

FY2020 Business Results

(April 1, 2020-March 31, 2021)

May 11th, 2021



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Financial results for FY2020

- Thanks to brisk Semiconductor/Electronic devices demand and strong investment trend for advanced semiconductor, our net sales and profit achieved historical record. Net profit exceeded 42% over our projection.
- Net sales: 27,164million yen (YoY+2,708million yen, +11%)
- Profits: Operating profit 2,939million yen (YoY+754million yen, +35%)
Ordinary profit 2,982million yen (YoY+920million yen, +45%)
Net profit 2,345million yen (YoY+493million yen, +27%)

(Million yen)	FY2019 Results	FY2020 Projections	FY2020 Results	Change	YoY %	Comparison with FY2020 projections Change	%
Net sales	24,455	26,000	27,164	+2,708	+11.1%	+1,164	104%
Operating profit	2,184	2,600	2,939	+754	+34.6%	+339	113%
Ordinary profit	2,061	2,500	2,982	+920	+44.6%	+482	119%
Net profit	1,852	1,650	2,345	+493	+26.6%	+695	142%
Net profit per share (Yen)	233.43	207.89	295.57				
Dividends per share (Yen)	20.00	20.00	20.00				
FX Rate (USD)	¥108/\$	¥105/\$	¥110/\$				

The summary of FY2020 financial results

■ Net sales

- ✓ 27,164million yen (YOY+2,708million yen, +11%)
- ✓ Photosensitive materials: High end material such as PAG and Polymer increased.
- ✓ Chemicals: EL materials increased and Aroma chemicals keep good sale. Logistic business (Chemical Terminal) had a less movement of good in 1st half, but returned to normal level now.

■ Operating profit

- ✓ 2,939million yen (YOY+754million yen, +35%)
- ✓ Labor cost (+329mio yen) and depreciation (+128mio yen) and etc. for capacity up for photosensitive material was well compensated by sales increase, then increased in profit.
- ✓ High valued product sales expansion contributed an increased in plant operation rate.

■ Ordinary profit

- ✓ 2,982million yen (YOY+920million yen, +45%)
- ✓ Insurance money received (+66mio yen) ,FX gain (+49mio yen) are counted into the statement. There are no FX loss which was counted into the last year statement (56mio yen improvement) .

■ Net profit

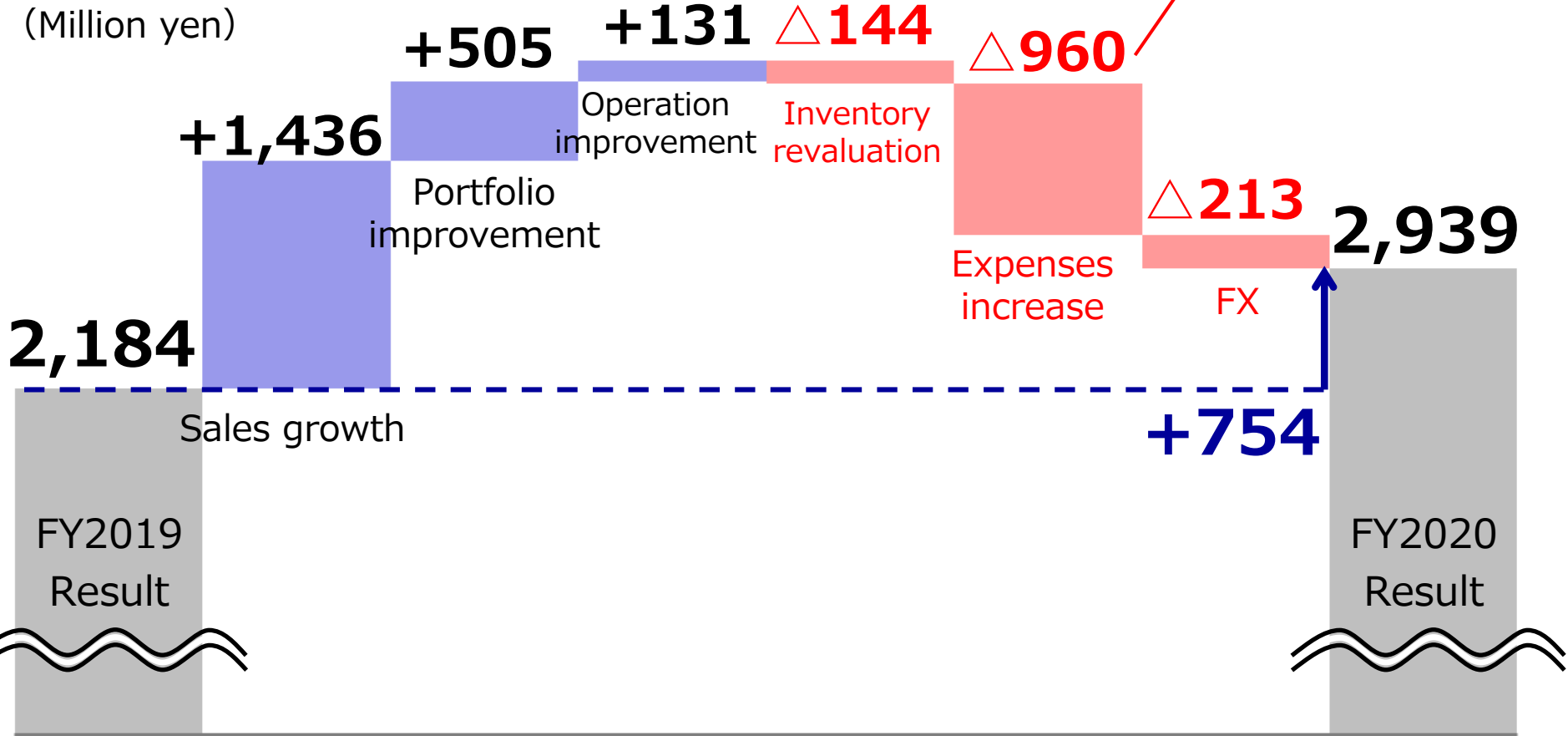
- ✓ 2,345million yen (YOY+493million yen, +27%)
- ✓ No Differed tax asset which was counted in the last year statement.
- ✓ Corporate tax decrease by tax credit due to new production building construction.

Change analysis: Operating profit

- Sales and high valued products business expansion contributed for profit increase, then it well absorbed the fixed cost increase for business growth.

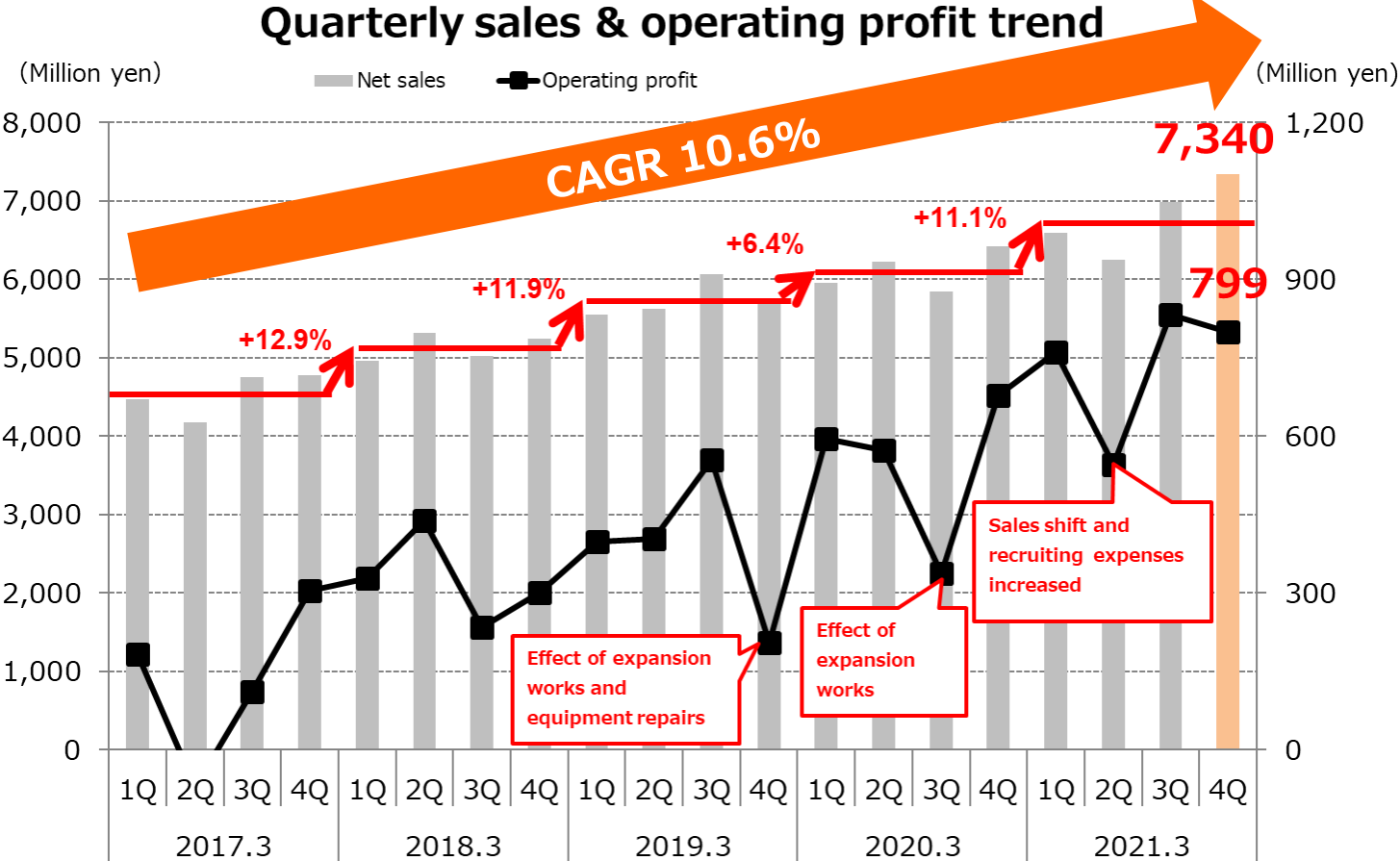
Advanced expenditure increased for production capacity up (Depreciation, maintenance & repair, wage, disposal loss)

(Million yen)



Quarterly sales & operating profit trend

- Q4 sales 7,340million yen (YOY+921mio yen, +14%)
 Operation profit 799million yen (YOY+120mio yen, +18%) as continuing record high.
- Sales CAGR 10.6% and Operation profit CAGR 53.7% , steadily growing.



FY 2020 Statement of income

- Sales 27,164million yen (YOY+2,708mio yen, +11%) and COGS +9% increase resulted in gross profit 6,209million yen (YOY+946mio yen, +18%) as improvement.
- Selling expense stay as +6% increase contributed for operation profit 2,939million yen (YOY+754mio yen, +35%) as improvement.

(Million yen)	FY2019	FY2020	Change	%
Net sales	24,455	27,164	+2,708	+11%
Cost of sales	19,192	20,954	+1,761	+9%
Gross profit	5,262	6,209	+946	+18%
SG&A expenses	3,078	3,270	+192	+6%
Operating profit	2,184	2,939	+754	+35%
Non-operating income	94	188	+94	2倍
Non-operating expenses	217	145	△71	△33%
Ordinary profit	2,061	2,982	+920	+45%
Extraordinary income & losses	△48	△ 36	+11	+24%
Profit before income taxes	2,013	2,945	+932	+46%
Income taxes	160	599	+439	2.7倍
Net profit	1,852	2,345	+493	+27%

[Gross profit +215 million yen]
Gross profit ratio improved by 1.4pt.

[Non operating income +94 million yen]
Insurance money received 66 million yen
FX gain 49 million yen

To recorded Deferred tax assets in the FY2019.

FY2020 Statement of cash flows

- Operating cash flow : 4,419 million yen (+956mio yen, +28%) , Sales expansion bring for profit improvement and WC improvement contributing for operating CF.
- Investment CF : △5,688 million yen due to execution of photosensitive material capacity up payment.
- Financing CF : 1,472million yen, Securing capital investment funds.

(Million yen)	FY2019	FY2020	Change
Cash flows from operating activities	3,463	4,419	+956
Profit before income taxes	2,013	2,945	+932
Depreciation	2,172	2,311	+138
Decrease (increase) in trade receivables (+: decrease)	△339	△732	△392
Decrease (increase) in inventories (+: decrease)	△197	36	+233
Increase (decrease) in trade payables (+: increase)	△94	470	+564
Other	△90	△611	△520
Cash flows from investing activities	△5,179	△5,688	△509
FCF	△1,715	△1,268	+447
Cash flows from financing activities	△80	1,472	+1,553
Effect of exchange rate change on cash and cash equivalents	△33	7	+41
Net increase (decrease) in cash and cash equivalents	△1,829	211	+2,041
Cash and cash equivalents	3,170	3,382	+211

← Improvement of WC

[Investment CF
△5,688]
Expanded capacity up
for photosensitive
materials.

FY2020 Balance sheet

- Photosensitive material capacity up investment resulted in tangible asset+2,795million yen and interest-bearing debt+1,799million yen increase, then net profit increase contributed for shareholders' equity increase by 2,186mio. Equity ratio 29.4% (+2.4pt) .
- Continue to strive fiscal soundness by improving operating rate at new investment facilitates

(Million yen)	Mar. 2020 ended	Mar. 2021 ended	Change
Current assets	15,503	16,998	+1,495
Cash and deposits	3,582	3,794	+211
Trade accounts receivable	4,654	5,386	+732
Inventories	7,019	6,983	△36
Other	246	833	+587
Fixed assets	23,627	26,520	+2,892
Property, plant and equipment	22,112	24,908	+2,795
Intangible assets	407	523	+116
Investments and other assets	1,107	1,088	△18
Total assets	39,130	43,518	+4,388
Liabilities	28,561	30,727	+2,166
Trade payables	3,000	3,470	+470
Interest-bearing debt	18,188	19,987	+1,799
Other	7,372	7,269	△102
Net assets	10,569	12,790	+2,221
Shareholders' equity	10,563	12,750	+2,186
Valuation and translation adjustments	5	40	+34
Liabilities and net assets	39,130	43,518	+4,388

[Tangible asset
+2,795million yen]
[Interest-bearing debt
+1,799million yen]
Increased due to Photosensitive
material capacity up investment

[Equity ratio]
29.4% (YOY+2.4pt)

1. Business Results for the FY2020

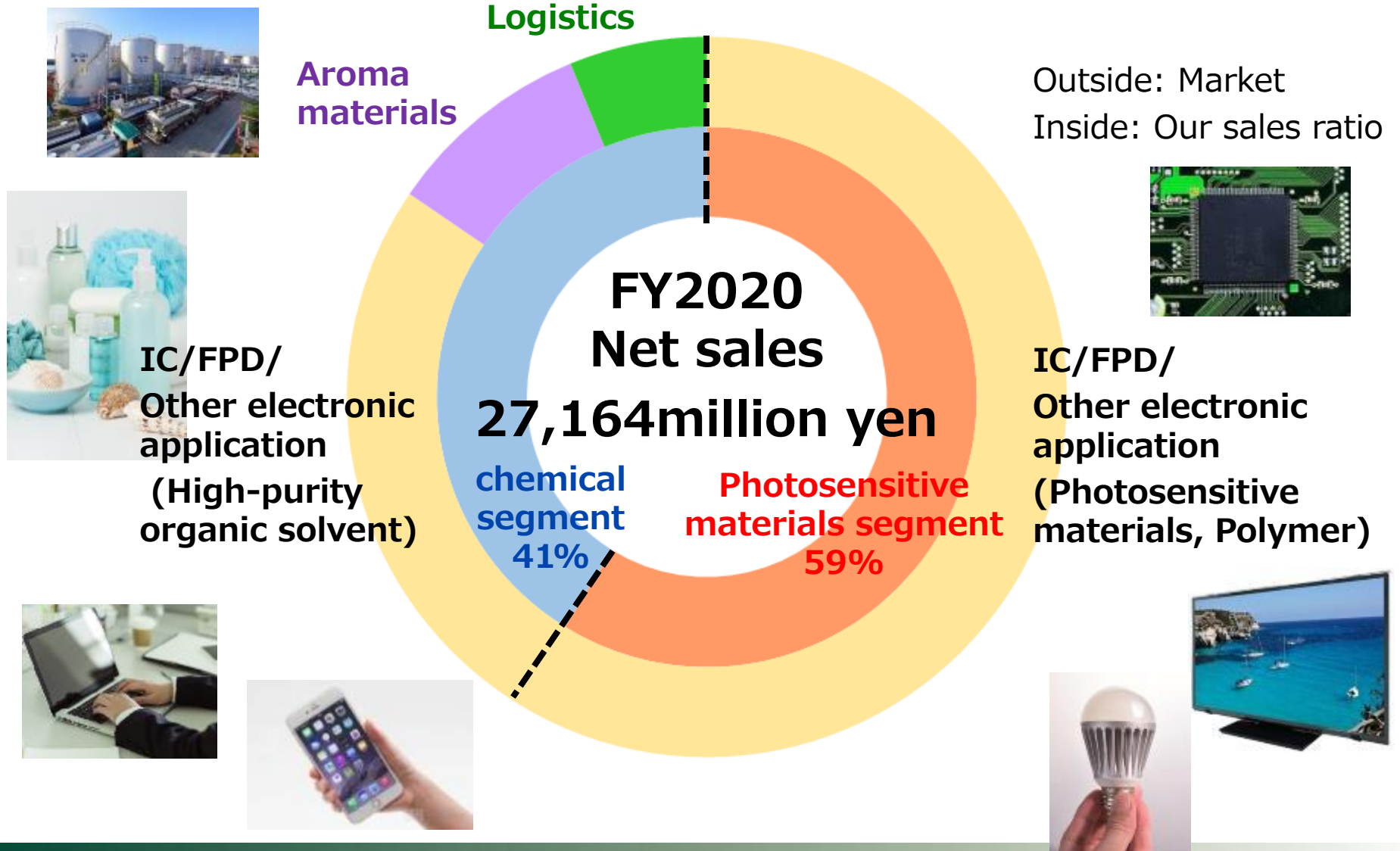
2. Segment Results for the FY2020

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Business portfolio

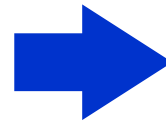
80% sales from IC/FPD/Electronic application



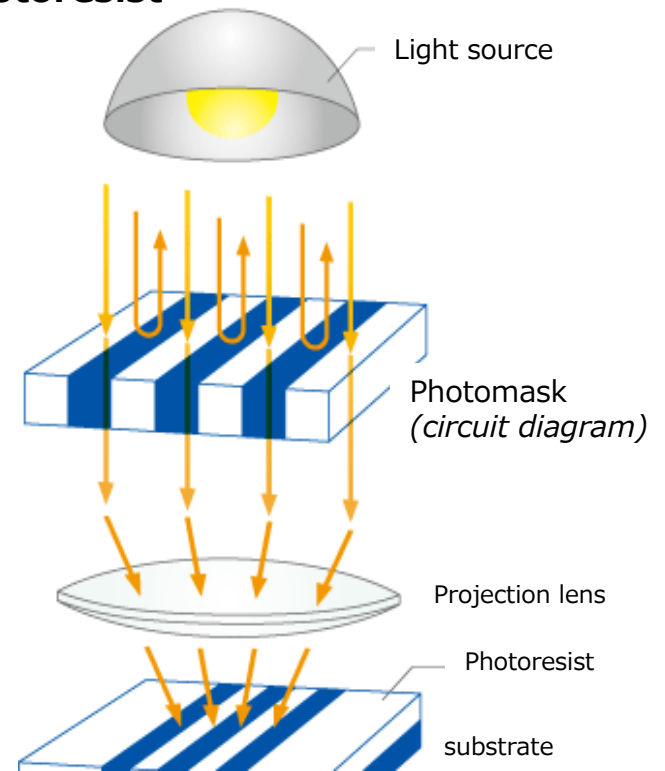
Photolithography in Semiconductor and FPD

- High definition FPD = Minimum line width
- Performance of CPU/Memory (IC) = Minimum line width

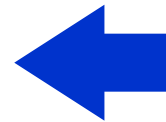
• 1. Coating photoresist on the substrate



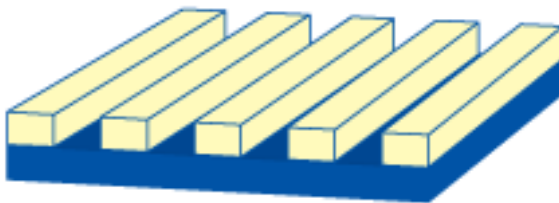
• 2. Exposure via photomask as transferring image to coated photoresist



• 3. Chemical reaction on the exposure area



• 4. Developing by developer to get the pattern



Composition of photoresist

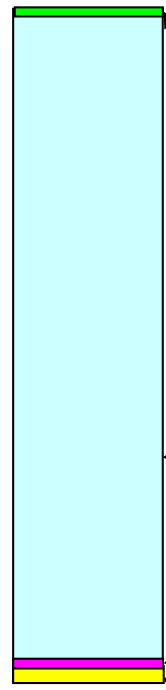
- Toyo Gosei's photosensitive materials are a critical component in photoresists used to make semiconductors and FPDs.



•Photoresist (liquid form)

•*Blended with other materials by photoresist makers

•Common photoresist composition ratio



•Total 100%



•Additives

•High-purity organic solvent
•(PGMEA, EL etc.)

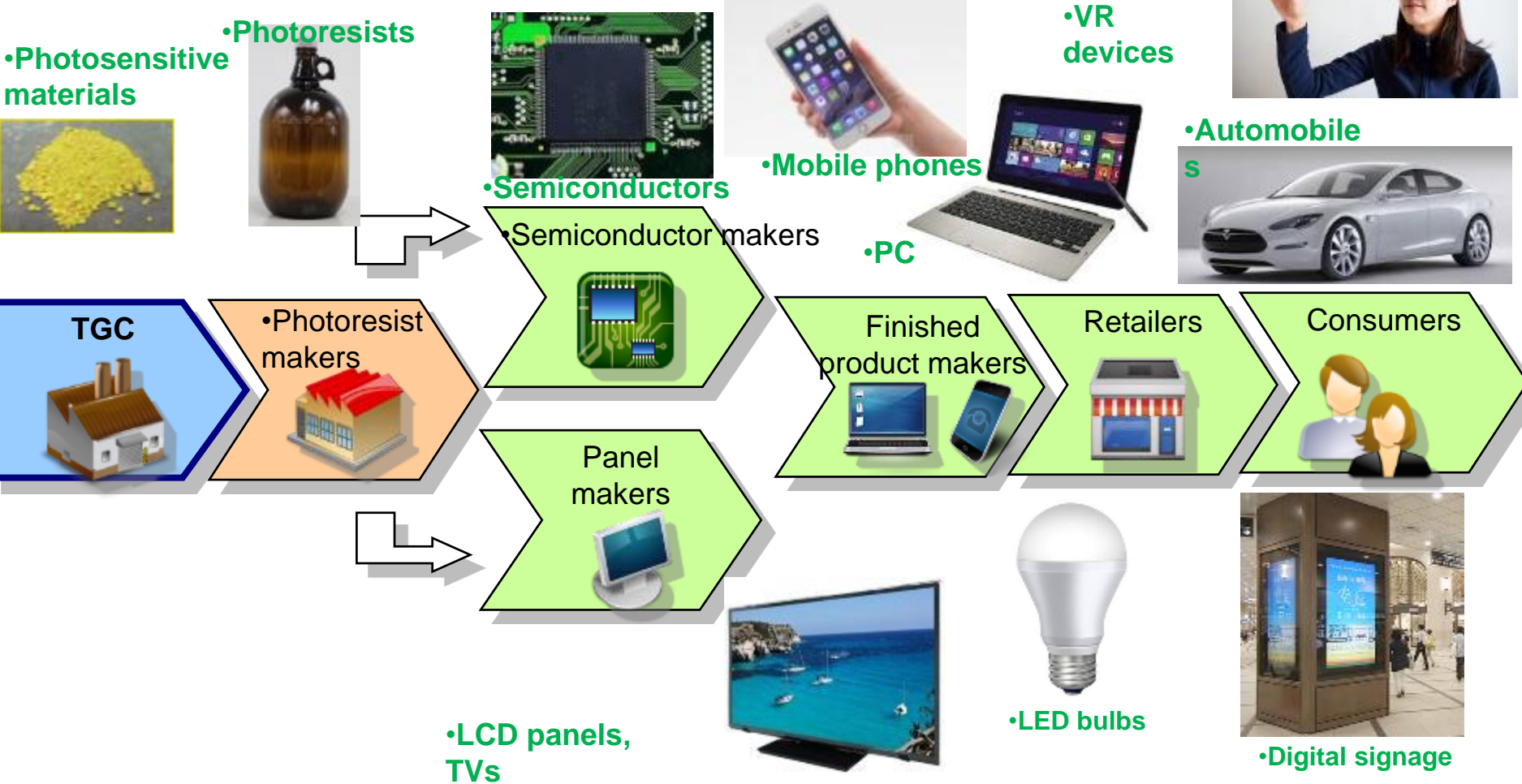
•Photosensitive materials
•PAG: Photo Acid Generator
•PAC: Photo Active Compound
•Several% to several tens% for polymer

•Polymer (Resist resin, Base polymer) ~10%

•Our main products

Business Overview Photosensitive Materials/Chemicals (Solvents)

- Toyo Gosei supplies photosensitive materials to customers worldwide. These materials play a key role in determining the performance of semiconductors and FPD.
- Semiconductors' application is diversifying in growing market such as IoT, which is driving growth in photosensitive material demand.



Outlooks: Photosensitive materials Application, Wave length and Line Width

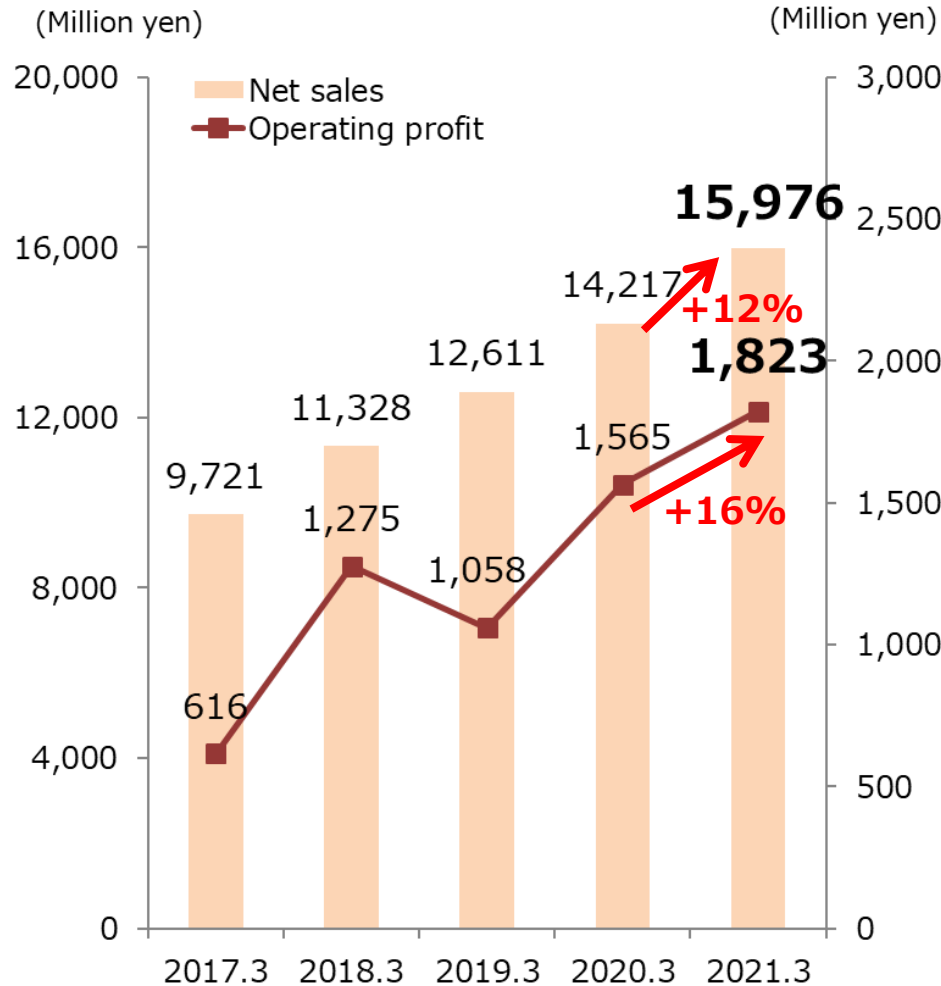
- Advanced miniaturization technology in semiconductor moving into EUV lithography process development.
- In FY2021.3, ArF & EUV application photosensitive materials demand increase
- Continue to strive quality improvement for all generation photosensitive materials and expanding further product line-up.

= Stagnant
 = growing

FPD		IC										
	g+ h + i line	I line	G line	I line	KrF	ArF	ArF Immersion	ArF DP	ArF MP	EUV		
Node	~ 2,000nm	~ 1,000nm	~700nm	~200nm	~110nm	~65nm	~45nm	~22nm	~7nm	~5nm	~2nm ?	
Application	TV, PC	Small & Mid size Panel	IGBT, LCD driver, LED		DRAM/NAND memory (recovery in 2020 as projection)				New generation DRAM Pilot production			
		Smart phone and etc.	Back-end process materials CMOS sensor			Advanced logic LSI Demand expansion			New Generation Logic LSI EUV Production expansion			
Market	Tight supply-demand	Gradually growth	Gradually growth	expanding	steady	steady	expanding		CAPEX in progress		R&D	
TQC Products	Photo Active Compound (PAC)				Photo acid generator (PAG)							
	EL high purity solvents				Polymer							
					EL Ultra high purity solvents							

Photosensitive Materials Segment

Net sales & operating profit



Net sales : 15,976million yen

(YOY+1,759million yen, +12%)

- Sales increase by strong demand from advanced semiconductor material (EUV, ArF).

Operating profit : 1,823million yen

(YOY+257million yen, +16%)

- Thank to advanced material sales expansion, operating profit increase after compensating incased of labor cost and depreciation in capacity up investment.

Composition of photoresist

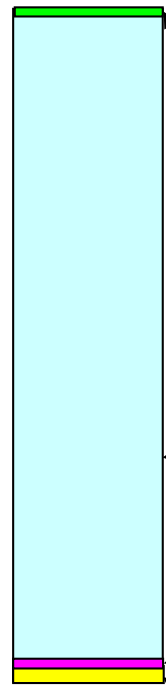
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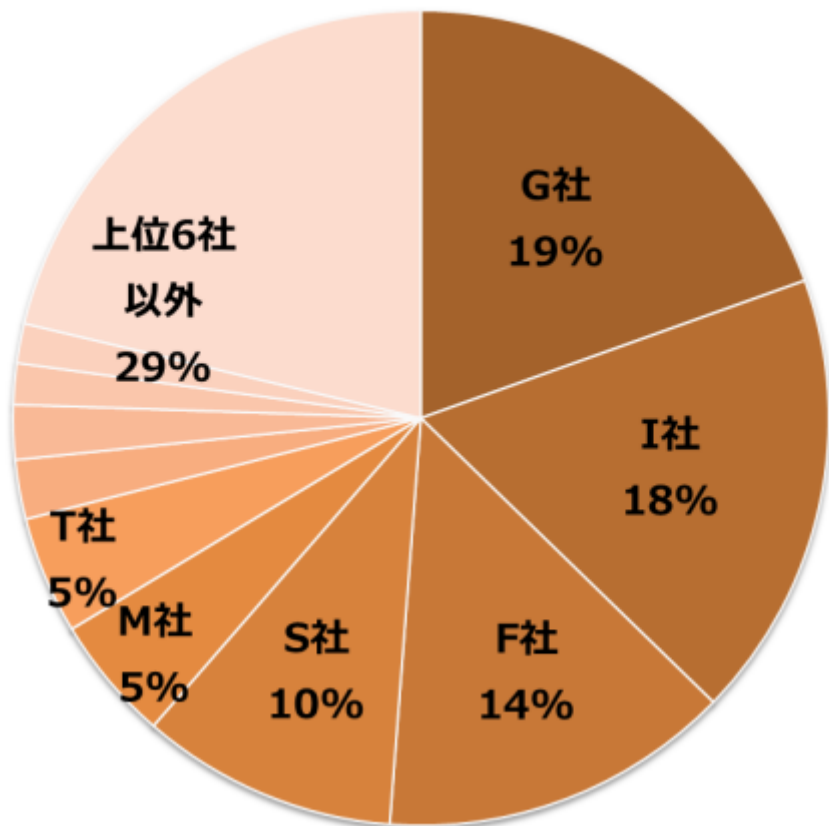
•Polymer (Resist resin, Base polymer) ~10%

•Our main products

Aroma Chemicals Market

Aroma Chemicals Market share

世界香料市場シェア

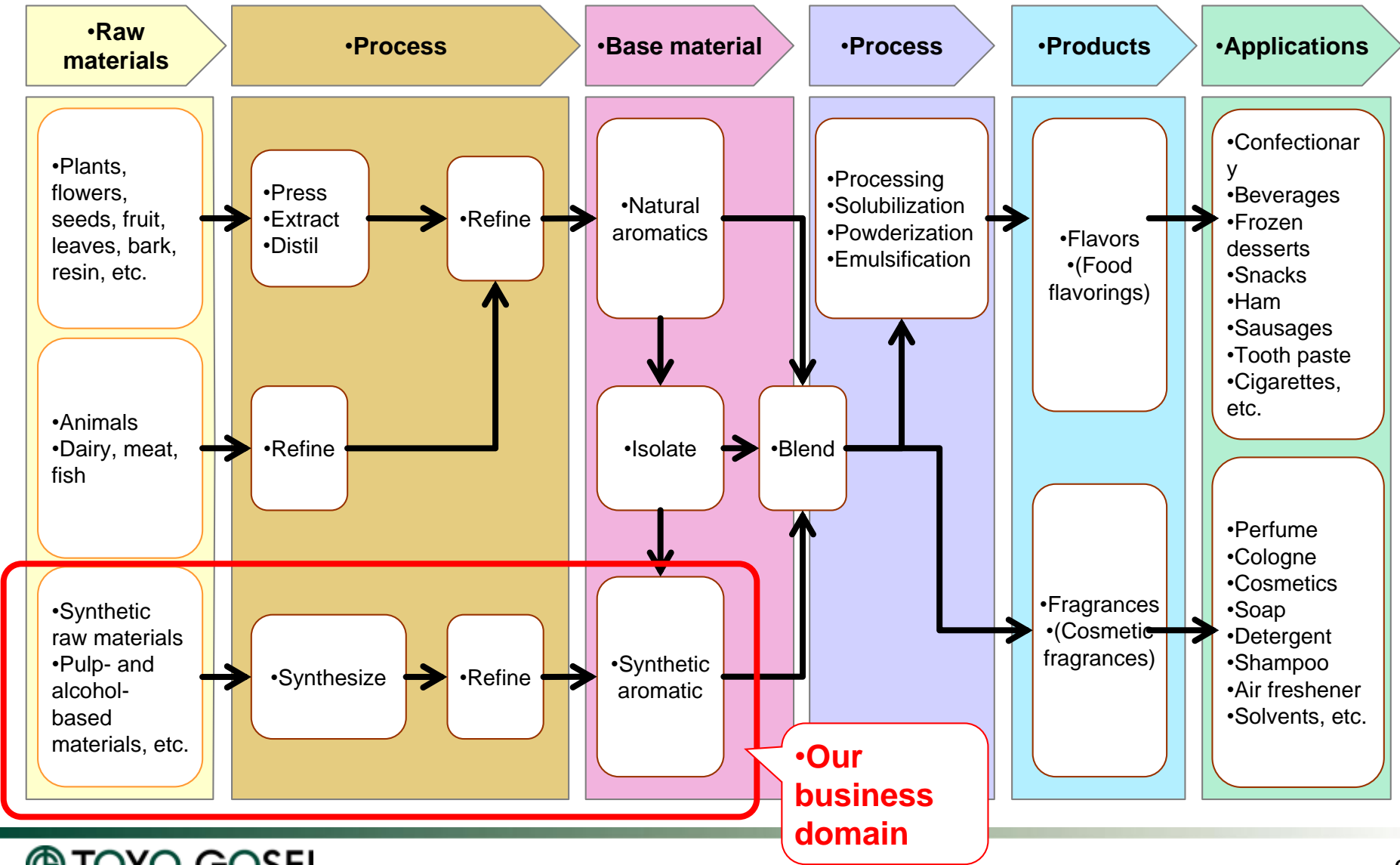


- The global aroma chemicals market is expanding at CAGR 3-4% steadily
- The top six suppliers dominate 70% of the global market.
- Major suppliers is actively doing the M&A to increase their global market share, which is lead to oligopolization.
- TGC is a few selected aroma chemical key materials to mainly major global aroma chemicals companies. Our market share is estimated around 30-40% in our segment
- Global niche top position.

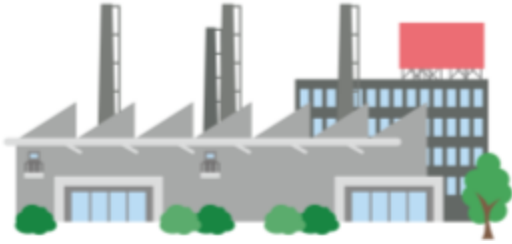
Source : Leffingwell & Associates

Business Overview Chemicals (Aroma Chemicals)

• Aroma chemical flow from raw materials through to finished products



Logistic Business model



- ① Liquid chemicals made in Japan or overseas coming to Takahama by chemical tanker

- ② Transfer chemical to tank from tanker



- ③ Storage at tank



- ⑤ Deliver to users in Tokyo metropolitan area

- ④ Transfer chemicals to tank lorry and other package from tanks

Logistic Business (Advantage of Takahama Chemical Oil terminal)



• Terminal has 65 bonded storage tanks with various volumes, capable of holding chemicals with different grades and properties



• Receives 70 vessels per month

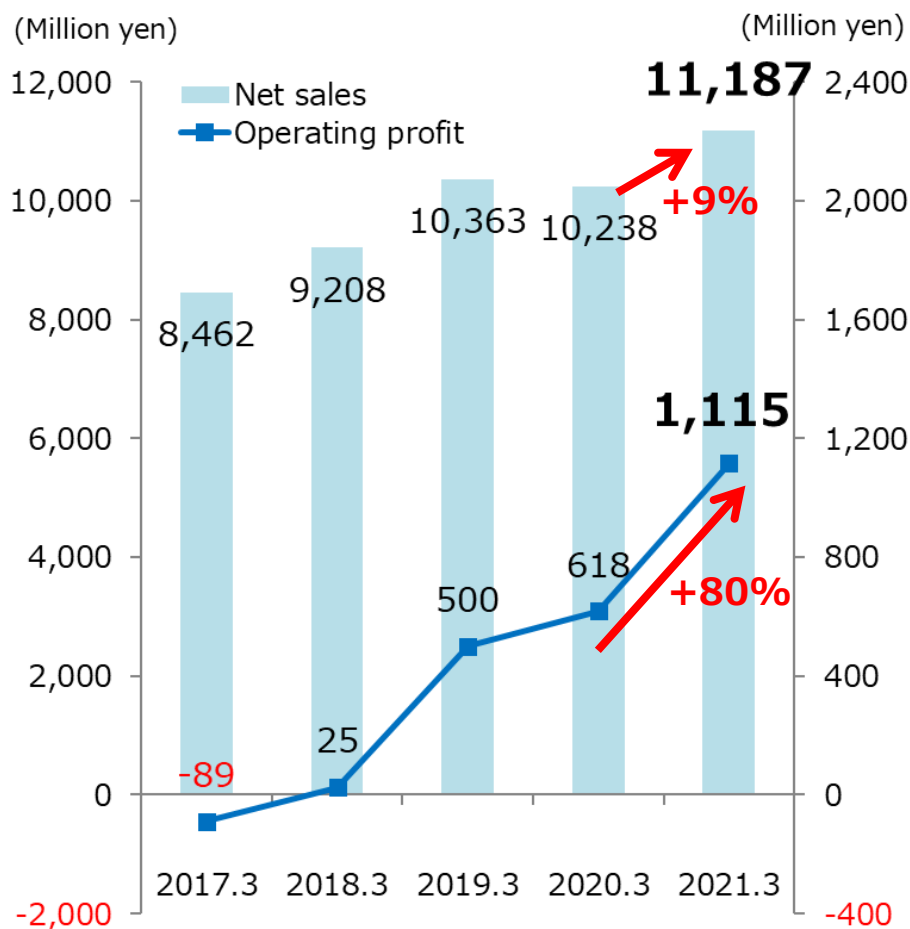


• Largest shipment volume in the Kanto region: 80-100 Tank lorry car per day

- Toyo Gosei's chemical logistics terminal distributes liquid chemicals made in Japan or overseas to plants across the Kanto region-biggest chemicals distribution hub as larger shipment volume in Tokyo bay area
- Only chemical tank terminal run by chemicals company and handling variety of package, own certified analytical laboratory for the high-quality storage management as providing service for wide range chemicals
- Prime location close to expressway network (about a few minutes from Chidoricho IC) shorted delivery time to northern Kanto area where are major chemical users located. Possible to three round delivery a day is appreciated by customers in shortage of tank lorry driver.
- Operating rate always keep at high level.
- Strict regulations in the Fire Service Act make it difficult for new competitors to establish new operations in the Tokyo Bay area

Chemicals Segment

Net sales & operating profit



Net sales : 11,187million yen

(YOY+948million yen, +9%)

- Electronic materials sales increased and aroma chemical business keep steadily.
- Chemical Terminal business had a less movement of good in 1st half, but returned to normal level now.

Operating profit : 1,115million yen

(YOY+496million yen, +80%)

- High valued products for Electronic materials application is expanding.
- Aroma chemical materials sales keep steadily.
- Decreased depreciation for past capacity up investment.

1. Business Results for the FY2020

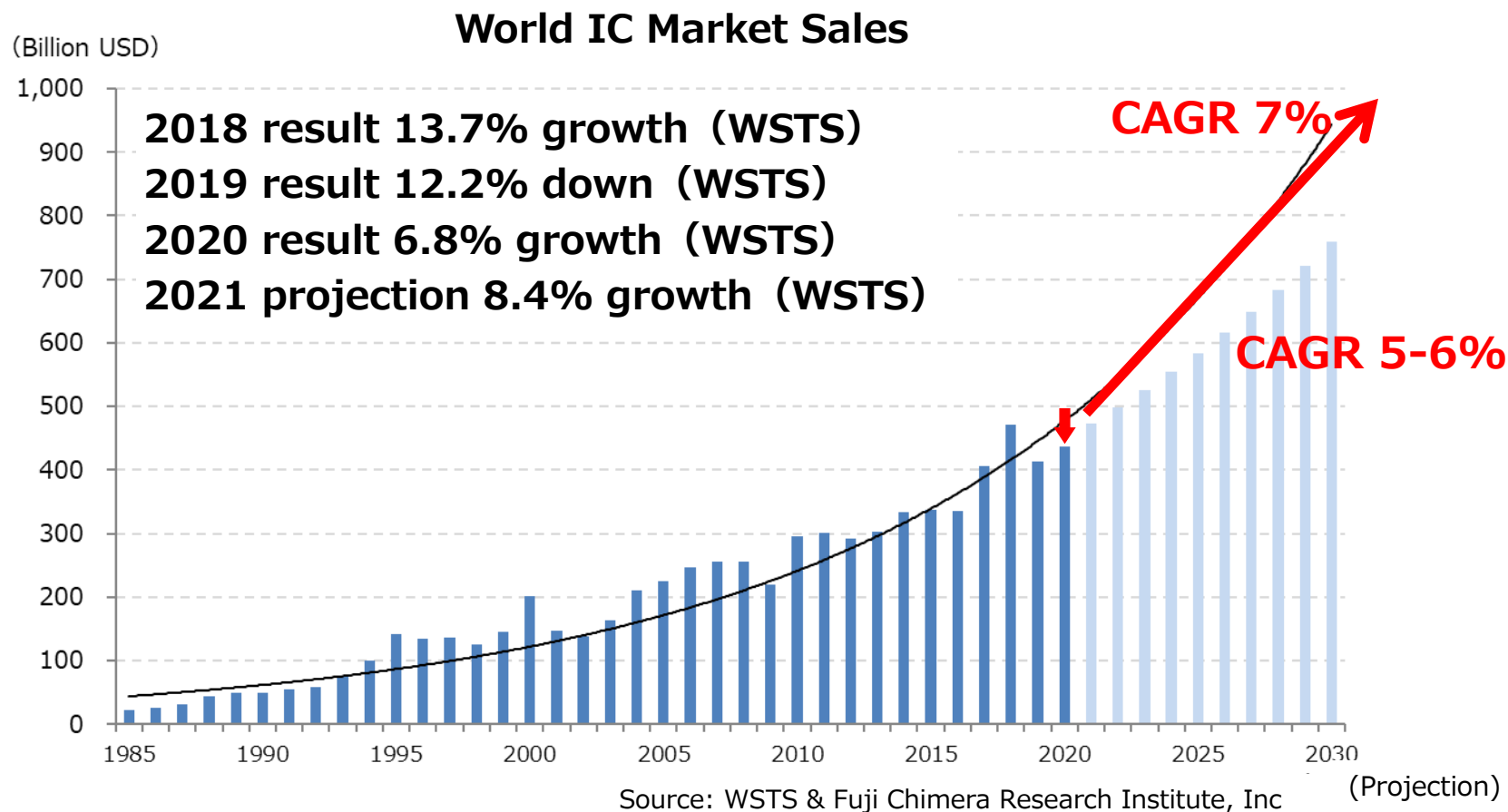
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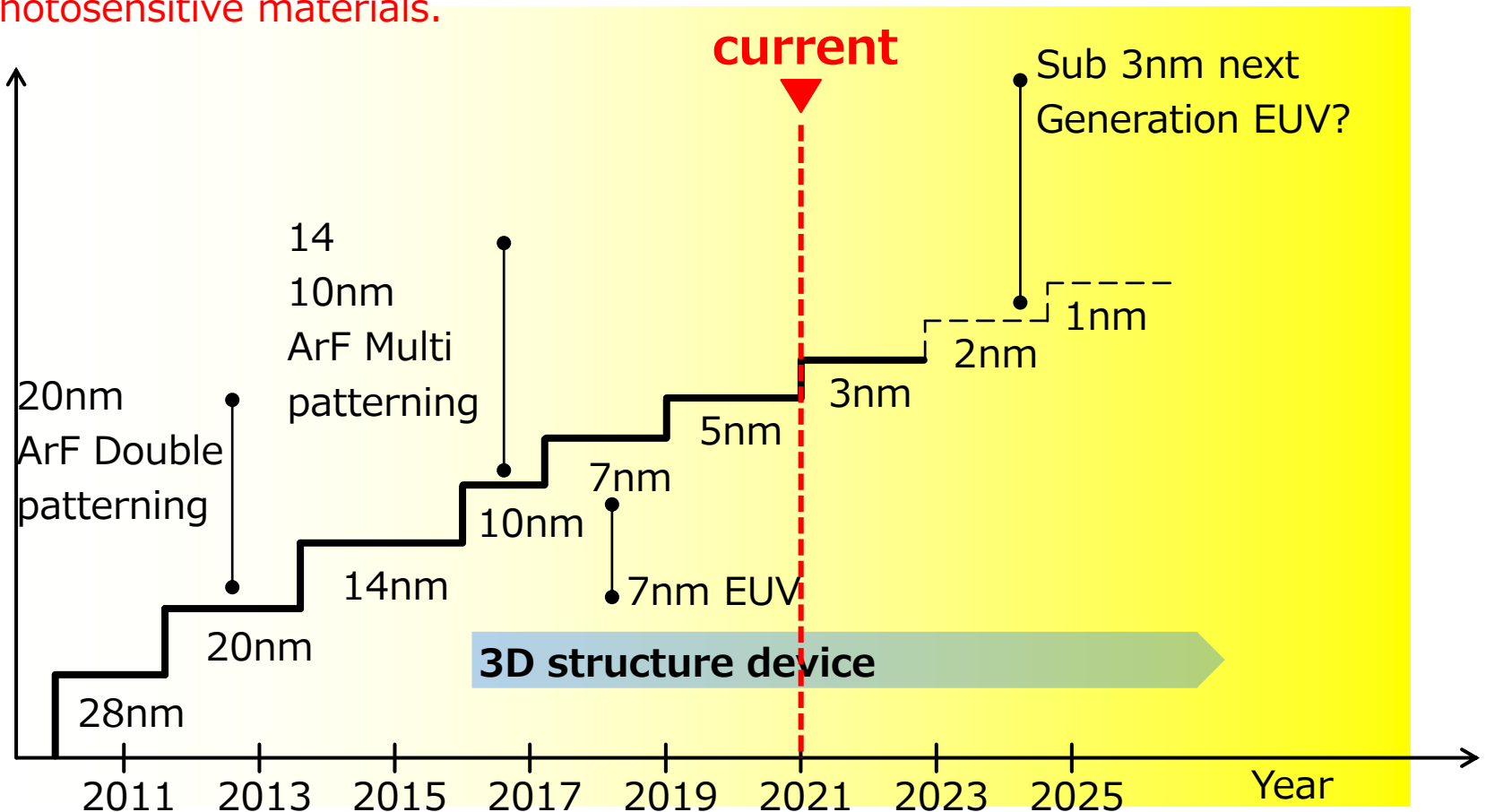
Semiconductor Market Development & Projection

- Since 1980s, arrive of information-driven society driving high growth semiconductor demand.
- Information and communication technology contributing 1.5-2.0 times semiconductor market growth as projection.
- In 2021, high growth estimation (8-10%).



Down Size by photo lithography

- Semiconductor miniaturization technology development continue and 5nm process has been put into volume production now.
- For CY2024, 2nm process is under development.
- With miniaturization progress, expanding higher demand for **ultra high purity solvent and photosensitive materials.**

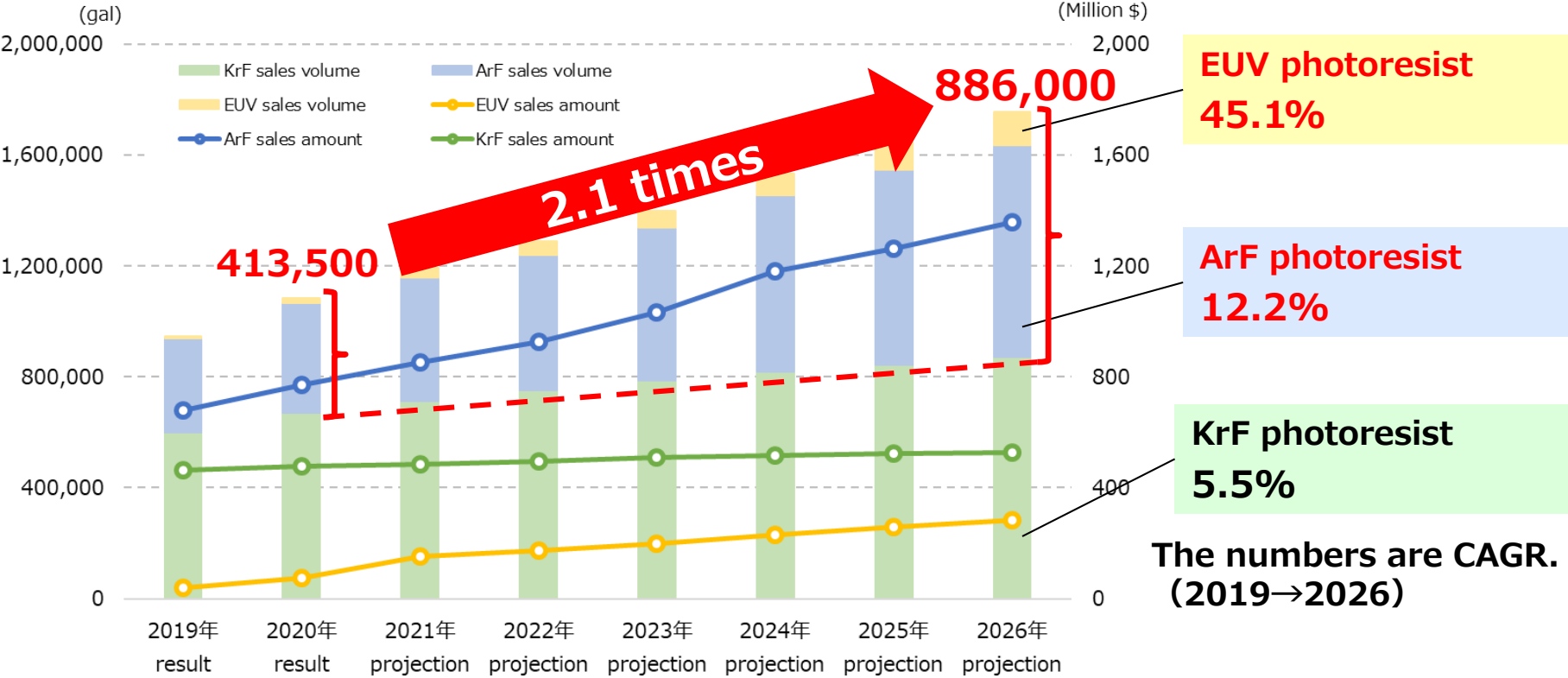


Source : IMEC and TGC

Photoresist Market Development

- ArF and EUV photoresist demand will be increase 2.1 times during CY2020-2026 as projection.

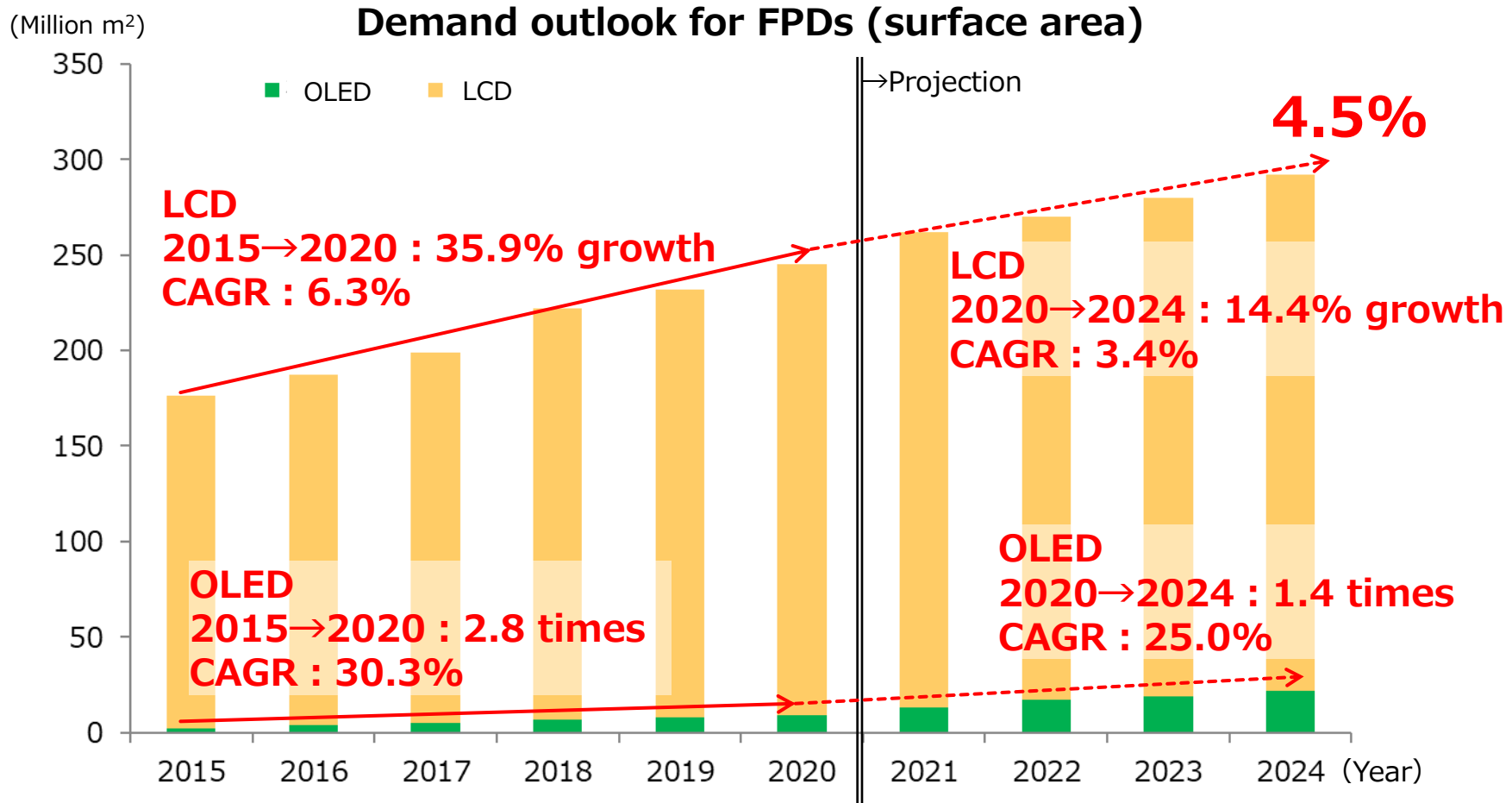
Photoresist sales volume & amount



Source : Fuji Keizai Co., Ltd. and TGC

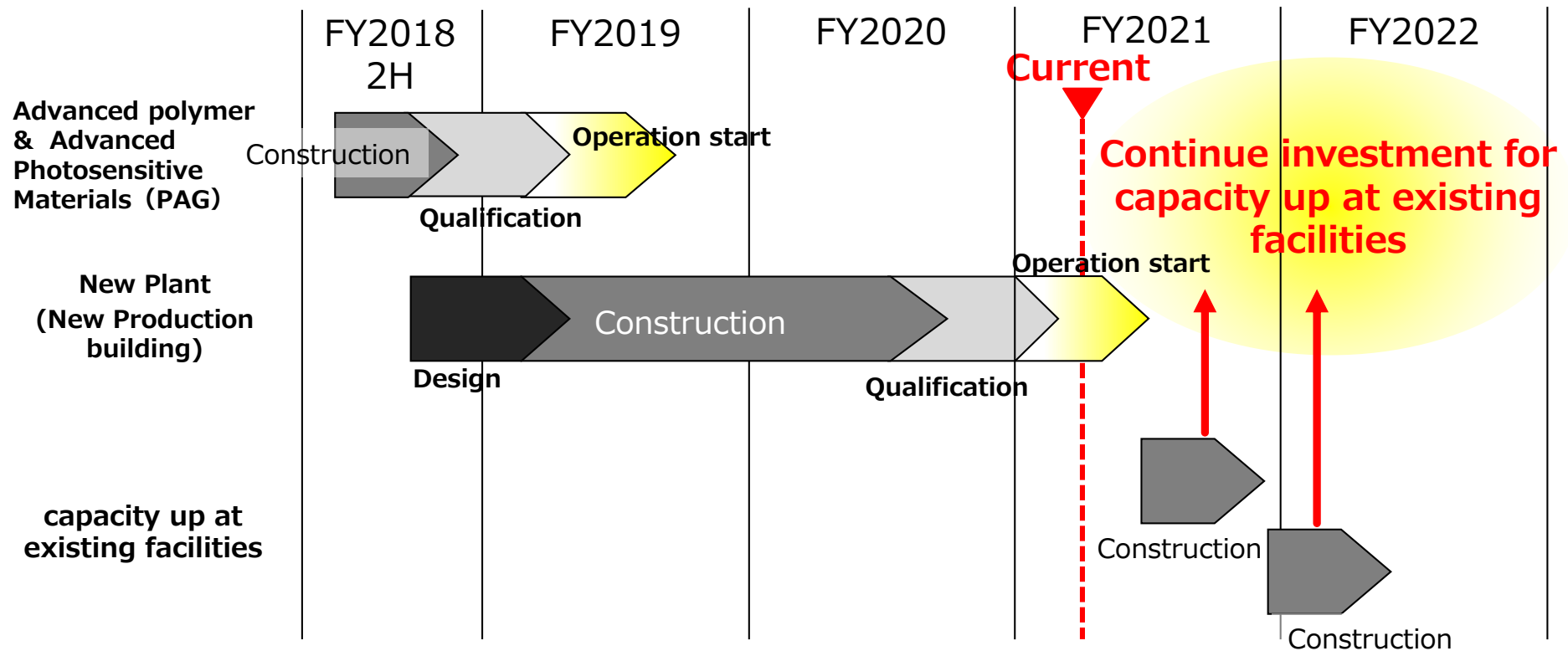
FPD Market Trend

- FPD (Flat Panel Display) market continue steadily growth at CAGR 4.5%
- Because of high resolution display share expansion by large display TV, smart phone with OLED type, 4K&8K TV and etc. contribute demand increase for ultra high purity solvent and photosensitive materials



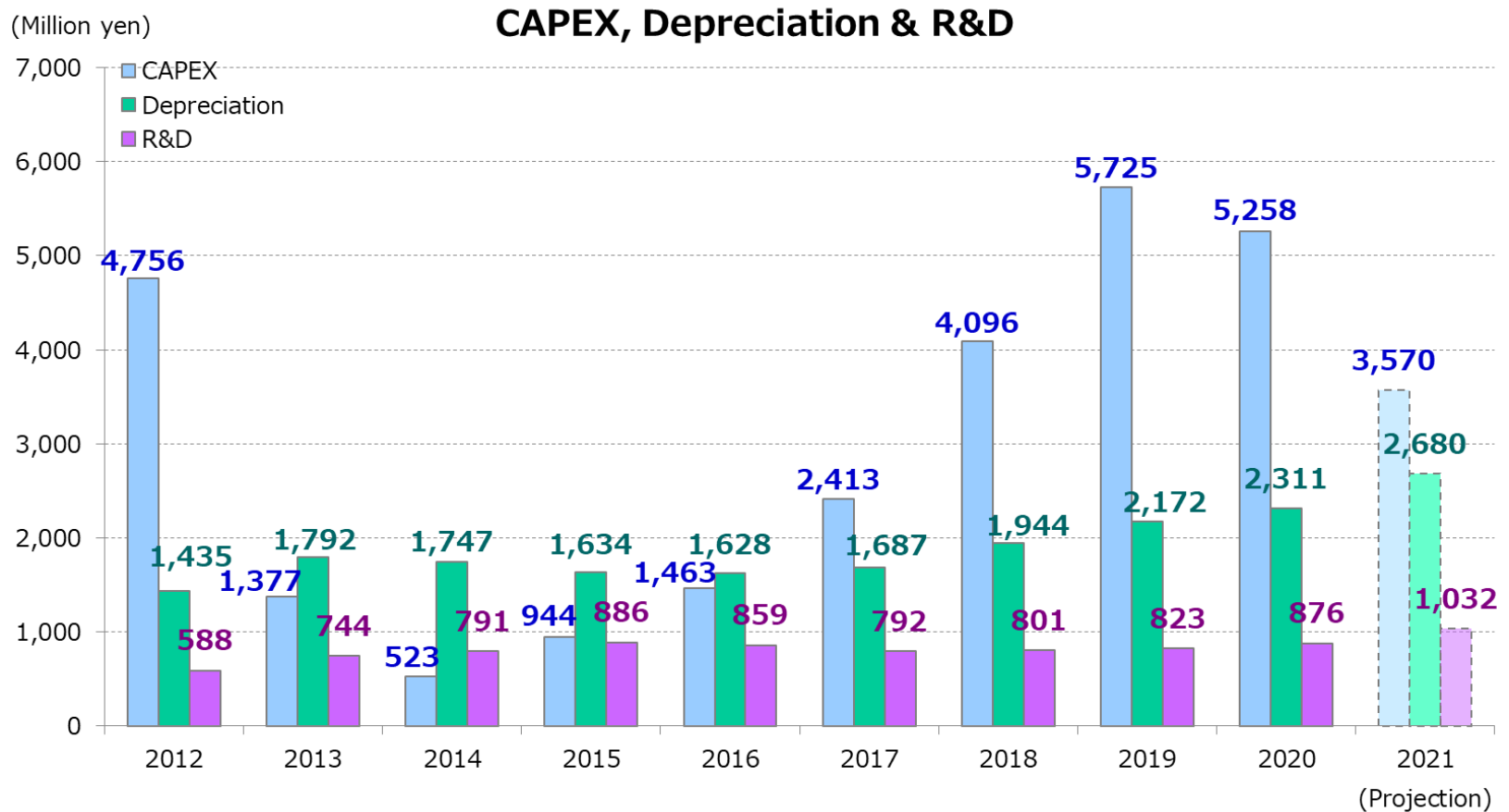
Photosensitive Materials Capacity Up Investment

- 4th production building at Chiba Plant was completed on Oct. 18, 2020.
- It is ongoing to start operation in this year and increase operation rate.
- Continue investment for capacity up at existing facilities.



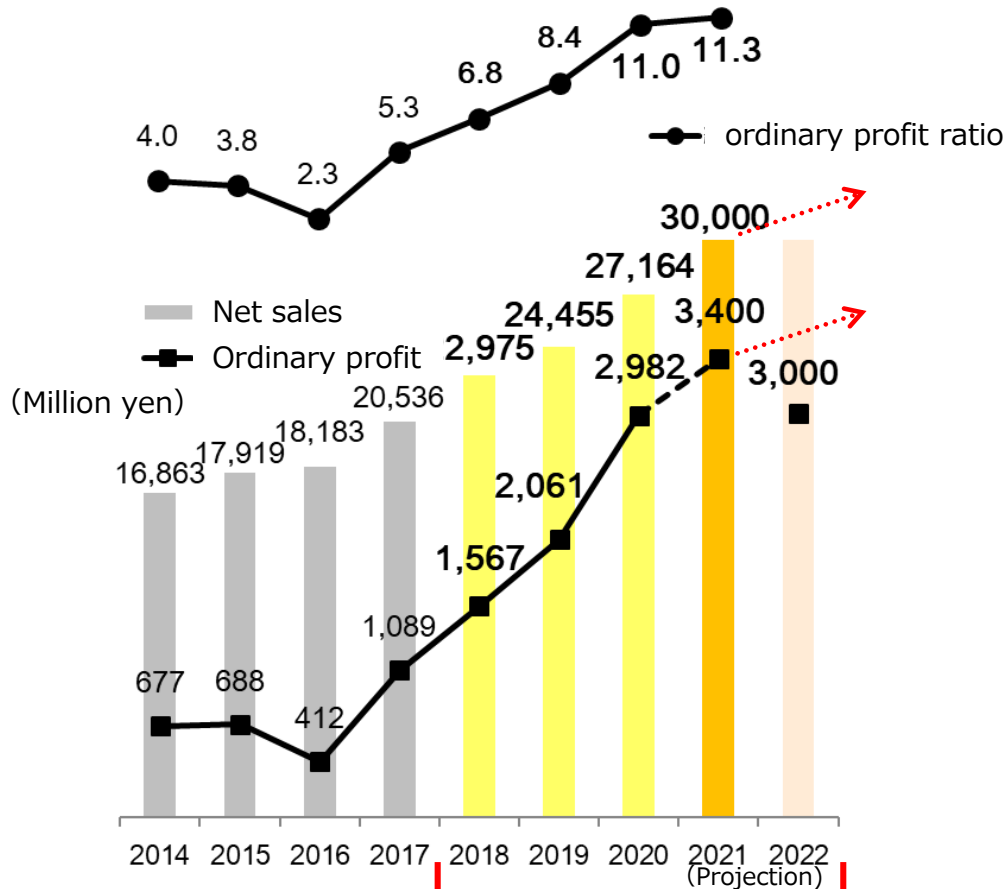
Capital Investment, Depreciation, & R&D trend

- Since 2017, executing capacity up investment in electronic materials market expansion
- After completed planned strategic big investment, capital investment in FY2021 is about 3.5 billion yen as plan. Capacity up investment will continue in market demand increase.
- R&D focus on production process technology enhancement (Analytical capability, Productivity improvement, pilot production capability) with 150 million yen budget.



TGC300 Progress (Mid-term business plan)

- Completed all strategic capacity up investment to meet electronic materials market demand growth.
- Mid-term business plan 「TGC300 : FY2022 with Sales 30billion yen, Ordinary profit 3billion yen, Ordinary profit rate more than 10%」 will be earlier achieved in FY2021 as projection.



Mid-term business plan

- To meet further demand expansion, continue to enhance supply system and capacity up investment, which lead further company value improvement by all means and one team of TGC

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FY2021 Background of earnings forecast

■ Business Circumstance

FY2021

- CY2021 Semiconductor market will be expected historical high growth (YOY+8%).
- Industrial solvent and aroma chemical for toiletry application as daily necessities will be steadily growth at latest projection.

Mid-term

- USA and China government making big strategic subsidiarization for investment in Information & Communication and Semiconductor market drive further semiconductor demand and semiconductor companies big capital investment.

FY 2021 ending projection

- Mid-term business plan TGC300(target with Sales 30billion yen, Ordinary profit 3billion yen, Ordinary profit rate more than 10%) will be earlier achieved in FY2021 as projection. FX rate is ¥105/\$.

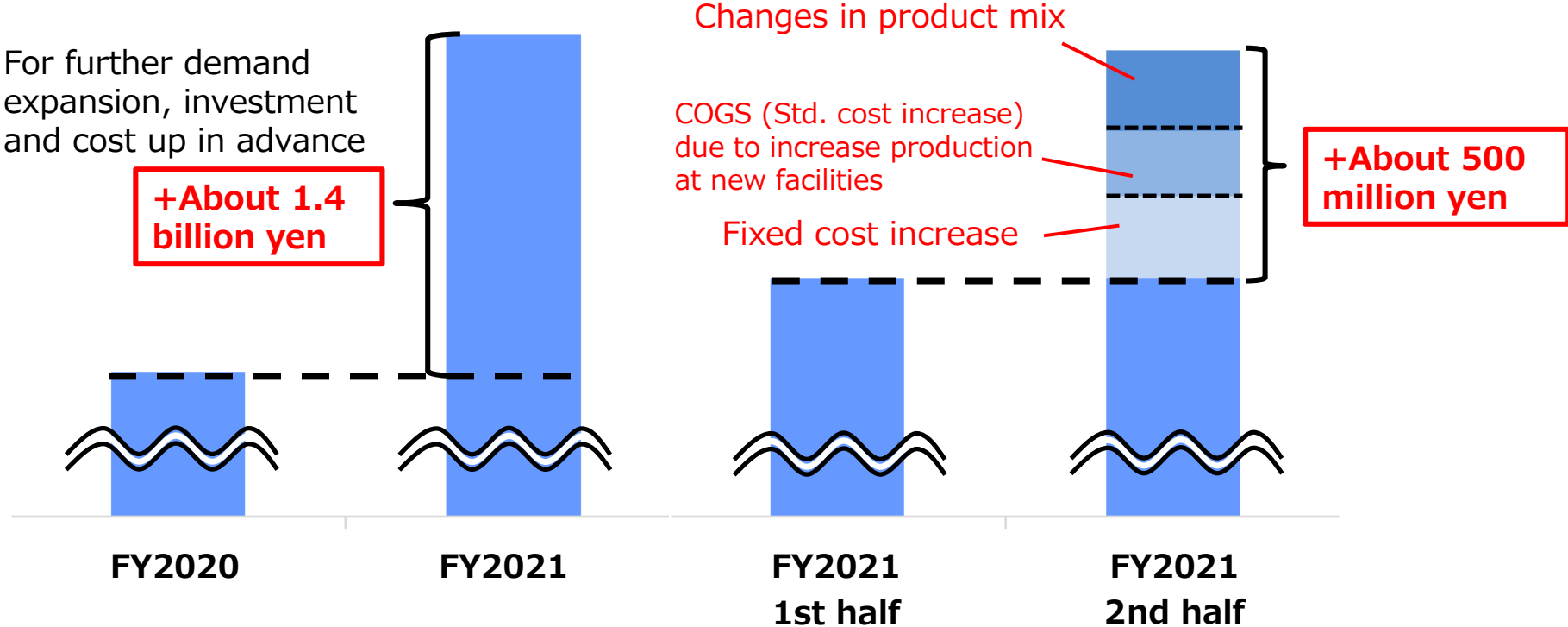
(Million yen)	FY2020 results	FY2021 projection	Change	%
Net sales (Old Accounting Standards ※)	27,164	31,150	3,985	+15%
Net sales (New Accounting Standards ※)	—	30,000	—	—
Operating profit	2,939	3,550	+610	+21%
Ordinary profit	2,982	3,400	+417	+14%
Net profit	2,345	2,400	+54	+2%
Net profit per share (Yen)	295.57	302.38		
FX Rate (USD)	¥110/\$	¥105/\$		

※ From FY2022 New Accounting Standards for Revenue Recognition (ASBJ Statement No. 29 Accounting Standard for Revenue Recognition issued on March 31, 2020) is applied for the above projection.

FY2020 vs FY2021 Cost comparison

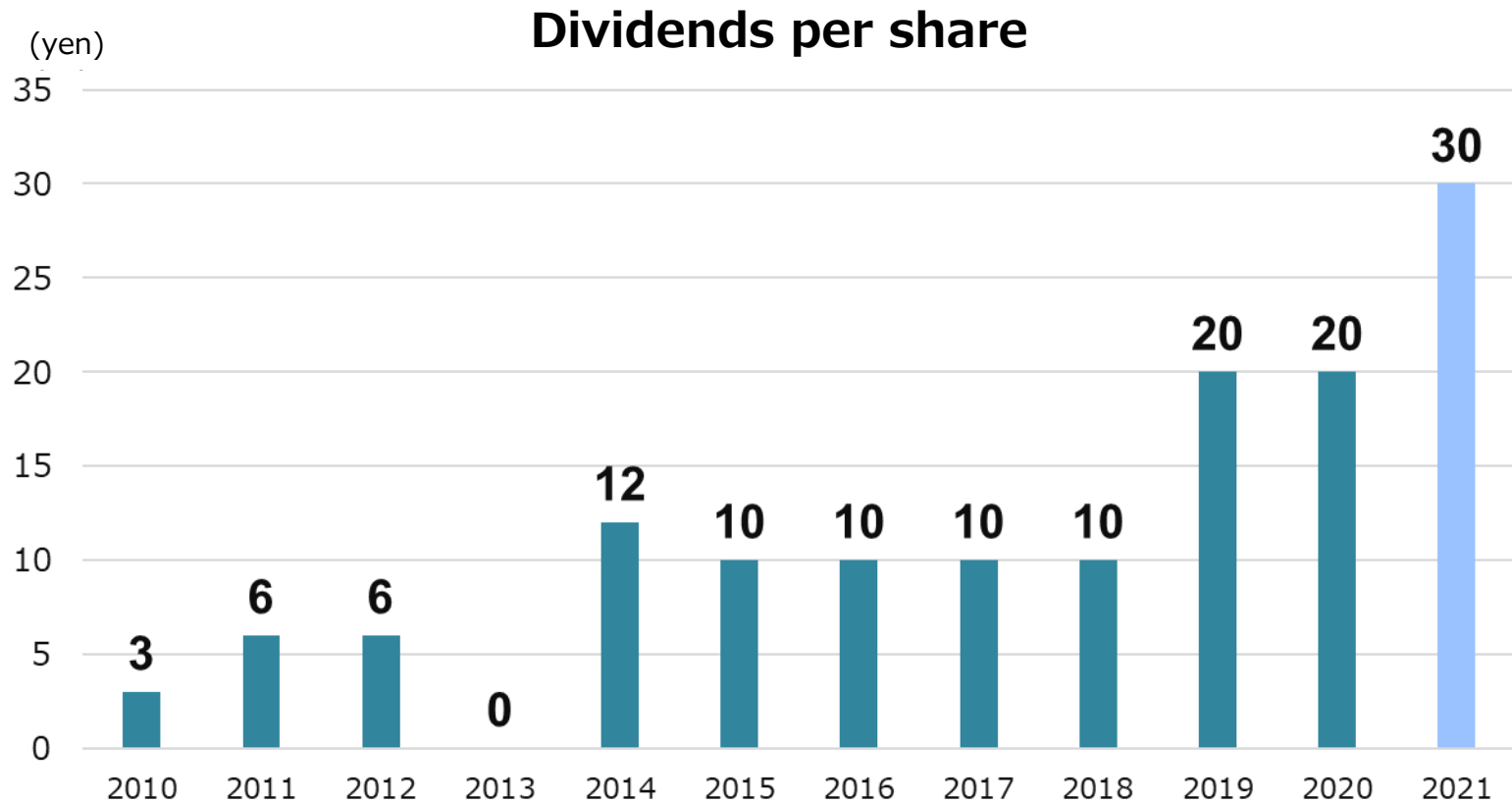
- FY2021 cost and expenditure increase by 1.4billion yen from previous FY2020
- 2nd half of FY2021 increase 500 million yen of cost and expenditure from 1st half of FY2021 as projection
- The cost up due to capacity up to meet further market demand expansion

FY2021 cost transition image



Shareholder returns

- FY2021, TGC300 target will be earlier achieved, then dividend per share earlier will be 30yen per share as plan
- Although it is based on stable dividends policy, the shareholder return is decided by comprehensively considering growth potential, financial balance and etc.



Individual Development, to the global Chemical

