

Q3 FY2017 - Apr 1, 2017 to Dec 31, 2017 -

# Presentation for IR Meeting

**Tokuyama Corporation**

January 31, 2018



## Key points of the third quarter of fiscal 2017

- Strong finish to the Oct.-Dec. 3Q; results continue to exceed initial forecasts. Continued robust results also in polycrystalline silicon, electronic chemicals including semiconductor-related high-purity chemicals and other chemicals focusing mainly on chlor-alkali; ongoing full production across virtually all products.
- Based on close inspection of consolidated performance forecast for fiscal 2017, the previous forecast has been revised upwardly.
- All loan agreements with financial covenants concluded as of January 29, 2018; steady steps taken to improve the Company's financial position, a key issue under the Medium-Term Management Plan.

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- 1 Financial Results for Q3 FY2017
- 2 Performance Forecasts for FY2017
- 3 Topics
- 4 Supplementary Data

Regarding the calculation of operating profit, "Cost of idle operations" is included in "Cost of sales" from this fiscal year, and for previous fiscal year it was reclassified from "Non-operating expenses" to "Cost of sales".

# 1 Financial Results for Q3 FY2017

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

# 1. Financial Highlights Consolidated (year-on-year change)

(Billions of yen)

	Q3 FY2016	Q3 FY2017	Difference	
			Amount	%
Net sales	218.1	226.0	+7.9	+4
Operating profit	28.2	30.1	+1.8	+7
Ordinary profit	25.1	26.4	+1.3	+5
Profit attributable to owners of parent	24.8	7.3	(17.5)	(70)

Basic earnings per share (yen)	350.05	82.18
Exchange rate (¥/\$)	107	112
Domestic naphtha price (¥/kl)	32,200	39,800

Basic earnings per share is the amount after consideration of share consolidation

## Qualitative information

(Net sales)

Plus: increased sales volume in major products such as cement and revision in selling prices of caustic soda and petroleum products.

(Operating profit)

Plus: increased sales volume in major products and revision in selling prices

Minus: upturn in fuel and raw material costs

(Ordinary profit)

Plus: increased operating profit

(Profit attributable to owners of parent)

Minus: posting loss on the business transfer of Tokuyama Malaysia and profit attributable to non-controlling interests

# 1. Financial Highlights Consolidated (compared with the previous fiscal year-end)

(Billions of yen, except Shareholders' equity ratio and D/E ratio)

	As of Mar 31, 2017	As of Dec 31, 2017	Changes
Total assets	424.4	359.0	(65.3)
Shareholders' equity	127.0	114.1	(12.9)
Shareholders' equity ratio	29.9%	31.8%	+ 1.8pts
Interest-bearing debt	213.9	154.3	(59.6)
D/E ratio	1.68	1.35	(0.33)
Net D/E ratio*	0.73	0.72	(0.01)
Net assets per share (yen)	1,527.42	1,640.41	

\* Net assets per share is amount after consideration of share consolidation

\*Net D/E ratio: (Interest-bearing debt – Cash and deposits, Cash equivalents)/Shareholders' equity

## Qualitative information

(Total assets)

Decrease factor: decrease in cash and deposits

(Shareholders' equity)

Decrease factor: decrease in shareholders' equity as a result of cancellation of class shares

(Interest-bearing debt)

Decrease factors: execution of a trust-type debt assumption agreement with a bank  
decrease in long-term loans payable and current portion of long-term loans payable owing mainly to normal scheduled repayment together with repayments in advance

## 2. Net Sales/Operating Profit by Business Segment

(Year-on-year change)

(Billions of yen)

	Q3 FY2016		Q3 FY2017		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	60.0	9.6	67.8	11.4	+7.8	+13	+1.7	+18
Specialty Products	47.3	5.1	41.7	7.3	(5.6)	(12)	+2.1	+42
Cement	61.3	6.0	65.7	3.6	+4.3	+7	(2.3)	(40)
Life & Amenity	38.2	3.9	37.7	2.3	(0.5)	(1)	(1.5)	(40)
Others	39.4	4.5	41.0	5.0	+1.5	+4	+0.4	+9
<b>Total</b>	<b>246.5</b>	<b>29.4</b>	<b>254.2</b>	<b>29.7</b>	<b>+7.7</b>	<b>+3</b>	<b>+0.3</b>	<b>+1</b>
Inter-segment eliminations and corporate-wide expenses	(28.4)	(1.1)	(28.1)	0.3	+0.2	-	+1.5	-
<b>Consolidated results</b>	<b>218.1</b>	<b>28.2</b>	<b>226.0</b>	<b>30.1</b>	<b>+7.9</b>	<b>+4</b>	<b>+1.8</b>	<b>+7</b>

(Note) Net sales and operating profit shown above include inter-segment transactions.

(Reference) Q3 FY 2017 is the amount from April 2017 to May 2017, on the other hand, Q3 FY 2016 is the amount from April 2016 to December 2016.

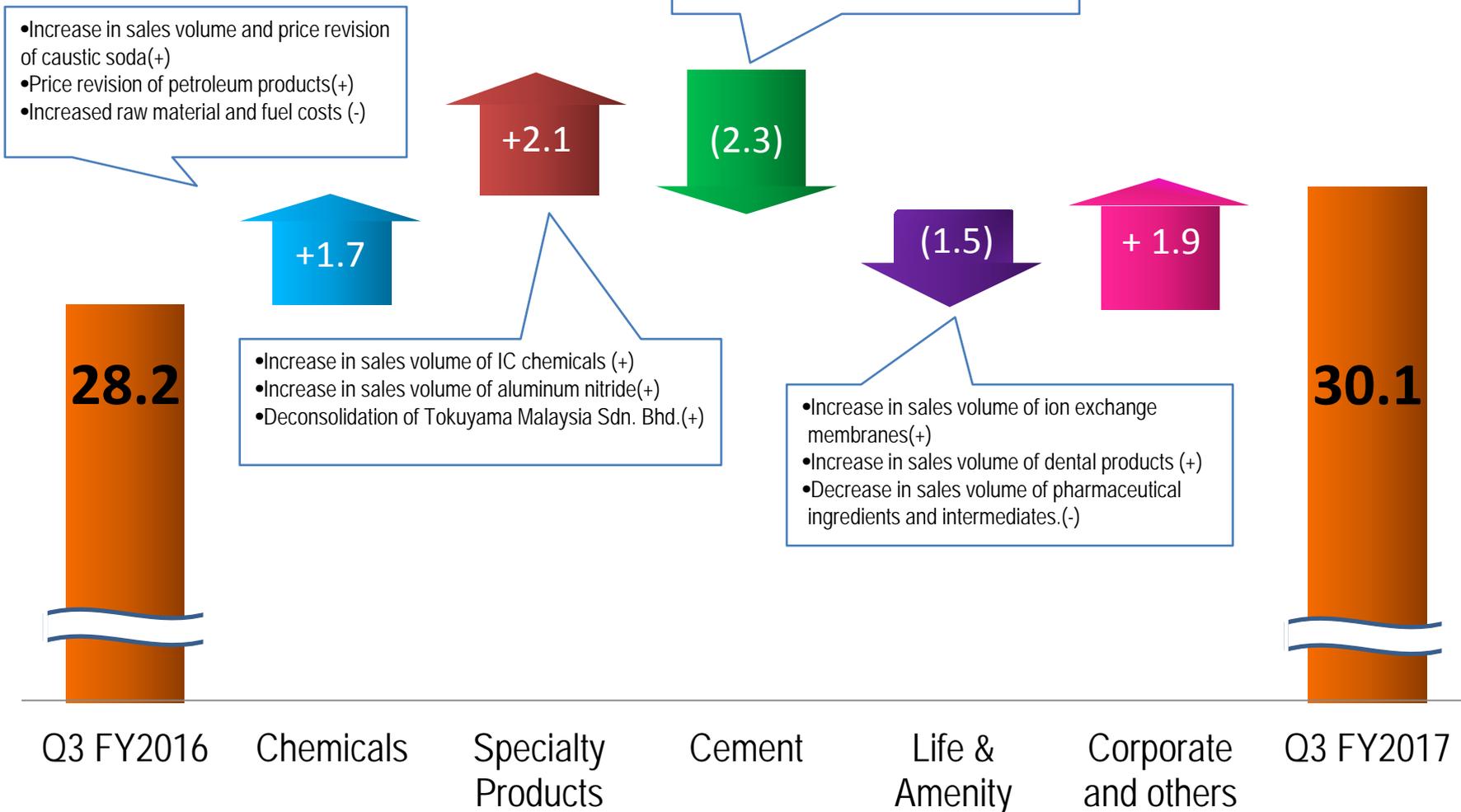
Tokuyama Malaysia	10.3	(1.3)	1.6	(0.6)	(8.7)	-	+0.7	-
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# 3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Segment

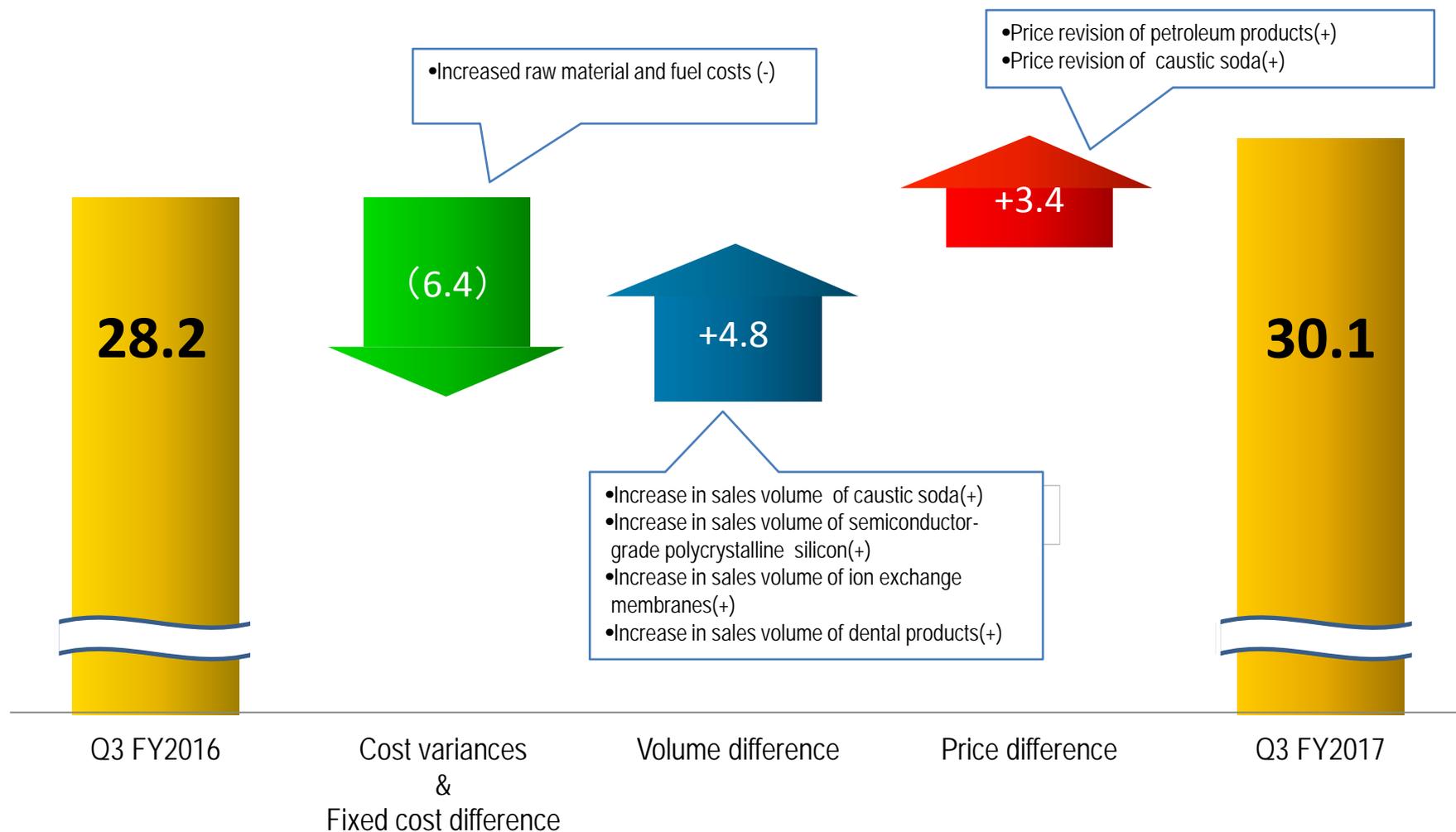


# 3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Factor



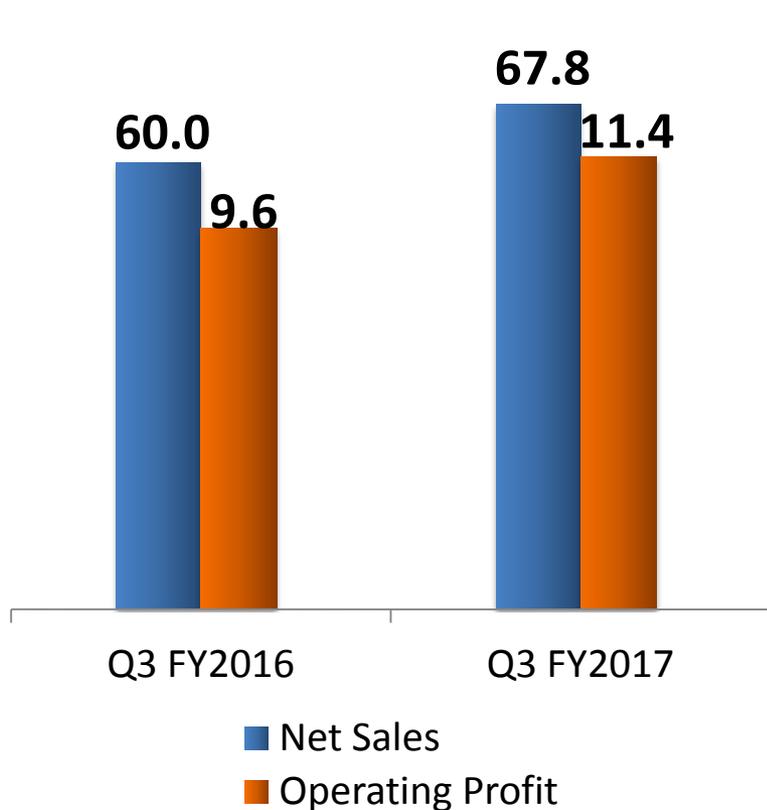
## 4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

### Chemicals

*Higher earnings on higher sales*

(Billions of yen)      Qualitative information



(Caustic soda)

- Net sales increased due to higher volume of domestic sales and exports, and the revision in selling prices

(Vinyl chloride monomer (VCM))

- Net sales increased due to higher sales volume of exports for Asian market

(Vinyl chloride resin)

- Net sales increased due to price revision

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

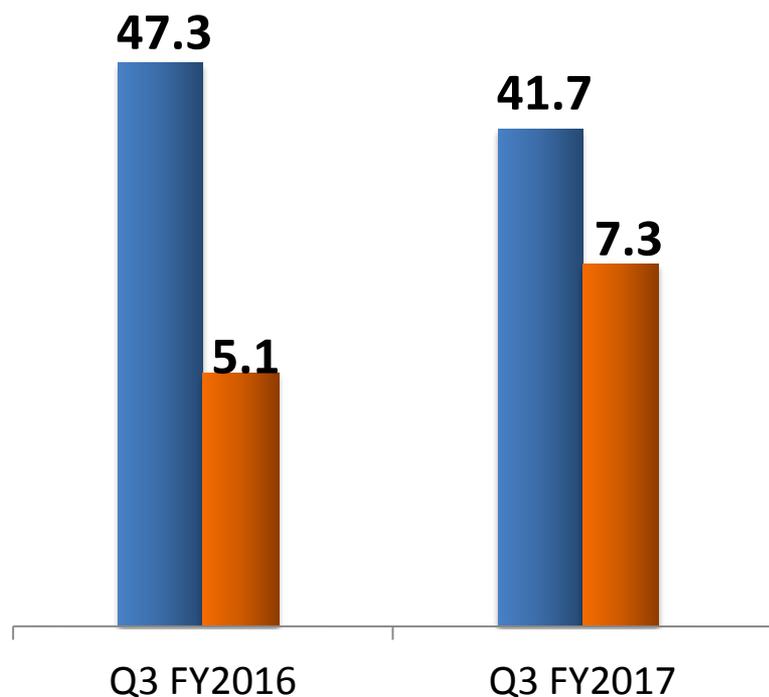
(Year-on-year change)

### Specialty Products

*Higher earnings on lower sales*

(Billions of yen)

Qualitative information



(Semiconductor-grade polycrystalline silicon)

- Robust sales volume

(Fumed Silica)

- Net sales were steady in such applications as a polishing material for semiconductors

(High-purity chemicals for electronics manufacturing)

- Higher sales volume to of such applications used for semiconductor manufacturing

(Aluminum nitride)

- Higher sales volume of such applications used for semiconductor manufacturing equipment

■ Net Sales

■ Operating Profit

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

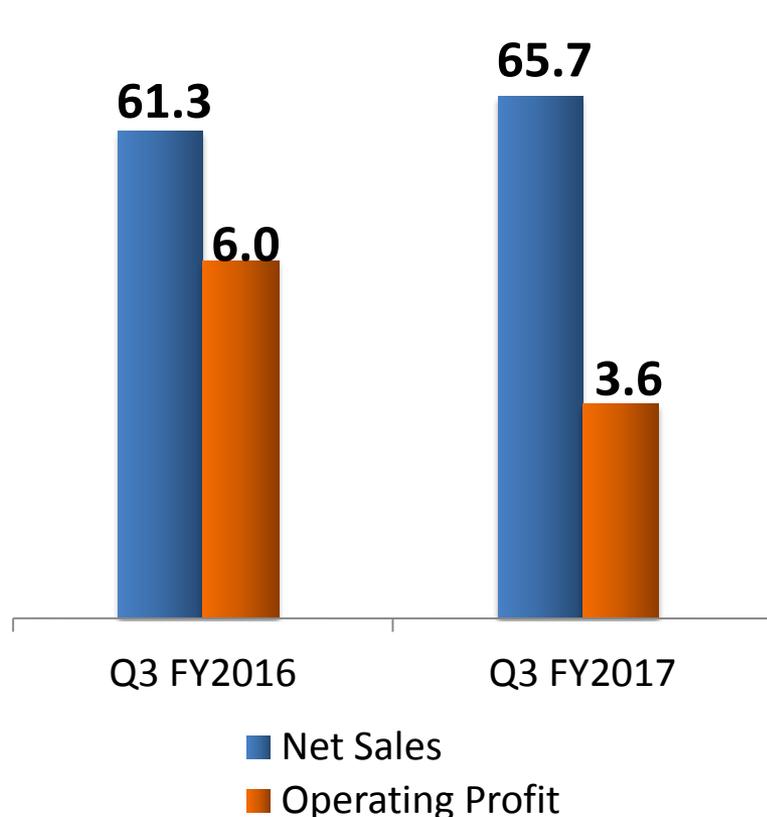
(Year-on-year change)

### Cement

*Lower earnings on higher sales*

(Billions of yen)

Qualitative information



(Cement)

- Sales of cement increased. With the construction of infrastructure related to Tokyo Olympic becoming more active, domestic sales increased at Tokyo and other areas, and the volume of exports increased on the back of robust demand in the Asian region
- Consolidated subsidiary net sales increased, because of the robust shipping trends of such products as ready-mixed concrete
- Lower earnings due to increased production costs as a result of the rise in raw material costs such as coal

(Resource recycling business)

- Despite the Company accepted a lower volume of waste, the waste disposable fees increased compared with the previous fiscal year. As a result of this, sales was almost same as the corresponding period of previous fiscal year.

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

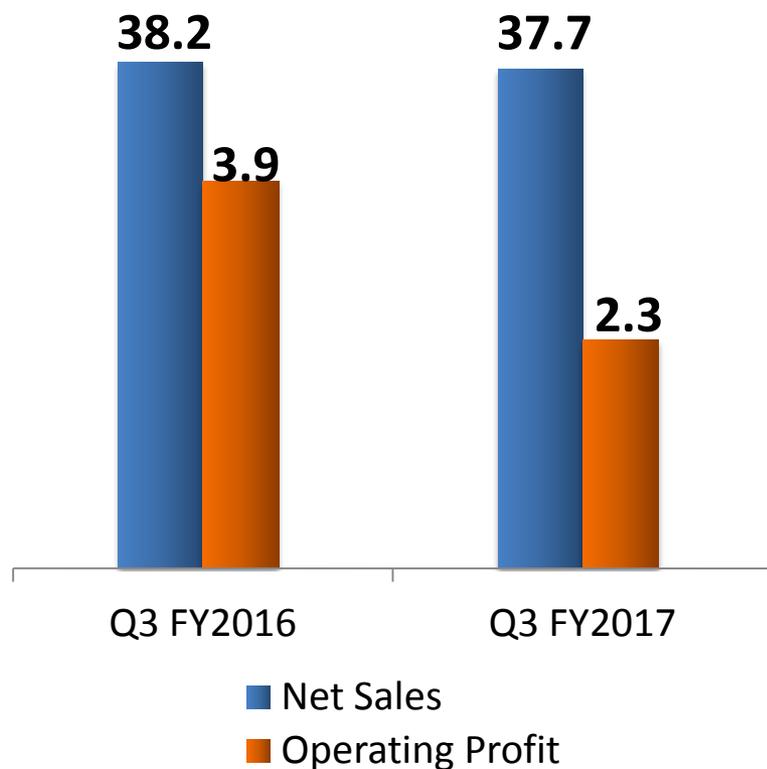
(Year-on-year change)

### Life & Amenity

*Lower earnings on lower sales*

(Billions of yen)

Qualitative information



(Dental materials and equipment)

- Higher sales volume of new products and increased export

(Ion exchange membranes)

- Higher sales volume due to increase of sales on large-scale projects

(Active pharmaceutical ingredients and intermediates)

- Decreased sales volume of products for generic pharmaceutical

(Microporous film)

- Decreased sales volume of products for sanitary articles at oversea subsidiaries



## **2** Performance Forecasts for FY2017

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

# 1. Revised Performance Forecasts

Consolidated  
(Year-on-year change based on FY2017 forecasts)  
(Billions of yen)

	FY2017 Forecasts (April 28, 2017)	FY2017 Forecasts (January 31, 2018)	Difference	
			Amount	%
Net sales	300.0	308.0	+8.0	+3
Operating profit	36.0	39.0	+3.0	+8
Ordinary profit	32.0	34.0	+2.0	+6
Profit (loss) attributable to owners of parent	13.0	15.0	+2.0	+15
Basic earnings per share (yen)	163.50	192.26		
Exchange rate (¥/\$)	105	111		
Domestic naphtha price (¥/kl)	40,000	41,700		

Basic earnings per share is the amount after consideration of share consolidation

The performance forecast for the full fiscal year ending March 31, 2018 has been revised as above from the previous performance forecast released on April 28, 2017, due to close inspection of consolidated performance forecast for fiscal 2017.

## 2. Revised Performance Forecasts by Business Segment

(Year-on-year change based on FY2017 forecasts)

(Billions of yen)

	FY2017 Forecasts (April 28, 2017)		FY2017 Forecasts (January 31, 2018)		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	89.0	13.0	93.0	15.0	+4.0	+4	+2.0	+15
Specialty Products	56.0	9.5	60.0	11.0	+4.0	+7	+1.5	+16
Cement	86.0	5.5	86.0	4.5	-	-	(1.0)	(18)
Life & Amenity	54.0	4.0	52.0	3.0	(2.0)	(4)	(1.0)	(25)
Others	52.0	5.5	54.0	6.0	+2.0	+4	+0.5	+9
<b>Total</b>	<b>337.0</b>	<b>37.5</b>	<b>345.0</b>	<b>39.5</b>	<b>+8.0</b>	<b>+2</b>	<b>+2.0</b>	<b>+5</b>
Inter-segment eliminations and corporate-wide expenses	(37.0)	(1.5)	(37.0)	(0.5)	-	-	+1.0	-
<b>Consolidated Results</b>	<b>300.0</b>	<b>36.0</b>	<b>308.0</b>	<b>39.0</b>	<b>+8.0</b>	<b>+3</b>	<b>+3.0</b>	<b>+8</b>

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

## **3** Topics

1. Reducing interest-bearing debt



# 1. Reducing interest-bearing debt

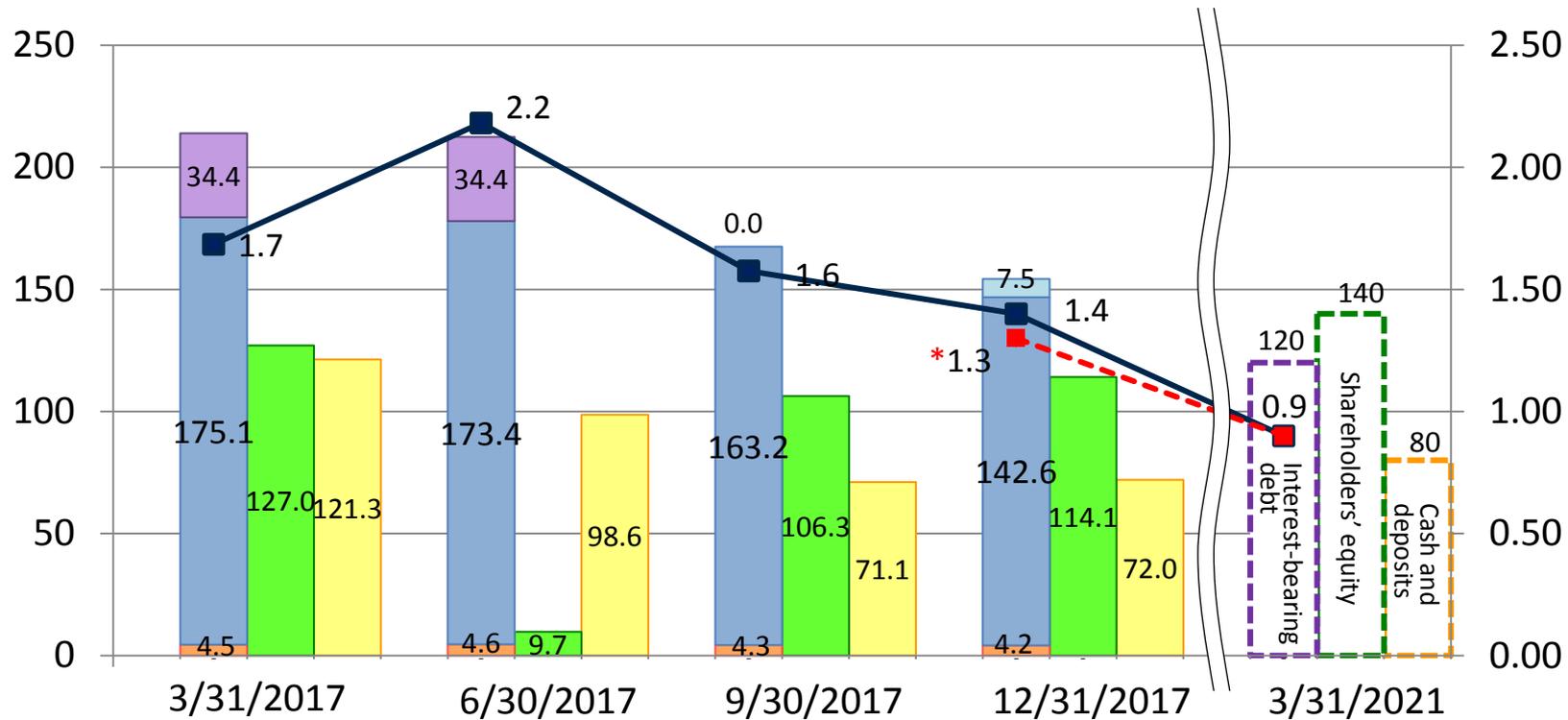
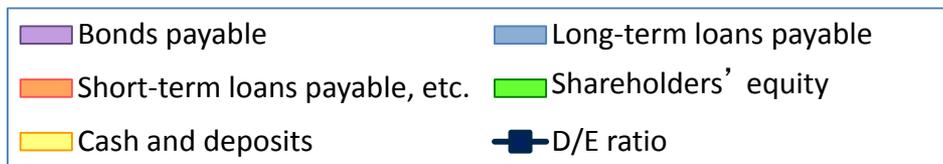
- The prepayment of loans was undertaken on January 29, 2018 and all of loan agreements with financial covenants have concluded.
- Details of those agreements with financial covenants that have now been concluded following the prepayment of loans in accordance with agreements with financial institutions in the fiscal year ending March 31, 2018 are as follows.

	Loan agreements	Issue date	Full payment date
(1)	Term-out medium-term commitment line with The Bank of Tokyo-Mitsubishi UFJ, Ltd	September 30, 2011	September 29, 2017
(2)	Syndicated loan agreement by seven lenders with the Development Bank of Japan Inc. as the lead manager	December 22, 2011	December 29, 2017
(3)	Syndicated loan agreement by six lenders with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the lead manager	July 24, 2012	January 29, 2018

- The amount of interest-bearing debt reduction in the fiscal year under review following the conclusion of the aforementioned loan agreements is ¥25,950 million.

# 1. Reducing interest-bearing debt

(Billions of yen)



\* This D/E ratio is calculated by deducting ¥ 7.5 billion, the prepayment of loans in accordance with agreements with financial institutions on January 29, 2018.

(the final year of Medium-Term Management Plan)

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## **4** Supplementary Data

1. Consolidated Financial Statements
2. Performance Trend
3. Price Trend of Main Raw Material and Fuel

# 1. Consolidated Financial Statements

## Profit and loss Statements (Billions of yen)

	Q3 FY2016	Q3 FY2017	Difference	
			Amount	%
Net sales	218.1	226.0	+7.9	+4
Cost of sales	146.1	152.1	+5.9	+4
Selling, general and administrative expenses	43.6	43.8	+0.2	+0
Operating profit	28.2	30.1	+1.8	+7
Non-operating income/expenses	(3.1)	(3.6)	(0.5)	-
Ordinary profit	25.1	26.4	+1.3	+5
Extraordinary income/losses	4.5	(1.9)	(6.4)	-
Profit/loss before income taxes	29.7	24.5	(5.1)	(17)
Income taxes	4.0	11.9	+7.9	+199
Non-controlling interests	0.8	5.2	+4.3	+508
Profit attributable to owners of parent	24.8	7.3	(17.5)	(70)

# 1. Consolidated Financial Statements Balance Sheets

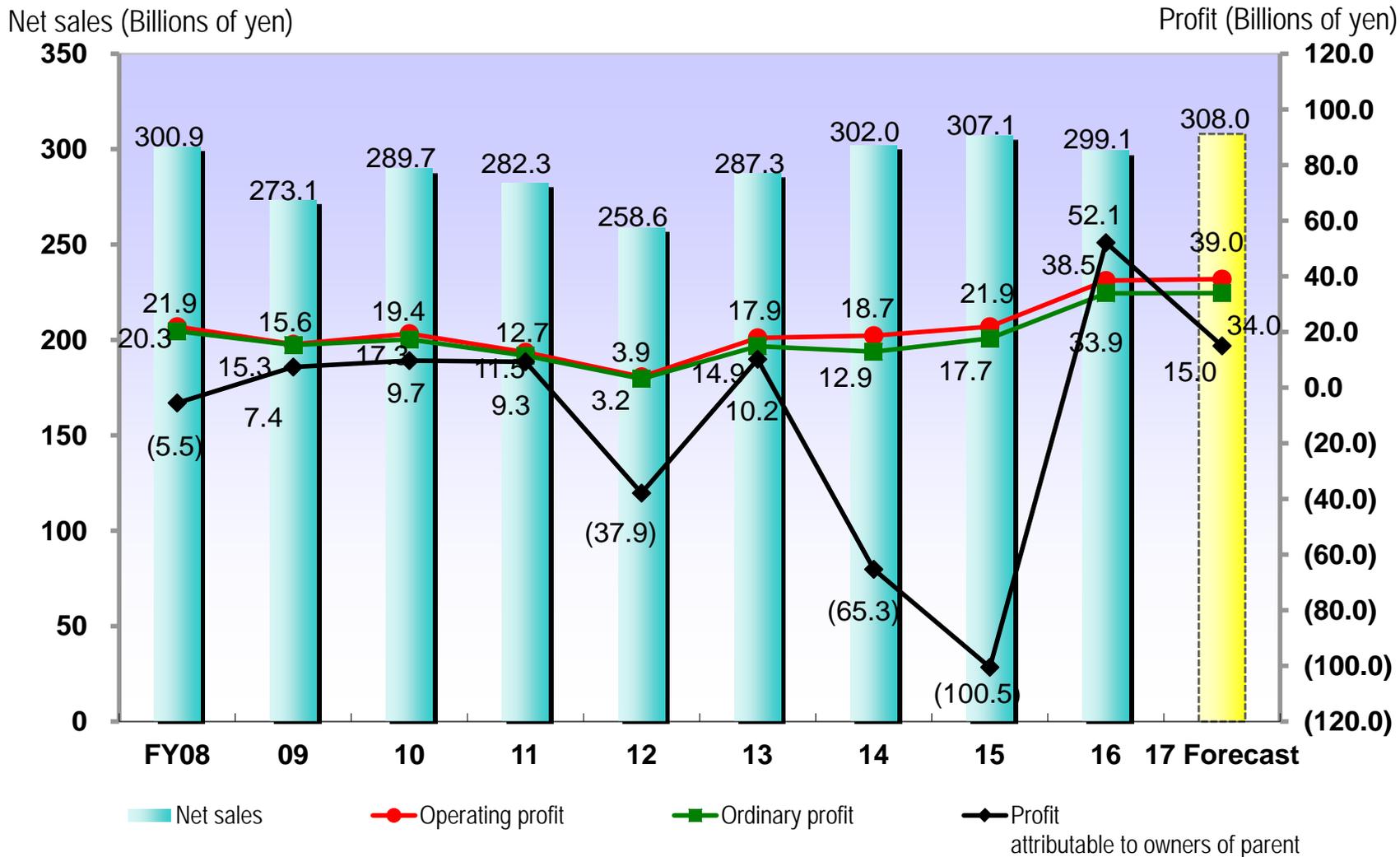
(Billions of yen)

	3/31/2017	12/31/2017	Changes	
			Amount	%
Total assets	424.4	359.0	(65.3)	(15)
Current assets	246.6	193.1	(53.5)	(22)
Tangible fixed assets	119.2	111.0	(8.1)	(7)
Intangible fixed assets	4.7	3.1	(1.6)	(35)
Investments and other assets	53.7	51.7	(2.0)	(4)

	3/31/2017	12/31/2017	Changes	
			Amount	%
Total liabilities	288.4	234.2	(54.1)	(19)
Current liabilities	79.1	86.6	+7.4	+9
Long-term liabilities	209.3	147.6	(61.6)	(29)
Total net assets	135.9	124.8	(11.1)	(8)

# 2. Performance Trend

Consolidated (Annual)

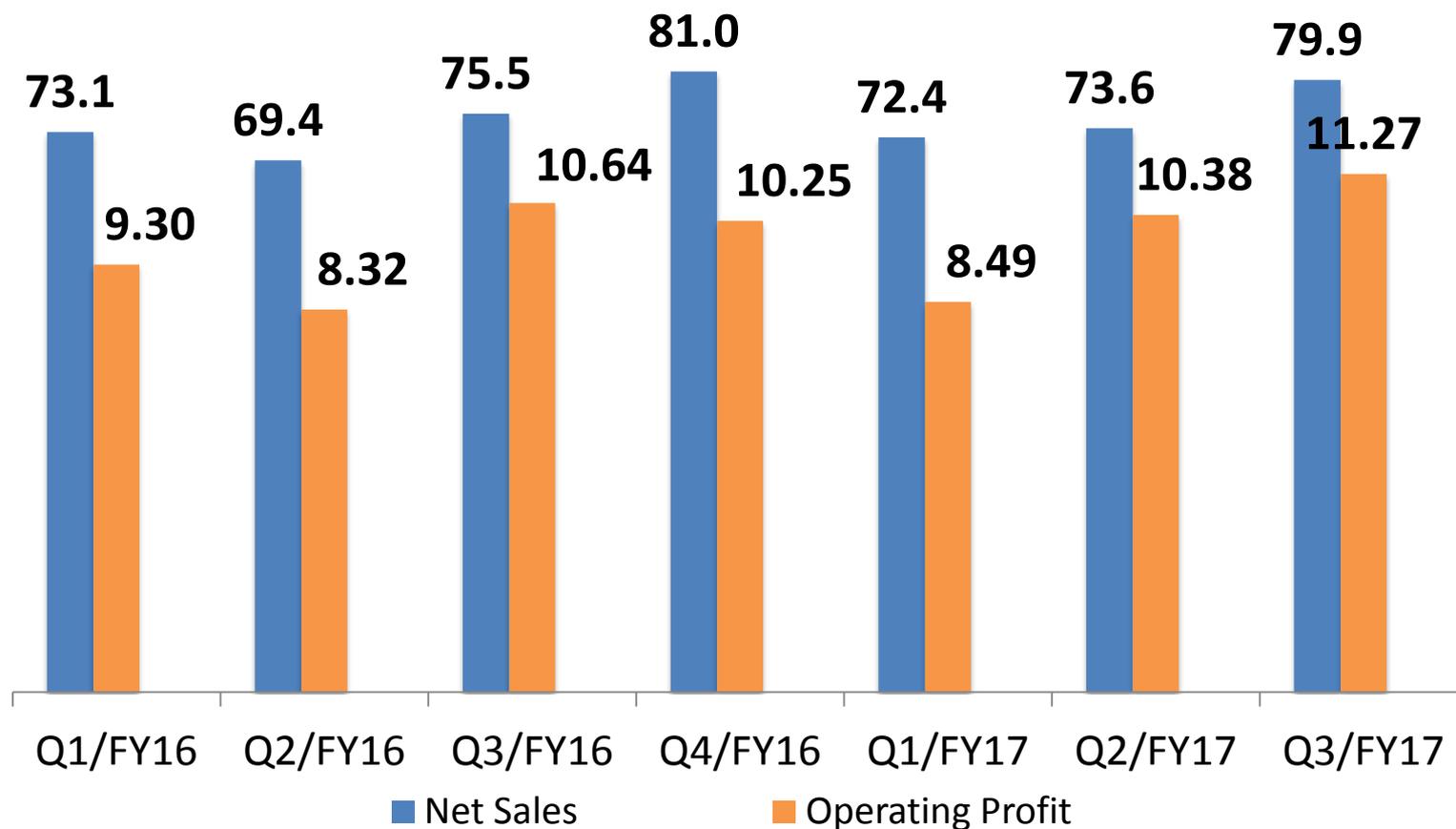


## 2. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

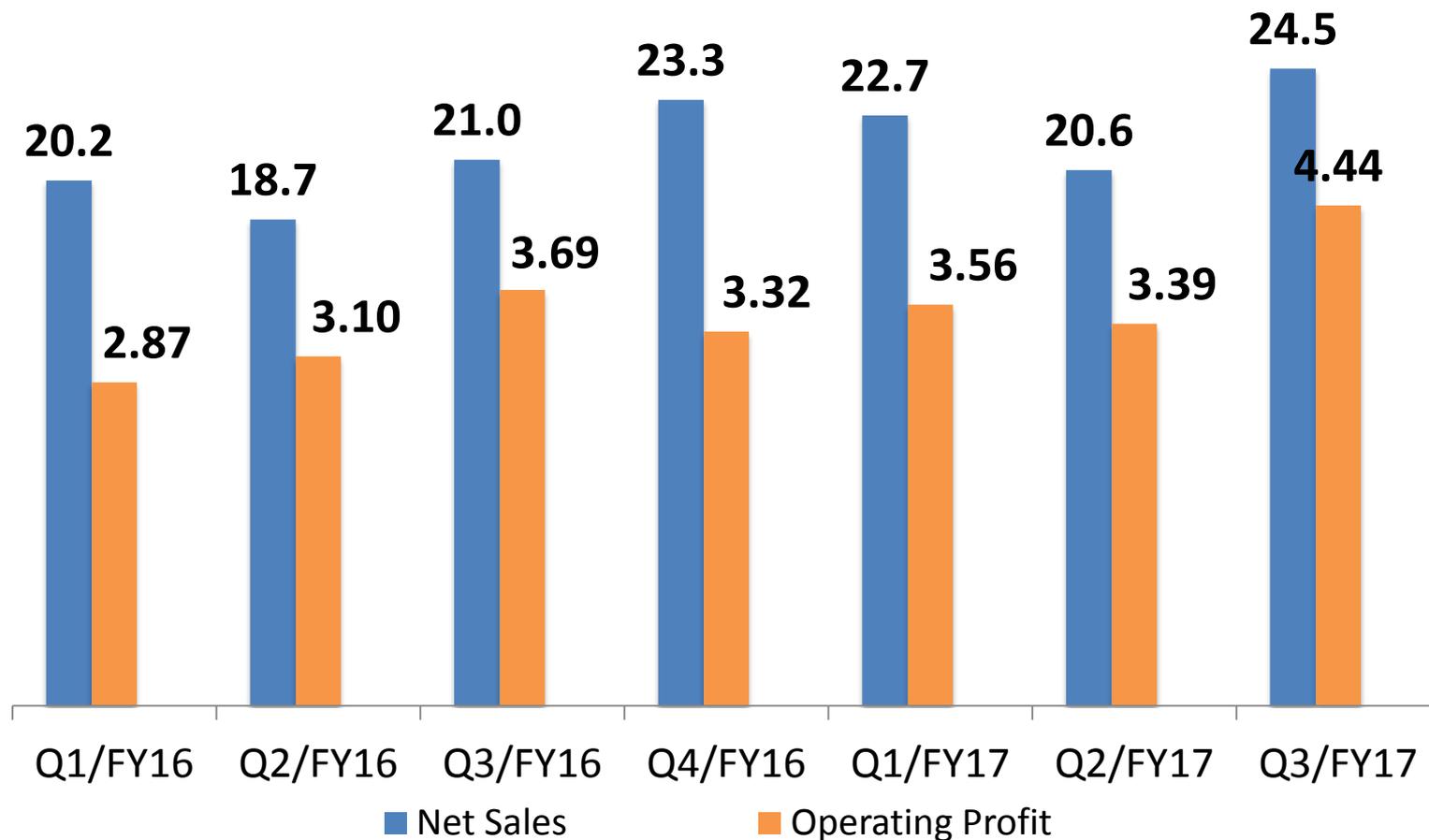


## 2. Performance Trend

(Quarter)

Chemicals

(Billions of yen)

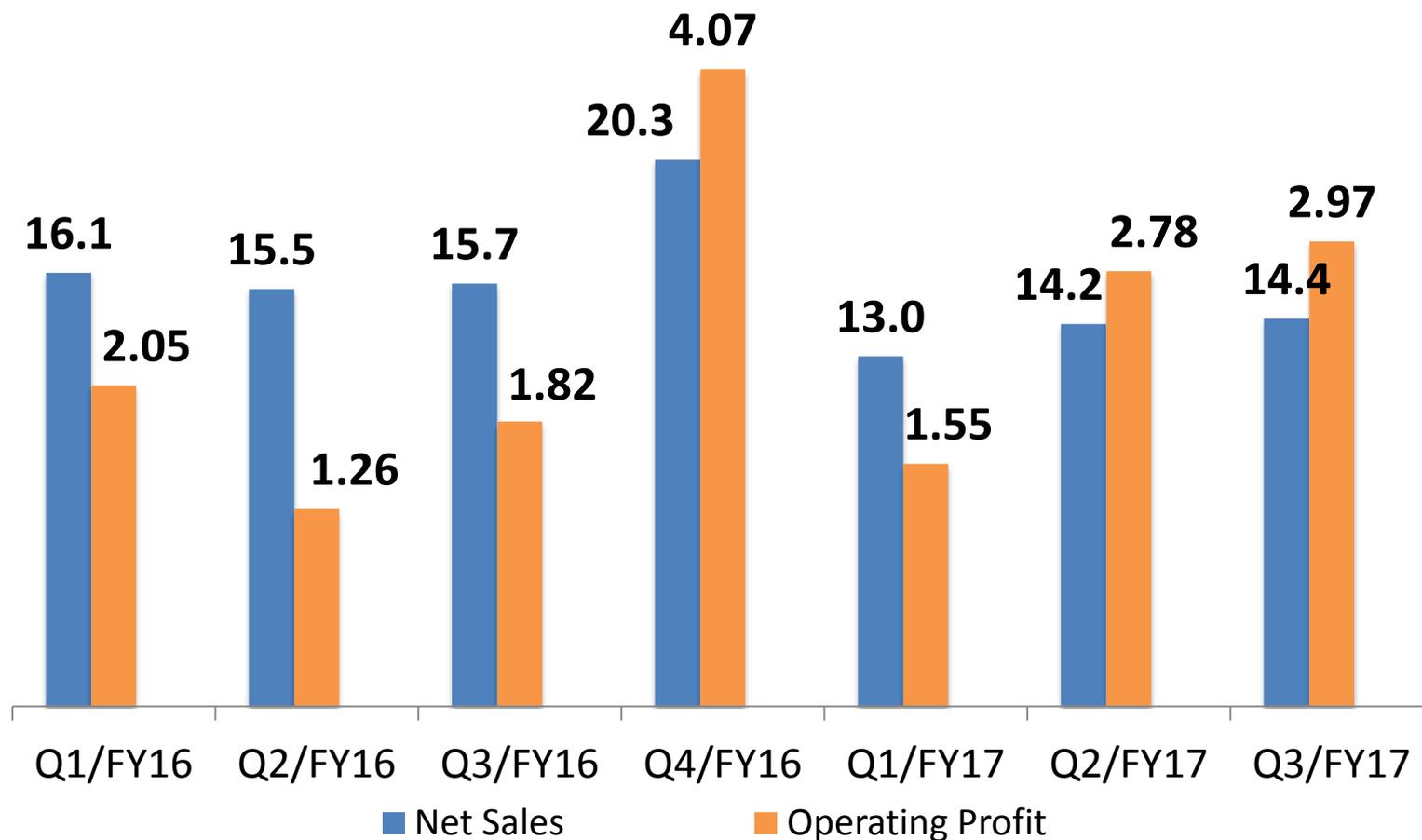


## 2. Performance Trend

(Quarter)

### Specialty Products

(Billions of yen)

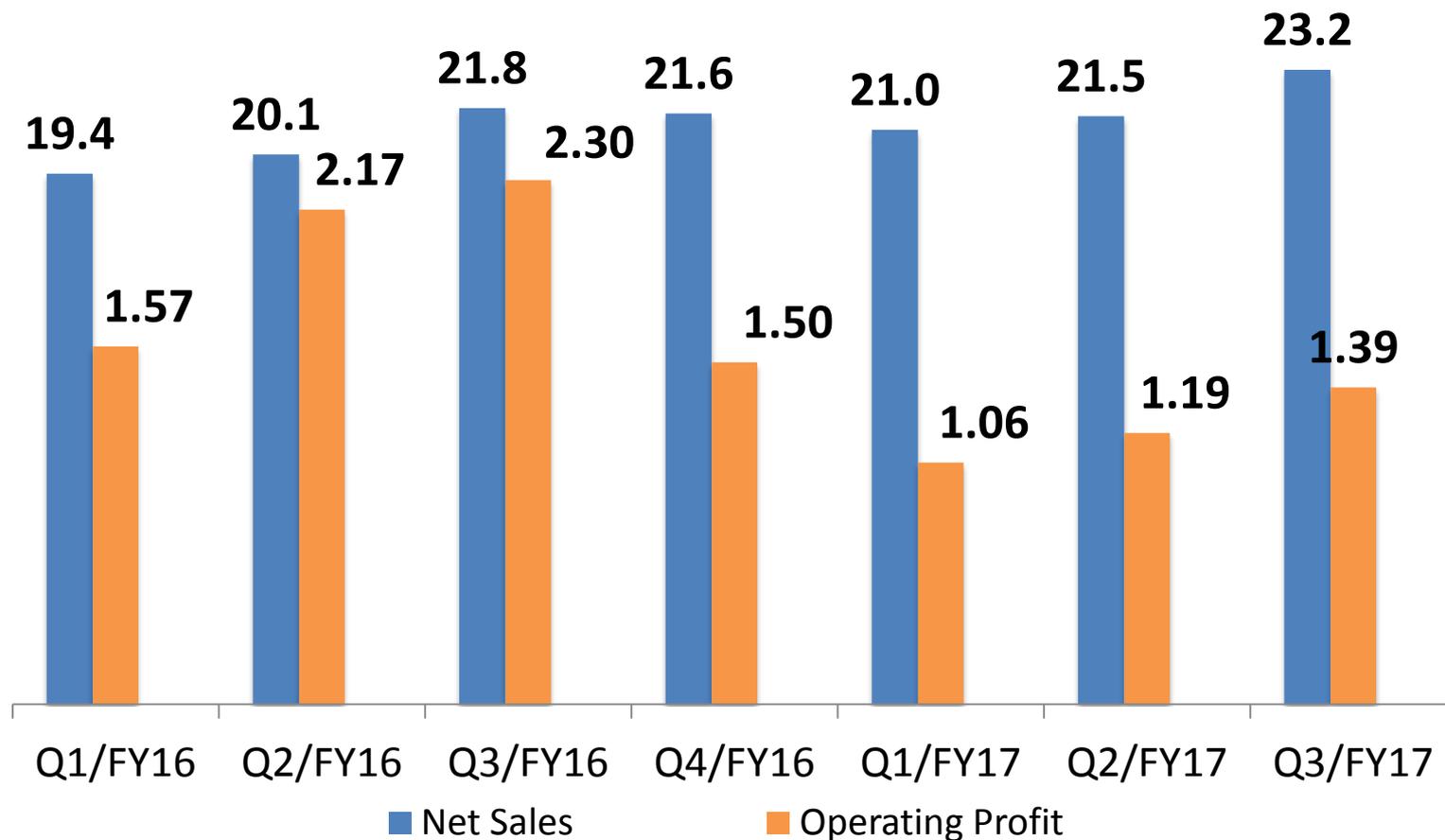


## 2. Performance Trend

(Quarter)

Cement

(Billions of yen)

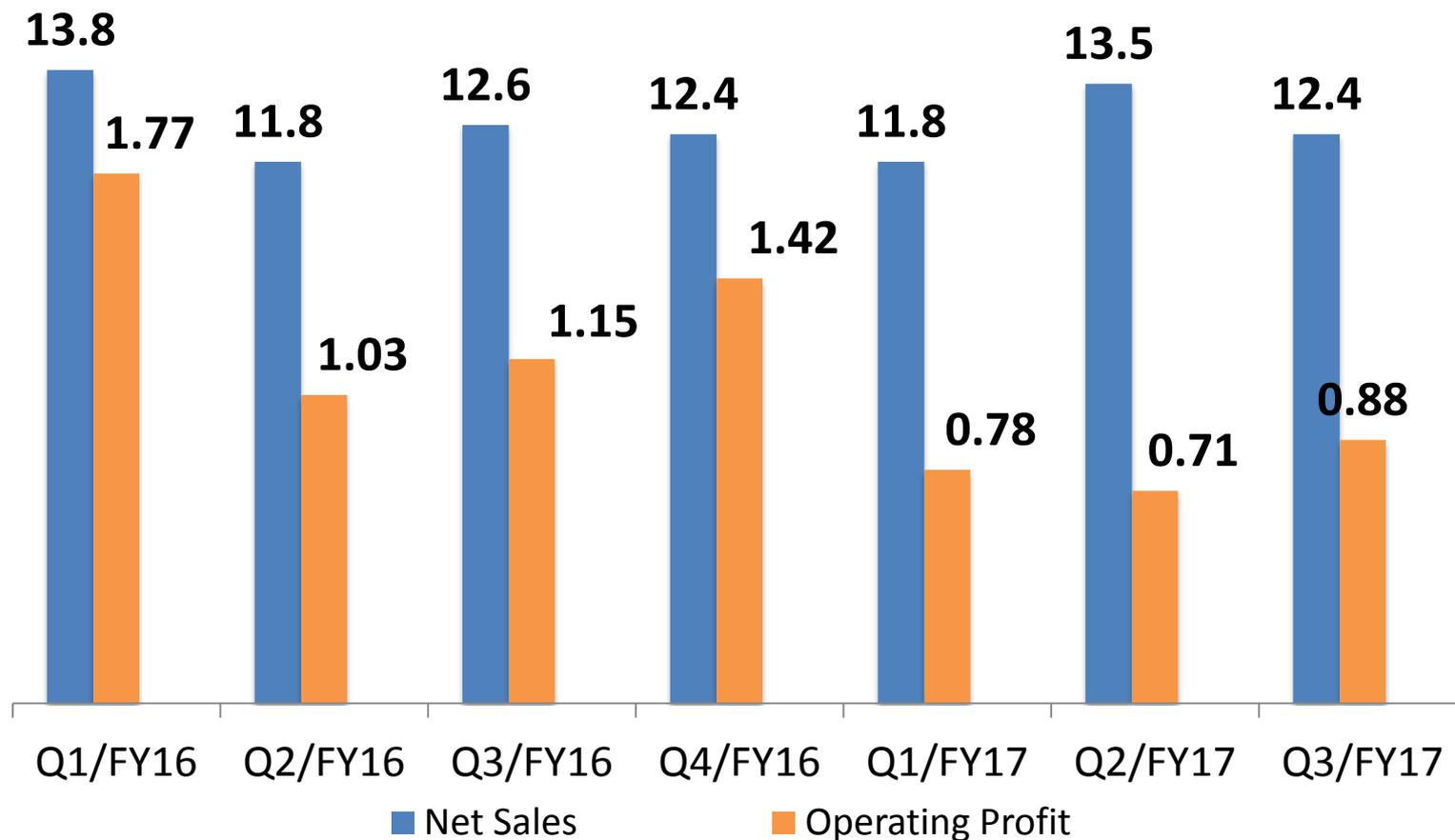


## 6. Performance Trend

(Quarter)

Life & Amenity

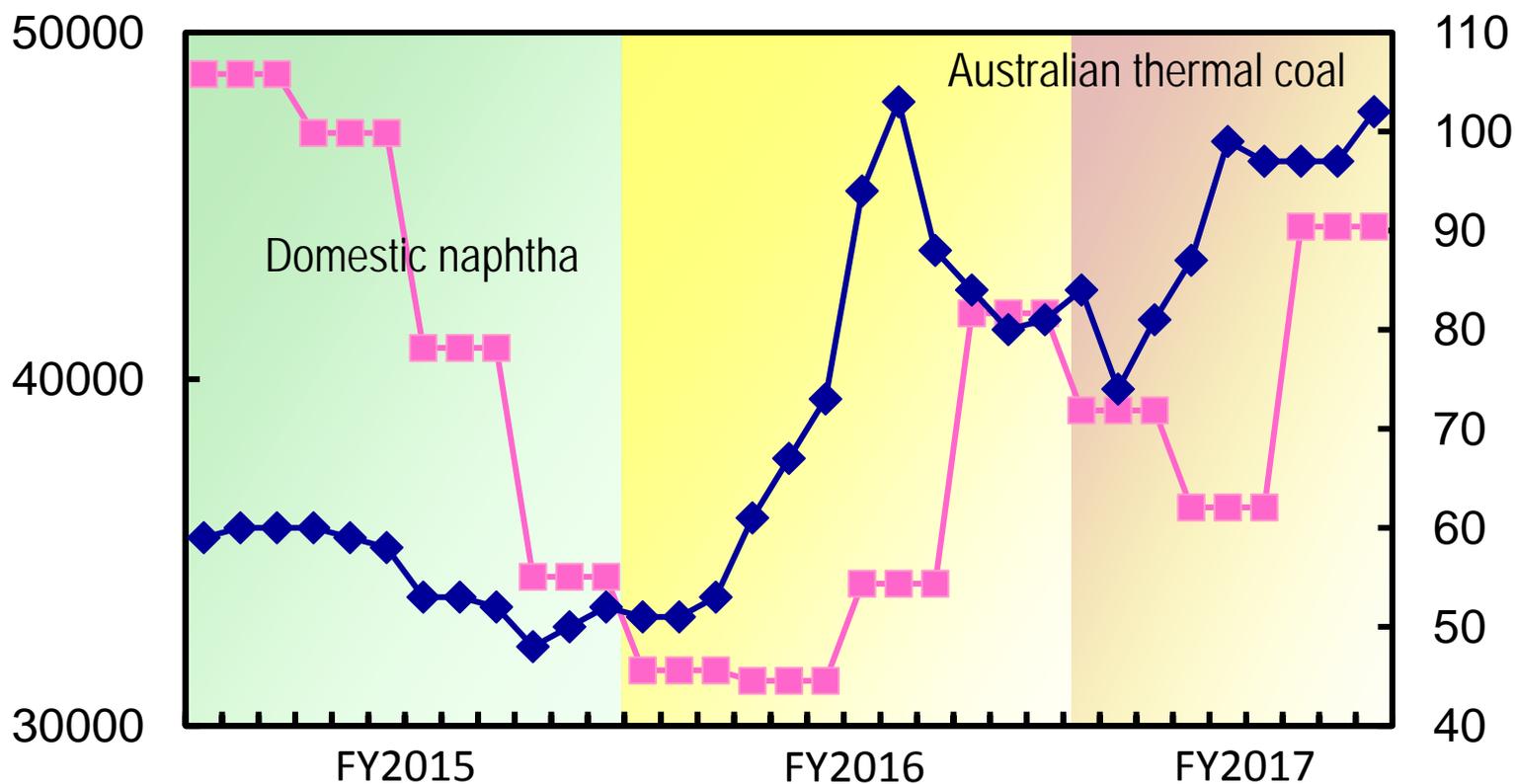
(Billions of yen)



### 3. Price Trend of Main Raw Material and Fuel

Domestic naphtha price  
(¥/KL)

Australian thermal coal spot price (\$/t)



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