

Q2 Fiscal 2021 - Apr 1, 2021 to Sep 30, 2021-

Presentation for IR Meeting

October 28, 2021

Tokuyama Corporation



Key points of the second quarter of fiscal 2021

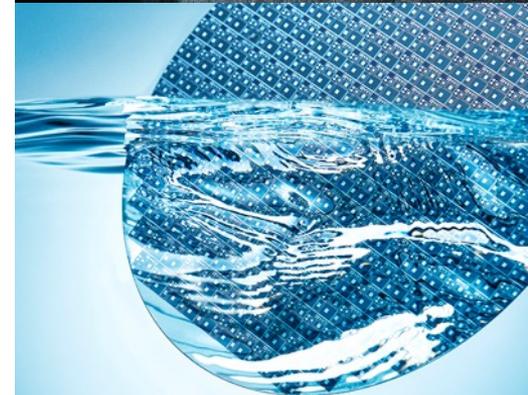
- Despite a year-on-year increase in sales of semiconductor- and healthcare-related products as well as such factors as an increase in the price of petroleum products, earnings decreased as a result of upswings in fuel and raw material prices as well as costs including logistics expenses
- Full fiscal year forecasts revised owing to the upswing in fuel and raw material prices, which significantly exceeded expectations identified at the beginning of the period; continued to focus on improving performance by taking such measures as the revision of sales prices to recover the increase in costs
- Steadily implemented capital investment and R&D centered on growth businesses to achieve business portfolio transformation, a target identified under the “Medium-Term Management Plan 2025”

CONTENTS

- 1** Financial Results for Q2 FY2021
- 2** Performance Forecasts for FY2021
- 3** Supplementary Material

1 Financial Results for Q2 FY2021

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



1. Financial Highlights

(Billions of yen)

Accounting Standard for Revenue Recognition :	Q2 FY2020 Not applied	Q2 FY2021 Top :Applied Bottom:Not applied	Difference		Main changing factors
			Amount	%	
Net sales	143.2	132.6	(10.6)	(7)	Upturn in price of petroleum products Solid sales of semiconductor-related products
		156.5	+13.2	+9	
Operating profit	12.9	11.6	(1.2)	(10)	Increase in fuel and raw material prices
Ordinary profit	12.4	11.9	(0.4)	(4)	Decrease in operating profit
Profit attributable to owners of parent	9.9	9.2	(0.7)	(7)	Increase in Income taxes
Basic earnings per share (yen)	143.90	128.61	-	-	-
Exchange rate (yen/USD)	107	110	-	-	-
Domestic naphtha price (yen/kl)	27,600	50,500	-	-	-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2021	As of Sep 30,2021	Difference	Main changing factors
Total assets	386.7	396.8	+10.0	Increase in fixed assets due to capital investment
Shareholders' equity	198.5	205.6	+7.1	Posting profit attributable to owners of parent
Shareholders' equity ratio	51.3%	51.8%	+0.5pts	-
Interest-bearing debt	98.4	92.1	(6.3)	Decrease in long-term loans payable
D/E ratio	0.50	0.45	(0.05)	-
Net D/E ratio*	0.07	0.08	+0.01	-
Net assets per share (yen)	2,758.37	2,858.68	-	-

*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)

Accounting Standard for Revenue Recognition :	Q2 FY2020 Not applied		Q2 FY2021 Top :Applied Bottom:Not applied		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	36.6	5.0	43.8	5.5	+7.2	+20	+0.4	+10
			44.5		+7.9	+22		
Cement	42.1	2.3	24.9	0.0	(17.1)	(41)	(2.3)	(100)
			46.9		+4.8	+11		
Electronic Materials	27.9	3.0	33.8	4.0	+5.8	+21	+1.0	+33
			33.8		+5.9	+21		
Life Science	12.8	1.0	15.3	2.6	+2.5	+20	+1.6	+156
			15.3		+2.5	+20		
Eco Business	4.1	(0.3)	4.4	(0.3)	+0.3	+8	(0.0)	-
			4.8		+0.7	+17		
Others	36.0	2.9	16.7	1.8	(19.3)	(54)	(1.1)	(37)
			27.5		(8.5)	(24)		
Total	159.7	14.1	139.2	13.8	(20.4)	(13)	(0.3)	(2)
			173.1		+13.4	+8		
Inter-segment eliminations and corporate-wide expenses	(16.4)	(1.1)	(6.5)	(2.1)	+9.8	-	(0.9)	-
			(16.6)		(0.1)			
Consolidated Results	143.2	12.9	132.6	11.6	(10.6)	(7)	(1.2)	(10)
			156.5		+13.2	+9		

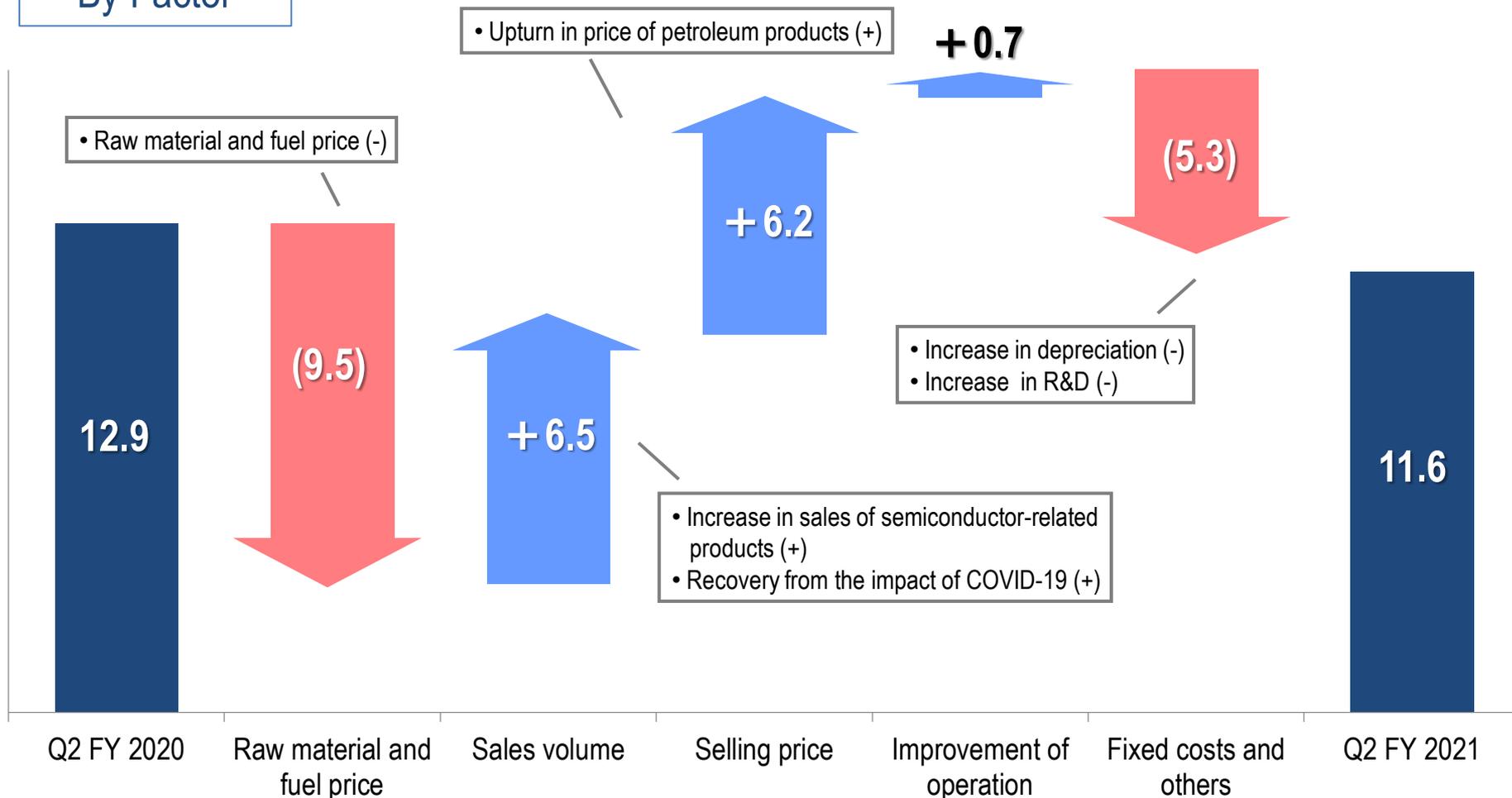
(Note) Sales and operating profit in each segment shown above include inter-segment transactions

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Factor



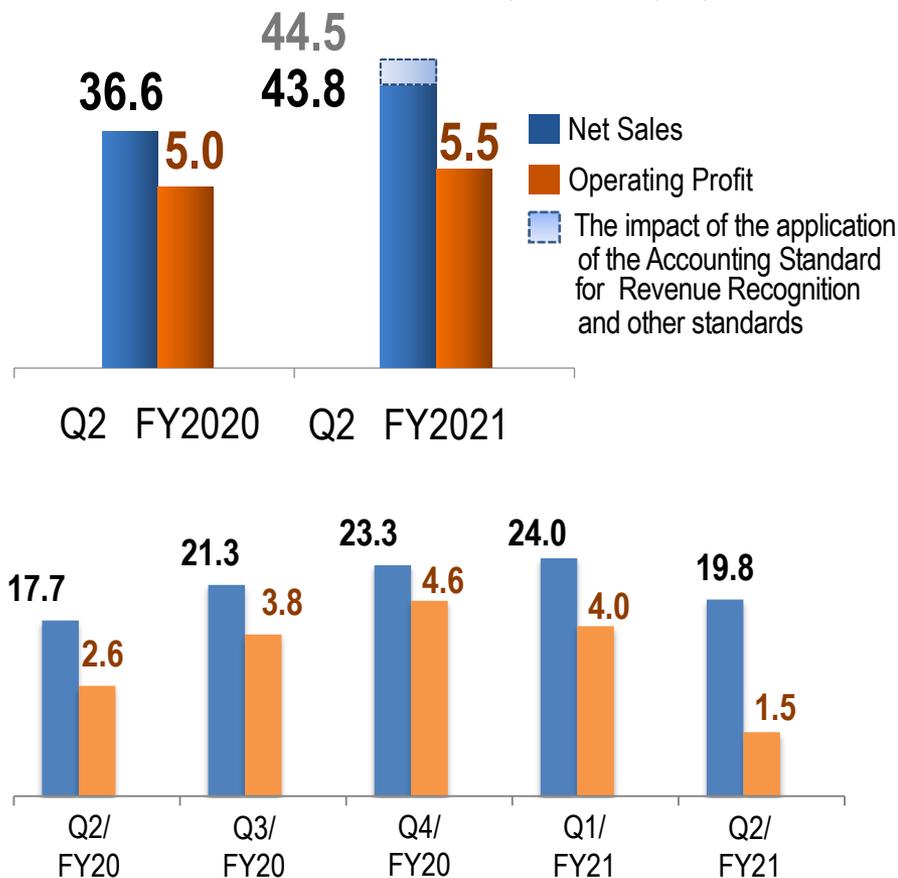
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Chemicals

Higher earnings on higher sales

(Billions of yen)



Qualitative information

(Caustic soda)

- Earnings declined. This downturn in earnings was due to manufacturing costs rising as a result of higher raw material and fuel costs

(Vinyl chloride monomer (VCM))

- Its earnings increased due to the upturn in export prices

(Vinyl chloride resin)

- Results were essentially in line with the corresponding period of the previous fiscal year. While manufacturing costs rose as a result of higher raw material and fuel costs, unchanged earnings reflected progress made in revising selling prices

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

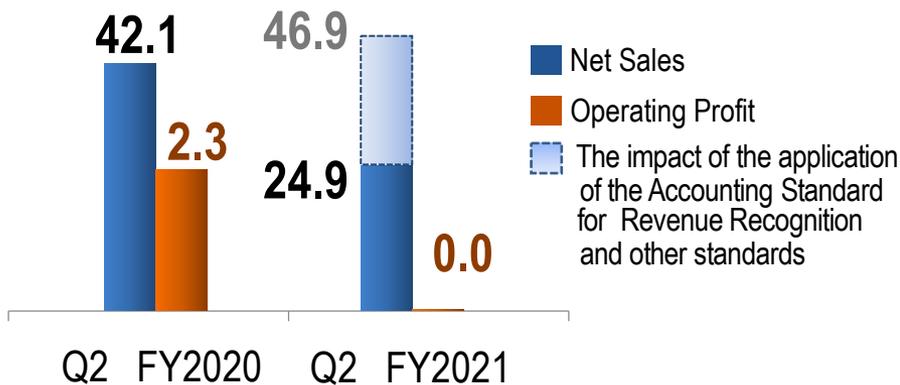
(Year-on-year change)

Cement

Lower earnings on lower sales

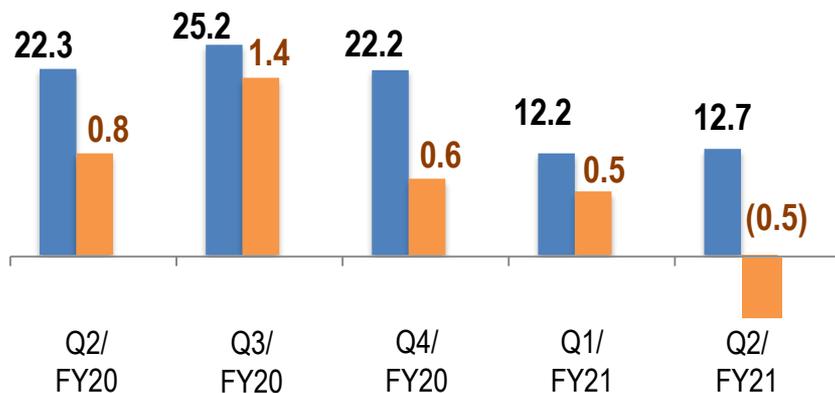
(Billions of yen)

Qualitative information



(Cement)

- Its earnings decreased, despite shipments being in line with the corresponding period of the previous year. Lower earnings reflected manufacturing costs rising as a result of higher raw material costs

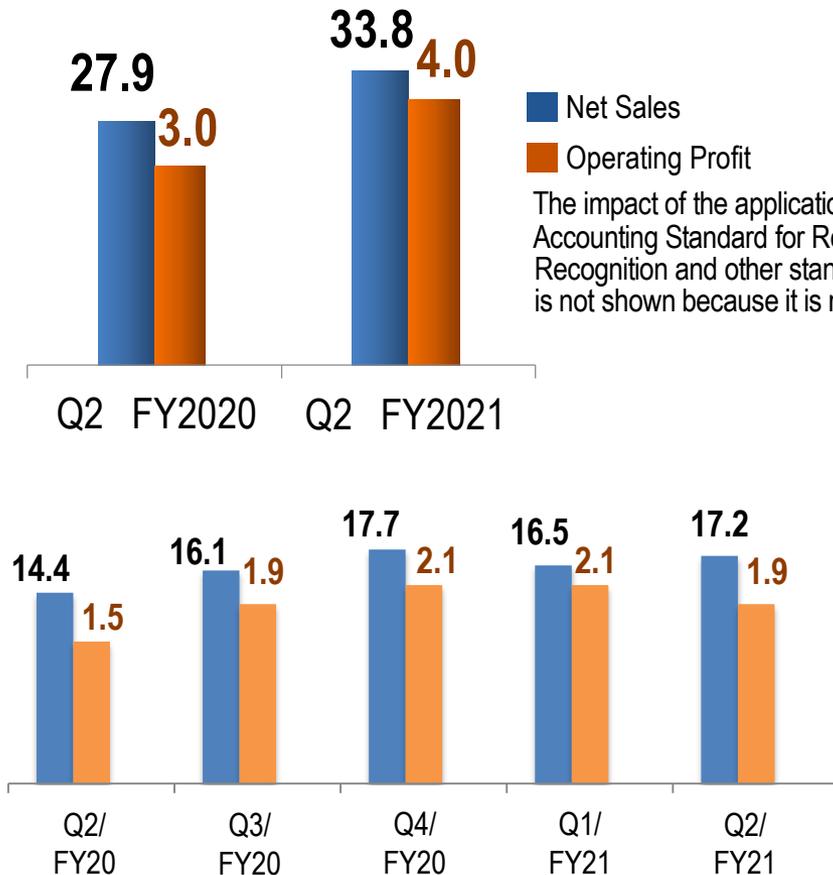


4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Electronic Materials *Higher earnings on higher sales*

(Billions of yen)



The impact of the application of the Accounting Standard for Revenue Recognition and other standards is not shown because it is minor

Qualitative information

(Semiconductor-grade Polycrystalline silicon)

- Earnings increased owing to firm sales on the back of the introduction of 5G and an increase in remote work

(IC Chemicals)

- Its earnings decreased despite sales volumes increasing mainly overseas. This downturn largely reflected higher raw material costs

(Fumed Silica)

- Earnings increased owing to higher sales volume centered on applications for semiconductor abrasives

(Thermal management materials)

- Results were essentially in line with the corresponding period of the previous fiscal year. Although sales volume was solid, this largely reflected higher R&D expenses at the Center for Commercialization of Advanced Technology

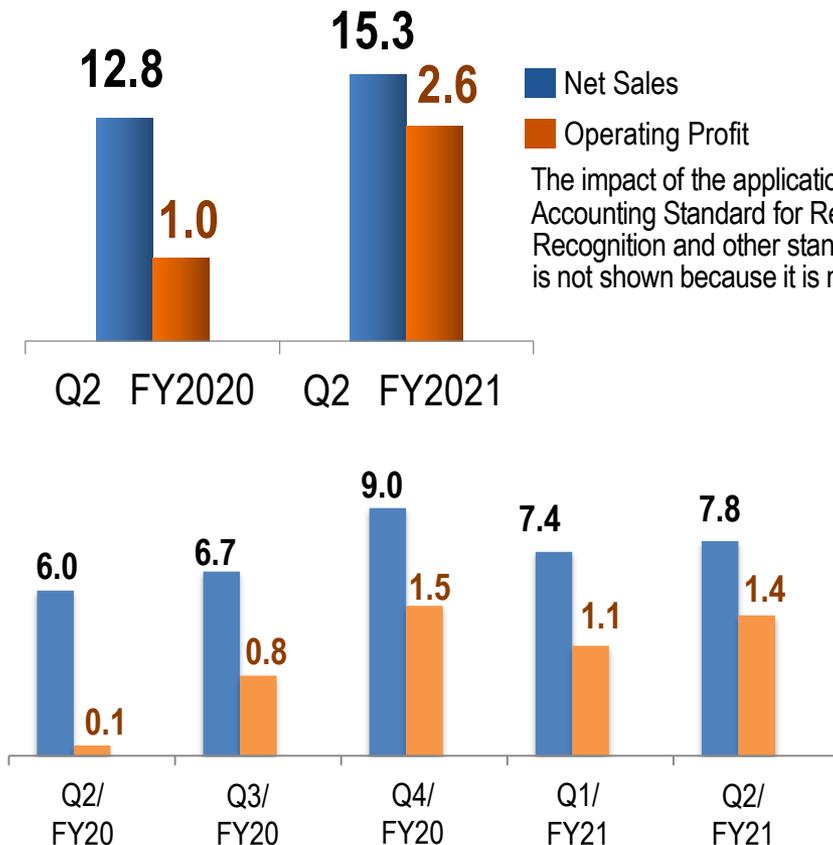
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Life Science

Higher earnings on higher sales

(Billions of yen)



Qualitative information

(Dental materials)

- Its earnings grew thanks to a recovery in shipments to Europe and the United States, which had declined as a result of the spread of COVID-19

(Plastic lens-related materials)

- Earnings increased owing to a recovery in shipments to Europe and the United States of eyeglass lens photochromic materials, which had declined as a result of the spread of COVID-19

(Pharmaceutical ingredients and intermediates)

- Its earnings increased, owing mainly to a robust sales volume of generic pharmaceuticals.

(Medical diagnostic systems)

- Its earnings decreased. This largely reflected a decline in sales volumes of laboratory information systems and laboratory automation systems

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

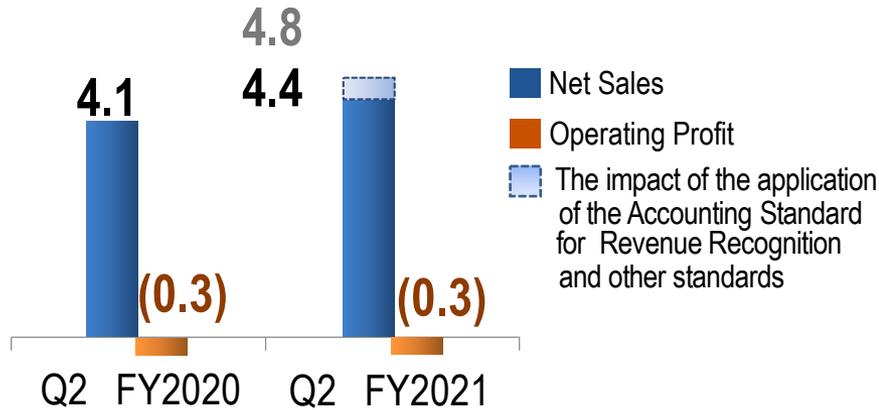
(Year-on-year change)

Eco Business

Newly established for new business development

(Billions of yen)

Qualitative information

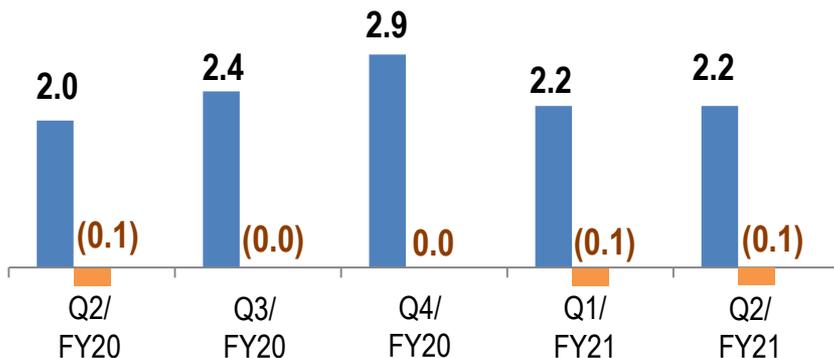


(Waste gypsum board recycling)

- Increase in earnings due to the steady acceptance of waste gypsum board

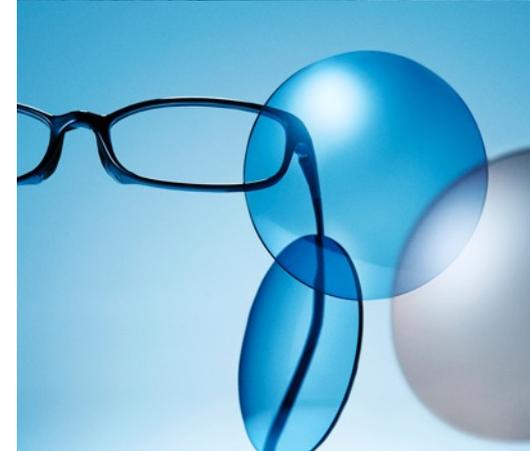
(Ion exchange membranes / Plastic window sashes)

- Earnings were all in line with the corresponding period of the previous year



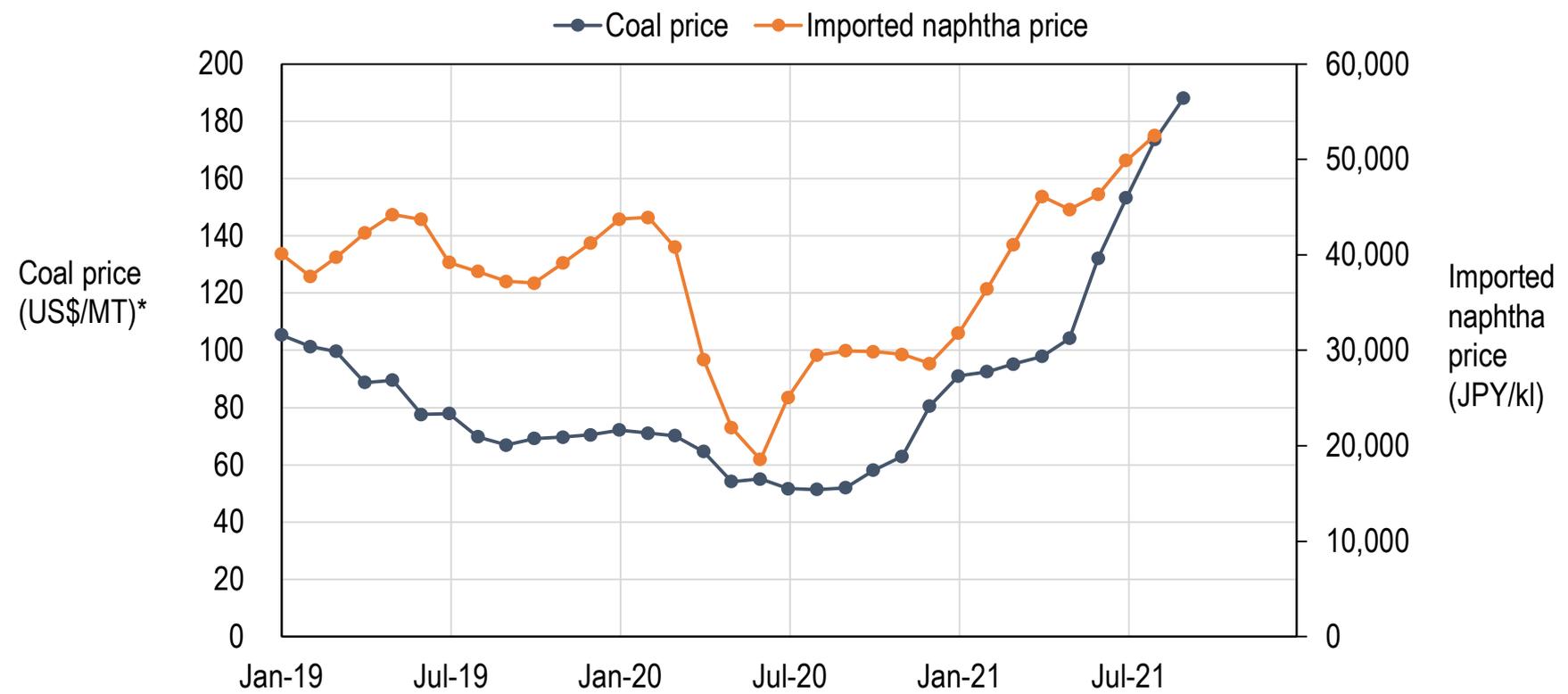
2 Performance Forecasts for FY2021

1. Revised Performance Forecasts
2. Revised Performance Forecasts by Business Segment
3. Shareholder Return
4. Trends in growth business investment



1. Revised Performance Forecasts

- Prices of fuel and raw materials, including coal, soared across the board entering fiscal 2021; prices exceeded initial assumptions, putting pressure on manufacturing costs



* FOB Newcastle/Port Kembla

Source: Coal price...International Monetary Fund
 Imported naphtha price...Trade statistics of Japan

1. Revised Performance Forecasts

The forecast, announced on Apr 28, 2021, has been revised

(Billions of yen)

	FY2021 Forecasts (Apr 28, 2021)	FY2021 Forecasts (Oct 28, 2021)	Difference		Main changing factors
			Amount	%	
Net sales	271.0	293.0	+22.0	+8	Upturn in price of petroleum products Solid sales of semiconductor-related products
Operating profit	26.0	22.0	(4.0)	(15)	Upturn in raw material and fuel price
Ordinary profit	26.0	22.0	(4.0)	(15)	Decrease in operating profit
Profit attributable to owners of parent	22.0	22.0	-	-	-
Basic earnings per share (yen)	305.62	305.66	-	-	-
Exchange rate (yen/USD)	105	2Q results:110	-	-	-
		3-4Q forecast:110	-	-	-
Domestic naphtha price (yen/kl)	45,000	2Q results:50,500	-	-	-
		3-4Q forecast:60,000	-	-	-

Performance forecast for the full fiscal year ending March 31, 2022 has been revised as above from the previous performance forecast released on April 28, 2021, based on raw material and fuel prices and other factors

2. Revised Performance Forecasts by Business Segment

The forecast, announced on Apr 28, 2021, has been revised

(Billions of yen)

Accounting Standard for Revenue Recognition :	FY2021 Forecasts (Apr 28, 2021) Applied		FY2021 Forecasts (Oct 28, 2021) Applied		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	90.0	13.5	100.0	14.5	+10.0	+11	+1.0	+7
Cement	53.0	3.0	53.0	(1.5)	-	-	(4.5)	-
Electronic Materials	68.5	5.0	73.5	4.0	+5.0	+7	(1.0)	(20)
Life Science	31.0	4.0	32.5	5.0	+1.5	+5	+1.0	+25
Eco Business	11.0	0.0	11.5	0.0	+0.5	+5	-	-
Others	33.0	5.0	33.0	4.0	-	-	(1.0)	(20)
Total	286.5	30.5	303.5	26.0	+17.0	+6	(4.5)	(15)
Inter-segment eliminations and corporate-wide expenses	(15.5)	(4.5)	(10.5)	(4.0)	+5.0	-	+0.5	-
Consolidated Results	271.9	26.0	293.0	22.0	+22.0	+8	(4.0)	(15)

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

2. Revised Performance Forecasts by Business Segment

- Announced a revision of product sales prices to offset the increase in manufacturing costs due to higher fuel and raw material prices

	Products	Announcement	
		Target based on current price	Timing of implementation
Chemicals	Vinyl chloride resin	more than 12 yen / kg	June 25, 2021
	Hydrochloric acid	more than 6 yen / kg	October 1, 2021
	Soda ash	more than 15 yen / kg	November 1, 2021
	Liquid caustic soda	more than 20 yen / kg	November 1, 2021
Cement	Cement	more than 2,200 yen / ton	December 1, 2021
Electronic Materials	IPA	more than 18 yen / kg	September 1, 2021
	Fumed Silica	more than 30%	November 1, 2021

3. Shareholder Return

- Despite a challenging outlook for the fiscal year ending March 31, 2022 due to such factors as rising fuel and raw material prices, the Company expects to pay out an interim dividend of ¥35 yen per share as planned
- An year-end dividend is also expected to be ¥35 yen per share.

Fiscal Year	2016	2017	2018	2019	2020	2021
Interim Dividend (Yen)	0	10	25	35	35	35
Year-end Dividend (Yen)	0	20	25	35	35	(35)
Payout ratio (%)	—	11.5	10.1	24.4	19.9	(22.9)

- 1) The dividend payout ratios for fiscal 2016 are not stated as those are net losses
- 2) The Company consolidated its common shares at a ratio of one share for each five shares effective as of October 1, 2017. The interim dividend of the fiscal year 2017 are stated after taking into the account the impact of the share consolidation
- 3) The year-end dividend of the fiscal year 2017 includes 10 yen of commemorative dividend for the Company's centenary anniversary
- 4) The numbers in parentheses are planned numbers

4. Trends in growth business investment

- Dental materials: Expanding business by steadily commercializing R&D results while undertaking capital expenditure

- OMNICHROMA series

- Strengthening sales in the U.S.; expanding sales areas
- Upgrading and expanding the product lineup

- Increasing production capacity

- Completion of a new manufacturing building at Tokuyama Dental Corporation's Kashima Factory in May of this year

After the installation of manufacturing facilities is completed, it will support the further sales growth of OMNICHROMA series and other products



For the People of Tomorrow

TOKUYAMA 

3 Supplementary Material

1. Consolidated Financial Statements
2. Non-Operating Income/Expenses, Extraordinary Gains/Losses and Financial Cost
3. Investment Results/Plan
4. Performance Trend
5. CAPEX and Depreciation Trend
6. Interest-Bearing Debts Trend
7. Cash Flow Trend



1. Consolidated Financial Statements

Income Statements

(Billions of yen)

Accounting Standard for Revenue Recognition :	Q2 FY2020	Q2 FY2021	Difference	
	Not applied	Applied	Amount	%
Net sales	143.2	132.6	(10.6)	(7)
Cost of sales	98.7	86.8	+11.9	+12
Selling, general and administrative expenses	31.5	34.1	(2.5)	(8)
Operating profit	12.9	11.6	(1.2)	(10)
Non-operating income/expenses	(0.4)	0.3	+0.7	-
Ordinary profit	12.4	11.9	(0.4)	(4)
Extraordinary income/expenses	(0.3)	2.0	+2.4	-
Profit/loss before income taxes	12.1	14.0	+1.9	+16
Income taxes	1.7	4.8	(3.0)	(170)
Non-controlling interests	0.3	(0.0)	+0.3	-
Profit attributable to owners of parent	9.9	9.2	(0.7)	(7)

*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)

	3/31/2021	9/30/2021	Changes	
			Amount	%
Total assets	386.7	396.8	+10.0	+3
Current assets	199.7	200.6	+0.9	+0
Tangible fixed assets	124.0	132.5	+8.4	+7
Intangible fixed assets	1.8	2.0	+0.1	+8
Investments and other assets	61.1	61.6	+0.5	+1

	3/31/2021	9/30/2021	Changes	
			Amount	%
Total liabilities	181.5	183.0	+1.5	+1
Current liabilities	83.3	104.3	+20.9	+25
Long-term liabilities	98.2	78.7	(19.4)	(20)
Total net assets	205.2	213.7	+8.5	+4

2. Non-Operating Income/Expenses, Extraordinary Gains/Losses and Financial Cost

Consolidated (year-on-year change)

(Billions of yen)

		Q2 FY2020	Q2 FY2021	Changes
Non-operating income	Interest and dividend income	0.3	0.3	+0.0
	Other income	1.8	2.8	+1.0
	Total	2.1	3.2	+1.0
Non-operating expenses	Interest expenses	0.7	0.7	+0.0
	Other expenses	1.8	2.2	(0.3)
	Total	2.6	2.9	(0.2)
Non-operating income/expenses		(0.4)	0.3	+0.7
Extraordinary gains		1.7	2.5	+0.8
Extraordinary losses		2.0	0.5	+1.5
Extraordinary gains/losses		(0.3)	2.0	+2.4
Financial income and expenses		(0.4)	(0.3)	+0.1

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

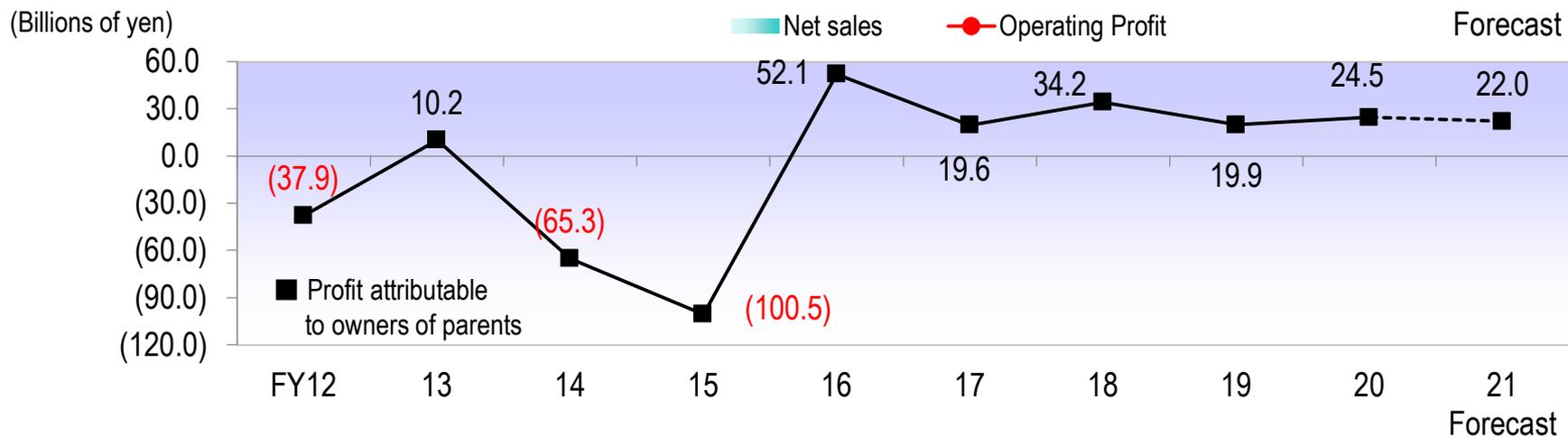
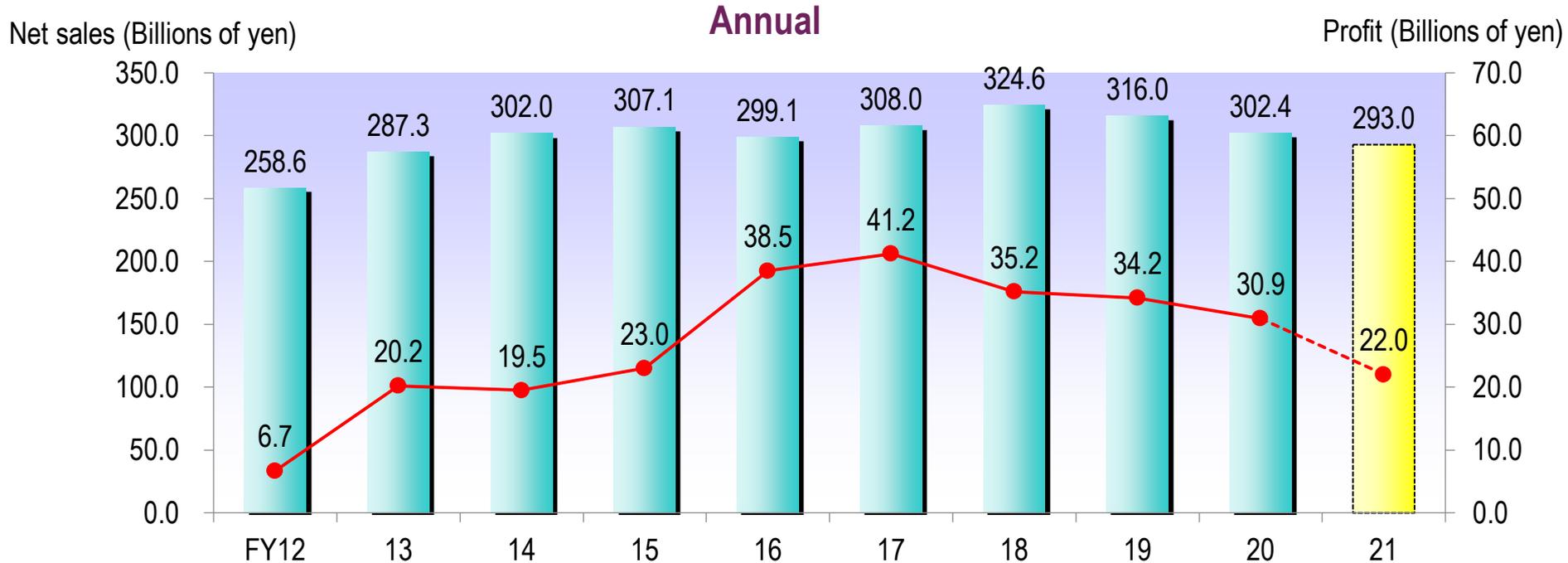
3. Investment Results/Plan

Consolidated

(Billions of yen)

	FY2020		FY2021		Changes	
	First half Results	Fiscal year Results	First half Results	Fiscal year Forecast	First Half	Fiscal Year
Capital expenditures	8.8	26.4	17.0	39.4	+8.2	+12.9
Depreciation and amortization	8.1	17.0	9.0	19.9	+0.8	+2.9
R&D expenses	5.0	10.8	5.8	12.9	+0.7	+2.0

4. Performance Trend

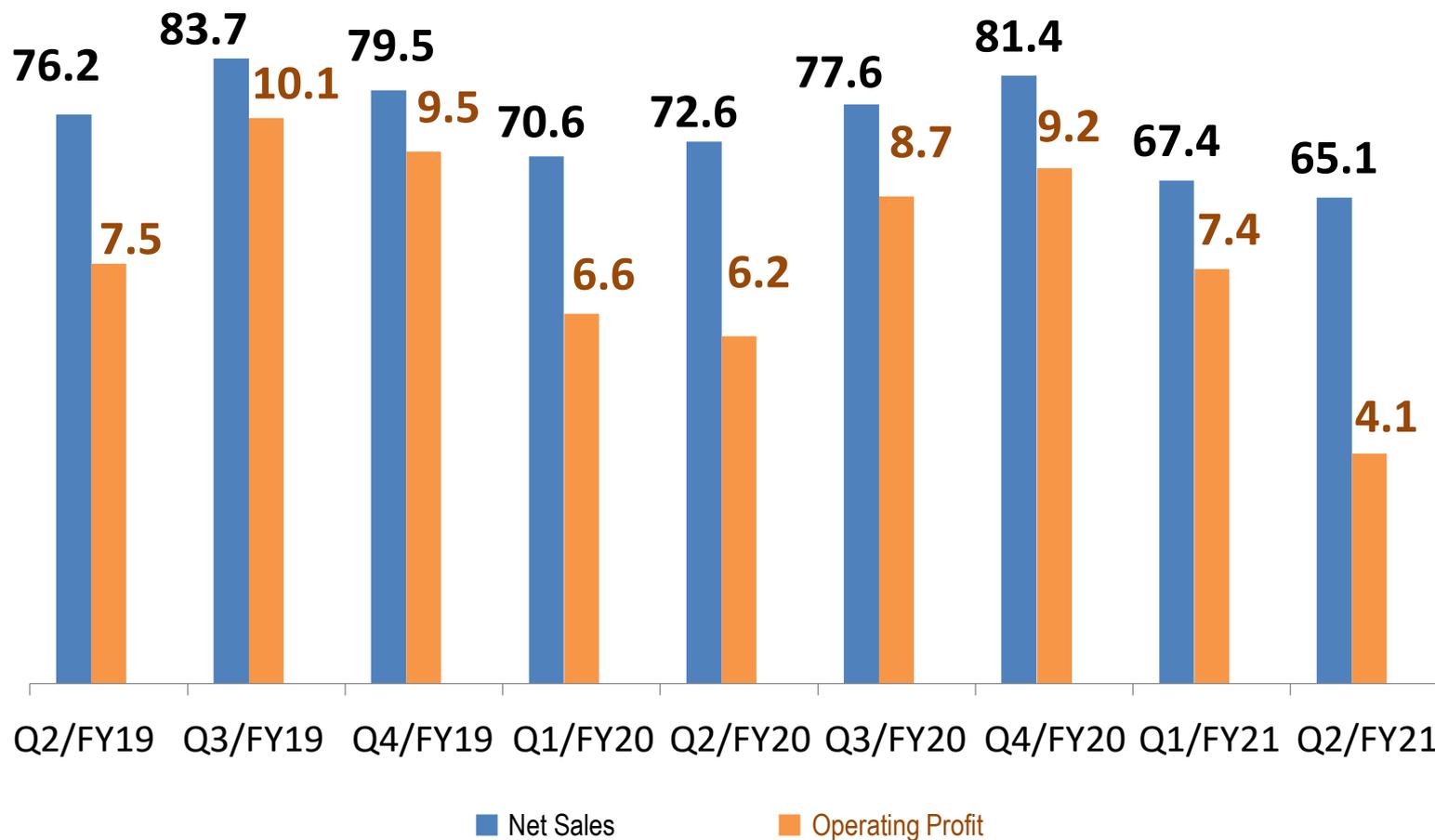


4. Performance Trend

Quarter

Consolidated

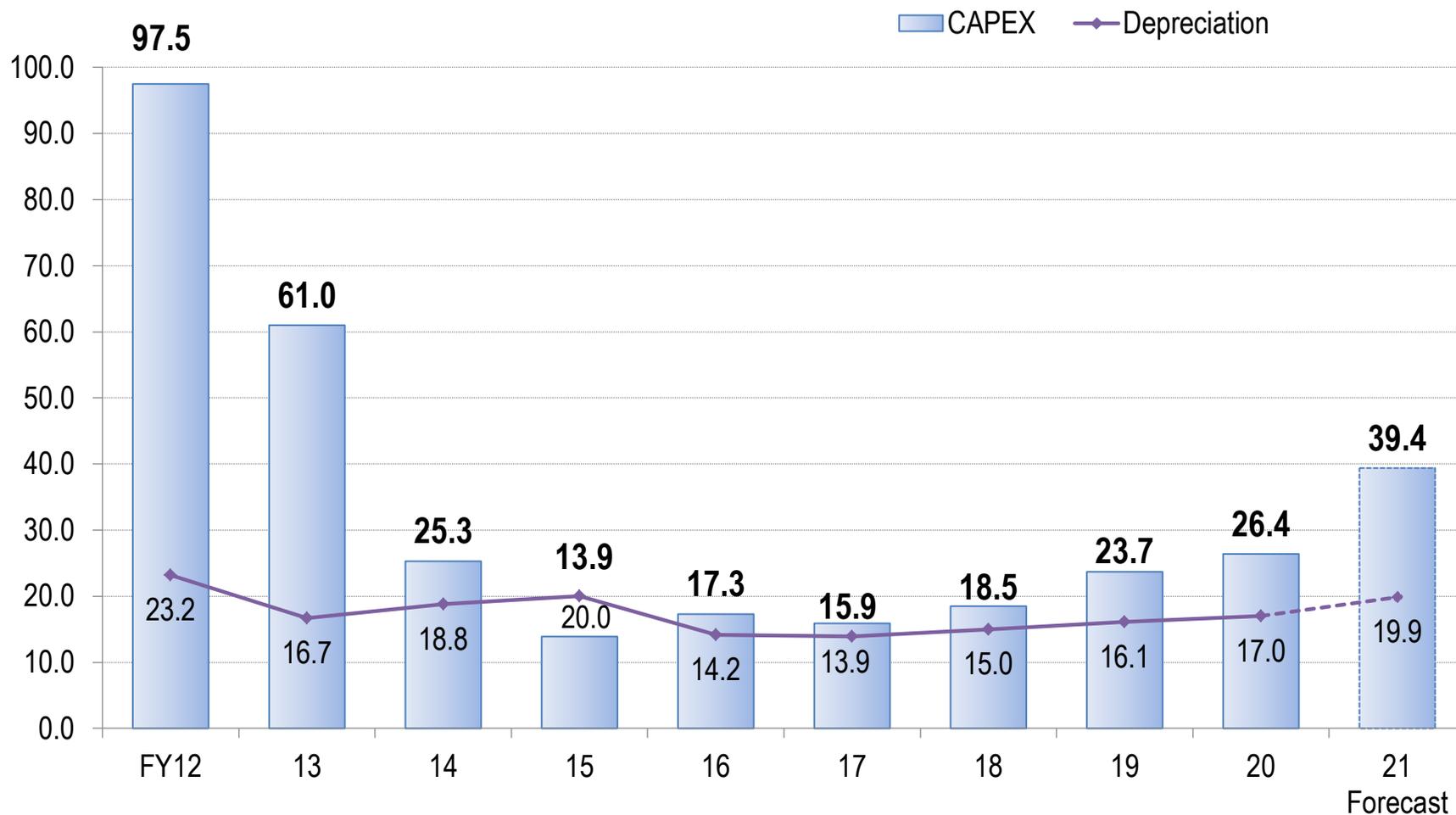
(Billions of yen)



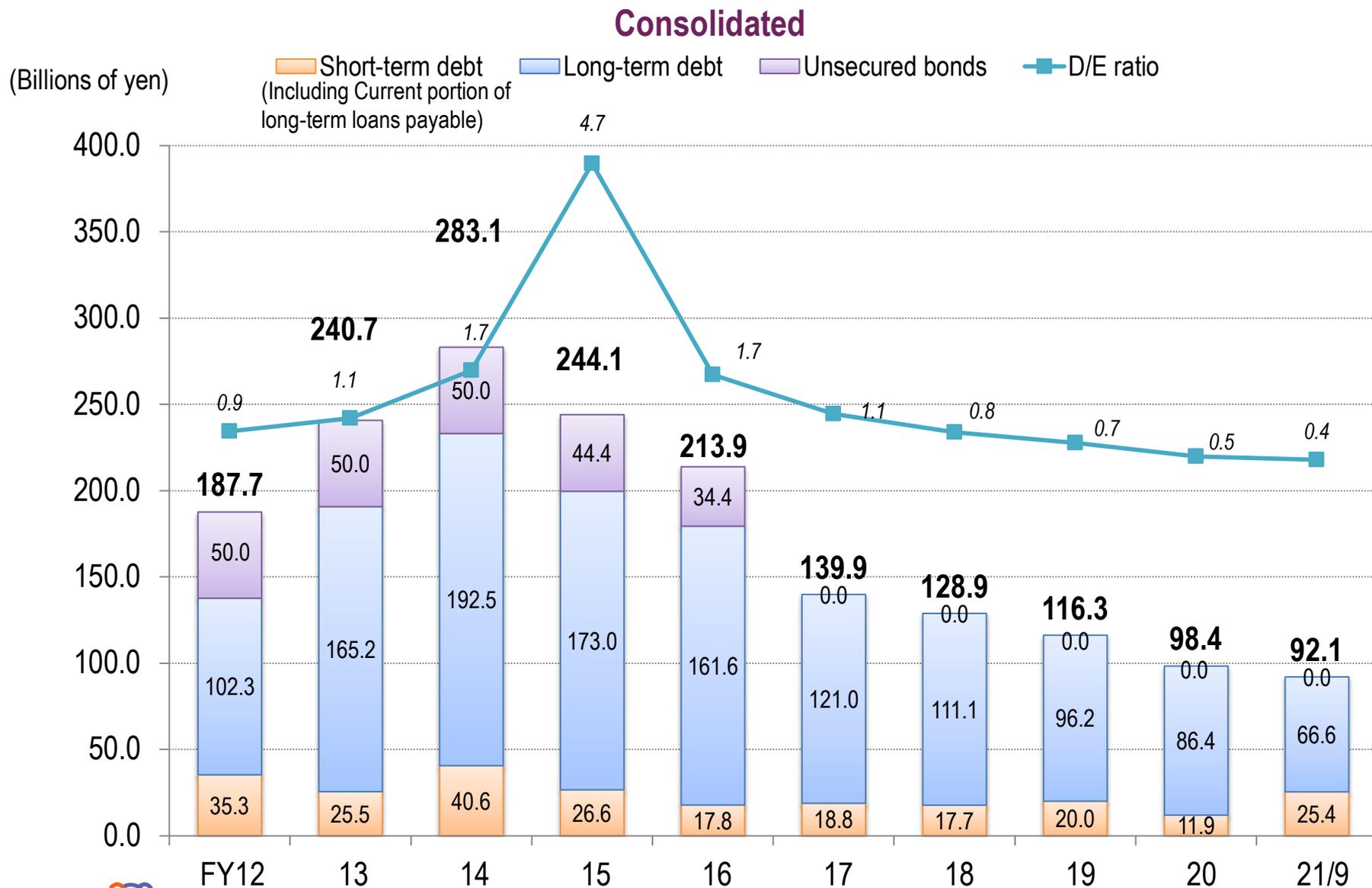
5. CAPEX and Depreciation Trend

Consolidated

(Billions of yen)



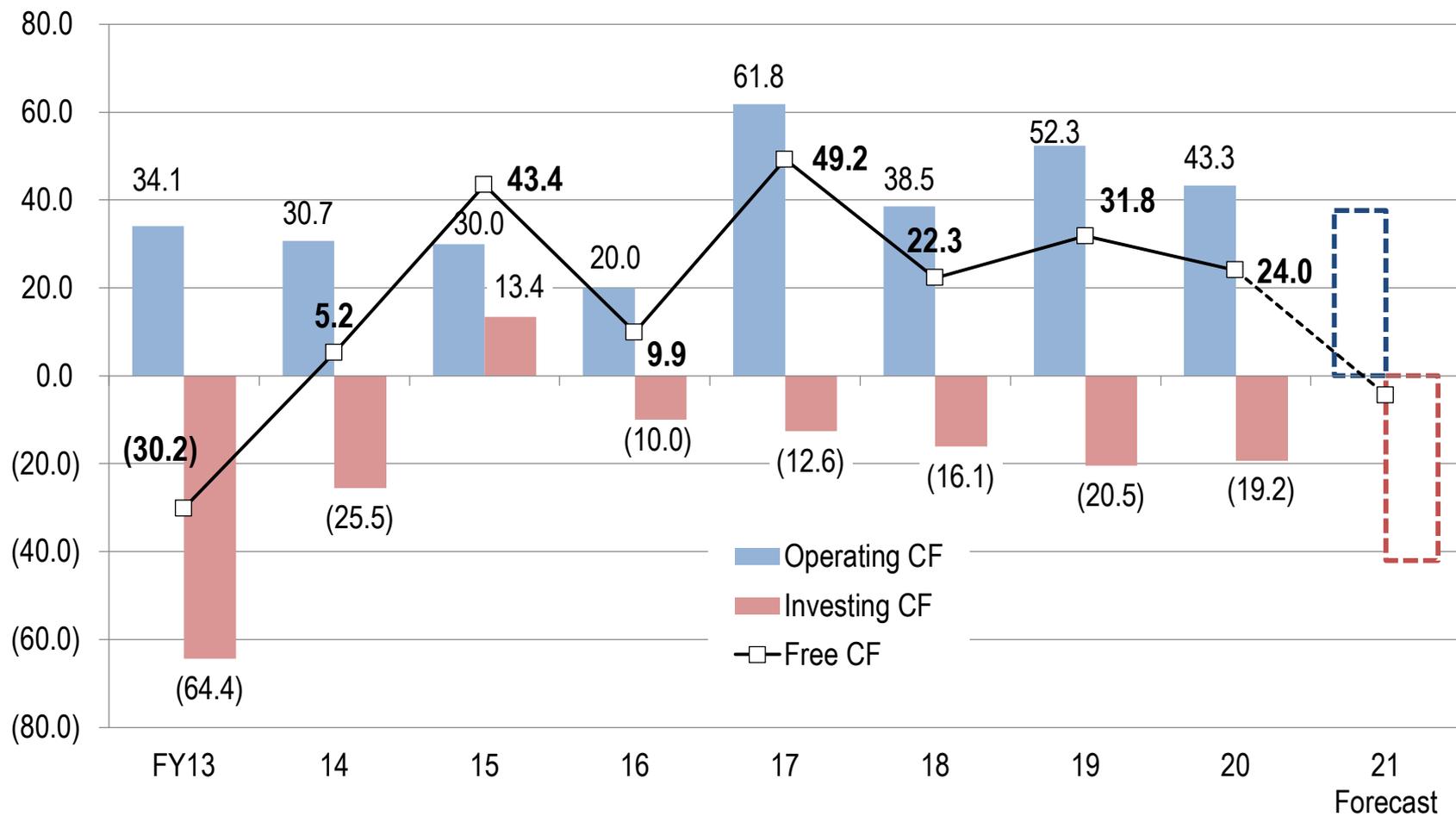
6. Interest-Bearing Debts Trend



7. Cash Flow Trend

Consolidated

(Billions of yen)



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.

For the People of Tomorrow

TOKUYAMA 