

FY2020 1st Half Business Results

(April 1, 2020-September 30, 2020)

November 6, 2020

 **TOYO GOSEI**



Masateru Kimura
founder & Honorary chairman
Passed away on September 29, 2020
at the age of 90.

“Our lifeline is existing in
Research &
Development”

“Our challenge to
something we have not
seen the shape which
have not appeared
yet so far.”

FY2020 1st Half Financial Results

- As beginning of this term, very much concerned about business slow down due to COVID-19. But thanks to increasing demand from staying at home and continuous investment for high-end semiconductor field, our revenue and profit achieved better as YOY and comparison with our projection
- Revenue was 12,835million yen (YOY+646million yen、+5%)
- Profit: Operation profit 1,306million yen (+138million yen、+12%)、 Ordinary profit 1,277million yen (+212million yen、+20%)、 Net profit 865million yen (+171 million yen、+25%)

(Million yen)	FY2019 2Q Result	FY2020 2Q Projection	FY2020 2Q Result	YoY		Comparison with Projection	
				AMT I/D	%	AMT I/D	%
Revenue	12,189	12,500	12,835	+646	+5%	+335	+3%
Operation profit	1,168	1,150	1,306	+138	+12%	+156	+14%
Ordinary Profit	1,064	1,120	1,277	+212	+20%	+157	+14%
Net Profit	693	780	865	+171	+25%	+85	+11%
Net profit per share	87.37	98.27	109.04				
Interim dividends per share	10.00	10.00	10.00				
FX Rate (USD)	¥108/\$	¥105/\$	¥106/\$				

The summary of FY2020 1H Financial Results

■ Revenue

- ✓ 12,835 million yen (YoY +646 million yen, +5%)
- ✓ Photosensitive Materials:
Increased sales for high end semiconductor application products such
PAG and Polymer
- ✓ Chemicals: Electronic materials and Aroma related products increased
Logistic (Chemical Tank Terminal business) was stagnant due to
temporarily commodity solvents demand slow down impacting goods turn
around. But now getting recovery.

■ Operation profit

- ✓ 1,306 million yen (YoY +138million yen, +12%)
- ✓ High valued product sales in both business segment well compensated prior cost
increase for photosensitive material capacity up cost about 200million yen, then marked
better profit.

■ Ordinary Profit

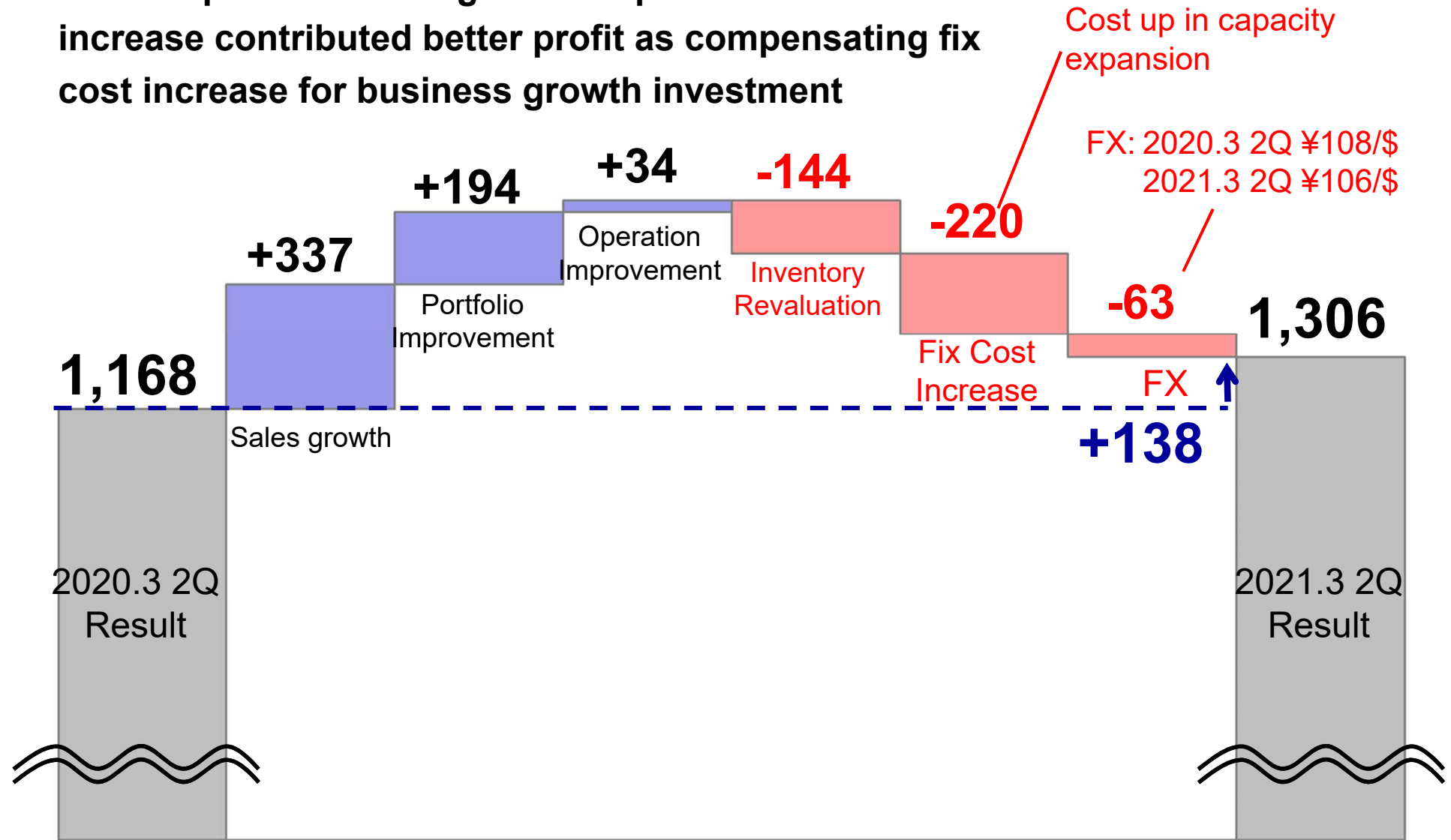
- ✓ 1,277 million yen (YoY +212 million yen, +20%)
- ✓ Non-operation profit and loss: 30million yen expenditure mainly due to interest paid for
debt for continues capacity up investment. As comparison with previous year, loss
reduction by 73million yen mainly thanks to FX loss and insurance income.

■ Net Profit

- ✓ 865 million yen (YoY +171 million yen, +25%)

Change Analysis: Operating Profit

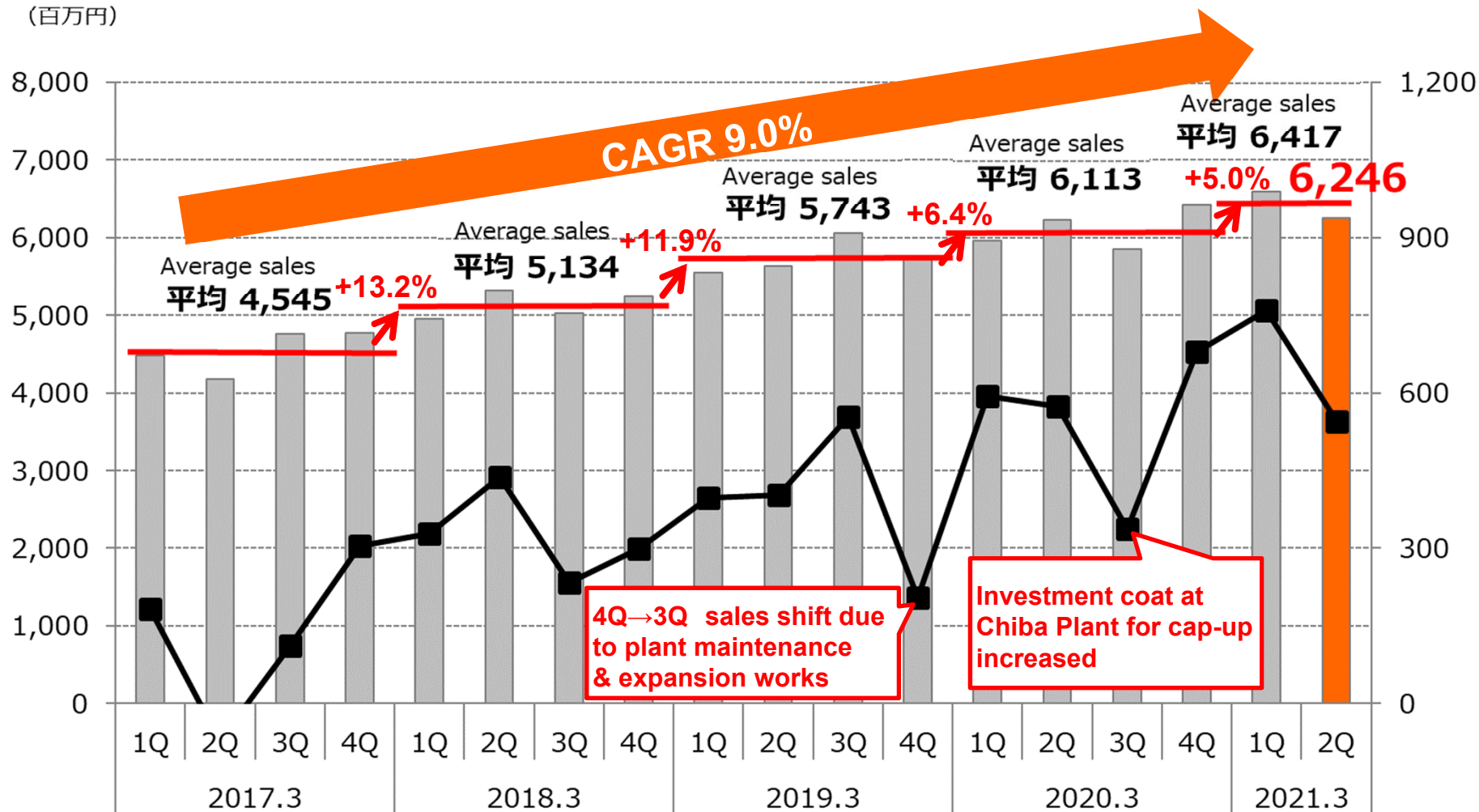
- Sales expansion and high valued product business increase contributed better profit as compensating fix cost increase for business growth investment



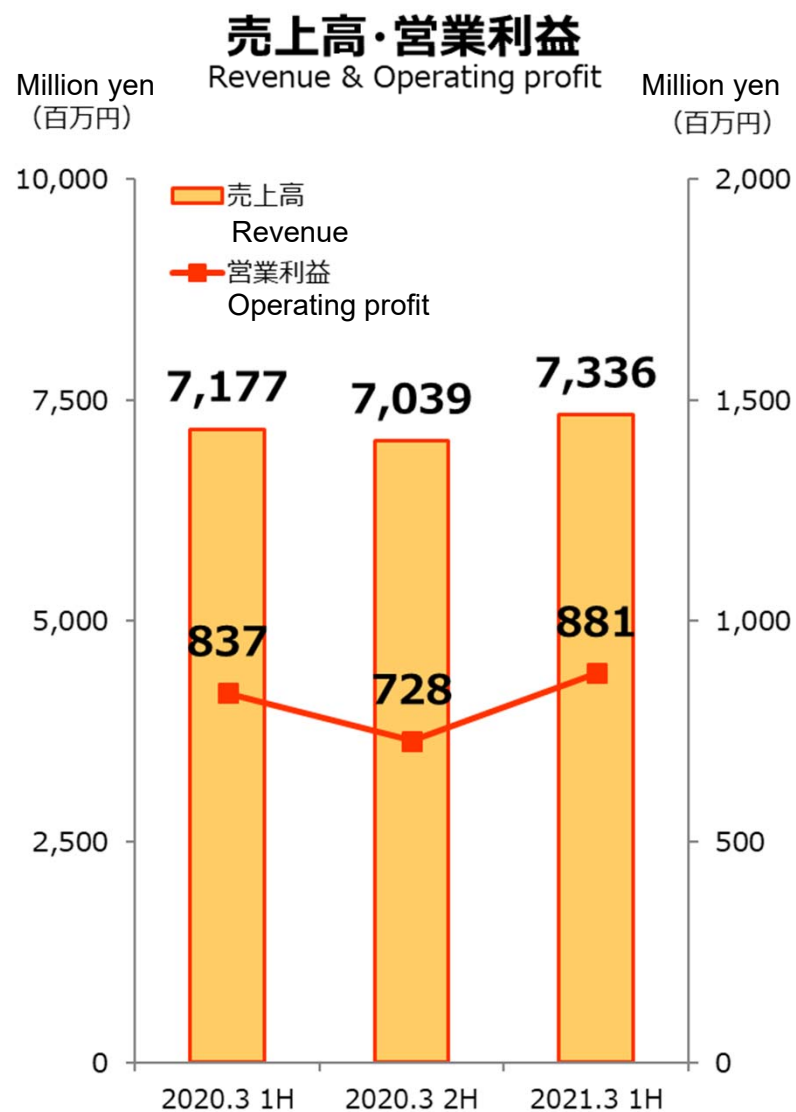
Quarterly Sales & Operating profit trend

- Sales and profit level steadily developing (CAGR9.0%)
- But debt is also increasing due to continuous investment (explain in late part)

Million yen
(百万円)



Photosensitive Materials Segment



Revenue: 7,336 million yen

(YoY +158 million yen, +2%)

- Products for Advanced semiconductor materials (EUV, ArF) are continuously robust.

Operation profit: 881 million yen

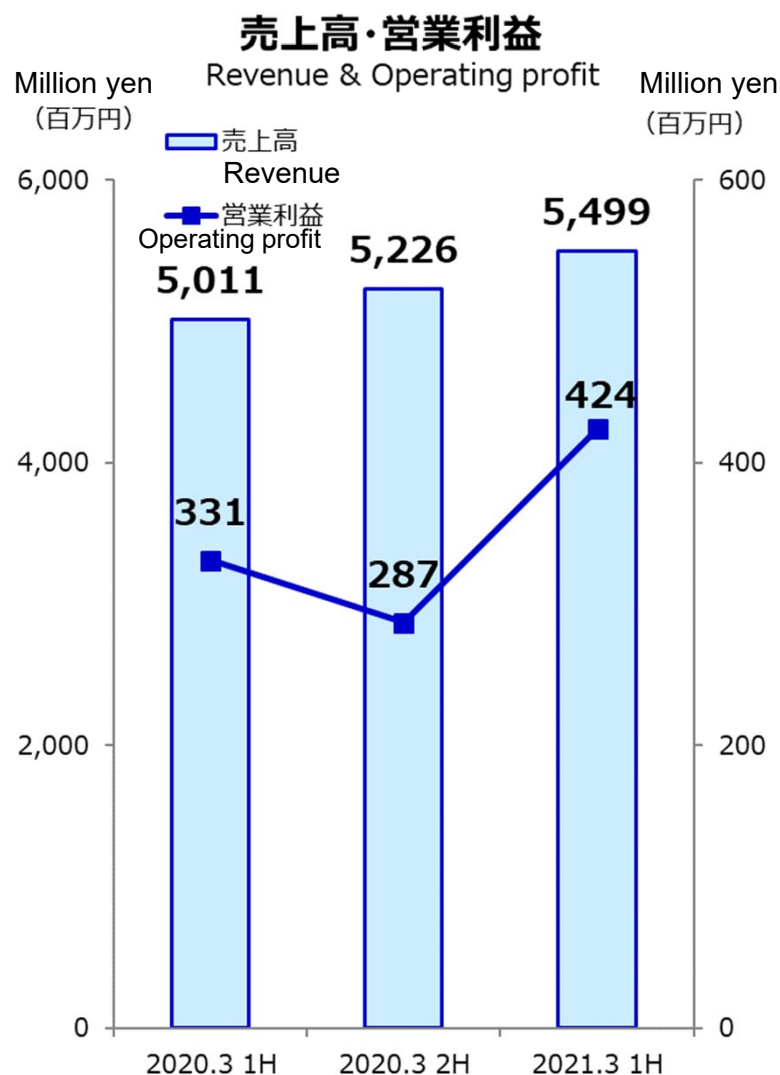
(YoY +44 million yen, +5%)

- Increased labor cost and depreciation for the production capacity up investment, but high valued product sales increase well compensate it and resulted in profit increase

Capital Investment:

- New production building completed on October 19, 2020.

Chemicals Segment



Revenue: 5,499 million yen

(YoY +487 million yen, +10%)

- EL materials and Aroma related products increased
- Chemical Tank Terminal business was stagnant due to temporarily commodity solvents demand slow down impacting goods turn around.

Operating Profit: 424 million yen

(YoY +93million yen, +28%)

- EL material business is accelerating to shift toward to high valued product business
- Aroma business resulted in profit increase in line with sales volume increase

FY2020 1H Profit & Loss Statement

- Revenue 12,835 million yen (+646 million yen, +5%)
- Gross profit improved thanks to high valued product sales expansion and it compensated cost up for production capacity up, then resulted in 2,919 million yen (+215 million yen, +8%)

(Million yen)	2020.3 2Q	2021.3 2Q	AMT I/D	%
Revenue	12,189	12,835	+646	+5%
Cost of sales	9,485	9,916	+430	+5%
Gross profit	2,703	2,919	+215	+8%
Selling Exp.	1,535	1,612	+76	+5%
Operating profit	1,168	1,306	+138	+12%
Non-Op profit	34	69	+35	+103%
Non-Op Exp.	137	98	-38	-28%
Ordinary profit	1,064	1,277	+212	+20%
Extraordinary P&L	-33	-16	+17	+51%
Profit before Tax	1,031	1,261	+230	+22%
Tax	337	396	-58	+17%
Net profit	693	865	+171	+25%

[Gross profit +215]
Thanks to high valued product sales, GP was improved (22.2%→22.7%)

Insurance income +35,
FX loss 29

FY2020 1H Cash Flows Statement

- Operating Activities: 2,165million yen (+519million yen, +32%)
Sales expansion with profit increase and WIC improvement contributed Op CF improvement for our investment activities
- Investing Activities: -4,729million yen due to mainly photosensitive material capacity up investment
- Financing Activities: 2,711million yen as securing the investment fund

	2020.3 2Q	2021.3 2Q	AMT I/D
Net cash provided by operating activities	1,645	2,165	+519
Profit before income taxes	1,031	1,261	+230
Depreciation and amortization	1,063	1,087	+24
Account receivable variance (+decrease)	64	581	+517
Inventories Variance (+decrease)	-340	-507	-167
Accounts payable variance (+increase)	-344	356	+700
Other	172	-613	-785
Net cash used in investing activities	-3,293	-4,729	-1,436
Free Cash Flows	-1,647	-2,564	-916
Net cash provided by financing activities	-499	2,711	+3,211
Effect of FX rate change on cash and cash equivalents	-30	-16	+13
Net variance in cash and cash equivalents	-2,177	130	+2,308
Cash and cash equivalents at end of period	2,822	3,301	+478

WIC management improvement

Continue photosensitive materials capacity up investment

FY2020 1H end Balance Sheet

- Because of photosensitive materials capacity up project, increased fixed assets by +1,227million yen and interest bearing debt by +2,856 million yen, then interest bearing debt was 21,044 million yen. Working for production utilization improvement to meet future demand increase for high valued products
- Shareholders' equity increased by 785million yen thanks to net profit and equity ratio became 27.7% (+0.7pt)

(million yen)	2020.3 end	2021.9 end	AMT I/D
Current assets	15,503	16,011	+508
Cash and cash equivalents	3,582	3,713	+130
Trade receivables	4,654	4,073	-581
Inventories	7,019	7,527	+507
Other	246	697	+451
Fixed assets	23,627	24,996	+1,369
Tangible fixed assets	22,112	23,340	+1,227
Invisible fixed assets	407	484	+77
Investments and other assets	1,107	1,171	+64
Total assets	39,130	41,008	+1,878
Liabilities	28,561	29,640	+1,079
Accounts payable	3,000	3,356	+356
Interest-bearing debt	18,188	21,044	+2,856
Others	7,372	5,238	-2,133
Net assets	10,569	11,368	+798
Shareholders' equity	10,563	11,349	+785
Valuation and translation adjustments	5	18	+12
Total liabilities and net assets	39,130	41,008	+1,878

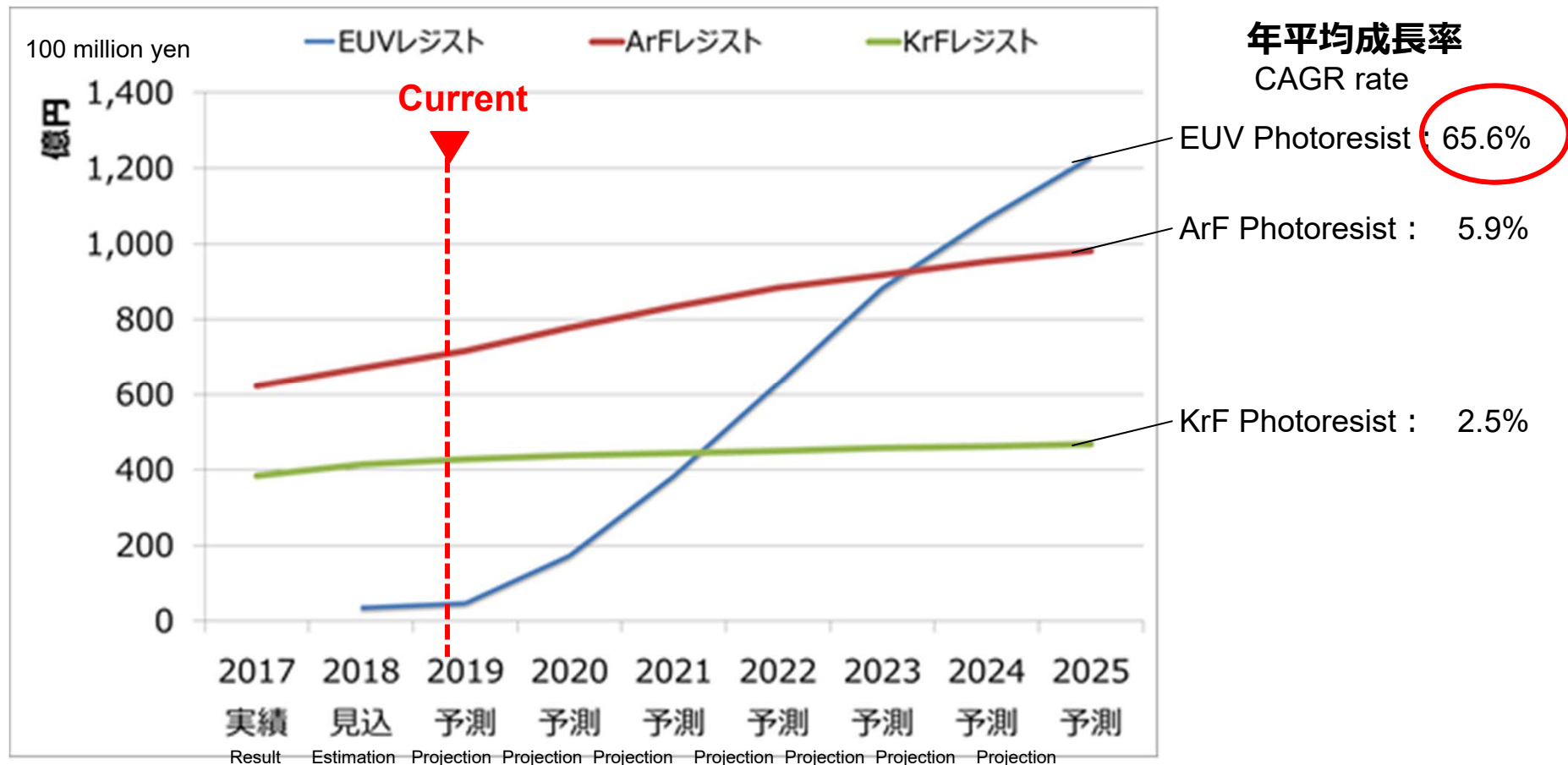
Increased due to photosensitive materials capacity up investment

[Equity ratio]
27.7% (YoY +0.7pt)

2021 March ending Projection

Photoresist Market Development

- EUV photoresist: trial to mass production in 2018, after 2019 volume sale will start
- EUV photoresist will overtake KrF photoresist market size in 2021 and ArF photoresist market size in 2023.



Source: Fuji Chimera Research Institute, Inc

「Å (オンゲストローム) 半導体プロセス材料/技術の展望調査 (2018年7月)」より当社作成

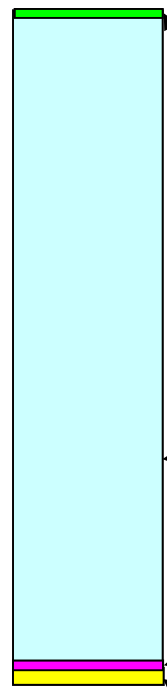
Composition of photoresist

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



Photoresist (liquid form)

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

*Blended with other materials by photoresist makers

The Global Niche Top Companies Selection for 2020

- The Ministry of Economy, Trade and Industry selected TGC as one of 113 companies (chemicals and materials) for the Global Niche Top Companies Selection 100 list for the 2020 fiscal year.
- TGC is recognized to have top class market share in photosensitive materials global market with unique high quality product development.



経済産業省
Ministry of Economy, Trade and Industry

申請・お問合せ English サイトマップ 本文へ 文字サイズ変更 小 中 大 アクセシビリティ 閲覧支援ツール

ニュースリリース 会見・談話 審議会・研究会 統計 政策について 経済産業省

ホーム ▶ ニュースリリース ▶ ニュースリリースアーカイブ ▶ 2020年度6月一覧 ▶ 2020年版「グローバルニッチトップ企業100選」を選定しました

2020年版「グローバルニッチトップ企業100選」を選定しました

2020年6月30日

[▶ ものづくり/情報/流通・サービス](#)

経済産業省は、世界市場のニッチ分野で勝ち抜いている企業や、国際情勢の変化の中でサプライチェーン上の重要性を増している部素材等の事業を有する優良な企業113社を、2020年版「グローバルニッチトップ企業100選」として選定しました。

1. 2020年版「グローバルニッチトップ企業100選」について

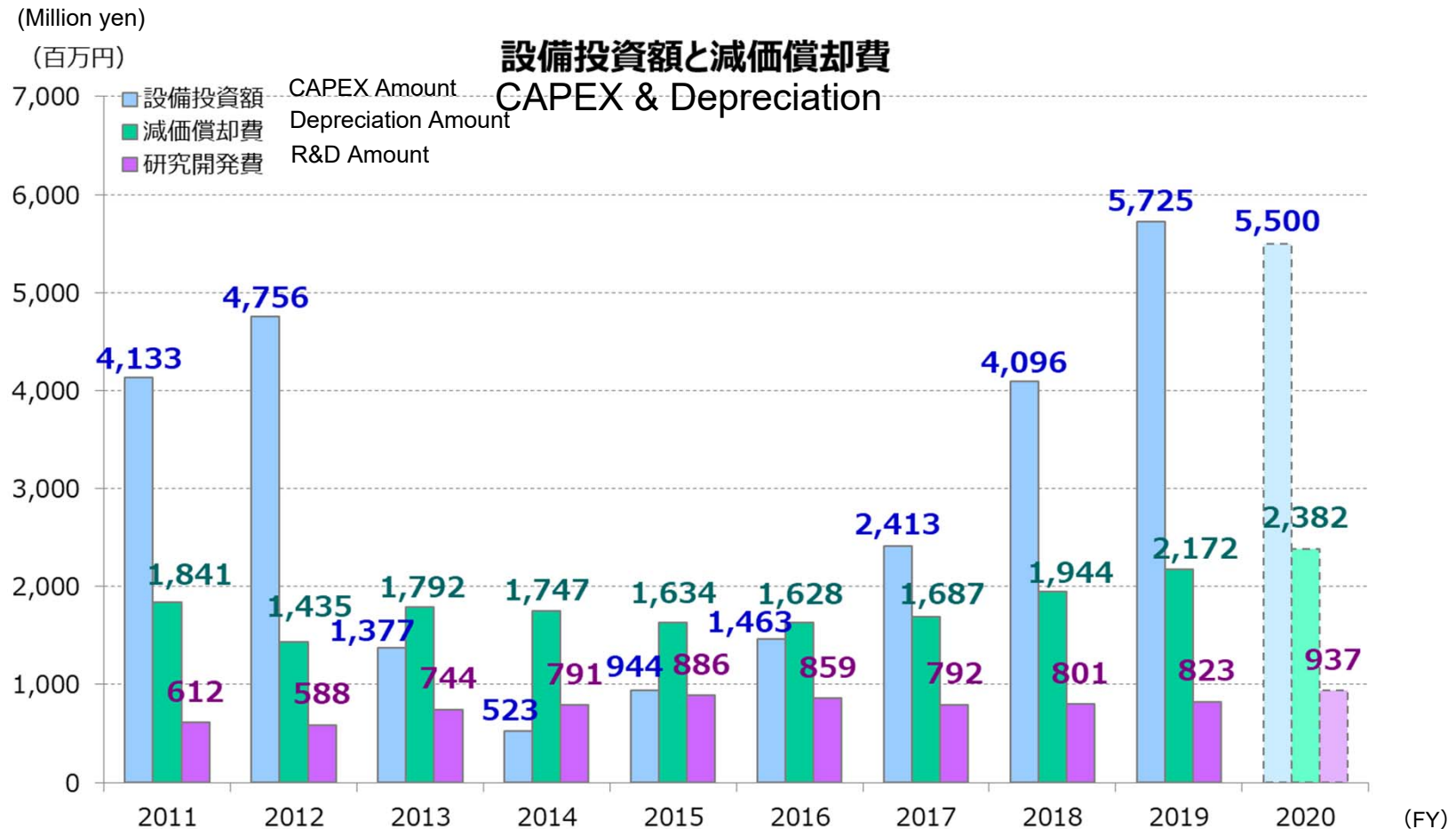
前回（2013年度）に実施した「グローバルニッチトップ企業100選」の後、デジタル経済の進展や世界の政治経済情勢の変動、少子高齢化のような社会構造変化など、日本企業を取り巻く事業環境は変化してきています。

こうした状況を踏まえ、新たな厳しい経済環境の中においてもニッチ分野で勝ち抜いている企業や、サプライチェーン上の重要性を増している部素材等の事業を有する企業などを、2020年版「グローバルニッチトップ企業100選」として新たに公募し、選定を行いました。

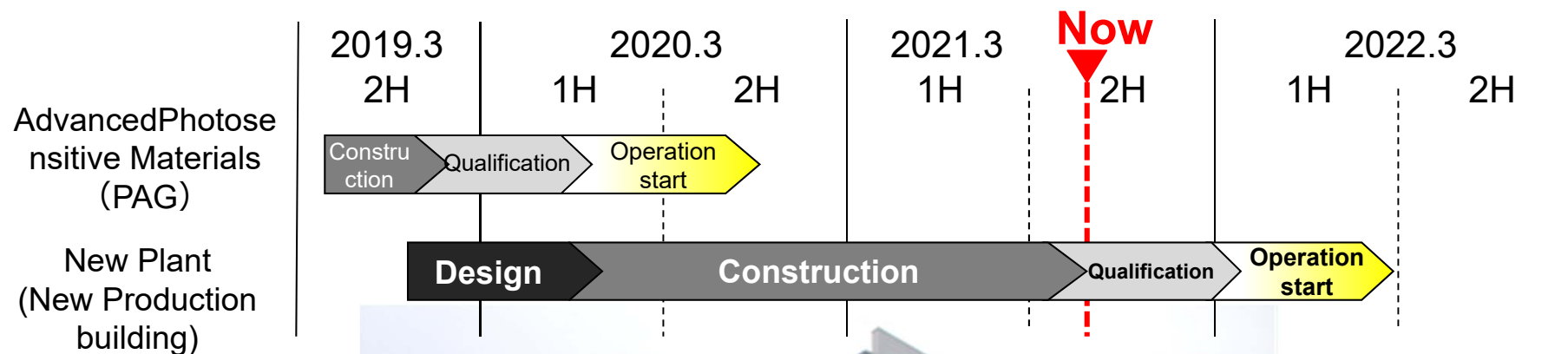


Capital Investment, Depreciation, & R&D

- Under EL materials market demand growth, production capacity expansion investment continue since 2017
- FY2020 investment spending projection is about 5.5billion yen mainly for new plant construction as same level as previous year spending



Photosensitive Materials Capacity Up Investment

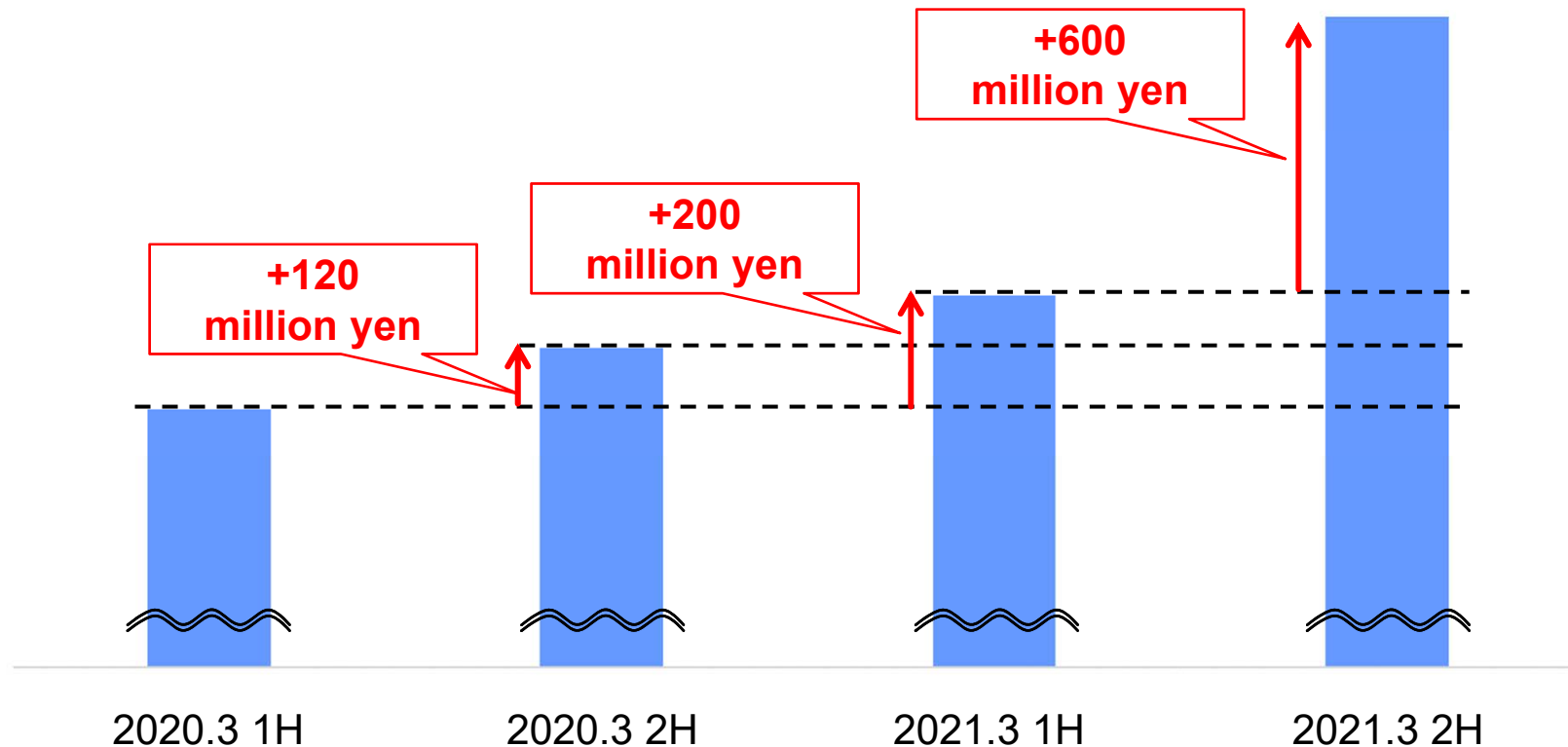


- New plant (4th photosensitive materials plant in Chiba plant site) completed on October 18, 2020
- FY2020 2nd half is product qualification activity period, profit contribution will start from next Financial year.

Fixed cost up by production capacity expansion

- Due to mainly continuous photosensitive materials capacity up investment, fixed cost increased by about 200million yen compared to last half.
- It will increase by about 600million yen in 2nd half compared to 1st half.

Fixed cost transition image



Projection for FY 2020

- All profit resulted in robust progress compared to the projection
- Fixed cost increased by about 800 million yen YOY and it will increase by about 600 million yen from 1st half to 2nd half.
- Products (photosensitive materials and chemical) for Advanced semiconductor application will mainly contribute revenue up
- FX rate set ¥105/\$, dividend per unit is 20 yen as same as our previous announcement

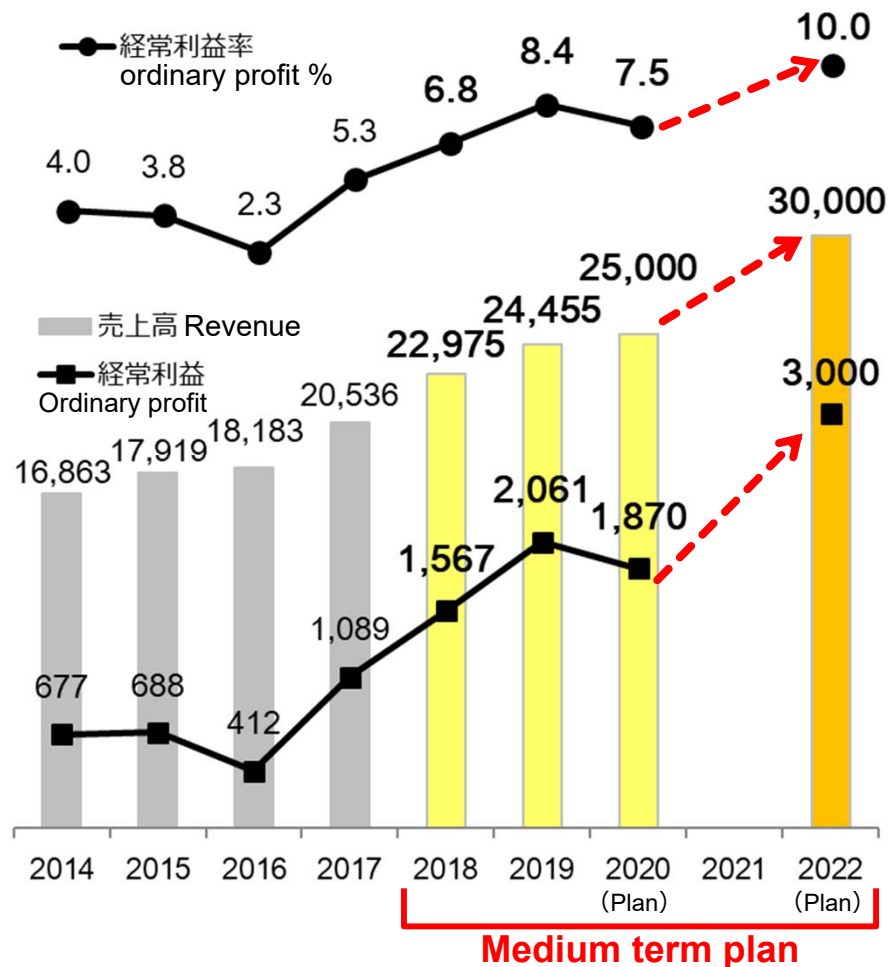
(million yen)	2021.3 Projection	2020.9 Result	Progress %
Revenue	25,000	12,835	51%
Operating profit	1,950	1,306	67%
Ordinary profit	1,870	1,277	68%
Net profit	1,260	865	69%
Net profit per share	158.75	109.04	
FX Rate (USD)	¥105/\$	¥106/\$	

Business environment and demand situation

- **Almost no negative impact from COVID-19 related risk so far**
- **However uncertain will continue on geopolitical risk and COVID-19 related risk**
 - ① Advanced IC market (KrF, ArF, EUV)
 - ✓ Both memory and logic will keep good growth (photosensitive materials and EL solvent)
 - ✓ Robust investment for advanced semiconductor will continue
 - ② Commodity IC market (g-I line)
 - ✓ Under stagnant market situation impacted by COVID-19, but sign for recovery such as automobile production in China
 - ③ FPD market
 - ✓ Keep steadily demand increase from FPD surface area growth for coming few
 - ④ Aroma Chemicals
 - ✓ Continue robust demand mainly coming from toiletry application
 - ⑤ Chemical tank terminal
 - ✓ Under investment adjustment, but demand tend to recovery. Keep high tank utilization rate.

TGC300 Progress (Mid-term business plan)

- “TGC300” as mid-term business plan target: 30billion revenue, 3billion ordinary profit and 10% ordinary profit per revenue in FY2023 March is kept as original plan



- Good progress for EL materials capacity up investment and business expansion as plan
 - ✓ New photosensitive plant completed on Oct. 2020
- Continue to make best effort by all employee and management together to achieve our business target in mid-term business plan

Individual Development, to the global Chemical

