

TOKYO OHKA KOGYO CO., LTD. Business Results

— The 1st Half of Fiscal Year ending Dec. 2018—

Aug. 9, 2018

TOKYO OHKA KOGYO CO., LTD.

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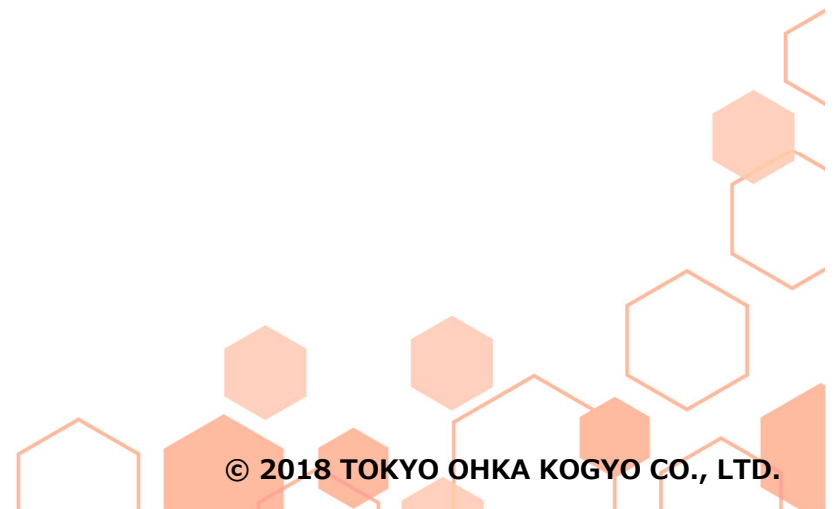
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Consolidated Business Results for the 1st Half of FY2018

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Explanation about earnings of FY2018/12 03

- Following a change in fiscal year-end, the results of FY2017/12 were reclassified to conform to the new fiscal period for the explanation about earnings of FY2018/12 (results/forecast).

* Approved by the 87th Ordinary General Meeting of Shareholders (held on June 28, 2017) (March 31 ⇒ December 31)

	2017/3		2017/12			2018/12				
		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		3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q
Overseas	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q



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

2017/6 Simulation result 2018/6

Summary

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(Millions of yen)

	FY2017/12 1H	FY2018/12 1H		
			Change	%
Net sales	48,063	50,748	+2,684	+5.6
Operating income	4,506	4,674	+167	+3.7
Ordinary income	4,893	4,675	(217)	(4.4)
Profit attributable to owners of parent	3,378	3,210	(168)	(5.0)

Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the 1st half of the fiscal year ended December, 2017 (January to June). Please refer to slide 3 for details.

- Average exchange rate (US\$) : ¥111.1/\$ (FY2017/12 1H) ⇒¥107.6/\$ (FY2018/12 1H)
- Net sales : Increased 5.6% due to a year-on-year sales increase both in the Material Business and the Equipment Business.
- Operating income : Increased 3.7% year on year partly due to a reduced loss in the Equipment Business despite the impact of rising raw materials costs.
- Profit attributable to owners of parent : Decreased 5.0% year on year due to special factors related to tax effect accounting, although operating income increased and extraordinary income or loss improved.

Non-operating Expenses or Income/ Extraordinary Losses or Income

05

(Millions of yen)

	FY2017/12 1H	FY2018/12 1H	YoY
Non-operating Expenses or income	386	1	(385)
Interest and dividend income	+185	+193	+8
(Foreign exchange related losses/gains)	(113)	(121)	(7)
Foreign exchange (loss) gain	+207	(514)	(721)
Loss(gain) on valuation of derivatives	(320)	+392	+713
Operating preparation expenses	–	(63)	(63)
Extraordinary losses or Income	(776)	(64)	+712
Impairment loss	(664)	–	+664
Loss on sales and retirement of noncurrent assets	(99)	(68)	+31

Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the 1st half of the fiscal year ended December, 2017 (January to June). Please refer to slide 3 for details.

Results by Business Segment

(Millions of yen)

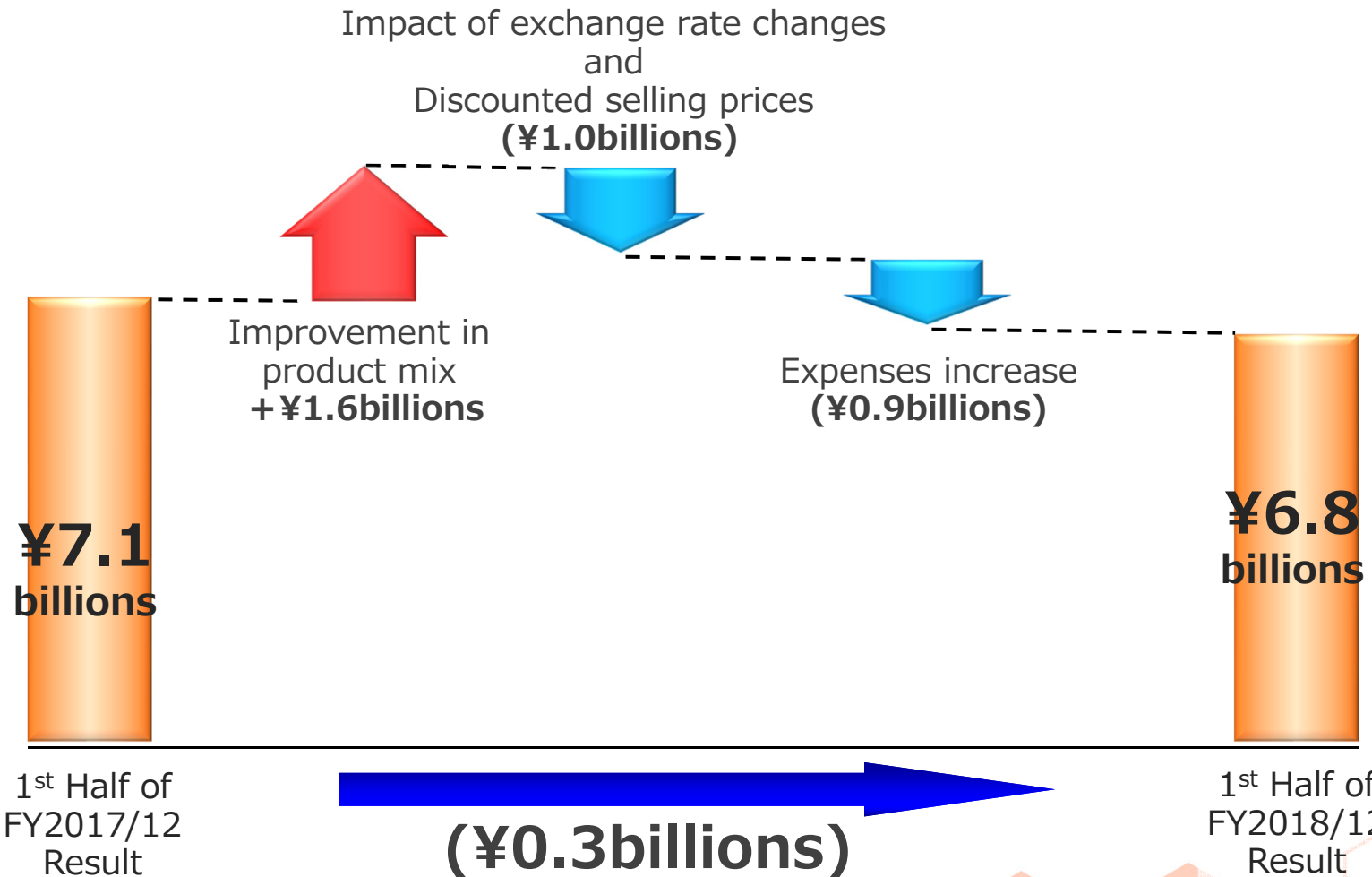
	FY2017/12 1H	FY2018/12 1H		
			Change	%
Net sales	48,063	50,748	+2,684	+5.6
Material business	47,385	49,686	+2,301	+4.9
Electronic functional materials	27,669	27,814	+144	+0.5
High purity chemicals	19,629	21,818	+2,189	+11.2
Other	86	53	(33)	(38.6)
Equipment business	677	1,061	+383	+56.5
Operating income	4,506	4,674	+167	+3.7
Material business	7,067	6,802	(265)	(3.8)
Equipment business	(662)	(321)	+341	—
Eliminations and corporate	(1,898)	(1,806)	+91	—

Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the 1st half of the fiscal year ended December, 2017 (January to June). Please refer to slide 3 for details.

Breakdown of the Charge in Operating Income (Material Business)

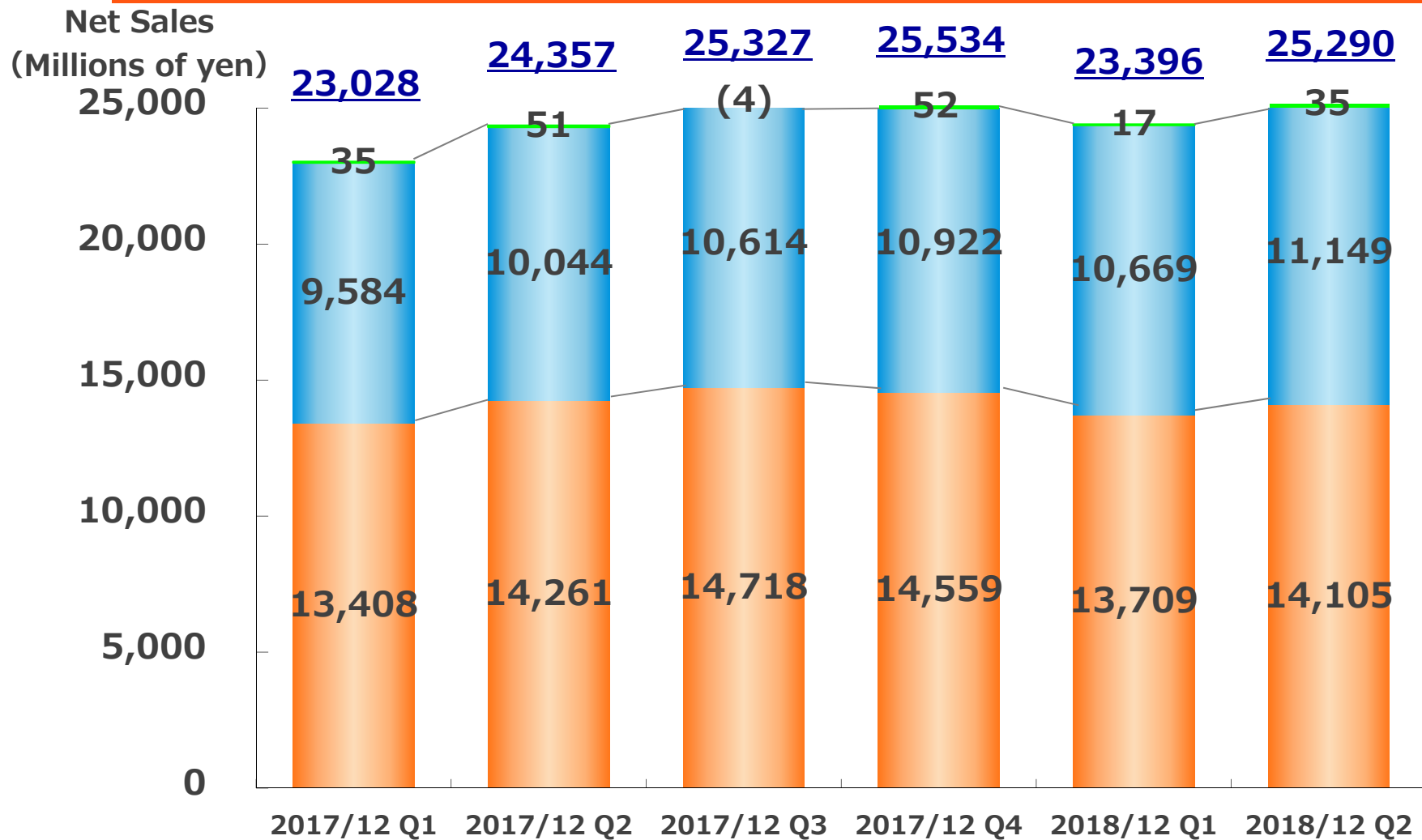
07

1st Half of FY2017/12 result v.s. 1st Half of FY2018/12 result



Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the 1st half of the fiscal year ended December, 2017 (January to June). Please refer to slide 3 for details.

Sales Breakdown of Material Business



■ Electronic functional materials
 ■ High purity chemicals
 ■ Other

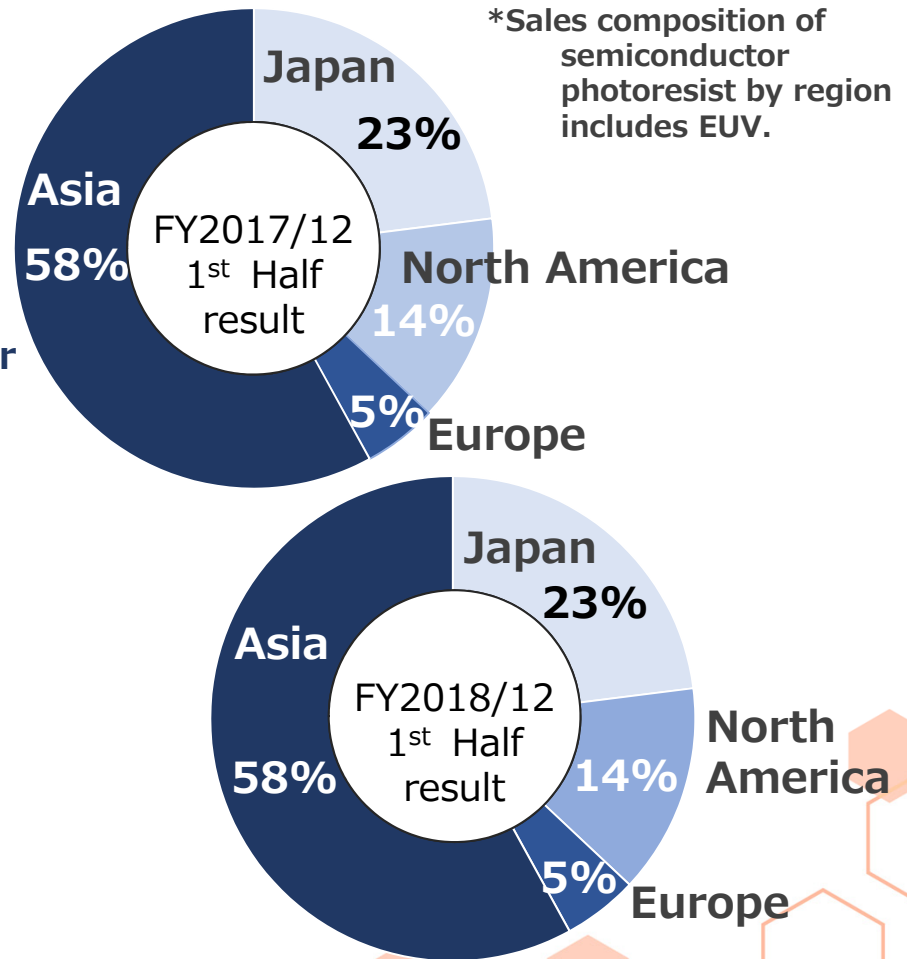
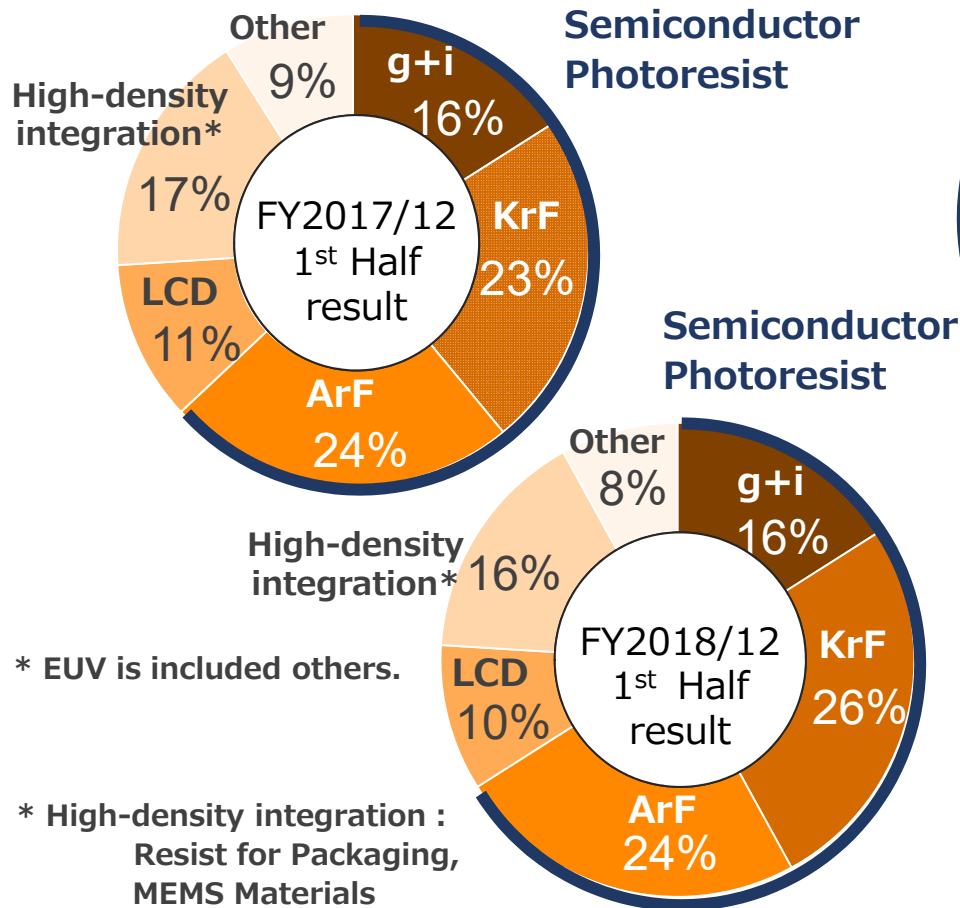
Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the quarter of the fiscal year ended December, 2017. Please refer to slide 3 for details.



Electronic Functional Materials Division

Sales Composition of Electric Function Materials by Type

Sales Composition of Semiconductor Photoresist by Region



*Sales composition of semiconductor photoresist by region includes EUV.

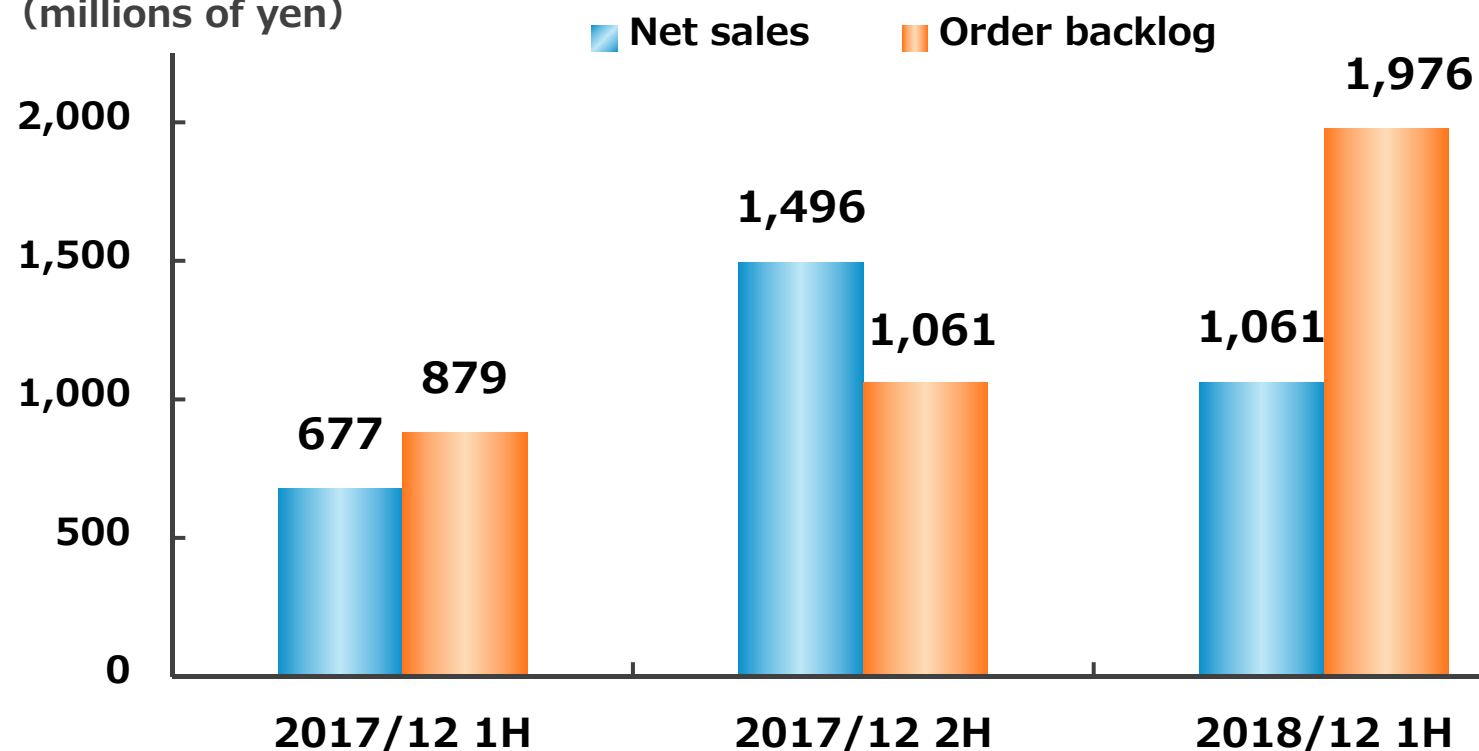
* EUV is included others.

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

Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the 1st half of the fiscal year ended December, 2017 (January to June). Please refer to slide 3 for details.

Equipment Business

Net sales/Order backlog
(millions of yen)



(Millions of yen)	2017/12 1H	2017/12 2H	2018/12 1H
Year-end order backlog	1,423	1,190	2,291

Note : Following a change in fiscal year-end, uses are made with the adjusted results for the 1st half and the 2nd half of the fiscal year ended December, 2017. Please refer to slide 3 for details.

Capital Investments/Depreciation/R&D

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(Millions of yen)

	FY2017/12 1H Simulation result	FY2018/12 (2018.1-6)		
			Change	%
Capital Investments	3,436	2,045	(1,390)	(40.5)
Depreciation	3,446	3,532	+86	+2.5
R&D	4,459	4,098	(360)	(8.1)

Note : Following a change in fiscal year-end, comparisons are made with the adjusted results for the 1st half of the fiscal year ended December, 2017 (January to June). Please refer to slide 3 for details.

Balance Sheets

(Million of yen)		
	As of June 30, 2018	v.s. December 31, 2017
Current Assets	94,876	+7,157
Cash and deposits	52,791	+8,609
Notes and accounts receivable	21,293	(1,260)
Inventories	15,967	+73
Property, plant and equipment	49,023	(2,680)
Intangible assets	511	+21
Investments and other assets	37,892	(875)
Current Liabilities	18,952	(2,790)
Notes and accounts payable	9,922	(522)
Long-Term Liabilities	12,894	+9,473
Total net asset	150,456	(3,060)
Total asset	182,304	+3,622

Buildings and structures	(37)
Machinery	(864)
Furniture and fixtures	(326)
Land	(131)
Construction in progress	(1,337)

Long-term debt	+10,000
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Retained earnings	+1,826
Treasury stock	(2,109)
Unrealized gain on available -for-sale securities	(1,036)
Foreign currency translation adjustments	(1,354)

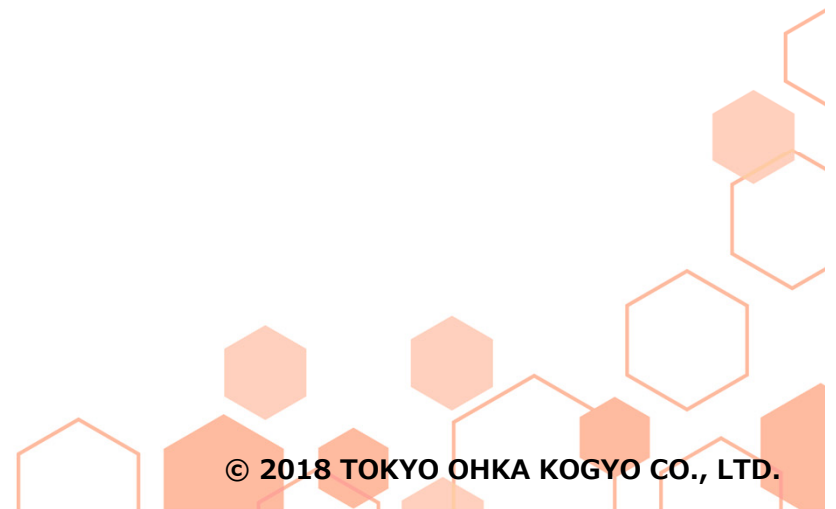
Cash Flows

	(Millions of yen)	
	FY2018/12 1H	
Cash flows from operating activities	+7,693	
Income before income taxes and minority interests	+4,611	
Depreciation	+3,532	
Decrease (increase) in trade notes and accounts receivable	+829	
Decrease (increase) in inventories	(496)	
Decrease (increase) in trade notes and accounts payable	(321)	
Increase (decrease) in advances received	+95	
Income taxes paid	(1,039)	
Cash flows from investing activities	(4,225)	Major breakdown Purchases of property, plant and equipment (3,835)
Cash flows from financing activities	+5,807	Major breakdown Proceeds from long-term debt +10,000 Purchases of treasury stock (2,212) Dividends paid (incl. minority shareholders) (1,929)
Translation adjustments	(686)	
Net increase (decrease) in cash and cash equivalents	+8,587	

Consolidated Performance Forecasts for FY2018 (2018.1-2018.12)

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Earnings Forecasts (Full-year)

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(Millions of yen)

	FY2017/12 Simulation result	FY2018/12 Forecasts		
			Change	%
Net sales	100,422	106,200	+5,777	+5.8
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	7,600	+714	+10.4

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

- Exchange rate assumptions (US\$) : ¥111.1/\$ (2017/12) ⇒¥108.0/\$ (2018/12)
- Net sales : Increased 5.8% due to a year-on-year sales increase both in the Material Business and the Equipment Business.
- Operating income : Forecast to increase 11.4% year on year due to an improvement in the Equipment Business while the Material Business is forecasted to show only a slight increase.
- Profit attributable to owners of parent : Will increase in conjunction with increasing operating income, rising 10.4% year on year.

Performance Forecasts by Business Segment

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(Millions of yen)

	FY2017/12 Simulation result	FY2018 Forecasts		
			Change	%
Net sales	100,422	106,200	+5,700	+5.8
Material business	98,247	102,600	+4,352	+4.4
Electronic functional materials	56,947	58,300	+1,352	+2.4
High purity chemicals	41,165	44,200	+3,034	+7.4
Equipment business	2,174	3,600	+1,425	+65.6
Operating income	9,878	11,000	+1,121	+11.4
Material business	14,868	15,100	+231	+1.6
Equipment business	(1,073)	(400)	+673	-
Eliminations and corporate	(3,917)	(3,700)	+217	-

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

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

Capital Investments/Depreciation/R&D

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(Millions of yen)

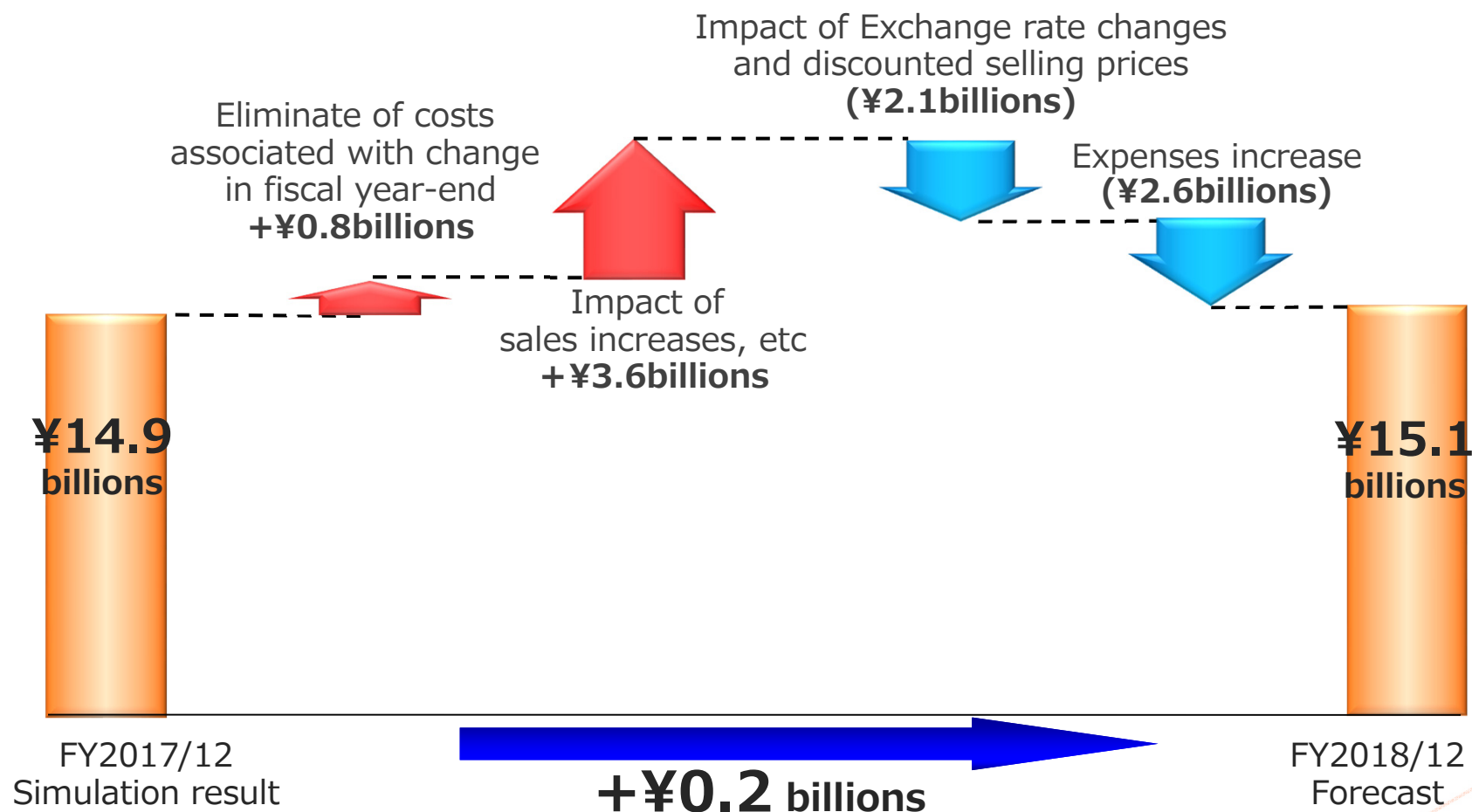
	FY2017/12 (2017.1-12) Simulation result	FY2018/12 Forecast		
			Change	%
Capital Investments	7,633	6,900	(733)	(9.6)
Depreciation	6,917	7,200	+282	+4.1
R&D	8,888	8,500	(388)	(4.4)

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

Breakdown of the Charge in Operating Income (Material Business)

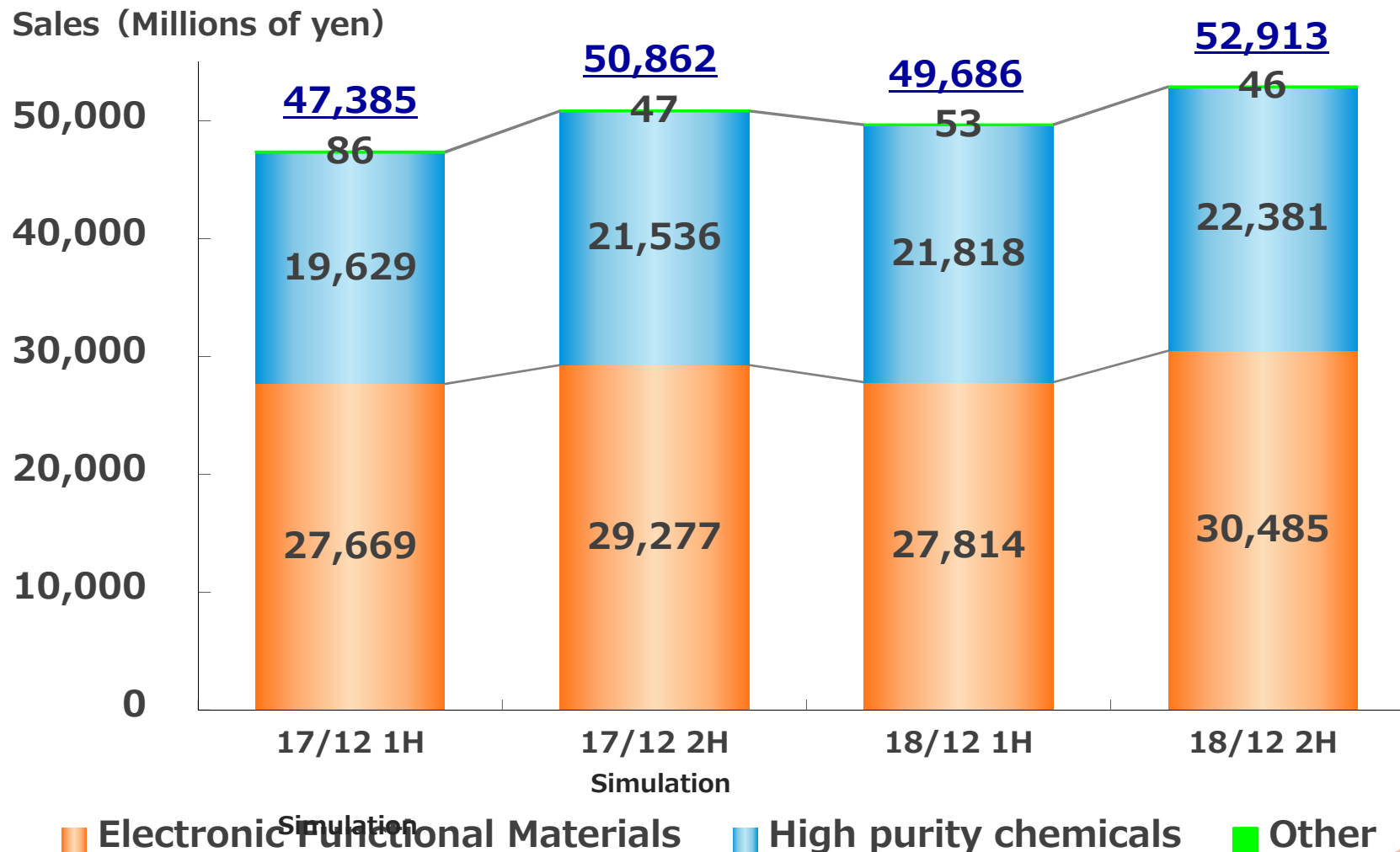
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FY2017/12 Simulation Result v.s. FY2017/12 Forecast



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

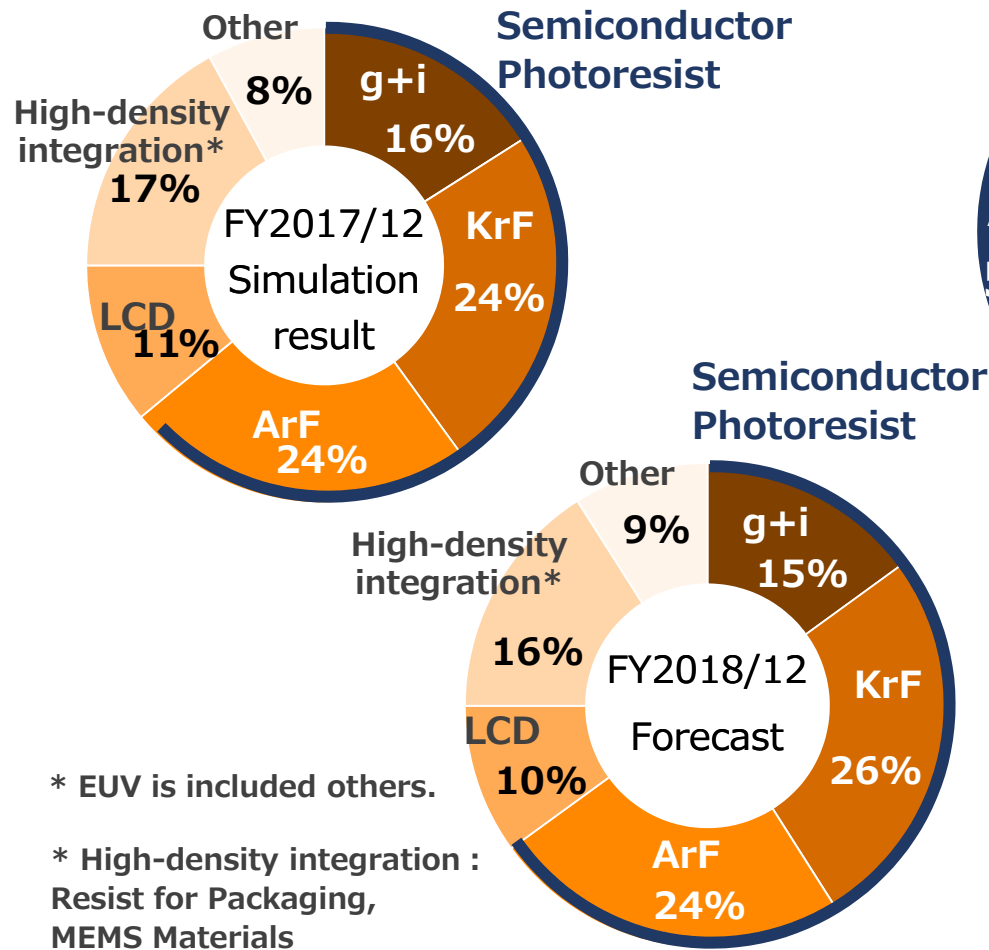
Sales Breakdown of Material Business (Forecast) 19



Note : Following a change in fiscal year-end, uses are made with the adjusted results for the 1st half and the 2nd half of the fiscal year ended December, 2017. Please refer to slide 3 for details.

Electronic Functional Materials Division

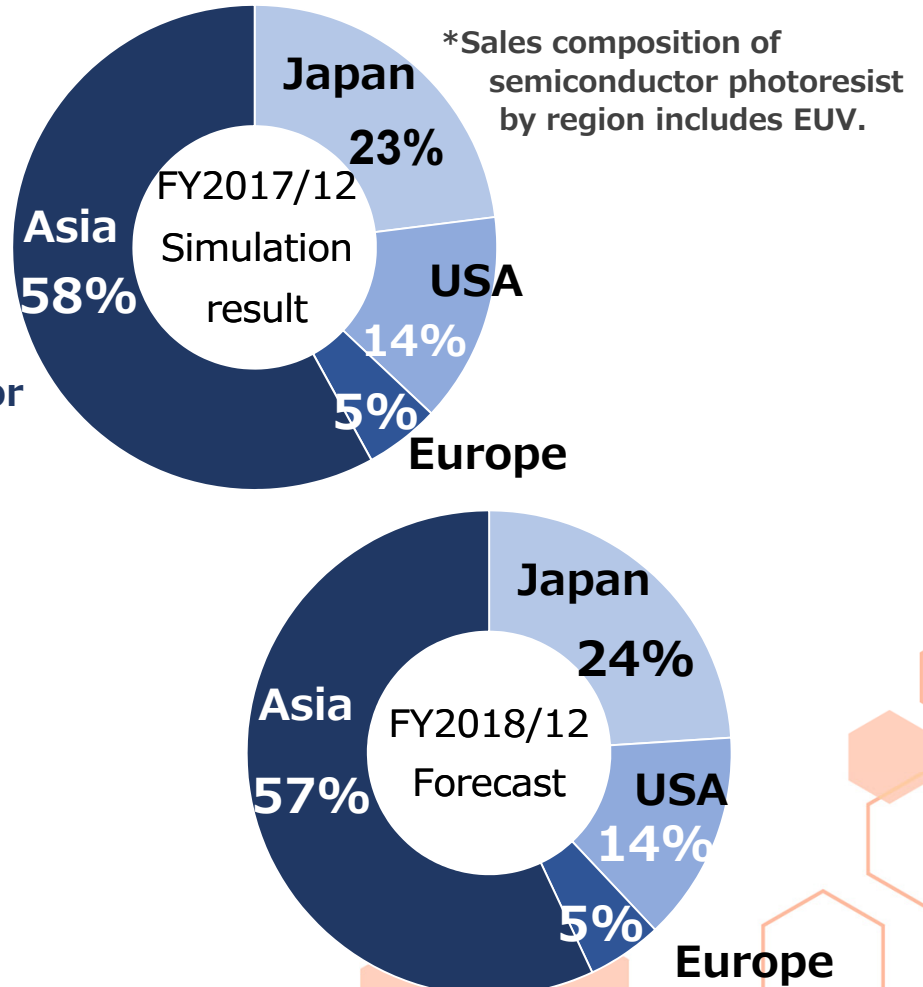
Sales Composition of Electric Functional Materials by Type



* EUV is included others.

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

Sales Composition of Semiconductor Photoresist by Region



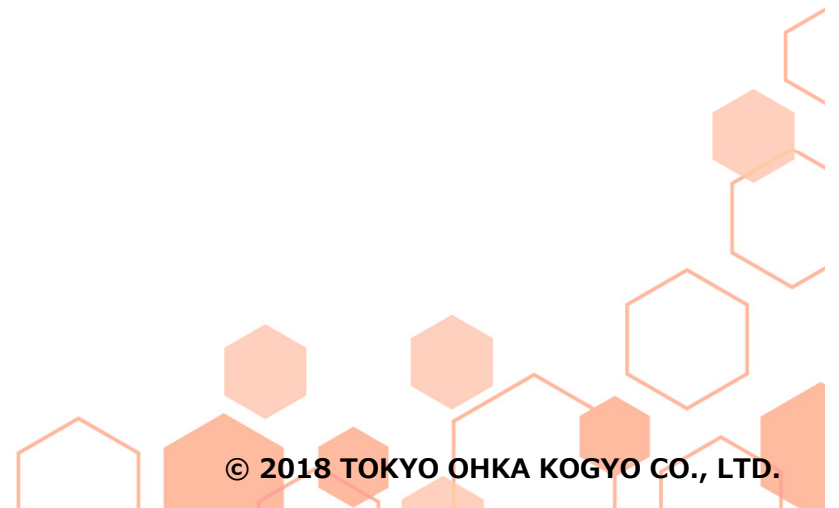
*Sales composition of semiconductor photoresist by region includes EUV.

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

Future Priority Activities

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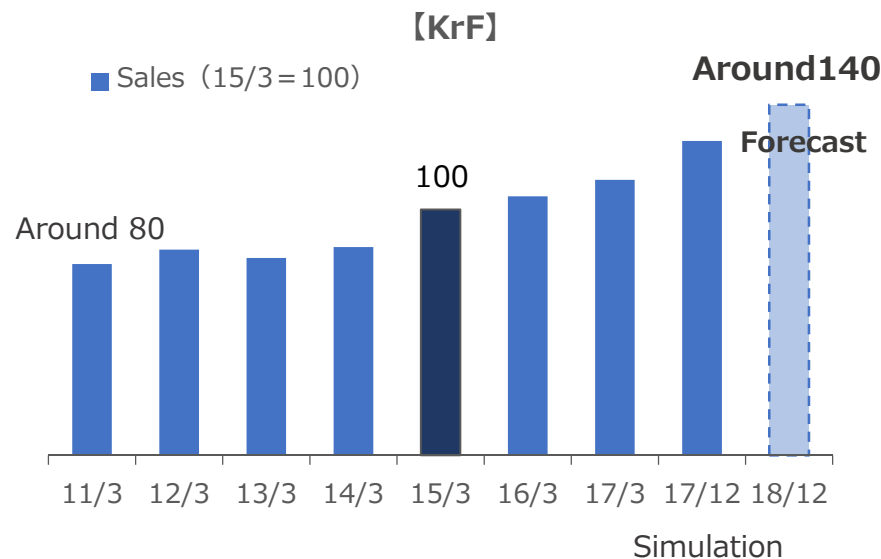
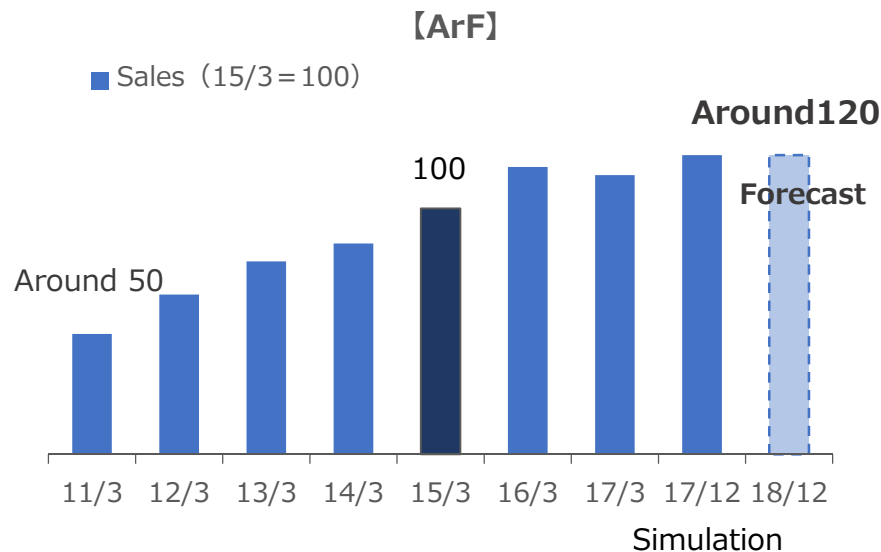
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Trend by Product (Initial/Current Outlook) 22

Business/Products	Initial Outlook (2018/2)	Current situation and Outlook
ArF	<ul style="list-style-type: none"> Sales increase due to operation of next-generation production line (Asia, USA) 	<ul style="list-style-type: none"> Asia : Demand increase is expected due to expansion of mass production USA : Full-scale shipment is expected in 2019
KrF	<ul style="list-style-type: none"> Continued adoption for next-generation 3D-NAND (Japan, Asia) 	<ul style="list-style-type: none"> Japan : Currently responding to materials selection for next-generation 3D-NAND. Strong demand is expected to continue Asia : Respond to materials selection for next-generation
High-density integration materials	<ul style="list-style-type: none"> Expand production lines that use Bump (Asia) 	<ul style="list-style-type: none"> Asia : Demands for bump fabrication in major customers is expected to increase (package materials) Expected to start picking up from 2H (MEMS materials)
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"> Asia : Shipments are favorable. Strong demand is increasing USA : Shipment started but full-scale shipment is expected to start in 2019
Equipment business	<ul style="list-style-type: none"> Develop TSV equipment into a next-generation memory production (Asia) 	<ul style="list-style-type: none"> Obtain orders from customers (TSV equipment)
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"> Sales are expected to increase from the end of FY2018/12

Future Priority Activities ① : ArF/KrF



ArF : Direction of activities

□ Recovery of sales growth potential

- DRAM : Continue the activities to regain our market share among major customers in Asia and USA
- Logic : Expand our market share in a major customer in USA

KrF : Direction of activities

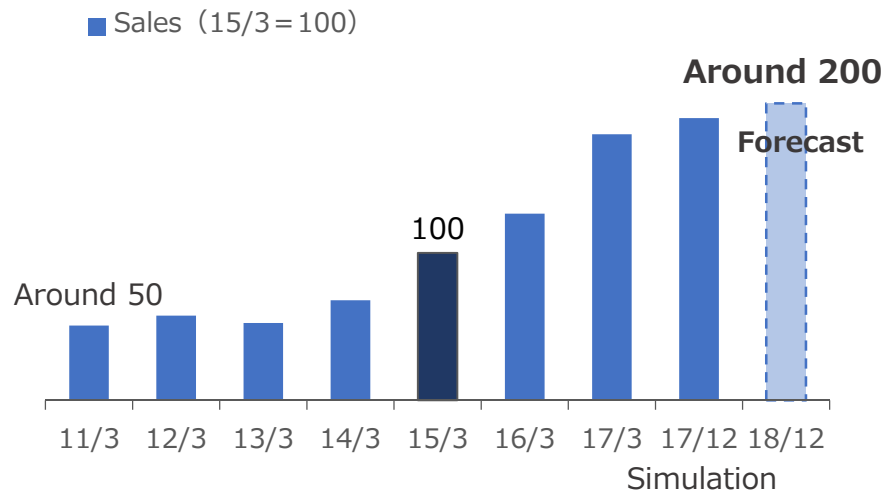
□ Maintain the recent sales growth and strengthen it further

- Proactive actions to meet growing demands for 3D-NAND
 - Japan : Secure our market share with closely related R&D with customers
 - Asia : Expand our market share by strengthening capability to meet customers' process

(Note) TOK renewed record high earnings in the FY2015/3.

Future Priority Activities ② : High-density integration materials

【Packaging Materials】

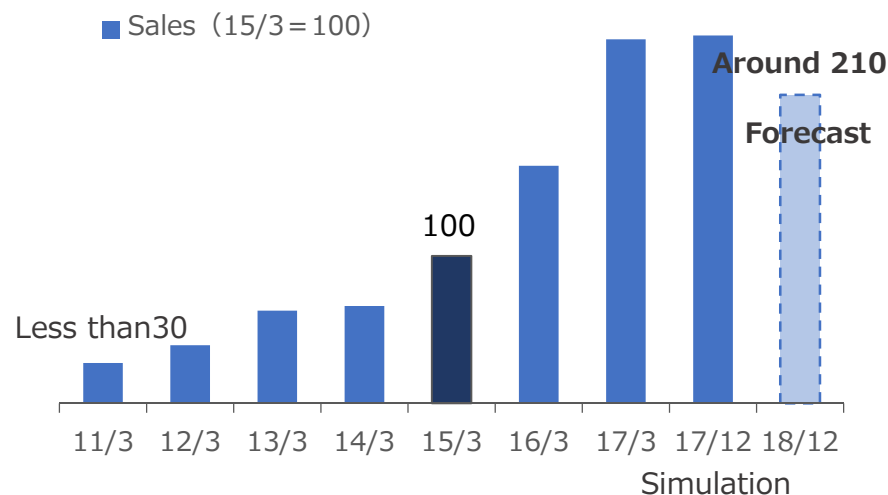


Packaging Materials : Direction of activities

□ Maintain growth amid increasingly fierce competition

- Strengthen price competitiveness amid growing technical requirements
- Maintain our market share among major customers and acquire new customer needs
- Respond proactively to OSAT in Asia

【MEMS Materials】



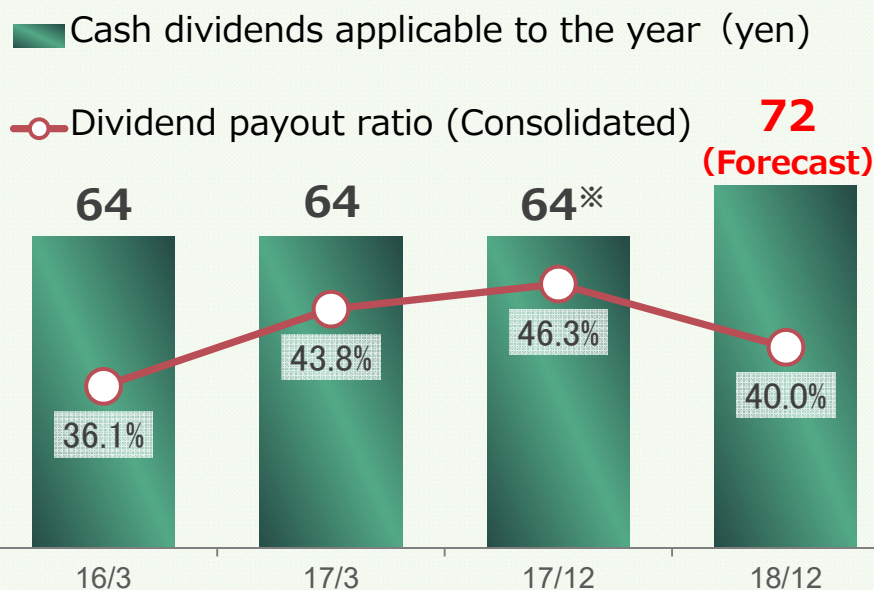
MEMS Materials : Direction of activities

□ Enhance stable sales growth

- Further develop customer base
- Win adoptions by major electronic component manufacturers in USA, Japan, and Asia
- Penetrate into and acquire new customers in the Chinese market

TOK pursues a new best balance of investment, cash reserves, shareholder returns

1. Enhancing Shareholder Returns



* :Including 4 yen of commemorative dividend for 75th anniversary in FY2016

■ Clear dividend policy and its operation

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

(Current dividend policy was implemented from FY2017/3)

■ Purchase of treasury stock

(From Nov. 8, 2017 through Feb. 9, 2018)

- Total purchase cost : Approx. 10billion yen
(Number of stocks to be purchased :
Approx. 2.04million shares)

2. Close attention to capital cost

■ Use of long-term debt finance

- Funding through long-term debt
(Balance at the end of June 2018:10billion yen)

<https://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.

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