

TOKYO OHKA KOGYO CO., LTD. Business Results

— Fiscal Year ended December 2017—

Feb. 15, 2018

TOKYO OHKA KOGYO CO., LTD.

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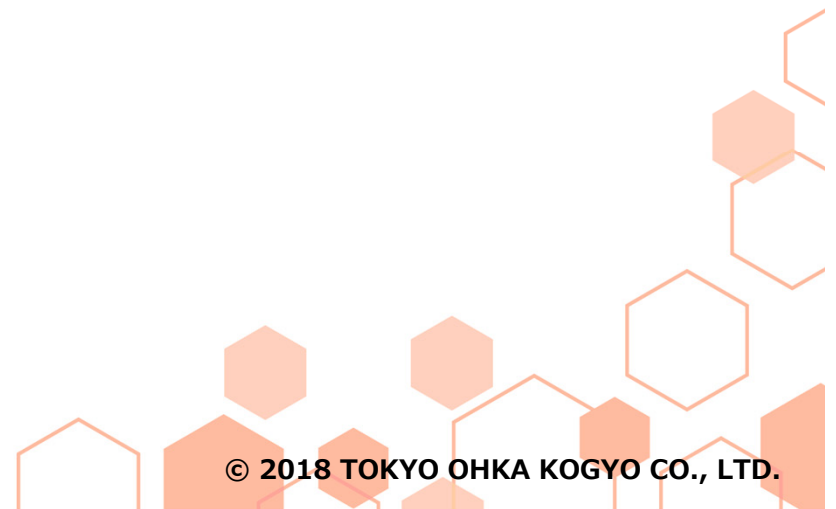
Contents

- | | |
|--|------|
| 1. Consolidated Business Results for
FY2017 (2017.4-2017.3) | p.2 |
| 2. Consolidated Performance Forecasts for
FY2018 (2018.1-2018.12) | p.13 |
| 3. Topics
- Initiatives under TOK Medium-Term Plan 2018 - | p.23 |

Consolidated Business Results for FY2017 (2017.4-2017.12)

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Change in Fiscal Year-End

03

■ Detail of change in fiscal year-end

Current : end of march ⇒ after : End of December

■ Explanation about earnings of FY2017/12

			2016/12 Simulation				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	

Adjustment of October-December results for overseas businesses that were not consolidated in the results for the former fiscal year ended December 2016.

■ Explanation about earnings forecasts

			2017/3			2017/12 Simulation				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

Adjustment of January-March results for domestic businesses that were not consolidated in the fiscal year ended December 2017.

Summary

04

(Millions of yen)

	FY2016/12 Simulation	FY2017/12		
			Change	%
Net sales	80,761	92,411	+11,650	+14.4
Operating income	9,310	9,194	(116)	(1.3)
Ordinary income	9,091	9,720	+629	+6.9
Profit attributable to owners of parent	5,485	6,007	+521	+9.5

Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

- Average exchange rate (US\$) : ¥105.4/\$ (FY2016/12 Simulation) ⇒¥110.7/\$ (FY2017/12)
- Net sales : Increased 14.4% as the first-half results maintained a trend toward profit growth, centered on the Material Business
- Operating income : Exceeded the revised forecast of ¥8,700 million (announced October 26, 2017), but decreased due to costs associated with a change in the fiscal year-end.
- Profit attributable to owners of parent : Increased 9.5% due to improvements in foreign exchange gain or loss and smaller decrease in operating income.

Non-operating Expenses or Income/ Extraordinary Losses or Income

05

(Millions of yen)

	FY2016/12 Simulation	FY2017/12	YoY
Non-operating Expenses or income	(219)	526	+745
Interest and dividend income	+242	+309	+67
(Foreign exchange related losses/gains)	(840)	(63)	+776
Foreign exchange (loss) gain	(564)	+726	+1,290
Loss(gain) on valuation of derivatives	(275)	(789)	(513)
Extraordinary losses or Income	104	(227)	(332)
Impairment loss	(45)	(242)	(196)
Loss on disaster	(91)	-	+91
Loss on sales and retirement of noncurrent assets	(26)	(169)	(142)

Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

Results by Business Segment

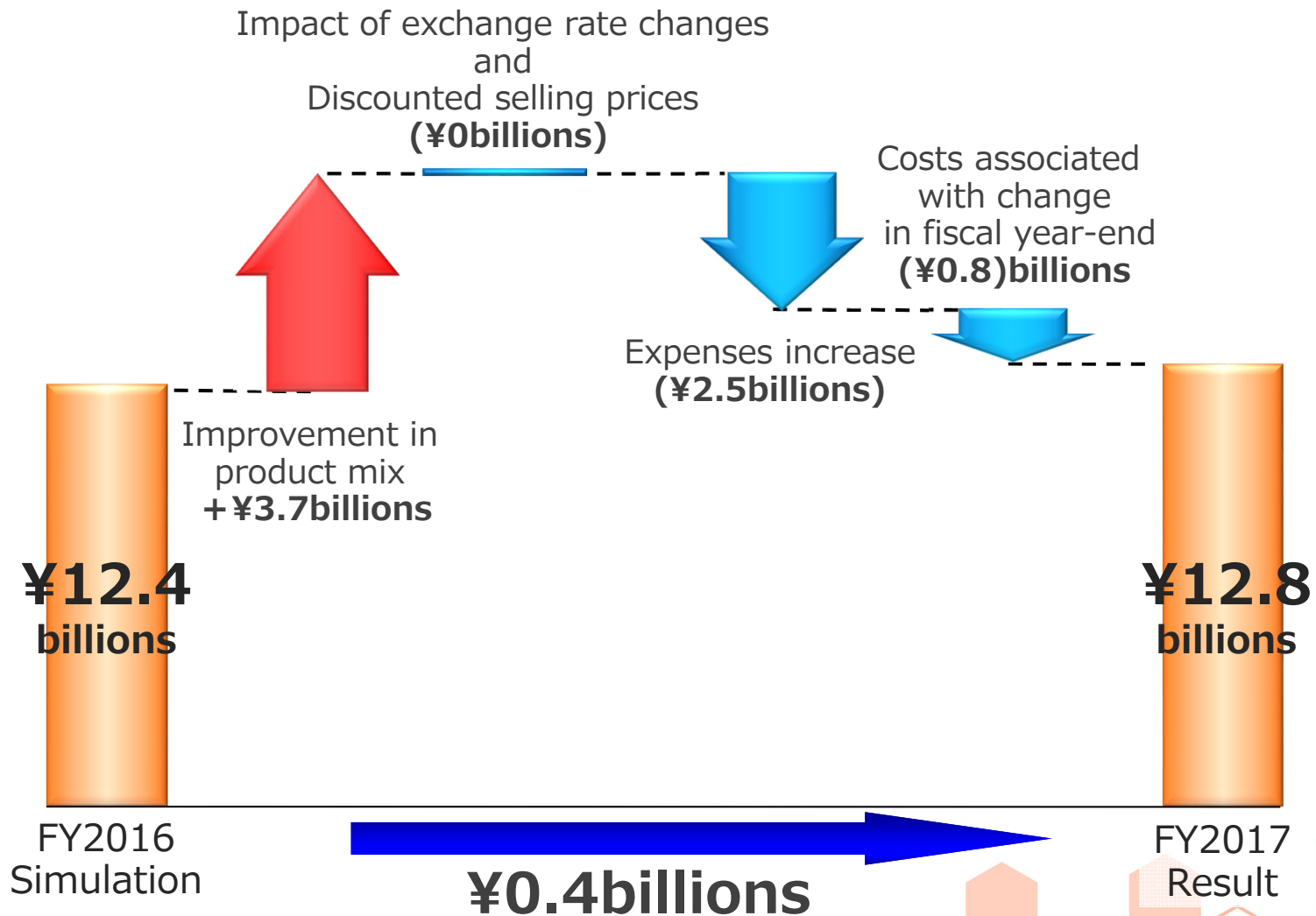
(Millions of yen)

	FY2016/12 Simulation	FY2017/12		
			Change	%
Net sales	80,761	92,411	+11,650	+14.4
Material business	78,842	90,531	+11,688	+14.8
Electronic functional materials	47,318	51,230	+3,911	+8.3
High purity chemicals	31,026	38,676	+7,649	+24.7
Other	496	623	+126	+25.5
Equipment business	1,918	1,880	(38)	(2.0)
Operating income	9,310	9,194	(116)	(1.3)
Material business	12,448	12,816	+367	+3.0
Equipment business	(333)	(664)	(330)	—
Eliminations and corporate	(2,804)	(2,957)	(152)	—

Breakdown of the Charge in Operating Income (Material Business)

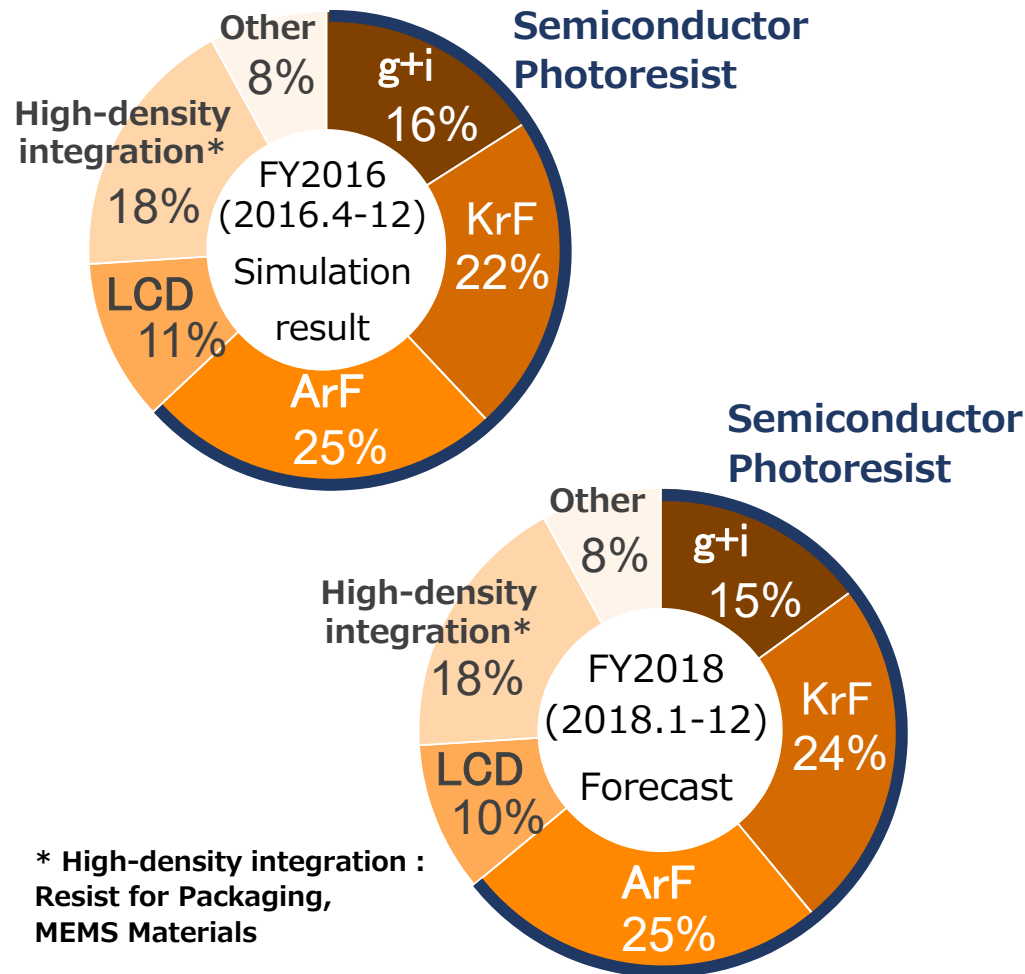
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FY2016 Simulation v.s. FY2017 result

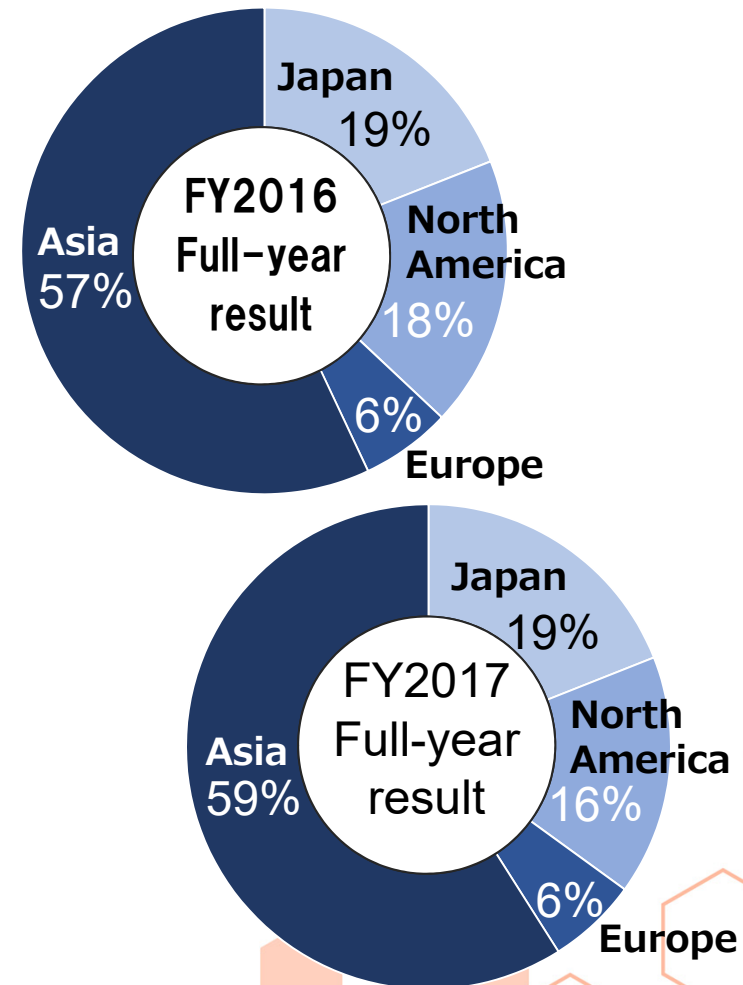


Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

Sales Composition of Electric Function Materials by Type



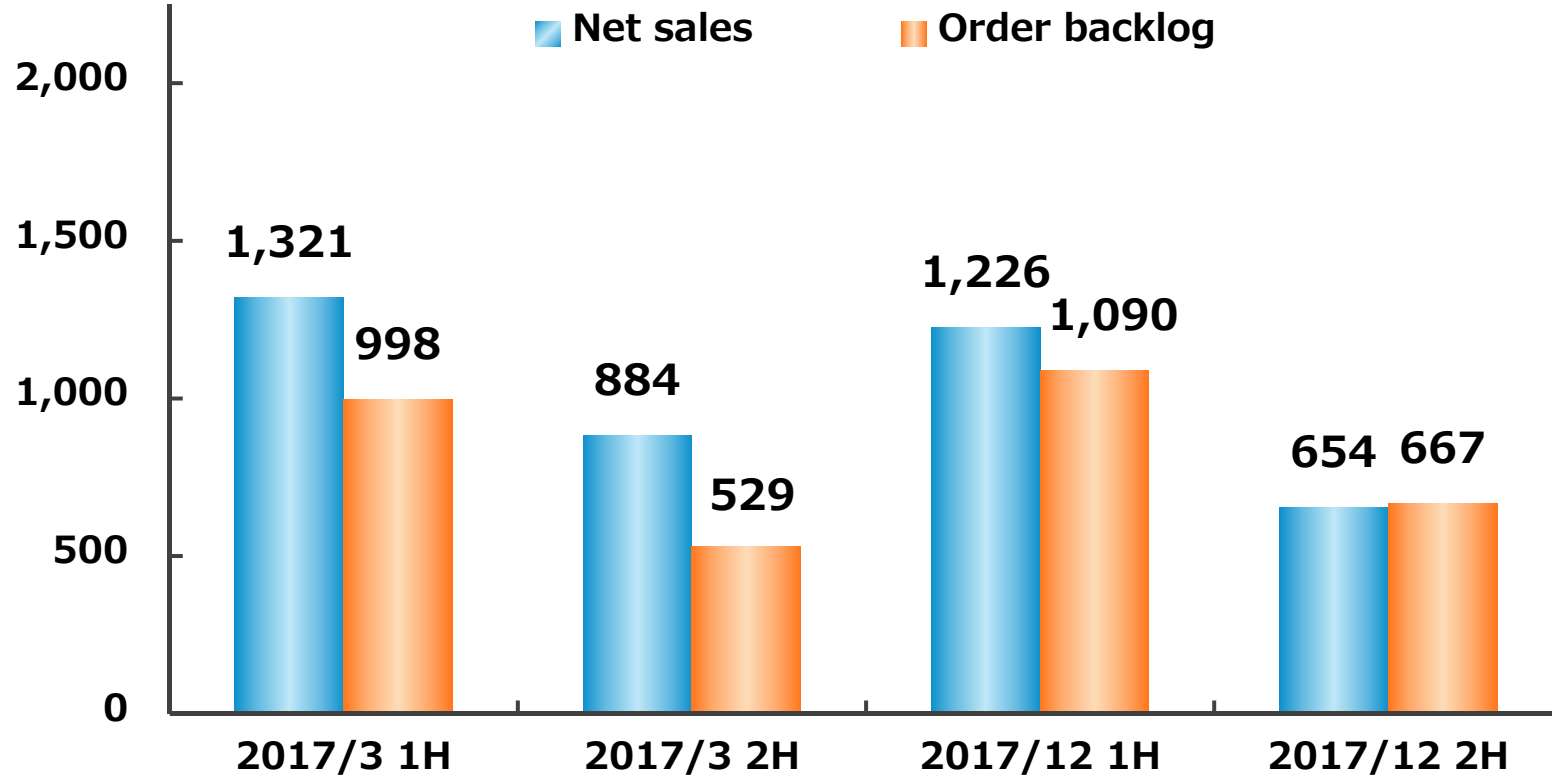
Sales Composition of Semiconductor Photoresist by Region



Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

Equipment Business

Net sales/Order backlog
(millions of yen)



(Millions of yen)	2017/3 1H	2017/3 2H	2017/12 1H	2017/12 2H
Year-end order backlog	1,440	1,140	1,016	1,190

Capital Investments/Depreciation/R&D

10

(Million of yen , %)

	FY2016/12 Simulation	2017/12		
			Change	%
C a p i t a l Investments	8,469	6,731	△1,737	△20.5
Depreciation	5,236	6,035	+798	+15.3
R & D	6,240	6,921	+680	+10.9

Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

Balance Sheets

(Million of yen)

	As of December 30, 2017	vs March 31, 2017
Current Assets	87,719	(928)
Cash and deposits	44,181	(5,481)
Notes and accounts receivable	22,554	+2,660
Inventories	15,893	+2,280
Property, plant and equipment	51,703	+2,037
Intangible assets	490	(150)
Investments and other assets	38,768	+3,230
Current Liabilities	21,742	+2,206
Notes and accounts payable	10,444	+837
Long-Term Liabilities	3,421	+1,396
Total net asset	153,517	+585
Total asset	178,681	+4,188

Buildings and structures	+2,345
Machinery	(1,520)
Furniture and fixtures	+204
Land	+144
Construction in progress	+863

Retained earnings	+3,195
Treasury stock	(7,646)
Unrealized gain on available -for-sale securities	+2,199
Foreign currency translation adjustments	+1,112

Cash Flows

(Millions of yen)

	FY2017/12
Cash flows from operating activities	+10,162
Income before income taxes and minority interests	+9,492
Depreciation	+6,035
Decrease (increase) in trade notes and accounts receivable	(2,286)
Decrease (increase) in inventories	(1,929)
Decrease (increase) in trade notes and accounts payable	+755
Increase (decrease) in advances received	(100)
Income taxes paid	(2,286)
Cash flows from investing activities	(5,993)
Cash flows from financing activities	(10,673)
Translation adjustments	+557
Net increase (decrease) in cash and cash equivalents	(5,945)

Major breakdown
Purchases of property, plant and equipment (5,884)

Major breakdown
Proceeds from sale of Treasury stock +173
Purchases of treasury stock (7,823)
Dividends paid (2,785) (incl. minority shareholders)

Consolidated Performance Forecasts for FY2018 (2018.1-12)

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Earnings Forecasts (Full-year)

14

(Millions of yen)

	FY2017/12 (2017.1-12) Simulation result	FY2018 (2018.1-12) Forecast		
			Change	%
Net sales	100,422	108,900	+8,477	+8.4
Operating income	9,878	11,000	+1,121	+11.4
Ordinary income	10,534	11,400	+865	+8.2
Profit attributable to owners of parent	6,885	7,500	+614	+8.9

Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

- Exchange rate assumptions (US\$) : ¥111.1/\$ (2017/12 Simulation) ⇒¥108.0/\$ (2018/12)
- Net sales :The growth of the Material Business and expansion of the Equipment Business will contribute to an 8.4% increase year on year.
- Operating in come :Improvement in gain or loss is forecast in the Equipment Business, but the year-on-year increase will stop at 11.4% due mainly to the impact of rising raw materials costs in the Material Business.
- Profit attributable to owners of parent :Will increase in conjunction with increasing operating income, rising 8.9% year on year.

Performance Forecasts by Business Segment

15

(Millions of yen)

	FY2017/12 (2017.1-12) Simulation result	FY2018 (2018.1-12) Forecast		
			Change	%
Net sales	100,422	108,900	+8,477	+8.4
Material business	98,247	102,100	+3,852	+3.9
Electronic functional materials	56,947	58,500	+1,552	+2.7
High purity chemicals	41,165	43,500	+2,334	+5.7
Equipment business *1	2,174	6,800	+4,625	+212.7
Operating income	9,878	11,000	+1,121	+11.4
Material business	14,868	14,600	(268)	(1.8)
Equipment business	(1,073)	200	+1,273	-
Eliminations and corporate	(3,917)	(3,800)	+117	-

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

Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

Capital Investments/Depreciation/R&D 16

(Millions of yen)

	FY2017/12 (2017.1-12) Simulation result	FY2018 (2018.1-12) Forecast		
			Change	%
Capital Investments	7,633	6,400	(1,233)	(16.2)
Depreciation	6,917	7,400	+482	+7.0
R&D	8,888	8,900	+11	+0.1

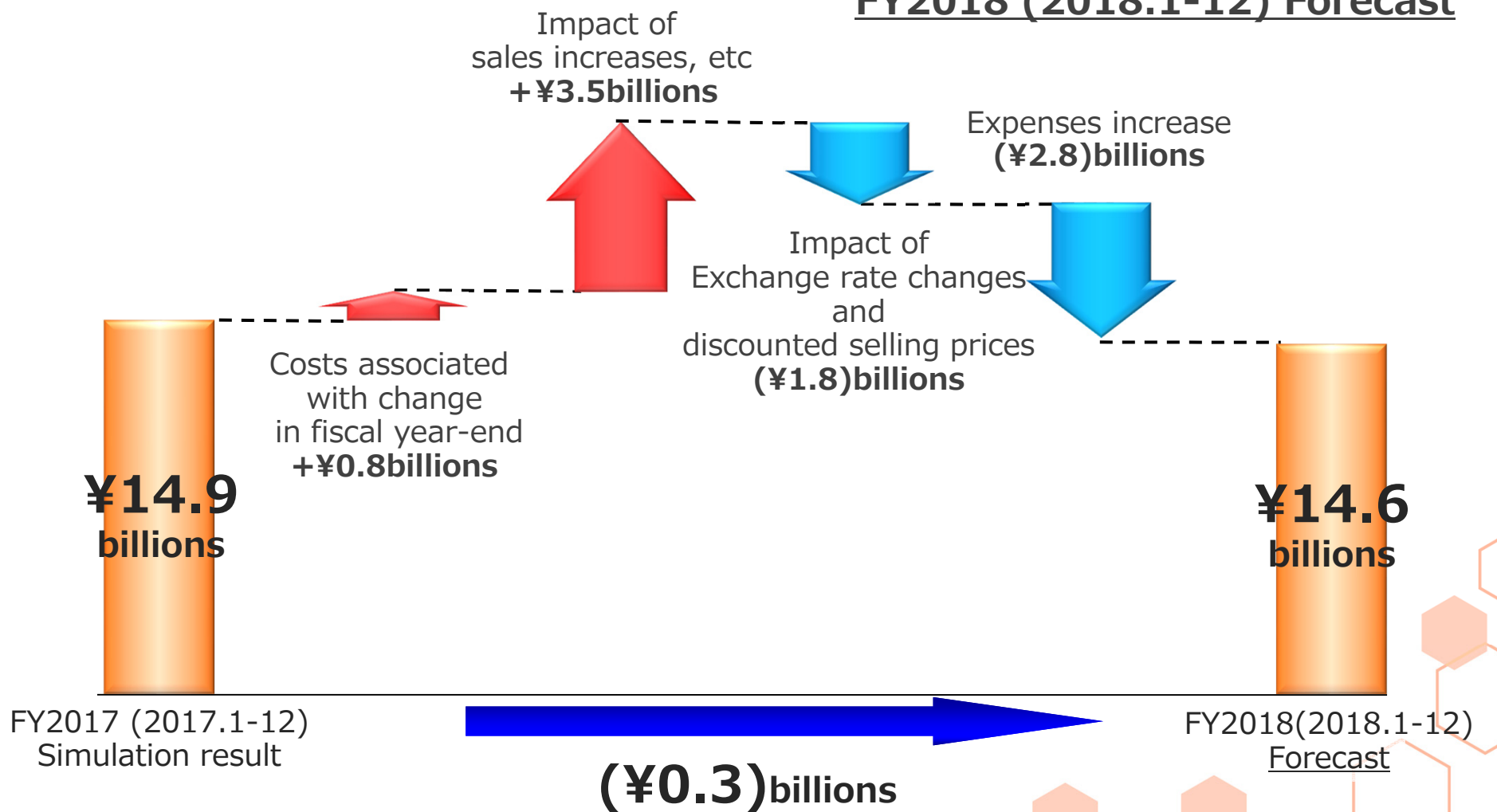
Note: These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 3 for details.

Breakdown of the Charge in Operating Income (Material Business)

17

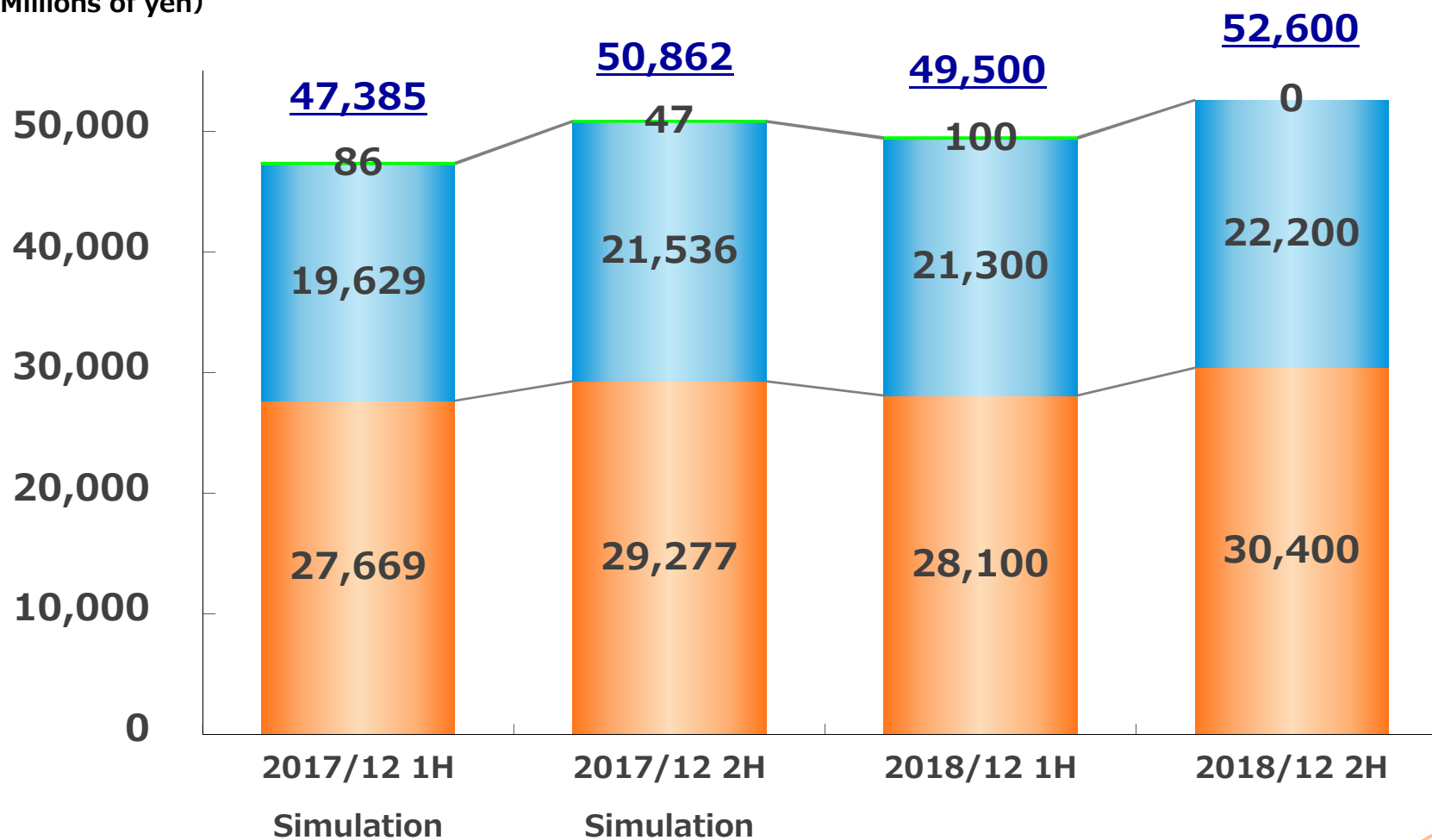
FY2017(2017.1-12) Simulation Result v.s.

FY2018 (2018.1-12) Forecast



Sales Breakdown of Material Business (Forecast)¹⁸

Net sales
(Millions of yen)



Electronic Functional materials

High purity chemicals

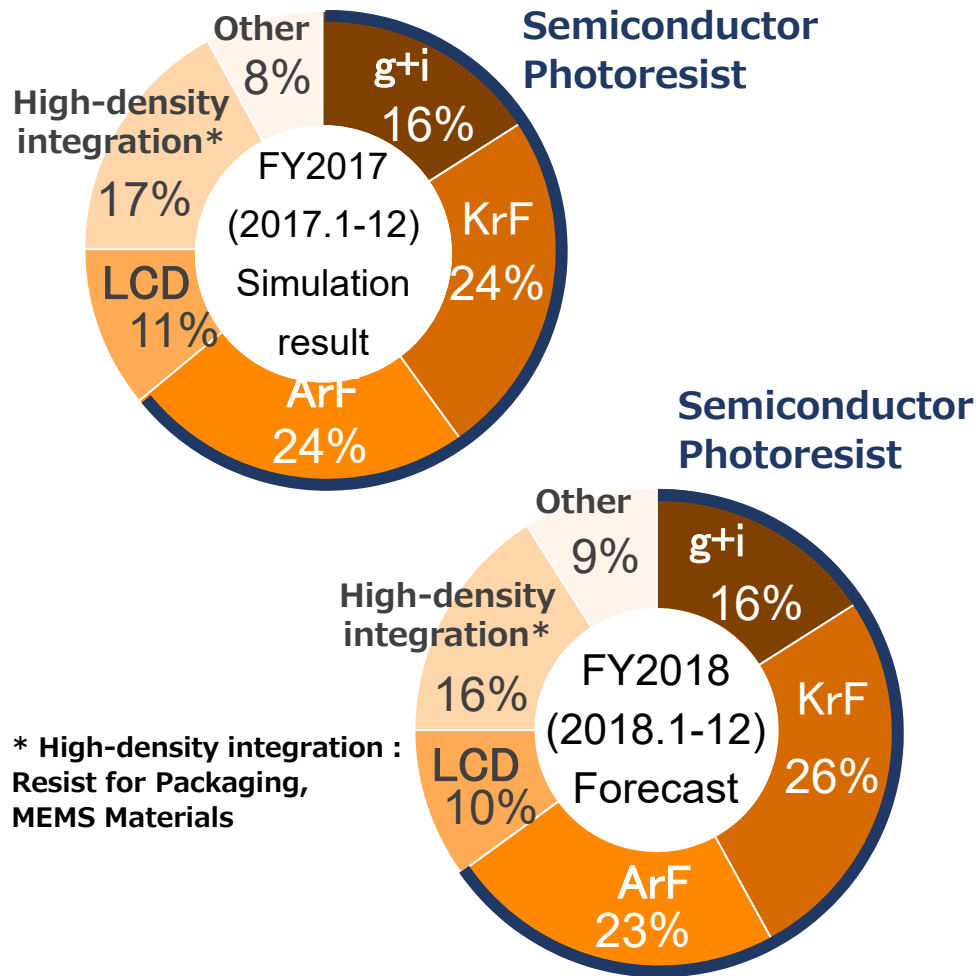
Other



Note: These are comparisons with the adjusted results for the fiscal year ended December, 2017 due to a change in fiscal year-end. Please refer to slide 3 for details.

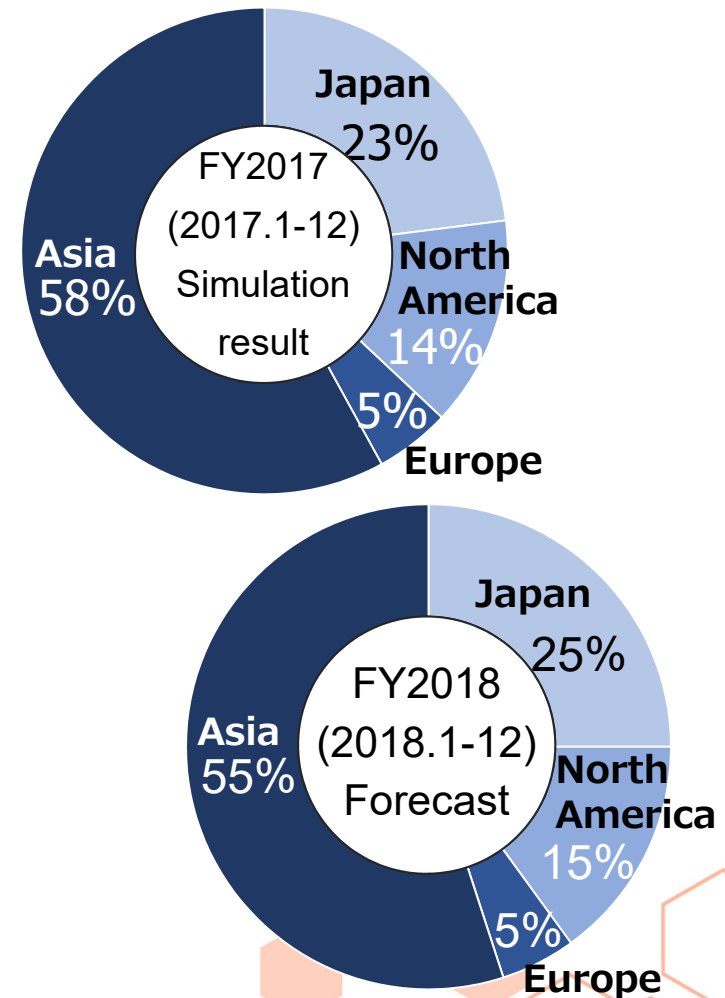
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Sales Composition of Electric Functional Materials by Type



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

Sales Composition of Semiconductor Photoresist by Region

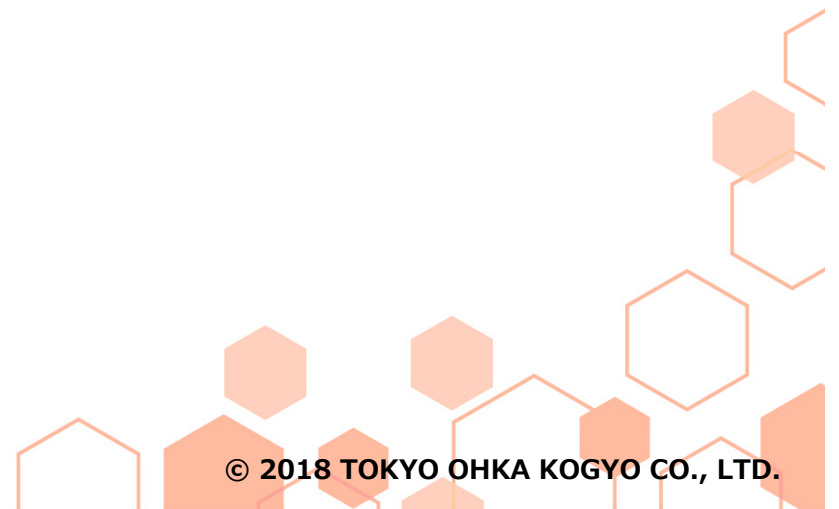


Note: These are comparisons with the adjusted results for the fiscal year ended December, 2017 due to a change in fiscal year-end. Please refer to slide 3 for details.

Initiatives in TOK Medium-Term Plan 2018

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The 3-year period that holds the key to achieving the FY2020 target

Point① : Continue proactive investment for profit growth

Point② : Aim for new record profit in the final year, operating income target of ¥15 billion

Point③ : ROE target over 7%, Enhance returns to shareholders with emphasis on dividends

⇒ FY2020 Aim to realize solid financial position and ROE of over 8%

Strategy① : Reform of business portfolio

- Promote business renewal and Develop new business domains

Strategy② : Evolve strategy of building a close relationships

- Transition to harvest stage
- To realize growth strategy by demonstrating its technological capabilities

Strategy③ : Develop global personnel

Strategy④ : Strengthen our management foundation

TOK mid-term Plan2018 : Achievement status of target value

22

(Millions of yen)

	2016/3 Result	2017/3 Result (1st term)	2018/12 Forecast (3rd term)	Mid-term Plan Target (3rd term)
Net sales	89,969	88,764	108,900	120,000
Material business	87,280	86,558	102,100	110,000
Equipment business	2,689	2,205	6,800	10,000
Operating income	12,438	9,954	11,000	15,000
Material business	16,203	14,470	14,600	17,000
Equipment business	△ 423	△ 750	200	1,700
Eliminations & Corporate	△ 3,342	△ 3,764	△ 3,800	△ 3,700
Profit attributable to owners of parent	7,716	6,343	7,500	10,000
Exchange (yen/\$)	119.3	107.1	108.0	105.0
Sales Breakdown of Material business				
Electronic functional materials	51,134	53,074	58,500	68,000
High purity chemicals	35,931	33,475	43,500	37,000
Other	214	9	100	5,000

(注) Note: There is no 9-month report for the fiscal year ended December, 2017, the second year of the Medium-Term Plan, due to a change in fiscal year-end. The final year of the TOK Medium-Term Plan 2018 was changed from the fiscal year ending March 2019 to the fiscal year ending December 2018.

Sales target progress (FY2018 Forecast Base)

Business/ Products	Outlook	Main factor
ArF Resist	Unachieved	<ul style="list-style-type: none"> ❑ A major customer did not adopt (Asia) ❑ Delay in major customers' production plans (Asia,USA)
KrF Resist	achieved	<ul style="list-style-type: none"> ❑ Adoption for 3D-NAND (Japan・Asia) ❑ Increased demand due to expansion of 3D-NAND mass production (Japan,Asia)
High-density integration materials	achieved	<ul style="list-style-type: none"> ❑ A major customer adopted for FO-WLP (Semiconductor field) ❑ Customers in Japan and overseas adopted and expanded uses (electronic components field) ❑ Price decreased due to growing demand (Asia) ❑ Customers decreased production in their lines (Japan,USA)
High purity chemicals	achieved	<ul style="list-style-type: none"> ❑ A major customer expanded adoption on next-generation production line (Asia) ❑ Adoption of and increased demand for new Clean Solution (Asia,USA)
Equipment business	Ubachieved	<ul style="list-style-type: none"> ❑ Delayed expansion of 3D packaging process market
New business	Ubachieved	<ul style="list-style-type: none"> ❑ Delay in commercializing focused themes (high-functional films and NIL, etc.)

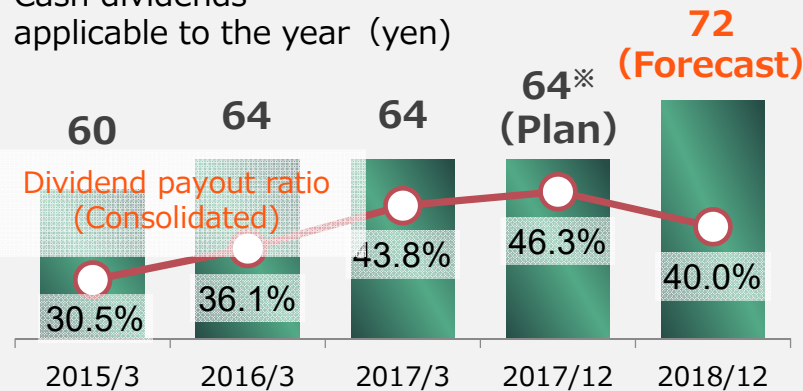
Future Priority Activities

Business/ Products	Future Outlook	Future Initiatives
ArF Resist	<ul style="list-style-type: none"> ❑ Sales increase due to operation of next-generation production line (Asia,USA) 	<ul style="list-style-type: none"> ❑ Recovery of our market share for DRAM (Asia)
KrF	<ul style="list-style-type: none"> ❑ Continued adoption for next-generation 3D-NAND (Japan,Asia) 	<ul style="list-style-type: none"> ❑ Adoption for Next Generation 3D-NAND (Asia)
High-density integration materials	<ul style="list-style-type: none"> ❑ Expand production lines that use Micro Bump (Asia) 	<ul style="list-style-type: none"> ❑ Acquire new customers in conjunction with expanded uses (electronic components field)
High purity chemicals	<ul style="list-style-type: none"> ❑ Adoption of and increased demand for Clean Solution on next-generation production line (Asia,USA) 	<ul style="list-style-type: none"> ❑ Continued adoption of Clean Solution on next-generation production line (Asia,USA)
Equipment business	<ul style="list-style-type: none"> ❑ Develop TSV equipment into a next-generation memory production (Asia) 	<ul style="list-style-type: none"> ❑ Develop further application of TSV equipment (Asia) (Fan Out Panel Level Package)
New business	<ul style="list-style-type: none"> ❑ At the dawn of an era of sales expansion of high-functional films 	<ul style="list-style-type: none"> ❑ Create new businesses utilizing the New R&D Building at the Sagami Operation Center
EUV	<ul style="list-style-type: none"> ❑ Start of operation of next-generation production line will contribute to sales (Asia,USA) 	<ul style="list-style-type: none"> ❑ Adoption for next generation process (Asia, USA)

Shareholder returns through dividends

- continuously distributing dividends with a consolidated dividend payout ratio of above 40%

Cash dividends applicable to the year (yen)



※Effectively means a dividend increase due to the 9 month accounting period.

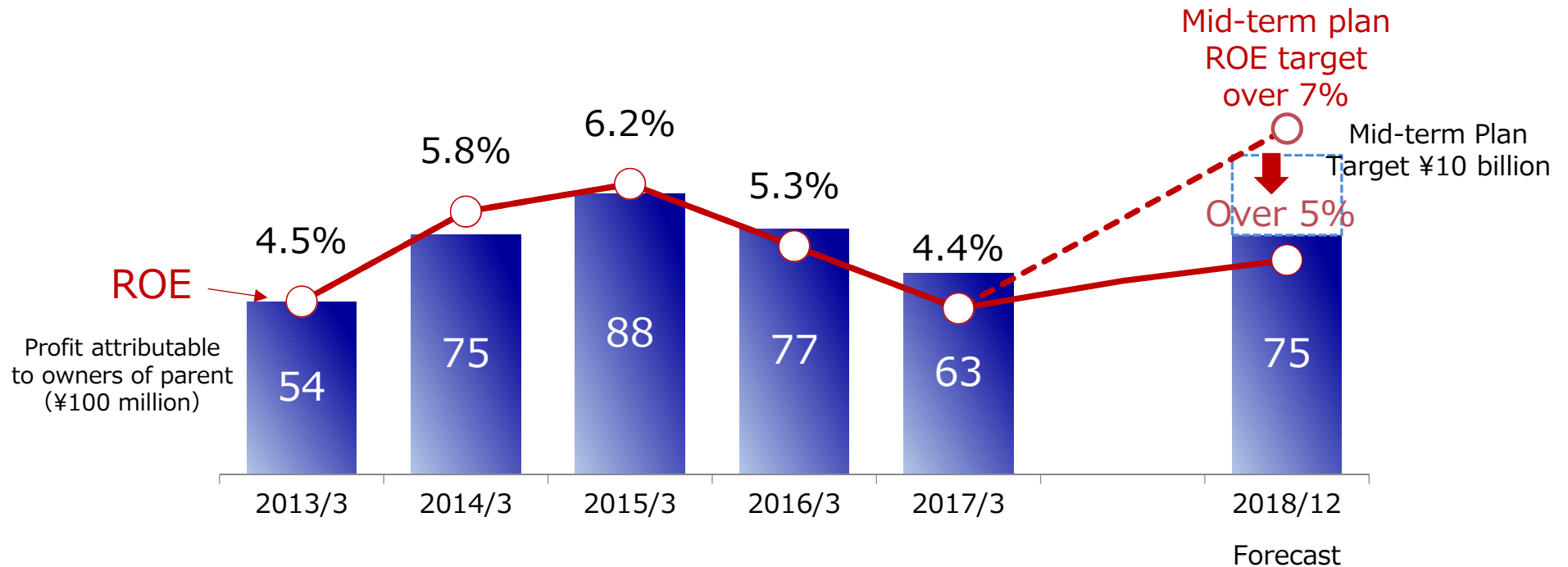
From a long-term viewpoint, flexibly purchase treasury stock as return to shareholders

Purchase of treasury stock <November 7, 2017>

- Number of stocks to be purchased: 2.5 million shares(maximum limit)
Equivalent to 5.73% of the total shares issued (excluding treasury stock as of Oct. 31, 2017)
- Total purchase cost : 10 billion yen (maximum limit)
- Purchase period : From November 8, 2017 through April 27, 2018

TOK will continue to pursue an optimal balance between investment, cash reserves, and shareholder returns

ROE results and outlook



Concept of ROE improvement (TOK Midium-Term Plan 2018)

- “TOK Midium-Term Plan 2018” is positioned as an upfront investment period for growth

⇒ROE target : over 7% Achieve targets based on profit growth

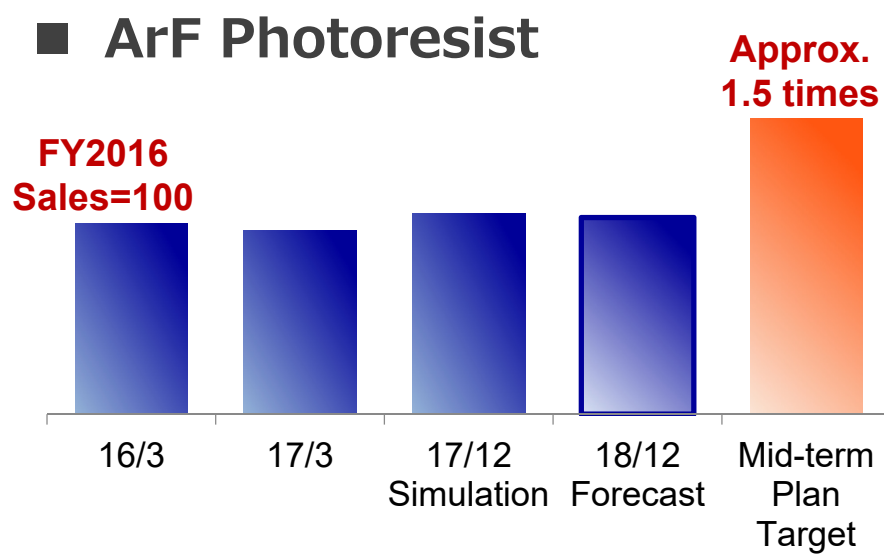
- Aim to realize over 8% in FY2020

Note: There is no 9-month report for the fiscal year ended December, 2017, the second year of the Medium-Term Plan, due to a change in fiscal year-end. The final year of the TOK Medium-Term Plan 2018 was changed from the fiscal year ending March 2019 to the fiscal year ending December 2018.

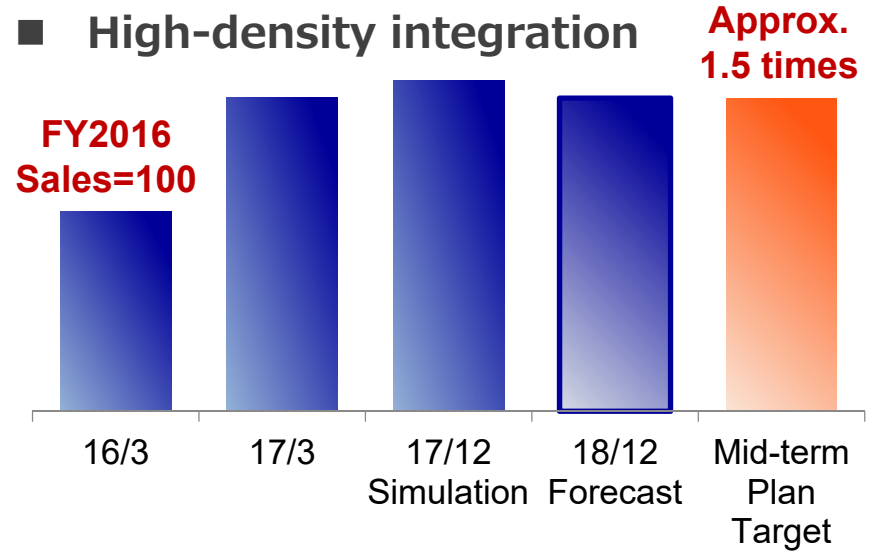


<Reference> TOK Medium-term plan progress for each products

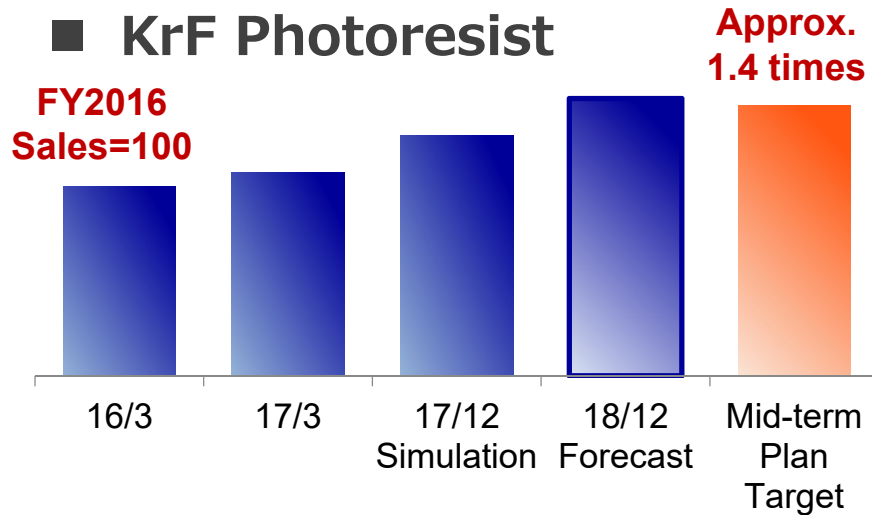
■ ArF Photoresist



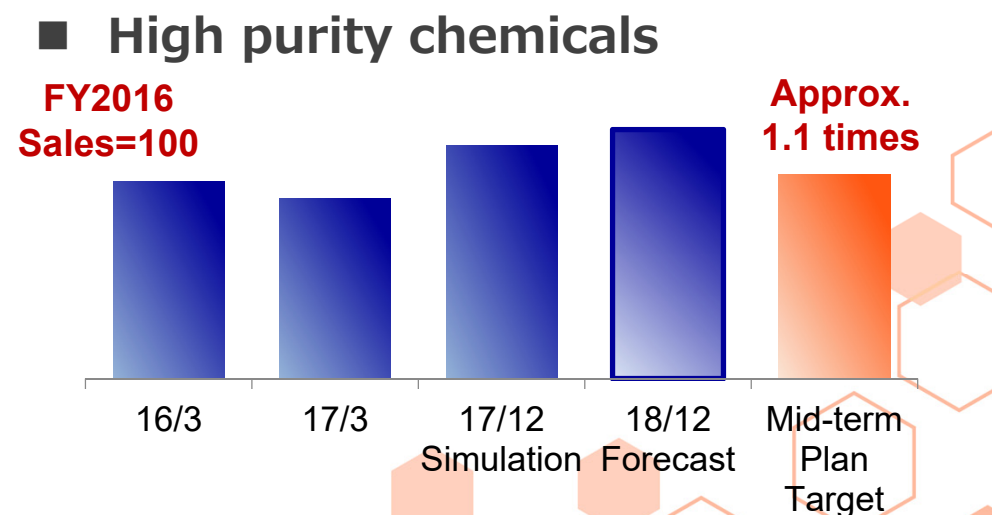
■ High-density integration



■ KrF Photoresist



■ High purity chemicals



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(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 judgment, 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.