



TOSOH CORPORATION

NEWS RELEASE

February 3, 2020

Tosoh Reports Its Consolidated Results for the First Nine Months of Fiscal 2020

Tokyo, Japan—Tosoh Corporation is pleased to announce its cumulative consolidated results for the first three quarters of its 2020 fiscal year, from April 1, 2019, to December 31, 2019.

The company's consolidated net sales for the nine-month period under review were ¥591.8 billion (US\$5.4 billion), down ¥54.0 billion, or 8.4%, from the same period of fiscal 2019. The drop in net sales was attributable to a decrease in sales prices caused by a decline in the price of naphtha and by worsening conditions in product markets overseas. And the decrease happened despite the Engineering Group's steady progress on large-scale projects in the electronics industry.

Operating income likewise decreased, ¥13.9 billion, or 17.3%, to ¥65.8 billion (US\$605.3 million), from the same period one year earlier. This decrease was due to the deteriorating trade conditions and a widening gap in inventory reevaluations caused by the lower sales prices. Ordinary income decreased, ¥13.1 billion, or 15.7%, compared with the same period in fiscal 2019, to ¥70.1 billion (US\$644.8 million). Foreign exchange losses caused by the yen's continued appreciation were among the main factors behind the drop in ordinary income. Profit attributable to owners of the parent company, in turn, fell ¥10.1 billion, or 18.0%, to ¥46.2 billion (US\$425.0 million).

During the first nine months of Tosoh's 2020 fiscal year, Japan's employment and personal income numbers gradually improved. Ongoing trade friction between the US and China, heightened geopolitical risk in the Middle East, and other issues, however, are raising concern about worldwide economic stagnation, leaving the economic outlook uncertain.

Results by business segment

Petrochemical Group

Petrochemical Group net sales fell ¥19.5 billion, or 13.5%, to ¥125.1 billion (US\$1.1 billion), compared with the first three quarters of fiscal year 2019. The group's operating income likewise decreased, ¥3.1 billion, or 24.9%, to ¥9.2 billion (US\$84.6 million).

Production volumes of ethylene, propylene, and cumene increased due to fiscal 2020 not being a scheduled maintenance year, and shipments particularly of cumene increased. But the prices for these products fell, reflecting the decline in naphtha prices and the worsening of trade conditions overseas.



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Exports of polyethylene resin for photovoltaic cell encapsulating film applications increased, but polyethylene resin product prices fell, again a reflection of declining naphtha prices. Shipments of chloroprene rubber, primarily to Asia, decreased.

Chlor-alkali Group

The Chlor-alkali Group's net sales amounted to ¥223.7 billion (US\$2.1 billion), a decrease of ¥30.3 billion, or 12.0%, compared with the same nine-month period in fiscal 2019. Group operating income also decreased, ¥10.8 billion, or 33.2%, to ¥21.8 billion (US\$200.5 million).

Domestic shipments of caustic soda decreased because of declining demand, and caustic soda export prices fell as overseas trade conditions worsened. Shipments of vinyl chloride monomer (VCM) also decreased, and poor trade conditions abroad contributed to driving VCM product prices down. Polyvinyl chloride (PVC) resin shipments increased along with increased production volume, but PVC product prices, too, decreased on account of deteriorating trade conditions overseas.

Worsening trade conditions abroad similarly led to a decrease in the export prices of methylene diphenyl diisocyanate (MDI).

Domestic shipments of cement fell. Cement exports, however, rose.

Specialty Group

Net sales by the Specialty Group decreased ¥8.5 billion, or 5.7%, to ¥139.5 billion (US\$1.3 billion), compared with the first three quarters of the previous fiscal year. Specialty Group operating income decreased to ¥23.0 billion (US\$211.6 million), a decline of ¥5.4 billion, or 19.0%.

Shipments of ethyleneamine decreased because of stagnating demand. And ethyleneamine product prices were driven down by worsening overseas trade conditions.

Among the group's separation-related products, shipments of liquid chromatography packing materials to Europe decreased. The group's diagnostic-related products, meanwhile, saw a similar decline in shipments of in vitro diagnostic reagents, to Europe, the United States, and China.

High-silica zeolite shipments, too, decreased, the result of sluggish demand from the environmental field. Shipments of zirconia for decorative applications also fell, as did shipments of silica glass, amid sluggish demand from the semiconductor market. Shipments of electrolytic manganese dioxide for dry cells decreased.

Engineering Group

Engineering Group net sales rose to ¥71.2 billion (US\$655.0 billion), an increase of ¥5.2 billion, or 8.0%, compared with fiscal 2019's first three quarters. The group's operating income also increased, ¥5.4 billion, or 123.2%, to ¥9.8 billion (US\$90.1 million).



The Engineering Group's water treatment business increased its sales. This improvement resulted from smooth progress in the construction of large-scale projects in the electronics industry plants in Japan, and to a strong performance in service solutions, including maintenance and facility upgrades in all fields.

By contrast, sales by the group's construction subsidiaries decreased.

Ancillary

Ancillary net sales for the first the three quarters of fiscal 2020 decreased ¥840.0 million, or 2.5%, to ¥32.3 billion (US\$297.1 million), compared with the same period a year earlier. Ancillary operating income, however, rose ¥47.0 million, or 2.4%, to ¥2.0 billion (US\$18.4 million).

Sales by ancillary trading companies and other operations were low for the period under review.

Financial condition

Total assets for the cumulative first three quarters of fiscal 2020 increased over total assets at the end of fiscal 2019, rising ¥9.3 billion, to ¥887.5 billion (US\$8.2 billion), because of an increase in tangible fixed assets such as machinery and vehicles.

Fiscal 2020 cumulative third-quarter liabilities declined compared with liabilities at the end of fiscal 2019. Liabilities for the third quarter decreased ¥19.0 billion, to ¥279.7 billion (US\$2.6 billion), as a result of declines in accrued corporate taxes payable.

An increase in third-quarter net profit attributable to owners of the parent company contributed to an increase in net assets to ¥607.8 billion (US\$5.6 billion). This represents a rise of ¥28.3 billion over the amount at the end of fiscal 2019.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥108.7 = US\$1, the average exchange rate during the period under review.

Outlook for the fiscal year ending March 31, 2020

The full-year fiscal 2020 consolidated financial results forecast announced by Tosoh on October 31, 2019, remains unchanged.

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

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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

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 2020
(April 1, 2019 - December 31, 2019)

February 3, 2020

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	9 months of FY 2019 (04.01.18–12.31.18) (Actual)	9 months of FY 2020 (04.01.19–12.31.19) (Actual)	Variance	FY 2019 (04.01.18–03.31.19) (Actual)	FY 2020 (04.01.19–03.31.20) (Forecast)	Variance
Net sales	645.8	591.8	(54.0)	861.5	800.0	(61.5)
Operating income	79.6	65.8	(13.8)	105.7	84.0	(21.7)
Ordinary income	83.2	70.1	(13.1)	113.0	86.0	(27.0)
Profit attributable to owners of the parent	56.4	46.2	(10.2)	78.1	57.0	(21.1)
Net income per share (¥)	173.57	142.36	(31.21)	240.62	175.49	(65.13)

(b) Business and Financial Fundamentals

	9 months of FY 2019 (04.01.18–12.31.18) (Actual)	9 months of FY 2020 (04.01.19–12.31.19) (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	111.1	108.7	(2.5)	110.9	106.8	(4.1)
Exchange rate (¥/EUR) Average TTM	129.5	121.0	(8.4)	128.4	120.7	(7.7)
Domestic standard naphtha price (¥/kl)	52,133	42,200	(9,933)	49,400	41,875	(7,525)



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

(¥ Billions)

		9 months of FY 2019 (04.01.18–12.31.18) (Actual)	9 months of FY 2020 (04.01.19–12.31.19) (Actual)	Variance	Breakdown of difference		
					Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	144.6	125.1	(19.5)	1.5	(21.0)	-
	Operating income	12.3	9.2	(3.1)	(1.1)	2.0	(4.0)
Chlor-alkali Group	Net sales	254.0	223.7	(30.3)	0.1	(30.4)	-
	Operating income (loss)	32.6	21.8	(10.8)	(0.4)	(3.8)	(6.6)
Specialty Group	Net sales	148.0	139.5	(8.5)	(6.2)	(2.3)	-
	Operating income	28.4	23.0	(5.4)	(2.0)	(1.0)	(2.4)
Engineering Group	Net sales	66.0	71.2	5.2	5.8	(0.6)	-
	Operating income (loss)	4.4	9.8	5.4	5.3	0.0	0.1
Ancillary	Net sales	33.2	32.3	(0.9)	(0.5)	(0.4)	-
	Operating income	1.9	2.0	0.1	0.0	0.0	0.1
Total	Net sales	645.8	591.8	(54.0)	0.9	(54.9)	-
	Operating income	79.6	65.8	(13.8)	1.8	(2.9)	(12.7)

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



2. Consolidated Financial Position

(¥ Billions)

	FY 2019 03.31.2019	FY 2020 12.31.2019	Variance
Total assets	878.2	885.9	7.7
Net assets	579.5	607.8	28.3
Interest-bearing liabilities	101.1	103.0	1.9
Equity ratio (%)	61.6	64.0	2.4

3. Dividends

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