

# **TOKYO OHKA KOGYO CO., LTD.**

## **Business Results**

**— The 1st Half of Fiscal Year  
ending March 2016—**

**November 6, 2015**

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**Consolidated Business Results  
for the 1st Half of FY2016**

# Summary

(Millions of yen)

	FY2015/1H	FY2016/1H		
			Change	%
Net sales	42,057	44,805	+2,747	+6.5
Operating income	6,707	7,271	+563	+8.4
Ordinary income	7,080	7,441	+361	+5.1
Profit attributable to owners of parent	4,895	4,898	+3	+0.1

- Average exchange rate (US\$): ¥102.2/\$ (FY2014/1H) ⇒ ¥120.8/\$ (FY2015/1H)
- Net Sales: Although the year on year growth rate in the Material Business has declined in the second quarter compared to three months earlier, kept growth due to the sales expansion in the three core products, i.e. ArF, KrF, and high-density integration materials.
- Operating Income: Amid increased depreciation, growth exceeded the initial forecast (on May 8, 2015) due to higher sales in the Material Business.

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

(Millions of yen)

	FY2015/1H	FY2016/1H	YoY
<b>Non-operating expenses or income</b>	<b>372</b>	<b>170</b>	<b>(201)</b>
<b>Non-operating income</b>	<b>543</b>	<b>413</b>	<b>(129)</b>
Interest and dividend income	121	157	+36
Foreign exchange gains	313	—	(313)
Share of profit of entities accounted for using equity method	26	84	+58
<b>Non-operating expenses</b>	<b>170</b>	<b>242</b>	<b>+71</b>
Loss on valuation of derivatives	—	57	+57
New plant related expenses	161	—	(161)
Operating preparation expenses	—	85	+85
<b>Extraordinary losses or income</b>	<b>584</b>	<b>(57)</b>	<b>(642)</b>
<b>Extraordinary income</b>	<b>622</b>	<b>2</b>	<b>(619)</b>
Gain on revision of retirement benefit plan	622	—	(622)
<b>Extraordinary losses</b>	<b>37</b>	<b>60</b>	<b>+22</b>
Impairment loss	15	51	+36
Other	22	8	(22)

# Results by Business Segment

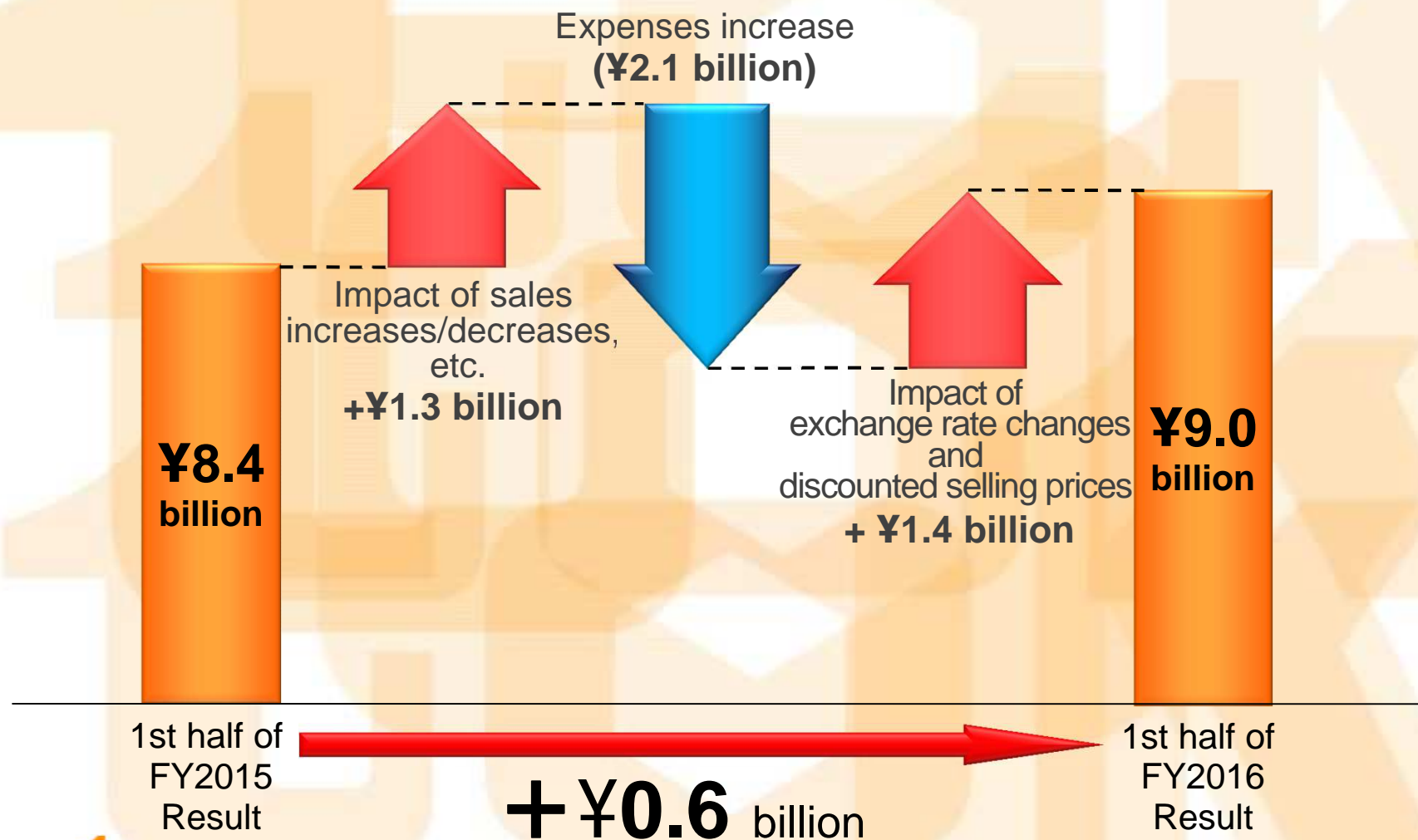
(Millions of yen)

	FY2015/1H	FY2016/1H		
			Change	%
<b>Net sales</b>	<b>42,057</b>	<b>44,805</b>	<b>+2,747</b>	<b>+6.5</b>
<b>Material Business</b>	<b>40,557</b>	<b>43,835</b>	<b>+3,277</b>	<b>+8.1</b>
<b>Electronic functional materials</b>	<b>24,127</b>	<b>25,420</b>	<b>+1,292</b>	<b>+5.4</b>
<b>High purity chemicals</b>	<b>16,304</b>	<b>18,309</b>	<b>+2,004</b>	<b>+12.3</b>
<b>Other</b>	<b>125</b>	<b>105</b>	<b>(19)</b>	<b>(15.6)</b>
<b>Equipment Business</b>	<b>1,499</b>	<b>969</b>	<b>(529)</b>	<b>(35.3)</b>
<b>Operating income</b>	<b>6,707</b>	<b>7,271</b>	<b>+563</b>	<b>+8.4</b>
<b>Material Business</b>	<b>8,406</b>	<b>9,026</b>	<b>+619</b>	<b>+7.4</b>
<b>Equipment Business</b>	<b>(188)</b>	<b>(139)</b>	<b>+49</b>	<b>—</b>
<b>Eliminations and corporate</b>	<b>(1,510)</b>	<b>(1,615)</b>	<b>(105)</b>	<b>—</b>

(Note) Net sales of the Equipment Business are the figures after elimination of inter-segment sales.

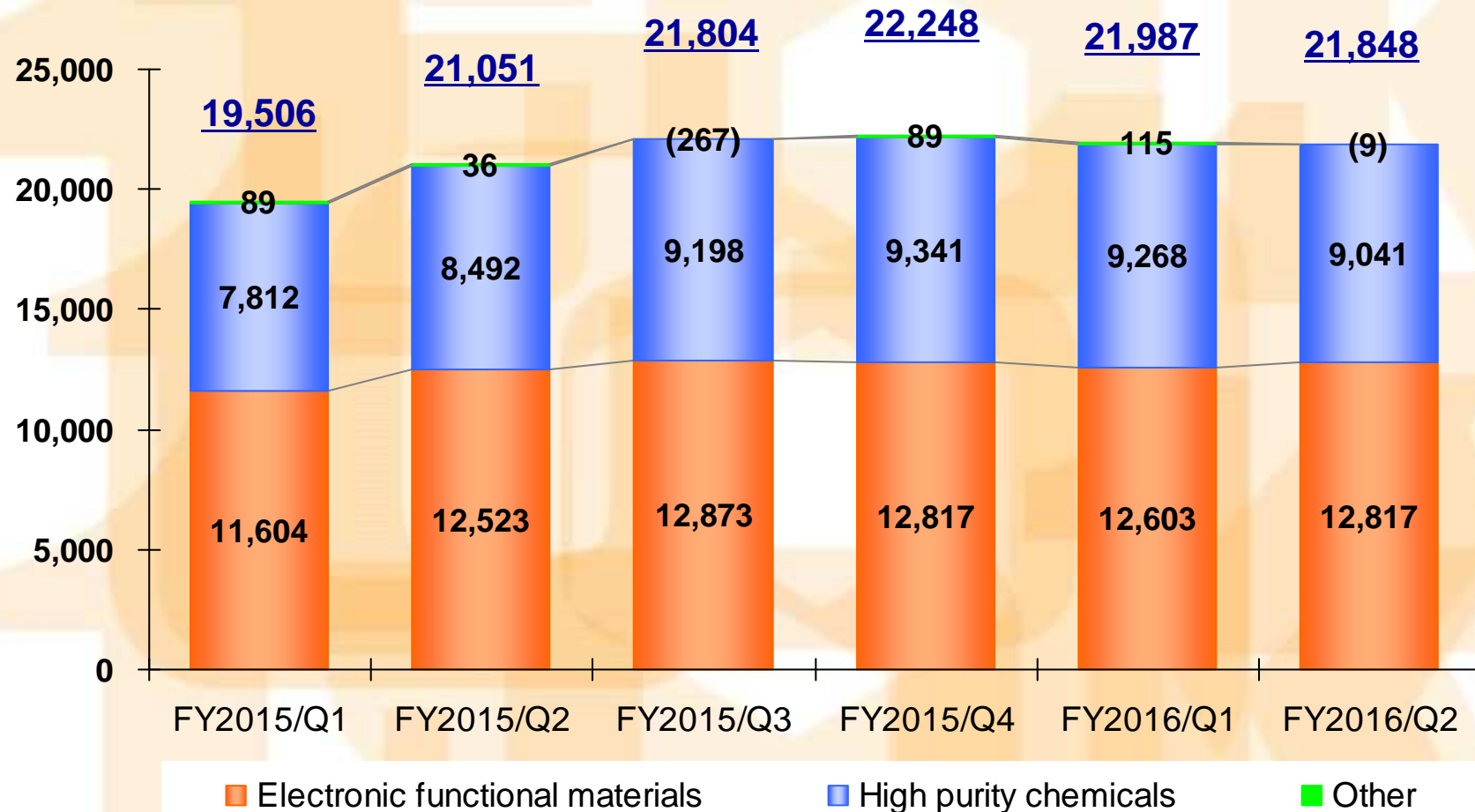
# Breakdown of the Change in Operating Income (Material Business)

1st half of FY2015 result vs 1st half of FY2016 result



# Sales Breakdown of Material Business

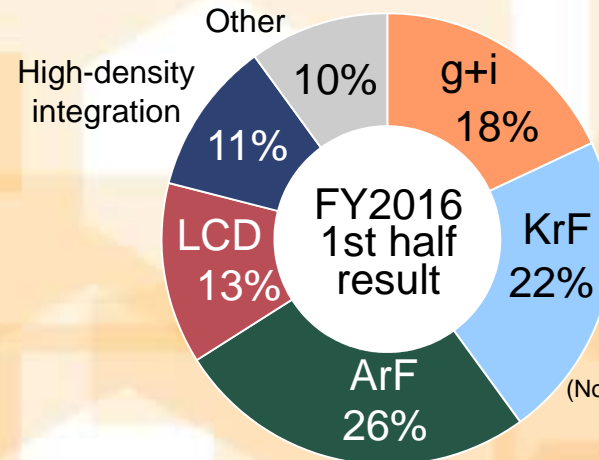
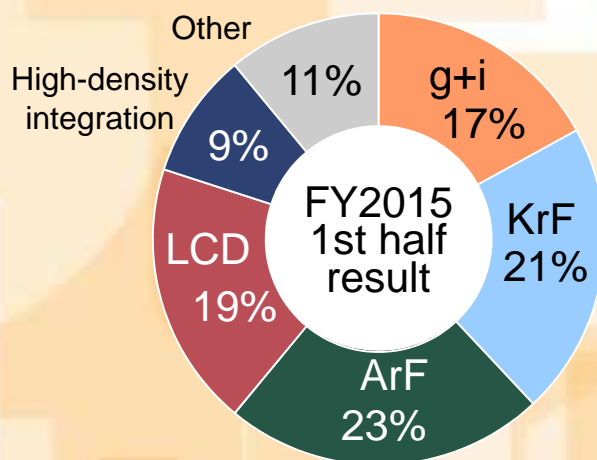
Net Sales  
(Millions of yen)





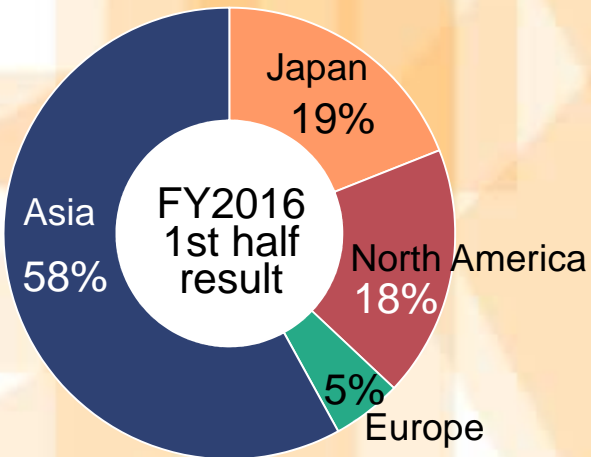
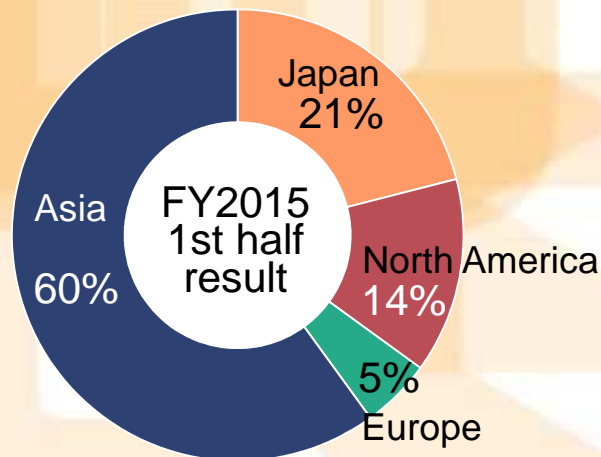
# (Reference) Electronic Functional Materials Division

## Sales Composition of Electronic Functional Materials by Type



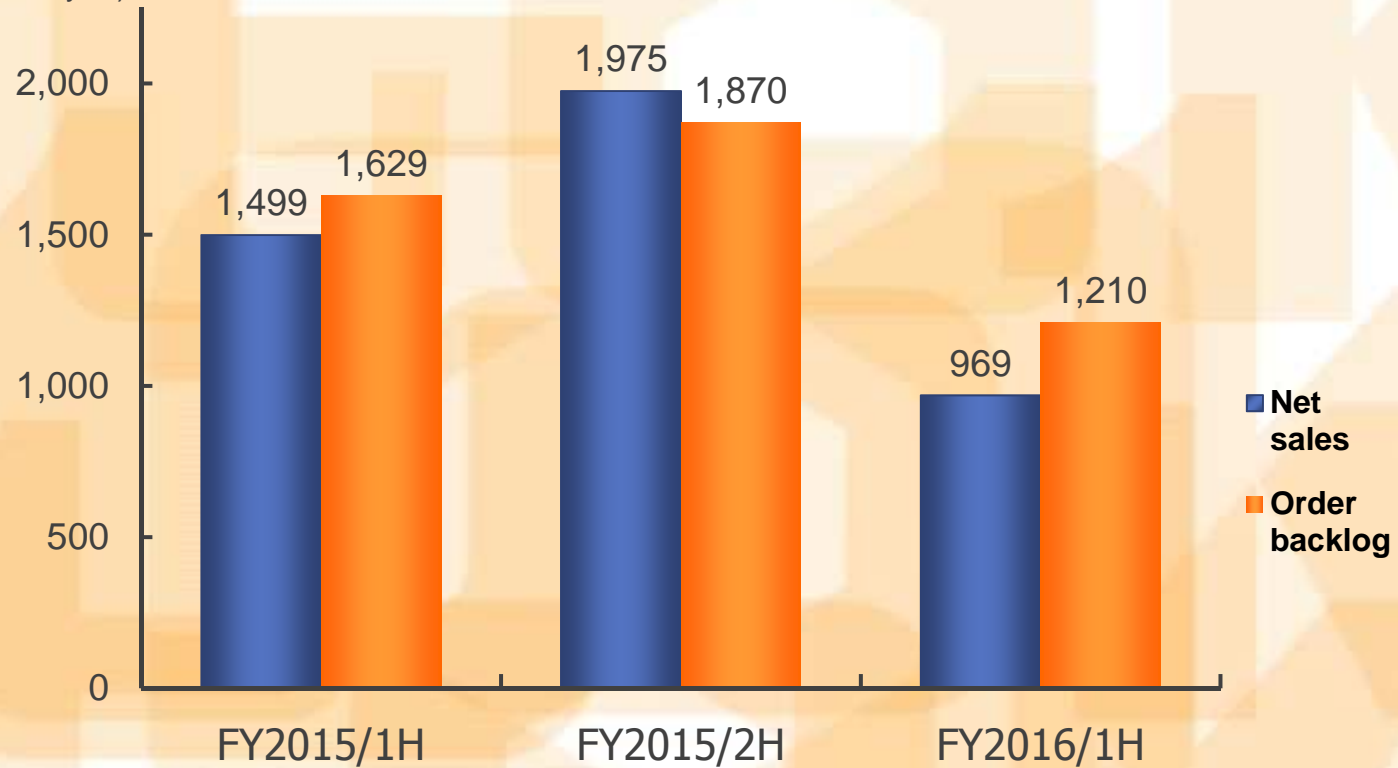
(Note) High-density integration:  
Photoresist materials,  
MEMS materials

## Sales Composition of Semiconductor Photoresist by Region



# Equipment Business

Net sales/Order backlog  
(Millions of yen)



(Millions of yen)	FY2015/1H	FY2015/2H	FY2016/1H
Term-end order backlog	1,180	1,072	1,440

(Note) The net sales of the equipment business is the figure after elimination of inter-segment sales.

# Balance Sheets

(Millions of yen)

	As of September 30, 2015	vs March 31, 2015
<b>Current assets</b>	<b>86,558</b>	<b>(4,495)</b>
Cash and deposits	50,282	(3,684)
Notes and accounts receivable	18,682	(739)
Inventories	12,382	+826
<b>Property, plant and equipment</b>	<b>49,038</b>	<b>(333)</b>
<b>Intangible assets</b>	<b>889</b>	<b>(44)</b>
<b>Investments and other assets</b>	<b>33,047</b>	<b>(455)</b>
<b>Current liabilities</b>	<b>16,802</b>	<b>(2,492)</b>
Notes and accounts payable	7,326	(2,471)
<b>Non-current liabilities</b>	<b>3,216</b>	<b>(352)</b>
<b>Total net assets</b>	<b>149,514</b>	<b>(2,484)</b>
<b>Total assets</b>	<b>169,534</b>	<b>(5,329)</b>

Buildings and structures	+3,055
Machinery and equipment	(551)
Tools, furniture and fixtures	+1,032
Construction in progress	(3,924)

Retained earnings	(575)
Treasury stock	(2,098)
Valuation difference on available-for-sale securities	(610)
Foreign currency translation adjustments	+401

# Cash Flows

(Millions of yen)

	FY2014/1H	FY2015/1H
<b>Cash flows from operating activities</b>	<b>+7,447</b>	<b>+5,774</b>
Income before income taxes and minority interests	+7,665	+7,384
Depreciation	+1,661	+2,685
Increase (decrease) in allowance for doubtful accounts	+52	(0)
Decrease (increase) in trade notes and accounts receivable	(1,670)	+954
Decrease (increase) in inventories	+674	(790)
Decrease (increase) in trade notes and accounts payable	+2,406	(2,624)
Increase (decrease) in advances received	(688)	+457
Income taxes paid	(2,120)	(2,480)
<b>Cash flows from investing activities</b>	<b>(4,537)</b>	<b>(3,093)</b>
<b>Cash flows from financing activities</b>	<b>(809)</b>	<b>(7,633)</b>
Translation adjustments	(333)	+223
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>+1,767</b>	<b>(4,729)</b>

Major breakdown:  
Purchase of property, plant and equipment  
(1,893)

Major breakdown:  
Cash dividends paid (1,347)  
Other (acquisition of treasury stock, etc.)  
(6,285)



**Consolidated Performance  
Forecasts for FY2016**

# Earnings Forecasts (Full-year)

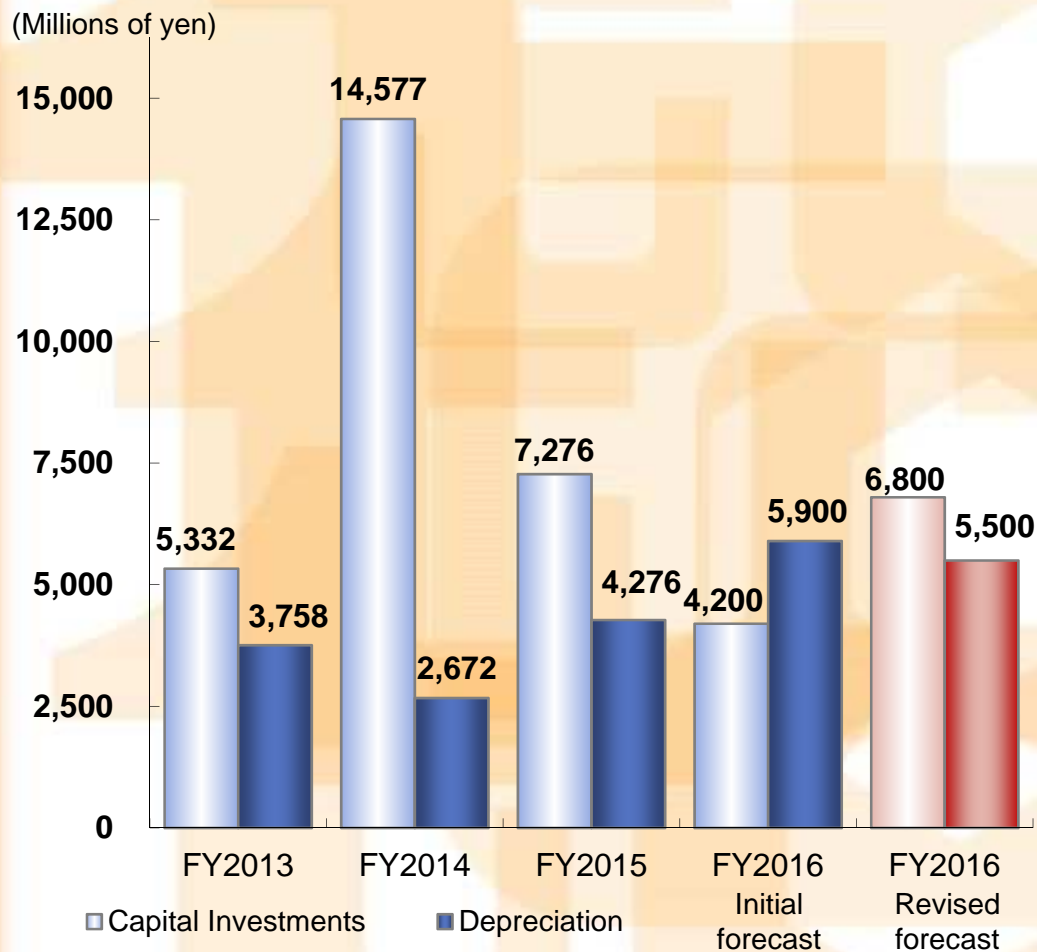
(Millions of yen)

	FY2015 Results	FY2016 Forecasts		
			Change	%
Net sales	88,086	92,800	+4,713	+5.4
Operating income	13,253	13,300	+46	+0.4
Ordinary income	14,443	13,200	(1,243)	(8.6)
Profit attributable to owners of parent	8,818	8,600	(218)	(2.5)

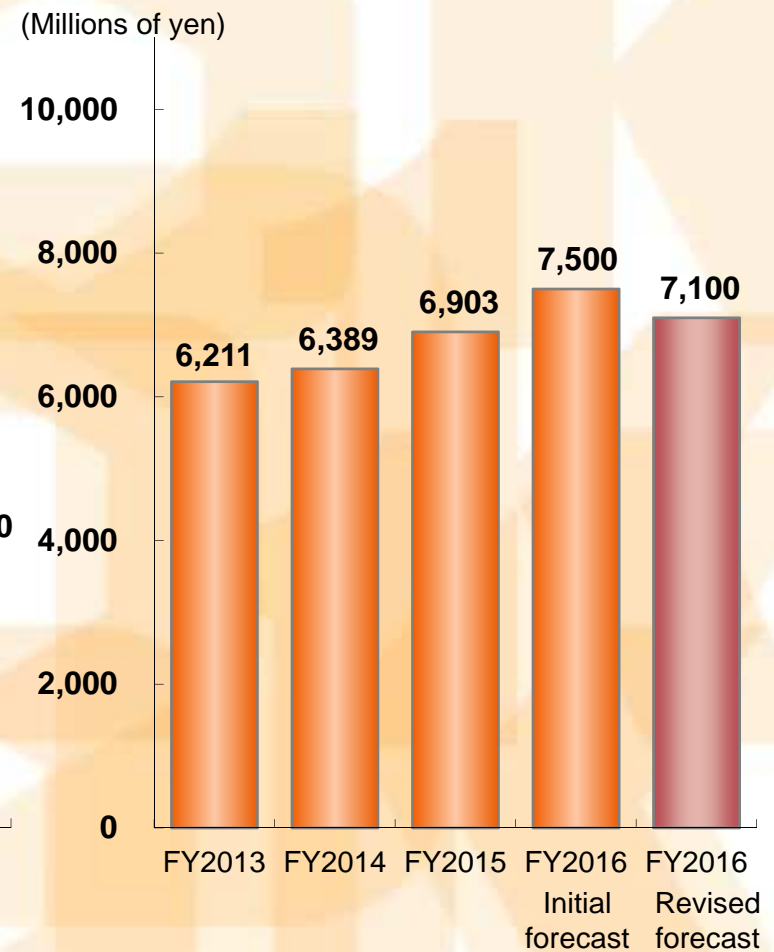
- Exchange rate assumptions (US\$): ¥109.3/\$ (FY2015) ⇒ ¥115.0/\$ (FY2016/2H)
- Net sales: Revised downward from up 9.8% to up 5.4% year on year, considering the first-half results, slowdowns and uncertainties in the semiconductor and LCD markets.
- Operating income: Expected to decline in the second-half, but the full-year forecast is unchanged considering the first-half results.
- Ordinary income: Expected to decline due to a backlash of foreign exchange gains in the previous year.

# Capital Investments/Depreciation/R&D

## Capital Investments/Depreciation



## R&D cost



# Performance Forecasts by Business Segment

(Millions of yen)

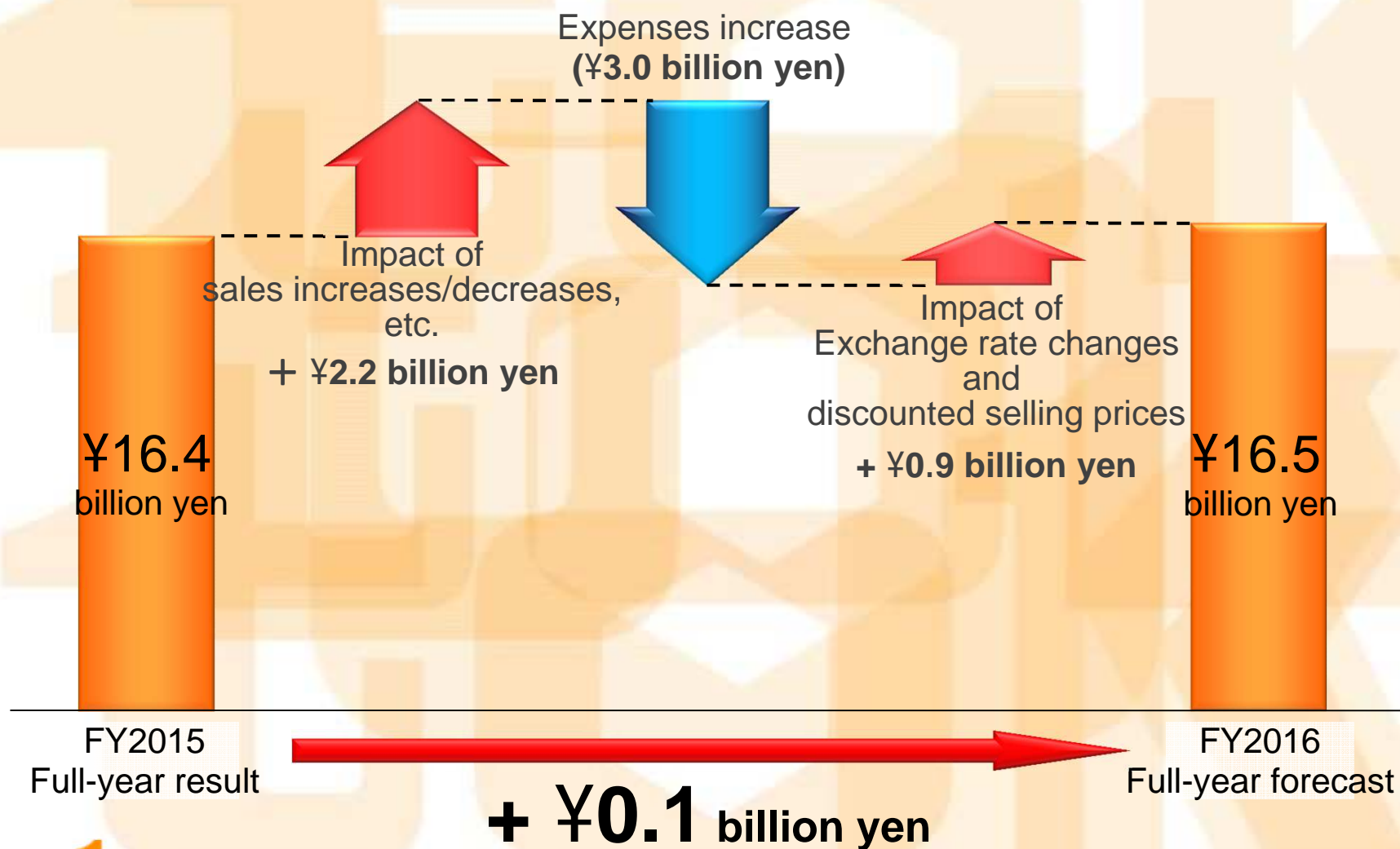
	FY2015	FY2016 Full-year forecasts		
	Full-year results		Change	%
<b>Net sales</b>	<b>88,086</b>	<b>92,800</b>	<b>+4,713</b>	<b>+5.4</b>
<b>Material Business</b>	<b>84,611</b>	<b>88,600</b>	<b>+3,988</b>	<b>+4.7</b>
<b>Electronic functional materials</b>	<b>49,818</b>	<b>51,500</b>	<b>+1,681</b>	<b>+3.4</b>
<b>High purity chemicals</b>	<b>34,844</b>	<b>36,800</b>	<b>+1,955</b>	<b>+5.6</b>
<b>Equipment Business</b>	<b>3,475</b>	<b>4,200</b>	<b>+724</b>	<b>+20.8</b>
<b>Operating income</b>	<b>13,253</b>	<b>13,300</b>	<b>+46</b>	<b>+0.4</b>
<b>Material Business</b>	<b>16,355</b>	<b>16,500</b>	<b>+144</b>	<b>+0.9</b>
<b>Equipment Business</b>	<b>20</b>	<b>200</b>	<b>+179</b>	<b>9.8 times</b>
<b>Eliminations and corporate</b>	<b>(3,122)</b>	<b>(3,400)</b>	<b>(277)</b>	<b>—</b>

(Note) The net sales of the equipment business is the figure after elimination of inter-segment sales.

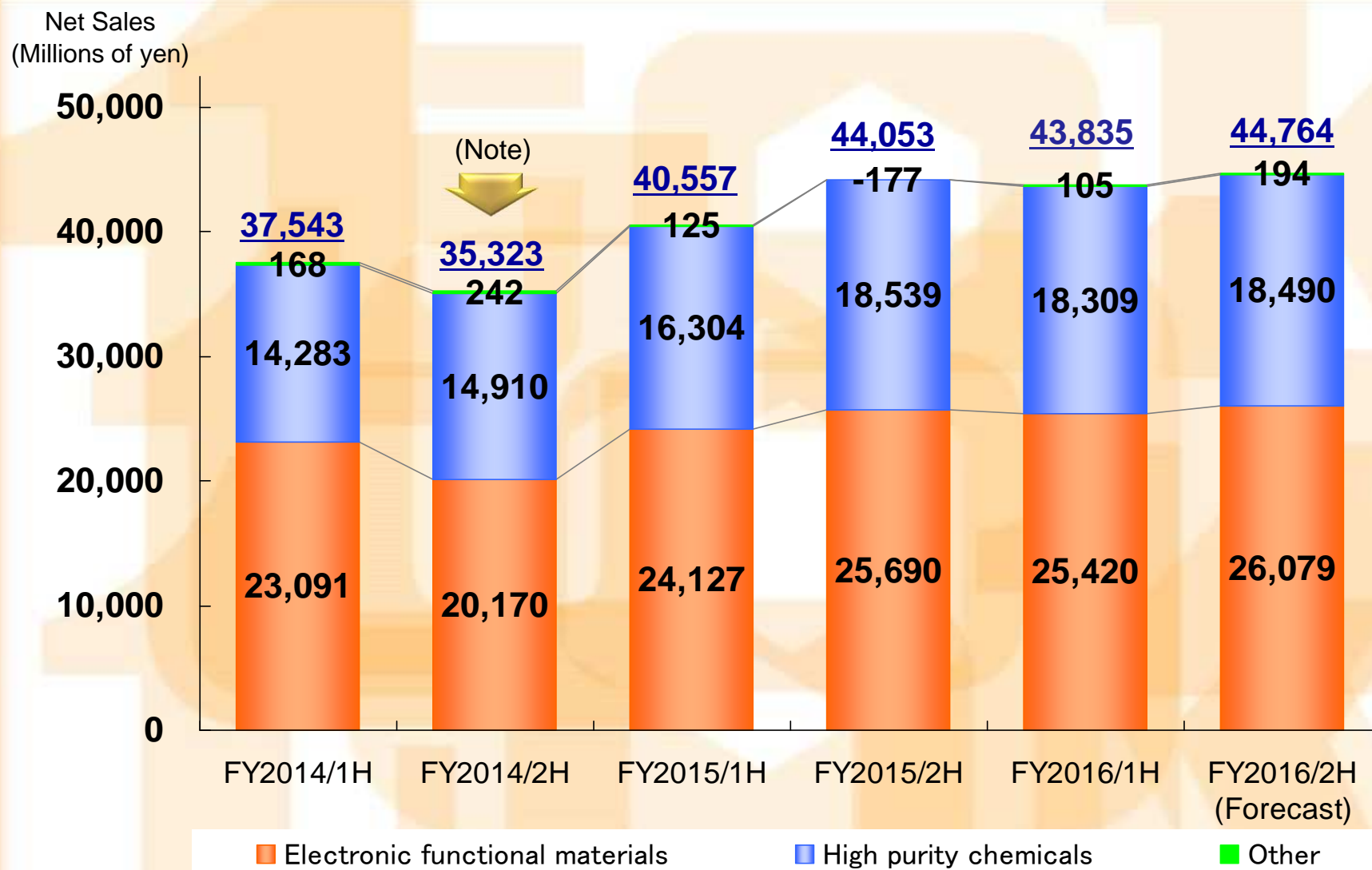


# Breakdown of the Change in Operating Income (Material Business)

## FY2015 Result vs FY 2016 Forecast



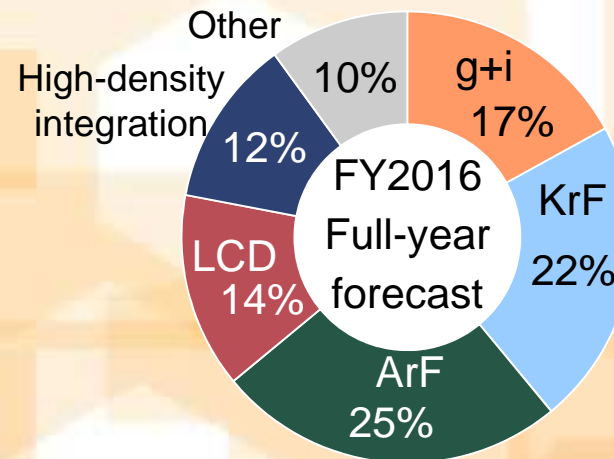
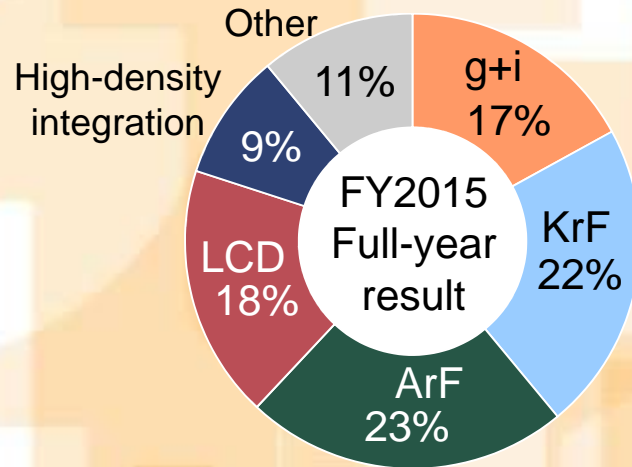
# Sales Breakdown of Material Business (Forecast)



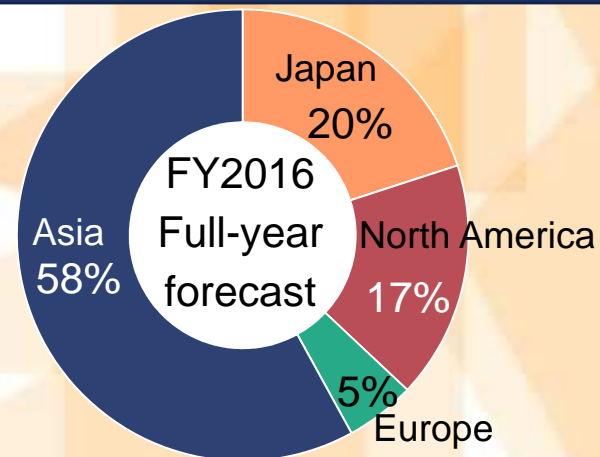
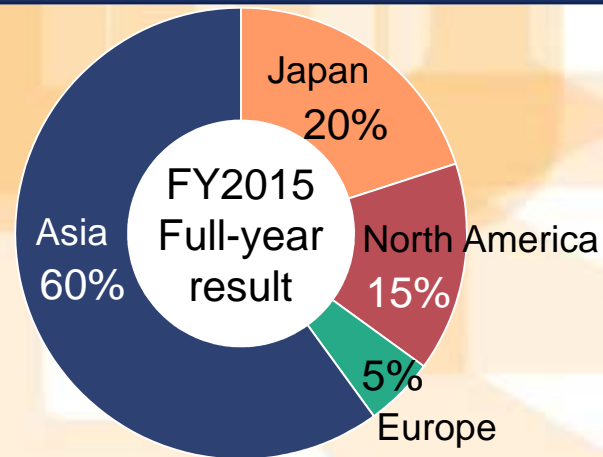
(Note) Some sales channels have changed following the start of the Korean subsidiary.  
 A difference in accounting periods between the Company and its subsidiaries had a negative impact on sales in 2014/2H.  
 The second half forecast is obtained by subtracting first-half results from the full-year forecast.

# (Reference) Electronic Functional Materials Division

## Sales Composition of Electronic Functional Materials by Type



## Sales Composition of Semiconductor Photoresist by Region



# **Topics**

**— Accelerate Strategic Investments —**

# TOK Advanced Materials Co., Ltd. (TOKAM)

Raising production level; Leveraging functions as an overseas R&D base

## Target

- Establish a strong position in the ArF 1Xnm generation
- Increase ArF market share and add some extra value



2014

: Production transfer of existing products was completed  
⇒ TOKAM started shipments

2015

: Achieved production volume targets set when TOKAM established  
: Began manufacturing and shipping **TOKAM-developed products**



# Strengthen R&D Functions of Sagami Operation Center

## Sagami Operation Center:

Center of R&D, quality control and production technology for stable mass production in the Material Business

1967 Established

⋮

1997 R&D building completed (KrF)

2006 New R&D building completed (ArF)

KrF ⇒ Top market share

ArF ⇒ Increased market share



## 2015 Strengthen R&D Functions of Sagami Operation Center

### Achieve ArF market share of 30%

• Strengthen infrastructure to win continuous adoption by customers

- (1) Improve adoption probability by increasing evaluation opportunities
- (2) Conduct timely development that suits customers' schedules
- (3) Conduct development to eliminate pattern defects

### Strategic Investments

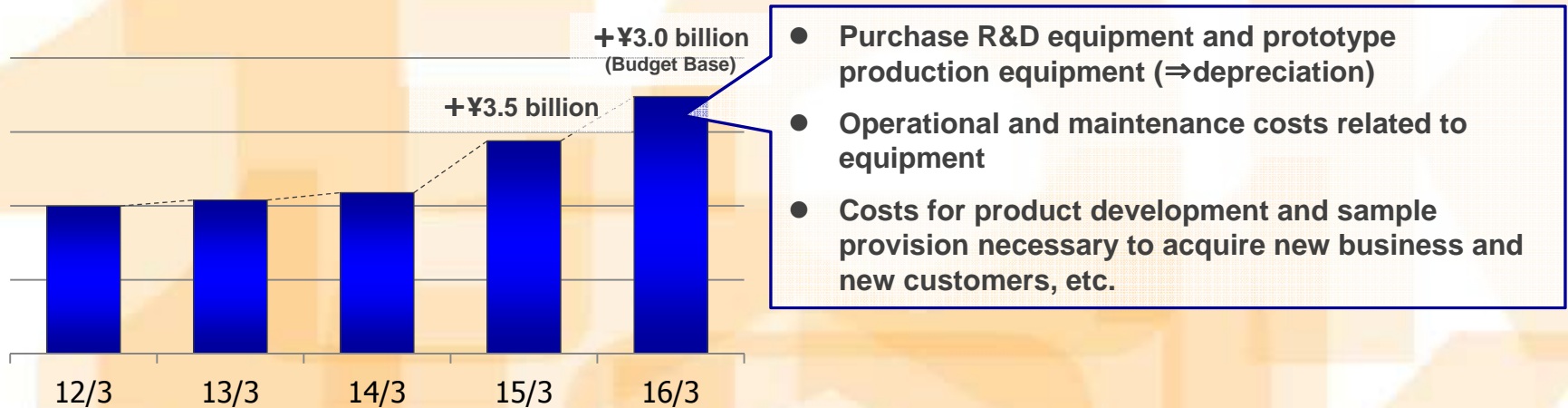
(from FY2016/2H to FY2017)

Major equipment introduced

- High NA ArF immersion exposure equipment
- Pattern defects inspection equipment
- Coater/developer

# Accelerate Strategic Investments

## ■ Cost in the Material Business



## R&D/Marketing Themes (excerpt)

### <ArF>

- Advance development and win adoption of 10nm and beyond

### <KrF>

- Expand adoption of thick-film photoresists for 3D-NAND

### <High-density integration materials>

- Develop Taiwanese and Chinese markets (BUMP resists)
- Acquire new customers, develop European market (MEMS materials)

### <LCD materials>

- Develop high-resolution photoresists

### <High purity chemicals>

- Achieve even higher purity for 10nm and beyond
- Develop cleaning solutions customized for local needs

### <New Business>

- Photovoltaic related materials, LiB related materials, rechargeable microbatteries, LED photonic crystal, photoresists for microchannels, materials for sensors, etc.

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

**(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.**