



TOSOH

ANNUAL REPORT

Tosoh Corporation and consolidated subsidiaries
Fiscal year ended March 31, 2016

TOSOH CORPORATION

Forward-Looking Statements: Annual reports contain estimates, projections, and other forward-looking statements, which are subject to unforeseeable risks and uncertainties. Readers should understand that Tosoh's business and financial results could differ significantly from management's estimates and projections.

For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥112.68 = US\$1, the prevailing exchange rate at the end of the fiscal year under review.

Tosoh Corporation's 2016 fiscal year covers the period from April 1, 2015, to March 31, 2016.

CORPORATE SOCIAL RESPONSIBILITY

PRESIDENT'S MESSAGE

Knowledge and effort are helping us make steady progress in implementing our three-year plan

Our basic Responsible Care (RC) policy in fiscal 2016 was to ensure highly focused, safe workplaces and to heighten the performance of our RC program. We saw improvements in our safety record during the year under review as a result of our safety activities, but unfortunately we were unable to achieve our goal of zero accidents and zero lost work-time incidents. It is our aim to continually improve our safety record while striving to expand and enhance the profitability of our business.

Transitioning to Corporate Social Responsibility Reporting

In fiscal 1997, Tosoh began publishing RC reports to communicate its commitment to Responsible Care throughout the life cycle of its products. Our focus was on health, safety, and environmental considerations.

More recently, we have shifted that focus to the development of a governance system committed to optimizing our working conditions and workplace environments and to involvement with our local communities and other stakeholders. We are therefore replacing our RC reporting for fiscal 2016 with corporate social responsibility (CSR) reporting to better convey our activities in these areas.

We have also, for the first time in 30 years, drafted a medium-term business plan, chiefly in response to Japan's Corporate Governance Code, which came into effect during our fiscal 2015. And in the context of introducing our CSR reporting, I also want to take the opportunity to present that 3-year plan.

Striving for a Year of Greater Growth

We are determined in the year ahead to implement our 3-year, medium-term business plan and to achieve its goals. Fiscal 2017 will be a year of greater advancements for Tosoh as it evolves further into a company with both strong commodity and strong specialty product lines.

We maintain a high operating capacity at those of our plants that produce long-lasting commodity products. But to continue to grow, we believe that it is necessary to augment plant production capacity, with new plant construction if need be; to increase the cost-competitiveness of our products; and to release increasingly high-value-added products.

Although we enjoy widespread market recognition for the functionality of our specialty products, we are also moving to realize a specialty business structure that is resilient to external factors. We are engaged in research and development (R&D) initiatives to produce technologies that

meet our customers' needs fully and quickly. This sees us bringing to market high-value-added and entirely new products.

Moving toward the Elimination of Accidents and Industrial Disasters

In November 2011, Tosoh experienced a major explosion and fire that resulted in tragedy. We resolved then to never allow such an accident to occur again, and over the past three years we have invested ¥10 billion to improve the condition of our plants. It is gratifying to see the fruits of our investments and efforts—our safety record is improving.

Going forward, we will convey technical skills to, provide training for, and encourage higher levels of awareness among our employees with regard to safety. We will, in short, continue to improve our workplaces. In fiscal 2017, visits will be made to the control rooms of the plants at our Nanyo and Yokkaichi Complexes in an ongoing effort to look for ways to ensure that our plant environments allow for work to be carried out in the calm, methodical manner required for safe operations.

Efforts and gains in safety at parent company operations notwithstanding, unfortunately there has been no reduction in industrial accidents at Tosoh Group companies. Employees there are no less important than employees at the parent company. So we will take every opportunity to ensure that the safety policies applied at the parent are likewise implemented at all group companies. Our goal, of course, is to eliminate accidents and disasters throughout the Tosoh Group.

Becoming a Company that People Trust

Realizing that goal will ultimately help us achieve our mission of being viewed by all as a reliable manufacturer of products that are safe and that contribute to society. That mission in mind, we are working diligently at our production bases to earn the confidence of the surrounding communities. Tosoh will continue to seek the trust of its stakeholders in its R&D, its manufacturing, its quality assurance, its logistics, and its products. And as always we look forward to your ongoing support and encouragement.

Toshinori Yamamoto
President, Tosoh Corporation

MESSAGE FROM THE CHAIRMAN OF THE RC COMMITTEE

Our safety initiatives are beginning to bear fruit. We will build on these results while maintaining stable business operations.

At Tosoh, we engage in Responsible Care (RC) activities based on the RC activity guidelines discussed and decided by the RC Committee and on policies that we've devised in line with the needs of our business and research facilities. Implemented RC activities are monitored by our plant managers and the RC Committee chair. Responses to issues that emerge in the course of oversight are included in the activity guidelines for the following year through a PDCA (plan-do-check-adjust) cycle. In this way, we strive to ensure peace of mind for all through safe operations.

Our safety record with regard to disaster prevention and occupational safety and health has unfortunately been such that we have not met our goal of zero incidents. But our safety efforts have begun to yield results, indicating that we are on the road to improvement. I believe, though, that continued gains in this regard make it vital that we carry out increasingly focused safety activities.

Environmentally, our operations have been without significant issues. Our acquisition, however, of Nippon Polyurethane Industry Co., Ltd., in October 2014 makes it necessary for us to proceed with our plans to reduce our atmospheric emissions of materials listed in Japan's Pollutant Release and Transfer Register (PRTR).

There is similarly a greater need than ever before for us to assure product quality given the extent to which the mainstay of our business has shifted toward raw materials for specialty products. We need to prioritize tasks in our quality assurance system and even to rebuild that system to suit the changing structure of our business.

My wish is for Tosoh to engage in RC activities that recognize the importance of working hand in hand with everyone who handles Tosoh products and with our customers and the communities where our production facilities are located.

Keiichiro Nishizawa
Director, Executive Vice President, Tosoh Corporation
Chairman, RC Committee

Environmental Accounting

Environmental cost-benefit accounting quantifies Tosoh's environmental programs. In fiscal 2016, investments in environmental preservation amounted to ¥1.40 billion (US\$12.4 million).

Health, Safety, Environmental Management

Principles Regarding the Environment, Safety, and Health

Tosoh Corporation contributes to the advancement of society through continuous innovation in chemistry, leading ultimately to the supply of products and services to the satisfaction of customers. At the same time, Tosoh continues to regard environmental protection, safety, and health as top management priorities.

Action Policies

Basic Stance

- Promote initiatives with an awareness of the obligation to comply with laws and regulations and self-responsibility
- Set targets, draw up action plans, and implement actions with the participation of all concerned
- Incorporate audit results in future action plans

Environmental Protection Initiatives

- Conserve energy and resources through the use of the smallest-possible quantities of resources to obtain the greatest-possible benefits
- Reduce emissions and waste through improved manufacturing processes and operational management

Safety Assurance Initiatives

- Prevent accidents and respond to disasters through facility safety management
- Maintain and manage emergency response capabilities through safety drills
- Eliminate accidents and disaster effects through the analysis of case studies

Product-Related Environmental and Safety Assurance Initiatives

- Allow consideration for the environment, safety, and health to guide product design and the development of manufacturing processes
- Undertake prior assessment during the development of new products and processes
- Ensure product safety through total quality management

Communication Initiatives

- Provide safety management-related information for products and chemical substances
- Enhance public confidence through dialogue about business activities

Responsible Care Committee

Tosoh's RC Committee guides and promotes the company's RC activities. The committee is chaired by the director responsible for the company's Environment, Safety and Quality Control Division, and its members include general managers from Tosoh's Purchasing and Logistics Division, operating divisions, manufacturing complexes and offices, and research centers. The RC Committee devises an annual RC activity plan and presents it to Tosoh's president. The president, in turn, presents the plan to the Board of Directors, which makes the final decision on the activities planned. Tosoh's manufacturing complexes and offices subsequently flesh out the plan's details and implement its planned activities.

Responsible Care Activities

Guided by core policies, Tosoh made progress with its various RC initiatives in fiscal 2016. The company improved its safety record, but, regrettably, incidents still occurred. In the year ahead, Tosoh will raise the level of its RC activities to achieve its main objectives of zero incidents and lost time.

Stewardship

Stewardship of Social Responsibility

We undertake to continuously innovate products that contribute to the sound development of society, to provide a reliable supply of our products, and to gain the trust of society.

We strive to be a prosperous business and a cooperative and contributing member of the local communities where we do business.

Preparedness for Major Earthquakes

The Great East Japan Earthquake of 2011 taught Japan's Central Disaster Prevention Council and other groups that major earthquakes might occur and cause serious damage even where tremors are rare. Meetings in March and August 2012 produced conclusions about earthquakes and tsunami based on analyses of the Nankai Trough using megaquake models. Those conclusions, published in December 2013 and March 2014, included maps and more indicating the impact of tsunami on Yamaguchi Prefecture, home to Tosoh's Nanyo Complex, and Mie Prefecture, home to Tosoh's Yokkaichi Complex.

The Nanyo and Yokkaichi Complexes comply with all legal requirements, including Japan's Construction Standards, High-Pressure Gas Safety Law, and Fire Service Law. They are, with the exception of some electric power generation, designed to safely cease operation at a specified magnitude of earthquake.

Both complexes, moreover, have introduced measures and continue to plan more on an ongoing basis that prioritize saving lives. They hold comprehensive disaster prevention drills for earthquakes and have set up web cameras to enable the remote monitoring of conditions at each complex during a disaster. They have also assessed and reinforced as necessary the earthquake resistance of facilities that have an important role under emergency conditions. In addition, they have in place countermeasures and evacuation procedures in the event of soil liquefaction caused by an earthquake and flooding caused by a tsunami. The complexes have as well stockpiled emergency supplies to sustain employees unable to return to their homes in the aftermath of a disaster.

ENVIRONMENT AND SOCIETY

Input and Output

Tosoh products are manufactured by reaction, cracking, and distillation. We utilize our power generation plants and coal-fired boilers to supply the electricity and steam, respectively, for reactions and cracking. We use industrial water and seawater to cool reactions.

To balance our product output, we manage our generation of electricity and steam. We also manage our emissions to reduce the burden our production activities place on the environment.

Effective Use of Resources

Tosoh makes a significant contribution to recycling in its operations and in the surrounding communities. We collect waste produced on location and from households and other companies near our operations and recycle it into new products.

Tosoh processes much of its waste, such as coal ash, as raw materials at its cement plant. Our Nanyo Complex is able to process not only industrial waste from its facilities' operations and those of nearby companies but also household garbage from local communities.

Industrial Waste Emissions

Tosoh almost completely disposes of and recycles its industrial waste. What we don't process we make available for use outside the Tosoh Group or dispose of in landfills.

Tosoh double-checks the specifics of each type of waste for disposal before issuing a manifest on handling industrial waste. Through our manifests, we supervise waste leaving our facilities on-site and confirm final waste disposal or reuse. We also annually inspect our disposal sites.

Product Safety

Tosoh's raw materials and products contain specified-use and restricted substances under Japan's Fire Prevention Law, Law Concerning Poisons and Other Harmful Substances, and other laws. It is essential to ensure safety at each processing stage in our operations, including R&D, manufacturing, logistics, and quality assurance. Tosoh complies with safety requirements under its RC goals of chemical product safety, quality assurance, logistical safety, and other internal directives.

R&D

R&D encompasses improving and developing products, from basic materials to cutting-edge technologies. Our R&D programs develop products that meet customers' needs safely and reliably.

Manufacturing

The main mission of a chemical company is to provide stable product supply. To that end, Tosoh sets up committees to ensure safe operations when adding new equipment, expanding production capacity, and maintaining and upgrading facilities.

Quality Assurance

Tosoh's quality management system is all-encompassing. Its emphases include responding promptly to customer inquiries.

Logistics

Tosoh conducts training programs for the companies that transport its products. Our aims are to raise safety awareness and to establish safe supply lines between our operations and our customers.

Safe Sourcing of Chemical Products

Tosoh carries out initiatives to ensure compliance with domestic and foreign legal regulations for the safe handling of chemicals. These include assessing product safety and providing product information.

Tosoh Initiatives

- Tosoh provides safety data sheets (SDS) to ensure the safe handling of its products. The SDS accord with unified international classification and labeling requirements known as the Globally Harmonized System of Classification and Labeling of Chemicals (GHS).
- Tosoh submits notifications, registrations, and applications in compliance with such domestic laws as the Chemical Substances Control Law, the Industrial Safety and Health Act, and the Pharmaceutical and Medical Device Act.
- Tosoh complies with such foreign legal regulations as Europe's Registration Evaluation Authorization and Restriction of Chemicals (REACH).
- Tosoh participates in the autonomous Japan Initiative of Product Stewardship (JIPS) movement promoted by the Japan Chemical Industry Association. JIPS aims to minimize the effects of chemical products on health and the environment.

Human Rights, Human Resources, Diversity

Human Resources

Tosoh's human resources system inspires and rewards employees. Employees are inspired to take ownership of their responsibilities and are rewarded for proactively exhibiting a strong sense of such ownership.

Principles

Creative Organization. Enabling employees to realize their potential

Challenging Environment. Applying a grading system for thorough employee evaluation

Impartial Treatment. Rewarding employees who make an effort

Employee Education Programs

Tosoh has long provided education and training programs to enhance knowledge and skills, foster employee interaction, generate a stimulating workplace, and cultivate leaders and

innovators. The company's offerings include on-site, manager and other rank-based, and vocational training. Classes that promote internationalization are also provided.

Recruitment Policies Promote Diversity

Tosoh follows a nondiscriminatory policy when it comes to hiring new recruits. Tosoh also implements a program of reemploying retired employees so that they can pass on their technical skills to new employees.

Contribution to Society

Tosoh's many initiatives include promoting two-way communication with all its stakeholders, foremost among them the residents of communities neighboring the company's facilities. The company seeks to raise the quantity and quality of such communication exchanges by providing convenient venues for such activities.

Tosoh uses meetings at these venues as opportunities to encourage an understanding of its operations and RC activities and to listen to the opinions of all interested parties. In this way, Tosoh in part fulfills its commitment to being a company that can be trusted and relied on.

GOVERNANCE

Corporate Governance and Management System

Tosoh has established a system that enables prompt responses to changing business environments and thereby raises corporate value. We strive for sound management and a high degree of fairness and transparency.

Tosoh's corporate governance and management system comprises committees consisting of directors and general managers from throughout the Tosoh Group. All committees—the Internal Control Committee, Compliance Committee, Antimonopoly Compliance Committee, and the Export Supervision Committee—all function to gain the trust of society.

Compliance

Antimonopoly Compliance Committee

The Antimonopoly Compliance Committee prepares in-house rules, manuals, and other instruction methods to ensure compliance with Japan's Antimonopoly Act. The committee also holds meetings on a timely basis to deliberate and make decisions on necessary actions on an ongoing basis. Its Legal and Patents Department conducts hearings on sales price revisions proposed by the sales departments of business divisions. It also holds hearings to confirm whether there have been any meetings with competitors regarding pricing and bidding on government contracts.

The committee annually holds in-house seminars to heighten an awareness of and to ensure compliance with such laws as the Antimonopoly Act and the Act against Delay in Payment of Subcontract Proceeds, Etc., to subcontractors.

Export Supervision Committee

The Export Supervision Committee prepares in-house rules, manuals, and other instruction methods to ensure compliance with Japan's Foreign Exchange and Foreign Trade Act. The committee also holds meetings appropriately to consider and make decisions on necessary actions. The committee decides on the export management procedures for cargo and other items that fall under Japan's list control and catchall control regulations. Its Export Department manages the procedures. The committee also holds in-house seminars annually to ensure legal compliance with export controls. A total of 251 employees attended its seminars in fiscal 2016.

Internal Control and Risk Management

Internal Control Committee

The Internal Control Committee, which convened five times in fiscal 2016, oversees Tosoh's compliance with the financial reporting requirements of Japan's Financial Instruments and Exchange Act. Specifically, it supports the design and improvement of our internal controls.

It evaluates the effectiveness and, based on evaluations by our Audit Office, the status of our internal controls and generates plans therefor. It also prepares and publicly issues internal control reports. Its membership comprises general managers from related departments.

Compliance Committee

Our Compliance Committee structures Tosoh's compliance systems; formulates its corporate behavior guidelines; and undertakes and implements compliance-related training, research, and fact-finding. The committee issues a code of conduct applicable to the entire Tosoh Group that establishes high standards for group-wide compliance.

The committee has also established a compliance hotline that allows employees and others to anonymously report compliance-related indiscretions. The Compliance Committee, meanwhile, highlights the latest compliance-related developments on Tosoh's intranet. Those highlights include quizzes on compliance, real-life examples of compliance, and more to heighten employee awareness of the importance of compliance.

BOARD OF DIRECTORS

Toshinori Yamamoto	Representative Director, President
Sukehiro Itoh	Representative Director
Masaki Uchikura	Director
Keiichiro Nishizawa	Director
Katsushi Tashiro	Director
Kouji Kawamoto	Director

Tsutomu Abe	External Director
Kenji Ogawa	External Director

AUDIT & SUPERVISORY

Katsumi Ishikawa	Internal Auditor
Eiji Inoue	Internal Auditor

Tetsuya Teramoto	External Auditor
Tsuneyasu Ozaki	External Auditor

CORPORATE OFFICERS

Toshinori Yamamoto	President
Sukehiro Itoh	Executive Vice President; President, Chlor-alkali and Petrochemical Groups
Masaki Uchikura	Executive Vice President; President, Specialty Group; Senior General Manager, Advanced Materials Division
Keiichiro Nishizawa	Executive Vice President; President, Engineering Group; Senior General Manager of Research and Development Planning; Director, Organo Corporation
Katsushi Tashiro	Executive Vice President; Senior General Manager, Nanyo Complex
Kouji Kawamoto	Executive Vice President; Manager, Corporate Control & Accounting; General Manager, Purchasing & Logistics; External Director, Lonseal Corporation
Masayuki Yamada	Senior Vice President; Senior General Manager, Bioscience Division

Nobuaki Murashige	Senior Vice President; Senior General Manager, Yokkaichi Complex
Shingo Tsutsumi	Senior Vice President; Senior General Manager, Chlor-alkali Division; General Manager, China Operations
Etsuya Ikeda	Senior Vice President; Deputy Senior General Manager, Nanyo Complex
Yutaka Nakamura	Vice President; Senior General Manager, Human Resources
Akira Omura	Vice President; Senior General Manager, Polymers Division
Katsumi Mineshige	Vice President; Senior General Manager, Olefins Division
Noriaki Ohshima	Vice President; General Manager, Tokyo Research Center, Advanced Materials Research Laboratory
Yutaka Kohmoto	Vice President; Senior General Manager, Urethane Division
Toshinori Hayashi	Vice President; General Manager, Research & Development, Tokyo Research Center
Noriaki Hajima	Vice President; Deputy Senior General Manager, Yokkaichi Complex
Nobuhiro Ogawa	Vice President; Senior General Manager, Legal and Patents
Mamoru Kuwada	Vice President; Senior General Manager, Production & Technology Planning
Akihiro Aiiso	Vice President; Plant Manager, Tosoh Hyuga Corporation
Masao Nakano	Vice President; General Manager, Functional Inorganic Materials
Jun Oyamada	Vice President; General Manager, Osaka Regional Office
Yoshiyuki Uchiyama	Vice President; Senior General Manager, Organic Chemicals Division; Director, Tosoh Organic Chemical Co., Ltd., Tosoh Finechem Corporation, Tosoh Nikkemi Corporation
Akira Hironaga	Vice President; Deputy Senior General Manager, Nanyo Complex; General Manager, Technology Center
Masanobu Kasai	Vice President; Deputy Senior General Manager, Bioscience Division; Director, Tosoh AIA, Inc.

CORPORATE OFFICERS (continued)

Haruhisa Nishi	Vice President; General Manager, Nanyo Complex Environment, Safety, and Quality Control
Shunya Shinohara	Vice President; Plant Manager, Tosoh Finechem Corporation; Managing Director, Tosoh F-Tech, Inc., Tosoh Organic Chemical Co., Ltd.
Hisaoki Harada	Vice President; General Manager, Nanyo Complex Cement & Energy Production
Masayuki Kudo	Vice President; General Manager, Urethane Division Planning & Coordination
Toru Adachi	Vice President; Senior General Manager, Corporate Strategy

(As of June 29, 2016)