

Q3 FY2019 - Apr 1, 2019 to Dec 31, 2019 -

Presentation for IR Meeting

Tokuyama Corporation

Jan 31, 2020



Key points of the third quarter of fiscal 2019

- Despite an uncertain outlook regarding demand in Japan mainly for semiconductors as well as raw material and fuel price trends, continue to focus on achieving full fiscal year plans.
- Maintained the profit margin on petroleum products with respect to raw material fuel prices as the impact of declining coal prices began to emerge in earnest and naphtha prices trended at a low level
- Despite initial signs of a positive turnaround in the semiconductor market, sales of semiconductor-related products to recover in earnest from the next fiscal year as a result of inventory adjustments by customers

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1 Financial Results for Q3 FY2019

- 1. Financial Highlights**
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- 3. Changes in Operating Profit**
- 4. Changes in Net Sales / Operating Profit by Business Segment**



1. Financial Highlights

(Billions of yen)

	Q3 FY2018	Q3 FY2019	Difference		Main changing factors
			Amount	%	
Net sales	238.2	236.5	(1.7)	(1)	Weak sales volume in major products
Operating profit	25.4	24.7	(0.7)	(3)	Weak sales volume in major products
Ordinary profit	23.6	23.7	+0.1	+0	Decrease in operating profit
Profit attributable to owners of parent	19.5	18.0	(1.5)	(8)	Decrease in ordinary profit
Basic earnings per share (yen)	281.56	259.32	-		-
Exchange rate (yen/USD)	111	109	-		-
Domestic naphtha price (yen/kl)	52,000	42,300	-		-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2019	As of Dec 31,2019	Difference	Main changing factors
Total assets	379.6	380.9	+1.2	Increase in cash and deposits
Shareholders' equity	152.7	166.3	+13.5	Posting profit attributable to owners of parent
Shareholders' equity ratio	40.2%	43.7%	+3.4pts	-
Interest-bearing debt	128.9	119.9	(9.0)	Decrease in long-term loans payable
D/E ratio	0.84	0.72	(0.12)	-
Net D/E ratio*	0.40	0.28	(0.11)	-
Net assets per share (yen)	2,199.83	2,395.45	-	-

*Net D/E ratio: (Interest-bearing debt – Cash and deposits, Cash equivalents, Money in trust)/Shareholders' equity

2. Net Sales/Operating Profit by Business Segment

(Year-on-year change)

(Billions of yen)

	Q3 FY2018		Q3 FY2019		Difference			
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	%	Operating Profit	%
Chemicals	74.2	12.6	71.1	11.7	(3.0)	(4)	(0.9)	(7)
Specialty Products	42.0	6.8	38.4	4.4	(3.6)	(9)	(2.3)	(35)
Cement	69.0	2.2	66.4	2.6	(2.6)	(4)	+0.4	+18
Life & Amenity	40.0	2.3	42.3	2.3	+2.3	+6	(0.0)	(3)
Others	44.3	2.7	49.1	4.8	+4.8	+11	+2.0	+75
Total	269.6	26.9	267.5	26.0	(2.1)	(1)	(0.8)	(3)
Inter-segment eliminations and corporate-wide expenses	(31.3)	(1.4)	(31.0)	(1.3)	+0.3	-	+0.1	-
Consolidated results	238.2	25.4	236.5	24.7	(1.7)	(1)	(0.7)	(3)

(Note) Sales and operating profit shown above include inter-segment transactions.

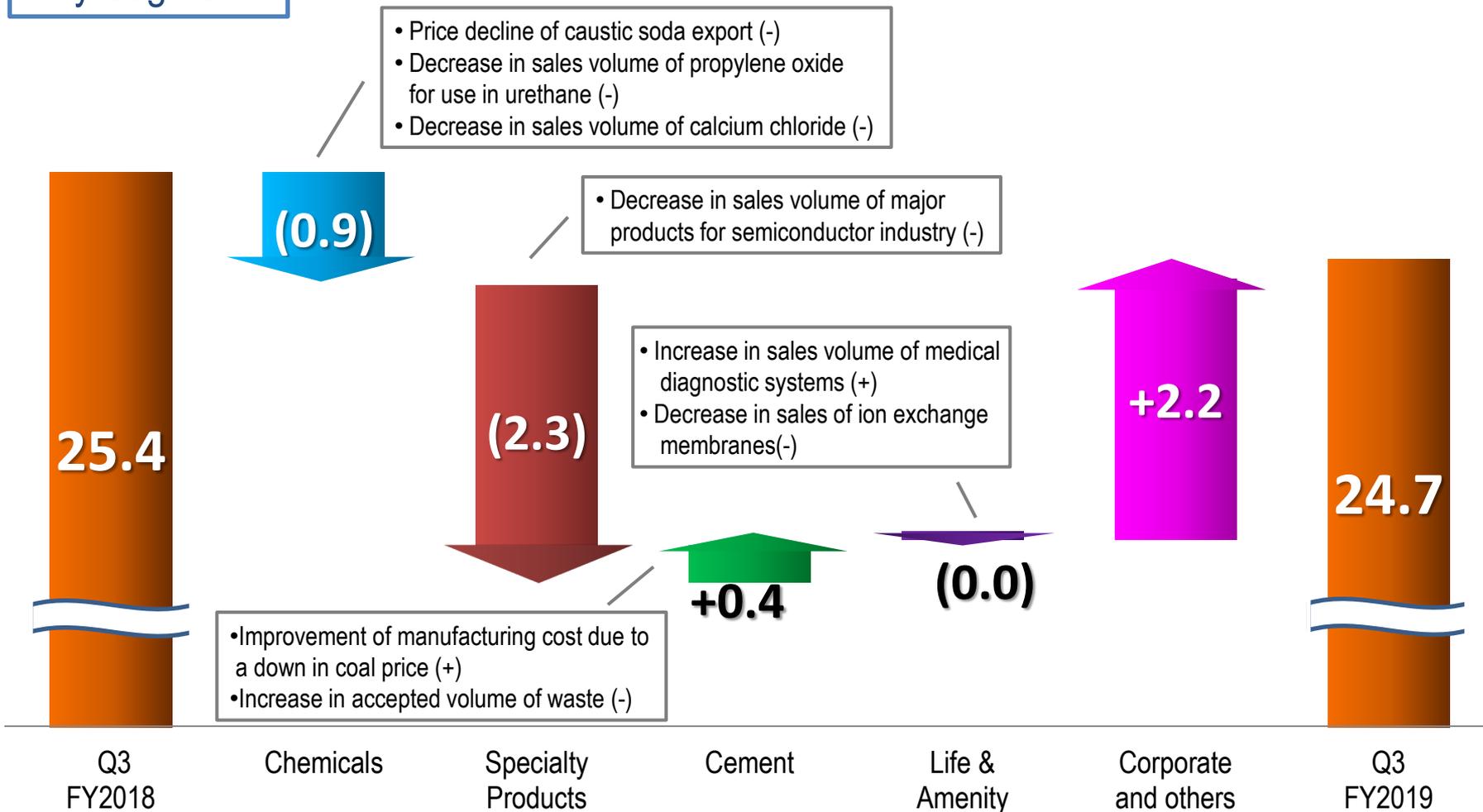
*The figures of Q3 FY2019 and Q3 FY2018 stated above have been modified to reflect the operating results based on the business segment after this change.

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Segment

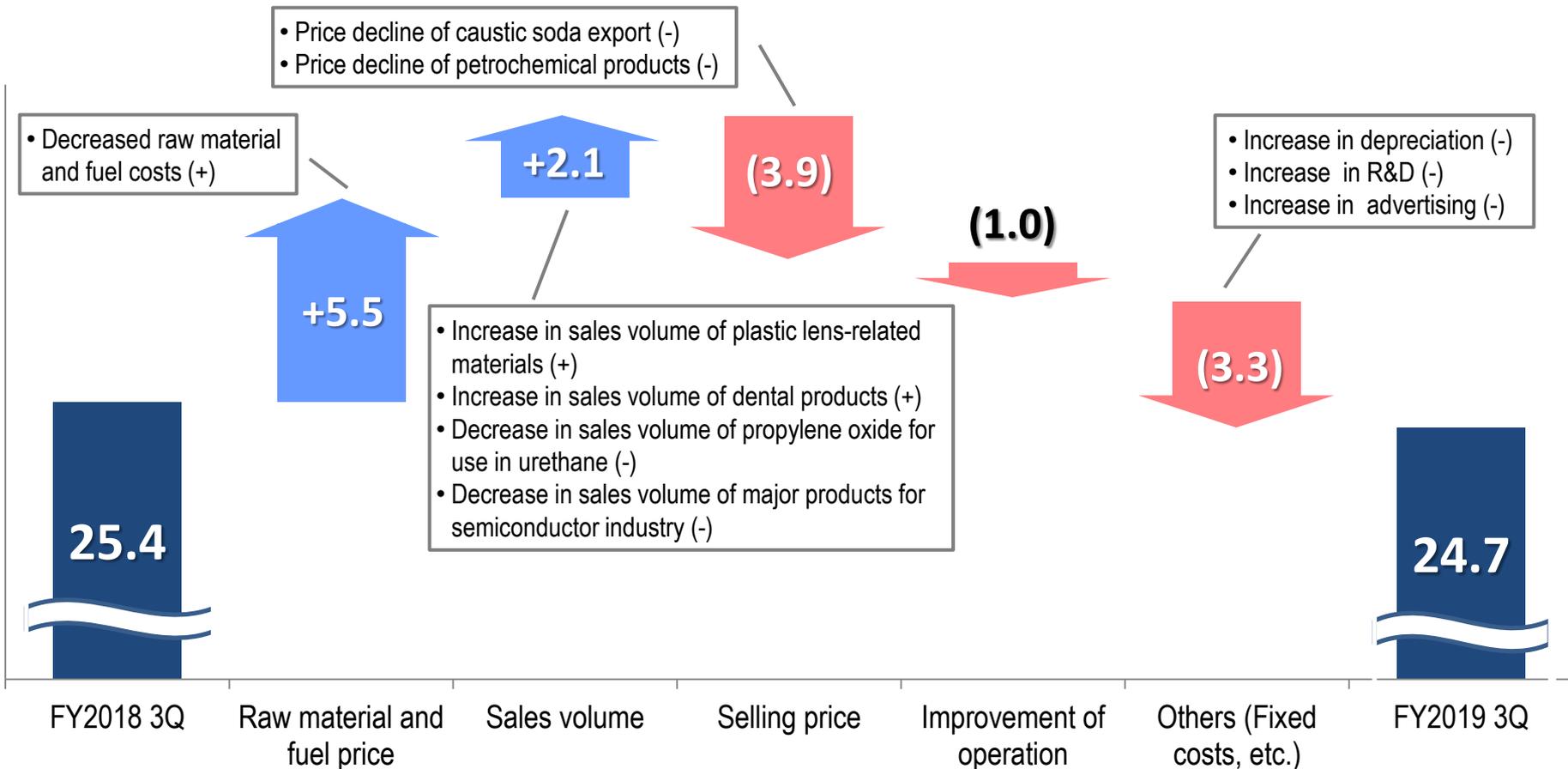


3. Changes in Operating Profit

(Year-on-year change)

By Factor

(Billions of yen)

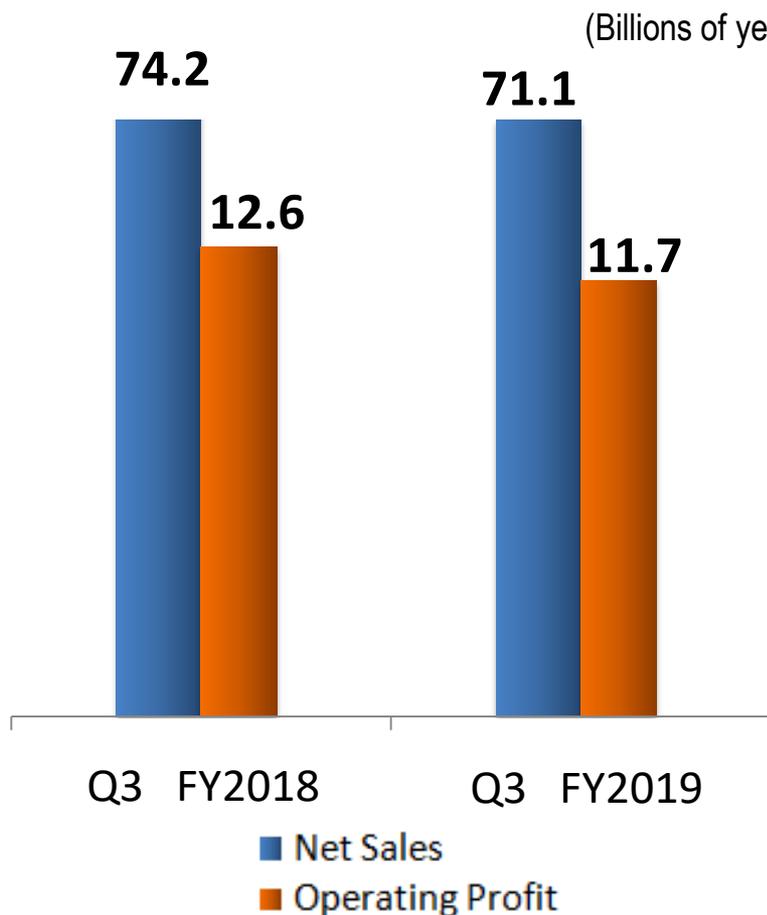


4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Chemicals

Lower earnings on lower sales



Qualitative information

(Caustic soda)

- Despite firm sales volume trends, its operating profit decreased due to the increase in raw material price coupled with a deterioration in overseas market conditions.

(Vinyl chloride resin)

- Operating profit increased on the back of efforts to maintain spread between selling prices and raw material price.

(Propylene oxide)

- Operating profit decreased owing to a drop in sales volume for use in urethane.

(Calcium chloride)

- Operating profit decreased. This largely reflected drop in sales volume due to less snow and an increase in logistics costs.

4. Changes in Net Sales / Operating Profit by Business Segment

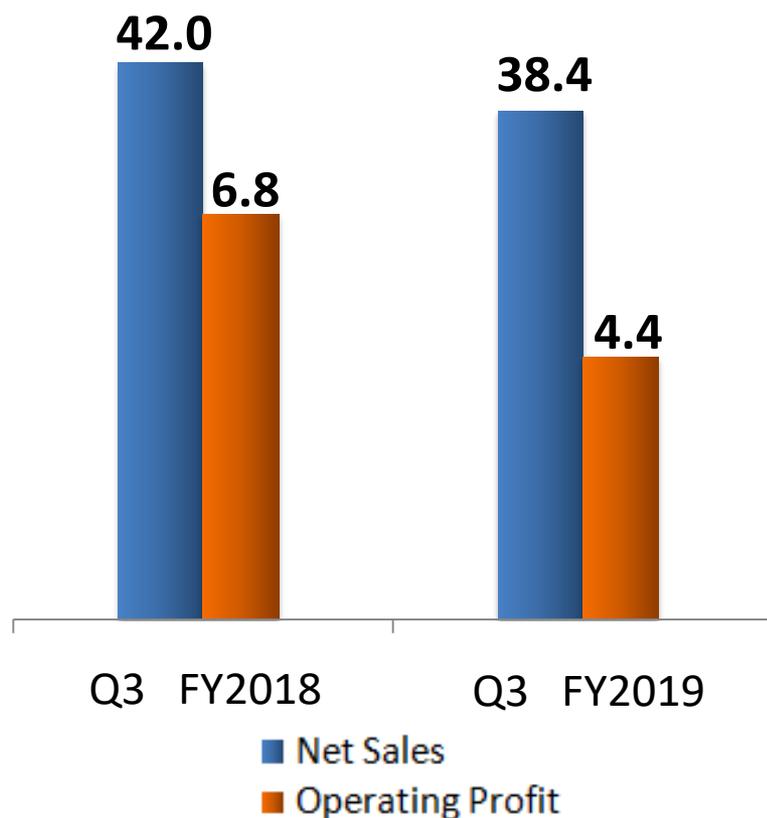
(Year-on-year change)

Specialty Products

Lower earnings on lower sales

(Billions of yen)

Qualitative information



(Semiconductor-grade Polycrystalline silicon and Thermal management material)

- Operating profit decreased. This was due to decline in sales amount caused by the delayed recovery of semiconductor market.

(High-purity chemicals for electronics manufacturing)

- Its business result was almost same as the corresponding period of the previous year. This reflected the recovery of sales volume mainly for export.

4. Changes in Net Sales / Operating Profit by Business Segment

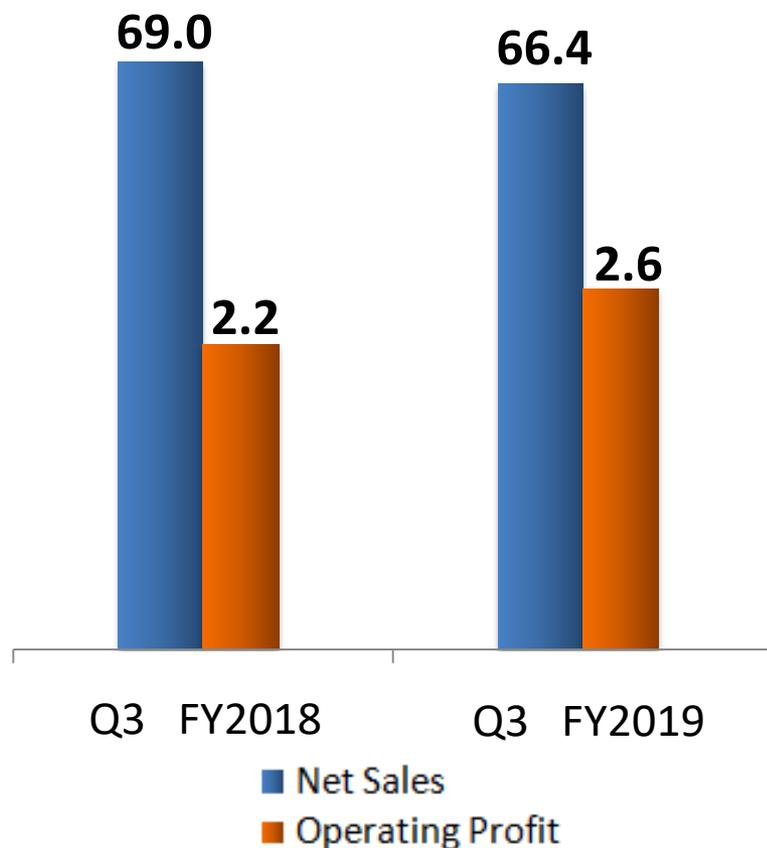
(Year-on-year change)

Cement

Higher earnings on lower sales

(Billions of yen)

Qualitative information



(Cement)

- Despite manufacturing costs decreased due to a down in coal prices, operating profit decreased due to weak sales volume and an increase in fixed costs such as depreciation.

(Resource recycling business)

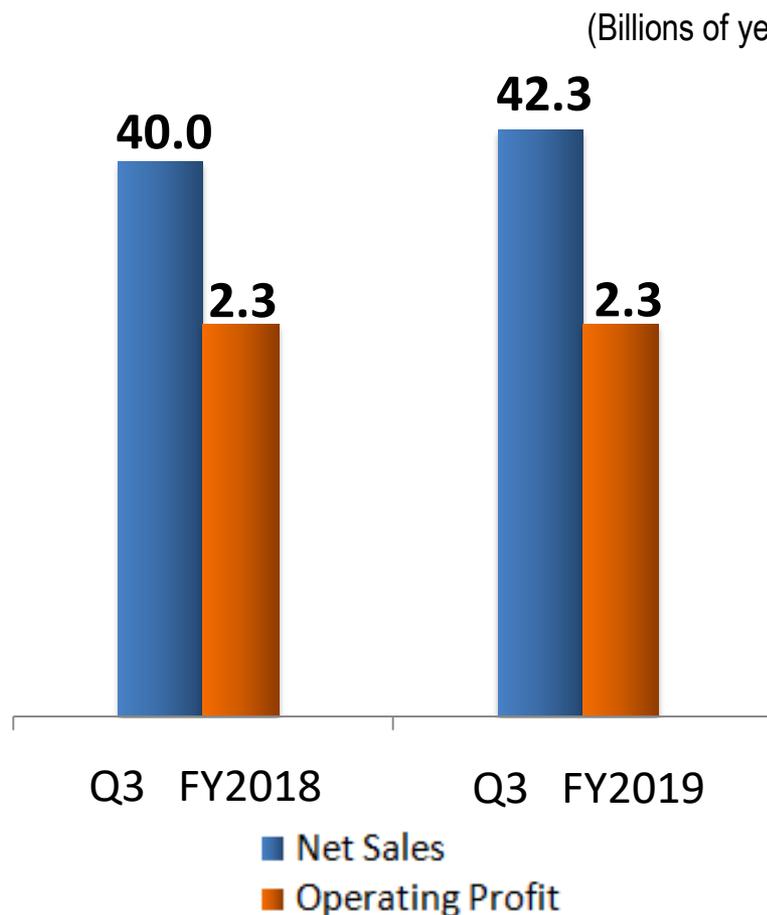
- Operating profit increased due to increase in accepted volume of waste.

4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Life & Amenity

Lower earnings on higher sales



Qualitative information

(Plastic lens-related materials)

- Sales volume of photochromic dye materials for eyeglass lenses increased.

(Dental materials)

- Despite an increase in sales volume overseas, its operating profit decreased mainly due to the increase in advertising expenses associated with the release of new products to the market.

(Medical diagnosis systems)

- Its operating profit increased This largely reflected firm sales volume of Clinical Testing devices and Systems.

(Ion exchange membranes)

- Its operating profit decreased due to large-scale project recorded in the corresponding period of the previous year.

*The figures of Q3 FY2019 and Q3 FY2018 stated above have been modified to reflect the operating results based on the business segment after this change.



2 Performance Forecasts for FY2019

- 1. Performance Forecasts**
- 2. Performance Forecasts by Business Segment**

1. Performance Forecasts

(Billions of yen)

	FY2018	FY2019	Difference		Main changing factors
			Amount	%	
Net sales	324.6	322.0	(2.6)	(1)	-
Operating profit	35.2	35.0	(0.2)	(1)	-
Ordinary profit	33.4	34.0	+0.5	+2	-
Profit attributable to owners of parent	34.2	26.0	(8.2)	(24)	-
Basic earnings per share (yen)	493.26	374.35	-		-
Exchange rate (yen/USD)	111	1-3Q results:109	-		-
		4Q forecast:110			
Domestic naphtha price (yen/kl)	49,500	1 - 3Q results:42,300	-		-
		4Q forecast:44,500			

2. Performance Forecasts by Business Segment

(Year-on-year change based on FY2019 forecasts)

(Billions of yen)

	FY2018 Results		FY2019 Forecasts		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	98.3	16.8	96.0	16.5	(2.3)	(2)	(0.3)	(2)
Specialty Products	59.6	9.9	57.0	7.5	(2.6)	(5)	(2.4)	(25)
Cement	92.3	3.2	90.0	4.0	(2.3)	(3)	+0.7	+25
Life & Amenity	54.3	3.2	58.0	4.0	+3.6	+7	+0.7	+24
Others	62.3	4.3	63.0	5.0	0.6	+1	0.6	15
Total	367.1	37.5	364.0	37.0	(3.1)	(1)	(0.5)	(2)
Inter-segment eliminations and corporate-wide expenses	(42.5)	(2.3)	(42.0)	(2.0)	(0.5)	-	0.3	-
Consolidated Results	324.6	35.2	322.0	35.0	(2.6)	(1)	(0.2)	(1)

(Note) Sales and operating profit in each segment shown above include inter-segment transactions.

3 Topics

1. Business Environment and Countermeasure



1. Business Environment and Countermeasures

Business Environment

Chemicals	<ul style="list-style-type: none"> ■ While coal prices to trend at a low level, unstable trends in naphtha prices due to geopolitical risks in the Middle East ■ Slight softening of demand for caustic soda in Japan
Specialty Products	<ul style="list-style-type: none"> ■ Semiconductor-related product market expected to move away from a period of stagnation in line with steps taken toward 5G commercialization ■ Growing customers' requirements for higher quality on the back of further developments in miniaturization
Cement	<ul style="list-style-type: none"> ■ Raw material costs including coal to trend at a low level ■ While interest in urban redevelopment and other factors in the wake of the Tokyo 2020 Olympics are projected to underpin demand, expectations of an upswing in public works under the National Resilience and other plans going forward
Life & Amenity	<ul style="list-style-type: none"> ■ Growing consciousness toward health in line with such factors as the aging of society

Countermeasures

<ul style="list-style-type: none"> ■ Maintain profit margins ■ Maintain caustic soda selling prices in Japan, strengthen exports
<ul style="list-style-type: none"> ■ Reinforce the production and supply structures in preparation for the recovery in demand ■ Deliver distinctive products by meeting calls for higher quality
<ul style="list-style-type: none"> ■ Revise selling prices ■ Pursue the thoroughgoing reduction of manufacturing costs ■ Strengthen cement exports
<ul style="list-style-type: none"> ■ Strengthen efforts to expand into the health care field focusing on research and development ■ Improve profitability in non-health care business fields



Chemistry with a heart

TOKUYAMA



4 Supplementary Data

- 1. Consolidated Financial Statements**
- 2. Performance Trend**

1. Consolidated Financial Statements

Income Statements

(Billions of yen)

	Q3 FY2018	Q3 FY2019	Changes	
			Amount	%
Net sales	238.2	236.5	(1.7)	(1)
Cost of sales	166.2	163.7	+2.4	+1
Selling, general and administrative expenses	46.6	48.0	(1.4)	(3)
Operating profit	25.4	24.7	(0.7)	(3)
Non-operating income/expenses	(1.7)	(0.9)	+0.8	-
Ordinary profit	23.6	23.7	+0.1	+0
Extraordinary income/losses	0.1	(0.3)	(0.5)	-
Profit/loss before income taxes	23.8	23.3	(0.4)	(2)
Income taxes	3.8	4.7	(0.8)	(23)
Non-controlling interests	0.4	0.6	(0.2)	(60)
Profit attributable to owners of parent	19.5	18.0	(1.5)	(8)

*Regarding changes, income or profit is shown as positive and expenses or losses are shown as negative amount.

1. Consolidated Financial Statements Balance Sheets

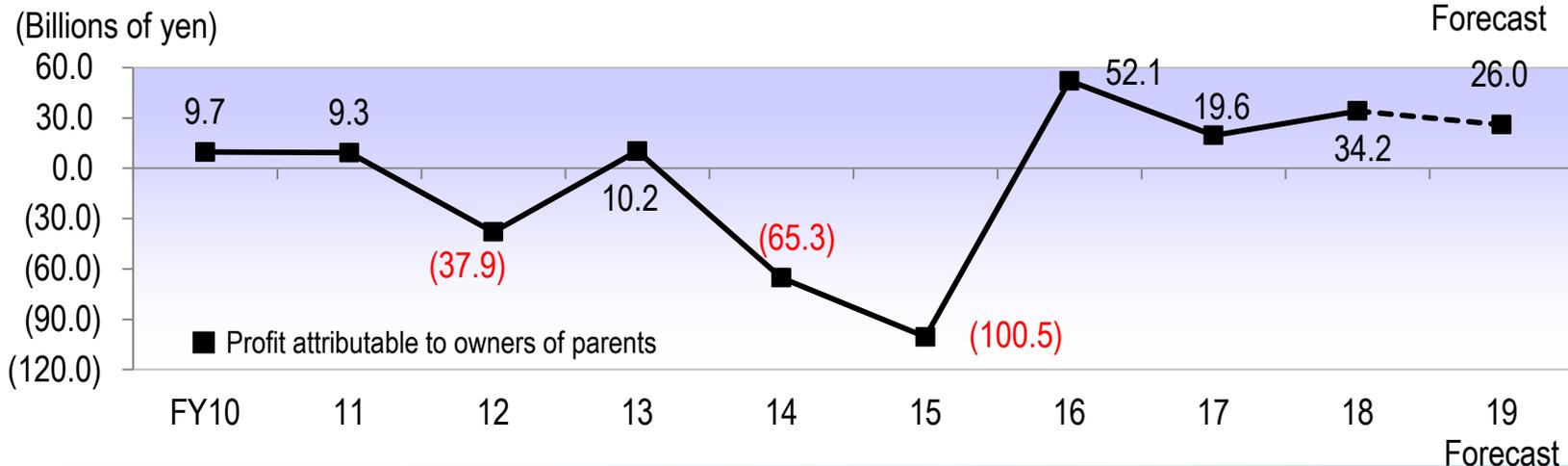
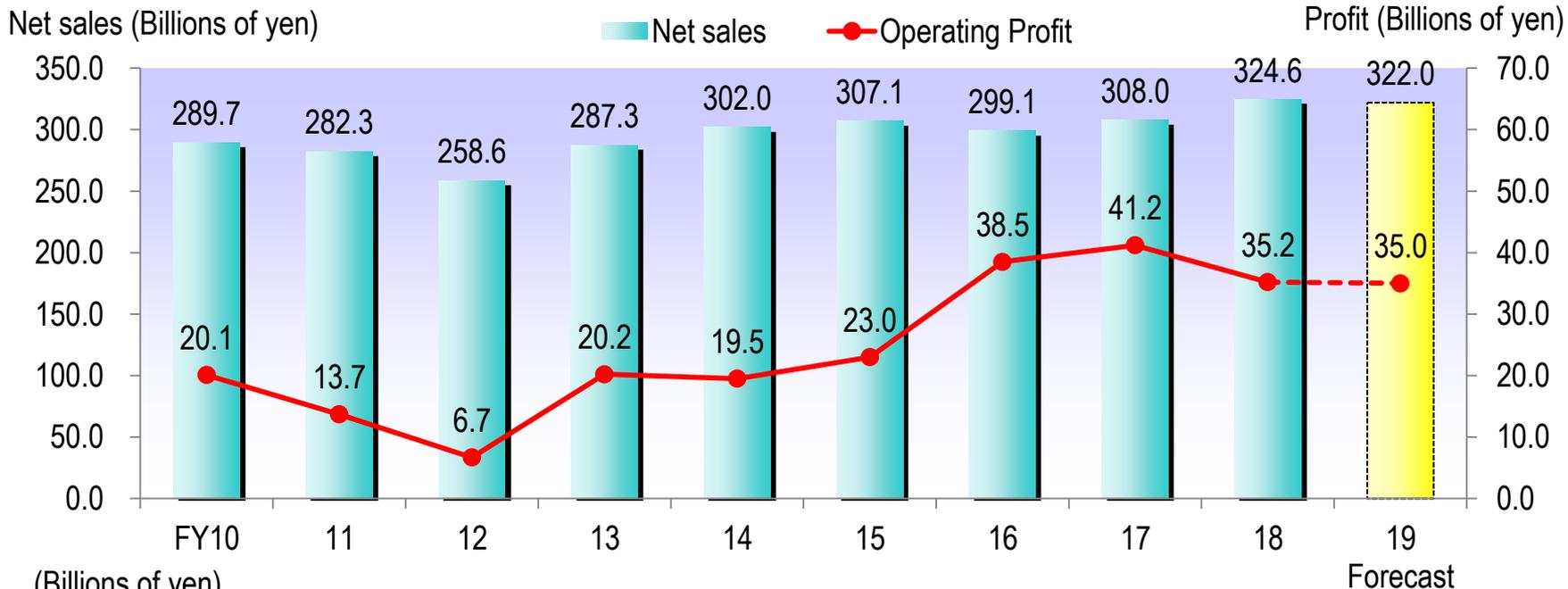
(Billions of yen)

	3/31/2019	12/31/2019	Changes	
			Amount	%
Total assets	379.6	380.9	+1.2	+0
Current assets	202.9	198.4	(4.4)	(2)
Tangible fixed assets	116.1	120.1	+4.0	+4
Intangible fixed assets	1.9	1.6	(0.2)	(15)
Investments and other assets	58.6	60.5	+1.9	+3

	3/31/2019	12/31/2019	Changes	
			Amount	%
Total liabilities	216.1	203.2	(12.8)	(6)
Current liabilities	93.2	92.2	(1.0)	(1)
Long-term liabilities	122.8	111.0	(11.8)	(10)
Total net assets	163.5	177.6	+14.1	+9

2. Performance Trend

Annual

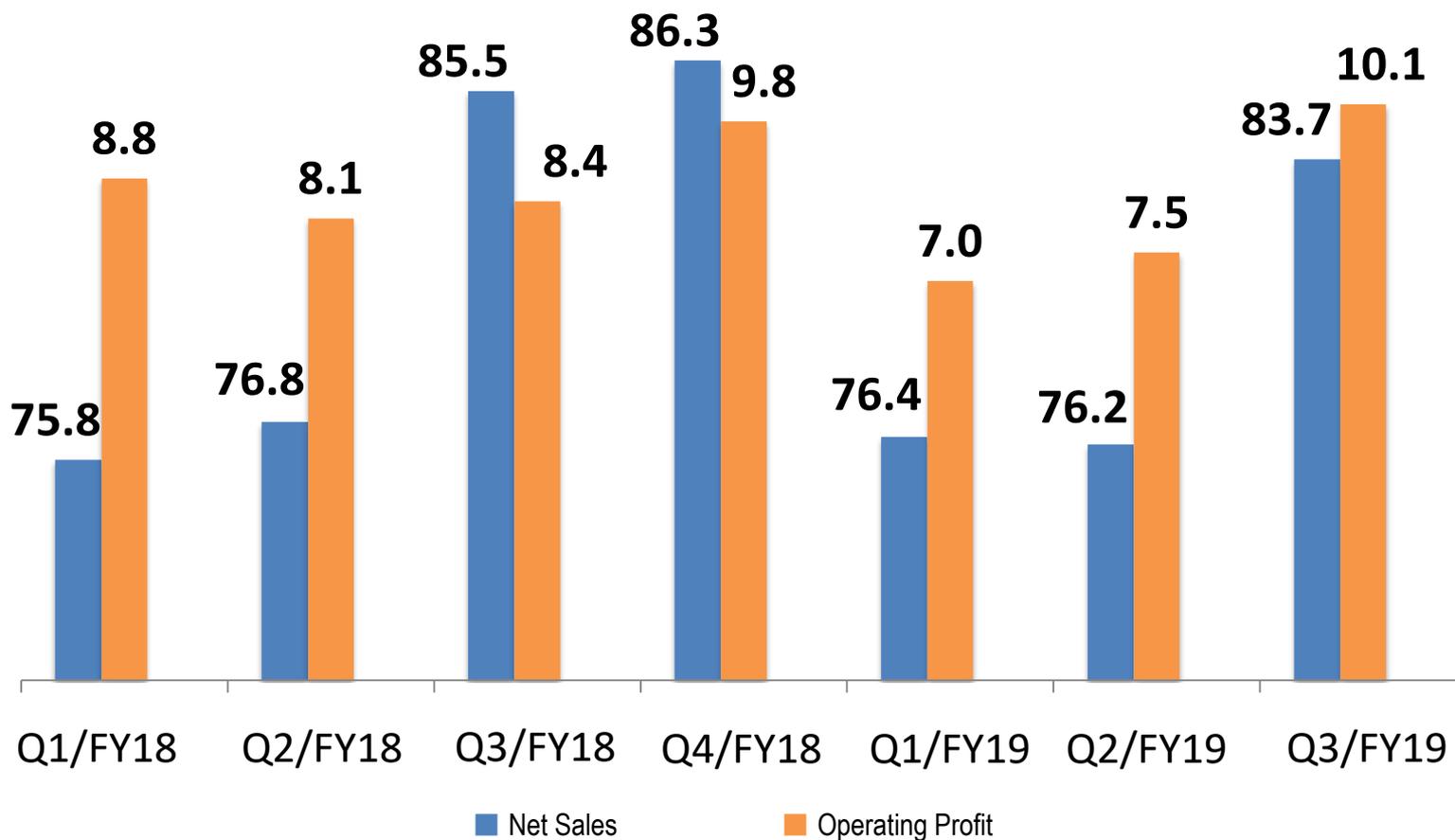


2. Performance Trend

(Quarter)

Consolidated

(Billions of yen)

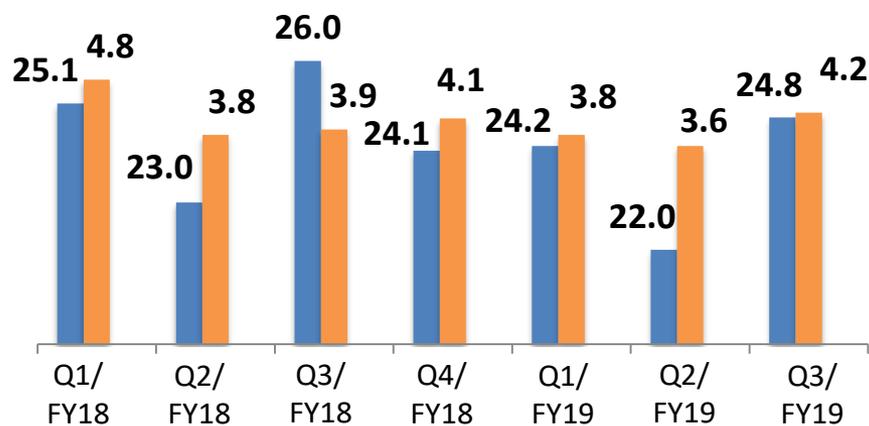


2. Performance Trend

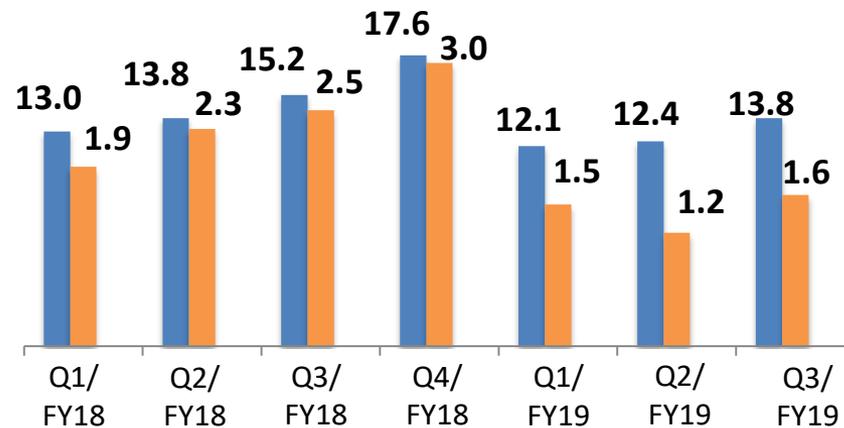
(Billions of yen)

Quarter

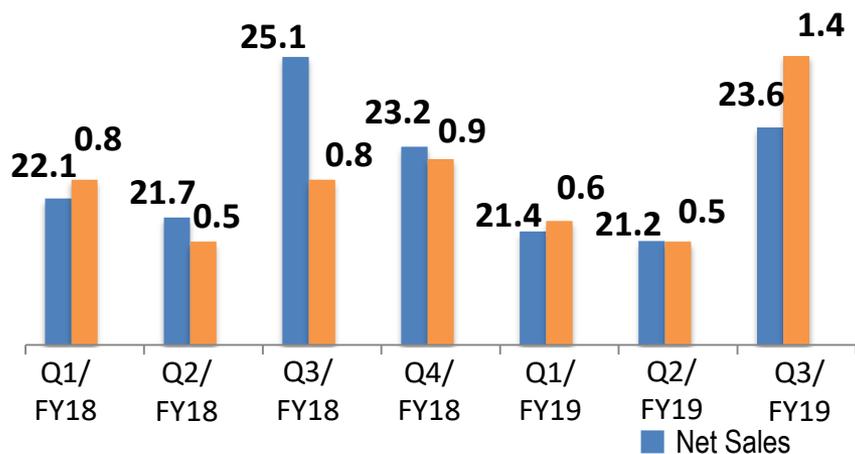
Chemicals



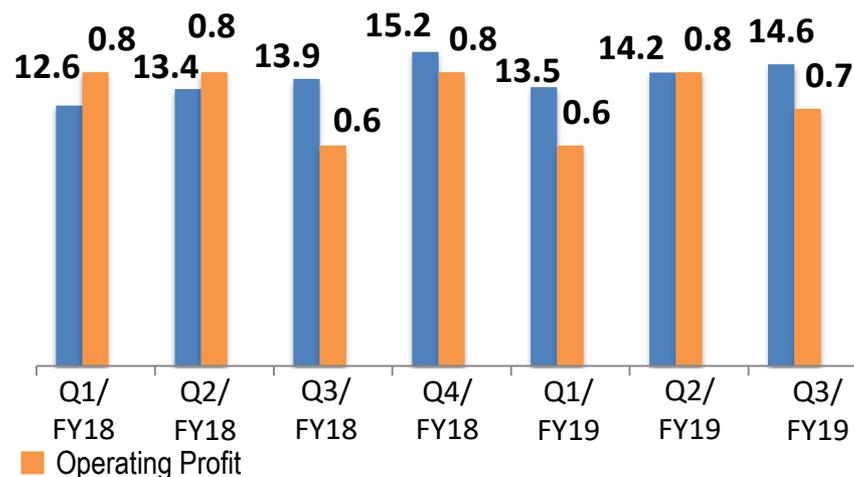
Specialty Products



Cement



Life & Amenity



■ Net Sales

■ Operating Profit

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