



TOSOH CORPORATION

NEWS RELEASE

May 12, 2020

Tosoh Reports Its Consolidated Results for Fiscal 2020

Tokyo, Japan— Tosoh presents its full-year consolidated results for its 2020 fiscal year, from April 1, 2019, to March 31, 2020. The company's consolidated net sales for the year under review were ¥786.1 billion (US\$7.2 billion), down ¥75.4 billion, or 8.7%, from fiscal 2019. The decrease resulted from a decline in product prices due to lower costs for raw materials, such as naphtha; from a worsening of trade conditions overseas; and from a reduction in sales volume as the global economy decelerated.

Operating income for fiscal 2020 was ¥81.7 billion (US\$751.6 million), down ¥24.0 billion, or 22.8%. This decline was mainly due to the decline in international trade conditions caused by the decrease in product prices exceeding the benefits of the decrease in prices for naphtha and other raw materials. Ordinary income also dropped, ¥27.0 billion, or 23.9%, to ¥86.0 billion (US\$791.2 million). And net profit attributable to owners of the parent company was down ¥22.5 billion, or 28.9%, to ¥55.6 billion (US\$511.5 million).

Concerns over an economic slowdown because of trade friction between the United States and China and geopolitical risk in the Middle East persisted throughout the year under review. As Tosoh enters its 2021 fiscal year, economic and social activity in Japan and abroad have ground to a halt due to the spread of the novel coronavirus. The global economy is deteriorating sharply.

Results by business segment

Petrochemical Group

Petrochemical Group net sales fell ¥24.8 billion, or 13.5%, to ¥159.1 billion (US\$1.5 billion), compared with fiscal 2019.

Shipments of ethylene, propylene, and cumene decreased. This was attributable to a decrease in demand caused by economic deceleration in the markets for these products overseas, and to reduced production resulting from a higher number of periodic maintenance days. In addition, the prices for these products decreased, suppressed by worsening market conditions overseas stemming from the diminishing cost of such raw materials as naphtha.

The group's shipments, conversely, of polyethylene resin for use in film for encapsulating photovoltaic cells increased. Polyethylene resin prices, however, declined to reflect the decrease in raw material costs, including for naphtha. Chloroprene rubber exports, meanwhile, primarily to Asia, decreased.

The group's operating income also fell, ¥3.1 billion, or 23.1%, to ¥10.3 billion (US\$94.7 million). The decrease resulted because of a drop in sales volume that exceeded any improvement in trade conditions driven by declining prices for raw materials.

Chlor-alkali Group

The Chlor-alkali Group's net sales fell ¥40.0 billion, or 11.9%, to ¥297.4 billion (US\$2.7 billion).

Domestic shipments of caustic soda decreased amid stagnating demand. And caustic soda product prices declined to reflect worsening market conditions overseas.



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Vinyl chloride monomer (VCM) shipments decreased because of a decline in production volume. Conversely, polyvinyl chloride (PVC) resin shipments rose in line with increased production volume. The prices, however, of VCM and of PVC resin fell to reflect cost reductions for raw materials, such as naphtha, and worsening market conditions abroad.

Domestic demand for cement remained sluggish. And this led to a decrease in cement shipments.

Shipments of methylene diphenyl diisocyanate (MDI) declined amid reduced demand domestically and overseas. The price of MDI likewise fell, reflecting diminished market conditions abroad.

The group's operating income was down ¥17.8 billion, or 38.7%, to ¥28.2 billion (US\$259.4 million). The decrease was caused by declining trade conditions as lower product prices surpassed the effects of decreased raw material costs.

Specialty Group

Net sales by the Specialty Group in fiscal 2020 decreased ¥12.4 billion, or 6.3%, to ¥185.0 billion (US\$1.7 billion).

The group's shipments of ethyleneamine products fell. This was the result of stagnation in demand, mainly in Asia.

Shipments to Europe of separation-related product packing materials for liquid chromatography also decreased. Diagnostic-related products saw reduced shipments of in vitro diagnostic reagents to Europe, the United States, and China.

Shipments declined, too, of high-silica zeolites for environmental use and use in automobile exhaust gas catalysts because of stagnating demand. As well, shipments of zirconia for use in decorative applications decreased.

Slow demand from semiconductor related markets, meanwhile, caused silica glass shipments to fall. Likewise reduced were shipments of electrolytic manganese dioxide, primarily for batteries.

The group's operating income fell ¥7.4 billion, or 21.1%, to ¥27.9 billion (US\$256.7 million), because of a decrease in sales volume resulting from global economic deceleration.

Engineering Group

Engineering Group net sales increased ¥2.6 billion, or 2.6%, to ¥101.5 billion (US\$933.8 million).

The group's water treatment business achieved steady progress in large-scale electronics industry related projects domestically and in Taiwan. That business also benefited from a solid performance in service solutions, including maintenance across industries and facility renovation. The combined result was increased sales for the water treatment business.

Sales by the Engineering Group's construction subsidiaries decreased.

Operating income also increased, to ¥12.7 billion (US\$116.8 million), up ¥4.4 billion, or 53.4%.

Ancillary

Ancillary net sales decreased ¥763.0 million, or 1.7%, to ¥43.0 billion (US\$395.6 million). Operating income also decreased, ¥163.0 million, or 6.1%, to ¥2.5 billion (US\$23.0 million).

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

Overview of the financial position for the period under review

Increases in buildings and structures, machinery, and delivery vehicles resulted in an increase in total assets of ¥8.4 billion to ¥886.6 billion (US\$8.1 billion) from a year earlier.



Due to a decrease in notes payable and accounts payable, total liabilities decreased ¥21.8 billion to ¥276.9 billion (US\$2.5 billion) compared with the previous year.

Net assets increased ¥30.2 billion to ¥609.7 billion (US\$5.6 billion) from a year earlier. This was due to the recording of current net income attributable to owners of the parent company.

Overview of the cash flow situation for the period under review

Cash and cash equivalents were up ¥5.1 billion, to ¥97.2 billion (US\$894.2 million).

Net cash provided by operating activities amounted to ¥99.9 billion (US\$919.0 million), up ¥22.4 billion from a year earlier because of a decrease in trade receivables.

Net cash used in investing activities was ¥70.3 billion (US\$646.7 million), an increase of ¥7.0 billion from a year earlier, caused by increased expenditures used in the acquisition of investment securities.

Free cash flow therefore rose ¥15.4 billion to ¥29.6 billion (US\$272.3 million) in fiscal 2020.

Net cash used in financing activities was ¥24.0 billion (US\$220.8 million), down ¥3.0 billion compared with the previous year due to a decrease in the amount of debt repaid.

Outlook for the fiscal year ending March 31, 2021

The novel coronavirus's effects on social and economic activities worldwide are growing increasingly severe by the day. And because it is impossible to forecast the end of the pandemic, it is equally challenging to determine the outlook for the fiscal year ahead, fiscal 2021.

Tosoh is paying close attention to what surely will be a host of changes in its business environment brought about by the spread of COVID-19. Moreover, the company will take appropriate and timely action based on careful monitoring of the shifting situation to mitigate the effects of the pandemic on its operations to the greatest extent possible.

As things stand now, though, the growing number of uncertainties arising from the novel coronavirus render us unable to present anything approaching a realistic earnings forecast for its operations for fiscal 2021. Tosoh will release its forecast promptly once the situation has stabilized.

Basic stance concerning selection of financial standard

The company will continue to observe the Japanese standard for the foreseeable future. With regard to International Financial Reporting Standards (IFRS), we are proceeding with the necessary preparations and considerations with a view to future application.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥108.7= US\$1, the average exchange rate during the period under review.

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WHO WE ARE

Tosoh Corporation 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 ¥786.1 billion (US\$7.2 billion at the average rate of ¥108.7 to the US dollar) in fiscal 2020, ended March 31, 2020.



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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 Consolidated Business Results for Fiscal Year 2020
(April 1, 2019–March 31, 2020)

May 12, 2020

1. Consolidated Business Results

(a) Operating Results (¥ Billions)

	FY 2019 (Actual)	FY 2020 (Actual)	Variance
Net sales	861.5	786.1	(75.4)
Operating income	105.7	81.7	(24.0)
Ordinary income	113.0	86.0	(27.0)
Profit attributable to owners of the parent	78.1	55.6	(22.5)
Earnings per share (¥)	240.62	171.03	(69.59)

(b) Business and Financial Fundamentals (¥ Billions)

	FY 2019 (Actual)	FY 2020 (Actual)	Variance
Exchange rate (¥/US\$) Average TTM	110.9	108.7	(2.2)
Exchange rate (¥/EUR) Average TTM	128.4	120.8	(7.6)
Domestic standard naphtha price (¥/kl)	49,400	42,725	(6,675)
Capital expenditures	64.8	61.1	(3.7)
Depreciation and amortization	31.3	32.1	0.8
R&D expenses	16.6	18.2	1.6
Interest-bearing liabilities	101.1	95.9	(5.2)
Net financing expenses	1.0	0.8	(0.2)
Equity ratio (%)	61.6	64.0	2.4
Number of employees	12,955	13,336	381

Topics

- Y20 Spring (Planned) Increase efficiency of naphtha cracker and installation of gas turbine

(Gas turbine was fully operational since February 2019)
- Y21 Autumn (Planned) Capacity increase for chloroprene rubber (CR)



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

(¥ Billions)

		FY 2019 (Actual)	FY 2020 (Actual)	Variance	Breakdown of variance		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	183.9	159.1	(24.8)	(4.3)	(20.5)	-
	Operating income	13.4	10.3	(3.1)	(1.6)	0.7	(2.2)
Chlor-alkali Group	Net sales	337.4	297.4	(40.0)	(3.7)	(36.3)	-
	Operating income	46.0	28.2	(17.8)	(2.2)	(10.2)	(5.4)
Specialty Group	Net sales	197.4	185.0	(12.4)	(8.0)	(4.4)	-
	Operating income	35.3	27.9	(7.4)	(2.2)	(2.8)	(2.4)
Engineering Group	Net sales	98.9	101.5	2.6	3.4	(0.8)	-
	Operating income	8.3	12.7	4.4	4.4	0.0	0.0
Ancillary	Net sales	43.8	43.0	(0.8)	(0.2)	(0.6)	-
	Operating income	2.7	2.5	(0.2)	(0.1)	0.0	(0.1)
Total	Net sales	861.5	786.1	(75.4)	(12.9)	(62.5)	-
	Operating income	105.7	81.7	(24.0)	(1.8)	(12.4)	(9.8)

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



2. Consolidated Financial Position

(¥ Billions)

	FY 2019 03.31.2019	FY 2020 03.31.2020	Variance
Total assets	878.2	886.6	8.4
Net assets	579.5	609.7	30.2
Interest-bearing liabilities	101.1	95.9	(5.2)
Equity ratio (%)	61.6	64.0	2.4
Net assets per share (¥)	1,665.47	1,747.19	81.72

3. Cash flows

(¥ Billions)

	FY 2019 (Actual) 03.31.2019	FY 2020 (Actual) 03.31.2020	Variance
Cash flows from operating activities	77.5	99.9	22.4
Cash flows from investment activities	(63.3)	(70.3)	(7.0)
Cash flows from financing activities	(27.0)	(24.0)	3.0
Others	(1.3)	(0.5)	0.8
Net increase (decrease) in cash and cash equivalents	(14.1)	5.1	19.2
Cash and cash equivalents at end of period	92.1	97.2	5.1

4. Dividends

	Annual dividends per share (¥)			Total amount of annual dividends (¥ Millions)	Dividend payout ratio (%)
	Interim	Year-end	Total		
FY 2019	28.00	28.00	56.00	18,187	23.3
FY 2020	28.00	28.00	56.00	18,192	32.7
FY 2021(Forecast)	28.00	28.00	56.00	—	—