

## 2Q FY2023 Tokuyama Corporation Investor Meeting Q&A

Date and time: October 27, 2023(Friday) 12:00-12:50

Participant: Hiroshi Yokota, President, Representative Director

Takeshi Ito, Executive Officer, Deputy General Manager, Corporate Planning Div.

### **Regarding the Chemicals Business**

Q: From Q1 to Q2 of chemical products, you gained relatively high profits while sales were down here. In short, profit margins were up quite a bit. Please talk about the reason for such high profit margins during Q2

A: This was due to our profit-oriented operations. We slightly reduced chlor-alkali production in Q2 to considerably cut back production for overseas where market conditions are deficient. On the other hand, in the domestic market, our customers at the end of the line have been working on price adjustments while using our materials, and we have been able to maintain our price adjustments.

### **Regarding the Capital Investment**

Q: Regarding capital investment, the investment plan at the beginning of the fiscal year was JPY38.2 billion, but this time it was JPY33.7 billion, a decrease of a little less than JPY5 billion.

A: The capital investment has decreased slightly compared to the beginning of the fiscal year, but this is due to the fact that free cash flow for the last fiscal year became negative and significantly negative between the end of the last calendar year and the beginning of the fiscal year, so we have been scrutinizing the details of the investment.

By doing so, we have focused our investments on those that will surely lead to earnings, which means that we have reduced that part of our investments, mainly in traditional businesses, especially those related to the cement business, with an extremely strict assessment of the investments.

We continue to invest in growth businesses and R&D as planned.

### **Regarding the Cement Market**

Q: I think domestic demand is very weak in the cement business, but I don't think your company's shipments have dropped that much, so what is the reason and how long will this continue?

As far as the demand for cement products goes, although you were able to raise the price, downstream, the construction industry has been increasingly and considerably behind their schedule, partly due to labor shortages. I am concerned that this may be a structural issue. How will this demand move in the future? Please discuss why your company is winning, whether it will continue that way, and your medium- to long-term demand outlook.

A: As you pointed out, our company sales have not considerably fallen in comparison to the industry-wide decline. Our domestic sales saw only a slight decrease. This may be due to the fact that our sales area is west region-centric.

In the Chubu and Kansai regions, decline is not as severe as that in the nation. Conversely, the Kyushu region. These regions are the center of our operations. In that sense, there is relatively little damage.

In terms of the medium- to long-term outlook, we are not optimistic at this time. In particular, as you pointed out, due to various regulations on work labor after 2024 and such, I feel that major general contractors and others are proceeding very cautiously in awarding orders for projects.

In short, they are very careful about the number of craftsmen, the number they can secure workers, and the working hours per person, so I feel that they have no choice but to go in the negative direction in terms of quantity.