



Financial Results for FY2017

February 15, 2018

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

Scope of consolidation

Number of consolidated subsidiaries: 20 (no change)

Number of equity-method affiliates: 2 (no change from FY2016)

		FY2016	FY2017	Change	
Net sales	(Millions of yen)	135,382	144,708	9,325	6.9%
Operating income	(Millions of yen)	16,147	17,453	1,306	8.1%
Operating income ratio		11.9%	12.1%	0.2%	—
Ordinary income	(Millions of yen)	16,935	18,492	1,557	9.2%
Net income attributable to owners of parent	(Millions of yen)	13,801	12,911	-890	-6.4%
Net income per share	(Yen)	104.83	98.08	-6.75	—
Dividend (annual)	(Yen)	26.0	26.0	0.0	—

Favorable recovery of both Japanese and World economy
 Steady demand in overall Chemical Products
 Increased demand in Electronics and automobile related products



1. Accomplished increased income in all segments. Commodity Chemicals and Performance Chemicals contributed to higher operating income.
2. Second highest operating income and ordinary income in the history of the Company.
3. Actively promoted capital investment. Capital investment has doubled compared to FY2016.
4. Phase 1 project of Thailand plant is scheduled to be in operation in June 2018. Phase 2 project was determined.

Strengthening of commodity chemicals and expansion of high-value-added products are in progress steadily, preparing for business development in growing Asian market.

Consolidated Results (by Segment)

Net sales (by consolidated segment)

(Millions of yen)

	FY2016	FY2017	Changes in net sales		
			Volume	Unit price	Change
Commodity Chemicals	60,707	66,630	3,145	2,775	5,922
Polymer & Oligomer	26,715	28,096	1,548	-167	1,380
Adhesive Material	11,648	12,010	333	29	362
Performance Chemicals	6,706	7,791	1,043	41	1,085
Plastics	26,447	26,828	664	-283	380
Other	3,156	3,350	193	0	193
Total	135,382	144,708	6,928	2,396	9,325

Operating income (by consolidated segment)

(Millions of yen)

	FY2016		FY2017		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	4,652	7.7%	5,795	8.7%	1,142
Polymer & Oligomer	4,595	17.2%	4,429	15.8%	-165
Adhesive Material	2,852	24.5%	2,659	22.1%	-193
Performance Chemicals	1,784	26.6%	2,397	30.8%	613
Plastics	2,038	7.7%	1,946	7.3%	-91
Other/adjustments	223	—	224	—	1
Total	16,147	11.9%	17,453	12.1%	1,306

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

[Other income/expenses]

(Millions of yen)

	FY2016	FY2017	Change
Interest and dividend income	820	818	-1
Equity in earnings of affiliates	337	338	1
Rent income on non-current assets	92	134	42
Foreign currency exchange loss	(95)	(38)	57
Interest expense	(101)	(96)	5
Environment readiness fee	(205)	(154)	51
Cost of idle assets	(97)	(68)	29
Other	38	105	67
Total	787	1,039	251

•Equity in earnings of affiliates

(Millions of yen)

	FY2016	FY2017	Difference
Elmer's & Toagosei	326	314	-12
Chubu Liquid Oxygen	11	24	13
Total	337	338	1

[Extraordinary income/loss]

(Millions of yen)

	FY2016	FY2017	Change
Subsidy income	10	37	26
Gain on sales of non-current assets	3,685	369	-3,316
Gain on sales of investment securities	619	446	-173
Loss on disposal of non-current assets	(535)	(444)	91
Impairment loss	(19)	(205)	-186
Total	3,761	203	-3,558

•Gain on sales of non-current assets

FY2016: Idle land in Takatsuki of Aronkasei

•Gain on sales of investment securities

FY2017: Listed securities

•Impairment loss

FY2017: Idle building in Takaoka Plant, ethylene carbonate equipment

•Exchange rate (Yen/USD)

Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
120.61	116.49	112.65

Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2016	Dec. 31, 2017	Change
Cash and deposits	28,966	29,636	669
Notes and accounts receivable	40,302	42,583	2,281
Securities ①	44,000	47,000	3,000
Inventories	14,162	16,005	1,843
Other current assets	1,679	2,048	368
Non-current assets	60,454	63,168	2,714
Investment securities ②	26,983	35,238	8,255
Other non-current assets	2,971	3,657	685
Total assets	219,520	239,338	19,817
Notes and accounts payable	13,729	15,149	1,420
Bank loans and debt	12,307	12,150	-157
Accrued income taxes	4,142	2,124	-2,017
Other liabilities	16,337	22,426	6,088
Total liabilities	46,517	51,850	5,333
Total net assets ③	173,003	187,487	14,484
Total liabilities and net assets	219,520	239,338	19,817

[Balance Sheet]

- ① Part of internal reserve is held as securities.
- ② Market value of investment securities increased because of recovery of the stock market
- ③ "Retained earnings" increased as a result of recording of net income attributable to owners of parent.

Cash Flows

(Millions of yen)

	FY2016	FY2017	Change
Cash flows from operating activities ①	21,989	15,166	-6,822
Cash flows from investing activities ②	(17,673)	(23,186)	-5,513
Free cash flow	4,316	(8,020)	-12,336

- ① Increases in inventories and income taxes paid
- ② Decrease in proceeds from sales of property, plant and equipment

Overview of Consolidated Subsidiaries (Results for FY2017)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss)	
			FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
1 Toa Techno-Gas	Commodity Chemicals	100	4,557	4,672	597	542	426	386
2 (Oita Chemical)	↓	91.15	10,392	12,435	49	(3)	(59)	(60)
3 Toagosei Singapore	↓	100	6,275	7,142	(382)	222	(334)	276
4 (MT Ethylene Carbonate)	↓	90	473	504	4	4	4	(42)
5 MT AquaPolymer	Polymer & Oligomer	51	9,902	10,018	1,020	828	688	578
6 Taiwan Toagosei	↓	100	969	1,074	79	103	63	85
7 Toa-Jet Chemical	↓	51	994	1,305	79	37	68	27
8 TOA-DIC Zhangjiagang Chemical	↓	76.12	1,505	1,659	175	121	139	103
9 Toagosei (Thailand)	↓	100	-	-	(12)	(83)	(12)	(84)
10 Toagosei America	Adhesive Material	100	2,398	2,083	298	202	266	437
11 (Aron Packaging)	↓	100	264	269	(8)	7	(6)	4
12 Toagosei Hong Kong	↓	100	318	343	48	47	40	133
13 Toagosei (Zhuhai)	↓	100	364	421	72	88	55	56
14 Aronkasei	Plastics	100	26,448	26,848	2,115	1,947	3,774	1,380
15 TOA Kogyo	Other	100	1,054	1,010	0	6	3	7
16 Toa Business Associe	↓	100	1,090	1,086	110	53	73	31
17 TG Corporation	↓	100	12,051	12,499	359	377	236	229
18 (Toa Logistics)	↓	100	5,058	5,087	42	19	21	12
19 (Shikoku Toa Logistics)	↓	70	1,088	1,193	4	12	3	9
20 (Hokuriku Toa Logistics)	↓	90	233	238	1	1	1	1
Simple aggregation			85,433	89,886	4,650	4,530	5,449	3,568

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

Both Japanese and World economy continues to recover, and strong demand is expected in Chemicals.

However, prices of resources including crude oil will definitely rise, thus price adjustment is inevitable.

Burden of depreciation and amortization of capital investment is expected to increase.



“2018 is the year of Endurance”

High level of capital investment will continue.

Promote early contribution of new and expanded facilities to profits, and improvement of operational efficiency and streamlining in all directions.

**Preparing to spur on business
for 75th anniversary in 2019.**

Consolidated Results Forecast for FY2018

(Millions of yen)

	FY2017 (A)	FY2018 1H (forecast)	FY2018 2H (forecast)	FY2018 forecast (B)	Change (B-A)
Net sales	144,708	72,000	77,000	149,000	4,292
Operating income	17,453	8,300	9,200	17,500	47
Operating income ratio	12.1%	11.5%	11.9%	11.7%	-0.4%
Other income/expenses	1,039	500	200	700	-339
Ordinary income	18,492	8,800	9,400	18,200	-292
Extraordinary income (loss)	203	200	600	800	597
Income before income taxes (a)	18,695	9,000	10,000	19,000	305
Income taxes (b)	5,445	2,700	3,100	5,800	355
Tax rate (b)/(a)	29.1%			30.5%	1.4%
Net income attributable to non-controlling interests	339	100	100	200	-139
Net income attributable to owners of parent	12,911	6,200	6,800	13,000	89
Dividend (Yen)	26.00	14.00	14.00	28.00	2.00
<Reference>					
Average exchange rate (Yen/USD)	¥112.65			¥110.00	
Naphtha price (Yen/kl)	¥40,425			¥50,000	

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 FY2018 (by Segment)

Net sales

(Millions of yen)

	FY2017 results	FY2018 forecast	Change	Factors for change
Commodity Chemicals	66,630	66,700	70	[Increase] Caustic soda [Decrease] Industrial gas
Polymer & Oligomer	28,096	29,400	1,304	[Increase] Acrylic polymer, polymer flocculants, UV-curable resin
Adhesive Material	12,010	12,700	690	[Increase] Functional adhesives, instant glues
Performance Chemicals	7,791	8,300	509	[Increase] Liquefied hydrogen chloride
Plastics	26,828	28,400	1,572	[Increase] Piping equipment
Other	3,350	3,500	150	
Total	144,708	149,000	4,292	

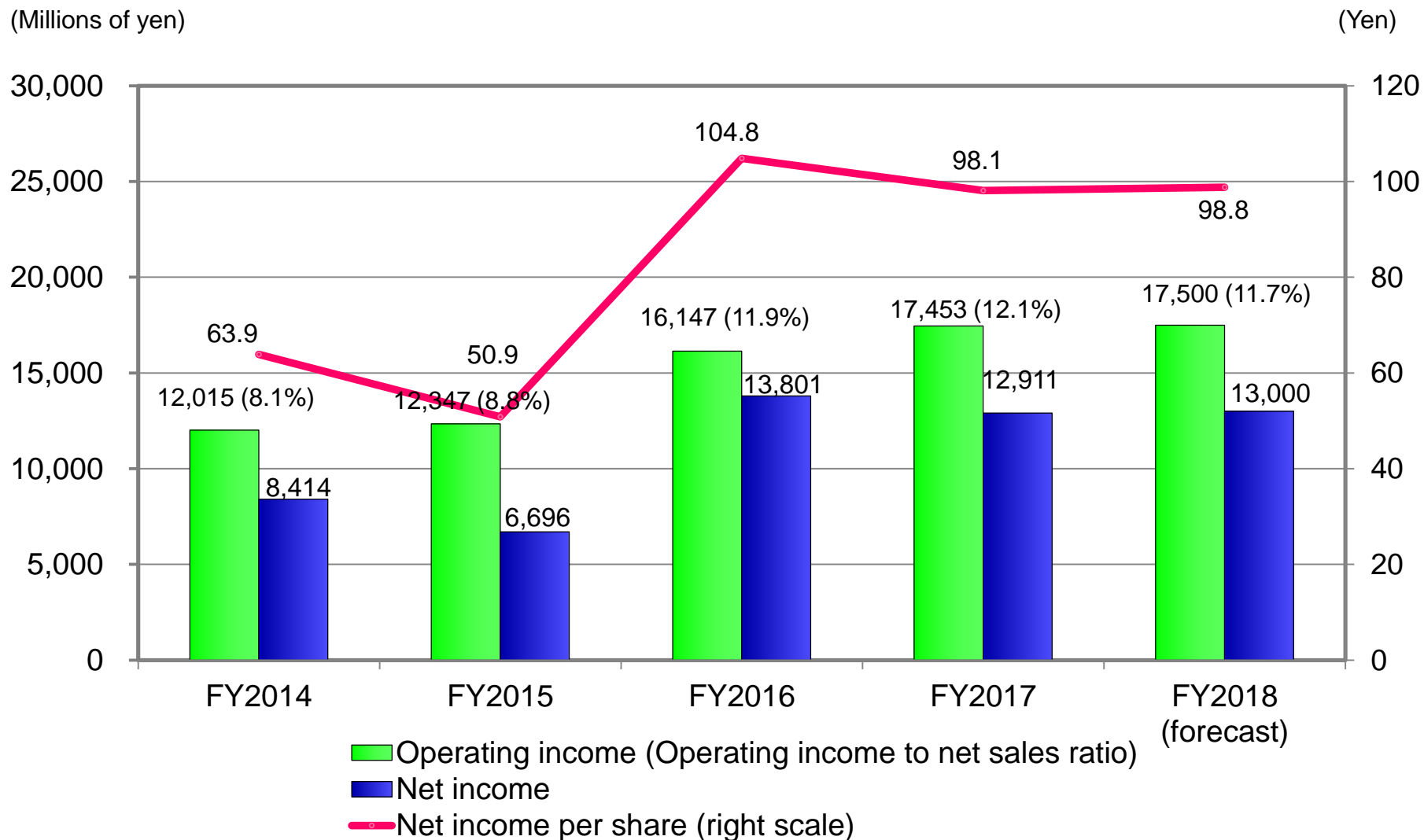
Operating income

Figures in square brackets are operating income

(Millions of yen)

	FY2017 results	FY2018 forecast	Change	Factors for change
Commodity Chemicals	5,795 [8.7%]	5,600 [8.4%]	-195	[Increase] Caustic soda [Decrease] Acrylic monomer, industrial gas
Polymer & Oligomer	4,429 [15.8%]	4,200 [14.3%]	-229	[Decrease] Polymer flocculants
Adhesive Material	2,659 [22.1%]	2,900 [22.8%]	240	[Increase] Functional adhesives, instant glues
Performance Chemicals	2,397 [30.8%]	2,500 [30.1%]	102	[Increase] Liquefied hydrogen chloride
Plastics	1,946 [7.3%]	2,000 [7.0%]	53	[Increase] Construction and civil engineering products
Other	224 -	300 -	76	
Total	17,453 [12.1%]	17,500 [11.7%]	47	

Historical Consolidated Results

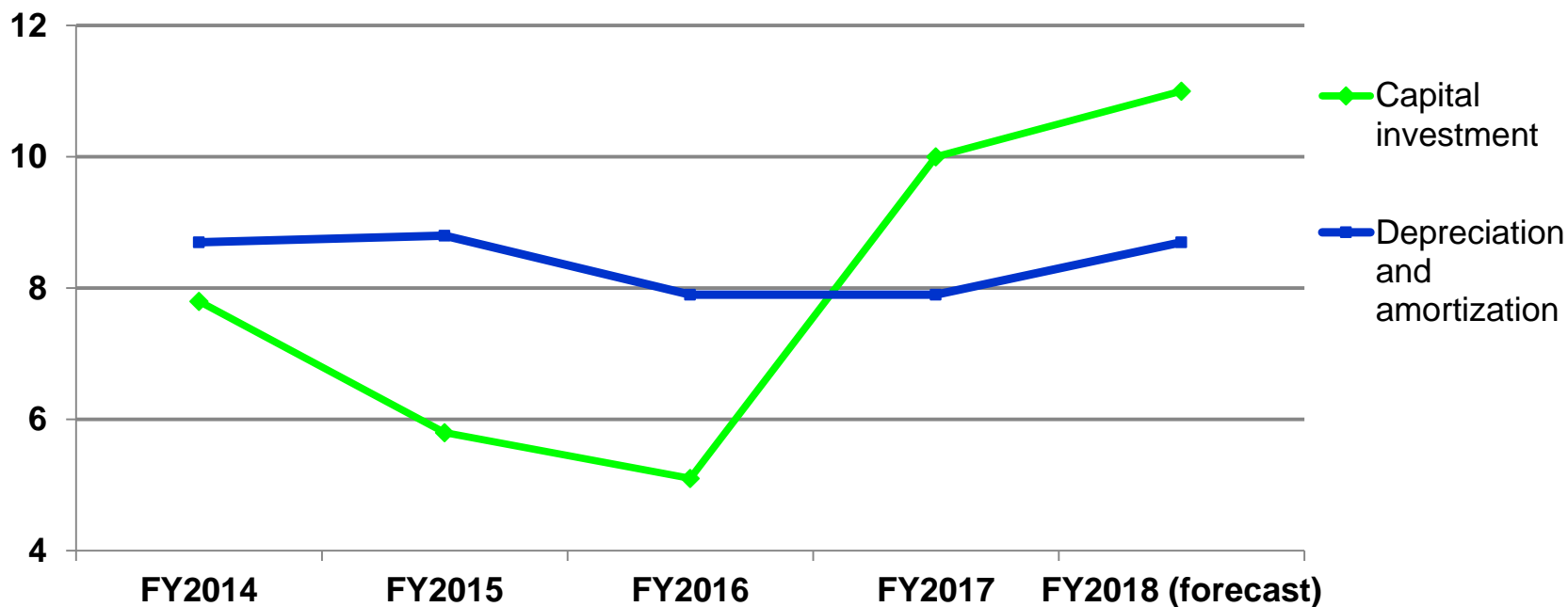


* The Company conducted a 1-for-2 stock consolidation of its common stock whose effective date was July 1, 2015. Net income per share is calculated based on the assumption that the stock consolidation was conducted at the beginning of each fiscal year.

(Billions of yen)

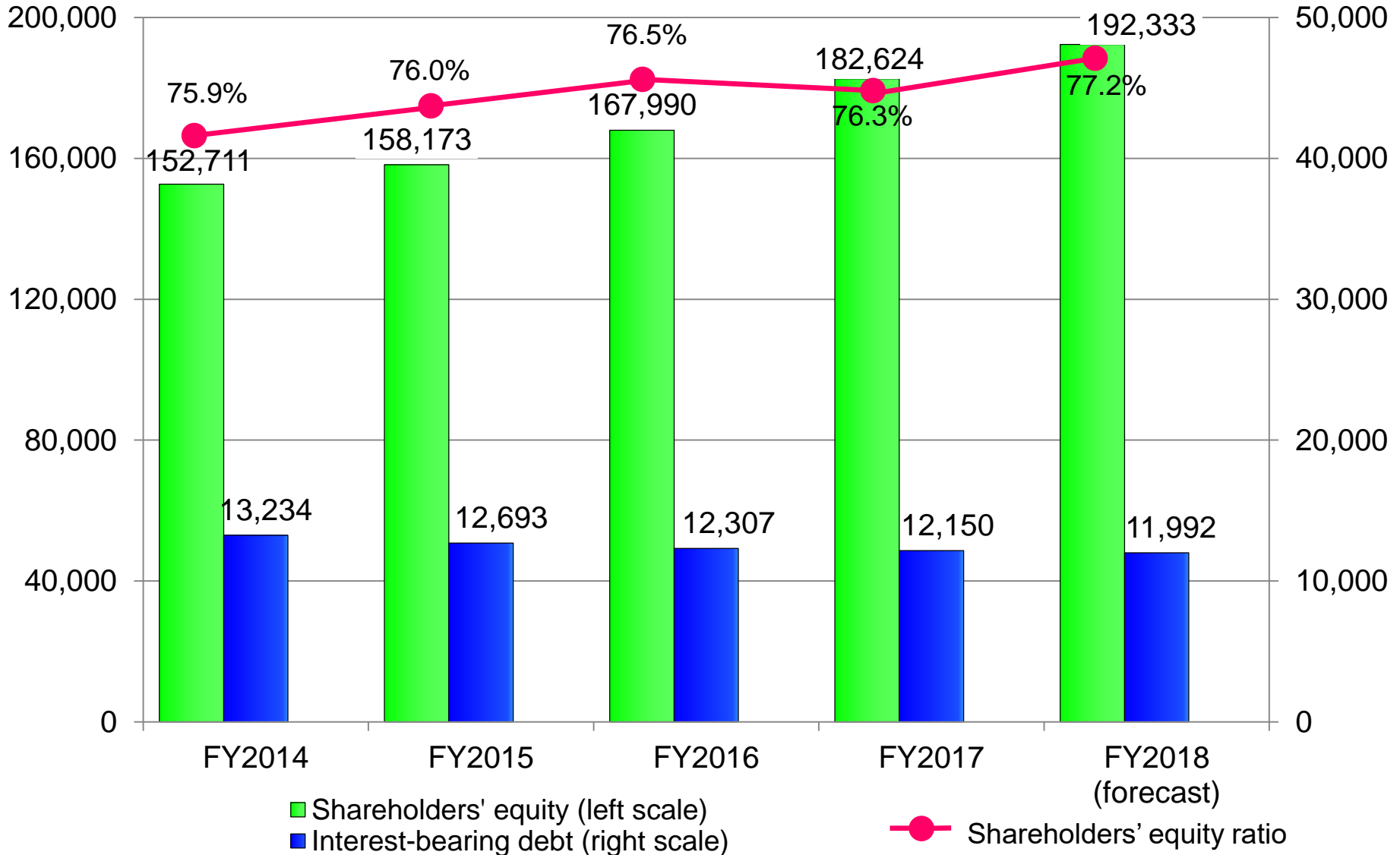
	FY2014	FY2015	FY2016	FY2017	FY2018 forecast
Depreciation and amortization	8.6	8.8	7.9	7.9	8.7
Capital investment	7.8	5.8	5.1	10.0	11.0
Research and development expenses	3.9	3.7	3.6	3.7	3.9
Overseas sales	24.8	23.1	21.6	24.2	23.0
Interest-bearing debt	13.2	12.6	12.3	12.1	11.9

(Billions of yen)



(Millions of yen)

(Millions of yen)



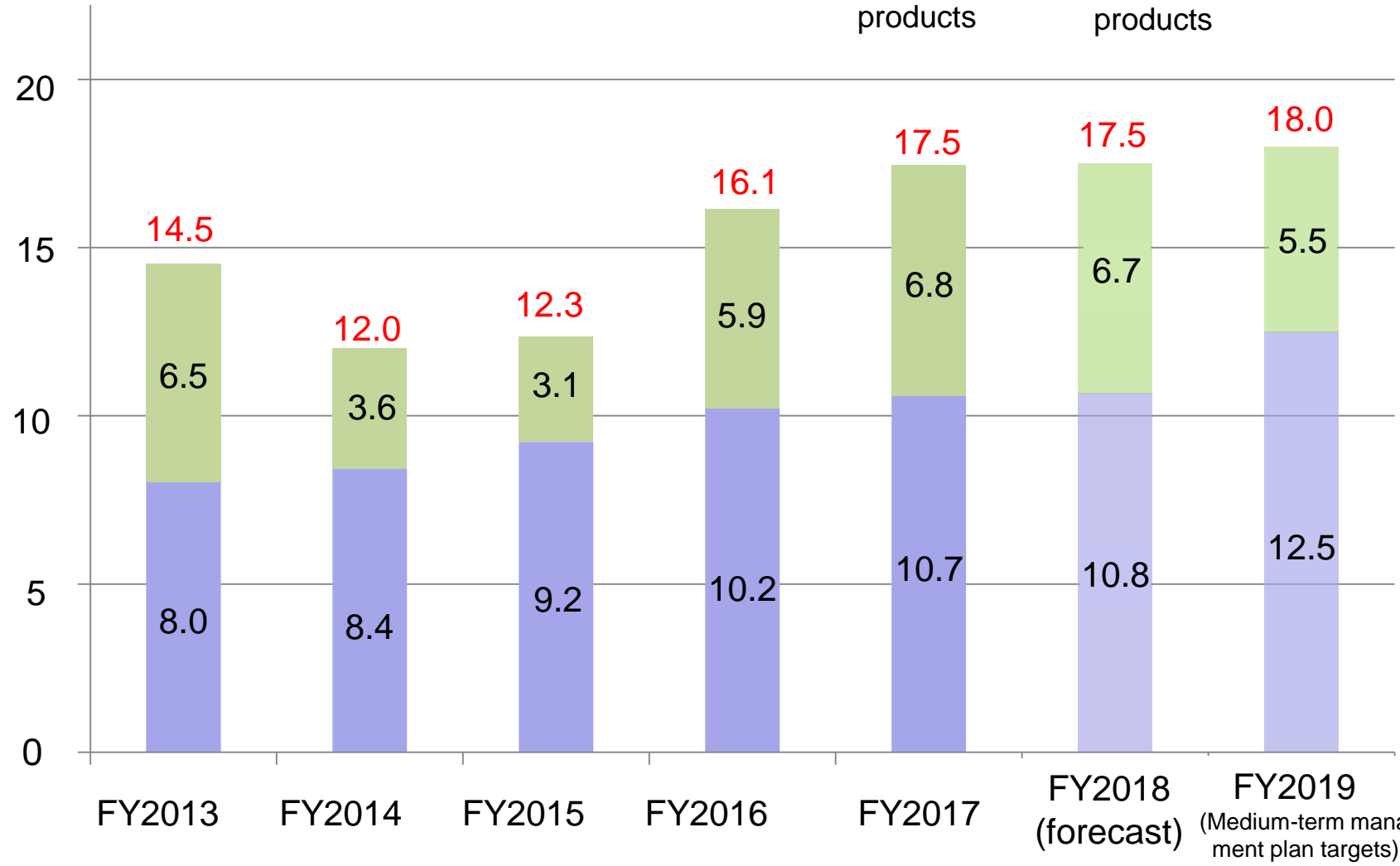
(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss)	
			FY2017	FY2018 forecast	FY2017	FY2018 forecast	FY2017	FY2018 forecast
1 Toa Techno-Gas	Commodity Chemicals	100	4,672	4,469	542	369	386	267
2 (Oita Chemical)	↓	91.15	12,435	12,669	(3)	(31)	(60)	(129)
3 Toagosei Singapore	↓	100	7,142	4,862	222	(248)	276	(248)
4 (MT Ethylene Carbonate)	↓	90	504	550	4	4	(42)	4
5 MT AquaPolymer	Polymer & Oligomer	51	10,018	10,288	828	589	578	414
6 Taiwan Toagosei	↓	100	1,074	1,104	103	106	85	106
7 Toa-Jet Chemical	↓	51	1,305	1,597	37	55	27	47
8 TOA-DIC Zhangjiagang Chemical	↓	76.12	1,659	1,760	121	113	103	84
9 Toagosei (Thailand)	↓	100	-	330	(83)	(180)	(84)	(243)
10 Toagosei America	Adhesive materials	100	2,083	2,181	202	219	437	172
11 (Aron Packaging)	↓	100	269	279	7	9	4	9
12 Toagosei Hong Kong	↓	100	343	329	47	44	133	37
13 Toagosei (Zhuhai)	↓	100	421	477	88	69	56	48
14 Aronkasei	Plastics	100	26,848	28,368	1,947	2,010	1,380	1,420
15 Toa Kogyo	Other	100	1,010	991	6	6	7	7
16 Toa Business Associe	↓	100	1,086	1,106	53	116	31	80
17 TG Corporation	↓	100	12,499	12,337	377	370	229	261
18 (Toa Logistics)	↓	100	5,087	5,239	19	9	12	6
19 (Shikoku Toa Logistics)	↓	70	1,193	1,255	12	9	9	7
20 (Hokuriku Toa Logistics)	↓	90	238	248	1	1	1	0
Simple aggregation			89,886	90,439	4,530	3,639	3,568	2,349

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

(Billions of yen)

■ Commodity products ■ High-value-added products



Strengthened businesses supporting the management base

Starting anew caustic potash plant in energy-saving electrolytic cells

- Significantly upgraded response capabilities towards quality needs of customers, such as high-purity products for cleansing semiconductors.
- Achieved high-efficiency facilities based on the concept of the world’s top-level electrolysis technology for caustic potash.



November 2017 - Powering up the new facilities

A new plant for Aronkasei’s piping equipment business to commence operations in Spring 2018

- Integrated and restructured 3 plants used as bases for producing piping equipment. Newly established state-of-the-art injection-molding and extrusion-molding facilities in Nagoya. Proceeded with the enhancement of production efficiency by revising and optimizing the production line, and strengthened the management base.

Aronkasei Nagoya Plant - New production building



Expanding businesses with core roles in the growth strategy

Projects in Toagosei (Thailand)

Phase 1 project

Acrylic polymer plant under construction

- Products: Materials for cosmetics, etc.
- Start of operation: June 2018



Example uses of acrylic polymer



Example uses of elastomers

Phase 2 project

New elastomer plant and sales base to be established

- Products: Various styrene-based elastomers marketing in the fields of home electronics, automobiles, foods, general goods, etc. is in-progress
- Start of construction: September 2018 (plan)
- Start of operation: the end of 2019



New Thailand plant under speedy construction

Sales expansion of Automobile-related line-ups

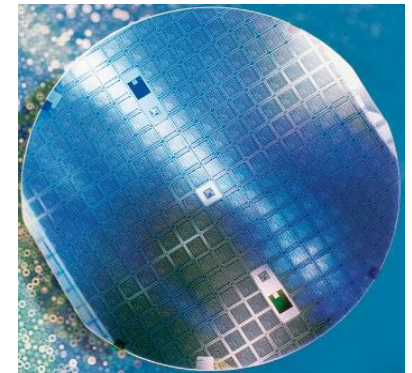
We will speedily develop products that meet user needs of lightweight vehicles and electrification, such as resin sheet alternative to glass, adhesives for different materials, materials for electric parts and materials for lithium ion batteries.



Strengthening of high-functional line-ups for semiconductors

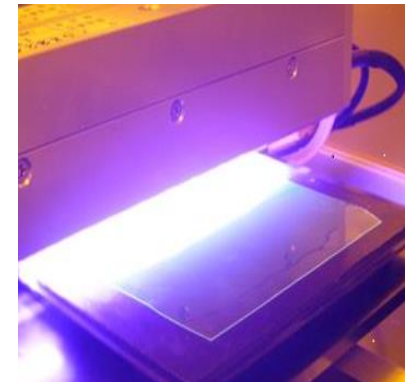
As one of the leading manufacturers, we respond to market needs for higher quality and productivity with our performance chemicals, such as liquefied hydrogen chloride.

We will strengthen precision products, such as IC encapsulant ion catchers and silicon wafer chemical mechanical polishing.



Cultivation of the cosmetics materials business

Utilizing the Company’s technology, we are planning a full-fledged expansion into the cosmetics-related market with our functional powder polymer.



Further downstream development

We shall accelerate the film sheet processing business for adhesive materials, aiming for material development synergy.

Office and logistics department

- Integrate office processing work in the Toagosei group to a shared services company, Toa Business Associe Co., Ltd., to make indirect department more efficient and streamlined.
- Vigorously promote various quality management measures including prevention of foreign material intrusion into transport vehicles and containers towards quality enhancement of high-purity products.

Sales department

- New SFA (Sales Force Automation) to be introduced to support sales.

HR and HR development department

- Establish a new section, “Health Management Promotion Section” as a health management promotion department of the Company.
- Expand job fields available to women and bolster human resources development programs.