

Q2 Fiscal 2020 - Apr 1, 2020 to Sep 30, 2020-

Presentation for IR Meeting

October 28, 2020

Solutions through Chemistry
Tokuyama Corporation



Key points of the second quarter fiscal 2020

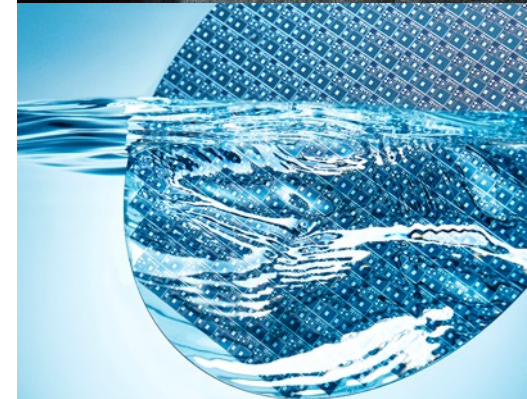
- Lower earnings on lower sales YoY due to impact of the novel coronavirus (COVID-19) pandemic and other factors
- Steadily implemented growth strategies toward next medium-term management plan, including establishment of a high-purity IPA joint venture company in Taiwan
- Carried out a review of capital policy in order to advance review of Group management, and strengthened foundation to support growth strategies
- Following to deconsolidation of Sun·Tox, the Company has revised the figures for the full year announced on May 15, 2020

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1 Financial Results for Q2 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)

| | Q2 FY2019 | Q2 FY2020 | Difference | | Main changing factors |
|---|-----------|-----------|------------|------|--|
| | | | Amount | % | |
| Net sales | 152.7 | 143.2 | (9.4) | (6) | Decrease in sales volumes of caustic soda in Japan and exports of products such as dental materials Price decline of petroleum products |
| Operating profit | 14.6 | 12.9 | (1.6) | (11) | Decrease in sales volumes of caustic soda in Japan and exports of products such as dental materials |
| Ordinary profit | 13.6 | 12.4 | (1.1) | (8) | Decrease in operating profit |
| Profit attributable to owners of parent | 10.4 | 9.9 | (0.4) | (4) | Decrease in ordinary profit |
| Basic earnings per share (yen) | 149.75 | 143.90 | - | - | - |
| Exchange rate (yen/USD) | 109 | 107 | - | - | - |
| Domestic naphtha price (yen/kl) | 42,700 | 27,600 | - | - | - |

1. Financial Highlights

(Billions of yen)

| | As of Mar 31,2020 | As of Sep 30,2020 | Difference | Main changing factors |
|----------------------------|-------------------|-------------------|------------|---|
| Total assets | 383.4 | 379.3 | (4.1) | Decrease in notes and accounts receivable - trade |
| Shareholders' equity | 168.8 | 177.8 | +8.9 | Posting profit attributable to owners of parent |
| Shareholders' equity ratio | 44.0% | 46.9% | +2.8pts | - |
| Interest-bearing debt | 116.3 | 110.3 | (6.0) | Decrease in long-term loans payable |
| D/E ratio | 0.69 | 0.62 | (0.07) | - |
| Net D/E ratio* | 0.21 | 0.16 | (0.05) | - |
| Net assets per share (yen) | 2,431.21 | 2,560.17 | - | - |

*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

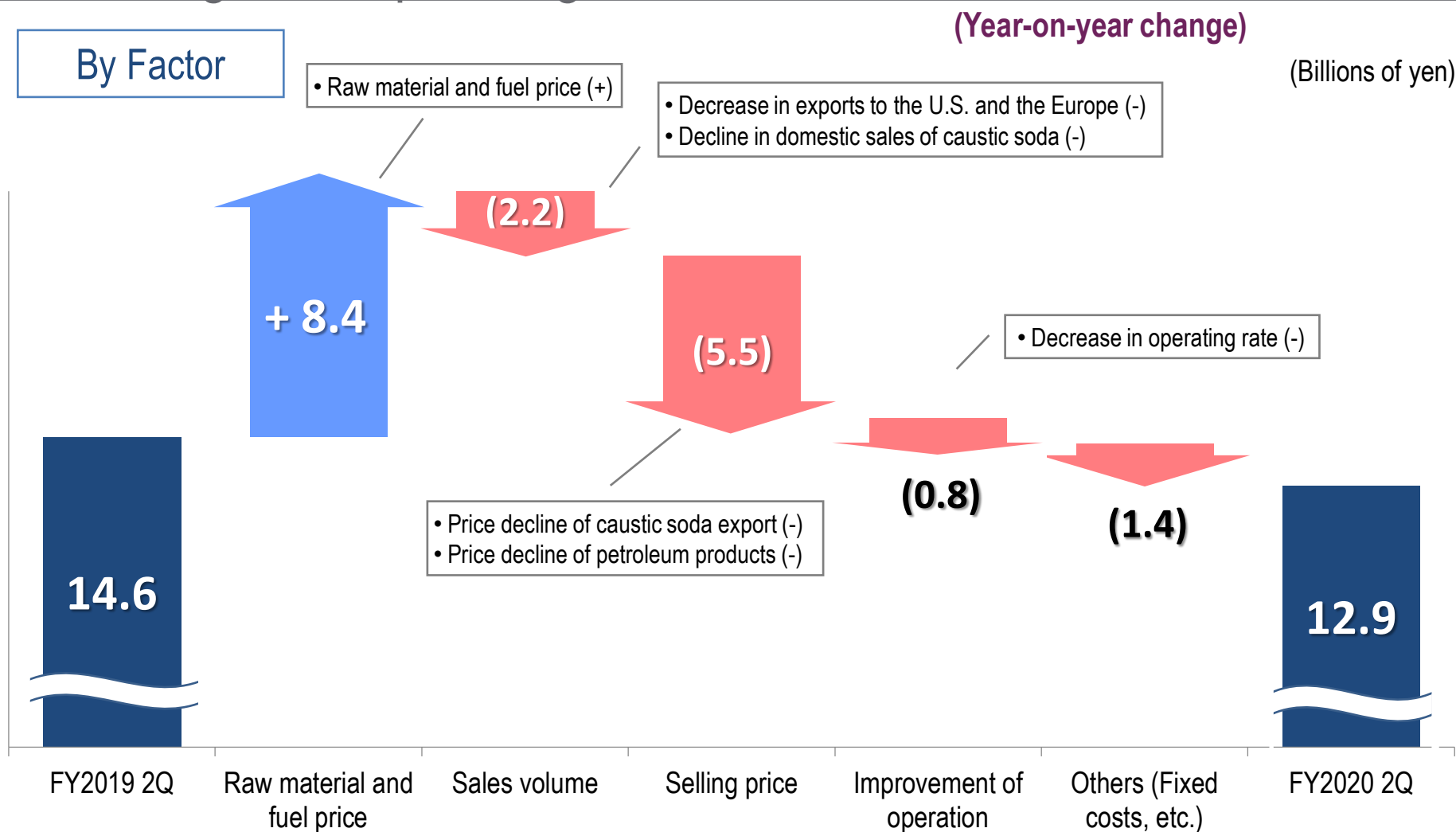
(Year-on-year change)

(Billions of yen)

| | Q2 FY2019 | | Q2 FY2020 | | Difference | | | |
|--|--------------|------------------|--------------|------------------|---------------|------------|------------------|-------------|
| | Net sales | Operating profit | Net sales | Operating profit | Net sales | % | Operating profit | % |
| Chemicals | 46.3 | 7.5 | 38.5 | 5.3 | (7.8) | (17) | (2.1) | (28) |
| Specialty Products | 24.6 | 2.8 | 26.0 | 2.7 | +1.4 | +6 | (0.0) | (2) |
| Cement | 42.7 | 1.1 | 42.7 | 2.3 | +0.0 | +0 | +1.1 | +97 |
| Life & Amenity | 27.7 | 1.5 | 24.9 | 0.8 | (2.7) | (10) | (0.7) | (47) |
| Others | 32.2 | 2.4 | 27.7 | 2.8 | (4.5) | (14) | +0.4 | +17 |
| Total | 173.6 | 15.5 | 159.9 | 14.1 | (13.7) | (8) | (1.3) | (9) |
| Inter-segment eliminations and corporate-wide expenses | (20.9) | (0.9) | (16.6) | (1.2) | +4.2 | - | (0.2) | - |
| Consolidated results | 152.7 | 14.6 | 143.2 | 12.9 | (9.4) | (6) | (1.6) | (11) |

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

3. Changes in Operating Profit



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

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

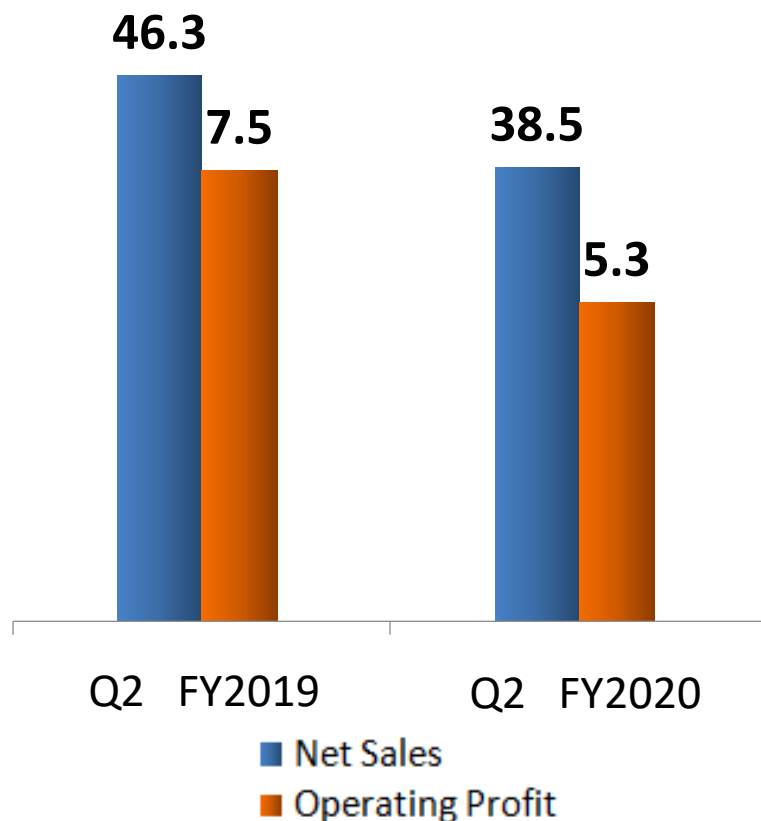
(Year-on-year change)

Chemicals

Lower earnings on lower sales

(Billions of yen)

Qualitative information



(Caustic soda)

- Its earnings declined. This 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, COVID-19 placed downward pressure on overseas market conditions

(Vinyl chloride resin)

- Results were essentially in line with the corresponding period of the previous fiscal year. This largely reflected robust demand in overseas market and the Company's ability to maintain the spread between raw material costs and selling prices

(Soda ash)

- 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

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

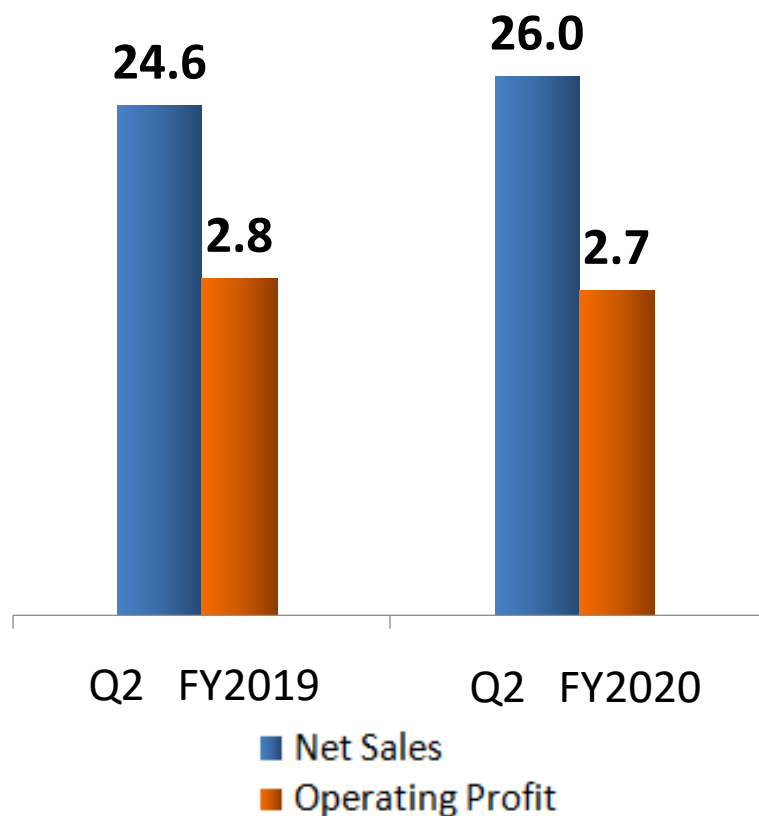
(Year-on-year change)

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)

- Its earnings decreased largely due to the drop in sales volumes owing to the spread of COVID-19

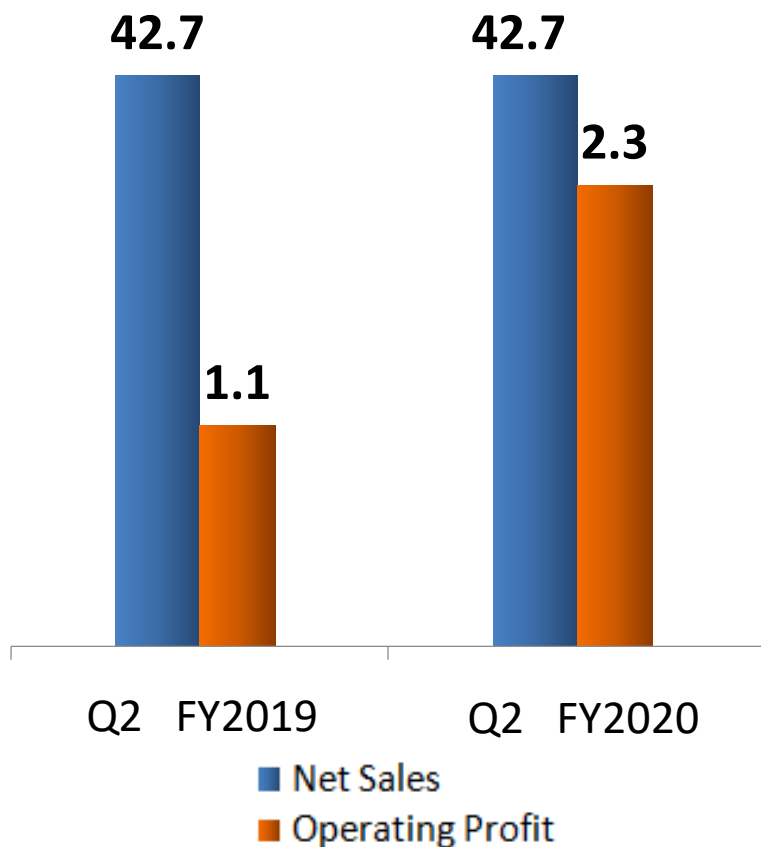
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Cement

Higher earnings on higher sales

(Billions of yen) Qualitative information



(Cement)

- Its earnings increased. This upswing in earnings reflected the limited impact of COVID-19 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

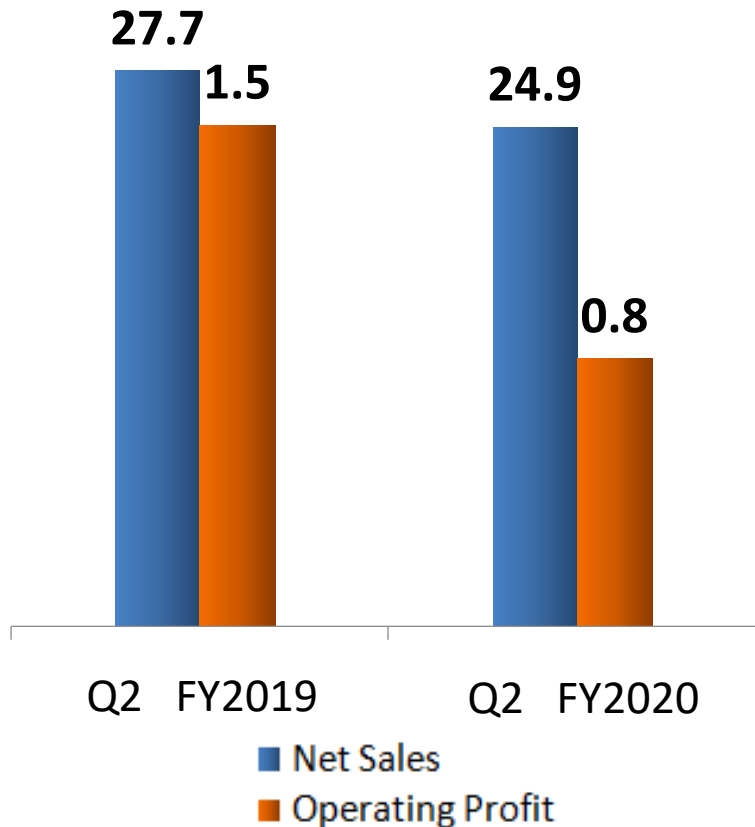
(Year-on-year change)

Life & Amenity

Lower earnings on lower sales

(Billions of yen)

Qualitative information



(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

(Microporous film)

- Its earnings increased as robust demand for sanitary articles including disposable diapers

(Polyolefin film)

- Earnings increased. While sales volumes were weak, this largely reflected the Company's ability to improve the spread between raw material costs and selling prices

(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

2 Forecasts for FY2020

1. Revised Performance Forecasts
2. Revised Performance Forecasts by Business Segment
3. Revised Dividend Forecasts



1. Revised Performance Forecasts

The forecast, announced on May 15, 2020, has been revised

(Billions of yen)

| | FY2020 Forecasts (May 15, 2020) | FY2020 Forecasts (Oct 28, 2020) | Difference | | Main changing factors |
|---|------------------------------------|------------------------------------|------------|-----|----------------------------|
| | | | Amount | % | |
| Net sales | 310.0 | 300.0 | (10.0) | (3) | Deconsolidation of Sun-Tox |
| Operating profit | 28.0 | 28.0 | - | - | - |
| Ordinary profit | 28.0 | 28.0 | - | - | - |
| Profit attributable to owners of parent | 22.0 | 22.0 | - | - | - |
| Basic earnings per share (yen) | 316.75 | 316.75 | - | - | - |
| Exchange rate (yen/USD) | 110 | 2Q results:107 | - | - | - |
| | | 3-4Q forecast:105 | | | |
| Domestic naphtha price (yen/kl) | 43,000 | 2Q results:27,600 | - | - | - |
| | | 3-4Q forecast:32,500 | | | |

The performance forecast for the full fiscal year ending March 31, 2021 has been revised as above from the previous performance forecast released on May 15, 2020, due to deconsolidation of Sun-Tox and close inspection of consolidated performance forecast for fiscal 2020

2. Revised Performance Forecasts by Business Segment

The forecast, announced on May 15, 2020, has been revised

(Billions of yen)

| | FY2020 Forecasts (May 15, 2020) | | FY2020 Forecasts (October 28, 2020) | | Difference | | | |
|--|------------------------------------|------------------|--|------------------|---------------|------------|------------------|----------|
| | Net sales | Operating profit | Net sales | Operating profit | Net sales | % | Operating profit | % |
| Chemicals | 87.0 | 13.0 | 87.0 | 12.0 | - | - | (1.0) | (8) |
| Specialty Products | 61.0 | 7.5 | 61.0 | 7.5 | - | - | - | - |
| Cement | 86.0 | 3.5 | 86.0 | 4.5 | - | - | +1.0 | +29 |
| Life & Amenity | 58.0 | 3.0 | 48.0 | 2.5 | (10.0) | (17) | (0.5) | (17) |
| Others | 48.0 | 4.0 | 48.0 | 4.5 | - | - | +0.5 | +13 |
| Total | 340.0 | 31.0 | 330.0 | 31.0 | (10.0) | (3) | - | - |
| Inter-segment eliminations and corporate-wide expenses | (30.0) | (3.0) | (30.0) | (3.0) | - | - | - | - |
| Consolidated Results | 310.0 | 28.0 | 300.0 | 28.0 | (10.0) | (3) | - | - |

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

The business forecast by segment has been revised

3. Revised Dividend Forecasts

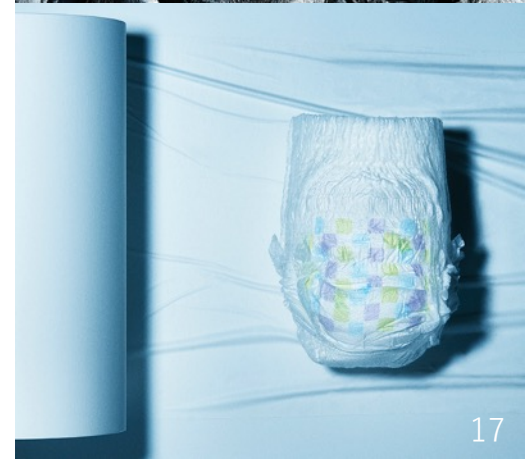
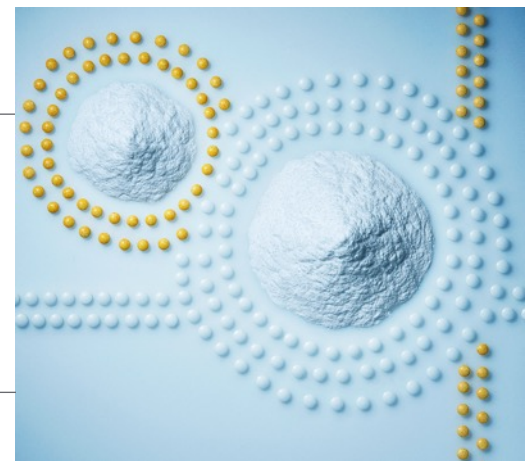
The forecast, announced on May 15, 2020, has been revised

The year-end dividend forecast for fiscal 2020 had yet to be determined given that the uncertainty surrounding the spread of COVID-19 could not be dispelled. In this regard, having comprehensively taken into consideration factors such as the abovementioned policy and the current financial situation, the year-end dividend will be ¥35 per share, same as fiscal 2019

| | FY2020 Forecasts (May 15, 2020) | FY2020 Forecasts (October 28, 2020) | Difference | [Reference] FY 2019 |
|-------------|------------------------------------|--|------------|------------------------|
| 2nd quarter | ¥35.00 | ¥35.00 | - | ¥35.00 |
| Year-end | yet to be determined | ¥35.00 | - | ¥35.00 |
| Total | yet to be determined | ¥70.00 | - | ¥70.00 |

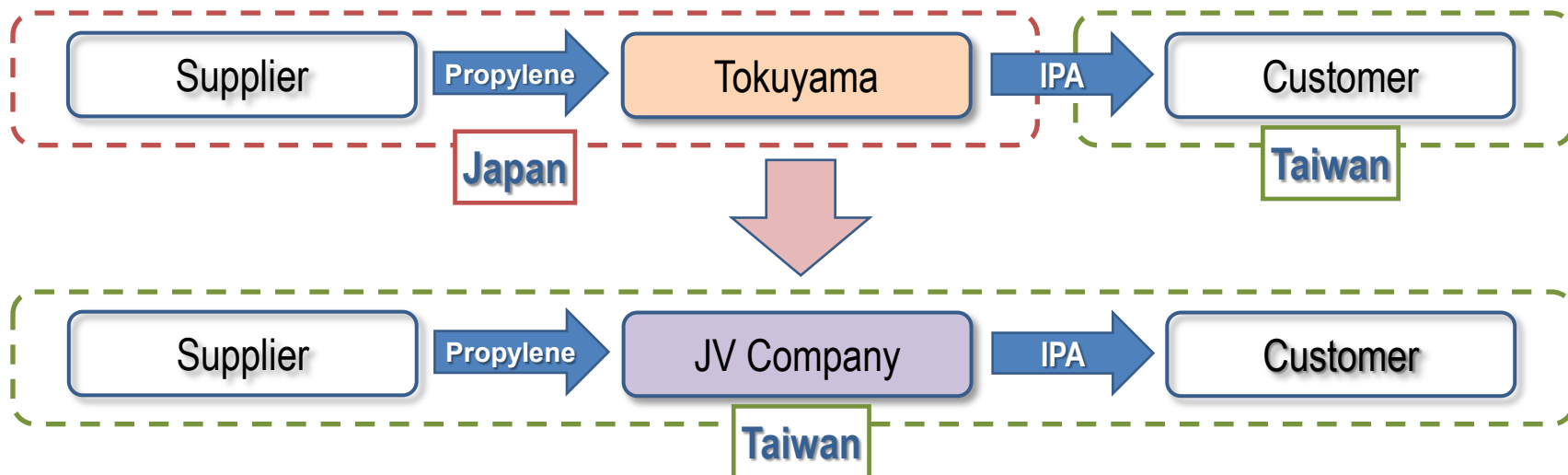
3 Topics

1. Progress of ICT-related Business
2. Progress of Health Care-related Business
3. Management of Tokuyama Group
4. Efforts to reduce CO₂ Emission
5. Next Medium-Term Business Plans



1. Progress of ICT-related Business

- Establishment of joint venture company for manufacturing and sales of high-purity IPA in Taiwan



- Establish Formosa Tokuyama Advanced Chemicals Co., Ltd., the joint venture to manufacture and sell high purity IPA in Taiwan, with Formosa Plastics Corporation with shareholding ratio of 50:50
- By setting up the supply chain of IPA within Taiwan, the operation of supply will be more efficient and the flexibility to adjust to the future growing demand will be obtained
- Scheduled to start the operation from 2022

2. Progress of Health Care-related Businesses

- Conversion of A&T into wholly-owned subsidiary
 - Scheduled to convert A&T Company, of which Tokuyama currently owns 40.2% of shares, into wholly-owned subsidiary on February 1, 2021
 - Further strengthen the diagnosis reagent development by combining Tokuyama's chemical synthesis technologies, and expand the medical diagnosis system business
- Dental Materials
 - Launch OMNICHROMA, new composite resin product, to Japanese market in November following North America and Europe markets
 - Expanding the production facilities in Kashima factory for the further growth of Dental Materials business



3. Management of Tokuyama Group

- Share Transfer of Sun·Tox

- Tokuyama's shareholding of Sun·Tox has been reduced from 80% to 34% after share transfer to Rengo Co., Ltd.
- Rengo, which is enhancing its flexible packaging business, will strengthen the plastic film business of Sun·Tox, and Tokuyama will continue to support its production
- Tokuyama Group will further proceed the concentration in its core competence, and invests its resources mainly on priority areas such as ICT, health care or environment

4. Efforts to reduce CO₂ Emission

- Revising the target and measures of reduction of CO₂ emission, which is currently 15% reduction compared to BAU (FY 2013 basis) by 2030, with considering the current severe environment surrounding Coal-fired power plant, in the next medium-term management plan
- Items to be considered
 - Energy mix
 - Preparation of specific measures (short and medium-term, long-term)
 - Expansion of biomass usage
 - Efforts to increase PKS purchase amount and cost reduction
 - Development of new biomass fuel
 - CCU
 - Development of application of captured CO₂
 - Hydrogen
 - Development of hydrogen production using renewable energy
 - Cooperation within Shunan complex (Low-carbon complex concept)

5. Next Medium-Term Management Plan

- Next medium-term management plan is now being drawn up based on the following policies
 - Develop the environmental field as core business by creating new technologies that contribute to reducing CO₂
 - Promote the environment, electronics, and health businesses with cash earned from chemical products and optimize the business portfolio
 - Improve overseas sales ratio by utilizing unique technology and strengthening marketing efforts
 - Improve productivity by utilizing IoT and DX
 - Resolving material issues

TOKUYAMA

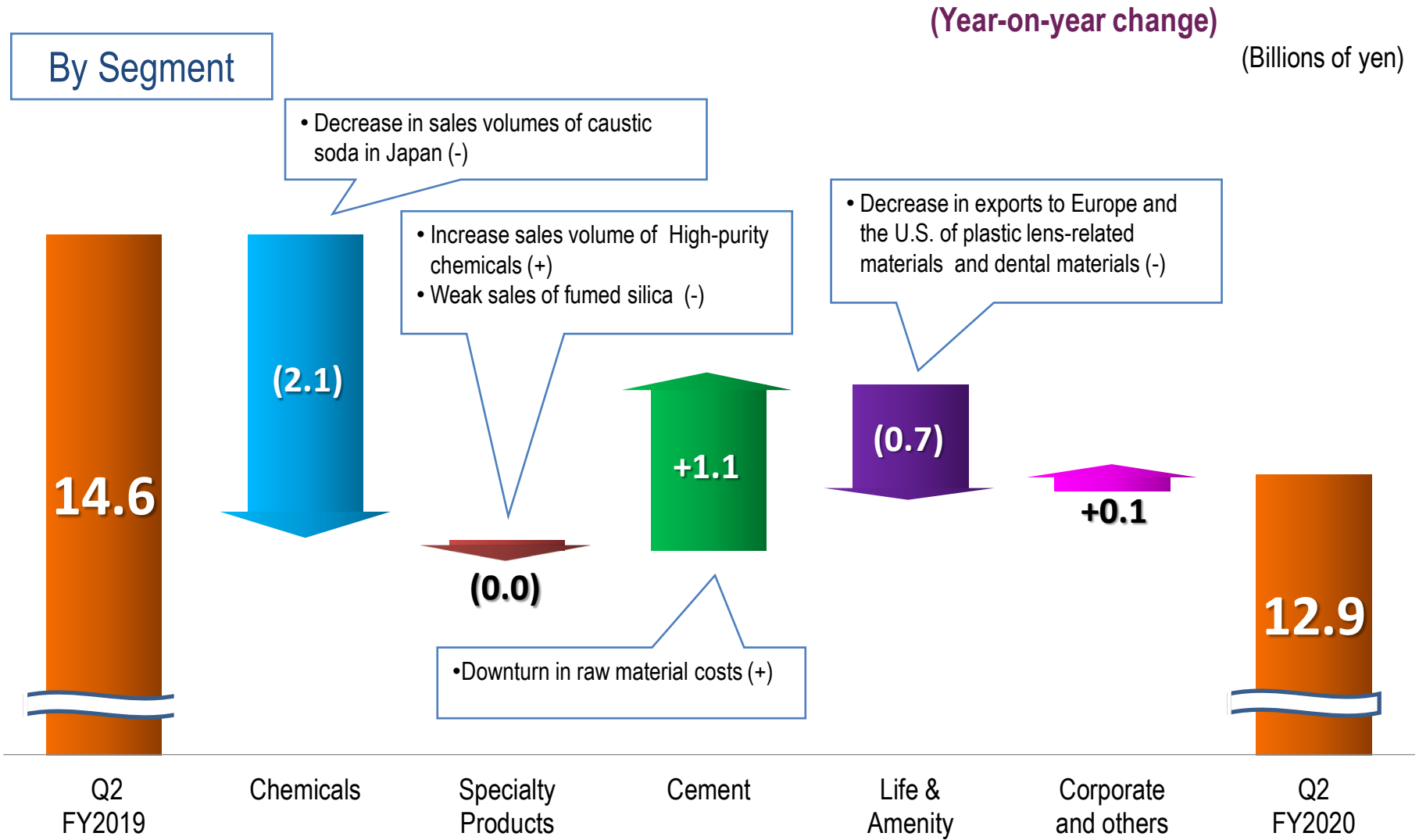


4 Supplementary Material

1. Changes in Operating Profit
2. Consolidated Financial Statements
3. Non-Operating Income/Expenses, Extraordinary Gains/Losses and Financial Cost
4. Investment Results/Plan
5. Performance Trend
6. CAPEX and Depreciation Trend
7. Interest-Bearing Debts Trend
8. Cash Flow Plan



1. Changes in Operating Profit



2. Consolidated Financial Statements

Income Statements

(Billions of yen)

| | Q2 FY2019 | Q2 FY2020 | Difference | |
|--|-----------|-----------|------------|------|
| | | | Amount | % |
| Net sales | 152.7 | 143.2 | (9.4) | (6) |
| Cost of sales | 106.2 | 98.7 | +7.4 | +7 |
| Selling, general and administrative expenses | 31.8 | 31.5 | +0.3 | +1 |
| Operating profit | 14.6 | 12.9 | (1.6) | (11) |
| Non-operating income/expenses | (0.9) | (0.4) | +0.5 | - |
| Ordinary profit | 13.6 | 12.4 | (1.1) | (8) |
| Extraordinary income/expenses | (0.2) | (0.3) | (0.1) | - |
| Profit/loss before income taxes | 13.4 | 12.1 | (1.2) | (10) |
| Income taxes | 2.6 | 1.7 | +0.9 | +34 |
| Non-controlling interests | 0.3 | 0.3 | (0.0) | (10) |
| Profit attributable to owners of parent | 10.4 | 9.9 | (0.4) | (4) |

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

2. Consolidated Financial Statements

Balance Sheets

(Billions of yen)

| | 3/31/2020 | 9/30/2020 | Changes | |
|------------------------------|-----------|-----------|---------|-----|
| | | | Amount | % |
| Total assets | 383.4 | 379.3 | (4.1) | (1) |
| Current assets | 203.8 | 197.2 | (6.6) | (3) |
| Tangible fixed assets | 123.1 | 122.9 | (0.2) | (0) |
| Intangible fixed assets | 1.6 | 1.6 | (0.0) | (0) |
| Investments and other assets | 54.7 | 57.4 | +2.6 | +5 |

| | 3/31/2020 | 9/30/2020 | Changes | |
|-----------------------|-----------|-----------|---------|-----|
| | | | Amount | % |
| Total liabilities | 203.0 | 188.9 | (14.0) | (7) |
| Current liabilities | 95.2 | 86.3 | (8.8) | (9) |
| Long-term liabilities | 107.7 | 102.5 | (5.1) | (5) |
| Total net assets | 180.4 | 190.3 | +9.9 | +6 |

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

Consolidated (year-on-year change)

(Billions of yen)

| | | Q2 FY2019 | Q2 FY2020 | Changes |
|-------------------------------|------------------------------|-----------|-----------|---------|
| Non-operating income | Interest and dividend income | 0.2 | 0.3 | +0.0 |
| | Other income | 2.2 | 1.8 | (0.3) |
| | Total | 2.5 | 2.1 | (0.3) |
| Non-operating expenses | Interest expenses | 0.8 | 0.7 | +0.0 |
| | Other expenses | 2.6 | 1.8 | +0.8 |
| | Total | 3.5 | 2.6 | +0.9 |
| Non-operating income/expenses | | (0.9) | (0.4) | +0.5 |
| Extraordinary gains | | 0.1 | 1.7 | +1.6 |
| Extraordinary losses | | 0.3 | 2.0 | (1.7) |
| Extraordinary gains/losses | | (0.2) | (0.3) | (0.1) |
| Financial income and expenses | | (0.5) | (0.4) | +0.0 |

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

4. Investment Results/Plan

Consolidated

(Billions of yen)

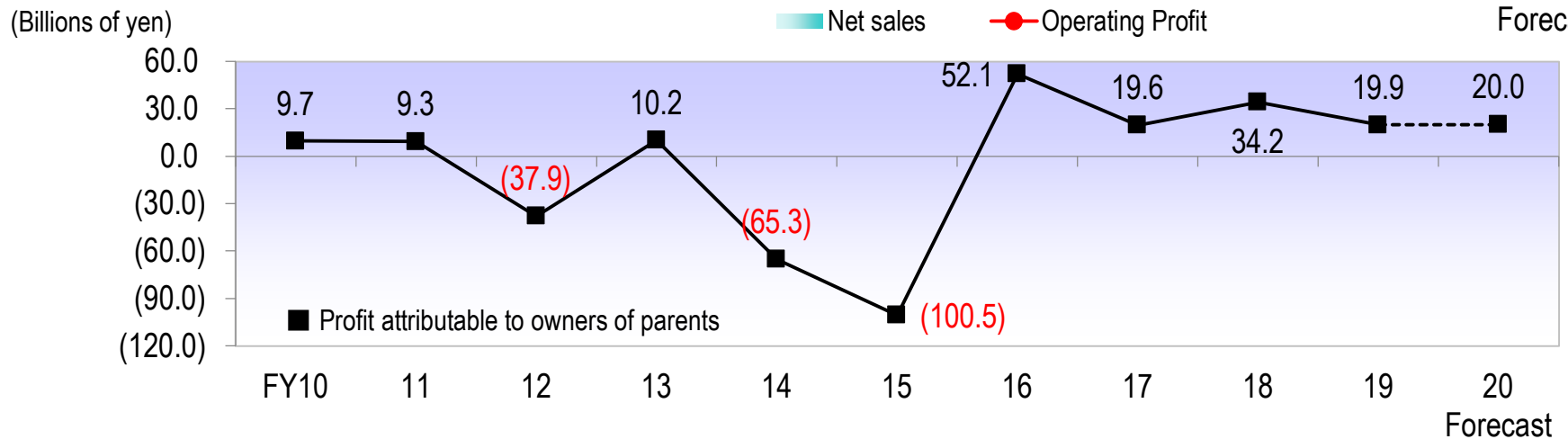
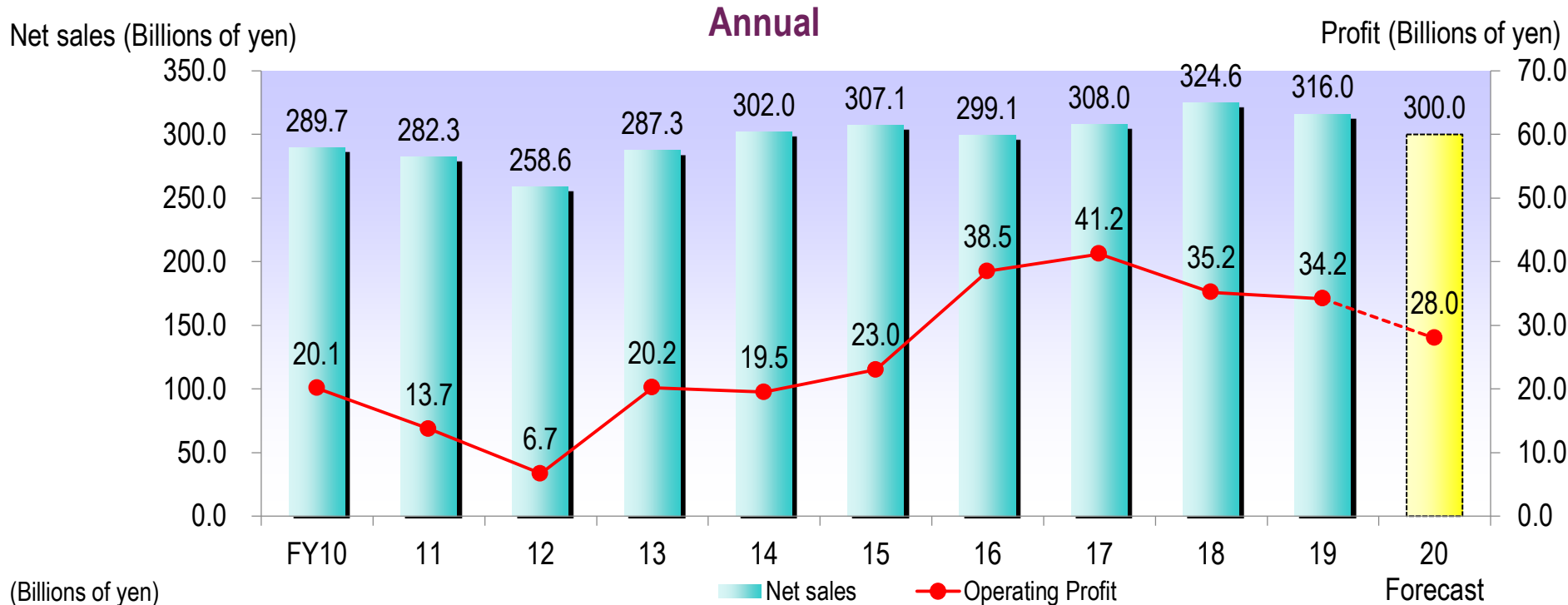
| | FY2019 | | FY2020 | | Changes | |
|-------------------------------|--------------------|---------------------|--------------------|----------------------|------------|-------------|
| | First half Results | Fiscal year Results | First half Results | Fiscal year Forecast | First half | Fiscal year |
| Capital expenditures | 10.5 | 23.7 | 8.8 | 30.7 | (1.6) | +7.0 |
| Depreciation and amortization | 7.6 | 16.1 | 8.1 | 17.2 | +0.5 | +1.1 |
| R&D expenses | 4.2 | 9.1 | 5.0 | 10.6 | +0.7 | +1.4 |

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

5. Performance Trend

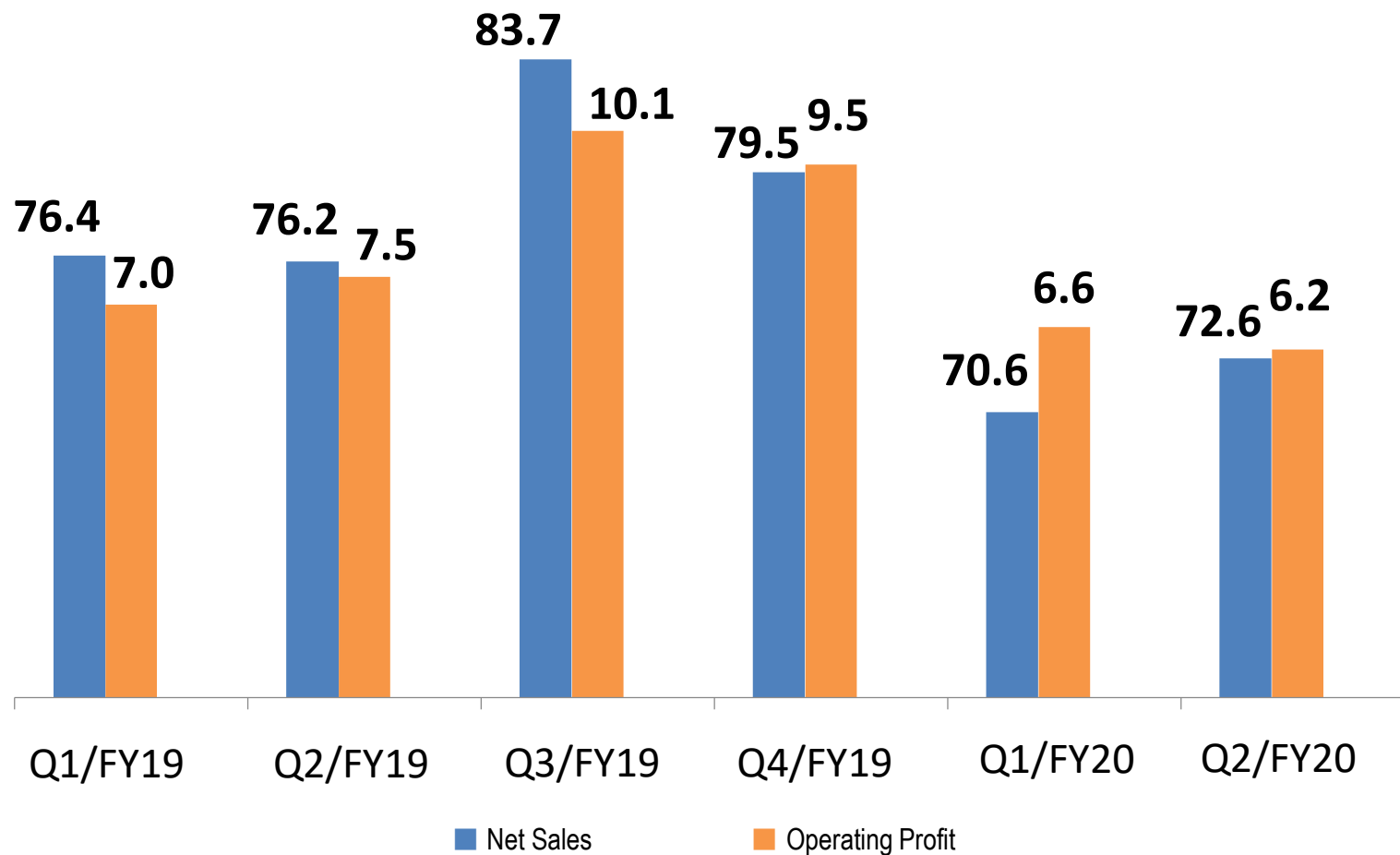


5. Performance Trend

Consolidated

(Quarter)

(Billions of yen)



■ Net Sales

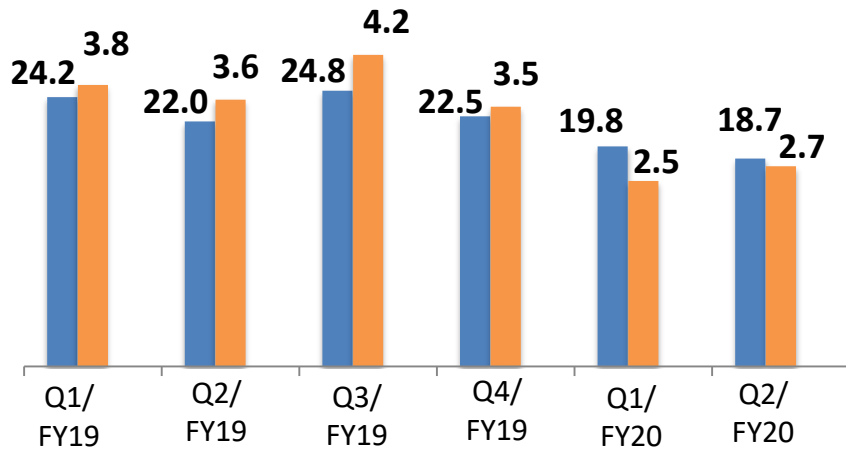
■ Operating Profit

5. Performance Trend

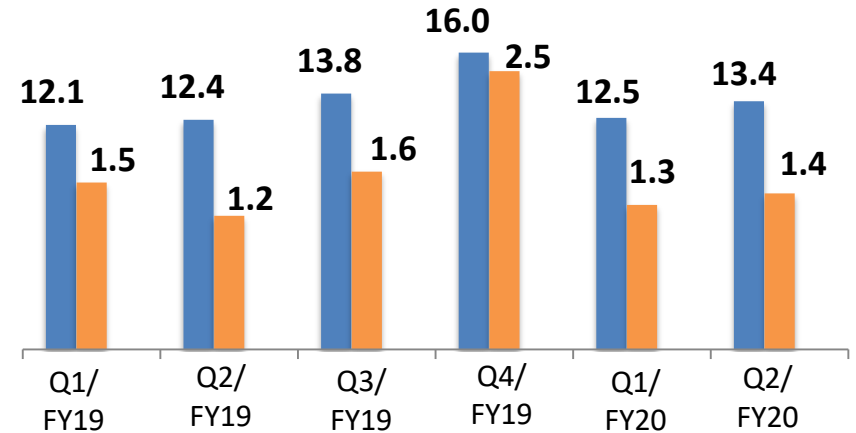
(Billions of yen)

Quarter

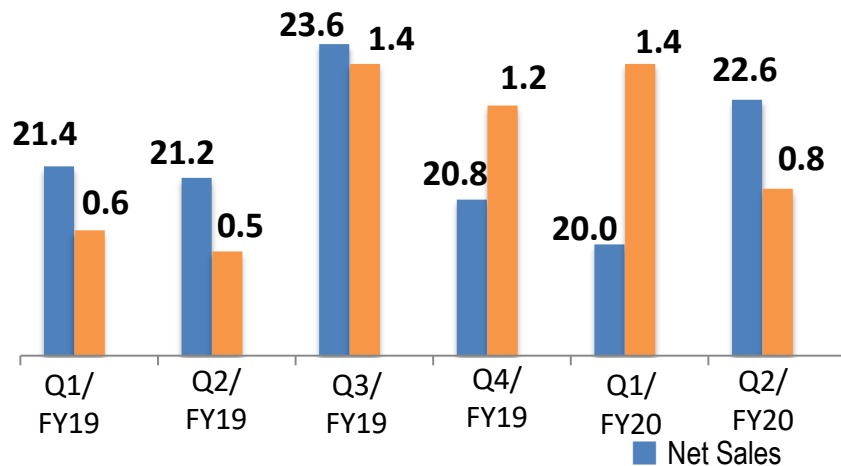
Chemicals



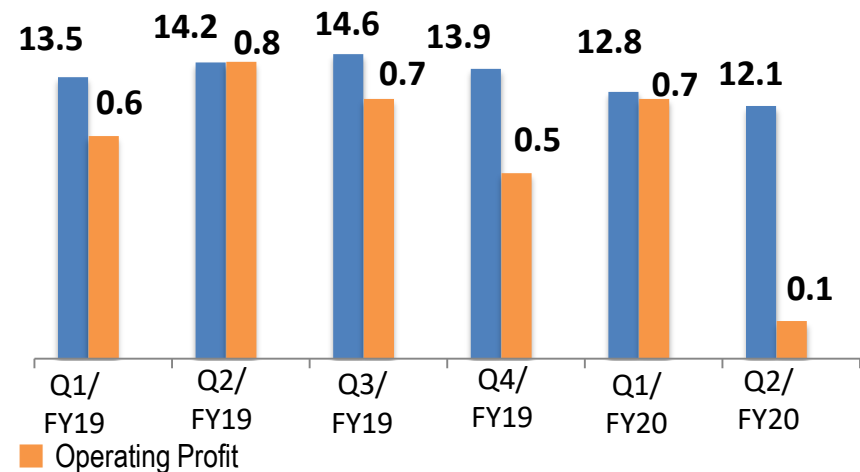
Specialty Products



Cement



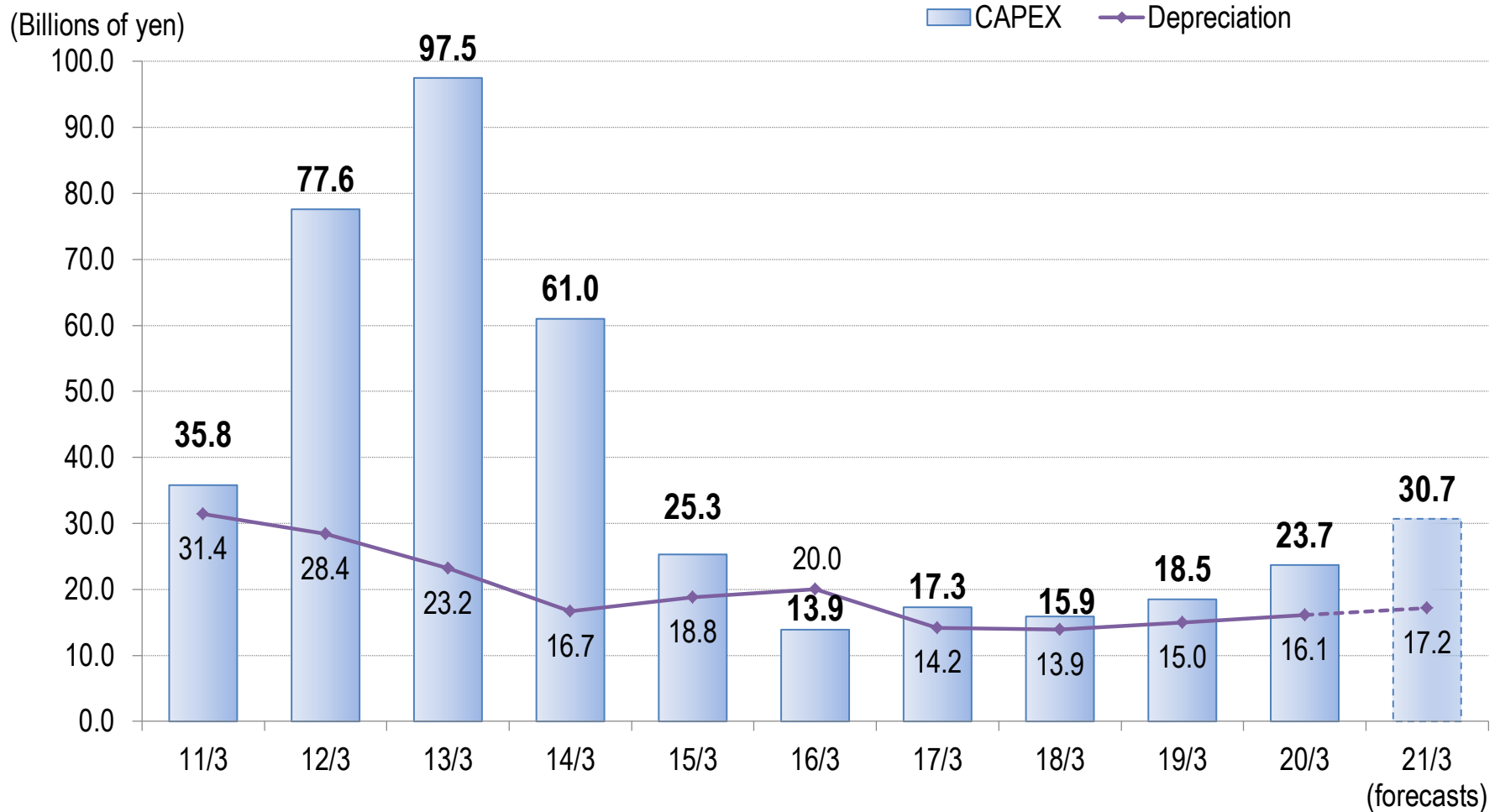
Life & Amenity



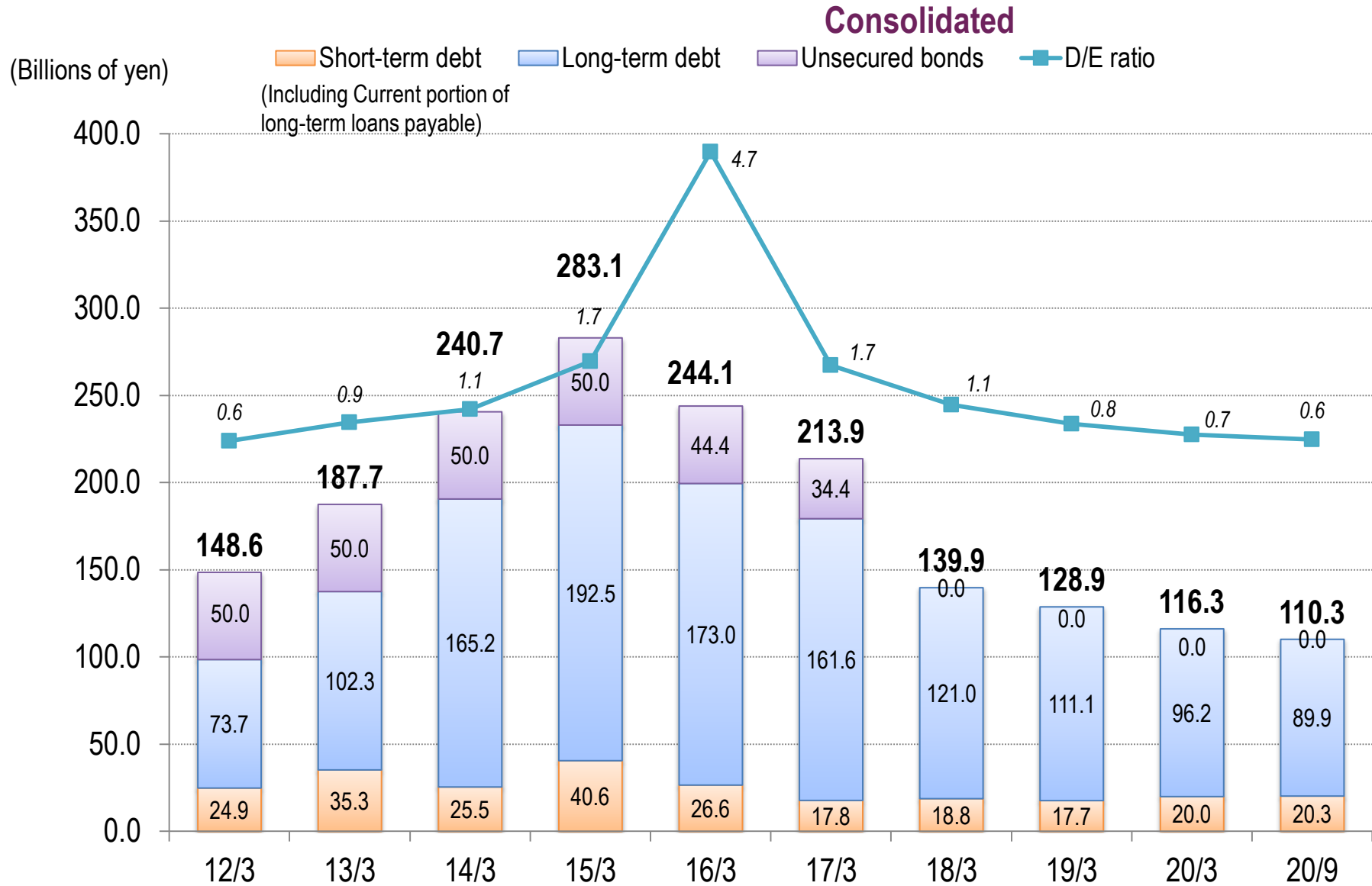
■ Net Sales

■ Operating Profit

6. CAPEX and Depreciation Trend

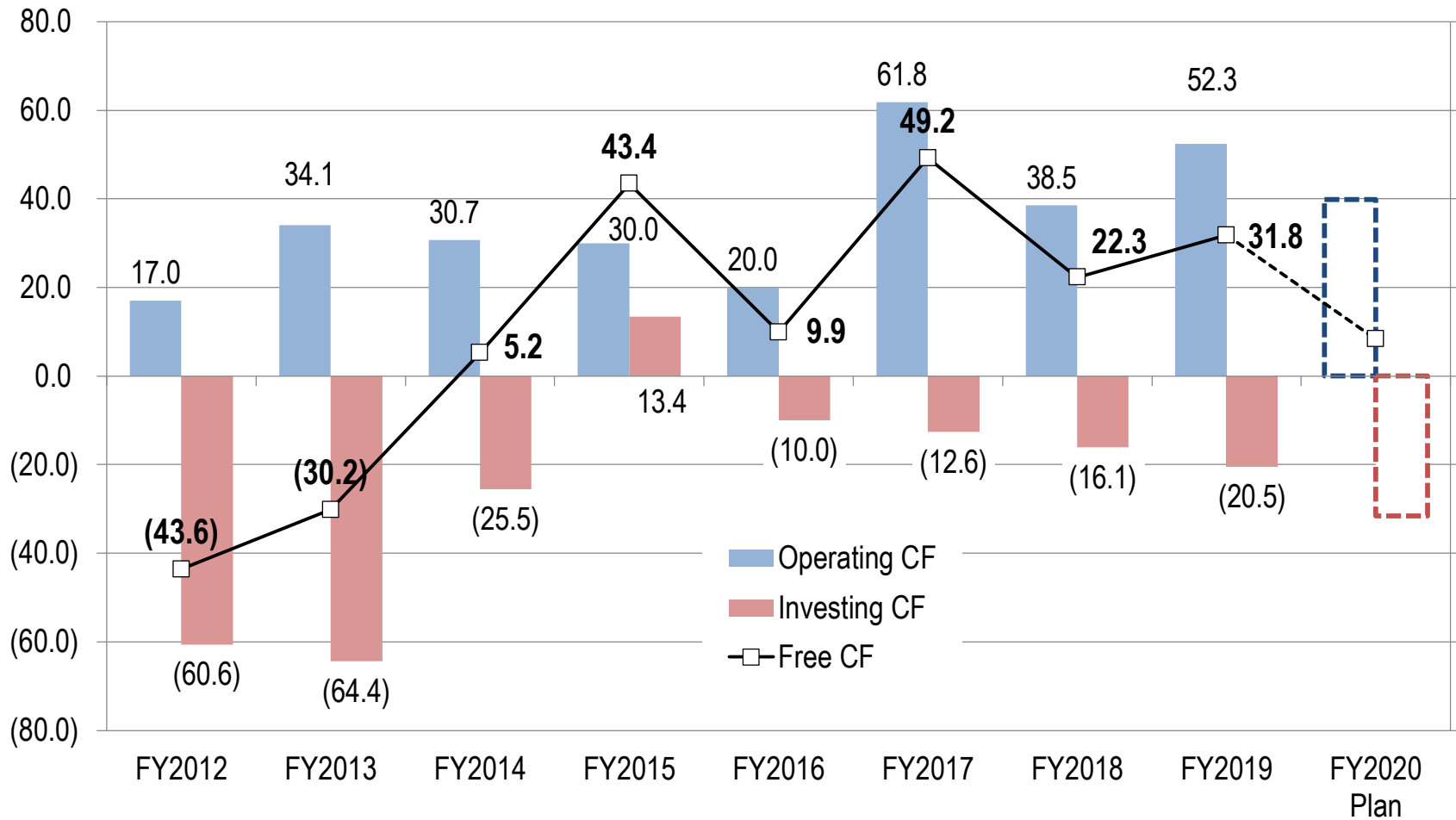


7. Interest-Bearing Debts Trend



8. Cash Flow Plan

(Billions of yen)



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