



NEWS RELEASE

October 31, 2019

Tosoh Reports on Its First-Half Consolidated Results for Fiscal 2020

Tokyo, Japan— Tosoh Corporation is pleased to announce its consolidated results for the first half of fiscal 2020, from April 1, 2019, to September 30, 2019.

The company's consolidated net sales amounted to ¥396.4 billion (US\$ 3.6 billion), down ¥28.1 billion, or 6.6%, from the same period a year earlier. The decrease was attributable to lower sales prices, the result mostly of a decline in the price of naphtha, and to worsening conditions in overseas markets. Rising proceeds from progress in the Engineering Group's electronic industry plant projects were not enough to offset these factors.

Operating income also decreased, ¥15.6 billion, or 27.8%, over the same period the preceding year, to ¥40.4 billion (US\$372 million). The worsening trade conditions and a growing inventory payment and receipt imbalance caused by the low sales prices contributed to the decrease in operating income.

Ordinary income fell ¥18.8 billion, or 31.1%, compared with the first half of fiscal 2019, to ¥41.9 billion (US\$385.8 million). This decrease was due to foreign exchange losses caused by the continued appreciation of the yen. Profit attributable to owners of the parent company totaled ¥26.8 billion (US\$246.8 million), a decrease of ¥14.9 billion, or 35.8%, over the same term the previous year.

The Japanese economy continued to thrive, driven by factors such as improvements in employment conditions and taxation during the period under review. The global economic slowdown, however, continues to persist due to rising uncertainty in the markets caused by trade and political issues, such as the prolonged US–China trade friction, the weakening of the Chinese economy and Brexit.

Results by Business Segment

Petrochemical Group

Petrochemical Group net sales declined ¥10.4 billion, or 11.1%, to ¥83.5 billion (US\$768.9 million), compared with the first half of fiscal 2019. The group's operating income decreased ¥2.7 billion, or 33.5%, to ¥5.3 billion (US\$48.8 million).

Shipments of ethylene, propylene, and cumene increased in line with an increase in production volume due to fiscal 2020 not being a scheduled plant maintenance year. Product prices, however, decreased because of the decline in naphtha prices and the worsening of overseas trade conditions.

Exports of polyethylene resin for use in photovoltaic cell encapsulating film increased, and product prices fell, reflecting the decrease in naphtha prices. Meanwhile, chloroprene rubber exports, primarily to Asia, declined.

Chlor-alkali Group

The Chlor-alkali Group's net sales decreased ¥21.2 billion, or 12.6%, to ¥147.5 billion (US\$1.3 billion). Its operating income likewise fell, ¥13.8 billion, or 55.2%, to ¥11.2 billion (US\$103.1 million), chiefly on account of worsened trade conditions compared with the corresponding period the preceding year.

Stagnation in domestic demand led to a decrease in caustic soda shipments within Japan. Additionally, caustic soda export prices declined in line with worsening market conditions overseas. Shipments of vinyl chloride monomer (VCM) decreased because of a drop in production volume, and declining market conditions overseas led to a decrease in product prices. Rising polyvinyl chloride (PVC) resin production volume resulted in increased shipments of PVC resin domestically and abroad, but product prices fell amid declining trade conditions overseas.

Domestic shipments of cement decreased. Cement exports, however, increased.

Methylene diphenyl diisocyanate (MDI) faced worsening overseas trade conditions and export prices fell.



Specialty Group

Compared with the first half of the previous fiscal year, net sales by the Specialty Group decreased ¥4.2 billion, or 4.3%, to ¥94.2 billion (US\$867.4 million). The group's operating income also decreased, 20.4%, or ¥3.9 billion, to ¥15.4 billion (US\$141.8 million).

Ethyleneamine shipments declined owing to stagnant demand. And worsening trade conditions overseas led to a decrease in export prices for ethyleneamines.

Among the Specialty Group's separation media-related products, shipments mostly to Europe of packing materials for liquid chromatography decreased. Diagnostic-related product shipments, especially of in vitro diagnostic reagents bound for Europe and the United States, also decreased.

Shipments of high-silica zeolites (HSZ®-series) decreased. Waning demand in the environmental field was behind the drop in HSZ shipments. Shipments of zirconia for decorative applications also decreased. And shipments of silica glass fell amid inactivity in the semiconductor market.

Engineering Group

Engineering Group net sales rose ¥7.6 billion, or 18.1%, compared with the first half of fiscal 2019, to ¥49.5 billion (US\$455.8 million). Operating income also increased, ¥4.8 billion, or 204.2%, to ¥7.2 billion (US\$66.3 million).

The increase in the group's net sales owed itself to higher sales by the water treatment business. That business benefited from progress made at large-scale construction projects mainly for the electronics industry and from a strong performance in solution services across diverse fields.

Ancillary

Ancillary net sales rose ¥140.0 million, or 0.7%, to ¥21.7 billion (US\$199.8 million), compared with the same period a year earlier, and other operating income increased ¥30.0 million, or 2.4%, to ¥1.3 billion (US\$11.9 million). The increases owed themselves to improved sales by trading companies and other operations during the period under review.

Outlook for the fiscal year ending March 31, 2020

We expect the gradual recovery of Japan's economy to continue, driven by domestic demand. At the same time, we foresee further deceleration in the global economy, stemming largely from trade friction between the United States and China and from the withdrawal of the United Kingdom from the European Union. If stagnation in exports is prolonged, exports may no longer serve as an economic driver for the Japanese economy. The situation remains difficult to predict.

Under these conditions, the global economic slowdown caused by contracting demand, the continued appreciation of the yen resulting from the financial policies of other countries, and by the geopolitical risk in the Middle East and elsewhere could lead to increased fuel prices. And that, too, may affect the Tosoh Group's performance.

The Tosoh Group is, therefore, monitoring changes in fuel prices, conditions of the markets where our products are sold, and fluctuations in exchange rates. It is also making every effort to maintain and boost its profitability by, among other measures, maintaining and expanding its sales volume, decreasing its costs, and ensuring the stable operation of its manufacturing facilities.

In light particularly of uncertainty for the global economic outlook, Tosoh has revised the full-year fiscal 2020 forecast that it announced on May 9, 2019. The revised forecast, shown in the table to follow, is based on a standard domestic naphtha price of ¥41,000 per kiloliter and an exchange rate of ¥105 to the US dollar.



TOSOH CORPORATION

Revised full-year consolidated financial results for fiscal year 2020

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of the Parent Company	Earnings per Share (yen)
Previous forecast (A)	¥860 billion	¥95 billion	¥100 billion	¥67 billion	206.32
Revised forecast (B)	¥800 billion	¥84 billion	¥86 billion	¥57 billion	175.50
Difference (B - A)	-¥60 billion	-¥11 billion	-¥14 billion	-¥10 billion	
% Difference	-7.0	-11.6	-14.0	-14.9	
Reference: FY 2019 performance (Year ended March 2019)	¥861 billion	¥106 billion	¥113 billion	¥78 billion	240.62

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥108.6 = US\$1, the average exchange rate during the period under review.

TOSOH CORPORATION

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 ¥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 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



TOSOH CORPORATION

TOSOH

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 First-Half Consolidated Business Results for Fiscal Year 2020
(April 1, 2019–September 30, 2019)

October 31, 2019

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	FY 2019 1H (04.01.18–09.30.18) (Actual)	FY 2020 1H (04.01.19–09.30.19) (Actual)	Variance	FY 2019 (04.01.18–03.31.19) (Actual)	FY 2020 (04.01.19–03.31.20) (Forecast)	Variance
Net sales	424.5	396.4	(28.1)	861.5	800.0	(61.5)
Operating income	56.0	40.4	(15.6)	105.7	84.0	(21.7)
Ordinary income	60.7	41.9	(18.8)	113.0	86.0	(27.0)
Profit attributable to owners of the parent	41.7	26.8	(14.9)	78.1	57.0	(21.1)
Earnings per share (¥)	128.34	82.44	(45.90)	240.62	175.50	(65.12)

(b) Business and Financial Fundamentals

(¥ Billions)

	FY 2019 1H (04.01.18–09.30.18) (Actual)	FY 2020 1H (04.01.19–09.30.19) (Actual)	Variance	FY 2019 (04.01.18–03.31.19) (Actual)	FY 2020 (04.01.19–03.31.20) (Forecast)	Variance
Exchange rate (¥/US\$) Average TTM	110.3	108.6	(1.7)	110.9	106.8	(4.1)
Exchange rate (¥/EUR) Average TTM	129.8	121.4	(8.4)	128.4	120.7	(7.7)
Domestic standard naphtha price (¥/kl)	51,100	42,750	(8,350)	49,400	41,875	(7,525)
Capital expenditures	31.9	29.7	(2.3)	64.8	63.0	(1.8)
Depreciation and amortization	15.0	14.9	(0.1)	31.3	32.0	0.7
R&D expenses	8.1	8.8	0.7	16.6	18.0	1.4
Interest-bearing liabilities	103.9	97.2	(6.7)	101.1	97.0	(4.1)
Net financing expenses	0.9	0.5	(0.4)	1.0	0.7	(0.3)
Equity ratio (%)	60.9	63.8	2.9	61.6	64.0	2.4
Number of employees	12,968	13,376	408	12,955	13,400	445

Topics

May 2019

Capacity increased for polyvinyl chloride resin at Philippine Resins Industries, Inc.

June 2019

Capacity increased for zirconia powder at Nanyo Complex

Spring 2020 (planned)

Increase efficiency of naphtha cracker and installation of gas turbine
 (Gas turbine was fully operational since February 2019)

Autumn 2021 (planned)

Capacity increase for chloroprene rubber

(c) Net Sales and Operating Income by Business Segment

(¥ Billions)

		FY 2019 1H (04.01.18–09.30.18) (Actual)	FY 2020 1H (04.01.19–09.30.19) (Actual)	Variance	Breakdown of variance		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	93.9	83.5	(10.4)	2.4	(12.8)	-
	Operating income	8.0	5.3	(2.7)	(0.5)	0.5	(2.7)
Chlor-alkali Group	Net sales	168.7	147.5	(21.2)	(1.7)	(19.5)	-
	Operating income	25.1	11.2	(13.8)	0.0	(6.3)	(7.5)
Specialty Group	Net sales	98.4	94.2	(4.2)	(3.7)	(0.5)	-
	Operating income	19.3	15.4	(3.9)	(2.9)	0.2	(1.2)
Engineering Group	Net sales	41.9	49.5	7.6	8.0	(0.4)	-
	Operating income	2.4	7.2	4.8	4.7	0.0	0.1
Ancillary	Net sales	21.5	21.7	0.1	0.2	(0.1)	-
	Operating income	1.3	1.3	0.03	0.00	0.01	0.02
Total	Net sales	424.5	396.4	(28.1)	5.3	(33.4)	-
	Operating income	56.0	40.4	(15.6)	1.4	(5.6)	(11.3)

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

(¥ Billions)

		FY 2019 (Actual)	FY 2020 (Forecast)	Variance	FY 2020 (Forecast)	
					04.01.19-09.30.19	10.01.19-03.31.20
Petrochemical Group	Net sales	183.9	159.9	(24.0)	83.5	76.4
	Operating income	13.4	11.7	(1.7)	5.3	6.4
Chlor-alkali Group	Net sales	337.4	301.0	(36.4)	147.5	153.6
	Operating income	46.0	27.9	(18.1)	11.2	16.7
Specialty Group	Net sales	197.4	192.4	(5.0)	94.2	98.1
	Operating income	35.3	30.7	(4.7)	15.4	15.3
Engineering Group	Net sales	98.9	103.4	4.5	49.5	53.9
	Operating income	8.3	11.3	3.0	7.2	4.1
Ancillary	Net sales	43.8	43.4	(0.4)	21.7	21.7
	Operating income	2.7	2.4	(0.3)	1.3	1.1
Total	Net sales	861.5	800.0	(61.5)	396.4	403.6
	Operating income	105.7	84.0	(21.7)	40.4	43.6



2. Consolidated Financial Position

(¥ Billions)

	FY 2019 03.31.2019	FY 2020 1H 09.30.2019	Variance
Total assets	878.2	870.7	(7.5)
Net assets	579.5	595.8	16.3
Interest-bearing liabilities	101.1	97.2	(3.9)
Equity ratio (%)	61.6	63.8	2.2

3. Cash Flows

(¥ Billions)

	FY 2019 1H (04.01.18–09.30.18) (Actual)	FY 2020 1H (04.01.19–09.30.19) (Actual)	Variance
Cash flows from operating activities	22.5	47.0	24.5
Cash flows from investment activities	(30.7)	(32.7)	(2.0)
Cash flows from financing activities	(14.2)	(12.8)	1.4
Others	(0.8)	(0.8)	0.0
Net increase (decrease) in cash and cash equivalents	(23.2)	0.8	24.0
Cash and cash equivalents at end of period	83.0	92.9	9.9

4. Dividends

	Annual dividends per share (¥)		
	Interim (Q2)	Year-end (Q4)	Total
FY 2019 (Actual)	28.00	28.00	56.00
FY 2020 (Forecast)	28.00(actual)	28.00(forecast)	56.00(forecast)