

2Q FY2022 Tokuyama Corporation Investors Meeting Q&A

Date and time: October 28, 2022(Friday) 12:00-13:00

Participant: Hiroshi Yokota, Representative Director, President

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< Concerning the revised performance forecast >

Q: First, I believe your company did not originally publish a plan for H1, so I would like to know whether the revision is for H1 or H2? When and what is significantly different from the plan, although chemical was lowered?

A: Regarding chlor-alkali or chemical products, one major point is that utilities, especially electricity and steam, have remained quite high, which has resulted in a considerable cost push.

On the other hand, we have received approval for the price revision of caustic soda, soda ash and calcium chloride after October, which will increase sales and profits. However, we expect a negative impact on the chemical products business due to the pressure on earnings from the softening overseas market for vinyl chloride related products; and in particular, the severe earnings of VCM.

Q: In electronics material business, you mentioned that you will recover polysilicon in H2, but if you subtract out the profit, it seems that not much profit has returned from H1 to H2, so I wonder what is happening here? Please explain the contents of revision.

A: We had to reduce the volume of polysilicon in H1 due to the difficulty of negotiating prices with our major customers. Therefore we could not achieve the volume and it put pressure on the profit of polysilicon in H1. We have revised the price of polysilicon in general, and we expect to be able to recover sufficiently when the remaining contracts for H2 come off. In addition, we expect IC Chemicals to have a tough time in terms of profitability. One of the reasons is that the price of naphtha will not be fully absorbed in H1, and the price revision will be delayed until October, or later.

The other is that, although we have just started to move forward with our investment in Taiwan, it is difficult to produce more than a few samples for the electronics market during the certification period, so we will have to bear fixed costs for the current fiscal year. As a result of the sluggish growth in revenues from this area, we have left the figure at the same level as in the previous year.

< Concerning the cement business in the future >

Q: Also, the positioning of cement business. This week, other companies have announced that they are withdrawing from the cement business, and other companies are also shutting down their plants. Amidst in the situation, are you going to keep going with three kilns? If the current cost of coal remains high, I am not sure if you can maintain the current scale of operations, so I would like to know how you would position the cement business?

A: As for cement business, as you mentioned, other companies announced this week that they are withdrawing from the cement business. For Tokuyama, the positioning of our cement is one of the key elements of the Tokuyama Plant's integration, and the use of the waste from other manufacturing products as a raw material for cement is a major benefit because it converts the waste that would normally be disposed of by the Company to raw materials.

Although cement revenues are reported as negative, the reality is that they are positive enough when we look at the effects of such integration. Therefore, we do not plan to close cement for the time being.

On the other hand, as you just pointed out, variable costs, raw materials, and fuel prices have remained high, while the market, especially the domestic market is shrinking. Regarding whether we will maintain kilns or not, we will make decision flexibly while keeping eyes on market and revenue situation.

< Concerning the dental materials >

Q: I would like to ask about dental materials. You mentioned earlier that the growth started in the US and has spread to Europe, South America, and Asia. I wonder if there is still room for growth in the US? What is the scale of potential in Europe, South America, and Asia compared to the US?

A: As for the US, the market share is increasing every quarter. Originally, the share was about 1%, but it has risen to just under 6% at present. We expect to be able to increase our market share in the US toward 10%.

We have received reports that the repeat rate of dentists who have used the product is very high and the reputation of the product is spreading by word of mouth in the market. In this way, there is still room for growth in the North America.

As for Europe, Tokuyama's market share in Europe has been relatively high. We were worried that it might cannibalize with conventional products, but it has not necessarily turned out that way. Although there are many conservative doctors in Europe, the new omnichroma is gradually gaining recognition. Not as fast as in the US, but it is spreading. The volume in Asia and South America is still small compared to Europe and the US, but the growth is quite fast. We are especially looking forward to seeing the adoption of this technology in South America and the Middle East, where it is being used to a great extent.