

4Q FY2021 Tokuyama Corporation Investor Meeting Q&A

Date and time: April 28, 2022(Thursday) 12:00-13:00

Participant: Hiroshi Yokota, President and Representative Director

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Regarding the assumption for FY2022

Q: Please explain the price trend of other raw materials price such as coal and silicon metal. And concerning the coal procurement, I know your company does not procure any amount of Russian coal, so I don't see a problem with procurement, but I wonder if there is any procurement risk that as result of everyone going out to buy excluding Russian coal. Also, in the area of exchange rate sensitivity, it has been neutral so far, but if the coal price rise this much like a US\$300, I wonder if this sensitivity has changed.

A: We are looking at US\$250 for coal for the full year. We do not have Russian coal, so our main suppliers are Australia and Indonesia. We are currently in a situation of procurement risk, but we are not in such a situation of not being able to procure at this time.

As for raw materials and fuels other than coal, the price of silicon metal was seven to eight times higher than the price we used to purchase from last fall to the end of the year. Although prices have calmed down somewhat since the beginning of the year, they are still about four to five times higher than they were in the past, so we expect prices to rise three to four times for the full year compared to the past average, when prices were calm. We have incorporated this view of raw materials and fuel in this report.

And currency sensitivity. As you have just pointed out, when the price of coal increases this much, the dollar value of the purchaser increases. We set the exchange rate at JPY125, and we estimate that there will be an impact of JPY1.5 to JPY2 billion for the change of JPY10.

Regarding the sales price increasing

Q: As for the price increase, I understand that coal is passed on, but are you able to raise the price of polysilicon and other products as well? How much are you putting price increase in cements?

A: Regarding prices, first of all, we are starting to get some cement, including the full amount, mainly from close customers. In addition, as of this first quarter, progress has been made to the point where we have received responses from almost all of our customers. Unfortunately, however, the full amount has not yet been reached. In addition to this, coal prices have been rising even higher recently, so we will finish all the parts that have not been taken as much as possible during the first half of this fiscal year. In addition, because of this situation, the reality of cement is that

we will focus our price increase activities with a view of additional price increases.

As for silicon, we explained some background on silicon prices. In addition to this, the supply and demand situation is extremely tight. Therefore, we raised prices by approximately 20% in the second half of last fiscal year. We are also planning to raise the price by an even larger amount.

Since there is a significant cost push for electricity and steam due to the soaring price of coal, we believe that our customers will accept this project while taking into consideration the balance of supply and demand and the degree of urgency.

Q: Concerning the price increase in FY2022, how is the progress at this time?

A: In the case of Chemicals, the increase in sales is generally close to the increase in revenue. The electronic sales also increased, but a significant portion of this increase was due to price raise.

Other factors include that new IC business in China is starting up quite rapidly and a Plus business is started now. Also, we are done with the cement price increase, at least JPY1,000, and we will do more in addition to that. As for the progress, it's about halfway there for Cement. For Electronic Materials, we have already progressed quite a bit, and we need one more push. As for IPA among the Electronic Materials, we are still in the process of negotiating. We have already made considerable progress in the area of Chemical Products.

Regarding the reason of cost increasing FY2022

Q: I would like to ask you to show us what other items on page 13 would be cost-increasing factors in FY2022?

I thought there were some negative factors such as the trouble with Chemical Products and the loss on the cement swap in FY2021. I was wondering if there was an increase in selling prices beyond the difference in raw material and fuel unit prices as you have shown here, then profits would not remain flat, and they could even increase. Can you please explain us to what is involved here in terms of the other significant cost increases?

A: Amortization and R&D are in line with our expectations, but we have recorded about JPY1 billion in new DX expenses this fiscal year. The most significant factor is actually silicon metal, the raw material for polysilicon, which has skyrocketed in price since last fall. This was in the second half of the year in inventory, but it is commercialized and comes into the so-called cost of goods. The cost of product inventory on the shelves will increase considerably. This is actually the biggest factor, and the cost increase in this area has resulted in an accumulation of JPY12.1 billion.

Regarding the tax expense FY2022

Q: FY2022, the decrease in profit from ordinary income to net income has become larger, but does this mean that the tax rate concept is changing?

A: The tax rate itself is the same, but we reviewed our deferred tax assets for the next five years this fiscal year and increased them by JPY4.5 billion, resulting in a negative tax expense and corporate tax adjustment. We are now making this forecast based on the assumption that this will not be the case in the next fiscal year, so we have incorporated normal corporate tax calculations into our forecast.