



Financial Results for FY2016

February 14, 2017

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

Scope of consolidation

Number of consolidated subsidiaries: 20 (increase of 1 from FY2015:

Toagosei (Thailand) established in August 2016)

Number of equity-method affiliates: 2 (no change from FY2015)

		FY2015	FY2016	Change	
Net sales	(Millions of yen)	139,848	135,382	-4,466	-3.2%
Operating income	(Millions of yen)	12,347	16,147	3,799	30.8%
Operating income ratio		8.8%	11.9%	3.1%	—
Ordinary income	(Millions of yen)	13,201	16,935	3,733	28.3%
Net income attributable to owners of parent	(Millions of yen)	6,696	13,801	7,104	106.1%
Net income per share	(Yen)	50.86	104.83	53.97	—
Interim dividend [annual dividend]	(Yen)	24.0	26.0	2.0	—

*The Company conducted a 1-for-2 stock consolidation of its common stock whose effective date was July 1, 2015.

Net income per share is calculated based on the assumption that the stock consolidation was conducted at the beginning of the previous fiscal year.

Consolidated Results (by Segment)

Net sales (by consolidated segment)

(Millions of yen)

	FY2015	FY2016	Changes in net sales		
			Volume	Unit price	Change
Commodity Chemicals	42,458	41,217	-301	-939	-1,241
Acrylic Products	52,039	49,213	3,912	-6,737	-2,825
Specialty Chemicals	15,682	15,346	268	-604	-336
Plastics	26,527	26,447	410	-489	-79
Other	3,142	3,156	15	0	15
Total	139,848	135,382	4,305	-8,772	-4,466

Operating income (by consolidated segment)

(Millions of yen)

	FY2015		FY2016		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	3,368	7.9%	4,869	11.8%	1,500
Acrylic Products	3,210	6.2%	5,276	10.7%	2,065
Specialty Chemicals	4,156	26.5%	3,739	24.4%	-416
Plastics	1,461	5.5%	2,038	7.7%	577
Other	54	—	209	—	154
Intersegment/elimination	96	—	14	—	-82
Total	12,347	8.8%	16,147	11.9%	3,799

* The construction materials business was split from the Company and inherited by Aronkasei. As a result, the corresponding figures for the previous year were restated from the Specialty Chemicals segment to the Plastics segment for presentation.

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

[Other income/expenses]

(Millions of yen)

	FY2015	FY2016	Change
Interest and dividend income	708	820	112
Equity in earnings of affiliates	328	337	8
Foreign currency exchange gain (loss)	11	(95)	-107
Rent income on non-current assets	186	92	-93
Interest expense	(111)	(101)	10
Environment readiness fee	(165)	(205)	-39
Cost of idle assets	(110)	(97)	12
Other	7	38	31
Total	853	787	-65

•Equity in earnings of affiliates

(Millions of yen)

	FY2015	FY2016	Difference
Elmer's & Toagosei	325	326	1
Chubu Liquid Oxygen	3	11	7
Total	328	337	8

[Extraordinary income/expenses]

(Millions of yen)

	FY2015	FY2016	Change
Subsidy income	116	10	-105
Gain on sales of non-current assets	671	3,685	3,013
Gain on sales of investment securities	40	619	579
Loss on disposal of non-current assets	(340)	(535)	-194
Impairment loss	(1,826)	(19)	1,807
Total	(1,338)	3,761	5,099

•Gain on sales of non-current assets

FY2016: Idle land in Takatsuki of Aronkasei

•Gain on sales of investment securities

FY2016: 2 listed securities

•Impairment loss

FY2015: Long-term prepaid expenses etc. of Toagosei Singapore

•Exchange rate (Yen/USD)

Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
120.55	120.61	116.49

Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2015.	Dec. 31, 2016	Change
Cash and deposits	15,969	28,966	12,997
Notes and accounts receivable	38,699	40,302	1,603
Securities	41,000	44,000	3,000
Inventories	16,037	14,162	-1,874
Other current assets	1,729	1,679	-50
Non-current assets	63,505	60,454	-3,052
Investment securities	27,344	26,983	-360
Other non-current assets	3,733	2,971	-762
Total assets ①	208,018	219,520	11,502
Notes and accounts payable	13,140	13,729	589
Bank loans and debt	12,693	12,307	-385
Accrued income taxes	2,376	4,142	1,765
Other liabilities	16,787	16,337	-450
Total liabilities	44,997	46,517	1,519
Total net assets ②	163,020	173,003	9,982
Total liabilities and net assets	208,018	219,520	11,502

[Balance Sheet]

① "Cash and deposits" and "securities" increased owing to enhanced liquidity in hand.

② "Retained earnings" increased as a result of recording of net income attributable to owners of parent.

[Cash Flows]

(Millions of yen)

	FY2015	FY2016	Change
Cash flows from operating activities	23,313	21,989	-1,323
Cash flows from investing activities*	(4,592)	(17,673)	-13,081
Free cash flow	18,721	4,316	-14,404

* The Company increased time deposits and started investing in negotiable certificates of deposit with maturities of over three months.

Overview of Consolidated Subsidiaries (Results for FY2016)

(Millions of yen)

	Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
				FY2015	FY2016	FY2015	FY2016	FY2015	FY2016
1	Toa Techno-Gas	Commodity Chemicals	100	4,521	4,557	442	597	296	426
2	(Oita Chemical)	Acrylic Products	91.15	11,032	10,392	40	49	(46)	(59)
3	Toagosei Singapore	↓	100	7,597	6,275	(1,253)	(382)	(2,969)	(334)
4	MT AquaPolymer	↓	51	10,171	9,902	969	1,020	629	688
5	Taiwan Toagosei	↓	100	873	969	59	79	49	63
6	Toa-Jet Chemical	↓	51	1,435	994	61	79	58	68
7	TOA-DIC Zhangjiagang Chemical	↓	60	1,823	1,505	166	175	139	139
8	Toagosei (Thailand)	↓	100	-	-	-	(12)	-	(12)
9	Toagosei America	Specialty Chemicals	100	2,792	2,398	338	298	277	266
10	(Aron Packaging)	↓	100	217	264	0	(8)	0	(6)
11	Toagosei Hong Kong	↓	100	384	318	57	48	96	40
12	Toagosei (Zhuhai)	↓	100	423	364	85	72	65	55
13	(MT Ethylene Carbonate)	↓	90	351	473	2	4	2	4
14	Aronkasei	Plastics	100	24,704	26,448	1,269	2,115	792	3,774
15	Mikuni Plastics	↓	100	60	-	1	-	(1)	-
16	Toa Kogyo	Other	100	1,076	1,054	22	0	15	3
17	TOA Engineering	↓	100	-	-	-	-	(3)	-
18	Toa Business Associe	↓	100	1,047	1,090	81	110	47	73
19	TG Corporation	↓	100	11,923	12,051	328	359	206	236
20	(Toa Logistics)	↓	100	5,174	5,058	36	42	12	21
21	(Shikoku Toa Logistics)	↓	70	1,040	1,088	3	4	2	3
22	(Hokuriku Toa Logistics)	↓	90	231	233	2	1	2	1
	Simple aggregation			86,874	85,433	2,708	4,650	(332)	5,449

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

Consolidated Results Forecast for FY2017

(Millions of yen)

	FY2016 (A)	FY2017 1H (forecast)	FY2017 2H (forecast)	FY2017 forecast (B)	Change (B-A)
Net sales	135,382	67,500	70,500	138,000	2,618
Operating income	16,147	7,700	8,600	16,300	153
Operating income ratio	11.9%	11.4%	12.2%	11.8%	-0.1%
Other income/expenses	787	400	100	500	-287
Ordinary income	16,935	8,100	8,700	16,800	-135
Extraordinary loss	3,761	300	(100)	200	-3,561
Income before income taxes (a)	20,696	8,400	8,600	17,000	-3,696
Income taxes (b)	6,473	2,700	2,500	5,200	-1,273
Tax rate (b)/(a)	31.3%			30.6%	-0.7%
Net income attributable to non-controlling interests	421	200	200	400	-21
Net income attributable to owners of parent	13,801	5,500	5,900	11,400	-2,401
<Reference>					
Average exchange rate (Yen/USD)	¥109.12			¥115.00	
Naphtha price (Yen/kl)	¥32,800			¥43,000	

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 -20 million yen on the Company's performance.

Previous business segmentation

Commodity Chemicals

- Electrolysis products
- High-purity inorganic products

Acrylic Products

- Acrylic monomer
- Acrylic polymer

Aronix

Specialty Chemicals

- Instant glues for consumer use
- Functional adhesives
- Inorganic functional materials

Plastics (Aronkasei)

After revision

[Business supporting the management base]

Commodity Chemicals

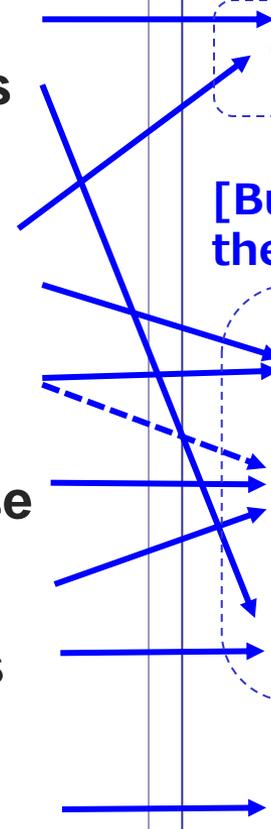
[Businesses with core roles in the growth strategy]

Polymer & Oligomer

Adhesive Material

Performance Chemicals

Plastics (Aronkasei)



Consolidated Results Forecast for FY2017 (by segment)

Net sales

(Millions of yen)

	FY2016 results	FY2017 forecast	Change	Factors for change
Commodity Chemicals	60,707	62,100	1,393	[Increase] Acrylic monomer
Polymer & Oligomer	26,715	26,400	-315	[Increase] Acrylic polymer [Decrease] Polymer flocculants
Adhesive material	11,914	12,500	586	[Increase] Functional adhesives
Performance chemicals	6,439	6,900	461	[Increase] Inorganic functional products (IXE, Novaron)
Plastics	26,447	26,900	453	[Increase] Piping equipment
Other	3,156	3,200	44	
Total	135,382	138,000	2,618	

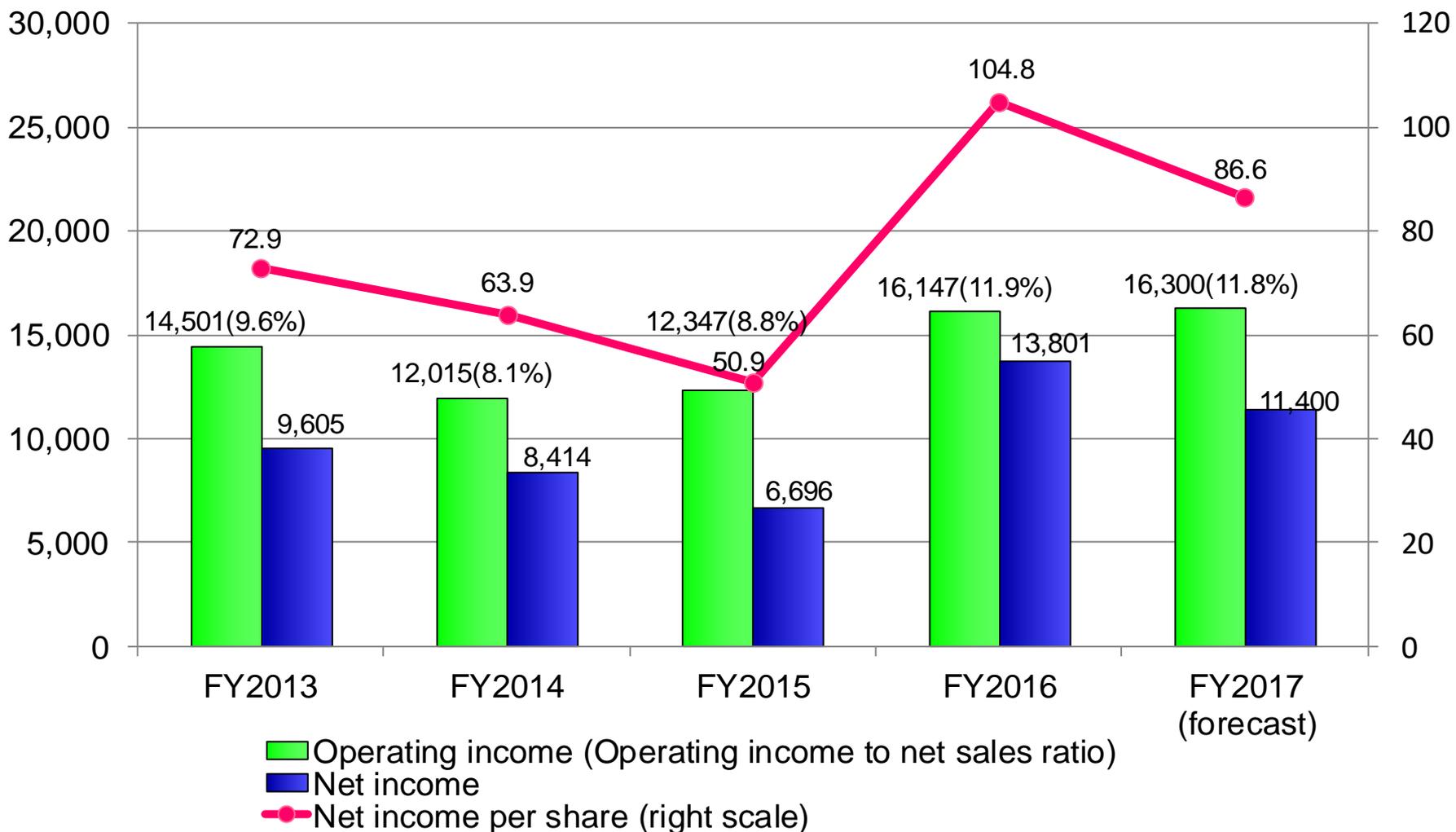
Operating income

Figures in square brackets are operating income ratios. (Millions of yen)

	FY2016 results	FY2017 forecast	Change	Factors for change
Commodity Chemicals	4,652 [7.7%]	5,000 [8.1%]	348	[Increase] Acrylic monomer
Polymer & Oligomer	4,595 [17.2%]	4,600 [17.4%]	5	[Increase] Acrylic polymer
Adhesive material	2,854 [24.0%]	2,900 [23.2%]	46	[Increase] Functional adhesives
Performance chemicals	1,782 [27.7%]	1,700 [24.6%]	-82	[Decrease] Liquefied hydrogen chloride
Plastics	2,038 [7.7%]	2,000 [7.4%]	-38	[Decrease] Piping equipment
Other	223 -	100 -	-123	
Total	16,147 [11.9%]	16,300 [11.8%]	153	

Historical Consolidated Results

(Millions of yen)

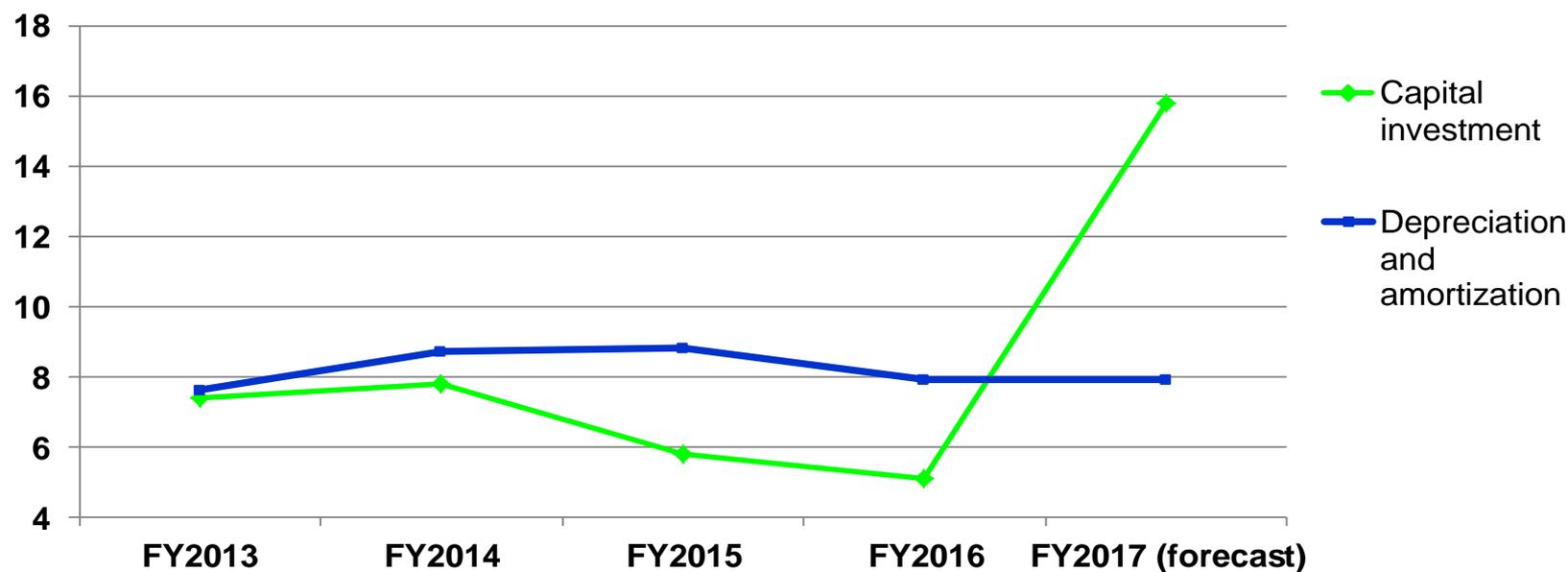


* The Company conducted a 1-for-2 stock consolidation of its common stock whose effective date was July 1, 2015. Net income per share is calculated based on the assumption that the stock consolidation was conducted at the beginning of each fiscal year.

(Billions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017 forecast
Depreciation and amortization	7.6	8.6	8.8	7.9	7.9
Capital investment	7.4	7.8	5.8	5.1	15.8
Research and development expenses	3.8	3.9	3.7	3.6	3.7
Overseas sales	23.8	24.8	23.1	21.6	20.0
Interest-bearing debt	13.1	13.2	12.6	12.3	12.1

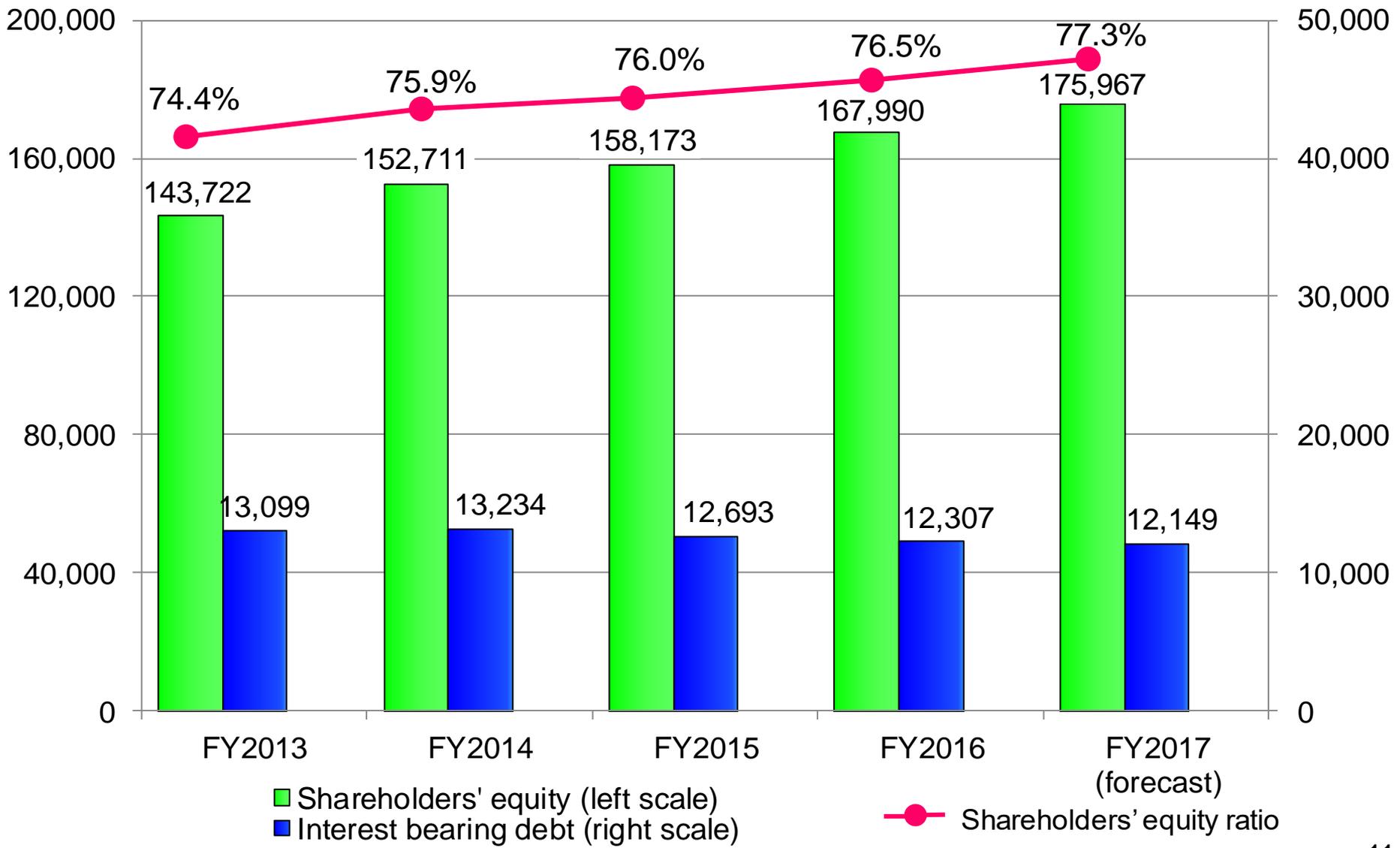
(Billions of yen)



Historical Reference for Consolidated Performance

(Millions of yen)

(Millions of yen)



(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2016	FY2017 forecast	FY2016	FY2017 forecast	FY2016	FY2017 forecast
1 Toa Techno-Gas	Commodity Chemicals	100	4,557	4,387	597	476	426	331
2 (Oita Chemical)	↓	91.15	10,392	11,849	49	(13)	(59)	(65)
3 Toagosei Singapore	↓	100	6,275	5,397	(382)	(577)	(334)	(577)
4 (MT Ethylene Carbonate)	↓	90	473	498	4	4	4	3
5 MT AquaPolymer	Polymer & Oligomer	51	9,902	9,837	1,020	854	688	583
6 Taiwan Toagosei	↓	100	969	754	79	54	63	45
7 Toa-Jet Chemical	↓	51	994	797	79	71	68	59
8 TOA-DIC Zhangjiagang Chemical	↓	60	1,505	1,479	175	191	139	143
9 Toagosei (Thailand)	↓	100	-	-	(12)	-	(12)	-
10 Toagosei America	Adhesive material	100	2,398	2,262	298	342	291	292
11 (Aron Packaging)	↓	100	264	274	(8)	5	(6)	5
12 Toagosei Hong Kong	↓	100	318	312	48	45	40	37
13 Toagosei (Zhuhai)	↓	100	364	348	72	61	55	43
14 Aronkasei	Plastics	100	26,448	27,528	2,115	1,980	3,774	1,365
15 Toa Kogyo	Other	100	1,054	993	0	7	3	8
16 Toa Business Associe	↓	100	1,090	998	110	42	73	29
17 TG Corporation	↓	100	12,051	11,997	359	334	236	232
18 (Toa Logistics)	↓	100	5,058	5,032	42	22	21	15
19 (Shikoku Toa Logistics)	↓	70	1,088	1,240	4	1	3	1
20 (Hokuriku Toa Logistics)	↓	90	233	248	1	2	1	2
Simple aggregation			85,433	86,230	4,650	3,901	5,449	2,551

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

Medium-Term Management Plan (2017- 2019)

– Trajectory Toward Growth 2019 –

Review of ALL TOA 2016

Growth Strategy

(1) Develop new next-generation products

- Accelerate the speed of product & technology development through integrated R&D system

[General Center of R&D]

Base Technology Center Applied Research Lab
New Products Research Lab Productive Technology Lab

(2) Strengthen and qualitatively shift the production and sales systems of existing businesses

- Business reengineering to strengthen the production system (electrolysis products, acrylic monomer)
- Optimize the production system and standardize factory operation

(3) Qualitatively shift to an appealing company

- Provide opportunities for older people to display their capabilities
- Develop global human resources

Commodity products

Electrolysis products

- Decision to upgrade the facility for caustic potash
- Establishment of the optimum production system for caustic soda

→ Remaining issue

Acrylic monomer

- Enhancement of the facility utilization ratio by expansion of sales of acrylic acid
- Restructuring of the Singapore business → Remaining issue

Piping equipment

- Site optimization by restructuring of the production system
- Upgrading of pipe production lines

High-value-added products

High-purity inorganic products

- Expansion of the facility for high-purity liquefied hydrogen chloride

Downstream acrylic products

- Emphasis on investigation of new themes under a project system → Remaining issue
- Establishment of an acrylic polymer manufacturing and sales company in Thailand

Adhesive material

- Greater recruitment mainly in the electronic materials field

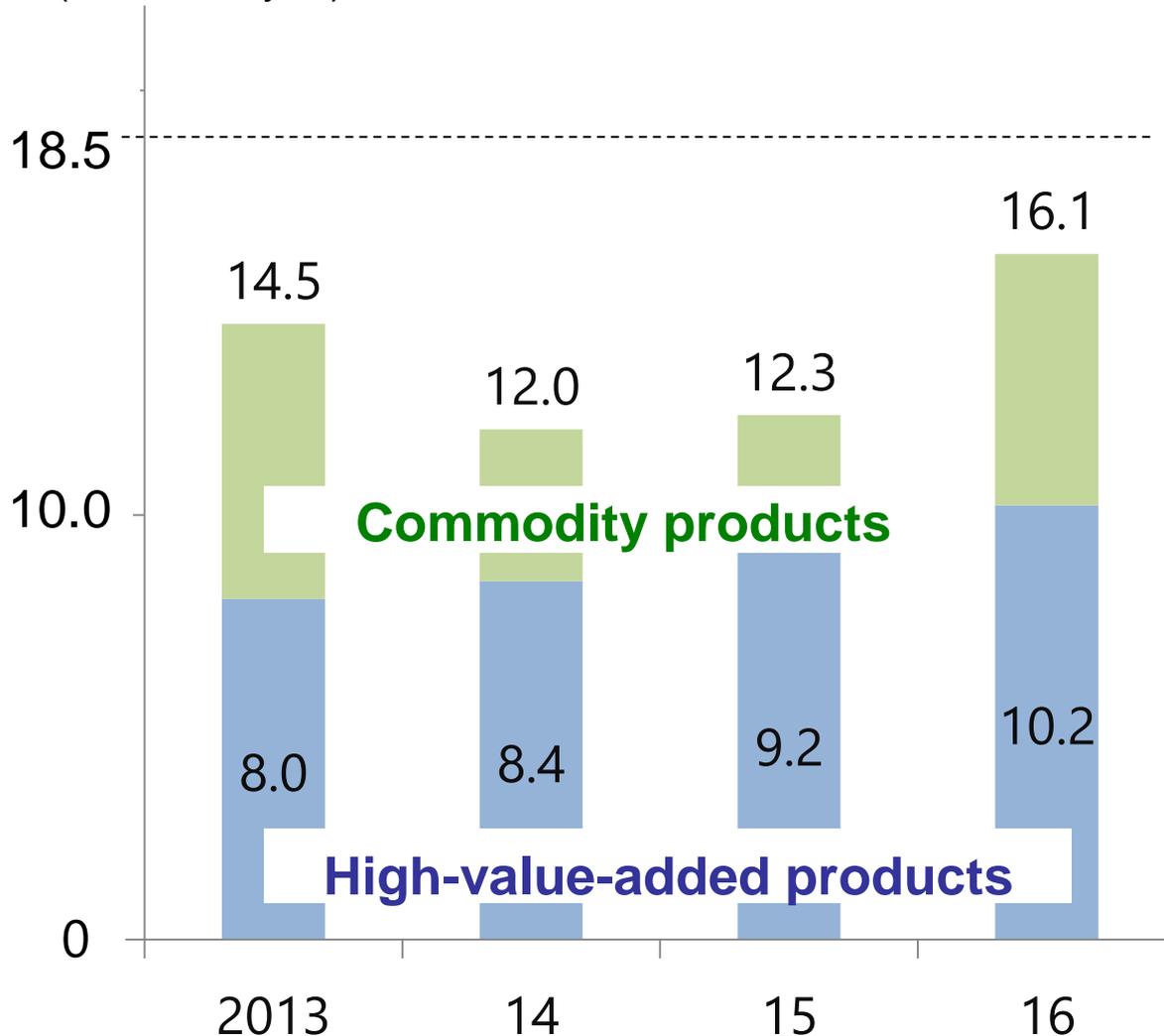
Nursing care products

Corporate

Transition to a company with audit and supervisory Committee to strengthen the corporate governance system

Operating Income Trend | ALL TOA 2016

(Billions of yen)



ALL TOA 2016
Operating income target

Progress of high-value-added products (Products that are growing steadily)

- High-purity inorganic products
- Acrylic polymer
- Functional adhesives
- Nursing care products
- Elastomers

Trajectory Toward Growth 2019

Core of Growth Strategy | New Product Development and Market Development

Strengths of the Group's technology

Acrylic polymer synthesizing technology

- Wide-ranging technology including water-based, solvent-based, etc.

Design technology for adhesives, special acrylate, etc.

- Synthesis/metamorphosis, compounding/evaluation

Technology to realize highly functional inorganic products

- Increased purity and support and packaging

Design technology for plastics

- Know-how for compounding, mixing and molding

Target market

Telecommunications

- Communication terminals
- Displays
- Electronic components for high-speed communication

etc.

Mobility

- Materials for automotive applications, such as for EV and FCV

Energy

- Solar power business
- Battery materials and related fields

Trajectory Toward Growth 2019

Action Plan 1



Businesses with core roles in the growth strategy

Polymer & Oligomer

- Strengthening of local marketing and progress to the Phase 2 business plan in Thailand
- Acceleration of development of functional powder polymer (dispersants, pressure-sensitive adhesives, thickeners)
- Differentiation by highly functional UV-curable resin “Aronix” (quick curing, highly flexible, highly rigid)
- Cultivation of new businesses on the initiative of the New Product Development Div. (established in January 2017)

Adhesive material

- New product development targeting the growth fields (telecommunications, automotive, and battery materials)
- Cultivation of new businesses on the initiative of the New Product/Film Development Div. (established in January 2017)
- Strengthening of the brand strategy for consumer products and increase of market share in Japan and the U.S.

Performance chemicals

- Timely strengthening of production and expansion of sales of high-purity liquefied hydrogen chloride in response to the growth of the semiconductor market and expansion of sales
- Expansion of sales of amenity care products (antibacterial agents, deodorizers, etc.) for which demand is expected to grow

Trajectory Toward Growth 2019

Action Plan 2



Businesses with core roles in the growth strategy

Plastics

- Nursing care: Cultivation of demand in new fields (products outside the scope of the long-term care insurance scheme) and development of new products
- Elastomers: Launch of products with new functions and establishment of production and sales systems in Southeast Asia.

Businesses forming the management base of the Group

Electrolysis products

- Strengthening of competitiveness by upgrading the caustic soda electrolysis facility

Acrylic monomer

- Restructuring of the Singapore business

Piping equipment

- Establishment of the optimum production system of the three plants (Nagoya, Kanto, Onomichi)

Trajectory Toward Growth 2019

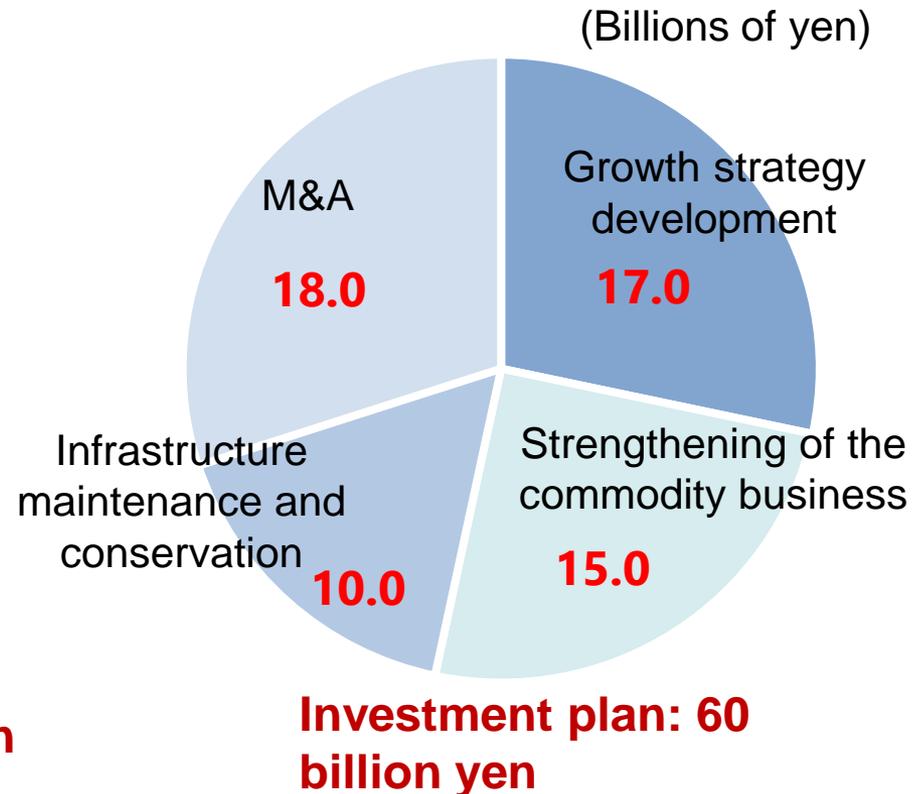
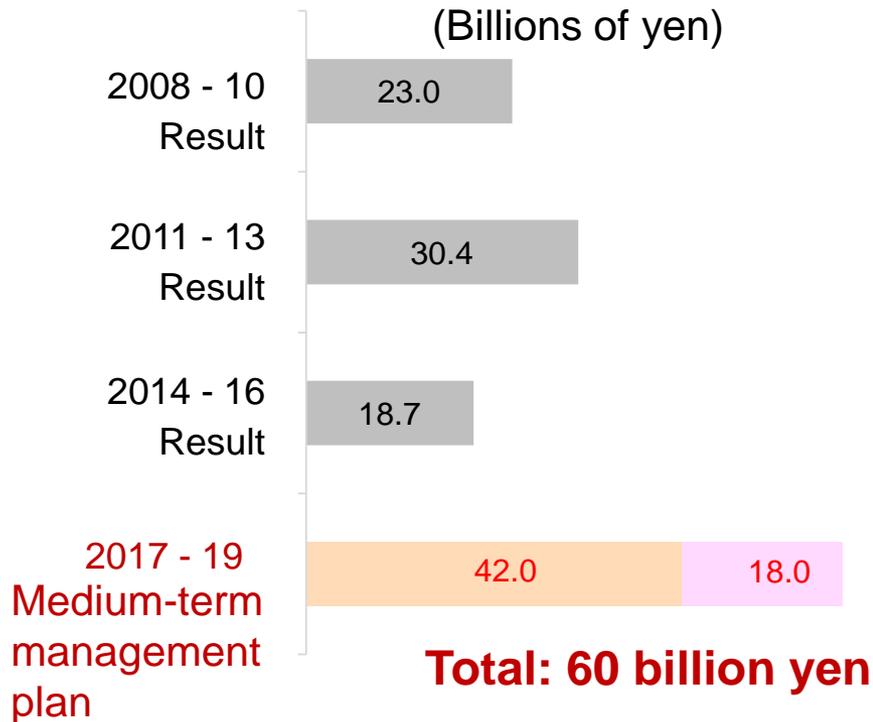
Quantitative Plan



FY2019 Targets

Net sales	155 billion yen
Operating income (Operating income ratio)	18 billion yen (11.6%)
Net income	12.5 billion yen

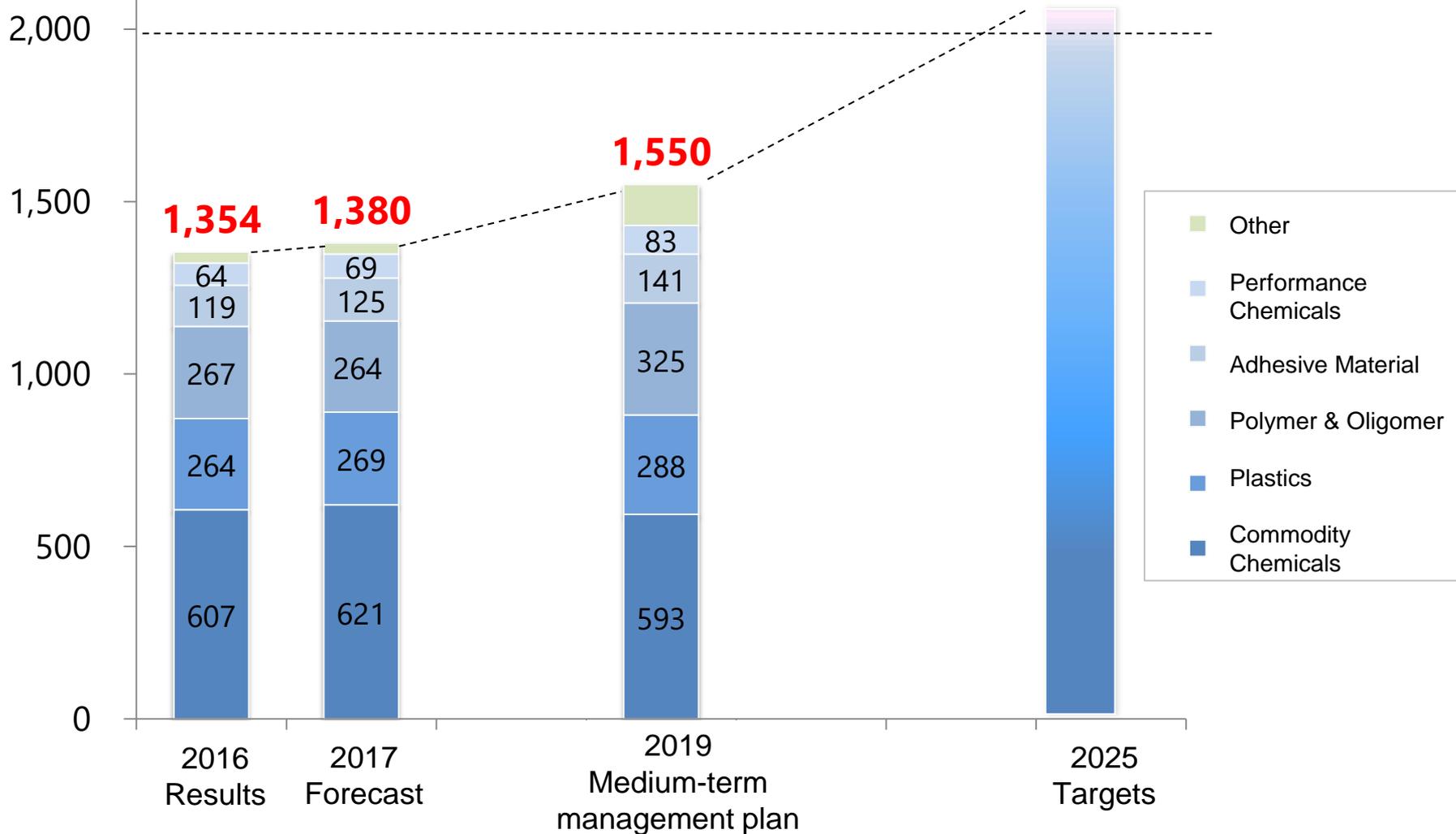
Investment Plan



Trajectory Toward Growth 2019

Net sales

(100 millions of yen)



Trajectory Toward Growth 2019

Operating income

(100 millions of yen)

