



TOSOH

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# 2016 ANNUAL REPORT

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DIGEST

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

**TOSOH CORPORATION**



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## *The Chemistry of Innovation*

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 over 100 companies worldwide and a multiethnic workforce of over 12,000 people and generated net sales of ¥753.7 billion in fiscal 2016, ended March 31, 2016.



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FINANCIAL SUMMARY



VIEW ONLINE

**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.

# *Tosoh at a Glance*

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Based on the values of craftsmanship, Tosoh serves a diverse range of major industries spanning the globe by supplying commodity and specialty materials and products and technical services that contribute to social and industrial progress.



# 5

## BUSINESS GROUPS

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### *SPECIALTY*

Strongly positioned and highly profitable products in well-established and growing markets

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Organic Chemicals, Bioscience, Advanced Materials



### *CHLOR-ALKALI*

Commodities from one of Asia's largest fully integrated commodity chemical manufacturers

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Basic Chemicals, Polyurethane, Cement



### *PETROCHEMICAL*

Traditional, high-performance, and specialty products for a wide range of industries

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Polymers, Olefins



### *ENGINEERING*

Environmental-related services, including water treatment and soil purification and remediation, and construction

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Water Treatment, Construction



### *OTHER*

Services, mainly for Tosoh Group companies, that enhance efficiency and improve interactions with customers

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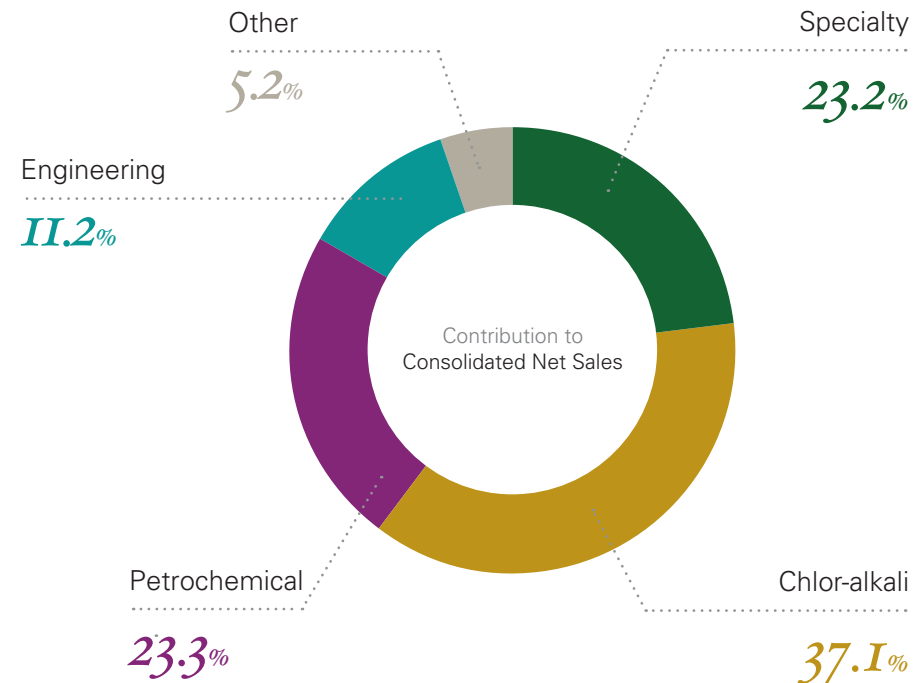
Logistics, IT, General Services

FISCAL 2016  
CONSOLIDATED NET SALES

¥753.7 bil

(US\$6.7 billion)

The Chlor-alkali Group was the top contributor to net sales. It plays a central role in Tosoh's commodities-based operations, which also include the Petrochemical Group.

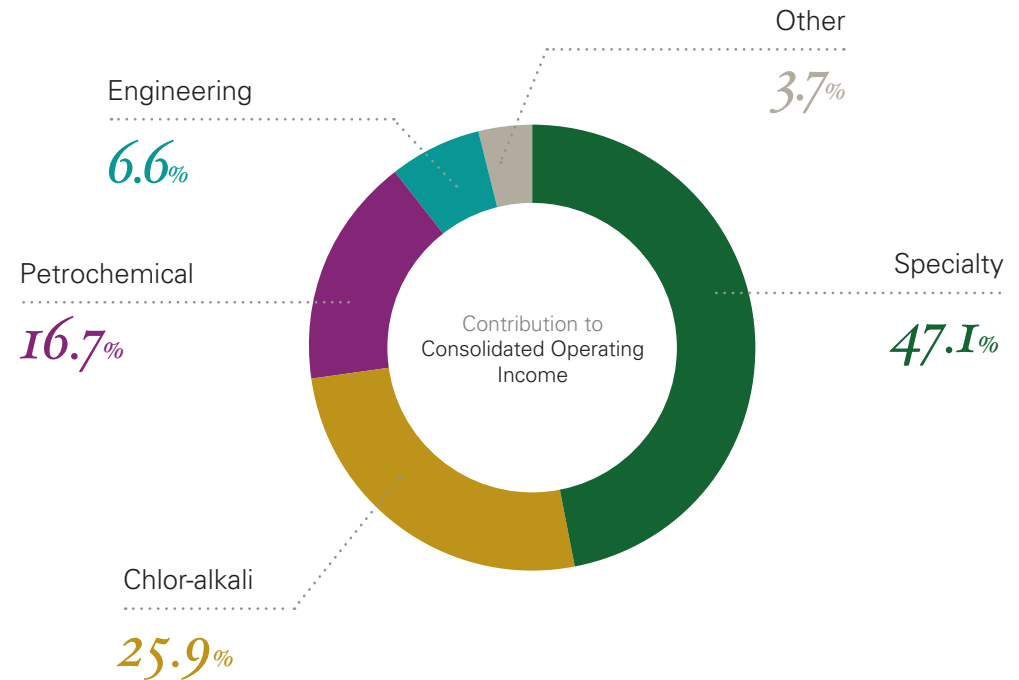


FISCAL 2016  
CONSOLIDATED OPERATING INCOME

¥69.4 bil

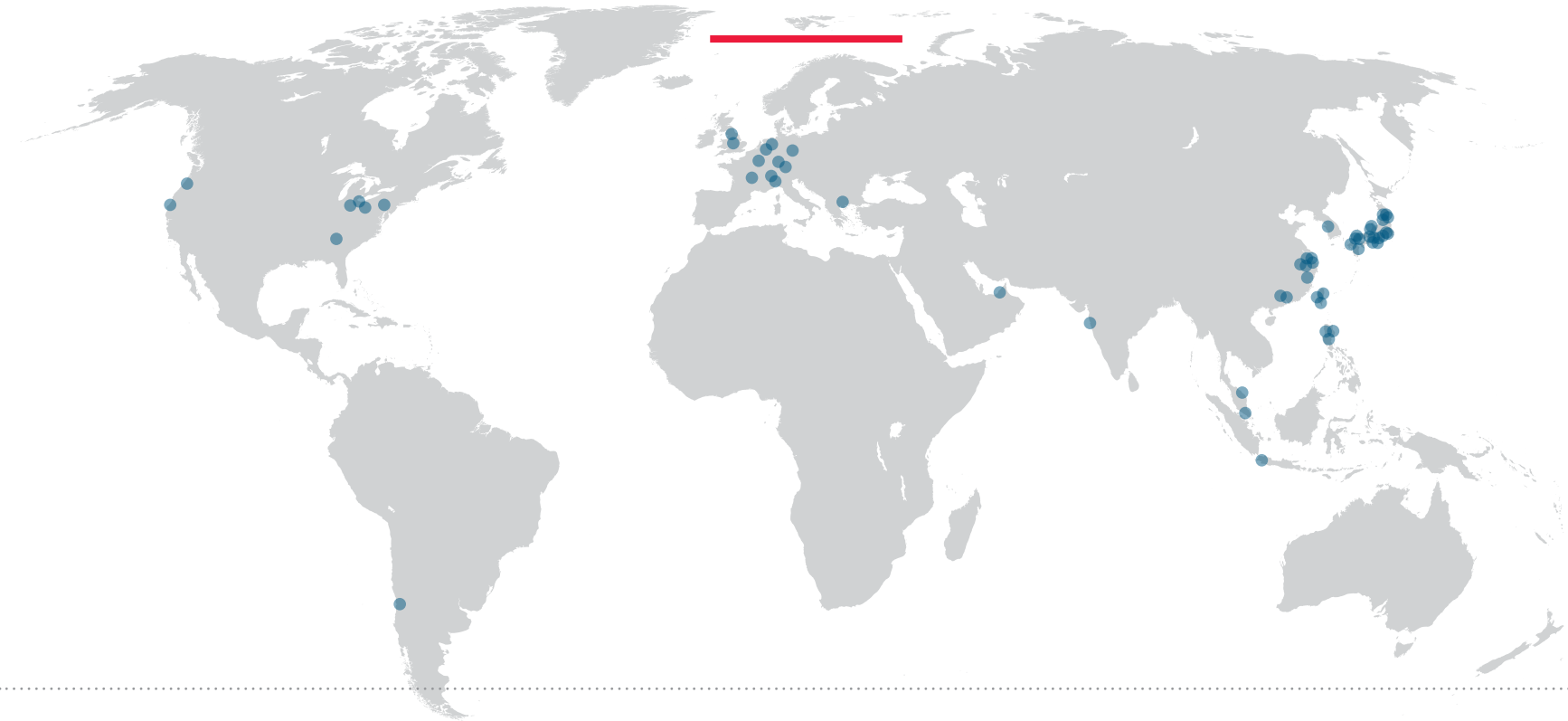
(US\$616.3 million)

While the Specialty Group continues to be Tosoh's largest profit contributor, the Chlor-alkali, Petrochemical, and Engineering Groups made marked gains over the previous fiscal year.



# 12,037

EMPLOYEES WORLDWIDE



Tosoh operates in many regions and markets worldwide. The company's growing global presence is supported by its manufacturing, technological, and logistical strength and by its multicultural and diversely skilled workforce, which engages with and serves customers in developing and advanced economies alike.



FINANCIAL HIGHLIGHTS FOR FISCAL 2016

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753,736

NET SALES (Millions of Yen)

-6.9%

71,967

FREE CASH FLOW (Millions of Yen)

+260%

69,445

OPERATING INCOME (Millions of Yen)

+35.1%

62.61

NET INCOME PER SHARE (Yen)

-40%

39,675

PROFIT ATTRIBUTABLE TO OWNERS OF THE  
PARENT COMPANY (Millions of Yen)

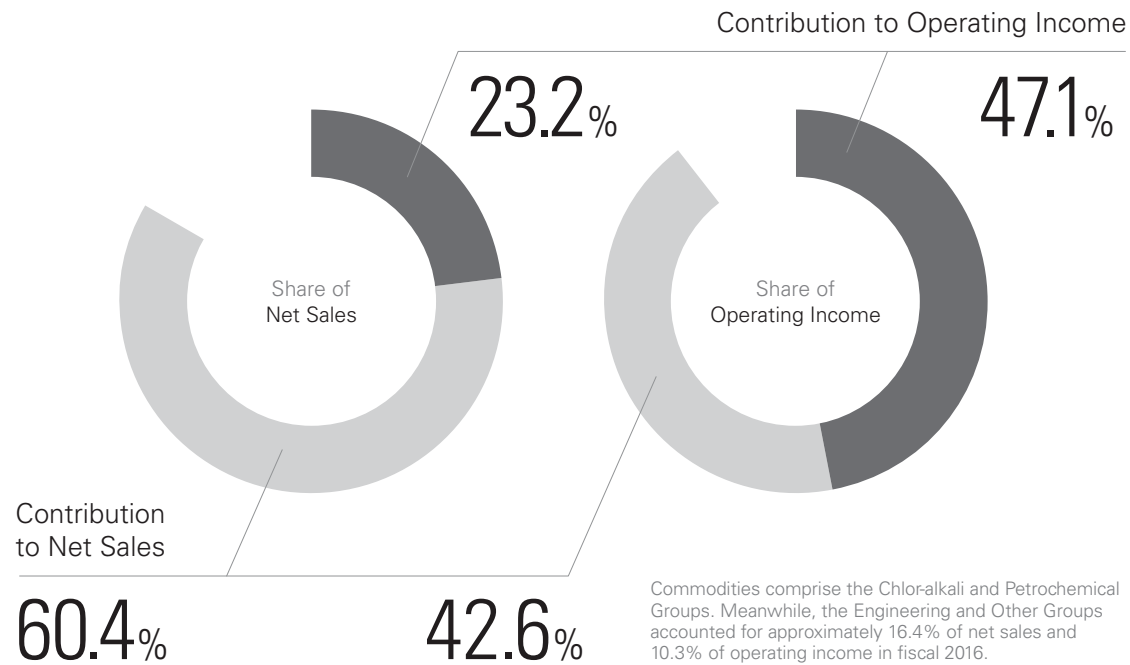
-36.3%

14

DIVIDENDS PER SHARE (Yen)

 [READ MORE ONLINE](#)

## COMMODITIES AND SPECIALTIES OPERATIONS IN FISCAL 2016



Our business structure balances high-value-added specialties to generate profits and commodities to provide cash flow.



# *Message from the President*

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“The company moved ahead with core strategies to further its profitability and to position itself and its group for growth in a rapidly changing business environment.”

**Toshinori Yamamoto**  
President, Tosoh Corporation

 [READ MORE ONLINE](#)

# *Review of Operations*

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Improved trade conditions arising from lower prices of raw materials and an increase in volumes sold allowed Tosoh's business groups to record growth in operating profit almost across the board. Net sales however declined chiefly because petrochemical product prices fell in Japan and overseas.



SP

**SPECIALTY GROUP**

To achieve our objectives for the Specialty Group, we continue to increase production capacities of key products and launched products for high-demand growth markets.

 [READ MORE ONLINE](#)

NET SALES

¥174.5 bil

(US\$1.5 billion)

-0.2%

from fiscal 2015

OPERATING INCOME

¥32.7 bil

(US\$290.2 million)


+9.1%

from fiscal 2015



## CHLOR-ALKALI GROUP

The Chlor-alkali Group continues to strengthen its vinyl isocyanate chain by reducing costs, achieving higher operating rates, and targeting growth opportunities. The clear leader in chlor-alkali in Asia, the group is also positioned in major global markets.

 [READ MORE ONLINE](#)

### NET SALES

¥279.8 bil

(US\$2.5 billion)

−4.9%

from fiscal 2015

### OPERATING INCOME

¥18.0 bil

(US\$159.6 million)


+116.2%

from fiscal 2015

Pc

**PETROCHEMICAL GROUP**

The Petrochemical Group remains competitive at home while dealing with the issues of a mature domestic market but looks to overseas markets for growth, especially for its high-value-added and technically advanced polyethylenes and functional polymers.

 [READ MORE ONLINE](#)

## NET SALES

¥175.4 bil

(US\$1.6 billion)

– 21.6%

from fiscal 2015

## OPERATING INCOME

¥11.6 bil

(US\$103.0 million)

+ 67.7%

from fiscal 2015

EN

**ENGINEERING GROUP**

Growth in plant construction and requests for maintenance and renovation overall in the water treatment industry, primarily for the electronics sector supported the group's core operations.

 [READ MORE ONLINE](#)

## NET SALES

¥84.2 bil

(US\$747.1 million)

+11.1%

from fiscal 2015

## OPERATING INCOME

¥4.6 bil

(US\$40.6 million)

+37.4%


from fiscal 2015



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**OTHER**

The Other Group provides support services for Tosoh's many businesses and their employees while aiming to turn each of its operations into profit centers.

 [READ MORE ONLINE](#)

## NET SALES

¥39.7 bil

(US\$352.6 million)

−3.1%

from fiscal 2015

## OPERATING INCOME

¥2.6 bil

(US\$22.8 million)

−9.6%

from fiscal 2015

# *Corporate Social Responsibility*

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Tosoh has shifted 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. In line with those initiatives the company is replacing our RC reporting for fiscal 2016 with corporate social responsibility (CSR) reporting.





## *From the President*

"It is our aim to continually improve our safety record while also striving to expand and enhance the profitability of our business."

**Toshinori Yamamoto**  
President, Tosoh Corporation

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## *From the RC Committee Chairman*

"Tosoh's operations have been conducted without significant environmental issues. However, it is necessary that we proceed with our plans to reduce atmospheric emissions."

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

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FISCAL 2016 TOTAL  
ENVIRONMENTAL INVESTMENT

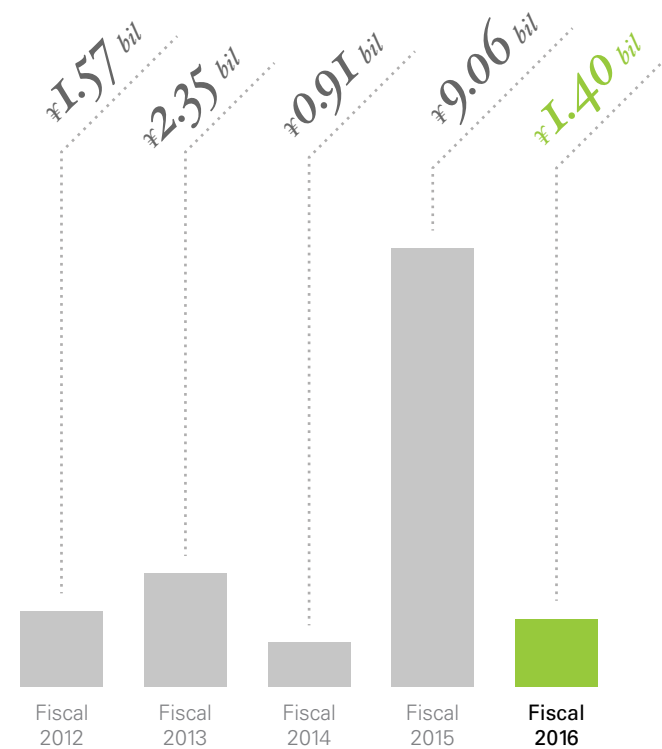
¥1.40 bil

(US\$12.4 million)

Environmental cost-benefit accounting allows Tosoh to gauge the results of its environmental preservation programs.

[READ MORE ONLINE](#)

## Environmental Investments Over Five Years



# *Research & Development*

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Tosoh's R&D priorities are life sciences, energy and environmental conservation, and electronic materials. To stay on the leading edge in our priority fields, we stimulate internal cooperation to maximize organizational resources and generate synergies.



FISCAL 2016 R&D INVESTMENT

¥13.7 bil

(US\$122 million)

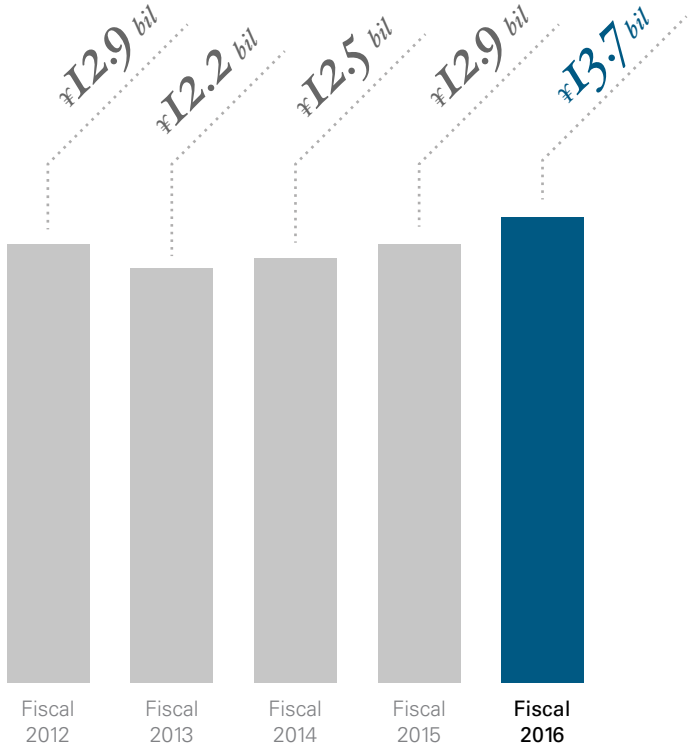


Our 890 researchers strive to strengthen our core businesses and to keep us on the leading edge of technology in our priority fields.



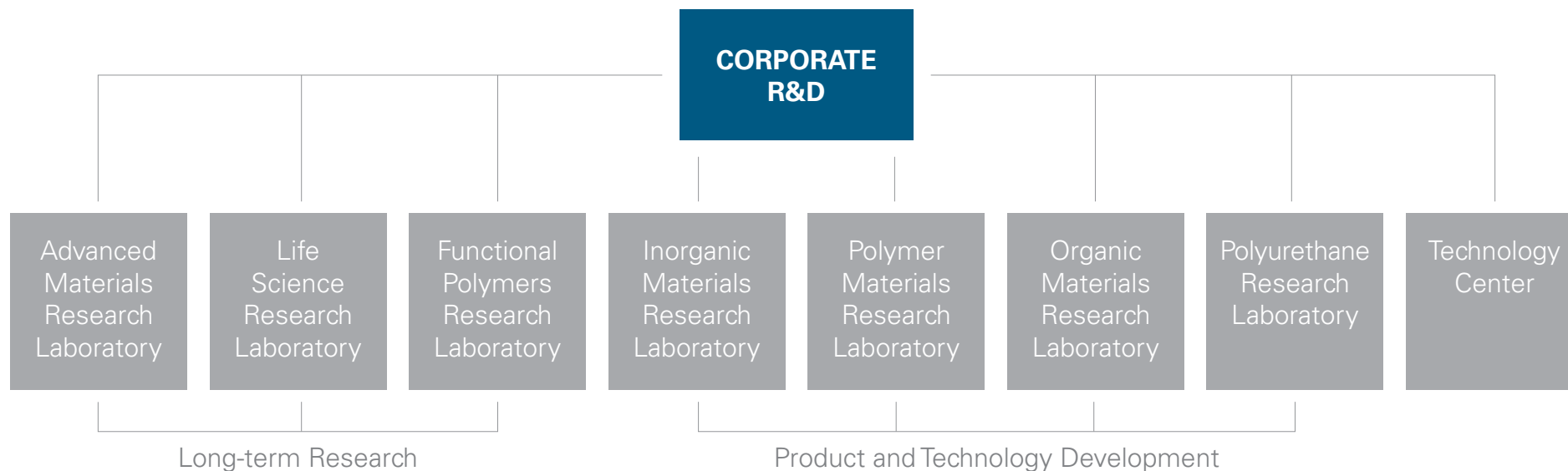
[READ MORE ONLINE](#)

R&D Investments Over Five Years



## RESEARCH &amp; DEVELOPMENT ORGANIZATION

Grouped by technical field and function, Tosoh R&D aims to enhance its current offerings as well as pursue the creation of new business and products according to such priority themes as life sciences, energy and environment, and electronic materials.



# Medium-Term Business Plan

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Tosoh Corporation's new medium-term business plan presents policies and plans for management, capital expenditures, financial strengthening, and shareholders return for the fiscal year 2017 through fiscal year 2019.





MANAGEMENT POLICIES

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# Balance

Commodity and Specialty  
products

# Build

Rock-solid financial base

# Bolster

Safety reforms

TARGETS

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Net Sales

¥750 bil

Operating Income

¥85 bil

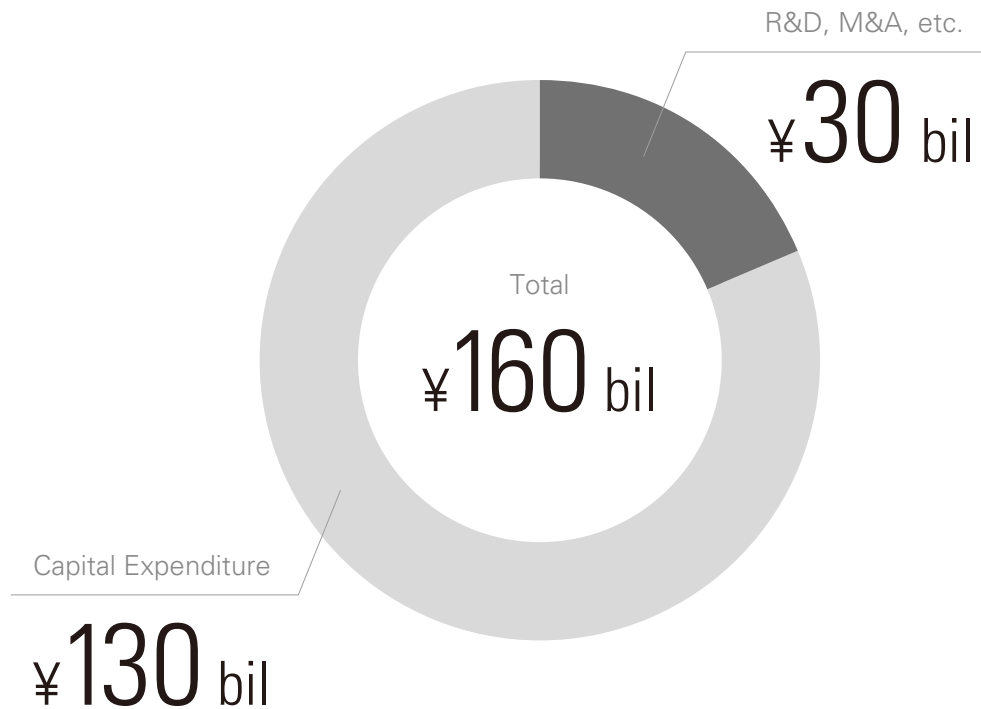
Return on Equity

> 10%

 [READ MORE ONLINE](#)

## CAPITAL EXPENDITURE POLICIES

Invest in commodities with a focus on renewal and productivity improvements.  
Boost investment in specialty products to increase capacities of existing growth businesses.  
Expand our business scope through R&D and M&A.



[READ MORE ONLINE](#)

RESEARCH AND DEVELOPMENT

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Main development themes in 3 critical areas

Life  
Sciences

Electronic  
Materials

Environment  
& Energy

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POLICIES FOR STRENGTHENING THE FINANCIAL BASE

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Equity Ratio

$\geq 50\%$

Interest-Bearing Debt



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POLICIES ON SHAREHOLDERS' RETURN

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Stable  
dividend  
policy

Performance  
based dividend  
policy

Payout  
ratio  
30%

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# *Financial Summary*

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Despite a mild recovery in the Japanese economy, entering the calendar year 2016 there was, however, downward pressure on the global economy, such that stock prices weakened and the yen strengthened. The resulting lack of confidence in business conditions amid increasingly negative consumer sentiment slowed Japan's recovery. Under these conditions, Tosoh Group despite recording lower net sales, did increase operating income.



RESULTS OF OPERATIONS

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753,736

NET SALES (Millions of Yen)

---

13,743

R&D EXPENSES (Millions of Yen)

---

69,445

OPERATING INCOME (Millions of Yen)

---

27,295

CAPITAL EXPENDITURES (Millions of Yen)

---

39,675

PROFIT ATTRIBUTABLE TO OWNERS OF THE  
PARENT COMPANY (Millions of Yen)

---

34,770

DEPRECIATION AND AMORTIZATION (Millions of Yen)

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 [READ MORE ONLINE](#)

CASH FLOWS

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99,884

CASH FLOWS FROM OPERATING ACTIVITIES  
(Billions of Yen)

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-50,827

CASH FLOWS FROM FINANCING ACTIVITIES  
(Billions of Yen)

---

-27,917

CASH FLOWS FROM INVESTING ACTIVITIES  
(Billions of Yen)

---

74,869

CASH AND CASH EQUIVALENTS AT END OF YEAR  
(Billions of Yen)

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 [READ MORE ONLINE](#)



FINANCIAL POSITION

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734,770

TOTAL ASSETS (Millions of Yen)

---

373,724

TOTAL EQUITY (Millions of Yen)

---

199,572

INTEREST-BEARING DEBT (Millions of Yen)

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361,046

TOTAL LIABILITIES (Millions of Yen)

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 [READ MORE ONLINE](#)

PER SHARE DATA

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62.61

NET INCOME PER SHARE (Yen)

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14

DIVIDENDS PER SHARE (Yen)

---

524.23

TOTAL EQUITY PER SHARE (Yen)

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 [READ MORE ONLINE](#)

KEY RATIOS

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12.6

RETURN ON EQUITY (%)

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46.3

EQUITY RATIO (%)

---

5.4

RETURN ON ASSETS (%)

---

22.4

DIVIDEND PAYOUT RATIO (%)

---

1.03

TOTAL ASSETS TURNOVER (Times)

---

106.1

DEBT-TO-EQUITY RATIO (%)

---

 [READ MORE ONLINE](#)

STOCK INDICATORS

---

473

STOCK PRICE (CLOSING), END OF YEAR (Yen)

---

7.6

PRICE EARNINGS RATIO (Times)

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307,527

MARKET CAPITALIZATION (Millions of Yen)

---

0.9

PRICE BOOK-VALUE RATIO (Times)

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 [READ MORE ONLINE](#)

**HEAD OFFICE**

Tosoh Corporation  
3-8-2, Shiba  
Minato-ku, Tokyo 105-8623  
Japan

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International Corporate Development  
Tel: +81 (3) 5427 5118  
Fax: +81 (3) 5427 5198  
info@tosoh.com www.tosoh.com

**DATE OF INCORPORATION**

February 11, 1935

**PAID-IN CAPITAL**

¥55.2 billion

**NUMBER OF EMPLOYEES**

12,037

**INDEPENDENT AUDITORS**

KPMG AZSA LLC

As of March 31, 2016

**COMMON STOCK**

Authorized: 1,800,000,000 shares  
Issued: 650,161,912 shares

**NUMBER OF SHAREHOLDERS**

34,274

**STOCK EXCHANGE LISTING**

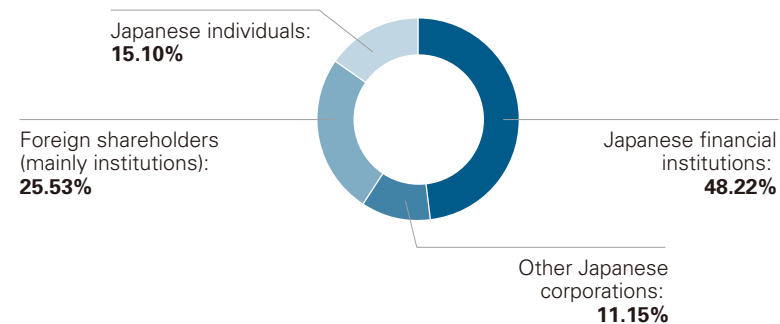
Tokyo Stock Exchange  
Ticker Symbol: JP: 4042

**TRANSFER AGENT FOR SHARES**

Sumitomo Mitsui Trust Bank, Ltd.  
2-8-4, Izumi  
Suginami-ku, Tokyo 168-0063  
Japan

**LARGEST SHAREHOLDERS**

	Shares held (Thousands of shares)	Percent of total
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,503	6.70
Japan Trustee Services Bank, Ltd. (Trust Account)	37,924	5.84
Mizuho Bank, Ltd.	22,057	3.40
Mitsui Sumitomo Insurance Company, Limited.	16,559	2.55
Sumitomo Mitsui Trust Bank, Limited	15,004	2.31
Nippon Life Insurance Company	13,366	2.06
The Norinchukin Bank	12,985	2.00
The Yamaguchi Bank, Ltd.	9,944	1.53
Tosoh Kyowa Association	9,935	1.53
JP Morgan Chase Bank	9,156	1.41

**STOCK HELD BY INVESTOR TYPE**

**President**

**Corporate Services**

- Auditing
- China Operations
- Corporate Communications
- Corporate Control and Accounting
- Corporate Secretariat
- Corporate Strategy
- Environment, Safety and Quality Control
- Finance
- General Affairs
- Human Resources
- International Corporate Development
- IT Strategy
- Legal and Patents
- Production and Technology Planning
- Purchasing and Logistics
- Research and Development Planning

**Business Divisions**

- Advanced Materials**  
Administration, planning and business development, electronic materials, battery materials, ceramics and zeolites
- Bioscience**  
Planning and business development, sales, research and development, customer service, separation media production
- Cement**  
Planning and coordination
- Chlor-alkali**  
Planning and coordination, chloralkali sales and marketing
- Olefins**  
Sales and marketing
- Organic Chemicals**  
Planning and business development, amines, bromine and flame retardants, eco-business
- Polymers**  
Planning and coordination, polyethylenes, high-performance polymers
- Urethane**  
Planning and business development, isocyanates, functional urethanes

**Corporate R&D**

- Advanced Materials Research Laboratory
- Functional Polymers Research Laboratory
- Inorganic Materials Research Laboratory
- Life Science Research Laboratory
- Organic Materials Research Laboratory
- Polymer Materials Research Laboratory
- Polyurethane Research Laboratory
- Technology Center

**Manufacturing**

- Nanyo Complex
- Yokkaichi Complex

**Sales and Regional Offices**

- Fukuoka Regional Office
- Nagoya Regional Office
- Osaka Regional Office
- Sendai Regional Office
- Yamaguchi Sales Office

As of June 29, 2016

## 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  
Masaki Uchikura ..... Executive Vice President  
Keiichiro Nishizawa ..... Executive Vice President  
Katsushi Tashiro ..... Executive Vice President  
Kouji Kawamoto..... Executive Vice President  
Masayuki Yamada ..... Senior Vice President  
Nobuaki Murashige ..... Senior Vice President  
Shingo Tsutsumi ..... Senior Vice President  
Etsuya Ikeda ..... Senior Vice President

Yutaka Nakamura..... Vice President  
Akira Ohmura ..... Vice President  
Katsumi Mineshige..... Vice President  
Noriaki Ohshima ..... Vice President  
Yutaka Kohmoto ..... Vice President  
Toshinori Hayashi..... Vice President  
Noriaki Hajima ..... Vice President  
Nobuhiro Ogawa..... Vice President  
Mamoru Kuwada ..... Vice President  
Akihiro Aiiso..... Vice President

Masao Nakano..... Vice President  
Jun Oyamada..... Vice President  
Yoshiyuki Uchiyama ..... Vice President  
Akira Hironaga ..... Vice President  
Masanobu Kasai ..... Vice President  
Haruhisa Nishi..... Vice President  
Shunya Shinohara ..... Vice President  
Hisaoaki Harada..... Vice President  
Masayuki Kudo ..... Vice President  
Toru Adachi ..... Vice President

As of June 29, 2016



TOSOH

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