

Q3 FY2018 - Apr 1, 2018 to Dec 31, 2018 -

# Presentation for IR Meeting

**Tokuyama Corporation**

Jan 31, 2019



## Key points of the third quarter of fiscal 2018

- Ongoing efforts aimed at achieving forecasts for the full fiscal year.
- Turning to trends in raw materials and fuels, coal prices remain at a high level despite a temporary reprieve from the sharp upsurge; naphtha prices have begun to decline while the upturn in input costs has come to a peak
- Progress in efforts to reduce interest-bearing debt; achieved a D/E ratio of 1.0 times or less, one target under the Company's Medium-Term Management Plan

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# **1** Financial Results for Q3 FY2018

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- 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)

	Q3 FY2017	Q3 FY2018	Difference		Main changing factors
			Amount	%	
Net sales	226.0	238.2	+12.1	+5	Upward revision in selling prices of caustic soda
Operating profit	30.1	25.4	(4.6)	(16)	Upward revision in selling prices of caustic soda Rise in raw material and fuel costs
Ordinary profit	26.4	23.6	(2.8)	(11)	Decrease in operating profit Improvements in non-operating income/expenses
Profit attributable to owners of parent	7.3	19.5	+12.2	+167	Improvements in extraordinary income/losses
Basic earnings per share (yen)	82.18	281.56	-		-
Exchange rate (yen/USD)	112	111	-		-
Domestic naphtha price (yen/kl)	39,800	52,000	-		-

# 1. Financial Highlights

(Billions of yen)

	As of Mar 31,2018	As of Dec 31,2018	Difference	Main changing factors
Total assets	361.9	363.7	+1.8	Increase in fixed assets in line with such factors as the inclusion of a subsidiary in the Company's scope of consolidation
Shareholders' equity	125.6	138.4	+12.7	Posting profit attributable to owners of parent
Shareholders' equity ratio	34.7%	38.0%	+3.3pts	-
Interest-bearing debt	139.9	131.3	(8.5)	Decrease in long-term loans payable
D/E ratio	1.11	0.95	(0.16)	-
Net D/E ratio*	0.58	0.51	(0.07)	-
Net assets per share (yen)	1,806.56	1,992.76	-	-

\*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)

	Q3 FY2017		Q3 FY2018		Difference			
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	%	Operating Profit	%
Chemicals	67.8	11.4	74.2	12.6	+6.3	+9	+1.2	+11
Specialty Products	41.7	7.3	42.0	6.8	+0.2	+1	(0.4)	(6)
Cement	65.7	3.6	69.0	2.2	+3.3	+5	(1.4)	(39)
Life & Amenity	37.7	2.3	39.3	2.3	+1.5	+4	+0.0	+0
Others	41.0	5.0	45.1	2.7	+4.0	+10	(2.2)	(45)
<b>Total</b>	<b>254.2</b>	<b>29.7</b>	<b>269.7</b>	<b>26.9</b>	<b>+15.5</b>	<b>+6</b>	<b>(2.8)</b>	<b>(10)</b>
Inter-segment eliminations and corporate-wide expenses	(28.1)	0.3	(31.4)	(1.4)	(3.3)	-	(1.8)	-
<b>Consolidated results</b>	<b>226.0</b>	<b>30.1</b>	<b>238.2</b>	<b>25.4</b>	<b>+12.1</b>	<b>+5</b>	<b>(4.6)</b>	<b>(16)</b>

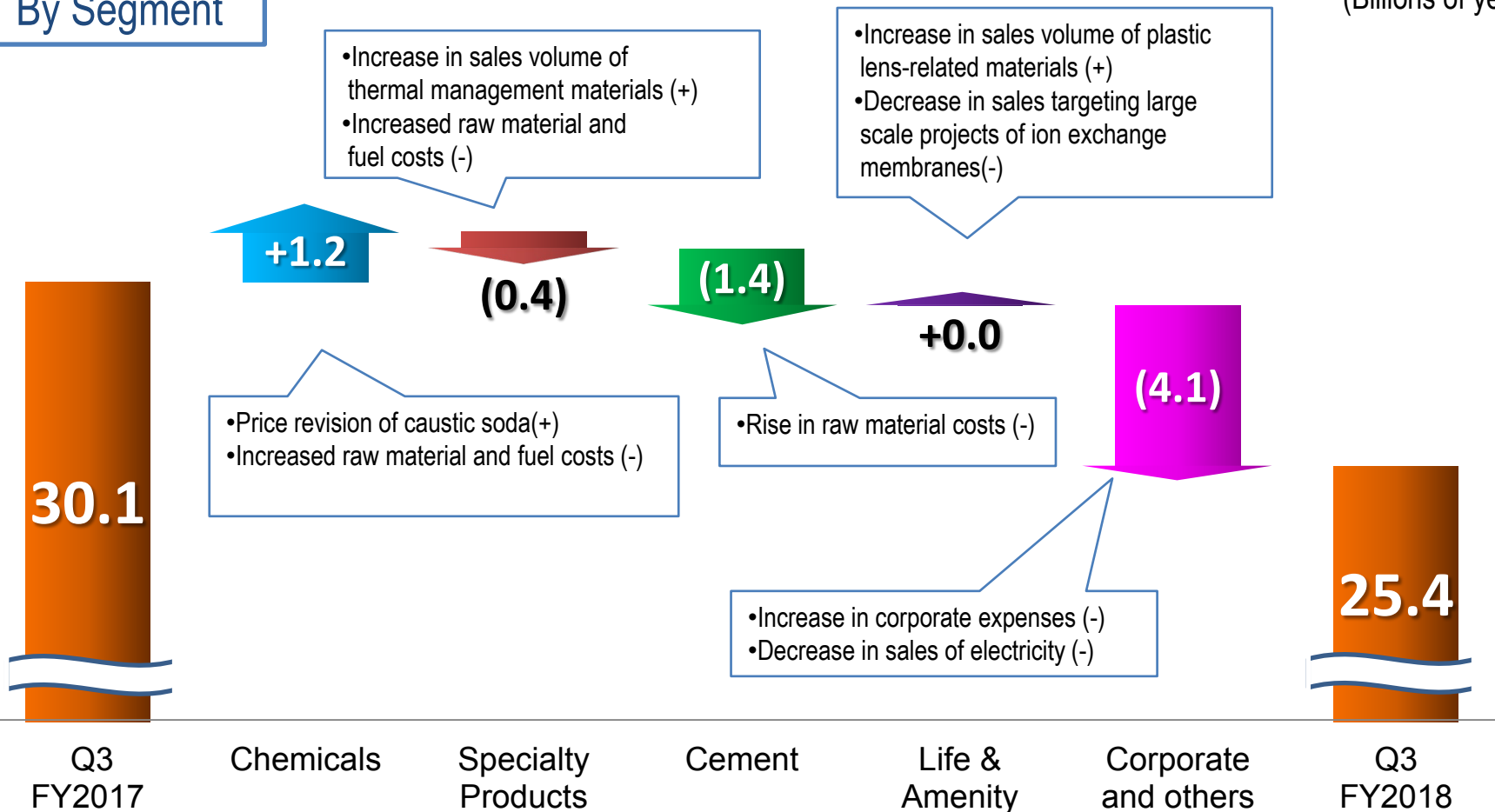
(Note) Sales and operating profit shown above include inter-segment transactions.

# 3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Segment



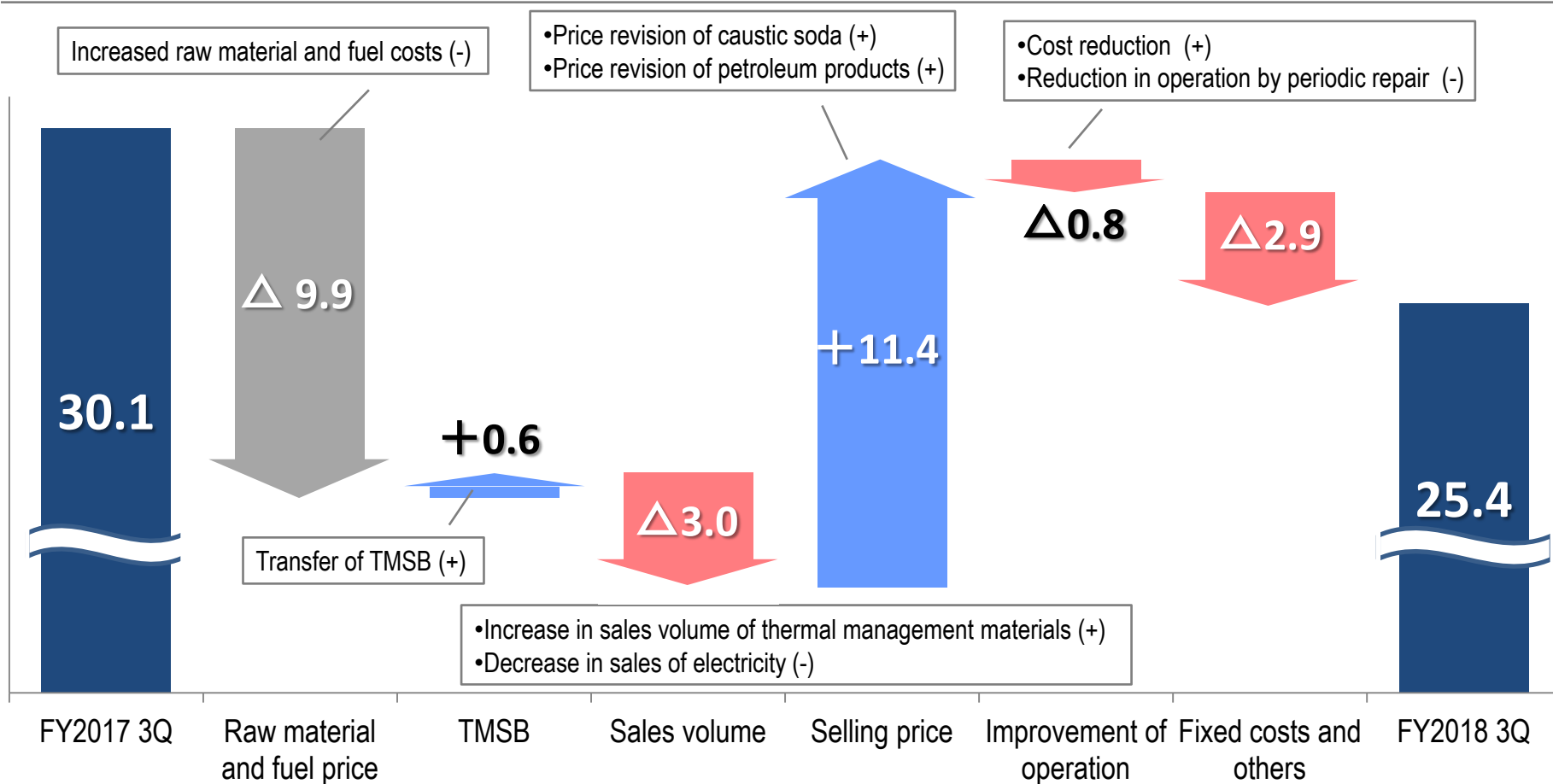


# 3. Changes in Operating Profit

(Year-on-year change)

By Factor

(Billions of yen)



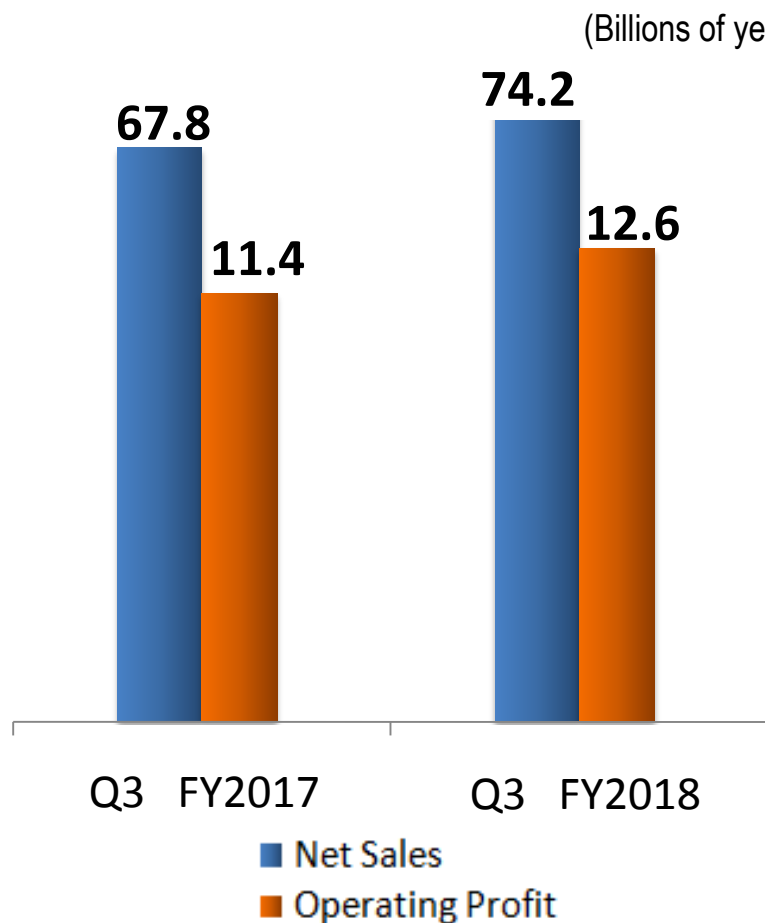
\*TMSB: Tokuyama Malaysia

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

(Year-on-year change)

### Chemicals

*Higher earnings on higher sales*



Qualitative information

(Caustic soda)

- The revision of selling prices was also progressed. As a result, its operating profit increased greatly.

(Vinyl chloride resin)

- Net sales increased. Meanwhile, manufacturing costs increased due to a rise in raw material prices such as domestic naphtha. As a result, its operating profit decreased.

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

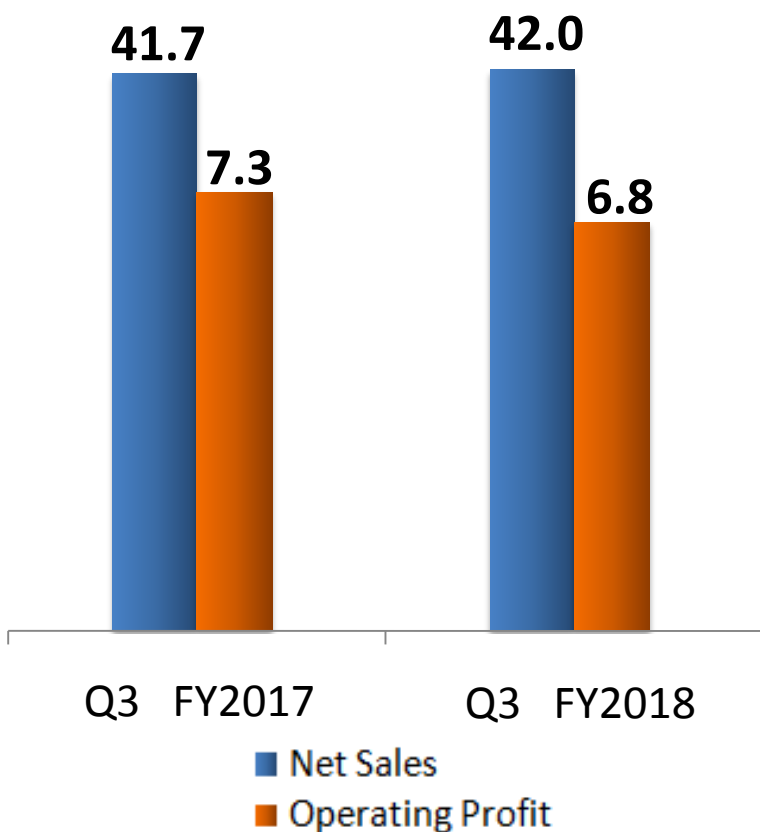
(Year-on-year change)

### Specialty Products

*Lower earnings on higher sales*

(Billions of yen)

Qualitative information



(Semiconductor-grade Polycrystalline silicon)

- Sales volume was steady. Meanwhile, manufacturing costs increased due to a upturn in fuel and raw material costs. As a result, its operating profit decreased.

(High-purity chemicals for electronics manufacturing)

- Sales volume increased. Meanwhile, manufacturing costs increased due to a rise in raw material prices such as domestic naphtha. As a result, its operating profit decreased.

(Thermal management material)

- Sales volume in such applications used for semiconductor manufacturing equipment increased and the business did well.

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

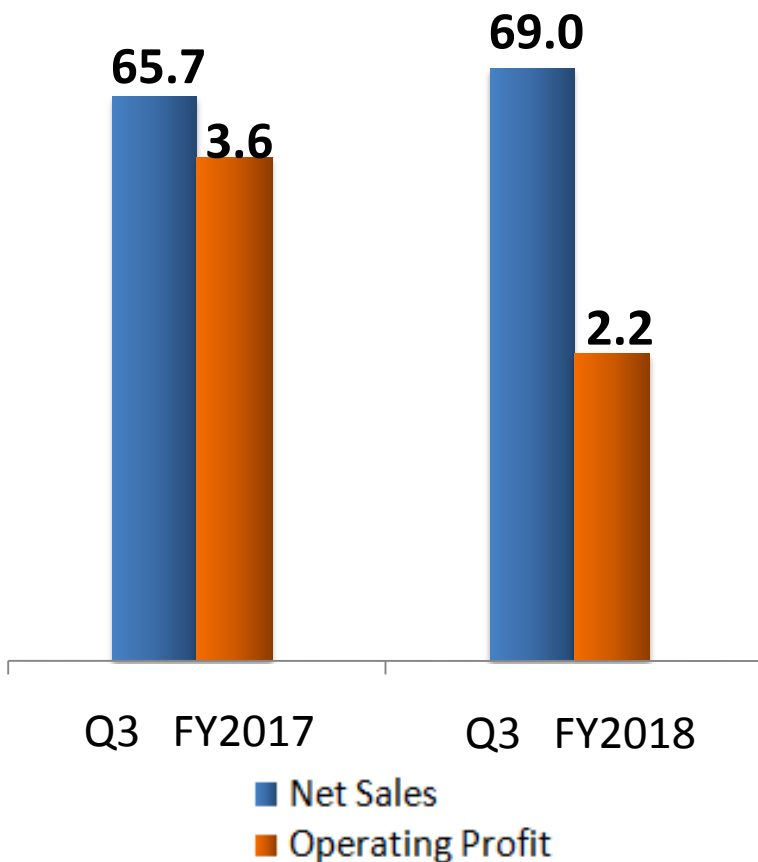
(Year-on-year change)

### Cement

*Lower earnings on higher sales*

(Billions of yen)

Qualitative information



(Cement)

- Domestic sales volume was weak and manufacturing costs increased due to a rise in raw material prices such as coal. As a result, its operating profit decreased.

(Resource recycling business)

- Its business result was almost same as the corresponding period of the previous year.

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

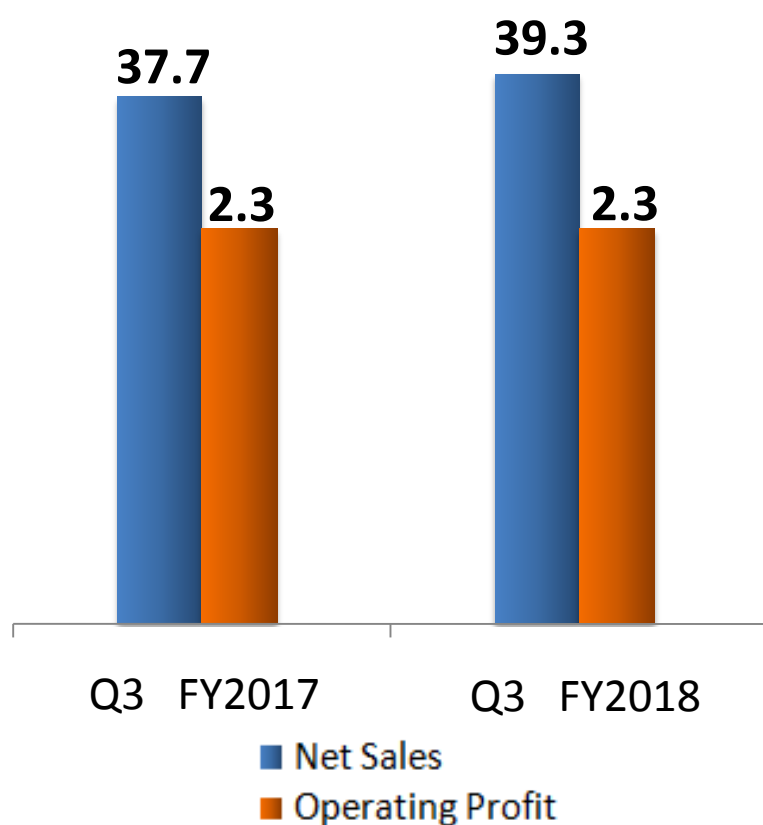
(Year-on-year change)

### Life & Amenity

*Higher earnings on Higher sales*

(Billions of yen)

Qualitative information



(Plastic lens-related materials)

- Sales volume of photochromic dye materials for eyeglass lenses increased.

(Polyolefin film)

- Manufacturing costs increased due to a upturn in raw material costs. As a result, its operating profit decreased.

(Ion exchange membranes)

- Despite sales volume was steady, its operating profit decreased due to large-scale project recorded in the corresponding period of the previous year.



## **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	1-3Q results:111	-		-
		4Q forecast:110			
Domestic naphtha price (yen/kl)	41,900	1 - 3Q results:52,000	-		-
		4Q forecast:42,000			

## 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)
<b>Total</b>	<b>345.6</b>	<b>41.6</b>	<b>368.0</b>	<b>40.0</b>	<b>+22.3</b>	<b>+6</b>	<b>(1.6)</b>	<b>(4)</b>
Inter-segment eliminations and corporate-wide expenses	(37.6)	(0.4)	(40.0)	(2.0)	(2.3)	-	(1.5)	-
<b>Consolidated Results</b>	<b>308.0</b>	<b>41.2</b>	<b>328.0</b>	<b>38.0</b>	<b>+19.9</b>	<b>+6</b>	<b>(3.2)</b>	<b>(8)</b>

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



## **3** Topics

# 1. Business Environment and Countermeasure



# 1. Business Environment and Countermeasures

## Business Environment

<b>Chemicals</b>	<ul style="list-style-type: none"> <li>■ Coal to remain at a high level; naphtha prices to trend downward</li> <li>■ Continued firm demand for caustic soda in Japan</li> <li>■ Import regulations in India moving toward a resolution</li> </ul>
<b>Specialty Products</b>	<ul style="list-style-type: none"> <li>■ Firm semiconductor-related product trends, despite concerns surrounding the impact of trade friction between the U.S. and China</li> <li>■ Growing customers' requirements for higher quality</li> </ul>
<b>Cement</b>	<ul style="list-style-type: none"> <li>■ Raw material costs including coal to remain high</li> <li>■ Domestic demand projected to remain at around the same level as the previous fiscal year and public works such as national resilience are expected</li> <li>■ Upswing in export prices</li> </ul>
<b>Life &amp; Amenity</b>	<ul style="list-style-type: none"> <li>■ Growing consciousness toward health in line with such factors as the aging of society</li> </ul>

## Countermeasures

<ul style="list-style-type: none"> <li>■ Improve profit margins</li> <li>■ Maintain caustic soda selling prices in Japan</li> </ul>
<ul style="list-style-type: none"> <li>■ Deliver distinctive products by meeting calls for higher quality</li> <li>■ Reinforce the production and supply structures in line with demand (increase production capacity, strengthen the supply network)</li> <li>■ Restore value while passing on the amount of raw material cost increase to selling prices</li> </ul>
<ul style="list-style-type: none"> <li>■ Revise selling prices</li> <li>■ Pursue the thoroughgoing reduction of manufacturing costs</li> <li>■ Strengthen cement exports</li> </ul>
<ul style="list-style-type: none"> <li>■ Focus on development and commercialization activities that address customers' needs and changes in the market</li> <li>■ Expand into the health care field utilizing the Group's acquired development capabilities and quality assurance know-how</li> </ul>



Chemistry with a heart

**TOKUYAMA**



## **4** Supplementary Data

- 1. Consolidated Financial Statements**
- 2. Performance Trend**

# 1. Consolidated Financial Statements

## Income Statements

(Billions of yen)

	Q3 FY2017	Q3 FY2018	Changes	
			Amount	%
Net sales	226.0	238.2	+12.1	+5
Cost of sales	152.1	166.2	(14.1)	(9)
Selling, general and administrative expenses	43.8	46.6	(2.7)	(6)
Operating profit	30.1	25.4	(4.6)	(16)
Non-operating income/expenses	(3.6)	(1.7)	+1.8	-
Ordinary profit	26.4	23.6	(2.8)	(11)
Extraordinary income/losses	(1.9)	0.1	+2.0	-
Profit/loss before income taxes	24.5	23.8	(0.7)	(3)
Income taxes	11.9	3.8	+8.1	+68
Non-controlling interests	5.2	0.4	+4.8	+92
Profit attributable to owners of parent	7.3	19.5	+12.2	+167

\*Regarding changes, income or profit is shown as positive and expenses or losses are shown as negative amount.

# 1. Consolidated Financial Statements

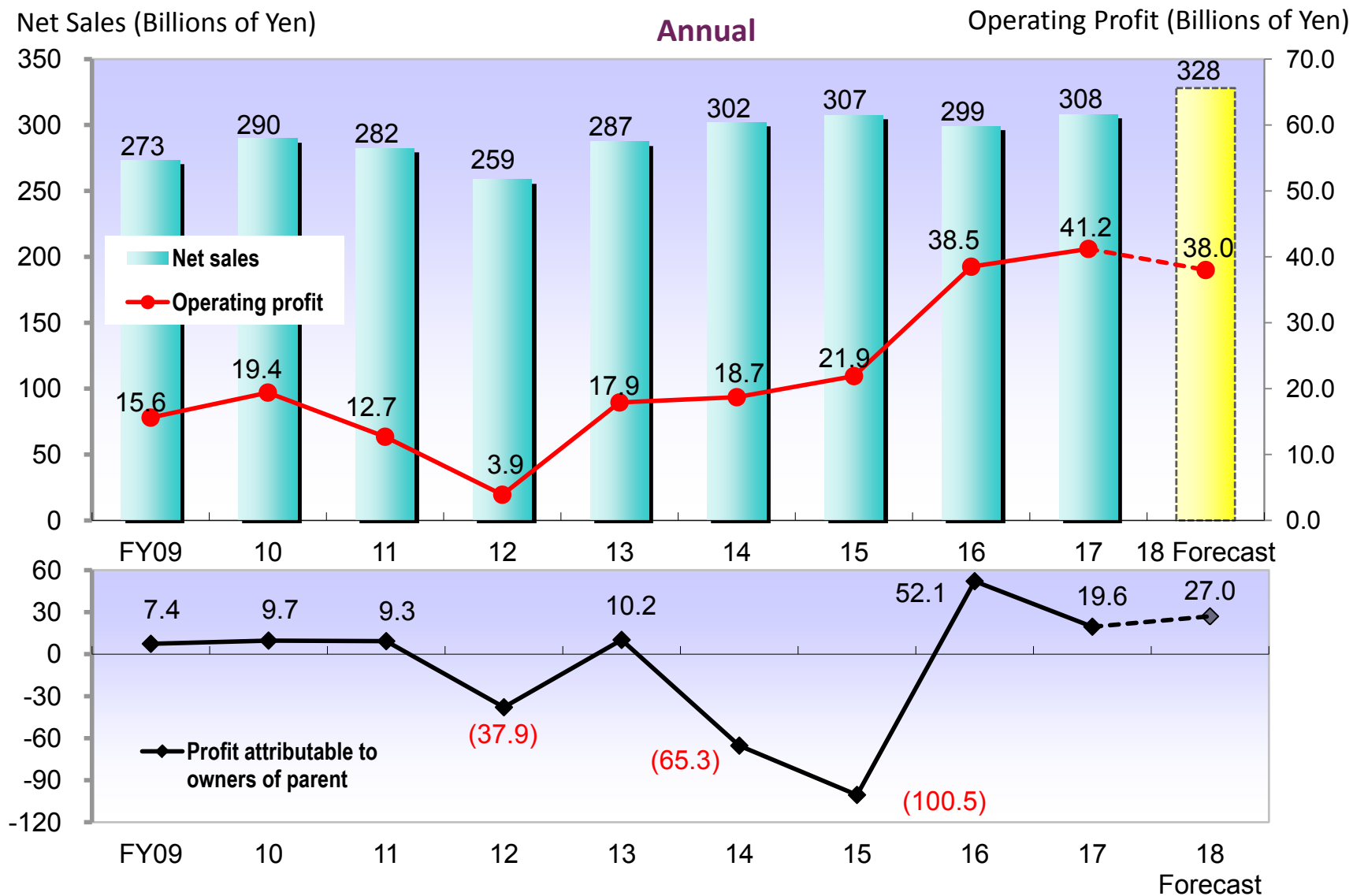
## Balance Sheets

(Billions of yen)

	3/31/2018	12/31/2018	Changes	
			Amount	%
Total assets	361.9	363.7	+1.8	+1
Current assets	191.0	189.6	(1.4)	(1)
Tangible fixed assets	110.2	115.4	+5.1	+5
Intangible fixed assets	2.7	1.9	(0.7)	(29)
Investments and other assets	57.9	56.8	(1.0)	(2)

	3/31/2018	12/31/2018	Changes	
			Amount	%
Total liabilities	225.3	214.8	(10.5)	(5)
Current liabilities	93.0	88.5	(4.5)	(5)
Long-term liabilities	132.3	126.3	(5.9)	(5)
Total net assets	136.5	148.9	+12.3	+9

## 2. Performance Trend

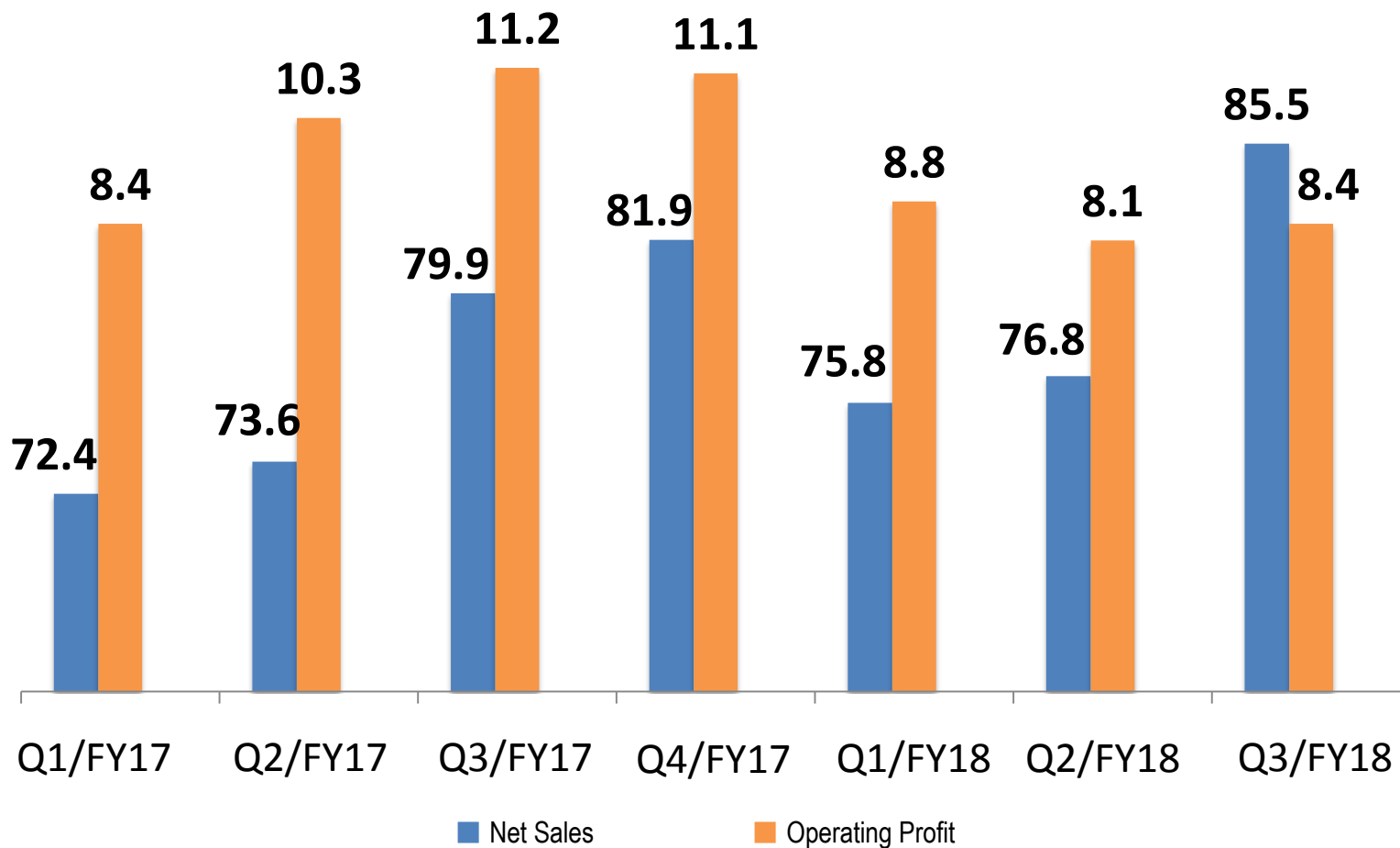


## 2. Performance Trend

(Quarter)

Consolidated

(Billions of yen)



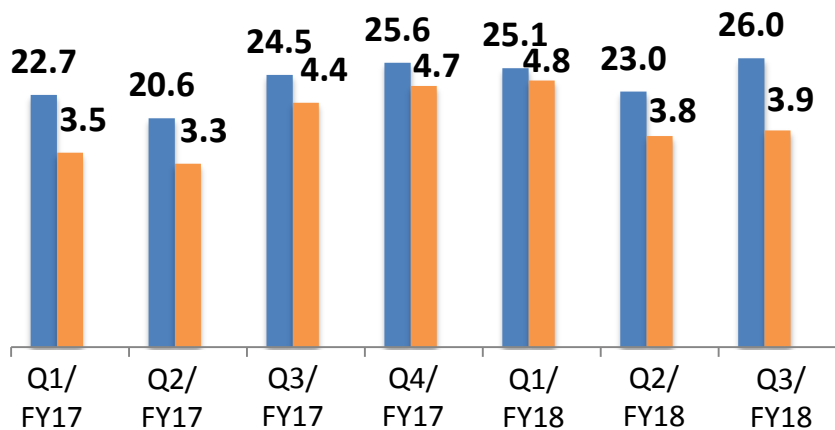


# 2. Performance Trend

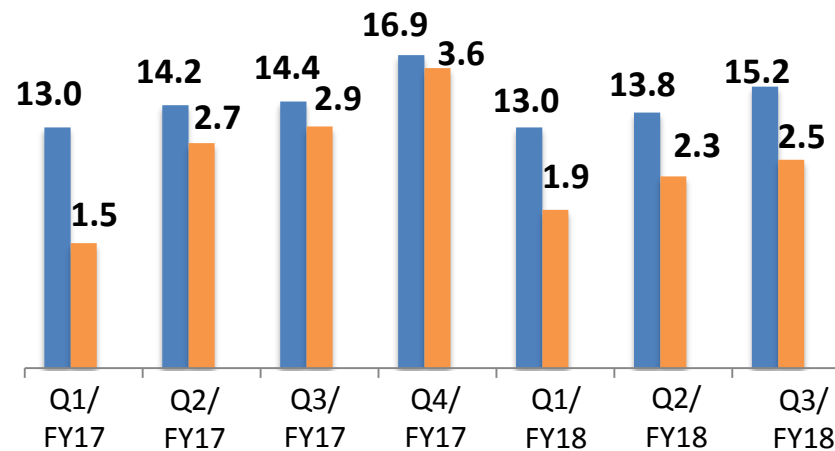
(Billions of yen)

Quarter

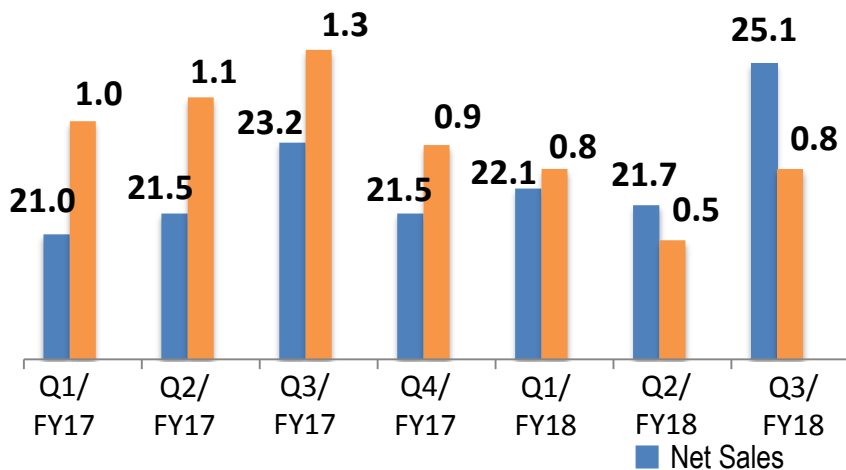
## Chemicals



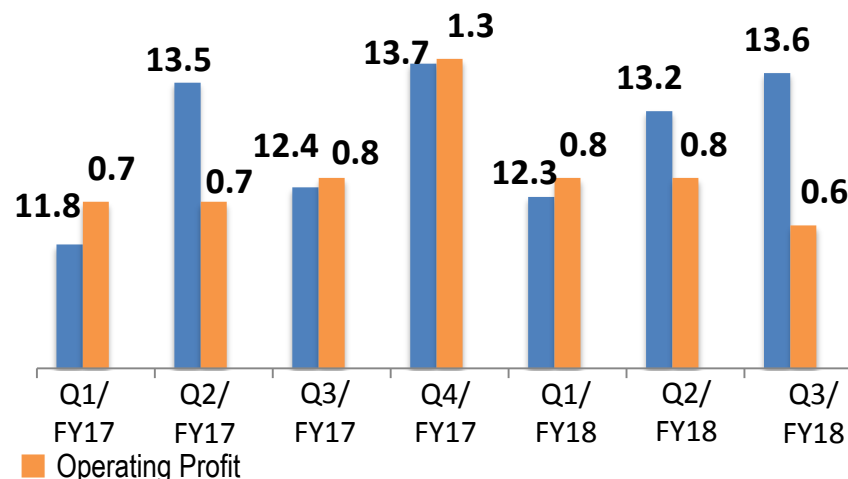
## Specialty Products



## Cement



## Life & Amenity



■ Net Sales

■ Operating Profit

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