



TOSOH CORPORATION

NEWS RELEASE

November 1, 2013

Tosoh Reports on First-Half Consolidated Results for Fiscal 2014 (the interim period from April 1, 2013, to September 30, 2013)

Tokyo, Japan—Tosoh Corporation announces its consolidated results for the first half of its 2014 fiscal year, from April 1, 2013, to September 30, 2013. Consolidated net sales amounted to ¥365.7 billion (US\$3.7 billion), up ¥53.9 billion, or 17.3%, over the amount recorded for the same period a year earlier. 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 gains on foreign exchange arising from the depreciation of the yen.

Profits also increased significantly. The company recorded first-half operating income of ¥18.3 billion (US\$184.8 million), an increase of ¥13.5 billion, or 279.1%, over operating income for the same period the previous year. Operating income was bolstered by improved terms of trade and an increase in volumes sold. Fiscal 2014 first-half ordinary income, meanwhile, increased ¥19.1 billion, to ¥23.5 billion (US\$238 million), or 428.6%, over ordinary income for the first half of fiscal 2013. This increase was attributed to exchange rate gains. Tosoh's net income for the first half of fiscal year 2014 rose ¥13.8 billion, to ¥14.1 billion (US\$142.8 million).

In the first half of fiscal 2014, the Japanese economy showed strong signs of recovery with the lifting of long-term deflation. The Japanese government's bold monetary and public spending policies started to bear fruit. Rising stock prices and a weakening yen improved consumer sentiment, and business confidence continued to improve. Improved numbers for employment and personal income reflected the strength of the recovery.

Results by business segment

Petrochemical Group

First-half fiscal 2014 net sales for the Petrochemical Group increased ¥20.2 billion, or 22.6%, compared with group net sales for the same period the year before, to ¥109.8 billion (US\$1.1 billion). The group's operating income increased ¥3.3 billion, or 102.1%, to ¥6.6 billion (US\$67 million).

Shipments of olefins, such as ethylene and propylene, expanded because of production increases. The rise in production resulted because fiscal 2014 is not a scheduled plant maintenance year. In addition, increased costs for naphtha allowed for increases in product prices, and cumene benefited from a weaker yen and consequently higher returns from exports.

Polyethylene resin benefited from a recovery in the photovoltaic cell market that boosted shipments of ethylene vinyl acetate copolymer. In addition, price increases were implemented to reflect higher naphtha costs. Shipments of chlorosulphonated polyethylene (CSM) expanded on the back of recovering demand in markets abroad.



Chlor-alkali Group

Chlor-alkali Group first-half fiscal 2014 net sales increased ¥27.5 billion, or 25.7%, compared with net sales in the first half a year earlier, to ¥134.7 billion (US\$1.4 billion). The group recorded operating income of ¥838.0 million (US\$8.5 million), a rise of ¥6.0 billion over operating income for the first half of fiscal 2013.

The Chlor-alkali Group's exports and domestic shipments of caustic soda fell during the first quarter of fiscal 2014. The decline for exports was attributed to weakening markets abroad for caustic soda. A recovery in our vinyl chloride monomer (VCM) manufacturing volumes supported an increase in VCM and polyvinyl chloride (PVC) shipments. The depreciation in the yen resulted in foreign exchange gains on the group's exported products, while a PVC price increase implemented in spring 2013 resulted in higher gains on domestically sold PVC.

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 likewise expanded, in Japan and price rose abroad.

Specialty Group

Net sales for the Specialty Group in the first half of fiscal 2014 amounted to ¥72.0 billion (US\$728.4 million), an increase of ¥8.5 billion, or 13.4%, over the group's net sales for the same period the preceding fiscal year. The group recorded a ¥5.5 billion, or 123.9%, increase in operating income, to ¥10.0 billion (US\$101 million).

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. An increase to prices and the depreciation of the yen, however, provided for gains. The group's shipments, meanwhile, of bromine and bromine fire retardant products 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 in vitro diagnostic reagents also increased.

Shipments of high-silica zeolites (HSZ) primarily for petrochemical and automobile catalytic converter applications expanded as well. Zirconia shipments likewise increased. The group's shipments of quartz decreased, however, because of weakening demand from the optical and liquid crystal display (LCD) markets. Sputtering targets also declined in line with falling demand from the LCD market.

Engineering Group

First-half fiscal 2014 net sales for the Engineering Group were ¥28.9 billion (US\$292.6 million), a decrease of ¥2.9 billion, or 9.2%, from the group's first-half net sales in fiscal 2013. The group similarly lost ground in operating income, which decreased ¥1.7 billion, for an operating loss of ¥422.0 million (US\$4.3 million).

Despite an increase in its water treatment business abroad, the Engineering Group's sales of water treatment facilities, services, and related chemicals declined because of domestic clients' postponement of capital investment, maintenance, renovation, and other business. The group also reported a decrease in water treatment orders overall.

The group's construction-related companies likewise experienced a decrease in sales in the first half of fiscal 2014 compared with the same period the year before.



Other

Other net sales for the first half of fiscal 2014 increased ¥568.0 million, or 2.9%, over net sales for the same period the year before, to ¥20.1 billion (US\$203.6 million). Other operating income was ¥1.2 billion (US\$12.6 million), an increase of ¥371 million, or 42.5%.

Sales by trading companies and logistics subsidiaries increased.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥98.86 = US\$1, the average exchange rate during the quarter under review.

Outlook for the fiscal year to March 31, 2014

The Japanese government has initiated aggressive monetary and other policies to address Japan's economic issues. Japan's economy is showing strong signs of a steady recovery. 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 decided to revise the performance forecasts for fiscal 2014 that it announced on May 10, 2013. The company's altered projections for fiscal year 2014, ending March 31, 2014, are given in the following table. These full-year forecasts are based on a standard price for naphtha of ¥65,000 per kiloliter and on an exchange rate of ¥95.00 to the US dollar.

Revised Forecasts for Fiscal Year 2014 (April 1, 2013–March 31, 2014)

	Net Sales	Operating Income	Ordinary Income	Net Income	EPS
Previous forecast (A)	¥730 billion	¥40 billion	¥39 billion	¥23 billion	¥38.40
Revised forecast (B)	¥750 billion	¥40 billion	¥44 billion	¥26 billion	¥43.40
Difference (B - A)	¥20 billion	0	¥5 billion	¥3 billion	
% difference	2.7	0.0	12.8	13.0	
Reference: FY 2013, performance	¥668.5 billion	¥24.4 billion	¥33.6 billion	¥16.9 billion	¥28.17



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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 132 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥668.5 billion (US\$7.1 billion at the year-end rate of ¥94.05 to the US dollar) in fiscal 2013, ended March 31, 2013.

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, including an emission-free polyurethane catalyst.

Stock Exchange Ticker Symbol: 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. 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 First-Half Consolidated Business Results for Fiscal Year 2014
(April 1, 2013-September 30, 2013)

November 1, 2013

1. Consolidated Business Results

(1) Operating Results

(¥ Billions)

	1H of FY 2013 (April 1, 2012 - September 30, (Actual)	1H of FY 2014 (April 1, 2013 - September 30, (Actual)	Difference	FY 2013 (April 1, 2012 - March 31, 2013) (Actual)	FY 2014 (April 1, 2013 - March 31, 2014) (Forecast)	Difference
Net sales	311.8	365.7	53.9	668.5	750.0	81.5
Operating income	4.8	18.3	13.5	24.5	40.0	15.5
Ordinary income	4.4	23.5	19.1	33.6	44.0	10.4
Net income	0.3	14.1	13.8	16.9	26.0	9.1
Net income per share (¥)	0.52	23.56	23.04	28.17	43.40	15.23

(2) Business & Financial Fundamentals

(¥ Billions)

	1H of FY 2013 (April 1, 2012 - September 30, (Actual)	1H of FY 2014 (April 1, 2013 - September 30, (Actual)	Difference	FY 2013 (April 1, 2012 - March 31, 2013) (Actual)	FY 2014 (April 1, 2013 - March 31, 2014) (Forecast)	Difference
Exchange rate (¥ / US\$) * Average TTM	79.41	98.86	19.45	82.91	96.93	14.01
Exchange rate (¥ / EUR) * Average TTM	100.54	129.99	29.45	106.78	129.99	23.22
Domestic standard naphtha price (¥ / kl)	55,150	64,850	9,700	57,475	64,925	7,450
Capital expenditures	14.5	11.9	(2.5)	26.2	25.0	(1.2)
Depreciation and amortization	16.9	15.4	(1.5)	35.0	32.0	(3.0)
R&D expenses	6.0	6.2	0.3	12.2	13.0	0.8
Interest-bearing liabilities	344.2	309.7	(34.5)	326.0	285.0	(41.0)
Net financing expenses	(1.7)	(1.4)	0.4	(3.3)	(3.0)	0.3
Equity ratio (%)	23.8	28.9	5.1	25.7	—	—
Number of employees	11,374	11,454	80	11,268	11,400	132

(3) 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.



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

(¥ Billions)

		1H of FY 2013 (April 1, 2012 - September 30, (Actual)	1H of FY 2014 (April 1, 2013 - September 30, (Actual)	Difference	Breakdown of Difference		
					Volume effect	Price effect ※	Fixed costs etc.
Petrochemical Group	Net sales	89.6	109.8	20.2	7.6	12.6	—
	Operating income	3.3	6.6	3.3	0.6	0.7	2.1
Chlor-alkali Group	Net sales	107.2	134.7	27.5	13.5	14.0	—
	Operating income (loss)	(5.1)	0.8	5.9	4.7	2.0	(0.8)
Specialty Group	Net sales	63.5	72.0	8.5	(0.4)	8.8	—
	Operating income	4.5	10.0	5.5	1.1	3.7	0.7
Engineering Group	Net sales	31.9	28.9	(2.9)	(3.9)	0.9	—
	Operating income (loss)	1.3	(0.4)	(1.7)	(1.7)	0.0	0.0
Other	Net sales	19.6	20.1	0.6	0.4	0.2	—
	Operating income	0.9	1.2	0.4	0.5	0.0	(0.1)
Total	Net sales	311.8	365.7	53.9	17.3	36.6	—
	Operating income	4.8	18.3	13.5	5.2	6.3	1.9

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

(¥ Billions)

		FY 2013 (Actual)	FY 2014 (Forecast)	Difference	Breakdown of Difference		
					Volume effect	Price effect ※	Fixed costs etc.
Petrochemical Group	Net sales	187.6	213.2	25.5	5.4	20.1	-
	Operating income	10.5	13.3	2.7	1.6	2.0	(0.8)
Chlor-alkali Group	Net sales	237.3	277.1	39.8	23.8	15.9	-
	Operating income	(1.6)	5.0	6.6	7.4	1.8	(2.6)
Specialty Group	Net sales	131.7	145.4	13.6	5.2	8.4	-
	Operating income	9.0	18.6	9.6	4.0	4.1	1.5
Engineering Group	Net sales	72.7	73.5	0.8	0.1	0.7	-
	Operating income	4.4	1.1	(3.3)	(3.1)	0.0	(0.3)
Others	Net sales	39.1	40.9	1.8	1.4	0.4	-
	Operating income	2.2	2.1	(0.1)	0.2	0.0	(0.3)
Total	Net sales	668.5	750.0	81.5	36.0	45.5	-
	Operating income	24.5	40.0	15.5	10.1	8.0	(2.6)

※ Price effect of operating income includes both sale and purchase variances.



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2. Consolidated Financial Position

(¥ Billions)

	FY 2013 (March 31, 2013)	FY 2014 (September 30, 2013)	Difference
Total assets	735.1	714.1	(21.0)
Net assets	219.3	236.7	17.4
Interest-bearing liabilities	326.0	309.7	(16.3)
Equity ratio (%)	25.7	28.9	3.2

3. Cash Flows

(¥ Billions)

	1H of FY 2013 (April 1, 2012 - September 30, 2012)	1H of FY 2014 (April 1, 2013 - September 30, 2013)	Difference
Cash flows from operating activities	0.9	25.2	24.3
Cash flows from investment activities	(12.6)	(11.4)	1.2
Cash flows from financing activities	(3.5)	(19.3)	(15.8)
Others	0.0	1.4	1.4
Net increase (decrease) in cash and cash equivalents	(15.2)	(4.0)	11.2
Cash and cash equivalents at end of period	52.2	53.3	1.2

4. Dividends

	Annual dividends per share (¥)		
	Interim	Term end	Total
FY 2013	3.00	3.00	6.00
FY 2014 (Forecast)	3.00	3.00	6.00