



2016 ANNUAL REPORT

DIGEST

Tosoh Corporation and consolidated subsidiaries
Fiscal year ended March 31, 2016

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 over 100 companies worldwide and a multiethnic workforce of over 12,000 people and generated net sales of ¥753.7 billion in fiscal 2016, ended March 31, 2016.



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TOSOH AT A GLANCE



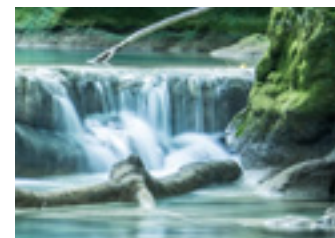
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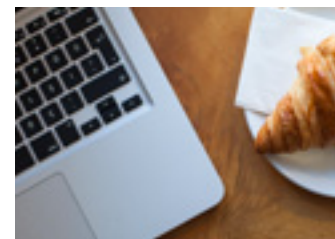
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FINANCIAL SUMMARY



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 ¥112.68 = US\$1, the prevailing exchange rate at the end of the fiscal year under review.

Tosoh Corporation's 2016 fiscal year covers the period from April 1, 2015, to March 31, 2016.

Tosoh at a Glance

Based on the values of craftsmanship, 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

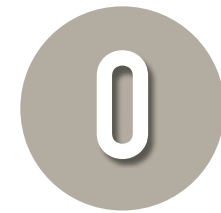
Polymers, Olefins



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

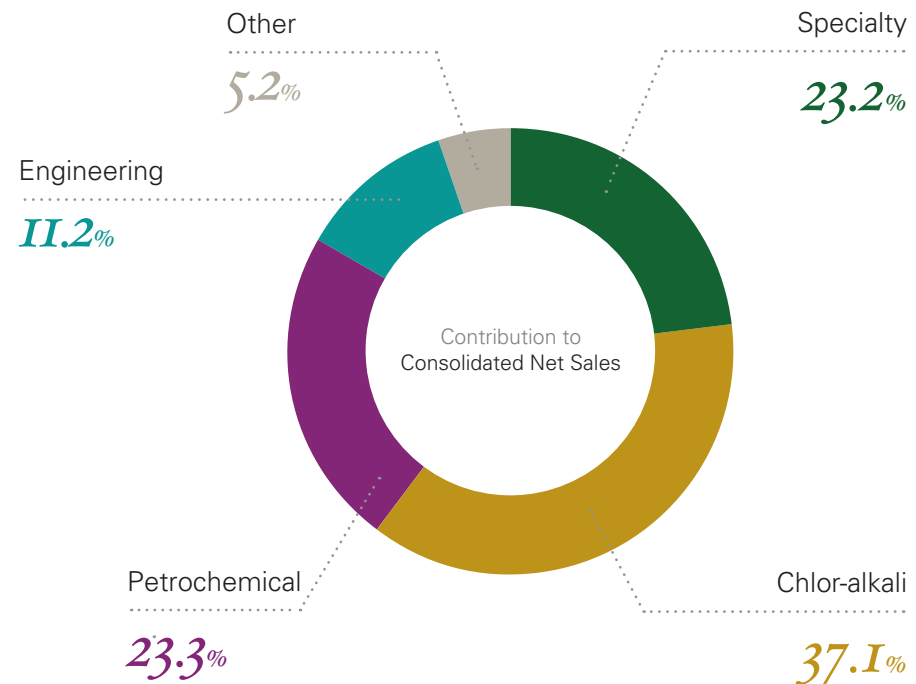
Logistics, IT, General Services

FISCAL 2016
CONSOLIDATED NET SALES

¥753.7 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 Group.

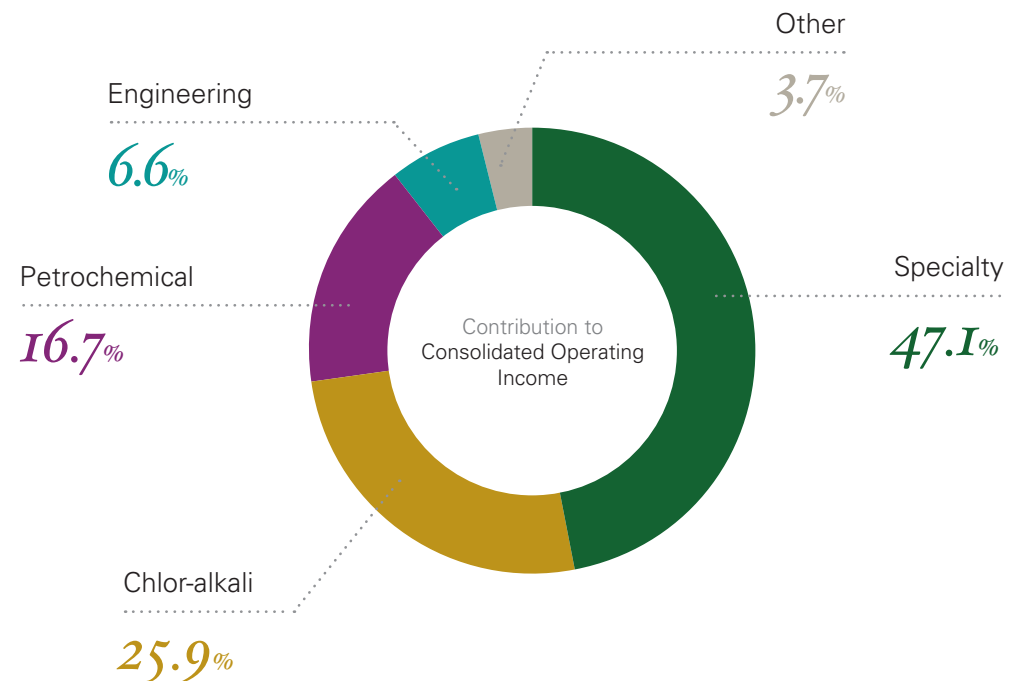


FISCAL 2016
CONSOLIDATED OPERATING INCOME

¥69.4 bil

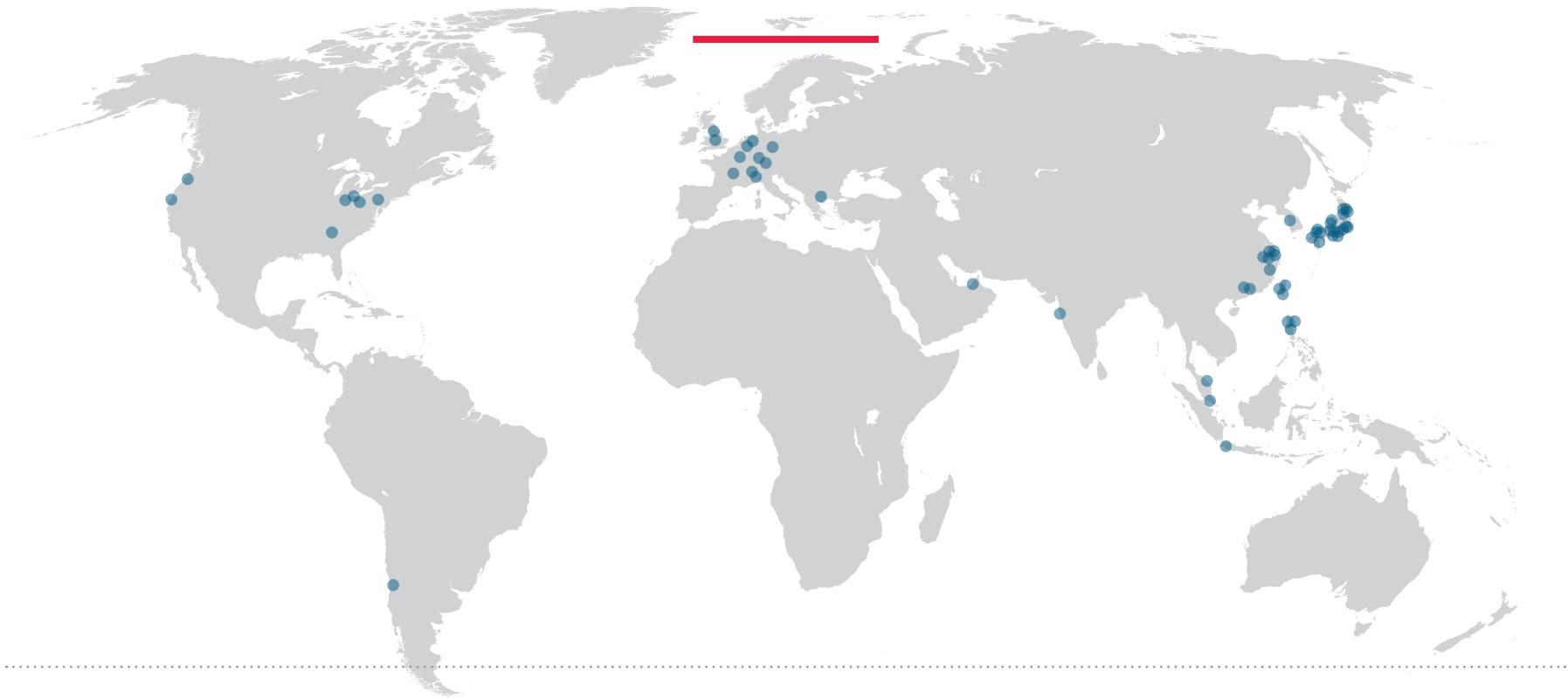
(US\$616.3 million)

While the Specialty Group continues to be Tosoh's largest profit contributor, the Chlor-alkali, Petrochemical, and Engineering Groups made marked gains over the previous fiscal year.



12,037

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 2016

753,736

NET SALES (Millions of Yen)

-6.9%

71,967

FREE CASH FLOW (Millions of Yen)

+260%

69,445

OPERATING INCOME (Millions of Yen)

+35.1%

62.61

NET INCOME PER SHARE (Yen)

-40%

39,675

PROFIT ATTRIBUTABLE TO OWNERS OF THE
PARENT COMPANY (Millions of Yen)

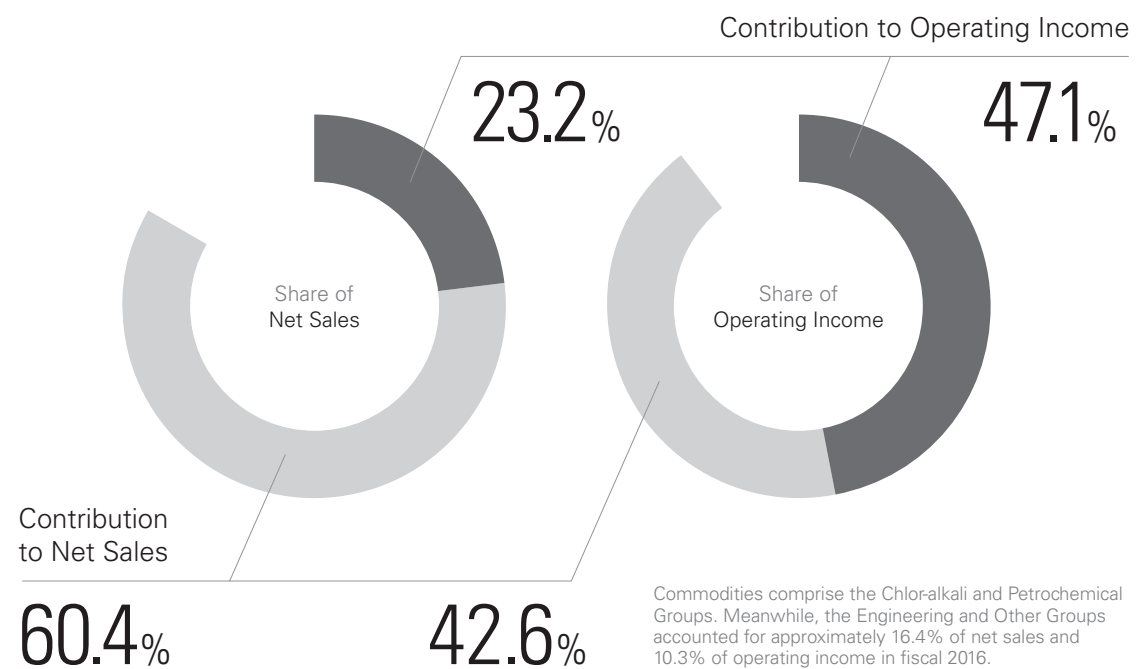
-36.3%

14

DIVIDENDS PER SHARE (Yen)

 [READ MORE ONLINE](#)

COMMODITIES AND SPECIALTIES OPERATIONS IN FISCAL 2016



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

A portrait of Toshinori Yamamoto, President of Tosoh Corporation, standing with his arms crossed. He is wearing a dark suit, a blue tie, and glasses. The background is a blurred cityscape with greenery in the foreground.

Message from the President

"The company moved ahead with core strategies to further its profitability and to position itself and its group for growth in a rapidly changing business environment."

Toshinori Yamamoto
President, Tosoh Corporation

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Review of Operations

Improved trade conditions arising from lower prices of raw materials and an increase in volumes sold allowed Tosoh's business groups to record growth in operating profit almost across the board. Net sales however declined chiefly because petrochemical product prices fell in Japan and overseas.





SPECIALTY GROUP

To achieve our objectives for the Specialty Group, we continue to increase production capacities of key products and launched products for high-demand growth markets.

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NET SALES

¥174.5 bil

(US\$1.5 billion)

−0.2%

from fiscal 2015

OPERATING INCOME

¥32.7 bil

(US\$290.2 million)


+9.1%

from fiscal 2015



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

¥279.8 bil

(US\$2.5 billion)

−4.9%

from fiscal 2015

OPERATING INCOME

¥18.0 bil

(US\$159.6 million)

+116.2%

from fiscal 2015

Pc

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

¥175.4 bil

(US\$1.6 billion)

- 21.6%

from fiscal 2015

OPERATING INCOME

¥11.6 bil

(US\$103.0 million)

+ 67.7%

from fiscal 2015



ENGINEERING GROUP

Growth in plant construction and requests for maintenance and renovation overall in the water treatment industry, primarily for the electronics sector supported the group's core operations.



READ MORE ONLINE

NET SALES

¥84.2 bil

(US\$747.1 million)

+11.1%

from fiscal 2015

OPERATING INCOME

¥4.6 bil

(US\$40.6 million)


+37.4%

from fiscal 2015

0

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.

 [READ MORE ONLINE](#)

NET SALES

¥39.7 bil

(US\$352.6 million)

-3.1%

from fiscal 2015

OPERATING INCOME

¥2.6 bil

(US\$22.8 million)

-9.6%

from fiscal 2015

Corporate Social Responsibility

Tosoh has shifted focus to the development of a governance system committed to optimizing our working conditions and workplace environments and to involvement with our local communities and other stakeholders. Inline with those initiatives the company is replacing our RC reporting for fiscal 2016 with corporate social responsibility (CSR) reporting.





From the President

"It is our aim to continually improve our safety record while also striving to expand and enhance the profitability of our business."

Toshinori Yamamoto

President, Tosoh Corporation

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From the RC Committee Chairman

"Tosoh's operations have been conducted without significant environmental issues. However, it is necessary that we proceed with our plans to reduce atmospheric emissions."

Keiichiro Nishizawa

Director, Executive Vice President, Tosoh Corporation
Chairman, RC Committee

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FISCAL 2016 TOTAL
ENVIRONMENTAL INVESTMENT

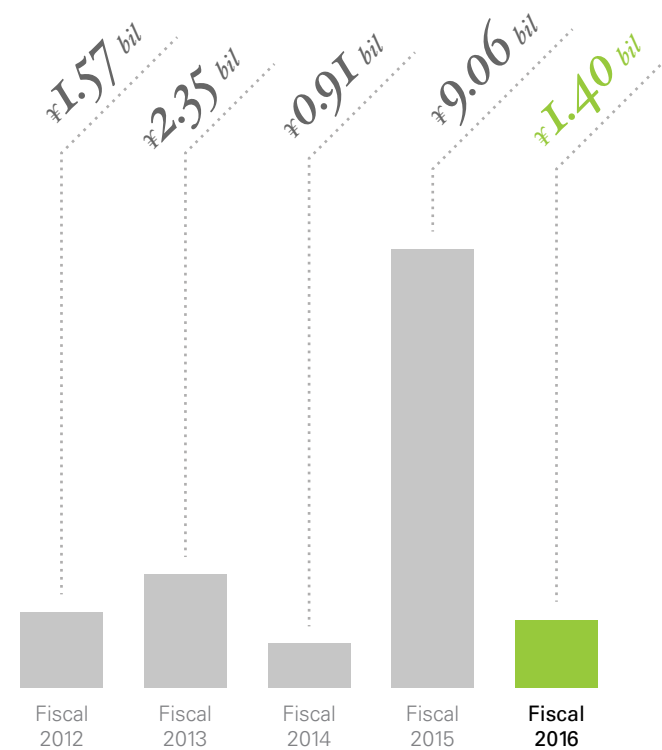
¥1.40 bil

(US\$12.4 million)

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

 **READ MORE ONLINE**

Environmental Investments Over Five Years



Research & Development

Tosoh's R&D priorities are life sciences, energy and environmental conservation, and electronic materials. To stay on the leading edge in our priority fields, we stimulate internal cooperation to maximize organizational resources and generate synergies.




FISCAL 2016 R&D INVESTMENT

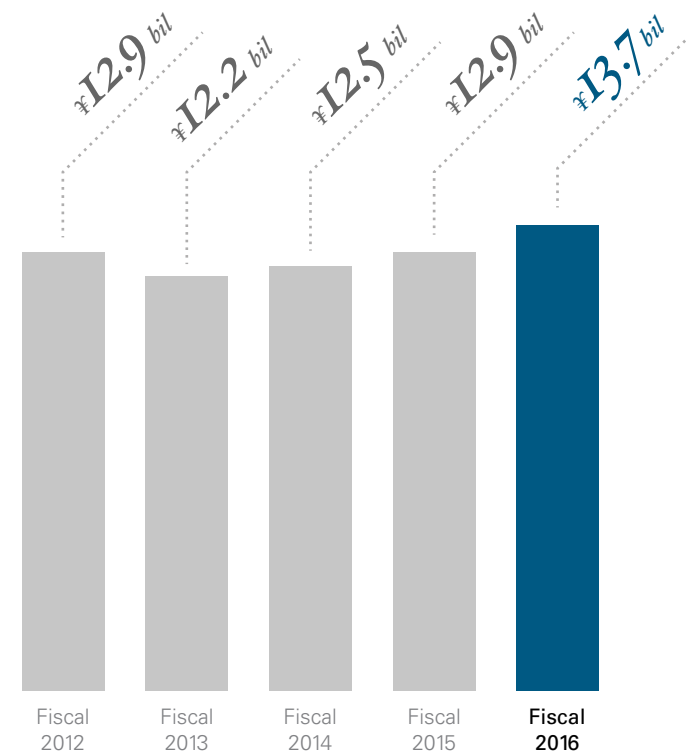
¥13.7 bil

(US\$122 million)

Our 890 researchers strive to strengthen our core businesses and to keep us on the leading edge of technology in our priority fields.

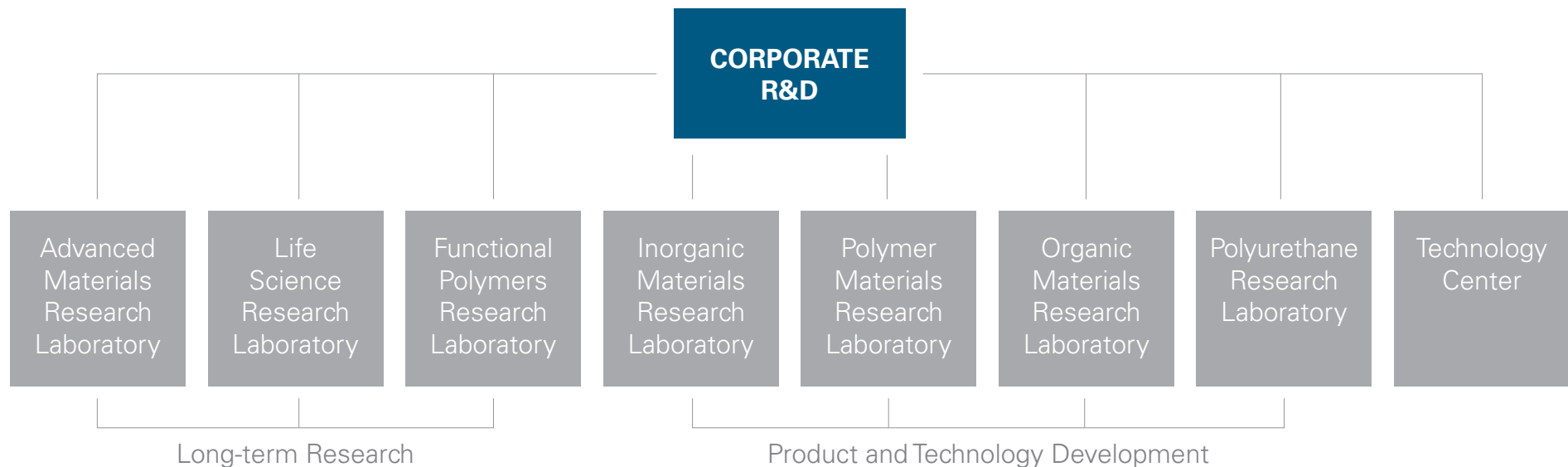
 [READ MORE ONLINE](#)

R&D Investments Over Five Years



RESEARCH & DEVELOPMENT ORGANIZATION

Grouped by technical field and function, Tosoh R&D aims to enhance its current offerings as well as pursue the creation of new business and products according to such priority themes as life sciences, energy and environment, and electronic materials.



Medium-Term Business Plan

Tosoh Corporation's new medium-term business plan presents policies and plans for management, capital expenditures, financial strengthening, and shareholders return for the fiscal year 2017 through fiscal year 2019.



MANAGEMENT POLICIES

Balance

Commodity and Specialty
products

Build

Rock-solid financial base

Bolster

Safety reforms

TARGETS

Net Sales

¥750 bil

Operating Income

¥85 bil

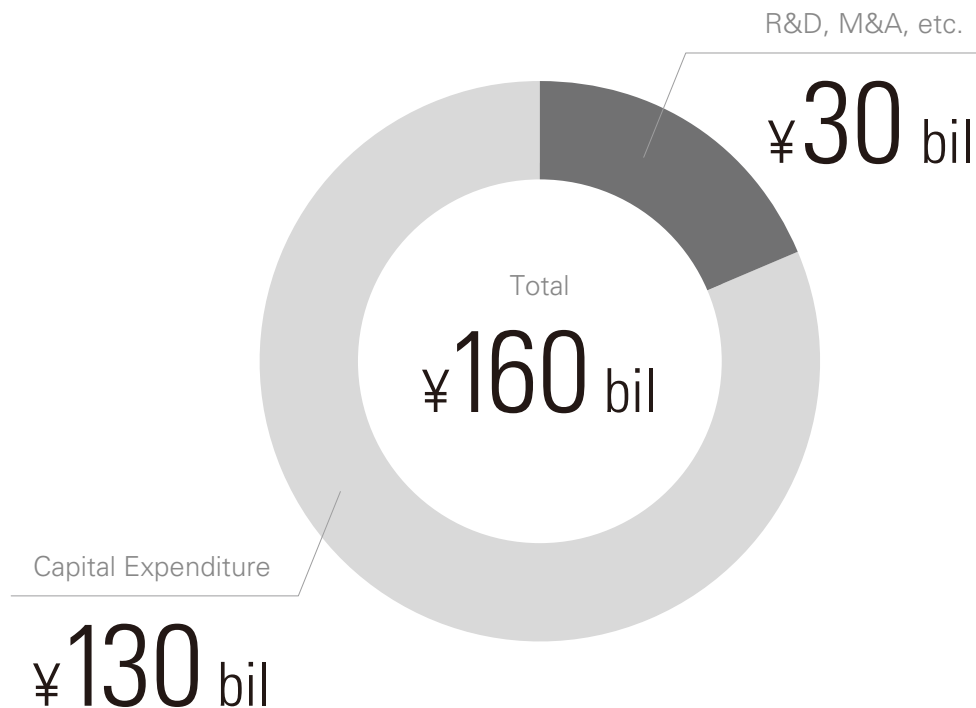
Return on Equity

>10%

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CAPITAL EXPENDITURE POLICIES

Invest in commodities with a focus on renewal and productivity improvements.
Boost investment in specialty products to increase capacities of existing growth businesses.
Expand our business scope through R&D and M&A.



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RESEARCH AND DEVELOPMENT

Main development themes in 3 critical areas

Life
Sciences

Electronic
Materials

Environment
& Energy

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POLICIES FOR STRENGTHENING THE FINANCIAL BASE

Equity Ratio

$\geq 50\%$

Interest-Bearing Debt



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POLICIES ON SHAREHOLDERS' RETURN

Stable
dividend
policy

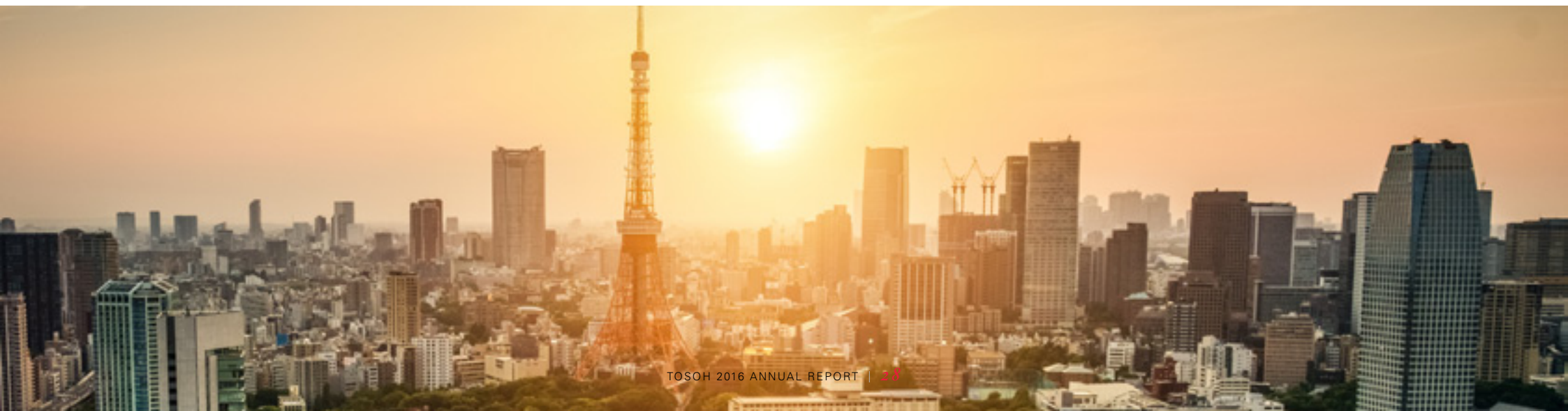
Performance
based dividend
policy

Payout
ratio
30%

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Financial Summary

Despite a mild recovery in the Japanese economy, entering the calendar year 2016 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. Under these conditions, Tosoh Group despite recording lower net sales, did increase operating income.



RESULTS OF OPERATIONS

753,736

NET SALES (Millions of Yen)

.....

13,743

R&D EXPENSES (Millions of Yen)

.....

69,445

OPERATING INCOME (Millions of Yen)

.....

27,295

CAPITAL EXPENDITURES (Millions of Yen)

.....

39,675

PROFIT ATTRIBUTABLE TO OWNERS OF THE
PARENT COMPANY (Millions of Yen)

.....

34,770

DEPRECIATION AND AMORTIZATION (Millions of Yen)

.....

 [READ MORE ONLINE](#)

CASH FLOWS

99,884

CASH FLOWS FROM OPERATING ACTIVITIES
(Billions of Yen)

-50,827

CASH FLOWS FROM FINANCING ACTIVITIES
(Billions of Yen)

-27,917

CASH FLOWS FROM INVESTING ACTIVITIES
(Billions of Yen)

74,869

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

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FINANCIAL POSITION

734,770

TOTAL ASSETS (Millions of Yen)

199,572

INTEREST-BEARING DEBT (Millions of Yen)

373,724

TOTAL EQUITY (Millions of Yen)

361,046

TOTAL LIABILITIES (Millions of Yen)

 [READ MORE ONLINE](#)

PER SHARE DATA

62.61

NET INCOME PER SHARE (Yen)

14

DIVIDENDS PER SHARE (Yen)

524.23

TOTAL EQUITY PER SHARE (Yen)



[READ MORE ONLINE](#)

KEY RATIOS

12.6

RETURN ON EQUITY (%)

46.3

EQUITY RATIO (%)

5.4

RETURN ON ASSETS (%)

22.4

DIVIDEND PAYOUT RATIO (%)

1.03

TOTAL ASSETS TURNOVER (Times)

106.1

DEBT-TO-EQUITY RATIO (%)

 [READ MORE ONLINE](#)

STOCK INDICATORS

473

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

7.6

PRICE EARNINGS RATIO (Times)

307,527

MARKET CAPITALIZATION (Millions of Yen)

0.9

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

¥55.2 billion

NUMBER OF EMPLOYEES

12,037

INDEPENDENT AUDITORS

KPMG AZSA LLC

As of March 31, 2016

COMMON STOCK

Authorized: 1,800,000,000 shares
Issued: 650,161,912 shares

NUMBER OF SHAREHOLDERS

34,274

STOCK EXCHANGE LISTING

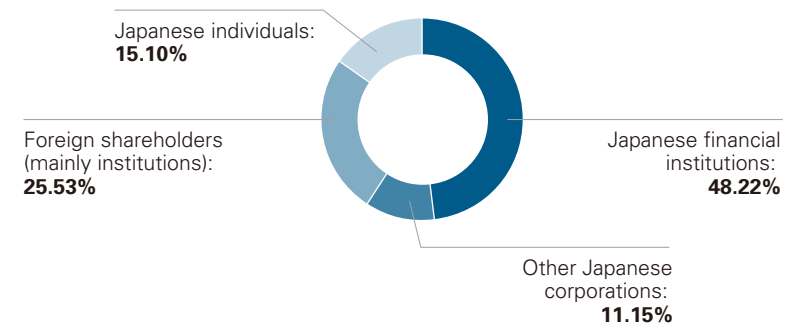
Tokyo Stock Exchange
Ticker Symbol: JP: 4042

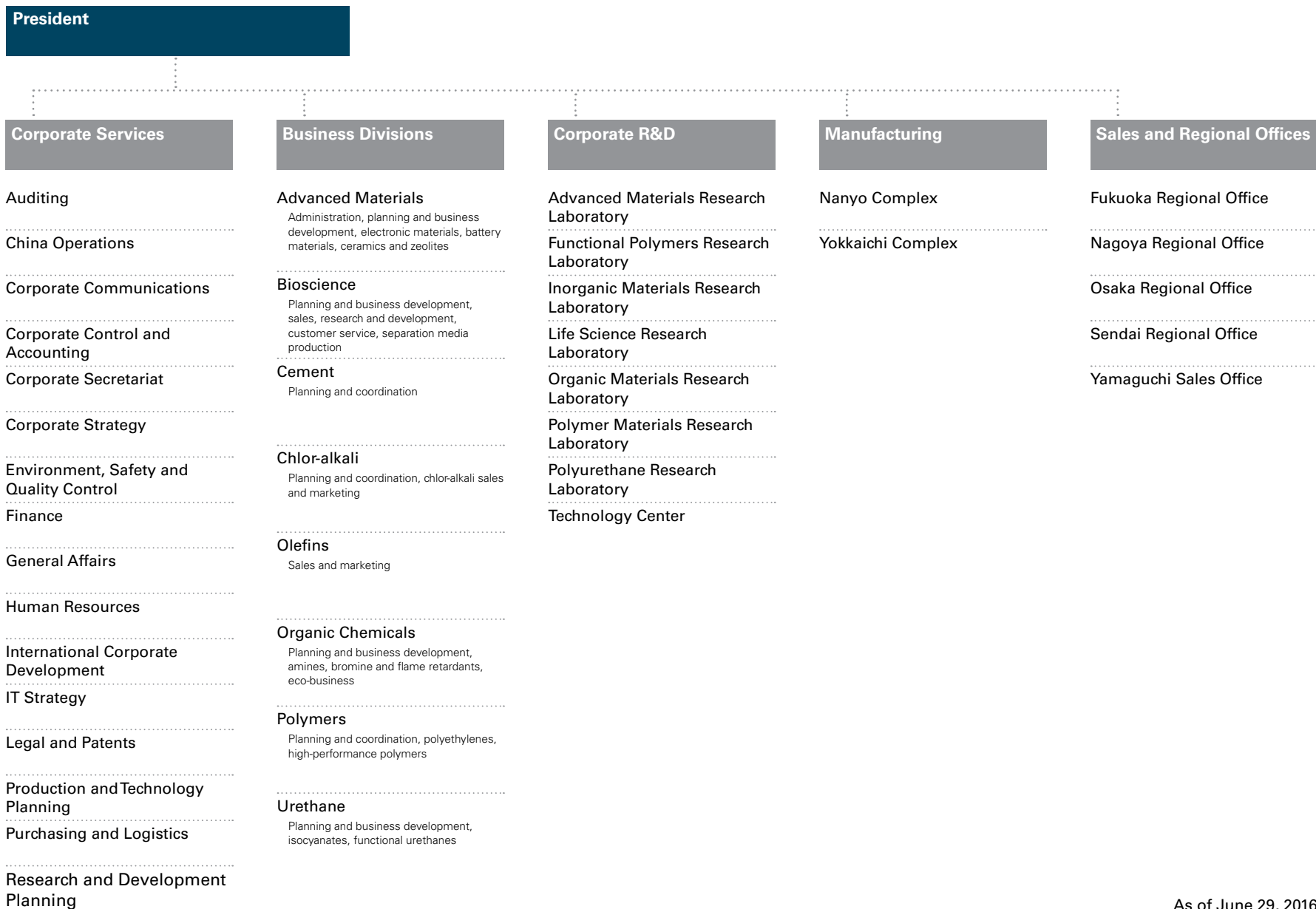
TRANSFER AGENT FOR SHARES

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
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,503	6.70
Japan Trustee Services Bank, Ltd. (Trust Account)	37,924	5.84
Mizuho Bank, Ltd.	22,057	3.40
Mitsui Sumitomo Insurance Company, Limited.	16,559	2.55
Sumitomo Mitsui Trust Bank, Limited	15,004	2.31
Nippon Life Insurance Company	13,366	2.06
The Norinchukin Bank	12,985	2.00
The Yamaguchi Bank, Ltd.	9,944	1.53
Tosoh Kyowa Association	9,935	1.53
JP Morgan Chase Bank	9,156	1.41

STOCK HELD BY INVESTOR TYPE



As of June 29, 2016

BOARD OF DIRECTORS

Toshinori Yamamoto..... Representative Director, President
Sukehiro Itoh Representative Director
Masaki Uchikura Director
Keiichiro Nishizawa Director
Katsushi Tashiro Director
Kouji Kawamoto..... Director
Tsutomu Abe..... External Director
Kenji Ogawa External Director

AUDIT & SUPERVISORY

Katsumi Ishikawa..... Internal Auditor
Eiji Inoue..... Internal Auditor
Tetsuya Teramoto..... External Auditor
Tsuneyasu Ozaki..... External Auditor

CORPORATE OFFICERS

Toshinori Yamamoto..... President
Sukehiro Itoh Executive Vice President
Masaki Uchikura Executive Vice President
Keiichiro Nishizawa Executive Vice President
Katsushi Tashiro Executive Vice President
Kouji Kawamoto..... Executive Vice President
Masayuki Yamada Senior Vice President
Nobuaki Murashige Senior Vice President
Shingo Tsutsumi Senior Vice President
Etsuya Ikeda Senior Vice President

Yutaka Nakamura..... Vice President
Akira Ohmura Vice President
Katsumi Mineshige..... Vice President
Noriaki Ohshima Vice President
Yutaka Kohmoto Vice President
Toshinori Hayashi..... Vice President
Noriaki Hajima Vice President
Nobuhiro Ogawa..... Vice President
Mamoru Kuwada Vice President
Akihiro Aiiso..... Vice President

Masao Nakano..... Vice President
Jun Oyamada..... Vice President
Yoshiyuki Uchiyama Vice President
Akira Hironaga Vice President
Masanobu Kasai Vice President
Haruhisa Nishi..... Vice President
Shunya Shinohara..... Vice President
Hisaoki Harada..... Vice President
Masayuki Kudo Vice President
Toru Adachi Vice President

As of June 29, 2016



TOSOH CORPORATION

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