

Q2 Fiscal 2022 - Apr 1, 2022 to Sep 30, 2022-

Presentation for IR Meeting

October 28, 2022

Tokuyama Corporation



Key points of the second quarter of fiscal 2022

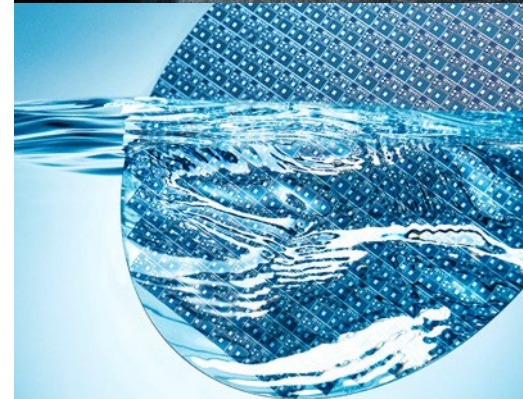
- Despite higher sales by revision of sales prices of products such as chemicals, cement, and semiconductor-related products, earnings decreased as a result of increase in logistics expenses as well as upswings in fuel and raw material prices
- Full fiscal year forecasts revised owing to the upswing 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

CONTENTS

- 1 Financial Results for Q2 FY2022**
- 2 Performance Forecasts for FY2022**
- 3 Topics**
- 4 Supplementary Material**

① Financial Results for Q2 FY2022

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)

	Q2 FY2021	Q2 FY2022	Difference		Main changing factors
			Amount	%	
Net sales	132.6	163.3	+33.7	+25	Upturn in price of petroleum products, cement, and semiconductor-related products
Operating profit	11.6	8.2	(3.3)	(29)	Increase in costs including logistics expenses as well as fuel and raw material prices
Ordinary profit	11.9	10.8	(1.1)	(9)	Decrease in operating profit
Profit attributable to owners of parent	9.2	6.5	(2.6)	(29)	Decrease in ordinary profit
Basic earnings per share (yen)	128.61	91.25	-	-	-
Exchange rate (yen/USD)	110	134	-	-	-
Domestic naphtha price (yen/kl)	50,500	83,200	-	-	-

1. Financial Highlights

(Billions of yen)

	As of Mar 31,2022	As of Sep 30,2022	Difference	Main changing factors
Total assets	433.2	488.5	+55.3	Increase in inventories such as finished goods owing to upturn in unit price for raw materials and fuel
Shareholders' equity	224.5	229.5	+5.0	Posting profit attributable to owners of parent
Shareholders' equity ratio	51.8%	47.0%	(4.8pts)	-
Interest-bearing debt	109.2	140.5	+31.2	Increase in long-term loans payable
D/E ratio	0.49	0.61	+0.13	-
Net D/E ratio*	0.12	0.17	+0.06	-
Net assets per share (yen)	3,120.25	3,190.93	-	-

*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)

	Q2 FY2021		Q2 FY2022		Difference			
	Net sales	Operating profit	Net sales	Operating profit	Net sales	%	Operating profit	%
Chemicals	43.8	5.5	57.7	4.7	+13.8	+32	(0.8)	(15)
Cement	24.9	0.0	28.8	(1.8)	+3.8	+16	(1.8)	-
Electronic Materials	33.8	4.0	41.3	3.3	+7.5	+22	(0.7)	(17)
Life Science	15.3	2.6	18.0	3.3	+2.6	+17	+0.6	+26
Eco Business	4.4	(0.3)	6.3	0.2	+1.8	+41	+0.6	-
Others	16.7	1.8	20.3	0.8	+3.6	+22	(1.0)	(55)
Total	139.2	13.8	172.7	10.7	+33.4	+24	(3.0)	(22)
Inter-segment eliminations and corporate-wide expenses	(6.5)	(2.1)	(6.3)	(2.4)	+0.2	-	(0.3)	-
Consolidated Results	132.6	11.6	166.3	8.2	+33.7	+25	(3.3)	(29)

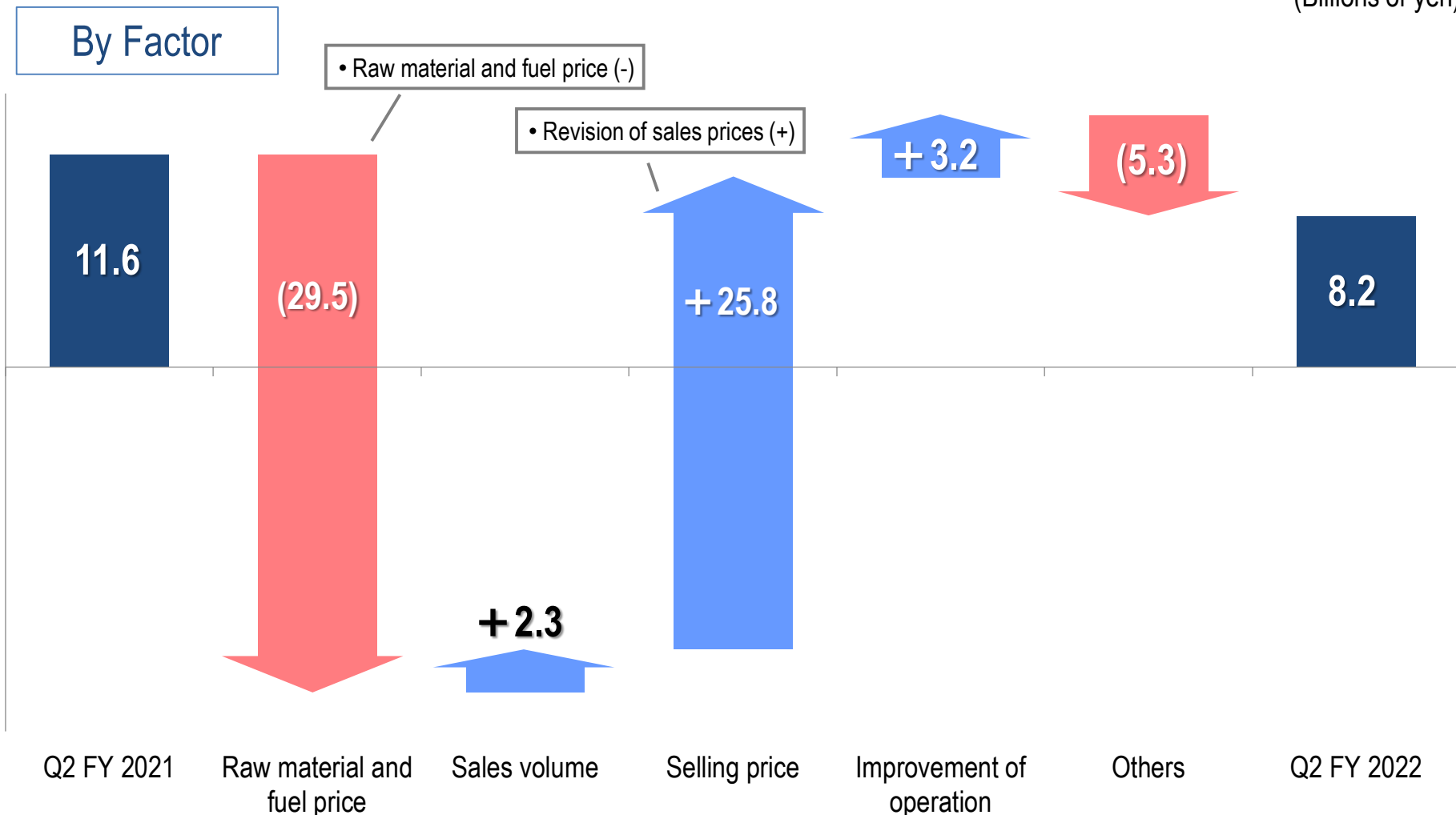
(Note) Sales and operating profit in each segment shown above include inter-segment transactions

3. Changes in Operating Profit

(Year-on-year change)

(Billions of yen)

By Factor



• Raw material and fuel price (-)

• Revision of sales prices (+)

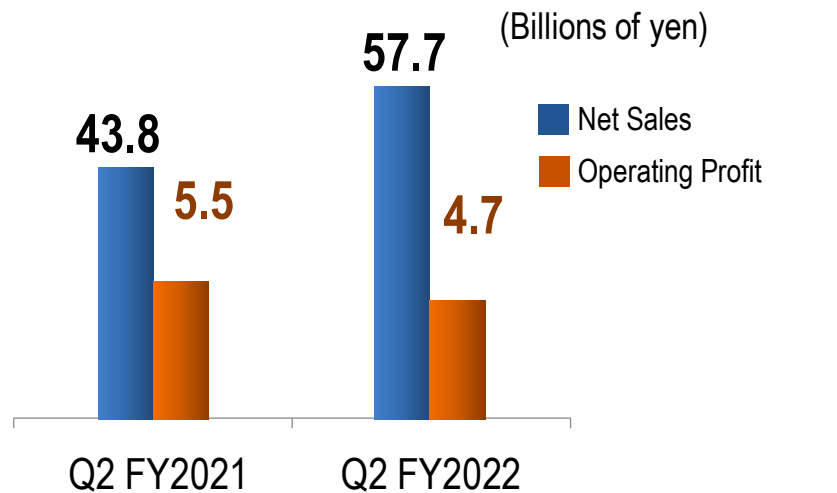
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Chemicals

Lower earnings on higher sales

(Billions of yen)



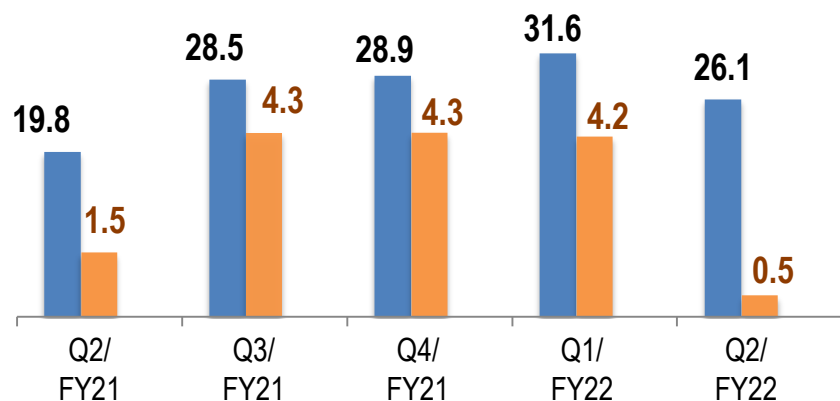
Qualitative information

(Caustic soda)

- Earnings rose despite higher fuel and raw materials costs. This gain reflected progress in passing these costs onto domestic sales prices and higher export prices

(Vinyl chloride monomer (VCM) / Vinyl chloride resin)

- Downturn in earnings was due to rising manufacturing costs as a result of higher raw material and fuel costs

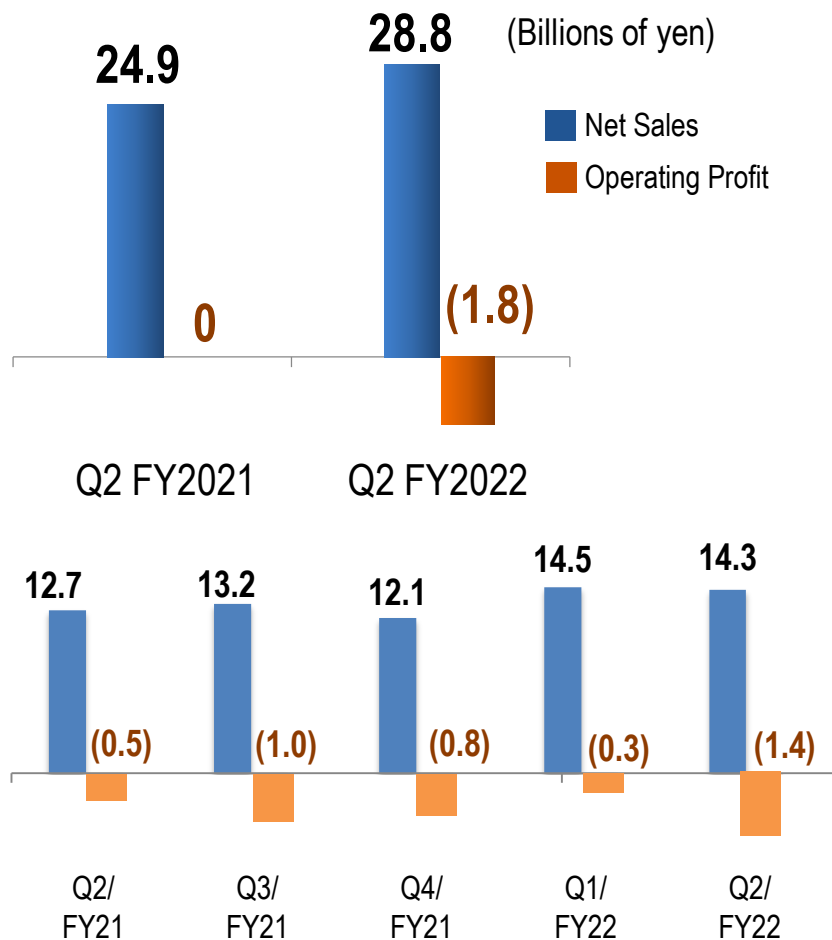


4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Cement

Loss on higher sales



Qualitative information

(Cement)

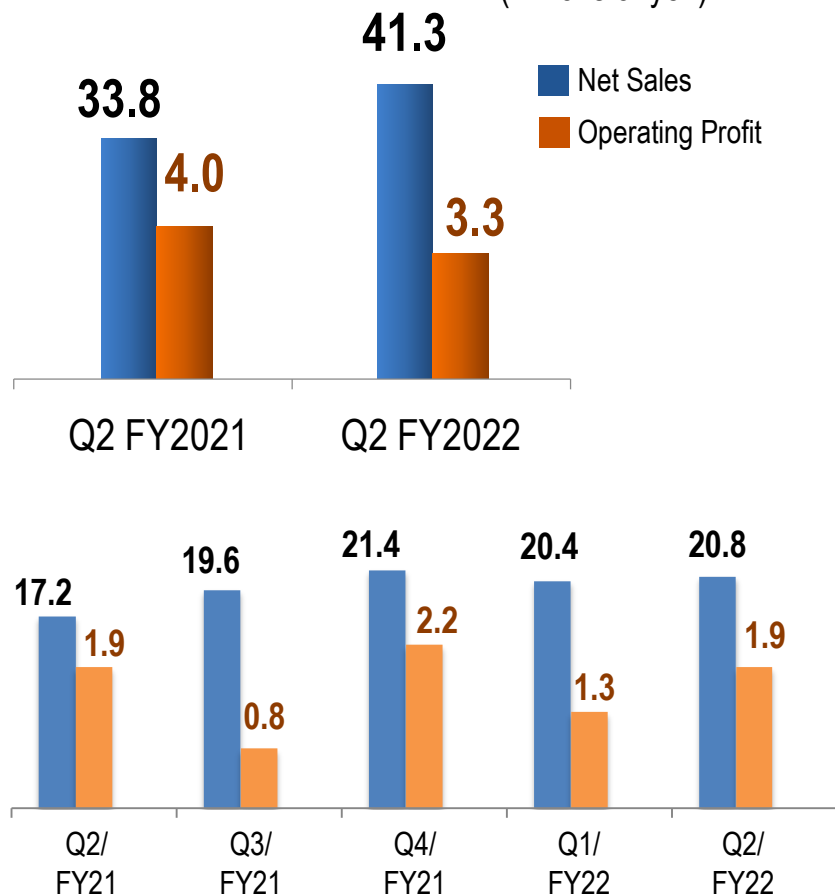
- Earnings deteriorated despite shipments of being in line with the corresponding period of the previous year and revision of sales prices. This downturn largely reflected manufacturing costs rising as a result of higher raw material costs

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

(Year-on-year change)

Electronic Materials *Lower earnings on higher sales*

(Billions of yen)



Qualitative information

(Semiconductor-grade Polycrystalline silicon)

- Earnings decreased despite revising sales prices. This downturn in earnings largely reflected rising manufacturing costs as a result of higher raw material and fuel costs.

(IC Chemicals)

- Although demand for semiconductor applications was solid and revision of sales prices, earnings decreased largely due to higher raw materials prices

(Fumed Silica)

- Earnings increased despite higher raw material prices, largely owing to revisions to domestic sales price revisions and higher export prices

(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

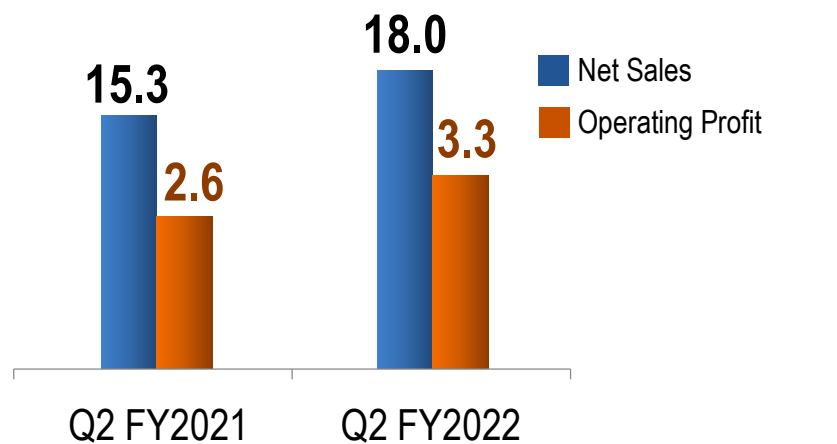
4. Changes in Net Sales / Operating Profit by Business Segment

(Year-on-year change)

Life Science

Higher earnings on higher sales

(Billions of yen)



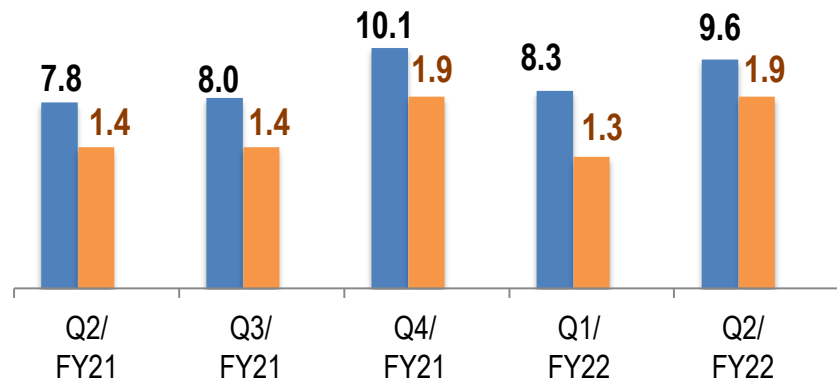
Qualitative information

(Dental materials)

- Earnings grew thanks to an increase in shipments to overseas

(APIs and intermediates)

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



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

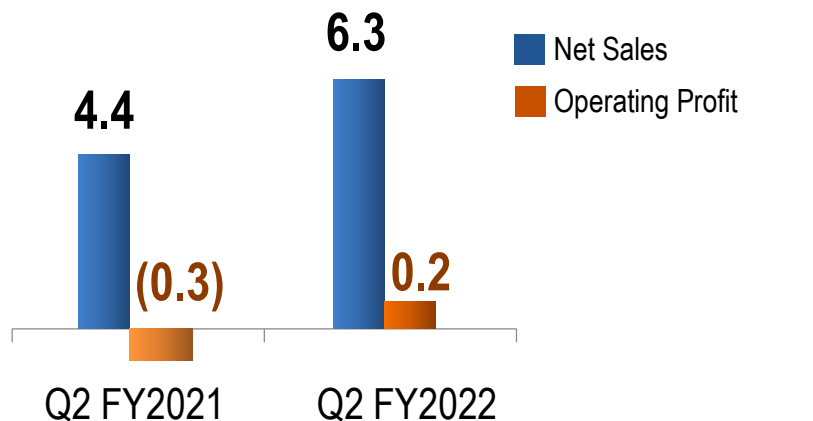
(Year-on-year change)

Eco Business

Earnings improved on higher sales

(Billions of yen)

Qualitative information

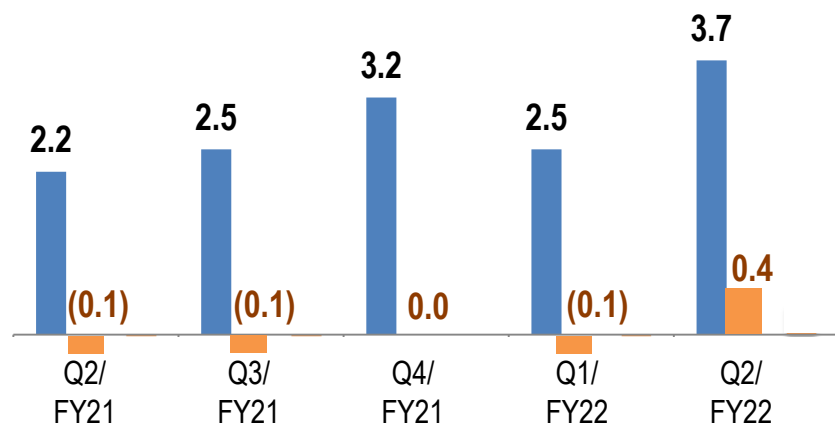


(Ion exchange membranes / Plastic window sashes)

- Earnings grew largely owing to higher shipments.

(Waste gypsum board recycling)

- Earnings were all in line with the corresponding period of the previous year as a result of steady acceptance of waste gypsum board, which offset mainly higher fuel costs.



② Performance Forecasts for FY2022

1. Revised Performance Forecasts
2. Revised Performance Forecasts by Business Segment
3. Second half outlook and measures
4. Shareholder Return



1. Revised Performance Forecasts

(Billions of yen)

	FY2022 Forecasts (Apr 28, 2022)	FY2022 Forecasts (Oct 28, 2022)	Difference		Main changing factors
			Amount	%	
Net sales	360.0	370.0	+10.0	+3	Revision of sales prices of products such as chemicals and semiconductor-related products
Operating profit	24.5	21.0	(3.5)	(14)	Increase in fuel and raw material prices
Ordinary profit	25.0	24.0	(1.0)	(4)	Decrease in operating profit
Profit attributable to owners of parent	17.5	15.0	(2.5)	(14)	Decrease in ordinary profit
Basic earnings per share (yen)	243.22	208.47	-	-	-
Exchange rate (yen/USD)	125	First half :134 Second half :145	-	-	-
Domestic naphtha price (yen/kl)	First half : 88,000 Second half : 68,000	First half :83,200 Second half :72,000	-	-	-

Performance forecast for the full fiscal year ending March 31, 2023 has been revised as above from the previous performance forecast released on April 28, 2022, based on raw material and fuel prices and other factors

2. Revised Performance Forecasts by Business Segment

(Billions of yen)

	FY2022 Forecasts (Jul 27, 2022)		FY2022 Forecasts (Oct 28, 2022)		Difference			
	Net sales	Operating profit	Net sales	Operating Profit	Net sales	%	Operating Profit	%
Chemicals	125.5	16.0	127.0	12.0	+1.5	+2	(4.0)	(25)
Cement	63.0	(2.5)	61.0	(2.5)	(2.0)	(3)	-	-
Electronic Materials	93.5	7.0	96.0	7.0	+2.5	+3	-	-
Life Science	35.0	7.0	38.0	7.0	+3.0	+9	-	-
Eco Business	15.0	0.0	15.0	0	-	-	-	-
Others	41.5	2.5	46.0	2.5	+4.5	-	-	-
Total	373.5	30.0	383.0	26.0	+9.5	+3	(4.0)	(13)
Inter-segment eliminations and corporate-wide expenses	(13.5)	(5.5)	(13.0)	(5.0)	+0.5	-	+0.5	-
Consolidated Results	360.0	24.5	370.0	21.0	+10.0	+3	(3.5)	(14)

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

3. Second half outlook and measures

【Chemicals】

(Chloro-alkali Business)

- * In overseas markets, the supply-demand balance is expected to loosen
- * In the domestic market, the company will continue to revise prices

【Cement】

- * The price revision announced in October last year is being accepted
- * Negotiations for the next price revision have been in full swing since October

【Electronic Materials】

- * Demand for semiconductor-related products is expected to be resilient

【Life Sciences】

- * The dental materials and equipment business has been strong, and the company will focus on addressing overseas demand

4. Shareholder Return

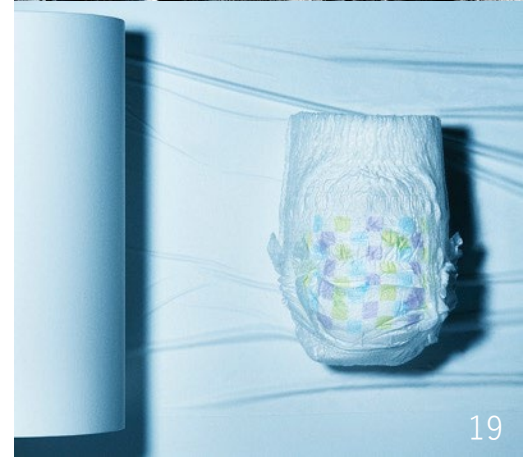
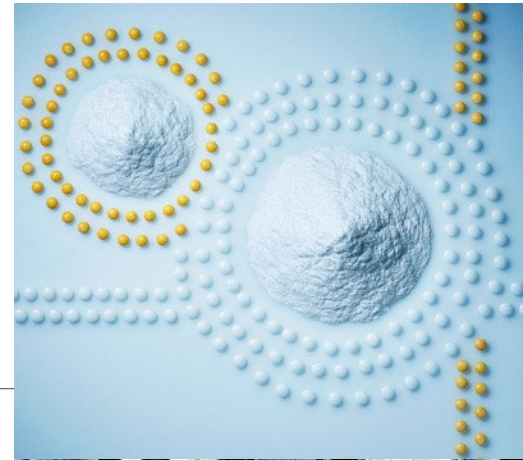
- Despite a challenging outlook for the fiscal year ending March 31, 2023 due to such factors as rising fuel and raw material prices, the Company will pay out an interim dividend of ¥35 yen per share as planned
- An year-end dividend is also expected to be ¥35 yen per share

Fiscal Year	2017	2018	2019	2020	2021	2022
Interim Dividend (Yen)	10	25	35	35	35	35
Year-end Dividend (Yen)	20	25	35	35	35	(35)
Payout ratio (%)	11.5	10.1	24.4	19.9	18.8	(33.6)

- 1) The year-end dividend of the fiscal year 2017 includes 10 yen of commemorative dividend for the Company's centenary anniversary
- 2) The numbers in parentheses are planned numbers

3 Topics

1. Topics on “Medium-Term Management Plan 2025”



1. Topics on “Medium-Term Management Plan 2025”

<Transform business portfolio>

Healthcare field: Enhancement of dental materials/supply chain

- In addition to the United States and Europe, OMNICHROMA® and OMNICHROMA FLOW sales are strong in emerging markets like Brazil, the Middle East, and Indonesia
- Strengthen manufacturing capacity for CAD/CAM hybrid resin blocks
→ Production to begin in October 2024, doubling manufacturing capacity

Environmental field: Commercialization of alkaline water electrolyzers

- Scheduled to open a manufacturing and development base at the Center for Commercialization of Advanced Technology in Yanai City, Yamaguchi Prefecture that is planned to start in June 2023

<Contribute to mitigation of global warming>

CO₂ utilization: External collaboration

- Begins joint study on social deployment of circular carbon methanol utilizing CO₂
- NEDO Green Innovation Fund - To develop carbon-negative concrete technology

CO₂ emission reduction: Promote the construction of ammonia supply chains

- Establishment of a carbon-free ammonia supply system in the Shunan Industrial Complex with an annual capacity of over 1 million tons by 2030. We will study infrastructure improvement

For the People of Tomorrow

TOKUYAMA 

4 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)

	Q2 FY2021	Q2 FY2022	Difference	
			Amount	%
Net sales	132.6	166.3	+33.7	+25
Cost of sales	86.8	120.5	(33.6)	(39)
Selling, general and administrative expenses	34.1	37.5	(3.4)	(10)
Operating profit	11.6	8.2	(3.3)	(29)
Non-operating income/expenses	0.3	2.5	+2.2	+672
Ordinary profit	11.9	10.8	(1.1)	(9)
Extraordinary income/expenses	2.0	(0.1)	(2.1)	-
Profit/loss before income taxes	14.0	10.7	(3.3)	(24)
Income taxes	4.8	4.1	+0.6	+14
Non-controlling interests	(0.0)	0.0	(0.0)	-
Profit attributable to owners of parent	9.2	6.5	(2.6)	(29)

*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)

	3/31/2022	9/30/2022	Changes	
			Amount	%
Total assets	433.2	488.5	+55.3	+13
Current assets	223.9	270.8	+46.9	+21
Tangible fixed assets	139.6	146.7	+7.1	+5
Intangible fixed assets	2.6	3.2	+0.5	+22
Investments and other assets	66.9	67.7	+0.7	+1

	3/31/2022	9/30/2022	Changes	
			Amount	%
Total liabilities	200.2	246.8	+46.5	+23
Current liabilities	102.3	97.7	(4.5)	(4)
Long-term liabilities	97.9	149.0	+51.1	+52
Total net assets	232.9	241.7	+8.7	+4

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

Consolidated (year-on-year change)

(Billions of yen)

		Q2 FY2021	Q2 FY2022	Changes
Non-operating income	Interest and dividend income	0.3	0.4	+0.0
	Other income	2.8	5.2	+2.3
	Total	3.2	5.6	+2.3
Non-operating expenses	Interest expenses	0.7	0.7	(0.0)
	Other expenses	2.2	2.2	(0.0)
	Total	2.9	3.0	(0.1)
Non-operating income/expenses		0.3	2.5	+2.2
Extraordinary gains		2.5	0.1	(2.4)
Extraordinary losses		0.5	0.2	+0.2
Extraordinary gains/losses		2.0	(0.1)	(2.1)
Financial income and expenses		(0.3)	(0.3)	(0.0)

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

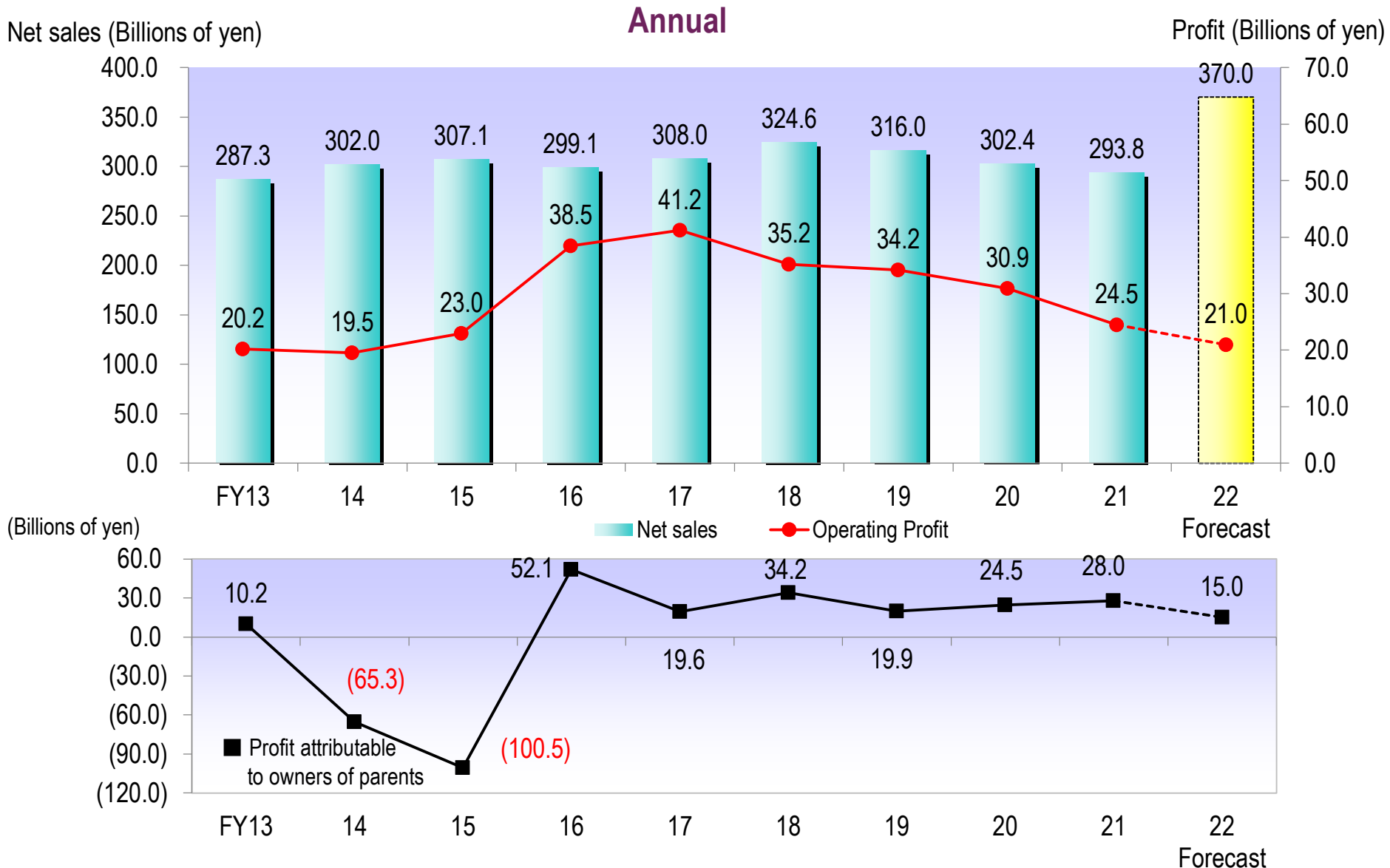
3. Investment Results/Plan

Consolidated

(Billions of yen)

	FY2021		FY2022		Changes	
	First half Results	Fiscal year Results	First half Results	Fiscal year Forecast	First Half	Fiscal Year
Capital expenditures	17.0	33.3	15.3	45.3	(1.7)	+12.0
Depreciation and amortization	9.0	19.7	9.7	21.3	+0.6	+1.6
R&D expenses	5.8	12.6	6.6	14.0	+0.8	+1.3

4. Performance Trend

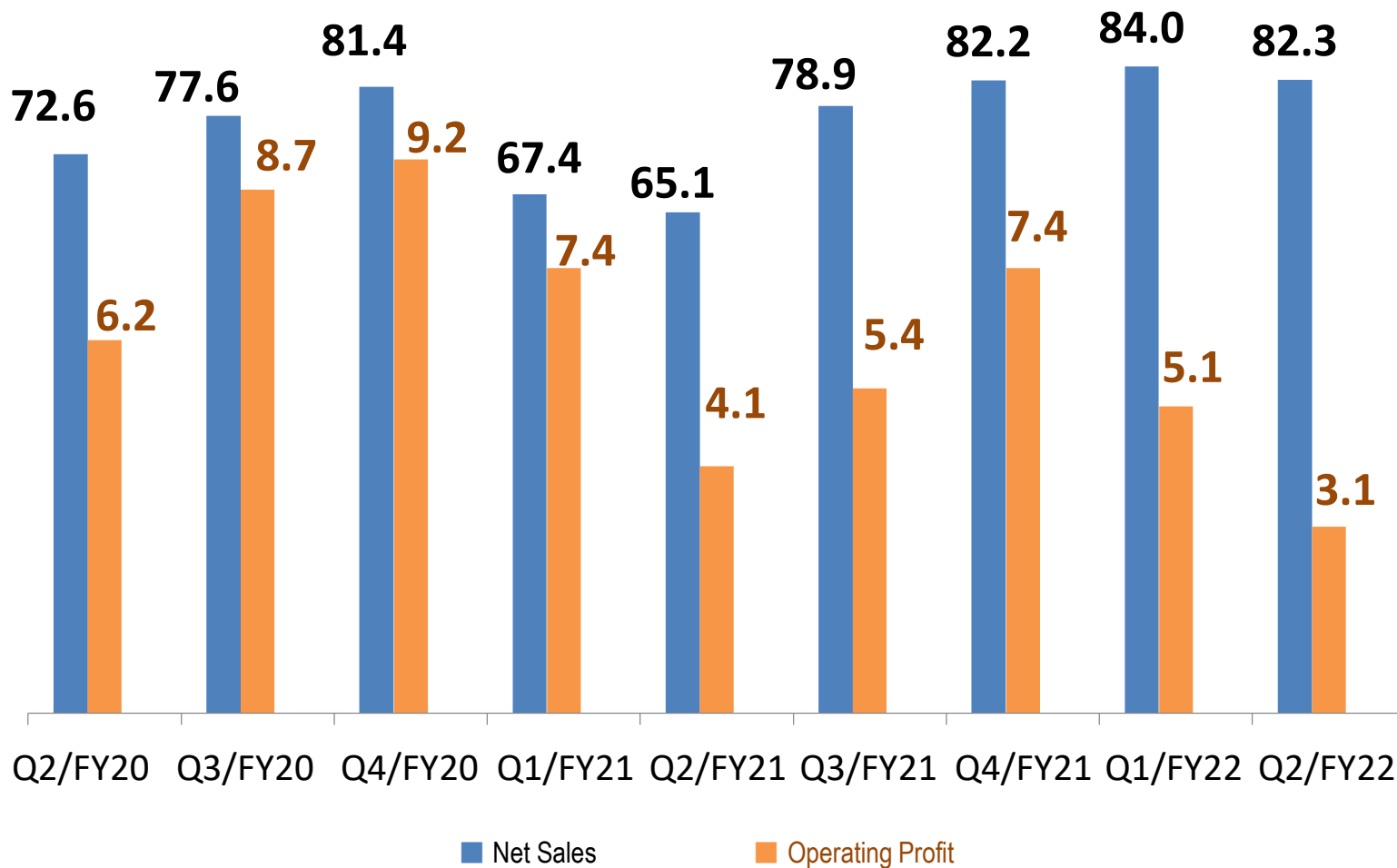


4. Performance Trend

Quarter

Consolidated

(Billions of yen)



■ Net Sales

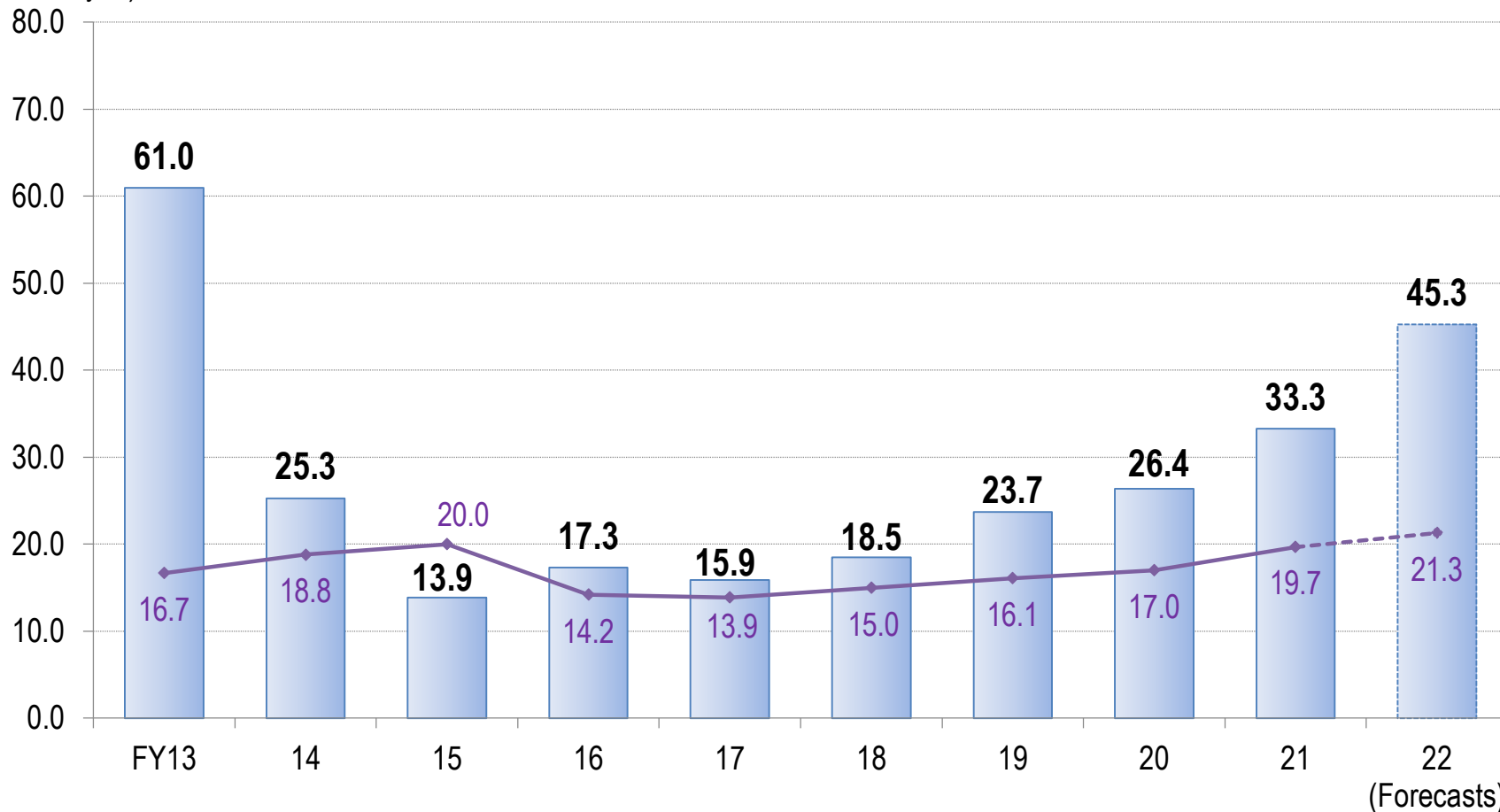
■ Operating Profit

5. CAPEX and Depreciation Trend

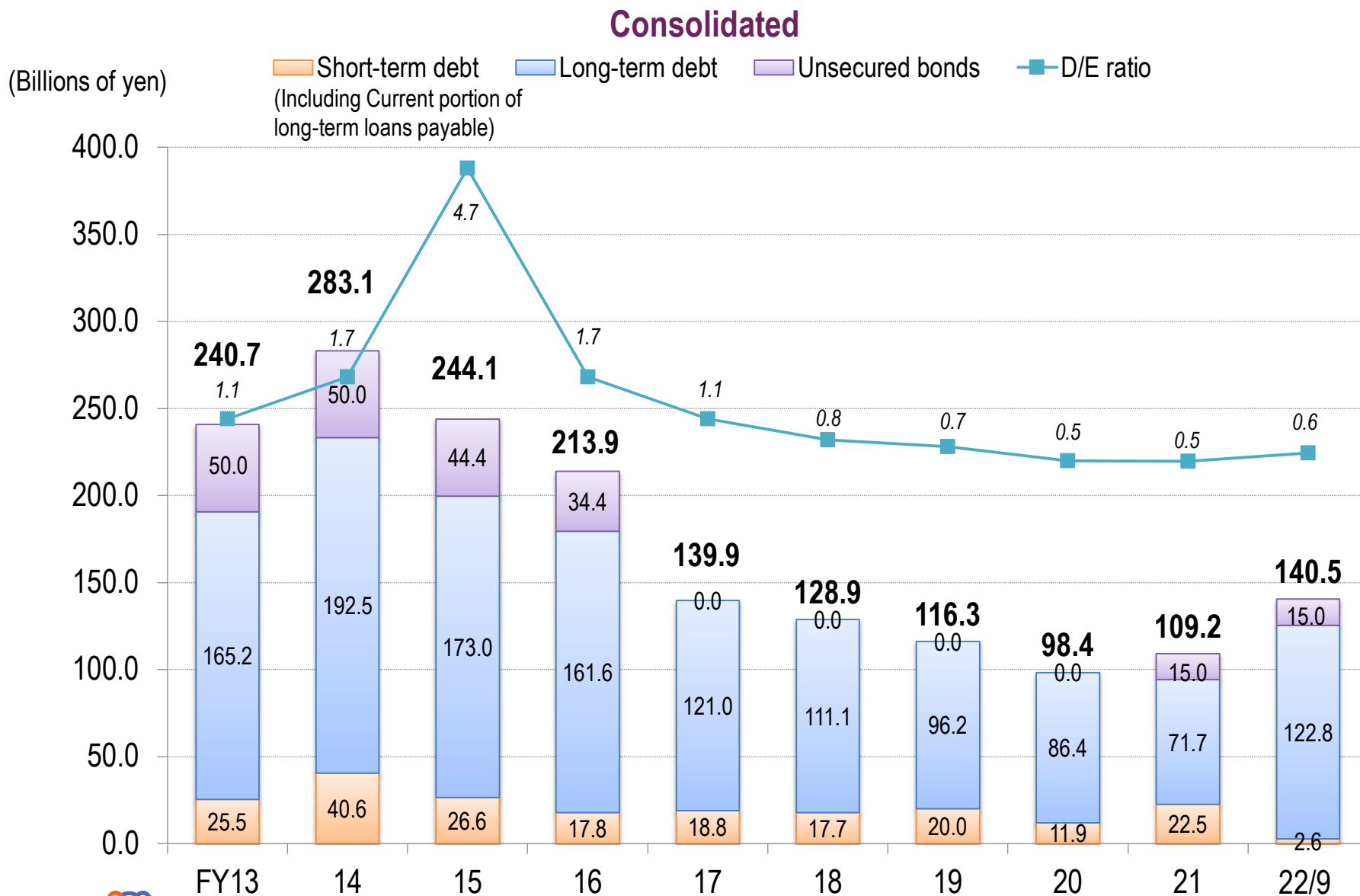
Consolidated

(Billions of yen)

CAPEX Depreciation



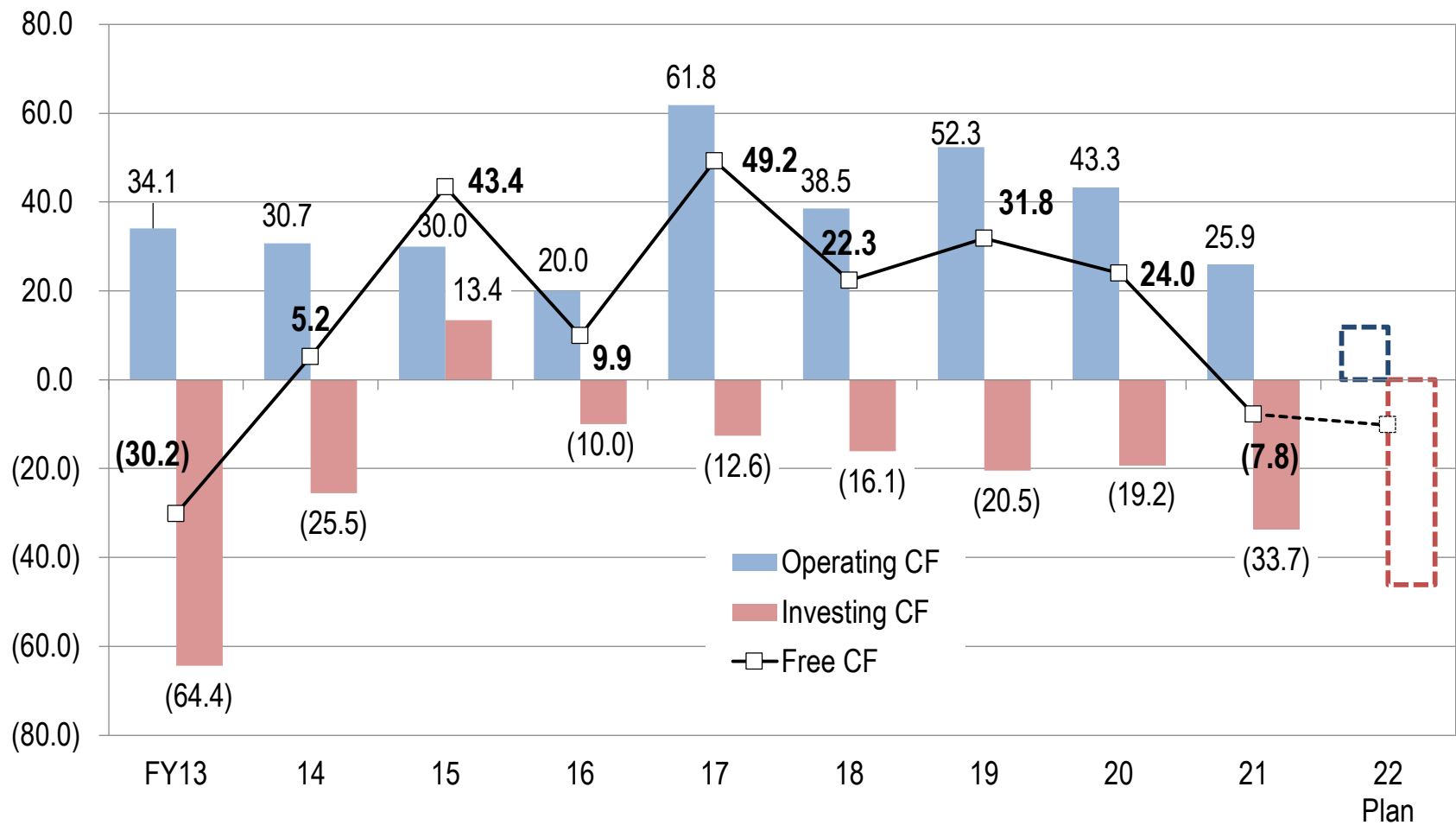
6. Interest-Bearing Debts Trend



7. Cash Flow Plan

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 