



2015 ANNUAL REPORT

DIGEST

Tosoh Corporation and consolidated subsidiaries
Fiscal year ended March 31, 2015

TOSOH CORPORATION



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 100 companies worldwide and a multiethnic workforce of over 11,500 people and generated net sales of ¥809.7 billion in fiscal 2015, ended March 31, 2015.

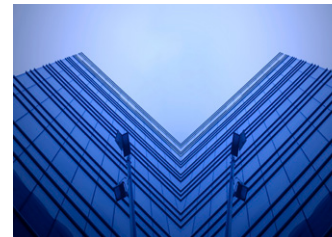
Table of Contents



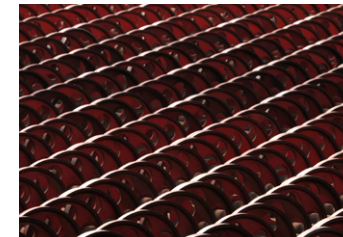
TOSOH AT A GLANCE



MESSAGE FROM THE
PRESIDENT



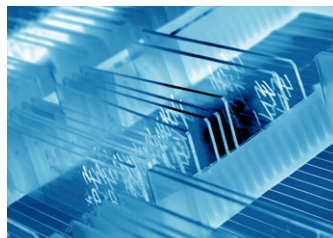
TWO PILLARS OF
GROWTH



REVIEW OF
OPERATIONS



RESPONSIBLE CARE



RESEARCH &
DEVELOPMENT



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 ¥120.17 = US\$1, the prevailing exchange rate at the end of the fiscal year under review.

Tosoh Corporation's 2015 fiscal year covers the period from April 1, 2014, to March 31, 2015.



Tosoh at a Glance

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



SPECIALTY

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

Organic Chemicals, Bioscience,
Advanced Materials



CHLOR-ALKALI

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

Basic Chemicals,
Polyurethane, Cement



PETROCHEMICAL

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

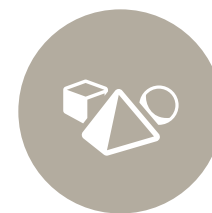
Polymers,
Olefins



ENGINEERING

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

Water Treatment,
Construction



OTHER

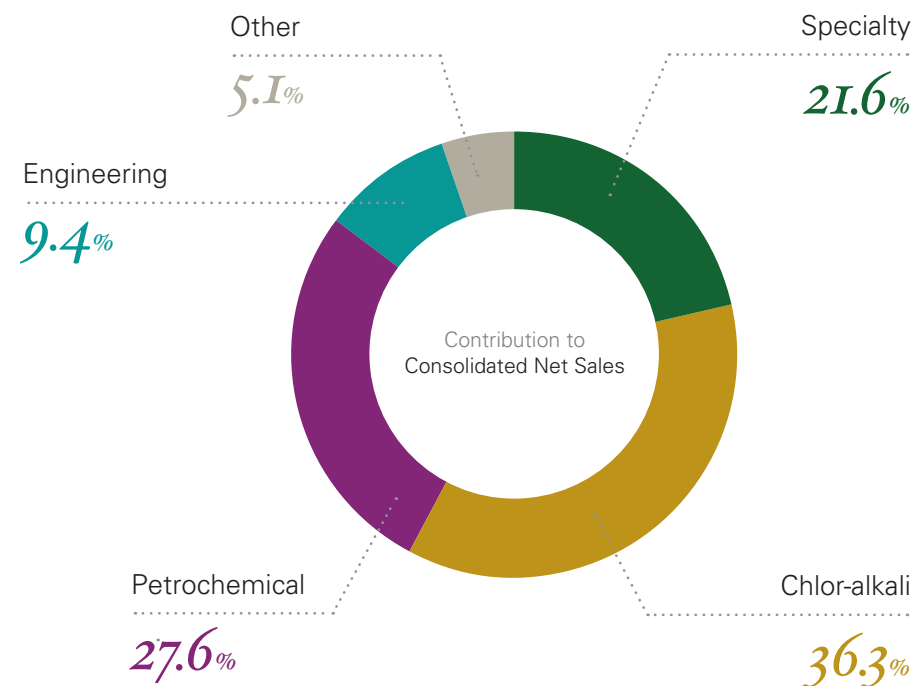
Services, mainly for Tosoh Group companies, that enhance efficiency and improve interactions with customers

Logistics, IT,
General Services

FISCAL 2015
CONSOLIDATED NET SALES

¥809.7 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, Engineering, and Other Groups.

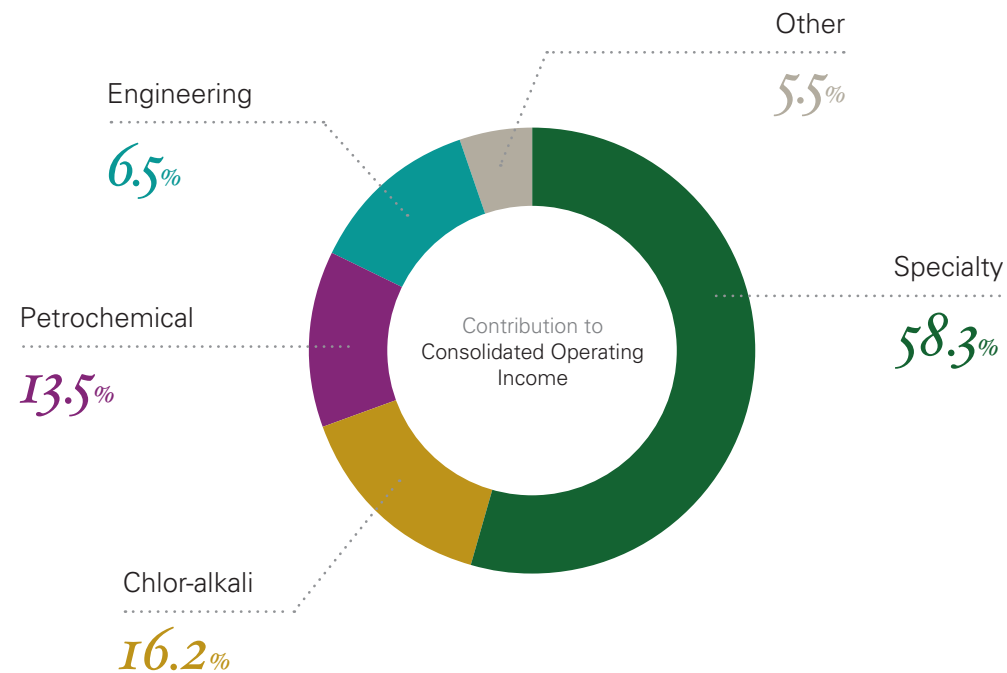


FISCAL 2015
CONSOLIDATED OPERATING INCOME

¥51.4 bil

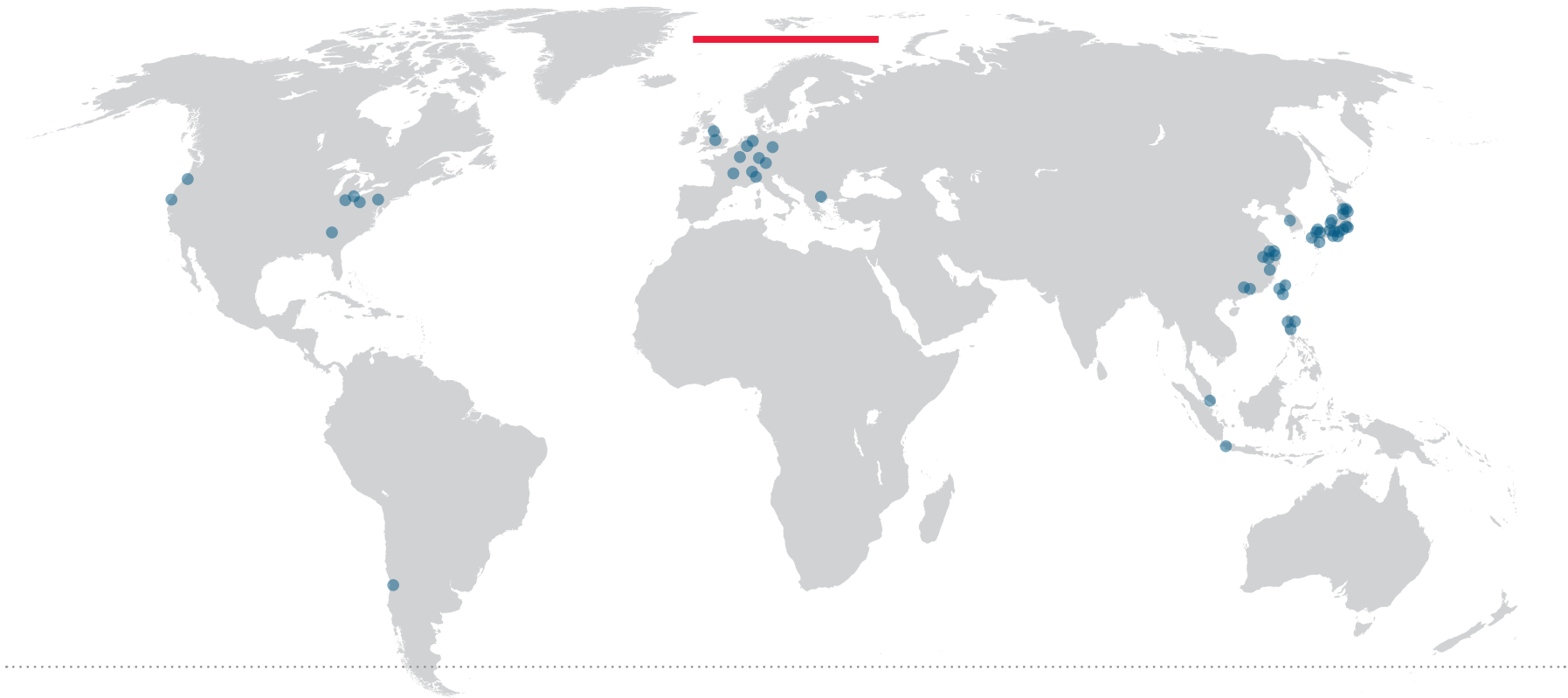
(US\$427.7 million)

The Specialty Group dominated operating income contributions. Demand for its high-margin materials and products is growing in niche and technologically advanced markets.



11,594

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 2015

809,684

NET SALES (Millions of Yen)

+4.8%

19,991

FREE CASH FLOW (Millions of Yen)

-51.4%

51,397

OPERATING INCOME (Millions of Yen)

+23.6%

103.97

NET INCOME PER SHARE (Yen)

+110.7%

62,297

NET INCOME (Millions of Yen)

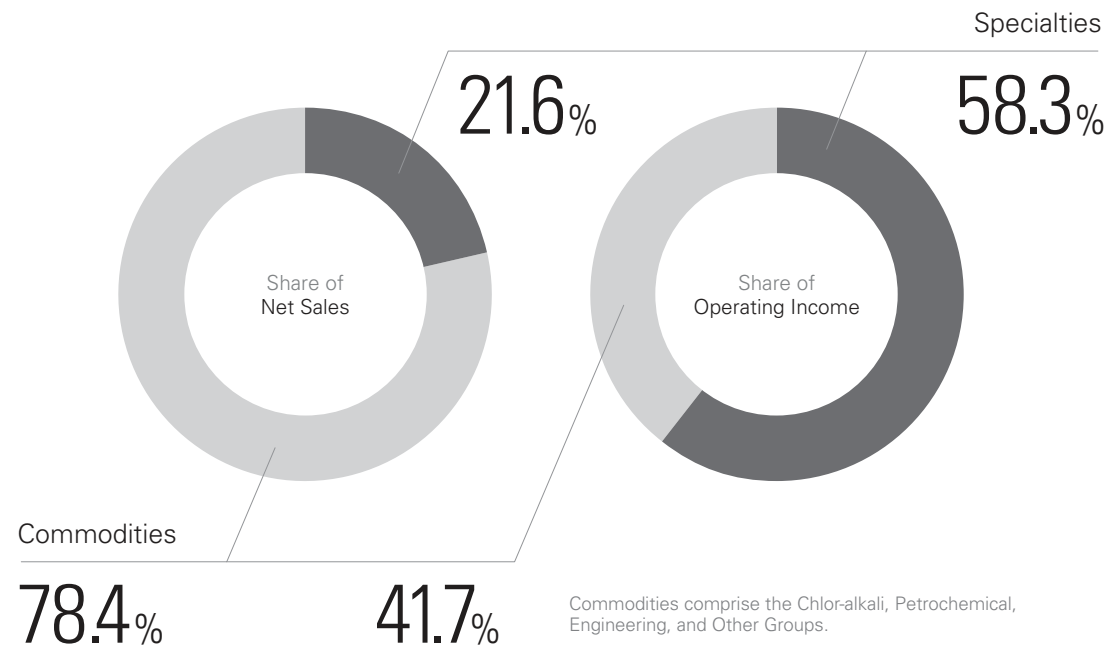
+110.7%

10

DIVIDENDS PER SHARE (Yen)

[READ MORE ONLINE](#)

OUR DUAL COMMODITIES AND SPECIALTIES OPERATIONS IN FISCAL 2015




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



Message from the President

"With another good year behind it, Tosoh is pressing ahead with strategies to bolster its commodities operations and to refocus its resources on expanding its specialties operations."

Kenichi Udagawa
President, Tosoh Corporation

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Two Pillars of Growth

Tosoh's two-pillared business model is built around its commodities and specialties operations. The company is shifting the roles of its two business pillars to a greater emphasis on specialties as the driver of growth.

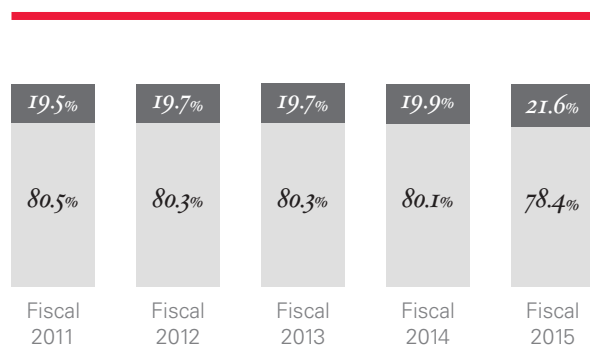


Emphasizing Specialties

Steady Sales Contribution | Strong Profit Contribution

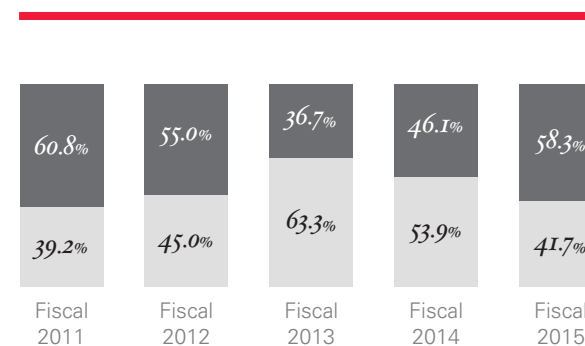
20%

CONTRIBUTION TO NET SALES
FOR THE PAST FIVE YEARS



58%

CONTRIBUTION TO OPERATING
INCOME IN FISCAL 2015



■ Specialties

■ Commodities

Comprising the Chlor-alkali,
Petrochemical, Engineering,
and Other Groups

 [READ MORE ONLINE](#)

Reinforcing Commodities

VCM PRODUCTION CAPACITY

Fiscal 2015
900,000
(Metric tons)

Fiscal 2016 (planned)
1,100,000
(Metric tons)

Reinforce supply volume and stability
for Tosoh's PVC makers

CAUSTIC SODA CAPACITY

Fiscal 2015
80%
(Electrolysis operating rate)

Fiscal 2016 (planned)
100%
(Electrolysis operating rate)

Reinforce supply volume and stability
of soda and chlorine derivatives

NAPHTHA CRACKER

Fiscal 2015
<95%
(Operating rate)

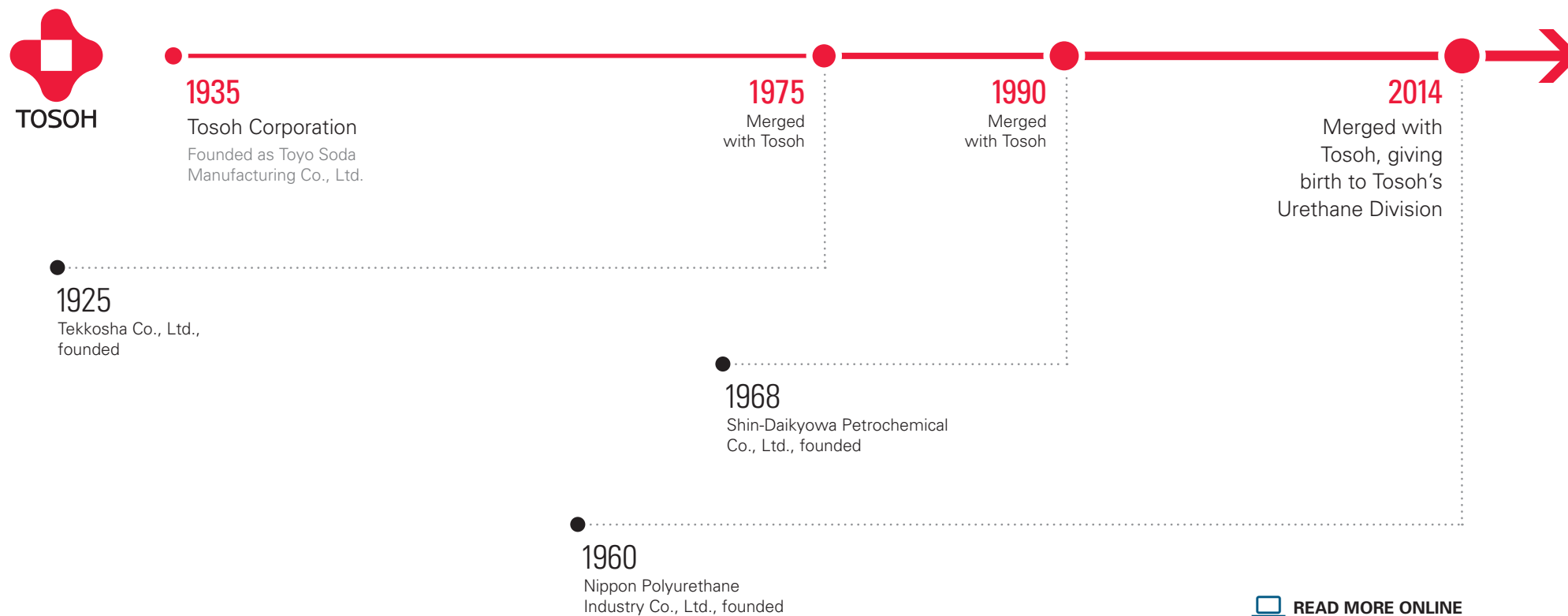
Fiscal 2016 (planned)
>95%
(Operating rate)

Reinforce production of polyethylenes,
olefins, and other ethylene derivatives
and of VCM and PVC

 [READ MORE ONLINE](#)

History of Tosoh's Mergers

As with past mergers, Tosoh's absorption of Nippon Polyurethane Industry Co., Ltd., is a significant move toward advancing the profitability of its commodities pillar.



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Review of Operations

Tosoh's business groups recorded growth in net sales and operating profit almost across the board. Each group implemented growth initiatives in response to the impact on its markets of a year of substantial changes in commodity prices, exchange rates, and global economic and geopolitical trends.





SPECIALTY GROUP

To achieve our objectives for the Specialty Group, we recently invested in expanding the production capacities of key products and launched products for high-demand growth markets.

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NET SALES

¥174.9 bil

(US\$1.5 billion)

 14.0%

from fiscal 2014

OPERATING INCOME

¥30.0 bil

(US\$249.5 million)

 55.9%

from fiscal 2014



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.

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NET SALES

¥294.3 bil

(US\$2.4 billion)

 2.8%

from fiscal 2014

OPERATING INCOME

¥8.3 bil

(US\$69.2 million)

 114.8%

from fiscal 2014



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.

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NET SALES

¥**223.7** bil

(US\$1.9 billion)

+ 0.1%

from fiscal 2014

OPERATING INCOME

¥**6.9** bil

(US\$57.6 million)

- 53.2%

from fiscal 2014



ENGINEERING GROUP

Strong corporate investment and business activity in Japan by the Engineering Group's major customers supported performance recovery in the group's core operations.

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NET SALES

¥75.7 bil

(US\$630.3 million)


 10.5%

from fiscal 2014

OPERATING INCOME

¥3.3 bil

(US\$27.7 million)


 164.7%

from fiscal 2014



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.

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NET SALES

¥**41.0** bil

(US\$341.2 million)

+ 1.1%

from fiscal 2014

OPERATING INCOME

¥**2.8** bil

(US\$23.7 million)

+ 17.3%

from fiscal 2014

Responsible Care

Tosoh's Responsible Care program guides and monitors the company's social corporate responsibility initiatives. Responsible Care is a voluntary initiative of the global chemical industry that Tosoh has been proactively involved in since 1995 as a founding member of the Japan Responsible Care Council.





From the President

"We will strive for growth while ever mindful of the imperative to remain a company trusted by all its stakeholders."

Kenichi Udagawa
President, Tosoh Corporation

.....

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From the RC Committee Chairman

"Tosoh is achieving results with the disaster prevention and safety reform measures it is implementing. The number of incidents is declining."

Dr. Yasuyuki Koie
Tosoh Managing Director and Chairman of Tosoh's RC Committee



FISCAL 2015 TOTAL
ENVIRONMENTAL INVESTMENT

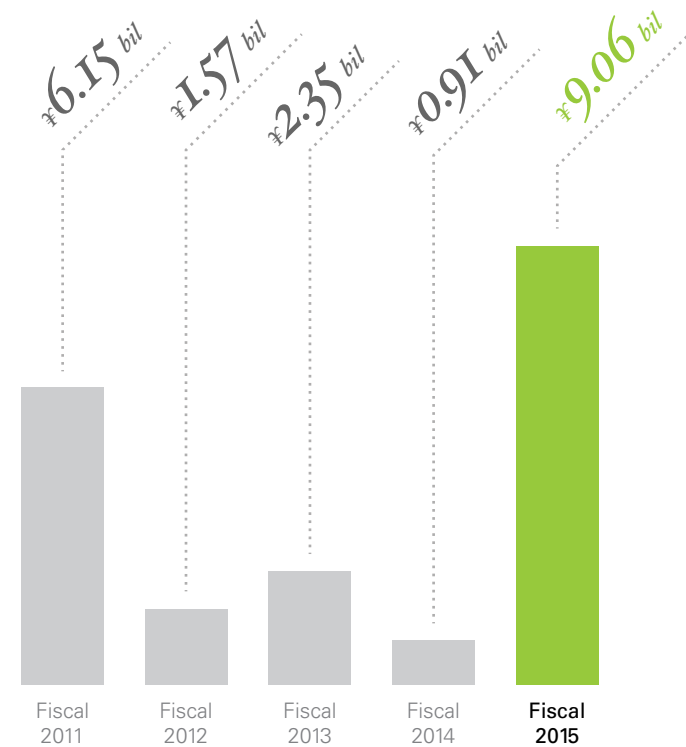
¥9.06 bil

(US\$75.4 million)

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

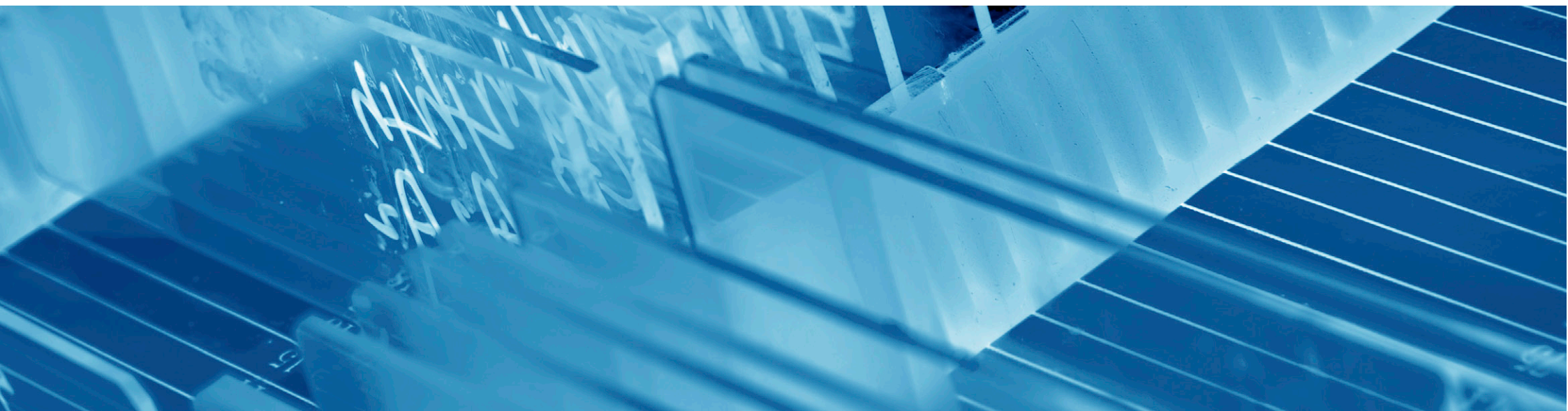
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Environmental Investments Over Five Years



Research & Development

Tosoh's R&D priorities are life sciences, energy and environmental conservation, and electronic materials. A reorganized R&D structure realigns resources for key, short-term R&D focuses and for long-term growth initiatives.



FISCAL 2015 R&D INVESTMENT

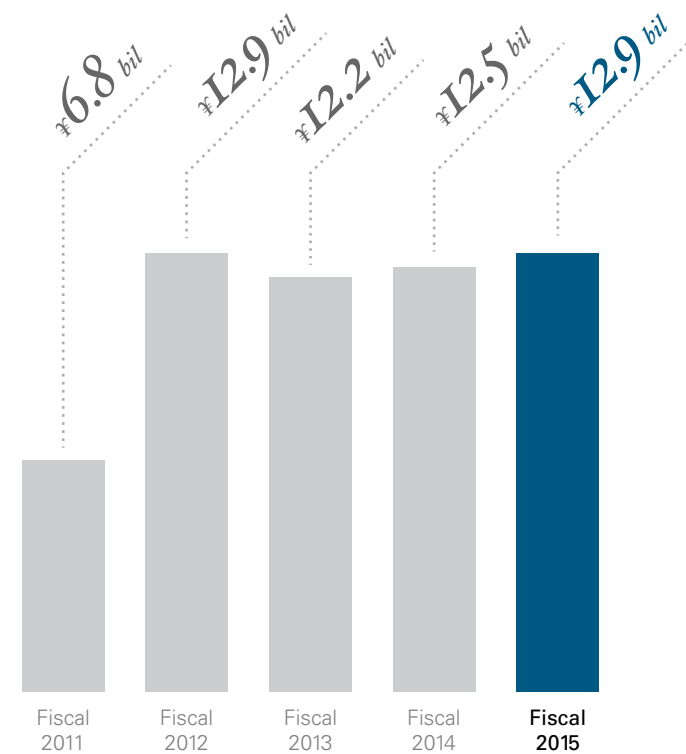
¥12.9 bil

(US\$107.2 million)

Our 870 researchers strive to strengthen our core businesses and to keep us on the leading edge of technology in our priority fields.

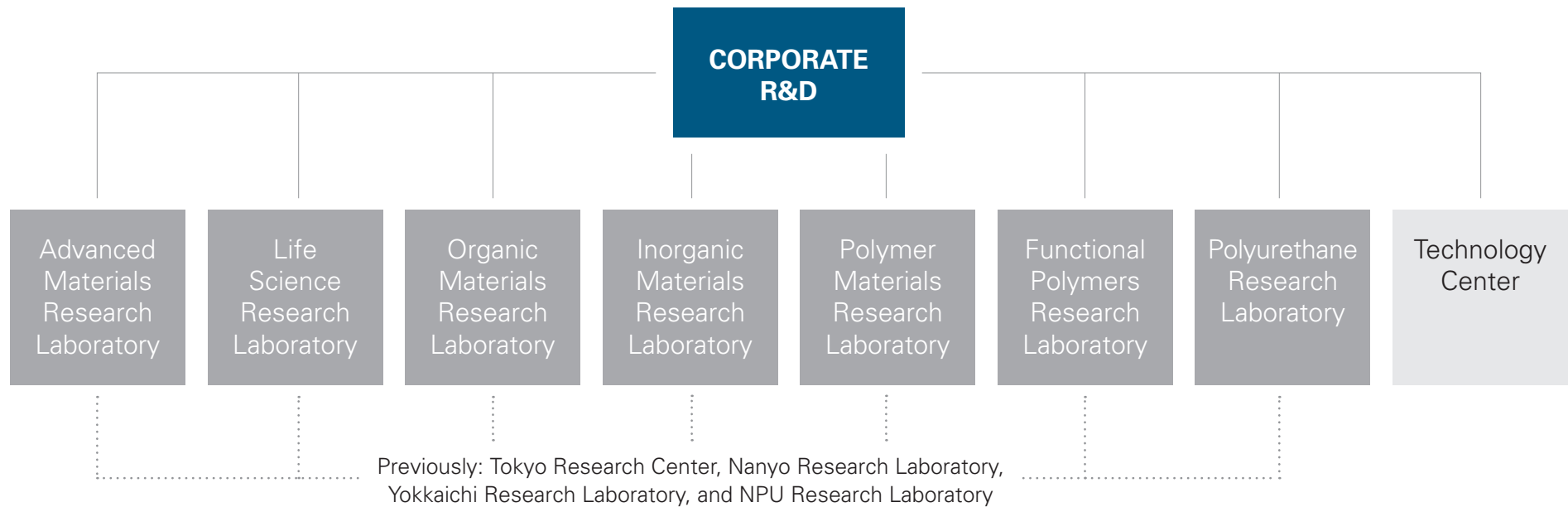
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R&D Investments Over Five Years



NEW RESEARCH & DEVELOPMENT ORGANIZATION

Now grouped by technical field and function, Tosoh R&D aims to create new business and products.



Financial Summary

Generally favorable economic conditions in Japan, a weakening yen, and continued strong demand for many core Tosoh products enabled the Tosoh Group to record further growth in fiscal 2015.



RESULTS OF OPERATIONS

809,684

NET SALES (Millions of Yen)

12,877

R&D EXPENSES (Millions of Yen)

51,397

OPERATING INCOME (Millions of Yen)

32,584

CAPITAL EXPENDITURES (Millions of Yen)

62,297

NET INCOME (Millions of Yen)

35,649

DEPRECIATION AND AMORTIZATION (Millions of Yen)

 [READ MORE ONLINE](#)

CASH FLOWS

54,107

CASH FLOWS FROM OPERATING ACTIVITIES
(Millions of Yen)

-20,719

CASH FLOWS FROM FINANCING ACTIVITIES
(Millions of Yen)

-34,115

CASH FLOWS FROM INVESTING ACTIVITIES
(Millions of Yen)

55,740

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

 [READ MORE ONLINE](#)

FINANCIAL POSITION

764,206

TOTAL ASSETS (Millions of Yen)

271,500

INTEREST-BEARING DEBT (Millions of Yen)

320,784

TOTAL EQUITY (Millions of Yen)

 [READ MORE ONLINE](#)

PER SHARE DATA

103.97

NET INCOME PER SHARE (Yen)

10

DIVIDENDS PER SHARE (Yen)

482.25

TOTAL EQUITY PER SHARE (Yen)



READ MORE ONLINE

KEY RATIOS

24.5

RETURN ON EQUITY (%)

37.8

EQUITY RATIO (%)

8.2

RETURN ON ASSETS (%)

9.6

DIVIDEND PAYOUT RATIO (%)

1.06

TOTAL ASSETS TURNOVER (Times)

153.5

DEBT-TO-EQUITY RATIO (%)



[READ MORE ONLINE](#)

STOCK INDICATORS

606

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

5.8

PRICE EARNINGS RATIO (Times)

364,304

MARKET CAPITALIZATION (Millions of Yen)

1.3

PRICE BOOK-VALUE RATIO (Times)



[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

¥40.6 billion

NUMBER OF EMPLOYEES

11,594

INDEPENDENT AUDITORS

KPMG AZSA LLC

As of March 31, 2015

COMMON STOCK

Authorized: 1,800,000,000 shares
Issued: 601,161,912 shares

NUMBER OF SHAREHOLDERS

22,926

STOCK EXCHANGE LISTING

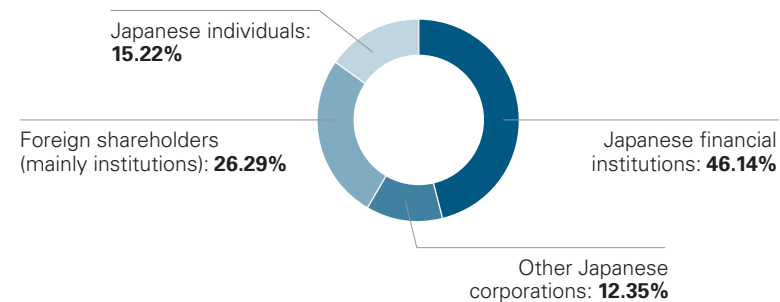
Tokyo Stock Exchange
Ticker Symbol: JP: 4042

TRANSFER AGENT FOR SHARES

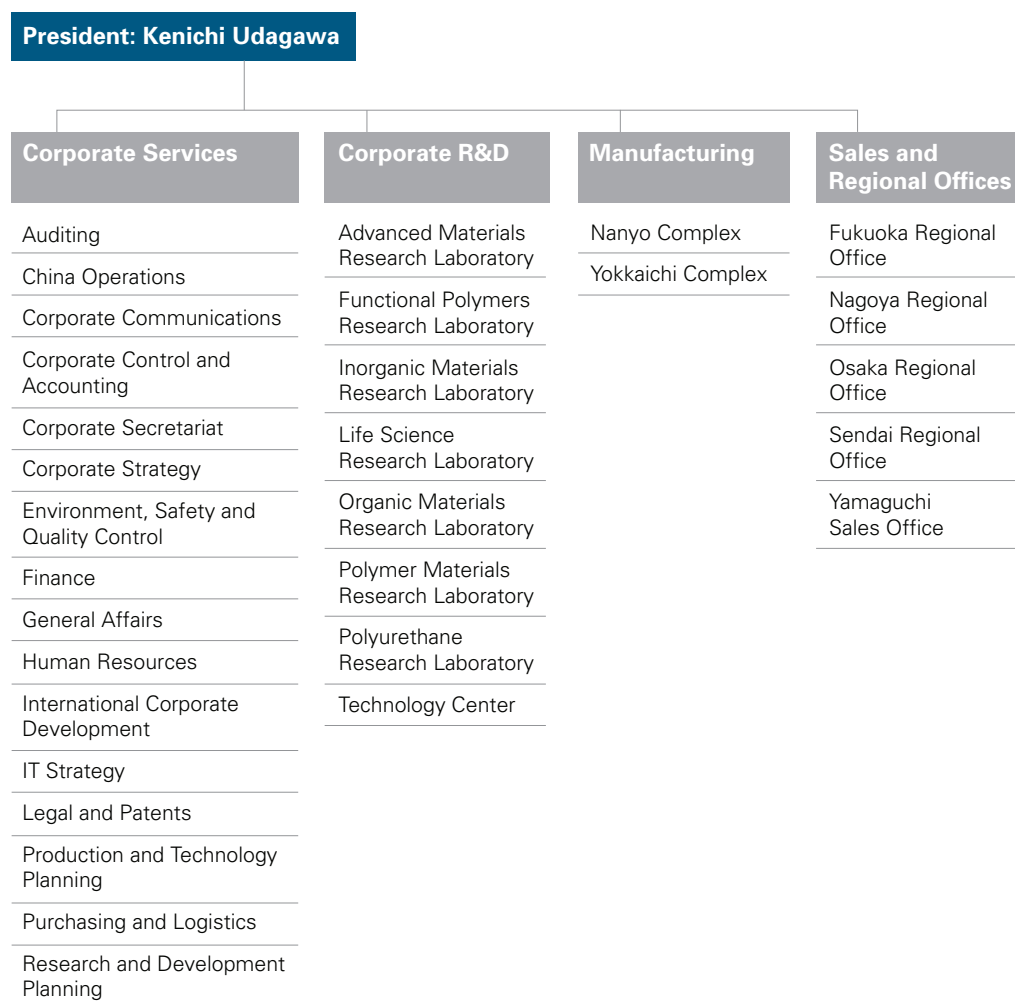
Sumitomo Mitsui Trust Bank, Ltd.
2-8-4, Izumi
Suginami-ku, Tokyo 168-0063
Japan

LARGEST SHAREHOLDERS

| | Shares held (Thousands of shares) | Percent of total |
|--|--------------------------------------|---------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 34,166 | 5.68 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 31,577 | 5.25 |
| Mizuho Corporate Bank, Ltd. | 22,057 | 3.67 |
| Mitsui Sumitomo Insurance Co., Ltd. | 16,559 | 2.75 |
| Mitsui Sumitomo Trust and Banking Co., Ltd. | 15,004 | 2.50 |
| Nippon Life Insurance Company | 13,366 | 2.22 |
| The Norinchukin Bank | 12,985 | 2.16 |
| Yamaguchi Bank Co., Ltd. | 9,944 | 1.65 |
| Aioi Nissay Dowa Insurance Co., Ltd. | 9,920 | 1.65 |
| Tosoh Kyowa Association | 9,859 | 1.64 |

STOCK HELD BY INVESTOR TYPE

ORGANIZATION CHART



BUSINESS DIVISIONS

| | |
|---------------------------|---|
| Advanced Materials | Administration, planning and business development, electronic materials, battery materials, ceramics and zeolites |
| Basic Chemicals | Planning and coordination, chlor-alkali sales and marketing |
| Bioscience | Planning and business development, sales, research and development, customer service, separation media production |
| Cement | Planning and coordination |
| 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 |

BOARD OF DIRECTORS

| | |
|---------------------------------|---|
| Representative Directors | Kenichi Udagawa (President), Toshinori Yamamoto (Managing Director) |
| Managing Directors | Toshinori Yamamoto, Sukehiro Itoh, Masaki Uchikura, Keiichiro Nishizawa, Katsushi Tashiro |
| Directors | Kouji Kawamoto, Masayuki Yamada, Nobuaki Murashige, Hiroto Murata, Tsutomu Abe |

As of June 26, 2015



TOSOH

TOSOH CORPORATION

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