TOSOH CORPORATION

NEWS RELEASE

October 31, 2017

Tosoh Reports on First-Half Consolidated Results for Fiscal 2018 (from April 1, 2017, to September 30, 2017)

Tokyo, Japan—Tosoh Corporation is pleased to announce its consolidated results for the first half of fiscal 2018, from April 1, 2017, to September 30, 2017.

The company's consolidated net sales amounted to ¥391.7 billion (US$3.5 billion), up ¥54.6 billion, or 16.2%, from the same period a year earlier.

The increase was attributable to increases in prices for fuel and raw materials, such as naphtha, and the resulting rise in petrochemical product prices and to rising markets overseas.

Operating income also increased, ¥13.2 billion, or 31.9%, over the same period the preceding year, to ¥54.5 billion (US$490.8 million). This gain resulted from an increase in sales prices that exceeded the increases in fuel prices and, in turn, improved trade conditions.

Ordinary income climbed ¥21.7 billion, or 59.1%, compared with the first half of fiscal 2017, to ¥58.3 billion (US$525.0 million). This rise was due to foreign exchange gains instead of the foreign exchange losses in the same period a year earlier. Profit attributable to owners of the parent company totaled ¥40.3 billion (US$362.9 million), an increase of ¥15.4 billion, or 62.0%.

During the first half of fiscal 2018, Japan's economy showed signs of a gradual recovery, evidenced by continued improvement in corporate earnings, employment, and wages, and increased consumer spending. Concern, however, for the impact on the domestic economy of rising uncertainty globally over policy trends in Western countries, the situation in North Korea, and over other issues makes it difficult to forecast outcomes for Japan's economy going forward.

Results by Business Segment

Petrochemical Group

Petrochemical Group net sales rose ¥15.9 billion, or 21.8%, to ¥88.9 billion (US$800.6 million), compared with the first half of fiscal 2017. Operating income also increased, ¥3.0 billion, or 40.9%, to ¥10.3 billion (US$92.8 million).

Petrochemical Group shipments of olefin products, such as ethylene and propylene, increased in line with an increase in production volume attributable to the absence of scheduled maintenance for the year under review. In addition, the group raised prices for these products to reflect increased naphtha costs.

Shipments of polyethylene resin in Japan increased, and prices rose, again to reflect the increase in naphtha costs. Chloroprene rubber saw increased shipments and a rise in export prices driven by strong overseas demand.

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Chlor-alkali Group

The Chlor-alkali Group's net sales increased ¥29.8 billion, or 23.7%, to ¥156.0 billion (US$1.4 billion). The group's operating income likewise rose, ¥11.5 billion, or 85.7%, to ¥24.9 billion (US$224.2 million), compared with the corresponding period the preceding year, chiefly on account of improved trade conditions.

Caustic soda prices rose because of a revision in domestic prices and improved conditions overseas. Vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) resin prices rose for the same reasons, and their shipments gained momentum.

Domestic shipments of cement increased. Conversely, MDI shipments decreased. MDI export prices rose, however, reflecting improving conditions overseas.

Specialty Group

Net sales by the Specialty Group increased ¥9.6 billion, or 11.6%, to ¥91.9 billion (US$827.6 million). But the group's operating income edged downward 2.5%, or ¥456.0 million, to ¥17.9 billion (US$161.2 million), compared with the first half of the previous fiscal year.

Ethyleneamine shipments to China and Asia declined. Shipments, however, of separation-related packing materials for liquid chromatography increased, primarily to Europe. Diagnostic-related product shipments decreased, especially of in vitro diagnostic reagents.

Shipments to North America of high-silica zeolites (HSZ) for application in automobile catalytic converters declined. But shipments of zirconia for dental and decorative applications increased, as did shipments of quartz glass for semiconductor devices.

Engineering Group

Engineering Group net sales fell ¥1.7 billion, or 4.8%, compared with the first half of fiscal 2017, to ¥34.9 billion (US$314.3 million). Operating income also dropped, ¥880.0 million, or 80.8%, for a loss of ¥208.0 million (US$1.9 million).

The Engineering Group's water treatment business saw a decline in sales owed to such factors as delayed construction progress in the general industry domestically and in the electronic manufacturing industry in Taiwan.

Sales by the Engineering Group's construction subsidiaries increased.

Other

Other net sales rose ¥978.0 million, or 5.1%, to ¥20.0 billion (US$180.1 million), compared with the same period a year earlier, and operating income increased ¥56.0 million, or 4.7%, to ¥1.3 billion (US$11.7 million). Increases were owed to increased sales for trading companies and other operations during the period under review.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥111.04 = US$1, the average exchange rate during the period under review.

Financial Condition

Total assets increased ¥9.3 billion compared with the end of fiscal 2017, to ¥791.9 billion (US$7.1 billion), resulting from increases in investment securities and notes and accounts receivable.

Liabilities, meanwhile, decreased ¥24.6 billion, to ¥309.7 billion (US$2.8 billion), compared with fiscal 2017 year-end, due to declines in accounts payable and interest-bearing liabilities.

Net assets increased ¥33.9 billion compared with the fiscal 2017 year-end, to ¥482.2 billion (US$4.3 billion). The increase was a result of accounting for profit attributable to owners of the parent company.

Outlook for fiscal year ending March 31, 2018

The Japanese economy is shifting from growth driven by external demand to growth sparked by consumer spending, and is anticipated to continue its gradual recovery through the end of fiscal year 2018.

Uncertainties internationally, however, are likewise expected to continue, resulting in a business climate where the Tosoh Group must remain cautious of the yen's appreciation and of fluctuations in raw material and fuel prices.

The Tosoh Group will nevertheless make every effort to maintain and boost its profitability. It will do so by, among other measures, growing its sales volume, decreasing its costs, and ensuring consistent supply to its customers.

Buoyed by recent trends, including its better-than-forecast fiscal 2018 first-half results, Tosoh has revised the full-year forecast that it announced on May 10, 2017. Tosoh's revision to its 2018 fiscal year forecast, shown in the table to follow, is based on a standard domestic naphtha price of ¥43,000 per kiloliter and an exchange rate of ¥110 to the US dollar.

Revised consolidated financial results for the fiscal 2018 full year

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of the Parent Company	Earnings per Share (yen)
Previous forecast (A)	¥770 billion	¥100 billion	¥100 billion	¥68 billion	209.47
Revised forecast (B)	¥800 billion	¥118 billion	¥120 billion	¥82 billion	252.57
Difference (B – A)	¥30 billion	¥18 billion	¥20 billion	¥14 billion	
% difference	3.9	18.0	20.0	20.6	
Reference: FY 2017 performance (Year ended March 2017)	¥743 billion	¥111 billion	¥113 billion	¥76 billion	233.12

*Effective October 1, 2017, Tosoh Corporation has consolidated its common shares at the ratio of one share for two shares. The forecast for earnings per share (EPS) and current EPS have been calculated based on a reverse stock split executed at the beginning of fiscal 2017, the preceding fiscal year.

For further details, please see Tosoh's news release announcing its revised fiscal 2018 full-year consolidated results forecast, released on the same date as this news release.

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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 ¥743.0 billion (US$6.9 billion at the average rate of ¥108.35 to the US dollar) in fiscal 2017, ended March 31, 2017.

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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Summary of First-Half Consolidated Business Results for Fiscal Year 2018
(April 1, 2017–September 30, 2017)

October 31, 2017

1. Consolidated Business Results

(a) Operating Results (¥ Billions)

	FY 2017 1H (04.01.16–09.30.16) (Actual)	FY 2018 1H (04.01.17–09.30.17) (Actual)	Difference	FY 2017 (04.01.16–03.31.17) (Actual)	FY 2018 (04.01.17–03.31.18) (Forecast)	Difference
Net sales	337.1	391.7	54.6	743.0	800.0	57.0
Operating income	41.3	54.5	13.2	111.2	118.0	6.8
Ordinary income	36.6	58.3	21.7	113.1	120.0	6.9
Profit attributable to owners of the parent	24.9	40.3	15.4	75.7	82.0	6.3
Earnings per share (¥)	76.67	124.17	47.50	233.12	252.57	19.45

*As of October 1, 2017, the Company has implemented the consolidation of its common shares at the ratio of one share for two shares.

Net income per share is calculated under the assumption that the consolidation of shares was implemented at the beginning of the preceding fiscal year.

(b) Business and Financial Fundamentals (¥ Billions)

	FY 2017 1H (04.01.16–09.30.16) (Actual)	FY 2018 1H (04.01.17–09.30.17) (Actual)	Difference	FY2017 (04.01.16–03.31.17) (Actual)	FY2018 (04.01.17–03.31.18) (Forecast)	Difference
Exchange rate (¥/US$) Average TTM	105.20	111.04	5.84	108.35	110.52	2.17
Exchange rate (¥/EUR) Average TTM	118.04	126.32	8.28	118.75	128.16	9.41
Domestic standard naphtha price (¥/kl)	31,450	37,650	6,200	34,725	40,325	5,600
Capital expenditures	17.3	18.1	0.8	37.8	48.0	10.2
Depreciation and amortization	13.2	14.3	1.1	27.4	30.0	2.6
R&D expenses	7.0	7.5	0.5	14.4	15.0	0.6
Interest-bearing liabilities	176.2	131.3	(44.9)	139.8	115.0	(24.8)
Net financing expenses	0.1	0.6	0.5	0.0	0.4	0.4
Equity ratio (%)	49.3	56.5	7.2	52.8	58.0	5.2
Number of employees	12,296	12,559	263	12,292	12,500	208

Topics

Summer 2018 (Scheduled)	Increase production capacity of Toyopearl separation and purification media
Winter 2018 (Scheduled)	Replace boiler for electric power generation at Nanyo Complex
Winter 2018 (Scheduled)	Increase polyvinyl chloride resins production capacity at Philippine Resins Industries, Inc.
Spring 2019 (Scheduled)	Increase production capacity of HSZ at Nanyo Complex
Spring 2020 (Scheduled)	Install gas turbine and increase naptha cracker efficiency at Yokkaichi Complex

(c) Net Sales and Operating Income by Business Segment

(¥ Billions)

		FY 2017 1H (04.01.16–09.30.16) (Actual)	FY 2018 1H (04.01.17–09.30.17) (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs,etc.
Petrochemical Group	Net sales	73.0	88.9	15.9	3.7	12.2	-
	Operating income	7.3	10.3	3.0	1.5	0.4	1.1
Chlor-alkali Group	Net sales	126.2	156.0	29.8	2.3	27.5	-
	Operating income	13.4	24.9	11.5	0.3	12.6	(1.4)
Specialty Group	Net sales	82.3	91.9	9.6	5.4	4.2	-
	Operating income	18.3	17.9	(0.4)	1.6	(0.9)	(1.1)
Engineering Group	Net sales	36.6	34.9	(1.7)	(2.4)	0.7	-
	Operating income	1.1	0.2	(0.9)	(0.8)	0.0	(0.1)
Other	Net sales	19.0	20.0	1.0	0.9	0.1	-
	Operating income	1.2	1.3	0.1	0.0	0.0	0.1
Total	Net sales	337.1	391.7	54.6	9.9	44.7	-
	Operating income	41.3	54.5	13.2	2.6	12.1	(1.5)

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

(¥ Billions)

		FY 2017 (Actual)	FY 2018 (Forecast)	Difference	FY 2018 (Forecast)	
					04.01.17-09.30.17	10.01.17-03.31.18
Petrochemical Group	Net sales	161.7	170.8	9.1	88.9	81.9
	Operating income	20.1	19.9	(0.2)	10.3	9.6
Chlor-alkali Group	Net sales	279.7	321.3	41.6	156.0	165.3
	Operating income	47.9	57.5	9.6	24.9	32.6
Specialty Group	Net sales	175.9	183.2	7.3	91.9	91.3
	Operating income	35.4	34.1	(1.3)	17.9	16.2
Engineering Group	Net sales	86.6	84.9	(1.7)	34.9	50.0
	Operating income	5.1	4.1	(1.0)	0.2	3.9
Other	Net sales	39.1	39.8	0.7	20.0	19.8
	Operating income	2.7	2.5	(0.2)	1.3	1.2
Total	Net sales	743.0	800.0	57.0	391.7	408.3
	Operating income	111.2	118.0	6.8	54.5	63.5

2. Consolidated Financial Position

(¥ Billions)

	FY 2017 03.31.2017	FY 2018 1H 09.30.2017	Difference
Total assets	782.6	791.9	9.3
Net assets	448.3	482.2	33.9
Interest-bearing liabilities	139.8	131.3	(8.5)
Equity ratio (%)	52.8	56.5	3.7

3. Cash Flows

(¥ Billions)

	FY 2017 1H (04.01.16–09.30.16) (Actual)	FY 2018 1H (04.01.17–09.30.17) (Actual)	Difference
Cash flows from operating activities	43.0	33.0	(10.0)
Cash flows from investment activities	(15.9)	(23.0)	(7.1)
Cash flows from financing activities	(26.7)	(19.6)	7.1
Others	(2.5)	(0.1)	2.4
Net increase (decrease) in cash and cash equivalents	(2.1)	(9.7)	(7.6)
Cash and cash equivalents at end of period	72.9	75.8	2.9

4. Dividends

	Annual dividends per share (¥)		
	Interim (1H)	Year-end	Total
FY 2017 (Actual)	7.50	16.50	24.00
FY 2018	12.00	24.00 (forecast)	-

*As of October 1, 2017, the Company has implemented the consolidation of its common shares at the ratio of one share for