



# TOKYO OHKA KOGYO CO., LTD. Business Results

— Fiscal Year ended March 2017—

May 10, 2017

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# Consolidated Business Results for FY2017 (2016.4-2017.3)

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# Summary

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(Millions of yen )

	FY2016	FY2017		
			Change	%
Net sales	89,969	88,764	(1,204)	(1.3)
Operating income	12,438	9,954	(2,483)	(20.0)
Ordinary income	12,684	9,867	(2,817)	(22.2)
Profit attributable to owners of parent	7,716	6,343	(1,373)	(17.8)

- Average exchange rate (US\$) : ¥119.3/\$ (FY2016) ⇒¥107.1/\$ (FY2017)
- Net sales : Decreased 1.3% due to weaker sales in Equipment Business despite exceeding the revised forecast (on October 27, 2016).
- Operating income : Decreased due to decline in Material Business from yen's appreciation, and steeper loss in Equipment Business.
- Profit attributable to owners of parent : Decreased due to the decline in operating income and foreign exchange losses.

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# Non-operating Expenses or Income/ Extraordinary Losses or Income

04

(Millions of yen)

	FY2016	FY2017	YoY
<b>Non-operating Expenses or income</b>	246	(87)	(333)
Interest and dividend income	+287	+277	(10)
<b>(Foreign exchange related losses/gains)</b>	(△371)	(△885)	(△514)
Foreign exchange (loss) gain	(642)	(445)	+196
Loss(gain) on valuation of derivatives	+270	(439)	(710)
Equity in earnings of an associate	+219	+126	(93)
Operating preparation expenses	(339)	–	+339
<b>Extraordinary losses or Income</b>	(906)	(647)	+259
Gain on sale of investment securities	+50	+265	+215
Impairment loss	(752)	(678)	+74
Losses due to disasters	(108)	(91)	(91)

# Results by Business Segment

05

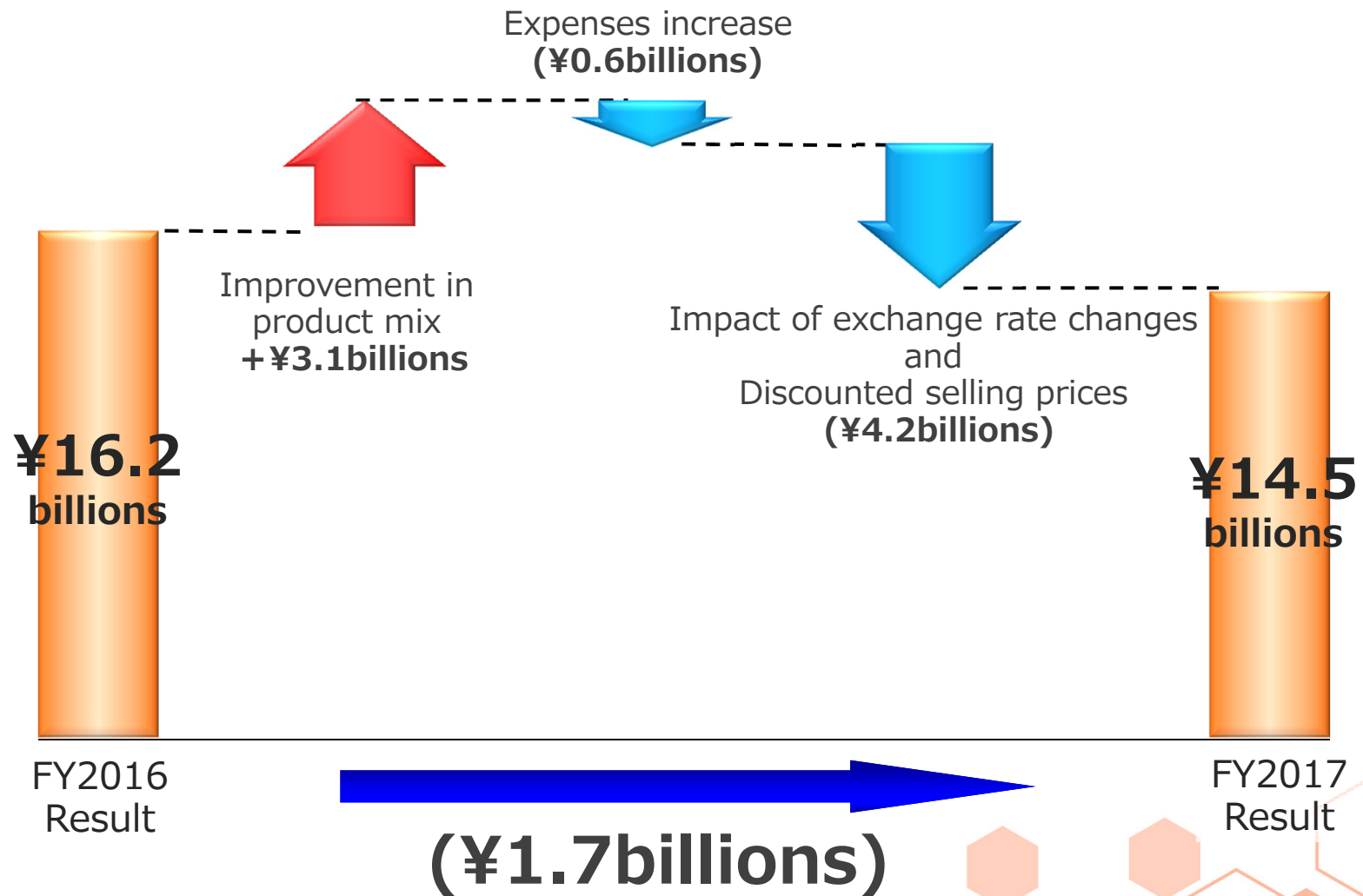
(Millions of yen)

	FY2016	FY2017		
			Change	%
Net sales	89,969	88,764	(1,204)	(1.3)
Material business	87,280	86,558	(721)	(0.8)
Electronic functional materials	51,134	53,074	+1,940	+3.8
High purity chemicals	35,931	33,475	(2,456)	(6.8)
Other	214	9	(204)	(95.6)
Equipment business	2,689	2,205	(483)	(18.0)
Operating income	12,438	9,954	(2,483)	(20.0)
Material business	16,203	14,470	(1,733)	(10.7)
Equipment business	(423)	(750)	(327)	—
Eliminations and corporate	(3,342)	(3,764)	(422)	—

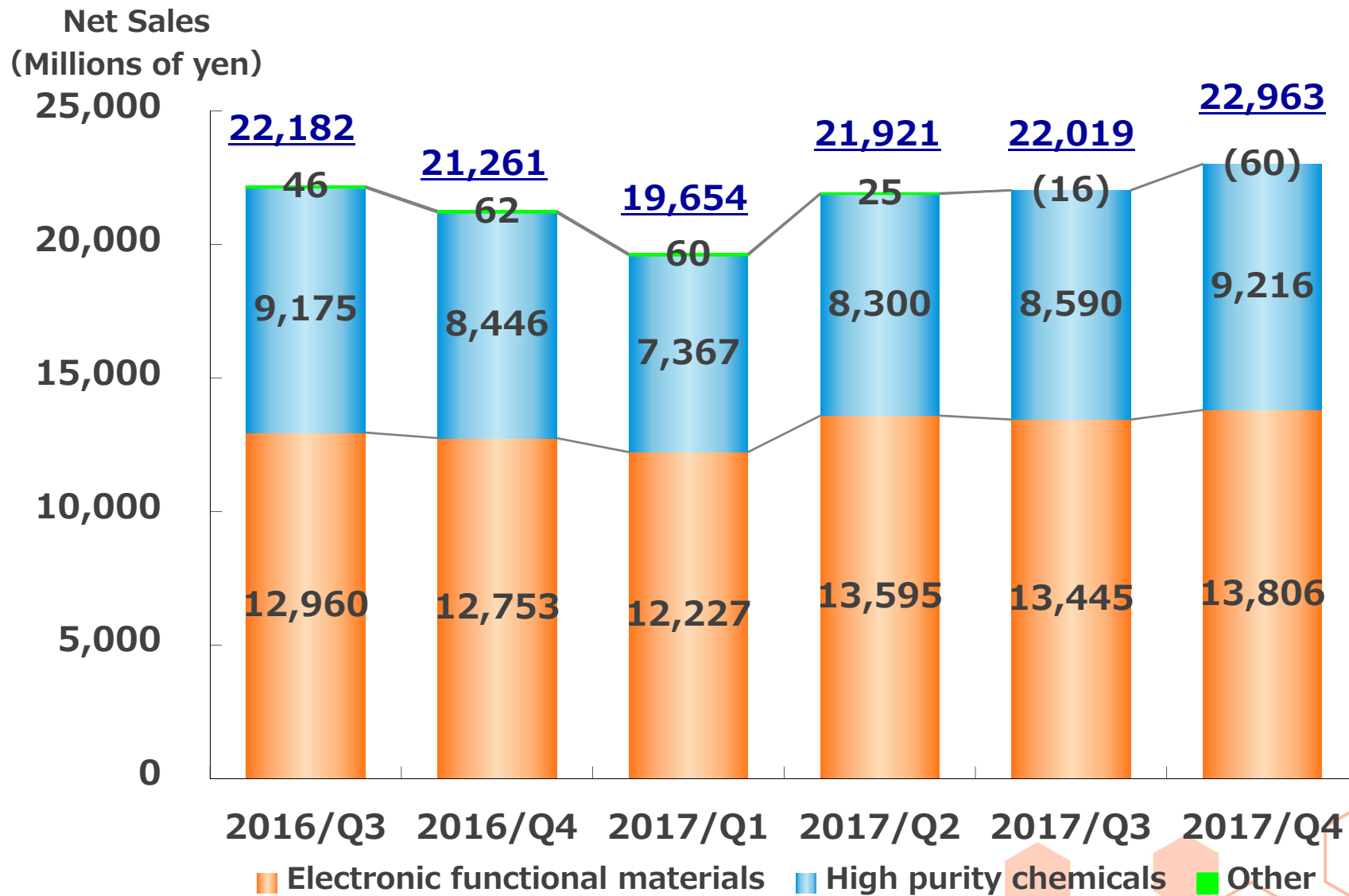
# Breakdown of the Charge in Operating Income (Material Business)

06

## FY2016 result v.s. FY2017 result

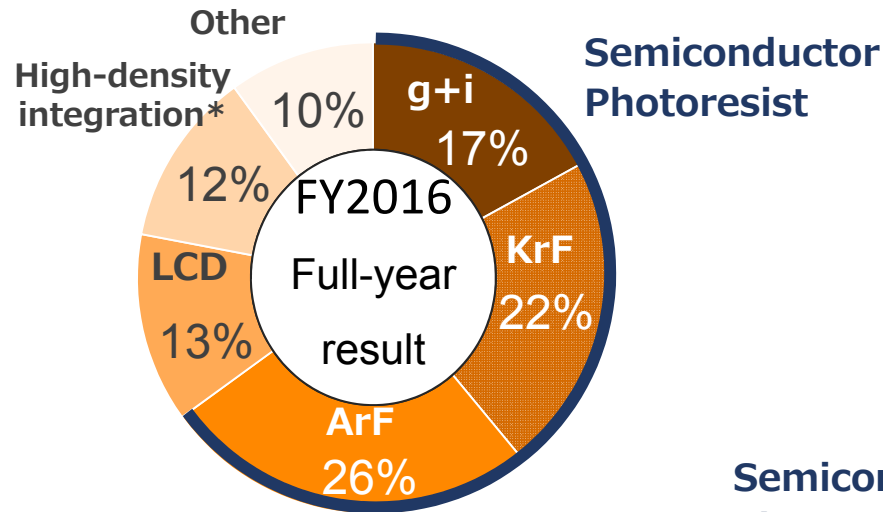


# Sales Breakdown of Material Business

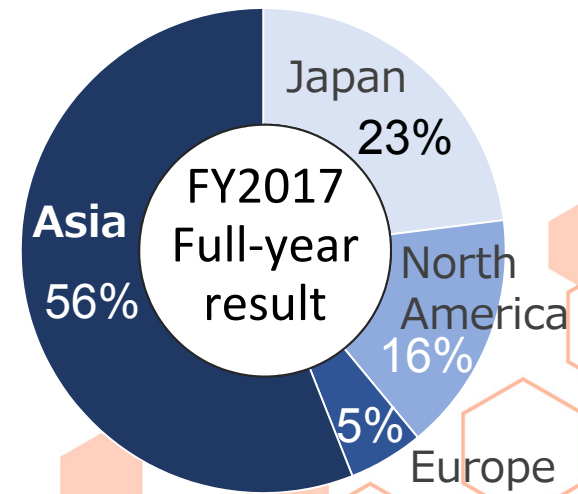
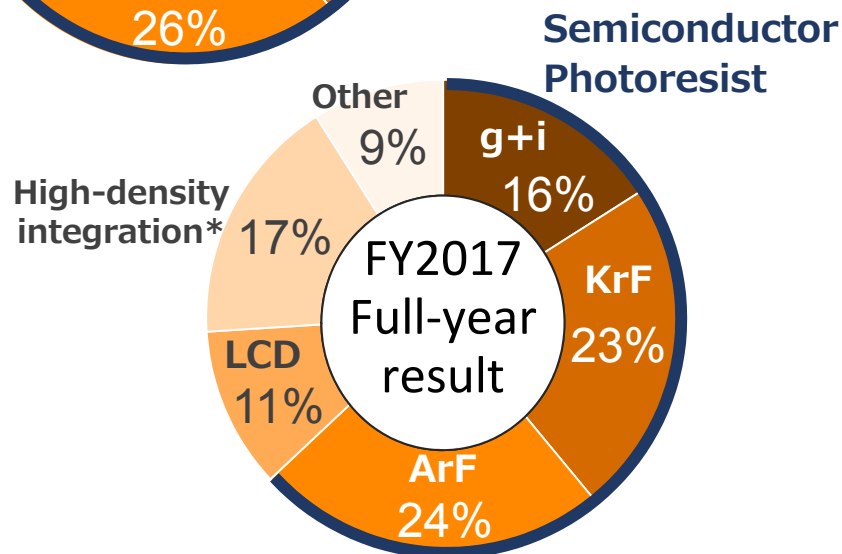
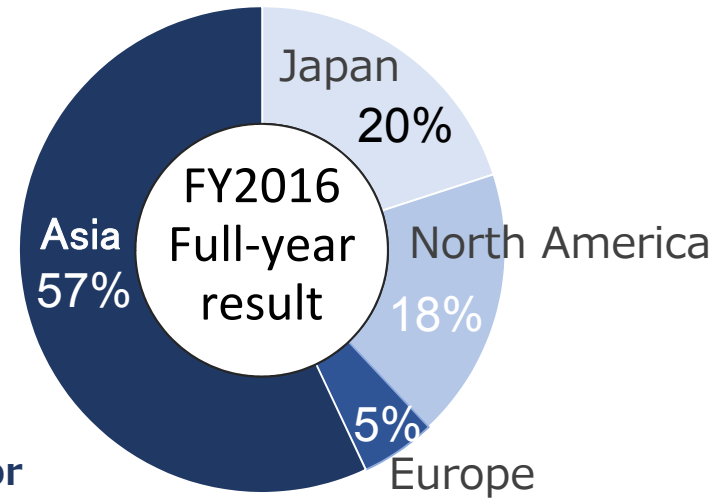




Sales Composition of Electric Function Materials by Type



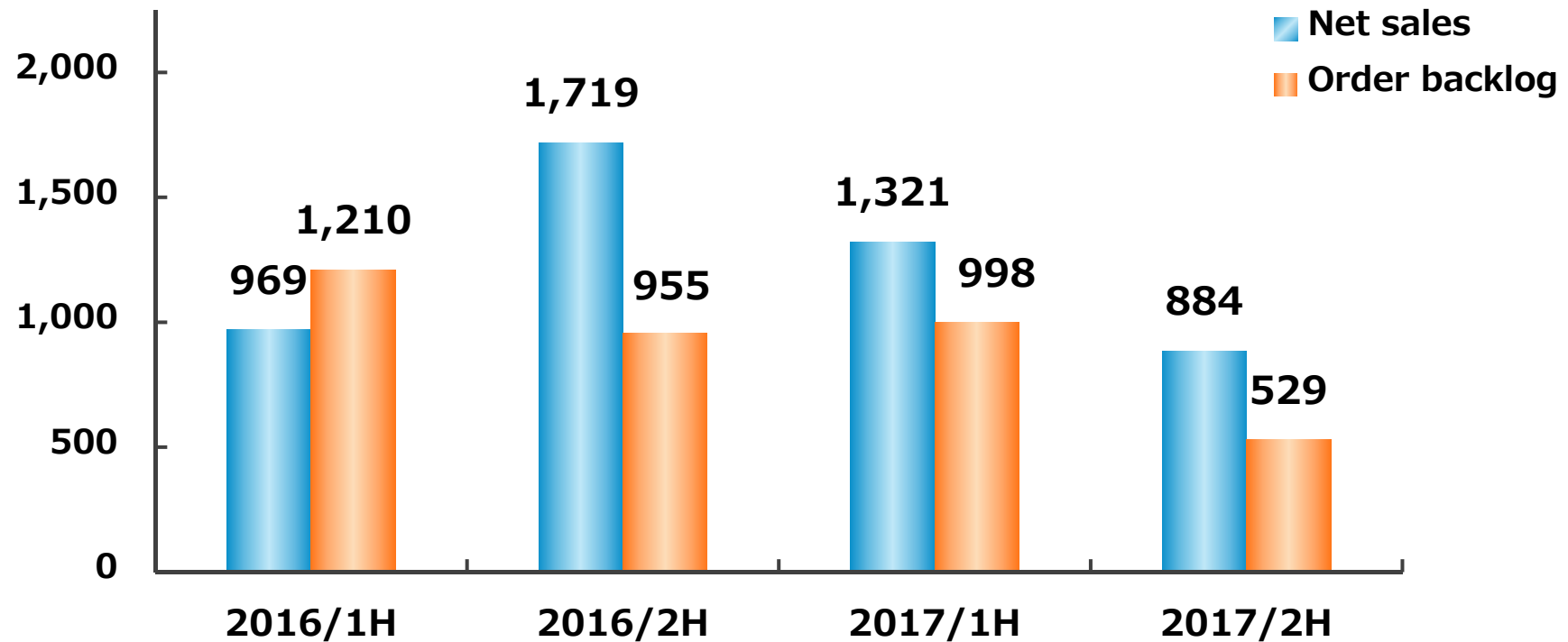
Sales Composition of Semiconductor Photoresist by Region



\* High-density integration : Resist for Packaging, MEMS Materials

# Equipment Business

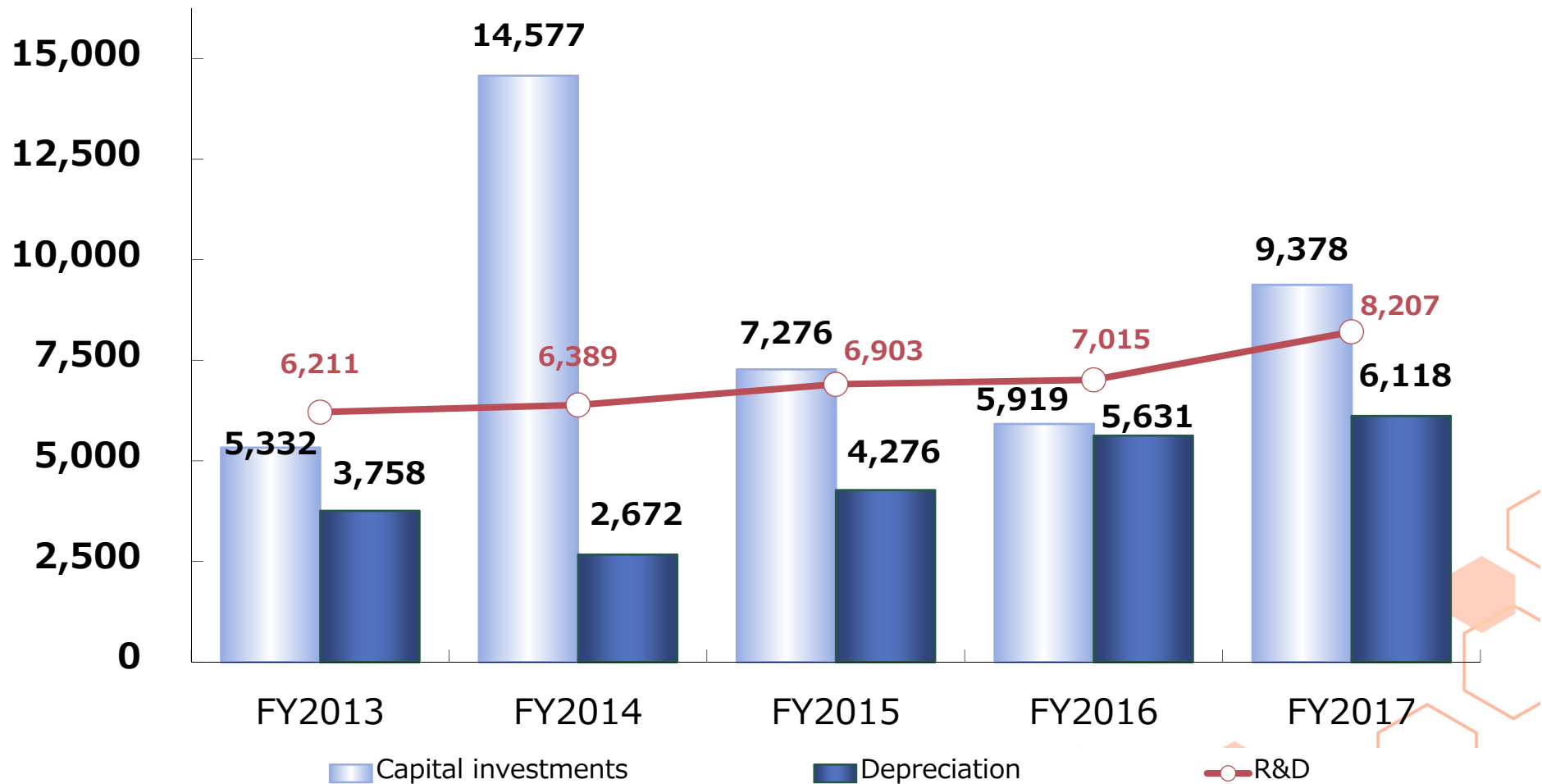
Net sales/Order backlog  
(millions of yen)



(Millions of yen)	2016/1H	2016/2H	2017/1H	2017/2H
Year-end order backlog	1,440	1,140	1,016	966

# Capital Investments/Depreciation/R&D

(Millions of yen)



# Balance Sheets

(Million of yen)

	As of March 31, 2017	YoY
<b>Current Assets</b>	<b>88,647</b>	<b>+1,533</b>
Cash and deposits	49,663	(1,212)
Notes and accounts receivable	19,893	+1,972
Inventories	13,613	+613
<b>Property, plant and equipment</b>	<b>49,666</b>	<b>+1,752</b>
<b>Intangible assets</b>	<b>640</b>	<b>(108)</b>
<b>Investments and other assets</b>	<b>35,537</b>	<b>+4,013</b>
<b>Current Liabilities</b>	<b>19,536</b>	<b>+2,405</b>
Notes and accounts payable	9,607	+1,819
<b>Long-Term Liabilities</b>	<b>2,024</b>	<b>(874)</b>
<b>Total net asset</b>	<b>152,931</b>	<b>+5,660</b>
<b>Total asset</b>	<b>174,492</b>	<b>+7,192</b>

Buildings and structures	(36)
Machinery	+1,067
Furniture and fixtures	+806
Land	(121)
Construction in progress	+37

Retained earnings	+3,349
Treasury stock	+1,153
Unrealized gain on available -for-sale securities	+1,860
Foreign currency translation adjustments	(1,290)

# Cash Flows

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(Millions of yen)

	FY2016	FY2017
Cash flows from operating activities	+11,902	+12,476
Income before income taxes and minority interests	+11,777	+9,220
Depreciation	+5,631	+6,118
Increase (decrease) in allowance for doubtful accounts	(18)	+180
Decrease (increase) in trade notes and accounts receivable	+1,200	(2,124)
Decrease (increase) in inventories	(1,755)	(915)
Decrease (increase) in trade notes and accounts payable	(1,522)	+1,836
Increase (decrease) in advances received	(5)	+327
Income taxes paid	(4,157)	(2,567)
Cash flows from investing activities	(4,385)	(13,402)
Cash flows from financing activities	(9,268)	(2,370)
Translation adjustments	(298)	(358)
Net increase (decrease) in cash and cash equivalents	(2,049)	(3,608)

Major breakdown  
Purchases of property, plant and equipment (9,008)

Major breakdown  
Purchases of treasury stock +823  
Dividends paid (incl. minority shareholders) (2,769)

# Consolidated Performance Forecasts for FY2017 (2017.3-2017.12)

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# Change in Fiscal Year-End

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## ■ Detail of change in fiscal year-end

Current : end of march ⇒ after : End of December

			2017/3				2017/12			2018/12			
	3Q 10-12	4Q 1-3	1Q 4-6	2Q 7-9	3Q 10-12	4Q 1-3	1Q 4-6	2Q 7-9	3Q 10-12	1Q 1-3	2Q 4-6	3Q 7-9	4Q 10-12
Fiscal year ended in March (TOK and domestic subsidiaries)			1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q
Fiscal year ended in December (Overseas subsidiaries)		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q

## ■ Explanation about earnings forecasts

- Discussion centers on forecasts for the fiscal year ending December 2017 (announced on May 9, 2017).
- Results for the fiscal year ended March 2017 are adjusted to show April-December for domestic business and January-December for overseas business, and presented for comparison as "Adjusted results for the fiscal year ended December 2016".

			2016/12 Simulation				2017/12 Forecast				2018/12			
	3Q 10-12	4Q 1-3	1Q 4-6	2Q 7-9	3Q 10-12	4Q 1-3	1Q 4-6	2Q 7-9	3Q 10-12	1Q 1-3	2Q 4-6	3Q 7-9	4Q 10-12	
Domestics			1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	
Overseas		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	

Attention : The change in the fiscal year-end is pending approval by the 87th Ordinary General Meeting of Shareholders to be held in June 2017.

# Earnings Forecasts : Previous Basis/Change in Fiscal Year-End①

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Expected to return to **growth trend** after declines in sales and profits in the fiscal year ended March 2017.

(Millions of yen)

	FY2017 (2016.4~2017.3) Result	FY2018 (2017.4~2018.3)		FY2017 (2017.4~12) Forecast
		Forecast	%	
Net sales	88,764	98,500	+11.0	88,800
Operating income	9,954	11,100	+11.5	8,400
Ordinary income	9,867	11,400	+15.5	8,600
Profit attributable to owners of parent	6,343	7,200	+13.5	4,900

Attention : Forecasts for the fiscal year ending March 2018 (previous basis) are our estimates if the change in fiscal year-end does not occur, using a full 12 months for both domestic companies (April-March) and overseas companies (January-December). One-time costs associated with the change in fiscal year-end are not included in these forecasts.



# Earnings Forecasts : Previous Basis/Change in Fiscal Year-End ②

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(Millions of yen)

	FY2017 (2016.4-2017.3) Result	FY2018 (2017.4-2018.3)		FY2017 (2017.4-2017.12) Forecast
		Forecast*2	%	
Net sales*1	88,764	98,500	+11.0	88,800
Material business	86,558	94,700	+9.4	86,100
Electronic functional materials	53,074	56,100	+5.7	49,600
High purity chemicals	33,475	38,500	+15.0	35,900
Equipment business	2,205	3,800	+72.3	2,700
Operating income	9,954	11,100	+11.5	8,400
Material business	14,470	15,300	+5.7	12,000
Equipment business	(750)	(500)	-	(600)
Eliminations and corporate	(3,764)	(3,700)	-	(3,000)

\* 1: Net sales of the Equipment Business are the figures after elimination of inter-segment sales.

\* 2: Forecasts for the fiscal year ending March 2018 (previous basis) are our estimates if the change in fiscal year-end does not occur, using a full 12 months for both domestic companies (April-March) and overseas companies (January-December). One-time costs associated with the change in fiscal year-end are not included in these forecasts.

# Earnings Forecasts (Full-year)

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**Earnings on a growth trend, but forecast decline in profits due to change in fiscal year-end.**

(Millions of yen)

	FY2016 (2016.4-2016.12) Simulation result	FY2017 (2017.4-2017.12) Forecast		
			Change	%
Net sales	80,761	88,800	+8,038	+10.0
Operating income	9,310	8,400	(910)	(9.8)
Ordinary income	9,119	8,600	(519)	(5.7)
Profit attributable to owners of parent	5,485	4,900	(585)	(10.7)

Attention: To facilitate comparisons with earnings forecasts for the fiscal year ending December 2017, simulation results for the fiscal year ended December 2016 are presented as simulated figures for nine months (April-December 2016) earnings of companies that end their fiscal years in March (the Company and its domestic consolidated subsidiaries)

- Exchange rate assumptions (US\$) : ¥105.4/\$ (2016/12) ⇒¥110.0/\$ (2017/12)
- Net sales: Expect sales to increase, mainly in Material Business, alongside sales growth in electronic functional materials and recovery in high-purity chemicals.
- Operating in come : Expect profits to decline, despite higher sales, owing to increased depreciation and costs associated with change in fiscal year-end.

# Performance Forecasts by Business Segment

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(Millions of yen)

	FY2016 (2016.4-12) Simulation result	FY2017 (2017.4-12) Forecast*2		
			Change	%
<b>Net sales*1</b>	<b>80,761</b>	<b>88,800</b>	<b>+8,038</b>	<b>+10.0</b>
<b>Material business</b>	<b>78,842</b>	<b>86,100</b>	<b>+7,257</b>	<b>+9.2</b>
<b>Electronic functional         materials</b>	<b>47,318</b>	<b>49,600</b>	<b>+2,281</b>	<b>+4.8</b>
<b>High purity chemicals</b>	<b>31,026</b>	<b>35,900</b>	<b>+4,873</b>	<b>+15.7</b>
<b>Equipment business</b>	<b>1,918</b>	<b>2,700</b>	<b>+781</b>	<b>+40.7</b>
<b>Operating income</b>	<b>9,310</b>	<b>8,400</b>	<b>(910)</b>	<b>(9.8)</b>
<b>Material business</b>	<b>12,448</b>	<b>12,000</b>	<b>(448)</b>	<b>(3.6)</b>
<b>Equipment business</b>	<b>(333)</b>	<b>(600)</b>	<b>(266)</b>	<b>-</b>
<b>Eliminations and corporate</b>	<b>(2,804)</b>	<b>(3,000)</b>	<b>(195)</b>	<b>-</b>

\*1: Net sales of the Equipment Business are the figures after elimination of inter-segment sales.

\*2: To facilitate comparisons with earnings forecasts for the fiscal year ending December 2017, adjusted results for the fiscal year ended December 2016 are presented as adjusted figures for nine months (April-December 2016) earnings of companies that end their fiscal years in March (the Company and its domestic consolidated subsidiaries).

# Capital Investments/Depreciation/R&D

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(Millions of yen)

	FY2016 (2016.4-12) Simulation result	FY2017 (2017.4-12) Forecast		
			Change	%
Capital Investments	8,469	7,800	(669)	(7.9)
Depreciation	5,236	6,100	+863	+16.5
R&D	6,240	6,900	+659	+10.6

Attention:

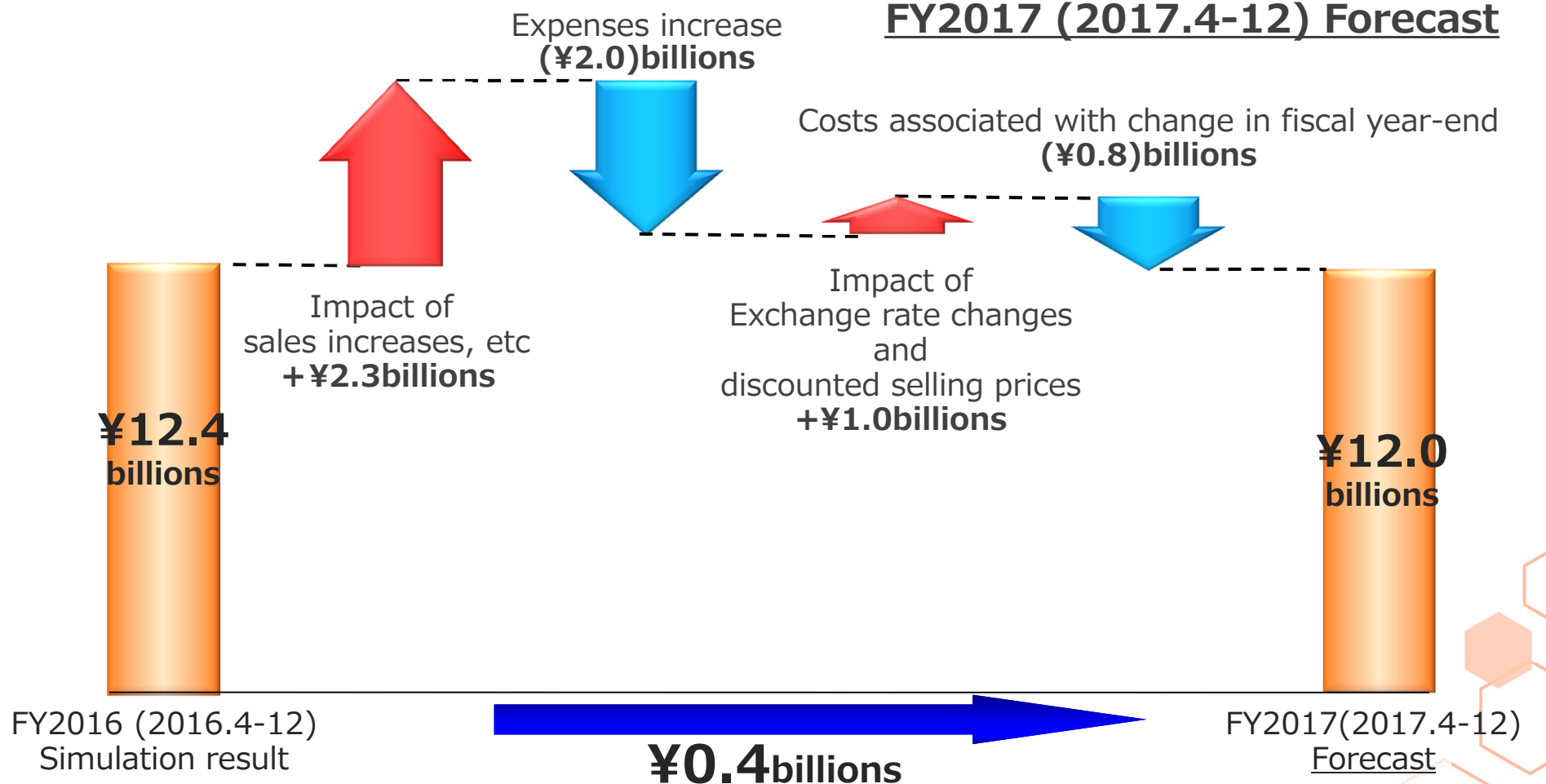
To facilitate comparisons with earnings forecasts for the fiscal year ending December 2017, simulation results for the fiscal year ended December 2016 are presented as simulated figures for nine months (April-December 2016) earnings of companies that end their fiscal years in March (the Company and its domestic consolidated subsidiaries)

# Breakdown of the Charge in Operating Income (Material Business)

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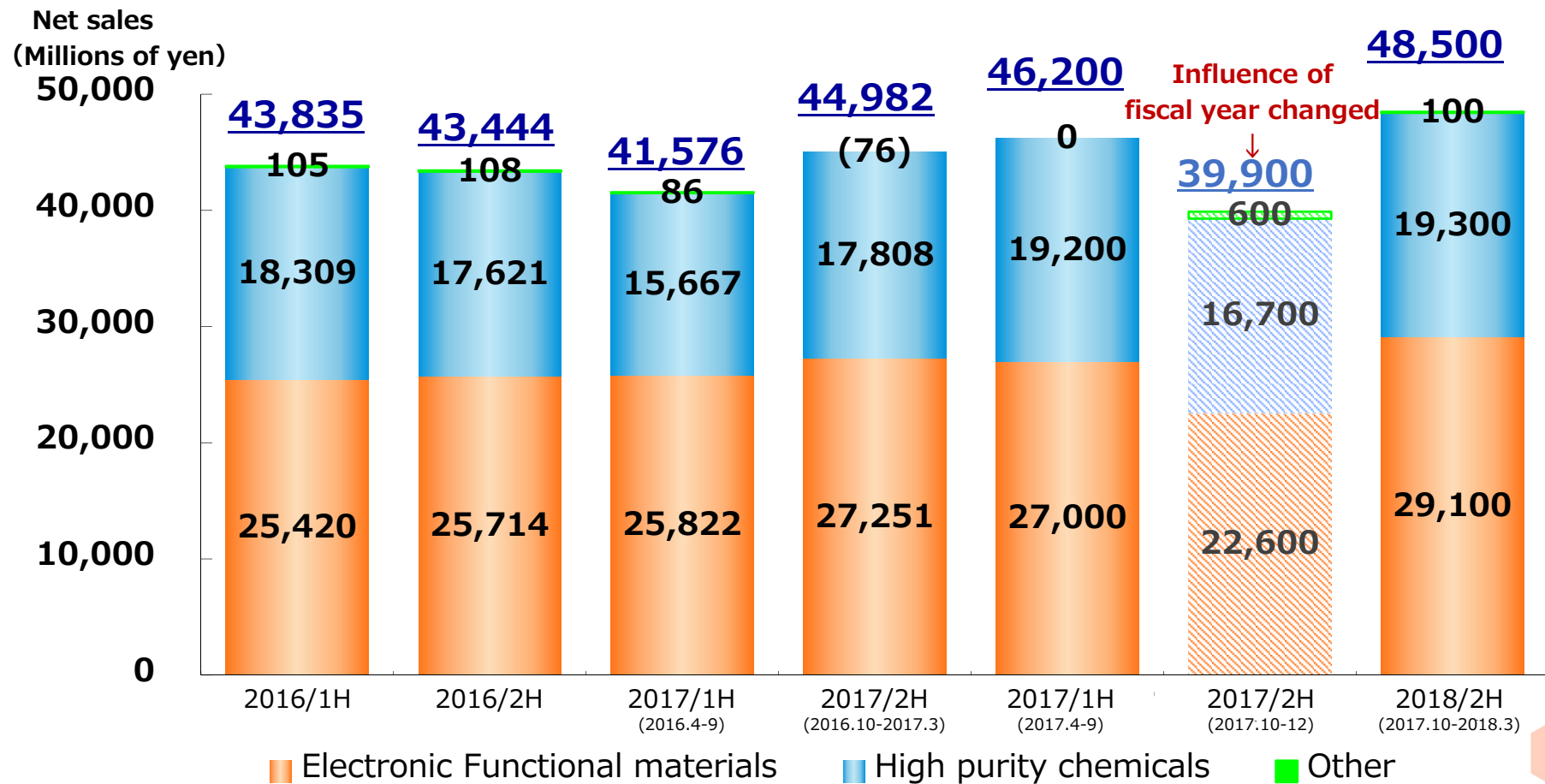
FY2016(2016.4-12) Simulation Result v.s.

FY2017 (2017.4-12) Forecast



Attention: To facilitate comparisons with earnings forecasts for the fiscal year ending December 2017, adjusted results for the fiscal year ended December 2016 are presented as adjusted figures for nine months (April-December 2016) earnings of companies that end their fiscal years in March (the Company and its domestic consolidated subsidiaries).

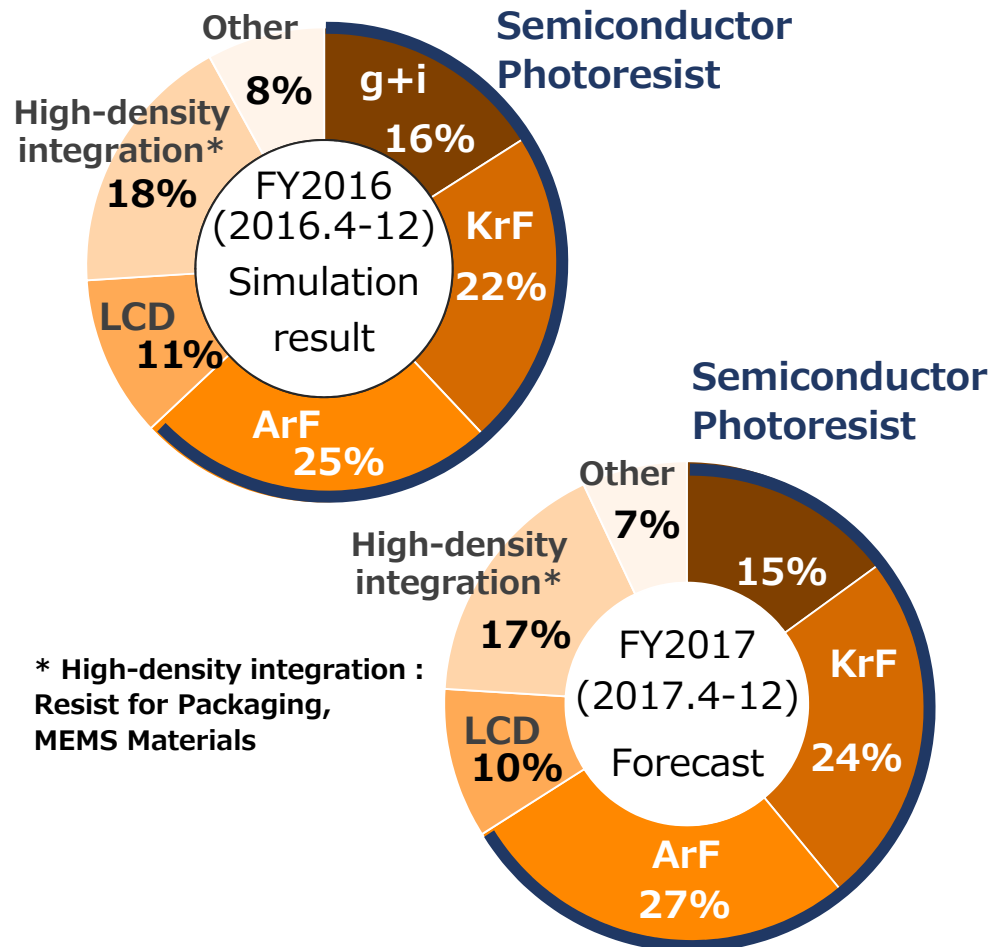
# Sales Breakdown of Material Business (Forecast) 21



Attention:

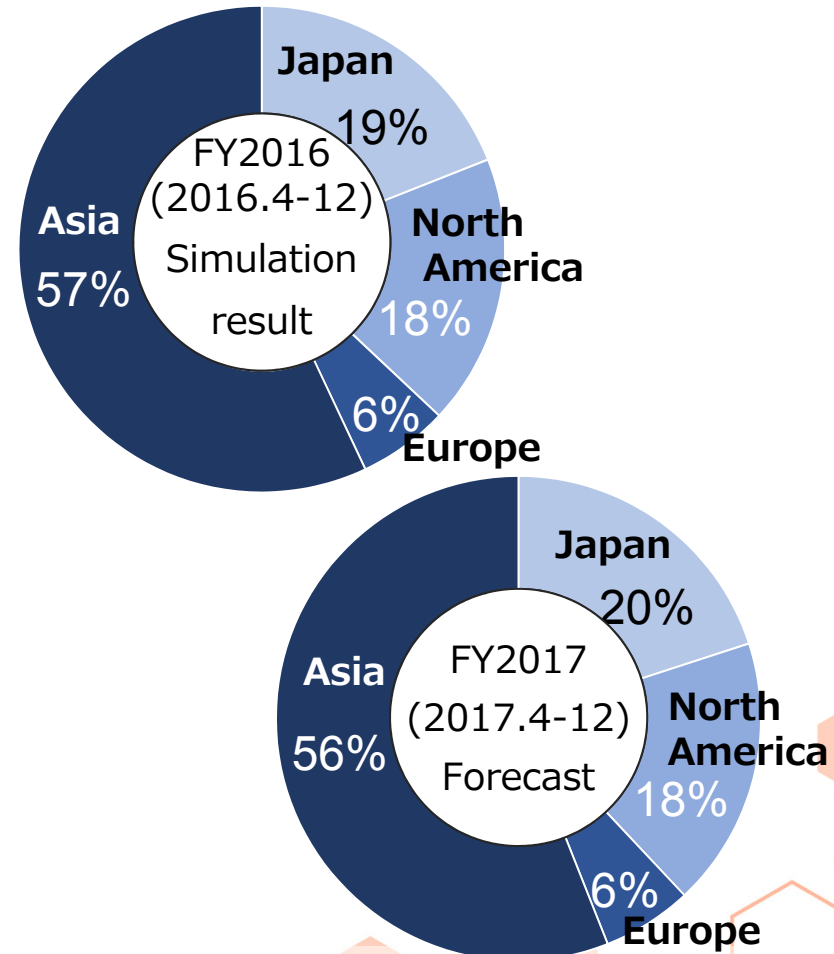
- The second half forecast is obtained by subtracting first-half results from the full-year forecast.
- The 2nd half forecast is obtained by subtracting the 1st half results (6 months each for domestic and overseas companies) from the full-year forecast (9 months for domestic companies, 12 months for overseas companies).
- The 2nd half forecast for the year ending March 2018 is obtained by subtracting the 1st half forecast (the same for the 1st half forecast for the fiscal year ending December 2017) from the full year forecast for the year ending March 2018 (12 months each for domestic and overseas companies).

Sales Composition of Electric Function Materials by Type



\* High-density integration : Resist for Packaging, MEMS Materials

Sales Composition of Semiconductor Photoresist by Region



Attentions : To facilitate comparisons with earnings forecasts for the fiscal year ending December 2017, simulation results for the fiscal year ended December 2016 are presented as simulated figures for nine months (April-December 2016) earnings of companies that end their fiscal years in March (the Company and its domestic consolidated subsidiaries)

# Initiatives in TOK Medium-Term Plan 2018

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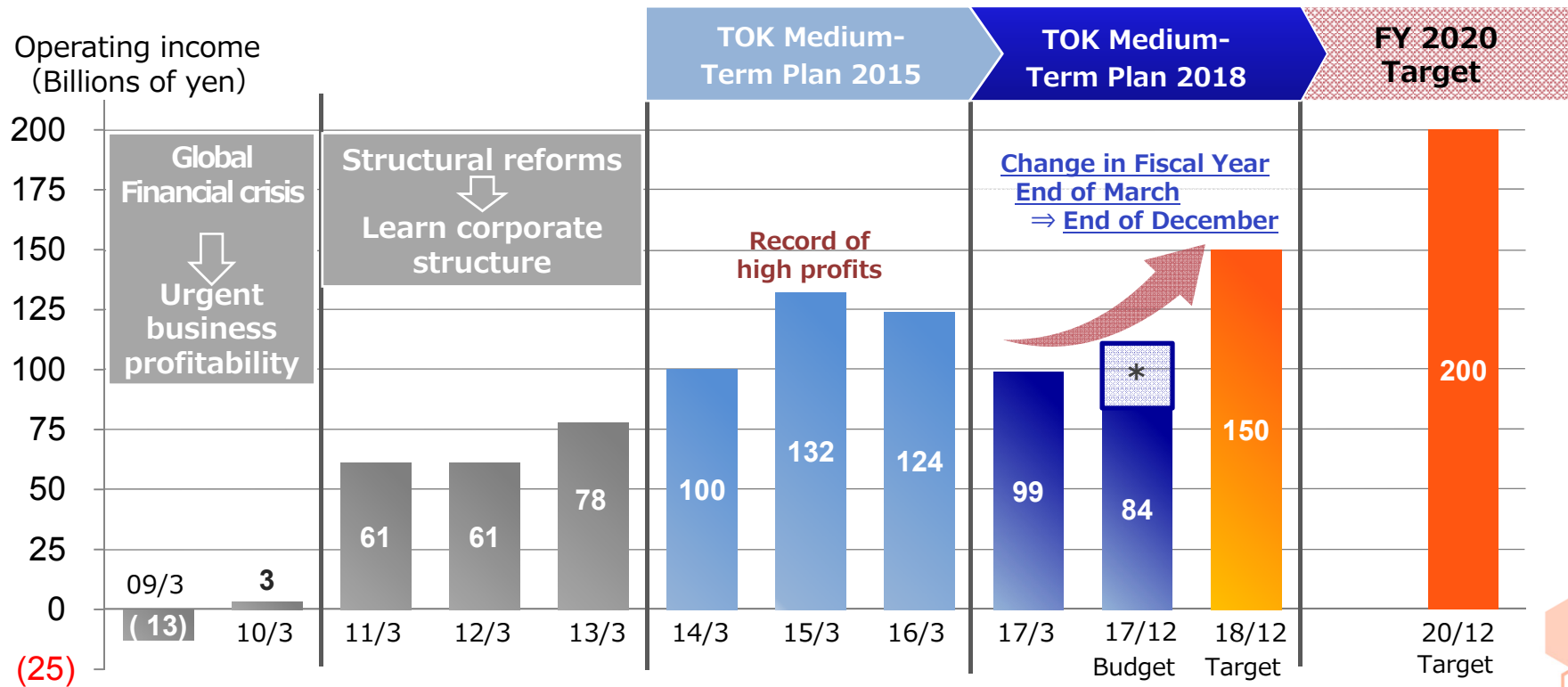
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# 1.TOK Medium-term Plan 2018

Plan to change fiscal year-end, aim for record-high profits in the final fiscal year (for the year ending December 2018).



Attention:

- Due to plan to change fiscal year-end, figures shown with 12 months for both domestic and overseas companies (previous basis).
- December 2018 target is target for the final fiscal year of TOK Medium-Term Plan 2018 (announced on May 10, 2016).



## 2. TOK Medium-Term Plan 2018 Summary of first fiscal year activities

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### Strategy

- ① Reform of business portfolio
- ② Evolve strategy of building a close relationships
- ③ Develop global personnel
- ④ Strengthen our management foundation



### Summary of first fiscal year activities (2016.4-2017.3)

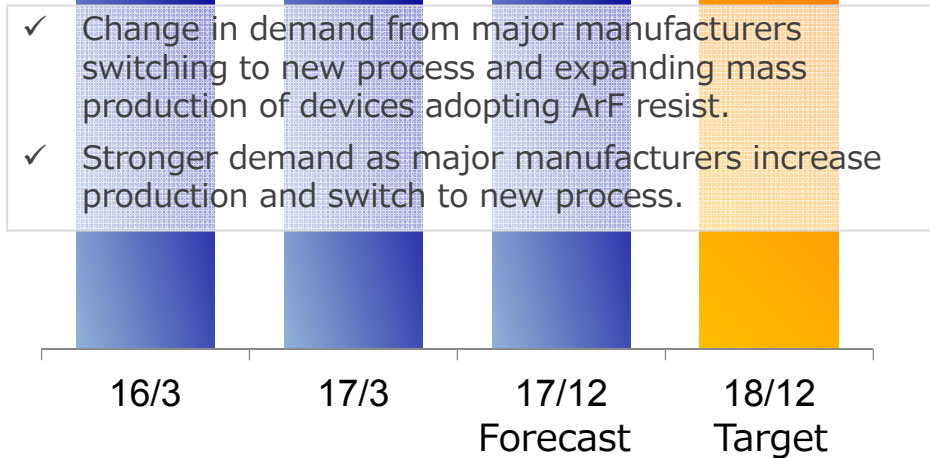
- Semiconductor Photoresist
  - ✓ ArF Resist : Drop-off period for sales expansion, strengthened R&D infrastructure.
  - ✓ KrF Resist : Increased shipments for 3D-NAND, posted record-high net sales.
- High-density integration materials :
  - Broadly achieved Medium-Term Plan targets, faster-than-expected growth.
- High purity chemicals
  - ✓ For semiconductor manufacturing: Enhanced mass production facilities for cutting-edge nodes.
- New Business/New Materials :
  - Made progress in commercializing focused themes.
  - ✓ High-functional films: Completed new plant, developed mass production system.
- Equipment business :
  - Developed equipment for promising targets, lent out actual equipment, etc.

# 3-1.ArF resist / KrF resist

■ ArF : sales trend

**Approx.  
1.5 times**

**FY2016  
Sales=100**

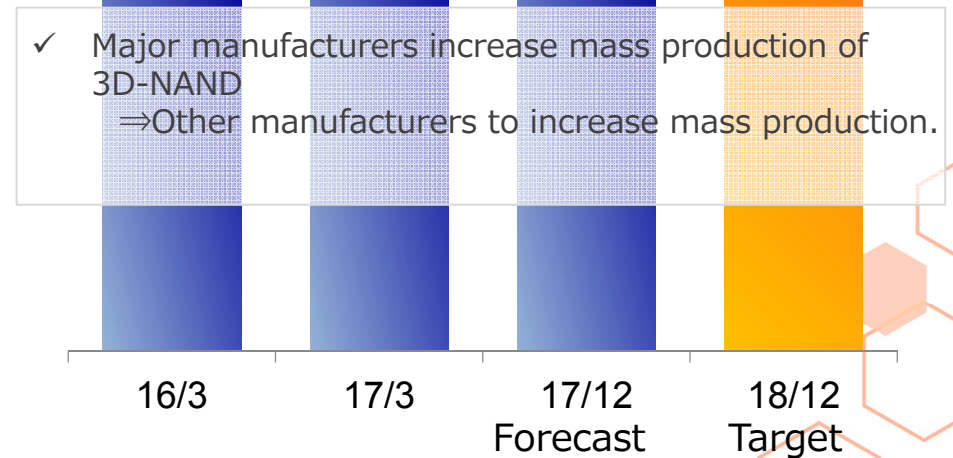


- ✓ Change in demand from major manufacturers switching to new process and expanding mass production of devices adopting ArF resist.
- ✓ Stronger demand as major manufacturers increase production and switch to new process.

■ KrF : sales trend

**Approx.  
1.4 times**

**FY2016  
Sales=100**

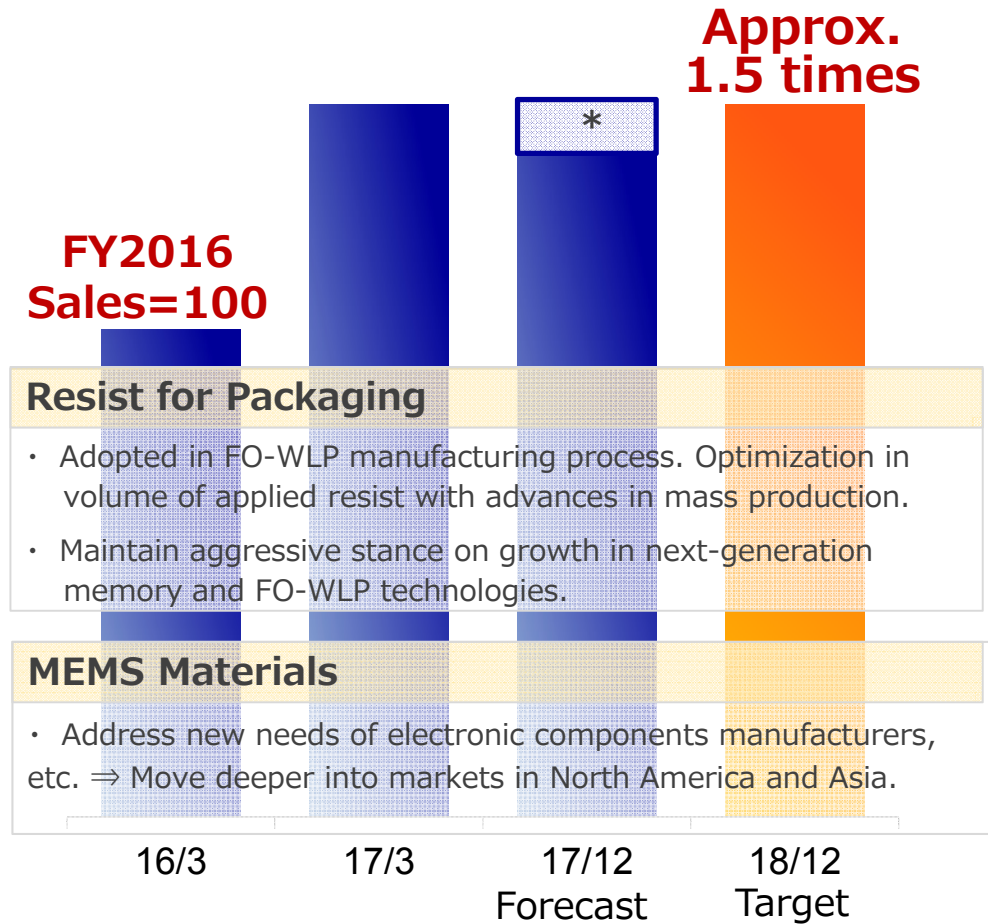


- ✓ Major manufacturers increase mass production of 3D-NAND  
⇒ Other manufacturers to increase mass production.

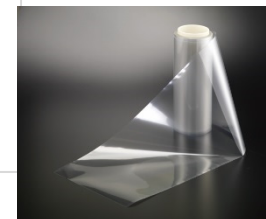
\* Due to plan to change fiscal year-end, figures shown with 12 months for both domestic and overseas companies (previous basis). December 2018 target is target for the final fiscal year of TOK Medium-Term Plan 2018 (announced on May 10, 2016).

## 3-2. High-density integration materials

Temporary plateau ahead, but no change in **business growth potential**.



**Completed mass production facility of MEMS materials (Sagami Plant)**

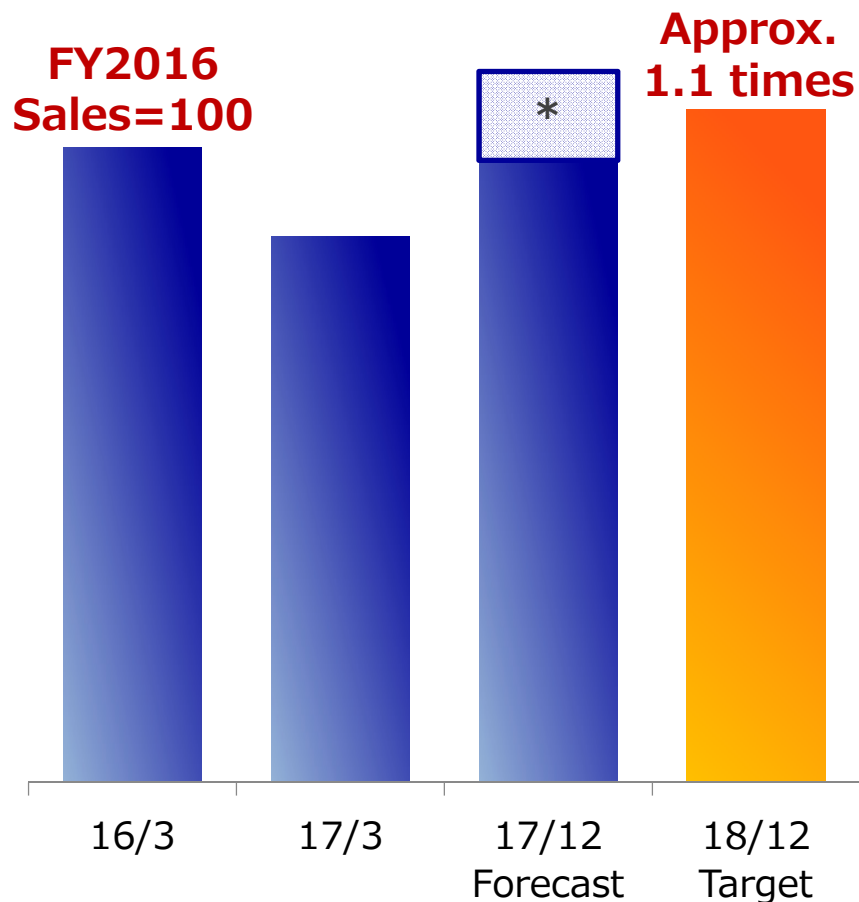


**MEMS Materials**

\*Due to plan to change fiscal year-end, figures shown with 12 months for both domestic and overseas companies (previous basis). December 2018 target is target for the final fiscal year of TOK Medium-Term Plan 2018 (announced on May 10, 2016).

# 3-3. High purity chemicals

Sharp recovery from decline due to process switch, **close relationships with customers** was successful.



Enhanced mass production facility for cutting-edge nodes.  
Tongluo plant of TOK TAIWAN Co., LTD.

\* Due to plan to change fiscal year-end, figures shown with 12 months for both domestic and overseas companies (previous basis). December 2018 target is target for the final fiscal year of TOK Medium-Term Plan 2018 (announced on May 10, 2016).



# 4-1.Share-holder Returns

Annual dividends of ¥64 per share planned for the fiscal year ending December 2017, despite being a 9-month period, a **substantial increase** in dividends.

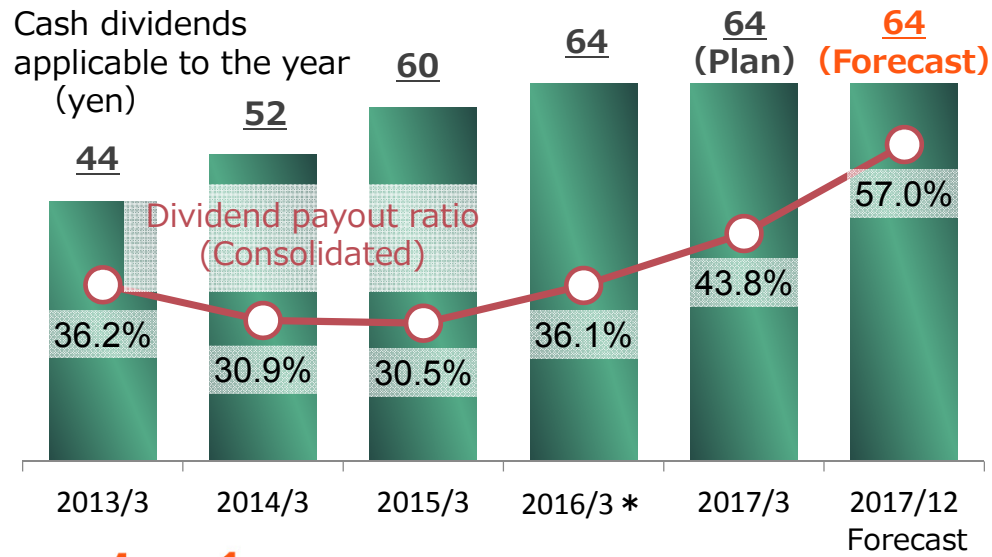
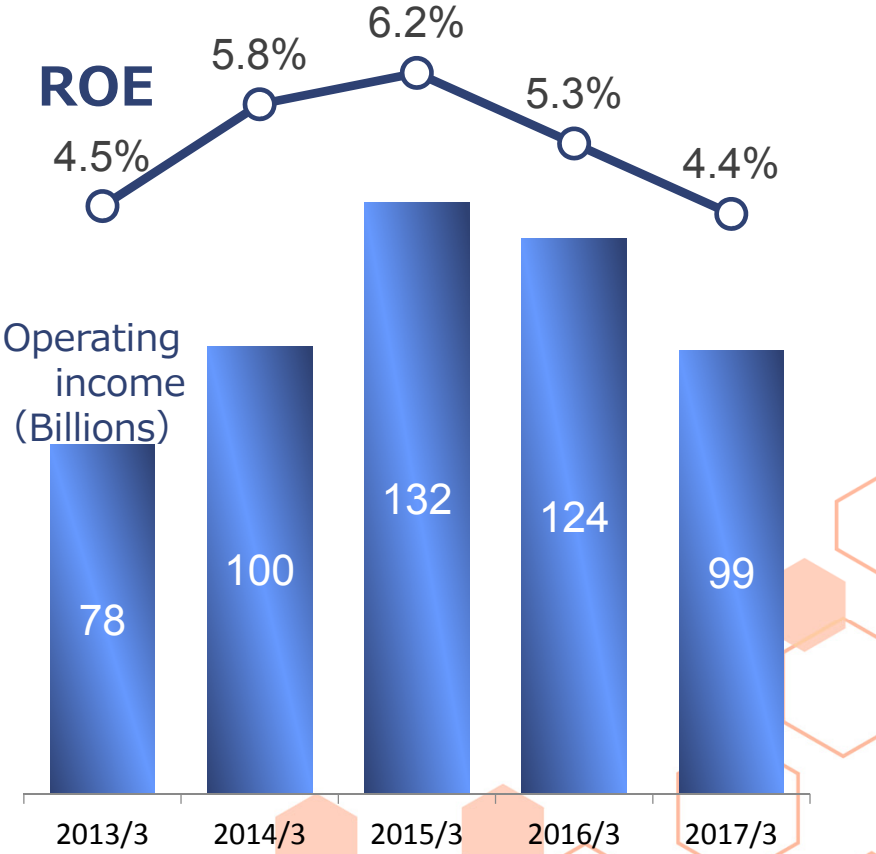
**Dividend policy·Dividends applicable to the year per share (yen)**

- Considering the current level of dividends, continuously distribute dividends with a consolidated dividend **payout ratio of over 40%.**

**Purchase of treasury stock**

- Implement flexibly**, but none undertaken in the fiscal year ended March 2017.

## ROE & Operating income



\* :Including 4 yen of commemorative dividend for 75<sup>th</sup> anniversary in FY2016

<http://www.tok.co.jp/>

(Note)

**This presentation material contains forward-looking statements that describe future prospects of TOKYO OHKA KOGYO CO., LTD. (the Company) in terms of business planning, earnings and management strategies. Such statements are based on management's judgement, derived from information available to it at the time such information was prepared. Readers are cautioned not to rely solely on these forward-looking statements, as actual results and strategies may differ substantially according to changes in the Company's business environment.**