

4Q FY2023 Tokuyama Corporation Investor Meeting Q&A

Date and time: April 26, 2024 (Friday) 12:00-13:00

Participant: Hiroshi Yokota, President, Representative Director

Hideo Sugimura, Representative Director, Senior Managing Executive Officer

Regarding the Electronic & Advanced materials Business

Q: I would like to ask you about the electronic & advanced materials. In your previous meeting on 3Q, you showed us a picture of the recovery of the semiconductor market in order, from high-purity IPA to silica, heat-dissipating materials, and polycrystalline silicon.

In the view of this fiscal ending March 2025, I wonder if IPA is already recovered. If you have an idea of when, for example, polycrystalline silicon is likely to return to some extent, I would like to hear about that.

A: There are many ways to look at the recovery timing of polycrystalline silicon, but given that our customers are mainly advanced semiconductors, I think the recovery will be relatively quick in the overall polycrystalline silicon trend. We will need to carefully consider the inventory situation at our customers, but in any case, we expect a recovery in polycrystalline silicon sales to begin in H2 of the fiscal year or later.

As for consumption of wafers, it is expected to start seeing recovery from 2025, and the consumption of wafers will increase considerably in 2026 and beyond. We expect to see an increase in inventories of good products, especially in the latter half of H2 of this fiscal year.

Regarding the Life Science Business

Q: Let me ask you about the life sciences. As for your forecast for the year ending March 31, 2025, I have an impression that both sales and profit were a bit low. So, I was wondering how much you expect the sales of dental materials to grow. Since the new production facilities are in operation, I am sure that the depreciation burden is also taken into consideration. How do you see in this area?

I would also like to know how you see plastic lenses, bulk pharmaceuticals, and diagnostic systems for the fiscal year ending March 31, 2025. I would appreciate if you can share even an image in these areas.

A: We are having the assumption that dental materials will grow from H2 onward. At this point, we are selling at full capacity, and we are not keeping up with demand. This is our current situation in dental material area. In that sense, we are now in a situation that we have no room to increase the sales further in H1. In H2, the production facilities at the newly invested Kashima Plant will be fully operational, and production will be increased from there. Based on this feeling, I think that the actual increase in sales will have to be limited to 10% or less. It means that we are looking forward to FY2025.

Then, I am having a little stricter view for APIs and intermediates. This area is affected by the inventory situation in the so-called customer's product lineup. Since it had been quite strong in 2022 and 2023, we have placed it on a slightly lower view with factoring a possible slight adjustment coming in FY2024. We expect a slight decrease in sales, which will result in a slight compression of sales growth in the life science business.

As for eyeglass lenses, new products will actually be launched from Q4 of FY2025 onward, and we expect the market to rapidly increase from the January to March period in 2025. Therefore, this will grow from H2, and we expect it to actually contribute significantly to FY2025.

Regarding the management part with an awareness of cost of capital and stock price.

Q: I would like to know about the management part with an awareness of cost of capital and stock price. The ROE target of 11% remains unchanged. If you were to do a share buyback of about JPY20 billion, I think it would be possible to achieve it ahead of schedule. You mentioned that you have raised the dividend payout ratio to 30%, but what should we think about the part where you are considering share

repurchases?

A: Regarding the stock, you mentioned share buybacks. We would like to consider various options, including such a measure. Since there is a tendency for capital to accumulate rapidly, we will strive to improve ROE in any case, while considering such factors as well. At the same time, we hope to improve PBR.