



# TOKUYAMA 2025

## Presentation on Tokuyama's New Vision and Medium-Term Management Plan 2025

February 26, 2021

Hiroshi Yokota, President  
Tokuyama Corporation

An aerial photograph of the Tokuyama industrial complex, showing various industrial buildings, roads, and a large body of water. A white diamond-shaped overlay is centered on the image, containing the text 'Tokuyama's New Vision'.

# Tokuyama's New Vision

Tokuyama Factory's highly efficient integrated production processes are our source of competitiveness

Energy-intensive businesses dependent on coal-fired power generation are our earnings drivers



## Management challenges

### Society

Accelerated change in industrial structure, rapid digital revolution

### Japan

Domestic demand shrinkage, growing health consciousness

### Planet Earth

Growing environmental consciousness, environmental regulatory tightening



**We must build/grow businesses that branch out in new directions. Earnings power and competitiveness are essential.**

# Tokuyama's Aims

**Society**  
Accelerated change in industrial structure, rapid digital revolution

**Japan**  
Domestic demand shrinkage, growing health consciousness

**Planet Earth**  
Growing environmental consciousness, environmental regulatory tightening

Target societal challenges within Tokuyama's circle of competence as core business domains

## Electronics



## Healthcare



## Environment



Achieve  
SDGs

Reduce CO<sub>2</sub>  
emissions

Realize carbon-neutral by FY50

Less dependent on energy-intensive businesses (chemicals, cement) while scaling up energy-efficient businesses (electronics, healthcare, environment)

# Tokuyama's Mission

Pursuing a new vision with a redefined mission

Slogan: **“For the People of Tomorrow”**

## Mission

To create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry

## Vision

- Be a value-creative company that places first priority on R&D and marketing
- Be a company that never stops challenging new domains while refining and exploiting its unique strengths
- Be a company with healthy employees who have healthy families and take pride in their work at their company
- Be a company that fosters bonds with people in communities and societies worldwide

## Values

- Commitment to customer satisfaction as a profit source
- A broader, loftier perspective
- Employees who consistently surpass their predecessors
- Integrity, perseverance, a playful sprit and boldness



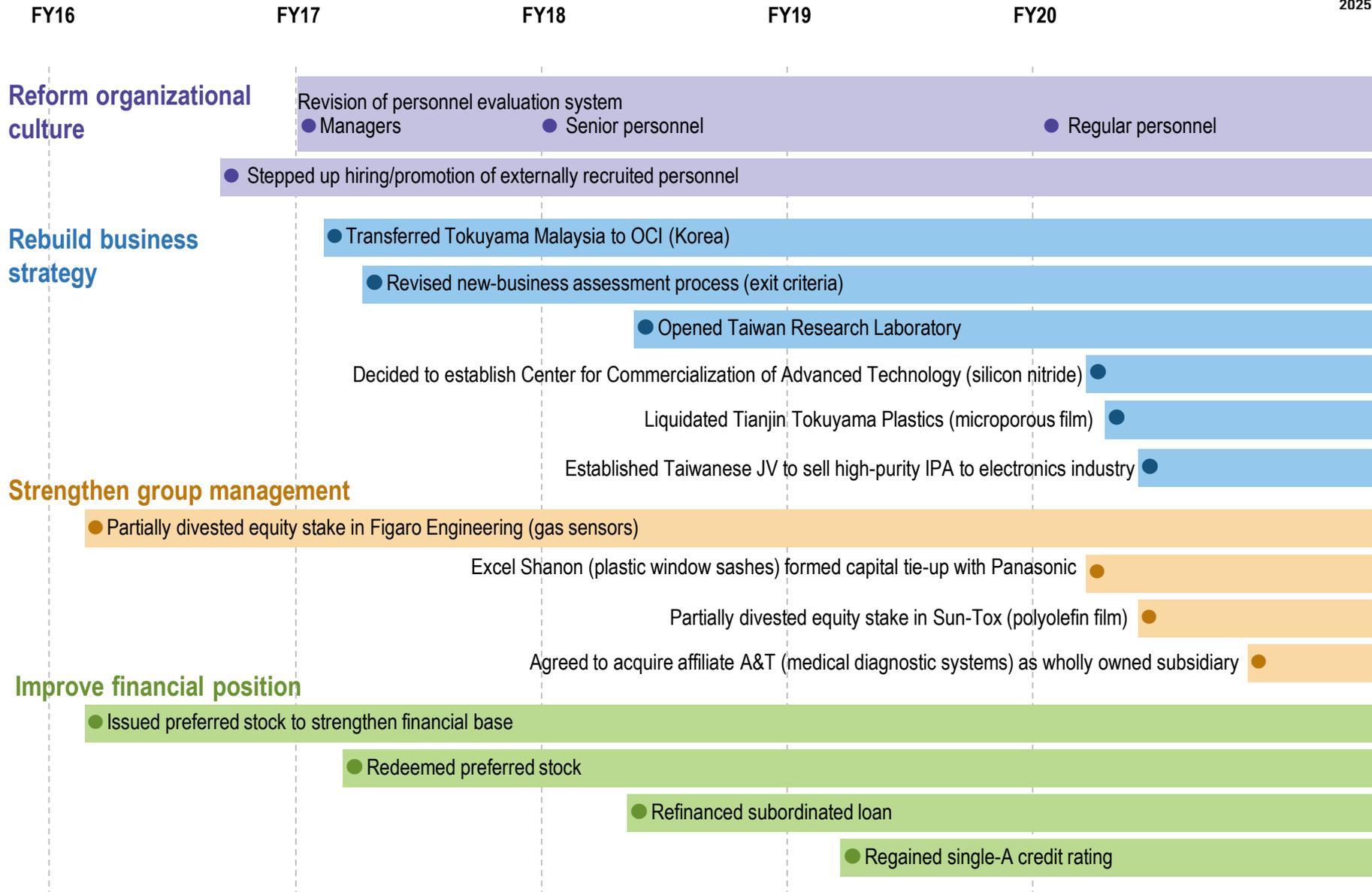
# Medium-Term Management Plan 2025

(FY21-25)

# Review of Previous Medium-Term Management Plan

		FY15	FY20 (Target)	FY20 (Forecast)	Assessment
Net sales		¥307.1bn	¥335.0bn	¥302.4bn	▲ Fell short of target, largely because of pandemic's impact and fixed cost growth due to spending to lay groundwork for next medium-term plan
Operating profit		¥23.0bn	¥36.0bn	¥30.9bn	
ROA		5.7%	10%	8.0%	▲ Achieved operating margin target by exiting unprofitable businesses and growing sales in growth businesses, including semiconductor-related products and dental materials/equipment
Operating margin		7.5%	10%	10.2%	
Total asset turnover		0.77 times	1.0 times	0.79 times	
Financial indicators	CCC	69 days	55 days	65 days	▲ Failed to reduce inventories enough to achieve target
	D/E ratio	4.7	1.0	0.5	○ Achieved target by building retained earnings and paying down debt
Exchange rate (¥/US\$)		120	110	106	
Domestic naphtha price (¥/kl)		42,800	58,000	31,200	

# Progress on Priority Issues in Previous Medium-Term Management Plan



# Medium-Term Management Plan 2025

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

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 total CO<sub>2</sub> emissions 30%\* by FY30

3

## Practice socially responsible management

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

\*Relative to FY19

# Final Year Targets

KPI	FY20 (Result)	FY25 (Target)	Factors in Achieving Targets
<b>Net Sales</b> (The application of the Accounting Standard for Revenue Recognition)	¥259.2bn*	<b>¥320.0bn</b>	<b>Maintain growth while transforming portfolio</b>
<b>Operating Profit</b>	¥30.0bn	<b>¥40.0bn</b>	<b>Strengthen and expand highly profitable businesses</b>
<b>Growth Business Net Sales Growth Rate</b>	—	<b>CAGR ≥10%</b>	<b>Strengthen R&amp;D, accelerate international expansion</b>
<b>ROE</b>	13.2%	<b>≥ 10%</b>	<b>Balance shareholders' equity efficiency and financial base</b>

(Note) Assumptions : exchange rate (¥/US\$) 105, domestic naphtha price (¥/kl) 32,500

\* FY2020 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values

# 1 Transform business portfolio

- ▶ Transform business portfolio
- ▶ Organizational Revision to Promote Strategy
- ▶ Target Business Portfolio
- ▶ Strategy by Business
- ▶ R&D Policy
- ▶ Promoting Digital Transformation (DX)
- ▶ Accelerated International Expansion
- ▶ Capex Plan Breakdown
- ▶ Cash Flow Generation and Allocation

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

## FY21-25 Plans

**Redefine/reorganize growth businesses around the three themes of electronics, healthcare and environment and proceed to move ahead with expanding them**

**Chemicals and cement businesses to promote increased efficiency while generating sustainable cash flows**

## Priorities and initiatives

### Technology

Pursue added value and promote technological differentiation by collaborating more with external partners

### Efficiency gains

Pursue Group-wide operational efficiency, mainly through DX

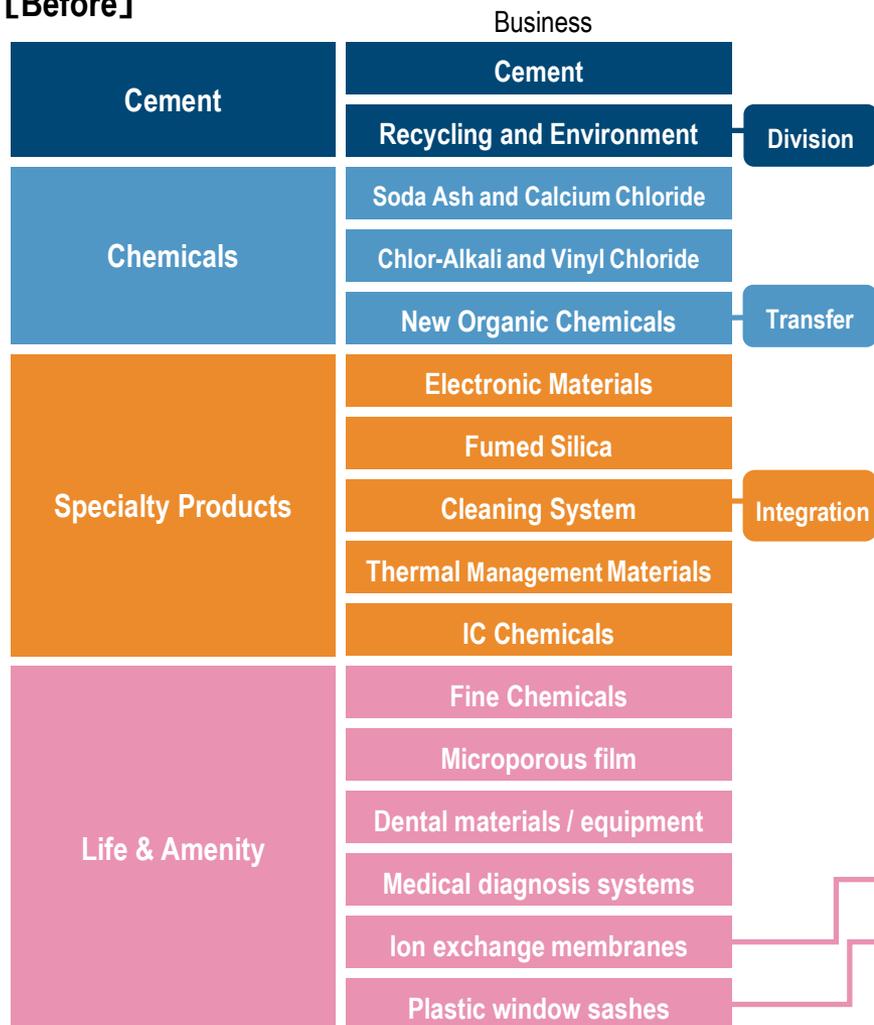
### International expansion

Expand operations in growing overseas markets

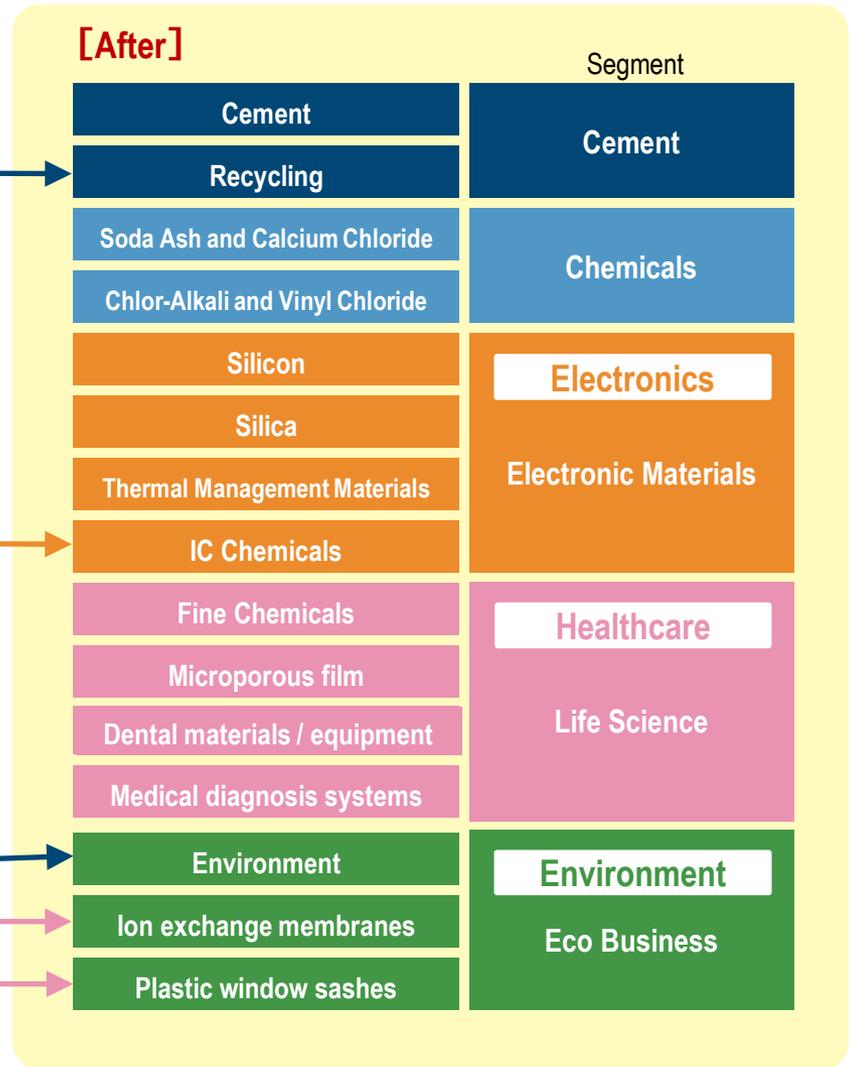
# Organizational Revision to Promote Strategy (from April 2021)

Accelerate strategy by matching business promotion system with focus areas  
 “Electronic” “Healthcare” “Environment”

[Before]



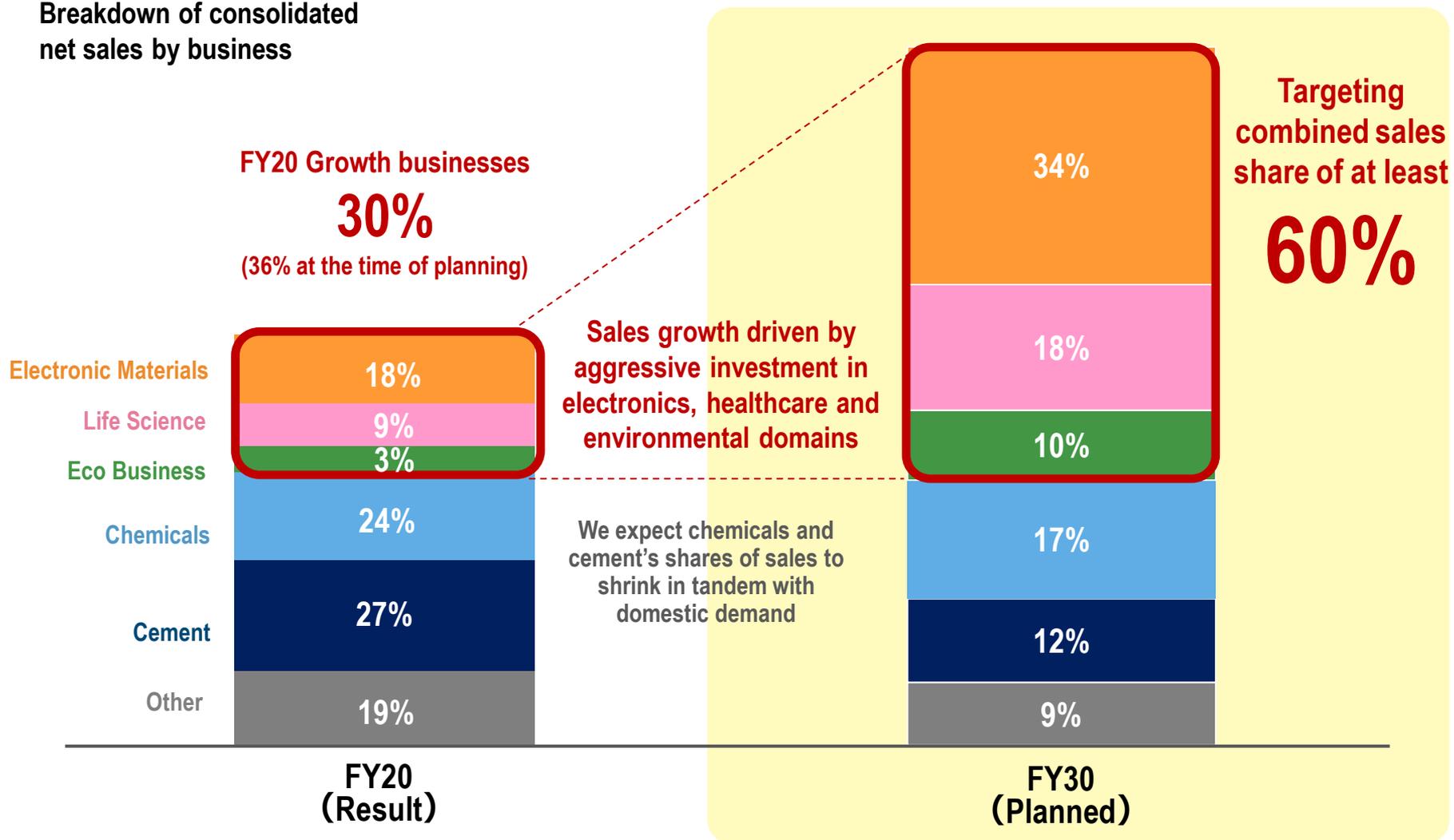
[After]



# 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



## Chemicals



### Business Goal

## Ensure stable earnings in the existing business

### Priority Measures

- ▶ Engage in innovative, sustainable and environmentally-friendly manufacturing processes
- ▶ Improve electrolyzer cell energy efficiency to world-class levels, reduce CO<sub>2</sub> emissions through energy saving
- ▶ Improve manufacturing processes and supply chains through promoting DX (digital transformation)

### Investment Policy

- ▶ Maintain and update facilities needed for stable business continuity
- ▶ Energy saving and rationalization to address environmental issues

	FY20 (Result)	FY25 (Target)
Net sales	79.6	85.0
Operating profit	13.5	13.5

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments

\* FY20 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values.

## Cement



### Business Goal

**Become the domestic industry leader in energy efficiency**

### Priority Measures

- ▶ Introduce energy-saving equipment to reduce CO<sub>2</sub> emissions
- ▶ Reduce use of coal by increasing combustion amount of waste plastic

### Investment Policy

- ▶ Maintain and update facilities needed for stable business continuity
- ▶ Energy saving and rationalization to address environmental issues
- ▶ Expand waste treatment that contributes to a closed-loop society

	FY20 (Result)	FY25 (Target)
Net sales	50.8	56.0
Operating profit	4.3	3.5

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments

\* FY20 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values.

## Electronic 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

### International Expansion

<b>IC Chemicals</b>	Expand Taiwan JV facilities, expand new global facilities	Asia	N. America	
<b>Thermal Management Materials</b>	Launch silicon nitride, boron nitride products and expand overseas sales Develop new applications and enter downstream fields	Asia	N. America	Europe
<b>Silicon</b>	Strengthen marketing of high-purity polycrystalline silicon Extend silane product line and expand in Asia	Asia		
<b>Silica</b>	Expand uses for CASE* and personal care, enter the organic silicone field Entry into the organic silicone field	Asia	N. America	

	FY20 (Result)	FY25 (Target)
Net sales	61.7	102.0
Operating profit	7.1	20.0

\* CASE : Coating, Adhesive, Sealant, Elastomer

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments

\* FY20 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values.

## Life Science



### Business Goal

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

### Priority Measures

- ▶ Expand product portfolio including biotin and other products for health/pharmaceutical applications
- ▶ Develop new applications for unique biaxially-oriented microporous film; expand Shanghai site
- ▶ Accelerate overseas expansion of cosmetics materials, supplements and other healthcare products, develop new product areas
- ▶ Accelerate the development of diagnostic reagents through chemical integration, establish new alliances, and expand testing areas

### International Expansion

<b>Fine Chemicals</b>	Aim for 25% global share in photochromic dye materials	N. America	Europe	Asia
	Accelerate overseas expansion for cosmetics materials, supplements, veterinary products, etc.	Europe	S.E. Asia	
<b>Dental Materials and Equipment</b>	Penetration of brands, acceleration of overseas sales of OMNICHROMA series	N. America	Europe	
		Russia / CIS	Emerging countries	
<b>Medical Diagnostic Systems</b>	Through alliances, aim to become the No. 1 OEM supplier for open, automated bioanalytic testing system	China	Korea	

	FY20 (Result)	FY25 (Target)
Net sales	<b>28.5</b>	<b>46.0</b>
Operating profit	<b>3.4</b>	<b>7.5</b>

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments

\* FY20 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values.

## Eco Business



### Business Goal

## Establish 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

### Investment Policy

- Ion exchange membranes** : Boost production capacity
- Waste gypsum board recycling** : Expand business sites
- Photovoltaic module recycling** : Establish and commercialize recycling technology

### International Expansion

**Ion Exchange Membranes** : Incorporate environmental demand, enter countries in Asia and Europe

China

Korea

Asia

Europe

	FY20 (Result)	FY25 (Target)
Net sales	8.8	18.0
Operating profit	(0.3)	1.5

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments

\* FY20 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values.

# Strategy by Business



TOKUYAMA  
2025

\*Billions of yen

	Current standard		Accounting Standard for Revenue Recognition							
	FY2020 (Result)		FY2020 (Result) *		FY2025 (Target)		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	81.3	13.5	79.6	13.5	85.0	13.5	+5.3	+7	(0.0)	(1)
Cement	89.5	4.3	50.8	4.3	56.0	3.5	+5.1	+10	(0.8)	(20)
Electronic Materials	61.8	7.1	61.7	7.1	102.0	20.0	+40.2	+65	+12.8	+182
Life Science	28.6	3.4	28.5	3.4	46.0	7.5	+17.4	+61	+4.0	+114
Eco Business	9.5	(0.3)	8.8	(0.3)	18.0	1.5	+9.1	+104	+1.8	-
Others	62.3	5.6	51.9	5.6	38.0	5.0	(13.9)	(27)	(0.6)	(12)
<b>Total</b>	<b>333.4</b>	<b>33.9</b>	<b>281.5</b>	<b>33.9</b>	<b>345.0</b>	<b>51.0</b>	<b>+63.4</b>	<b>+23</b>	<b>+17.0</b>	<b>+50</b>
Adjustment and corporate-wide expenses	(31.0)	(3.0)	(22.3)	(3.0)	(25.0)	(11.0)	(2.6)	-	(7.9)	-
<b>Consolidated results</b>	<b>302.4</b>	<b>30.9</b>	<b>259.2</b>	<b>30.9</b>	<b>320.0</b>	<b>40.0</b>	<b>+60.7</b>	<b>+23</b>	<b>+9.0</b>	<b>+29</b>

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

\* FY2020 net sales are approximate amounts based on application of "Accounting Standard for Revenue Recognition," etc., and are listed as reference values

## Previous Medium-Term Management Plan

- ▶ **Customer-oriented R&D**  
Focusing management resources on business division by R&D
  - ▶ **Strengthening open innovation**
- (+) New chemical solution for semiconductors and an alkaline water electrolysis
- (+) Confirmation of elemental technologies and review of strengths
- (+) Conduct a course change of R&D themes
- (+) Increase in products under development
- (-) Decrease in medium- to long-term development themes due to the lack of corporate R&D
- (-) Delay in R&D in the environmental field

~FY15 Delay in R&D

## Medium-Term Management Plan 2025

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

- ▶ **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
- ▶ **Strengthening business division R&D**
  - Have a wider range of product variations which can meet customer requirements
  - Accelerate the pace of development
- ▶ **Strengthening open innovation**

### Unique Technologies

High purification

Nitride reduction

Sintering

Powder control

Crystallization,  
deposition

Electrode and  
membrane

Sol-gel

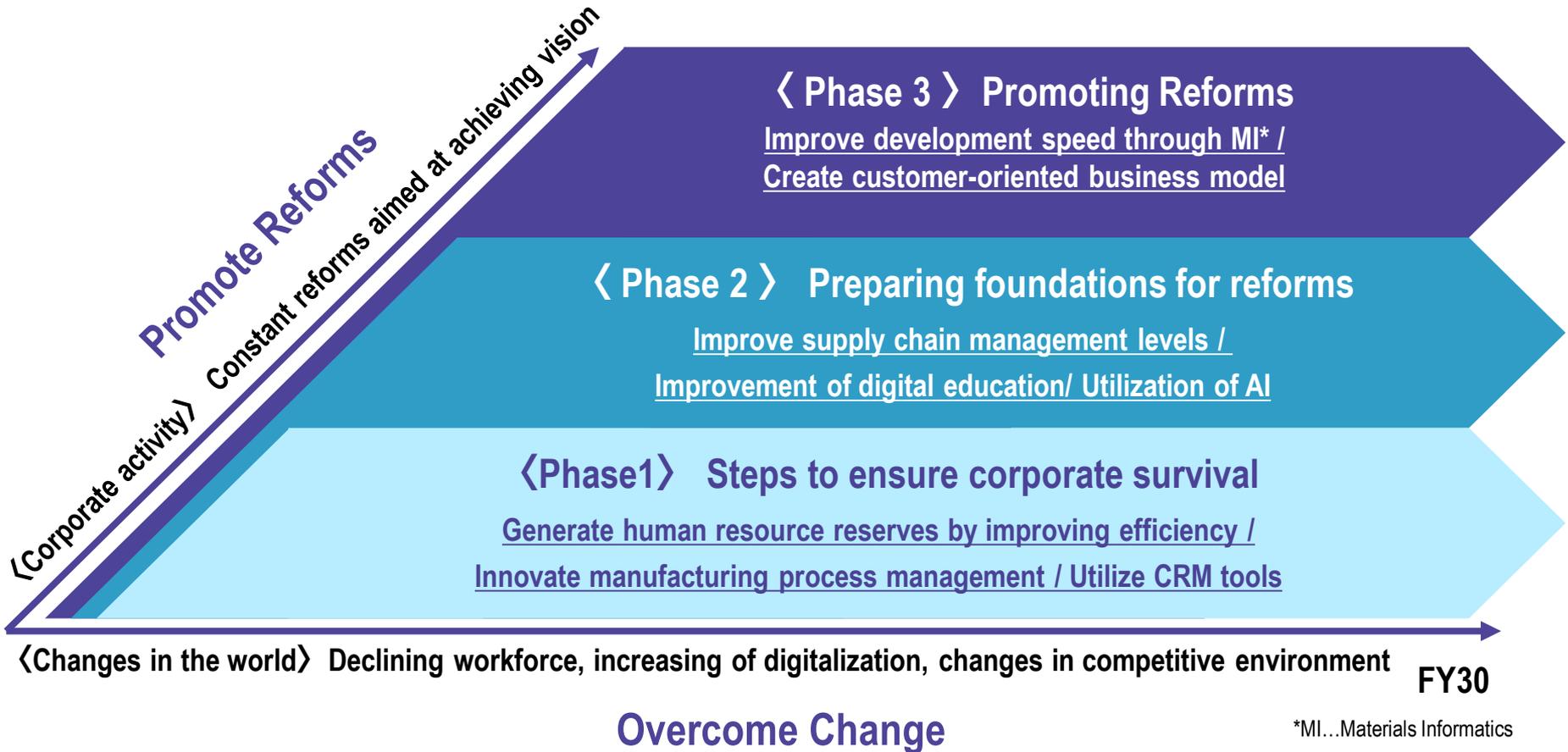
Photopolymerization

Molecular design

# Promoting Digital Transformation (DX)

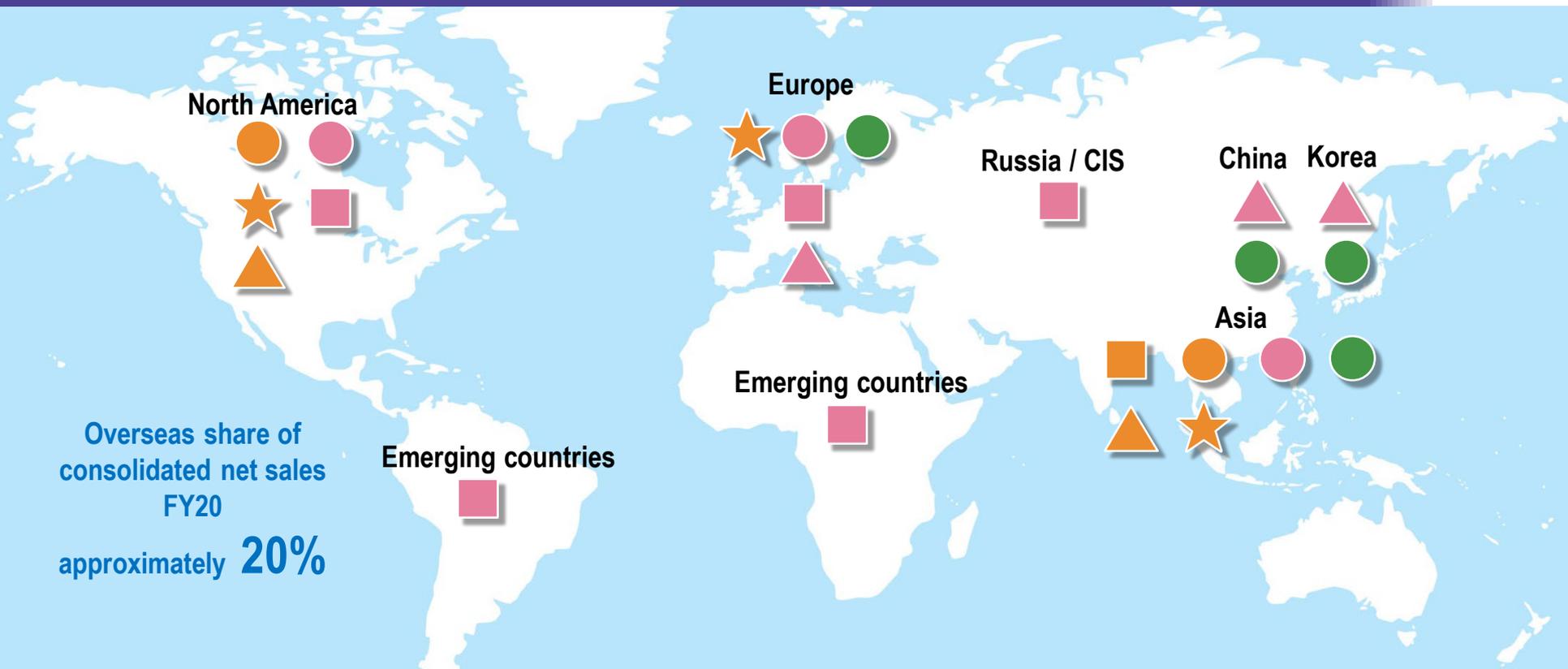
Promote DX by utilizing data and digital technology

**Makes the conventional impossible possible utilizing AI**  
**Accelerate manufacturing process improvement and R&D through DX**



# Accelerated International Expansion

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



● IC Chemicals

★ Thermal management materials

■ Silicon

▲ Silica

● Fine Chemicals

■ Dental materials / equipment

▲ Medical diagnosis systems

● Ion exchange membranes

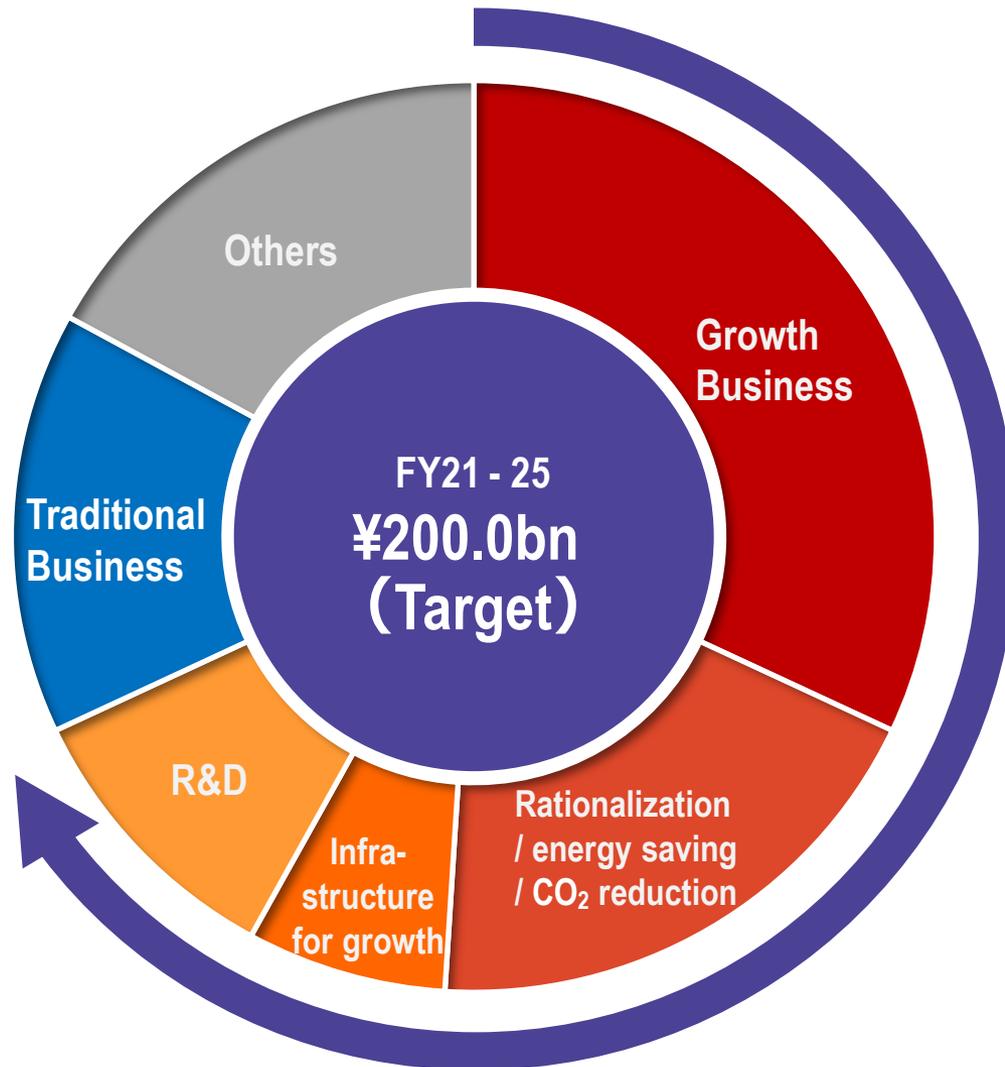
# Capex Plan Breakdown

Key words are priority investment in growth fields, reduction of CO<sub>2</sub> emissions, and energy saving

## Key Investment Projects

- ✓ Formosa Tokuyama Advanced Chemicals (IPA for electronics manufacturing)
- ✓ Silicon nitride production facilities
- ✓ Power plants : Biomass combustion facilities
- ✓ Tokuyama Factory : Port infrastructure facilities

**Strongly promote business portfolio transformation through aggressive investment**



# Cash Flow Generation and Allocation

- Earnings growth
- Cash flow from new products

Operating CF  
**Cumulative ¥250.0bn  
over 5 years**

- Screen prospective investments
- Reduce inventory

**Capex**

**¥200.0bn**

**Strategic Investment**  
(M&A, new business  
development)

**Max ¥30.0bn**

**Shareholder Returns**

**Dividends**  
20-30% payout ratio

**Consider acquisition  
of own shares**

## 2

# Contribute to mitigation of Global Warming

- ▶ Contribute to mitigation of Global Warming
- ▶ FY50 CO<sub>2</sub> Emission Reduction Target
- ▶ Carbon-Neutrality Action Plan

# Contribute to mitigation of Global Warming

Expedite development/commercialization of next-gen energy technologies  
Reduce total CO<sub>2</sub> emissions 30%\* (2.00mil. MT) by FY30

CO<sub>2</sub> reduction  
scope

\*FY19 baseline: **6.76mil. MT**

## Initiatives for FY50 carbon neutrality

Emissions from  
energy inputs

Captive power  
plants

▶ Zero CO<sub>2</sub> emissions (target a 50% reduction in FY30)

Emissions from  
raw materials  
(limestone)

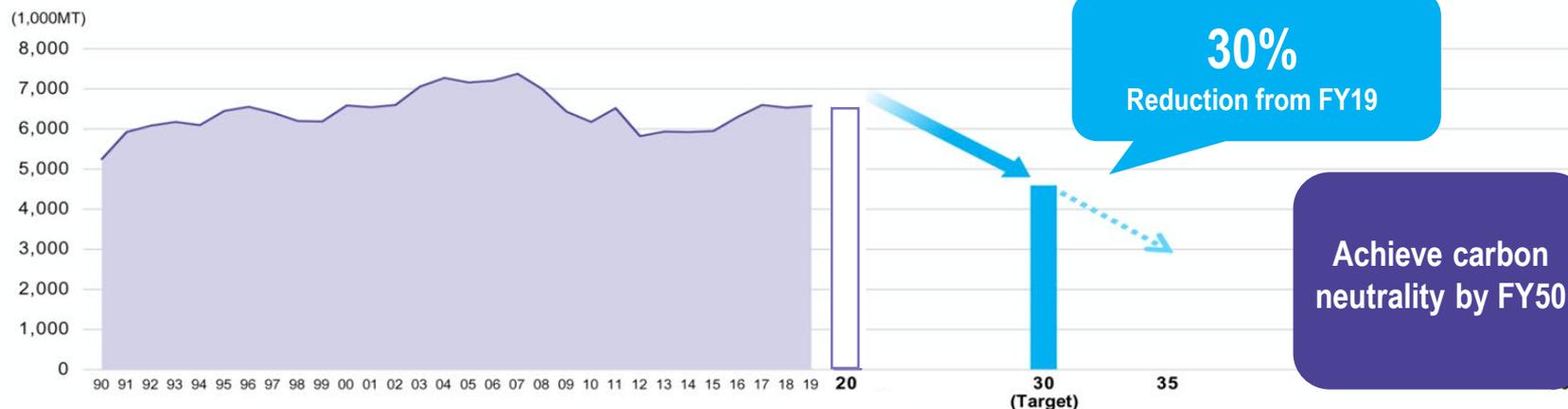
Cement

▶ Seek to reduce limestone consumption

Chemicals

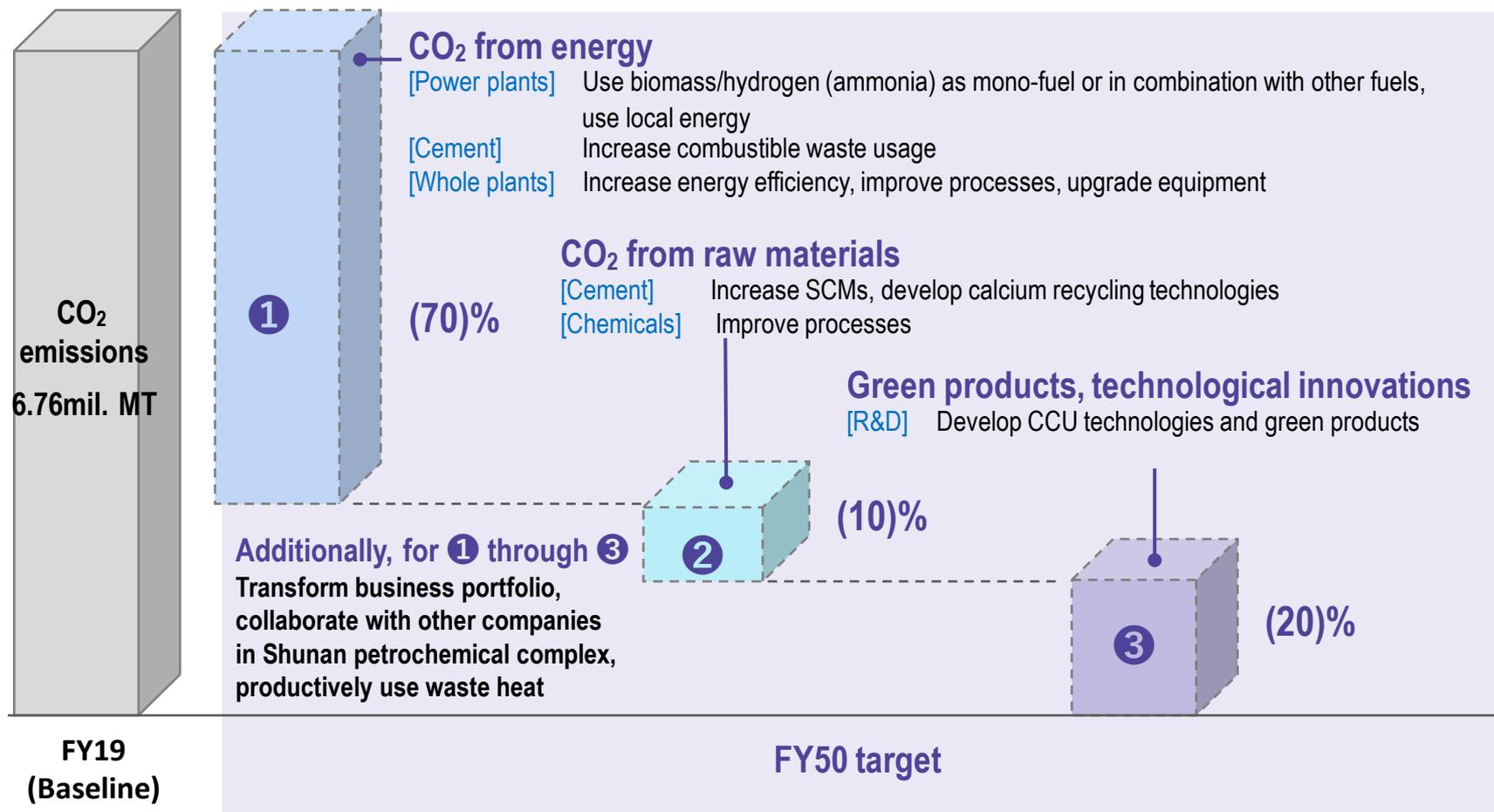
▶ Explore possibility of offsetting emissions with CCU technologies, green products, etc. (already underway)

## Total CO<sub>2</sub> emissions



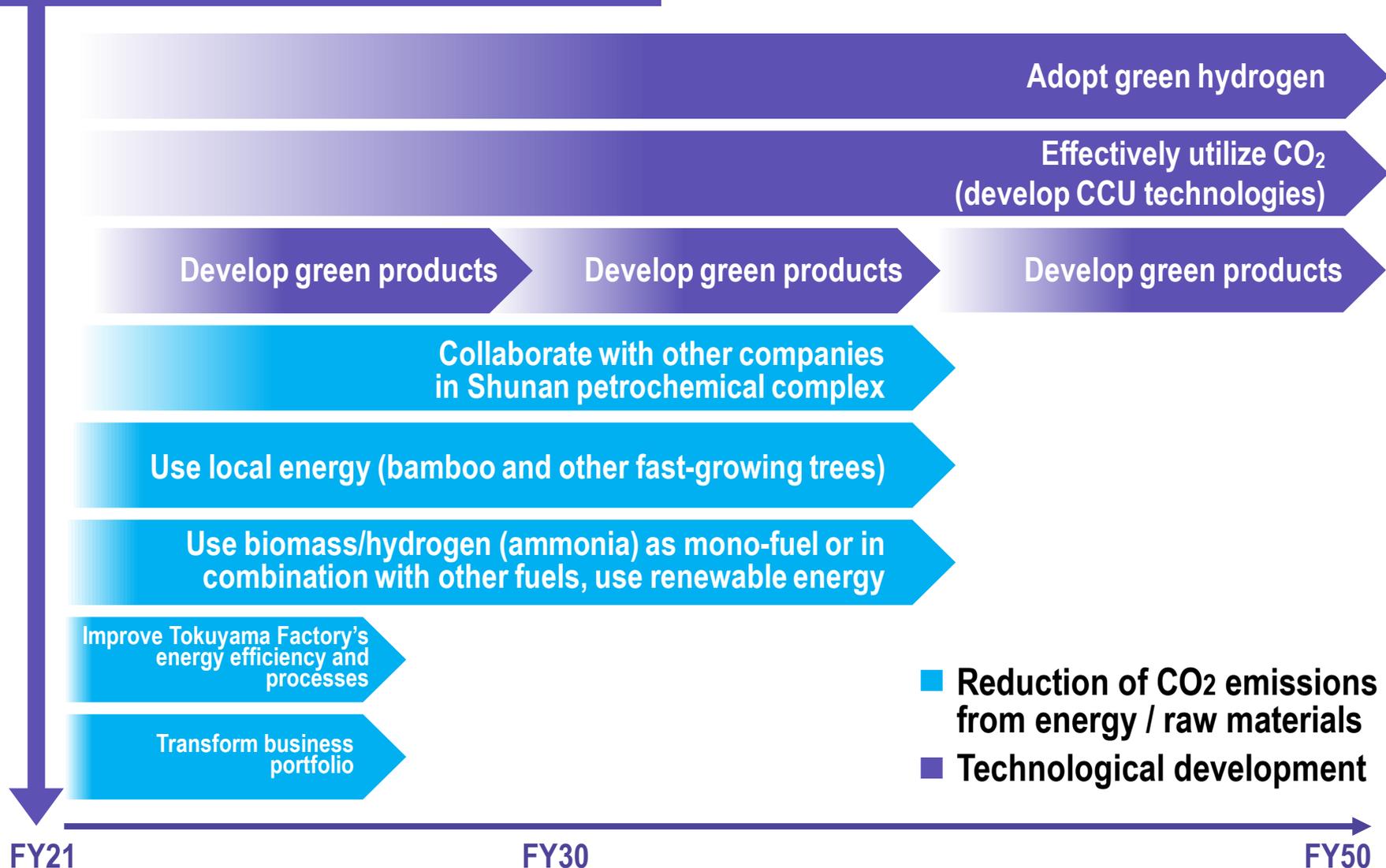
# FY50 CO<sub>2</sub> Emission Reduction Target

Aiming to decarbonize raw material/fuel inputs and achieve carbon-neutrality by developing/deploying green products



# Carbon-Neutrality Action Plan

TCFD: Recommendations on February 25, 2021



3

# Practice socially responsible management

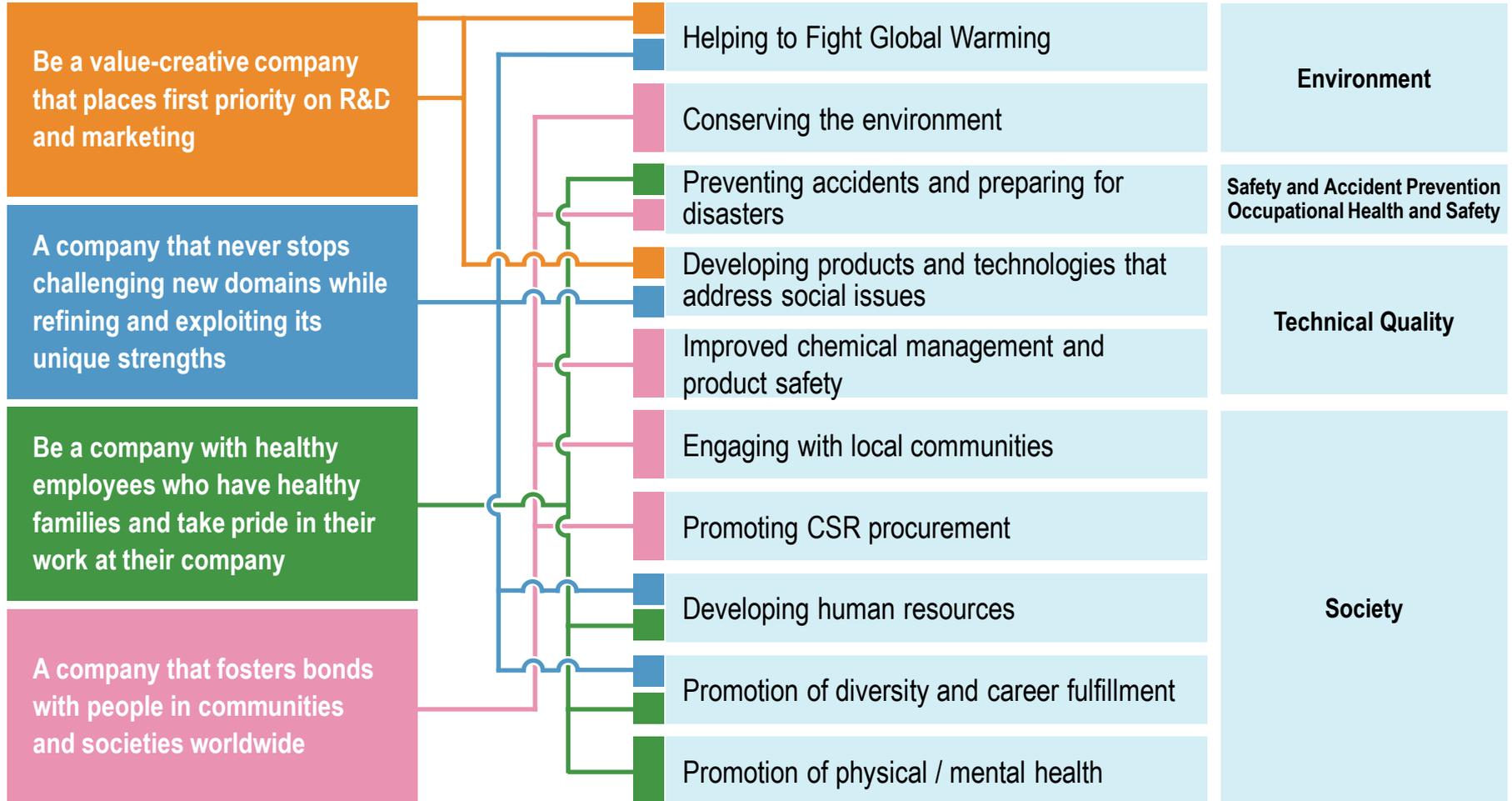
▶ CSR Priorities

# CSR Priorities

Committed to addressing CSR priorities (materiality) through concrete action plan aimed at realizing vision

## Tokuyama's Vision

## CSR priorities

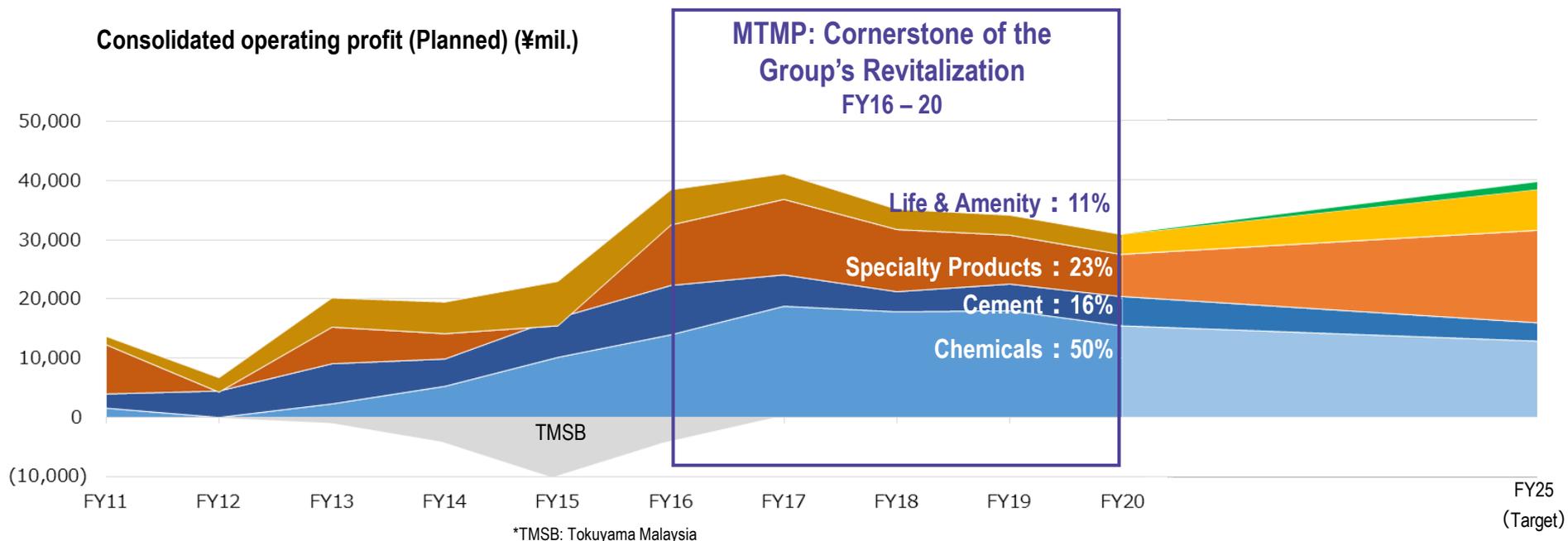




# Appendix

# Review of Medium-Term Management Plan: Cornerstone of the Group's Revitalization

## 5-year Q2Q (quantity to quality) shift under banner of “building a new foundation”



### Progress of Q2Q (quantity to quality) reforms

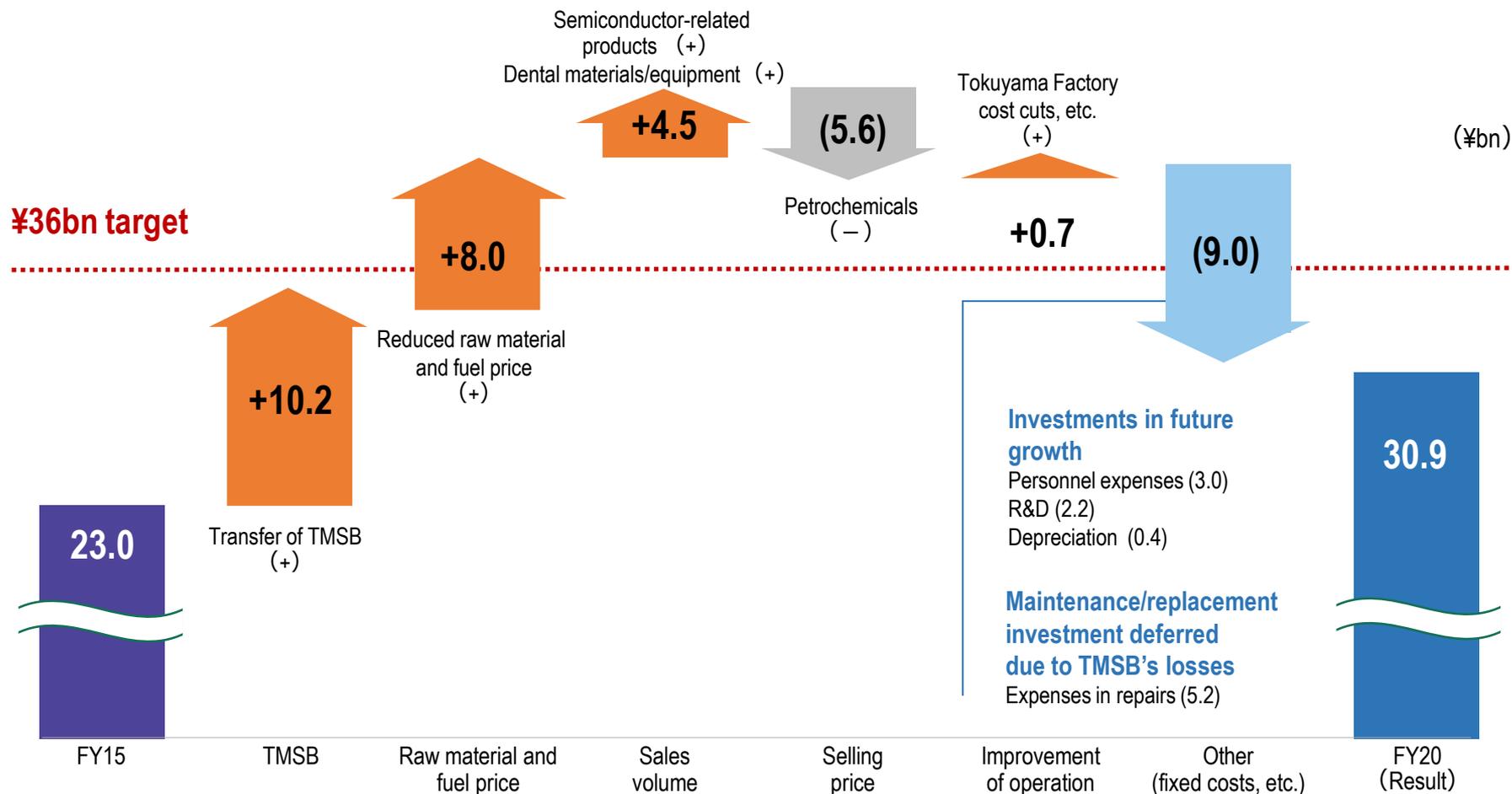
	Accomplishments	Next steps
Growth businesses*	Steadily invest and strengthen business foundation	Further expedite growth and expand overseas
Traditional Business	Surpassed cost-cutting targets	Boost productivity through DX

\*Growth businesses...Specialty Products and Life&Amenity segments

# Review of Previous Medium-Term Management Plan

## Changes in operating profit by factor

Operating profit fell short of target, largely due to increased spending on repairs and R&D in pursuit of future growth



\*TMSB: Tokuyama Malaysia

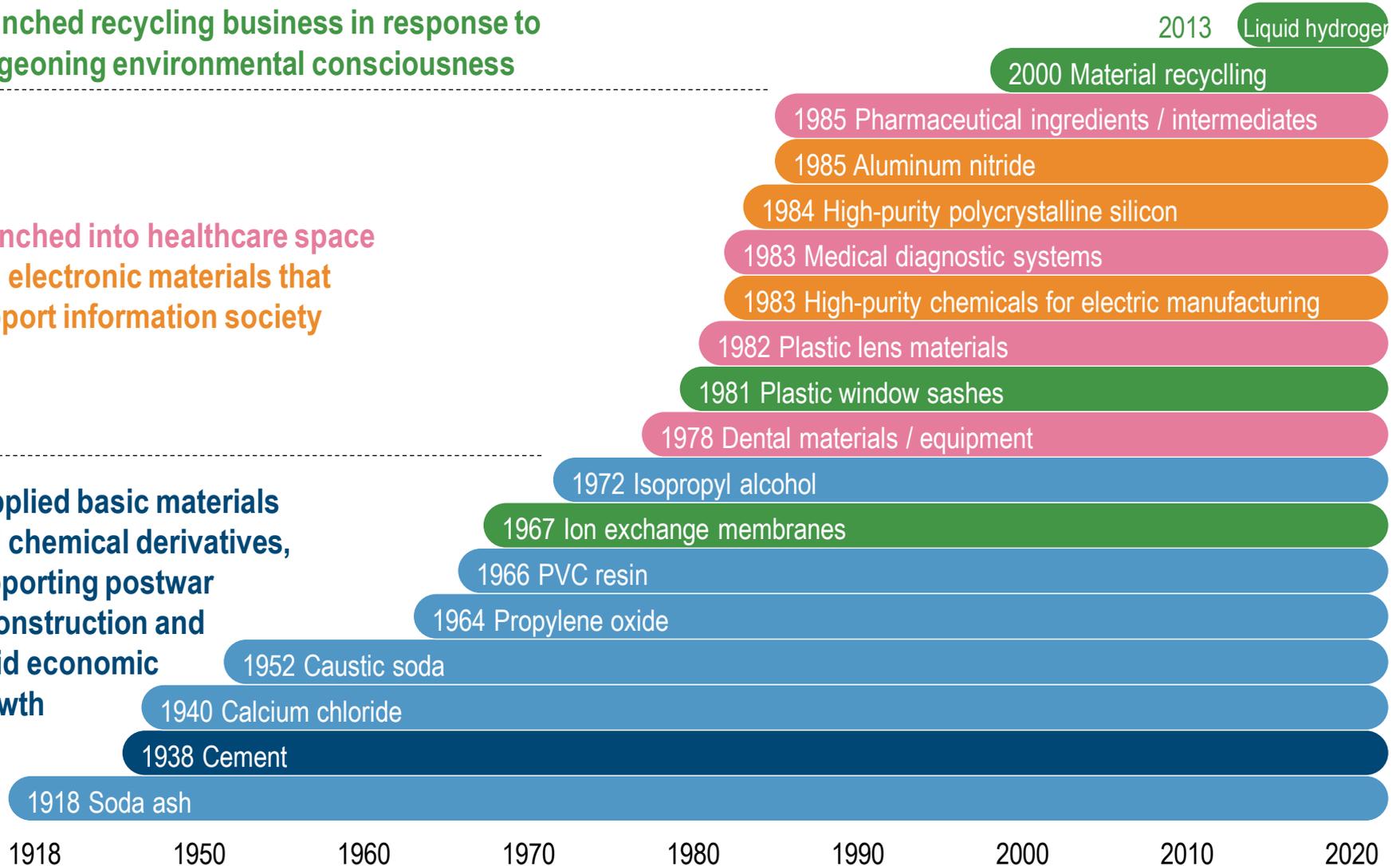
# Tokuyama's Evolution

103-year history of adding value attuned to the needs of the times

Launched recycling business in response to burgeoning environmental consciousness

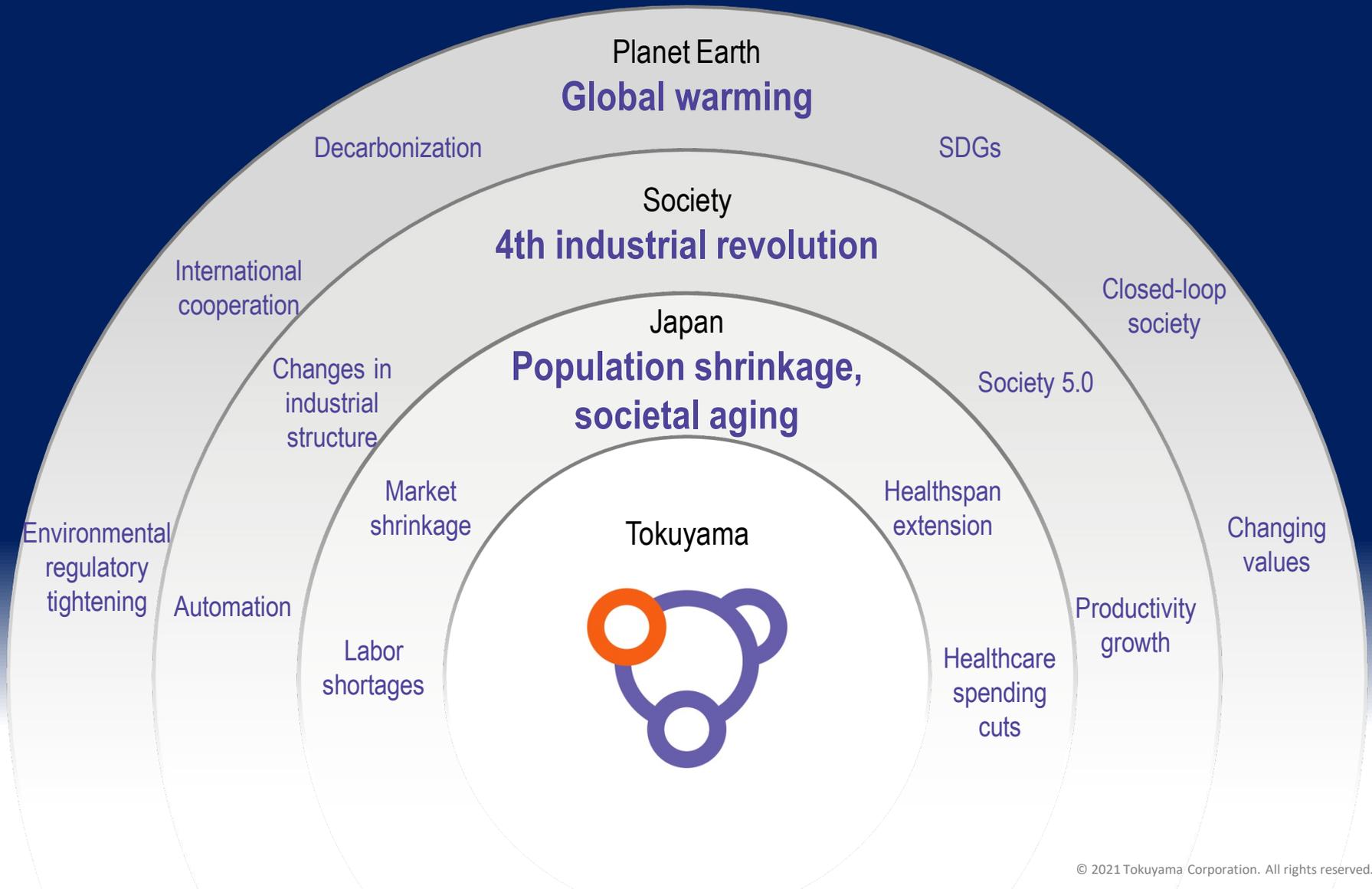
Branched into healthcare space and electronic materials that support information society

Supplied basic materials and chemical derivatives, supporting postwar reconstruction and rapid economic growth



# Ever Faster Societal Change

## How should Tokuyama evolve to keep growing?



# Tokuyama's Mission

Tokuyama has updated its mission statement (management philosophy) to sharpen its focus on essential value



**To create a bright future in harmony with the environment,  
in collaboration with its customers, based on chemistry**

**While remaining rooted in chemistry,  
Tokuyama will branch out beyond the materials  
domain with an environmentally conscientious mindset,  
embracing a mission of creating products  
and services that contribute to people's convenience,  
health, comfort and happiness in collaboration with customers.**

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