



## NEWS RELEASE

*October 31, 2014*

### **Tosoh Reports Its First-Half Consolidated Results for Fiscal 2015 (the period from April 1, 2014, to September 30, 2014)**

**Tokyo, Japan**—Tosoh Corporation is pleased to announce its consolidated results for the first half of its 2015 fiscal year, from April 1, 2014, to September 30, 2014. Consolidated net sales amounted to ¥384.0 billion (US\$3.7 billion), up ¥18.3 billion, or 5.0%, compared with consolidated net sales in the same period a year earlier. Higher export prices and a weakening yen were the main contributors to the increase. Rising costs for naphtha and other raw materials led to higher product prices. Of our product groups, the Specialty Group saw the biggest expansion in product shipments and thus contributed largely to consolidated net sales growth.

Profits also grew compared with the same period in the prior fiscal year, despite increases in plant maintenance and other fixed costs. Profitability benefited most from price increases for domestic caustic soda and other products, an improvement in trade conditions, and an increase in unit sales. Operating income amounted to ¥18.6 billion (US\$180.3 million), an increase of ¥0.3 billion, or 1.6%, compared with operating income in the first half of fiscal 2014.

Ordinary income, however, declined ¥2.2 billion, to ¥21.3 billion (US\$207.0 million), or 9.4%, compared with ordinary income in the first half of fiscal 2014. The decrease reflected an insurance payment in the first half of fiscal 2014 related to the No. 2 Vinyl Chloride Monomer Plant accident. Net income thus contracted ¥0.4 billion, or 2.8%, to ¥13.7 billion (US\$133.3 million).

Japan's economy was generally upbeat in the first half of fiscal 2015, supported by low but firm personal consumption resulting from improving personal income and employment. The recovery, however, could be characterized as mild to weak given that it was a reaction to the rush of demand that occurred at the end of the previous fiscal year in anticipation of the April 1, 2014, hike in Japan's consumption tax.

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

##### **Petrochemical Group**

First-half fiscal 2015 net sales for the Petrochemical Group grew ¥6.8 billion, or 6.2%, compared with group net sales for the same period the year before, to ¥116.6 billion (US\$1.1 billion). The group's operating income, though, decreased ¥2.3 billion, or 34.4%, to ¥4.3 billion (US\$42.2 million).

Shipments of propylene, cumene, and other olefins were down because of a decline in unit production caused by scheduled maintenance. Shipments of ethylene, however, increased because of a change in the balance between Tosoh's ethylene purchases and in-house consumption. Among other performance-enhancing factors, Tosoh implemented price increases for its products to reflect higher naphtha prices, and the export price for cumene



improved because of the weakening of the yen.

Polyethylene resins saw a decrease in sales of general-use high-density polyethylene and product price increases in response to rising naphtha prices. Shipments of chloroprene rubber (CR) expanded on the strength of recovering demand in markets abroad.

### **Chlor-alkali Group**

Chlor-alkali Group first-half fiscal 2015 net sales increased ¥2.7 billion, or 2.0%, to ¥137.4 billion (US\$1.3 billion), compared with group sales in the first half of fiscal 2014. In contrast, group operating income decreased ¥1.3 billion, for an operating loss of ¥0.5 billion (US\$4.6 million).

Shipments of caustic soda increased in the period under review compared with the same period a year earlier. In addition, domestic prices for caustic soda rose because of price revisions implemented in spring 2014.

Shipments of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) declined, but the weakening yen and strengthening overseas markets improved export prices. Domestically sold PVC also benefited from a price increase, implemented early in fiscal 2015.

Domestic shipments of cement declined because labor shortages put many construction projects behind schedule. Cement exports increased.

Shipments of urethane raw materials expanded. But overseas market prices for urethane raw materials decreased.

### **Specialty Group**

Net sales for the Specialty Group in the first half of fiscal 2015 amounted to ¥78.2 billion (US\$759.1 million), an increase of ¥6.2 billion, or 8.6%, compared with the group's net sales in the first half of fiscal 2014. Operating income rose ¥3.3 billion, or 33.5%, to ¥13.3 billion (US\$129.4 million).

A recovery in demand for ethyleneamines improved the demand-supply balance and led to increased volume domestically as well as overseas.

Separation-related products saw shipments of liquid chromatography packing materials decline. Diagnostic-related products, however, saw an increase in shipments of in vitro diagnostic reagents.

Shipments of high-silica zeolites (HSZ) for automobile catalytic converters and petrochemical catalysts increased. Zirconia shipments remained firm, and shipments of electrolytic manganese dioxide (EMD) for dry cells rose. Shipments of silica glass for flat-panel displays and for semiconductors also expanded.

### **Engineering Group**

First-half fiscal 2015 net sales for the Engineering Group were ¥31.2 billion (US\$303.0 million), an increase of ¥2.3 billion, or 7.9%, compared with the group's first-half net sales in fiscal 2014. Operating income improved ¥0.3 billion, but the group still recorded an operating loss of ¥73 million (US\$0.7 million).

Domestic sales of water treatment facilities, services, and related chemicals increased because of major orders from the domestic electronics industry and because of capital investment, maintenance, renovation, and other business by domestic clients in industry in general. Overseas sales, conversely, declined because of decreased capital investment in the electronics industry worldwide.



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Construction-related companies posted an increase in sales in the first half of fiscal 2015 compared with the same period the year before.

## Other

Trading and logistical sales for the first half of fiscal 2015 rose ¥0.4 billion, or 1.9%, compared with net sales for the same period the year before, to ¥20.5 billion (US\$199.2 million). Other operating income was ¥1.4 billion (US\$14.0 million), an increase of ¥0.2 billion, or 15.8%.

*Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥103.01 = US\$1, the average exchange rate during the period under review.*

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

Demand is expected to remain weak, but Japan's economy should nevertheless continue its mild recovery. Reasons for the positive outlook include ongoing improvement in personal income and employment and the continued benefit of the Japanese government's economic policies.

Concern remains, though, regarding a downward swing in the global economy. 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.

Based on differences between the actual results for the first half of fiscal 2015 and the results forecast on May 9, 2014, Tosoh is also revising its performance forecasts for fiscal year 2015, ending March 31, 2015. The company's altered projections are given in the table to follow. These full-year forecasts are based on a standard price for naphtha of ¥67,000 per kiloliter and on an exchange rate of ¥105.00 to the US dollar.

## Revised Full-Year Forecast for Fiscal 2015 (April 1, 2014–March 31, 2015)

	Net Sales	Operating Income	Ordinary Income	Net Income	EPS
Previous forecast (A)	¥810 billion	¥46 billion	¥45 billion	¥52 billion	¥86.79
Revised forecast (B)	¥810 billion	¥50 billion	¥52 billion	¥58 billion	¥96.80
Difference (B - A)	¥0	¥4 billion	¥7 billion	¥6 billion	
% difference	0.0	8.7	15.6	11.5	
Reference: FY 2014 performance	¥772.3 billion	¥41.6 billion	¥49.5 billion	¥29.6 billion	¥49.35

*Note: For further details, please refer to Tosoh's press release on its revised full-year consolidated results forecasts, also dated October 31, 2014.*



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### WHO WE ARE

Tosoh Corporation 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\$7.5 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

### 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 identified through the use of the word *anticipates* and other words of similar meaning. Actual results may differ significantly from the results expressed in forward-looking statements.

**Summary of First-Half Consolidated Business Results for Fiscal Year 2015**  
**(April 1, 2014 - September 30, 2014)**

October 31, 2014

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	1H of FY2014 (04.01.13–09.30.13) (Actual)	1H of FY2015 (04.01.14–09.30.14) (Actual)	Difference	FY2014 (04.01.13–03.31.14) (Actual)	FY2015 (04.01.14–03.31.15) (Forecast)	Difference
Net sales	365.7	384.0	18.3	772.3	810.0	37.7
Operating income	18.3	18.6	0.3	41.6	50.0	8.4
Ordinary income	23.5	21.3	(2.2)	49.5	52.0	2.5
Net income	14.1	13.7	(0.4)	29.6	58.0	28.4
Net income per share (¥)	23.56	22.92	(0.64)	49.35	96.80	47.45

(b) Business and Financial Fundamentals

(¥ Billions)

	1H of FY2014 (04.01.13–09.30.13) (Actual)	1H of FY2015 (04.01.14–09.30.14) (Actual)	Difference	FY2014 (04.01.13–03.31.14) (Actual)	FY2015 (04.01.14–03.31.15) (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	98.86	103.01	4.15	100.17	104.00	3.84
Exchange rate (¥/EUR) Average TTM	129.99	138.90	8.92	134.22	136.95	2.74
Domestic standard naphtha price (¥/kl)	64,750	70,450	5,700	67,325	68,725	1,400
Capital expenditures	11.9	16.6	4.6	23.7	32.0	8.3
Depreciation and amortization	15.4	15.3	(0.1)	31.8	33.0	1.2
R&D expenses	6.2	6.3	0.0	12.5	13.0	0.5
Interest-bearing liabilities	309.7	287.8	(21.9)	286.2	275.0	(11.2)
Net financing expenses	(1.4)	(0.9)	0.5	(2.6)	(1.8)	0.8
Equity ratio ( % )	28.9	31.4	2.5	30.4	-	-
Number of employees	11,454	11,611	157	11,421	11,500	79

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)

		1H of FY2014 (04.01.13–09.30.13) (Actual)	1H of FY2015 (04.01.14–09.30.14) (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	109.8	116.6	6.8	0.1	6.7	-
	Operating income	6.6	4.3	(2.3)	0.2	(0.2)	(2.3)
Chlor-alkali Group	Net sales	134.7	137.4	2.7	(0.5)	3.1	-
	Operating income (loss)	0.8	(0.5)	(1.3)	(0.7)	0.6	(1.2)
Specialty Group	Net sales	72.0	78.2	6.2	4.3	1.9	-
	Operating income	10.0	13.3	3.3	2.5	1.2	(0.4)
Engineering Group	Net sales	28.9	31.2	2.3	2.2	0.1	-
	Operating income (loss)	(0.4)	(0.1)	0.3	0.5	0.0	(0.1)
Other	Net sales	20.1	20.5	0.4	(0.2)	0.6	-
	Operating income	1.2	1.4	0.2	0.1	0.0	0.1
Total	Net sales	365.7	384.0	18.3	5.9	12.4	-
	Operating income	18.3	18.6	0.3	2.7	1.5	(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	238.1	14.6	8.7	6.0	-
	Operating income	14.8	13.1	(1.7)	0.7	2.1	(4.4)
Chlor-alkali Group	Net sales	286.3	289.7	3.4	(1.8)	5.2	-
	Operating income	3.9	5.3	1.4	1.0	1.6	(1.2)
Specialty Group	Net sales	153.4	163.6	10.2	12.1	(1.8)	-
	Operating income	19.2	26.7	7.5	5.2	2.9	(0.6)
Engineering Group	Net sales	68.6	77.3	8.7	9.1	(0.4)	-
	Operating income	1.3	2.2	1.0	1.2	0.0	(0.2)
Other	Net sales	40.6	41.3	0.7	(0.2)	0.9	-
	Operating income	2.4	2.7	0.3	0.2	0.1	0.0
Total	Net sales	772.3	810.0	37.7	27.9	9.9	-
	Operating income	41.6	50.0	8.4	8.2	6.6	(6.4)

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



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## 2. Consolidated Financial Position

(¥ Billions)

	FY 2014 03.31.2014	FY 2015 09.30.2014	Difference
Total assets	721.7	735.1	13.3
Net assets	249.8	260.3	10.5
Interest-bearing liabilities	286.2	287.8	1.6
Equity ratio (%)	30.4	31.4	1.0

## 3. Cash flows

(¥ Billions)

	1H of FY 2014 (04.01.13–09.30.13) (Actual)	1H of FY 2015 (04.01.14–09.30.14) (Actual)	Difference
Cash flows from operating activities	25.2	6.4	(18.8)
Cash flows from investment activities	(11.4)	(14.7)	(3.3)
Cash flows from financing activities	(19.3)	(0.0)	19.3
Others	1.4	(0.1)	(1.5)
Net increase (decrease) in cash and cash equivalents	(4.0)	(8.4)	(4.37)
Cash and cash equivalents at end of period	53.33	46.77	(6.56)

## 4. Dividends

	Annual dividends per share (¥)		
	Interim(Q2)	Year-end(Q4)	Total
FY 2014	3.00	3.00	6.00
FY 2015	5.00*	3.00(forecast)	8.00

\*Fiscal 2015 interim dividend payment of JPY 5.00 includes a commemorative dividend of JPY 2.00 for the planned merger with Nippon Polyurethane Industry Co., Ltd.