



**TOKUYAMA
2025**

FY2024 Management Briefing

June 6, 2024

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Tokuyama Corporation

Medium-Term Management Plan 2025

- ▶ Medium-Term Management Plan 2025
- ▶ Final Year Targets

Medium-Term Management Plan 2025

FY21 - 25 Priority Issues

1

Transform business portfolio

Increase growth businesses' share of consolidated net sales to over 50%

2

Contribute to mitigation of global warming

Expedite development/commercialization of next-gen energy technologies; Reduce greenhouse gas emissions 30% from FY19 by FY30

3

Practice socially responsible management

Step up high-priority CSR initiatives to lay groundwork for further growth and realize our vision

Final Year Targets



KPI	FY23 (Result)	FY25 (Target)	Factors in Achieving Targets
Net Sales	¥341.9bn	¥400.0bn (Revised April 26, 2024)	Focus on portfolio transformation Reflect cost inflation
Operating Profit	¥25.6bn	¥45.0bn	Expand operating profit approaching FY25 Revise by changing depreciation method
Growth Business Net Sales Growth Rate	8.5%	CAGR ≥10%	Strengthen R&D Accelerate international expansion
ROE	7.4%	≥ 11%	Balance shareholder's equity efficiency and financial base Revise by changing depreciation method

(Note) FY23 results: exchange rate (¥/US\$) 145, domestic naphtha price (¥/kl) 69,100

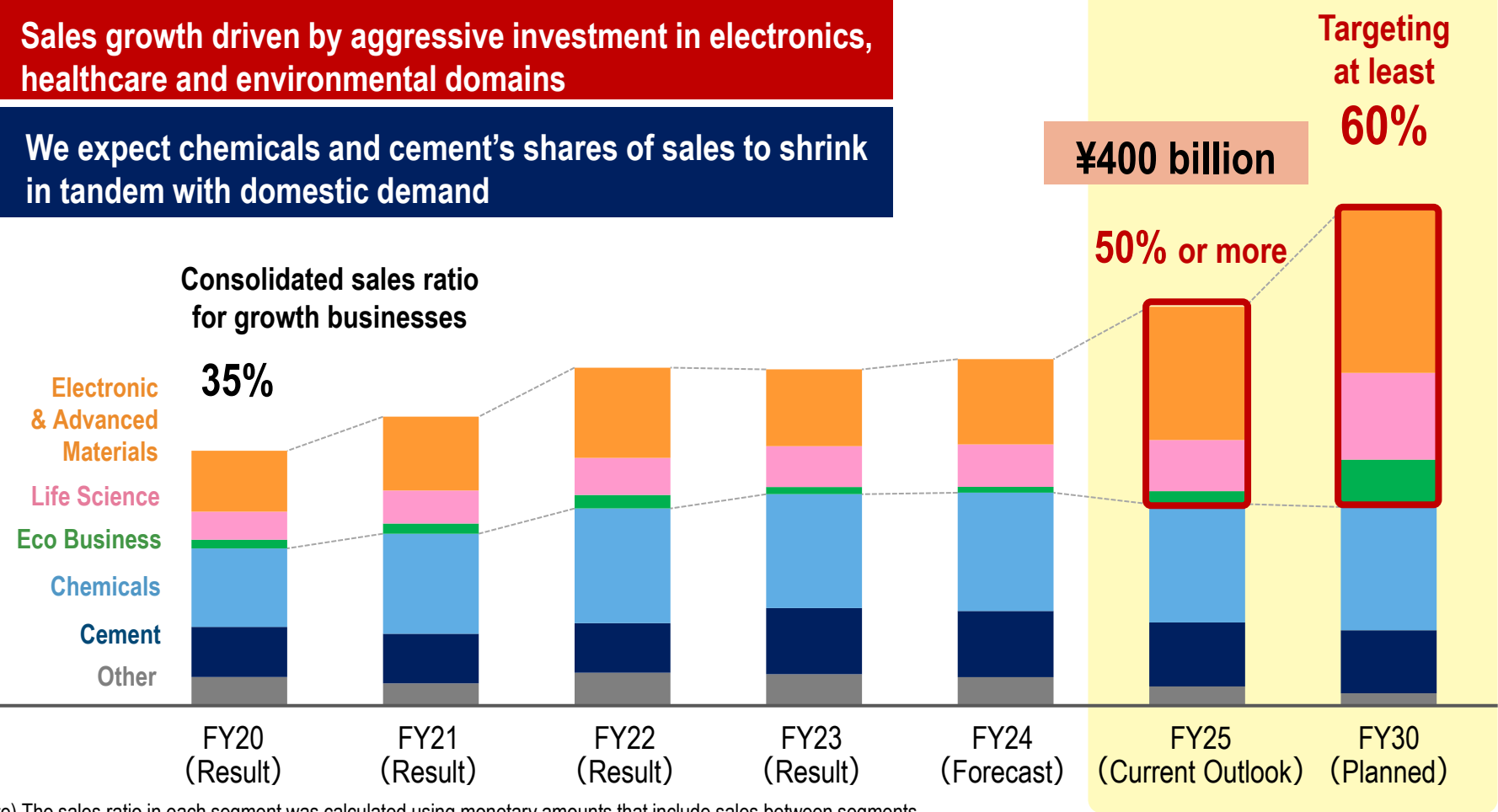
1 Transform business portfolio

- ▶ Target Business Portfolio
- ▶ Strategy by Business
- ▶ Capex Plan Breakdown
- ▶ Cash Flow Generation and Allocation
- ▶ Cash Flow Trend and Plan

Target Business Portfolio

Position a consolidated sales ratio of 50% or more for growth businesses in FY25 as a milestone while aiming for even higher levels

Breakdown of consolidated net sales by business

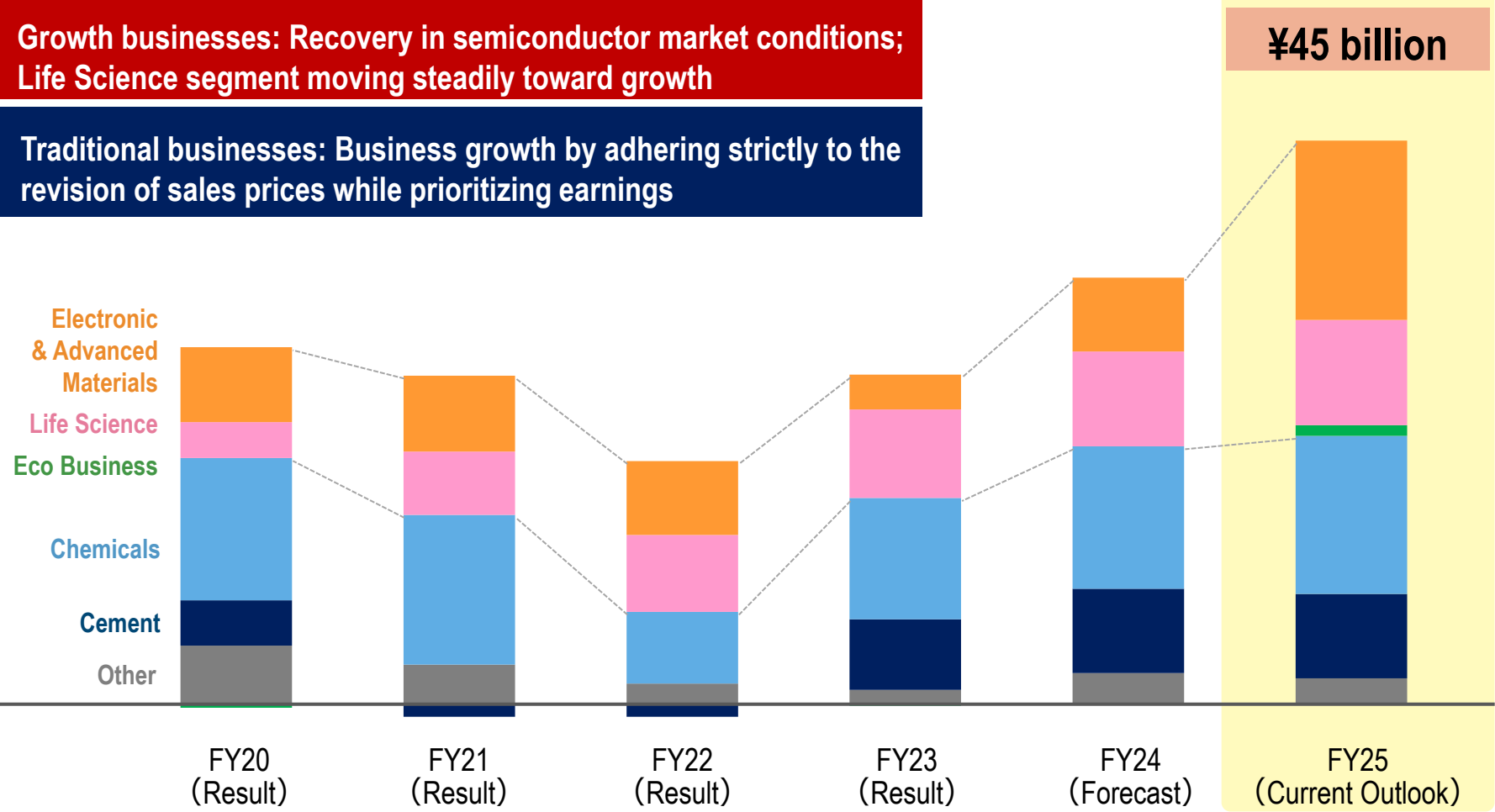


(Note) The sales ratio in each segment was calculated using monetary amounts that include sales between segments.
FY20 was created using reference values that include the financial impact of the current "Accounting Standard for Revenue Recognition," etc.

Target Business Portfolio

Despite the downturn in earnings up to FY22 owing to the impact of higher raw material and fuel costs, work toward achieving the final fiscal year target on the back of an upswing in profit from FY23

Breakdown of consolidated operating profit by business



Electronic & Advanced Materials



Business Goal

Push forward with globalization, and capture top share in the high-purity and thermal management materials fields supporting the miniaturization and stacking of semiconductors

Priority Measures

- ▶ Pursue aggressive expansion in overseas markets
- ▶ Develop new applications, expand product portfolio
- ▶ Produce high-quality products, pursue analysis technology

Progress to Date

- ▶ Decision taken to establish a Malaysian JV and Vietnamese subsidiary for semiconductor-grade polycrystalline silicon
- ▶ Overseas expansion of high-purity IPA;
FTAC (Taiwan) commenced production and shipment in earnest
STAC (Korea) completed the installation of production facilities and commenced sample shipments
- ▶ Completed steps to expand surface treatment silica production capacity in China
- ▶ Enhance lineup of thermal management materials

Future Endeavors

- ▶ Increase profits by ensuring full operation FTAC, and launch STAC
- ▶ Work to expand applications for silica and thermal management material-related products and to cultivate new customers

Functions/Measures by High-purity IPA Base in Asia

Market characteristics and challenges at each base ➡ Toward further expansion in 2025 and beyond

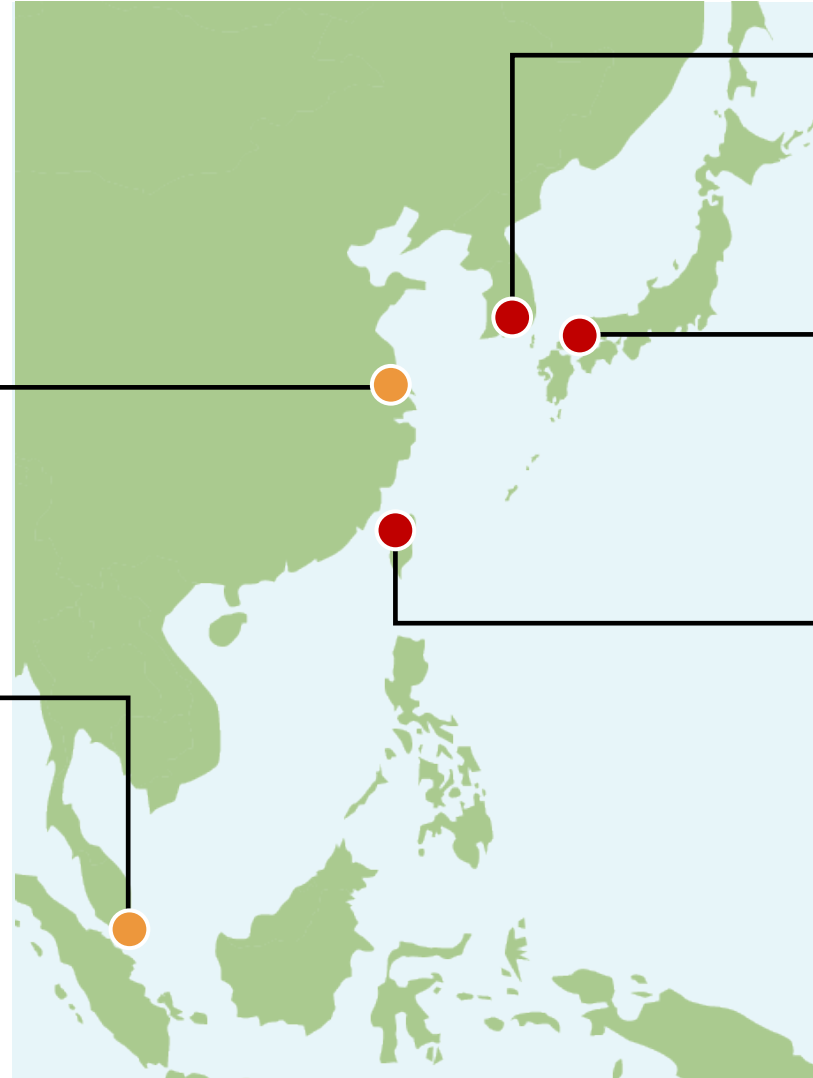
- Production/sales from raw materials
- Production/sales from supplies received from manufacturing bases

China (Tokuyama Chemicals)

- Stable supply to growing markets

Singapore (Tokuyama Singapore)

- Sole local supplier
- Expanding sales to markets where further growth expected



Korea (STAC):

- Entering markets where strong demand expected
- Responding to high quality requirements

Japan (Tokuyama):

- Responding to domestic demand growth
- Serving as a support base for each region, including human resources/technology

Taiwan (FTAC):

- Expanding sales to meet strong demand
- Supporting customers' cutting-edge production lines with higher quality

Life Science



Business Goal

Use unique technology to capture top niche share in areas where differentiation is possible (vision, dental, diagnostics)

Priority Measures

- ▶ Strengthen the marketing system and accelerate expansion of production capability to further boost market share of dental materials outside Japan
- ▶ Develop new products and strengthen sales activities to further expand the photochromic market outside Japan
- ▶ Strengthen the medical diagnostic systems business

Progress to Date

- ▶ Expanded share in the U.S. and Europe by introducing new dental materials products(OMNICHROMA)
- ▶ Expanded production capacity to meet strong demand for dental materials
- ▶ Commenced construction of production building in line with electrolyte business growth in medical diagnostic systems

Future Endeavors

- ▶ Increase earnings from dental materials by expanding production capacity and switching to smart factories
- ▶ Accelerate product development for plastic lens-related materials, APIs, and intermediates
- ▶ In medical diagnostic systems, improve production capacity in the electrolyte business; strengthen development of diagnostic reagents

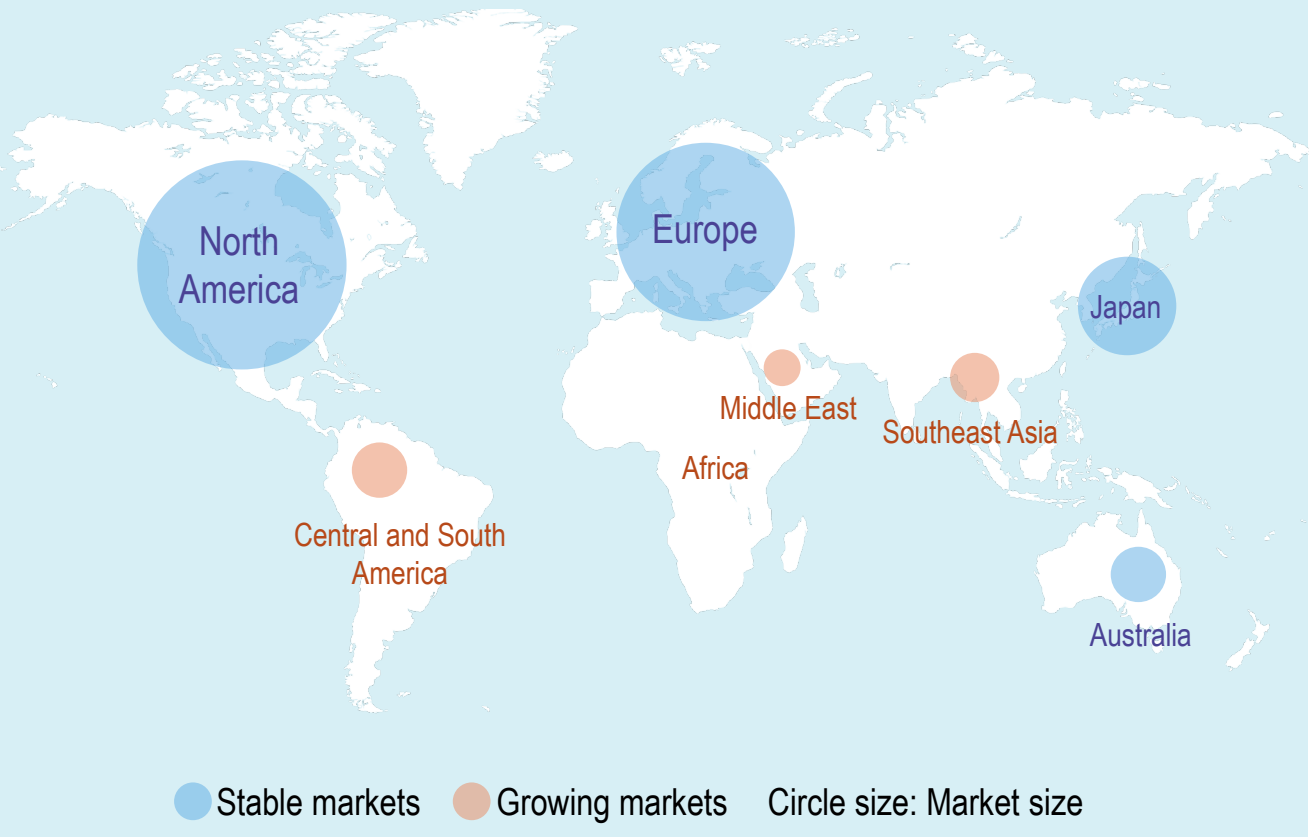
Toward Growth in Dental Materials and Equipment Business

Measures for globalization; Effort by each region

- ▶ Expanding market share in stable markets
- ▶ Developing demand in growing markets

Ensuring early full operation of new plant

Global Market Size of Dental Materials and Equipment (Composite Resin)



North America	<ul style="list-style-type: none">● Further expanding market share of composite resin (aim for over 10% market share)● Increasing brand awareness; enhance product lineup
Europe	<ul style="list-style-type: none">● Expanding market share throughout the region● Expanding sales structure by restructuring
Japan and Asia	<ul style="list-style-type: none">● Accelerating development for digital dental field● Continuing market research in China● Promoting the development of Asian demand
Central and South America	<ul style="list-style-type: none">● Cultivating demand for restorative materials (composite resins and adhesive materials)● Accelerating development of esthetic composite resin market
Africa	<ul style="list-style-type: none">● Considering market entry continuously
R&D	<ul style="list-style-type: none">● Promoting research and development for digital dental field● Expanding CAD/CAM business and full-scale entry into 3D printer market

Eco Business



Business Goal

Serve as a new business pillar to carry the future

Priority Measures

- ▶ Respond to expanded demand for water treatment membranes due to strengthened environmental regulations
- ▶ Expand resource recycling business in waste gypsum board, photovoltaic modules and others
- ▶ Commercialize developed next-generation energy technologies

Progress to Date

- ▶ Commenced operation of Muroran Plant, Hokkaido, the 3rd facility for waste gypsum board recycling
- ▶ Excel Shanon included in the Company's scope of consolidation as an equity-method affiliate through the transfer of shares
- ▶ Technology for recycling photovoltaic panels entered a commercialization phase
- ▶ Introduction of demonstration equipment of alkaline water electrolyzers

Future Endeavors

- ▶ Promote development of next-generation membranes and efforts to strengthen the supply system for ion exchange membranes
- ▶ Implement technology for recycling photovoltaic panels and establish a business model
- ▶ Refine technological capabilities and competitiveness to meet market/customer demand in the water electrolysis business

Chemicals



Business Goal

Ensure stable earnings in the existing business

Priority Measures

- ▶ Strengthen and streamline business to maximize profits
- ▶ Reduction of CO₂ emissions and waste through the improvement of manufacturing process
- ▶ Improve supply chains through promoting DX

Progress to Date

- ▶ Secured stable earnings by revising sales prices in response to soaring raw material and fuel costs
- ▶ Improved efficiency of the electrolysis/PVC paste resin chain through the absorption-type merger of Shin Dai-Ichi Vinyl
- ▶ Improvements to the soda ash manufacturing process progressed to the implementation phase

Future Endeavors

- ▶ Demonstrate a competitive top-class electrolyzers
- ▶ Transfer sales functions to Tokuyama Soda Trading; work to improve efficiency and strengthen points of customer contact
- ▶ Consider improvements to the soda ash manufacturing process at actual plants and reduce the amount of waste generated

Cement



Business Goal

Become the domestic industry leader in energy efficiency

Priority Measures

- ▶ Introduce energy-saving equipment to reduce CO₂ emissions
- ▶ Reduce the amount of coal usage by accepting more fuel-based waste materials such as waste plastic

Progress to Date

- ▶ Achieved profitability through cost reductions on the back of revision to sales prices and use of low-grade coal, etc.
- ▶ Reducing coal consumption by expanding the use of waste plastics
- ▶ Suspended operations of one cement kiln line from FY24, transitioned to a two kiln line production system
- ▶ Promotion of energy conservation by introducing clinker cooler equipment

Future Endeavors

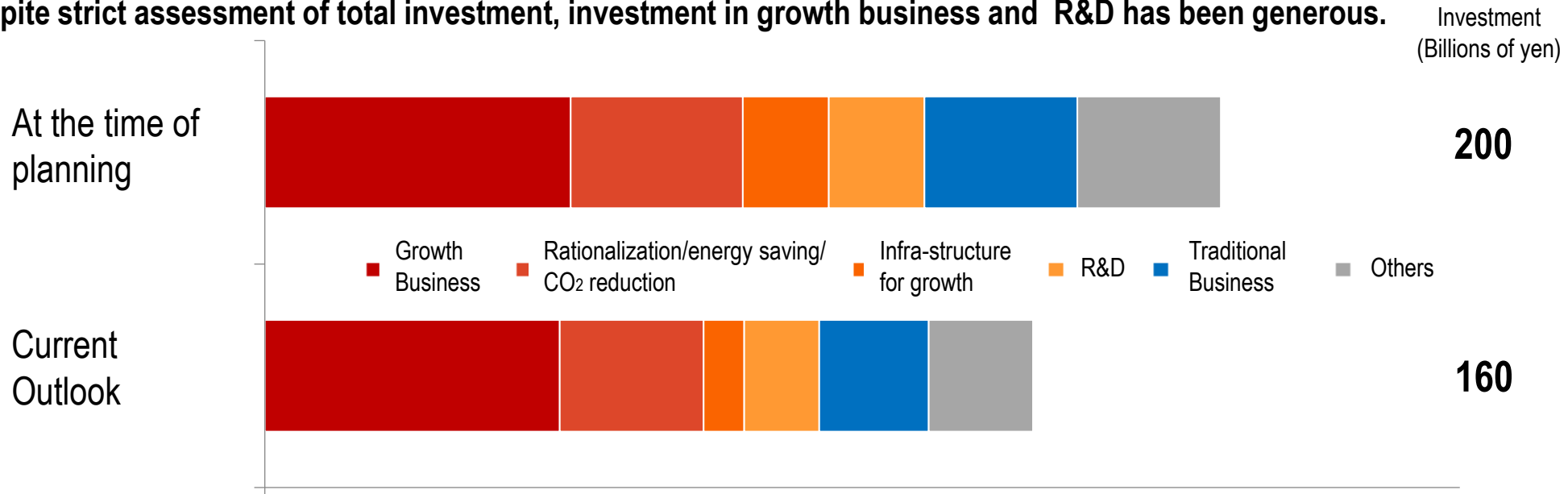
- ▶ Work to secure stable earnings by optimizing sales prices
- ▶ Continue to promote measures aimed at increasing the amount of waste plastic and liquid fuel accepted

Capex Plan Breakdown

Key words are priority investment in growth fields, reduction of CO₂ emissions, and energy saving

Capex Plan Breakdown (FY21-25)

➤ Despite strict assessment of total investment, investment in growth business and R&D has been generous.

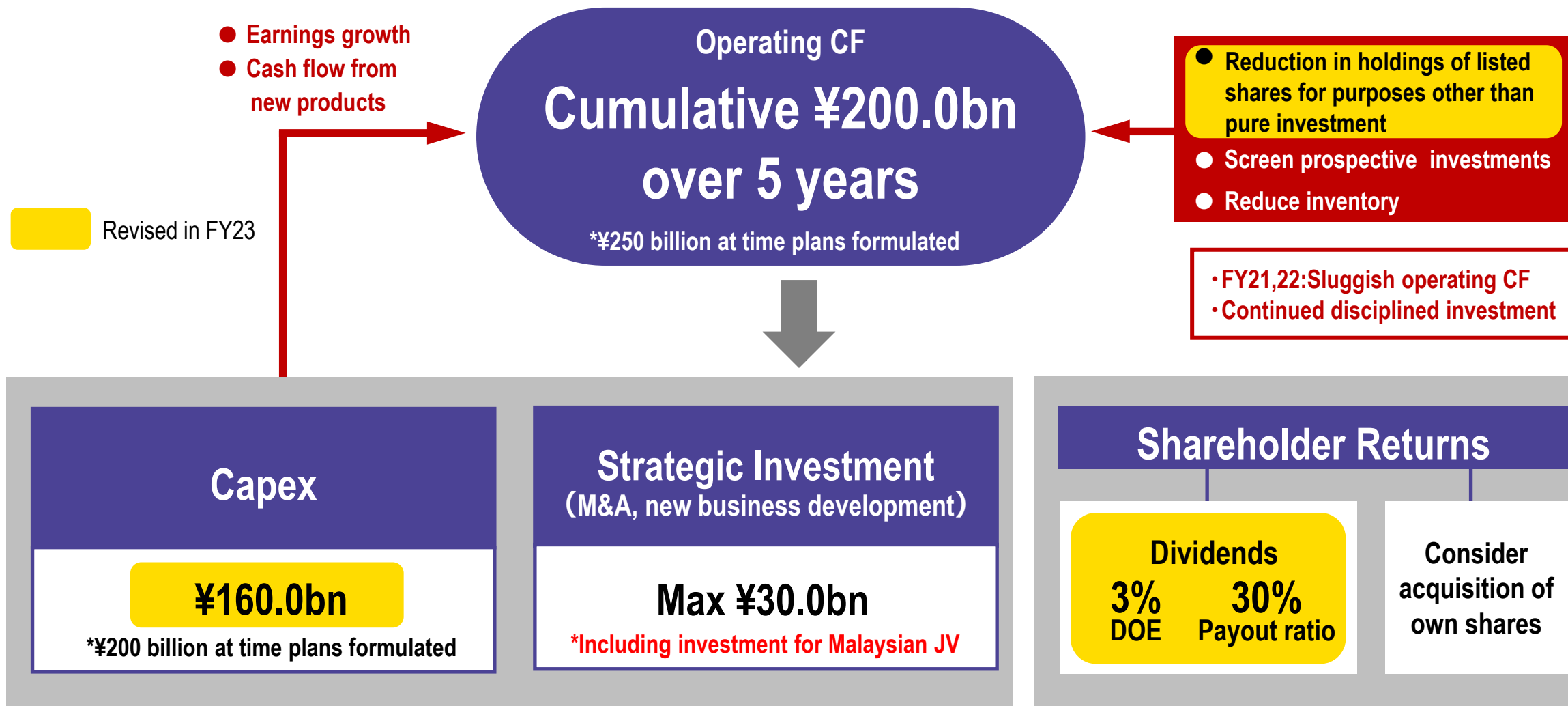


Major Capex Results

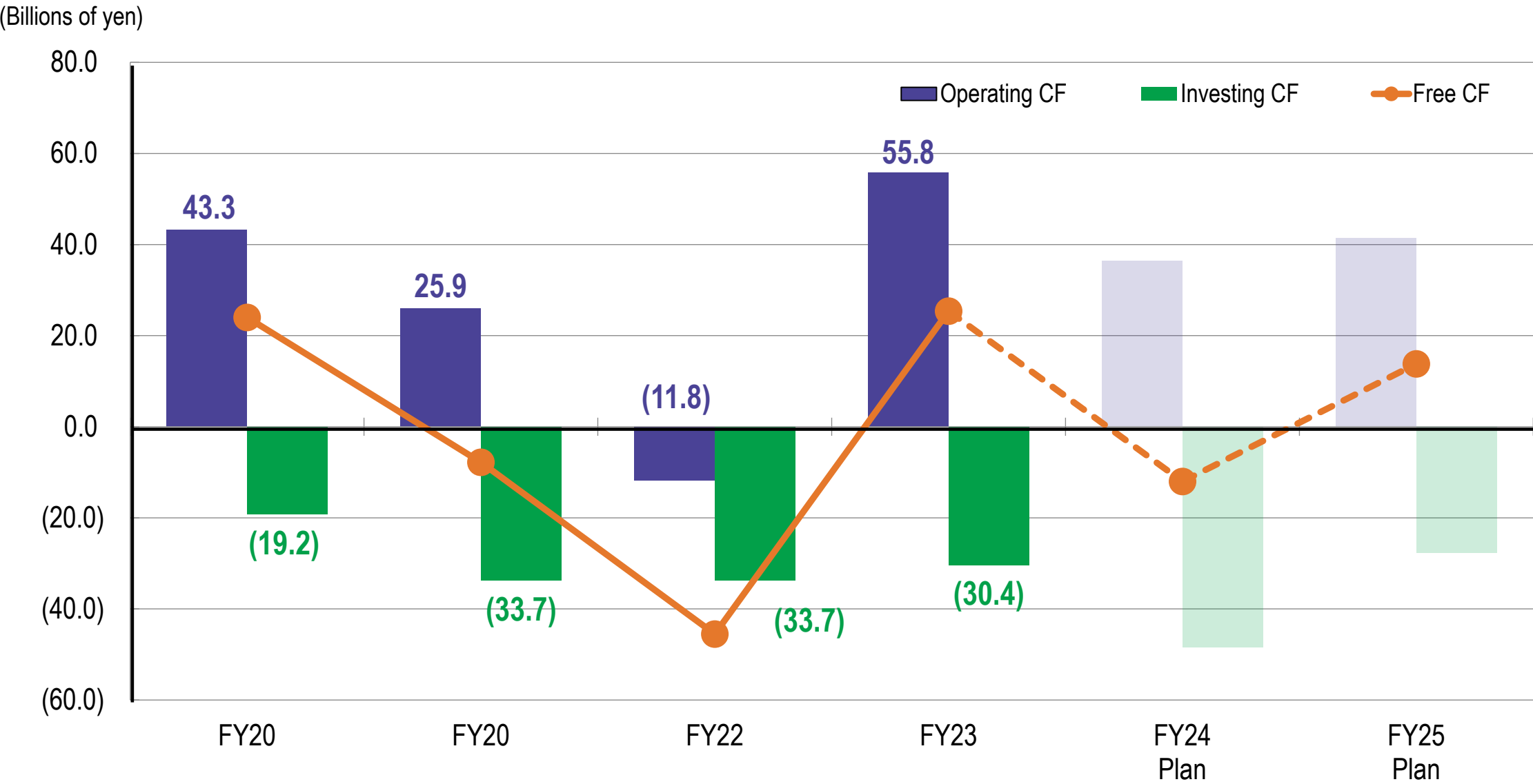
- ✓ Construction of the factory of joint venture company in Taiwan for high-purity IPA
- ✓ Construction of the factory of joint venture company in Korea for high-purity IPA
- ✓ Production capacity expansion of dental materials
- ✓ Waste gypsum board recycling business
Construction of a new plant in Muroran
- ✓ Establishment of the Center for Commercialization of Advanced Technology
- ✓ Co-firing of biomass at power plants

Cash Flow Generation and Allocation

Working to enhance shareholder returns, promoting capital efficiency improvements;
Steps taken to reflect investment amounts, etc. (¥200 billion at time plans formulated)



Cash Flow Trend and Plan



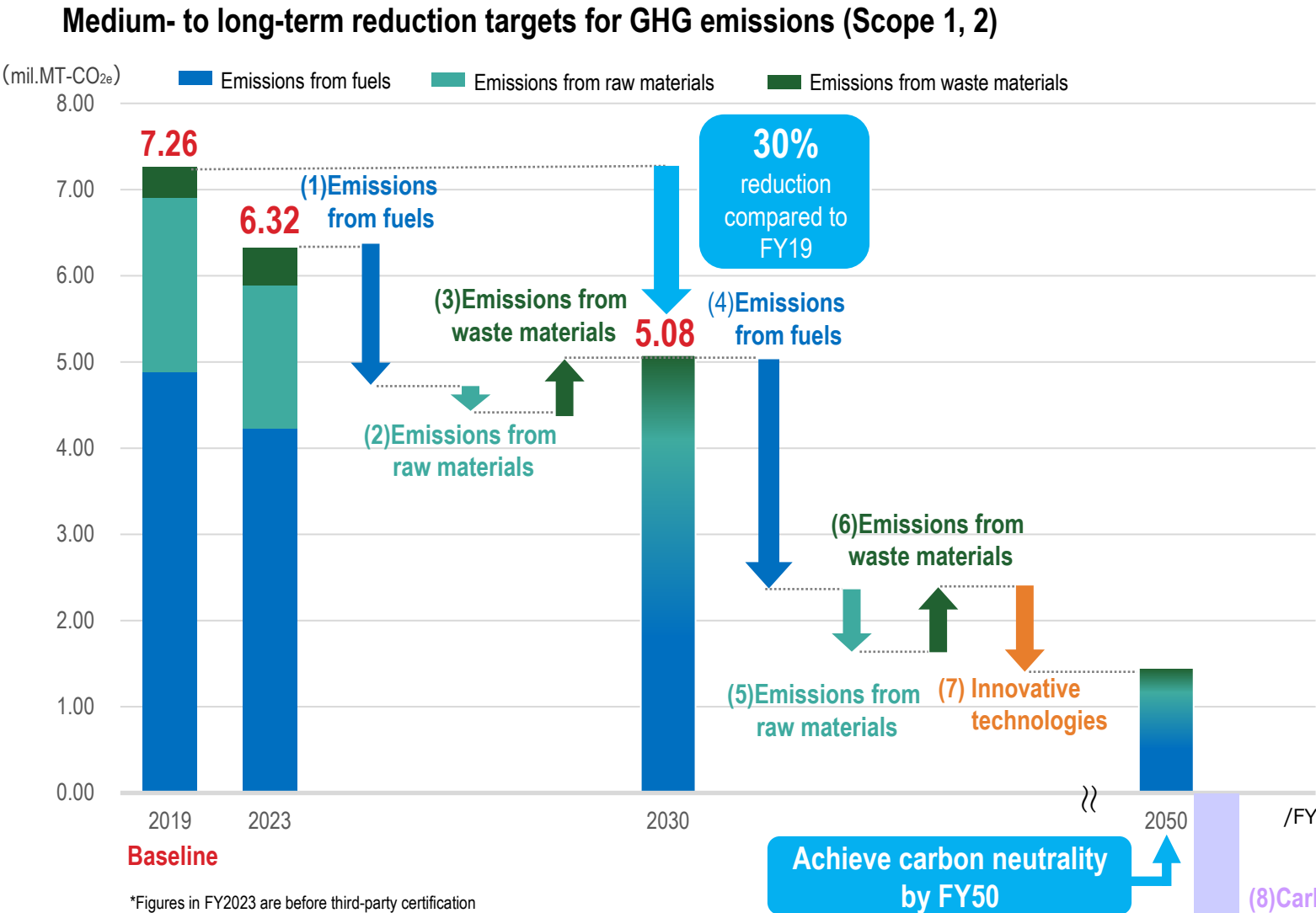
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Contribute to mitigation of Global Warming

- ▶ Path to Greenhouse Gas (GHG) Emission Reductions
- ▶ Setting Scope 3 Reduction Target

Path to Greenhouse Gas (GHG) Emission Reductions

Steady implementation of reductions in GHG emissions (Scope 1, 2) with a focus on fuel-derived emissions;
Steps taken to consider reduction targets for each emission source amid continued challenges to achievement

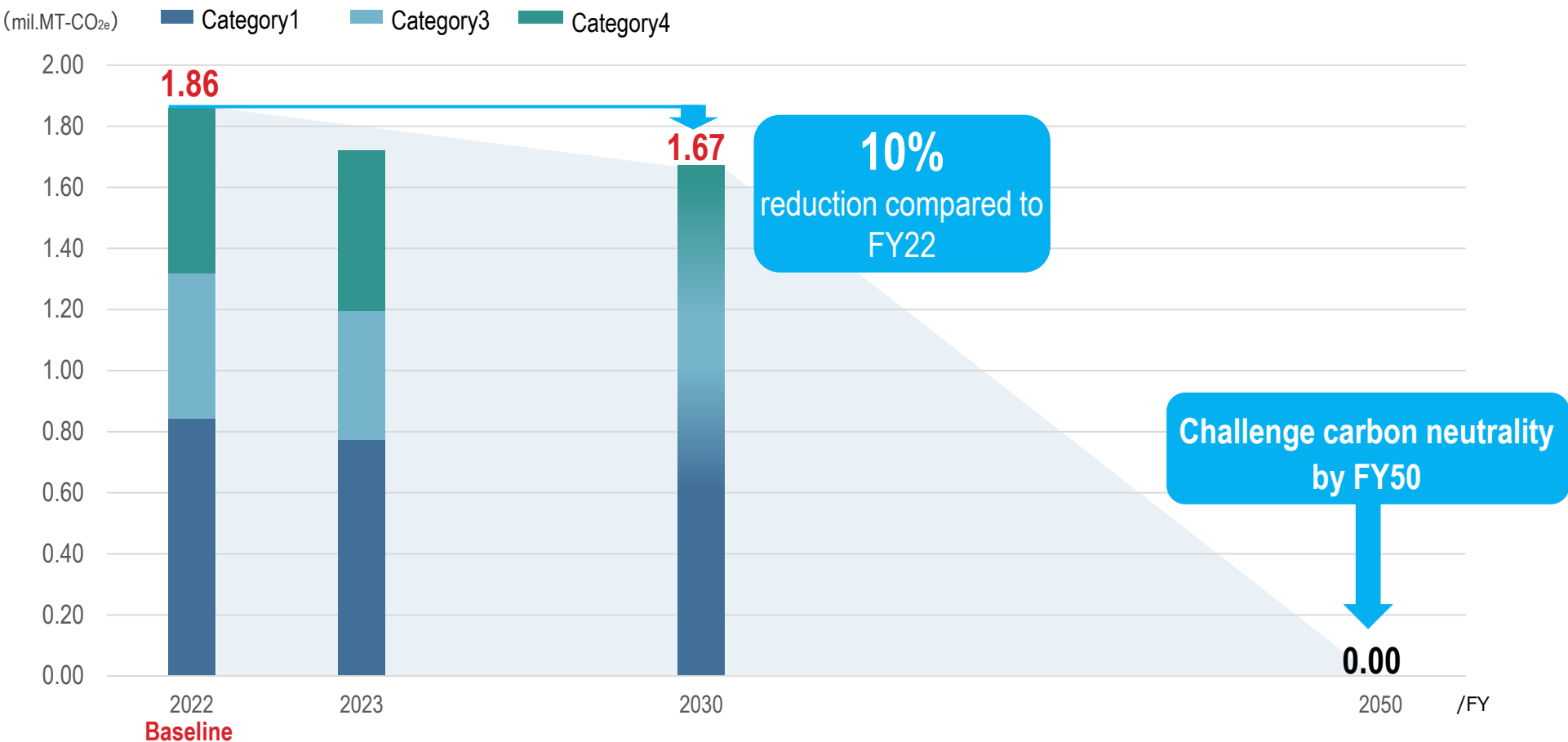


(1)	<ul style="list-style-type: none">• Co-firing of biomass and ammonia• Use of local energy• Increase energy efficiency, improve processes, upgrade equipment• Business portfolio transformation
(2)	<ul style="list-style-type: none">• Suspended operation of a cement kiln, increase in small amounts of mixed ingredients
(3)	<ul style="list-style-type: none">• Thermal recycling
(4)	<ul style="list-style-type: none">• Increased biomass and ammonia co-firing ratio → Monofuels• Use renewable energy• Business portfolio transformation• Further use of local energy• Increase energy efficiency, improve processes, upgrade equipment• Collaboration with other companies in Shunan Industrial Complex
(5)	<ul style="list-style-type: none">• Ca recycling• Development of low GHG-emission cement/concrete• Business portfolio transformation
(6)	<ul style="list-style-type: none">• Thermal recycling
(7)	<ul style="list-style-type: none">• Conversion to innovative manufacturing methods
(8)	<ul style="list-style-type: none">• Introduction of negative emission technologies (CCUS)• Offsets (J credits, etc.)

Setting Scope 3 Reduction Target

Aiming to achieve carbon neutrality for total supply chain emissions, while aiming for a 10% reduction (compared with FY22) in Scope 3 categories 1, 3, and 4 by FY30

Medium- to long-term reduction target for total supply chain emissions (categories 1, 3, and 4)



*Figures in FY2023 are before third-party certification

3 Practice socially responsible management

▶ Formulation of a Human Resource Strategy

Progress in CSR Management: Formulation of a Human Resource Strategy

Focus of CSR management: Responding to 10 key CSR material issues
Formulating strategies for developing human resources; promotion of diversity and career fulfillment

Eight Strategic Cornerstones to Bridge Gaps between Three Perspectives toward Our Vision



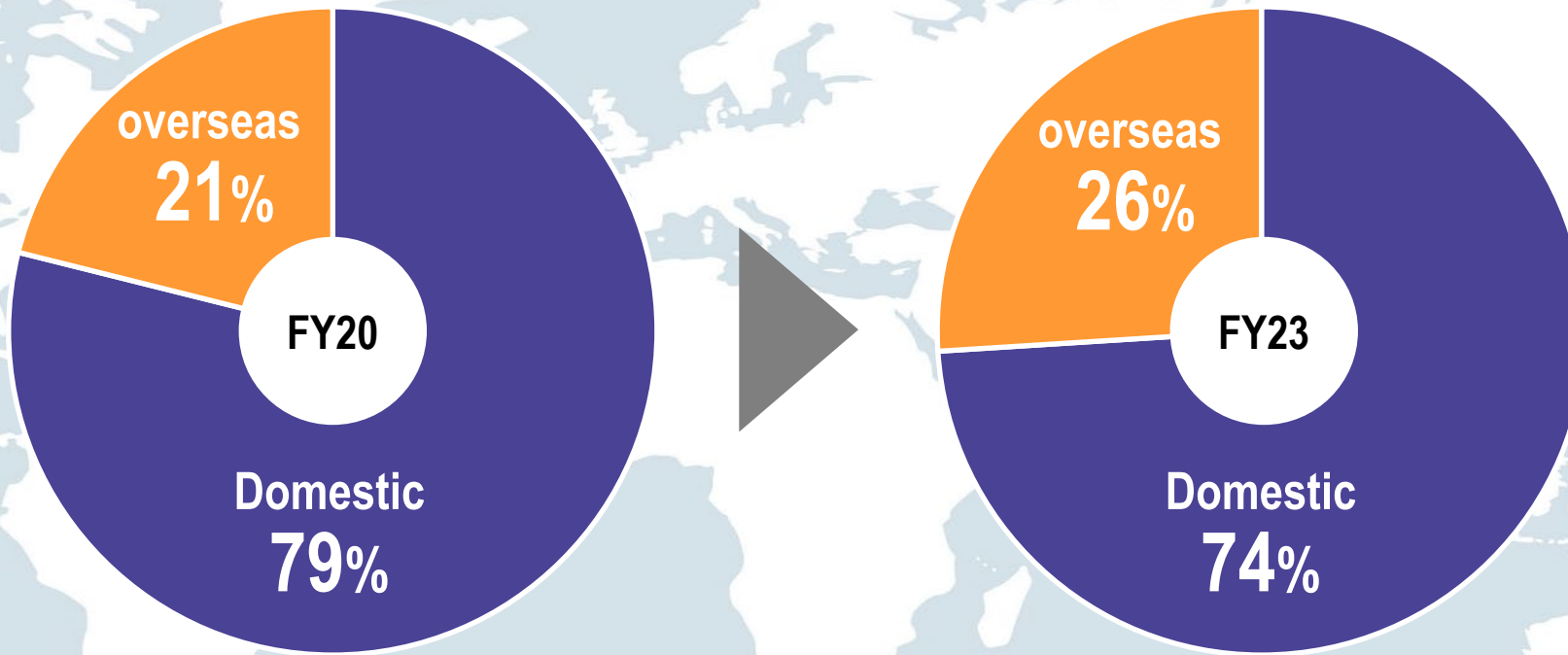
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Supplementary Materials

Accelerated International Expansion

Aiming to increase overseas share of consolidated net sales to over 50% by FY30



(Note) FY20 was NOT created using reference values that include the financial impact of the current "Accounting Standard for Revenue Recognition," etc.

Medium-Term Management Plan 2025

Make the transition to a company that creates value and provides solutions

① Focusing management resources on corporate R&D

- ▶ Concentrate energy on medium- to long-term development themes centered on marketing
- ▶ Attack areas where the company's business division development has not yet started

② Strengthening business division R&D

- ▶ Have a wider range of product variations which can meet customer requirements
- ▶ Accelerate the pace of development

③ Strengthening open innovation

Initiatives until FY2023

Promoted the development of growth businesses by improving corporate development bases

Tsukuba Research Laboratory II		●	●
Tokuyama Taiwan	●	●	
Tokuyama Research Laboratory Strengthening analytical skills	●	●	
Center for Commercialization of Advanced Technology	●		●

● Electronics ● Healthcare ● Environment

Developed tailored to client needs in business division development

- ▶ Expanded heat management products and strengthening systems
- ▶ Pioneered new uses for silica products e.g., uses in leading-edge semiconductor materials, uses in cosmetics, etc.
- ▶ Water electrolyzers: verified commercialization and considered business structure
- ▶ Developed new medical products

Accelerating development through joint research with Taiwan's Industrial Technology Research Institute (ITRI), universities, national research institutes, etc., and participation in NEDO projects



High purification

Nitride reduction

Unique
Technologies

Sintering

Powder control

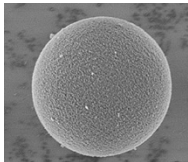
Crystallization, deposition

Electrode and membrane

Sol-gel

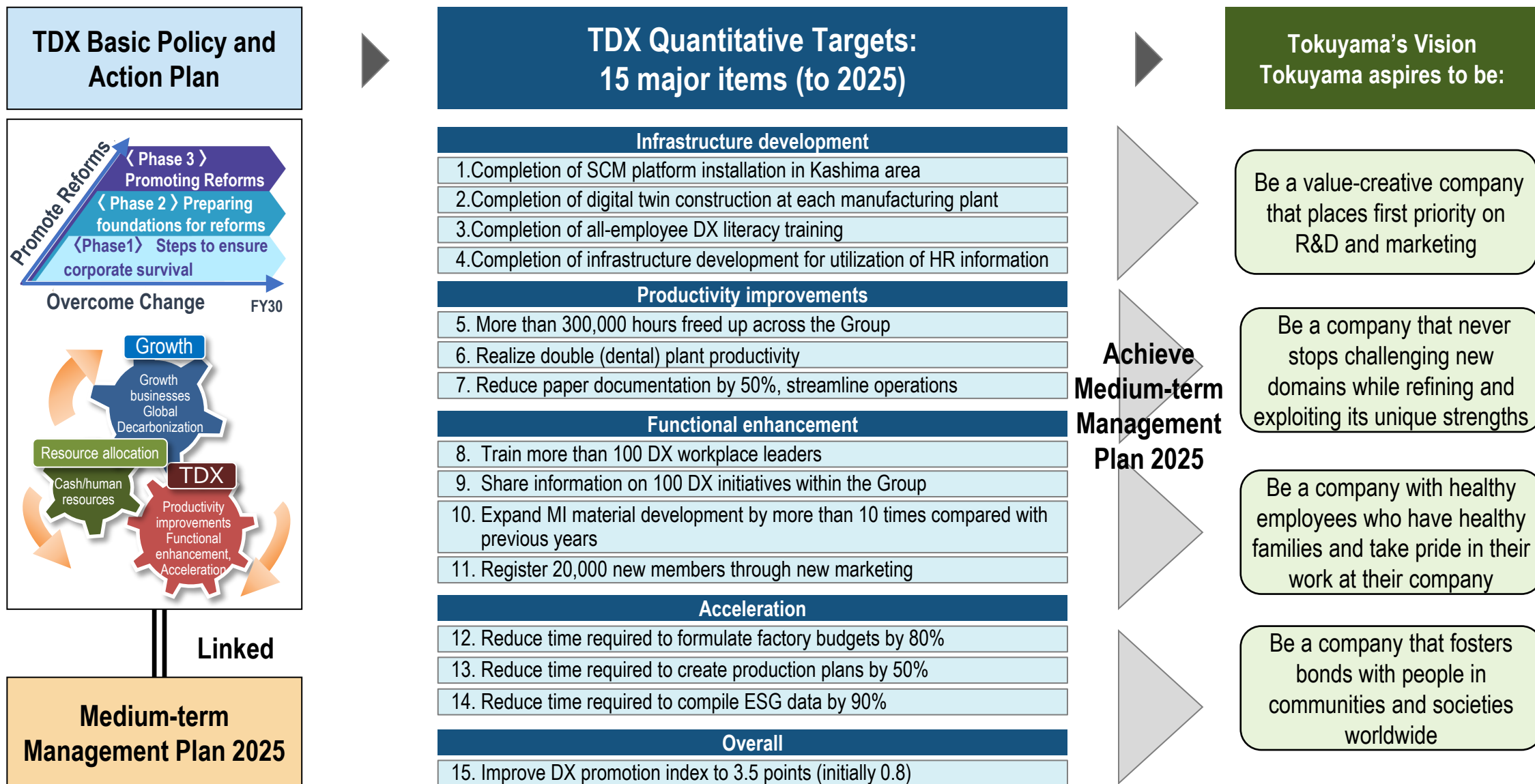
Photopolymerization

Molecular design



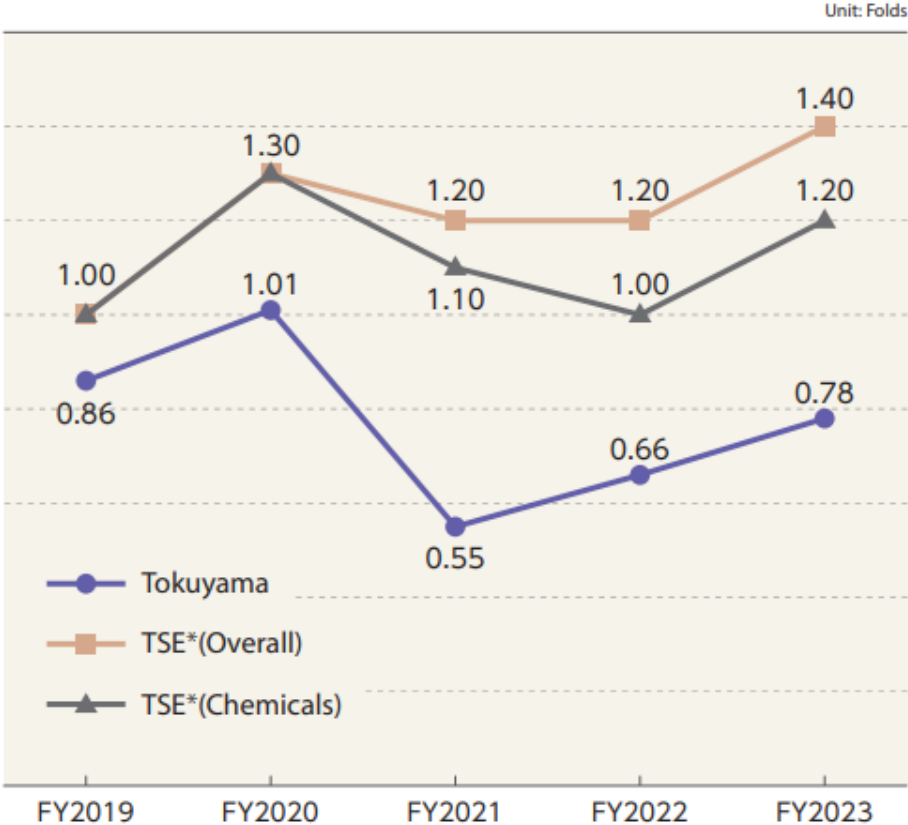
Promoting Digital Transformation (DX)

Set KPIs and follow up regularly; clarification of scenarios toward vision realization



Reference: Realize Management Conscious of the Cost of Capital and Stock Price

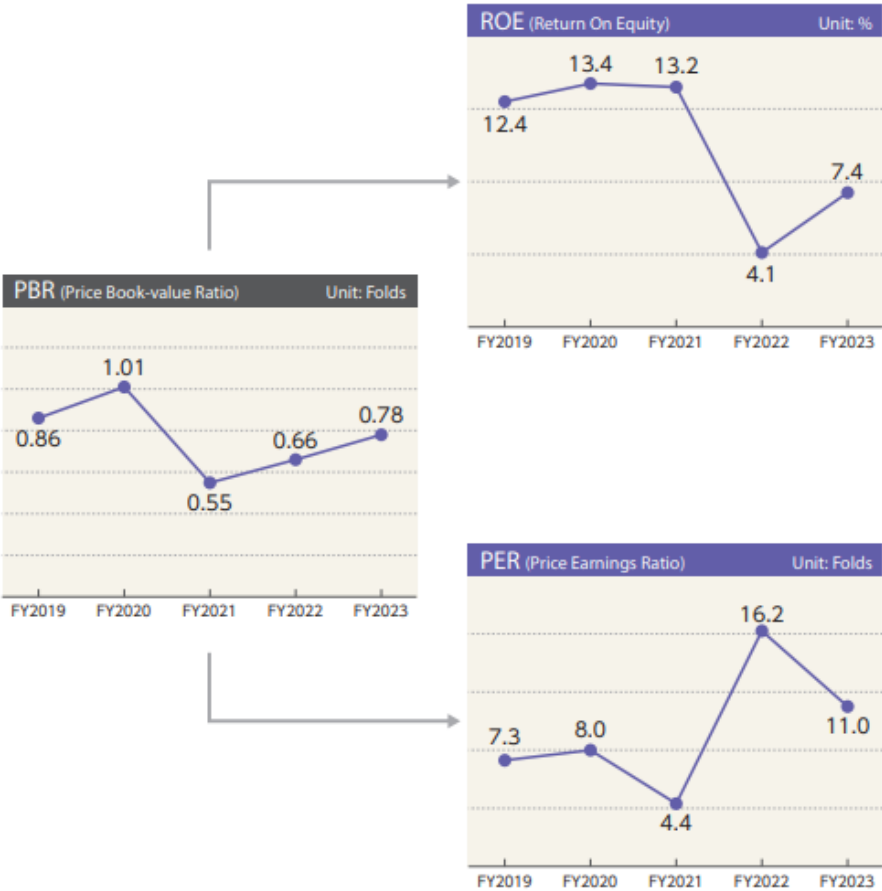
Current Assessment:
Tokuyama PBR trends (Attachment)



Current Assessment:
Analysis regarding cost of capital and return on capital (1) (Attachment)

The low PBR is due to the currently low ROE, indicating the importance of increasing PER, which is reflected in future expected profits.

$$\text{PBR} = \text{ROE} \times \text{PER}$$
$$\text{ROE} = \text{Net Profit} \div \text{Shareholders' equity}$$
$$\text{PER} = \text{Stock Price} \div \text{Earnings Per Share (EPS)}$$



Current Assessment: Analysis regarding cost of capital and return on capital (2) (Attachment)

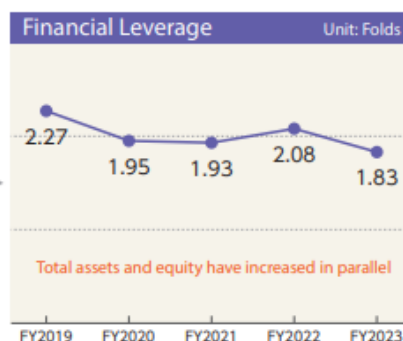
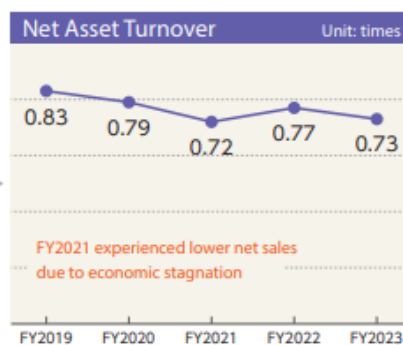
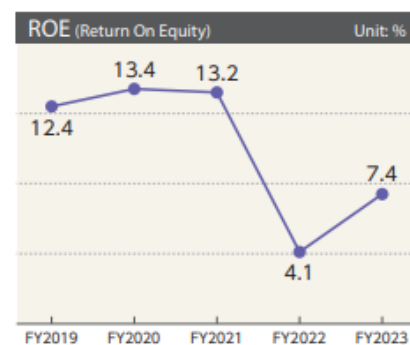
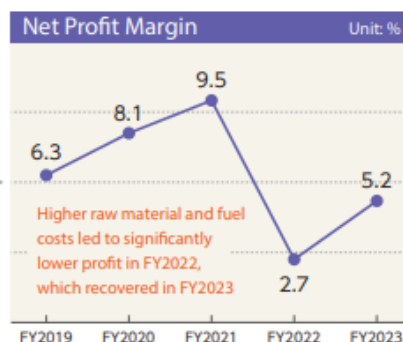
The declining ROE is primarily due to a deteriorating net income margin during this period.

ROE = Net Profit Margin × Net Asset Turnover × Financial Leverage

Net Profit Margin = Net Profit ÷ Net Sales

Net Asset Turnover = Net Sales ÷ Total Assets

Financial Leverage = Total Assets ÷ Shareholders' equity



Initiatives: In order to enhance the price book-value ratio (PBR) (Attachment)

Implement measures to reduce the cost of capital and to increase the expected growth rate for the purpose of enhancing PER.

PBR = ROE(Return On Equity) × PER(Price Earnings Ratio)

PER = Stock Price ÷ Earnings Per Share (EPS) → Stock Price = EPS × PER

Equality

Stock Price = $\frac{\text{EPS}}{\text{Cost of Capital} - \text{Anticipated Growth Rate}}$ = EPS × $\frac{1}{\text{Cost of Capital} - \text{Anticipated Growth Rate}}$

Reduce the cost of capital

▶ Transforming the Business Portfolio:

Business restructuring leading to GHG reduction

▶ Shareholder return policy:

Revise the dividend policy in a way that contributes to greater shareholder value

▶ IR strategy:

Further strengthen dialogue with shareholders through IR, SR, etc.

▶ ESG:

Publish a TCFD report and participate in the GX League

Enhance the Anticipated growth rate

▶ Growth businesses:

Expand the Polycrystalline Silicon Business in Malaysia

▶ Overseas expansion:

Expand the IC Chemical Business in Taiwan and Korea

▶ ROIC management:

Perform management conscious of cost of capital (reduce cross-shareholdings, etc.)

Shareholder return and cross-holding trends (Attachment)

Shareholder return trends					
	FY2019	FY2020	FY2021	FY2022	FY2023
Dividends per share :yen	70	70	70	70	80
Payout ratio: %	24.4	19.9	18.0	53.8	32.4
DOE(dividend on equity ratio): %	2.9	2.6	2.4	2.3	2.5

Cross-holding trends					
	FY2019	FY2020	FY2021	FY2022	FY2023
Number of cross-shareholding issues	24	22	21	20	20
year-end market value : billion of yen	83	120	126	126	179

Shareholder dialogue results (FY2023) (Attachment)

IR	Financial results briefing	4 times, quarterly
	Management Briefing	1 time, June 2023
	Business Briefing	1 time, September 2023
	Small Meeting	2 times, handled by the President and Representative Director
	Individual IR Coverage	223 cases
	Briefing for Individual Investors	1 time, March 2024

SR	Engagement with major institutional investors, etc.	5 cases, handled by the President and Representative Director
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