

Q1 Fiscal 2020 - Apr 1, 2020 to Jun 30, 2020-

Presentation for IR Meeting

July 28, 2020

Solutions through Chemistry
Tokuyama Corporation



Key points of the first quarter fiscal 2020

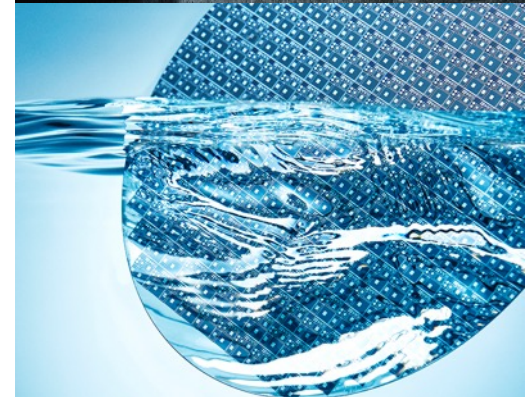
- Year-on-year declines in revenue and earnings in the April to June first quarter. Despite the drop in sales volumes and deterioration in overseas market conditions due to the impact of COVID-19, declines held to a minimum thanks largely to the decrease in raw material and fuel costs
- Despite uncertainty surrounding the status of COVID-19 going forward, Tokuyama will continue to focus on efforts aimed at achieving its full fiscal year plan

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1 Financial Results for Q1 FY2020

1. Financial Highlights
2. Net Sales / Operating Profit by Business Segment
3. Changes in Operating Profit (By Factor)
4. Changes in Net Sales / Operating Profit by Business Segment



1. Financial Highlights

(Billions of yen)

	Q1 FY2019	Q1 FY2020	Difference		Main changing factors
			Amount	%	
Net sales	76.4	70.6	(5.8)	(8)	Price decline of caustic soda export Price decline of petroleum products Decrease in exports of products such as dental materials
Operating profit	7.0	6.6	(0.3)	(5)	Price decline of caustic soda export Price decline of petroleum products
Ordinary profit	6.2	6.6	+0.3	+6	Improvement in non-operating income/expenses
Profit attributable to owners of parent	4.8	5.2	+0.3	+7	Increase in ordinary profit
Basic earnings per share (yen)	69.97	74.94	-		-
Exchange rate (yen/USD)	110	108	-		-
Domestic naphtha price (yen/kl)	45,300	25,500	-		-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2020	As of Jun 30,2020	Difference	Main changing factors
Total assets	383.4	376.4	(7.0)	Decrease in notes receivable – trade and cash and deposits
Shareholders' equity	168.8	172.5	+3.7	Posting profit attributable to owners of parent
Shareholders' equity ratio	44.0%	45.8%	+1.8pts	-
Interest-bearing debt	116.3	114.1	(2.2)	Decrease in long-term loans payable
D/E ratio	0.69	0.66	(0.03)	-
Net D/E ratio*	0.21	0.21	+0.01	-
Net assets per share (yen)	2,431.21	2,484.60	-	-

*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 FY2019		Q1 FY2020		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	24.2	3.8	19.8	2.5	(4.4)	(18)	(1.2)	(33)
Specialty Products	12.1	1.5	12.5	1.3	+0.4	+4	(0.2)	(17)
Cement	21.4	0.6	20.0	1.4	(1.4)	(7)	+0.7	+117
Life & Amenity	13.5	0.6	12.8	0.7	(0.6)	(5)	+0.0	+6
Others	15.8	0.9	14.7	1.3	(1.0)	(7)	+0.4	+43
Total	87.2	7.7	80.0	7.4	(7.1)	(8)	(0.3)	(4)
Inter-segment eliminations and corporate-wide expenses	(10.7)	(0.7)	(9.4)	(0.7)	+1.2	-	(0.0)	-
Consolidated results	76.4	7.0	70.6	6.6	(5.8)	(8)	(0.3)	(5)

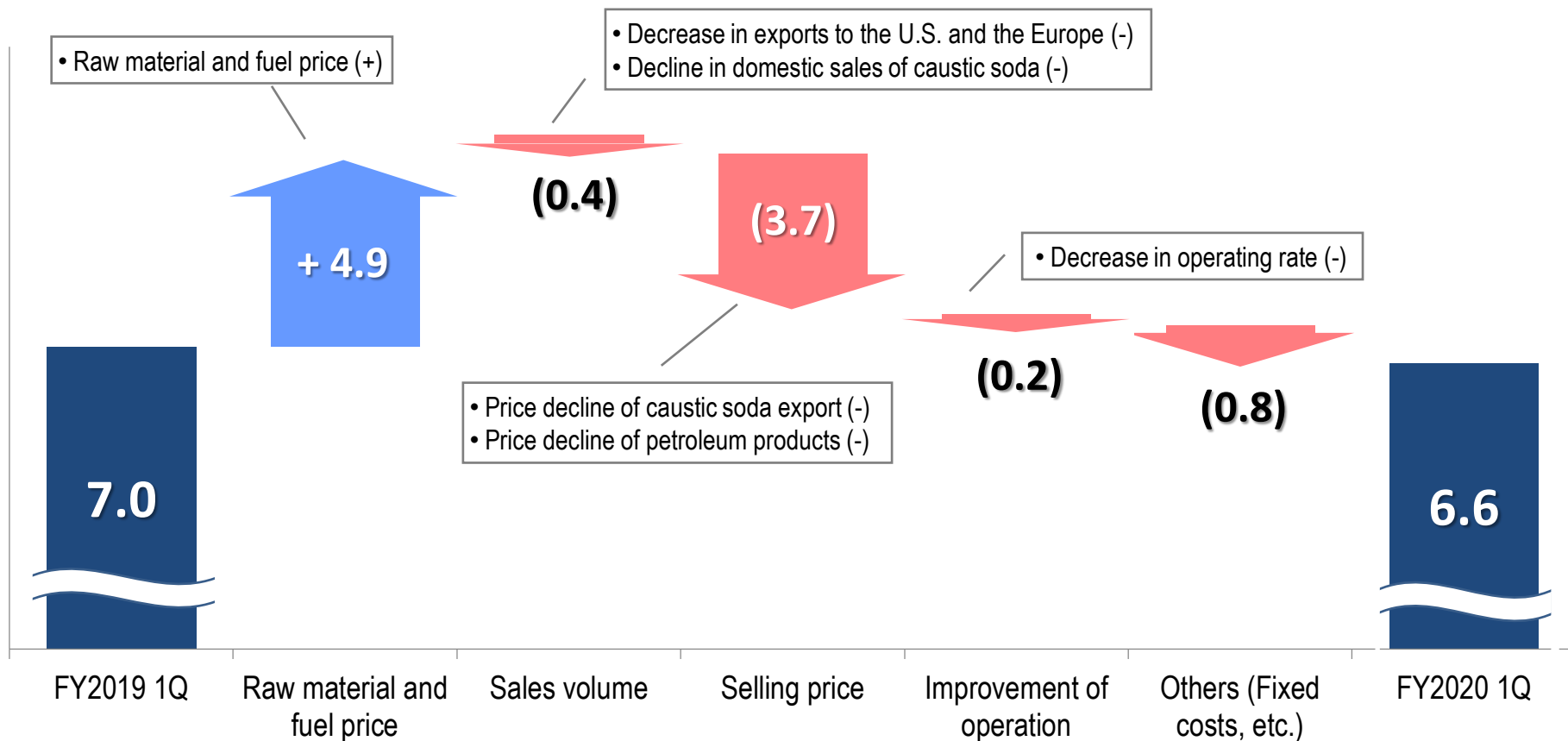
(Note) Sales and operating profit in each segment shown above include inter-segment transactions.

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Factor



(+)/(-) denote the factors of increase/decrease in profit

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

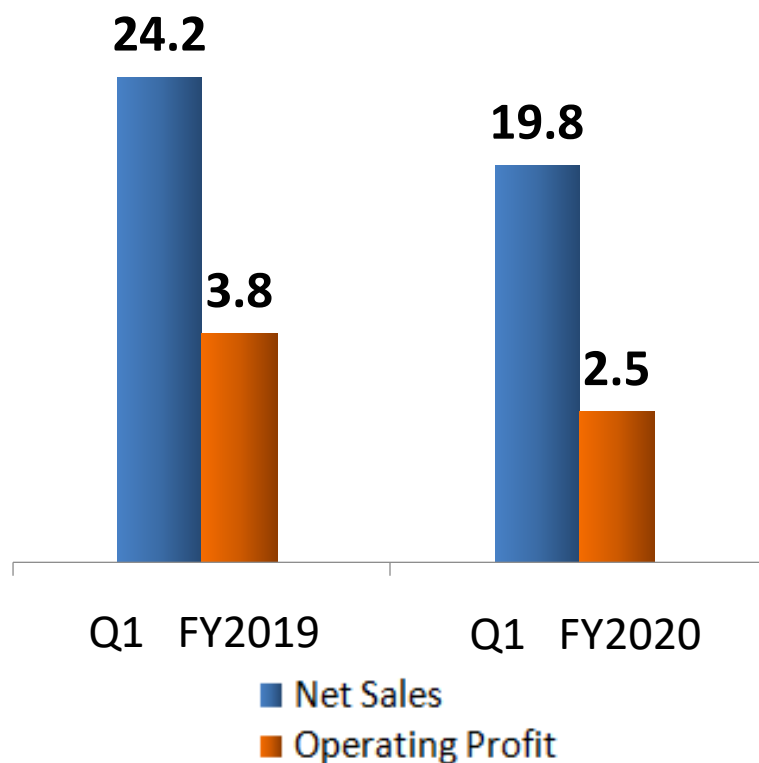
(Year-on-year change)

Chemicals

Lower earnings on lower sales

(Billions of yen)

Qualitative information



(Caustic soda)

- Its earnings declined. This downturn in earnings was largely due to the drop in sales volumes in Japan owing to the spread of COVID-19 and a deterioration in overseas market conditions.

(Vinyl chloride monomer (VCM))

- Its earnings decreased. Despite a downturn in manufacturing costs as a result of the drop in domestic naphtha prices, this decrease in earnings was mainly attributable to COVID-19, which placed downward pressure on overseas market conditions.

(Vinyl chloride resin)

- Results were essentially in line with the corresponding period of the previous fiscal year. While sales volumes were weak, this largely reflected the Company's ability to maintain the spread between raw material costs and selling prices.

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

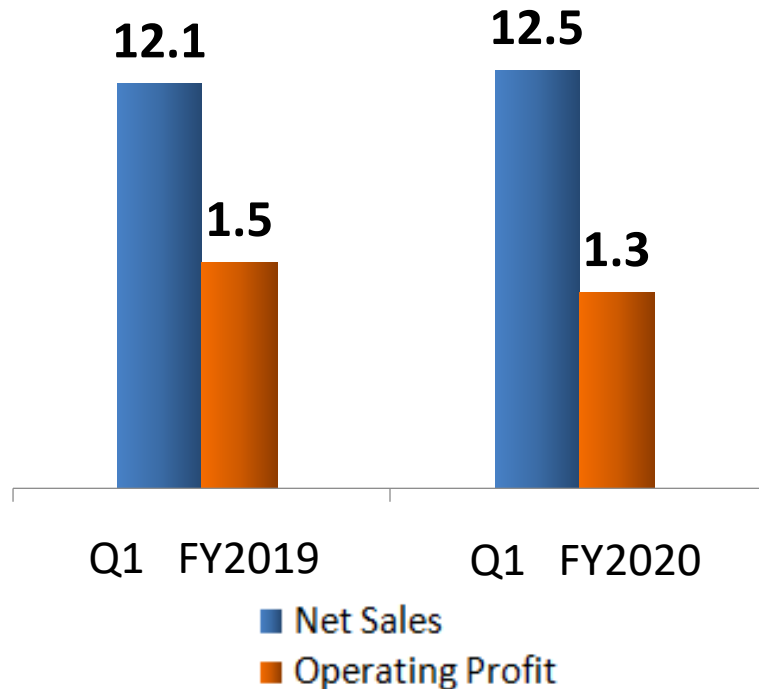
(Year-on-year change)

Specialty Products

Lower earnings on higher sales

(Billions of yen)

Qualitative information



(Semiconductor-grade Polycrystalline silicon)

- Its results were also in line with the corresponding period of the previous fiscal year owing to firm sales on the back of the introduction of 5G and an increase in remote work.

(High-purity chemicals for electronics manufacturing)

- Earnings increased due to an increase in the volume mainly overseas.

(Fumed Silica)

- Both sales volumes and earnings of fumed silica at subsidiary in China decreased owing largely to trade friction between China and the United States.

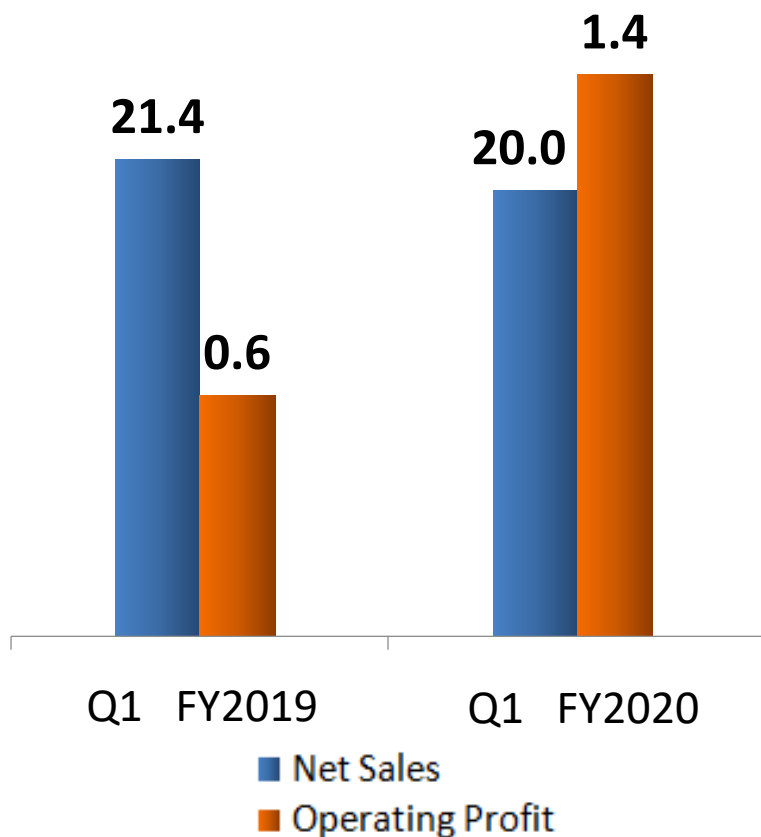
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Cement

Higher earnings on lower sales

(Billions of yen) Qualitative information



(Cement)

- Its earnings increased. Despite a downturn in export volumes as a result of COVID-19, this upswing in earnings reflected the limited impact on domestic shipments and successful steps to reduce manufacturing costs on the back of a decline in raw material prices.

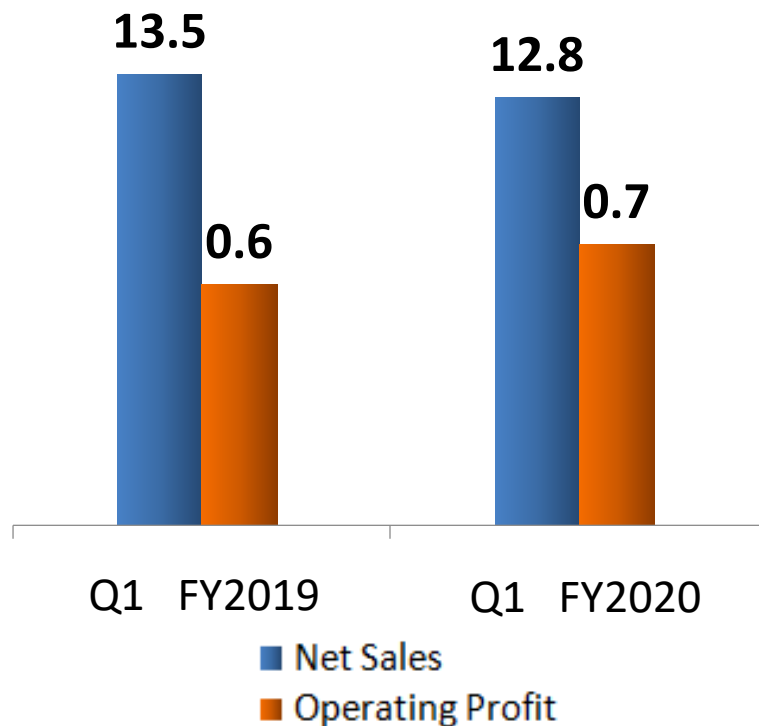
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Life & Amenity

Higher earnings on lower sales

(Billions of yen) Qualitative information



(Pharmaceutical ingredients and intermediates)

- Its earnings increased, owing mainly to a robust sales volume of generic pharmaceuticals.

(Plastic lens-related materials)

- Earnings decreased as a result of COVID-19, which pushed down export volumes of photochromic materials for eyeglass lenses to Europe and the United States.

(Dental materials)

- Impacted by the spread of COVID-19, export volumes of dental materials to Europe and the United States also declined resulting in a drop in earnings.

(Medical diagnosis systems)

- Sales volumes of laboratory information systems and laboratory automation systems increased.

2 Performance Forecasts for FY2020

1. Impact of COVID-19
2. Performance Forecasts
3. Performance Forecasts by Business Segment



1. Impact of COVID-19

- Assumptions that underpinned the Company's outlook for the full fiscal year at the start of the period: While COVID-19 projected to impact performance in the first quarter, results anticipated to recover from the second quarter; COVID-19 not expected to impact results in the second half
- Looking at progress up to the first quarter, while sales volumes fell slightly below forecasts, profit levels in line with expectations as a result of decreases in raw material and fuel costs
- While the Company is yet to see any signs that the spread of COVID-19 will dissipate, performance projected to progress in line with initial plans

2. Performance Forecasts

The forecast, announced on May 15, 2020, has not been revised

(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	1Q results:108	-		-
		2-4Q forecast:108			
Domestic naphtha price (yen/kl)	42,700	1Q results:25,500	-		-
		2-4Q forecast:31,000			

2. Performance Forecasts by Business Segment

The forecast, announced on May 15, 2020, has not been revised

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

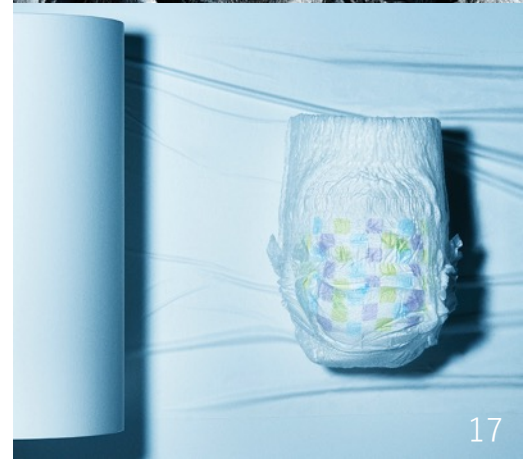
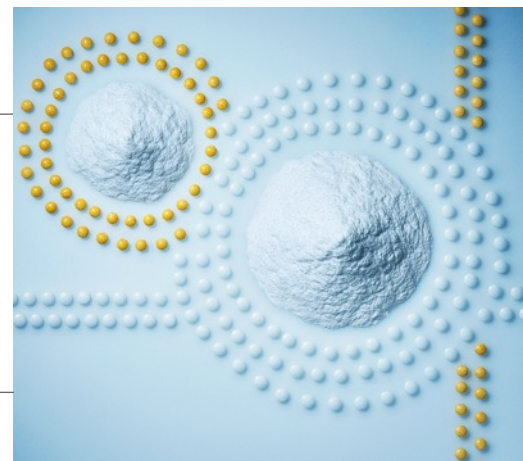
(Billions of yen)

	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.

3 Topics

1. Impact of COVID-19
2. Establishment of the Center for Commercialization of Advanced Technology



1. Impact of COVID-19

- Impact by segment

[Chemicals] The spread of COVID-19 has impacted 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] Virtually no negative impact from COVID-19; exhibiting a recovery trend to date thanks largely to the introduction of 5G and increase in remote work

1. Impact of COVID-19

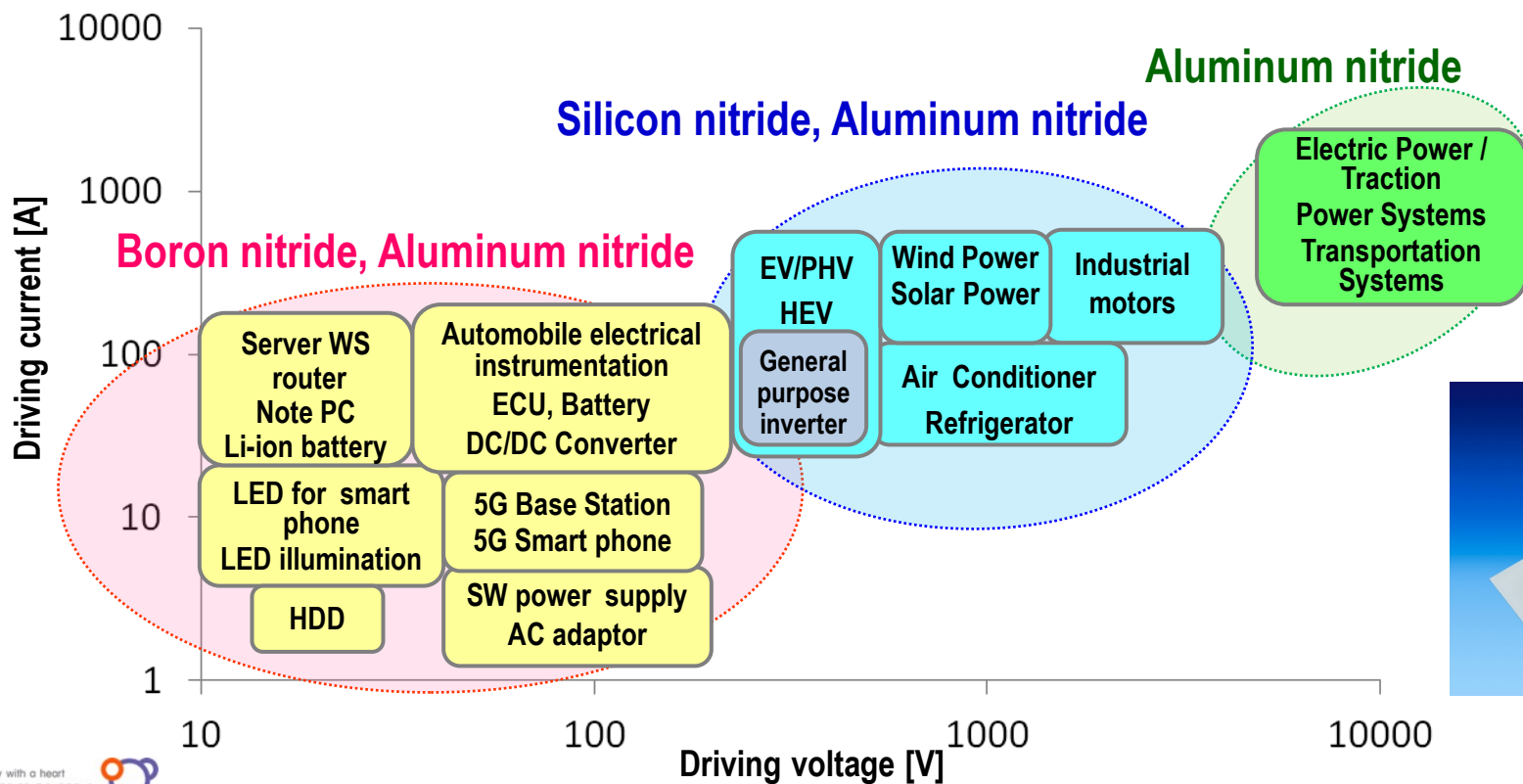
- Impact by segment

[Cement] Sales volumes in Japan essentially unchanged from the previous year despite the temporary suspension of construction work and the closure of construction sites; decrease in export volumes overseas due to lockdowns

[Life and Amenity] Decrease in export volumes of eyeglass and dental materials due to lockdowns in Europe and the United States

2. Establishment of the Center for Commercialization of Advanced Technology

- Established to commercialize the advanced materials in environment or ICT fields
- Started the commercialization of Silicon Nitrides, heat management material for power semiconductor modules used in EV
 - Scheduled to start the trial operation of production facilities and shipment of sample products in FY 2021



TOKUYAMA

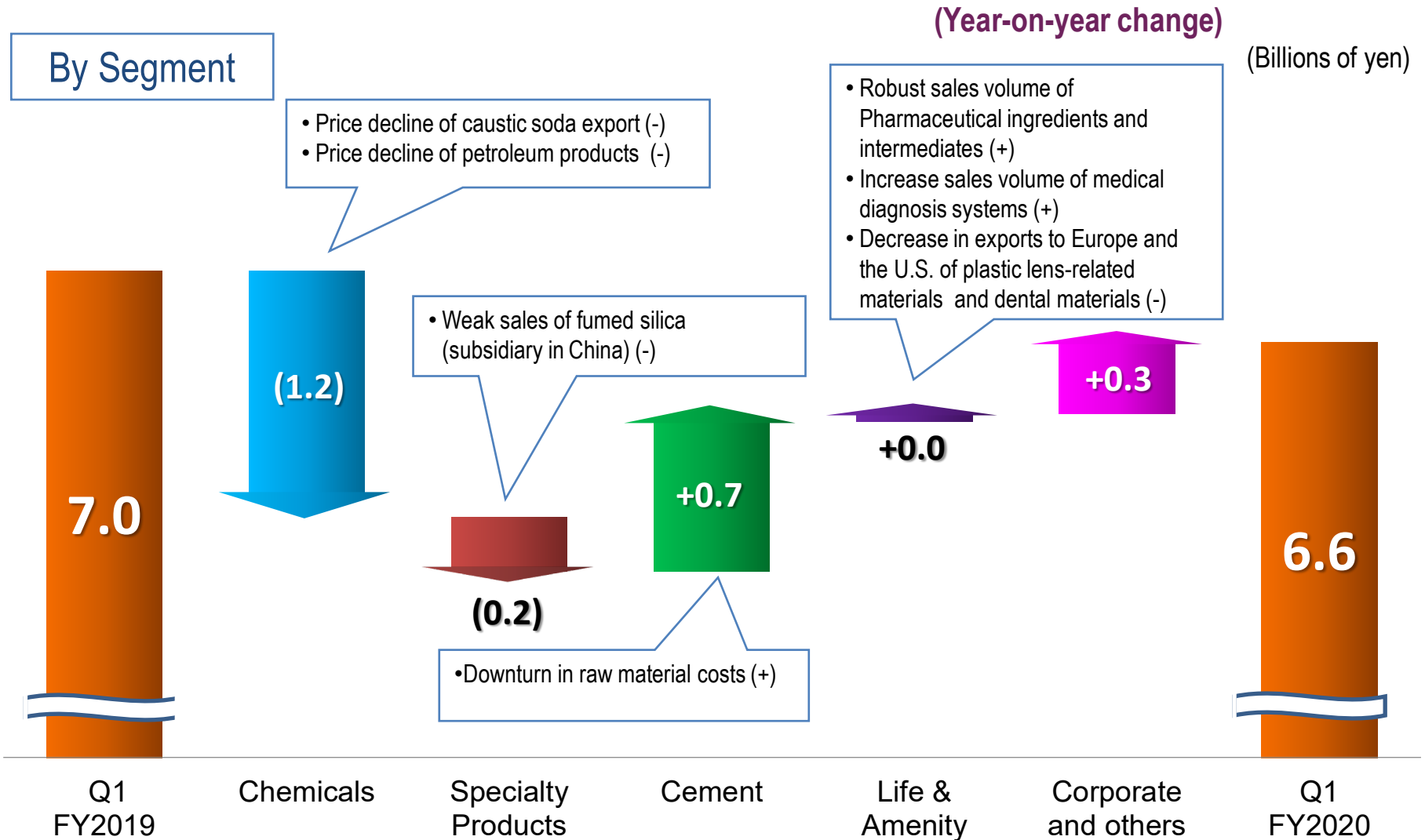


4 Supplementary Material

1. Changes in Operating Profit
2. Consolidated Financial Statements
3. Performance Trend



1. Changes in Operating Profit



2. Consolidated Financial Statements

Income Statements

(Billions of yen)

	Q1 FY2019	Q1 FY2020	Difference	
			Amount	%
Net sales	76.4	70.6	(5.8)	(8)
Cost of sales	53.3	48.3	+4.9	+9
Selling, general and administrative expenses	16.0	15.6	+0.4	+3
Operating profit	7.0	6.6	(0.3)	(5)
Non-operating income/expenses	(0.7)	0.0	+0.7	-
Ordinary profit	6.2	6.6	+0.3	+6
Extraordinary income/expenses	(0.1)	(0.3)	(0.1)	-
Profit/loss before income taxes	6.1	6.3	+0.1	+3
Income taxes	1.2	0.8	+0.3	+32
Non-controlling interests	0.0	0.3	(0.2)	(338)
Profit attributable to owners of parent	4.8	5.2	+0.3	+7

2. Consolidated Financial Statements

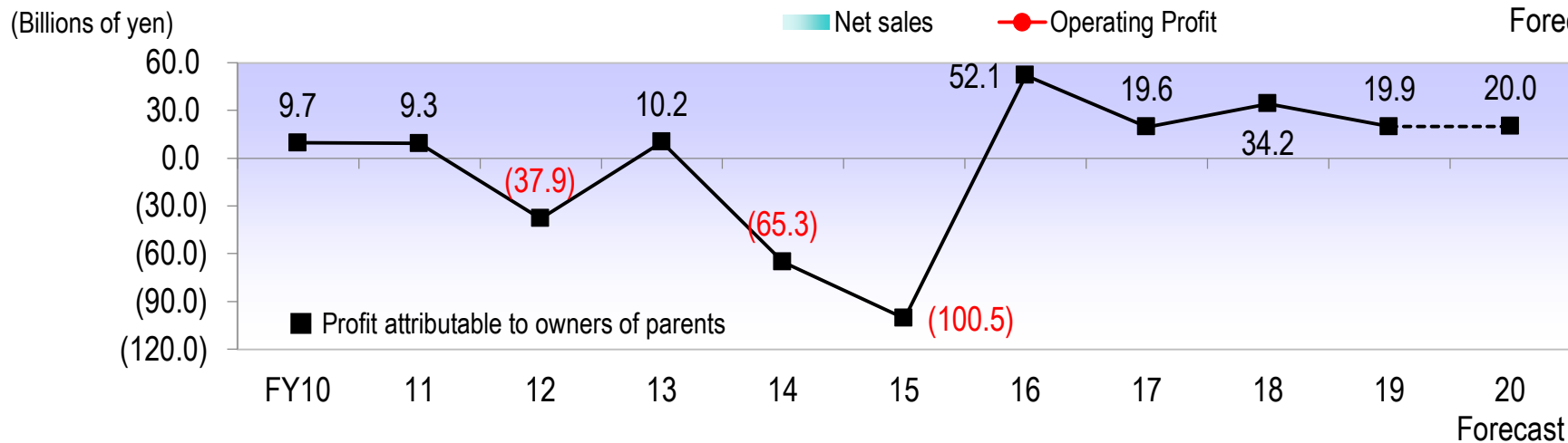
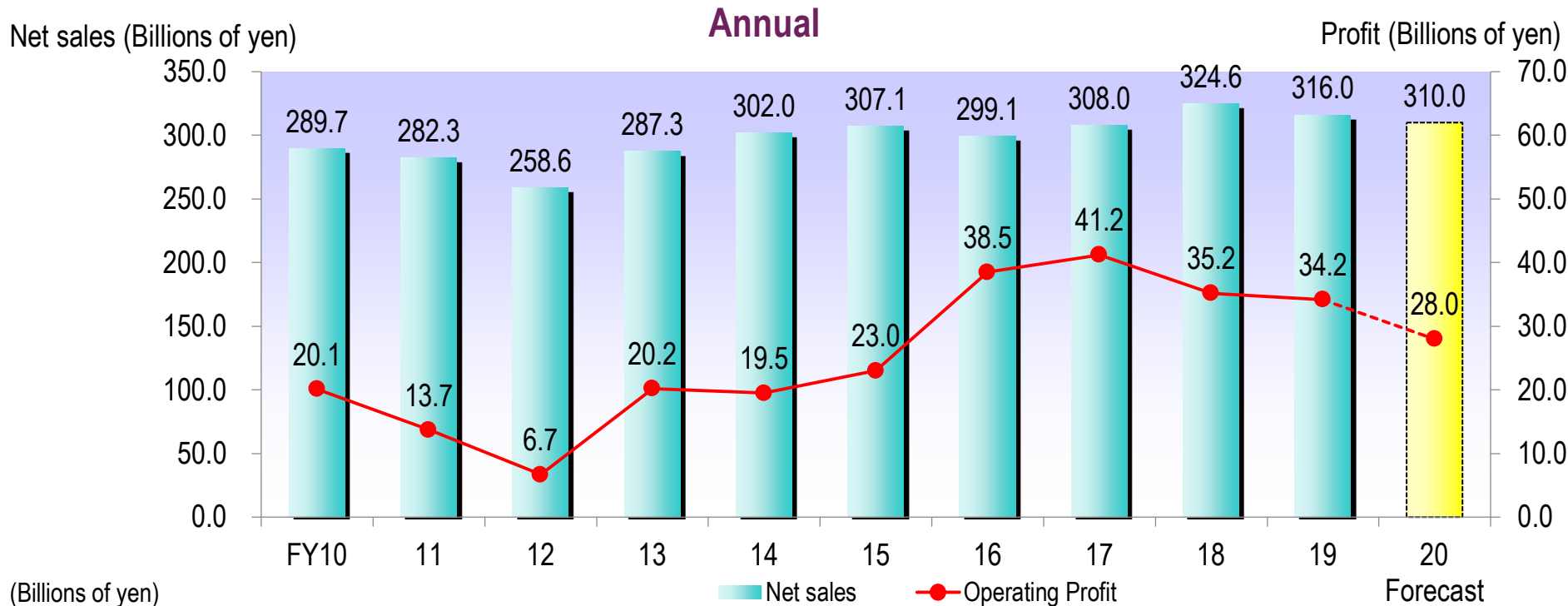
Balance Sheets

(Billions of yen)

	3/31/2020	6/30/2020	Changes	
			Amount	%
Total assets	383.4	376.4	(7.0)	(2)
Current assets	203.8	194.2	(9.5)	(5)
Tangible fixed assets	123.1	123.7	+0.5	+0
Intangible fixed assets	1.6	1.6	(0.0)	(2)
Investments and other assets	54.7	56.7	+2.0	+4

	3/31/2020	6/30/2020	Changes	
			Amount	%
Total liabilities	203.0	191.3	(11.6)	(6)
Current liabilities	95.2	84.9	(10.3)	(11)
Long-term liabilities	107.7	106.4	(1.3)	(1)
Total net assets	180.4	185.0	+4.6	+3

3. Performance Trend

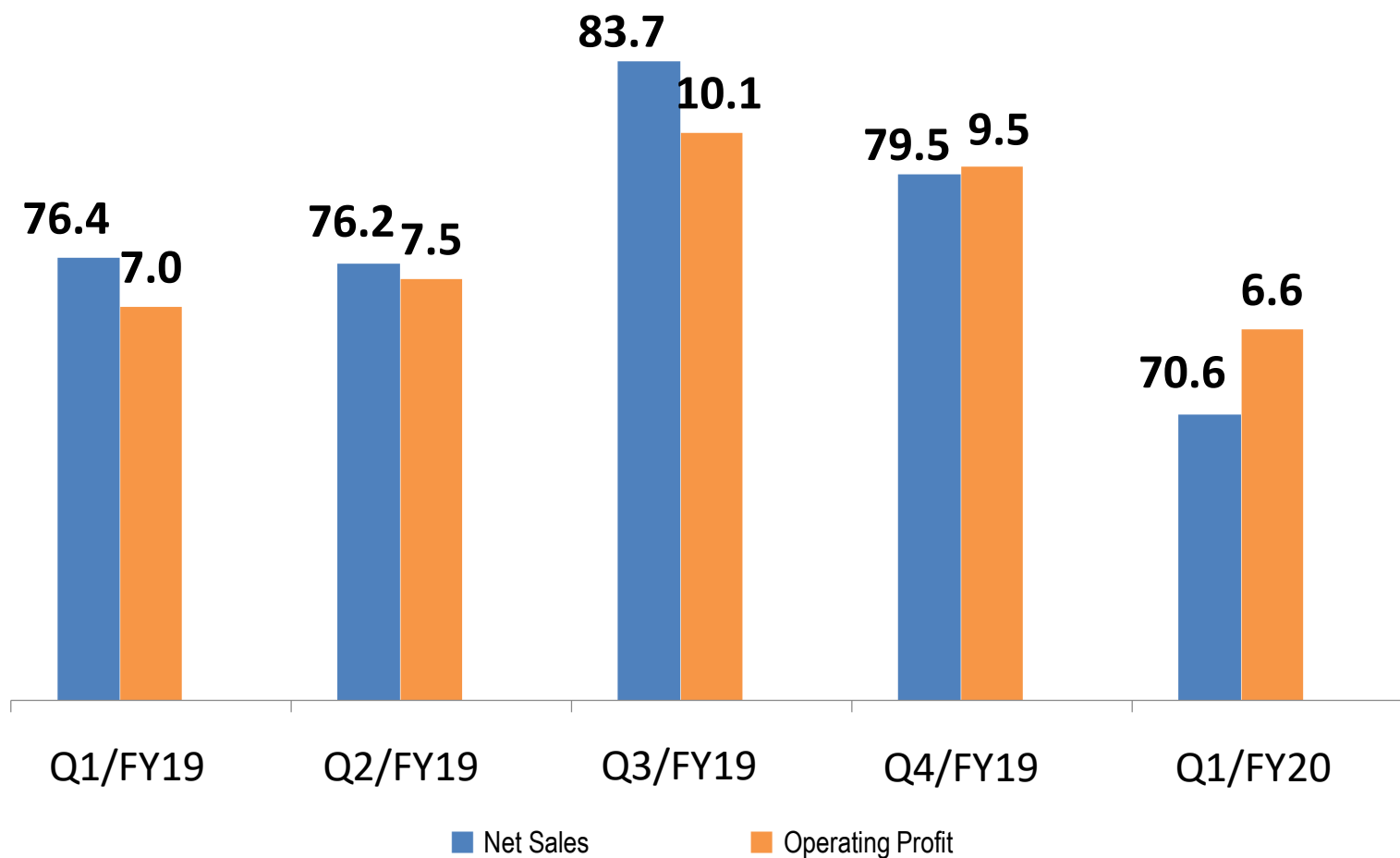


3. Performance Trend

Consolidated

(Quarter)

(Billions of yen)



■ Net Sales

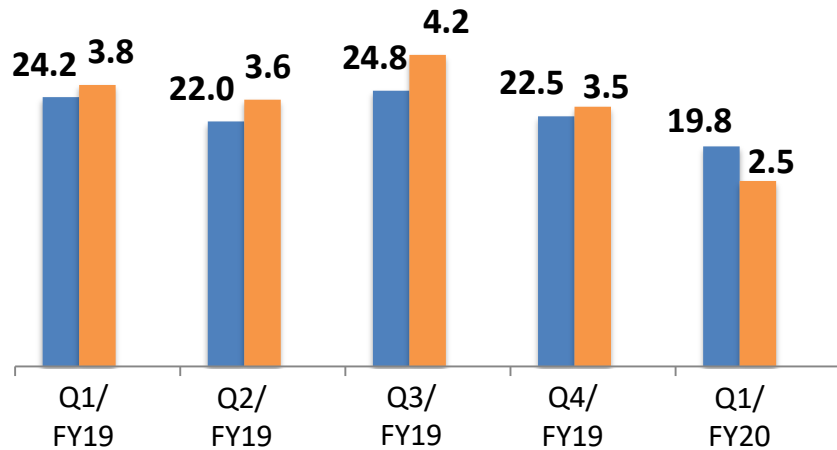
■ Operating Profit

3. Performance Trend

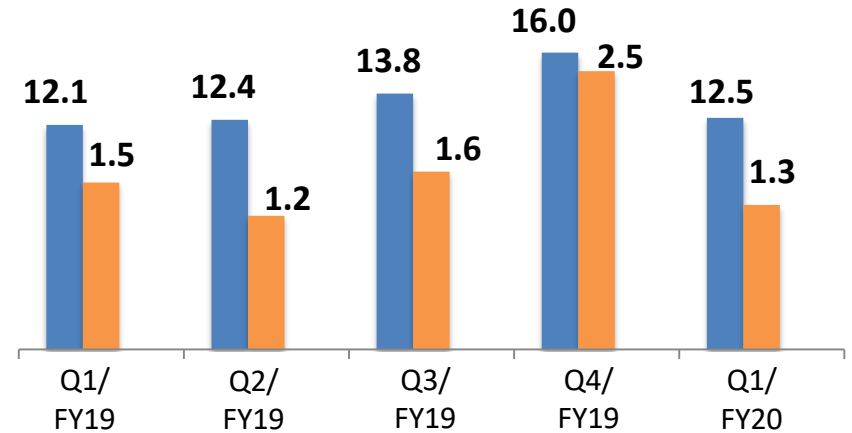
(Billions of yen)

Quarter

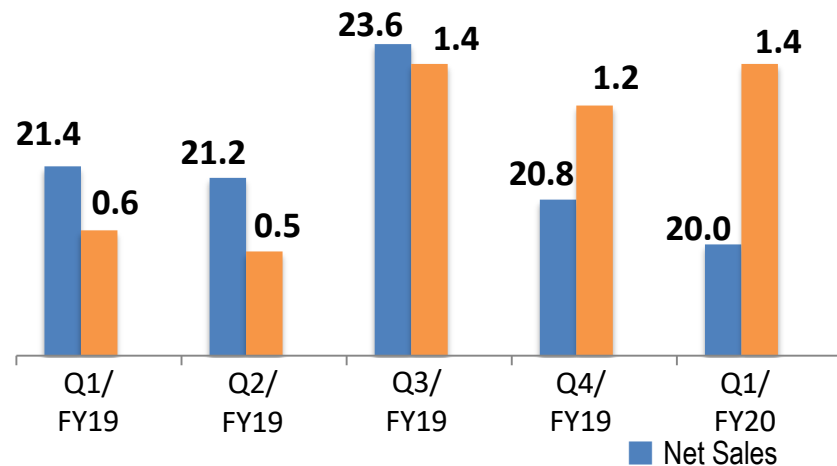
Chemicals



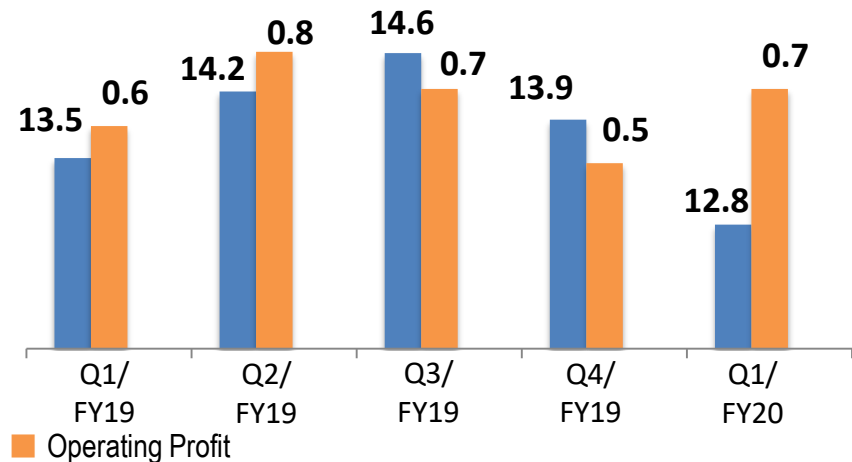
Specialty Products



Cement



Life & Amenity



■ Net Sales

■ Operating Profit

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