

1Q FY2020 Tokuyama Corporation Investor Meeting

Q&A (Excerpts)

Date and time: July 28, 2020 (Tuesday) 12:00 – 13:00

Participants:

Hideo Sugimura, Director, Managing Executive Officer, General Manager, Corporate Planning Div.

Taro Kobayashi, General Manager, Corporate Communications & Investor Relations Dept.

1. Questions regarding 1Q (April – June) results and full fiscal year forecasts

Q1: What impact has COVID-19 had on the 1Q?

A1: At the start of the fiscal year under review, we projected that COVID-19 would have a negative impact on operating income of around ¥3.4 billion for the full fiscal year. For the 1Q of Life & Amenity segment, dental material results were in line with projections, and slightly negative for photochromic dye materials. Meanwhile, sales volumes of cement did not decline as much as anticipated, while chemical sales were also essentially in line with plans. With the low cost of coal, operating income was in accordance with forecasts at the beginning of the period in overall terms. While we continue to anticipate an impact on sales volumes for the full fiscal year, we are not expecting any major discrepancy from our profit projection at the start of the period due to the low cost of raw materials and fuels.

Q2: During the Company's presentation in May, you explained that fixed and other costs would increase around ¥10 billion year on year. How is this likely to progress?

A2: Taking into consideration the annual increase in fixed and other costs of around ¥10 billion, the upswing is projected to come in at roughly ¥2.5 billion each quarter. However the increase in the 1Q was actually ¥0.8 billion. Maintenance and repairs will go ahead as planned due in part to past efforts aimed at controlling repair work. In the 1Q, depreciation expenses climbed just ¥0.2 billion compared with the corresponding period of the previous fiscal year. While investments will gradually increase toward the 2H, we will carefully monitor conditions prior to implementation after taking into account the impact of COVID-19. R&D expenses will proceed as planned. As far as overhead expenses are concerned, the introduction of telecommuting helped cut back travel and transportation as well as entertainment expenses in 1Q. As a result, selling, general and administrative expenses decline by around ¥0.3 billion. We expect this trend will continue.

Q3: What is the nature of improvements in non-operating income/expenses?

A3: Tokuyama posted a provision for decommissioning and removal of ¥0.5 billion as a non-operating expense while incurring a foreign exchange loss of more than ¥0.2 billion in the previous fiscal year. There have been no such expenses or losses to date in the current fiscal year.

2. Questions regarding the status of business segments

Q4: What is the status of domestic sales of cement?

A4: The market in Hiroshima is firm on the back of large-scale project and reconstruction demand. Demand in Nagoya is also good. While we had the drop in Tokyo, logistics demand is improving in overall terms.

Q5: Such topics as the delay in the development of advanced products have attracted widespread interest following the announcement of Intel's financial results. Has this had an impact on the Company? Are you also considering investing in the U.S. as a part of your IC chemical business activities?

A5: While we do not expect any major impact in the short term, in the event that business is polarized between Asia and the U.S. with construction of a large plant in North America, we may collaborate with partners to establish a base in the region as well. Given the low cost of renewable energy in North America, we recognize the need to consider investment as a part of our business expansion endeavors.

Q6: How should we view the Life & Amenity segment from the 2Q?

A6: Sales volumes of photochromic dye materials are returning to previous levels from July. With signs of a recovery in the 2Q, we are looking at a positive turnaround toward the 2H. While adopting an extremely conservative approach toward forecasts for dental materials at the start of the fiscal year, we are expecting to see a gradual recovery toward the 2H. The impact of COVID-19 on Excel Shanon Corporation and Sun • Tox Co., Ltd. has been greater than initially anticipated.

3. Questions regarding the status of products

Q7: How is the domestic market for caustic soda? What are your thoughts on sales volumes and market conditions from the 2Q? Will you increase exports?

A7: We have been able to maintain domestic selling prices, and expect prices to remain at the same level from the 2Q. Even if domestic volumes decline slightly, we will

respond by boosting exports. Should the impact of COVID-19 dissipate and domestic sales volumes recover, we will promote sales in Japan. In the event that market conditions improve overseas, we anticipate this will contribute to an increase in profit.

Q8: How does the polycrystalline silicon business compare to the corresponding period of the previous fiscal year and to your initial forecasts?

A8: Sales volumes in 1Q were up roughly 10% year on year and are in line with plans.

Q9: How will sales volumes of electricity change from the 2Q?

A9: We do not expect any significant changes from the forecast made at the beginning of the period.

4. Question regarding coal-fired power generation

Q10: What are your thoughts on the minister's comment that inefficient coal-fired power will steadily fade out?

A10: We recognize that there are significant implications for the Company. While we anticipate further deliberations will continue toward the end of the year, we will look closely at whether all power producers will be subject to the closure coal-fired power plants. In this instance, I believe that the policy was issued with the goal of reducing CO₂ emissions in mind. Accordingly, we recognize that conditions will become increasingly harsh. As Tokuyama is comprised of energy-intensive businesses, we will work toward building a business structure that is less reliant on energy.