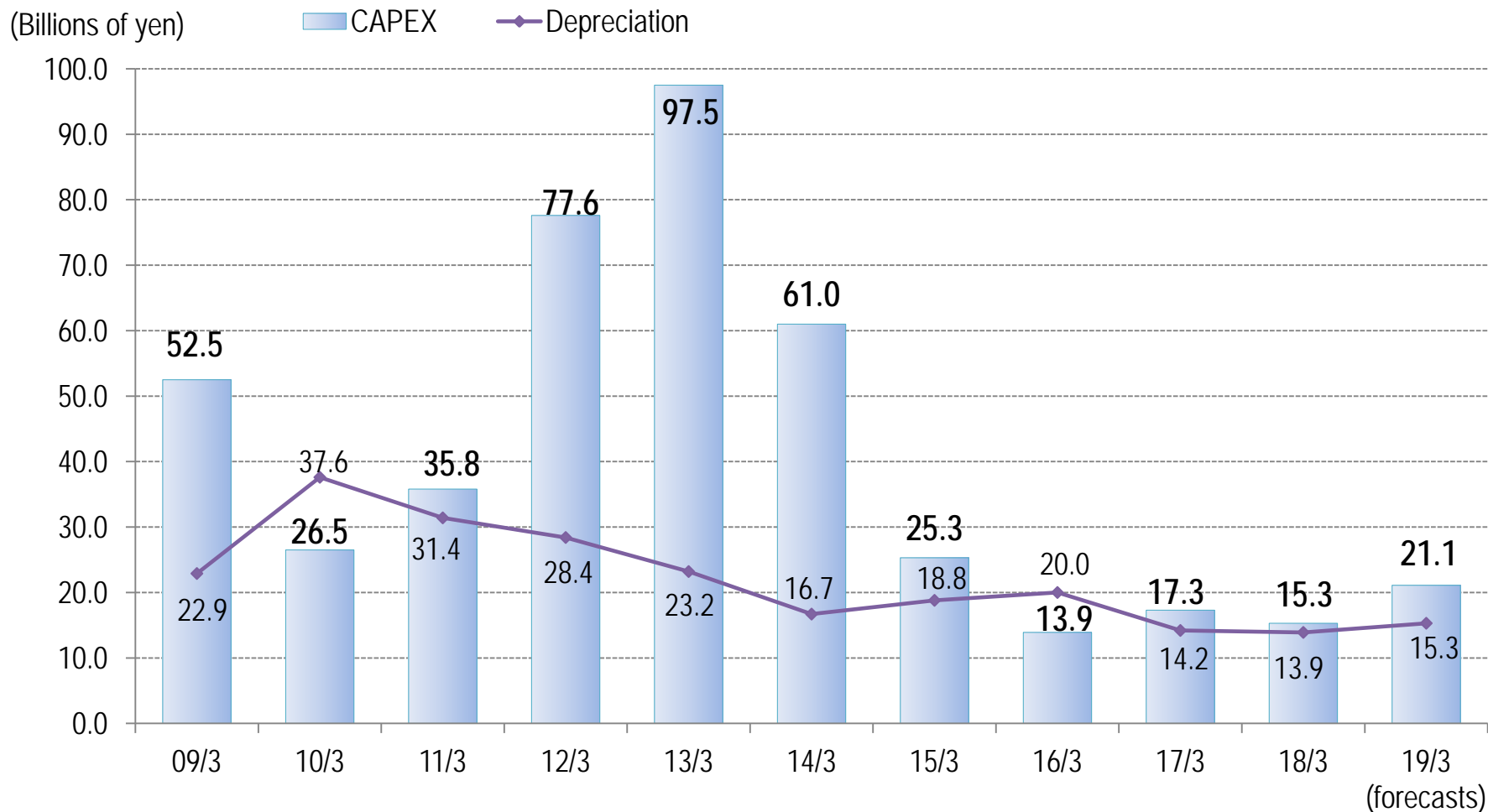
By Segment

Result of FY2017 and Forecast of FY2018

(Billions of yen)

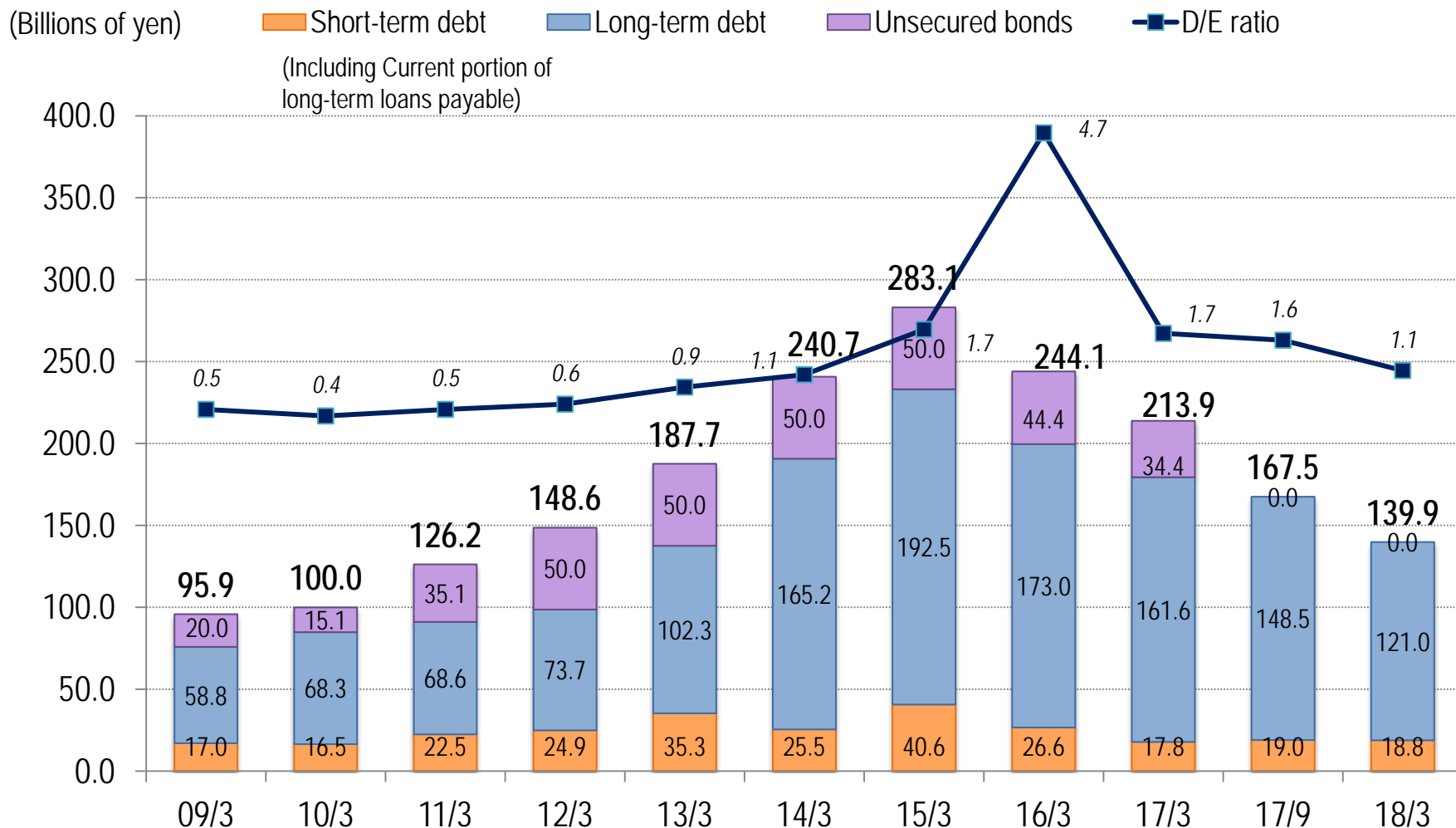


8. CAPEX and Depreciation Trend



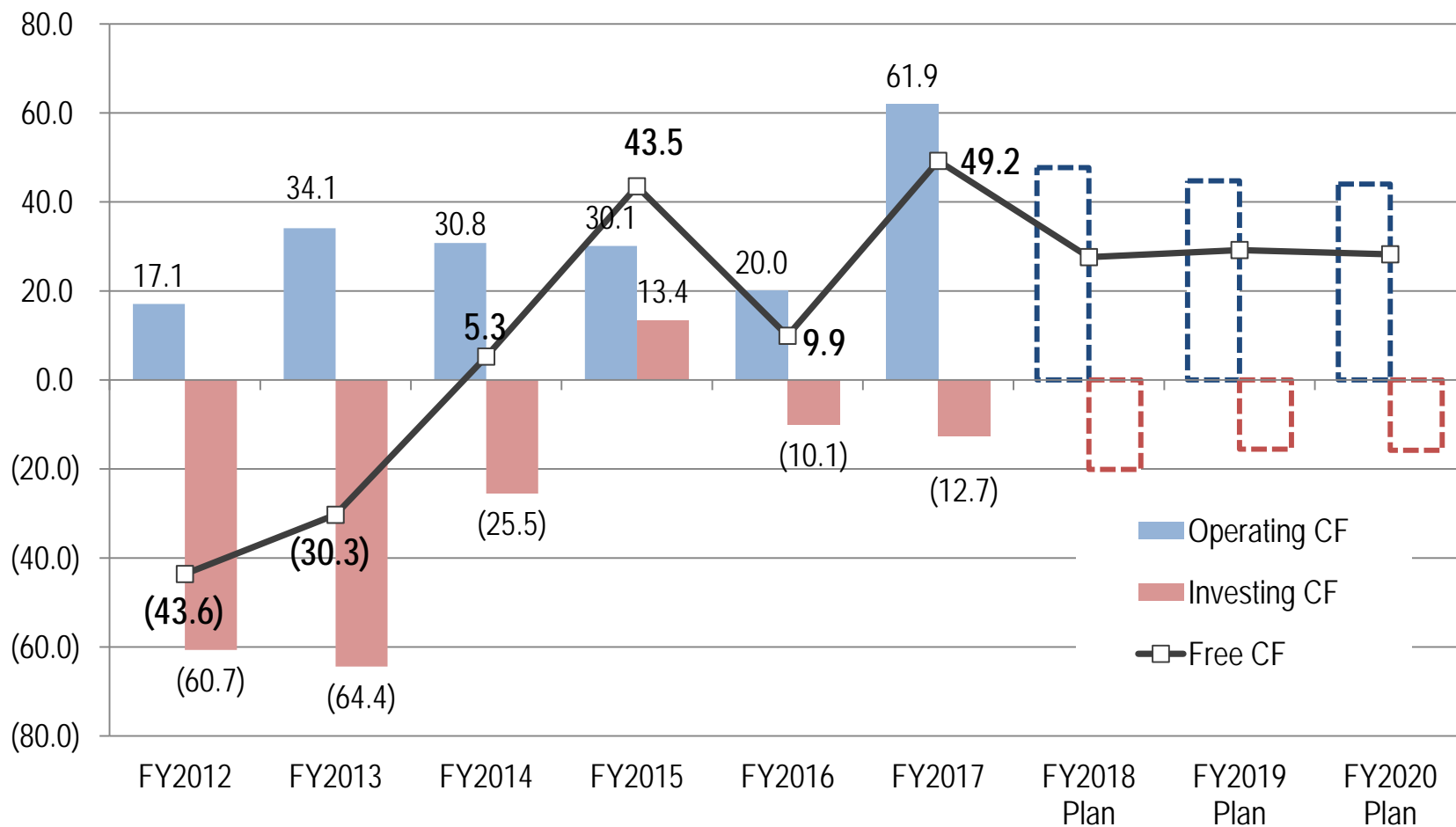
9. Interest-Bearing Debts Trend

Consolidated



10. Cash Flow Plan

(Billions of yen)



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Chemistry with a heart

TOKUYAMA

