

4Q FY2017 Tokuyama Corporation Investor Meeting
Q&A (Excerpts)

Date and time: April 27, 2018 (Friday) 14:30 – 15:30

Participants:

Hiroshi Yokota, President and Representative Director

Akihiro Hamada, Director, Managing Executive Officer, General Manager of the Financial Div.

1. Questions regarding the forecast decline in FY2018 operating income compared with FY2017

Q1: Raw material and fuel costs are projected to increase ¥10.5 billion in FY2018. Isn't this a rather conservative assessment?

A1: While movements in crude oil and coal costs are expected to make up a major portion for the forecast increase, trends over the immediate term are a little mild. On this basis, our projection may be considered conservative if we look at market conditions as they currently stand.

Q2: While the price of caustic soda is conjectured to increase around ¥10/kg, this would appear low compared with the assumptions of other companies reported by the media and newspaper reports. Don't you think that the price of caustic soda will increase a little further and in turn help boost profit?

A2: Revisions to the price of caustic soda progressed considerably during the previous fiscal year. We do believe there is a little more room for upward revision on the back of ongoing adjustments going forward and an increase in exports with high unit sales prices.

Q3: Operating profit in the Others business segment is projected to decline ¥2.7 billion. What are your reasons for this decline?

A3: The main reason is the forecast downturn in surplus power sold attributable to periodic maintenance at power generation plants.

Q4: The Company is projecting a downturn in earnings. Is it part of the Company's culture to adopt a conservative approach toward its forecasts? Can you also tell us if the president's role is to always look upward going forward?

A4: I believe the point that you are trying to make is whether or not we see any progress in efforts aimed at changing our organizational climate and if this is our most important management priority. We continue to engage in substantial in-house deliberations with respect to a change in

our climate. Indeed, we recognize the critical need to undertake a drastic review of how we go about putting in place our budget. We understand that the forecasts put forward are extremely disappointing. On a positive note, however, we believe that revising the way in which we put forward budgets is an important step toward changing our climate. For this reason, we will place considerable emphasis on the budget process as we look toward the next fiscal year. As far as FY2018 forecasts are concerned, we believe that we can lift profitability further. For example, we are working to implement various measures. This includes reducing logistics costs from a production perspective. In addition to reviewing the composition of caustic soda sales from a marketing perspective, we are also looking to lift our top line one level higher by investing mainly in electronic materials in advanced fields and advancing other measures. In this regard, and from my position as president, I would like to adopt an upward positive approach.

2. Questions regarding growth businesses

Q5: What are your thoughts on ICT?

A5: While the project in Taiwan is serving as a growth driver for semiconductor-related chemicals for electronics manufacturing, we are deliberating with a joint-venture partner in South Korea with respect to increasing production of developing fluids. In addition, thermal management materials for semiconductor production equipment are showing extremely high growth. We will consider undertaking additional investments over the one to two years.

Q6: Are there any plans to increase production of semiconductor-grade polycrystalline silicon?

A6: We give priority to undertake concrete investments aimed at improving quality.

Q7: What are your thoughts on healthcare-related products in the Life & Amenity segment?

A7: We plan to introduce new dental and plastic lens materials products and are anticipating growth from 2019. We are expecting contributions to earnings from pharmaceuticals and diagnostic agents to emerge from FY2021 and the effects to materialize during the period of the next medium-term management plan.

3. Questions regarding finance-related subordinated loans

Q8: Is there change in the Company's highest financial priority of securing a "Single A" credit rating?

A8: There is no change.

Q9: What can we expect with respect to subordinated loans in the future?

A9: Nothing has been determined at the moment. We will, however, examine every option.