

3Q FY2019 Tokuyama Corporation Investor Meeting

Q&A (Excerpts)

Date and time: January 31, 2020 (Friday) 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 3Q FY2019 results

Q1: While profit in the Specialty Products Business Division climbed ¥0.4 billion in the October to December 3Q compared with the July to September 2Q, the growth in operating income appears weak. You also explained that polycrystalline silicon in particular would return to the previous period's level over the full fiscal year. What is your outlook for the future?

A1: Looking at 3Q cumulative results, profit in the Specialty Products Business Division is slightly down compared with the corresponding period of the previous fiscal year. 3Q cumulative sales volumes of polycrystalline silicon fell 5 to 10% compared with the previous year and are forecast to decline around 5% over the full fiscal year. This is due to delays in the rise of such emerging countries as China.

Q2: Are semiconductor-grade polycrystalline silicon sales prices in line with plans?

A2: There has been no lowering of semiconductor-grade polycrystalline silicon sales prices and levels remain unchanged.

Q3: Can you tell us about trends in caustic soda over the October to December 3Q compared with the July to September 2Q?

A3: Sales volumes saw a slight increase in Japan while roughly doubling overseas. Sales prices were unchanged in Japan. While sales prices, which are determined on a spot price basis overseas, rose slightly, the price per tonne was less than US\$300.

Q4: What was your caustic soda export ratio in the 3Q cumulative ?

A4: Approximately 18%.

Q5: The volume of power sales in the 3Q was large. What were your results in terms of margins?

A5: Margins increased as a result of the decline in costs attributable to the drop in coal prices.

2. Questions regarding the Company's outlook for each product over the full fiscal year

Q6: Sales volumes of high-purity chemicals for electronic manufacturing have rebounded. Will this trend continue over the January to March quarter?

A6: We expect to trend at roughly full capacity. A developing fluid plant will come online from April. We are also projecting growth going forward.

Q7: The volume of power sales increased. Is this a sustainable trend? Did the upswing in the October to December quarter occur by chance? What is your outlook for the future?

A7: Profit in the Others segment increased year on year thanks to power sales. This improvement was mainly due to the absence of periodic large-scale repairs and maintenance as well as problems at power generation plants that occurred last year. Large-scale repairs and maintenance are again scheduled to occur during the next fiscal year. As a result, we are not expecting this year's trend to continue.

Q8: What is your outlook for caustic soda during the January to March 4Q compared with the October to December 3Q?

A8: We believe current trends will continue both in Japan and for exports. Average yearly sales total roughly 410,000 to 420,000 tonnes. We expect results will come in at around the same level. Our current export ratio for the period under review stands at in the later 10% on cumulative basis. We anticipate the export ratio will come in at around the same level for the full fiscal year.

Q9: Can you tell us about polysilicon export prices from the start of the New Year?

A9: Prices have remained at the same levels as 2019.

3. Questions regarding the Company's outlook for the next fiscal year and beyond

Q10: Are you planning any measures with respect to your production of IPA SE for the next fiscal year?

A10: We are currently running at full capacity. We will take preparatory steps to expand facilities in the future.

Q11: Sales of medical diagnosis systems as well as dental materials increased, which I believe contributed to an upswing in profit. Will this growth also continue into the next fiscal year? What businesses are likely to increase profit in FY2020 in the Life & Amenity Business Division?

A11: We successfully acquired a major medical diagnosis systems order in the current fiscal year. While unable to confirm whether we will acquire a similar major order in the next fiscal year, we will be looking to pursue a growth trajectory. As far as the Company's dental materials are concerned, the launch of OMNICHROMA in the U.S. was favorably received. Building on this impetus, we will

work diligently to expand sales on an ongoing basis. OMNICHROMA has also been released in Europe. We expect this will also help boost sales. We hope to surpass this current fiscal year's growth in FY2020. In addition, we believe the ion exchange membranes sold through ASTOM Corporation as well as fine chemical pharmaceutical ingredients and intermediates will contribute to an upswing in profit.

Q12: Overseas sales of caustic soda and vinyl chloride resin are currently undertaken through trading companies. Looking ahead, what is your timeframe for addressing this issue?

A12: While unable to clarify a timeframe at this stage, we are working to establish a definitive customer base for direct sales. At the same time, we are also considering the need to review our caustic soda export structure and systems as well as shipping facilities at Tokuyama Factory. The market in Japan is expected to shrink going forward. It is vital that we visualize an appropriate exit strategy.