



NEWS RELEASE

May 10, 2016

Tosoh Reports on Consolidated Results for Fiscal 2016 (from April 1, 2015, to March 31, 2016)

Tokyo, Japan—Tosoh Corporation is pleased to announce its consolidated results for fiscal 2016. The company's consolidated net sales amounted to ¥753.7 billion (US\$6.3 billion), down ¥55.9 billion, or 6.9%, from a year earlier. Operating income, however, rose ¥18.0 billion, or 35.1%, to ¥69.4 billion (US\$578.0 million). Ordinary income climbed ¥5.6 billion, or 9.3%, to ¥65.8 billion (US\$547.8 million).

Net sales declined chiefly because petrochemical product prices fell in Japan and overseas in association with lower crude oil and naphtha prices worldwide. And although vinyl chloride resin sales volume grew as a result of expanded vinyl chloride monomer (VCM) production capacity, the margin of growth was insufficient to offset the declines in petrochemical product prices.

The increase in operating income was due mainly to improved trade conditions arising from lower prices of raw materials and fuel and an increase in volumes sold. Improvements in operating and ordinary income notwithstanding, profit attributable to owners of the parent company declined ¥22.6 billion, or 36.3%, to ¥39.7 billion (US\$330.2 million). This was largely the result of deferred tax assets related to a carryforward loss from Tosoh's merger with Nippon Polyurethane Industry Co., Ltd., posted during fiscal 2015.

In fiscal 2016, the Japanese economy recovered somewhat on account of the economic and fiscal policies of the Japanese government and the Bank of Japan. Entering calendar 2016 year, 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.

Results by business segment

Petrochemical Group

Petrochemical Group net sales declined ¥48.3 billion, or 21.6%, to ¥175.4 billion (US\$1.5 billion). The group's operating income, however, rose ¥4.7 billion, or 67.7%, to ¥11.6 billion (US\$97.2 million), owing to increased sales volumes.

Among shipments of olefin products, cumene shipments rose because of increased demand for derivatives. The cumene market, though, weakened abroad, and decreases in the cost of raw material feedstocks translated into low prices for cumene products in the Japanese market.

Shipments of polyethylene resin increased amid improved trade conditions for exports because of the weak yen and lower raw material prices. But polyethylene resin product prices in Japan declined, reflecting falling naphtha prices. The weak yen, meanwhile, improved export prices for chloroprene rubber and chlorosulfonated polyethylene.



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Chlor-alkali Group

The Chlor-alkali Group's net sales decreased ¥14.5 billion, or 4.9%, to ¥279.8 billion (US\$2.3 billion). But operating income increased ¥9.7 billion, or 116.2%, to ¥18.0 billion (US\$149.7 million), on account of increased sales volumes.

Shipments of caustic soda increased on the higher production volume ensuing from a rise in the operating rate of electrolysis equipment. Domestic caustic soda product prices declined slightly, however, while export prices improved owing to the weak yen. Shipments of VCM and polyvinyl chloride (PVC) rose given a boost in VCM production capacity in fall 2014. But VCM and PVC product prices fell, largely because of a decline in the price of naphtha.

Cement shipments in Japan decreased owing to falling demand. But cement exports increased.

Shipments of urethane raw materials were down because of a slowdown in China's economy and softening overseas markets.

Specialty Group

Net sales by the Specialty Group decreased ¥323.0 million, or 0.2%, to ¥174.5 billion (US\$1.5 billion). Operating income rose ¥2.7 billion, or 9.1%, to ¥32.7 billion (US\$272.2 million) on account of improving trade conditions.

Shipments of ethyleneamines decreased as competitors expanded production capacity, exacerbating an imbalance between supply and demand. Ethyleneamine product prices increased abroad because of the weak yen.

In separation-related products, shipments rose for liquid chromatography packing materials. Similarly, in diagnostic-related products there was an increase in shipments of in-vitro diagnostic reagents.

Shipments of high-silica zeolites likewise increased, thanks to a boost in production capacity in fall 2014. Shipments of zirconia for dental applications also rose.

Engineering Group

Net sales for the Engineering Group increased ¥8.4 billion, or 11.1%, to ¥84.2 billion (US\$700.7 million). Operating income climbed ¥1.2 billion, or 37.4%, to ¥4.6 billion (US\$38.1 million).

Domestic sales of water treatment facilities, services, and related chemicals were up. This reflected growth in plant construction and requests for maintenance and renovation overall in the water treatment industry, primarily for the electronics sector. Overseas sales rose largely as a result of increased demand from a rising number of electronics plants.

Sales were down at construction subsidiaries.

Other

Other net sales declined ¥1.3 billion, or 3.1%, to ¥39.7 billion (US\$330.7 million). Operating income also fell, ¥273.0 million, or 9.6%, to ¥2.6 billion (US\$21.4 million).

The main factor in the declines was a drop in trading company sales, which offset robust sales at logistics subsidiaries.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥120.15 = US\$1, the average exchange rate during the period under review.



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Outlook for fiscal 2017

Japan's economic recovery should strengthen steadily in fiscal 2017 as personal income and the employment situation continue to improve. It should be noted, though, that business downturns beginning with China and ranging across other Asian developing nations and countries that provide raw materials are making it increasingly difficult to be certain about trends in the global economy and financial markets.

The Tosoh Group is making every effort to raise its profitability. It is expanding its sales volume, maintaining an optimum pricing structure, reducing costs, and boosting earning power throughout its operations, among other things.

For fiscal 2017, Tosoh projects net sales of ¥720 billion, operating income of ¥72 billion, ordinary income of ¥72 billion, and profit attributable to owners of the parent company of ¥47 billion. These forecasts are based on a domestic standard price for naphtha of ¥40,000 per kiloliter and on an exchange rate of ¥110.00 to the US dollar.

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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 ¥753.7 billion (US\$6.3 billion at the average rate of ¥120.15 to the US dollar) in fiscal 2016, ended March 31, 2016.

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 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 2016
(April 1, 2015–March 31, 2016)

May 10, 2016

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2015 (Actual)	FY 2016 (Actual)	Difference	FY 2016 (Actual)	FY 2017 (Forecast)	Difference
Net sales	809.7	753.7	(55.9)	753.7	720.0	(33.7)
Operating income	51.4	69.4	18.0	69.4	72.0	2.6
Ordinary income	60.2	65.8	5.6	65.8	72.0	6.2
Profit attributable to owners of the parent	62.3	39.7	(22.6)	39.7	47.0	7.3
Earnings per share (¥)	103.97	62.61	(41.36)	62.61	72.43	9.8

(b) Business and Financial Fundamentals

(¥ Billions)

	FY 2015 (Actual)	FY 2016 (Actual)	Difference	FY 2016 (Actual)	FY 2017 (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	109.76	120.15	10.39	120.15	110.00	(10.15)
Exchange rate (¥/EUR) Average TTM	138.69	132.60	(6.09)	132.60	120.00	(12.60)
Domestic standard naphtha price (¥/kl)	63,450	42,775	(20,675)	42,775	40,000	(2,775)
Capital expenditures	33.1	27.9	(5.2)	27.9	36.0	8.1
Depreciation and amortization	32.8	31.8	(1.0)	31.8	28.0	(3.8)
R&D expenses	12.9	13.7	0.9	13.7	15.0	1.3
Interest-bearing liabilities	271.5	199.6	(72.0)	199.6	175.0	(24.6)
Net financing expenses	(1.7)	(0.7)	1.1	(0.7)	(0.3)	0.4
Equity ratio (%)	37.8	46.3	8.5	46.3	50.0	3.7
Number of employees	11,594	12,037	443	12,037	12,300	263

Topics

- Fall 2016 (Scheduled) Increase in enzyme immunoassay reagent production capacity
- Fall 2016 (Scheduled) Increase zirconia powder production capacity expansion
- Fall 2016 (Scheduled) Completion of new overseas plant for high-silica zeolite (HSZ) in Malaysia
- Winter 2018 (Scheduled) Replace boiler for electric power generation at Nanyo Complex



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

		FY 2015 (Actual)	FY 2016 (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	223.7	175.4	(48.3)	4.9	(53.2)	-
	Operating income	6.9	11.6	4.7	1.4	0.7	2.6
Chlor-alkali Group	Net sales	294.3	279.8	(14.5)	23.9	(38.4)	-
	Operating income	8.3	18.0	9.7	4.4	2.7	2.6
Specialty Group	Net sales	174.9	174.5	(0.3)	0.5	(0.8)	-
	Operating income	30.0	32.7	2.7	2.1	3.8	(3.1)
Engineering Group	Net sales	75.7	84.2	8.4	9.4	(0.9)	-
	Operating income	3.3	4.6	1.2	1.2	0.0	0.0
Other	Net sales	41.0	39.7	(1.3)	1.0	(2.2)	-
	Operating income	2.8	2.6	(0.3)	(0.3)	0.0	0.1
Total	Net sales	809.7	753.7	(55.9)	39.6	(95.6)	-
	Operating income	51.4	69.4	18.0	8.7	7.2	2.2

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

		FY 2016 (Actual)	FY 2017 (Forecast)	Difference	FY 2017(Forecast)	
					04.01.16-09.30.16	10.01.16-03.31.17
Petrochemical Group	Net sales	175.4	162.3	(13.2)	78.5	83.7
	Operating income	11.6	15.0	3.4	6.2	8.8
Chlor-alkali Group	Net sales	279.8	263.8	(16.1)	127.5	136.3
	Operating income	18.0	19.0	1.0	7.1	11.9
Specialty Group	Net sales	174.5	165.1	(9.4)	80.1	85.0
	Operating income	32.7	31.9	(0.8)	14.8	17.1
Engineering Group	Net sales	84.2	87.1	2.9	34.2	52.9
	Operating income	4.6	3.7	(0.8)	(0.2)	3.9
Other	Net sales	39.7	41.7	2.0	19.7	22.0
	Operating income	2.6	2.4	(0.2)	1.1	1.3
Total	Net sales	753.7	720.0	(33.7)	340.0	380.0
	Operating income	69.4	72.0	2.6	29.0	43.0

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



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2. Consolidated Financial Position (¥ Billions)

	FY 2015 03.31.2015	FY 2016 03.31.2016	Difference
Total assets	764.2	734.8	(29.4)
Net assets	320.8	373.7	52.9
Interest-bearing liabilities	271.5	199.6	(72.0)
Equity ratio (%)	37.8	46.3	8.5
Net assets per share (¥)	482.25	524.23	41.98

3. Cash flows (¥ Billions)

	FY 2015 (Actual) 03.31.2015	FY 2016 (Actual) 03.31.2016	Difference
Cash flows from operating activities	54.1	99.9	45.8
Cash flows from investment activities	(34.1)	(27.9)	6.2
Cash flows from financing activities	(20.7)	(50.8)	(30.1)
Others	1.3	(2.0)	(3.4)
Net increase (decrease) in cash and cash equivalents	0.6	19.1	18.5
Cash and cash equivalents at end of period	55.7	74.9	19.1

4. Dividends

	Annual dividends per share (¥)			Total amount of annual dividends (¥ Millions)	Dividend payout ratio (%)
	Interim	Year-end	Total		
FY 2015	5.00	5.00	10.00	5,998	9.6
FY 2016	7.00	7.00	14.00	9,086	22.4
FY 2017 (Forecast)	7.50	7.50	15.00	—	20.7