



TOSOH CORPORATION

NEWS RELEASE

November 1, 2018

Tosoh Reports on First-Half Consolidated Results for Fiscal 2019

Tokyo, Japan— Tosoh Corporation is pleased to announce its consolidated results for the first half of fiscal 2019, from April 1, 2018, to September 30, 2018.

The company's consolidated net sales amounted to ¥424.5 billion (US\$3.8 billion), up ¥32.8 billion, or 8.4%, from the same period a year earlier. The increase was attributable to higher sales prices driven by an increase in the price of naphtha and by rising overseas product markets, and to progress in the Engineering Group's plant projects in the electronic industry.

Operating income also increased ¥1.5 billion, or 2.8%, over the same period the preceding year, to ¥56.0 billion (US\$509.1 million). Although trade conditions worsened because of increased raw material and fuel prices, the increased earnings recorded by the Specialty and Engineering groups helped to drive the increase in operating income.

Ordinary income climbed ¥2.4 billion, or 4.3%, compared with the first half of fiscal 2018, to ¥60.7 billion (US\$552.2 million). This rise was due to foreign exchange gains. Profit attributable to owners of the parent company totaled ¥41.7 billion (US\$378.8 million), an increase of ¥1.4 billion, or 3.4%, over the same term the previous year.

Results by Business Segment

Petrochemical Group

Petrochemical Group net sales rose ¥5.0 billion, or 5.6%, to ¥93.9 billion (US\$853.8 million), compared with the first half of fiscal 2018. The group's operating income decreased ¥2.3 billion, or 22.2%, to ¥8.0 billion (US\$72.6 million).

Shipments of olefin products, such as ethylene and propylene, decreased in line with a decrease in production volume due to fiscal 2019 being a scheduled maintenance year. The group, however, increased sales prices of its olefin products to reflect increased naphtha costs.

Shipments of polyethylene resin in Japan decreased, but the group again increased product prices to reflect the increase in naphtha costs. Chloroprene rubber shipments likewise decreased because of a decline in production volume, but export prices rose, driven by strong overseas demand.

Chlor-alkali Group

The Chlor-alkali Group's net sales increased ¥12.7 billion, or 8.1%, to ¥168.7 billion (US\$1.5 billion). Its operating income likewise rose, ¥157 million, or 0.6%, to ¥25.1 billion (US\$227.8 million), compared with the corresponding period the preceding year.

Domestic and international shipments of caustic soda were strong. Additionally, prices were revised upward due to domestic caustic soda price adjustments. Vinyl chloride monomer shipments increased. Prices also increased, driven by improvements in overseas markets. Polyvinyl chloride resin shipments



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declined on account of decreased production volume, but domestic price adjustments and improved conditions in overseas markets likewise resulted in an increase in product prices.

Domestic shipments of cement were strong. Cement exports, however, decreased.

Shipments of methylene diphenyl diisocyanate (MDI) fell. But MDI export prices rose to reflect the improvement in overseas market conditions.

Specialty Group

Compared with the first half of the previous fiscal year, net sales by the Specialty Group increased ¥6.5 billion, or 7.1%, to ¥98.4 billion (US\$894.8 million). The group's operating income also increased, 8.1%, or ¥1.4 billion, to ¥19.3 billion (US\$175.5 million).

Ethyleneamine shipments declined in tandem with a decrease in production volume. Shipments of separation-related packing materials for liquid chromatography, primarily to Europe, also decreased. Diagnostic-related product shipments, especially of in vitro diagnostic reagents bound for China, increased.

Shipments of high-silica zeolites (HSZ) for automobile exhaust gas catalysts declined. And shipments of zirconia for decorative applications and of silica quartz for semiconductor devices increased.

Engineering Group

Engineering Group net sales rose ¥7.0 billion, or 20.1%, compared with the first half of fiscal 2018, to ¥41.9 billion (US\$380.8 million). Operating income also increased, ¥2.2 billion, to ¥2.4 billion (US\$21.5 million).

The increase in the group's net sales owed itself to a strong performance in solution services, such as plants, maintenance, and the replacement of consumable parts. This performance was driven by increased demand for semiconductors and electronic devices domestically and overseas and by robust corporate manufacturing activity and capital investment in general industrial fields.

Sales by the Engineering Group's construction subsidiaries also increased.

Ancillary

Ancillary net sales rose ¥1.5 billion, or 7.6%, to ¥21.5 billion (US\$195.6 million), compared with the same period a year earlier. Operating income also increased ¥20 million, or 1.6%, to ¥1.3 billion (US\$11.6million).

The increases owed themselves to increased sales by trading companies and other operations during the period under review.

Outlook for the fiscal year ending March 31, 2019

Despite a temporary deceleration in the domestic economy due to recent natural disasters, recovery and reconstruction demand and improved wages are driving an increase in personal consumption. This should result in the continued expansion of Japan's economy through the end of fiscal year 2019.

International uncertainties remain, however, particularly in regard to the outcome of discussions related to a Japan-United States trade agreement, to the impact of trade friction between the United States and China, and to instability in the Middle East. These and other factors may lead to a slowdown in the global economy, an increase in fuel prices, and the appreciation of the yen, which may, in turn, affect Tosoh's performance.

The Tosoh Group will respond with appropriate measures to increases in raw material and fuel prices, changes in product market conditions and fluctuations in exchange rates by continuing to grow its sales volume, decrease its costs, and ensure consistent product supply to its customers.

Tosoh has revised the full-year fiscal 2019 forecast that it announced on May 9, 2018. The revised forecast, shown in the table to follow, is based on a standard domestic naphtha price of ¥59,000 per kiloliter and an exchange rate of ¥110 to the US dollar.



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Revised full-year consolidated financial results for fiscal 2019

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of the Parent Company	Earnings per Share (yen)
Previous forecast (A)	¥850 billion	¥110 billion	¥112 billion	¥76 billion	234.07
Revised forecast (B)	¥880 billion	¥100 billion	¥105 billion	¥71 billion	218.66
Variance (B - A)	¥30 billion	- ¥10 billion	- ¥7 billion	- ¥5 billion	
% variance	3.4	- 9.1	- 6.3	- 6.6	
Reference: FY 2018 performance (Year ended March 2018)	¥823 billion	¥131 billion	¥132 billion	¥89 billion	273.49

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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 ¥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: 4042

Disclaimer

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 identified through the use of the word *anticipates* and other words of similar meaning. Actual results may differ significantly from the results expressed in forward-looking statements.

Summary of First-Half Consolidated Business Results for Fiscal Year 2019
(April 1, 2018–September 30, 2018)

November 1, 2018

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2018 1H (04.01.17–09.30.17) (Actual)	FY 2019 1H (04.01.18–09.30.18) (Actual)	Difference	FY 2018 (04.01.17–03.31.18) (Actual)	FY 2019 (04.01.18–03.31.19) (Forecast)	Difference
Net sales	391.7	424.5	32.8	822.9	880.0	57.1
Operating income	54.5	56.0	1.5	130.6	100.0	(30.6)
Ordinary income	58.3	60.7	2.4	132.3	105.0	(27.3)
Profit attributable to owners of the parent	40.3	41.7	1.4	88.8	71.0	(17.8)
Earnings per share (¥)	124.17	128.34	4.17	273.49	218.66	(54.83)

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

Net income 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 2018 1H (04.01.17–09.30.17) (Actual)	FY 2019 1H (04.01.18–09.30.18) (Actual)	Difference	FY 2018 (04.01.17–03.31.18) (Actual)	FY 2019 (04.01.18–03.31.19) (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	111.04	110.26	(0.78)	110.85	110.13	(0.72)
Exchange rate (¥/EUR) Average TTM	126.32	129.79	3.47	129.66	129.90	0.24
Domestic standard naphtha price (¥/kl)	37,600	51,150	13,550	41,925	55,075	13,150
Capital expenditures	18.1	31.9	13.8	39.5	67.0	27.5
Depreciation and amortization	14.3	15.0	0.7	29.8	32.0	2.2
R&D expenses	7.5	8.1	0.6	15.5	17.0	1.5
Interest-bearing liabilities	131.3	107.8	(23.5)	107.8	100.0	(7.8)
Net financing expenses	0.6	0.9	0.3	0.6	0.9	0.3
Equity ratio (%)	56.9	60.9	4.0	58.0	61.0	3.0
Number of employees	12,559	12,968	409	12,595	13,000	405

Topics

- September 2018 Capacity increase of TOYOPEARL[®] separation and purification media plant
- Winter 2018 Replace power generation boiler at Nanyo plant
- Winter 2018 Increase manufacturing capacity of PVC at Philippine Resins Industries, Inc.
- Spring 2019 Capacity increase of existing HSZ plant
- Spring 2020 Increase efficiency of naphtha cracker, install gas turbine



(c) Net Sales and Operating Income by Business Segment

(¥ Billions)

		FY 2018 1H	FY 2019 1H	Difference	Breakdown of difference		
		(04.01.17-09.30.17) (Actual)	(04.01.18-09.30.18) (Actual)		Volume effect	Price effect*	Fixed costs,etc.
Petrochemical Group	Net sales	88.9	93.9	5.0	(8.5)	13.5	-
	Operating income	10.3	8.0	(2.3)	(1.5)	(2.2)	1.4
Chlor-alkali Group	Net sales	156.0	168.7	12.7	(2.5)	15.2	-
	Operating income	24.9	25.1	0.2	1.4	(1.4)	0.2
Specialty Group	Net sales	91.9	98.4	6.5	5.6	0.9	-
	Operating income	17.9	19.3	1.4	3.9	(0.5)	(2.0)
Engineering Group	Net sales	34.9	41.9	7.0	6.8	0.2	-
	Operating income	0.2	2.4	2.2	2.2	0.0	0.0
Other	Net sales	20.0	21.5	1.5	0.5	1.0	-
	Operating income	1.3	1.3	0.0	0.0	0.0	0.0
Total	Net sales	391.7	424.5	32.8	1.9	30.9	-
	Operating income	54.5	56.0	1.5	5.8	(4.1)	(0.3)

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

(¥ Billions)

		FY 2018	FY 2019	Difference	FY 2019 (Forecast)	
		(Actual)	(Forecast)		04.01.18-09.30.18	10.01.18-03.31.19
Petrochemical Group	Net sales	174.8	199.5	24.7	93.9	105.6
	Operating income	22.5	15.9	(6.6)	8.0	7.9
Chlor-alkali Group	Net sales	335.0	336.9	1.9	168.7	168.2
	Operating income	66.6	39.3	(27.3)	25.1	14.2
Specialty Group	Net sales	187.1	201.0	13.9	98.4	102.6
	Operating income	33.9	35.4	1.5	19.3	16.1
Engineering Group	Net sales	84.8	99.0	14.2	41.9	57.1
	Operating income	4.9	7.1	2.2	2.4	4.7
Other	Net sales	41.1	43.6	2.5	21.5	22.1
	Operating income	2.7	2.3	(0.4)	1.3	1.0
Total	Net sales	822.9	880.0	57.1	424.5	455.5
	Operating income	130.6	100.0	(30.6)	56.0	44.0



2. Consolidated Financial Position

(¥ Billions)

	FY 2018 03.31.2018	FY 2019 1H 09.30.2018	Difference
Total assets	845.7	857.4	11.7
Net assets	528.1	559.1	31.0
Interest-bearing liabilities	107.8	103.9	(3.9)
Equity ratio (%)	58.0	60.9	2.9

"Partial Amendments to" Accounting Standard for Tax Effect Accounting "(ASBJ Statement No. 28, February 16, 1990) was applied from the beginning of the first quarter consolidated accounting period. These partial amendments have been retroactively applied to the consolidated financial condition for the fiscal year ended on March 31, 2018.

3. Cash Flows

(¥ Billions)

	FY 2018 1H (04.01.17-09.30.17) (Actual)	FY 2019 1H (04.01.18-09.30.18) (Actual)	Difference
Cash flows from operating activities	33.0	22.5	(10.5)
Cash flows from investment activities	(23.0)	(30.7)	(7.7)
Cash flows from financing activities	(19.6)	(14.2)	5.4
Others	(0.1)	(0.8)	(0.7)
Net increase (decrease) in cash and cash equivalents	(9.7)	(23.2)	(13.5)
Cash and cash equivalents at end of period	75.8	83.0	7.2

4. Dividends

	Annual dividends per share (¥)		
	Interim (Q2)	Year-end (Q4)	Total
FY 2018 (Actual)	12.00	32.00	-
FY 2019 (Forecast)	28.00(actual)	28.00(forecast)	56.00(forecast)