



# Financial Results for FY2018

**February 15, 2019**

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

## Scope of consolidation

Number of consolidated subsidiaries: 21 (increase of 1 from FY2017:

Aronkasei (Thailand) Co., Ltd. established in July 2018)

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

		FY2017	FY2018	Change	
Net sales	(Millions of yen)	144,708	150,066	5,358	3.7%
Operating income	(Millions of yen)	17,453	16,408	-1,044	-6.0%
Operating income ratio		12.1%	10.9%	-1.2%	—
Ordinary income	(Millions of yen)	18,492	17,403	-1,089	-5.9%
Net income attributable to owners of parent	(Millions of yen)	12,911	12,748	-162	-1.3%
Net income per share	(Yen)	98.08	96.85	-1.23	—
Interim dividend [annual dividend]	(Yen)	26.0	28.0	2.0	—

## <Business Environment>

- The Japanese economy continued a mild recovery although economic growth lacked vigor.
- The outlook for global economy was increasingly uncertain due to the expanding trade war between the U.S. and China, among other factors.
- The rising price of oil turned around and dropped sharply in the 4th quarter.

## <Financial Results for FY2018>

1. Income increased but profit decreased due to factors including worsening profitability of acrylic monomers, acrylic downstream products, and piping equipment products as well as a decline in sales of functional adhesives, despite factors contributing to increased profit, namely the price adjustment of caustic soda and an increase in sales of high-purity inorganic chemicals.
2. New and expanded facilities in Japan and overseas commenced operations sequentially.

**Shift to high-value-added products and strengthening of overseas expansion progressed steadily.**

**Investment projects are expected to contribute to profits from the next fiscal year onwards.**

# Consolidated Results (by Segment)

## Net sales (by consolidated segment)

(Millions of yen)

	FY2017	FY2018	Changes in net sales		
			Volume	Unit price	Change
Commodity Chemicals	66,630	69,908	-1,870	5,148	3,278
Polymer & Oligomer	28,096	29,506	1,184	225	1,409
Adhesive Material	12,010	11,914	-66	-30	-96
Performance Chemicals	7,791	8,095	317	-14	303
Plastics	26,828	27,167	300	38	338
Other	3,350	3,474	124	0	124
<b>Total</b>	<b>144,708</b>	<b>150,066</b>	<b>-9</b>	<b>5,367</b>	<b>5,358</b>

## Operating income (by consolidated segment)

(Millions of yen)

	FY2017		FY2018		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	5,795	8.7%	6,654	9.5%	859
Polymer & Oligomer	4,429	15.8%	2,977	10.1%	-1,452
Adhesive Material	2,659	22.1%	2,567	21.5%	-92
Performance Chemicals	2,397	30.8%	2,548	31.5%	151
Plastics	1,946	7.3%	1,427	5.3%	-519
Other/adjustments	224	—	233	—	9
<b>Total</b>	<b>17,453</b>	<b>12.1%</b>	<b>16,408</b>	<b>10.9%</b>	<b>-1,044</b>

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

### [Other income/expenses]

(Millions of yen)

	FY2017	FY2018	Change
Interest and dividend income	818	868	50
Equity in earnings of affiliates	338	165	-173
Rent income on non-current assets	134	237	103
Miscellaneous income	180	215	35
Foreign currency exchange loss	(38)	(100)	-62
Interest expense	(96)	(90)	6
Environment readiness fee	(154)	(135)	19
Cost of idle assets	(68)	(62)	6
Miscellaneous expenses	(75)	(103)	-28
<b>Total</b>	<b>1,039</b>	<b>995</b>	<b>-44</b>

#### • Equity in earnings of affiliates

(Millions of yen)

	FY2017	FY2018	Difference
Elmer's & Toagosei	314	177	-137
Chubu Liquid Oxygen	24	(12)	-36
<b>Total</b>	<b>338</b>	<b>165</b>	<b>-173</b>

### [Extraordinary income/loss]

(Millions of yen)

	FY2017	FY2018	Change
Gain on sales of non-current assets	369	5	-364
Gain on sales of investment securities	446	3	-443
Subsidy income	37	325	288
Loss on disposal of non-current assets	(444)	(240)	204
Impairment loss/Loss on sales of shares of subsidiaries and associates	(205)	(5)	200
<b>Total</b>	<b>203</b>	<b>89</b>	<b>-114</b>

#### • Subsidy income

FY2018: Subsidy to promote energy-efficient investment

#### • Exchange rate (Yen/USD)

Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2018
113.00	110.54	111.00

# Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2017	Dec. 31, 2018	Change
Cash and deposits	29,636	32,676	3,040
Notes and accounts receivable	42,583	45,154	2,571
Securities	47,000	46,000	-1,000
Inventories	16,005	16,541	536
Other current assets	2,048	2,338	290
Non-current assets	63,168	67,723	4,555
Investment securities ①	35,238	27,792	-7,446
Other non-current assets	3,657	3,747	90
<b>Total assets</b>	<b>239,338</b>	<b>241,971</b>	<b>2,633</b>
Notes and accounts payable	15,149	16,472	1,323
Bank loans and debt	12,150	11,692	-458
Accrued income taxes	2,124	2,864	740
Other liabilities ②	22,426	19,647	-2,779
<b>Total liabilities</b>	<b>51,850</b>	<b>50,675</b>	<b>-1,175</b>
<b>Total net assets ③</b>	<b>187,487</b>	<b>191,296</b>	<b>3,809</b>
<b>Total liabilities and net assets</b>	<b>239,338</b>	<b>241,971</b>	<b>-2,633</b>

## [Balance Sheet]

① Market value of investment securities decreased because of a downturn of the stock market.

② Deferred tax liabilities decreased due to a decrease in the value of securities held.

③ Retained earnings increased by 9,194 million yen.

## Cash Flows

(Millions of yen)

	FY2017	FY2018	Change
Cash flows from operating activities	15,166	19,841	4,675
Cash flows from investing activities	(23,186)	(11,910)	11,276
Free cash flow	(8,020)	7,931	15,951

## Overview of Consolidated Subsidiaries (Results for FY2018)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
1 Toa Techno-Gas	Commodity Chemicals	100	4,672	4,940	542	634	386	449
2 (Oita Chemical)	↓	91.15	12,435	14,784	(3)	27	(60)	(64)
3 Toagosei Singapore	↓	100	7,142	5,036	222	(170)	276	(96)
4 (MT Ethylene Carbonate)	↓	90	504	586	4	6	(42)	5
5 MT AquaPolymer	Polymer & Oligomer	51	10,018	10,640	828	480	578	342
6 Taiwan Toagosei	↓	100	1,074	1,116	103	62	85	46
7 Toa-Jet Chemical	↓	51	1,305	1,773	37	53	27	57
8 TOA-DIC Zhangjiagang Chemical	↓	76.12	1,659	1,716	121	114	103	91
9 Toagosei (Thailand)	↓	100	-	0	(80)	(247)	(81)	(285)
10 Toagosei America	Adhesive Material	100	2,083	1,855	202	141	438	118
11 (Aron Packaging)	↓	100	269	277	7	16	4	11
12 Toagosei Hong Kong	↓	100	343	317	47	32	133	79
13 Toagosei (Zhuhai)	↓	100	421	435	88	105	56	77
14 Aronkasei	Plastics	100	26,848	27,190	1,947	1,448	1,380	1,061
15 Aronkasei (Thailand)	↓	100	-	-	-	(11)	-	(11)
16 TOA Kogyo	Other	100	1,010	991	6	(2)	7	2
17 Toa Business Associe	↓	100	1,086	1,950	53	106	31	67
18 TG Corporation	↓	100	12,499	12,278	378	351	259	239
19 (Toa Logistics )	↓	100	5,087	1,448	19	8	12	21
20 (Shikoku Toa Logistics )	↓	70	1,193	1,276	12	5	9	4
21 (Hokuriku Toa Logistics)	↓	90	238	152	1	0	1	0
Simple aggregation			89,886	88,760	4,534	3,158	3,602	2,213

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

Changes in the external environment such as growing trade protectionism and Brexit are likely to become destabilizing factors in the global economy.



**Continue to improve productivity through high level of capital investment and operational reform.**

**Revise corporate philosophy on the occasion of the 75th anniversary and strengthen management foundation for the next medium-term management plan.**

## <Public Announcements>

**November 19, 2018: Increased number of outside directors and revised Toagosei Group's corporate philosophy**

**December 19, 2018: Partial revision of Toagosei Group Basic Policy on Corporate Governance**

**February 13, 2019: Discontinuation (abolishment) of takeover defense measures  
Partial revision of Articles of Incorporation**



# Consolidated Results Forecast for FY2019

(Millions of yen)

	FY2018 (A)	FY2019 1H (forecast)	FY2019 2H (forecast)	FY2019 forecast (B)	Change (B-A)
Net sales	150,066	73,000	77,000	150,000	-66
Operating income	16,408	7,700	8,800	16,500	92
Operating income ratio	10.9%	10.5%	11.4%	11.0%	0.1%
Other income/expenses	994	600	500	1,100	106
Ordinary income	17,403	8,300	9,300	17,600	197
Extraordinary income (loss)	88	(100)	(200)	(300)	-388
Income before income taxes (a)	17,491	8,200	9,100	17,300	-191
Income taxes (b)	4,532	2,400	2,700	5,100	-568
Tax rate (b)/(a)	25.9%			29.5%	3.6%
Net income attributable to non-controlling interests	210	100	200	300	90
Net income attributable to owners of parent	12,748	5,700	6,200	11,900	-848
Dividend (Yen)	28.00	15.00	15.00	30.00	2.00
<Reference>					
Average exchange rate (Yen/USD)	¥110.49			¥113.00	
Naphtha price (Yen/kl)	¥51,075			¥39,000	

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 FY2019 (by Segment)

### Net sales

(Millions of yen)

	FY2018 results	FY2019 forecast	Change	Factors for change
Commodity Chemicals	69,908	66,100	-3,808	[Decrease] Caustic soda, acrylic monomer, industrial gases
Polymer & Oligomer	29,506	30,800	1,294	[Increase] Acrylic polymer, flocculants, oligomer
Adhesive Material	11,914	12,800	886	[Increase] Functional adhesives, instant glues
Performance Chemicals	8,095	8,800	705	[Increase] High-purity inorganic chemicals, inorganic functional materials
Plastics	27,167	28,000	833	[Increase] Piping equipment, elastomer compounds
Other	3,474	3,500	26	
<b>Total</b>	<b>150,066</b>	<b>150,000</b>	<b>-66</b>	

### Operating income

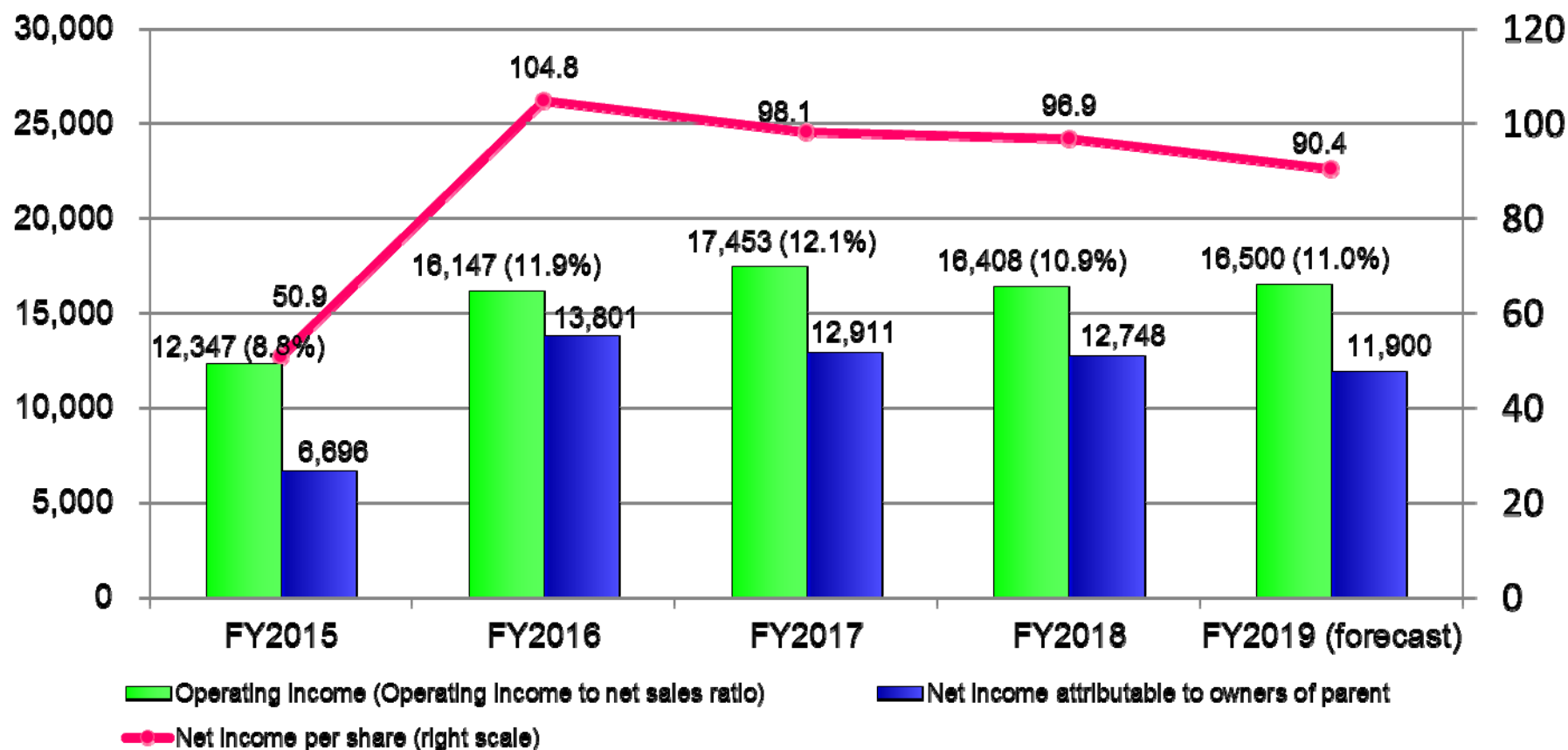
Figures in square brackets are operating income ratio.

(Millions of yen)

	FY2018 results		FY2019 forecast		Change	Factors for change
Commodity Chemicals	6,654	(9.5%)	5,800	(8.8%)	-854	[Decrease] Caustic soda, acrylic monomer, industrial gases
Polymer & Oligomer	2,977	(10.1%)	3,400	(11.0%)	423	[Increase] Acrylic polymer, flocculants, oligomer
Adhesive Material	2,567	(21.5%)	2,500	(19.5%)	-67	[Decrease] Functional adhesives
Performance Chemicals	2,548	(31.5%)	2,700	(30.7%)	152	[Increase] High-purity inorganic chemicals, inorganic functional materials
Plastics	1,427	(5.3%)	1,900	(6.8%)	473	[Increase] Piping equipment, construction and civil engineering products
Other	233	-	200	-	-33	
<b>Total</b>	<b>16,408</b>	<b>(10.9%)</b>	<b>16,500</b>	<b>(11.0%)</b>	<b>92</b>	

(Millions of yen)

(Yen  
)



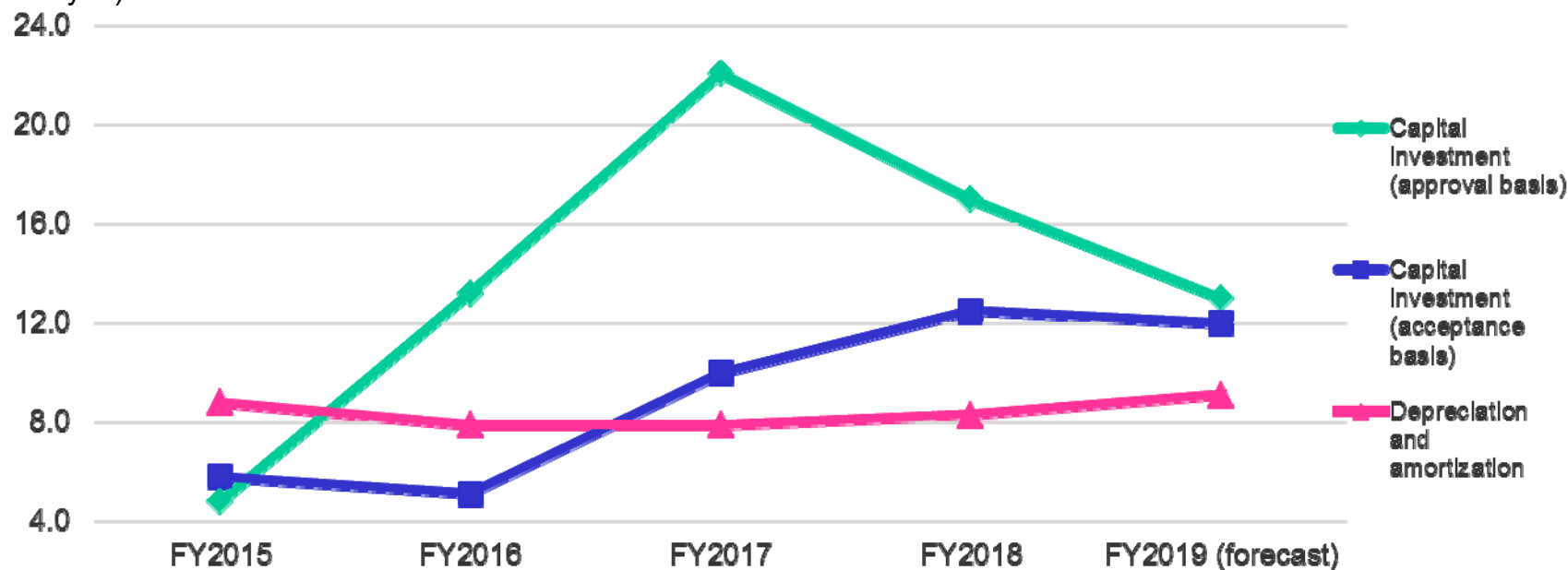
\* The Company conducted a 1-for-2 stock consolidation of its common stock whose effective date was July 1, 2015. Net income per share is calculated based on the assumption that the stock consolidation was conducted at the beginning of each fiscal year.

# Reference for Consolidated Performance

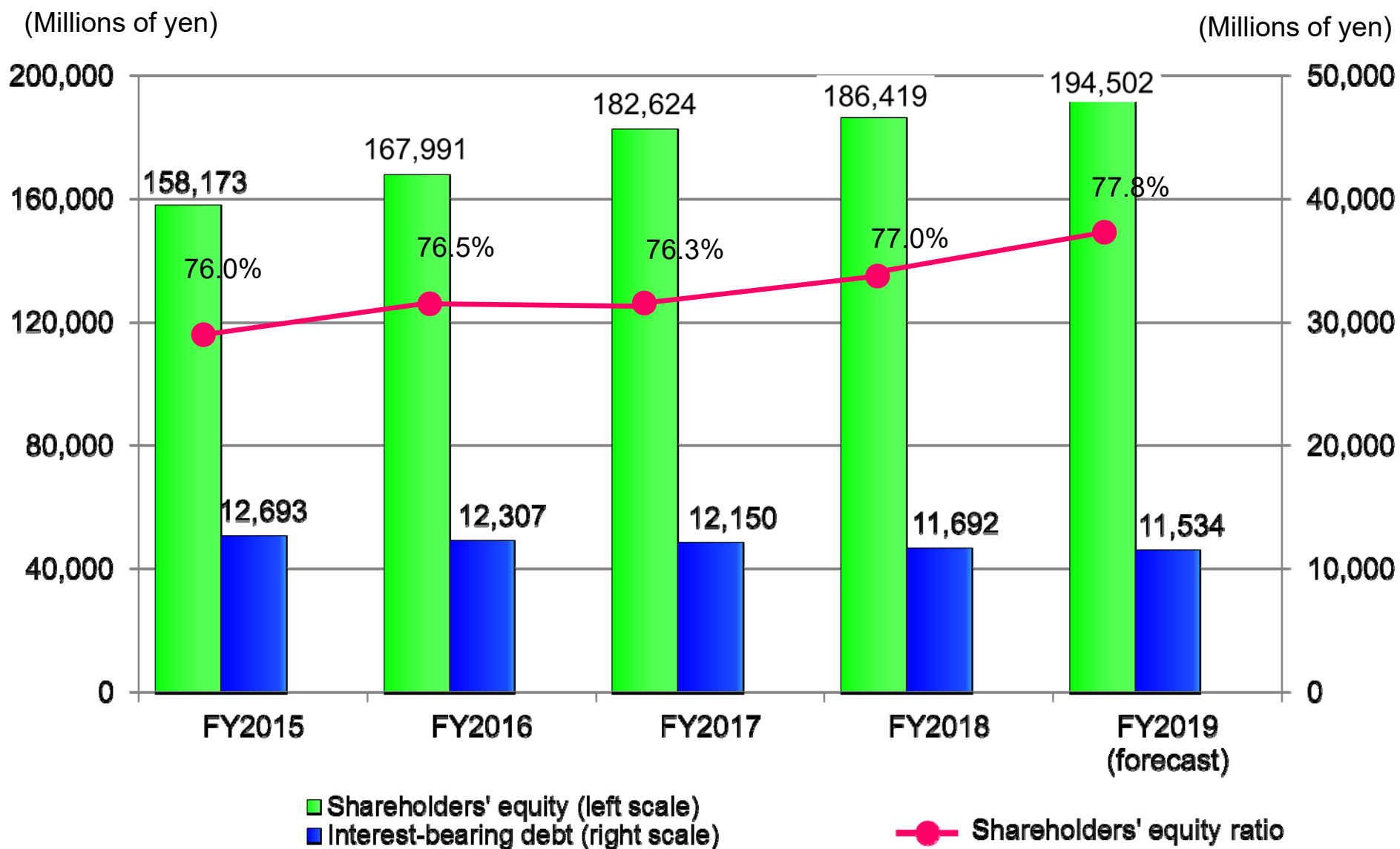
(Billions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019 forecast
Capital investment (acceptance basis)	5.8	5.1	10.0	12.5	12.0
Capital investment (approval basis)	4.8	13.2	22.1	17.0	13.0
Depreciation and amortization	8.8	7.9	7.9	8.3	9.1
Research and development expenses	3.7	3.6	3.7	3.6	3.7
Overseas sales	23.1	21.6	24.2	24.5	24.5
Interest-bearing debt	12.6	12.3	12.1	11.6	11.5

(Billions of yen)



# Historical Reference for Consolidated Performance



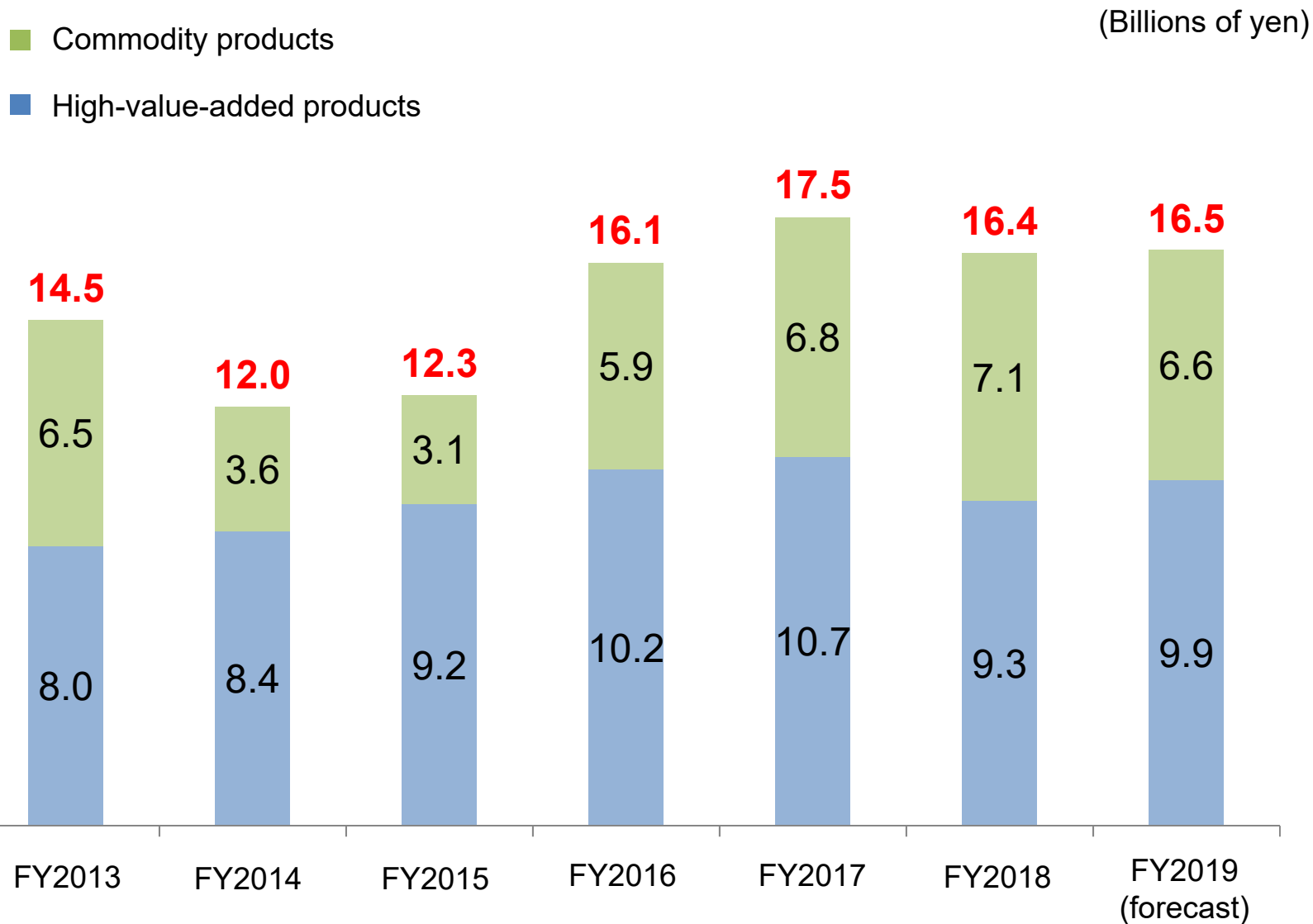
## Overview of Consolidated Subsidiaries (FY2019 Forecast)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2018	FY2019 forecast	FY2018	FY2019 forecast	FY2018	FY2019 forecast
1 Toa Techno-Gas	Commodity Chemicals	100	4,940	4,714	634	426	449	306
2 (Oita Chemical)	↓	91.15	14,784	16,453	27	(34)	(64)	(51)
3 Toagosei Singapore	↓	100	5,036	2,434	(170)	(335)	(96)	(286)
4 (MT Ethylene Carbonate)	↓	90	586	592	6	6	5	6
5 MT AquaPolymer	Polymer & Oligomer	51	10,640	11,009	480	725	342	507
6 Taiwan Toagosei	↓	100	1,116	1,134	62	61	46	49
7 Toa-Jet Chemical	↓	51	1,773	1,786	53	36	57	30
8 TOA-DIC Zhangjiagang Chemical	↓	76.12	1,716	1,788	114	104	91	77
9 Toagosei (Thailand)	↓	100	0	1,818	(247)	42	(285)	(108)
10 Toagosei America	Adhesive Material	100	1,855	2,090	141	119	118	103
11 (Aron Packaging)	↓	100	277	267	16	1	11	1
12 Toagosei Hong Kong	↓	100	317	330	32	35	79	30
13 Toagosei (Zhuhai)	↓	100	435	613	105	89	77	64
14 Aronkasei	Plastics	100	27,190	27,997	1,448	1,990	1,061	1,333
15 Aronkasei (Thailand)	↓	100	-	-	(11)	(103)	(11)	(104)
16 TOA Kogyo	Other	100	991	990	(2)	9	2	9
17 Toa Business Associe	↓	100	1,950	1,903	106	50	67	35
18 TG Corporation	↓	100	12,278	12,112	351	340	239	236
19 (Toa Logistics )	↓	100	1,448	402	8	2	21	2
20 (Shikoku Toa Logistics )	↓	70	1,276	1,138	5	2	4	1
21 (Hokuriku Toa Logistics)	↓	90	152	42	0	1	0	1
Simple aggregation			88,760	89,612	3,158	3,566	2,213	2,241

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

# Operating Income Trend for High-Value-Added Products and Commodity Products





## Launch of “ARON NT-Z” water-absorbent resin for cosmetics

Using our core technologies of controlling polymer microparticles, we developed a cosmetics material that is effective in moisturizing the skin and erasing wrinkles, and began its sales in 2018.

## Launch of “ARON TACK MPT Series” of segregated adhesives

This product, which uses segregated tackifiers for certain adhesive surfaces, has high heat resistance, transparency, and flexibility, and displays strong adhesiveness on poorly adhesive materials such as polypropylene. Applications include consumer home electronics, automobile interiors, and clothing.

## Development of ester interchange ARONIX (UV-curable resin)

We succeeded in mass production of high-purity, low-viscosity acrylate using our unique new catalyst. It is now being developed for electronic materials, where high-purity is demanded, and automobile materials and paints, for which durability is required.





## “Aron Mighty AF700” low dielectric constant adhesive film

We developed a low dielectric constant adhesive agent for FPC compatible with high-speed, high-capacity telecommunications such as 5G telecommunications and 8K television.

## Sales launch of “ShoeGoo × Aron Alpha”

This product was jointly developed with ShoeGoo, a major manufacturer of shoe repair materials, for mending shoe soles. It has been on sale at mass shoe retailers, DIY stores, and sports equipment stores nationwide since October 2018.



## Aron Alpha online advertisement to empower youth

Coming-of-age stories Version 2 “Secchaku Nine!” and Version 3 “Tsuki no Kamisama” were big hits. These animated promotional videos aimed at young people have increased product recognition.

\* Versions 1-3 have reached more than 22.52 million cumulative views on YouTube (as of January 31, 2019).

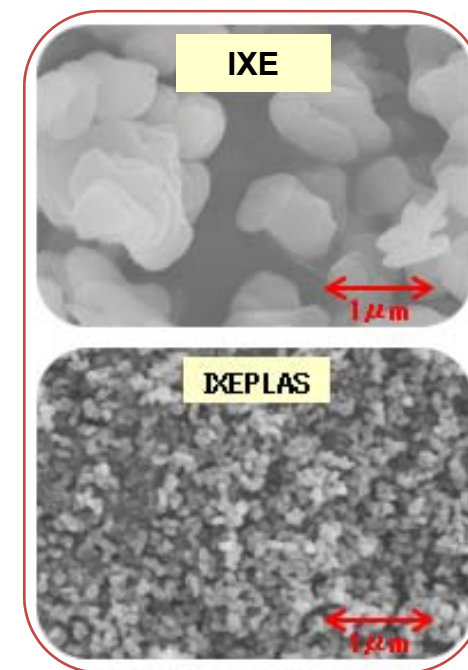


## Performance Chemicals Segment

### **Adoption of ion-trapping agent “IXEPLAS” moves into full gear**

Comprising sub-micron-level fine particles, IXEPLAS displays equal or greater ion-trapping capability with less additives than previous products.

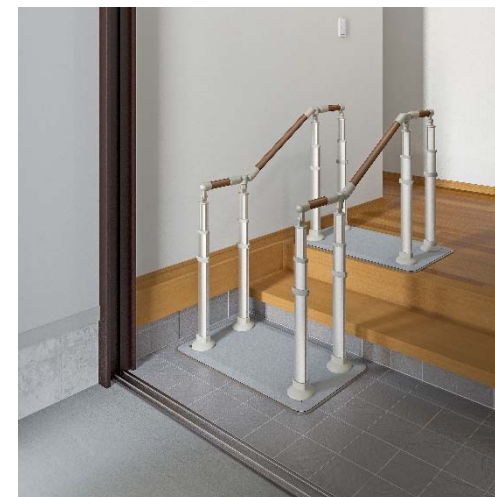
It has been fully adopted as a key material for controlling the lowered insulation associated with thinner and more compact FPC, etc.



## Plastics Segment

### **Strong sales of “ATTOGRIP AT-C Series”**

The ATTOGRIP AT-C is a handrail that can be easily installed simply by placing it on the floor. Since its launch in 2016, it has been well received by people who have difficulty moving around. We now offer a series of ATTOGRIP products including the “type for installation in small spaces” and the “telescoping type.”



## Status of progress on Toagosei Thailand Project

### **Full-scale operations begun at acrylic polymer plant and construction started on elastomer plant**

Production of high-function acrylic polymers began in August 2018, and we are expanding into the automobile, pharmaceutical and cosmetics, and coating fields.

The elastomer compound plant is scheduled to start operations in 2019.



## Strengthening development of mobility-related products

### **Promoting development of automobile-related materials through integrated research and sales**

In order to accelerate development of mobility-related materials, which is one of the three priority strategy areas set out in the medium-term management plan, we established an integrated research and sales organization centered on the “Mobility Products Development Project” in January 2019.

## 75th Anniversary Project

Turning chemistry's wonders into future inspiration

### **Establishment of new corporate philosophy**

On the occasion of our 75th anniversary in 2019, we established a new corporate philosophy: "Through the endless possibilities of chemistry, we bring happiness created by highly functional materials." With a view to the future, we have clarified the Toagosei Group's reason for being and the values we share.



## Becoming official sponsor of "T League"

### **Toagosei becomes official sponsor of a new table tennis league**

We became an official sponsor of T League with the aim of increasing recognition of the Toagosei Group by enhancing our CSR activities and sponsoring sports. Through our support for T League activities, we will help foster future athletes and contribute to the promotion of sports culture.



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## Promoting greater operational efficiency at indirect departments

### **Integration of purchasing, order reception, and management departments within the Group**

We will introduce RPA, etc. in order to shift human resources to higher-added-value operations and boost productivity. We will promote further operational efficiencies with this move.

We plan to integrate office processing work such as purchasing, order reception, finance and accounting, and personnel and general affairs within the Group. We will aim to reduce work hours by 15% by 2021 compared to 2017.

