

1Q FY2019 Tokuyama Corporation Investor Meeting

Q&A (Excerpts)

Date and time: July 29, 2019 (Monday) 12:00 – 12:45

Participants:

Hideo Sugimura, Director, Managing Executive Officer, General Manager, Corporate Planning Div.

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

1. Questions regarding 1Q FY2019 operating profit

Q1: Why did profit fall in the Chemicals Business Division?

A1: Our policy is to expand exports of caustic soda over the medium to long term. In this context, we are increasing export volumes as a means to establish sales channels. While our export ratio in the 1Q of FY2019 came in at 20%, up from 5% in the corresponding period of the previous fiscal year, profit declined due to a deterioration in overseas caustic soda market conditions. Moreover, sales volumes of propylene oxide, which is a feedstock for urethane, fell more than 10% as a result of a slowdown in the automobile industry in China.

Q2: Have you resumed the export of caustic soda to India?

A2: Not as yet. We plan to resume exports from the latter half of the 2Q

Q3: Why did operating profit in the Specialty Products Business Division fall below the internal budget ratio of ¥700 million?

A3: Chemicals for the electronics industry as well as fumed silica for chemical mechanical polishing are feeling the effects of a downturn in demand from semiconductor customers. We are, however, seeing sales volumes of semiconductor-grade polycrystalline silicon and heat dissipation materials such as aluminum nitride. Quantities of semiconductor-grade polycrystalline silicon are in line with the previous year. In overall terms, prices are also rising compared with the corresponding period of the previous fiscal year.

Q4: Looking at your analysis of changes by factor, operating profit in the others category came in at ¥1.7 billion. Can you provide breakdown details?

A4: Among a variety of factors, increases in fixed costs as well as selling, general and administrative expenses accounted for 50% and 30%, respectively. By segment, the year-on-year downturn of ¥1.7 billion in the others category was made up of ¥300 million in the Cement Business Division and

¥300 million in the Life & Amenity Business Division. The remaining amount of roughly ¥1 billion was spread across Companywide infrastructure capital investment, depreciation as well as plant maintenance, renewal and repairs.

2. Questions regarding the outlook for each product

Q5: What are your thoughts on coal prices?

A5: Coal prices in the 1Q exceeded forecasts on a cost basis. Looking ahead, we anticipate the price of coal will trends between US\$75-80 per tonne from the 2Q. We will work to lower costs by adopting various purchasing methods. This includes placing orders while the spot price is low.

Q6: What are your plans for final semiconductor-grade polycrystalline sales volumes in the current fiscal year?

A6: We are projecting a year-on-year increase of 10%, which is in line with forecasts at the start of the period.

Q7: What are your thoughts on cement from the 2Q?

A7: We see cement as currently in a transition period. Coupled with the increase associated with such future events as the World Expo in Western Japan, signs of a pickup in disaster recovery demand are beginning to emerge. We are confident in our ability to boost sales volumes in Western Japan to the same levels as the eastern region.

Q8: Will power sales increase from the 2Q?

A8: While generating capacity will increase compared with the previous year during which large-scale periodic maintenance was undertaken, the potential for a substantial upswing in profit as a result of power sales is low. This is because of plans to also increase product manufacturing volumes.

3. Question regarding our financial strategy

Q9: Will you revise your stance toward the return of profits to shareholders following the Company's return to an "A" credit rating?

A9: We have not made a decision at the moment, but will consider going forward.