



TOSOH CORPORATION

NEWS RELEASE

November 1, 2016

Tosoh Reports on First-Half Consolidated Results for Fiscal 2017 (from April 1, 2016, to September 30, 2016)

Tokyo, Japan—Tosoh Corporation is pleased to announce its consolidated results for its 2017 fiscal year first half, from April 1, 2016, to September 30, 2016. The company's consolidated net sales amounted to ¥337.1 billion (US\$3.2 billion), a decline of ¥48.3 billion, or 12.5%, from the same period a year earlier. Operating income, however, increased ¥9.1 billion, or 28.5%, to ¥41.3 billion (US\$392.7 million). And ordinary income rose to ¥36.6 billion (US\$348.1 million), up ¥4.0 billion, or 12.2%. First-half profit attributable to owners of the parent company likewise increased, to ¥24.9 billion (US\$236.5 million), a rise of ¥5.5 billion, or 28.4%, over the same period in the previous year.

Our consolidated net sales fell primarily because of a decrease in export prices due to a strong yen and a weakening in international market conditions and because of a decrease in petrochemical product prices due to declining prices for naphtha and other raw materials and fuels. Increases in sales volume and improvements in trade owing to the decline in raw materials and fuel costs contributed to the increase in our operating income.

During the first half of our fiscal 2017 period, Japan's economy experienced a lack of vigor amid sluggish exports and capital spending despite strong household incomes and hiring. The outlook for the remainder of the year continues to be uncertain as the yen strengthens, as the world economy and the economies especially of developing nations slow, as Britain prepares to exit the European Union, and as other factors come into play.

Results by Business Segment

Petrochemical Group

Fiscal 2017 first-half net sales for the Petrochemical Group declined ¥27.1 billion, or 27.1%, compared with the same period of fiscal 2016, to ¥73.0 billion (US\$693.7 million). Group operating income, however, rose ¥0.6 billion, or 9.2%, to ¥7.3 billion (US\$69.3 million), as a result of improvements in the trading environment.

Shipments of ethylene, propylene, and other olefins declined because of decreased production amid scheduled maintenance in fiscal year 2017. Product prices decreased, moreover, reflecting the fall in naphtha and other prices.

Polyethylene resin product prices in Japan decreased mostly because of the fall in naphtha prices. Export prices for chloroprene rubber and chlorosulfonated polyethylene fell on account of the strong yen and despite increasing export volumes that mirrored solid overseas demand.



TOSOH CORPORATION

Chlor-alkali Group

First-half net sales for the Chlor-alkali Group fell ¥14.8 billion, or 10.5%, compared with the same period a year earlier, to ¥126.2 billion (US\$1.2 billion). Operating income nonetheless increased ¥7.2 billion, or 117.2%, to ¥13.4 billion (US\$127.5 million), because of improvements in trade conditions.

The period under review saw a gradual fall in the domestic price for caustic soda. Caustic soda export prices likewise fell, reflecting the strong yen. Shipments of vinyl chloride monomer and vinyl chloride resin were robust, but product prices declined because of the strong yen and the decrease in naphtha prices.

Cement shipments decreased in Japan in tandem with declining demand. But cement exports increased.

Domestic shipments of methane diphenyl isocyanate increased. But export prices decreased on account of the strong yen and softening market conditions overseas.

Specialty Group

Specialty Group net sales decreased ¥6.9 billion, or 7.7%, compared with the same period the year before, to ¥82.3 billion (US\$782.8 million). But operating income increased ¥0.1 billion, or 0.7%, to ¥18.3 billion (US\$174.1 million).

Shipments of ethyleneamines increased, but ethyleneamine prices decreased because of the strong yen and a softening of international market conditions.

Of the group's separation-related products, liquid chromatography packing materials witnessed increased shipments. The group's diagnostic-related products saw increased shipments of in vitro diagnostic reagents.

Shipments of high-silica zeolites for application in automobile catalytic converters increased. Shipments of zirconia for dental materials similarly rose.

Engineering Group

Net sales for the Engineering Group grew ¥1.0 billion, or 2.9%, over the same period the year before, to ¥36.6 billion (US\$348.3 million). And operating income likewise rose, ¥1.1 billion, to ¥1.1 billion (US\$10.4 million).

Net sales for the group's water treatment business increased because of growth in plant construction, in maintenance work, and in the renovation of public-sector and general industry infrastructure.

Net sales by the Engineering Group's construction subsidiaries also increased.

Other

Other net sales declined ¥0.5 billion, or 2.6%, from the same period a year earlier, to ¥19.0 billion (US\$180.7 million). And yet operating income increased ¥0.1 billion, or 8.7%, to ¥1.2 billion (US\$11.4 million).

Net sales for Tosoh's trading company and other operations for the first half of fiscal 2017 were weak.



Financial Condition

A decrease in notes and accounts receivable caused total assets to drop ¥14.8 billion compared with the end of fiscal 2016, to ¥720.0 billion (US\$6.8 billion).

Liabilities decreased ¥29.2 billion compared with the end of fiscal 2016, to ¥331.8 billion (US\$3.2 billion). This was due to declines in interest-bearing debt and other items.

Net assets increased ¥14.4 billion compared with the same period a year earlier, to ¥388.1 billion (US\$3.7 billion). The increase was a result of accounting for profit attributable to owners of the parent company.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥105.20 = US\$1, the average exchange rate during the period under review.

Outlook for the Fiscal Year to March 31, 2017

Japan's economy is expected to continue a mild recovery amid firm personal spending thanks to improvements in hiring and in household incomes. The risk of downward pressure on the Japanese economy remains, however, because of such potentially problematic external factors as a further downturn in the world economy.

The Tosoh Group will continue to make every effort to maintain and boost its profitability. It will do so by, among other measures, growing its sales volume, decreasing its costs, and providing consistent supplies to its customers.

Tosoh has nevertheless revised the full-year forecast that it announced on May 10, 2016, as per the following table. The revised fiscal 2017 full-year forecast is based on a standard domestic naphtha price of ¥36,000 per kiloliter and an exchange rate of ¥100.00 to the US dollar.

Revised Full-Year Forecast for Fiscal 2017 (April 1, 2016–March 31, 2017)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of the Parent Company	EPS
Previous forecast (A)	¥720 billion	¥72 billion	¥72 billion	¥47 billion	¥72.43
Revised forecast (B)	¥690 billion	¥85 billion	¥80 billion	¥54 billion	¥83.20
Difference (B - A)	¥(30 billion)	¥13 billion	¥8 billion	¥7 billion	
% difference	(4.2)	18.1	11.1	14.9	
Reference: FY 2016 performance (Year ended March 2016)	¥753.7 billion	¥69.4 billion	¥65.8 billion	¥39.7 billion	¥62.61

Note: For further details, please see Tosoh's news release announcing its revised fiscal 2017 full-year consolidated results forecasts, released on the same date as this news release.



TOSOH CORPORATION

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 ¥753.7 billion (US\$6.3 billion at the average rate of ¥120.15 to the US dollar) in fiscal 2016, ended March 31, 2016.

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

For more information, please contact
Jeff Markley
International Corporate Development
Tosoh Corporation

jeff.markley@tosoh.com

Tel: +81-3-5427-5118

Fax: +81-3-5427-5198

www.tosoh.com

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 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-Half Consolidated Business Results for Fiscal Year 2017
(April 1, 2016–September 30, 2016)

November 1, 2016

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2016 1H (04.01.15–09.30.15) (Actual)	FY 2017 1H (04.01.16–09.30.16) (Actual)	Difference	FY 2016 (04.01.15–03.31.16) (Actual)	FY 2017 (04.01.16–03.31.17) (Forecast)	Difference
Net sales	385.4	337.1	(48.3)	753.7	690.0	(63.7)
Operating income	32.2	41.3	9.1	69.4	85.0	15.6
Ordinary income	32.6	36.6	4.0	65.8	80.0	14.2
Profit attributable to owners of the parent	19.4	24.9	5.5	39.7	54.0	14.3
Earnings per share (¥)	31.23	38.34	7.11	62.61	83.20	20.59

(b) Business and Financial Fundamentals

(¥ Billions)

	FY 2016 1H (04.01.15–09.30.15) (Actual)	FY 2017 1H (04.01.16–09.30.16) (Actual)	Difference	FY 2016 (04.01.15–03.31.16) (Actual)	FY 2017 (04.01.16–03.31.17) (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	121.87	105.20	(16.67)	120.15	102.60	(17.55)
Exchange rate (¥/EUR) Average TTM	135.11	118.04	(17.07)	132.60	114.02	(18.58)
Domestic standard naphtha price (¥/kl)	48,000	31,300	(16,700)	42,800	33,650	(9,150)
Capital expenditures	10.6	17.3	6.7	27.9	36.0	8.1
Depreciation and amortization	15.8	13.2	(2.6)	31.8	27.0	(4.8)
R&D expenses	7.0	7.0	0.0	13.7	15.0	1.3
Interest-bearing liabilities	235.7	176.2	(59.5)	199.6	160.0	(39.6)
Net financing expenses	(0.3)	0.1	0.4	(0.7)	0.1	0.8
Equity ratio (%)	42.7	49.3	6.6	46.3	50.0	3.7
Number of employees	12,162	12,296	134	12,037	12,300	263

Topics

June 2016	Increased enzyme immunoassay reagent production capacity
October 2016	Increased zirconia powder production capacity
November 2016 (Scheduled)	Complete new overseas plant for high-silica zeolite (HSZ) in Malaysia
Summer 2018 (Scheduled)	Increase Toyopearl separation media production capacity
Winter 2018 (Scheduled)	Replace boiler for electric power generation at Nanyo Complex

(c) Net Sales and Operating Income by Business Segment

(¥ Billions)

		FY 2016 1H	FY 2017 1H	Difference	Breakdown of difference		
		(04.01.15-09.30.15) (Actual)	(04.01.16-09.30.16) (Actual)		Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	100.1	73.0	(27.1)	(6.8)	(20.3)	-
	Operating income	6.7	7.3	0.6	(0.8)	2.6	(1.2)
Chlor-alkali Group	Net sales	141.0	126.2	(14.8)	11.4	(26.2)	-
	Operating income	6.2	13.4	7.2	1.5	4.0	1.7
Specialty Group	Net sales	89.2	82.3	(6.9)	5.0	(11.9)	-
	Operating income	18.2	18.3	0.1	3.0	(1.9)	(1.0)
Engineering Group	Net sales	35.6	36.6	1.0	2.9	(1.9)	-
	Operating income	0.0	1.1	1.1	1.0	0.0	0.1
Other	Net sales	19.5	19.0	(0.5)	0.4	(0.9)	-
	Operating income	1.1	1.2	0.1	0.1	0.0	0.0
Total	Net sales	385.4	337.1	(48.3)	12.9	(61.2)	-
	Operating income	32.2	41.3	9.1	4.9	4.7	(0.5)

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

(¥ Billions)

		FY 2016	FY 2017	Difference	FY 2017 (Forecast)	
		(Actual)	(Forecast)		04.01.16-09.30.16	10.01.16-03.31.17
Petrochemical Group	Net sales	175.4	151.2	(24.2)	73.0	78.2
	Operating income	11.6	16.5	4.9	7.3	9.2
Chlor-alkali Group	Net sales	279.8	256.0	(23.8)	126.2	129.8
	Operating income	18.0	30.6	12.6	13.4	17.2
Specialty Group	Net sales	174.5	159.4	(15.1)	82.3	77.1
	Operating income	32.7	31.4	(1.3)	18.3	13.1
Engineering Group	Net sales	84.2	85.1	0.9	36.6	48.5
	Operating income	4.6	4.0	(0.6)	1.1	2.9
Other	Net sales	39.7	38.3	(1.4)	19.0	19.3
	Operating income	2.6	2.5	(0.1)	1.2	1.3
Total	Net sales	753.7	690.0	(63.7)	337.1	352.9
	Operating income	69.4	85.0	15.6	41.3	43.7



TOSOH CORPORATION

2. Consolidated Financial Position

(¥ Billions)

	FY 2016 03.31.2016	FY 2017 1H 09.30.2016	Difference
Total assets	734.8	720.0	(14.8)
Net assets	373.7	388.1	14.4
Interest-bearing liabilities	199.6	176.2	(23.4)
Equity ratio (%)	46.3	49.3	3.0

3. Cash Flows

(¥ Billions)

	FY 2016 1H (04.01.15–09.30.15) (Actual)	FY 2017 1H (04.01.16–09.30.16) (Actual)	Difference
Cash flows from operating activities	52.6	43.0	(9.6)
Cash flows from investment activities	(12.8)	(15.9)	(3.1)
Cash flows from financing activities	(10.3)	(26.7)	(16.4)
Others	(0.4)	(2.5)	(2.1)
Net increase (decrease) in cash and cash equivalents	29.1	(2.1)	(31.2)
Cash and cash equivalents at end of period	84.9	72.9	(12.0)

4. Dividends

	Annual dividends per share (¥)		
	Interim (Q2)	Year-end (Q4)	Total
FY 2016 (Forecast)	7.00	7.00	14.00
FY 2017 (Forecast)	7.50	7.50 (forecast)	15.00