



TOSOH CORPORATION

NEWS RELEASE

August 3, 2020

Tosoh Reports First-Quarter Consolidated Results for Fiscal 2021

Tokyo, Japan— Tosoh Corporation is pleased to announce its consolidated results for the first quarter of fiscal 2021, from April 1, 2020, to June 30, 2020. The company's consolidated net sales totaled ¥156.5 billion (US\$1.4 billion), down ¥36.3 billion, or 18.8%, compared with consolidated net sales in the first quarter of fiscal 2020. The decrease was attributable to a global-scale contraction in demand caused by the spread of coronavirus infection, which led to sudden decreases in naphtha prices and deterioration in overseas market conditions.

Operating income also decreased, ¥17.0 billion, compared with operating income in the same period the preceding year, resulting in a loss of ¥900 million (US\$8.4 million). The decrease resulted from the worsening trade conditions, which included a decline in sales volume and sales prices that exceeded the effect of decreasing raw fuel prices. Despite a decrease in foreign exchange losses, ordinary income fell ¥15.9 billion compared with ordinary income for the first quarter of fiscal 2020, resulting in a loss of ¥500 million (US\$4.6 million). And net profit attributable to owners of the parent company decreased ¥11.1 billion, resulting in a loss of ¥2.0 billion (US\$18.6 million).

During the first quarter of fiscal 2021 (April 1, 2020 to June 30, 2020), the Japanese economy has been impacted by the spread of coronavirus infection. Economic and social activity has been restricted, personal consumption and exports plunged suddenly, and employment conditions and capital spending have weakened. The impact of the coronavirus has also affected the global economy, pushing it rapidly toward a recession. As it is extremely difficult to predict when the situation will begin to normalize, there are concerns over potentially prolonged economic stagnation on a global scale.

Results by business segment

Petrochemical Group

Petrochemical Group net sales fell ¥18.8 billion, or 44.6%, to ¥23.4 billion yen (US\$217.5 million), in the first quarter of fiscal 2021, compared with group net sales in the first quarter of fiscal 2020. Operating income likewise declined, ¥5.9 billion, resulting in a loss of ¥3.1 billion (US\$28.8 million).

Shipments of olefin products, such as ethylene and propylene, decreased in line with scheduled maintenance. Shipments were also affected by decreased demand—particularly for cumene—due to the impact of the spread of coronavirus infection. And product prices also fell, reflecting decreased prices for raw materials such as naphtha and declining overseas product market conditions.

Both domestic and export shipments of polyethylene resin decreased in line with falling demand caused by the spread of the coronavirus. And product prices decreased, reflecting lower prices for naphtha. Exports of chloroprene rubber, particularly to Asia, decreased due to demand being suppressed by the spread of the coronavirus.

Chlor-alkali Group

The Chlor-alkali Group's first-quarter 2021 net sales decreased ¥14.7 billion, or 20.3%, to ¥57.5 billion (US\$534.4 million). The group's operating income also fell, ¥8.4 billion, resulting in a loss of ¥4.9 billion (US\$45.5 million).

Shipments—primarily exports—of caustic soda increased in line with increased production. Product prices declined, reflecting the worsening of overseas market conditions. Vinyl chloride monomer



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(VCM) shipments rose due to an increase in production. Domestic and export shipments of polyvinyl chloride (PVC), with demand falling due to the spread of the coronavirus, decreased. And PVC product prices decreased, reflecting falling naphtha prices and deteriorating market conditions overseas.

Shipments of cement decreased as domestic demand remained sluggish.

Domestic and export shipments of methylene diphenyl diisocyanate (MDI) were driven downward by reduced production volume and a decline in demand caused by the coronavirus. And worsening overseas market conditions caused a drop in product prices. Both domestic and export shipments of hexamethylene diisocyanate (HDI) hardener, which is used primarily in urethane paints, decreased in line with flagging demand resulting from the spread of infection from the coronavirus.

Specialty Group

First-quarter fiscal 2021 net sales by the Specialty Group decreased ¥1.9 billion, or 4.2%, to ¥44.7 billion (US\$415.4 million), compared with group net sales in the same period of the previous fiscal year. The group's operating income, too, decreased, ¥2.0 billion to ¥4.9 billion (US\$45.5 million).

Both domestic and export shipments of ethyleneamines decreased in line with sluggish demand caused by the spread of coronavirus infection.

Shipments especially to Europe and the United States of separation-related packing materials for liquid chromatography increased. Decreased demand resulting from the spread of the coronavirus resulted in a decrease in shipments of in vitro diagnostic reagents to Europe, the United States, and China.

Shipments of high-silica zeolites (HSZ) for use in automotive exhaust catalysts decreased due to sluggish demand resulting from the spread of the coronavirus. Shipments of zirconia for decorative applications increased. Shipments of silica glass, buoyed by a solid semiconductor market, remained essentially the same as the corresponding period in fiscal 2020. Electrolytic manganese dioxide for use in batteries saw decreases in both domestic and export shipments.

Engineering Group

Engineering Group net sales for the first quarter of 2021 decreased 0.1%, compared with group net sales in the first quarter of fiscal 2020, to ¥21.0 billion (US\$195.2 million). With regard to operating income, the impact of the status of orders in the water treatment business contributed to a decreased profit margin, leading to a decrease of ¥700 million, or 31.1%, to ¥1.6 billion (US\$14.9 million).

The Engineering Group's water treatment business saw a decline in net sales during the period under review. In addition to postponements of some maintenance work, significant construction progress on large-scale semiconductor-related projects had not been made. This resulted in net sales decreasing compared with the corresponding period the previous year, when the sales from the large-scale project were recorded.

Sales, however, by the group's construction subsidiaries increased.

Ancillary

Ancillary net sales fell ¥800 million, or 7.6%, to ¥10.0 billion (US\$92.9 million), compared with net sales in the same quarter a year earlier. Ancillary operating income likewise fell 3.0%, to ¥600 million (US\$5.6 million). Sales by ancillary trading companies and other operations decreased during the period under review.

Note: For reference purposes only, US dollar amounts have been translated, unless otherwise indicated, from yen at the rate of ¥107.6 = US\$1, the average exchange rate during the period under review.

Summary of Financial Results

Explanation concerning forecast information such as consolidated performance forecast



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In the “Tosoh Reports Its Consolidated Results for Fiscal 2020” news release dated May 12, 2020, we were unable to present a realistic consolidated performance forecast for fiscal year 2021. Based on information currently available, however, we hereby present the cumulative second-quarter performance forecast for fiscal year 2021.

Regarding the full-year performance forecast, please note that the impact of the global-scale spread of infection from the coronavirus makes the calculation of a rational performance forecast difficult. Tosoh will release its full-year performance forecast as soon as conditions permit.

Revised consolidated performance forecast (cumulative) for the second quarter (April 1 through September 30, 2020) for fiscal year 2021

	Net Sales	Operating Income	Ordinary Income	Net Profit Attributable to Owners of the Parent Company	EPS
Forecast	¥330 billion	¥11 billion	¥11 billion	¥4 billion	12.37
Reference: FY2020 second quarter performance (second quarter of year ended March 2020)	¥396.4 billion	¥40.4 billion	¥41.9 billion	¥26.8 billion	82.44

For more details, please refer to the “Tosoh Reports Its Second Quarter Fiscal 2021 Results Forecast” news release dated August 3, 2020.

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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 ¥786.1 billion (US\$7.2 billion at the average rate of ¥108.7 to the US dollar) in fiscal 2020, ended March 31, 2020.

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



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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-Quarter Consolidated Business Results for Fiscal Year 2021
(April 1, 2020 - June 30, 2020)

3-Aug-20

1. Consolidated Business Results

(a) Operating Results

(¥ Billions)

	Q1 of FY 2020 (04.01.19–06.30.19) (Actual)	Q1 of FY 2021 (04.01.20–06.30.20) (Actual)	Variance	FY 2020 (04.01.19–09.30.19) (Actual)	FY 2021 (04.01.20–09.30.20) (Forecast)	Variance
Net sales	192.8	156.5	(36.3)	396.4	330.0	(66.4)
Operating income	16.1	(0.9)	(17.0)	40.4	11.0	(29.4)
Ordinary income	15.4	(0.5)	(15.9)	41.9	11.0	(30.9)
Profit attributable to owners of the parent	9.1	(2.0)	(11.1)	26.8	4.0	(22.8)
Net income per share (¥)	28.05	(6.14)	(34.19)	82.44	12.37	(70.07)

(b) Business and Financial Fundamentals

	Q1 of FY 2020 (04.01.19–06.30.19) (Actual)	Q1 of FY 2021 (04.01.20–06.30.20) (Actual)	Variance	FY 2020 (04.01.19–09.30.19) (Actual)	FY 2021 (04.01.20–09.30.20) (Forecast)	Variance
Exchange rate (¥/US\$) Average TTM	109.9	107.6	(2.3)	108.6	106.3	(2.3)
Exchange rate (¥/EUR) Average TTM	123.5	118.6	(4.9)	121.4	119.2	(2.2)
Domestic standard naphtha price (¥/kl)	45,400	23,000	(22,400)	42,800	27,000	(15,800)



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

(¥ Billions)

		Q1 of FY 2020	Q1 of FY 2021	Variance	Breakdown of variance		
		(04.01.19-06.30.19) (Actual)	(04.01.20-06.30.20) (Actual)		Volume effect	Price effect*	Fixed costs, etc.
Petrochemical Group	Net sales	42.2	23.4	(18.8)	(10.1)	(8.7)	-
	Operating income	2.8	(3.1)	(5.9)	(2.1)	(0.9)	(2.9)
Chlor-alkali Group	Net sales	72.2	57.5	(14.7)	(5.5)	(9.2)	-
	Operating income (loss)	3.5	(4.9)	(8.4)	(0.7)	(4.7)	(3.0)
Specialty Group	Net sales	46.6	44.7	(1.9)	0.3	(2.2)	-
	Operating income	6.9	4.9	(2.0)	(1.5)	(0.5)	0.0
Engineering Group	Net sales	21.0	21.0	(0.0)	(0.0)	0.0	-
	Operating income (loss)	2.3	1.6	(0.7)	(0.7)	0.0	0.0
Ancillary	Net sales	10.8	10.0	(0.8)	(0.7)	(0.1)	-
	Operating income	0.6	0.6	(0.0)	(0.1)	0.0	0.1
Total	Net sales	192.8	156.5	(36.3)	(16.0)	(20.3)	-
	Operating income	16.1	(0.9)	(17.0)	(5.1)	(6.1)	(5.8)

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

(¥ Billions)

		FY 2020	FY 2021	Variance
		(04.01.19-09.30.19) (Actual)	(04.01.20-09.30.20) (Forecast)	
Petrochemical Group	Net sales	83.5	53.7	(29.8)
	Operating income	5.3	(0.7)	(6.0)
Chlor-alkali Group	Net sales	147.5	121.0	(26.5)
	Operating income	11.2	(1.1)	(12.3)
Specialty Group	Net sales	94.2	86.8	(7.4)
	Operating income	15.4	7.9	(7.5)
Engineering Group	Net sales	49.5	48.1	(1.4)
	Operating income	7.2	3.8	(3.4)
Ancillary	Net sales	21.7	20.3	(1.4)
	Operating income	1.3	1.1	(0.2)
Total	Net sales	396.4	330.0	(66.4)
	Operating income	40.4	11.0	(29.4)



2. Consolidated Financial Position

(¥ Billions)

	FY 2020 03.31.2019	FY 2021 06.30.2019	Variance
Total assets	886.6	594.4	(292.2)
Net assets	609.7	609.7	0.0
Interest-bearing liabilities	95.9	161.1	65.2
Equity ratio (%)	64.0	60.7	(3.3)

3. Dividends

	Annual dividends per share (¥)		
	Interim	Year-end	Total
FY 2020 (Actual)	28.00	28.00	56.00
FY 2021 (Forecast)	28.00	28.00	56.00