



TOSOH CORPORATION

NEWS RELEASE

May 9, 2019

Tosoh Reports Its Consolidated Results for Fiscal 2019

Tokyo, Japan—Tosoh Corporation is pleased to announce its full-year consolidated results for the 2019 fiscal year from April 1, 2018, to March 31, 2019. Consolidated net sales for the year under review were ¥861.5 billion (US\$7.8 billion), up ¥38.6 billion, or 4.7%, from fiscal 2018. The increase resulted from a rise in petrochemical product prices associated with increased prices for raw materials, such as naphtha, counterbalancing declining market conditions for products overseas.

Our operating income for fiscal 2019 was ¥105.7 billion (US\$953 million), down ¥24.9 billion, or 19.0%. This decrease was mainly due to declining trade conditions resulting from rising raw material prices. Ordinary income also decreased, down ¥19.3 billion, or 14.5%, to ¥113.0 billion (US\$1.0 billion). And net profit attributable to owners of the parent company was down ¥10.7 billion, or 12.0%, to ¥78.1 billion (US\$704 million).

Although domestic demand remained strong with improvements in corporate earnings and employment conditions, overseas demand showed signs of deterioration as a result of fluctuations in overseas economies. The outlook, however, remains uncertain.

Results by business segment

Petrochemical Group

Petrochemical Group net sales rose ¥9.1 billion, or 5.2%, to ¥183.9 billion (US\$1.6 billion), compared with fiscal 2018. The group's operating income, meanwhile, fell ¥9.1 billion, or 40.5%, to ¥13.4 billion (US\$121 million). This decrease was mainly due to declining trade conditions.

Shipments of ethylene and propylene were down in line with a decrease in production volume. But prices rose in line with increases in the cost of naphtha and other raw materials.

Polyethylene resin prices rose to reflect the increase in naphtha prices. And chloroprene rubber export prices increased, driven by strong demand overseas.

Chlor-alkali Group

The Chlor-alkali Group's net sales rose ¥2.4 billion, or 0.7%, to ¥337.4 billion (US\$3.0 billion).



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Meanwhile, the group's operating income fell ¥20.6 billion, or 31.0%, to ¥46.0 billion (US\$415 million), primarily due to declining trade conditions.

Domestic and export shipments of caustic soda were strong. Moreover, market conditions overseas declined, but prices increased because of changes in domestic prices.

Vinyl chloride monomer shipments increased, as did prices, driven by improvements in market conditions overseas. Polyvinyl chloride resin shipments decreased in line with a decrease in production volume, but prices rose, bolstered by domestic price revisions and improvements in market conditions overseas.

Domestic shipments of cement were strong, but export shipments decreased.

Methylene diphenyl diisocyanate (MDI) export prices decreased because of declining market conditions overseas.

Specialty Group

Net sales by the Specialty Group in fiscal 2019 increased ¥10.3 billion, or 5.5%, to ¥197.4 billion (US\$1.8 billion). Operating income increased ¥1.4 billion, or 4.3%, to ¥35.3 billion (US\$318 million).

Ethyleneamine product shipments decreased in line with a decrease in production volume.

Separation-related products saw a decrease in shipments of packing materials for liquid chromatography primarily to Europe. Diagnostic-related products saw an increase in shipments, of in vitro diagnostic reagents to Asia.

Shipments of high-silica zeolites, primarily for automobile exhaust gas catalysts, increased, as did shipments of zirconia for use in decorative applications.

Shipments of silica glass for semiconductor manufacturing equipment likewise rose.

Engineering Group

Engineering Group net sales increased ¥14.1 billion, or 16.6%, to ¥98.9 billion (US\$892 million).

Operating income also increased, ¥3.4 billion, or 70.5%, to ¥8.3 billion (US\$75 million).

Tosoh's water treatment business received orders for large-scale projects domestically and overseas related to semiconductors. This, in addition to strong performance in solution services, such as maintenance and consumables, in the electronics and general industrial sectors where robust capital investment and manufacturing activity continue, resulted in increased net sales.



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Sales by the Engineering Group's construction subsidiaries increased.

Ancillary

Ancillary net sales increased ¥2.7 billion, or 6.5%, to ¥43.8 billion (US\$395 million).

Operating income also increased, ¥27 million, or 1.0%, to ¥2.7 billion (US\$24.3 million).

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

Outlook for the fiscal year ending March 31, 2020

In the fiscal year ahead, protracted trade friction between the United States and China, the economic slowdown in China, and the United Kingdom leaving the European Union are issues that raise concerns of potential deceleration in the global economy. With this continued uncertainty in political and economic conditions abroad, the outlook for the Japanese economy remains difficult to forecast.

It is essential for Tosoh to be ready to respond swiftly and flexibly to changes in the business environment. We will continue to monitor trade friction between the United States and China and the slowdown in the Chinese economy as this could potentially cause a decline in product demand. We will also watch raw material and fuel prices, overseas product markets, and exchange rate trends, as these can be affected by the international political climate.

The Tosoh Group's forecast for its fiscal year 2020, ending March 31, 2020, calls for net sales of ¥860 billion, for operating income of ¥95 billion, for ordinary income of ¥100 billion, and for net profit attributable to owners of the parent company of ¥67 billion. These performance forecasts are predicated on domestic naphtha prices of ¥46,000 a kiloliter and an exchange rate of ¥110 to the US dollar.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥110.9 = US\$1, the average exchange rate during the period under review.

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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 ¥861.5 billion (US\$7.8 billion at the average rate of ¥110.9 to the US dollar) in fiscal 2019, ended March 31, 2019.

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



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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 2019
(April 1, 2018–March 31, 2019)

May 9, 2019

1. Consolidated Business Results

(a) Operating Results

(¥ billion)

	FY 2018 (Actual)	FY 2019 (Actual)	Difference	FY 2019 (Actual)	FY 2020 (Forecast)	Difference
Net Sales	822.9	861.5	38.6	861.5	860.0	(1.5)
Operating income	130.6	105.7	(24.9)	105.7	95.0	(10.7)
Ordinary income	132.3	113.0	(19.3)	113.0	100.0	(13.0)
Profit attributable to owners of the parent	88.8	78.1	(10.7)	78.1	67.0	(11.1)
Earnings per share (¥)	273.49	240.62	(32.87)	240.62	206.32	(34.30)

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

Earnings 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

(¥ billion)

	FY 2018 (Actual)	FY 2019 (Actual)	Difference	FY 2019 (Actual)	FY 2020 (Forecast)	Difference
Exchange rate (¥/US\$) Average TTM	110.9	110.9	(0.0)	110.9	110	(0.9)
Exchange rate (¥/EUR) Average TTM	129.7	128.4	(1.3)	128.4	125	(3.4)
Domestic standard naphtha price (¥/kl)	41,925	49,475	7,550	49,475	46,000	(3,475)
Capital expenditures	39.5	64.8	25.3	64.8	58.0	(6.8)
Depreciation and amortization	29.8	31.3	1.5	31.3	33.0	1.7
R&D expenses	15.5	16.6	1.1	16.6	18.0	1.4
Interest-bearing liabilities	107.8	101.1	(6.7)	101.1	95.0	(6.1)
Net financing expenses	0.6	1.0	0.4	1.0	1.1	0.1
Equity ratio (%)	58.0	61.6	3.6	61.6	64.0	2.4
Number of employees	12,595	12,955	360	12,955	13,400	445

Topics

- September 2018 Increase production capacity for TOYOPEARL® separation and purification media plant
- November 2018 Replace boiler for electric power generation at Nanyo Complex
- March 2019 Increase production capacity of high-silica zeolites at Nanyo Complex
- Spring 2019 (Scheduled) Increase polyvinyl chloride resins production capacity at Philippine Resins Industries, Inc.
- Spring 2019 (Scheduled) Increase production capacity of zirconia at Nanyo Complex
- Spring 2020 (Scheduled) Install gas turbine and increase naphtha cracker efficiency at Yokkaichi Complex
(Gas turbine to begin operation in February 2019)

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

		FY 2018 (Actual)	FY 2019 (Actual)	Difference	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	174.8	183.9	9.1	(6.7)	15.8	-
	Operating income	22.5	13.4	(9.1)	(2.2)	(3.0)	(3.9)
Chlor-alkali Group	Net sales	335.0	337.4	2.4	(0.1)	2.5	-
	Operating income	66.6	46.0	(20.6)	7.0	(21.1)	(6.5)
Specialty Group	Net sales	187.1	197.4	10.3	8.8	1.5	-
	Operating income	33.9	35.3	1.4	4.8	(0.3)	(3.1)
Engineering Group	Net sales	84.8	98.9	14.1	14.1	0.0	-
	Operating income	4.9	8.3	3.4	3.4	0.0	0.0
Ancillary	Net sales	41.1	43.8	2.7	0.2	2.5	-
	Operating income	2.7	2.7	0.0	0.0	(0.0)	0.0
Total	Net sales	822.9	861.5	38.6	16.3	22.3	-
	Operating income	130.6	105.7	(24.9)	13.1	(24.4)	(13.6)

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

		FY 2019 (Actual)	FY 2020 (Forecast)	Difference	FY 2020 (Forecast)	
					04/01/19-09/30/19	10/01/19-03/31/20
Petrochemical Group	Net sales	183.9	170.4	(13.5)	88.7	81.7
	Operating income	13.4	13.2	(0.2)	6.4	6.8
Chlor-alkali Group	Net sales	337.4	324.3	(13.1)	156.8	167.5
	Operating income	46.0	36.5	(9.5)	14.5	22.0
Specialty Group	Net sales	197.4	212.1	14.7	105.4	106.7
	Operating income	35.3	35.2	(0.1)	17.6	17.6
Engineering Group	Net sales	98.9	108.2	9.3	46.4	61.8
	Operating income	8.3	7.7	(0.6)	2.3	5.4
Ancillary	Net sales	43.8	45.0	1.2	22.8	22.2
	Operating income	2.7	2.4	(0.3)	1.2	1.2
Total	Net sales	861.5	860.0	(1.5)	420.0	440.0
	Operating income	105.7	95.0	(10.7)	42.0	53.0



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2. Consolidated Financial Position

(¥ billion)

	FY 2018 3/31/2018	FY 2019 3/31/2019	Difference
Total assets	845.7	878.2	32.5
Net assets	528.1	579.5	51.4
Interest-bearing liabilities	107.8	101.1	(6.7)
Equity ratio (%)	58.0	61.6	3.6
Net assets per share (¥)	1,511.69	1,665.47	153.78

*As of October 1, 2017, the Company has implemented the share consolidation of its common shares on a one for two basis. Net assets per share is calculated under the assumption that the consolidation of shares was implemented at the beginning of previous fiscal year

**Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) 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 (Actual) 3/31/2018	FY 2019 (Actual) 3/31/2019	Difference
Cash flows from operating activities	115.4	77.5	(37.9)
Cash flows from investment activities	(43.1)	(63.3)	(20.2)
Cash flows from financing activities	(51.7)	(27.0)	24.7
Others	0.2	(1.3)	(1.5)
Net increase (decrease) in cash and cash equivalents	20.7	(14.1)	(34.8)
Cash and cash equivalents at end of period	106.2	92.1	(14.1)

4. Dividends

	Annual dividends per share (¥)			Total amount of annual dividends (¥ million)	Dividend payout ratio (%)
	Interim	Year-end	Total		
FY 2017	12.00	32.00	—	18,184	20.5
FY 2018	28.00	28.00	56.00	18,187	23.3
FY 2019 (Forecast)	28.00	28.00	56.00	—	27.1

※As the Company has implemented the share consolidation of its common shares on a one for two basis as of October 1, 2017, total annual dividends per share for the period ending March 31, 2018 are represented by a “—” reflecting the execution of the consolidation of shares. Please note that total annual dividends per share reflecting the execution of the consolidation of shares was 56 yen for the period ending March 31, 2018.