

Q1 FY2019 - Apr 1, 2019 to Jun 30, 2019 -

Presentation for IR Meeting

Tokuyama Corporation

July 29, 2019



Key points of the first quarter of fiscal 2019

- With the semiconductor industry entering a period of stagnation and uncertainty surrounding the impact of trade friction between China and the U.S, the prospect of a recovery within the current fiscal year appear difficult
- Continued firm chemical demand
- Despite the downward shift in coal prices, the impact on costs of raw material and fuel prices to emerge from the second quarter; naphtha price trends within expectations
- Return to an “A” issuer rating; ongoing efforts to reduce interest-bearing debt and improving financial conditions

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1 Financial Results for Q1 FY2019

- 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 FY2018	Q1 FY2019	Difference		Main changing factors
			Amount	%	
Net sales	75.8	76.4	+0.6	+1	Inclusion of a subsidiary in the Company's scope of consolidation
Operating profit	8.8	7.0	(1.8)	(21)	Weak sales volume in major products
Ordinary profit	8.6	6.2	(2.3)	(27)	Decrease in operating profit
Profit attributable to owners of parent	6.6	4.8	(1.7)	(27)	Decrease in ordinary profit
Basic earnings per share (yen)	95.73	69.97	-		-
Exchange rate (yen/USD)	109	110	-		-
Domestic naphtha price (yen/kl)	48,700	45,300	-		-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2019	As of Jun 30,2019	Difference	Main changing factors
Total assets	379.6	375.3	(4.3)	Decrease in notes and accounts receivable
Shareholders' equity	152.7	154.9	+2.1	Posting profit attributable to owners of parent
Shareholders' equity ratio	40.2%	41.3%	+1.0pts	-
Interest-bearing debt	128.9	126.0	(2.8)	Decrease in long-term loans payable
D/E ratio	0.84	0.81	(0.03)	-
Net D/E ratio*	0.40	0.36	(0.03)	-
Net assets per share (yen)	2,199.83	2,230.75	-	-

*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 FY2018		Q1 FY2019		Difference			
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	%	Operating Profit	%
Chemicals	25.1	4.8	24.2	3.8	(0.8)	(3)	(1.0)	(21)
Specialty Products	13.0	1.9	12.1	1.5	(0.8)	(7)	(0.3)	(17)
Cement	22.1	0.8	21.4	0.6	(0.6)	(3)	(0.2)	(23)
Life & Amenity	12.6	0.8	13.5	0.6	+0.8	+7	(0.1)	(21)
Others	12.7	0.9	15.8	0.9	+3.1	+24	(0.0)	(0)
Total	85.6	9.4	87.2	7.7	+1.5	+2	(1.7)	(18)
Inter-segment eliminations and corporate-wide expenses	(9.8)	(0.5)	(10.7)	(0.7)	(0.9)	-	(0.1)	-
Consolidated results	75.8	8.8	76.4	7.0	+0.6	+1	(1.8)	(21)

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

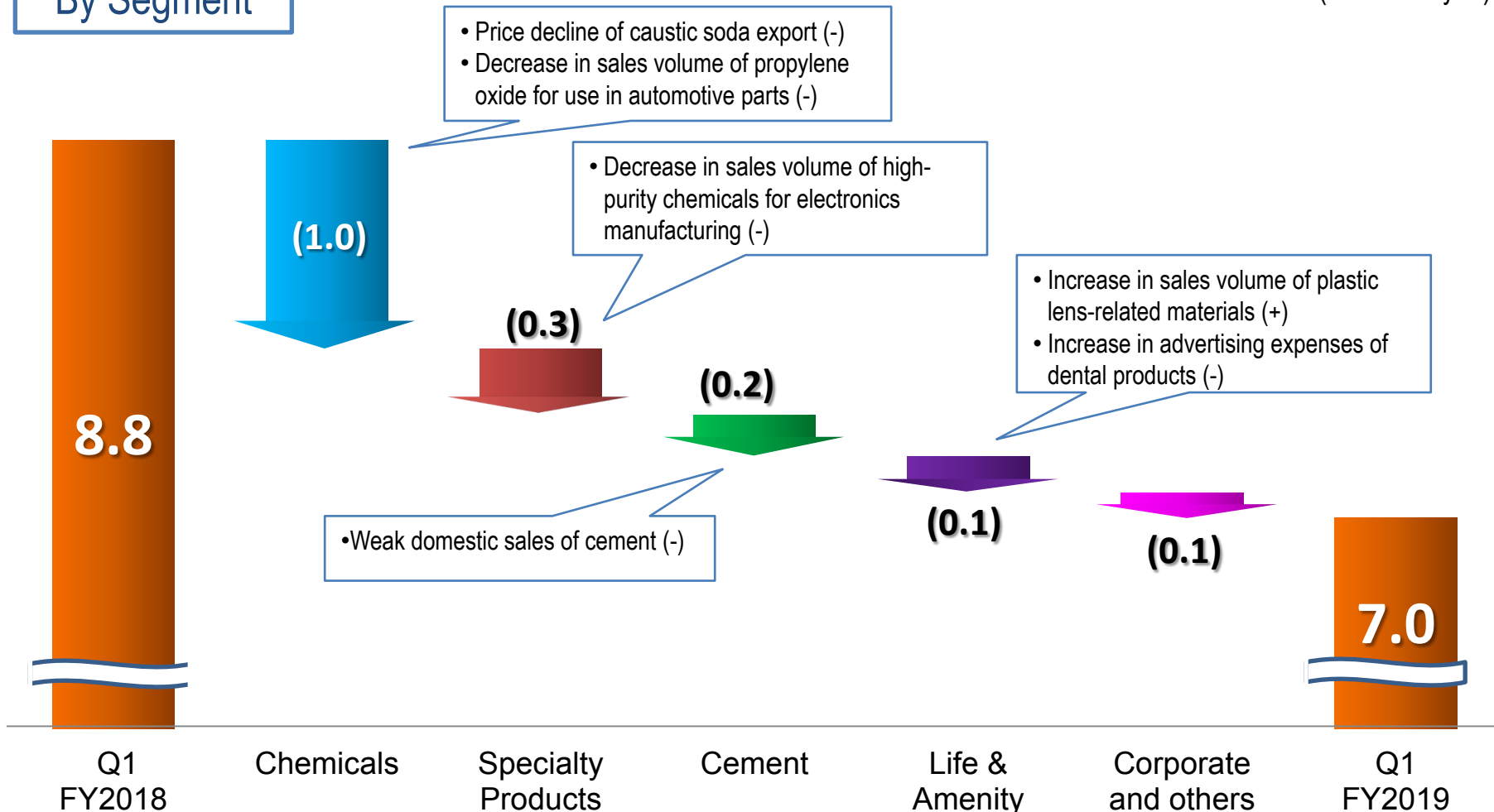
*The figures of Q1 FY2019 and Q1 FY2018 stated above have been modified to reflect the operating results based on the business segment after this change.

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Segment

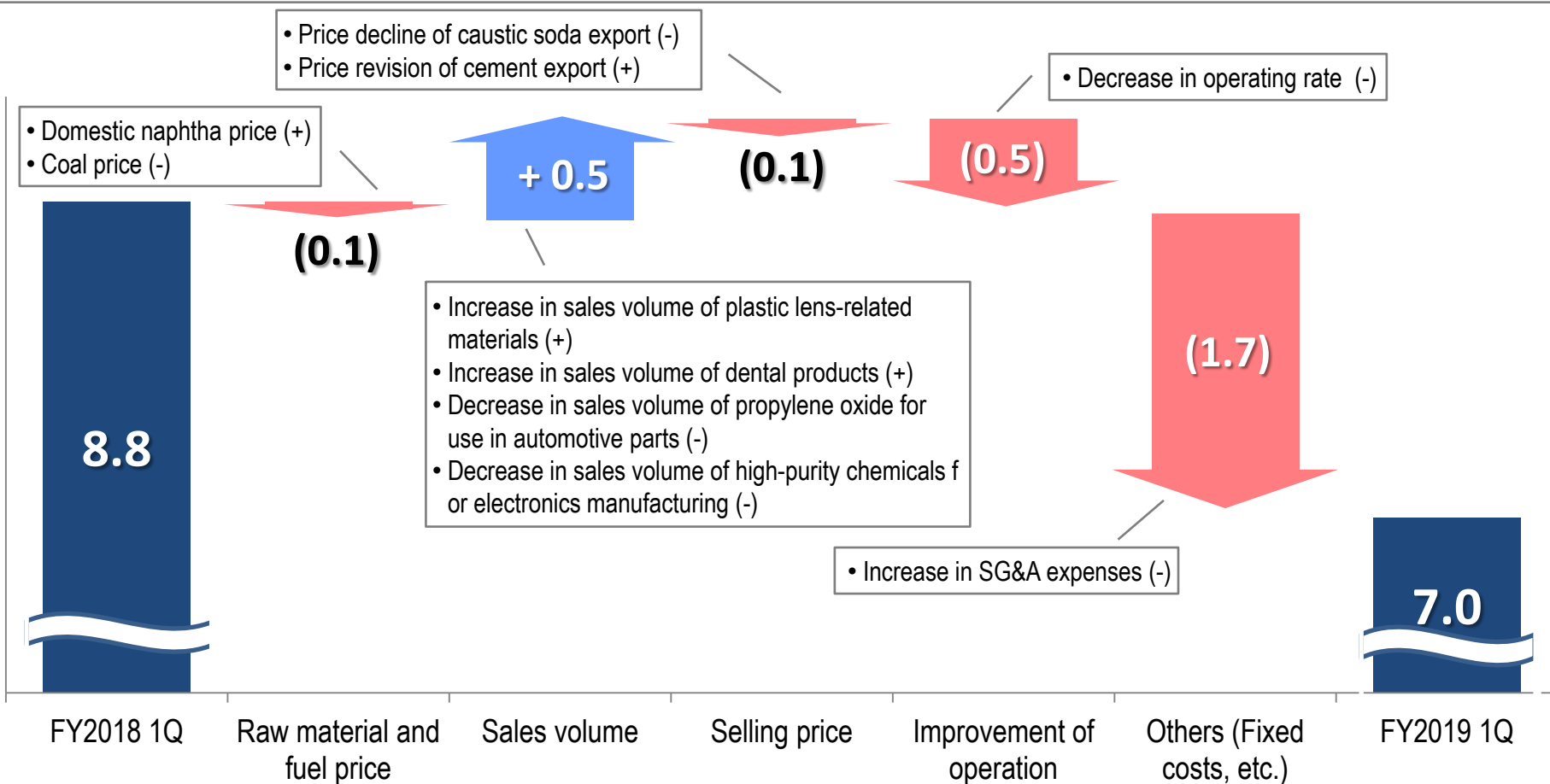


3. Changes in Operating Profit

(Year-on-year change)

By Factor

(Billions of yen)



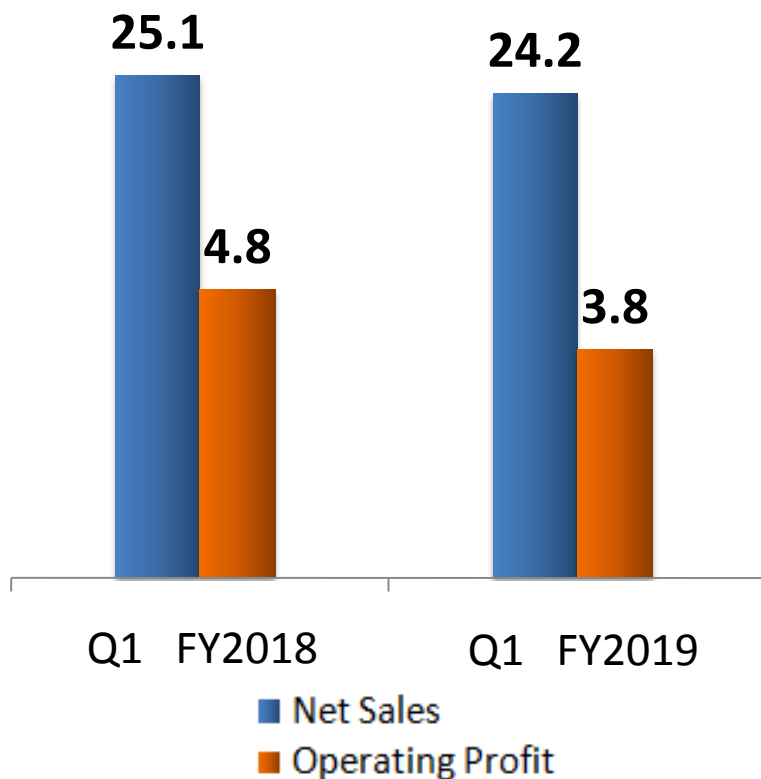
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Chemicals

Lower earnings on lower sales

(Billions of yen) Qualitative information



(Caustic soda)

- Despite firm sales volume trends, its operating profit decreased due to the increase in raw material and fuel prices coupled with a deterioration in overseas market conditions.

(Vinyl chloride resin)

- Operating profit increased on the back of efforts to maintain selling prices.

(Propylene oxide)

- Operating profit decreased owing to a drop in sales volume for use in automotive parts.

(Calcium chloride)

- Operating profit decreased. This largely reflected weak sales volume and an increase in logistics costs.

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

(Year-on-year change)

Specialty Products

Lower earnings on lower sales

(Billions of yen)

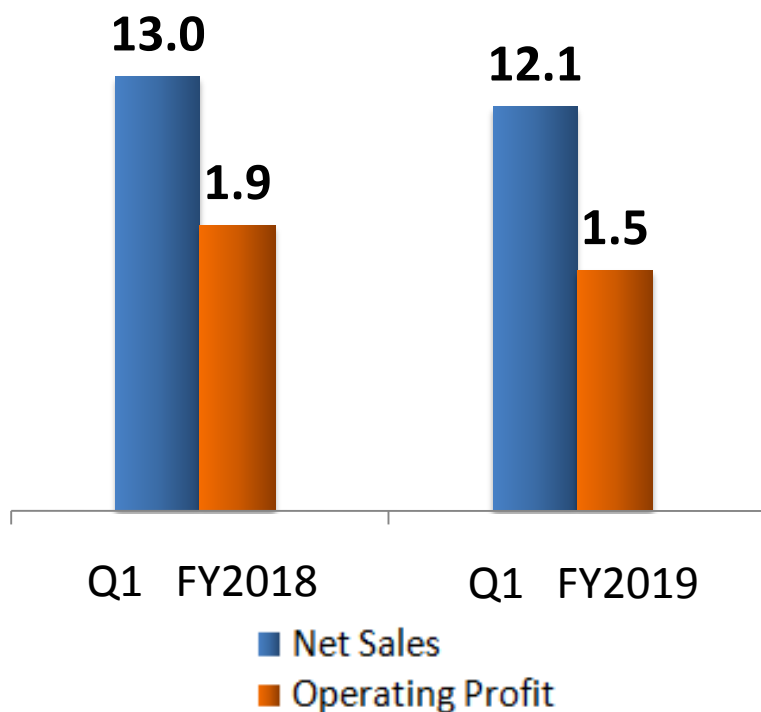
Qualitative information

(Semiconductor-grade Polycrystalline silicon and Thermal management material)

- Business results were in line with the corresponding period of the previous year owing to firm sales trends..

(High-purity chemicals for electronics manufacturing)

- Operating profit decreased. This was due to a downturn in sales volume targeting the semiconductor industry.



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

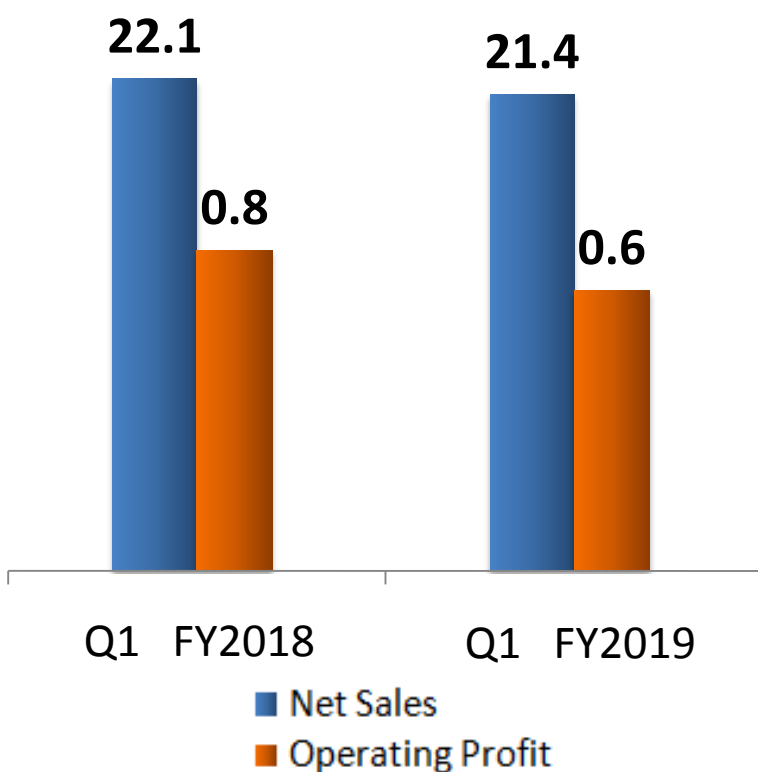
(Year-on-year change)

Cement

Lower earnings on lower sales

(Billions of yen)

Qualitative information



(Cement)

- Despite the partial positive flow on effects of a revision to selling prices, this decrease was largely due to weak shipping trends in Japan. As a result, its operating profit decreased.

(Resource recycling business)

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

(Consolidated subsidiaries)

- Operating profit decreased. This mainly reflected the weak shipping trends of cement-related products.

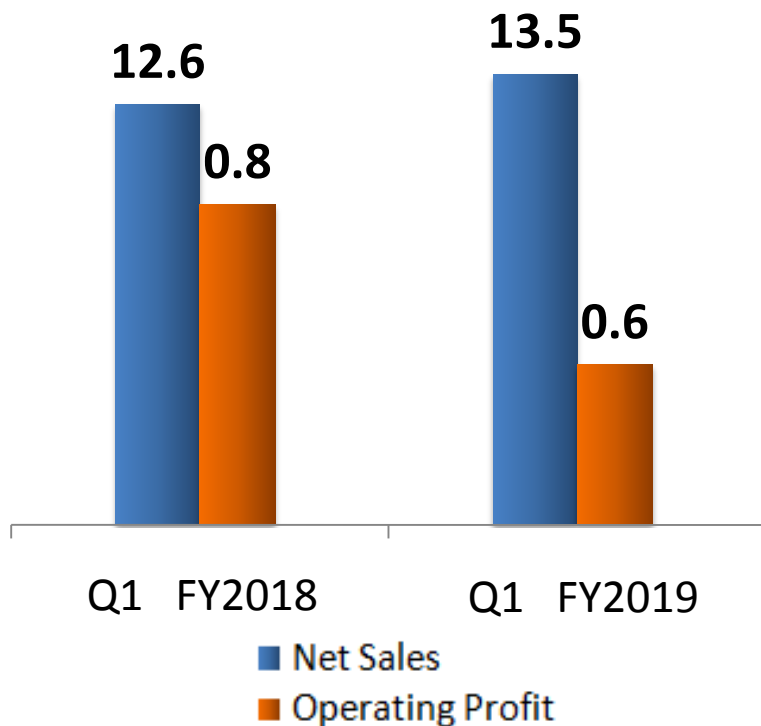
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Life & Amenity

Lower earnings on higher sales

(Billions of yen) Qualitative information



(Plastic lens-related materials)

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

(Dental materials)

- Despite an increase in sales volume overseas, its operating profit decreased mainly due to the increase in advertising expenses associated with the release of new products to the market.

(Medical diagnosis systems)

- Its net sales increased This largely reflected successful efforts to capture large-scale laboratory automation system projects in Japan.

*The figures of Q1 FY2019 and Q1 FY2018 stated above have been modified to reflect the operating results based on the business segment after this change.



2 Performance Forecasts for FY2019

- 1. Performance Forecasts**
- 2. Performance Forecasts by Business Segment**

1. Performance Forecasts

(Billions of yen)

	FY2018	FY2019	Difference		Main changing factors
			Amount	%	
Net sales	324.6	343.0	+18.3	+6	-
Operating profit	35.2	39.0	+3.7	+11	-
Ordinary profit	33.4	39.0	+5.6	+17	-
Profit attributable to owners of parent	34.2	30.5	(3.7)	(11)	-
Basic earnings per share (yen)	493.26	438.88	-		-
Exchange rate (yen/USD)	111	110	-		-
Domestic naphtha price (yen/kl)	49,500	44,000	-		-

2. Performance Forecasts by Business Segment

(Year-on-year change based on FY2019 forecasts)

(Billions of yen)

	FY2018 Results		FY2019 Forecasts		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	98.3	16.8	103.0	18.5	+4.6	+5	+1.6	+10
Specialty Products	59.6	9.9	67.0	11.0	+7.3	+12	+1.0	+11
Cement	92.3	3.2	94.0	3.5	+1.6	+2	+0.2	+9
Life & Amenity	54.3	3.2	58.0	4.0	+3.6	+6	+0.7	+23
Others	62.3	4.3	64.0	4.5	+1.6	+3	+0.1	+4
Total	367.1	37.5	386.0	41.5	+18.8	+5	+3.9	+10
Inter-segment eliminations and corporate-wide expenses	(42.5)	(2.3)	(43.0)	(2.5)	(0.4)	-	(0.1)	-
Consolidated Results	324.6	35.2	343.0	39.0	+18.3	+6	+3.7	+11

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

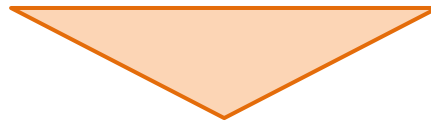
3 Topics

Efforts to reduce CO₂ Emission



Efforts to reduce CO₂ Emission

- Aiming to reduce greenhouse gas emissions in order to prevent global warming, set a reduction target for energy-derived CO₂ emissions



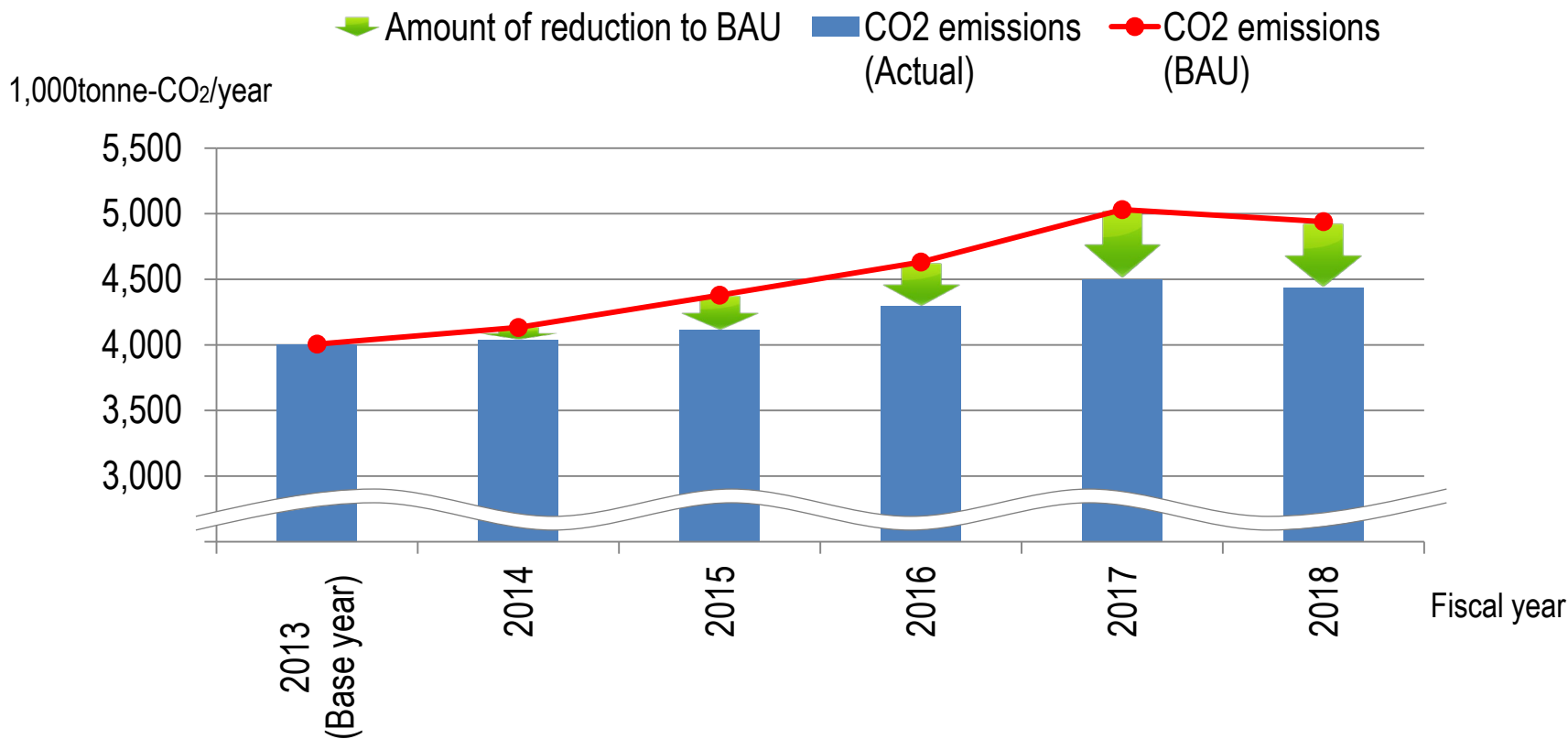
15% reduction compared to BAU (FY 2013 basis) by 2030

- More efficient operation of Tokuyama factory
- Reduce CO₂ emission by fuel conversion
- Higher added value of products
- Expansion of environmentally friendly products



Efforts to reduce CO₂ Emission

- BAU (Business as Usual): Emissions without reduction measures
 ⇒ Promote reduction of CO₂ emissions per production volume based on fiscal 2013



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 FY2018	Q1 FY2019	Changes	
			Amount	%
Net sales	75.8	76.4	+0.6	+1
Cost of sales	51.7	53.3	(1.5)	(3)
Selling, general and administrative expenses	15.1	16.0	(0.9)	(6)
Operating profit	8.8	7.0	(1.8)	(21)
Non-operating income/expenses	(0.2)	(0.7)	(0.5)	-
Ordinary profit	8.6	6.2	(2.3)	(27)
Extraordinary income/losses	(0.2)	(0.1)	+0.0	-
Profit/loss before income taxes	8.4	6.1	(2.2)	(27)
Income taxes	1.5	1.2	+0.3	+23
Non-controlling interests	0.1	0.0	+0.1	+63
Profit attributable to owners of parent	6.6	4.8	(1.7)	(27)

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

1. Consolidated Financial Statements

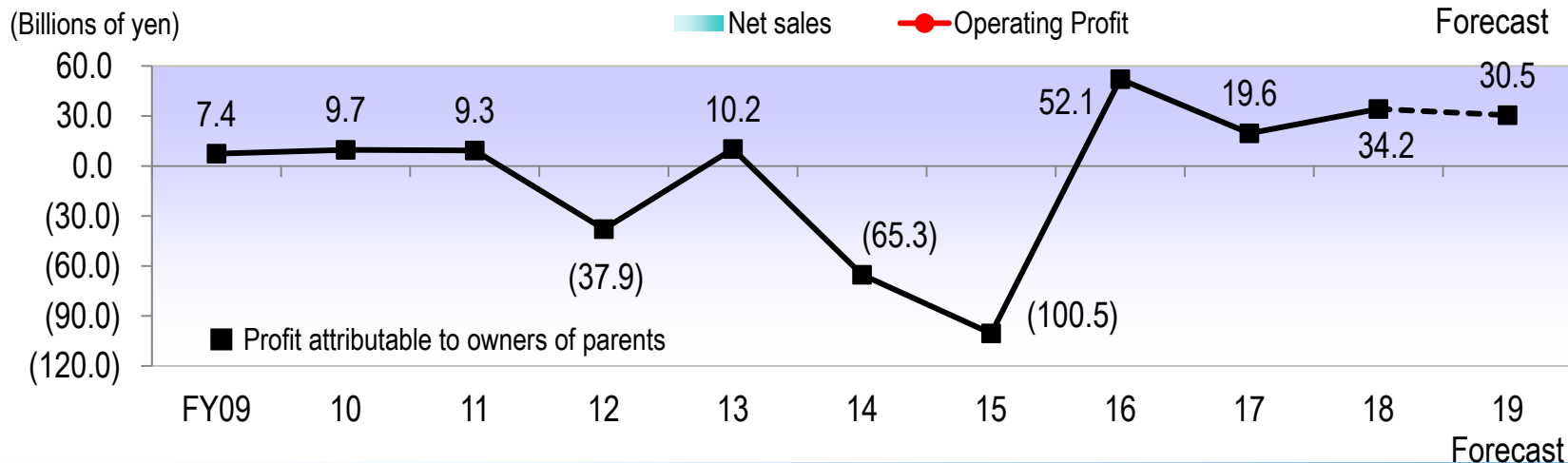
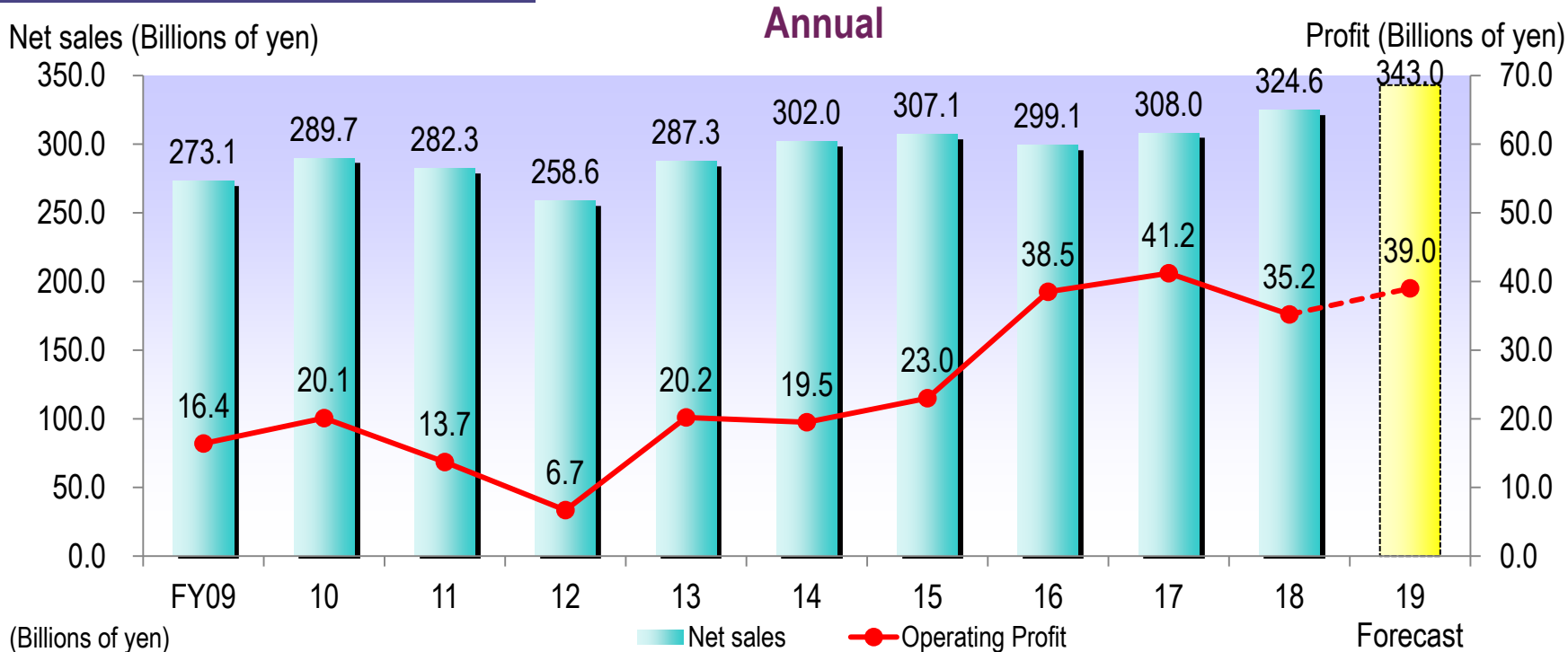
Balance Sheets

(Billions of yen)

	3/31/2019	6/30/2019	Changes	
			Amount	%
Total assets	379.6	375.3	(4.3)	(1)
Current assets	202.9	197.2	(5.6)	(3)
Tangible fixed assets	116.1	117.1	+1.0	+1
Intangible fixed assets	1.9	1.7	(0.1)	(10)
Investments and other assets	58.6	59.1	+0.4	+1

	3/31/2019	6/30/2019	Changes	
			Amount	%
Total liabilities	216.1	209.6	(6.4)	(3)
Current liabilities	93.2	87.9	(5.2)	(6)
Long-term liabilities	122.8	121.7	(1.1)	(1)
Total net assets	163.5	165.6	+2.1	+1

2. Performance Trend

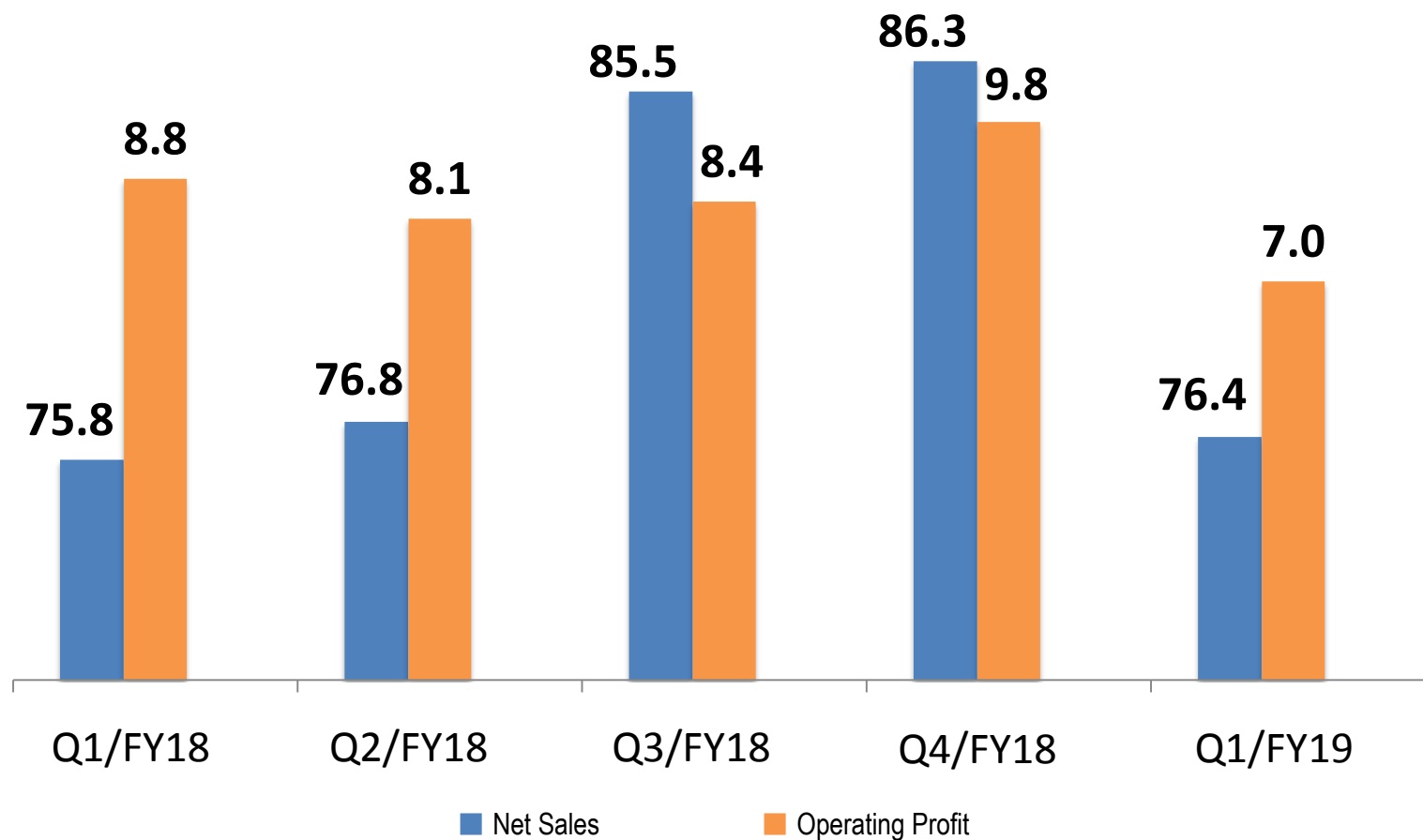


2. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

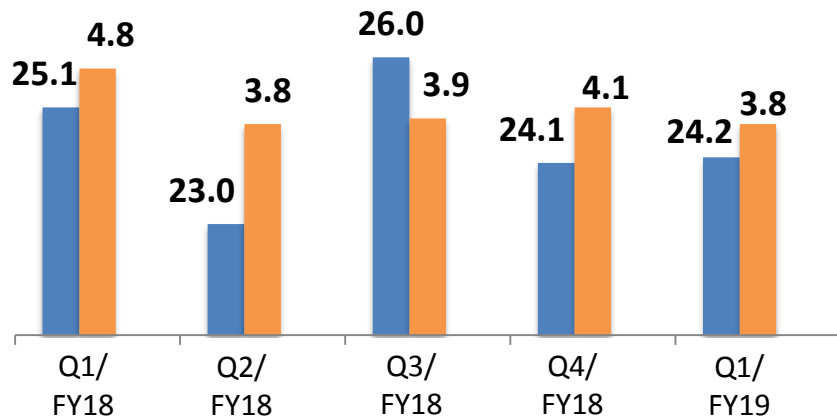


2. Performance Trend

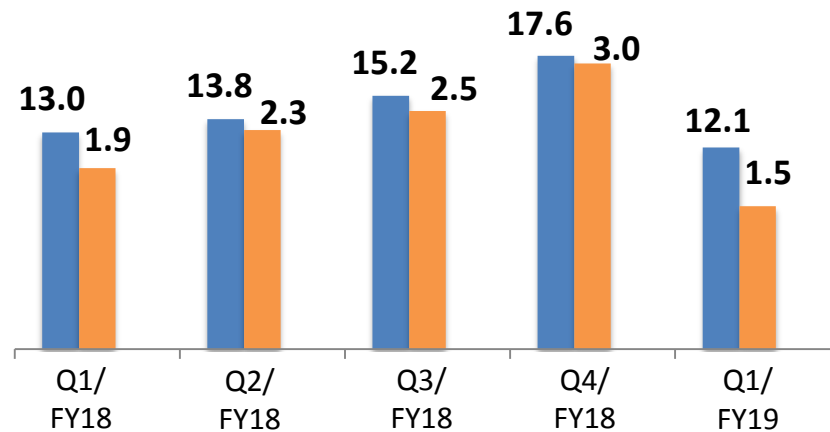
(Billions of yen)

Quarter

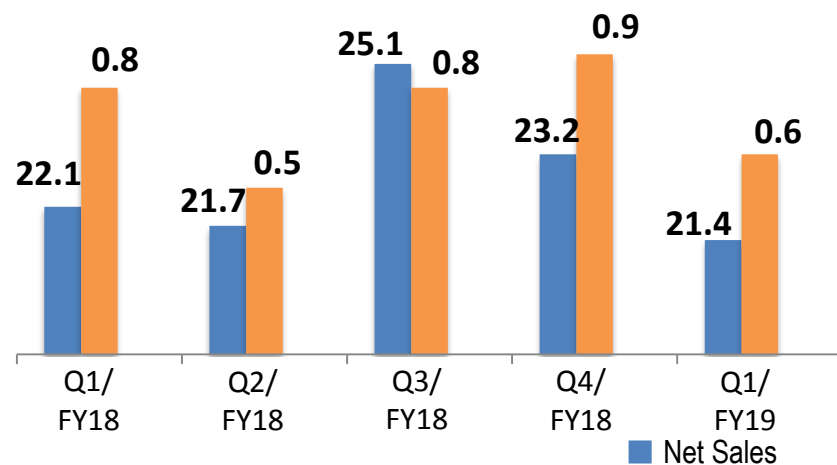
Chemicals



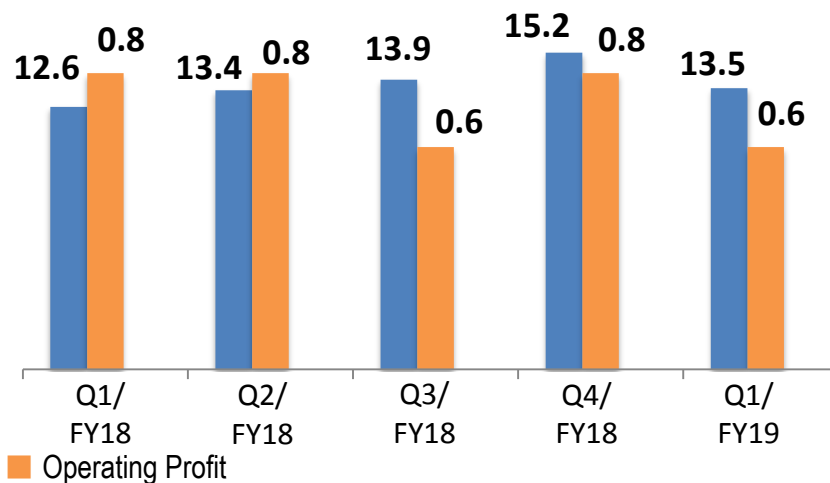
Specialty Products



Cement



Life & Amenity



■ Net Sales

■ Operating Profit

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