

**2Q FY2018 Tokuyama Corporation**  
**Investor Meeting Q&A (Excerpts)**

Date and time: October 31, 2018 (Wednesday) 14:00 – 15:00

Participants:

Hiroshi Yokota, President and Executive Officer

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

Taro Kobayashi, General Manager, Corporate Communications & Investor Relations Dept.

**1. Questions regarding increases in selling prices**

Q1: What is the status of revisions to the prices of caustic soda, polyvinyl chloride, and cement?

A1: While overseas market conditions for caustic soda have deteriorated compared with the beginning of this year, we do not believe there will be any impact on domestic prices. This is largely due to the lingering tight conditions attributable to environmental regulations in China. As far as polyvinyl chloride is concerned, we are seeking the understanding of customers given the upswing in naphtha costs. We will continue to call for increases in the selling price of cement as we believe the cost of coking coal will remain at a high level.

Q2: What are your thoughts on polycrystalline silicon?

A2: While wafer supply and demand is tight, conditions for polycrystalline silicon are relatively relaxed. However, as sales volumes of wafers increase in line with the growth in demand, we can also expect an upswing in polycrystalline silicon for use in high-end products.

**2. Questions regarding operating profit**

Q3: As president, you mentioned that the Company is targeting operating income around the same level as FY2017 (¥41.2 billion) in FY2018? The Company announced that it was projecting operating profit to come in at ¥38 billion on April 27, 2018. How do you plan to make up the shortfall of roughly ¥3 billion?

A3: In addition to robust trends in the Life & Amenity segment, we will work to increase selling prices for chemicals and other products while also lifting sales volumes specialty products. Moreover, we will actively promote the BRIGHT-II project to thoroughly reduce costs at Tokuyama factory.

Q4: You stated that the Company incurred temporary expenses of around ¥1 billion because of the

purchase of electricity from power companies as a result of unforeseen repairs following periodic repairs and maintenance? Did electricity sales total zero in the July-September quarter?

A4: While electricity sales declined from the 1Q, the total was not zero.

Q5: Can you provide a year-on-year breakdown of the increase in costs in the 2Q?

A5: Naphtha made up roughly 50% of the cost increase and coal 30%. The rest was metal silicon and others.

### **3. Question regarding the Company's financial strategy**

Q6: It is pleasing to see that the Company has been able to refinance an existing subordinated loan without any subsequent dilutive effect on its shares and is also able to undertake repayment using cash on hand. While there is no change in the order of funds application priority, is there any chance that funds may be applied to further increase the dividend payout ratio?

A6: Our first priority regarding the allocation of funds is investment. This is followed by shareholders' return. While we are not in a position to elaborate on the actual schedule at this time, I would like to lift the dividend payout ratio to 30% when we have the necessary surplus funds.