

tok Medium-Term Plan 2018

(From April 1, 2016 to March 31, 2019)

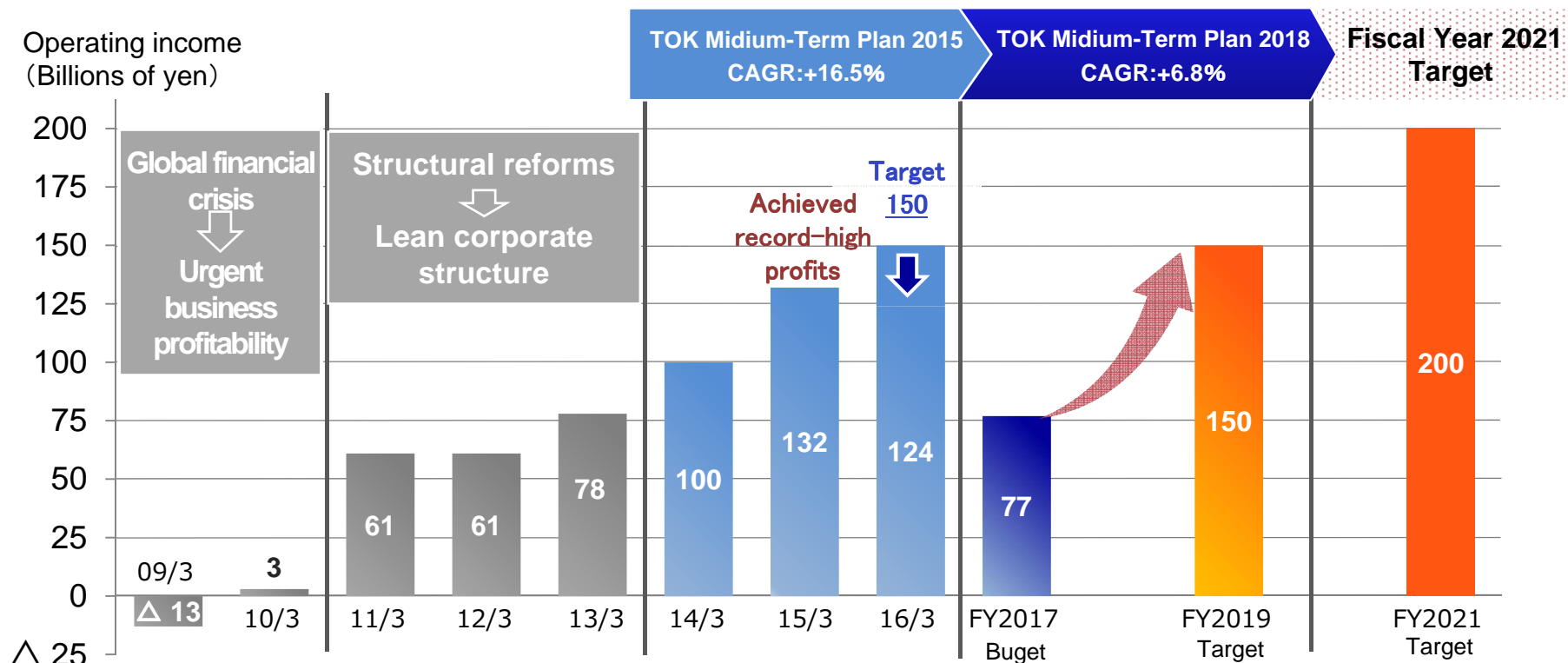
-Challenge for the Future ! -

May 11, 2016

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1. TOK Medium-Term Plan 2015/ Next Medium-Term Plan



Achieved record-high profits, but growth faltered in the final year, missing the target

Outlook for Next Medium-Term Plan
(TOK Medium-Term Plan 2018)

Despite profit decline forecast in the first year,
aim for new record profit in the final year

2. Review of TOK Medium-Term Plan 2015

■ Sales Target Achievement of Mainstay Products

(Note) Size of diagram does not reflect the sales volume.

■ Electronic functional materials

Surpassed(↗)	High purity chemicals		
Almost achieved (⇔)	ArF	KrF	g+i
Unachieved(↘)	LCD materials	New business / New material	Equipment business

↗ High purity chemicals

- ✓ Succeeded in differentiation based on development and sales expansion of high-quality grade tailored to customer's processes.

⇔ ArF: Driven by North American sales

⇔ KrF: Contribution from double-digit annual growth in Asia

⇔ g+i : Secured positive growth

⇔ High-density integration materials

- ✓ Succeeded in sales expansion among major OSAT manufacturers and developing new customers.

↘ LCD materials: Change in industry environment, no progress on new adoption

↘ New business / New material

- ✓ Renewable energy (photovoltaic related): Did not progress as expected, lackluster performance

- ✓ Rechargeable battery: Rechargeable microbatteries, etc.: Not commercialized

↘ Equipment business: Delay in market startup

(Millions of yen)	2016/3	
	Target	Results
Net sales	99,000	89,969
Material business	88,000	87,280
Electronic functional materials	62,300	51,134
High purity chemicals	25,500	35,931
Other	200	214
Equipment business	11,000	2,689
Operating income	15,000	12,438
Material business	16,800	16,203
Equipment business	1,500	△423
Eliminations and corporate	△3,300	△3,342



Made progress in the strategy of building a close relationship with customers, but reform of business portfolio delayed

3. TOK Medium-Term Plan 2018 Outline/Earnings Targets

Growth strategies to reverse a first-year profit decline, aiming for record-high profits

(Millions of yen)	2016/3	2019/3	Change	CAGR
Net sales	89,969	120,000	+30,030	+10.1%
Material business	87,280	110,000	+22,719	+8.0%
Electronic functional Materials	51,134	68,000	+16,865	+10.0%
High purity chemicals	35,931	37,000	+1,068	+1.0%
Other	214	5,000	+4,785	—
Equipment business	2,689	10,000	+7,310	+58.2%
Operating income	12,438	15,000	+2,561	+6.8%
Material business	16,203	17,000	+796	+1.6%
Equipment business	△423	1,700	+2,123	—
Eliminations and corporate	△3,342	△3,700	△357	—
Ordinary income	12,684	15,000	+2,315	+5.7%
Profit attributable to Owners parent	7,176	10,000	+2,283	+9.0%
Exchange rate (US\$/yen)	119.3	105.0	△14.3	—

(Millions of yen)	2011/3~13/3	TOK Medium-Term Plan 2015 (2014/3~16/3)	TOK Medium-Term Plan 2018 (2017/3~19/3)	Change
Capital investments	10,195	27,774	34,000	+6,226
Depreciation	12,190	12,581	22,000	+9,419
R & D	18,729	20,308	24,000	+3,691

4-1. TOK Medium-Term Plan 2018 Company-wide strategy

As an R&D-driven company, focus on high added value to establish presence

Renew mainstay products

- ArF Increasing demand for 1Xnm generation, win customers adopting 10nm or less
- KrF Increase adoption of thick-film photoresists for 3D-NAND
- High-density integration materials
New/advanced processing applications (e.g. FO-WLP)
MEMS materials
- Display materials High value-added materials for advanced process
- High purity chemicals Introduce new Clean Solution

- Promote business renewal
- Develop new business domains
(Open Innovation, etc.)

New Business/New Materials

- Commercialize focus themes (functional films, NIL, etc.)
- Develop promising themes
- Accelerate creation of new themes ⇒ established Corporate Venturing Div.

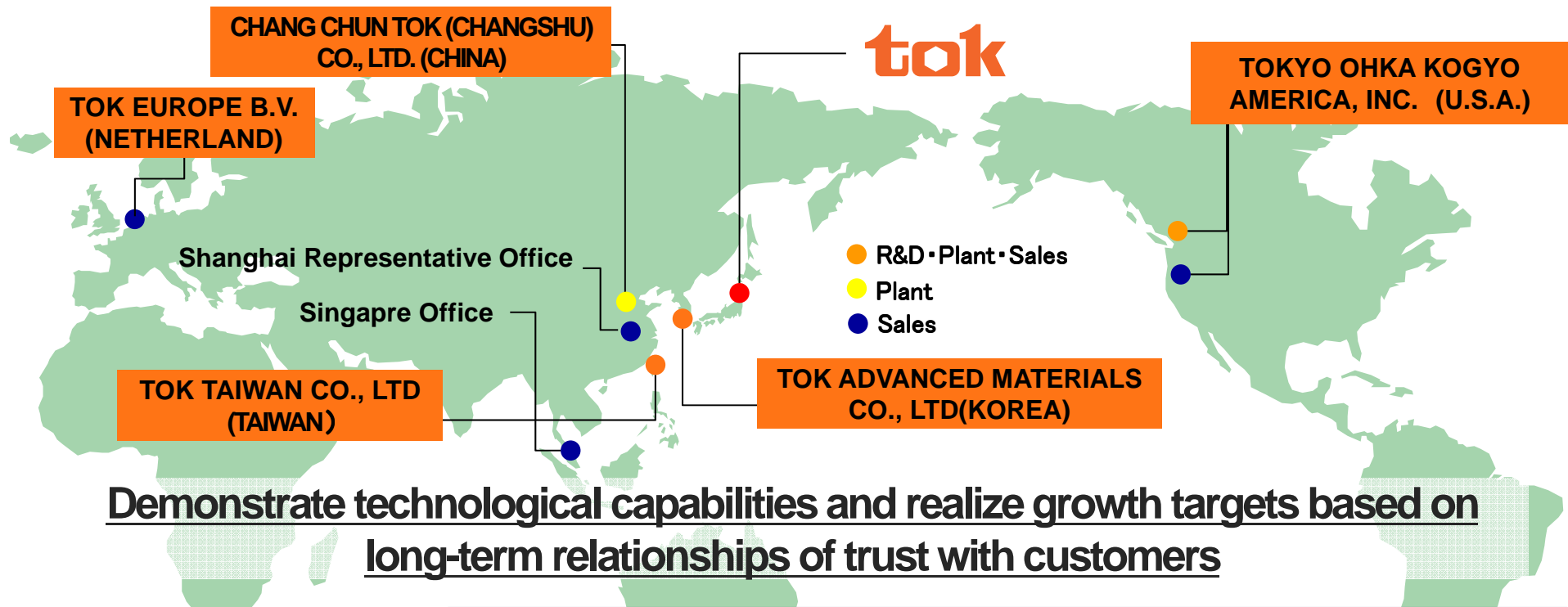
Versatile applications of the products

- CMOS image sensor applications
- Electronic components application
- Power device application

4-2. TOK Medium-Term Plan 2018 Company-wide strategy

Evolution of strategy of building a close relationship with customers

Transition from structure-building to harvesting stage



ArF : Increase market share
Over 30%



- KrF (Further increase market share by 3D-NAND application as a pillar)
- High-density integration materials (Expand newly developed products)
- High Purity Chemicals (Capture needs for higher quality products)
- Chinese marker (Strengthen customer support structure)

4-3. TOK Medium-Term Plan 2018 Company-wide strategy

Focus on three equipment fields and strengthen sales based on three approaches

Equipment: Develop/Sale of new equipment

Coating machine for LCD



Spin Coater for thick film



Developing machines for thick film



TSV equipment field

Zero Newton Bonding machines



Zero Newton Deboning machines



UV curing machines

⇒OLED display
Approach to the new applications/new line

Next-generation OLED Display manufacturing equipment

Approach to prototype development line

Approach to Foundry/OSAT
⇒Utilization of TSV technology

FO-WLP
(Fan-Out Wafer Level Packaging)

FO-PLP
(Fan-Out Panel Level Packaging)

Sale of components • materials: 3 equipments field
Service: repair • remodel

~2013/3

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TOK Medium-Term Plan 2018
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FY2021~

5-1. ROE

FY2021

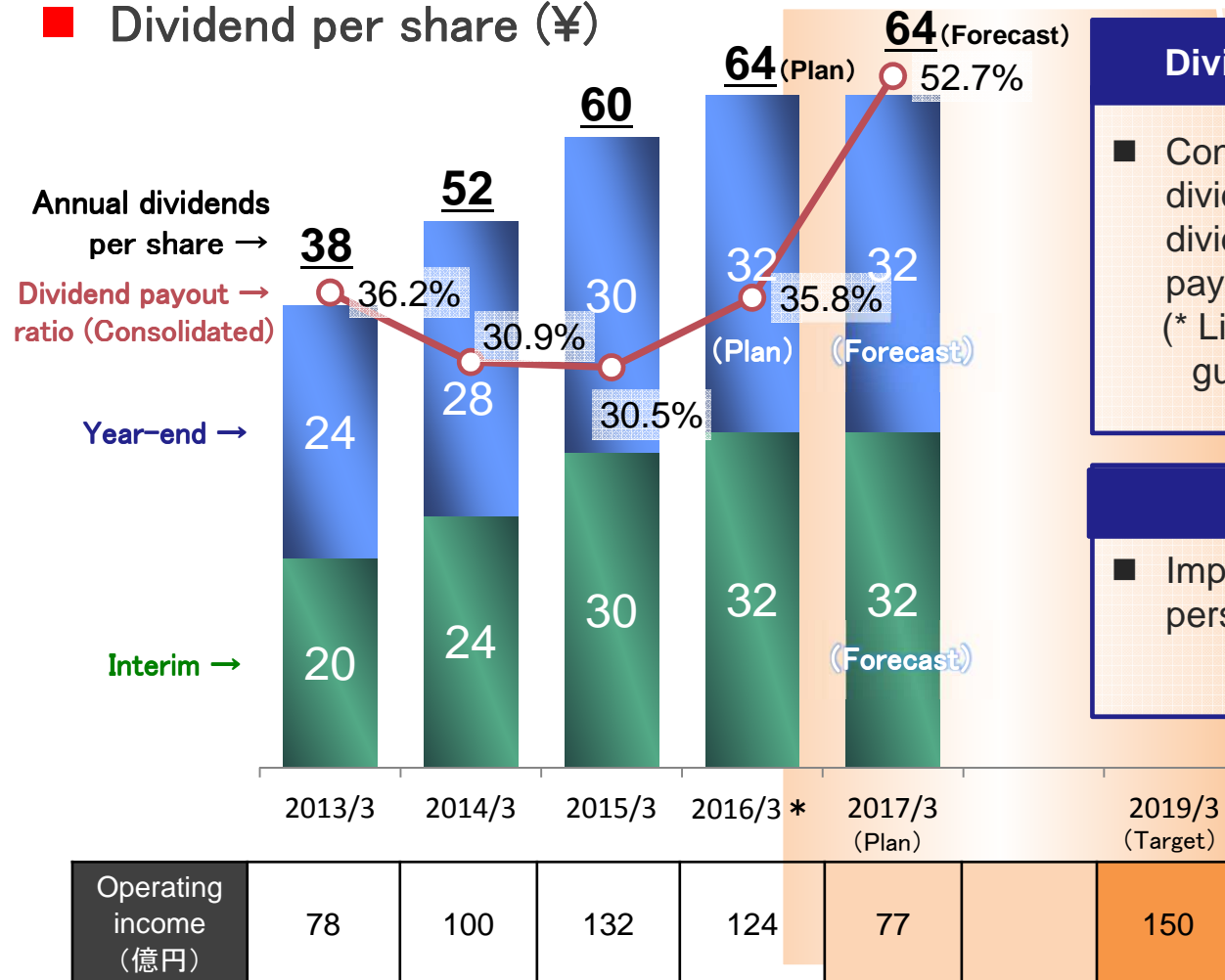
Aim to realize solid financial position and ROE of over 8%

- Approach to improving ROE
 - ✓ **TOK Medium-Term Plan 2018** (From April 1, 2016 to March 31, 2019)
 - : Period of upfront investment for growth
 - ⇒ ROE target (FY2019) : over 7% Achieve targets based on profit growth
 - ✓ Aim to realize over 8% in FY2021

5-2. Returns to Shareholders

Enhance returns to shareholders with emphasis on dividends

■ Dividend per share (¥)



Dividend policy (FY2017 onwards)

- Considering the current level of dividends, continuously distribute dividends with a consolidated dividend payout ratio of over 40%
(* Lift consolidated dividend payout ratio guideline from over 30% to over 40%)

Purchase of treasury stock

- Implement flexibly from a long-term perspective

<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.