

Q1 FY2018 - Apr 1, 2018 to Jun 30, 2018 -

Presentation for IR Meeting

Tokuyama Corporation

July 31, 2018



Key points of the first quarter of fiscal 2017

- In the 1Q (April to June) of FY2018 sales and operating profit increased YoY. In addition to an increase in sales volumes of such semiconductor-related products as thermal management materials, this also reflected revision to certain product selling prices including caustic soda.
- Ordinary profit and net profit hit record highs in the 1Q of FY2018 largely on the back of improvements in non-operating income/expenses and extraordinary income/losses.
- While current performance trends exceed forecasts identified at the beginning of the period, full fiscal year forecasts remain unchanged. This is primarily due to the persistent high level of raw material and fuel prices.
- Tokuyama has decided to increase its production capacity of photoresist developers (TMAH).

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1 Financial Results for Q1 FY2018

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

(Billions of yen)

	Q1 FY2017	Q1 FY2018	Difference		Main changing factors
			Amount	%	
Net sales	72.4	75.8	+3.3	+5	Upward revision in selling prices of caustic soda Increase in sales volumes of semiconductor-related products
Operating profit	8.4	8.8	+0.3	+5	Upward revision in selling prices of caustic soda Deconsolidation of Tokuyama Malaysia
Ordinary profit	7.7	8.6	+0.9	+12	Increase in operating profit Decrease in interest expenses
Profit attributable to owners of parent	(8.1)	6.6	(14.8)	-	Improvements in extraordinary income/losses
Basic earnings per share (yen)	(140.44)	95.73	-		-
Exchange rate (yen/USD)	111	109	-		-
Domestic naphtha price (yen/kl)	39,100	48,700	-		-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2018	As of Jun 30,2018	Difference	Main changing factors
Total assets	361.9	358.0	(3.9)	Decrease in current assets by repayment of long-term loans payable
Shareholders' equity	125.6	130.1	+4.4	Posting profit attributable to owners of parent
Shareholders' equity ratio	34.7%	36.3%	+1.6pts	-
Interest-bearing debt	139.9	136.5	(3.3)	Decrease in long-term loans payable
D/E ratio	1.11	1.05	(0.06)	-
Net D/E ratio*	0.58	0.55	(0.03)	-
Net assets per share (yen)	1,806.56	1,870.87	-	-

*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)

	Q1 FY2017		Q1 FY2018		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	22.7	3.5	25.1	4.8	+2.4	+11	+1.3	+37
Specialty Products	13.0	1.5	13.0	1.9	(0.0)	(0)	+0.3	+24
Cement	21.0	1.0	22.1	0.8	+1.1	+6	(0.1)	(19)
Life & Amenity	11.8	0.7	12.3	0.8	+0.5	+5	+0.0	+7
Others	13.1	1.5	13.0	0.9	(0.1)	(1)	(0.5)	(38)
Total	81.6	8.5	85.6	9.4	(4.0)	+5	+0.9	+11
Inter-segment eliminations and corporate-wide expenses	(9.2)	(0.0)	(9.8)	(0.5)	(0.6)	-	(0.5)	-
Consolidated results	72.4	8.4	75.8	8.8	+3.3	+5	+0.3	+5

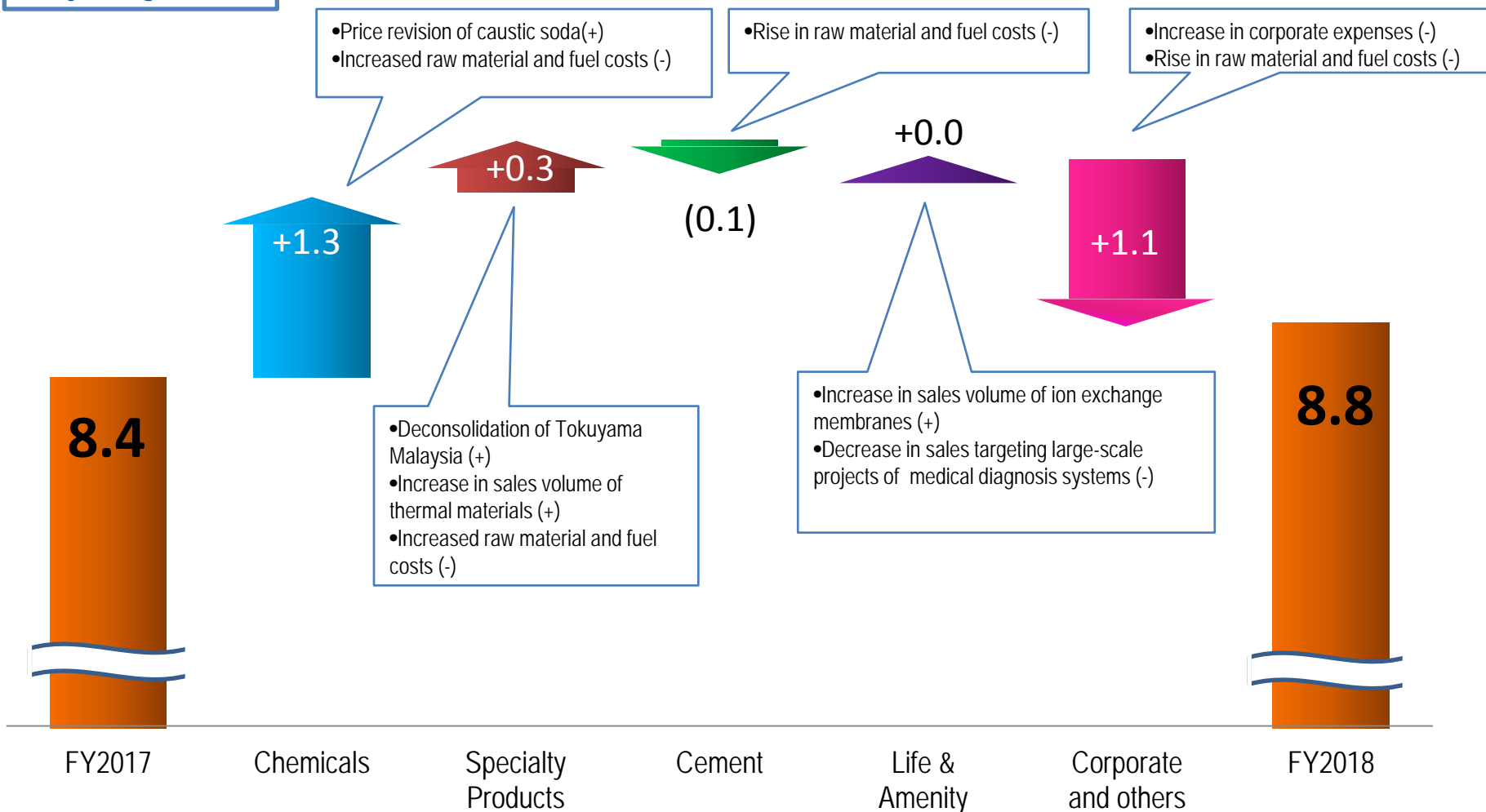
(Note) Sales and operating profit shown above include inter-segment transactions.

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

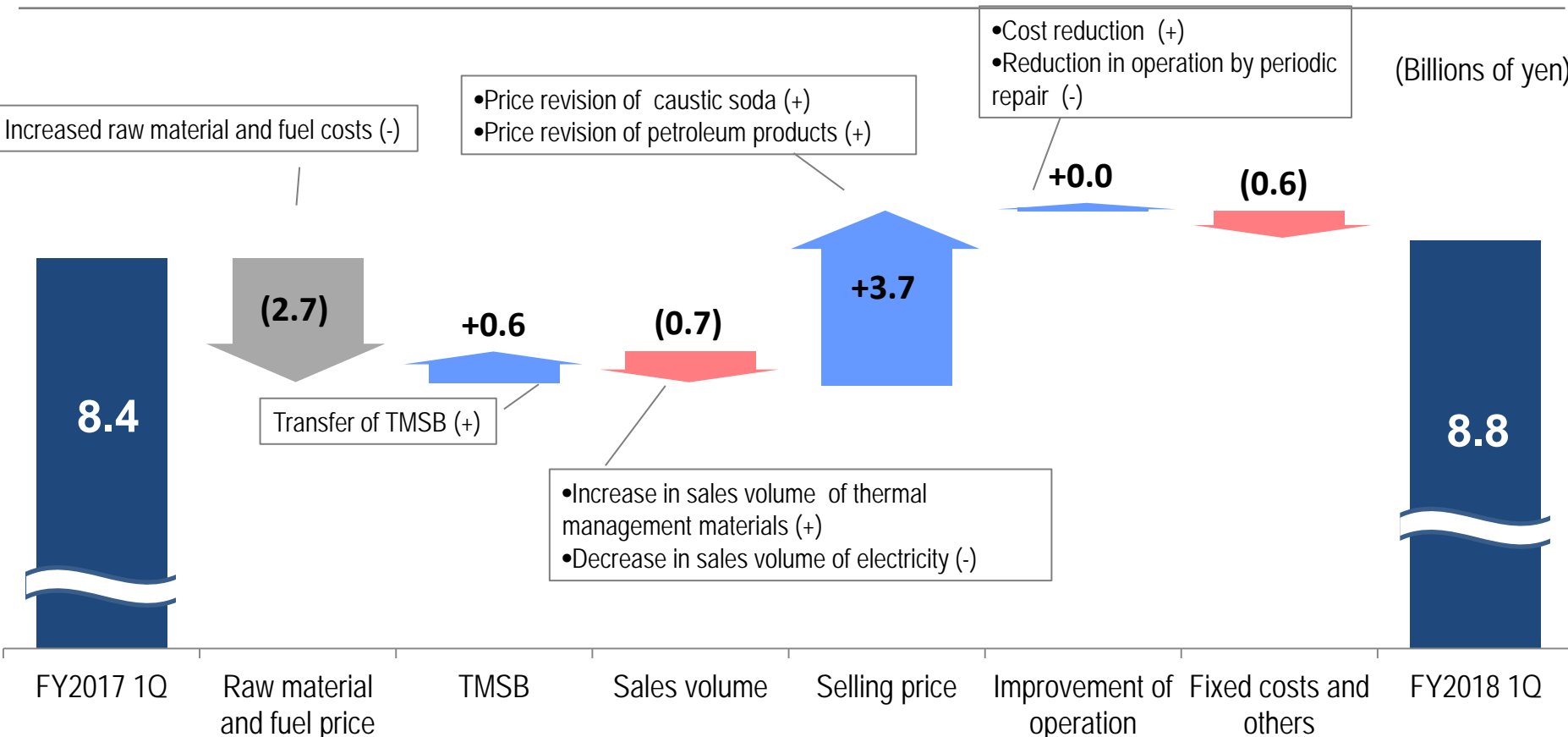
By Segment



3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)



*TMSB: Tokuyama Malaysia

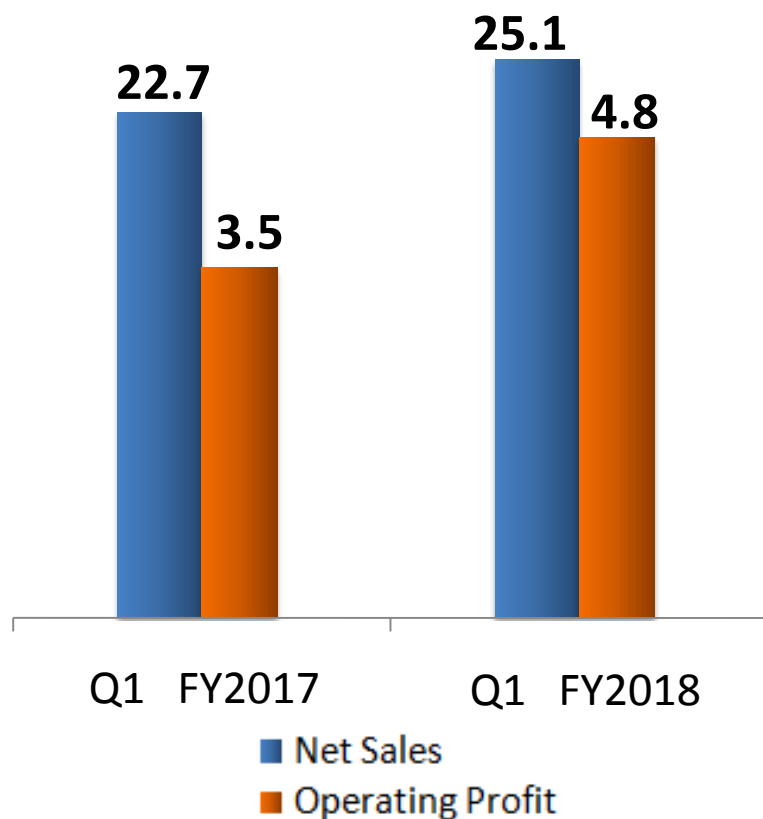
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Chemicals

Higher earnings on higher sales

(Billions of yen) Qualitative information



(Caustic soda)

- Sales volume was steady mainly due to exports to Asia and the revision of selling prices was also progressed.

(Vinyl chloride monomer (VCM))

- Net sales increased due the market trend was advancing despite decrease in the volume of export, the market trend was advancing.

(Vinyl chloride resin)

- The volume of sales increased on the back of robust domestic demand.

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

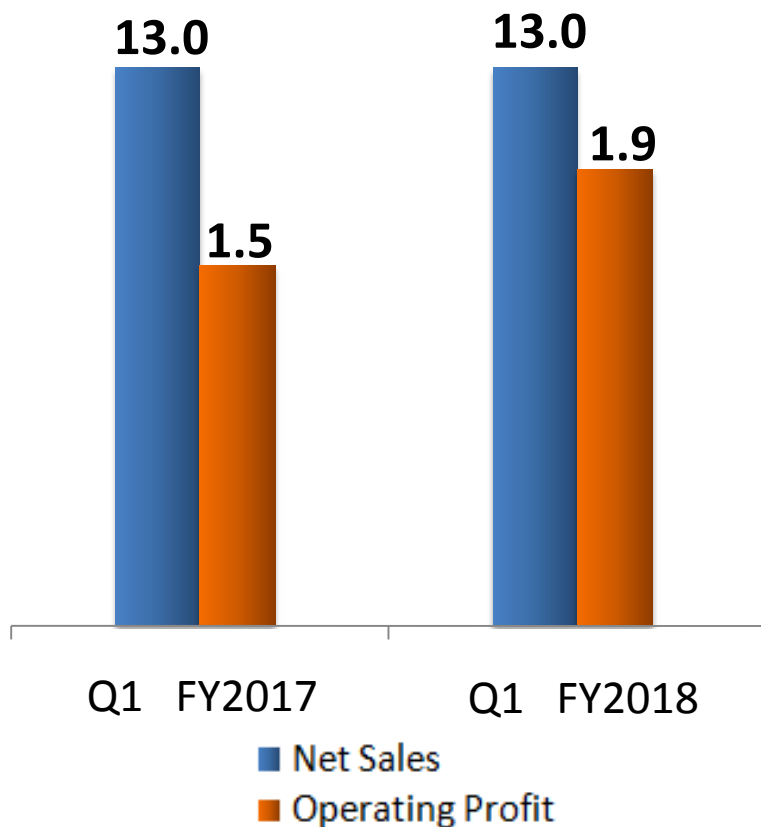
(Year-on-year change)

Specialty Products

Higher earnings on lower sales

(Billions of yen)

Qualitative information



(Polycrystalline silicon)

- Net Sales decreased. Despite an increase in sales volume of semiconductor-grade polycrystalline silicon, this was primarily due to removal of Tokuyama Malaysia Sdn. Bhd. from the Company's scope of consolidation in May 2017.

(Fumed Silica)

- Net sales were steady in such applications as a polishing material for semiconductors.

(High-purity chemicals for electronics manufacturing)

- Higher sales volume of such applications used for semiconductor manufacturing

(Thermal management material)

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

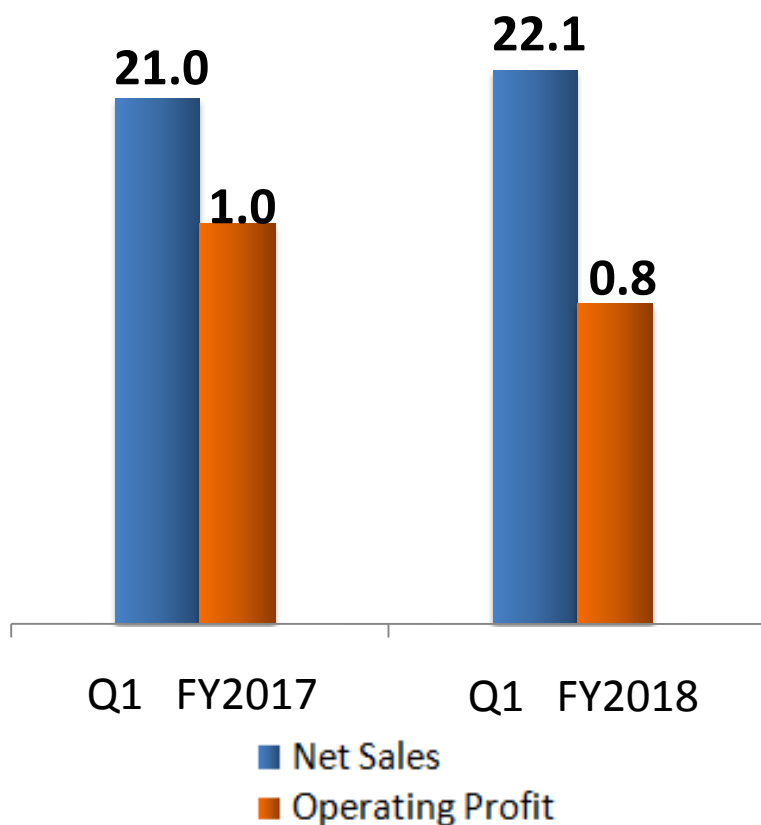
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Cement

Lower earnings on higher sales

(Billions of yen) Qualitative information



(Cement)

- Despite a weak sales volume, the export prices was advancing. As a result of this, sales was almost same as the corresponding period of the previous year.
- Consolidated subsidiary net sales increased. This mainly reflected the robust shipping trends of cement-related products.
- Lower earnings due to increased production costs as a results 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

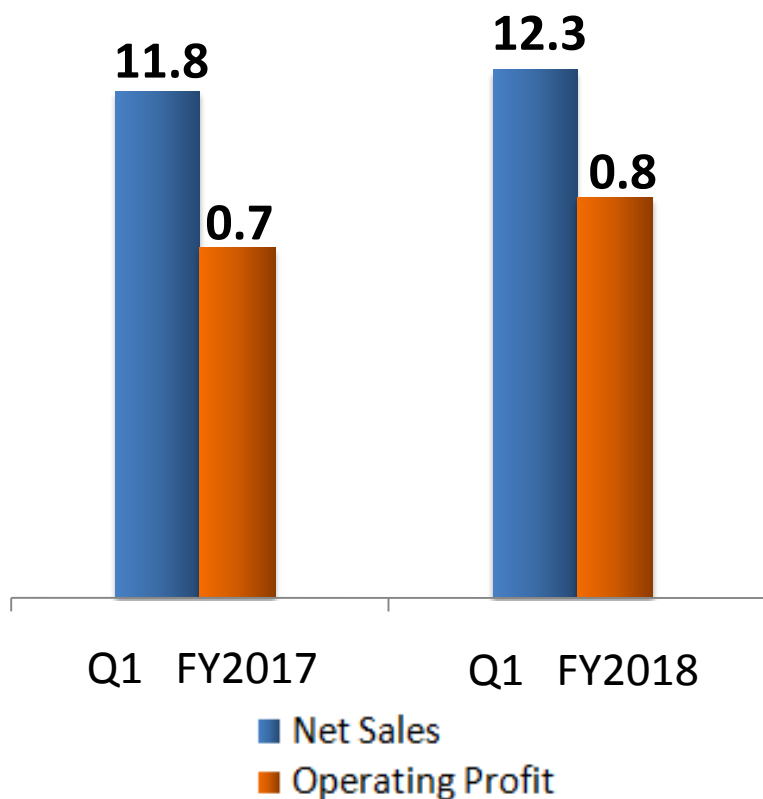
(Year-on-year change)

Life & Amenity

Higher earnings on Higher sales

(Billions of yen)

Qualitative information



(Active pharmaceutical ingredients and intermediates)

- Higher sales volume of generic pharmaceuticals

(Plastic lens-related materials)

- Higher sales volume of photochromic dye materials for eyeglass lenses

(Polyolefin film)

- Higher sales volume of application in packaging materials for products sold at convenience stores

(Ion exchange membranes)

- Net sales were up due to robust sales.

(Medical diagnosis systems)

- Decreased sales volume of products due to decrease of sales targeting large-scale projects



2 Performance Forecasts for FY2018

1. Performance Forecasts
2. Performance Forecasts by Business Segment

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	-		-

Although the future business environment is uncertain because of the fluctuations in 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 27, 2018.

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 Topics

1. Increase production capacity
2. Growth Businesses

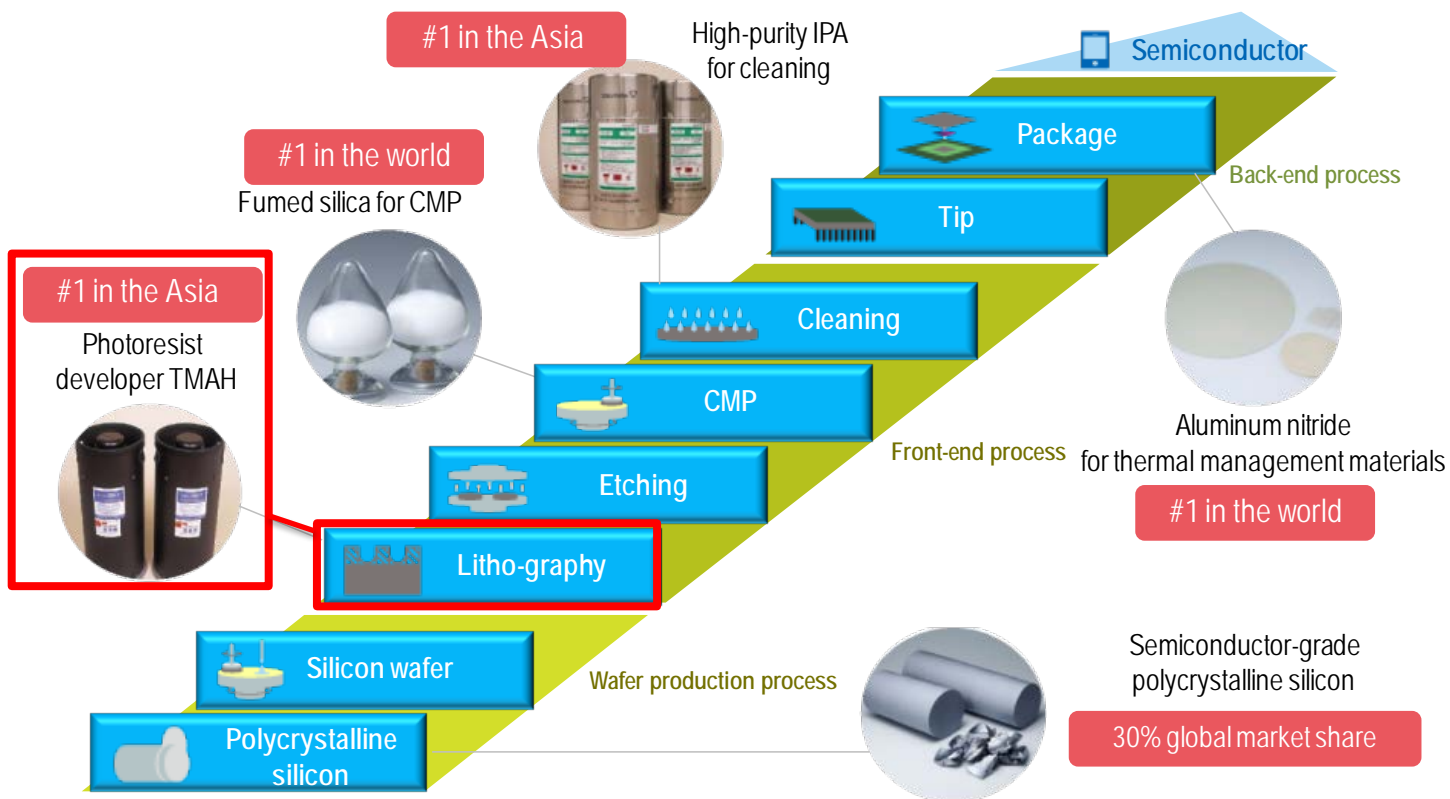


1. Increase production capacity

Photoresist developer

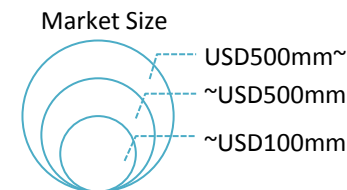
TMAH (Tetramethylammonium Hydroxide)

- Production capacity will increase 50%.
- This plant is scheduled to begin operation in April 2020.



2. Growth Businesses

ICT-Related Products



Product	Measures	Market Share	Market Size
Polycrystalline silicon	<ul style="list-style-type: none"> Maintain full capacity 	<p>TOKUYAMA (Global Market)</p>	
Photoresist developer TMAH	<ul style="list-style-type: none"> Increase the production capacity Maintain full capacity 	<p>TOKUYAMA (Asia Market) ※Including JV</p>	
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 	<p>TOKUYAMA (Asia Market)</p>	
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 	<p>TOKUYAMA (Global Market)</p>	
Thermal management material	<ul style="list-style-type: none"> Expand the product lineup 	<p>TOKUYAMA (Global Market)</p>	

Chemistry with a heart

TOKUYAMA



4 Supplementary Data

1. Consolidated Financial Statements
2. Performance Trend

1. Consolidated Financial Statements

Income Statements

(Billions of yen)

	Q1 FY2017	Q1 FY2018	Difference	
			Amount	%
Net sales	72.4	75.8	+3.3	+5
Cost of sales	49.3	51.7	+2.4	+5
Selling, general and administrative expenses	14.6	15.1	+0.5	+4
Operating profit	8.4	8.8	+0.3	+5
Non-operating income/expenses	(0.7)	(0.2)	+0.5	-
Ordinary profit	7.7	8.6	+0.9	+12
Extraordinary income/losses	(8.2)	(0.2)	+8.0	-
Profit/loss before income taxes	(0.5)	8.4	+8.9	-
Income taxes	4.1	1.5	(2.5)	(61)
Non-controlling interests	3.4	0.1	(3.2)	(95)
Profit attributable to owners of parent	(8.1)	6.6	+14.8	-

1. Consolidated Financial Statements

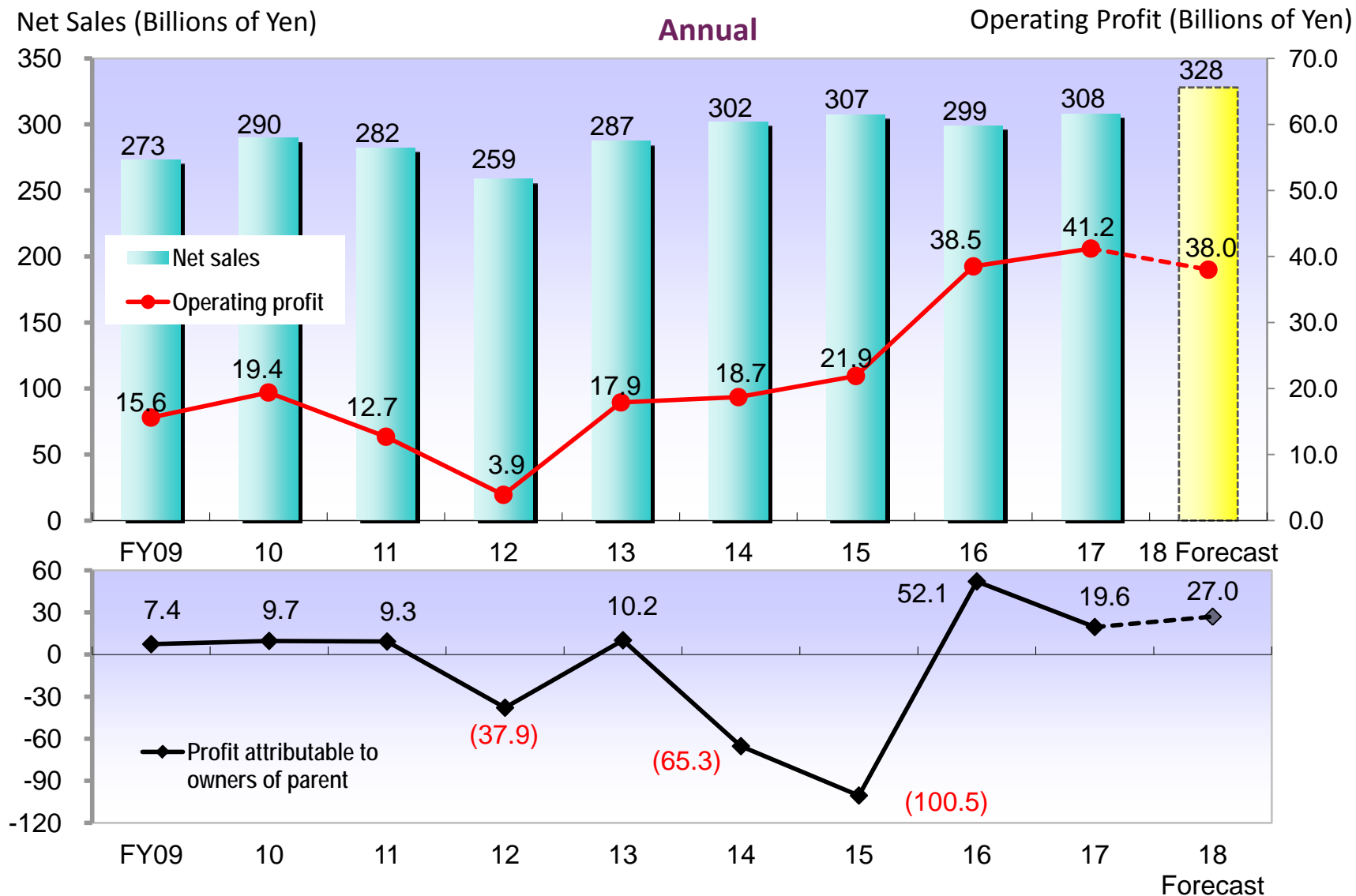
Balance Sheets

(Billions of yen)

	3/31/2018	6/30/2018	Changes	
			Amount	%
Total assets	361.9	358.0	(3.9)	(1)
Current assets	191.0	187.0	(4.0)	(2)
Tangible fixed assets	110.2	110.7	+0.4	0
Intangible fixed assets	2.7	2.4	(0.3)	(13)
Investments and other assets	57.9	57.8	(0.0)	(0)

	3/31/2018	6/30/2018	Changes	
			Amount	%
Total liabilities	225.3	216.9	(8.4)	(4)
Current liabilities	93.0	87.2	(5.7)	(6)
Long-term liabilities	132.3	129.7	(2.6)	(2)
Total net assets	136.5	141.0	+4.4	+3

2. Performance Trend

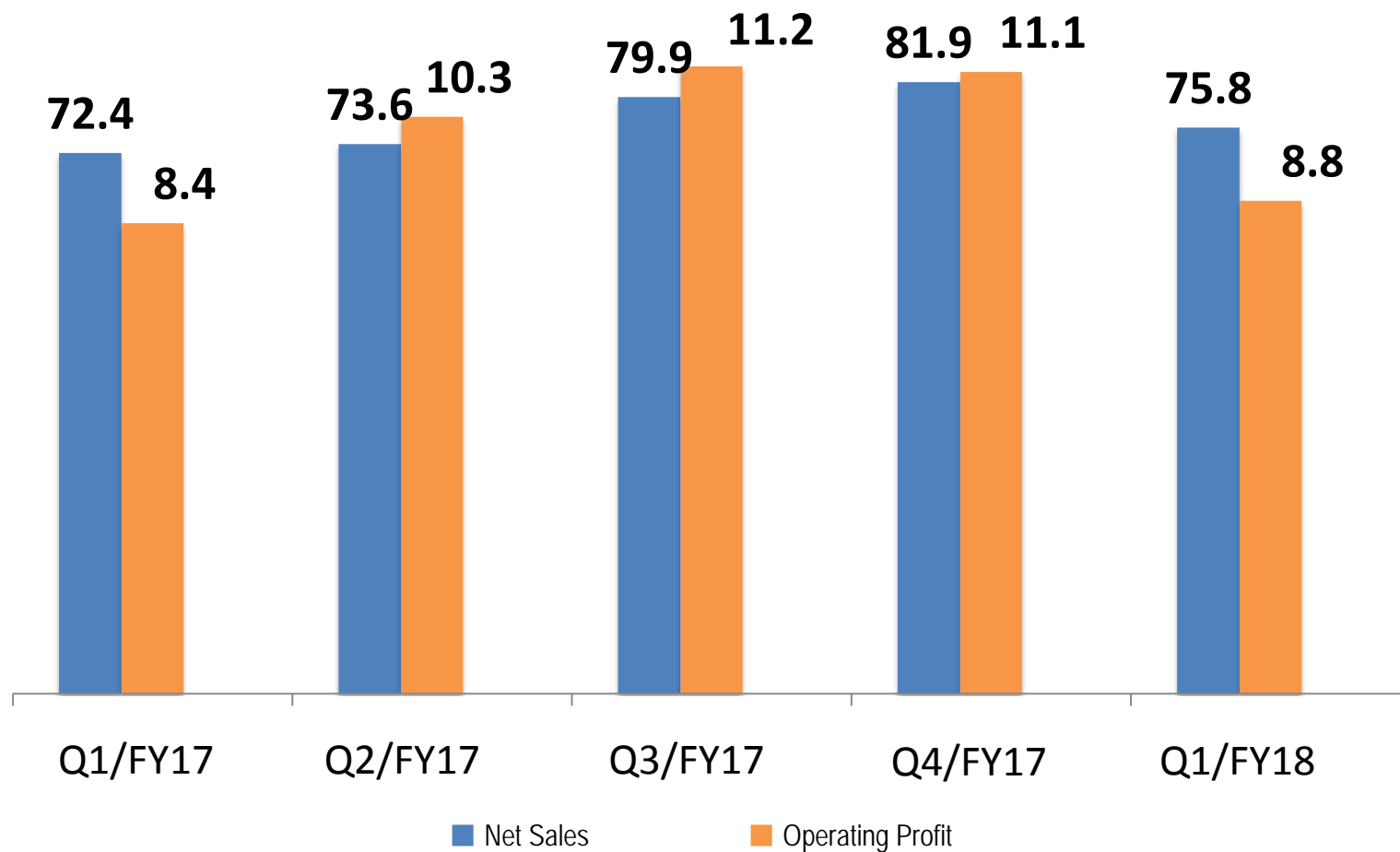


2. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

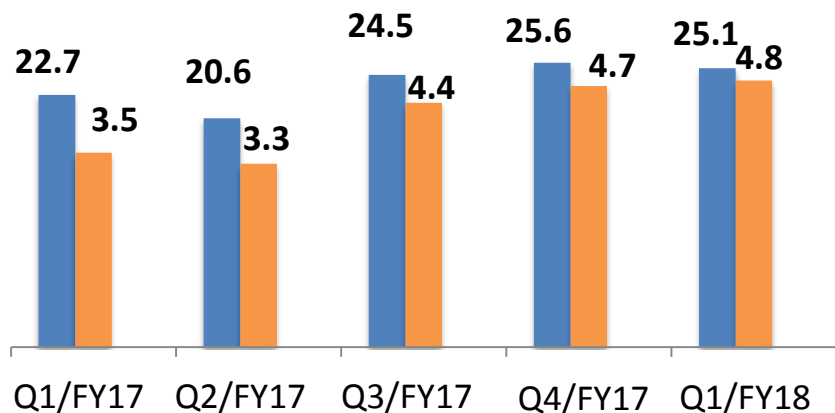


2. Performance Trend

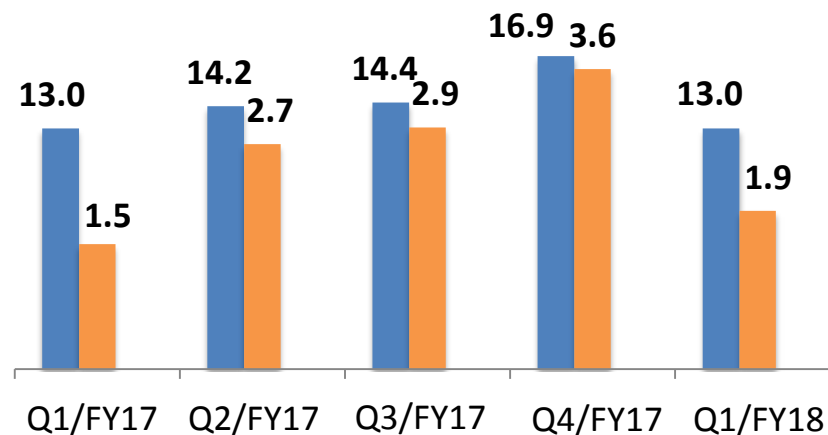
Quarter

(Billions of yen)

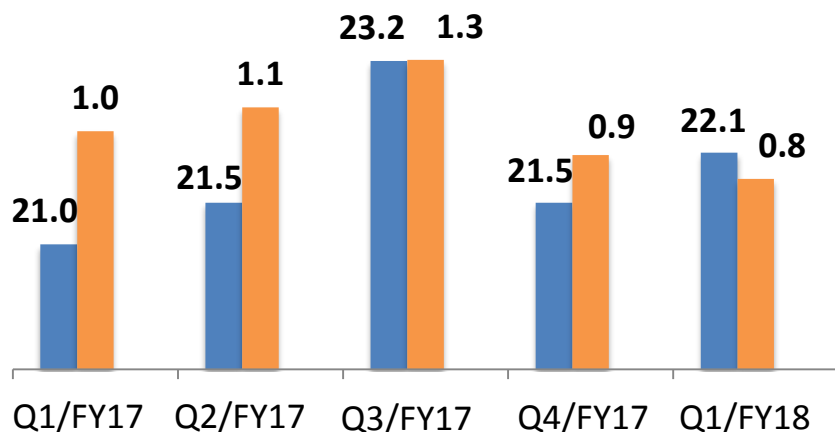
Chemicals



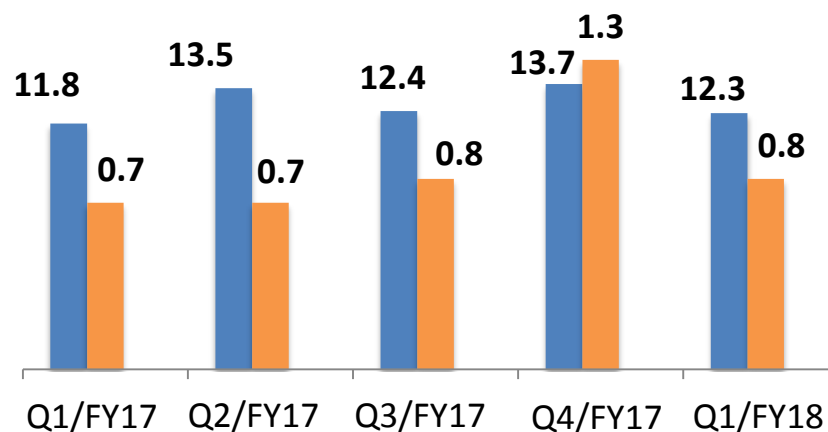
Specialty Products



Cement



Life & Amenity



■ Net Sales

■ Operating Profit

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