



# Financial Results for 2Q FY 2014

**August 7, 2014**

This document is a translation of the official Japanese version provided for information purpose only.

## Scope of consolidation

Number of consolidated subsidiaries: 22 (no change from FY2013)

Number of equity-method affiliates: 2 (no change from FY2013)

		2013 2Q	2014 2Q	Change	
Net sales	(Millions of yen)	73,643	74,954	1,311	1.8%
Operating income	(Millions of yen)	7,413	6,088	-1,325	-17.9%
Operating income ratio		10.1%	8.1%	-2.0%	—
Ordinary income	(Millions of yen)	7,968	6,410	-1,558	-19.6%
Net income	(Millions of yen)	5,115	4,253	-861	-16.8%
Net income per share	(Yen)	19.41	16.14	-3.26	—
Interim dividend [annual dividend]	(Yen)	5.0 [10.0]	6.0 [12.0]	1.0 [2.0]	—

# Consolidated Results (by Segment)

## Net Sales (by consolidated segment)

(Millions of yen)

	2013 2Q	2014 2Q	Change in net sales		
			Volume	Unit price	Change
Commodity Chemicals	22,679	22,270	-631	221	-409
Acrylic Products	28,436	29,910	590	883	1,473
Specialty Chemicals	8,104	8,202	-19	117	97
Plastics	12,754	12,956	-131	332	201
Other	1,667	1,615	-51	0	-51
<b>Total</b>	<b>73,643</b>	<b>74,954</b>	<b>-243</b>	<b>1,554</b>	<b>1,311</b>

## Operating income (by consolidated segment)

(Millions of yen)

	2013 2Q		2014 2Q		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	2,047	9.0%	1,249	5.6%	-798
Acrylic Products	3,199	11.2%	2,351	7.9%	-847
Specialty Chemicals	1,548	19.1%	1,802	22.0%	254
Plastics	512	4.0%	665	5.1%	152
Other	41	—	(18)	—	-59
Intersegment/elimination	65	—	39	—	-26
<b>Total</b>	<b>7,413</b>	<b>10.1%</b>	<b>6,088</b>	<b>8.1%</b>	<b>-1,325</b>

## Other Income/Expenses and Extraordinary Income/Loss (Consolidated)

### [Other income/expenses]

(Millions of yen)

	2013 2Q	2014 2Q	Change
Interest and dividend income	276	289	12
Equity in earnings of affiliates	130	153	22
Foreign currency exchange gain (loss)	122	(55)	-178
Rent income on non-current assets	71	94	22
Miscellaneous income	203	87	-116
Interest expense	(67)	(61)	6
Environment readiness fee	(42)	(43)	0
Cost of idle assets	(65)	(67)	-1
Miscellaneous expenses	(75)	(76)	0
<b>Total</b>	<b>554</b>	<b>321</b>	<b>-232</b>

### •Equity in earnings of affiliates

(Millions of yen)

	2013 2Q	2014 2Q	Difference
Elmer's & Toagosei	147	149	2
Chubu Liquid Oxygen	(17)	4	20
<b>Total</b>	<b>130</b>	<b>153</b>	<b>22</b>

### [Extraordinary income/loss]

(Millions of yen)

	2013 2Q	2014 2Q	Change
Subsidy income	222	25	-197
Loss on disposal of non-current assets	(82)	(156)	-74
<b>Total</b>	<b>140</b>	<b>(131)</b>	<b>-272</b>

#### •Subsidy income

Subsidies received from municipalities for capital investment

2013: Installation of electrolysis machine using the gas diffusion electrode method at Tokushima Plant

#### •Loss on disposal of non-current assets

2014: Removal of idle assets (warehouse) at Tokushima Plant

#### •Exchange rate (Yen/USD)

(Yen/USD)

Jun. 30, 2013	Dec. 31, 2013	Jun. 30, 2014
98.59	105.39	101.36

# Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2013	Jun. 30, 2014	Change
Cash and deposits	17,029	12,935	-4,094
Notes and accounts receivable	43,028	42,098	-930
Securities ①	23,000	26,500	3,500
Inventories	15,795	17,161	1,366
Other current assets	2,922	3,136	214
Non-current assets ②	66,716	68,359	1,643
Investment securities	19,092	19,750	658
Other non-current assets ②	5,502	7,552	2,050
<b>Total assets</b>	<b>193,086</b>	<b>197,492</b>	<b>4,406</b>
Notes and accounts payable	15,735	17,388	1,653
Bank loans and debt	13,099	13,074	-25
Accrued income taxes	2,269	1,616	-653
Other liabilities	13,835	14,850	1,015
<b>Total liabilities</b>	<b>44,938</b>	<b>46,928</b>	<b>1,990</b>
<b>Total net assets ③</b>	<b>148,148</b>	<b>150,564</b>	<b>2,415</b>
<b>Total liabilities and net assets</b>	<b>193,086</b>	<b>197,492</b>	<b>4,406</b>

## [Balance Sheet]

① Part of internal reserve is held as securities.

② Non-current assets increased as a result of installation of a new plant for acrylic acid production at Oita Chemical Co., Ltd.

③ Retained earnings increased by 2,936 million yen.

## Cash Flows

(Millions of yen)

	2013 2Q	2014 2Q	Change
Net cash provided by operating activities	10,536	10,448	-88
Net cash used in investing activities	(3,511)	(9,675)	-6,164
Net cash provided by financing activities	7,025	773	-6,252

# Overview of Consolidated Subsidiaries (Results for 2nd Quarter of FY2014)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss)	
			2013 2Q	2014 2Q	2013 2Q	2014 2Q	2013 2Q	2014 2Q
1 Toa Techno-Gas	Commodity Chemicals	100	2,067	2,141	185	189	137	128
2 (Oita Chemical)	Acrylic Products	91.15	5,042	6,417	4	17	(10)	(10)
3 Toagosei Singapore	↓	100	5,232	5,365	336	146	130	187
4 MT AquaPolymer	↓	51	5,325	5,257	429	361	299	228
5 Taiwan Toagosei	↓	100	417	444	18	22	24	22
6 Toa-Jet Chemical	↓	51	949	869	23	60	(21)	64
7 TOA-DIC Zhangjiagang Chemical	↓	60	754	859	36	45	(8)	37
8 Toagosei America	Specialty Chemicals	100	1,282	1,228	152	186	139	157
9 (Aron Ever-Grip )	↓	100	206	-	0	-	(4)	161
10 (Aron Packaging)	↓	100	105	110	(1)	2	(1)	1
11 Toagosei Hong Kong	↓	100	139	157	13	17	132	15
12 Toagosei (Zhuhai)	↓	100	145	167	13	24	9	19
13 (MT Ethylene Carbonate)	↓	90	138	235	0	1	(3)	1
14 Aronkasei	Plastics	100	12,319	12,557	453	641	285	367
15 Mikuni Plastics	↓	100	741	782	54	23	52	21
16 Toa Kogyo	Other	100	635	586	34	5	29	8
17 TOA Engineering	↓	100	696	100	(3)	(3)	1	(3)
18 Toa Business Associe	↓	100	653	653	29	32	18	18
19 TG Corporation	↓	100	6,378	6,167	178	139	109	85
20 (Toa Logistics )	↓	100	2,862	2,794	25	25	15	14
21 (Shikoku Toa Logistics )	↓	70	506	527	2	1	2	1
22 (Hokuriku Toa Logistics)	↓	90	99	111	2	0	1	0
Simple aggregation			46,690	47,526	1,982	1,933	1,335	1,521

Companies in parentheses indicate that almost all of their transactions are with the Company.

(Million yen)

	FY2013 (A)	FY2014 1H (results)	FY2014 2H (forecast)	FY2014 forecast (B)	Change (B-A)
Net sales	151,081	74,954	79,046	154,000	2,918
Operating income	14,501	6,088	7,912	14,000	-501
Operating income ratio	9.6%	8.1%	10.0%	9.1%	-0.5%
Other income/expenses	845	321	79	400	-445
Ordinary income	15,346	6,410	7,990	14,400	-946
Extraordinary loss	(615)	(131)	(169)	(300)	315
Income before income taxes and minority interests (a)	14,731	6,279	7,821	14,100	-631
Income taxes (b)	4,857	1,870	2,530	4,400	-457
Tax rate (b)/(a)	33.0%			31.2%	-1.8%
Minority interests	269	155	145	300	31
Net income	9,605	4,253	5,147	9,400	-205
<Reference>					
Exchange rate (Yen/USD)	¥105.39	¥101.36	¥100.00		
Naphtha price (Yen/kl)	¥65,250	¥70,950	¥70,000		

Note: Change of 1,000 yen in naphtha price per kl will have an impact of ±300 million yen on the Company's performance. Depreciation of yen by 1 yen/USD will have an impact of -60 million yen on the Company's performance.

# Consolidated Results Forecast for FY2014 (by Segment)

## Net Sales

(Millions of yen)

	FY2013 results	FY2014 forecast	Change	Factors for change
Commodity Chemicals	45,627	45,700	73	[Increase] Liquefied hydrogen chloride [Decrease] Hydrochloric acid, chlorine
Acrylic Products	59,069	61,500	2,431	[Increase] Acrylic acids, acrylate esters, polymers
Specialty Chemicals	16,517	17,100	583	[Increase] Adhesives (instant glues, functional adhesives)
Plastics	26,463	26,500	37	[Increase] Piping equipment [Decrease] Nursing care products
Other	3,402	3,200	-202	
<b>Total</b>	<b>151,081</b>	<b>154,000</b>	<b>2,919</b>	

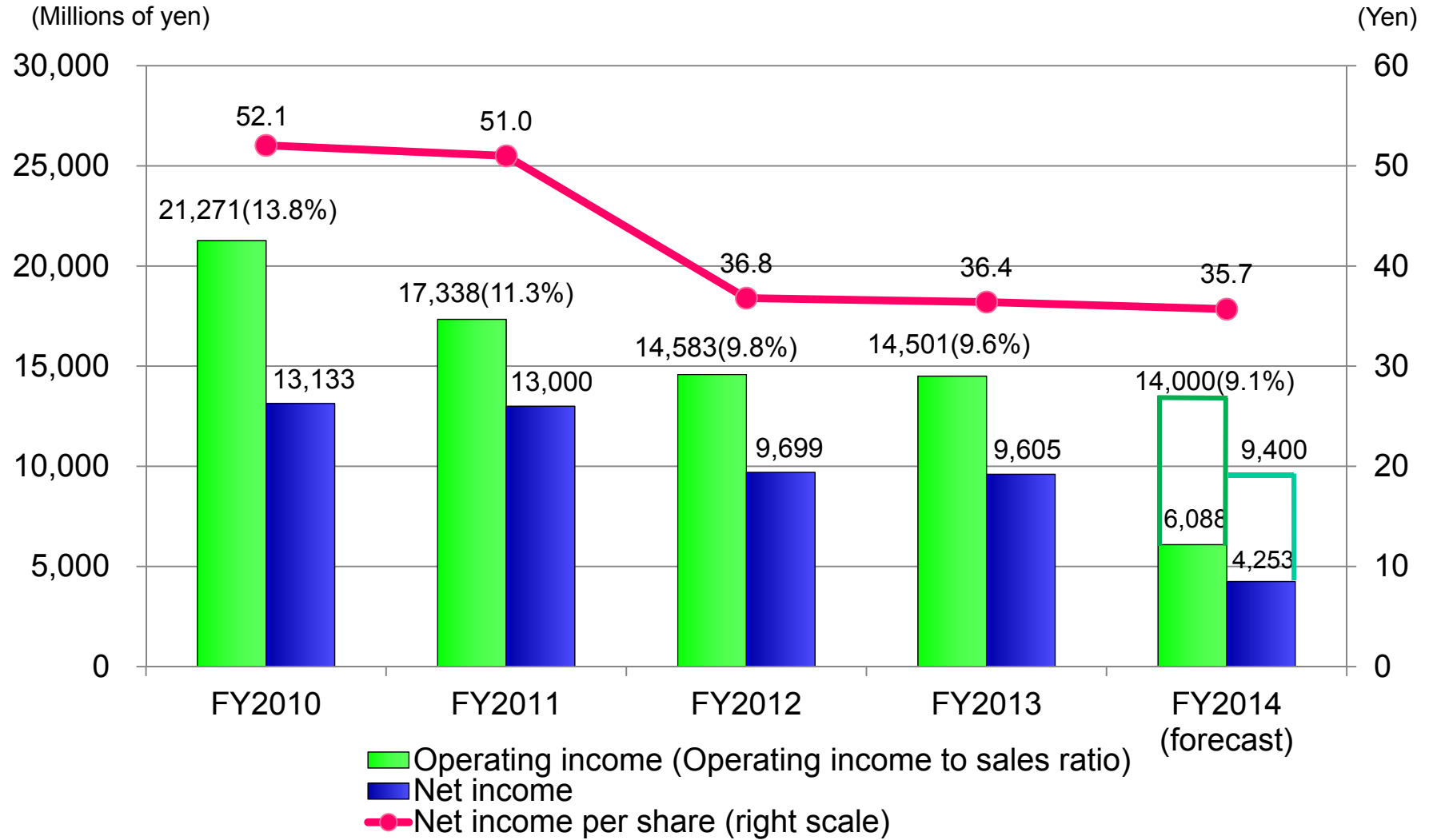
## Operating income

Figures in parentheses are operating income ratio.

(Millions of yen)

	FY2013 results		FY2014 forecast		Change	Factors for change
Commodity Chemicals	3,374	[7.4%]	3,400	[7.4%]	26	
Acrylic Products	6,274	[10.6%]	5,100	[8.3%]	-1,174	[Decrease] Increased raw material and fuel prices, increased depreciation
Specialty Chemicals	3,290	[19.9%]	3,900	[22.8%]	610	[Increase] Adhesives (instant glues, functional adhesives)
Plastics	1,349	[5.1%]	1,550	[5.8%]	201	[Increase] Piping equipment
Other	211	-	50	-	-161	
<b>Total</b>	<b>14,501</b>	<b>[9.6%]</b>	<b>14,000</b>	<b>[9.1%]</b>	<b>-501</b>	

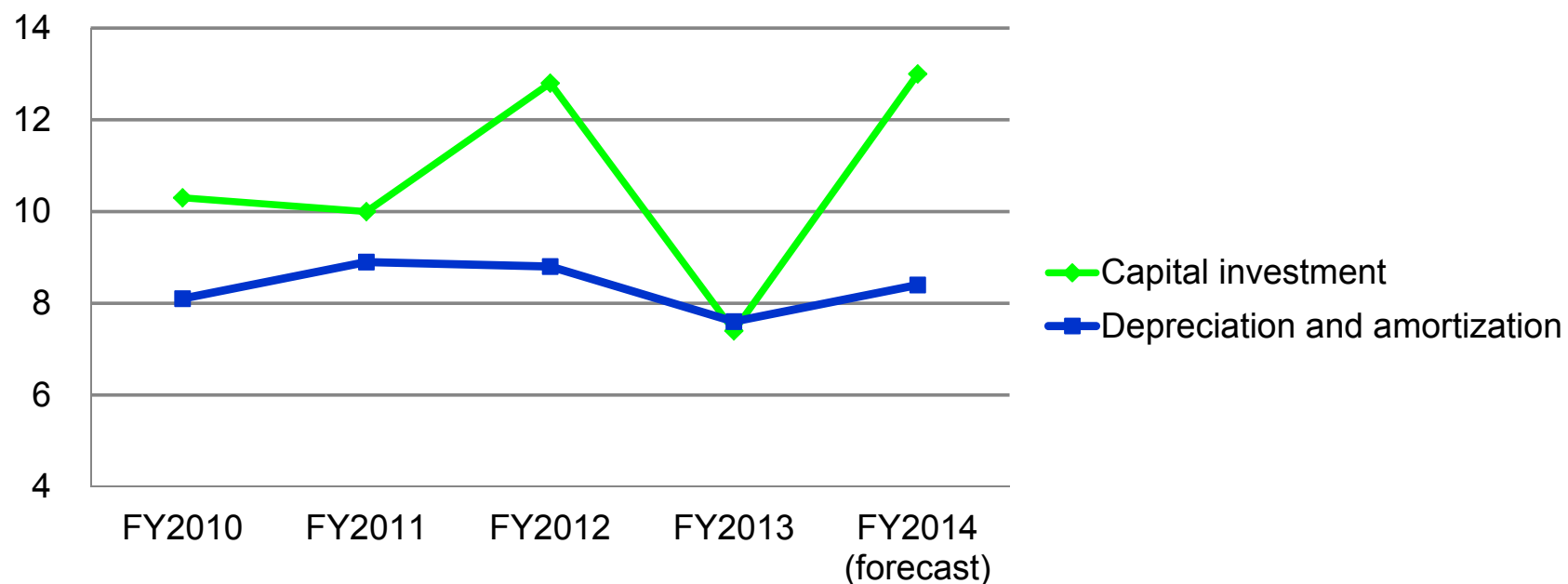




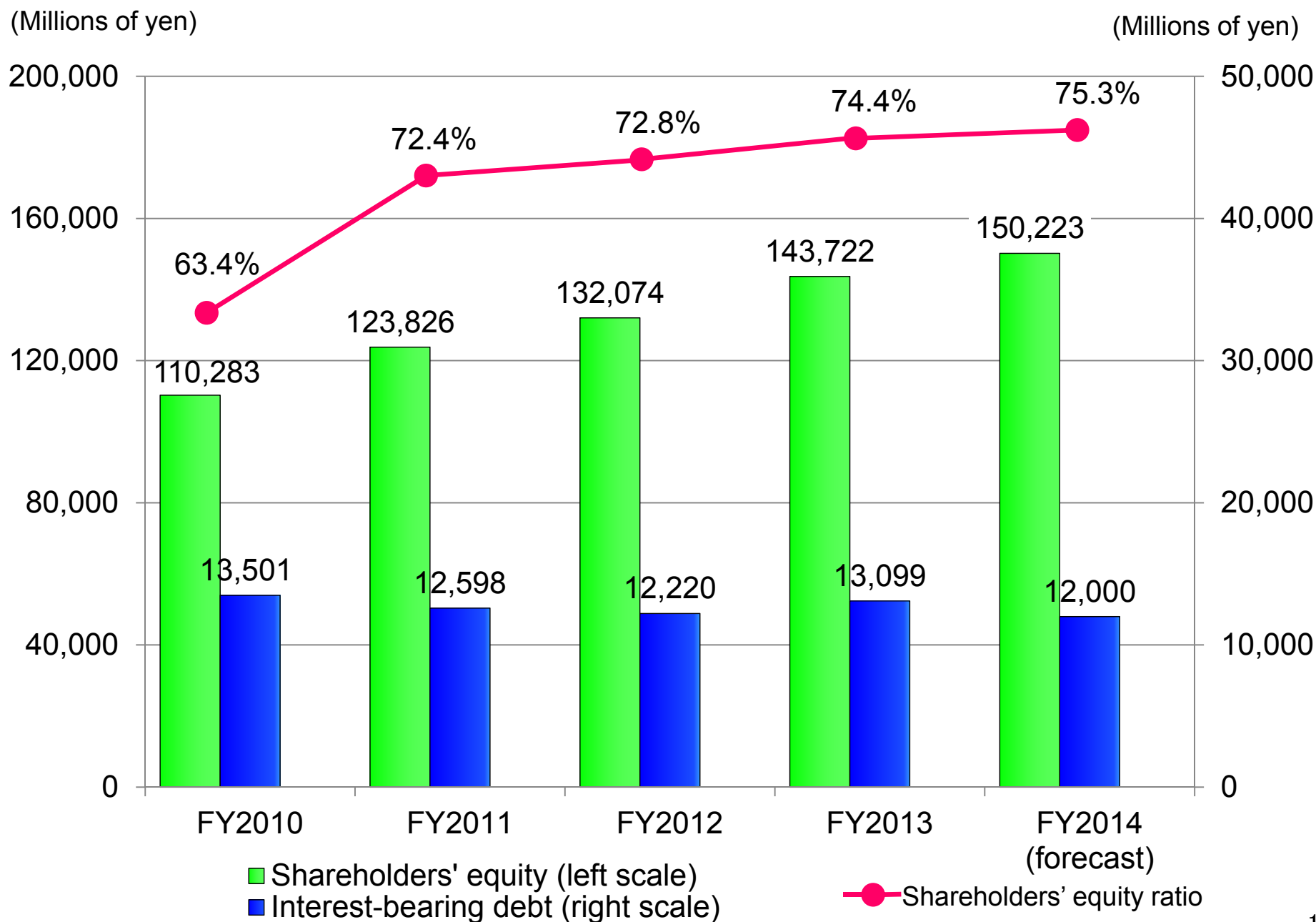
(Billions of yen)

	FY2010	FY2011	FY2012	FY2013	FY2014 forecast
Depreciation and amortization	8.1	8.9	8.8	7.6	8.4
Capital investment	10.3	10.0	12.8	7.4	13.0
Research and development expenses	4.5	4.6	4.4	3.8	4.1
Overseas sales	28.5	24.9	22.6	23.8	25.8
Interest-bearing debt	13.5	12.5	12.2	13.1	12.0

(Billions of yen)



# Historical Reference for Consolidated Performance



## Commodity Chemicals

### (1) Expansion of high-purity liquefied hydrogen chloride business

- Exports to Asia increased, where semiconductor production is increasing.
  - Response to enlarge containers in line with increasing consumption by customers.
- Plan for further expansion at production facilities in Japan.



## Acrylic Products

### (1) New acrylic acid plant (80,000 tons/year) completed

- Commercial operation started in May 2014. Aiming to expand the entire Acrylic chain.

### (2) Strengthened competitiveness of downstream products

- Developed *Aronix*, which is completely toluene-free thus environmentally friendly.  
Also continuing development of highly functional *Aronix*.
- The themes selected by Acrylics Business Strengthening Project were transferred to the New Products Search Group, which was newly established. This group will promote technology development and market cultivation.



## Specialty Chemicals

### (1) Development of new functional adhesives

- Promoted customized development for customers in electronics and other cutting-edge fields.
- Established New Products Development Group in the Functional Chemicals Department for a more flexible development structure.

### (2) Application of amenity care materials products in downstream fields

- Launched *KESMON MASK* with deodorizing functions using *KESMON* deodorant developed by the Company.



## Plastics

### (1) Integration of resources of the piping equipment operations and business expansion

- Aronkasei integrated Mikuni Plastics' water supply and sewer systems business. Strengthen product development and expand market share through collaboration between water supply and sewage fields.



### (2) Launch of differentiated products of the nursing care products operations

- Launched "Portable Toilette Juspita, a new product with the unique Dolphin Cut\*, in the *Anjyu* series. Aiming to increase market share as a top manufacturer.

\*Dolphin Cut: A dolphin mouth-like configuration helps users adopt an ideal position for excretion

## Launch of *Aron Alpha* “Color Change” in July 2014



This new product changes its color from purple to transparent.

**(1) Purple when it is applied**

Because the adhesive is colored, it is easy to see where the adhesive is applied, preventing excessive application or omission of application.



**(2) Becomes clear when solidified**

The adhesive becomes less prominent when solidified.



**(3) The Company’s unique one-push container**

Easy to control the quantity of the adhesive to be applied and the remaining quantity is evident at a glance.

- (1) Develop new products tailored to local needs at sites in Japan and the U.S. and strengthen collaboration between the sites in the two countries.**
- (2) Enrich the lineup to maintain the leading market share both in Japan and the U.S. while aiming at greater sales in Asia.**
- (3) Capitalize on our technological expertise as a leading manufacturer to develop new products in the *Aron Alpha* and *Krazy Glue* lines that meet diverse needs and launch them in Japan and overseas.**