

## 3Q FY2020 Tokuyama Corporation Investor Meeting

### Q&A (Excerpts)

Date and time: January 29, 2021 (Friday) 12:00 – 13:00

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

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

#### 1. Questions regarding individual products

Q1: Please tell us about the status of plastic lens-related materials, dental materials and equipment, and the share exchange agreement with A&T Corporation in the Life & Amenity segment?

A1: The downturn in plastic lens-related material exports bottomed out around the summers and is projected to remain steady going forward. In dental materials and equipment, OMNICHROMA is receiving wide acclaim. We hope to secure firm growth of this new products in Europe and the U.S. As far as A&T Corporation is concerned, the goal is to lift our interest in the company and include it in our scope of consolidation as a wholly owned subsidiary while actively promoting increased integration with the Tokuyama's chemical synthesis technology. We are also looking to collaborate more deeply in the research of reagents and diagnostic equipment while working to expand our competitiveness and business over the medium to long term.

Q2: The increase in profit does not appear to match the upswing in polycrystalline silicon sales volumes. Will this trend continue in the future? What can you tell us about negotiations regarding sales volumes and prices for the next fiscal year? With the increase in IC chemical sales volumes, will profits continue to improve going forward?

A2: While polycrystalline sales volumes for the full period are projected to increase around 10% year on year, investments in research and development are being undertaken to maintain and improve quality. On this basis, the upswing in sales volume has not directly translated into profit growth. Although prices may fluctuate depending on the composition of customers, we believe that improvements will be made toward the next fiscal year. In the IC chemicals business, sales volumes of both IPA and photoresist

developer are brisk. Efforts to maintain quality also remain steady. We are confident that sales volumes will increase even further next fiscal year.

Q3: What is your outlook for fumed silica in the future?

A3: Fumed silica is widely used in the CMP semiconductor and general-purpose fields. One such general-purpose application is in the antistatic toners used in copy machines. Here, sales volumes have declined due to the downturn in office copier use as a result of the increase in telework. While we anticipate this trend will continue for the foreseeable future, we recognize that the market environment is evolving and are accelerating the development of new products for new fields.

2. Question regarding “Others (Fixed costs, etc.)” in the “Changes in Operating Profit” graph on page 8 of the Presentation for IR Meeting materials

Q4: “Others (Fixed costs, etc.)” were projected to increase ¥10.4 billion year on year at the beginning of the period. What was the rate of expenditure up to the third quarter, and what are you estimating for the full fiscal year? Looking further ahead, what will be the trend from the next fiscal year and beyond?

A4: Roughly 80% of the ¥10.4 billion increase forecast at the beginning of the period is made up of forward-looking investments. These forward-looking investments are earmarked as capital as well as R&D expenditures, efforts to recruit and bolster human resources, and maintenance of aging and deteriorating plants. As far as progress is concerned, steps have been taken to complete approximately 50% of the aforementioned expenditures as of the end of the third quarter. Repairs and capital expenditures are in the implementation phase with efforts being made to reduce costs. The schedules of certain R&D projects are undergoing adjustments in line with progress of individual themes. Personnel expenses are essentially in line with plans. The actual total of ¥3.5 billion in the third quarter partly reflects the lower level of such expenditures as business travel as well as entertainment expenses compared with forecasts at the beginning of the period. We anticipate progress will come in at around 60 to 70% of the full fiscal year ¥10.4 billion, and also expect increases in R&D expenses aimed at future growth as well as depreciation associated with investments from the next fiscal year.

3. Question regarding the status of investments in specialty products

Q5: The Company is working to enhance the capacity of each product in the Specialty Products segment. Can you provide us with details of operating schedules and when we can expect a contribution to profit?

A5: Work to expand production of aluminum nitride, a thermal management material, has already commenced with a 40% boost to capacity complete. We will move from customer certification to commercial operation and anticipate a contribution to profit from the next fiscal year. As was mentioned a moment ago, sales volumes of IPA will increase from the next fiscal year. Photoresist developer facilities that underwent a boost in capacity last year is currently online and already helping to lift profit. Construction of a plant by the joint venture with Formosa Plastics Corporation in Taiwan will be completed during 2021. Operations are scheduled to commence from 2022. In the Life & Amenity segment, work to boost capacity of dental materials and equipment at the Kashima Factory will be completed in the middle of the next fiscal year and contribute to profit from the second half.

#### 4. Question regarding the accumulation of shareholders' equity and shareholder returns

Q6: Shareholders' equity has steadily accumulated since the refinancing of a subordinated loan in September 2018. What are your thoughts on shareholder returns?

A6: In formulating our new Medium-Term Management Plan, we are looking at future capital expenditures, cash flow, and the structure of our assets. In this context, one major financial issue is the redemption of subordinated loans. As our current profits increase, we recognize the critical need to also undertake investments aimed at reducing CO<sub>2</sub> emissions. In light of the aforementioned, we will reorganize our thoughts on shareholder returns and elaborate further when announcing details of our new Medium-Term Management Plan.