



## NEWS RELEASE

*May 9, 2018*

### **Tosoh Reports on Its Consolidated Results for Fiscal 2018**

**Tokyo, Japan**—Tosoh Corporation is pleased to announce its full-year consolidated results for the 2018 fiscal year from April 1, 2017, to March 31, 2018. Consolidated net sales for the year under review were ¥822.9 billion (US\$7.4 billion), up ¥79.8 billion, or 10.7%, from fiscal 2017. The increase resulted from a rise in petrochemical product prices associated with increased prices for raw materials, such as naphtha, and from improved market conditions for products overseas.

Our operating income for fiscal 2018 was ¥130.6 billion (US\$1.2 billion), up ¥19.4 billion, or 17.4%, compared with fiscal 2017. This increase was mainly due to improved trade conditions resulting from rising sales prices that offset heightened raw fuel prices. Ordinary income, meanwhile, rose ¥19.2 billion, or 16.9%, to ¥132.3 billion (US\$1.2 billion). And net profit attributable to owners of the parent company was up ¥13.1 billion, or 17.4%, to ¥88.8 billion (US\$801.0 million).

During fiscal 2018, the Japanese economy continued its gradual recovery on the strength of improved corporate earnings and increased domestic capital investment. The global economy likewise continued to improve, propelled by economic expansion in advanced nations and particularly by nations in Europe and by the United States. Heightened geopolitical risk, however, in the Middle East, and intensifying international trade friction contributed to uncertainty about the stability of the global economy.

### **Results by business segment**

#### **Petrochemical Group**

Petrochemical Group net sales rose ¥13.0 billion, or 8.0%, to ¥174.8 billion (US\$1.6 billion), compared with fiscal 2017. The group's operating income increased ¥2.4 billion, or 12.2%, to ¥22.5 billion (US\$203.2 million).

Shipments of olefin products, including ethylene and cumene, were down. But prices rose as a result of increases in the cost of naphtha and other raw materials.

Domestic shipments of polyethylene resin increased, and its prices likewise rose because of increases in the cost of naphtha.

Shipments and export prices of chloroprene rubber increased on strong demand overseas.



# TOSOH CORPORATION

## Chlor-alkali Group

The Chlor-alkali Group's net sales rose ¥55.3 billion, or 19.8%, to ¥335.0 billion (US\$3.0 billion). The group's operating income increased ¥18.7 billion, or 39.0%, to ¥66.6 billion (US\$601 million), because of improvements in terms of trade.

Caustic soda prices increased because of domestic price corrections and improved market conditions overseas.

Shipments of vinyl chloride monomer and polyvinyl chloride resin were strong. In addition, polyvinyl chloride resin prices rose, bolstered by domestic price corrections and better market conditions abroad.

Domestic and export shipments of cement increased.

Export prices of methylene diphenyl diisocyanate (MDI) increased reflecting improved market conditions abroad.

## Specialty Group

Net sales by the Specialty Group in fiscal 2018 increased ¥11.2 billion, or 6.4%, to ¥187.1 billion (US\$1.7 billion). Operating income, however, decreased 4.2%, or ¥1.5 billion, to ¥33.9 billion (US\$305.8 million).

Ethyleneamine product shipments to North America increased.

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

Shipments of high-silica zeolites to Europe increased, as did shipments of zirconia for use in dental materials and ornamental products.

Shipments of fused silica glass for the semiconductor industry likewise rose.

## Engineering Group

Engineering Group net sales decreased ¥1.7 billion, or 2.0%, to ¥84.8 billion (US\$765.2 million). Operating income also decreased, ¥276 million, or 5.4%, to ¥4.9 billion (US\$43.9 million).

Tosoh's water treatment business saw increased sales to the electronics industry because of robust capital investment in Japan and China. The group's net sales, however, decreased because of the completion of large-scale general industrial projects in the preceding fiscal year, diminished domestic investment in the electric power and water supply and sewage fields, and cancellations and delays in investment plans in Southeast Asia.

Sales by the Engineering Group's construction subsidiaries increased.

## Other

Other net sales increased ¥2.0 billion, or 5.0%, to ¥41.1 billion (US\$371.0 million). Operating income, conversely, was down ¥18 million, or 0.7%, to ¥2.7 billion (US\$24. million).

Sales by trading companies and other operations increased during the year in review.

*Note:* For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥110.85 = US\$1, the average exchange rate during the period under review.



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## Outlook for the fiscal year ending March 31, 2019

In the fiscal year ahead, the pace of Japan's economic growth is anticipated to be somewhat slower than in fiscal 2018. The yen has risen and stock prices have declined. Japanese corporate earnings nonetheless should remain steady because of robust exports. And this, and expected sustained improvement in employment and income, should contribute to the Japanese economy's continued gradual expansion.

The global economy, led by advanced nations, should also continue its improvement, especially given the economic growth in the United States that is being driven there by expansionary fiscal policy. But ongoing geopolitical risk, particularly in the Middle East, intensifying trade friction stemming from the US protectionist policies, and capital outflow from emerging markets caused by the normalization of monetary policies in the United States and Europe combine to raise the risk of downward fluctuation. The outlook globally, therefore, remains difficult to forecast.

The Tosoh Group's forecast for its fiscal year 2019, ending March 31, 2019, calls for net sales of ¥850 billion, for operating income of ¥110 billion, for ordinary income of ¥112 billion, and for net profit attributable to owners of the parent company of ¥76 billion. These performance forecasts are predicated on domestic naphtha prices of ¥47,000 a kiloliter and an exchange rate of ¥105 to the US dollar.

## TOSOH CORPORATION

### 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 ¥822.9 billion (US\$7.4 billion at the average rate of ¥110.85 to the US dollar) in fiscal 2018, ended March 31, 2018.

### 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



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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 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 2018**  
**(April 1, 2017–March 31, 2018)**

May 9, 2018

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2017 (Actual)	FY 2018 (Actual)	Difference	FY 2018 (Actual)	FY 2019 (Forecast)	Difference
Net sales	743.0	822.9	79.8	822.9	850.0	27.1
Operating income	111.2	130.6	19.4	130.6	110.0	(20.6)
Ordinary income	113.1	132.3	19.2	132.3	112.0	(20.3)
Profit attributable to owners of the parent	75.7	88.8	13.1	88.8	76.0	(12.8)
Earnings per share (¥)	233.12	273.49	40.37	273.49	234.07	(39.42)

\*As of October 1, 2017, the Company has implemented the share consolidation of its common shares on a one for two basis.

Earnings per share is calculated under the assumption that the consolidation of shares was implemented at the beginning of previous fiscal year

(b) Business and Financial Fundamentals

(¥ Billions)

	FY 2017 (Actual)	FY 2018 (Actual)	Difference	FY 2018 (Actual)	FY 2019 (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	108.35	110.85	2.50	110.85	105.00	(5.85)
Exchange rate (¥/EUR) Average TTM	118.75	129.66	10.91	129.66	130.00	0.34
Domestic standard naphtha price (¥/kl)	34,725	41,925	7,200	41,925	47,000	5,075
Capital expenditures	37.8	39.5	1.7	39.5	68.0	28.5
Depreciation and amortization	27.4	29.8	2.4	29.8	31.0	1.2
R&D expenses	14.4	15.5	1.1	15.5	16.0	0.5
Interest-bearing liabilities	139.8	107.8	(32.0)	107.8	100.0	(7.8)
Net financing expenses	0.0	0.6	0.6	0.6	0.6	0.0
Equity ratio ( % )	52.8	57.6	4.8	57.6	60.0	2.4
Number of employees	12,292	12,595	303	12,595	13,000	405

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 naphtha cracker efficiency at Yokkaichi Complex

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

(¥ Billions)

		FY 2017 (Actual)	FY 2018 (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	161.7	174.8	13.1	(6.3)	19.4	-
	Operating income	20.1	22.5	2.4	0.1	(0.2)	2.5
Chlor-alkali Group	Net sales	279.7	335.0	55.3	6.2	49.1	-
	Operating income	47.9	66.6	18.7	(0.2)	24.7	(5.8)
Specialty Group	Net sales	175.9	187.1	11.2	12.8	(1.6)	-
	Operating income	35.4	33.9	(1.5)	4.8	(1.6)	(4.7)
Engineering Group	Net sales	86.6	84.8	(1.8)	(1.8)	0.0	-
	Operating income	5.1	4.9	(0.2)	(0.2)	0.0	0.0
Other	Net sales	39.1	41.1	2.0	1.5	0.5	-
	Operating income	2.7	2.7	0.0	(0.1)	0.1	0.0
Total	Net sales	743.0	822.9	79.9	12.4	67.5	-
	Operating income	111.2	130.6	19.4	4.3	23.0	(7.9)

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

(¥ Billions)

		FY 2018 (Actual)	FY 2019 (Forecast)	Difference	FY 2019(Forecast)	
					04.01.18-09.30.18	10.01.18-03.31.19
Petrochemical Group	Net sales	174.8	180.9	6.1	88.1	92.8
	Operating income	22.5	13.5	(9.0)	6.0	7.5
Chlor-alkali Group	Net sales	335.0	335.8	0.8	169.5	166.3
	Operating income	66.6	55.2	(11.4)	26.6	28.6
Specialty Group	Net sales	187.1	194.2	7.1	97.0	97.2
	Operating income	33.9	33.5	(0.4)	16.0	17.5
Engineering Group	Net sales	84.8	96.8	12.0	44.0	52.8
	Operating income	4.9	5.6	0.7	1.4	4.2
Other	Net sales	41.1	42.3	1.2	21.4	20.9
	Operating income	2.7	2.3	(0.4)	1.2	1.1
Total	Net sales	822.9	850.0	27.1	420.0	430.0
	Operating income	130.6	110.0	(20.6)	51.0	59.0



2. Consolidated Financial Position

(¥ Billions)

	FY 2017 03.31.2017	FY 2018 03.31.2018	Difference
Total assets	782.6	852.8	70.2
Net assets	448.3	528.1	79.7
Interest-bearing liabilities	139.8	107.8	(32.0)
Equity ratio (%)	52.8	57.6	4.8
Net assets per share (¥)	1,272.85	1,511.69	238.84

\*As of October 1, 2017, the Company has implemented the share consolidation of its common shares on a one for two basis.

Net assets per share is calculated under the assumption that the consolidation of shares was implemented at the beginning of previous fiscal year

3. Cash flows

(¥ Billions)

	FY 2017 (Actual) 03.31.2017	FY 2018 (Actual) 03.31.2018	Difference
Cash flows from operating activities	115.7	115.4	(0.3)
Cash flows from investment activities	(34.7)	(43.1)	(8.4)
Cash flows from financing activities	(68.8)	(51.7)	17.1
Others	(1.6)	0.2	1.7
Net increase (decrease) in cash and cash equivalents	10.5	20.7	10.2
Cash and cash equivalents at end of period	85.5	106.2	20.7

4. Dividends

	Annual dividends per share (¥)			Total amount of annual dividends (¥ Millions)	Dividend payout ratio (%)
	Interim	Year-end	Total		
FY 2016	7.50	16.50	24.00	15,583	20.6
FY 2017	12.00	32.00	—	18,184	20.5
FY 2018 (Forecast)	28.00	28.00	56.00	—	23.9

※As the Company has implemented the share consolidation of its common shares on a one for two basis as of October 1, 2017, total annual dividends per share for the period ending March 31, 2018 are represented by a “—” reflecting the execution of the consolidation of shares. Please note that total annual dividends per share reflecting the execution of the consolidation of shares was 48 yen for the period ending March 31, 2017, and 56 yen for the period ending March 31, 2018.