

2Q FY2020 Tokuyama Corporation Investor Meeting

Q&A (Excerpts)

Date and time: October 28, 2020 (Wednesday) 18:00 – 19:00

Participants: Hiroshi Yokota, Representative Director, President and Executive Officer
Hideo Sugimura, Director, Managing Executive Officer, General Manager,
Corporate Planning Div.

1. Questions regarding 1H results and full fiscal year forecasts

Q1: You are not revising your full-year operating profit forecast, and I think it will go a little higher. Are you viewing the Life & Amenity Business Division in a conservative manner?

A1: We have factored in a little leeway. The possibility of impact from a second wave of COVID-19 cannot be denied. If infections spread in Europe and the United States and the situation becomes like it was in the spring of this year, the Life & Amenity Business Division may be affected.

Q2: The price of coal has been rising recently. I would like to ask for your comments with regard to the procurement price of coal and an explanation of cement profit and loss trends.

A2: Coal prices temporarily rose in the first half of October, but are now stable. The cement business tends to have high sales in the second half, however this year the construction industry is generally lacking in strength. Since the planned hotel-related projects in the regions are struggling due to the impact of COVID-19, we are maintaining a cautious stance and estimate that we will be on par with the first half.

Q3: A question regarding the “Other fixed costs” in the increase/decrease analysis graph on page 8 of the explanatory materials. It is explained that, at the beginning of the term, the annual amount was ¥10.4 billion, but since the progress in the first half is quite low, will the ¥9 billion balance be generated in the second half?

A3: I don't think we will use that much. Repair costs are almost as planned compared with our plans at the beginning of the term, and since we are innovating and reducing the

amount of investment by as much as possible, we are expecting our full-year depreciation costs to be negative. As for R&D, since we are cutting costs for machinery and equipment, we think that “Other fixed costs” for the full year can be reduced by about ¥2 billion from the beginning of the year forecast. In addition, as expense-related costs, including business trips and entertainment expenses, have been reduced by about ¥1 billion in the first half by teleworking, we would like this trend to continue.

2. Questions regarding polycrystalline silicon applications for semiconductors

Q4: Please tell us about the status of orders received for polycrystalline silicon in the first half and the movement toward the second half. From July to September, the volume of wafer shipments seemed to be at a high level. Can you tell us how you see the polycrystalline silicon business going forward?

A4: Quantitatively, we are receiving orders at a high level. The same applies to the second half of the year, and we are almost receiving orders in line with those in fiscal 2018, which were strong. Customers for a wafer diameter of 300 mm have high rates of operation and robust demand. On the other hand, overall demand for small-diameter wafers may be weaker than that of 300 mm, but since we think that these will also exhibit a boom when looked at over the medium to long term, we assess that we will be in a strong position in the coming years.

Q5: Did the first-half sales volume of polycrystalline silicon increase year on year? Will you be able to raise prices next fiscal year?

A5: The volume has increased by about 25 percent. Improving quality to maintain a cutting edge in the market requires a large amount of investment. We are strongly requesting price increases from our customers.

3. Question regarding efforts to reduce CO₂ emissions

Q6: The use of biomass fuel is becoming more widespread as an initiative to reduce CO₂ emissions, but is it realistically possible to procure biomass fuel?

A6: The prices of biomass fuels, especially white pellets, are soaring, and it is difficult to procure them without a long-term contract. Our goal is the use of biomass that is not yet being utilized. We have a variety of ideas that we are currently considering.

4. Question regarding A&T Corporation becoming a wholly owned subsidiary

Q7: Congratulations on making A&T a wholly owned subsidiary. The company had remained in a half-owned state for a long time. I think its products are not bad, but could you please tell us the reason why A&T's performance was sluggish and what you, President Yokota, would like to achieve with the company in the years ahead.

A7: As you said, the situation had been dragging on without reaching a conclusion. To break the deadlock, A&T and Tokuyama identified the problems of group management and the direction in which we should proceed. A&T needs to further enhance its development capabilities. Up to now, the company had been conducting business focusing on electrolytes and glucose, but since the domestic market for these has plateaued, they need to break into overseas markets. OEM supply in China and other business is getting on track, but when working overseas there are limits to what A&T can do on its own. Also, recent infectious diseases and the ideal methods of immunodiagnostics that accompany them are being highlighted, but A&T has not yet created such a lineup. In these fields, the search technology for functional peptides, for example, will be material for immunodiagnostics in the future. I would like to focus on research and development as a unit and also carry out technical development. I would also like to make Group-wide efforts, such as by strengthening cooperation and including universities and research institutes as well as downstream manufacturers and open innovation.