



NEWS RELEASE

July 31, 2014

Tosoh Reports on First-Quarter Consolidated Results for Fiscal 2015 (the period from April 1, 2014, to June 30, 2014)

Tokyo, Japan—Tosoh Corporation is pleased to announce its consolidated results for its 2015 fiscal year first quarter, from April 1, 2014, to June 30, 2014. The company's consolidated net sales amounted to ¥178.1 billion (US\$1.7 billion), up ¥3.1 billion, or 1.7%, from the same period a year earlier.

Consolidated net sales increased despite a decline in unit sales arising from the scheduled maintenance of an ethylene plant and the postponement of capital investments among the general industries served by Tosoh's Engineering Group. Among the factors contributing to sales growth, exports prices for urethane materials rose regardless of softening overseas markets. The increase in export prices reflected the weakening Japanese yen and the passing on to product prices the rising costs for naphtha and other raw materials.

Tosoh's first-quarter profits declined compared with the same period the prior fiscal year. Operating income amounted to ¥5.1 billion (US\$50.3 million), a decrease of ¥1.5 billion, or 22.4%, from operating income for the first quarter of fiscal 2014. The primary factors in the decline were worsening trade conditions for urethane raw materials and rising fixed costs resulting mainly from plant maintenance. Ordinary income fell ¥7.0 billion, to ¥4.8 billion (US\$46.6 million), or 59.4%, from ordinary income for the same period the previous year. The drop reflected exchange rate gains and an insurance payment related to the No. 2 Vinyl Chloride Monomer Plant accident that occurred in the first quarter of fiscal 2014. Net income contracted ¥4.2 billion, or 65.6%, to ¥2.2 billion (US\$21.7 million).

In the first quarter of fiscal 2015, Japan's economy continued its mild recovery. It was anticipated that there would be some decline in personal consumption after the April 1 hike in the consumption tax. However, improving numbers for employment and personal income because of a recovery in Japan's corporate profits supported moderate economic growth.

Results by business segment

Petrochemical Group

First-quarter net sales for the Petrochemical Group declined ¥0.8 billion, or 1.5%, compared with group net sales for the same period the year before, to ¥51.7 billion (US\$506.5 million). The group's operating income decreased ¥1.8 billion, or 72.5%, to ¥0.7 billion (US\$6.8 million).

Shipments of ethylene, propylene, cumene, and other olefins were generally down because of the decline in unit production caused by scheduled maintenance. Tosoh, though, implemented price increases for these products to match rising prices for naphtha.

Polyethylene resin sales remained flat as backlash in reaction to a spike in demand before the April 1 hike in the consumption tax was minor. Shipments, though, remained approximately the



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same as in the first quarter a year earlier. Tosoh also implemented price increases for its polyethylene resins to reflect rising naphtha prices. Shipments of chloroprene rubber (CR), meanwhile, expanded on the strength of recovering demand in markets abroad.

Chlor-alkali Group

Chlor-alkali Group first-quarter net sales increased ¥0.8 billion, or 1.2%, to ¥66.3 billion (US\$648.8 million) compared with the same period the year before. In contrast, operating income decreased ¥1.4 billion, or 276.3%, from the first quarter of fiscal 2014, resulting in a group operating loss of ¥0.9 billion (US\$8.8 million).

Shipments of caustic soda increased in the quarter under review compared with the same quarter a year earlier. Domestic prices for caustic soda rose because of price revisions, and export prices increased because of the weakening yen. Tosoh's domestic and overseas shipments of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) declined, but the weakening yen and strengthening overseas markets improved export prices. Domestically sold PVC also benefited from a price increase implemented near the beginning of fiscal 2015.

A variety of factors lead to a decrease in the group's shipments of cement.

Although shipments of urethane raw materials expanded, overseas market prices decreased.

Specialty Group

Net sales for the Specialty Group in the first quarter amounted to ¥38.0 billion (US\$372.3 million), an increase of ¥4.4 billion, or 13.1%, over the group's net sales for the same quarter the preceding fiscal year. Operating income jumped ¥2.3 billion, or 64.4%, to ¥5.9 billion (US\$57.4 million).

Exports of ethyleneamines by the Specialty Group increased because of a recovery in demand caused by an improvement in the demand-supply balance. In addition, product prices rose to reflect the weakening of the yen.

The group's separation-related products saw exports of liquid chromatography packing materials decline. And its diagnostic-related products saw shipments of automated glycohemoglobin analyzers for diabetic screening and monitoring contract. Shipments of in vitro diagnostic reagents, however, increased.

Shipments of high-silica zeolites (HSZ) for application in automobile catalytic converters increased. Similarly, zirconia shipments for applications in the luxury items market rose, as did export prices because of the weaker yen. The group's shipments of quartz glass for application in liquid crystal display and flat panels and semiconductors also expanded.

Engineering Group

First-quarter net sales for the Engineering Group were ¥11.9 billion (US\$116.7 million), a decrease of ¥1.1 billion, or 8.5%, from the group's first-quarter net sales in fiscal 2014. Operating income fell ¥0.3 billion, or 31.4%, to ¥1.1 billion (US\$10.3 million).

The group's sales of water treatment facilities, services, and related chemicals slumped because of a flurry of postponements or cancellations of capital investment, maintenance, renovation, and other business in Japan. Similarly, overseas sales declined because of a fall in capital investment in the electronics industry. The group's construction-related companies also recorded declines in sales.



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Other

Other net sales for the first quarter of fiscal 2015 fell ¥0.2 billion, or 2.4%, from net sales for the same period the year before, to ¥10.1 billion (US\$98.9 million). Other operating income was ¥0.5 billion (US\$5.3 million), a decline of ¥0.3 billion, or 34.1%. Sales by trading companies and logistics subsidiaries were at low levels.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥102.17 = US\$1, the average exchange rate during the quarter under review.

Outlook for the fiscal year to March 31, 2015

Beyond the spike in demand ahead of the April hike in Japan's consumption tax, the economy is expected to move forward supported by continued improvements in corporate earnings, employment, and personal income. Reasons for the positive outlook include an economic base underpinned by the Japanese government's economic policies and global economic recovery.

The risk remains, though, that a downward swing in the global economy could topple Japan's recovery. The Tosoh Group is therefore making every effort to boost its profitability. It is, for example, expanding its sales volume, maintaining an optimum pricing structure, and reducing costs throughout its operations.

Tosoh's projections for fiscal year 2015, ending March 31, 2015, call for net sales of ¥810 billion, operating income of ¥46 billion, ordinary income of ¥45 billion, and net income of ¥52 billion. These full-year forecasts are based on a domestic standard price for naphtha of ¥70,000 per kiloliter and on an exchange rate of ¥100.00 to the US dollar. Projections for fiscal 2015 have not changed from those announced on May 9, 2014.

Please note that the full-year projections include a decline in tax expenses of ¥24 billion. This decline stems from Tosoh's booking of deferred tax assets related to the temporary deductible differences arising from the company's assumption of losses carried forward by Nippon Polyurethane Industry Co., Ltd., following the scheduled merger of the two companies in October 2014. There is a possibility that this figure could change substantially when Tosoh reassess its financial position following the merger.

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WHO WE ARE

Tosoh is the parent of the Tosoh Group, which comprises 130 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥772.3 billion (US\$7.5 billion at the year-end rate of ¥102.92 to the US dollar) in fiscal 2014, ended March 31, 2014.

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



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Disclaimer

This document contains forward-looking statements, including, without limitation, statements concerning product development, objectives, goals, and commercial introductions, which involve certain risks and uncertainties. The 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 First-Quarter Consolidated Business Results for Fiscal Year 2015
(April 1, 2014–June 30, 2014)

July 31, 2014

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	1Q of FY2014 (04.01.13–06.30.13) (Actual)	1Q of FY2015 (04.01.14–06.30.14) (Actual)	Difference	FY 2014 (04.01.13–03.31.14) (Actual)	FY 2015 (04.01.14–03.31.15) (Forecast)	Difference
Net sales	175.0	178.1	3.1	772.3	810.0	37.7
Operating income	6.6	5.1	(1.5)	41.6	46.0	4.4
Ordinary income	11.7	4.8	(7.0)	49.5	45.0	(4.5)
Net income	6.4	2.2	(4.2)	29.6	52.0	22.4
Net income per share (¥)	10.74	3.69	(7.04)	49.35	86.79	37.4

(b) Business and Financial Fundamentals

(¥ Billions)

	1Q of FY2014 (04.01.13–06.30.13) (Actual)	1Q of FY2015 (04.01.14–06.30.14) (Actual)	Difference	FY 2014 (04.01.13–03.31.14) (Actual)	FY 2015 (04.01.14–03.31.15) (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	98.78	102.17	3.39	100.17	100.00	(0.17)
Exchange rate (¥/EUR) Average TTM	128.96	140.07	11.11	134.22	140.00	5.78
Domestic standard naphtha price (¥/kl)	65,600	70,000	4,400	67,275	70,000	2,725

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

(¥ Billions)

		1Q of FY2014 (04.01.13–06.30.13) (Actual)	1Q of FY2015 (04.01.14–06.30.14) (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	52.5	51.7	(0.8)	(3.3)	2.6	-
	Operating income	2.5	0.7	(1.8)	(0.2)	0.8	(2.5)
Chlor-alkali Group	Net sales	65.5	66.3	0.8	(1.2)	1.9	-
	Operating income (loss)	0.5	(0.9)	(1.4)	0.1	(0.5)	(1.1)
Specialty Group	Net sales	33.6	38.0	4.4	2.6	1.8	-
	Operating income	3.6	5.9	2.3	2.3	0.7	(0.7)
Engineering Group	Net sales	13.0	11.9	(1.1)	(1.2)	0.1	-
	Operating income (loss)	(0.8)	(1.1)	(0.3)	(0.1)	0.0	(0.1)
Other	Net sales	10.4	10.1	(0.2)	(0.5)	0.3	-
	Operating income	0.8	0.5	(0.3)	(0.2)	0.0	0.0
Total	Net sales	175.0	178.1	3.1	(3.6)	6.7	-
	Operating income	6.6	5.1	(1.5)	1.9	1.0	(4.4)

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



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2. Consolidated Financial Position

(¥ Billions)

	FY 2014 03.31.2014	FY 2015 06.30.2014	Difference
Total assets	721.7	714.5	(7.2)
Net assets	249.8	249.0	(0.8)
Interest-bearing liabilities	286.2	283.3	(2.9)
Equity ratio (%)	30.4	30.7	0.3

3. Dividends

	Annual dividends per share (¥)		
	Interim	Year-end	Total
FY 2014	3.00	3.00	6.00
FY 2015 (Forecast)	5.00	3.00	8.00