



## NEWS RELEASE

*May 9, 2014*

### **Tosoh Reports on Consolidated Results for Fiscal 2014 (from April 1, 2013, to March 31, 2014)**

**Tokyo, Japan**—Tosoh Corporation is pleased to announce its consolidated results for its 2014 fiscal year, from April 1, 2013, to March 31, 2014. Consolidated net sales amounted to ¥772.3 billion (US\$7.7 billion), up ¥103.8 billion, or 15.5%, from fiscal 2013. Factors contributing to the increase included the lessening impact of the accident at the Nanyo Complex's No. 2 Vinyl Chloride Monomer Plant, adjustments to domestic prices based on a rise in the cost for naphtha and other raw materials, and adjustments to export prices based on the weakening of the yen.

Profits also rose sharply compared with the prior fiscal year. Supported by improvements in volume sold and in terms of trade, the company posted operating income of ¥41.6 billion (US\$415 million), an increase of ¥17.1 billion, or 69.9%, over operating income for the same period the previous year. Ordinary income climbed ¥15.9 billion, to ¥49.6 billion (US\$494.2 million), or 47.4%, over ordinary income for the same period last year. This increase was attributed to exchange rate gains. Tosoh's net income for fiscal year 2014 advanced ¥12.7 billion, or 75.3%, to ¥29.6 billion (US\$295.1 million).

In fiscal 2014, signs of a self-sustaining recovery in Japan's real economy mounted throughout the year. The recovery is being driven by the impact of the lifting of long-term deflation and the ripple effect of the Japanese government's monetary and fiscal initiatives. Financial markets strengthened amid rising stock prices and a weakening yen. In addition, business confidence continued to spread and improve while consumer spending remained firm amid improving numbers for employment and personal income.

#### **Results by business segment**

##### **Petrochemical Group**

Petrochemical Group net sales for fiscal 2014 rose ¥35.8 billion, or 19.1%, compared with group net sales for the same period the year before, to ¥223.5 billion. The group's operating income increased ¥4.2 billion, or 40.3%, to ¥14.8 billion.

Shipments of ethylene, propylene and other olefins were generally brisk. Tosoh successfully implemented price increases against the backdrop of higher prices for naphtha and other raw materials and costs. Cumene also reaped the benefits of a weaker yen and stronger export markets, consequently generating higher returns from exports.

Polyethylene resin sales were invigorated by a recovery in the photovoltaic cell market that boosted shipments of ethylene vinyl acetate copolymer. Higher naphtha costs again enabled Tosoh to implement domestic price increases. Shipments of chloroprene rubber (CR) and chlorosulphonated polyethylene (CSM) expanded on the strength of recovering demand in markets abroad and improved export prices because of the weaker yen.



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## **Chlor-alkali Group**

Chlor-alkali Group net sales increased ¥49.0 billion, or 20.6%, year on year, to ¥286.3 billion. Rallying from an operating loss in the previous fiscal year, the group improved profits by ¥5.5 billion, to record an operating income of ¥3.9 billion.

Exports and domestic shipments of caustic soda fell throughout fiscal 2014. Mitigating the continued weak caustic soda market, a recovery in Tosoh's vinyl chloride monomer (VCM) manufacturing volumes supported an increase in VCM shipments. Moreover, the weaker yen and strengthening of overseas markets improved export prices. Domestically sold PVC also benefited from a price increase implemented around the beginning of the fiscal year.

The group's shipments of cement increased as a result of strong demand created by the ongoing rebuilding efforts related to the Great East Japan Earthquake.

Shipments of urethane raw materials expanded in Japan and export prices improved because of the weaker yen.

## **Specialty Group**

Net sales for the Specialty Group in fiscal 2014 amounted to ¥153.4 billion, an increase of ¥21.7 billion, or 16.5%, from the group's net sales for the preceding fiscal year. Operating income surged ¥10.2 billion, or 114.1%, to ¥19.2 billion.

Shipments of ethyleneamines by the Specialty Group decreased because of adjustments to production volumes that were made as part of an effort to improve profitability. The decline in production volume, however, was somewhat offset by price increases and the depreciation of the yen. Shipments of bromine and bromine flame retardant products, on the other hand, rose.

Similarly, the group's shipments of separation-related products, and especially of its liquid chromatography packing materials, expanded. Among the group's diagnostic-related products, shipments of automated immunoassay (AIA) equipment and in vitro diagnostic reagents also increased.

Shipments of electrolytic manganese dioxide for dry cell and rechargeable batteries rose, with export prices firming up because of the weaker yen. Strong demand for high-silica zeolites (HSZ) applications for petrochemical catalysts and automobile catalytic converters boosted HSZ shipments. Zirconia shipments for the dental materials market also increased.

## **Engineering Group**

Fiscal 2014 net sales for the Engineering Group were ¥68.6 billion, a decrease of ¥4.2 billion, or 5.7%, from the group's net sales for fiscal 2013. Operating income fell ¥3.1 billion, or 71.1%, to ¥1.3 billion.

During the year in review, the group's sales of water treatment facilities, services, and related chemicals slumped because of a flurry of postponements or cancellations of capital investment, maintenance, renovation, and other business by domestic clients in the electric power generation industry and industry in general. In contrast, overseas orders and sales rose on the strength of improved industrial performance, particularly in the electronics industry. The group's construction-related companies posted sales growth.



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## **Other**

Other net sales in fiscal 2014 climbed ¥1.5 billion, or 3.8%, from net sales the year before, to ¥40.6 billion. Other operating income was ¥2.4 billion, an increase of ¥0.2 billion, or 11.1% year on year. Sales by trading companies and logistics subsidiaries increased.

## **Outlook for the fiscal year to March 31, 2015**

A slight downturn is expected in Japan's economy in early fiscal 2015 in reaction to the spike in demand ahead of the April hike in the consumption tax. However, there are expectations that corporate earnings, employment, and personal income will continue to improve. Reasons for the positive outlook include, among other factors, the economic base support provided by the benefits of the Japanese government's economic policies and the recovery in the global economy. Risk remains, though, that a downward swing in the global economy could topple a recovery in Japan. The Tosoh Group is therefore making every effort to boost its profitability. It is expanding its sales volume, maintaining an optimum pricing structure, and reducing costs throughout its operations, among other things.

Tosoh's projections for fiscal year 2015, ending March 31, 2015, call for net sales of ¥810 billion, operating income of ¥46 billion, ordinary income of ¥45 billion, and net income of ¥52 billion. These full-year forecasts are based on a domestic standard price for naphtha of ¥70,000 per kiloliter and on an exchange rate of ¥100.00 to the US dollar.

Please note that the projections include a decline in tax expenses of ¥24 billion based on the booking of deferred tax assets related to the temporary differences arising from the company's assumption of losses carried forward, etc., of Nippon Polyurethane Industry Co., Ltd. (NPU) following the scheduled merger of the two companies in October 2014. There is a possibility that this figure could change substantially when the company reassess its position following the merger.

## **TOSOH CORPORATION**

### **WHO WE ARE**

Tosoh Corporation is a Japanese chemical company established in 1935 and listed on the First Section of the Tokyo Stock Exchange. It is the parent of the Tosoh Group, which comprises 130 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥772.3 billion (US\$7.7 billion at the year-end rate of ¥100.17 to the US dollar) in fiscal 2014, ended March 31, 2014.

### **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: 4042



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## Disclaimer

This document contains forward-looking statements, including, without limitation, statements concerning product development, objectives, goals, and commercial introductions, which involve certain risks and uncertainties. The 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 2014**  
**(April 1, 2013–March 31, 2014)**

May 9, 2014

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2013 (Actual)	FY 2014 (Actual)	Difference	FY 2014 (Actual)	FY 2015 (Forecast)	Difference
Net sales	668.5	772.3	103.8	772.3	810.0	37.7
Operating income	24.5	41.6	17.1	41.6	46.0	4.4
Ordinary income	33.6	49.5	15.9	49.5	45.0	(4.5)
Net income	16.9	29.6	12.7	29.6	52.0	22.4
Net income per share (¥)	28.17	49.35	21.17	49.35	86.79	37.44

(b) Business and Financial Fundamentals

(¥ Billions)

	FY 2013 (Actual)	FY 2014 (Actual)	Difference	FY 2014 (Actual)	FY 2015 (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	82.91	100.17	17.25	100.17	100.00	(0.17)
Exchange rate (¥/EUR) Average TTM	106.78	134.22	27.44	134.22	140.00	5.78
Domestic standard naphtha price (¥/kl)	57,475	67,275	9,800	67,275	70,000	2,725
Capital expenditures	26.2	23.7	(2.5)	23.7	27.0	3.3
<small>Nippon Polyurethane Industry Co., Ltd. The merger is planned for October 1, 2014 and is subject to shareholder approval.</small>	35.0	31.8	(3.2)	31.8	32.0	0.2
R&D expenses	12.2	12.5	0.3	12.5	13.0	0.5
Interest-bearing liabilities	326.0	286.2	(39.8)	286.2	275.0	(11.2)
Net financing expenses	(3.3)	(2.6)	0.7	(2.6)	(2.0)	0.6
Equity ratio ( % )	25.7	30.4	4.7	30.4	-	-
Number of employees	11,268	11,421	153	11,421	11,700	279

Topics

- Fall 2014 (planned): Expansion of high-silica zeolite (HSZ) production capacity at Nanyo Complex.
- Fall 2014 (planned): Expansion of VCM production capacity at Nanyo Complex's No. 3 Vinyl Chloride Monomer Plant. (from 400,000 metric tons to 600,000 metric tons).
- Fall 2014 (planned): Construction of plant for emission-free polyurethane catalyst at Nanyo Complex.
- Fall 2014 (planned): Tosoh Group company Tosoh SMD, Inc., will implement a major expansion to develop, produce, and support physical vapor deposition (PVD) sputtering targets for the new 450 mm wafer semiconductor market.

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

		FY 2013 (Actual)	FY 2014 (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	187.6	223.5	35.8	10.6	25.2	-
	Operating income	10.5	14.8	4.2	1.5	1.9	0.9
Chlor-alkali Group	Net sales	237.3	286.3	49.0	26.0	23.0	-
	Operating income (loss)	(1.6)	3.9	5.5	8.8	1.4	(4.7)
Specialty Group	Net sales	131.7	153.4	21.7	5.5	16.2	-
	Operating income	9.0	19.2	10.2	3.1	7.0	0.1
Engineering Group	Net sales	72.7	68.6	(4.2)	(5.9)	1.7	-
	Operating income	4.4	1.3	(3.1)	(3.0)	0.0	(0.1)
Other	Net sales	39.1	40.6	1.5	0.9	0.6	-
	Operating income	2.2	2.4	0.2	0.4	0.0	(0.2)
Total	Net sales	668.5	772.3	103.8	37.1	66.6	-
	Operating income	24.5	41.6	17.1	10.9	10.2	(3.9)

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

(¥ Billions)

		FY 2014 (Actual)	FY 2015 (Forecast)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	223.5	240.4	16.9	10.2	6.7	-
	Operating income	14.8	11.8	(3.0)	1.1	(0.7)	(3.4)
Chlor-alkali Group	Net sales	286.3	295.9	9.6	7.3	2.3	-
	Operating income	3.9	5.7	1.9	3.0	3.4	(4.4)
Specialty Group	Net sales	153.4	156.6	3.2	7.8	(4.6)	-
	Operating income	19.2	24.0	4.8	5.9	(1.2)	0.1
Engineering Group	Net sales	68.6	76.5	8.0	8.1	(0.2)	-
	Operating income	1.3	2.2	1.0	1.0	0.0	(0.1)
Other	Net sales	40.6	40.6	0.1	0.1	0.0	-
	Operating income	2.4	2.2	(0.2)	(0.2)	0.1	(0.1)
Total	Net sales	772.3	810.0	37.7	33.5	4.2	-
	Operating income	41.6	46.0	4.4	10.9	1.5	(8.0)

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



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## 2. Consolidated Financial Position

(¥ Billions)

	FY 2013 03.31.2013	FY 2014 03.31.2014	Difference
Total assets	735.1	721.7	(13.4)
Net assets	219.3	249.8	30.5
Interest-bearing liabilities	326.0	286.2	(39.8)
Equity ratio (%)	25.7	30.4	4.7
Net assets per share (¥)	315.15	365.85	50.70

## 3. Cash flows

(¥ Billions)

	FY 2013	FY 2014	Difference
Cash flows from operating activities	36.1	67.2	31.2
Cash flows from investment activities	(23.4)	(26.1)	(2.6)
Cash flows from financing activities	(24.5)	(45.5)	(21.0)
Others	1.9	2.1	0.2
Net increase (decrease) in cash and cash equivalents	(10.0)	(2.2)	7.77
Cash and cash equivalents at end of period	57.36	55.13	(2.23)

## 4. Dividends

	Annual dividends per share (¥)			Total amount of annual dividends (¥ Millions)	Dividend payout ratio (%)
	Q2	Q4	Total		
FY 2013	3.00	3.00	6.00	3,597	21.3
FY 2014	3.00	3.00	6.00	3,598	12.2
FY 2015 (Forecast)	5.00	3.00	6.00	—	9.2

\*Fiscal 2015 forecast dividend payment of JPY 5.00 includes a commemorative dividend of JPY 2.00 for the planned merger with Nippon Polyurethane Industry Co., Ltd. The merger is planned for October 1, 2014 and is subject to shareholder approval.