

Fiscal 2019 - Apr 1, 2019 to Mar 31, 2020-

Presentation for IR Meeting

May 15, 2020

Solutions through Chemistry
Tokuyama Corporation



Key points of fiscal 2019

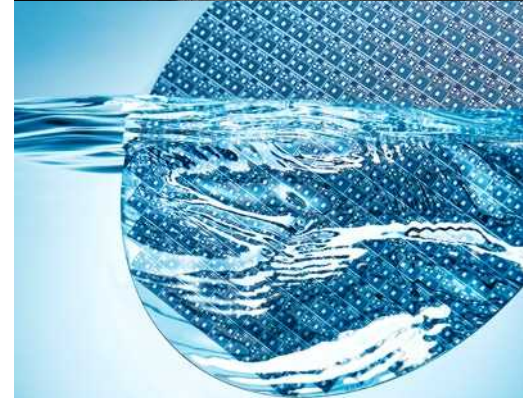
- While COVID-19 hasn't had a major impact in the fourth quarter of fiscal 2019, as the sales volume of main products such as semiconductor-related products did not reach the planned amounts, operation profit fell below the full-year forecast
- Profit in fiscal 2020 projected to fall below the target in the final year under the Company's Medium-Term Management Plan due to the impact of COVID-19.
- Steady implementation of growth strategy for ICT-related businesses and healthcare-related businesses

CONTENTS

- 1** Financial Results for FY2019
- 2** Performance Forecasts for FY2020
- 3** Progress under the Medium-Term Management Plan
- 4** Supplementary Data

1 Financial Results for FY2019

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



1. Financial Highlights

(Billions of yen)

	FY2018	FY2019	Difference		Main changing factors
			Amount	%	
Net sales	324.6	316.0	(8.5)	(3)	Weak sales volume in major products
Operating profit	35.2	34.2	(0.9)	(3)	Weak sales volume in major products
Ordinary profit	33.4	32.8	(0.5)	(2)	Decrease in operating profit
Profit attributable to owners of parent	34.2	19.9	(14.3)	(42)	Deteriorations in extraordinary income/losses
Basic earnings per share (yen)	493.26	287.05	-		-
Exchange rate (yen/USD)	111	109	-		-
Domestic naphtha price (yen/kl)	49,500	42,700	-		-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2019	As of Mar 31,2020	Difference	Main changing factors
Total assets	379.6	383.4	+3.8	Increase in cash and deposits
Shareholders' equity	152.7	168.8	+16.0	Posting profit attributable to owners of parent
Shareholders' equity ratio	40.2%	44.0%	+3.8pts	-
Interest-bearing debt	128.9	116.3	(12.6)	Decrease in long-term loans payable
D/E ratio	0.84	0.69	(0.16)	-
Net D/E ratio*	0.40	0.21	(0.19)	-
Net assets per share (yen)	2,199.83	2,431.21	-	-

*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)

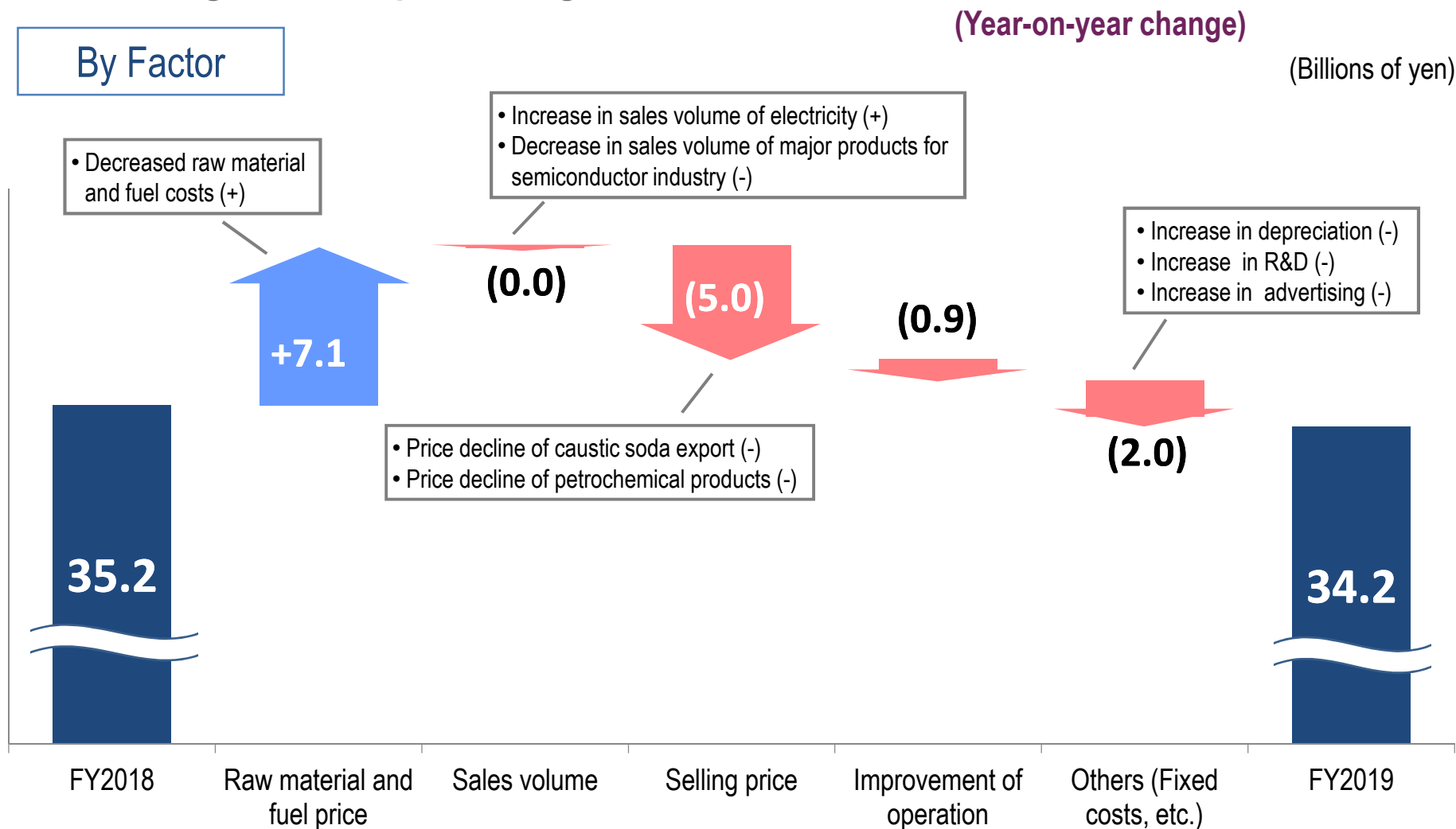
(Billions of yen)

	FY2018		FY2019		Difference			
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	%	Operating Profit	%
Chemicals	98.3	16.8	93.7	15.3	(4.6)	(5)	(1.4)	(9)
Specialty Products	59.6	9.9	54.4	7.0	(5.2)	(9)	(2.8)	(29)
Cement	92.3	3.2	87.2	3.8	(5.0)	(5)	+0.6	+20
Life & Amenity	55.2	3.2	56.3	2.8	+1.0	+2	(0.3)	(11)
Others	61.3	4.3	65.2	6.9	+3.8	+6	+2.5	+60
Total	367.0	37.5	357.0	36.0	(10.0)	(3)	(1.4)	(4)
Inter-segment eliminations and corporate-wide expenses	(42.4)	(2.3)	(40.9)	(1.8)	+1.4	-	+0.4	-
Consolidated results	324.6	35.2	316.0	34.2	(8.5)	(3)	(0.9)	(3)

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

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

3. Changes in Operating Profit



2 Performance Forecasts for FY2020

1. Impact of COVID-19
2. Performance Forecasts
3. Performance Forecasts by Business Segment
4. Changes in Operating Profit
5. Investment Plan



1. Impact of COVID-19

- Assumptions

- The impact of COVID-19 on the Company's operation is expected to gradually fade from the second quarter, with almost no impact from the third quarter and beyond.

- Impact by segment

- [Chemicals] The spread of COVID-19 is expected to impact demand in a broad range of fields including construction, paper, and vehicle production, such as sales decline of petrochemical products caused by suspension of vinyl chloride resin imports due to lockdown in India and decrease in vehicle production.

- [Specialty Products] Despite demand has remained steady on the back of moves by users to build up inventories, the outlook needs to be monitored such as decline in demand after the end of building up inventories.

- [Cement] With respect to cement, sales volume in Japan and overseas expected to decrease due to the temporary suspension of construction work and closure of construction site.

- [Life and Amenity] Shipments of dental materials and other products to the U.S. and Europe are projected to decline due to lockdown in the U.S. and Europe.

2. Performance Forecasts

(Billions of yen)

	FY2019	FY2020	Difference		Main changing factors
			Amount	%	
Net sales	316.0	310.0	(6.0)	(2)	Weak sales volume in major products
Operating profit	34.2	28.0	(6.2)	(18)	Weak sales volume in major products Increase in fix cost
Ordinary profit	32.8	28.0	(4.8)	(15)	Decrease in operating profit
Profit attributable to owners of parent	19.9	22.0	+2.0	10	Improve in extraordinary income/losses
Basic earnings per share (yen)	287.05	316.75	-		-
Exchange rate (yen/USD)	109	110	-		-
Domestic naphtha price (yen/kl)	42,700	43,000	-		-

3. Performance Forecasts by Business Segment

(Year-on-year change based on FY2020 forecasts)

(Billions of yen)

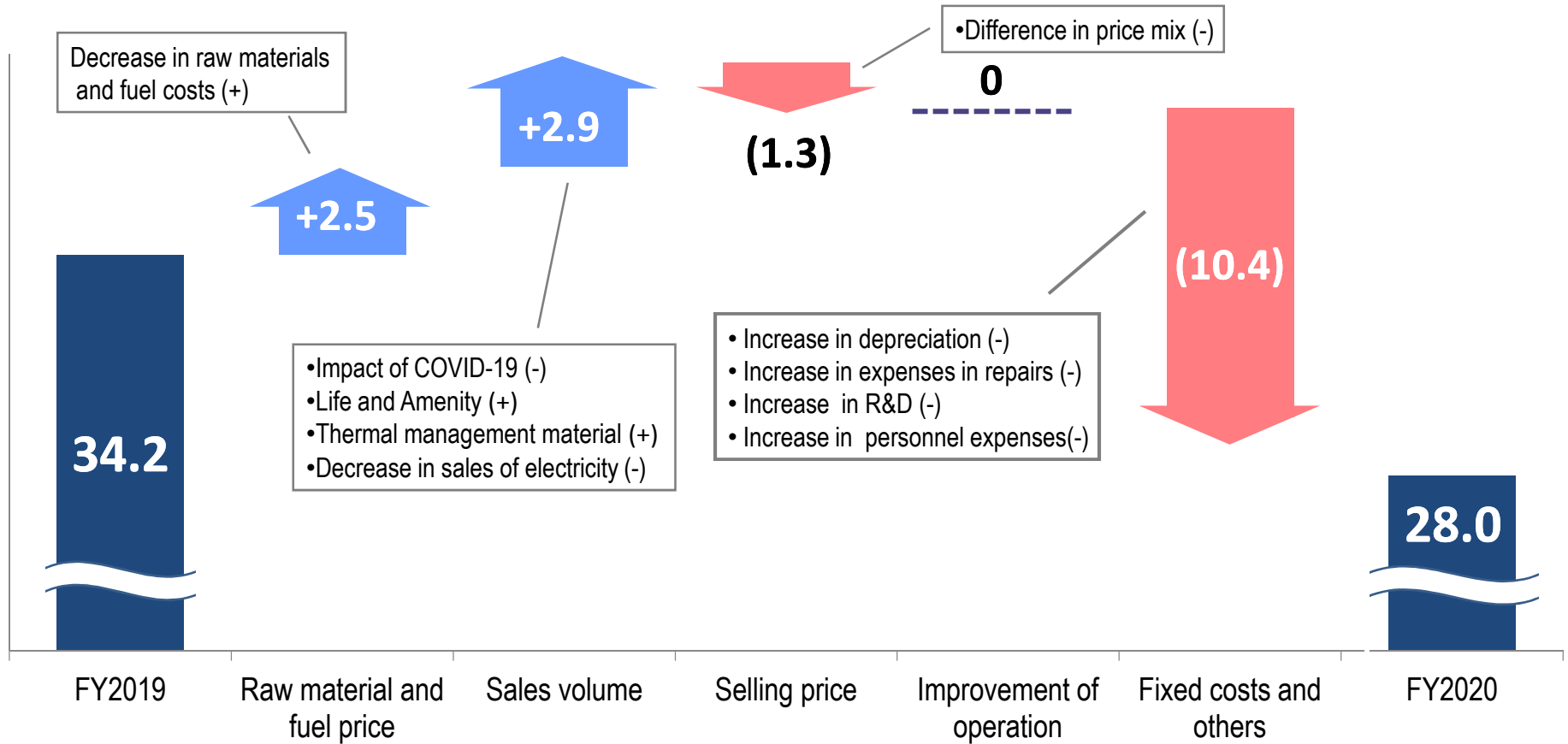
	FY2019 Results		FY2020 Forecasts		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	93.7	15.3	87.0	13.0	(6.7)	(7)	(2.3)	(15)
Specialty Products	54.4	7.0	61.0	7.5	+6.5	+12	+0.4	+6
Cement	87.2	3.8	86.0	3.5	(1.2)	(2)	(0.3)	(9)
Life & Amenity	56.3	2.8	58.0	3.0	+1.6	+3	+0.1	+4
Others	65.2	6.9	48.0	4.0	(17.2)	(26)	(2.9)	(42)
Total	357.0	36.0	340.0	31.0	(17.0)	(5)	(5.0)	(14)
Inter-segment eliminations and corporate-wide expenses	(40.9)	(1.8)	(30.0)	(3.0)	10.9	-	(1.1)	-
Consolidated Results	316.0	34.2	310.0	28.0	(6.0)	(2)	(6.2)	(18)

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

4. Changes in Operating Profit

(Year-on-year change based on FY2020 forecasts)

(Billions of yen)



*TMSB: Tokuyama Malaysia

5. Investment Plan

Consolidated

(Billions of yen)

	FY2019 Results	FY2020 Forecast	Changes
Capital expenditures	23.7	32.7	+8.9
Depreciation and amortization	16.1	18.4	+2.3
R&D expenses	9.1	11.3	+2.1

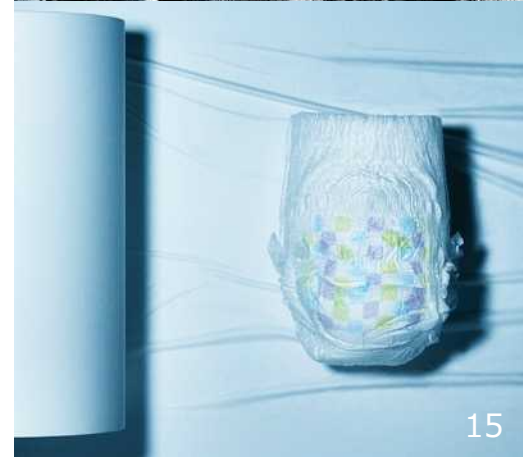
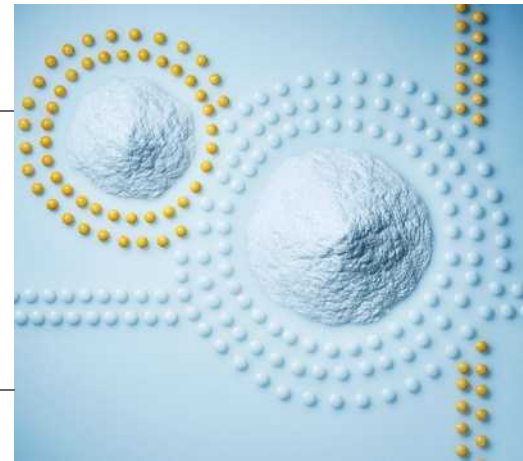
Major Growth Investments

Fiscal 2019	Fiscal 2020
Increase production of aluminum nitride powder	Increase semiconductor-related productions and pursue higher quality
Expand capacity of tetramethylammonium hydroxide (TMAH)	Increase healthcare-related productions
Building supply base for IC chemicals in China	Develop new businesses of thermal management material
Expand capacity of port in Tokuyama factory	Expand capacity of port in Tokuyama factory

- * Basic invest plan remains unchanged since demand in the future expect to be recovered. Meanwhile, the Company will respond flexibly to demand trends with regard to schedules.

3 Progress under the Medium-Term Management Plan

1. Progress in Achieving Numerical Targets
2. Results after Addressing Priority Issues
3. Progress in Investment Plan
4. Traditional Businesses
5. Dividends

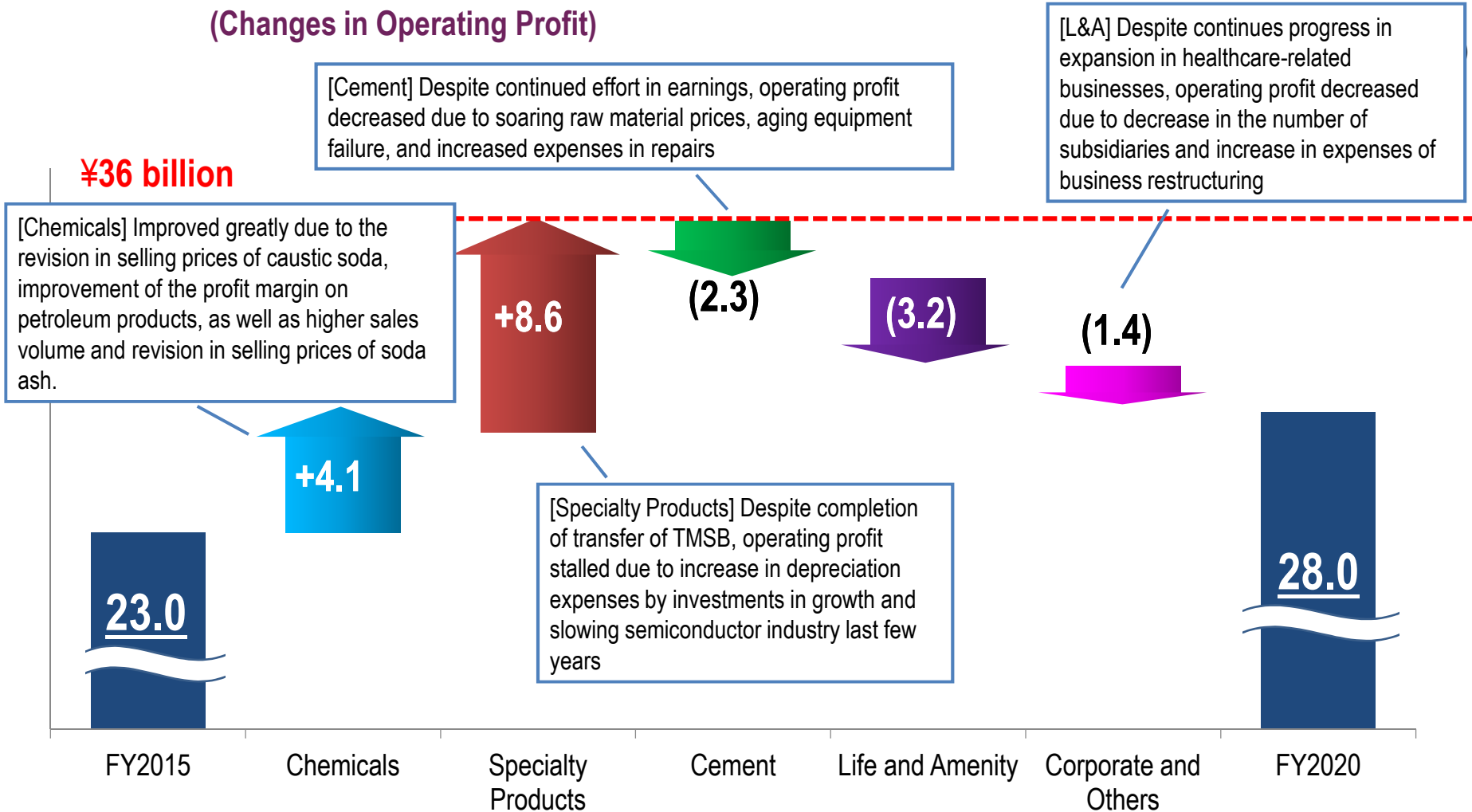


1. Progress in Achieving Numerical Targets

	<u>FY2020 Target</u>	<u>FY2015</u>	<u>FY2019</u>	<u>FY2020 Forecast</u>	<u>Progress evaluation</u>	
Net sales	¥335.0 billion	¥307.1 billion	¥316.0 billion	¥335.0 billion	Unable to absorb the rise in fixed costs, profit decreased and target was not achieved	
Operating profit	¥36.0 billion	¥23.0 billion	¥34.2 billion	¥36.0 billion		
ROA	10%	5.7%	9.0%	-	Total asset turnover was not improved and target of ROA was not achieved.	
Operating margin	10%	7.5%	10.8%	10%		
Total asset turnover	1.0 times	0.77 times	0.83 times	1.0 times		
Financial indicators	CCC	55 days	69 days	64 days	-	Target not achieved
	D/E ratio	1.0	4.7	0.7	-	Target achieved
Exchange rate (¥/US\$)	110	120	109	110		
Domestic naphtha price (¥/kl)	58,000	42,800	42,700	43,000		

1. Progress in Achieving Numerical Targets

(Changes in Operating Profit)

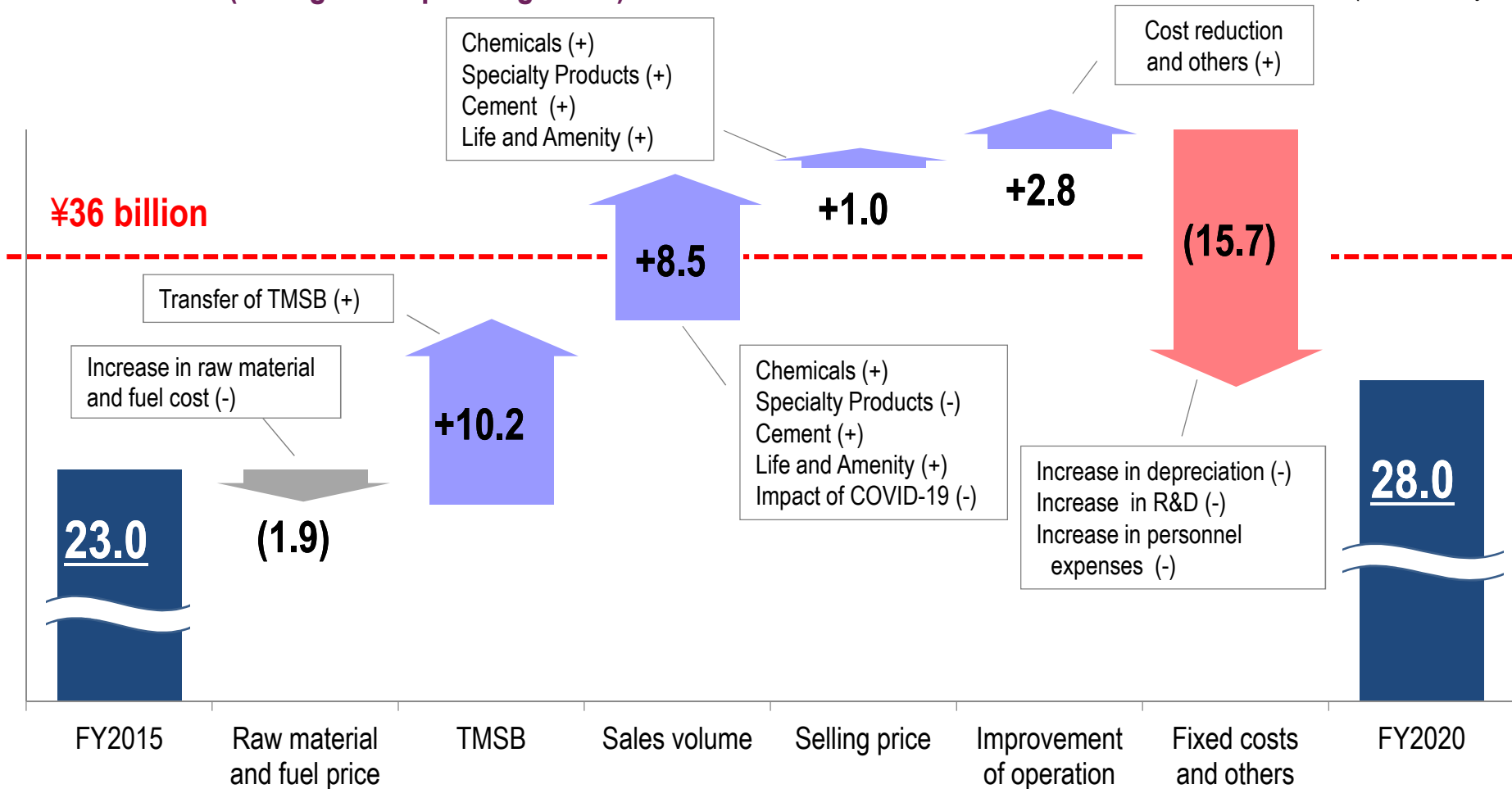


*TMSB: Tokuyama Malaysia

1. Progress in Achieving Numerical Targets

(Changes in Operating Profit)

(Billions of yen)



Chemicals (+)
Specialty Products (+)
Cement (+)
Life and Amenity (+)

Cost reduction
and others (+)

Transfer of TMSB (+)

Increase in raw material
and fuel cost (-)

Chemicals (+)
Specialty Products (-)
Cement (+)
Life and Amenity (+)
Impact of COVID-19 (-)

Increase in depreciation (-)
Increase in R&D (-)
Increase in personnel
expenses (-)

*TMSB: Tokuyama Malaysia

2. Results after Addressing Priority Issues

	<u>FY2019 Results</u>	<u>FY2020 Measures</u>
Change the Group's organizational culture and structure	<ul style="list-style-type: none"> ■ Revise general personnel systems ■ Continue to actively recruit outside personnel ■ Promote work style reform 	<ul style="list-style-type: none"> ■ Revision of the personnel evaluation system for managers, employees over the age of 60, and regular employees was completed. The company is committed to operate the system in order to develop employee motivation and abilities.
Rebuild the Group's business strategies	<ul style="list-style-type: none"> ■ Develop and expand healthcare-related business ■ Work to increase operating efficiency utilizing IoT and AI; strive to increase the plant operating efficiency ■ Strengthen environment-related businesses (related to the use of hydrogen, water treatment, and CO₂) 	<ul style="list-style-type: none"> ■ The company launched strategic initiatives to expand ICT and healthcare-related businesses, and accelerate development under the next Medium-Term Management Plan. ■ Develop the measures to environmental issues under the current Medium-Term management Plan such as reducing CO₂ emissions to new businesses
Strengthen Group management	<ul style="list-style-type: none"> ■ Enhance logistics efficiency and decrease the cost by strengthening coordination among logistics-related group companies 	<ul style="list-style-type: none"> ■ Implement restructuring businesses which are responsible for the Group's functions other than rebuilding of plastic window sashes business which was longstanding problem
Improve the Company's financial position	<ul style="list-style-type: none"> ■ Return to an "A" credit rating 	<ul style="list-style-type: none"> ■ Financial reconstruction trends exceed plans in the background of higher profitability.

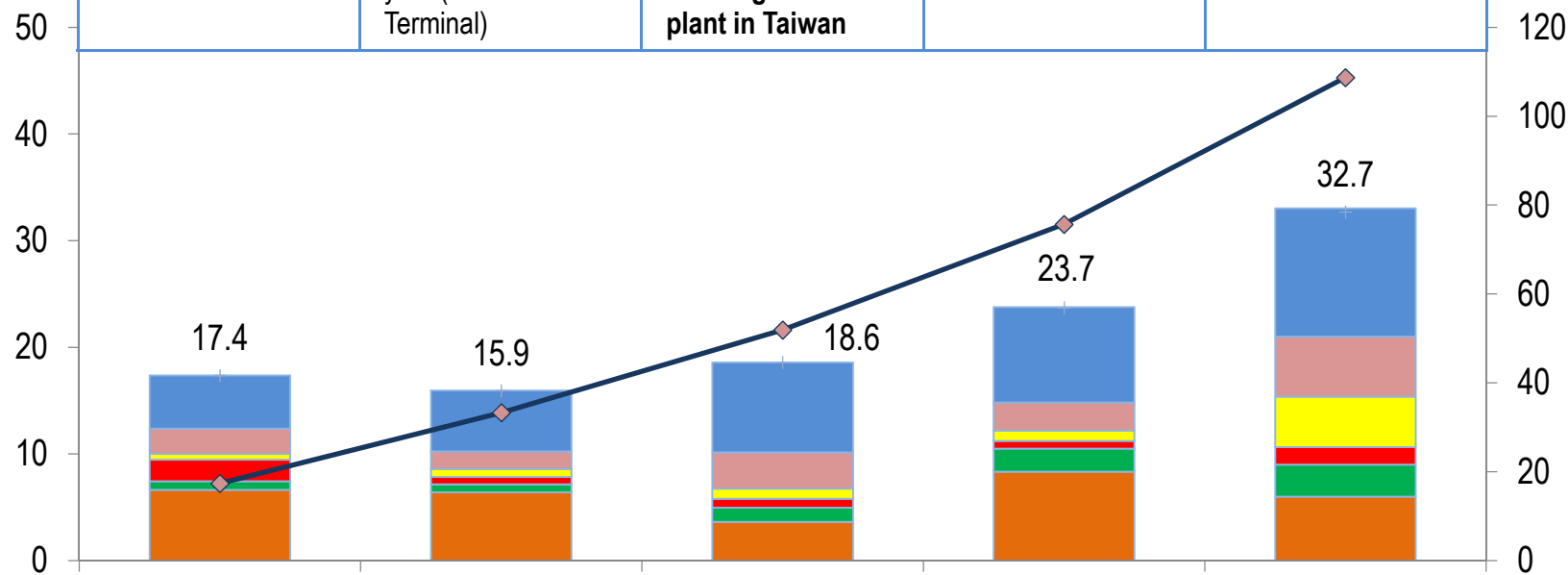
3. Progress in Investment Plan

Major Growth Investments

<ul style="list-style-type: none"> Introduced the latest polyolefin film facilities (Sun・Tox) 	<ul style="list-style-type: none"> Increase production of aluminum nitride powder Expand A&T Corporation's Esashi Factory Expansion of the yard (Shunan Bulk Terminal) 	<ul style="list-style-type: none"> Increase production of aluminum nitride powder and granules Investments to improve the quality of semiconductor-related materials Building a second plant in Taiwan 	<ul style="list-style-type: none"> Increase production of aluminum nitride powder Expand capacity of TMAH Building supply base for IC chemicals in China 	<ul style="list-style-type: none"> Develop new thermal management material Increase production of healthcare-related products
--	--	--	--	---

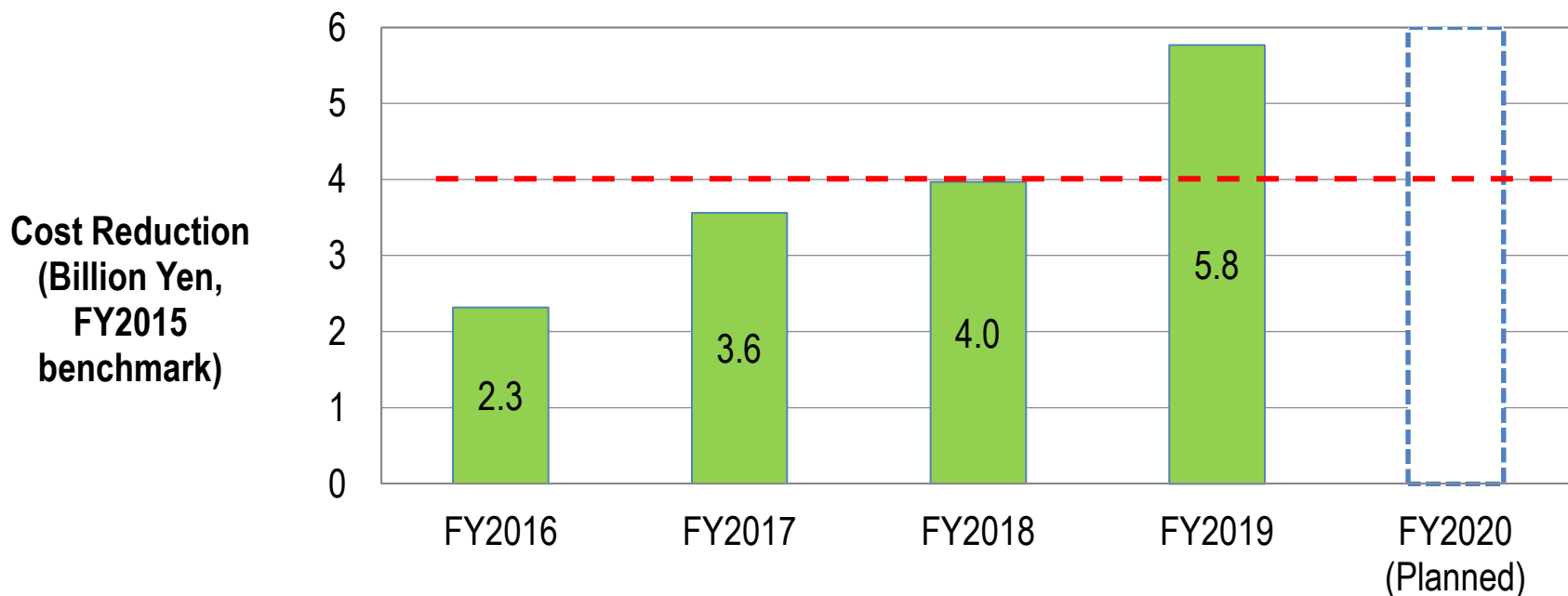
Total Investment (Billions of yen)

Cumulative total Investment (Billions of yen)



4. Traditional Businesses

- Cost reduction in fiscal 2019 exceeds results in fiscal 2018 and also exceeds the target for fiscal 2020 set under the current Medium-Term Management Plan
- Work to post further accomplishment in fiscal 2020.



5. Dividends

➤ Fiscal 2019

The Company expects to pay out a year-end dividend of ¥35 per share in line with the basic policy mentioned above.

➤ Fiscal 2020

The Company plans to pay an interim dividend of ¥35 per share. In contrast, the year-end dividend is yet to be determined given the uncertainty surrounding the spread of COVID-19.

Fiscal Year	2014	2015	2016	2017	2018	2019	2020
Interim Dividend (Yen)	0	0	0	10	25	35	(35)
Year-end Dividend (Yen)	0	0	0	20	25	35	—
Payout ratio (%)	—	—	—	11.5	10.1	24.4	—

- 1) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. The dividends of the fiscal year 2013 and the interim dividend of the fiscal year 2017 are stated after taking into the account the impact of the share consolidation.
- 2) The dividend payout ratios for fiscal 2014-2016 are not stated as those are net losses.
- 3) The numbers in parentheses are planned numbers.
- 4) The year-end dividend of the fiscal year 2017 includes 10 yen of commemorative dividend for the Company's centenary anniversary.

TOKUYAMA



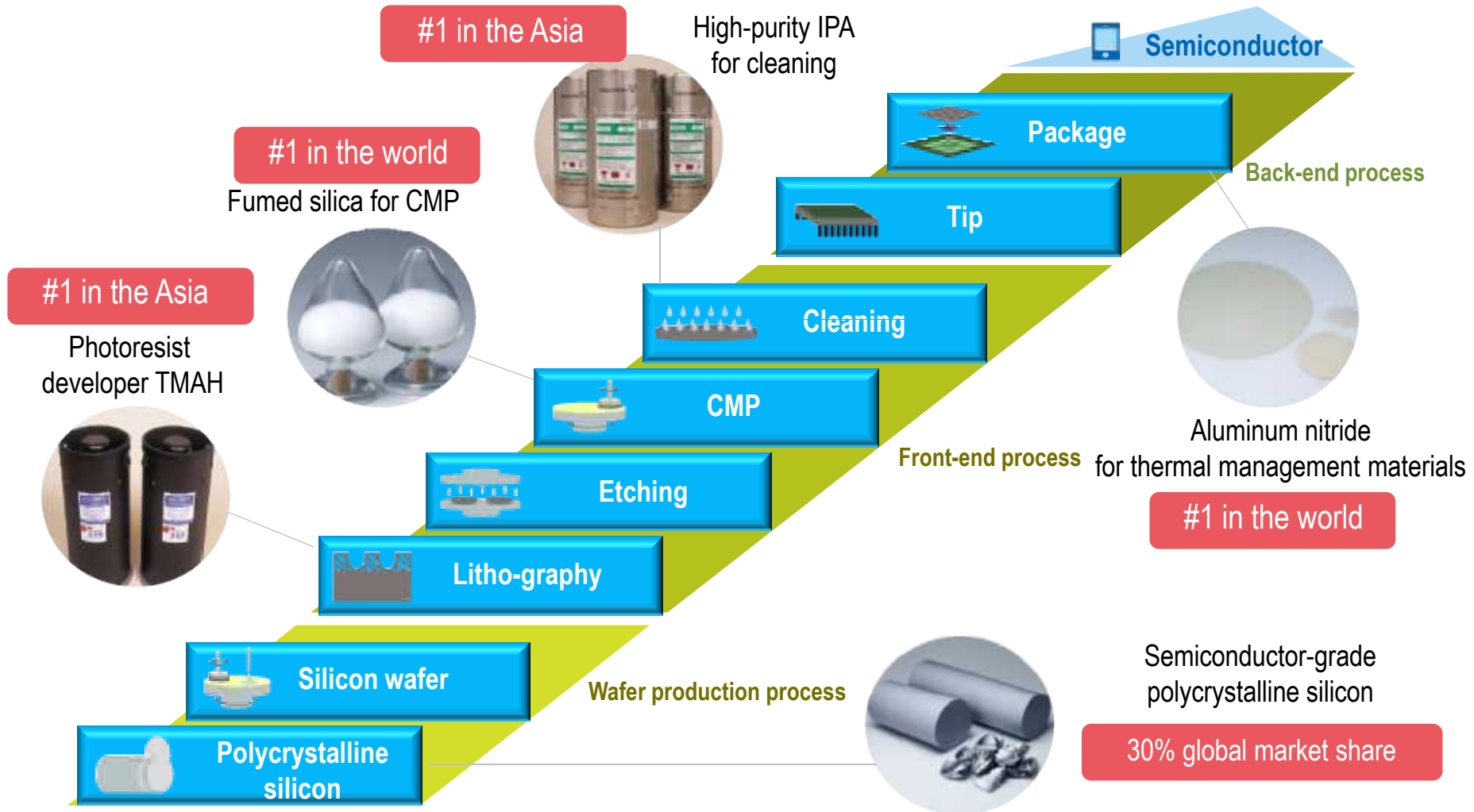
4 Supplementary Data

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

ICT-Related Products

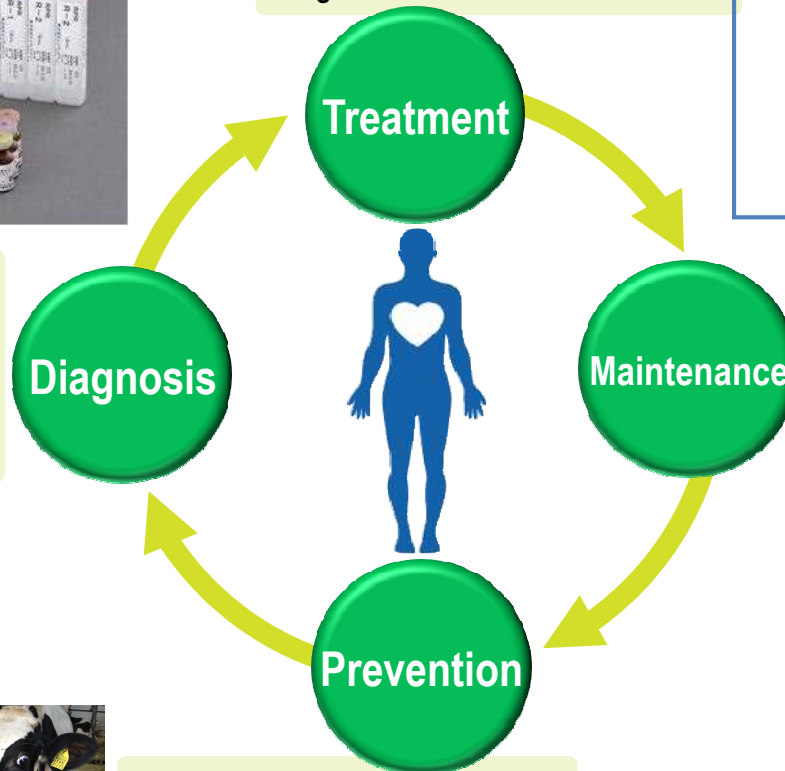


1. Growth Businesses

Healthcare-Related Products



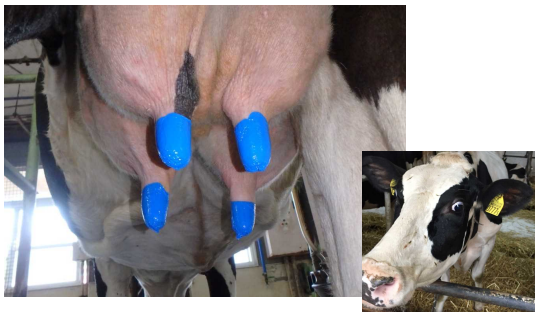
- Dental materials
- Active pharmaceutical ingredients and intermediates



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



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



- Photochromic Dye Materials
- Supplements
- External Teat Sealant for cows

1. Growth Businesses

Current measures

Polycrystalline silicon	<ul style="list-style-type: none"> Investment for the further improvement of product quality
High-purity Chemicals for Semiconductor Manufacturing (TMAH, IPA)	<ul style="list-style-type: none"> Strengthen the supply structure of IPA by building a second plant in Taiwan (Started operation from Feb 2019) Increase production capacity of TMAH by 50% Commercial operation from April 2020 Supply base in China
Thermal Management Material	<ul style="list-style-type: none"> Increase the production capacity AlN powder April 2020: 600 ton/year => 840 ton/year Increase the production capacity of bare substrate by 20% from the middle of year 2020
Dental Materials	<ul style="list-style-type: none"> Launching new large-scale products (composite resin) in Europe following North America
Plastic lens-related Materials	<ul style="list-style-type: none"> Expanding sales through collaboration with customers Deploying the Group's unique technologies to other fields

Measures for the future growth

Differentiate products from those of other companies by further increasing quality

Expand business by acquiring a wide range of customers through production capacity enhancements and supply system development

Improve market share and expand business in North America and Europe using new products to gain foothold

Expand market share in global market

2. Net Sales/Operating Profit by Business Segment

(Chemicals Segment)

Measures

- Maximize earnings of electrolytic businesses
- Improve logistics infrastructure and strengthen logistics
- Hydrogen business and energy-saving measures for promoting SDGs

FY2019 Results

Caustic soda

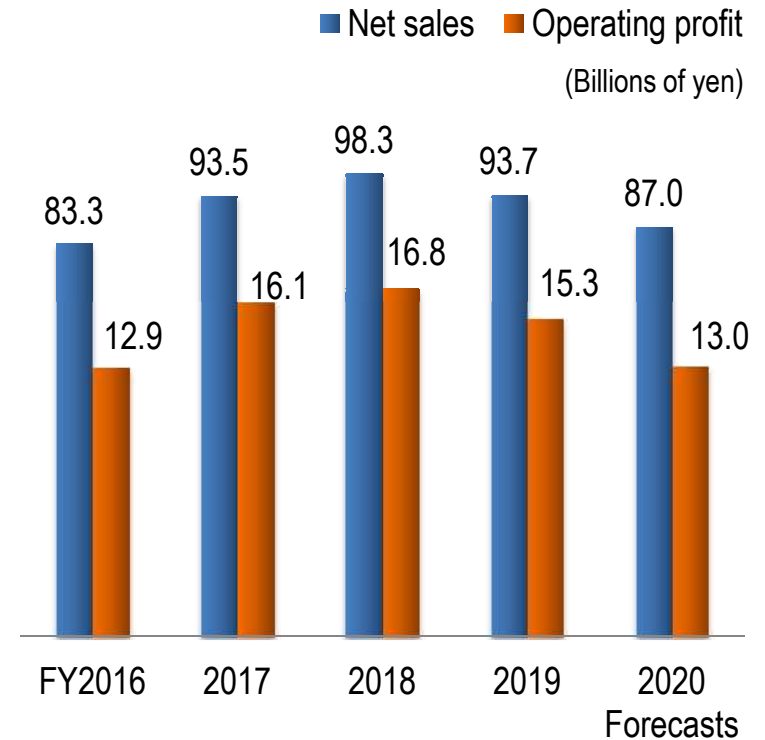
- Despite firm sales volume trends, its operating profit decreased due to the increase in raw material price coupled with a deterioration in overseas market conditions.

Vinyl chloride resin

- Operating profit increased on the back of efforts to maintain spread between selling prices and raw material price.

Calcium chloride

- Operating profit decreased. This largely reflected drop in sales volume due to less snow and an increase in logistics costs.



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 production capacity and the product lineup

< IC Chemicals Business >

- Strengthen the production and supply structures in Asian region

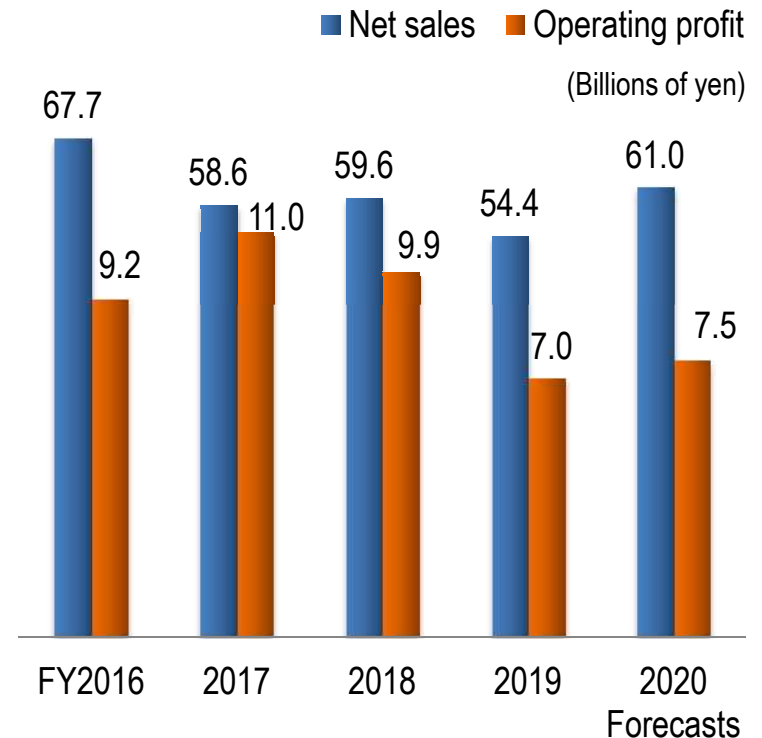
FY2019 Results

Semiconductor-grade Polycrystalline silicon and Thermal management material

- Operating profit decreased. This was due to decline in sales amount caused by the delayed recovery of semiconductor market.

High-purity chemicals for electronics manufacturing

- Its business result was almost same as the previous year. This reflected the recovery of sales volume mainly for export.



2. Net Sales/Operating Profit by Business Segment

(Cement Segment)

Measures

- Improve energy efficiency
- Expand concrete businesses for repair and reinforcement
- Expand resource recycling business and develop new environmental business

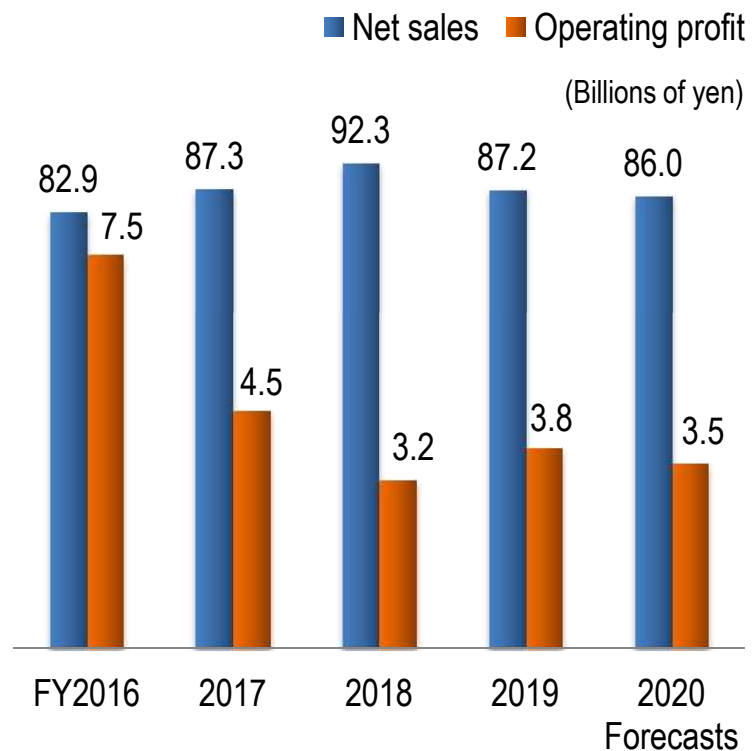
FY2019 Results

Cement

- Despite manufacturing costs decreased due to a down in coal prices, operating profit decreased due to weak sales volume and an increase in fixed costs such as depreciation.

Resource recycling business

- Operating profit increased due to increase in accepted volume of waste.



2. Net Sales/Operating Profit by Business Segment

(Life & Amenity Segment)

Measures

- Strengthen marketing and product development of pharmaceuticals businesses
- Strengthen the pipeline from product development to market release
- Strengthen marketing and sales structure in overseas
- Increase the volume of sales through close collaboration with sales partners

FY2019 Results

Plastic lens-related materials

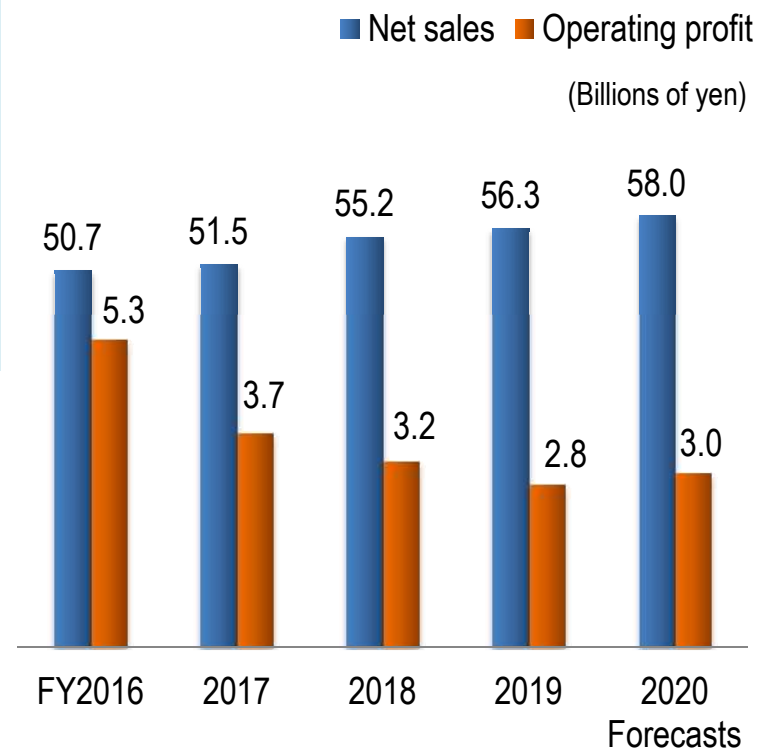
- Sales volume of photochromic dye materials for eyeglass lenses increased.

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 operating profit increased This largely reflected firm sales volume of Clinical Testing devices and Systems.



3. Consolidated Financial Statements

Income Statements

(Billions of yen)

	FY2018	FY2019	Difference	
			Amount	%
Net sales	324.6	316.0	(8.5)	(3)
Cost of sales	226.6	217.4	+9.2	+4
Selling, general and administrative expenses	62.7	64.3	(1.6)	(3)
Operating profit	35.2	34.2	(0.9)	(3)
Non-operating income/expenses	(1.8)	(1.4)	+0.4	-
Ordinary profit	33.4	32.8	(0.5)	(2)
Extraordinary income/expenses	4.6	(4.9)	(9.5)	-
Profit/loss before income taxes	38.0	27.9	(10.1)	(27)
Income taxes	2.9	6.9	(3.9)	(132)
Non-controlling interests	0.7	1.0	(0.3)	(41)
Profit attributable to owners of parent	34.2	19.9	(14.3)	(42)

3. Consolidated Financial Statements

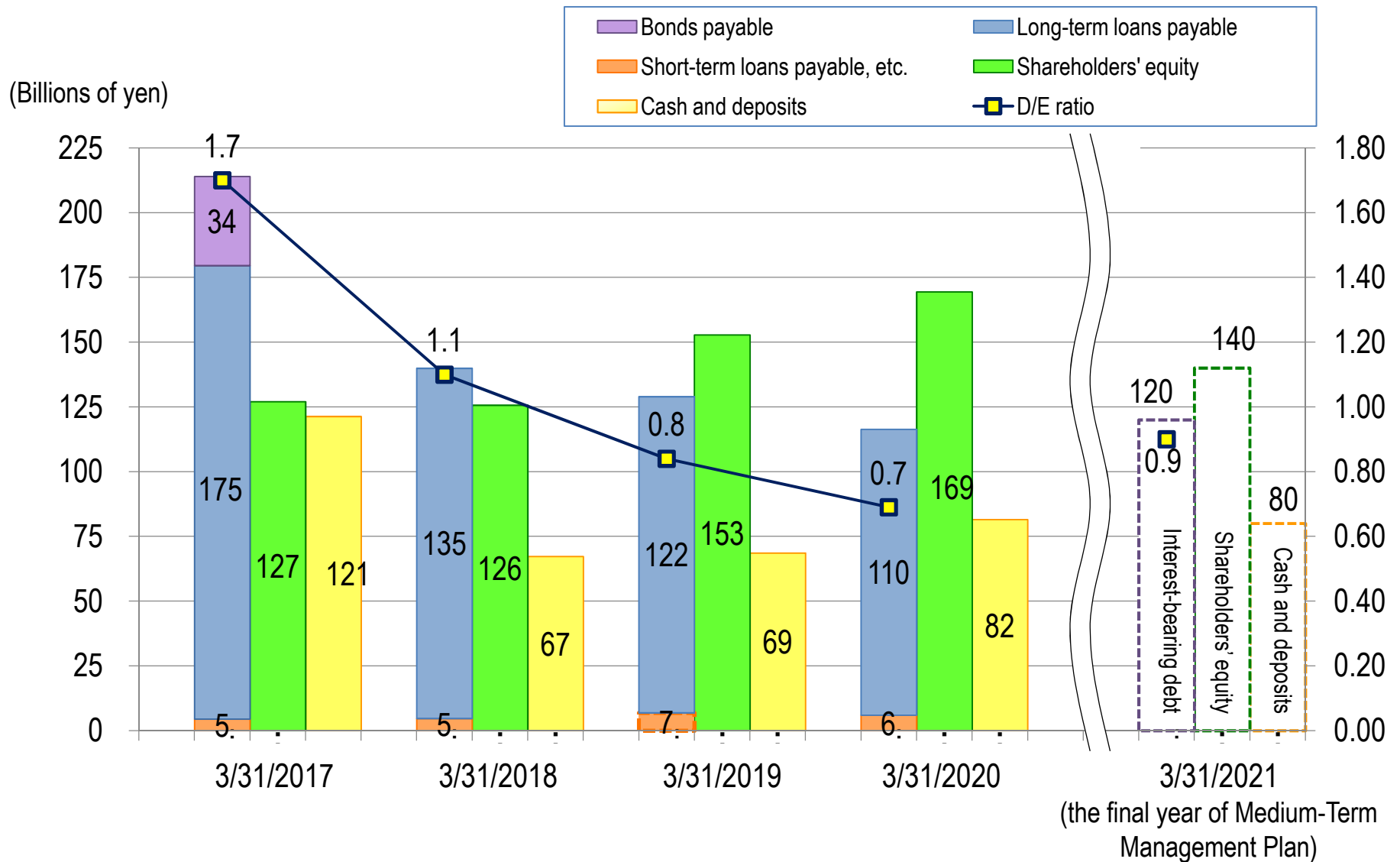
Balance Sheets

(Billions of yen)

	3/31/2019	3/31/2020	Changes	
			Amount	%
Total assets	379.6	383.4	+3.8	+1
Current assets	202.9	203.8	+0.9	+0
Tangible fixed assets	116.1	123.1	+7.0	+6
Intangible fixed assets	1.9	1.6	(0.3)	(16)
Investments and other assets	58.6	54.7	(3.8)	(7)

	3/31/2019	3/31/2020	Changes	
			Amount	%
Total liabilities	216.1	203.0	(13.0)	(6)
Current liabilities	93.2	95.2	+1.9	+2
Long-term liabilities	122.8	107.7	(15.0)	(12)
Total net assets	163.5	180.4	+16.9	+10

4. Reducing interest-bearing debt



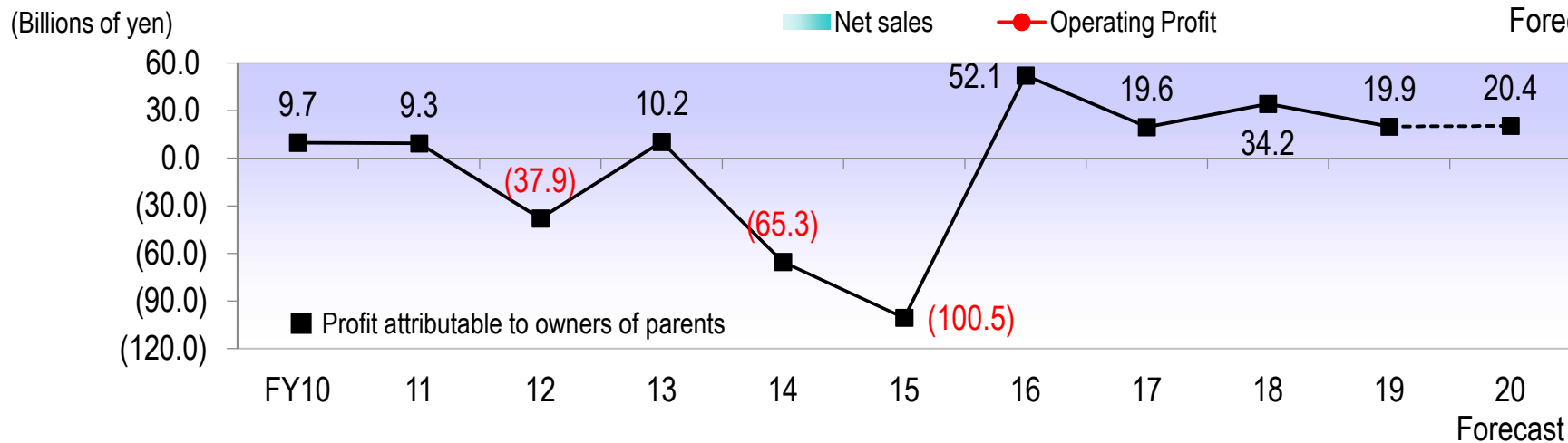
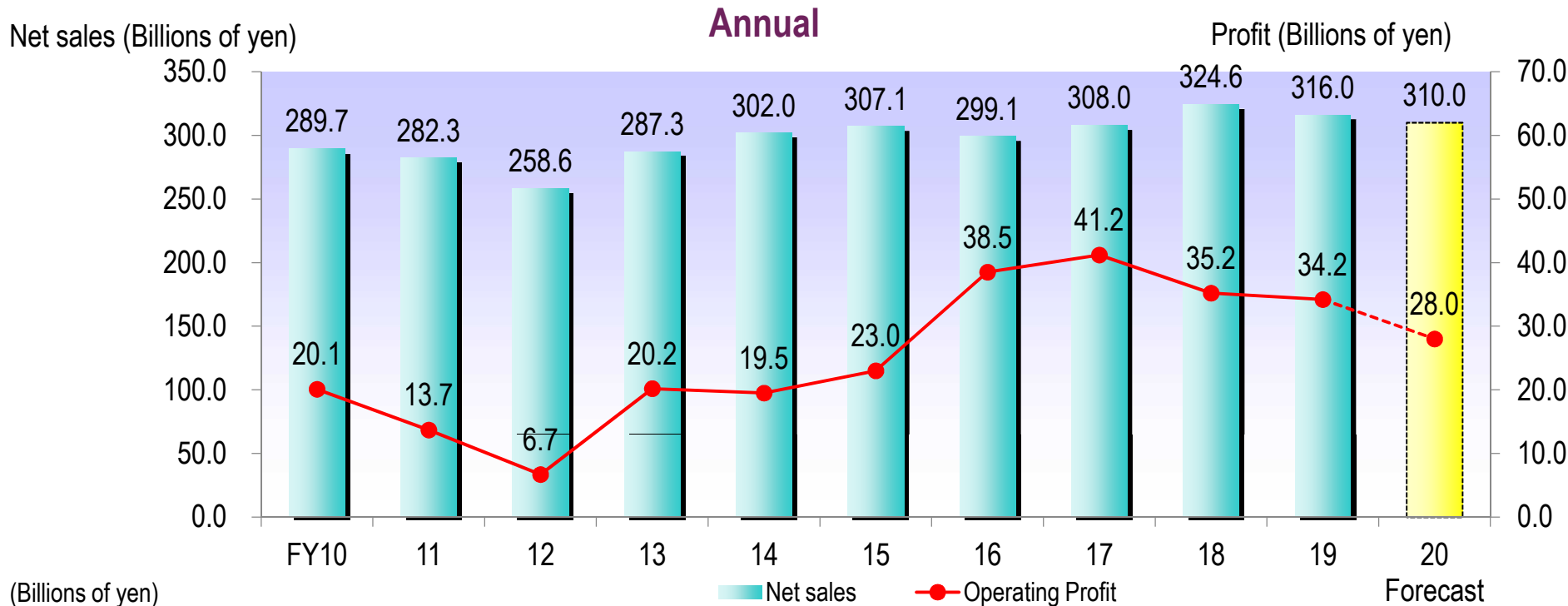
5. Non-Operating Income/Expenses, Extraordinary Gains/Losses and Financial Cost

Consolidated (year-on-year change)

(Billions of yen)

		FY2018	FY2019	Changes
Non-operating income	Interest and dividend income	0.5	0.4	(0.0)
	Other income	4.2	3.6	(0.6)
	Total	4.8	4.1	(0.6)
Non-operating expenses	Interest expenses	2.4	1.6	+0.7
	Other expenses	4.2	3.8	+0.3
	Total	6.6	5.5	+1.1
Non-operating income/expenses		(1.8)	(1.4)	+0.4
Extraordinary gains		7.3	0.8	(6.4)
Extraordinary losses		2.7	5.7	(3.0)
Extraordinary gains/losses		4.6	(4.9)	(9.5)
Financial income and expenses		(1.9)	(1.1)	+0.7

6. Performance Trend

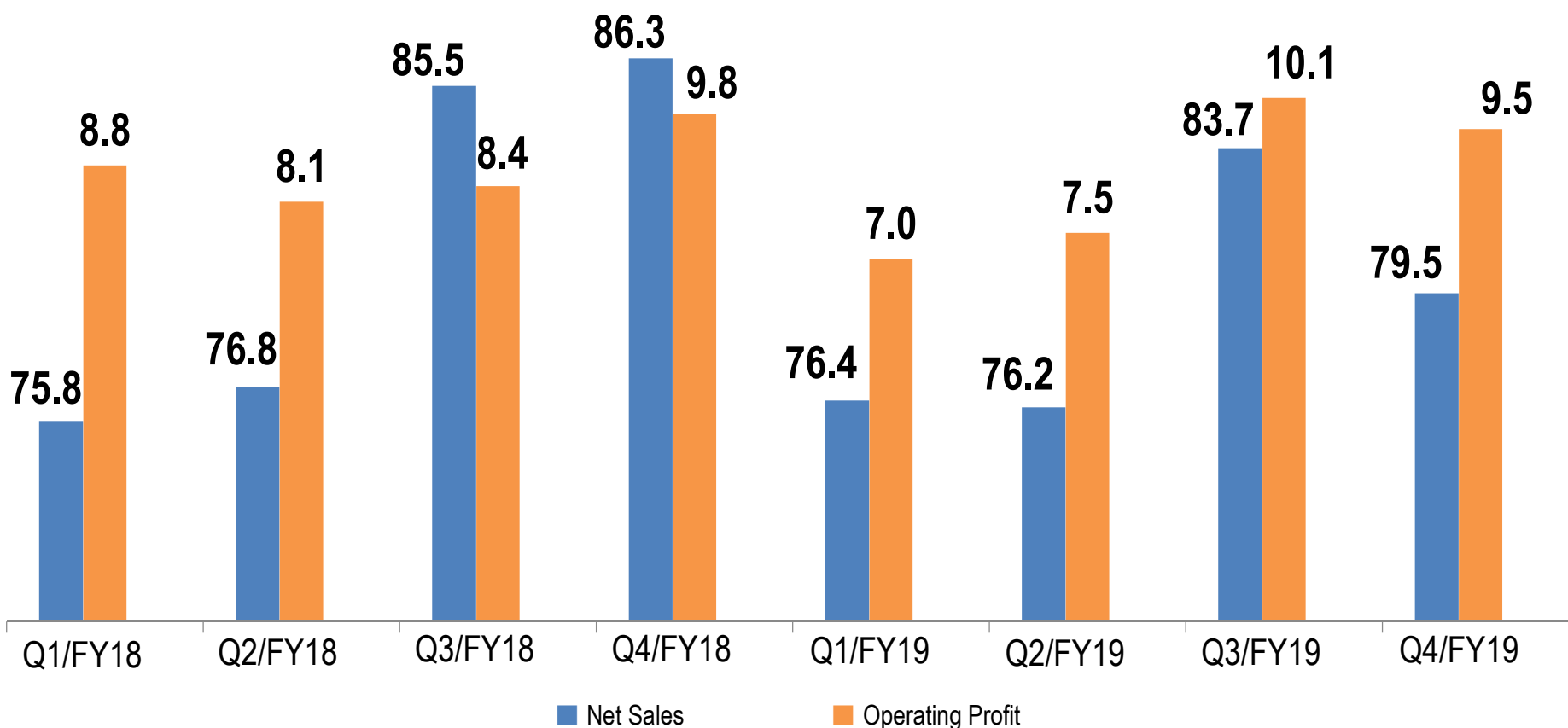


6. Performance Trend

(Quarter)

Consolidated

(Billions of yen)



■ Net Sales

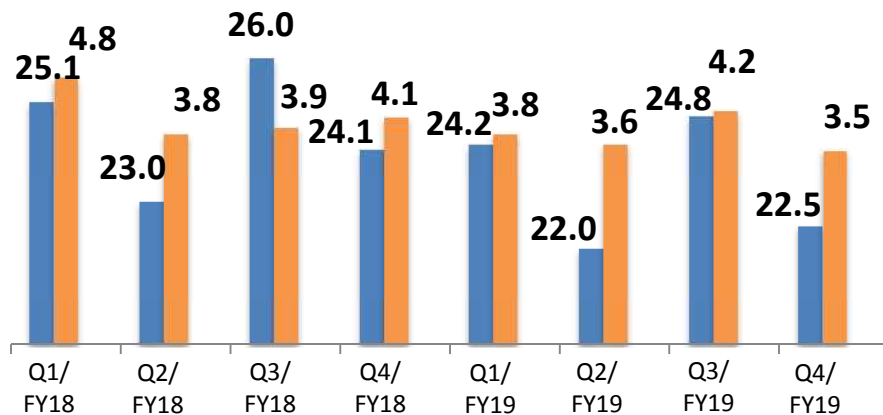
■ Operating Profit

6. Performance Trend

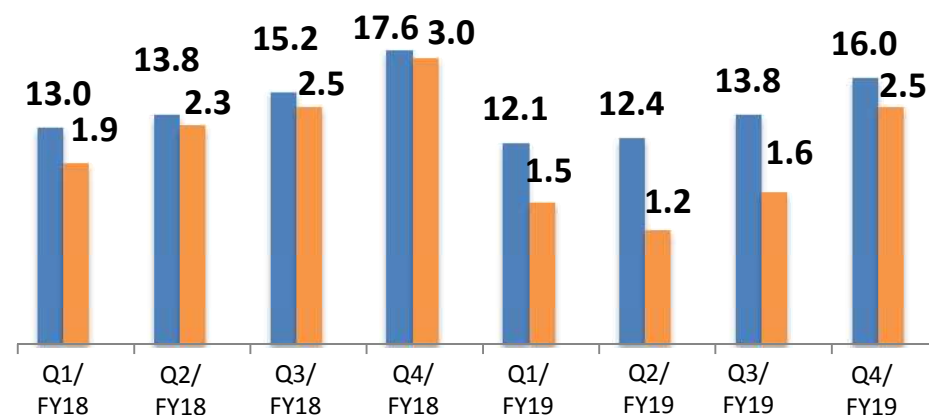
(Billions of yen)

Quarter

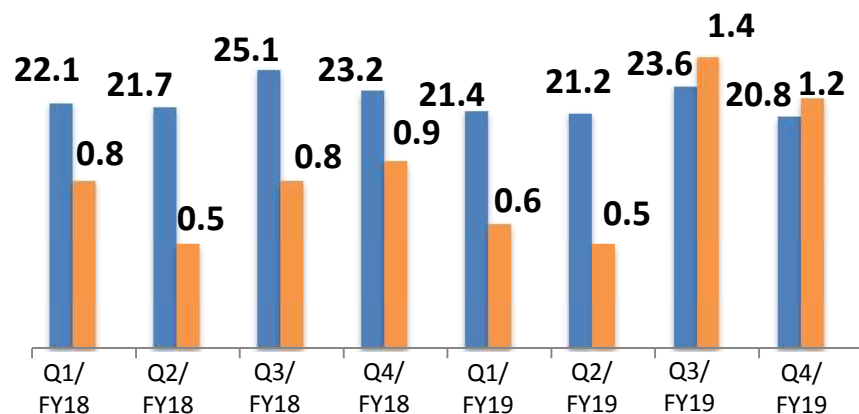
Chemicals



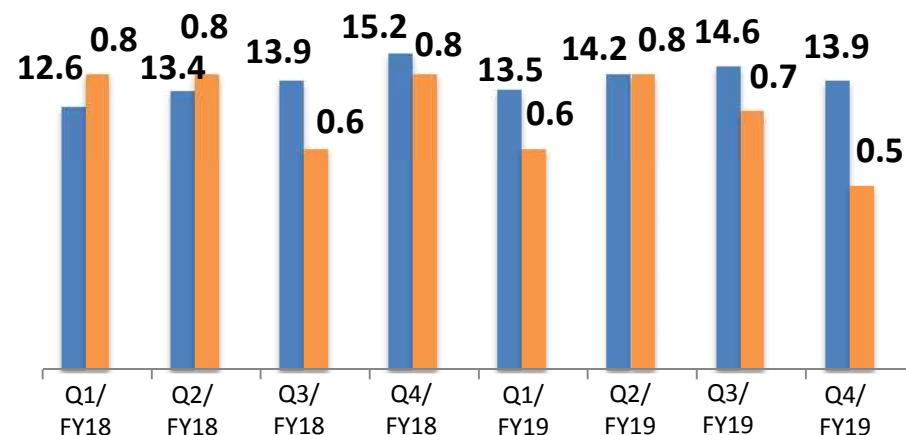
Specialty Products



Cement



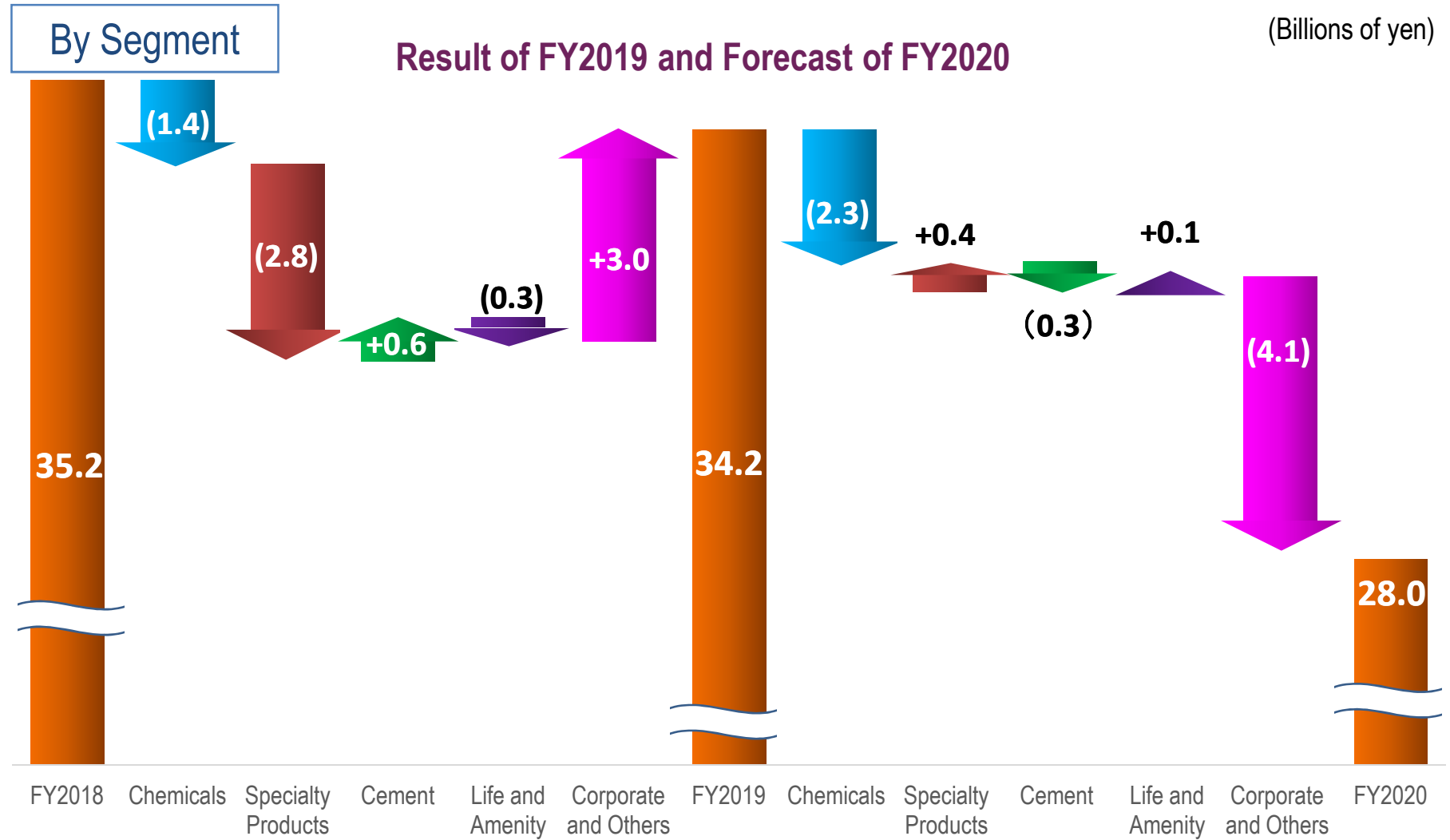
Life & Amenity



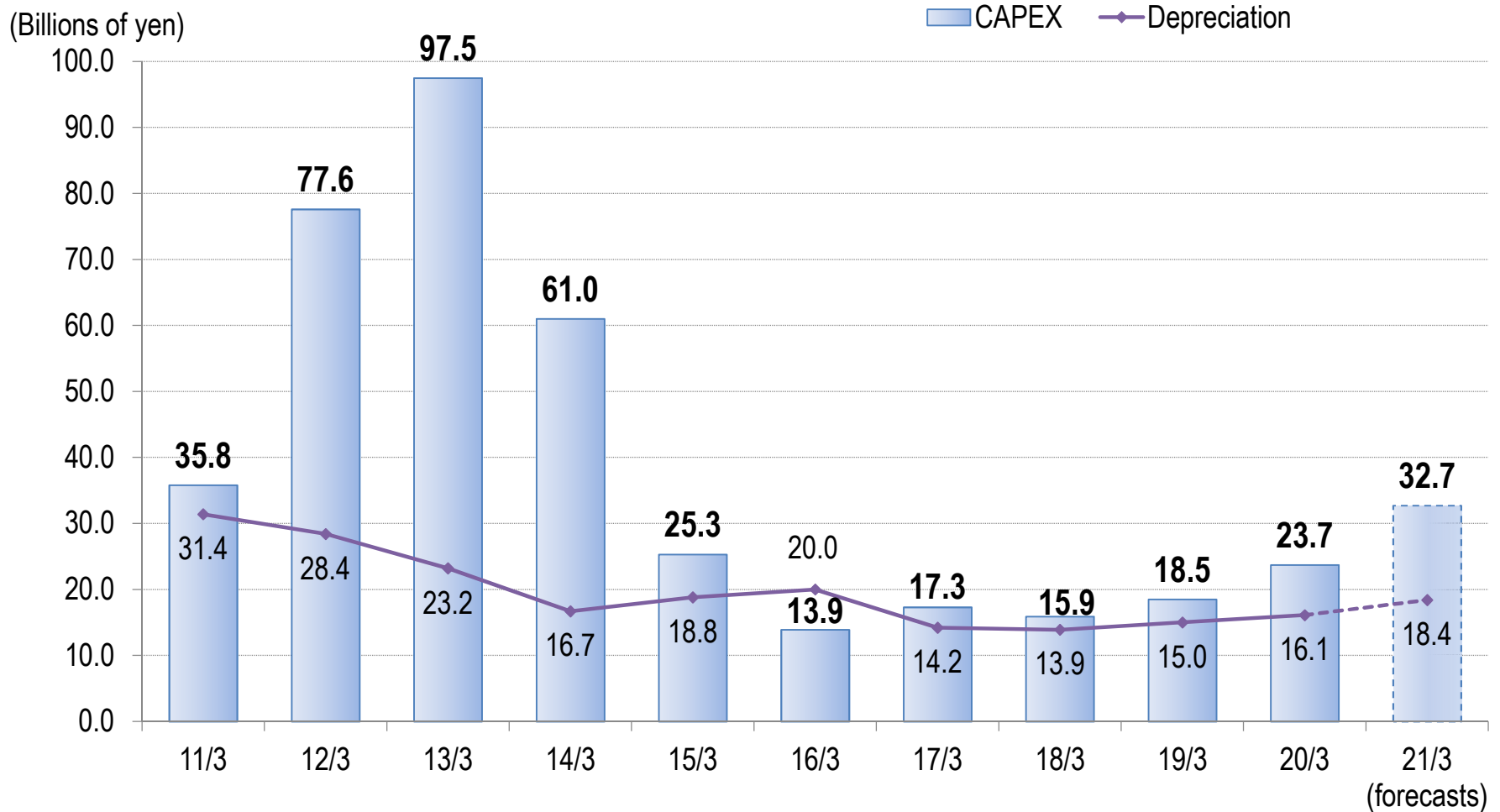
■ Net Sales

■ Operating Profit

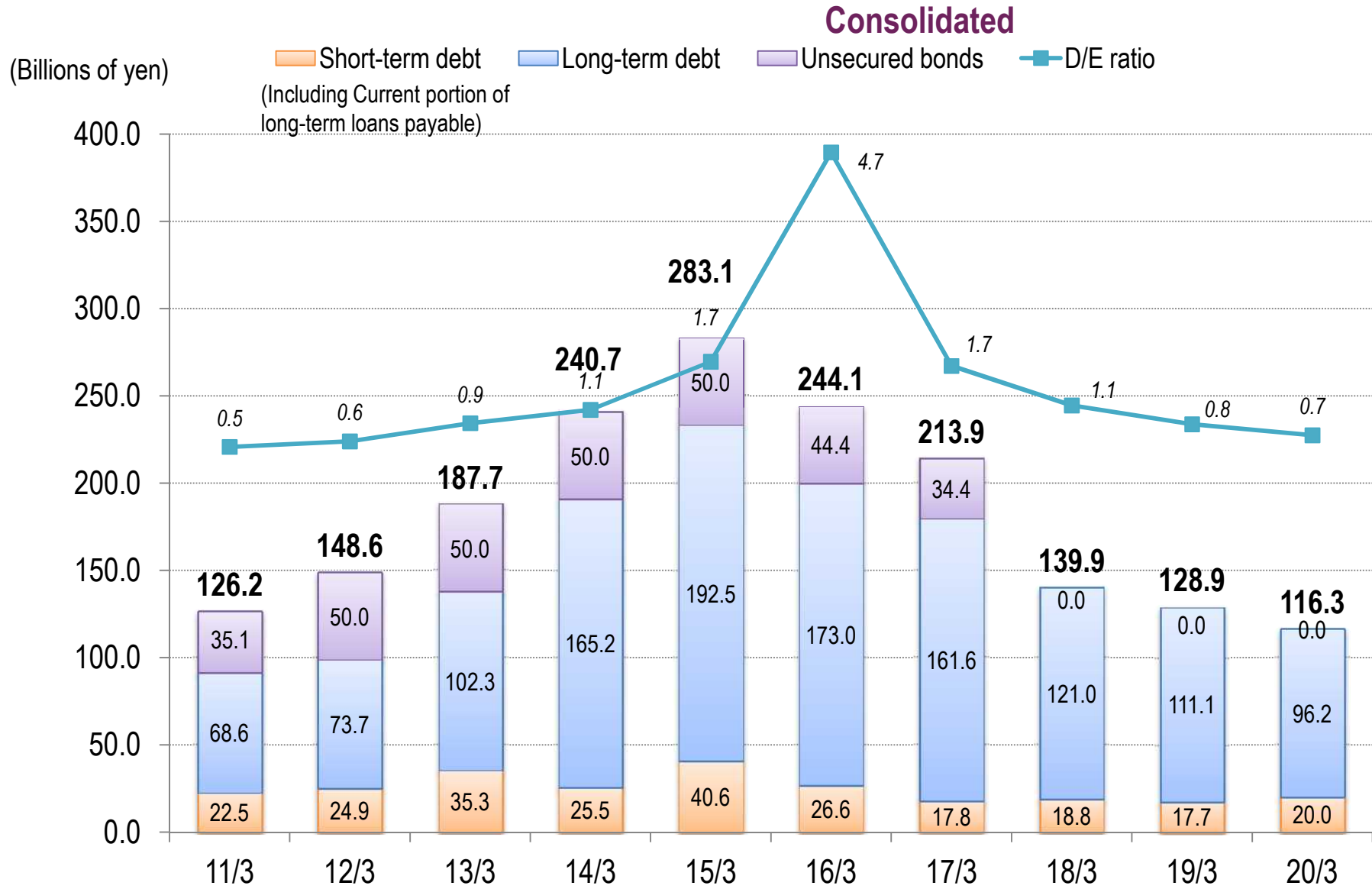
7. Changes in Operating Profit



8. CAPEX and Depreciation Trend

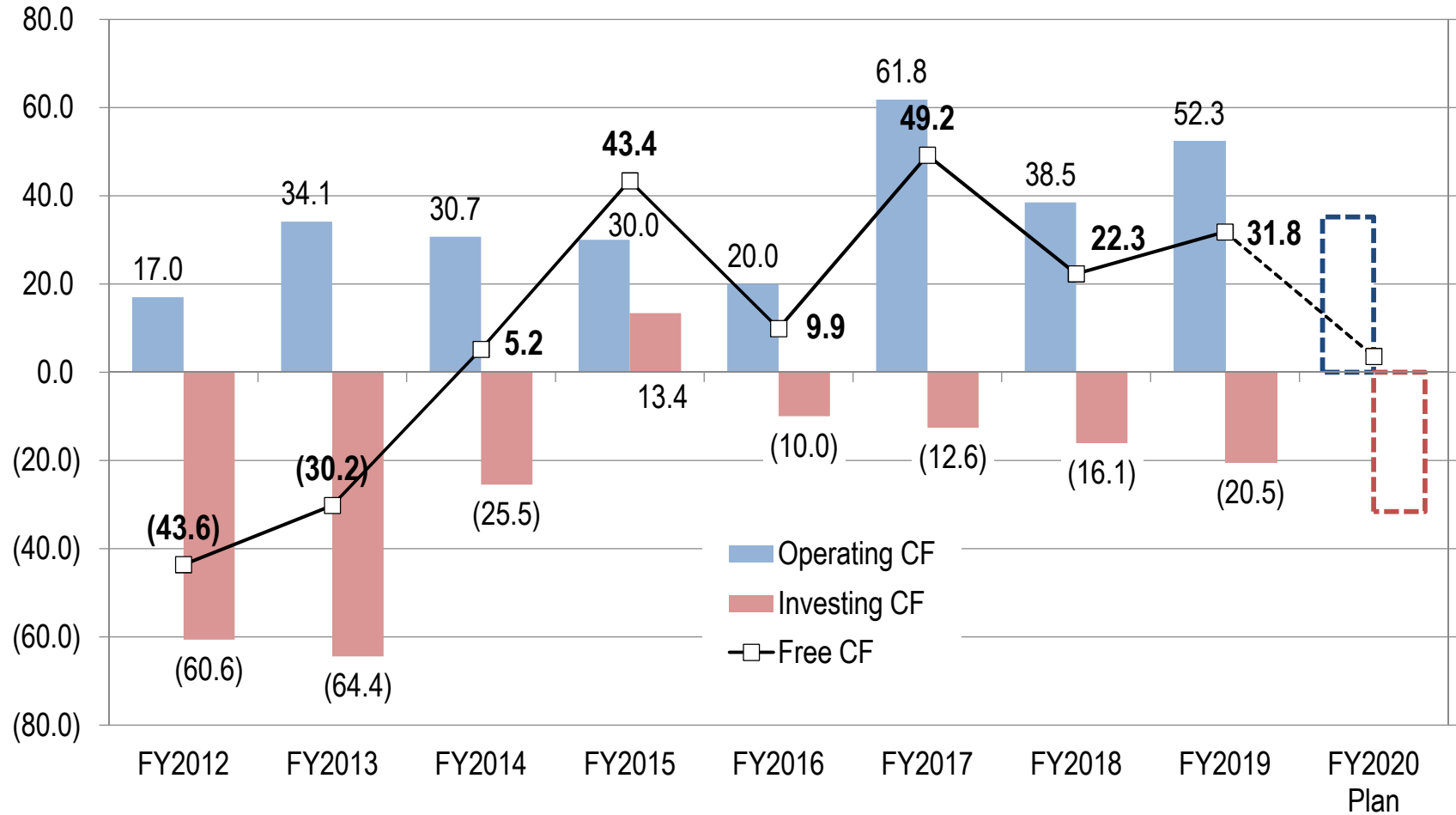


9. Interest-Bearing Debts Trend



10. Cash Flow Plan

(Billions of yen)



Disclaimer

This material is supplied to provide information of Tokuyama and its Group companies, and is not intended as a solicitation for investment or other actions.

This material has been prepared based on the information currently available and involves uncertainties. Tokuyama and its Group companies accept no liability in relation to the accuracy and completeness of the information contained in this material.

Tokuyama and its Group companies assume no responsibility whatever for any losses or deficits resulting from investment decisions based entirely on projections, numerical targets and other information contained in this material.

Accordingly, the information on this material may not be used, reproduced, altered, distributed, sold, reprinted or published without the prior approval of the Company.

