



NEWS RELEASE

May 10, 2017

Tosoh Reports on Its Consolidated Results for Fiscal 2017

Tokyo, Japan—Tosoh Corporation is pleased to announce its full-year consolidated results for the 2017 fiscal year (from April 1, 2016, to March 31, 2017). Consolidated net sales for the year under review were ¥743.0 billion (US\$6.9 billion), down ¥10.7 billion, or 1.4%, from fiscal 2016. The decrease resulted from a drop in petrochemical prices associated with declining fuel and raw material costs, including for naphtha, and from declines in the export sales prices for our products because of a strong yen.

Our operating income for fiscal 2017 was ¥111.2 billion (US\$1.0 billion), up ¥41.8 billion, or 60.2%, compared with fiscal 2016 because of improvements in the terms of trade and lower raw material and fuel prices. Ordinary income increased ¥47.3 billion, or 71.8%, to ¥113.1 billion (US\$1.0 billion). And net profit attributable to owners of the parent company was up ¥36.0 billion, or 90.7%, to ¥75.7 billion (US\$698.3 million).

During fiscal 2017, the Japanese economy continued to see a gradual recovery in employment and income with the influence of Japanese government economic policy. Concern continued, however, over the persistent and increasing economic uncertainty overseas. Particularly worrisome are the policy trends that will take hold in the wake of Britain's Brexit vote to leave the European Union and of the new administration taking office in the United States and the rising threat to geopolitical stability from problems in the Middle East and on the Korean peninsula.

Results by business segment

Petrochemical Group

Petrochemical Group net sales fell ¥13.7 billion, or 7.8%, to ¥161.7 billion (US\$1.5 billion) compared with fiscal 2016. The group's operating income, however, increased ¥8.5 billion, or 72.9%, to ¥20.1 billion (US\$185.3 million).

Petrochemical product shipments were steady in ethylene, propylene, and other olefins but prices fell as a result of decreases in the cost of naphtha and other raw materials and fuel.

Prices of polyethylene resin products in Japan likewise fell, reflecting lower naphtha prices. But exports of chloroprene rubber and chlorosulfonated polyethylene increased on strong demand overseas. Their prices, though, dropped on account of the strong yen.

Chlor-alkali Group

The Chlor-alkali Group's net sales fell ¥164.0 million, or 0.1%, compared with fiscal 2016, to ¥279.7 billion (US\$2.6 billion). Improved trade conditions during the year nevertheless yielded an increase in operating income of ¥29.9 billion, or 166.4%, to ¥47.9 billion (US\$442.3 million).



Caustic soda prices in Japan gradually decreased, but export prices for caustic soda increased because of improved market conditions overseas. Shipments of vinyl chloride monomer and polyvinyl chloride resin remained strong; however, prices for these products decreased because of the strong yen and the fall in naphtha prices.

Cement shipments decreased domestically as demand fell in Japan. Cement exports, though, increased.

Shipments of methylene diphenyl diisocyanate (MDI) increased, but export prices of MDI fell, largely because of a strong yen.

Specialty Group

Net sales by the Specialty Group in fiscal 2017 increased ¥1.4 billion, or 0.8%, year on year, to ¥175.9 billion (US\$1.6 billion). Operating income also increased, to ¥35.4 billion (US\$326.6 million), a rise of ¥2.7 billion, or 8.2%.

Ethyleneamine product prices declined as a result of the strong yen and because of softening markets overseas.

Separation-related products witnessed an increase in shipments of liquid chromatography packing materials. Diagnostic-related products similarly saw an increase in shipments of in vitro diagnostic reagents.

Shipments of high-silica zeolites for application in automobile catalytic converters likewise increased, as did shipments of zirconia for use in dental materials and ornamental products. The year also saw an increase in fused silica glass shipments for the semiconductor industry.

Engineering Group

Engineering Group net sales increased ¥2.4 billion, or 2.8% over fiscal 2016, to ¥86.6 billion (US\$799 million) in fiscal 2017. Operating income improved ¥568 million, or 12.4%, to ¥5.1 billion (US\$47.5 million).

Tosoh's water treatment business increased its sales during the year under review through growth in plant construction, maintenance, and reconstruction projects for general industrial wastewater treatment and water purification facilities. Its overseas sales were steady to the electronics industry in Taiwan and to the petrochemical industry in Southeast Asia.

Sales by the Engineering Group's construction subsidiaries increased.

Other

Other net sales decreased ¥584.0 million, or 1.5%, compared with fiscal 2016, to ¥39.1 billion (US\$361.3 million). Operating income was ¥2.7 billion (US\$24.8 million), an increase of ¥118 million, or 4.6%.

Sales by trading companies and other operations trended low for the year in review.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥108.35 = US\$1, the average exchange rate during the period under review.

Outlook for the fiscal year ending March 31, 2018

For the time being, a gradual recovery in the Japanese economy is anticipated amidst improvements in employment and in income. There are, though, so many unknowns given the



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international political situation and economic climate that reduce optimism for the long-term continuation of Japan's economic recovery.

The Tosoh Group faces a business climate in which it must remain cautious of fluctuations in raw material and fuel prices and in overseas markets. Management believes that the Tosoh Group must respond swiftly and flexibly to changes in its business environment. We need in particular to respond to economic trends in Asia and in other emerging economies.

The Tosoh Group's forecast for fiscal year 2018, the year ending March 31, 2018, calls for net sales of ¥770 billion, for operating income and ordinary income of ¥100 billion each, and for net profit attributable to owners of the parent company of ¥68 billion. These performance forecasts are predicated on domestic naphtha prices of ¥41,000 a kiloliter and an exchange rate of ¥110 to the US dollar.

TOSOH CORPORATION

Who We Are

Tosoh is the parent of the Tosoh Group, which comprises over 100 companies worldwide and a multiethnic workforce of over 12,000 people and generated net sales of ¥743.0 billion (US\$6.9 billion at the average rate of ¥108.35 to the US dollar) in fiscal 2017, ended March 31, 2017.

What We Do

Tosoh is one of the largest chlor-alkali manufacturers in Asia. The company supplies the plastic resins and an array of the basic chemicals that support modern life. Tosoh's petrochemical operations supply ethylene, polyethylene, and functional polymers, while its advanced materials business serves the global semiconductor, display, and solar industries. Tosoh has also pioneered sophisticated bioscience systems that are used for the monitoring of life-threatening diseases. In addition, Tosoh demonstrates its commitment to a sustainable future, in part by manufacturing a variety of eco-products.

Stock Exchange Ticker Symbol: JP: 4042

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Disclaimer

This document may contain forward-looking statements, including, without limitation, statements concerning product development, objectives, goals, and commercial introductions, which involve certain risks and uncertainties. Forward-looking statements are also identified through the use of the word *anticipates* and other words of similar meaning. Actual results may differ significantly from the expectations contained in the forward-looking statements.



Summary of Consolidated Business Results for Fiscal Year 2017
(April 1, 2016–March 31, 2017)

May 10, 2017

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2016 (Actual)	FY 2017 (Actual)	Difference	FY 2017 (Actual)	FY 2018 (Forecast)	Difference
Net sales	753.7	743.0	(10.7)	743.0	770.0	27.0
Operating income	69.4	111.2	41.8	111.2	100.0	(11.2)
Ordinary income	65.8	113.1	47.3	113.1	100.0	(13.1)
Profit attributable to owners of the parent	39.7	75.7	36.0	75.7	68.0	(7.7)
Earnings per share (¥)	62.61	116.56	53.95	116.56	104.73	(11.83)

(b) Business and Financial Fundamentals

(¥ Billions)

	FY 2016 (Actual)	FY 2017 (Actual)	Difference	FY 2017 (Actual)	FY 2018 (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	120.15	108.35	(11.80)	108.35	110.00	1.65
Exchange rate (¥/EUR) Average TTM	132.60	118.75	(13.85)	118.75	115.00	(3.75)
Domestic standard naphtha price (¥/kl)	42,800	34,675	(8,125)	34,675	41,000	6,325
Capital expenditures	27.9	37.8	9.9	37.8	44.0	6.2
Depreciation and amortization	31.8	27.4	(4.4)	27.4	30.0	2.6
R&D expenses	13.7	14.4	0.7	14.4	16.0	1.6
Interest-bearing liabilities	199.6	139.8	(59.8)	139.8	115.0	(24.8)
Net financing expenses	(0.7)	0.0	0.7	0.0	0.0	0.0
Equity ratio (%)	46.3	52.8	6.5	52.8	55.0	2.2
Number of employees	12,037	12,292	255	12,292	12,550	258

Topics

November 2016	Completion of new overseas plant for high-silica zeolite (HSZ) in Malaysia
Summer 2018 (Scheduled)	Increase production capacity of Toyopearl separation and purification media
Winter 2018 (Scheduled)	Replace boiler for electric power generation at Nanyo Complex
Winter 2018 (Scheduled)	Increase polyvinyl chloride resins production capacity at Philippine Resins Industries, Inc.
Spring 2019 (Scheduled)	Increase production capacity of HSZ at Nanyo Complex

(c) Net Sales and Operating Income (Loss) by Business Segment

(¥ Billions)

		FY 2016 (Actual)	FY 2017 (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	175.4	161.7	(13.7)	0.9	(14.6)	-
	Operating income	11.6	20.1	8.5	0.2	5.1	3.2
Chlor-alkali Group	Net sales	279.8	279.7	(0.1)	13.1	(13.2)	-
	Operating income	18.0	47.9	29.9	2.0	21.8	6.1
Specialty Group	Net sales	174.5	175.9	1.4	10.4	(9.0)	-
	Operating income	32.7	35.4	2.7	6.1	(3.7)	0.3
Engineering Group	Net sales	84.2	86.6	2.4	3.1	(0.7)	-
	Operating income	4.6	5.1	0.5	0.5	0.0	0.0
Other	Net sales	39.7	39.1	(0.6)	0.9	(1.5)	-
	Operating income	2.6	2.7	0.1	0.2	0.0	(0.1)
Total	Net sales	753.7	743.0	(10.7)	28.3	(39.0)	-
	Operating income	69.4	111.2	41.8	9.0	23.1	9.7

*Price effect of operating income includes sale and purchase variances.

(¥ Billions)

		FY 2017 (Actual)	FY 2018 (Forecast)	Difference	FY 2018(Forecast)	
					04.01.17-09.30.17	10.01.17-03.31.18
Petrochemical Group	Net sales	161.7	167.3	5.6	87.9	79.4
	Operating income	20.1	16.8	(3.3)	8.9	7.9
Chlor-alkali Group	Net sales	279.7	299.3	19.6	142.1	157.2
	Operating income	47.9	46.5	(1.4)	17.8	28.7
Specialty Group	Net sales	175.9	175.9	(0.0)	85.0	91.0
	Operating income	35.4	30.6	(4.8)	15.6	15.1
Engineering Group	Net sales	86.6	87.4	0.8	36.0	51.4
	Operating income	5.1	3.8	(1.3)	0.7	3.1
Other	Net sales	39.1	40.0	0.9	19.0	21.0
	Operating income	2.7	2.3	(0.4)	1.1	1.3
Total	Net sales	743.0	770.0	27.0	370.0	400.0
	Operating income	111.2	100.0	(11.2)	44.0	56.0



2. Consolidated Financial Position

(¥ Billions)

	FY 2016 03.31.2016	FY 2017 03.31.2017	Difference
Total assets	734.8	782.6	47.8
Net assets	373.7	448.3	74.6
Interest-bearing liabilities	199.6	139.8	(59.8)
Equity ratio (%)	46.3	52.8	6.5
Net assets per share (¥)	524.23	636.43	112.20

3. Cash flows

(¥ Billions)

	FY 2016 (Actual) 03.31.2016	FY 2017 (Actual) 03.31.2017	Difference
Cash flows from operating activities	99.9	115.7	15.8
Cash flows from investment activities	(27.9)	(34.7)	(6.8)
Cash flows from financing activities	(50.8)	(68.8)	(18.0)
Others	(2.0)	(1.6)	0.4
Net increase (decrease) in cash and cash equivalents	19.1	10.5	(8.6)
Cash and cash equivalents at end of period	74.9	85.5	10.6

4. Dividends

	Annual dividends per share (¥)			Total amount of annual dividends (¥ Millions)	Dividend payout ratio (%)
	Interim	Year-end	Total		
FY 2016	7.00	7.00	14.00	9,086	22.4
FY 2017	7.50	16.50	24.00	15,583	20.6
FY 2018 (Forecast)	12.00	12.00	24.00	—	22.9