



Financial Results for 2Q FY2019

August 8, 2019

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

Scope of consolidation

Number of consolidated subsidiaries: 21 (no change)

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

		2018 2Q	2019 2Q	Change	
Net sales	(Millions of yen)	73,148	72,023	-1,124	-1.5%
Operating income	(Millions of yen)	7,801	7,305	-495	-6.4%
Operating income ratio		10.7%	10.1%	-0.6%	—
Ordinary income	(Millions of yen)	8,299	8,053	-246	-3.0%
Net income attributable to owners of parent	(Millions of yen)	5,998	5,537	-460	-7.7%
Net income per share	(Yen)	45.57	42.07	-3.5	—
Interim dividend [annual dividend]	(Yen)	14.0 (28.0)	15.0 (30.0)	1.0(2.0)	

<Business Environment>

Although the Japanese economy remained solid, the uncertainty about the global economy increased, due to the prolonged trade war between the U.S. and China, among other factors.

- **A heightened sense of caution about the outlook for both domestic and overseas economies**

<Financial Results for 2nd Quarter of FY2019>

1. The business performance varied depending on the segment:
Income decreased but profit increased in the Commodity Chemicals segment.
Income and profit increased in the Polymer & Oligomer segment.
Income and profit decreased in the Adhesive Material segment.
Income increased but profit decreased in the Performance Chemicals and Plastics segments.
2. The slump in the Adhesive Materials segment in Japan and overseas was a factor in the downturn in the business performance.
3. Active investments in acrylic downstream products and performance chemicals progressed smoothly.
 - Contribution to the profit expected from the second half of the FY2019 onwards

Consolidated Results (by Segment)

Net sales (by consolidated segment)

(Millions of yen)

	2018 2Q	2019 2Q	Changes in net sales		
			Volume	Unit price	Change
Commodity Chemicals	33,887	32,692	-1,702	507	-1,195
Polymer & Oligomer	14,531	14,566	-284	319	35
Adhesive Material	5,849	5,475	-443	70	-373
Performance Chemicals	4,023	4,113	81	8	89
Plastics	13,253	13,285	-141	172	31
Other	1,602	1,889	287	0	287
Total	73,148	72,023	-2,203	1,079	-1,124

Operating income (by consolidated segment)

(Millions of yen)

	2018 2Q		2019 2Q		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	2,709	8.0%	2,805	8.6%	96
Polymer & Oligomer	1,731	11.9%	1,922	13.2%	191
Adhesive Material	1,270	21.7%	757	13.8%	-512
Performance Chemicals	1,316	32.7%	1,197	29.1%	-119
Plastics	673	5.1%	579	4.4%	-93
Other/adjustments	101	—	43	—	-57
Total	7,801	10.7%	7,305	10.1%	-495

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

[Other income/expenses]

(Millions of yen)

	2018 2Q	2019 2Q	Change
Interest and dividend income	465	644	179
Equity in earnings of affiliates	141	140	-1
Rent income on non-current assets	131	133	2
Miscellaneous income	82	114	32
Foreign currency exchange gain (loss)	(153)	33	187
Interest expense	(46)	(47)	-1
Environment readiness fee	(57)	(195)	-137
Cost of idle assets	(32)	(25)	7
Miscellaneous expenses	(32)	(51)	-21
Total	498	747	249

• Equity in earnings of affiliates

(Millions of yen)

	2018 2Q	2019 2Q	Difference
Elmer's & Toagosei	132	126	-5
Chubu Liquid Oxygen	10	14	4
Total	141	140	-1

[Extraordinary income/loss]

(Millions of yen)

	2018 2Q	2019 2Q	Change
Gain on sales of non-current assets	5	3	-2
Gain on sales of investment securities	0	5	5
Subsidy income	323	9	-314
Loss on disposal of non-current assets	(50)	(28)	21
Total	278	(10)	-289

• Subsidy income

FY2018: Subsidy for assistance to promote energy-efficient investment (Upgrading a potash electrolysis facility at Nagoya Plant)

• Loss on disposal of non-current assets

FY2018: Takaoka Plant building removal expenses

• Exchange rate (Yen/USD)

Jun. 30, 2018	Dec. 31, 2018	Jun. 30, 2019
110.54	111.00	107.79

Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2018	Jun. 30, 2019	Change
Cash and deposits	32,676	36,386	3,710
Notes and accounts receivable	45,154	41,245	-3,909
Securities	46,000	44,000	-2,000
Inventories	16,541	17,907	1,366
Other current assets	1,492	1,327	-168
Non-current assets ①	67,723	71,606	3,883
Investment securities	27,792	27,423	-369
Other non-current assets	3,780	4,222	442
Total assets	241,164	244,118	2,954
Notes and accounts payable	16,472	14,832	-1,640
Bank loans and debt	11,692	11,613	-79
Accrued income taxes	2,864	2,256	-608
Other liabilities ②	18,836	21,201	2,365
Total liabilities	49,867	49,904	37
Total net assets ③	191,296	194,213	2,917
Total liabilities and net assets	241,164	244,118	2,954

[Balance Sheet]

① Non-current assets increased because of active capital investment, among other factors.

② Accounts payable increased.

③ Retained earnings increased.

Cash Flows

(Millions of yen)

	2018 2Q	2019 2Q	Change
Cash flows from operating activities	14,176	13,104	-1,071
Cash flows from investing activities	(6,988)	(8,148)	-1,160
Free cash flow	7,187	4,955	-2,231

Overview of Consolidated Subsidiaries (Results for 2nd Quarter of FY2019)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			2018 2Q	2019 2Q	2018 2Q	2019 2Q	2018 2Q	2019 2Q
1 Toa Techno-Gas	Commodity Chemicals	100	2,468	2,250	344	142	247	106
2 (Oita Chemical)	↓	91.15	6,556	6,622	18	(14)	(32)	(26)
3 Toagosei Singapore	↓	100	3,494	1,753	(2)	51	28	90
4 (MT Ethylene Carbonate)	↓	90	305	265	2	2	2	2
5 MT AquaPolymer	Polymer & Oligomer	51	5,196	5,148	308	367	220	254
6 Taiwan Toagosei	↓	100	510	569	25	26	18	22
7 Toa-Jet Chemical	↓	51	891	865	29	42	31	43
8 TOA-DIC Zhangjiagang Chemical	↓	90	891	792	94	25	74	17
9 Toagosei (Thailand)	↓	100	-	129	(99)	(72)	(99)	(127)
10 Toagosei America	Adhesive Material	100	945	865	74	(3)	95	30
11 (Aron Packaging)	↓	100	140	131	9	0	6	0
12 Toagosei Hong Kong	↓	100	143	138	13	13	60	74
13 Toagosei (Zhuhai)	↓	100	195	205	42	37	31	33
14 Aronkasei	Plastics	100	13,264	13,300	673	640	538	444
15 Aronkasei (Thailand)	↓	100	-	2	-	(24)	-	(24)
16 TOA Kogyo	Other	100	496	490	9	(14)	8	3
17 Toa Business Associe	↓	100	847	1,055	28	11	20	8
18 TG Corporation	↓	100	5,828	6,169	150	169	103	116
19 (Toa Logistics)	↓	100	1,238	222	14	11	10	25
20 (Shikoku Toa Logistics)	↓	70	634	619	3	0	2	0
21 (Hokuriku Toa Logistics)	↓	90	116	-	0	0	0	0
Simple aggregation			44,167	41,598	1,743	1,411	1,371	1,096

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

There has been a growing sense of economic slowdown in Japan and overseas in the second quarter, and concerns over economic downturn have become more serious in the third quarter.



1. Respond flexibly to changes in the business environment
2. Concentrate management resources on development of high- value-added products
3. Focus on efforts toward improved profitability in overseas businesses

Under difficult business environment, projects that we have actively invested in are expected to start contributing to the profit.

Consolidated Results Forecast for FY2019

(Millions of yen)

	FY2018 (A)	FY2019 1H	FY2019 2H (forecast)	FY2019 forecast (B)	Change (B-A)
Net sales	150,066	72,023	76,976	149,000	-1,066
Operating income	16,408	7,305	8,694	16,000	-408
Operating income ratio	10.9%	10.1%	11.3%	10.7%	-0.2%
Other income/expenses	994	747	252	1,000	5
Ordinary income	17,403	8,053	8,946	17,000	-403
Extraordinary income (loss)	88	(10)	110	100	11
Income before income taxes (a)	17,491	8,043	9,056	17,100	-391
Income taxes (b)	4,532	2,360	2,739	5,100	567
Tax rate (b)/(a)	25.9%			29.8%	3.9%
Net income attributable to non-controlling interests	210	144	155	300	89
Net income attributable to owners of parent	12,748	5,537	6,162	11,700	-1,048
Dividend (Yen)	28.00	15.00	15.00	30.00	2.00
<Reference>					
Average exchange rate (Yen/USD)	¥110.49	¥110.89	¥110.00		
Naphtha price (Yen/kl)	¥51,075	¥43,300	¥47,000		

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	67,000	-2,908	[Increase] Sodium hypochlorite [Decrease] Acrylic monomer, industrial gases
Polymer & Oligomer	29,506	29,900	394	[Increase] Acrylic polymer, flocculants [Decrease] UV-curable resin
Adhesive Material	11,914	11,700	-214	[Decrease] Instant glues, functional adhesives
Performance Chemicals	8,095	8,500	405	[Increase] Liquefied hydrogen chloride
Plastics	27,167	28,100	933	[Increase] Piping equipment, products for construction and civil engineering, nursing care products, elastomer compounds
Other	3,474	3,800	326	
Total	150,066	149,000	-1,066	

Operating income

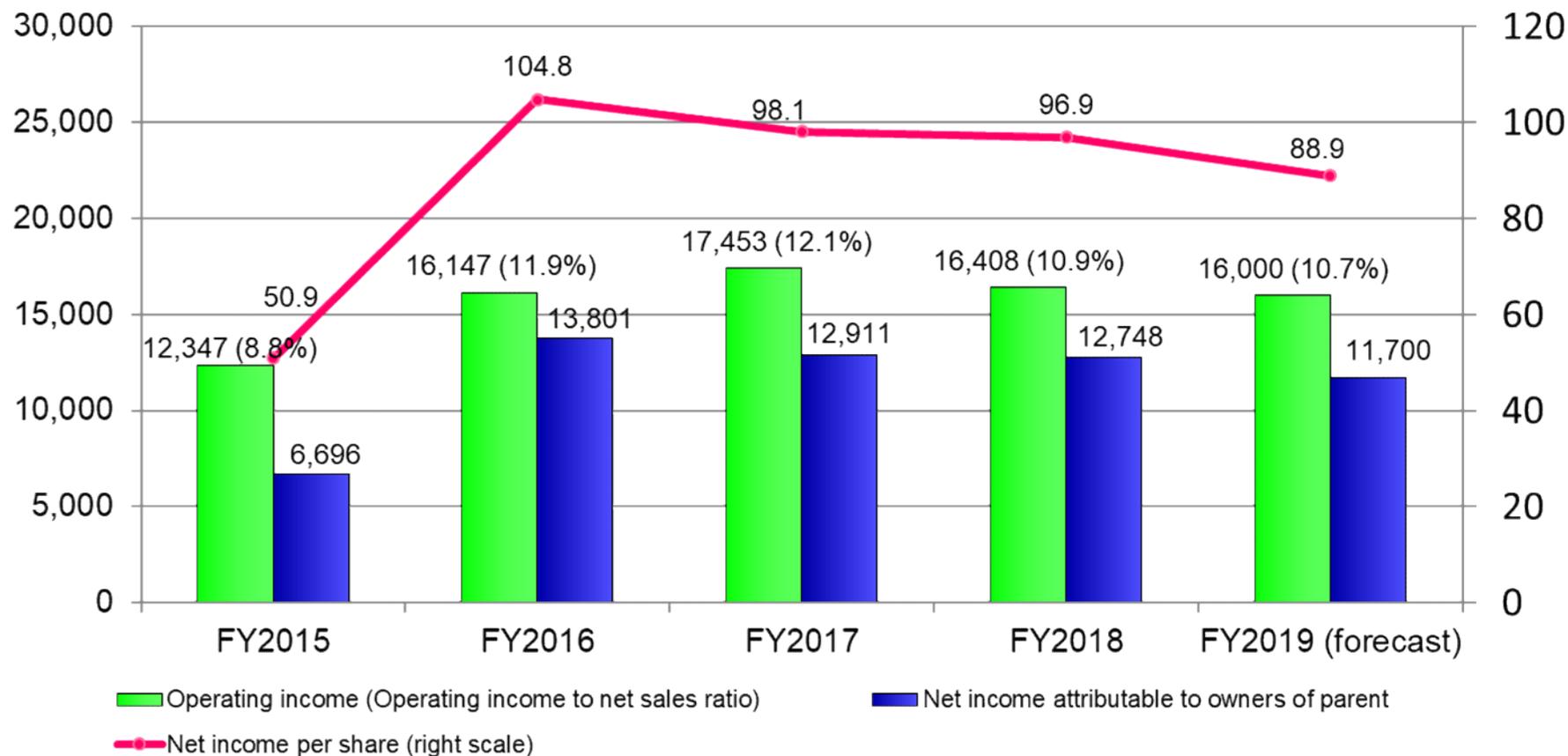
(Millions of yen)

Figures in square brackets are operating income ratio.

	FY2018 results		FY2019 forecast		Change	Factors for change
Commodity Chemicals	6,654	[9.5%]	6,100	[9.1%]	-554	[Increase] Sodium hypochlorite [Decrease] Industrial gases
Polymer & Oligomer	2,977	[10.1%]	3,700	[12.3%]	723	[Increase] Acrylic polymer, flocculants, UV-curable resin
Adhesive Material	2,567	[21.5%]	1,800	[15.3%]	-767	[Decrease] Instant glues, functional adhesives
Performance Chemicals	2,548	[31.5%]	2,600	[30.5%]	52	[Increase] Liquefied hydrogen chloride [Decrease] Inorganic functional materials
Plastics	1,427	[5.3%]	1,600	[5.6%]	173	[Increase] Piping equipment [Decrease] Elastomer compounds
Other	233	-	200	-	-33	
Total	16,408	[10.9%]	16,000	[10.7%]	-408	

(Millions of yen)

(Yen)



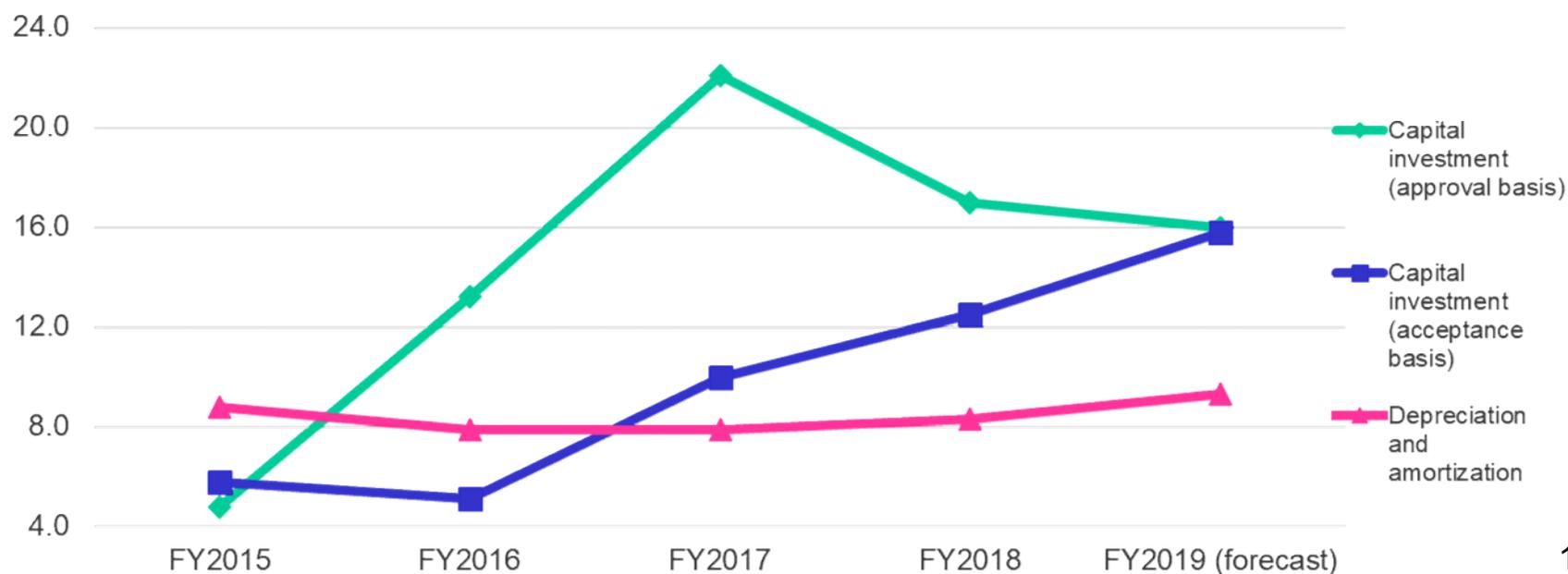
* The Company conducted a 1-for-2 stock consolidation of its common stock whose effective date was July 1, 2015. Net income per share is calculated based on the assumption that the stock consolidation was conducted at the beginning of each fiscal year.

Reference for Consolidated Performance

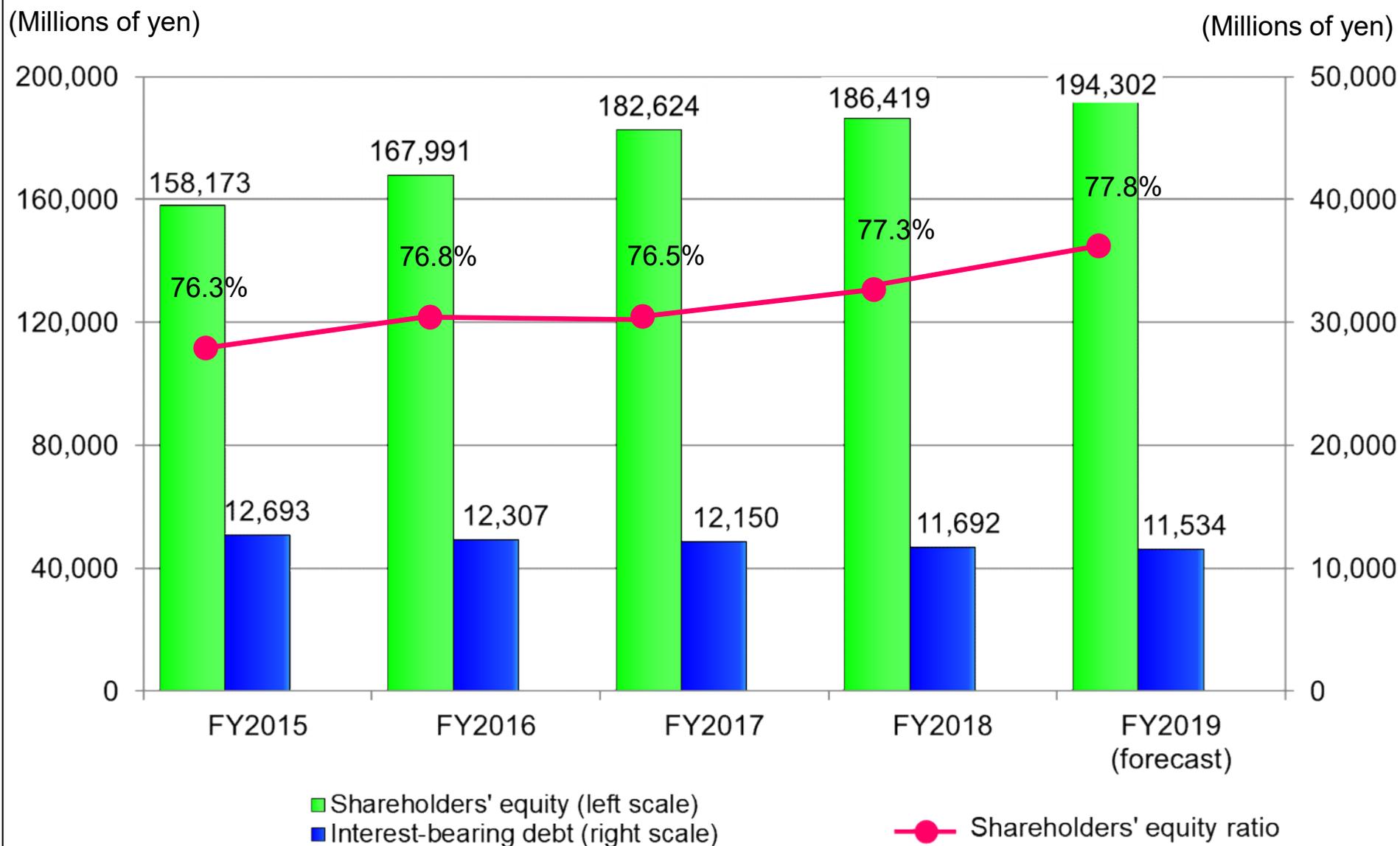
(Billions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019 forecast
Capital investment (acceptance basis)	5.8	5.1	10.0	12.5	15.8
Capital investment (approval basis)	4.8	13.2	22.1	17.0	16.0
Depreciation and amortization	8.8	7.9	7.9	8.3	9.3
Research and development expenses	3.7	3.6	3.7	3.6	3.7
Overseas sales	23.1	21.6	24.2	24.5	25.0
Interest-bearing debt	12.6	12.3	12.1	11.6	11.5

(Billions of yen)



Historical Reference for Consolidated Performance

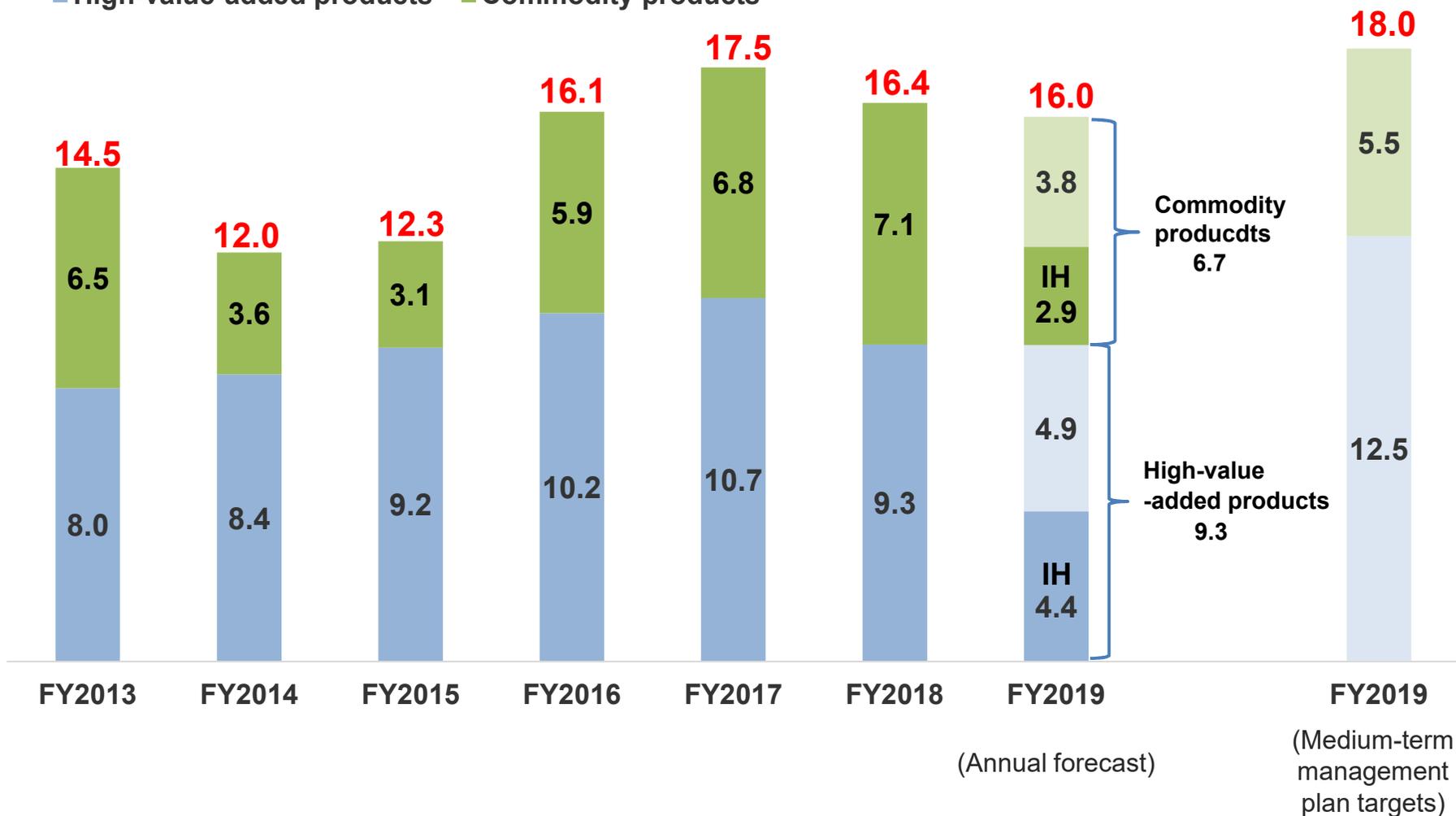


* "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. have been applied since 2019. These partial amendments have been retrospectively applied to shareholders' equity ratios.

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

(Billions of yen)

■ High-value-added products ■ Commodity products



Development of “CXP,” a soil improvement agent as a measure against liquefaction

We developed “CXP,” a complex polymer-based soil improvement agent in collaboration with KONOIKE CONSTRUCTION CO., LTD.

It has higher durability and quicker hardening than a liquid glass-based injectant, which is currently a mainstream product, even in an alkaline soil. In addition, it ensures higher safety with a low impact on aquatic organisms.

We will obtain technical evaluations from public institutions and start full-scale sales.



An Aron Alpha online short video to empower youths received five advertising awards in six categories

Animated promotional videos aimed at young people were big hits last year. In particular, Version 1 “Kimi ni, Kuttsuke!” was highly regarded for its “fun,” “expression,” and “novelty” that are not bound by the framework of advertisement, as well as for its video play counts, and won awards in six categories, including “Gold Award, Dentsu Advertising Award.” We will also start distributing Version 4 “ARONALFIGHTER” in August 2019.



Gold Award,
Dentsu Advertising Awards



Performance Chemicals Segment

Completion of reinforcement of large container filling facilities for high-purity liquefied hydrogen chloride

In order to respond to robust demand for semiconductor and the Business Continuity Plan, we built a new filling facility for large containers at Tokushima Plant in addition to the one at Yokohama Plant.

We started full-scale shipment primarily for overseas markets.



Plastics Segment

Launch of a rollator "Ikotto Air"

We launched "Ikotto Air," a new type of rollator which incorporates the identity of a design by Anju.

The product weighs 3.9kg, achieving the lightest weight for rollators.

It will support users' casual outings.



Status of progress on Toagosei Thailand Project

- Phase 1 Acrylic polymer plant: Commercial production started**
Phase 2 Elastomer compound plant: Construction work in progress

We started shipping high-function acrylic polymers in April 2019. We have promoted sales and marketing activities in the automobile, pharmaceutical and cosmetics, and coating fields, which are our primary targets.

The construction of the elastomer compound plant is in progress to start operations in 2019.



Takaoka Creation Laboratory to be newly built

New base for development of adhesive agents scheduled for completion in the fall of 2020

It will be established for the purpose of reinforcing and expediting the development function of adhesive agent products.

It is intended to be an open and friendly facility to encourage collaborative creation with users and interaction with local communities, with a corner to display products including the instant glue “Aron Alpha” and a tour hall in it.

The construction will start in September 2019 and is scheduled to be completed in the fall of 2020.



Recognized as a Certified Health & Productivity Management Organization (White 500)

Promotion of maintenance and improvement of employee health.

The Group has set a goal of promoting health & productivity management, and has been promoting efforts to maintain and improve employee health in particular since 2018. For these activities, the company was recognized as a Certified Health & Productivity Management Organization (White 500) in a program jointly organized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi .



2019
健康経営優良法人
Health and productivity
ホワイト500

Support for the recommendations of the Task Force on Climate-related Financial Disclosures

Aim to become a company that contributes to the environment and the society

We have been promoting efforts such as reducing greenhouse gas emissions that cause global warming, and now decided to support the recommendations of the Task Force on Climate-related Financial Disclosures.

We will recognize risks and opportunities associated with climate change and promote information disclosures.