

TOKYO OHKA KOGYO CO., LTD. **Business Results**

— The 1st Half of Fiscal Year ending Dec. 2017—

Nov. 8, 2017

TOKYO OHKA KOGYO CO., LTD.

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Contents

1. Consolidated Business Results for the 1st Half of FY2017 (2017.4-2017.9) p.2
2. Consolidated Performance Forecasts for FY2017 (2017.4-2017.12) p.13
3. Topics p.22
 - Initiatives under TOK Medium-Term Plan 2018 -

Consolidated Business Results for the 1st Half of FY2017

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Summary

03

(Millions of yen)

	FY2017/3 1H	FY2017/12 1H		
			Change	%
Net sales	42,897	49,051	+6,154	+14.3
Operating income	5,383	5,603	+219	+4.1
Ordinary income	4,803	5,910	+1,106	+23.0
Profit attributable to owners of parent	3,301	3,921	+618	+18.7

- Average exchange rate (US\$) : ¥103.8/\$ (FY2017/3 1H) ⇒¥110.1/\$ (FY2017/12 1H)
- Net sales : Increased 14.3% due to a bigger-than-expected increase in high-purity chemicals, semiconductor photoresists, and high-density integration materials in response to active demands in Asia.
- Operating income : Increased as sales increase exceeded the increase in R&D costs.
- Profit attributable to owners of parent : Substantially increased with an increase in operating income in addition to improvement in foreign exchange gain or loss.

Non-operating Expenses or Income/ Extraordinary Losses or Income

04

(Millions of yen)

	FY2017/3 1H	FY2017/12 1H	YoY
Non-operating Expenses or income	(579)	307	+886
Interest and dividend income	+130	+172	+41
(Foreign exchange related losses/gains)	(891)	(44)	+847
Foreign exchange (loss) gain	(1,427)	+142	+1,569
Loss(gain) on valuation of derivatives	+535	(186)	(722)
Operating preparation expenses	–	(63)	(63)
Extraordinary losses or Income	162	(162)	(324)
Gain on sale of investment securities	+265	–	(265)
Impairment loss	–	(149)	(149)
Losses due to disasters	(91)	–	+91

Results by Business Segment

05

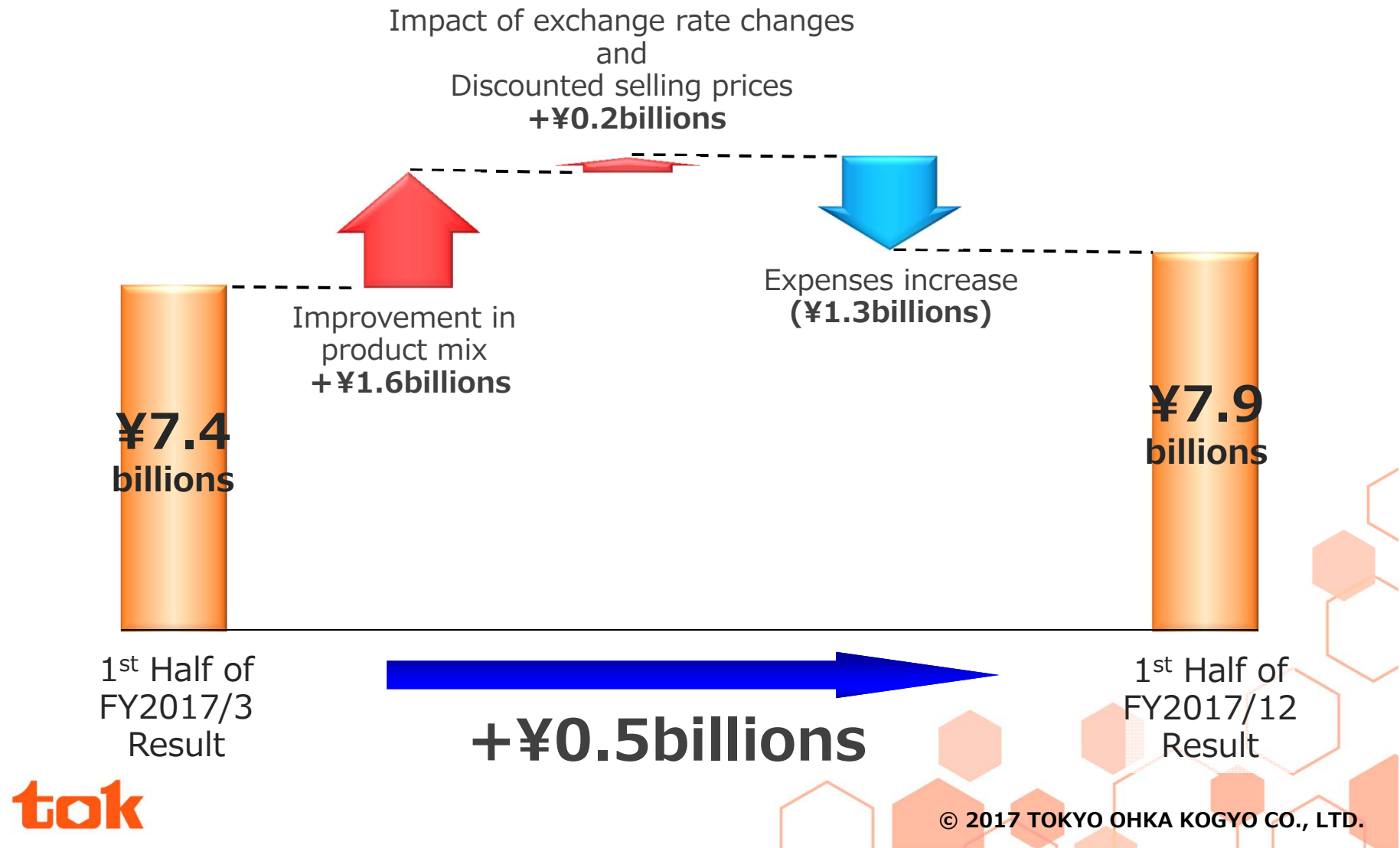
(Millions of yen)

	FY2017/3 1H	FY2017/12 1H		
			Change	%
Net sales	42,897	49,051	+6,154	+14.3
Material business	41,576	47,825	+6,248	+15.0
Electronic functional materials	25,822	28,039	+2,216	+8.6
High purity chemicals	15,667	19,716	+4,049	+25.8
Other	86	69	(16)	(19.4)
Equipment business	1,321	1,226	(94)	(7.2)
Operating income	5,383	5,603	+219	+4.1
Material business	7,356	7,866	+509	+6.9
Equipment business	(178)	(379)	(201)	—
Eliminations and corporate	(1,795)	(1,883)	(88)	—

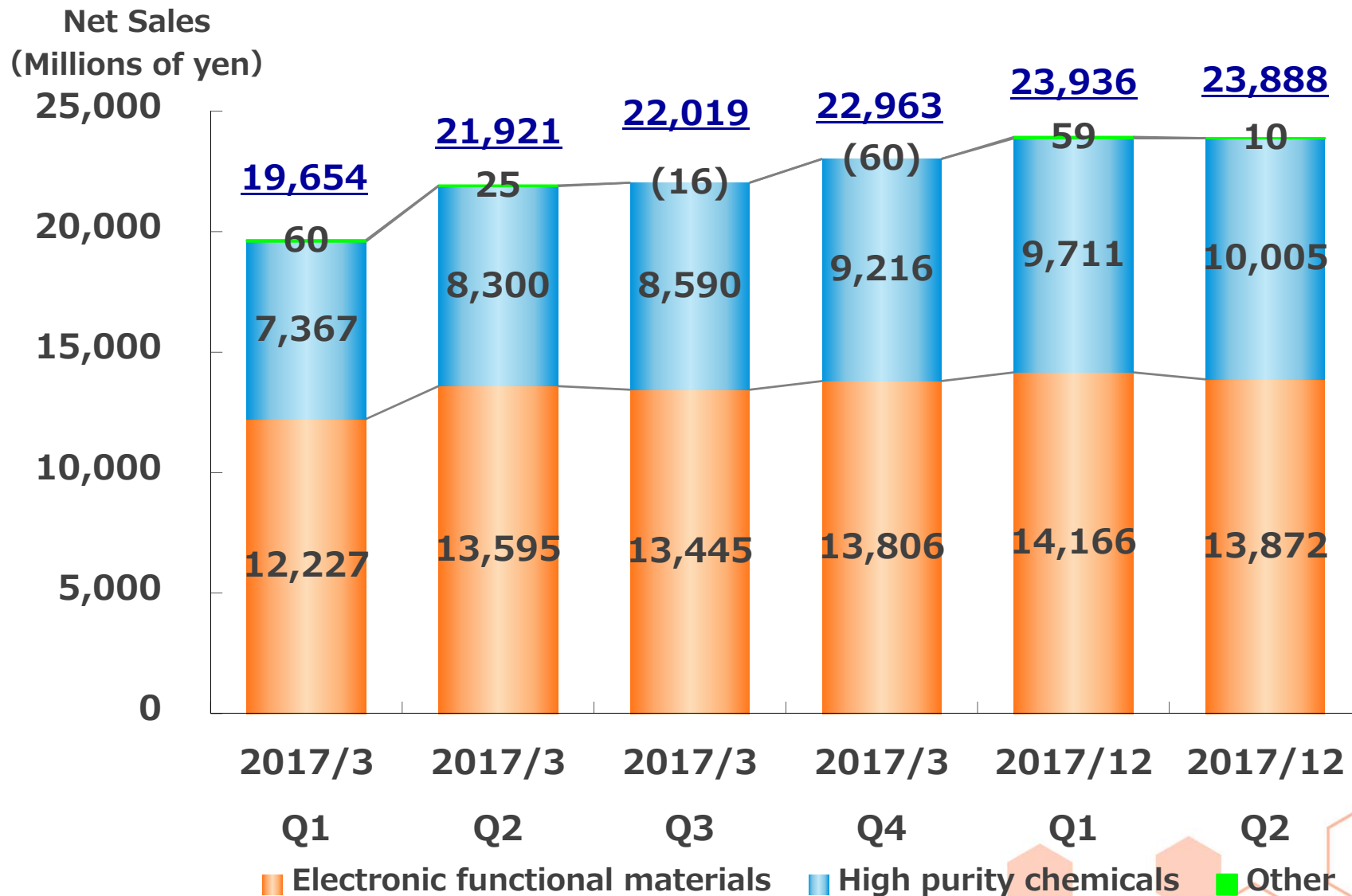
Breakdown of the Charge in Operating Income (Material Business)

06

1st Half of FY2017/3 result v.s. 1st Half of FY2017/12 result



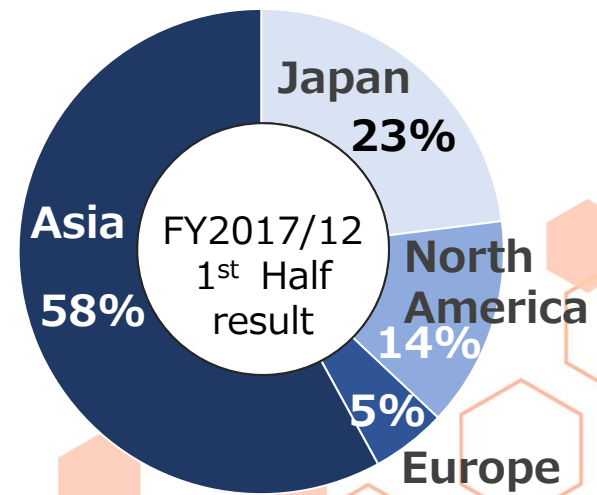
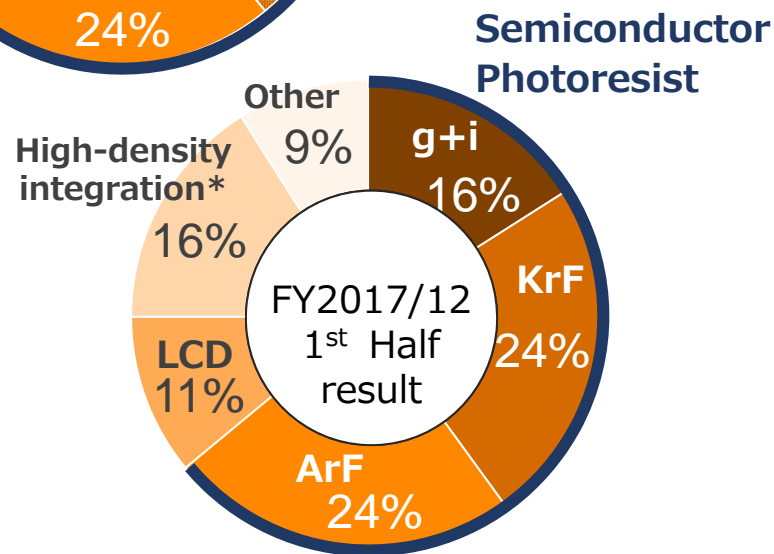
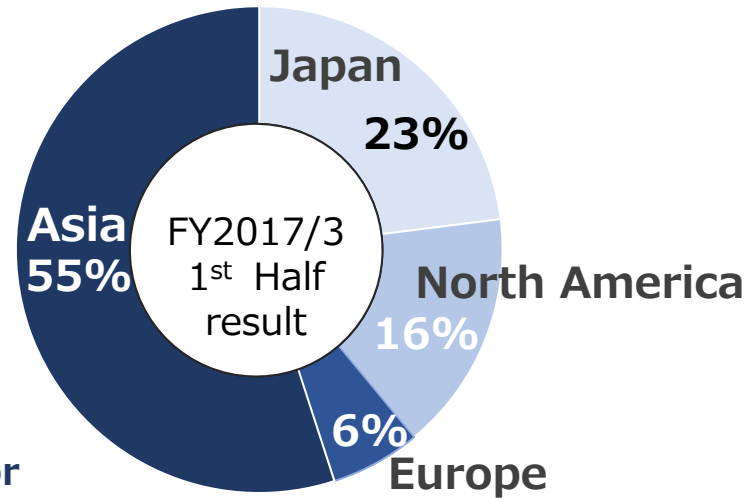
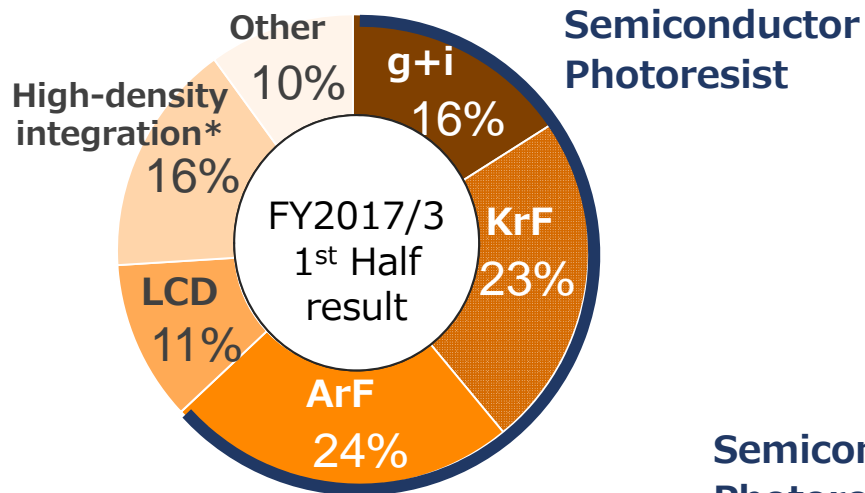
Sales Breakdown of Material Business



Electronic Functional Materials Division

Sales Composition of Electric Function Materials by Type

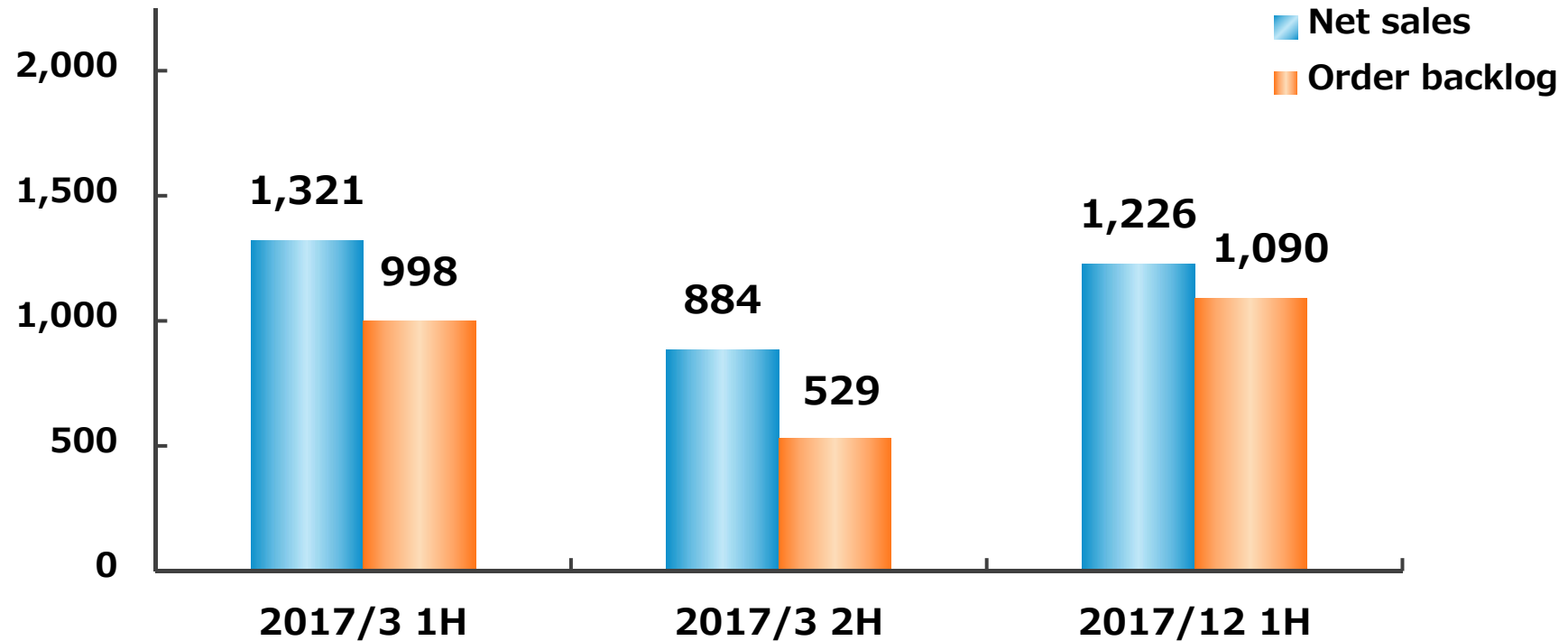
Sales Composition of Semiconductor Photoresist by Region



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

Equipment Business

Net sales/Order backlog
(millions of yen)

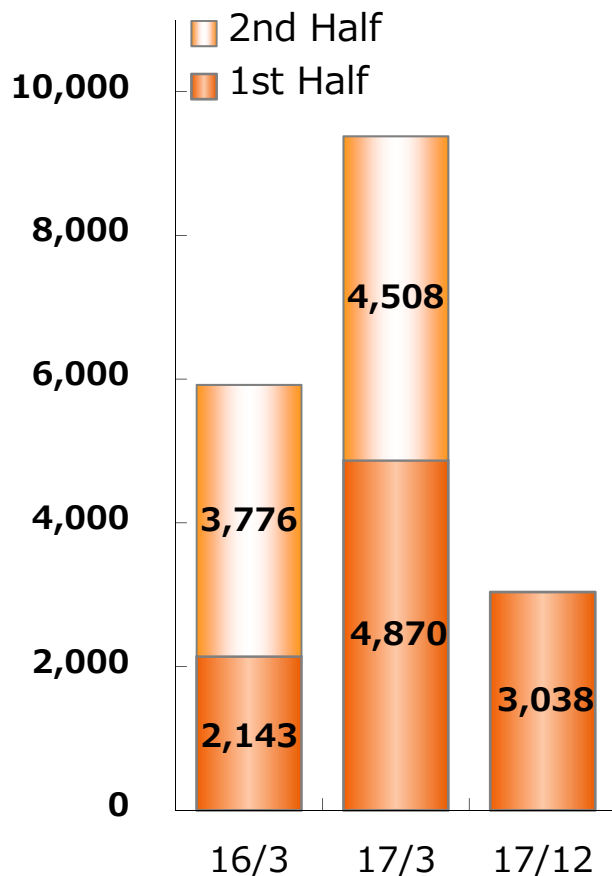


(Millions of yen)	2017/3 1H	2017/3 2H	2017/12 1H
Year-end order backlog	1,016	966	1,003

Capital Investments/Depreciation/R&D

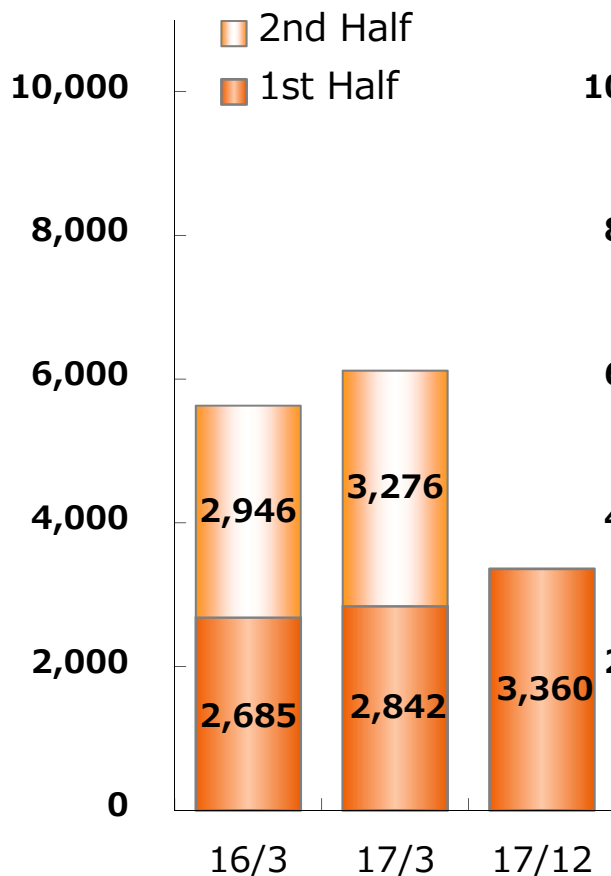
Capital Investments

(Millions of yen)



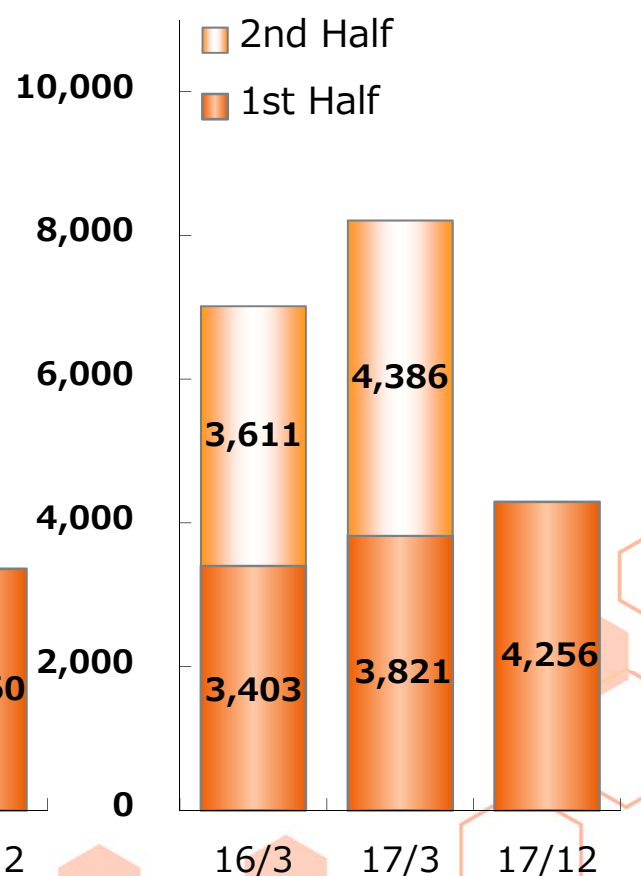
Depreciation

(Millions of yen)



R&D

(Millions of yen)



Balance Sheets

(Million of yen)

	As of September 30, 2017	vs March 31, 2017	
Current Assets	91,716	+3,068	
Cash and deposits	51,342	+1,679	
Notes and accounts receivable	21,015	+1,121	
Inventories	14,607	+994	
Property, plant and equipment	49,507	(158)	Buildings and structures +2,139 Machinery (866) Furniture and fixtures +161 Land +6 Construction in progress (1,658)
Intangible assets	564	(76)	
Investments and other assets	36,922	+1,385	
Current Liabilities	18,680	(856)	
Notes and accounts payable	10,097	+490	
Long-Term Liabilities	2,721	+696	Retained earnings +2,518 Treasury stock +117 Unrealized gain on available -for-sale securities +1,332 Foreign currency translation adjustments (67)
Total net asset	157,308	+4,377	
Total asset	178,710	+4,218	

Cash Flows

12

(Millions of yen)

	FY2017/3 1H	FY2017/12 1H	
Cash flows from operating activities	+5,494	+6,240	
Income before income taxes and minority interests	+4,966	+5,748	
Depreciation	+2,841	+3,360	
Decrease (increase) in trade notes and accounts receivable	(1,499)	(1,046)	
Decrease (increase) in inventories	(740)	(992)	
Decrease (increase) in trade notes and accounts payable	+457	+448	
Increase (decrease) in advances received	+5	(289)	
Income taxes paid	(1,219)	(1,193)	
Cash flows from investing activities	(5,180)	(3,057)	Major breakdown Purchases of property, plant and equipment (3,616)
Cash flows from financing activities	(1,261)	(1,388)	Major breakdown Purchases of treasury stock +146 Dividends paid (1,396) (incl. minority shareholders)
Translation adjustments	(1,907)	(21)	
Net increase (decrease) in cash and cash equivalents	(2,855)	+1,733	

Consolidated Performance Forecasts for FY2017 (2017.4-2017.12)

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Change in Fiscal Year-End

■ Detail of change in fiscal year-end

Current : end of march ⇒ after : End of December

■ Explanation about earnings of 1st half

			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	

Earnings Forecasts (Full-year)

15

(Millions of yen)

	FY2016 (2016.4-2016.12) Simulation result	FY2017 (2017.4- 2017.12) The initial forecast	FY2017/12 (2017.4-2017.12) Forecast	
				%
Net sales	80,761	88,800	91,900	+13.8
Operating income	9,310	8,400	8,700	(6.6)
Ordinary income	9,119	8,600	9,200	+0.9
Profit attributable to owners of parent	5,485	4,900	5,800	+5.7

Attention: 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 14 for details.

- Exchange rate assumptions (US\$) : ¥105.4/\$ (2016/12) ⇒¥110.0/\$ (2017/12)
- Net sales : Growth rate will increase to 13.8% due to the stronger-than-expected performance of the 1st half and Material Business.
- Operating income : Expect profits to decline, despite higher sales, owing to increased depreciation and costs associated with change in fiscal year-end.
- Profit attributable to owners of parent : Forecasted to decrease at the beginning of the year but revised to an increase based on the 1st half results.

Performance Forecasts by Business Segment^①

16

Full-year forecasts were revised upward with Material Business covering stagnant Equipment Business

(Millions of yen)

	FY2016 (2016.4-12) Simulation result	FY2017 (2017.4-12) *3	FY2017 (2017.4-12) Forecast *2	
				%
Net sales	80,761	88,800	91,900	+13.8
Material business	78,842	86,100	89,900	+14.0
Electronic functional materials	47,318	49,600	50,900	+7.6
High purity chemicals	31,026	35,900	38,400	+23.8
Equipment business *1	1,918	2,700	2,000	+4.2
Operating income	9,310	8,400	8,700	(6.6)
Material business	12,448	12,000	12,400	(0.4)
Equipment business	(333)	(333)	(700)	-
Eliminations and corporate	(2,804)	(3,000)	(3,000)	-

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

*2: 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 14 for details.

The initial forecast refers to the forecast for the fiscal year ending December, 2017 announced on May 9, 2017.

Capital Investments/Depreciation/R&D

17

(Millions of yen)

	FY2016/12 (2016.4-12) Simulation result	FY2017/12 The initial forecast	FY2017/12 (2017.4-12) Forecast	
				Change
Capital Investments	8,469	7,800	7,700	(769)
Depreciation	5,236	6,100	6,100	+863
R&D	6,240	6,900	7,100	+859

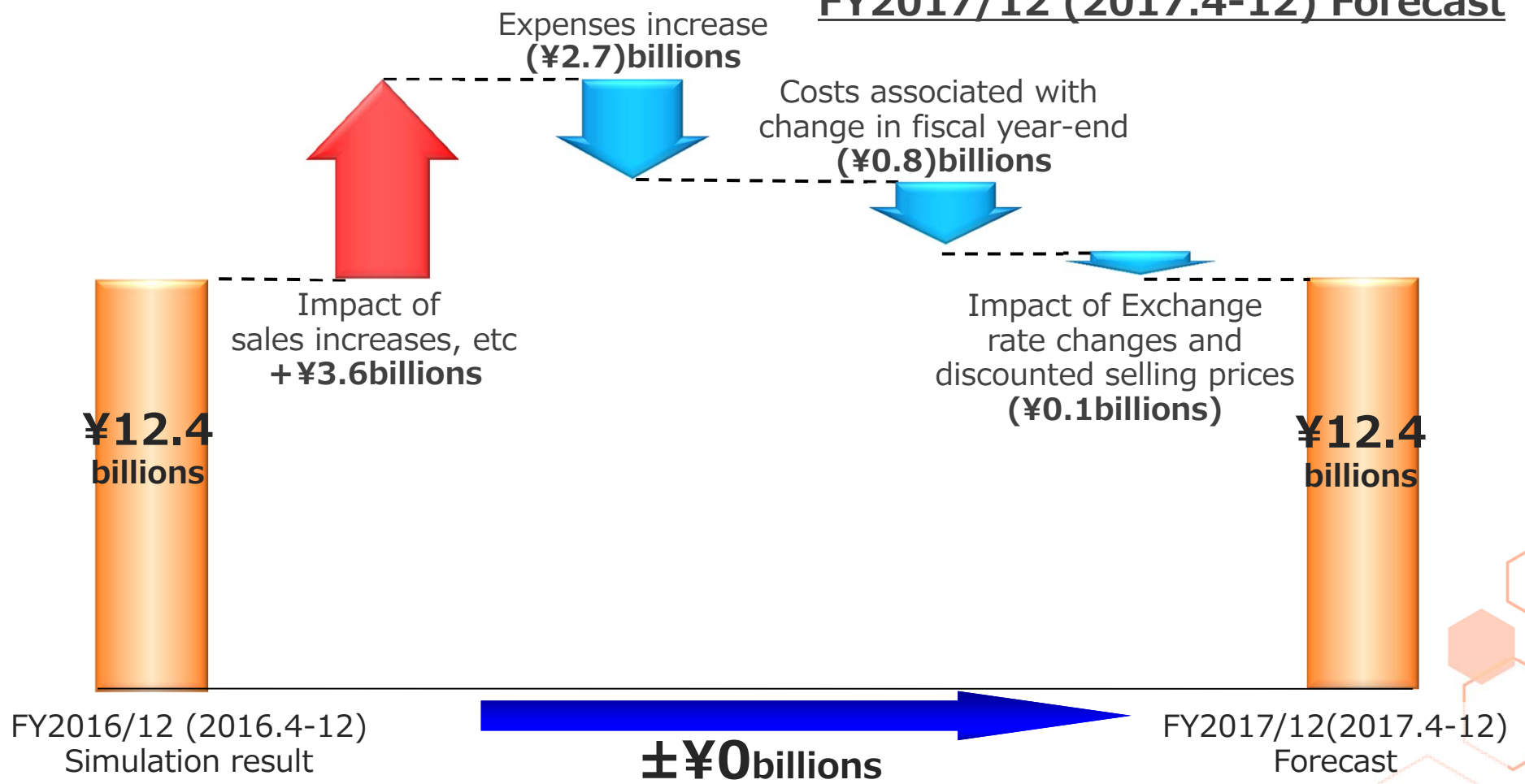
Attention : These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 14 for details.

The initial forecast refers to the forecast for the fiscal year ending December, 2017 announced on May 9, 2017.

Breakdown of the Charge in Operating Income (Material Business)

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

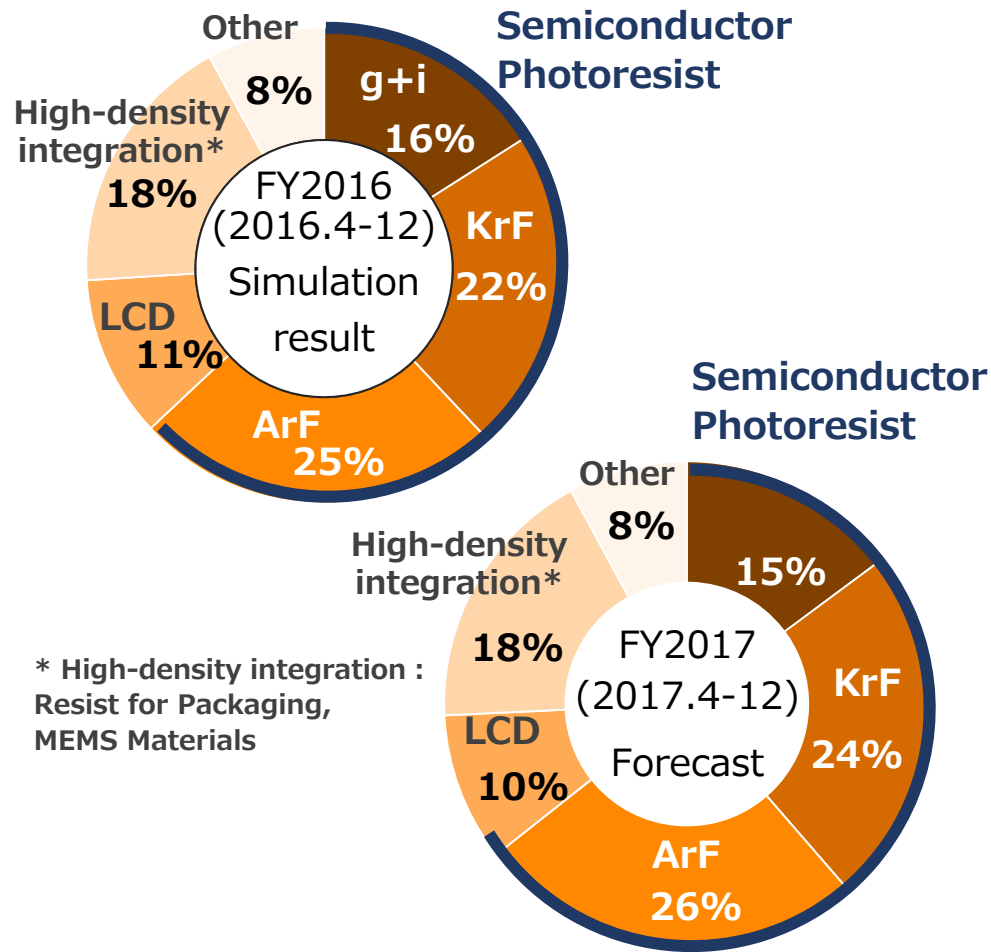
FY2017/12 (2017.4-12) Forecast



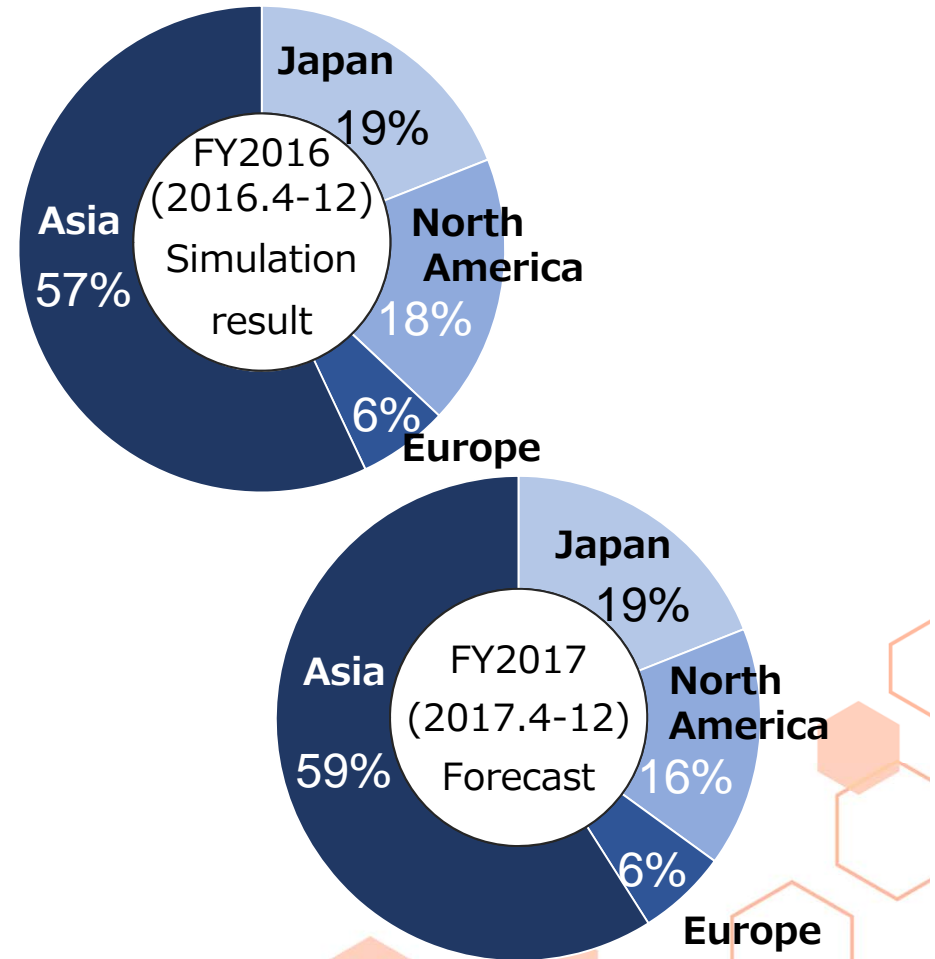
Attention : These are comparisons with the adjusted results for the fiscal year ended December, 2016 due to a change in fiscal year-end. Please refer to slide 14 for details.

Electronic Functional Materials Division

Sales Composition of Electric Function Materials by Type



Sales Composition of Semiconductor Photoresist by Region



Attention : 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 14 for details.

Performance Forecasts by Business Segment ②

(Our estimates assuming no change in the fiscal year-end)

20

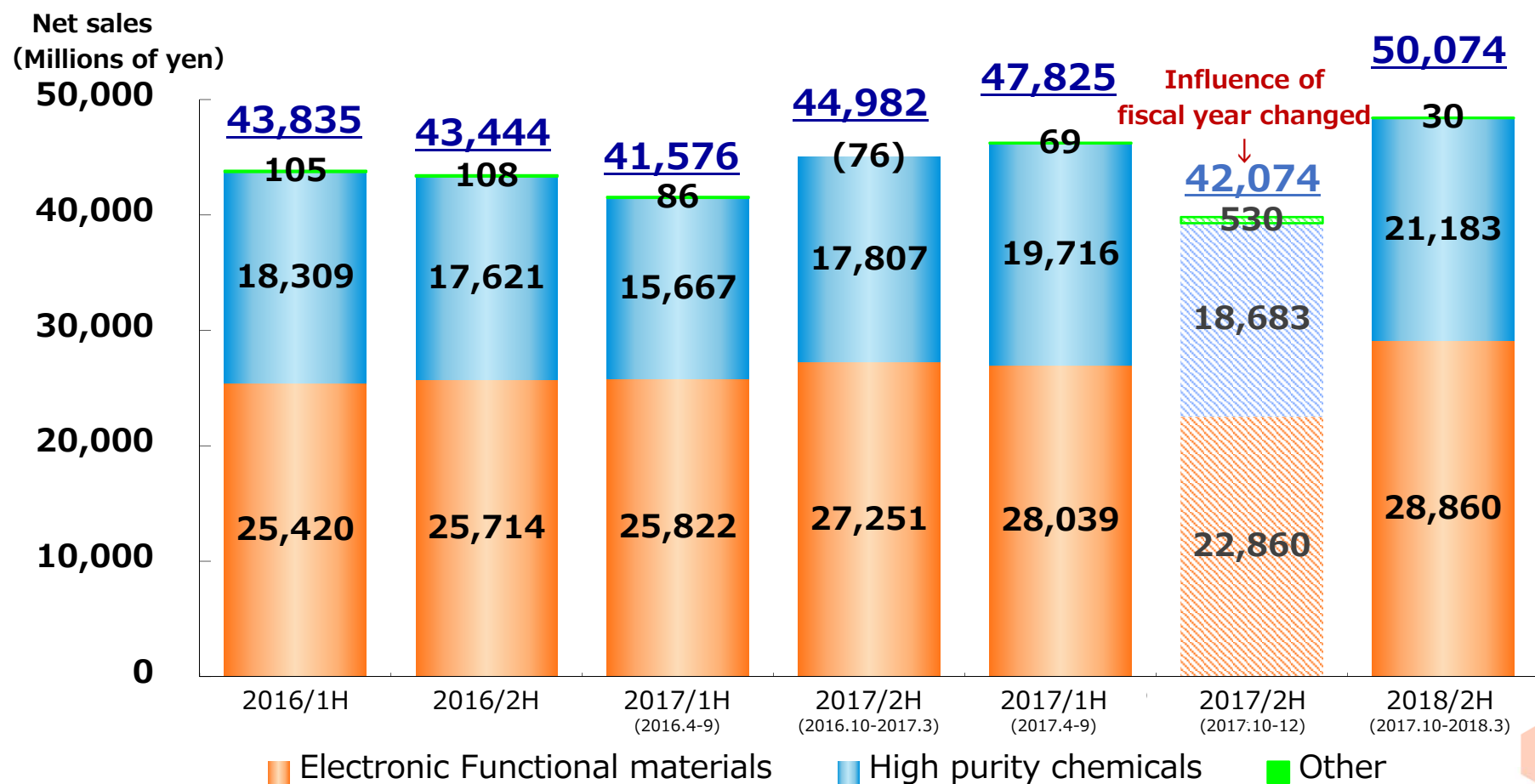
(Millions of yen)

	FY2017 (2016.4-2017.3) Result	FY2018 (2017.4-2018.3)	FY2018 (2017.4-2018.3)	
			Forecast*2	%
Net sales*1	88,764	98,500	100,800	+13.6
Material business	86,558	94,700	97,900	+13.1
Electronic functional materials	53,074	56,100	56,900	+7.2
High purity chemicals	33,475	38,500	40,900	+22.2
Equipment business*1	2,205	3,800	2,900	+31.5
Operating income	9,954	11,100	10,900	+9.5
Material business	14,470	15,300	15,400	+6.4
Equipment business	(750)	(500)	(700)	-
Eliminations and corporate	(3,764)	(3,700)	(3,800)	-

* 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.

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).

Initiatives in TOK Medium-Term Plan 2018

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ArF Photoresist

Will turn to a growth trend after prolonged stagnation.

- ❑ Demand increase in manufacturers newly adopting ArF resists/Implementation of the strategy of building close relationships with customers.
- ❑ Switch to new processes in major manufacturers' logic semiconductors/Accompanying demand increase.

KrF Photoresist

Asian markets as well as Japanese market contribute to sales growth.

- ❑ An expansion of mass production of 3D-NAND (64-layer level)/Response to accompanying demand increase.
- ❑ Acquisition of POR of thick-film photoresists for 96-layer.

High-density integration materials

Maintains potential for business growth despite a decline in sales growth rate.

- Resist for Packaging
 - ❑ Response to demand for FOWLP of major manufacturers.
 - ❑ Increase in new adoption in OSAT manufacturers.
- MEMS Materials
 - ❑ Address new needs of electronic components manufactures, etc.

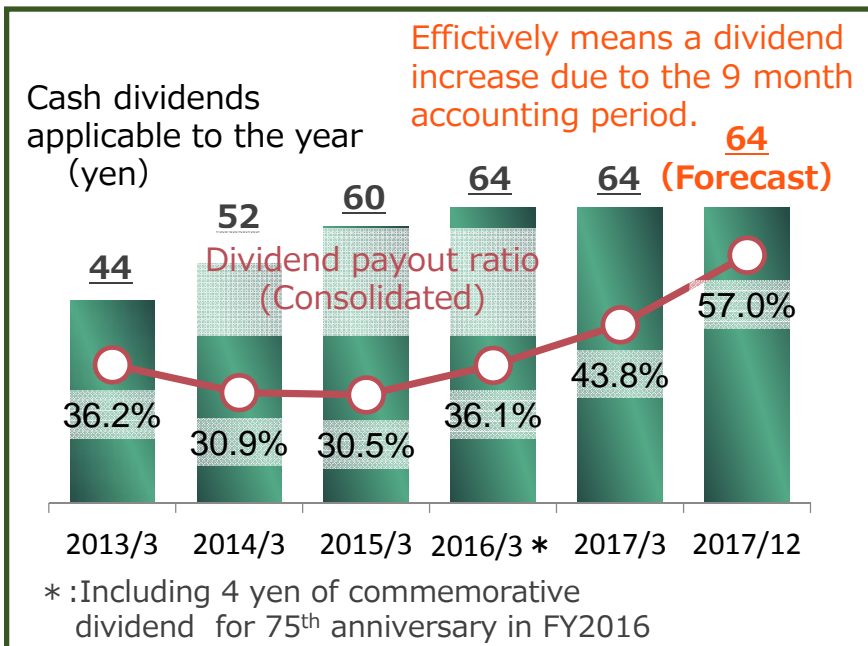
High purity chemicals

New products under the strategy of building close relationships with customers contribute to sales growth.

- ❑ Adoption of new products for new processes.

Returns to Share-holder

Implementation of flexible capital policies and further enhancement of shareholder returns



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

Purchase of treasury stock
 <November 7, 2017>

Number of stocks to be purchased:
 2.5 million shares(maximum limit)

Total purchase cost :
 10 billion yen(maximum limit)

Equivalent to 5.73% of the total shares issued
 (excluding treasury stock as of Oct. 31, 2017)

Purchase period:From Nov. 8, 2017
Though Apr. 27, 2018

Policy of returns to shareholders (points)

- (1) Considering the current level of dividends, continuously distributing dividends with a consolidated dividend payout ratio of above 40%
- (2) With a long-term perspective, comprehensively take into account financial position and business performance
- (3) From a long-term viewpoint, flexibly purchase treasury stock as return to shareholders



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



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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 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.

