



Financial Results for 2Q FY2016

August 5, 2016

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Scope of consolidation

Number of consolidated subsidiaries: 19 (no change)

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

		2015 2Q	2016 2Q	Change	
Net sales	(Millions of yen)	70,270	66,871	-3,398	-4.8%
Operating income	(Millions of yen)	5,887	7,273	1,386	23.5%
Operating income ratio		8.4%	10.9%	2.5%	—
Ordinary income	(Millions of yen)	6,429	7,592	1,163	18.1%
Net income attributable to owners of parent	(Millions of yen)	3,847	4,947	1,100	28.6%
Net income per share	(Yen)	29.22	37.58	8.36	—
Interim dividend [annual dividend]	(Yen)	12.0 [24.0]	13.0 [26.0]	1.0 [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)

	2015 2Q	2016 2Q	Change in net sales		
			Volume	Unit price	Change
Commodity Chemicals	21,275	20,734	-191	-348	-540
Acrylic Products	26,903	24,044	613	-3,471	-2,858
Specialty Chemicals	7,724	7,683	220	-261	-41
Plastics	12,890	12,859	216	-246	-30
Other	1,477	1,548	71	0	71
Total	70,270	66,871	930	-4,329	-3,399

Operating income (by consolidated segment)

(Millions of yen)

	2015 2Q		2016 2Q		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	1,561	7.3%	2,109	10.2%	548
Acrylic Products	1,542	5.7%	2,246	9.3%	704
Specialty Chemicals	2,100	27.2%	1,931	25.1%	-168
Plastics	640	5.0%	864	6.7%	223
Other	-1	—	78	—	79
Intersegment/elimination	45	—	43	—	-1
Total	5,887	8.4%	7,273	10.9%	1,386

* 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)

	2015 2Q	2016 2Q	Change
Interest and dividend income	413	507	93
Equity in earnings of affiliates	180	237	56
Foreign currency exchange gain (loss)	17	(284)	-302
Rent income on non-current assets	97	61	-36
Miscellaneous income	87	47	-40
Interest expense	(56)	(51)	5
Environment readiness fee	(48)	(70)	-22
Cost of idle assets	(56)	(49)	6
Miscellaneous expenses	(93)	(77)	15
Total	541	318	-223

•Equity in earnings of affiliates

(Millions of yen)

	2015 2Q	2016 2Q	Difference
Elmer's & Toagosei	157	209	52
Chubu Liquid Oxygen	23	27	4
Total	180	237	56

[Extraordinary income/loss]

(Millions of yen)

	2015 2Q	2016 2Q	Change
Subsidy income	115	10	-104
Loss on disposal of non-current assets	(197)	(176)	20
Other	4	(5)	-9
Total	(77)	(171)	-93

•Subsidy income

Subsidies received from municipalities for capital investment

2016: Aronkasei for robotic nursing care equipment

•Loss on disposal of non-current assets

2016: Removal related to remodeling of a tank yard at Oita Chemical Co., Ltd.

Partial stoppage of a facility for easily soluble copper oxide at Yokohama Plant

•Exchange rate (Yen/USD)

Jun. 30, 2015	Dec. 31, 2015	Jun. 30, 2016
122.45	120.61	102.91

Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2015	Jun. 30, 2016	Change
Cash and deposits	15,969	20,862	4,893
Notes and accounts receivable	38,699	37,805	-893
Securities ①	41,000	42,000	1,000
Inventories	16,037	14,706	-1,330
Other current assets	1,729	1,709	-19
Non-current assets	63,505	62,082	-1,423
Investment securities ②	27,344	22,268	-5,075
Other non-current assets	3,733	3,722	-11
Total assets	208,018	205,157	-2,860
Notes and accounts payable	13,140	13,520	380
Bank loans and debt	12,693	12,386	-306
Accrued income taxes	2,376	1,993	-382
Other liabilities	16,787	15,507	-1,279
Total liabilities	44,997	43,408	-1,589
Total net assets ③	163,020	161,749	-1,271
Total liabilities and net assets	208,018	205,157	-2,860

[Balance Sheet]

① Part of internal reserve is held as securities.

②③ Market value of investment securities decreased because of deterioration of the stock market

③ Retained earnings increased by 3,367 million yen.

Cash Flows

(Millions of yen)

	2015 2Q	2016 2Q	Change
Cash flows from operating activities	14,088	12,744	-1,344
Cash flows from investing activities*	(2,895)	(13,371)	-10,476
Free cash flow	11,193	(627)	-11,820

* Cash flows from investing activities:
Increases in time deposits and negotiable certificate of deposits

Overview of Consolidated Subsidiaries (Results for 2nd Quarter of FY2016)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss)	
			2015 2Q	2016 2Q	2015 2Q	2016 2Q	2015 2Q	2016 2Q
1 Toa Techno-Gas	Commodity Chemicals	100	2,164	2,224	165	266	116	187
2 (Oita Chemical)	Acrylic Products	91.15	5,665	4,913	24	91	(29)	(43)
3 Toagosei Singapore	↓	100	4,288	3,387	(557)	(70)	(595)	(24)
4 MT AquaPolymer	↓	51	5,083	4,948	526	547	342	363
5 Taiwan Toagosei	↓	100	447	420	33	31	29	21
6 Toa-Jet Chemical	↓	51	688	543	21	45	17	45
7 TOA-DIC Zhangjiagang Chemical	↓	60	900	759	96	67	76	61
8 Toagosei America	Specialty Chemicals	100	1,455	1,508	190	212	159	201
9 (Aron Packaging)	↓	100	106	128	(1)	(8)	(1)	(8)
10 Toagosei Hong Kong	↓	100	186	158	30	27	25	22
11 Toagosei (Zhuhai)	↓	100	195	176	33	32	22	23
12 (MT Ethylene Carbonate)	↓	90	175	234	1	1	1	1
13 Aronkasei	Plastics	100	12,049	12,860	560	942	336	549
14 Mikuni Plastics	↓	100	60	-	1	-	(1)	-
15 Toa Kogyo	Other	100	537	527	3	(3)	3	0
16 TOA Engineering	↓	100	-	-	-	-	(3)	-
17 Toa Business Associe	↓	100	493	512	13	24	8	16
18 TG Corporation	↓	100	5,953	5,797	157	167	101	112
19 (Toa Logistics)	↓	100	2,555	2,469	24	27	13	14
20 (Shikoku Toa Logistics)	↓	70	516	528	3	1	2	1
21 (Hokuriku Toa Logistics)	↓	90	115	112	1	1	0	1
Simple aggregation			43,630	42,203	1,323	2,400	621	1,542

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

Consolidated Results Forecast for FY2016

(Millions of yen)

	FY2015 (A)	FY2016 1H (results)	FY2016 2H (forecast)	FY2016 forecast (B)	Change (B-A)
Net sales	139,848	66,871	70,129	137,000	-2,848
Operating income	12,347	7,273	7,727	15,000	2,653
Operating income ratio	8.8%	10.9%	11.0%	10.9%	2.1%
Other income/expenses	853	318	681	1,000	147
Ordinary income	13,201	7,592	8,408	16,000	2,799
Extraordinary loss	(1,338)	(171)	(228)	(400)	938
Income before income taxes (a)	11,863	7,420	8,180	15,600	3,737
Income taxes (b)	4,772	2,253	2,847	5,100	328
Tax rate (b)/(a)	40.2%			32.7%	-7.5%
Net income attributable to non-controlling interests	394	219	281	500	106
Net income attributable to owners of parent	6,696	4,947	5,053	10,000	3,304
<Reference>					
Average exchange rate (Yen/USD)	¥120.79	¥114.03	¥100.00		
Naphtha price (Yen/kl)	¥45,975	¥32,950	¥34,000		

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.

Consolidated Results Forecast for FY2016 (by Segment)

Net sales

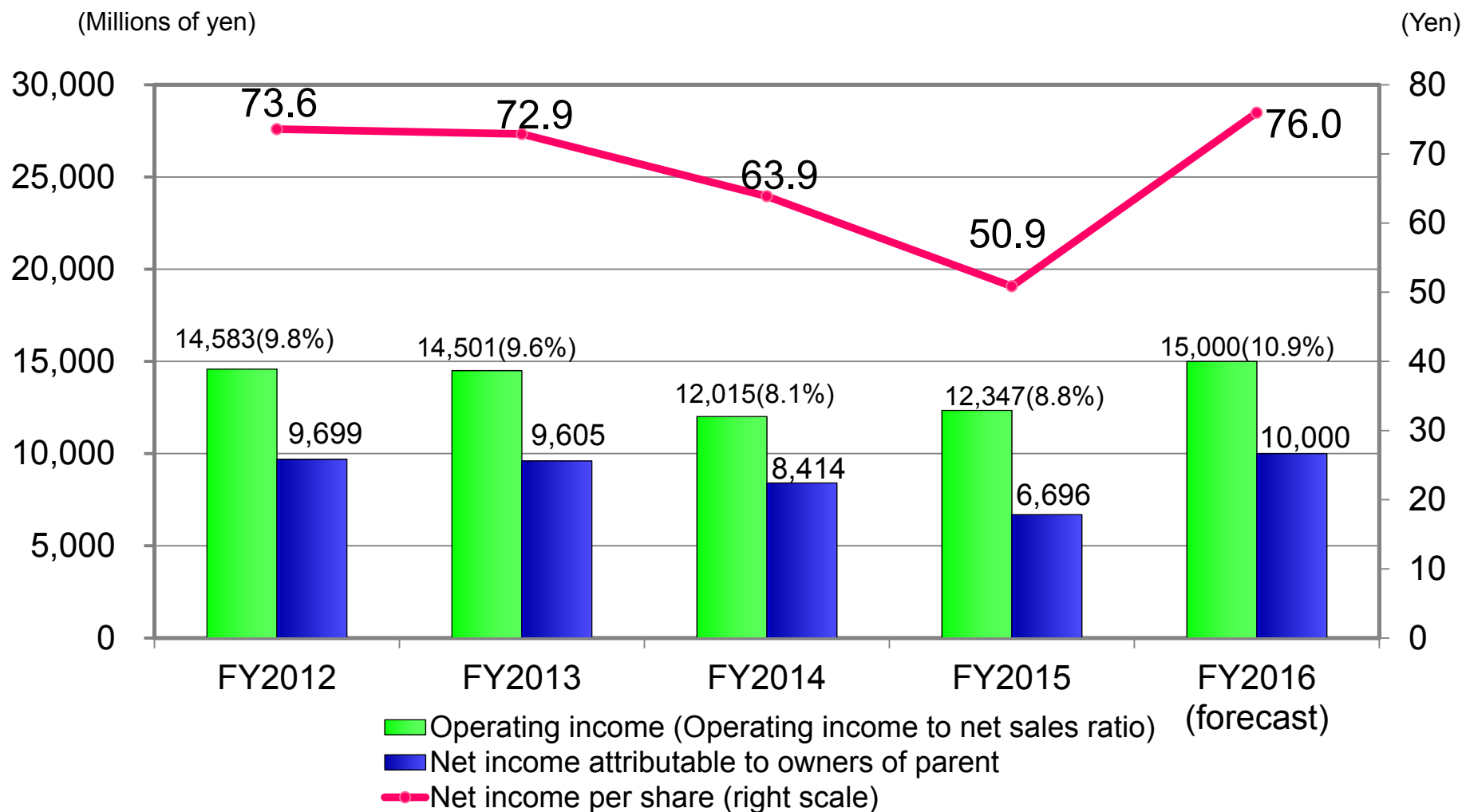
(Millions of yen)

	FY2015 results	FY2016 forecast	Change	Factors for change
Commodity Chemicals	42,458	41,900	-558	[Increase] Liquefied hydrogen chloride [Decrease] Caustic soda
Acrylic Products	52,039	49,200	-2,839	[Increase] Acrylic polymers [Decrease] Acrylate esters
Specialty Chemicals	15,410	16,100	690	[Increase] Adhesives, inorganic functional materials, electronics materials
Plastics	26,799	26,500	-299	[Increase] Elastomer compounds [Decrease] Piping equipment
Other	3,142	3,300	158	
Total	139,848	137,000	-2,848	

Operating income

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

	FY2015 results		FY2016 forecast		Change	Factors for change
Commodity Chemicals	3,368	[7.9%]	4,300	[10.3%]	932	[Increase] Caustic soda
Acrylic Products	3,210	[6.2%]	4,400	[8.9%]	1,190	[Increase] Acrylate esters, Acrylic polymers
Specialty Chemicals	4,115	[26.7%]	4,300	[26.7%]	185	[Increase] Inorganic functional materials, electronics materials
Plastics	1,501	[5.6%]	1,900	[7.2%]	399	[Increase] Life support, elastomer compounds
Other	153	-	100	-	-53	
Total	12,347	[8.8%]	15,000	[10.9%]	2,653	



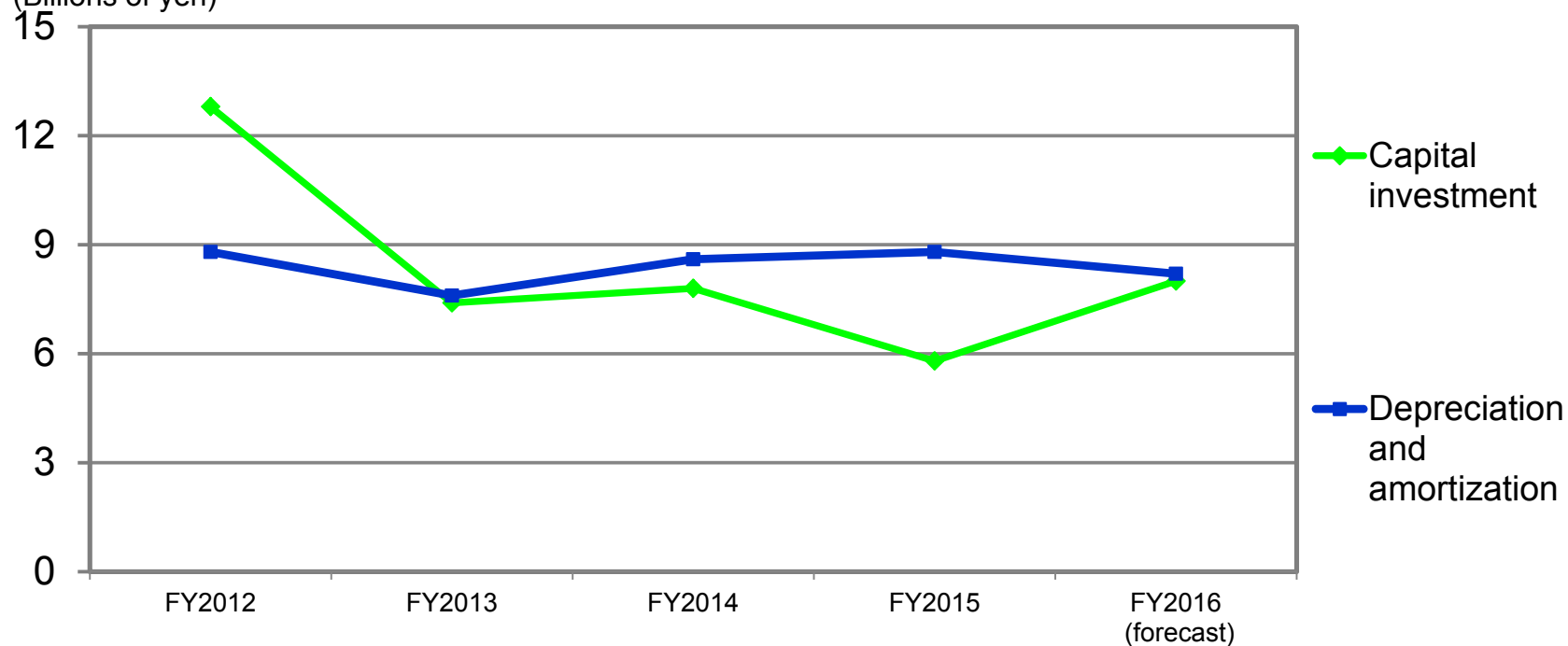
* Net income per share for FY2012 through FY2015 is calculated based on the assumption that the stock consolidation was conducted at the beginning of FY2012.

Reference for Consolidated Performance

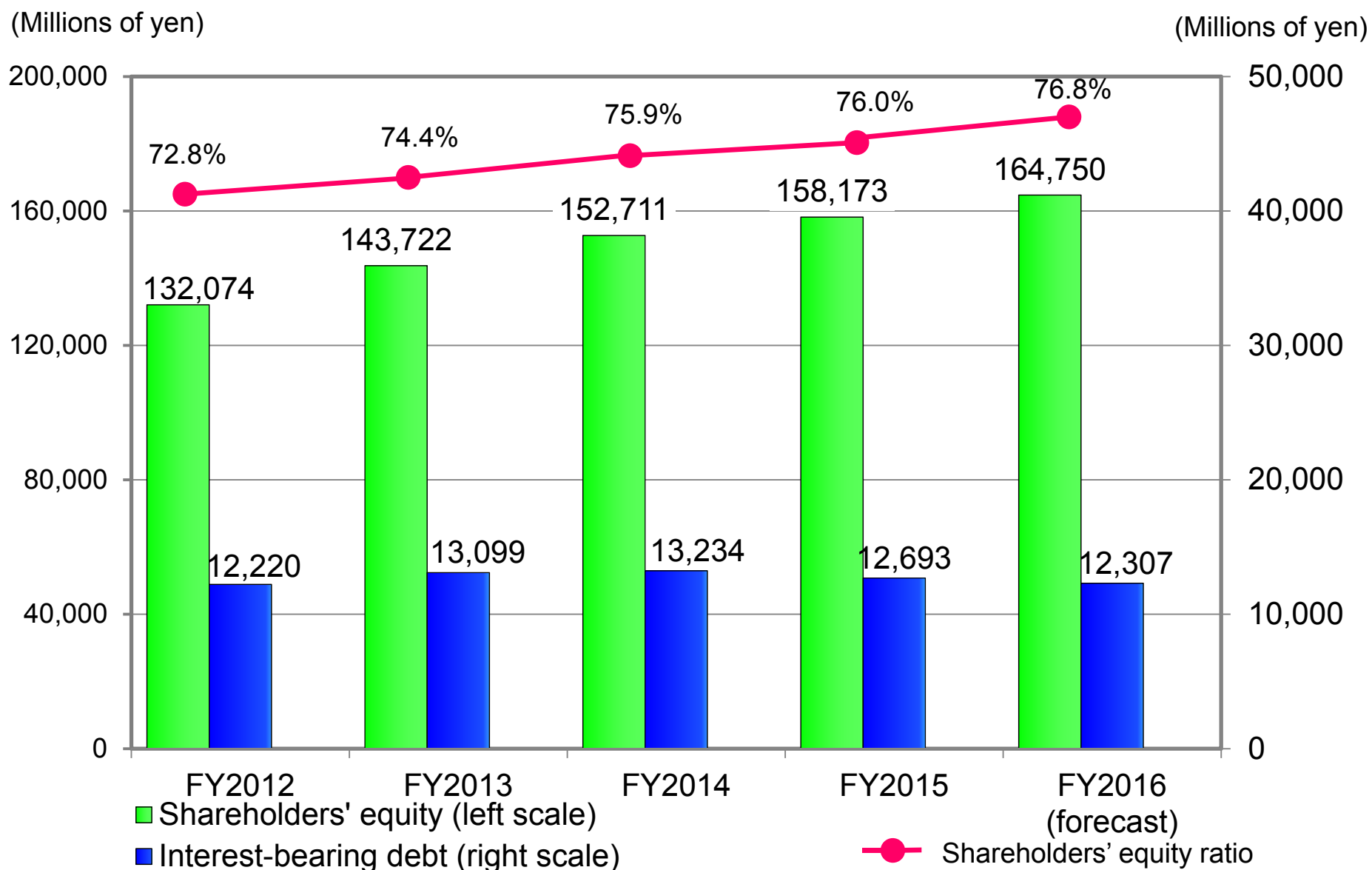
(Billions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Depreciation and amortization	8.8	7.6	8.6	8.8	8.2
Capital investment	12.8	7.4	7.8	5.8	8.0
Research and development expenses	4.4	3.8	3.9	3.7	3.7
Overseas sales	22.6	23.8	24.8	23.1	22.5
Interest-bearing debt	12.2	13.1	13.2	12.6	12.3

(Billions of yen)



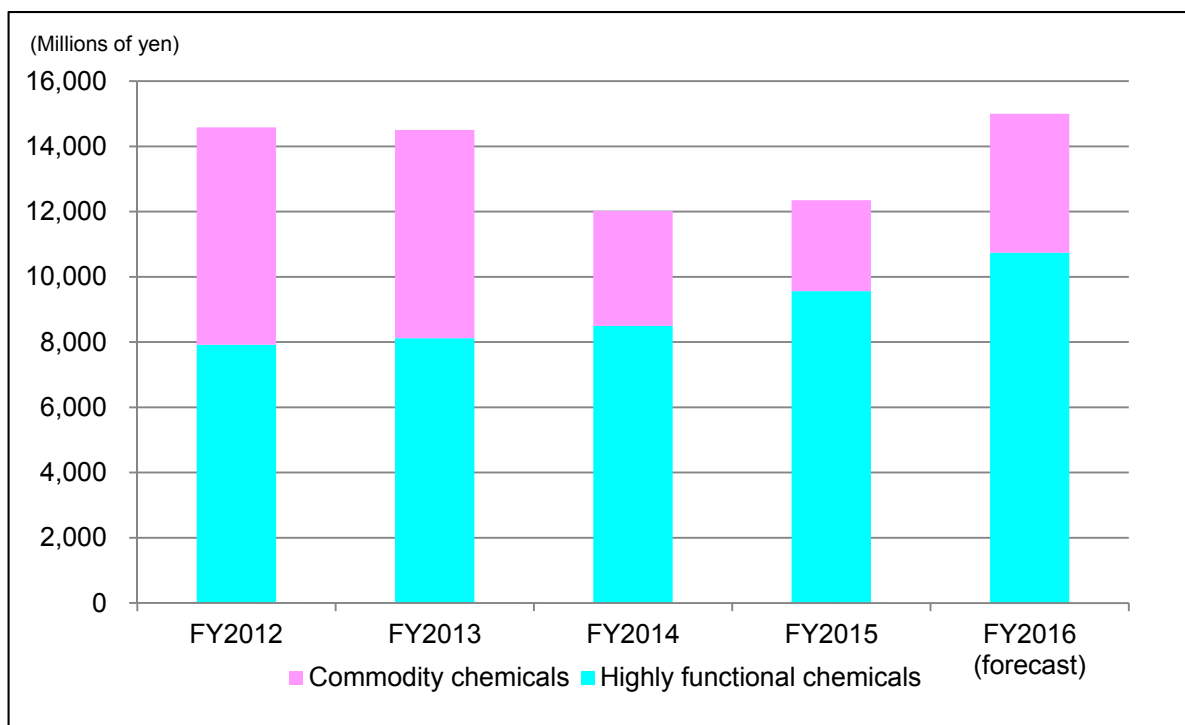
Historical Reference for Consolidated Performance



[The Company's Business Policy]

- ◆ Highly functional chemicals: Expand business by cultivating new markets and developing new products
- ◆ Commodity chemicals: Enhance earning power through rationalization and optimization and maintain the appropriate business scale

<Operating income of highly functional chemicals and commodity chemicals>



[1] Manufacturing and sales company of acrylic polymer to be established in Thailand

◆ To accelerate overseas business development of downstream acrylic products, the Company launched the Acrylic Products Overseas Expansion Project in January 2016 and began considering establishment of a new base

- [Target market]
- ① Asia: Capture growing demand in the ASEAN region in a timely manner
 - ② North America: Promote downstream acrylic products capitalizing on the business foundation of the instant glues



◆ Decision to establish Toagosei (Thailand) Co., Ltd.

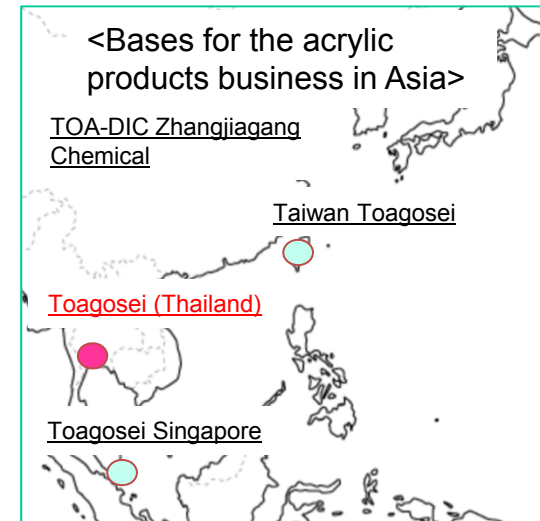
- Line of business: Manufacturing and sales of acrylic polymers
- Establishment: August 2016
- Start of operation: January 2018
- Investment: Approx. 3.0 billion yen (Phase 1)

• The project will continue examining the Phase 2 plan (expansion of production items) in the future

⇒ Future main base in Asia for highly functional, high-value-added products

<Acrylic polymers>

Compounds made from acrylic acid or acrylate esters and used for various applications, such as dispersants, adhesives and thickeners



[2] Upgrading of caustic potash electrolysis facility

◆ Upgrading of Nagoya Plant's caustic potash electrolysis facility to a state-of-the-art facility

- Start of operation: Fall 2017
- Investment: Approx. 3.0 billion yen

[Benefits of facility upgrading]

① Higher efficiency by introducing a state-of-the-art electrolysis tank

- Upgrading of the obsolete facility to a state-of-the-art manufacturing facility will lead to reduction of power consumption and improvement of cost competitiveness

② Establishment of an optimum production system for caustic potash

- Facilitate response to high-quality products such as high-purity caustic potash for semiconductor cleaning agents



"Nagoya Plant Electrolysis Reestablishment Project" launched in May 2016 to maximize the benefits and secure steady progression of the caustic potash facility upgrade

[3] Reestablishment of the production system of Aronkasei's piping equipment business

◆ **Production of injection molded products to be expanded from two plants (Kanto and Onomichi) to three plants with the addition of Nagoya Plant, equipped with a state-of-the-art facility. PVC pipe production facility to be upgraded step by step to enhance efficiency**

- Construction period: From December 2016 to the end of 2019 (in 3 phases)
- Investment: Approx. 4.0 billion yen

[Effect of reestablishment]

① Specialization of functions of each of the 3 plants

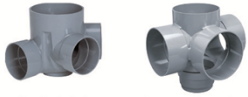
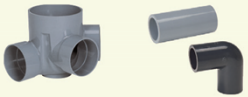
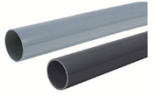



- Kanto Plant for mass production, Nagoya Plant for large products, and Onomichi Plant for high-mix, small-lot production

② Enhancement of productivity

- Introduction of a state-of-the-art injection molding production system
- Refurbishment and consolidation of the PVC pipe production line
- Automation at Kanto Plant and Onomichi Plant and other reforms

③ Enhancement of logistics efficiency

- Production of injection molded products at Nagoya Plant will allow production close to a market with many customers

Plant name	Current production items (examples)	Production items after reestablishment (examples)
Kanto Plant	 <p>Drain inlets Large-diameter rainwater inlets</p> <p>(Injection molded products)</p>	 <p>Drain inlets Joints for water supply</p> <p>(Mass-produced injection molded products)</p>
Nagoya Plant	 <p>PVC pipes and processed joints</p>	 <p>PVC pipes and processed joints Manholes Large-diameter rainwater inlets</p> <p>(Large injection molded products)</p>
Onomichi Plant	 <p>PVC lids for municipalities Assembled processed products</p>	 <p>PVC lids for municipalities Assembled processed products</p> <p>(High-mix, small-lot injection molded products)</p>