

Q1 FY2017 Tokuyama Corporation Earnings Conference Call (July 28, 2017)
Q&A (Excerpts)

Participants:

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1. Questions regarding the higher cost of raw materials and fuels and product price revisions

Q1: By how much did the costs of raw materials and fuels increase?

A1: For coal, naphtha and other raw materials and fuels, it was by about ¥2,000 million.

Q2: As you mentioned at the investors meeting in April, the increase in costs for the year was ¥7,300 million compared with the previous fiscal year. As it was said that this would occur during three quarters from April to December, if the increase was ¥2,000 million in the 1Q, does that mean that it was less than assumed?

A2: I am limiting my replies to the 1Q but, yes, the prices of coal and naphtha were somewhat lower than expected.

Q3: How were the chemical product and cement price revisions that resulted from the increased costs of raw materials and fuels?

A3: With regard to caustic soda, polyvinyl chloride and polyolefins for chemicals, we are negotiating with customers in order to raise prices after announcing the price revisions in the spring. Customers understand that we are just now incorporating them into the 1Q budget. Still in the middle of negotiations, we would like to proceed to the level at which the price hikes are incorporated into the 2Q budget.

2. Question regarding the Life & Amenity business segment

Q4: The 1Q operating income amounted to ¥700 million, but will profits recover from the 2Q onward?

A4: The full-year operating income for the previous fiscal year was ¥5,300 million, but on a budget basis is ¥4,000 million this fiscal year mainly due to a decrease at Sun·Tox and the removal of Figaro Engineering from the Company's scope of consolidation. Although we got off to a late start in the 1Q, we believe that we can achieve ¥4,000 million for the full year.

3. Question regarding the Specialty Products business segment

Q5: Although operating income in the Specialty Products business segment decreased by ¥500 million, Tokuyama Malaysia decreased by ¥600 million. What about the other businesses?

A5: Although semiconductor-grade polycrystalline silicon was down by several hundreds of millions of yen due to decrease of sales amount, this was made up for by fumed silica and IC chemicals.

4. Questions regarding inventories

Q6: Inventories have decreased considerably in Q1, so could you please tell us the reason behind that?

A6: Inventories fell by ¥3,300 million, and Tokuyama Malaysia's part of that was significant.

Q7: Seen in terms of merchandise and finished goods, inventories increased by about ¥1,000 million, or 10%. Could you please tell us the reason for that?

A7: As you know, the Company had larger shipment in 4Q, so inventories are low in the quarter under review.