



# TOSOH CORPORATION

## Tosoh Reports Its Consolidated Results for the First Nine Months of Fiscal 2015 (the interim period from April 1, 2014, to December 31, 2014)

February 3, 2015

**Tokyo, Japan**—Tosoh Corporation is pleased to announce its consolidated results for the first nine months of its 2015 fiscal year, from April 1, 2014, to December 31, 2014. Consolidated net sales amounted to ¥589.8 billion (US\$5.5 billion), up ¥29.3 billion, or 5.2%, compared with consolidated net sales in the same period a year earlier. Higher product prices because of rising costs for naphtha and other raw materials, higher export prices because of a weakening yen, and higher product shipments, particularly by the Specialty Group, were behind the consolidated sales growth.

Profits also grew compared with the same period in the prior fiscal year and benefited from, among other factors, an improvement in trade conditions and an increase in unit sales. Operating income amounted to ¥33.9 billion (US\$317.6 million), an increase of ¥4.9 billion, or 17.0%, compared with operating income for the same period in fiscal 2014.

Ordinary income rose ¥5.5 billion, to ¥42.3 billion (US\$396.3 million), or 15.0%, compared with ordinary income for the same period last year. The increase included significant foreign exchange gains. Net income, meanwhile, jumped ¥29.8 billion, or 131.3%, to ¥52.5 billion (US\$491.9 million). That sharp rise resulted from the booking of substantial deferred tax assets associated with the carryforward losses and other temporary differences and adjustments in the liabilities of Nippon Polyurethane Industry Co., Ltd. (NPU), which were assumed by Tosoh Corporation as a result of its October 1, 2014, merger with NPU.

Japan's economy was generally upbeat during the period under review, supported by the Japanese government's economic stimulus policies and the positive impact of the Bank of Japan's easy money policy. Economic recovery, however, was dampened by a decline in demand following spiked demand at the end of fiscal 2014 in anticipation of the April 1, 2014, hike in Japan's consumption tax.

### Results by business segment

#### Petrochemical Group

Petrochemical Group net sales for the first nine months of fiscal 2015 grew ¥6.8 billion, or 4.0%, compared with group net sales for the same period the year before, to ¥177.0 billion (US\$1.7 billion). The group's operating income, though, decreased ¥4.3 billion, or 38.4%, to ¥7.0 billion (US\$65.6 million).

Shipments of propylene, cumene, and other olefins were down because of a decline in unit production caused by scheduled maintenance. Shipments of ethylene, however, increased because of a change in the balance between Tosoh's ethylene purchases and in-house consumption. Among other performance-enhancing factors, Tosoh implemented price increases for its products to reflect higher naphtha prices.

Polyethylene resins saw a decrease in shipments of general-use high-density polyethylene and product price increases in response to rising naphtha prices. On the other hand, the group



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made efforts to maintain domestic polyethylene prices despite the drop in naphtha and other raw materials costs in the third quarter.

## **Chlor-alkali Group**

The Chlor-alkali Group's net sales for fiscal 2015's first nine months increased ¥4.0 billion, or 1.9%, to ¥211.6 billion (US\$2.0 billion), compared with the same period a year earlier. Group operating income increased ¥1.2 billion, or 46.7%, to ¥3.7 billion (US\$34.7 million).

Domestic prices for caustic soda rose because of price revisions implemented in spring 2014. On the other hand, overall shipments of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) declined year on year. However, export prices improved despite a weakening of the overseas market on entering the third quarter because overall prices were up on average and because of the weakening yen.

Falling demand, meanwhile, caused a drop in the group's shipments of cement.

Shipments of urethane raw materials decreased. However, the decline in shipments was mitigated by an upward revision in domestic prices and higher overseas market prices because of the weakening yen.

## **Specialty Group**

Net sales for the Specialty Group in fiscal 2015's first nine months amounted to ¥123.1 billion (US\$1.2 billion), an increase of ¥14.3 billion, or 13.1%, over the group's net sales for the same period in fiscal 2014. Operating income also rose year on year, increasing ¥6.6 billion, or 47.1%, to ¥20.7 billion (US\$194.0 million).

Ethyleneamine exports increased because improvement in the demand-supply balance sparked a recovery in demand. In addition, ethyleneamine market prices rose as the yen weakened.

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

Shipments of high-silica zeolites (HSZ) increased because of continued robust demand. Zirconia shipments remained firm, and shipments of electrolytic manganese dioxide (EMD) for dry cells rose.

## **Engineering Group**

Net sales for the Engineering Group in the first three quarters were ¥47.0 billion (US\$440.4 million), an increase of ¥3.5 billion, or 8.0%, year on year. Operating income improved ¥1.2 billion, to ¥0.3 billion (US\$2.8 million).

Domestic sales of water treatment facilities, services, and related chemicals increased because of major orders from the domestic electronics industry and because of capital investment, maintenance, renovation, and other business by domestic clients in industry in general. Overseas sales, conversely, declined because of decreased capital investment in the electronics industry worldwide.

Construction-related companies posted an increase in sales in the first nine months of fiscal 2015 compared with the same period the year before.



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## Other

Other net sales for the first nine months of fiscal 2015 rose ¥0.7 billion, or 2.4%, compared with net sales for the same period the year before, to ¥31.0 billion (US\$290.5 million). Other operating income was ¥2.2 billion (US\$20.6 million), an increase of ¥0.3 billion, or 15.1%.

Sales by trading companies and logistics subsidiaries increased.

*Note:* For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥106.73 = US\$1, the average exchange rate during the period under review.

## Outlook for the fiscal year to March 31, 2015

Demand is expected to remain weak, but Japan's economy should nevertheless continue its mild recovery. Reasons for the positive outlook include ongoing improvements in personal income and employment and the continued benefit of the Japanese government's economic policies.

Concern remains, though, for a downward swing in the global economy. The Tosoh Group is therefore making every effort to boost its profitability. It is expanding its sales volume, maintaining an optimum pricing structure, and reducing costs throughout its operations, among other things.

Tosoh's performance forecast for fiscal 2015 remains unchanged from the revised full-year forecast announced on October 31, 2014. The full-year forecast in the table to follow is based on a standard price for naphtha of ¥67,000 per kiloliter and on an exchange rate of ¥105.00 to the US dollar.

## Full-Year Forecast for Fiscal 2015 (April 1, 2014–March 31, 2015)

	Net Sales	Operating Income	Ordinary Income	Net Income	EPS
Forecast	¥810 billion	¥50 billion	¥52 billion	¥58 billion	¥96.80
Reference: FY 2014 performance	¥772.3 billion	¥41.6 billion	¥49.5 billion	¥29.6 billion	¥49.35

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### WHO WE ARE

Tosoh Corporation 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 ¥100.17 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.



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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 Nine-Month Consolidated Business Results for Fiscal Year 2015**  
**(April 1, 2014–December 31, 2014)**

February 3, 2015

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	9 months of FY 2014 (04.01.13–12.31.13) (Actual)	9 months of FY 2015 (04.01.14–12.31.14) (Actual)	Difference	FY 2014 (04.01.13–03.31.14) (Actual)	FY 2015 (04.01.14–03.31.15) (Forecast)	Difference
Net sales	560.5	589.8	29.3	772.3	810.0	37.7
Operating income	28.9	33.9	4.9	41.6	50.0	8.4
Ordinary income	36.8	42.3	5.5	49.5	52.0	2.5
Net income	22.7	52.5	29.8	29.6	58.0	28.4
Net income per share (¥)	37.86	87.56	49.70	49.35	96.80	47.45

(b) Business and Financial Fundamentals

	9 months of FY 2014 (04.01.13–12.31.13) (Actual)	9 months of FY 2015 (04.01.14–12.31.14) (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	99.36	106.73	7.37	100.17	104.00	3.84
Exchange rate (¥/EUR) Average TTM	132.17	140.21	8.03	134.22	136.95	2.74
Domestic standard naphtha price (¥/kl)	65,767	68,600	2,833	67,325	68,725	1,400

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

(¥ Billions)

		9 months of FY 2014 (04.01.13–12.31.13) (Actual)	9 months of FY 2015 (04.01.14–12.31.14) (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	170.2	177.0	6.8	1.1	5.6	-
	Operating income	11.3	7.0	(4.3)	0.3	(0.1)	(4.5)
Chlor-alkali Group	Net sales	207.6	211.6	4.0	(5.8)	9.8	-
	Operating income	2.5	3.7	1.2	(1.9)	4.2	(1.1)
Specialty Group	Net sales	108.9	123.1	14.3	6.7	7.6	-
	Operating income	14.1	20.7	6.6	3.3	3.0	0.4
Engineering Group	Net sales	43.5	47.0	3.5	2.9	0.6	-
	Operating income (loss)	(0.8)	0.3	1.2	1.4	0.0	(0.2)
Other	Net sales	30.3	31.0	0.7	(0.1)	0.8	-
	Operating income	1.9	2.2	0.3	0.3	0.0	0.0
Total	Net sales	560.5	589.8	29.3	4.9	24.4	-
	Operating income	28.9	33.9	4.9	3.3	7.1	(5.5)

\*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 12.31.2014	Difference
Total assets	721.7	783.8	62.0
Net assets	249.8	300.4	50.6
Interest-bearing liabilities	286.2	296.5	10.3
Equity ratio (%)	30.4	34.5	4.1

## 3. Dividends

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

\*Fiscal 2015 interim dividend payment of ¥5.00 includes a commemorative dividend of ¥2.00 regarding the October 1, 2014, merger with Nippon Polyurethane Industry Co., Ltd.