May 15, 2020

Summary of Fiscal 2019

(The Fiscal Year ended March 31, 2020)

Tokuyama Corporation

1. Summary of performance and other corporate data (consolidated)

(Unit: Billions of yen, except number of employees)

	Fiscal 2019	Fiscal 2018	Changes
Net sales	316.0	324.6	(8.5)
Operating profit	34.2	35.2	(0.9)
Ordinary profit	32.8	33.4	(0.5)
Profit attributable to owners of parent	19.9	34.2	(14.3)
Basic earnings per share (Unit: yen)	287.05	493.26	(206.21)
Capital expenditures	23.7	18.5	+5.1
Depreciation and amortization	16.1	15.0	+1.0
R&D expenses	9.1	8.0	+1.1
Financial income and expenses	(1.1)	(1.9)	+0.7

	As of March 31, 2020	As of March 31, 2019	Changes
Interest-bearing debt	116.3	128.9	(12.6)
Number of employees	5,679	5,471	+208

2. Net sales and operating profit by business segment (year on year)

(Unit: Billions of yen)

	FY2019		FY2018		Changes	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating Profit
Chemicals	93.7	15.3	98.3	16.8	(4.6)	(1.4)
Specialty Products	54.4	7.0	59.6	9.9	(5.2)	(2.8)
Cement	87.2	3.8	92.3	3.2	(5.0)	+0.6
Life & Amenity	56.3	2.8	55.2	3.2	+1.0	(0.3)
Others	65.2	6.9	61.3	4.3	+3.8	+2.5
Total	357.0	36.0	367.0	37.5	+10.0	(1.4)
Inter-segment eliminations and corporate-wide expenses	(40.9)	(1.8)	(42.4)	(2.3)	+1.4	+0.4
Consolidated results	316.0	34.2	324.6	35.2	(8.5)	(0.9)

* The Company changed the management categorizations of a certain subsidiary effective from this fiscal year under review. Data for the corresponding period of the previous fiscal year has been adjusted to reflect this change to enable the year-on-year comparison presented as follows.

- ○ In the Chemicals segment, there were lower earnings on lower sales due to the deterioration in overseas market conditions.
- ○ In the Specialty Products segment, there were lower earnings on lower sales due to the weak sales volume.
- ○ In the Cement segment, although sales volume remained weak, production costs decreased due to downing raw material prices, resulting in higher earnings on lower sales.
- ○ In the Life & Amenity segment, although healthcare related products were strong, advertising expenses increased and earnings from ion exchange membranes decreased due to decrease

of large-scale projects. Consequently, the segment reported lower earnings on higher sales.

3. Net sales and operating profit by business segment (forecasts)

(1) Net sales and operating profit by business segment (full year comparison)

(Unit: Billions of yen)

	FY2020 Forecast		FY2019 Results		Changes	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Chemicals	87.0	13.0	93.7	15.3	(6.7)	(2.3)
Specialty Products	61.0	7.5	54.4	7.0	+6.5	+0.4
Cement	86.0	3.5	87.2	3.8	(1.2)	(0.3)
Life & Amenity	58.0	3.0	56.3	2.8	+1.6	+0.1
Others	48.0	4.0	65.2	6.9	(17.2)	(2.9)
Total	340.0	31.0	357.0	36.0	(17.0)	(5.0)
Inter-segment eliminations and corporate-wide expenses	(30.0)	(3.0)	(40.9)	(1.8)	+10.9	+1.1
Consolidated results	310.0	28.0	316.0	34.2	(6.0)	6.2

(2) Assumptions of performance forecasts for fiscal 2020

	Fiscal 2020	**Fiscal 2019**
Domestic Naphtha Price (¥/kl)	**43,000**	**42,700**
Exchange Rate (¥/$)	**110**	**108**

The Tokuyama Group is forecasting decreases in sales and operating income due to the impact of COVID-19.

○ In the Chemicals segment, the Group has taken into account a decrease in the sales volumes of its major products.

○ In the Specialty Products segment, the Group has taken into account an increase in the sales volumes of semiconductor-related materials.

○ In the Cement segment, the Group has taken into account a decrease in sales volume.

○ In the Life & Amenity segment, the Group has taken into account an increase in sales.

Summary of Consolidated Financial Statements for Fiscal 2019 (JP GAAP)
(The Fiscal Year ended March 31, 2020)

May 15, 2020

Tokuyama Corporation	Stock exchange listings:	Tokyo
(URL http://www.tokuyama.co.jp/)	Code number:	4043

Representative: Hiroshi Yokota
President and Representative Director
Contact: Taro Kobayashi
General Manager, Corporate Communications & Investor Relations Dept.
+81-3-5207-2552

Scheduled date for the Ordinary General Meeting of Shareholders: June 24, 2020
Scheduled date of year-end dividends payout: June 25, 2020
Scheduled date for the filing of the consolidated financial statements: June 25, 2020
Preparation of supplementary explanatory materials: Yes
Business results IR briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated results for fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2019	316,096	(2.6)	34,281	(2.8)	32,837	(1.7)	19,937	(41.8)
Fiscal 2018	324,661	5.4	35,262	(14.6)	33,400	(7.7)	34,279	74.0

(Note) Comprehensive income: FY19: 21,293million yen [(32.0)%] FY18: 31,321 million yen [14.2%]

	Basic earnings per share	Diluted net income per share	Net income to shareholders' equity	Ordinary profit to total assets	Operating profit to net sales
	(yen)	(yen)	[%]	[%]	[%]
Fiscal 2019	287.05	—	12.4	8.6	10.8
Fiscal 2018	493.26	—	24.6	9.0	10.9

(Reference) Equity in earnings of unconsolidated subsidiaries and affiliates: FY19: 756 million yen FY18: 921 million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2020	383,447	180,429	44.0	2,431.21
Mar 31, 2019	379,630	163,525	40.2	2,199.83

(Reference) Shareholders' equity: FY19: 168,861 million yen FY18: 152,781 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Fiscal 2019	52,364	(20,548)	(18,348)	80,918
Fiscal 2018	38,531	(16,174)	(21,104)	67,991

2. Dividends

(Period)	Annual dividens					Total dividends paid (Total)	Dividend payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	[%]	[%]
Fiscal 2018	–	25.00	–	25.00	50.00	3,477	10.1	2.5
Fiscal 2019	–	35.00	–	35.00	70.00	4,865	24.4	3.0
Fiscal 2020 (Forecast)	–	35.00	–	–	–		–	

(Note) As of now, the dividend forecast for the fiscal year ending March 31, 2021 has not yet been determined.
Prompt notification will be provided when the dividend forecast has been decided based on business trends.

3. Consolidated performance forecast for fiscal 2020 (April 1, 2020 – March 31, 2021)

(% indicates the rate of change over the corresponding previous periods respectively)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(yen)
Fiscal 2020	310,000	(1.9)	28,000	(18.3)	28,000	(14.7)	22,000	10.3	316.75

(Note) Any impact amount factored in for the impact arising due to the spread of COVID-19 is limited to the amount that can be assumed at this stage. We will accordingly revise our earnings outlook as developments unfold.

* Cautions pertaining to the appropriate use of performance forecasts and other particular items

The performance forecast and other forward-looking statements contained in this material have been prepared on the basis of information available at this point and certain assumptions which are judged to be rational, and may be substantially different from the actual performance etc. because of various factors that may arise from now on.

*Notes

(1) Changes of significant subsidiaries in the scope of consolidation during this period : No

Addition to the scope of consolidation: -
Reduction from the scope of consolidation: -

(2) Changes of accounting policies, changes in accounting estimates, and retrospective restatements

i. Changes of accounting policies by revision of accounting standards : No
ii. Changes of accounting policies other than the above : No
iii. Changes in accounting estimates : No
iv. Retrospective restatements : No

(3) Number of shares issued (in common stock)

i.	Number of shares issued at end of period (including treasury stock):	FY19:	69,934,375	FY18:	69,934,375
ii.	Number of treasury stock at end of period:	FY19:	478,862	FY18:	482,765
iii.	Average number of shares over period:	FY19:	69,455,287	FY18:	69,495,230

(Reference) Summary of Non-Consolidated Operating Results

1. Non-consolidated results for fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Performance

Note: All amounts are rounded down to the nearest million yen.
% indicates year-on-year changes.

	Net sales		Operating profit		Ordinary profit		Net profit	
	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]	(millions of yen)	[%]
Fiscal 2019	189,271	(3.1)	26,222	(5.0)	25,519	2.0	14,908	(48.5)
Fiscal 2018	195,233	3.6	27,614	(17.2)	25,009	(15.6)	28,955	(1.0)

	Net profit per share	Diluted net profit per share
	(yen)	(yen)
Fiscal 2019	214.66	—
Fiscal 2018	416.66	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(millions of yen)	(millions of yen)	[%]	(yen)
Mar 31, 2020	297,999	124,668	41.8	1,794.94
Mar 31, 2019	290,701	111,884	38.5	1,610.98

(Reference) Shareholders' equity: FY19: 124,668 million yen FY18: 111,884 million yen

(Note) Notice on the implementation of audit procedures

This Summary of Consolidated Financial Statements is not subject to audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act. At the point of disclosure of this Summary of Consolidated Financial Statements, audit procedures of the consolidated financial statements in line with the Financial Instruments and Exchange Act are underway.

Contents for Accompanying Materials

1. Management Policy

(1) Basic Management Policy

Tokuyama Corporation reached an historic milestone in 2018 celebrating its 100th anniversary since the Company's foundation while embarking on its next century of prosperity and growth.
Under our Medium-Term Management Plan launched in 2016, which we have positioned as the "Cornerstone of the Group's Revitalization," we have once again clarified the Company's role going forward. In specific terms, our goals are to become a global leader in advanced materials while at the same time securing a top position through our traditional businesses in Japan. Driven by these goals, we are promoting a growth strategy in a bid to transition to a robust business structure that is resilient against changes in the operating environment and capable of sustainable growth. Moving forward, we will continue with efforts to realize a cost competitive business structure while further expanding and stabilizing earnings.
Recognizing the integral link between corporate and social growth, Tokuyama is also committed to resolving major global-scale issues. As one example, we newly introduced reform measures aimed at substantially reducing CO_2 emissions at Tokuyama Factory and promoting the complete reuse of energy from 2018. Currently, we are endeavoring to identify the key issues (materiality) that have a major impact on the Group's continuous growth. We have also incorporated the universally shared Sustainable Development Goals (SDGs) into the Group's activities and are working to provide products that help resolve a variety of social issues while addressing the ever-changing needs of society.
Looking ahead, we will work diligently to remain essential to society and the preferred choice of customers for the next 100 years.

(2) Medium- to Long-Term Management Strategies and Performance Targets

Under the Medium-Term Management Plan formulated in May 2016, we have identified the following two medium- to long-term management strategies, which we intend to carry out over the next decade through to the fiscal year ending March 31, 2026.

1. Transition toward a robust business structure that is resilient against changes in the Company's operating environment and is capable of sustainable growth

The Tokuyama Group has set the goal of becoming a global leader in advanced materials through unique technologies across growth businesses including the Specialty Products as well as Life & Amenity segment together with the development of new products. In such traditional businesses as the Cement and Chemicals segments, the Group will work to become a leader in Japan through strengthening competitiveness.

2. Transition to a Group-wide low-cost structure by undertaking a comprehensive review of existing work practices

The Tokuyama Group will reduce costs by adopting a cross-departmental approach that differs from conventional methods and undertaking strategic capital expenditures as a part of efforts to cut back principal costs including raw material, fuel, repairs and maintenance, and logistics costs.

In addition, Tokuyama has identified specific numerical targets as a measure of its success in carrying out these strategies. The goals are to achieve an ROA (operating profit/total assets), cash conversion cycle, and debt-to-equity ratio of at least 10%, not more than 55 days, and not more than 1.0, respectively, as of the end of fiscal 2020, the fiscal year ending March 31, 2021.

(3) Pending Issues

With a view to realizing its fiscal 2025 aspirations of becoming "a global leader in growth businesses" and "a leader in Japan in traditional businesses," the Company will formulate clear management strategies while accelerating efforts to prioritize issues to change to a corporate structure capable of regrowth.
Contributing to sustainable development goals (SDGs) is also essential to enable the Group to aim for sustainable growth over the long term. Accurately identifying the environmental and social issues, the Company would like to aim to realize both improvements in the corporate value of the entire Group and a sustainable society.

1. Change the Group's organizational culture and structure

Taking into consideration the growing pace of technical innovation and dramatic changes in global conditions, all Tokuyama employees are sharing a sense of impending crisis while recognizing the need to alter behavioral patterns and mindsets in a bid to secure sustainable growth going forward. Following on from the revision of the personnel evaluation system for managers and employees over the age of 60, steps were also taken to reform the Company's personnel systems for union members. Through these means, Tokuyama is hoping that employees will adopt a proactive approach and pursue grow by taking on new challenges. The Company expects that the strengthening of the training of human resources and in-house revitalization will be brought about by the appointment of talented employees at an early stage. Moreover, Tokuyama is working to energize its organization by actively employing mid-career staff.

2. Rebuild the Group's business strategies

To strengthen its presence in ICT-related fields, which are its growth businesses, the Company had completed the construction to increase production plant for high-purity aluminum nitride powder and photoresist developer. As an integral element of technical innovation, the application of information in its many forms including the Internet of Things, big data, and artificial intelligence is expected to experience an upswing in demand. Against this backdrop, Tokuyama has increased its annual production capacity for aluminum nitride powder by 40% and photoresist developer by 75%, thereby further expanding the Company's supply structure and systems. In order to consistently meet the expectations of customers, Tokuyama will continue to engage in in safe and stable operations while further expanding its business. Looking ahead, the Company will continue to actively inject funds and undertake capital and other expenditure mainly targeting growth businesses.

3. Strengthen Group management

The decision has been made for Excel Shanon Corporation, a wholly owned subsidiary that engages in the manufacture and sale of plastic window sashes and related products as well as various kinds of house construction materials, to receive an injection of capital through a third-party allocation of shares from Panasonic Corporation. Moving forward, there is considerable expectation that the companies will utilize the construction material sales channels of Panasonic's Housing Systems Business Division. The goal is to promote increased collaboration across a wide array of areas. This includes the tapping of new markets and strengthening of manufacturing capabilities. By seamlessly combining the strengths of each company and bolstering competitive advantage, every efforts will be made to expand the plastic window sash market and address growing energy conservation needs.

4. Improve the Company's financial position

Having made progress in reducing its interest-bearing debt, the Company achieved a D/E ratio of 1.0 times or less, one of the goals of the Medium-Term Management Plan, two years ahead of schedule. This fiscal year, the D / E ratio increased by 0.69 times due to the continued reduction of interest-bearing debt and the accumulation of period profit. In addition, the issuer credit rating has returned to a rating, praising the steady progress of strengthening and expanding the profit base and financial base.

To achieve its financial targets, the Company will promote management efficiency and the reduction of its interest-bearing debt, while continue its efforts to build a sound financial position.

5. Initiatives toward SDGs

To realize a sustainable society, we extracted the social issues relevant to the Tokuyama Group and identified the following 9 items as materiality (important issues to be addressed). Addressing these important issues is linked to the Company's mission of "Centered on the field of chemistry, the Tokuyama Group will continue to create value that enhances people's lives."

①Helping to fight global warming
②Conserving the environment
③Preventing accidents and preparing for disasters
④Developing products and technologies that address social issues
⑤Managing chemicalsubstances
⑥Engaging with localcommunities
⑦Promoting CSR procurement
⑧Developing human resources
⑨Emphasizing diversity

2. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

<1> Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

Against the backdrop of trade friction between the United States and China, which put the brakes on trade and investment activities, the pace of global economic growth declined in fiscal 2019 (April 1, 2019 to March 31, 2020) due to increased uncertainty over the future. Impacted by the spread of COVID-19, the Japanese economy subsequently experienced a major downturn due to a decline in exports and drop in consumer spending.

Under these circumstances, the Tokuyama Group continued to implement the priority measures identified in its Medium-Term Management Plan.

As a result, both sales and operating profit decreased due to weak sales of major products mainly, despite of some success in cost reduction activities at Tokuyama Factory.

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parerent
Fiscal 2019	**316,096**	**34,281**	**32,837**	**19,937**
Fiscal 2018	324,661	35,262	33,400	34,279
Rate of change (%)	(2.6)	(2.8)	(1.7)	(41.8)

Net sales

Consolidated net sales decreased 2.6%, or ¥8,564 million compared with the previous fiscal year, to ¥316,096 million. This was largely attributable to weak sales of major products.

Cost of sales

Cost of sales decreased 4.1%, or ¥9,218 million compared the previous fiscal year, to ¥217,446 million. This decrease largely reflected the downswing in raw material and fuel costs as a result of the decrease in domestic naphtha and coal prices.

SG&A expenses

SG&A expenses increased 2.6%, or ¥1,636 million compared with the previous fiscal year, to ¥64,369 million. In addition to the increase in advertising expenses associated with the release of new products to the market, this increase largely reflected R&D expenses of thermal management material.

Operating profit

Operating profit decreased 2.8%, or ¥981 million compared with the previous fiscal year, to ¥34,281 million. This was largely attributable to a weak sales volume in major products.

Non-operating income/expenses, Ordinary profit

Non-operating income/expenses improved ¥418 million compared with the previous fiscal year.

As a result of the above, ordinary profit decreased 1.7%, or ¥562 million compared with the previous fiscal year, to ¥32,837 million.

Extraordinary income/losses, Profit before income taxes, Profit, Profit attributable to owners of parent

Extraordinary income/losses deteriorated by ¥9,537 million compared with the previous fiscal year. This was largely attributable to the Company recorded a Loss on valuation of investment securities.

As a result of the above, profit before income taxes decreased 26.6%, or ¥10,100 million compared with the previous fiscal year, to ¥27,917 million.

Profit after deducting income taxes calculated in an appropriate way decreased 40.1%, or ¥14,036 million compared with the previous fiscal year, to ¥20,992 million.

Profit attributable to owners of parent decreased 41.8%, or ¥14,341 million compared with the previous fiscal year, to ¥19,937 million.

[2] Operating performance by business segment

(Operating results by segment)

Sales (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2019	**93,730**	**54,466**	**87,289**	**56,307**	**65,232**	**357,026**	**(40,929)**	**316,096**
Fiscal 2018	98,380	59,668	92,366	55,279	61,370	367,065	(42,404)	324,661
Rate of change (%)	(4.7)	(8.7)	(5.5)	1.9	6.3	(2.7)	-	(2.6)

Operating profit (Unit: Millions of yen)

	Reportable segment				Others	Total	Adjustment	Figures in consolidated income statement
	Chemicals	Specialty Products	Cement	Life & Amenity				
Fiscal 2019	**15,366**	**7,058**	**3,835**	**2,885**	**6,935**	**36,082**	**(1,801)**	**34,281**
Fiscal 2018	16,850	9,934	3,204	3,236	4,337	37,564	(2,301)	35,262
Rate of change (%)	(8.8)	(29.0)	19.7	(10.8)	59.9	(3.9)	-	(2.8)

(Note) Sales and operating profit in each segment include inter-segment transactions.

Chemicals

Caustic soda earnings declined. Despite firm sales volume trends, this downturn in earnings was largely due to the increase in raw material prices coupled with a deterioration in overseas market conditions.

Vinyl chloride resin earnings increased due to the Company's ability to maintain the spread between raw material prices and selling prices.

Propylene oxide earnings decreased owing to a drop in sales volume for polyurethane, main application.

Calcium chloride earnings declined. This largely reflected weak sales volume due to less snow and an increase in logistics costs.

As a result of the above, segment net sales decreased 4.7% compared with the previous fiscal year, to ¥93,730 million and operating profit decreased 8.8% to ¥15,366 million. The segment reported lower earnings on lower sales.

Specialty Products

Despite signs of a recovery in the semiconductor market, earnings from semiconductor-grade polycrystalline silicon and thermal management materials declined. This largely reflected the downturn in sales volumes attributable to inventory adjustments by customers.

In high-purity chemicals for electronic manufacturing, its business result was almost same as the corresponding period of the previous fiscal year. This was due to sales volume mainly overseas recovered.

As a result of the above, segment net sales decreased 8.7% compared with the previous fiscal year, to ¥54,466 million and operating profit decreased 29.0% to ¥7,058 million. The segment reported lower earnings on lower sales.

Cement

Cement earnings decreased. Despite manufacturing costs decreased due to a down in coal prices, this downturn in earnings was largely due to decrease in sales volume and an increase in fixed costs such as depreciation.

In the resource recycling business, its earnings increased due to the Company accepted a higher volume of waste than the corresponding period of the previous year.

As a result of the above, segment net sales decreased 5.5% compared with the previous fiscal year, to ¥87,289 million and operating profit increased 19.7% to ¥3,835 million. The segment reported higher earnings on lower sales.

Life & Amenity

Earnings from plastic lens-related materials increased on the back of the robust shipping trends of photochromic materials for eyeglass lenses.

Dental materials earnings decreased. Despite an increase in sales volume mainly overseas, this decrease was mainly due to the increase in advertising expenses associated with the release of new products to the market.

Earnings from medical diagnosis systems increased due to firm sales volume of Clinical Testing devices and Systems

Earnings from ion exchange membranes decreased. This was due to a decrease in large-scale projects.

As a result of the above, segment net sales increased 1.9% compared with the previous fiscal year, to ¥56,307 million and operating profit decreased 10.8% to ¥2,885 million. The segment reported lower earnings on higher sales.

<2> Outlook for fiscal 2020

[1] Outlook for operating forcasts for fiscal 2020

As the spread of COVID-19 inevitably wreaks havoc on the global economy, the Tokuyama Group will increasingly face a harsh operating environment. Under these circumstances, we will continue to transition to a robust business structure that is unaffected by changes in market conditions and movements in supply and demand, and is capable of sustainable growth. In the traditional businesses of Cement and Chemicals, we will endeavor to strengthen our competitiveness by thoroughly reducing costs and increasing efficiency. In such growth businesses as Specialty Products, Life & Amenity, and Newly Developed Products, we will make every effort to bolster our product and development prowess by enhancing functions as well as quality in a bid to nurture the necessary driving force to propel new growth.The impact of COVID-19 on the Company's operating results is expected to gradually fade from the second quarter, with almost no impact from the third quarter and beyond. Based on current information, we forecast net sales of ¥310 billion, a decrease of 1.9% (¥6 billion) compared with the fiscal year under review, operating profit of ¥28 billion, a decrease of 18.3% (¥6.2 billion), ordinary profit of ¥28 billion, a decrease of 14.7% (¥4.8 billion) and profit attributable to owners of parent of ¥22 billion, a decrease of 10.3% (¥20 billion).

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parerent
Fiscal 2020	**310,000**	**28,000**	**28,000**	**22,000**
Fiscal 2019	316,096	34,281	32,837	20,494
Rate of change (%)	(1.9)	(18.3)	(14.7)	+10.3

These forecasts are calculated based on an exchange rate of ¥110/$ and a domestic naphtha price of ¥43,000/kl.

[2] Outlook for segment forcasts for fiscal 2020

Chemicals

The spread of COVID-19 is expected to impact demand both in Japan and overseas.Under such circumstances, the Company will secure sales volume of its major products and promote the strengthening of its cost competitiveness by, for example, reducing unit consumption and fixed costs.

Specialty Products

Despite expectations of a recovery in the semiconductor market due mainly to 5G demand, there are concerns regarding a delay in 5G introduction due to the spread of COVID-19. Notwithstanding these concerns, demand to date has remained steady on the back of moves by end-device manufacturers to build up inventories from the perspective of stable component procurement. With respect to semiconductor-grade polycrystalline silicon, we will ramp up our pursuit of quality and work to increase earnings by expanding sales of high-value-added products that are distinct from the products of other companies. In high-purity chemicals for electronic manufacturing, we will focus on putting in place a supply structure and systems that address growing demand by securing full-scale plant operations where steps have been newly taken to increase production capacity in 2020. Turning to heat dissipation materials, we will reinforce our supply systems while at the same time focusing on development in a bid to expand our product lineup.

Cement

While domestic demand was expected to remain at the same level as fiscal 2019, there are concerns about a decline in shipment volumes due to the temporary suspension of construction work, especially in major cities, as a result of the spread of COVID-19. In addition, demand is also decreasing overseas. This is triggering anxieties regarding a drop in shipment volumes. Under these circumstances, we will work to secure earnings by capturing orders after the resumption of construction and thoroughly reducing manufacturing costs.

Life & Amenity

Shipments of dental materials and other products to the U.S. and Europe are projected to decline due to the impact of COVID-19. Under such circumstances, the Company will focus on new product development and sales activities in response to customer needs for healthcare-related products and changes in the market.

Others

The "Others" segment includes businesses which are responsible for the Group's sales, logistics, utilities and other functions. The segment will work to increase Group-wide earnings by continuing to reduce costs.

(2) Analysis of Financial Position

<1> Analysis of assets, liabilities and net assets

Summery of Consolidated Balance Sheets (Unit: Millions of yen)

	Mar 31, 2019	Mar 31, 2020	Ammount of change	Rate of change (%)
Assets	379,630	383,447	3,817	1.0
Liabilities	216,104	203,017	(13,087)	(6.1)
(Interest-bearing debt)	128,966	116,344	(12,622)	(9.8)
Net assets	163,525	180,429	17,461	10.3
(Shareholders' equity)	152,781	168,861	16,079	10.5

Financial indicators

	Mar 31, 2019	Mar 31, 2020	Ammount of change
D/E ratio	0.84	0.69	(0.15)
Net D/E ratio	0.40	0.21	(0.19)
Shareholders' equity ratio (%)	40.2	44.0	3.8points
Shareholders' equity ratio based on market price (%)	47.8	37.9	(9.9) points

(Note)

*D/E ratio : interest-bearing debt / shareholders' equity
Net D/E ratio : (interest-bearing debt - Cash and cash equivalents) / shareholders' equity
Shareholders' equity ratio (%) : interest-bearing debt / total assets
Shareholders' equity ratio based on market price (%) : market capitalization / total assets

(Assets)

Notes and accounts receivable – trade decreased ¥7,428 million, other current assets decreased ¥5,730 million due to receiving of damages claims relating to the plant construction of the Tokuyama Malaysia Sdn. Bhd. and investment securities decreased ¥2,332 milliondue to devaluation of investment securities, while cash and deposits increased ¥12,911 million and plant and equipment increased ¥7,087 million due to capital investment. As a result, total assets amounted to ¥383,447 million, an increase of ¥3,817 million compared with those as of March 31, 2019.

(Liabilities)

Provision for repairs increased ¥1,589 million, while long-term loans payable and the current portion of long-term loans payable decreased ¥11,716 million due to scheduled repayments and notes and accounts payable – trade decreased ¥4,472 million.

As a result, total liabilities amounted to ¥203,017 million, down ¥13,087 million compared with those as of March 31, 2019.

(Net assets)

Retained earnings increased ¥15,764 million as a result of posting profit attributable to owners of parent mainly. Valuation difference on available-for-sale securities increased ¥1,898 million.

As a result, net assets totaled ¥180,429 million, an increase of ¥16,904 million compared with those as of March 31, 2019.

(Financial indicators)

Under its Medium-Term Management Plan, the Company includes a D/E ratio of 1.0 or less as a management numerical target for fiscal 2020. With regard to the consolidated fiscal year under review, the D/E ratio improved 0.15 compared with the previous fiscal year to 0.69 times, due to a ¥12,622 million decrease in interest-bearing debt and a ¥16,079 increase in shareholders' equity.

The Company has achieved the management numerical target cited in its Medium-Term Management Plan, but will work to improve the D/E ratio on an ongoing basis from the current fiscal year onward.

<2> Analysis of cash flows

Summery of Consolidated Statements of Cash Flows (Unit: Millions of yen)

	Fiscal 2018	Fiscal 2019
Cash flows from operating activities	38,531	52,364
Cash flows from investing activities	(16,174)	(20,548)
Cash flows from financing activities	(21,104)	(18,348)
Effect of exchange rate changes on cash and cash equivalents	(49)	(540)
Net increase (decrease) in cash and cash equivalents	1,202	12,926
Cash and cash equivalents at end of year	67,991	80,918

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥52,364 million, an increase ¥13,833 million compared with the previous fiscal year. Principal items included profit before income tax of ¥27,917 million and depreciation of ¥16,122 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥20,548 million, an increase of ¥4,374 million compared with the previous fiscal year.

Major contributory factors were payments for purchases of property, plant and equipment of ¥19,706 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥18,348 million, a decrease of ¥2,756 million compared with the previous fiscal year.

This was primarily attributed to outflow due to repayments of long-term loans of ¥12,739 million.

<3> Procurement of Funds and Liquidity

(Procurement of Funds)

The Tokuyama Group has identified efforts to improve its financial structure as one component of the financial policy outlined under its Medium-Term Management Plan. Against this backdrop, the Group is working to build up its shareholders' equity while reducing its interest-bearing debt. Turning to other policy targets, the Group is endeavoring to acquire a "single A" rating from relevant agencies by the end of the Medium-Term Management Plan. Under this policy, the Group acquired a "single A-" rating from relevant agencies on July 19, 2019. The Group will continue to improve its financial position.

Meanwhile, the Tokuyama Group recognizes the need to retain a certain level of funds in order to secure the working capital required to finance its business activities, expand its growth businesses, undertake capital expenditures geared toward strengthening the competitiveness of traditional business, and promote strategic investments. While the principal method of procuring these funds is to accumulate cash on hand through the continuous posting of business earnings, the Group will also pursue other avenues. This includes borrowing from financial institutions and issuing unsecured bonds. In addition, energies are being directed toward building a financial structure that is capable of engaging in business activities with less working capital. To this end, the Group is working to improve its cash conversion cycle (CCC), reduce inventories, and improve trading terms and conditions with business partners, issues raised under the Medium-Term Management Plan. Furthermore, the Tokuyama Group's intended investment amount for the next fiscal year is ¥32.7 billion. Plans are in place to utilize cash on hand and borrowings from financial institutions.

(Liquidity)

Cash and cash equivalents stood at ¥80,918 million as of the end of the fiscal year under review. On this basis, the Tokuyama Group is confident that it maintains more than ample liquidity to promote its business activities. In addition, Tokuyama has executed revolving credit facility, overdraft, and credit liquidation agreements with a financial institution. Accounting for these factors, the Company is more than capable of maintain a certain level of liquidity should any impediment arise.

(3) Progress under the Medium-Term Management Plan

Compared with the previous fiscal year ROA deteriorated by 0.52 of a percentage point to 9.0% due to the decrease in operating profit brought about by weak sales of major products and the increase in total assets due to capital investment. . Cash conversion cycle (CCC) deteriorated by four days compared with the previous fiscal year to 64 days, due to an increase in inventories. The D/E ratio was 0.69 times, an improvement of 0.15 compared with the previous fiscal year, due to the accumulation of profit, the reduction of interest-bearing debt and other factors. The Company has achieved the Medium-Term Management Plan target value of 1.0 times or less already previous fiscal year.

(4) Basic Policy for Profit Distribution and Dividends for Fiscal 2019 and 2020

As far as the distribution of profits is concerned, Tokuyama's basic policy is the ensure the continuous and stable payment of dividends to its shareholders. In carrying out this policy, the Company takes into consideration performance trends and the roadmap established under its Medium-Term Management Plan. Meanwhile, the Company will apply internal reserves to investment and lending as well as capital expenditures with the aim of further enhancing its corporate value.

In fiscal 2019, the Company expects to pay out a year-end dividend of ¥35 per share in line with the basic policy mentioned above.

As far as dividends for the next period are concerned, Tokuyama plans to pay an interim dividend of ¥35 per share for the fiscal year ending March 31, 2021 based on the assumptions outlined in "<2> Outlook for fiscal 2020 of (1) Analysis of Operating Results." In contrast, the year-end dividend is yet to be determined given the uncertainty surrounding the spread of COVID-19.

(Millions of yen)

	3/31/2019	3/31/2020
Assets		
Current assets		
Cash and deposits	68,613	81,524
Notes and accounts receivable - trade	80,358	72,929
Lease receivables	30	34
Merchandise and finished goods	16,458	18,506
Work in process	9,554	10,051
Raw materials and supplies	17,462	16,088
Other	10,554	4,823
Allowance for doubtful accounts	(94)	(108)
Total current assets	202,936	203,849
Non-current assets		
Property, plant and equipment		
Buildings and structures	106,214	108,636
Accumulated depreciation	(76,233)	(78,109)
Buildings and structures, net	29,981	30,526
Machinery, equipment and vehicles	459,535	465,761
Accumulated depreciation	(414,813)	(420,631)
Machinery, equipment and vehicles, net	44,721	45,129
Tools, furniture and fixtures	22,106	22,488
Accumulated depreciation	(19,905)	(20,024)
Tools, furniture and fixtures, net	2,201	2,463
Land	32,296	33,363
Leased assets	4,548	5,011
Accumulated depreciation	(2,237)	(2,370)
Leased assets, net	2,311	2,641
Construction in progress	4,592	9,067
Total property, plant and equipment	116,104	123,192
Intangible assets		
Goodwill	208	3
Leased assets	71	59
Other	1,693	1,594
Total intangible assets	1,973	1,657
Investments and other assets		
Investment securities	21,718	19,385
Long-term loans receivable	2,444	2,302
Deferred tax assets	21,091	19,164
Retirement benefit asset	9,796	9,569
Other	3,621	4,382
Allowance for doubtful accounts	(57)	(56)
Total investments and other assets	58,614	54,747
Total non-current assets	176,693	179,597
Total assets	379,630	383,447

(Millions of yen)

	3/31/2018	3/31/2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	47,268	42,795
Short-term borrowings	4,361	3,082
Current portion of long-term borrowings	12,667	16,106
Lease obligations	758	870
Income taxes payable	3,816	2,896
Provision for bonuses	2,664	3,175
Provision for repairs	3,569	5,159
Provision for decommissioning and removal	—	439
Provision for product warranties	137	84
Provision for loss on compensation for damage	91	84
Provision for restructuring	233	—
Other	17,680	20,545
Total current liabilities	93,248	95,241
Non-current liabilities		
Long-term borrowings	109,411	94,255
Lease obligations	1,767	2,028
Deferred tax liabilities	220	204
Provision for retirement benefits for directors (and other officers)	224	239
Provision for share-based remuneration	48	86
Provision for repairs	1,546	944
Provision for decommissioning and removal	—	529
Allowance for loss on compensation for building materials	260	158
Provision for environmental measures	222	196
Retirement benefit liability	2,149	2,277
Asset retirement obligations	6	6
Other	6,999	6,848
Total non-current liabilities	122,856	107,775
Total liabilities	216,104	203,017
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	20,018	20,018
Retained earnings	121,901	137,665
Treasury shares	(1,823)	(1,809)
Total shareholders' equity	150,095	165,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,566)	332
Deferred gains or losses on hedges	(61)	(35)
Foreign currency translation adjustment	1,672	703
Remeasurements of defined benefit plans	2,640	1,986
Total accumulated other comprehensive income	2,685	2,986
Non-controlling interests	10,743	11,568
Total net assets	163,525	180,429
Total liabilities and net assets	379,630	383,447

(Millions of yen)

	FY2018	FY2019
Net sales	324,661	316,096
Cost of sales	226,664	217,446
Gross profit	97,996	98,650
Selling, general and administrative expenses		
Selling expenses	41,524	42,265
General and administrative expenses	21,208	22,104
Total selling, general and administrative expenses	62,733	64,369
Operating profit	35,262	34,281
Non-operating income		
Interest income	123	145
Dividend income	390	352
Share of profit of entities accounted for using equity method	921	756
Outsourcing service income	716	650
Rental income from non-current assets	649	531
Other	2,000	1,669
Total non-operating income	4,802	4,105
Non-operating expenses		
Interest expenses	2,453	1,689
Provision for decommissioning and removals	—	985
Fiduciary obligation expenses	685	676
Cost of loans payable	884	—
Other	2,640	2,198
Total non-operating expenses	6,664	5,549
Ordinary profit	33,400	32,837
Extraordinary income		
Gain on sales of non-current assets	47	23
Gain on bargain purchase	964	157
Gain on sales of investment securities	1	8
Subsidy income	133	144
Gain on insurance claims	169	470
Gain on step acquisitions	—	56
Compensation for damage income	6,006	—
Other	27	—
Total extraordinary income	7,351	861
Extraordinary losses		
Loss on sales of non-current assets	10	19
Impairment loss	363	34
Loss on disaster	30	82
Loss on tax purpose reduction entry of non-current assets	100	191
Loss on disposal of non-current assets	807	685
Loss on sales of investment securities	—	1
Loss on valuation of investment securities	—	4,531
Compensation for damage	851	—
Other	569	234
Total extraordinary losses	2,733	5,781
Profit before income taxes	38,017	27,917
Income taxes - current	5,074	4,898
Income taxes - deferred	(2,085)	2,026
Total income taxes	2,988	6,924
Profit	35,029	20,992
Profit attributable to non-controlling interests	750	1,055
Profit attributable to owners of parent	34,279	19,937

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2018	FY2019
Profit	35,029	20,992
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,919)	1,921
Deferred gains or losses on hedges	90	25
Foreign currency translation adjustment	(304)	(891)
Remeasurements of defined benefit plans, net of tax	(434)	(654)
Share of other comprehensive income of entities accounted for using equity method	(139)	(100)
Total other comprehensive income	(3,707)	300
Comprehensive income	31,321	21,293
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,596	20,237
Comprehensive income attributable to non-controlling interests	725	1,055

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018	FY2019
Cash flows from operating activities		
Profit before income taxes	38,017	27,917
Depreciation	15,093	16,122
Increase (decrease) in provisions	(693)	2,118
Increase (decrease) in retirement benefit liability	58	129
Decrease (increase) in retirement benefit asset	(761)	(709)
Interest and dividend income	(514)	(497)
Foreign exchange losses (gains)	8	321
Loss (gain) on sales of property, plant and equipment	(36)	(4)
Loss (gain) on sales of investment securities	(1)	(6)
Share of loss (profit) of entities accounted for using equity method	(921)	(756)
Gain on bargain purchase	(964)	(157)
Loss (gain) on step acquisitions	—	(56)
Subsidy income	(133)	(144)
Interest expenses	2,453	1,689
Cost of loans payable	884	—
Loss on tax purpose reduction entry of non-current assets	100	191
Impairment loss	363	34
Loss (gain) on disposal of non-current assets	807	685
Gain on insurance claims	(169)	(470)
Loss (gain) on valuation of investment securities	—	4,531
Compensation for damage income	(6,006)	—
Compensation for damage	851	—
Decrease (increase) in trade receivables	928	7,343
Decrease (increase) in inventories	(4,071)	(1,268)
Decrease (increase) in other current assets	335	(323)
Increase (decrease) in trade payables	(1,090)	(4,385)
Increase (decrease) in other current liabilities	(403)	752
Other, net	943	(74)
Subtotal	45,077	52,981
Interest and dividends received	938	1,041
Interest paid	(2,529)	(1,709)
Proceeds from insurance income	169	470
Compensation for damage received	—	5,865
Compensation for damage paid	—	(832)
Income taxes (paid) refund	(5,123)	(5,451)
Net cash provided by (used in) operating activities	38,531	52,364

(Millions of yen)

	FY2018	FY2019
Cash flows from investing activities		
Payments into time deposits	(269)	(52)
Proceeds from withdrawal of time deposits	498	174
Purchase of property, plant and equipment	(16,765)	(19,706)
Proceeds from sales of property, plant and equipment	219	68
Purchase of investment securities	(22)	(24)
Proceeds from sales of investment securities	3	21
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	583	137
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(110)
Long-term loan advances	(3)	(5)
Collection of long-term loans receivable	214	181
Subsidies received	133	144
Other, net	(765)	(1,376)
Net cash provided by (used in) investing activities	(16,174)	(20,548)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	247	(1,403)
Proceeds from long-term borrowings	59,713	1,092
Repayments of long-term borrowings	(76,512)	(12,739)
Dividends paid	(3,122)	(4,164)
Dividends paid to non-controlling interests	(357)	(276)
Decrease (increase) in treasury shares	(308)	(0)
Other, net	(764)	(856)
Net cash provided by (used in) financing activities	(21,104)	(18,348)
Effect of exchange rate change on cash and cash equivalents	(49)	(540)
Net increase (decrease) in cash and cash equivalents	1,202	12,926
Cash and cash equivalents at beginning of period	66,807	67,991
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(18)	—
Cash and cash equivalents at end of period	67,991	80,918

(5) Segment information

1. Summary of reportable segments

The reportable segments of the Tokuyama Group are defined as individual units, where separate financial information is available and which are subject to regular review by the Board of Directors of the Company to evaluate their results and decide the allocation of management resources.

The Company has business divisions by product group, and the Tokuyama Group conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.

The Tokuyama Group is, therefore, composed of segments by product group based on business divisions, and has four reportable segments, “Chemicals,” “Specialty Products,” “Cement,” and “Life & Amenity.”

Main products and services of each reportable segment are as follows:

Reportable segment	Main products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium silicate, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide, isopropyl alcohol, chlorinated solvents, and hydrogen
Specialty Products	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity chemicals for electronics manufacturing, and photoresist developer
Cement	Cement, ready-mixed concrete, cement-type stabilizer, and resourece recycling business
Life & Amenity	Polyolefin film, plastic window sashes, medical diagnosis systems, dental materials and equipment, ion exchange membranes, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses, and microporous film

2. Information on sales, income, assets and other items by reportable segment

Fiscal 2018 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	97,471	47,193	91,491	53,260	35,243	324,661	-	324,661
Inter-segment sales/transfer	908	12,474	874	2,018	26,127	42,404	(42,404)	-
Total	98,380	59,668	92,366	55,279	61,370	367,065	(42,404)	324,661
Segment profit	16,850	9,934	3,204	3,236	4,337	37,564	(2,301)	35,262
Segment assets	53,995	62,916	55,427	59,190	51,408	282,938	96,691	379,630
Other items								
Depreciation expenses*4	2,582	2,533	3,359	2,399	3,441	14,315	777	15,093
Increase in tangible and intangible fixed assets*5	3,375	5,404	3,507	2,059	2,750	17,098	1,970	19,069

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥123,060million).

*3 With regard to segment profit, operating income in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' income and the "Others" segment's profit.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Reportable segments				Others*1	Total	Adjustment*2	Figures in consolidated financial statements*3
	Chemicals	Specialty Products	Cement	Life & Amenity				
Sales								
Sales to customers	92,755	43,726	86,616	54,347	38,651	316,096	—	316,096
Inter-segment sales/transfer	975	10,739	673	1,960	26,581	40,929	△40,929	—
Total	93,730	54,466	87,289	56,307	65,232	357,026	△40,929	316,096
Segment profit	15,366	7,058	3,835	2,885	6,935	36,082	△1,801	34,281
Segment assets	48,277	61,039	55,277	57,955	50,001	272,551	110,895	383,447
Other items								
Depreciation expenses*4	2,750	2,926	3,422	2,460	3,679	15,239	882	16,122
Increase in tangible and intangible fixed assets*5	3,106	8,059	4,219	2,602	3,478	21,467	3,182	24,649

*1 "Others" segment comprises businesses other than those of the reportable segments. Concretely, the segment includes overseas sales companies, a distribution company, a real estate business, etc.

*2 Adjustment is as follows:

(1) The segment profit adjustment amount consists mainly of basic R&D expenses that are not related to specific reportable segments.

(2) Included in the segment assets adjustment amount are corporate assets that are not allocated to specific reportable segments (¥137,395million).

*3 With regard to segment profit, operating profit in the consolidated financial statements has been calculated by adjusting the sum total of the reportable segments' profit and the "Others" segment's profit.

*4 Included in depreciation expenses is the long-term prepaid expense depreciation amount.

*5 Included in increase in tangible and intangible fixed assets is the long-term prepaid expense increase amount.

(Changes in reportable segments)

In accordance with the change in management categorizations of a certain subsidiary implemented from this fiscal year under review, a certain subsidiary previously included in the Others segment have now been included in the Life & Amenity segment.

Segment information for the corresponding period of the previous fiscal year has been prepared in accordance with this change.