

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

February 25, 2021

Company name: Tokuyama Corporation  
Representative name: Hiroshi Yokota,  
President and Representative Director  
(Code No. 4043, First Section TSE)  
Contact: Taro Kobayashi, General Manager,  
Corporate Communications & Investor Relations Dept.  
TEL: +81-3-5207-2552

## **Notice concerning the Company's Medium-Term Management Plan**

Tokuyama Corporation (hereinafter referred to as “Tokuyama” or “the Company”) today announced details of its Medium-Term Management Plan that covers the period from fiscal 2021, the fiscal year ending March 31, 2022 to fiscal 2025, the fiscal year ending March 31, 2026. Brief details are presented as follows.

### **1. Background behind formulating the Medium-Term Management Plan**

Positioned as the “Cornerstone of the Group’s Revitalization,” Tokuyama announced details of its Medium-Term Management Plan, which covers the five-year period from fiscal 2016, the fiscal year ended March 31, 2017, to fiscal 2020, the fiscal year ending March 31, 2021, in May 2016. With the goal of becoming a global leader in advanced materials while at the same time securing a top position through traditional businesses in Japan, every member of the Tokuyama Group has worked in unison to realize a cost competitive business structure. Thanks largely to these endeavors, the Group has achieved certain results. This includes withdrawing from unprofitable businesses, boosting sales of semiconductor-related, dental materials, and other products, and reducing interest-bearing debt. Buffeted by such factors as the impact of COVID-19 and an increase in fixed costs attributable to upfront investments, however, we anticipate falling short of our final fiscal year net sales, operating income, ROA, and cash conversion cycle targets.

Looking ahead, the business environment in which the Company operates is expected to undergo considerable change, against the backdrop of the growing awareness toward environmental issues and rapid progress in the digital revolution. Recognizing the need to undertake a fundamental review of conventional strategies that have been based on its own coal-fired thermal power as a source of competitiveness, as well as the importance of building and growing businesses that are not merely extensions of the past, Tokuyama has put in place the five-year “Medium-Term Management Plan 2025”, which begins in April 2021, guided by its newly established vision.

## 2. Pertinent Details of the New Medium-Term Management Plan

### (1) Term of the Plan

April 1, 2021 to March 31, 2026

### (2) Priority issues

1. Transform business portfolio
2. Mitigation of global warming
3. Practice socially responsible management

### (3) Final Year Targets

Index		FY2020 (Forecast)	FY2025 (Target)
Net Sales:	Accounting Standard for Revenue Recognition* :	¥255.0 bn	¥320.0 bn
	Current standard:	¥300.0 bn	¥370.0 bn
Operating Profit:		¥30.0 bn	¥40.0 bn
Growth Business Net Sales Growth Rate:		—	CAGR over 10%
ROE:		13.2%	Over 10%
[Assumptions]			
Exchange rate:		¥105/US\$	¥105/US\$
Domestic naphtha price:		¥32,000/kL	¥32,500/kL

\* The revised “Accounting Standard for Revenue Recognition” which is to be applied from FY2021 and other standards are applied.

### (4) Changes in segments

While transforming its business portfolio, and in line with the redefinition of growth businesses based on “Electronics,” “Healthcare,” and the “Environment” as keywords, Tokuyama will reclassify its operations into the six “Chemicals,” “Cement,” “Electronic Materials,” “Life Science,” “Eco Business,” and “Others” business segments effective from fiscal 2021.

[Accompanying Materials]

” Presentation on Tokuyama’s New Vision and Medium-Term Management Plan 2025”



# TOKUYAMA 2025

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

February 26, 2021

Hiroshi Yokota, President  
Tokuyama Corporation

## 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.**

© 2021 Tokuyama Corporation. All rights reserved. 2

## 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

**Achieve SDGs**

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

### Electronics



### Healthcare



### Environment



**Realize carbon-neutral by FY50**

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

**Reduce CO<sub>2</sub> emissions**



Slogan: **"For the People of Tomorrow"**

### Mission

Based on the field of chemistry, The Tokuyama Group will continue to create a better future in harmony with the environment, in collaboration with its customers

### Vision

- Be a value creation-oriented company that places first priority on marketing and R&D
- 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 the Company
- Be a company that fosters bonds with people in communities and societies worldwide

### Values

- Customer satisfaction is the source of profits
- A higher and broader perspective
- Personnel who consistently surpass their predecessors
- Integrity, perseverance, a sense of fun and courage

© 2021 Tokuyama Corporation. All rights reserved. 4



## Medium-Term Management Plan 2025 (FY21-25)

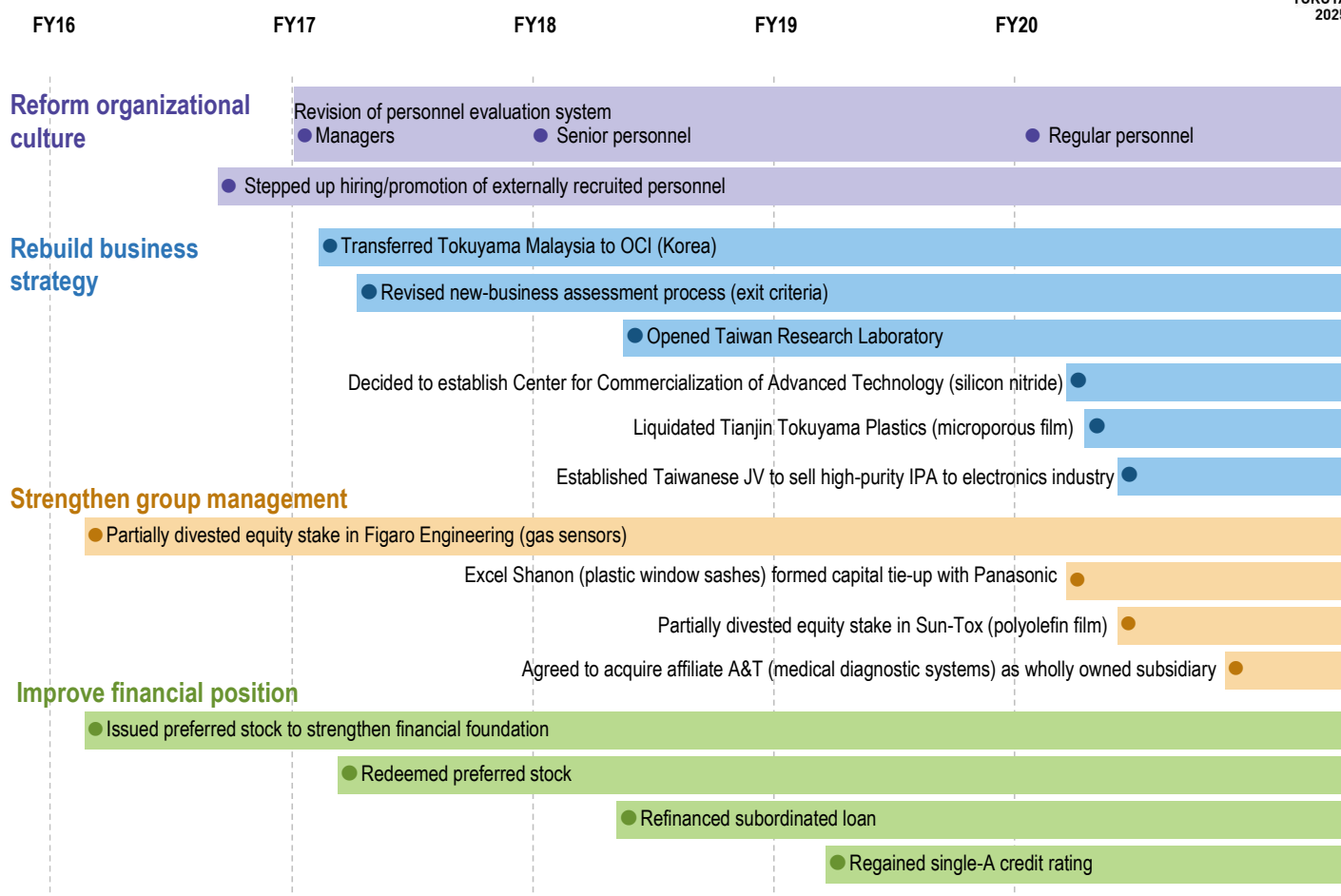
© 2021 Tokuyama Corporation. All rights reserved. 5

# Progress Toward Targets in Current Medium-Term Management Plan

	FY15	FY20 (Target)	FY20 (Forecast)	Assessment	
Net sales	¥307.1bn	¥335.0bn	¥300.0bn	▲ 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	¥30.0bn		
ROA	5.7%	10%	7.9%	▲ 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%	10.0%		
Total asset turnover	0.77 times	1.0 times	0.79 times		
Financial indicators	CCC	69 days	55 days	67 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	105	※ As of 3Q FY20	
Domestic naphtha price (¥/kl)	42,800	58,000	32,000		

© 2021 Tokuyama Corporation. All rights reserved. 6

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



© 2021 Tokuyama Corporation. All rights reserved. 7

## Medium-Term Management Plan 2025

▶ Medium-Term Management Plan 2025

▶ Final Year Targets

© 2021 Tokuyama Corporation. All rights reserved. 8

## Medium-Term Management Plan 2025

FY21 - 25

1

### Transform business portfolio

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

2

### 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

Index	FY20 (Forecast)	FY25 (Target)	Factors in Achieving Targets
Net Sales	Accounting Standard for Revenue Recognition* ¥255.0bn	¥320.0bn	Maintain growth while portfolio transforming
	Current standard ¥300.0bn	¥370.0bn	
Operating Profit	¥30.0bn	¥40.0bn	Strengthen and expand high-profitability businesses
Growth Business Net Sales Growth Rate	—	CAGR Over 10%	Strengthen R&D, accelerate international expansion
ROE	13.2%	Over 10%	Balance shareholders' equity efficiency and financial base

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

\*The application of the "Accounting Standard for Revenue Recognition" and other standards

© 2021 Tokuyama Corporation. All rights reserved. 10

## 1 Business Portfolio Transformation

- ▶ Business Portfolio Transformation
- ▶ 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

© 2021 Tokuyama Corporation. All rights reserved. 11



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

## FY21-25 Plans

**Redefine/reorganize growth businesses around three themes: Electronics, Healthcare and Environment. Proceed full speed ahead with their expansion.**

**The 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

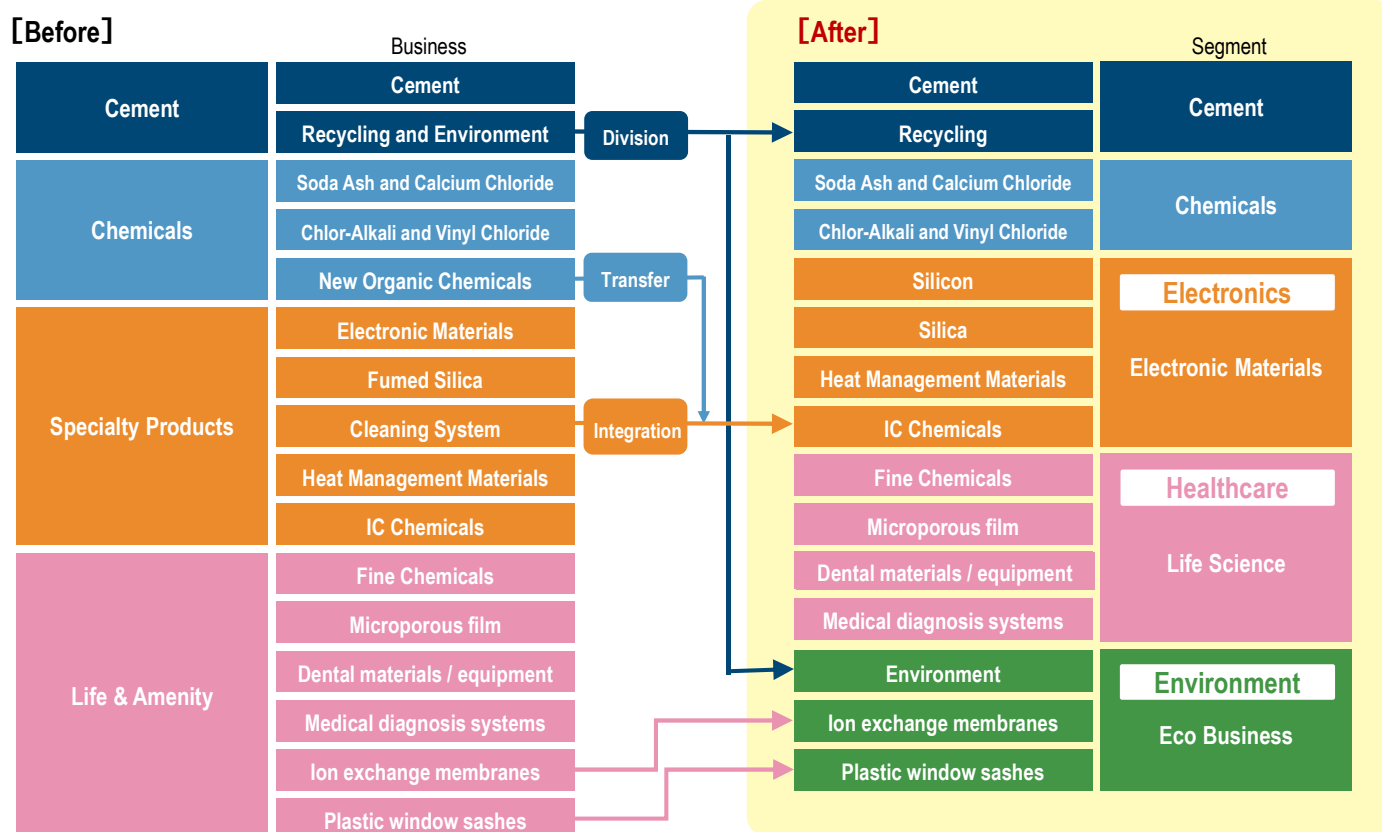
### International expansion

Expand operations in growing overseas markets

© 2021 Tokuyama Corporation. All rights reserved. 12

## Organizational Revision to Promote Strategy (from April 2021)

**Accelerate strategy by matching business promotion system with focus areas "Electronic" "Healthcare" "Environment"**

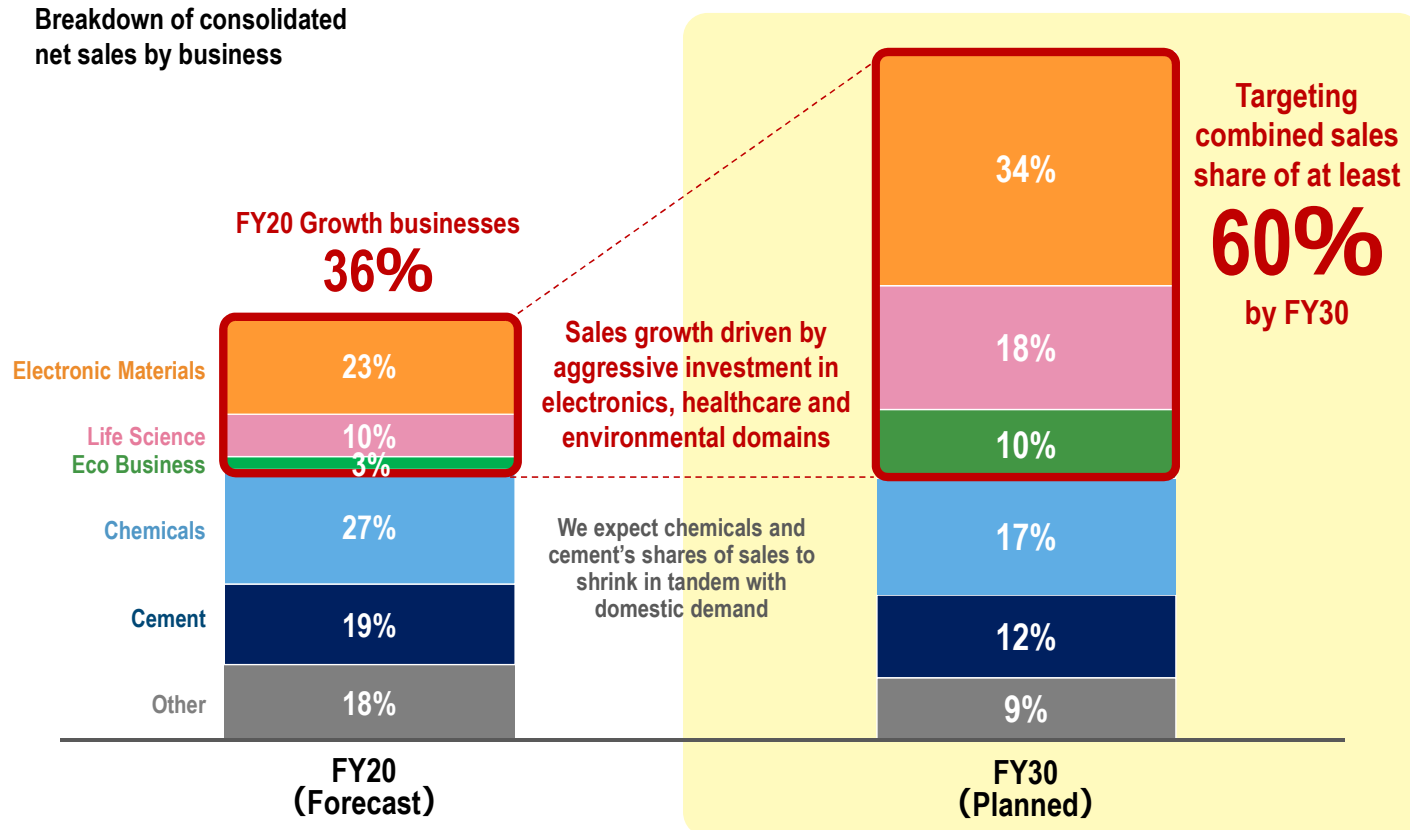


© 2021 Tokuyama Corporation. All rights reserved. 13

# 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



© 2021 Tokuyama Corporation. All rights reserved. 14

## Strategy 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 CO2 emissions through energy saving
- ▶ Improvement of manufacturing processes and supply chains through promoting DX (digital transformation)

#### Investment Policy

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

	FY20 (Forecast)	FY25 (Target)
Net sales	81.0	85.0
Operating profit	13.5	13.5

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments as well as the application of the "Accounting Standard for Revenue Recognition" and other standards

## Cement



### Business Goal

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

### Priority Measures

- ▶ Introduce energy-saving equipment to reduce CO2 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 recycling society

	FY20 (Forecast)	FY25 (Target)
Net sales	48.0	56.0
Operating profit	4.5	3.5

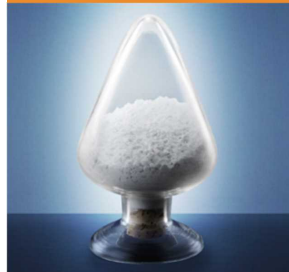
\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments as well as the application of the "Accounting Standard for Revenue Recognition" and other standards

© 2021 Tokuyama Corporation. All rights reserved. 16

# Strategy by Business

## Electronic Materials



### Business Goal

**Capture top share in high-purity and thermal management materials fields supporting the miniaturization of semiconductors and accelerate international expansion**

### Priority Measures

- ▶ Aggressive expansion in overseas markets
- ▶ Develop new applications, expand product portfolio

### International Expansion

IC Chemicals	Expand Taiwan JV facilities, expand new global facilities	Asia	N. America	
Thermal management materials	Launch silicon nitride, boron nitride products and expand overseas sales	Asia	N. America	Europe
Silicon	Strengthen marketing of high-purity polycrystalline silicon Expand silane products and sales expansion to Asia	Asia		
Silica	Expand uses for CASE* and personal care, enter the organic silicone field	Asia	N. America	

\* CASE : Coating, Adhesive, Sealant, Elastomer

\* CASE : Coating, Adhesive, Sealant, Elastomer

	FY20 (Forecast)	FY25 (Target)
Net sales	65.0	102.0
Operating profit	8.0	20.0

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments as well as the application of the "Accounting Standard for Revenue Recognition" and other standards

© 2021 Tokuyama Corporation. All rights reserved. 17

## 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

Fine Chemicals :	Aim for 25% global share in photochromic dye materials	N. America	Europe	Asia
	Accelerate overseas expansion for cosmetics materials, supplements, animal-related products, etc.	Europe	S.E. Asia	
Dental materials and equipment :	Penetration of brands, acceleration of overseas sales of OMNICHROMA series	N. America	Europe	
		Russia / CIS	Emerging countries	
Medical diagnosis systems :	Through alliances, aim to become No.1 OEM supplier for open, automated bioanalytical testing system	China	Korea	

	FY20 (Forecast)	FY25 (Target)
Net sales	31.0	46.0
Operating profit	3.0	7.5

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments as well as the application of the "Accounting Standard for Revenue Recognition" and other standards

© 2021 Tokuyama Corporation. All rights reserved. 18

# Strategy by Business

## 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 of developed next-generation energy technologies

### Investment Policy

- Ion exchange membranes :** Boost production capacity
- Waste gypsum board recycling :** Expand business site
- 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 (Forecast)	FY25 (Target)
Net sales	8.0	18.0
Operating profit	(0.5)	1.5

\* Billions of yen

\* Data for both fiscal 2020 and fiscal 2025 reflects changes in reportable segments as well as the application of the "Accounting Standard for Revenue Recognition" and other standards

© 2021 Tokuyama Corporation. All rights reserved. 19

	Current standard		Accounting Standard for Revenue Recognition							
	FY2020 (Forecast)		FY2020 (Forecast)		FY2025 (Target)		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	83.0	13.5	81.0	13.5	85.0	13.5	+4.0	+5	-	-
Cement	85.0	4.5	48.0	4.5	56.0	3.5	+8.0	+17	(1.0)	(22)
Electronic Materials	65.0	8.0	65.0	8.0	102.0	20.0	+37.0	+57	+12.0	+150
Life Science	31.0	3.0	31.0	3.0	46.0	7.5	+15.0	+48	+4.5	+150
Eco Business	9.0	(0.5)	8.0	(0.5)	18.0	1.5	+10.0	+125	+2.0	-
Others	57.0	4.5	44.0	4.5	38.0	5.0	(6.0)	(14)	+0.5	+11
Total	330.0	33.0	277.0	33.0	345.0	51.0	+68.0	+25	+18.0	+55
Adjustment and corporate-wide expenses	(30.0)	(3.0)	(22.0)	(3.0)	(25.0)	(11.0)	(3.0)	-	(8.0)	-
Consolidated results	300.0	30.0	255.0	30.0	320.0	40.0	+65.0	+25	+10.0	+33

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

© 2021 Tokuyama Corporation. All rights reserved. 20

## R&D policy

### Current 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

© 2021 Tokuyama Corporation. All rights reserved. 21

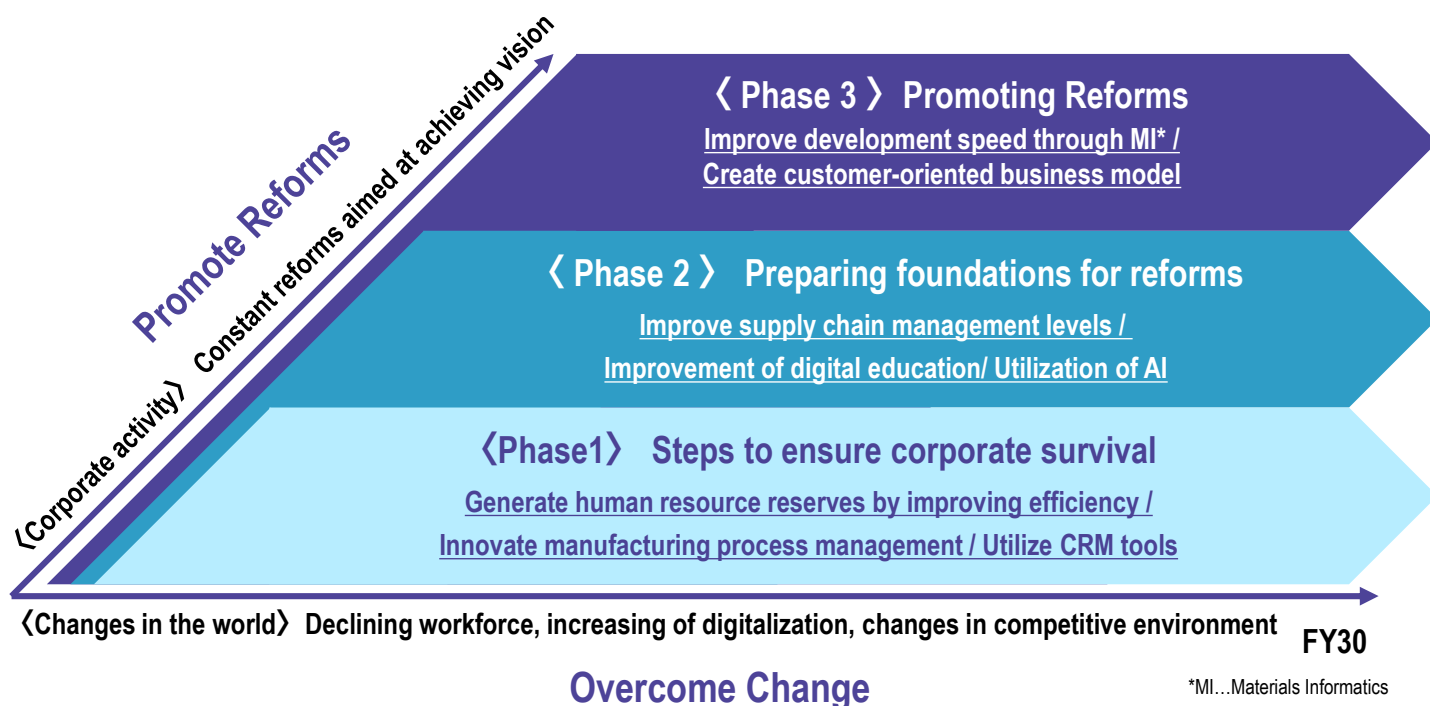


# Promoting Digital Transformation (DX)

Promote DX by utilizing data and digital technology

Makes the conventional impossible possible utilizing AI

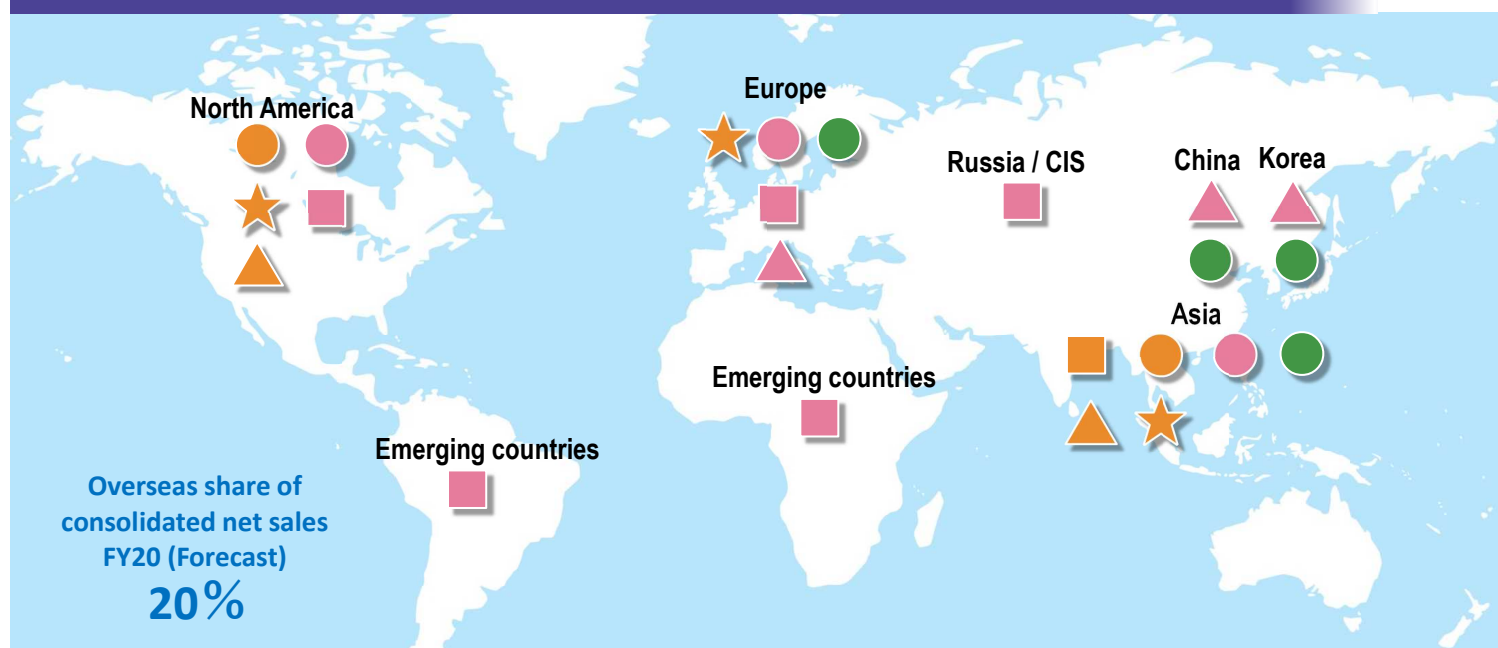
Accelerate manufacturing process improvement and R&D through DX



© 2021 Tokuyama Corporation. All rights reserved. 22

## 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

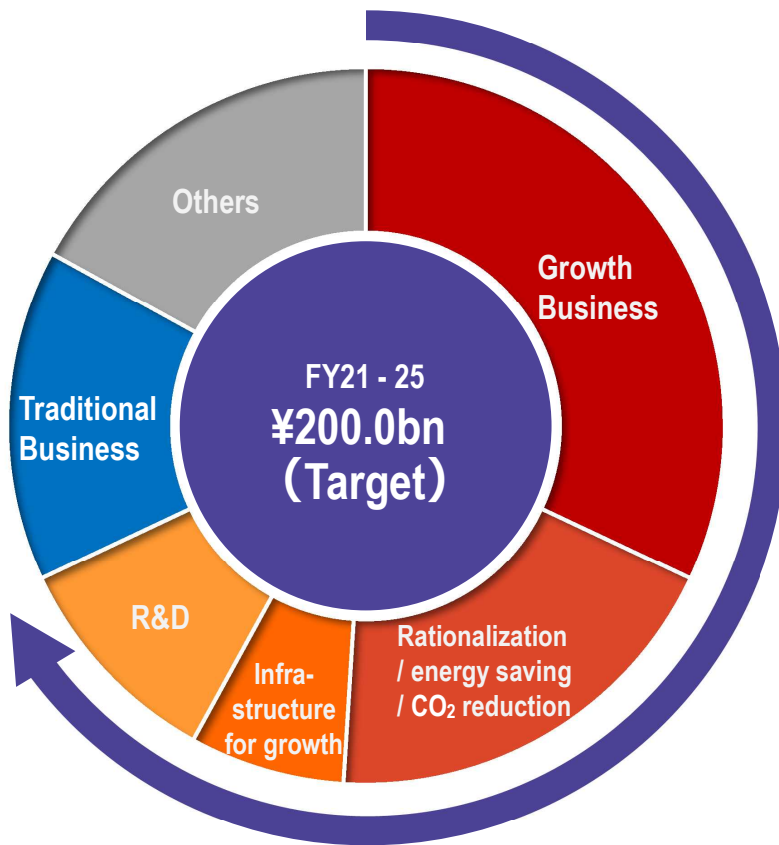
▲ Medical diagnosis systems

● Ion exchange membranes

© 2021 Tokuyama Corporation. All rights reserved. 23

# 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-SE)
- ✓ Silicon nitride production facilities
- ✓ Power plants : Biomass combustion facilities
- ✓ Tokuyama Factory : Port infrastructure facilities

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

© 2021 Tokuyama Corporation. All rights reserved. 24

# 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**

© 2021 Tokuyama Corporation. All rights reserved. 25

## 2

# Mitigation of Global Warming

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

© 2021 Tokuyama Corporation. All rights reserved. 26

## Mitigation of Global Warming

**Accelerate development of and commercialize 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)**

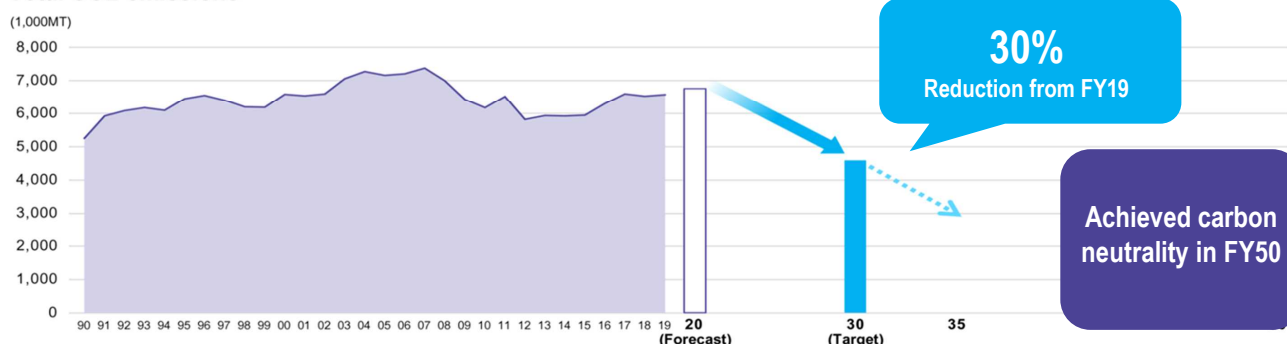
Cement

▶ Seek to reduce limestone consumption

Chemicals

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

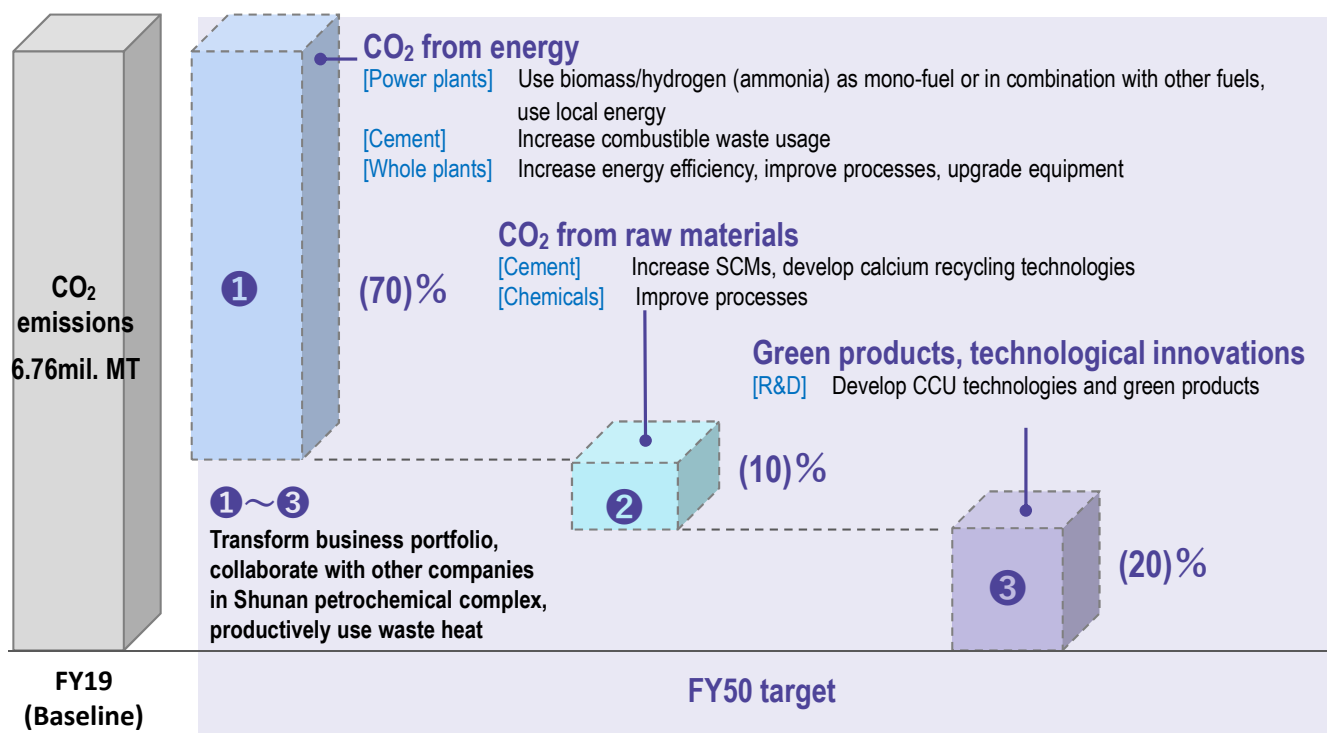
### Total CO<sub>2</sub> emissions



© 2021 Tokuyama Corporation. All rights reserved. 27

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

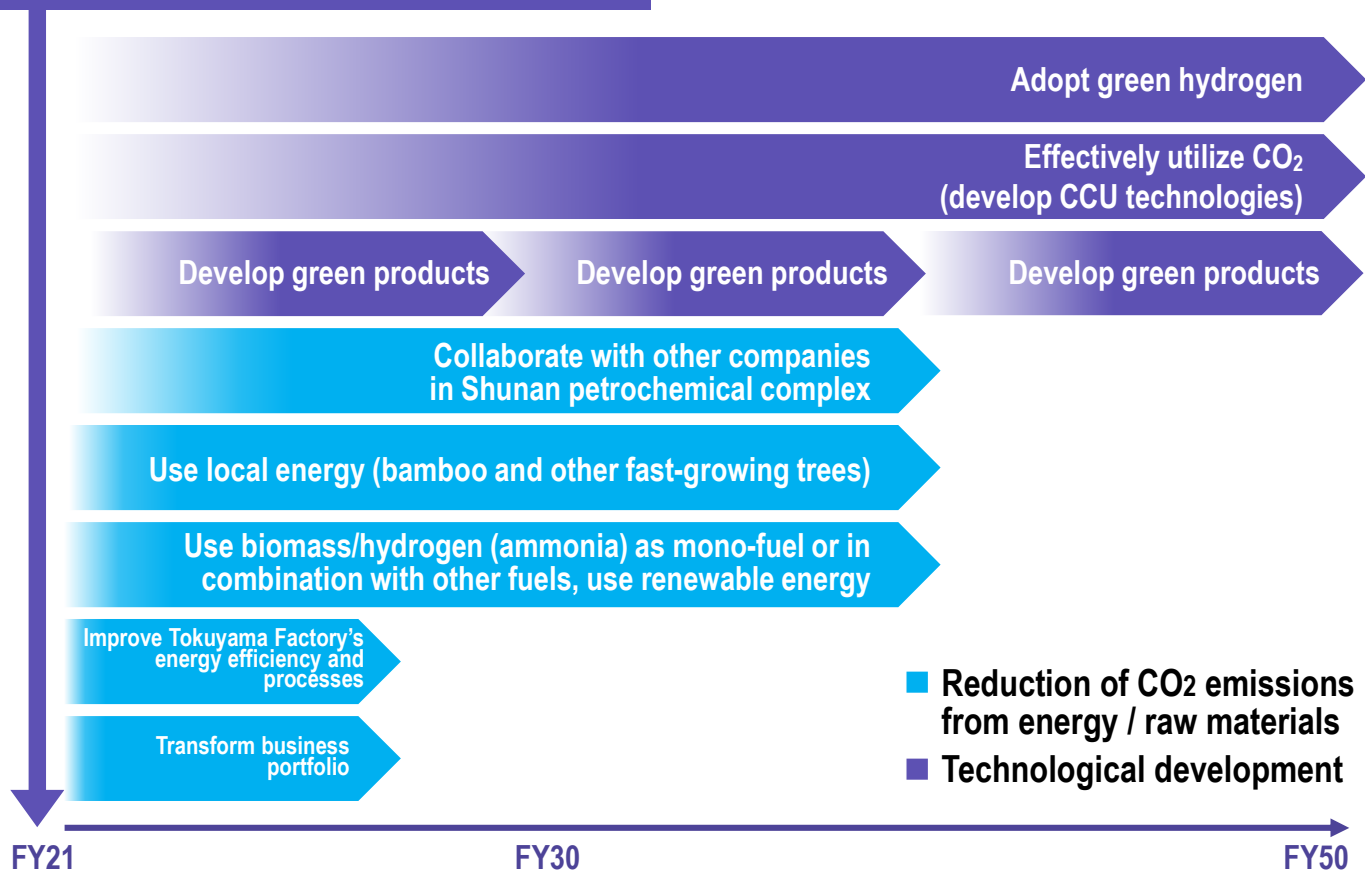
Aiming to decarbonize raw material/fuel inputs and achieve carbon-neutrality by developing/deploying green products



© 2021 Tokuyama Corporation. All rights reserved. 28

## Carbon-Neutrality Action Plan

TCFD: Recommendations on February 25, 2021



© 2021 Tokuyama Corporation. All rights reserved. 29

# 3

## Practice socially responsible management

### ► CSR Priorities

© 2021 Tokuyama Corporation. All rights reserved. 30

## CSR Priorities

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

### Tokuyama's Vision



### CSR priorities



© 2021 Tokuyama Corporation. All rights reserved. 31

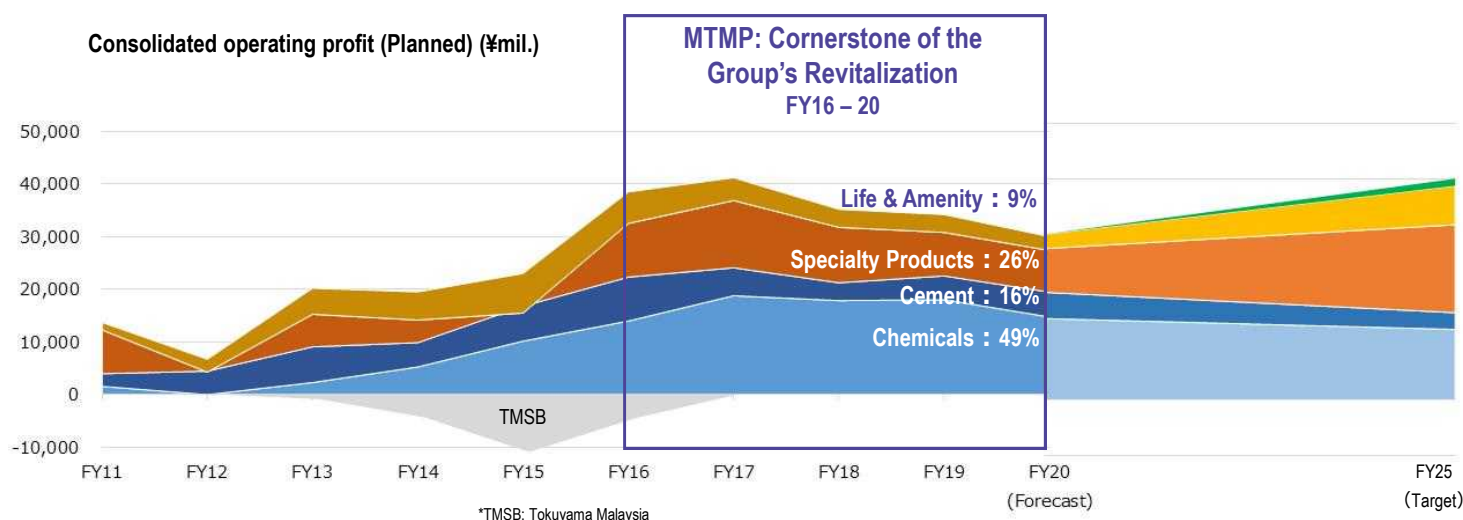




© 2021 Tokuyama Corporation. All rights reserved.



## Appendix



### Progress of Q2Q 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

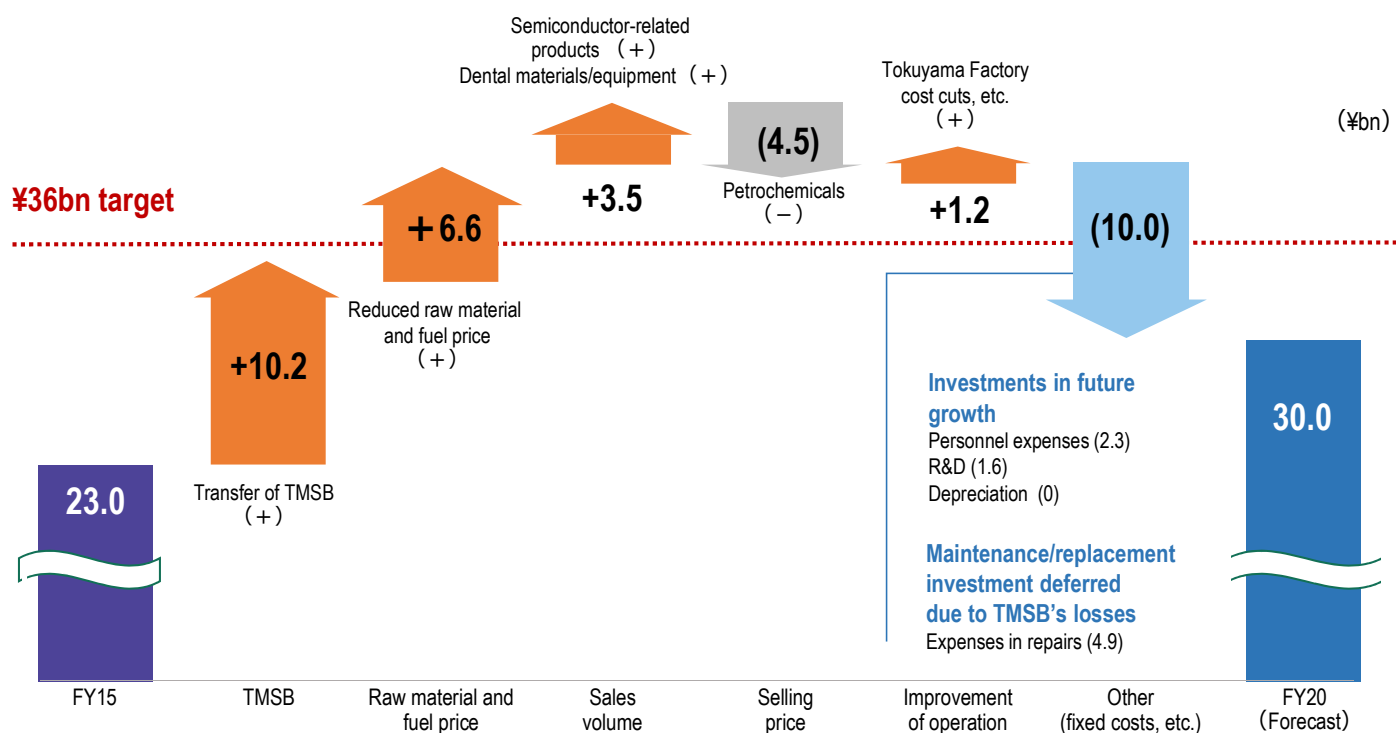
\*Growth businesses...Specialty Products and Life&Amenity segments

© 2021 Tokuyama Corporation. All rights reserved. 34

## Progress Toward Targets in Current 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

© 2021 Tokuyama Corporation. All rights reserved. 35

# Tokuyama's Evolution

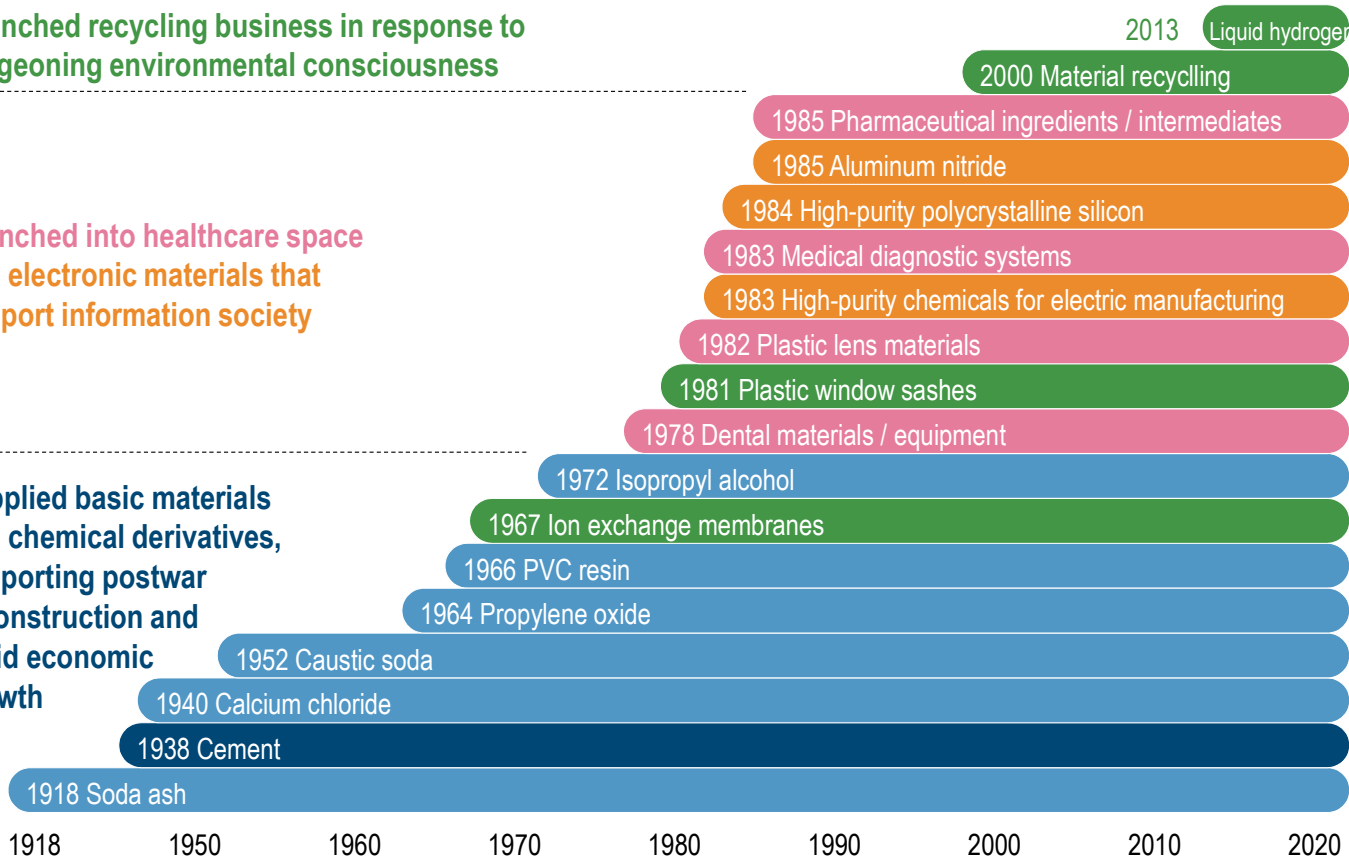
103-year history of adding value attuned to the needs of the times



Launched recycling business in response to burgeoning environmental consciousness

Branched into healthcare space and electronic materials that support information society

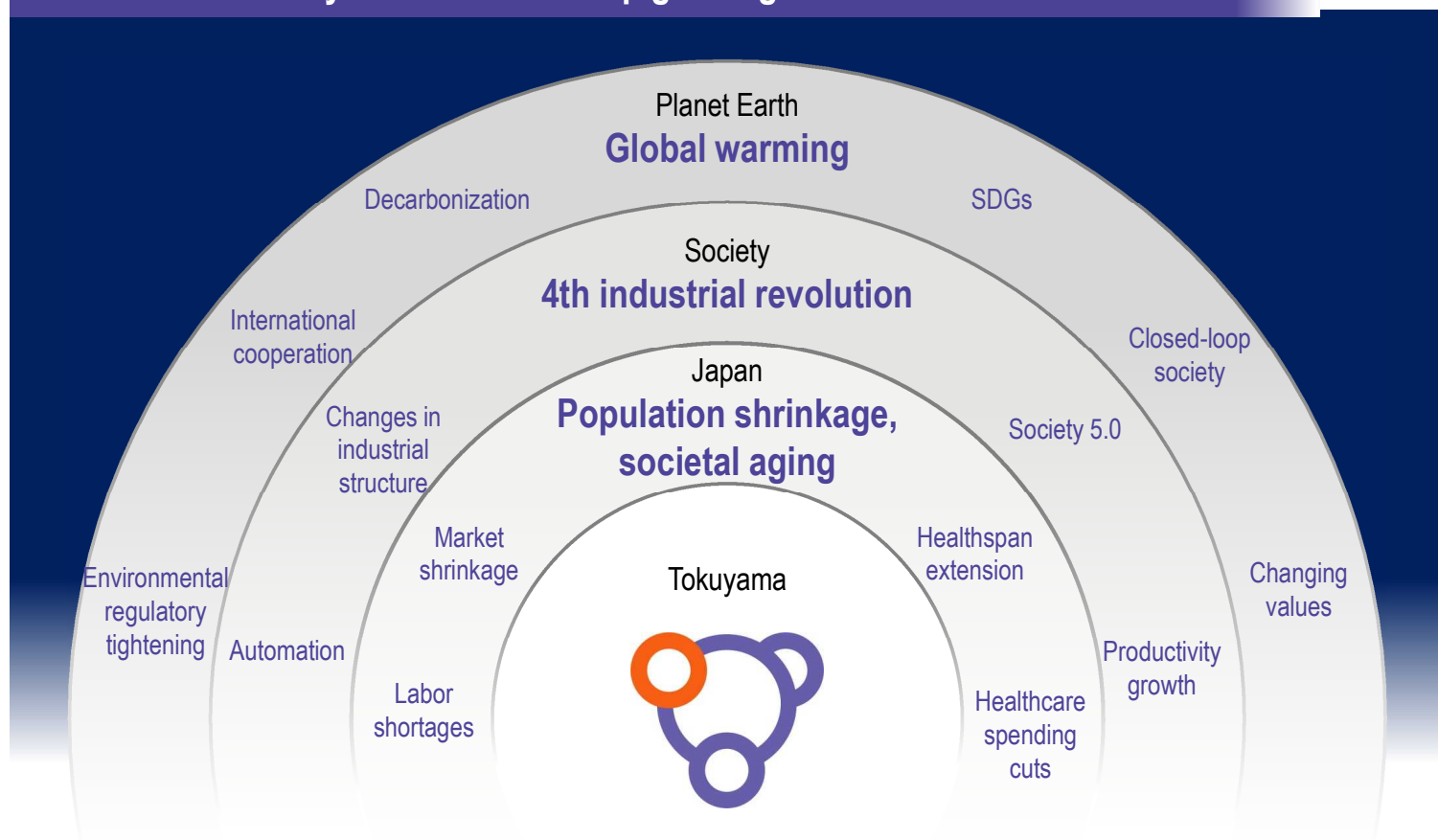
Supplied basic materials and chemical derivatives, supporting postwar reconstruction and rapid economic growth



© 2021 Tokuyama Corporation. All rights reserved. 36

## Ever Faster Societal Change

How should Tokuyama evolve to keep growing?



© 2021 Tokuyama Corporation. All rights reserved. 37

# Tokuyama's Mission

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



**Based on the field of chemistry,  
The Tokuyama Group will continue to create a  
better future in harmony with the environment,  
in collaboration with its customers**

**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.**

© 2021 Tokuyama Corporation. All rights reserved. 38



## Disclaimer

This material is supplied to provide information of Tokuyama and its Group companies, and is not intended as a solicitation for investment or other actions.

This material has been prepared based on the information currently available and involves uncertainties. Tokuyama and its Group companies accept no liability in relation to the accuracy and completeness of the information contained in this material.

Tokuyama and its Group companies assume no responsibility whatever for any losses or deficits resulting from investment decisions based entirely on projections, numerical targets and other information contained in this material.

Accordingly, the information on this material may not be used, reproduced, altered, distributed, sold, reprinted or published without the prior approval of the Company.

© 2021 Tokuyama Corporation. All rights reserved.

